



Management Board Report on the Activities of the WSE in 2014

February, 2015



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I. FOR THE SHAREHOLDERS

Letter of the President of the Management Board



Dear Sir or Madam,

It is with great pleasure that I present the Report of the Exchange Management Board on the activities of the Warsaw Stock Exchange Group and the consolidated financial statements for 2014.

The strength and the dynamic growth of the Polish economy will be a key driver of development of the WSE Group and Poland's capital market in the coming years. According to forecasts, the Polish economy will be one of the fastest growing economies in the European Union. In view of historically low interest rates and a record-high rate of savings in Poland, this will facilitate the reallocation of assets to the capital market. Combined with the recognisable brand and the strong position of WSE in the region of Central and Eastern Europe, close to a thousand listed companies, a diversified investor base and a professional team of employees, this will help us to effectively unlock our growth potential.

The commodity market operated by the Polish Power Exchange is one of the fastest growing segments of our activity. As measured by the volume of trade, PolPX is a leading market in the European Union. The volume of trade in electricity grew further in 2014 (+5.8%) while the liquidity of the gas market was 63%. The growth on the commodity market offset the lower dynamics of the financial market. Turnover on the equity market decreased by 6.7% to PLN 205.4 bn and the volume of trade in derivatives decreased by 24.9% in 2014. There were several reasons for this, including the valuation of Polish stocks at a premium in relation to the global portfolio of emerging market stocks, the pension fund reform, and the military conflict in Ukraine which restrained the interest of international investors in the CEE region.

Dynamic changes in the market environment prompted an update of the WSE Group strategy WSE.2020 in Q4 2014. Our main objective is to strengthen the role of WSE as the exchange of first choice for investors and issuers in Central and Eastern Europe. We are implementing a cost effectiveness programme which should provide savings of nearly PLN 20 mn per year as of 2017. We will invest a large part of the savings in the development of the financial market and the commodity market. The extent to which the savings will be reinvested depends on the achievement of our strategic target: to reduce the cost/income ratio from 58.6% in 2013 to less than 50% in 2020. We are working towards a closer integration of the Group including the creation of a shared services centre, reorganisation of the structure and optimisation of our real estate. As a result, we expect the revenues of the Group to grow by 7% CAGR by 2020 and EBITDA to be double that of 2013 at PLN 144.4 mn.

In 2014, we decided to focus on organic growth and consequently at this time we are not considering a capital alliance with CEE Stock Exchange Group AG. Following consultations with market participants, we have made other important decisions, including changes to the exchange indices by reinstating WIG20



as the leading index, and maintenance of the shorter trading schedule. We have decided to continue listing WIG20 futures with a multiplier of PLN 20 (futures with a multiplier of PLN 10 were delisted in mid-2014).

We closed 2014 at a robust net profit of PLN 112.3 mn, representing a decrease of 1.1% year on year. The lower revenue on the financial market (PLN 200.0 mn, -2.6% YoY) was more than offset by the revenue on the commodity market (PLN 114.5 mn, +50.6% YoY). As a result, the total sales revenue increased for another consecutive year (11.9% YoY) to PLN 317.6 mn. Our operating profit also improved: it was PLN 135.4 mn compared to PLN 118.6 mn in 2013. EBITDA increased by 13.7% to PLN 164.1 mn. In view of the strong growth of EBIT and EBITDA, the moderate decrease of the net profit is attributable to the lower profit of associates (PLN 3.7 mn compared to PLN 12.5 mn in 2013).

In 2014, as in previous years, we shared our profits with the shareholders. We paid out a dividend of PLN 1.2 per share, representing close to 45% of the consolidated net profit for 2013. While updating the WSE.2020 strategy, we have also made our dividend policy more attractive: the dividend payout ratio should be more than 60% of the profit of the WSE Group adjusted for the share of profit of associates starting with the distribution of the profit of 2014.

It is the intention of the Exchange Management Board to recommend to the General Meeting a payout of dividend at PLN 2.40 gross per share from the 2014 net profit (which implies a payout ratio close to 87% and a dividend yield of ca. 5.3% based on the stock price at 2014 YE) and PLN 2.60 gross per share from the 2015 net profit.

As important as growing shareholder value is that we conduct our business transparently and in accordance with the highest standards of corporate governance. As a result, WSE remains a participant of the RESPECT index portfolio which groups socially responsible companies. We will continue to pursue this policy in the coming years.

Yours faithfully,

Paweł Tamborski



Letter of the Chairman of the Supervisory Board



Dear Madam or Sir,

The strength of Warsaw lies in the dynamic growth of the Polish economy. The Polish capital market is maturing year after year while bringing its infrastructure and product offer in line with the European and global standards. Similar to well-developed economies, the capital market in Poland may and should provide the economy with a solid source of capital. The Warsaw Stock Exchange and its Group have a major role to play in this process.

Fast changes in the stock market landscape in Europe and around the world driven by technological progress and legislative change lead to questions and decisions of strategic importance to the Polish stock exchange and its group, in particular in view of the growing role within the Group of the commodity market operated by the Polish Power Exchange.

Consequently, in 2014, the Exchange Management Board of a new term of office presented a modified strategy approved by the Supervisory Board which provides that the value and position of the WSE Group will be built on organic growth. This approach derives from the WSE's strong belief in the great growth potential of the local capital and commodity market. It is the mission and purpose of the WSE Group to develop modern market infrastructure, to provide effective capital and commodity flow mechanisms, and to offer trading and clearing services of competitive quality and price which address the needs and expectations of WSE Group clients: companies, investors and intermediaries. These efforts are coupled with the development of an integrated, effective and professional business focused on building WSE shareholder value.

WSE has all the qualities and the potential necessary to become the financial hub of Central and Eastern Europe. This goal will not be simple or easy to achieve and potential success depends not only on the Exchange but rather on the determination and collaboration of all capital market participants. However, the potential of the Exchange as an important mechanism financing the Polish economy has not yet been fully unlocked. It is always important to remind businesses that raising capital on the exchange is the right way and a complementary option. We can do a lot about it together.

Yours faithfully,

Wiesław Rożucki



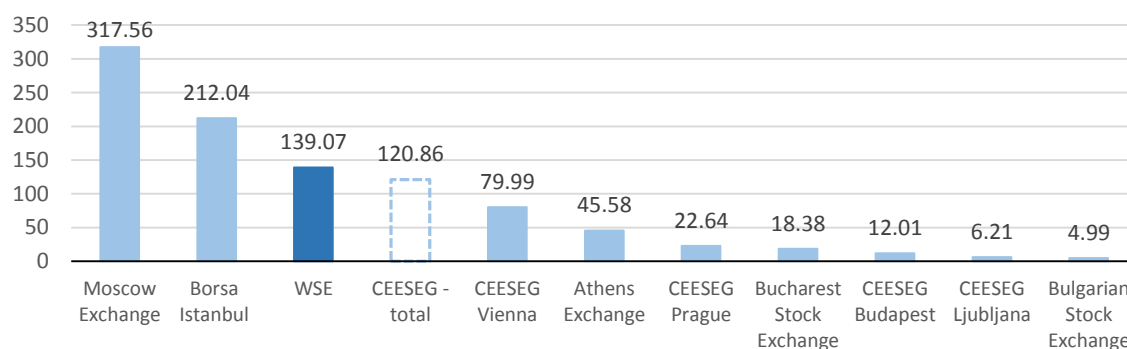
I. 1 Brief Description of the WSE Group



Warsaw Stock Exchange (“WSE”, “Exchange” or “Company”) is a leading financial instruments exchange in Emerging Markets Europe (EME)¹ and Central and Eastern Europe (CEE),² and one of the fastest growing exchanges in Europe. The markets operated by WSE list stocks and bonds of nearly a thousand local and international issuers. The Exchange also offers trade in derivatives and structured products, as well as information services. Close to 25 years of experience, high safety of trading, operational excellence and a broad range of products make WSE one of the most recognised Polish financial institutions in the world.

The capitalisation of domestic companies listed on the WSE Main Market was EUR 139.1 bn at the end of 2014. In this respect, WSE is second only to the Turkish and Russian markets in CEE and EME while being three times bigger than the Greek stock exchange and more than six times the size of the Prague stock exchange. The capitalisation of WSE at the end of 2014 was 15.1% bigger than the total capitalisation of all CEESEG³ exchanges put together.

Figure 1 Capitalisation of the WSE Main Market v. peer group (2014, EUR bn)⁴



Source: Federation of European Securities Exchanges (FESE), for the Moscow Exchange: data after the World Federation of Exchanges (WFE) converted from USD to EUR at the exchange rate at the year's end

The value of trading in equities on the Electronic Order Book (EOB)⁵ on the WSE Main Market was EUR 49.3 bn in 2014, representing a decrease of 6.2% year on year. At the same time, the total turnover on the CEESEG exchanges was 26.9% lower than the trading in equities on the WSE Electronic Order Book.

¹ EME – Emerging Markets Europe: Czech Republic, Greece, Hungary, Poland, Russia, Turkey.

² CEE – Central and Eastern Europe: Czech Republic, Slovenia, Poland, Austria, Bulgaria, Romania, Slovakia, Slovenia.

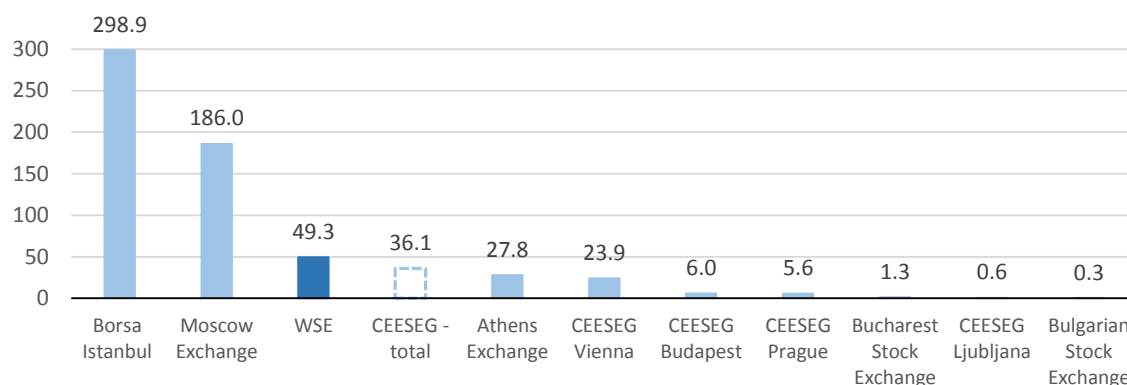
³ CEESEG – CEE Stock Exchange Group: Austria, Czech Republic, Slovenia, Slovenia.

⁴ Capitalisation of domestic companies (excluding foreign companies).

⁵ EOB – Electronic Order Book excluding block trades.



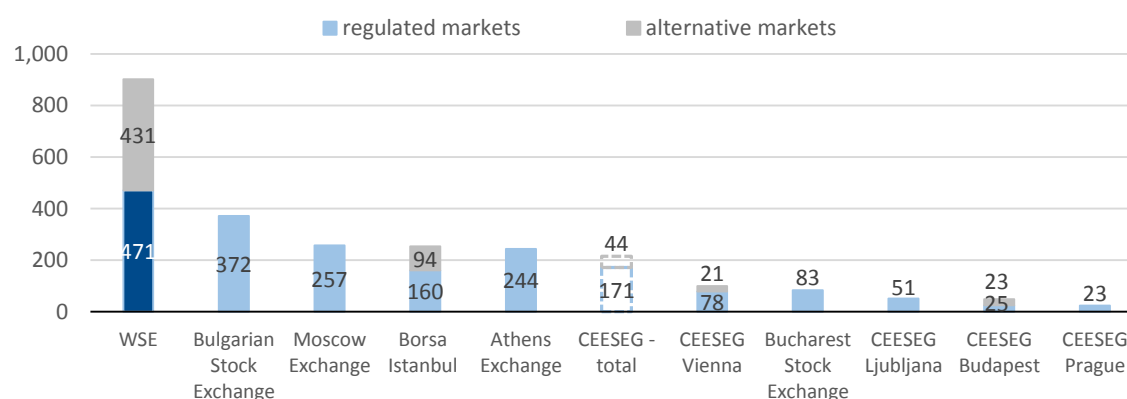
Figure 2 Value of trading on the WSE Main Market v. peer group (2014, EOB, EUR bn)



Source: FESE, for the Moscow Exchange: data after WFE converted from USD to EUR at the mid exchange rate of 2014

WSE is the CEE and EME leader by the number of listed companies (domestic and international). The Main Market listed 471 issuers and NewConnect listed 431 issuers at the end of 2014.

Figure 3 Number of companies listed on WSE v. peer group (2014)



Source: FESE, for the Moscow Exchange: data after WFE

WSE GROUP

WSE is the parent entity of the Warsaw Stock Exchange Group (“Group”, “WSE Group”) which operates a financial market as well as a commodity market including one of the most liquid electricity markets in Europe. In addition to trade in electricity, the commodity market also offers trade in natural gas, property rights in certificates of origin, as well as CO₂ emission allowances. The WSE Group also operates a register of certificates of origin and through the subsidiary Warsaw Commodity Clearing House (WCCH) it clears transactions on the commodity market.

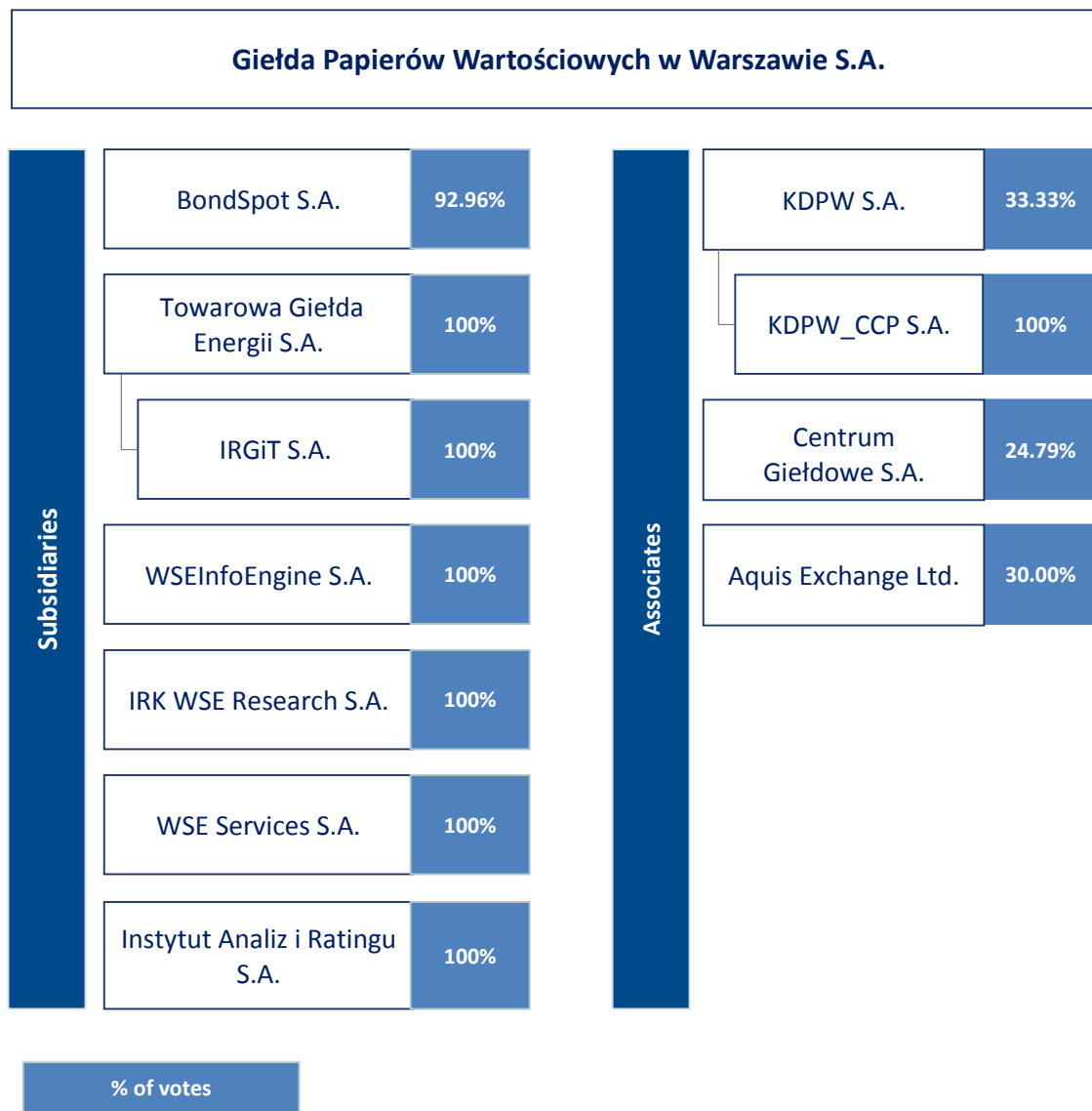
Post-trade services including depository, clearing and settlement services are offered by WSE’s associate, the Central Securities Depository of Poland (KDPW), and its subsidiary KDPW_CCP.

The Warsaw Stock Exchange Group was comprised of one parent entity and six subsidiaries as at 31 December 2014. WSE holds a stake in three associates.



Chart 1

WSE Group and associates



Source: WSE



Table 1 Core business of WSE Group companies

Subsidiary	Business profile
BondSpot S.A.	Operates trade in Treasury and non-Treasury debt securities.
Towarowa Giełda Energii S.A. (Polish Power Exchange, PolPX)	The only licensed commodity exchange in Poland, operates trade in electricity, gas fuels, emission allowances, property rights in certificates of origin of electricity, certificates of origin of biogas, energy efficiency certificates; operates the Register of Certificates of Origin of electricity generated from renewable energy sources and high-efficiency co-generation, agricultural biogas and energy efficiency certificates; operates the Register of Guarantees of Origin.
Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Clearing House, WCCH, a subsidiary of PolPX)	Operates a clearing and settlement system for transactions in exchange commodities ⁶ and financial instruments other than securities. ⁷
WSEInfoEngine S.A.	Operates an OTC trading platform, provides services to energy market participants: energy producers, energy traders, and industrial customers.
Instytut Rynku Kapitałowego – WSE Research S.A.	Provides IR/PR support services to companies listed on WSE, owns an online multimedia platform which supports communication among capital market participants (WSE Media).
WSE Services S.A.	Plans to provide back-office services (financial, accounting, administration, IT, HR services) to WSE Group companies.
Instytut Analiz i Ratingu S.A. (IAiR)	Established to close the gap in the rating offer for SMEs on the local market.

Source: WSE

⁶ Within the meaning of the Commodities Exchange Act.

⁷ Within the meaning of the Act on Trading in Financial Instruments.

**Table 2** Core business of WSE associates

Associate	Business profile
Krajowy Depozyt Papierów Wartościowych S.A. (Central Securities Depository of Poland, KDPW)	Provides settlement of transactions on the regulated market and in ATS ⁸ , operates a central securities depository, provides services to issuers; since 2012, operates a trade repository (KDPW_TR) and is authorised to issue LEI codes.
KDPW CCP S.A. (a subsidiary of KDPW)	Provides clearing of transactions on markets operated by WSE and BondSpot, manages clearing risk of such transactions; since December 2012, provides clearing and guarantees of clearing for OTC derivatives (OTC_CLEARING).
Aquis Exchange Ltd.	Organises a pan-European market in stocks as a multilateral trading facility (MTF); at the end of 2014, the platform offered trade in stocks of 407 companies in 12 countries.
Centrum Giełdowe S.A.	Manages, administers and operates the "Centrum Giełdowe" office complex at Książęca 4 in Warsaw and leases office space in the complex.

Source: WSE

In addition, WSE holds 10% of the Ukrainian stock exchange INNEX PJSC and 1.3% of the Romanian stock exchange S.C. SIBEX – Sibiu Stock Exchange S.A. Furthermore, WSE operates a representative office in Kiev and has a permanent representative in London.

The Group has no branches or ventures.

In 2015, the structure of the WSE Group is expected to change following the decision of the WSE Management Board to concentrate all commodity market assets of the WSE Group in the PolPX Group and to sell 100% of the OTC commodity market subsidiary WSEInfoEngine S.A. to the Polish Power Exchange. The sale of WSEInfoEngine is expected to be closed in the first half of 2015. The decision to sell WSEInfoEngine and consequently to recognise goodwill impairment losses of PLN 1.3 million was based on the belief of the WSE Management Board that PolPX is in a position to unlock the potential of the company.

In addition, the Exchange Management Board is considering to sell WSE's subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. (IRK). The WSE Group is working to close the sale of IRK in the first half of 2015.

Furthermore, in February 2015, WSE signed two conditional agreements to buy 73,530 shares of the subsidiary BondSpot, representing 0.74% of the share capital of the Company, for PLN 306,620. Both transactions are conditional on the approval of the Polish Financial Supervision Authority for WSE to buy the shares.

⁸ Alternative Trading System.



Chart 2 Business lines and product offer of WSE Group



Source: WSE

⁹ Associate (WSE stake: 33.33%); offers post-trade services on the financial market.

¹⁰ 100% subsidiary of PolPX; offers post-trade services on the commodity market.

¹¹ Register of Certificates of Origin operated by PolPX.

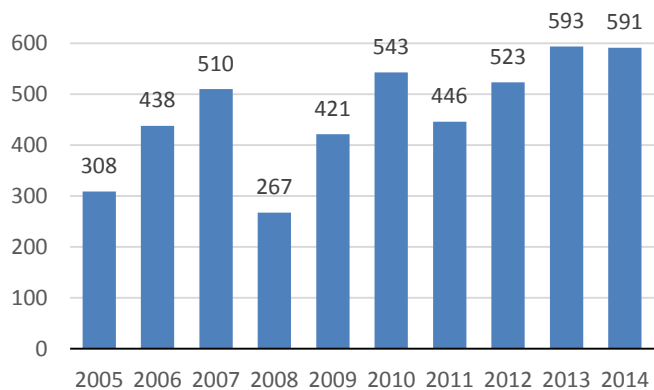
¹² Register of Guarantees of Origin.

¹³ Exchange Information Platform.

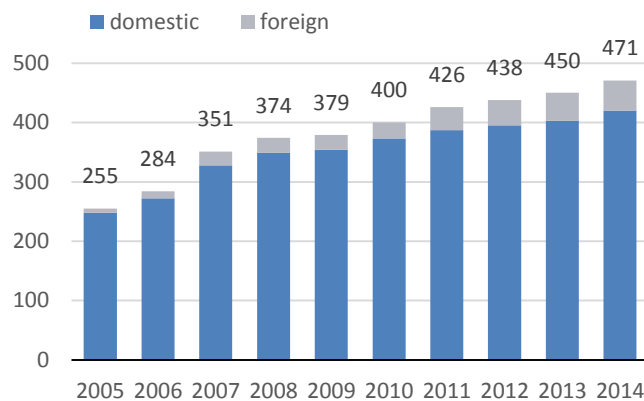


I. 2 Selected Market Data¹⁴

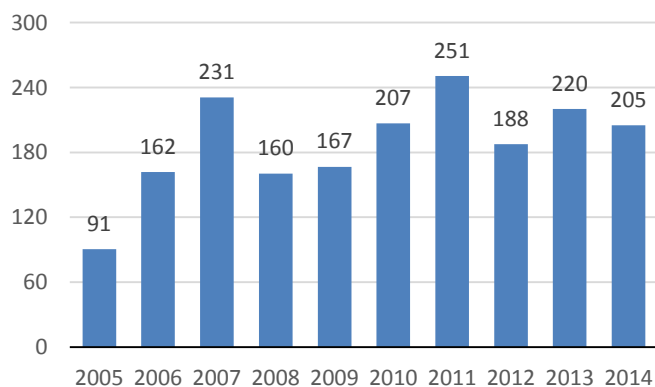
Capitalisation of domestic companies - Main Market (PLN bn)



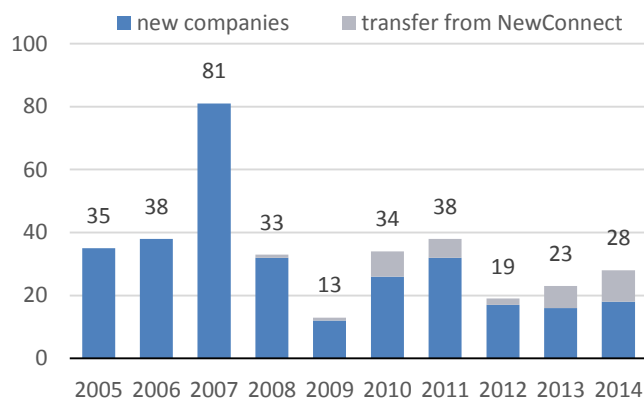
Number of companies - Main Market



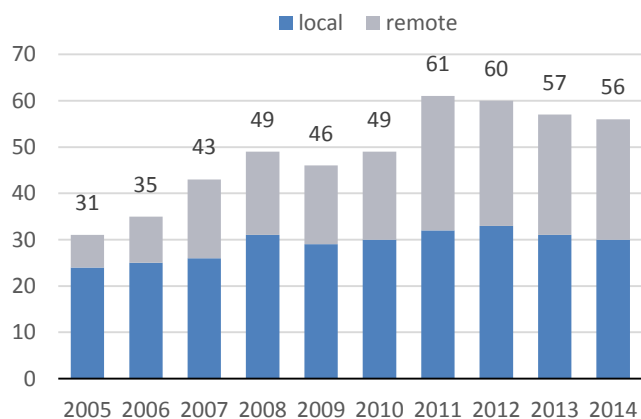
Session turnover on the Main Market - equities (PLN bn)



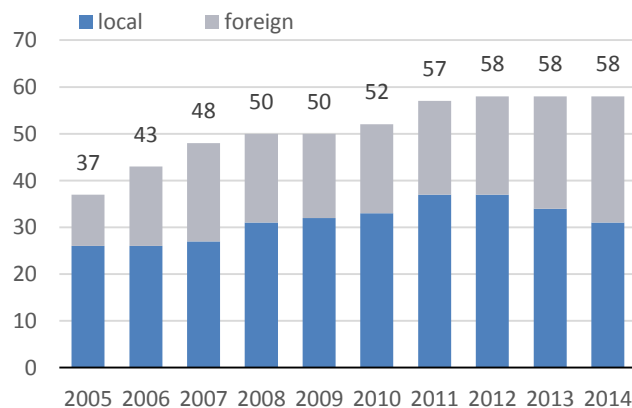
Number of new listings - Main Market



Number of WSE Exchange Members



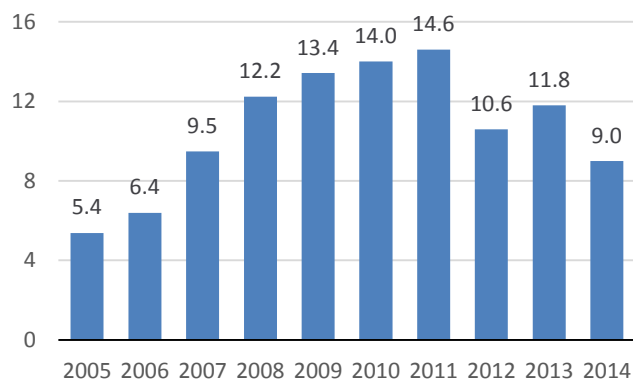
Number of data vendors



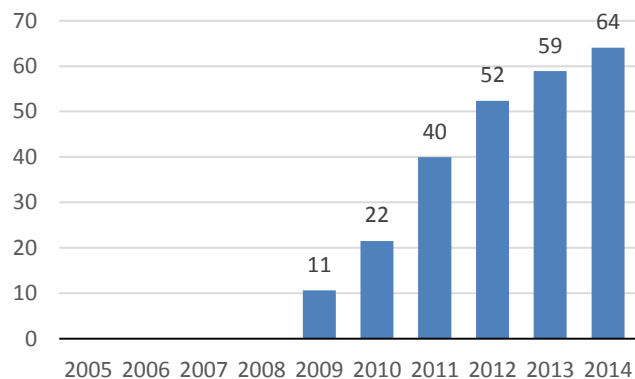
¹⁴ All trading volume and value statistics in this report are single-counted, unless indicated otherwise.



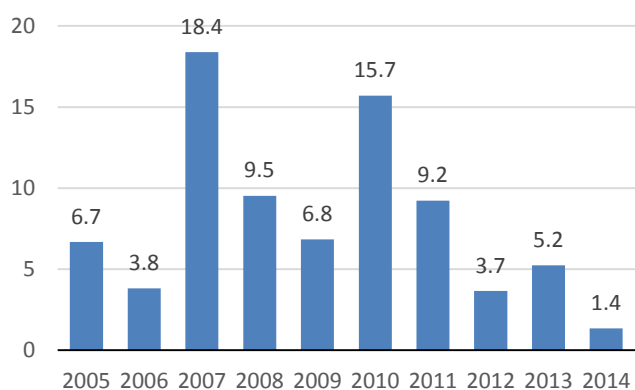
Turnover volume - futures contracts
(m contracts)



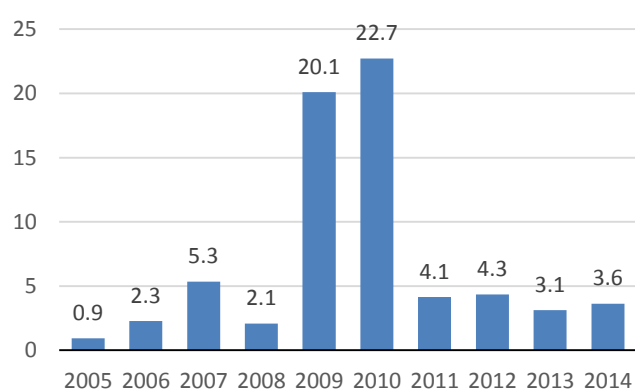
Catalyst¹⁵ - value of listed non-treasury bond
issues (PLN bn)



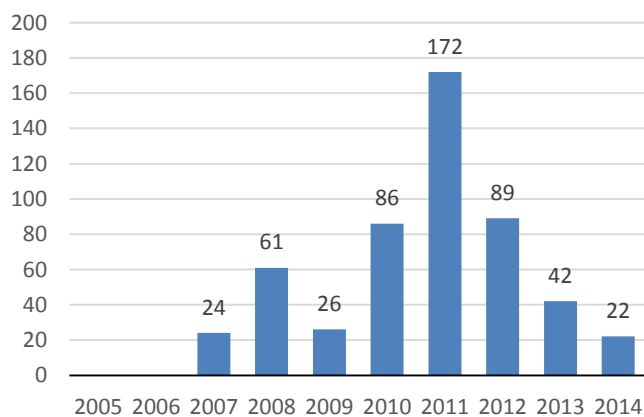
Value of primary offerings - Main Market and
NewConnect (PLN bn)



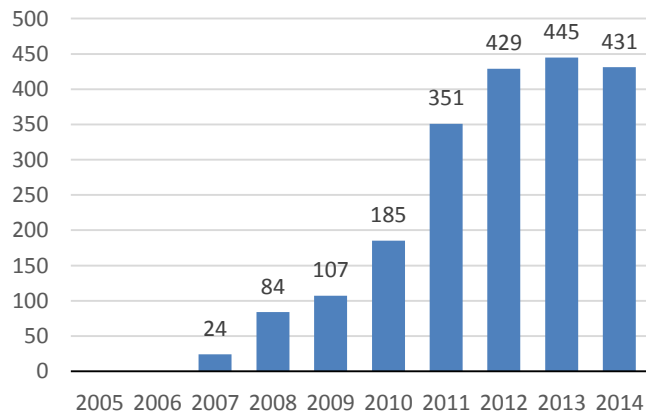
Value of secondary offerings - Main Market and
NewConnect (PLN bn)



Number of new listings - NewConnect¹⁶



Number of companies - NewConnect



¹⁵ Rynek Catalyst został utworzony 30 września 2009 r.

¹⁶ Rynek NewConnect powstał 31 sierpnia 2007 r.



I. 3 Selected Financial Data

Table 3 Selected data on the statement of comprehensive income, separate, under IFRS, audited

	Year ended 31 December			
	2014	2013	2014	2013
	PLN'000		EUR'000 ⁽¹⁷⁾	
Sales revenue	189,996	194,351	45,397	46,302
Financial market	187,973	192,907	44,914	45,958
Commodity market	-	131	-	31
Other revenue	2,023	1,313	483	313
Operating expenses	130,644	125,255	31,216	29,840
Other income	580	1,629	139	388
Other expenses	920	1,598	220	381
Operating profit	59,012	69,127	14,100	16,469
Financial income	21,165	49,773	5,057	11,858
Financial expenses	17,888	11,874	4,274	2,829
Profit before income tax	62,289	107,026	14,883	25,497
Income tax expense	9,382	5,641	2,242	1,344
Profit for the period	52,907	101,385	12,641	24,154
Basic / diluted earnings per share (PLN, EUR)	1.26	2.42	0.30	0.58
EBITDA⁽¹⁸⁾	83,146	91,054	19,867	21,692

Table 4 Selected data on the statement of financial position, separate, under IFRS, audited

	As at			
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	PLN'000		EUR'000 ⁽¹⁹⁾	
Non-current assets	480,087	496,790	112,636	119,789
Plant, property and equipment	101,291	112,279	23,764	27,073
Intangible assets	85,496	95,439	20,059	23,013
Investment in subsidiaries and associates	289,632	265,107	67,952	63,924
Available-for-sale financial assets	207	20,955	49	5,053
Other non-current assets	3,461	3,010	812	726
Current assets	251,636	225,645	59,037	54,409
Trade and other receivables	22,569	23,940	5,295	5,773
Available-for-sale financial assets	10,503	118	2,464	28
Cash and cash equivalents	208,035	190,925	48,808	46,037
Other current assets	10,529	10,662	2,469	2,571
TOTAL ASSETS	731,723	722,435	171,673	174,198
Equity	458,769	456,483	107,634	110,070
Non-current liabilities	258,601	249,904	60,672	60,259
Current liabilities	14,353	16,048	3,367	3,870
TOTAL EQUITY AND LIABILITIES	731,723	722,435	171,673	174,198

Table 5 WSE's selected financial ratios

	Year ended / As at	
	31 December 2014	31 December 2013
EBITDA margin (EBITDA/Sales revenues)	43.8%	46.9%
Operating profit margin (Operating profit/Sales revenues)	31.1%	35.6%
Return on equity (ROE) (Profit for the last 12 months/Average equity at the beginning and end of the last 12 months)	11.6%	24.1%
Debt to equity ratio (Interest-bearing liabilities ⁽²⁰⁾ /Equity)	53.2%	53.4%

¹⁷ Based on average annual EUR/PLN exchange rates published by the National Bank of Poland (respectively: 1 EUR = 4.1852 in 2014 and 1 EUR = 4.1975 PLN in 2013).

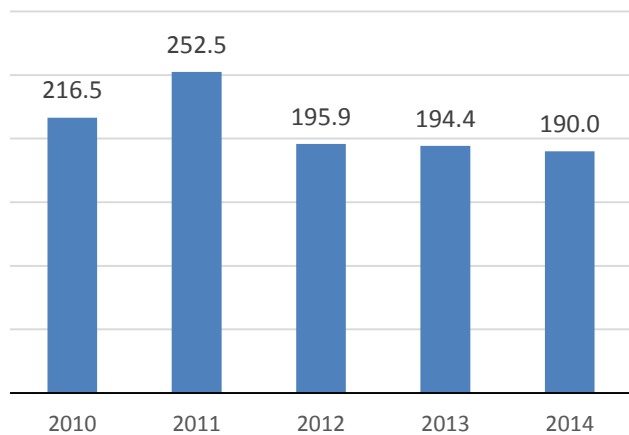
¹⁸ EBITDA = operating profit + depreciation and amortisation (without share of profit of associates)

¹⁹ Based on average EUR/PLN exchange rates published by the National Bank of Poland on 31.12.2014 r. (1 EUR = 4.2623 PLN) and on 31.12.2013 r. (1 EUR = 4.1472 PLN)

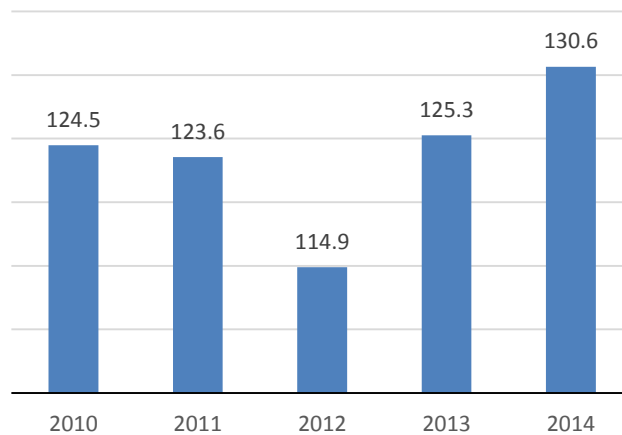
²⁰ Total liabilities under debt, e.g., principal and interest.



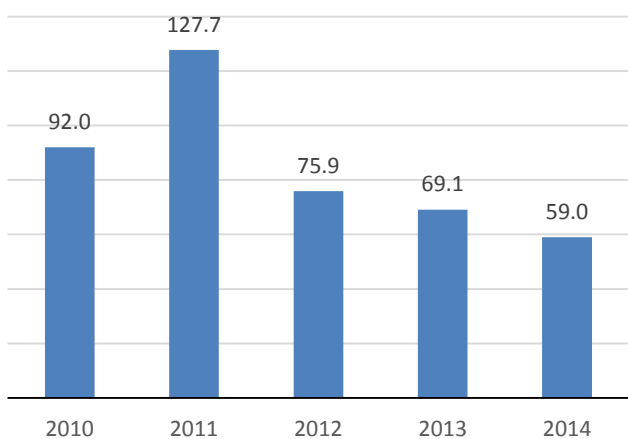
Revenue (PLN mn)



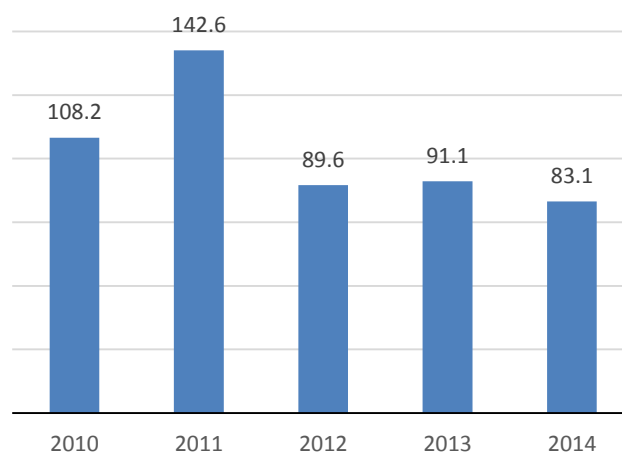
Operating expenses (PLN mn)



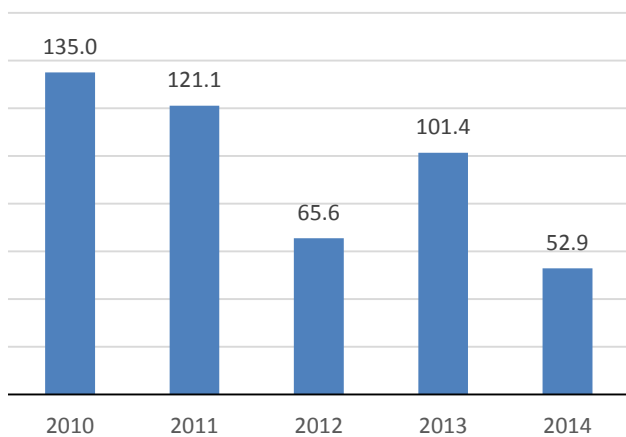
Operating profit (PLN mn)



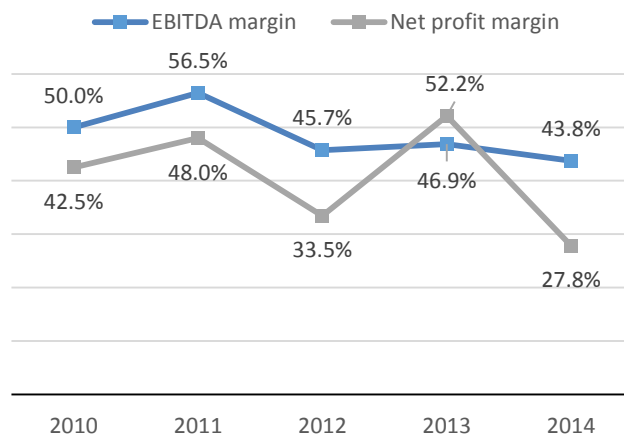
EBITDA profit (PLN mn)



Net profit (PLN mn)



Net profit margin and EBITDA margin





I. 4 WSE on the Capital Market

WSE was newly listed on Warsaw Stock Exchange on 9 November 2010. The Company's shares are listed in the continuous trading system on the WSE main market.

The Company is a mid-cap stock (PLN 1.92 bn at the end of 2014) and is part of the mWIG40 index since 19 March 2011 (1.8% share in the index portfolio at the end of 2014). WSE shares are also part of the broad market indices (WIG and WIG-Poland), as well as WIGdiv, the WSE regular dividend index. In addition, WSE shares participate in a number of small and mid-cap indices on the emerging markets, as well as indices which group securities exchanges, computed by global specialised, renowned index providers (including MSCI, FTSE, S&P Dow Jones).

WSE was once again included in the RESPECT Index portfolio following its annual review on 22 December 2014, which puts WSE in the leading group of Polish companies listed on the WSE Main Market which follow the highest standards of corporate governance and corporate social responsibility.

WSE STOCK PRICE

The WSE stock price ranged from PLN 35.25 to PLN 48.04 in 2014. The lowest price was observed on 5 August 2014 and the highest price on 28 November 2014. The closing price of WSE shares on the last day of trading in 2014 was PLN 45.7, representing an increase of 10.1% compared to the closing price on the last day of trading in 2013. The mWIG40 index gained 4.13% in that period. The total shareholder return of the Company, including the dividend paid, was 13.0% in 2014.

The proportion of free-float shares²¹ of WSE remained stable year on year at 64.7% in 2014. The velocity ratio²² of WSE shares was 31.2% at the end of 2014. The volatility ratio²³ of the WSE share price was 22.1% in 2014, the lowest level since 2011.

The average daily volume of trading in shares on the Electronic Order book was 58.2 thousand shares in 2014, a decrease of 2.6% year on year. The average daily value of trading was PLN 2.3 mn in 2014, compared to PLN 2.4 mn in 2013 (a decrease of 4.9%).

²¹ Free-float shares, i.e., total number of company shares less: number of shares held by shareholders each of which holds more than 5% of shares individually or together with related shareholders, number of Treasury shares designated for cancellation, and number of registered shares. Free-float shares also include all shares of the company held by investment and pension funds and asset management financial institutions, as well as shares subject to depository receipts issue programmes.

²² Value of trading in 2014 to average capitalisation at the beginning and at the end of 2014.

²³ Square root of standard deviation of daily return rates multiplied by 250.



Table 6 Selected statistics of WSE shares (ISIN: PLGPW0000017)

	2014	2013	2012	2011	2010 ³³
Earnings per share (PLN) ²⁴	2.67	2.70	2.52	3.19	2.26
Dividend per share (PLN) ²⁵	1.20	0.78	1.44	3.21	-
Dividend yield ²⁶	3.31%	2.03%	3.84%	6.05%	-
P/E	17.12	15.37	15.42	11.05	21.68
Maximum share price (PLN)	48.04	45.10	43.89	54.20	54.00
Minimum share price (PLN)	35.25	34.75	32.10	34.20	48.70
Share price at the end of the period (PLN)	45.70	41.50	38.87	35.25	49.00
Return rate on shares	10.12%	6.77%	10.27%	-28.06%	13.95% ³⁴
Total shareholder return (TSR) ²⁷	13.01%	8.77%	14.35%	-21.51%	13.95% ³⁴
Number of shares (thou.)	41 972	41 972	41 972	41 972	41 972
Capitalisation (PLN mn)	1 918.1	1 741.8	1 631.5	1 479.5	2 056.6
Free float ²⁸ (PLN mn)	1 241.4	1 127.3	1 054.3	947.7	1 312.5
Free float ²⁸	64.72%	64.72%	64.62%	64.05%	63.82%
Volume of trading (mn shares) ²⁹	14.47	14.82	19.19	25.92	20.36
Value of trading (PLN mn) ²⁹	571.76	596.10	720.66	1 188.49	1 055.67
Number of transactions (thou.) ²⁹	68.84	67.33	73.26	170.63	166.97
Average volume of trading per session (thou.) ²⁹	58.2	59.8	77.1	103.3	550.4
Average value of trading per session (PLN'000) ²⁹	2 296.2	2 413.4	2 894.2	4 735.0	28 531.5
Average number of transactions per session ²⁹	276	273	294	680	4.513
Velocity ³⁰	31.2%	35.4%	46.2%	67.1%	344.8%
Price volatility ³¹	22.1%	24.4%	22.4%	28.8%	21.7%
Beta (v. WIG) ³²	0.55	0.53	0.71	0.84	1.21

Source: WSE

²⁴ Based on consolidated profit attributable to the shareholders of the parent entity.

²⁵ Based on last year's profit.

²⁶ Dividend paid / share price at dividend record date.

²⁷ (Annual change of share price + dividend per share) / share price at the end of the previous period.

²⁸ Free-float shares (excluding shares held by the State Treasury and other registered shares)

²⁹ Electronic Order Book (net of block trades).

³⁰ Value of trading (annualised for 2010) / average capitalisation at the beginning and at the end of the period.

³¹ Square root of standard deviation of daily return rates multiplied by 250.

³² vs WIG index.

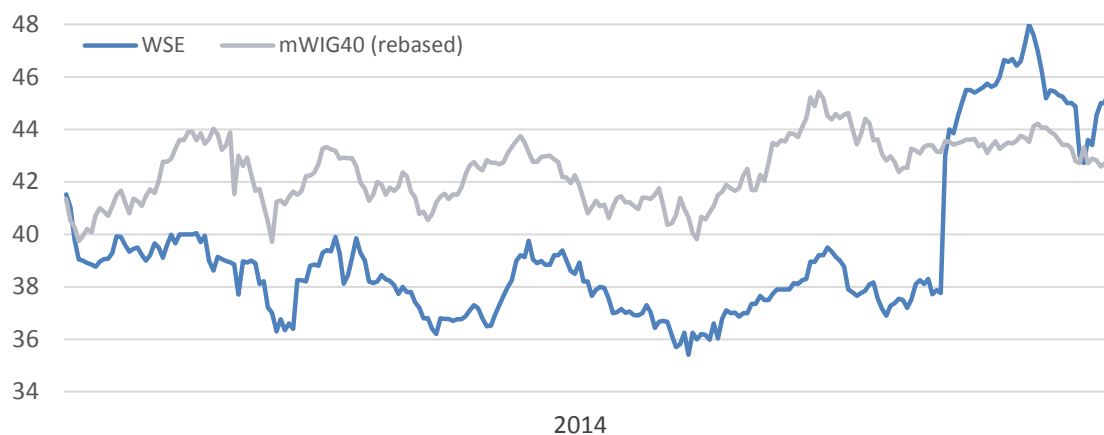
³³ WSE shares were newly listed on the Exchange on 9 November 2010.

³⁴ In relation to the IPO price for individual investors (PLN 43.00).



Figure 4

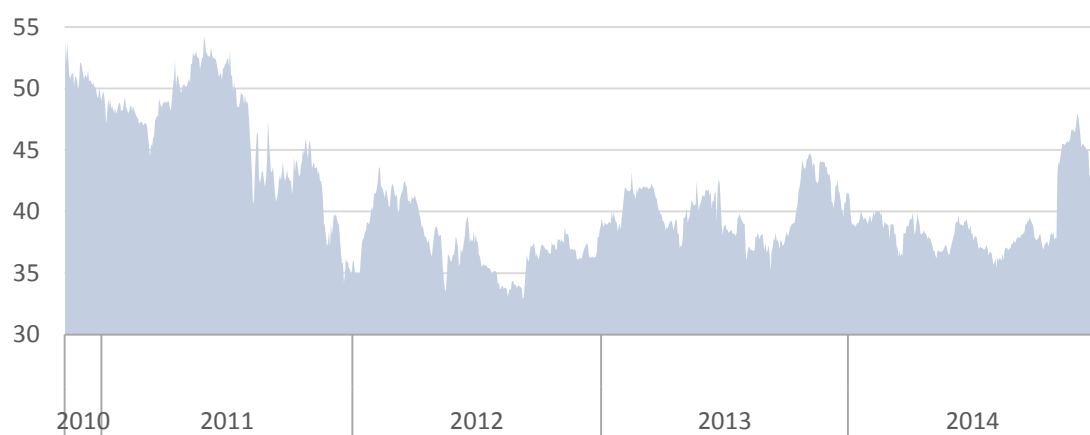
WSE share price v. mWIG40 in 2014



Source: WSE

Figure 5

WSE share price since first listing (PLN)



Source: WSE

WSE BONDS ON THE EXCHANGE



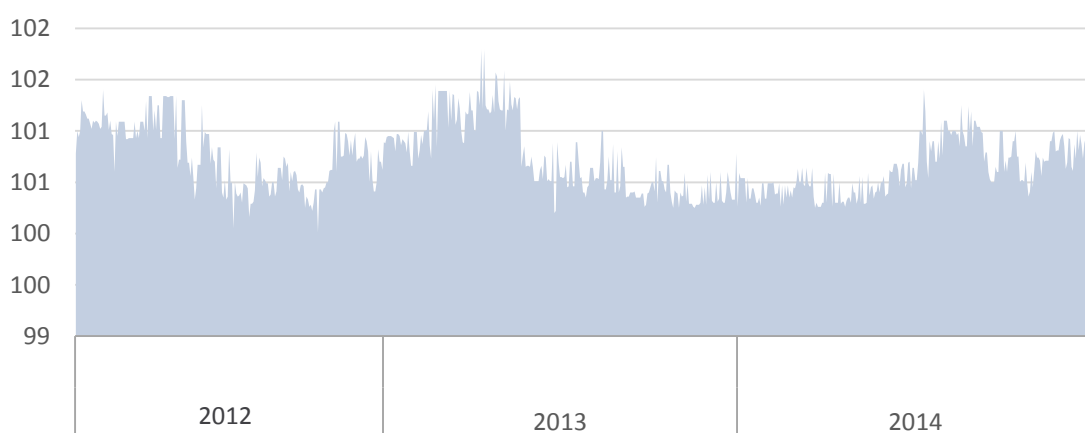
In December 2011, the Company issued 1,700,000 series A bearer bonds with a total nominal value of PLN 170 mn. In February 2012, the Company issued 750,000 series B bearer bonds with a total nominal value of PLN 75 mn.



The purpose of the series A and B bond issue with a total value of PLN 245 mn 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").

WSE bonds are listed on the bond market Catalyst (on the WSE regulated market and in the BondSpot alternative trading system) since February 2012. The WSE bond price ranged from PLN 100.25 to PLN 101.40 in 2014.

Figure 6 WSE bond price since first listing on Catalyst (PLN)



Source: WSE

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

Table 7 Interest paid and interest rate on WSE bonds

Interest period no.	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	3.89%
VI	30/06/2014 - 31/12/2014	1.95	3.87%
VII	31/12/2014- 30/06/2015	1.60 ³⁵	3.22%

Source: WSE

³⁵ Interest for Interest Period VII will be paid to WSE bondholders on 30 June 2015.



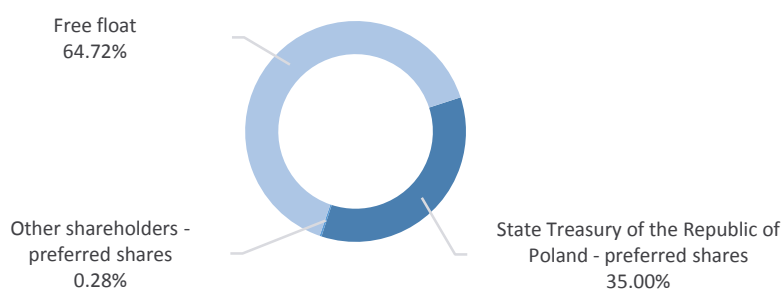
WSE SHAREHOLDERS

As at 31 December 2014, the share capital of Warsaw Stock Exchange amounted to PLN 41 972 000 and was divided into 41,972,000 shares with a nominal value of PLN 1 per share. There were 27,164,530 series B bearer shares in trading on WSE (64.72% of all shares representing 47.84% of all votes at the General Meeting). The remaining 14,807,470 (series A) shares are preferred shares (one share gives two votes) and are not in exchange trading (for a detailed description of the share capital, see the Corporate Governance section).

The State Treasury of the Republic of Poland is the biggest shareholder of WSE and holds 14,688,470 series A registered shares representing 35.00% of total shares and 51.74% of all votes at the General Meeting.

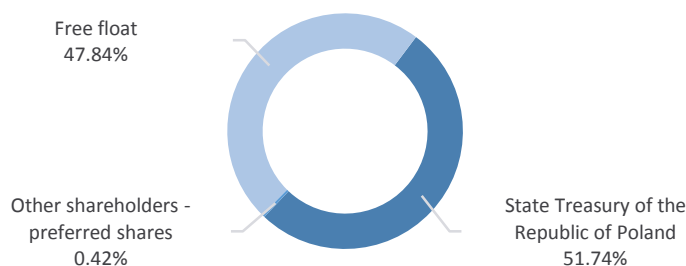
In addition, according to the ING OFE portfolio structure, the fund held 2,373,122 WSE shares at the end of 2014, representing 5.65% of total shares and 4.18% of all votes at the General Meeting.

Figure 7 WSE shareholders (share in number of shares, 2014)



Source: WSE

Figure 8 WSE shareholders (number of votes, 2014)



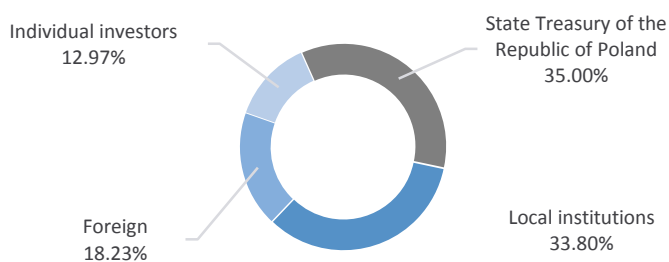
Source: WSE

As at the 2013 dividend record date (7 August 2014), 18.23% of the Company's shares were held by foreign investors among others in the USA, Norway, Canada, Luxembourg, the United Kingdom and Sweden. 33.8% of the shares were held by local legal entities (mainly open-ended pension funds as



well as investment funds). Persons other than legal entities (mainly individual investors) controlled 12.97% of WSE shares.

Figure 9 Company shareholders by category and by country of origin



Source: WSE

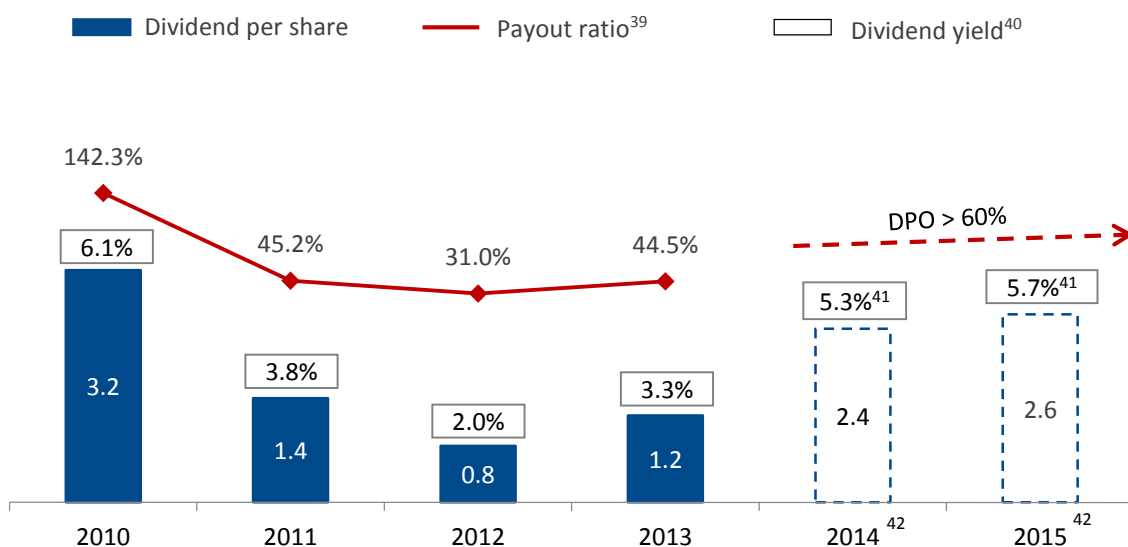
DIVIDEND FOR WSE SHAREHOLDERS

WSE's new dividend policy provides for dividend payment at more than 60% of the consolidated net profit of the WSE Group attributable to the shareholders of WSE adjusted for the share of profit of associates.

The Company paid PLN 50.4 mn of dividend from the 2013 profit on 26 August 2014. The dividend at PLN 1.2 per share was paid to those shareholders who held shares at 7 August 2014 (dividend record date). The dividend yield at the closing price on the dividend record date was 3.3%.



Figure 10 WSE dividend in 2010-2013 and intended dividend payments in later years³⁶



Source: WSE

On 30 October 2014, the Company announced an amendment of its dividend policy, whereby it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend depending on the profitability and the financial capacity of WSE, above 60% 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.

Furthermore, it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend from WSE's net profit for 2014 at PLN 2.40 per share gross, and dividend from WSE's net profit for 2015 at PLN 2.60 per share gross; at the share price at the end of 2014, the dividend yield is 5.3% and 5.7%, respectively.

To determine the final 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 the WSE Group;
- the dividend yield and the pay-out ratios used by other listed exchanges;
- liquidity requirements of the WSE Group depending on actual and expected market and regulatory conditions, liabilities incurred in current operations and debt service, and optimisation of the WSE Group's financing structure.

³⁶ By financial year for which dividend was paid.

³⁷ Based on the consolidated profit.

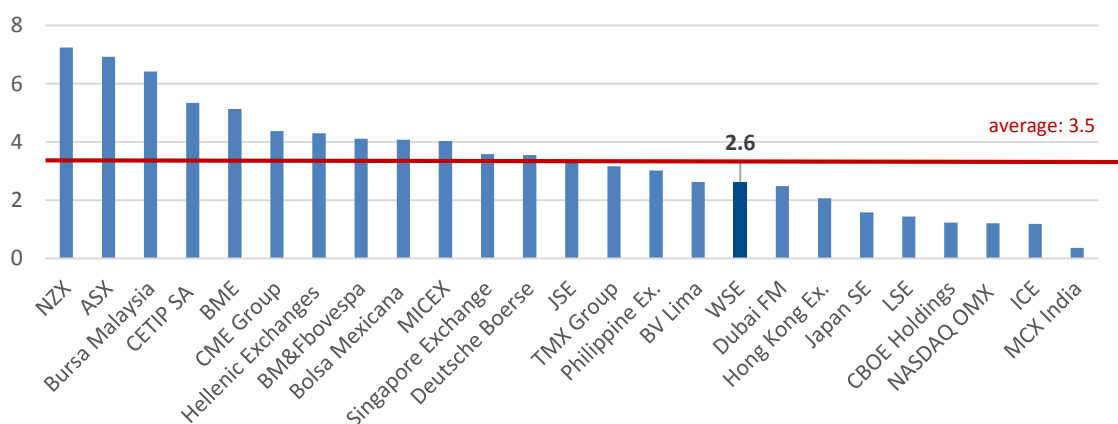
³⁸ At the share price as at the dividend record date.

³⁹ At the share price as at 30 December 2014.

⁴⁰ Intended payment under the new dividend policy.



Figure 11 WSE dividend yield in 2014 v. stock exchange sector (%)⁴¹



Source: Bloomberg (total gross dividend paid in 2014 to share price at 31 December 2014)

DIALOGUE WITH SHAREHOLDERS AND INVESTORS

WSE considers its presence on the capital market to be a part of the long-term growth strategy which relies on building lasting, professional relations with capital market participants as well as existing and prospective shareholders of WSE.

The objective of WSE's investor relations is to engage in proactive open communication with the capital market in a way that ensures equal access to information (including in particular the financial position, the growth strategy, and the risks) for all interested parties.

It is also the objective of the Exchange:

- to express information in a comprehensible manner which is not misleading,
- to provide timely information to the extent which addresses the needs of the stakeholders as much as possible,
- to comply with good practice, in particular the Best Practices of WSE Listed Companies, as well as regulations which define among others the disclosure rules for public companies.

According to the investor relations policy approved in January 2015, the Exchange voluntarily applies periods of limited communications with capital market participants preceding the publication of financial results. Consequently, the Company neither holds nor takes part in investor meetings two weeks before the publication of financial statements (periodic reports). In such periods, communications with the market are limited to communications required by law and answers to standard questions.

In 2014, WSE took a number of initiatives and applied a broad range of tools in its on-going communication with the shareholders, investors and analysts, including:

- presentations of the financial results of the WSE Group after the end of each quarter at meetings of the WSE Management Board with capital market analysts (broadcast live online);
- participation in five conferences dedicated to institutional investors in Poland and abroad;

⁴¹ Dividend yield at the last share price in 2014.



- organisation of Investor Days combined with the presentation of the Q3 2014 financial results and the presentation of the updated strategy of the WSE Group (broadcast live online);
- close to 180 one-on-one and group meetings and other contacts with representatives of domestic and international institutional investors;
- participation in two conferences dedicated to individual investors in Poland;
- non-deal road show in London, Paris, Frankfurt, Vienna, Los Angeles, San Francisco, New York and Boston;
- investor chat with the CEO and the CFO;
- interactive 2013 annual report available on the Company's website.

In the Investor Relations section of its website, the Company regularly publishes information relevant to investors and shareholders including the current financial results and financial ratios, investor presentations, video recordings of quarterly conferences and the General Meeting, news. WSE also provides an IR newsletter in order to communicate current corporate news to subscribers.

In 2014, WSE was one of three companies (along with PKN Orlen and Grupa Azoty) to become a finalist in the "WIG20 and mWIG40 Company" category of the seventh edition of the Golden Website contest organised by the Association of Listed Companies (SEG).



II. ACTIVITY OF THE WSE GROUP

II. 1 Mission and Strategy of the WSE Group

The WSE Management Board presented the updated growth strategy of the WSE group for 2014 – 2020 (“WSE.2020”) on 30 October 2014.

Mission of the Warsaw Stock Exchange Group

Our mission is to develop effective mechanisms of capital and commodity flows by providing exchange and clearing services which are competitive in terms of quality and price and address the needs and expectations of our clients: companies, investors, and brokers.

We support economic growth and build an investment culture. We develop an international capital hub.

We ensure highest standards and safety of trading based on world-class technologies.

As a team of professionals, we conduct an integrated, effective business

The main objective of the WSE.2020 strategy is to make WSE a stock exchange of first choice for investors and issuers in Central and Eastern Europe. Compared to the previous version of the strategy, which provided for growth largely based on mergers and acquisitions, the Exchange’s updated strategy focuses on organic growth. The change of approach derives from developments in the WSE’s external environment (including the pension fund reform and growing competition in the segment of derivatives offered to individual investors) as well as the Exchange’s belief in further great opportunities of development of the local capital and commodity market. The modification of the strategy was also based on the need to better use the resources of the WSE Group (operational and financial focus on the most effective and promising projects) and the need for closer, dynamic adjustment of the Exchange to the competitive environment.

The goals of the updated strategy of the WSE Group include complete operational integration of the WSE Group and its improved cost efficiency by 2020. As a result, WSE plans to improve the integration of the Group among others by establishing a shared services centre and optimising the use of real estate. In addition, a savings programme has been put in place covering such cost lines as rent, IT services, external service charges, which should generate ca. PLN 19 mn of savings in 2017 compared to the cost base of operating expenses for the twelve months ended at the end of Q3 2014. This will help to generate additional funding to support the areas with the greatest potential of growth. As a result, WSE expects to increase its consolidated revenue by 7% CAGR while the operating cost/income ratio will be reduced to less than 50% (from 59% in 2013).



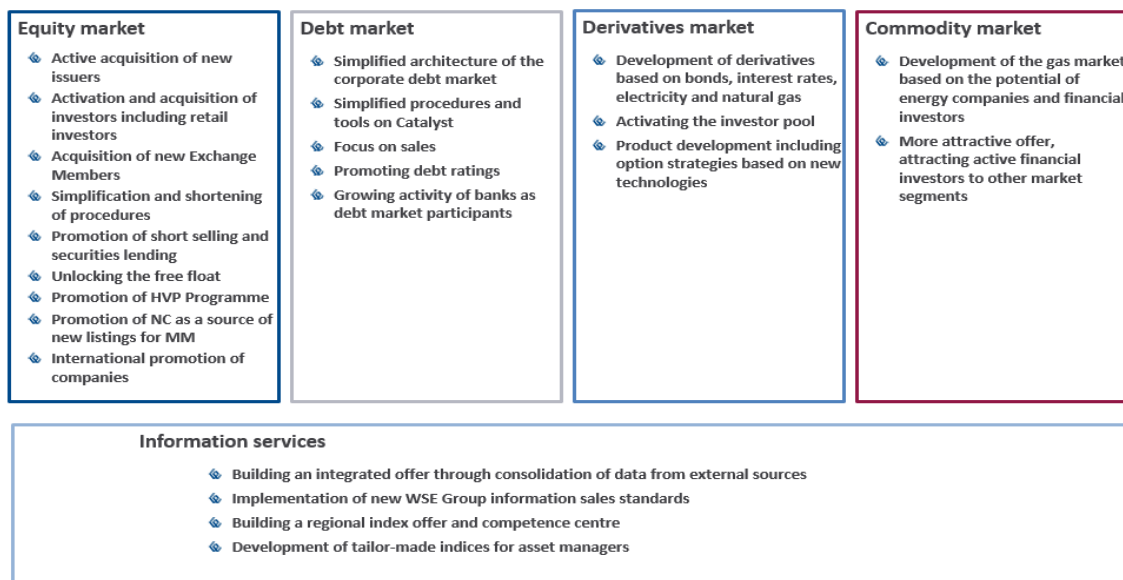
Chart 3 WSE Group's financial ambition by 2020

	2013	Ambition by 2020
Revenue (PLN mn)	284	CAGR: 7% p.a.
EBITDA (PLN mn)	144	Double EBITDA
Cost/Income ratio	0.59	< 0.50
Dividend payout ratio	44%	> 60% ⁴² (Payment from 2014 profit PLN 2.4 gross per share and from 2015 profit PLN 2.6 gross per share)

Source: WSE

According to the WSE.2020 strategy, the growth of the WSE Group will rely on six pillars: a liquid equity market; a developed debt market; a competitive derivatives market; a commodity market attractive to investors; a comprehensive offer of information products for investors and issuers; and new business segments opened based on existing competences.

Chart 4 WSE's key strategic initiatives



Source: WSE

⁴² Based on the consolidated profit attributable to the shareholders of the parent entity adjusted for share of profit of associates.



Chart 5 WSE Group's key aspirations for the main business lines

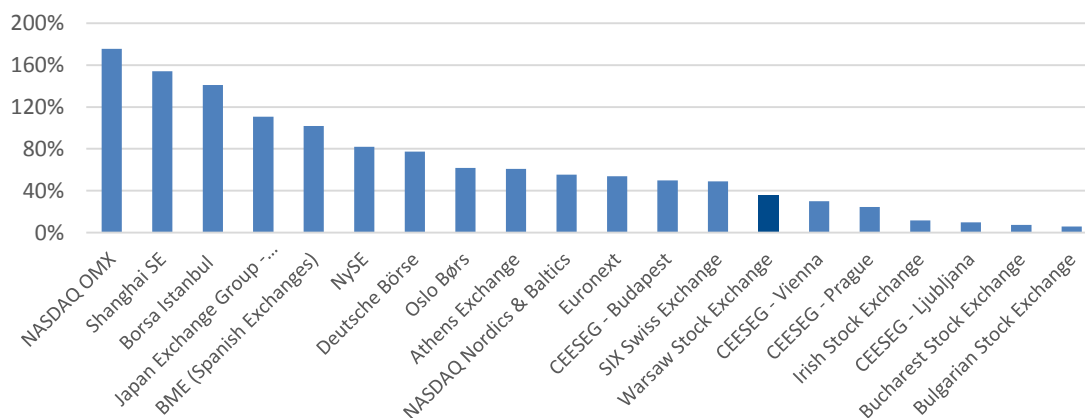
Business segment	WSE Group ambition by 2020
Equity market	<ul style="list-style-type: none"> # companies listed on Main Market > 550 Velocity ratio on Main Market > 50% NewConnect – important source of new listings for Main Market NewConnect – improved quality and attractiveness for investors
Debt market	<ul style="list-style-type: none"> # non-Treasury issues > 1 thou. Focus on issues > PLN 100 mn Simplified structure of Catalyst and development of TBSP
Derivatives market	<ul style="list-style-type: none"> Developed market in electricity and gas derivatives Active market in interest rate/debt derivatives New derivatives depending only on clients' needs
Commodity market	<ul style="list-style-type: none"> Financial market in electricity >60% of domestic consumption Financial market in gas > 15% of liberalised gas market
Market information segment	<ul style="list-style-type: none"> One offer for all sources of data across the Group Development of index products Manufacture of tailored-made information products
New business segments	<ul style="list-style-type: none"> Post-trade services: integrated offer to address changing needs for clearing and risk management Under consideration: coal market, agricultural market, ETP
Operating efficiency	<ul style="list-style-type: none"> As of 2017, current operating cost base down by ~PLN 20 mn C/I ratio < 0.50 Organisational and operational integration of the Group

Source: WSE

II. 2 Market Environment

The activity of investors as measured by the velocity ratio of Warsaw Stock Exchange was relatively low at 35.5% in 2014. The low velocity ratio of WSE was mainly due to the relatively low value of free-float shares, representing only 48% of the total capitalisation of domestic companies. Furthermore, investors were less keen to trade on WSE in 2014, which is attributable to uncertainty about the pension fund reform, very low volatility, and a persistent lateral trend of the main market indices, as well as the political situation in Ukraine.

Figure 12 Velocity ratio of selected exchanges, 2014 YE



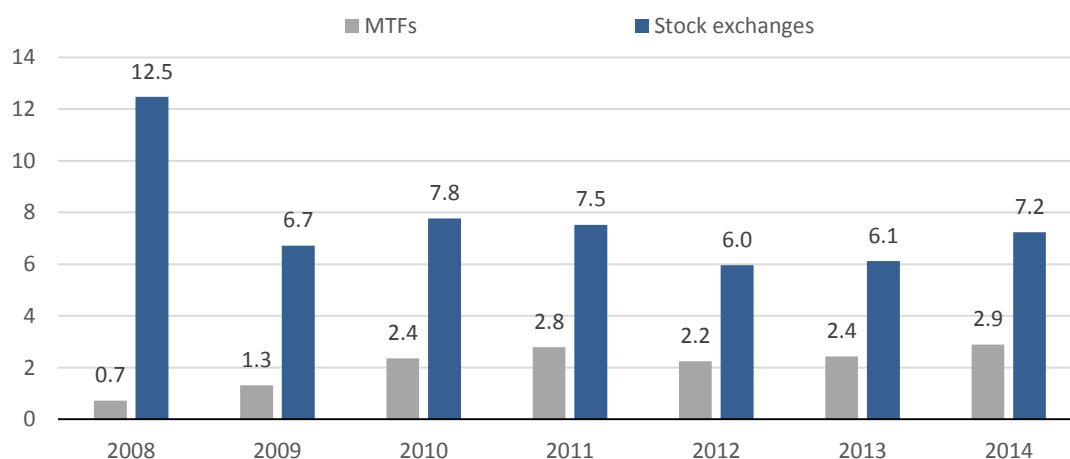
Source: WFE (for global exchanges); FESE (for European exchanges); own calculations



The global capital market has been increasingly impacted in the last few years by regulatory amendments introduced into the legal system of the European Union and the United States. Their main objective is to improve safety for investors and reinforce supervision of the capital market, and to liberalise the stock exchanges sector and stimulate competition on the market. The EU regulations include MiFID,⁴³ which took effect in 2007, and EMIR,⁴⁴ effective as of August 2012.

With continued liberalisation of the stock exchange sector in the past few years, competition among securities exchanges has intensified. Companies which operate regulated markets compete to attract new issuers and investors and to generate market liquidity and turnover. Further challenges for securities exchanges emerge with the rise of over-the-counter (OTC)⁴⁵ markets and multi-lateral trading facilities (MTF).⁴⁶ The offer of MTFs is mainly addressed to investment firms and institutional investors. MTFs offer trade in the same stocks as traditional exchanges but they also provide superior time of execution and low trading fees. Some MTFs have been licensed as exchanges, including BATS Chi-X Europe, formed through the merger of two independent companies and trading platforms: BATS Europe and Chi-X Europe. BATS Chi-X Europe is now one of the biggest trading platforms in Europe, second only to the London Stock Exchange Group. The platforms created under MiFID after 2008 accounted for more than 28% of trade in stocks in Europe in 2014 (Electronic Order Book).

Figure 13 Trade in stocks on exchanges and MTFs⁴⁷ in Europe (EUR tn), EOB



Source: FESE

In 2014, stock exchanges around the world continued to diversify their sources of revenue, including additions to their product offers as well as geographic expansion, mainly to Asia. For instance, the London Stock Exchange (LSE) acquired Frank Russell Company, the provider of many popular indices. The deal strengthened LSE's position on the American and Asian markets and ensured its strong position on the market of index providers. LSE acquired Frank Russell Company in response to evolving behaviours and strategies of investors who increasingly opt for passive asset management rather than active

⁴³ Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (Markets in Financial Instruments Directive).

⁴⁴ Regulation of the European Parliament and of the Council (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation).

⁴⁵ OTC (over the counter) market, where trade is made directly between market participants without the mediation of a securities exchange.

⁴⁶ Multilateral Trading Facility.

⁴⁷ MTFs and exchanges originating from MTFs (in particular: BATS Chi-X Europe, Turquoise, Burgundy, NYSE Arca Europe).



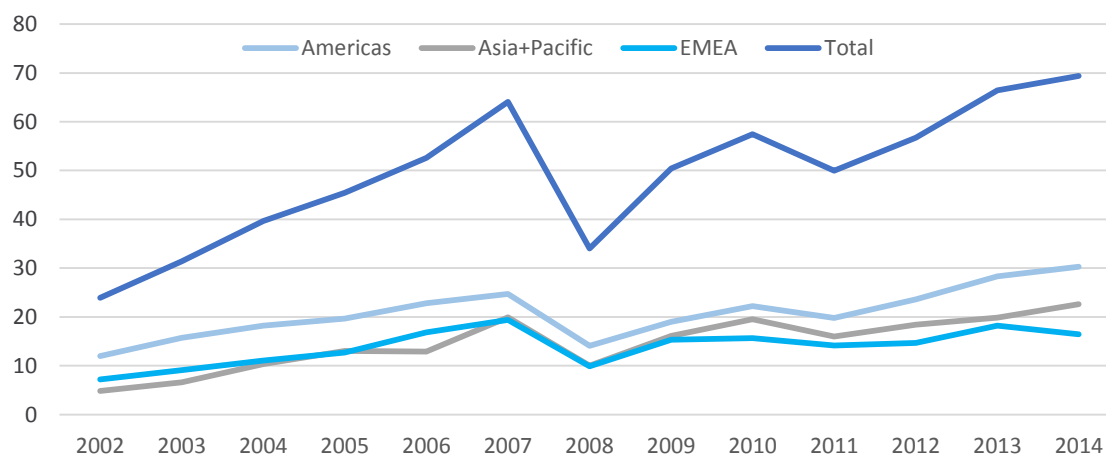
management. Another deal illustrative of the importance of geographic diversification in the stock exchange sector was the acquisition of the Singapore Mercantile Exchange (SMX) and its clearing house subsidiary by Intercontinental Exchange (ICE) in February 2014. The acquisition of SMX provided ICE with direct access to the Asian market infrastructure. Deutsche Boerse (DB) also focused on geographic expansion in 2014. The derivatives exchange Eurex, a member of the DB Group, acquired 5% of the Taiwan derivatives exchange Taifex in 2014.

In 2014, Warsaw Stock Exchange finalised the acquisition of Aquis Exchange, the multilateral trading platform in London, which plans to offer trade in stocks from 12 European countries. The goal of the investment was to diversify further the sources of the WSE Group's revenue and to largely fortify the brand and position of the Exchange on the international financial markets.

According to statistics of the World Federation of Exchanges,⁴⁸ the capitalisation of all stock exchanges around the world increased in 2014 for another consecutive year to US\$ 69.3 trillion, representing an increase of 4.4% year on year. This was the best result since 2008 when the global financial crisis started with the collapse of Lehman Brothers.

Figure 14

Capitalisation of domestic companies globally, 2002-2014 (US\$ tn)



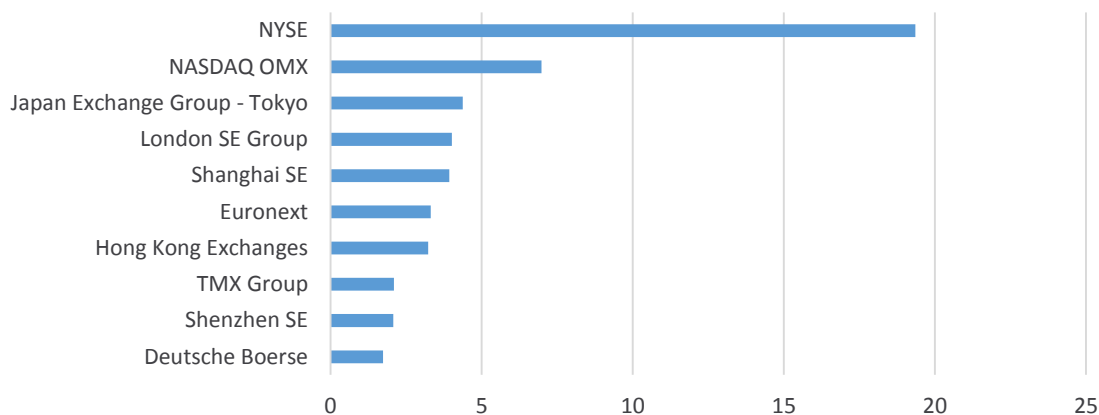
Source: WFE

Stocks listed on American markets made the biggest contribution to the global capitalisation at 43.7 percent in 2014. The capitalisation of companies listed on EMEA (Europe, Middle East, Africa) exchanges was US\$ 16.5 trillion, representing 23.8% of global capitalisation in 2014. The world's biggest exchange is NYSE (USA) with a capitalisation of domestic companies at US\$ 19.4 trillion, followed by NASDAQ OMX at US\$ 7 trillion, Japan Stock Exchange at US\$ 4.4 trillion, London Stock Exchange at US\$ 4.0 trillion, and Shanghai SE at US\$ 3.9 trillion. Only two of the top 10 exchanges (London Stock Exchange and Deutsche Boerse) are based in Europe.

⁴⁸ The World Federation of Stock Exchanges (WFE) groups financial instrument exchanges around the world. WFE members do not include the London Stock Exchange and Warsaw Stock Exchange (since early 2013).



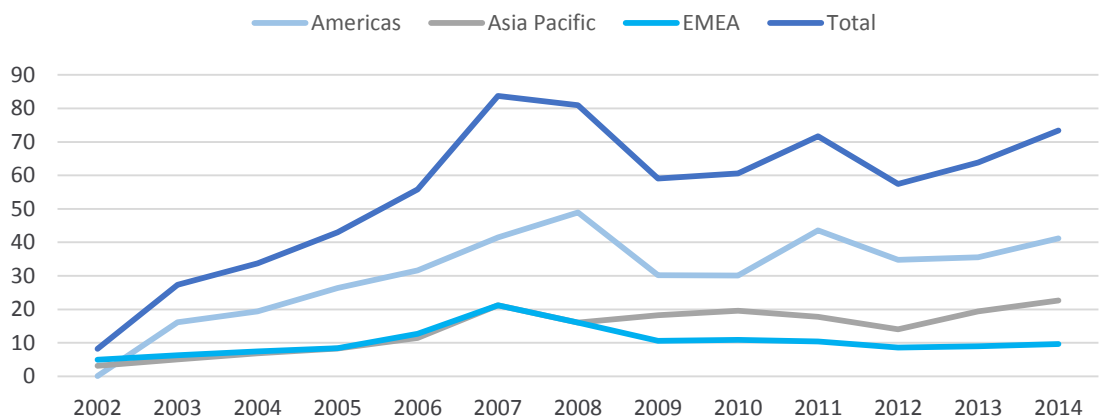
Figure 15 Top 10 exchanges globally by capitalisation of domestic companies, 2014 YE (US\$ tn)



Source: WSE

According to WFE, the total value of trading on the Electronic Order Book was US\$ 73.4 tn globally, an increase of 14.9% year on year. The growth rate was mainly driven by an increase in the value of trading on American and Asian stock exchanges, by 15.8% and 16.9%, respectively. American exchanges made the biggest contribution to the value of trading in 2014 (56.1% of aggregate turnover). The value of trading on EMEA exchanges represented only 13.1% of the global trade.

Figure 16 Value of trading in stocks globally, EOB, 2002-2014 (US\$ tn)

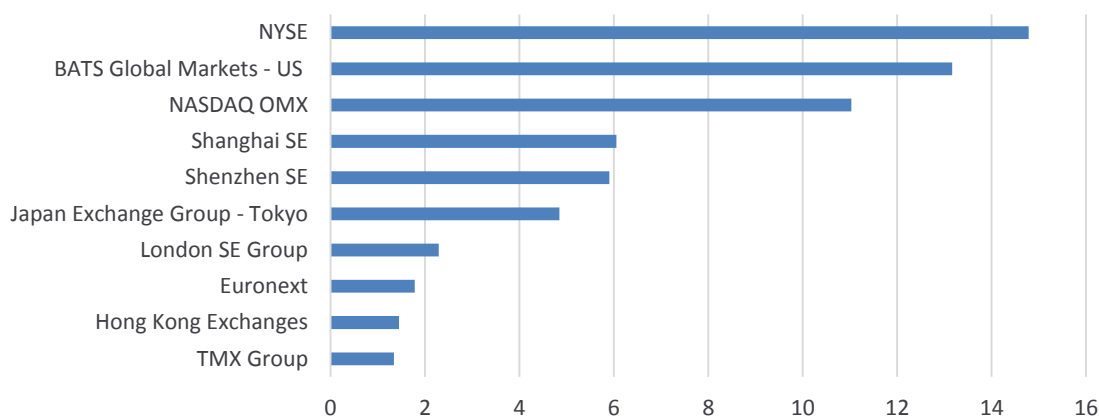


Source: WFE

Similar to the capitalisation of domestic companies, NYSE was the leader by value of trading in stocks (US\$ 14.8 tn), followed by BATS Global Markets – US (US\$ 13.2 tn), NASDAQ OMX (US\$ 11.3 tn), Shanghai Stock Exchange (US\$ 6.1 tn) and Shenzhen Stock Exchange (US\$ 5.9 tn). The London Stock Exchange Group remained the biggest European exchange by value of trading in stocks (US\$ 2.3 tn).



Figure 17 Value of trading in stocks, 2002 – 2014 (US\$ tn), EOB



Source: WFE

POSITION OF WSE IN CEE

WSE was the biggest stock exchange in Central and Eastern Europe at the end of 2014 in terms of capitalisation, turnover, and the number of listed companies. The capitalisation of shares listed on WSE was EUR 139.1 mn at the end of 2014,⁴⁹ representing a decrease of 6.5% year on year. The market value of shares listed on WSE represented 48.3% of total capitalisation in CEE, compared to 49.1% in 2013.

The capitalisation of domestic companies listed on WSE decreased year on year while the total market value of shares on FESE exchanges increased by 4.8%.

A similar trend prevailed in the value of trading in shares on the Electronic Order Book in Europe and in CEE. The EOB value was EUR 49.3 bn on WSE in 2014, representing 56.7% of CEE trade, compared to 58.5% in 2013.

II. 3 Development of WSE in 2014

Table 8 WSE milestones 2014

2014 net profit: PLN 52.9 mn

2014 EBITDA: PLN 83.1 mn

Amendment of the Dividend Policy and Payment of Dividend from 2013 Profit

Financial Results

On 26 August 2014, WSE paid dividend at PLN 1.2 per share to those shareholders who held shares at 7 August 2014 (dividend record date).

On 30 October 2014, in Current Report No. 30/2014, the Exchange announced an amendment of the Company's dividend policy, whereby it is the intention of the WSE Management Board to recommend that the General Meeting pay dividend above 60% of the WSE Group's consolidated net profit adjusted for the share of profit of associates. Furthermore, it is the intention of the WSE Management Board to

⁴⁹ FESE data.



recommend that the General Meeting pay dividend from WSE's net profit for 2014 at PLN 2.40 per share gross, and dividend from WSE's net profit for 2015 at PLN 2.60 per share gross.

**Strategic
Decisions**

Decision to Suspend Negotiations on Capital Co-operation with CEESEG

On 23 September 2014, the WSE Management Board announced that it is not considering a capital alliance with CEE Stock Exchange Group AG at this time. The objective of WSE is organic growth, including strengthening of the international position of the Exchange, making it more attractive to all market participants, and building WSE shareholder value. The WSE Management Board also announced that WSE remains open to co-operation with different players in the region, including CEESEG, to make Central and Eastern Europe a more attractive place for investment of international capital, and that WSE does not rule out returning to the idea of a capital alliance with CEESEG in the future.

Publication of the Updated Group Strategy WSE.2020

On 30 October 2014, WSE published the updated strategy of the WSE Group. The details are presented in Section II.1.

Changes on the WSE Management Board

On 26 June 2014, the General Meeting of WSE appointed Paweł Tamborski as President of the WSE Management Board. The decision took effect on 25 July 2014.

On 25 July 2014, the Exchange Supervisory Board acting on request on the new President of the Management Board decided to appoint members of the WSE Management Board for a new term of office including:

- Dariusz Kułakowski as Vice-President of the WSE Management Board,
- Karol Półtorak as Vice-President of the WSE Management Board,
- Mirosław Szczepański as Vice-President of the WSE Management Board,
- Grzegorz Zawada as Vice-President of the WSE Management Board.

**Manage-
ment and
Supervision**

The decision took effect on 27 August 2014 for Grzegorz Zawada and on 9 September 2014 for Karol Półtorak. The resolution of the Exchange Supervisory Board took effect on the date of adoption, i.e., 25 July 2014, for Dariusz Kułakowski and Mirosław Szczepański.

Changes on the Supervisory Board

On 25 July 2014, the Ordinary General Meeting of WSE elected members of the Exchange Supervisory Board for a new joint three-year term of office including:

- Dariusz Kacprzyk,
- Jacek Lewandowski,
- Piotr Piłat,
- Dr Wiesław Rozłucki,
- Dr Marek Słomski,
- Prof. Marek Wierzbowski.

On 25 August 2014, the Extraordinary General Meeting of WSE elected Waldemar Maj to the Exchange Supervisory Board.



Changes to Classification of Shares in the Alert List Segment

In late 2013, the Exchange took measures to eliminate the penny stock issue on the WSE Main Market. The rules of classification of shares in the Alert List segment were amended. As of 2014, all shares whose unit market price was lower than PLN 0.50 were classified in the Alert List segment irrespective of the volatility of the share price. The consequences of classification of an issuer's shares in the Alert List include: exclusion of the issuer's shares from index portfolios, transfer of the shares to the single price trading system, special designation of the issuer in the exchange's information services, and removal of the shares from the list of securities available for short selling.

If the reasons for the classification in the Alert List persist, the Exchange Management Board will suspend and then delist the issuer's shares on the exchange.

Amendment of Regulations Applicable in the Alternative Trading System (ATS) on Catalyst and NewConnect

Safety of Trading

The objective of the amendments introduced as of 1 September 2014 is to improve safety on Catalyst and to harmonise the Catalyst ATS regulations with the standards introduced last year on NewConnect. The amendments include: introduction of a minimum value of an issue of bonds which may be introduced into the ATS; obligation imposed on issuers of low-value issues to have an Authorised Adviser; mandatory preparation of an information document even where bonds were previously offered under an information memorandum.

In order to improve bondholder access to information relevant to bond payments, the duration of issuers' reporting requirements was extended. The requirement of a minimum value of bonds introduced into the Catalyst ATS took effect on 1 January 2015.

Decision to Delist WIG20 Futures with a Multiplier of PLN 10

In September 2013, WSE introduced to exchange trading WIG20 futures with a multiplier of PLN 20 in anticipation of gradual migration of futures with a multiplier of PLN 10 to the new contracts. 20 June 2014 was the last day of trading of WIG20 futures with a multiplier of PLN 10. Since 23 June 2014, only WIG20 futures with a multiplier of PLN 20 have been in trading.

Introduction of Options with New Expiry Dates

On 18 August 2014, WSE changed the expiration cycle of WIG20 options. As a result, options expire 12 times per year and options which expire in the nearest calendar month are available in trading.

Organisation Continuation of the Shorter Trading Session Timetable until the End of 2015

of Trading

and Products

On 18 September 2014, the Exchange Supervisory Board at the request of the WSE Management Board approved continuation of the shorter trading session timetable until the end of 2015. As a result, the trading session starts at 08:45 on the futures market and at 09:00 on the cash market. Trading closes at 17:05 on both markets.

Changes of Stock Exchange Indices

On 18 September 2014, the Exchange Management Board decided that WIG20, the price index which groups the biggest and most liquid stocks listed on WSE, will remain the main underlying index for derivatives. At the same time, the Exchange Management Board decided that WIG30 will continue to be published. The Exchange Management Board decided not to introduce WIG30 derivatives but to develop derivatives based on WIG20.



Concerning the small and mid-cap indices, according to the decision of the WSE Management Board, as of 1 January 2015, mWIG40 will continue to be published on the existing terms and the publication of sWIG80 will be resumed. At the same time, WSE will no longer publish WIG50 and WIG250.

Source: WSE

EXTERNAL FACTORS

MACROECONOMIC SITUATION IN 2014

Poland's economy grew by 3.3% in 2014 according to preliminary estimates of the Central Statistical Office (GUS), compared to 1.7% in 2013. The Polish economy in 2014 was driven by domestic demand: private consumption and investments, while foreign demand made a negative contribution to GDP growth. Inflation fell sharply in Poland in 2014. Starting in July, annual inflation was negative and remained well below the NBP inflation target (2.5%). Lower inflation was due to a declining growth rate of fuel prices, food prices, and core inflation. The Monetary Policy Council cut the interest rates by 50 basis points to a record low of 2.0% in October 2014. Falling inflation pressures as well as expectations of monetary policy easing by the Monetary Policy Council combined with an expansive monetary policy in the eurozone caused the yields of Polish Treasury bonds to fall to a historical low in 2014 (by ca. 180 basis points to 2.5% for 10Y bonds). The Polish currency depreciated on the local fx market due to the collapse of the Russian rouble and growing risk aversion against emerging markets in view of the Russian-Ukrainian conflict.

The global economy in 2014 saw a sharp decrease of commodity prices, mainly a sudden decline of oil prices. As a result, annual inflation was below the zero mark in many countries, including in the eurozone and Central and Eastern Europe. The low commodity prices had a positive impact on growth in those countries which are net importers of commodities as real disposable income of households increased. However, a long period of very low or negative inflation adds to the risk of even lower inflation expectations and higher real interest rates.

Weaker inflation pressures, rising expectations that the ECB will initiate a purchase programme of Treasury bonds of eurozone countries, and delayed Fed interest rate hikes resulted in a major fall in Treasury yields in the eurozone and the USA (the yields on 10Y German bonds were record-low at 0.5%, the yields on 10Y US bonds were around 2.0%).

In 2014, the main central banks continued to pursue an expansive monetary policy, keeping the interest rates at historically low levels. The differences in the economic situation between the USA and the eurozone implied a divergence of the monetary policy cycles between their economies. The Fed closed a five-year quantitative easing programme in late 2014. The ECB, however, decided in 2014 to continue monetary easing including interest rate cuts and an asset purchase programme. As a result, the US\$ appreciated strongly against the EUR in 2014.

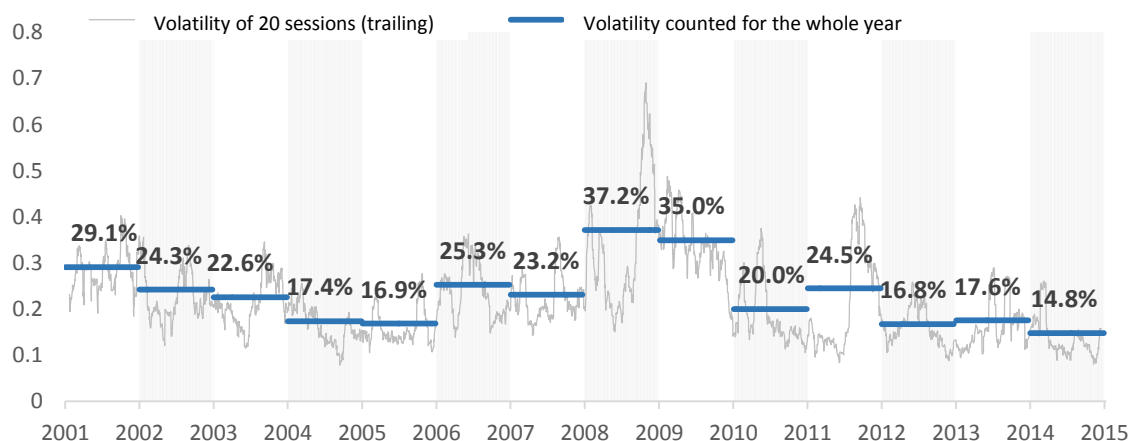
LOW VOLATILITY AND PARALLEL TREND OF STOCK PRICES

The volatility of stock prices on the WSE Main Market was relatively low in 2014. The volatility ratio of WIG20 was 14.8%, one of the lowest ratios in WSE history. Furthermore, the main WSE indices (WIG and WIG20) remained within a narrow band of lateral trend throughout 2014: WIG ranged from 49,520



points to 55,637 points while WIG20 ranged from 2,271 points to 2,551 points. These factors largely curbed the propensity to invest capital on WSE in 2014 and reduced the activity of investors on the equity and derivatives markets, resulting in a decrease of WSE revenue from trading on those markets.

Figure 18 WIG20 volatility ratio⁵⁰



Source: WSE

PENSION FUND REFORM

The 2014 pension fund reform in which 51.5% of the net assets of pension funds, mainly Treasury bonds, were moved to the Social Insurance Institution (ZUS) and then cancelled, affected the sentiment of local and international WSE investors and their propensity to invest, in particular as concerns future inflows of assets to pension funds and, consequently, further potential inflows or outflows of pension fund assets to/from WSE.

Following the reform, more than 2.5 million Poles decided to invest part of their pension contributions with open-ended pension funds while the net asset value of pension fund portfolios was PLN 149.1 bn at the end of 2014.⁵¹ The reform also set the minimum investment of pension funds in stocks at 75 percent of assets by the end of 2014, 55 percent by the end of 2015, 35 percent by the end of 2016, and 15 percent by the end of 2017.

GEOPOLITICAL SITUATION IN EASTERN EUROPE

The military conflict in Eastern Ukraine which started in Q1 2014 increased uncertainty about the political stability of the region among international investors who invest on Central and Eastern European capital markets. Poland is part of the popular investment basket of Emerging Markets Europe, hence the conflict across the Eastern border had an adverse impact on the activity of investors on WSE.

⁵⁰ Standard deviation of daily return rates of the index annualised with the square root of 250.

⁵¹ PFSA data.



INTERNAL FACTORS

DELISTING OF WIG20 FUTURES WITH A MULTIPLIER OF PLN 10

According to the decision of the WSE Management Board, only WIG20 futures with a multiplier of PLN 20 are in trading on the exchange since 23 June 2014. The main goal of the decision was to reduce transaction costs of futures to make them more attractive to investors, and to build liquidity of the futures market. The Company expected that the volume of trading in WIG20 futures could decrease in the early period after the migration.

CHANGES ON THE WSE MANAGEMENT BOARD

In June 2014, the General Meeting of WSE appointed Paweł Tamborski as President of the WSE Management Board. In July 2014, other members of the WSE Management Board were appointed for a new term of office including:

- Dariusz Kułakowski as Vice-President of the WSE Management Board,
- Karol Póttorak as Vice-President of the WSE Management Board,
- Mirosław Szczepański as Vice-President of the WSE Management Board,
- Grzegorz Zawada as Vice-President of the WSE Management Board.

The newly appointed Management Board members in the latter half of the year made decisions to update the Company's strategy for 2014-2020, to implement a savings programme, and to amend WSE's dividend policy.

DECISION TO SUSPEND NEGOTIATIONS ON CAPITAL CO-OPERATION WITH CEESEG

On 23 September 2014, the WSE Management Board announced that it is not considering a capital alliance with CEE Stock Exchange Group AG at this time. The objective of WSE is organic growth, including strengthening of the international position of the Exchange, making it more attractive to all market participants, and building WSE shareholder value.

PUBLICATION OF THE UPDATED WSE GROUP STRATEGY WSE.2020

On 30 October 2014, WSE published the updated strategy of the WSE Group. The updated strategy sets the directions and priorities of the WSE Group's development until 2020. Amendment of the Company's dividend policy is part of the strategy. The publication of the Company's updated strategy and WSE's new dividend policy impacted WSE's share price on the date of publication of the Company's Q3 2014 results (30 October 2014). Detailed information on the updated strategy and the new dividend policy is presented in Sections II.1 and I.4



II. 4 Drivers of Development in 2015

EXTERNAL FACTORS

MACROECONOMIC SITUATION IN 2015

According to the European Commission projections, the Polish GDP is set to grow by 3.2% in 2015, at a rate similar to that reported in 2014. Domestic demand will remain the main driver of Polish growth in 2015. The growth of public investments is expected to step up owing to new projects co-financed with EU funds. The growth rate of private consumption is expected to stay strong thanks to the anticipated continuation of improvement on the local labour market.

As a result, Poland is expected to be the third fastest growing economy in the EU in 2015 after Ireland (3.5%) and Malta (3.3%). Economic activity in the eurozone, Poland's main trade partner, is expected to recover gradually as its GDP grows by 1.3% in 2015 compared to 0.8% in 2014 (1.7% in 2015 and 1.3% in 2014 in the EU). Poland's average annual inflation is expected to fall to -0.2% in 2015 (compared to -0.1% in the eurozone and 0.2% in the EU). The market consensus is that the Polish interest rates will continue to be cut in 2015.

The risk factors for the Polish economy in 2015 include the geopolitical risk posed by the escalation of the Russian-Ukrainian conflict including potential interruptions in the deliveries of Russian oil and gas to Poland as well as the impact of weaker market conditions in Russia and Ukraine on Polish exports.

Risks to the growth rate of private consumption in 2015 may include appreciation of the Swiss franc after the National Swiss Bank dropped the cap on the exchange rate of the franc against the euro, which inflated household debt in CHF.

Factors relevant to the financial markets in 2015 include the activity of the main central banks including the Fed's potential decision to start a series of interest rate hikes. According to market consensus, the Fed should start to tighten the monetary policy in mid-2015 driven by continued economic recovery in the USA and further improvement on the US labour market.

Developments in Greece will be relevant to the financial markets in 2015, including collaboration of the new Greek government with the Troika (IMF, ECB, European Commission).

GEOPOLITICAL SITUATION IN EUROPE

Development of the geopolitical situation in Central and Eastern Europe will be relevant to the growth of the Polish capital market in 2015, including in particular potential escalation of the military conflict in Ukraine and political tensions between Russia and the European Union. The development of the conflict across Poland's Eastern border will impact the Polish economy in 2015 but only in selected sectors, e.g., the food industry, the clothing industry, as well as selected companies listed on WSE which have a big exposure to trade in Russia and Ukraine. Risk factors to the activity of investors on the capital markets in Central and Eastern Europe include the economic and social situation in some European Union member states in view of the sovereign debt crisis and necessary structural reforms.



PRIVATISATION

The State Treasury of the Republic of Poland has played an important role in the development of WSE through privatisations. While the number of large companies available for privatisation falls steadily year after year, the State Treasury still holds significant blocks of shares in many companies already listed on WSE. The share of the State Treasury in the capitalisation of companies listed on WSE was 16.9% at the end of 2014.

The Ministry of the State Treasury earned privatisation revenues of PLN 1 bn in 2014. The biggest privatisation transaction was the sale of 65,411,629 shares of PGE Polska Grupa Energetyczna S.A. representing 3.50% of its share capital by the State Treasury in July 2014. The State Treasury raised PLN 121.5 mn on this sale and the company Polskie Inwestycje Rozwojowe S.A. received PLN 1.204 mn. The privatisation revenue expected in 2015 is estimated at PLN 1.2 bn.

The State Treasury may continue privatisations on WSE in 2015 and beyond, mainly by reducing its stake in companies already listed. The privatisation policy in the coming years will be determined among others by the continuation of the "Polish Investments" Programme. Revenues from sales of shares in some companies with a stake held by the State Treasury, which were designated for privatisation according to existing plans, could be used in the Programme. Under the Programme, as approved by the Council of Ministers on 27 December 2012, a part of stakes in several companies may be sold, including PGE Polska Grupa Energetyczna S.A., PKO BP S.A., PZU SA, after prior contribution to Bank Gospodarstwa Krajowego (BGK) and/or Polskie Inwestycje Rozwojowe S.A. (PIR S.A.) depending on the need for financing.

INTERNAL FACTORS

The development of the Exchange in 2015 and beyond will be mainly driven by the implementation of the WSE Group's updated strategy for 2014-2020. WSE will take active measures to unlock the full potential and to develop its core markets: the markets in shares, debt, derivatives, and information products. As a result, WSE wants to be the exchange market of first choice for investors and issuers in Central and Eastern Europe.

Development will be based on reinforcement of the existing key business segments of the Exchange and development of areas where WSE has a competitive advantage and may effectively leverage the potential of its employees and assets.

The key issues include the level of fees charged by the Company. WSE analyses on an on-going basis the situation with respect to fees as well as the impact of fees on the competitive edge of its services and products. As a rule, price lists will be modified to ensure further growth of turnover and markets.

Another goal under the updated strategy, which will have a major impact on the development of the Company in 2015 and beyond, is to improve efficiency, among others by reducing the Company's operating expenses. This is the purpose of the implemented savings programme. According to the strategy, savings will mainly include real estate, external services, IT services, and other services.

II. 5 Business Lines

FINANCIAL MARKET

The activities of WSE on the financial market include:



- 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 Catalyst platform (regulated market and alternative trading system);
- listing, including introduction to trading and listing of financial instruments;
- information services including real-time data from the financial and commodity markets operated within the WSE Group.

TRADING

Trading encompasses trading in financial instruments on the Main Market and on WSE regulated markets: NewConnect and Catalyst.

Chart 6

Financial instruments in trading on the financial markets operated by WSE

Financial market - trading			
New Connect	Main Market		TBSP
Equities & other	Derivatives	Bonds	
Equities and other Structured products Warrants Investment certificates ETFs	Index futures Currency futures Single - stock futures Interest rate futures Options Index participation units	Corporate bonds Municipal bonds Mortgage bonds Treasury bonds	

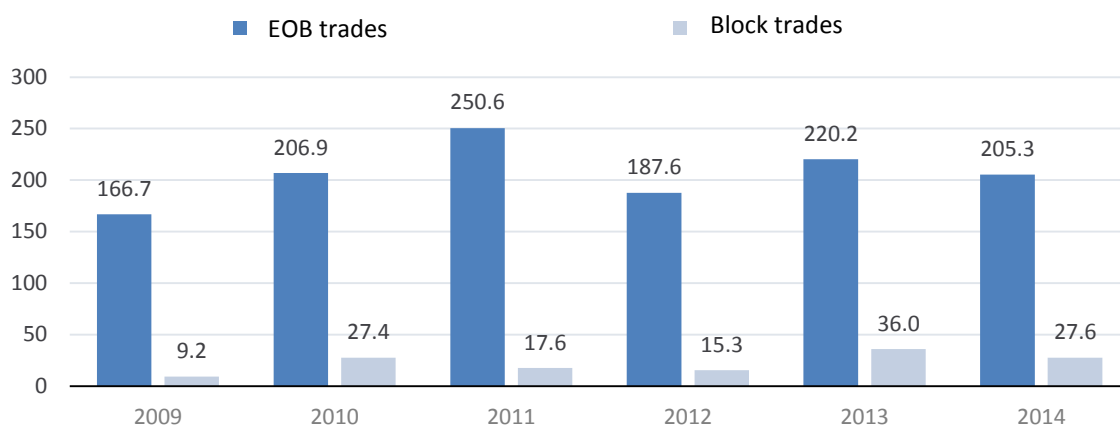
Source: WSE

Stock market

The total value of the Electronic Order Book in shares on the WSE Main Market was PLN 205.4 bn in 2014, a decrease of 6.7% year on year. The average daily value of the Electronic Order Book was PLN 824.8 mn, a decrease of 7.5% year on year. The number of transactions was 13.8 mn in 2014, an increase of 7.9% year on year.



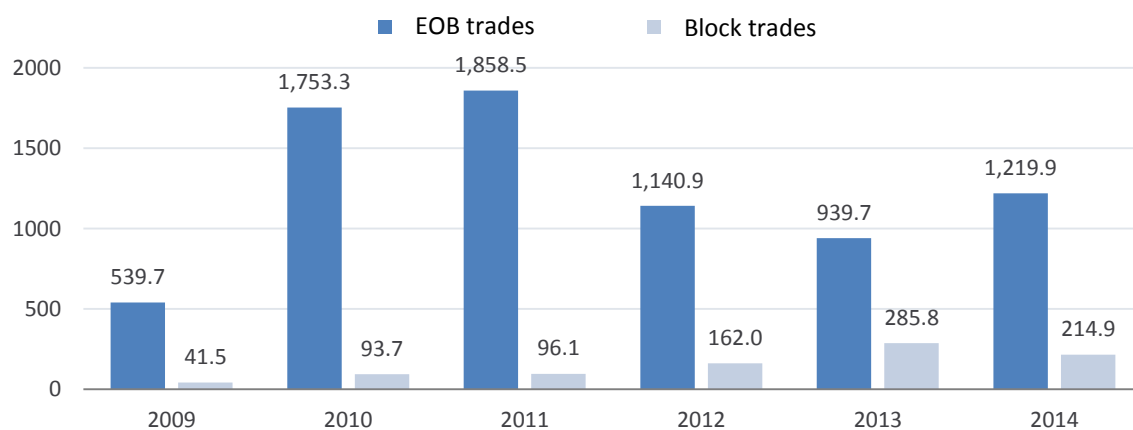
Figure 19 Value of the Electronic Order Book and block trades on the WSE Main Market in shares (PLN bn)



Source: WSE

The turnover on NewConnect was PLN 1,435 mn in 2014, an increase of 17.1% year on year. The number of transactions on the Electronic Order Book was 865.1 thousand in 2014, an increase of 20.0% year on year.

Figure 20 Value of the Electronic Order Book and block trades on NewConnect (PLN mn)



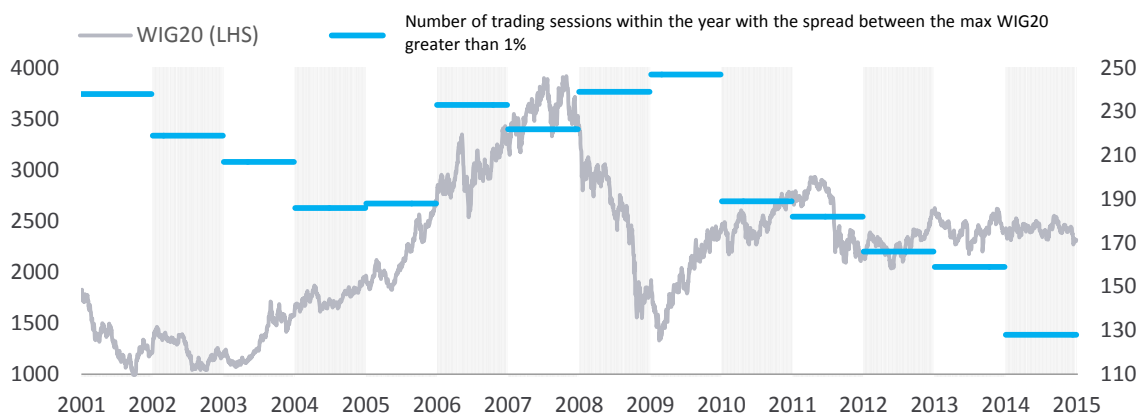
Source: WSE

The decrease of turnover was driven mainly by record-low volatility which persisted on WSE equity markets throughout 2014 and was historically low in many years, impacting the activity of investors on the exchange.

The spread between the maximum and the minimum WIG20 was greater than 1 percent at only 129 trading sessions in 2014, compared to 160 sessions in 2013 and more than 200 sessions in previous years.



Figure 21 Number of trading sessions within the year with the spread between the maximum and the minimum WIG20 greater than 1%

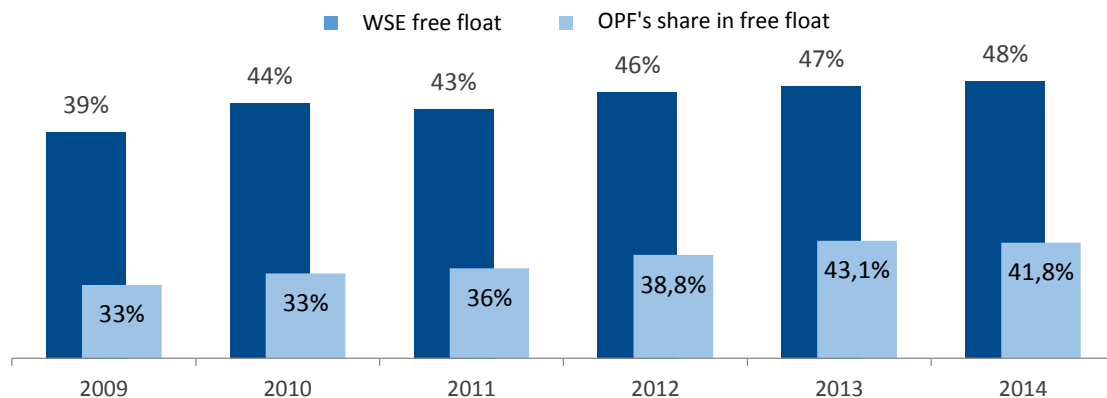


Source: WSE

The low activity of investors on the WSE markets was also driven by uncertainty about the pension fund reform of February 2014.

However, the low investor activity due to the pension fund reform was largely driven by market uncertainty about the outcome and the ramifications of the reform in terms of the size of funds' assets rather than by low activity of funds on the equity market.

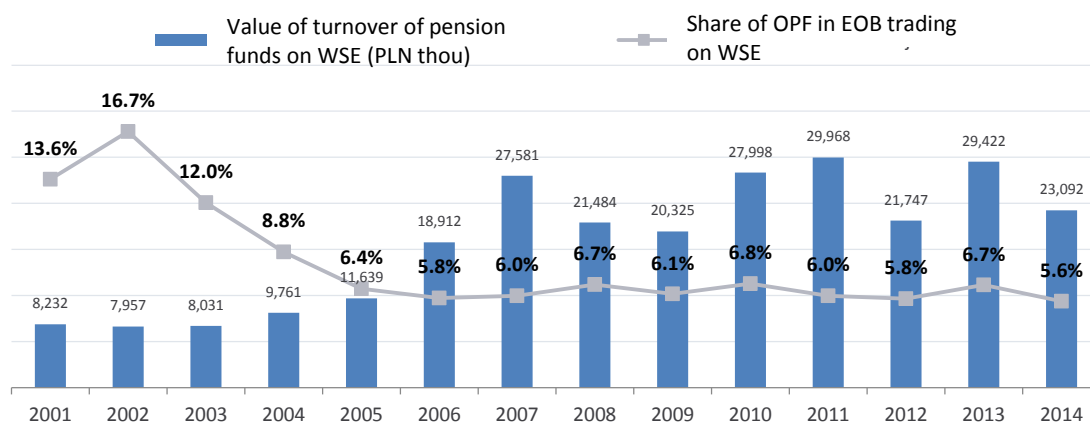
Figure 22 WSE free float and share of pension funds in free float



Source: WSE, PFSA



Figure 23 Shares held by pension funds as a percentage of the WSE Electronic Order Book



Source: WSE, PFSA

The decrease of trading in shares in 2014 was also caused by low activity of foreign investors due to political uncertainty around the conflict in Ukraine.

The fixed fee on orders in the market of shares, subscription rights and ETF units on the Electronic Order Book and in block trades on both equity markets was reduced from PLN 1 to 0.20 and the fee on orders executed as part of market maker functions to PLN 0.05; the reduction took effect on 1 January 2013 and remained available throughout 2014.

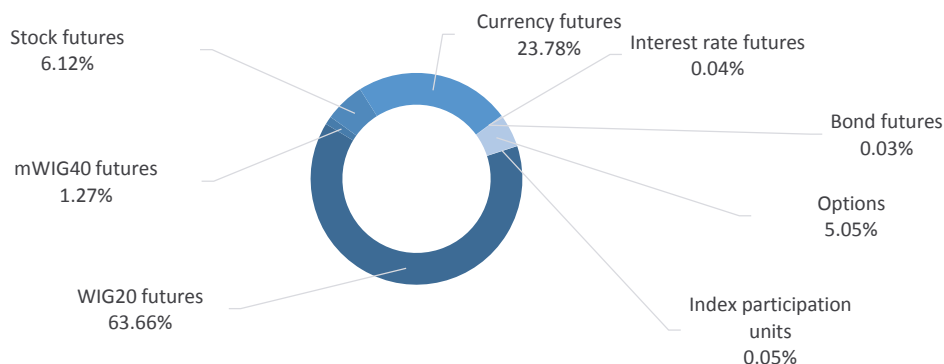
In November 2013, the WSE Management Board opened a promotion for active investors on the market in equities and derivatives under the High Volume Provider (HVP) Programme. The promotion was extended to 31 October 2015. The promotion is available to legal persons investing on financial markets only on their own account. Eligible for the promotion were investors who crossed the minimum threshold of turnover at PLN 5 mn per session on the equity market or 150 thousand futures and options per session on the derivatives market. The HVP promotion was designed to attract a new group of investors previously absent from WSE; their presence should in the long term help to reduce spreads and improve liquidity of the entire market.

Derivatives market

Warsaw Stock Exchange operates the biggest derivatives market in Central and Eastern Europe. WIG20 futures have for years been the most liquid instrument that generates the highest volume of trading on WSE, representing 63.7% of the volume of trading in all derivatives in 2014 (65.4% in 2013, 80.1% in 2012).



Figure 24 Share of derivatives in turnover in 2014 (by volume)



Source: WSE

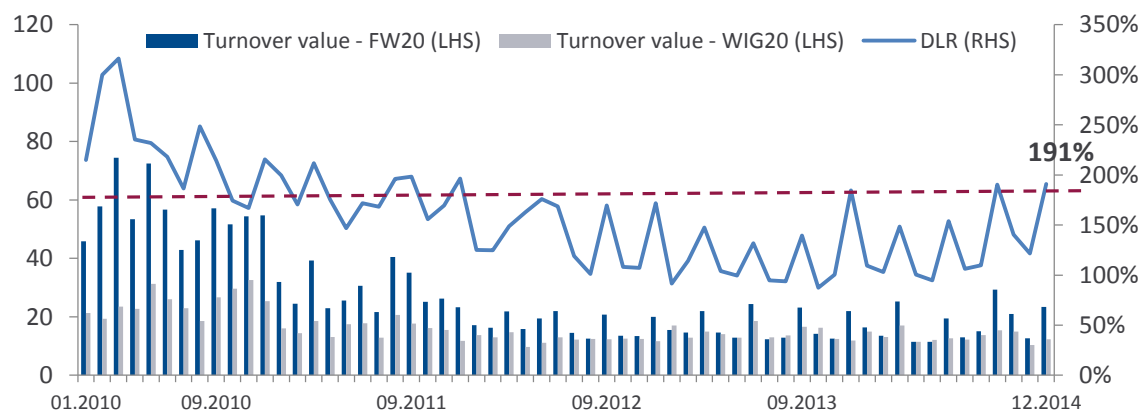
In September 2013, WSE introduced to exchange trading WIG20 futures with a multiplier of PLN 20 in anticipation of gradual migration of futures with a multiplier of PLN 10 to the new contracts. 20 June 2014 was the last day of trading of WIG20 futures with a multiplier of PLN 10. Since 23 June 2014, only WIG20 futures with a multiplier of PLN 20 have been in trading.

The change of the multiplier was introduced and maintained by WSE following internal analyses and broad industry consultations involving among others the WSE Derivatives Market Committee. The main goal of the decision was to reduce transaction costs of futures to make them more attractive to investors, and to build liquidity of the futures market. The Company expected that the volume of trading in WIG20 futures could decrease in the early period after the migration. Considering the features of the new futures, including transaction costs at half those for previously listed futures, the volumes of trading should grow month by month.

The decrease in the volume of trading in futures was also driven by the record-low volatility of WIG20 throughout 2014.

The liquidity ratio of WIG20 futures measured as the value of trading in WIG20 futures to the value of trading in the underlying was the highest since December 2011 in the last few months of 2014.

Figure 25 Futures liquidity ratio (DLR): value of trading in FW20 to the value of trading in the underlying

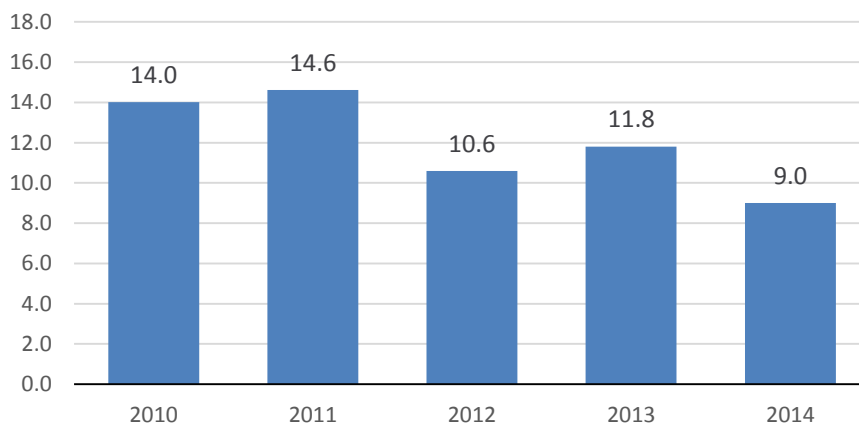


Source: WSE



As a result of the decrease in the volume of trading in WIG20 futures, the total volume of trading in derivatives was 9.5 mn instruments in 2014, a decrease of 24.9% year on year. The number of open interest was 138.1 thou. as at 31 December 2014, a decrease of 28.6% year on year.

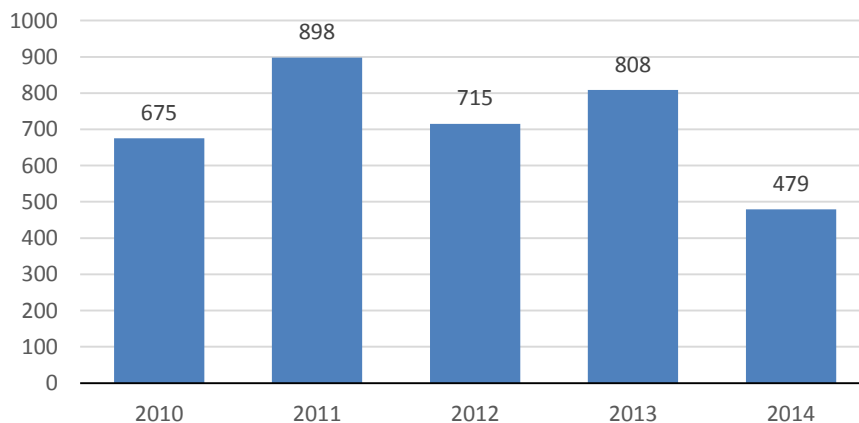
Figure 26 Volume of trading in futures, EOB and block trades, mn instruments



Source: WSE

The total volume of trading in options was 479 thousand instruments in 2014, a decrease of 40.7% year on year.

Figure 27 Volume of trading in options, EOB and block trades, thou. instruments



Source: WSE

The following promotion fees for trading in futures were available on WSE from 1 January 2013 and throughout 2014:

- reduction of the fixed fee on index futures from PLN 1.70 to PLN 1.60;
- reduction of fees for day trading in futures on the Electronic Order Book (excluding transactions on the account of a market maker and transactions on own account of an exchange member);
- reduced fees for transactions in futures on own account of brokers.



In April 2014, the WSE Management Board opened a promotion of fees on WIG20 futures with a multiplier of PLN 20 charged on transactions as part of market maker functions for such futures. The promotion period was later extended until the end of December 2014. As a condition of eligibility for the promotion, market makers had to reach a minimum threshold of the volume of trading set per each month as follows:

- 10,000 futures in May 2014,
- 15,000 futures in June 2014,
- 30,000 futures in July and in August 2014,
- 40,000 futures in September and in October 2014,
- 50,000 futures in November and in December 2014.

The goal of the promotion was to stimulate trade in WIG20 futures with a multiplier of PLN 20 in view of the planned delisting of WIG20 futures with a multiplier of PLN 10 as of 23 June 2014.

WSE also offered promotional fees charged from exchange members on trade in bond futures and WIBOR futures at zero in 2014.

Debt instruments trading system Catalyst

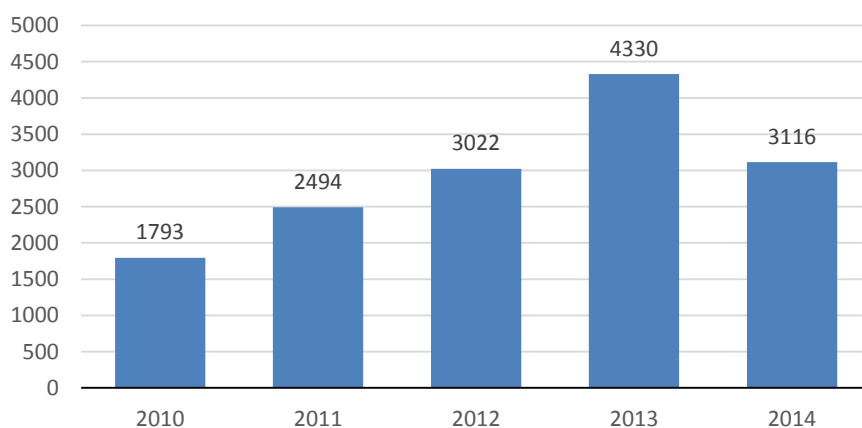
Catalyst is comprised of regulated markets and alternative trading systems and is operated on the trading platforms of WSE and BondSpot, a subsidiary of WSE. Catalyst is designated for debt instruments: municipal, corporate and mortgage bonds, and its architecture makes it compatible with issues of various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

The value of the Electronic Order Book in non-Treasury instruments on WSE markets operated within Catalyst was PLN 1,728 mn in 2014 as compared to PLN 2,206 mn in 2013 (a decrease of 21.7%), and the value of block trades was PLN 776 mn in 2014 as compared to PLN 1,560 mn in 2013. The total value of trade in non-Treasury and Treasury instruments on Catalyst was PLN 3,116 mn in 2014 as compared to PLN 4,330 mn in 2013, representing a decrease of 28.1%.

A promotion on maximum fees charged for introduction of debt financial instruments denominated in EUR into trading on the regulated market or an alternative trading system was open from April to September 2014. The maximum fee was reduced from PLN 30 thou. to PLN 15 thou. in the promotion. In addition, the WSE Management Board introduced a promotion fee for listing of debt financial instruments denominated in EUR in the regulated market or an alternative trading system at zero.



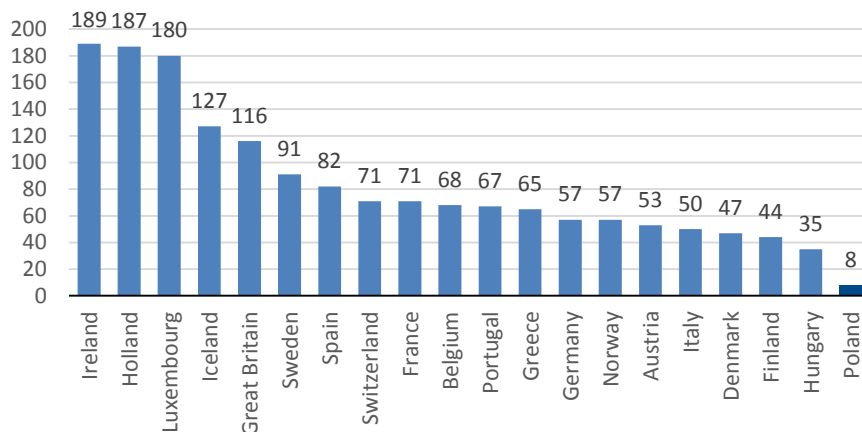
Figure 28 Value of trading on Catalyst, PLN mn



Source: WSE

In the Company's opinion, Catalyst still 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 8% of the nominal GDP as at 30 September 2014.

Figure 29 Bonds issued by financial and non-financial institutions to GDP (%)



Source: Fitch

Catalyst also has a potential created by regulatory requirements following the pension fund reform of February 2014, which bans funds from investing in Treasury bills and other debt instruments guaranteed by the State Treasury, which naturally turns them to the corporate bond market. Further opportunities for Catalyst may open with the planned regulatory change which would allow for direct participation of banks in the market (single banking licence) as well as the promotion of ratings, largely supported by the Institute of Analysis & Rating established within the WSE Group.



Other cash market instruments

Apart from shares and debt instruments, the WSE cash market lists also structured products, investment certificates, warrants and ETF certificates.

In total, WSE listed 774 structured products, 31 investment certificates, 3 ETFs and 75 warrants at the end of 2014, as compared to 550 structured products, 37 investment certificates, 3 ETFs and 72 warrants at the end of 2013.

Table 9 Number of structured products, investment certificates, ETFs and warrants listed on WSE, as at 31 December

	2014	2013	2012	2011	2010	2009
Structured products (certificates)	744	550	327	178	124	54
Structured products (bonds)	4	7	16	28	24	16
Investment certificates	31	37	58	60	58	50
ETFs	3	3	3	3	1	-
Warrants	76	72	68	90	-	-

Source: WSE

The value of the Electronic Order Book in structured products amounted to PLN 560.5 mn in 2014 compared to PLN 280.7 mn in 2013 and almost doubled year on year (99.8%). The value of trading in ETF units was PLN 103 mn in 2014 compared to PLN 169.4 mn in 2013. The value of trading in investment certificates increased by 53.2% to PLN 72.1 mn in 2014.

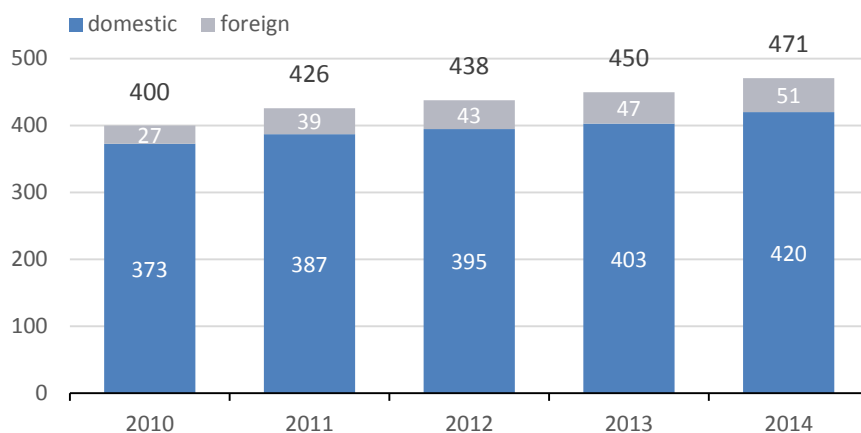
LISTING

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

WSE ended the year 2014 with 902 companies listed in aggregate on the Main Market and in the alternative trading system on the NewConnect market, including 61 foreign issuers (895 listings including 58 foreign issuers at the end of 2013).

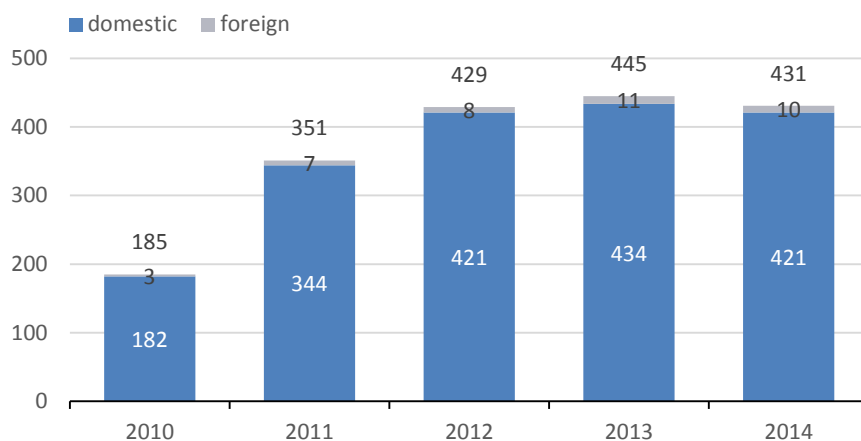


Figure 30 Number of domestic and foreign companies – Main Market



Source: WSE

Figure 31 Number of domestic and foreign companies - NewConnect



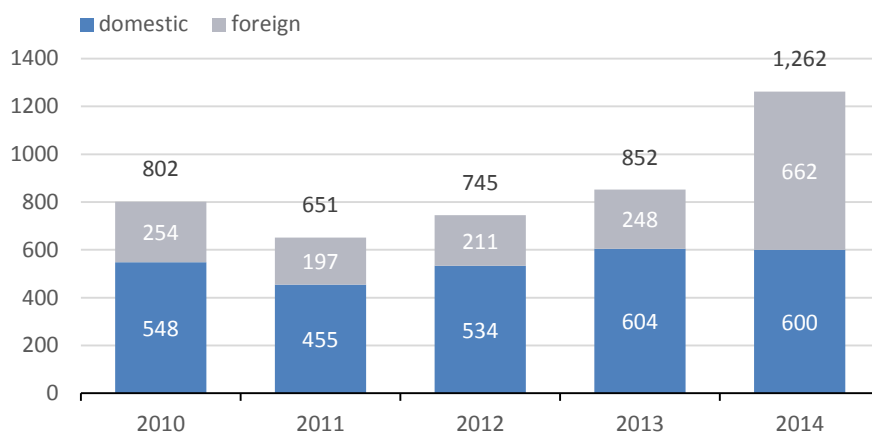
Source: WSE

The total capitalisation of domestic and foreign companies on WSE's two equity markets was PLN 1,262 bn at the end of 2014⁵² compared to PLN 851.8 bn in 2013.

⁵² The increase of capitalisation was mainly driven by the IPO of Banco Santander in December 2014; the company's capitalisation is ca. PLN 350 bn.



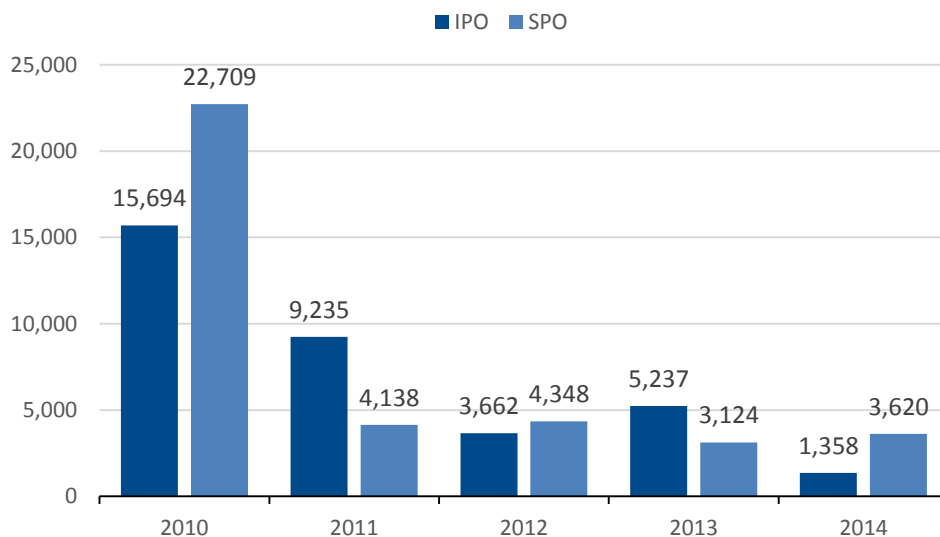
Figure 32 Capitalisation of domestic and foreign companies – Main Market and NewConnect (PLN bn)



Source: WSE

There were 50 IPOs on WSE's two equity markets in 2014 (including companies which transferred from NewConnect to the Main Market), compared to 65 IPOs in 2013. The total value of IPOs on WSE's two equity markets was PLN 1.4 bn and the value of SPOs was PLN 3.6 bn in 2014.

Figure 33 Value of IPOs and SPOs – Main Market and NewConnect (PLN mn)



Source: WSE

Four foreign companies were newly listed on the Main Market in 2014, representing 14.3% of the total number of 28 new issuers.

The number of new listings on NewConnect decreased in 2014. There were 22 new listings, including 3 foreign companies, compared to 42 new listings in 2013. Ten issuers listed on the alternative market transferred to the WSE Main Market.



With 431 listed companies (including 10 foreign listings), the capitalisation of NewConnect was PLN 9.1 bn at the end of 2014.

The Catalyst market, which celebrated its fifth anniversary in 2014, 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 64.1 bn at the end of 2014, an increase of 8.7% compared to 2013 year-end.

Catalyst listed 496 series of non-Treasury debt instruments at the end of 2014, and another 9 series were authorised.⁵³ Issuers whose instruments were listed at the end of 2014 included 20 local governments, 148 enterprises and 22 co-operative banks.

Including the State Treasury, the number of issuers on Catalyst was 193 at the end of 2014, compared to 176 at the end of 2013. The total nominal value of non-Treasury and Treasury debt instruments listed on Catalyst was PLN 544.6 bn at the end of 2014 as compared to PLN 619.1 bn at the end of 2013.

INFORMATION SERVICES

WSE collects, processes and sells market data from the markets operated by the WSE Group. The status of WSE as the original source of information on trading and its strong brand and diversified business activity within the WSE Group enable the Company to successfully reach various groups of market participants with advanced information adjusted to individual needs.

The main clients using information provided by WSE are specialised data vendors who deliver the data made available by the Company in real time to investors and other market participants. Amongst the vendors there are information agencies, investment firms, internet portals, IT companies and other entities.

As at 31 December 2014, the Company's information services clients were 58 data vendors, including 31 domestic and 27 foreign ones, with nearly 240.3 thousand subscribers (including over 15.1 thousand subscribers using professional data feeds). The number of clients changed only moderately year on year but the geographic distribution of clients suggests a growing share of foreign vendors. At the end of 2014, WSE had data vendors in such countries as the United Kingdom, the USA, France, Germany, Switzerland, Austria, Denmark, Sweden, Norway, Ireland, the Netherlands, Cyprus and Slovakia.

The commodity market data service was added in 2014 to WSE's offer of real-time data from the WSE and BondSpot markets pursuant to a co-operation agreement with the Polish Power Exchange. The expansion of WSE's offer according to the WSE Group's strategy of creating revenue synergies within the Group resulted in a moderate change in the number of clients in this business line in 2014. However, in the opinion of the Company, commodity information services have a large potential in the coming years, not least in view of the planned introduction of commodity derivatives settled in cash into trading by PolPX.

In addition to quotation data, the Company also provided data vendors in 2014 with reports of issuers listed on NewConnect and Catalyst.

The Company's information services also include:

- delivery of WSE statistics and indicators;
- services for licensees issuing financial instruments with the use of WSE indices as underlying

⁵³ 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.



instruments;

- licences on WSE data for use in the calculation and publication of clients' proprietary indices;
- calculation of indices for clients;
- licences for television stations using real-time data feeds for limited presentation in public financial programming.

The Company is also engaged in advanced work to add services for new client groups to its offer.

Table 10 Number of data vendors and subscribers, as at 31 December

	2014	2013	2012	2011	2010	2009
Number of real-time data vendors, including:	58	58	58	57	52	50
- local	31	34	37	37	33	32
- international	27	24	21	20	19	18
Number of real-time data subscribers (thou.), including:	240.3	261.9	288.1	327.3	307.2	186.7
- number of subscribers using professional data feeds	15.1	16.2	16.3	19.1	20.6	20.7
Number of licensees using WSE indices as underlying instruments of financial products	16	17	17	18	16	15

Source: WSE

II. 6 International Activity of WSE

One of the key objectives of WSE according to the strategy adopted by the Company in October 2014 is to make Warsaw Stock Exchange an exchange of first choice for investors and issuers in Central and Eastern Europe. WSE's international position is mainly reinforced with on-going expansion of the foreign client base including issuers, brokers, investors and data vendors, as well as initiatives designed to promote the Polish market and Polish companies among international investors.

As a result of adoption of WSE's strategy, which provides for organic growth of the Company in the coming years based on specialised, unique competences of the WSE Group, WSE decided to discontinue negotiations with the CEESEG Group on capital co-operation. In September 2014, WSE decided that it is not considering a capital alliance with CEE Stock Exchange Group AG at this time but that WSE does not rule out returning to the idea in the future. Irrespective of the decision, WSE remains open to co-operation with different players in the region, including CEESEG, to make Central and Eastern Europe a more attractive place for investment of international capital.

This direction of development is supported by other steps initiated by WSE in 2014 that will continue in the coming years in order to promote the Polish market and WSE-listed companies internationally. Representatives of the Exchange promote the Polish capital market and financial instruments listed on WSE by holding investor events in partnership with brokers and investment banks around the world and by participating in international conferences and investor meetings.



REPRESENTATIVE OFFICES IN LONDON AND IN KIEV

WSE's aspiration to build a strong international position is reflected in the permanent presence of the Company's representatives in London and in Kiev.

The Representative Office in London was established in June 2013 to enhance WSE's acquisitions on that market, especially the acquisition of new investors and Exchange Members.

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

The Representative Offices have no separate legal personality and do not carry on any profit earning independent business operations. In all their activities, the Representative Offices act on behalf and for WSE to the extent of powers of attorney granted by the WSE Management Board.

STAKE IN AQUIS EXCHANGE

In February 2014, Warsaw Stock Exchange finalised the acquisition of Aquis Exchange, the multilateral trading platform in London, which plans to offer trade in stocks from 12 European countries. The goal of the investment was to diversify further the sources of the WSE Group's 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 Central and Eastern Europe.

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 and investors.

The Exchange had 56 members, including 30 local and 26 remote members, at the end of 2014.⁵⁴ The share of remote members in the Electronic Order Book in shares was 21.7% in 2014 compared to ca. 22.2% in 2013.

Table 11 Share of local and remote WSE members in the Electronic Order Book in shares on the Main Market, as at 31 December

	2014	2013	2012	2011	2010	2009
Local	78.3%	77.8%	89%	92%	88%	94%
Remote	21.7%	22.2%	11%	8%	12%	6%

Source: WSE

⁵⁴ 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 2014, this solution was used by intermediaries from Austria, Bulgaria, Cyprus, Czech Republic, France, Germany, Hungary, Lithuania, Netherlands, Slovakia, Sweden and UK.

ATTRACTING FOREIGN ISSUERS

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

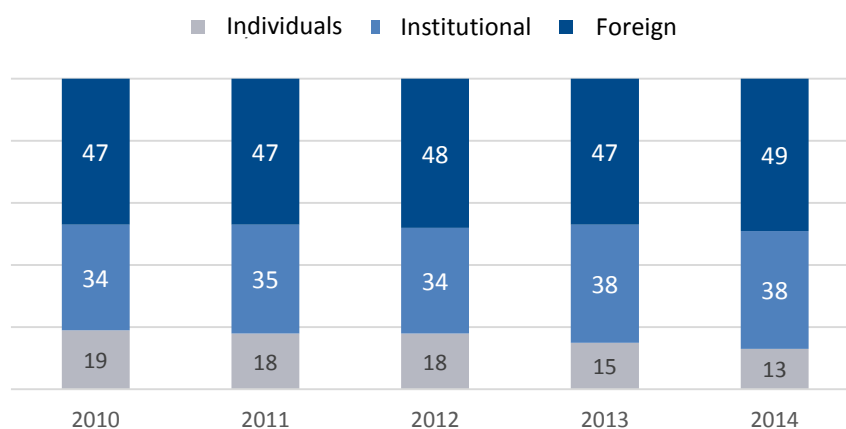
As at 31 December 2014, the markets operated by the Exchange listed shares of 61 foreign companies, including 10 companies listed on NewConnect, with total capitalisation of nearly PLN 662.2 bn, compared to PLN 238 bn in 2013. The share of foreign companies in total trading in shares on the Main Market was 1.9% in 2014 as compared to 2.6% in 2013.

Foreign companies listed on WSE as at 31 December 2014 come from 24 countries, mainly Ukraine (13 issuers) and the Czech Republic (6 issuers). 29 companies are dual-listed while 32 companies are single-listed on WSE.

SHARE OF FOREIGN INVESTORS IN TRADING ON WSE MARKETS

According to WSE's research, foreign investors generated 49% of turnover in shares on the WSE Main Market in 2014, moderately more than in 2013 (47%).

Figure 34 Share of investors in turnover on the Main Market in shares (%)

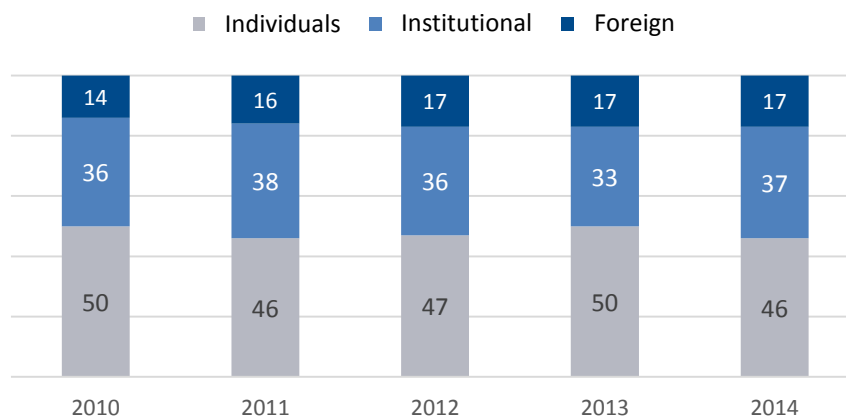


Source: WSE

Foreign investors' activity on the futures market remained stable at 17% in 2014.



Figure 35 Share of investors in turnover on the futures market (%)



Source: WSE

WSE AS A MEMBER OF INTERNATIONAL ORGANISATIONS AND INITIATIVES

Warsaw Stock Exchange has co-operated with the Federation of European Securities Exchanges (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 36 exchanges which organise trading in equities, bonds, derivatives and commodities through 19 full members from 30 countries as well as 1 non-European observer member.

WSE is also a member of the Sustainable Stock Exchanges (SSE) since December 2013. SSE is a UN initiative of global exchanges which promote the development of corporate social responsibility and sustainable development on their home capital markets. SSE was created in 2009 by the United Nations to exchange members' experience in the development and promotion of corporate social responsibility and responsible investment among investors, public companies, regulators and capital market infrastructure institutions. WSE was the ninth exchange to join SSE, the first one in Central and Eastern Europe. SSE has 17 members.

II. 7 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. In pursuit of its strategic goals, WSE actively manages its risks aiming to mitigate or eliminate their potential adverse effect on the Company's results.

WSE RISK MANAGEMENT

The goal of WSE risk management is to ensure that all material risks of WSE's activity are properly measured, reported and controlled and do not pose a threat to the operational stability and continuity of the Company. The risk management system includes a range of processes, organisational solutions, technology tools and documented rules for risk management. All assumptions and principles of the



Company's risk management system derive from the WSE Risk Management Strategy approved by the WSE Management Board and regularly reviewed to bring it in line with changes of the WSE risk profile and the Company's market environment.

The key role in the Company's risk management system is that of the Exchange Supervisory Board supported by the Audit Committee in supervising the WSE risk management system through on-going monitoring and assessment. Risk management is a responsibility of the Exchange Management Board supported by the Risk Management Committee. The Company's Management Board drafts, approves and implements WSE's risk management strategy and takes the key decisions affecting the risk levels. The WSE risk management process is monitored and controlled by the Risk Management and Organisation Department. Business process owners and participants are responsible for on-going risk management, including identification of risks in the area of their responsibility, monitoring, controlling and taking actions to mitigate such risk. Effective operations and assessment of the risk management system as well as its adequacy for the WSE risk profile are regularly reviewed by the Internal Audit Department.

WSE builds an organisational culture which focuses on effective risk management, compliance with procedures, as well as enforcement of the rules of conduct. For this purpose, steps are taken in order to raise WSE employees' awareness of risk management responsibilities at each level of the WSE organisation, including training and a dedicated section of the corporate portal available to WSE employees.

Chart 7 WSE risk management process



Source: WSE

The WSE risk management process is continuous and includes the following elements:

- **Risk identification** – identification of existing and potential sources of risk which impact or may impact WSE's financial position.
- **Risk assessment** – analysis of internal and external threats to WSE's operation in order to determine the WSE risk profile.



- **Risk prevention or acceptance** – application of any of the following strategies:
 - risk mitigation;
 - risk transfer, e.g., transfer of risks of a threat in whole or in part to a third party;
 - risk avoidance by taking no action involving the threat;
 - risk acceptance.
- **Risk review** – periodic review of the effectiveness of the existing risk management system and its adequacy for the WSE risk profile.
- **Risk monitoring** – monitoring the gap between risks and projections or benchmarks. Risk monitoring is an early warning system and triggers management actions when adverse change to the WSE risk profile is identified.
- **Risk reporting** – regular reporting of risk measurements, actions taken or recommendations to withhold actions to the WSE authorities.

RISKS IMPACTING THE ACTIVITY OF WSE

The key risk factors which impact the operation of the Company and consequently its financial position are divided into four categories:

- risks related to the market environment
- operational risks
- risks related to the legal environment
- financial risks

The order in which individual risks 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's operations.

RISKS RELATED TO THE MARKET ENVIRONMENT

Risks of the economic situation and market conditions in Poland

The WSE Group's business is highly dependent on the performance of the Polish economy. Changes in the state of the Polish economy affect the business and investment activities of issuers whose securities are listed on the markets organised and operated by the Group, including their financial results, which in turn may affect the prices of these securities, the volume of transactions, as well as activities related to issuing new securities and the number of market debuts. Deterioration of market conditions in Poland also has a material impact on the activity of investors and consequently on the turnover on the Group's markets.



WSE's listing revenue depends directly on the level of listed asset prices and the frequency and volume of trading on the WSE markets depends on investor activity. Consequently, during periods of economic volatility and risk aversion, the Company's revenues may decline; combined with a stable cost level, this could reduce WSE's potential profit or cause a loss.

Risk of market and political events beyond the WSE Group's control

The volume of trading, the number of new listings and demand for the WSE Group's products and services are affected by economic, political and market developments, both domestic and global, that are beyond the Group's control, including in particular:

- general trends in the global and domestic economy and on financial markets;
- changes in monetary, fiscal and tax policies;
- the level and volatility of interest rates;
- inflation pressures;
- changes in foreign exchange rates;
- adoption of the euro as the currency of Poland (causing potential changes to monetary and fiscal policy or causing changes in the allocation of investor portfolios);
- reclassification of Poland from Emerging Market to Developed Market in global benchmarks;
- institutional or individual investors' behaviour;
- volatility in the prices of securities and other financial instruments;
- availability of short-term and long-term funding;
- availability of alternative investment opportunities;
- legislative and regulatory changes; and
- unforeseen market closures or other disruptions in trading.

These events could have a significant impact on the activity of WSE Group clients, mainly issuers and investors. Their low activity could affect the Company's trading and listing revenue, revenue from introduction of financial instruments, and consequently information services, and it could affect WSE's profit.

Risk of the economic situation and market conditions outside Poland

Economic situation of other countries impacts the perception of the Polish economy, business prospects of the region, and consequently WSE's operations. The market conditions of other countries could affect the perception of the Polish economy and financial markets, especially in periods of weak market conditions.



In view of a significant share of foreign investors in trading in financial instruments on WSE, their low activity and risk aversion could directly affect the Company's trading revenue on WSE markets.

Remote members are an important group of the Company's clients, accounting for 21.7 percent of trade in equities in 2014. Considering that the revenue from trade in equities represented 33.1 percent of WSE's revenue in 2014, low activity of remote Exchange Members and foreign investors could largely affect the Company's financial results.

Risk of competition from other exchanges

As a part of the global economy and a beneficiary of free flow of capital between European and global economies, WSE is exposed to the risk of competition from other exchanges and alternative trading platforms. The Company's sector is highly competitive especially in view of increased consolidation and globalisation of exchanges in the last few years.

Consolidation in the industry could impede the planned strengthening of WSE's international position and affect the implementation of the Company's strategy to become a market of first choice for investors and issuers in Central and Eastern Europe, affecting the Company's financial results.

Risk of competition from alternative trading platforms

As a result of regulatory changes introduced in the last few years, a number of alternative trading platforms have emerged in the exchange sector, including multilateral trading facilities (MTFs) in Europe. The fees charged by MTFs are in general relatively low compared to those charged by exchanges, which is their main competitive advantage over exchanges and could lead to price pressure on exchanges including WSE. In addition, there is a risk that trade will move from exchanges to less expensive platforms.

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

Risk of price competition

The trading cost on large foreign exchanges and MTFs is lower than on WSE, mainly due to the relatively small 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.

Risk of low activity of issuers and investors

The WSE Group's revenues and profits largely depend on the activity of WSE Group market members, in particular the volume, value and number of financial instruments traded; the number and market capitalisation of free float shares on the WSE markets; the number and value of new issues and new issuers; and the number of market participants.

A lower number of listed financial instruments, a lower number and value of IPOs and lower investor activity could strongly affect the WSE Group's operations, financial position and results.



OPERATIONAL RISKS

Risks related to WSE Group employees

The WSE Group's operations and its ability to achieve the strategic objectives are strongly dependent on its employees, their skills, availability, loyalty, and engagement in the Group's objectives. Effective management of the WSE Group companies' business requires recruitment of highly qualified employees. The skills of the Group employees are scarce due to the unique nature of the WSE Group companies' operations.

Any increased turnover of key employees, their unavailability or overwork could temporarily affect the WSE Group's effectiveness. Employee engagement and identification with the Group's mission and strategy are also key to the WSE Group's productivity and operational efficiency. Low engagement of employees, their unavailability or insufficient skills could affect the Group's operation, financial position and results, as well as its ability to achieve the strategic targets.

Risk of contractors and business partners over which the WSE Group has limited control

The WSE Group's activity depends on several third party service providers, including KDPW, KDPW_CCP as well as IT service providers. The IT systems operated by the WSE Group companies for trading in financial instruments and commodities are highly specialised and customised, and are not widely used in Poland or elsewhere. Consequently, there is limited choice in service providers for such systems. There can be no assurance that any of the WSE Group's providers will be able to continue to provide their services in an efficient manner, or at all, or that they will be able to adequately expand their services to meet the WSE Group's needs.

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

Risk of trading system malfunction

Safety and continuity of trading are among the key functions of WSE. The Group's operations are strongly dependent on the effective functioning of its trading systems, which are subject to the risk of outages and security breaches. The reliability of the Group's trading systems is as important as their efficiency.

In the event that any of the WSE Group's systems, or those of its third-party service providers, fail or operate slowly, it may cause any of the following to occur: unanticipated disruptions in services provided to the Group's market members and clients; slower response times or delays in trade executions; incomplete or inaccurate recording or processing of trades; financial losses and liability to clients; litigation or other claims against the Group, including formal complaints with PFSA, proceedings or sanctions.

Malfunctions in the trading system and other integrated IT systems could delay a trading session and therefore cause a reduction in the volume of trading and affect confidence in the market, which could have a material adverse effect on the Group's results, its financial position or development prospects.



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

The WSE Group's electronic trading platforms involve the storage and transmission of its clients' proprietary information. Secure transmission of confidential information is a crucial element of the Group's operations. A failure of a platform, including a security breach, could expose the WSE Group to a risk of loss of such information, and, in consequence, the risk of litigation and possible liability.

The WSE Group may be required to expend significant resources to protect against the threat of security breaches or to mitigate occurring problems, including reputational harm caused by any security breaches. The above factors may strongly affect the WSE Group's operation, financial position and results.

Reputation risk

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

If the WSE Group's security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, a third party obtains unauthorised access to trading or other confidential information, the reputation of WSE could be damaged, its business may suffer and the WSE Group could incur significant financial liability. If a breach of the WSE Group's IT systems security occurs, the market perception of the effectiveness of its security measures could be harmed and could cause market members and clients to either reduce or stop use of its electronic trading platforms. Any events affecting the WSE Group's image and its credibility could reduce the number of issuers and investors and consequently the WSE Group's revenue. Any actions to rebuild reputation and client confidence would affect the WSE Group's expenses and financial results.

RISKS RELATED TO THE LEGAL ENVIRONMENT

Regulatory risk related to the Polish legal system

The WSE Group operates primarily in Poland where the financial market and the commodity market are widely subject to government regulation and strict regulation. The Polish legal system and regulatory environment can be subject to frequent and sometimes significant unanticipated changes and its laws and regulations may be subject to conflicting official interpretations.

Regulatory change may affect the WSE Group as well as existing and prospective customers of its services. For instance, regulatory changes may affect the attractiveness of listing or trading on the markets organised and operated by WSE, which could affect the WSE Group's financial position.



Regulatory risk related to EU law

The financial market in Poland is subject to European Union regulation which will have a material impact on the WSE Group both as an organiser of trading and a public company. The following EU regulation may have a special impact:

- Market in Financial Instruments Directive (MiFID II) and Market in Financial Instrument Regulation (MiFIR) with implementing regulations:
 - implementation date – 3 July 2016
 - application date – 3 January 2017
- MAD/MAR (Market Abuse Directive and Market Abuse Regulation) with implementing regulations:
 - application date – 3 July 2016.

Changes to these and other EU regulations and their implementation could strongly affect the WSE Group's operation. They would force the Group to implement specific solutions, which would affect its expenses and financial position.

Risk of the cost of supervision

WSE is required to contribute monthly payments to Polish Financial Securities Authority'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 PFSA revenues from market participants. WSE cannot predict the total amount it will be required to contribute to PFSA's budget in a given year.

The cost of supervision affects the WSE Group's expenses (fees and charges) and its profit.

Risk related to pension fund reform

A pension fund reform was implemented in February 2014, in which 51.5% of the net assets of pension funds, mainly Treasury bonds, were moved to the Social Insurance Institution (ZUS) and then cancelled. Until the end of July 2014, pension fund members could decide whether to keep assets under management with pension funds or have them transferred to ZUS. More than 2.5 million Poles decided to stay with open-ended pension funds while the net asset value of pension fund portfolios was PLN 149.1 bn at the end of 2014.⁵⁵

The reform also set the minimum investment of pension funds in stocks at 75 percent of assets by the end of 2014, 55 percent by the end of 2015, 35 percent by the end of 2016, and 15 percent by the end of 2017.

⁵⁵ Source: PFSA.



Changes in fund flows to and from pension funds or their investment decisions, in particular derived from the amendment to the Pension System Act, may result in a reduction of investments in assets traded on the WSE markets, in particular on the Main Market.

In view of material investment of open-ended pension funds in shares listed on WSE, any 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 strongly affect the level of trading and demand for shares of such companies and result in higher volatility of stocks in

Current regulations in Poland impose a cap on investment of pension funds in financial instruments listed on foreign exchanges, 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 view of material investment of open-ended pension funds in shares listed on WSE, any 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 strongly affect the level of trading and demand for shares of such companies and result in higher volatility of stocks in

FINANCIAL RISKS

Risk of interest rate hikes

The Company is exposed to a risk of interest rate changes due to debt instruments issued by WSE 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 WSE's financial position and results.

Risk of changes to tax laws

Changes to tax laws may have a material impact on the business of the Company. There is a risk that the WSE Group's particular interpretations and applications of current and future Polish tax laws may be challenged.

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 WSE's financial position and results.



Risk of higher liabilities due to acquisitions

In order to implement its strategy, the WSE Group may selectively seek and use acquisition opportunities and increase its stake in existing investments.

Potential acquisitions could cause unexpected regulatory and operating issues and costs. 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 affect the WSE Group's operation, financial position or results as well as WSE stock price.

OTHER RISKS

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

II. 8 Other Information

MATERIAL AGREEMENTS

WSE concluded no material agreements in 2014.

RESEARCH AND DEVELOPMENT

Development of new trading platforms and expansion of the portfolio of investment instruments available on the WSE markets are the key elements of the Company's strategy. Such activities will bring long-term advantages in the form of new groups of investors and new sources of revenues. The following initiatives important for the development of the Exchange and the capital market in Poland were completed in 2014:

- **2 January** – WSE started to publish new indices derived from WIG30: WIG30short and WIG30lev. WIG30short tracks the prices of stocks in reverse proportion to WIG30, and WIG30lev tracks the prices of stocks with a leverage.
- **10 March** – a stock investment module was added to the investment education platform GPWTr@der launched in 2013;
- **18 August** – WSE changed the expiration cycle of WIG20 options; as a result, options which expire in the nearest calendar month are available in trading;
- **18 September** – WSE decided to change stock exchange indices: WIG20 remained the main base index, WIG30 will continue to be published, WIG50 and WIG250 will no longer be published as of the beginning of 2015;
- **3 November** – WSE revised the rules of classification of shares in the Alert List and decided to maintain the penny stock threshold at PLN 0.50;
- **11 December** – WSE signed the first commodity market (PolPX) data vendor agreements.



LITIGATION

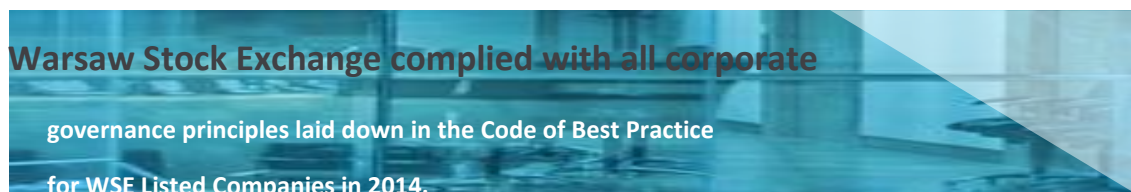
WSE is not a party to any litigation where the value of liabilities or receivables would represent at least 10% of its equity.



III. CORPORATE GOVERNANCE

III. 1 Statement of Compliance with Corporate Governance Rules

TERMS AND SCOPE OF COMPLIANCE WITH CORPORATE GOVERNANCE RULES



WSE accepted the corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies as of the date of admission of the Company's shares to trading on the regulated market on 5 November 2010. The Code of Best Practice for WSE Listed Companies is available on the website www.corp-gov.gpw.pl, the official corporate governance website of Warsaw Stock Exchange for listed companies.

As a company listed on WSE, the Exchange complied with all the corporate governance rules laid down in the Code of Best Practice for WSE Listed Companies in 2014.

In addition, WSE is subject to the Corporate Governance Rules for Supervised Institutions issued by the Polish Financial Supervision Authority (PFSA) on 22 July 2014 as a set of rules governing internal and external relations of supervised institutions, including relations with shareholders and clients, their organisation, the operation of internal supervision and the key internal systems and functions, as well as the statutory authorities and the rules of their co-operation. The Corporate Governance Rules for Supervised Institutions are available on the PFSA website at http://www.knf.gov.pl/dla_rynku/zasady_ladu_korporacyjnego/index.html.

The Exchange complies with the rules laid down in the Corporate Governance Rules for Supervised Institutions with the exception of the rules defined in § 53, § 54.1-3, § 55, § 56, § 57, which are inapplicable to WSE's business profile as WSE does not manage assets on clients' account. Furthermore, considering that some of the recommendations defined in the Corporate Governance Rules for Supervised Institutions are addressed to the Company's shareholders, an item will be put on the agenda of the next General Meeting of WSE to introduce the shareholders to the Corporate Governance Rules for Supervised Institutions and allow them to make any comments.

Information on the Company's compliance with corporate governance rules is published on the WSE website (http://www.gpw.pl/lad_korporacyjny).



III. 2 Internal Control System and Risk Management in the Preparation of Financial Statements

The preparation of financial statements is governed by:

- the International Financial Reporting Standards;
- the Accountancy Act of 29 September 1994;
- the Articles of Association of Warsaw Stock Exchange;
- the Accounting Rules of Warsaw Stock Exchange and the accounting rules of the subsidiaries;
- internal accounting procedures.

The Company's internal control system is a process executed in response to identified risks in order to ensure effective and safe operation in compliance with regulations. The internal control system includes:

- controls exercised by all employees as part of their responsibilities;
- functional controls exercised as part of responsibilities of supervision of organisational units by all employees in managerial positions;
- institutional controls exercised by a special unit, the Internal Audit Department, responsible for assessment of the activity and effectiveness of the internal control system in other organisational units of the Company.

Concerning the management of the risk of the preparation of financial statements, the Company monitors on an on-going basis amendments of external regulations and laws concerning the preparation of financial statements and prepares for their implementation, among others by training employees and using external advisory. The Company's internal regulations are updated on an on-going basis to bring them in line with amended laws.

The Company's Financial Reporting Section is responsible for enforcing internal and external regulations. The Financial Reporting Section is responsible for preparing financial statements under substantive supervision of and in co-ordination with the Chief Accountant and the Director of the Economic and Financial Department. The Company keeps its books of account using computer technology. 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. The computer systems include embedded mechanisms protecting against destruction, modification or concealment of records. Controls are carried out at the stage of entering accounting records. In addition, financial and accounting processes are subject to independent external audits.

The auditor controls separate and consolidated financial statements every quarter. Quarterly financial statements for Q1 and Q3 as well as financial statements for six months are reviewed by the auditor while the annual financial statements are audited.

The Company's Management Board and the members of the Exchange Supervisory Board are required to ensure that financial statements and activity reports comply with the requirements defined in the Accountancy Act of 29 September 1994. WSE's Audit Committee which is part of its Supervisory Board controls the financial reporting process. Within its powers, the Audit Committee monitors the financial reporting process, financial audit functions, and the independence of the auditor. WSE's auditor is appointed by the Exchange Supervisory Board by recommendation of the Audit Committee from among renowned audit companies. Auditors of subsidiaries are appointed by their Supervisory Board. The Audit



Committee also supervises the organisational unit responsible for internal audit and monitors the effectiveness of internal control, internal audit, and risk management systems. The responsibilities of the Supervisory Board include assessment of the WSE Management Board's reports on the activity of the Company and financial statements, and presentation of a written report on the results of the assessment to the General Meeting.

In the opinion of the Company, the division of tasks related to the preparation of financial statements in the Company, review of financial statements by the auditor, monitoring of the preparation and review of financial statements by the Audit Committee, and assessment of financial statements by the Exchange Supervisory Board ensure that information presented in financial statements is true and fair.

III. 3 Auditor

The entity authorised to audit the separate financial statements of WSE for the financial year ended 31 December 2014 is KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa ("KPMG Audyt"), entered in the list of entities authorised to audit financial statements, entry no. 3546.

The agreement between WSE and KPMG Audyt was concluded on 10 December 2013 and covers the audit of the annual separate and consolidated financial statements for the financial years ended 31 December 2013 and 2014, the review of the interim separate and consolidated financial statements for each quarter of 2014 and 2015, and the verification of the calculation of Management Board bonus indicators for 2013 and 2014.

The agreement concluded on 11 January 2013 between WSE and KPMG Audyt sp. z o.o., entered in the list of entities authorised to audit financial statements, entry no. 458, was in force in 2013 and covered the audit of the annual separate and consolidated financial statements for the financial year ended 31 December 2012, the review of the interim separate and consolidated financial statements for each quarter of 2013, and the verification of the calculation of Management Board bonus indicators for 2012.

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

Service	2014	2013
1. Audit	85 500	85 500
▪ annual separate and consolidated financial statements for the financial year ended 31 December 201		
▪ verification of the calculation of WSE Management Board bonus indicators		
Review:		
▪ interim consolidated financial statements for the period 01.01. – 31.03.	19 000	20 000
▪ interim consolidated financial statements for the period 01.01 – 30.09.	19 000	20 000
▪ interim separate and consolidated financial statements for the period 01.01. – 30.06.	28 500	30 000



2. Tax advisory services	N/A	N/A
3. Translation services	N/A	50-100/ A4 page

Source: WSE

III. 4 WSE Share Capital, Shares and Bonds

The share capital of Warsaw Stock Exchange amounts to PLN 41,972,000 and is divided into 41,972,000 shares with a nominal value of PLN 1 (one) per share. The shares include series A preferred registered shares (one share gives two votes) 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 preferred registered shares to ordinary bearer shares results in a change of the number of votes conferred by each share from two votes to one vote per share. There were no changes to the number of shares and votes in 2014.

WSE has no information as to agreements which could result in any changes in the future in respect of the proportions in shares held by the existing shareholders.

Table 13 WSE shareholders

Shareholder	Stake in the share capital		Votes at the General Meeting	
	Number of shares	Stake	Number of votes	Stake ⁵⁶
State Treasury of the Republic of Poland - preferred shares (series A)	14 688 470	35.00%	29 376 940	51.74%
Other shareholders - preferred shares (series A)	119 000	0.28%	238 000	0.42%
Other shareholders - bearer shares (free float; series B)	27 164 530	64.72%	27 164 530	47.84%
Total	41 972 000	100.00%	56 779 470	100%

Source: WSE

As at 31 December 2014, and as at the date of preparation of this Report, to the Company's best knowledge, the State Treasury of the Republic of Poland was the only shareholder holding directly or indirectly at least 5% of the overall number of votes at the General Meeting.

In addition, according to the ING OFE portfolio structure, the fund held 2,373,122 WSE shares at the end of 2014, representing 5.65% of total shares and 4.18% of all votes at the General Meeting.

⁵⁶ Series A registered shares held by the State Treasury of the Republic of Poland and other shareholders of Warsaw Stock Exchange before its public offering (banks, brokers, issuers) are preferred in that one share gives two votes at the General Meeting.



As at 31 December 2014, and as at the date of preparation of this Report, to the best knowledge of the Company, the State Treasury of the Republic of Poland 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.

Amongst all persons managing and supervising the Company, its shares bought in public offering (25 shares) were held as at the balance-sheet date by:

- Dariusz Kułakowski, Vice-President of the Management Board,
- Wiesław Rożucki, Chairman of the Exchange Supervisory Board

According to the Company's best knowledge, persons currently managing and supervising the Company do not hold shares in its subsidiaries or associates.

The Company did not purchase its own shares in 2014.

The Company has no employees share scheme; accordingly, it has no control system for an employees share scheme.

III. 5 Controlling Rights and Restrictions of Rights from Shares

CONTROLLING RIGHTS

As at the date of preparation of this Report, the State Treasury of the Republic of Poland holds 14,688,470 registered shares preferred as to vote (representing 35.00% of total shares, one share gives two votes at the General Meeting), which results in 29,376,940 votes at the General Meeting and represents 51.74% of such votes.

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

RESTRICTIONS ON EXERCISE OF VOTING RIGHTS

According to the Articles of Association, the voting right of shareholders is limited to the extent that none of them may exercise at the General Meeting more than 10% of the overall number of votes in the Company on the day when the General Meeting is held, provided that, for the purpose of determining obligations of acquirers of significant blocks of shares stipulated in the Act on Public Offering, such limitation of the voting right will be considered as not existing. The above limitation of voting right does not apply to:

- shareholders who on the day when the General Meeting passed a resolution on introducing the restriction referred to above (i.e., 30 July 2010) were authorised due to holding shares representing more than 10% of the overall number of votes existing in the Company (the State Treasury of the Republic of Poland is the only such shareholder);



- shareholders who are authorised due to holding more than 25% of the total number of shares preferred as to voting right referred to in § 4.1.1 of the Articles of Association, i.e., shareholders authorised due to holding more than 10,493,000 series A registered shares preferred as to voting right (the State Treasury of the Republic of Poland was the only such shareholder as at the date of preparation of this Report).

In order to limit the voting right, the votes of shareholders between which a domination or dependency relationship exists are summed up in accordance with the rules laid down in the Company's Articles of Association. Should any doubts arise, the provisions regulating the voting right restrictions should be construed in accordance with Article 65 § 2 of the Civil Code. No limitations or restrictions have been imposed on the transfer of proprietary rights to the Company's securities.

III. 6 Obligations of Shareholders Related to Material Blocks of WSE Shares

Obligations of WSE shareholders concerning material blocks of shares are subject to the provisions applicable to public companies laid down in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (including Article 69 which defines the threshold at or above which the shareholder is required to notify the Polish Financial Supervision Authority and the issuer of shares).

WSE is also subject to the provisions of the Act on Trading in Financial Instruments, in particular Article 24 which requires a person or entity intending to acquire or take up, directly or indirectly, shares of Warsaw Stock Exchange representing at least 5% of the total number of votes or shares or causing it to reach or exceed 5%, 10%, 15%, 20%, 25%, 33% or 50% of the total number of votes or shares to notify the Polish Financial Supervision Authority.

III. 7 Rules for Amending the Articles of Association

Any amendment to the Articles of Association must be passed in the form of a General Meeting resolution adopted by a qualified majority of three fourths of votes. Moreover, in accordance with § 9.1 of the Articles of Association, a resolution on amending the Articles of Association may be adopted only by such General Meeting at which at least 50% of total votes in the Company are represented.

Amendments to the Articles of Association are effective if approved by the Polish Financial Supervision Authority and registered by the competent court. The Exchange Supervisory Board is authorised, at each time after the court decision to register amendments to the Articles of Association has become final, to adopt the consolidated text of the Company's Articles of Association.

WSE's Articles of Association were not amended in 2014.



III. 8 General Meeting

MAIN POWERS OF THE GENERAL MEETING

The powers of the General Meeting include decisions on the organisation and operation of the Company subject to the Code of Commercial Companies and Partnerships and the Articles of Association.

PROCEDURES OF THE GENERAL MEETING

The General Meeting is the supreme authority of the Exchange. The General Meeting is summoned and operates under the Code of Commercial Companies and Partnerships, the Company's Articles of Association (in particular § 8 - § 12) and the General Meeting Rules. The Articles of Association and the General Meeting Rules are available on the WSE website (www.gpw.pl) under Regulations, Legal Acts (http://www.gpw.pl/legal_acts).

The General Meeting may be held as:

- an ordinary general meeting summoned once per year within 6 months after the end of each financial year, i.e., no later than the end of June;
- an extraordinary general meeting summoned in the events laid down in the generally applicable regulations and in the Articles of Association.

A General Meeting is summoned by posting an announcement on the WSE website and in the procedure required for the publication of current reports by public companies. An announcement and the materials presented to the shareholders are available from the day that the General Meeting is summoned on the WSE website under Investor Relations, Company, General Meeting of Shareholders (http://www.gpw.pl/walne_zgromadzenie_en).

The General Meeting resolutions are passed in an open ballot, subject to other regulations, by an absolute majority of votes, save for resolutions which require a qualified majority in accordance with the Code of Commercial Companies and Partnerships or the Articles of Association. Secret ballot is ordered for elections and motions for revoking members of the Company's authorities or the Company's liquidators, or for holding them liable, and for other personal issues. Additionally, a secret ballot must be ordered if requested by at least one shareholder present in person or by proxy at the General Meeting.

It is possible to participate in the General Meeting by means of electronic communications if the announcement about the General Meeting contains information that such type of participation in the Meeting is admissible. Such participation includes: real-time broadcast of the General Meeting, two-way communication in real time where shareholders may speak during the General Meeting from a location other than the General Meeting, and exercising the voting right during the General Meeting in person by the shareholder or through a proxy.



SHAREHOLDER RIGHTS

The rights of shareholders and the procedure of exercising the rights at the General Meeting are laid down in the Code of Commercial Companies and Partnerships, the Articles of Association and the General Meeting Rules.

A shareholder or shareholders representing at least 30% of the share capital or at least 30% of total votes of the Company may summon a General Meeting. In addition, a shareholder or shareholders representing at least 1/20 of the share capital may request that items be put on the agenda of the next General Meeting under generally applicable regulations.

Only persons who are shareholders of the Company sixteen days before the date of the General Meeting (record date) are eligible to participate in the General Meeting. Shareholders may participate and exercise their rights at the General Meeting in person or through a proxy. Each shareholder may speak on matters put on the agenda in the order of requests.

A detailed description of the procedures of participation in the General Meeting and exercising the voting rights is presented at each time in the announcement of the General Meeting.

GENERAL MEETINGS IN 2014

WSE held two General Meetings in 2014:

- The Ordinary General Meeting of WSE summoned on 26 June 2014 whose agenda included among others review and approval of the report of the Management Board on the activity of the Company and the WSE Group and the financial statements for 2013, adoption of the resolution concerning distribution of the Company's profit for 2013, vote of discharge of duties to Members of the Exchange Management Board and the Exchange Supervisory Board for 2013, election of members of the Exchange Supervisory Board for a new term of office, and election of the President of the Exchange Management Board for a new term of office. Following amendment of the agenda and election of Paweł Tamborski as President of the Exchange Management Board, the General Meeting was adjourned until 15 July 2014 and then (by Resolution of the Ordinary General Meeting of 15 July 2014) until 25 July 2014, when the General Meeting was continued and completed. The resolutions of the Ordinary General Meeting were published in Current Reports No. 9/2014 of 26 June 2014, 12/2014 of 15 July 2014 and 19/2014 of 26 June 2014, and are available on the Company's website under Investor Relations, Reports, Current Reports (http://www.gpw.pl/raporty_biezace_en).
- The Extraordinary General Meeting of WSE summoned on 25 August 2014 whose agenda included election of a member of the Exchange Supervisory Board from among candidates nominated by minority shareholders.⁵⁷ The resolutions of the Extraordinary General Meeting were published in Current Report No. 23/2014 of 25 August 2014 and are available on the Company's website under Investor Relations, Reports, Current Reports (http://www.gpw.pl/raporty_biezace_en).

⁵⁷ Minority shareholder – shareholder(s) representing less than 10% of the Company's share capital.



III. 9 Supervisory Board and Committees

APPOINTMENT AND DISMISSAL OF SUPERVISORY BOARD MEMBERS

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

The General Meeting appoints:

- at least one of the Exchange Supervisory Board members from among the candidates proposed by the shareholders being exchange members;⁵⁸ and
- at least one of the Exchange Supervisory Board members from among the candidates proposed by the minority shareholders.

At least two members of the Exchange Supervisory Board need to meet the criteria for independence laid down in the Articles of Association including no professional or family relations especially with managing and supervisory persons of WSE and WSE Group companies. The General Meeting elects the other members of the Exchange Supervisory Board under the general rules.

The Exchange Supervisory Board appoints the Chairman and the Deputy Chairman of the Exchange Supervisory Board from among its members. The Exchange Supervisory Board may also appoint a Secretary to the Exchange Supervisory Board from among its members.

A detailed description of the procedures of appointment and dismissal of members of the Exchange Supervisory Board is laid down in the Articles of Association.

POWERS OF THE SUPERVISORY BOARD

The Exchange Supervisory Board exercises on-going supervision of the Company's activity. The powers of the Exchange Supervisory Board are laid down in the Articles of Association, in particular § 18. In addition to powers typical of a supervisory Board, the Articles of Association provide that a resolution of the Exchange Supervisory Board is required for the following:

- granting consent for the conclusion of an agreement on establishing a strategic alliance with another stock exchange (in particular regarding on-going operational relations involving the main scope of activities of the Company);
- approval, at the request of the Exchange Management Board, of a multiannual growth strategy of the Exchange;
- granting consent for the conclusion, to the extent permitted by law, of an agreement for outsourcing operational services of trading on the regulated market or any segment thereof, or an agreement for the outsourcing operational services of trading organised in an alternative trading system;
- acquisition of an IT system for concluding stock exchange transactions; and

⁵⁸ Exchange Member – capital market participant authorised to trade directly on Warsaw Stock Exchange subject to the criteria laid down in WSE regulations.



- granting consent for the purchase or disposal of shares in companies or partnerships if the value thereof, according to the purchase price or selling price, exceeds 1/10 of the Company's share capital.

COMPOSITION OF THE SUPERVISORY BOARD AND CHANGES IN 2014

The three-year term of office of the Exchange Supervisory Board in the composition presented in [Table 14](#) ended on 27 June 2014.

Table 14 Composition of the Exchange Supervisory Board of the previous term of office

As at 31 December 2013 and 25 July 2014	
Dr Wiesław Rozłucki	Chairman of the Exchange Supervisory Board
Prof. Marek Wierzbowski	Deputy Chairman of the Exchange Supervisory Board
Dariusz Kacprzyk	Member of the Exchange Supervisory Board
Sławomir Krupa	Member of the Exchange Supervisory Board
Jacek Lewandowski	Member of the Exchange Supervisory Board
Leszek Pawłowicz	Member of the Exchange Supervisory Board
Dr Marek Słomski	Member of the Exchange Supervisory Board

Source: WSE

The mandates of these members of the Exchange Supervisory Board expired on the day of the General Meeting which approved the financial statements for 2013, i.e., 25 July 2014. On the same day, the Ordinary General Meeting of WSE elected the Exchange Supervisory Board for a new three-year term of office including: Dariusz Kacprzyk, Jacek Lewandowski, Piotr Piłat, Dr Wiesław Rozłucki, Dr Marek Słomski (from among candidates nominated by shareholders being Exchange Members) and Prof. Marek Wierzbowski. Furthermore, on 25 August 2014, the Extraordinary General Meeting of WSE elected Wiesław Maj (from among candidates proposed by minority shareholders) to the Exchange Supervisory Board.

Table 15 Composition of the Exchange Supervisory Board of the current term of office

As at 31 December 2014		
Dr Wiesław Rozłucki	Chairman of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board ⁵⁹
Prof. Marek Wierzbowski	Deputy Chairman of the Exchange Supervisory Board	
Dariusz Kacprzyk	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board
Jacek Lewandowski	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board
Marek Słomski	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board
Piotr Piłat	Member of the Exchange Supervisory Board	
Waldemar Maj	Member of the Exchange Supervisory Board	independent member of the Exchange Supervisory Board

Source: WSE

⁵⁹ According to the independence criteria of Supervisory Board Members under Chapter III.6 of the Best Practices of WSE Listed Companies, including the provisions of Annex II to European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board.



COMMITTEES OF THE EXCHANGE SUPERVISORY BOARD

According to the Articles of Association, the Exchange Supervisory Board appoints the Audit Committee and the Regulation Committee, and may additionally appoint other committees, in particular the Nominations and Remuneration Committee. The detailed powers and procedures of appointment and operation of the committees are defined in the Articles of Association and the Exchange Supervisory Board Rules available on the WSE website (www.gpw.pl) under Regulations, Legal Acts (http://www.gpw.pl/legal_acts).

Table 16 Composition and responsibilities of committees of the Exchange Supervisory Board, as at 31 December 2014

Strategy Committee			
Wiesław Rozłucki	Chairman		<ul style="list-style-type: none"> issues opinions on WSE's strategy and its updates;
Jacek Lewandowski	Member		<ul style="list-style-type: none"> issues opinions on implementation of WSE's strategy;
Piotr Piłat	Member		<ul style="list-style-type: none"> issues opinions on the aspects of WSE's privatisation;
Waldemar Maj	Member		<ul style="list-style-type: none"> issues opinions on proposals of strategic alliances of WSE; issues opinions on proposals of acquisition by WSE of stakes in entities of strategic significance; issues opinions on materials related to exchange fees
Regulation and Corporate Governance Committee			
Marek Wierzbowski	Chairman		<ul style="list-style-type: none"> initiates and issues opinions on proposed changes in regulations; prepares Management and Supervisory Boards' joint position statements; issues opinions on statements of WSE's compliance with corporate governance rules; initiates, issues opinions and monitors activities related to the implementation of the corporate governance rules by WSE; initiates, issues opinions and monitors activities supporting the implementation of the corporate governance rules in listed companies
Piotr Piłat	Member		
Remuneration and Nominations Committee			
Dariusz Kacprzyk	Chairman		<ul style="list-style-type: none"> issues opinions on the remuneration system;
Wiesław Rozłucki	Member		<ul style="list-style-type: none"> issues opinions on employment contracts with the Exchange Management Board members;
Marek Słomski	Member		<ul style="list-style-type: none"> issues opinions on annual awards proposed for the Exchange Management Board members; issues opinions on the incentive system



Audit Committee ⁶⁰		
		<ul style="list-style-type: none"> issues opinions on financial statements and motions of the Management Board concerning profit distribution or coverage of a loss; issues opinions on WSE's financial plan; issues opinions on Exchange Management Board reports on performance of the financial plan; issues opinions on risk assessment reports; issues opinions on proposals of entities to be appointed auditor; recommends the selection of the entity to be appointed auditor.
Marek Słomski	Chairman	

Source: WSE

PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE SUPERVISORY BOARD

According to the Code of Best Practice for WSE Listed Companies (Section II.1.2a), WSE publishes information on the participation of women and men in the Exchange Supervisory Board at the end of the year and, additionally, the date when the proportions changed during the year.

Table 17 Number of women and men on the Exchange Supervisory Board

As at:	Number of women	Number of men
31 December 2010	2	5
28 February 2011	1	6
27 June 2011	0	7
31 December 2011	0	7
31 December 2012	0	7
9 April 2013	0	6
21 June 2013	0	7
31 December 2013	0	7
25 July 2014	0	6
25 August 2014	0	7
31 December 2014	0	7

Source: WSE

⁶⁰ As at the date of preparation of this Report, all members of the Audit Committee meet the criteria of independence and one member of the Audit Committee is qualified in accounting or auditing according to Article 86.4 of the Act on Auditors.



III. 10 Exchange Management Board

APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS

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

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

Given that the Company operates a stock exchange, additional rules regarding the composition of the Exchange Management Board apply under the Act on Trading in Financial Instruments of 29 July 2005. Accordingly, the Management Board should include persons with higher education, at least three years of experience in financial market institutions, and a spotless reputation as regards the functions they perform. If a company running an exchange organises an alternative trading system, the above conditions should also be satisfied by the persons directing those activities, unless members of the Exchange Management Board direct the organisation of the alternative trading system.

Changes to the composition of the Exchange Management Board require the consent of the Polish Financial Supervision Authority, 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 MANAGEMENT BOARD

The Exchange Management Board handles the Company's affairs and assets, and represents it in its dealings with third parties. The Exchange Management Board exercises all powers that are not vested in the General Meeting or the Exchange Supervisory Board. Resolutions of the Exchange Management Board are adopted by an absolute majority of votes. Two Exchange Management Board members acting jointly or an Exchange Management Board member acting together with a commercial proxy are authorised to represent the Company. As at the date of preparation of this Report, no commercial proxies have been granted.

Pursuant to § 5.3 of the Articles of Association, the Exchange Management Board may, with the consent of the Exchange Supervisory Board, make interim dividend payments to the shareholders on the terms laid down in the **Code of Commercial Companies and Partnerships**. The Management Board has, however, no authority to issue or buy out shares.



COMPOSITION OF THE MANAGEMENT BOARD AND CHANGES IN 2014

The composition of the WSE Management Board at the end of 2013 was as follows:

Table 18 Composition of the Exchange Management Board of the previous term of office

As at 31 December 2013 and 25 July 2014	
Adam Maciejewski	President of the Management Board
Beata Jarosz	Vice-President of the Management Board
Paweł Graniewski	Vice-President of the Management Board
Dariusz Kułakowski	Member of the Management Board
Mirosław Szczepański	Member of the Management Board

Source: WSE

This composition of the WSE Management Board continued until the mandates of its members expired, i.e., the Management Board of the new term of office was effectively appointed.

On 26 June 2014, at the request of the State Treasury of the Republic of Poland, the General Meeting appointed Paweł Tamborski as President of the Management Board. The decision took effect on 25 July 2014 after three conditions were met:

- Paweł Tamborski received the consent of the Committee for the Review of Requests for Consent for Employment of Persons Who Performed Public Functions appointed by the Prime Minister pursuant to Article 7 of the Act on Restrictions on Business Activity of Persons Performing Public Functions of 21 August 1997 (Journal of Laws of 2006, No. 216, item 1584) (condition met on 8 July 2014);
- delivery to the Company of a decision of the Polish Financial Supervision Authority approving the change on the Exchange Management Board (condition met on 24 July 2014); and
- approval of WSE's financial statements for 2013 by the Ordinary General Meeting (on 25 July 2014).

On 25 July 2014, the Exchange Supervisory Board acting on request on the President of the Management Board appointed members of the WSE Management Board for a new term of office including:






- Dariusz Kułakowski as Vice-President of the WSE Management Board,
- Karol Półtorak as Vice-President of the WSE Management Board,
- Mirosław Szczepański as Vice-President of the WSE Management Board,
- Grzegorz Zawada as Vice-President of the WSE Management Board.

For Grzegorz Zawada and Karol Półtorak, in order to make changes on the WSE Management Board, it required the consent of PFSA; consequently, the appointment decision took effect on 27 August 2014 and 9 September 2014, respectively.

As at the end of 2014, and as at the date of preparation of this Report, the Exchange Management Board has five members, including the President of the Management Board, as presented in the table below.



Table 19 Composition of the Exchange Management Board of the current term of office

WSE Management Board	
	<p>Paweł Tamborski President of the WSE Management Board</p> <p>On the WSE Management Board since July 2014. More than 20 years of experience in investment banking. Chairman of the Supervisory Board of KDPW S.A. and the Supervisory Board of PolPX.</p>
	<p>Dariusz Kułakowski Vice-President of the WSE Management Board Responsible for: IT and technology</p> <p>On the WSE Management Board since 2013. More than 13 year of experience in IT management.</p>
	<p>Karol Półtorak Vice-President of the WSE Management Board Responsible for: Finance</p> <p>On the WSE Management Board since September 2014. More than 15 years of experience in investment banking and finance. Chairman of the Supervisory Board of KDPW_CCP S.A., Member of the Supervisory Board of KDPW S.A., Member of the Supervisory Board of Centrum Giełdowe S.A.</p>
	<p>Mirosław Szczepański Vice-President of the WSE Management Board Responsible for: Operations</p> <p>On the WSE Management Board since 2013. 20 years of experience in finance management. Chairman of the Supervisory Board of Instytut Rynku Kapitałowego – WSE Research S.A., Member of the Board of Directors of Aquis Exchange Ltd.</p>
	<p>Grzegorz Zawada Vice-President of the WSE Management Board Responsible for: Strategy and development</p> <p>On the WSE Management Board since August 2014. More than 18 years of experience in investment banking. Chairman of the Supervisory Board of BondSpot S.A., Member of the Supervisory Board of PolPX.</p>



PARTICIPATION OF WOMEN AND MEN IN THE EXCHANGE MANAGEMENT BOARD

According to the Code of Best Practice for WSE Listed Companies (Section II.1.2a), WSE publishes information on the participation of women and men in the Exchange Management Board at the end of the year and, additionally, the date when the proportions changed during the year.

Table 20 Number of women and men on the Exchange Management Board

As at:	Number of women	Number of men
31 December 2010	2	2
31 December 2011	2	2
31 December 2012	2	2
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
25 July 2014	0	3
27 August 2014	0	4
9 September 2014	0	5
31 December 2014	0	5

Source: WSE

III. 11 Remuneration and Employment Contracts of Exchange Management Board Members and Exchange Supervisory Board Members

REMUNERATION OF EXCHANGE MANAGEMENT BOARD MEMBERS

The remuneration system for the members of the Exchange Management Board is based on a long-term incentive system. It consists of a fixed part (basic pay) and a variable part (incentive system, i.e., bonus) as well as additional benefits to the extent defined by the Exchange Supervisory Board. The bonus system for the Management Board Members was modified in 2014: the bonus depends on semi-annual appraisal of individual performance and the Company's results by the Exchange Supervisory Board, as well as verification of results of work of the Exchange Management Board Members in previous years. In addition, the maximum discretionary bonus which can be awarded by the Exchange Supervisory Board in a given year is capped. Payments up to the maximum amount of the awarded discretionary bonus are made as follows:

- 30% of the awarded bonus paid on a one-off basis;



- 30% paid in phantom shares;⁶¹
- 40% of the awarded bonus is added to the bonus bank and settled in equal parts in the next three years subject to positive reassessment by the Supervisory Board of the work taken in the period of the bonus.

The system was based on similar rules in the past years, i.e., it operated as a long-term incentive system (bonus bank). A bonus was awarded depending on the achievement of a number of development and financial targets. Up to a capped maximum bonus amount, the Exchange Supervisory Board could award Management Board Members with a discretionary bonus that was not closely linked to development and financial targets but was based on an assessment of the performance of individual annual targets.

The Company has no incentive or bonus systems based on the issuer's equity (including programmes based on bonds with pre-emptive rights, convertible bonds, subscription warrants, or stock options).

Pursuant to the Articles of Association, the power to determine the terms of the employment contracts and the amount of remuneration of the President and the other members of the Exchange Management Board has been vested in the Exchange Supervisory Board. However, the terms of the employment contracts and the amount of remuneration of the other members of the Exchange Management Board are determined upon the request of the President of the Exchange Management Board.

In 2014, the Management Board Members of the new term of office decided to forego remuneration for sitting on the authorities of subsidiaries and associates of the WSE Group.

Table 21 Remuneration and other benefits of the members of the Exchange Management Board, including remuneration for functions on the authorities of subsidiaries and associates in 2014 (PLN thou.)

	Fixed part	Variable part (bonus)	Long-term liabilities		Other benefits	Termination benefits	Subsidiaries and associates	Total
			Phantom shares	Bonus bank				
Paweł Tamborski	360	83	83	110	16	0	6	658
Karol Pótorak	205	40	40	53	14	0	0	352
Grzegorz Zawada	226	53	53	70	20	0	11	433
Mirosław Szczepański	638	66	66	88	104	0	56	1 018
Dariusz Kułakowski	558	66	66	88	108	0	0	886
Adam Maciejewski	1 052	0	0	0	202	948	73	2 275
Beata Jarosz	451	0	0	0	128	606	49	1 234
Paweł Graniewski	361	0	0	0	104	0	0	465
Total	3 851	308	308	409	696	1 554	195	7 321

Source: WSE

⁶¹ Form of remuneration where a certain number of virtual (phantom) shares are allocated for a period of time. The block of such shares authorises the manager to draw phantom payments in an amount depending on the WSE share price on the exchange.



Table 22 Remuneration and other benefits of the members of the Exchange Management Board, including remuneration for functions on the authorities of subsidiaries and associates in 2013 (PLN thou.)

	Fixed part	Variable part (bonus)	Bonus – long-term liabilities ⁶²	Other benefits	Termination benefits	Subsidiaries and associates	Total
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
Total	3 136	1 326	367	847	942	298	6 917

Source: WSE

TERMS OF EMPLOYMENT CONTRACTS WITH MEMBERS OF THE EXCHANGE MANAGEMENT BOARD

Employment contracts with the Members of the Exchange Management Board of the new term of office were signed for a determined period, i.e., until the expiry of the mandate at the end of the four-year term of office. The contracts may be terminated by the Company or a Management Board Member with a notice of three months or by arrangement of the parties.

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

Table 23 Employment contracts with members of the Exchange Management Board as at 31 December 2014

	Date of the contract	Period	Position
Paweł Tamborski	25 July 2014	fixed term – until the end of term of office	President of the Management Board
Grzegorz Zawada	28 August 2014	fixed term – until the end of term of office	Vice-President of the Management Board
Karol Półtorak	9 September 2014	fixed term – until the end of term of office	Vice-President of the Management Board

⁶² Bonus – long-term liabilities for 2011 settled in 2013 and presented under “Variable part (bonus)”.



Mirosław Szczepański	25 July 2014	fixed term – until the end of term of office	Vice-President of the Management Board
Dariusz Kułakowski	25 July 2014	fixed term – until the end of term of office	Vice-President of the Management Board

Source: WSE

The Exchange Supervisory Board signed non-competition agreements with the Members of the Management Board which will take effect after the termination of employment for a term of 3 months (if an employment contract is terminated during the term of office) or 6 months (after the end of the term of office in the event of no re-appointment for the next term of office). The non-competition agreements may be terminated by the Company within 30 days of termination of the employment contract.

The composition of the Management Board changed on the end of the term of office of the Management Board in 2014. The employment contracts with the Members of the Management Board of the previous term of office were terminated on the expiry date of the mandate, i.e., 25 July 2014. In 2006, the Exchange Supervisory Board signed with the then Members of the Management Board non-competition agreements whereby the Members of the Management Board cannot engage in activities competitive to the Company within 12 months after the termination of the employment contracts with the Company. In the term of the non-competition agreements after the termination of employment, the Members of the Management Board are entitled to receive compensation at 100% of the gross basic remuneration in the period of 12 months before the termination of employment, paid in 12 equal monthly instalments.

Further to the foregoing, under concluded the non-competition agreements, the Company pays Adam Maciejewski compensation of PLN 79,000 (per month) and Beata Jarosz PLN 50,497.22 (per month).

On 7 October 2014, the Company and Beata Jarosz concluded an agreement concerning the monthly compensation under the non-competition agreement. The compensation is reduced with the monthly gross income earned by Beata Jarosz following her employment by the Polish Power Exchange as of December 2014.

The non-competition agreements are in force until 31 July 2015.

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 latest Resolution of the Company's Ordinary General Meeting of 25 July 2014, the amount of monthly remuneration of the Exchange Supervisory Board members has been set as follows:

- Chairman of the Exchange Supervisory Board – 2 times the average monthly remuneration in the enterprise sector, net of profit bonuses for the fourth quarter of the previous year, as announced by the President of the Central Statistical Office (GUS);
- Deputy Chairman of the Exchange Supervisory Board, Secretary to the Exchange Supervisory Board, Member of the Exchange Supervisory Board – 1.5 times the average monthly remuneration in the enterprise sector, net of profit bonuses for the fourth quarter of the previous year, as announced by the President of the Central Statistical Office (GUS).

**Table 24** Remuneration of the Supervisory Board members (PLN thou.)

	31 December 2014	31 December 2013
Leszek Pawłowicz	27	47
Marek Wierzbowski	59	47
Sebastian Skuza	-	22
Paweł Graniewski ⁶³	-	164
Jacek Lewandowski	59	47
Sławomir Krupa	27	47
Marek Słomski	59	47
Wiesław Rozłucki	69	25
Dariusz Kacprzyk	59	25
Piotr Piłat	31	-
Waldemar Maj	25	-

Source: WSE

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

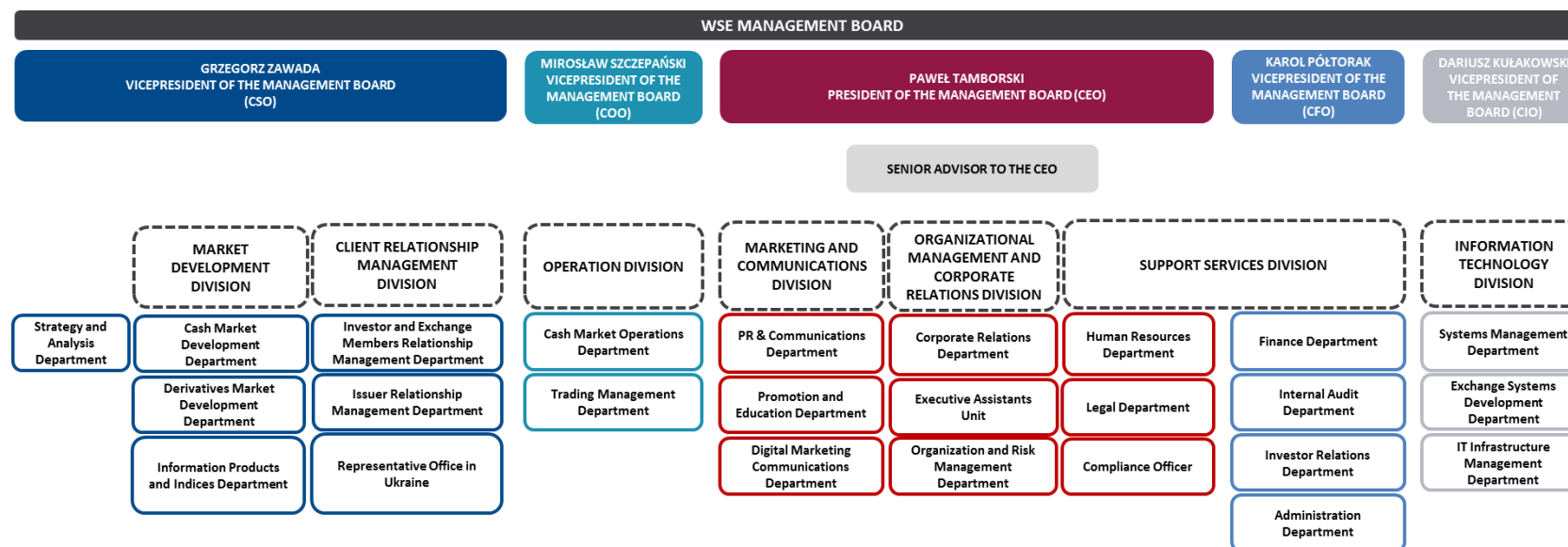
III. 12 Changes of WSE's Main Management Rules

Following the changes on the Exchange Management Board in 2014, WSE has a new organisational chart (Chart 5).

⁶³ Paweł Graniewski was delegated to perform functions of a Member of the Exchange Management Board from 10 January 2013 to 9 April 2013. During that period, he received monthly remuneration in an amount of the average base remuneration of Members of the Exchange Management Board.



Chart 8 WSE organisational chart as at 31 December 2014



Source: WSE



IV. CORPORATE SOCIAL RESPONSIBILITY

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 Corporate Social Responsibility (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.

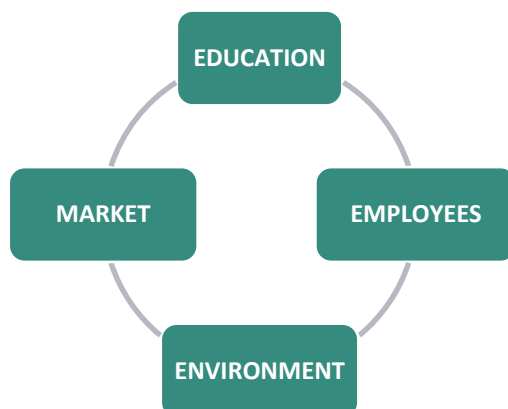
WSE's socially responsible approach to business is corroborated by the inclusion of the Company in the RESPECT index of WSE-listed companies which follow the highest CSR standards for the second consecutive time.

In December 2013, WSE joined the Sustainable Stock Exchanges (SSE), a UN initiative of global exchanges which promotes 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. SSE has 17 members.

WSE'S CSR STRATEGY

In 2013, WSE developed and implemented a CSR strategy based on four pillars relevant to the activity of the Exchange and its role on the Polish capital market.

Chart 9 WSE CSR strategy pillars





IV. 1 Education

General trust in the capital market and its institutions relies on a culture of investing and awareness of the principles of the capital market.

Capital market education, promotion and information activities are a statutory objective of the Exchange. WSE's education activities also serve as a tool of building relations with individual investors who play an important role in generating liquidity on the market. WSE's extensive educational offer fits into the Company's strategic goals including a focus on its key clients.

In its current operations, the Exchange organises training, seminars and conferences to promote investing in financial instruments and knowledge about the capital market.

WSE's educational activities in 2014:

- **School Online Exchange Game (SIGG)** – a project devoted to investing, addressed to **junior high** school students, implemented since 2002 in partnership with the Lesław A. Paga Foundation, provides young people with practical skills necessary to invest on the exchange, analyse the markets, make decisions and work as a team. More than 22 thousand participants took part in the project in 2014;
- **Product training with Brokerage Houses** – full-time and off-site product workshops co-organised with brokerage houses. 39 training sessions were held in 2014 in partnership with six brokerage houses.
- **Product training in partnership with higher schools and science clubs** – 23 lectures on financial instruments listed on WSE were held in 2014.
- **Capital Creation Academy** – a series of meetings in Poland's biggest cities held several times per year in partnership with the Association of Individual Investors (SII), where experts share knowledge about the capital market, listed instruments and investment techniques. Two series of the Capital Creation Academy comprised of 12 training sessions in total were held in 2014.

WSE also participated in several educational initiatives addressed to potential issuers in 2014. The Company co-organised 11 workshops with the Lewiatan Co-federation, 5 conferences with the SME Foundation, as well as a series of training sessions organised by Authorised Advisers.

A flagship educational programme arranged by WSE for many years, the Exchange School, was reactivated in January 2014. The project includes courses which introduce beginners to investing and cover the following topics: the capital market and the exchange, the rules of investing, company analysis, risk assessment, the psychology of investing. The courses are held regularly in Poland's biggest cities in partnership with local higher schools and in Warsaw by the Exchange. Sixteen courses held in 2014 brought together more than 600 participants.

To raise the awareness of investors, WSE also offers projects dedicated to the improvement of practical investor skills. In May 2013, the Exchange launched GPWTr@der: a demo platform for investing in WIG20, mWIG40, and currency futures. In March 2014, a stock investment module was added to the platform. The tool was designed for beginners who wish to learn more about the equity and derivatives markets



and discover the practical mechanisms of investing in financial instruments available on WSE. The GPWTr@der platform had ca. 21.7 thousand virtual accounts at the end of 2014. The platform is used for education by brokerage houses and higher schools across Poland.

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 education workshops in towns across Poland and several education projects were completed within the framework of the programme in 2014.

IV. 2 Market

The Company works to build corporate culture and support the right behaviour of Polish capital market participants.

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.

In December 2014, WSE opened public consultations on draft amendments of the Code of Best Practice for WSE Listed Companies addressed to a wide group of capital market participants. The draft amendments prepared by WSE in co-operation with experts and market representatives on the WSE Corporate Governance Consultation Committee take into account corporate governance issues raised in the European Union. The consultations are designed to develop more transparent and clear rules addressing market needs and expectations. The consultations will be open until February 2015 to develop a new version of the Code of Best Practice for WSE Listed Companies which in the opinion of the Company should improve the quality of the Polish capital market.

In 2014, important steps were taken to improve the quality of investor relations and safety of WSE's alternative markets. The objective of the amendments introduced as of 1 September 2014 is to improve safety on Catalyst and to harmonise the Catalyst ATS regulations with the standards introduced last year on NewConnect. The amendments included: introduction of a minimum value of an issue of bonds which may be introduced into the ATS; obligation imposed on issuers of low-value issues to have an Authorised Adviser; mandatory preparation of an information document even where bonds were previously offered under an information memorandum. In order to improve bondholder access to information relevant to bond payments, the duration of issuers' reporting requirements was extended. The amendments were effective on 1 September 2014 and the requirement of a minimum value of bonds introduced into the Catalyst ATS took effect on 1 January 2015.



The rules of classification of shares in the Alert List segment were amended as of early 2014 to eliminate the penny stock problem on the WSE Main Market. All shares whose unit market price was lower than PLN 0.50 are classified in the Alert List segment irrespective of the volatility of the share price. The consequences of classification of an issuer's shares in the Alert List include: exclusion of the issuer's shares from index portfolios, transfer of the shares to the single price trading system, special designation of the issuer in the exchange's information services, and removal of the shares from the list of securities available for short selling.

The Exchange also promotes the highest corporate governance standards among foreign investors. In spring 2014, WSE organised the WSE IR Leader 2014 competition 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 fifth 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 8 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 2014.

WSE also offers a special online service devoted to best practice and corporate governance: 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.

Following the update of the WSE strategy announced in October 2014, WSE held nearly 30 meetings with the Company's key stakeholder groups including issuers on all markets operated by WSE, representatives of investment funds and pension funds, as well as foreign and individual investors. The dialogue resulted in the identification of areas key to the Exchange's stakeholders which were taken into account by the Company in designing its strategy for 2014-2020.

The Company also opened consultations with market participants before deciding to change WSE's main indices (to maintain WIG20 as the base index) and to maintain the PLN 20 multiplier of WIG20 futures.

In addition to irregular dialogue with the stakeholders concerning material business decisions, WSE is also engaged in on-going consultations with market participants within the Consultation Committees established in 2013. The Committees are advisory bodies active in the key areas of WSE's operation. The Committees bring together representatives of the capital market community, lawyers, and representatives of the Polish Financial Supervision Authority. Consultations with the Committees on the Exchange's business decisions help to develop solutions optimal to all WSE stakeholder groups.

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 Committees on the Exchange's business decisions ensures the development of optimal solutions for all of WSE's stakeholder groups.

As at the end of 2014, WSE had the following Committees:

- WSE Exchange Indices Committee
- WSE Science Committee
- Corporate Governance Committee
- Derivatives Market Committee
- Debt Market Committee
- Equities Market Committee

IV. 3 Employees

With their unique skills and capital market experience,
Exchange employees are an important group of WSE stakeholders.

The HR policy of the Exchange focuses on fostering an organisational culture based on values and effective internal communication as well as investment in continuous employee development.

Table 25 WSE headcount as at 31 December and employment by gender

	2014	2013	2012
WSE employees	208	205	211
- Women	99	97	98
- Men	109	108	113

Source: WSE

The human resources policy of Warsaw Stock Exchange relies on engagement and competences of employees who grow with the company. Consequently, in 2014, the Company continued to focus effective management of HR, payroll, social and bonus processes to match them with business needs and to support the implementation of the Exchange strategy.

WSE RECRUITMENT POLICY

WSE's recruitment policy focuses on recruiting top-class specialists for all areas of the Company's operation. In recruitment for strategic positions, the Exchange works with professional personnel advisory institutions which provide a complete professional and psychological profile of candidates. A WSE website section devoted to WSE career opportunities supports effective employee recruitment.

The recruitment process includes six steps:



- **Step 1.** The candidate sends a CV and a motivation letter, which are reviewed in detail, especially in terms of the motivation to work with the Company;
- **Step 2.** General knowledge test;
- **Step 3.** Interview with the potential supervisor and an HR officer;
- **Step 4.** Problem solving: a case study covering the candidate's prospective responsibilities;
- **Step 5.** WSE employment decision;
- **Step 6.** Signing the contract and completing all employment requirements.

Table 26 WSE employee turnover, as at 31 December⁶⁴

	2014	2013	2012
WSE employee turnover	7.2%	13.3%	3.3%

Source: WSE

WSE signed 21 contracts with new employees and terminated 21 employment contracts in 2014. WSE signed 23 contracts with new employees and terminated 29 employment contracts in 2013.

WSE TRAINING POLICY

Training plays an important role in the process of employee professional development and improvement of qualifications. Training was offered in 2014 to improve specific professional qualifications and language skills. According to its HR policy, the Exchange co-financed MA, post-graduate, and PhD courses of employees. In order to improve their professional competences, WSE employees participated in market conferences, congresses and seminars. The number of training days per WSE FTE was 6.55 in 2014.

Table 27 WSE headcount by education, as at 31 December

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

Source: WSE

WSE INCENTIVE SYSTEM

WSE's HR policy is largely based on employee engagement; hence, the Company attaches special importance to employee incentives. WSE offers the employees an incentive program implemented in 2014 which consists of a fixed part (base pay) and a variable part (annual bonus) as well as a discretionary bonus. The variable part is tied to the objectives of the Management Board and the strategic directions

⁶⁴ The turnover ratio is the number of employees whose employment contracts were terminated during the year to the average headcount for the year.



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 apply within each bonus category.

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.

WSE CODE OF ETHICS

In addition to improvement of professional qualifications, WSE also takes steps to develop its value-based corporate culture which is unique in awarding and applying employee initiatives that improve the effectiveness of the organisation.

The 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 of Ethics was amended in 2014. It 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.

OCCUPATIONAL HEALTH AND SAFETY POLICY

WSE's priorities include a healthy, safe and friendly work environment which supports the development of the professional potential of all Exchange employees. Under its occupational health and safety policy approved in 2014, the Company works to prevent accidents at work, occupational diseases and potential incidents, to continuously improve occupational health and safety and fire protection, to improve employee qualifications, and to integrate their role and engagement in occupational health and safety initiatives. There were no accidents at work at WSE in 2014.

EMPLOYEE VOLUNTEERING

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

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 traineeship opportunities to university students. The students major in different disciplines including Economics, Finance, and Marketing. Furthermore, WSE runs a



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

IV. 4 Environment

**Environmental protection is part and parcel of WSE's values as
a modern and competitive institution present on the European capital market.**

WSE approved an environmental policy in 2013 and continued initiatives aimed at mitigating its impact on the natural environment and at raising environmental awareness among Company employees in 2014. 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 CO2 emissions; employee education through internal communications.

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 its Waste Management Procedure, WSE delivers solid waste for treatment by recycling or disposal. Since February 2014, the Company segregates waste. The Exchange produced 2.2 tonnes of waste in 2014 (13.4 tonnes in 2013), of which more than a third was segregated and recycled. Decommissioned computer hardware is sold to the Company's employees at auctions. One auction was held in 2014 and 76 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. Internal communication work was continued in 2014 in order to promote environmental behaviour of employees. As a result, the Company's paper consumption decreased by nearly 25 percent year on year in 2014.

WATER CONSUMPTION

As the administrator of the office building which houses WSE's head office and as an associate of the WSE Group, Centrum Giełdowe 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 facade of the building uses a closed circuit as well as water treatment. In 2014, the Exchange continued communications targeting employees and



visitors to promote environmental behaviour with regard to water consumption. The Company's water consumption decreased by ca. 12 percent year on year in 2014.

ENERGY CONSUMPTION

Centrum Giełdowe 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. The Company's water consumption decreased by ca. 20 percent year in year in 2014.

FUEL CONSUMPTION AND CO2 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).

IV. 5 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, disclosures 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. Eight editions of the survey have been completed to date with 16 to 24 companies included in the index portfolio at each time.

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 eighth edition of the survey carried out in 2014, 24 companies were put in the index portfolio, including Warsaw Stock Exchange for the second consecutive time.

The return rate of the RESPECT Index was 64% from the first publication on 19 November 2009 until the end of 2014.



V. FINANCIAL SITUATION OVERVIEW

V.1 Summary of results

EBITDA 83.1 PLN mn	EBIT 59.0 PLN mn	Net profit 52.9 PLN mn
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EBITDA⁶⁵ stood at PLN 83.1 million in 2014, a decrease of 8.7% (PLN 7.9 million) compared to PLN 91.1 million in 2013.

The Company generated an operating profit of PLN 59.0 million in 2014, a decrease of 14.6% (PLN 10.1 million) compared to PLN 69.1 million in 2013. The decrease in the operating profit was driven by a decrease of operating income (by 2.2%) and higher operating expenses (by 4.3%), including fees and charges, depreciation and amortisation, salaries, and external service charges. Fees and charges increased due to higher fees paid to PFSA. Depreciation and amortisation increased due to the implementation of WSE's new trading system (UTP): the additional depreciation and amortisation charges were incurred in nine months of 2013 and twelve months of 2014. Salaries increased due to the cost of reorganisation severance pay, provisions for retirement benefits, as well as provisions due to changes on the Management Board. External service charges increased due to higher costs of advisory and promotion. Net other operating income and costs were negative at PLN 0.3 million in 2014 compared to PLN 0.03 million in 2013.

The net profit generated by WSE was PLN 52.9 million in 2014 compared to PLN 101.4 million in 2013, a decrease of 47.4% (PLN 48.3 million). The profit before tax and the net profit decreased owing to lower financial income from dividends received at PLN 14.8 million in 2014 compared to PLN 43.3 million in 2013. In addition, impairment losses of the subsidiaries WSEInfoEngine S.A. and IRK S.A. in the total amount of PLN 7.7 million were recognised in financial expenses. Income tax in 2014 was PLN 3.7 million higher than in 2013 when the Company recognised a tax relief for investment in new technologies including among others the UTP project. As a result, the income tax was reduced by PLN 7.0 million in 2013.

⁶⁵ WSE operating profit before depreciation and amortisation.



Table 28 Separate profit and loss account of WSE in 2013 and 2014 by quarter and in 2012-2014 by year

PLN'000	2014				2013				2014	2013	2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1			
Sales revenue	44,478	46,624	45,613	53,281	49,300	46,893	48,473	49,684	189,996	194,351	195,932
Financial market	43,610	46,203	45,252	52,908	48,876	46,709	48,218	49,104	187,973	192,907	193,114
Trading	28,454	31,409	29,745	36,864	33,873	33,050	34,124	34,937	126,472	135,985	135,446
Listing	5,620	5,535	5,941	6,201	5,629	5,129	5,513	5,576	23,297	21,848	21,164
Information services	9,536	9,259	9,566	9,843	9,373	8,530	8,581	8,590	38,204	35,075	36,505
Commodity market	-	-	-	-	-	-	-	131	-	131	980
Other revenue	868	420	362	373	424	184	255	450	2,023	1,313	1,838
Operating expenses	34,731	30,648	33,093	32,173	33,146	29,941	33,942	28,225	130,644	125,255	114,877
Depreciation and amortisation	6,018	5,998	6,052	6,066	6,071	5,917	7,044	2,894	24,135	21,927	13,733
Salaries	10,161	7,348	7,816	8,537	6,508	6,525	9,353	9,616	33,863	32,002	30,661
Other employee costs	2,510	1,812	2,338	2,652	2,261	1,941	2,632	2,310	9,312	9,143	9,623
Rent and maintenance fees	2,110	2,051	2,074	2,092	2,216	2,296	2,120	2,038	8,327	8,670	7,861
Fees and charges	4,222	5,471	5,445	5,378	5,153	4,932	4,517	4,494	20,516	19,095	18,109
incl.: PFSA fees (WSE)	5,357	5,278	5,210	5,210	4,956	4,578	4,358	4,356	21,054	18,249	16,823
External service charges	8,405	7,023	8,340	6,525	9,737	7,170	6,669	5,252	30,292	28,828	28,462
Other operating expenses	1,305	945	1,028	923	1,201	1,160	1,607	1,621	4,200	5,589	6,429
Other income	477	46	19	37	1,115	202	118	195	580	1,629	5,399
Other expenses	(413)	(217)	1,180	370	534	400	(13)	677	920	1,598	10,573
Operating profit	10,638	16,240	11,360	20,775	16,734	16,754	14,662	20,977	59,012	69,127	75,881
Financial income	1,333	1,621	16,498	1,712	895	1,457	44,642	2,779	21,165	49,773	22,337
Financial expenses	10,381	2,494	2,548	2,465	2,532	2,552	3,460	3,329	17,888	11,874	17,018
Profit before income tax	1,590	15,366	25,310	20,022	15,097	15,659	55,842	20,428	62,289	107,026	81,200
Income tax expense	181	2,990	2,354	3,857	(3,820)	3,077	4,295	2,089	9,382	5,641	15,642
Profit for the period	1,409	12,376	22,955	16,165	18,916	12,581	51,549	18,339	52,907	101,385	65,558

Source: Separate Financial Statements, Company



Table 29 Separate statement of financial position of WSE at quarter-end, 2012-2014

PLN'000	2014				2013				2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Non-current assets	480,087	504,298	509,963	506,860	496,790	501,187	497,528	506,997	443,592
Property, plant and equipment	101,291	103,226	106,174	109,318	112,279	114,761	123,343	127,343	129,010
Intangible assets	85,496	87,825	90,412	92,808	95,439	98,445	94,110	96,846	35,383
Investment in subsidiaries and associates	289,632	299,364	299,364	291,014	265,107	263,894	262,786	262,149	262,149
Deferred tax assets	-	-	-	-	-	-	3,076	6,311	2,570
Available-for-sale financial assets	207	10,676	10,706	10,775	20,955	20,982	11,010	11,141	11,183
Prepayments	3,461	3,206	3,307	2,945	3,010	3,105	3,203	3,208	3,297
Current assets	251,636	230,302	270,769	250,843	225,645	209,390	241,032	181,207	206,391
Inventories	114	127	147	142	166	180	176	266	253
Corporate income tax receivable	8,378	6,853	6,974	5,766	10,496	5,057	3,966	2,511	4,815
Trade and other receivables	22,569	25,070	26,587	34,298	23,940	29,600	32,663	31,833	23,640
Available-for-sale financial assets	10,503	586	428	272	118	586	428	272	118
Financial assets held for sale	2,037	-	-	-	-	-	-	-	-
Other current assets	-	-	402	381	-	-	-	-	-
Cash and cash equivalents	208,035	197,666	236,231	209,984	190,925	173,967	203,799	146,325	177,565
Total assets	731,723	734,600	780,732	757,704	722,435	710,577	738,560	688,204	649,983
Equity	458,769	457,556	495,539	472,622	456,483	437,049	424,757	406,289	384,881
Share capital	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865	63,865
Other reserves	(243)	(47)	(53)	(15)	12	95	385	126	(2,943)
Retained earnings	395,147	393,738	431,727	408,772	392,606	373,089	360,507	342,298	323,960
Non-current liabilities	258,601	255,375	252,800	249,135	249,904	248,033	247,545	247,429	247,336
Employee benefits payable	5,357	3,894	4,303	4,309	4,313	4,158	4,158	4,158	4,180
Liabilities under bond issue	244,078	243,963	243,848	243,733	243,617	243,502	243,387	243,272	243,157
Deferred income tax liability	9,166	7,519	4,649	1,094	1,974	373	-	-	-
Current liabilities	14,353	21,669	32,393	35,947	16,048	25,495	66,258	34,486	17,766
Trade payables	3,673	1,522	4,241	3,138	3,184	3,994	2,112	1,861	3,358
Liabilities under bond issue	-	2,375	-	2,336	-	2,377	6,419	3,214	-
Dividends and other liabilities	2,935	11,586	20,308	24,358	3,893	9,776	48,243	21,270	3,598
Employee benefits payable	7,745	6,186	7,844	6,114	8,970	9,347	9,484	8,141	10,810
Total equity and liabilities	731,723	734,600	780,732	757,704	722,435	710,577	738,560	688,204	ca

Source: Separate Financial Statements, Company

V. 2 Presentation of key financial and business 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 on the financial market. Transactions in WIG20 index futures account for the majority of revenues from transactions in derivatives.

Revenues from other fees paid by market participants include mainly fees for services providing access to 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 segments:

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

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

Revenues of the 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.

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

The WSE's sales revenues amounted to PLN 190.0 million in 2014, a decrease of PLN 4.4 million compared to 2013. The year-on-year decrease was driven mainly by a decrease of revenues from the financial market by PLN 9.5 million mainly as a result of a decrease in revenues from trading in derivatives and a decrease in revenues from trading in equities and equity-related instruments. Revenues from information services and listing revenues increased.

Revenues from trading in derivatives decreased by 30.1% (PLN 6.4 million) year on year in 2014, mainly due to a 26.9% decrease in the volume of trading in WIG20 futures.

Revenues from trading in equities and equity-related instruments decreased by 2.6% (PLN 3.1 million) year on year in 2014, mainly due to a 9.1% decrease in the total value of trading in equities on the Main Market.

The share of revenues from trading in derivatives in total sales revenues decreased in the period under review from 10.9% in 2013 to 7.8% in 2014. The share of revenues from information services and listing revenues increased. The share of the other revenue items remained stable.



Table 30 Separate revenues of WSE and revenue structure, 2012-2014

PLN'000, %	Year ended 31 December						Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	%	2013	%	2012	%		
Financial market	187,973	99%	192,907	99%	193,114	99%	(4,934)	-2.6%
Trading	126,472	67%	135,985	70%	135,446	69%	(9,513)	-7.0%
Equities and equity-related instruments	105,295	55%	108,423	56%	101,166	52%	(3,128)	-2.9%
Derivative instruments	14,821	8%	21,207	11%	26,944	14%	(6,386)	-30.1%
Other fees paid by market participants	5,795	3%	5,743	3%	6,873	4%	52	0.9%
Debt instruments	298	0%	424	0%	294	0%	(127)	-29.8%
Other cash instruments	263	0%	186	0%	168	0%	77	41.4%
Listing	23,297	12%	21,848	11%	21,164	11%	1,449	6.6%
Listing fees	18,848	10%	17,089	9%	16,515	8%	1,760	10.3%
Introduction fees, other fees	4,449	2%	4,759	2%	4,648	2%	(310)	-6.5%
Information services	38,204	20%	35,075	18%	36,505	19%	3,130	8.9%
Commodity market	-	-	131	0%	980	1%	(131)	-100.0%
Other revenue	2,023	1%	1,313	1%	1,838	1%	710	54.1%
Total	189,996	100%	194,351	100%	195,932	100%	-4,355	-2.2%

Source: Separate Financial Statements, Company

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

Table 31 Separate revenues of WSE by geographical segment, 2012-2014

PLN'000, %	Year ended 31 December						Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	%	2013	%	2012	%		
Revenue from foreign customers	55,237	29%	52,147	27%	45,945	23%	3,090	5.9%
Revenue from local customers	134,760	71%	142,204	73%	149,987	77%	-7,444	-5.2%
Total	189,996	100%	194,351	100%	195,932	100%	-4,355	-2.2%

Source: Separate Financial Statements, Company

The average exchange rate EUR/PLN in 2014, 2013 and 2012 was 4.19 EUR/PLN, 4.20 EUR/PLN and 4.19 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 2014 were PLN 126.5 million, a decrease of 7.0% (PLN 9.5 million) compared to PLN 136.0 million in 2013. The revenues were mainly driven by a decrease in revenues from trading in derivatives by 30.1% (PLN 6.4 million) and a decrease in revenues from trading in equities and equity-related instruments by 2.9% (PLN 3.1 million).

The share of trading revenues in the total revenues on the financial market was 67.3% in 2014 compared to 70.5% in 2013. The biggest share in trading revenues (94.4%) is that of revenues from the Main Market,



which amounted to PLN 119.3 million in 2014 (a decrease of PLN 9.6 million year on year). The remaining share in the revenues is that of NewConnect and Catalyst.

Equities and equity-related instruments

Revenues of the Company from trading in equities and equity-related instruments amounted to PLN 105.3 million in 2014, a decrease of 2.9% (PLN 3.1 million) year on year. The decrease was driven directly by a decrease in the value of trading in equities on the Main Market.

The total value of trading in equities on the Main Market decreased by 9.1% in 2014 from PLN 256.1 billion in 2013 to PLN 232.9 billion in 2014, including a decrease in the value of the electronic order book by 6.7% (PLN 14.9 billion) and a decrease in the value of block trades by 23.4% (PLN 8.4 billion). The value of trading in equities on NewConnect (electronic order book and block trades) was PLN 1.43 billion in 2014, an increase of 17.1% year on year. The average daily trading value per session on the Main Market was PLN 824.8 million in 2014, a decrease of 7.5% year on year. The average daily trading value per session on the NewConnect market increased by 28.7% to PLN 4.9 million. The WIG20 index lost 3.5% in 2014 and stood at 2,315.94 points at the end of the year, compared to 2,400.98 points at the end of 2013. The total volume of trading was 19.5 billion shares in 2014 compared to 32.1 billion shares in 2013 and 33.8 billion shares in 2012. The average value of a transaction, measured as the total value of the electronic order book to the number of transactions per session, was PLN 14.9 thousand in 2014, less than in 2013 (PLN 17.2 thousand) and less than in 2012 (PLN 16.2 thousand).

The Company earned PLN 3.2 million of revenue from tender offers for qualifying holdings in 2014, compared to PLN 0.7 million in 2013. The high revenue in 2014 was mainly driven by tender offers for shares of Bank Gospodarki Żywnościowej S.A., Nordea Bank Polska S.A., Ciech S.A. and Rovese S.A.

Table 32 Separate revenues of WSE from trading in equities and equity-related instruments, the value and volume of trading in equities and equity-related instruments, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Financial market, trading revenue: equities and equity-related instruments (PLN million)	105.3	108.4	101.2	-3.1	-2.9%
<i>Main Market:</i>					
Value of trading (PLN billion)	232.9	256.1	202.9	-23.3	-9.1%
Volume of trading (billions of shares)	19.5	32.1	33.8	-12.6	-39.3%
<i>NewConnect:</i>					
Value of trading (PLN billion)	1.4	1.2	1.3	0.2	17.1%
Volume of trading (billions of shares)	2.3	2.1	3.6	0.2	8.5%

Source: Separate Financial Statements, Company

Derivatives

Revenues of the Company from transactions in derivatives on the financial market amounted to PLN 14.8 million in 2014, a decrease of 30.1% (PLN 6.4 million) compared to 2013. The decrease in revenues was driven mainly by a 26.9% decrease in the volume of trading in WIG20 futures. The decrease in the volume of trading in WIG20 futures was due, among others, to replacement of futures with a multiplier of 10 by futures with a multiplier of 20 and low volatility of indices in 2014.



Table 33 Separate revenues of WSE from trading in financial derivatives, the volume of trading in financial derivatives, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Financial market, trading revenue: derivatives (PLN million)	14.8	21.2	26.9	-6.4	-30.1%
Volume of trading in derivatives (millions of contracts):	9.5	12.6	11.3	-3.1	-24.9%
incl.: volume of trading in WIG20 futures (millions of contracts)	6.0	8.3	9.1	-2.2	-26.9%

Source: Separate Financial Statements, Company

Other fees paid by market participants

Revenues of the Company from other fees paid by market participants were PLN 5.8 million in 2014, an increase of PLN 0.1 million compared to PLN 5.7 million in 2013. The fees mainly include fees for access to the trading system (among others, system use fees and maintenance fees). In Q2 2013, WSE replaced WARSET with the new trading system UTP, and the structure of the fees was modified.

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 298 thousand in 2014, a decrease of PLN 127 thousand compared to 2013.

Table 34 Separate revenues of WSE from trading in debt instruments, the value of trading in debt instruments, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Financial market, trading revenue: debt instruments (PLN million)	0.3	0.4	0.3	-0.1	-29.8%
Catalyst:					
Value of trading (PLN billion) ⁶⁶	2.1	2.9	1.9	-0.8	-27.6%
incl.: Value of trading in non-Treasury instruments (PLN billion)	1.5	2.3	1.4	-0.8	-36.4%

Source: Separate Financial Statements, Company

Other cash market instruments

Revenues from transactions in other cash market instruments amounted to PLN 263 thousand in 2014, an increase of 41.4% compared to 2013. The revenues include fees for trading in structured products, investment certificates, ETF units and warrants.

⁶⁶ Retail section operated by WSE.



LISTING

Listing revenues on the financial market amounted to PLN 23.3 million in 2014, an increase of 6.6% (PLN 1.4 million) compared to PLN 21.8 million in 2013.

Revenues from companies listed on the Main Market are the principal source of listing revenues and amounted to PLN 20.1 million in 2014 compared to PLN 2.5 million on NewConnect, and PLN 0.7 million on Catalyst.

Revenues from listing fees amounted to PLN 18.8 million in 2014, an increase of 10.3% (PLN 1.8 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 other fees amounted to PLN 4.4 million in 2014, a decrease of 6.5% (PLN 0.3 million) compared to PLN 4.8 million in 2013. The revenues are driven mainly by the number and value of new listings on the WSE markets.

28 companies were newly listed on the Main Market in 2014, 5 more than in 2013. The total value of IPOs and SPOs was PLN 4.6 billion in 2014 compared to PLN 7.7 billion in 2013. The aggregate capitalisation of domestic and foreign companies was PLN 1,253.0 billion at the end of 2014 compared to PLN 840.8 billion at the end of 2013 (an increase of 49.0%). The capitalisation of the Main Market was driven by the IPO of Banco Santander S.A. at PLN 377 billion.

Table 35

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, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Main Market					
Listing revenue (PLN million)	20.1	18.7	17.7	1.4	7.7%
Capitalisation of listed companies (domestic) (PLN billion)	591.2	593.5	523.4	-2.3	-0.4%
Capitalisation of listed companies (foreign) (PLN billion)	661.8	247.3	210.7	414.5	167.6%
Number of listed companies (domestic)	420	403	395	17	4.2%
Number of listed companies (foreign)	51	47	43	4	8.5%
Value of offerings (IPO and SPO) (PLN billion)	4.6	7.7	7.3	-3.2	-41.1%
Number of new listings (in the period)	28	23	19	5	21.7%
Capitalisation of new listings (PLN billion)	5.7	15.6	12.0	-9.9	-63.4%
Number of delistings	8	11	7	-3	-27.3%
Capitalisation of delistings ⁶⁷ (PLN billion)	3.5	5.5	9.2	-2.0	-36.3%

Source: Separate Financial Statements, Company

22 companies were newly listed on NewConnect in 2014, compared to 42 new listings in 2013. The total value of IPOs and SPOs was PLN 0.4 billion in 2014 compared to PLN 0.6 billion in 2013. The aggregate capitalisation of domestic and foreign companies listed on NewConnect was PLN 9.1 billion at the end of 2014 compared to PLN 11.0 billion at the end of 2013. The decrease of the capitalisation of NewConnect was driven mainly by the transfer of 10 companies with a total capitalisation of PLN 2.6 billion to the WSE Main Market.

⁶⁷ Based on market capitalisation at the time of delisting.



Table 36

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, 2012-2014 ^{68 69}

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
NewConnect					
Listing revenues (PLN million)	2.5	2.7	3.1	-0.2	-6.5%
Capitalisation of listed companies (domestic) (PLN billion)	8.8	10.4	10.8	-1.7	-16.2%
Capitalisation of listed companies (foreign) (PLN billion)	0.4	0.6	0.3	-0.2	-36.6%
Number of listed companies (domestic)	421	434	421	-13	-3.0%
Number of listed companies (foreign)	10	11	8	-1	-9.1%
Value of offerings (IPO and SPO) (PLN billion)	0.4	0.6	0.7	-0.2	-32.3%
Number of new listings (in the period)	22	42	89	-20	-47.6%
Capitalisation of new listings (PLN billion)	0.6	1.2	1.8	-0.7	-53.2%
Number of delistings ⁶⁸	36	26	11	10	38.5%
Capitalisation of delistings ⁶⁹ (PLN billion)	3.1	1.0	0.5	2.1	206.7%

Source: Separate Financial Statements, Company

The Catalyst division operated by WSE listed debt bonds of 163 issuers (162 excluding the State Treasury) at the end of 2014 compared to 152 issuers (151 excluding the State Treasury) at the end of 2013. The total nominal value of debt instruments listed on the Catalyst division operated by WSE was PLN 527.7 billion at the end of 2014 compared to PLN 603.7 billion at the end of 2013, including the value of non-Treasury bonds at PLN 47.2 billion in 2014 and PLN 43.5 billion in 2013. The decrease in the value of issues on Catalyst was due to the transfer of Treasury securities at PLN 130.2 billion from open-ended pension funds (OFE) to the Social Insurance Institution (ZUS) on 3 February 2014.

INFORMATION SERVICES

Revenues from information services amounted to PLN 38.2 million in 2014, an increase of 8.9% (PLN 3.1 million) compared to 2013.

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 increase in revenues from information services in 2014 was driven mainly by an increase in the number of subscribers of professional data feeds as well as a change in the structure of fees including an increase of certain fees.

Table 37

Separate revenues of WSE from information services, number of data vendors and subscribers, 2012-2014

	Year ended 31 December			Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	2013	2012		
Revenues from information services (PLN million)	38.2	35.1	36.5	3.1	8.9%
Number of data vendors	58	58	58	0	0.0%
Number of subscribers ('000 subscribers)	239.0	261.9	288.1	-22.9	-8.7%

Source: WSE

⁶⁸ Includes companies which transitioned to listing on the Main Market.

⁶⁹ Based on market capitalisation at the time of delisting.



OTHER REVENUES

The Company's other revenues amounted to PLN 2.0 million in 2014 compared to PLN 1.3 million in 2013. Other revenues increased compared to 2013 mainly due to higher revenues from space lease (lease of server rooms to Group companies) and from training (Exchange School).

OPERATING EXPENSES

Total operating expenses amounted to PLN 130.6 million in 2014, an increase of 4.3% (PLN 5.4 million) compared to PLN 125.3 million in 2013. Fees and charges, depreciation and amortisation, salaries and external service charges increased while other operating expenses as well as rent and other maintenance fees decreased in 2014.

Table 38 Separate operating expenses of WSE and structure of operating expenses, 2012-2014

PLN'000, %	Year ended 31 December						Change (2014 v. 2013)	Change (%) (2014 v. 2013)
	2014	%	2013	%	2012	%		
Depreciation and amortisation	24,135	18%	21,927	18%	13,733	12%	2,208	10.1%
Salaries	33,863	26%	32,002	26%	30,661	27%	1,861	5.8%
Other employee costs	9,312	7%	9,143	7%	9,623	8%	169	1.8%
Rent and other maintenance fees	8,327	6%	8,670	7%	7,861	7%	-343	-4.0%
Fees and charges	20,516	16%	19,095	15%	18,109	16%	1,421	7.4%
including: PFSA fees	21,054	16%	18,249	15%	16,823	15%	2,805	15.4%
External service charges	30,292	23%	28,828	23%	28,462	25%	1,464	5.1%
Other operating expenses	4,200	3%	5,589	4%	6,429	6%	-1,389	-24.8%
Total	130,644	100%	125,255	100%	114,877	100%	5,389	4.3%

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 24.1 million in 2014, an increase of 10.1% (PLN 2.2 million) compared to 2013. The increase in depreciation and amortisation was driven by the implementation of WSE's new trading system UTP: the additional depreciation and amortisation charges were incurred in nine months of 2013 and twelve months of 2014.

Salaries and other employee costs

Salaries and other employee costs amounted to PLN 43.2 million in 2014, an increase of 4.9% (PLN 2.0 million) compared to 2013.



Table 39 Employment in the WSE

# FTEs	As at		
	31-Dec-14	31-Dec-13	31-Dec-12
WSE	208	205	209
Total	208	205	209

Source: WSE

Salaries and other employee costs in the period under review were mainly driven by one-off events:

- reorganisation severance pay to reduced employees (PLN 0.7 million),
- changes on the WSE Management Board
- and the related no-compete clause (PLN 0.7 million) and holiday pay (PLN 0.5 million).

Rent and other maintenance fees

Rent and other maintenance fees amounted to PLN 8.3 million in 2014, a decrease of 4.0% (PLN 0.3 million) compared to 2013. The decrease of costs in 2014 was driven by lower costs of server room lease and IT infrastructure.

Fees and charges

Fees and charges stood at PLN 20.5 million in 2014, an increase of 7.4% (PLN 1.4 million) compared to 2013. The main component of the Company's fees and charges are fees paid to the Polish Financial Supervision Authority (PFSA), which stood at PLN 21.1 million in 2014 and PLN 18.2 million in 2013. The total amount of fees and charges is lower than the advance fees paid to PFSA in view of a VAT adjustment which reduced fees and charges by PLN 1.3 million.

According to a PFSA letter received in January 2015, which sets the amount of advance fees to be paid to the regulator by entities operating on the capital market, WSE fees will be PLN 5.55 million in each of Q1 and Q2 2015.

External service charges

External service charges amounted to PLN 30.3 million in 2014, an increase of 5.1% (PLN 1.5 million) compared to PLN 28.8 million in 2013. The external service charges in 2014 mainly include higher costs of advisory (by PLN 1.6 million) and promotion (by PLN 1.1 million), partly offset by lower costs of legal services and translation (by PLN 0.6 million), data transmission lines (by PLN 0.2 million) and transport services (by PLN 0.2 million). The cost of WSE's sponsorship was PLN 0.98 million in 2014 compared to PLN 0.45 million in 2013. The cost of sponsorship is a part of the cost of promotion, education and market development.

Other operating expenses

Other operating expenses amounted to PLN 4.2 million in 2014, a decrease of 24.8% (PLN 1.4 million) compared to PLN 5.6 million in 2013. The decrease of expenses was driven mainly by lower costs of acquired software and electricity bills, which are part of the costs of materials and 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 0.6 million and other expenses amounted to PLN 0.9 million in 2014, as compared to PLN 1.6 million and PLN 1.6 million, respectively, in 2013.

Lower other income in 2014 was due to relatively high income in 2013 including mainly PLN 1.0 million of debt enforced from clients in respect of information services.

Lower other expenses in 2014 were mainly driven by a PLN 0.9 million lower write-down of receivables. The Company paid the cost of donations at PLN 114 thousand in 2014, compared to PLN 76 thousand expensed in 2013.

FINANCIAL INCOME AND EXPENSES

Financial income of the Company amounted to PLN 21.2 million in 2014, a decrease of PLN 28.6 million compared to PLN 49.8 million in 2013. 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 14.8 million in 2014 and PLN 43.3 million in 2013. Financial income from held Treasury bonds amounted to PLN 0.6 million in 2014 and PLN 0.6 million in 2013. Interest income from bank deposits amounted to PLN 5.5 million in 2014 and PLN 5.2 million in 2013. The surplus of positive fx differences over negative fx differences was PLN 0.2 million in 2014 and PLN 0.5 million in 2013.

The Company's total financial expenses were PLN 17.9 million in 2014 compared to PLN 11.9 million in 2013. The increase of financial expenses was driven by a decision to write down investments in the subsidiaries WSEInfoEngine S.A. (by PLN 6.8 million) and Instytut Rynku Kapitałowego – WSE Research S.A. (by PLN 0.9 million).

Net of the write-down of investments in subsidiaries, financial expenses decreased by PLN 1.7 million year on year in 2014, mainly due to the lower interest costs of debt service under the bond issue, at PLN 9.5 million in 2014 compared to PLN 11.2 million in 2013, following changes to WIBOR 6M, which is the floating interest rate underlying the interest rate on the bonds. The interest rate on the bonds was 3.89% in the first half of 2014 and 3.87% in the second half of 2014, and 5.29% in the first half of 2013 and 3.87% in the second half of 2013.

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.

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 Group in 2014 and PLN 0.5 million in 2013.

WSE did not issue any securities in 2014.

As of 1 January 2012, WSE applies hedge accounting. As at the end of December 2014, 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 positive at PLN 0.2 million in 2014 and PLN 3.1 million in 2013.

INCOME TAX

The Company's effective income tax rate was 15.1% in 2014 and 5.3% in 2013, compared to the standard Polish corporate income tax rate of 19%. Income tax was PLN 9.4 million in 2014 compared to PLN 5.6 million in 2013.

The effective tax rate in 2014 and 2013 was mainly driven by dividends received from subsidiaries and associates. The low tax rate of 2013 was influenced by recognised tax relief for new technologies (PLN 7.0 million).

Income tax paid by the Company was PLN 0.0 million in 2014 compared to PLN 6.7 million in 2013. WSE accounted for income tax under the general rules in 2014 and in 2013. WSE reported a tax credit of PLN 8.4 million at the end of 2014, which is expected to be cleared in the coming years.

V.3 Atypical factors and events impacting the results

REVENUES

Derivatives

In 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 was originally expected to eventually replace WIG20. In September 2014, the WSE Management Board decided to focus on the development of instruments based on WIG20. Consequently, work on the introduction of derivatives based on WIG30 was discontinued.

On 23 September 2013, WSE introduced into trading WIG20 futures with a multiplier of PLN 20 to replace futures with a multiplier of PLN 10. The migration to the new contracts was completed on 20 June 2014 when the last series of futures with a multiplier of PLN 10 (FW20M14) expired. Consequently, Q3 2014 was the first quarter when only WIG20 futures with a multiplier of PLN 20 were in trading. WSE expected that the volume of trading in WIG20 futures would be lower in the initial period after the migration. Following a review of available data, internal analyses and industry consultations involving among others the WSE Derivatives Market Committee, WSE decided to continue listing WIG20 futures with a multiplier of PLN 20.

Changes to WSE indices

In September 2014, WSE announced that WIG20, the price index which groups the 20 most liquid stocks on WSE, would remain the main stock exchange index. The publication of mWIG40 has been continued and the publication of sWIG80 was resumed as of the beginning of 2015.

At the same time, WSE will continue to publish WIG30. Its derivatives, WIG30short and WIG30lev, as well as WIG50 and WIG250, are no longer published as of January 2015.



The decisions impact the derivatives market. WSE will focus on the development of the derivatives market and on promotion of instruments based on WIG20. Derivatives on WIG30 and WIG50 will not be introduced to trading.

NewConnect

Ten companies transferred from NewConnect to the WSE Main Market in 2014. As measured by value, NewConnect was an important source of new listings for the Main Market in 2014: the value of IPOs on the Main Market was PLN 1.3 billion while the value of transfers from NewConnect was PLN 2.6 billion in 2014. Seven companies with a total capitalisation of PLN 1.0 billion transferred from NewConnect to the Main Market in 2013. What makes the Main Market more attractive than NewConnect is the opportunity to attract open-ended pension funds as shareholders.

Catalyst

Pursuant to Article 23 of the Act of 6 December 2013 amending certain Acts in connection with the determination of the terms of payment of pensions from resources of open-ended pension funds, open-ended pension funds transferred PLN 153.2 billion of assets to the Social Insurance Institution (ZUS) on 3 February 2014. PLN 130.2 billion of that amount were Treasury securities marked for cancellation, which reduced the value of Treasury issues on Catalyst in February 2014. In the following months, the total value of Treasury securities issues gradually increased. The value of Treasury securities issues listed on Catalyst decreased from PLN 560.2 billion as at 31 December 2013 to PLN 480.5 billion as at 31 December 2014.

OPERATING EXPENCES

Salaries and other employee costs

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

- reorganisation severance pay to reduced employees (PLN 0.7 million);
- additional provisions set up against retirement benefits (PLN 0.3 million);
- changes on the WSE Management Board and the related no-compete clause (PLN 0.7 million);
- and holiday pay (PLN 0.5 million).

External service charges

The higher cost of advisory services was related to projects implemented by WSE (including negotiations with the Vienna Stock Exchange, investment in the Aquis trading platform). The higher promotion costs were due to the organised celebrations of the 25th anniversary of free Poland.

STATEMENT OF FINANCIAL POSITION

Share of profit of associates

WSE and Aquis Exchange Limited with its registered office in the UK signed an agreement concerning acquisition of new issue shares in Q3 2013. WSE acquired 153,609 Aquis Exchange Ltd shares for GBP 2.0 million in August 2013. Another 230,416 shares were acquired for GBP 3.0 million in February 2014 following approval of UK's Financial Conduct Authority (FCA) for Aquis Exchange to operate as a multilateral trading facility (MTF) and following FCA's approval for WSE to increase its stake in Aquis



Exchange capital. The total price of 384,025 shares of Aquis Exchange to WSE was GBP 5.0 million (PLN 25.3 million).

As at the date of preparation of this Report, WSE holds 384,025 shares of Aquis Exchange representing 36.23% of the total number of shares and giving 30.00% of economic and voting rights in Aquis. The stake decreased to the target level after new and existing shareholders took up additional stakes. The shares of Aquis Exchange Limited as an associate of the WSE Group are recognised using equity accounting as at 31 December 2014.

The business model of Aquis is based on subscription fees charged for generated traffic rather than on the value of trade as on other trading platforms. The company launched its operation on 26 November 2013 and is still posting losses. While the company and its management succeeded in launching the operation, attracting the first members and quickly growing the trading turnover, the operation of Aquis and the success of its business model depend mainly on (1) increasing capital, planned by mid-2015, to ensure that it continues to meet the regulatory capital requirements, and eventually (2) attracting a sufficient number of members and subscription fees to reach break-even.

WSE founded the Institute of Analysis and Rating (IA&R) on 20 June 2014 and paid PLN 4.1 million for shares in its share capital. As a result, WSE took up 100% of the shares and votes of the company. The company was registered in the National Court Register on 14 July 2014. IA&R was established to bridge a gap in the rating offer in the SME segment on the local market.

The share capital of WSEInfoEngine was increased by PLN 0.6 million on 9 January 2014. The share capital of the company was increased by another PLN 2.3 million on 20 June 2014. The share capital of the company stood at PLN 8.3 million as at 31 December 2014.

The share capital of IRK S.A. was increased by PLN 0.8 million on 4 June 2014. The share capital of the company stood at PLN 2.4 million as at 31 December 2014.

The share capital of WSE Services S.A. was increased by PLN 0.2 million on 18 April 2014. The share capital of the company was increased by another PLN 1.0 million on 30 June 2014. The share capital of the company stood at PLN 1.3 million as at 31 December 2014. The Ordinary General Meeting of WSE Commodities S.A. on 30 June 2014 decided to change the company's name from WSE Commodities S.A. to WSE Services S.A.

The WSE Management Board has an intention to concentrate commodity market assets in the PolPX Group and to sell all/part of the shares of the subsidiary WSEInfoEngine S.A. (WSEIE) to a PolPX subsidiary is being considered. As a result, the investment in WSEIE was reclassified from investment in subsidiaries to assets held for sale. The Exchange Management Board expects that the stake will be sold in the first half of 2015 at the carrying value of net assets at ca. PLN 1.5 million, which in the opinion of the Company equals the fair value of the stake less the cost of sale. As a result, impairment losses of PLN 6,795 thousand were recognised in WSE's financial statements. The impairment losses were recognised under financial expenses of the Company. The impairment losses were due to negative financial results in 2013-2014 and lack of prospects of profits that would justify the carrying value of the stake.

The Exchange Management Board consider sales of WSE's subsidiary Instytut Rynku Kapitałowego – WSE Research S.A. (IRK) and the sale is expected in the first half of 2015. As a result, the investment in WSEIE was reclassified from investment in subsidiaries to assets held for sale. The carrying value of WSE's stake in IRK was PLN 2,437 thousand at cost as at 31 December 2014, which is more than the estimated fair value less the cost of sale of the stake at PLN 537 thousand. The impairment losses were recognised under financial expenses of the Company for 2014 in the amount of PLN 900 thousand. The impairment losses



were due to negative financial results in a long period and lack of prospects of profits that would justify the carrying value of the stake.

V. 4 Structure of assets and liabilities

ASSETS

Balance-sheet total 731.9 PLN mn	Non-current assets 480.1 PLN mn	Current assets 251.8 PLN mn
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The balance-sheet total of the Company was PLN 731.9 million as at 31 December 2014, an increase of PLN 9.3 million compared to 31 December 2013.

The Company's non-current assets stood at PLN 480.1 million representing 66% of total assets as at 31 December 2014, as compared to 69% of total assets as at 31 December 2013. The change in the structure of non-current assets in 2014 compared to 2013 was mainly due to a decrease in property, plant and equipment as well as intangible assets in 2014 driven by the depreciation and amortisation of the trading system UTP, combined with an increase of investment in associates.

The increase of investment in associates was due to WSE's acquisition of shares of Aquis Exchange Limited. The acquisition was financed with WSE's own funds. Following the transaction, as at the date of preparation of this Report, WSE holds 36.23% of the total number of shares of Aquis Exchange giving 30.00% of economic and voting rights in Aquis. The total price of the 36.23% of the shares was PLN 25.3 million. Aquis Exchange Limited is presented as an associate under investment in associates in the statement of financial position and its shares are recognised using equity accounting as of Q1 2014.

The Company's current assets stood at PLN 251.8 million representing 34% of total assets as at 31 December 2014 as compared to PLN 225.6 million or 31% of total assets as at 31 December 2013.

A corporate income tax credit as at the end of 2014 was due to a surplus of payments in 2012 and 2013 as well as a recognised income tax refund under a new technology investment relief for 2013.

Assets held for sale result from the reclassification of investment in the subsidiaries WSEInfoEngine S.A. and Instytut Rynku Kapitałowego – WSE Research S.A. as assets held for sale in view of their expected sale.



Table 40 Assets of WSE

PLN'000	As at					
	31-Dec-14	%	31-Dec-13	%	31-Dec-12	%
Non-current assets	480,087	66%	496,790	69%	443,592	68%
Property, plant and equipment	101,291	14%	112,279	16%	129,010	20%
Intangible assets	85,496	12%	95,439	13%	35,383	5%
Investment in subsidiaries and associates	289,632	40%	265,107	37%	262,149	40%
Deferred tax assets	-	0%	-	0%	2,570	0%
Available-for-sale financial assets	207	0%	20,955	3%	11,183	2%
Held-to-maturity financial assets	0	0%	0	0%	0	0%
Prepayments	3,461	0%	3,010	0%	3,297	1%
Current assets	251,636	34%	225,645	31%	206,391	32%
Inventories	114	0%	166	0%	253	0%
Corporate income tax receivable	8,378	1%	10,496	1%	4,815	1%
Trade and other receivables	22,569	3%	23,940	3%	23,640	4%
Available-for-sale financial assets	10,503	1%	118	0%	118	0%
Financial assets held for sale	2,037	0%	0	0%	0	0%
Held-to-maturity financial assets	0	0%	0	0%	0	0%
Other current assets	0	0%	0	0%	0	0%
Cash and cash equivalents	208,035					
Total assets	731,723	100%	722,435	100%	649,983	100%

Source: Separate Financial Statements, Company

EQUITY AND LIABILITIES



The equity of the Company stood at PLN 458.9 million representing 63% of the total liabilities and equity as at 31 December 2014 compared to PLN 465.5 million representing 63% of the total liabilities and equity as at 31 December 2013.

Non-current liabilities of the Company stood at PLN 258.6 million representing 35% of the total equity and liabilities as at 31 December 2014 compared to PLN 249.9 million or 35% of the total equity and liabilities as at 31 December 2013. The non-current liabilities mainly include bond issue liabilities. The increase in the Company's deferred tax liabilities in 2014 was mainly driven by the difference between the tax rate and the accounting rate of depreciation and amortisation of the UTP system.

Current liabilities of the Company stood at PLN 14.4 million and represented 2% of the total equity and liabilities as at 31 December 2014 compared to PLN 16.0 million or 2% of the total equity and liabilities as at 31 December 2013. Accruals increased in the period under review while liabilities in respect of employee benefits, mainly annual and discretionary bonuses, decreased.



Table 41 Equity and liabilities of WSE

PLN'000	As at					
	31-Dec-14	%	31-Dec-13	%	31-Dec-12	%
Equity	458,769	63%	456,483	63%	384,881	59%
Share capital	63,865	9%	63,865	9%	63,865	10%
Other reserves	-243	0%	12	0%	(2,943)	0%
Retained earnings	395,147	54%	392,606	54%	323,960	50%
Non-current liabilities	258,601	35%	249,904	35%	247,336	38%
Employee benefits payable	5,357	1%	4,313	1%	4,180	1%
Liabilities under bond issue	244,078	33%	243,617	34%	243,157	37%
Deferred income tax liability	9,166	1%	1,974	0%	-	0%
Current liabilities	14,353	2%	16,048	2%	17,766	3%
Trade payables	3,673	1%	3,184	0%	3,358	1%
Liabilities under bond issue	-	0%	0	0%	0	0%
Dividends and other liabilities	2,935	0%	3,893	1%	3,598	1%
Employee benefits payable	7,745	1%	8,970	1%	10,810	2%
Total equity and liabilities	731,723	100%	722,435	100%	649,983	100%

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 2014, 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 17.5 at 2014 year-end and 14.1 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 Company's financial assets and financial risk management process is effective and ensures timely meeting of payment obligations.

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

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



CASH FLOWS

The Company generated positive cash flows from operating activities at PLN 83.5 million in 2014 compared to positive cash flows of PLN 88.4 million generated in 2013. The lower cash flows from operating activities in 2014 were driven directly mainly by the lower cash flows from the Company's core business.

The cash flows from investing activities were negative at PLN 6.7 million in 2014 and negative at PLN 31.8 million in 2013. The cash flows in 2014 were mainly due to an increase of the share capital of subsidiaries for PLN 9.0 million in aggregate, the acquisition of the second tranche of shares of Aquis Exchange Limited for PLN 15.2 million, as well as dividends received from subsidiaries and associates at PLN 14.8 million.

The cash flows from financing activities were negative in 2014, driven mainly by a dividend paid 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 43.8 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.

Table 42 Separate cash flows of WSE, 2012-2014

PLN'000	Cash flows for the 12-month period ended 31 December		
	2014	2013	2012
Cash flows from operating activities	83,511	88,418	65,528
Cash flows from investing activities	(6,711)	(31,755)	(159,824)
Cash flows from financing activities	(59,734)	(43,797)	(613)
Net increase / (decrease) in cash and cash equivalents	17,065	12,866	(94,909)
<i>Impact of change of fx rates on cash balances in foreign currencies</i>	44	494	(1,041)
Cash and cash equivalents - opening balance	190,925	177,565	273,515
Cash and cash equivalents - closing balance	208,035	190,925	177,565

Source: Separate Financial Statements, Company

CAPITAL EXPENDITURE

The total capital expenditure for property, plant and equipment and intangible assets amounted to PLN 3.5 million in 2014 compared to PLN 67.9 million in 2013, and included PLN 2.3 million of capital expenditure for property, plant and equipment in 2014 compared to PLN 4.1 million in 2013, and PLN 1.3 million of capital expenditure in intangible assets in 2014 compared to PLN 63.8 million in 2013. The high 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 Company'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 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 Company's expected capital expenditure for property, plant and equipment and intangible assets will be ca. PLN 15-20 million in 2015, including mainly reorganisation of office space of WSE Group companies,



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 8.9 million at 31 December 2014.

V. 5 Ratio analysis

DEBT AND FINANCING RATIOS

In the period under review, the debt of the Company posed no threat to its going concern and capacity to meet liabilities on time. The ratio of net debt to EBITDA and the debt to equity ratio remained high and stable year on year. The Company did not raise additional borrowed capital in 2014.

LIQUIDITY RATIOS

The current liquidity ratio was 17.5 in 2014 and 14.1 in 2013, which demonstrates high liquidity of the Company. A dividend of PLN 2.40 per share is expected to be paid in 2015, which will gradually reduce the ratio.

The coverage ratio of interest costs under the bond issue was 8.7 in 2014 and 8.1 in 2013. Consequently, the Company generates cash flows from operating activities which are more than sufficient to cover current liabilities under the bond issue.

PROFITABILITY RATIOS

An analysis of a set of profitability ratios suggests that the Company's operating efficiency in 2014 decreased compared to 2013. The main drivers of the decrease in profitability include moderately lower revenues (down by 2.2%) and higher operating expenses (up by 4.3%) including fees paid to PFSA and depreciation and amortisation charges. The latter explain the difference between EBIT and EBITDA. The net profit margin decreased in 2014 compared to 2013 due to a lower net profit driven by lower operating profit, lower dividends received, and higher income tax.

The lower net profit margin is also reflected in return on assets (ROA) and return on equity (ROE).



Table 43 Key financial indicators of WSE, 2012-2014

		As at / For the 12-month period ended		
		31-Dec-14	31-Dec-13	31-Dec-12
Debt and financing ratios				
Net debt / EBITDA	1), 2)	0.3	0.3	0.6
Debt to equity	3)	0.5	0.5	0.6
Liquidity ratios				
Current liquidity	4)	17.5	14.1	11.6
Coverage of interest cost under bond issue	5)	8.7	8.1	5.8
Profitability ratios				
EBITDA margin	6)	43.8%	46.9%	45.7%
Operating profit margin	7)	31.1%	35.6%	38.7%
Net profit margin	8)	27.8%	52.2%	33.5%
Cost / income	9)	68.8%	64.4%	58.6%
ROE	10)	11.6%	24.1%	17.1%
ROA	11)	7.3%	14.8%	10.6%

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

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

3) Debt to equity = interest-bearing liabilities / equity (as at balance-sheet date)

4) Current liquidity = current assets / current liabilities (as at balance-sheet date)

5) Coverage of interest cost under bond issue = EBITDA / interest cost under bond issue (for a period of 12 months)

6) EBITDA margin = EBITDA / WSE revenue (for a period of 12 months)

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

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

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

10) ROE = WSE net profit (for a period of 12 months) / Average equity at the beginning and at the end of the last 12 month period

11) ROA = WSE net profit (for a period of 12 months) / Average total assets (excl. WCCH guarantee system) at the beginning and at the end of the last 12 month period

Source: WSE

V. 6 Other material information

CURRENT AND EXPECTED FINANCIAL POSITION

It is expected that the Company will generate material cash flows from operating activities in the coming years; combined with revenues from financial assets, these will cover the Company's operating expenses, capital expenditures and debt service costs.

The Company is not planning to use external financing to an extent greater than as at the date of preparation of this Report. Should any unexpected events occur, which will require financing that could not be provided by the Company, the Company will consider obtaining external funds in a manner optimal for the Company's capital expense and structure.

The Company did not publish any financial forecasts for 2014. Consequently, no explanations are provided for the differences between the financial results disclosed in the Annual Report and any previously published forecasts.



INVESTMENTS AND LINKS TO OTHER ENTITIES

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 I.4 of this Report.

In 2014, WSE did not make or divest any equity investments in any entities other than associates. The description of investments in associates and subsidiaries in 2014 is presented in section V.3 of this Report.

Equity links of WSE to the companies from outside the Group as at 31 December 2014 are the foreign investments in S.C. Sibex - Sibiu Stock Exchange S.A. and INNEX PJSC.

In addition to the stake in the above mentioned companies, as well as in the Group subsidiaries and associates, WSE's major domestic investments as at 31 December 2014 comprise:

- long-term Treasury bonds,
- bank deposits.

Except for the investment in the Romanian stock exchange S.C. Sibex - Sibiu Stock Exchange S.A. and INNEX PJSC, 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 2014 and 31 December 2013.

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 2014 and 31 December 2013. 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 2014 and 31 December 2013.

CREDIT AND LOAN AGREEMENTS SIGNED AND TERMINATED DURING THE FINANCIAL YEAR

The Company signed and terminated no credit and loan agreements in 2014.

LOANS GRANTED IN THE FINANCIAL YEAR

In January 2014, WSE granted a one-month short-term loan of PLN 300 thousand to the subsidiary WSEInfoEngine S.A. to finance its current business. The interest rate on the loan was 7.0% p.a. The loan with interest was repaid on time. In March 2014, WSE granted a one-month short-term loan of PLN 380 thousand to the subsidiary WSEInfoEngine S.A. to finance its current business. The interest rate on the loan was 7.0% p.a. The loan with interest was repaid on time. In June 2014, WSE granted a short-term loan of PLN 400 thousand to the subsidiary WSEInfoEngine S.A. The interest rate on the loan was 7.0% p.a. The loan with interest was repaid in August 2014.

Except for the foregoing, the Company granted no loans other than loans granted to WSE employees under the internal Employee Loan Program in 2014.



GUARANTIES AND SURETIES GRANTED AND ACCEPTED DURING THE FINANCIAL YEAR

In April 2014, the Company issued a performance bond to WSEInfoEngine S.A. in respect of amounts due to Polskie Sieci Energetyczne as payment for electricity on the balancing market. The liability was capped at PLN 1.0 million.

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

In 2014, the Company did not make any material transactions with related parties on terms other than at arm's length. The transactions with related parties are presented in detail in Note 25 to the Separate Financial Statements.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company had no contingent liabilities or contingent assets as at 31 December 2014.

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

In February 2015, WSE signed two conditional agreements to buy 73,530 shares of the subsidiary BondSpot for PLN 307 thousand, representing 0.74% of the share capital of the company. Both transactions are conditional on the approval of the Polish Financial Supervision Authority for WSE to buy the shares.



SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD

- Paweł Tamborski – President
- Dariusz Kułakowski – Vice-President
- Karol Półtorak – Vice-President
- Mirosław Szczepański – Vice-President
- Grzegorz Zawada – Vice-President

Warsaw, 20 February 2015