



Letter of the President of the WSE Management Board

Ladies and Gentlemen,

I present you – for the first time as the President of the Management Board of the Warsaw Stock Exchange – with the reports of the Management Board of the Warsaw Stock Exchange on the activities of the Exchange and the WSE Group in 2012. The reports lead to a significant conclusion that our strategy of diversifying the sources of revenue is correct and has brought very good results.

The WSE is a part of the global financial system and follows the same trends as other financial instrument exchanges. In 2012, similarly to other exchanges, we have seen a decrease of turnover in equities and derivatives. Despite the unfavourable environment, the WSE has strengthened its position in the region of Central and Eastern Europe measured by the value of trading and the capitalisation of listed shares. For another consecutive year, the WSE ranked among Europe's most active IPO markets. The IPOs issues in Warsaw represented 40 percent of Europe's IPOs last year. The total value of the IPOs (PLN 731 million) ranked the WSE #5 among the exchanges present on Europe's most advanced capital markets. In derivatives trading, the WSE also remains the unparalleled leader of the CEE Region and accounts for 77% of the volume of trading in single-stock and index futures and options.

The key factor, which offset the financial implications of the less favourable conditions on the financial market was the revenue of the new business lines, in particular trade in electricity and other exchange commodities. At first, we added the commodity market to the WSE's business in 2010 with the acquisition of an organised part of the enterprise of Elbis (poee platform) and the opening of spot and forward trading in electricity on the WSE. In February 2012, we followed with the second step by taking control of the Polish Power Exchange. The acquisition of PolPX was financed with an issue of five-year bonds with the interest of the bonds among the lowest of all domestic corporate bond issues in Poland (WIBOR + 117 basis points), which attests to the very good financial standing of the Exchange. These initiatives have allowed us to largely diversify the sources of revenues and made us quite resilient to the trends prevailing on the financial market. As a result, the commodity market generated 22.9% of the WSE Group's revenues in 2012 and contributed to the WSE Group's record of nearly PLN 274 million in revenues (+1.9% YoY).

Consequently, the WSE Group starts the year 2013 as the CEE region's most important financial instruments exchange, well prepared for the economic recovery expected in the latter half of the year, and also, as the organiser of an integrated commodity market, which expanded by the Gas Exchange as of late 2012 and is bound to grow along with Poland's exchange commodity trading,

which has a huge growth potential. The WSE Group's capacity of further growth, which is determined by external factors such as the size and growth rate of the local economy, the fast pace of growth of the sector of private companies, continued privatisations or a strong sector of investment firms and assets managers, will be enhanced by organisational and technological developments undertaken by the WSE Group.

We aspire to promptly modernise the WSE and the entire capital market so as to make it a truly integral part of the European markets. At this time, the WSE's 'client' mainly is the Polish economy; however, we want to increasingly attract the economies of the region. We shall identify and meet their needs in order to build a stronger market, more fit for the changing and competitive international environment. Technology will be one of the key drivers of change. In the nearest future, the key project of the WSE and the entire Polish capital market is the implementation of the new trading system UTP. The project will help to better identify the business opportunities and challenges facing the Warsaw Stock Exchange. The technology upgrade will ensure a much superior trading speed and will remove practical limitations on the number of orders and trades handled in the system. It will create conditions conducive to improved market liquidity and efficiency. Enhanced system parameters and functionalities will support more dynamic growth of different categories of instruments and will improve the comfort for system's users. In parallel to the implementation of UTP, which launch has been confirmed of 15 April, 2013, the WSE will accomplish programmes aiming to improve the liquidity of trading in equities and derivatives and will open new segments of the derivatives market (i.e. stock options, Treasury bond and WIBOR futures, as well as cash-settled commodity derivatives). On completion of the first phase of the technology upgrade, we shall initiate work on the second phase – launch of specialized derivatives trading platform.

We shall also change our the rules of shaping the relationship with the stakeholders. Only relations based on partnership and mutual respect can ensure success of cooperation necessary to grow and further develop the Polish capital market. This is particularly important when updating the WSE's strategy, which we plan in 2013. We also want to initiate discussions on a review of the growth strategy for the entire Polish capital market to match it more closely with international conditions. It should focus on building liquidity and on attracting large listings with a substantial free float to the WSE. Naturally, we shall be mindful of the needs of smaller companies while shall make a stronger effort on the standards governing NewConnect - the market dedicated to them.

Adam Maciejewski

President of the WSE Management Board