

2015



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

February, 2016

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

registered address: ul. Książęca 4, 00-498 Warsaw, Poland

registered by the District Court for the City of Warsaw in Warsaw, entry no. KRS 8231200000,
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 its activities 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

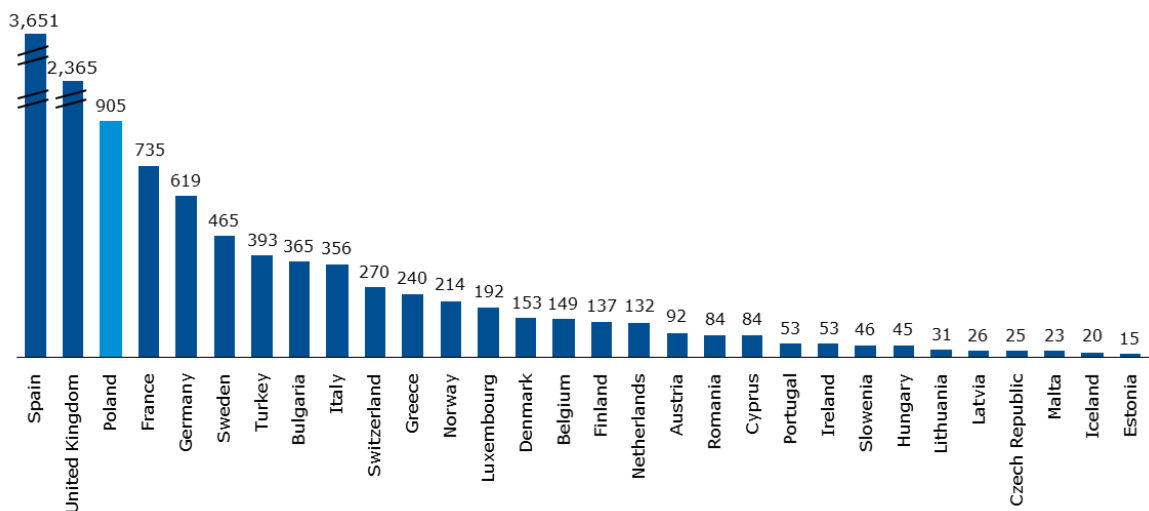
The Warsaw Stock Exchange has helped Polish companies to grow for 25 years, enabling them to raise capital for investments, job creation, international expansion, research and development. Thanks to the developed capital market infrastructure and the strength of the local economy, investors from around 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.

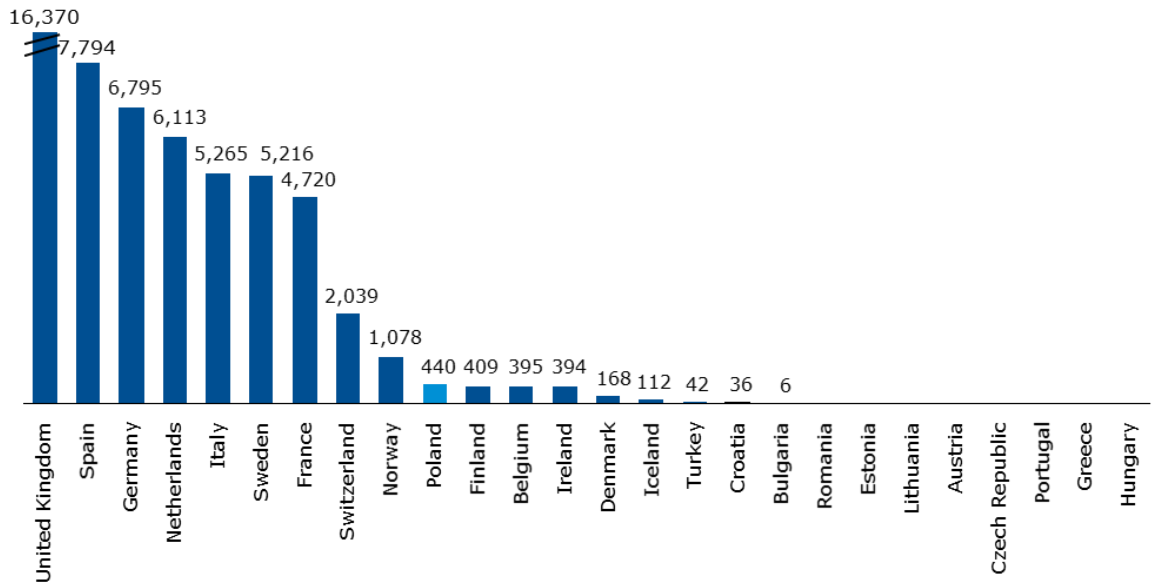
Figure 1 Number of companies listed on European exchanges¹ at the end of 2015



Source: FESE, websites of Euronext, LSEG, Nasdaq

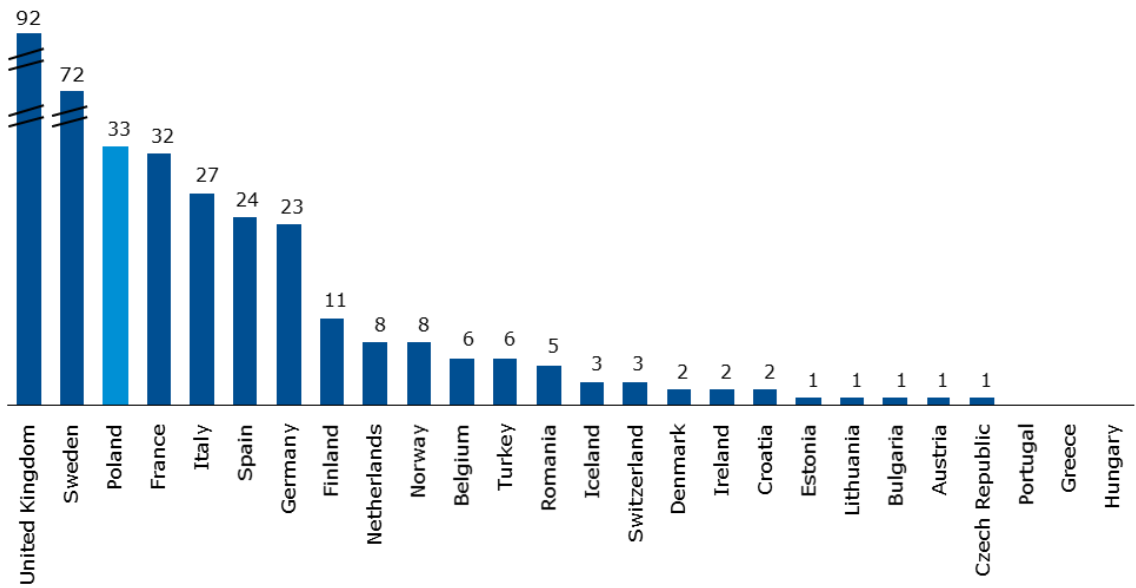
¹ France, the Netherlands, Belgium, Portugal – Euronext, Sweden, Denmark, Finland, Iceland – Nasdaq, Estonia, Latvia, Lithuania – Nasdaq Baltic.

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

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.

Chart 1 GPW Group and associates

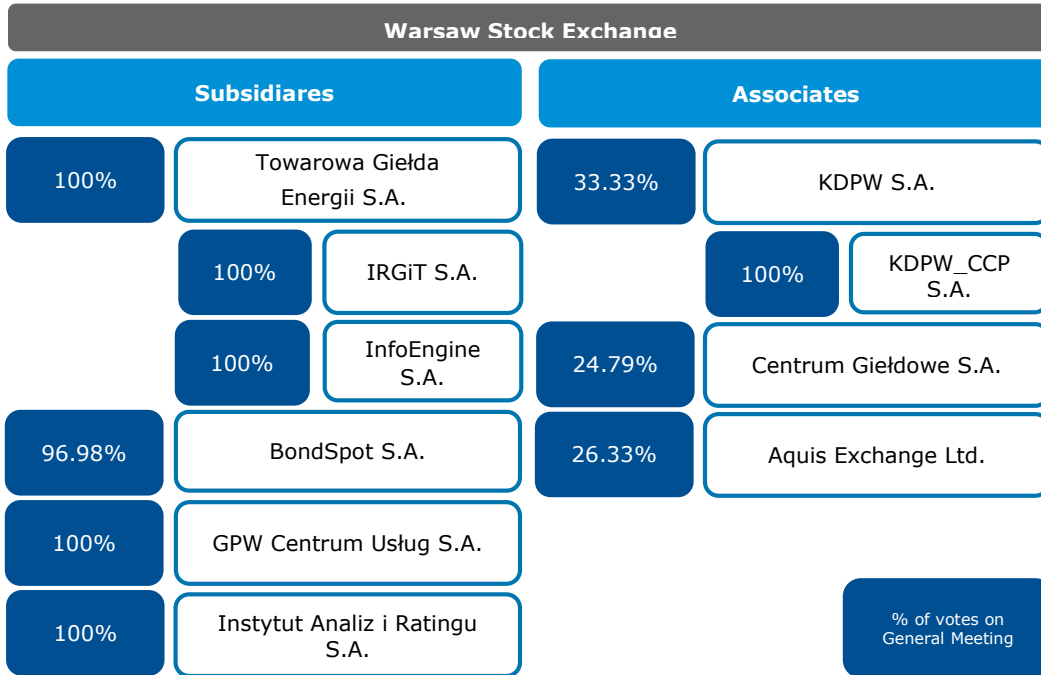


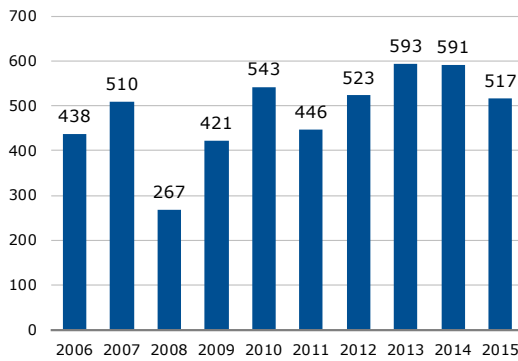
Table 1 Core business of GPW Group companies

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 Giełda 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 Giełd 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.

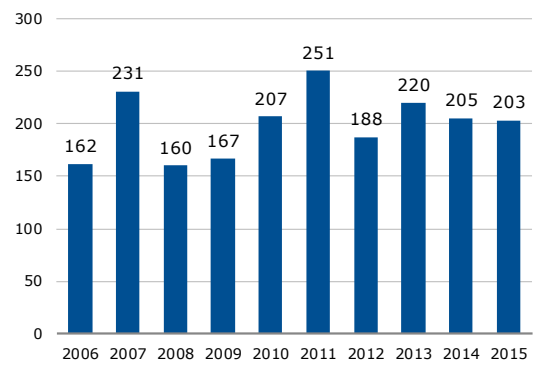
In addition, GPW holds 19.98% of InfoStrefa S.A. (formerly Instytut Rynku Kapitałowego WSE Research S.A.), 10% of the Ukrainian stock exchange INNEK PJSC and 1.3% of the Romanian stock exchange S.C. SIBEX – Sibiu Stock Exchange S.A. Furthermore, GPW operates a representative office in Kiev. The parent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

I. 2. Selected Market Data

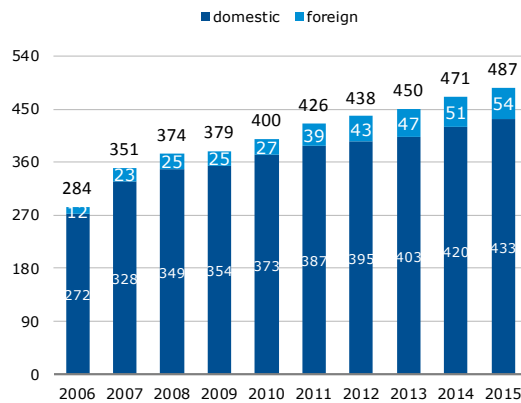
Capitalisation of domestic companies
- Main Market (PLN bn)



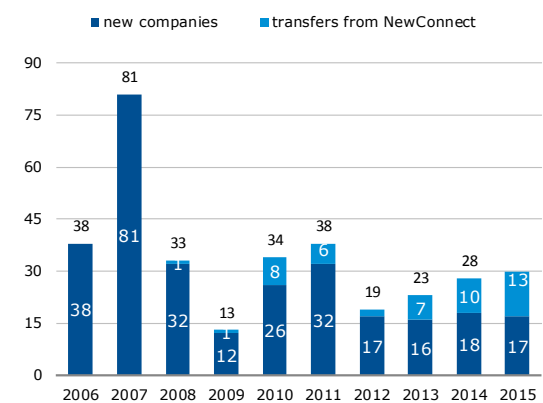
Equity turnover, Electronic Order Book
- Main Market (PLN bn)



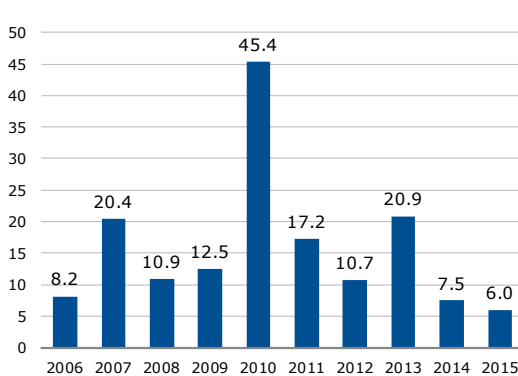
Number of companies - Main Market



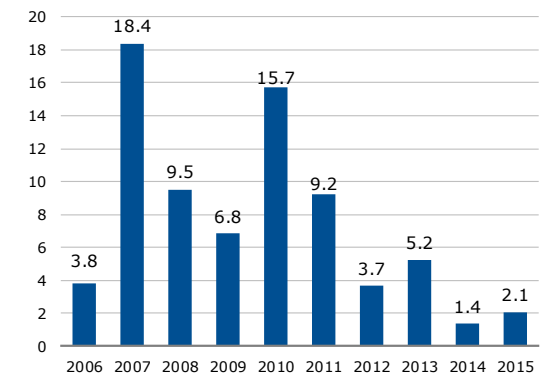
Number of new listings - Main Market



ECM value in Poland (PLN bn) ²

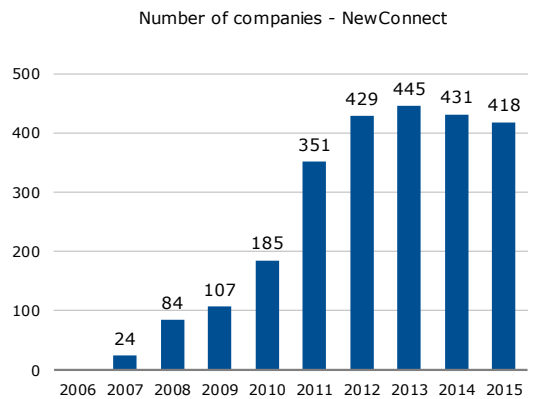
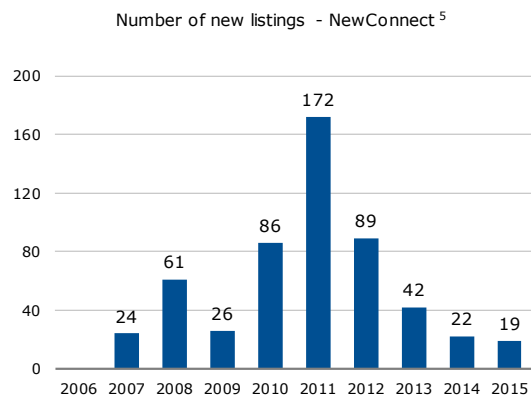
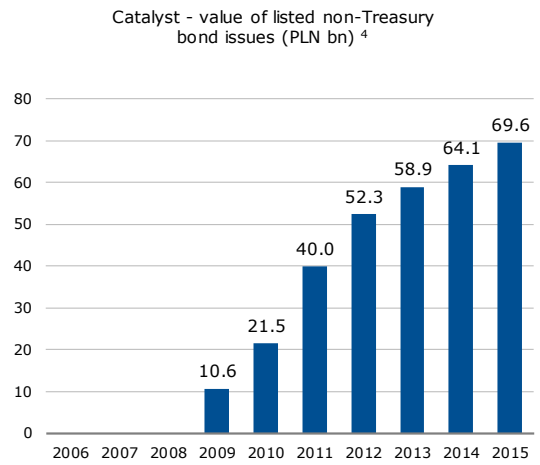
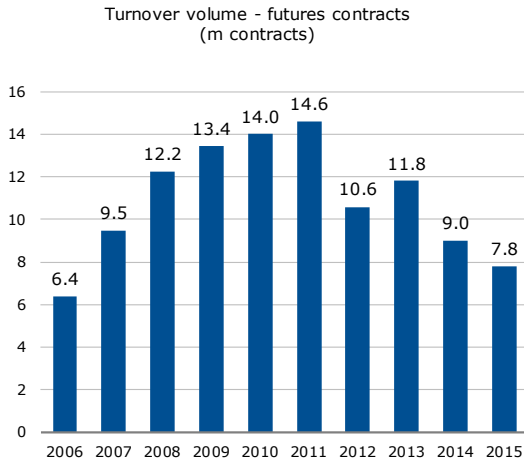
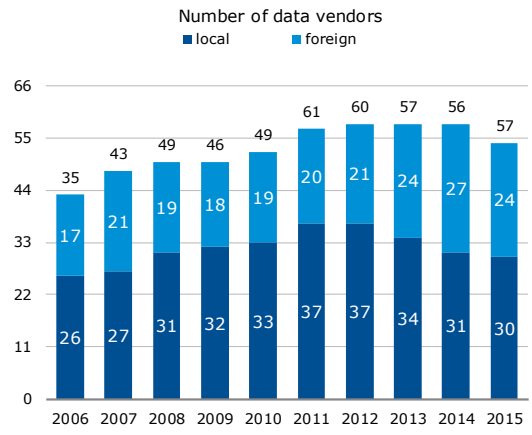
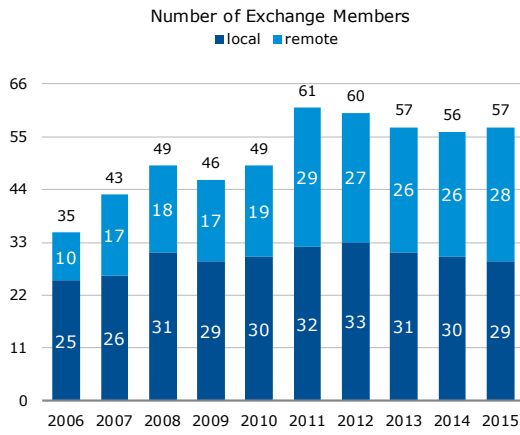


Value of primary offerings
- Main Market and NewConnect (PLN bn) ³



² ECM - Equity Capital Market; source: Dealogic, ECM at the transaction price as at the pricing date

³ The NewConnect market opened on 31 August 2007



⁴ The Catalyst market opened on 30 September 2009
⁵ The NewConnect market opened on 31 August 2007

I. 3. Selected Financial Data

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

	Year ended 31 December			
	2015		2014	
	2015	2014	2015	2014
	PLN '000		EUR '000 ⁶	
Sales revenue	191,781	189,996	45,838	45,397
Financial market	188,730	187,973	45,109	44,914
Trading	126,562	126,472	30,250	30,219
Listing	23,652	23,297	5,653	5,567
Information services	38,516	38,204	9,206	9,128
Commodity market	-	-	-	-
Other revenue	3,052	2,023	729	483
Operating expenses	120,354	130,644	28,766	31,216
Other income	497	580	119	139
Other expenses	1,345	920	321	220
Operating profit	70,579	59,012	16,869	14,100
Financial income	48,153	21,165	11,509	5,057
Financial expenses	8,965	17,888	2,143	4,274
Profit before income tax	109,768	62,289	26,236	14,883
Income tax expense	12,863	9,382	3,074	2,242
Profit for the period	96,905	52,907	23,161	12,641
EBITDA⁷	92,051	83,146	22,001	19,867

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	31 December 2015	31 December 2014
	PLN '000		EUR '000 ⁸	
Non-current assets	472,253	480,087	110,818	112,636
Non-current assets	94,773	101,291	22,239	23,764
Property, plant and equipment	81,601	85,496	19,148	20,059
Intangible assets	291,943	289,632	68,507	67,952
Investment in associates	282	207	66	49
Available-for-sale financial assets	-	-	-	-
Prepayments	3,653	3,461	857	812
Current assets	261,770	251,636	61,427	59,038
Trade and other receivables	26,091	22,569	6,122	5,295
Available-for-sale financial assets	-	10,503	-	2,464
Cash and cash equivalents	235,560	208,035	55,276	48,808
Other current assets	119	10,529	28	2,470
TOTAL ASSETS	734,023	731,723	172,245	171,673
Equity attributable to the shareholders of the parent entity	454,881	458,769	106,742	107,634
Non-current liabilities	258,242	258,601	60,599	60,672
Current liabilities	20,900	14,353	4,904	3,367
TOTAL EQUITY AND LIABILITIES	734,023	731,723	172,245	171,673

Table 4 GPW Group's selected financial ratios

	Year ended / As at	
	31 December 2015	31 December 2014
EBITDA margin (EBITDA/Sales revenue)	48.0%	43.8%
Operating profit margin (Operating profit/Sales revenue)	36.8%	31.1%
Return on equity (ROE) (Net profit for the last 12 months / Average equity at the beginning and at the end of the last 12 month period)	21.2%	11.6%
Debt to equity (Interest-bearing liabilities ⁹ /Equity)	53.7%	53.2%

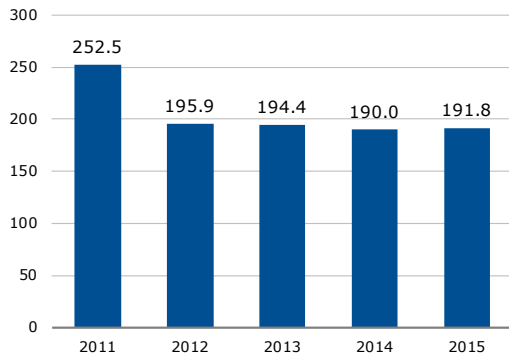
⁶ Based on average annual EUR/PLN exchange rates published by the National Bank of Poland (respectively: 1 EUR = 4.1839 in 2015 and 1 EUR = 4.1852 PLN in 2014)

⁷ EBITDA = operating profit + depreciation and amortisation

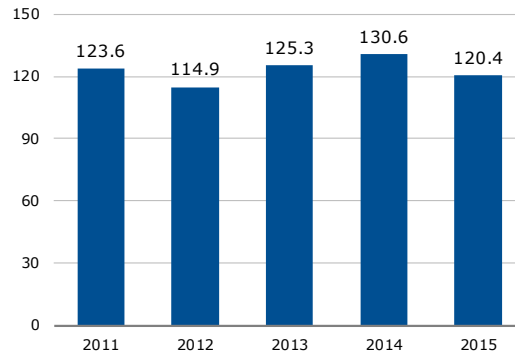
⁸ Based on average EUR/PLN exchange rates published by the National Bank of Poland on 31.12.2015 (1 EUR = 4.2615 PLN) and on 31.12.2014 (1 EUR = 4.2623 PLN)

⁹ Liabilities in respect of interest and principal

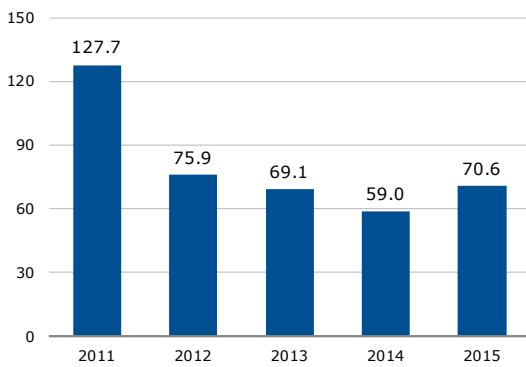
Sales revenue (PLN mn)



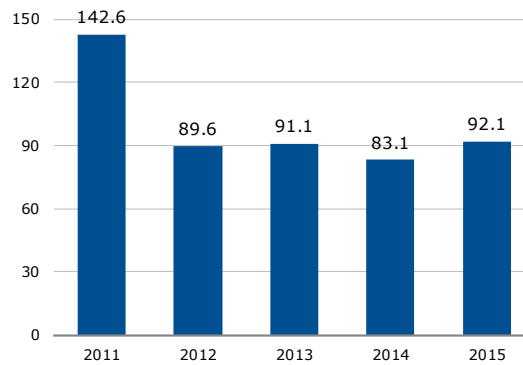
Operating expenses (PLN mn)



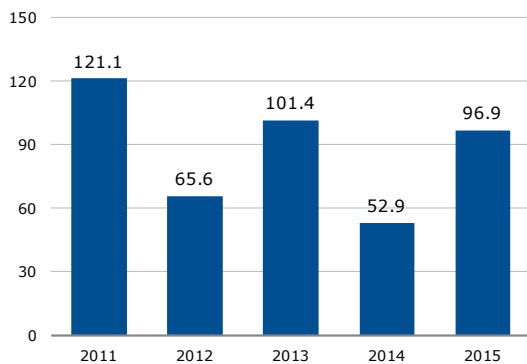
Operating profit (PLN mn)



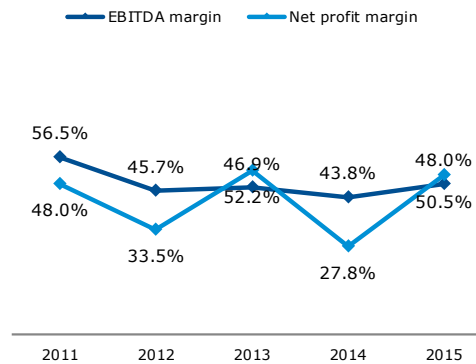
EBITDA (PLN mn)



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

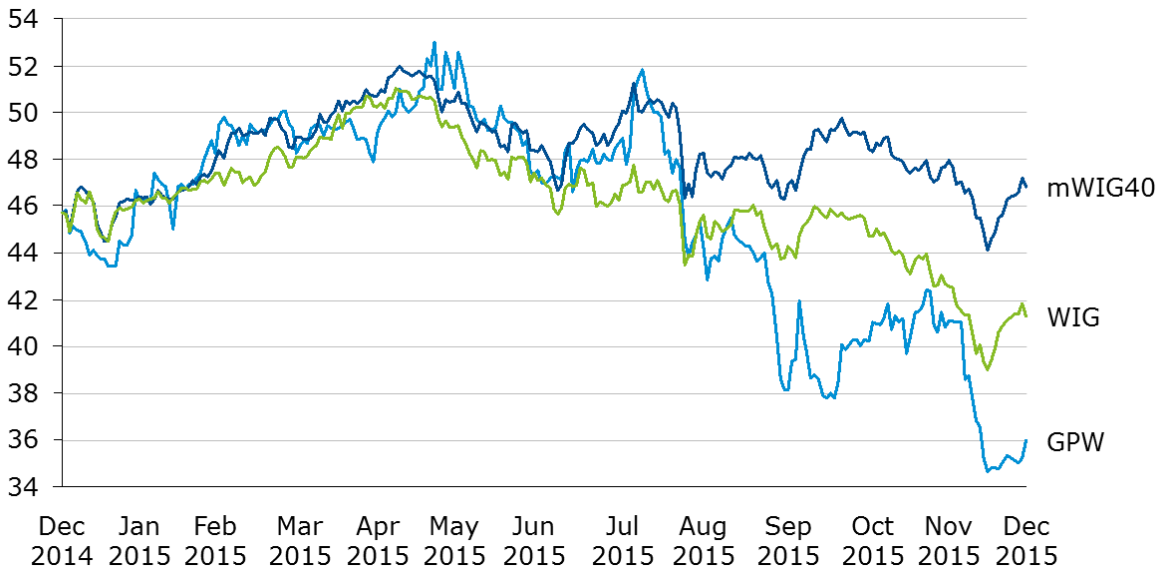


Figure 5 GPW stock price since new listing on GPW (PLN)



Table 5 Selected statistics of GPW SA stock

	2015	2014	2013	2012	2011	2010 ¹⁰
Earnings per share (PLN) ¹¹	2.95	2.67	2.70	2.52	3.19	2.26
Dividend per share (PLN) ¹²	2.40	1.20	0.78	1.44	3.21	-
Dividend yield ¹³	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% ¹⁴
Total shareholder return (TSR) ¹⁵	-16.1%	13.0%	8.8%	14.4%	-21.5%	14.0% ¹⁴
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 ¹⁶ (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) ¹⁷	11.7	14.5	14.8	19.2	25.9	20.4
Value of trading (PLN million) ¹⁷	526.4	571.8	596.1	720.7	1188.5	1055.7
Number of transactions (thousand) ¹⁷	63.0	68.8	67.3	73.3	170.6	167.0
Average volume of trading per session (thousand) ¹⁷	46.6	58.1	60.0	77.1	103.3	550.4
Average value of trading per session (PLN thousand) ¹⁷	2097.4	2296.2	2413.4	2894.2	4735.0	28531.5
Average number of transactions per session ¹⁷	250.9	276.0	272.6	294.2	679.8	4512.8
Velocity ¹⁸	31.1%	31.2%	35.4%	46.2%	67.1%	344.8%
Price volatility ¹⁹	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

¹⁰ GPW shares were newly listed on the Exchange on 9 November 2010

¹¹ Based on the consolidated profit attributable to the shareholders of the parent entity

¹² Based on last year's profit

¹³ Dividend paid / share price at dividend record date

¹⁴ In relation to the IPO price for individual investors (PLN 43.00)

¹⁵ (Annual change of share price + dividend per share) / share price at the end of the previous period

¹⁶ Free-float shares (excluding shares held by the State Treasury and strategic investors)

¹⁷ Electronic Order Book (net of block trades)

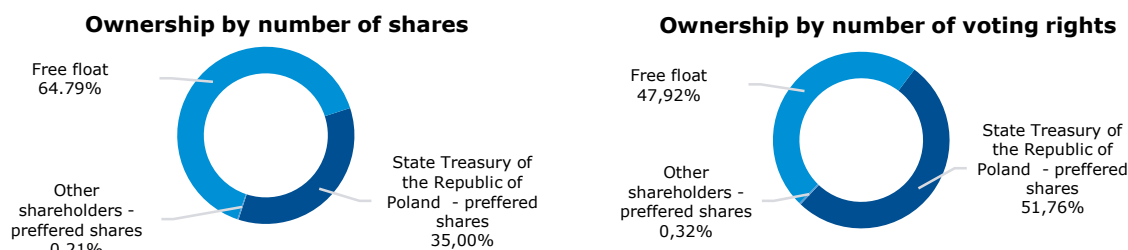
¹⁸ Value of trading (annualised for 2010) / average capitalisation at the beginning and at the end of the period

¹⁹ 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 6 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%.

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

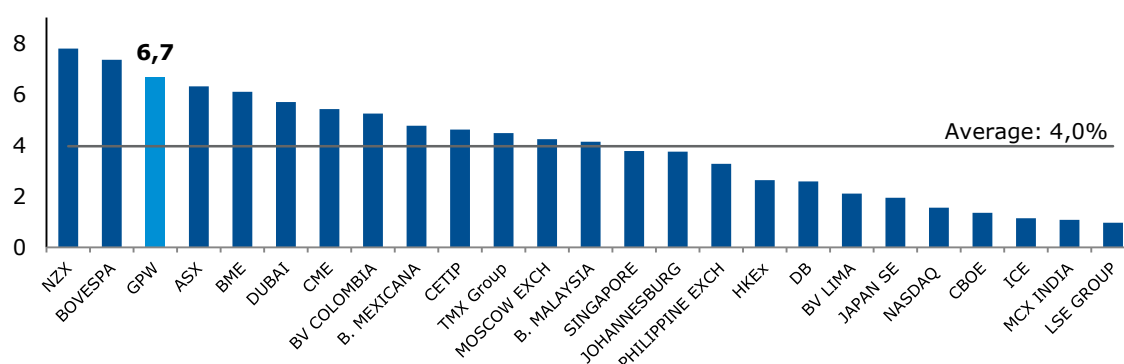
GPW has paid the owners a dividend for each year since the company went public. On 4 August 2015, the Company paid PLN 100.7 million of dividend, including PLN 52.9 million from the 2014 profit and PLN 47.8 million from the capital reserve. The dividend of PLN 2.4 per share was paid to GPW shareholders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

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.

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 ²⁰	Dividend yield ²¹	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 7 GPW dividend yields in 2015 r. v. other exchanges (%) ²²

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:

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

- ◆ 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;

²⁰ Based on the consolidated profit attributable to the shareholders of the parent entity

²¹ At the share price as at the dividend record date

²² 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"²³ 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 ²⁴	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.

²³ GPW discontinued the calculation and publication of the WIG50 index as of the beginning of 2015

²⁴ Interest for the IX interest period will be paid to GPW bondholders on 30 June 2016

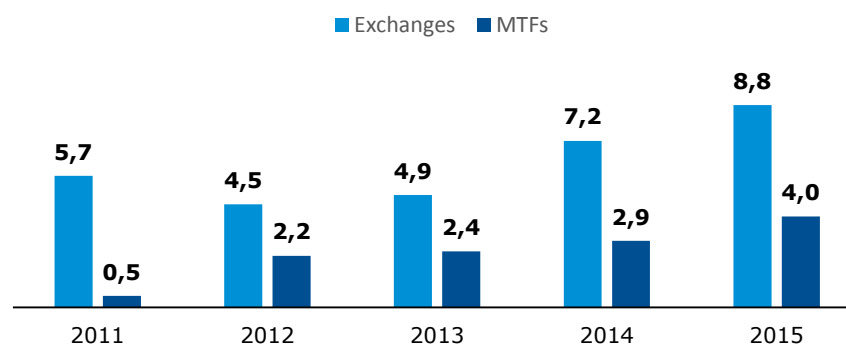
II. ACTIVITY OF THE GPW

II. 1. Market Environment

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 MiFID²⁵, which took effect in 2007, and EMIR²⁶, 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 markets²⁷ 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 8 Comparison of trade in shares in Europe on exchanges and MTFs²⁸ (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 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

²⁵ 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)

²⁶ 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)

²⁷ OTC (over the counter) market, where trade is made directly between market participants without the mediation of a securities exchange

²⁸ MTFs and exchanges originating from MTFs (in particular: BATS Europe, Turquoise, Burgundy, NYSE Arca Europe)

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.

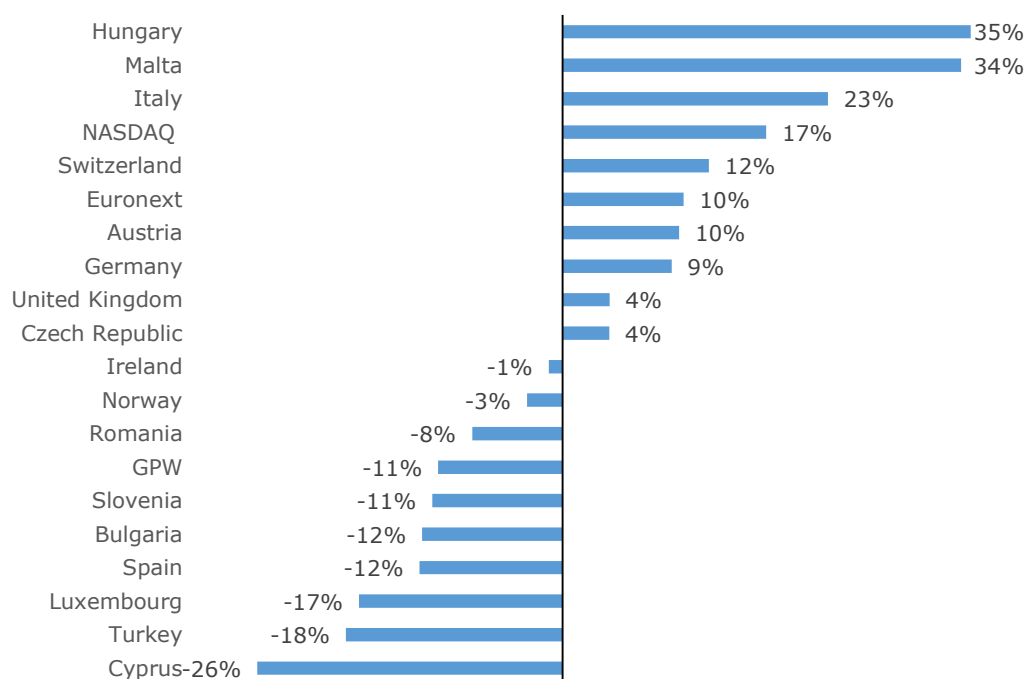
There were 33 IPOs on GPW in 2015 (including 14 IPOs on the Main Market and 19 IPOs on NewConnect), representing a moderate decrease year on year (down by 2 IPOs). The aggregate value of IPOs was EUR 440 million, an increase of EUR 127 million year on year, mainly driven by successful IPOs early in the 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 9 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

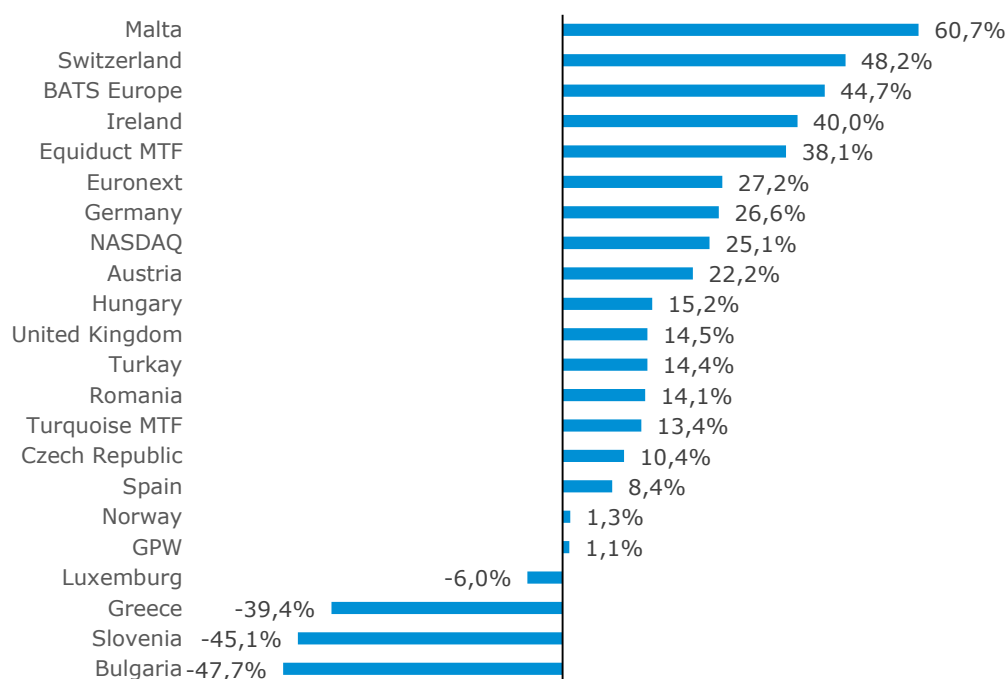
reported an increase of capitalisation to US\$ 23.1 trillion at the end of 2015 (up by 9.8% YoY). The world’s biggest exchange was NYSE with a capitalisation of domestic companies at US\$ 17.8 trillion at the end of 2015, followed by NASDAQ (capitalisation at US\$ 7.3 trillion), the Japan Stock Exchange (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 10 Change of the value of trade in shares on European exchanges and MTFs in 2015



Source: FESE (based on EUR data), LSEG

II. 2. Mission and Strategy of the GPW

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 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

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.

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 2 GPW's key strategic initiatives, strategy GPW.2020

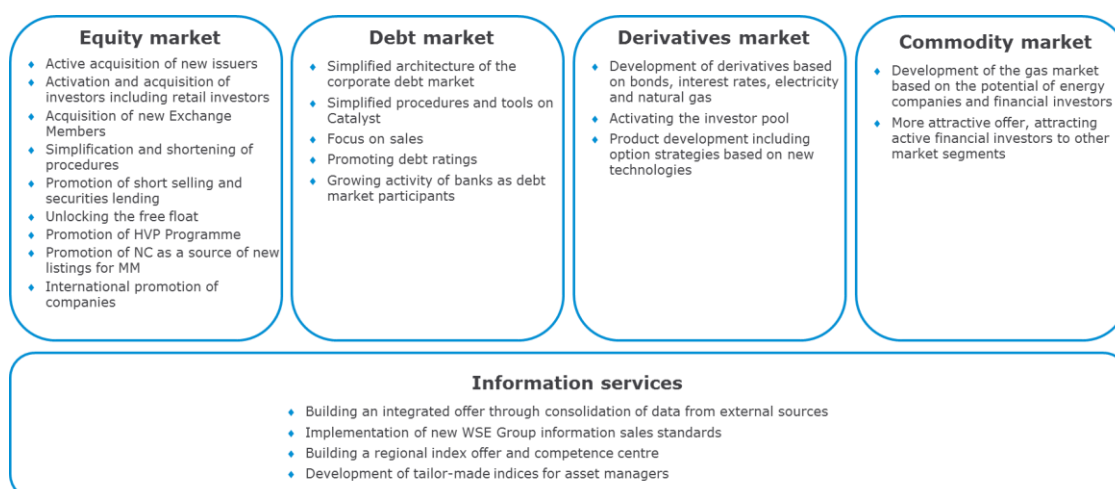
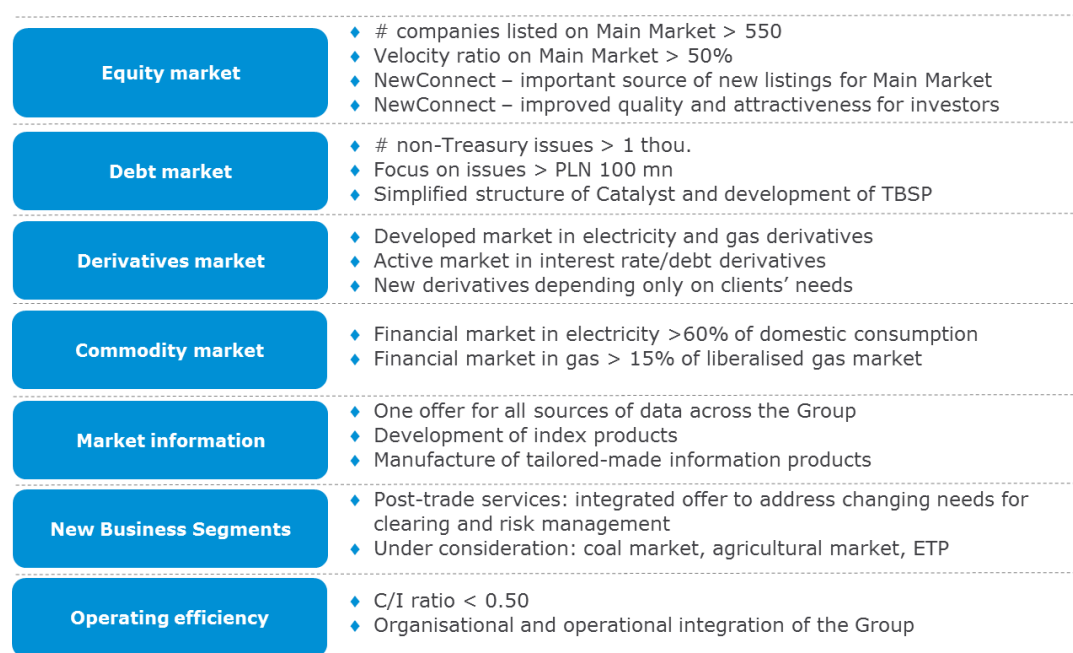


Chart 3 Key aspirations of the GPW Group by 2020



II. 3. Implementation of the GPW 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 Exchange.

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.
- ◆ **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.

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.

- ◆ **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

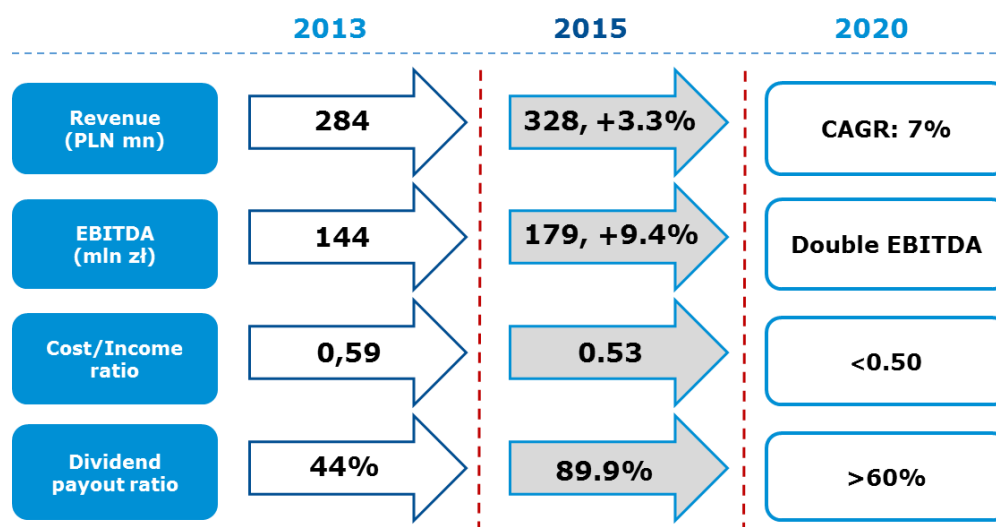
- ◆ **Integration of post-trade services** – in 2015, GPW analysed potential options of integration of post-trade services in Poland and increasing GPW's exposure to the post-trade services segment.
- ◆ **Other initiatives in implementation of new business lines:**
 - ✓ **REIT (Real Estate Investments Trusts)²⁹ 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's operating expenses decreased by PLN 10.3 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, 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%.

²⁹ 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.

Chart 4 2015 at GPW Group versus ambitions resulting from strategy



External Drivers of the GPW 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

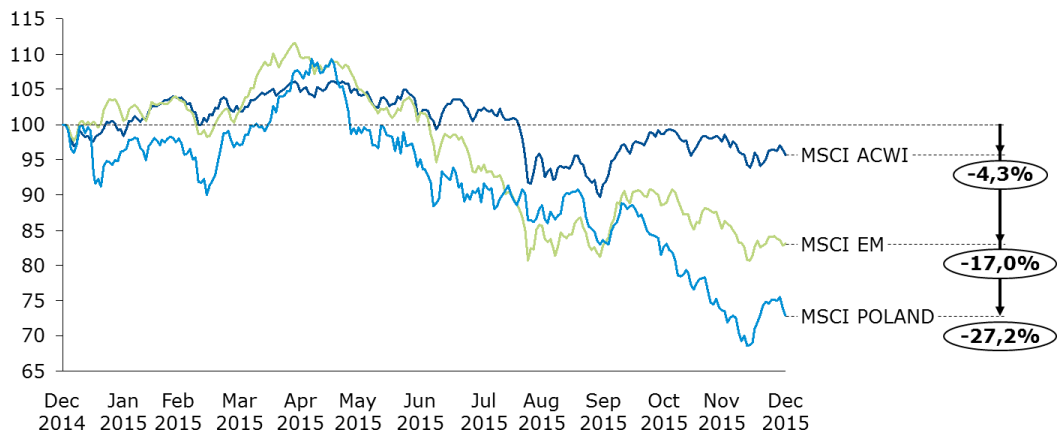
The Presidential and Parliamentary electoral campaigns in 2015 opened an opportunity for a public debate on the sources of financing of the public budget and on taxation in different sectors of the economy. Announcements of a new tax on banks' assets and a turnover tax for supermarkets strongly affected 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.³⁰ This was the third consecutive year when the assets of emerging markets funds decreased. As a result, MSCI Emerging Markets³¹ 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%.

Figure 11 MSCI Poland in 2015 v. MSCI EM and MSCI All Country World Index³²



³⁰ Source: EPFR Global for 57 global funds

³¹ The index reflects the performance of emerging market exchanges (price index provided by MSCI Barra in US\$)

³² 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.

II. 4. Business Lines

The activities of the GPW 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,
- ◆ 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.

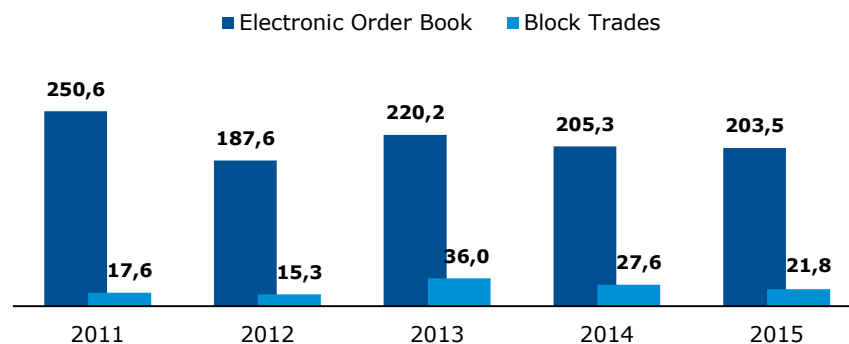
Chart 5 Financial instruments in trading on the GPW markets



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.

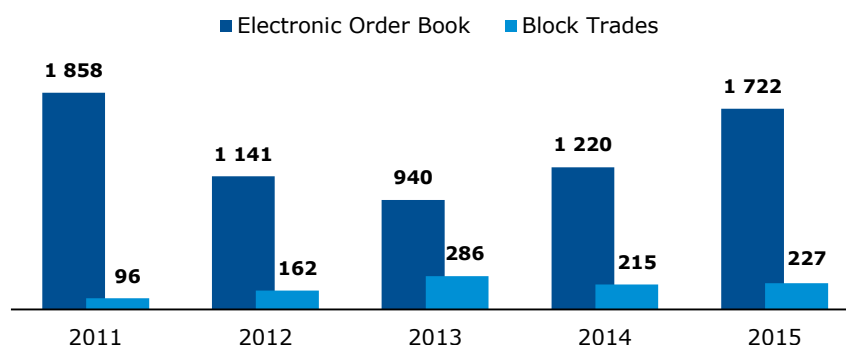
Figure 12 Value of trade in shares on the Main Market (PLN billion)



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

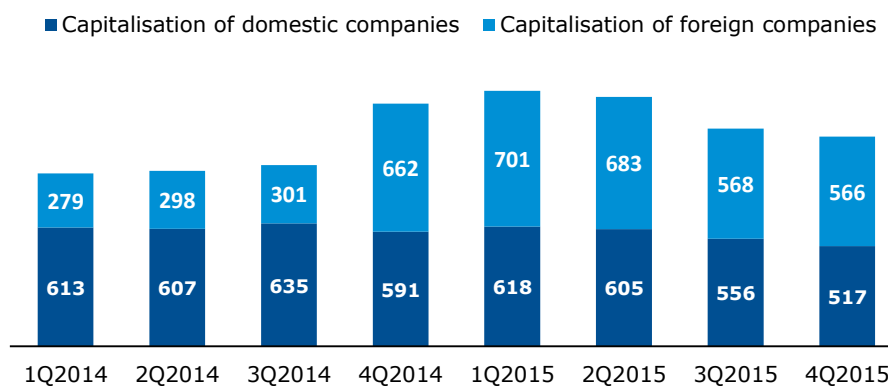
5.4% to PLN 227 million. The number of transactions on the Electronic Order Book was 1.1 million, an increase of 27.2% year on year.

Figure 13 Value of trade in shares on NewConnect (PLN million)



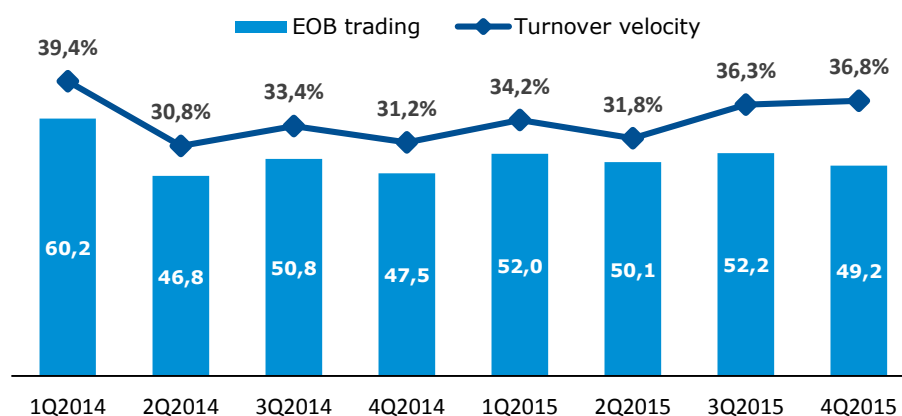
The decrease of turnover in shares on the GPW markets in 2015 was driven mainly by the difficult and demanding market conditions following the decline of the capitalisation of domestic companies as of Q1 2015. The capitalisation of domestic companies listed on the Main Market was PLN 591.2 billion at the end of 2014 and PLN 516.8 billion at the end of 2015 (a decrease of 12.6%).

Figure 14 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 15 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:

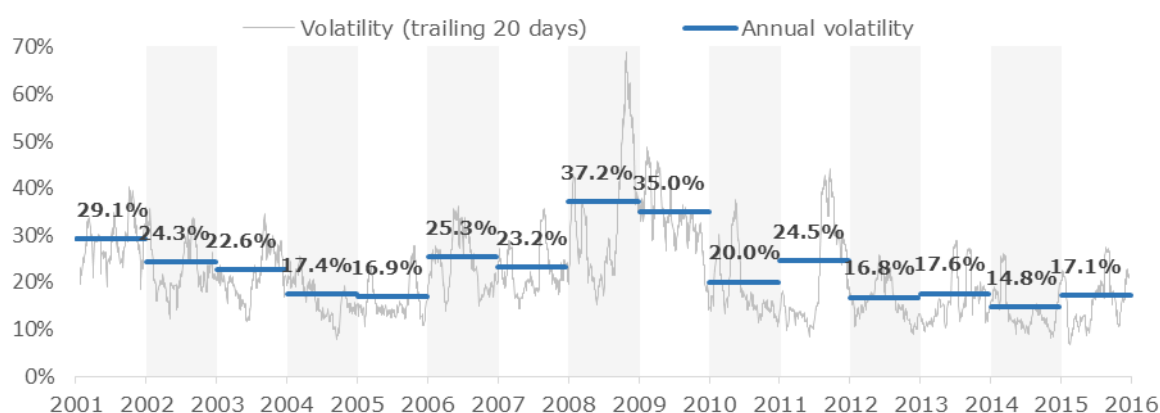
- ◆ **High Volume Provider (HVP) Programme:** the programme dedicated to entities investing only on own account was launched by GPW in November 2013 and continued until 31 October 2016. Eligible for promotion fees were investors who generate of turnover of at least PLN 5 million per session on the equity 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 16 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
Structured products (certificates)	702	744	550	327	178
Structured products (bonds)	0	4	7	16	28
Investment certificates	30	31	37	58	60
ETFs	3	3	3	3	3
Warrants	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%).

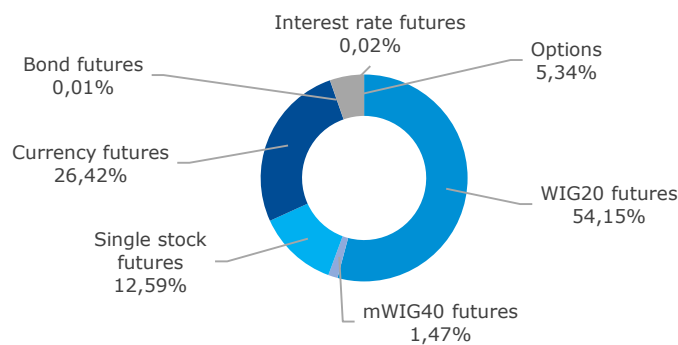
Derivatives Market

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).

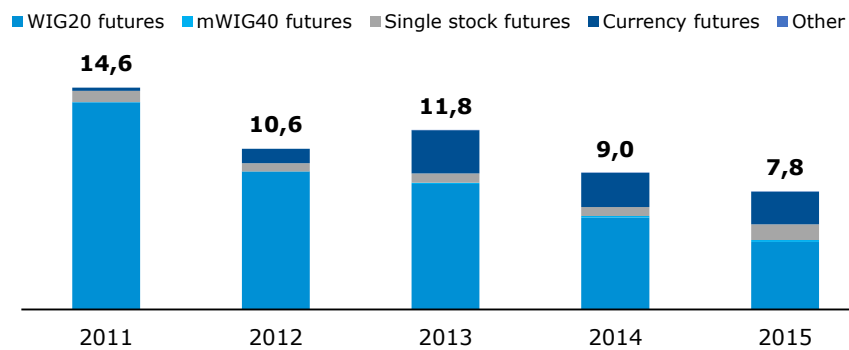
Currency futures attract growing interest of investors: they accounted for 26.4% of the total volume in 2015. Single-stock futures are also increasingly traded (12.6% of the volume in 2015). Interest of investors in single-stock futures was record-high in 2015. The volume of trade in single-stock futures 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 17 Structure of volume of trade in derivatives in 2015 by category of instrument



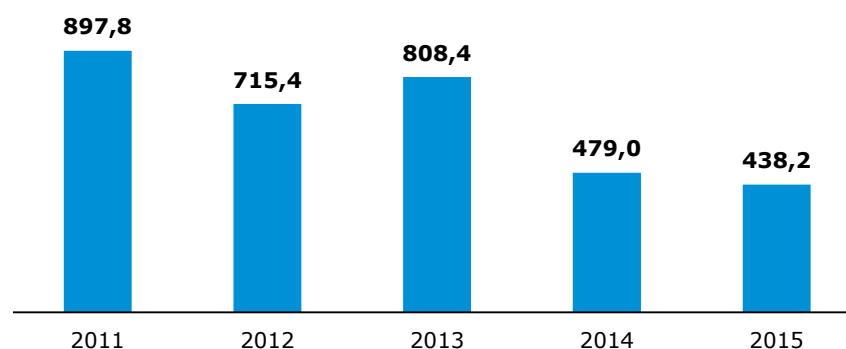
The volume of trade in WIG20 futures was 4.4 million instruments in 2015, a decrease of 26.4% year on year. As a result, the total volume of trade in derivatives was 8.2 million instruments in 2015, a decrease of 13.5% year on year. The number of open interest was 104.2 thousand as at 31 December 2015,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

Figure 18 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 19 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.

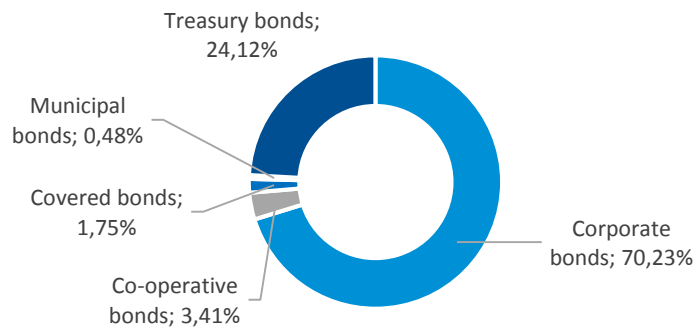
In 2015, GPW continued to offer promotions for fees on market maker trade in WIG20 futures. As a condition of the promotion, market makers needed to generate a certain volume of trade. Furthermore, the fee charged from exchange members for trade in bond futures and WIBOR futures was reduced to zero from 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:

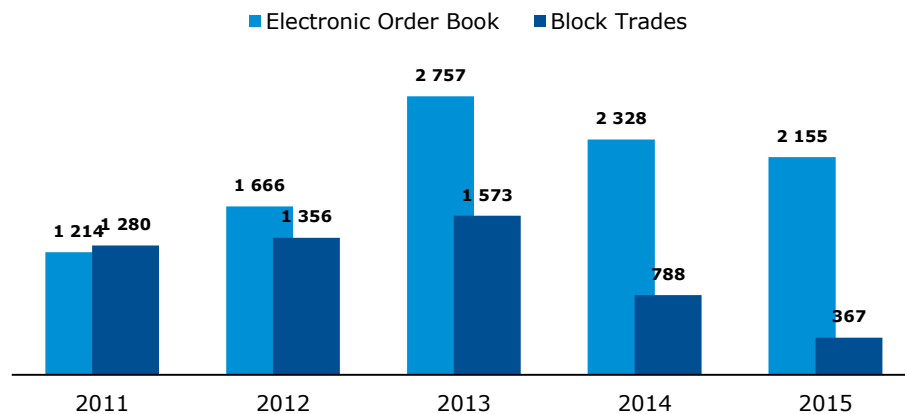
- ◆ corporate bonds;
- ◆ municipal bonds;
- ◆ co-operative bank bonds;
- ◆ covered bonds;
- ◆ Treasury bonds.

Figure 20 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%.

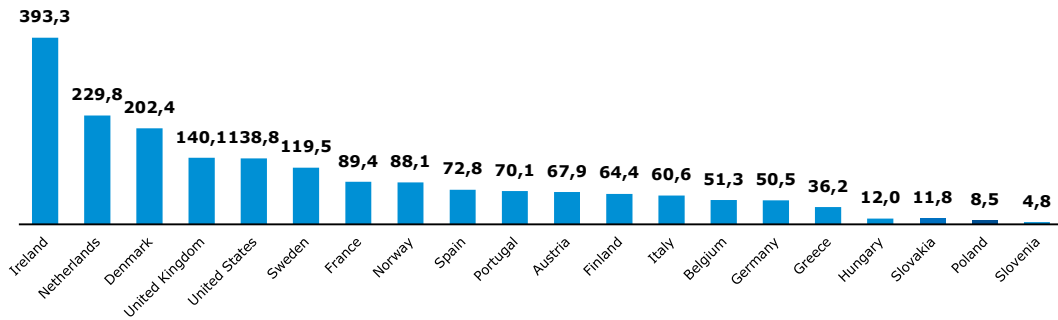
Figure 21 Value of trade on Catalyst, EOB and block trades, PLN million



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 22 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)³³; GDP: Eurostat (2014); USA: World Bank (2014)³⁴

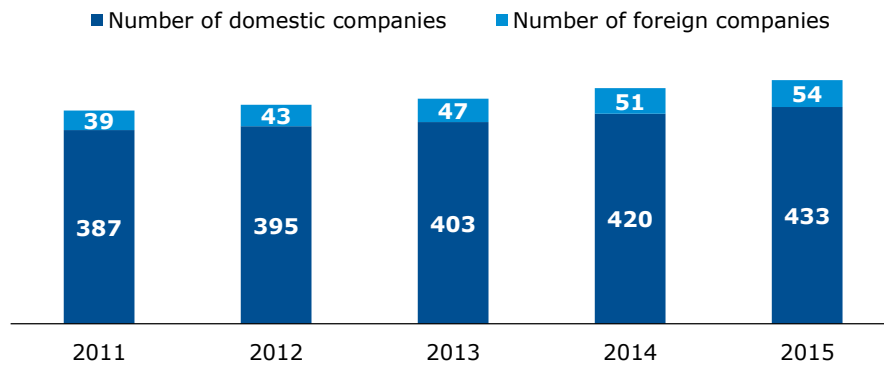
Catalyst also has a growth potential created by regulatory requirements. A new law effective as of 1 November 2015 allows banks, without a separate brokerage licence, to operate directly on the regulated market on own account to the extent of debt instruments and debt, currency and interest rate derivatives. 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.

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).

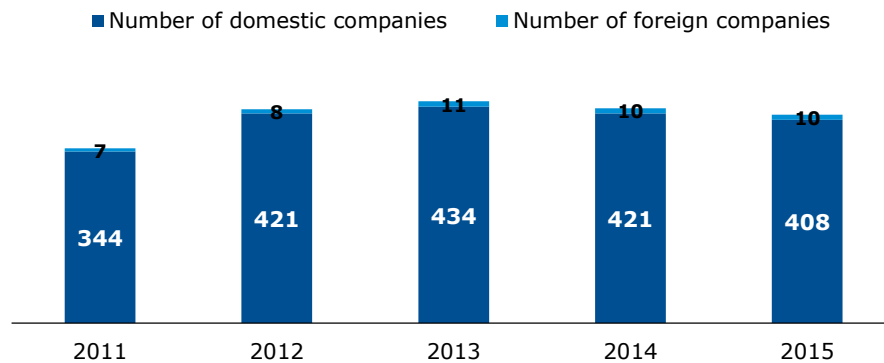
Figure 23 Number of domestic and foreign companies – Main Market



³³ Converted from USD to EUR as at ECB exchange rate as at 30 June 2015

³⁴ Converted from USD to EUR as at ECB average exchange rate for 2014

Figure 24 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 25 Change of capitalisation of domestic companies in 2015 by sector (mn PLN)

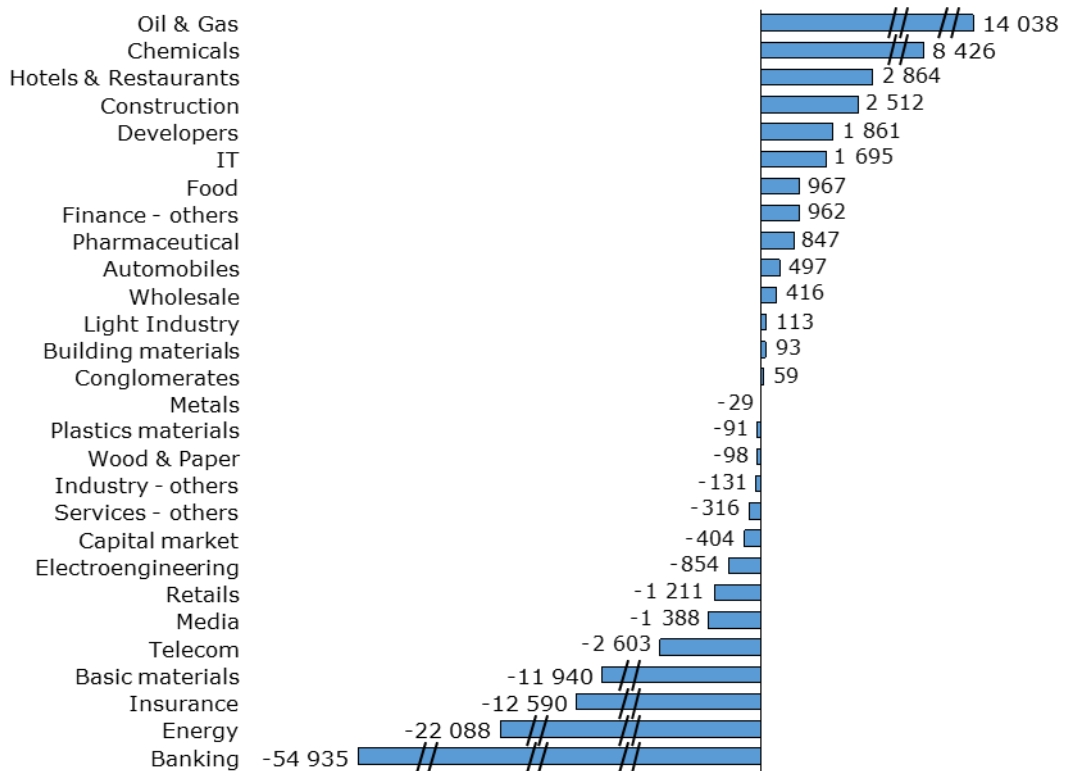
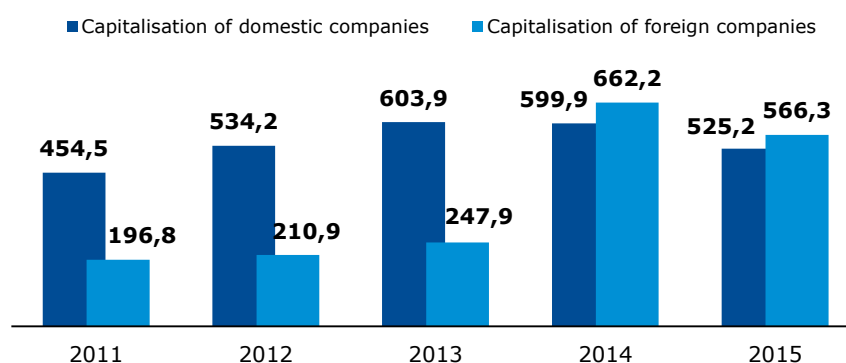
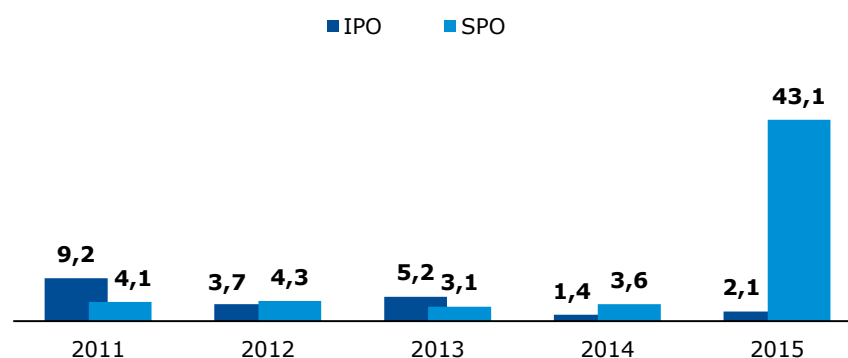


Figure 26 Capitalisation of domestic and foreign companies – Main Market and NewConnect (PLN billion)


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 SPOs³⁵ 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 ongoing 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 attended by more than 1,200 participants: businesses, local governments, non-governmental organisations, universities and the media.

Figure 27 Value of IPOs and SPOs – Main Market and NewConnect (PLN billion)³⁶


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

³⁵ Two SPOs of Banco Santander SA in Q1 2015 at PLN 33 billion in aggregate

³⁶ Two SPOs of Banco Santander SA in Q1 2015 at PLN 33 billion in aggregate

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.

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
Number of real-time data vendors	54	58	58	58	57
- local	30	31	34	37	37
- international	24	27	24	21	20
Number of real-time data subscribers (thousand)	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
Number of licensees using GPW indices as underlying instruments of financial products	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.

II. 5. International Activity of the GPW

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 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.

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 10

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

	2015	2014	2013	2012	2011
Local	74.9%	78.3%	77.8%	89.0%	92.0%
Remote	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

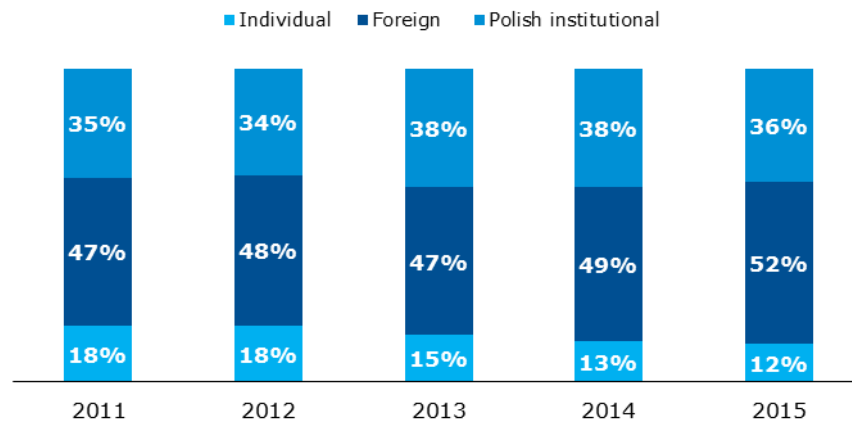
One of the key goals of the GPW strategy is to strengthen the position of the regional financial hub by making the Warsaw Stock Exchange the market of first choice for investors and issuers in Central and Eastern Europe. In 2015, GPW actively pursued new issuers and organised events targeting issuers 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

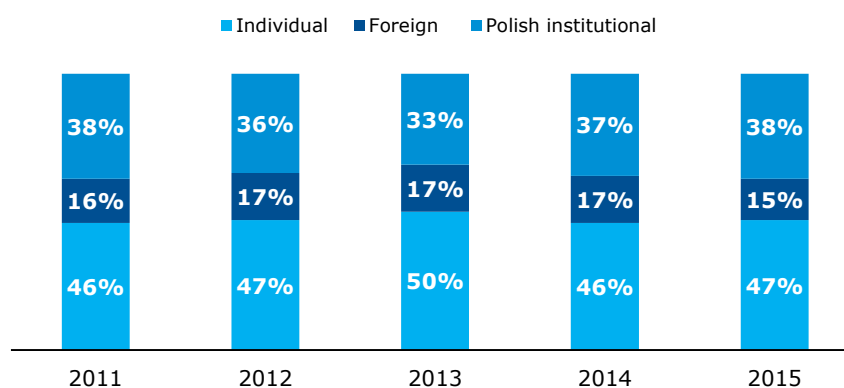
According to GPW’s research, foreign investors generated 52% of turnover in shares on the GPW Main Market in 2015, 3 percentage points more than in 2014 (49%).

Figure 28 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 29 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.

THE GPW 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.

II. 6. Development of the GPW in 2016

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

INTERNAL DRIVERS

Implementation of the GPW 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.
- ◆ 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 charge will decrease in 2016 by a half compared to 2015. In response, GPW decided to reduce the transaction fees (see above).

Financial 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.

II. 7. Risks and Threats

The operation of the Warsaw Stock Exchange 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 GPW results.

GPW RISK MANAGEMENT

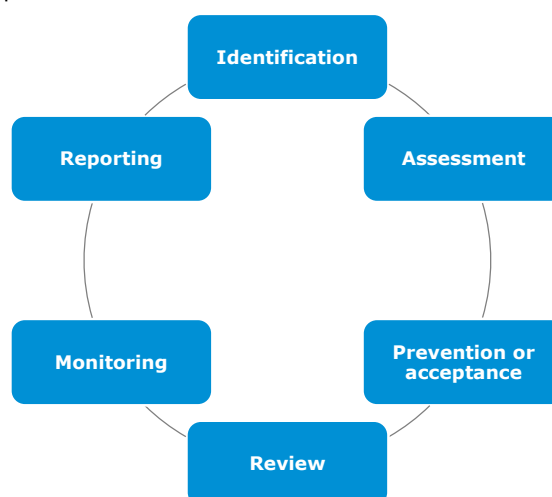
The goal of GPW risk management is to ensure that all material risks of GPW's activity are properly measured, reported and controlled and do not pose a threat to the operational stability and continuity. The risk management system includes a range of processes, organisational solutions, technology tools 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 6 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 GPW, the probability of their occurrence or their potential impact on the GPW's operations.

RISKS RELATED TO THE MARKET ENVIRONMENT

Risks of the economic situation in Poland

The GPW'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 GPW'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 GPW'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, their low activity could affect the amount of charged trading fees, which are the main source of the GPW's revenue. Combined with a stable cost level, this could reduce the GPW's potential profit.

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

The volume of trading, the number of new listings and demand for the GPW's products and services are affected by economic, political and market developments, both domestic and global, that are beyond the GPW'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 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 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 GPW 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 employees

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

Any increased turnover of key employees could temporarily affect the GPW's effectiveness. Low engagement of employees, their unavailability or insufficient skills could affect the GPW'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 has limited control

The GPW'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 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'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's needs.

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

Risk of trading system malfunction

Safety and continuity of trading are among the key functions of GPW. The GPW'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 Exchange's trading systems is as important as their efficiency. Mitigation of these risks is a priority of the GPW. 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'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 GPW'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 GPW, 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 GPW's results, its financial position or development prospects.

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

The GPW'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 to a risk of loss of such information, and, in consequence, the risk of litigation and possible liability.

The GPW 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's reputation.

If the GPW'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 could incur significant financial liability. If a breach of the GPW'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's image and its credibility could reduce the number of issuers and investors and consequently the GPW'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'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 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's financial position.

Regulatory risk related to EU law

European Union regulation increasingly impacts the GPW, 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.

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.

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 concluded no material agreements in 2015.

RESEARCH AND DEVELOPMENT

The GPW'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'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 11 Auditor's fees for services provided to GPW (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 12 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%
Total	41 972 000	100%	56 751 470	100%

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 members³⁷
- ◆ and at least one of the Exchange Supervisory Board members from among the candidates proposed by the minority shareholders³⁸.

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;

³⁷ Exchange Member – capital market participant authorised to trade directly on Warsaw Stock Exchange subject to the criteria laid down in GPW regulations

³⁸ 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 13 Composition of the Exchange Supervisory Board as at 31 December 2015

Name	Function	Independence ³⁹
Wiesław Rożłucki	Chairman of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
Marek Wierzbowski	Deputy Chairman of the Exchange Supervisory Board	
Bogdan Klimaszewski	Member of the Exchange Supervisory Board	
Andrzej Ladko	Member of the Exchange Supervisory Board	
Jacek Lewandowski	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
Waldemar Maj	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board
Marek Słomski	Member of the Exchange Supervisory Board	independent Member of the Exchange Supervisory Board

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 14 Composition of the Exchange Supervisory Board as at the date of this report

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

³⁹ 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 15 Composition of Supervisory Board Committees as at 31 December 2015

Strategy Committee	
Wiesław Rozłucki	Chairman
Jacek Lewandowski	Member
Waldemar Maj	Member
Regulation and Corporate Governance Committee	
Marek Wierzbowski	Chairman
Bogdan Klimaszewski	Member
Waldemar Maj	Member
Remuneration and Nominations Committee	
Andrzej Ladko	Chairman
Wiesław Rozłucki	Member
Marek Słomski	Member
Audit Committee⁴⁰	
Marek Słomski	Chairman
Jacek Lewandowski	Member
Andrzej Ladko	Member

⁴⁰ 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 16 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"> ◆ issues opinions on GPW's strategy and its updates; ◆ issues opinions on implementation of GPW's strategy; ◆ issues opinions on the aspects of GPW's privatisation; ◆ issues opinions on proposals of strategic alliances; ◆ issues opinions on proposals of acquisition of stakes in entities of strategic significance; ◆ issues opinions on materials related to exchange fees
Regulation and Corporate Governance Committee		
Ewa Sibrecht-Ońska Jarosław Grzywiński	Member Member Member	<ul style="list-style-type: none"> ◆ initiates and issues opinions on proposed changes in regulations; ◆ prepares position statements of the Supervisory Board and the Management Board; ◆ initiates, issues opinions and monitors activities related to the implementation of the corporate governance rules by GPW; ◆ initiates, issues opinions and monitors activities supporting the implementation of the corporate governance rules in listed companies
Remuneration and Nominations Committee		
Ewa Sibrecht-Ońska Jarosław Grzywiński Marek Słomski	Member Member Member	<ul style="list-style-type: none"> ◆ issues opinions on the remuneration system; ◆ issues opinions on employment contracts with the Exchange Management Board members; ◆ issues opinions on annual awards proposed for the Exchange Management Board members; ◆ issues opinions on the incentive system
Audit Committee⁴¹		
Marek Słomski Jacek Lewandowski Adam Miłosz	Chairman Member Member	<ul style="list-style-type: none"> ◆ issues opinions on financial statements and motions of the Management Board concerning profit distribution or coverage of a loss; ◆ issues opinions on GPW's financial plan; ◆ issues opinions on Exchange Management Board reports on performance of the financial plan; ◆ monitors financial audit functions, including discussion of the results of audits of annual financial statements; ◆ recommends the selection of the company's auditor and the auditor's fee to the Exchange Supervisory Board; ◆ monitors the independence of the auditor and the audit company

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.

⁴¹ 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 17 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 18 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 19 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 20 Number of women and men on the Exchange Management Board

As at:	Number of women	Number of men
31 December 2010	2	2
31 December 2011	2	2
31 December 2012	2	2
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 7 Organisational chart of GPW as at 31 December 2015

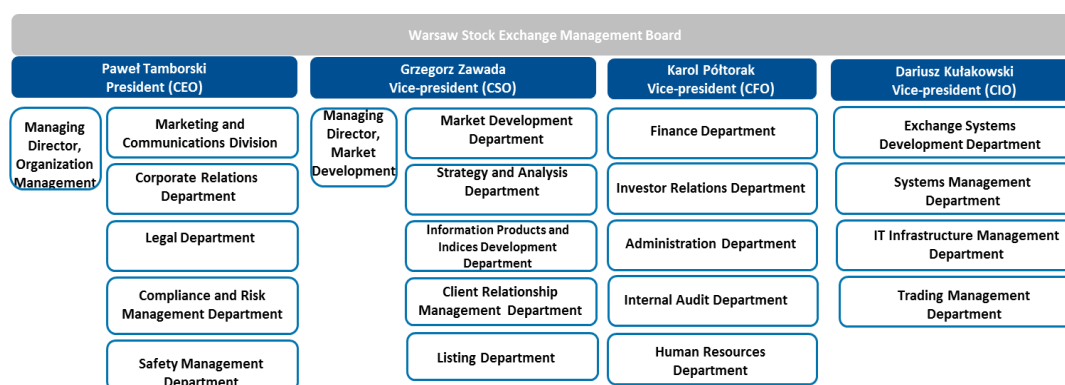
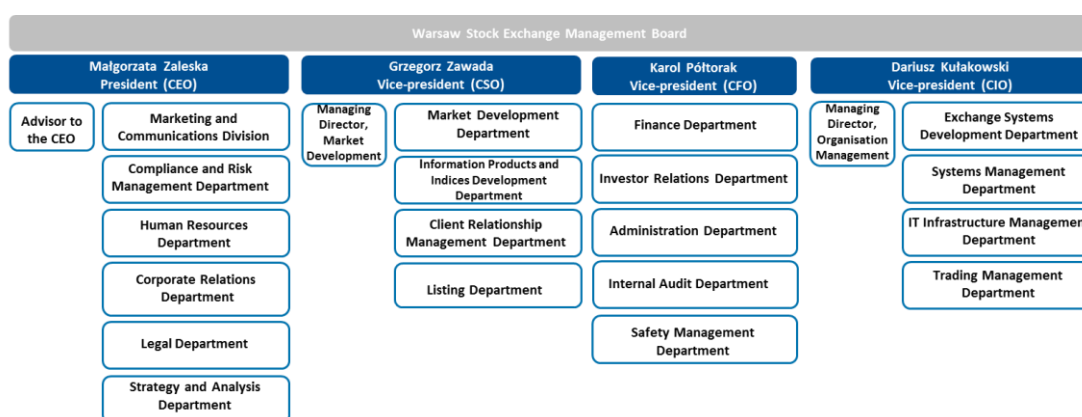


Chart 8 Organisational chart of GPW as at the date of this report



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 30th 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;⁴²
- ◆ 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 21 Remuneration and benefits of the members of the Exchange Management Board paid and due in 2015 (PLN thousand)⁴³

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
Total	3 345	63	915	887	672	193	884	0	6 958

Table 22 Remuneration and benefits of the members of the Exchange Management Board paid and due in 2014 (PLN thousand)⁴⁴

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
TOTAL	3 132	441	1606	805	307	695	628	278	7 891

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.

⁴² 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.

⁴³ The amount of the variable part (bonus) and long-term liabilities (phantom shares/bonus bank) for 2015 represent the provisions

⁴⁴ 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 23 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 24 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

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

The Warsaw Stock Exchange pursues its 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.

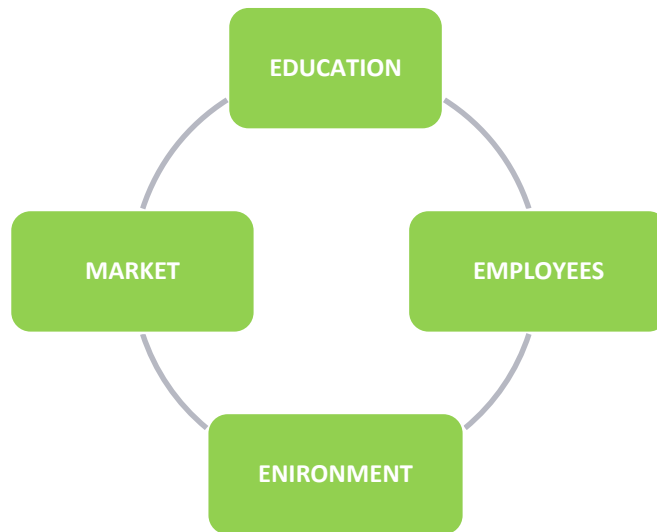
This was largely due to the Exchange's CSR (Corporate Social Responsibility) strategy, which was revised in 2015. GPW's initial CSR strategy was developed and implemented in 2013. In 2015, GPW revisited its assumptions and implemented the strategy in all of the GPW Group companies.

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 CSR strategy of the GPW 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 9 Main areas of the GPW 's CSR strategy



IV. 2. Education

According to the GPW's CSR strategy, education is the foundation of the general public's trust in the capital market and its institutions. Hence, a key objective of the GPW is to foster a culture of investing while raising awareness of the mechanisms of capital market 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 build market value and credibility while reinforcing trust of the general public.

THE GPW FOUNDATION

The Warsaw Stock Exchange and its subsidiaries have for years pursued educational campaigns focused on the capital market 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.

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 30 Performance of the RESPECT Index and WIG (normalised)



IV. 3. Market relations and dialogue

Pursuant to the CSR strategy, the key objectives of the GPW include the development of corporate culture and behaviours of capital 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 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

IV. 4. Responsible Human Resources policy

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

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.

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.

Table 25 Headcount of GPW and the GPW as at 31 December

	2015	2014	2013	2012
Number of GPW employees	205	208	205	211

GPW RECRUITMENT POLICY

The GPW 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. In recruitment for strategic positions, the Exchange works with professional personnel advisory institutions.

Table 26 GPW personnel structure by gender as at 31 December

	2015	2014	2013	2012
Number of GPW employees	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 27 GPW employee rotation as at 31 December⁴⁵

	2015	2014	2013	2012
Rotation of GPW employees	15.0%	7.2%	13.3%	3.3%

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.

⁴⁵ Rotation is the number of employees whose employment was terminated in the year to the average headcount in the year

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 key managers and other employees. As a result, 1,048 man-days of training were provided within 10 training modules to GPW employees. 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 employees participated in market conferences, congresses and seminars. The average number of training days per GPW FTE was 5.1 in 2015.

The GPW 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 28 GPW personnel by education, as at 31 December

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

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.

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 success and reputation of the GPW 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 as well as its integrity and ethics.

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.

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. There was no accident at work at GPW in 2015.

EMPLOYEE VOLUNTEERING

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

The Warsaw Stock Exchange 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

GPW's environmental policy is designed to reduce the Company's 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 CO₂ 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, the GPW 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 Geldowe 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 offers products and services which indirectly support environmental efforts and impact the attitudes of participants of the markets operated by the Company. The RESPECT Index is such a product on the financial market.

V. FINANCIAL POSITION AND ASSETS

V.1. Summary of results

GPW's EBITDA⁴⁶ 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.

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

Table 29 Separate profit and loss account of GPW 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			
Sales revenue	47,317	49,618	47,275	47,571	44,478	46,624	45,613	53,282	191,781	189,996	194,351
Financial market	46,341	48,934	46,382	47,073	43,610	46,204	45,251	52,908	188,730	187,973	192,907
Trading	30,745	33,868	30,508	31,441	28,454	31,409	29,745	36,864	126,562	126,472	135,984
Listing	5,859	5,460	6,336	5,996	5,620	5,535	5,941	6,201	23,652	23,297	21,848
Information services	9,737	9,606	9,538	9,635	9,536	9,259	9,566	9,843	38,516	38,204	35,075
Commodity market	-	-	-	-	-	-	-	-	-	-	131
Other revenue	976	684	893	499	868	420	362	373	3,052	2,023	1,313
Operating expenses	29,748	30,972	31,793	27,842	34,730	30,647	33,093	32,173	120,354	130,644	125,255
Depreciation and amortisation	5,257	5,357	5,388	5,470	6,018	5,998	6,052	6,066	21,472	24,135	21,927
Salaries	8,529	8,486	8,336	5,048	10,369	7,249	7,717	8,438	30,398	33,774	32,002
Other employee costs	1,745	1,686	1,977	2,194	2,301	1,911	2,438	2,751	7,602	9,401	9,143
Rent and maintenance fees	1,623	1,608	1,856	2,021	2,110	2,051	2,074	2,092	7,108	8,327	8,670
Fees and charges	4,464	5,892	5,727	5,731	4,222	5,471	5,445	5,378	21,815	20,516	19,095
<i>incl.: PFSA fees</i>	4,279	5,716	5,551	5,549	5,357	5,278	5,210	5,210	21,094	21,054	18,249
External service charges	6,880	7,074	7,328	6,364	8,405	7,023	8,340	6,525	27,646	30,292	28,828
Other operating expenses	1,252	868	1,181	1,013	1,305	945	1,028	923	4,313	4,200	5,589
Other income	61	61	124	251	477	46	19	37	497	580	1,628
Other expenses	(85)	(3)	988	444	(413)	(217)	1,180	370	1,345	920	1,598
Operating profit	17,715	18,710	14,618	19,537	10,638	16,240	11,359	20,775	70,579	59,012	69,127
Financial income	1,166	1,220	44,490	1,277	1,333	1,621	16,498	1,712	48,153	21,165	49,773
Financial expenses	2,374	1,959	2,137	2,496	10,381	2,494	2,548	2,465	8,965	17,888	11,874
Profit before income tax	16,507	17,972	56,971	18,318	1,590	15,367	25,309	20,022	109,768	62,289	107,025
Income tax expense	3,193	3,527	2,744	3,399	181	2,990	2,354	3,857	12,863	9,382	5,641
Profit for the period	13,314	14,444	54,227	14,919	1,409	12,377	22,955	16,165	96,905	52,907	101,385

⁴⁶ GPW's operating profit before depreciation and amortisation.

Table 30 Separate statement of financial position of GPW by quarter in 2013 - 2015

PLN'000	2015				2014				2013
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Non-current assets	472,253	472,153	476,888	479,330	480,087	504,298	509,963	506,860	496,790
Property, plant and equipment	94,773	94,316	96,639	98,552	101,291	103,226	106,174	109,318	112,279
Intangible assets	81,601	82,931	85,013	87,046	85,496	87,825	90,412	92,808	95,439
Investment in associates	36,959	36,959	36,959	36,959	36,959	36,959	36,959	36,959	11,652
Investment in subsidiaries	254,985	253,889	253,889	253,273	252,673	262,405	262,405	254,055	253,455
Available-for-sale financial assets	282	287	203	202	207	10,676	10,706	10,775	20,955
Prepayments	3,653	3,772	4,185	3,298	3,461	3,206	3,307	2,945	3,010
Current assets	261,770	252,543	343,473	284,911	251,636	230,302	270,769	250,843	225,645
Inventories	119	119	115	120	114	127	147	142	166
Corporate income tax receivable	-	-	-	2,808	8,378	6,853	6,974	5,766	10,496
Trade and other receivables	26,091	25,167	69,502	27,893	22,569	25,070	26,587	34,298	23,940
Available-for-sale financial assets	-	10,616	10,573	10,551	10,503	586	428	272	118
Financial assets held for sale	-	-	2,037	2,037	2,037	-	-	-	-
Other current financial assets	-	-	-	100	-	-	402	381	-
Cash and cash equivalents	235,560	216,641	261,246	241,402	208,035	197,666	236,231	209,984	190,925
Total assets	734,023	724,696	820,361	764,241	731,723	734,600	780,732	757,704	722,435
Equity	454,881	441,445	427,042	473,540	458,769	457,556	495,539	472,622	456,483
Share capital	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865
Other reserves	(304)	(425)	(384)	(391)	(243)	(47)	(53)	(15)	12
Retained earnings	391,320	378,005	363,561	410,067	395,147	393,738	431,727	408,772	392,606
Non-current liabilities	258,242	257,680	255,435	253,611	258,601	255,375	252,800	249,135	249,904
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	2,382	2,248	2,122	1,805	5,357	3,894	4,303	4,309	4,313
Deferred income tax liability	12,060	11,009	9,004	7,612	9,166	7,519	4,649	1,094	1,974
Current liabilities	20,900	25,570	137,884	37,089	14,353	21,669	32,393	35,947	16,048
Liabilities under bond issue	682	1,814	-	1,935	-	2,375	-	2,336	-
Trade payables	6,599	5,290	7,250	4,599	3,673	1,522	4,241	3,138	3,184
Employee benefits payable	7,023	6,089	5,459	4,380	7,745	6,186	7,844	6,114	8,970
Corporate income tax payable	1,976	1,412	6,334	-	-	-	-	-	-
Accruals and deferred income	1,776	8,543	14,978	21,828	943	-	-	-	650
Other current liabilities	2,844	2,421	103,863	4,348	1,992	11,586	20,308	24,358	3,243
Total equity and liabilities	734,023	724,696	820,361	764,241	731,723	734,600	780,732	757,704	722,435

V.2. Presentation of the financials

REVENUE

The Company has two revenue-generating segments:

- ◆ financial 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 Company'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 generated by the Catalyst market.

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.

The Company's other revenues include revenues, among others, from office space lease and sponsorship.

The Company's sales revenues amounted to PLN 191.8 million in 2015, an increase of 0.9% (PLN 1.8 million) year on year.

Revenues from trade in equities and equity-related instruments increased by 2.5% (PLN 2.6 million) year on year in 2015 despite a decrease in turnover, mainly owing to a change in the structure of transactions.

Revenue from trade in derivatives decreased by 21.9% (PLN 3.2 million) year on year in 2015 mainly due to a 26.4% decrease in the volume of trade in WIG20 futures.

In the annual periods under review, the share of revenue from trade in derivatives in total operating revenue decreased from 7.8% in 2014 to 6.0% in 2015 while the share of revenue from trade in equities increased from 55.4% in 2014 to 56.3% in 2015. The share of the other revenue lines remained stable.

Table 31 Separate revenues of GPW and revenue structure in 2013 - 2015

PLN'000	Year ended 31 December						Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	%	2014	%	2013	%		
Financial market	188,730	98%	187,973	99%	192,907	99%	756	0.4%
Trading	126,562	66%	126,472	67%	135,984	70%	89	0.1%
Equities and equity-related instruments	107,941	56%	105,295	55%	108,423	56%	2,645	2.5%
Derivative instruments	11,578	6%	14,821	8%	21,207	11%	(3,243)	-21.9%
Other fees paid by market participants	6,383	3%	5,795	3%	5,743	3%	588	10.1%
Debt instruments	283	0%	298	0%	424	0%	(15)	-5.0%
Other cash instruments	376	0%	263	0%	186	0%	113	43.1%
Listing	23,652	12%	23,297	12%	21,848	11%	355	1.5%
Listing fees	18,862	10%	18,848	10%	17,089	9%	14	0.1%
Introduction fees, other fees	4,790	2%	4,449	2%	4,759	2%	341	7.7%
Information service	38,516	20%	38,204	20%	35,075	18%	312	0.8%
Real-time information	36,133	19%	35,964	19%	33,143	17%	169	0.5%
Historical and statistical information and indices	2,383	1%	2,240	1%	1,932	1%	143	6.4%
Commodity market	-	0%	-	0%	131	0%	-	-
Other revenue	3,052	2%	2,023	1%	1,313	1%	1,029	50.8%
Total	191,781	100%	189,996	100%	194,351	100%	1,785	0.9%

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

Table 32 Separate revenues of GPW 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	62,782	33%	55,236	29%	52,147	27%	7,546	13.7%
Revenue from local customers	128,999	67%	134,760	71%	142,204	73%	(5,761)	-4.3%
Total	191,781	100%	189,996	100%	194,351	100%	1,785	0.9%

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 Company 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 Company from trading on the financial market stood at PLN 126.6 million in the year ended on 31 December 2015, compared to PLN 126,5 million in 2014.

The share of trading revenue in the total revenue on the financial market was 67.1% in 2015 compared to 67.3% in 2014. The biggest share in trading revenue (93.7%) 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 NewConnect and Catalyst.

Equities and equity-related instruments

Revenues of the Company 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 33 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		
Financial market, trading revenue: equities and equity-related instruments (PLN million)	107.9	105.3	108.4	2.6	2.5%
Main Market:					
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%
NewConnect:					
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 Company 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 34 Data for the derivatives market

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

Other fees paid by market participants

Revenues of the Company 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 Company from transactions in **debt instruments** stood at PLN 0.3 million in 2015 and were stable year on year.

The Company's revenues from the debt instruments segment are generated by Catalyst.

Table 35 Data for the debt instruments market

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
Financial market, trading revenue: debt instruments (PLN million)	0.3	0.3	0.4	(0.0)	-5.0%
Catalyst:					
Value of trading (PLN billion)	1.9	2.1	2.9	(0.2)	-7.7%
<i>incl.: Value of trading in non-Treasury instruments (PLN billion)</i>	1.3	1.5	2.3	(0.1)	-9.4%

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 Company on the financial market amounted to PLN 23.7 million in 2015 compared to PLN 23.3 million in 2014.

Revenues from **listing fees** amounted to PLN 18.9 million in 2015 compared to PLN 18.8 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.

Revenues from **fees for introduction and other fees** amounted to PLN 4.8 million in 2015 compared to PLN 4.4 million in 2014. The revenues are driven mainly by the number and value of new listings on the GPW markets.

Table 36 Data for the GPW Main Market

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
Main Market					
Listing revenue (PLN million)	20.2	20.1	18.7	0.1	0.3%
Total capitalisation of listed companies (PLN billion)	1,082.9	1,253.0	840.8	(170.1)	-13.6%
including: Capitalisation of listed domestic companies	516.8	591.2	593.5	(74.4)	-12.6%
including: 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%
including: Number of listed domestic companies	433	420	403	13	3.1%
including: 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 37 Data for NewConnect

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
NewConnect					
Listing revenue (PLN million)	2.4	2.5	2.7	(0.1)	-4.3%
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: 452 at the end of 2015 compared to 440 at the end of 2014. The table below presents the key financial and operating figures.

Table 38 Data for Catalyst

	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
Catalyst					
Listing revenue (PLN million)	1.1	0.7	0.5	0.4	55.7%
Number of issuers	160	163	152	(3)	-1.8%
Number of issued instruments	452	440	374	12	2.7%
<i>including: non-Treasury instruments</i>	416	410	340	6	1.5%
Value of issued instruments (PLN billion)	594.4	527.7	603.7	66.6	12.6%
<i>including: non-Treasury instruments</i>	50.9	47.2	43.5	3.6	7.7%

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 PolPX 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 39 Data for information services

PLN'000	Year ended 31 December			Change (2015 vs 2014)	Change (%) (2015 vs 2014)
	2015	2014	2013		
Revenues from information services (PLN million)	38.5	38.2	35.1	0.3	0.8%
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%

OTHER REVENUES

The Company's other revenues amounted to PLN 3.0 million in 2015 compared to PLN 2.0 million in 2014. The Company's other revenues include revenues from educational and PR services, office space lease, and sponsorship. Revenues from sponsorship, colocation services and lease of servers to GPW Group companies increased in 2015.

OPERATING EXPENSES

Total operating expenses amounted to PLN 120.4 million in 2015, representing a decrease of 7.9% (PLN 10.3 million) year on year. The cost/income ratio decreased from 68.8% in 2014 to 62.8% in 2015. The decrease of operating expenses was mainly driven by 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), rent and other maintenance fees (a decrease of PLN 1.2 million).

Table 40 Separate operating expenses of GPW 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	21,472	18%	24,135	18%	21,927	18%	(2,662)	-11.0%
Salaries	30,398	25%	33,774	26%	32,002	26%	(3,376)	-10.0%
Other employee costs	7,602	6%	9,401	7%	9,143	7%	(1,799)	-19.1%
Rent and other maintenance fees	7,108	6%	8,327	6%	8,670	7%	(1,219)	-14.6%
Fees and charges	21,815	18%	20,516	16%	19,095	15%	1,300	6.3%
including PFSA fees	21,094	18%	21,054	16%	18,249	15%	41	0.2%
External service charges	27,646	23%	30,292	23%	28,829	23%	(2,646)	-8.7%
Other operating expenses	4,313	4%	4,200	3%	5,589	4%	113	2.7%
Total	120,354	100%	130,644	100%	125,255	100%	(10,290)	-7.9%

The Company 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 Company.

Depreciation and amortisation

Depreciation and amortisation charges stood at PLN 21.5 million in 2015, representing a decrease of 11.0% (PLN 2.7 million) compared to PLN 24.1 million in 2014. The decrease in depreciation and amortisation charges year on year in 2015 was driven by the completion of depreciation of some property, plant and equipment in Q4 2014 as well as a capital expenditure reduction policy.

Salaries and other employee costs

Salaries and other employee costs amounted to PLN 38.0 million in 2015, representing a decrease of 12.0% (PLN 5.2 million) compared to PLN 43.2 million in 2014.

The decrease of salaries and other employee costs in the period under review was mainly driven by 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 in February 2015 following amendments to the Remuneration Rules. GPW also reduced its retirement and disability severance pay system. Retirement and disability severance pay was a benefit 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 month's remuneration. The Company Agreement with the Exchange Employees' Trade Union (ZZPG) was amended in 2015, resulting in a reduction of 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).

The headcount of the Company was 201 FTEs as at 31 December 2015 compared to 207 FTEs as at 31 December 2014. The decrease of the headcount of the Company year on year in 2015 resulted from workforce restructuring.

Table 41 Employment in GPW

# FTEs	As at		
	31 December 2015	31 December 2014	31 December 2013
GPW	201	207	205
Total	201	207	205

Rent and other maintenance fees

Rent and other maintenance fees amounted to PLN 7.1 million in 2015 compared to PLN 8.3 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 21.8 million in 2015, an increase of 6.3% (PLN 1.3 million) year on year. The main component of fees and charges of the Company are fees paid to the Polish Financial Supervision Authority (PFSA), which stood at PLN 21.1 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 GPW may be reduced significantly in 2016 and beyond compared to PLN 21.1 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 27.6 million in 2015 compared to PLN 30.3 million in 2014.

Table 42 Separate external service charges of GPW 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:	14,275	51%	15,239	50%	15,527	54%	(964)	-6.3%
<i>IT infrastructure maintenance</i>	9,746	35%	9,723	32%	9,684	34%	23	0.2%
<i>Data transmission lines</i>	4,416	16%	4,908	16%	5,120	18%	(492)	-10.0%
<i>Software modification</i>	113	0%	608	2%	722	3%	(495)	-81.5%
Office and office equipment maintenance:	2,260	8%	2,663	9%	3,070	11%	(403)	-15.1%
<i>Repair and maintenance of installations</i>	875	3%	866	3%	1,163	4%	9	1.1%
<i>Security</i>	675	2%	993	3%	996	3%	(318)	-32.0%
<i>Cleaning</i>	372	1%	372	1%	368	1%	0	0.0%
<i>Phone and mobile phone services</i>	338	1%	433	1%	543	2%	(95)	-21.8%
Leasing, rental and maintenance of vehicles	225	1%	438	1%	423	1%	(213)	-48.7%
Transportation services	100	0%	82	0%	301	1%	18	22.4%
Promotion, education, market development	4,298	16%	4,905	16%	3,834	13%	(607)	-12.4%
Market liquidity support	920	3%	836	3%	1,010	4%	84	10.1%
Advisory (including: audit, legal services, business consulting)	2,633	10%	3,726	12%	2,647	9%	(1,093)	-29.3%
Information services	1,132	4%	962	3%	788	3%	170	17.7%
Training	823	3%	294	1%	213	1%	529	179.9%
Mail fees	40	0%	46	0%	34	0%	(6)	-11.3%
Bank fees	52	0%	44	0%	52	0%	8	17.3%
Translation	185	1%	225	1%	257	1%	(40)	-17.8%
Other	703	3%	833	3%	672	2%	(130)	-15.6%
Total	27,646	100%	30,292	100%	28,828	100%	(2,646)	-8.7%

The decrease of external service charges year on year was mainly driven by the following factors:

- ◆ 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 Geldowe 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.

Other operating expenses

Other operating expenses were stable year on year and amounted to PLN 4.3 million in 2015 including the cost of material and energy consumption at PLN 2.3 million, industry organisation membership fees at PLN 0.5 million, non-life insurance at PLN 0.3 million, perpetual usufruct write-downs at PLN 0.1 million, business travel at PLN 0.8 million, conference participation at PLN 0.1 million, and other costs at PLN 0.1 million.

OTHER INCOME AND EXPENSES

Other income of GPW stood at PLN 0.5 million in 2015 compared to PLN 0.6 million in 2014. 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.

Other expenses of GPW increased to PLN 1.3 million in 2015 compared to PLN 0.9 million in 2014 as a result of an increase in donations paid by PLN 0.5 million (GPW contributed a donation of PLN 0.6 million to the GPW Foundation in June 2015). 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 Company stood at PLN 48.2 million in 2015 compared to PLN 21.2 million in 2014. Financial income includes mainly dividend received from subsidiaries and associates, financial income on investment in Treasury bonds, interest on bank deposits, as well as positive FX differences.

Income from received dividend was PLN 43.1 million in 2015 and PLN 14.8 million in 2014. Income from interest on bank deposits was PLN 4.6 million in 2015 and PLN 5.5 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. FX differences were positive in 2014, shown under financial income at PLN 0.2 million.

Financial expenses of the Company stood at PLN 9.0 million in 2015 compared to PLN 17.9 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, as well as an impairment loss on the subsidiaries InfoEngine S.A. (PLN 6.8 million) and Instytut Rynku Kapitałowego – WSE Research S.A. (PLN 0.9 million), recognised in 2014, which added PLN 7.7 million to financial expenses in 2014.

The lower interest cost on debt under bonds was driven by changes of the interest rate WIBOR 6M, which is the underlying variable part of the interest on bonds. The interest rate on the bonds was 3.22% in H1 2015 and 2.96% in H2 2015, compared to 3.89% and 3.87%, respectively, 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 Company'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.

INCOME TAX

Income tax of the Company was PLN 12.9 million in 2015 and PLN 9.4 million in 2014. The **effective income tax rate** in the periods under review was 11.7% and 15.1%, respectively, as compared to the standard Polish corporate income tax rate of 19%. The difference between the effective tax rate and the regulatory rate was mainly due to dividends received from subsidiaries and associates, included in profit before tax, which are exempted from taxation. The Company is eligible to use the exemption of taxes on dividends from such companies as it has held an investment at more than 10% for more than two years.

The Company received an income tax refund of PLN 0.6 million in 2015. The Company neither paid income tax nor received an income tax refund 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 GPW may be reduced significantly in 2016 and beyond compared to PLN 21.1 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 Giędlowe 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

As a result of a capital increase of the associate Aquis Exchange Ltd through a share issue, GPW's stake in the economic and voting rights in Aquis decreased from 30% as at 31 December 2014 to 26.33% as at 31 December 2015.

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. GPW allocated PLN 600 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 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.

V.4. Company's assets and liabilities structure

The balance-sheet total of the Company was PLN 734.0 million as at 31 December 2015, an increase of 0.3% (PLN 2.3 million) compared to PLN 731.7 million as at 31 December 2014.

ASSETS

The Company's **non-current assets** stood at PLN 472.3 million representing 64% of total assets as at 31 December 2015 compared to PLN 480.1 million or 66% of total assets as at 31 December 2014. The decrease of property, plant and equipment as well as intangible assets in the last year was driven by the depreciation and amortisation of the trading system UTP.

The Company's **current assets** stood at PLN 261.8 million representing 36% of total assets as at 31 December 2015 compared to PLN 251.6 million or 34% of total assets as at 31 December 2014. The change in current assets in the last year was driven by the following:

- ◆ increase of trade receivables (by PLN 3.5 million);
- ◆ increase of cash generated in operations.

At the same time, corporate income tax receivable decreased. At the end of 2014, GPW reported a tax receivable of PLN 8.4 million, which was cleared in 2015.

Table 43 Separate statement of financial position of GPW at the year's end in 2013 – 2015 (assets)

PLN'000	As at					
	31 December 2015		31 December 2014		31 December 2013	
		%		%		%
Non-current assets	472,253	64%	480,087	66%	496,790	69%
Property, plant and equipment	94,773	13%	101,291	14%	112,279	16%
Intangible assets	81,601	11%	85,496	12%	95,439	13%
Investment in associates	36,959	5%	36,959	5%	11,652	2%
Investment in subsidiaries	254,985	35%	252,673	35%	253,455	35%
Available-for-sale financial assets	282	0%	207	0%	20,955	3%
Prepayments	3,653	0%	3,461	0%	3,010	0%
Current assets	261,770	36%	251,636	34%	225,645	31%
Inventory	119	0%	114	0%	166	0%
Corporate income tax receivables	-	0%	8,378	1%	10,496	1%
Trade and other receivables	26,091	4%	22,569	3%	23,940	3%
Available-for-sale financial assets	-	0%	10,503	1%	118	0%
Assets held for sale	-	0%	2,037	0%	-	0%
Cash and cash equivalents	235,560	32%	208,035	28%	190,925	26%
Total assets	734,023	100%	731,723	100%	722,435	100%

EQUITY AND LIABILITIES

The **equity** of the Company stood at PLN 454.9 million representing 62% of the total equity and liabilities as at 31 December 2015 compared to PLN 458.8 million or 63% of total equity and liabilities as at 31 December 2014.

Non-current liabilities of the Company stood at PLN 258.2 million representing 35% of the total equity and liabilities as at 31 December 2015 compared to PLN 258.6 million or 35% of total equity and liabilities as at 31 December 2014.

Current liabilities of the Company stood at PLN 20.9 million representing 3% of the total equity and liabilities as at 31 December 2015 compared to PLN 14.4 million or 2% of total equity and liabilities as at 31 December 2014. The increase of current liabilities was driven by an increase of trade payables, income tax payable, and accruals and deferred income.

Table 44 Separate statement of financial position of GPW at the year's end in 2013 – 2015 (equity and liabilities)

PLN'000	As at					
	31 December 2015	%	31 December 2014	%	31 December 2013	%
Equity	454,881	62%	458,769	63%	456,483	63%
Share capital	63,865	9%	63,865	9%	63,865	9%
Other reserves	(304)	0%	(243)	0%	12	0%
Retained earnings	391,320	53%	395,147	54%	392,606	54%
Non-current liabilities	258,242	35%	258,601	35%	249,904	35%
Liabilities under bond issue	243,800	33%	244,078	33%	243,617	34%
Employee benefits payable	2,382	0%	5,357	1%	4,313	1%
Deferred income tax liability	12,060	2%	9,166	1%	1,974	0%
Current liabilities	20,900	3%	14,353	2%	16,048	2%
Liabilities under bond issue	682	0%	-	0%	-	0%
Trade payables	6,599	1%	3,673	1%	3,184	0%
Employee benefits payable	7,023	1%	7,745	1%	8,970	1%
Corporate income tax payable	1,976	0%	-	0%	-	0%
Accruals and deferred income	1,776	0%	943	0%	650	0%
Other current liabilities	2,844	1%	1,992	0%	3,243	0%
Total equity and liabilities	734,023	100%	731,723	100%	722,435	100%

LIQUIDITY, FINANCIAL ASSETS AND FINANCIAL RISK MANAGEMENT OF THE COMPANY

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 Separate 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 12.5 as at 31 December 2015 and 17.5 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 Separate Financial Statements.

CASH FLOWS

The Company generated positive cash flows from **operating activities** at PLN 84.6 million in 2015 compared to positive cash flows of PLN 83.5 million in 2014.

The cash flows from **investing activities** were positive at PLN 49.8 million in 2015 compared to negative cash flows from investing activities at PLN 6.7 million in 2014. The cash flows from investing activities in 2015 were mainly driven by capital expenditures a PLN 8.1 million as well as dividend received at PLN 43.1 million. The cash flows from investing activities in 2014 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), capital expenditures a PLN 3.5 million as well as dividend received at PLN 14.8 million.

The cash flows from **financing activities** were negative in 2015, mainly due to the payment of dividend by GPW at PLN 100.7 million and interest paid on bonds at PLN 6.7 million, as well as substitution of some of GPW's floating-rate bonds with fixed-coupon bonds. The cash flows from financing activities were negative at PLN 59.7 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 45 Separate cash flows of GPW

PLN'000	Cash flows for the 12-month period ended 31 December		
	2015	2014	2013
Cash flows from operating activities	84,609	83,511	88,417
Cash flows from investing activities	49,809	(6,711)	(31,755)
Cash flows from financing activities	(106,944)	(59,734)	(43,797)
Net increase / (decrease) in cash and cash equivalents	27,473	17,065	12,865
<i>Impact of change of fx rates on cash balances in foreign currencies</i>	51	44	495
Cash and cash equivalents - opening balance	208,035	190,925	177,565
Cash and cash equivalents - closing balance	235,560	208,035	190,925

CAPITAL EXPENDITURE

The Company's total capital expenditure in 2015 amounted to PLN 8.1 million including expenditure for property, plant and equipment at PLN 4.8 million and expenditure for intangible assets at PLN 3.3 million. The Company's total capital expenditure in 2014 amounted to PLN 3.5 million including expenditure for property, plant and equipment at PLN 2.2 million and expenditure for intangible assets at PLN 1.3 million.

The capital expenditure for property, plant and equipment in 2015 included IT infrastructure maintenance and optimisation of the use of office space in the Centrum Geldowe building.

The Company's expected capital expenditure for property, plant and equipment and intangible assets will be ca. PLN 30 million in 2016, including reorganisation of office space of GPW Group companies, on-going IT investments and development projects of GPW. 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 plant, property 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 plant, property and equipment as at 31 December 2014).

The value of contracted future investment commitments for intangible assets was PLN 6,512 thousand as at 31 December 2015 including mainly the UTP-Derivatives system, the Electronic Document Flow system and Microsoft product licences (PLN 8.9 million as at 31 December 2014 including mainly the UTP-Derivatives system).

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 Company posed no threat to its going concern and capacity to meet liabilities on time. The ratio of net debt to EBITDA decreased year on year in 2015 as a result of an increase in liquid assets of GPW, which reduced net debt, and an increase of EBITDA. The debt to equity ratio increased moderately year on year in 2015 due to a decrease in equity. The Company 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 remained high at 12.5 as at 31 December 2015; its decrease was due to an increase in current liabilities combined with modest increase in current assets year on year in 2015.

The coverage ratio of interest costs under the bond issue increased in 2015 year on year due to GPW's higher EBITDA and lower interest costs. Consequently, the Company 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 EBIT return and cost/income ratios as well as return on assets (ROA) and return on equity (ROE) of the Company.

Table 46 Key financial indicators of GPW

		As at / For the 12-month period ended		
		31 December 2015	31 December 2014	31 December 2013
Debt and financing ratios				
Net debt / EBITDA for 12 months	1), 2)	0.1	0.3	0.3
Debt to equity	3)	53.7%	53.2%	53.4%
Liquidity ratios				
Current liquidity	4)	12.5	17.5	14.1
Coverage of interest on bonds	5)	12.0	8.7	8.1
Return ratios				
EBITDA	6)	48.0%	43.8%	46.9%
Operating profit margin	7)	36.8%	31.1%	35.6%
Net profit margin	8)	50.5%	27.8%	52.2%
Cost / income	9)	62.8%	68.8%	64.4%
ROE	10)	21.2%	11.6%	24.1%
ROA	11)	13.2%	7.3%	14.8%

1) Net debt = interest-bearing liabilities less liquid assets of GPW (as at balance-sheet date)

2) EBITDA = GPW operating profit + depreciation and amortisation (for a period of 12 months)

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 revenue (for a period of 12 months)

7) Operating profit margin = GPW operating profit / GPW revenue (for a period of 12 months)

8) Net profit margin = GPW net profit / GPW revenue (for a period of 12 months)

9) Cost / income = GPW operating expenses / GPW revenue (for a period of 12 months)

10) ROE = GPW 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 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 Company will generate material cash flows from operating activities in the coming years; combined with revenues from financial assets, these will cover the Company's operating expenses, capital expenditures and debt service costs.

The Company 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 Company, the Company will consider obtaining additional external funds in a manner optimal for the Company's capital expense and structure.

The Company 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 Company 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.

Except for the foregoing, the Company 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 Company 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 Company 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, the Company 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 27 to the Separate Financial Statements.

CONTINGENT LIABILITIES AND ASSETS

The Company 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

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

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

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