

2015



**Management Board  
Report** on the Activities of  
the GPW Group in 2015

February, 2016

**Giełda Papierów Wartościowych w Warszawie S.A.- Warsaw Stock Exchange**

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share capital of PLN 41,972,000 fully paid up. VAT no. 526-025-09-72.

This document presents the Report of the Management Board of Giełda Papierów Wartościowych w Warszawie S.A. ("Warsaw Stock Exchange", "GPW", "Exchange", "Company", "parent entity") on the activities of the Giełda Papierów Wartościowych w Warszawie Group ("GPW Group" or "Group") in 2015.

The source of data presented in this Report is the GPW Group, unless indicated otherwise.  
Statistics of the value and volume of trade are single-counted, unless indicated otherwise.

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## I. FOR THE SHAREHOLDERS

### Letter from the President of the Management Board



*Ladies and Gentlemen,*

*Dear Shareholders,*

A jubilee is a success when it combines reflection with plans, when the calendar favours harmony of retrospection and its conclusions with the ability to translate them into a rational project for the future. In the world of economics, the maturity of market developments and institutions is largely conditioned by the circumstances, events and achievements of the first 25 years. This is, therefore, a special date for the Warsaw Stock Exchange.

Since the first trading session on the floor of the former Central Committee of the Polish United Workers' Party, where total trade amounted to 1,990 zlotys, the Exchange has been on trajectory of a free-market economy, turning into a CEE leader, an embodiment of the success of transition, and a measure of trust in 905 companies now listed on its two markets: the Main Market and NewConnect. There is good reason to take pride in the accomplishments of GPW, which has grown and developed in the environment of a new democracy and economic turbulences of the early 1990s,

when Poland was bankrupt for all practical purposes.

GPW combined two uneasy functions: building up a robust public company competing in the service industry, and pursuing the objectives of an institution which underpins the development of Poland's economy and entrepreneurship. By merging mission with business goals, GPW has developed an impressive track record of its first quarter of a century.

Successes of the past year are a significant chapter in this history, measured in benefits to investors, enterprises and local governments appreciative of the good standing of the domestic capital market in which GPW plays a leading role. The Exchange is a crucial mechanism of Polish economic growth, as evidenced by companies that use financing from the capital market to strengthen their competitive position, become more innovative, win new markets, and create jobs.

The successes of the last quarter of a century include steady reinforcement of the foundations of Poland's capital market; the challenges of the next 25 years include realignment of the Exchange with dynamic changes in the business environment in the long term. A symbiosis with the circumstances of today and tomorrow needs to rely on state-of-the-art technology, professional services, and good practice. These are laid down in GPW's strategy of growth of the capital market combined with a selection of effective tools towards that goal, including a dialogue with all market participants and the general public, as this is one of the key components of GPW's corporate responsibility. Without it, GPW cannot expect to build its reputation as a venue of safe long-term investment. The Exchange is deservedly perceived as a transparent, well managed company which is competitive and enjoys the confidence of investors who expect to gain individual benefits by earning decent returns. This is why we need to build safe and attractive mechanisms promoting long-term savings of the general public, including a system of tax incentives and reliefs for interested individuals.

It is equally important to steadily reinforce the activity of the GPW Group, securing its diversified sources of revenue and stable financial position. The challenges faced by GPW in 2015 included continued low activity of individual investors, prevailing uncertainty around the outlook of open-ended pension funds, a 13 percent decrease of the capitalisation of domestic companies, and – from a global perspective – a flight of investors from the emerging markets. Nevertheless, the value of trade in equities on the Main Market was PLN 203.5

billion, only slightly lower than PLN 205.3 billion reported in 2014. The number of listings on the Main Market increased by 16 companies, totalling 487 at the year's end.

In 2015, the GPW Group implemented a range of initiatives to improve its effectiveness. Operating expenses decreased by PLN 7.2 million to PLN 174.4 million; as a result, the cost/income ratio decreased from 57.2% to 53.2%. Consequently, the Group's operating profit increased by 12.8% to PLN 152.6 million and its net profit by 10.2% to PLN 123.7 million.

GPW's separate income increased by 0.9% year on year to PLN 191.8 million while its operating expenses decreased by PLN 10.3 million to PLN 120.4 million. As a result, the operating profit improved by 19.6% to PLN 70.6 million.

The strong financial position of GPW and the Group is a good foundation for further growth of shareholder value. In 2016, it will depend on stock market conditions as well as development of the product offer and the acquisition of more issuers and participants of the financial and commodity market. This will be bolstered by the recent decisions reducing the transaction fees on the equity market following the reduction of GPW's cost of Poland's capital market supervision.

As I congratulate all of the founders and participants of the Exchange on the success of the 25 years, I am certain that GPW faces attractive opportunities of growth, becoming a genuine expert in building shareholder value, professional operation of the market, and efficient management of the instruments of growth of the Polish economy.

*Yours truly,*

*Małgorzata Zaleska*

## I. 1. Brief Description of the GPW Group

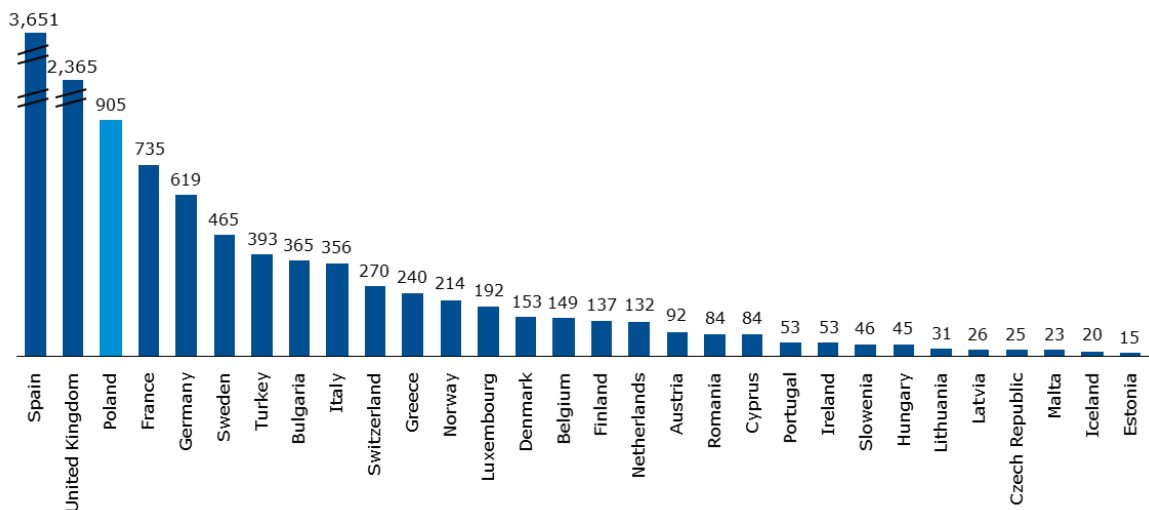
The leading entity of the GPW Group is the Warsaw Stock Exchange, which has helped Polish companies to grow for 25 years, enabling them to raise capital for investments, job creation, international expansion, research and development. Thanks to the developed capital market infrastructure and the strength of the local economy, investors from around the world have invested their capital in Polish companies. Another major source of capital are the savings of nearly 20 million Poles managed by domestic investment funds and pension funds.

**25 years of experience, security of trade, operational excellence and a wide range of products make GPW one of the most recognised Polish financial institutions world-wide**

Companies listed on the exchange are the biggest investors in Poland, which makes them a key driver of the economic growth of the regions. Listed companies employ more than 776 thousand people in Poland, i.e., approximately 14% of the total workforce of the corporate sector (source: Central Statistical Office, PwC, 2015). In 2015, companies newly listed on GPW's stock markets and their owners jointly raised EUR 440 million of capital, which ranks Poland #10 in Europe. As measured by the number of IPOs, Warsaw came third in Europe after London and Stockholm. The strong interest of local and regional companies in listing on GPW has for many years strengthened the position of the Exchange as one of Europe's leading and CEE's top market by the number of listed companies. The markets operated by GPW offer trade in stocks and bonds of nearly one thousand local and international issuers. Most of the issuers are small and medium-sized companies of Polish origin.

The Exchange also offers trade in debt, derivatives and structured products, and promotes economic education through the GPW Foundation.

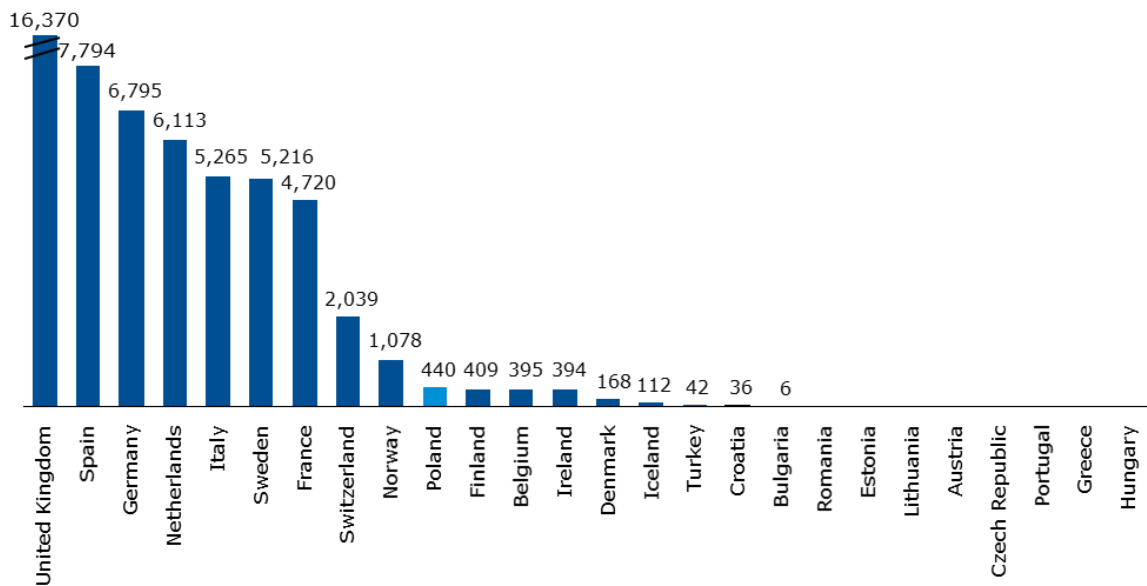
Figure 1 Number of companies listed on European exchanges<sup>1</sup> at the end of 2015



Source: FESE, websites of Euronext, LSEG, Nasdaq

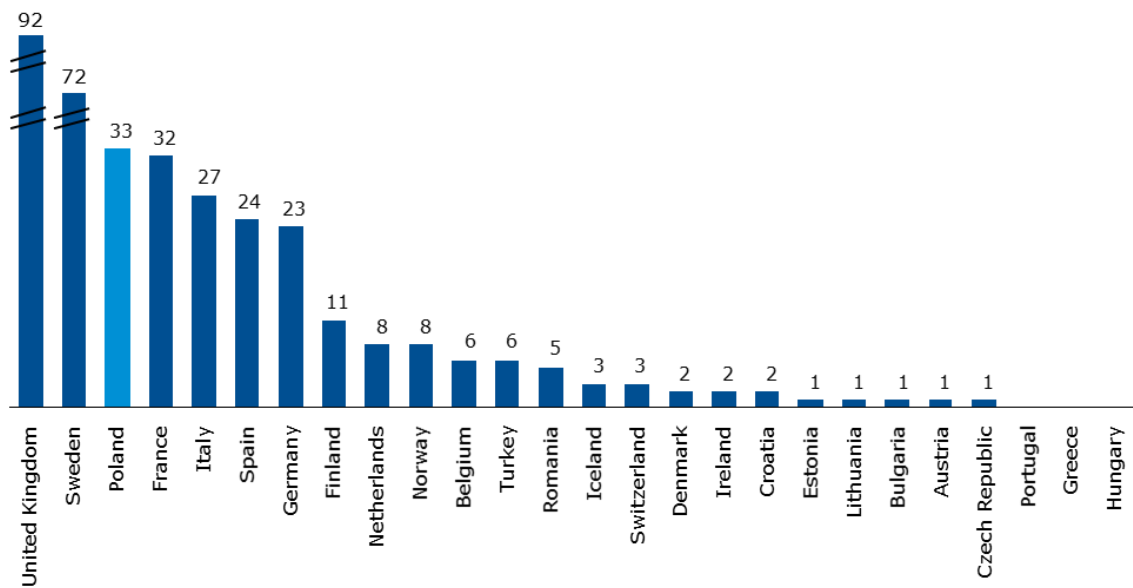
<sup>1</sup> France, the Netherlands, Belgium, Portugal – Euronext, Sweden, Denmark, Finland, Iceland – Nasdaq, Estonia, Latvia, Lithuania – Nasdaq Baltic.

Figure 2 Value of IPOs on European exchanges in 2015



Source: PwC IPO Watch Europe 2015

Figure 3 Number of IPOs on European exchanges in 2015



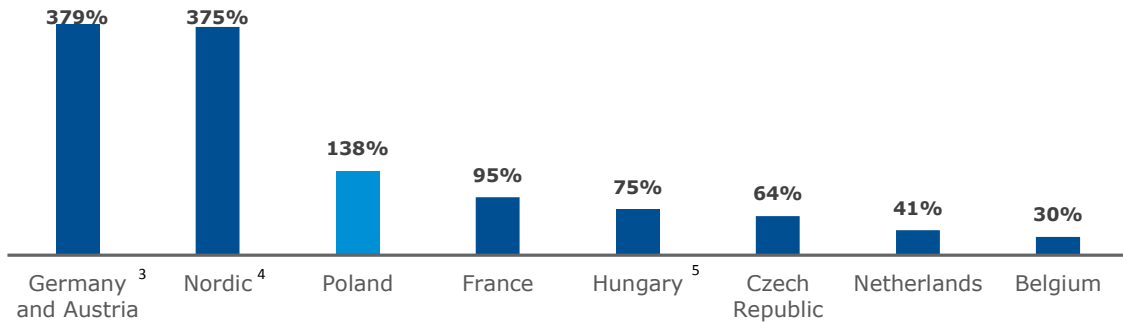
Source: PwC IPO Watch Europe 2015

Acting through the Polish Power Exchange, the GPW Group makes a major contribution to the liberalisation of Poland’s energy and natural gas markets and helps to improve the country’s energy security. TGE is an active participant of the European energy market as a member of PCR (Price Coupling of Regions) and supports trade via the link with Sweden and Lithuania. It is also an important part of the national support scheme for the production of energy from renewable sources and cogeneration.

The Polish Power Exchange operates 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 CO<sub>2</sub> emission allowances. In 2015, TGE opened its Financial Instruments Market which offers trade in electricity futures. TGE also operates a Register of Certificates of Origin and a Register of Guarantees of

Origin; through the subsidiary Commodity Clearing House (IRGiT), it clears transactions on the TGE commodity and financial markets.

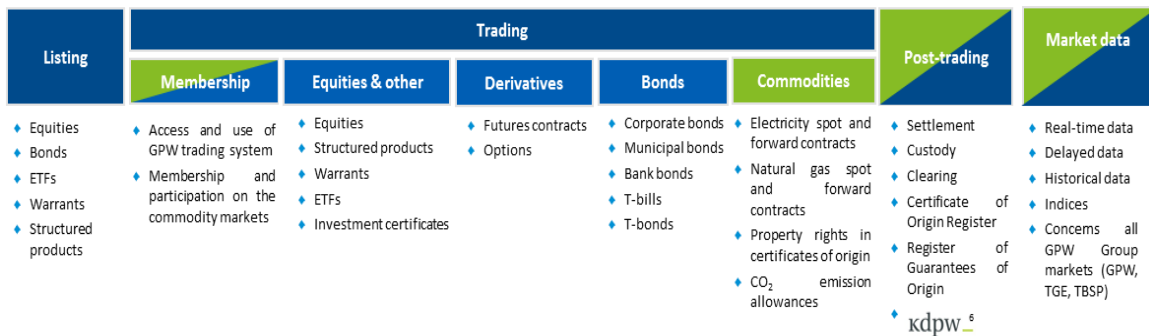
Figure 4 Liquidity on electricity markets in 2015<sup>2</sup>



Source: Zajdler Energy Lawyers & Consultants based on exchange data. Consumption according to Enerdata and statistical offices

Post-trade services for the financial market operated by GPW and BondSpot, including depository, clearing and settlement services, are offered by GPW’s associate, the Central Securities Depository of Poland (KDPW), and its subsidiary KDPW\_CCP S.A.

Chart 1 Business lines and product offer of the GPW Group



The Warsaw Stock Exchange Group was comprised of the parent entity and four consolidated subsidiaries as at 31 December 2015. GPW holds a stake in three associates.

<sup>2</sup> Liquidity understood as turnover to national consumption of electricity. Consumption data for 2014. Due to modifications of EEX’s presentation methodology (OTC cleared by the exchange included in the volume), the data are not directly comparable with 2014

<sup>3</sup> Data for the German-Austrian market based on volumes of EEX/EPEX and Nasdaq OMX

<sup>4</sup> Denmark, Estonia, Latvia, Norway, Sweden

<sup>5</sup> In view of the high volume of Hungarian contracts on PXE, these are shown under the Hungarian market

<sup>6</sup> Associate (GPW stake: 33%); offers post-trade services on the financial market



Chart 2 GPW Group and associates

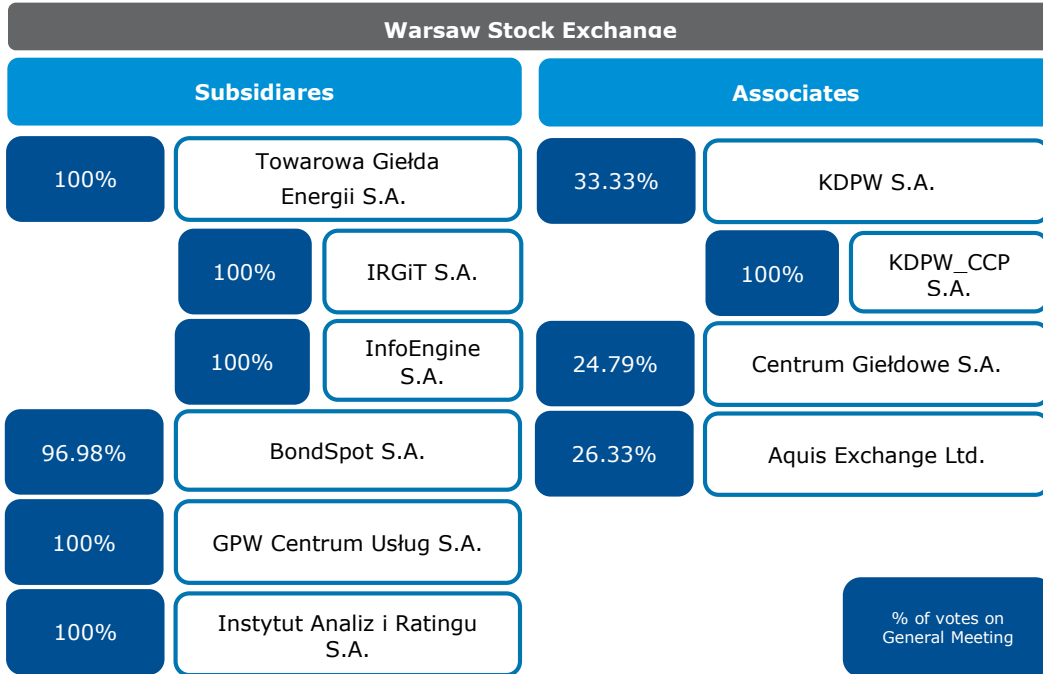


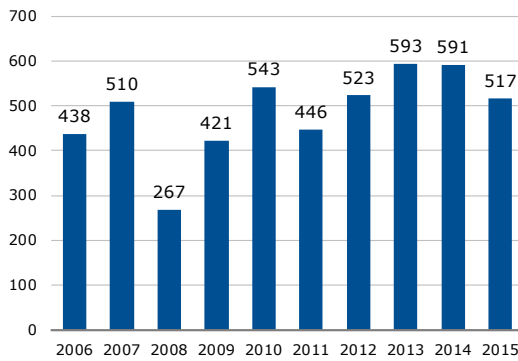
Table 1 Core business of GPW Group companies

Subsidiary	Business profile
BondSpot S.A.	Operates trade in Treasury and non-Treasury debt securities. Holds the status of electronic market in Treasury securities authorised by the Ministry of Finance and the Treasury Securities Dealers.
Towarowa Gielda Energii S.A. (Polish Power Exchange, TGE)	The only licensed commodity exchange in Poland, operates trade in exchange-traded commodities: electricity, natural gas, 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; opened the Financial Instruments Market in 2015.
Izba Rozliczeniowa Gield Towarowych S.A. (Commodity Clearing House, IRGiT, a subsidiary of TGE)	Operates a clearing and settlement system for transactions in exchange commodities and financial instruments other than securities.
InfoEngine S.A. (a subsidiary of TGE)	Operates an electronic OTC commodity trading platform, provides services to electricity market participants.
GPW Centrum Usług S.A.	Provides a financial and accounting system to GPW Group companies.
Instytut Analiz i Ratingu S.A. (IAiR)	It is planning to develop and public ratings for companies and local governments. GPW is seeking partners/investors for the endeavour.

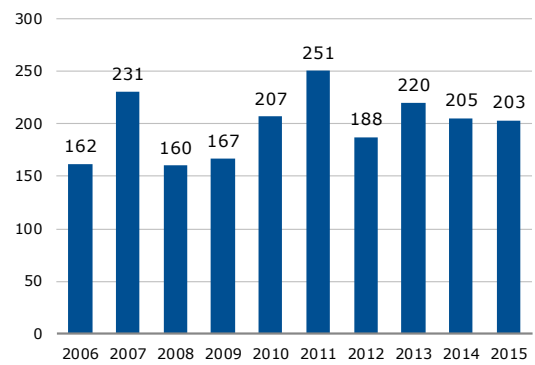
In addition, GPW holds 19.98% of InfoStrefa S.A. (formerly Instytut Rynku Kapitałowego WSE Research S.A.), 10% of the Ukrainian stock exchange INNEX PJSC and 1.3% of the Romanian stock exchange S.C. SIBEX – Sibiu Stock Exchange S.A. Furthermore, GPW operates a representative office in Kiev. The parent entity has no branches or establishments.

## I. 2. Selected Market Data

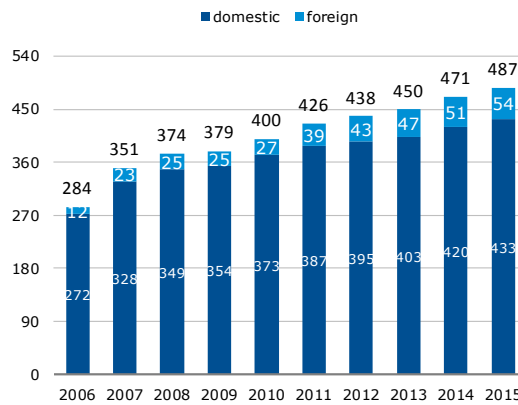
Capitalisation of domestic companies  
- Main Market (PLN bn)



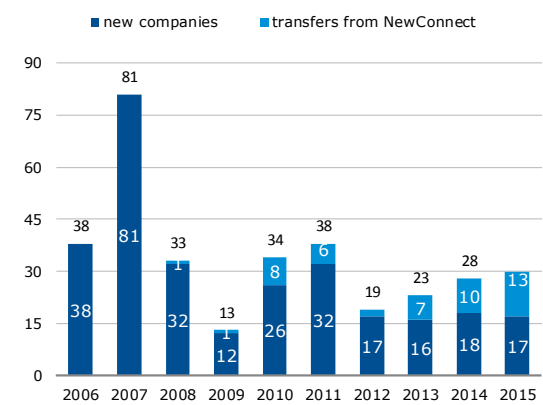
Equity turnover, Electronic Order Book  
- Main Market (PLN bn)



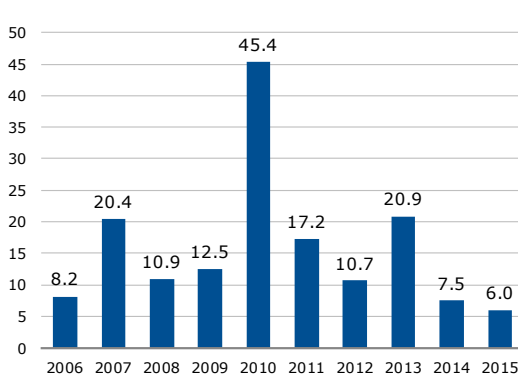
Number of companies - Main Market



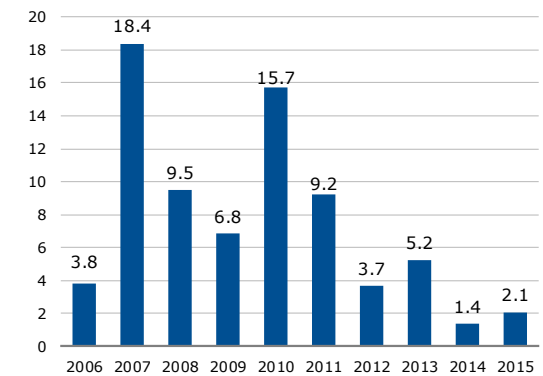
Number of new listings - Main Market



ECM value in Poland (PLN bn) <sup>7</sup>

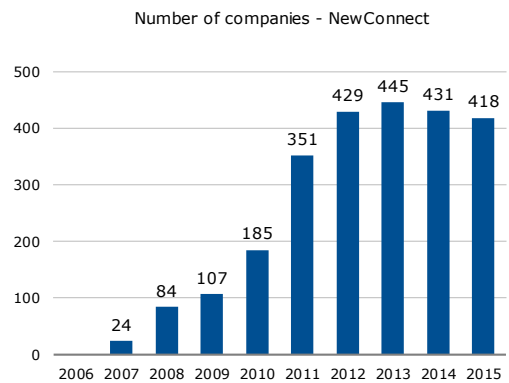
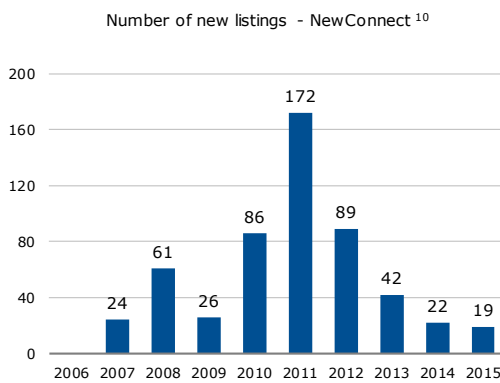
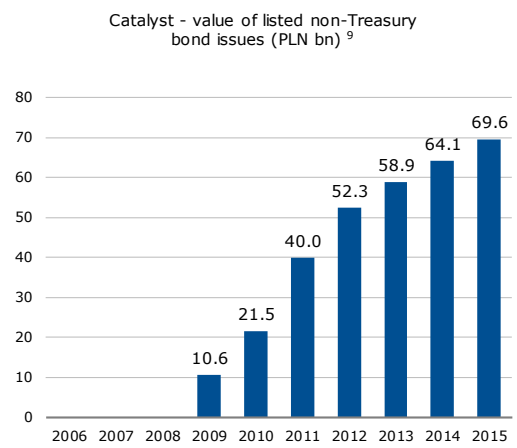
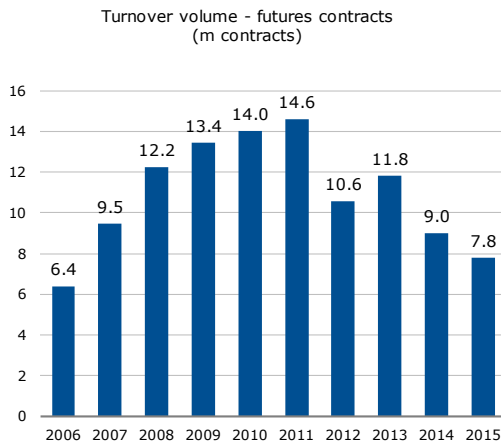
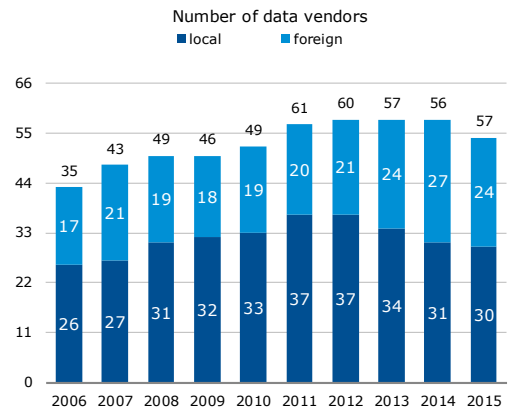
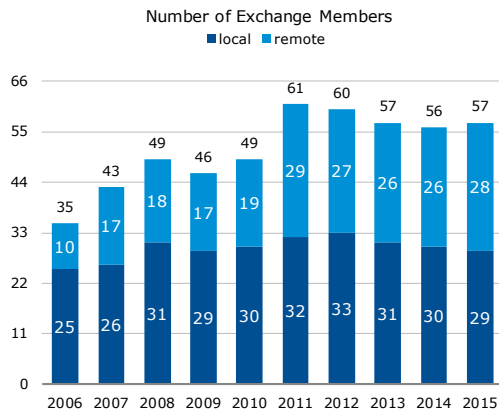


Value of primary offerings  
- Main Market and NewConnect (PLN bn) <sup>8</sup>



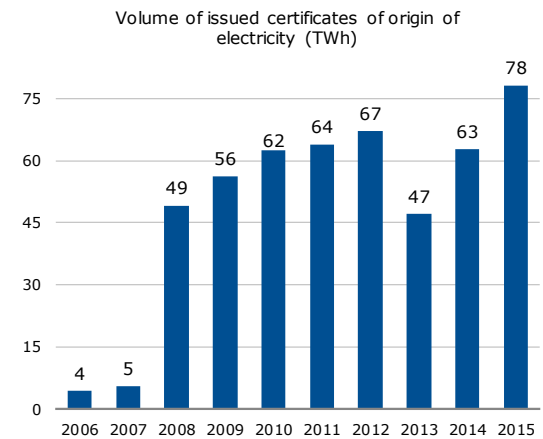
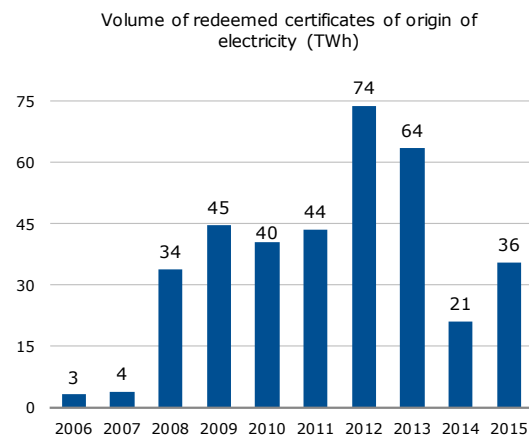
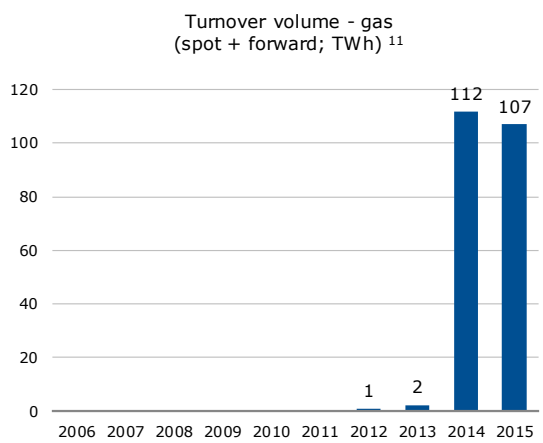
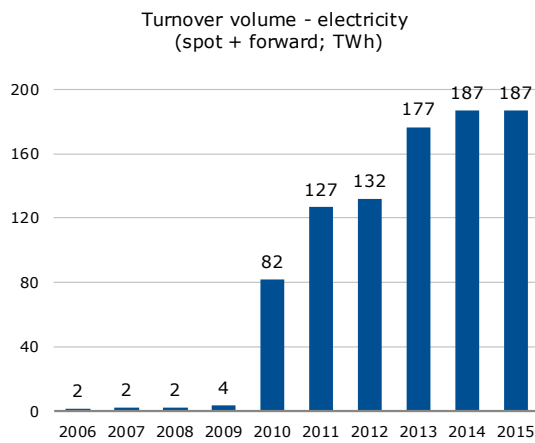
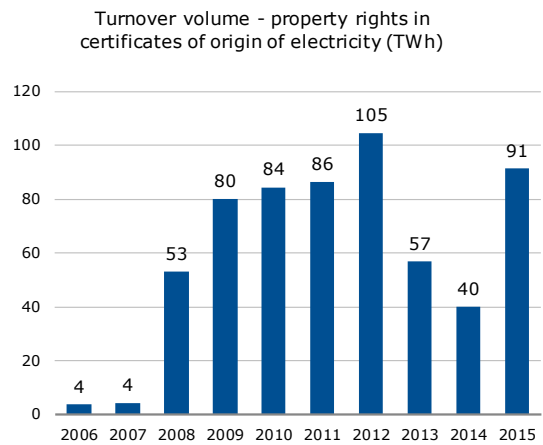
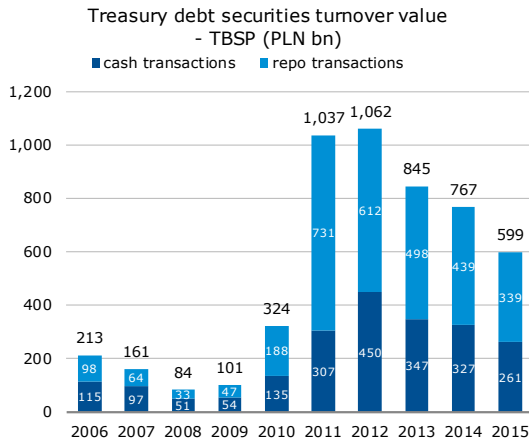
<sup>7</sup> ECM - Equity Capital Market; source: Dealogic, ECM at the transaction price as at the pricing date

<sup>8</sup> The NewConnect market opened on 31 August 2007



<sup>9</sup> The Catalyst market opened on 30 September 2009

<sup>10</sup> The NewConnect market opened on 31 August 2007



<sup>11</sup> Trade in gas opened in December 2012

### I. 3. Selected Financial Data

Table 2 Selected data on the statement of comprehensive income, consolidated, under IFRS, audited

	Year ended 31 December			
	2015	2014	2015	2014
	PLN '000		EUR '000 <sup>12</sup>	
<b>Sales revenue</b>	<b>327,890</b>	<b>317,561</b>	<b>78,369</b>	<b>75,877</b>
<b>Financial market</b>	<b>199,955</b>	<b>199,962</b>	<b>47,791</b>	<b>47,778</b>
Trading	136,948	137,795	32,732	32,924
Listing	24,497	23,960	5,855	5,725
Information services	38,510	38,207	9,204	9,129
<b>Commodity market</b>	<b>125,193</b>	<b>114,453</b>	<b>29,922</b>	<b>27,347</b>
Trading	62,552	60,121	14,951	14,365
Register of certificates of origin	24,166	22,473	5,776	5,370
Clearing	38,475	31,859	9,196	7,612
<b>Other revenue</b>	<b>2,743</b>	<b>3,146</b>	<b>656</b>	<b>752</b>
<b>Operating expenses</b>	<b>174,391</b>	<b>181,600</b>	<b>41,682</b>	<b>43,391</b>
Other income	1,296	1,256	310	300
Other expenses	2,151	1,861	514	445
<b>Operating profit</b>	<b>152,644</b>	<b>135,356</b>	<b>36,484</b>	<b>32,342</b>
Financial income	9,941	10,360	2,376	2,475
Financial expenses	9,401	10,356	2,247	2,475
Share of profit of associates	(1,530)	3,745	(366)	895
<b>Profit before income tax</b>	<b>151,654</b>	<b>139,105</b>	<b>36,247</b>	<b>33,237</b>
Income tax expense	27,935	26,819	6,677	6,408
<b>Profit for the period</b>	<b>123,719</b>	<b>112,286</b>	<b>29,570</b>	<b>26,829</b>
Basic / Diluted earnings per share <sup>13</sup> (PLN, EUR)	2.95	2.67	0.70	0.64
<b>EBITDA<sup>14</sup></b>	<b>179,481</b>	<b>164,125</b>	<b>42,898</b>	<b>39,216</b>

Table 3 Selected data on the statement of financial position, consolidated, under IFRS, audited

	As at			
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	PLN '000		EUR '000 <sup>15</sup>	
<b>Non-current assets</b>	<b>580,645</b>	<b>572,710</b>	<b>136,254</b>	<b>134,366</b>
Non-current assets	125,229	119,762	29,386	28,098
Property, plant and equipment	261,728	261,019	61,417	61,239
Intangible assets	188,570	188,104	44,250	44,132
Investment in associates	282	207	66	49
Available-for-sale financial assets	-	-	-	-
Prepayments	4,836	3,618	1,135	849
<b>Current assets</b>	<b>442,170</b>	<b>451,449</b>	<b>103,759</b>	<b>105,917</b>
Trade and other receivables	81,273	42,594	19,072	9,993
Available-for-sale financial assets	-	10,503	-	2,464
Cash and cash equivalents	360,393	389,042	84,570	91,275
Other current assets	504	9,310	118	2,184
<b>TOTAL ASSETS</b>	<b>1,022,815</b>	<b>1,024,159</b>	<b>240,013</b>	<b>240,283</b>
Equity attributable to the shareholders of the parent entity	720,721	699,350	169,124	164,078
Non-controlling interests	546	1,116	128	262
Non-current liabilities	258,799	259,419	60,729	60,864
Current liabilities	42,749	64,274	10,032	15,080
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,022,815</b>	<b>1,024,159</b>	<b>240,013</b>	<b>240,283</b>

Table 4 GPW Group's selected financial ratios

	Year ended / As at	
	31 December 2015	31 December 2014
<b>EBITDA margin</b> (EBITDA/Sales revenue)	54.7%	51.7%
<b>Operating profit margin</b> (Operating profit/Sales revenue)	46.6%	42.6%
<b>Return on equity (ROE)</b> (Net profit for the last 12 months / Average equity at the beginning and at the end of the last 12 month period)	17.4%	16.8%
<b>Debt to equity</b> (Interest-bearing liabilities <sup>16</sup> /Equity)	33.9%	34.9%

<sup>12</sup> Based on average annual EUR/PLN exchange rates published by the National Bank of Poland (respectively: 1 EUR = 4.1839 in 2015 and 1 EUR = 4.1852 PLN in 2014)

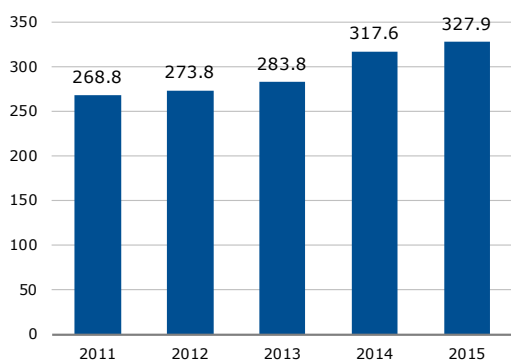
<sup>13</sup> Based on the net profit

<sup>14</sup> EBITDA = operating profit + depreciation and amortisation

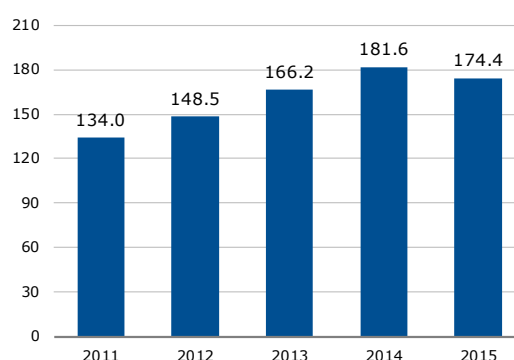
<sup>15</sup> Based on average EUR/PLN exchange rates published by the National Bank of Poland on 31.12.2015 (1 EUR = 4.2615 PLN) and on 31.12.2014 (1 EUR = 4.2623 PLN)

<sup>16</sup> Liabilities in respect of interest and principal

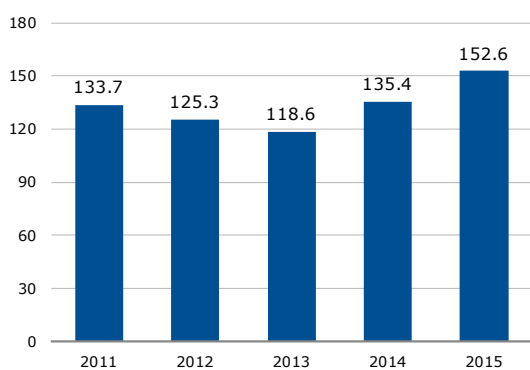
Sales revenue (PLN mn)



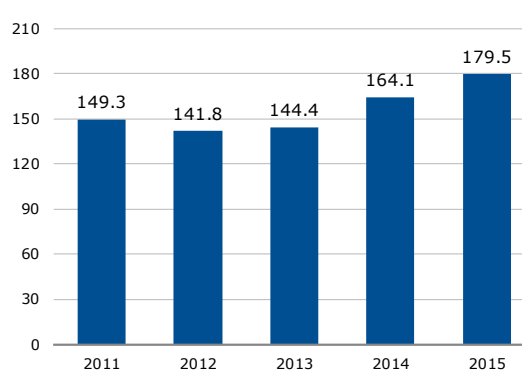
Operating expenses (PLN mn)



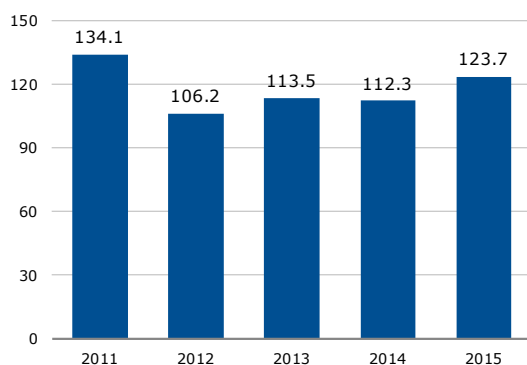
Operating profit (PLN mn)



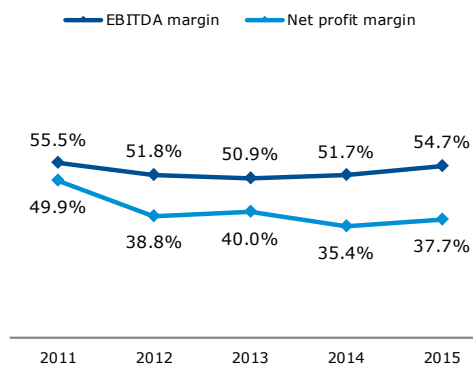
EBITDA (PLN mn)



Net profit (PLN mn)



Net profit margin and EBITDA margin



## I. 4. GPW on the Capital Market

GPW has been listed on the Warsaw Stock Exchange since 9 November 2010. The Company’s shares are listed in the continuous trading system on the GPW main market. The capitalisation of the company was PLN 1.51 billion as at the end of 2015, ranking #48 among all listed domestic stocks.

The Company is part of the mid-cap index mWIG40 since 19 March 2011 with a 1.8% share in the index portfolio at the end of 2015. GPW shares are also part of the broad market indices (WIG and WIG-Poland), as well as WIGdiv, the GPW regular dividend index. In addition, GPW 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 Russel, SP Dow Jones). In December 2015, GPW was once again included in the RESPECT Index portfolio, which it first joined in 2013. Thus, GPW is one of 23 Polish companies which follow the highest standards of environmental, social and governance standards.

***GPW shares participate in the dividend index WIGdiv of GPW-listed companies which regularly share profits with the shareholders, and in the RESPECT index of companies which follow high standards of sustainability and corporate responsibility.***

### GPW STOCK PRICE

The GPW stock price ranged in 2015 from PLN 34.53 (15 December 2015) to PLN 53.00 (22 May 2015). The stock price was PLN 35.95 at the end of 2015, compared to PLN 47.34 as at 30 June 2015 and PLN 45.70 as at the end of 2014, falling 21.3% during the year. Including the dividend of PLN 2.4 per share, the total shareholder return in 2015 was 16.1%. In the same period, the GPW mid-cap index mWIG40 gained 2.4%, and the broad market index WIG lost 9.6%.

Figure 5 GPW stock price in 2015 v. mWIG40 and WIG (normalised)

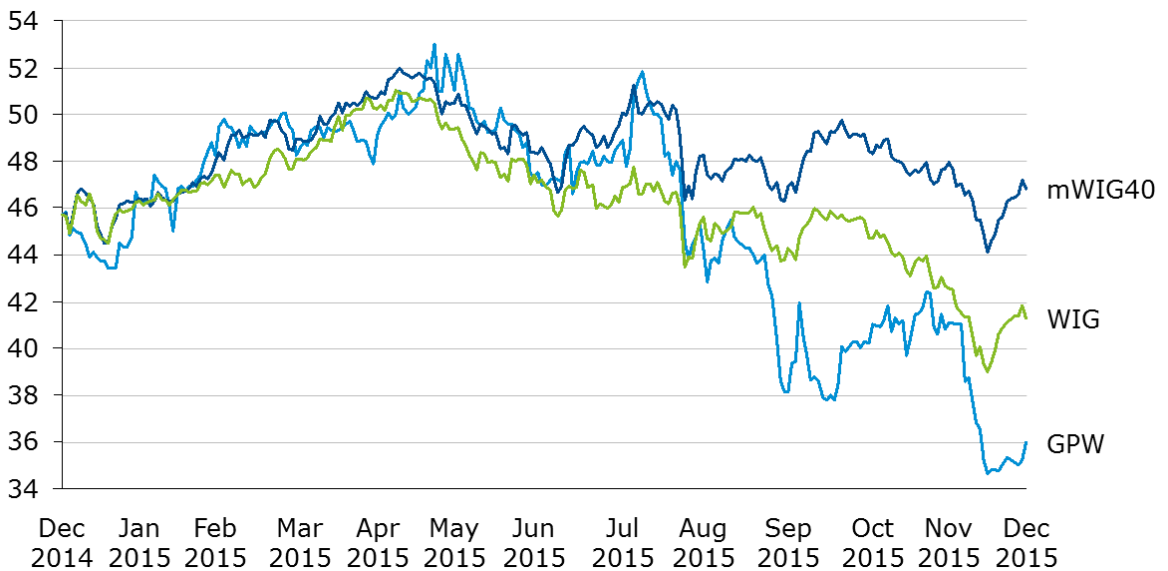


Figure 6 GPW stock price since new listing on GPW (PLN)



Table 5 Selected statistics of GPW SA stock

	2015	2014	2013	2012	2011	2010 <sup>17</sup>
Earnings per share (PLN) <sup>18</sup>	2.95	2.67	2.70	2.52	3.19	2.26
Dividend per share (PLN) <sup>19</sup>	2.40	1.20	0.78	1.44	3.21	-
Dividend yield <sup>20</sup>	4.9%	3.3%	2.0%	3.8%	6.1%	-
P/E	12.2	17.1	15.4	15.4	11.1	21.7
Maximum share price (PLN)	53.00	48.04	45.10	43.89	54.20	54.00
Minimum share price (PLN)	34.53	35.25	34.75	32.10	34.20	48.70
Share price at the end of the period (PLN)	35.95	45.70	41.50	38.87	35.25	49.00
Average (volume) weighted share price (PLN)	44.99	39.52	40.22	37.55	45.84	51.84
Return rate on shares	-21.3%	10.1%	6.8%	10.3%	-28.1%	14.0% <sup>21</sup>
Total shareholder return (TSR) <sup>22</sup>	-16.1%	13.0%	8.8%	14.4%	-21.5%	14.0% <sup>21</sup>
Number of outstanding shares (thousand)	41 972	41 972	41 972	41 972	41 972	41 972
Capitalisation (PLN million)	1 509	1 918	1 742	1 631	1 480	2 057
Free float <sup>23</sup> (PLN million)	978	1 241	1 127	1 054	948	1 313
Free float, %	64.8%	64.7%	64.7%	64.6%	64.1%	63.8%
Volume of trading (million shares) <sup>24</sup>	11.7	14.5	14.8	19.2	25.9	20.4
Value of trading (PLN million) <sup>24</sup>	526.4	571.8	596.1	720.7	1188.5	1055.7
Number of transactions (thousand) <sup>24</sup>	63.0	68.8	67.3	73.3	170.6	167.0
Average volume of trading per session (thousand) <sup>24</sup>	46.6	58.1	60.0	77.1	103.3	550.4
Average value of trading per session (PLN thousand) <sup>24</sup>	2097.4	2296.2	2413.4	2894.2	4735.0	28531.5
Average number of transactions per session <sup>24</sup>	250.9	276.0	272.6	294.2	679.8	4512.8
Velocity <sup>25</sup>	31.1%	31.2%	35.4%	46.2%	67.1%	344.8%
Price volatility <sup>26</sup>	25.3%	22.1%	24.4%	22.4%	28.8%	21.7%
Beta (v. WIG)	0.60	0.55	0.53	0.71	0.84	1.21

<sup>17</sup> GPW shares were newly listed on the Exchange on 9 November 2010

<sup>18</sup> Based on the consolidated profit attributable to the shareholders of the parent entity

<sup>19</sup> Based on last year's profit

<sup>20</sup> Dividend paid / share price at dividend record date

<sup>21</sup> In relation to the IPO price for individual investors (PLN 43.00)

<sup>22</sup> (Annual change of share price + dividend per share) / share price at the end of the previous period

<sup>23</sup> Free-float shares (excluding shares held by the State Treasury and strategic investors)

<sup>24</sup> Electronic Order Book (net of block trades)

<sup>25</sup> Value of trading (annualised for 2010) / average capitalisation at the beginning and at the end of the period

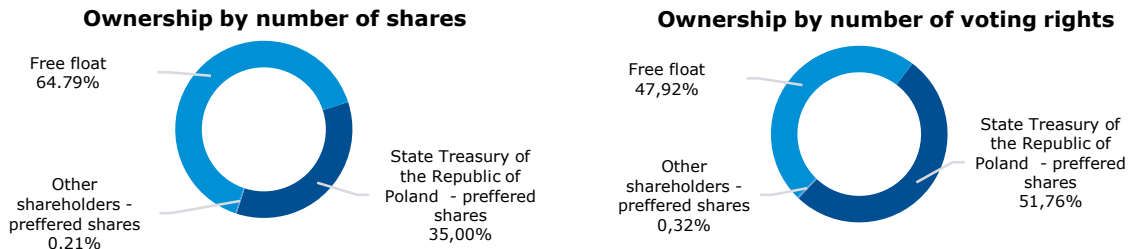
<sup>26</sup> Square root of standard deviation of daily return rates multiplied by 250



## GPW SHAREHOLDERS

The State Treasury of the Republic of Poland was the biggest shareholder of GPW and the only shareholder with a stake greater than 5% of the share capital as at 31 December 2015: it holds 14,688,470 shares representing 35.00% of all shares and 51.76% of the total vote.

Figure 7 GPW shareholders as at the end of 2015



Domestic open-ended pension funds jointly held 9.39 million GPW shares at the end of 2015, representing 22.37% of the share capital and 16.54% of the total vote. According to GPW estimates, another 10%-13% of shares were held by other domestic institutional investors (mainly investment funds), 10%-12% directly by domestic individual investors, and 19%-22% by foreign investors.

## DIVIDEND FOR GPW SHAREHOLDERS

According to the current strategy of the GPW Management Board to recommend that the General Meeting pay dividend depending on the profitability and the financial capacity of GPW, above 60% of the GPW Group's consolidated net profit of the GPW Group 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, when approving the dividend policy, the GPW Management Board announced its intention to recommend that the General Meeting pay dividend for 2015 at PLN 2.60 per share gross; at the share price at the end of 2015, the dividend yield would be 7.2%.

*Since its new listing, GPW has annually paid a dividend to the shareholders. The total dividend paid has been PLN 9.03 per share. The pay-out ratio was close to 90% of the consolidated profit in the last year.*

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

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

### Dividend paid in 2015

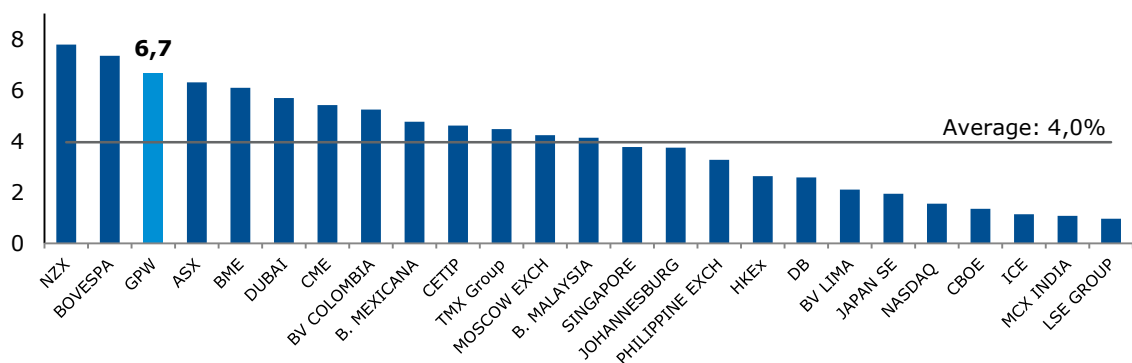
GPW has paid the owners a dividend for each year since the company went public. On 4 August 2015, the Company paid PLN 100.7 million of dividend, including PLN 52.9 million from the 2014 profit and PLN 47.8 million from the capital reserve. The dividend of PLN 2.4 per share was paid to GPW shareholders who held shares at 15 July 2015 (record date). The dividend yield at the closing price on the record date was 4.93%.

Table 6 GPW dividend from profits in 2010-2014

Year for which dividend was paid	Dividend paid (PLN'000)	Dividend per share (PLN)	Dividend pay-out ratio <sup>27</sup>	Dividend yield <sup>28</sup>	Dividend record date	Dividend payment date
2014	100 733	2.40	89.88%	4.93%	15.07.2015	04.08.2015
2013	50 366	1.20	44.45%	3.31%	07.08.2014	26.08.2014
2012	32 738	0.78	30.95%	2.03%	12.07.2013	26.07.2013
2011	60 440	1.44	45.19%	3.84%	06.07.2012	20.07.2012
2010	134 730	3.21	142.28%	6.05%	12.07.2011	27.07.2011

GPW is one of the leading exchanges as measured by the dividend yield for 2015.

Figure 8 GPW dividend yields in 2015 r. v. other exchanges (%) <sup>29</sup>



Source: Bloomberg

## DIALOGUE WITH SHAREHOLDERS AND INVESTORS

GPW aspires to comply with the highest standards of investor communications as it considers its presence on the capital market to be a part of a long-term growth strategy. Pursuant to the investor relations policy approved in January 2015, GPW develops long-term professional relations with all participants of the capital markets and ensures active communications and equal access to information for all investor groups. In 2015, GPW took a number of initiatives and applied a broad range of tools in its on-going communications with the shareholders, investors and analysts, including:

- ◆ presentations of the financial results after the end of each quarter at meetings of the GPW Management Board with capital market analysts (broadcast live online);
- ◆ participation in seven conferences dedicated to institutional investors in Poland and abroad;
- ◆ organisation of Investor Days combined with the presentation of the Q3 2014 financial results and the presentation of the updated strategy of the GPW Group (broadcast live online);
- ◆ close to 140 one-on-one and group meetings and other contacts with representatives of domestic and international institutional investors;
- ◆ participation in the Polish Capital Markets Days: a series of conferences co-organised by GPW in London, New York and Paris;
- ◆ organisation of an open doors day for domestic institutional investors at the GPW premises;

***GPW's investor relations aim at proactive open communications with the capital market ensuring equal access to information for all interested parties***

<sup>27</sup> Based on the consolidated profit attributable to the shareholders of the parent entity

<sup>28</sup> At the share price as at the dividend record date

<sup>29</sup> Dividend yield as the sum of gross dividend paid in 2015 to the share price as at 31 December 2015

- ♦ participation in two conferences dedicated to individual investors in Poland;
- ♦ interactive 2014 annual report available on the Company's website.

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).

The corporate website is an important part of the Company's open communications. The Investor Relations section regularly provides information relevant to investors and shareholders including the current financial results, investor presentations, dates of events, video recordings of quarterly conferences and the General Meeting, news. GPW also provides an IR newsletter in order to communicate current corporate news.

In 2015, GPW was one of three companies in the finals of the "WIG50 Polish Company"<sup>30</sup> category of the eighth edition of the Golden Website contest organised by the Association of Listed Companies (SEG).

## GPW BONDS ON THE EXCHANGE

On 6 October 2015, GPW issued PLN 125 million of seven-year unsecured series C bonds maturing on 6 October 2022. The bonds have been listed since December 2015 in the alternative trading system operated by GPW and BondSpot. Interest is fixed at 3.19% p.a. and paid semi-annually. At the date of issue, the interest rate was the lowest of all long-term fixed-coupon PLN corporate bonds listed on Catalyst. The cash raised in the issue of the series C bonds was used to redeem part of series A and B bonds.

*With the issue of series C bonds, GPW has ensured a stable attractive cost of financing for part of its debt. The bonds were placed at a very low margin against Treasury bonds*

Series A and series B bonds have been traded on the GPW regulated market and in the BondSpot alternative trading system since 2012. The bonds were issued at the turn of 2011 to 2012 in a total amount of PLN 245 million, of which GPW redeemed PLN 124.5 million at PLN 101.20 per bond in October 2012. PLN 120.5 million of bonds remained in trading. GPW's series A and B bonds assimilated under a single ISIN code are unsecured floating-rate bonds. Interest is fixed within six-month interest periods at WIBOR 6M plus a margin of 117 basis points. The interest rate on the bonds was 3.22% in H1 2015 and 2.96% in H2 2015. In 2015, the GPW bond price ranged from PLN 100.40 on 21 December 2015 to PLN 101.60 on 28 September 2015.

Table 7 Interest on GPW series A and B bonds

Interest period	Interest payment date	Interest paid (per bond)	Interest rate in the period
I	2 July 2012	3.21	6.17%
II	31 December 2012	3.18	6.31%
III	1 July 2013	2.62	5.29%
IV	31 December 2013	1.95	3.87%
V	30 June 2014	1.93	3.89%
VI	31 December 2014	1.95	3.87%
VII	30 June 2015	1.60	3.22%
VIII	31 December 2015	1.49	2.96%
IX	30 June 2016	1.47 <sup>31</sup>	2.94%

Interest on series C GPW bonds at PLN 1.60 will be first paid on 6 April 2016 for the first interest period.

<sup>30</sup> GPW discontinued the calculation and publication of the WIG50 index as of the beginning of 2015

<sup>31</sup> Interest for the IX interest period will be paid to GPW bondholders on 30 June 2016

## II. ACTIVITY OF THE GPW GROUP

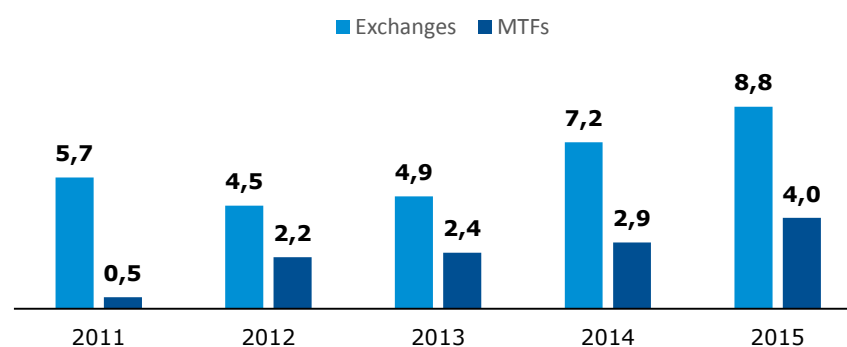
### II. 1. Market Environment

#### FINANCIAL MARKET

The global capital market is increasingly impacted by regulatory changes introduced to the legal system of the European Union and the United States. The overarching objective is to improve security for investors and enhance supervision of the capital market, to liberalise the exchange industry and make it more competitive. The EU regulations include MiFID<sup>32</sup>, which took effect in 2007, and EMIR<sup>33</sup>, effective as of August 2012. The European exchange industry will soon be largely impacted by MiFID II, which is now expected to take effect in January 2018 following transposition to national law and enactment of implementing regulations. The new legislation includes MiFID II and MiFIR. The Regulation defines among others the requirements for the publication of data on pre/post-trade transparency and exemptions from the publication obligation. MiFID II modifies the detailed requirements for the provision of investment services, the organisational requirements for investment firms and trading systems, providers of market data services, and access rights of supervision authorities.

Competition of financial instrument trading venues has largely increased as a result of on-going liberalisation of the exchange industry over the past few years. Operators of regulated markets compete for new issuers, investors, liquidity and trade. Another challenge for exchanges is posed by OTC markets<sup>34</sup> and multilateral trading facilities (MTF). They offer trade in the same stocks as those listed on traditional exchanges combined with very short lead times for the execution of orders as well as low trading fees. Some MTFs have been licensed as exchanges. MTFs established under MiFID after 2008 accounted for more than 31% of European trade in equities on the electronic order book in 2015.

Figure 9 Comparison of trade in shares in Europe on exchanges and MTFs<sup>35</sup> (EUR trillion)



Source: FESE

#### IPO Market

According to the IPO Watch Europe report, the total value of initial public offerings (IPO) in Europe was EUR 57.4 billion in 2015, representing an increase of nearly 16% year on year. The IPO market was the strongest since the global financial crisis began. There were 364 IPOs in Europe in 2015, a moderate decrease year on year (376 IPOs in 2014). The biggest number of IPOs took place on the London Stock Exchange, which also boasted the highest value of IPOs (92 IPOs in an aggregate amount of EUR 16.4

<sup>32</sup> 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)

<sup>33</sup> 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)

<sup>34</sup> OTC (over the counter) market, where trade is made directly between market participants without the mediation of a securities exchange

<sup>35</sup> MTFs and exchanges originating from MTFs (in particular: BATS Europe, Turquoise, Burgundy, NYSE Arca Europe)

billion). The second largest value of IPOs took place on the Spanish stock exchange (24 IPOs in an aggregate amount of EUR 7.8 billion). Europe’s second market by the number of IPOs in 2015 was the Swedish exchange operated by Nasdaq: 72 IPOs in an aggregate amount of EUR 5.2 billion. It was followed closely by GPW, which has for years been a top European exchange by the number of IPOs.

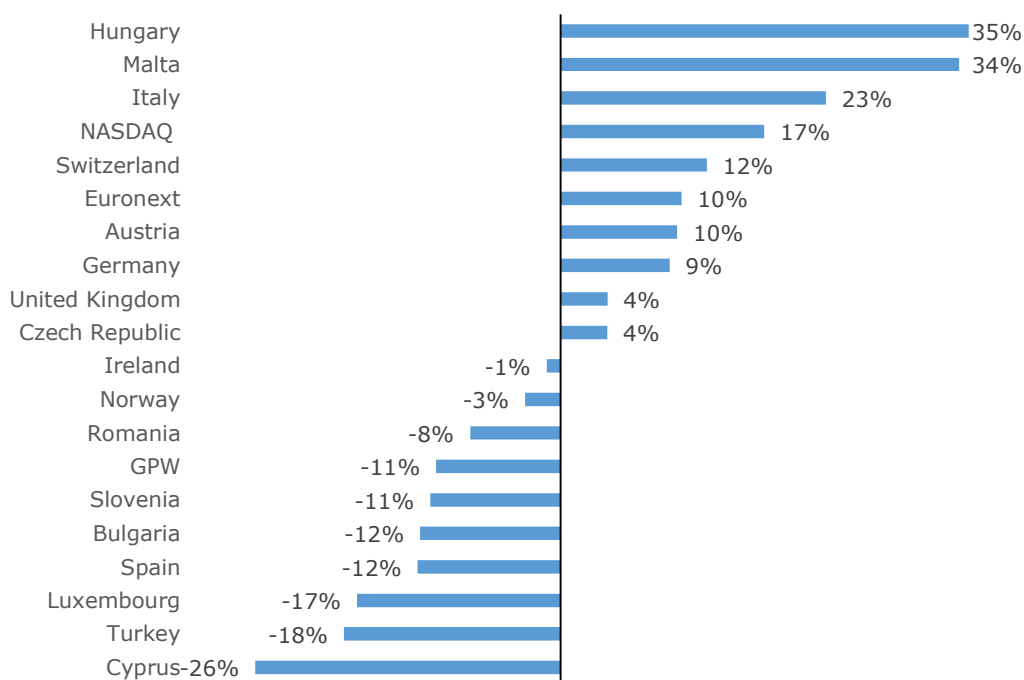
There were 33 IPOs on GPW in 2015 (including 14 IPOs on the Main Market and 19 IPOs on NewConnect), representing a moderate decrease year on year (down by 2 IPOs). The aggregate value of IPOs was EUR 440 million, an increase of EUR 127 million year on year, mainly driven by successful IPOs early in the year. The biggest IPOs in Warsaw in 2015 included the IPOs of Uniwheels (EUR 126 million), Wirtualna Polska (EUR 74 million) and Idea Bank (EUR 62 million). The size of the IPOs in Warsaw in 2015 reflected the specificity of the Polish market dominated by small and medium-sized companies. In previous years, GPW ranked higher in the IPO Watch report in view of large privatisation offerings on the exchange.

### Capitalisation of Stock Markets

The activity of investors on the GPW markets in 2015 was largely impacted by the difficult and very demanding market environment, as demonstrated mainly by a sharp decrease of the capitalisation of GPW listed domestic companies. Their capitalisation dropped by PLN 74.4 billion, or 12.6%, year on year. The biggest year-on-year decrease of capitalisation on GPW was reported in the banking sector (down by PLN 54.9 billion), the energy industry (down by PLN 22.1 billion), and the insurance sector (down by PLN 12.6 billion). The biggest increase of capitalisation in 2015 was reported by the fuel industry (up by PLN 14.0 billion).

The capitalisation of European exchanges was PLN 12.3 trillion at the end of 2015 (source: FESE, LSEG), representing an increase of 1.7% year on year. The biggest European exchanges (LSE, Euronext, Deutsche Boerse, SIX Swiss and NASDAQ) saw an increase in the capitalisation of listed domestic companies by several or a dozen percent. The capitalisation decreased on the stock exchanges in Madrid (down by 12.2% YoY) and Istanbul (down by 18.5%).

Figure 10 Change in capitalisation of domestic companies on European exchanges in 2015



Source: FESE (based on EUR data), LSEG

The total capitalisation of all stock exchanges around the world decreased in 2015 for the first time since 2011 to US\$ 67.0 trillion at the end of 2015 (a decrease of 1.3% year on year; source: WFE). The biggest

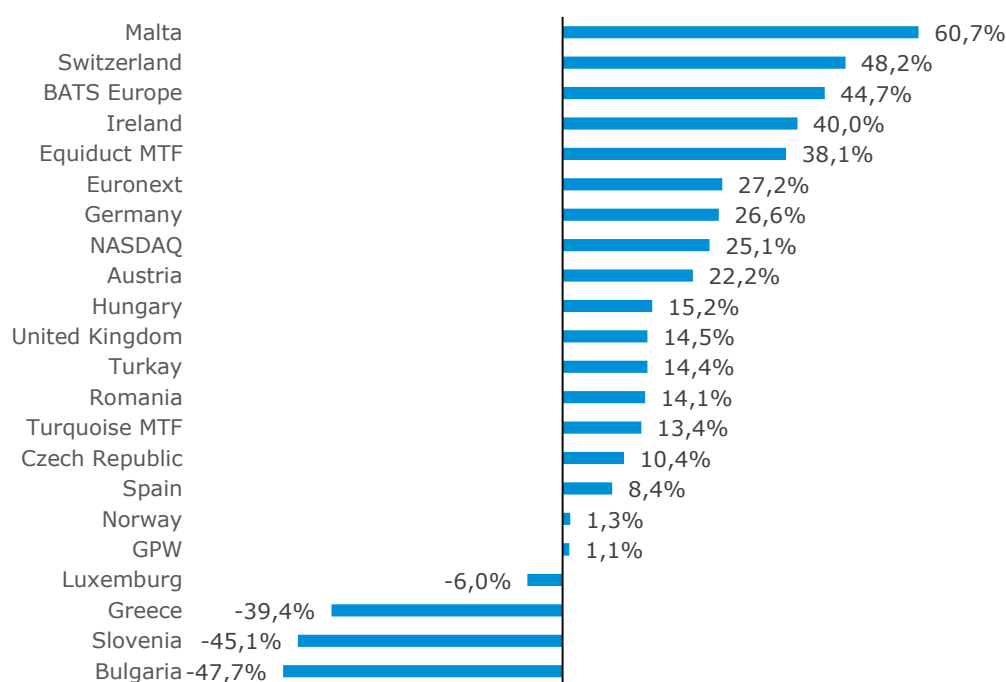
decrease of capitalisation by 7.7% YoY was reported on American exchanges whose share in the total capitalisation of the global exchanges was 41.7% at the end of 2015. Exchanges in Asia and the Pacific reported an increase of capitalisation to US\$ 23.1 trillion at the end of 2015 (up by 9.8% YoY). The world's biggest exchange was NYSE with a capitalisation of domestic companies at US\$ 17.8 trillion at the end of 2015, followed by NASDAQ (capitalisation at US\$ 7.3 trillion), the Japan Stock Exchange (US\$ 4.9 trillion), Shanghai SE (US\$ 4.5 trillion), Shenzhen SE (US\$ 3.6 trillion) and Euronext (US\$ 3.3 trillion).

### Equity Trade

According to WFE, the total value of trading in shares of domestic companies on the Electronic Order Book was US\$ 113.7 trillion globally in 2015, an increase of 40.6% year on year, mainly driven by a sharp increase in the value of trading on Asian stock exchanges (up by 126.9%). American exchanges also reported year-on-year growth (up by 5.6%).

The value of trade in shares on the Electronic Order Book on European exchanges was EUR 8.8 trillion in 2015, an increase of 21.4% year on year. Compared to other trading venues, GPW reported a moderate decrease year on year, mainly due to a relatively sharp decrease of the capitalisation of listed companies compared to other European exchanges.

Figure 11 Change of the value of trade in shares on European exchanges and MTFs in 2015



Source: FESE (based on EUR data), LSEG

## COMMODITY 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, TGE aspires to be one of the major exchanges. The strategy and action plans of the GPW Group follow the framework proposed by the

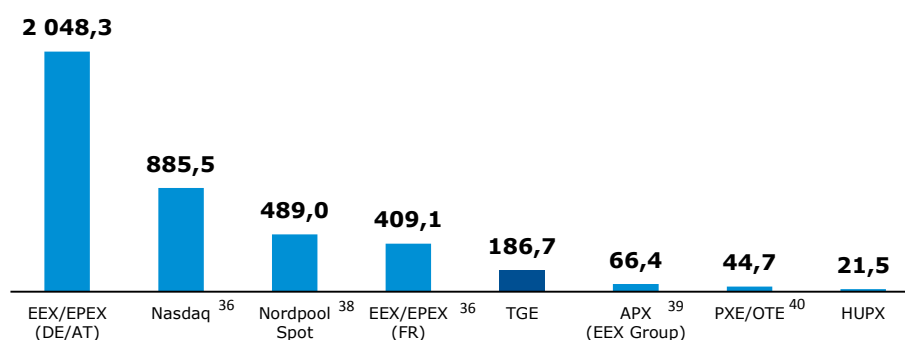
European Commission and the European Council including implementing measures of the European internal energy market and regional markets. The Agency for the Co-operation of Energy Regulators (ACER) launched in March 2011 works together with national energy regulators to initiate changes in the models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

Integration of the European energy market is underway. 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. 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.

### Energy Market in Europe

The volume of trade in electricity on TGE positions the Polish exchange as one of the largest players in the region and a major player in Europe. Considering that the products offered on TGE come from the Polish market alone while other European exchanges combine the volume of trade from many countries, the volume of trade on TGE confirms its strong and stable position in Europe. The total volume of trade in electricity was 186.7 TWh in 2015, a decrease of 0.1% year on year.

Figure 12 Volume of trade in electricity on European exchanges in 2015 (TWh)



Source: Zajdler Energy Lawyers & Consultants based on exchange data.

Liquidity on the energy markets in Central and Eastern Europe has been rising dynamically, mainly due to an early phase of development compared to the fully mature German and Scandinavian markets. The high growth rate favours the convergence of CEE exchanges and the exchanges of Northern and Western Europe. Liquidity on TGE in 2015 was second only to the German-Austrian and Scandinavian markets.

<sup>36</sup> With its international presence in many European countries, EPEX Group has been split into markets. The Group's total turnover on all markets in 2015 was 3,061.5 TWh

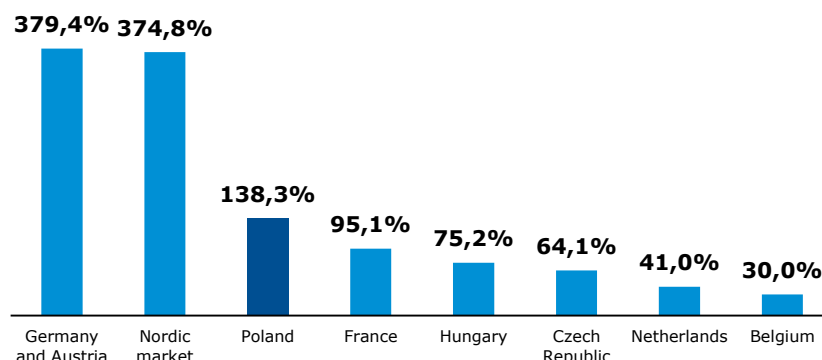
<sup>37</sup> Nordic and German markets

<sup>38</sup> Turnover including N2EX (UK)

<sup>39</sup> Following changes to ownership and organisation, APX is presented as the sum of the Netherlands and Belgium markets

<sup>40</sup> PXE joined the EEX Group at 20.01.2016. Data for the Czech spot market (OTE) and PXE markets.

Figure 13 Liquidity of electricity markets in 2015<sup>41</sup>

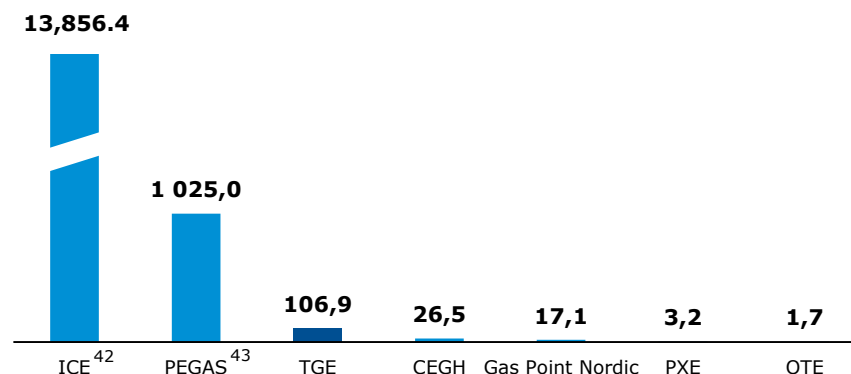


Source: Zajdler Energy Lawyers & Consultants based on exchange data. Consumption according to Enerdata and statistical offices.

### Gas Market in Europe

The liquidity of the gas market in Poland has grown sharply since mid-2014, supported by the statutory requirement to sell a proportion of gas on the exchange.

Figure 14 Volume of trade on European natural gas markets in 2015 (TWh)



Source: Zajdler Energy Lawyers & Consultants based on exchange data.

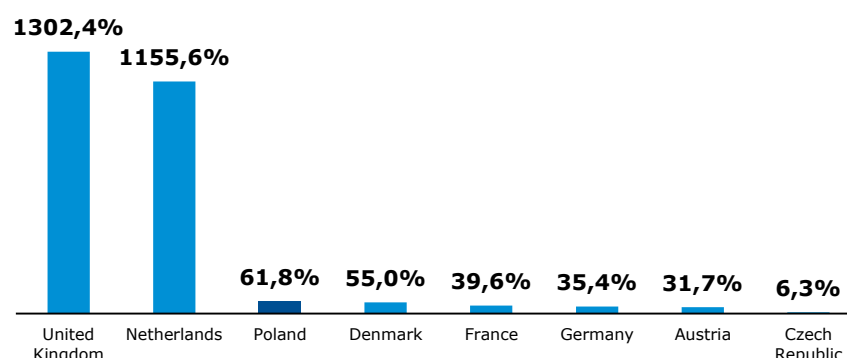
The liquidity of the Polish gas market in 2015 positioned TGE as a top three market as measured by the rate of turnover to consumption. The UK market has traditionally been the best developed gas market in the European Union, followed by the Netherlands; now Poland ranks third, ahead of large economies such as Germany and France.

<sup>41</sup> Turnover on the exchange (spot + forward) to consumption. Consumption data for 2014. Due to modifications of EEX's presentation methodology (OTC cleared by the exchange included in the volume), the data are not directly comparable with 2014. Data for the Scandinavian market include Norway, Sweden, Denmark, Estonia and Latvia. Data for the German-Austrian market based on EEX/EPEX and Nasdaq OMX volumes. In view of the high volume of Hungarian contracts on PXE, these are shown under the Hungarian market. Netherlands and Belgium turnover based on APX data for those markets

<sup>42</sup> Data for UK and Netherlands markets. US data not included

<sup>43</sup> Data for all PEGAS markets



Figure 15 Liquidity of gas markets in 2015<sup>44</sup>

Source: Zajdler Energy Lawyers & Consultants based on exchange data. Consumption according to Eurogas.org

## II. 2. Mission and Strategy of the GPW Group

The main objective of the GPW.2020 strategy published and pursued by the GPW Group since October 2014 is to make GPW a stock exchange of first choice for investors and issuers in Central and Eastern Europe.

GPW operates on the assumption that it plays an important role in the economy: it provides growth capital to companies and local governments, thus supporting national growth by creating new jobs, fostering innovation, and raising the standards for public companies. Pursuant to its current strategy, GPW focuses on this role to address the needs of Polish companies and local governments with a full range of available instruments tailored for both large and small market players active in all sectors. This is based on state-of-the-art technology, in compliance with the highest standards, ensuring security of trade on the markets operated by the Group, including the appropriate liquidity of traded instruments, as well as a broad range of products and services.

The GPW Group pursues its strategy through comprehensive development and utilisation of available skills and resources. This is supported by efforts focused on further operational integration of the GPW Group including the consolidation of processes and procedures, the establishment of a shared services centre, and the optimisation of real estate.

*The mission of the GPW 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*

<sup>44</sup> Turnover on the exchange (spot + forward) to consumption. Consumption data for 2014. Data for the Netherlands market based on ICE and PEGAS. Data for other markets based on PEGAS (France, Germany), ICE (UK), TGE (Poland), CEGH (Austria), Gas Point Nordic (Denmark), PXE and OTE (Czech Republic). 2015 data for Hungary not available

**GPW supports economic growth and builds an investment culture. GPW develops an international capital hub and ensures highest standards and safety of trading based world-class technologies. As a team of professionals, GPW conducts an integrated, effective business geared to growth**

In addition, the strategy GPW.2020 provides for improved cost efficiency. A savings programme has been put in place covering such cost lines as rent, IT services, and external service charges. Generated savings are consistently allocated to support investments and the areas with the greatest potential of growth, enabling GPW to better align with the demanding environment. The Exchange is monitoring the environment on an on-going basis and modifies its strategy depending on changes in the environment.

According to the GPW.2020 strategy, the growth of the GPW 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;
- ◆ new business segments opened based on existing **competences of the Group.**

**Chart 3 GPW’s key strategic initiatives, strategy GPW.2020**

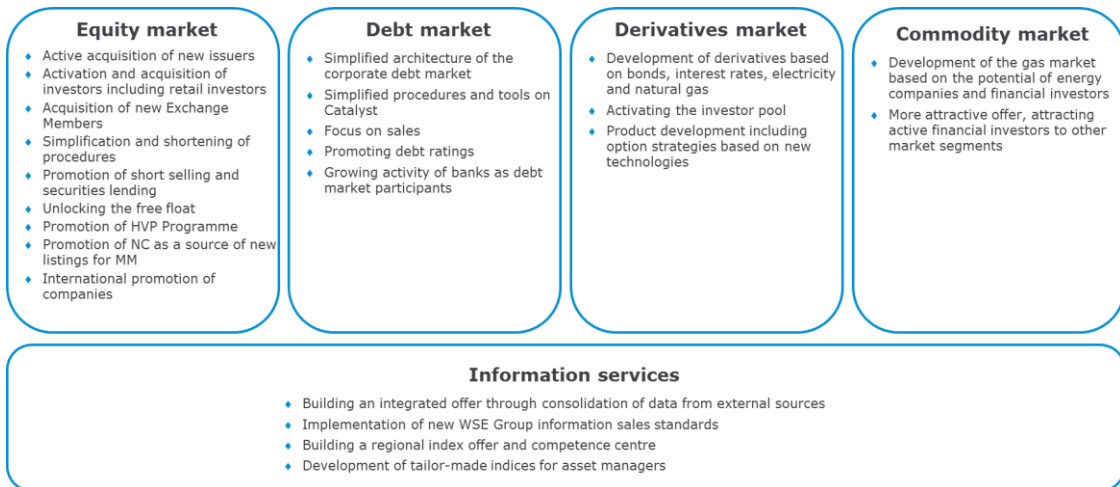


Chart 4 Key aspirations of the GPW Group by 2020

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

## II. 3. Implementation of the GPW Group Strategy in 2015

The GPW Group takes active efforts to unlock the full potential and grow its core markets in equities, debt, derivatives, commodities, and information services. The main objectives include the reinforcement of the key business segments of the exchange and the development of those areas where GPW has a competitive advantage and can effectively use the potential of its employees and assets. This section presents the key initiatives under the GPW.2020 strategy implemented in 2015 which help to grow the Group.

### Technology and security

- ◆ **100 percent availability of GPW's trading system** – 100 percent availability of services provided by the GPW trading system was maintained in 2015, similar to 2014 (availability is understood as the ability to place orders, execute trades, set prices and publish market data).
- ◆ **Colocation service** – in H2 2015, GPW initiated work to re-launch the colocation service. The decision to offer the service addressed interest of several clients. In the service, the Exchange provides physical space and allows clients to install hardware and software in direct proximity to GPW's trading system (UTP). The main benefit of the service for clients is minimum latency when placing orders or downloading market data. The technology of the colocation service to be offered by GPW as of Q1 2016 conforms to the standards of the biggest global exchanges. The objective of the service launch is to expand the offered access to the GPW markets in order to improve the liquidity of financial instruments.
- ◆ **TGE trading system** – on 8 January 2015, the Polish Power Exchange and Nasdaq extended the co-operation agreement to 2020 and confirmed that TGE will use the X-stream Trading Technology. The new technology will equip TGE with enhanced functionalities, enabling TGE to support steadily rising trading volumes and add more commodities and derivatives to its offer in the future. The agreement also allows TGE to use SAPRI, Nasdaq's energy auction platform, as the Polish Power Exchange prepares to take part in European cross-border energy auctions in the PCR (Price Coupling of Regions).

- ◆ **Risk Management Access (RMA) application** – Risk Management Access (RMA), a solution developed and implemented by GPW and provided to KDPW\_CCP, is available to GPW market participants since mid-August 2015. With the RMA application, each Clearing Member (including Exchange Members who hold the status and provide clearing services) can among others directly define the maximum limit of the value of orders placed by the Exchange Members whose trades it clears. Defined on an on-going basis, these parameters improve the efficiency of risk management, which helps to enhance market security. In addition to the filter configuration functionalities, the RMA application also offers the Kill Switch option to block the function of placing orders of an Exchange Member and cancel the Member's active orders on the order book.

### Equity market

- ◆ **Reduction of transaction fees** – in December 2015, GPW decided to reduce the fees charged on all orders for trade in shares, rights to shares and ETF units in the order amount up to PLN 100 thousand (from 0.033% to 0.029%). The fee reduction is available since 1 January 2016 for an undetermined period on the Main Market and NewConnect. GPW decided to reduce the transaction fees in reaction to changes in the capital market supervision financing system.
- ◆ **49 new listings** on the two stock markets (including 13 companies which transferred from NewConnect to the Main Market) and took further measures to promote the exchange as a venue of raising growth capital for companies and local governments:
  - ✓ “Capital for Growth” programme – a series of 16 meetings in Poland's biggest cities in 2015, addressed to companies and local governments, promoting the role of the financial markets in raising capital for projects supported by EU funds in order to encourage companies and local governments to raise growth capital on the exchange. The events were attended by more than 1,200 participants.
- ◆ **Liquidity of the Main Market in shares as measured by velocity increased to 36.7% in 2015 (34.7% in 2014) mainly as a result of:**
  - ✓ acquisition of new clients: exchange members, market makers, and participants of liquidity support programmes (HVP and HVF);
  - ✓ continuation of trading fee promotion programmes;
  - ✓ focused efforts to promote the Polish capital market and companies listed on the Warsaw Stock Exchange through a series of international investor conferences “Polish Capital Markets Days”.
- ◆ **NewConnect 2.0 Programme** – in May 2015, GPW announced the NewConnect 2.0 programme designed to activate the NewConnect market community in order to enhance the security and transparency of GPW's alternative stock market. One of the pillars of the programme is the creation of an Authorised Advisers Board. Its responsibilities include to put forth proposed directions of development of the Alternative Trading System, to define guidelines for the activity of Authorised Advisers, and to issue opinions on amendments to laws and regulations concerning the organisation of the market. In December 2015, GPW introduced a new market practice on NewConnect to enhance the transparency of the process of introduction of companies to the alternative trading system. The rules of setting the date of the new listing and the method of GPW's publication of information on submitted applications and information documents were amended. The modification was designed to improve the availability of information about issuers before their shares are first listed, and to activate investors.
- ◆ **New Best Practice for GPW Listed Companies** – on 13 October 2015, the Exchange Supervisory Board approved the new corporate governance code entitled “Best Practice of GPW Listed Companies 2016”. The new code took effect on 1 January 2016. The new document clarified a number of existing rules and imposed stricter requirements in selected key areas of corporate governance. At the same time, it followed the principle of adequacy by aligning the rules with the ability of companies of different sizes to ensure compliance. The document also included issues previously not covered by the corporate governance rules. All of the amendments to the Best Practice ensured continuation of the issues covered by the previous versions of the code.

- ◆ **High Volume Funds Programme** – on 1 July 2015, GPW launched High Volume Funds (HVF), the second liquidity support programme after the High Volume Provider (HVP) Programme, addressed to investment funds which actively trade in shares or derivatives on GPW. Similar to HVP, it is a fee promotion for those funds which generate daily trade in shares exceeding PLN 5 million or 150 futures and options. The velocity ratio of a fund, calculated as the generated turnover to the fund's net asset value, is required to be at least 200 percent per month.

#### Debt market

- ◆ **The number of new issues of non-Treasury debt in 2015: 23 issues, including 6 issues exceeding PLN 100 million each.**
- ◆ **Catalyst reform** – as part of efforts designed to create an optimum operating model of Catalyst, solutions applied in Europe were reviewed and consultations with market participants were carried out. It is now an objective of GPW to simplify the Catalyst market structure by 2016 by separating two segments: the Treasury debt segment and the non-Treasury debt segment.

#### Derivatives market

- ◆ **CFTC authorisation** – after nearly three years of efforts, GPW was certified in 2015 by the US Commodity Futures Trading Commission (CFTC). As a result, WIG20 futures can be offered to US investors. GPW was CFTC certified in May 2015.
- ◆ **High Volume Funds Programme** – see the section on the equity market.
- ◆ **Banks on GPW** – GPW took active part in the drafting of regulations facilitating the access of banks to the exchange market. As a result, an Act of Parliament effective as of 1 November 2015 allows banks, without a separate brokerage licence, to operate directly on the regulated market on own account to the extent of debt instruments and debt, currency and interest rate derivatives.
- ◆ **New single-stock futures** – on 3 December 2015, to address investor interest, GPW introduced to trading six new classes of futures on stocks: Bank Millennium, Bank Zachodni WBK, Cyfrowy Polsat, CCC, Enea, Energa. Following the addition of the new instruments, GPW listed 27 single-stock futures.

#### Commodity market

- ◆ **TGE Financial Instruments Market** – on 4 November 2015, TGE opened the Financial Instruments Market which offers trade in futures on the electricity price index TGe24 determined on the Day-Ahead Market. The electricity futures market offers trade in standardised futures on prices of energy to be delivered in the future. It is a platform of hedging against price risk without taking a position on the physical market, open to energy producers, traders and customers.
- ◆ **Building up liquidity of the gas market** – in 2015, TGE continued to focus on building high liquidity on the gas market. High turnover on the gas market would allow TGE to introduce gas derivatives with cash settlement and no physical delivery. In 2015, in the work of the Gas Market Committee and at dedicated seminars, TGE carried out preliminary consultations on the launch of a financial market in gas in Poland. The meetings with market participants helped to define the initial structure of natural gas futures. The structure of the instrument will be similar to derivatives available on the European gas market, where continuous quotations with physical delivery are the underlying.
- ◆ **Extended trading on TGE energy and gas markets** – as of 1 October 2015, in response to market participants' expectations, TGE extended the trading hours on the energy and gas markets (the Intra-Day Market and the Day-Ahead and Intra-Day Market in Gas). The trading session on the markets closes at 15:30.
- ◆ **TGE trading data reporting service** – on 7 October 2015, TGE launched the TGE RRM trading data reporting service. The service addresses the Regulation of the European Parliament on Energy Market

Integrity and Transparency (REMIT) which requires participants of the wholesale market in electricity and gas to report orders and transactions in those commodities on organised trading platforms.

- ◆ **Green certificates futures market** – in the final months of 2015, TGE was working to open trade in futures on property rights to certificates of origin of energy produced from renewable energy sources. TGE introduced the instruments on 12 January 2016. RES futures provide a market quote of the future price of property rights in RES and allow market participants to hedge the price and deliver property rights in the future.

#### Information services

- ◆ **TGE data** – as of 2014, GPW's offer of real-time information from GPW and BondSpot markets includes commodity market data. The number of data subscribers increased by a high 50 percent in 2015.
- ◆ **New products** – in its efforts to establish an index and indicator competence centre in 2015, GPW introduced the service of providing historical data for the testing of automatic algo trading systems. Furthermore, analyses and consultations were carried out to implement a system of calculation and publication of indices and indicators available from the GPW Group.
- ◆ **Non-display data** – in 2015, in response to rising interest of investors using automatic trading, GPW initiated the sale of non-display data (i.e., data used by applications and not displayed).

#### New business areas

- ◆ **Integration of post-trade services** – in 2015, GPW analysed potential options of integration of post-trade services in Poland and increasing GPW's exposure to the post-trade services segment.
- ◆ **Other initiatives in implementation of new business lines:**
  - ✓ **REIT (Real Estate Investments Trusts)<sup>45</sup> market** – in view of the large growth potential of the segment in Poland, GPW joined the work on the promotion of legislative amendments which would allow for REITs to be used in Poland, thus enabling local capital to have a bigger participation in income from real estate situated in Poland. The REIT market and regulatory model in selected countries were reviewed in the context of the investor potential, and a regulatory concept was developed and broadly consulted. The work is on-going.
  - ✓ **Covered bonds** – GPW actively collaborated with a group of mortgage banks to develop optimal solutions for the development of the covered bonds market in Poland, facilitating issuer decisions to have covered bonds in currencies other than PLN listed on GPW. GPW also participated in consultations of draft legislative amendments. The amendment of the Act was signed into law in July 2015 (effective as of 1 January 2016).

#### Operational effectiveness

- ◆ **Cost optimisation** – the GPW Group's operating expenses decreased by PLN 7.2 million year on year. This was driven by a cost-saving programme including administration, IT, HR, real estate, and external service charges
- ◆ **Integration of the GPW Group** – in 2015, GPW initiated a programme in the Group designed to ensure efficient and effective support of GPW Group companies in their business areas by improving the quality, standardising the methods and scope of functions, eliminating duplication of activities, adequate use of available resources, cost cutting, standardisation and simplification of the information flow. The initiated projects include among others: harmonisation of accounting and financial processes,

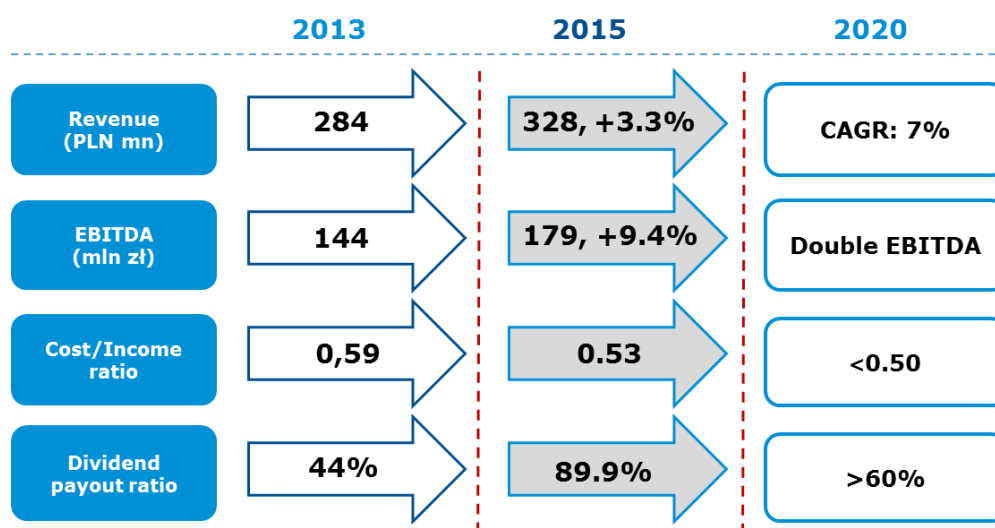
<sup>45</sup> REIT (Real Estate Investments Trusts) are special companies and funds investing in real estate; they manage a real estate portfolio to earn a fixed income from rent, and pay out most of the earnings to shareholders as dividend. Polish law does not allow for the operation of REITs and limits pension funds' investments in real estate. The global REIT market is worth US\$ 1.5 trillion, including 64% in the USA and 12% in Asia and Europe each.

harmonisation of HR and payroll processes, development of a single controlling methodology, a shared system of electronic document flows, and the Group's single corporate identity.

◆ **Optimisation of the Group's structure:**

- ✓ 80.02% of Instytut Rynku Kapitałowego - WSEResearch S.A. was sold to Polska Agencja Prasowa S.A. in October 2015;
- ✓ 100% of WSEInfoEngine S.A. (now InfoEngine S.A.) was sold to TGE in August 2015 in order to concentrate commodity market assets within the TGE Group;
- ✓ GPW increased its equity investment in BondSpot from 92.96% to 96.98%;
- ✓ the search for investors for Instytut Analiz i Ratingu continued in 2015;
- ✓ following an increase of the capital of Aquis Exchange (associate) and GPW's decision not to increase its investment in the company, GPW's stake in the economic and voting rights decreased from 30.00% to 26.33%.

Chart 5 2015 at GPW Group versus ambitions resulting from strategy



**External Drivers of the Group's Growth in 2015**

*Macroeconomic Conditions in 2015*

According to preliminary estimates of the Central Statistical Office (GUS), Poland's gross domestic product (GDP) grew by 3.6% in 2015, compared to 3.3% in 2014. The main driver of growth was domestic demand, including household consumptions and investments. Net exports made a minor positive contribution to GDP growth in 2015.

Deflation of consumer prices continued to prevail in Poland in 2015 as a result of external factors including mainly falling commodity prices on the global markets as well as the absence of demand pressure in Poland. Deflation dropped to -0.5% in December 2015 but the CPI remained well below the NBP inflation target of 2.5%.

The Monetary Policy Council (RPP) decided to cut the rates once in 2015 by 50 basis points to 1.5% in March.

The exchange rate of PLN against EUR at the end of 2015 was close to the rate at the beginning of the year; however, PLN depreciated against the US dollar and the Swiss franc. The drivers of the depreciation of the Polish currency included growing risk aversion of investors due to persistent concerns about the Chinese economy. The depreciation of PLN against CHF in early 2015 was due to the decision of the Swiss National Bank to remove the peg on the CHF against the EUR.

In late 2015, the divergence of the monetary policy of the main central banks increased. In December, the Fed increased the rates for the first time since June 2006 while the ECB continued easing by extending the assets purchase programme and reducing the deposit rate. The divergence of the central banks' policies resulted in further deterioration of EUR against USD in 2015.

The commodity prices on the global markets in 2015 continued to fall sharply, including oil prices. The main drivers of price reductions included the high production of oil by many countries, including OPEC, as well as curbed global demand for oil, among others due to the slow-down of the Chinese economy.

### *Impact of the Open-Ended 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, continued to affect the sentiment of local and international investors on GPW in 2015. In view of on-going debates around pension funds, concerns about further restrictions on their business and the resulting potential risk of a major oversupply of shares curbed the interest of investors in the Polish market and contributed to the reduction of prices of domestic stocks. The appetite of pension funds for GPW listed stocks also decreased due to smaller contributions of fund members and additional options of investing in foreign markets. The value of Polish stocks in pension fund portfolios fell by 10.1% to PLN 106.2 billion in 2015 (source: PFSA).

### *Changes in the Environment of GPW Listed Companies in Major Sectors*

The Presidential and Parliamentary electoral campaigns in 2015 opened an opportunity for a public debate on the sources of financing of the public budget and on taxation in different sectors of the economy. Announcements of a new tax on banks' assets and a turnover tax for supermarkets strongly affected the valuation of some companies listed on GPW. The valuation of companies in the energy sector was adversely impacted by concerns about potential support for the mining industry. Uncertainty about the dividend policy of State-owned companies affected the perception of such companies by local and international investors.

As a result, the capitalisation of companies decreased sharply. The biggest year-on-year decrease of capitalisation was reported in the banking sector (down by PLN 54.9 billion), the energy industry (down by PLN 22.1 billion), and the insurance sector (down by PLN 12.6 billion).

### *Weaker Investor Sentiment for Emerging Markets*

The interest of investors in emerging markets generally declined in 2015, as demonstrated by the strong net outflow of assets from the biggest global emerging markets funds at more than US\$ 62 billion.<sup>46</sup> This was the third consecutive year when the assets of emerging markets funds decreased. As a result, MSCI Emerging Markets<sup>47</sup> lost 16.96% in 2015, much more than MSCI ACWI, an index representing a broad view of the global stock markets, which was down 4.26%. MSCI Poland, calculated by MSCI Barra for Poland, lost even more: 27.21%.

<sup>46</sup> Source: EPFR Global for 57 global funds

<sup>47</sup> The index reflects the performance of emerging market exchanges (price index provided by MSCI Barra in US\$)



Figure 16 MSCI Poland in 2015 v. MSCI EM and MSCI All Country World Index<sup>48</sup>

## II. 4. Business Lines

The activity of the GPW Group focuses on two markets: the financial market and the commodity market, where Group companies organise trade in financial instruments and commodities, and offer complementary services.

### FINANCIAL MARKET

The activities of the GPW Group on the financial market include:

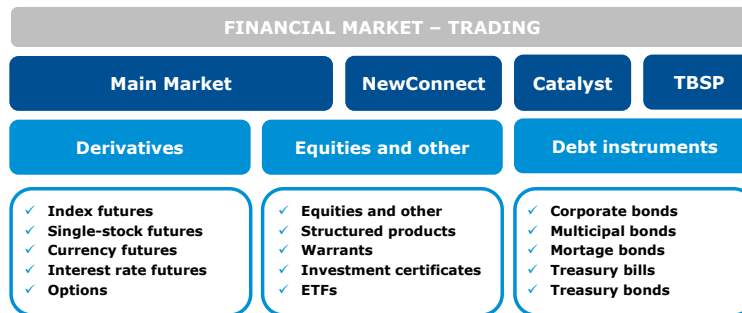
- ◆ trade in financial instruments on the regulated market and in the alternative trading system:
  - ✓ trade in shares and other equity instruments on the Main Market and on the NewConnect market,
  - ✓ trade in derivatives on the Main Market,
  - ✓ trade in debt instruments on the Catalyst market organised by GPW and BondSpot and on Treasury BondSpot Poland (TBSP),
- ◆ listing, including introduction to trading and listing of financial instruments,
- ◆ information services including data from the financial and commodity markets.

### TRADING

Trading encompasses trade in financial instruments on the Main Market and on GPW regulated markets NewConnect and Catalyst, and on Treasury BondSpot Poland.

<sup>48</sup> Source: MSCI Barra, price indices, in USD, series Standard, 31.12.2014 = 100 points (Neither MSCI, its affiliates nor any other party involved in the making or compiling of the information makes any express or implied warranties, and MSCI, its affiliates and any other party involved in the making or compiling of the information hereby expressly disclaim all warranties of merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, its affiliates or any other party involved in the making or compiling of the information have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. All MSCI indices are the exclusive property of MSCI and may not be used in any way without the express written permission of MSCI.

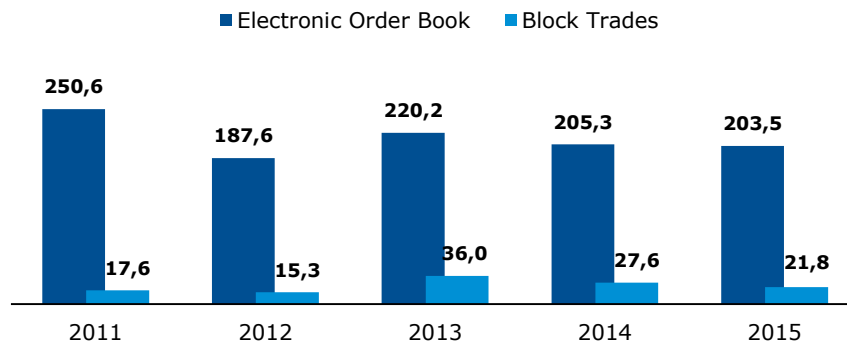
Chart 6 Financial instruments in trading on the GPW Group financial markets



Stock Market

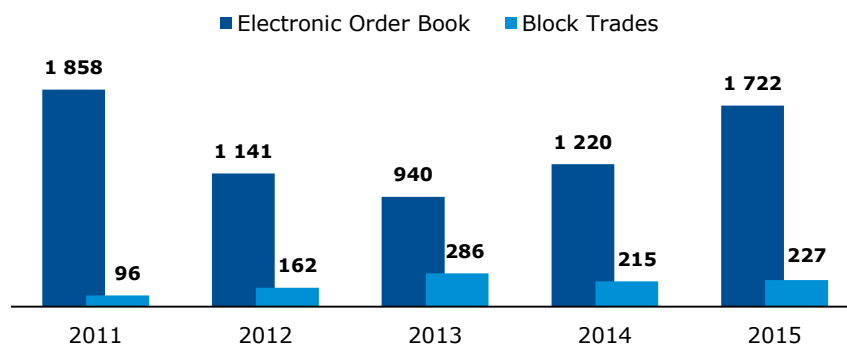
The total value of trade in shares on the Electronic Order Book (EOB) on the GPW Main Market was PLN 203.5 billion in 2014, a decrease of 0.9% year on year. The average daily value of trade was PLN 810.6 million, a decrease of 1.7% year on year. The number of transactions was 16.5 million in 2014, an increase of 19.5% year on year.

Figure 17 Value of trade in shares on the Main Market (PLN billion)



The value of trade on NewConnect increased in 2015. The value of trade in shares on the Electronic Order Book was PLN 1,722 million, an increase of 41.2% year on year; the value of block trades increased by 5.4% to PLN 227 million. The number of transactions on the Electronic Order Book was 1.1 million, an increase of 27.2% year on year.

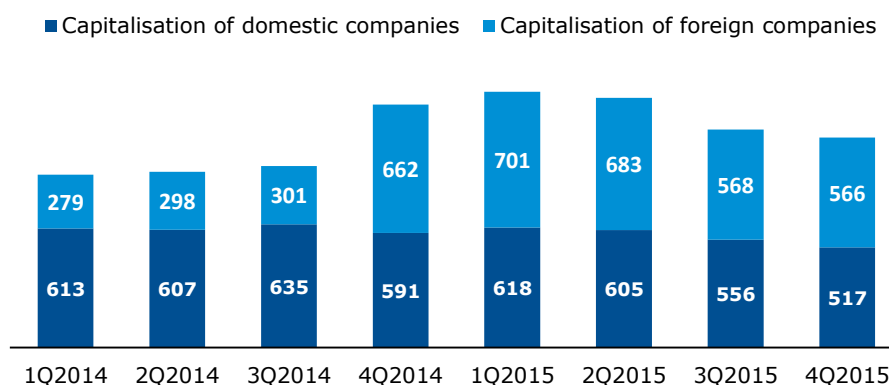
Figure 18 Value of trade in shares on NewConnect (PLN million)



The decrease of turnover in shares on the GPW markets in 2015 was driven mainly by the difficult and demanding market conditions following the decline of the capitalisation of domestic companies as of Q1

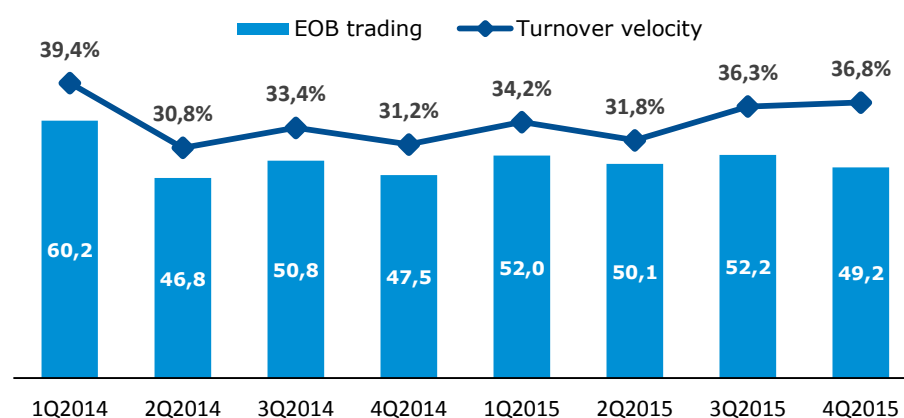
2015. The capitalisation of domestic companies listed on the Main Market was PLN 591.2 billion at the end of 2014 and PLN 516.8 billion at the end of 2015 (a decrease of 12.6%).

Figure 19 Capitalisation of domestic and foreign companies on the Main Market (PLN billion)



In spite of the sharp decrease of the valuation of GPW listed companies, turnover was not much different year on year (the value of trade in shares on the Electronic Order Book on the Main Market decreased by 0.9%) as a result of relatively strong investor activity. Velocity increased month after month in 2015 and reached 36.8% in Q4 2015, the highest level since Q1 2014.

Figure 20 Turnover in shares on the Main Market (PLN billion) and velocity (%)



This was largely driven by GPW’s focused efforts to build up liquidity by activating different groups of investors, including investors new to the Warsaw trading floor. These efforts included meetings with investors to promote small and medium-sized companies listed on GPW (the conference series Polish Capital Market Days), as well as special promotion programmes dedicated to active investors on the markets in shares and derivatives:

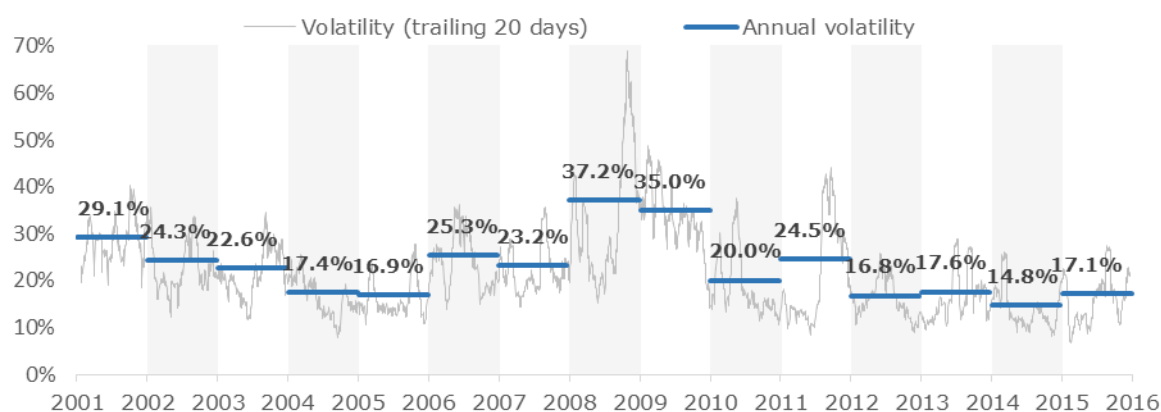
- ◆ **High Volume Provider (HVP) Programme:** the programme dedicated to entities investing only on own account was launched by GPW in November 2013 and continued until 31 October 2016. Eligible for promotion fees were investors who generate of turnover of at least PLN 5 million per session on the equity market or 150 thousand futures and options per session on the derivatives market.
- ◆ **High Volume Funds (HVF) Programme:** the programme was addressed to investment funds which actively trade in shares or derivatives on GPW. It was launched in July 2015 and continued until 30 June 2016. Similar to HVP, it is a fee promotion for those funds which generate daily trade in shares exceeding PLN 5 million or 150 futures and options. The velocity ratio of a fund, calculated as the generated turnover to the fund’s net asset value, is required to be at least 200 percent per month.

Both these programmes on the cash and derivatives markets jointly had 7 participants in 2015. There were 6 participants at the end of 2015 as one participant became a market maker on the cash market in September 2015. The participants of both programmes generated 4.5% of the value of trade in shares on the Electronic Order Book in 2015; in the best months, their share exceeded 7% of turnover and 4.5% of the volume of trade in WIG20 futures.

Furthermore, GPW acquired new exchange members and market makers on the derivatives and cash markets in 2015, which helped to improve liquidity, and completed or initiated several projects to develop the GPW infrastructure, making it more accessible to global traders.

Growing volatility also supported the stable turnover despite the demanding market conditions. After very low volatility in 2014, it improved in the last two quarters of 2015, driving the activity of investors on the exchange.

Figure 21 Annual and short-term volatility of WIG20



In addition to the trading fee promotions under the HVP and HVF programmes, GPW trading participants benefited from other fee reductions as well. The fixed fee on orders on the market in shares, rights to shares and ETF units for EOB and block trades on the two stock markets was reduced from PLN 1 to PLN 0.20 and the same fee for orders of market makers to PLN 0.05; the reductions originally introduced in January 2013 continued throughout 2015. The reduction of the fixed fee was offered for an undetermined period.

Furthermore, on 3 December 2015, the GPW Management Board decided to reduce trading fees on transactions in shares, rights to shares and ETF for all orders, in the part of the order value up to PLN 100 thousand, from 0.033% to 0.029%. The reduction applies as of 1 January 2016 for an undetermined period on the Main Market and on NewConnect. GPW decided to reduce the trading fees in view of the change of the system of financing of capital market supervision. The structure of the reduction followed from consultations of GPW with the Chamber of Brokerage Houses.

The fee on market maker transactions in shares other than WIG20 shares (small and mid-caps) was reduced to zero from 1 July 2015 to 31 December 2015. At the request of GPW, KDPW\_CCP waived market maker fees on transactions in shares other than WIG20 shares within that period. The market maker promotion was extended by GPW and KDPW\_CCP until the end of Q1 2016.

### Other Cash Market Instruments

The GPW cash market also lists structured products, investment certificates, warrants and ETF certificates.

Table 8 Number of structured products, investment certificates, ETFs and warrants

As at 31 December (#)	2015	2014	2013	2012	2011
<b>Structured products (certificates)</b>	702	744	550	327	178
<b>Structured products (bonds)</b>	0	4	7	16	28
<b>Investment certificates</b>	30	31	37	58	60
<b>ETFs</b>	3	3	3	3	3
<b>Warrants</b>	0	76	72	68	90

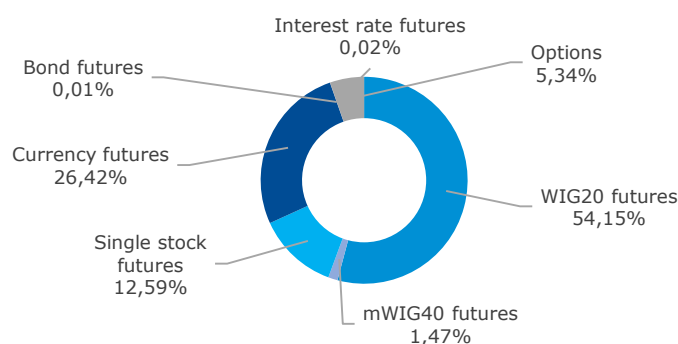
In total, GPW listed 702 structured products, 30 investment certificates and 3 ETFs at the end of 2015, and the total value of trade in these instruments was PLN 1.1 billion in 2015, an increase of 46.1% year on year. Structured products had the biggest share in total trade (66.9%), followed by ETFs (25.4%).

### Derivatives Market

The 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, representing 54.1% of the volume of trade in all derivatives in 2015 (63.7% in 2014, 65.4% in 2013, 80.1% in 2012).

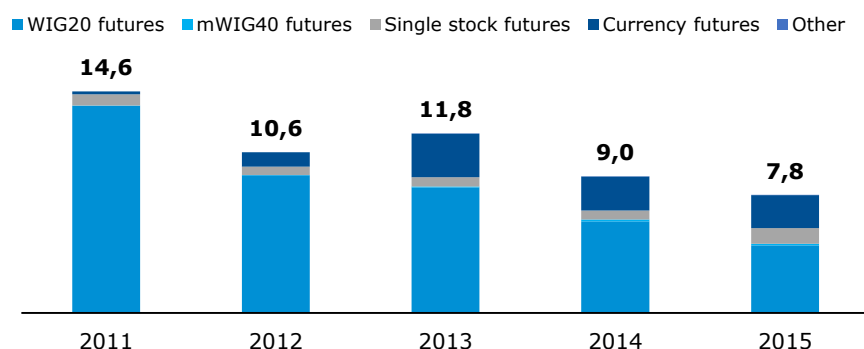
Currency futures attract growing interest of investors: they accounted for 26.4% of the total volume in 2015. Single-stock futures are also increasingly traded (12.6% of the volume in 2015). Interest of investors in single-stock futures was record-high in 2015. The volume of trade in single-stock futures was more than 1 million contracts in 2015, an increase of 78.1% year on year. GPW offers futures on the stock of 27 companies, including 6 futures introduced to trading on 3 December 2015 in order to address rising investor interest. Growing demand for these futures follows rising needs of investors who must hedge their positions in view of the falling share prices. As short-selling opportunities on GPW remain limited, single-stock futures may gain even more popularity next year.

Figure 22 Structure of volume of trade in derivatives in 2015 by category of instrument



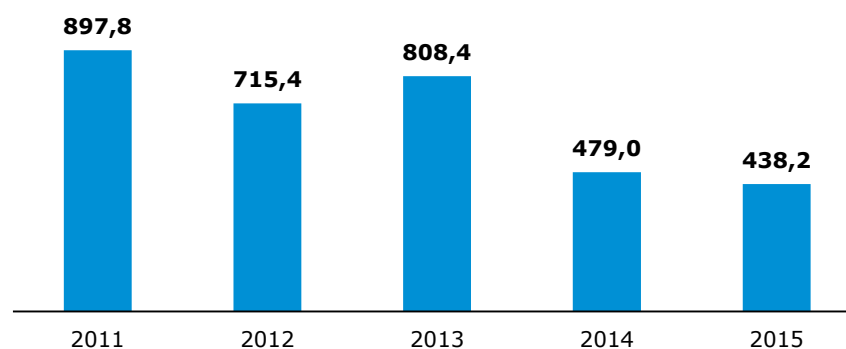
The volume of trade in WIG20 futures was 4.4 million instruments in 2015, a decrease of 26.4% year on year. As a result, the total volume of trade in derivatives was 8.2 million instruments in 2015, a decrease of 13.5% year on year. The number of open interest was 104.2 thousand as at 31 December 2015, a decrease of 24.5% year on year.

Figure 23 Volume of trade in futures, EOB and block trades, million instruments



The total volume of trade in options was 438.2 thousand instruments in 2015, a decrease of 8.5% year on year.

Figure 24 Volume of trade in options, EOB and block trades, thousand instruments



The activity of investors on the derivatives market is largely driven by the volume of trade on the underlying instrument market but it is even more sensitive to volatility than investor activity on the cash market.

Similar to the cash market, GPW supports the liquidity of trade in derivatives by offering trading fee reductions and promotions. The following promotion fees for trading in futures were available on GPW as of 1 January 2013 and throughout 2014 and 2015:

- ◆ 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.

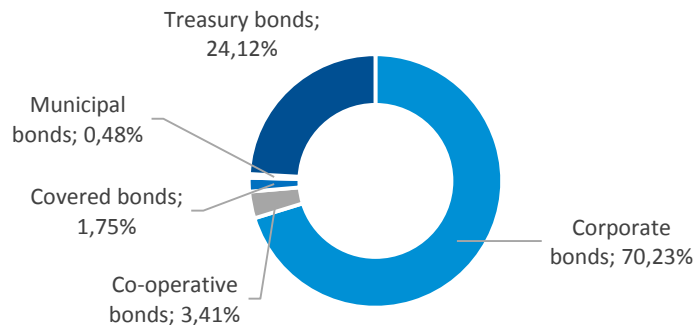
In 2015, GPW continued to offer promotions for fees on market maker trade in WIG20 futures. As a condition of the promotion, market makers needed to generate a certain volume of trade. Furthermore, the fee charged from exchange members for trade in bond futures and WIBOR futures was reduced to zero from 1 November 2014 to 31 December 2015. The promotion was extended until the end of 2016.

### Debt Market

The GPW Group offers trade in debt instruments on Catalyst, which is comprised of regulated and alternative trading systems operated on the trading platforms of GPW and BondSpot. The following instruments are traded on Catalyst:

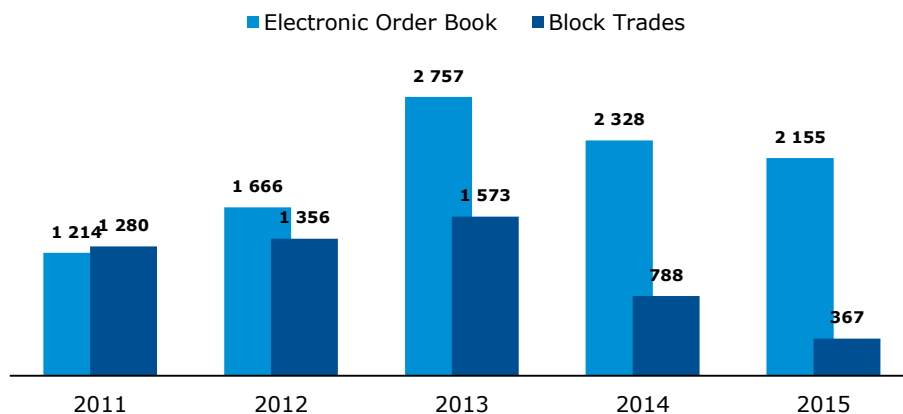
- ◆ corporate bonds;
- ◆ municipal bonds;
- ◆ co-operative bank bonds;
- ◆ covered bonds;
- ◆ Treasury bonds.

Figure 25 Structure of trade on Catalyst (EOB and block trades) in 2015 by instrument



The value of trade in non-Treasury instruments on the Electronic Order Book on the markets operated within Catalyst was PLN 1,554 million in 2015 as compared to PLN 1,728 million in 2014 (a decrease of 10.1%), and the value of block trades was PLN 359 million in 2015 as compared to PLN 776 million in 2014. The total value of trade in non-Treasury and Treasury instruments on Catalyst was PLN 2,521 million in 2015 as compared to PLN 3,116 million in 2014, representing a decrease of 19.1%.

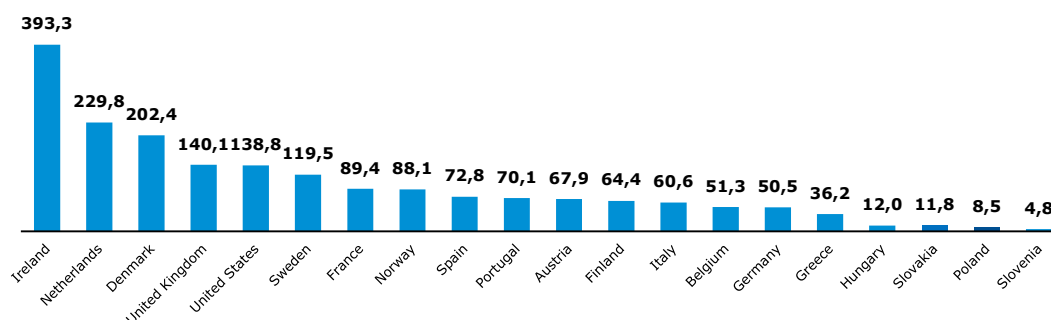
Figure 26 Value of trade on Catalyst, EOB and block trades, PLN million



According to the strategy GPW.2020 published in October 2014, the GPW Group plans to simplify the structure of the Catalyst market. Furthermore, as part of the efforts to promote new classes of instruments, GPW issued and introduced fixed-coupon bonds to trading in the GPW and BondSpot ATS.

The total debt of Polish companies and financial institutions under debt instruments (maturities above 1 year) outstanding on the local and international markets represented 8.5% of GDP at the end of 2015.

Figure 27 Outstanding bonds of financial and non-financial institutions to GDP (%)



Source: Fitch Polska (as at December 2015); other markets: Bank of International Settlements (as at June 2015, financial and non-financial institutions)<sup>49</sup>; GDP: Eurostat (2014); USA: World Bank (2014)<sup>50</sup>

Catalyst also has a growth potential created by regulatory requirements. A new law effective as of 1 November 2015 allows banks, without a separate brokerage licence, to operate directly on the regulated market on own account to the extent of debt instruments and debt, currency and interest rate derivatives. Following the pension fund reform of February 2014, funds are barred from investing in Treasury bills and other debt instruments guaranteed by the State Treasury, which turns them to the corporate bond market.

### Treasury BondSpot Poland

Treasury BondSpot Poland (TBSP) is an integral part of the Treasury Securities Dealer system in Poland, established to minimise the cost of public debt by improving liquidity, transparency and effectiveness of the Treasury securities market. TBSP includes a market of cash transactions and a market of conditional transactions.

TBSP offers trade in Treasury securities (Treasury bonds and bills). TBSP listed 31 series of Treasury bonds with a nominal value of PLN 512.1 billion at the end of 2015. No Treasury bills were traded at the end of 2015. TBSP also offers trade in EUR Treasury bonds. The market listed 14 series of EUR Treasury bonds with a nominal value of EUR 29.4 billion at the end of 2015.

In 2015, 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 three years by the Treasury Securities Dealer System and approved by the Minister of Finance). The next tender for the reference platform of secondary trading in Treasury debt took place in January 2016. As a result, TBSP will hold the status of reference platform for another three years (ending on 30 September 2019).

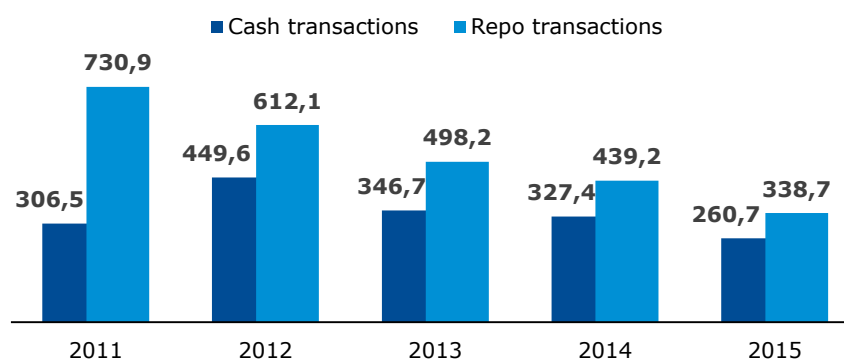
Treasury BondSpot Poland held 251 trading sessions in 2015. The total number of transactions was 19.6 thousand. The total value of trade was PLN 599.4 billion, a decrease of 21.8% year on year. The share of cash transactions and conditional transactions in total trade was 43.5% and 56.5%, respectively, in 2015.

<sup>49</sup> Converted from USD to EUR as at ECB exchange rate as at 30 June 2015

<sup>50</sup> Converted from USD to EUR as at ECB average exchange rate for 2014



Figure 28 Value of trade on Treasury BondSpot Poland (PLN billion)



The value of cash transactions in PLN instruments was PLN 260.6 billion in 2015, a decrease of 20.4% year on year. The value of conditional transactions was PLN 338.7 billion in 2015 (a decrease of 22.9% year on year). The activity of market participants was driven by both global factors and developments directly related to the Polish financial market. The local bond market was driven by global capital flows resulting from the activity of the main central banks working towards recovery of growth and prevention of deflation (on the one hand, end of easing by the Fed; on the other hand, quantitative easing measures taken by the Bank of Japan and expected easing by the ECB). This influenced bond yields and prices on the core markets, which in turn impacted the yields and prices in Poland. The yields of Polish bonds were also driven at first by rate cut expectations and then by decisions of the Monetary Policy Council (RPP). The value of trade on the bond market was largely driven by changes in the pension fund system, which ended trading in Treasury securities by this group of institutional investors. In addition, the Ministry of Finance largely limited the origination of bonds in the latter half of the year, which affected the value of trade on the secondary market.

As at the end of 2015, TBSP had 33 market participants (banks, credit institutions, investment firms), including:

- ◆ 20 market makers on the cash market, including 15 Treasury Securities Dealers;
- ◆ 6 market takers on the cash market;
- ◆ 7 institutional investors (1 on the institutional cash market, 5 on the cash and conditional market, 1 on the cash market).

### LISTING

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

GPW listed 905 companies at the end of 2015 (487 companies on the Main Market and 418 on NewConnect), including 64 foreign issuers (902 listings including 61 foreign issuers at the end of 2014).

Figure 29 Number of domestic and foreign companies – Main Market

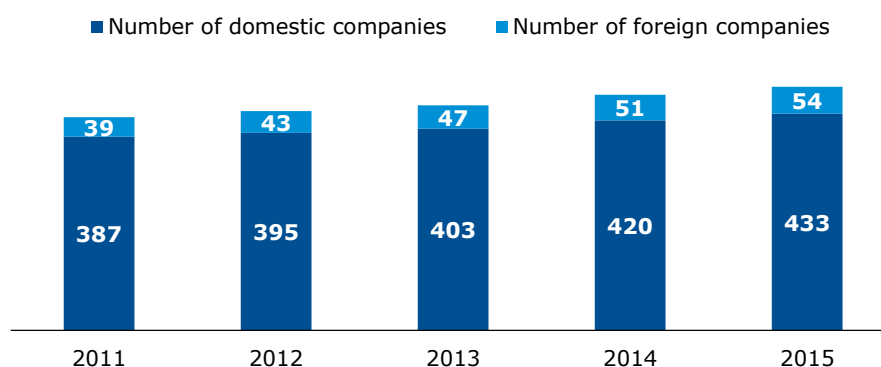
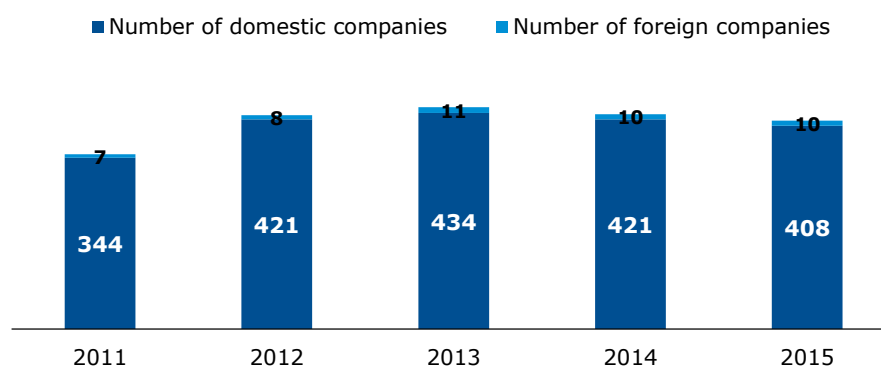


Figure 30 Number of domestic and foreign companies - NewConnect



The total capitalisation of domestic and foreign companies on GPW's two equity markets was PLN 1,092 billion at the end of 2015 compared to PLN 1,262 billion at the end of 2014. The decrease of capitalisation starting after Q1 2015 was different in different sectors. The biggest year-on-year decrease of capitalisation was reported in the banking sector (down by PLN 54.9 billion), the energy industry (down by PLN 22.1 billion), and the insurance sector (down by PLN 12.6 billion). The biggest increase of capitalisation in 2015 was reported by the fuel industry (up by PLN 14.0 billion).

Figure 31 Change of capitalisation of domestic companies in 2015 by sector (mn PLN)

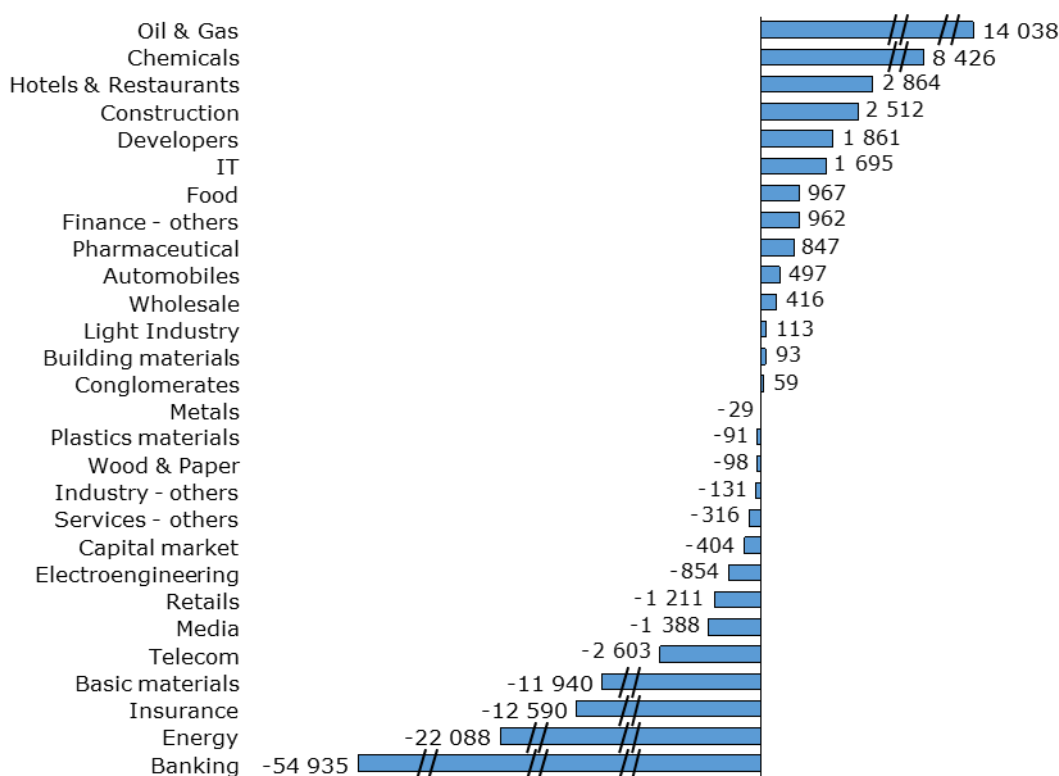
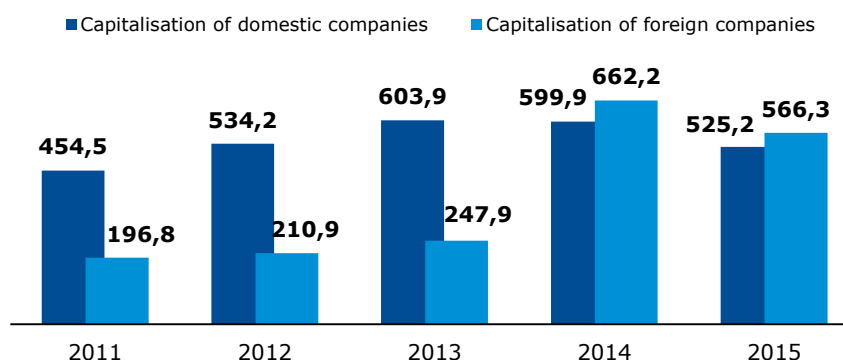


Figure 32 Capitalisation of domestic and foreign companies – Main Market and NewConnect (PLN billion)



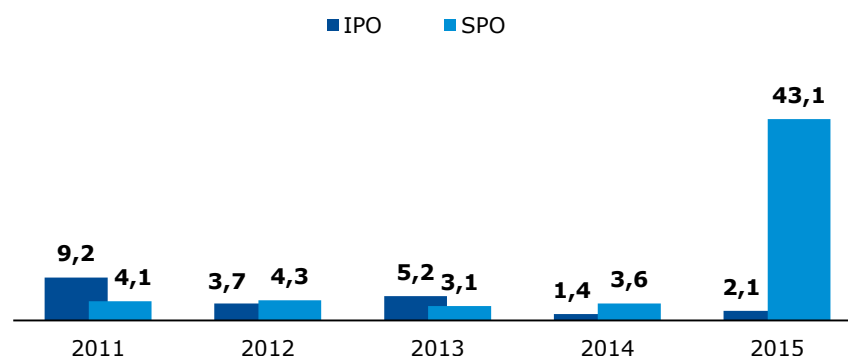
In spite of the unfavourable market conditions, IPO and SPO activity of issuers was stable year on year in 2015. There were 49 IPOs on GPW’s two stock markets in 2015 (including 13 companies which transferred from NewConnect to the Main Market), compared to 50 IPOs in 2014. The total value of IPOs on the two stock markets was PLN 2.1 billion and the value of SPOs<sup>51</sup> was PLN 43.1 billion in 2015. Poland’s ECM (Equity Capital Market) was worth PLN 6.03 billion in 2015 (source: Dealogic).

In view of its fundamental mission – to provide companies with growth capital – GPW is engaged in on-going initiatives to promote the capital market as a source of financing for Polish companies and local governments. In 2015, GPW completed a major project addressed to potential issuers: “Capital for Growth”. This series of 16 meetings in Poland’s biggest regional capitals from May to November 2015 promoted the role of the financial markets in raising capital for projects supported by EU funds in order to encourage companies and local governments to raise growth capital on the exchange. The events were

<sup>51</sup> Two SPOs of Banco Santander SA in Q1 2015 at PLN 33 billion in aggregate

attended by more than 1,200 participants: businesses, local governments, non-governmental organisations, universities and the media.

Figure 33 Value of IPOs and SPOs – Main Market and NewConnect (PLN billion)<sup>52</sup>



Four foreign companies were newly listed on GPW's two stock markets in 2015, and 64 foreign issuers were listed on GPW at the year's end.

The number of IPOs on NewConnect decreased for a second consecutive year in 2015. There were 19 IPOs, including one foreign company, compared to 22 IPOs in 2014. Thirteen issuers transferred from the alternative market to the Main Market. With 418 listings (including 10 foreign companies), the capitalisation of NewConnect was PLN 8.7 billion at the end of 2015.

The nominal value of non-Treasury debt listed on Catalyst was PLN 69.6 billion at the end of 2015, an increase of 8.6% year on year. Catalyst listed 496 series of non-Treasury debt instruments at the end of 2015. Issuers whose instruments were listed at the end of 2015 included 19 local governments, 148 enterprises and 22 co-operative banks. Including the State Treasury, the number of issuers on Catalyst was 192 at the end of 2015, compared to 193 at the end of 2014. The total nominal value of non-Treasury and Treasury debt instruments listed on Catalyst was PLN 613.1 billion at the end of 2015, as compared to PLN 544.6 billion at the end of 2014.

### INFORMATION SERVICES

GPW collects, processes and sells data from all of the markets operated by the Group. The status of GPW as the original source of information on trading and its strong brand and diversified business activity within the GPW 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 GPW are specialised data vendors who deliver the data made available by the Company in real time to investors and other market participants. Amongst the vendors there are information agencies, investment firms, internet portals, IT companies and other entities.

As at 31 December 2015, the Company's information services clients were 54 data vendors, including 30 domestic and 24 foreign ones, with nearly 221.1 thousand subscribers (including 15 thousand subscribers using professional data feeds). At the end of 2015, GPW had data vendors in such countries as the United Kingdom, the USA, France, Germany, Switzerland, Austria, Denmark, Sweden, Norway, Ireland, the Netherlands, and Cyprus.

As of 2014, following a co-operation agreement signed with the Polish Power Exchange, GPW's offer of real-time information from GPW and BondSpot markets includes commodity market data. The number of data subscribers increased by a high 50 percent in 2015. The sale of commodity market data has a strong growth potential in the coming years, driven among others by trade in commodity derivatives settled in cash, offered by TGE as of November 2015.

<sup>52</sup> Two SPOs of Banco Santander SA in Q1 2015 at PLN 33 billion in aggregate

In 2015, GPW was working to acquire customers of non-display data and signed the first contracts. GPW also acquired three new licensees of GPW indices used as the underlying of financial products.

Table 9 Number of data vendors and subscribers, as at 31 December

	2015	2014	2013	2012	2011
<b>Number of real-time data vendors</b>	54	58	58	58	57
- local	30	31	34	37	37
- international	24	27	24	21	20
<b>Number of real-time data subscribers (thousand)</b>	221.1	240.3	261.9	288.1	327.3
- number of subscribers using professional data feeds	15.0	15.1	16.2	16.3	19.1
<b>Number of licensees using GPW indices as underlying instruments of financial products</b>	18	16	17	17	18

In addition to quotation data, the Company also provided data vendors in 2015 with reports of issuers listed on NewConnect and Catalyst.

The Company's information services also include:

- ◆ delivery of GPW statistics and indicators;
- ◆ services for licensees issuing financial instruments with the use of GPW indices as underlying instruments;
- ◆ licences on GPW 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.

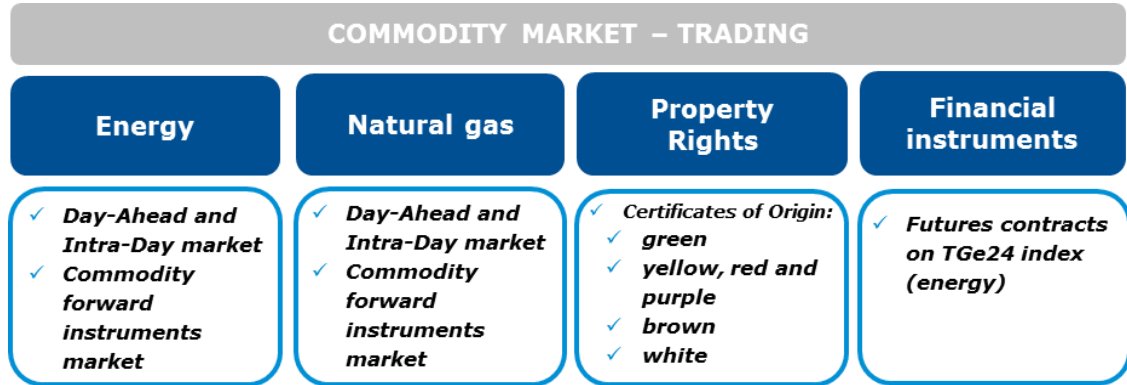
## COMMODITY MARKET

The activity of the GPW Group on the commodity market is concentrated in the Polish Power Exchange Group which is comprised of TGE, its subsidiary the Commodity Clearing House, as well as the OTC platform InfoEngine. The activity of the Polish Power Exchange includes:

- ◆ operation of a commodity exchange which offers trade among others in:
  - ✓ electricity,
  - ✓ natural gas,
  - ✓ emission allowances,
  - ✓ property rights in certificates of origin of electricity, certificates of origin of biogas and energy efficiency certificates
  - ✓ commodity derivatives settled in cash;
- ◆ operation of the Register of Certificates of Origin and the Register of Guarantees of Origin;
- ◆ clearing of transactions on the commodity exchange;
- ◆ operation of an OTC commodity trading platform.

**TRADING**

Chart 7 Trade on TGE commodity markets



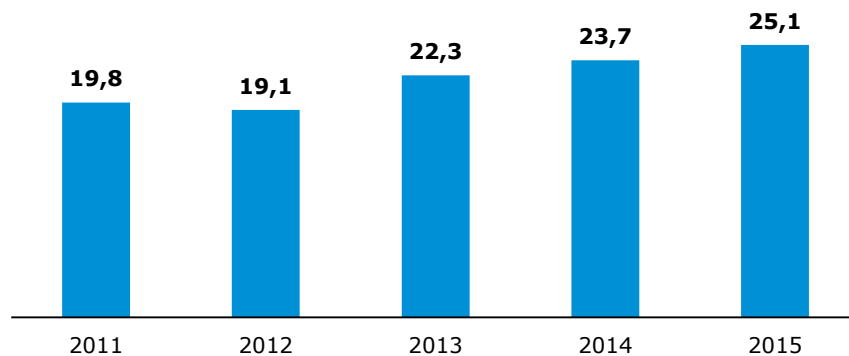
*Electricity Market*

*Day-Ahead and Intra-Day Market*

The Day-Ahead and Intra-Day Markets are markets in electricity with physical delivery and offer short-term electricity buy and sell transactions (spot market). The Day-Ahead Market market lists hourly instruments for each hour of delivery day as well as block instruments. 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.

The volume of spot trade in electricity was 25.1 TWh in 2015, an increase of 5.9% year on year and a historical high. The average price on the Day-Ahead Market was PLN 155.66 per MWh in 2015, compared to PLN 184.75 per MWh in 2014.

Figure 34 Volume of trade in electricity on the Day-Ahead and Intra-Day Market (TWh)

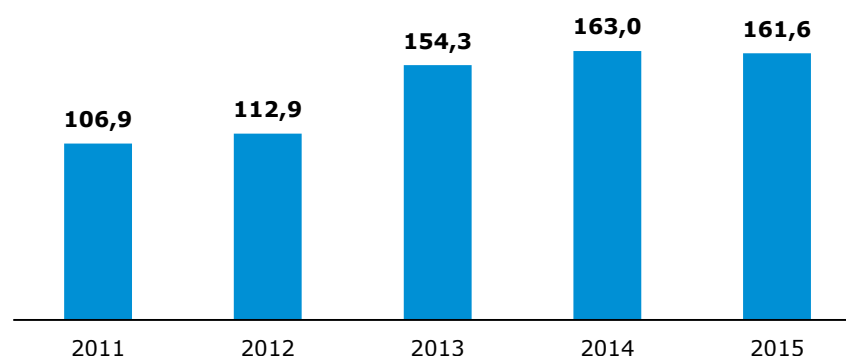


*Commodity Forward Instruments Market in Electricity*

The Commodity Forward Instruments Market in electricity 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 volume of trade in electricity on the Commodity Forward Instruments Market was 161.6 TWh in 2015, a moderate decrease of 0.9% year on year. The price of the most liquid contract BASE\_Y+1 decreased year on year as a result of falling prices on the reference market (Day-Ahead Market).

Figure 35 Volume of trade in electricity on the Commodity Forward Instruments Market (TWh)



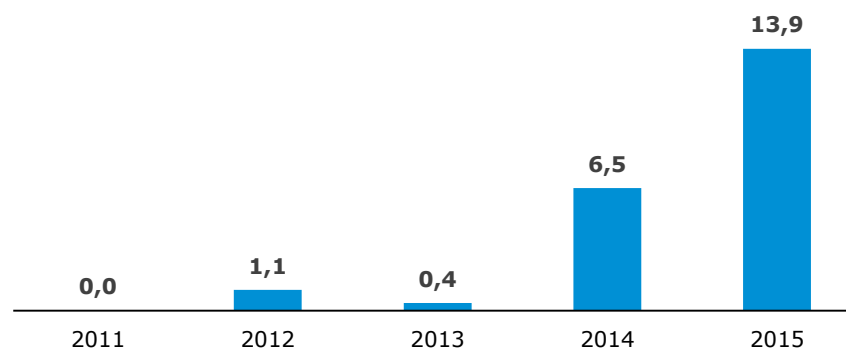
### Gas Market

#### Day-Ahead and Intra-Day Market in Gas

In December 2012, TGE 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, TGE launched the Intra-Day Market in gas. The Intra-Day Market in gas lists hourly instruments with delivery on the day of trading.

The total volume of trade on the gas spot markets was 13.9 TWh in 2015, representing a share of 13% in the total volume of the gas market. The share increased by 7 percentage points year on year. The high share of the Day-Ahead and Intra-Day Market in Gas suggests that TGE is a highly liquid trading platform for the balancing market. The spot market also performs an important role for the operator Gaz-System whose regulations include a formula for the calculation of the average settlement price for balancing.

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



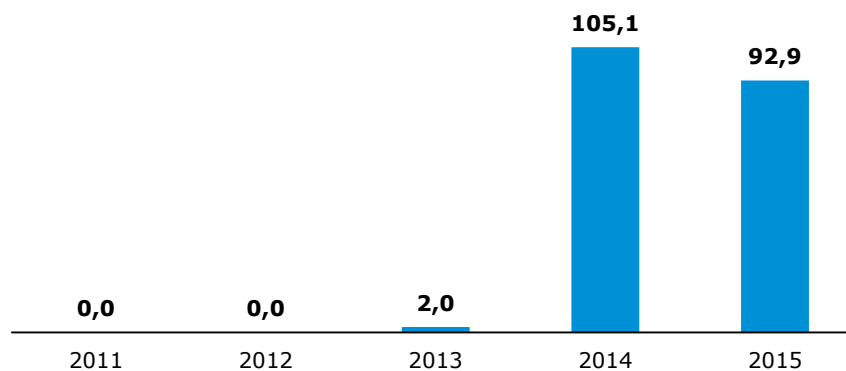
#### Commodity Forward Instruments Market in Gas

Since 20 December 2012, TGE 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.

The total volume of trade on the Commodity Forward Instruments Market in gas was 92.9 TWh in 2015, a decrease of 11.5% year on year. This was due to the launch of the company PGNiG OD in mid-2014. In Q3 and Q4 2014, PGNiG OD hedged current gas supplies to more than 6 million customers and future supplies with futures for the subsequent periods, i.e., the years 2015 and 2016 and seasons in those

years. In view of the warm winter in 2014 and 2015 as well as market liberalisation, demand for gas decreased among market participants using gas for energy. With flexible production, customers using gas for purposes other than energy may buy gas at an attractive price. Traders are in a difficult position: the demand decreased but they have contracted gas on the futures market and balance the supplies on the spot market.

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



#### Property Rights Market

TGE operates a Property Rights Market 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),

Furthermore, the Property Rights Market lists:

- ◆ 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).

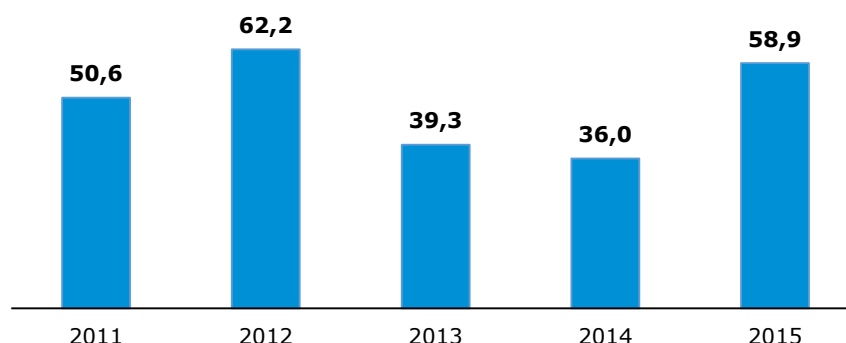
The Property Rights Market is a part of the support scheme for producers of energy from renewable energy sources. It allows producers of energy from renewable energy sources, cogeneration, biogas and holders of energy efficiency certificates to sell property rights, and energy operators required to pay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

The volume of trade 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.

The total volume of trade in property rights for electricity was 58.9 TWh in 2015, an increase of 63.6% year on year.



Figure 38 Volume of trade in property rights to certificates of origin (TWh)



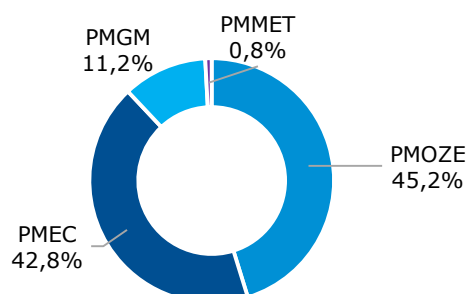
The volume of trade in property rights in certificates of origin of electricity generated from renewable energy sources was 26.2 TWh in 2015, a decrease of 17% year on year.

The volume of trade in certificates of origin of energy from cogeneration,<sup>53</sup> i.e., red and yellow certificates, was 25.2 TWh (an increase of 899% year on year) and 6.6 TWh (an increase of 979.8%), respectively, in 2015. The dramatic increase in trading was mainly driven by changes in the legal environment of the energy industry. The statutory support scheme 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, hence the low volume of trade in cogeneration certificates in 2014.

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: the volume of trade in purple certificates was 0.5 TWh, accounting for only 0.8% of the total turnover in property rights.

In January 2016, TGE introduced to trading futures on property rights in certificates of origin of energy generated from renewable energy sources, which allow market participants to hedge prices and deliver property rights in the future. RES futures are addressed to all participants of the electricity market and are cleared by the Commodity Clearing House.

Figure 39 Structure of the volume of trade in property rights in 2015 by type of certificate



In 2014, TGE introduced to trading energy efficiency certificates (PMEF – white certificates). The volume of trade in the certificates was 82,336 toe in 2015.

<sup>53</sup> 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

### 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;
- ◆ certificates of origin which confirm that electricity was generated from renewable energy sources (RES);
- ◆ certificates of origin which confirm that agricultural biogas was produced and introduced to the gas distribution network;
- ◆ energy efficiency certificates which confirm that the project improved energy efficiency;

and recording of property rights under such certificates.

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.

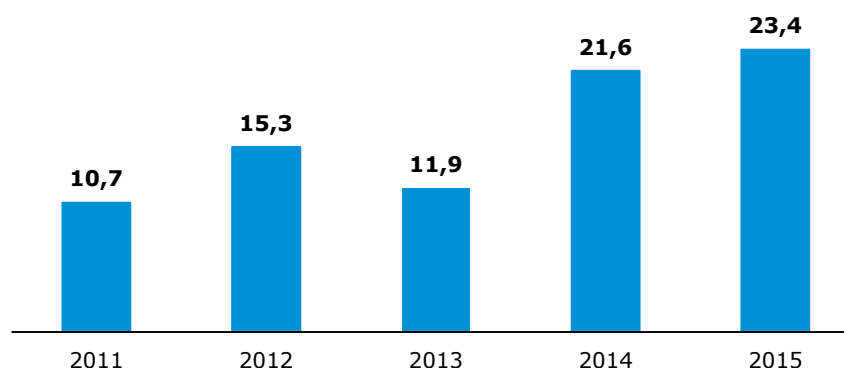
#### *Certificates Issued and Cancelled (Register of Certificates of Origin)*

##### *RES – Green Certificates*

The number of certificates issued and cancelled in 2014 was record-high. Following turbulences around the issuance of green certificates for electricity produced in biomass installations, a large volume of issued certificates was delayed from 2013 to 2014, resulting in a record-high volume in 2014.

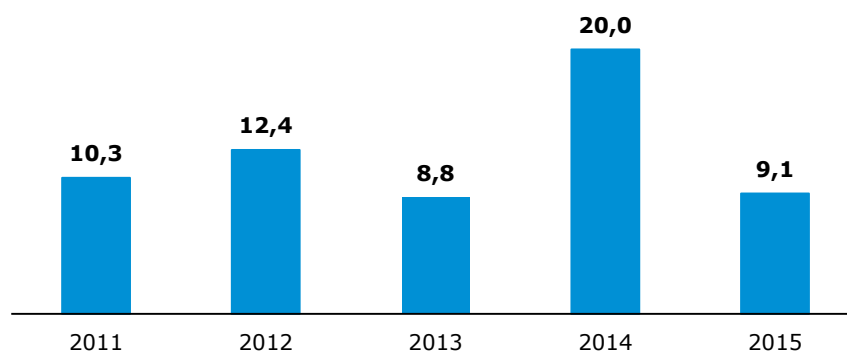
The volume of green certificates issued in 2015 exceeded the record-high volume of 2014, partly due to regulatory amendments designed to replace the existing support scheme with auctions. A large volume of new RES installations was commissioned by investors before the end of 2015 in order to still be covered by the existing support scheme. As a result, the volume of green certificates issued in 2015 was 23.4 TWh, an increase of 8.0% year on year.

Figure 40 Volume of issued RES property rights (TWh)



The volume of certificates cancelled in a year is decided by the Energy Regulatory Office (ERA). TGE received exceptionally few cancellation decisions from ERA in 2015. The total volume of green certificates cancelled in 2015 was 9.1 TWh.

Figure 41 Volume of cancelled RES property rights (TWh)

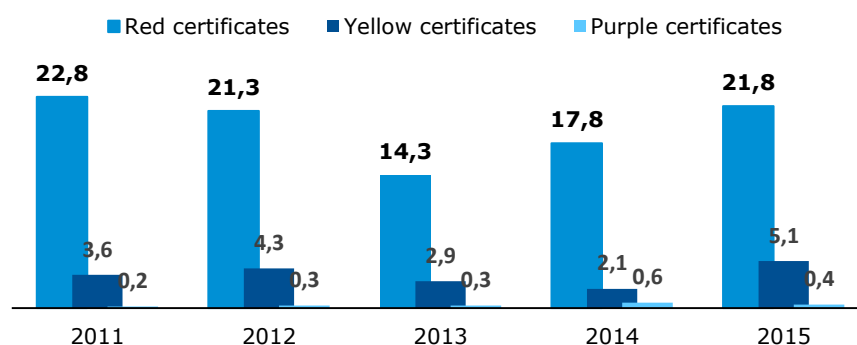


*Cogeneration: Red, Yellow, and Purple Certificates*

Mandatory cancellation of red certificates (PMEC) and yellow certificates (PMGM) expired in 2012. It was reinstated under an amendment of the Energy Law as of 30 April 2014. The Law clearly provides which certificates can be used to fulfil the obligation. Transactions in cogeneration certificates (for production as of 30 April 2014) were not executed until July 2015, which explains the low volume in 2015.

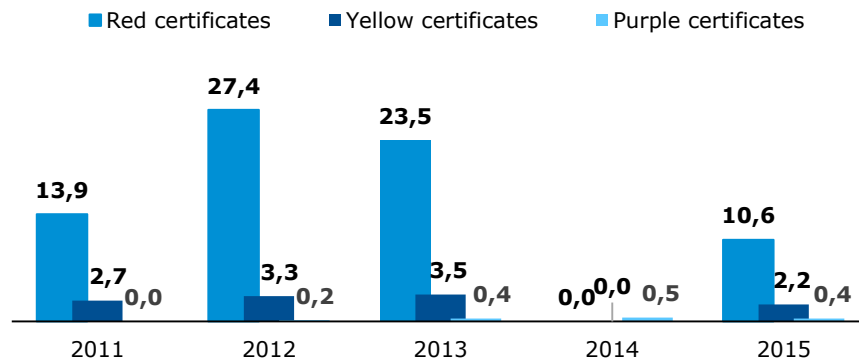
The total volume of cogeneration certificates issued in 2015 was 27.3 TWh, an increase of 32.7% year on year.

Figure 42 Volume of issued cogeneration property rights (TWh)



The total volume of red, yellow, and purple certificates cancelled in 2015 was 13.2 TWh, compared to 0.5 TWh in 2014.

Figure 43 Volume of cancelled cogeneration property rights (TWh)



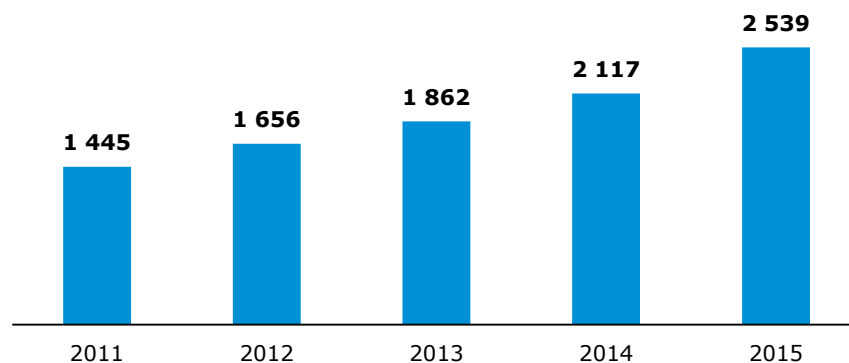
*Energy Efficiency: White Certificates*

The second and third tender for white certificates took place in early and late 2015. As a result, the volume generated in both services provided by TGE was many times higher than in 2014. The total volume of white certificates issued in 2015 was 204,795 toe. The volume of cancelled certificates was 37,537 toe.

*Number of Participants of the Register of Certificates of Origin*

The Register of Certificates of Origin had 2,539 participants at the end of 2015. In 2015, 422 companies were accepted by the TGE Register Department (255 companies in 2014). Many of the new participants are beneficiaries of the system of white certificates, i.e., energy efficiency certificates. The increase was also driven by changes in the legal environment: following the enactment of Chapter 4 of the Renewable Energy Sources Act and modifications to the support scheme for producers of energy from renewable sources, many market players were keen to complete investment projects before 1 January 2016 (after the amendment of the Renewable Energy Sources Act, the effective date of Chapter 4 was postponed by six months).

Figure 44 Number of participants of the TGE Register of Certificates of Origin

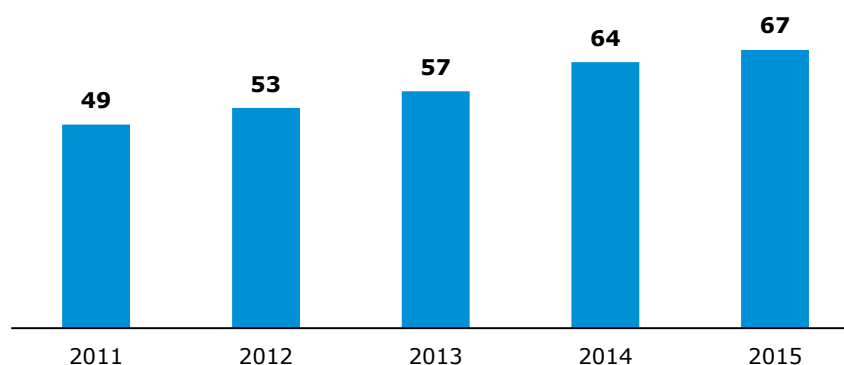


**NUMBER OF TGE MEMBERS**

The number of TGE members is growing steadily, boosting growth of the markets operated by TGE and their trading volumes. At the end of 2015, TGE had 67 members, including 48 members of the electricity markets, 22 members of the gas markets, and 44 members of the Property Rights Market.<sup>54</sup>

<sup>54</sup> Some of TGE market members are active on more than one market

Figure 45 Number of TGE members



### 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 TGE to operate a Register of Guarantees of Origin and to organise trade in guarantees of origin.

In September 2014, TGE 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 scheme 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. TGE offers trade in guarantees of origin of energy since November 2014.

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 TGE. System users can trade in guarantees of origin or transfer them to end users as proof that energy was generated from renewable sources.

The year 2015 was the first full year of operation of the Register, and the volumes increased substantially. This was driven by rising interest of energy producers as well as better information and organisation on the supply side. The stronger activity of traders in guarantees of origin and end consumers was also driven by a major reduction of registration fees, which TGE intends to maintain for at least part of 2016. The number of participants of the register increased significantly from 56 at the end of 2014 to 157 at the end of 2015.

Table 10 Register of Guarantees of Origin – comparison of 2014 and 2015

	Issued	Sold	Transferred
Unit	TWh	GWh	GWh
<b>2014</b>	4,87	-	11
<b>2015</b>	7,23	635	732
<b>Growth YoY</b>	<b>48%</b>	-	<b>6594%</b>

### FINANCIAL INSTRUMENTS MARKET

In February 2015, TGE was authorised by the Minister of Finance to operate a financial instrument exchange. The decision of the Minister of Finance allowed TGE to open market consultations on the structure of new instruments. As a result, following the approval given by the Polish Financial Supervision Authority for the terms of trade in electricity futures programmes, TGE launched the Financial Instruments Market in November 2015.

Market participants were offered trade in futures based on electricity prices, later to be followed by instruments linked to the price of natural gas. The terms of operation of the TGE Financial Instruments Market are similar to those applicable for years on the GPW futures market. The underlying instrument is the TGe24 index calculated on the basis of transactions at the first fixing on the Day-Ahead Market in electricity. Eligible as members of the TGE Financial Instruments Market are local and international investment firms and other buyers and sellers of financial instruments acting on own account, provided that they fulfil the conditions of trading on the regulated market.

*TGE's strategy is to grow, develop the best solutions for market participants, and promote solutions which gradually align the Polish market with EU standards*

The volume of trade was 1,488 MWh in 2015. The low turnover was mainly due to the early phase of growth of the market, the on-going acquisition of TGE participants and IRGiT clearing members, market education, as well high liquidity on the competitive forward market operated by TGE.

### CLEARING

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

In 2015, IRGiT continued operations launched in 2010 as an exchange clearing house. Since 2010, IRGiT is authorised by the Polish Financial Supervision Authority to clear and settle transactions in financial instruments on the exchange and OTC regulated market.

Currently IRGiT clears the full volume of electricity and gas sold on the exchange market in Poland. The total volume of cleared transactions in electricity was 186.7 TWh while the total volume of cleared transactions in gas was 106.9 TWh in 2015.

Since 4 November 2015, based on state-of-the-art IT systems and a proprietary settlement model, IRGiT offers clearing and settlement of transactions in TGe24 futures on the TGE Financial Instruments Market. This is the first step in the development of services on the financial market in commodities. In the next step, clearing will be offered for financial instruments based on gas.

As a service complementary to the clearing of financial instruments based on commodities, IRGiT offers the reporting of trades on the financial market to a trade repository. In addition, IRGiT developed clearing of forward trades in RES Property Rights in 2015.

## II. 5. International Activity of the GPW Group

GPW'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.

***A key goal of the GPW Group according to the strategy approved in October 2014 is to make the Warsaw trading floor a market of first choice for investors and issuers in Central and Eastern Europe***

In 2015, GPW continued its efforts to promote the Polish market and GPW-listed companies internationally. Representatives of the Exchange successfully promoted the Polish capital market, with a focus on small and medium-sized companies listed on GPW, by holding investor events in partnership with brokers and investment banks around the world and by participating in international conferences and investor meetings.

The investor event series Polish Capital Market Days co-organised by GPW in 2015 included five meetings: in the UK, the USA, Warsaw, Austria, and France. The events brought together 100 Polish companies which met with 252 investors at 900 one-on-one meetings.

The GPW Group also participates in international projects and initiatives for the commodity market, mainly focusing on the integration of European energy markets.

## GPW REPRESENTATIVE OFFICES IN LONDON AND IN KIEV

The Representative in London was appointed in June 2013 to enhance GPW's acquisition activities on that market. In 2015, the Representative focused on supporting relations with GPW's business partners including exchange members, investors and providers of technology services for GPW and its clients.

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

The two 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 GPW to the extent of powers of attorney granted by the GPW Management Board.

## DEVELOPMENT OF A NETWORK OF FOREIGN INVESTMENT FIRMS – EXCHANGE MEMBERS

In 2015, GPW expanded its acquisition activities addressed to GPW's business partners including existing and prospective exchange members, investors and providers of technology services.

*International sales initiatives in 2015 focused on clients and partners who represent a potential of growing the liquidity on the markets operated by GPW*

In 2015, GPW acquired three new remote exchange members: Spire Europe Ltd., SUN Trading Ltd., Credit Suisse International; as a result, GPW had 57 members, including 29 local members and 28 remote members, at the year's end. GPW acquired two new market makers on the cash market and one new market maker on the derivatives market. The share of remote exchange members in trade increased, mainly driven by the participation of their clients in the HVP (High Volume Provider) Programme. The share of remote

members in EOB trade in shares was 25.1% in 2015 compared to ca. 21.7% in 2014.

Table 11 Share of local and remote GPW members in trade in shares on the Main Market

	2015	2014	2013	2012	2011
<b>Local</b>	74.9%	78.3%	77.8%	89.0%	92.0%
<b>Remote</b>	25.1%	21.7%	22.2%	11.0%	8.0%

In 2015, GPW established relations with several new independent software vendors (ISV), including a provider of a popular derivatives trading application for professional traders. The alignment of applications provided by different ISVs with GPW's trading system helps to facilitate access to GPW markets and expand the base of potential clients interested in trading on the Warsaw Stock Exchange.

In 2015, GPW was certified by the US Commodity Futures Trading Commission (CFTC), authorising GPW to offer WIG20 futures to US investors. In August 2015, following joint efforts of GPW and KDPW, ABN Amro Clearing Bank became a KDPW\_CCP member as the first Global Clearing Member (GCM), expected to reach operational readiness for clearing in Q2 2016. To address demand from clients, GPW reactivated the colocation service in 2015. The first colocation contracts are expected to be signed in 2016.

## ATTRACTING FOREIGN ISSUERS

One of the key goals of the GPW Group's strategy is to strengthen the position of the regional financial hub by making the Warsaw Stock Exchange the market of first choice for investors and issuers in Central and Eastern Europe. In 2015, GPW actively pursued new issuers and organised events targeting issuers in Lithuania, Serbia, Slovenia, Ukraine, as well as meetings with foreign companies interested in raising capital. GPW also reinforced its direct relations with investment banks active in CEE.

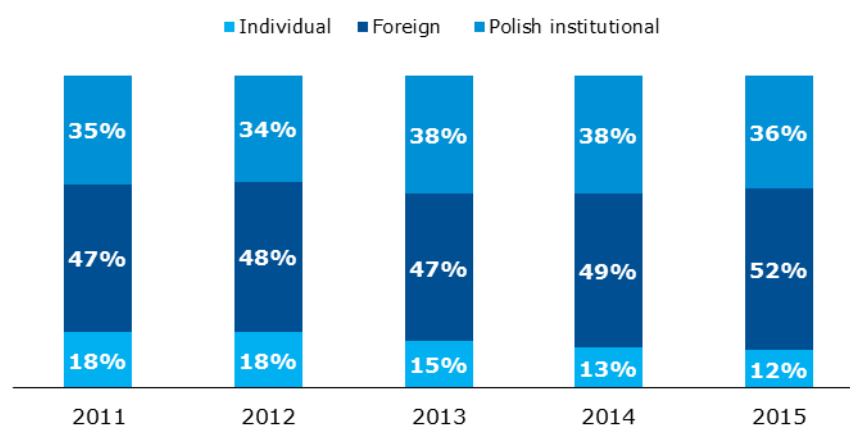
In 2015, three foreign companies were newly listed in the Main Market: Uniwheels (Germany), Prairie Mining Limited (Australia), and Kofola Ceskoslovensko (Czech Republic), which jointly raised PLN 1,269 million of capital. As at 31 December 2015, the markets operated by the Exchange listed shares of 64

foreign companies, including 10 companies listed on NewConnect, with total capitalisation of nearly PLN 566.3 billion, compared to PLN 662.2 billion in 2014 (a decrease of 14.5%). The share of foreign companies in total trade in shares on the Main Market was 1.8% in 2015 as compared to 1.9% in 2014. Foreign companies listed on GPW as at 31 December 2015 originate from 24 countries, mainly Ukraine (13 issuers) and the Czech Republic (7 issuers). 34 companies are dual-listed and 30 are single-listed on GPW.

### SHARE OF FOREIGN INVESTORS IN TRADING ON GPW MARKETS

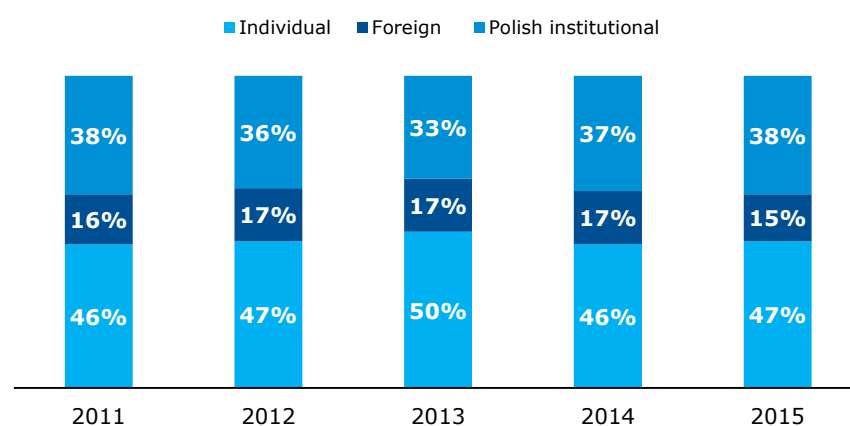
According to GPW’s research, foreign investors generated 52% of turnover in shares on the GPW Main Market in 2015, 3 percentage points more than in 2014 (49%).

Figure 46 Share of investors in trade in shares on the Main Market (%)



Foreign investors’ share in the futures market decreased to 15% in 2015 compared to 17% in 2014.

Figure 47 Share of investors in trade on the futures market (%)



### CO-OPERATION BETWEEN GPW AND EBRD

Since July 2015, GPW and the European Bank for Reconstruction and Development (EBRD) are engaged in a joint project of drafting a report which compares the key competitive drivers of the Polish capital market and GPW with other markets. The findings will be used in the debate on the European initiative of a Capital Market Union and in the dialogue with institutions in the regulatory and market environment. The objective is to draft necessary legislative amendments and provide tools supporting further development of the Polish market.



## INTEGRATING THE EUROPEAN ENERGY MARKET

TGE has for years been actively involved in the activity of regional and European markets, participating in projects and initiatives aimed at integrating the European energy market. This provides TGE with the contractual and technical capacity of active and full participation in projects which develop European markets, as well as on-going access to know-how, certificates and technologies necessary to offer exchange services on selected EU markets. The key projects of TGE in 2015 included the following:

- ◆ TGE joined the Price Coupling of Regions (PCR) as co-owner of the day-ahead market software. TGE is one of the eight co-owners of the market algorithm and as such it can actively and fully participate in regional projects. TGE will become a full member of the PCR project and the MRC market as an exchange co-ordinating market processes subject to specific technical requirements. The process will be finalised in H2 2016.
- ◆ TGE joined Multi-Regional Coupling (MRC) which ensures co-ordination of the European day-ahead market. The Multi-Regional Coupling market was founded through integration of regional markets in 2014-2015 and continues to expand. The European project of operational integration of electricity spot markets spans a territory where demand for electricity is ca. 2,800 TWh, equal to 85% of total European demand. This is Europe's biggest and most liquid market. Poland participates in MRC through the Swe-Pol Link and the LitPol Link. In July 2015, TGE became a full member of the MRC market and signed the Day-Ahead Market Operations Agreement, which supports the co-operation of 12 energy exchanges and 25 transmission system operators.
- ◆ TGE became NEMO for the Polish energy market on 2 December 2015, authorising it to operate single coupling of European energy markets (Day-Ahead Market and Intra-Day Market) in the Polish pricing zone for four years ending on 2 December 2019. As NEMO, energy exchanges can operate a national market (Day-Ahead Market and Intra-Day Market) and participate in the joint cross-border market coupling mechanism.

## THE GPW GROUP AS A MEMBER OF INTERNATIONAL ORGANISATIONS AND INITIATIVES

### *FESE*

The Warsaw Stock Exchange has co-operated with the Federation of European Securities Exchanges (FESE) since 1992. GPW was granted the status of associated member in 1999 and has been a full member of FESE since June 2004. FESE represents 37 exchanges which organise trading in equities, bonds, derivatives and commodities through 19 full members from 30 countries as well as 1 affiliated exchange and 1 non-European observer member.

### *Capital Market Union*

In 2015, the Warsaw Stock Exchange was involved in consultations of the Capital Market Union project, designed to create a single capital market across the 28 European Union member states. GPW welcomed the Green Paper which provides for a greater role of the capital market in financing of the EU economy, especially SMEs. In the opinion of GPW, the main objective is to support initiatives which facilitate market access, improve market transparency and encourage mid-term and long-term investing. However, the Capital Market Union concept should take into account the importance of regional capital markets to the national economies.

### *Sustainable Stock Exchanges (SSE)*

GPW is 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. GPW was the ninth exchange to join SSE, the first one in Central and Eastern Europe. SSE has 35 members.

### *FIX Trading Community*

In 2014, GPW became a member of the FIX Trading Community. The non-profit industry organisation brings together close to 300 financial companies: banks, exchanges, brokers, buy-side and ISV. It supports the dialogue and exchange of information on good practice and standards of information exchange on the financial market. The flagship achievement of the FIX Trading Community is the creation and development of the FIX information exchange protocol broadly used by financial companies.

### *Association of European Energy Exchanges EUROPEX*

EUROPEX is the association of European commodity and financial energy exchanges which represents exchange markets in electricity, gas and derivatives. TGE is a EUROPEX member since 2005. In 2015, TGE President Ireneusz Łazor was re-elected for a second two-year term on the EUROPEX Board.

The mission of EUROPEX is to enhance competition on the European market by ensuring transparent price setting and implementing a single European market in electricity and gas enabling convergence of prices as well as benefits for customers. EUROPEX participates in the development of market solutions and engages in dialogue with EU authorities and other European institutions which contribute to the development of the markets.

### *Association of Power Exchanges (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. TGE is an APEX member since 2000.

### *Association of Futures Markets (AFM)*

AFM is an organisation of 26 financial and commodity exchanges around the world. AFM holds its AFM Annual Conferences as a platform for exchange of information and experience between exchanges. The mission of the Association is to promote and encourage the development of new derivatives markets and to support their growth. TGE is an AFM member since 2014. In 2015, TGE Vice President Michał Tryuk was elected to the AFM Board.

Thanks to close cooperation between TGE and AFM, the AFM Board selected TGE as the host and co-organiser as the 18<sup>th</sup> AFM Annual Conference in Poland in 2015.

### *EACH – European Association of CCP Clearing Houses*

IRGiT 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. IRGiT takes active part in consultations of draft European regulations.

## II. 6. Development of the GPW Group in 2016

The development of the GPW Group in 2016 will be driven among others by the following internal and external factors.

### **INTERNAL DRIVERS**

#### *Implementation of the GPW Group's Strategy:*

- ◆ Development of projects supporting liquidity on GPW and acquisition of new market participants, including:
  - ✓ development of the HVP and HVF Programmes;
  - ✓ acquisition of new market makers on the derivatives and cash markets;

- ✓ launch of operation of ABN Amro Clearing Bank as a Global Clearing Member of KDPW\_CCP and facilitation of the acquisition of further investors active on GPW;
- ✓ improvement of GPW's access infrastructure including development of the colocation service;
- ✓ launch of operations of new Exchange Members.
- ◆ Implementation of development projects of the Polish Power Exchange
  - ✓ Implementation of a new trading system – the implementation of the new trading system X-stream is expected to be completed in 2016 (combined with modernisation of the hardware infrastructure), including enhanced functionalities.
  - ✓ TGE as NEMO - TGE became the Nominated Electricity Market Operator (NEMO) in December 2015 and as such it is authorised to operate the national Day-Ahead Market and Intra-Day Market and participate in the joint cross-border market coupling mechanism. Each EU member state is required to have at least one NEMO in each pricing zone, initially nominated for a period of 4 years.
  - ✓ **Development of the TGE Financial Instruments Market** – the launch of a financial market is an integral part of the strategic development of the Polish Power Exchange necessary to strengthen its competitive position on European markets. The market will provide product diversification, address the expectations of market participants, and help to acquire more market participants interested in financial instruments.
  - ✓ **TGE as a Multi Regional Coupling (MRC) member** – in 2015, TGE became a full member of Multi Regional Coupling and Price Coupling of Regions. As an MRC and PCR member, TGE can participate in regional market projects and the implementation of EU electricity market mechanisms in co-operation with Western European exchanges.
- ◆ Continuation of optimisation initiatives enhancing the organisation and improving integration within the GPW Group.

### *GPW's Decision to Reduce Trading Fees*

On 3 December 2015, the GPW Management Board decided to reduce trading fees on transactions in shares, rights to shares and ETF for all orders, in the part of the order value up to PLN 100 thousand, from 0.033% to 0.029%. The reduction applies as of 1 January 2016 for an undetermined period on the Main Market and on NewConnect. GPW decided to reduce the trading fees in view of the planned change of the system of financing of capital market supervision. The structure of the reduction followed from consultations of GPW with the Chamber of Brokerage Houses.

## **EXTERNAL DRIVERS**

### *Macroeconomic Conditions in 2016, Economic Policy of the Government, Conditions on the Stock Market*

GPW's results will be largely driven by the activity of investors on the capital markets and by the overall economic conditions.

According to the projections of the European Commission, Poland's GDP will grow by 3.5% in 2016. The main driver of economic growth will be private consumption, bolstered by continued improvement on the local job markets as well as growing social benefits, such as the government programme Family 500+. The growth of investments will be supported among others by low interest rates, although the new tax on financial institutions could be a risk factor for lending.

According to the projections of the European Commission, all EU member states will report growth with the exception of Greece, whose GDP will fall (down by -0.7%). The EU's GDP will grow by 1.9% in 2016, compared to 1.9% in 2015, and the eurozone's GDP by 1.7%, compared to 1.6% in 2015. This implies continued economic growth, although the growth rate remains sluggish, both historically and as compared to other well-developed economies.

The main factors of uncertainty around the global financial markets, global economic activity and inflation in 2016 include the outlook of China's economy, commodity prices such as oil, as well as the pace of tightening of the US monetary policy.

### *Competition of Multilateral Trading Platforms (MTF)*

In October 2015, one of the European stock markets operating as an MTF started to offer trade in Polish stocks participating in WIG30. In the 4.5 months until the date of this report, trades on that market reached PLN 39 thousand (at trading sessions on 8 and 9 October 2015; source: Reuters). The figure is negligible compared to trade on GPW within that period; however, trade in GPW listed stocks on the MTF may increase in the future. Likewise, other European MTFs may also offer trade in Polish stocks.

The launch of trade in Polish stocks on MTFs could grow the overall value of trade in such stocks, including among others arbitrage and trade by investors active on MTFs with no access to GPW. However, it is not unlikely that MTFs could also attract part of the trade currently handled by GPW.

### *Change of Poland's financing model of capital market supervision*

A new financing model of capital market supervision is in place since 2016 in Poland, where the cost of PFSA's supervision is paid not only by GPW and KDPW, as before, but by a broader group of entities (including issuers, investment firms, insurers, and investment funds). As a result, the GPW Group's charge will decrease in 2016 by a half compared to 2015. In response, GPW decided to reduce the transaction fees (see above).

### *Financial and Commodity Market Regulation*

- ◆ **MiFID II** - The planned amendments of European legislation under MiFID II will largely impact the structure and operation of European trading venues. MiFID II is expected to take effect as of January 2018 following transposition to national law and enactment of implementing regulations. The new legislation defines among others the requirements for the publication of data on pre/post-trade transparency and exemptions from the publication obligation. MiFID II modifies the detailed requirements for the provision of investment services, the organisational requirements for investment firms and trading systems, providers of market data services, and access rights of supervision authorities. It also introduces new norms of algo trading and direct market access. From the perspective of GPW, the entry into force of the new legislation requires regulatory, technological and operational harmonisation, involving capital expenditure.
- ◆ **Renewable Energy Sources Act** of 20 February 2015 implements, as of 2016, a new support scheme for the production of energy from renewable energy sources (RES), which is to be based on auctions. The existing system of green certificates of origin will expire on or before 31 December 2035 as the current support scheme is to be phased out starting in 2020. The Act also limits the group of entities eligible for support under green certificates and imposes restrictions on the issuance of certificates of origin for multi-fuel combustion plants. The potential impact of amendments to RES regulations on the business of TGE is discussed in section II.7. *Risks and Threats*.
- ◆ **CO<sub>2</sub> Trading Act** effective as of September 2015 enables TGE to grow a new business segment by becoming the national platform authorised to organise CO<sub>2</sub> primary market auctions (currently Poland sells them on the German exchange EEX);
- ◆ **Energy Efficiency Act** amended as of 31 December 2015 extends the existing support scheme for another year. The last tender for white certificates will open in 2016. Property rights in energy efficiency certificates will expire under the law as of 1 April 2017.

### *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 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.

In July 2015, TGE became a full member of the Multi Regional Coupling market and signed the Day-Ahead Market Operations Agreement, which supports the co-operation of 12 energy exchanges and 25 transmission system operators. In December 2015, TGE opened the Day-Ahead Market in electricity for the link between Poland and Lithuania: LitPol Link.

### *Gas Hub*

With its projects and investments, the Polish transmission system could play a key role in the development of the Polish gas market and the integration of the gas markets in Central and Eastern Europe.

With the completion of planned investment projects and the start of gas supplies via the LNG Terminal in Świnoujście, potential gas supplies from Belarus and Ukraine, and the interconnectors in Lasów, Cieszyn and Mallnow, the Polish market will enjoy most diversification of all V4 countries and could become a source of gas supplies for Central Europe, as well as the Baltic States and Ukraine whose gas market is estimated to reach 50 billion m<sup>3</sup>/year.

The launch of Poland's gas hub and the completion of pending infrastructure investments will enhance market liquidity by integrating the markets of Central and Eastern Europe, generating potential pressure on wholesale prices.

### *Reappointment of TBSP as the Treasury Securities Reference Platform*

In January 2016, TBSP was reappointed as the electronic market of the Treasury Securities Dealer System, a reference platform of secondary trade in Treasury debt for three years until 30 September 2019.

## 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 GPW Group actively manages its risks aiming to mitigate or eliminate their potential adverse effect on the Group's results.

### **GPW RISK MANAGEMENT**

The goal of GPW risk management is to ensure that all material risks of GPW's activity are properly measured, reported and controlled and do not pose a threat to the operational stability and continuity. The risk management system includes a range of processes, organisational solutions, technology tools and documented rules for risk management. The key assumptions and principles of the risk management system derive from the GPW Risk Management Strategy approved by the GPW Management Board and regularly reviewed to bring it in line with changes of the GPW 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 GPW risk management system through on-going monitoring and assessment of the GPW risk management system approved by the Exchange Management Board. 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 GPW's risk management strategy and takes the key decisions affecting the risk levels. The GPW risk management process is monitored and controlled by the Compliance and Risk 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 GPW risk profile are regularly reviewed by the Internal Audit Department.

GPW 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 GPW employees' awareness of risk management responsibilities at each level of the GPW organisation, including training, a dedicated risk management section of the corporate portal available to employees, and on-going advice.

Chart 8 GPW risk management process



The GPW 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 GPW's financial position.
- ◆ **Risk assessment** – analysis of internal and external threats to GPW'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 GPW 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 GPW risk profile is identified.
- ◆ **Risk reporting** – regular reporting of risk measurements, actions taken or recommendations to withhold actions to the GPW authorities.

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

GPW's risk management strategy covers the following risks:

- ◆ financial risks
  - ✓ credit risk,
  - ✓ liquidity risk,
  - ✓ market risk,
- ◆ non-financial risks

- ✓ business risk, including: strategic risk, economic environment risk, competition risk, project risk,
- ✓ operational risk, including legal risk,
- ✓ compliance risk,
- ✓ reputation risk.

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 in Poland*

The GPW 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 shares, the volume of transactions, as well as activities related to issuing new securities. 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.

*GPW's listing revenue depends directly on the level of listed asset prices and the frequency and volume of trading on the GPW 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 GPW's potential profit.*

### *Risk of the geopolitical and economic situation outside Poland*

The Group's business depends on conditions on the global financial markets. Economic trends in the global economy, especially in Europe and the USA, as well as the geopolitical situation in neighbouring countries impact investors' perception of risks and their activity on financial and commodity markets. As global investors evaluate geographic regions from the perspective of potential investment, their perception of Poland and GPW may decline in spite of a relatively stronger macroeconomic situation compared to other countries of the region.

*In view of a significant share of foreign investors in trading on the markets operated by the GPW Group, their low activity could affect the amount of charged trading fees, which are the main source of the Group's revenue. Combined with a stable cost level, this could reduce the GPW Group's potential profit.*

### *Risk of market and political events beyond the GPW Group's control*

The volume of trading, the number of new listings and demand for the GPW 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;
- ◆ change of Poland's credit rating;
- ◆ 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 GPW 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 the GPW Group's profit.*

#### *Risk of competition from other exchanges and alternative trading platforms*

As a part of the global economy and a beneficiary of free flow of capital between European and global economies, the markets operated by the GPW Group are exposed to the risk of competition from other exchanges and alternative trading platforms.

In the European Union, competition in the trade and post-trade sectors is amplified by legal amendments designed to harmonise legislation of the EU member states and integrate their financial markets. In particular, the GPW Group may face competition of multilateral trading facilities (MTF) in the area of equity trade, as well as energy exchanges and derivatives exchanges in the area of commodity trade and commodity-based derivatives.

*MTF activity on the Polish market could take away part of the trading volumes handled by the platforms operated by the Group and reduce the trading revenue, and consequently affect the Group's profit.*

#### *Risk of price competition*

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

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

## **OPERATIONAL RISKS**

#### *Risks related to GPW Group employees*

The GPW 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 GPW Group companies' business requires recruitment of highly qualified employees. The skills of the Group employees are scarce due to the unique nature of the GPW Group companies' operations.

*Any increased turnover of key employees could temporarily affect the GPW Group's effectiveness. 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 GPW Group has limited control*

The GPW 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 GPW 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 GPW 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 GPW Group's needs.



*System interruption or malfunction or the cessation of important services by any third party in whole or in part and GPW 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 GPW. 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. Mitigation of these risks is a priority of the Group. Prevention of emergencies and mitigation of their impact involves a range of measures including threat identification, risk analysis, development and testing of business continuity plans.

*In the event that any of the GPW 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 the Polish Financial Supervision Authority, 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 GPW 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 GPW's operations. A failure of a platform, including a security breach, could expose the GPW Group to a risk of loss of such information, and, in consequence, the risk of litigation and possible liability.

*The GPW 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 GPW Group's operation, financial position and results.*

#### *Reputation risk*

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

*If the GPW 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 GPW could be damaged, its business may suffer and the GPW Group could incur significant financial liability. If a breach of the GPW 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 GPW Group's image and its credibility could reduce the number of issuers and investors and consequently the GPW Group's revenue.*

## **RISKS RELATED TO THE LEGAL ENVIRONMENT**

#### *Risk related to pension fund regulations in Poland*

Pension funds are an important group of participants of the markets operated by the GPW Group. They generate ca. 5% of trade in shares on the GPW Main Market and hold shares which represent 21% of the capitalisation of domestic companies, equal to 43.1% of the free float at the end of 2015. Legislative amendments which restrict pension funds' business and affect cash flows to/from pension funds could impair the activity of this investor group on GPW. They could also augment the risk of a large surplus of shares listed on GPW and curb the interest of other investors in such shares.

*As a consequence, this could cause a significant decrease of trade in shares on GPW, a reduction of the number and value of issues of shares and bonds in Poland, and consequently a reduction of the GPW Group's revenue and profit.*

*Regulatory risk related to the Polish legal system*

The GPW 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 GPW 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 GPW, which could affect the GPW Group's financial position.*

*Regulatory risk related to EU law*

European Union regulation increasingly impacts the GPW Group, especially in the area of trading and post-trade services. It could hurt the competitiveness of smaller European exchanges, such as GPW, in favour of larger market players.

*Changes to regulations could require the harmonisation of the Group's trading systems and operations, which could entail additional capital and operating expenditures, resulting in reduction of the Group's profit.*

*Specific risks of regulation affecting the business of the TGE Group*

The Energy Law requires energy companies which generate electricity to sell at least 15% of electricity produced within a year among others on commodity exchanges. Energy companies trading in gas fuels are required to sell at least 55% of high-methane natural gas introduced to the transmission grid within the year on an exchange. Amendments to or cancellation of these requirements could reduce the activity of certain participants of the Polish Power Exchange, the liquidity of trade in electricity and natural gas, and the attractiveness of the commodity market for other participants.

The Energy Law requires energy companies which generate electricity and are entitled to compensation (offsetting stranded costs) for early termination of long-term power and electricity contracts<sup>55</sup> to sell the remaining amount of generated electricity (not covered by the 15 percent obligation) in a way that ensures equal public access to energy in an open tender on a market organised by the operator of a regulated market in Poland or on commodity exchanges. The number of entities subject to the obligation decreases with time, which could reduce their activity on the Polish Power Exchange, the liquidity of trade in electricity, and the attractiveness of the commodity market for other participants.

*Amendments of Poland's energy law to the extent of the obligation to sell electricity and natural gas on the public market could affect the activity of participants of the Polish Power Exchange as well as the financial standing and results of TGE.*

The Renewable Energy Sources Act of 20 February 2015 implements, as of 2016, a new support scheme for the production of energy from renewable energy sources (RES), which is to be based on auctions. The existing system of green certificates of origin will expire on or before 31 December 2035. The support scheme may be phased out even earlier as certificates of origin are available within 15 years after the first day of power generation (as confirmed by a certificate of origin). For RES installations which were the first to produce energy eligible for green certificates of origin (in 2005), the period of 15 years under the Act will expire in 2020, after which the existing support scheme will be gradually phased out over the years. Furthermore, the Act allows market players eligible for support under certificates of origin to move to the auction system earlier than after 15 years. Consequently, some of them may move to the auction system early (before 2020), which could affect the results of the TGE Group, potentially in a material way.

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<sup>55</sup> According to the Act of 29 June 2007 concerning the rules of the compensation of costs incurred by generators due to early termination of long-term contracts for the sale of power and electricity

The Act also limits the group of entities eligible for support under green certificates and imposes restrictions on the issuance of certificates of origin for multi-fuel combustion plants.

*These amendments and other provisions of the Renewable Energy Sources Act of 20 February 2015 and its implementing regulations could affect the activity of participants of the Property Rights Market and the Register of Certificates of Origin operated by the Polish Power Exchange and, consequently, the results of the TGE Group.*

## **FINANCIAL RISKS**

### *Risk of interest rate hikes*

The Company is exposed to a risk of interest rate changes due to debt instruments issued by GPW with variable interest, maturing on 2 January 2017.

*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 GPW's financial position and results.*

### *Risks of the development of Aquis Exchange*

Aquis Exchange, GPW's associate based in London which operates a European multilateral trading facility, is a start-up; in this case, the business targets may take longer than expected to achieve. At this time, the company's revenue is still insufficient to break even. Aquis's losses are recognized in the consolidated statement of comprehensive income in the cash position share of profit / loss of associates.

The company raised GBP 3 million of equity in mid-2015 (at an issue price of GBP 16.93 per share, which was 30% more than paid by GPW) and it is planning further capital increases in 2016. Its share in the European market was 0.43% in 2015, reaching 0.67% in October 2015. If Aquis fails to improve its financial results or to raise capital as planned, this could affect the value of GPW's investment in the company.

## **OTHER RISKS**

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

## **II. 8. Other Information**

### **MATERIAL AGREEMENTS**

The GPW Group concluded no material agreements in 2015.

### **RESEARCH AND DEVELOPMENT**

The GPW Group's research focuses on prospects of development of new trading platforms and products. The initiatives completed in 2015 are described in section *II.3. Implementation of the GPW Group's Strategy in 2015.*

### **LITIGATION**

GPW 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

GPW accepted the corporate governance rules laid down in the Code of Best Practice for GPW Listed Companies, applicable until 31 December 2015, as of the date of admission of the Company's shares to trading on the regulated market on 5 November 2015. GPW complied with all of the rules of the Code in 2015. The Code of Best Practice for GPW Listed Companies is available on the GPW website (<http://www.gpw.pl>) under the listed companies corporate governance tab.

***Since January 2016, GPW follows the new the Code of Best Practice for GPW Listed Companies. GPW also follows the Corporate Governance Rules for Supervised Institutions issued by the Polish Financial Supervision Authority***

As of 1 January 2016, GPW follows the new rules published by the trading organiser, the Code of Best Practice for GPW Listed Companies 2016. The Code is available on the GPW website (<http://www.gpw.pl>) under the listed companies corporate governance tab.

GPW complies with most of the recommendations and rules of the Code of Best Practice for GPW Listed Companies 2016 with the exception of Rule VI.Z.2, which requires that the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years. The non-compliance is due to the fact that the Company's incentive scheme, approved before the effective date of the Code of Best Practice for GPW Listed Companies 2016, included phantom shares, where the exercise period is 1 year. However, the phantom shares are only one of three incentive measures with a minor weight. The biggest part of the Management Board incentive system in 2015 was the "bonus bank" paid out in equal parts over three consecutive years (for more information, see the Remuneration Policy section).

Furthermore, with respect to Recommendation I.R.2, GPW's sponsoring and charity policy is not a formal document. The Company is planning to approve it as a formal document in 2016. However, in its sponsoring and charity activities, GPW follows the principle of focusing on the area of its core business. GPW's donations amounted to PLN 648 thousand in 2015, including PLN 600 thousand of endowment of the GPW Foundation. The Group established the GPW Foundation whose mission it is to pursue educational activities, including programmes supporting the development of financial and commodity markets and promotion of economic education. The major part of the remaining PLN 48 thousand was donated to the Youth Entrepreneurship Foundation (PLN 20 thousand) and Caritas Diecezji łowieckiej (PLN 14 thousand). Sponsorship costs amounted to PLN 657.7 thousand mainly including:

- ◆ direct support of sales of GPW products and services (mainly industry events: the Polish Capital Markets Day in New York co-organised by GPW, the FOW Derivatives World CEE, conferences and events of the Association of Individual Investors (SII) focused on promotion of the Exchange among individual investors);
- ◆ support of capital market events (including conferences of the Chamber of Brokerage Houses (IDM), the Association of Listed Companies (SIG) – the Investor Relations Congress, the Listed Companies CFO Congress, the Listed Companies Lawyer Congress).

Furthermore, GPW co-operated with many foundations, associations and organisations to hold events and conferences about the economy and the capital market. In particular, GPW worked with the Polish Directors' Institute Foundation to organise conferences on corporate governance; the Lesław A. Paga Foundation (including training and education projects focused on the capital market); and the Polish Association for Entrepreneurship (PTWP) (European Economic Congress, Eastern Economic Congress).

In addition, GPW is subject to the Corporate Governance Rules for Supervised Institutions issued by the Polish Financial Supervision Authority 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 website of the Polish Financial Supervision Authority (<http://www.knf.gov.pl>).

The Exchange complies with the rules laid down in the Corporate Governance Rules for Supervised Institutions with the exception of the rules defined in § 10.2, § 12.1 and § 28.4, and except the rules defined in §53, §54.1-3, §55, §56, §57, which are inapplicable to GPW's business profile as GPW does not manage assets on clients' account.

Non-compliance with the rule defined in § 10.2, concerning the introduction of personal entitlements or other special entitlements for shareholders, and in § 12.1, which provides that shareholders shall be responsible for an immediate capital increase of the supervised institution, is due to the incomplete privatisation of the Company by the State Treasury. Non-compliance with the rule defined in § 28.4, which provides that the General Meeting shall assess whether the established remuneration policy contributes to the development and security of the operations of the supervised institution, is due to the excessively broad range of the remuneration policy to be assessed by the General Meeting. The remuneration policy for key managers other than the members of the supervisory board and the management board should be assessed by their employer, i.e., the Company represented by the Management Board and controlled by the Supervisory Board.

The full statement of the Exchange on compliance with the Code of Best Practice for GPW Listed Companies 2016 and the Corporate Governance Rules for Supervised Institutions is available on the Company's website under the GPW corporate governance tab.

### 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 the Warsaw Stock Exchange;
- ◆ the Accounting Rules of the Warsaw Stock Exchange and the accounting rules of the subsidiaries;
- ◆ internal accounting procedures.

The preparation of financial statements is subject to the internal control system and the risk management system, which ensures fair and true financial reporting in compliance with laws and internal 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;
- ◆ checks of GPW's compliance with laws and internal regulations;
- ◆ internal controls exercised by the Compliance and Risk Department, responsible for assessment of organisational units' effectiveness and compliance with laws and internal regulations;
- ◆ internal audit exercised by the Internal Audit Department, responsible for independent and objective assessment of the risk management and internal control systems.

Risk management in the preparation of financial statements involves the identification and assessment of risks, as well as the development and implementation of measures which mitigate or eliminate risks. In particular, GPW on an on-going basis monitors amendments of laws and regulations applicable to the preparation of financial statements, updates the Company's internal regulations and harmonises its IT systems.

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. The Company uses a financial and accounting system implemented in August 2011, which includes 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 internal audits.

The auditor controls 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. GPW'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. GPW'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 the Compliance Officer, and monitors the effectiveness of the internal control, internal audit, and risk management systems. The responsibilities of the Supervisory Board include assessment of the GPW 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

Pursuant to the Exchange Articles of Association, the auditor responsible for audits of the financial statements of the Company is appointed by the Exchange Supervisory Board. The Exchange Supervisory Board selects the auditor on the basis of the opinion and recommendation of the Audit Committee. The Company has no internal regulations concerning the replacement of the entity authorised to audit the separate financial statements.

The entity authorised to audit the separate financial statements of GPW and the consolidated financial statements of the GPW Group for the financial year ended 31 December 2015 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 GPW and KPMG Audyt was concluded on 21 October 2015 and covers the audit of the annual separate and consolidated financial statements for the financial years ended 31 December 2015 and the review of the interim separate and consolidated financial statements for each quarter of 2016.

The agreement concluded on 10 December 2013 between GPW and KPMG Audyt was in force in 2014 and covered 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.

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

Service	2015	2014
Audit:		
♦ annual separate and consolidated financial statements for the financial year ended 31 December	80 000	85 500
♦ verification of the calculation of GPW Management Board bonus indicators		
Review of interim financial statements:		
♦ consolidated, for the period 01.01. – 31.03.	19 000	19 000
♦ consolidated, for the period 01.01 – 30.09.	19 000	19 000
♦ separate and consolidated, for the period 01.01. – 30.06.	28 500	28 500

### III.4. GPW Share Capital, Shares and Bonds

The share capital of the Warsaw Stock Exchange amounts to PLN 41,972,000 and is divided into 41,972,000 shares with a nominal value of PLN 1 per share. The shares include series A preferred registered shares (one share gives two votes) and series B ordinary bearer shares. 27,192,530 series B ordinary bearer shares are introduced to trading on GPW (64.79% of all shares representing 47.92% of the total vote).

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. 28,000 series A preferred registered shares were converted to series B ordinary bearer shares in 2015.

GPW 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 GPW shareholders

Shareholder	Stake in the share capital		Votes at the General Meeting	
	Number of shares	Stake	Number of votes	Stake
State Treasury of the Republic of Poland - preferred shares (series A)	14 688 470	35.00%	29 376 940	51.76%
Other shareholders - preferred shares (series A)	91 000	0.21%	182 000	0.32%
Other shareholders - bearer shares (free float; series B)	27 192 530	64.79%	27 192 530	47.92%
<b>Total</b>	<b>41 972 000</b>	<b>100%</b>	<b>56 751 470</b>	<b>100%</b>

As at 31 December 2015, 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.

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,
- ♦ Andrzej Ladko, Member 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 2015. 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. The remaining 91 thousand preferred registered shares are held by 7 domestic entities (banks and brokerage houses) which were shareholders of the Exchange prior to its privatisation.

GPW 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. The Articles of Association define detailed limitations of the voting right. 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 GPW Shares

Obligations of GPW 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).

GPW 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. The Polish Financial Supervision Authority may raise objections within three months of the notification. If the Polish Financial Supervision Authority raises no objections, the acquisition of shares on the terms laid down in the notification may take place after three months from the notification or at the date set by the Polish Financial Supervision Authority. If GPW shares are acquired in the absence of objections of the Polish Financial Supervision Authority earlier than after three months or earlier than the date set by the Polish Financial Supervision Authority or in breach of objections of the Polish Financial Supervision Authority, any exercise of rights attached to GPW shares is ineffective.

### 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.

GPW's Articles of Association were valid in 2015 in the same wording as in 2014. However, GPW's General Meeting on 25 June 2015 approved amendments of GPW's Articles of Association including:

- ◆ harmonisation of the Articles of Association with the actual structure of the share capital following the conversion of registered shares into bearer shares;
- ◆ procedure of appointment of members of the Exchange Management Board and the Exchange Supervisory Board;
- ◆ procedure of passing resolutions of the Exchange Management Board.

GPW published the text of the resolution in Current Report No. 15/2015, available on the company's website under the Investor Relations tab.

The amendments of the Articles of Association, other than the amendment authorising the GPW Management Board to pass resolutions in writing or through telecommunications, were approved by the Polish Financial Supervision Authority on 21 December 2015 and will apply following registration by the competent court.

### 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 GPW website under the Regulations tab.

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;

*The General Meeting decides about the organisation and operation of the Company, and appoints and dismisses members of the Exchange Supervisory Board and the President of the Exchange Management Board*

- ◆ 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 GPW 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 GPW website under the Investor Relations tab.

***The company's website presents all materials relating to the General Meeting. GPW provides real-time broadcasts of General Meetings. On-line voting was available at the 2015 General Meeting***

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.

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 MEETING IN 2015**

The Ordinary General Meeting of GPW was summoned on 25 June 2015 with an agenda including among others review and approval of the report of the Management Board on the activity of the Company and the GPW Group and the financial statements for 2014, adoption of the resolution concerning distribution of the Company's profit for 2014, vote of discharge of duties to Members of the Exchange Supervisory Board and the Exchange Management Board, approval of the Corporate Governance Rules for Supervised Institutions issued by the Polish Financial Supervision Authority, approval of amendments of the Company's Articles of Association, changes in the composition of the Exchange Supervisory Board. The resolutions of the Ordinary General Meeting were published in Current Report No. 15/2015 of 25 June 2015 and are available on the Company's website under the Investor Relations tab.

## GENERAL MEETING IN 2016

The Extraordinary General Meeting of GPW was summoned on 12 January 2016 with an agenda including changes in the composition of the Exchange Management Board and changes in the composition of the Exchange Supervisory Board. The resolutions of the Extraordinary General Meeting were published in Current Report No. 4/2016 of 12 January 2016 and are available on the Company's website under the Investor Relations tab.

### 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 by the General Meeting.

The General Meeting appoints:

- ◆ at least one of the Exchange Supervisory Board members from among the candidates proposed by the shareholders being exchange members<sup>56</sup>
- ◆ and at least one of the Exchange Supervisory Board members from among the candidates proposed by the minority shareholders<sup>57</sup>.

***The Exchange Supervisory Board exercises on-going oversight over the activity of the Company. The Exchange Supervisory Board had 7 members, including 4 independent members, at the end of 2015***

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 GPW and GPW Group companies. The General Meeting elects the other members of the Exchange Supervisory Board under the general rules. 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;

<sup>56</sup> Exchange Member – capital market participant authorised to trade directly on Warsaw Stock Exchange subject to the criteria laid down in GPW regulations

<sup>57</sup> Minority shareholder – shareholder(s) representing less than 10% of the Company's share capital

- ♦ 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

The table below presents the composition of the Exchange Supervisory Board at the end of 2015.

Table 14 Composition of the Exchange Supervisory Board as at 31 December 2015

Name	Function	Independence <sup>58</sup>
<b>Wiesław Rożłucki</b>	Chairman of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
<b>Marek Wierzbowski</b>	Deputy Chairman of the Exchange Supervisory Board	
<b>Bogdan Klimaszewski</b>	Member of the Exchange Supervisory Board	
<b>Andrzej Ladko</b>	Member of the Exchange Supervisory Board	
<b>Jacek Lewandowski</b>	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
<b>Waldemar Maj</b>	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
<b>Marek Słomski</b>	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board

The composition of the Exchange Supervisory Board changed as follows in 2015: Mr Dariusz Kacprzyk resigned from the function of Member of the Exchange Supervisory Board on 20 May 2015 effective as of 29 May 2015; Mr Piotr Piłat resigned from the function of Member of the Exchange Supervisory Board on 24 June 2015. On 25 June 2015, the Ordinary General Meeting of GPW appointed Mr Andrzej Ladko and Mr Bogdan Klimaszewski to the Exchange Supervisory Board.

Mr Marek Wierzbowski resigned from the function of Member of the Exchange Supervisory Board on 11 January 2016. On 12 January 2016, the Extraordinary General Meeting of GPW dismissed Mr Bogdan Klimaszewski, Mr Andrzej Ladko, Mr Waldemar Maj and Mr Wiesław Rożłucki from the Exchange Supervisory Board and appointed Mr Jarosław Grzywiński (from among the candidates proposed by the minority shareholders), Mr Łukasz Hardt, Mr Adam Miłoś, Mr Wojciech Nagel and Ms Ewa Sibrecht-Ośka to the Exchange Supervisory Board. Mr Marek Słomski is the Member of the Exchange Supervisory Board proposed by the shareholders being exchange members.

On 18 February 2016, Mr Łukasz Hardt resigned from the function of Member of the Exchange Supervisory Board following his appointment to the Monetary Policy Council (RPP).

Table 15 Composition of the Exchange Supervisory Board as at the date of this report

Name	Function	Independence
<b>Wojciech Nagel</b>	Chairman of the Exchange Supervisory Board	
<b>Ewa Sibrecht-Ośka</b>	Deputy Chairman of the Exchange Supervisory Board	
<b>Adam Miłoś</b>	Secretary to the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
<b>Jarosław Grzywiński</b>	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
<b>Jacek Lewandowski</b>	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
<b>Marek Słomski</b>	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board

<sup>58</sup> According to the independence criteria of Supervisory Board Members under Rule II.Z.4 of the Best Practices for GPW Listed Companies

## 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 GPW website under the Regulations tab.

Table 16 Composition of Supervisory Board Committees as at 31 December 2015

<b>Strategy Committee</b>	
Wiesław Rozłucki	Chairman
Jacek Lewandowski	Member
Waldemar Maj	Member
<b>Regulation and Corporate Governance Committee</b>	
Marek Wierzbowski	Chairman
Bogdan Klimaszewski	Member
Waldemar Maj	Member
<b>Remuneration and Nominations Committee</b>	
Andrzej Ladko	Chairman
Wiesław Rozłucki	Member
Marek Słomski	Member
<b>Audit Committee<sup>59</sup></b>	
Marek Słomski	Chairman
Jacek Lewandowski	Member
Andrzej Ladko	Member

<sup>59</sup> Two members of the Audit Committee met the criteria of independence and one member of the Audit Committee was qualified in accounting or auditing according to Article 86.4 of the Act on Auditors.

Table 17 Composition and powers of Supervisory Board Committees as at the date of this report

Strategy Committee		
Jacek Lewandowski Wojciech Nagel	Member Member	<ul style="list-style-type: none"> <li>◆ issues opinions on GPW's strategy and its updates;</li> <li>◆ issues opinions on implementation of GPW's strategy;</li> <li>◆ issues opinions on the aspects of GPW's privatisation;</li> <li>◆ issues opinions on proposals of strategic alliances;</li> <li>◆ issues opinions on proposals of acquisition of stakes in entities of strategic significance;</li> <li>◆ issues opinions on materials related to exchange fees</li> </ul>
Regulation and Corporate Governance Committee		
Ewa Sibrecht-Ońska Jarosław Grzywiński	Member Member Member	<ul style="list-style-type: none"> <li>◆ initiates and issues opinions on proposed changes in regulations;</li> <li>◆ prepares position statements of the Supervisory Board and the Management Board;</li> <li>◆ initiates, issues opinions and monitors activities related to the implementation of the corporate governance rules by GPW;</li> <li>◆ initiates, issues opinions and monitors activities supporting the implementation of the corporate governance rules in listed companies</li> </ul>
Remuneration and Nominations Committee		
Ewa Sibrecht-Ońska Jarosław Grzywiński Marek Słomski	Member Member Member	<ul style="list-style-type: none"> <li>◆ issues opinions on the remuneration system;</li> <li>◆ issues opinions on employment contracts with the Exchange Management Board members;</li> <li>◆ issues opinions on annual awards proposed for the Exchange Management Board members;</li> <li>◆ issues opinions on the incentive system</li> </ul>
Audit Committee <sup>60</sup>		
Marek Słomski Jacek Lewandowski Adam Miłosz	Chairman Member Member	<ul style="list-style-type: none"> <li>◆ issues opinions on financial statements and motions of the Management Board concerning profit distribution or coverage of a loss;</li> <li>◆ issues opinions on GPW's financial plan;</li> <li>◆ issues opinions on Exchange Management Board reports on performance of the financial plan;</li> <li>◆ monitors financial audit functions, including discussion of the results of audits of annual financial statements;</li> <li>◆ recommends the selection of the company's auditor and the auditor's fee to the Exchange Supervisory Board;</li> <li>◆ monitors the independence of the auditor and the audit company</li> </ul>

## **PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE SUPERVISORY BOARD**

According to the Code of Best Practice for GPW Listed Companies applicable until 31 December 2015, GPW publishes information on the participation of women and men in the Exchange Supervisory Board.

<sup>60</sup> As at the date of preparation of this Report, two 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.

Table 18 Number of women and men on the Exchange Supervisory Board

As at:	Number of women	Number of men
31 December 2010	2	5
31 December 2011	0	7
31 December 2012	0	7
31 December 2013	0	7
31 December 2014	0	7
31 December 2015	0	7
12 January 2016	1	6
19 February 2016	1	5

### 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. According to the Articles of Association, 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 an 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 an 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.

***The Exchange Management Board is the company's executive board and consists of 3 to 5 members. The Exchange Management Board had 4 members at the end of 2015 and at the date of this report***

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,. 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 an 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 EXCHANGE MANAGEMENT BOARD

The table below presents the composition of the GPW Management Board as at the end of 2015:

Table 19 Composition of the Exchange Management Board as at the end of 2015

Name	Function
Paweł Tamborski	President of the Management Board
Dariusz Kułakowski	Vice-President of the Management Board
Karol Półtorak	Vice-President of the Management Board
Grzegorz Zawada	Vice-President of the Management Board

The composition of the Exchange Management Board changed as follows in 2015: Mr Mirosław Szczepański resigned from the function of Vice-President of the Management Board on 2 July 2015, and since then the Exchange Management Board consisted of four persons. Mr Paweł Tamborski resigned from the function of President of the Management Board on 3 December 2015 effective as of 31 December 2015.

On 12 January 2016, the Extraordinary General Meeting of the Company appointed Ms Małgorzata Zaleska as President of the Management Board. The decision took effect upon the delivery of the PFSA decision approving the change to the composition of the Exchange Management Board to the Company, i.e., on 10 February 2016.

Table 20 Composition of the Exchange Management Board as at the date of this report

Name	Function
Małgorzata Zaleska	President of the Management Board
Dariusz Kułakowski	Vice-President of the Management Board
Karol Półtorak	Vice-President of the Management Board
Grzegorz Zawada	Vice-President of the Management Board

## PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE MANAGEMENT BOARD

According to the Code of Best Practice for GPW Listed Companies (Section II.1.2a) applicable until 31 December 2015, GPW publishes information on the participation of women and men in the Exchange Management Board.



Table 21 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
31 December 2013	1	4
31 December 2014	0	5
31 December 2015	0	4
1 January 2016	0	3
10 February 2016	1	3

### ORGANISATIONAL CHART OF GPW S.A.

Chart 9 Organisational chart of GPW as at 31 December 2015

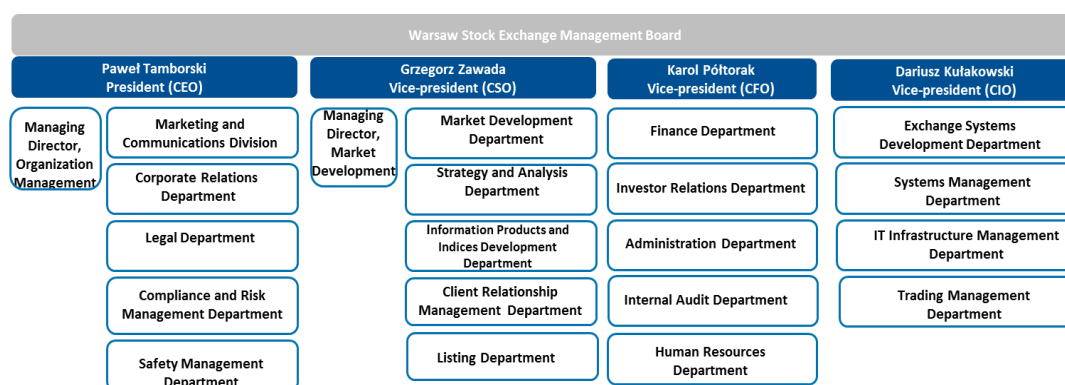
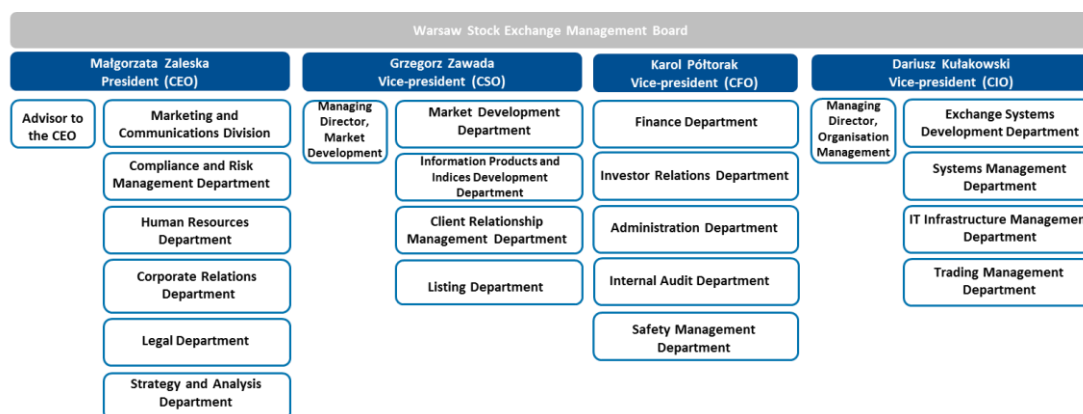


Chart 10 Organisational chart of GPW as at the date of this report



### III.11. Remuneration Policy

#### GPW REMUNERATION POLICY

The incentive remuneration system for employees and managers consists of a fixed part (basic remuneration), a variable part (including the annual bonus and discretionary awards), as well as fringe benefits. Basic remuneration on GPW is linked to the employee’s potential, competences and performance.

A new bonus system introduced in 2015 covers all GPW employees other than the Exchange Management Board Members. It provides a simple and clear mechanism of calculating and distributing the bonus pool. The overall bonus pool available for bonuses for all eligible GPW employees in a bonus year depends on the profit on sales generated by GPW.

The new system is designed to incentivise employees for superior performance by achieving individual targets and evaluating employee attitudes; it incentivises managers to motivate their employees. The bonus system includes an annual employee appraisal which covers the employee's overall performance in the bonus year, identifies the employee's strengths and areas for improvement. The annual appraisal includes an assessment of the employee's individual targets and attitudes throughout the bonus year as well as the employee's overall performance in the bonus year as the basis for determining the amount of the bonus.

GPW provides employees with a wide range of fringe benefits including health care, life insurance, reimbursement of commuting costs, the Employee Pension Scheme, a canteen system. GPW employees can use loans including housing and medical loans, as well as payments from the Company Social Benefits Fund. Managers are entitled to a flat-rate reimbursement of the cost of a vehicle.

More information about employees, including the GPW training policy, recruitment policy and employee volunteering is presented in section *IV.4 Responsible Human Relations Policy*.

## **REMUNERATION POLICY FOR EXCHANGE MANAGEMENT BOARD MEMBERS**

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. The Members of the Management Board of the current term of office receive no remuneration for their functions on the boards of subsidiaries and associates of the GPW Group.

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 remuneration), a variable part (incentive system, i.e., discretionary annual bonus), as well as fringe benefits to the extent defined by the Exchange Supervisory Board. The bonus system for the Management Board Members was implemented in 2014 and was not modified in 2015.

The variable part of remuneration, i.e., the discretionary annual bonus, may be awarded subject to the following conditions:

- ◆ the Company reports a net profit for the financial year for which the discretionary bonus is to be awarded;
- ◆ the member of the Exchange Management Board is employed as at the 30<sup>th</sup> day after the publication of the consolidated financial statements of the GPW Group;
- ◆ the Members of the Exchange Management Board are granted a vote of discharge of their duties for the last bonus year.

The amount of the bonus for Members of the Management Board depends on semi-annual appraisal of performance and the Company's results performed by the Exchange Supervisory Board, as well as verification of results of work of the Exchange Management Board Members in previous bonus years.

The Exchange Supervisory Board performs an annual appraisal which may determine the grant and the amount of the discretionary bonus of a Management Board Member. The maximum amount of the discretionary annual bonus is capped as a percentage of annual basic remuneration. Payments 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, which are paid out one year after the award;<sup>61</sup>
- ♦ 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.

Fringe benefits available to the Management Board Members in 2015 included health care, life insurance, as well as an Employee Pension Plan.

In addition to the foregoing, the Company has no incentive or bonus schemes based on the issuer's equity (including schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants, or stock options).

Table 22 Remuneration and benefits of the members of the Exchange Management Board paid and due in 2015 (PLN thousand)<sup>62</sup>

Management Board Member	Base salary	Holiday leave allowance	Bonus – one-off payment	Bonus – bonus bank	Bonus – phantom shares	Other benefits	Benefits after termination	Jubilee award	Total
Paweł Tamborski	826	0	267	255	198	52	0	0	1 599
Karol Półtorak	660	0	205	216	162	49	0	0	1 292
Grzegorz Zawada	660	0	195	200	150	38	0	0	1 243
Mirosław Szczepański	550	63	70	35	27	23	110	0	877
Dariusz Kułakowski	648	0	178	181	135	32	0	0	1 174
Adam Maciejewski	0	0	0	0	0	0	553	0	553
Beata Jarosz	0	0	0	0	0	0	221	0	221
<b>Total</b>	<b>3 345</b>	<b>63</b>	<b>915</b>	<b>887</b>	<b>672</b>	<b>193</b>	<b>884</b>	<b>0</b>	<b>6 958</b>

Table 23 Remuneration and benefits of the members of the Exchange Management Board paid and due in 2014 (PLN thousand)<sup>63</sup>

Management Board Member	Base salary	Holiday leave allowance	Bonus – one-off payment	Bonus – bonus bank	Bonus – phantom shares	Other benefits	Benefits after termination	Jubilee award	Total
Paweł Tamborski	360	0	83	110	83	16	0	0	652
Karol Półtorak	205	0	40	53	40	14	0	0	351
Grzegorz Zawada	226	0	53	70	53	20	0	0	421
Mirosław Szczepański	558	0	223	122	66	104	0	80	1 153
Beata Jarosz	362	89	295	132	0	128	233	0	1 239
Adam Maciejewski	539	315	549	191	0	202	395	198	2 388
Paweł Graniewski	324	37	190	26	0	104	0	0	681
Dariusz Kułakowski	558	0	125	101	66	108	0	0	958
<b>TOTAL</b>	<b>3 132</b>	<b>441</b>	<b>1606</b>	<b>805</b>	<b>307</b>	<b>695</b>	<b>628</b>	<b>278</b>	<b>7 891</b>

The tables above do not include social security contributions paid by the employer. Furthermore, Exchange Management Board Members received PLN 193 thousand in respect of functions on the supervisory board of subsidiaries in 2014 (PLN 0 in 2015), not included in the table above.

<sup>61</sup> 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 GPW share price on the exchange.

<sup>62</sup> The amount of the variable part (bonus) and long-term liabilities (phantom shares/bonus bank) for 2015 represent the provisions

<sup>63</sup> The amount of the variable part (bonus) and long-term liabilities (phantom shares/bonus bank) for 2015 represent the provisions

## 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, which started in 2014, were signed for a determined period, i.e., until the expiry of the mandate. 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.

Table 24 Employment contracts with members of the Exchange Management Board as at 31 December 2015

Management Board Member	Date of the agreement	Validity	Function
Paweł Tamborski	25 July 2014	determined period, i.e., until 31 March 2016	President of the Management Board
Grzegorz Zawada	28 August 2014	determined period, i.e., end of the term of office	Vice-President of the Management Board
Karol Półtorak	9 September 2014	determined period, i.e., end of the term of office	Vice-President of the Management Board
Dariusz Kułakowski	25 July 2014	determined period, i.e., end of the term of office	Vice-President of the Management Board

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 term of agreements with two Management Board Members – Mirosław Szczepański and Paweł Tamborski – was changed in 2015.

- ◆ Mirosław Szczepański resigned from the function of Vice-President of the Management Board as of 2 July 2015. The agreement was terminated with a notice of 3 months, i.e., as of 31 October 2015. After the termination of employment, Mirosław Szczepański was entitled to a non-competition compensation at 100% of remuneration for a period of 3 months.
- ◆ Paweł Tamborski resigned from the function of President of the Management Board as of 31 December 2015. The agreement will be terminated with a notice of 3 months, i.e., as of 31 March 2016. After the termination of employment, Paweł Tamborski will be entitled to a non-competition compensation at 100% of remuneration for a period of 3 months.

In 2015, GPW paid out compensation under the non-competition agreements to Adam Maciejewski and Beata Jarosz – Members of the Management Board of the previous term of office whose employment agreements were terminated upon the expiry of the mandate, i.e., on 25 July 2014. Under the non-competition agreements signed by the Exchange Supervisory Board in 2006, the Members of the Management Board were not to engage in activities competitive to the Company for a period of 12 months after the termination of the employment agreements with the Company and were entitled within that period to compensation at 100% of the gross basic remuneration received within 12 months prior to the termination of employment, paid out in 12 equal monthly instalments.

Under these agreements, the Company paid compensation of PLN 948 thousand to Adam Maciejewski and PLN 454 thousand to Beata Jarosz, as shown in Tables 22 and 23. The Company paid out monthly compensation of PLN 79 thousand to Adam Maciejewski. The amount of PLN 50.5 thousand paid out to Beata Jarosz as monthly compensation under the non-competition agreement was reduced by the gross monthly remuneration of Beata Jarosz due to her employment with the Polish Power Exchange as of December 2014 pursuant to an agreement signed by the Company on 7 October 2014 concerning the amount of monthly compensation under the non-competition agreement.

The non-competition agreements with Adam Maciejewski and Beata Jarosz were effective until 31 July 2015; consequently, a part of these amounts was paid out in January – July 2015.

On 12 January 2016, the Extraordinary General Meeting of the Company appointed Ms Małgorzata Zaleska as President of the Management Board. The decision took effect upon the delivery of the PFSA decision approving the change to the composition of the Exchange Management Board to the Company, i.e., 10 February 2016.

## 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 Ordinary 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 25 Remuneration of the Supervisory Board members (PLN thousand)

Exchange Supervisory Board Member	Year ended 31 December 2015	Year ended 31 December 2014
Leszek Pawłowicz	0	27
Marek Wierzbowski	74	59
Jacek Lewandowski	74	59
Sławomir Krupa	0	27
Marek Słomski	74	59
Wiesław Rozłucki	99	69
Dariusz Kacprzyk	31	59
Piotr Piłat	37	31
Waldemar Maj	74	25
Bogdan Klimaszewski	38	0
Andrzej Ladko	38	0

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

## EVALUATION OF THE REMUNERATION POLICY

The Company's remuneration policy based on an incentive system directly supports the implementation of GPW's business strategy. The Company's remuneration system is based on fixed remuneration and variable remuneration under the incentive system. The remuneration system also includes other factors such as recognition, career development and work conditions, which contributes to the Company's organisational culture and facilitates the implementation of the business strategy.

The remuneration policy differentiates between pay levels depending on the job position, performance and competences. The variable component provides flexibility and aligns the system with the implementation of GPW's strategy. The incentive system links the Company's management with the goals of the GPW strategy and cascades the goals to employees, thus supporting GPW's business.

The extensive system of employee benefits is competitive on the market while ensuring cost efficiency for the Company. As a part of the HR strategy, the remuneration policy consistently helps to recruit, retain and incentivise employees.

### III.12. Changes of Main Management Rules of GPW and the GPW Group

#### **CHANGES IN THE GPW GROUP STRUCTURE**

The following changes were implemented in the GPW Group structure in 2015 in line with the company's business strategy and optimising initiatives:

- ◆ 100% of InfoEngine S.A. was sold to TGE following the decision to concentrate all commodity market assets within the TGE Group;
- ◆ a strategic investor was identified for Instytut Rynku Kapitałowego – WSE Research and 80.02% of the shares were sold to PAP.

The changes in the GPW Group structure are described in detail below.

#### **Sale of InfoEngine S.A.**

In Q3 2015, GPW sold 100% of the subsidiary InfoEngine S.A. to TGE for PLN 1,500 thousand. The ownership was transferred on 4 September 2015, following an approval of the InfoEngine Supervisory Board granted on 26 August 2015. The name of the company was changed from WSEInfoEngine S.A. to InfoEngine S.A. on 25 November 2015.

#### **Sale of Instytut Rynku Kapitałowego – WSE Research S.A.**

On 8 July 2015, GPW signed a conditional agreement to sell 80.02% of the subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. to Polska Agencja Prasowa S.A. The transaction was conditional on the approval of the PAP General Meeting, which was granted on 28 September 2015. The price was PLN 382 thousand. The ownership was transferred on 30 October 2015. On 25 January 2016, the company's name was changed from Instytut Rynku Kapitałowego – WSE Research S.A. to InfoStrefa S.A.

#### **Increased Stake in Bondspot S.A.**

In 2015, GPW signed six conditional agreements to buy 402,444 BondSpot shares for a total price of PLN 1,711 thousand. The transactions were conditional on the approval of the Polish Financial Supervision Authority for the acquisition of BondSpot shares, which was granted on 23 June 2015 and 6 October 2015. As a result of the transactions, GPW's stake in the share capital and total vote of BondSpot increased from 92.96% at the end of 2015 to 96.98% at the end of 2015.

#### **Change of Name of WSE Services S.A. to GPW Centrum Usług S.A.**

On 18 February 2015, the Ordinary General Meeting of WSE Services S.A. decided to change the name of the company to GPW Centrum Usług Spółka Akcyjna, which took effect on 20 March 2015 upon the registration of the change in the National Court Register

#### **Inception of the GPW Foundation**

On 17 June 2015, GPW together with TGE and BondSpot established the GPW Foundation whose mission it is to pursue educational activities, including programmes supporting the development of financial and commodity markets, promotion of economic education, and charity initiatives. The GPW Group allocated PLN 675 thousand to the mission of the Foundation as its endowment.

## **CHANGE OF PERSONS SITTING ON THE AUTHORITIES OF GPW GROUP COMPANIES**

The change of GPW's managing persons as well as changes to GPW's organisational structure are described in section III.10. *Exchange Management Board*. The section below outlines changes in other companies participating in the GPW Group as at the end of 2015.

### **BondSpot S.A.**

As at 31 December 2015, the Management Board of BondSpot S.A. consisted of two persons:

- ◆ Jacek Fotek – President of the Management Board,
- ◆ Piotr Woliński – Vice-President of the Management Board.

The mandate of the Management Board of BondSpot comprised of Jacek Fotek (President of the Management Board), Piotr Woliński (Vice-President of the Management Board), Anna Grabowska (Member of the Management Board) ended on 10 June. The Ordinary General Meeting of BondSpot S.A. on 10 June 2015 appointed Jacek Fotek as President of the Management Board for a new three-year term of office and the Supervisory Board appointed Piotr Woliński as Vice-President of the Management Board.

### **Towarowa Giełda Energii S.A. (Polish Power Exchange)**

As at 31 December 2015, the Management Board of TGE consisted of three persons:

- ◆ Ireneusz Łazor – President of the Management Board,
- ◆ Michał Tryuk – Vice-President of the Management Board,
- ◆ Maciej Piotrowski – Vice-President of the Management Board.

Maciej Piotrowski was appointed to the Management Board of TGE on 4 August 2015.

### **IRGiT S.A.**

As at 31 December 2015, the Management Board of IRGiT consisted of two persons:

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

### **InfoEngine S.A.**

Bartłomiej Kosiński was the President of the Management Board from 1 January to 11 February 2015. Adam Simonowicz is the President of the Management Board since 12 February 2015.

### **GPW Centrum Usług S.A.**

In 2015, the Management Board of GPW Centrum Usług S.A. consisted of two persons:

- ◆ Dariusz Kułakowski – President of the Management Board,
- ◆ Iwona Edris – Member of the Management Board.

### **Instytut Analiz i Ratingu S.A.**

In 2015, the Management Board consisted of two persons:

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

## IV. CORPORATE SOCIAL RESPONSIBILITY

### IV. 1. CSR Strategy of the GPW Group

***The Warsaw Stock Exchange Group not only focuses on sustainable business and corporate social responsibility but also fosters responsible behaviour of its market participants.***

The Warsaw Stock Exchange and the companies of the GPW Group pursue their business operations in compliance with the highest business standards and taking into account social, ethical and environmental factors.

Since 2013, GPW is a member of the Sustainable Stock Exchanges, a UN initiative of 35 global exchanges which pursue sustainable and responsible business and promote the highest ESG (Environment, Social, Governance) standards on their home markets through initiatives addressed to market participants.

GPW's key initiative in this area in 2015 was the modification of the Best Practice for GPW Listed Companies, a code of conduct which has for years set the standard for public companies in Poland. Following many months of market consultations and dialogue with the capital market community, an extended and detailed body of new principles was defined to improve the quality of corporate communications with the markets and investors and enhance the transparency and safety of business.

In 2015, the RESPECT Index – the socially responsible company index published by GPW since 2009 – continued to develop, including the ninth survey of ESG compliance by listed companies. The survey results demonstrate that public companies listed on GPW improve their CSR and sustainable development standards year after year. The Warsaw Stock Exchange as a public company has been surveyed for three years now and clearly improved its Governance and Social performance, remaining a member of the index.

This was largely due to the Exchange's CSR (Corporate Social Responsibility) strategy, which was revised in 2015. GPW's initial CSR strategy was developed and implemented in 2013. In 2015, GPW revisited its assumptions and implemented the strategy in all of the GPW Group companies.

The mission of the GPW Group is to support economic growth and build an investment culture by ensuring highest standards and safety of trading in a professional and responsible process. The Group's CSR strategy provides for the implementation of the mission and for building of the Group's value while respecting the interests of the environment of the Group's companies based on dialogue and co-operation with all stakeholder groups.

The business strategy of the Warsaw Stock Exchange Group published in October 2014 provides for the consolidation of initiatives of Group companies on many levels, also beyond their business operations. The Group is working steadily and consistently to harmonise the procedures, policies and standards across its companies in order to create a stronger and more coherent entity which successfully pursues its business on the financial and commodity markets. As a part of the process, the GPW Group has developed and implemented a corporate social responsibility (CSR) strategy.

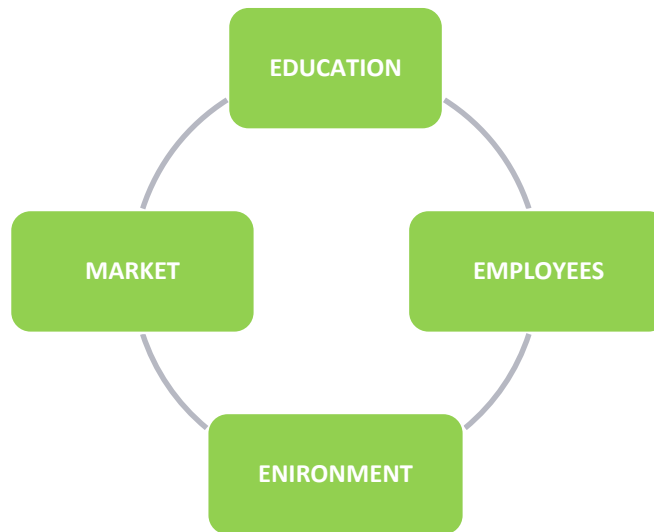
The CSR strategy was developed in H2 2015 in the work of a task force including representatives of BondSpot, the Polish Power Exchange as well as GPW managers responsible for GPW's key business areas in terms of ESG factors. As a result, the GPW Group established a CSR Committee to monitor the implementation and further development of the CSR strategy.

Similar to GPW's CSR strategy implemented in 2013, the GPW Group's CSR strategy is based on four main pillars important to the activity of GPW and its subsidiaries as well as their role in the Polish financial and commodity markets:

- ◆ education,
- ◆ market relations and dialogue,
- ◆ responsible human resources policy,
- ◆ protection of the natural environment.



Figure 11 Main areas of the GPW Group's CSR strategy



## IV. 2. Education

According to the GPW Group's CSR strategy, education is the foundation of the general public's trust in the capital and commodity markets and their institutions. Hence, a key objective of the GPW Group is to foster a culture of investing while raising awareness of the mechanisms of capital and commodity markets in order to encourage Poles to invest their savings and urge companies to raise growth capital on the capital market.

*Equipped with the right tools and well informed, investors and other participants of the markets operated by the GPW Group build market value and credibility while reinforcing trust of the general public.*

### THE GPW FOUNDATION

The Warsaw Stock Exchange and its subsidiaries – the Polish Power Exchange and BondSpot – have for years pursued educational campaigns focused on the capital, commodity and debt markets addressed to school and university students, investors and professionals. To amplify the reach and efficiency of their educational initiatives and to leverage synergies, the GPW Group companies established the GPW Foundation in May 2015. Since inception, all educational activities of the GPW Group have been implemented by the Foundation or under its auspices.

The mission of the GPW Foundation is to develop and adapt the educational offer of the GPW Group including education in financial, commodity and debt markets and broadly understood economics.

The Foundation pursues its mission by organising and implementing school and educational projects for school and university students, investors and professionals active on the financial and commodity markets.

The GPW Foundation's educational initiatives focus on two areas: education of professionals active on the GPW Group markets (brokers, advisors, exchange members, media) and education of non-professionals for whom the capital market is not a workplace (investors, school and university students).

The educational projects and initiatives implemented by the GPW Foundation in 2015 included:

- ◆ Go4Poland – a programme designed to seek talents among Polish students of foreign universities and to encourage them to work with Polish companies and institutions. The programme has engaged 11 partners and 8 institutional ambassadors. A conference entitled "From Individual Development to National Growth" brought together CEOs of the biggest companies in Poland as well as representatives of the Ministry of Development and the Sejm Committee for the Economy and Development. A workshop for 90 programme participants took place on 15-19 December 2015. The programme will continue in 2016.

- ◆ School visits to GPW – in mid-2015, the GPW Foundation took over from Instytut Rynku Kapitałowego the responsibility for organising visits of junior and senior high school students to GPW. An online reservation system was put in place where teachers can manage bookings. As part of the project, around 3 thousand students in 85 groups visited GPW in 2015. The Foundation's online database has registered 70 schools.
- ◆ Commodity market training:
  - ✓ Seminar on "Electricity Futures" organised in partnership with TGE and Thomson Reuters in September 2015 brought together around 150 participants
  - ✓ Training on "Energy Trading on TGE" organised by request of EDF Polska SA in December 2015.

Other training programmes and educational initiatives implemented by GPW in 2015:

- ◆ Capital for Growth – a project implemented by GPW in partnership with Region Marshals, the Central Securities Depository of Poland (KDPW), Bank PKO BP and Bank Gospodarstwa Krajowego, addressed to Polish companies and local governments. This series of 16 meetings held in Poland's biggest regional capitals from May to November 2015 was devoted to the role of the financial markets in raising capital for projects supported by EU funds in order to encourage companies and local governments to raise growth capital on the exchange. The meetings brought together more than 1,200 participants: entrepreneurs, local government officials, non-governmental organisations, universities and the media.
- ◆ Futures Masters Competition – an investment competition open from 26 January to 27 February 2015 in partnership with KDPW and 11 brokerage houses to foster education about investing in GPW-listed derivatives and to promote the instruments. 8,441 contestants from 10 cities in Poland took part in the competition.
- ◆ Conference "Derivatives: The Technical Perspective" – a conference on the GPW derivatives market and the application of technical analysis to investing in derivatives, mainly addressed to individual investors, held in May 2015. The conference featured a workshop moderated by Polish strategists and analysts. The event brought together 180 participants and 340 online viewers.
- ◆ ING Turbo Game – an educational competition organised in partnership with ING Securities, offering virtual investment of cash in exchange-listed ING Turbo certificates, equities and ETF units. The objective of the competition was to educate investors and to promote listed structured products. The competition brought together 2 thousand contestants.
- ◆ Elective Lecture Programme – a series of elective lectures on "GPW Listed Financial Instruments" offered in partnership with the Warsaw University of Life Sciences and the Warsaw University of Technology. The programme included 12 lectures on exchange market indicators, listed instruments, as well as the basics of technical analysis. All lectures were attended by approximately 100 students.
- ◆ Product training – training offered at the GPW premises and universities across Poland with a focus on financial instruments, mainly derivatives and structured products. 29 training sessions were offered in 2015, each attended by around 90 participants (in total approximately 2,500 participants).
- ◆ Capital Creation Academy – regular events held several times per year in Poland's biggest cities in partnership with the Association of Individual Investors (SII), where experts share expertise on capital markets, listed instruments and techniques of investing. In 2015, the Academy offered two series of sessions, in total 12 training events. The first edition of the project focused on investing in ETPs on GPW. The second edition focused on the commodity market. The total number of participants of the two editions was 713 persons.
- ◆ Training series "Three Steps to the Exchange" – a national series of 14 training sessions offered by GPW in partnership with DM PKO BP focusing on the basics of investing in exchange-traded instruments. The series brought together 1,599 participants.

- ◆ Exchange School Online Game – a project focused on investing, addressed to senior high school students, available since 2002 in partnership with the Lesław A. Paga Foundation. The Game offers young people a hands-on experience of investing on the exchange, analysing of market conditions, decision-making and team work. It brought together more than 18 thousand participants in 2015.

## EXCHANGE SCHOOL

A flagship educational programme arranged by GPW 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. The Exchange School course materials were updated in June-December 2015 and two training levels were introduced: beginner and intermediate. The project currently involves 6 academic centres and 3 prospective partners. 12 courses were offered in 2015, bringing together 454 participants.

The Exchange School also offers a summer edition in an on-line training format. Webinars organised in the summer of 2015 in partnership with the Association of Individual Investors (SII) and the brokerage houses Noble Securities, BZ WBK, ING, BOŚ, CDM Pekao and mBank brought together 2,019 unique users. The average number of online training participants was 247 persons and the average number of registrations per course was 499.

## RESPECT INDEX

*Initiated in 2009 as the first social responsibility index in Central and Eastern Europe, it was the first such index on the Polish market and remains a benchmark for listed companies which aspire to follow the highest CRS standards.*

The RESPECT Index project is a flagship initiative of the Warsaw Stock Exchange and a part of its educational efforts in support of social responsibility of GPW listed companies and responsible investing in Poland.

The index portfolio includes companies listed on the GPW Main Market which follow the highest standards of corporate governance, disclosures and investor relations taking into account environmental, social and governance (ESG) factors in their business. The companies are audited and the index portfolio is revised once per year in the second half of the year. The index portfolio includes the biggest listed companies participating in the indices WIG20, mWIG40 and sWIG80.

The companies are selected in three steps of verification carried out by GPW and the Association of Listed Companies in the areas listed above as well as an audit performed by the project partner since the first edition: Deloitte.

The index requirements take into account the industrial specificity of companies. The survey questionnaire includes questions dedicated to all companies as well as questions for companies which pursue a specific business according to the classification deployed by GPW: Industry, Finance, and Services. The participation of each company in the index is defined on the same terms as for the other GPW indices, taking into account free-float shares, where the weight of the biggest companies is capped at 25% where the number of index participants is under 20 or 10% otherwise.

The RESPECT Index portfolio included between 16 and 24 companies in the nine editions of the survey, last held in the autumn of 2015. The current index portfolio includes 23 companies. The index has evolved since its inception. The requirements for companies have been steadily raised to increasingly accommodate trends typical of mature capital markets, meet stakeholders' requirements, and provide a full picture of the reported ESG factors. The ninth edition of the RESPECT Index project made several modifications to the questionnaire used to classify companies:

- ◆ Social – integrated reports were added to reporting required to meet the RESPECT Index criteria, enabling companies to rely on reporting standards alternative to the Global Reporting Initiative (GRI);
- ◆ Social – diversity at the workplace was added to the issues under review;

- ◆ Governance – amicable resolution of disputes with stakeholders, including contractors and clients, was added to the survey.

The results of the 2015 survey suggest that the companies participating in the RESPECT Index improve their ESG (environmental, social, governance) performance year after year. The average score of companies in the last three editions of the project increased from 64.08 to 71.01 points, with a maximum of 90 points.

The RESPECT Index performance corroborates the fundamental notion of responsible investing whereby investment in companies managed in a sustainable way which respect the environment and the interests of all stakeholders involves lower risk and generates above-average returns. From the first publication of the index on 19 November 2009 to the end of 2015, the RESPECT Index return rate was 39.2%, compared to a negative return on WIG20 over the same period (-20.2%).

Figure 48 Performance of the RESPECT Index and WIG (normalised)



## EDUCATIONAL INITIATIVES ON THE COMMODITY MARKET

The Polish Power Exchange (TGE) also pursues educational initiatives addressed to market participants in order to develop and promote transparent trade in products offered by TGE and to raise the awareness of the benefits of trade on TGE. Such initiatives are addressed both to market participants and TGE members.

In 2015, TGE offered a series of training programmes and examinations for commodity exchange brokers. The series included 12 training sessions and examinations on the Exchange Commodity Market (RTG) and 6 training sessions and examinations on the Financial Instruments Market (RIF). In 2015, TGE continued to work in partnership with universities and organised workshops on the role of energy exchanges and commodity markets. TGE’s flagship initiative is its partnership with the Lesław A. Paga Foundation in the Energy Academy Project designed to create a platform of exchange of expertise between practitioners with long-time experience in the energy industry and beginners who are starting a career in the industry.

In June 2015, TGE in partnership with the Commodity Clearing House (IRGiT) organised the eighth edition of the Trading Forum as a platform for the exchange of opinions and development of new solutions in collaboration with direct participants of the markets operated by TGE.

### IV. 3. Market relations and dialogue

Pursuant to the CSR strategy, the key objectives of the GPW Group include the development of corporate culture and behaviours of capital and commodity market participants in Poland according to high standards of corporate governance and disclosure requirements. This goal is pursued through efforts made in partnership and dialogue with capital and commodity market stakeholders.

## BEST PRACTICE AND CORPORATE GOVERNANCE

A key project of the Warsaw Stock Exchange in the area of dialogue and relations with market participants in 2015 was a modification of the code of Best Practice for GPW Listed Companies to harmonise it with the current market practice and European regulations and to further improve the quality of the corporate governance standards of listed companies.

Since 2002, the Exchange has promoted corporate governance principles through on-going development and promotion of the Best Practice for GPW Listed Companies designed to improve the transparency of listed companies, the protection of shareholder rights and the quality of corporate investor communications. Subsequent amendments of the principles of the code followed modifications of legal regulations, current international trends of corporate governance, as well as changing needs and expectations of market participants.

The Exchange Supervisory Board approved the new corporate governance code entitled "Best Practice of GPW Listed Companies 2016" on 13 October 2016. The new code took effect on 1 January 2016. The Best Practice 2016 was based on the work of experts representing different groups of capital market participants within the GPW Corporate Governance Consultation Committee. The Committee involved the following institutions: the Polish Financial Supervision Authority (KNF), the Association of Individual Investors (SII), the Association of Listed Companies (SEG), the Chamber of Pension Fund Companies, the Polish Institute of Directors. The draft was presented for public consultation with the participation of representatives of issuers and investors among others.

*The objective of GPW was to offer the code of best practice as a body of regulation developed by market participants. The Exchange is the custodian of the code which was however developed by market participants for the market. Consequently, GPW expects the shareholders of listed companies to engage in monitoring compliance with the code.*

To address comments raised by the recipients of the Best Practice 2016, the new document clarified a number of existing rules and imposed stricter requirements in selected key areas of corporate governance. At the same time, it followed the principle of adequacy by aligning the rules and recommendations with the ability of companies of different sizes to ensure compliance. The document also included issues previously not covered by the corporate governance rules.

To address issuers' expectations, the Exchange is developed a FAQ document which clarifies the recommendations and rules, as well as technical solutions to facilitate compliance of companies with the reporting obligations under the new corporate governance rules. GPW also launched multiple educational initiatives, which will continue in 2016.

In May 2015, the Exchange took the initiative to improve the quality of corporate governance and issuer standards on NewConnect by activating the market community. In the NewConnect 2.0 project, GPW appointed the Board of Authorised Advisers to enhance responsibility of Authorised Advisers for NewConnect. The Board is composed of 12 members, including nine Authorised Advisers. The responsibilities of the Board include to put forth proposed directions of development of the Alternative Trading System, to define guidelines for the activity of Authorised Advisers, and to issue opinions on amendments to laws and regulations concerning the organisation of the market. The Board of Authorised Advisers functions as a standing advisory committee to GPW.

## DIALOGUE WITH THE STAKEHOLDERS

In addition to irregular dialogue with the stakeholders concerning material business decisions, GPW 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 GPW's operation. The Committees bring together representatives of the capital market community: investors, issuers, brokers, funds, academics, lawyers, as well as representatives of the Polish Financial Supervision Authority. Consultations with the Committees on the Exchange's business decisions help to develop solutions optimal to all GPW stakeholder groups.

As at the end of 2015, GPW had the following Committees:

- ◆ GPW Exchange Indices Committee
- ◆ GPW Science Committee
- ◆ Corporate Governance Committee
- ◆ Derivatives Market Committee
- ◆ Debt Market Committee
- ◆ Equities Market Committee
- ◆ Board of Authorised Advisers

Two other committees cover the commodity market:

- ◆ Gas Market Committee – an advisory body since 2014 assisting the development of solutions creating a friendly environment for the development of trade in natural gas on the exchange. The Committee held two meetings in 2015, each bringing together 25 participants.
- ◆ Energy Market Committee – established in 2015, it brings together exchange members and representatives of TGE and IRGIT. Its responsibilities include giving opinions and tabling proposals for the development of exchange-traded commodities listed on TGE.

#### IV. 4. Responsible Human Resources policy

With their unique skills and experience, GPW Group employees are an important group of the Group's stakeholders. The organisational culture of the Group is based on engagement, values and effective internal communication as well as investment in continuous employee development.

***GPW is a responsible employer, appreciates and fosters mutual trust and engagement of employees and offers development opportunities in a safe and inspiring work environment.***

In 2015, the Company continued initiatives focused on efficient management of HR, payroll, social and bonus processes to address business needs and support the implementation of the Exchange's strategy. In 2015, GPW launched efforts to harmonise the human resources policy across all companies of the Group. The first initiative introduced to the subsidiaries was a shared training programme put in place in the autumn of 2015, which was designed to continue in 2016.

Table 26 Headcount of GPW and the GPW Group as at 31 December

	2015	2014	2013	2012
<b>Number of GPW employees</b>	205	208	205	211
<b>Number of GPW Group employees</b>	369	379	347	337

#### **GPW RECRUITMENT POLICY**

The GPW Group pursues a transparent policy of recruitment, redeployment and termination of employment. GPW's recruitment policy focuses on recruiting top-class specialists for all areas of the Company's operation. The development of human resources and employee competences includes rotation in job positions within GPW and the Group. In recruitment for strategic positions, the Exchange works with professional personnel advisory institutions.

Table 27 GPW personnel structure by gender as at 31 December

	2015	2014	2013	2012
<b>Number of GPW employees</b>	205	208	205	211
- Women	97	99	97	98
- Men	108	109	108	113

In the recruitment process, the GPW Group follows the principles of diversity and combats all forms of discrimination, in particular on grounds of sex, age, disability, race, religion, nationality, political creed, union membership, ethnicity, denomination, sexual orientation, and employment for a determined or undetermined period, full-time or part-time.

Table 28 GPW employee rotation as at 31 December<sup>64</sup>

	2015	2014	2013	2012
<b>Rotation of GPW employees</b>	15.0%	7.2%	13.3%	3.3%
<b>Rotation of GPW Group employees</b>	12.1%	8.0%	12.5%	-

GPW employed 27 new persons and terminated employment of 30 persons in 2015. By comparison, GPW employed 21 new persons and terminated employment of 21 persons in 2014.

## GPW TRAINING POLICY

Training plays an important role in the process of employee professional development and improvement of qualifications. GPW intensified its training initiatives, including a programme which launched several training projects for GPW Group key managers and other employees. As a result, 1,048 man-days of training were provided within 10 training modules to GPW employees, and 1,260 man-days of training were provided to GPW Group employees 2015. According to its HR policy, the Exchange co-financed MA, post-graduate, and PhD courses of employees. In order to improve their professional competences, GPW Group employees participated in market conferences, congresses and seminars. The average number of training days per GPW FTE was 5.1 in 2015. The number of training days per GPW Group FTE was 3 in 2015.

*The GPW Group invests in employee development and supports employees' aspirations to improve their competences and expertise. It inspires employees to grow, be creative and unlock the potential of diversity and collaboration.*

Table 29 GPW personnel by education, as at 31 December

	2015	2014	2013	2012
<b>Total</b>	205	208	205	211
- Vocational education	1	1	1	1
- Secondary education	27	28	29	33
- University education	177	179	175	177

The GPW Group had 367 employees at the end of 2015, including 316 employees with university education, 50 with secondary education, and 1 with vocational education.

<sup>64</sup> Rotation is the number of employees whose employment was terminated in the year to the average headcount in the year

## GPW INCENTIVE SYSTEM

GPW's HR policy is largely based on employee engagement; hence, the Company attaches special importance to employee incentives. The basic salary offered by GPW is tied to the employee's potential, competences and performance.

A new bonus system was implemented in 2015 for all GPW employees other than the Management Board. The objective was to incentivise employees' superior performance based on individual targets. The system includes appraisal of employee attitudes. The appraisal identifies the employee's strengths and areas for improvement.

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.

*The success and reputation of the GPW Group depend not only on the quality of provided services but also the way we do business. The principles and values we follow ensure legal compliance of the GPW Group as well as its integrity and ethics.*

## GPW INCENTIVE SYSTEM

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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.

## GPW CODE OF ETHICS

In addition to improvement of professional qualifications, GPW 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 GPW 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 GPW 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 GPW employees.

In 2015, pursuant to the GPW Group's CSR strategy, the Company's Code of Ethics was implemented in the companies Polish Power Exchange and BondSpot.

## OCCUPATIONAL HEALTH AND SAFETY POLICY

GPW'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.



GPW's occupational health and safety policy was integrated into the subsidiaries TGE and BondSpot in 2015. There were no accidents at work at GPW Group in 2015.

## EMPLOYEE VOLUNTEERING

Employee volunteering is one of the forms of GPW's corporate social responsibility activities. In their volunteering work, Group companies support the youth education and care centre in Franciszków and two family children's' homes in Ruzzków. Group employees prepare Christmas gifts every year, regularly collect clothing and provide the centre with equipment including sports equipment.

*The Warsaw Stock Exchange Group supports social responsibility of its employees and integrates them around volunteer initiatives.*

## TRAINEESHIPS AND INTERNSHIP

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, GPW runs a programme addressed to the winners of the Capital Market Leaders Academy organised by the Lesław A. Paga 2065 Foundation in partnership with GPW.

## IV. 5. Environment impact reduction

In 2015, pursuant to the new CSR strategy, all GPW Group companies adopted a uniform environmental policy designed to reduce the companies' environmental impact and raise environmental awareness of Group employees. As the companies operate in the financial industry, the main areas of the environmental policy include: waste management and recycling; paper consumption; water consumption; energy consumption; fuel consumption and CO<sub>2</sub> emissions; as well as employee education through internal communications.

*GPW considers environmental protection to be a pillar of the values of a modern and competitive institution active on the European capital market.*

Furthermore, in view of its activity and role on the Polish capital and commodity market market, the GPW Group may indirectly impact the environment by promoting good behaviour of issuers and investors, for instance through promotion of and education on responsible investing and through the products and services it offers.

## WASTE MANAGEMENT AND RECYCLING

According to its Waste Management Procedure, GPW delivers solid waste for treatment by recycling or disposal. Since February 2014, the Company segregates waste. More than a third of waste produced by GPW in 2015 was segregated and recycled. Decommissioned computer hardware is sold to the Company's employees at auctions. Two auctions were held in 2015 and 100 pieces of hardware were sold.

## PAPER CONSUMPTION

GPW 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 2015 in order to promote environmental behaviour of employees. As a result, the Company's paper consumption decreased by 5.1 percent year on year in 2015.

## **WATER CONSUMPTION**

In 2015, the Exchange continued communications targeting employees and visitors to promote environmental behaviour with regard to water consumption. However, the Company's water consumption increased by ca. 5.8 percent year on year in 2015.

## **ENERGY CONSUMPTION**

Centrum Gieldowe 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. GPW'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 energy consumption increased by only 0.4 percent year in year in 2015.

## **FUEL CONSUMPTION AND CO2 EMISSIONS**

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

## **PRODUCTS AND SERVICES**

GPW Group companies offer products and services which indirectly support environmental efforts and impact the attitudes of participants of the markets operated by the Group companies. The RESPECT Index is such a product on the financial market.

In its core business, the Polish Power Exchange maintains a Register of Certificates of Origin and operates trade in property rights which are an integral element of the system of support for producers of electricity from renewable energy sources and in cogeneration.

Furthermore, since November 2014, TGE operates a Register of Guarantees of Origin. Guarantees of origin of energy are an element of the EU's environmental policy and disclose the type of source and fuel used to generate power. As power itself cannot be labelled, a system has been put in place where documents (guarantees) are generated together with power and expire when delivered to the end consumer. Guarantees of origin of energy from renewable energy sources (RES) are an additional important incentive for the growth of the sector. TGE's Register of Guarantees of Origin is addressed to producers of energy from renewable energy sources, brokers and all interested parties who need certification of the origin of electricity from renewable energy sources.

## V. FINANCIAL POSITION AND ASSETS

### V.1. Summary of results

The GPW Group generated EBITDA<sup>65</sup> of PLN 179.5 million in 2015, an increase of PLN 15.4 million compared to PLN 164.1 million in 2014.

The GPW Group generated an operating profit of PLN 152.6 million compared to PLN 135.4 million in 2014. The increase of the operating profit by PLN 17.3 million year on year in 2015 resulted from higher revenue from the commodity market segment (an increase of PLN 10.7 million), a stable revenue from the financial market segments, and lower operating expenses (a decrease of separate operating expenses by PLN 10.3 million and consolidated operating expenses by PLN 7.2 million).

The net profit of the Group stood at PLN 123.7 million in 2015 compared to PLN 112.3 million in 2014. The increase of the net profit year on year in 2015 was driven by a higher operating profit.

GPW's EBITDA<sup>66</sup> stood at PLN 92.1 million in 2015, an increase of 10.7% compared to PLN 83.1 million in 2014.

GPW generated a separate operating profit of PLN 70.6 million in 2015 compared to PLN 59.0 million in 2014.

The increase of GPW's operating profit year on year in 2015 was mainly a result of lower operating expenses (a decrease of PLN 10.3 million) as well as higher revenue (an increase of PLN 1.8 million). The decrease of operating expenses resulted from lower salaries and other employee costs (a decrease of PLN 5.2 million), depreciation and amortisation (a decrease of PLN 2.7 million), external service charges (a decrease of PLN 2.6 million), and rent and other maintenance fees (a decrease of PLN 1.2 million). The operating profit in 2015 was also influenced by a decrease of net other operating income and expenses by PLN 0.5 million.

GPW's net profit was PLN 96.9 million in 2015 compared to PLN 52.9 million in 2014. The increase of the net profit year on year in 2015 was driven by an increase of the operating profit and an increase by PLN 35.9 million of net financial income and expenses. GPW received dividends from subsidiaries and associates of PLN 43.1 million in 2015 compared to PLN 14.8 million in 2014. At the same time, the income tax in 2015 increased by PLN 3.5 million year on year.

The PolPX Group generated an operating profit of PLN 82.2 million in 2015 compared to PLN 78.4 million in 2014. The net profit of the PolPX Group stood at PLN 67.3 million and PLN 66.2 million, respectively, in the periods under review.

BondSpot generated an operating profit of PLN 2.1 million in 2015 compared to PLN 3.6 million in 2014. The net profit stood at PLN 2.2 million and PLN 3.3 million, respectively, in the periods under review.

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

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<sup>65</sup> GPW Group's operating profit before depreciation and amortisation.

<sup>66</sup> GPW's operating profit before depreciation and amortisation.

**Table 30** Consolidated profit and loss account of GPW Group in 2014 and 2015 by quarter and by year in 2013 - 2015

PLN'000	2015				2014				2015	2014	2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
<b>Sales revenue</b>	<b>83,819</b>	<b>78,733</b>	<b>77,171</b>	<b>88,167</b>	<b>83,930</b>	<b>77,869</b>	<b>69,255</b>	<b>86,507</b>	<b>327,890</b>	<b>317,561</b>	<b>283,762</b>
<b>Financial market</b>	<b>48,990</b>	<b>51,508</b>	<b>49,215</b>	<b>50,242</b>	<b>46,472</b>	<b>49,303</b>	<b>48,235</b>	<b>55,952</b>	<b>199,955</b>	<b>199,962</b>	<b>205,254</b>
Trading	33,213	36,221	33,142	34,372	31,124	34,349	32,547	39,775	136,948	137,795	147,899
Listing	6,040	5,683	6,536	6,237	5,816	5,684	6,124	6,336	24,497	23,960	22,289
Information services	9,737	9,604	9,536	9,633	9,532	9,270	9,564	9,841	38,510	38,207	35,066
<b>Commodity market</b>	<b>34,243</b>	<b>26,694</b>	<b>26,890</b>	<b>37,365</b>	<b>35,741</b>	<b>28,310</b>	<b>20,336</b>	<b>30,066</b>	<b>125,193</b>	<b>114,453</b>	<b>75,995</b>
Trading	17,643	12,757	13,623	18,529	18,657	15,136	10,188	16,140	62,552	60,121	39,906
Register of certificates of origin	5,518	5,535	5,492	7,621	5,897	4,706	4,776	7,094	24,166	22,473	15,605
Clearing	11,083	8,402	7,775	11,215	11,187	8,468	5,372	6,832	38,475	31,859	20,484
<b>Other revenue</b>	<b>586</b>	<b>531</b>	<b>1,066</b>	<b>560</b>	<b>1,717</b>	<b>256</b>	<b>684</b>	<b>489</b>	<b>2,743</b>	<b>3,146</b>	<b>2,513</b>
<b>Operating expenses</b>	<b>45,910</b>	<b>43,344</b>	<b>45,047</b>	<b>40,091</b>	<b>51,331</b>	<b>41,923</b>	<b>44,409</b>	<b>43,937</b>	<b>174,391</b>	<b>181,600</b>	<b>166,224</b>
Depreciation and amortisation	7,013	7,010	6,619	6,195	7,524	6,916	7,146	7,183	26,837	28,769	25,723
Salaries	15,552	14,754	14,920	11,437	16,825	13,185	12,836	13,655	56,662	56,501	51,915
Other employee costs	2,676	2,517	2,958	3,275	3,264	2,683	3,446	3,648	11,426	13,042	12,121
Rent and maintenance fees	2,258	2,296	2,535	2,696	2,060	3,041	2,629	2,542	9,785	10,272	10,572
Fees and charges	5,011	6,256	6,190	6,170	4,863	5,910	5,871	5,743	23,627	22,387	20,770
<i>incl.: PFSA fees</i>	4,605	5,914	5,813	5,716	5,788	5,511	5,332	5,409	22,047	22,040	18,916
External service charges	11,394	9,313	10,063	8,851	13,067	8,733	10,460	9,708	39,621	41,968	36,242
Other operating expenses	2,006	1,199	1,761	1,467	3,729	1,456	2,019	1,458	6,433	8,662	8,881
Other income	203	234	172	687	367	191	477	221	1,296	1,256	3,224
Other expenses	42	311	1,146	652	(177)	85	1,048	905	2,151	1,861	2,126
<b>Operating profit</b>	<b>38,071</b>	<b>35,312</b>	<b>31,150</b>	<b>48,111</b>	<b>33,143</b>	<b>36,052</b>	<b>24,275</b>	<b>41,886</b>	<b>152,644</b>	<b>135,356</b>	<b>118,636</b>
Financial income	1,863	1,997	4,406	1,675	2,174	2,657	2,972	2,558	9,941	10,360	10,917
Financial expenses	2,783	1,940	2,153	2,526	2,723	2,528	2,584	2,522	9,401	10,356	12,215
Share of profit of associates	(1,717)	311	(336)	212	(2,169)	1,087	861	3,966	(1,530)	3,745	12,494
<b>Profit before income tax</b>	<b>35,434</b>	<b>35,678</b>	<b>33,069</b>	<b>47,472</b>	<b>30,425</b>	<b>37,268</b>	<b>25,524</b>	<b>45,888</b>	<b>151,654</b>	<b>139,105</b>	<b>129,832</b>
Income tax expense	7,202	5,566	6,094	9,072	6,126	7,302	5,119	8,272	27,935	26,819	16,289
<b>Profit for the period</b>	<b>28,232</b>	<b>30,113</b>	<b>26,975</b>	<b>38,400</b>	<b>24,300</b>	<b>29,966</b>	<b>20,405</b>	<b>37,616</b>	<b>123,719</b>	<b>112,286</b>	<b>113,543</b>

Table 31 Consolidated statement of financial position of GPW Group by quarter in 2013 - 2015

PLN'000	2015				2014				2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Non-current assets</b>	<b>580,645</b>	<b>569,155</b>	<b>572,263</b>	<b>571,429</b>	<b>572,710</b>	<b>586,336</b>	<b>587,013</b>	<b>590,634</b>	<b>576,421</b>
Property, plant and equipment	125,229	109,831	112,059	116,559	119,762	119,368	118,530	121,045	124,042
Intangible assets	261,728	263,693	265,565	262,820	261,019	261,523	264,294	265,932	269,155
Investment in associates	188,570	190,346	190,057	188,352	188,104	189,894	188,674	187,811	158,540
Deferred tax assets	-	-	-	-	-	1,343	1,341	1,568	-
Available-for-sale financial assets	282	287	204	202	207	10,676	10,706	10,775	20,955
Prepayments	4,836	4,998	4,378	3,496	3,618	3,532	3,468	3,503	3,729
<b>Current assets</b>	<b>442,170</b>	<b>425,652</b>	<b>519,743</b>	<b>484,816</b>	<b>451,449</b>	<b>406,233</b>	<b>424,816</b>	<b>417,511</b>	<b>357,381</b>
Inventories	135	145	133	180	120	127	147	142	166
Corporate income tax receivable	369	213	77	2,808	8,378	6,853	6,974	6,138	10,797
Trade and other receivables	81,273	73,394	61,380	91,519	42,594	39,103	41,115	52,345	34,792
Available-for-sale financial assets	-	10,616	10,573	10,551	10,503	586	428	272	118
Financial assets held for sale	-	-	807	763	812	-	-	-	-
Other current financial assets	-	-	-	6	-	7	-	-	3
Cash and cash equivalents	360,393	341,284	446,773	378,989	389,042	359,557	376,152	358,614	311,505
<b>Total assets</b>	<b>1,022,815</b>	<b>994,807</b>	<b>1,092,006</b>	<b>1,056,245</b>	<b>1,024,159</b>	<b>992,569</b>	<b>1,011,829</b>	<b>1,008,145</b>	<b>933,802</b>
<b>Equity</b>	<b>721,267</b>	<b>694,093</b>	<b>664,044</b>	<b>738,769</b>	<b>700,466</b>	<b>676,019</b>	<b>696,280</b>	<b>675,692</b>	<b>638,105</b>
Share capital	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865
Other reserves	1,455	1,401	1,465	1,817	1,930	1,783	1,643	1,249	1,278
Retained earnings	655,401	627,886	597,769	671,918	633,555	609,294	629,756	609,436	571,842
Non-controlling interests	546	941	945	1,169	1,116	1,077	1,016	1,142	1,120
<b>Non-current liabilities</b>	<b>258,799</b>	<b>256,218</b>	<b>255,246</b>	<b>253,516</b>	<b>259,419</b>	<b>255,781</b>	<b>253,239</b>	<b>249,563</b>	<b>249,578</b>
Liabilities under bond issue	243,800	244,424	244,309	244,193	244,078	243,963	243,848	243,733	243,617
Employee benefits payable	4,046	2,453	2,327	2,010	5,562	4,037	4,447	4,452	4,456
Finance lease liabilities	84	99	113	129	205	262	296	284	439
Deferred income tax liability	10,869	9,242	8,497	7,184	9,574	7,519	4,648	1,094	1,066
<b>Current liabilities</b>	<b>42,749</b>	<b>44,496</b>	<b>172,716</b>	<b>63,960</b>	<b>64,274</b>	<b>60,769</b>	<b>62,310</b>	<b>82,890</b>	<b>46,119</b>
Liabilities under bond issue	682	1,814	-	1,935	-	2,375	-	2,336	-
Trade payables	8,597	7,879	19,634	9,974	10,017	13,747	6,967	3,763	12,738
Employee benefits payable	9,457	11,150	9,584	7,632	9,911	9,510	10,254	9,240	11,511
Finance lease liabilities	55	55	79	186	154	224	265	338	365
Corporate income tax payable	2,833	2,463	7,130	2,254	1,250	1,745	754	1,990	657
Accruals and deferred income	7,263	10,194	18,054	25,368	5,115	-	-	-	4,328
Provisions for other liabilities and charges	621	1,236	1,282	1,264	1,346	1,171	1,259	1,892	2,139
Other current liabilities	13,241	9,705	116,683	15,121	36,206	31,997	42,811	63,331	14,381
Liabilities held for sale	-	-	270	226	275	-	-	-	-
<b>Total equity and liabilities</b>	<b>1,022,815</b>	<b>994,807</b>	<b>1,092,006</b>	<b>1,056,245</b>	<b>1,024,159</b>	<b>992,569</b>	<b>1,011,829</b>	<b>1,008,145</b>	<b>933,802</b>

## V.2. Presentation of the financials

### 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 and use of the trading system.

Revenues from transactions in debt instruments are the third largest source of trading revenues on the financial market. Revenues from transactions in debt instruments are generated by the Catalyst market as well as the Treasury BondSpot Poland market operated by BondSpot S.A., a subsidiary of GPW.

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

Listing revenues include two elements:

- ◆ one-off fees paid for introduction of 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 as well as revenues of InfoEngine from its activity as a trade operator, the entity responsible for balancing, and the operation of the OTC commodity platform.

Revenue on the commodity market includes the following:

- ◆ trading,
- ◆ operation of the Register of Certificates of Origin,
- ◆ 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 PolPX fees, as well as revenues of InfoEngine as a trade operator, the entity responsible for balancing, and the operation of the OTC commodity platform.

Revenues of the sub-segment "clearing" include revenues of the company WCCH, which clears and settles exchange 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 GPW and the PolPX Group, among others, from educational services, office space lease, and sponsorship. Following the sale of Instytut Rynku Kapitałowego to a third party, other revenues may decrease.

The Group's sales revenues amounted to PLN 327.9 million in 2015, an increase of 3.3% (PLN 10.3 million) year on year.

The increase in sales revenues year on year in 2015 was mainly driven by an increase in revenues from the commodity market segment by 9.4% (PLN 10.7 million), mainly including clearing, operation of the register of certificates of origin, trade in property rights in certificates of origin, and trade in gas. Revenues from the financial market were stable year on year in 2015 mainly as a result of a decrease in revenue from trade in derivatives and debt instruments combined with an increase in revenue from trade in shares as well as listing revenue.

The revenue of the PolPX Group stood at PLN 124.4 million in 2015 compared to PLN 114.0 million in 2014. The revenue of BondSpot in the periods under review stood at PLN 11.6 million and PLN 12.2 million, respectively.

The revenue of the GPW Group by segment is presented below.

**Table 32** Consolidated revenues of GPW Group and revenue structure in 2013 - 2015

PLN'000	Year ended 31 December						Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	%	2014	%	2013	%		
<b>Financial market</b>	<b>199,955</b>	<b>61%</b>	<b>199,962</b>	<b>63%</b>	<b>205,254</b>	<b>72%</b>	<b>(7)</b>	<b>0.0%</b>
Trading	136,948	42%	137,795	43%	147,899	52%	(847)	-0.6%
Equities and equity-related instruments	107,941	33%	105,295	33%	108,424	38%	2,646	2.5%
Derivative instruments	11,578	4%	14,821	5%	21,207	7%	(3,243)	-21.9%
Other fees paid by market participants	6,383	2%	5,795	2%	5,743	2%	588	10.2%
Debt instruments	10,669	3%	11,621	4%	12,339	4%	(952)	-8.2%
Other cash instruments	376	0%	263	0%	186	0%	113	43.1%
Listing	24,497	7%	23,960	8%	22,289	8%	537	2.2%
Listing fees	19,229	6%	19,049	6%	17,184	6%	180	0.9%
Introduction fees, other fees	5,268	2%	4,911	2%	5,105	2%	357	7.3%
Information service	38,510	12%	38,207	12%	35,066	12%	303	0.8%
Real-time information	36,069	11%	36,010	11%	33,158	12%	59	0.2%
Historical and statistical information and indices	2,441	1%	2,197	1%	1,908	1%	244	11.1%
<b>Commodity market</b>	<b>125,193</b>	<b>38%</b>	<b>114,453</b>	<b>36%</b>	<b>75,995</b>	<b>27%</b>	<b>10,740</b>	<b>9.4%</b>
Trading	62,552	19%	60,121	19%	39,906	14%	2,431	4.0%
Electricity	14,390	4%	14,455	5%	13,607	5%	(65)	-0.4%
Spot	2,760	1%	2,386	1%	2,545	1%	374	15.7%
Forward	11,630	4%	12,069	4%	11,062	4%	(439)	-3.6%
Gas	8,311	3%	7,385	2%	99	0%	926	12.5%
Spot	1,601	0%	659	0%	25	0%	942	143.0%
Forward	6,710	2%	6,726	2%	74	0%	(16)	-0.2%
Property rights in certificates of origin	32,369	10%	31,003	10%	19,053	7%	1,366	4.4%
Other fees paid by market participants	7,481	2%	7,278	2%	7,147	3%	203	2.8%
Register of certificates of origin	24,166	7%	22,473	7%	15,605	5%	1,693	7.5%
Clearing	38,475	12%	31,859	10%	20,484	7%	6,616	20.8%
<b>Other revenue</b>	<b>2,743</b>	<b>1%</b>	<b>3,146</b>	<b>1%</b>	<b>2,513</b>	<b>1%</b>	<b>(403)</b>	<b>-12.8%</b>
<b>Total</b>	<b>327,890</b>	<b>100%</b>	<b>317,561</b>	<b>100%</b>	<b>283,762</b>	<b>100%</b>	<b>10,329</b>	<b>3.3%</b>

The Group earns revenue both from domestic and foreign clients. The table below presents revenue by geographic segment.

**Table 33** Consolidated revenues of GPW Group by geographical segment in 2013 - 2015

PLN'000	Year ended 31 December						Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	%	2014	%	2013	%		
Revenue from foreign customers	73,308	22%	66,270	21%	58,978	21%	7,038	10.6%
Revenue from local customers	254,582	78%	251,291	79%	224,784	79%	3,291	1.3%
<b>Total</b>	<b>327,890</b>	<b>100%</b>	<b>317,561</b>	<b>100%</b>	<b>283,762</b>	<b>100%</b>	<b>10,329</b>	<b>3.3%</b>

The average EUR/PLN exchange rate was 4.18 EUR/PLN in 2015, 4.19 EUR/PLN in 2014 and 4.20 EUR/PLN in 2013.

The Group is not dependent on any single client as no client has a share exceeding 10% of the total sales revenue.

## FINANCIAL MARKET

### TRADING

The revenues of the Group from trading on the financial market stood at PLN 136.9 million in the year ended on 31 December 2015 compared to PLN 137.8 million in 2014.

The share of trading revenue in the total revenue on the financial market was 68.5% in 2015 compared to 68.9% in 2014. The biggest share in trading revenue (86.6%) is that of the revenue on the Main Market, which stood at PLN 118.6 million in 2015 (a decrease of 0.8 million year on year). The remaining share in revenue is that of Treasury BondSpot Poland, NewConnect and Catalystr.

#### Equities and equity-related instruments

Revenues of the Group from trading in **equities and equity-related instruments** amounted to PLN 107.9 million in 2015 compared to PLN 105.3 million in 2014.

Despite a decrease in the value of trading in equities on the Main Market by 3.3% (including a decrease of the Electronic Order Book by 0.9% and a decrease of the value of block trades by 20.8%), the trading revenue increased by 2.5% year on year in 2015 as a result of a lower share of high-value block trades and EOB cross trades in turnover. The average transaction value decreased from PLN 14.9 thousand to PLN 12.3 thousand, resulting in higher effective trading fees.

**Table 34** Data for the markets in equities and equity-related instruments

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Financial market, trading revenue: equities and equity-related instruments (PLN million)</b>	<b>107.9</b>	<b>105.3</b>	<b>108.4</b>	<b>2.6</b>	<b>2.5%</b>
<b>Main Market:</b>					
Value of trading (PLN billion)	225.3	232.9	256.1	(7.6)	-3.3%
Volume of trading (billions of shares)	16.5	19.5	32.1	(3.0)	-15.1%
<b>NewConnect:</b>					
Value of trading (PLN billion)	1.9	1.4	1.2	0.5	35.8%
Volume of trading (billions of shares)	3.8	2.3	2.1	1.5	65.8%



### Derivatives

Revenues of the Group from transactions in **derivatives** on the financial market amounted to PLN 11.6 million in 2015 compared to PLN 14.8 million in 2014.

The decrease in revenues from transactions in derivatives year on year in 2015 was driven by a 26.4% decrease in the volume of trading in WIG20 futures. The decrease in the volume of trading in WIG20 futures was due, among others, to the replacement of WIG20 futures with a multiplier of PLN 10 by futures with a multiplier of PLN 20.

Table 35 Data for the derivatives market

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Financial market, trading revenue: derivatives (PLN million)</b>	<b>11.6</b>	<b>14.8</b>	<b>21.2</b>	<b>(3.2)</b>	<b>-21.9%</b>
Volume of trading in derivatives (millions of contracts):	8.2	9.5	12.6	(1.3)	-13.5%
incl.: volume of trading in WIG20 futures (millions of contracts)	4.4	6.0	8.3	(1.6)	-26.4%

### Other fees paid by market participants

Revenues of the Group from other fees paid by market participants stood at PLN 6.4 million in 2015 compared to PLN 5.8 million in 2014. The fees mainly include fees for access to the trading system (among others, licence fees, connection fees and maintenance fees) as well as fees for use of the system.

### Debt instruments

Revenues of the Group from transactions in **debt instruments** stood at PLN 10.7 million in 2015 compared to PLN 11.6 million in 2014. The majority of the Group's revenues from the debt instruments segment is generated by Treasury BondSpot Poland (TBSP).

The decrease of the revenues year on year in 2015 was a result of lower revenues on TBS Poland. This was driven by a lower value of cash transactions and conditional transactions in 2015. The total value of transactions was PLN 599.4 billion in 2015 compared to PLN 766.6 billion in 2014, representing a decrease of 21.8%. The value of cash transactions was PLN 260.4 billion in 2015 compared to PLN 327.5 billion in 2014, a decrease of 20.5%. The value of conditional transactions was PLN 338.7 billion in 2015 compared to PLN 439.2 billion in 2014, a decrease of 22.9%. The trading revenue on the TBS Poland market is driven among others by the structure of fees on the market and does not reflect directly changes in the value of trading. The decrease in the value of trading resulted from less active trading by both domestic and international investors in the Treasury securities market due to external factors (including the situation on the core markets (mainly Germany), the rising risk of Greek default, the ECB's continued easing in the Eurozone, as well as US rate hike expectations) and a lower supply of Treasury securities at auctions organised by the Ministry of Finance, as well as the political situation in Poland and its perception by domestic and international investors.

The value of trading on Catalyst decreased by 19.1% year on year in 2015. Revenues from Catalyst have a small share in the Group's total revenues from transactions in debt instruments.

Table 36 Data for the debt instruments market

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Financial market, trading revenue: debt instruments (PLN million)</b>	<b>10.7</b>	<b>11.6</b>	<b>12.3</b>	<b>(0.9)</b>	<b>-8.2%</b>
<b>Catalyst:</b>					
Value of trading (PLN billion)	2.5	3.1	4.3	(0.6)	-19.1%
incl.: Value of trading in non-Treasury instruments (PLN billion)	1.9	2.5	3.8	(0.6)	-23.6%
<b>Treasury BondSpot Poland, value of trading:</b>					
Conditional transactions (PLN billion)	338.7	439.2	498.2	(100.5)	-22.9%
Cash transactions (PLN billion)	260.4	327.5	346.7	(67.0)	-20.5%

#### Other cash market instruments

Revenues from transactions in **other cash market instruments** amounted to PLN 376 thousand in 2015 compared to PLN 263 thousand in 2014. 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 24.5 million in 2015 compared to PLN 24.0 million in 2014.

Revenues from **listing fees** amounted to PLN 19.2 million in 2015 compared to PLN 19.0 million in 2014. The main driver of revenues from listing fees is the number of issuers listed on the GPW markets and their capitalisation at the year's end. The increase of revenues from listing fees year on year in 2015 was mainly driven by an increase in the number and capitalisation of companies listed on the Main Market at the end of 2014, used as the basis for the calculation of fees in 2015.

Revenues from **fees for introduction and other fees** amounted to PLN 5.3 million in 2015 compared to PLN 4.9 million in 2014. The revenues are driven mainly by the number and value of new listings on the GPW markets.

Table 37 Data for the GPW Main Market

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Main Market</b>					
<b>Listing revenue (PLN million)</b>	<b>20.2</b>	<b>20.1</b>	<b>18.7</b>	<b>0.1</b>	<b>0.3%</b>
Total capitalisation of listed companies (PLN billion)	1,082.9	1,253.0	840.8	(170.1)	-13.6%
incl.: Capitalisation of listed domestic companies	516.8	591.2	593.5	(74.4)	-12.6%
incl.: Capitalisation of listed foreign companies	566.1	661.8	247.3	(95.7)	-14.5%
Total number of listed companies	487	471	450	16	3.4%
incl.: Number of listed domestic companies	433	420	403	13	3.1%
incl.: Number of listed foreign companies	54	51	47	3	5.9%
Value of offerings (IPO and SPO) (PLN billion) *	44.8	4.6	7.7	40.2	883.3%
Number of new listings (in the period)	30	28	23	2	7.1%
Capitalisation of new listings (PLN billion)	5.2	5.7	15.6	(0.5)	-9.2%
Number of delistings	14	8	11	6	75.0%
Capitalisation of delistings** (PLN billion)	11.1	3.5	5.5	7.6	217.5%

\* SPOs of Santander Bank at PLN 33.0 billion in Q1 2015

\*\* based on market capitalisation at the time of delisting

Listing revenues from NewConnect were stable year on year in 2015. The table below presents the key financial and operating figures.

Table 38 Data for NewConnect

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>NewConnect</b>					
<b>Listing revenue (PLN million)</b>	<b>2.4</b>	<b>2.5</b>	<b>2.7</b>	<b>(0.1)</b>	<b>-4.3%</b>
Total capitalisation of listed companies (PLN billion)	8.7	9.1	11.0	(0.5)	-5.0%
including: Capitalisation of listed domestic companies	8.4	8.8	10.4	(0.3)	-3.8%
including: Capitalisation of listed foreign companies	0.2	0.4	0.6	(0.1)	-33.1%
Total number of listed companies	418	431	445	(13)	-3.0%
including: Number of listed domestic companies	408	421	434	(13)	-3.1%
including: Number of listed foreign companies	10	10	11	-	0.0%
Value of offerings (IPO and SPO) (PLN billion) *	0.4	0.4	0.6	(0.0)	-5.5%
Number of new listings (in the period)	19	22	42	(3)	-13.6%
Capitalisation of new listings (PLN billion)	0.6	0.6	1.2	0.0	3.2%
Number of delistings	32	36	26	(4)	-11.1%
Capitalisation of delistings** (PLN billion)	1.5	3.1	1.0	(1.5)	-49.9%

\* includes companies which transferred to the Main Market

\*\* based on market capitalisation at the time of delisting

Listing revenues from Catalyst increased year on year in 2015. The increase resulted from an increase in the number of listed instruments: 532 at the end of 2015 compared to 517 at the end of 2014. The table below presents the key financial and operating figures.

Table 39 Data for Catalyst

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Catalyst</b>					
<b>Listing revenue (PLN million)</b>	<b>2.0</b>	<b>1.4</b>	<b>1.0</b>	<b>0.6</b>	<b>42.4%</b>
Number of issuers	192	193	176	(1)	-0.5%
Number of issued instruments	532	517	442	15	2.9%
including: non-Treasury instruments	496	487	408	9	1.8%
Value of issued instruments (PLN billion)	613.1	544.6	619.1	68.5	12.6%
including: non-Treasury instruments	69.6	64.1	58.9	5.5	8.6%

## INFORMATION SERVICES

Revenues from information services amounted to PLN 38.5 million in 2015 compared to PLN 38.2 million in 2014. The decrease in the number of subscribers in 2015 had little impact on revenues due to the structure of revenues (mainly subscribers who buy smaller data feeds). At the same time, revenues from sales of non-display data and sales of PoIPX data were first earned in 2015. Furthermore, revenues from sales of index licences, historical data and TBSP data increased as the number of subscribers grew.

Table 40 Data for information services

PLN'000	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Revenues from information services (PLN million)</b>	<b>38.5</b>	<b>38.2</b>	<b>35.1</b>	<b>0.3</b>	<b>0.8%</b>
Number of data vendors	54	58	58	(4)	-6.9%
Number of subscribers ('000 subscribers)	222.6	240.3	261.9	(17.7)	-7.4%

## COMMODITY MARKET

Revenues on the commodity market include mainly the 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-traded commodities in the clearing sub-segment operated by WCCH.

Revenues of the GPW Group on the commodity market stood at PLN 125.2 million in 2015 compared to PLN 114.5 million in 2014.

The increase of revenues on the commodity market year on year in 2015 was mainly driven by an increase in revenues from clearing, operation of the register of certificates of origin, trade in property rights in certificates of origin, and trade in gas.

### TRADING

Revenues from trading on the commodity market stood at PLN 62.6 million in 2015, an increase of PLN 2.4 million compared to PLN 60.1 million in 2014.

Trading revenues of the GPW Group on the commodity market included PLN 2.8 million of revenues from spot transactions in electricity, PLN 11.6 million of revenues from forward transactions in electricity, PLN 1.6 million of revenues from spot transactions in gas, PLN 6.7 million of revenues from forward transactions in gas, PLN 32.4 million of revenues from transactions in property rights in certificates of origin of electricity, and PLN 7.5 million of other fees paid by market participants.

The Group's revenues from trade in electricity amounted to PLN 14.4 million in 2015 compared to PLN 14.5 million in 2014. The total volume of trading on the energy markets operated by PolPX amounted to 186.7 TWh in 2015 compared to 186.8 TWh in 2014.

The Group's revenues from trade in gas amounted to PLN 8.3 million in 2015 compared to PLN 7.4 million in 2014. The volume of trade in natural gas on PolPX was 106.9 TWh in 2015 compared to 111.6 TWh in 2014. The increase in trading revenues combined with a decrease of the volume of trade in gas was due to a different split of volumes between the cash and the forward market.

The Group's revenue from the operation of trading in property rights stood at PLN 32.4 million in 2015 compared to PLN 31.0 million in 2014. The volume of trading in property rights stood at 59.0 TWh in 2015 compared to 36.0 TWh in 2014. The change of revenue from trading in property rights does not correspond directly to the change of trading volumes due to different fees for different types of property rights.

The volume of trade in property rights in green certificates of origin of electricity was 26.6 TWh in 2015 compared to 32.1 TWh in 2014. The revenue from trade in property rights in green certificates of origin of electricity (PMOZE) represented 76.3% and 96.8%, respectively, of the Group's total revenue from trade in property rights in the periods under review. The share of other instruments, in particular red certificates (PMEC) and yellow certificates (PMGM), increased to 9.0% and 9.8%, respectively, of the revenue from trade in property rights in 2015.

Revenues of the Group from other fees paid by commodity market participants amounted to PLN 7.5 million in 2015 compared to PLN 7.3 million in 2014. Other fees paid by commodity market

participants included fees paid by PolPX market participants and revenues of InfoEngine 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 41 Data for the commodity market

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Commodity market - trading revenue (PLN million)</b>	<b>62.6</b>	<b>60.1</b>	<b>39.9</b>	<b>2.5</b>	<b>4.0%</b>
Volume of trading in electricity:					
Spot transactions (TWh)	25.1	23.8	22.3	1.3	5.5%
Forward transactions (TWh)	161.6	163.0	154.3	(1.4)	-0.9%
Volume of trading in gas:					
Spot transactions (TWh)	13.9	6.6	0.4	7.4	111.8%
Forward transactions (TWh)	92.9	105.1	2.0	(12.1)	-11.5%
Volume of trading in property rights (PolPX) (TWh)	59.0	36.0	39.3	23.0	63.8%

### REGISTER OF CERTIFICATES OF ORIGIN

Revenues from the operation of the **Register of Certificates of Origin** amounted to PLN 24.2 million in 2015 compared to PLN 22.5 million in 2014. The increase in the revenues year on year in 2015 was due to an increase in revenues from issued property rights (by PLN 2.2 million) as well as higher revenues from the registration of property rights (by PLN 0.8 million) while revenues from cancellations decreased (by PLN 1.4 million).

Table 42 Data for the Register of Certificates of Origin

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
<b>Commodity market - revenue from operation of the Register of Certificates of Origin of electricity (PLN million)</b>	<b>24.2</b>	<b>22.5</b>	<b>15.6</b>	<b>1.7</b>	<b>7.5%</b>
Issued property rights (TWh)	50.9	42.2	29.5	8.6	20.5%
Cancelled property rights (TWh)	22.3	20.6	36.2	1.8	8.7%

### CLEARING

The Group earns revenue from the **clearing activities** of WCCH, which is a subsidiary of PolPX. The revenue stood at PLN 38.5 million in 2015 compared to PLN 31.9 million in 2014. The increase in the revenue was driven by increased activity on the gas market in 2015 as well as termination in mid-2015 of promotional reduced fees on the gas market.

### OTHER REVENUES

The Group's other revenues amounted to PLN 2.7 million in 2015 compared to PLN 3.1 million in 2014. The Group's other revenues include revenues from educational and PR services, office space lease, and sponsorship.

## OPERATING EXPENSES

Total operating expenses of the **GPW Group** amounted to PLN 174.4 million in 2015, representing a decrease of 4.0% (PLN 7.2 million) year on year. The cost/income ratio decreased from 57.2% in 2014 to 53.2% in 2015. The decrease of operating expenses was mainly driven by lower external service charges (a decrease of PLN 2.3 million), depreciation and amortisation (a decrease of PLN 1.9 million), other operating expenses (a decrease of PLN 2.2 million), salaries and other employee costs (a decrease of PLN 1.5 million), rent and other maintenance fees (a decrease of PLN 0.5 million). Fees and charges increased due to a VAT adjustment in GPW in 2014, which reduced the expenses by PLN 1.3 million in 2014.

Separate operating expenses of **GPW** stood at PLN 120.4 million in 2015, representing a decrease of 7.9% (PLN 10.3 million) year on year.

Operating expenses of the **PoIPX Group** increased sharply and stood at PLN 42.1 million in 2015 compared to PLN 34.8 million in 2014, representing an increase of 20.9% (PLN 7.3 million). Operating expenses of **BondSpot** in the periods under review stood at PLN 9.5 million and PLN 8.8 million, respectively.

Table 43 Consolidated operating expenses of GPW Group and structure of operating expenses in 2013 - 2015

PLN'000, %	Year ended 31 December						Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	%	2014	%	2013	%		
Depreciation and amortisation	26,837	15%	28,769	16%	25,723	15%	(1,932)	-6.7%
Salaries	56,662	32%	56,501	31%	51,915	31%	161	0.3%
Other employee costs	11,426	7%	13,042	7%	12,121	7%	(1,616)	-12.4%
Rent and other maintenance fees	9,785	6%	10,272	6%	10,572	6%	(487)	-4.7%
Fees and charges	23,627	14%	22,387	12%	20,770	12%	1,240	5.5%
including PFSA fees	22,047	13%	22,040	12%	18,916	11%	8	0.0%
External service charges	39,621	23%	41,968	23%	36,242	22%	(2,347)	-5.6%
Other operating expenses	6,433	4%	8,662	5%	8,881	5%	(2,229)	-25.7%
<b>Total</b>	<b>174,391</b>	<b>100%</b>	<b>181,600</b>	<b>100%</b>	<b>166,224</b>	<b>100%</b>	<b>(7,209)</b>	<b>-4.0%</b>

The Group is not dependent on any single supplier or provider as no contractor (other than fees paid to the Polish Financial Supervision Authority) has a share exceeding 10% of the total expenses of the Group.

### Depreciation and amortisation

Depreciation and amortisation charges stood at PLN 26.8 million in 2015, representing a decrease of 6.7% (PLN 1.9 million) compared to PLN 28.8 million in 2014. The decrease in depreciation and amortisation charges year on year in 2015 was driven by a decrease of depreciation and amortisation charges in GPW by PLN 2.7 million following the completion of depreciation of some property, plant and equipment in Q4 2014 as well as a capital expenditure reduction policy. At the same time, depreciation and amortisation charges in PoIPX increased by PLN 0.6 million following the commissioning of its primary and back-up sites, depreciation of expenditures incurred to refurbish the WCCH offices, implementation of tools for the Exchange Information Platform (GPI), and the completion of development projects.

### Salaries and other employee costs

Salaries and other employee costs of the Group amounted to PLN 68.1 million in 2015, representing a decrease of 2.1% (PLN 1.5 million) compared to PLN 69.5 million in 2014.

Salaries and other employee costs in the period under review were mainly driven by the following:

- ◆ changes of the jubilee award system and the retirement and disability severance pay system in GPW and the resulting release of provisions for retirement and disability severance pay and provisions for jubilee awards, which reduced the costs by PLN 3.5 million in Q1 2015 and by PLN 4.9 million year on year in 2015. GPW discontinued its jubilee award system and reduced its retirement and disability severance pay system (the previous system paid a multiple of monthly remuneration depending on

seniority; the current system pays an amount equal to single monthly remuneration); GPW discontinued its jubilee award system in February 2015 following amendments to the Remuneration Rules. GPW also reduced its retirement and disability severance pay system. Retirement and disability severance pay a benefit was paid out as a one-off amount equal to a multiple of monthly remuneration (from 100% to 500%, depending on seniority and the number of months before retirement age). Since March 2015, employees who retire are paid a one-off severance pay equal to one months' remuneration;

- ◆ the Company Agreement with the Exchange Employees' Trade Union (ZZPG) was amended in 2015, resulting in a reduction of GPW's contributions to the Employee Pension Scheme as well as other employee benefits (by PLN 1.8 million in aggregate) while salaries and bonuses increased (by PLN 1.4 million);
- ◆ salaries of the PolPX Group increased by PLN 5.0 million due to changes in the remuneration system for the Management Boards of PolPX and WCCH and the bonus system as well as an increase of employment by 10 FTEs in 2015 compared to the end of 2014;
- ◆ salaries of InfoEngine decreased by PLN 1.3 million following workforce restructuring, which reduced the cost of Q4 2014 and all of 2015;
- ◆ salaries of Instytut Rynku Kapitałowego decreased by PLN 0.4 million following the sale of the company to a third party in Q3 2015;
- ◆ salaries of Instytut Analiz i Ratingu increased by PLN 0.3 million after its launch in mid-2014 – the cost was recognised in two quarters of 2014 and in all of 2015.

The headcount of the Group was 351 FTEs as at 31 December 2015. The decrease of the headcount of the Group year on year in 2015 resulted from workforce reductions in GPW, a workforce increase in the commodity market segment (PolPX, WCCH), and workforce reductions in the other subsidiaries of the GPW Group.

Table 44 Employment in GPW Group

# FTEs	As at		
	31 December 2015	31 December 2014	31 December 2013
GPW	201	207	205
Subsidiaries	150	154	134
<b>Total</b>	<b>351</b>	<b>361</b>	<b>339</b>

#### *Rent and other maintenance fees*

Rent and other maintenance fees amounted to PLN 9.8 million in 2015 compared to PLN 10.3 million in 2014. Rental contracts for NewConnect and Catalyst rooms and an archive space in the Centrum Giełdowe building were terminated at the end of May 2015, reducing the cost of rent and maintenance fees by ca. PLN 100 thousand per month as of June 2015. In addition, renegotiation of rental of office space in the Centrum Giełdowe building and related maintenance fees in 2015 reduced the cost by PLN 0.4 million and will provide savings of ca. PLN 0.8 million in 2016.

#### *Fees and charges*

Fees and charges stood at PLN 23.6 million in 2015, an increase of 5.5% (PLN 1.2 million) year on year. The main component of fees and charges of the Group are fees paid to the Polish Financial Supervision Authority (PFSA), which stood at PLN 22.0 million in each of 2015 and 2014. The increase in fees and

charges in 2015 was due to a VAT adjustment in GPW in 2014, which reduced the expenses by PLN 1.3 million in 2014.

The Act of 12 June 2015 amending the Capital Market Supervision Act and certain other Acts has largely extended the list of entities required to finance supervision (by adding, among others, banks, insurers, investment funds, public companies, brokerage houses and foreign investment firms) and changed the amount of contributions of entities. As a result, the cost paid by the GPW Group may be reduced significantly in 2016 and beyond compared to PLN 22 million in 2015. The Act was signed into law by the President of Poland on 31 July 2015 and promulgated in the Journal of Laws on 31 August 2015. A Regulation of the Minister of Finance effective as of 1 January 2016 determines among others the calculation method as well as the terms and conditions of the payment of fees by relevant entities. As of 1 January 2016, GPW reduced trading fees on transactions in shares, rights to shares and ETFs in the part of the order value up to PLN 100 thousand from 0.033% to 0.029% in order to share the savings from the change of the structure of PFSA fees with active market participants. The reduction of the PFSA fee (approximately by half for the GPW Group compared to 2015) combined with the reduction of trading fees offered by GPW will result in corresponding decrease in both revenues and operational fees of the Group in 2016.

#### External service charges

External service charges amounted to PLN 39.6 million in 2015 compared to PLN 42.0 million in 2014.

**Table 45** Consolidated external service charges of GPW Group and structure of external service charges in 2013 - 2015

PLN'000, %	Year ended 31 December						Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	%	2014	%	2013	%		
IT cost:	20,209	51%	19,378	46%	18,754	52%	830	4.3%
<i>IT infrastructure maintenance</i>	12,524	32%	11,755	28%	10,908	30%	768	6.5%
<i>TBSP maintenance services</i>	1,185	3%	1,139	3%	834	2%	46	4.0%
<i>Data transmission lines</i>	5,704	14%	5,827	14%	5,851	16%	(123)	-2.1%
<i>Software modification</i>	796	2%	657	2%	1,160	3%	139	21.1%
Office and office equipment maintenance:	2,749	7%	3,695	9%	3,408	9%	(946)	-25.6%
<i>Repair and maintenance of installations</i>	938	2%	1,425	3%	1,163	3%	(487)	-34.2%
<i>Security</i>	820	2%	1,137	3%	1,091	3%	(317)	-27.9%
<i>Cleaning</i>	483	1%	467	1%	409	1%	17	3.6%
<i>Phone and mobile phone services</i>	508	1%	667	2%	745	2%	(159)	-23.8%
Leasing, rental and maintenance of vehicles	437	1%	503	1%	454	1%	(66)	-13.2%
Transportation services	195	0%	193	0%	344	1%	2	1.1%
Promotion, education, market development	6,155	16%	6,637	16%	3,760	10%	(482)	-7.3%
Market liquidity support	930	2%	779	2%	1,010	3%	151	19.4%
Advisory (including: audit, legal services, business consulting)	5,474	14%	6,656	16%	4,831	13%	(1,182)	-17.8%
Information services	823	2%	540	1%	532	1%	284	52.6%
Training	1,147	3%	604	1%	485	1%	543	90.0%
Mail fees	86	0%	71	0%	57	0%	14	20.2%
Bank fees	115	0%	131	0%	136	0%	(15)	-11.8%
Translation	260	1%	275	1%	299	1%	(15)	-5.5%
Other	1,041	3%	2,505	6%	2,171	6%	(1,464)	-58.4%
<b>Total</b>	<b>39,621</b>	<b>100%</b>	<b>41,968</b>	<b>100%</b>	<b>36,242</b>	<b>100%</b>	<b>(2,347)</b>	<b>-5.6%</b>

The decrease of external service charges year on year was mainly driven by GPW (a decrease of PLN 2.6 million) and InfoEngine (a decrease of PLN 0.7 million). At the same time, external service charges of the PolPX Group increased (an increase of PLN 1.7 million). External service charges in 2015 compared to 2014 were driven by the following factors:

- ♦ reduction of GPW's costs including:



- ✓ reduction of IT costs by PLN 1.0 million, including data transmission lines (by PLN 0.5 million following renegotiation of contracts) and software modifications (by PLN 0.5 million);
- ✓ reduction of advisory service costs by PLN 1.1 million;
- ✓ reduction of promotion costs by PLN 0.6 million;
- ✓ reduction of administrative costs by PLN 0.4 million, including security (by PLN 0.3 million, a reduction by ca. PLN 25 thousand per month as of the beginning of 2015 following optimisation of security services in the Centrum Giełdowe building) and telephone services (by PLN 0.1 million);
- ◆ increase of the cost of training by PLN 0.5 million in relation to the GPW Group's employee training programme covering managers, experts and other employees;
- ◆ reduction of the costs of InfoEngine (by PLN 0.7 million): as part of cost optimisation, some third-party contracts were terminated and fees for the trading system Trayport were reduced;
- ◆ increase of the PolPX Group's costs (by PLN 1.7 million), including mainly higher costs of IT infrastructure maintenance (by PLN 1.8 million) following the opening of the PolPX financial market, and the cost of WCCH relating to a review of and preparation for potential status of CCP, combined with a reduction of the cost of office maintenance and office equipment (by PLN 0.5 million – the cost of refurbishment and modernisation of PolPX offices was paid in 2014) and a small increase in other categories of external service charges.

#### *Other operating expenses*

Other operating expenses amounted to PLN 6.4 million in 2015 including the cost of material and energy consumption at PLN 3.2 million, industry organisation membership fees at PLN 0.7 million, non-life insurance at PLN 0.4 million, perpetual usufruct write-downs at PLN 0.1 million, business travel at PLN 1.4 million, conference participation at PLN 0.3 million, and other costs at PLN 0.3 million.

Compared to PLN 8.7 million in 2014, the decrease of expenses in 2015 was mainly due to a reduction in other operating expenses by PLN 2.1 million (an impairment loss on the goodwill of InfoEngine S.A. at PLN 1,311 thousand and an impairment loss on the assets of Instytut Rynku Kapitałowego – WSE Research S.A. at PLN 366 thousand were recognised in 2014) and a reduction in costs of material and electricity consumption by PLN 0.4 million, combined with an increase of industry organisation membership fees by PLN 0.2 million.

## **OTHER INCOME AND EXPENSES**

**Other income** of the Group stood at PLN 1.3 million in 2015 similar to 2014. The change of other income year on year in 2015 was mainly driven by an increase in sundry income items (by PLN 0.2 million) while damages received decreased by PLN 0.1 million year on year in 2015. Other income includes damages received, gains on the sale of property, plant and equipment, reversal of impairment write-downs of receivables and investments, as well as sundry income (VAT adjustment, refund of tax paid at the source, settlement of cost of the Housing Co-operative "Książęca 4").

**Other expenses** of the Group stood at PLN 2.2 million in 2015 compared to PLN 1.9 million in 2014. Donations paid increased by PLN 0.6 million year on year in 2015 (the GPW Group contributed PLN 675 thousand as the endowment of the GPW Foundation in 2015) while impairment write-downs and sundry expenses decreased. Other expenses include donations paid, losses on the sale of property, plant and equipment, impairment write-downs of receivables and investments, provisions against damages, and sundry expenses.

## **FINANCIAL INCOME AND EXPENSES**

**Financial income** of the Group stood at PLN 9.9 million in 2015 compared to PLN 10.4 million in 2014.

Financial income includes mainly interest on bank deposits, financial income on investment in Treasury bonds, as well as positive FX differences. Income from interest on bank deposits was PLN 6.2 million in 2015 and PLN 9.2 million in 2014. Financial income on investment in Treasury bonds was PLN 0.6 million in 2015, the same as in 2014. FX differences were negative in 2015, shown under financial expenses at PLN 0.3 million.

A new tranche of shares of GPW's associate Aquis Exchange Limited took place without the participation of GPW in Q2 2015. As a result of the transaction, GPW's share in economic and voting rights decreased from 30.00% to 26.33%. The issue increased the net assets of Aquis, and GPW recognised gains of PLN 2.8 million shown under financial income.

**Financial expenses** of the Group stood at PLN 9.4 million in 2015 compared to PLN 10.4 million in 2014. The decrease of expenses in 2015 was mainly driven by interest cost on debt under bonds, which stood at PLN 7.7 million in 2015 compared to PLN 9.5 million in 2014.

In December 2011 and February 2012, GPW issued bonds with a total nominal value of PLN 245.0 million. The bonds 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 cost of the bond offering was PLN 2.2 million, recognised as prepayments and charged to the Company's financial expenses on a straight-line basis from the issue date of the series A bonds (23 December 2011) to the redemption date of the series A and B bonds (2 January 2017). The prepayments reduce the Company's liabilities in respect of the bond issue. The cost of the offering added PLN 0.8 million to the Group's financial expenses in 2015 and PLN 0.5 million in 2014.

On 18 September 2015, GPW announced its intention to buy back series A and B bonds issued by GPW from bond holders for cancellation. On 29 September 2015, the GPW Management Board passed a resolution on the issue of series C unsecured bearer bonds. The bonds were issued on 6 October 2015.

On 6 October 2015, GPW issued 1,250,000 series C bearer bonds in a total nominal amount of PLN 125,000,000. The nominal amount and the issue price was PLN 100 per bond. The series C bonds bear interest at a fixed rate of 3.19% p.a. Interest on the bonds is paid semi-annually. The bonds are due for redemption on 6 October 2022 against the payment of the nominal value to the bond holders. The bonds have been introduced into the alternative trading system on Catalyst.

On 12 October 2015, GPW completed the purchase of its series A and B bonds from bond holders at a price of PLN 101.20 per bond. On 6-12 October 2015, GPW bought back 1,245,163 bonds for a total price of PLN 126,010,495.60. The early redemption of the series A and B bonds was paid for with cash raised by GPW through the issue of series C bonds.

Interest on the bonds is the main contributor to the financial expenses of the Company. The interest rate on the series A and B bonds is 2.94% p.a. in H1 2016 compared to 2.96% in H2 2015. The series C bonds bear interest at a fixed rate of 3.19% p.a.

GPW uses hedge accounting since 1 January 2012. As at the end of December 2015, the hedge covers cash flows arising from the agreement concerning acquisition and delivery of a new trading system (UTP-Derivatives). The Company has decided to recognise the cash held in EUR for such purpose as a hedging instrument. FX differences on the balance-sheet valuation of the assets since 1 January 2012 are taken to equity and not charged against financial income and expenses. FX differences taken to equity were positive at PLN 0.1 million in 2015 and PLN 0.2 million in 2014.

## SHARE OF PROFIT OF ASSOCIATES

The Group's share of profit of associates stood at a negative PLN 1.5 million in 2015 compared to a positive PLN 3.7 million in 2014. The decrease was mainly driven by the net loss of Aquis Exchange Limited at PLN 21.3 million.

**Aquis Exchange Limited** became an associate upon GPW's acquisition of the second tranche of shares in February 2014. The Group's share of the loss of Aquis Exchange Ltd was PLN 6.5 million in 2015 compared to PLN 6.7 million in the period from 18 February to 31 December 2014.

The Group's share of the **KDPW Group** profit was PLN 4.6 million in 2015 compared to PLN 10.0 million in 2014. The decrease in the net profit of the KDPW Group was due to lower operating income. The decrease of income was due to the fact that increasing numbers of clients used the netting service, which reduced the number of settled transactions. In addition, KDPW's costs in respect of a VAT adjustment increased. KDPW's financial income decreased also due to lower interest rates and a shorter maturity of deposits (regulatory requirement for CCPs).

The share in the net profit of **Centrum Gieldowe** was PLN 0.35 million in 2015 compared to PLN 0.38 million in 2014. The volatility of the profit of Centrum Gieldowe in the periods under review resulted mainly from FX differences and payment amounts and dates of the company's US\$ denominated loan.

Table 46 Profit / (Loss) of associates

PLN'000	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
KDPW S.A. Group	13,750	30,035	36,078	(16,285)	-54.2%
Centrum Gieldowe S.A.	1,422	1,545	1,890	(123)	-7.9%
Aquis Exchange Ltd	(23,093)	(22,165)	-	(928)	4.2%
<b>Total</b>	<b>(7,920)</b>	<b>9,415</b>	<b>37,968</b>	<b>(17,335)</b>	<b>-184.1%</b>

Table 47 GPW's share of profit / (loss) of associates

PLN'000	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
KDPW S.A. Group	4,584	10,012	12,026	(5,428)	-54.2%
Centrum Gieldowe S.A.	353	383	468	(30)	-7.9%
Aquis Exchange Ltd*	(6,467)	(6,650)	-	183	-2.8%
<b>Total</b>	<b>(1,530)</b>	<b>3,745</b>	<b>12,494</b>	<b>(5,275)</b>	<b>-140.9%</b>

\* Year ended 31 December 2014: for Q1 2014, data for the period from 18.02.2014 to 31.03.2014

## INCOME TAX

Income tax of the Group was PLN 27.9 million in 2015 and PLN 26.8 million in 2014. The **effective income tax rate** in the periods under review was 18.4% and 19.3%, respectively, as compared to the standard Polish corporate income tax rate of 19%.

Income tax **paid** by the Group was PLN 17.0 million in 2015 compared to PLN 15.2 million in 2014. GPW paid income tax according to the general rules in 2015 and 2014. At the end of 2014, GPW reported a tax receivable of PLN 8.4 million, which was cleared in 2015.

### V.3. Atypical factors and events

#### *Change of the jubilee award and retirement and disability severance pay system*

As of 2015, GPW discontinued its jubilee award system and reduced its retirement and disability severance pay system (the previous system paid a multiple of monthly remuneration depending on seniority; the current system pays an amount equal to single monthly remuneration). As a result, provisions for retirement and disability severance pay and provisions for jubilee awards were released, which reduced the costs of salaries by PLN 3.5 million in Q1 2015.

#### *Reduction of GPW's cost of capital market supervision in the coming years*

The Act of 12 June 2015 amending the Capital Market Supervision Act and certain other Acts has largely extended the list of entities required to finance supervision (by adding, among others, banks, insurers, investment funds, public companies, brokerage houses and foreign investment firms) and changed the amount of contributions of entities. As a result, the cost paid by the GPW Group may be reduced significantly in 2016 and beyond compared to PLN 22.0 million in 2015. The Act was signed into law by the President of Poland on 31 July 2015 and promulgated in the Journal of Laws on 31 August 2015. A Regulation of the Minister of Finance effective as of 1 January 2016 determines among others the calculation method as well as the terms and conditions of the payment of fees by relevant entities. As of 1 January 2016, GPW reduced trading fees on transactions in shares, rights to shares and ETFs in the part of the order value up to PLN 100 thousand from 0.033% to 0.029% in order to share the savings from the change of the structure of PFSA fees with active market participants. The reduction of the PFSA fee (approximately by half for the GPW Group compared to 2015) combined with the reduction of trading fees offered by GPW will result in corresponding decrease in both revenues and operational fees of the Group in 2016.

#### *Cost of rent and maintenance fees*

Rental contracts for NewConnect and Catalyst rooms and an archive space in the Centrum Giełdowe building were terminated at the end of May 2015, reducing the cost of rent and maintenance fees by ca. PLN 100 thousand per month as of June 2015.

#### *GPW's investment in Aquis Exchange Ltd*

A new tranche of shares of GPW's associate Aquis Exchange Limited took place without the participation of GPW in Q2 2015. As a result of the transaction, GPW's share in economic and voting rights decreased from 30.00% to 26.33%. The issue increased the net assets of Aquis, and GPW recognised gains of PLN 2.8 million shown under financial income.

#### *GPW's investment in BondSpot*

In February, April, May and August 2015, GPW concluded conditional agreements to acquire 402,444 shares of BondSpot for a total amount of PLN 1,711 thousand. The transactions were conditional on the approval of the Polish Financial Supervision Authority for the acquisition of the BondSpot shares, which was granted in June and October 2015. As at 31 December 2015, the share of GPW in the share capital and in the total number of votes at the General Meeting of BondSpot was 96.98%.

#### *GPW Foundation*

On 17 June 2015, the Company together with PolPX and BondSpot established the GPW Foundation whose mission it is to pursue educational activities, including programmes supporting the development of financial and commodity markets, promotion of economic education, and charity initiatives. The GPW Group allocated PLN 675 thousand to the mission of the Foundation as its endowment.

#### *Issue of series C bonds*

On 6 October 2015, GPW issued 1,250,000 series C bearer bonds in a total nominal amount of PLN 125,000,000. The nominal amount and the issue price was PLN 100 per bond. The series C bonds bear interest at a fixed rate of 3.19% p.a. Interest on the bonds is paid semi-annually. The bonds are due for redemption on 6 October 2022 against the payment of the nominal value to the bond holders. The bonds have been introduced into the alternative trading system on Catalyst.

#### *Buy-back of series A and B bonds*

On 12 October 2015, GPW completed the purchase of its series A and B bonds from bond holders at a price of PLN 101.20 per bond. On 6-12 October 2015, GPW bought back 1,245,163 bonds for a total price of PLN 126,010,495.60. The early redemption of the series A and B bonds was paid for with cash raised by GPW through the issue of series C bonds.

#### *Sale of the subsidiary Instytut Rynku Kapitałowego*

On 8 July 2015, GPW executed a conditional agreement to sell 80.02% of shares of Instytut Rynku Kapitałowego – WSE Research S.A. (“IRK”) to Polska Agencja Prasowa S.A. (“PAP”) for PLN 509 thousand. The transaction was conditional on the approval of the General Meeting of PAP, which was granted on 28 September 2015. The final selling price adjusted for the change in the net asset value under the agreement was PLN 382 thousand.

GPW held 19.98% of shares of IRK as at 31 December 2015.

#### *Sale of the subsidiary InfoEngine*

GPW sold 100% of shares of the subsidiary InfoEngine S.A. to the subsidiary PolPX for PLN 1.5 million in Q3 2015.

#### *Change of name of WSEInfoEngine S.A. to InfoEngine S.A.*

On 9 November 2015, the General Meeting of WSEInfoEngine S.A. decided to change the name of the company to InfoEngine S.A. The change was registered in the National Court Register on 25 November 2015.

#### *Extended VAT refund time limit in the PolPX Group*

As of Q1 2015, following an amendment of VAT regulations, PolPX was no longer eligible for a shorter VAT refund time limit of 25 days. PolPX is now eligible for a 60-day VAT refund time limit. Consequently, depending on the structure of transactions with domestic or international counterparties, the balance sheet shows receivables or payables in respect of VAT settlements. An increase of receivables as at 31 December 2015 had a negative effect on cash flows from operating activities.

## V.4. Group’s assets and liabilities structure

The balance-sheet total of the Group was PLN 1.02 billion as at 31 December 2015, a decrease of 0.1% compared to PLN 1.02 billion as at 31 December 2014.

### **ASSETS**

The Group’s **non-current assets** stood at PLN 580.6 million representing 57% of total assets as at 31 December 2015 compared to PLN 572.7 million or 56% of total assets as at 31 December 2014. The increase of property, plant and equipment as well as intangible assets in the last year was driven by capital expenditures of the PolPX Group including the acquisition of infrastructure for a new trading and clearing system, participation in the Price Coupling or Regions (PCR) and launch of the LITPOL link.

The Group’s **current assets** stood at PLN 442.2 million representing 43% of total assets as at 31 December 2015 compared to PLN 451.4 million or 44% of total assets as at 31 December 2014. The decrease in current assets in the last year was driven by a decrease of cash due to capital expenditures (increase of non-current assets) and the dividend pay-out. In current assets, cash decreased while other receivables increased due to an increase of receivables in respect of VAT settlements (receivables in respect of VAT settlements stood at PLN 38.0 million as at 31 December 2015 compared to PLN 0.5 million as at 31 December 2014), which was VAT due to the PolPX Group for clearing.

Table 48 Consolidated statement of financial position of GPW Group at the year's end in 2013 - 2015 (assets)

PLN'000	As at					
	31 December 2015		31 December 2014		31 December 2013	
		%		%		%
<b>Non-current assets</b>	<b>580,645</b>	<b>57%</b>	<b>572,710</b>	<b>56%</b>	<b>576,421</b>	<b>62%</b>
Property, plant and equipment	125,229	12%	119,762	12%	124,042	13%
Intangible assets	261,728	26%	261,019	25%	269,155	29%
Investment in associates	188,570	18%	188,104	18%	158,540	17%
Available-for-sale financial assets	282	0%	207	0%	20,955	2%
Prepayments	4,836	0%	3,618	0%	3,729	0%
<b>Current assets</b>	<b>442,170</b>	<b>43%</b>	<b>451,449</b>	<b>44%</b>	<b>357,381</b>	<b>38%</b>
Inventory	135	0%	120	0%	166	0%
Corporate income tax receivables	369	0%	8,378	1%	10,797	1%
Trade and other receivables	81,273	8%	42,594	4%	34,792	4%
Available-for-sale financial assets	-	0%	10,503	1%	118	0%
Assets held for sale	-	0%	812	0%	-	0%
Other current assets	-	0%	-	0%	3	0%
Cash and cash equivalents	360,393	35%	389,042	38%	311,505	33%
<b>Total assets</b>	<b>1,022,815</b>	<b>100%</b>	<b>1,024,159</b>	<b>100%</b>	<b>933,802</b>	<b>100%</b>

## EQUITY AND LIABILITIES

The **equity** of the Group stood at PLN 721.3 million representing 71% of the Group's total equity and liabilities as at 31 December 2015 compared to PLN 700.5 million or 68% of total equity and liabilities as at 31 December 2014.

Non-controlling interests stood at PLN 0.5 million as at 31 December 2015 compared to PLN 1.1 million as at 31 December 2014.

**Non-current liabilities** of the Group stood at PLN 258.8 million representing 25% of the Group's total equity and liabilities as at 31 December 2015 compared to PLN 259.4 million or 25% of total equity and liabilities as at 31 December 2014.

**Current liabilities** of the Group stood at PLN 42.7 million representing 4% of the Group's total equity and liabilities as at 31 December 2015 compared to PLN 64.3 million or 7% of total equity and liabilities as at 31 December 2014. The decrease of current liabilities was driven mainly by a decrease of other liabilities including:

- ♦ decrease of PolPX Group's VAT liabilities from PLN 33.0 million as at 31 December 2014 to PLN 8.1 million as at 31 December 2015 (including market coupling and a change of the proportion of energy purchase and sale transactions of PolPX's EU members at the end of the year).

Table 49 Consolidated statement of financial position of GPW Group at the year's end in 2013 - 2015 (equity and liabilities)

PLN'000	As at					
	31 December 2015	%	31 December 2014	%	31 December 2013	%
<b>Equity</b>	<b>721,267</b>	<b>71%</b>	<b>700,466</b>	<b>68%</b>	<b>638,105</b>	<b>68%</b>
Share capital	63,865	6%	63,865	6%	63,865	7%
Other reserves	1,455	0%	1,930	0%	1,278	0%
Retained earnings	655,401	64%	633,555	62%	571,842	61%
Non-controlling interests	546	0%	1,116	0%	1,120	0%
<b>Non-current liabilities</b>	<b>258,799</b>	<b>25%</b>	<b>259,419</b>	<b>25%</b>	<b>249,578</b>	<b>27%</b>
Liabilities under bond issue	243,800	24%	244,078	24%	243,617	26%
Employee benefits payable	4,046	0%	5,562	1%	4,456	0%
Finance lease liabilities	84	0%	205	0%	439	0%
Deferred income tax liability	10,869	1%	9,574	1%	1,066	0%
<b>Current liabilities</b>	<b>42,749</b>	<b>4%</b>	<b>64,274</b>	<b>6%</b>	<b>46,119</b>	<b>5%</b>
Liabilities under bond issue	682	0%	-	0%	-	0%
Trade payables	8,597	1%	10,017	1%	12,738	1%
Employee benefits payable	9,457	1%	9,911	1%	11,511	1%
Finance lease liabilities	55	0%	154	0%	365	0%
Corporate income tax payable	2,833	0%	1,250	0%	657	0%
Accruals and deferred income	7,263	1%	5,115	0%	4,328	-
Provisions for other liabilities and charges	621	0%	1,346	0%	2,139	0%
Other current liabilities	13,241	1%	36,206	4%	14,381	2%
Liabilities held for sale	-	0%	275	0%	-	-
<b>Total equity and liabilities</b>	<b>1,022,815</b>	<b>100%</b>	<b>1,024,159</b>	<b>100%</b>	<b>933,802</b>	<b>100%</b>

## 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 2015, the Company'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 10.3 as at 31 December 2015 and 7.0 as at 31 December 2014.

GPW manages financial liquidity in accordance with the "Current Assets Allocation Procedure" adopted by the 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 bank deposits and the average duration of a financial asset portfolio was around 120 days as at 31 December 2015.

As of 1 January 2012, GPW applies hedge accounting. As at 31 December 2015, 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 Company's financial assets and financial risk management process is effective and ensures timely meeting of payment obligations.

No threats have been identified to the Company'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 93.1 million in 2015 compared to positive cash flows of PLN 161.7 million in 2014. The lower cash flows from operating activities in 2015 were mainly driven by an increase in PolPX's taxation receivables resulting from VAT settlements as well as GPW's trade receivables, combined with a decrease of PolPX's current liabilities.

The cash flows from **investing activities** were negative at PLN 14.6 million in 2015, mainly driven by investments in intangible assets in the PolPX Group. The cash flows from investing activities were negative at PLN 23.1 million in 2014 and were mainly driven by GPW's acquisition of the second tranche of shares of Aquis Exchange Ltd for PLN 15.2 million (GBP 3.0 million).

The cash flows from **financing activities** were negative in 2015, mainly due to the payment of dividend to the shareholders of GPW at PLN 100.7 million, interest paid on bonds at PLN 6.7 million, and substitution of some of GPW's floating-rate bonds with fixed-coupon bonds. The cash flows from financing activities were negative at PLN 60.5 million in 2014, mainly relating to a payment of dividend to the shareholders of GPW at PLN 50.2 million as well as interest paid on bonds at PLN 9.5 million.

Table 50 Consolidated cash flows of the Group

PLN'000	Cash flows for the 12-month period ended 31 December		
	2015	2014	2013
Cash flows from operating activities	93,090	161,669	172,385
Cash flows from investing activities	(14,631)	(23,146)	(74,813)
Cash flows from financing activities	(107,163)	(60,450)	(44,352)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(28,704)</b>	<b>78,073</b>	<b>53,220</b>
<i>Moved to assets held for sale</i>	-	(565)	-
<i>Impact of change of fx rates on cash balances in foreign currencies</i>	55	29	891
<b>Cash and cash equivalents - opening balance</b>	<b>389,042</b>	<b>311,505</b>	<b>257,394</b>
<b>Cash and cash equivalents - closing balance</b>	<b>360,393</b>	<b>389,042</b>	<b>311,505</b>

## CAPITAL EXPENDITURE

The Group's total capital expenditure in 2015 amounted to PLN 30.8 million including expenditure for property, plant and equipment at PLN 23.9 million and expenditure for intangible assets at PLN 6.9 million. The Group's total capital expenditure in 2014 amounted to PLN 18.4 million including expenditure for property, plant and equipment at PLN 12.0 million and expenditure for intangible assets at PLN 6.4 million.

The capital expenditure for property, plant and equipment in 2015 included the PolPX Group's capital expenditure in the acquisition of infrastructure for a new trading and clearing system, participation in the Price Coupling or Regions (PCR) and launch of the LITPOL link.

The Group's biggest financial investment in 2014 was the acquisition of the second tranche of shares of Aquis Exchange Ltd for PLN 15.2 million (GBP 3.0 million).

The Group's expected capital expenditure for property, plant and equipment and intangible assets will be ca. PLN 50 million in 2016, including mainly the implementation of the PolPX Group's trading and clearing system, reorganisation of office space of GPW Group companies, on-going IT investments and development projects of GPW and the GPW Group. 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 for property, plant and equipment was PLN 1,094 thousand as at 31 December 2015, including mainly reconstruction of rooms in the GPW



building (there were no contracted future investment commitments for property, plant and equipment as at 31 December 2014).

The value of contracted future investment commitments for intangible assets was PLN 13,884 thousand as at 31 December 2015, including mainly the UTP-Derivatives system, the Electronic Document Flow system, Microsoft product licences, the PolPX Group trading and clearing system, and the AX system in GPW CU. Contracted future investment commitments were PLN 13,192 thousand as at 31 December 2014 including mainly the UTP-Derivatives system, the billing system in BondSpot, the AX system in GPW CU and the new X-Tream Trading system in PolPX.

The decision to implement the derivatives module of the trading system UTP (UTP-Derivatives) is conditional on GPW's on-going analysis of the business aspects of the project as well as negotiations with the vendor.

## 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 remained negative, the same as in 2014, due to negative net debt (cash exceeds interest-bearing liabilities), combined with an increase of EBITDA. The debt to equity ratio decreased year on year in 2015 due to an increase in equity. The Group did not raise additional borrowed capital in 2015. However, it bought back part of its series A and B bonds at face value of PLN 124.5 million and issued new series C bonds at PLN 125 million.

### **LIQUIDITY RATIOS**

The current liquidity ratio was 10.3 as at 31 December 2015; its increase was due to a decrease in current liabilities year on year in 2015.

The coverage ratio of interest costs under the bond issue increased in 2015 year on year due to the Group's higher EBITDA and lower interest costs. Consequently, the Group generated cash flows from operating activities which were several times higher than necessary to cover current liabilities under the bond issue.

### **PROFITABILITY RATIOS**

The profitability ratios improved year on year in 2015, driven by a higher sales revenue and lower operating expenses, as reflected in the improving return and cost/income ratios as well as ROE and ROA of the Group.

Table 51 Key financial indicators of GPW Group

		As at / For the 12-month period ended		
		31 December 2015	31 December 2014	31 December 2013
<b>Debt and financing ratios</b>				
Net debt / EBITDA for 12 months	1), 2)	(0.6)	(0.9)	(0.6)
Debt to equity	3)	33.9%	34.9%	38.3%
<b>Liquidity ratios</b>				
Current liquidity	4)	10.3	7.0	7.7
Coverage of interest on bonds	5)	23.5	17.3	12.9
<b>Return ratios</b>				
EBITDA	6)	54.7%	51.7%	50.9%
Operating profit margin	7)	46.6%	42.6%	41.8%
Net profit margin	8)	37.7%	35.4%	40.0%
Cost / income	9)	53.2%	57.2%	58.6%
ROE	10)	17.4%	16.8%	19.0%
ROA	11)	12.1%	11.5%	12.8%

1) Net debt = interest-bearing liabilities less liquid assets of GPW Group (as at balance-sheet date)

2) EBITDA = GPW Group operating profit + depreciation and amortisation (for a period of 12 months); net of the share of profit 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 on bonds = EBITDA / interest on bonds (interest paid and accrued for a period of 12 months)

6) EBITDA margin = EBITDA / GPW Group revenue (for a period of 12 months)

7) Operating profit margin = GPW Group operating profit / GPW Group revenue (for a period of 12 months)

8) Net profit margin = GPW Group net profit / GPW Group revenue (for a period of 12 months)

9) Cost / income = GPW Group operating expenses / GPW Group revenue (for a period of 12 months)

10) ROE = GPW 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 = GPW Group net profit (for a period of 12 months) / Average total assets at the beginning and at the end of the last 12 month period

## V.6. Other 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 additional external funds in a manner optimal for the Group's capital expense and structure.

The Group did not publish any financial forecasts for 2015. 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

GPW 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.1 of this Report.

In 2015, GPW did not make or divest any equity investments in any entities other than associates. The description of investments in associates and subsidiaries in 2015 is presented in section V.3 of this Report.

Equity links of GPW to the companies from outside the Group as at 31 December 2015 include the investment in Instytut Rynku Kapitałowego – WSE Research S.A. and 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, GPW's major domestic investments as at 31 December 2015 include bank deposits.

Except for the investment in the Romanian stock exchange S.C. Sibex - Sibiu Stock Exchange S.A., INNEX PJSC and Aquis Exchange Ltd, 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 2015 and 31 December 2014.

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 2015 and 31 December 2014 and in Note 27 to the Separate Financial Statements of Giełda Papierów Wartościowych w Warszawie S.A. for the years ended 31 December 2015 and 31 December 2014.

## **CREDIT AND LOAN AGREEMENTS SIGNED AND TERMINATED DURING THE FINANCIAL YEAR**

The Group signed and terminated no credit and loan agreements in 2015.

## **LOANS GRANTED IN THE FINANCIAL YEAR**

In March 2015, GPW granted a short-term loan of PLN 100 thousand to the subsidiary InfoEngine S.A. to finance its current business. The interest rate on the loan was 3.8% p.a. The 1.5-month loan was repaid on time.

In July 2015, PolPX granted a short-term loan of PLN 200 thousand to the subsidiary InfoEngine S.A. to finance its current business. The interest rate on the loan was 1.55% p.a. The loan was granted until 31 December 2015 and repaid on time.

Except for the foregoing, the Group granted no loans other than loans granted to GPW employees under the internal Employee Loan Program in 2015.

## **GUARANTIES AND SURETIES GRANTED AND ACCEPTED DURING THE FINANCIAL YEAR**

In April 2014, the GPW granted a performance bond for payment due from the subsidiary InfoEngine S.A. to Polskie Sieci Energetyczne for electricity transactions on the balancing market. The liability was capped at PLN 1.0 million. The agreement is valid until 29 February 2016.

The Group granted no guarantees and sureties in 2015.

## **MATERIAL TRANSACTIONS OF THE ISSUER AND SUBSIDIARIES WITH RELATED PARTIES ON TERMS OTHER THAN AT ARM'S LENGTH IN THE FINANCIAL YEAR**

In 2015, GPW and the subsidiaries did not make any significant transactions with related parties on terms other than at arm's length. The transactions with related parties are presented in detail in Note 28 to the Consolidated Financial Statements.

## **CONTINGENT LIABILITIES AND ASSETS**

The Group had no contingent liabilities or assets as at 31 December 2015.

## **EVENTS AFTER THE BALANCE-SHEET DATE WHICH COULD SIGNIFICANTLY IMPACT THE FUTURE FINANCIAL RESULTS OF THE ISSUER**

Reduction of GPW's cost of capital market supervision in the coming years – section V.3 of this Report discusses the impact of changes to the capital market supervision financing model on the results of the issuer.

On 3 December 2015, Paweł Tamborski resigned from the function of President of the Management Board of the Warsaw Stock Exchange effective as of 31 December 2015.

On 12 January 2016, the Extraordinary General Meeting of GPW appointed Małgorzata Zaleska as President of the Management Board of the Warsaw Stock Exchange. The decision was conditional on the approval of the Polish Financial Supervision Authority for the change to the composition of the Exchange Management Board and on the delivery of the approval to the Company. The Polish Financial Supervision Authority at a meeting on 9 February 2016 approved the change to the composition of the Exchange Management Board appointing Małgorzata Zaleska as President of the Management Board of the Company. The decision was delivered to the Company on 10 February 2016.

There were no other events after the balance-sheet date which could significantly impact the future financial results of the issuer.

## Glossary

**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

**Colocation** – a service where the exchange provides physical space and allows clients to install hardware and software in direct proximity to the exchange's trading system

**ECM** – Equity Capital Market, value of equity raised on the financial market

**EOB** – Electronic Order Book, trade excluding block trades

**ETF** – Exchange Traded Funds, track the performance of an exchange index. Similar to other investment funds, ETFs are regulated under EU Directives and national regulations. ETF can daily create and cancel ETF units. ETF units are exchange traded on the same terms as shares.

**ETP** – Exchange Traded Products, structured products – financial instruments whose price is linked to the value of a market indicator (the underlying instrument)

**FESE** – Federation of European Stock Exchanges

**Free float** – free float shares are shares other than held by shareholders which hold more than 5% each, Treasury shares for cancellation, and registered shares; free float includes all shares held by investment funds, pension funds and asset managers and shares participating in depository receipt issue programmes

**GCM** – Global Clearing Member

**HVF** – High Volume Funds, a promotion programme addressed to investment funds actively trading in shares on GPW

**HVP** – High Volume Provider, a promotion programme addressed to legal entities whose core business is to invest on financial markets only on own account

**IPO** – Initial Public Offering. In this report, PwC IPOwatch Europe reports and FESE data, IPO means all offerings where a company first raises equity on the capital market, either in a public offering or a private placement

**ISV** – Independent Software Vendors, providers of client software for exchange members used to trade on the trading platform

**MRC** – Multi-regional Coupling, European project of operational integration of spot electricity markets

**MTF** – Multilateral Trading Facility, addressed mainly to institutional investors, offers trade in stocks combined with very short lead times for the execution of orders as well as low trading fees. MTFs are usually operated by investment firms (banks, brokers) or securities exchanges. MTFs offer trade in the same stocks as those listed on other markets and do not provide listings.

**OTC** – Over the Counter, a non-regulated market outside the exchange, where trade in non-standard financial instruments is made directly between counterparties without the mediation of a securities exchange

**REIT** – Real Estate Investments Trusts are special companies and funds investing in real estate; they manage a real estate portfolio to earn a fixed income from rent, and pay out most of the earnings to shareholders as dividend

**RES** – renewable energy sources

**SPO** – Second Public Offering

**Post-trade services** – depository, clearing and settlement services

**Velocity** – a measure of liquidity of trade in stocks equal to turnover in a period to average capitalisation at the beginning and at the end of the period

**WFE** – World Federation of Exchanges

SIGNATURES OF MANAGEMENT BOARD MEMBERS

Małgorzata Zaleska – President of the Management Board .....

Dariusz Kułakowski – Vice-President of the Management Board .....

Karol Półtorak – Vice-President of the Management Board .....

Grzegorz Zawada – Vice-President of the Management Board .....

Warsaw, 22 February 2016