

Management Board Report on the
Activities of the WSE Group in 2014

February, 2015



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I. FOR THE SHAREHOLDERS

Letter of the President of the Management Board



Dear Sir or Madam,

It is with great pleasure that I present the Report of the Exchange Management Board on the activities of the Warsaw Stock Exchange Group and the consolidated financial statements for 2014.

The strength and the dynamic growth of the Polish economy will be a key driver of development of the WSE Group and Poland's capital market in the coming years. According to forecasts, the Polish economy will be one of the fastest growing economies in the European Union. In view of historically low interest rates and a record-high rate of savings in Poland, this will facilitate the reallocation of assets to the capital market. Combined with the recognisable brand and the strong position of WSE in the region of Central and Eastern Europe, close to a thousand listed companies, a diversified investor base and a professional team of employees, this will help us to effectively unlock our growth potential.

The commodity market operated by the Polish Power Exchange is one of the fastest growing segments of our activity. As measured by the volume of trade, PolPX is a leading market in the European Union. The volume of trade in electricity grew further in 2014 (+5.8%) while the liquidity of the gas market was 63%. The growth on the commodity market offset the lower dynamics of the financial market. Turnover on the equity market decreased by 6.7% to PLN 205.4 bn and the volume of trade in derivatives decreased by 24.9% in 2014. There were several reasons for this, including the valuation of Polish stocks at a premium in relation to the global portfolio of emerging market stocks, the pension fund reform, and the military conflict in Ukraine which restrained the interest of international investors in the CEE region.

Dynamic changes in the market environment prompted an update of the WSE Group strategy WSE.2020 in Q4 2014. Our main objective is to strengthen the role of WSE as the exchange of first choice for investors and issuers in Central and Eastern Europe. We are implementing a cost effectiveness programme which should provide savings of nearly PLN 20 mn per year as of 2017. We will invest a large part of the savings in the development of the financial market and the commodity market. The extent to which the savings will be reinvested depends on the achievement of our strategic target: to reduce the cost/income ratio from 58.6% in 2013 to less than 50% in 2020. We are working towards a closer integration of the Group including the creation of a shared services centre, reorganisation of the structure and optimisation of our real estate. As a result, we expect the revenues of the Group to grow by 7% CAGR by 2020 and EBITDA to be double that of 2013 at PLN 144.4 mn.

In 2014, we decided to focus on organic growth and consequently at this time we are not considering a capital alliance with CEE Stock Exchange Group AG. Following consultations with market participants, we have made other important decisions, including changes to the exchange indices by reinstating WIG20



as the leading index, and maintenance of the shorter trading schedule. We have decided to continue listing WIG20 futures with a multiplier of PLN 20 (futures with a multiplier of PLN 10 were delisted in mid-2014).

We closed 2014 at a robust net profit of PLN 112.3 mn, representing a decrease of 1.1% year on year. The lower revenue on the financial market (PLN 200.0 mn, -2.6% YoY) was more than offset by the revenue on the commodity market (PLN 114.5 mn, +50.6% YoY). As a result, the total sales revenue increased for another consecutive year (11.9% YoY) to PLN 317.6 mn. Our operating profit also improved: it was PLN 135.4 mn compared to PLN 118.6 mn in 2013. EBITDA increased by 13.7% to PLN 164.1 mn. In view of the strong growth of EBIT and EBITDA, the moderate decrease of the net profit is attributable to the lower profit of associates (PLN 3.7 mn compared to PLN 12.5 mn in 2013).

In 2014, as in previous years, we shared our profits with the shareholders. We paid out a dividend of PLN 1.2 per share, representing close to 45% of the consolidated net profit for 2013. While updating the WSE.2020 strategy, we have also made our dividend policy more attractive: the dividend payout ratio should be more than 60% of the profit of the WSE Group adjusted for the share of profit of associates starting with the distribution of the profit of 2014.

It is the intention of the Exchange Management Board to recommend to the General Meeting a payout of dividend at PLN 2.40 gross per share from the 2014 net profit (which implies a payout ratio close to 87% and a dividend yield of ca. 5.3% based on the stock price at 2014 YE) and PLN 2.60 gross per share from the 2015 net profit.

As important as growing shareholder value is that we conduct our business transparently and in accordance with the highest standards of corporate governance. As a result, WSE remains a participant of the RESPECT index portfolio which groups socially responsible companies. We will continue to pursue this policy in the coming years.

Yours faithfully,

Paweł Tamborski



Letter of the Chairman of the Supervisory Board



Dear Madam or Sir,

The strength of Warsaw lies in the dynamic growth of the Polish economy. The Polish capital market is maturing year after year while bringing its infrastructure and product offer in line with the European and global standards. Similar to well-developed economies, the capital market in Poland may and should provide the economy with a solid source of capital. The Warsaw Stock Exchange and its Group have a major role to play in this process.

Fast changes in the stock market landscape in Europe and around the world driven by technological progress and legislative change lead to questions and decisions of strategic importance to the Polish stock exchange and its group, in particular in view of the growing role within the Group of the commodity market operated by the Polish Power Exchange.

Consequently, in 2014, the Exchange Management Board of a new term of office presented a modified strategy approved by the Supervisory Board which provides that the value and position of the WSE Group will be built on organic growth. This approach derives from the WSE's strong belief in the great growth potential of the local capital and commodity market. It is the mission and purpose of the WSE Group to develop modern market infrastructure, to provide effective capital and commodity flow mechanisms, and to offer trading and clearing services of competitive quality and price which address the needs and expectations of WSE Group clients: companies, investors and intermediaries. These efforts are coupled with the development of an integrated, effective and professional business focused on building WSE shareholder value.

WSE has all the qualities and the potential necessary to become the financial hub of Central and Eastern Europe. This goal will not be simple or easy to achieve and potential success depends not only on the Exchange but rather on the determination and collaboration of all capital market participants. However, the potential of the Exchange as an important mechanism financing the Polish economy has not yet been fully unlocked. It is always important to remind businesses that raising capital on the exchange is the right way and a complementary option. We can do a lot about it together.

Yours faithfully,

Wiesław Rożucki



I. 1 Brief Description of the WSE Group

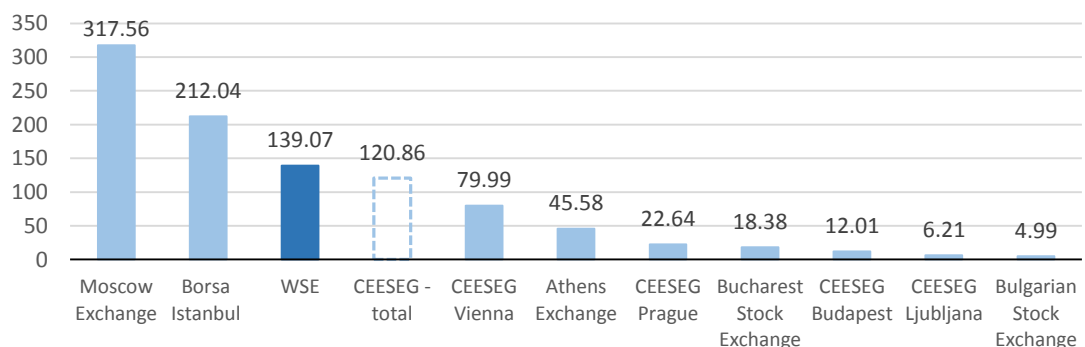


Giełda Papierów Wartościowych w Warszawie S.A. (“Warsaw Stock Exchange”, “WSE”, “Exchange”, “Company” or “parent entity”) is the parent entity of the Giełda Papierów Wartościowych w Warszawie S.A. Group (“Group” or “WSE Group”).

Warsaw Stock Exchange is a leading financial instruments exchange in Emerging Markets Europe (EME)¹ and Central and Eastern Europe (CEE),² and one of the fastest growing exchanges in Europe. The markets operated by WSE list stocks and bonds of nearly a thousand local and international issuers. The Exchange also offers trade in derivatives and structured products, as well as information services. Close to 25 years of experience, high safety of trading, operational excellence and a broad range of products make WSE one of the most recognised Polish financial institutions in the world.

The capitalisation of domestic companies listed on the WSE Main Market was EUR 139.1 bn at the end of 2014. In this respect, WSE is second only to the Turkish and Russian markets in CEE and EME while being three times bigger than the Greek stock exchange and more than six times the size of the Prague stock exchange. The capitalisation of WSE at the end of 2014 was 15.1% bigger than the total capitalisation of all CEESEG³ exchanges put together.

Figure 1 Capitalisation of the WSE Main Market v. peer group (2014, EUR bn)⁴



Source: Federation of European Securities Exchanges (FESE), for the Moscow Exchange: data after the World Federation of Exchanges (WFE) converted from USD to EUR at the exchange rate at the year’s end

¹ EME – Emerging Markets Europe: Czech Republic, Greece, Hungary, Poland, Russia, Turkey.

² CEE – Central and Eastern Europe: Czech Republic, Slovenia, Poland, Austria, Bulgaria, Romania, Slovakia, Slovenia.

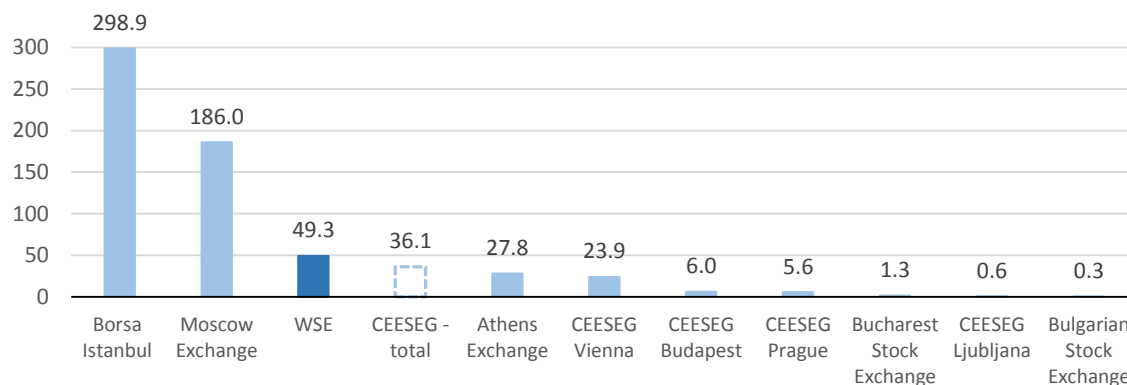
³ CEESEG – CEE Stock Exchange Group: Austria, Czech Republic, Slovenia, Slovenia.

⁴ Capitalisation of domestic companies (excluding foreign companies).



The value of trading in equities on the Electronic Order Book (EOB)⁵ on the WSE Main Market was EUR 49.3 bn in 2014, representing a decrease of 6.2% year on year. At the same time, the total turnover on the CEESEG exchanges was 26.9% lower than the trading in equities on the WSE Electronic Order Book.

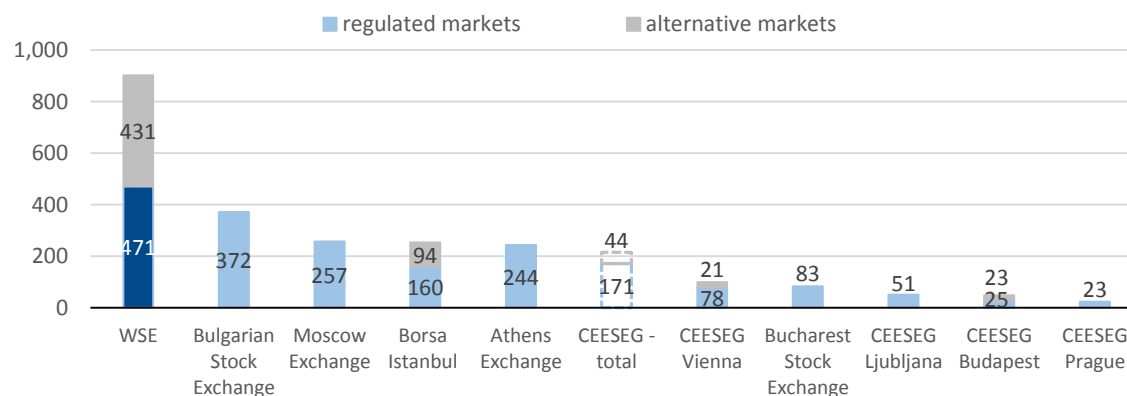
Figure 2 Value of trading on the WSE Main Market v. peer group (2014, EOB, EUR bn)



Source: FESE, for the Moscow Exchange: data after WFE converted from USD to EUR at the mid exchange rate of 2014

WSE is the CEE and EME leader by the number of listed companies (domestic and international). The Main Market listed 471 issuers and NewConnect listed 431 issuers at the end of 2014.

Figure 3 Number of companies listed on WSE v. peer group (2014)



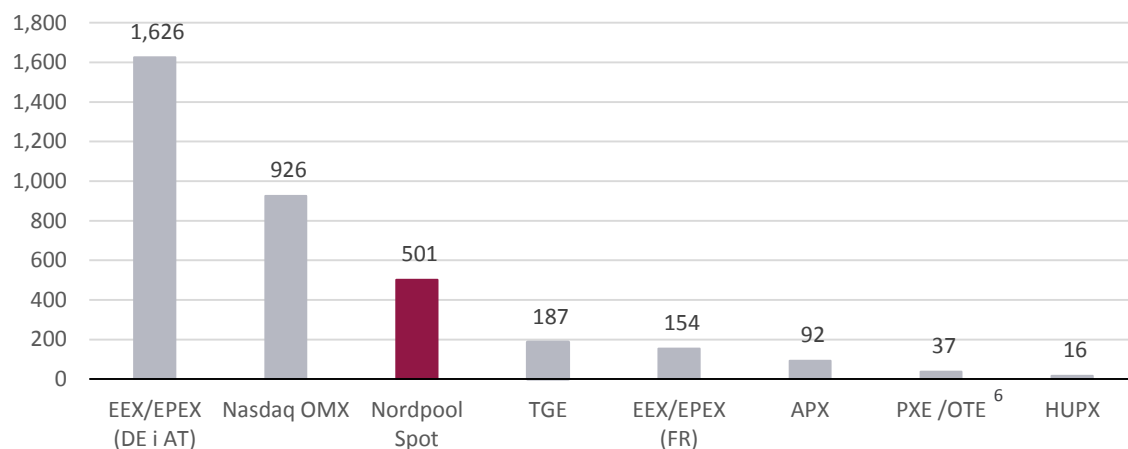
Source: FESE, for the Moscow Exchange: data after WFE

WSE Group operates a financial market as well as a commodity market including one of the most liquid electricity markets in Europe. In addition to trade in electricity, the commodity market also offers trade in natural gas, property rights in certificates of origin, as well as CO₂ emission allowances. The WSE Group also operates a register of certificates of origin and through the subsidiary Warsaw Commodity Clearing House (WCCH) it clears transactions on the commodity market.

⁵ EOB – Electronic Order Book excluding block trades.

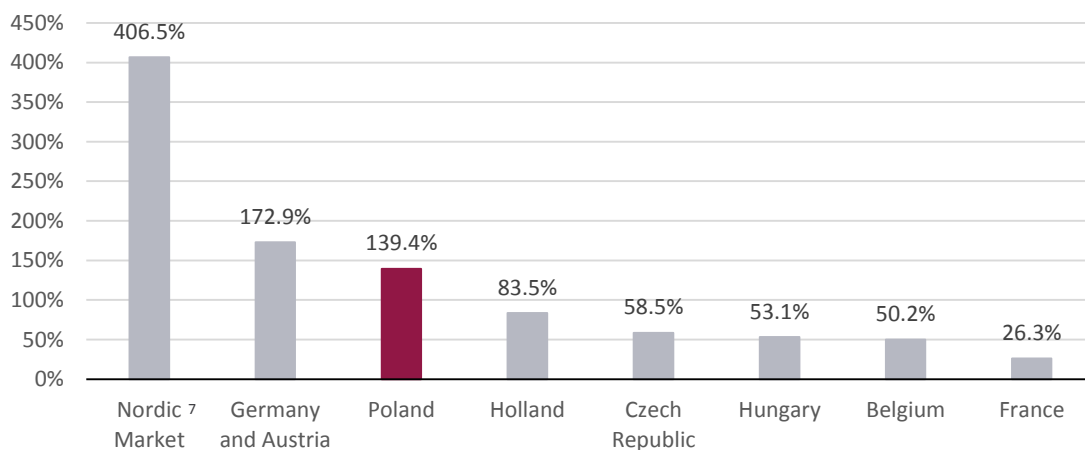


Figure 4 Turnover on the electricity markets in 2014 (in TWh)



Source: Exchanges, own study

Figure 5 Liquidity on electricity markets in 2014⁷



Source: PolPX, Enerdata, Eurostat, Hungarian Statistical Office, Energinet.dk (entry on 16.01.2015)

Post-trade services including depository, clearing and settlement services are offered by WSE's associate, the Central Securities Depository of Poland (KDPW), and its subsidiary KDPW_CCP.

The Warsaw Stock Exchange Group was comprised of one parent entity and six subsidiaries as at 31 December 2014. WSE holds a stake in three associates.

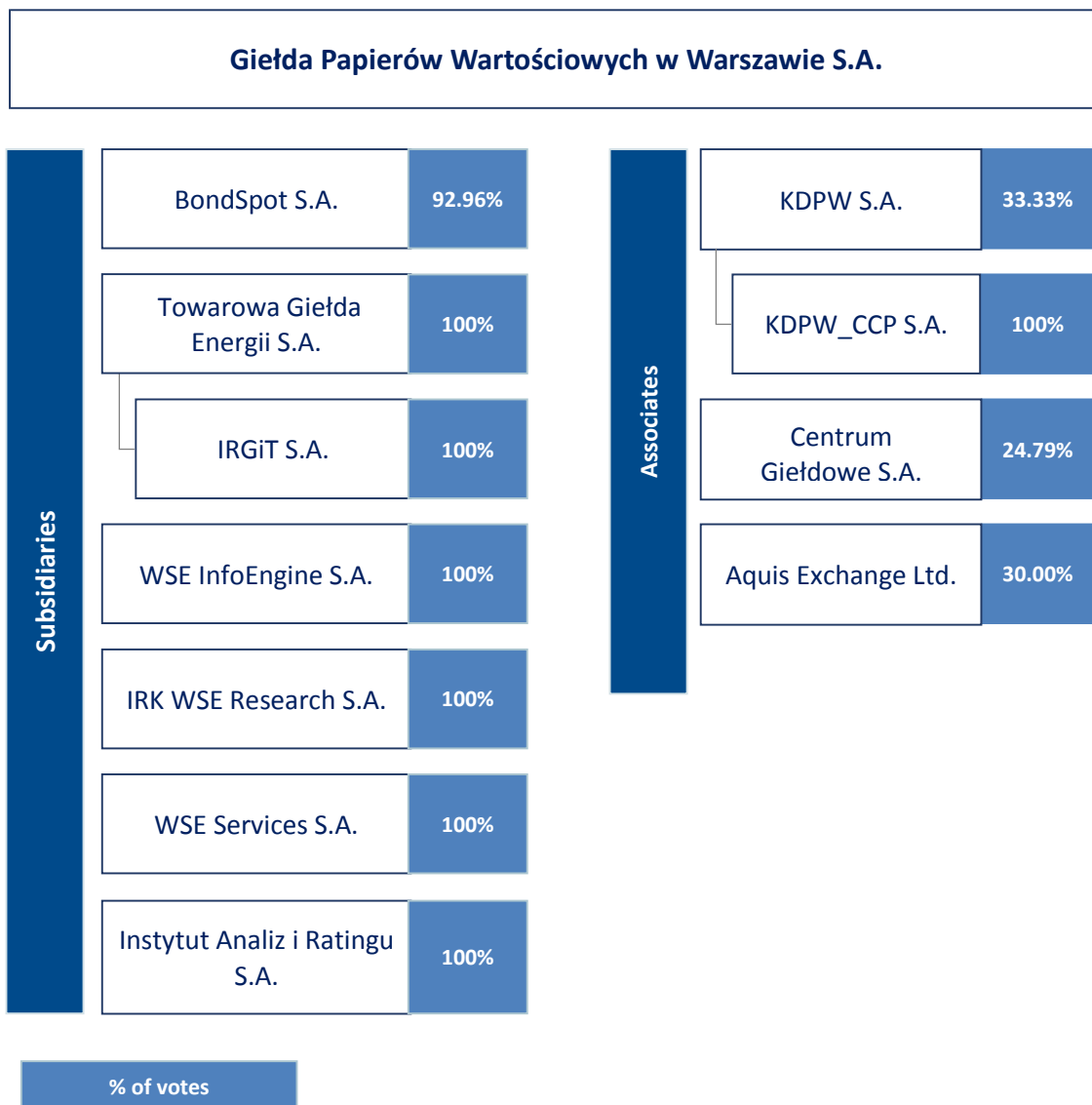
⁶ Total electricity volume traded on the PXE and OTE exchanges (located in Czech Republic) amounts to 37 TWh, of which 15.11 TWh is traded on OTE.

⁷ Liquidity understood as turnover to national consumption of electricity. Consumption data for 2013. Turnover net of registered bilateral contracts.

⁸ Denmark, Estonia, Latvia, Norway, Sweden.



Chart 1 WSE Group and associates



Source: WSE



Table 1 Core business of WSE Group companies

Subsidiary	Business profile
BondSpot S.A.	Operates trade in Treasury and non-Treasury debt securities.
Towarowa Giełda Energii S.A. (Polish Power Exchange, PolPX)	The only licensed commodity exchange in Poland, operates trade in electricity, gas fuels, emission allowances, property rights in certificates of origin of electricity, certificates of origin of biogas, energy efficiency certificates; operates the Register of Certificates of Origin of electricity generated from renewable energy sources and high-efficiency co-generation, agricultural biogas and energy efficiency certificates; operates the Register of Guarantees of Origin.
Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House, WCCH, a subsidiary of PolPX)	Operates a clearing and settlement system for transactions in exchange commodities ⁹ and financial instruments other than securities. ¹⁰
WSEInfoEngine S.A.	Operates an OTC trading platform, provides services to energy market participants: energy producers, energy traders, and industrial customers.
Instytut Rynku Kapitałowego – WSE Research S.A.	Provides IR/PR support services to companies listed on WSE, owns an online multimedia platform which supports communication among capital market participants (WSE Media).
WSE Services S.A.	Plans to provide back-office services (financial, accounting, administration, IT, HR services) to WSE Group companies.
Instytut Analiz i Ratingu S.A. (IAiR)	Established to close the gap in the rating offer for SMEs on the local market.

Source: WSE

⁹ Within the meaning of the Commodities Exchange Act.

¹⁰ Within the meaning of the Act on Trading in Financial Instruments.



Table 2 Core business of WSE associates

Associate	Business profile
Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland, KDPW)	Provides settlement of transactions on the regulated market and in ATS ¹¹ , operates a central securities depository, provides services to issuers; since 2012, operates a trade repository (KDPW_TR) and is authorised to issue LEI codes.
KDPW CCP S.A. (a subsidiary of KDPW)	Provides clearing of transactions on markets operated by WSE and BondSpot, manages clearing risk of such transactions; since December 2012, provides clearing and guarantees of clearing for OTC derivatives (OTC_CLEARING).
Aquis Exchange Ltd.	Organises a pan-European market in stocks as a multilateral trading facility (MTF); at the end of 2014, the platform offered trade in stocks of 407 companies in 12 countries.
Centrum Giełdowe S.A.	Manages, administers and operates the “Centrum Giełdowe” office complex at Książęca 4 in Warsaw and leases office space in the complex.

Source: WSE

In addition, WSE holds 10% of the Ukrainian stock exchange INNEX PJSC and 1.3% of the Romanian stock exchange S.C. SIBEX – Sibiu Stock Exchange S.A. Furthermore, WSE operates a representative office in Kiev and has a permanent representative in London.

The Group has no branches or ventures.

In 2015, the structure of the WSE Group is expected to change following the decision of the WSE Management Board to concentrate all commodity market assets of the WSE Group in the PolPX Group and to sell 100% of the OTC commodity market subsidiary WSEInfoEngine S.A. to the Polish Power Exchange. The sale of WSEInfoEngine is expected to be closed in the first half of 2015. The decision to sell WSEInfoEngine and consequently to recognise goodwill impairment losses of PLN 1.3 million was based on the belief of the WSE Management Board that PolPX is in a position to unlock the potential of the company.

In addition, the Exchange Management Board is considering to sell WSE’s subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. (IRK). The WSE Group is working to close the sale of IRK in the first half of 2015.

Furthermore, in February 2015, WSE signed two conditional agreements to buy 73,530 shares of the subsidiary BondSpot, representing 0.74% of the share capital of the Company, for PLN 306,620. Both transactions are conditional on the approval of the Polish Financial Supervision Authority for WSE to buy the shares.

¹¹ Alternative Trading System.



Chart 2 Business lines and product offer of WSE Group



Source: WSE

¹² Associate (WSE stake: 33.33%); offers post-trade services on the financial market.

¹³ 100% subsidiary of PolPX; offers post-trade services on the commodity market.

¹⁴ Register of Certificates of Origin operated by PolPX.

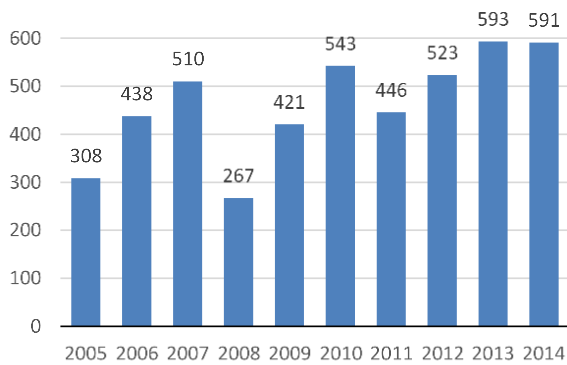
¹⁵ Register of Guarantees of Origin operated by PolPX.

¹⁶ Exchange Information Platform.

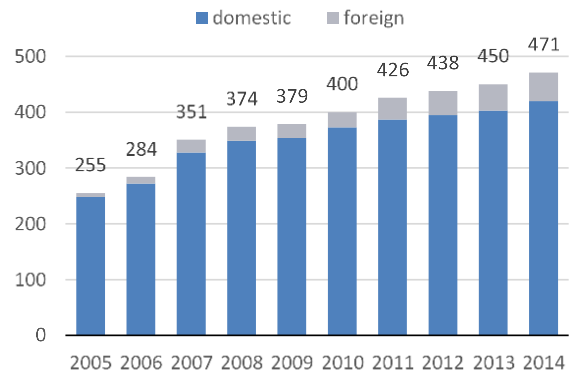


I. 2 Selected Market Data¹⁷

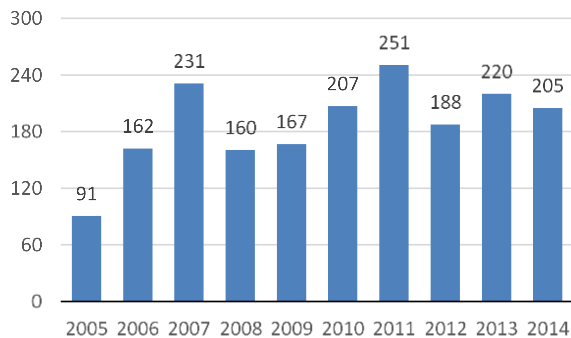
Capitalisation of domestic companies
- Main Market (PLN bn)



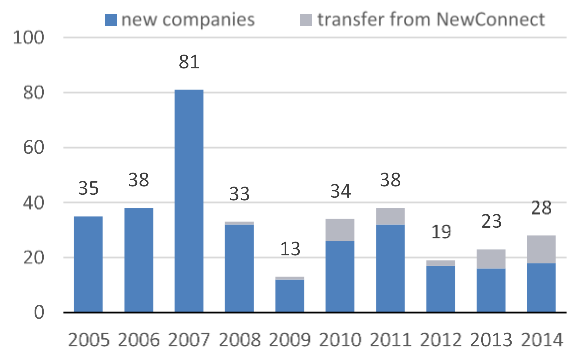
Number of companies - Main Market



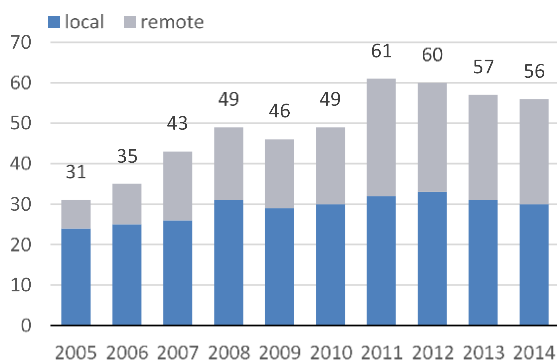
Session turnover on the Main Market -
equities (PLN bn)



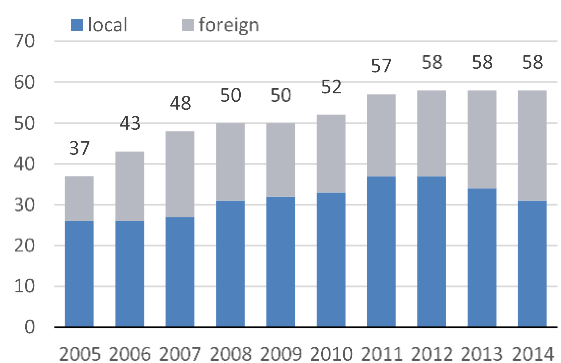
Number of new listings - Main Market



Number of WSE Exchange Members



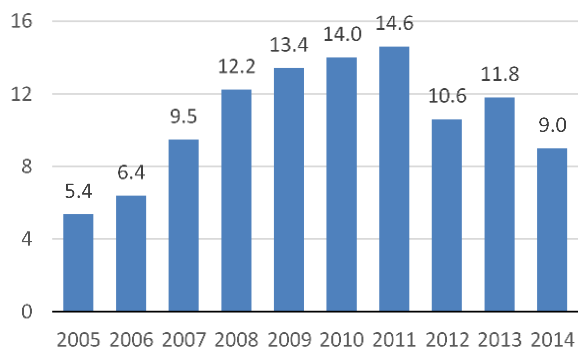
Number of data vendors



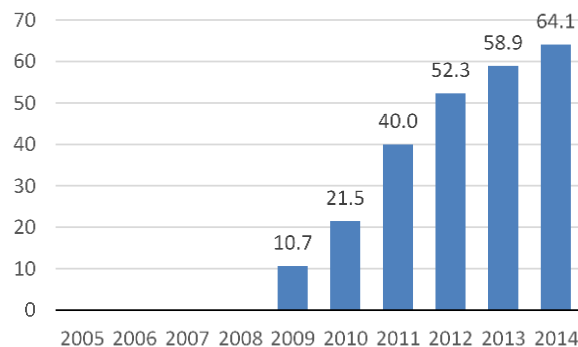
¹⁷ All trading volume and value statistics in this report are single-counted, unless indicated otherwise.



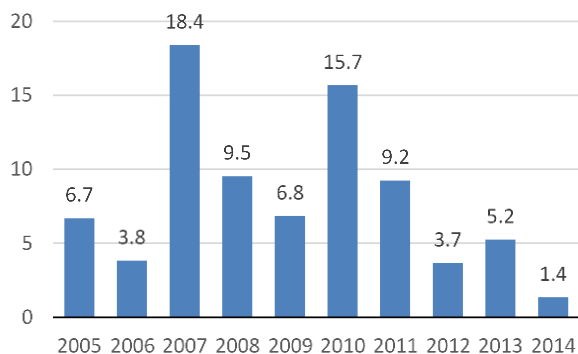
Turnover volume - futures contracts
(m contracts)



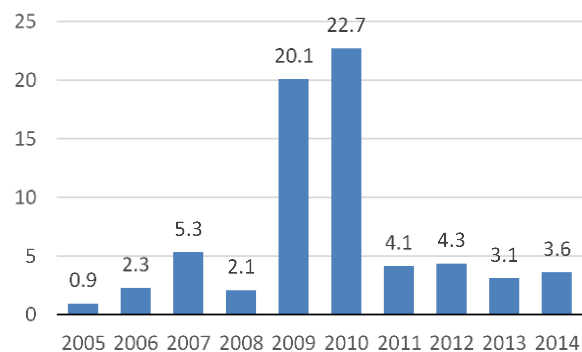
Catalyst¹⁸ - value of listed non-treasury bond issues (PLN bn)



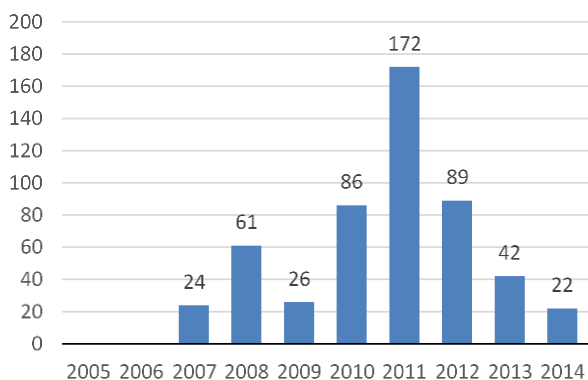
Value of primary offerings -
Main Market and NewConnect¹⁹ (PLN bn)



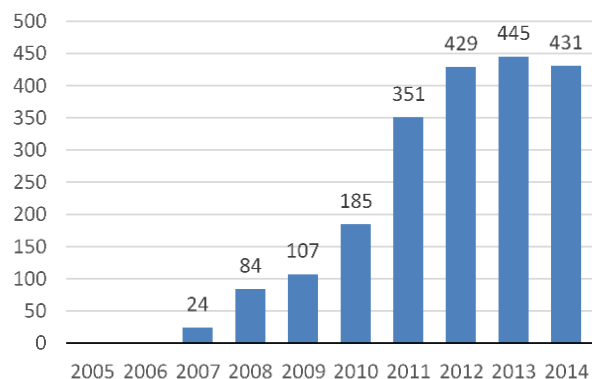
Value of secondary offerings -
Main Market and NewConnect (PLN bn)



Number of new listings - NewConnect¹⁹

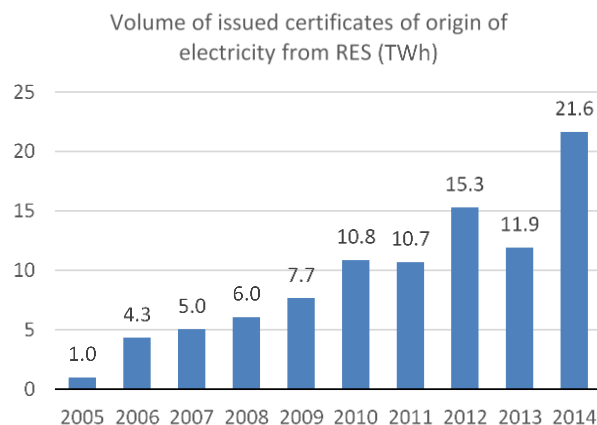
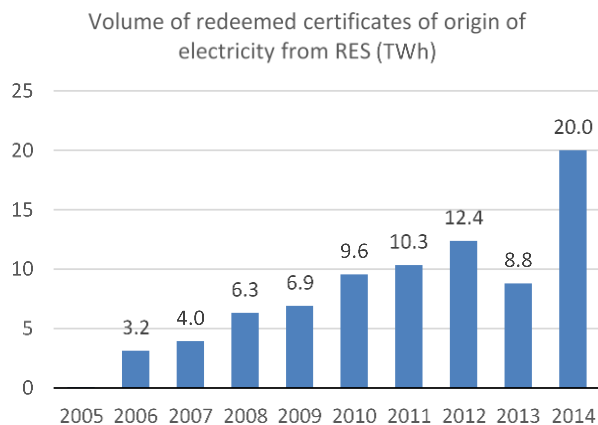
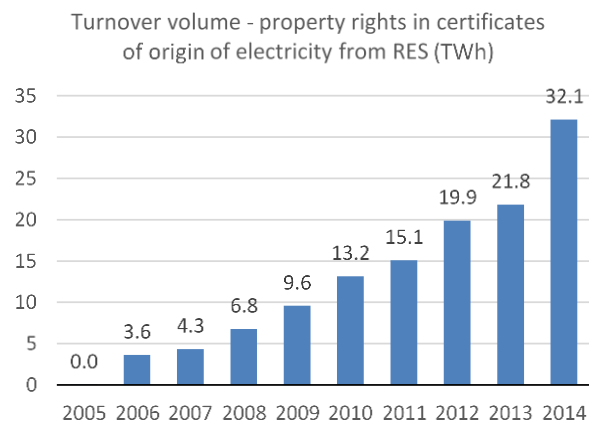
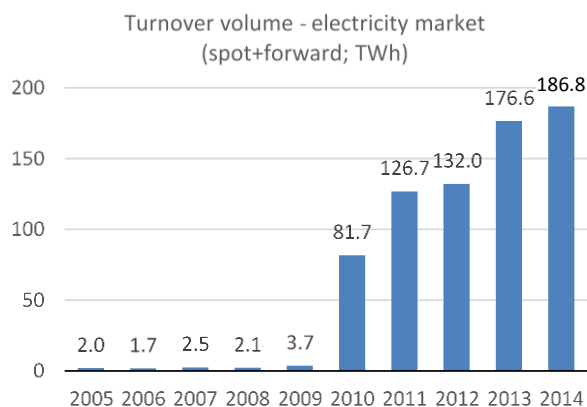
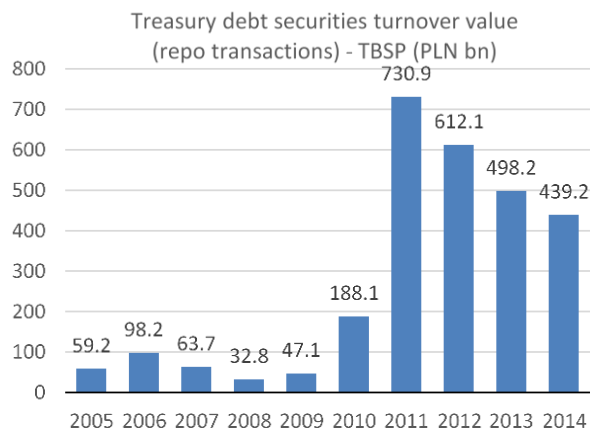
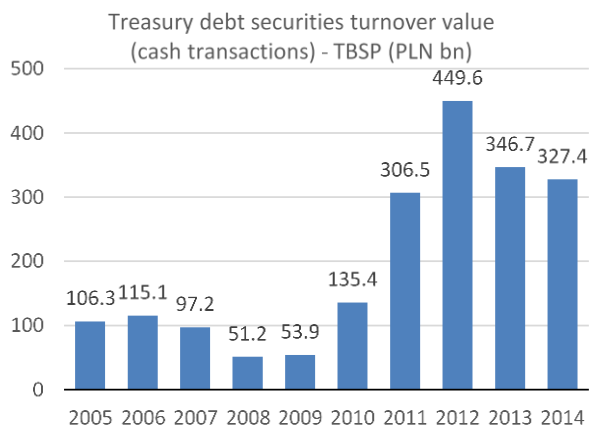


Number of companies - NewConnect



¹⁸ The Catalyst market was opened on 30 September 2009

¹⁹ The NewConnect market was opened on 31 August 2007





I. 3 Selected Financial Data

Table 3 Selected data on the statement of comprehensive income, consolidated, under IFRS, audited

	Year ended 31 December			
	2014		2013	
	PLN'000	EUR'000 ^[20]	PLN'000	EUR'000 ^[20]
Sales revenue	317,561	75,877	283,762	67,603
Financial market	199,962	47,778	205,254	48,899
Commodity market	114,453	27,347	75,995	18,105
Other revenue	3,146	752	2,513	599
Operating expenses	181,600	43,391	166,224	39,601
Other income	1,256	300	3,224	768
Other expenses	1,861	445	2,126	506
Operating profit	135,356	32,342	118,636	28,264
Financial income	10,360	2,475	10,917	2,601
Financial expenses	10,356	2,475	12,215	2,910
Share of profit of associates	3,745	895	12,494	2,977
Profit before income tax	139,105	33,237	129,832	30,931
Income tax expense	26,819	6,408	16,289	3,881
Profit for the period	112,286	26,829	113,543	27,050
Basic / diluted earnings per share ^[21] (PLN, EUR)	2.67	0.64	2.70	0.64
EBITDA^[22]	164,125	39,216	144,359	34,392

Table 4 Selected data on the statement of financial position, consolidated, under IFRS, audited

	As at			
	31 December 2014		31 December 2013	
	PLN'000	EUR'000 ^[23]	PLN'000	EUR'000 ^[23]
Non-current assets	572,710	134,366	576,421	138,990
Plant, property and equipment	119,762	28,098	124,042	29,910
Intangible assets	261,019	61,239	269,155	64,900
Investment in associates	188,104	44,132	158,540	38,228
Available-for-sale financial assets	207	49	20,955	5,053
Other non-current assets	3,618	849	3,729	899
Current assets	451,449	105,917	482,707	116,394
Trade and other receivables	42,594	9,993	34,792	8,389
Available-for-sale financial assets	10,503	2,464	118	28
Cash and cash equivalents	389,042	91,275	436,831	105,332
Other current assets	9,310	2,184	10,966	2,644
TOTAL ASSETS	1,024,159	240,283	1,059,128	255,384
Equity of the shareholders of the parent entity	699,350	164,078	636,985	153,594
Non-controlling interests	1,116	262	1,120	270
Non-current liabilities	259,419	60,864	249,578	60,180
Current liabilities	64,274	15,080	171,445	41,340
TOTAL EQUITY AND LIABILITIES	1,024,159	240,283	1,059,128	255,384

Table 5 WSE Group's selected financial ratios

	Year ended / As at	
	31 December 2014	31 December 2013
EBITDA margin (<i>EBITDA/Sales revenues</i>)	51.7%	50.9%
Operating profit margin (<i>Operating profit/Sales revenues</i>)	42.6%	41.8%
Return on equity (ROE) (<i>Profit for the last 12 months/Average equity at the beginning and end of the last 12 months</i>)	16.8%	19.0%
Debt to equity ratio (<i>Interest-bearing liabilities^[24]/Equity</i>)	34.9%	38.3%

²⁰ Based on average annual EUR/PLN exchange rates published by the National Bank of Poland (respectively: 1 EUR = 4.1852 in 2014 and 1 EUR = 4.1975 PLN in 2013).

²¹ Based on the net profit attributable to the shareholders of the parent entity.

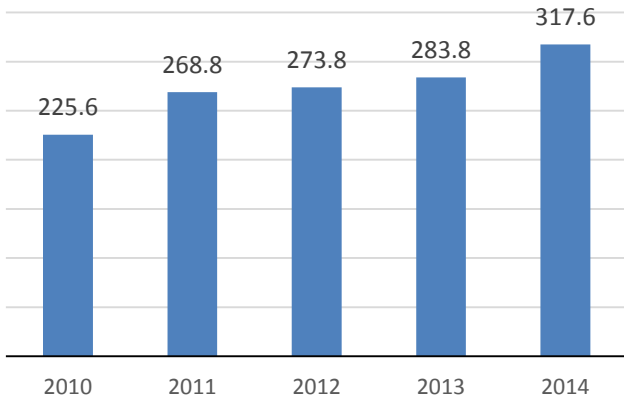
²² EBITDA = operating profit + depreciation and amortisation (without share of profit of associates)

²³ Based on average EUR/PLN exchange rates published by the National Bank of Poland on 31.12.2014 r. (1 EUR = 4.2623 PLN) and on 31.12.2013 r. (1 EUR = 4.1472 PLN).

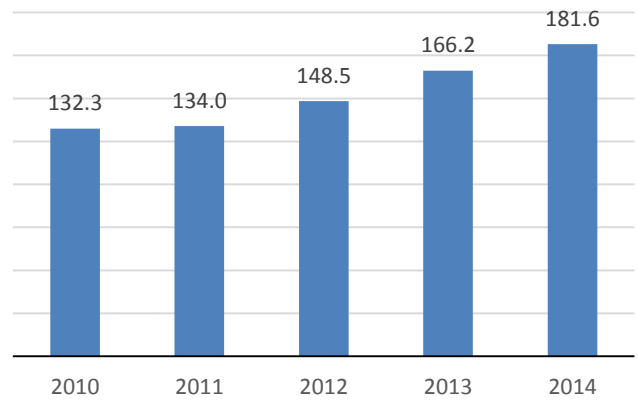
²⁴ Total liabilities under debt, e.g., principal and interest



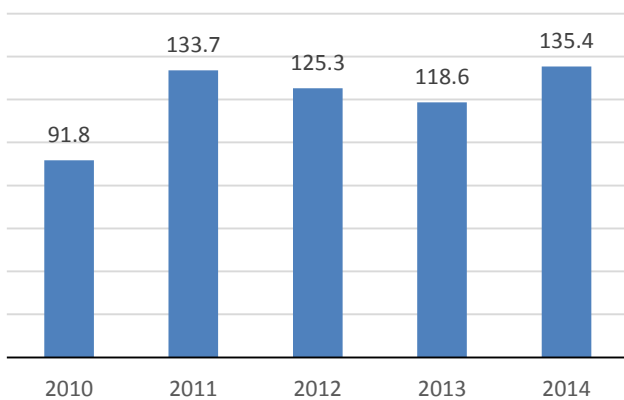
Sales revenue (PLN mn)



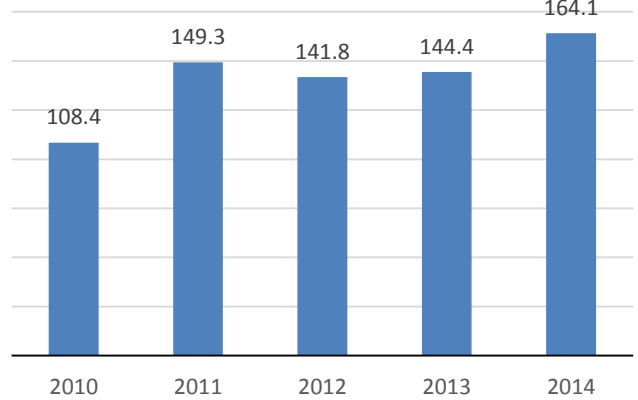
Operating expenses (PLN mn)



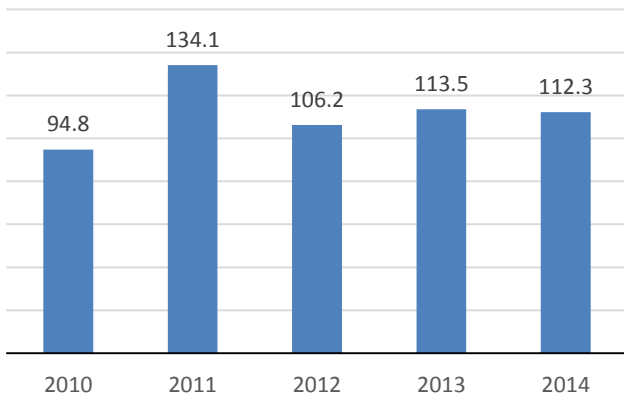
Operating profit (PLN mn)



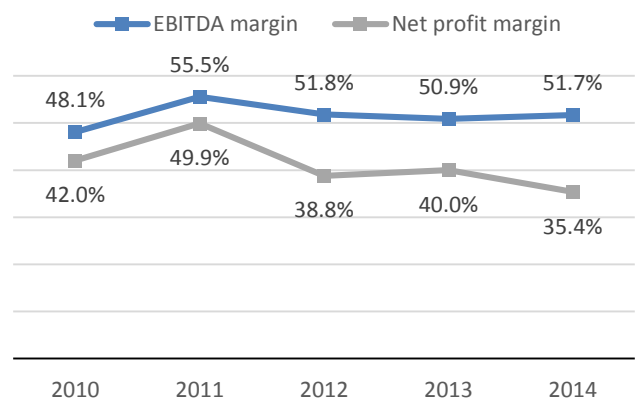
EBITDA (PLN mn)



Net profit (PLN mn)



Net profit margin and EBITDA margin





I. 4 WSE on the Capital Market

WSE was newly listed on Warsaw Stock Exchange on 9 November 2010. The Company's shares are listed in the continuous trading system on the WSE main market.

The Company is a mid-cap stock (PLN 1.92 bn at the end of 2014) and is part of the mWIG40 index since 19 March 2011 (1.8% share in the index portfolio at the end of 2014). WSE shares are also part of the broad market indices (WIG and WIG-Poland), as well as WIGdiv, the WSE regular dividend index. In addition, WSE shares participate in a number of small and mid-cap indices on the emerging markets, as well as indices which group securities exchanges, computed by global specialised, renowned index providers (including MSCI, FTSE, S&P Dow Jones).

WSE was once again included in the RESPECT Index portfolio following its annual review on 22 December 2014, which puts WSE in the leading group of Polish companies listed on the WSE Main Market which follow the highest standards of corporate governance and corporate social responsibility.

WSE STOCK PRICE

The WSE stock price ranged from PLN 35.25 to PLN 48.04 in 2014. The lowest price was observed on 5 August 2014 and the highest price on 28 November 2014. The closing price of WSE shares on the last day of trading in 2014 was PLN 45.7, representing an increase of 10.1% compared to the closing price on the last day of trading in 2013. The mWIG40 index gained 4.13% in that period. The total shareholder return the Company, including the dividend paid, was 13.0% in 2014.

The proportion of free-float shares²⁵ of WSE remained stable year on year at 64.7% in 2014. The velocity ratio²⁶ of WSE shares was 31.2% at the end of 2014. The volatility ratio²⁷ of the WSE share price was 22.1% in 2014, the lowest level since 2011.

The average daily volume of trading in shares on the Electronic Order book was 58.2 thousand shares in 2014, a decrease of 2.6% year on year. The average daily value of trading was PLN 2.3 mn in 2014, compared to PLN 2.4 mn in 2013 (a decrease of 4.9%).

²⁵ Free-float shares, i.e., total number of company shares less: number of shares held by shareholders each of which holds more than 5% of shares individually or together with related shareholders, number of Treasury shares designated for cancellation, and number of registered shares. Free-float shares also include all shares of the company held by investment and pension funds and asset management financial institutions, as well as shares subject to depository receipts issue programmes.

²⁶ Value of trading in 2014 to average capitalisation at the beginning and at the end of 2014.

²⁷ Square root of standard deviation of daily return rates multiplied by 250.



Table 6 Selected statistics of WSE shares (ISIN: PLGPW0000017)

	2014	2013	2012	2011	2010 ³⁷
Earnings per share (PLN) ²⁸	2.67	2.70	2.52	3.19	2.26
Dividend per share (PLN) ²⁹	1.20	0.78	1.44	3.21	-
Dividend yield ³⁰	3.31%	2.03%	3.84%	6.05%	-
P/E	17.12	15.37	15.42	11.05	21.68
Maximum share price (PLN)	48.04	45.10	43.89	54.20	54.00
Minimum share price (PLN)	35.25	34.75	32.10	34.20	48.70
Share price at the end of the period (PLN)	45.70	41.50	38.87	35.25	49.00
Return rate on shares	10.12%	6.77%	10.27%	-28.06%	13.95% ³⁸
Total shareholder return (TSR) ³¹	13.01%	8.77%	14.35%	-21.51%	13.95% ³⁸
Number of shares (thou.)	41,972	41,972	41,972	41,972	41,972
Capitalisation (PLN mn)	1,918.1	1,741.8	1,631.5	1,479.5	2,056.6
Free float ³² (PLN mn)	1,241.4	1,127.3	1,054.3	947.7	1 312.5
Free float ³²	64.72%	64.72%	64.62%	64.05%	63.82%
Volume of trading (mn shares) ³³	14.47	14.82	19.19	25.92	20.36
Value of trading (PLN mn) ³³	571.76	596.10	720.66	1,188.49	1,055.67
Number of transactions (thou.) ³³	68.84	67.33	73.26	170.63	166.97
Average volume of trading per session (thou.) ³³	58.2	59.8	77.1	103.3	550.4
Average value of trading per session (PLN'000) ³³	2,296.2	2,413.4	2,894.2	4,735.0	28,531.5
Average number of transactions per session ³³	276	273	294	680	4.513
Velocity ³⁴	31.2%	35.4%	46.2%	67.1%	344.8%
Price volatility ³⁵	22.1%	24.4%	22.4%	28.8%	21.7%
Beta ³⁶	0.55	0.53	0.71	0.84	1.21

Source: WSE

²⁸ Based on the consolidated profit attributable to the shareholders of the parent entity.

²⁹ Based on last year's profit.

³⁰ Dividend paid / share price at dividend record date.

³¹ (Annual change of share price + dividend per share) / share price at the end of the previous period.

³² Free-float shares (excluding shares held by the State Treasury and other registered shares).

³³ Electronic Order Book (net of block trades).

³⁴ Value of trading (annualised for 2010) / average capitalisation at the beginning and at the end of the period.

³⁵ Square root of standard deviation of daily return rates multiplied by 250.

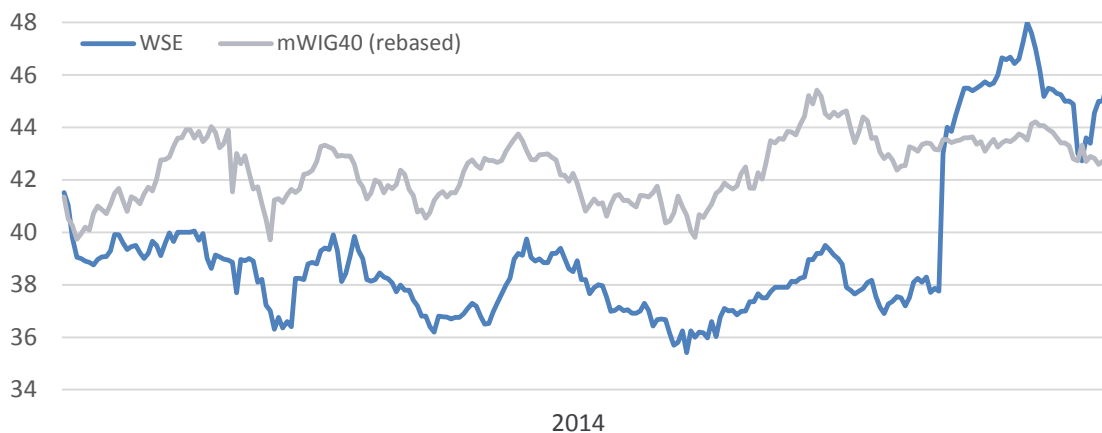
³⁶ vs WIG index

³⁷ WSE shares were newly listed on the Exchange on 9 November 2010.

³⁸ In relation to the IPO price for individual investors (PLN 43.00)

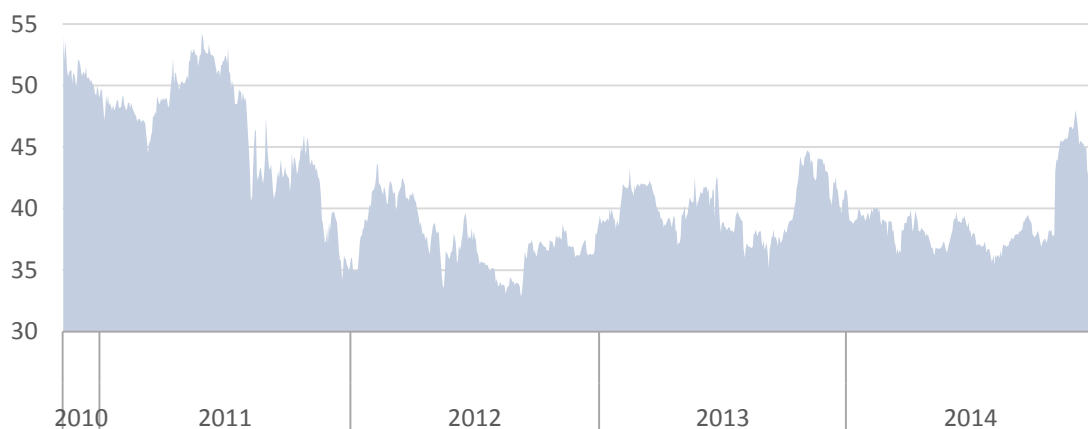


Figure 6 WSE share price v. mWIG40 in 2014



Source: WSE

Figure 7 WSE share price since first listing (PLN)



Source: WSE

WSE BONDS ON THE EXCHANGE



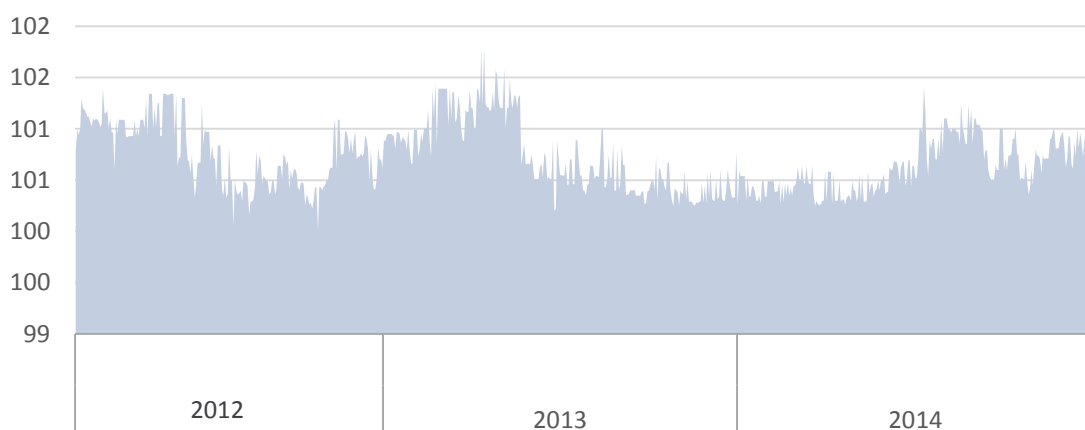
In December 2011, the Company issued 1,700,000 series A bearer bonds with a total nominal value of PLN 170 mn. In February 2012, the Company issued 750,000 series B bearer bonds with a total nominal value of PLN 75 mn.



The purpose of the series A and B bond issue with a total value of PLN 245 mn was to finance WSE projects including institutional consolidation on the exchange commodities market and expansion of the range of products available for investors on that market, as well as technology projects in financial markets and commodity markets. Receipts from the issue of series A and B WSE bonds were largely used to acquire shares of the Polish Power Exchange ("PolPX").

WSE bonds are listed on the bond market Catalyst (on the WSE regulated market and in the BondSpot alternative trading system) since February 2012. The WSE bond price ranged from PLN 100.25 to PLN 101.40.

Figure 8 WSE bond price since first listing on Catalyst (PLN)



Source: WSE

WSE bonds are floating rate unsecured notes. Interest is fixed within the six-month interest period at WIBOR 6M plus a margin of 117 basis points.

Table 7 Interest paid and interest rate on WSE bonds

Interest period no.	Period	Interest paid (per bond)	Interest rate in the interest period
I	23/12/2011 (A) 15/02/2011 (B) - 30/06/2012	3.21	6.17%
II	30/06/2012 - 31/12/2012	3.18	6.31%
III	31/12/2012 - 30/06/2013	2.62	5.29%
IV	30/06/2013 - 31/12/2013	1.95	3.87%
V	31/12/2013 - 30/06/2014	1.93	3.89%
VI	30/06/2014 - 31/12/2014	1.95	3.87%
VII	31/12/2014- 30/06/2015	1.60 ³⁹	3.22%

Source: WSE

³⁹ Interest for Interest Period VII will be paid to WSE bondholders on 30 June 2015.



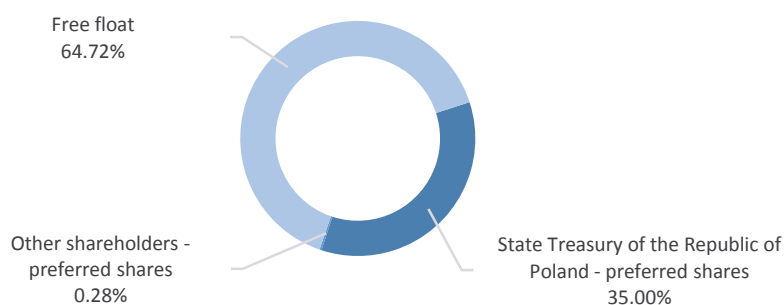
WSE SHAREHOLDERS

As at 31 December 2014, the share capital of Warsaw Stock Exchange amounted to PLN 41 972 000 and was divided into 41,972,000 shares with a nominal value of PLN 1 per share. There were 27,164,530 series B bearer shares in trading on WSE (64.72% of all shares representing 47.84% of all votes at the General Meeting). The remaining 14,807,470 (series A) shares are preferred shares (one share gives two votes) and are not in exchange trading (for a detailed description of the share capital, see the Corporate Governance section).

The State Treasury of the Republic of Poland is the biggest shareholder of WSE and holds 14,688,470 series A registered shares representing 35.00% of total shares and 51.74% of all votes at the General Meeting.

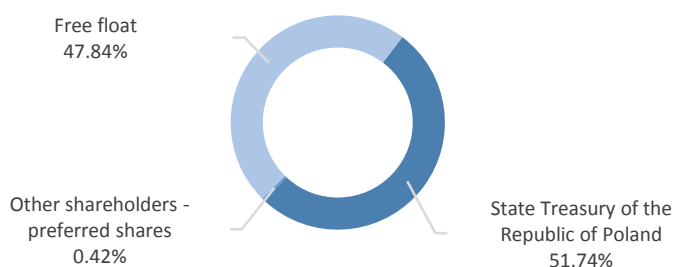
In addition, according to the ING OFE portfolio structure, the fund held 2,373,122 WSE shares at the end of 2014, representing 5.65% of total shares and 4.18% of all votes at the General Meeting.

Figure 9 WSE shareholders (share in number of shares, 2014)



Source: WSE

Figure 10 WSE shareholders (number of votes, 2014)



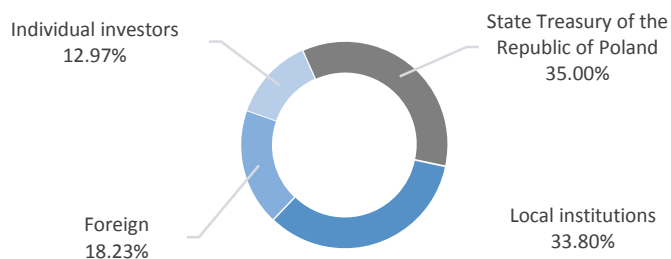
Source: WSE

As at the 2013 dividend record date (7 August 2014), 18.23% of the Company's shares were held by foreign investors among others in the USA, Norway, Canada, Luxembourg, the United Kingdom and Sweden. 33.8% of the shares were held by local legal entities (mainly open-ended pension funds as well as



investment funds). Persons other than legal entities (mainly individual investors) controlled 12.97% of WSE shares.

Figure 11 Company shareholders by category and by country of origin



Source: WSE

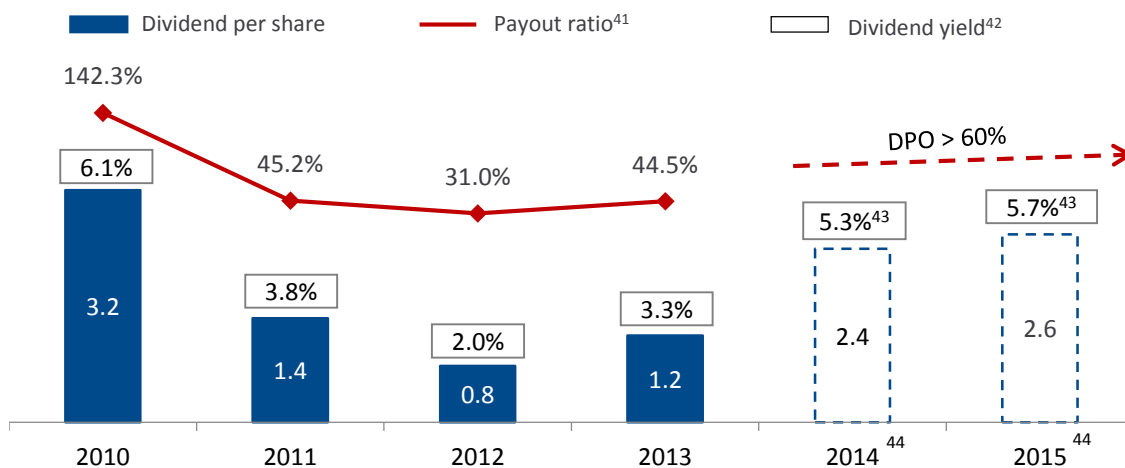
DIVIDEND FOR WSE SHAREHOLDERS

WSE's new dividend policy provides for dividend payment at more than 60% of the consolidated net profit of the WSE Group attributable to the shareholders of WSE adjusted for the share of profit of associates

The Company paid PLN 50.4 mn of dividend from the 2013 profit on 26 August 2014. The dividend at PLN 1.2 per share was paid to those shareholders who held shares at 7 August 2014 (dividend record date). The dividend yield at the closing price on the dividend record date was 3.3%.



Figure 12 WSE dividend in 2010-2013 and intended dividend payments in later years⁴⁰



Source: WSE

On 30 October 2014, the Company announced an amendment of its dividend policy, whereby it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend depending on the profitability and the financial capacity of WSE, above 60% of the WSE Group's consolidated net profit attributable to the shareholders of WSE for the financial year adjusted for the share of profit of associates. The dividend is to be paid annually upon the approval of the Company's financial statements by the General Meeting.

Furthermore, it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend from WSE's net profit for 2014 at PLN 2.40 per share gross, and dividend from WSE's net profit for 2015 at PLN 2.60 per share gross; at the share price at the end of 2014, the dividend yield is 5.3% and 5.7%, respectively.

To determine the final amount of dividend to be recommended to the General Meeting for each financial year, the Management Board will consider among others the following factors:

- investment needs in the implementation of the strategy of the WSE Group;
- the dividend yield and the pay-out ratios used by other listed exchanges;
- liquidity requirements of the WSE Group depending on actual and expected market and regulatory conditions, liabilities incurred in current operations and debt service, and optimisation of the WSE Group's financing structure.

⁴⁰ By financial year for which dividend was paid

⁴¹ Based on the consolidated profit.

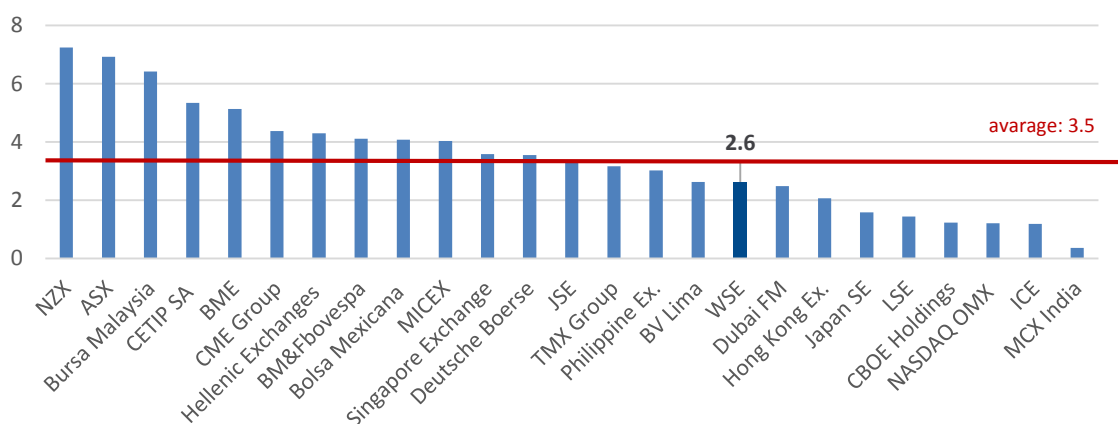
⁴² At the share price as at the dividend record date.

⁴³ At the share price as at 30 December 2014.

⁴⁴ Intended payment under the new dividend policy.



Figure 13 WSE dividend yield in 2014 v. stock exchange sector (%)⁴⁵



Source: Bloomberg (total gross dividend paid in 2014 to share price at 31 December 2014)

DIALOGUE WITH SHAREHOLDERS AND INVESTORS

WSE considers its presence on the capital market to be a part of the long-term growth strategy which relies on building lasting, professional relations with capital market participants as well as existing and prospective shareholders of WSE.

The objective of WSE's investor relations is to engage in proactive open communication with the capital market in a way that ensures equal access to information (including in particular the financial position, the growth strategy, and the risks) for all interested parties.

It is also the objective of the Exchange:

- to express information in a comprehensible manner which is not misleading,
- to provide timely information to the extent which addresses the needs of the stakeholders as much as possible,
- to comply with good practice, in particular the Best Practices of WSE Listed Companies, as well as regulations which define among others the disclosure rules for public companies.

According to the investor relations policy approved in January 2015, the Exchange voluntarily applies periods of limited communications with capital market participants preceding the publication of financial results. Consequently, the Company neither holds nor takes part in investor meetings two weeks before the publication of financial statements (periodic reports). In such periods, communications with the market are limited to communications required by law and answers to standard questions.

In 2014, WSE took a number of initiatives and applied a broad range of tools in its on-going communication with the shareholders, investors and analysts, including:

- presentations of the financial results of the WSE Group after the end of each quarter at meetings of the WSE Management Board with capital market analysts (broadcast live online);
- participation in five conferences dedicated to institutional investors in Poland and abroad;

⁴⁵ Dividend yield at the last share price in 2014.



- organisation of Investor Days combined with the presentation of the Q3 2014 financial results and the presentation of the updated strategy of the WSE Group (broadcast live online);
- close to 180 one-on-one and group meetings and other contacts with representatives of domestic and international institutional investors;
- participation in two conferences dedicated to individual investors in Poland;
- non-deal road show in London, Paris, Frankfurt, Vienna, Los Angeles, San Francisco, New York and Boston;
- investor chat with the CEO and the CFO;
- interactive 2013 annual report available on the Company's website.

In the Investor Relations section of its website, the Company regularly publishes information relevant to investors and shareholders including the current financial results and financial ratios, investor presentations, video recordings of quarterly conferences and the General Meeting, news. WSE also provides an IR newsletter in order to communicate current corporate news to subscribers.

In 2014, WSE was one of three companies (along with PKN Orlen and Grupa Azoty) to become a finalist in the "WIG20 and mWIG40 Company" category of the seventh edition of the Golden Website contest organised by the Association of Listed Companies (SEG).



II. ACTIVITY OF THE WSE GROUP

II. 1 Mission and Strategy of the WSE Group

The WSE Management Board presented the updated growth strategy of the WSE group for 2014 – 2020 (“WSE.2020”) on 30 October 2014.

Mission of the Warsaw Stock Exchange Group

Our mission is to develop effective mechanisms of capital and commodity flows by providing exchange and clearing services which are competitive in terms of quality and price and address the needs and expectations of our clients: companies, investors, and brokers.

We support economic growth and build an investment culture. We develop an international capital hub.

We ensure highest standards and safety of trading based world-class technologies.

As a team of professionals, we conduct an integrated, effective business geared to growth.

The main objective of the WSE.2020 strategy is to make WSE a stock exchange of first choice for investors and issuers in Central and Eastern Europe. Compared to the previous version of the strategy, which provided for growth largely based on mergers and acquisitions, the Exchange’s updated strategy focuses on organic growth. The change of approach derives from developments in the WSE’s external environment (including the pension fund reform and growing competition in the segment of derivatives offered to individual investors) as well as the Exchange’s belief in further great opportunities of development of the local capital and commodity market. The modification of the strategy was also based on the need to better use the resources of the WSE Group (operational and financial focus on the most effective and promising projects) and the need for closer, dynamic adjustment of the Exchange to the competitive environment.

The goals of the updated strategy of the WSE Group include complete operational integration of the WSE Group and its improved cost efficiency by 2020. As a result, WSE plans to improve the integration of the Group among others by establishing a shared services centre and optimising the use of real estate.

In addition, a savings programme has been put in place covering such cost lines as rent, IT services, external service charges, which should generate ca. PLN 19 mn of savings in 2017 compared to the cost base of operating expenses for the twelve months ended at the end of Q3 2014. This will help to generate additional funding to support the areas with the greatest potential of growth. As a result, WSE expects to increase its consolidated revenue by 7% CAGR while the operating cost/income ratio will be reduced to less than 50% (from 59% in 2013).



Chart 3 WSE Group's financial ambition by 2020

	2013	Ambition by 2020
Revenue (PLN mn)	284	CAGR: 7% p.a.
EBITDA (PLN mn)	144	Double EBITDA
Cost/Income ratio	0.59	< 0.50
Dividend payout ratio	44%	> 60% ⁴⁶ (Payment from 2014 profit PLN 2.4 gross per share and from 2015 profit PLN 2.6 gross per share)

Source: WSE

According to the WSE.2020 strategy, the growth of the WSE Group will rely on six pillars: a liquid equity market; a developed debt market; a competitive derivatives market; a commodity market attractive to investors; a comprehensive offer of information products for investors and issuers; and new business segments opened based on existing competences.

Chart 4 WSE's key strategic initiatives

Equity market	Debt market	Derivatives market	Commodity market
<ul style="list-style-type: none"> ❖ Active acquisition of new issuers ❖ Activation and acquisition of investors including retail investors ❖ Acquisition of new Exchange Members ❖ Simplification and shortening of procedures ❖ Promotion of short selling and securities lending ❖ Unlocking the free float ❖ Promotion of HVP Programme ❖ Promotion of NC as a source of new listings for MM ❖ International promotion of companies 	<ul style="list-style-type: none"> ❖ Simplified architecture of the corporate debt market ❖ Simplified procedures and tools on Catalyst ❖ Focus on sales ❖ Promoting debt ratings ❖ Growing activity of banks as debt market participants 	<ul style="list-style-type: none"> ❖ Development of derivatives based on bonds, interest rates, electricity and natural gas ❖ Activating the investor pool ❖ Product development including option strategies based on new technologies 	<ul style="list-style-type: none"> ❖ Development of the gas market based on the potential of energy companies and financial investors ❖ More attractive offer, attracting active financial investors to other market segments
<p>Information services</p> <ul style="list-style-type: none"> ❖ Building an integrated offer through consolidation of data from external sources ❖ Implementation of new WSE Group information sales standards ❖ Building a regional index offer and competence centre ❖ Development of tailor-made indices for asset managers 			

Source: WSE

⁴⁶ Based on the consolidated profit attributable to the shareholders of the parent entity adjusted for share of profit of associates.



Chart 5 WSE Group's key aspirations for the main business lines

Business segment	WSE Group ambition by 2020
Equity market	<ul style="list-style-type: none"> # companies listed on Main Market > 550 Velocity ratio on Main Market > 50% NewConnect – important source of new listings for Main Market NewConnect – improved quality and attractiveness for investors
Debt market	<ul style="list-style-type: none"> # non-Treasury issues > 1 thou. Focus on issues > PLN 100 mn Simplified structure of Catalyst and development of TBSP
Derivatives market	<ul style="list-style-type: none"> Developed market in electricity and gas derivatives Active market in interest rate/debt derivatives New derivatives depending only on clients' needs
Commodity market	<ul style="list-style-type: none"> Financial market in electricity >60% of domestic consumption Financial market in gas > 15% of liberalised gas market
Market information segment	<ul style="list-style-type: none"> One offer for all sources of data across the Group Development of index products Manufacture of tailored-made information products
New business segments	<ul style="list-style-type: none"> Post-trade services: integrated offer to address changing needs for clearing and risk management Under consideration: coal market, agricultural market, ETP
Operating efficiency	<ul style="list-style-type: none"> As of 2017, current operating cost base down by ~PLN 20 mn C/I ratio < 0.50 Organisational and operational integration of the Group

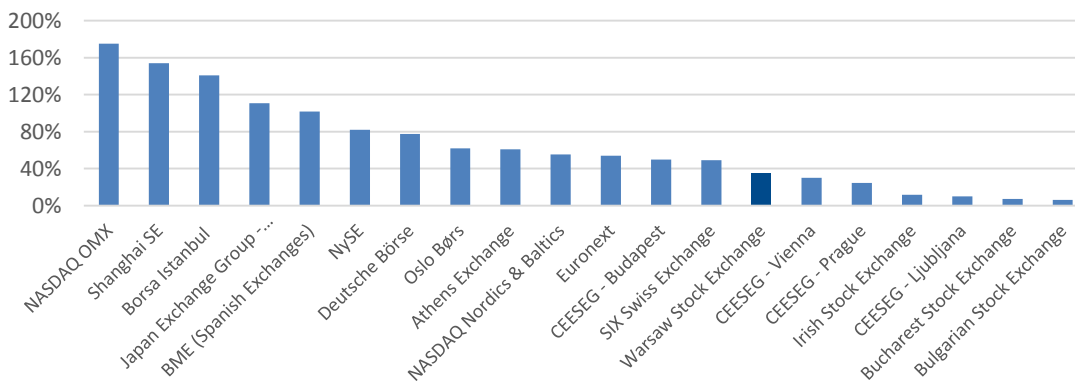
Source: WSE

II. 2 Market Environment

FINANCIAL MARKET

The activity of investors as measured by the velocity ratio of Warsaw Stock Exchange was relatively low at 35.5% in 2014. The low velocity ratio of WSE was mainly due to the relatively low value of free-float shares, representing only 48% of the total capitalisation of domestic companies. Furthermore, investors were less keen to trade on WSE in 2014, which is attributable to uncertainty about the pension fund reform, very low volatility, and a persistent lateral trend of the main market indices, as well as the political situation in Ukraine.

Figure 14 Velocity ratio of selected exchanges, 2014 YE



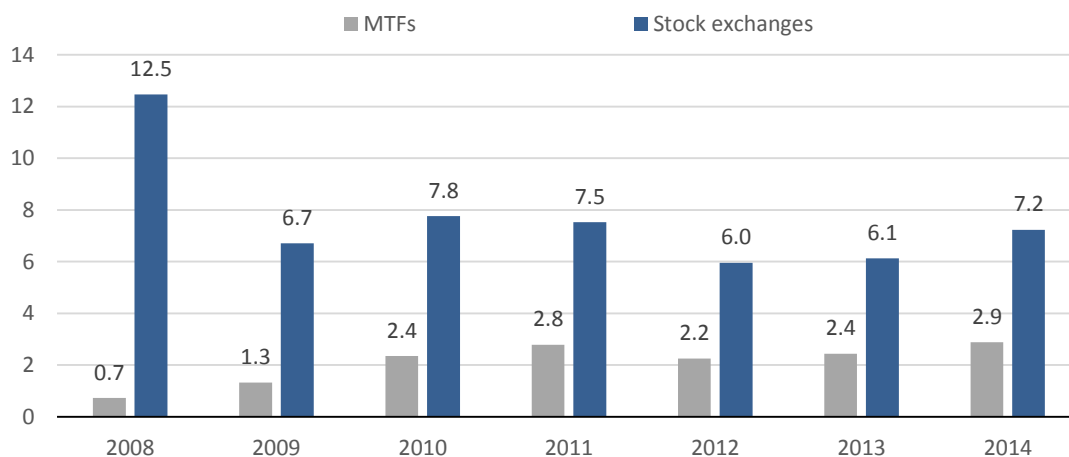
Source: WFE; own calculations



The global capital market has been increasingly impacted in the last few years by regulatory amendments introduced into the legal system of the European Union and the United States. Their main objective is to improve safety for investors and reinforce supervision of the capital market, and to liberalise the stock exchange sector and stimulate competition on the market. The EU regulations include MiFID,⁴⁷ which took effect in 2007, and EMIR,⁴⁸ effective as of August 2012.

With continued liberalisation of the stock exchange sector in the past few years, competition among securities exchanges has intensified. Companies which operate regulated markets compete to attract new issuers and investors and to generate market liquidity and turnover. Further challenges for securities exchanges emerge with the rise of over-the-counter (OTC)⁴⁹ markets and multi-lateral trading facilities (MTF).⁵⁰ The offer of MTFs is mainly addressed to investment firms and institutional investors. MTFs offer trade in the same stocks as traditional exchanges but they also provide superior time of execution and low trading fees. Some MTFs have been licensed as exchanges, including BATS Chi-X Europe, formed through the merger of two independent companies and trading platforms: BATS Europe and Chi-X Europe. BATS Chi-X Europe is now one of the biggest trading platforms in Europe, second only to the London Stock Exchange Group. The platforms created under MiFID after 2008 accounted for more than 28% of trade in stocks in Europe in 2014 (Electronic Order Book).

Figure 15 Trade in stocks on exchanges and MTFs⁵¹ in Europe (EUR tn), EOB



Source: FESE

In 2014, stock exchanges around the world continued to diversify their sources of revenue, including additions to their product offers as well as geographic expansion, mainly to Asia. For instance, the London Stock Exchange (LSE) acquired Frank Russell Company, the provider of many popular indices. The deal strengthened LSE's position on the American and Asian markets and ensured its strong position on the market of index providers. LSE acquired Frank Russell Company in response to evolving behaviours and strategies of investors who increasingly opt for passive asset management rather than active management. Another deal illustrative of the importance of geographic diversification in the stock

⁴⁷ Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (Markets in Financial Instruments Directive).

⁴⁸ Regulation of the European Parliament and of the Council (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation).

⁴⁹ OTC (over the counter) market, where trade is made directly between market participants without the mediation of a securities exchange.

⁵⁰ Multilateral Trading Facility.

⁵¹ MTFs and exchanges originating from MTFs (in particular: BATS Chi-X Europe, Turquoise, Burgundy, NYSE Arca Europe).

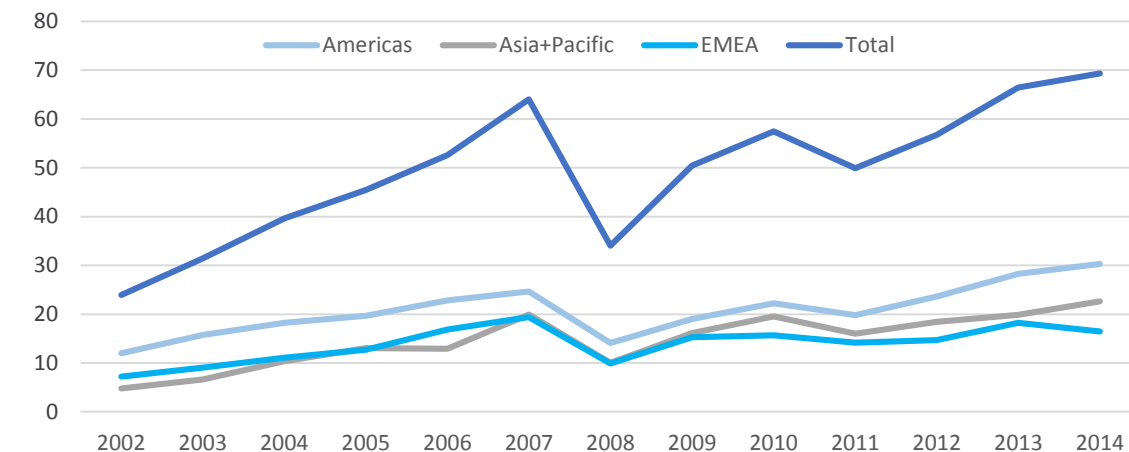


exchange sector was the acquisition of the Singapore Mercantile Exchange (SMX) and its clearing house subsidiary by Intercontinental Exchange (ICE) in February 2014. The acquisition of SMX provided ICE with direct access to the Asian market infrastructure. Deutsche Boerse (DB) also focused on geographic expansion in 2014. The derivatives exchange Eurex, a member of the DB Group, acquired 5% of the Taiwan derivatives exchange Taifex in 2014.

In 2014, Warsaw Stock Exchange finalised the acquisition of Aquis Exchange, the multilateral trading platform in London, which plans to offer trade in stocks from 12 European countries. The goal of the investment was to diversify further the sources of the WSE Group's revenue and to fortify the brand of the Exchange on the international financial markets.

According to statistics of the World Federation of Exchanges,⁵² the capitalisation of all stock exchanges around the world increased in 2014 for another consecutive year to US\$ 69.3 trillion, representing an increase of 4.4% year on year. This was the best result since 2008 when the global financial crisis started with the collapse of Lehman Brothers.

Figure 16 Capitalisation of domestic companies globally, 2002-2014 (US\$ tn)



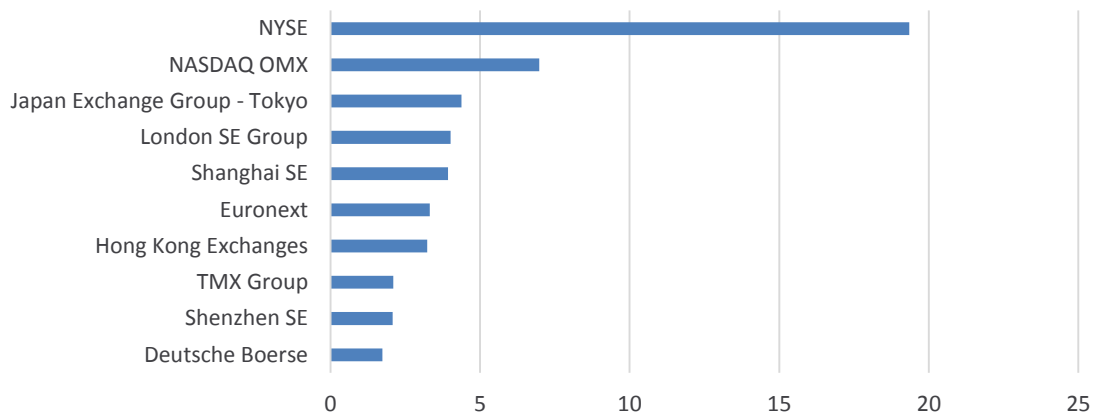
Source: WFE

Stocks listed on American markets made the biggest contribution to the global capitalisation at 43.7 percent in 2014. The capitalisation of companies listed on EMEA (Europe, Middle East, Africa) exchanges was US\$ 16.5 trillion, representing 23.8% of global capitalisation in 2014. The world's biggest exchange is NYSE (USA) with a capitalisation of domestic companies at US\$ 19.4 trillion, followed by NASDAQ OMX at US\$ 7 trillion, Japan Stock Exchange at US\$ 4.4 trillion, London Stock Exchange at US\$ 4.0 trillion, and Shanghai SE at US\$ 3.9 trillion. Only two of the top 10 exchanges (London Stock Exchange and Deutsche Boerse) are based in Europe.

⁵² The World Federation of Stock Exchanges (WFE) groups financial instrument exchanges around the world. WFE members do not include the London Stock Exchange and Warsaw Stock Exchange (since early 2013).



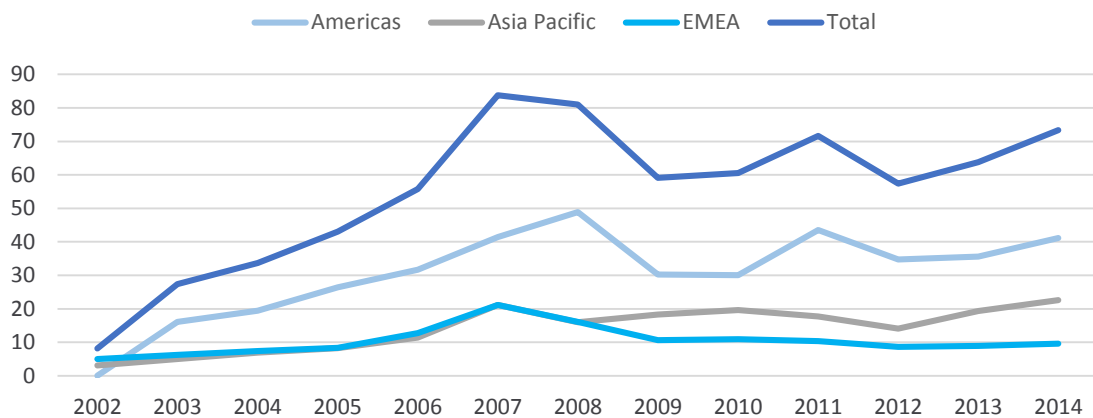
Figure 17 Top 10 exchanges globally by capitalisation of shares of domestic companies, 2014 YE (US\$ tn)



Source: WSE

According to WFE, the total value of trading on the Electronic Order Book was US\$ 73.4 tn globally, an increase of 14.9% year on year. The growth rate was mainly driven by an increase in the value of trading on American and Asian stock exchanges, by 15.8% and 16.9%, respectively. American exchanges made the biggest contribution to the value of trading in 2014 (56.1% of aggregate turnover). The value of trading on EMEA exchanges represented only 13.1% of the global trade.

Figure 18 Value of trading in stocks globally, EOB, 2002-2014 (US\$ tn)

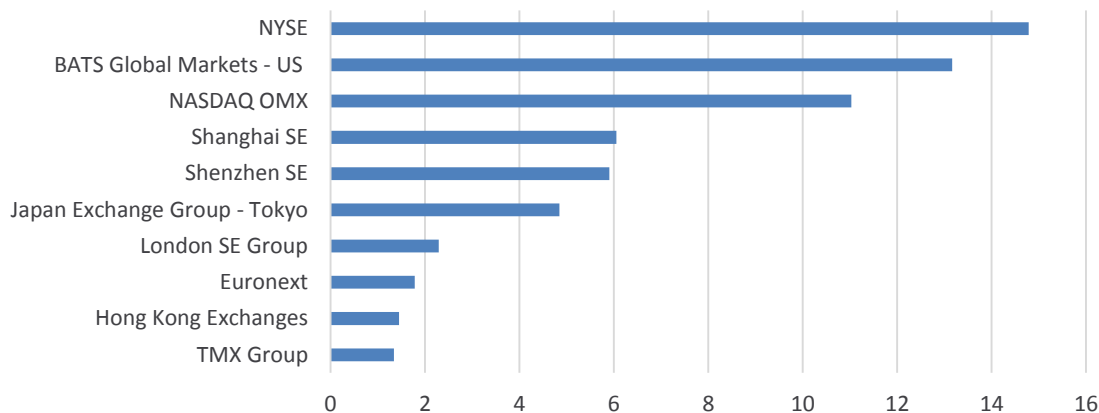


Source: WFE

Similar to the capitalisation of domestic companies, NYSE was the leader by value of trading in stocks (US\$ 14.8 tn), followed by BATS Global Markets – US (US\$ 13.2 tn), NASDAQ OMX (US\$ 11.3 tn), Shanghai Stock Exchange (US\$ 6.1 tn) and Schenzen Stock Exchange (US\$ 5.9 tn). The London Stock Exchange Group remained the biggest European exchange by value of trading in stocks (US\$ 2.3 tn).



Figure 19 Top 10 exchanges globally by value of trading in shares, 2002 - 2014 (US\$ tn), EOB



Source: WFE

POSITION OF WSE IN CEE

WSE was the biggest stock exchange in Central and Eastern Europe at the end of 2014 in terms of capitalisation, turnover, and the number of listed companies. The capitalisation of shares listed on WSE was EUR 139.1 bn at the end of 2014,⁵³ representing a decrease of 6.5% year on year. The market value of shares listed on WSE represented 48.3% of total capitalisation in CEE, compared to 49.1% in 2013.

The capitalisation of domestic companies listed on WSE decreased year on year while the total market value of shares on FESE exchanges increased by 4.8%.

A similar trend prevailed in the value of trading in shares in Europe and in CEE. The value of trading in shares was EUR 49.3 bn on WSE in 2014, representing 56.7% of CEE trade, compared to 58.5% in 2013.

COMMODITY MARKET

The Polish electricity market is a mid-sized European market both in terms of final energy consumption (more than 120 TWh/year) and the number of energy wholesale traders. These figures are comparable with the Dutch market. Europe's largest energy markets, for instance Germany and France, are approximately five times bigger than Poland by consumption of energy.

The national electricity market is not fully liberalised because price tariffs still apply to energy sold to households. In addition, the liberalisation of Poland's energy market came late compared with the old EU member states; consequently, the outlook of the Polish energy market offers potentially much more opportunity for growth than in the old EU.

The Polish electricity market is characterised by very stable energy prices, driven in 2014 by the following factors:

- prices of the main fuel used in the energy industry, coal, which remained stable throughout the year and were slightly on the decrease (due to falling coal prices on global markets),

⁵³ FESE data.



- the relationship between domestic energy supply and demand for electricity, which remained stable throughout 2014,
- no major outages in the national power system and no evidence of a potential future energy shortage on the Polish market which could interfere with its operation.

The liquidity of the exchange market in electricity operated by the PolPX Group, which is increasing year after year (186.8 TWh in 2014), provides best proof of growing confidence of market participants in its reliable pricing and operational mechanisms.

PolPX plays an important role on the domestic electricity market. Trade on the exchange faces competition of OTC trade. The total volume of OTC trade is lower than the total volume of exchange transactions on PolPX. However, it cannot be ruled out that Europe's biggest energy exchanges may become active competitors of the PolPX markets in view of the strong outlook of the Polish market.

The European market is dominated by several large exchanges which participated in consolidations and now decide about the directions of development of the single energy market and its technologies. Nord Pool Spot (present in Norway, Sweden, Finland and Denmark) has expanded to the Baltic states (Lithuania, Estonia, Latvia); APX-Endex has expanded to the UK and has a presence in the UK, Belgium and the Netherlands; EPEX Spot has expanded to France (presence in Germany, France, Switzerland and Austria).

In the course of consolidations on the European market, smaller exchanges may lose their footprint, especially where their local markets are statistically and geographically small. With a very liquid energy market and good geographic location in Central and Eastern Europe, PolPX aspires to be one of the major exchanges.

The strategy and action plans of the WSE Group follow the framework proposed by the European Commission and the European Council including implementing measures of the European internal energy market and regional markets. The Agency for the Co-operation of Energy Regulators (ACER) launched in March 2011 works with national energy regulators to initiate changes in the models used on the local markets.

Under the EU Regulation REMIT, ACER is authorised to monitor wholesale energy markets for manipulations and inside trading. The REMIT implementing regulations approved by the Commission in December 2014 require market participants to report trade on wholesale energy markets as well as orders.

In 2014, PolPX worked with ACER to implement the reporting obligation on the Polish market. PolPX is ready to launch the service of reporting trade details to ACER as a Registered Reporting Mechanism under the requirements of REMIT. In February 2014, PolPX launched the Exchange Information Platform where market participants can publish inside information subject to the reporting obligation.

The European Commission and the European Council have confirmed the expected start date of the internal energy market by the end of 2016. Integration will begin at the regional level, followed by pan-regional integration a year later. The objective of the implementation of the European internal market is to improve the cross-border energy exchange capacity, to maximise social welfare for participants through rational costs of production and purchase and price convergence, and to create regional and EU service synergies ensuring energy security.

PolPX is actively involved in project work, aligns its technical infrastructure with market needs, and improves its IT system algorithms. With a licence agreement signed with the IT system owner Nasdaq OMX, PolPX offers trade on the Day-Ahead Market in electricity under European standards.



II. 3 Development of the WSE Group in 2014

Table 8 WSE Group milestones 2014

Financial Results	2014 net profit: PLN 112.3 mn
	2014 EBITDA: PLN 164.1 mn
	Amendment of the Dividend Policy and Payment of Dividend from 2013 Profit
	On 26 August 2014, WSE paid dividend at PLN 1.2 per share to those shareholders who held shares at 7 August 2014 (dividend record date).
	On 30 October 2014, in Current Report No. 30/2014, the Exchange announced an amendment of the Company's dividend policy, whereby it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend above 60% of the WSE Group's consolidated net profit adjusted for the share of profit of associates. Furthermore, it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend from WSE's net profit for 2014 at PLN 2.40 per share gross, and dividend from WSE's net profit for 2015 at PLN 2.60 per share gross.
	Decision to Suspend Negotiations on Capital Co-operation with CEESEG
	On 23 September 2014, the WSE Management Board announced that it is not considering a capital alliance with CEE Stock Exchange Group AG at this time. The objective of WSE is organic growth, including strengthening of the international position of the Exchange, making it more attractive to all market participants, and building WSE shareholder value. The WSE Management Board also announced that WSE remains open to co-operation with different players in the region, including CEESEG, to make Central and Eastern Europe a more attractive place for investment of international capital, and that WSE does not rule out returning to the idea of a capital alliance with CEESEG in the future.
Strategic Decisions	Publication of the Updated Group Strategy WSE.2020
	On 30 October 2014, WSE published the updated strategy of the WSE Group. The details are presented in Section II.1.
	Selection of PolPX's New System Vendor
	In 2014, PolPX decided to select a new trading system. X-Stream Trading provided by Nasdaq OMX (NOMX) will be implemented by PolPX in 2016. The new technology will provide PolPX with improved functionalities, support growing volumes of trade, and allow PolPX to add new commodity instruments and derivatives in the future. PolPX will be NOMX's first client in the energy sector to use X-stream Trading, currently the world's most popular exchange trading system. With the implementation of the advanced technology, NOMX will provide PolPX with support in opening of a new market of financial forward instruments to go live in 2015. The agreement allows PolPX to use SAPRI, NOMX's energy auction platform, helping PolPX to prepare for participation in European cross-border energy auctions under the Price Coupling of Regions (PCR) mechanism.
Management and Supervision	Changes on the WSE Management Board
	On 26 June 2014, the General Meeting of WSE appointed Paweł Tamborski as President of the WSE Management Board. The decision took effect on 25 July 2014.



On 25 July 2014, the Exchange Supervisory Board acting on request on the new President of the Management Board decided to appoint members of the WSE Management Board for a new term of office including:

- Dariusz Kułakowski as Vice-President of the WSE Management Board,
- Karol Półtorak as Vice-President of the WSE Management Board,
- Mirosław Szczepański as Vice-President of the WSE Management Board,
- Grzegorz Zawada as Vice-President of the WSE Management Board.

The decision took effect on 27 August 2014 for Grzegorz Zawada and on 9 September 2014 for Karol Półtorak. The resolution of the Exchange Supervisory Board took effect on the date of adoption, i.e., 25 July 2014, for Dariusz Kułakowski and Mirosław Szczepański.

Changes on the WSE Supervisory Board

On 25 July 2014, the Ordinary General Meeting of WSE elected members of the Exchange Supervisory Board for a new joint three-year term of office including:

- Dariusz Kacprzyk,
- Jacek Lewandowski,
- Piotr Piłat,
- Dr Wiesław Rozłucki,
- Dr Marek Słomski,
- Prof. Marek Wierzbowski.

On 25 August 2014, the Extraordinary General Meeting of WSE elected Waldemar Maj to the Exchange Supervisory Board.

Changes to Classification of Shares in the Alert List Segment

In late 2013, the Exchange took measures to eliminate the penny stock issue on the WSE Main Market. The rules of classification of shares in the Alert List segment were amended. As of 2014, all shares whose unit market price was lower than PLN 0.50 were classified in the Alert List segment irrespective of the volatility of the share price. The consequences of classification of an issuer's shares in the Alert List include: exclusion of the issuer's shares from index portfolios, transfer of the shares to the single price trading system, special designation of the issuer in the exchange's information services, and removal of the shares from the list of securities available for short selling.

If the reasons for the classification in the Alert List persist, the Exchange Management Board will suspend and then delist the issuer's shares on the exchange.

Amendment of Regulations Applicable in the Alternative Trading System (ATS) on Catalyst and NewConnect

Safety of Trading

The objective of the amendments introduced as of 1 September 2014 is to improve safety on Catalyst and to harmonise the Catalyst ATS regulations with the standards introduced last year on NewConnect. The amendments include: introduction of a minimum value of an issue of bonds which may be introduced into the ATS; obligation imposed on issuers of low-value issues to have an Authorised Adviser; mandatory preparation of an information document even where bonds were previously offered under an information memorandum.



In order to improve bondholder access to information relevant to bond payments, the duration of issuers' reporting requirements was extended. The requirement of a minimum value of bonds introduced into the Catalyst ATS took effect on 1 January 2015.

Decision to Delist WIG20 Futures with a Multiplier of 10

In September 2013, WSE introduced to exchange trading WIG20 futures with a multiplier of PLN 20 in anticipation of gradual migration of futures with a multiplier of PLN 10 to the new contracts. 20 June 2014 was the last day of trading of WIG20 futures with a multiplier of PLN 10. Since 23 June 2014, only WIG20 futures with a multiplier of PLN 20 have been in trading.

Introduction of Options with New Expiry Dates

On 18 August 2014, WSE changed the expiration cycle of WIG20 options. As a result, options expire 12 times per year and options which expire in the nearest calendar month are available in trading.

Continuation of the Shorter Trading Session Timetable until the End of 2015

On 18 September 2014, the Exchange Supervisory Board at the request of the WSE Management Board approved continuation of the shorter trading session timetable until the end of 2015. As a result, the trading session starts at 08:45 on the futures market and at 09:00 on the cash market. Trading closes at 17:05 on both markets.

Change of PolPX Trading Schedules

In 2014, PolPX modified its trading schedules:

- the opening fixing at 8:00 was discontinued on the Day-Ahead Market in electricity in order to concentrate volumes at one time;
- an opening fixing at 9:15 was added on the Day-Ahead Market in gas.

Organisation of Trading and Products

Changes of Stock Exchange Indices

On 18 September 2014, the Exchange Management Board decided that WIG20, the price index which groups the biggest and most liquid stocks listed on WSE, will remain the main underlying index for derivatives. At the same time, the Exchange Management Board decided that WIG30 will continue to be published. The Exchange Management Board decided not to introduce WIG30 derivatives but to develop derivatives based on WIG20.

Concerning the small and mid-cap indices, according to the decision of the WSE Management Board, as of 1 January 2015, mWIG40 will continue to be published on the existing terms and the publication of sWIG80 will be resumed. At the same time, WSE will no longer publish WIG50 and WIG250.

New PolPX Instruments

Instruments with delivery over the weekend were introduced on the Day-Ahead Market in gas.

New forward instruments in gas were introduced on the Commodity Forward Instruments Market:

- weekly – exercise during the calendar week,
- seasonal – exercise in the winter season: Q4 and Q1 of the following year, and in the summer season: Q2 and Q3.



The additions to PolPX's offer bring it in line with the European markets and address the expectations of PolPX traders. The new instruments add flexibility to the PolPX offer necessary to grow the volume of trading and to open trading opportunities to more players.

Launch of the Register of Guarantees of Origin

Since November 2014, PolPX offers trade in guarantees of origin of energy. These are new support instruments for renewable energy sources which disclose to the final consumer that a given quantity of electricity put into the distribution grid or transmission grid, as stated in the document, was generated from renewable energy sources.

Directive 2009/28/EC which imposes the obligation to set up registers of guarantees of origin in the European Union member states was implemented in Poland in an amendment of the Energy Law of 26 July 2013, known as the small energy tripack, effective as of 11 September 2013. It requires PolPX to operate a Register of Guarantees of Origin and to organise trade in guarantees of origin.

Launch of the Exchange Information Platform

In February 2014, PolPX launched the Exchange Information Platform which gives market participants access to key information on the electricity market and its technical environment. In 2014, PolPX started to publish coal indices on the Platform, based on aggregated actual transaction prices of thermal coal on the Polish market.

New Treasury Bond Spot Poland Products

TBSP market participants can trade using new functionalities: MidPrice Order Book and Striker Price since January 2014, and tri-party repos since October 2014. These functionalities boost the long-term competitiveness and usefulness of the platform offered by BondSpot S.A. to participants of the interbank bond market.

Source: WSE

EXTERNAL FACTORS

MACROECONOMIC SITUATION IN 2014

Poland's economy grew by 3.3% in 2014 according to preliminary estimates of the Central Statistical Office (GUS), compared to 1.7% in 2013. The Polish economy in 2014 was driven by domestic demand: private consumption and investments, while foreign demand made a negative contribution to GDP growth. Inflation fell sharply in Poland in 2014. Starting in July, annual inflation was negative and remained well below the NBP inflation target (2.5%). Lower inflation was due to a declining growth rate of fuel prices, food prices, and core inflation. The Monetary Policy Council cut the interest rates by 50 basis points to a record low of 2.0% in October 2014. Falling inflation pressures as well as expectations of monetary policy easing by the Monetary Policy Council combined with an expansive monetary policy in the eurozone caused the yields of Polish Treasury bonds to fall to a historical low in 2014 (by ca. 180 basis points to 2.5% for 10Y bonds). The Polish currency depreciated on the local fx market due to the collapse of the Russian rouble and growing risk aversion against emerging markets in view of the Russian-Ukrainian conflict.

The global economy in 2014 saw a sharp decrease of commodity prices, mainly a sudden decline of oil prices. As a result, annual inflation was below the zero mark in many countries including in the eurozone and Central and Eastern Europe. The low commodity prices had a positive impact on growth in those countries which are net importers of commodities as real disposable income of households increased.



However, a long period of very low or negative inflation adds to the risk of even lower inflation expectations and higher real interest rates.

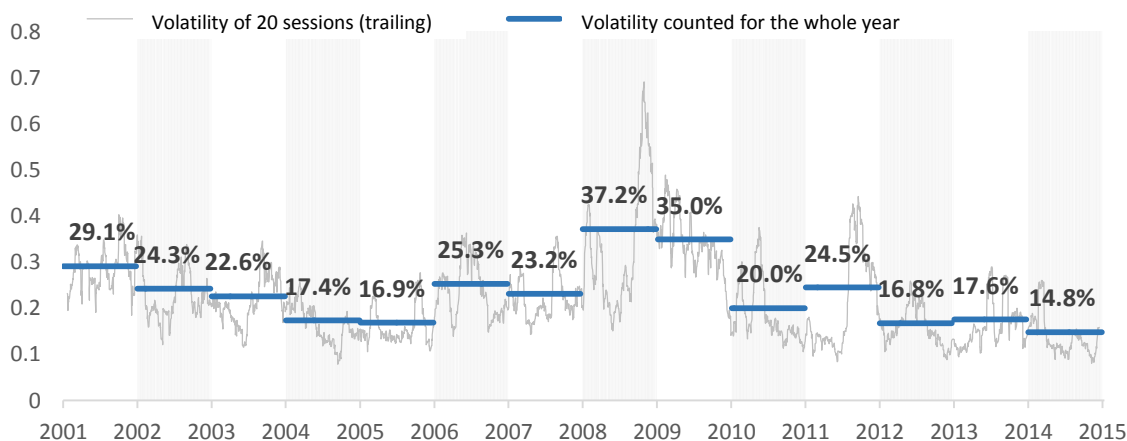
Weaker inflation pressures, rising expectations that the ECB will initiate a purchase programme of Treasury bonds of eurozone countries, and delayed Fed interest rate hikes resulted in a major fall in Treasury yields in the eurozone and the USA (the yields on 10Y German bonds were record-low at 0.5%, the yields on 10Y US bonds were around 2.0%).

In 2014, the main central banks continued to pursue an expansive monetary policy, keeping the interest rates at historically low levels. The differences in the economic situation between the USA and the eurozone implied a divergence of the monetary policy cycles between their economies. The Fed closed a five-year quantitative easing programme in late 2014. The ECB, however, decided in 2014 to continue monetary easing including interest rate cuts and as asset purchase programme. As a result, the US\$ appreciated strongly against the EUR in 2014.

LOW VOLATILITY AND PARALLEL TREND OF STOCK PRICES

The volatility of stock prices on the WSE Main Market was relatively low in 2014. The volatility ratio of WIG20 was 14.8%, one of the lowest ratios in WSE history. Furthermore, the main WSE indices (WIG and WIG20) remained within a narrow band of lateral trend throughout 2014: WIG ranged from 49,520 points to 55,637 points while WIG20 ranged from 2,271 points to 2,551 points. These factors largely curbed the propensity to invest capital on WSE in 2014 and reduced the activity of investors on the equity and derivatives markets, resulting in a decrease of WSE revenue from trading on those markets.

Figure 20 WIG20 volatility ratio⁵⁴



Source: WSE

PENSION FUND REFORM

The 2014 pension fund reform in which 51.5% of the net assets of pension funds, mainly Treasury bonds, were moved to the Social Security Institution (ZUS) and then cancelled, affected the sentiment of local and international WSE investors, in particular as concerns future inflows of assets to pension funds and, consequently, further potential inflows or outflows of pension fund assets to/from WSE.

⁵⁴ Standard deviation of daily return rates of the index annualised with the square root of 250.



Following the reform, more than 2.5 million Poles decided to transfer part of their pension contributions with open-ended pension funds while the net asset value of pension fund portfolios was PLN 149.1 bn at the end of 2014.⁵⁵ The reform also set the minimum investment of pension funds in stocks at 75% of assets by the end of 2014, 55% by the end of 2015, 35% by the end of 2016, and 15% by the end of 2017. In addition, the reform bans pension funds from investing in Treasuries, which on the one hand limits liquidity on the domestic market of Treasury securities and on the other hand makes pension funds more interested in investing in non-Treasury bonds.

GEOPOLITICAL SITUATION IN EASTERN EUROPE

The military conflict in Eastern Ukraine which started in Q1 2014 increased uncertainty about the political stability of the region among international investors who invest on Central and Eastern European capital markets. Poland is part of the popular investment basket of Emerging Markets Europe, hence the conflict across the Eastern border had an adverse impact the activity of investors on WSE.

OBLIGATION TO TRADE IN GAS ON THE EXCHANGE

The obligation to sell on the exchange a proportion of high-methane gas put in the transmission grid from imports and domestic production imposed by the Energy Law took effect on 11 September 2013. In 2014, the proportion was 40%; based on the annual volume of sales at 16.1 bn m³ in 2013 according to POGC publications, the volume subject to the obligation is ca. 6.5 bn m³ (70 TWh). The proportion will be 55% as of 2015.

In its second year of operation, the PolPX gas market performed much better in terms of the trade obligation (in the first year of the obligation, gas offered on PolPX did not find enough buyers). The improved performance of the obligation in 2014 was largely due to changes in the POGC Group structure where wholesale and retail operations were separated. A new company, PGNiG Obrót Detaliczny Sp. z o.o., launched on 1 August. It buys natural gas on PolPX and supplies it to 6.5 mn retail consumers, households and companies whose annual gas consumption is less than 25 mn m³ per year. Gas is sold on PolPX by PGNiG Oddział Obrotu Hurtowego, which also supplies natural gas to users whose annual gas consumption is more than 25 mn m³ per year under bilateral contracts.

INTERNAL FACTORS

DELISTING OF WIG20 FUTURES WITH A MULTIPLIER OF PLN 10

According to the decision of the WSE Management Board, only WIG20 futures with a multiplier of PLN 20 are in trading on the exchange since 23 June 2014. The main goal of the decision was to reduce transaction costs of futures to make them more attractive to investors, and to build liquidity of the futures market. The Company expected that the volume of trading in WIG20 futures could decrease in the early period after the migration.

⁵⁵ PFSA data.



CHANGES ON THE WSE MANAGEMENT BOARD

In June 2014, the General Meeting of WSE appointed Paweł Tamborski as President of the WSE Management Board. In July 2014, other members of the WSE Management Board were appointed for a new term of office including:

- Dariusz Kułakowski as Vice-President of the WSE Management Board,
- Karol Póltorak as Vice-President of the WSE Management Board,
- Mirosław Szczepański as Vice-President of the WSE Management Board,
- Grzegorz Zawada as Vice-President of the WSE Management Board.

The newly appointed Management Board members in the latter half of the year made decisions to update the Company's strategy for 2014-2020, to implement a savings programme, and to amend WSE's dividend policy.

DECISION TO SUSPEND NEGOTIATIONS ON CAPITAL CO-OPERATION WITH CEESEG

On 23 September 2014, the WSE Management Board announced that it is not considering a capital alliance with CEE Stock Exchange Group AG at this time. The objective of WSE is organic growth, including strengthening of the international position of the Exchange, making it more attractive to all market participants, and building WSE shareholder value.

PUBLICATION OF THE UPDATED WSE GROUP STRATEGY WSE.2020

On 30 October 2014, WSE published the updated strategy of the WSE Group. The updated strategy sets the directions and priorities of the WSE Group's development until 2020. Amendment of the Company's dividend policy is part of the strategy. The publication of the Company's updated strategy and WSE's new dividend policy impacted WSE's share price on the date of publication of the Company's Q3 2014 results (30 October 2014). Detailed information on the updated strategy and the new dividend policy is presented in Sections II.1 and I.4.

LAUNCH OF THE EXCHANGE INFORMATION PLATFORM

In February 2014, PolPX publicly launched the Exchange Information Platform. The website was developed in co-operation with representatives of the power sector in response to requests of the President of the Energy Regulatory Office. The website provides market participants with statistics of the current and projected status of Poland's power system including demand for energy and potential coverage of the demand. Other published statistics include available production capacities and wind generation data.

The Exchange Information Platform includes a module supporting the publication of inside information according to the requirement under Article 4.1 of Regulation No 1227/2011 (REMIT): the Essential Transaction Information system. ACER declared the Exchange Information Platform to be a transparency platform, one of seven such platforms in the European Union. The Exchange Information Platform in co-operation with the Entrepreneurship Development Agency publishes coal market price indices.

In 2014, PolPX worked to develop and implement a reporting mechanism of transactions on the wholesale energy market in compliance with Article 8 of REMIT. PolPX participated in an ACER pilot project to develop a European platform ARIS.

These efforts and the development of trade reporting tools are necessary to get the status of Registered Reporting Mechanism (RRM). Registration as RRM is required to report trade on behalf of and for market participants as a commercial service.



Work is underway to develop an Exchange Information Platform website for the gas market.

II. 4 Drivers of WSE Group Development in 2015

EXTERNAL FACTORS

MACROECONOMIC SITUATION IN 2015

According to European Commission projections, the Polish GDP is set to grow by 3.2% in 2015, at a rate similar to that reported in 2014. Domestic demand will remain the main driver of Polish growth in 2015. The growth of public investments is expected to step up owing to new projects co-financed with EU funds. The growth rate of private consumption is expected to stay strong thanks to the anticipated continuation of improvement on the local labour market.

As a result, Poland is expected to be the third fastest growing economy in the EU in 2015 after Ireland (3.5%) and Malta (3.3%). Economic activity in the eurozone, Poland's main trade partner, is expected to recover gradually as its GDP grows by 1.3% in 2015 compared to 0.8% in 2014 (1.7% in 2015 and 1.3% in 2014 in the EU). Poland's average annual inflation is expected to fall to -0.2% in 2015 (compared to -0.1% in the eurozone and 0.2% in the EU). The market consensus is that the Polish interest rates will continue to be cut in 2015.

The risk factors for the Polish economy in 2015 include the geopolitical risk posed by the escalation of the Russian-Ukrainian conflict including potential interruptions in the deliveries of Russian oil and gas to Poland as well as the impact of weaker market conditions in Russia and Ukraine on Polish exports.

Risks to the growth rate of private consumption in 2015 may include appreciation of the Swiss franc after the National Swiss Bank dropped the cap on the exchange rate of the franc against the euro, which inflated household debt in CHF.

Factors relevant to the financial markets in 2015 include the activity of the main central banks including the Fed's potential decision to start a series of interest rate hikes. According to market consensus, the Fed should start to tighten the monetary policy in mid-2015 driven by continued economic recovery in the USA and further improvement on the US labour market.

Developments in Greece will be relevant to the financial markets in 2015, including collaboration of the new Greek government with the Troika (IMF, ECB, European Commission).

GEOPOLITICAL SITUATION IN EUROPE

Development of the geopolitical situation in Central and Eastern Europe will be relevant to the growth of the Polish capital market in 2015, including in particular potential escalation of the military conflict in Ukraine and political tensions between Russia and the European Union. The development of the conflict across Poland's Eastern border will impact the Polish economy in 2015 but only in selected sectors, e.g., the food industry, the clothing industry, as well as selected companies listed on WSE which have a big exposure to trade in Russia and Ukraine. Risk factors to the activity of investors on the capital markets in Central and Eastern Europe include the economic and social situation in some European Union member states in view of the sovereign debt crisis and necessary structural reforms.



PRIVATISATION

The State Treasury of the Republic of Poland has played an important role in the development of WSE through privatisations. While the number of large companies available for privatisation falls steadily year after year, the State Treasury still holds significant blocks of shares in many companies already listed on WSE. The share of the State Treasury in the capitalisation of companies listed on WSE was 16.9% at the end of 2014.

The Ministry of the State Treasury earned privatisation revenues of PLN 1 bn in 2014. The biggest privatisation transaction was the sale of 65,411,629 shares of PGE Polska Grupa Energetyczna S.A. representing 3.50% of its share capital by the State Treasury in July 2014. The State Treasury raised PLN 121.5 mn on the sale and the company Polskie Inwestycje Rozwojowe S.A. received PLN 1.204 mn. The privatisation revenue expected in 2015 is estimated at PLN 1.2 bn.

The State Treasury may continue privatisations on WSE in 2015 and beyond, mainly by reducing its stake in companies already listed. The privatisation policy in the coming years will be determined among others by the continuation of the "Polish Investments" Programme. Revenues from sales of shares in some companies with a stake held by the State Treasury, which were designated for privatisation according to existing plans, could be used in the Programme. Under the Programme, as approved by the Council of Ministers on 27 December 2012, a part of stakes in several companies may be sold, including PGE Polska Grupa Energetyczna S.A., PKO BP S.A., PZU SA, after prior contribution to Bank Gospodarstwa Krajowego (BGK) and/or Polskie Inwestycje Rozwojowe S.A. (PIR S.A.) depending on the need for financing.

INTEGRATION OF THE ELECTRICITY MARKET: INTERNAL ENERGY MARKET

The objective of integration of the European market as a consistent harmonised internal market mechanism: the Internal Electricity Market (IEM), is to allow all market participants to participate in cross-border trade in electricity. The economic goals include maximisation of social welfare for market participants: customers, producers and cross-border interconnection owners (transmission grid operators), and energy price convergence in neighbouring markets. The target solution to ensure market coupling (MC) is the Price Coupling of Regions (PCR) model developed by Western European exchanges on the Day-Ahead Market and Cross-border Intra-day (XBID) model on the Intra-Day Market.

PolPX is preparing to become a full participant of the Multi Regional Coupling (MRC) market launched in May 2014 under the Price Coupling of Regions (PCR) model which currently includes Scandinavia, Central and Western Europe, and the Iberian Peninsula. Poland participates in the market in part, through a connection with the Scandinavian countries via the SwePol Link. In late August 2014, the Energy Regulatory Office and the Polish Power Grid Company agreed joint actions to cover all cross-border interconnections by the Market Coupling mechanism based on the PCR model, including PL-LT, PL-DE, PL-CZ and PL-SK interconnections.

PolPX plans to be a full member of PCR and to operate on the MRC market at first as Nominated Electricity Market Operator (NEMO) and soon thereafter also as periodic Market Coupling Operator (MCO) of the single European market. These functions are described in the draft Capacity Allocation and Congestion Management Regulation (CACM). The final wording of the Regulation is currently under discussion. CACM should be published and take effect in early 2015.

GAS MARKET: GAS SUPPLY DIVERSIFICATION REGULATION

The Regulation of the Council of Ministers of 24 October 2000 on minimum diversification of gas supplies from other countries provides that the maximum share of gas imported from one country of origin in the total volume of gas imported within the year shall not be more than 59% in 2015-2018 and 49% in 2019-



2020. The provision applies to energy companies which have been or will be issued a licence to trade in natural gas with other countries.

In its current wording, the regulation hinders the operation of energy companies trading in gas both in economic and technical terms as they are forced to purchase more expensive gas from less accessible sources.

The diversification obligation also applies to LNG supplies to the Świnoujście terminal, which may hinder its full utilisation as traders will have to diversify non-EU LNG supplies using non-EU natural gas supplies.

The regulation has not been harmonised with EU legislation since Poland's EU accession. In December 2014, the Ministry of the Economy announced that the draft new regulation is to be tabled to the Council of Ministers before opening inter-ministerial and social consultations.

Amendment of the regulation in 2015 will certainly contribute to the development of the exchange market in gas, the entry of new players, and additional competition.

INTERNAL FACTORS

IMPLEMENTATION OF THE WSE GROUP'S STRATEGY

The development of the Exchange in 2015 and beyond will be mainly driven by the implementation of the WSE Group's updated strategy for 2014-2020. WSE will take active measures to unlock the full potential and to develop its core markets: the markets in shares, debt, derivatives, and information products. As a result, WSE wants to be the exchange market of first choice for investors and issuers in Central and Eastern Europe.

Development will be based on reinforcement of the existing key business segments of the Exchange and development of areas where WSE has a competitive advantage and may effectively leverage the potential of its employees and assets. WSE's updated strategy turns the Exchange to clients understood broadly as issuers, investors and brokers.

The key issues include the level of fees charged by the Company. WSE analyses on an on-going basis the situation with respect to fees as well as the impact of fees on the competitive edge of its services and products.

Another goal under the updated strategy, which will have a major impact on the development of the Company in 2015 and beyond, is to improve efficiency, among others by reducing the Company's operating expenses. This is the purpose of the implemented savings programme. According to the strategy, savings will mainly include real estate, external services, IT services, and other services.

ACTIVATING DEVELOPMENT OF THE DEBT MARKET

In 2015, the WSE Group is planning to implement important projects supporting further development of the TBSP market, including cash and conditional transactions, among others using transaction clearing guarantee mechanisms based on services of the clearing house KDPW_CCP. The planned implementation of a clearing guarantee system based on the CCP will cover both cash market transactions and repo/BSB transactions. In the opinion of the WSE Group, further development of the repo segment is important to the development of Poland's financial market. Therefore, BondSpot S.A. will actively participate in work necessary to eliminate barriers hindering fast development of the segment and take actions to offer organised trading in the segment.



In 2015, steps will be taken to stimulate the activity of participants of BondSpot markets, including new participants holding the status of TBSP institutional investor.

On the Catalyst market, modifications are planned to the trading model including among others changes to the terms of listing and introducing bonds to trading, development and implementation of rules for market makers and a market maker activation programme, changes to the fee policy.

In 2015, the WSE Group will take further steps to support legislative changes aimed at eliminating barriers on the debt market, especially to allow banks to perform certain brokerage operations in debt instruments (single banking licence).

NEW PRODUCTS AND SERVICES ON THE COMMODITY MARKET

Launch of the Commodity Derivatives Market

The factors key to the development of the WSE Group include the launch of a financial market (market in electricity and gas derivatives) planned in 2015. It will offer trade in financial instruments based on PolPX-listed commodities as the underlying. Futures based on spot electricity prices will be launched in the first place. The market start date depends on a permit from the Minister of Finance to operate a regulated market within the meaning of the Act on Trading in Financial Instruments and in conjunction with the Commodity Exchange Act.

The launch of a financial market is a natural part of strategic growth of the Polish Power Exchange aimed to strengthen its competitive position on the European markets. The launch of the market will ensure product diversification, address the expectations of market participants, and represent a step towards a broader group of market participants including players interested in financial instruments. In addition, the launch of the commodity derivatives market will ensure product diversification of the PolPX Group and increase the turnover on the Day-Ahead Market. The launch of the financial market will also add domestic and international financial institutions to the group of trading participants.

Launch of OTC Electricity Trade Clearing

The launch of OTC electricity clearing by WCCH is a natural addition to the range of clearing services offered to participants of the Polish commodity market. WCCH considers the development of an OTC offer to be complementary to the services for the exchange market. The main advantage of the launch of OTC clearing by WCCH is the netting of margins for positions opened on PolPX and the trading platform. This allows for diversification of trading options available to participants without a significant increase of the cost of collateral.

Offering a Reporting Service for Trade of Market Participants in ACER

On 8 January 2015, PolPX opened registration with the Agency for the Co-operation of Energy Regulators (ACER) to get the status of Registered Reporting Mechanism (RRM) which will allow it to report trade of market participants under the requirements of REMIT. Following the registration with ACER, PolPX-RRM will offer the reporting service to exchange members and other interested parties. The RRM status allows to fulfil the trade reporting obligation of any market participant via the exchange.

Registration as RRM will allow PolPX to report trades of market participants under the requirements of the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT). Under the REMIT implementing regulation published by the European Commission on 18 December 2014, the start date of the obligation to report exchange orders and transactions to ACER is 7 October 2015.



WCCH Harmonisation with EMIR Requirements

In order to clear financial instruments traded on the regulated market after 3 January 2017, WCCH is preparing to get the status of Central Counterparty (CCP) in line with the guidelines laid down in Regulation No 648/2012 (EMIR), the EMIR Regulatory Technical Standards (RTS) and the Regulation of the European Parliament and of the Council of 15 May 2014.

The CCP status is necessary to continue the operation of the clearing and settlement system following the effective date of the applicable EU regulations.



II. 5 Business Lines

FINANCIAL MARKET

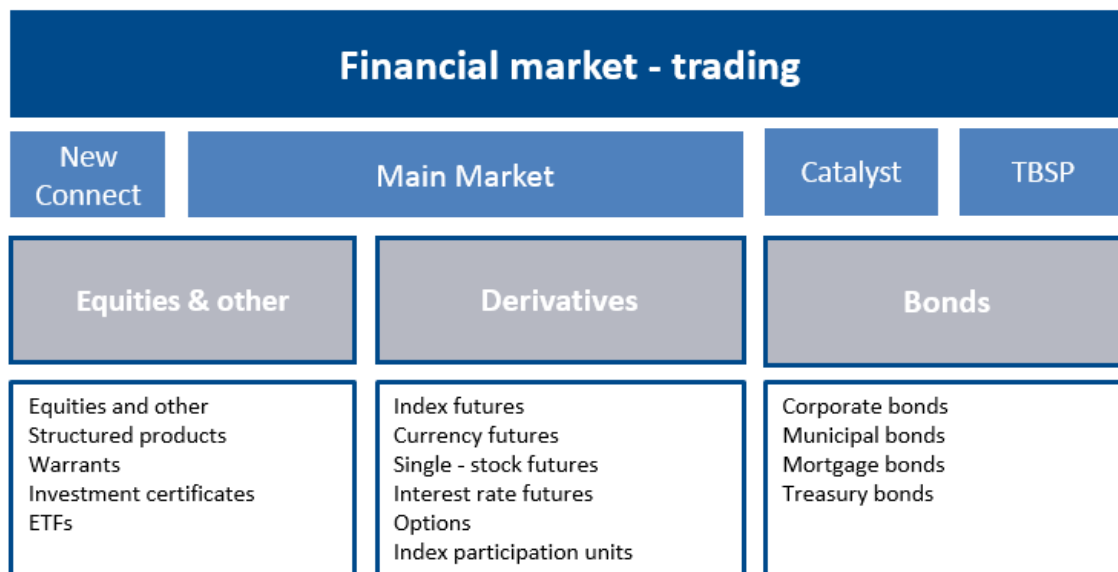
The activities of WSE on the financial market include:

- trading in financial instruments on the regulated market and in the alternative trading system, including trading in shares on the Main Market and on the NewConnect market, trading in derivatives on the Main Market, and trading in debt instruments on the Catalyst platform (regulated market and alternative trading system);
- listing, including introduction to trading and listing of financial instruments;
- information services including real-time data from the financial and commodity markets operated within the WSE Group.

TRADING

Trading encompasses trading in financial instruments on the Main Market and on WSE regulated markets NewConnect and Catalyst.

Chart 6 Financial instruments in trading on the financial markets operated by WSE



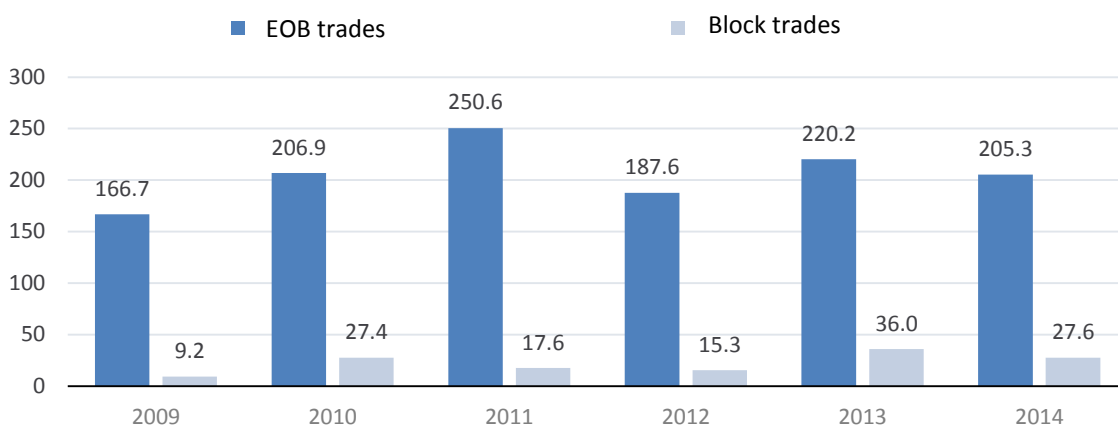
Source: WSE

Stock market

The total value of the Electronic Order Book in shares on the WSE Main Market was PLN 205.4 bn in 2014, a decrease of 6.7% year on year. The average daily value of the Electronic Order Book was PLN 824.8 mn, a decrease of 7.5% year on year. The number of transactions was 13.8 mn in 2014, an increase of 7.9% year on year.



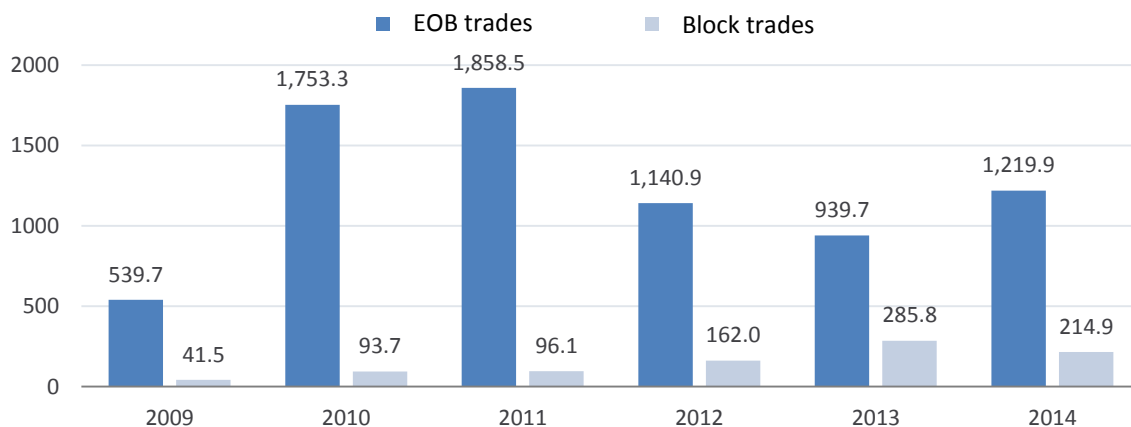
Figure 21 Value of the Electronic Order Book and block trades on the WSE Main Market in shares (PLN bn)



Source: WSE

The turnover on NewConnect was PLN 1,435 mn in 2014, an increase of 17.1% year on year. The number of transactions on the Electronic Order Book was 865.1 thousand in 2014, an increase of 20.0% year on year.

Figure 22 Value of the Electronic Order Book and block trades on NewConnect (PLN mn)



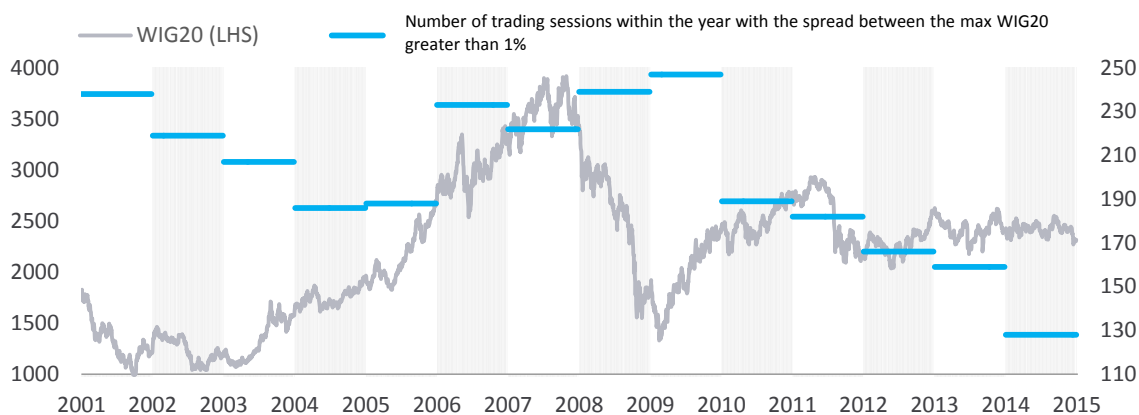
Source: WSE

The decrease of turnover was driven mainly by record-low volatility which persisted on WSE equity markets throughout 2014 and was historically low in many years, impacting the activity of investors on the exchange.

The spread between the maximum and the minimum WIG20 was greater than 1 percent at only 129 trading sessions in 2014, compared to 160 sessions in 2013 and more than 200 sessions in previous years.



Figure 23 Number of trading sessions within the year with the spread between the maximum and the minimum WIG20 greater than 1%

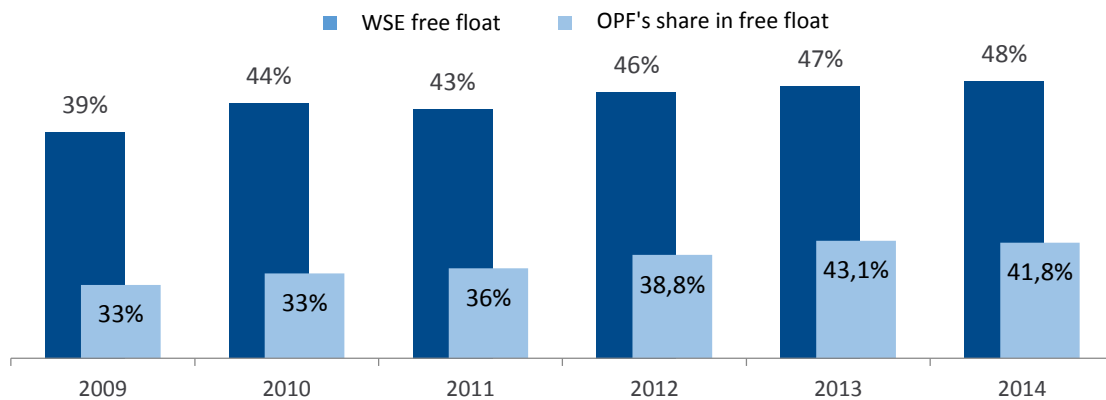


Source: WSE

The low activity of investors on the WSE markets was also driven by uncertainty about the pension fund reform of February 2014.

However, the low investor activity due to the pension fund reform was largely driven by market uncertainty about the outcome and the ramifications of the reform in terms of the size of funds' assets rather than by low activity of funds on the equity market.

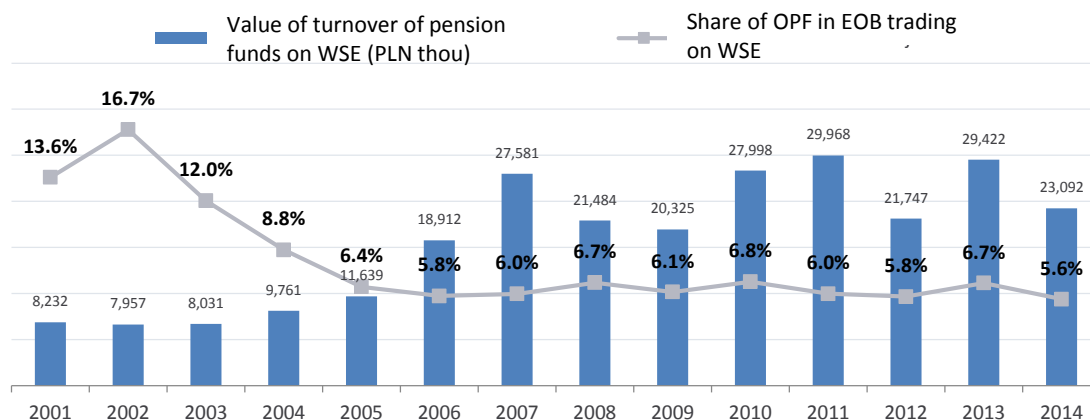
Figure 24 WSE free float and share of pension funds in free float



Source: WSE, PFSA



Figure 25 Share of pension funds in WSE trading



Source: WSE, PFSA

The decrease of trading in shares in 2014 were also caused by low activity of foreign investors due to political uncertainty around the conflict in Ukraine.

The fixed fee on orders in the market of shares, subscription rights and ETF units on the Electronic Order Book and in block trades on both equity markets was reduced from PLN 1 to 0.20 and the fee on orders executed as part of market maker functions to PLN 0.05; the reduction took effect on 1 January 2013 and remained available throughout 2014.

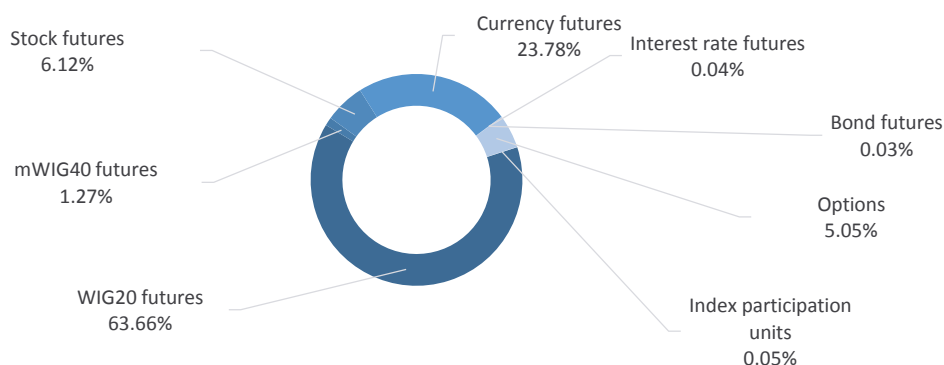
In November 2013, the WSE Management Board opened a promotion for active investors on the market in equities and derivatives under the High Volume Provider (HVP) Programme. The promotion was extended to 31 October 2015. The promotion is available to legal persons investing on financial markets only on own account. Eligible for the promotion were investors who crossed the minimum threshold of turnover at PLN 5 mn per session on the equity market or 150 thousand futures and options per session on the derivatives market. The HVP promotion was designed to attract a new group of investors previously absent from WSE; their presence should in the long term help to reduce spreads and improve liquidity of the entire market.

Derivatives Market

Warsaw Stock Exchange operates the biggest derivatives market in Central and Eastern Europe. WIG20 futures have for years been the most liquid instrument that generates the highest volume of trading on WSE, representing 63.7% of the volume of trading in all derivatives in 2014 (65.4% in 2013, 80.1% in 2012).



Figure 26 Share of derivatives in turnover in 2014 (by volume)



Source: WSE

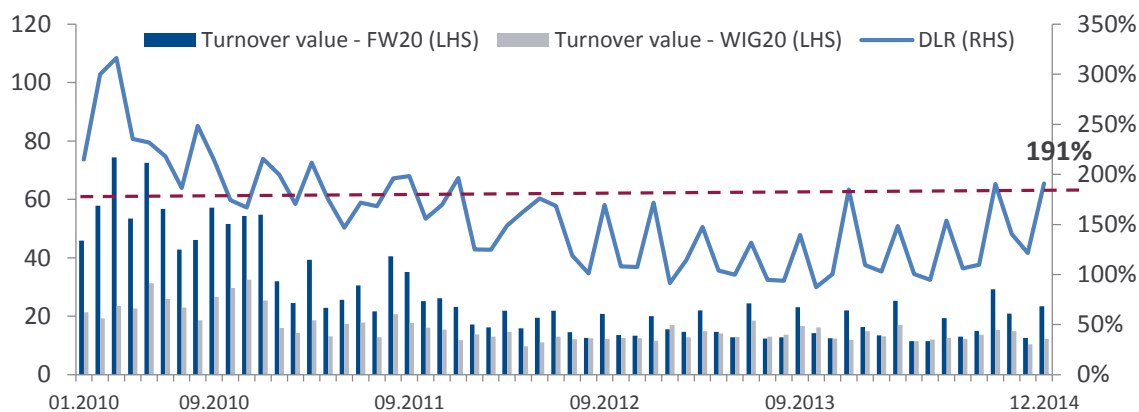
In September 2013, WSE introduced to exchange trading WIG20 futures with a multiplier of PLN 20 in anticipation of gradual migration of futures with a multiplier of PLN 10 to the new contracts. 20 June 2014 was the last day of trading of WIG20 futures with a multiplier of PLN 10. Since 23 June 2014, only WIG20 futures with a multiplier of PLN 20 have been in trading.

The change of the multiplier was introduced and maintained by WSE following internal analyses and broad industry consultations involving among others the WSE Derivatives Market Committee. The main goal of the decision was to reduce transaction costs of futures to make them more attractive to investors, and to build liquidity of the futures market. The Company expected that the volume of trading in WIG20 futures could decrease in the early period after the migration. Considering the features of the new futures, including transaction costs at half those for previously listed futures, the volumes of trading should grow month by month.

The decrease in the volume of trading in futures was also driven by the record-low volatility of WIG20 throughout 2014.

The liquidity ratio of WIG20 futures measured as the value of trading in WIG20 futures to the value of trading in the underlying was the highest since December 2011 in the last few months of 2014.

Figure 27 Futures liquidity ratio (DLR): value of trading in FW20 to the value of trading in the underlying

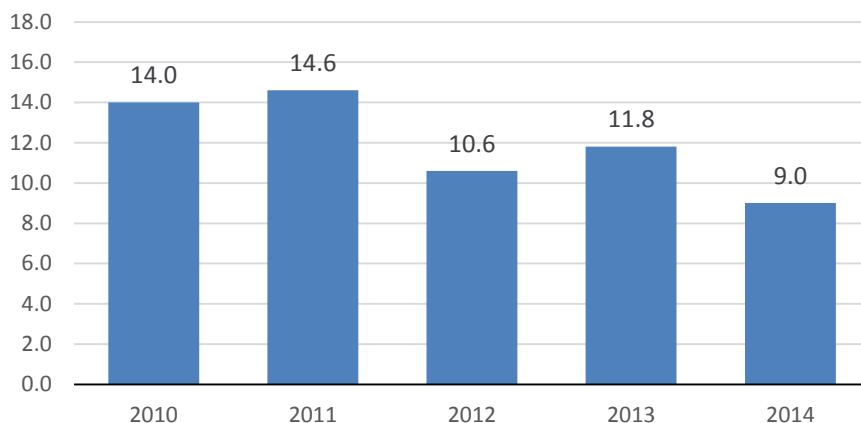


Source: WSE



As a result of the decrease in the volume of trading in WIG20 futures, the total volume of trading in derivatives was 9.5 mn instruments in 2014, a decrease of 24.9% year on year. The number of open interest was 138.1 thou. as at 31 December 2014, a decrease of 28.6% year on year.

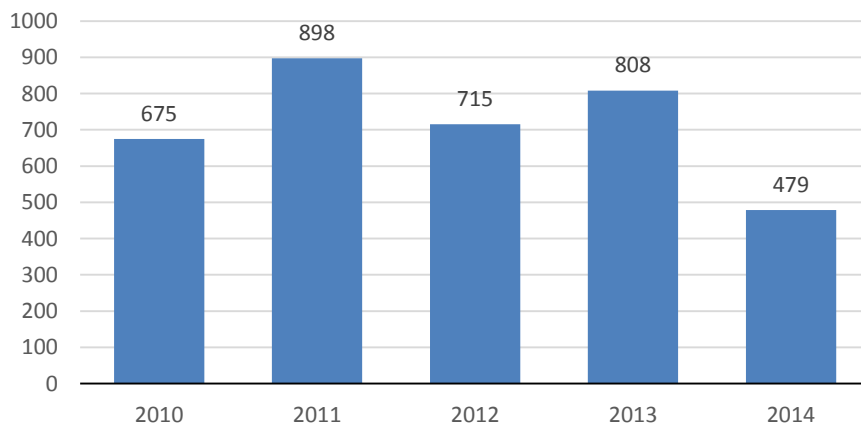
Figure 28 Volume of trading in futures, EOB and block trades, mn instruments



Source: WSE

The total volume of trading in options was 479 thousand instruments in 2014, a decrease of 40.7% year on year

Figure 29 Volume of trading in options, EOB and block trades, thou. instruments



Source: WSE

The following promotion fees for trading in futures were available on WSE from 1 January 2013 and throughout 2014:

- reduction of the fixed fee on index futures from PLN 1.70 to PLN 1.60;
- reduction of fees for day trading in futures on the Electronic Order Book (excluding transactions on the account of a market maker and transactions on own account of an exchange member);
- reduced fees for transactions in futures on own account of brokers.



In April 2014, the WSE Management Board opened a promotion of fees on WIG20 futures with a multiplier of PLN 20 charged on transactions as part of market maker functions for such futures. The promotion period was later extended until the end of December 2014. As a condition of eligibility for the promotion, market makers had to reach a minimum threshold of the volume of trading set per each month as follows:

- 10,000 futures in May 2014,
- 15,000 futures in June 2014,
- 30,000 futures in July and in August 2014,
- 40,000 futures in September and in October 2014,
- 50,000 futures in November and in December 2014.

The goal of the promotion was to stimulate trade in WIG20 futures with a multiplier of PLN 20 in view of the planned delisting of WIG20 futures with a multiplier of PLN 10 as of 23 June 2014.

WSE also offered promotional fees charged from exchange members on trade in bond futures and WIBOR futures at zero in 2014.

Debt Instruments Trading System Catalyst

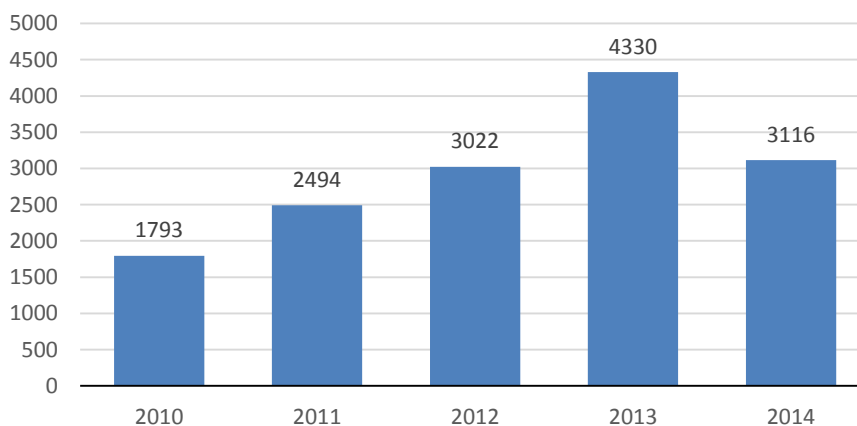
Catalyst is comprised of regulated markets and alternative trading systems and is operated on the trading platforms of WSE and BondSpot, a subsidiary of WSE. Catalyst is designated for debt instruments: municipal, corporate and mortgage bonds, and its architecture makes it compatible with issues of various sizes and different characteristics as well as suitable to meet the needs of various investors: wholesale and retail, institutional and individual investors. Retail Treasury bonds are also listed within Catalyst.

The value of the Electronic Order Book in non-Treasury instruments on WSE markets operated within Catalyst was PLN 1,728 mn in 2014 as compared to PLN 2,206 mn in 2013 (a decrease of 21.7%), and the value of block trades was PLN 776 mn in 2014 as compared to PLN 1,560 mn in 2013. The total value of trade in non-Treasury and Treasury instruments on Catalyst was PLN 3,116 mn in 2014 as compared to PLN 4,330 mn in 2013, representing a decrease of 28.1%.

A promotion on maximum fees charged for introduction of debt financial instruments denominated in EUR into trading on the regulated market or an alternative trading system was open from April to September 2014. The maximum fee was reduced from PLN 30 thou. to PLN 15 thou. in the promotion. In addition, the WSE Management Board introduced a promotion fee for listing of debt financial instruments denominated in EUR in the regulated market or an alternative trading system at zero.



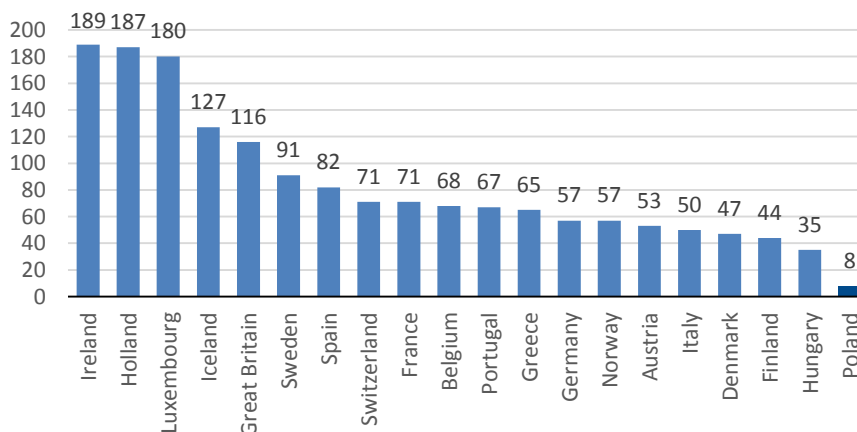
Figure 30 Value of trading on Catalyst, PLN mn



Source: WSE

In the Company's opinion, Catalyst still has a high growth potential, which is reflected in a relatively low level of bond debt issued in Poland in relation to GDP. The aggregate indebtedness of Polish companies and financial institutions under debt instruments (with maturities over 1 year) issued on the local and international markets represented 8% of the nominal GDP as at 30 September 2014.

Figure 31 Bonds issued by financial and non-financial institutions to GDP (%)



Source: Fitch

Catalyst also has a potential created by regulatory requirements following the pension fund reform of February 2014, which bars funds from investing in Treasury bills and other debt instruments guaranteed by the State Treasury, which naturally turns them to the corporate bond market. Further opportunities for Catalyst may open with the option of direct participation of banks in the market (single banking licence) as well as the promotion of ratings, largely supported by the Institute of Analysis & Rating established within the WSE Group.

Treasury BondSpot Poland

Treasury BondSpot Poland (TBSP) offers trade in Treasury securities (Treasury bonds and bills). As a rule, all non-retail Treasury bonds denominated in PLN and EUR and Treasury bills are introduced to trading.



In 2014, TBSP held the status of electronic market within the Treasury Securities Dealer System, the reference platform of secondary trading in Treasury debt (the selection is made once every two years by the Treasury Securities Dealer System and approved by the Minister of Finance).

Development of the TBSP product offer in 2014 included the implementation of new functionalities: MidPrice Order Book and Striker Price, as well as institutional investor access to the cash market based on Request for Quote (RFQ). In conditional transactions, tri-party repos were launched in order to provide a mechanism securing transactions with services of a tri-party agent (KDPW acts as the agent) and to create conditions necessary to extend the maturities of repo transactions. In 2014, the price list was amended to the extent of cash transactions of market makers, effective as of 1 January 2015.

In 2014, the activity of market participants was driven both by global factors and directly by developments on the Polish financial market. The local bond market was impacted by global capital flows following the activity of the biggest central banks aimed at stimulating growth and preventing the effect of deflation (on the one hand, expectations that the Fed will reduce quantitative easing; on the other hand, the QE policy implemented by the Bank of Japan and expectations that the European Central Bank will do the same), as well as local factors (interest rate cut expectations followed by decisions of the Monetary Policy Council). These activities determined bond yields and prices on the base markets, which impacted yields and prices on the local market. The falling yields of Polish bonds were also driven by interest rate cut expectations followed by decisions of the Monetary Policy Council. The changes implemented in the pension fund system were an important factor driving the value of trading on the bond market. The changes to the pension fund system effective as of early February 2014 put an end to the transactional activity of this group of institutional investors in Treasury securities, affecting the turnover in the interbank segment. Moreover, the Ministry of Finance largely reduced its activity as an issuer on the primary market in the latter half of the year, which affected the value of trading on the secondary market.

In 2014, the value of cash transactions on Treasury BondSpot Poland was PLN 327.4 bn (a decrease of 5.6% year on year) and the value of conditional transactions was PLN 439.2 bn (a decrease of 11.8% year on year). Despite the decrease in the value of cash transactions in 2014, the share of transactions on the TBSP platform in outright transactions on the Treasury securities market increased. The share of outright transactions in bonds on the TBSP platform in the total value of outright transactions on the bond market was 11.1% in 2014 (data for January-November) compared to 9.1% in 2013 and 12.1% in 2012. The share of conditional transactions on the TBSP platform in conditional transactions on the bond market decreased to ca. 5.1% in 2014, compared to 6.0% in 2013 and 8.3% in 2012.

As at 31 December 2014, TBSP had 33 market participants (banks, credit institutions, investment firms and one pension fund).

Other Cash Market Instruments

Apart from shares and debt instruments, the WSE cash market lists also structured products, investment certificates, warrants and ETF certificates.

In total, WSE listed 774 structured products, 31 investment certificates, 3 ETFs and 75 warrants at the end of 2014, as compared to 550 structured products, 37 investment certificates, 3 ETFs and 72 warrants at the end of 2013.



Table 9 Number of structured products, investment certificates, ETFs and warrants listed on WSE, as at 31 December

	2014	2013	2012	2011	2010	2009
Structured products (certificates)	744	550	327	178	124	54
Structured products (bonds)	4	7	16	28	24	16
Investment certificates	31	37	58	60	58	50
ETFs	3	3	3	3	1	-
Warrants	76	72	68	90	-	-

Source: WSE

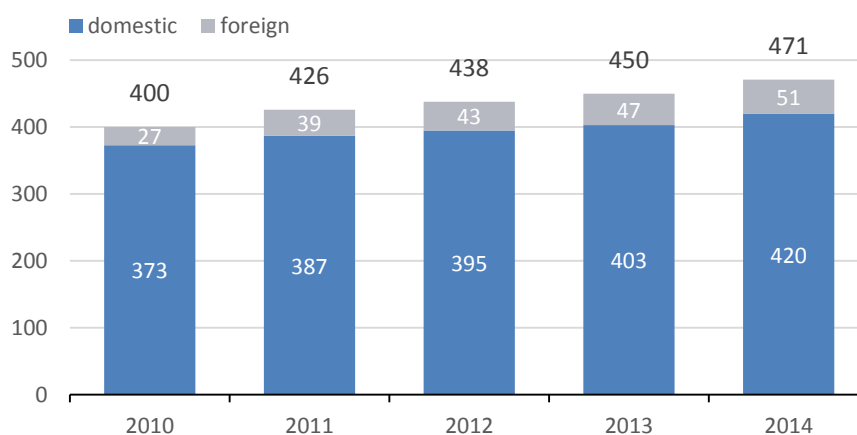
The value of the Electronic Order Book in structured products amounted to PLN 560.5 mn in 2014 compared to PLN 280.7 mn in 2013 and almost doubled year on year (99.8%). The value of trading in ETF units was PLN 103 mn in 2014 compared to PLN 169.4 mn in 2013. The value of trading in investment certificates increased by 53.2% to PLN 72.1 mn in 2014.

LISTING

Listing encompasses admission and introduction to exchange trading and listing of securities on the markets organised and operated by the Group.

WSE ended the year 2014 with 902 companies listed in aggregate on the Main Market and in the alternative trading system on the NewConnect market, including 61 foreign issuers (895 listings including 58 foreign issuers at the end of 2013).

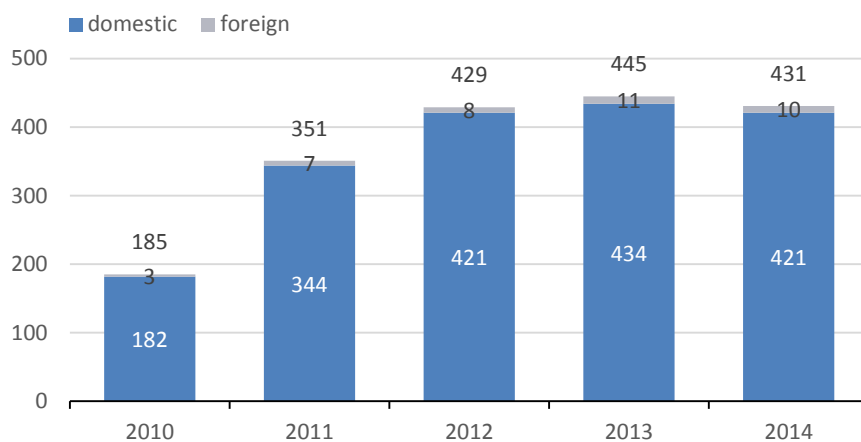
Figure 32 Number of domestic and foreign companies – Main Market



Source: WSE



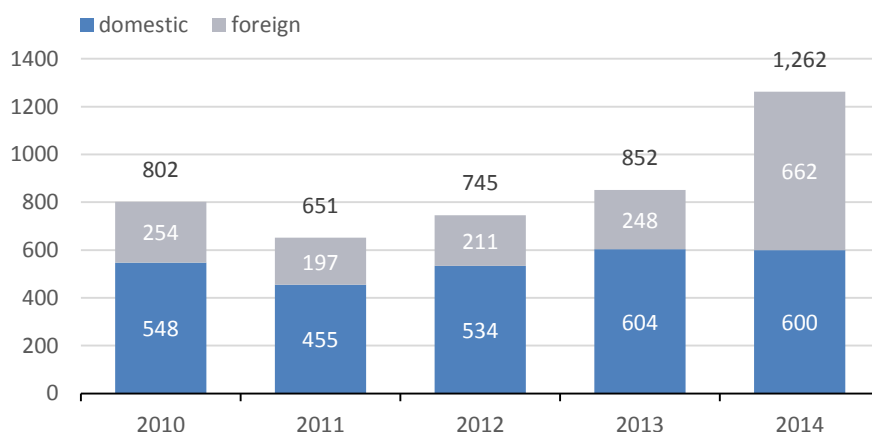
Figure 33 Number of domestic and foreign companies - NewConnect



Source: WSE

The total capitalisation of domestic and foreign companies on WSE's two equity markets was PLN 1,262 bn at the end of 2014⁵⁶ compared to PLN 851.8 bn in 2013.

Figure 34 Capitalisation of domestic and foreign companies – Main Market and NewConnect (PLN bn)



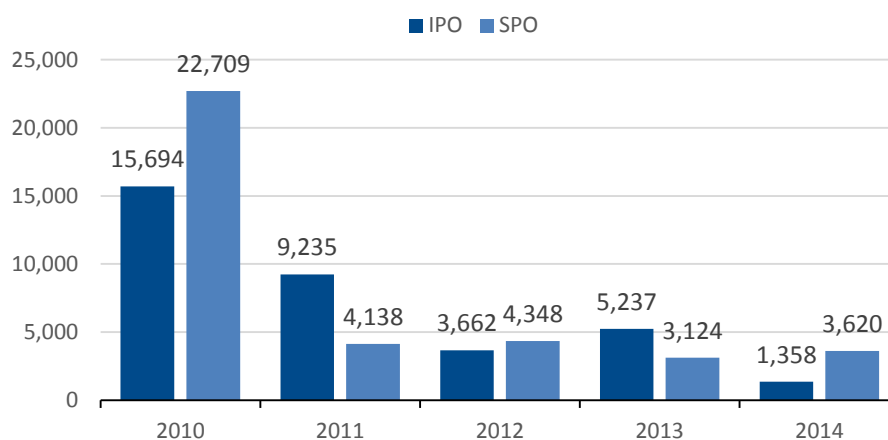
Source: WSE

There were 50 IPOs on WSE's two equity markets in 2014 (including companies which transferred from NewConnect to the Main Market), compared to 65 IPOs in 2013. The total value of IPOs on WSE's two equity markets was PLN 1.4 bn and the value of SPOs was PLN 3.6 bn in 2014.

⁵⁶ The increase of capitalisation was mainly driven by the IPO of Banco Santander in December 2014; the company's capitalisation is ca. PLN 350 bn.



Figure 35 Value of IPOs and SPOs – Main Market and NewConnect (PLN mn)



Source: WSE

Four foreign companies were newly listed on the Main Market in 2014, representing 14.3% of the total number of 28 new issuers.

The number of new listings on NewConnect decreased in 2014. There were 22 new listings, including 3 foreign companies, compared to 42 new listings in 2013. Ten issuers listed on the alternative market transferred to the WSE Main Market.

With 431 listed companies (including 10 foreign listings), the capitalisation of NewConnect was PLN 9.1 bn at the end of 2014.

The Catalyst market, which celebrated its fifth anniversary in 2014, was an important driver of growth for the market of non-Treasury debt instruments in Poland in yet another year of its operation. The nominal value of non-Treasury debt instruments listed on Catalyst was PLN 64.1 bn at the end of 2014, an increase of 8.7% compared to 2013 year-end.

Catalyst listed 496 series of non-Treasury debt instruments at the end of 2014, and another 9 series were authorised.⁵⁷ Issuers whose instruments were listed at the end of 2014 included 20 local governments, 148 enterprises and 22 co-operative banks.

Including the State Treasury, the number of issuers on Catalyst was 193 at the end of 2014, compared to 176 at the end of 2013. The total nominal value of non-Treasury and Treasury debt instruments listed on Catalyst was PLN 544.6 bn at the end of 2014 as compared to PLN 619.1 bn at the end of 2013.

INFORMATION SERVICES

WSE collects, processes and sells market data from the markets operated by the WSE Group. The status of WSE as the original source of information on trading and its strong brand and diversified business activity within the WSE Group enable the Company to successfully reach various groups of market participants with advanced information adjusted to individual needs.

The main clients using information provided by WSE are specialised data vendors who deliver the data made available by the Company in real time to investors and other market participants. Amongst the

⁵⁷ Authorisation of bonds on Catalyst involves acceptance of the issuer's disclosure obligations set out in the Catalyst Rules and registration of the issue in the Catalyst information system.



vendors there are information agencies, investment firms, internet portals, IT companies and other entities.

As at 31 December 2014, the Company's information services clients were 58 data vendors, including 31 domestic and 27 foreign ones, with nearly 240.3 thousand subscribers (including over 15.1 thousand subscribers using professional data feeds). The number of clients changed only moderately year on year but the geographic distribution of clients suggest a growing share of foreign vendors. At the end of 2014, WSE had data vendors in such countries as the United Kingdom, the USA, France, Germany, Switzerland, Austria, Denmark, Sweden, Norway, Ireland, the Netherlands, Cyprus and Slovakia.

The commodity market data service was added in 2014 to WSE's offer of real-time data from the WSE and BondSpot markets pursuant to a co-operation agreement with the Polish Power Exchange. The expansion of WSE's offer according to the WSE Group's strategy of creating revenue synergies within the Group resulted in a moderate change in the number of clients in this business line in 2014. However, in the opinion of the Company, commodity information services have a large potential in the coming years, not least in view of the planned introduction of commodity derivatives settled in cash into trading by PolPX.

In addition to quotation data, the Company also provided data vendors in 2014 with reports of issuers listed on NewConnect and Catalyst.

The Company's information services also include:

- delivery of WSE statistics and indicators;
- services for licensees issuing financial instruments with the use of WSE indices as underlying instruments;
- licences on WSE data for use in the calculation and publication of clients' proprietary indices;
- calculation of indices for clients;
- licences for television stations using real-time data feeds for limited presentation in public financial programming.

The Company is also engaged in advanced work to add services for new client groups to its offer.

Table 10 Number of data vendors and subscribers, as at 31 December

	2014	2013	2012	2011	2010	2009
Number of real-time data vendors, including:	58	58	58	57	52	50
- local	31	34	37	37	33	32
- international	27	24	21	20	19	18
Number of real-time data subscribers (thou.), including:	240.3	261.9	288.1	327.3	307.2	186.7
- number of subscribers using professional data feeds	15.1	16.2	16.3	19.1	20.6	20.7
Number of licensees using WSE indices as underlying instruments of financial products	16	17	17	18	16	15

Source: WSE



COMMODITY MARKET

The activity of the WSE Group on the commodity market is concentrated in the Polish Power Exchange and its subsidiary, the Warsaw Commodity Clearing House.

The activity of the Polish Power Exchange includes three segments:

- Operation of a commodity exchange which offers trade among others in:
 - electricity,
 - liquid and gas fuels,
 - emission allowances,
 - property rights in certificates of origin of electricity, certificates of origin of biogas and energy efficiency certificates;
- Operation of the Register of Certificates of Origin of energy from renewable energy sources, cogeneration, agricultural biogas as well as energy efficiency certificates, operation of the Register of Guarantees of Origin;
- Clearing of transactions on the commodity exchange.

Another subsidiary of the WSE Group, WSEInfoEngine S.A., operates an OTC commodity trading platform and provides services to energy market participants: energy producers, traders and industrial customers.

TRADING

ELECTRICITY MARKET

Day-Ahead and Intra-Day Market

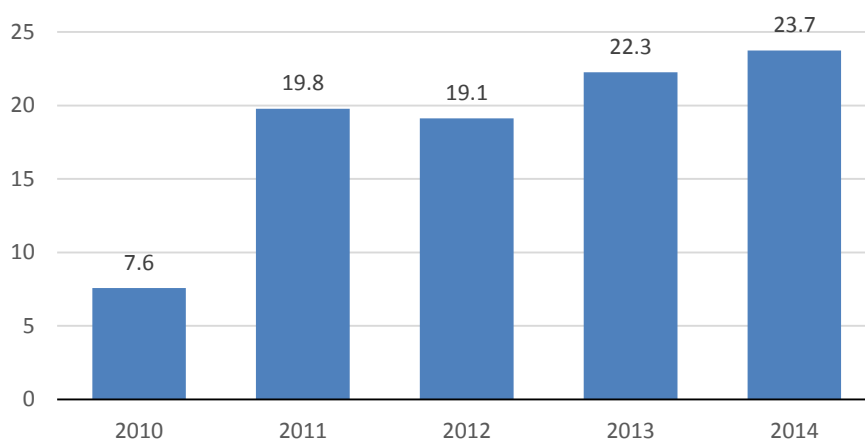
The Day-Ahead and Intra-Day Market in electricity operated by PolPX offers short-term electricity buy and sell transactions (spot market).

The Day-Ahead Market opened in June 2000 and is a physical spot market in electricity. This PolPX market lists hourly instruments for each hour of delivery day (24 instruments). It also lists three block instruments (BASE – delivery of 1 MWh in each hour of the day, PEAK – delivery of 1 MWh in each peak hour, i.e., from 07:00 to 22:00, and OFFPEAK – delivery of 1 MWh from 00:00 to 07:00 and from 22:00 to 24:00). Trade on the Day-Ahead Market takes place two days before and one day before the day of delivery. Trade on the Intra-Day Market takes place one day before the day of delivery and on the day of delivery.

In 2014, the volume of trade in electricity on the Day-Ahead and Intra-Day Market was 23.7 TWh. The year-on-year increase (from 22.3 TWh in 2013) was mainly driven by higher energy consumption in Poland in 2014, higher volatility of prices on the PSE Balancing Market, and changes to the Day-Ahead Market trading schedule which reduced the number of domestic fixings from two to one.



Figure 36 Volume of trade in electricity on the Day-Ahead and Intra-Day Market (TWh)



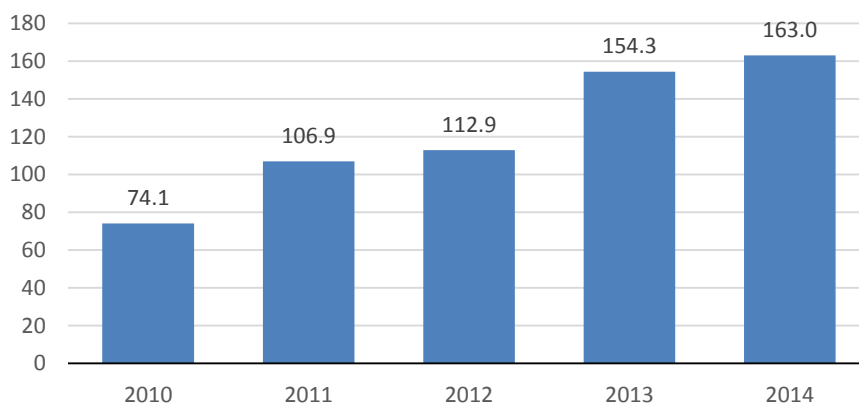
Source: PolPX

Commodity Forward Instruments Market in Electricity

The Commodity Forward Instruments Market in electricity opened on PolX in November 2008 and offers trade in standard forward instruments for delivery of the same quantity of electricity on every hour of delivery. Contracts are executed on a weekly, monthly, quarterly and annual basis. The Commodity Forward Instruments Market lists the following types of contracts: BASE with delivery in each hour of the day, PEAK5 with delivery from 07:00 to 22:00 on business days, and OFFPEAK with delivery from 00:00 to 07:00 and from 22:00 to 24:00 on business days and from 00:00 to 24:00 on holidays.

The volume of trading in electricity on the commodity forward market was 163.0 TWh in 2014. The year-on-year increase of the volume was due to the higher electricity consumption in Poland in 2014, higher volatility of prices on the PolPX Day-Ahead Market and higher liquidity of the market after PolPX signed additional market maker agreements.

Figure 37 Volume of trade in electricity on the Commodity Forward Instruments Market (TWh)



Source: PolPX



GAS MARKET

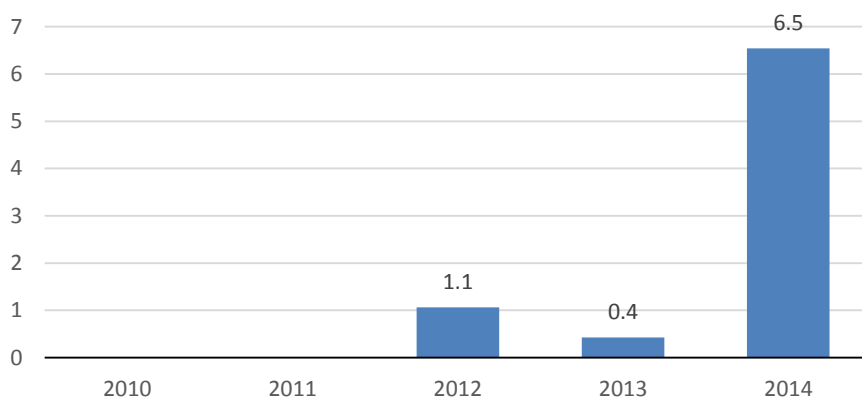
Day-Ahead and Intra-Day Market in Gas

On 31 December 2012, PolPX launched a spot market in natural gas and opened trade on the Day-Ahead Market in gas. The Day-Ahead Market in gas lists the following types of contracts: BASE with delivery on 24 hours of the next day of the same quantity of gas in every hour of the day, and WEEKEND with delivery on two days (Saturday and Sunday) of the same quantity of gas in every hour of the day (between 47 and 49 hours).

On 30 July 2014, PolPX launched the Intra-Day Market in gas. The Intra-Day Market in gas lists hourly instruments with delivery on the day of trading.

In 2014, the number of entities authorised for operation on the Day-Ahead and Intra-Day Market in gas increased and instruments with delivery over the weekend were introduced to trading. The volume of trading was supported by a change of the trading schedule on the Day-Ahead Market in gas which added an opening fixing and extended trading for another 30 minutes.

Figure 38 Volume of trade in natural gas on the Day-Ahead Market (TWh)



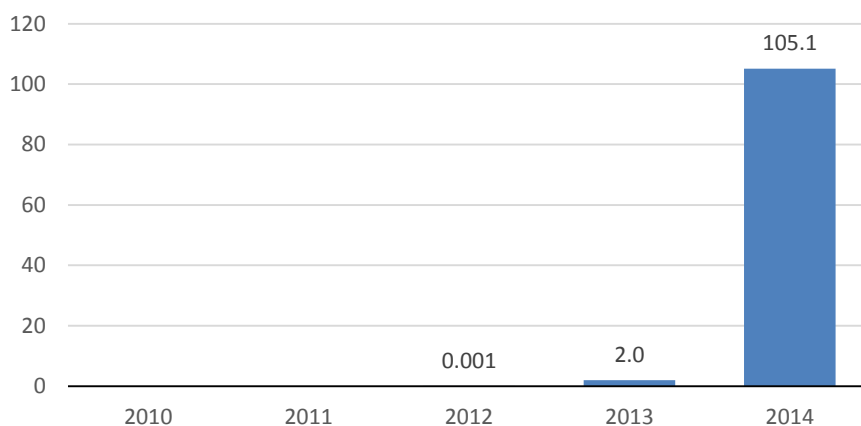
Source: PolPX

Commodity Forward Instruments Market in Gas

Since 20 December 2012, PolPX offers trade in forward instruments with physical delivery of natural gas on the Commodity Forward Instruments Market. It offers trade in standard forward products for delivery of natural gas in the same quantity in the exercise hours on a weekly, monthly, quarterly, seasonal and annual basis. Trade is available in BASE contracts with delivery of gas on 24 hours of the day.



Figure 39 Volume of trade in natural gas on the Commodity Forward Instruments Market (TWh)



Source: PolPX

Property Rights Market

PolPX operates a Property Rights Market (PRM) in certificates of origin of electricity produced:

- from renewable energy sources (PMOZE and PMOZE_A, known as green certificates),
- in high-efficiency cogeneration (PMGM, known as yellow certificates; PMEC, known as red certificates; and PMMET, known as purple certificates).

Moreover, the following instruments can be traded on PRM:

- property rights in certificates of origin of biogas (PMBG, known as brown certificates), and
- property rights in energy efficiency certificates (PMEF, known as white certificates).

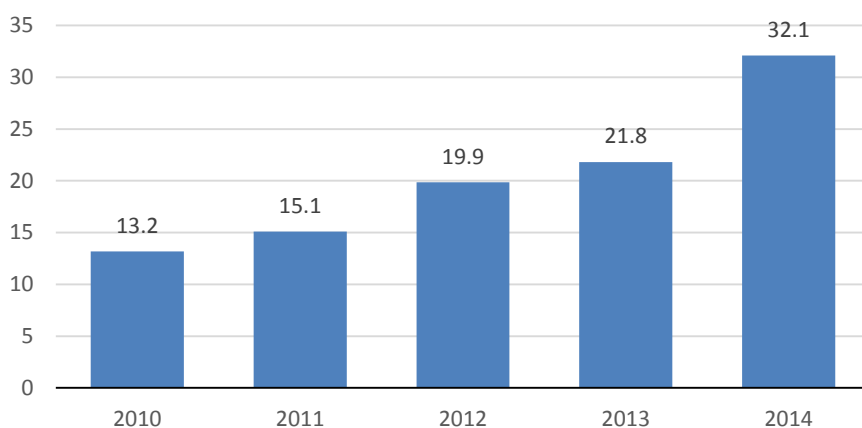
The Property Rights Market is the foundation of Poland's support system for producers of energy from renewable energy sources. It allows producers of energy from renewable energy sources, cogeneration, biogas and holders of energy efficiency certificates to sell property rights, and energy operators required to pay substitution fees or to cancel certificates of origin to meet that obligation.

The volume of trading on the Property Rights Market is driven by the number of certificates issued in the Register of Certificates of Origin: increased production of energy generates the obligation to issue more certificates of origin, which in turn generates an increase of the volume of certificates of origin available on the market.

In 2014, the volume of trading in property rights in certificates of origin of electricity generated from renewable energy sources was 32.1 TWh, an increase of 47% year on year as a result of increased production of energy from renewable sources.



Figure 40 Volume of trade in property rights in renewable energy sources (TWh)

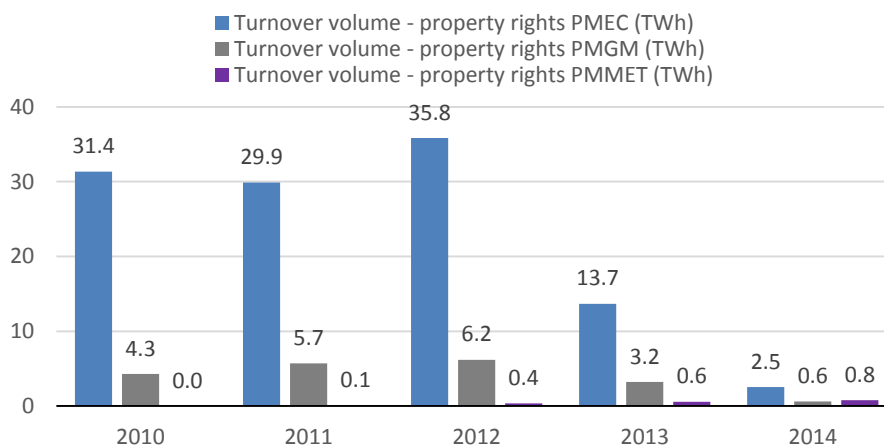


Source: PolPX

The volume of trading in certificates of origin of energy from cogeneration,⁵⁸ i.e., red and yellow certificates, in 2014 was 2.5 TWh (a decrease of 82% year on year) and 0.6 TWh (a decrease of 81%), respectively. The dramatic decrease in trading was mainly driven by changes in the legal environment of the energy industry.

The statutory support system for producers of energy from high-efficiency cogeneration (PMEC and PMGM) expired at the end of March 2013. The vast majority of transactions in 2013 took place in Q1 in keeping with the obligation for 2012, the last full year of the statutory obligation. The obligation to cancel certificates of origin of energy produced in high-efficiency cogeneration was reinstated in 2014 and the first transactions in the resumed system took place in late July 2014.

Figure 41 Volume of trade in cogeneration property rights (TWh)



Source: PolPX

⁵⁸ Cogeneration – technological process where electricity and heat are generated simultaneously in a combined heat and power plant. Thanks to lower consumption of fuel, cogeneration provides material economic benefits and environmental advantages over separate generation of heat in a traditional heat plant and of electricity in a condensation power plant.



Purple certificates of origin of energy (PMMET) are issued for energy produced in units fired with methane gas released and sequestered in mine work in coal mines that are active, are under liquidation or have been liquidated, as well as gas from processing of biomass. It is the smallest cogeneration segment which has been growing steadily year after year (year-on-year increase by 33% from 0.6 TWh to 0.8 TWh).

The first-ever transaction in energy efficiency certificates (PMEF) took place in 2014.

REGISTER OF CERTIFICATES OF ORIGIN

The Register of Certificates of Origin is a system of registration and recording of certificates of origin which confirm that electricity was generated in high-efficiency cogeneration or from renewable energy sources or confirm that agricultural biogas was produced and introduced to the gas distribution network, as well as energy efficiency certificates which confirm that the project improved energy efficiency, and recording of property rights under such certificates. A certificate of origin of energy confirms that electricity was generated in high-efficiency cogeneration or from renewable energy sources or that agricultural biogas was produced and introduced to the gas distribution network. An energy efficiency certificate issued by the President of the Energy Regulatory Office confirms that the project improved energy efficiency.

The main functions of the Register of Certificates of Origin include:

- to identify entities entitled to property rights in certificates of origin,
- to identify property rights under certificates of origin and the corresponding quantity of electricity,
- to register certificates of origin and the resulting property rights,
- to record transactions in property rights and balances of property rights in certificates of origin,
- to issue documents confirming property right balances in the register, used by the Energy Regulatory Office for cancellation of certificates of origin.

Certificates Issued and Cancelled (Register of Certificates of Origin)

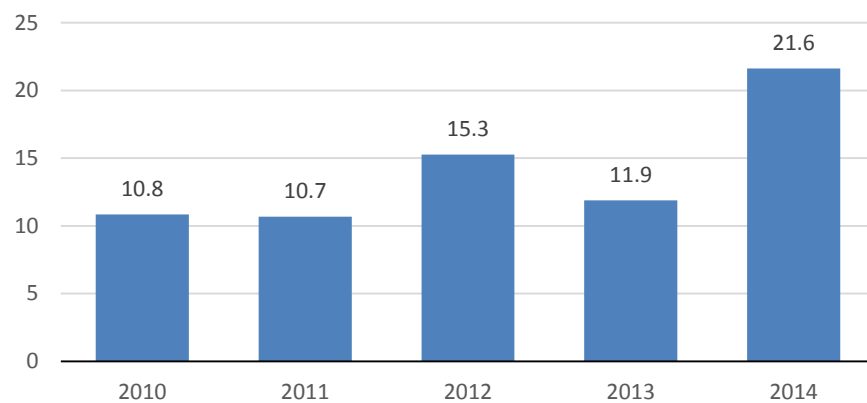
In 2014, members of the Register of Certificates of Origin received into their registration accounts 42.3 bn property rights in certificates of origin of all types (1 property right represents 1 kWh of electricity under certificates of origin), compared to 29.4 bn in 2013. In 2014, entities required to cancel certificates of origin cancelled 20.6 bn property rights in certificates of origin, compared to 36.2 bn in 2013.

In 2014, the number of issued and cancelled certificates of origin of energy from renewable energy sources increased sharply (certificates issued by 82% year on year from 11.9 TWh in 2013 to 21.6 TWh in 2014, certificates cancelled by 127% from 8.8 TWh to 20.8 TWh). The growth rate was driven among others by the draft Renewable Energy Sources Act, which is disadvantageous to the renewable energy industry and provides that certain energy producers will be excluded from the existing support system. In order to remain in the old support system based on certificates of origin, investors must complete their investment projects by the end of 2015, which in turn generates an above-average number of green certificates issued in the Register of Certificates of Origin.

Cancellation of certificates for a given calendar year ends in the first quarter of the next year. In practice, nearly one half of all cancellations are uploaded to the system within the original year of the obligation and the remainder in the first quarter of the following year. The 2013 cancellations were an exception to the rule: only 13% of all 2013 cancellations were uploaded in 2013 and the remainder in 2014. As a result, the volume of cancellations in 2013 decreased and the volume of cancellations in 2014 increased sharply (by 127%).

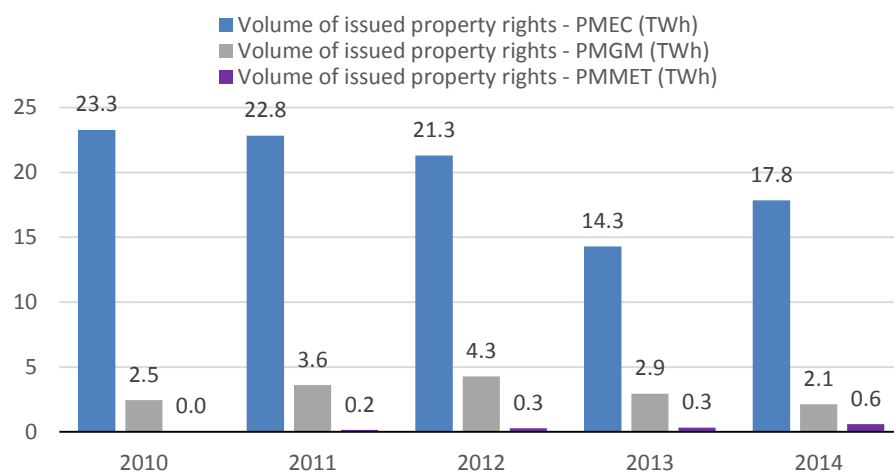


Figure 42 Volume of issued property rights in renewable energy sources (TWh)



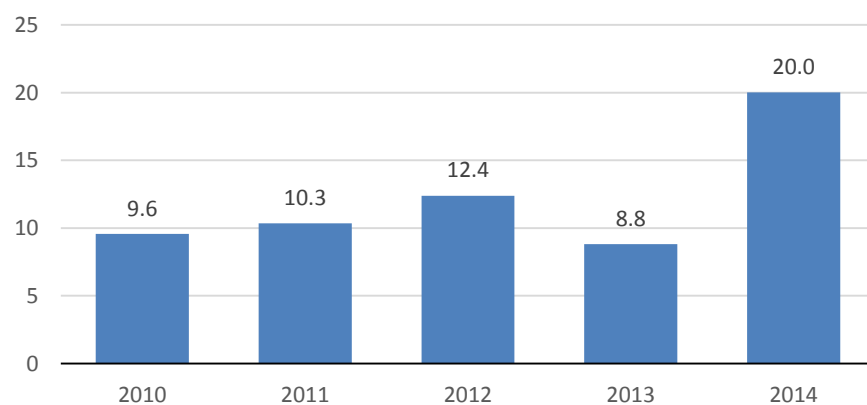
Source: PolPX

Figure 43 Volume of issued cogeneration property rights (TWh)



Source: PolPX

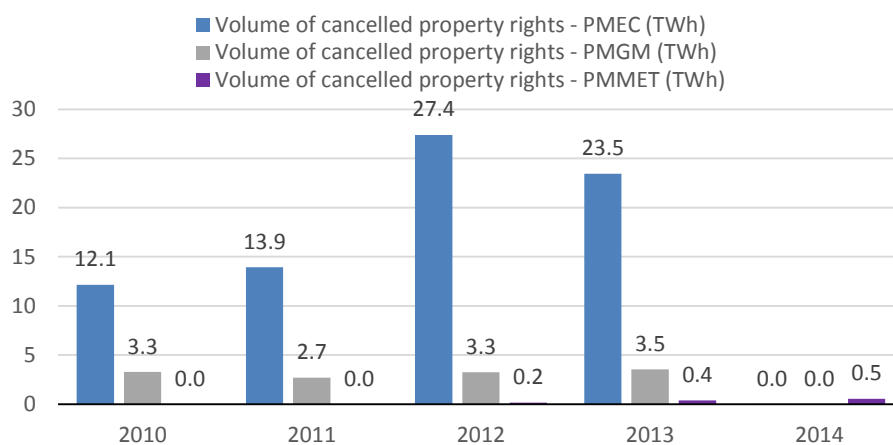
Figure 44 Volume of cancelled property rights in renewable energy sources (TWh)



Source: PolPX



Figure 45 Volume of cancelled cogeneration property rights (TWh)



Source: PolPX

REGISTER OF GUARANTEES OF ORIGIN

Directive 2009/28/EC which imposes the obligation to set up registers of guarantees of origin in the European Union member states was implemented in Poland in an amendment of the Energy Law of 26 July 2013, known as the small energy tripack, effective as of 11 September 2013. It requires PolPX to operate a Register of Guarantees of Origin and to organise trade in guarantees of origin.

In September 2014, PolPX launched the Register of Guarantees of Origin which registers energy from renewable sources and OTC trade in environmental benefits of its production. Unlike certificates of origin, guarantees do not involve property rights or a support system for renewable energy sources: they are issued for information only. There is no obligation to acquire guarantees but they can be used by entities to prove that a certain quantity of consumed energy was generated from renewable sources.

Development plans for the Register of Guarantees of Origin include continuous improvement of the IT system as well as efforts aimed at enabling cross-border transfer of Polish guarantees of origin via AIB Hub, an application which supports communication between national registers.

Since November 2014, PolPX offers trade in guarantees of origin of energy, new support instruments for renewable energy sources which disclose to the final consumer that a given quantity of electricity put into the distribution grid or transmission grid, as stated in the document, was generated from renewable energy sources.

According to the regulations, the Energy Regulatory Office issues guarantees of origin which are then uploaded to the IT system of the Register of Guarantees of Origin operated by PolPX. System users can trade in guarantees of origin or provide them to end users as proof that energy was generated from renewable sources. PolPX can be requested to issue a document confirming for the end customer that the quantity of electricity put into the distribution grid or transmission grid, as stated in the document, was generated from renewable energy sources.

The origin of energy is increasingly important in many EU member states. Guarantees are used to issue certificates which provide details of the source of energy, and companies consider the acquisition of certificates or guarantees to be part of their image strategy. The liquidity of the instrument is supported by the fact that most national registers of guarantees of origin are interconnected via AIB Hub, which supports a free international flow of guarantees.



In view of the current wording of the Energy Law and the wording of provisions concerning guarantees of origin in the draft Renewable Energy Sources Act, Polish guarantees do not meet the formal and legal requirements of participation in the European market. Until the regulations are amended, trade on the market is expected to remain low, especially that Polish companies are less interested than Western companies in acquisition of energy from renewable sources.

CLEARING

The Warsaw Commodity Clearing House (WCCH), which is a subsidiary of PolPX, offers clearing of transactions of PolPX members on its markets.

In 2014, WCCH continued operations launched in 2010 as an exchange clearing house under the Act on Trading in Financial Instruments and the Commodity Exchange Act. Since 2010, WCCH is authorised by the Polish Financial Supervision Authority to clear and settle transactions in financial instruments on the exchange and OTC regulated market.

Currently WCCH clears the full volume of electricity and gas sold on the exchange market in Poland. The total volume of cleared transactions in electricity in 2014 was 186.801 TWh while the total volume of cleared transactions in gas was 111.649 TWh.

Market consensus suggests a steady increase of electricity consumption in Poland and growing interest in exchange trade. The exchange market in gas is growing: the number of market participants is rising and PolPX offers new instruments, which suggests steady further growth of volumes cleared by WCCH. The volume of trading is also driven by the statutory obligation to trade in electricity and gas on an exchange. With its risk management system, WCCH provides competitive clearing services focused on low cost of market participation combined with high safety of trading.

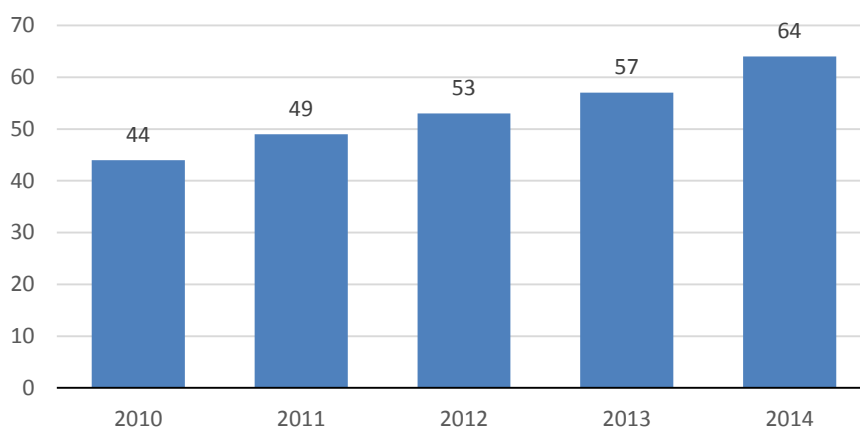
When PolPX launches a financial market, WCCH will be in a position to offer a futures clearing service. The combination of commodity and financial market services available from one provider gives WCCH a major advantage over other clearing houses in the region.

GROWING NUMBER OF POLPX MEMBERS

The number of PolPX members is growing steadily, boosting growth of the markets operated by PolPX and their trading volumes. In 2014, PolPX signed agreements with 11 companies and another 7 members joined new markets. At the same time, 5 companies were first authorised to operate on the exchange and 13 members were authorised for individual markets. In 2014, 7 companies terminated their PolPX membership. The figure below presents the number of PolPX members by year in 2010-2014.



Figure 46 Number of PolPX members



Source: PolPX

II. 6 International Activity of the WSE Group

One of the key objectives of the WSE Group according to the strategy adopted by the Company in October 2014 is to make Warsaw Stock Exchange an exchange of first choice for investors and issuers in Central and Eastern Europe. WSE's international position is mainly reinforced with on-going expansion of the foreign client base including issuers, brokers, investors and data vendors, as well as initiatives designed to promote the Polish market and Polish companies among international investors.

As a result of adoption of WSE's new strategy, which provides for organic growth of the Company in the coming years based on specialised, unique competences of the WSE Group, WSE decided to discontinue negotiations with the CESEEG Group on capital co-operation. In September 2014, WSE decided that it is not considering a capital alliance with CEE Stock Exchange Group AG at this time but that WSE does not rule out returning to the idea in the future. Irrespective of the decision, WSE remains open to co-operation with different players in the region, including CESEEG, to make Central and Eastern Europe a more attractive place for investment of international capital.

This direction of development is supported by other steps initiated by WSE in 2014 that will continue in the coming years in order to promote the Polish market and WSE-listed companies internationally. Representatives of the Exchange promote the Polish capital market and financial instruments listed on WSE by holding investor events in partnership with brokers and investment banks around the world and by participating in international conferences and investor meetings.

REPRESENTATIVE OFFICES IN LONDON AND IN KIEV

WSE's aspiration to build a strong international position is reflected in the permanent presence of the Company's representatives in London and in Kiev.

The Representative Office in London was established in June 2013 to enhance WSE's acquisitions on that market, especially the acquisition of new investors and Exchange Members.

Since 2008, WSE has operated a Representative Office in Kiev (Ukraine), whose operations focus on promoting WSE amongst Ukrainian investors, issuers and financial intermediaries.



The Representative Offices have no separate legal personality and do not carry on any profit earning independent business operations. In all their activities, the Representative Offices act on behalf and for WSE to the extent of powers of attorney granted by the WSE Management Board.

STAKE IN AQUIS EXCHANGE

In February 2014, Warsaw Stock Exchange finalised the acquisition of Aquis Exchange, the multilateral trading platform in London, which plans to offer trade in stocks from 12 European countries. The goal of the investment was to diversify further the sources of the WSE Group's revenue and to largely fortify the brand and position of the Exchange on the international financial markets including continued improvement of the role of WSE as the dominant financial hub in Central and Eastern Europe.

DEVELOPMENT OF A NETWORK OF FOREIGN INVESTMENT FIRMS – EXCHANGE MEMBERS

Thanks to acquisition, participation in international conferences, own conferences organised in the world's main financial centres and international road shows, WSE proactively promotes the Polish capital market among global investors and financial intermediaries. The efforts of WSE focus on attracting domestic and foreign exchange members and investors.

The Exchange had 56 members, including 30 local and 26 remote members, at the end of 2014.⁵⁹ The share of remote members in the Electronic Order Book in shares was 21.7% in 2014 compared to ca. 22.2% in 2013.

Table 11

Share of local and remote WSE members in the Electronic Order Book in shares on the Main Market, as at 31 December

	2014	2013	2012	2011	2010	2009
Local	78.3%	77.8%	89%	92%	88%	94%
Remote	21.7%	22.2%	11%	8%	12%	6%

Source: WSE

Foreign (local and remote) Exchange Members are companies from many European countries. Remote membership allows foreign brokers to have direct access to the WSE system without physical presence in Poland and without the intermediation of local brokers. At the end of 2014, this solution was used by intermediaries from Austria, Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Lithuania, Netherlands, Slovakia, Sweden and UK.

The Polish Power Exchange also pursues an active policy of attracting foreign members: one foreign company became a PolPX member in 2014.

⁵⁹ Local WSE members are domestic and foreign entities which operate an enterprise in Poland which processes exchange orders or pursues related activities. Remote members are companies without a branch in Poland and companies with a branch whose activities are unrelated to processing of orders.



ATTRACTING FOREIGN ISSUERS

The Exchange aims at strengthening its position of the regional financial hub through focusing its marketing activities on companies from Central and Eastern Europe. In the opinion of the Company, WSE has competitive advantages over other stock exchanges in the CEE Region which include, among others: a recognisable brand, a reliable trading system, market liquidity, and a market environment protecting interests of investors and facilitating access for foreign investors and brokers, as well as access of issuers to a diversified base of domestic and international investors.

As at 31 December 2014, the markets operated by the Exchange listed shares of 61 foreign companies, including 10 companies listed on NewConnect, with total capitalisation of nearly PLN 662.2 bn, compared to PLN 248 bn in 2013. The share of foreign companies in total trading in shares on the Main Market was 1.9% in 2014 as compared to 2.6% in 2013.

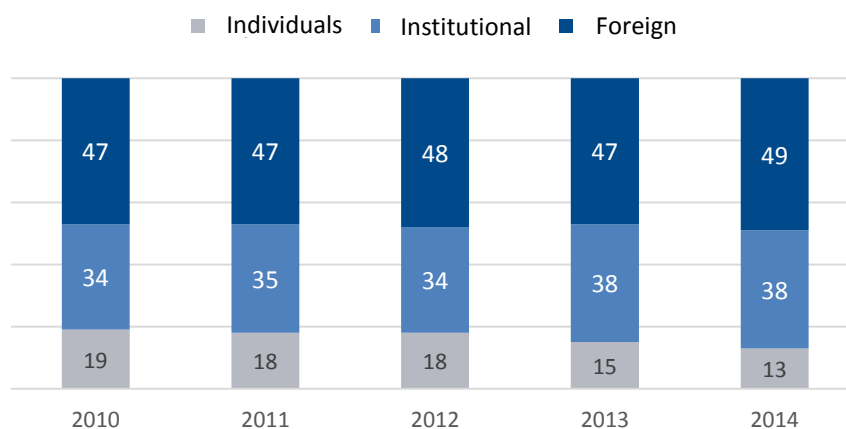
Foreign companies listed on WSE as at 31 December 2014 come from 24 countries, mainly Ukraine (13 issuers) and the Czech Republic (6 issuers). 29 companies are dual-listed while 32 companies are single-listed on WSE.

PolPX negotiates with foreign companies interested in active participation in the exchange market in gas and electricity.

SHARE OF FOREIGN INVESTORS IN TRADING ON WSE MARKETS

According to WSE's research, foreign investors generated 49% of turnover in shares on the WSE Main Market in 2014, moderately more than in 2013 (47%).

Figure 47 Share of investors in turnover on the Main Market in shares (%)

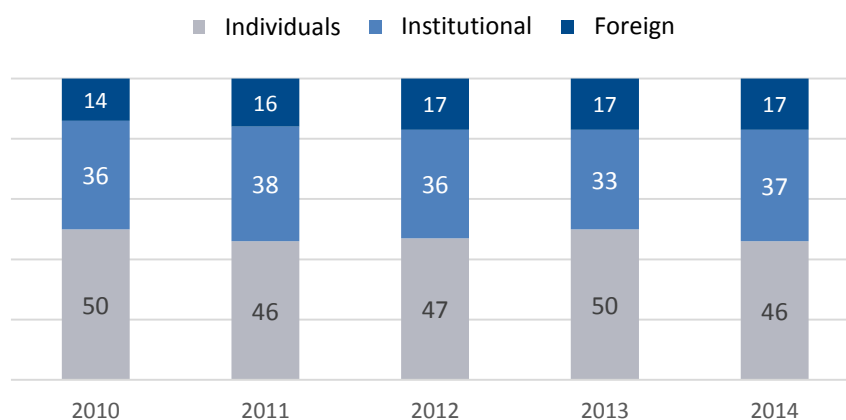


Source: WSE

Foreign investors' activity on the futures market remained stable at 17% in 2014.



Figure 48 Share of investors in turnover on the futures market (%)



Source: WSE

BUILDING THE INTERNAL ELECTRICITY MARKET (IEM)

PolPX works internationally in partnership with the Energy Regulatory Office, the Transmission Grid Operator PSE and with stakeholders of the CEE, CWE and NEW regional markets to prepare for the launch of a single European day-ahead and intra-day commodity market. Moreover, PolPX takes part in the following projects:

- Price Coupling of Regions (PCR) for the day-ahead market,
- CEE regional project for the day-ahead market,
- project for the Polish market to join the day-ahead market of three exchanges (Czech, Slovak and Hungarian markets) launched in September 2012,
- Cross-border Intra-day (XBID) for the intra-day market,
- co-operation with the Scandinavian exchange Nord Pool Spot (NPS) on the day-ahead market launched in December 2010 and the prospective intra-day market.

THE WSE GROUP AS A MEMBER OF INTERNATIONAL ORGANISATIONS AND INITIATIVES

FESE

Warsaw Stock Exchange has co-operated with the Federation of European Securities Exchanges (FESE) since 1992, was granted the status of associated member in 1999, and has been a full member of FESE since June 2004. FESE represents 36 exchanges which organise trading in equities, bonds, derivatives and commodities through 19 full members from 30 countries as well as 1 non-European observer member.

SUSTAINABLE STOCK EXCHANGES

WSE is also a member of the Sustainable Stock Exchanges (SSE) since December 2013. SSE is a UN initiative of global exchanges which promote the development of corporate social responsibility and sustainable development on their home capital markets. SSE was created in 2009 by the United Nations to exchange



members' experience in the development and promotion of corporate social responsibility and responsible investment among investors, public companies, regulators and capital market infrastructure institutions. WSE was the ninth exchange to join SSE, the first one in Central and Eastern Europe. SSE has 17 members.

EUROPEX

Since 2005, PolPX is a member of the Association of European Energy Exchanges EUROPEX. EUROPEX groups 21 exchanges in Europe. The mission of EUROPEX is to take steps promoting exchange-based solutions for Europe's internal energy market and to ensure a favourable regulatory environment for the development of liquid, transparent and effective energy exchanges in Europe. Through EUROPEX, PolPX participates in summits including the Florence Forum and the Madrid Forum. With its active participation in EUROPEX working groups, PolPX can influence EU legislation and present its comments and recommendations to the European Commission, ACER and ESMA. EUROPEX is a forum of dialogue between energy exchanges and industry organisations of market participants including EFET, Eurogas, Eurelectric. The CEO of PolPX was elected in 2013 for a two-year term on the EUROPEX Board as one of its six members.

APEX

The Association of Power Exchanges (APEX) is an international organisation of world energy exchanges and transmission system operators. It has 50 members around the world. APEX supports the development of energy markets. Its key initiatives include development of a platform for exchange of information and experience among its members.

As an active member of APEX, PolPX organised and hosted the international conference of APEX energy exchanges in Kraków on 26 – 28 October. PolPX hosted 140 representatives of energy exchanges from Asia, Australia, Europe, North America and South America. As the organiser of the APEX 2014 Conference, PolPX participated in an international event and introduced a big international group to PolPX's vision of a strong European energy and gas market in the context of energy security.

ASSOCIATION OF FUTURES MARKETS (AFM)

AFM is a non-profit organisation founded in 1998. The Association has 30 members: financial and commodity exchanges in developing countries. The mission of the Association is to promote and encourage the development of new derivatives markets, to support their growth and to organise a platform for exchange of experience among market participants at international conferences.

Thanks to close multi-faceted cooperation between PolPX and AFM, the AFM Board selected PolPX as the host and co-organiser as the next AFM Annual Conference. The 18th Conference will be the first conference held in Poland (Kraków). It is addressed to representatives of financial exchanges around the world. It will bring together some 100 participants.

EACH (EUROPEAN ASSOCIATION OF CCP CLEARING HOUSES)

WCCH representatives take part in plenary meetings, teleconferences and work of the Policy Committee, the Risk Committee and the Legal Committee of the European Association of CCP Clearing Houses EACH. WCCH takes active part in consultations of draft European regulations on financial instruments based on exchange commodities as well as commodities as such.



II. 7 Risks and Threats

The operation of the Warsaw Stock Exchange Group is exposed to various risks, both external related to the market, legal and regulatory environment, and internal related to the operating activities. In pursuit of its strategic goals, the WSE Group actively manages its risks aiming to mitigate or eliminate their potential adverse effect on the Group's results.

WSE RISK MANAGEMENT

The goal of WSE risk management is to ensure that all material risks of WSE's activity are properly measured, reported and controlled and do not pose a threat to the operational stability and continuity of the Company. The risk management system includes a range of processes, organisational solutions, technology tools and documented rules for risk management. All assumptions and principles of the Company's risk management system derive from the WSE Risk Management Strategy approved by the WSE Management Board and regularly reviewed to bring it in line with changes of the WSE risk profile and the market environment.

The key role in the risk management system is that of the Exchange Supervisory Board supported by the Audit Committee in supervising the WSE risk management system through on-going monitoring and assessment. Risk management is a responsibility of the Exchange Management Board supported by the Risk Management Committee. The Company's Management Board drafts, approves and implements WSE's risk management strategy and takes the key decisions affecting the risk levels. The WSE risk management process is monitored and controlled by the Risk Management and Organisation Department. Business process owners and participants are responsible for on-going risk management, including identification of risks in the area of their responsibility, monitoring, controlling and taking actions to mitigate such risk. Effective operations and assessment of the risk management system as well as its adequacy for the WSE risk profile are regularly reviewed by the Internal Audit Department.

WSE builds an organisational culture which focuses on effective risk management, compliance with procedures, as well as enforcement of the rules of conduct. For this purpose, steps are taken in order to raise WSE employees' awareness of risk management responsibilities at each level of the WSE organisation, including training and a dedicated section of the corporate portal available to employees.



Chart 7 WSE risk management process



Source: WSE

The WSE risk management process is continuous and includes the following elements:

- **Risk identification** – identification of existing and potential sources of risk which impact or may impact WSE’s financial position.
- **Risk assessment** – analysis of internal and external threats to WSE’s operation in order to determine the risk profile.
- **Risk prevention or acceptance** – application of any of the following strategies:
 - risk mitigation;
 - risk transfer, e.g., transfer of risks of a threat in whole or in part to a third party;
 - risk avoidance by taking no action involving the threat;
 - risk acceptance.
- **Risk review** – periodic review of the effectiveness of the existing risk management system and its adequacy for the WSE risk profile.
- **Risk monitoring** – monitoring the gap between risks and projections or benchmarks. Risk monitoring is an early warning system and triggers management actions when adverse change to the WSE risk profile is identified.
- **Risk reporting** – regular reporting of risk measurements, actions taken or recommendations to withhold actions to the WSE authorities.

The risk management system described above is being implemented in WSE Group companies to ensure shared standards of risk management across the Group.



RISKS IMPACTING THE ACTIVITY OF THE WSE GROUP

The key risk factors which impact the operation of the WSE Group and consequently its financial position are divided into four categories:

- risks related to the market environment
- operational risks
- risks related to the legal environment
- financial risks

The order in which individual risks are discussed below does not reflect the extent of their relative importance for the Group, the probability of their occurrence or their potential impact on the Group's operations.

RISKS RELATED TO THE MARKET ENVIRONMENT

Risks of the economic situation and market conditions in Poland

The WSE Group's business is highly dependent on the performance of the Polish economy. Changes in the state of the Polish economy affect the business and investment activities of issuers whose securities are listed on the markets organised and operated by the Group, including their financial results, which in turn may affect the prices of these securities, the volume of transactions, as well as activities related to issuing new securities and the number of market debuts. Deterioration of market conditions in Poland also has a material impact on the activity of investors and consequently on the turnover on the Group's markets.

WSE's listing revenue depends directly on the level of listed asset prices and the frequency and volume of trading on the WSE markets depends on investor activity. Consequently, during periods of economic volatility and risk aversion, the Company's revenues may decline; combined with a stable cost level, this could reduce WSE's potential profit or cause a loss.

Risk of market and political events beyond the WSE Group's control

The volume of trading, the number of new listings and demand for the WSE Group's products and services are affected by economic, political and market developments, both domestic and global, that are beyond the Group's control, including in particular:

- general trends in the global and domestic economy and on financial markets;
- changes in monetary, fiscal and tax policies;
- the level and volatility of interest rates;
- inflation pressures;
- changes in foreign exchange rates;
- adoption of the euro as the currency of Poland (causing potential changes to monetary and fiscal policy or causing changes in the allocation of investor portfolios);
- reclassification of Poland from Emerging Market to Developed Market in global benchmarks;
- institutional or individual investors' behaviour;



- volatility in the prices of securities and other financial instruments;
- availability of short-term and long-term funding;
- availability of alternative investment opportunities;
- legislative and regulatory changes; and
- unforeseen market closures or other disruptions in trading.

These events could have a significant impact on the activity of WSE Group clients, mainly issuers and investors. Their low activity could affect the Company's trading and listing revenue, revenue from introduction of financial instruments, and consequently information services, and it could affect WSE's profit.

Risk of the economic situation and market conditions outside Poland

Economic situation of other countries impacts the perception of the Polish economy, business prospects of the region, and consequently WSE's operations. The market conditions of other countries could affect the perception of the Polish economy and financial markets, especially in periods of weak market conditions.

In view of a significant share of foreign investors in trading in financial instruments on WSE, their low activity and risk aversion could directly affect the Company's trading revenue on WSE markets.

Remote members are an important group of the Company's clients, accounting for 21.7 percent of trade in equities in 2014. Considering that the revenue from trade in equities represented 33.1 percent of WSE's revenue in 2014, low activity of remote Exchange Members and foreign investors could largely affect the Company's financial results.

Risk of competition from other exchanges

As a part of the global economy and a beneficiary of free flow of capital between European and global economies, WSE is exposed to the risk of competition from other exchanges and alternative trading platforms. The Company's sector is highly competitive especially in view of increased consolidation and globalisation of exchanges in the last few years.

Consolidation in the industry could impede the planned strengthening of WSE's international position and affect the implementation of the Company's strategy to become a market of first choice for investors and issuers in Central and Eastern Europe, affecting the Company's financial results.

Risk of competition from alternative trading platforms

As a result of regulatory changes introduced in the last few years, a number of alternative trading platforms have emerged in the exchange sector, including multilateral trading facilities (MTFs) in Europe. The fees charged by MTFs are in general relatively low compared to those charged by exchanges, which

As a result, WSE clients could exert pressures on WSE to reduce listing and trading fees, affecting WSE's revenue. These factors could strongly affect the Company's financial position and results.



is their main competitive advantage over exchanges and could lead to price pressure on exchanges including WSE. In addition, there is a risk that trade will move from exchanges to less expensive platforms.

Risk of price competition

The trading cost on large foreign exchanges and MTFs is lower than on WSE, mainly due to the relatively small size of the market in Poland and the rules of financing supervision. Consolidations in the global exchange sector and the development of MTFs may increase pressures to reduce fees charged for trade on the global financial markets.

Risk of low activity of issuers and investors

The WSE Group's revenues and profits largely depend on the activity of WSE Group market members, in particular the volume, value and number of financial instruments traded; the number and market capitalisation of free float shares on the WSE markets; the number and value of new issues and new issuers; and the number of market participants.

A lower number of listed financial instruments, a lower number and value of IPOs and lower investor activity could strongly affect the WSE Group's operations, financial position and results.

OPERATIONAL RISKS

Risks related to WSE Group employees

The WSE Group's operations and its ability to achieve the strategic objectives are strongly dependent its employees, their skills, availability, loyalty, and engagement in the Group's objectives. Effective management of the WSE Group companies' business requires recruitment of highly qualified employees. The skills of the Group employees are scarce due to the unique nature of the WSE Group companies' operations.

Any increased turnover of key employees, their unavailability or overwork could temporarily affect the WSE Group's effectiveness. Employee engagement and identification with the Group's mission and strategy are also key to the WSE Group's productivity and operational efficiency. Low engagement of employees, their unavailability or insufficient skills could affect the Group's operation, financial position and results, as well as its ability to achieve the strategic targets.

Risk of contractors and business partners over which the WSE Group has limited control

The WSE Group's activity depends on several third party service providers, including KDPW, KDPW_CCP as well as IT service providers. The ICT systems operated by the WSE Group companies for trading in financial instruments and commodities are highly specialised and customised, and are not widely used in Poland or elsewhere. Consequently, there is limited choice in service providers for such systems. There can be no assurance that any of the WSE Group's providers will be able to continue to provide their services in an efficient manner, or at all, or that they will be able to adequately expand their services to meet the WSE Group's needs.

System interruption or malfunction or the cessation of important services by any third party in whole or in part and WSE Group companies' inability to make alternative arrangements in a timely manner could strongly affect the Group's operation, financial position and results.



Risk of trading system malfunction

Safety and continuity of trading are among the key functions of WSE. The Group's operations are strongly dependent on the effective functioning of its trading systems, which are subject to the risk of outages and security breaches. The reliability of the Group's trading systems is as important as their efficiency.

In the event that any of the WSE Group's systems, or those of its third-party service providers, fail or operate slowly, it may cause any of the following to occur: unanticipated disruptions in services provided to the Group's market members and clients; slower response times or delays in trade executions; incomplete or inaccurate recording or processing of trades; financial losses and liability to clients; litigation or other claims against the Group, including formal complaints with PFSA, proceedings or sanctions.

Malfunctions in the trading system and other integrated IT systems could delay a trading session and therefore cause a reduction in the volume of trading and affect confidence in the market, which could have a material adverse effect on the Group's results, its financial position or development prospects.

Risk of security breach in the Group's IT systems caused by third parties

The WSE Group's electronic trading platforms involve the storage and transmission of its clients' proprietary information. Secure transmission of confidential information is a crucial element of the Group's operations. A failure of a platform, including a security breach, could expose the WSE Group to a risk of loss of such information, and, in consequence, the risk of litigation and possible liability.

The WSE Group may be required to expend significant resources to protect against the threat of security breaches or to mitigate occurring problems, including reputational harm caused by any security breaches. The above factors may strongly affect the WSE Group's operation, financial position and results.

Reputation risk

WSE's operation relies on safety and continuity of trading ensured by operational excellence and highly qualified employees. The specificity of the WSE Group's business requires unique confidence of clients, which may be breached due to events which undermine or impair the WSE Group companies' reputation.

If the WSE Group's security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, a third party obtains unauthorised access to trading or other confidential information, the reputation of WSE could be damaged, its business may suffer and the WSE Group could incur significant financial liability. If a breach of the WSE Group's IT systems security occurs, the market perception of the effectiveness of its security measures could be harmed and could cause market members and clients to either reduce or stop use of its electronic trading platforms. Any events affecting the WSE Group's image and its credibility could reduce the number of issuers and investors and consequently the WSE Group's revenue. Any actions to rebuild reputation and client confidence would affect the WSE Group's expenses and financial results.



RISKS RELATED TO THE LEGAL ENVIRONMENT

Regulatory risk related to the Polish legal system

The WSE Group operates primarily in Poland where the financial market and the commodity market are widely subject to government regulation and strict regulation. The Polish legal system and regulatory environment can be subject to frequent and sometimes significant unanticipated changes and its laws and regulations may be subject to conflicting official interpretations.

Regulatory change may affect the WSE Group as well as existing and prospective customers of its services. For instance, regulatory changes may affect the attractiveness of listing or trading on the markets organised and operated by WSE, which could affect the WSE Group's financial position.

Regulatory risk related to EU law

The financial market in Poland is subject to European Union regulation which will have a material impact on the WSE Group both as an organiser of trading and a public company. The following EU regulation may have a special impact:

- Market in Financial Instruments Directive (MiFID II) and Market in Financial Instrument Regulation (MiFIR) with implementing regulations:
 - implementation date – 3 July 2016
 - application date – 3 January 2017
- MAD/MAR (Market Abuse Directive and Market Abuse Regulation) with implementing regulations:
 - application date – 3 July 2016.

Changes to these and other EU regulations and their implementation could strongly affect the WSE Group's operation. They would force the Group to implement specific solutions, which would affect its expenses and financial position.

Risk of the cost of supervision

WSE is required to contribute monthly payments to PFSA's annual capital markets supervision budget, which is based on the expected costs of supervision over the Polish capital market for a given year and estimated PFSA revenues from market participants. WSE cannot predict the total amount it will be required to contribute to PFSA's budget in a given year.

The cost of supervision affects the WSE Group's expenses (fees and charges) and its profit.

Risk related to pension fund reform

A pension fund reform was implemented in February 2014, in which 51.5% of the net assets of pension funds, mainly Treasury bonds, were moved to the Social Security Institution (ZUS) and then cancelled. Until the end of July 2014, pension fund members could decide whether to keep assets under management with pension funds or have them transferred to ZUS. More than 2.5 million Poles decided



to stay with open-ended pension funds while the net asset value of pension fund portfolios was PLN 149.1 bn at the end of 2014.⁶⁰

The reform also set the minimum investment of pension funds in stocks at 75 percent of assets by the end of 2014, 55 percent by the end of 2015, 35 percent by the end of 2016, and 15 percent by the end of 2017.

Changes in fund flows to and from pension funds or their investment decisions, in particular derived from the amendment to the Pension System Act, may result in a reduction of investments in assets traded on the WSE markets, in particular on the Main Market.

In view of material investment of open-ended pension funds in shares listed on WSE, any reduction of contributions transferred to open-ended pension funds or limitation on open-ended pension fund assets allowed to be invested in securities issued by companies listed on WSE could strongly affect the level of trading and demand for shares of such companies and result in higher volatility of stocks in open-ended pension fund portfolios.

Current regulations in Poland impose a cap on investment of pension funds in financial instruments listed on foreign exchanges, which limits the opportunities of open-ended pension funds to invest in stocks listed on other exchanges to 10% of their total assets by the end of 2014, 20% in 2015, and 30% in 2016.

In view of material investment of open-ended pension funds in shares listed on WSE, any reduction of contributions transferred to open-ended pension funds or limitation on open-ended pension fund assets allowed to be invested in securities issued by companies listed on WSE could strongly affect the level of trading and demand for shares of such companies and result in higher volatility of stocks in open-ended pension fund portfolios.

Risk of lack of formal permission for PolPX to operate a derivatives market

The WSE Group awaits permission of the Minister of Finance for the Polish Power Exchange to operate a regulated market as a condition of launch of the financial market by PolPX and opening of trade in commodity derivatives. Following MF's approval, futures based on spot electricity prices will be launched on PolPX in the first place. Subsequently, the WSE Group plans to introduce to trading derivatives based on prices of certificates of origin of energy from renewable energy sources and on gas prices.

The launch of the commodity derivatives is a new potential source of revenue for the WSE Capital Group. The lack of formal permissions or the delay in getting them may influence the PolPX strategy execution in this area.

Risk of legal implications of CACM (Capacity Allocation and Congestion Management) for PolPX

Under CACM, which is expected to take effect in June 2015, every EU member state is required within four months of the effective date to appoint at least one energy exchange as a Nominated Electricity Market Operator (NEMO) for every price zone of the national electricity market for the Day-Ahead Market and the Intra-Day Market. PolPX fulfils all requirements of nomination as NEMO according to the

The risk for the WSE Group under the CACM materialize in the risk not receiving nominations for the position of NEMO by PolPX and by the threat of foreign exchanges competition on the Polish electricity market.

⁶⁰ Source: PFSA.



proposed provisions; however, the process of application for NEMO status and the relevant procedures of the President of the Energy Regulatory Office have not yet been defined.

FINANCIAL RISKS

Risk of interest rate hikes

The Company is exposed to a risk of interest rate changes due to debt instruments issued by WSE with variable interest.

A sharp increase of the interest rates including the base rate of the bonds could boost the cost of servicing the liabilities under the bonds and have an adverse effect on WSE's financial position and results.

Risk of changes to tax laws

Changes to tax laws may have a material impact on the business of the Company. There is a risk that the WSE Group's particular interpretations and applications of current and future Polish tax laws may be challenged.

A sharp increase of the interest rates including the base rate of the bonds could boost the cost of servicing the liabilities under the bonds and have an adverse effect on WSE's financial position and results.

OTHER RISKS

Other risks, which are unknown or considered irrelevant at this time, may also have a material negative effect on the WSE Group's operation, financial positions and results.

II. 8 Other Information

MATERIAL AGREEMENTS

The WSE Group concluded no material agreements in 2014.

RESEARCH AND DEVELOPMENT

Development of new trading platforms and expansion of the portfolio of investment instruments available on the WSE markets are the key elements of the WSE Group's strategy. Such activities will bring long-term advantages in the form of new groups of investors and new sources of revenues. The following initiatives important for the development of the markets operated by the WSE Group were completed in 2014:

- **January:**
 - WSE started to publish new indices derived from WIG30: WIG30short i WIG30lev. WIG30short tracks the prices of stocks in reverse proportion to WIG30, and WIG30lev tracks the prices of stocks with a leverage;



- TBSP cash market launched new functionalities: MidPrice Order Book and Striker Price, adding to the range of available trade options for market makers,
 - institutional investors were offered access to the TBSP cash market based on Request for Quote (RFQ);
- **March:**
 - a stock investment module was added to the investment education platform GPWTr@der launched in 2013,
 - in view of the planned launch of trade in financial derivatives (futures settled in cash) based on energy and gas prices, PolPX requested the Minister of Finance to approve operation of an exchange within the meaning of the Act on Trading in Financial Instruments. The financial market start date depends on the decision of the Minister of Finance;
- **August:**
 - WSE changed the expiration cycle of WIG20 options; as a result, options which expire in the nearest calendar month are available in trading;
- **September:**
 - WSE decided to change stock exchange indices: WIG20 remained the main base index, WIG30 will continue to be published, WIG50 and WIG250 will no longer be published as of the beginning of 2015;
- **October:**
 - TBSP launched the tri-party repo functionality combined with services of KDPW S.A. (acting as tri-party agent) of daily monitoring and management of repo collateral. The main objective of the functionality is to support the market in repo transactions with longer maturities;
- **November:**
 - WSE revised the rules of classification of shares in the Alert List and decided to maintain the penny stock threshold at PLN 0.50;
- **December:**
 - WSE signed the first commodity market (PolPX) data vendor agreements,
 - PolPX decided to select the supplier of its new trading system. X-Stream provided by Nasdaq OMX will be implemented by PolPX in 2016. The new technology will provide PolPX with improved functionalities, support growing volumes of trade, and allow PolPX to add new commodity instruments and derivatives in the future.

LITIGATION

WSE is not a party to any litigation where the value of liabilities or receivables would represent at least 10% of its equity.



III. CORPORATE GOVERNANCE

III. 1 Statement of Compliance with Corporate Governance Rules

TERMS AND SCOPE OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES



Warsaw Stock Exchange complied with all corporate governance principles laid down in the Code of Best Practice for WSE Listed Companies in 2014.

WSE accepted the corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies as of the date of admission of the Company's shares to trading on the regulated market on 5 November 2015. The Code of Best Practice for WSE Listed Companies is available on the website www.corp-gov.gpw.pl, the official corporate governance website of Warsaw Stock Exchange for listed companies.

As a company listed on WSE, the Exchange complied with all the corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies in 2014.

In addition, WSE is subject to the Corporate Governance Rules for Supervised Institutions issued by the Polish Financial Supervision Authority (PFSA) on 22 July 2014 as a set of rules governing internal and external relations of supervised institutions, including relations with shareholders and clients, their organisation, the operation of internal supervision and the key internal systems and functions, as well as the statutory authorities and the rules of their co-operation. The Corporate Governance Rules for Supervised Institutions are available on the PFSA website at http://www.knf.gov.pl/dla_rynku/zasady_ladu_korporacyjnego/index.html.

The Exchange complies with the rules laid down in the Corporate Governance Rules for Supervised Institutions with the exception of the rules defined in § 53, § 54.1-3, § 55, § 56, § 57, which are inapplicable to WSE's business profile as WSE does not manage assets on clients' account. Furthermore, considering that some of the recommendations defined in the Corporate Governance Rules for Supervised Institutions are addressed to the Company's shareholders, an item will be put on the agenda of the next General Meeting of WSE to introduce the shareholders to the Corporate Governance Rules for Supervised Institutions and allow them to make any comments.

Information on the Company's compliance with corporate governance rules is published on the WSE website (http://www.gpw.pl/lad_korporacyjny).



III. 2 Internal Control System and Risk Management in the Preparation of Financial Statements

The preparation of financial statements is governed by:

- the International Financial Reporting Standards;
- the Accountancy Act of 29 September 1994;
- the Articles of Association of Warsaw Stock Exchange;
- the Accounting Rules of Warsaw Stock Exchange and the accounting rules of the subsidiaries;
- internal accounting procedures.
- The Company's internal control system is a process executed in response to identified risks in order to ensure effective and safe operation in compliance with regulations. The internal control system includes:
 - controls exercised by all employees as part of their responsibilities;
 - functional controls exercised as part of responsibilities of supervision of organisational units by all employees in managerial positions;
 - institutional controls exercised by a special unit, the Internal Audit Department, responsible for assessment of the activity and effectiveness of the internal control system in other organisational units of the Company.

Concerning the management of the risk of the preparation of financial statements, the Company monitors on an on-going basis amendments of external regulations and laws concerning the preparation of financial statements and prepares for their implementation, among others by training employees and using external advisory. The Company's internal regulations are updated on an on-going basis to bring them in line with amended laws.

The Company's Financial Reporting Section is responsible for enforcing internal and external regulations. The Financial Reporting Section is responsible for preparing financial statements under substantive supervision of and in co-ordination with the Chief Accountant and the Director of the Economic and Financial Department. The Company keeps its books of account using computer technology. Software installed in 2001 and upgraded in 2006 was in use until the end of July 2011. A new financial and accounting system was implemented in August 2011. The computer systems include embedded mechanisms protecting against destruction, modification or concealment of records. Controls are carried out at the stage of entering accounting records. In addition, financial and accounting processes are subject to independent external audits.

The auditor controls separate and consolidated financial statements every quarter. Quarterly financial statements for Q1 and Q3 as well as financial statements for six months are reviewed by the auditor while the annual financial statements are audited.

The Company's Management Board and the members of the Exchange Supervisory Board are required to ensure that financial statements and activity reports comply with the requirements defined in the Accountancy Act of 29 September 1994. WSE's Audit Committee which is part of its Supervisory Board controls the financial reporting process. Within its powers, the Audit Committee monitors the financial reporting process, financial audit functions, and the independence of the auditor. WSE's auditor is appointed by the Exchange Supervisory Board by recommendation of the Audit Committee from among renowned audit companies. Auditors of subsidiaries are appointed by their Supervisory Board. The Audit Committee also supervises the organisational unit responsible for internal audit and monitors the



effectiveness of internal control, internal audit, and risk management systems. The responsibilities of the Supervisory Board include assessment of the WSE Management Board's reports on the activity of the Company and financial statements, and presentation of a written report on the results of the assessment to the General Meeting.

In the opinion of the Company, the division of tasks related to the preparation of financial statements in the Company, review of financial statements by the auditor, monitoring of the preparation and review of financial statements by the Audit Committee, and assessment of financial statements by the Exchange Supervisory Board ensure that information presented in financial statements is true and fair.

III. 3 Auditor

The entity authorised to audit the separate financial statements of WSE for the financial year ended 31 December 2014 is KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa ("KPMG Audyt"), entered in the list of entities authorised to audit financial statements, entry no. 3546.

The agreement between WSE and KPMG Audyt was concluded on 10 December 2013 and covers the audit of the annual separate and consolidated financial statements for the financial years ended 31 December 2013 and 2014, the review of the interim separate and consolidated financial statements for each quarter of 2014 and 2015, and the verification of the calculation of Management Board bonus indicators for 2013 and 2014.

The agreement concluded on 11 January 2013 between WSE and KPMG Audyt sp. z o.o., entered in the list of entities authorised to audit financial statements, entry no. 458, was in force in 2013 and covered the audit of the annual separate and consolidated financial statements for the financial year ended 31 December 2012, the review of the interim separate and consolidated financial statements for each quarter of 2013, and the verification of the calculation of Management Board bonus indicators for 2012.

Table 12 Auditor's fees for services provided to WSE Group (net amounts, PLN)

Service	2014	2013
1. Audit	85 500	85 500
▪ annual separate and consolidated financial statements for the financial year ended 31 December 201		
▪ verification of the calculation of WSE Management Board bonus indicators		
Review:		
▪ interim consolidated financial statements for the period 01.01. – 31.03.	19 000	20 000
▪ interim consolidated financial statements for the period 01.01 – 30.09.	19 000	20 000
▪ interim separate and consolidated financial statements for the period 01.01. – 30.06.	28 500	30 000
2. Tax advisory services	N/A	N/A
3. Translation services	N/A	50-100/ A4 page

Source: WSE



III. 4 WSE Share Capital, Shares and Bonds

The share capital of Warsaw Stock Exchange amounts to PLN 41,972,000 and is divided into 41,972,000 shares with a nominal value of PLN 1 (one) per share. The shares include series A preferred registered shares (one share gives two votes) and series B ordinary bearer shares.

Holders of series A preferred registered shares may convert series A shares to series B ordinary bearer shares. The Company's Articles of Association impose no restrictions on the conversion of registered shares to bearer shares. Conversion of preferred registered shares to ordinary bearer shares results in a change of the number of votes conferred by each share from two votes to one vote per share. There were no changes to the number of shares and votes in 2014.

WSE has no information as to agreements which could result in any changes in the future in respect of the proportions in shares held by the existing shareholders.

Table 13 WSE shareholders

Shareholder	Stake in the share capital		Votes at the General Meeting	
	Number of shares	Stake	Number of votes	Stake ⁶¹
State Treasury of the Republic of Poland - preferred shares (series A)	14 688 470	35.00%	29 376 940	51.74%
Other shareholders - preferred shares (series A)	119 000	0.28%	238 000	0.42%
Other shareholders - bearer shares (free float; series B)	27 164 530	64.72%	27 164 530	47.84%
Total	41 972 000	100.00%	56 779 470	100%

Source: WSE

As at 31 December 2014, and as at the date of preparation of this Report, to the Company's best knowledge, the State Treasury of the Republic of Poland was the only shareholder holding directly or indirectly at least 5% of the overall number of votes at the General Meeting.

In addition, according to the ING OFE portfolio structure, the fund held 2,373,122 WSE shares at the end of 2014, representing 5.65% of total shares and 4.18% of all votes at the General Meeting.

As at 31 December 2014, and as at the date of preparation of this Report, to the best knowledge of the Company, the State Treasury of the Republic of Poland held 14,688,470 series A registered shares (preferred as to vote) representing 35.00% of total shares and conferring the right to 29,376,940 votes at the General Meeting representing 51.74% of all votes at the General Meeting.

The remaining series A shares (119,000; 0.28% of all shares; 238,000 votes at the General Meeting representing 0.42% of all votes at the General Meeting) were mainly held by brokerage houses and banks.

⁶¹ Series A registered shares held by the State Treasury of the Republic of Poland and other shareholders of Warsaw Stock Exchange before its public offering (banks, brokers, issuers) are preferred in that one share gives two votes at the General Meeting.



Amongst all persons managing and supervising the Company, its shares bought in public offering (25 shares) were held as at the balance-sheet date by:

- Dariusz Kułakowski, Vice-President of the Management Board,
- Wiesław Rozłucki, Chairman of the Exchange Supervisory Board

According to the Company's best knowledge, persons currently managing and supervising the Company do not hold shares in its subsidiaries or associates.

The Company did not purchase its own shares in 2014.

The Company has no employees share scheme; accordingly, it has no control system for an employees share scheme.

III. 5 Controlling Rights and Restrictions of Rights from Shares

CONTROLLING RIGHTS

As at the date of preparation of this Report, the State Treasury of the Republic of Poland holds 14,688,470 registered shares preferred as to vote (representing 35.00% of total shares, one share gives two votes at the General Meeting), which results in 29,376,940 votes at the General Meeting and represents 51.74% of such votes.

WSE did not issue any securities that would confer any special controlling rights to any of its shareholders.

RESTRICTIONS ON EXERCISE OF VOTING RIGHTS

According to the Articles of Association, the voting right of shareholders is limited to the extent that none of them may exercise at the General Meeting more than 10% of the overall number of votes in the Company on the day when the General Meeting is held, provided that, for the purpose of determining obligations of acquirers of significant blocks of shares stipulated in the Act on Public Offering, such limitation of the voting right will be considered as not existing. The above limitation of voting right does not apply to:

- shareholders who on the day when the General Meeting passed a resolution on introducing the restriction referred to above (i.e., 30 July 2010) were authorised due to holding shares representing more than 10% of the overall number of votes existing in the Company (the State Treasury of the Republic of Poland is the only such shareholder);
- shareholders who are authorised due to holding more than 25% of the total number of shares preferred as to voting right referred to in § 4.1.1 of the Articles of Association, i.e., shareholders authorised due to holding more than 10,493,000 series A registered shares preferred as to voting right (the State Treasury of the Republic of Poland was the only such shareholder as at the date of preparation of this Report).

In order to limit the voting right, the votes of shareholders between which a domination or dependency relationship exists are summed up in accordance with the rules laid down in the Company's Articles of



Association. Should any doubts arise, the provisions regulating the voting right restrictions should be construed in accordance with Article 65 § 2 of the Civil Code.

No limitations or restrictions have been imposed on the transfer of proprietary rights to the Company's securities.

III. 6 Obligations of Shareholders Related to Material Blocks of WSE Shares

Obligations of WSE shareholders concerning material blocks of shares are subject to the provisions applicable to public companies laid down in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (including Article 69 which defines the threshold at or above which the shareholder is required to notify the Polish Financial Supervision Authority and the issuer of shares).

WSE is also subject to the provisions of the Act on Trading in Financial Instruments, in particular Article 24 which requires a person or entity intending to acquire or take up, directly or indirectly, shares of Warsaw Stock Exchange representing at least 5% of the total number of votes or shares or causing it to reach or exceed 5%, 10%, 15%, 20%, 25%, 33% or 50% of the total number of votes or shares to notify the Polish Financial Supervision Authority.

III. 7 Rules for Amending the Articles of Association

Any amendment to the Articles of Association must be passed in the form of a General Meeting resolution adopted by a qualified majority of three fourths of votes. Moreover, in accordance with § 9.1 of the Articles of Association, a resolution on amending the Articles of Association may be adopted only by such General Meeting at which at least 50% of total votes in the Company are represented.

Amendments to the Articles of Association are effective if approved by the Polish Financial Supervision Authority and registered by the competent court. The Exchange Supervisory Board is authorised, at each time after the court decision to register amendments to the Articles of Association has become final, to adopt the consolidated text of the Company's Articles of Association.

WSE's Articles of Association were not amended in 2014.

III. 8 General Meeting

MAIN POWERS OF THE GENERAL MEETING

The powers of the General Meeting include decisions on the organisation and operation of the Company subject to the Code of Commercial Companies and Partnerships and the Articles of Association.

PROCEDURES OF THE GENERAL MEETING

The General Meeting is the supreme authority of the Exchange. The General Meeting is summoned and operates under the Code of Commercial Companies and Partnerships, the Company's Articles of



Association (in particular § 8 - § 12) and the General Meeting Rules. The Articles of Association and the General Meeting Rules are available on the WSE website (www.gpw.pl) under Regulations, Legal Acts (http://www.gpw.pl/legal_acts).

The General Meeting may be held as:

- an ordinary general meeting summoned once per year within 6 months after the end of each financial year, i.e., no later than the end of June;
- an extraordinary general meeting summoned in the events laid down in the generally applicable regulations and in the Articles of Association.

A General Meeting is summoned by posting an announcement on the WSE website and in the procedure required for the publication of current reports by public companies. An announcement and the materials presented to the shareholders are available from the day that the General Meeting is summoned on the WSE website under Investor Relations, Company, General Meeting of Shareholders (http://www.gpw.pl/walne_zgromadzenie_en).

The General Meeting resolutions are passed in an open ballot, subject to other regulations, by an absolute majority of votes, save for resolutions which require a qualified majority in accordance with the Code of Commercial Companies and Partnerships or the Articles of Association. Secret ballot is ordered for elections and motions for revoking members of the Company's authorities or the Company's liquidators, or for holding them liable, and for other personal issues. Additionally, a secret ballot must be ordered if requested by at least one shareholder present in person or by proxy at the General Meeting.

It is possible to participate in the General Meeting by means of electronic communications if the announcement about the General Meeting contains information that such type of participation in the Meeting is admissible. Such participation includes: real-time broadcast of the General Meeting, two-way communication in real time where shareholders may speak during the General Meeting from a location other than the General Meeting, and exercising the voting right during the General Meeting in person by the shareholder or through a proxy.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedure of exercising the rights at the General Meeting are laid down in the Code of Commercial Companies and Partnerships, the Articles of Association and the General Meeting Rules.

A shareholder or shareholders representing at least 30% of the share capital or at least 30% of total votes of the Company may summon a General Meeting. In addition, a shareholder or shareholders representing at least 1/20 of the share capital may request that items be put on the agenda of the next General Meeting under generally applicable regulations.

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (record date) are eligible to participate in the General Meeting. Shareholders may participate and exercise their rights at the General Meeting in person or through a proxy. Each shareholder may speak on matters put on the agenda in the order of requests.

A detailed description of the procedures of participation in the General Meeting and exercising the voting rights is presented at each time in the announcement of the General Meeting.



GENERAL MEETINGS IN 2014

WSE held two General Meetings in 2014:

- The Ordinary General Meeting of WSE summoned on 26 June 2014 whose agenda included among others review and approval of the report of the Management Board on the activity of the Company and the WSE Group and the financial statements for 2013, adoption of the resolution concerning distribution of the Company's profit for 2013, vote of discharge of duties to Members of the Exchange Management Board and the Exchange Supervisory Board for 2013, election of members of the Exchange Supervisory Board for a new term of office, and election of the President of the Exchange Management Board for a new term of office. Following amendment of the agenda and election of Paweł Tamborski as President of the Exchange Management Board, the General Meeting was adjourned until 15 July 2014 and then (by Resolution of the Ordinary General Meeting of 15 July 2014) until 25 July 2014, when the General Meeting was continued and completed. The resolutions of the Ordinary General Meeting were published in Current Reports No. 9/2014 of 26 June 2014, 12/2014 of 15 July 2014 and 19/2014 of 26 June 2014, and are available on the Company's website under Investor Relations, Reports, Current Reports (http://www.gpw.pl/raporty_biezace_en).
- The Extraordinary General Meeting of WSE summoned on 25 August 2014 whose agenda included election of a member of the Exchange Supervisory Board from among candidates nominated by minority shareholders.⁶² The resolutions of the Extraordinary General Meeting were published in Current Report No. 23/2014 of 25 August 2014 and are available on the Company's website under Investor Relations, Reports, Current Reports (http://www.gpw.pl/raporty_biezace_en).

III. 9 Supervisory Board and Committees

APPOINTMENT AND DISMISSAL OF SUPERVISORY BOARD MEMBERS

Under the Articles of Association, the Exchange Supervisory Board consists of five to seven members appointed for a joint three-year term.

The General Meeting appoints:

at least one of the Exchange Supervisory Board members from among the candidates proposed by the shareholders being exchange members⁶³ and at least one of the Exchange Supervisory Board members from among the candidates proposed by the minority shareholders.

At least two members of the Exchange Supervisory Board need to meet the criteria for independence laid down in the Articles of Association including no professional or family relations especially with managing and supervisory persons of WSE and WSE Group companies. The General Meeting elects the other members of the Exchange Supervisory Board under the general rules.

⁶² Minority shareholder – shareholder(s) representing less than 10% of the Company's share capital.

⁶³ Exchange Member – capital market participant authorised to trade directly on Warsaw Stock Exchange subject to the criteria laid down in WSE regulations.



The Exchange Supervisory Board appoints the Chairman and the Deputy Chairman of the Exchange Supervisory Board from among its members. The Exchange Supervisory Board may also appoint a Secretary to the Exchange Supervisory Board from among its members.

A detailed description of the procedures of appointment and dismissal of members of the Exchange Supervisory Board is laid down in the Articles of Association.

POWERS OF THE SUPERVISORY BOARD

The Exchange Supervisory Board exercises on-going supervision of the Company's activity. The powers of the Exchange Supervisory Board are laid down in the Articles of Association, in particular § 18. In addition to powers typical of a supervisory Board, the Articles of Association provide that a resolution of the Exchange Supervisory Board is required for the following:

- granting consent for the conclusion of an agreement on establishing a strategic alliance with another stock exchange (in particular regarding on-going operational relations involving the main scope of activities of the Company);
- approval, at the request of the Exchange Management Board, of a multiannual growth strategy of the Exchange;
- granting consent for the conclusion, to the extent permitted by law, of an agreement for outsourcing operational services of trading on the regulated market or any segment thereof, or an agreement for the outsourcing operational services of trading organised in an alternative trading system;
- acquisition of an IT system for concluding stock exchange transactions; and
- granting consent for the purchase or disposal of shares in companies or partnerships if the value thereof, according to the purchase price or selling price, exceeds 1/10 of the Company's share capital.

COMPOSITION OF THE SUPERVISORY BOARD AND CHANGES IN 2014

The three-year term of office of the Exchange Supervisory Board in the composition presented in [Table 14](#) ended on 27 June 2014.

Table 14 Composition of the Exchange Supervisory Board of the previous term of office

As at 31 December 2013 and 25 July 2014	
Dr Wiesław Rozłucki	Chairman of the Exchange Supervisory Board
Prof. Marek Wierzbowski	Deputy Chairman of the Exchange Supervisory Board
Dariusz Kacprzyk	Member of the Exchange Supervisory Board
Sławomir Krupa	Member of the Exchange Supervisory Board
Jacek Lewandowski	Member of the Exchange Supervisory Board
Leszek Pawłowicz	Member of the Exchange Supervisory Board
Dr Marek Słomski	Member of the Exchange Supervisory Board

Source: WSE



The mandates of these members of the Exchange Supervisory Board expired on the day of the General Meeting which approved the financial statements for 2013, i.e., 25 July 2014. On the same day, the Ordinary General Meeting of WSE elected the Exchange Supervisory Board for a new three-year term of office including: Dariusz Kacprzyk, Jacek Lewandowski, Piotr Piłat, Dr Wiesław Rozłucki, Dr Marek Słomski (from among candidates nominated by shareholders being Exchange Members) and Prof. Marek Wierzbowski.

Furthermore, on 25 August 2014, the Extraordinary General Meeting of WSE elected Wiesław Maj (from among candidates proposed by minority shareholders) to the Exchange Supervisory Board.

Table 15 Composition of the Exchange Supervisory Board of the current term of office

As at 31 December 2014		
Dr Wiesław Rozłucki	Chairman of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board ⁶⁴
Prof. Marek Wierzbowski	Deputy Chairman of the Exchange Supervisory Board	
Dariusz Kacprzyk	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board
Jacek Lewandowski	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board
Marek Słomski	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board
Piotr Piłat	Member of the Exchange Supervisory Board	
Waldemar Maj	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board

Source: WSE

COMMITTEES OF THE EXCHANGE SUPERVISORY BOARD

According to the Articles of Association, the Exchange Supervisory Board appoints the Audit Committee and the Regulation Committee, and may additionally appoint other committees, in particular the Nominations and Remuneration Committee. The detailed powers and procedures of appointment and operation of the committees are defined in the Articles of Association and the Exchange Supervisory Board Rules available on the WSE website (www.gpw.pl) under Regulations, Legal Acts (http://www.gpw.pl/legal_acts).

The Table below presents the of list committees of the Exchange Supervisory Board, their composition and responsibilities.

⁶⁴ According to the independence criteria of Supervisory Board Members under Chapter III.6 of the Best Practices of WSE Listed Companies, including the provisions of Annex II to European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.



Table 16 Composition and responsibilities of committees of the Exchange Supervisory Board, as at 31 December 2014

Strategy Committee		
Wiesław Rozłucki	Chairman	<ul style="list-style-type: none"> ▪ issues opinions on WSE's strategy and its updates; ▪ issues opinions on implementation of WSE's strategy; ▪ issues opinions on the aspects of WSE's privatisation; ▪ issues opinions on proposals of strategic alliances of WSE; ▪ issues opinions on proposals of acquisition by WSE of stakes in entities of strategic significance; ▪ issues opinions on materials related to exchange fees
Jacek Lewandowski	Member	
Piotr Piłat	Member	
Waldemar Maj	Member	
Regulation and Corporate Governance Committee		
Marek Wierzbowski	Chairman	<ul style="list-style-type: none"> ▪ initiates and issues opinions on proposed changes in regulations; ▪ prepares Management and Supervisory Boards' joint position statements; ▪ issues opinions on statements of WSE's compliance with corporate governance rules; ▪ initiates, issues opinions and monitors activities related to the implementation of the corporate governance rules by WSE; ▪ initiates, issues opinions and monitors activities supporting the implementation of the corporate governance rules in listed companies
Piotr Piłat	Member	
Remuneration and Nominations Committee		
Dariusz Kacprzyk	Chairman	<ul style="list-style-type: none"> ▪ issues opinions on the remuneration system; ▪ issues opinions on employment contracts with the Exchange Management Board members; ▪ issues opinions on annual awards proposed for the Exchange Management Board members; ▪ issues opinions on the incentive system
Wiesław Rozłucki	Member	
Marek Słomski	Member	
Audit Committee ⁶⁵		
		<ul style="list-style-type: none"> ▪ issues opinions on financial statements and motions of the Management Board

⁶⁵ As at the date of preparation of this Report, all members of the Audit Committee meet the criteria of independence and one member of the Audit Committee is qualified in accounting or auditing according to Article 86.4 of the Act on Auditors.



Marek Słomski	Chairman	concerning profit distribution or coverage of a loss;
Dariusz Kacprzyk	Member	▪ issues opinions on WSE's financial plan;
Jacek Lewandowski	Member	▪ issues opinions on Exchange Management Board reports on performance of the financial plan;
		▪ issues opinions on risk assessment reports;
		▪ issues opinions on proposals of entities to be appointed auditor;
		▪ recommends the selection of the entity to be appointed auditor.

Source: WSE

PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE SUPERVISORY BOARD

According to the Code of Best Practice for WSE Listed Companies (Section II.1.2a), WSE publishes information on the participation of women and men in the Exchange Supervisory Board at the end of the year and, additionally, the date when the proportions changed during the year.

Table 17 Number of women and men on the Exchange Supervisory Board

As at:	Number of women	Number of men
31 December 2010	2	5
28 February 2011	1	6
27 June 2011	0	7
31 December 2011	0	7
31 December 2012	0	7
9 April 2013	0	6
21 June 2013	0	7
31 December 2013	0	7
25 July 2014	0	6
25 August 2014	0	7
31 December 2014	0	7

Source: WSE

III. 10 Exchange Management Board

APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS

The Exchange Management Board consists of three to five members, including the President of the Management Board. The Exchange Management Board members are appointed for a joint four-year term. The President of the Management Board is appointed by the General Meeting. The other members of the Exchange Management Board are appointed by the Exchange Supervisory Board at the President's request. At least one member of the Exchange Management Board should be appointed by a qualified majority of four-fifths of votes. However, if the Exchange Supervisory Board fails to appoint a Exchange Management Board member in such a manner within one month from the event which gives rise to the



obligation to appoint such member, such member will be appointed by an absolute majority by the General Meeting.

The first election of Exchange Management Board members under the above rules is held to appoint Exchange Management Board members for a new term of office or in the case of expiry of a Exchange Management Board member's mandate. Exchange Management Board members can serve as board members in other business entities only with the approval of the Exchange Supervisory Board.

Given that the Company operates a stock exchange, additional rules regarding the composition of the Exchange Management Board apply under the Act on Trading in Financial Instruments of 29 July 2005. Accordingly, the Management Board should include persons with higher education, at least three years of experience in financial market institutions, and a spotless reputation as regards the functions they perform. If a company running an exchange organises an alternative trading system, the above conditions should also be satisfied by the persons directing those activities, unless members of the Exchange Management Board direct the organisation of the alternative trading system.

Changes to the composition of the Exchange Management Board require the consent of the Polish Financial Supervision Authority, which is granted at the request of the Exchange Supervisory Board. The Polish Financial Supervision Authority may refuse to grant consent if the proposed changes do not ensure that operations will be conducted in a way which does not jeopardize the safety of securities trading and properly safeguards the interests of participants in that trading.

POWERS OF THE MANAGEMENT BOARD

The Exchange Management Board handles the Company's affairs and assets, and represents it in its dealings with third parties. The Exchange Management Board exercises all powers that are not vested in the General Meeting or the Exchange Supervisory Board. Resolutions of the Exchange Management Board are adopted by an absolute majority of votes. Two Exchange Management Board members acting jointly or a Exchange Management Board member acting together with a commercial proxy are authorised to represent the Company. As at the date of preparation of this Report, no commercial proxies have been granted. Pursuant to § 5.3 of the Articles of Association, the Exchange Management Board may, with the consent of the Exchange Supervisory Board, make interim dividend payments to the shareholders on the terms laid down in the Code of Commercial Companies and Partnerships. The Management Board has, however, no authority to issue or buy out shares.

COMPOSITION OF THE MANAGEMENT BOARD AND CHANGES IN 2014

The composition of the WSE Management Board at the end of 2013 was as follows:

Table 18

Composition of the Exchange Management Board of the previous term of office

As at 31 December 2013 and 25 July 2014	
Adam Maciejewski	President of the Management Board
Beata Jarosz	Vice-President of the Management Board
Paweł Graniewski	Member of the Management Board
Dariusz Kułakowski	Member of the Management Board
Mirosław Szczepański	Member of the Management Board

Source: WSE



This composition of the WSE Management Board continued until the mandates of its members expired, i.e., the Management Board of the new term of office was effectively appointed.

On 26 June 2014, at the request of the State Treasury of the Republic of Poland, the General Meeting appointed Paweł Tamborski as President of the Management Board. The decision took effect on 25 July 2014 after three conditions were met:

Paweł Tamborski received the consent of the Committee for the Review of Requests for Consent for Employment of Persons Who Performed Public Functions appointed by the Prime Minister pursuant to Article 7 of the Act on Restrictions on Business Activity of Persons Performing Public Functions of 21 August 1997 (Journal of Laws of 2006, No. 216, item 1584) (condition met on 8 July 2014);

- delivery to the Company of a decision of the Polish Financial Supervision Authority approving the change on the Exchange Management Board (condition met on 24 July 2014); and
- approval of WSE's financial statements for 2013 by the Ordinary General Meeting (on 25 July 2014).


On 25 July 2014, the Exchange Supervisory Board acting on request on the President of the Management Board appointed members of the WSE Management Board for a new term of office including:

- Dariusz Kułakowski as Vice-President of the WSE Management Board,
- Karol Półtorak as Vice-President of the WSE Management Board,
- Mirosław Szczepański as Vice-President of the WSE Management Board,
- Grzegorz Zawada as Vice-President of the WSE Management Board.

For Grzegorz Zawada and Karol Półtorak, the change on the WSE Management Board required the consent of PFSA; consequently, the appointment decision took effect on 27 August 2014 and 9 September 2014, respectively.

As at the end of 2014, and as at the date of preparation of this Report, the Exchange Management Board has five members, including the President of the Management Board, as presented in the table below.

Table 19 Composition of the Exchange Management Board of the current term of office

WSE Management Board	
	<p>Paweł Tamborski President of the WSE Management Board</p> <p>On the WSE Management Board since July 2014. More than 20 years of experience in investment banking. Chairman of the Supervisory Board of KDPW S.A. and the Supervisory Board of PolPX.</p>



Dariusz Kułakowski

Vice-President of the WSE Management Board
Responsible for: IT and technology

On the WSE Management Board since 2013.
More than 13 year of experience in IT management.



Karol Pótorak

Vice-President of the WSE Management Board
Responsible for: Finance

On the WSE Management Board since September 2014.
More than 15 years of experience in investment banking and finance.
Chairman of the Supervisory Board of KDPW_CCP S.A., Member of the Supervisory Board of KDPW S.A., Member of the Supervisory Board of Centrum Giełdowe S.A.



Mirosław Szczepański

Vice-President of the WSE Management Board
Responsible for: Operations

On the WSE Management Board since 2013.
20 years of experience in finance management.
Chairman of the Supervisory Board of Instytut Rynku Kapitałowego – WSE Research S.A., Member of the Board of Directors of Aquis Exchange Ltd.



Grzegorz Zawada

Vice-President of the WSE Management Board
Responsible for: Strategy and development

On the WSE Management Board since August 2014.
More than 18 years of experience in investment banking.
Chairman of the Supervisory Board of BondSpot S.A., Member of the Supervisory Board of PolPX.

PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE MANAGEMENT BOARD

According to the Code of Best Practice for WSE Listed Companies (Section II.1.2a), WSE publishes information on the participation of women and men in the Exchange Management Board at the end of the year and, additionally, the date when the proportions changed during the year.



Table 20 Number of women and men on the Exchange Management Board

As at:	Number of women	Number of men
31 December 2010	2	2
31 December 2011	2	2
31 December 2012	2	2
15 February 2013	2	1
1 April 2013	1	1
9 April 2013	1	3
22 May 2013	1	4
31 December 2013	1	4
25 July 2014	0	3
27 August 2014	0	4
9 September 2014	0	5
31 December 2014	0	5

Source: WSE

III. 11 Remuneration and Employment Contracts of Exchange Management Board Members and Exchange Supervisory Board Members

REMUNERATION OF EXCHANGE MANAGEMENT BOARD MEMBERS

The remuneration system for the members of the Exchange Management Board is based on a long-term incentive system. It consists of a fixed part (basic pay) and a variable part (incentive system, i.e., bonus) as well as additional benefits to the extent defined by the Exchange Supervisory Board. The bonus system for the Management Board Members was modified in 2014: the bonus depends on semi-annual appraisal of individual performance and the Company's results by the Exchange Supervisory Board, as well as verification of results of work of the Exchange Management Board Members in previous years. In addition, the maximum discretionary bonus which can be awarded by the Exchange Supervisory Board in a given year is capped. Payments up to the maximum amount of the awarded discretionary bonus are made as follows:

- 30% of the awarded bonus paid on a one-off basis;
- 30% paid in phantom shares;⁶⁶
- 40% of the awarded bonus is added to the bonus bank and settled in equal parts in the next three years subject to positive reassessment by the Supervisory Board of the work taken in the period of the bonus.

The system was based on similar rules in the past years, i.e., it operated as a long-term incentive system (bonus bank). A bonus was awarded depending on the achievement of a number of development and financial targets. Up to a capped maximum bonus amount, the Exchange Supervisory Board could award

⁶⁶ Form of remuneration where a certain number of virtual (phantom) shares are allocated for a period of time. The block of such shares authorises the manager to draw phantom payments in an amount depending on the WSE share price on the exchange.



Management Board Members with a discretionary bonus that was not closely linked to development and financial targets but was based on an assessment of the performance of individual annual targets.

The Company has no incentive or bonus systems based on the issuer's equity (including programmes based on bonds with pre-emptive rights, convertible bonds, subscription warrants, or stock options).

Pursuant to the Articles of Association, the power to determine the terms of the employment contracts and the amount of remuneration of the President and the other members of the Exchange Management Board has been vested in the Exchange Supervisory Board. However, the terms of the employment contracts and the amount of remuneration of the other members of the Exchange Management Board are determined upon the request of the President of the Exchange Management Board.

In 2014, the Management Board Members of the new term of office decided to forego remuneration for sitting on the authorities of subsidiaries and associates of the WSE Group.

Table 21 Remuneration and other benefits of the members of the Exchange Management Board, including remuneration for functions on the authorities of subsidiaries and associates in 2014 (PLN thou.)

	Fixed part	Variable part (bonus)	Long-term liabilities		Other benefits	Termination benefits	Subsidiaries and associates	Total
			Phantom shares	Bonus bank				
Paweł Tamborski	360	83	83	110	16	0	6	658
Karol Pótorak	205	40	40	53	14	0	0	352
Grzegorz Zawada	226	53	53	70	20	0	11	433
Mirośław Szczepański	638	66	66	88	104	0	56	1 018
Dariusz Kułakowski	558	66	66	88	108	0	0	886
Adam Maciejewski	1 052	0	0	0	202	948	73	2 275
Beata Jarosz	451	0	0	0	128	606	49	1 234
Paweł Graniewski	361	0	0	0	104	0	0	465
Total	3 851	308	308	409	696	1 554	195	7 321

Source: WSE

Table 22 Remuneration and other benefits of the members of the Exchange Management Board, including remuneration for functions on the authorities of subsidiaries and associates in 2013 (PLN thou.)

	Fixed part	Variable part (bonus)	Bonus – long-term liabilities ⁶⁷	Other benefits	Termination benefits	Subsidiaries and associates	Total
Adam Maciejewski	948	582	177	255	0	86	2 048
Beata Jarosz	638	332	117	187	0	83	1 357
Paweł Graniewski	382	192	26	119	0	0	719

⁶⁷ Bonus – long-term liabilities for 2011 settled in 2013 and presented under "Variable part (bonus)".



Mirosław Szczepański	350	160	34	104	0	110	758
Dariusz Kułakowski	133	60	13	39	0	0	245
Ludwik Sobolewski	368	0	0	81	117	12	578
Lidia Adamska	317	0	0	62	825	7	1 212
Total	3 136	1 326	367	847	942	298	6 917

Source: WSE

TERMS OF EMPLOYMENT CONTRACTS WITH MEMBERS OF THE EXCHANGE MANAGEMENT BOARD

Employment contracts with the Members of the Exchange Management Board of the new term of office were signed for a determined period, i.e., until the expiry of the mandate at the end of the four-year term of office. The contracts may be terminated by the Company or a Management Board Member with a notice of three months or by arrangement of the parties.

The Company executed employment contracts with the following members of the Exchange Management Board:

Table 23 Employment contracts with members of the Exchange Management Board as at 31 December 2014

	Date of the contract	Period	Position
Paweł Tamborski	25 July 2014	fixed term – until the end of term of office	President of the Management Board
Grzegorz Zawada	28 August 2014	fixed term – until the end of term of office	Vice-President of the Management Board
Karol Półtorak	9 September 2014	fixed term – until the end of term of office	Vice-President of the Management Board
Mirosław Szczepański	25 July 2014	fixed term – until the end of term of office	Vice-President of the Management Board
Dariusz Kułakowski	25 July 2014	fixed term – until the end of term of office	Vice-President of the Management Board

Source: WSE

The Exchange Supervisory Board signed non-competition agreements with the Members of the Management Board which will take effect after the termination of employment for a term of 3 months (if an employment contract is terminated during the term of office) or 6 months (after the end of the term of office in the event of no re-appointment for the next term of office). The non-competition agreements may be terminated by the Company within 30 days of termination of the employment contract.

The composition of the Management Board changed on the end of the term of office of the Management Board in 2014. The employment contracts with the Members of the Management Board of the previous term of office were terminated on the expiry date of the mandate, i.e., 25 July 2014. In 2006, the Exchange



Supervisory Board signed with the then Members of the Management Board non-competition agreements whereby the Members of the Management Board cannot engage in activities competitive to the Company within 12 months after the termination of the employment contracts with the Company. In the term of the non-competition agreements after the termination of employment, the Members of the Management Board are entitled to receive compensation at 100% of the gross basic remuneration in the period of 12 months before the termination of employment, paid in 12 equal monthly instalments.

Further to the foregoing, under concluded the non-competition agreements, the Company pays Adam Maciejewski compensation of PLN 79,000 (per month) and Beata Jarosz PLN 50,497.22 (per month).

On 7 October 2014, the Company and Beata Jarosz concluded an agreement concerning the monthly compensation under the non-competition agreement. The compensation is reduced with the monthly gross income earned by Beata Jarosz following her employment by the Polish Power Exchange as of December 2014.

The non-competition agreements are in force until 31 July 2015.

REMUNERATION OF EXCHANGE SUPERVISORY BOARD MEMBERS

According to the Articles of Association, the Exchange Supervisory Board Members receive remuneration in the amount set by the General Meeting. Pursuant to the latest Resolution of the Company's Ordinary General Meeting of 25 July 2014, the amount of monthly remuneration of the Exchange Supervisory Board members has been set as follows:

- Chairman of the Exchange Supervisory Board – 2 times the average monthly remuneration in the enterprise sector, net of profit bonuses for the fourth quarter of the previous year, as announced by the President of the Central Statistical Office (GUS);
- Deputy Chairman of the Exchange Supervisory Board, Secretary to the Exchange Supervisory Board, Member of the Exchange Supervisory Board – 1.5 times the average monthly remuneration in the enterprise sector, net of profit bonuses for the fourth quarter of the previous year, as announced by the President of the Central Statistical Office (GUS).

Table 24 Remuneration of the Supervisory Board members (PLN thou.)

	31 December 2014	31 December 2013
Leszek Pawłowicz	27	47
Marek Wierzbowski	59	47
Sebastian Skuza	-	22
Paweł Graniewski ⁶⁸	-	164
Jacek Lewandowski	59	47
Sławomir Krupa	27	47
Marek Słomski	59	47
Wiesław Rozłucki	69	25
Dariusz Kacprzyk	59	25

⁶⁸ Paweł Graniewski was delegated to perform functions of a Member of the Exchange Management Board from 10 January 2013 to 9 April 2013. During that period, he received monthly remuneration in an amount of the average base remuneration of Members of the Exchange Management Board.



Piotr Piłat	31	-
Waldemar Maj	25	-

Source: WSE

Exchange Supervisory Board members have no supervisory or management functions in WSE subsidiaries.

III. 12 Changes of Main Management Rules of WSE and the WSE Group

CHANGE OF NAME OF WSE COMMODITIES S.A. TO WSE SERVICES S.A.

In January 2014, the company WSE Commodities acquired by WSE was transformed from a limited liability company into a joint-stock company. On 30 June 2014, the Ordinary General Meeting of WSE Commodities S.A. decided to change the name of the company to WSE Services S.A. The company plans to provide back-office services to WSE Group companies, mainly including financial, accounting, HR and administration services.

INCEPTION OF INSTYTUT ANALIZ I RATINGU S.A.

In June 2014, WSE founded Instytut Analiz i Ratingu (Institute of Analysis and Rating, IAiR) whose mission is to improve the transparency of the non-Treasury debt market and its credibility to investors, and to ensure more rational allocation of capital through stronger links between the valuation of bonds and the issuer's credit risk. A national rating agency will bridge the gap in the rating offer mainly for small and medium-sized enterprises. The activity of IAiR should enhance the effectiveness and liquidity of the Polish bond market. The new agency will in the first place focus on the local market and in the longer term also on the CEE market. The company is expected to launch its rating issuance service in 2015.

CHANGE OF PERSONS SITTING ON THE AUTHORITIES OF WSE GROUP COMPANIES

Polish Power Exchange

From 1 January 2014 to 22 April 2014, the composition of the Management Board of the Polish Power Exchange was as follows:

- Ireneusz Łazor – President of the Management Board,
- Adam Simonowicz – Vice-President of the Management Board.

On 23 April 2014, Adam Simonowicz was replaced by Michał Tryuk as Vice-President of the Management Board.

WCCH

In 2014, the composition of the WCCH Management Board was as follows:



- Dariusz Bliźniak – President of the WCCH Management Board,
- Andrzej Kalinowski – Member of the WCCH Management Board.

BondSpot S.A.

In 2014, the composition of the BondSpot S.A. Management Board was as follows

- Jacek Fotek – President of the Management Board,
- Piotr Woliński – Vice-President of the Management Board,
- Anna Grabowska – Member of the Management Board.

IRK – WSE Research S.A.

From 1 January to 8 June 2014, the Management Board of IRK – WSE Research S.A. consisted of one member: Renata Żukowska was the President of the Management Board. On 9 June 2014, Piotr Szeliga joined the Management Board as Vice-President of the Management Board. On 27 November 2014, Piotr Szeliga resigned as Vice-President of the Management Board effective as of 31 December 2014 and was relieved from his duties under an agreement with the Supervisory Board of 10 December 2014. As of the beginning of 2015, the Management Board of IRK – WSE Research S.A. consists of one member.

WSE Services S.A.

From 1 January to 18 April 2014, the Management Board of WSE Services S.A. was comprised of Ireneusz Łazor and Grzegorz Onichimowski. On 18 April 2014, the composition of the Management Board was changes and it is now comprised of:

- Dariusz Kułakowski - President of the Management Board,
- Iwona Edris - Vice-President of the Management Board.

WSEInfoEngine S.A.

From 1 January to 20 June 2014, Grzegorz Onichimowski was the President of the Management Board and its only member. From 21 June 2014 to 11 February 2015, Bartłomiej Kosiński was the President of the Management Board. On 12 February 2015, Adam Simonowicz was appointed President of the Management Board.

Instytut Analiz i Ratingu S.A.

On 20 June 2014, the Management Board was appointed comprised of the following members:

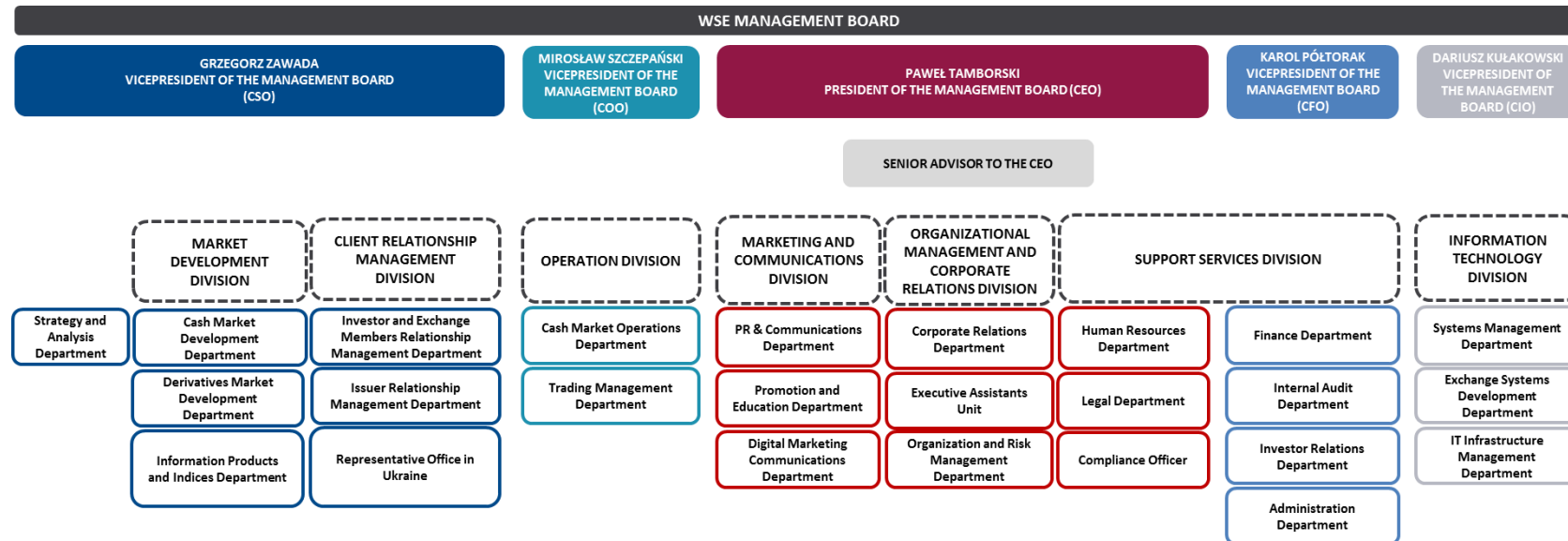
- Maja Gettig – President of the Management Board,
- Błażej Lepczyński – Vice-President of the Management Board.

CHANGES OF THE ORGANISATIONAL STRUCTURE OF WSE

Following the changes on the Exchange Management Board in 2014, described in detail in Section III.10, WSE has a new organisational chart ([Chart 8](#)).



Chart 8 WSE organisational chart as at 31 December 2014



Source: WSE



IV. CORPORATE SOCIAL RESPONSIBILITY

The business strategy of Warsaw Stock Exchange is pursued in a responsible and transparent manner, in co-operation and in dialogue with all major stakeholder groups.

The Company carries out its operations taking into account social, ethical and environmental factors.

The main motivation for the pursued Corporate Social Responsibility (CSR) policy is to improve the quality of the Polish capital market, among others by means of educational programmes, promotion of the highest standards of corporate governance and communication, and support for co-operation and active dialogue with and among market participants.

WSE's socially responsible approach to business is corroborated by the inclusion of the Company in the RESPECT index of WSE-listed companies which follow the highest CSR standards for the second consecutive time.

In December 2013, WSE joined the Sustainable Stock Exchanges (SSE), a UN initiative of global exchanges which promote the development of corporate social responsibility and sustainable development on their home capital markets. SSE was created in 2009 by the United Nations to exchange members' experience. SSE has 17 members.

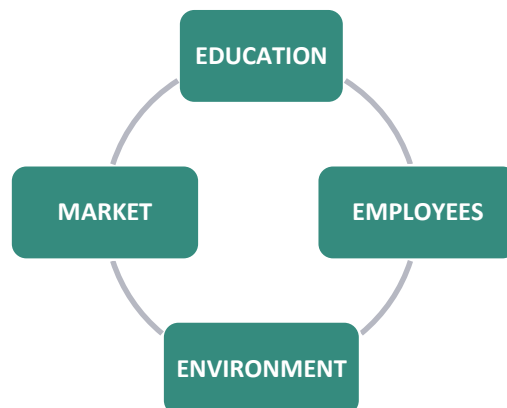
In 2015, WSE is planning to take steps to cover WSE Group companies with the CSR strategy implemented in WSE.

WSE'S CSR STRATEGY

In 2013, WSE developed and implemented a CSR strategy based on four pillars relevant to the activity of the Exchange and its role on the Polish capital market.

Chart 9

WSE CSR strategy pillars





IV. 1 Education

General trust in the capital market and its institutions relies on a culture of investing and awareness of the principles of the capital market.

Capital market education, promotion and information activities are a statutory objective of the Exchange. WSE's education activities also serve as a tool of building relations with individual investors who play an important role in generating liquidity on the market. WSE's extensive educational offer fits into the Company's strategic goals including a focus on its key clients.

In its current operations, the Exchange organises training, seminars and conferences to promote investing in financial instruments and knowledge about the capital market.

WSE's educational activities in 2014:

- **School Online Exchange Game (SIGG)** – a project devoted to investing, addressed to **junior high** school students, implemented since 2002 in partnership with the Lesław A. Paga Foundation, provides young people with practical skills necessary to invest on the exchange, analyse the markets, make decisions and work as a team. More than 22 thousand participants took part in the project in 2014;
- **Product training with Brokerage Houses** – full-time and off-site product workshops co-organised with brokerage houses. 39 training sessions were held in 2014 in partnership with six brokerage houses.
- **Product training in partnership with higher schools and science clubs** – 23 lectures on financial instruments listed on WSE were held in 2014.
- **Capital Creation Academy** – a series of meetings in Poland's biggest cities held several times per year in partnership with the Association of Individual Investors (SII), where experts share knowledge about the capital market, listed instruments and investment techniques. Two series of the Capital Creation Academy comprised of 12 training sessions in total were held in 2014.

WSE also participated in several educational initiatives addressed to potential issuers in 2014. The Company co-organised 11 workshops with the Lewiatan Co-federation, 5 conferences with the SME Foundation, as well as a series of training sessions organised by Authorised Advisers.

A flagship educational programme arranged by WSE for many years, the Exchange School, was reactivated in January 2014. The project includes courses which introduce beginners to investing and cover the following topics: the capital market and the exchange, the rules of investing, company analysis, risk assessment, the psychology of investing. The courses are held regularly in Poland's biggest cities in partnership with local higher schools and in Warsaw by the Exchange. Sixteen courses held in 2014 brought together more than 600 participants.

To raise the awareness of investors, WSE also offers projects dedicated to the improvement of practical investor skills. In May 2013, the Exchange launched GPWTr@der: a demo platform for investing in WIG20, mWIG40, and currency futures. In March 2014, a stock investment module was added to the platform. The tool was designed for beginners who wish to learn more about the equity and derivatives markets and discover the practical mechanisms of investing in financial instruments available on WSE. The



GPWTr@der platform had ca. 21.7 thousand virtual accounts at the end of 2014. The platform is used for education by brokerage houses and higher schools across Poland.

Furthermore, since 2010, the Exchange is a partner of the “Civic Shareholding” educational programme initiated by the Ministry of the State Treasury and addressed to individuals interested in investing on the exchange. A new series of education workshops in towns across Poland and several education projects were completed within the framework of the programme in 2014.

The Polish Power Exchange is also engaged in educational activities addressed to market participants. PolPX organises regular training sessions and workshops to develop and promote transparent trade in fuels and to raise awareness about the benefits of exchange trading. In 2014, PolPX initiated among others seven training sessions for brokers and several meetings with the Energy Trade Association held to discuss the key challenges and expectations of market participants. PolPX organised the annual Trading Forum as a platform for exchange of opinions and development of new solutions in co-operation with direct participants of the markets operated by PolPX.

PolPX co-operates with higher schools to organise workshops among others devoted to the role of energy exchanges and commodity markets. In partnership with the Lesław A. Paga Foundation, PolPX organises the Energy Academy project to build a broad coalition of capital market institutions for energy security and sustainable development of energy markets in Poland.

IV. 2 Market

The Company works to build corporate culture and support the right behaviour of Polish capital market participants.

BEST PRACTICE AND CORPORATE GOVERNANCE

The key objective of WSE in this area is to create and promote best practice of corporate governance for public companies. Since 2002, the Exchange has promoted the corporate governance rules by continuously developing and disseminating the Code of Best Practice for WSE Listed Companies designed to strengthen the transparency of exchange-listed companies, reinforce the protection of shareholders’ rights and improve the quality of communication between companies and investors. Subsequent amendments of the rules included in the Code have been drafted to bring them in line with amendments of legal regulations, current international trends of corporate governance, as well as evolving needs and expectations of market participants.

In December 2014, WSE opened public consultations on draft amendments of the Code of Best Practice for WSE Listed Companies addressed to a wide group of capital market participants. The draft amendments prepared by WSE in co-operation with experts and market representatives on the WSE Corporate Governance Consultation Committee take into account corporate governance issues raised in the European Union. The consultations are designed to develop more transparent and clear rules addressing market needs and expectations. The consultations will be open until February 2015 to develop a new version of the Code of Best Practice for WSE Listed Companies which in the opinion of the Company should improve the quality of the Polish capital market.

In 2014, important steps were taken to improve the quality of investor relations and safety of WSE’s alternative markets. The objective of the amendments introduced as of 1 September 2014 is to improve



safety on Catalyst and to harmonise the Catalyst ATS regulations with the standards introduced last year on NewConnect. The amendments included: introduction of a minimum value of an issue of bonds which may be introduced into the ATS; obligation imposed on issuers of low-value issues to have an Authorised Adviser; mandatory preparation of an information document even where bonds were previously offered under an information memorandum. In order to improve bondholder access to information relevant to bond payments, the duration of issuers' reporting requirements was extended. The amendments were effective on 1 September 2014 and the requirement of a minimum value of bonds introduced into the Catalyst ATS took effect on 1 January 2015.

The rules of classification of shares in the Alert List segment were amended as of early 2014 to eliminate the penny stock problem on the WSE Main Market. All shares whose unit market price was lower than PLN 0.50 are classified in the Alert List segment irrespective of the volatility of the share price. The consequences of classification of an issuer's shares in the Alert List include: exclusion of the issuer's shares from index portfolios, transfer of the shares to the single price trading system, special designation of the issuer in the exchange's information services, and removal of the shares from the list of securities available for short selling.

The Exchange also promotes the highest corporate governance standards among foreign investors. In spring 2014, WSE organised the WSE IR Leader 2014 competition for foreign companies listed on the stock markets in order to identify companies with the best investor relations. The competition winners were awarded in June at the fifth edition of the WSE International Companies' Forum, yet another initiative of WSE designed to strengthen professional open relations between foreign issuers listed on WSE and investors. The Forum has been regularly organised by WSE since 2011.

Warsaw Stock Exchange also offers WSE EDU-Partner Best Practice and WSE IR Partner programmes. The former was established in 2008 and selects partners in education across the country who are actively involved in the development of corporate governance in Poland. The list of WSE EDU-Partners currently includes 8 entities.

WSE IR Partners are those media and portals which are strongly involved in the development of investor relations of public companies and the creation of best conditions enabling effective communication between companies and investors. The programme had 3 members at the end of 2014.

WSE also offers a special online service devoted to best practice and corporate governance: www.corp-gov.gpw.pl.

DIALOGUE WITH STAKEHOLDERS

WSE's business decisions may have a material impact on other participants of the capital market; hence, the Company consults with stakeholder groups on developments which affect the markets.

Following the update of the WSE strategy announced in October 2014, WSE held nearly 30 meetings with the Company's key stakeholder groups including issuers on all markets operated by WSE, representatives of investment funds and pension funds, as well as foreign and individual investors. The dialogue resulted in the identification of areas key to the Exchange's stakeholders which were taken into account by the Company in designing its strategy for 2014-2020.

The Company also opened consultations with market participants before deciding to change WSE's main indices (to maintain WIG20 as the base index) and to maintain the PLN 20 multiplier of WIG20 futures.

In addition to irregular dialogue with the stakeholders concerning material business decisions, WSE is also engaged in on-going consultations with market participants within the Consultation Committees



established in 2013. The Committees are advisory bodies active in the key areas of WSE's operation. The Committees bring together representatives of the capital market community, lawyers, and representatives of the Polish Financial Supervision Authority. Consultations with the Committees on the Exchange's business decisions help to develop solutions optimal to all WSE stakeholder groups.

As at the end of 2014, WSE had the following Committees:

- WSE Exchange Indices Committee
- WSE Science Committee
- Corporate Governance Committee
- Derivatives Market Committee
- Debt Market Committee
- Equities Market Committee

WSE Group companies also take initiatives in dialogue with the market. In 2014, PolPX appointed a Gas Market Committee of the Management Board which has an advisory and consulting role in developing solutions to create a friendly environment for the development of exchange trading in natural gas. The Committee held two meetings in 2014 and organised a series of workshops for gas market participants in collaboration with partners: the Energy Regulatory Office, Gaz-System S.A. and Polska Spółka Gazownictwa.

In 2014, PolPX initiated the first edition of a contest for journalists covering competition and liberalisation on the electricity and gas markets under the auspices of the President of the Energy Regulatory Office. The objective of the project was to open a public debate on the energy and gas markets and to promote critical and fair journalism devoted to the liberalisation of the energy industry.

IV. 3 Employees



The HR policy of the Exchange focuses on fostering an organisational culture based on values and effective internal communication as well as investment in continuous employee development.

Table 25 WSE and WSE Group headcount as at 31 December

	2014	2013	2012
WSE headcount	208	205	211
WSE Group headcount	371	347	338

Source: WSE



Table 26 WSE headcount as at 31 December and employment by gender

	2014	2013	2012
WSE employees	208	205	211
- Women	99	97	98
- Men	109	108	113

Source: WSE

The human resources policy of Warsaw Stock Exchange relies on engagement and competences of employees who grow with the company. Consequently, in 2014, the Company continued to focus effective management of HR, payroll, social and bonus processes to match them with business needs and to support the implementation of the Exchange strategy.

WSE RECRUITMENT POLICY

WSE's recruitment policy focuses on recruiting top-class specialists for all areas of the Company's operation. In recruitment for strategic positions, the Exchange works with professional personnel advisory institutions which provide a complete professional and psychological profile of candidates. A WSE website section devoted to WSE career opportunities supports effective employee recruitment.

The recruitment process includes six steps:

- **Step 1.** The candidate sends a CV and a motivation letter, which are reviewed in detail, especially in terms of the motivation to work with the Company;
- **Step 2.** General knowledge test;
- **Step 3.** Interview with the potential supervisor and an HR officer;
- **Step 4.** Problem solving: a case study covering the candidate's prospective responsibilities;
- **Step 5.** WSE employment decision;
- **Step 6.** Signing the contract and completing all employment requirements.

Table 27 WSE employee turnover, as at 31 December⁶⁹

	2014	2013	2012
WSE employee turnover	7.21%	13.3%	3.3%

Source: WSE

WSE signed 21 contracts with new employees and terminated 21 employment contracts in 2014. WSE signed 23 contracts with new employees and terminated 29 employment contracts in 2013.

The employee turnover ratio of the WSE Group was 11.25% in 2014.

⁶⁹ The turnover ratio is the number of employees whose employment contracts were terminated during the year to the average headcount for the year.



WSE TRAINING POLICY

Training plays an important role in the process of employee professional development and improvement of qualifications. Training was offered in 2014 to improve specific professional qualifications and language skills. According to its HR policy, the Exchange co-financed MA, post-graduate, and PhD courses of employees. In order to improve their professional competences, WSE employees participated in market conferences, congresses and seminars. The number of training days per WSE FTE was 6.55 in 2014. The number of training days per WSE Group FTE was 4.8 in 2014.

Table 28 WSE headcount by education, as at 31 December

	2014	2013	2012
Total	208	205	211
- Vocational education	1	1	1
- Secondary education	28	29	33
- Higher education	179	175	177

Source: WSE

The WSE Group had 371 employees at the end of 2014, including 318 employees with higher education, 52 with secondary education and 1 with vocational education.

WSE INCENTIVE SYSTEM

WSE's HR policy is largely based on employee engagement; hence, the Company attaches special importance to employee incentives. WSE offers the employees an incentive program implemented in 2014 which consists of a fixed part (base pay) and a variable part (annual bonus) as well as a discretionary bonus. The variable part is tied to the objectives of the Management Board and the strategic directions of the Exchange. It divides job positions into bonus categories to which diversified bonus rules apply. A single set of bonus criteria and a single proportion of criteria based on ratios, performance and quantitative criteria applies within each bonus category.

Every Exchange employee has wide access to fringe benefits including: health care, reimbursement of commuting costs, the Employee Pension Scheme, a canteen system, loans including housing and medical loans, as well as payments from the Company Social Benefits Fund.

WSE CODE OF ETHICS

In addition to improvement of professional qualifications, WSE also takes steps to develop its value-based corporate culture which is unique in awarding and applying employee initiatives that improve the effectiveness of the organisation.

The WSE Employee Code of Ethics came into force in November 2013. It defines the core values applicable to all activities of the Company. The Code of Ethics was amended in 2014. It outlines the principles and values to be followed by all WSE employees; disseminates and promotes a culture of compliance with the law and decision-making based on ethical criteria in the following areas: mutual relations among employees, relations with customers and counterparties, relations with competitors, communication,



promotion and advertising; and lays down sanctions for non-compliance. The document has been signed by all WSE employees.

In 2015, WSE is planning to implement the Company's Code of Ethics in other WSE Group companies.

OCCUPATIONAL HEALTH AND SAFETY POLICY

WSE's priorities include a healthy, safe and friendly work environment which supports the development of the professional potential of all Exchange employees. Under its occupational health and safety policy approved in 2014, the Company works to prevent accidents at work, occupational diseases and potential incidents, to continuously improve occupational health and safety and fire protection, to improve employee qualifications, and to integrate their role and engagement in occupational health and safety initiatives. There were no accidents at work at WSE in 2014.

EMPLOYEE VOLUNTEERING

Employee volunteering is one of the forms of WSE's corporate social responsibility activities. The Exchange supports the youth education and care centre in Francisków and two family children's' homes in Ruszków. WSE employees prepare Christmas gifts every year, regularly collect clothing and provide the centre with equipment including sports equipment.

TRAINEESHIPS AND INTERNSHIPS

Warsaw Stock Exchange puts a strong emphasis on capital market education and learning of young people.

For many years, the Exchange has offered traineeship opportunities to university students. The students major in different disciplines including Economics, Finance, and Marketing. Furthermore, WSE runs a programme addressed to the winners of the Capital Market Leaders Academy organised by the Lesław A. Paga 2065 Foundation in partnership with WSE.

IV. 4 Environment

**Environmental protection is part and parcel of WSE's values as
a modern and competitive institution present on the European capital market.**

WSE approved an environmental policy in 2013 and continued initiatives aimed at mitigating its impact on the natural environment and at raising environmental awareness among Company employees in 2014. Given that the Company is active in the financial industry, these are limited to the following: waste management and recycling; paper consumption; water consumption; energy consumption; fuel consumption and CO2 emissions; employee education through internal communications.

Furthermore, in view of its activity and role on the Polish capital market, WSE may indirectly impact the environment by promoting good behaviour of issuers and investors, as well as through promotion of and education on responsible investments.



WASTE MANAGEMENT AND RECYCLING

According to its Waste Management Procedure, WSE delivers solid waste for treatment by recycling or disposal. Since February 2014, the Company segregates waste. The Exchange produced 2.2 tonnes of waste in 2014 (13.4 tonnes in 2013), of which more than a third was segregated and recycled. Decommissioned computer hardware is sold to the Company's employees at auctions. One auction was held in 2014 and 76 pieces of hardware were sold.

PAPER CONSUMPTION

WSE has in place an Electronic Document System, operational since 2011, which has largely reduced the consumption of paper within the Exchange. Internal communication work was continued in 2014 in order to promote environmental behaviour of employees. As a result, the Company's paper consumption decreased by nearly 25 percent year on year in 2014.

WATER CONSUMPTION

As the administrator of the office building which houses WSE's head office and as an associate of the WSE Group, Centrum Giełdowe has in place advanced environmental solutions which reduce water consumption. The solutions were implemented as early as the architectural design work on the building, in which WSE was actively involved. All water taps are equipped with aerators which reduce water consumption. In addition, the water cascade along the eastern façade of the building uses a closed circuit as well as water treatment. In 2014, the Exchange continued communications targeting employees and visitors to promote environmental behaviour with regard to water consumption. The Company's water consumption decreased by ca. 12 percent year on year in 2014.

ENERGY CONSUMPTION

Centrum Giełdowe has in place advanced environmental solutions which reduce energy consumption. Offices are equipped only with lamps whose energy consumption is lower than that of traditional light bulbs and halogen lamps. The operation of lifts is optimised and the underground car park is heated with air pumped out of offices. WSE's head office is equipped with a Building Management System (BMS) which controls installations within the building and consequently optimises the consumption of heat, power, water, air (ventilators) and ice water for air-conditioning. BMS supports programming of lighting in offices and corridors, which is automatically switched off at 8 p.m. throughout the building. The Company's water consumption decreased by ca. 20 percent year in year in 2014.

FUEL CONSUMPTION AND CO2 EMISSIONS

WSE's car fleet only includes vehicles which conform to applicable emission standards (EURO-4 or EURO-5). According to legal requirements, WSE pays environmental fees (for business cars).



IV. 5 RESPECT Index

A flagship initiative of WSE which promotes and educates about responsible investments in Poland is the RESPECT Index project, established in 2009 as CEE's first responsible companies index. The index portfolio includes companies listed on the WSE Main Market which follow the highest standards of corporate governance, disclosures and investor relations taking into account environmental, social and governance factors in their business. The companies in the RESPECT Index portfolio are selected in three steps of verification carried out by WSE and the Association of Listed Companies in the areas listed above as well as an audit performed by the project partner Deloitte. Eight editions of the survey have been completed to date with 16 to 24 companies included in the index portfolio at each time.

The RESPECT Index Project enjoys strong interest of companies listed on Warsaw Stock Exchange and indirectly helps to improve the standards of corporate social responsibility on the Polish market. In the eighth edition of the survey carried out in 2014, 24 companies were put in the index portfolio, including Warsaw Stock Exchange for the second consecutive time.

The return rate of the RESPECT Index was 64% from the first publication on 19 November 2009 until the end of 2014.



V. FINANCIAL SITUATION OVERVIEW

V.1 Summary of results



The WSE Group's EBITDA⁷⁰ stood at PLN 164.1 million in 2014, an increase of 13.7% (PLN 19.8 million) compared to PLN 144.4 million in 2013.

The WSE Group generated an operating profit of PLN 135.4 million in 2014, an increase of 14.1% (PLN 16.7 million) compared to 2013. The increase in operating profit of 2014 was driven mainly by an increase of revenue from the commodity market by 50.6% combined with an increase of operating expenses by 9.3%. The WSE Group's net profit was PLN 112.3 million in 2014, compared to PLN 113.5 million in 2013. The decrease of 1.1% year on year was driven mainly by an increase of revenues by PLN 33.8 million, an increase of operating expenses by PLN 15.4 million, a decrease in the share of profit of associates by PLN 8.7 million, and an increase of income tax by PLN 10.5 million.

The WSE's EBITDA⁷¹ stood at PLN 83.1 million in 2014, a decrease of 8.7% (PLN 7.9 million) compared to PLN 91.1 million in 2013.

WSE generated a separate operating profit of PLN 59.0 million in 2014 compared to PLN 69.1 million in 2013. The decrease in the operating profit was driven by a decrease of operating income (by 2.2%) and higher operating expenses (by 4.3%), including fees and charges, depreciation and amortisation, salaries, and external service charges. Fees and charges increased due to higher fees paid to PFSA. Depreciation and amortisation increased due to the implementation of WSE's new trading system (UTP): the additional depreciation and amortisation charges were incurred in nine months of 2013 and twelve months of 2014. Salaries increased due to the cost of reorganisation severance pay, provisions for retirement benefits, as well as severance pay due to changes on the Management Board. External service charges increased due to higher costs of advisory and promotion.

The net profit generated by WSE was PLN 52.9 million in 2014 compared to PLN 101.4 million in 2013. The net profit decreased owing to lower financial income from dividends received at PLN 14.8 million in 2014 compared to PLN 43.3 million in 2013. In addition, impairment losses of the subsidiaries WSEInfoEngine S.A. and IRK S.A. in the total amount of PLN 7.7 million were recognised in financial expenses. Income tax in 2014 was PLN 3.7 million higher than in 2013 when the Company recognised a tax relief for investment in new technologies including among others the UTP project. As a result, the income tax was reduced by PLN 7.0 million in 2013.

The PolPX Group generated an operating profit of PLN 78.4 million and a net profit of PLN 66.2 million in 2014, as compared to PLN 48.0 million and PLN 41.8 million, respectively, in 2013.

⁷⁰ WSE Group operating profit before depreciation and amortisation (not including share of profit/loss of associates).

⁷¹ WSE operating profit before depreciation and amortisation.



BondSpot generated an operating profit of PLN 3.6 million and a net profit of PLN 3.3 million in 2014, as compared to PLN 3.7 million and PLN 3.3 million, respectively, in 2013.

Detailed information on changes in revenues and expenses is presented in the sections below.

Table 29 Consolidated profit and loss account of WSE Group in 2013 and 2014 by year and quarter

PLN'000	2014				2013				2014	2013	2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
Sales revenue	83,930	77,869	69,255	86,507	70,847	69,000	64,557	79,358	317,561	283,762	273,825
Financial market	46,472	49,303	48,235	55,952	51,527	49,507	51,701	52,519	199,962	205,254	208,144
Trading	31,124	34,349	32,547	39,775	36,441	35,732	37,543	38,182	137,795	147,899	150,112
Listing	5,816	5,684	6,124	6,336	5,716	5,248	5,588	5,737	23,960	22,289	21,540
Information services	9,532	9,270	9,564	9,841	9,370	8,527	8,570	8,599	38,207	35,066	36,493
Commodity market	35,741	28,310	20,336	30,066	18,848	18,710	12,307	26,130	114,453	75,995	62,646
Trading	18,657	15,136	10,188	16,140	10,774	10,743	6,501	11,888	60,121	39,906	30,164
Register of certificates of origin	5,897	4,706	4,776	7,094	2,996	2,735	1,977	7,897	22,473	15,605	16,549
Clearing	11,187	8,468	5,372	6,832	5,078	5,232	3,829	6,345	31,859	20,484	15,933
Other revenue	1,717	256	684	489	472	783	549	709	3,146	2,513	3,035
Operating expenses	51,331	41,923	44,409	43,937	45,108	40,241	44,030	36,845	181,600	166,224	148,490
Depreciation and amortisation	7,524	6,916	7,146	7,183	7,203	6,921	7,922	3,676	28,769	25,723	16,564
Salaries	16,616	13,284	12,936	13,754	11,701	11,596	14,450	14,168	56,590	51,915	47,814
Other employee costs	3,473	2,584	3,347	3,549	3,003	2,631	3,469	3,019	12,953	12,121	12,089
Rent and maintenance fees	2,060	3,041	2,629	2,542	2,677	2,661	2,690	2,544	10,272	10,572	9,905
Fees and charges	4,863	5,910	5,871	5,743	5,612	5,441	4,879	4,838	22,387	20,770	19,452
<i>incl.: PFSA fees (WSE)</i>	5,357	5,278	5,210	5,210	4,956	4,578	4,358	4,356	21,054	18,249	16,823
External service charges	13,066	8,733	10,460	9,708	12,721	9,191	7,786	6,544	41,967	36,242	33,718
Other operating expenses	3,729	1,456	2,019	1,458	2,191	1,800	2,834	2,056	8,662	8,881	8,950
Other income	367	191	477	221	1,499	227	232	1,266	1,256	3,224	10,505
Other expenses	(177)	85	1,048	905	824	491	82	729	1,861	2,126	10,583
Operating profit	33,143	36,052	24,275	41,886	26,414	28,495	20,677	43,051	135,356	118,636	125,257
Financial income	2,174	2,657	2,972	2,558	1,702	2,200	2,790	4,225	10,360	10,917	14,074
Financial expenses	2,723	2,528	2,584	2,522	2,790	2,561	3,520	3,344	10,356	12,215	17,800
Share of profit of associates	(2,169)	1,087	861	3,966	1,614	3,385	2,846	4,649	3,745	12,494	9,243
Profit before income tax	30,425	37,267	25,524	45,888	26,940	31,519	22,792	48,581	139,105	129,832	130,774
Income tax expense	6,126	7,302	5,119	8,272	(1,605)	5,566	5,808	6,520	26,819	16,289	24,544
Profit for the period	24,300	29,965	20,405	37,616	28,545	25,953	16,984	42,061	112,286	113,543	106,230

Source: Consolidated Financial Statements, Company



Table 30 Consolidated statement of financial position of WSE Group at quarter-end, 2012-2014

PLN'000	2014				2013				2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Non-current assets	572,710	586,336	587,013	590,634	576,421	574,749	568,880	579,151	512,004
Property, plant and equipment	119,762	119,368	118,530	121,045	124,042	120,622	128,000	131,182	133,115
Intangible assets	261,019	261,523	264,294	265,932	269,155	272,388	268,372	271,026	209,545
Investment in associates	188,104	189,894	188,674	187,811	158,540	156,694	154,050	155,071	151,213
Deferred tax assets	-	1,343	1,341	1,568	-	645	3,897	7,096	3,155
Available-for-sale financial assets	207	10,676	10,706	10,775	20,955	20,982	11,010	11,141	11,183
Prepayments	3,618	3,532	3,468	3,503	3,729	3,418	3,551	3,635	3,793
Current assets	451,449	406,233	424,816	417,511	357,381	321,334	352,303	329,216	325,531
Inventories	120	127	147	142	166	180	176	266	253
Corporate income tax receivable	8,378	6,853	6,974	6,138	10,797	5,166	3,970	2,511	4,837
Trade and other receivables	42,594	39,103	41,115	52,345	34,792	44,754	40,555	50,194	62,929
Available-for-sale financial assets	10,503	586	428	272	118	586	428	272	118
Assets held for sale	812	-	-	-	-	-	-	-	-
Other current assets	-	7	-	-	3	-	-	-	-
Cash and cash equivalents	389,042	359,557	376,152	358,614	311,505	270,648	307,174	275,973	257,394
Total assets	1,024,159	992,569	1,011,829	1,008,145	933,802	896,083	921,183	908,366	837,535
Equity	700,466	676,019	696,280	675,692	638,105	609,024	584,102	600,756	555,890
Share capital	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865
Other reserves	1,930	1,783	1,643	1,249	1,278	1,129	1,920	1,806	(1,000)
Retained earnings	633,555	609,294	629,756	609,436	571,842	542,825	517,159	533,614	491,647
Non-controlling interests	1,116	1,077	1,016	1,142	1,120	1,205	1,158	1,471	1,377
Non-current liabilities	259,419	255,781	253,239	249,563	249,578	248,234	247,950	247,889	247,842
Employee benefits payable	5,562	4,037	4,447	4,452	4,456	4,283	4,284	4,314	4,305
Finance lease liabilities	205	262	296	284	439	449	279	289	381
Provisions for other liabilities and charges	-	-	-	-	-	-	-	15	-
Liabilities under bond issue	244,078	243,963	243,848	243,733	243,617	243,502	243,387	243,272	243,157
Deferred income tax liability	9,574	7,519	4,648	1,094	1,066	-	-	-	-
Current liabilities	64,274	60,769	62,310	82,890	46,119	38,825	89,132	59,721	33,803
Trade payables	10,017	13,747	6,967	3,763	12,738	5,402	3,518	8,924	4,284
Finance lease liabilities	154	224	265	338	365	460	364	337	336
Corporate income tax payable	1,250	1,745	754	1,990	657	969	298	1,705	2,549
Liabilities under bond issue	-	2,375	-	2,336	-	2,377	6,419	3,214	-
Dividends and other liabilities	41,321	31,997	42,811	63,331	18,709	15,422	65,182	33,589	12,696
Employee benefits payable	9,911	9,510	10,254	9,240	11,511	12,844	11,997	10,601	12,574
Liabilities directly related to assets held for sale	275	-	-	-	-	-	-	-	-
Provisions for other liabilities and charges	1,346	1,171	1,259	1,892	2,139	1,351	1,354	1,351	1,364
Total equity and liabilities	1,024,159	992,569	1,011,829	1,008,145	933,802	896,083	921,183	908,366	837,535

Source: Consolidated Financial Statements, Company

V. 2 Presentation of key financial and business data

SALES REVENUE

The Group has three revenue-generating segments:

- financial market,
- commodity market,
- other revenues

Revenues from the financial market include revenues from:

- trading;
- listing;
- information services.



Trading revenue includes fees paid by market participants in respect of:

- transactions on markets of equities and equity-related instruments;
- transactions in derivative financial instruments;
- transactions in debt instruments;
- transactions in other cash market instruments;
- other fees paid by market participants.

Revenues from transactions in equities and equity-related securities are the Group's main source of trading revenues and its main source of sales revenues in general.

Revenues from transactions in derivative financial instruments are the second biggest source of trading revenues on the financial market. Transactions in WIG20 index futures account for the majority of revenues from transactions in derivatives.

Revenues from other fees paid by market participants include mainly fees for services providing access to the trading system.

Revenues from transactions in debt instruments are generated by the Catalyst market as well as Treasury BondSpot Poland operated by the WSE's subsidiary BondSpot S.A.

Revenues from transactions in other cash market instruments include fees for trading in structured products, investment certificates, warrants and ETF units.

Listing revenues include two segments:

- one-off fees paid by issuers for introduction of new shares and other instruments to trading on the exchange;
- periodic listing fees.

Revenues from information services mainly include fees paid by data vendors for real-time market data as well as historical and statistical data. Real-time data fees include fixed annual fees and monthly fees based on the data vendor's number of subscribers and the scope of data feeds used by a subscriber.

Revenues of the Group in the commodity market segment include revenues of PolPX and WCCH, and revenues of WSEInfoEngine as a trade operator, an entity responsible for balancing, and for operation of the OTC commodity platform. Until the end of Q1 2013, the Group also earned revenues from the operation of the poee WSE Energy Market.

The commodity market segment includes the following sub-segments:

- trading,
- operation of the Register of Certificates of Origin of electricity,
- clearing.

Trading revenue on the commodity market includes:

- revenue from trading in electricity (spot and forward),
- revenue from trading in natural gas (spot and forward),
- revenue from trading in property rights,



- other fees paid by market participants (members).

Other fees paid by market participants include fees charged by PolPX, as well as revenues of WSEInfoEngine as a trade operator, an entity responsible for balancing, and for operation of the OTC commodity platform.

Revenues of the sub-segment “clearing” include revenues of the company WCCH, which clears and settles transactions concluded on PolPX, manages the resources of the clearing guarantee system and determines the amount of credits and debits of WCCH members resulting from their transactions.

The Group’s other revenues include revenues of Instytut Rynku Kapitałowego – WSE Research S.A., as well as revenues of WSE and the PolPX Group, among others, from educational services, office space lease, and sponsorship.

The Group’s sales revenues amounted to PLN 317.6 million in 2014, an increase of 11.9% (PLN 33.8 million) compared to 2013.

The year-on-year increase in revenues was driven mainly by an increase in revenues from the commodity market segment (by 50.6% or PLN 38.5 million), mainly from trading in property rights in certificates of origin, clearing, trading in gas, and operation of the register of certificates of origin. Revenues from the financial market decreased by 2.6% (PLN 5.3 million) mainly as a result of a decrease in revenues from trading in derivatives and a decrease in revenues from trading in equities.

Revenues from the financial market amounted to PLN 200.0 million in 2014 and PLN 205.3 million in 2013.

Revenues from the commodity market stood at PLN 114.5 million in 2014 and PLN 76.0 million in 2013, representing respectively 36.0% and 26.8% of the total revenue of the Group in the periods under review.

The revenues of the PolPX Group stood at PLN 114.0 million in 2014 and PLN 74.6 million in 2013. The revenues of BondSpot S.A. stood at PLN 12.2 million and PLN 12.5 million respectively in the periods under review.



Table 31 Consolidated revenues of WSE Group and revenue structure, 2012-2014

PLN'000, %	Year ended 31 December						Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	%	2013	%	2012	%		
Financial market	199,962	63%	205,254	72%	208,144	76%	(5,292)	-2.6%
Trading	137,795	43%	147,899	52%	150,112	55%	(10,104)	-6.8%
Equities and equity-related instruments	105,295	33%	108,424	38%	101,166	37%	(3,129)	-2.9%
Derivative instruments	14,821	5%	21,207	7%	26,944	10%	(6,386)	-30.1%
Other fees paid by market participants	5,795	2%	5,743	2%	6,873	3%	52	0.9%
Debt instruments	11,621	4%	12,339	4%	14,960	5%	(718)	-5.8%
Other cash instruments	263	0%	186	0%	168	0%	77	41.4%
Listing	23,960	8%	22,289	8%	21,540	8%	1,671	7.5%
Listing fees	19,049	6%	17,184	6%	16,520	6%	1,865	10.9%
Introduction fees, other fees	4,911	2%	5,105	2%	5,019	2%	(194)	-3.8%
Information services	38,207	12%	35,066	12%	36,493	13%	3,141	9.0%
Commodity market	114,453	36%	75,995	27%	62,646	23%	38,458	50.6%
Trading	60,121	19%	39,906	14%	30,164	11%	20,215	50.7%
Electricity	14,455	5%	13,607	5%	11,129	4%	848	6.2%
Spot	2,386	1%	2,545	1%	2,780	1%	(159)	-6.2%
Forward	12,069	4%	11,062	4%	8,349	3%	1,007	9.1%
Gas	7,385	2%	99	0%	-	0%	7,286	7359.6%
Spot	659	0%	25	0%	-	0%	634	2536.0%
Forward	6,726	2%	74	0%	-	0%	6,652	8989.2%
Property rights in certificates of origin	31,003	10%	19,053	7%	11,821	4%	11,950	62.7%
Other fees paid by market participants	7,278	2%	7,147	3%	7,214	3%	131	1.8%
Register of certificates of origin	22,473	7%	15,605	5%	16,549	6%	6,868	44.0%
Clearing	31,859	10%	20,484	7%	15,933	6%	11,375	55.5%
Other revenue	3,146	1%	2,513	1%	3,035	1%	633	25.2%
Total	317,561	100%	283,762	100%	273,825	100%	33,799	11.9%

Source: Consolidated Financial Statements, Company

The Group generates sales revenues both from Polish and foreign clients. The table below presents the quarterly and annual revenues by client category.

Table 32 Consolidated revenues of WSE Group by geographical segment, 2012-2014

PLN'000, %	Year ended 31 December						Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	%	2013	%	2012	%		
Revenue from foreign customers	66,270	21%	58,978	21%	52,163	19%	7,292	12.4%
Revenue from local customers	251,291	79%	224,784	79%	221,662	81%	26,507	11.8%
Total	317,561	100%	283,762	100%	273,825	100%	33,799	11.9%

Source: Consolidated Financial Statements, Company

The average exchange rate EUR/PLN in 2014, 2013 and 2012 was 4.19 EUR/PLN, 4.20 EUR/PLN and 4.19 EUR/PLN, respectively.

The Group is not dependent on any single customer as no customer has a share above 10% of total sales revenues.



FINANCIAL MARKET

TRADING

The revenues of the Group from trading on the financial market in the year ended 31 December 2014 were PLN 137.8 million, a decrease of 6.8% (PLN 10.1 million) compared to PLN 147.9 million in 2013.

The share of trading revenues in the total revenues on the financial market was 68.9% in 2014 compared to 72.1% in 2013. The biggest share in trading revenues (86.6%) is that of revenues from the Main Market, which amounted to PLN 119.3 million in 2014 (a decrease of PLN 9.6 million year on year). The remaining share in the revenues is that of Treasury BondSpot Poland, NewConnect and Catalyst.

Equities and equity-related instruments

Revenues of the Group from trading in equities and equity-related instruments amounted to PLN 105.3 million in 2014, a decrease of 2.9% (PLN 3.1 million) year on year. The decrease was driven directly by a decrease in the total value of trading in equities on the Main Market.

The total value of trading in equities on the Main Market decreased by 9.1% in 2014 from PLN 256.1 billion in 2013 to PLN 232.9 billion in 2014, including a decrease in the value of the electronic order book by 6.7% (PLN 14.9 billion) and a decrease in the value of block trades by 23.4% (PLN 8.4 billion). The value of trading in equities on NewConnect (electronic order book and block trades) was PLN 1.43 billion in 2014, an increase of 17.1% year on year. The average trading value per session on the Main Market was PLN 824.8 million in 2014, a decrease of 7.5% year on year. The average trading value per session on the NewConnect market increased by 28.7% to PLN 4.9 million. The WIG20 index lost 3.5% in 2014 and stood at 2,315.94 points at the end of the year, compared to 2,400.98 points at the end of 2013. The total volume of trading was 19.5 billion shares in 2014 compared to 32.1 billion shares in 2013 and 33.8 billion shares in 2012. The average value of a transaction, measured as the total value of the electronic order book to the number of transactions per session, was PLN 14.9 thousand in 2014, less than in 2013 (PLN 17.2 thousand) and less than in 2012 (PLN 16.2 thousand).

The Group earned PLN 3.2 million of revenue from tender offers for qualifying holdings in 2014, compared to PLN 0.7 million in 2013. The high revenue in 2014 was mainly driven by tender offers for shares of Bank Gospodarski Żywnościowej S.A., Nordea Bank Polska S.A., Ciech S.A. and Rovese S.A.

Table 33 Consolidated revenues of WSE Group from trading in equities and equity-related instruments, the value and volume of trading in equities and equity-related instruments, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Financial market, trading revenue: equities and equity-related instruments (PLN million)	105.3	108.4	101.2	-3.1	-2.9%
Main Market:					
Value of trading (PLN billion)	232.9	256.1	202.9	-23.3	-9.1%
Volume of trading (billions of shares)	19.5	32.1	33.8	-12.6	-39.3%
NewConnect:					
Value of trading (PLN billion)	1.4	1.2	1.3	0.2	17.1%
Volume of trading (billions of shares)	2.3	2.1	3.6	0.2	8.5%

Source: WSE



Derivatives

Revenues of the Company from transactions in derivatives on the financial market amounted to PLN 14.8 million in 2014, a decrease of 30.1% (PLN 6.4 million) compared to 2013. The decrease in revenues was driven mainly by a 26.9% decrease in the volume of trading in WIG20 futures. The decrease in the volume of trading in WIG20 futures was due, among others, to replacement of futures with a multiplier of 10 by futures with a multiplier of 20 and low volatility of indices in 2014.

Table 34 Consolidated revenues of WSE Group from trading in financial derivatives, the volume of trading in financial derivatives, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Financial market, trading revenue: derivatives (PLN million)	14.8	21.2	26.9	-6.4	-30.1%
Volume of trading in derivatives (<i>millions of contracts</i>):	9.5	12.6	11.3	-3.1	-24.9%
incl.: volume of trading in WIG20 futures (<i>millions of contracts</i>)	6.0	8.3	9.1	-2.2	-26.9%

Source: WSE

Other fees paid by market participants

Revenues of the Group from other fees paid by market participants were PLN 5.8 million in 2014, an increase of PLN 0.1 million compared to PLN 5.7 million in 2013. The fees mainly include fees for access to the trading system (among others, system use fees and maintenance fees). In Q2 2013, WSE replaced WARSET with the new trading system UTP, and the structure of the fees was modified.

Debt instruments

Revenues of the Group from transactions in debt instruments decreased by 5.8% year on year from PLN 12.3 million in 2013 to PLN 11.6 million in 2014, mainly due to a decrease in the value of cash transactions on TBSP by 5.6% from PLN 346.7 billion in 2013 to PLN 327.5 billion in 2014. The value of conditional transactions on TBSP was PLN 439.2 billion in 2014, a decrease of 11.8% compared to PLN 498.2 billion in 2013. The majority of the Group's revenues from the debt instruments segment is generated by Treasury BondSpot Poland.

The value of trading on Catalyst amounted to PLN 3.1 billion in 2014 compared to PLN 4.3 billion in 2013. Revenues from the Catalyst market have a small share in total revenues from transactions in debt instruments.



Table 35 Consolidated revenues of WSE Group from trading in debt instruments, the value of trading in debt

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Financial market, trading revenue: debt instruments (PLN million)	11.6	12.3	15.0	-0.7	-5.8%
Catalyst:					
Value of trading (PLN billion)	3.1	4.3	3.0	-1.2	-28.0%
incl.: Value of trading in non-Treasury instruments (PLN billion)	2.5	3.8	2.5	-1.3	-33.5%
Treasury BondSpot Poland, value of trading:					
Conditional transactions (PLN billion)	439.2	498.2	612.1	-59.0	-11.8%
Cash transactions (PLN billion)	327.5	346.7	449.6	-19.3	-5.6%

Source: WSE

Other cash market instruments

Revenues from transactions in other cash market instruments amounted to PLN 263 thousand in 2014, an increase of 41.4% compared to 2013. The revenues include fees for trading in structured products, investment certificates, ETF units and warrants.

LISTING

Listing revenues of the Group on the financial market amounted to PLN 24.0 million in 2014, an increase of 7.5% (PLN 1.7 million) compared to PLN 22.3 million in 2013.

Revenues from companies listed on the Main Market are the principal source of listing revenues and amounted to PLN 20.1 million in 2014 compared to PLN 2.5 million on NewConnect, and PLN 1.4 million on Catalyst.

Revenues from listing fees amounted to PLN 19.0 million in 2014, an increase of 10.9% (PLN 1.9 million) year on year. The main driver of revenues from listing fees is the number of issuers listed on the WSE markets and their capitalisation at the year's end. Fees for introduction as well as other fees amounted to PLN 4.9 million in 2014, a decrease of 3.8% (PLN 0.2 million) compared to PLN 5.1 million in 2013. The revenues are driven mainly by the number and value of new listings on the WSE markets.

28 companies were newly listed on the Main Market in 2014, 5 more than in 2013. The total value of IPOs and SPOs was PLN 4.6 billion in 2014 compared to PLN 7.7 billion in 2013. The aggregate capitalisation of domestic and foreign companies was PLN 1,253.0 billion at the end of 2014 compared to PLN 840.8 billion at the end of 2013 (an increase of 49.0%). The capitalisation of the Main Market was driven by the IPO of Banco Santander S.A. at PLN 377 billion.



Table 36 Consolidated listing revenue of WSE Group, market capitalisation, number of listed companies, number and capitalisation of new listings, value of IPOs and SPOs, number and value of delistings on the Main Market, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Main Market					
Listing revenue (PLN million)	20.1	18.7	17.7	1.4	7.7%
Capitalisation of listed companies (domestic) (PLN billion)	591.2	593.5	523.4	-2.3	-0.4%
Capitalisation of listed companies (foreign) (PLN billion)	661.8	247.3	210.7	414.5	167.6%
Number of listed companies (domestic)	420	403	395	17	4.2%
Number of listed companies (foreign)	51	47	43	4	8.5%
Value of offerings (IPO and SPO) (PLN billion)	4.6	7.7	7.3	-3.2	-41.1%
Number of new listings (in the period)	28	23	19	5	21.7%
Capitalisation of new listings (PLN billion)	5.7	15.6	12.0	-9.9	-63.4%
Number of delistings	8	11	7	-3	-27.3%
Capitalisation of delistings ⁷² (PLN billion)	3.5	5.5	9.2	-2.0	-36.3%

Source: WSE

22 companies were newly listed on NewConnect in 2014, compared to 42 new listings in 2013. The total value of IPOs and SPOs was PLN 0.4 billion in 2014 compared to PLN 0.6 billion in 2013. The aggregate capitalisation of domestic and foreign companies listed on NewConnect was PLN 9.1 billion at the end of 2014 compared to PLN 11.0 billion at the end of 2013. The decrease of the capitalisation of NewConnect was driven mainly by the transfer of 10 companies with a total capitalisation of PLN 2.6 billion to the WSE Main Market.

⁷² Based on market capitalisation at the time of delisting.



Table 37 Consolidated listing revenue of WSE Group, market capitalisation, number of listed companies, number and capitalisation of new listings, value of IPOs and SPOs, number and value of delistings on NewConnect, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
NewConnect					
Listing revenues (PLN million)	2.5	2.7	3.1	-0.2	-6.5%
Capitalisation of listed companies (domestic) (PLN billion)	8.8	10.4	10.8	-1.7	-16.2%
Capitalisation of listed companies (foreign) (PLN billion)	0.4	0.6	0.3	-0.2	-36.6%
Number of listed companies (domestic)	421	434	421	-13	-3.0%
Number of listed companies (foreign)	10	11	8	-1	-9.1%
Value of offerings (IPO and SPO) (PLN billion)	0.4	0.6	0.7	-0.2	-32.3%
Number of new listings (in the period)	22	42	89	-20	-47.6%
Capitalisation of new listings (PLN billion)	0.6	1.2	1.8	-0.7	-53.2%
Number of delistings ⁷³	36	26	11	10	38.5%
Capitalisation of delistings ⁷⁴ (PLN billion)	3.1	1.0	0.5	2.1	206.7%

Source: WSE

Catalyst listed debt bonds of 193 issuers (192 excluding the State Treasury) at the end of 2014 compared to 176 issuers (175 excluding the State Treasury) at the end of 2013. The total nominal value of debt instruments listed on Catalyst was PLN 544.6 billion at the end of 2014 compared to PLN 619.1 billion at the end of 2013, including the value of non-Treasury bonds at PLN 64.1 billion in 2014 and PLN 58.9 billion in 2013. The decrease in the value of issues on Catalyst was due to the transfer of Treasury securities at PLN 130.2 billion from open-ended pension funds (OFE) to the Social Security Institution (ZUS) on 3 February 2014.

Table 38 Consolidated listing revenue of WSE Group, number of issuers, number of issued instruments and value of issued instruments on Catalyst, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Catalyst					
Listing revenue (PLN million)	1.4	1.0	0.7	0.4	43.7%
Number of issuers	193	176	156	17	9.7%
Number of issued instruments	517	442	361	75	17.0%
of which: non-Treasury instruments	487	408	325	79	19.4%
Value of issued instruments (PLN billion)	544.6	619.1	567.3	-74.6	-12.0%
of which: non-Treasury instruments	64.1	58.9	52.3	5.1	8.7%

Source: WSE

⁷³ Includes companies which transitioned to listing on the Main Market

⁷⁴ Based on market capitalisation at the time of delisting.



INFORMATION SERVICES

Revenues from information services amounted to PLN 38.2 million in 2014, an increase of 9.0% (PLN 3.1 million) compared to 2013.

Revenues from information services in the periods under review were driven among others by the number of data vendors and subscribers. The year-on-year increase in revenues from information services in 2014 was driven mainly by an increase in the number of subscribers of professional data feeds as well as a change in the structure of fees including an increase of certain fees.

Table 39 Consolidated revenues of WSE Group from information services, number of data vendors and subscribers, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Revenues from information services (PLN million)	38.2	35.1	36.5	3.1	8.9%
Number of data vendors	58	58	58	0	0.0%
Number of subscribers ('000 subscribers)	239.0	261.9	288.1	-22.9	-8.7%

Source: WSE

COMMODITY MARKET

Revenues on the commodity market include revenues of the PolPX Group.

Revenues of the PolPX Group are driven mainly by the volume of transactions in electricity, natural gas and property rights, the volume of certificates of origin issued and cancelled by members of the Register of Certificates of Origin, as well as revenues from clearing and settlement of transactions in exchange commodities in the clearing sub-segment operated by WCCH.

Revenues of the WSE Group on the commodity market stood at PLN 114.5 million in 2014 compared to PLN 76.0 million in 2013.

The year-on-year increase in the revenues by 50.6% (PLN 38.5 million) in 2014 was largely driven by the increase in revenues from trading in property rights in certificates of origin, trading in gas, clearing, and operation of the register of certificates of origin.

The PolPX Group contributed to the revenues of the WSE Group its revenues from the commodity market at PLN 113.2 million in 2014, including PLN 14.5 million of revenues from spot and forward transactions in electricity, PLN 7.4 million of revenues from spot and forward transactions in natural gas, PLN 31.0 million of revenues from transactions in property rights in certificates of origin, PLN 6.0 million of other fees paid by market participants, PLN 22.5 million from the operation of the register of certificates of origin, PLN 31.9 million of revenues from clearing and settlement.



TRADING

Trading revenues of the WSE Group on the commodity market amounted to PLN 60.1 million in 2014, including PLN 2.4 million of revenues from spot transactions in electricity, PLN 12.1 million of revenues from forward transactions in electricity, PLN 0.7 million of revenues from spot transactions in gas, PLN 6.7 million of revenues from forward transactions in gas, PLN 31.0 million of revenues from transactions in property rights in certificates of origin of electricity, and PLN 7.3 million of other fees paid by market participants.

Other fees paid by commodity market participants are mainly fees from market participants of PolPX as well as revenues of WSEInfoEngine acting as a trade operator and revenues of the poee WSE Energy Market in Q1 2013.

The Group's revenues from trade in electricity amounted to PLN 14.5 million in 2014 compared to PLN 13.6 million in 2013. The total volume of trading on the energy markets operated by PolPX amounted to 186.7 TWh in 2014 compared to 177.0 TWh in 2013. The year-on-year increase of revenues from trading in electricity was a result of the higher volume of trading.

The Group's revenues from trade in gas amounted to PLN 7.4 million in 2014 compared to PLN 0.1 million in 2013. The volume of trade in natural gas on PolPX was 111.6 TWh in 2014 and 2.4 TWh in 2013.

Revenues of the Group from transactions in property rights amounted to PLN 31.0 million in 2014 compared to PLN 19.1 million in 2013. The volume of transactions in property rights was 36.0 TWh in 2014, lower than in 2013 (39.3 TWh).

The volume of transactions in property rights in green certificates of origin of electricity was 32.1 TWh in 2014 compared to 21.8 TWh in 2013. Revenues from transactions in property rights in green certificates of origin of electricity represented respectively 97% and 82% of the total revenues of the Group from transactions in property rights.

The higher revenues from transactions in property rights in 2014 compared to 2013 were driven by higher volumes of trade in property rights in green certificates of origin as well as the expiration of promotion fees on transactions in property rights in green certificates of origin closed at a session (as of the end of 2013).

Revenues of the Group from other fees paid by commodity market participants amounted to PLN 7.3 million in 2014 compared to PLN 7.1 million in 2013. Other fees paid by commodity market participants included fees paid by PolPX market participants and revenues of WSEInfoEngine from the activity of trade operator.

Other fees paid by market participants are driven mainly by revenues from fixed market participation fees, fees for cancellation of transactions, fees for position transfers, fees for access to the system, and fees for management of the resources of the guarantee fund. Other fees paid by market participants depend mainly on the activity of WCCH Members, in particular the number of transactions, the number of new clients of brokerage houses, and the number of new users accessing the clearing system.



Table 40 Consolidated trading revenue of WSE Group on the commodity market and the volume of trading on the commodity market, 2012-2014^{75 76}

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Commodity market - trading revenue (PLN million)	60.1	39.9	30.2	20.2	50.7%
Volume of trading in electricity (WSE EM poee ⁷⁵ and PolPX):					
Spot transactions (TWh)	23.7	22.7	21.3	1.1	4.7%
Forward transactions (TWh)	163.0	154.3	118.1	8.7	5.6%
Volume of trading in gas ⁷⁶ (PolPX):					
Spot transactions (TWh)	6.5	0.4	0.0	6.1	1440.7%
Forward transactions (TWh)	105.1	2.0	0.0	103.1	5239.3%
Volume of trading in property rights (PolPX) (TWh)	36.0	39.3	62.2	-3.3	-8.3%

Source: Company

REGISTER OF CERTIFICATES OF ORIGIN

Revenues from the operation of the Register of Certificates of Origin amounted to PLN 22.5 million in 2014 compared to PLN 15.6 million in 2013. The increase in the revenues from the operation of the Register of Certificates of Origin was driven by a higher volume of property rights issued.

Table 41 Consolidated revenue of WSE Group from operation of the Register of Certificates of Origin of electricity, volume of issued and cancelled property rights, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Commodity market - revenue from operation of the Register of Certificates of Origin of electricity (PLN million)	22.5	15.6	16.5	6.9	44.0%
Issued property rights (TWh)	42.2	29.5	41.1	12.8	43.3%
Cancelled property rights (TWh)	20.6	36.2	43.2	-15.6	-43.2%

Source: Company

CLEARING

The Group earns revenues from the clearing activities of WCCH, which is a subsidiary of PolPX. The revenues stood at PLN 31.9 million in 2014 compared to PLN 20.5 million in 2013.

The year-on-year increase in the revenue in 2014 was mainly driven by higher volumes of trading in the gas and certificates of origin markets organised by PolPX.

⁷⁵ As of 31 March 2013, trading on WSE EM poee was discontinued.

⁷⁶ Gas Market opened on PolPX on 20 December 2012.



OTHER REVENUES

The Group's other revenues amounted to PLN 3.1 million in 2014 compared to PLN 2.5 million in 2013. The Group's other revenues include revenues from educational and PR services, office space lease, and sponsorship.

OPERATING EXPENSES

Total operating expenses of the Group amounted to PLN 181.6 million in 2014, an increase of 9.3% (PLN 15.4 million) compared to PLN 166.2 million in 2013. Depreciation and amortisation, salaries and other employee costs, external service charges, fees and charges increased while other operating expenses as well as rent and other maintenance fees decreased in 2014.

Operating expenses of the PolPX Group and BondSpot S.A. amounted to PLN 34.8 million and PLN 8.8 million in 2014 and PLN 27.6 million and PLN 9.0 million, respectively, in 2013.

Table 42 Consolidated operating expenses of WSE Group and structure of operating expenses, 2012-2014

PLN'000, %	Year ended 31 December						Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	%	2013	%	2012	%		
Depreciation and amortisation	28,769	16%	25,723	15%	16,564	11%	3,046	11.8%
Salaries	56,590	31%	51,915	31%	47,814	32%	4,675	9.0%
Other employee costs	12,953	7%	12,121	7%	12,089	8%	832	6.9%
Rent and other maintenance fees	10,272	6%	10,572	6%	9,905	7%	(300)	-2.8%
Fees and charges	22,387	12%	20,770	12%	19,452	13%	1,617	7.8%
including: PFSA fees (WSE)	21,054	12%	18,249	11%	16,823	11%	2,805	15.4%
External service charges	41,967	23%	36,242	22%	33,718	23%	5,725	15.8%
Other operating expenses	8,662	5%	8,881	5%	8,950	6%	(219)	-2.5%
Total	181,600	100%	166,224	100%	148,491	100%	15,376	9.3%

Source: Consolidated Financial Statements, Company

The Group is not dependent on any single supplier or service provider as the expenses of the Group per contractor (other than fees to PFSA) never exceed 10% of the Group's total expenses.

Depreciation and amortisation

Depreciation and amortisation was PLN 28.8 million in 2014, an increase of 11.8% (PLN 3.0 million) compared to PLN 25.7 million in 2013. The increase in depreciation and amortisation in 2014 compared to 2013 was mainly driven by the implementation of WSE's new trading system UTP: the additional depreciation and amortisation charges were incurred in nine months of 2013 and twelve months of 2014. The increase in depreciation and amortisation of PolPX by PLN 0.7 million was due to a one-off cancellation of the Oracle licence and increased amortisation of the clearing system licence.

Salaries and other employee costs

Salaries and other employee costs of the Group amounted to PLN 69.5 million in 2014, an increase of 8.6% (PLN 5.5 million) compared to PLN 64.0 million in 2013.

Salaries and other employee costs in the period under review were mainly driven by the following factors:

- One-off events:



- reorganisation severance pay to reduced employees of WSE (PLN 0.7 million). Workforce reorganisation affected 10 employees in 2014;
- changes on the WSE Management Board and the related no-compete clause (PLN 0.7 million) and holiday pay (PLN 0.5 million);
- additional provisions set up against retirement benefits in WSE (PLN 0.3 million);
- salaries and other employee costs of BondSpot decreased by PLN 0.5 million due to released provisions against disputes with the former Management Board.
- Costs related to the growth of WSE Group:
 - increase of the headcount of PolPX by 15 persons and WCCH by 6 persons in 2014 due to the dynamic growth of the companies (increase by PLN 1.6 million);
 - discretionary bonuses for 2014 paid in PolPX Group (PLN 0.9 million);
 - increase of salaries and other employee costs by PLN 0.7 million related to the activity of the companies Institute of Analysis and Rating and WSE Services;

Table 43 Employment in WSE Group

# FTEs	As at		
	31 December 2014	31 December 2013	31 December 2012
WSE	208	205	209
Subsidiaries	154	134	115
Total	362	339	324

Source: Company

Rent and other maintenance fees

Rent and other maintenance fees of the Group amounted to PLN 10.3 million in 2014, a decrease of 2.8% (PLN 0.3 million) compared to 2013. The decrease was caused by a lower cost of rent of server and IT infrastructure space.

Fees and charges

Fees and charges stood at PLN 22.4 million in 2014, an increase of 7.8% (PLN 1.6 million) compared to 2013. The main component of the Group's fees and charges are fees paid by WSE to the Polish Financial Supervision Authority (PFSA), which stood at PLN 21.1 million in 2014 and PLN 18.2 million in 2013. The total increase of fees and charges is lower than the increase in PFSA charges due to recognised VAT tax correction in WSE, which decreased costs by PLN 1.3 million.

According to a PFSA letter received in January 2015, which sets the amount of advance fees to be paid to the regulator by entities operating on the capital market, WSE fees will be PLN 5.55 million in each of Q1 and Q2 2015.



External service charges

External service charges of the Group amounted to PLN 42.0 million in 2014, an increase of 15.8% (PLN 5.7 million) compared to 2013.

The increase of external service charges in 2014 was driven by the following factors:

- increase of the cost of promotion, education and market development by PLN 2.9 million due to higher promotion costs of PolPX (by PLN 1.6 million) following the movement of the cost of advertising from other operating expenses to external service charges (PLN 1.1 million) as well as conference costs (PLN 0.5 million), higher promotion costs of WSE (by PLN 1.1 million) due to the organised celebrations of the 25th anniversary of free Poland, and higher costs of promotion of BondSpot (by PLN 0.1 million);
- increase of the cost of advisory by PLN 2.3 million due to higher costs of advisory of WSE (by PLN 1.6 million) related to projects implemented by WSE (including negotiations with the Vienna Stock Exchange, investment in the Aquis trading platform) and higher costs of advisory of PolPX (by PLN 0.6 million) due to implemented development projects;
- increase of the maintenance cost of plant, property and equipment as well as intangible assets related, among others, to the refurbishment and modernisation of PolPX offices (PLN 0.8 million);
- increase of the maintenance cost of the TBSP market (by PLN 0.3 million).

At the same time, the cost of legal services decreased by PLN 0.6 million and the cost of software modifications decreased by PLN 0.5 million in 2014.

The cost of WSE's sponsorship was PLN 0.98 million in 2014 compared to PLN 0.45 million in 2013. The cost of sponsorship is a part of the cost of promotion, education and market development.

Other operating expenses

Other operating expenses of the Group amounted to PLN 8.7 million in 2014, a decrease of 2.5% compared to PLN 8.9 million in 2013. Other operating expenses in 2014 compared to 2013 were driven mainly by recognised impairment losses on goodwill of WSEInfoEngine S.A. at PLN 1,311 thousand and impairment losses on assets of Instytut Rynku Kapitałowego – WSE Research S.A. at PLN 366 thousand. WSE's lower costs of acquired software and electricity bills, which are part of the costs of materials and electricity. The PolPX Group contributed PLN 2.4 million in 2014 and PLN 2.7 million in 2013 to the costs of the Group.

Other operating expenses mainly included costs of materials and electricity, business travel, professional organisation fees, property insurance and conferences.

OTHER INCOME AND EXPENSES

Other income of the Group amounted to PLN 1.3 million and other expenses amounted to PLN 1.9 million in 2014, as compared to PLN 3.2 million and PLN 2.1 million, respectively, in 2013.

Other income in the periods under review was driven mainly by the following factors:

- lower other income of WSE in 2014 (a decrease of PLN 1.0 million) due to relatively high income in 2013 including mainly PLN 1.0 million of debt enforced from clients in respect of information services;



- lower other income of PolPX in 2014 (a decrease of PLN 1.0 million) due to relatively high income in 2013 including an adjustment of the VAT sale ratio for 2012 applied by the PolPX Group to deduct VAT accrued on purchase invoices.

Other expenses in 2014 mainly included: a write-down of WSE receivables, as well as a loss on the sale of plant, property and equipment related to the sale of a licence to a subsidiary (WSE Services). The Group paid the cost of donations at PLN 115 thousand, compared to PLN 112 thousand expensed in 2013.

FINANCIAL INCOME AND EXPENSES

Financial income of the Group amounted to PLN 10.4 million in 2014, a decrease of PLN 0.6 million compared to PLN 10.9 million in 2013.

Financial income mainly includes interest on bank deposits, financial income from investments in Treasury bonds and a surplus of positive fx differences. Interest income from bank deposits amounted to PLN 9.2 million in 2014 and PLN 8.7 million in 2013. Financial income from held Treasury bonds amounted to PLN 0.6 million in 2014 and PLN 0.6 million in 2013. The fx differences balance was positive in 2014 and 2013 and it was recognised under financial income in the amount of PLN 0.3 million and PLN 0.9 million, respectively.

The Group's total financial expenses were PLN 10.4 million in 2014 compared to PLN 12.2 million in 2013. The expenses were lower in 2014 mainly due to the interest cost of debt service in respect of a bond issue, which amounted to PLN 9.5 million in 2014 compared to PLN 11.2 million in 2013. In December 2011 and February 2012, WSE issued bonds with a total nominal value of PLN 245.0 million. The bonds of both series are due for redemption on 2 January 2017. The bonds bear interest at a floating rate equal to WIBOR 6M + 1.17%, interest is paid semi-annually.

The total cost of the bond offering was PLN 2.2 million and it was recognised in prepayments, reducing the Company's financial expenses on a straight-line basis from the issue date of series A bonds (23 December 2011) until the redemption date of series A and B bonds (2 January 2017). The prepayments reduce the Company's bond issue liabilities. The cost of the offering added PLN 0.5 million to the financial expenses of the Group in 2014 and PLN 0.5 million in 2013.

As of 1 January 2012, WSE applies hedge accounting. As at the end of December 2014, hedging covered cash flows under the agreement concerning the acquisition and delivery of a new trading system (UTP-Derivatives). The Company decided to designate cash held in euro for the above purpose as a hedging instrument. As of 1 January 2012, fx differences on the balance sheet valuation of such cash are recognised in equity instead of financial income or expenses. The fx differences recognised in equity were positive at PLN 0.2 million in 2014 and PLN 3.1 million in 2013.

SHARE OF PROFIT OF ASSOCIATES

The Group's share of profit of associates amounted to PLN 3.7 million in 2014, a decrease of 70.0% compared to PLN 12.5 million in 2013. The lower profit was driven mainly by the net loss of Aquis Exchange Limited at PLN 22.2 million in 2014.

Aquis Exchange Limited became an associate upon WSE's acquisition of the second tranche of shares in February 2014. From 18 February to 31 December 2014, Aquis Exchange Ltd contributed a loss of PLN 6.7 million to the Group's results under share of profit of associates.

The profit of the KDPW Group was PLN 30.0 million in 2014 compared to PLN 36.1 million in 2013. The decrease in net profit of KDPW Group is the result of higher operating costs and higher effective tax rate compared to 2013.



The net profit of Centrum Giełdowe was PLN 1.5 million in 2014 compared to PLN 1.9 million in 2013. The significant volatility of the profit of Centrum Giełdowe year on year results mainly from fx differences and derives from the payment amounts and dates of the company's US\$ denominated loan.

Table 44 Profit / (Loss) of associates

PLN'000	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
KDPW Group	30,035	36,078	24,613	(6,043)	-16.7%
Centrum Giełdowe S.A.	1,545	1,890	4,191	(345)	-18.2%
Aquis Exchange Ltd ⁷⁷	(22,165)	-	-	(22,165)	-
Total	9,415	37,968	28,804	(28,553)	-75.2%

Source: Consolidated Financial Statements, Company

Table 45 WSE's share of profit / (loss) of associates

PLN'000	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
KDPW Group	10,012	12,026	8,204	(2,014)	-16.7%
Centrum Giełdowe S.A.	383	468	1,039	(85)	-18.2%
Aquis Exchange Ltd ⁷⁷	(6,650)	-	-	(6,650)	-
Total	3,745	12,494	9,243	(8,749)	-70.0%

Source: Consolidated Financial Statements, Company

INCOME TAX

The Group's effective income tax rate was 19.3% in 2014 and 12.5% in 2013, compared to the standard Polish corporate income tax rate of 19%. Income tax was PLN 26.8 million in 2014 compared to PLN 16.3 million in 2013. The low tax rate of 2013 was influenced by recognised tax relief for new technologies (PLN 7.0 million).

Income tax paid by the Group was PLN 15.2 million in 2014 compared to PLN 19.8 million in 2013. WSE accounted for income tax under the general rules in 2014 and in 2013. WSE reported a tax credit of PLN 8.4 million at the end of 2014, which is expected to be cleared in the coming years.

⁷⁷ Year ended 31 December 2014: for Q1 2014, data for the period from 18.02.2014 to 31.03.2014



V.3 Atypical factors and events impacting the results

REVENUES

FINANCIAL MARKET

Derivatives

In September 2013, WSE started to calculate and publish the indices WIG30 (price index) and WIG30TR (total return index, including dividend and subscription rights income) with portfolios comprised of the 30 biggest and most liquid stocks listed on WSE. WIG30 was originally expected to eventually replace WIG20. In September 2014, the WSE Management Board decided to focus on the development of instruments based on WIG20. Consequently, work on the introduction of derivatives based on WIG30 was discontinued.

On 23 September 2013, WSE introduced into trading WIG20 futures with a multiplier of PLN 20 to replace futures with a multiplier of PLN 10. The migration to the new contracts was completed on 20 June 2014 when the last series of futures with a multiplier of PLN 10 (FW20M14) expired. Consequently, Q3 2014 was the first quarter when only WIG20 futures with a multiplier of PLN 20 were in trading. WSE expected that the volume of trading in WIG20 futures would be lower in the initial period after the migration. Following a review of available data, internal analyses and industry consultations involving among others the WSE Derivatives Market Committee, WSE decided to continue listing WIG20 futures with a multiplier of PLN 20.

Changes to WSE indices

In September 2014, WSE announced that WIG20, the price index which groups the 20 most liquid stocks on WSE, would remain the main stock exchange index. The publication of mWIG40 continued and the publication of sWIG80 was resumed as of the beginning of 2015.

At the same time, WSE will continue to publish WIG30. Its derivatives, WIG30short and WIG30lev, as well as WIG50 and WIG250, are no longer published as of January 2015.

The decisions impact the derivatives market. WSE will focus on the development of the derivatives market and on promotion of instruments based on WIG20. Derivatives on WIG30 and WIG50 will not be introduced to trading.

NewConnect

Ten companies transferred from NewConnect to the WSE Main Market in 2014. As measured by value, NewConnect was an important source of new listings for the Main Market in 2014: the value of IPOs on the Main Market was PLN 1.3 billion while the value of transfers from NewConnect was PLN 2.6 billion in 2014. Seven companies with a total capitalisation of PLN 1.0 billion transferred from NewConnect to the Main Market in 2013. What makes the Main Market more attractive than NewConnect is the opportunity to attract open-ended pension funds as shareholders.



Catalyst

Pursuant to Article 23 of the Act of 6 December 2013 amending certain Acts in connection with the determination of the terms of payment of pensions from resources of open-ended pension funds, open-ended pension funds transferred PLN 153.2 billion of assets to the Social Security Institution (ZUS) on 3 February 2014. PLN 130.2 billion of that amount were Treasury securities marked for cancellation, which reduced the value of Treasury issues on Catalyst in February 2014. In the following months, the total value of Treasury securities issues gradually increased. The value of Treasury securities issues listed on Catalyst decreased from PLN 560.2 billion as at 31 December 2013 to PLN 480.5 billion as at 31 December 2014.

Debt instruments

The local bond market in 2014 was impacted by global capital flows triggered by the activity of the biggest central banks working to stimulate economic activity and mitigate the effect of deflation. These measures affected bond yields and prices on the base markets, which in turn impacted yields and prices on the local market. The yields and prices of Polish bonds were also largely impacted by expectations followed by actual interest rate decisions of the Monetary Policy Council. In the latter half of the year, the Ministry of Finance largely reduced its activity as an issuer on the primary market, which had an adverse effect on the value of trading on the secondary market.

Thanks to the expansion of the product offer, TBSP market participants could close conditional tri-party repo transactions as of Q4 2014. The main objective of the implementation of tri-party repo transactions is to provide mechanisms of support for long-term repo transactions. The introduction of tri-repo transactions is related to the operation of a comprehensive collateral system for repo transactions by KDPW acting as tri-party agent.

COMMODITY MARKET

Gas

The increase in the volume of trading in gas in 2014 was mainly driven by compliance with the obligation to sell energy on the public market by the Polish Oil and Gas Company (POGC). In addition, in the period under review, PolPX opened trade on a new market, the Intra-Day Market in gas, and launched new instruments on the Day-Ahead Market in gas and the Commodity Forward Instruments Market. The new products made the gas markets even more attractive and boosted trading.

PolPX's offer in the natural gas segment addresses market demand following the amendment of the energy law of 26 July 2013 (effective as of 11 September 2013), imposing the obligation to sell a percentage of natural gas supplied to the transmission grid within the year on a commodity exchange or a market organised by an entity operating a regulated market in the Republic of Poland. The obligation is binding on energy companies which trade in gas fuels and amounts to 40% in 2014 and 55% in 2015 and beyond.

OPERATING EXPENSES:

Salaries and other employee costs

Salaries and other employee costs in the period under review were mainly driven by the following factors:

- One-off events:



- reorganisation severance pay to reduced employees of WSE (PLN 0.7 million). Workforce reorganisation affected 10 employees in 2014; changes on the WSE Management Board and the related no-compete clause (PLN 0.7 million) and holiday pay (PLN 0.5 million);
- additional provisions set up against retirement benefits in WSE (PLN 0.3 million);
- salaries and other employee costs of BondSpot decreased by PLN 0.5 million due to released provisions against disputes with the former Management Board.
- Costs related to the growth of WSE Group:
 - increase of the headcount of PolPX by 15 persons and WCCH by 6 persons in 2014 due to the dynamic growth of the companies (increase by PLN 1.6 million);
 - discretionary bonuses for 2014 paid in PolPX Group (PLN 0.9 million);
 - increase of salaries and other employee costs by PLN 0.7 million related to the activity of the companies Institute of Analysis and Rating and WSE Services; Fees and charges

Fees and charges in 2014 were driven by WSE's VAT adjustment for previous years which reduced fees and charges by PLN 1.3 million.

External service charges

The increase of external service charges in 2014 was driven by the following factors:

- increase of the cost of promotion, education and market development by PLN 2.9 million due to higher promotion costs of PolPX (by PLN 1.6 million) following the movement of the cost of advertising from other operating expenses to external service charges (PLN 1.1 million) as well as APEX conference costs (PLN 0.5 million), higher promotion costs of WSE (by PLN 1.1 million) due to the organised celebrations of the 25th anniversary of free Poland, and higher costs of promotion of BondSpot (by PLN 0.1 million);
- increase of the cost of advisory by PLN 2.3 million due to higher costs of advisory of WSE (by PLN 1.6 million) related to projects implemented in 2014 by WSE (including negotiations with the Vienna Stock Exchange, investment in the Aquis trading platform) and higher costs of advisory of PolPX (by PLN 0.6 million) due to implemented development projects;
- increase of the maintenance cost of plant, property and equipment as well as intangible assets related, among others, to the refurbishment and modernisation of PolPX offices (PLN 0.8 million);
- increase of the maintenance cost of the TBSP market (by PLN 0.3 million).

At the same time, the cost of legal services decreased by PLN 0.6 million and the cost of software modifications decreased by PLN 0.5 million in 2014.

STATEMENT OF FINANCIAL POSITION

Intangible assets

The WSE Management Board decided to recognise impairment losses of PLN 1.3 million on goodwill from the acquisition of an organised part of the enterprise of ELBIS Sp. z o.o. known as the Electricity Trade



Platform (poe) by WSEInfoEngine S.A. The impairment losses were recognised under other operating expenses in the statement of comprehensive income. The assets and liabilities of the company were stated at fair value less cost of sale at PLN 1.5 million as at 31 December 2014.

The impairment losses were due to negative financial results in the 2013-2014 period and lack of prospects of profits that would justify the carrying value of the stake. The WSE Management Board has an intention to concentrate commodity market assets in the PolPX Group and sale of all/part of the shares of the subsidiary WSEInfoEngine S.A. (WSEIE) to a PolPX subsidiary is being considered. The Exchange Management Board expects that the stake will be sold in the first half of 2015. WSE believes that PolPX will be in a position to unlock the potential of the company with a focus on the OTC commodity market.

Assets held for sale

The Exchange Management Board consider sale of WSE's subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. (IRK) and the sale is expected in the first half of 2015. As a result, IRK as a cash generating unit was presented in the consolidated financial statements as a group of assets and liabilities held for sale. The fair value less the cost of sale is PLN 537 thousand, which is less than the carrying value of the assets and liabilities, therefore impairment losses were recognised at PLN 366 thousand. The impairment losses were recognised in other operating expenses of the Group.

Share of profit of associates

WSE and Aquis Exchange Limited with its registered office in the UK signed an agreement concerning acquisition of new issue shares in Q3 2013. WSE acquired 153,609 Aquis Exchange Ltd shares for GBP 2.0 million in August 2013. Another 230,416 shares were acquired for GBP 3.0 million in February 2014 following approval of UK's Financial Conduct Authority (FCA) for Aquis Exchange to operate as a multilateral trading facility (MTF) and following FCA's approval for WSE to increase its stake in Aquis Exchange capital. The total price of 384,025 shares of Aquis Exchange to WSE was GBP 5.0 million (PLN 25.3 million).

As at the date of preparation of this Report, WSE holds 384,025 shares of Aquis Exchange representing 36.23% of the total number of shares and giving 30.00% of economic and voting rights in Aquis. The stake decreased to the target level after new and existing shareholders took up additional stakes. The shares of Aquis Exchange Limited as an associate of the WSE Group are recognised using equity accounting as at 31 December 2014.

The business model of Aquis is based on subscription fees charged for generated traffic rather than on the value of trade as on other trading platforms. The company launched its operation on 26 November 2013 and is still posting losses. While the company and its management succeeded in launching the operation, attracting the first members and quickly growing the trading turnover, the operation of Aquis and the success of its business model depend mainly on (1) increasing capital, planned by mid-2015, to ensure that it continues to meet the regulatory capital requirements, and eventually (2) attracting a sufficient number of members and subscription fees to reach break-even.

Investments in associates

In June 2014, WSE had set up the company Instytut Analiz i Ratingu S.A. (IAiR). The company was created to fill a gap in the domestic rating offer in the segment of small and medium-sized companies. IAiR's financial results are consolidated using full consolidation method since second half of 2014.



V. 4 Structure of assets and liabilities

ASSETS



In 2014, the Warsaw Commodity Clearing House (WCCH) implemented a new model for clearing of transactions on the Polish Power Exchange. Further to these modifications, in order to ensure a clear and fair presentation of the clearing guarantee system, the Group changed the presentation principles for cash contributed by Clearing House Members to the guarantee funds, which was previously presented under cash and other liabilities in respect of the guarantee fund; as of 2014, such items are not presented as assets and liabilities in the statement of financial position of the Group. The Group recalculated cash and other liabilities retrospectively in the statement of financial position as well as net cash flows from operating activities in the statement of cash flows accordingly.

The Exchange Management Board is considering potential sale of WSE's subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. (IRK) and expects the sale to take place in the first half of 2015. As a result, assets and liabilities of IRK as a cash generating unit were presented in the consolidated financial statements as held for sale (group for sale).

The balance-sheet total of the Group was PLN 1.0 billion as at 31 December 2014, an increase of 9.7% compared to PLN 0.9 billion as at 31 December 2013.

The Group's non-current assets stood at PLN 572.7 million representing 56% of total assets as at 31 December 2014, as compared to PLN 576.4 million or 62% of total assets as at 31 December 2013. The decrease in property, plant and equipment as well as intangible assets in 2014 was driven by the depreciation and amortisation of the trading system UTP. The change in investment in associates was due to WSE's acquisition of a second tranche of shares of Aquis Exchange Ltd for PLN 15.2 million; as a result, the company became an associate and the first tranche of its shares at PLN 10.1 million was moved from available-for-sale financial assets. Available-for-sale financial assets decreased by another PLN 10.5 million as Treasury bonds were moved to current assets in view of their short time to maturity.

The Group's current assets stood at PLN 451.4 million representing 44% of total assets as at 31 December 2014 as compared to PLN 357.4 million or 38% of total assets as at 31 December 2013. The change in current assets in the last quarter was driven among others by the following factors:

- the Group's positive cash flows from operating activities;
- increase of trade receivables;
- increase of available-for-sale financial assets.



Table 46 Assets of WSE Group

PLN'000	As at					
	31 December 2014	%	31 December 2013	%	31 December 2012	%
Non-current assets	572,710	56%	576,421	62%	512,004	61%
Property, plant and equipment	119,762	12%	124,042	13%	133,115	16%
Intangible assets	261,019	25%	269,155	29%	209,545	25%
Investment in associates	188,104	18%	158,540	17%	151,213	18%
Deferred tax assets	-	0%	-	0%	3,155	0%
Available-for-sale financial assets	207	0%	20,955	2%	11,183	1%
Prepayments	3,618	0%	3,729	0%	3,793	0%
Current assets	451,449	44%	357,381	38%	325,531	39%
Inventory	120	0%	166	0%	253	0%
Corporate income tax receivables	8,378	1%	10,797	1%	4,837	1%
Trade and other receivables	42,594	4%	34,792	4%	62,929	8%
Available-for-sale financial assets	10,503	1%	118	0%	118	0%
Assets held for sale	812	0%	-	0%	-	0%
Cash and cash equivalents	389,042	38%	311,505	33%	257,394	31%
Total assets	1,024,159	100%	933,802	100%	837,535	100%

Source: Consolidated Financial Statements, Company

EQUITY AND LIABILITIES



The equity of the Group stood at PLN 700.5 million representing 68% of the Group's total liabilities and equity as at 31 December 2014 compared to PLN 638.1 million or 68% of the Group's total liabilities and equity as at 31 December 2013.

Non-controlling interests stood at PLN 1.1 million as at 31 December 2014 and remained stable year on year.

Non-current liabilities of the Group stood at PLN 259.4 million representing 25% of the Group's total equity and liabilities as at 31 December 2014 compared to PLN 249.6 million or 27% of the Group's total equity and liabilities as at 31 December 2013. The higher value of non-current liabilities as at 31 December 2014 as compared to the end of 2013 was driven by deferred tax liabilities recognised by WSE. The deferred tax liabilities derive mainly from a difference between the tax rate and the accounting rate of depreciation and amortisation of the UTP system.

Current liabilities of the Group stood at PLN 64.3 million and represented 6% of the Group's total equity and liabilities as at 31 December 2014 compared to PLN 46.1 million or 5% of the Group's total equity and liabilities as at 31 December 2013. The increase of current liabilities was driven mainly by an increase of other liabilities including an increase of the PolPX Group's VAT payable (market coupling and a change of the relationship between power buy and sell transactions of EU members).



Table 47 Equity and liabilities of WSE Group

PLN'000	As at					
	31 December 2014		31 December 2013		31 December 2012	
		%		%		%
Equity	700,466	68%	638,105	68%	555,890	66%
Share capital	63,865	6%	63,865	7%	63,865	8%
Other reserves	1,930	0%	1,278	0%	(1,000)	0%
Retained earnings	633,555	62%	571,842	61%	491,647	59%
Non-controlling interests	1,116	0%	1,120	0%	1,377	0%
Non-current liabilities	259,419	25%	249,578	27%	247,842	30%
Employee benefits payable	5,562	1%	4,456	0%	4,305	1%
Finance lease liabilities	205	0%	439	0%	381	0%
Liabilities under bond issue	244,078	24%	243,617	26%	243,157	29%
Deferred income tax liability	9,574	1%	1,066	0%	-	0%
Current liabilities	64,274	6%	46,119	5%	33,803	4%
Trade payables	10,017	1%	12,738	1%	4,284	1%
Finance lease liabilities	154	0%	365	0%	336	0%
Corporate income tax payable	1,250	0%	657	0%	2,549	0%
Liabilities under bond issue	-	0%	-	0%	-	0%
Dividends and other liabilities	41,321	4%	18,709	2%	12,696	2%
Employee benefits payable	9,911	1%	11,511	1%	12,574	2%
Liabilities directly related to assets held	275	0%	-	0%	-	0%
Provisions for other liabilities and charges	1,346	0%	2,139	0%	1,364	0%
Total equity and liabilities	1,024,159	100%	933,802	100%	837,535	100%

Source: Consolidated Financial Statements, Company

LIQUIDITY, FINANCIAL ASSETS AND FINANCIAL RISK MANAGEMENT OF THE GROUP

The activities of the Company and the Group are exposed to three types of financial risks: market risk, credit risk, and liquidity risk. Details of how financial risks are identified and managed have been described in the Consolidated Financial Statements.

In 2014, the Group's liquidity risk, which means inability to timely meet its payment obligations, was minor in view of material financial assets held and positive cash flows from operating activities which exceeded the value of existing liabilities. The current liquidity ratio amounted to 7.0 at 2014 year-end and 7.7 at 2013 year-end.

WSE manages financial liquidity in accordance with the "Current Assets Allocation Procedure" adopted by the WSE Management Board. Pursuant to this document, the procedures for investing free cash should be handled in view of the due dates of liabilities so as to minimise the liquidity risk for the parent entity and, at the same time, to maximise its financial income. In practical terms, this means that the Company invests its current assets in Treasury bonds and bank deposits and the average duration of a financial asset portfolio was around 27 days at the end of 2014 in view of long-term deposits maturing in January 2015.

As of 1 January 2012, WSE applies hedge accounting. As at 31 December 2014, hedging covered cash flows under the agreement concerning the acquisition of a licence and delivery of a new trading system (UTP-Derivatives).

In the opinion of the Management Board, the Group's financial assets and financial risk management process is effective and ensures timely meeting of payment obligations.

No threats have been identified to the Group's liquidity.



The risks inherent in financial instruments held are described in Note 3 to the Financial Statements.

CASH FLOWS

The Group generated positive cash flows from operating activities at PLN 161.7 million in 2014 compared to PLN 172.4 million in 2013.

The cash flows from investing activities were negative at PLN 23.1 million in 2014 and negative at PLN 74.8 million in 2013. The cash flows in 2014 were mainly due to the expenditure for the acquisition of the second tranche of shares of Aquis Exchange Limited for PLN 15.2 million as well as the expenditure for the acquisition of plant, property and equipment and intangible assets. The cash flows in 2013 were mainly due to the expenditure for the acquisition of the new trading system UTP and the acquisition of shares of Aquis Exchange Limited for PLN 10.1 million.

The cash flows from financing activities were negative in 2014, driven mainly by a dividend paid by WSE at PLN 50.2 million as well as the payment of PLN 9.5 million of interest on issued bonds. The cash flows from financing activities at a negative PLN 44.4 million in 2013 were driven mainly by a dividend paid by WSE at PLN 32.6 million as well as the payment of PLN 11.2 million of interest on issued bonds.

Table 48 Consolidated cash flows of WSE Group, 2012-2014

PLN'000	Cash flows for the 12-month period ended 31 December		
	2014	2013	2012
Cash flows from operating activities	161,669	172,385	125,829
Cash flows from investing activities	(23,146)	(74,813)	(36,230)
Cash flows from financing activities	(60,450)	(44,352)	(962)
Net increase / (decrease) in cash and cash equivalents	78,073	53,220	88,637
<i>Taken to assets held for sale</i>	(565)	-	-
<i>Impact of change of fx rates on cash balances in foreign currencies</i>	29	891	(839)
Cash and cash equivalents - opening balance	311,505	257,394	169,596
Cash and cash equivalents - closing balance	389,042	311,505	257,394

Source: Consolidated Financial Statements, Company

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment and intangible assets amounted to PLN 18.4 million in 2014 compared to PLN 78.7 million in 2013, and included PLN 12.0 million of capital expenditure for property, plant and equipment in 2014 compared to PLN 14.0 million in 2013, and PLN 6.4 million of capital expenditure in intangible assets in 2014 compared to PLN 64.7 million in 2013. The capital expenditure for property, plant and equipment and intangible assets in 2013 related mainly to the trading system UTP and investments in the IT infrastructure.

The Group's biggest financial investment in 2014 was the acquisition of the second tranche of shares of Aquis Exchange Limited for PLN 15.2 million (GBP 3.0 million). The Group's biggest financial investment in 2013 was the acquisition of the first tranche of shares of Aquis Exchange Limited for PLN 10.1 million (GBP 2.0 million). The acquisition was financed with WSE's own funds.

The Group's expected capital expenditure for property, plant and equipment and intangible assets will range from PLN 40 to 60 million in 2015, including mainly the implementation of PolPX's new trading



system, other development projects of PolPX and WCCH, reorganisation of office space of WSE Group companies, as well as on-going IT investments and development projects of WSE. The amount of capital expenditure is subject to change depending on the actual scale and timeline of the investment process.

The value of (contracted) future investment commitments of WSE was ca. PLN 13.2 million at 31 December 2014.

V. 5 Ratio analysis

DEBT AND FINANCING RATIOS

In the period under review, the debt of the Group posed no threat to its going concern and capacity to meet liabilities on time. The ratio of net debt to EBITDA and the debt to equity ratio improved year on year. This was due to a lower net debt and a higher EBITDA of the Group combined with a stable level of borrowed capital compared to 2013. The Company did not raise additional borrowed capital in 2014.

LIQUIDITY RATIOS

The current liquidity ratio was 7.0 in 2014 and 7.7 in 2013, which demonstrates high liquidity of the Group. A dividend of PLN 2.40 per share is expected to be paid in 2015, which will gradually reduce the ratio.

The coverage ratio of interest costs under the bond issue was 17.3 in 2014 and 12.9 in 2013. Consequently, the Company generates cash flows from operating activities which are more than sufficient to cover current liabilities under the bond issue.

PROFITABILITY RATIOS

An analysis of a set of profitability ratios suggests that the Group's operating efficiency in 2014 was similar to 2013. The main drivers of the decrease in net profit margin include a lower share of profit of associates and a higher income tax.

The lower level of return on assets (ROA) and return on equity (ROE) in 2014 compared to 2013 was due to higher cash of the Group (for ROA) and higher retained earnings (for ROE) while the Group's net profit level was stable. The dividend payment expected in 2015 will have a positive impact on the ratios in the future.



Table 49 Key financial indicators

		As at / For the 12-month period ended		
		31 December 2014	31 December 2013	31 December 2012
Debt and financing ratios				
Net debt / EBITDA	1), 2)	-0.9	-0.6	-0.2
Debt to equity	3)	34.9%	38.3%	43.9%
Liquidity ratios				
Current liquidity	4)	7.0	7.7	9.6
Coverage of interest cost under bond issue	5)	17.3	12.9	9.1
Profitability ratios				
EBITDA margin	6)	51.7%	50.9%	51.8%
Operating profit margin	7)	42.6%	41.8%	45.7%
Net profit margin	8)	35.4%	40.0%	38.8%
Cost / income	9)	57.2%	58.6%	54.2%
ROE	10)	16.8%	19.0%	19.7%
ROA	11)	11.5%	12.8%	13.5%

1) Net debt = interest-bearing liabilities less liquid assets of WSE Group (as at balance-sheet date)

2) EBITDA = WSE Group operating profit + depreciation and amortisation (for a period of 12 months) (not including share of profit/loss of associates)

3) Debt to equity = interest-bearing liabilities / equity (as at balance-sheet date)

4) Current liquidity = current assets / current liabilities (as at balance-sheet date)

5) Coverage of interest cost under bond issue = EBITDA / interest cost under bond issue (for a period of 12 months)

6) EBITDA margin = EBITDA / WSE Group revenue (for a period of 12 months)

7) Operating profit margin = WSE Group operating profit / WSE Group revenue (for a period of 12 months)

8) Net profit margin = WSE Group net profit / WSE Group revenue (for a period of 12 months)

9) Cost / income = WSE Group operating expenses (for a period of 12 months) / WSE Group revenue (for a period of 12 months)

10) ROE = WSE Group net profit (for a period of 12 months) / Average equity at the beginning and at the end of the last 12 month period

11) ROA = WSE Group net profit (for a period of 12 months) / Average total assets (excl. WCCH guarantee system) at the beginning and at the end of the last 12 month period

Source: Consolidated Financial Statements, Company

V. 6 Other material information

CURRENT AND EXPECTED FINANCIAL POSITION

It is expected that the Group will generate material cash flows from operating activities in the coming years; combined with revenues from financial assets, these will cover the Group's operating expenses, capital expenditures and debt service costs.

The Group is not planning to use external financing to an extent greater than as at the date of preparation of this Report. Should any unexpected events occur, which will require financing that could not be provided by the Group, the Group will consider obtaining external funds in a manner optimal for the Group's capital expense and structure.

The Group did not publish any financial forecasts for 2014. Consequently, no explanations are provided for the differences between the financial results disclosed in the Annual Report and any previously published forecasts.

INVESTMENTS AND LINKS TO OTHER ENTITIES

WSE has organisational and equity links to the Group subsidiaries and associates. The description of the Group and associates is to be found in section I.4 of this Report.

In 2014, WSE did not make or divest any equity investments in any entities other than associates. The description of investments in associates and subsidiaries in 2014 is presented in section V.3 of this Report.



Equity links of WSE to the companies from outside the Group as at 31 December 2014 are the foreign investments in S.C. Sibex - Sibiu Stock Exchange S.A. and INNEX PJSC.

In addition to the stake in the above mentioned companies, as well as in the Group subsidiaries and associates, WSE's major domestic investments as at 31 December 2014 comprise:

- long-term Treasury bonds,
- bank deposits.

Except for the investment in the Romanian stock exchange S.C. Sibex - Sibiu Stock Exchange S.A. and INNEX PJSC, the Company has no other foreign investments. All the above investments were financed with own funds of the Company.

Details of the parent entity's investments were disclosed in the Separate Financial Statements of Giełda Papierów Wartościowych w Warszawie S.A. for the years ended 31 December 2014 and 31 December 2013.

Transactions of the Group with related parties are described in the Consolidated Financial Statements of Giełda Papierów Wartościowych w Warszawie S.A. for the years ended 31 December 2014 and 31 December 2013. Transactions of the parent entity with associates and subsidiaries are described in the Separate Financial Statements of Giełda Papierów Wartościowych w Warszawie S.A. for the years ended 31 December 2014 and 31 December 2013.

CREDIT AND LOAN AGREEMENTS SIGNED AND TERMINATED DURING THE FINANCIAL YEAR

The Group signed and terminated no credit and loan agreements in 2014.

LOANS GRANTED IN THE FINANCIAL YEAR

In January 2014, WSE granted a one-month short-term loan of PLN 300 thousand to the subsidiary WSE InfoEngine S.A. to finance its current business. The interest rate on the loan was 7.0% p.a. The loan with interest was repaid on time. In March 2014, WSE granted a one-month short-term loan of PLN 380 thousand to the subsidiary WSE InfoEngine S.A. to finance its current business. The interest rate on the loan was 7.0% p.a. The loan with interest was repaid on time. In June 2014, WSE granted a short-term loan of PLN 400 thousand to the subsidiary WSE InfoEngine S.A. The interest rate on the loan was 7.0% p.a. The loan with interest was repaid in August 2014.

Except for the foregoing, the Group granted no loans other than loans granted to WSE employees under the internal Employee Loan Program in 2014.

GUARANTIES AND SURETIES GRANTED AND ACCEPTED DURING THE FINANCIAL YEAR

In April 2014, the Company issued a performance bond to WSEInfoEngine S.A. in respect of amounts due to Polskie Sieci Energetyczne as payment for electricity on the balancing market. The liability was capped at PLN 1.0 million.

In April 2014, DNB NORD Bank Polski SA issued a PLN 129 thousand bond to WCCH in respect of a property lease agreement. The bond is valid until 31 January 2019.



MATERIAL TRANSACTIONS OF THE ISSUER AND SUBSIDIARIES WITH RELATED PARTIES ON TERMS OTHER THAN AT ARM'S LENGTH IN THE FINANCIAL YEAR

In 2014, WSE or its subsidiaries did not make any material transactions with related parties on terms other than at arm's length. The transactions with related parties are presented in detail in Note 27 to the Consolidated Financial Statements.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group had no contingent liabilities or contingent assets as at 31 December 2014.

EVENTS AFTER THE BALANCE SHEET DATE WHICH COULD SIGNIFICANTLY IMPACT THE FUTURE FINANCIAL RESULTS OF THE ISSUER

In February 2015, WSE signed two conditional agreements to buy 73,530 shares of the subsidiary BondSpot for PLN 307 thousand, representing 0.74% of the share capital of the company. Both transactions are conditional on the approval of the Polish Financial Supervision Authority for WSE to buy the shares.



SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD

- Paweł Tamborski – President

- Dariusz Kułakowski – Vice-President

- Karol Póttorak – Vice-President

- Mirosław Szczepański – Vice-President

- Grzegorz Zawada – Vice-President

Warsaw, 20 February 2015