

STRUCTURE OF ASSETS AND LIABILITIES

ASSETS

In 2014, the Warsaw Commodity Clearing House (WCCH) implemented a new model for clearing of transactions on the Polish Power Exchange. Further to these modifications, in order to ensure a clear and fair presentation of the clearing guarantee system, the Group changed the presentation principles for cash contributed by Clearing House Members to the guarantee funds, which was previously presented under cash and other liabilities in respect of the guarantee fund; as of 2014, such items are not presented as assets and liabilities in the statement of financial position of the Group. The Group recalculated cash and other liabilities retrospectively in the statement of financial position as well as net cash flows from operating activities in the statement of cash flows accordingly.

The Exchange Management Board is considering potential sale of WSE's subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. (IRK) and expects the sale to take place in the first half of 2015. As a result, assets and liabilities of IRK as a cash generating unit were presented in the consolidated financial statements as held for sale (group for sale).

Balance-sheet total	Non-current assets	Current assets
1.0 PLN bn	572.7 PLN mn	451.4 PLN mn

The balance-sheet total of the Group was PLN 1.0 billion as at 31 December 2014, an increase of 9.7% compared to PLN 0.9 billion as at 31 December 2013.

The Group's non-current assets stood at PLN 572.7 million representing 56% of total assets as at 31 December 2014, as compared to PLN 576.4 million or 62% of total assets as at 31 December 2013. The decrease in property, plant and equipment as well as intangible assets in 2014 was driven by the depreciation and amortisation of the trading system UTP. The change in investment in associates was due to WSE's acquisition of a second tranche of shares of Aquis Exchange Ltd for PLN 15.2 million; as a result, the company became an associate and the first tranche of its shares at PLN 10.1 million was moved from available-for-sale financial assets. Available-for-sale financial assets decreased by another PLN 10.5 million as Treasury bonds were moved to current assets in view of their short time to maturity.

The Group's current assets stood at PLN 451.4 million representing 44% of total assets as at 31 December 2014 as compared to PLN 357.4 million or 38% of total assets as at 31 December 2013. The change in current assets in the last quarter was driven among others by the following factors:

- the Group's positive cash flows from operating activities;
- increase of trade receivables;
- increase of available-for-sale financial assets.

ASSETS OF WSE GROUP

PLN'000	31 December 2014	%	31 December 2013	%	31 December 2012	%
Non-current assets	572,710	56%	576,421	62%	512,004	61%
Property, plant and equipment	119,762	12%	124,042	13%	133,115	16%
Intangible assets	261,019	25%	269,155	29%	209,545	25%
Investment in associates	188,104	18%	158,540	17%	151,213	18%
Deferred tax assets	-	0%	-	0%	3,155	0%
Available-for-sale financial assets	207	0%	20,955	2%	11,183	1%
Prepayments	3,618	0%	3,729	0%	3,793	0%
Current assets	451,449	44%	357,381	38%	325,531	39%
Inventory	120	0%	166	0%	253	0%

Corporate income tax receivables	8,378	1%	10,797	1%	4,837	1%
Trade and other receivables	42,594	4%	34,792	4%	62,929	8%
Available-for-sale financial assets	10,503	1%	118	0%	118	0%
Assets held for sale	812	0%	-	0%	-	0%
Cash and cash equivalents	389,042	38%	311,505	33%	257,394	31%
Total assets	1,024,159	100%	933,802	100%	837,535	100%

Source: Consolidated Financial Statements, Company

EQUITY AND LIABILITIES

Equity	Non-current liabilities	Current liabilities
700.5 PLN mn	259.4 PLN mn	64.3 PLN mn

The equity of the Group stood at PLN 700.5 million representing 68% of the Group's total liabilities and equity as at 31 December 2014 compared to PLN 638.1 million or 68% of the Group's total liabilities and equity as at 31 December 2013.

Non-controlling interests stood at PLN 1.1 million as at 31 December 2014 and remained stable year on year.

Non-current liabilities of the Group stood at PLN 259.4 million representing 25% of the Group's total equity and liabilities as at 31 December 2014 compared to PLN 249.6 million or 27% of the Group's total equity and liabilities as at 31 December 2013. The higher value of non-current liabilities as at 31 December 2014 as compared to the end of 2013 was driven by deferred tax liabilities recognised by WSE. The deferred tax liabilities derive mainly from a difference between the tax rate and the accounting rate of depreciation and amortisation of the UTP system.

Current liabilities of the Group stood at PLN 64.3 million and represented 6% of the Group's total equity and liabilities as at 31 December 2014 compared to PLN 46.1 million or 5% of the Group's total equity and liabilities as at 31 December 2013. The increase of current liabilities was driven mainly by an increase of other liabilities including an increase of the PoIPX Group's VAT payable (market coupling and a change of the relationship between power buy and sell transactions of EU members).

EQUITY AND LIABILITIES OF WSE GROUP

PLN'000	31 December 2014	%	31 December 2013	%	31 December 2012	%
Equity	700,466	68%	638,105	68%	555,890	66%
Share capital	63,865	6%	63,865	7%	63,865	8%
Other reserves	1,930	0%	1,278	0%	(1,000)	0%
Retained earnings	633,555	62%	571,842	61%	491,647	59%
Non-controlling interests	1,116	0%	1,120	0%	1,377	0%
Non-current liabilities	259,419	25%	249,578	27%	247,842	30%
Employee benefits payable	5,562	1%	4,456	0%	4,305	1%
Finance lease liabilities	205	0%	439	0%	381	0%
Liabilities under bond issue	244,078	24%	243,617	26%	243,157	29%
Deferred income tax liability	9,574	1%	1,066	0%	-	0%
Current liabilities	64,274	6%	46,119	5%	33,803	4%
Trade payables	10,017	1%	12,738	1%	4,284	1%
Finance lease liabilities	154	0%	365	0%	336	0%
Corporate income tax payable	1,250	0%	657	0%	2,549	0%
Liabilities under bond issue	-	0%	-	0%	-	0%
Dividends and other liabilities	41,321	4%	18,709	2%	12,696	2%

Employee benefits payable	9,911	1%	11,511	1%	12,574	2%
Liabilities directly related to assets held for sale	275	0%	-	0%	-	0%
Provisions for other liabilities and charges	1,346	0%	2,139	0%	1,364	0%
Total equity and liabilities	1,024,159	100%	933,802	100%	837,535	100%

Source: Consolidated Financial Statements, Company

LIQUIDITY, FINANCIAL ASSETS AND FINANCIAL RISK MANAGEMENT OF THE GROUP

The activities of the Company and the Group are exposed to three types of financial risks: market risk, credit risk, and liquidity risk. Details of how financial risks are identified and managed have been described in the Consolidated Financial Statements.

In 2014, the Group's liquidity risk, which means inability to timely meet its payment obligations, was minor in view of material financial assets held and positive cash flows from operating activities which exceeded the value of existing liabilities. The current liquidity ratio amounted to 7.0 at 2014 year-end and 7.7 at 2013 year-end.

WSE manages financial liquidity in accordance with the "Current Assets Allocation Procedure" adopted by the WSE Management Board. Pursuant to this document, the procedures for investing free cash should be handled in view of the due dates of liabilities so as to minimise the liquidity risk for the parent entity and, at the same time, to maximise its financial income. In practical terms, this means that the Company invests its current assets in Treasury bonds and bank deposits and the average duration of a financial asset portfolio was around 27 days at the end of 2014 in view of long-term deposits maturing in January 2015.

As of 1 January 2012, WSE applies hedge accounting. As at 31 December 2014, hedging covered cash flows under the agreement concerning the acquisition of a licence and delivery of a new trading system (UTP-Derivatives).

In the opinion of the Management Board, the Group's financial assets and financial risk management process is effective and ensures timely meeting of payment obligations.

No threats have been identified to the Group's liquidity.

The risks inherent in financial instruments held are described in Note 3 to the Financial Statements.

CASH FLOWS

The Group generated positive cash flows from operating activities at PLN 161.7 million in 2014 compared to PLN 172.4 million in 2013.

The cash flows from investing activities were negative at PLN 23.1 million in 2014 and negative at PLN 74.8 million in 2013. The cash flows in 2014 were mainly due to the expenditure for the acquisition of the second tranche of shares of Aquis Exchange Limited for PLN 15.2 million as well as the expenditure for the acquisition of plant, property and equipment and intangible assets. The cash flows in 2013 were mainly due to the expenditure for the acquisition of the new trading system UTP and the acquisition of shares of Aquis Exchange Limited for PLN 10.1 million.

The cash flows from financing activities were negative in 2014, driven mainly by a dividend paid by WSE at PLN 50.2 million as well as the payment of PLN 9.5 million of interest on issued bonds. The cash flows from financing activities at a negative PLN 44.4 million in 2013 were driven mainly by a dividend paid by WSE at PLN 32.6 million as well as the payment of PLN 11.2 million of interest on issued bonds.

CONSOLIDATED CASH FLOWS OF WSE GROUP, 2012-2014

PLN'000	Cash flows for the 12-month period ended 31 December		
	2014	2013	2012
Cash flows from operating activities	161,669	172,385	125,829
Cash flows from investing activities	(23,146)	(74,813)	(36,230)
Cash flows from financing activities	(60,450)	(44,352)	(962)
Net increase / (decrease) in cash and cash equivalents	78,073	53,220	88,637
<i>Taken to assets held for sale</i>	(565)	-	-
<i>Impact of change of fx rates on cash balances in foreign currencies</i>	29	891	(839)
Cash and cash equivalents - opening balance	311,505	257,394	169,596
Cash and cash equivalents - closing balance	389,042	311,505	257,394

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment and intangible assets amounted to PLN 18.4 million in 2014 compared to PLN 78.7 million in 2013, and included PLN 12.0 million of capital expenditure for property, plant and equipment in 2014 compared to PLN 14.0 million in 2013, and PLN 6.4 million of capital expenditure in intangible assets in 2014 compared to PLN 64.7 million in 2013.

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

The Group's biggest financial investment in 2014 was the acquisition of the second tranche of shares of Aquis Exchange Limited for PLN 15.2 million (GBP 3.0 million). The Group's biggest financial investment in 2013 was the acquisition of the first tranche of shares of Aquis Exchange Limited for PLN 10.1 million (GBP 2.0 million). The acquisition was financed with WSE's own funds.

The Group's expected capital expenditure for property, plant and equipment and intangible assets will range from PLN 40 to 60 million in 2015, including mainly the implementation of PolPX's new trading system, other development projects of PolPX and WCCH, reorganisation of office space of WSE Group companies, as well as on-going IT investments and development projects of WSE. The amount of capital expenditure is subject to change depending on the actual scale and timeline of the investment process.

The value of (contracted) future investment commitments of WSE was ca. PLN 13.2 million at 31 December 2014.