



WARSAW  
STOCK  
EXCHANGE

Management Board Report on the  
Activities of the Giełda Papierów  
Wartościowych w Warszawie S.A.  
for the year 2013

Warsaw, February 2014

# Table of Contents

<b>1</b>	<b>GENERAL INFORMATION ON THE EXCHANGE .....</b>	<b>3</b>
1.1	MAIN PARAMETERS OF THE MARKETS OPERATED BY THE EXCHANGE .....	5
1.2	SELECTED SEPARATE FINANCIAL DATA OF WSE .....	8
<b>2</b>	<b>ACTIVITIES OF THE EXCHANGE.....</b>	<b>9</b>
2.1	EXCHANGE AND ITS GROUP .....	9
2.2	MARKET ENVIRONMENT.....	12
2.3	MISSION AND STRATEGY OF THE EXCHANGE.....	15
2.4	KEY EVENTS OF 2013.....	16
2.5	DEVELOPMENT OF THE EXCHANGE IN 2013 AND KEY DRIVERS DEVELOPMENT IN 2014 .....	21
2.5.1	<i>Development of WSE in 2013 r.....</i>	<i>21</i>
2.5.2	<i>Development of WSE in 2014.....</i>	<i>22</i>
2.5.3	<i>Key drivers for development .....</i>	<i>22</i>
2.6	INTERNATIONAL ACTIVITY OF WSE .....	25
2.7	BUSINESS LINES OF WSE.....	27
2.7.1	<i>Financial market .....</i>	<i>27</i>
2.8	MATERIAL AGREEMENTS .....	34
2.9	RESEARCH AND DEVELOPMENT .....	34
2.10	LITIGATION .....	35
<b>3</b>	<b>CORPORATE GOVERNANCE REPORT .....</b>	<b>36</b>
3.1	STATEMENT OF APPLICATION OF CORPORATE GOVERNANCE STANDARDS .....	36
3.2	WSE AS A PUBLIC COMPANY AND COMMUNICATION WITH THE CAPITAL MARKET .....	36
3.3	SHARE CAPITAL, SHARES, BONDS, SHARE LISTING ON WSE .....	38
3.4	DIVIDEND.....	42
3.5	GENERAL MEETING .....	43
3.6	CONTROLLING RIGHTS AND RESTRICTION OF RIGHTS FROM SHARES .....	44
3.7	RULES FOR AMENDING THE ARTICLES OF ASSOCIATION.....	45
3.8	SUPERVISORY BOARD AND ITS COMMITTEES.....	46
3.9	MANAGEMENT BOARD.....	52
3.10	REMUNERATION AND EMPLOYMENT CONTRACTS OF EXCHANGE MANAGEMENT BOARD AND EXCHANGE SUPERVISORY BOARD MEMBERS.....	55
3.11	WSE EMPLOYEES .....	57
3.12	CHANGES IN THE MANNER OF MANAGING THE COMPANY .....	59
3.13	AUDITOR .....	60
3.14	INTERNAL CONTROL SYSTEM.....	61
<b>4</b>	<b>CORPORATE SOCIAL RESPONSIBILITY (CSR) OF WSE.....</b>	<b>63</b>
4.1	WSE'S CSR STRATEGY .....	63
4.1.1	<i>Activities for the market.....</i>	<i>63</i>
4.1.2	<i>Education .....</i>	<i>65</i>
4.1.3	<i>Employee relations.....</i>	<i>66</i>
4.1.4	<i>Environmental activities.....</i>	<i>67</i>
<b>5</b>	<b>RISKS AND THREATS .....</b>	<b>69</b>
<b>6</b>	<b>FINANCIAL SITUATION OVERVIEW.....</b>	<b>75</b>
6.1	SUMMARY OF ANNUAL AND QUARTERLY RESULTS .....	75
6.2	COMPANY'S CURRENT FINANCIAL STANDING AND PRESENTATION OF KEY FINANCIAL DATA.....	79
6.3	FINANCIAL PROSPECTS AND ASSESSMENT OF PLANNED INVESTMENT PROJECTS IMPLEMENTATION .....	97
6.4	ISSUER'S MAJOR INVESTMENTS AND ORGANISATIONAL AND EQUITY LINKS TO OTHER ENTITIES.....	97
6.5	OTHER MATERIAL INFORMATION .....	98

## 1 General information on the Exchange

Giełda Papierów Wartościowych w Warszawie S.A. (“WSE”, “the Company” or “the Exchange”) started operation in 1991 as a company held 100% by the State Treasury. In 2010, the State Treasury arranged a public offering of WSE shares; as a result, shares of the Exchange were newly listed on the WSE Main Market on 9 November 2010.

Giełda Papierów Wartościowych w Warszawie S.A. is the largest national financial instruments exchange in the region of Central and Eastern Europe<sup>1</sup> and one of the fastest-growing exchanges in Europe. WSE offers a wide range of products and services within its trading markets of equity, derivative, debt and structured products.

As at 31 December 2013, WSE was a leader in the CEE Region in terms of capitalisation of listed companies, the value of turnover in shares and the volume of turnover in derivatives. The share of WSE in trading in shares in the Region increased from 54.3% in 2012 to 58.5% in 2013.<sup>2</sup>

### *WSE Milestones*

<b>1990</b>	
<b>16.10</b>	Poland and France sign a co-operation agreement to launch Warsaw Stock Exchange
<b>1991</b>	
<b>16.04</b>	First trading session takes place; listed companies: Tonsil, Próchnik, Krosno, Kable, Exbud
<b>1994</b>	
<b>16.04</b>	WIG20 price index launched
<b>7.11</b>	Central Securities Depository of Poland (KDPW) becomes a separate legal entity – a joint stock company, initially owned by WSE and the State Treasury
<b>1995</b>	
<b>20.04</b>	First continuous trading session
<b>1998</b>	
<b>16.01</b>	Derivatives market launched - WIG20 futures introduced to trading
<b>2000</b>	
<b>17.11</b>	New Warsaw Stock Exchange Trading System (WARSET) launched
<b>2003</b>	
<b>14.10</b>	First foreign company listed on WSE
<b>2004</b>	
<b>3.06</b>	WSE becomes a full member of FESE (Federation of European Stock Exchanges)
<b>15.12</b>	Best Practices in WSE Listed Companies 2005 approved by the WSE Supervisory Board and Management Board
<b>2005</b>	
<b>11.07</b>	First remote exchange member starts its activities
<b>2007</b>	
<b>30.08</b>	NewConnect, a new market for dynamically growing start-ups, launched
<b>2008</b>	

<sup>1</sup> Stock exchanges of the region of Central and Eastern Europe (“Region”) include the stock exchanges in Poland, the Czech Republic, Slovakia, Slovenia, Bulgaria, Romania, Austria and Hungary

<sup>2</sup> Source: Thomson Reuters. Value of session trading (order book)

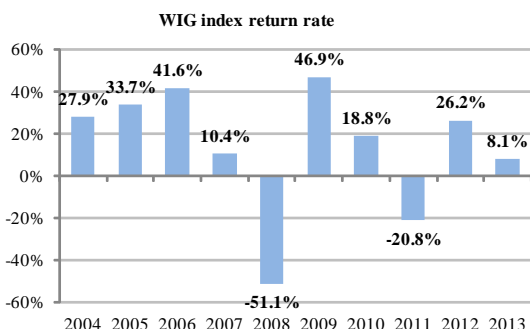


25.06	WSE Representative Office in Kiev, Ukraine, opened
<b>2009</b>	
11.03	Acquisition of a majority stake in BondSpot (formerly MTS-CeTO)
30.09	CATALYST, the organised market in debt securities, launched
<b>2010</b>	
12.07	Technology co-operation agreement signed with NYSE Technologies
9.11	WSE shares newly listed on the exchange
<b>2012</b>	
4.01	WSE bonds introduced to trading on Catalyst
24.02	WSE acquires a controlling stake in Polish Power Exchange
<b>2013</b>	
15.04	The new trading system UTP (Universal Trading Platform) is available
19.08	Acquisition of interest in Aquis Exchange
23.09	Publication of WIG30 and WIG30TR
18.12	Exchange's new strategy, WSE.2020, approved by the Exchange Management Board

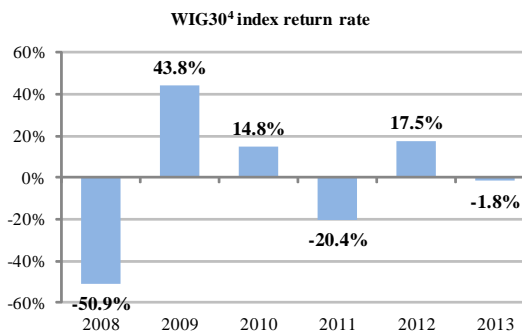
#### Basic information about the entity:

Name and legal status: .....	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
Abbreviated name: .....	Giełda Papierów Wartościowych w Warszawie S.A.
Registered office and address.....	ul. Książęca 4, 00-498 Warsaw, Poland
Telephone number: .....	+48 (22) 628 32 32
Telefax number: .....	+48 (22) 628 17 54, +48 (22) 537 77 90
Website: .....	www.gpw.pl
E-mail: .....	gpw@gpw.pl
KRS (registry number):.....	0000082312
REGON (statistical number):.....	012021984
NIP (tax identification number): .....	526-02-50-972

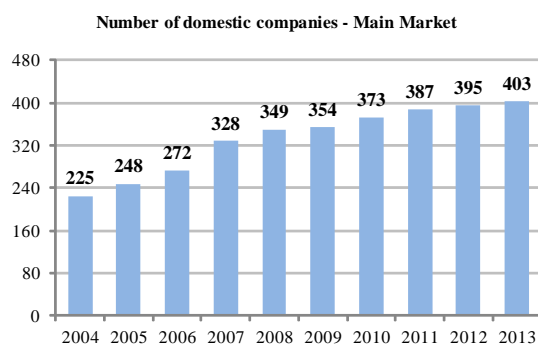
## 1.1 Main parameters of the markets operated by the Exchange<sup>3</sup>



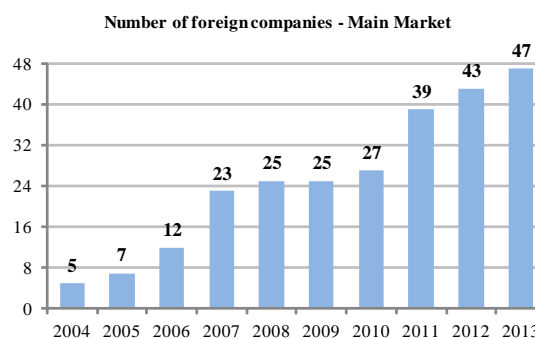
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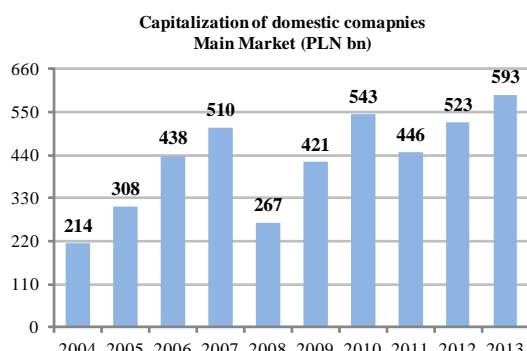
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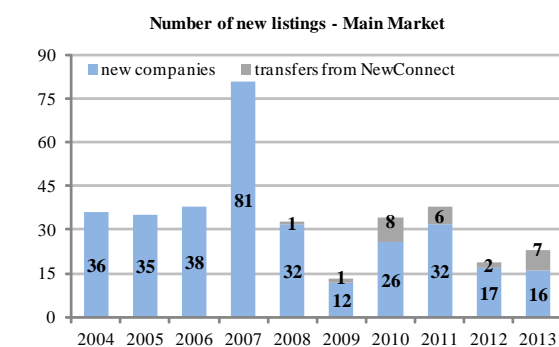
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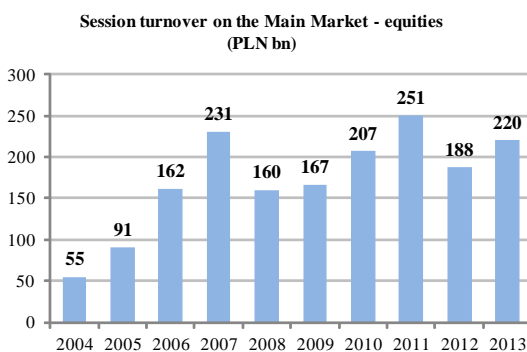
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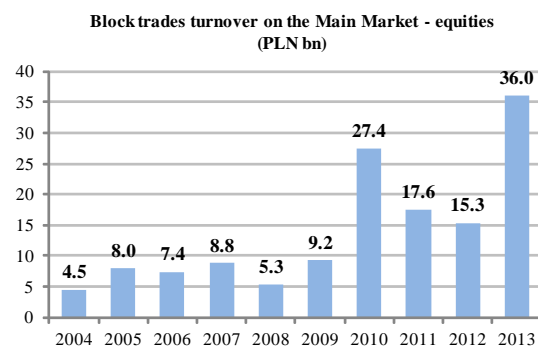
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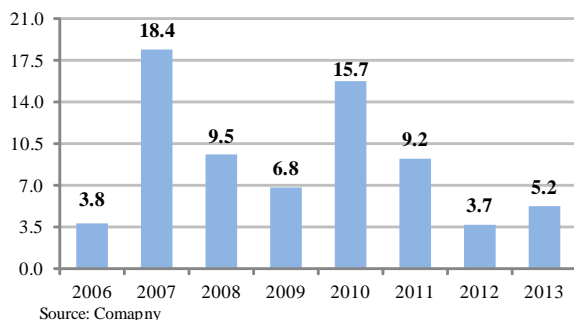


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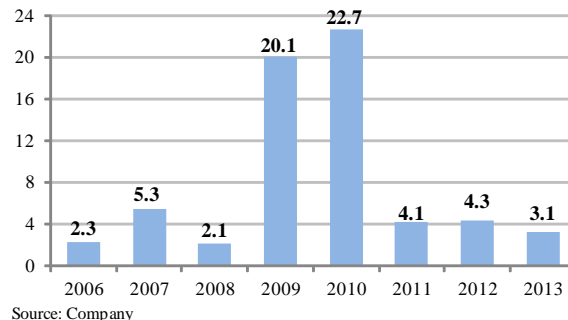
<sup>3</sup> Data for 12 months or as at the end of the calendar year.

<sup>4</sup> In 2013, WSE decided to expand the portfolio of its blue-chip index from 20 to 30 stocks. The new index WIG30 is published since 23 September 2013 and has been recalculated back to 31 December 2007. The migration from WIG20 to WIG30 including replacement of the underlying of index futures will continue on WSE until the end of 2015. Subsequently, WSE will no longer publish WIG20.

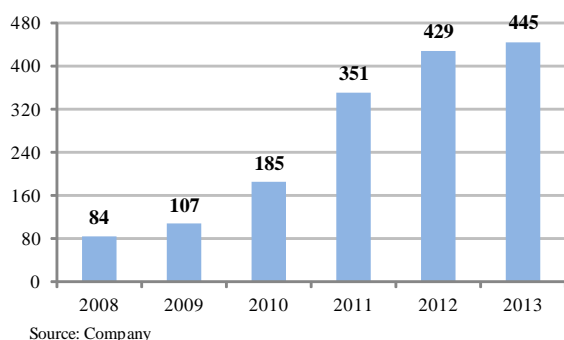
Value of primary offerings - Main Market and  
NewConnect (PLN bn)



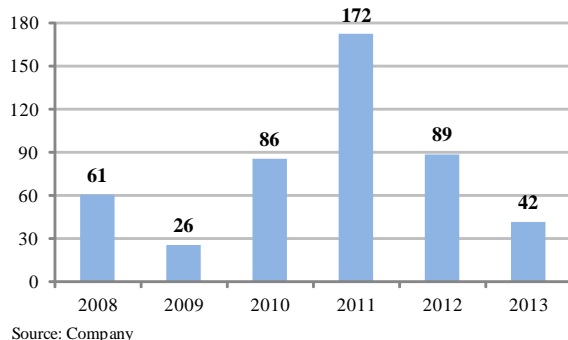
Value of secondary offerings - Main Market and  
NewConnect (PLN bn)



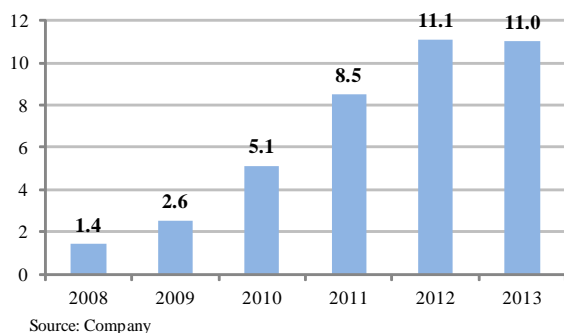
Number of companies - NewConnect<sup>5</sup>



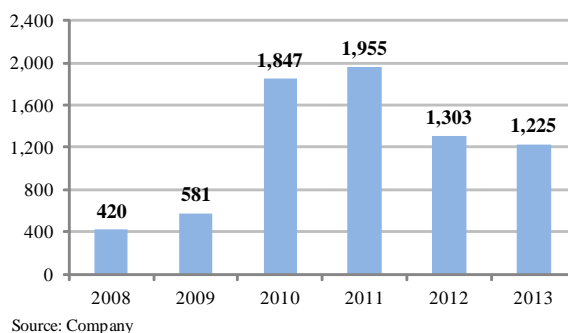
Number of new listings - NewConnect<sup>5</sup>



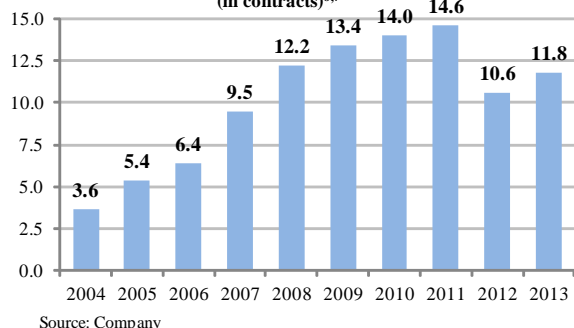
Capitalization - NewConnect (PLN bn)<sup>5</sup>



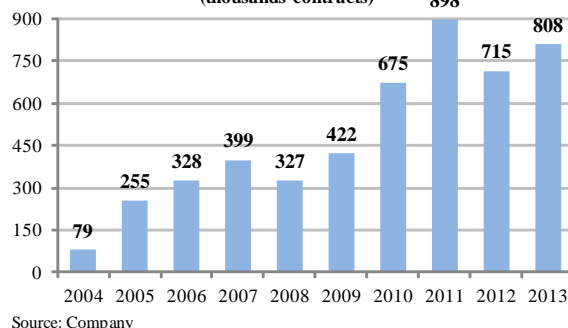
Turnover value - NewConnect (PLN mn) <sup>5,6</sup>



Turnover volume - futures contracts  
(m contracts)<sup>6,7</sup>



Turnover volume - options  
(thousands contracts)<sup>6</sup>

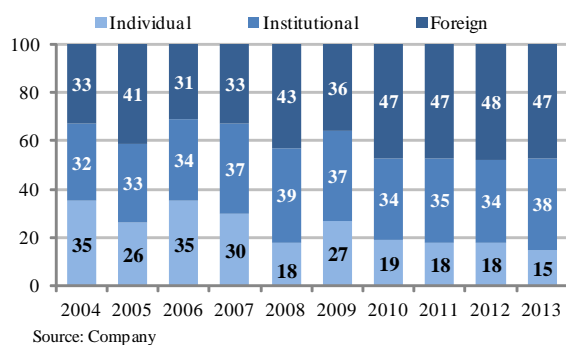


<sup>5</sup> The NewConnect market opened in August 2007.

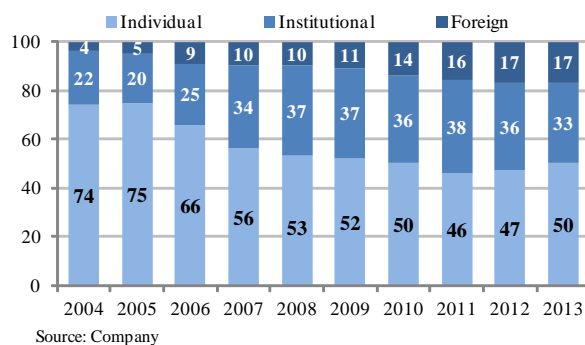
<sup>6</sup> Including session and block trades.

<sup>7</sup> As of 1 May 2012, the volume of trading in currency futures is calculated on the basis of a trading unit of 1,000 (previously: 10,000). Consequently, the total volume of trading in derivatives in 2012 and 2013 is not fully comparable to previous periods.

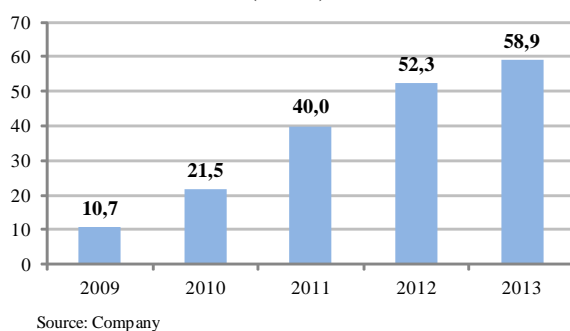
**Share in equity trading on Main Market  
by investor type (%)**



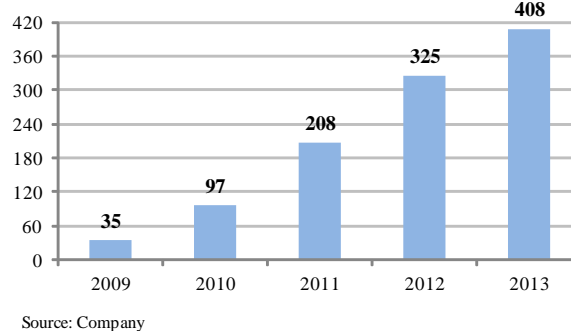
**Share in futures trading by investor type (%)**



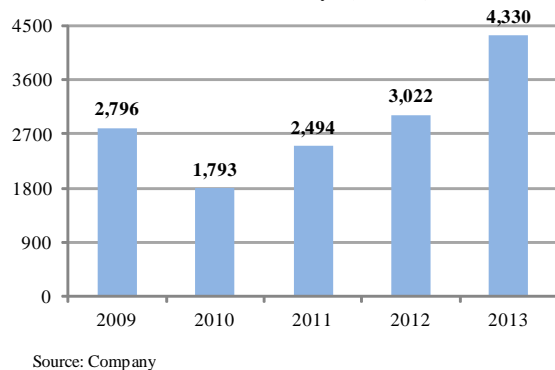
**Value of listed non-treasury bond issues - Catalyst  
(PLN bn)<sup>8</sup>**



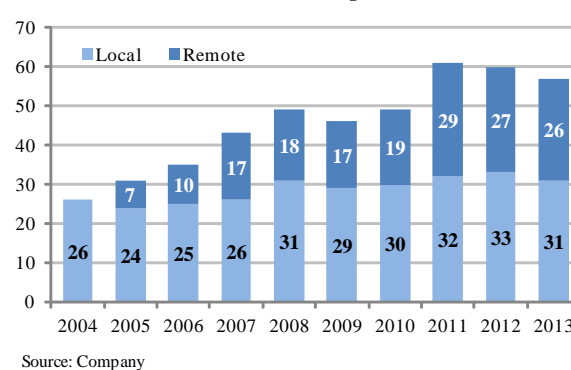
**Number of listed non-treasury bond series - Catalyst<sup>8</sup>**



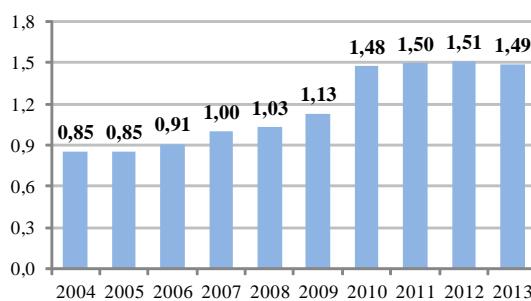
**Turnover value - Catalyst (PLN mn)<sup>8,9</sup>**



**Number of WSE Exchange Members**



**Number of investment accounts (million)**



Source: KDPW

<sup>8</sup> The Catalyst market opened in September 2009

<sup>9</sup> Including session and block trades – corporate, municipal, Treasury and mortgage bonds.

## 1.2 Selected separate financial data of WSE

### Selected data in the separate statement of comprehensive income under IFRS, audited

	Year ended 31 December			
	2013	2012	2013	2012
	PLN'000		EUR'000[10]	
<b>Sales revenue</b>	<b>194 351</b>	<b>195 932</b>	<b>46 302</b>	<b>46 818</b>
Financial market	192 907	193 114	45 958	46 144
Commodity market	131	980	31	234
Other revenue	1 313	1 838	313	439
<b>Operating expenses</b>	<b>125 255</b>	<b>114 877</b>	<b>29 840</b>	<b>27 450</b>
Other income	1 629	5 399	388	1 290
Other expenses	1 598	10 573	381	2 526
<b>Operating profit</b>	<b>69 127</b>	<b>75 881</b>	<b>16 469</b>	<b>18 132</b>
Financial income	49 773	22 337	11 858	5 337
Financial expenses	11 874	17 018	2 829	4 066
<b>Profit before income tax</b>	<b>107 026</b>	<b>81 200</b>	<b>25 497</b>	<b>19 403</b>
Income tax expense	5 641	15 642	1 344	3 738
<b>Profit for the period</b>	<b>101 385</b>	<b>65 558</b>	<b>24 154</b>	<b>15 665</b>
Basic / diluted earnings per share <sup>[11]</sup> (PLN, EUR)	2,42	1,56	0,58	0,37
<b>EBITDA<sup>[12]</sup></b>	<b>91 054</b>	<b>89 614</b>	<b>21 692</b>	<b>21 413</b>

### Selected data in the separate statement of financial position under IFRS, audited

	As at			
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	PLN'000		EUR'000[11]	
<b>Non-current assets</b>	<b>496 790</b>	<b>443 592</b>	<b>119 789</b>	<b>108 505</b>
Plant, property and equipment	112 279	129 010	27 073	31 557
Intangible assets	95 439	35 383	23 013	8 655
Investment in subsidiaries and associates	265 107	262 149	63 924	64 123
Available-for-sale financial assets	20 955	11 183	5 053	2 735
Other non-current assets	3 010	5 867	726	1 435
<b>Current assets</b>	<b>225 645</b>	<b>206 391</b>	<b>54 409</b>	<b>50 485</b>
Trade and other receivables	23 940	23 640	5 773	5 783
Available-for-sale financial assets	118	118	28	29
Cash and cash equivalents	190 925	177 565	46 037	43 434
Other current assets	10 661	5 068	2 571	1 240
<b>TOTAL ASSETS</b>	<b>722 435</b>	<b>649 983</b>	<b>174 198</b>	<b>158 990</b>
Equity	456 483	384 881	110 070	94 144
Non-current liabilities	249 904	247 336	60 259	60 500
Current liabilities	16 048	17 766	3 870	4 346
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>722 435</b>	<b>649 983</b>	<b>174 198</b>	<b>158 990</b>

### Selected financial ratios of WSE

	Year ended / As at	
	31 December 2013	31 December 2012
<b>EBITDA margin</b> ( <i>EBITDA/Sales revenues</i> )	46,9%	45,7%
<b>Operating profit margin</b> ( <i>Operating profit/Sales revenues</i> )	35,6%	38,7%
<b>Return on equity (ROE)</b> ( <i>Profit for the last 12 months/Average equity at the beginning and end of the last 12 months</i> )	24,1%	17,1%
<b>Debt to equity ratio</b> ( <i>Interest-bearing liabilities [13] /Equity</i> )	53,4%	63,2%

<sup>10</sup> Based on the annual average EUR/PLN rate published by NBP (1 EUR = 4.1975 PLN in 2013 and 1 EUR = 4.1850 PLN in 2012).

<sup>11</sup> EBITDA = operating profit + share of profit of associates + depreciation and amortisation.

<sup>12</sup> Based on the average EUR/PLN rate published by NBP on 31.12.2013 (1 EUR = 4.1472 PLN) and 31.12.2012 (1 EUR = 4.0882 PLN).

<sup>13</sup> Interest and principal payment.



## 2 Activities of the Exchange

Giełda Papierów Wartościowych w Warszawie pursues activities on the financial market, which includes trading in equities, derivatives, debt instruments and other financial instruments, as well as listing and information services.

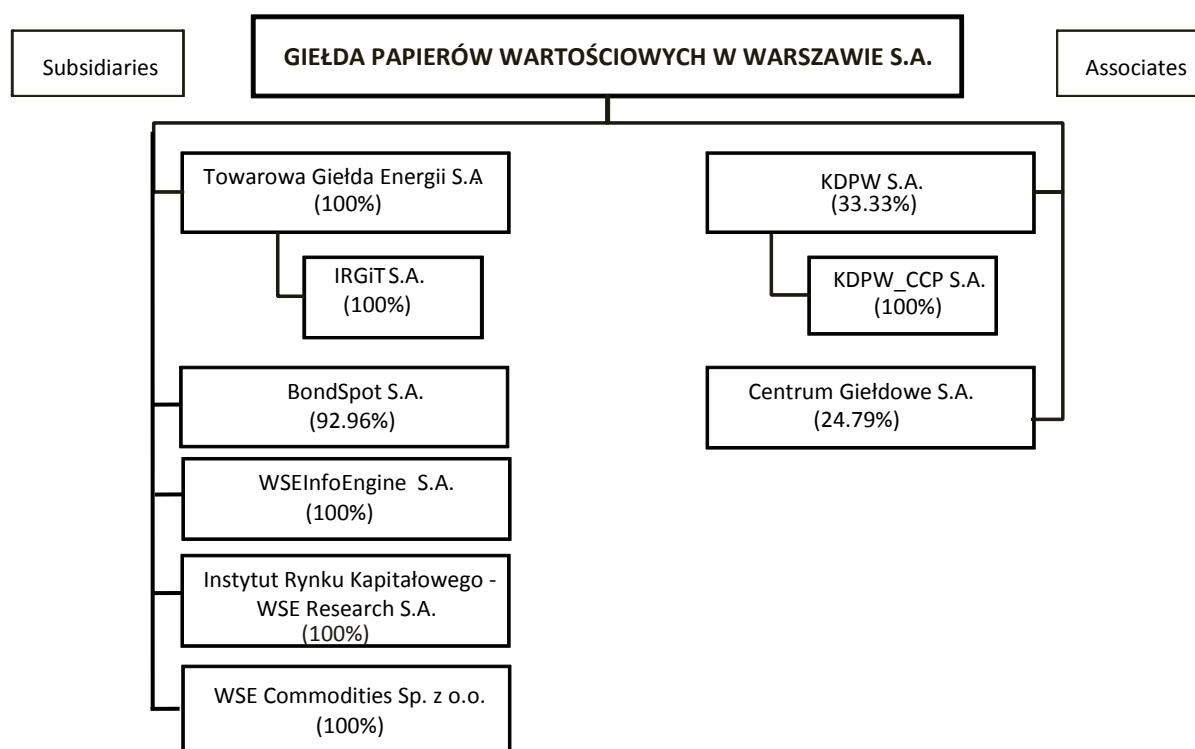
WSE organises and operates trading on the following markets:

- **WSE Main Market** (trade in equities, equity-related financial instruments and other cash markets instruments as well as derivatives);
- **NewConnect** (trade in equities and equity-related financial instruments of small and medium-sized enterprises);
- **Catalyst** (trade in corporate, municipal, co-operative, Treasury and mortgage bonds operated by WSE on the regulated market and in the alternative trading system for retail clients);

### 2.1 Exchange and its Group

As at 31 December 2013, the WSE Group was comprised of Warsaw Stock Exchange (the parent entity) and its five subsidiaries. In addition, WSE held shares in two associates.

#### Subsidiaries and associates of Warsaw Stock Exchange as at 31 December 2013 and the share held by WSE in these companies' share capital



The subsidiaries are fully consolidated from the date on which the control is taken over while the investment in associates is measured with the equity method.

In addition to the above mentioned subsidiaries and associates, as at 31 December 2013, the parent entity held shares also in other companies:

- Aquis Exchange Ltd.,
- INNEX PJSC,
- S.C. Sibex – Sibiu Stock Exchange S.A.

The Group has no branches or ventures.

In Q2 2013, Instytut Rynku Kapitałowego – WSE Research (IRK) took over media activities from WSEInfoEngine (WSEIE). At this time, the activity of IRK focuses on the provision of IR/PR support services to companies listed on WSE and organisation of capital market training. WSE IE is a trade operator on the commodity market and develops an offer of services for commodity market participants.

#### **WSE COMMODITIES S.A.**

In Q3 2013, WSE initiated the reorganisation of the WSE Group by concentrating the commodity market activities within WSE Commodities, a holding 100% controlled by WSE. WSE acquired 100% of shares of WSE Commodities Sp. z o.o. on 28 August 2013. The purchase price of the shares was PLN 13,450. WSE increased the share capital of WSE Commodities Sp. z o.o. by PLN 95,000 to PLN 100,000. WSE Commodities Sp. z o.o. was transformed into a joint-stock company on 3 January 2014. WSE intends to transfer to WSE Commodities 100% of shares held in PolPX Group companies and WSEInfoEngine. Considering the current and planned scope of activity of PolPX, WSEIE and WCCH, WSE expects that the concentration of these companies within a specially established holding will provide potential business benefits.

Furthermore, with a view to tax optimisation of the reorganisation of the Group and its activity, WSE decided to set up a tax group comprised of WSE and WSE Commodities. Consequently, on 28 August 2013, WSE and WSE Commodities signed an agreement concerning the creation of a tax group for a period of three fiscal years starting on 1 December 2013 and ending on 31 December 2016 (the first fiscal year will be 13 months long). The agreement was registered by the First Tax Office in Warsaw on 3 October 2013.

#### **AQUIS EXCHANGE LIMITED**

In Q3 2013, WSE signed an agreement concerning acquisition of new issue ordinary shares of Aquis Exchange Limited. The Company acquired 153,609 shares of Aquis Exchange in August 2013. The acquisition of another 230,416 shares was finalised in February 2014 and was a subject to the following conditions:

- approval of UK's Financial Conduct Authority (FCA) for Aquis Exchange to operate as a multilateral trading facility (MTF) – the condition was fulfilled in November 2013,
- FCA's approval for WSE to increase its stake in Aquis Exchange – the condition was fulfilled in February 2014.

As of the publication date of this Report, the Company holds 384,025 Aquis Exchange ordinary shares representing 39.06% of the number of total shares and simultaneously 32.61% of economic and voting rights in Aquis Exchange.

Ultimately, after completion of the process of capital raising by Aquis Exchange, 384,025 shares acquired by the WSE should represent 36.23% of the number of total shares and entitle the WSE to 30.00% of economic and voting rights in Aquis Exchange. The shares acquired entitle WSE to appoint two directors on the Aquis Exchange Board of Directors. As of the publication date of this Report, the representatives of the WSE in the Aquis Exchange Board of Directors are Adam Maciejewski, President & CEO of Warsaw Stock Exchange and Paweł Czupryna, Advisor to the WSE President & CEO.

Aquis Exchange Limited was established in October 2012 to operate a pan-European equities trading exchange (MTF) and to develop and offer state-of-the-art exchange technologies. On 4 November 2013, Aquis Exchange received approval from UK's Financial Conduct Authority (FCA) to operate as a Multilateral Trading Facility (MTF). Aquis Exchange launched on 26 November 2013 offering trade in blue-chip stocks in London, Paris and Amsterdam. German blue-chip stocks were added on 22 January 2014. Aquis Exchange is planning to add stocks from further West European markets in 2014. Aquis Exchange is set to revolutionise the European trading landscape by its introduction of subscription pricing and innovative order types. The company was founded by Alasdair Haynes, who has more than 30 years of experience on the financial market. He is a former CEO of Chi-X Europe, an MTF which became the European leader and merged with Europe BATS Global Markets to form Europe's largest equities trading platform by volume of trade.

#### **REPRESENTATIVE OFFICE IN UKRAINE**

Since 2008, the Exchange has operated a Representative Office in Kiev (Ukraine), which operations focus on promoting WSE amongst Ukrainian investors, issuers and financial intermediaries. The Representative Office has no separate legal personality and does not carry on any profit earning independent business operations. In all its activities, the Representative Office acts on behalf and for WSE to the extent stipulated in the Representative Office's Statutes and powers of attorney granted by the WSE Management Board, always in compliance with the laws of Ukraine.

## 2.2 Market environment

### SIZE OF THE EXCHANGE SECTOR

The table below presents statistics of the value of trading generated world-wide by exchanges associated in WFE (World Federation of Exchanges), capitalisation, and capital raised by issuers from issues of securities which were subsequently admitted to exchange trading.

US \$ billion <sup>14</sup>	As at / For the year ended 31 December					CAGR 2009- 2013
	2013	2012	2011	2010	2009	
<i>Stock exchange sector</i>						
Value of trading in shares (order book, for the period)	54 700	48 925	63 080	63 091	62 004	-3.1%
Capitalisation (domestic companies, as at the end of the period)	64 195	56 006	47 400	54 884	47 788	7.7%
Capital raised by issuers (IPOs and SPOs, for the period)	534	566	396	1 003	960	-
<i>WSE</i>						
Value of trading (order book, for the period)	69.9	58.2	85.6	69.0	54.6	6.4%
Capitalisation (domestic companies, as at the end of the period)	205.4	177.4	138.2	190.7	151.0	8.0%
Capital raised by issuers (IPOs and SPOs, for the period)	2.7	2.5	4.0	12.4	8.5	-

According to WFE, NYSE Euronext with a global market share of 28.0% was the world's biggest exchange by capitalisation of the equities market at the end of 2013, followed by NASDAQ OMX and the Tokyo Stock Exchange with a global market share of 9.5% and 7.1% respectively. The same exchanges were the world's top exchanges by value of trading in shares. In 2013, NYSE Euronext generated the biggest turnover in shares (25% market share), followed by NASDAQ OMX (17.5% market share) and Tokyo Stock Exchange (11.5% market share).

### MAIN TRENDS ON THE CAPITAL MARKETS

- Consolidations of exchanges through mergers, acquisitions and strategic alliances of the biggest exchanges in Europe and world-wide (merger of NYSE and Euronext in 2006; acquisition of OMX in Scandinavia by NASDAQ in 2007; acquisition of Borsa Italiana by LSE in 2007; merger of Russian exchanges MICEX and RTS in 2011; acquisition of NYSE Euronext by ICE in 2013).
- Addition of new products and services to the offer of exchanges by introducing new types of financial instruments to trading including derivatives, participation units in investment funds and mutual funds, and debt instruments.
- Diversification of sources of revenue of exchanges by developing new business models and establishing alternative trading systems as platforms of financing and trading for small and medium-sized enterprises.
- Development of new technologies and growing popularity of MTFs, which are very competitive to traditional exchanges owing to low costs and superior trading speed, as well as mergers of MTFs (merger of Chi-X Europe and BATS Global Markets in 2011) and acquisition of regulated exchange status by MTFs (BATS Chi-X Europe in May 2013).

<sup>14</sup> Source: WFE (World Federation of Exchanges); until 2011, data include WSE; since 2013 WSE is no longer WFE member.

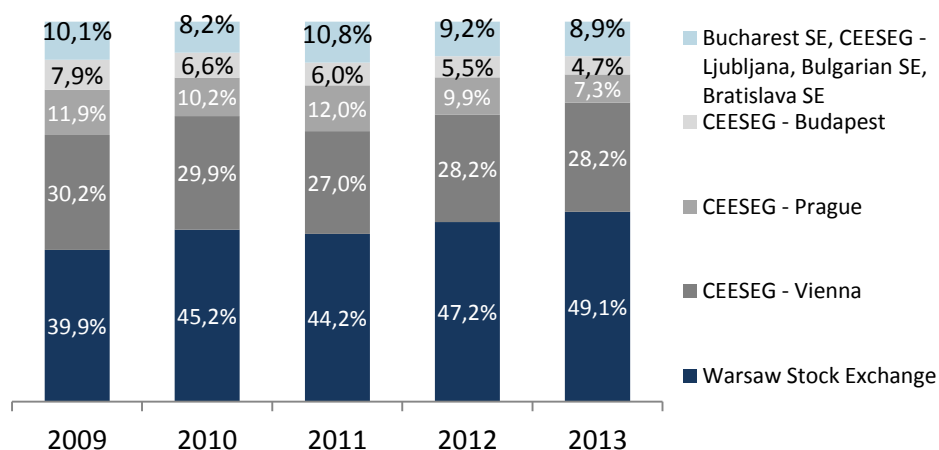
- Development of new business lines (distribution of market data, IT services, trade in exchange commodities), vertical integration of the exchange business and development of post-trading services.
- Growing importance of legal regulations impacting the operation of exchanges both in Europe and in the USA.

#### COMPETITIVE POSITION OF WSE

WSE is one of the fastest growing exchanges among European regulated markets and alternative markets regulated by exchanges, and the biggest national exchange in the region of Central and Eastern Europe. At the end of 2013, WSE listed the highest number of companies among all exchanges in the region of Central and Eastern Europe. WSE also had the biggest capitalisation and the highest turnover in shares in 2013 among the CEE exchanges. The Company competes with other European regulated markets and alternative markets regulated by exchanges in attracting foreign issuers; WSE focuses its marketing, regulatory and infrastructure activities on companies from the region of Central and Eastern Europe where, in the opinion of the Company, it has a substantial advantage over other competing exchanges. The competitive position of WSE versus other exchanges is determined by factors including the quality of IT systems which impact the speed, certainty and quality of trade execution, the size of the market, the number of listed companies, a strong sector of institutional investors, and the credibility and quality of regulation.

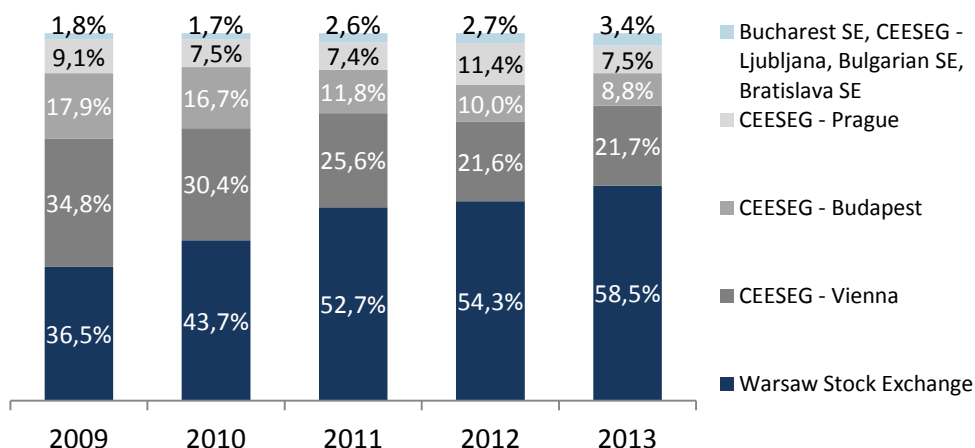
As at 31 December 2013, WSE was the leader in the region of Central and Eastern Europe as measured by the capitalisation of listed companies and the value of turnover in shares. WSE's share in equities trading in the region increased from 54.3% in 2012 to 58.5% in 2013 while the capitalisation of companies listed on WSE represented 47.2% of the capitalisation of shares in the region in 2012 and 49.1% in 2013.

#### Share of exchanges in the capitalisation of shares in Central and Eastern Europe



Source: FESE (capitalisation of domestic companies and foreign companies for which the above exchanges are the single-listing market)

### Share of exchanges in turnover in shares in Central and Eastern Europe



Source: Thomson Reuters (turnover in shares on the order book)

Currently, WSE is a leading European exchange by the volume of trading in derivatives. The major part of trading in derivatives on the WSE has so far been generated by WIG20 index futures: WSE ranked fifth among European exchanges by the volume of trading in share index futures in 2013. WSE also offers trade in a range of other derivatives including WIG20 options, mWIG40 futures, single-stock futures, currency futures, interest rate futures, as well as WIG20 index participation units.

### MULTILATERAL TRADING FACILITIES (MTF)

The organised market includes regulated markets as well as multilateral trading facilities (MTF), which are mainly addressed to institutional investors and offer trade in shares at a very high trading speed and low trading fees. MTFs are usually operated by investment firms (banks, brokerage houses) or stock exchanges.

There are two main categories of MTFs. One category are those MTFs which offer secondary trade in liquid European stocks in a public order book and compete with exchanges by the cost of trading and the speed and efficiency of the trading system. These include BATS Chi-X Europe (transformed into an exchange in 2013) and Turquoise (of which LSE is its majority shareholder), as well as Aquis Exchange (of which WSE is a shareholder). No such MTF has yet offered trade in Polish stocks. The other category are “dark pools”: trading facilities which allow institutional clients and brokers to trade in large orders, to close trade at reference prices generated in other systems, or to close previously negotiated trades.

### MARKETS REGULATED BY EXCHANGES

Alternative trading systems organised by exchanges typically have less strict requirements for listed companies than those imposed by regulated markets. Companies listed in alternative trading systems organised by exchanges are usually smaller than companies listed on regulated markets and typically have been in business for a shorter period of time. AIM in London is the leader among alternative trading systems organised by exchanges: it listed 1,087 companies at a capitalisation of EUR 76 billion as at the end of 2013. NewConnect, the market opened by WSE in August 2007, is the fastest growing such market in Europe as measured by the number of listed companies.

## **2.3 Mission and strategy of the Exchange**

WSE.2020, the new strategy of Warsaw Stock Exchange for 2014-2020, was approved by the Exchange Management Board and accepted by the Exchange Supervisory Board on 18 December 2013.

The strategy WSE.2020 focuses on five areas of the WSE Group:

- trade in financial instruments;
- trade in commodities;
- post-trade services;
- new business services;
- organisation.

Activities pursued within these areas will strengthen the security of WSE's business model and provide new sources of revenue supporting generation of long-term stable shareholder value. This will ensure effective accomplishment of the mission of building an international capital hub in Warsaw: Warsaw Capital City, supporting the Polish economy including Poland's capital market, and assisting the markets and economies in which the WSE is actively present.

The main strategic goal of WSE is to achieve, either independently, via strategic alliance or partnership-like cooperation with significant entities from the capital markets, a dominant role in the Region and an important position on the European capital markets. The WSE vision assumes creation of a strong and diversified organisation by 2020, in active co-operation with its stakeholders. The organisation shall:

- be able to meet the challenges of domestic and international competition;
- provide domestic and international entities with holistic exchange services based on innovative technological and business solutions, in the areas of trade and clearing of financial instruments and commodities;
- be trustworthy and oriented towards stable, constant growth of shareholder value;
- remain an attractive business party for European exchanges and markets.

Warsaw Stock Exchange highlights two key strategic objectives:

- maximisation of the existing sources of WSE growth potential (in particular local investors and issuers potential);
- further diversification of income sources and internationalisation of business activities.

Current sources of WSE growth potential are yet to be fully developed. The key opportunities are seen in the following areas: liquidity of the listed instruments, exchange traded instruments share in the portfolios of domestic households, investment funds and pension funds investment potential, domestic banks direct participation in organised markets, share of automated trading in turnover, capital sources used by private enterprises and governmental bodies for further development, issuance activity of the banks, including mortgage banks and structured products issuers, energy commodities trading, including natural gas.

Diversification aims at immunising WSE's financial results against trends or investor activity on the cash market, which currently constitutes the prevailing source of income for WSE. The diversification is to be implemented across products, services, clients and geographies. Areas in which WSE has not yet been active will be added to the key directions of development.

WSE development path assumes continuation of the organic growth of current business lines as well as



launching new ones, both from within the WSE Group and via joint ventures with selected partners who offer innovative products, with established market positions, unique resources and growth perspectives. The strategy of diversification with the participation of partners will be pursued dynamically, as a rule based on very careful selection of partners with above-average competences.

At the time of publishing of this Report, one of the options remains M&A activity with CEESEG, subject to conditions which enhance the WSE Group's growth and generate benefits for WSE stakeholders. Following the potential merger/acquisition, there will be further strengthening in terms of business and profile, with the aim of achieving an ever stronger competitive position, which may potentially allow for a strategic alliance or partnership with other significant entities in the sector.

## **2.4 Key events of 2013**

The following key events relevant to the growth of WSE took place in 2013:

### **CHANGES ON THE WSE MANAGEMENT BOARD AND SUPERVISORY BOARD**

On 17 January 2013, the Extraordinary General Meeting of WSE appointed Adam Maciejewski as Vice-President and acting President of the WSE Management Board. The General Meeting decided to dismiss Ludwik Sobolewski from the WSE Management Board.

On 22 February 2013, the Exchange Supervisory Board at its meeting decided to further change the composition of the WSE Management Board. The Exchange Supervisory Board accepted the resignation of Lidia Adamska from her function as Management Board Member as of 31 March 2013. Beata Jarosz, WSE Management Board Member since 2006, was appointed Vice-President of the WSE Management Board. Paweł Graniewski, Exchange Supervisory Board Member delegated to temporarily perform the function of Management Board Member, was appointed Vice-President of the WSE Management Board. Mirosław Szczepański was appointed Management Board Member.

In September 2013, following the approval of the Polish Financial Supervision Authority for the changes on the Exchange Management Board, Dariusz Kułakowski was appointed to the Management Board.

In June 2013, the WSE Ordinary General Meeting changed the composition of the Exchange Supervisory Board by appointing Wiesław Rozłucki, who was elected Chairman of the Exchange Supervisory Board in July 2013, and Dariusz Kacprzyk to the Exchange Supervisory Board. Sebastian Skuza was dismissed from the Exchange Supervisory Board.

### **CHANGE OF THE EXCHANGE SESSION TIMETABLE**

In March 2013, the WSE Management Board agreed changes to the timetable of the exchange trading session with brokerage houses – Exchange members. The new trading schedule on WSE took effect on the first day of availability of the new trading system, 15 April 2013. According to the new timetable, the trading session opens at 8:45 on the derivatives market and at 9:00 on the cash market and closes at 17:05 on both markets (previously the trading session opened at 8:30 on the derivatives market and at 9:00 on the cash market and closed at 17:35 on both markets). The proposed change to the trading timetable was temporary and originally remained in force until 31 December 2013. In December 2013, the Polish Financial Supervision Authority approved amendments to the Exchange Rules extending the shorter session timetable until the end of 2014.

### **NEW TRADING SYSTEM UTP**

In Q1 2013, WSE focused on effective implementation of the new trading system UTP. The system is available as of 15 April 2013; the first trading session in UTP took place on 16 April. UTP developed by NYSE



technologies is a trading system of the highest global standard and ensures organisation of trading according to global trends. The new IT architecture offers much more speed, efficiency and functionality than the previous system, which means that many more orders can be processed within the same time. With UTP, the Polish capital market has opened up to new categories of investors, including large global investment firms which use algorithmic trading, while the Exchange gained new opportunities of product development and acquisition of new Exchange Members with diverse business profiles.

#### **ACQUISITION OF INTEREST IN AQUIS EXCHANGE LTD.**

On 19 August 2013, WSE signed an agreement to acquire shares of Aquis Exchange Ltd., UK, which organises trade in shares as an MTF. The goal of the investment in Aquis Exchange is to further diversify the sources of WSE revenue and to strengthen the brand and the position of the Exchange on international financial markets including continued improvement of the role of WSE as the dominant financial hub in the CEE Region. As at the date of publication of the Report, Aquis Exchange operated trading in German, UK, French and Dutch shares.

#### **AMENDMENT OF THE WSE DIVIDEND POLICY**

In December 2013, the WSE Management Board adopted a resolution amending the Company's dividend policy. Starting with the distribution of the profit for the financial year 2013, WSE will strive to pay a dividend ranging from 30% to 50% of the consolidated net profit of the WSE Group attributable to the shareholders of WSE adjusted for the share of profit of associates.

#### **NEWCONNECT REFORM**

In 2013, the Exchange introduced major amendments to the Alternative Trading System (ATS) Rules and took actions to improve market quality and safety. The key modifications covered four areas: requirements for the introduction of financial instruments to the ATS and the scope of information documents; disclosure obligations of companies; transparency of private placements; policy towards Authorised Advisers. Stricter sanctions were imposed on issuers for non-compliance with disclosure obligations. The NewConnect market reform was made in consultation with the community of investors and other market participants with the objective of enhancing the quality of WSE alternative markets and protecting investors.

#### **WSE'S STRONG POSITION ON THE EUROPEAN IPO MARKET**

Despite the prevailing weak conditions on the European IPO market in 2013, WSE maintained a strong position as measured by the number of IPOs and was a leading European exchange by IPO value. According to the annual PwC IPO Watch Europe survey, WSE ranked second among European exchanges in 2013 by the number of IPOs after London Stock Exchange. In aggregate, 65 companies<sup>15</sup> were newly listed on the WSE stock markets (23 companies on the Main Market<sup>16</sup> and 42 companies on NewConnect). In terms of the value of IPOs on the stock markets in 2013, WSE ranked fifth among European exchanges with PLN 5,235 million.

In 2013, 8 foreign companies were newly listed, including 5 companies on the Main Market and 3 companies on NewConnect. In aggregate, 58 foreign companies were listed at the end of the year, including 47 companies on the Main Market and 11 companies on NewConnect.

WSE's stock markets had 54 IPOs in aggregate, representing 20.2% of all European IPOs. In terms of the value of IPOs (EUR 1,137 million), WSE ranked fifth in Europe.<sup>17</sup>

<sup>15</sup> The IPO Watch Europe 2013 report mentions 54 IPOs: the report does not include companies which transferred from NewConnect to the WSE's Main Market and companies dual-listed on the WSE which earlier had an IPO on another exchange covered by the PwC survey.

<sup>16</sup> 7 companies newly listed on the WSE Main Market in 2013 transferred from NewConnect.

<sup>17</sup> Source: Annual list in the PwC IPO Watch Europe report which covers national exchanges in Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the UK. The number and the value of IPOs reported by PwC only include companies first introduced to public trading. They do not include companies which transferred from market to market (e.g., from NewConnect to WSE's regulated market).

**Value of IPOs on regulated and alternative markets in Europe, EUR million  
(including new issues and sale of existing shares)**

<b>EUR million</b>	<b>Year ended 31 December</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
LSE	14 800	9 357	14 607	12 650	1 797
NYSE Euronext	2 994	1 038	154	417	1 907
Deutsche Boerse	2 409	2 141	1 523	2 413	53
Borsa Italiana	1 273	-	-	-	-
<b>WSE</b>	<b>1 137</b>	<b>731</b>	<b>2 200</b>	<b>3 808</b>	<b>1 594</b>
Oslo Børs	941	291	815	2 445	91
NASDAQ OMX	876	48	292	2 029	66
SIX Swiss Exchange	745	801	81	163	-
Irish Stock Exchange	725	-	17	-	-
Luxembourg Stock Exchange	35	564	451	797	1 575
BME	2	9	6 083	1 562	19
Athens Exchange	-	-	-	-	10
CEESEG-Vienna	-	-	366	38	-
<b>Total:</b>	<b>25 937</b>	<b>14 988</b>	<b>26 601</b>	<b>26 322</b>	<b>7 112</b>

Source: Data aggregated on the basis of IPO Watch Europe

**Number of IPOs on regulated and alternative markets in Europe  
(including new issues and sale of existing shares)**

	<b>Year ended 31 December</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
LSE	<b>104</b>	80	107	123	30
<b>WSE</b>	<b>54</b>	<b>105</b>	<b>203</b>	<b>112</b>	<b>38</b>
NASDAQ OMX	31	17	30	24	11
NYSE Euronext	26	19	27	32	21
Borsa Italiana	18	-	-	-	1
Oslo Børs	11	4	13	16	2
Deutsche Boerse	9	25	18	24	5
Luxembourg Stock Exchange	7	7	20	36	22
Irish Stock Exchange	3	-	1	-	-
BME	2	5	9	12	3
SIX Swiss Exchange	1	4	2	4	4
CEESEG-Vienna	1	-	2	1	-
Athens Exchange	-	-	-	-	1
<b>Total:</b>	<b>267</b>	<b>266</b>	<b>432</b>	<b>384</b>	<b>138</b>

Source: Data aggregated on the basis of PwC IPO Watch Europe

The Catalyst market reported significant growth of the main market parameters in 2013. The number of issuers grew to 176 (an increase of 20) and the value of listed non-Treasury issues grew by 12.6% to another record-high level of PLN 58.9 billion.

**DEVELOPMENT OF PRODUCTS AND SERVICES**

In 2013, the Exchange largely expanded its offer of services and financial instruments. The expansion of the offer was partly driven by the implementation of the new trading system.

### **New products and services introduced by WSE in 2013:**

- 1) In February 2013, new structured products issued by Raiffeisen Centrobank AG were introduced to trading on the exchange, adding the following underlying instruments to available investment opportunities: sugar, coffee, cocoa, Polish stocks and WIG20.
- 2) On 17 May 2013, Twin Win certificates with WIG20 as the underlying were for the first time introduced to trading on WSE. The certificates were issued by Raiffeisen Centrobank AG. The main features of the certificates include a fixed maturity, lower investment risks compared to direct investments in the underlying, and potential returns both to the upside and moderate downside.
- 3) On 26 July 2013, a new type of financial instruments on the Polish market, Reverse Convertible Notes (RCN) issued by Raiffeisen Centrobank AG, were newly listed on WSE. The underlying of the new notes is the stock of two Polish companies, PKO BP and KGHM. The novelty is a high, fixed interest coupon paid at maturity, calculated on the basis of the par value of the notes irrespective of the price of the underlying stock. The maturity date of the new notes is 31 December 2014.
- 4) As of the beginning of September 2013, WSE Members, their clients and data vendors can use colocation and High Performance Access (HPA) services in UTP. The service involves the installation of hardware and software in direct proximity to the trading system, ensuring fastest possible communication with WSE's trading system. The launch of HPA is yet another technology initiative of the Exchange bringing WSE access infrastructure in line with the highest global standards. The HPA service allows WSE clients to pursue diverse investment activities including High Frequency Trading (HFT) popular on global markets as well as multiple investment strategies based on algorithms.
- 5) On 23 September 2013, WIG20 futures with a multiplier of PLN 20 were introduced to trading on WSE. With the change of the multiplier, the contract nominal value and tick size doubled to PLN 20. The main advantage of the new futures is that the tick size is double that of the currently listed futures, which makes the contracts much more attractive cost-wise. The objective of the change of multiplier is further growth and improvement of the derivatives market through greater safety of investment and lower transaction costs. WIG20 futures with a multiplier of PLN 20 will eventually replace the currently listed instruments with a multiplier of PLN 10. The migration to futures with the new multiplier will be completed by 20 June 2014 at the latest. Futures with a multiplier of PLN 10 and futures with a multiplier of PLN 20 will be listed in parallel until that time.
- 6) On 18 October 2013, futures contracts on WIBOR reference rates and futures contracts on short-term, mid-term and long-term Treasury bonds were introduced to trading on WSE. The new futures contracts on WIBOR rates are mainly addressed to financial institutions and also offer an alternative for companies which can use them to hedge their loans where the interest rate is based on WIBOR reference rates. Futures contracts on bonds are mainly addressed to individual investors. The introduction of futures contracts on interest rates and on Treasury bonds into trading is part of WSE's efforts aimed at the provision of tools which support the growth of the Polish market and continued development of WSE business lines as well as consistent improvement of the competitiveness of WSE's offer.

### **Modification of WSE indices in 2013:**

- 1) On 24 June 2013, WSE introduced modifications to indices of the NewConnect market comprising amendments to the NCIndex methodology, discontinuation of NCX Life Science and introduction of NCIndex30. For the NewConnect market's main index, NCIndex, the base value increased from 100 to 1,000 points and the historical performance of the index was converted accordingly. Furthermore, the Exchange started to publish NCIndex30 whose portfolio comprises 30 most liquid stocks on NewConnect. The Exchange decided to discontinue calculation of NCX Life Science. The index modifications and the publication of the new index were aimed at adjusting the indices to the specificity of the NewConnect market and were decided by the Exchange in response to suggestions from market participants.

- 2) In September 2013, the Exchange introduced a range of modifications to the main indices of Warsaw Stock Exchange following broad market consultations. On 23 September 2013, WSE started to publish new indices: WIG30 and WIG30TR, with portfolios comprised of the 30 biggest and most liquid stocks listed on the WSE Main Market. WIG30 is a price index whose portfolio includes no more than 7 companies from a single sector while the share of a single company in index capitalisation is capped at 10%. WIG30TR is a total return index which includes both the prices of trade made and dividend income or income from subscription rights. WIG30 will be the underlying of new index futures and options to be introduced to trading in late 2014. The objective of the modifications is to better reflect the size and diversity of the market, to improve the liquidity of the stock market and to support the growth of the derivatives market. According to the timeline, WIG30 and WIG20 will be published in parallel until the end of December 2015.
- 3) In late 2013, the Exchange took measures to eliminate the penny stock issue on the WSE Main Market. The rules of classification of companies in the Alert List segment were modified. As of 2014, the segment will include all stocks with a market price below PLN 0.50 per share irrespective of price volatility. As of Q4 2014, the penny stock threshold will be PLN 1. Penny stock issuers are required to undertake corrective measures. Non-compliance with the requirement to eliminate the grounds for classification of stocks in the Alert List may result in suspension of trading or delisting on the exchange.

#### MARKET SITUATION AND INVESTOR ACTIVITY

The WIG index gained 8.1% during the year while WIG30<sup>18</sup> lost 1.8%. The WIG30TR<sup>19</sup> index, which includes income from shares, gained 3%. The sector indices which gained the most in 2013 were WIG-BUDOWNICTWO (+33.5%), WIG-MEDIA (+31%) and WIG-INFORMATYKA (+21.9%). The indices that lost the most were WIG-SUROWCE (-32.1%), WIG-SPOŻYWCZY (-11.4%) and WIG-PALIWA (-10%). The NewConnect market index, NCIndex, gained 10.1%.

Unlike most of the other global exchanges, WSE reported an increase in turnover in shares. The average turnover per session on the Main Market was PLN 891 million, an increase of 18.35% year on year.

#### NEW RATES OF EXCHANGE FEES

New rates of WSE fees for trading in shares, rights to shares, ETF units and futures contracts apply as of 1 January 2013. The change involves:

- reduction of the fixed fee for orders in shares, rights to shares and ETF units in session and block trades on both stock markets from PLN 1 to PLN 0.20 and reduction of the same fee for orders executed as part of the functions of a market member to PLN 0.05;
- change of the fixed fee for index futures from PLN 1.70 to PLN 1.60;
- introduction of reduced fees for day trading on the futures market in session trading (other than for transactions executed on the account of a market member and transactions executed on own account of an exchange member);
- introduction of reduced fees for transactions executed on own account of a brokerage house on the futures market.

In May 2013, WSE reduced operating fees for session trading in debt instruments on Catalyst from 0.010% to 0.007%. The fee reduction was open to Exchange Members who generated at least PLN 150 million of turnover on the market within a month excluding block trades and other transactions outside the session. The new fees

<sup>18</sup> WSE started to calculate and publish WIG30 on 23 September 2013; historical WIG30 values are available since December 2007.

<sup>19</sup> WSE started to calculate and publish WIG30TR on 23 September 2013; historical WIG30TR values are available since December 2007.

applied both on the regulated market and in the Alternative Trading System on Catalyst from 1 May 2013 to 31 December 2013. The change of the exchange fees was designed to reward the most active Exchange Members present on the debt instruments market.

On 1 July 2013, WSE introduced a promotion for new Exchange Members on the derivatives market. Every Exchange Member starting activities on the derivatives market on own account from 1 July to 31 December 2013 could conclude transactions in up to 60 thousand index futures and transactions in up to 25 thousand index options free of charge. The promotion was open for a period of three months. The opportunity to trade in derivatives free of charge for three months was an incentive to companies considering to become dealers on the WSE derivatives market allowing them to effectively adapt to the market while improving market liquidity and quality.

In October 2013, WSE introduced reduced fees for investors active on the stock and derivatives market under the High Volume Provider (HVP) programme. The HVP promotion is open from 1 November 2013 to 31 October 2014 to legal entities investing only on own account on the financial market. To be eligible for the programme, an investor needs to generate a minimum value of PLN 5 million per session on the stock market or a minimum volume of 150 futures and options per session on the derivatives market. The HVP programme aims to attract a new group of investors, previously absent from WSE, which in the long term should reduce spreads and improve market liquidity.

## 2.5 Development of the Exchange in 2013 and key drivers development in 2014

### 2.5.1 Development of WSE in 2013 r

In 2013, the Company's operations were mainly driven by the following factors:

- According to estimates of the Central Statistical Office (GUS) as at January 2014, GDP growth in Poland was 1.6% in 2013. Despite general economic slow-down in the European Union, Poland's GDP growth rate remains one of the best in Europe. The annual growth rate of WSE's main indices: WIG by 8%, mWIG40 and sWIG80 by more than 30%, and the growth in turnover in shares on the Main Market (+26% YoY), indicate a significant recovery on the market; however, the planned pension system reform in Poland curbed investor activity and sentiment.
- Stocks on WSE and on the global markets in general performed at a low volatility, similar to 2012. Volatility of stock prices on WSE was the lowest since 2006, which limited the potential of growth in turnover on the stock market and was the main driver of the decrease in the volume of trading in WIG20 futures.
- Since 15 April 2013, trading on WSE is supported by the state-of-the-art trading system UTP, which offers superior speed and efficiency compared to the legacy system. With UTP, the Polish capital market has opened up to new categories of investors, including large global investment firms which use algorithmic trading. The implementation of UTP has largely enhanced the ability of WSE to differentiate investment opportunities offered on WSE, leading to gradual opening of new market segments and new classes of assets (financial instruments) which previously could not be introduced on a large scale to the market due to the technological constraints of the legacy trading system Warset.
- In January and February 2013, the composition of the Company's Management Board changed, resulting among others in expansion of activities on the commodity market into the OTC segment, the conclusion of an agreement to acquire a 30% interest in Aquis Exchange Limited, UK, and the development of WSE's new strategy for 2014-2020.

### 2.5.2 Development of WSE in 2014

In 2014, the Exchange will focus on sustainable development of the existing business lines, dedicated development of new business areas necessary to diversify the sources of revenue, and continued internationalisation of business. The directions of these efforts are defined in the new strategy WSE.2020. In addition to organic growth, these include more than ever before growth through mergers and acquisitions.

In the financial market segment, the Exchange continues the measures aimed at expanding the offer and raising the competitiveness of products. The state-of-the-art trading system UTP implemented in 2013 will be the key tool of WSE supporting the improvement of liquidity of trading in shares and derivatives, the development of products offered by the Exchange (including among others stock options), and the acquisition of new Exchange Members with diverse business profiles (investment firms acting as intermediaries in trading, firms trading on own account, and professional operators focusing on improvement of liquidity – market makers). In the opinion of the Company, after the implementation of the state-of-the-art system UTP, WSE has become more attractive as a trading platform while generating more demand for existing and new products and, furthermore, enabling investors to apply more advanced trading strategies, which should increase the number of orders from new user categories such as investors engaged in algorithmic trading. The second stage of UTP implementation comprising a derivative trading platform will start in 2014. The Company will continue efforts to acquire Polish and international issuers in order to fortify its position as an attractive venue of raising corporate capital. WSE has for many years been the exchange of first choice to companies of all sizes, sectors and stages of development in the CEE Region.

### 2.5.3 Key drivers for development

The key drivers to the development of the Company include:

#### EXTERNAL DRIVERS

##### Macroeconomic situation in Poland and worldwide

According to the Eurostat forecasts,<sup>20</sup> Poland's GDP growth will be 2.5% in 2014 (average forecast for EU is 1.4%) and 2.9% in 2015 (average forecast for EU is 1.9%). The above-average dynamics of Polish economy growth creates favourable conditions both for price increases of shares listed on WSE and for increased interest in securities listed on WSE on the part of domestic and international investors. WSE growth is also determined by the global economic situation and the conditions on foreign financial markets, which may impact the perception of the Polish economy and financial market by foreign investors.

Thus, the economic situation has a direct impact on the activity of issuers on the primary and secondary market as well as the level of turnover, mainly on the stock market, and on revenues from the segments. Revenues from trading on the stock market represent 38% of the total revenues while revenues from the entire financial market represent 72,3% of the total revenues in 2013.

##### Changes in infrastructure, laws and regulations

###### Pension funds

The Act amending certain Acts in connection with the determination of the rules of payment of pensions from the resources of open-ended pension funds, which provides for a reform of the pension system, came into force in December 2013. The Act imposed a ban on open-ended pension fund investment in Treasury bonds and other debt instruments guaranteed by the State Treasury. Under the Act, 51.5% of the assets of open-ended pension funds as at 31 January 2014, i.e., PLN 153.15 billion, were transferred to the Social Security Fund (FUS) on 3 February 2014 (mainly bonds guaranteed by the State Treasury and cash). Following the transfer of part of their

<sup>20</sup> European Commission's *European Economic Forecast – Autumn 2013*



resources to the Social Security Institution (ZUS), the assets of open-ended pension funds stand at ca. PLN 145 billion, of which ca. 87% are stocks and ca. 8% are non-Treasury bonds.

The new Act requires open-ended pension funds to maintain a minimum investment in stocks at 75% of assets by the end of 2014, 55% by the end of 2015, 35% by the end of 2016, and 15% by the end of 2017. The proportion of contributions transferred to open-ended pension funds was amended to 2.92% of gross salaries (compared to 2.8% in 2013). The Act raised the limit on open-ended pension fund investment in financial instruments denominated in foreign currencies (open-ended pension funds' foreign investments) from 5% to 10% in 2014, 20% in 2015 and 30% beyond 2015. Legislative solutions are now in the drafting which should enable open-ended pension funds to engage in securities lending on the public market and to hedge risks with derivatives listed on the local regulated market and cleared by the central clearing house.

The investment of open-ended pension funds in Polish stocks listed on the WSE regulated market was PLN 120.5 billion as at 31 December 2013, representing 40.2% of the value of domestic free-float shares on WSE. Open-ended pension funds reported an inflow of assets every year until 2013; consequently, the net balance of shares bought and sold by open-ended pension funds on WSE was positive every year, which had a positive impact on stock prices. In the future, open-ended pension funds will suffer outflows of assets, which may result in a bigger supply of shares from open-ended pension funds on WSE. The development will occur the earlier and at the greater scale the more Poles decide to remain members of open-ended pension funds. Between 1 April and 31 July 2014, every existing member of open-ended pension funds may decide whether their pension contributions should still be paid into the fund or only to the Social Security Institution.

Changes to open-ended pension fund investment policies derived from the Act may have a material impact on the activity of funds as investors on WSE and, consequently, on the future of the WSE secondary market, stock prices and IPO activity. Open-ended pension funds may want to diversify their portfolios further, which could reduce their investment in stocks listed on WSE in favour of non-Treasury bonds and foreign investments. The scale and scope of such impact will depend on the final regulatory solutions (securities lending and hedging with derivatives) as well as decisions of open-ended pension fund members as to whether their pension contributions should still be paid into the fund or only to the Social Security Institution.

## **Privatisation**

The State Treasury held significant stakes of shares in many listed companies at the end of 2013 (e.g., 35.2% in PZU, 31.4% in PKO BP, 61.9% in PGE, or 31.8% in KGHM). The share of the State Treasury in the capitalisation of companies listed on WSE was 20.8% at the end of 2013.

The Ministry of the State Treasury earned a privatisation revenue of PLN 4.4 billion in 2013. The estimated privatisation revenue is PLN 3.7 billion in 2014.

WSE expects that in the coming years the State Treasury will be still privatising through WSE, both by reducing the stake of the State Treasury in companies already listed and by floating new companies on the Exchange. However, the process will decelerate with the falling number of companies, especially large companies, to be privatised.

## **INTERNAL DRIVERS**

### **Level of fees**

The level of fees is an important driver of business. Changes to exchange fees are mainly aimed at incentivising investor groups and building the required liquidity of WSE markets.

WSE operates in a competitive environment where price pressures exerted by competitors and market participants are an important factor, especially in view of the activity of multilateral trading facilities which offer

lower fees than exchanges. Hence, the recent trend in the exchange industry to reduce fees on the stock market in the past few years.

WSE amended its pricing policy in early 2013 by reducing fees on the stock and derivatives markets. In 2013, WSE opened several major fee promotions which reward the most active trading participants. In May 2013, operating fees for session transactions on Catalyst were reduced for Exchange Members who generated at least PLN 150 million of turnover within a month. In July 2013, some fees were waived for a period of three months for new Exchange Members on the derivatives market. In October 2013, the High Volume Provider programme introduced reduced transaction fees for entities investing only on own account which generate turnover above a set threshold on the stock and derivatives market.

All price incentives and promotion programmes are offered by WSE in part as a response to expectations of market participants but their overarching objective is to enhance the activity of investor groups in trading so as to improve the liquidity on the WSE markets. However, the level of fees is only one of many factors which determine investor activity on the market; hence, the effect of fee incentives may be difficult to measure in the long term.

### **New strategy**

The strategy WSE.2020 for 2014-2020 was adopted in December 2013 and reflects the Exchange's ambition to generate long-term stable shareholder value by improving the security of the business model and seeking new long-term sources of growth. The position of the Company in the coming years will largely depend on its ability to implement the strategy, both by way of organic growth and through mergers and acquisitions depending on the timing and the selection of partners in such projects.

In organic growth, the important factors include the investment opportunities available to investment funds and pension funds as well as the activity of banks as investors. Direct participation of banks in the market and the ability of open-ended pension funds to engage in securities lending and market hedging depend on the legislative process in which WSE is actively participating. In the opinion of the Company, these and other initiatives outlined in the strategy may help to maximise the existing sources of growth for the Company (especially the potential of the local investor and issuer base).

WSE's growth through mergers and acquisitions should diversify revenues and enhance internationalisation. Diversification of revenues aims mainly to reduce the dependence of the WSE Group's financial results on the trends and investor activity on the stock market, which is currently the dominant source of revenue of the WSE Group. Depending on the speed and the ability of implementing joint projects with selected partners who offer innovative products, with established market positions, unique resources and growth perspectives, diversification and internationalisation of WSE's business may proceed at a different speed.

The implementation of the strategy may involve higher costs, especially in the first years of the process and at an early stage of strategic projects. WSE expects that the implementation of the projects and increased costs will provide benefits in the future thanks to long-term growth.

### **Second stage of implementation of the new trading system**

Competitiveness of stock exchanges largely depends on the level of technology involved: efficiency, capacity and speed of the trading system and infrastructure. After the implementation of WSE's new trading system, available since 15 April 2013, the next stage of WSE's technology development is the implementation of a specialty derivatives trading module to begin in 2014, making the WSE derivatives market more attractive to investors.



### **Continued talks with CEESEG**

In 2013, WSE and CEE Stock Exchange Group AG (CEESEG) opened preliminary talks on co-operation. The strategic goal of the Exchange is to integrate stock markets in the CEE Region under conditions supporting the growth of the Company and generating benefits to WSE stakeholders. In 2014, WSE will work to arrive at a clear decision, both at Exchange Management Board level and among WSE shareholders, on potential co-operation and its conditions. A decision to open co-operation in any form may require WSE, especially at an early stage, to delegate significant resources to the project and to incur one-off costs, and may involve major organisational changes.

## **2.6 International activity of WSE**

Building the international importance and reputation of the Polish exchange is part of WSE's growth strategy. The implementation of the strategy aiming to strengthen the international position of WSE results in a growing number of foreign issuers, brokers and investors.

In June 2013, WSE strengthened its presence in London by appointing the Exchange's standing representative who works to enhance acquisitions on that market, especially the acquisition of new investors and Exchange Members. Since 2008, WSE has operated a representative office in Kiev (Ukraine).

In August 2013, WSE signed an agreement to acquire a 30% interest in Aquis Exchange Ltd., a multilateral trading facility which will operate trading in shares in 14 European countries (as at the date of publication of the Report, Aquis Exchange offers trade in German, UK, Dutch and French stocks). The goal of the investment was to diversify further the sources of the WSE revenue and to largely fortify the brand and position of the Exchange on the international financial markets including continued improvement of the role of WSE as the dominant financial hub in the CEE Region.

On 20 November 2013, the General Assembly of the Federation of European Securities Exchanges (FESE) appointed Adam Maciejewski, President of the Management Board of Warsaw Stock Exchange, to the Board of FESE. The FESE Board is the second management authority of FESE after the General Assembly. The Board is composed of maximum 12 members appointed for a term of three years by the General Assembly. The statutory responsibilities of the Board are to set the direction of the policy and define the overall strategy of the organisation, including tabling of recommendations to the General Assembly, as well as to implement and regularly monitor the implementation of the FESE Action Plan which defines the key priorities of the organisation. Warsaw Stock Exchange has co-operated with FESE since 1992, was granted the status of associated member in 1999, and has been a full member of FESE since June 2004. FESE represents 41 exchanges which organise trading in equities, bonds, derivatives and commodities through 21 full members from 30 countries as well as 2 non-European observer members.

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

Thanks to acquisition, participation in international conferences, own conferences organised in the world's main financial centres and international road shows, WSE proactively promotes the Polish capital market among global investors and financial intermediaries. The efforts of WSE focus on attracting domestic and foreign exchange members. These are mainly international investment banks as well as regional financial intermediaries, which are increasingly interested to get access to the WSE trading system as more companies from the Region are listed on the trading floor in Warsaw.

The Exchange 57 members, including 31 local and 26 remote members, at the end of 2013.<sup>21</sup> The share of remote members in session trading in shares was ca. 22.3% in 2013 compared to ca. 11% in 2012.<sup>22</sup>

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<sup>21</sup> Local WSE members are domestic and foreign entities which operate an enterprise in Poland which processes exchange orders or pursues related activities. Remote members are companies without a branch in Poland and companies with a branch whose activities are unrelated to processing of orders.

Foreign (local and remote) Exchange Members are companies from many European countries. Remote membership allows foreign brokers to have direct access to the WSE system without physical presence in Poland and without the intermediation of local brokers. At the end of 2013, this solution was used by intermediaries from Austria, Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Lithuania, Netherlands, Slovakia, Sweden and UK.

**Share of local and remote WSE members in session trading in shares on the Main Market**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Local	77.7%	89%	92%	88%	94%
Remote	22.3%	11%	8%	12%	6%

Source: WSE

According to WSE research, foreign investors generated 47% of turnover in 2013, modestly less (1 percentage point) than in 2012.

**Investors' share in turnover on the Main Market in shares**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Foreign investors	47%	48%	47%	47%	36%
Domestic retail investors	15%	18%	18%	19%	27%
Domestic institutional investors	38%	34%	35%	34%	37%

Source: WSE

Foreign investors' activity on the futures market in 2013 remained stable at 17%. However, their share in option trading increased significantly (by 6 percentage points). The volume of turnover generated by foreign investors amounted to 270 thousand options in 2013, an increase of 85% in comparison with the volume of over 145 thousand options in 2012.

**Investors' share in turnover on the futures market**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Foreign investors	17%	17%	16%	14%	11%
Domestic retail investors	50%	47%	46%	50%	52%
Domestic institutional investors	33%	36%	38%	36%	37%

Source: WSE

<sup>22</sup> Credit Suisse Securities (Europe) Limited was a local Exchange Member in 2012; in 2013, when it generated ca. 9.4% of session trading in shares, it was considered a remote member following limitation of its activities in the processing of exchange orders in Poland.

## **Investors' share in turnover on the option market**

	<b>Year ended 31 December</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Foreign investors	17%	11%	24%	12%	4%
Domestic retail investors	37%	50%	64%	60%	64%
Domestic institutional investors	46%	39%	12%	28%	31%

Source: WSE

## **ATTRACTING FOREIGN ISSUERS**

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

In its proprietary Program WSE IPO Partner, WSE works together with a network of foreign banks, brokerage houses and other intermediaries with a view to promoting the Polish capital market abroad, which materially enhances WSE's possibilities of approaching a bigger group of issuers and market participants. As at 31 December 2013, the WSE IPO Partner program covered 24 entities from 9 countries.

As at 31 December 2013, the markets operated by the Exchange listed shares of 58 foreign companies, including 11 companies listed on NewConnect, with total capitalisation of nearly PLN 248 billion. The share of foreign companies in total session trading in shares on the Main Market was 2.6% in 2013 as compared to 2.8% in 2012. Initiatives aiming to improve the liquidity of trading in shares of foreign companies are, next to attracting foreign issuers, a priority of WSE in the context of the Company's international activities. This goal is pursued among others by promoting good practice and top standards of investor relations among foreign companies and by organising conferences where foreign issuers meet with managers of asset management companies which invest on WSE.

Foreign companies listed on WSE at 31 December 2013 come from 23 countries, mainly Ukraine (12 issuers) and the Czech Republic (8 issuers). 24 companies are dual-listed while 33 companies are single-listed on WSE.

## **2.7 Business lines of WSE**

### **2.7.1 Financial market**

The activities of WSE on the financial market include:

- introduction to trading and listing of financial instruments;
- trading in financial instruments on the regulated market and in the alternative trading system, including trading in shares on the Main Market and on the NewConnect market, trading in derivatives on the Main Market, and trading in debt instruments on the platform Catalyst (regulated market and alternative trading system);
- creating and introducing indices;

- information services.

### 2.7.1.1 Trading

Trading encompasses all the instruments admitted to trading on the Main Market and on WSE regulated markets.

Trading offered by WSE concerns the following instruments:

- shares and equity-related financial instruments listed on the Main Market and on NewConnect;
- derivatives listed on the Main Market, including mainly WIG20 index futures, mWIG40 index futures, single-stock futures, index options, currency futures, interest rate futures, and WIG20 index units;
- debt securities listed and traded in the Catalyst system;
- other cash market instruments, including structured products, ETFs, investment certificates and warrants.

## STOCK MARKET

In 2013, the turnover on the stock markets operated by Warsaw Stock Exchange grew at a rate much superior to the European average. The value of trading on the stock markets operated by WSE increased by 16.5%<sup>23</sup> year on year in 2013 while the average growth rate on the other European exchanges was 4.4%. WSE's share in the value of trading on CEE exchanges continued to increase for another consecutive year. Turnover in shares on WSE represented 58.5%<sup>24</sup> of the Region's turnover in 2013 compared to 54.3% in 2012 and 52.7% in 2011.

In 2013, the value of session and block trades in shares on the WSE Main Market amounted to PLN 256.1 billion and was 26.2% higher than the turnover value in 2012. The average daily value of session and block trades amounted to PLN 1,037 million and increased by 27.3% in comparison to 2012. The number of session transactions in 2013 amounted to 12.8 million, an increase of 10.9% compared to 2012. The velocity ratio of trading in shares on WSE increased by 1.3 percentage points year on year and stood at 38.4% in 2013.

### Turnover on WSE Main Market

	Year ended 31 December				
	2013	2012	2011	2010	2009
Velocity ratio <sup>25</sup> (%)	38.4	37.1	45.6	42.0	52.2
Stock trading value (PLN billion)	256.1	203.0	268.1	234.3	175.9
Stock trading volume (billion)	32.1	33.8	31.5	25.4	28.2
Number of transactions (order book, million)	12.8	11.6	13.9	12.2	13.0
Free float (domestic companies, %)	47.0	46.0	43.0	44.0	39.3

Source: WSE, FESE

In 2013, turnover on NewConnect amounted to PLN 1,226 million and was 6.0% lower than the turnover recorded in 2012. The number of session transactions in 2013 amounted to 720.8 thousand and was 6.8% lower than the number of transactions in 2012. According to WSE research, domestic institutions generated 24% of turnover on NewConnect in 2013 as compared to 17% in 2012. The share of individual investors in trading on NewConnect decreased from 73% in 2012 to 69% in 2013 while the share of foreign investors in trading decreased from 10% to 7%.

<sup>23</sup> Source: FESE; EOB – Electronic Order Book; domestic and foreign companies; regulated and alternative markets

<sup>24</sup> Source: Thomson Reuters. Value of session trading (order book)

<sup>25</sup> Velocity ratio of trading in shares calculated as the average of FESE monthly data.

**Turnover on NewConnect**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Trading value (PLN million)	1 226	1 303	1 955	1 847	581
Number of transactions (thousand)	720.8	773.3	1 082.1	877.9	323.7

Source: WSE

**DERIVATIVES MARKET**

Warsaw Stock Exchange operates the biggest derivatives market in the CEE Region. The aggregate volume of derivatives trading in 2013 amounted to PLN 12.6 million instruments and was 11.3% higher than the trading volume in 2012. As at 31 December 2013, the number of open interest amounted to 193.5 thousand and was 30.8% higher than that recorded as at 31 December 2012.

**Derivatives trading volume in thousands**

	Volume – 2013	Volume – 2012	Change	Share – 2013	Share – 2012
WIG20 futures	8 258	9 077	-9.0%	65.4%	80.1%
mWIG40 futures	81	14	479.9%	0.6%	0.1%
Single-stock futures	614	540	13.6%	4.9%	4.8%
Currency futures	2 850	961 <sup>26</sup>	196.6% <sup>26</sup>	22.6%	8.5%
Interest rate futures	3	-	-	0.02%	-
WIG20 index options	808	715	13.0%	6.4%	6.3%
Index units	8	29	-70.3%	0.1%	0.3%
<b>Total</b>	<b>12 623</b>	<b>11 336</b>	<b>11.3%</b>	<b>100%</b>	<b>100%</b>

Source: WSE

The most important product in the derivatives segment are WIG20 futures responsible for 65.4% of the derivatives trading volume in 2013. In 2013, the WIG20 futures trading volume amounted to 8,258 thousand contracts and was 9.0% lower than that generated in 2012.

The number of open interest was 193.5 thousand as at 31 December 2013 compared to 147.9 thousand as at 31 December 2012, an increase of 30.8%.

In 2013, WSE added WIBOR reference rates futures and Treasury bond futures to its offer. As at the end of 2013, WSE offered 19 classes of futures on stocks listed on the Main Market. In September 2013, WSE introduced to exchange trading WIG20 futures with a PLN 20 multiplier which will replace the existing futures with a PLN 10 multiplier as of September 2014.

In 2013, the WSE stock index futures market ranked fifth in Europe in terms of the trading volume.

<sup>26</sup> As of 1 May 2012, the volume of trading in currency futures is calculated on the basis of a trading unit of 1,000 (previously: 10,000). Consequently, the total volume of trading in derivatives in 2012 and 2013 is not fully comparable to previous periods.

**Volume of stock index futures trading in Europe (in thousands)**

	<b>Year ended 31 December 2013</b>	<b>Year ended 31 December 2012</b>
1. EUREX	327 431	382 936
2. Liffe NYSE Euronext	82 669	84 002
3. NASDAQ OMX Nordic	30 899	32 642
4. Borsa Italiana	9 323	8 825
5. <b>WSE</b>	<b>8 340</b>	<b>9 091</b>
6. BME	7 566	7 170
7. Oslo Børs	3 506	5 018
8. Athens Exchange	2 324	2 168
9. CEESEG – Budapest	402	800
10. CEESEG – Vienna	359	780
11. Bucharest Stock Exchange	3	372

Source: FESE, the exchange websites

**DEBT INSTRUMENTS TRADING SYSTEM – CATALYST**

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

The value of session transactions in non-Treasury instruments on Catalyst was PLN 2,206 million in 2013 as compared to PLN 1,127 million in 2012 (increase of 95.8%), and the value of block trades was PLN 1,560 million in 2013 as compared to PLN 1,347 million in 2012. The value of session transactions in non-Treasury and Treasury instruments on Catalyst was PLN 2,757 million in 2013 as compared to PLN 1,666 million in 2012, and the value of block trades was PLN 1,573 million in 2013 as compared to PLN 1,356 million in 2012.

In the Company's view, Catalyst has a high growth potential, which is reflected in a relatively low level of bond debt issued in Poland in relation to GDP. The aggregate indebtedness of Polish companies and financial institutions under debt instruments (with maturities over 1 year) issued on the local and international markets represented 7.6% of the nominal GDP as at 30 September 2013. The regulatory environment mainly regarding the pension system reform and direct participation of banks in the market, lower risk appetite in the banking sector, development of a transparent secondary market and continuing education of investors and issuers create favourable conditions for stronger growth of the bond market in Poland.

**OTHER CASH MARKET INSTRUMENTS**

Apart from shares and debt instruments, the WSE cash market lists also structured products, investment certificates, warrants and ETF certificates. New products introduced into trading in 2013 included Twin Win certificates, turbo certificates issued by ING Bank N.V. and reverse convertible notes on stocks of PKO BP and KGHM.

In total, WSE listed 550 structured products, 37 investment certificates, 3 ETFs and 72 warrants at 2013 year-end, as compared to 343 structured products, 58 investment certificates, 3 ETFs and 72 warrants at 2012 year-end.

**Number of structured products, investment certificates, ETFs and warrants listed on WSE**

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

Source: WSE

The value of trading in structured products amounted to PLN 280.7 million in 2013 compared to PLN 164.5 million in 2012. The value of trading in investment certificates was PLN 53.3 million in 2013 compared to PLN 57.2 million in 2012.

**Value of trading in structured products, investment certificates, ETFs and warrants (PLN million, session and block trades)**

	As at 31 December				
	2013	2012	2011	2010	2009
Structured products (certificates and bonds)	280.7	164.5	350.8	285.6	156.3
Investment certificates	53.3	57.2	169.1	107.3	104.1
ETFs	169.4	223.2	284.3	85.1	-
Warrants	2.1	0.2	0.6	-	-

Source: WSE

**2.7.1.2 Listing**

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

WSE ended the year 2013 with 897 companies listed in aggregate on the Main Market and in the alternative trading system on the NewConnect market. The total number of 65<sup>27</sup> new listings on both markets in 2013 (including 7 companies which transferred from NewConnect to the Main Market) gave WSE the second rank in Europe (after London Stock Exchange) and a top position globally. IPOs on WSE in 2013 represented 20.2%<sup>28</sup> of all IPOs on European exchanges. WSE also ranked fifth amongst the most important European markets in terms of the value of IPOs according to the annual PwC IPO Watch Europe survey. During five years from 2009 to 2013, WSE represented from 4.38% to 22.4% of the annual IPO values on the surveyed markets.

<sup>27</sup> The IPO Watch Europe 2013 report mentions 54 IPOs: the report does not include companies which transferred from NewConnect to the WSE's Main Market and companies dual-listed on the WSE which earlier had an IPO on another exchange covered by the PwC survey.

<sup>28</sup> Source: PwC IPO Watch Europe report which covers exchanges in Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Luxembourg, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the UK.

**Value of IPOs on WSE markets and share among the main national markets in Europe**

	Year ended 31 December				
	2013	2012	2011	2010	2009
IPO value on WSE (EUR million)	1 137	731	2 200	3 808	1 594
WSE's share in IPO value in Europe	4.38%	6.69%	8.30%	14.50%	22.40%

Source: PwC IPO Watch Europe

There were 23 IPOs on the Main Market in 2013, compared to 19 IPOs in 2012 and 38 IPOs in 2011. As at 31 December 2013, the number of companies listed on the Main Market amounted to 450, including 47 foreign companies, and was higher by 2.7% than the number of companies as at the end of 2012.

**Capitalisation, number of IPOs and number of listed companies on the Main Market**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Number of IPOs	23	19	38	34	13
Value of offerings (IPOs and SPOs, PLN billion)	7.7	7.3	12	38	26,8
Number of listed companies	450	438	426	400	379
Capitalisation (PLN billion)	840.8	734.1	642.9	796.5	715.8

Source: WSE

In 2013, the growth of WSE was enhanced by the public offering and new listing of shares of PKP Cargo S.A. in October 2013 (IPO value: PLN 1.4 billion) as well as the sale of the stake held by State Treasury in Energa S.A. combined with its new listing on WSE in December 2013 (IPO value: PLN 2.4 billion). The IPO of Energa S.A. was the biggest IPO in the CEE Region in 2013 and according to PwC IPO Watch it was the tenth largest IPO on European markets included in the survey in Q4 2013.

In 2013, 5 foreign companies were newly listed on the Main Market, representing 21.7% of the 23 newly listed companies. Three of the newly listed foreign companies are dual-listed on the WSE and two are single-listed.

**Number of new listings on the Main Market by domestic and foreign companies**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Number of new listings	23	19	38	34	13
of which: newly listed foreign companies	5	4	12	5	0
Share of foreign companies in the number of new listings (%)	21.7	21.1	31.6	14.7	0

Source: WSE

The increase in the number of IPOs on NewConnect in 2013 was lower than before. There were 42 IPOs on the market, including 3 IPOs of foreign companies. 7 issuers listed on the alternative market transferred to the WSE Main Market.

As at the end of 2013, the NewConnect listed 445 companies (including 11 foreign companies) whose capitalisation amounted to PLN 11 billion.



**Capitalisation, number of IPOs and number of listed companies on NewConnect**

	Year ended 31 December				
	2013	2012	2011	2010	2009
Number of IPOs	42	89	172	86	26
Value of offerings (IPOs and SPOs, PLN million)	624	682	1380	363	120
Number of listed companies	445	429	351	185	107
Capitalisation (PLN million)	11 028	11 088	8 487	5 138	2 554

Source: WSE

The debt instrument trading system Catalyst created in 2009 was an important driver of growth for the market of non-Treasury debt instruments in Poland in yet another year of its operation. The nominal value of non-Treasury debt instruments listed on Catalyst was PLN 58.9 billion at 2013 year-end, an increase of 12.6% compared to 2012 year-end. As bonds of 47 issuers were newly listed on the market in 2013, the number of non-Treasury issuers reached 175 at 2013 year-end. Catalyst listed 408 series of non-Treasury debt instruments at 2013 year-end, and another 25 series were authorised.<sup>29</sup> Issuers whose instruments were listed at 2013 year-end included 18 local governments, 135 enterprises and 22 co-operative banks.

Including the State Treasury, the number of issuers on Catalyst was 176 at 2013 year-end and 156 at 2012 year-end. The total nominal value of non-Treasury and Treasury debt instruments listed on Catalyst was PLN 619.1 billion at 2013 year-end as compared to PLN 567.3 billion at 2012 year-end.

WSE continued to develop the segment of cash market instruments and added new classes and series of structured products to its offer. Two new types of structured products were introduced to trading in 2013: Twin Win certificates and reverse convertible notes, while the range of existing instruments was largely expanded. A new issuer of ETFs was ING Bank N.V., Netherlands. As at 31 December 2013, 629 series of structured products were in trading on WSE, compared to 411 at the end of 2012.

### 2.7.1.3 Information services

WSE collects, processes and sells market data concerning all the markets which it operates, and is the sole supplier of market data in real time concerning domestic financial instruments which are traded on the markets of the Exchange. The status of WSE as the original source of information on trading and its strong brand enable the Company to successfully reach various groups of market participants with advanced information adjusted to individual needs. The main clients using such information 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 operating on capital markets. As at 31 December 2013, the Company's information services clients were 58 data vendors, including 34 domestic and 24 foreign ones with nearly 262 thousand subscribers (including over 16 thousand subscribers using professional data feeds). WSE supplies data feeds in real time on two levels. On the "basic" level, users obtain data of one bid/ask offer for the particular financial instrument. On the "professional" level, users obtain five best bid-ask offers or the full order book.

In addition to real-time data from WSE and BondSpot, the Company also provides data vendors with reports of issuers listed on NewConnect and Catalyst.

<sup>29</sup> Authorisation of bonds on Catalyst involves acceptance of the issuer's disclosure obligations set out in the Catalyst Rules and registration of the issue in the Catalyst information system.

The Company's information services also include:

- services for licensees issuing financial instruments with the use of WSE indices as underlying instruments (as at 31 December 2013, 16 foreign financial institutions present globally and 1 Polish bank were WSE index licensees using indices as the underlying of financial products),
- licences on WSE data for use in the calculation and publication of clients' proprietary indices (as at 31 December 2013, there were 11 licensees, mainly global entities which specialise in index calculations),
- licences for television stations using real-time data feeds for limited presentation in public financial programming (as at 31 December 2013, there were 2 licensees),
- services including delivery of WSE statistics and indicators (as at 31 December 2013, there were 115 WSE clients buying such data, mainly domestic and foreign financial institutions and financial information providers).

#### Number of data vendors and subscribers

	As at 31 December				
	2013	2012	2011	2010	2009
Number of vendors of data in real time, of which:	58	58	57	52	50
- domestic	34	37	37	33	32
- foreign	24	21	20	19	18
Number of subscribers of data in real time ( <i>thousand</i> ), of which:	261.9	288.1	327.3	307.2	186.7
- number of subscribers using professional data feeds	16.2	16.3	19.1	20.6	20.7
Number of licensees using WSE indices as underlying instruments for financial products	17	17	18	16	15

Source: WSE

## 2.8 Material agreements

WSE concluded no material agreements in 2013.

## 2.9 Research and development

Development of new trading platforms and expansion of the portfolio of investment instruments available on WSE markets are the key elements of the Exchange's strategy. Such activities will bring long-term advantages in the form of new groups of investors and new sources of revenues. The year 2013 witnessed a few important events for the development of the Company and the capital market in Poland:

- 18 February – WSE added 56 new structured products to its offer including turbo certificates, factor certificates and warrants offering investment in commodities, exchange indices and Polish stocks,
- 2 April – WSE opened a CO2 emission allowances auction platform,
- 15 April – the new trading system, Universal Trading Platform (UTP) became available,
- 17 May – Twin Win structured certificates were introduced to trading on WSE for the first time,
- 23 May – WSE opened GPWtr@der, a demo learning platform for investments in WIG20 and mWIG40 futures, 22 single-stock futures, and fx futures,

- 12 June – TURBO certificates issued by ING Bank N.V. were introduced into trading with underlying including stock exchange indices, commodities and currencies, as well as stocks listed on WSE and other global exchanges, such as Nokia, Apple and Google,
- 24 June – WSE introduced modifications to NewConnect indices: amendment of the NCIndex methodology, termination of NCX Life Science, introduction of NCIndex30,
- 26 July – Reverse Convertible Notes on stocks of PKO BP and KGHM were newly listed on WSE,
- 2 September – WSE provided Exchange Members, their clients and data vendors with of the UTP colocation and High Performance Access (HPA) services,
- 23 September – the Exchange started the publication of new indices WIG30 and WIG30TR,
- 23 September – WSE introduced WIG20 futures contracts with a PLN 20 multiplier into trading,
- 18 October – futures contracts on WIBOR reference rates and futures contracts on Treasury bonds were introduced into trading.

## **2.10 Litigation**

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

### 3 Corporate governance report

#### 3.1 Statement of application of corporate governance standards

Effective from 5 November 2010, which is the date when the Company's shares were admitted to trading on the regulated market, Warsaw Stock Exchange has applied corporate governance standards set out in the "Code of Best Practice for WSE Listed Companies". The document is available on the website [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl), which is the official website of Warsaw Stock Exchange devoted to corporate governance of listed companies.

The Company publishes corporate governance compliance information on its website ([http://www.gpw.pl/lad\\_korporacyjny](http://www.gpw.pl/lad_korporacyjny)).

The Exchange as a company listed on WSE complied in 2013 with the rules of best practice with one exception described below. On 4 January 2013, the Exchange published a report on the one-off non-compliance, during the Extraordinary General Meeting on 17 January 2013, with the rule of the Code of Best Practice for WSE Listed Companies contained in Chapter IV, point 10(2), concerning participation in a general meeting using electronic communication means through real-time bilateral communication. This derived from the procedure of convening the Extraordinary General Meeting. At the same time, the Exchange enabled the real-time webcast of the meeting.

At the Ordinary General Meeting on 21 June 2013, real-time bilateral communication on-line was enabled. The Company intends to comply with this rule of the Code of Best Practice for WSE Listed Companies in the future.

#### 3.2 WSE as a public company and communication with the capital market

Warsaw Stock Exchange is a public company, listed on the WSE Main Market since 9 November 2010. WSE's new listing followed a public offering where the State Treasury sold 63.82% of shares which conferred, at the date of the offering, 46.86% of votes at the General Meeting. The Company did not increase its capital in the offering.

At the turn of 2011 to 2012, WSE made two public offerings of five-year bonds: series A without a prospectus, addressed to institutional investors, at a total nominal value of PLN 170 million; and series B under a prospectus, addressed to individual investors, at a total nominal value of PLN 75 million. In February 2012, both series were assimilated and introduced into trading on the Catalyst market organised by WSE. The receipts from the bond issue were used in particular to finance the acquisition of the Polish Power Exchange.

WSE considers its presence on the capital market as a part of the long-term development strategy which does not rule out issues of shares or bonds in order to finance implemented projects. Any decisions regarding sources of raised capital will at each time be made on the basis of the cost of capital, the preferred structure of the balance sheet, the target preferred weighted average cost of capital, and the general market situation, while respecting the rights of the existing shareholders and bondholders of the Exchange as well as the rules and best practice followed on the capital market.

#### INVESTOR RELATIONS

Development, implementation and careful application of the highest standards of investor relations and corporate governance is important to WSE in two ways. First, as Poland's only securities exchange and organiser of public trading in securities, WSE sets the direction on the capital market in relations with its participants. Therefore, WSE makes all efforts to ensure that its policy of communication with investors and analysts not only complies with the legal provisions applicable to listed companies but also sets the example and provides a model of highest communication standards to be followed by other companies listed on markets operated by WSE.

Second, considering that WSE is a public company, building lasting and professional relations with investors and the capital market is in the Company's best interest and aims to ensure that:

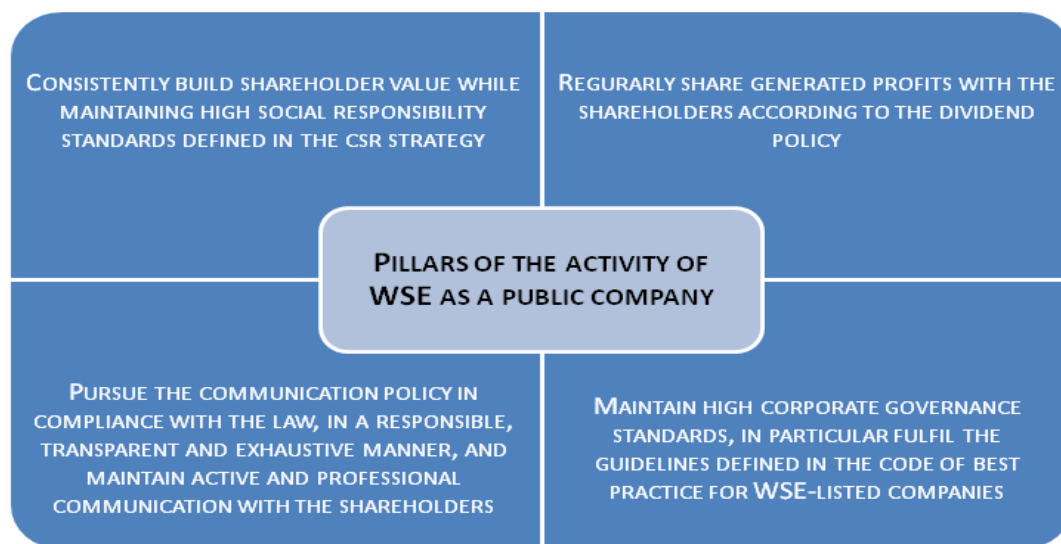
- the Company can effectively raise capital on the capital market where needed;
- the market price of WSE stock reflects the real value of the Company while ensuring possibly highest liquidity.

In view of the foregoing, the goal of WSE's investor relations is to maintain open communication with investors, shareholders and bondholders (institutional and individual) in order to continuously build trust in WSE as a leading institution of Poland's capital market and a public company. The communication should be proactive and respect the fundamental rights of investors to receive current, consistent and true information about the Company.

Therefore, WSE's investor relations and corporate governance activities focus on:

- providing investors with complete and precise data in a concise and accessible format, reflecting the actual financial standing and business position of the Company, as well as information on factors which may significantly impact the present and future value of the Company;
- ensuring equal access to information on the Company for all investors: institutional and individual, Polish and foreign;
- maintaining continuous, honest and interactive dialogue with investors in compliance with the law, including direct meetings and modern telecommunication techniques;
- respecting the rights of shareholders and following the highest standards of corporate governance (including the Code of Best Practice for WSE Listed Companies) and improving them in co-operation with other participants of the Polish capital market;
- making continuous efforts to develop and implement new investor relations tools and practices in line with the global standards.

**Figure: Pillars of the activity of WSE as a public company**



As part of communication with the market and investors, WSE pursued the following activities in 2013:

- after the end of each quarter, the Management Board of the Exchange presented the financial results of the WSE Group at meetings with investors and capital market analysts and at a teleconference;
- in 2013, the Management Board of the Exchange and the Investor Relations Department held 180 one-on-one and group meetings with representatives of local and international institutional investors;

- in 2013, the Company took part in:
  - 7 conferences in Europe (Paris, London, Prague),
  - non-deal roadshow in 6 European cities (Vienna, Paris, Frankfurt, London, Edinburgh and Stockholm) and in the USA (New York and Boston),
  - two conferences dedicated to individual investors in Poland;
- in the Investor Relations section of its website [www.gpw.pl/relacje\\_inwestorskie\\_en](http://www.gpw.pl/relacje_inwestorskie_en), the Company regularly publishes information relevant to investors and shareholders as well as a range of documents describing the activity of WSE;
- the Company regularly responds to questions from investors and shareholders asked by telephone and by e-mail.

WSE won the first place for communication with institutional investors in the category Polish Listed Companies in WIG20 and mWIG40 in the sixth edition of The Golden Website organised by the Association of Listed Companies in 2013.

### **3.3 Share capital, shares, bonds, share listing on WSE**

#### **SHARE CAPITAL**

As at 31 December 2013, and as at the date of preparation of this Report, the share capital of Warsaw Stock Exchange amounts to PLN 41,972,000 (forty one million nine hundred seventy two thousand zlotys) and is divided into 41,972,000 (forty one million nine hundred seventy two thousand) shares with a nominal value of PLN 1 (one) per share. The shares include series A preferred registered shares and series B ordinary bearer shares. Holders of series A preferred registered shares may convert series A shares to series B ordinary bearer shares. The Company's Articles of Association impose no restrictions on the conversion of registered shares to bearer shares. Conversion of series A preferred registered shares to series B ordinary bearer shares results in a change of the number of votes conferred by each share of the Company from two votes to one vote per share.

In 2013, 42,000 series A registered shares (preferred as to vote) were converted into series B ordinary bearer shares.

In 2013, the Company did not purchase its own shares. The Company has no employees share scheme; accordingly, it has no control system for an employees share scheme.

#### **SHAREHOLDERS**

As at 31 December 2013, and as at the date of preparation of this Report, to the best knowledge of the Company, the State Treasury held 14,688,470 series A registered shares (preferred as to vote) representing 35.00% of total shares and conferring the right to 29,376,940 votes at the General Meeting representing 51.74% of all votes at the General Meeting.

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

## Shareholding structure of Warsaw Stock Exchange

	As at 31 December 2013 and as at the date of preparation of this Report			
	Number of shares	% share in the number of shares	Number of votes	% share in the number of votes
State Treasury of the Republic of Poland	14 688 470	35.00%	29 376 940	51.74%
Others – preferred shares	119 000	0.28%	238 000	0.42%
Others – bearer shares	27 164 530	64.72%	27 164 530	47.84%
<b>Total</b>	<b>41 972 000</b>	<b>100.00%</b>	<b>56 779 470</b>	<b>100.00%</b>

Source: WSE

As at 31 December 2013, and as at the date of preparation of this Report, to the Company's best knowledge, no shareholder other than the State Treasury held directly or indirectly at least 5% of the overall number of votes at the General Meeting of Warsaw Stock Exchange.

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, Member of the Management Board,
- Wiesław Rozłucki, Chairman of the 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.

## SHARE LISTING ON WSE

WSE was newly listed on Warsaw Stock Exchange on 9 November 2010. The share price at the closing of the first trading day was PLN 54, i.e., 25.6% more than the share allocation price for retail investors in the IPO (PLN 43) and 17.4% more than the price in the institutional tranche (PLN 46). The Company's shares are listed on the WSE main market in the continuous trading system. As at 31 December 2013, 27,164,530 series B bearer shares (64.72% of all shares), which give the right to exercise 27, 164,530 votes (47.84% of the total vote at the General Meeting), were introduced to trading on WSE.

The Company's shares are part of the following indices calculated by WSE:

- WIG and WIG-PL – broad market indices (since the trading day of 13 November 2010)
- mWIG40, the WSE mid-cap index (since the trading day of 19 March 2011)
- WIGdiv, the WSE high-dividend index (since the trading day of 17 December 2011)
- RESPECT, the corporate social responsibility index (CSR) (since the trading day of 23 December 2013)

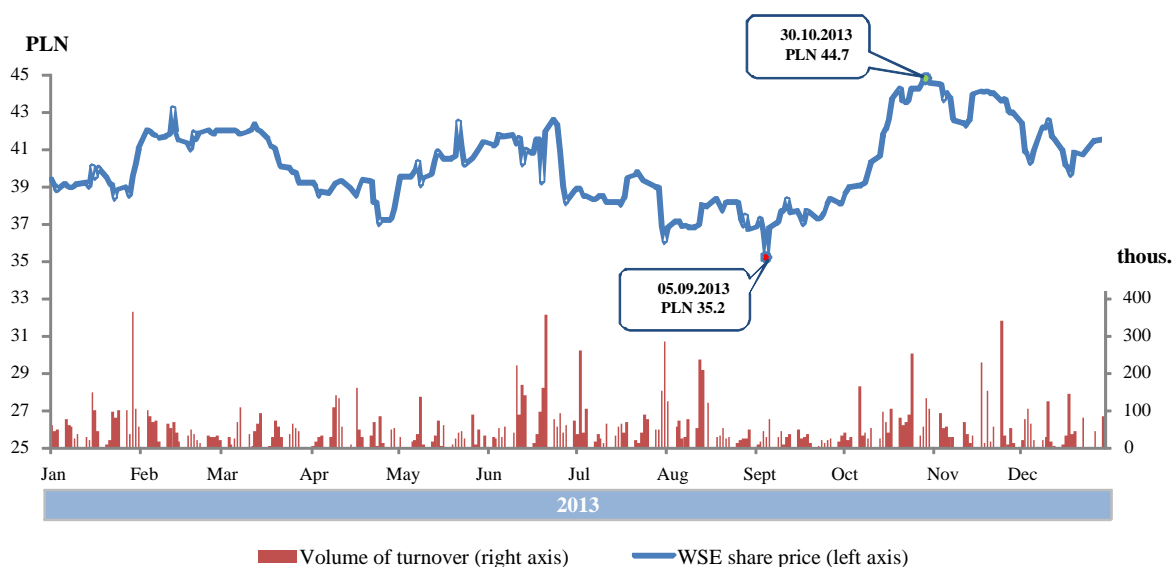
In addition, WSE's shares participate in a range of emerging market mid-cap and small-cap indices as well as exchange operator indices calculated by specialty providers of world recognition.

In 2013:

- the WSE share price rose by 6.8% from PLN 38.87 at the closing of the last trading day in 2012 to PLN 41.5 at the end of 2013;
- the record date of the dividend from the 2012 profit at PLN 0.78 per share was 12 July;

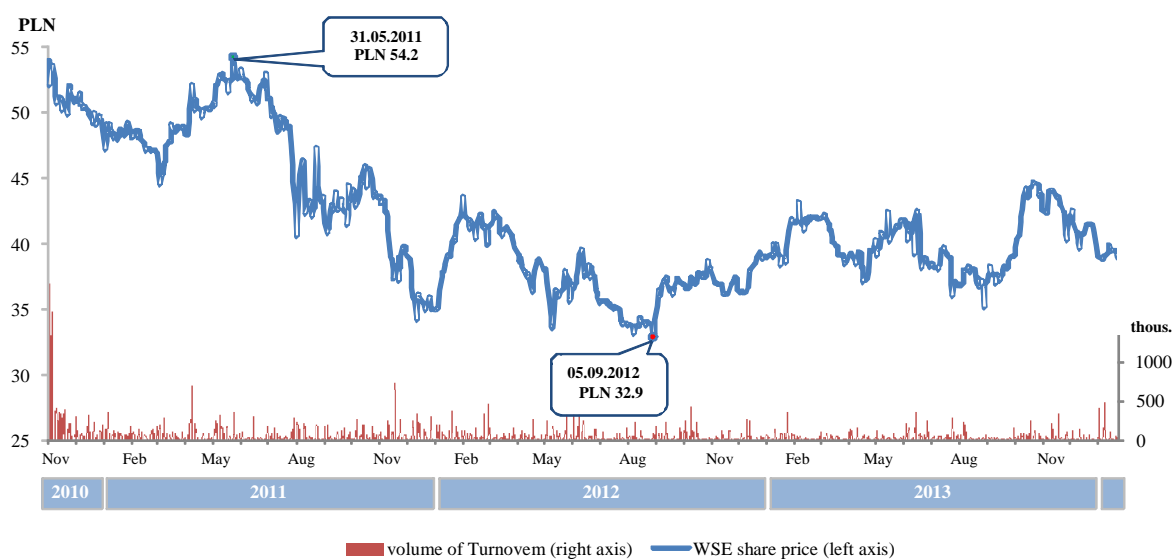
- the average WSE share closing price was PLN 40.1 per share in 2013, which was 7.1% (PLN 2.65) more than in 2012;
- the WSE share price ranged from PLN 35.15 (5 September) to PLN 44.74 (30 October);
- the average daily volume of session trading was 60,008 shares;
- the average daily value of session trading was PLN 2.4 million;
- the velocity ratio of WSE shares (annual turnover to company capitalization) was 34%;
- the Company's capitalization was PLN 1.74 billion at the end of 2013 compared to PLN 1.63 billion a year earlier.

### WSE share price in 2013



Source: WSE

### WSE share price from new listing to the end of January 2014



Source: WSE



## ISSUE OF WSE BONDS, APPLICATION OF CASH RAISED IN THE ISSUE

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

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

- on 24 February 2012, shares representing 80.33% of the share capital, which give the right to exercise the same proportion of votes at the general meeting of PolPX; transaction value: PLN 179.4 million;
- on 29 February 2012, shares representing 7.67% of the share capital, which give the right to exercise the same proportion of votes at the general meeting of PolPX, on terms similar to those of the above transaction;
- in subsequent months, WSE gradually increased its stake in PolPX: it stood at 91.34% as at 30 June 2012; 98.17% as at 30 September 2012; and reached 100% in December 2012.

As at the balance-sheet date of 31 December 2013, and as at the date of preparation of this Report, WSE is the sole shareholder of PolPX. WSE paid PLN 213.9 million for 97.67% of PolPX shares acquired in 2012, which implies the company's aggregate valuation of PLN 219 million.

## WSE BOND LISTING ON CATALYST

WSE bonds are listed on the bond market Catalyst (on the WSE regulated market and in the BondSpot alternative trading system) since February 2012.

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

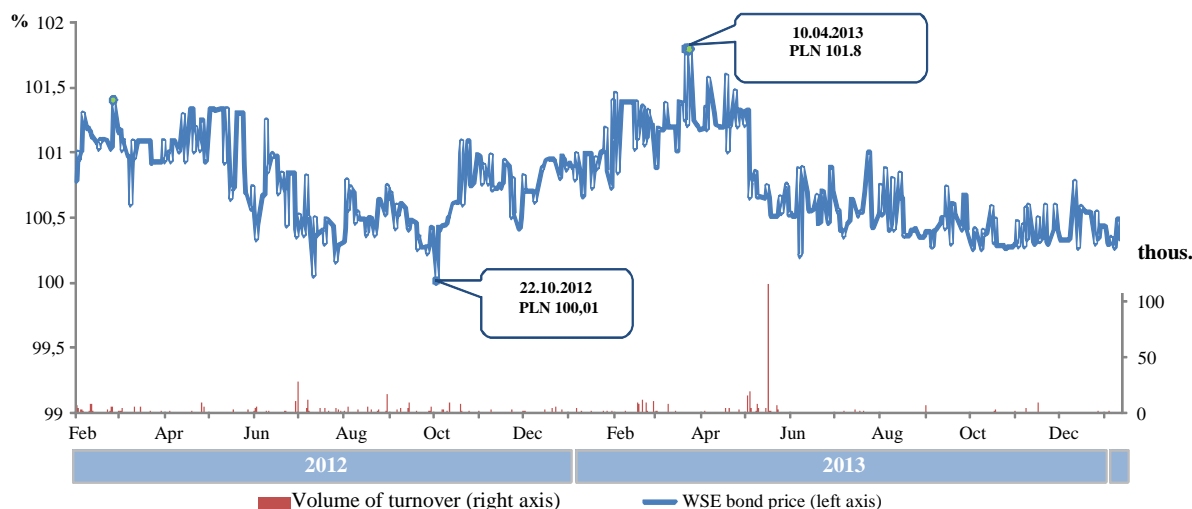
The table below presents interest rates in interest periods as well as the amount of interest.

### Interest rate and amount of interest on WSE bonds

Interest period number	Period	Interest paid (per bond)	Interest rate in the interest period
I	23/12/2011 (A) 15/02/2011 (B) - 30/06/2012	3.21	6.17%
II	30/06/2012 - 31/12/2012	3.18	6.31%
III	31/12/2012 - 30/06/2013	2.62	5.29%
IV	30/06/2013 - 31/12/2013	1.95	3.87%
V	31/12/2013 - 30/06/2014	1.93 <sup>30</sup>	3.89%

<sup>30</sup> The interest will be paid on 30 June 2014.

## WSE bond price



Source: WSE

## AGREEMENTS IN RESPECT OF WSE SHARES AND BONDS

As at the date of preparation of this Report, the Company has no information as to agreements (including post-balance sheet date agreements) which could result in any changes in the future in respect of the proportions in shares or bonds held by the existing shareholders and bondholders.

## 3.4 Dividend

The dividend from the 2012 profit was paid in July 2013. The WSE General Meeting of 21 June 2013 decided to pay PLN 32,738,160 of dividend from the 2012 profit to the shareholders. The dividend per share was PLN 0.78. The dividend record date was 12 July 2013 and the dividend payment date was 26 July 2013.

### DIVIDEND POLICY

The payment of the dividend from the 2012 profit in July 2013 was based on the WSE dividend policy as defined in the WSE prospectus in 2010. On 18 December 2013, the Exchange Management Board adopted a resolution amending the Company's dividend policy; the new policy applies as of the distribution of the profit for the financial year 2013. The amendment was published on 18 December 2013 in Current Report 38/2013. The key amendment of the policy replaced the Company's separate net profit with the WSE Group's consolidated net profit attributable to the shareholders of WSE adjusted for the share of profit of associates as the basis of the dividend.

"It is the intention of the Management Board to recommend that the General Meeting pay dividend depending on the profitability and the financial capacity of the Company, between 30% and 50% of the WSE Group's consolidated net profit attributable to the shareholders of WSE for the financial year adjusted for the share of profit of associates. The dividend is to be paid annually upon the approval of the Company's financial statements by the General Meeting.

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

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

#### HISTORY OF WSE DIVIDEND PAYMENTS

The table below presents the history of the Company's dividend payments (starting from its new listing on WSE). The dividend paid in a year is paid out from the profit of the previous financial year.

##### History of dividend payments

Payout year	Dividend per share (PLN)	Dividend paid (PLN'000)	Dividend payout ratio <sup>31</sup>
2013	0.78	32 738	49.9%
2012	1.44	60 440	49.9%
2011	3.21	134 730	99.8%

Source: WSE

### 3.5 General Meeting

The Company's General Meeting operates under the Commercial Companies Code, the Company's Articles of Association (in particular § 8 - § 12) and the General Meeting Rules. The operation of the WSE General Meeting and its powers are set out in the Company's Articles of Association and the General Meeting Rules.

The Company's Articles of Association and the General Meeting Rules are available on the Company's website.

Shareholders can participate in and exercise their voting rights at the General Meeting either in person or by proxy. The General Meeting resolutions are passed by an absolute majority of votes, save for resolutions which in accordance with the Commercial Companies Code or the Articles of Association must be passed by a qualified majority of votes; a resolution 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.

The following issues must be resolved by a General Meeting resolution adopted by the majority of two thirds of votes:

- establishment of a limited property right or a contractual right on the enterprise of the Exchange or its organized part;
- disposal of or establishment of any limited property right or a contractual right by the Exchange on shares held by the Exchange in entities conducting business activity in the area of trading in financial instruments;
- acquisition or disposal of real estate, perpetual usufruct or any interest in real estate;
- acquisition of own shares.

The General Meeting votes in an open ballot. 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.

<sup>31</sup> Based on separate profit.

In accordance with the General Meeting Rules, open and secret voting may be conducted with the use of electronic devices with the consent of the General Meeting. The General Meeting may pass a resolution on repealing a secret ballot on issues concerning the election of committees appointed by the General Meeting.

A resolution on removing from the agenda or ceasing examination of an item placed on the agenda at the request of shareholders must be passed by an absolute majority of votes with the consent of the present shareholders who submitted the motion.

The WSE General Meeting is opened by the Chairman of the Exchange Supervisory Board or his appointee, after which the chairman of the meeting is elected from amongst those eligible to participate in the General Meeting. The General Meeting adopts the General Meeting Rules laying down in detail the rules of procedure. The draft General Meeting Rules are presented by the Exchange Management Board. Starting from 2011, 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.

### **3.6 Controlling rights and restriction of rights from shares**

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

However, it should be stated that the Company's shareholder, State Treasury, holds 14,688,470 registered shares preferred as to vote, which results in 29,376,940 votes at the General Meeting and represents 51.74% of such votes (as at the date of preparation of this Report).

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

#### **RESTRICTIONS ON EXERCISE OF VOTING RIGHTS**

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, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of 29 July 2005, 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 of Shareholders passed a resolution on introducing the restriction referred to above (i.e., 30 July 2010) were authorized due to holding shares representing more than 10% of the overall number of votes existing in the Company;
- shareholders who are authorized due to holding more than 25% of the total number of shares preferred as to voting right referred to in § 4 section 1 point 1) of the Articles of Association, i.e., shareholders authorized due to holding more than 10,493,000 series A registered shares preferred as to voting right.

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 following rules.

A shareholder is any person, including its parent entity and subsidiaries, who directly or indirectly holds a voting right at the General Meeting under any legal title; the above concerns also the person who does not hold shares in the Company, including without limitation a user, pledgee, depositary receipt beneficiary within the meaning of the provisions of the Act on Trading in Financial Instruments of 29 July 2005, as well as a person eligible to participate in the General Meeting despite having disposed of shares held following the day when the right to participate in the General Meeting was established.

A parent entity or subsidiary shall be understood to be, respectively, a person who:

- meets the preconditions stipulated in article 4 § 1 item 4) of the Commercial Companies Code; or
- has the status of parent entity, subsidiary or the status of parent entity and subsidiary at the same time within the meaning of the provisions of the Act on Competition and Consumer Protection of 16 February 2007; or
- has the status of parent entity, ultimate parent entity, subsidiary, ultimate subsidiary, co-subsidiary, or has the status of parent entity (including ultimate parent entity) and subsidiary (including ultimate subsidiary and co-subsidiary) at the same time within the meaning of the provisions of the Accounting Act of 29 September 1994; or
- exerts (parent entity) or is affected by (subsidiary) decisive influence within the meaning of the Act on Transparency of Financial Relations between Public Authorities and Public Undertakings and on Financial Transparency of Certain Undertakings of 22 September 2006; or
- holds votes arising out of directly or indirectly held shares in the Company which are accumulated together with the votes of another person or other persons on terms stipulated in the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of 29 July 2005 in relation to the holding, disposing or acquiring material blocks of shares in the Company.

A detailed description of the restrictions on voting right is set out in the Company's Articles of Association. Should any doubts arise, the provisions regulating the voting right restrictions should be construed in accordance with article 65 § 2 of the Civil Code.

The acquisition of more than 10,493,000 shares preferred as to voting right (i.e., more than 25% of the total number of the Company's shares preferred as to voting right at the date of the Articles of Association registration) from the State Treasury will enable the acquirer to enjoy the exemption from the voting right restriction provided for in the Articles of Association.

### 3.7 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 section 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 authorized, 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.

#### AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2013

On 21 June 2013, the Company's Ordinary General Meeting passed Resolution No. 19/2013 concerning amendments to the Company's Articles of Association (the content of the passed resolution was published by the Company in Current Report 26/2013 available at [http://www.gpw.pl/raport\\_biezacy?geri\\_id=244](http://www.gpw.pl/raport_biezacy?geri_id=244)).

The amendments contained in the resolution related to a change of the Company's capital structure following the conversion of 42,000 series A preferred registered shares to series B ordinary bearer shares and the requirement of bringing the wording of the Articles of Association in line with the facts. The aforementioned amendments to the Company's Articles of Association were registered by the District Court of Warsaw. Pursuant to § 18 section

4 of the Company's Articles of Association, the Exchange Supervisory Board adopted the consolidated text of the Company's Articles of Association.

### 3.8 Supervisory Board and its committees

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

#### Composition of the Exchange Supervisory Board as at 31 December 2013

	<b>Position held</b>	<b>In office since</b>	<b>End of term</b>
Wiesław Rozłucki	Chairman	21 June 2013	27 June 2014
Marek Wierzbowski	Deputy Chairman	16 April 1994	27 June 2014
Dariusz Kacprzyk	Member	21 June 2013	27 June 2014
Sławomir Krupa	Member	27 June 2011	27 June 2014
Jacek Lewandowski	Member	28 February 2011	27 June 2014
Leszek Pawłowicz	Member	12 February 2008	27 June 2014
Marek Słomski	Member	27 June 2012	27 June 2014

Source: WSE

#### Composition of the Exchange Supervisory Board as at 31 December 2012

	<b>Position held</b>	<b>In office since</b>	<b>End of term</b>
Leszek Pawłowicz	Chairman	12 February 2008	27 June 2014
Marek Wierzbowski	Deputy Chairman	16 April 1994	27 June 2014
Sławomir Krupa	Member	27 June 2011	27 June 2014
Jacek Lewandowski	Member	28 February 2011	27 June 2014
Sebastian Skuza	Member and Secretary	15 November 2006	27 June 2014
Marek Słomski	Member	27 June 2012	27 June 2014
Paweł Graniewski	Member delegated by the Exchange Supervisory Board to temporarily perform the functions of Exchange Management Board Member	28 February 2011	27 June 2014

Source: WSE

The composition of the Exchange Supervisory Board changed in 2013 as follows:

On 9 April 2013, i.e., the day the Exchange received a decision of the Polish Financial Supervision Authority concerning appointment of Paweł Graniewski, Member of the Exchange Supervisory Board, as Vice-President of the Exchange Management Board, the resignation of Paweł Graniewski from the Exchange Supervisory Board dated 22 February 2013 became effective. Previously, on 21 December 2012, the Exchange Supervisory Board

adopted a resolution delegating Paweł Graniewski to temporarily perform the functions of a Member of the Exchange Management Board for a period no longer than 3 months as of 10 January 2013.

The Company's Ordinary General Meeting was held on 21 June 2013. The General Meeting decided to dismiss Sebastian Skuza, Member and Secretary of the Exchange Supervisory Board, from the Exchange Supervisory Board. In addition, the following persons were appointed Members of the Exchange Supervisory Board:

- Wiesław Rozłucki, candidate nominated by minority shareholders who are not exchange members; and
- Dariusz Kacprzyk.

The current term of office of all Exchange Supervisory Board members expires no later than at the General Meeting to be held to approve the financial statements for the financial year 2013.

#### **PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE SUPERVISORY BOARD IN 2011-2013**

<b>As at<sup>32</sup></b>	<b>Number of women</b>	<b>Number of men</b>
31 December 2010	2	5
28 February 2011	1	6
27 June 2011	0	7
20 December 2012	0	7
9 April 2013	0	6
21 June 2013	0	7
31 December 2013	0	7

Source: WSE

#### **APPOINTMENT AND DISMISSAL OF THE SUPERVISORY BOARD MEMBERS**

Exchange Supervisory Board members are appointed and dismissed by the General Meeting. The number of Exchange Supervisory Board members is set by the General Meeting in a resolution to appoint the Exchange Supervisory Board. Pursuant to the Articles of Association, the General Meeting appoints:

- at least one of the Exchange Supervisory Board members from among the candidates proposed by the shareholders being exchange members; and
- at least one of the Exchange Supervisory Board members from among the candidates proposed by a shareholder or shareholders who represent in total less than 10% of the share capital and are not exchange members (minority shareholders).

The candidates proposed by both of the above groups need to meet the criteria for independence, as described below. Candidates must be proposed no later than seven days before the scheduled date for the General Meeting. The application must include a candidate's resume and indicate the number of shares and the number of votes that are represented by the shareholder or shareholders proposing that candidate.

If a vote is ordered for candidates proposed by shareholders who are also members of WSE, first, a vote shall be cast on candidates submitted by members of WSE who represent the largest number of votes. If no candidates are proposed by shareholders who are WSE members and by minority shareholders, all the Exchange Supervisory Board members are appointed by the General Meeting pursuant to the general rules. If at least one candidate is proposed by either WSE members or minority shareholders, the General Meeting appoints the remaining Exchange Supervisory Board members pursuant to the general rules. If the General Meeting has not appointed two Exchange Supervisory Board members pursuant to the rules described above, although

<sup>32</sup> As at the end of each year and as at the date of a change.



shareholders (exchange members and minority shareholders) have proposed their candidates, a new General Meeting to appoint such Exchange Supervisory Board members must be convened. At this subsequent General Meeting, shareholders must propose new candidates.

The Exchange Supervisory Board members appointed under the rules described above can be dismissed only if new Exchange Supervisory Board members are appointed simultaneously under the same rules. If, due to the expiry of a mandate during a term other than by dismissal, the Exchange Supervisory Board does not contain a member appointed pursuant to the above rules, such a member must be appointed at the next General Meeting. However, if the Exchange Supervisory Board is appointed by voting in separate groups, the above rules of appointing two Exchange Supervisory Board members do not apply, meaning that all the Exchange Supervisory Board members will be appointed pursuant to the general rules. In this procedure, neither the preferences with regard to voting rights nor the limitation on voting rights apply and the exact number of seven members of the Exchange Supervisory Board shall be appointed.

The independence criteria are met by a person who:

- is not a related party of WSE (but for membership in the Exchange Supervisory Board), is not a related party of WSE's parent entity or subsidiary and a subsidiary to WSE's parent entity, or a related party of an entity in which WSE holds over 10% of the share capital;
- is not a relative by blood or affinity up to the second degree of a person referred to in the point above;
- is not a relative by blood or affinity up to the second degree of a WSE shareholder holding more than 5% of all the votes in WSE;
- is not a related party of any WSE shareholder holding more than 5% of the total votes in WSE, or its parent company or subsidiary, or a subsidiary of the parent entity in relation to such shareholder; and
- is not a relative by blood or affinity up to the second degree of the person referred to in the point above.

"Related party" is understood as:

- being a member of the statutory bodies of a legal entity, and in the case of a partnership – partner or general partner;
- being an employee or a contracted agent of or being related under a similar legal relationship with the entity. The above is applicable to persons who within the period of the last three years before the appointment of the Exchange Supervisory Board have been in an employment, contracted agent or similar legal relationship with the Company.

## POWERS OF THE EXCHANGE SUPERVISORY BOARD

Pursuant to the Articles of Association, the Exchange Supervisory Board has the following powers:

- to appoint the Exchange Management Board members as set out in the section 3.9 "Management Board";
- to assess the Exchange Management Board's report and the financial statements for the previous financial year;
- to assess the Exchange Management Board's proposals on the distribution of profits or coverage of losses;
- to provide the General Meeting with a written report on the findings of the above assessments;
- to approve the Exchange Management Board Rules at the request of the Exchange Management Board;
- to adopt the Exchange Supervisory Board Rules;
- to adopt, at the request of the Exchange Management Board, the Exchange Rules and any amendments thereto;



- to determine the terms of the employment contracts and the amount of remuneration of the President of the Exchange Management Board and the other members of the Exchange Management Board, where 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;
- to represent the Company in contracts and disputes between the Company and the Exchange Management Board members;
- to grant consent for the Company to conclude, with its related party, a material agreement, within the meaning of the applicable provisions of law on current and periodic reports to be published by issuers of securities admitted to trading on the regulated market, provided that no consent is required for the conclusion of typical agreements on an arm's length basis in the course of the Company's operational activity;
- to determine the rules on which the Exchange Management Board members acquire and dispose of securities listed on the exchange operated by the Company;
- to appoint an auditor to audit the Company's financial statements;
- to approve the financial plan and a financial plan implementation report at the request of the Exchange Management Board;
- to provide the General Meeting with a concise annual assessment of the Company's standing, including an assessment of the internal control system and the system applied to manage risks material to the Company;
- to present the General Meeting with an annual report on the activities of the Exchange Supervisory Board; and
- to consider and give opinions on matters to be discussed by the General Meeting.

The Articles of Association provide that the resolutions of the Exchange Supervisory Board are generally adopted by an absolute majority of votes (i.e., the majority of the votes cast); however, a four-fifths majority vote 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 WSE);
- approval, at the request of the Exchange Management Board, of a multiannual growth strategy of WSE;
- 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 organized in an alternative trading system;
- acquisition of an IT system for concluding stock exchange transactions; and
- granting consent for the purchase or disposal of shares in companies or partnerships if the value thereof, according to the purchase price or selling price, exceeds 1/10 of the WSE's share capital. However, under the Commercial Companies Code, if the Exchange Supervisory Board declines to grant its approval, the Exchange Management Board may apply to the General Meeting for approval.

#### **OPERATION OF THE EXCHANGE SUPERVISORY BOARD**

According to the Articles of Association, the Exchange Supervisory Board meets at least once per quarter. The Chairman or the Deputy Chairman of the Exchange Supervisory Board must convene a Exchange Supervisory Board meeting if requested to do so in writing by the Exchange Management Board or a Exchange Supervisory Board member. This meeting should be held within two weeks from the date the request is received.

The detailed rules concerning the Exchange Supervisory Board's operation are provided for in the Exchange Supervisory Board Rules. In addition to standard provisions, the Exchange Supervisory Board Rules include a regulation providing that a Exchange Supervisory Board member will, promptly after the end of each quarter of the calendar year, notify the Chairman of the Exchange Supervisory Board in writing of any transaction in securities and other financial instruments listed on WSE. In addition, pursuant to the Exchange Supervisory

Board Rules, the Exchange Supervisory Board may appoint committees and working teams from among its members.

The Exchange Supervisory Board adopts resolutions in an open ballot. A secret ballot shall be ordered for appointment of the Chairman, the Deputy Chairman, and the Secretary of the Exchange Supervisory Board and at the request of at least one-third of Exchange Supervisory Board members present at the meeting. The Exchange Supervisory Board passes resolutions by an absolute majority of votes when at least half of the members are present except for resolutions on matters for which a qualified majority of four-fifths of votes is required. The Exchange Supervisory Board members who have a conflict of interest with the Company should inform the Exchange Supervisory Board of the conflict and refrain from taking part in discussion and vote on a resolution in the matter that is subject to the conflict of interest.

The Exchange Supervisory Board meetings are convened and chaired by the Chairman. In the case of an equal number of votes, the Chairman shall cast the deciding vote. The Exchange Supervisory Board can vote in writing or by electronic means, except for matters regarding appointment of the Chairman and the Deputy Chairman of the Supervisory Board and members of the Management Board and dismissal and suspension of the Exchange Management Board and its members.

#### EXCHANGE SUPERVISORY BOARD COMMITTEES

The Exchange Supervisory Board appoints the Audit Committee. In addition, pursuant to the Articles of Association, the Exchange Supervisory Board appoints the Regulation Committee and may appoint other committees, in particular the Remuneration and Nominations Committee. Detailed tasks as well as principles governing appointment and operation of the committees are set out in the Exchange Supervisory Board Rules. Each operating Exchange Supervisory Board Committee should have at least one independent member of the Exchange Supervisory Board appointed by the General Meeting in accordance with the Articles of Association from among:

- candidates nominated by shareholders being WSE members; and
- candidates nominated by a shareholder or shareholders representing jointly less than 10% of the Company's share capital who are not WSE members.

Pursuant to the Exchange Supervisory Board Rules, the committees include: Audit Committee, Remuneration and Nominations Committee, Regulation and Corporate Governance Committee, and Strategy Committee. The committees provide annual reports on their activity to the Exchange Supervisory Board.

#### Composition of Exchange Supervisory Board Committees as at 31 December 2013

First and last name	Position held
<b>Audit Committee</b>	
Dariusz Kacprzyk	Chairman
Jacek Lewandowski	Member
Marek Słomski	Member
<b>Remuneration and Nominations Committee</b>	
Leszek Pawłowicz	Chairman
Wiesław Rozłucki	Member
Marek Słomski	Member
<b>Regulation and Corporate Governance Committee</b>	
Marek Wierzbowski	Chairman

Marek Słomski	Member
Sławomir Krupa	Member

#### **Strategy Committee**

Leszek Pawłowicz	Chairman
Jacek Lewandowski	Member
Marek Słomski	Member

### **Composition of Exchange Supervisory Board Committees as at 31 December 2012**

<b>First and last name</b>	<b>Position held</b>
<b>Audit Committee</b>	
Sebastian Skuza	Chairman
Jacek Lewandowski	Member
Marek Słomski	Member
<b>Remuneration and Nominations Committee</b>	
Leszek Pawłowicz	Chairman
Paweł Graniewski	Member
Sebastian Skuza	Member
<b>Regulation and Corporate Governance Committee</b>	
Marek Wierzbowski	Chairman
Paweł Graniewski	Member
Marek Słomski	Member
<b>Strategy Committee</b>	
Paweł Graniewski	Chairman
Leszek Pawłowicz	Member
Sławomir Krupa	Member
Jacek Lewandowski	Member

No ad hoc committee was appointed in 2013.

#### **Audit Committee**

The Audit Committee comprises at least three Exchange Supervisory Board members, including at least one member meeting the independence criteria and qualified in the area of accounting or auditing as set out in Article 86 paragraph 4 of the Act on Chartered Auditors.

As at the date of preparation of this Report, all the Audit Committee members satisfied the independence requirements and had qualifications in accounting or financial review in accordance with Article 86 paragraph 4 of the Act on Chartered Auditors.

Pursuant to the Articles of Association, the Audit Committee duties include, but are not limited to, supervising the internal audit department; monitoring financial reporting; monitoring the effectiveness of internal control, internal audit and risk management systems; monitoring the financial audit function; monitoring the independence of the chartered auditor and the entity authorized to audit the financial statements, including provision of services other than audit services to the Company; recommending to the Exchange Supervisory

Board an entity authorized to audit the financial statements to audit the Company's financial statements. Pursuant to the Exchange Supervisory Board Rules, the Audit Committee duties include also giving opinions on financial statements and motions of the Management Board concerning profit distribution or coverage of loss, giving opinions on the financial plan of WSE, giving opinions on the report of the Exchange Management Board on implementation of the financial plan, giving opinions on risk assessment reports, giving opinions on proposals of companies to be appointed auditor, giving recommendations to the Exchange Supervisory Board on the selection of the company to be appointed auditor.

#### **Remuneration and Nominations Committee**

Pursuant to the Exchange Supervisory Board Rules, the Remuneration and Nomination Committee duties comprise giving opinions on the remuneration system, employment contracts with the Exchange Management Board members, annual awards proposed for the Exchange Management Board members and the incentive system.

#### **Regulation and Corporate Governance Committee**

Pursuant to the Exchange Supervisory Board Rules, the Regulation and Corporate Governance Committee's duties involve initiating and issuing opinions on proposed changes in regulations, preparing Management and Supervisory Boards' joint position statements, issuing opinions on WSE corporate governance compliance statements, initiating, issuing opinions and monitoring activities related to the implementation of the corporate governance rules by WSE, as well as activities supporting the implementation of the corporate governance rules in listed companies.

#### **Strategy Committee**

Pursuant to the Exchange Supervisory Board Rules, the Strategy Committee's duties are to issue opinions on WSE's strategy, its updates and implementation, as well as on the aspects of WSE's privatization, proposed strategic alliances, proposed acquisition by WSE of stakes in entities of strategic significance, and materials related to exchange fees.

### **3.9 Management Board**

The Exchange Management Board consists of five members, including the President of the Management Board.

#### **Composition of the Management Board of Warsaw Stock Exchange**

<b>As at 31 December 2013</b>			
	<b>Position held</b>	<b>In office since</b>	<b>End of term</b>
Adam Maciejewski	President	15 February 2013 <sup>33</sup>	1 July 2014
Beata Jarosz	Vice-President	22 February 2013 <sup>34</sup>	1 July 2014
Paweł Graniewski	Vice-President	9 April 2013	1 July 2014
Mirosław Szczepański	Member	9 April 2013	1 July 2014
Dariusz Kulakowski	Member	20 September 2013	1 July 2014

Source: WSE

<sup>33</sup> From 28 June 2006 to 20 December 2012, Adam Maciejewski was a Member of the WSE Management Board; from 21 December 2012 to 14 February 2013, he was Vice-President of the WSE Management Board and acting President of the WSE Management Board.

<sup>34</sup> From 28 June 2006 to 21 February 2013, Beata Jarosz was a Member of the WSE Management Board.

The Exchange Supervisory Board at its meeting on 21 December 2012 adopted a resolution suspending Ludwik Sobolewski in his function as President of the Exchange Management Board for compelling reasons as of 21 December 2012. The Exchange Supervisory Board on 21 December 2012 adopted a resolution appointing Adam Maciejewski, Member of the Exchange Management Board, as Vice-President of the Exchange Management Board and acting President of the Exchange Management Board.

On 17 January 2013, on request of the State Treasury of the Republic of Poland, a shareholder representing 35.0% of the share capital of the Company, the Extraordinary General Meeting of WSE appointed Adam Maciejewski as President of the Exchange Management Board. The General Meeting decided to dismiss Ludwik Sobolewski from the Exchange Management Board. The changes took effect on 15 February 2013, i.e., the day of delivery to WSE of the decision of the Polish Financial Supervision Authority approving those changes to the Exchange Management Board.

On 22 February 2013, Lidia Adamska, Member of the Exchange Management Board, resigned from her function as of 31 March 2013. At its meeting on 22 February 2013, the Exchange Supervisory Board decided to:

- appoint Paweł Graniewski, Member of the Exchange Supervisory Board delegated to temporarily perform the function of Exchange Management Board Member, to the Exchange Management Board as Vice-President,
- appoint Mirosław Szczepański as a Member of the Exchange Management Board,
- appoint Beata Jarosz as a Vice-President of the Exchange Management Board.

On 9 April 2013, WSE received a decision of the Polish Financial Supervision Authority concerning approval for appointment of Paweł Graniewski and Mirosław Szczepański to the Exchange Management Board. As a result, the resignation of Paweł Graniewski from the Exchange Supervisory Board dated 22 February 2013 became effective, as described in section 3.8 of this Report.

On 22 May 2013, the Exchange Supervisory Board decided to appoint Dariusz Kułakowski as Exchange Management Board Member. The decision took effect on 20 September 2013, i.e., the day of delivery to the Company of the approval of the Polish Financial Supervision Authority for the change.

The current term of office of all Exchange Management Board members expires no later than at the General Meeting to be held to approve the financial statements for the financial year 2013.

The composition of the Management Board did not change after the balance sheet date.

Pursuant to Resolution No. 105/2013 of the Exchange Management Board dated 25 January 2013, each of the Exchange Management Board Members publishes on the Company's website information about pursued business activities and capital investment in commercial law companies and partnerships for the purpose of a transparent and effective information policy.

#### **PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE MANAGEMENT BOARD IN 2011-2013**

<b>As at<sup>35</sup></b>	<b>Number of women</b>	<b>Number of men</b>
31 December 2011	2	2
31 December 2012	2	2
15 February 2013	2	1
1 April 2013	1	1
9 April 2013	1	3
22 May 2013	1	4
31 December 2013	1	4

<sup>35</sup> As at the end of each year and as at the date of a change.

## **APPOINTMENT OF MANAGEMENT BOARD MEMBERS**

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

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

Given that the Company operates a stock exchange, additional rules regarding the composition of the Exchange Management Board apply under the Act on Trading in Financial Instruments of 29 July 2005. Accordingly, the management board of a stock exchange 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 organizes 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 organization of the alternative trading system.

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

## **POWERS OF THE EXCHANGE MANAGEMENT BOARD**

The Exchange Management Board handles the Company's affairs and assets, and represents it in its dealings with third parties. The Exchange Management Board exercises all powers that are not vested in the General Meeting or the Exchange Supervisory Board. Resolutions of the Exchange Management Board are adopted by an absolute majority of votes. Two Exchange Management Board members acting jointly or a Exchange Management Board member acting together with a commercial proxy are authorized 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. The Management Board has, however, no authority to issue or buy out shares.

## **OPERATION OF THE EXCHANGE MANAGEMENT BOARD**

According to the Articles of Association, the Exchange Management Board meetings are held at least once per month. Detailed rules concerning the Exchange Management Board's functions are set out in the Exchange Management Board Rules. These Rules are adopted by the Exchange Management Board and approved by the Exchange Supervisory Board. Pursuant to the provisions of the Exchange Management Board Rules, the Exchange Management Board makes decisions in the form of resolutions. Resolutions of the Exchange Management Board are passed by an absolute majority of votes and may be adopted only if all Exchange Management Board members have been duly informed of the Exchange Management Board meeting. Pursuant to the Articles of Association, in the event of an equal number of votes, the President of the Exchange Management Board shall cast the deciding vote.

The Exchange Management Board Rules stipulate that in the event of a conflict of interest between the Company and a Management Board member, spouse, relative by blood or affinity (up to the second degree), or any other person to whom a Exchange Management Board member is related personally, the Exchange Management Board member must refrain from voting in the matter subject to the conflict of interest and may demand that this be recorded in the meeting minutes.

### **3.10 Remuneration and employment contracts of Exchange Management Board and Exchange Supervisory Board Members**

#### **REMUNERATION OF 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 with 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 remuneration system for the members of the Exchange Management Board is defined in the employment contracts (as amended). It consists of a fixed part (basic pay) and a variable part (incentive system, i.e., bonus) as well as additional benefits. The bonus depends on the degree of performance of a number of business targets (concerning the development of the capital market) and financial targets. The maximum amount of bonus available within the year is also defined. As part of the maximum bonus, the Exchange Supervisory Board may grant a discretionary bonus to Exchange Management Board members, which is not directly linked to the business and financial indicators. It is awarded on the basis of an assessment of performance of individual annual tasks. The Company has no incentive or bonus programs based on the issuer's capital (such as programs based on bonds with pre-emptive rights, convertible bonds, subscription warrants, or stock options).

#### **Remuneration and other benefits of the members of the Exchange Management Board, including remuneration from positions in subsidiaries in 2013 in PLN thousand**

	<b>GPW</b>						
	<b>Fixed part</b>	<b>Variable part (bonus)</b>	<b>Bonus – non-current liability<sup>36</sup></b>	<b>Other benefits</b>	<b>Termination benefits</b>	<b>Subsidiaries</b>	<b>Total</b>
Adam Maciejewski	948	582	177	255	0	86	2 048
Beata Jarosz	638	332	117	187	0	83	1 357
Paweł Graniewski	382	192	26	119	0	0	719
Mirosław Szczepański	350	160	34	104	0	110	758
Dariusz Kułakowski	133	60	13	39	0	0	245
Ludwik Sobolewski	368	0	0	81	117	12	578
Lidia Adamska	317	0	0	62	825	7	1 212

Source: WSE

<sup>36</sup> The bonus – a long-term liability for 2011 was settled in 2013 and presented under “Variable part (bonus).”



**Remuneration and other benefits of the members of the Exchange Management Board, including remuneration from positions in subsidiaries in 2012 in PLN thousand**

WSE						
	Fixed part	Variable part (bonus)	Bonus – non-current liability	Other benefits	Subsidiaries	Total
Ludwik Sobolewski	948	74	0	280	138	1 440
Lidia Adamska	660	145	20	198	33	1 056
Beata Jarosz	636	231	27	196	74	1 164
Adam Maciejewski	684	288	24	213	46	1 255

Source: WSE

**TERMS OF EMPLOYMENT CONTRACTS WITH MEMBERS OF THE EXCHANGE MANAGEMENT BOARD**

Employment contracts with the Exchange Management Board are signed for a fixed term, i.e., until the end of the term of office, due to the term of office of the Management Board of the Company determined in the Articles of Association. The term of office expires in June 2014.

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

**Employment contracts with members of the Exchange Management Board**

As at 31 December 2013			
	Contract term from	Contract duration	Position held
Adam Maciejewski	14 July 2006	fixed term – until the end of term of office	President
Beata Jarosz	14 July 2006	fixed term – until the end of term of office	Vice-President
Paweł Graniewski	10 April 2013	fixed term – until the end of term of office	Vice-President
Mirosław Szczepański	10 April 2013	fixed term – until the end of term of office	Member
Dariusz Kułakowski	20 September 2013	fixed term – until the end of term of office	Member

Source: WSE

The Exchange Management Board member's employment contracts can be terminated by the Company or an Exchange Management Board member with a three months' notice or by agreement of the parties, except that if the President of the Exchange Management Board terminates his employment agreement, a two weeks' notice will apply. Following the decision of the General Meeting on 17 January 2013 dismissing Ludwik Sobolewski from the Exchange Management Board, the Company terminated his employment contract with a three months' notice, effective as of 30 April 2013.

At its meeting on 22 February 2013, the Exchange Supervisory Board accepted the resignation of Lidia Adamska from her function as Exchange Management Board Member. The employment contract of Lidia Adamska was terminated as of 31 March 2013.

All the Exchange Management Board members since 2006 have signed a non-competition agreement with the Company which provides that during 12 months from termination of their employment contracts with the Company, the Exchange Management Board members will not perform any activity competitive towards the Company. During the non-competition period after termination of the employment relationship, the members of the Exchange Management Board will have the right to a compensation equal to 100% of their basic gross



remuneration received during 12 months preceding the termination of the employment relationship paid in 12 equal monthly instalments.

Therefore, the Company:

- paid compensation of PLN 116,744.44 to Ludwik Sobolewski. The non-competition agreement was terminated by agreement of the parties as of 30 June 2013;
- paid compensation of PLN 55,000 to Lidia Adamska. The non-competition agreement is effective until 31 March 2014.

#### REMUNERATION OF EXCHANGE SUPERVISORY BOARD MEMBERS

According to the Articles of Association, the Exchange Supervisory Board Members receive remuneration in the amount set by the General Meeting. Pursuant to the last Resolution of the Company's Ordinary General Meeting of 27 June 2011, the amount of monthly remuneration of the Exchange Supervisory Board members has been set at 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).

##### Remuneration of the Supervisory Board members in PLN thousand

	For the year ended 31 December	
	2013	2012
Leszek Pawłowicz	47	45
Marek Wierzbowski	47	45
Sebastian Skuza	22	45
Paweł Graniewski <sup>37</sup>	164	45
Jacek Lewandowski	47	45
Jacek Jaszczolt	0	23
Sławomir Krupa	47	45
Marek Słomski	47	23
Wiesław Rozłucki	25	0
Dariusz Kacprzyk	25	0

Source: WSE

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

### 3.11 WSE employees

#### Headcount of WSE

	As at 31 December	
	2013	2012
Number of WSE employees	205	211

Source: WSE

<sup>37</sup> Delegated to perform the function of Exchange Management Board Member in the period from 10 January 2013 to 9 April 2013. In the period of the delegation, he received monthly remuneration in the amount of the average base pay of the Members of the Exchange Management Board.

The recruitment policy of Warsaw Stock Exchange is geared towards recruitment of top class specialists in all areas of the Company's activity. Internal recruitment activities were intensified in 2013. In recruitment for strategic positions, the Exchange co-operates with professional human resources consultancies which provide a complete professional and psychological profile of the candidate. Effective employee recruitment is also supported by the WSE website section "Work with WSE."

In 2013, the human resources policy focused on effective management of HR, payroll, social and bonus processes to match them with business needs and to support the implementation of the Exchange strategy. An Employee Engagement Survey was carried out in the WSE Group in partnership with AonHewitt. The employees had the opportunity to provide feedback on the climate, efficiency and satisfaction with work. The results are used to develop plans of improvement of the conditions and efficiency of work.

Training plays an important role in the process of employees' professional development. For this purpose, training was offered in 2013 to improve specific professional qualifications and language skills; MA, post-graduate and PhD courses were also subsidized. In order to improve their professional competences, WSE employees also participated in conferences, congresses and seminars about the markets.

Warsaw Stock Exchange offers the employees an incentive program consisting of a fixed part (base pay) and a variable part (annual bonus) as well as a discretionary bonus. The variable part of the incentive system – the annual bonus – is based on the employee's individual appraisal and tied to the results of WSE (until 2012, the Exchange's net profit; in 2013, the operating profit). The system was modified in 2013; as a result, a new bonus scheme was implemented as of 1 January 2014, replacing the existing system.

The new bonus system is tied to the objectives of the Management Board and the strategic directions of the Exchange. It divides job positions into bonus categories to which diversified bonus rules apply. A single set of bonus criteria and a single proportion of criteria based on ratios, performance and quantitative criteria applies within each bonus category.

The new bonus system was designed according to the following assumptions:

- linkage to the strategic goals – the system should be tied to the objectives of the Management Board and integrate employees around the strategic directions of the Exchange;
- dependence on the performance of targets – the system will award for the (percentage) performance of the targets;
- wherever possible, the bonus depends on measurable work results; where these cannot be quantified, the bonus depends on targets closely correlated with the profile of work.

The Exchange also provides the employees with fringe benefits including: health care, reimbursement of commuting costs, a canteen system, loans including housing and medical loans, as well as payments from the Company Social Benefits Fund

#### **WSE headcount by gender**

	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
Total	205	211
Women	97	98
Men	108	113

Source: WSE

**WSE headcount by education**

	<b>As at 31 December</b>	
	<b>2013</b>	<b>2012</b>
Total	205	211
Vocational	1	1
Secondary	29	33
Tertiary	175	177

Source: WSE

**TRAINEESHIPS AND INTERNSHIPS**

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

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

## **3.12 Changes in the manner of managing the Company**

**CREATION OF A TAX GROUP**

With a view to tax optimisation of the reorganisation of the Group and its activity, WSE decided to set up a tax group comprised of WSE and WSE Commodities. Consequently, on 28 August 2013, WSE and WSE Commodities signed an agreement concerning the creation of a tax group for a period of three fiscal years starting on 1 December 2013 and ending on 31 December 2016 (the first fiscal year will be 13 months long). The agreement was registered by the First Tax Office in Warsaw on 3 October 2013.

**CHANGE OF MANAGING PERSONS OF WSE AND THE ISSUER'S ORGANIZATIONAL STRUCTURE**

As at the beginning of 2013, following the changes on the Management Board of the Warsaw Stock Exchange described in detail in section 3.9 of this Report, a new organizational structure of WSE took effect.

### Structural and functional reporting lines as at 31 December 2013.

Paweł Graniewski (CBDO)	Adam Maciejewski (CEO)	Mirosław Szczepański (CFO)	Dariusz Kułakowski (CIO)	Beata Jarosz (COO)	
Secretariat of the Management Board*					
Advisors to the President & CEO					
Market Development Division	Support Division			IT Division	Operational Division
Analysis, Strategic and Development Department	Bureau of the Management Board	Economic and Financial Department	Project Management Office	System Maintenance Department	Trading Department
Information Products Department	Human Resources Department	Investor Relations Department	IT Security Section	Reading Systems Development Department	Cash Market Department
Promotion and Education Development Department	Organisation, Risk Management and Ownership Supervision Department	Administration and Technical Department		Infrastructure Management Department	
Business Network Development Division	Legal Department	Internal Audit Department			
Derivatives Department	Public Relations Department				
	Compliance Officer				
	Internal Control Specialist				

\* officially in the structure of the Support Division

Furthermore, the Analysis, Strategy and Development Department was taken out of the structure of the Market Development Line as of 1 February 2014 and now reports directly to the President of the Management Board.

### 3.13 Auditor

On December 10, 2013, the Company signed an agreement with KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa for the audit of annual separate and consolidated financial statement for the financial year ended December 31, 2013, for the review of interim separate and consolidated financial statements for each quarter of 2013, and for translation services. The Company also commissioned the service of verification of the calculation of bonus ratios of the Management Board for 2013. The following KPMG remuneration was agreed:

- for the audit of annual separate and consolidated financial statements for the financial year ended December 31, 2013 and the verification of the calculation of bonus ratios of the Management Board of 2013 – PLN 85,500 (net),
- for the review of interim separate and consolidated financial statements for the period from January 1, 2014 to March 31, 2014 – PLN 19,000 (net),
- for the review of interim separate and consolidated financial statements for the period from January 1, 2014 to June 30, 2014 – PLN 28,500 (net),
- for the review of interim separate and consolidated financial statements for the period from January 1, 2013 to September 30, 2014 – PLN 19,000 (net).

The above mentioned agreement defines also the analogous remuneration to KPMG:

- for the audit of annual separate and consolidated financial statements for the financial year ended December 31, 2014,
- for the review of interim separate and consolidated financial statements for the period from January 1, 2015 to June 30, 2015,
- for the review of interim separate and consolidated financial statements for the period from January 1,

2015 to March 31, 2015 and from January 1, 2015 to September 30, 2015,

- for the service of verification of the calculation of bonus ratios of the Management Board for 2014.

On January 11, 2013, the Company signed an agreement with KPMG Audyt Sp. z o.o. for the audit of annual separate and consolidated financial statements for the financial year ended December 31, 2012, for the review of interim separate and consolidated financial statements for each quarter of 2013, and for translation services. The Company also commissioned the service of verification of the calculation of bonus ratios of the Management Board for 2012. The following KPMG remuneration was agreed:

- for the audit of annual separate and consolidated financial statements for the financial year ended December 31, 2012 and the verification of the calculation of bonus ratios of the Management Board – PLN 90,000 (net);
- for the review of interim separate and consolidated financial statements for the period from January 1, 2013 to March 31, 2013 – PLN 20,000 (net);
- for the review of interim separate and consolidated financial statements for the period from January 1, 2013 to June 30, 2013 – PLN 30,000 (net);
- for the review of interim separate and consolidated financial statements for the period from January 1, 2013 to September 30, 2013 – PLN 20,000 (net);
- for translation services – PLN 50-100 (net) per A4 page.

### **3.14 Internal control system**

The financial statements are drawn up based on:

- International Financial Reporting Standards, Accounting Act of September 29, 1994;
- Articles of Association of Giełda Papierów Wartościowych w Warszawie S.A.;
- “Accounting rules applied by Giełda Papierów Wartościowych w Warszawie S.A.” and rules applied by its subsidiaries;
- internal accounting procedures.

The Company’s internal control system is a process developed to respond to identified risks in order to ensure an efficient and safe task implementation in compliance with the applicable regulations. The internal control system comprises:

- control activities carried out by all employees with respect to the tasks entrusted to them;
- functional control, performed as part of the duty of supervision over subordinated organizational units by the managerial staff;
- institutional control, which is performed by the Audit and Control Section, a separate unit assessing the operation and effectiveness of the internal control system in other organizational units of the Company.

As regards reporting risk management, the Company regularly monitors changes in legal and external regulations on reporting activities and arranges for such changes to be implemented, e.g., by organizing employee training and using external advisory services. The Company’s internal regulations are also updated on an on-going basis with a view to adjusting them to changing regulations.

Compliance with internal and external regulations in the Company is ensured by the Financial Accounting Section which is responsible for preparation of financial statements under the supervision and guidance of the Chief Accounting Officer and the Economic and Financial Bureau Director. Electronic accounting records are

maintained. Software installed in 2001 and upgraded in 2006 was in use until the end of July 2011. A new financial and accounting system was implemented in August 2011. These IT systems include mechanisms protecting data against loss, modification or concealment. This control is effected at the journal entry stage. Moreover, independent internal audits of financial and accounting processes are performed.

Consolidated financial statements are prepared by the Financial Accounting Section based on the consolidation packages provided by each subsidiary. The WSE Financial Accounting Section is responsible for the scope and rules of reporting in the consolidation packages and verifies whether the subsidiaries correctly fill the consolidation packages. Data to be included in the packages are prepared by the subsidiaries in accordance with the "Accounting Rules" set by the parent entity. The financial data registration, processing and presentation processes are handled by the subsidiaries in accordance with their individually developed rules and instructions.

The auditor verifies the correctness of the separate and consolidated financial statements on a quarterly basis. Financial statements for the first and third quarter, as well as semi-annual statements are reviewed by the auditor, whereas the annual financial statements are subject to the full audit.

The Company's Management Board and Supervisory Board members must ensure that the financial statements and the report on the Company's operations meet the requirements set in the Accounting Act of September 29, 1994. The authority which controls the financial reporting process within WSE is the Audit Committee nominated by the WSE Supervisory Board. The Committee is responsible for monitoring the financial reporting process, the financial review activities and the auditor's independence. WSE's auditor is chosen by the Supervisory Board following recommendations made by the Audit Committee from amongst renowned audit companies. Auditors for the subsidiaries are appointed under decisions of relevant supervisory boards. The Audit Committee also monitors the organizational unit responsible for the internal audit and verifies the effectiveness of the internal control systems. The Supervisory Board's duties involve, among other things, assessing WSE's Management Board report on the Company's operations and the financial statements and submitting a written report with the results of the above assessment to the General Meeting.

In the Company's opinion, the division of tasks related to the preparation of the financial statements in the Company, the review of the prepared financial statements by the auditor, and the monitoring of the process of preparing and reviewing the financial statements by the Audit Committee, as well as the assessment of the financial statements by the Supervisory Board ensure that the information presented in the financial statements is reliable and correct.

## **4 Corporate social responsibility (CSR) of WSE**

The business strategy of Warsaw Stock Exchange is pursued in a responsible and transparent manner, in co-operation and in dialogue with all major stakeholder groups. The Company carries out its operations taking into account social, ethical and environmental factors. The main motivation for the pursued CSR policy is to improve the quality of the Polish capital market, among others by means of educational programmes, promotion of the highest standards of corporate governance and communication, and support for co-operation and active dialogue with and among market participants.

WSE's socially responsible approach to business is corroborated by the inclusion of the Company as of December 2013 in the RESPECT index of WSE-listed companies which follow the highest CSR standards. The RESPECT Index Project has been present on the Polish market since 2009 in order to identify companies managed in a responsible and sustainable manner but it also emphasises the advantages of companies which provide high quality reporting, investor relations and communication as an investment. Seven editions of the survey have been completed to date with 16 to 23 companies included in the index portfolio at each time.

The Exchange has joined the Sustainable Stock Exchanges (SSE), a UN initiative of global exchanges which promote the development of corporate social responsibility and sustainable development on their home capital markets. SSE was created in 2009 by the United Nations to exchange members' experience in the development and promotion of corporate social responsibility and responsible investment among investors, public companies, regulators and capital market infrastructure institutions.

WSE is the ninth exchange to join SSE, the first one in Central and Eastern Europe, and the first in the European Union outside exchange groups. The existing participants of the initiative include NYSE-Euronext, NASDAQ OMX and BM&FB Bovespa (Brazil).

### **4.1 WSE's CSR strategy**

In 2013, WSE took initiatives to systematise corporate social responsibility activities and implemented new solutions which helped to develop WSE's Corporate Social Responsibility Strategy. The CSR Strategy was developed based on a predefined stakeholder map which identifies groups, individuals and institutions impacted by WSE or impacting the activity of the Exchange. Each stakeholder group was assessed in terms of the extent of interest in the activity of the Company and its impact on WSE and its business areas.

Following the analysis and based on the objectives of the strategy of Warsaw Stock Exchange, four key CSR areas were identified as relevant to the activity of the Exchange and its role on the Polish capital market:

- activities for the market;
- education;
- employee relations;
- environmental activities.

#### **4.1.1 Activities for the market**

Given the role of Warsaw Stock Exchange on the Polish financial market and its responsibility for developing the highest standards of corporate governance and communication, the Company is involved in activities which build the corporate culture and good behaviour of participants of the Polish capital market.

#### **BEST PRACTICE AND CORPORATE GOVERNANCE**

The key objective of WSE in this area is to create and promote best practice of corporate governance for public companies. Since 2002, the Exchange has promoted the corporate governance rules by continuously developing



and disseminating the Code of Best Practice for WSE Listed Companies designed to strengthen the transparency of exchange-listed companies, reinforce the protection of shareholders' rights and improve the quality of communication between companies and investors. Subsequent amendments of the rules included in the Code have been drafted to bring them in line with amendments of legal regulations, current international trends of corporate governance, as well as evolving needs and expectations of market participants.

The most recently amended version of the Code of Best Practice for WSE Listed Companies is effective as of 1 January 2013 and focuses in particular on enabling the exercise of voting rights at general meetings using means of electronic communication as well as providing audio or video recordings of general meetings.

In 2013, important steps were taken to improve the quality of investor relations and safety of WSE's alternative markets. Amendments to the ATS Rules effective as of March and June 2013 largely expanded the disclosure obligations of companies listed on NewConnect and Catalyst and the range of sanctions for non-compliance and imposed stricter requirements on Authorised Advisers. Importantly, the 2013 reform on WSE's alternative markets was carried out in consultation and co-operation with the community of investors and other market participants; the final modifications took into consideration the proposals of investors' organisations and groupings (Association of Individual Investors, StockWatch.pl) as well as comments from Authorised Advisers.

The Exchange also promotes the highest corporate governance standards among foreign investors. In spring 2013, WSE organised the WSE IR Leader 2012 and NewConnect IR Leader 2012 competitions for foreign companies listed on the stock markets in order to identify companies with the best investor relations. The competition winners were awarded in June at the fourth edition of the WSE International Companies' Forum, yet another initiative of WSE designed to strengthen professional open relations between foreign issuers listed on WSE and investors. The Forum has been regularly organised by WSE since 2011.

Warsaw Stock Exchange also offers WSE EDU-Partner Best Practice and WSE IR Partner programmes. The former was established in 2008 and selects partners in education across the country who are actively involved in the development of corporate governance in Poland. The list of WSE EDU-Partners currently includes 7 entities. WSE IR Partners are those media and portals which are strongly involved in the development of investor relations of public companies and the creation of best conditions enabling effective communication between companies and investors. The programme had 3 members at the end of 2013.

WSE also offers a special online service devoted to best practice and corporate governance: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl).

## **DIALOGUE WITH STAKEHOLDERS**

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

In view of the replacement of the trading system to UTP as of 15 April 2013, WSE held several meetings with representatives of brokerage houses. The meetings provided a platform for the exchange of status reports on the implementation of the new technology and for discussions on the optimal date of availability of the new system. The consultations helped to set a date which allowed for effective implementation of the new technology while avoiding risks to the safety and continuity of trading on the exchange.

Similarly, consultations were carried out with respect to the timetable of exchange trading sessions. In Q1 2013, WSE appointed a Working Group for the Trading Session Timetable and Introduction of Evening Trading, which comprised representatives of the Company's main stakeholder groups. As a result, the duration of the exchange trading session was temporarily shortened as of 15 April 2013.

In 2013, the Company decided to appoint WSE Consultation Committees as standing advisory bodies for matters concerning the activity of WSE. The Committees are comprised of representatives of different communities present on the Polish capital market: investors, issuers, brokerage houses, funds, research institutions, lawyers, and the Polish Financial Supervision Authority. Consulting the Exchange's business decisions with the Committees ensures the development of optimal solutions for all of WSE's stakeholder groups.



As at the end of 2013, WSE had the following Committees:

- WSE Exchange Indices Committee
- WSE Science Committee
- Best Practice Committee
- Derivatives Market Committee
- Debt Market Committee
- Equities Market Committee

The Committees held 17 meetings in aggregate in 2013. The solutions developed by WSE based on the work of the Committees and the social consultations include the introduction of the WIG30 index in September 2013 and amendments to regulations designed to eliminate the issue of penny stocks of companies listed on the WSE Main Market.

#### CAPITAL WARSAW

WSE works on integrating capital market participants around joint educational, cultural and social initiatives. In 2013, the Exchange launched the Capital Warsaw project addressed to the inhabitants and visitors of the Polish capital city. The idea of the project is to promote knowledge about the exchange and the capital market and to familiarise the general public with their functions while emphasising the role of Warsaw as the financial hub of the region of Central and Eastern Europe.

Under this initiative, the Exchange sponsors culture, education and sports. In 2013, two concerts were held: a performance of Lech Janerka and Les Tambours du Bronx which inaugurated the project, and the concert Traces in Black and White; the educational project WSETr@der was launched (it is a demo learning platform for investors interested in WIG20 and mWIG40 futures, stock futures and fx futures); an exhibition of shares of companies listed on the pre-war exchange was opened. In December 2013, as part of the initiative, WSE organised a three-day Capital Market Summit which gathered nearly 3,500 guests who attended a dozen lectures about the exchange.

#### 4.1.2 Education

One of the pillars underpinning the trust of the general public in the capital market and its institutions is fostering of the culture of investment in society while building awareness about the functioning of the capital market. Activities focused on capital market education, promotion and information are a statutory goal of the Exchange.

#### INVESTOR EDUCATION

The Exchange organises training sessions, seminars and conferences to promote investment in financial instruments and knowledge about the capital market. A flagship educational programme offered by WSE in 2013 was a series of meetings of the Capital Creation Academy co-organised by the Association of Individual Investors. The experts who delivered the training shared knowledge about the capital market and the exchange, as well as the methods of investing money and mitigating risks, which helped to raise the awareness of the participants about responsible investment.

WSE organised 39 training events in 2013, both individually and in co-operation with higher schools and business partners, reaching out to around 3,200 existing and prospective exchange investors.

Furthermore, since 2010, the Exchange is a partner of the “Civic Shareholding” educational programme initiated by the Ministry of the State Treasury and addressed to individuals interested in investing on the exchange. A new series of Civic Shareholding education workshops completed in February 2013 was attended by 3,074 exchange investors as exchange experts delivered lectures in 33 towns across Poland.

To raise the awareness about investments, WSE implements projects dedicated to the improvement of practical

skills of investors. In May 2013, the Exchange launched WSETr@der, a demo learning platform for investors interested in WIG20 and mWIG40 futures, stock futures and fx futures. The tool has been designed for beginners who want to learn more about the derivatives market and discover the practical mechanisms of investing in financial instruments available on the market. In 2013, close to 2,000 investors opened accounts on the WSETr@der platform; the tool is used for education by brokerage houses and higher schools across Poland.

Instytut Rynku Kapitałowego – WSE Research S.A., a member of the WSE Group, also participates in WSE's educational mission and works to bridge the gap in the professional education and development of human resources on the financial market and in capital market research programmes.

#### **RESPONSIBLE INVESTMENTS – RESPECT INDEX**

A flagship initiative of WSE which promotes and educates about responsible investments in Poland is the RESPECT Index project, established in 2009 as CEE's first responsible companies index. The index portfolio includes companies listed on the WSE Main Market which follow the highest standards of corporate governance, communication and investor relations taking into account environmental, social and governance factors in their business. The companies in the RESPECT Index portfolio are selected in three steps of verification carried out by WSE and the Association of Listed Companies in the areas listed above as well as an audit performed by the project partner Deloitte. Seven editions of the survey have been completed to date with 16 to 23 companies included in the index portfolio at each time.

In 2013, following consultations with market participants, WSE decided to modify the methodology of the RESPECT Index survey. In the new format, the company survey and index revision will be performed annually in the second half of the year. As before, index participants will be selected from among the biggest listed companies participating in the indices WIG20, mWIG40 and sWIG80; however, as an important change, the survey will also cover foreign companies participating in these indices. Similar to previous editions, those companies that fulfil the reporting and best practice criteria will be invited to complete a questionnaire. The questionnaire form has been partly modified compared to the previous editions, among others to account for sector specificity.

The RESPECT Index Project enjoys strong interest of companies listed on Warsaw Stock Exchange and indirectly helps to improve the standards of corporate social responsibility on the Polish market. In the seventh edition of the survey carried out in 2013, 23 companies were put in the index portfolio, including for the first time Warsaw Stock Exchange.

The return rate of the RESPECT Index was 52% from the first publication on 19 November 2009 until the end of 2013.

In addition to the RESPECT Index Project, WSE is also engaged in educational initiatives which promote the inclusion of ESG criteria (Environment, Social, Governance) in investment decisions. In 2013, the Exchange was for the second time a partner of the CSR Academy co-organised by Puls Biznesu, Martis Consulting and the Ministry of the State Treasury. In the project, which is addressed to small and medium-sized enterprises, WSE representatives delivered lectures on responsible investments in 6 towns in Poland, attended by nearly 500 participants.

WSE also offers an online service dedicated to the RESPECT Index Project and the application of ESG criteria in investment decisions: [www.odpowiedzialni.gpw.pl](http://www.odpowiedzialni.gpw.pl).

#### **4.1.3 Employee relations**

With their unique capital market experience and qualifications, employees of the Exchange are a very important group of WSE stakeholders. The main focus of the Exchange's HR policy is on fostering an organisational culture based on values and effective internal communication as well as investment in continuous development of employees.

In 2013, WSE's Human Resources policy focused on effective management of HR, payroll, social and bonus processes to match them with business needs and to support the implementation of the Exchange strategy.

As part of these activities, an Employee Engagement Survey was carried out in the WSE Group in partnership with AonHewitt. The Group's employees had the opportunity to provide feedback on the corporate culture, the efficiency of the organisation, professional development and satisfaction with work. The survey was carried out to identify areas for improvement or implementation of new solutions.

Internal recruitment activities were intensified in 2013. In recruitment for strategic positions, the Exchange co-operates with professional human resources consultancies which provide a complete professional and psychological profile of the candidate. Effective employee recruitment is also supported by the WSE website section "Work with WSE."

Training plays an important role in the process of employees' professional development and improvement of qualifications. Training was offered in 2013 to improve specific professional qualifications and language skills; MA, post-graduate and PhD courses were also subsidized by the Exchange in line with the HR policy. In order to improve their professional competences, WSE employees participated in conferences, congresses and seminars about the markets.

In addition to development of professional qualifications, WSE also takes measures aiming to foster a corporate culture based on values which uniquely awards and leverages employees' initiatives aiming to improve the effectiveness of the entire organisation.

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

WSE actively integrates the employees into developing the Company's strategy and setting its goals, and encourages them to propose innovative business and organisational initiatives. The Company's internal communication platform enables the employees to put forth their ideas and projects which are then analysed within the organisation and, if approved, implemented while their authors are rewarded.

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.

#### **4.1.4 Environmental activities**

WSE considers environmental protection to be a pillar of a modern and competitive institution present on the European capital market.

In 2013, WSE performed an internal analysis and defined its key areas of direct environmental impact. Given that the Company is active in the financial industry, these are limited to the following: waste management and recycling; paper consumption; water consumption; energy consumption; fuel consumption and CO<sub>2</sub> emissions. Based on the analysis, Warsaw Stock Exchange developed its environmental policy which defines the Company's key directions and actions necessary to limit its environmental impact.

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

## **WASTE MANAGEMENT AND RECYCLING**

According to WSE's Waste Management Procedure WSE consigns solid waste for treatment by recycling or disposal. WSE produced 13.4 tons of waste in 2013. Decommissioned computer hardware is sold to the Company's employees at auctions. Three auctions were held in 2013 and 167 pieces of hardware were sold.

## **PAPER CONSUMPTION**

WSE has in place an Electronic Document System, operational since 2011, which has largely reduced the consumption of paper within the Exchange. Employees receive electronic pay slips (SAP). Furthermore, in 2013, work was initiated in order to implement a procedure which limits the quantity of hard copies within WSE among others by requiring Exchange employees to ensure double-side printing and implementing solutions to re-use single-side printed paper.

## **WATER CONSUMPTION**

As the administrator of the office building which houses WSE's head office and as an affiliate of WSE Group, Centrum Geldowe has in place advanced environmental solutions which reduce water consumption. The solutions were implemented as early as the architectural design work on the building, in which WSE was actively involved. All water taps are equipped with aerators which reduce water consumption. In addition, the water cascade along the eastern façade of the building uses a closed circuit as well as water treatment. In 2013, the Exchange introduced communication targeting employees and visitors to promote environmental behaviour with regard to water consumption.

## **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. WSE's head office is equipped with a Building Management System (BMS) which controls installations within the building and consequently optimises the consumption of heat, power, water, air (ventilators) and ice water for air-conditioning. BMS supports programming of lighting in offices and corridors, which is automatically switched off at 8 p.m. throughout the building. In addition, in May 2013, WSE installed motion detectors in the toilets.

Given the profile of its business, WSE's high power consumption is driven by the trading system and its infrastructure. In April 2013, WSE replaced its trading system Warset with a platform which conforms to the world's highest technological parameters – UTP. According to WSE's estimates, the power consumption of the entire UTP infrastructure is 20% lower compared to Warset.

## **FUEL CONSUMPTION AND CO<sub>2</sub> EMISSIONS**

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

## 5 Risks and threats

The operation of 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.

The order in which individual risk factors are discussed below does not reflect the extent of their relative importance for the Company, the probability of their occurrence or their potential impact on WSE operations. Additional risk factors which are currently unknown or deemed immaterial at the moment may also have a material adverse effect on the Company's business, financial condition and results of its operations.

### RISK FACTORS RELATING TO THE MARKET ENVIRONMENT AND THE POLISH AND GLOBAL ECONOMY

*Adverse developments affecting the Polish economy and its outlook may negatively affect the Company's business, financial condition and results of operations*

WSE'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 Company, including their financial results, which in turn may affect the prices of these securities, the volume of transactions, as well as activities related to issuing new securities and the number of market debuts.

WSE's revenues depend directly on the level of listed asset prices and the frequency and volume of trading on the markets organised and operated by the Company, while its costs remain largely fixed. Consequently, during periods of economic volatility and risk aversion, the Company's revenues may decline; combined with a stable cost level, this could reduce the WSE's potential profit or cause a loss.

*Factors beyond the Company's control could significantly reduce demand for its products and services as well as harm its business, financial condition and results of operations*

The volume of trading, the number of new listings and demand for the Company's products and services may be affected by economic, political and market developments, both domestic and global, that are beyond the Company'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);
- institutional or individual investors' behaviour;
- volatility in the prices of securities and other financial instruments;
- availability of short-term and long-term funding and capital;
- availability of alternative investment opportunities;

- legislative and regulatory changes; and
- unforeseen market closures or other disruptions in trading.

*Economic situation of other countries and perception of risks related to the economic situation of other countries could have a negative impact on the perception of the Polish economy, business prospects of the Region, and consequently the WSE's business, financial condition and results of operations*

The economic situation and market conditions of other countries could influence the perception of the Polish economy and financial markets. While the economic situation of other countries could be materially different from the economic situation of Poland, investors' aversion to risks due to the economic situation of other countries could reduce the value and number of orders or the volume of trading in financial instruments on the markets of WSE.

More uncertainty among investors and stronger volatility of the prices of instruments on financial markets could reduce the activity on the Polish capital market and consequently have an effect on the Exchange's business, financial condition and results of operations.

*Sharp increase of the interest rates could boost the cost of servicing the WSE's liabilities*

The Company is exposed to a risk of interest rate changes due to issued debt instruments with variable interest. A sharp increase of the interest rates including the base rate of the bonds could boost the cost of servicing the liabilities under the bonds and have an adverse effect on the WSE's financial condition and results of operations.

#### **RISK FACTORS RELATING TO LAWS AND REGULATIONS**

*WSE operates in a highly regulated industry and regulatory changes may have an adverse effect on the Company's business, financial condition and results of operations*

The Company operates primarily in Poland, whose legal system and regulatory environment can be subject to frequent and sometimes significant unanticipated changes and whose laws and regulations may be subject to conflicting official interpretations. The capital market and the commodity instruments market are subject to broad governmental regulation and may be subject to increasing regulatory scrutiny.

Regulatory amendments could have an adverse effect on the Company and on the present and prospective customers of its services. For instance, amendments could hinder the attractiveness of stock prices or the turnover on the markets organised and operated by the Company or the attractiveness of services provided by the WSE. Furthermore, EU regulations are or will be in force in Poland including financial market regulations: MiFID, the Prospectus Directive and the Transparency Directive. Amendment or implementation of such regulations could have an adverse effect on the Company's business, financial condition and results of operations.

*Changes in tax laws or their official interpretations may materially and adversely affect the Company's business, financial condition and results of operations*

Changes to tax laws may have a material impact on the business of the Company. There is a risk that as new regulations are introduced, the Company may have to adjust to such regulations, which may result in significant costs due to additional compliance burdens and costs related to non-compliance. There is a risk that the WSE's particular interpretations and applications of current and future Polish tax laws may be challenged. This may result in penalties and fines being imposed on the Company, or a need to revise the practices adopted by the Company.

In Poland, various local tax authorities assert overlapping jurisdiction over WSE, and may issue their own conflicting interpretations regarding tax matters. As a result of applying tax laws, a number of controversies may occur, and the tax laws may not be applied uniformly. In addition, changing interpretations of tax laws as applied



by these various tax authorities, long tax liability time limitation periods, and relatively high fees and other penalties for non-compliance may result in material tax risk.

*Changes in the regulations applicable to open-ended pension funds and other developments affecting such funds could reduce the volume of trading activity on WSE*

Investments by open-ended pension funds (OFE) in shares of Polish companies listed on the WSE regulated market amounted to PLN 120.5 billion as at 31 December 2013, which represents 40.2% of total free float domestic shares on WSE. Historically, open-ended pension funds have been a significant source of new capital inflows on WSE. The size of capital flows from open-ended pension funds depends on contributions into these funds, payments to beneficiaries, as well as investment decisions of the funds. The operations of open-ended pension funds are significantly influenced by applicable regulatory requirements and the demographics of the Polish population. Changes in fund flows to and from open-ended pension funds or their investment decisions, in particular derived from the amendment to the Pension System Act enacted in December 2013, which requires open-ended pension funds to transfer 51.5% of assets to the Social Security Fund and imposes a ban on investment in debt instruments guaranteed by the State Treasury and a modification of open-ended pension fund investment limits, may result in a reduction of investments in assets traded on the markets organised and operated by the Exchange, in particular on the Main Market.

WSE faces a number of risks associated with possible changes in regulation related to open-ended pension funds, including payment of contributions to the pension system and asset allocation restrictions. As at the date of preparation of this Report, contributions to open-ended pension funds represent 2.92% of gross salaries, as compared to 2.8% in 2013, 2.3% from 1 May 2011 to 31 December 2012, and 7.3% until 30 April 2011 (between 1 April and 31 July 2014, every existing member of open-ended pension funds may decide whether their pension contributions should still be paid into the fund or only to the Social Security Institution). In addition, as at the date of preparation of this Report, the amended provisions of the Act on Pension Funds require open-ended pension funds to maintain a minimum investment in stocks at 75% of assets by the end of 2014, 55% by the end of 2015, 35% by the end of 2016, and 15% by the end of 2017.

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

Current regulations in Poland impose a cap on investment of open-ended pension funds in financial instruments listed on foreign exchanges and not listed on WSE, which limits the opportunities of open-ended pension funds to invest in stocks listed on other exchanges to 10% of their total assets by the end of 2014, 20% in 2015, and 30% in 2016. In previous years, the cap on investment of open-ended pension funds in financial instruments listed on foreign exchanges and not listed on WSE was 5% of their total assets. In 2011, the Court of Justice of the European Union (CJEU) decided that the cap in the Polish law is not compatible with EU legislation: it is discriminatory and not proportionate, which would justify an exception from the free movement of capital. The Act on Open-Ended Pension Funds had to be amended accordingly following the CJEU decision. Reduction of the limitations on investment in financial instruments issued by foreign issuers which are not listed on markets organised and operated by the Company, especially the Main Market, may reduce the investment of open-ended pension funds in instruments listed on WSE. This, in turn, may reduce the level of trading and the supply of financial instruments listed on those markets, which could have an adverse effect on the Company's business, financial condition and results of operations.



## RISK FACTORS RELATING TO WSE

### *The Company faces competition from other exchanges and alternative trading platforms*

The global exchange sector is highly competitive and, in the last few years, there has been increased consolidation and globalisation of exchanges around the world. Consolidation in the sector could slow down the planned strengthening of WSE's international position and limit development opportunities on the capital markets of the CEE Region, adversely impacting the implementation of the strategy of the Company which aspires to become the regional financial hub and the regional centre of trading in financial instruments.

As a result of regulatory changes introduced in the last few years, a number of alternative trading platforms, including multilateral trading facilities (MTFs) in Europe and electronic communication networks (ECN) in the USA have emerged in the exchange sector, which facilitated regulatory changes and technological advancement. In the CEE Region, competition from MTFs is limited; however, its future increase could lead to a reduction in the volume of trading on incumbent stock exchanges, including WSE. The entry of MTFs to a market could result in a significant outflow of trading from exchanges to the OTC market. The fees charged by MTFs are in general relatively low compared to those charged by exchanges, and this could lead to price pressure and a loss of market share, which in turn may materially and adversely affect the Exchange's business, financial condition and result of operations.

### *Price competition and changes to the pricing policy affecting the exchange sector at large may decrease WSE's revenue*

The trading cost on large foreign exchanges and MTFs is lower than on WSE, mainly due to the size of the market in Poland and the rules of financing supervision. Consolidations in the global exchange sector and the development of MTFs may increase pressures to reduce fees charged for trade on the global financial markets. As a consequence, WSE clients may exert pressure to reduce WSE fees charged for listing and trading, which may cause a decrease of the revenue of the Company. The above factors may have a material adverse effect on the Company's financial condition and results of operations.

### *The Company's operations are dependent on its ability to attract and retain skilled employees*

In order to effectively manage its operations, the Company must employ highly qualified personnel. The skills of WSE's employees are scarce due to the unique nature of its operations. Any increase in the turnover of employees in key positions could lead to a temporary reduction in the Company's operational efficiency due to the lengthy training processes required to train new employees in these positions. This could adversely affect WSE's business, financial condition, results of operations, ability to achieve its strategic goals and development prospects.

### *The Company's operations are dependent on third parties, over which the Company has limited or no control*

The Company depends on KDPW and KDPW\_CCP as well as other third party service providers, mainly IT service providers. The IT systems operated by WSE for trading in financial instruments and exchange 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 these 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 Company's needs. An interruption or malfunction in or the cessation of an important service or services by any third party and the Company's inability to make alternative arrangements in a timely manner could have a material adverse effect on the WSE's business, financial condition and results of operations.

*The Exchange's trading systems may malfunction*

The Company's operations are 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.

WSE's electronic trading platforms, computer and communication systems and other systems of the Company are vulnerable to damage, interruption or failure. In the event that any of the WSE'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 Company'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 WSE, including formal complaints with KNF, 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 Company's results, its financial condition or development prospects.

The Exchange's electronic trading platforms involve the storage and transmission of its clients' proprietary information. The secure transmission of confidential information is a crucial element of the Company's operations. A failure of a platform, including a security breach, could expose the Company to a risk of loss of such information, and, in consequence, the risk of litigation and possible liability. If the Company'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, e.g., information of the Company's clients, the reputation of WSE could be damaged, its business may suffer and the Company could incur significant financial liability. If an actual, threatened or perceived breach of the Exchange'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. The Company 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 have a material adverse effect on the Company's business, financial condition and results of operations.

*Reduced activity of issuers and investors could reduce the number and value of new securities offerings and the trading volume*

The Company's revenues and profits largely depend on the activity of investors on WSE, in particular the volume, value and number of financial instruments traded; the number and market capitalisation of free float shares on markets organised and operated by the Exchange, especially the Main Market; the number and value of new issues and new issuers; and the number of market participants. A reduction in the number of listed financial instruments, a reduction in the number and value of offerings or investor activity could have a material adverse effect on the Company's business, financial condition and results of operations.

*Regulatory fees constitute a significant portion of the Company's cost base, and the Company has minimal influence over the size of regulatory levies*

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

*The Company may be unable to implement its strategy*

The WSE strategy is to build by 2020 a strong and diversified organisation able to achieve, either independently, via strategic alliance or partnership-like cooperation with significant entities from the capital markets, a dominant role in the CEE Region and an important position on the European capital markets. Therefore, the

WSE strategy provides for maximisation of the existing sources of WSE growth potential (in particular local investors and issuers potential) and further diversification of income sources and internationalisation of business activities. For this purpose, WSE wants to make WSE more attractive to a broader group of market participants. The attainment of these objectives depends on a number of factors which are beyond the Company's control, including in particular market conditions, the overall economic and regulatory environment. Furthermore, WSE may incur significant costs of introduction of new products and services from which the Company may eventually be unable to earn significant revenues. If the introduction of such products or services does not generate additional revenue, the resultant cost may be greater than revenues, affecting the working capital of the Company and its operating profit. The Company's inability to achieve the strategic goals could have a material adverse effect on the Company's business, financial condition and results of operations.

*The Company may selectively seek acquisition targets or enter into strategic alliances in relation to business, products or technologies*

In order to implement its strategy, WSE may selectively seek and use acquisition opportunities and other means of strengthening and developing their business in order to remain competitive against other exchanges, to generate better economies of scale and to apply good practice and technologies based on mergers and acquisitions or strategic alliances. However, the Company may be unable to identify or use such potential strategic opportunities, negotiate favourable conditions, finance future acquisitions, reduce costs or generate other synergies and advantages. The integration process may cause unforeseen regulatory and operating difficulties and costs and divert the Management Board from the current business of the Company.

Furthermore, as a result of future acquisitions or strategic agreements, the Company may issue additional shares which could dilute the existing shareholding, incur significant expenses, increase its debt, assume contingent liabilities or incur other costs, which could have a material adverse effect on the WSE's business, financial condition and results of operations and on its share price.

## 6 Financial situation overview

### 6.1 Summary of annual and quarterly results

#### *Annual*

The Company's **sales revenues** amounted to PLN 194.4 million in 2013, a modest decrease of PLN 1.6 million (0.8%) compared to 2012.

**Operating expenses** amounted to PLN 125.3 million in 2013, an increase of 9.0% (PLN 10.4 million) year on year.

The Company generated an **operating profit** of PLN 69.1 million in 2013, a decrease of 8.9% (PLN 6.8 million) compared to 2012. The decrease in the operating profit was driven mainly by higher operating expenses (an increase of 9.0%) including depreciation and amortisation, salaries, fees and charges, and rent and other maintenance fees. The increase of depreciation and amortisation was due to the implementation of WSE's new trading system UTP. The increase of salaries was mainly driven by changes on the Company's Management Board. The increase in fees and charges was driven mainly by higher fees paid to PFSA. The net other operating income and expenses stood at PLN 0.03 million in 2013 compared to a negative PLN 5.2 million in 2012.

**EBITDA** stood at PLN 91.1 million in 2013, an increase of 1.6% (PLN 1.4 million) compared to PLN 89.6 million in 2012.

The **net profit generated by the Company** in 2013 was PLN 101.4 million, an increase of 54.7% year on year. The profit before tax and the net profit increased among others owing to higher financial income from received dividends, which stood at PLN 43.3 million in 2013 compared to PLN 11.5 million in 2012. The Company recognised a tax relief for investment in new technologies including among others the UTP project in 2013. As a result, the income tax was reduced by PLN 7.0 million, of which PLN 1.1 million referred to previous years investment was settled in Q1 2013, whereas PLN 5.9 million referred to UTP tax relief for investment in 2013 was recognised in Q4 2013.

#### *Quarterly*

The Company's **sales revenues** were PLN 49.3 million in Q4 2013, an increase of 4.4% compared to Q4 2012. Operating expenses were PLN 33.1 million in Q4 2013, an increase of 16.2% year on year.

The Company generated an **operating profit** of PLN 16.7 million in Q4 2013. The operating profit was PLN 16.8 million in Q3 2013 and PLN 10.7 million in Q4 2012. The operating profit and the net profit in Q4 2012 were mainly driven by goodwill impairment losses of poee, IRK and S.C. SIBEX (PLN 9.9 million in aggregate).

**EBITDA** was PLN 22.8 million in Q4 2013 compared to PLN 22.7 million in Q3 2013 and PLN 14.1 million in Q4 2012. EBITDA in Q4 2012 was mainly driven by goodwill impairment losses of the investment in the poee WSE Energy Market, IRK and S.C. SIBEX (PLN 9.9 million in aggregate).

The **net profit generated by the Company** was PLN 18.9 million in Q4 2013 compared to PLN 12.6 million in Q3 2013 and PLN 5.1 million in Q4 2012. The net profit in Q4 2013 was driven by the recognised tax relief for investment in new technologies in the UTP licence in 2013. As a result, the current income tax was reduced by PLN 5.9 million in Q4 2013.

The net profit and the operating profit generated by the Company in Q4 2013 and in all of 2013 are not fully comparable to the profits of 2012 mainly due to the following:

- increase of depreciation and amortisation due to completed implementation of UTP as of April 2013 (PLN 10.5 million in Q2 - Q4 2013);
- higher financial income of the Company from dividends received from subsidiaries in 2013 (PLN 43.3 million in 2013 v. PLN 11.5 million in 2012);
- higher cost of severance pay and non-compete agreements of former Management Board Members (PLN 1.7 million in total);
- lower income tax – a reduction by PLN 7.0 million in 2013 due to the recognised tax relief for new technologies;
- amendment of WSE's accounting policy concerning impairment of receivables in 2012; in addition, WSE received a reimbursement of PLN 1.7 million from employees in Q4 2012 in respect of the settlement of medical services as payment of outstanding contributions and personal income tax for medical packages for 2006 – January 2012.
- goodwill impairment losses of the investment in poee WSE Energy Market, IRK and S.C. SIBEX, charged to other expenses in 2012 (PLN 9.9 million in aggregate).

**Separate profit and loss account of WSE in 2012 and 2013 by quarter and annually**

PLN'000	2013				2012				2013	2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
<b>Sales revenue</b>	<b>49,300</b>	<b>46,893</b>	<b>48,473</b>	<b>49,684</b>	<b>47,236</b>	<b>46,334</b>	<b>48,548</b>	<b>53,814</b>	<b>194,351</b>	<b>195,932</b>
<b>Financial market</b>	<b>48,876</b>	<b>46,709</b>	<b>48,218</b>	<b>49,104</b>	<b>46,492</b>	<b>45,810</b>	<b>47,649</b>	<b>53,163</b>	<b>192,907</b>	<b>193,114</b>
Trading	33,873	33,050	34,124	34,937	32,136	31,774	32,973	38,563	135,984	135,446
Listing	5,629	5,129	5,513	5,576	5,423	5,193	5,357	5,190	21,848	21,164
Information services	9,373	8,530	8,581	8,590	8,933	8,843	9,319	9,410	35,075	36,505
<b>Commodity market</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>173</b>	<b>186</b>	<b>397</b>	<b>224</b>	<b>131</b>	<b>980</b>
Trading	-	-	-	131	173	186	397	224	131	980
Register of certificates of origin	-	-	-	-	-	-	-	-	-	-
Clearing	-	-	-	-	-	-	-	-	-	-
<b>Other revenue</b>	<b>424</b>	<b>184</b>	<b>255</b>	<b>450</b>	<b>571</b>	<b>338</b>	<b>502</b>	<b>427</b>	<b>1,313</b>	<b>1,838</b>
<b>Operating expenses</b>	<b>33,146</b>	<b>29,941</b>	<b>33,942</b>	<b>28,225</b>	<b>28,524</b>	<b>27,435</b>	<b>28,937</b>	<b>29,981</b>	<b>125,255</b>	<b>114,877</b>
Depreciation and amortisation	6,071	5,917	7,044	2,894	3,449	3,272	3,461	3,551	21,927	13,733
Salaries	6,508	6,525	9,353	9,616	7,116	8,178	7,337	8,030	32,002	30,661
Other employee costs	2,261	1,941	2,632	2,310	2,405	2,308	2,214	2,697	9,143	9,623
Rent and maintenance fees	2,216	2,296	2,120	2,038	2,596	1,496	1,838	1,931	8,670	7,861
Fees and charges	5,153	4,932	4,517	4,494	3,492	4,588	5,016	5,013	19,095	18,109
incl.: PFSA fees (WSE)	4,956	4,578	4,358	4,356	2,585	4,469	4,885	4,885	18,249	16,823
External service charges	9,737	7,170	6,669	5,252	7,440	6,229	7,667	7,126	28,828	28,462
Other operating expenses	1,201	1,160	1,607	1,621	2,027	1,365	1,404	1,633	5,589	6,429
Other income	1,115	202	118	195	2,025	123	1,086	2,165	1,629	5,399
Other expenses	534	400	(13)	677	10,068	38	443	24	1,598	10,573
<b>Operating profit</b>	<b>16,734</b>	<b>16,754</b>	<b>14,662</b>	<b>20,977</b>	<b>10,669</b>	<b>18,984</b>	<b>20,254</b>	<b>25,974</b>	<b>69,127</b>	<b>75,881</b>
Financial income	895	1,457	44,642	2,779	1,902	2,369	14,600	3,466	49,773	22,337
Financial expenses	2,532	2,552	3,460	3,329	4,109	4,297	3,934	4,678	11,874	17,018
Share of profit of associates	-	-	-	-	-	-	-	-	-	-
<b>Profit before income tax</b>	<b>15,097</b>	<b>15,659</b>	<b>55,842</b>	<b>20,428</b>	<b>8,462</b>	<b>17,056</b>	<b>30,920</b>	<b>24,762</b>	<b>107,026</b>	<b>81,200</b>
Income tax expense	(3,820)	3,077	4,295	2,089	3,348	3,521	3,826	4,947	5,641	15,642
<b>Profit for the period</b>	<b>18,917</b>	<b>12,581</b>	<b>51,549</b>	<b>18,339</b>	<b>5,114</b>	<b>13,535</b>	<b>27,094</b>	<b>19,815</b>	<b>101,385</b>	<b>65,558</b>

Source: Separate Financial Statements, Company

**Separate statement of financial position of WSE at the end of each quarter in 2012 and 2013**

PLN'000	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Non-current assets</b>	<b>496,790</b>	<b>501,187</b>	<b>497,528</b>	<b>506,997</b>	<b>443,592</b>	<b>449,149</b>	<b>436,603</b>	<b>425,813</b>
Property, plant and equipment	112,279	114,761	123,343	127,343	129,010	129,837	130,472	125,373
Intangible assets	95,439	98,445	94,110	96,846	35,383	39,978	38,714	34,606
Investment in subsidiaries and associates	265,107	263,894	262,786	262,149	262,149	259,803	247,302	245,148
Deferred tax assets	-	-	3,076	6,311	2,570	4,001	4,527	4,848
Available-for-sale financial assets	20,955	20,982	11,010	11,141	11,183	11,002	10,910	11,004
Prepayments	3,010	3,105	3,203	3,208	3,297	4,528	4,678	4,834
<b>Current assets</b>	<b>225,645</b>	<b>209,390</b>	<b>241,032</b>	<b>181,207</b>	<b>206,391</b>	<b>204,675</b>	<b>277,444</b>	<b>265,482</b>
Inventories	166	180	176	266	253	325	278	266
Corporate income tax receivable	10,496	5,057	3,966	2,511	4,815	1,578	111	-
Trade and other receivables	23,940	29,600	32,663	31,833	23,640	23,903	45,234	31,696
Available-for-sale financial assets	118	586	428	272	118	586	58,254	57,389
Cash and cash equivalents	190,925	173,967	203,799	146,325	177,565	178,283	173,567	176,131
<b>Total assets</b>	<b>722,435</b>	<b>710,577</b>	<b>738,560</b>	<b>688,204</b>	<b>649,983</b>	<b>653,824</b>	<b>714,047</b>	<b>691,295</b>
<b>Equity</b>	<b>456,483</b>	<b>437,049</b>	<b>424,757</b>	<b>406,289</b>	<b>384,881</b>	<b>378,983</b>	<b>367,026</b>	<b>399,468</b>
Share capital	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865
Other reserves	12	95	385	126	(2,943)	(3,727)	(2,149)	(3,253)
Retained earnings	392,606	373,089	360,507	342,298	323,960	318,845	305,310	338,856
<b>Non-current liabilities</b>	<b>249,904</b>	<b>248,033</b>	<b>247,545</b>	<b>247,429</b>	<b>247,336</b>	<b>249,857</b>	<b>249,631</b>	<b>249,406</b>
Employee benefits payable	4,313	4,158	4,158	4,158	4,180	4,857	4,631	4,406
Liabilities under bond issue	243,617	243,502	243,387	243,272	243,157	245,000	245,000	245,000
Deferred tax liability	1,974	373	-	-	-	-	-	-
<b>Current liabilities</b>	<b>16,048</b>	<b>25,495</b>	<b>66,258</b>	<b>34,486</b>	<b>17,766</b>	<b>24,984</b>	<b>97,390</b>	<b>42,421</b>
Trade payables	3,184	3,994	2,112	1,861	3,358	2,347	6,092	2,554
Corporate income tax payable	-	-	-	-	-	-	1,243	6,514
Liabilities under bond issue	-	2,377	6,419	3,214	-	3,917	7,917	4,088
Dividends and other liabilities	3,894	9,776	48,243	21,270	3,598	8,802	74,803	24,009
Employee benefits payable	8,970	9,347	9,484	8,141	10,810	9,918	7,335	5,256
<b>Total equity and liabilities</b>	<b>722,435</b>	<b>710,577</b>	<b>738,560</b>	<b>688,204</b>	<b>649,983</b>	<b>653,824</b>	<b>714,047</b>	<b>691,295</b>

Source: Separate Financial Statements, Company



## 6.2 Company's current financial standing and presentation of key financial data

### SALES REVENUE

The Company has three revenue-generating segments:

- financial market,
- commodity market,
- other revenues.

Revenues from the financial market include revenues from:

- trading;
- listing;
- information services.

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

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

Revenues from transactions in equities and equity-related securities are the 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. Transactions in WIG20 index futures account for the majority of revenues from transactions in derivatives.

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

Revenues from transactions in debt instruments are generated by the Catalyst market.

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

Listing revenues include two main segments:

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

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

Revenues of the Company in the commodity market segment included revenues from the operation of the poee WSE Energy Market. In December 2012, the WSE Management Board decided to concentrate trade in energy on the market of the Polish Power Exchange and to discontinue organising trading in exchange commodities on the poee WSE Energy Market as of the end of Q1 2013.

Trading revenue on the commodity market includes:

- revenue from trading in electricity (spot and forward),

- other fees paid by market participants (members).

Until the end of Q1 2013, the Company generated revenues on the commodity market from spot and forward trading in energy as well as other fees paid by market participants. Revenues from trading in electricity included transaction fees on the poee WSE Energy Market while other fees paid by market participants included flat-rate fees paid by market participants of the poee WSE Energy Market.

The Company earns no revenue from the sub-segment of operation of the Register of Certificates of Origin of electricity or clearing of transactions.

The Company's other revenues include revenues from office lease and sponsorship.

### *Annual*

The **Company's** sales revenues amounted to PLN 194.4 million in 2013, a decrease of PLN 1.6 million compared to 2012. The year-on-year decrease in revenues was driven mainly by:

- decrease in revenue on the financial market by PLN 0.2 million due to lower revenue from information services;
- decrease in revenue on the commodity market by PLN 0.8 million due to discontinuation of organising trading in exchange commodities on the poee WSE Energy Market as of the end of Q1 2013;
- decrease of other revenues by PLN 0.5 million due to lower revenues from sponsorship and office space lease.

Revenues from trading in derivatives decreased by 21.3% (PLN 5.7 million) in 2013 mainly due to:

- a 9.0% decrease in the volume of trading in WIG20 futures;
- a modification of the price list for trading in derivatives as of 1 January 2013 including the introduction of day trading and a reduction of fees for index futures from PLN 1.7 to PLN 1.6.

In 2013, the revenues from trading in equities and equity-related instruments increased by 7.2% (PLN 7.3 million) year on year, mainly due to a 26.2% increase in the total value of trading in equities on the **Main Market**.

### *Quarterly*

The Company's quarterly sales revenues amounted to PLN 49.3 million in Q4 2013, an increase of 5.1% (PLN 2.4 million) compared to Q3 2013 and an increase of 4.4% (PLN 2.1 million) compared to Q4 2012. The increase in sales revenues compared to Q3 2013 was driven by higher revenues from the financial market segment, which increased by 4.6%, mainly from trading in equities and equity-related instruments (by 5.5%), and by an increase in revenues from information services (by 9.9%). Revenues in Q4 2013 compared to revenues in Q4 2012 were mainly a result of higher revenues from transactions in equities and equity-related instruments, higher revenues from information services, as well as lower revenues on the financial market from transactions in derivatives, mainly due to a lower volume of trading in WIG20 futures and reduced fees for derivatives.

The break-down of revenues in the years and quarters under review was stable.

**Separate revenues of WSE and revenue structure in selected quarters of 2012 and 2013**

PLN'000, %	Three-month period ended						Year ended 31 December			
	31 December 2013	%	30 September 2013	%	31 December 2012	%	2013	%	2012	%
<b>Financial market</b>	<b>48,876</b>	<b>99%</b>	<b>46,709</b>	<b>100%</b>	<b>46,492</b>	<b>98%</b>	<b>192,907</b>	<b>99%</b>	<b>193,114</b>	<b>99%</b>
Trading	33,873	69%	33,050	70%	32,136	68%	135,984	70%	135,446	69%
Equities and equity-related instruments	27,540	56%	26,094	56%	24,590	52%	108,423	56%	101,166	52%
Derivative instruments	4,789	10%	5,451	12%	5,708	12%	21,207	11%	26,944	14%
Other fees paid by market participants	1,413	3%	1,374	3%	1,716	4%	5,743	3%	6,873	4%
Debt instruments	84	0%	81	0%	87	0%	424	0%	294	0%
Other cash instruments	47	0%	49	0%	34	0%	186	0%	168	0%
Listing	5,629	11%	5,129	11%	5,423	11%	21,848	11%	21,164	11%
Listing fees	4,178	8%	4,242	9%	4,090	9%	17,089	9%	16,515	8%
Introduction and admission fees, other fees	1,451	3%	887	2%	1,333	3%	4,759	2%	4,648	2%
Information services	9,373	19%	8,530	18%	8,933	19%	35,075	18%	36,505	19%
<b>Commodity market</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>0%</b>	<b>173</b>	<b>0%</b>	<b>131</b>	<b>0%</b>	<b>980</b>	<b>1%</b>
Trading	-	0%	-	0%	173	0%	131	0%	980	1%
Electricity	-	0%	-	0%	135	0%	97	0%	830	0%
Spot	-	0%	-	0%	103	0%	96	0%	576	0%
Forward	-	0%	-	0%	32	0%	1	0%	254	0%
Gas	-	0%	-	0%	-	0%	-	0%	-	0%
Spot	-	0%	-	0%	-	0%	-	0%	-	0%
Forward	-	0%	-	0%	-	0%	-	0%	-	0%
Property rights in certificates of origin	-	0%	-	0%	-	0%	-	0%	-	0%
Other fees paid by market participants	-	0%	-	0%	38	0%	34	0%	150	0%
Register of certificates of origin	-	0%	-	0%	-	0%	-	0%	-	0%
Clearing	-	0%	-	0%	-	0%	-	0%	-	0%
<b>Other revenue</b>	<b>424</b>	<b>1%</b>	<b>184</b>	<b>0%</b>	<b>571</b>	<b>1%</b>	<b>1,313</b>	<b>1%</b>	<b>1,838</b>	<b>1%</b>
<b>Total</b>	<b>49,300</b>	<b>100%</b>	<b>46,893</b>	<b>100%</b>	<b>47,236</b>	<b>100%</b>	<b>194,351</b>	<b>100%</b>	<b>195,932</b>	<b>100%</b>

Source: Separate Financial Statements, Company

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

**Separate revenues of WSE by foreign and local customers in 2012-2013 and in selected quarters of 2012 and 2013**

PLN'000, %	Three-month period ended						Year ended 31 December			
	31 December 2013	%	30 September 2013	%	31 December 2012	%	2013	%	2012	%
Revenue from foreign customers	13,259	27%	12,301	26%	11,525	24%	52,147	27%	45,945	23%
Revenue from local customers	36,041	73%	34,592	74%	35,711	76%	142,204	73%	149,987	77%
<b>Total</b>	<b>49,300</b>	<b>100%</b>	<b>46,893</b>	<b>100%</b>	<b>47,236</b>	<b>100%</b>	<b>194,351</b>	<b>100%</b>	<b>195,932</b>	<b>100%</b>

Source: Separate Financial Statements, Company

The average exchange rate EUR/PLN in 2013 and 2012 was 4.20 EUR/PLN and 4.19 EUR/PLN, respectively. The average exchange rate EUR/PLN in Q4 2013, Q3 2013 and Q4 2012 was 4.18 EUR/PLN, 4.25 EUR/PLN and 4.11 EUR/PLN, respectively.

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

## **Financial Market**

### **Trading**

The revenues of the Company from **trading** on the financial market in the year ended 31 December 2013 were PLN 136.0 million, an increase of 0.4% (PLN 0.5 million) compared to PLN 135.4 million in 2012. The revenues were mainly driven by a 26.2% increase in the total value of trading in equities on the Main Market combined with a decrease in revenues from trading in derivatives by 21.3% (PLN 5.7 million) and a decrease in revenues from other fees paid by market participants by 16.4% (PLN 1.1 million).

The share of trading revenues in the total revenues on the financial market was 70.5% in 2013, which was stable year on year. The biggest share in trading revenues (94.8%) is that of revenues from the Main Market, which amounted to PLN 129.0 million in 2013 (an increase of PLN 2.4 million year on year). The remaining share in the revenues is that of NewConnect and Catalyst.

Quarterly trading revenues on the financial market increased in Q4 2013 compared to Q3 2013 by 2.5% (PLN 0.8 million) and amounted to PLN 33.9 million, and increased by 5.4% (PLN 1.7 million) compared to Q4 2012. The increase in revenues compared to Q4 2012 was driven mainly by higher revenues from fees paid by market participants for transactions on the equities market, which increased by 12.0% in the period under review. The revenues from trading in derivatives decreased by 16.1% in that period.

### *Equities and equity-related instruments*

Revenues of the Company from trading in **equities and equity-related instruments** amounted to PLN 108.4 million in 2013, an increase of 7.2% (PLN 7.3 million) year on year. The increase was driven directly by the 26.2% increase in the total value of trading in equities on the Main Market.

The total value of trading in equities on the Main Market increased by 26.2% in 2013 from PLN 202.9 billion in 2012 to PLN 256.2 billion in 2013. Furthermore, the number of session transactions on the Main Market increased by 17.3% from 11.6 million in 2012 to 12.8 million in 2013. The value of trading in equities on NewConnect (session and block trades) was PLN 1.23 billion in 2013, a decrease of 6.0% year on year. The average trading value per session on the Main Market was PLN 891.3 million in 2013, an increase of 18.3% year on year. The average trading value per session on the NewConnect market decreased by 17.0% to PLN 3.8 million. The WIG30 index lost 1.8% in 2013 and stood at 2,537.53 points at the end of the year, compared to 2,582.98 points at the end of 2012.

The Company earned PLN 0.7 million of revenue from tender offers for material share packages in 2013, compared to PLN 2.9 million in 2012. The high revenue in 2012 was mainly driven by tender offers for shares of Towarzystwo Ubezpieczeń Europa S.A., Mondi Świecie S.A., Bank Gospodarki Żywnościowej S.A. and Zakłady Azotowe w Tarnowie-Mościcach S.A.

Quarterly revenues from transactions in **equities and equity-related instruments** amounted to PLN 27.5 million in Q4 2013, an increase of 5.5% (PLN 1.4 million) compared to Q3 2013 and an increase of 12.0% (PLN 3.0 million) compared to Q4 2012.

The change in revenues in Q4 2013 compared to Q4 2012 was impacted by the following factors:

- a 20.9% increase in the value of session trading in equities on the Main Market;
- modifications of the WSE price list as of 1 January 2013 (including a reduction of the fixed fee on an executed order from PLN 1.0 to PLN 0.2);
- termination of an anti-crisis promotion in 2012.

The main operating statistics of trading in equities on the Main Market in the quarters under review were as follows:

- the value of session and block trades in Q4 2013, Q3 2013 and Q4 2012 was PLN 62.4 billion, PLN 61.6 billion and PLN 47.8 billion, respectively (including block trades at PLN 7.6 billion, PLN 8.0 billion and PLN 2.5 billion, respectively);
- the total volume of trading was 8.2 billion shares in Q4 2013 compared to 7.9 billion shares in Q3 2013 and 8.6 billion shares in Q4 2012;
- the average value of a transaction, measured as the total value of session trading to the number of session transactions, was PLN 15.7 thousand in Q4 2013, less than in Q3 2013 (PLN 16.1 thousand) and less than in Q4 2012 (PLN 16.4 thousand).

**Separate revenues of WSE from trading in equities and equity-related instruments, the value and volume of trading in equities and equity-related instruments in 2012 and 2013 and in selected quarters of 2012 and 2013**

	Three-month period ended			Year ended 31 December	
	31 December 2013	30 September 2013	31 December 2012	2013	2012
<b>Financial market, trading revenue: equities and equity-related instruments (PLN million)</b>	<b>27.5</b>	<b>26.1</b>	<b>24.6</b>	<b>108.4</b>	<b>101.2</b>
<i><b>Main Market:</b></i>					
Value of trading (PLN billion)	62.4	61.6	47.8	256.1	202.9
Volume of trading (billions of shares)	8.2	7.9	8.6	32.1	33.8
<i><b>NewConnect:</b></i>					
Value of trading (PLN billion)	0.4	0.3	0.3	1.2	1.3
Volume of trading (billions of shares)	0.5	0.5	0.9	2.1	3.6

Source: Company

The value of trading in equities on NewConnect (session and block trades) was PLN 408 million in Q4 2013, an increase of 26.8% compared to Q3 2013 and an increase of 38.7% compared to Q4 2012.

### Derivatives

Revenues of the Company from transactions in **derivatives** on the financial market amounted to PLN 21.2 million in 2013, a decrease of 21.3% (PLN 5.7 million) compared to 2012. The decrease in revenues was driven mainly by:

- a 9.0% decrease in trading in WIG20 futures;
- a modification of the price list for trading in derivatives as of 1 January 2013 including the introduction of day trading and a reduction of fees for index futures from PLN 1.7 to PLN 1.6.

Revenues from transactions in derivatives amounted to PLN 4.8 million in Q4 2013, a decrease of 12.1% compared to Q3 2013 and a decrease of 16.1% compared to Q4 2012. The results were driven by a decrease in the volume of WIG20 futures, which was 10.1% lower in Q4 2013 than in Q3 2013. In addition to the decrease on the volume of WIG20 index futures (by 2.4%), the decrease in revenues in Q4 2013 compared to Q4 2012 was also driven by the introduction of day trading and the modification of the price list including the reduction of fees for index futures.

**Separate revenues of WSE from trading in financial derivatives, the volume of trading in financial derivatives in 2012 and 2013 and in selected quarters of 2012 and 2013**

	Three-month period ended			Year ended 31 December	
	31 December 2013	30 September 2013	31 December 2012	2013	2012
<b>Financial market, trading revenue: derivatives (PLN million)</b>	<b>4.8</b>	<b>5.5</b>	<b>5.7</b>	<b>21.2</b>	<b>26.9</b>
Volume of trading in derivatives (millions of contracts):	2.7	3.4	2.6	12.6	11.3
<i>incl.: volume of trading in WIG20 futures (millions of contracts)</i>	1.9	2.1	1.9	8.3	9.1

Source: Company

On 23 September 2013, WSE started to calculate and publish the indices WIG30 (price index) and WIG30TR (total return index, including dividend and subscription rights income) with portfolios comprised of the 30 biggest and most liquid stocks listed on WSE. WIG30 will eventually replace WIG20. Both indices will be published in parallel until the end of 2015. WSE expects that a broader group of listed companies included in the blue-chip index will increase the interest of investors in their stock and consequently improve their liquidity. The introduction of a new WSE blue-chip index also implies modifications to existing index-based derivatives. WIG30 will be the underlying of new futures and options, and it will eventually replace the currently listed WIG20 futures and options. The migration from the currently listed derivatives to the new derivatives will begin in late 2014 and includes parallel listing of WIG20 derivatives and WIG30 derivatives for 9 months. According to the timeline, the migration to the new derivatives will be completed by September 2015 at the latest.

On 23 September 2013, WSE introduced into trading WIG20 futures with a multiplier of PLN 20. The WIG20 futures with a PLN 20 multiplier will eventually replace the currently listed instruments. The migration to the new contracts will be completed by 20 June 2014. The process may take less time if there is no open interest in any of the last series of futures with a PLN 10 multiplier; in that case, trading in such series will be suspended.

On 18 October 2013, the Company introduced into trading futures on the WIBOR reference rates and futures on short-term, mid-term and long-term Treasury bonds.

*Other fees paid by market participants*

Revenues of the Company from **other fees** paid by market participants were PLN 5.7 million in 2013, a decrease of PLN 1.1 million compared to PLN 6.9 million in 2012. The fees mainly includes fees for access to the trading system (among others, connection fees and maintenance fees). In Q2 2013, WSE replaced WARSET with the new trading system UTP, and the structure of the fees was modified.

Quarterly revenues from other fees paid by market participants amounted to ca. PLN 1.4 million both in Q4 and Q3 2013 compared to PLN 1.7 million in Q4 2012.

*Debt instruments*

Revenues of the Company from transactions in debt instruments are generated by the Catalyst market.

Revenues of the Company in the **debt instruments** sub-segment amounted to PLN 424 thousand in 2013, an increase of PLN 130 thousand compared to 2012. Revenues of the Company from this sub-segment amounted to PLN 84 thousand in Q4 2013 compared to PLN 81 thousand Q3 2013 and PLN 87 thousand in Q4 2012.

**Separate revenues of WSE from trading in debt instruments, the value of trading in debt instruments in 2012 and 2013  
and in selected quarters of 2012 and 2013**

	Three-month period ended			Year ended 31 December	
	31 December 2013	30 September 2013	31 December 2012	2013	2012
<b>Financial market, trading revenue: debt instruments (PLN million)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.3</b>
<b>Catalyst:</b>					
Value of trading (PLN billion)*	0.5	0.5	0.6	2.9	1.9
incl.: Value of trading in non-Treasury instruments (PLN billion)	0.4	0.4	0.5	2.3	1.4

\* value of trading for the retail segment operated by WSE

Source: Company

### *Other cash market instruments*

Revenues from transactions in **other cash market instruments** amounted to PLN 0.19 million in 2013, an increase of 10.5% compared to 2012. Revenues from other cash market instruments amounted to ca. PLN 0.05 million both in Q3 and Q4 2013 compared to PLN 0.03 million in Q4 2012. The revenues include fees for trading in structured products, investment certificates, ETF units and warrants.

### **Listing**

**Listing** revenues on the financial market amounted to PLN 21.8 million in 2013, an increase of 3.2% (PLN 0.7 million) compared to PLN 21.2 million in 2012.

Revenues from companies listed on the Main Market are the principal source of listing revenues. Listing revenues in 2013 amounted to PLN 18.7 million on the Main Market, PLN 2.7 million on NewConnect, and PLN 0.4 million on Catalyst.

Revenues from **listing fees** amounted to PLN 17.1 million in 2013, an increase of 3.5% (PLN 0.6 million) year on year. The main driver of revenues from listing fees is the number of issuers listed on the WSE markets and their capitalisation at the year's end. **Fees for introduction and admission as well as other fees** amounted to PLN 4.8 million in 2013, an increase of 2.4% (PLN 0.1 million) compared to PLN 4.6 million in 2012. The revenues are driven mainly by the number and value of new listings on the WSE markets.

Quarterly listing revenues amounted to PLN 5.6 million in Q4 2013, an increase of 9.7% (PLN 0.5 million) compared to Q3 2013 and an increase of 3.8% compared to Q4 2012. The increase of revenues in Q4 2013 compared to Q3 2013 was driven by a higher number of new listings and a nearly 13-fold increase on the value of offerings on the Main Market, which is reflected in higher revenues from fees for introduction and admission to trading.

Revenues from **listing fees** were ca. PLN 4.2 million each in Q4 and Q3 2013, an increase of 2.1% compared to PLN 4.1 million in Q4 2012. Revenues from **fees for admission and introduction and other fees** amounted to PLN 1.5 million in Q4 2013, an increase of 63.6% compared to the revenues in Q3 2013 and an increase of 8.9%



compared to the revenues in Q4 2012. The increase of the revenues in Q4 2013 was mainly driven by the IPOs of Energa S.A., PKP Cargo S.A. and Newag S.A. in Q4 2013.

23 companies were newly listed on the Main Market in 2013, 4 more than in 2012. The total value of IPOs and SPOs was PLN 7.7 billion in 2013 compared to PLN 7.3 billion in 2012. The aggregate capitalisation of domestic and foreign companies was PLN 840.8 billion at the end of 2013 compared to PLN 734.1 billion at the end of 2012 (an increase of 14.5%).

9 companies were newly listed on the Main Market and the total value of IPOs and SPOs was PLN 4.8 billion in Q4 2013, compared to 4 new listings worth PLN 0.4 billion in Q3 2013 and 7 new listings worth PLN 3.5 billion in Q4 2012. There were 450 companies listed on the Main Market and their total capitalisation was PLN 840.8 billion at the end of Q4 2013, compared to 443 companies worth PLN 810.6 billion at the end of Q3 2013 and 438 companies worth PLN 743.1 billion at the end of Q4 2012. The value of SPOs was PLN 0.2 billion in Q4 2013, a decrease of PLN 0.1 billion compared to Q3 2013. The value of IPOs was PLN 4.6 billion in Q4 2013 (including the public offering of Energa S.A. worth PLN 2.4 billion and that of PKP Cargo S.A. worth PLN 1.4 billion). The IPO of Energa S.A. was the biggest public offering in CEE in 2013.

**Separate listing revenue of WSE, market capitalisation, number of listed companies, number and capitalisation of new listings, value of IPOs and SPOs, number and value of delistings on the Main Market in 2012 and 2013 and in selected quarters of 2012 and 2013**

	As at / for the three-month period ended			Year ended 31 December	
	31 December 2013	30 September 2013	31 December 2012	2013	2012
<b>Main Market</b>					
<b>Listing revenue (PLN million)</b>	<b>4.9</b>	<b>4.3</b>	<b>4.6</b>	<b>18.7</b>	<b>17.7</b>
Capitalisation of listed companies ( <i>domestic</i> ) (PLN billion)	593.5	570.8	523.4	593.5	523.4
Capitalisation of listed companies ( <i>foreign</i> ) (PLN billion)	247.3	239.8	210.7	247.3	210.7
Number of listed companies ( <i>domestic</i> )	403	398	395	403	395
Number of listed companies ( <i>foreign</i> )	47	45	43	47	43
Value of offerings (IPO and SPO) (PLN billion)	4.8	0.4	3.5	7.7	7.3
Number of new listings ( <i>in the period</i> )	9	4	7	23	19
Capitalisation of new listings (PLN billion)	13.1	0.4	6.5	15.6	12.0
Number of delistings	2	3	4	11	7
Capitalisation of delistings* (PLN billion)	0.1	0.0	1.9	5.5	9.2

\* based on market capitalisation at the time of delisting

Source: Company

42 companies were newly listed on NewConnect in 2013, compared to 89 new listings in 2012. The aggregate capitalisation of domestic and foreign companies listed on NewConnect was PLN 11.0 billion at the end of 2013 compared to PLN 11.1 billion at the end of 2012.

6 companies were newly listed on NewConnect and the total value of IPOs and SPOs was PLN 0.2 billion in Q4 2013, compared to 8 new listings worth PLN 0.2 billion in Q3 2013 and 16 new listings worth PLN 0.2 billion in Q4 2012. There were 445 companies listed on NewConnect and their total capitalisation was PLN 11.0 billion at the end of Q4 2013, compared to 445 companies worth PLN 10.8 billion at the end of Q3 2013 and 429 companies worth PLN 11.1 billion at the end of Q4 2012.

**Separate listing revenue of WSE, market capitalisation, number of listed companies, number and capitalisation of new listings, value of IPOs and SPOs, number and value of delistings on NewConnect in 2012 and 2013 and in selected quarters of 2012 and 2013**

	As at / for the three-month period ended			Year ended 31 December	
	31 December 2013	30 September 2013	31 December 2012	2013	2012
<b>NewConnect</b>					
<b>Listing revenues (PLN million)</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>2.7</b>	<b>3.1</b>
Capitalisation of listed companies ( <i>domestic</i> ) (PLN billion)	10.4	10.3	10.8	10.4	10.8
Capitalisation of listed companies ( <i>foreign</i> ) (PLN billion)	0.6	0.4	0.3	0.6	0.3
Number of listed companies ( <i>domestic</i> )	434	436	421	434	421
Number of listed companies ( <i>foreign</i> )	11	9	8	11	8
Value of offerings ( <i>IPO and SPO</i> ) (PLN billion)	0.2	0.2	0.2	0.6	0.7
Number of new listings ( <i>in the period</i> )	6	8	16	42	89
Capitalisation of new listings (PLN billion)	0.2	0.3	0.4	1.2	1.8
Number of delistings*	6	9	7	26	11
Capitalisation of delistings** (PLN billion)	0.4	0.1	0.2	1.0	0.5

\* includes companies which transitioned to listing on the Main Market

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

Source: Company

Catalyst grew dynamically in the period under review. The Catalyst division operated by WSE listed bonds of 152 issuers (151 issuers excluding the State Treasury) at the end of 2013 compared to 137 issuers (136 issuers excluding the State Treasury) at the end of 2012. The total nominal value of debt instruments listed on the Catalyst division operated by WSE was PLN 603.7 billion at the end of 2013 compared to PLN 553.5 billion at the end of 2012, including the value of non-Treasury bonds at PLN 43.5 billion in 2013 and PLN 38.5 billion in 2012.

### Information services

Revenues from **information services** amounted to PLN 35.1 million in 2013, a decrease of 3.9% (PLN 1.4 million) compared to 2012. Revenues from information services amounted to PLN 9.4 million in Q4 2013 compared to PLN 8.5 million in Q3 2013 and PLN 8.9 million in Q4 2012. The increase in Q4 2013 was mainly driven by one-off fees for exchange services booked in December 2013 (PLN 0.5 million).

Revenues from information services in the periods under review were driven among others by the number of data vendors and subscribers. The year-on-year decrease in revenues from information services in 2013 was driven mainly by a decrease in the number of subscribers of professional data feeds.

**Separate revenues of WSE from information services, number of data vendors and subscribers in 2012 and 2013 and in selected quarters of 2012 and 2013**

	As at / for the three-month period ended			Year ended 31 December	
	31 December 2013	30 September 2013	31 December 2012	2013	2012
<b>Revenues from information services (PLN million)</b>	<b>9.4</b>	<b>8.5</b>	<b>8.9</b>	<b>35.1</b>	<b>36.5</b>
Number of data vendors	58	58	58	58	58
Number of subscribers ('000 subscribers)	261.9	257.1	288.1	261.9	288.1

Source: Company

### Commodity market

Revenues of WSE on the commodity market in 2012 and Q1 2013 included revenues from the operation of the poee WSE Energy Market (WSE discontinued trading in energy on poee as of the end of Q1 2013).

Until the end of Q1 2013, the Company generated revenues on the commodity market from spot and forward transactions in electricity as well as other fees paid by market participants. Revenues of WSE on the commodity market amounted to PLN 0.1 million in 2013 and PLN 1.0 million in 2012. Revenues from spot and forward transactions in electricity contributed the bigger part of the Company's revenues.

### Other revenues

The Company's other revenues amounted to PLN 1.3 million in 2013 compared to PLN 1.8 million in 2012. Other revenues decreased compared to 2012 mainly due to lower revenues from sponsorship and office space lease.

Quarterly other revenues stood at PLN 0.4 million in Q4 2013 compared to PLN 0.2 million in Q3 2013 and PLN 0.6 million in Q4 2012. These mainly include revenues from office space lease and promotion.

## OPERATING EXPENSES

Total operating expenses amounted to PLN 125.3 million in 2013, an increase of 9.0% (PLN 10.4 million) compared to PLN 114.9 million in 2012. Depreciation and amortisation, salaries, rent and other maintenance fees, fees and charges and external service charges increased while other operating expenses as well as other employee costs decreased in 2013.

**Separate operating expenses of WSE and structure of operating expenses in 2012 and 2013 and in selected quarters of 2012 and 2013**

PLN'000, %	Three-month period ended						Year ended 31 December			
	31 December 2013	%	30 September 2013	%	31 December 2012	%	2013	%	2012	%
Depreciation and amortisation	6,071	18%	5,917	20%	3,449	12%	21,927	18%	13,733	12%
Salaries	6,508	20%	6,525	22%	7,116	25%	32,002	26%	30,661	27%
Other employee costs	2,261	7%	1,941	6%	2,405	8%	9,143	7%	9,623	8%
Rent and other maintenance fees	2,216	7%	2,296	8%	2,596	9%	8,670	7%	7,861	7%
Fees and charges	5,153	16%	4,932	16%	3,492	12%	19,095	15%	18,109	16%
including: PFSA fees	4,956	15%	4,578	15%	2,585	9%	18,249	15%	16,823	15%
External service charges	9,737	29%	7,170	24%	7,440	26%	28,828	23%	28,462	25%
Other operating expenses	1,201	4%	1,160	4%	2,027	7%	5,589	4%	6,429	6%
<b>Total</b>	<b>33,146</b>	<b>100%</b>	<b>29,941</b>	<b>100%</b>	<b>28,524</b>	<b>100%</b>	<b>125,255</b>	<b>100%</b>	<b>114,877</b>	<b>100%</b>

Source: Separate Financial Statements, Company

The Company is not dependent on any single supplier or service provider as the expenses of the Company per contractor (other than fees to PFSA) never exceed 10% of the Company's total expenses.

**Depreciation and amortisation:** Depreciation and amortisation was PLN 21.9 million in 2013, an increase of 59.7% (PLN 8.2 million) compared to 2012. The significant increase in depreciation and amortisation was mainly driven by the completed implementation of UTP as of April 2013.

Quarterly depreciation and amortisation was ca. PLN 6.0 million each in Q4 and Q3 2013, an increase of PLN 2.6 million compared to Q4 2012, mainly due to the depreciation and amortisation of UTP as of Q2 2013.

Depreciation and amortisation of WARSET ended on 31 December 2012 and depreciation and amortisation of UTP began in April 2013. The depreciation and amortisation period of the new trading system was originally defined as 5 years for property, plant and equipment and 8 years for intangible assets. The expected useful life of UTP's intangible assets (licences) was revised in Q3 2013. As a result, the depreciation/amortisation period of the licences was extended prospectively as of Q3 2013 from 8 to 12 years. Consequently, the quarterly depreciation and amortisation charge for UTP decreased by nearly PLN 1.0 million compared to Q2 2013 (quarter-on-quarter decrease from PLN 4.2 million to PLN 3.2 million). Due to the shorter depreciation period of the fixed assets of the trading system, monthly depreciation charges will decrease to ca. PLN 0.6 million after 5 years.

**Salaries and other employee costs:** Salaries and other employee costs amounted to PLN 41.1 million in 2013, an increase of 2.1% (PLN 0.9 million) compared to 2012. Salaries and other employee costs in the periods under review were driven mainly by the following factors:

- settlement of the cost of medical services in 2012 for previous years at PLN 2.8 million;

- costs due to the capitalisation of the cost of the UTP project at PLN 3.6 million in 2012 and PLN 1.3 million in 2013;
- lower provisions against pension benefits and jubilee awards set up on an actuarial basis in 2013 (down by PLN 0.6 million);
- lower cost of the provision against unused holiday leave in 2013 (by PLN 0.8 million);
- lower costs of bonuses, down by PLN 1,6 million;
- recognition of the cost of non-compete agreements of former WSE Management Board Members at PLN 0.8 million;
- higher costs of severance pay and employee benefits recognised in 2013 (by PLN 0.9 million);
- higher salaries and other employee costs due to changes on the Company's Management Board.

Quarterly salaries and other employee costs stood at PLN 8.8 million in Q4 2013 and increased by 3,6% (PLN 0.3 million) compared to Q3 2013. Salaries and other employee costs in Q4 2013 decreased by PLN 0.8 million (7.9%) compared to Q4 2012.

#### Employment in WSE

# FTEs	As at		
	31 December 2013	30 September 2013	31 December 2012
WSE	205	202	209
<b>Total</b>	<b>205</b>	<b>202</b>	<b>209</b>

Source: Company

**Rent and other maintenance fees:** Rent and other maintenance fees amounted to PLN 8.7 million in 2013, an increase of 10.3% (PLN 0.8 million) compared to 2012. The increase in costs in 2013 was mainly a result of the business expansion of the Company and the lease of additional space for the server room and the IT infrastructure. Quarterly rent and other fees amounted to PLN 2.2 million in Q4 2013, a decrease of PLN 0.1 million compared to Q3 2013 and a decrease of PLN 0.4 million compared to Q4 2012. The increase in costs in Q4 2012 was driven mainly by the settlement of the cost of the project of leasing additional space for the IT infrastructure.

**Fees and charges:** Fees and charges stood at PLN 19.1 million in 2013, an increase of 5.4% (PLN 1.0 million) compared to 2012. The main component of the Company's fees and charges are fees paid to the Polish Financial Supervision Authority (PFSA), which stood at PLN 18.2 million in 2013 and PLN 16.8 million in 2012.

Quarterly fees and charges amounted to PLN 5.2 million in Q4 2013, an increase of PLN 0.2 million (4.5%) compared to Q3 2013. The increase in fees and charges was driven mainly by higher fees paid to PFSA (by PLN 0.4 million). Fees and charges in Q4 2013 increased by PLN 1.7 million (47.6%) compared to Q4 2012 mainly due to higher fees to PFSA (by PLN 2.4 million) and VAT adjustments for 2011-2012 at ca. PLN 0.6 million.

The fees paid to PFSA were PLN 5.0 million in Q4 2013, PLN 4.6 million in Q3 2013 and PLN 2.6 million in Q4 2012. The fees in the last quarter of the year are mainly due to the method of payment of fees to PFSA. In 2012, the monthly advances paid by WSE were PLN 1.6 million higher than the portion of the PFSA budget to

be covered by WSE. In 2013, the advances were PLN 0.8 million short. The surplus or shortage is deducted from or added to fees and charges in Q4 of the year.

According to a PFSA letter received in January 2014, which sets the amount of advance fees to be paid to the regulator by entities operating on the capital market, the fees will be PLN 5.2 million in each of Q1 and Q2 2014.

**External service charges:** External service charges amounted to PLN 28.8 million in 2013, an increase of 1.3% (PLN 0.4 million) compared to PLN 28.5 million in 2012. External service charges in 2013 were mainly driven by reduced expenses for promotion, education and market development (down by PLN 1.1 million), lower costs of IT software and hardware maintenance (down by PLN 1.4 million), higher costs of advisory and legal services (up by PLN 1.4 million), higher costs of data transmission lines (up by PLN 0.8 million) and software modifications (up by PLN 0.6 million). The cost of WSE's sponsorship was PLN 0.45 million in 2013 compared to PLN 0.65 million in 2012. The cost of sponsorship is a part of the cost of promotion, education and market development.

Quarterly external service charges increased by 35.8% (PLN 2.6 million) in Q4 2013 compared to Q3 2013, mainly due to higher costs of software maintenance and modification, costs of advisory and legal services, and costs of promotion. External service charges increased by 30.9% (PLN 2.3 million) compared to Q4 2012 mainly due to WSE's higher costs of software maintenance and modification, costs of advisory and legal services, and costs of data transmission lines.

**Other operating expenses:** Other operating expenses amounted to PLN 5.6 million in 2013, a decrease of 13.1% compared to PLN 6.4 million in 2012. The decrease in other operating expenses was driven mainly by lower costs of business travel and lower costs of membership fees.

Quarterly other operating expenses amounted to PLN 1.2 million each in Q3 and Q4 2013 compared to PLN 2.0 million in Q4 2012. The decrease of PLN 0.8 million compared to Q4 2012 was driven mainly by lower costs of low-value software, lower costs of business travel, lower costs of membership fees and lower costs of electricity.

Other operating expenses mainly included costs of materials and electricity, business travel, professional organisation fees, property insurance and conferences.

## OTHER INCOME AND EXPENSES

Other income amounted to PLN 1.6 million and other expenses amounted to PLN 1.6 million in 2013 compared to PLN 5.4 million and PLN 10.6 million, respectively, in 2012.

Other income in 2013 mainly included debt enforced from clients in respect of information services amounted to PLN 1.0 million. The high level of other income in 2012 was driven mainly by release of provisions against irregular debt (PLN 2.9 million) as well as the reimbursement received from WSE employees in Q4 2012 (PLN 1.7 million) in respect of the settlement of medical services as payment of outstanding contributions and personal income tax for medical packages for previous years. Compensations received in 2012 stood at PLN 0.4 million.

Other expenses at PLN 10.6 million in 2012 were mainly driven by the following factors:

- on 27 December 2012, the WSE Management Board decided to concentrate trading within PolPX and to discontinue organising trading in exchange commodities on the poee WSE Energy Market after the end of Q1 2013. Consequently, the Company recognised a goodwill impairment loss on the acquisition of an organised part of the enterprise of the poee WSE Energy Market. The write-down amounted to PLN 7.9 million;

- as at 31 December 2012, a goodwill impairment loss was recognised for the investment in the subsidiary IRK at PLN 1.0 million. The main reason for the write-down were the company's losses in 2010 – 2012;
- as at 31 December 2012, WSE recognised a PLN 1.0 million goodwill impairment loss for its investment in S.C. SIBEX.

Other expenses in 2013 mainly included provisions against irregular debt at PLN 1.3 million; there was no cost of provisions in 2012. In 2013, WSE paid the cost of donations at PLN 76.0 thousand, compared to PLN 128.0 thousand expensed in 2012.

Quarterly net other income and expenses were positive at PLN 0.6 million in Q4 2013 compared to a negative PLN 0.2 million in Q3 2013 and a negative PLN 8.0 million in Q4 2012. The low net other income and expenses in Q4 2012 were driven by the cost of impairment losses recognised for poee, SIBEX and IRK at PLN 9.9 million in aggregate.

## FINANCIAL INCOME AND EXPENSES

**Financial income** of the Company amounted to PLN 49.8 million in 2013, an increase of PLN 27.4 million compared to PLN 22.3 million in 2012. Financial income mainly includes dividends from subsidiaries and associates, financial income from investments in Treasury bonds, interest on bank deposits, and a surplus of positive fx differences.

Income from dividends received amounted to PLN 43.3 million in 2013 and PLN 11.5 million in 2012. Financial income from held Treasury bonds amounted to PLN 0.6 million in 2013 and PLN 2.1 million in 2012. Interest income from bank deposits amounted to PLN 5.2 million in 2013 and PLN 7.7 million in 2012. The surplus of positive fx differences over negative fx differences was PLN 0.5 million in 2013. The fx differences balance was negative (PLN 1.0 million) in 2012 and it was recognised under financial expenses.

Financial income of the Company stood at PLN 0.9 million in Q4 2013 compared to PLN 1.5 million in Q3 2013 and PLN 1.9 million in Q4 2012.

The Company's total **financial expenses** were PLN 11.9 million in 2013 compared to PLN 17.0 million in 2012. The expenses were lower in 2013 mainly due to the interest cost of debt service in respect of a bond issue, which amounted to PLN 11.2 million in 2013 compared to PLN 15.5 million in 2012.

Financial expenses amounted to PLN 2.5 million in Q4 2013 compared to PLN 2.6 million in Q3 2013 and PLN 4.1 million in Q4 2012. The expenses in Q3 and Q4 2013 were lower than in Q4 2012 mainly due to the lower interest costs of debt service under the bond issue following changes to WIBOR 6M, which is the floating interest rate underlying the interest rate on the bonds.

In December 2011 and February 2012, WSE issued bonds with a total nominal value of PLN 245.0 million. The bonds of both series are due for redemption on 2 January 2017. The bonds bear interest at a floating rate equal to WIBOR 6M + 1.17%, interest is paid semi-annually. Due to the bond issue, the interest cost of debt service was a significant contributor to the financial expenses of the Company in the quarters under review. The interest cost was PLN 2.4 million each in Q3 and Q4 2013, compared to PLN 3.9 million in Q4 2012. The lower interest cost was driven by reduction of WIBOR 6M, which is the floating interest rate underlying the interest rate on the bonds. The interest rate on the bonds was 6.31% in Q4 2012 compared to 3.87% in Q4 2013.

The total cost of the bond offering was PLN 2.2 million and it was recognised in prepayments, reducing the Company's financial expenses on a straight-line basis from the issue date of series A bonds (23 December 2011) until the redemption date of series A and B bonds (2 January 2017). The prepayments reduce the Company's bond issue liabilities. The cost of the offering added PLN 0.5 million to the financial expenses of the Company



in 2013 and PLN 0.4 million in 2012. The cost of the offering was PLN 0.1 million in each of the quarters under review.

As of 1 January 2012, WSE applies hedge accounting. As at the end of December 2013, hedging covered cash flows under the agreement concerning the acquisition and delivery of a new trading system (UTP-Derivatives). The Company decided to designate cash held in euro for the above purpose as a hedging instrument. As of 1 January 2012, fx differences on the balance sheet valuation of such cash are recognised in equity instead of financial income or expenses. The fx differences recognised in equity were negative at PLN 0.1 million in Q3 2013, PLN 0.2 million in Q4 2013, and PLN 0.2 million in Q4 2012.

## INCOME TAX

The Company's effective income tax rate was 5.3% in 2013 and 19.2% in 2012, compared to the standard Polish corporate income tax rate of 19%. Income tax was PLN 5.6 million in 2013 compared to PLN 15.6 million in 2012. Quarterly income tax was at a negative PLN 3.8 million in Q4 2013, PLN 3.1 million in Q3 2013, and PLN 3.3 million in Q4 2012.

The effective tax rate in 2013 was mainly driven by high dividends received from subsidiaries and associates, a recognised tax relief for investments in new technologies, and a significant difference between the opening tax value and the carrying value of the UTP system whose implementation was completed in April 2013 (to the extent of intangible assets).

In Q1 2013, WSE exercised the right to deduct the expenditure in new technologies incurred in 2006-2011 against taxable income. The tax refund from the Tax Office stood at PLN 1.1 million in Q1 2013. Furthermore, in Q4 2013, the Company once again recognised a tax relief for new technologies with regard to the investment in new technologies in 2013. As a result of the recognised tax relief, income tax was reduced by PLN 5.9 million.

Income tax **paid** by the Company was PLN 6.7 million in 2013 compared to PLN 23.4 million in 2012. WSE accounted for income tax under the simplified method in 2012 and under general rules in 2013. WSE reported a tax credit of PLN 10.5 million at the end of 2013, which is expected to be cleared in 2014.

## COMPANY'S BALANCE SHEET STRUCTURE

The Company's **non-current assets** stood at PLN 496.8 million representing 69% of total assets as at 31 December 2013, compared to 71% as at 30 September 2013 and 68% as at 31 December 2012. The change in the structure of non-current assets in 2013 compared to 2012 was driven mainly by an increase in intangible assets in the quarters of 2013 under review resulting from WSE's implementation of the new trading system UTP. Available-for-sale financial assets changed at the end of the quarters of 2013 under review due to WSE's acquisition of shares of Aquis Exchange Limited for PLN 10.105 thousand (GBP 2.0 million). The acquisition was financed with WSE's own funds.

WSE's investment in subsidiaries increased at the end of 2013 compared to the end of 2012 as a result of an increase of the capital of WSEInfoEngine S.A. (by PLN 2.0 million), IRK WSE Research S.A. (by PLN 0.6 million) and WSE Commodities (PLN 0.1 million), as well as the impact of the acquisition of another 0.49% of shares in the share capital of BondSpot S.A. for PLN 0.2 million.

The Company's **current assets** stood at PLN 225.6 million representing 31% of total assets as at 31 December 2013, compared to PLN 209.4 million or 29% as at 30 September 2013 and PLN 206.4 million or 32% as at 31 December 2012.

The corporate income tax receivable at the end of 2013 was due to a surplus payment as well as a recognised income tax refund due in respect of the 2013 tax relief for investment in new technologies.

The **balance-sheet total** of the Company amounted to PLN 722.4 million as at 31 December 2013, an increase of PLN 11.9 million compared to 30 September 2013 and an increase of PLN 72.5 million compared to 31 December 2012.

**Separate statement of financial position of WSE at the end of selected quarters in 2012 and 2013 (assets)**

PLN'000	As at					
	31 December 2013	%	30 September 2013	%	31 December 2012	%
<b>Non-current assets</b>	<b>496,790</b>	<b>69%</b>	<b>501,187</b>	<b>71%</b>	<b>443,592</b>	<b>68%</b>
Property, plant and equipment	112,279	16%	114,761	16%	129,010	20%
Intangible assets	95,439	13%	98,445	14%	35,383	5%
Investment in subsidiaries and associates	265,107	37%	263,894	37%	262,149	40%
Deferred tax assets	-	0%	-	0%	2,570	0%
Available-for-sale financial assets	20,955	3%	20,982	3%	11,183	2%
Prepayments	3,010	0%	3,105	0%	3,297	1%
<b>Current assets</b>	<b>225,645</b>	<b>31%</b>	<b>209,390</b>	<b>29%</b>	<b>206,391</b>	<b>32%</b>
Inventory	166	0%	180	0%	253	0%
Corporate income tax receivables	10,496	1%	5,057	1%	4,815	1%
Trade and other receivables	23,940	3%	29,600	4%	23,640	4%
Available-for-sale financial assets	118	0%	586	0%	118	0%
Cash and cash equivalents	190,925	26%	173,967	24%	177,565	27%
<b>Total assets</b>	<b>722,435</b>	<b>100%</b>	<b>710,577</b>	<b>100%</b>	<b>649,983</b>	<b>100%</b>

Source: Separate Financial Statements, Company

The **equity** of the Company stood at PLN 456.5 million representing 63% of the Company's total liabilities and equity as at 31 December 2013, PLN 437.0 million (62%) as at 30 September 2013, and PLN 384.9 million (59%) as at 31 December 2012.

**Non-current liabilities** of the Company stood at PLN 249.9 million representing 35% of the Company's total equity and liabilities as at 31 December 2013, PLN 248.0 million (35%) as at 30 September 2013, and PLN 247.3 million (38%) as at 31 December 2012. The Company's non-current liabilities mainly include bond issue liabilities. The increase in the Company's deferred tax liabilities in 2013 was mainly driven by the difference between the tax and the accounting depreciation and amortisation of UTP.

**Current liabilities** of the Company stood at PLN 16.0 million representing 2% of the Company's total equity and liabilities as at 31 December 2013, PLN 25.5 million (4.0%) as at 30 September 2013, and PLN 17.8 million (3%) as at 31 December 2012. The decrease in current liabilities at the end of 2013 compared to 30 September 2013 was mainly driven by the recognition of future income in respect of issued annual invoices for listing as well as the payment of interest on issued bonds in December 2013.

**Separate statement of financial position of WSE at the end of selected quarters in 2012 and 2013 (liabilities)**

PLN'000	As at					
	31 December 2013	%	30 September 2013	%	31 December 2012	%
<b>Equity</b>	<b>456,483</b>	<b>63%</b>	<b>437,049</b>	<b>62%</b>	<b>384,881</b>	<b>59%</b>
Share capital	63,865	9%	63,865	9%	63,865	10%
Other reserves	12	0%	95	0%	(2,943)	0%
Retained earnings	392,606	54%	373,089	53%	323,960	50%
<b>Non-current liabilities</b>	<b>249,904</b>	<b>35%</b>	<b>248,033</b>	<b>35%</b>	<b>247,336</b>	<b>38%</b>
Employee benefits payable	4,313	1%	4,158	1%	4,180	1%
Liabilities under bond issue	243,617	34%	243,502	34%	243,157	37%
Deferred tax liability	1,974	0%	373	0%	0	0%
<b>Current liabilities</b>	<b>16,048</b>	<b>2%</b>	<b>25,495</b>	<b>4%</b>	<b>17,766</b>	<b>3%</b>
Trade payables	3,184	0%	3,994	1%	3,358	1%
Liabilities under bond issue	-	0%	2,377	0%	0	0%
Dividends and other liabilities	3,894	1%	9,776	1%	3,598	1%
Employee benefits payable	8,970	1%	9,347	1%	10,810	2%
<b>Total equity and liabilities</b>	<b>722,435</b>	<b>100%</b>	<b>710,577</b>	<b>100%</b>	<b>649,983</b>	<b>100%</b>

Source: Separate Financial Statements, Company

**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 Financial Statements.

In 2013, 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 14.1 at 2013 year-end and 11.6 at 2012 year-end.

WSE manages financial liquidity in accordance with the "Current Assets Allocation Procedure" adopted by the WSE Management Board. Pursuant to this document, the procedures for investing free cash should be handled in view of the due dates of liabilities so as to minimise the liquidity risk for the parent entity and, at the same time, to maximise its financial income. In practical terms, this means that the Company invests its current assets in Treasury bonds and bank deposits and the average duration of a financial asset portfolio was around 2 months at the end of 2013.

As of 1 January 2012, WSE applies hedge accounting. As at 31 December 2013, hedging covered cash flows under the agreement concerning the 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.

**CASH FLOWS**

The Company generated positive cash flows from **operating activities** at PLN 88.4 million in 2013 compared to positive cash flows of PLN 65.5 million generated in 2012. The higher cash flows from operating activities in 2013 were driven directly mainly by the paid income tax, which was lower by PLN 16.7 million. The decrease in

tax paid in 2013 was due to the Company's accelerated tax amortisation of the trading system UTP to the extent of intangible assets (licences).

The cash flows from **investing activities** were negative at PLN 31.8 million in 2013 and negative at PLN 159.8 million in 2012. The negative cash flows in 2013 were mainly due to the expenditure for the acquisition of the new trading system UTP, the acquisition of shares of Aquis Exchange Limited for PLN 10.1 million, and dividends received from subsidiaries and associates at PLN 43.3 million. In 2012, the Company acquired 97.67% of shares in the share capital of PolPX for PLN 213.9 million.

The cash flows from **financing activities** were negative in 2013, driven mainly by a dividend paid at PLN 32.6 million as well as the payment of PLN 11.2 million of interest on issued bonds. The cash flows from financing activities at a negative PLN 0.6 million in 2012 were driven by a dividend paid to WSE shareholders at PLN 60.4 million, receipts from the issue of series B bonds at PLN 75.7 million, as well as the payment of PLN 15.7 million of interest on issued bonds.

#### Separate cash flows of WSE in 2012-2013

<i>PLN'000</i>	<b>Cash flows for the twelve-month period ended 31 December</b>	
	<b>2013</b>	<b>2012</b>
Cash flows from operating activities	88,418	65,528
Cash flows from investing activities	(31,756)	(159,824)
Cash flows from financing activities	(43,797)	(613)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>12,866</b>	<b>(94,909)</b>
<i>Effect of movements in exchange rates on cash held</i>	<i>494</i>	<i>(1,041)</i>
<b>Cash and cash equivalents - opening balance</b>	<b>177,565</b>	<b>273,515</b>
<b>Cash and cash equivalents - closing balance</b>	<b>190,925</b>	<b>177,565</b>

Source: Separate Financial Statements, Company

#### CAPITAL EXPENDITURE

The total capital expenditure for property, plant and equipment and intangible assets amounted to PLN 67.9 million in 2013 compared to PLN 23.7 million in 2012, and included PLN 4.1 million of the Company's capital expenditure for property, plant and equipment in 2013 compared to PLN 11.7 million in 2012, and PLN 63.8 million of the Company's capital expenditure in intangible assets in 2013 compared to PLN 12.0 million in 2012.

- The capital expenditure for property, plant and equipment and intangible assets in 2013 and 2012 related mainly to the trading system UTP and investment in the IT infrastructure

The Company's biggest financial investment in 2013 was the acquisition of the first tranche of shares of Aquis Exchange Limited for PLN 10.1 million (GBP 2.0 million). The acquisition was financed with WSE's own funds. In 2012, the biggest financial investment was the acquisition of shares of PolPX for PLN 213.9 million. The investment in PolPX shares was fully financed with capital raised in the issue of series A and B bonds.

The Group's expected capital expenditure for property, plant and equipment and intangible assets will be ca. PLN 21.1 million in 2014.

The value of (contracted) future investment commitments was ca. PLN 10.5 million at 31 December 2013.

In 2014, the amount of the Company's capital expenditure for property, plant and equipment and intangible assets will be largely driven by the expenditure related to the implementation of the trading system UTP-Derivatives.

### **6.3 Financial prospects and assessment of planned investment projects implementation**

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 external funds in a manner optimal for the Company's capital expense and structure.

The Company did not publish any financial forecasts for 2013. Consequently, no explanations are provided for the differences between the financial results disclosed in the Annual Report and any previously published forecasts.

### **6.4 Issuer's major investments and organisational and equity links to other entities**

WSE has organisational and equity links to the Group subsidiaries and associates. The description of the Group and associates is to be found in section 2.1 of this Report.

In 2013, WSE did not make or divest any equity investments in any entities other than associates with the exception of the acquisition of shares of Aquis Exchange Ltd..

WSE increased the share capital of WSEInfoEngine S.A. in July and October 2013 by PLN 1.0 million at each time. The share capital of WSEInfoEngine S.A. was increased by another PLN 0.6 million in January 2014. The share capital of IRK WSE Research S.A. was increased in April 2013 (by PLN 0.6 million), and the share capital of WSE Commodities was increased in August 2013 (by PLN 95.0 thousand).

WSE signed an agreement concerning acquisition of new issue shares of Aquis Exchange Ltd. with its registered office in the UK for GBP 5.0 million on 19 August 2013. WSE plans to control shares representing 30% of votes. Aquis Exchange organises a pan-European equities exchange: a multi-trading facility (MTF). The goal of the investment is to increase the diversification of the WSE Group's revenue sources and to strengthen WSE's brand and role on the international financial markets. WSE acquired the first tranche of Aquis Exchange Limited shares for PLN 10,105 thousand (GBP 2.0 million) in Q3 2013. The acquisition was financed with WSE's own funds.

WSE acquired 100% of shares in the share capital of WSECommodities on 28 August 2013. The purchase price of the shares was PLN 13,450. WSE decided to increase the share capital of WSECommodities in order to pay for 1,900 newly issued shares on 28 August 2013. The amount of the capital increase was PLN 95,000. The share capital of WSECommodities is now PLN 100,000.

WSE acquired another 0.49% of the share capital of the subsidiary BondSpot S.A. for PLN 0.2 million in December 2013.

Equity links of WSE to the companies from outside the Group as at 31 December 2012 are the foreign investments in S.C. Sibex - Sibiu Stock Exchange S.A., INNEX PJSC and Aquis Exchange Ltd.

In addition to the stake in the above mentioned companies, as well as in the Group subsidiaries and associates, WSE's major domestic investments as at 31 December 2013 comprise:

- long-term Treasury bonds,
- 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 2013 and 31 December 2012.

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 2013 and 31 December 2012. Transactions of the parent entity with associates and subsidiaries are described in the Separate Financial Statements of Giełda Papierów Wartościowych w Warszawie S.A. for the years ended 31 December 2013 and 31 December 2012.

## **6.5 Other material information**

### **CREDIT AND LOAN AGREEMENTS SIGNED AND TERMINATED DURING THE FINANCIAL YEAR**

The Company signed and terminated no credit and loan agreements in 2013.

### **LOANS GRANTED IN THE FINANCIAL YEAR**

The Company granted no loans other than loans granted to WSE employees under the internal Employee Loan Program in 2013.

In January 2014, WSE granted a short-term loan of PLN 300 thousand to the subsidiary WSEInfoEngine S.A. to finance its current business. The interest rate on the loan is 7,0% p.a. The loan was granted for a term of one month.

### **GUARANTIES AND SURETIES GRANTED AND ACCEPTED DURING THE FINANCIAL YEAR**

The Company granted and accepted no guarantees and sureties in 2013.

### **MATERIAL TRANSACTIONS OF THE ISSUER AND SUBSIDIARIES WITH RELATED PARTIES ON TERMS OTHER THAN AT ARM'S LENGTH IN THE FINANCIAL YEAR**

In 2013, the Company and its related parties did not make any material transactions on terms other than at arm's length. The transactions with related parties are presented in detail in Note 23 to the separate financial statements.

**CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Company had no contingent liabilities or contingent assets as at 31 December 2013.

**EVENTS AFTER THE BALANCE SHEET DATE WHICH COULD SIGNIFICANTLY IMPACT THE FUTURE FINANCIAL RESULTS OF THE ISSUER**

On 12 February 2014, WSE received the approval of UK's Financial Conduct Authority (FCA) to increase its stake in Aquis Exchange Limited to between 30% and 50% of shares or votes. This fulfilled the last condition of the agreement with Aquis Exchange concerning acquisition of new issue shares.

On 18 February, WSE received from Aquis Exchange Limited a confirmation of the allotment of the second tranche of Aquis Exchange Limited shares. The second tranche of shares was acquired for GBP 3.0 million. The first and second tranche of Aquis Exchange Limited shares were acquired for GBP 5.0 million in aggregate. As a target, on the completion of Aquis Exchange's capital raising process, the shares held by WSE should represent 36.23% of all shares and give WSE 30.00% of economic and voting rights in Aquis Exchange Limited.

There were no other material events after the balance sheet date which could significantly impact the future financial results of the issuer.



**Signatures of Members of the Management Board**

1. Adam Maciejewski – President.....
2. Beata Jarosz – Vice-President .....
3. Paweł Graniewski – Vice-President .....
4. Mirosław Szczepański – Member .....
5. Dariusz Kułakowski – Member .....

Warsaw, February 20, 2014