



Giełda Papierów Wartościowych w Warszawie S.A.

Independent Auditor's Report

Financial Year ended

31 December 2017



KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Giełda Papierów Wartościowych w Warszawie S.A.

Report on the Audit of the Annual Separate Financial Statements

We have audited the accompanying annual separate financial statements of Giełda Papierów Wartościowych w Warszawie S.A., with its registered office in Warsaw, ul. Książęca 4 (the "Entity"), which comprise the separate statement of financial position as at 31 December 2017, the separate statement of comprehensive income, the statement of changes in separate equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information (the "separate financial statements").

Management's and Supervisory Board's Responsibility for the separate financial statements

Management of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS UE") and other applicable laws. Management of the Entity is also responsible for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

According to the accounting act dated 29 September 1994 (Official Journal from 2017, item 2342 with amendments) ("the Accounting Act"), Management of the Entity and members of the Supervisory Board are required to ensure that the separate financial statements are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility for the audit of the separate financial statements

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with:

- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089) (the „Act on certified auditors”);
- International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance; and

- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-listed entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27.05.2014, page 77 and Official Journal of the European Union L 170 from 11.06.2014, page 66) (the "EU Regulation").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations mentioned above will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, deliberate omission, intentional misrepresentations or override of internal controls.

The scope of audit does not include assurance on the future viability of Giełda Papierów Wartościowych w Warszawie S.A. or on the efficiency or effectiveness with which the Management has conducted or will conduct the affairs of the Entity.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management of the Entity, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The most significant assessed risks of material misstatements

During our audit we identified the most significant assessed risks of material misstatements (the "key audit matters"), including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. The recoverable amount of an investment in an associated company Aquis Exchange Limited („Aquis”)

The carrying amount of the investment in Aquis as at 31 December 2017: PLN 25,307 thousand.

Reference to the separate financial statements: *Note 2.1.5 “Judgments and estimates made”, Note 2.6 “Impairment losses on non-financial assets”, Note 2.7 “Investment in subsidiaries and associates”, Note 7 “Investment in associates”.*

Key Audit Matter	Audit approach
<p>Aquis is a company based in the United Kingdom which offers pan-European equity trading in the form of a multilateral trading facility ("MTF"). The Aquis business model assumes subscription fees from its members. The company's revenues are therefore based on the number of members and the level of subscription fees and are not directly dependent on the value of trade . The continued operation of the company and the success of its business model depends mainly on its ability to attract the adequate number of members and maintain the required level of equity and cash in accordance with the regulations applicable to this type of entities in the United Kingdom.</p> <p>As described in note 7, Aquis commenced operations in 2013, and despite increasing market share in the trading on the European market, it continues to incur losses. The implementation of the strategy, in particular with regard to the pace of acquiring new members as well as achieving financial break-even, has been delayed. Due to the above, the Management of the Entity performed an impairment test. The recoverable amount has been determined based on fair value less cost of disposal.</p> <p>Determining the recoverable amount of the investment requires significant judgment and estimates from the Management of the Entity and is a complex process considering that Aquis is still at the initial stage of its development.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • evaluation whether the Entity's accounting policy concerning the methodology of the impairment test of investments in associates is in accordance with the relevant financial reporting framework; • testing internal controls concerning impairment test, in particular with respect to appropriate involvement of Management of the Entity in selection of valuation expert, supervision over transfer of appropriate data including key assumptions to the expert as well as Management involvement in the evaluation of the expert's work; • evaluation of the competence and objectivity of the expert engaged by the Management of the Entity and also of the expert engaged by the management of Aquis to estimate the fair value of the shares in Aquis; • involvement of our own valuation specialists, who supported us at: <ul style="list-style-type: none"> ○ assessment of appropriateness of the valuation model applied by the Management by comparing it to the commonly used valuation models; ○ challenging the Management's selection of comparable entities used in the valuation of Aquis by comparing the industry, development stage and expected growth rate of the selected entities to Aquis; ○ evaluation of P/S multiple applied in the estimation of fair value of shares in Aquis by comparing it to relevant P/S ratios of the comparable entities;

1. The recoverable amount of an investment in an associated company Aquis Exchange Limited („Aquis”)

Key Audit Matter –cont.

Due to the above circumstances and the fact that the carrying value of the investment in Aquis represents a significant amount in the separate financial statements, we considered determining the recoverable amount of the investment in Aquis to be a key audit matter.

Audit approach – cont.

- evaluation of the reliability of revenue forecast for 2018 by comparing to historical data including actual growth rates in revenues realized by Aquis in prior years;
- consideration of Aquis’s ability to obtain additional funds to meet the minimum capital requirements in order to be able to continue its operations as a going concern in the foreseeable future including through the expected Initial Public Offering of shares;
- evaluation of sensitivity analysis prepared by the Management through recalculation of the impact of changes in key assumptions; we considered the results of the evaluation in our assessment of key assumptions described above;
- evaluation of adequacy of the disclosures in the separate financial statements with respect to key assumptions, judgements and sensitivity of the impairment test.

2. Revenue recognition

Sales revenues in 2017: PLN 203,443 thousand.

Reference to the separate financial statements: *Note 2.19 „Revenue”, Note 19 „Sales revenues”*.

Key Audit Matter

To a significant extent the Entity’s revenues are recognized on the basis of transaction system that applies complex algorithms and processes large volumes of data for a wide variety of products. Proper and continuous functioning of controls in the IT environment (change management, access to IT systems, segregation of duties and management of computer operations), is therefore crucial for the appropriateness of revenue recognition.

In addition, revenue is one of the key performance indicators for the Entity, as well as an element of the bonus scheme for the Management Board members, which increases the risk of manipulation of the financial statements, in particular, with regard to revenues recognised through manual journal entries or in areas where manual adjustment is possible.

Due to the above factors, this area required significant time involvement of the audit team, as well as support of our own IT risk management specialists and was considered as a key audit matter.

Audit approach

Our audit procedures included, among others:

- evaluation whether the revenue accounting policy applied by the Entity is in accordance with the relevant financial reporting framework;
- tests of internal controls regarding authorization, segregation of duties and recognition of various types of revenue streams;
- involvement of our own IT risk management specialists, who supported us at:
 - testing the effectiveness of controls in the IT environment in the areas of change management, access to information systems and management of computer operations in selected IT systems, including transaction systems used in the process of revenue recognition;
 - assessment of the reasonableness of sales revenues by performing analytical procedures, in which we developed expectations for revenue for selected revenue streams based on price lists and volumes of trading registered in the transaction system of WSE and comparing the results to the revenues recognized by the Entity;

<p>2. Revenue recognition</p>	
	<p><i>Audit approach – cont.</i></p> <ul style="list-style-type: none"> • reconciliation of the selected sample of sales revenues to the underlying documentation confirming the performance of the service; • analysis of credit notes issued during and after the end of the audited year in order to evaluate the appropriateness of the revenue recognition in the audited year; • analysis of manual journal entries recorded to sales revenues throughout the audited year and reconciliation of selected postings to the underlying documentation; • obtaining confirmations for a sample of third party sales invoices unpaid as at 31 December 2017, and significant related party balances unpaid as at 31 December 2017; • assessment of appropriateness of disclosures in the separate financial statements with respect to significant accounting policies related to revenue recognition.

Opinion

In our opinion the accompanying separate financial statements of Giełda Papierów Wartościowych w Warszawie S.A.:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2017 and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS UE and the adopted accounting principles (policy);
- have been prepared, in all material respects, on the basis of properly maintained accounting records; and
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association.

Auditor's Report on other legal and regulatory requirements

Report on the Entity's activities

Our opinion on the separate financial statements does not cover the report on the Parent Entity's and the Giełda Papierów Wartościowych w Warszawie S.A. Group's activities (the "report on activities").

Management of the Entity is responsible for the preparation of the report on activities in accordance with the requirements of the Accounting Act and other applicable laws. Furthermore, Management of the Entity and members of the Supervisory Board, are also required to ensure that the report on activities is in compliance with the requirements set forth in the Accounting Act.

In accordance with Act on certified auditors our responsibility was to report if the report on activities was prepared in accordance with applicable laws and the information is consistent with the separate financial statements. Our responsibility was also to state, if based on our knowledge about the Entity and its environment obtained in the audit, we have identified material misstatements in the report on the activities and describe the nature of each material misstatement.

We report that the accompanying report on activities, in all material respects:

- was prepared in accordance with applicable laws, and
- is consistent with the separate financial statements.

Furthermore, we report that based on our knowledge about the Entity and its environment obtained in the audit, we have not identified material misstatements in the report on activities.

Opinion on corporate governance statement

Management of the Entity and members of the Supervisory Board are responsible for preparation of the corporate governance statement in accordance with the applicable laws.

In connection with the audit of the separate financial statements, our responsibility in accordance with the requirements of the Act on certified auditors was to report whether the issuer of securities obliged to file a statement on corporate governance, constituting a separate part of the report on activities, included information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the separate financial statements.

We report that the statement of corporate governance, which is a separate part of the report on activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, g, j, k of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "decree") in all material respects:

- has been prepared in accordance with the applicable laws; and
- is consistent with the separate financial statements.

Information, confirmations and statements required by the EU Regulation

Our opinion on the audit of separate financial statements is consistent with our report to the Audit Committee.

During our audit key certified auditors and the audit firm remained independent of the Entity in accordance with requirements of the Act on certified auditors, the EU Regulation and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' (IFAC) as adopted by the resolutions of National Council of Certified Auditors.

We declare that, to the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136, including transitional provisions in art. 285 of the act on certified auditors.

The audit of separate financial statements of Giełda Papierów Wartościowych w Warszawie S.A. was conducted based on resolution of the Supervisory Board dated 2 July 2015.

Our total uninterrupted period of engagement is 8 years, starting from the financial year ended 31 December 2010 to 31 December 2017.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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Signed on the Polish original

.....
Miroslaw Matusik
Key Certified Auditor
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Limited Liability Partner
with power of attorney

27 February 2018

Signed on the Polish original

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Justyna Lipkowska
Key Certified Auditor
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