GIEŁDA PAPIERÓW WARTOŚCIOWYCH W WARSZAWIE S.A. GROUP
("THE WARSAW STOCK EXCHANGE GROUP")

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	Note	31.12.2010	31.12.2009
NON-CURRENT ASSETS		**337,664**	**390,006**
Property and equipment	5	119,516	124,347
Intangible assets	6	60,167	36,102
Investments in associates	7	138,956	179,324
Deferred tax assets	8	4,007	2,400
Available-for-sale financial assets	9	11,829	3,738
Financial assets held to maturity	9	-	40,810
Prepayments	12	3,189	3,285
CURRENT ASSETS		**220,862**	**665,545**
Inventories		438	425
Corporate income tax receivable		621	2,365
Trade and other receivables	11	81,416	22,869
Available-for-sale financial assets	9	30,787	45,884
Financial assets held to maturity	9	-	109,835
Cash and cash equivalents	13	107,600	484,167
TOTAL ASSETS		**558,526**	**1,055,551**

EQUITY AND LIABILITIES	Note	31.12.2010	31.12.2009
Equity		**524,726**	**521,808**
Equity attributable to the owners of the parent entity		**523,843**	**521,059**
Share capital	14	63,865	63,865
Other reserves	14	204	1,453
Retained earnings	14	459,774	455,741
Non-controlling interests		**883**	**749**
Non-current liabilities		**4,814**	**3,078**
Employee benefits payable	16	2,367	2,040
Other long term payables		1,360	-
Finance lease liabilities	18	77	28
Provisions for other liabilities and charges	17	1,010	1,010
Current liabilities		**28,986**	**530,665**
Trade payables	15	7,472	7,064
Finance lease liabilities	18	73	41
Other liabilities	15	11,440	513,035
Employee benefits payable	16	9,790	10,325
Provisions for other liabilities and charges	17	211	200
TOTAL EQUITY AND LIABILITIES		**558,526**	**1,055,551**

The notes presented on pages 5 to 73 form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31.12.2010	Year ended 31.12.2009
Revenue	19	225,629	199,498
Operating expenses	20	132,341	118,592
Other income	21	1,139	2,495
Other expenses	22	2,677	3,886
Operating profit		**91,750**	**79,515**
Financial income	21	10,307	32,792
Financial expenses		883	579
Share of profit of associates	7	14,170	11,061
Profit before income tax		**115,344**	**122,789**
Income tax expense	23	20,518	22,081
Profit for the period		**94,826**	**100,708**
Other comprehensive income:			
Gains/(losses) from the valuation of financial assets available-for-sale of the parent entity		(1,189)	786
Gains/(losses) from the valuation of financial assets available-for-sale of the associate	32	(60)	(246)
Other comprehensive income after tax		**(1,249)**	**540**
Total comprehensive income		**93,577**	**101,248**
Profit for the period		**94,826**	**100,708**
Profit for the period attributable to the shareholders of the parent entity	31	94,692	100,762
Profit for the period attributable to the non-controlling interests		134	(54)
Total comprehensive income		**93,577**	**101,248**
Total comprehensive income attributable to the shareholders of the parent entity		93,443	101,302
Total comprehensive income attributable to the non-controlling interests		134	(54)
Basic / diluted earnings per share (expressed in PLN)	31	2.26	2.40

The notes presented on pages 5 to 73 form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Note	Year ended 31.12.2010	Year ended 31.12.2009
A	**Cash flows from operating activities:**		**90,042**	**71,108**
	Cash generated from operations	29	110,104	91,309
	Income tax paid		(20,062)	(20,201)
B	**Cash flows from investing activities:**		**130,190**	**183,882**
	Purchases of property and equipment	5	(8,331)	(13,239)
	Proceeds from sale of property and equipment		131	104
	Purchases of intangible assets	6	(28,351)	(4,629)
	Acquisition of subsidiary less acquired cash		-	(19,710)
	Proceeds from sales of available-for-sale financial assets	9	159,631	120,000
	Purchases of bonds held to maturity	9	-	(887)
	Redemption of bonds held do maturity	9	-	76,500
	Interest received	21	6,483	25,438
	Dividends received	21	486	305
	Other		141	-
C	**Cash flow from financing activities:**		**(596,800)**	**-**
	Dividends paid		(596,800)	-
D	**Net increase / (decrease) in cash and cash equivalents**		**(376,567)**	**254,990**
	Cash and cash equivalents at the beginning of the period		**484,167**	**229,177**
	Cash and cash equivalents at the end of the period	**13**	**107,600**	**484,167**

The notes presented on pages 5 to 73 form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the shareholders of the parent entity				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
Balance as at 31 December 2008	**63,865**	**919**	**861,155**	**925,939**	**-**	**925,939**
Adjustment due to purchase of BondSpot S.A.	-	-	-	-	803	803
Dividends (note 30)	-	-	(506,182)	(506,182)	-	(506,182)
Changes in equity due to sale of property and equipment	-	(6)	6	-	-	-
Profit for the year ended 31 December 2009	-	-	100,762	100,762	(54)	100,708
Revaluation of available-for-sale financial assets	-	540	-	540	-	540
Total comprehensive income for 2009	**-**	**540**	**100,762**	**101,302**	**(54)**	**101,248**
Balance as at 31 December 2009	**63,865**	**1,453**	**455,741**	**521,059**	**749**	**521,808**
Balance as at 31 December 2009	**63,865**	**1,453**	**455,741**	**521,059**	**749**	**521,808**
Dividends (note 30)	-	-	(90,659)	(90,659)	-	(90,659)
Profit for the year ended 31 December 2010	-	-	94,692	94,692	134	94,826
Revaluation of available-for-sale financial assets	-	(1,249)	-	(1,249)	-	(1,249)
Total comprehensive income for 2010	**-**	**(1,249)**	**94,692**	**93,443**	**134**	**93,577**
Balance as at 31 December 2010	**63,865**	**204**	**459,774**	**523,843**	**883**	**524,726**

The notes presented on pages 5 to 73 form an integral part of these consolidated financial statements.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. Legal status and the scope of operations of the parent company

The parent company of Giełda Papierów Wartościowych w Warszawie S.A. Group (the "Group") is Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna (the "Warsaw Stock Exchange", the "Exchange", "WSE" or the "Company") with its registered office in Warsaw, ul. Książęca 4. The Company was established by Notarial Deed on 12 April 1991 and registered with the Commercial Court in Warsaw on 25 April 1991.

The core operations of WSE comprise the organization of public trading in securities.

1.2. Approval of the financial statements

These consolidated financial statements were authorized for issue by the parent entity's Management Board on 19 March 2011.

1.3. The Group's composition and operations

The Warsaw Stock Exchange and its subsidiaries: WSEInfoEngine S.A., BondSpot S.A. and Instytut Rynku Kapitałowego – WSE Research S.A. comprise the Warsaw Stock Exchange Group. The associates on which the Group exerts significant influence are as follows: Centrum Giełdowe S.A., KDPW S.A. and INNEX Stock Exchange.

The composition of the Group as at 31 December 2010 and 31 December 2009 is set out in table below:

Name of the entity	Registered office of the entity	Scope of operations	% interest in share capital
Parent company			
Warsaw Stock Exchange	00-498 Warsaw ul. Książęca 4 Poland	– operating a stock exchange through the organization of public trading in securities – conducting educational, promotional and information activities regarding functioning of the capital market – organizing an alternative trading system	
Subsidiaries			
WSEInfoEngine S.A.	00-498 Warsaw ul. Książęca 4 Poland	– providing data transmission and information services	100.00%
BondSpot S.A. (former MTS-CeTO S.A.)	00-609 Warsaw Al. Armii Ludowej 26 Poland	– running an over-the-counter market and conducting other activities related to organizing trading in securities and other financial instruments – organizing an alternative trading system – organizing and conducting all activities which supplement and support the functioning of the markets operated by the Company	92.47%

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name of the entity	Registered office of the entity	Scope of operations	% interest in share capital
Instytut Rynku Kapitałowego - WSE Research S.A. (former Warszawski Instytut Rynku Kapitałowego S.A.)	00-498 Warszawa ul. Książęca 4 Poland	– publishing books, newspapers, magazines and other periodicals – non-school forms of education – activities which support education	100.00%
Associates			
Krajowy Depozyt Papierów Wartościowych S.A.	00-498 Warsaw ul. Książęca 4 Poland	– maintaining a deposit for securities – clearing and settlement of transactions concluded on the stock exchanges, energy exchanges and commodity exchanges – conducting other activities related to trading in securities and other financial instruments – administration of the Guarantee Fund	33.33%
Centrum Giełdowe S.A.	00-498 Warsaw ul. Książęca 4 Poland	– building, urban and technological design operations – undertaking general building works related to constructing buildings – leasing of real estate on own account – real estate management	24.79%
Closed joint stock company „INNEX Stock Exchange"	01015, Kiev ul. Moskowska 43/11 Ukraine	– managing financial markets – stock exchange transactions in securities – other types of wholesale – other auxiliary activities relating to financial intermediation – commercial and management advisory services – organizing secondary trading in shares, bonds and options – organizing tenders on the primary market for shares in Ukrainian businesses under privatisation	24.98%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 15 November 2000, WSE took up shares in **MTS-CeTO S.A.** and was recorded in the share register as the owner of 53.82% shares of the company. In 2002 the share capital of MTS CeTO S.A. was increased and the shares were acquired by other shareholders which resulted in a dilution of WSE's interest in MTS CeTO's share capital drop from 53.82% to 41.54%. In 2004, the share capital of MTS CeTO S.A. was increased. As a result of another shareholder subscribing to the increased capital, the WSE's interest in the share capital diluted to 31.15%. On 11 March 2009 WSE acquired 6,131,290 shares of MTS-CeTO S.A. which amounted to 61.32% of the company's share capital. Ownership of a strategic block of shares in this company (92.47% in total) enabled the realization of assumed strategic objective, which was to boost and develop, based on MTS-CeTO, a market for State Treasury debt securities listed on MTS Poland and RPW CeTO, as well as to build a new market for corporate and local authority bonds, created as an Alternative Trading System. In September 2009 the company changed its name to **BondSpot S.A.** The share capital of BondSpot S.A. as at 31 December 2009 amounted to PLN 10,000 thousand. The WSE's interest in the share capital of BondSpot S.A. and in the total number of voting rights amounted to 92.47% as at 31 December 2009 and as at 31 December 2010.

The notarial deed establishing **WSEInfoEngine S.A.** was drawn up on 23 February 2004. The company's founder and sole shareholder is the WSE, which took up 500 shares with a nominal value of PLN 1,000 each. The company was registered in the National Court Register of the District Court in Warsaw on 13 May 2004. In June 2008 the share capital was increased by PLN 220 thousand, in December 2009 by PLN 725 thousand and in December 2010 by another PLN 2,000 thousand. As at the balance date, the new shares issued in 2010, were not registered in the National Court Register**.** As at 31 December 2009, the share capital of WSEInfoEngine S.A. was PLN 1,445 thousand and as at 31 December 2010 it amounted to PLN 3,445 thousand. WSE's interest in the share capital of WSEInfoEngine S.A. and in total number of votes as at 31 December 2009 and 31 December 2009 amounted to 100%.

The notarial deed establishing **Warszawski Instytut Rynku Kapitałowego S.A.** (WIRK S.A.) was drawn up in December 2009. The company's founder and sole shareholder is the WSE, which took up 1,000 shares with a nominal value of PLN 500 each. The share capital of WIRK S.A. as at 31 December 2009 and as at 31 December 2010 amounted to PLN 500 thousand. WSE's interest in the share capital and voting rights of WIRK S.A. as at 31 December 2009 and as at 31 December 2010 amounted to 100%. In June 2010 the company changed its name to **Instytut Rynku Kapitałowego WSE Research S.A.**

In 1994, the WSE acquired shares in **KDPW S.A.** The WSE's interest in the share capital of KDPW S.A. was 66.66% at the end of 1998. In January 1999, the Company sold 7,000 out of 14,000 shares of KDPW S.A. held as at 31 December 1998 to the National Bank of Poland for PLN 51,708 thousand. Thus, as at the end of 1999 the Exchange's interest in the share capital of KDPW S.A. was 33.33%. The share capital of KDPW S.A. as at 31 December 2010 and as at 31 December 2010 was PLN 21,000 thousand. The WSE's interest in the share capital of KDPW S.A. and voting rights amounted to 33.33% as at 31 December 2009 and as at 31 December 2010.

In 1995, the Company acquired shares comprising 16.92% of the share capital of **Centrum Giełdowe S.A.**, a joint stock company formed on 21 November 1995 whose operations comprised the construction, use and rental of the WSE's new registered office at Książęca street in Warsaw. In 2000, the Exchange increased its interest in Centrum Giełdowe S.A. by purchasing shares from Bank Handlowy w Warszawie S.A. (an increase by 7.87% of shares). The share capital of Centrum Giełdowe S.A. as at 31 December 2009 and as at 31 December 2010 was PLN 18,760 thousand. WSE's interest in the share capital and voting rights of Centrum Giełdowe S.A. was 24.79% as at 31 December 2009 and as at 31 December 2010.

On 10 July 2008, WSE acquired shares in the Ukrainian **Stock Exchange INNEX** for USD 1,802 thousand, which represented on the date of transaction PLN 3,820 thousand. The share capital of INNEX as at 31 December 2009 and as at 31 December 2010 was UAH 6,000 thousand. WSE's interest in the INNEX share capital and voting rights as at 31 December 2009 and as at 31 December 2010 was 24.98%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies

The key accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of these consolidated financial statements, there are no circumstances indicating any threats to the Group's ability to continue operations.

2.1. Basis of preparation of the consolidated financial statements

These consolidated financial statements of the Warsaw Stock Exchange Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

These consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale financial assets which are measured at fair value.

The preparation of consolidated financial statements in accordance with IFRS requires making certain critical accounting estimates. It also requires management to exercise professional judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New standards and amendments to published standards and interpretations effective from 2010

Certain standards, interpretations and amendments to published standards are mandatory for accounting reporting periods commencing on or after 1 January 2010, but only if the Company did not apply them before that date.

Below are the requirements of the published standards and interpretations which are mandatory from 2010:

- The amendment to IFRS 1 "First-time Adoption of IFRS". The amendment consists in issuing additional optional exemptions for first-time adopters of IFRS with respect to establishing of deemed cost for oil and gas assets, reassessment of lease determination and establishing of deemed cost for operations subject to rate regulation.

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  This interpretation is not relevant to the Group's current situation.

- Amendments to IFRS 2 "Share-based Payment". Amendments to IFRS 2 have been published by the IASB on 18 June 2009 and are effective for annual periods starting from 1 January 2010 or later. The amendment explains that vesting conditions are service condition and performance condition only. Amendments have introduced to the standard issues regulated earlier in IFRIC 8 and IFRIC 11.

  This interpretation is not relevant to the Group's current situation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- IAS 24 “Related Party Disclosures” Amendments to IAS 24 “Related Party Disclosures” have been published by IASB on 4 November 2009 and are effective for annual periods beginning on or after 1 January 2011. The amendments introduce simplification of requirements for disclosure of information by government related entities and clarify the definition of a related party.

  The Group has applied amendments since 1 January 2010.

- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement”. The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.

  This interpretation is not relevant to the Group’s current situation.

- IFRIC 12 “Service Concession Arrangements”. The interpretation of IFRIC 12 was issued by the International Financial Reporting Interpretations Committee on 30 November 2006 and applies to annual periods beginning on or after 1 January 2010. The interpretation contains guidance on the application of the existing standards by entities involved in service concession arrangements between the public and the private sector. IFRIC 12 applies to arrangements in which the grantor has control over which services the operator will deliver using the infrastructure, to whom the services will be provided and for what price.

  This interpretation did not have a material impact on the Group’s consolidated financial statement.

- IFRIC 15 “Agreements for the Construction of Real Estate”. The interpretation of IFRIC 15 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2010. The interpretation provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 “Construction Contracts”, or IAS 18 “Revenue”. It also provides criteria for determining when entities should recognise revenue on such transactions.

  This interpretation is not relevant to the Group’s current operations.

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”. The interpretation of IFRIC 16 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and is effective for annual periods beginning on or after 1 June 2010. The interpretation contains general guidance for determining the existence of currency risk exposures in the area of translation from the functional currency to the presentation currency in the consolidated financial statements. The IFRIC explains which of the entities within a group is allowed to hold a hedging instrument and whether a parent company with an investment in a Foreign Operation is obliged to hold a hedging instrument. IFRIC 16 also clarifies how the gain or loss recycled from the currency translation reserve to income statement is calculated on a disposal of the hedged foreign operation.

  This interpretation did not have a material impact on the Group’s consolidated financial statement.

- IFRIC 17 “Distributions of Non-cash Assets to Owners”. IFRIC 17 was issued by the International Financial Reporting Interpretations Committee on 27 November 2008 and applies to annual periods beginning on or after 1 November 2009. The Interpretation includes guidance concerning the moment of dividend recognition, the measurement of dividends and the recognition of differences between the dividend and the carrying value of assets distributed. The Interpretation requires the disclosure of additional information, if the assets to be distributed meet the definition of a discontinued operation.

These amendments did not have a material impact on the Group's financial statement

- IFRIC 18 "Transfers of Assets from Customers". IFRIC 18 was issued by the International Financial Reporting Interpretations Committee on 29 January 2009 and applies to annual periods beginning on or after 1 November 2009. It clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

  These amendments did not have a material impact on the Group's consolidated financial statements.

(b) New standards, interpretations and amendments to the existing standards, which have not come into force yet and have not been applied by the Group or have not been relevant for the current Group's activity

The following new standards, interpretations and amendments to the existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2011 or later periods:

Amendments to IFRS 1 Limited Exemption from comparative IFRS 7 disclosures for first-time adopters. The proposed amendment would provide relief to first-time adopters from the requirement to provide comparative period disclosures for the information required to be presented by the Amendments to IFRS 7 if the first IFRS reporting period starts earlier than 1 January 2010.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

- IFRS 9 "Financial Instruments". IFRS 9 was published by The International Accounting Standards Board on 12 November 2009 and is effective for annual periods beginning on or after 1 January 2013. It introduces one model which provides only two categories of classification: the amortized cost and fair value. IFRS 9 approach is based on the business model used by entity to manage assets and on characteristics of financial assets. IFRS 9 also requires only one method of calculating the impairment of assets.

The Group is considering the consequences of these changes, their impact on the Group's consolidated financial statements and the date on which the new standard will be used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Amendment to IAS 32 "Financial Instruments: Presentation" – "Classification of Rights Issues". The amendments concern certain rights issues (rights, options, warrants) denominated in foreign currencies. The amendments require that, under certain conditions, rights issues were classified as equity regardless of what currency is the price of rights determined.

  These amendments are not expected to have a material impact on the Group's consolidated financial statements.

- The International Accounting Standards Board issued on 6 May 2010 "Amendments to IFRS 2010", which change 7 standards. Amendments include changes in the presentation, recognition and valuation, and contain terminology and editorial changes. Most of the changes will be effective for annual periods beginning on 1 January 2011

  The amendments are not expected to have a material impact on Group's consolidated financial statement.

- The amendments to IFRIC 14, "Advances on the minimum funding requirement". Changes to the interpretation of IFRIC 14 has been issued by the International Financial Reporting Interpretations Committee on 26 November 2009 and are effective for annual periods beginning on or after 1 January 2011. This interpretation provides guidance on recognition of advance payment of contributions to cover the minimum funding requirement as assets in the contributing entity.

  This interpretation is not relevant to the Group's current operations.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". IFRIC 19 was issued by the International Financial Reporting Interpretations Committee on 26 November 2009 and applies to annual periods beginning on or after 1 July 2010. This Interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

  These amendments are not expected to have a material impact on Group's consolidated financial statements and it is not possible to estimate its impact in the future.

2.2. <u>Consolidation scope and method</u>

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of consideration transferred and costs directly attributable to acquisition, increased by amount of non-controlling interest and the fair value of previously held equity interest. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions and balances between Group companies and unrealized gains on intergroup transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

For the purpose of preparing the consolidated financial statements, accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, which usually involves a shareholding of between 20% and 50% of the voting rights at the Shareholdres Meetings. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group’s share of its associates’ post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the Group entities' separate financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in PLN thousand. The Polish zloty is the functional and presentation currency of all the Group entities.

(b) Transactions and balances

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

As at the balance sheet date:

- foreign currency monetary items are translated using the closing rate,
- foreign currency non-monetary items valued at historical cost are translated using the exchange rates prevailing at the dates of the transactions; and,
- foreign currency non-monetary items stated at fair value are translated using the exchange rate prevailing at the date of determining the fair value.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in other comprehensive income.

2.4. Segment reporting

An operating segment is a component, in respect of which separate financial information is available and analysed by the chief operating decision-maker in the decision making process, including allocation of resources and performance assessment.

Following the "management approach", operating segments are reported in accordance with the internal reporting provided to the parent entity's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The segments were identified taking into account specific service groups based on homogenous transaction characteristics.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.5. Property and equipment

Property and equipment comprise non-current assets:
- held by the entity to be used in the process providing services, or for administrative purposes,
- which are expected to be used for a period that is longer than one period,
- in respect of which it is probable that the entity will obtain future economic benefits related to the assets; and
- whose cost can be reliably estimated.

Property and equipment comprise:
- real estate, i.e. own land, buildings and structures,
- machinery, vehicles and other movable P&E items,
- leasehold improvements; and
- assets under construction.

Property and equipment used in the process of providing services and for administrative purposes are stated at historical cost less accumulated depreciation and impairment. Land and non-current assets under construction are not depreciated.

The cost of purchase or cost of manufacture of property and equipment comprises the purchase price plus customs duty and non-deductible taxes, net of any discounts and rebates. This amount is increased by all the other directly attributable costs incurred in order to adapt an asset to the place and conditions necessary for commencing its use in accordance with management's intentions.

Assets under construction manufactured for administrative purposes and for the purpose of providing services are stated in the balance sheet at cost less impairment. The cost is increased by all the other directly attributable costs incurred in order to adapt an asset to the place and conditions necessary for commencing its use in accordance with management's intentions, excluding the costs of external financing. Depreciation of these non-current assets commences when an asset is available for use in the normal course of operating activities.

Depreciation is calculated for all property and equipment items, excluding land and assets under construction, over their estimated useful lives, taking account of their residual values, using the straight-line method. The Group assumes following useful lives for individual property and equipment categories:

Buildings *	10 - 40 years
Leasehold improvements	10 years
Vehicles	5 years
Computer hardware	3 - 10 years
Other equipment	5 - 10 years
WARSET Exchange system**	to 31 December 2011.

** The Group also uses common areas of the "Centrum Giełdowe" building. Common areas (such as escalators, halls, corridors), owned in respective parts by the Exchange and other owners of the building, are managed by the Housing Community "Książęca 4" appointed for this purpose. The common areas of the building in the part owned by the Exchange are recognized as assets in the consolidated financial statements. The maintenance costs incurred in respect of the use of those areas of the building (such as current maintenance, repairs and refurbishments of technical equipment and installations included in common areas, electric energy, security, administrative services etc.) are recognized in the income statement as incurred.*
*** Equipment related to WARSET exchange system of the parent entity: at individually set rates taking into account the useful lives until 31 December 2011.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Depreciation commences when a non-current asset is available for use. Depreciation is discontinued when a non-current asset is derecognized.

The individual components of a non-current asset with a useful life different from that of the useful life of the entire asset are depreciated separately using the depreciation rates that reflect their expected useful lives. In order to identify components, non-current assets with a significant gross book value are analyzed.

The depreciation method, depreciation rate and residual value are subject to verification at each balance sheet date. Any changes resulting from the verification are recorded as a change in accounting estimates, in accordance with the guidance of IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

A non-current asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Impairment tests are performed and impairment write-downs recorded in line with the accounting policies set out in Note 2.7 "Impairment of property and equipment and intangible assets".

A component of property and equipment is derecognized when sold or when economic benefits from its use or disposal are no longer expected.

Gains and losses on disposal / scrapping or withdrawing from use are determined as the difference between the proceeds and the net book amount and included in the income statement.

2.6. Intangible assets

(a) Goodwill

Goodwill is the difference cost of acquisition and the fair value of the net assets of the acquired subsidiary or its organised part, calculated at the acquisition date as described in the note 2.2. The goodwill from the acquisition of a subsidiary is presented as an intangible asset. Goodwill is annually tested against potential impairment and recorded net of impairment losses. The goodwill impairment losses are reversed. Profits and losses from sale of subsidiary include the balance sheet value of the corresponding goodwill.

For impairment testing purposes goodwill is allocated to such cash generating units which are expected to benefit from the merger responsible for the creation of goodwill, according to the operational business segmentation.

(b) Other intangible assets

Intangible assets comprise identifiable non-monetary assets which do not have a physical form.

In particular, intangible assets comprise:

- acquired computer software,
- acquired property rights – author's rights, related rights, licenses, concessions, and rights to inventions, patents, trademarks, functional and decorative patterns and know-how.

Intangible assets are valued at cost less accumulated amortization and accumulated impairment write-downs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amortization is calculated on a straight-line basis, over the estimated useful lives of the assets. The estimated useful lives of intangible assets vary from 1 to 5 years. In particular intangible assets corresponding to WARSET exchange system have useful lives until as at 31 December 2011.

Amortization commences when an intangible asset becomes available for use. Amortization is discontinued when the intangible asset is derecognized.

The amortization method and amortization rate are subject to verification at each balance sheet date. Any changes resulting from the verification are recorded as a change in accounting estimates, in accordance with the guidance of IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

Impairment tests are performed and impairment losses recorded in line with the accounting policies set out in Note 2.7 "Impairment of property and equipment and intangible assets".

Intangible assets are derecognized when sold or when economic benefits from their use or disposal are no longer expected. Gains and losses on derecognizing intangible assets are determined by comparing net proceeds from disposal (if any) with the carrying amount of these intangible assets and included in the income statement.

2.7. Impairment of property and equipment and intangible assets

Intangible assets not yet available for use are not amortized but are tested for potential impairment annually, and additionally when there are indicators of impairment. Assets that are amortized are tested for impairment if there are indicators of possible impairment.

At each balance sheet date, the Group reviews the net book amounts of non-current assets to determine whether there are indicators of impairment. If such indicators are found the recoverable amount of an asset is estimated to determine the amount of the potential impairment. If an asset does not generate cash flows that are largely independent of the cash flows generated by other assets, the analysis is performed for the group of assets generating cash flows (a cash generating unit) to which the asset belongs.

The recoverable amount is determined as the higher of: fair value less costs to sell and the value in use. The latter corresponds to the present value of the estimated future cash flows which are generated by an asset (or a cash generating unit) discounted using the discount rate that takes into account the current market time value of money and the risk inherent in a given asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.8. Financial assets

The Group classifies its financial assets to the following categories: loans and receivables and available-for-sale financial assets. This classification is based on the criteria of the reason for purchasing financial assets. The parent entity's Management Board determines the classification of these financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates at fair value through profit or loss,
- those that the entity upon initial recognition designates as available-for-sale, or,
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and receivables are classified as current assets if the maturity date is less than 12 months after the balance sheet date. Loans and receivables with a maturity of more than 12 months after the balance sheet date are classified as non-current assets. Loans and receivables are recognized in the balance sheet as "Trade and other receivables" and "cash and cash equivalents"

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified in any of the other categories. In particular, they comprise Treasury bills and shares in entities over which the Group does not exercise control or exert significant influence. They are recognized as non-current assets unless they mature within 12 months or the parent entity's Management Board intends to sell them within 12 months after the balance sheet date.

The funds which the parent company entrusts to external asset management companies are classified to the category of available-for-sale financial assets. Such external management is a form of investing in chosen capital market instruments in the name of a client and on his account. The Group own investments comprise only securities issued or guaranteed by the State Treasury, i.e. Treasury bonds and bills and money market instruments (e.g. bank deposits).

(c) Financial assets held to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

The parent entity does not classify any of its financial assets as held to maturity due to the fact that during the current year the parent entity sold more than insignificant part of held to maturity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Recognition and measurement

Standardized purchase or sale transaction of a financial asset are recognized or derecognized at the transaction date, i.e. the day when the Group becomes obliged to buy or sell the financial asset. These assets are initially recognized at fair value, plus transaction costs.

Financial assets available for sale are subsequently carried at fair value. Loans and receivables and investments held to maturity are subsequently recorded at amortized cost using the effective interest rate method.

The Group derecognizes financial assets if and when contractual rights to cash flows from the financial assets expire or the Group transfers a financial asset and substantially all the risks and benefits associated with the possession of this financial asset.

The fair values of quoted investments are based on their current bid prices. If the market for a financial asset is not active (also in respect of non-listed securities), the Group determines the fair value using valuation techniques. These include the use of recent arm's length transactions, reference to transactions in other virtually identical instruments, discounted cash flow analysis and option pricing models, using market information to the maximum extent and relying on information from the entity to the minimum extent.

Fair value is determined based on the following quotations:

- Treasury bonds – exchange prices,
- Treasury bills – closing rate prices for a given date available in the Reuters service.

If available-for-sale financial assets are not quoted, they do not have a fixed maturity (equity instruments) and their fair value cannot be reliably determined, they are valued at cost, net of impairment losses.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are allocated between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on change in amortised cost are recognized in income statement, while other changes in the carrying amount are recognized in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When available-for-sale financial assets are sold or impaired, the cumulative gain or loss previously recognized in other comprehensive income is transferred to the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of financial income. Dividends from equity instruments available for sale are recognized in the income statement as financial income, when the Group acquires the rights to the respective payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest on financial assets classified as loans and receivables and financial assets held to maturity are subsequently measured at amortized cost using the effective interest rate method and recognized in the income statement as financial income.

2.8.1. Impairment of financial assets

As at each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of financial assets classified as available for sale, when determining impairment of securities, a significant or prolonged decline of a given security's fair value below cost, financial situation and possibilities of further development of an issuer are taken into account as well as the influence of political and economical situation in issuer's home country. If such evidence exists in respect of available-for-sale financial assets, total current losses – determined as the difference between the purchase price and current fair value, less possible losses resulting from impairment recognized earlier in the income statement – are excluded from other comprehensive income and recognized in the income statement. Losses from the impairment of equity instruments recognized earlier in the income statement are not reversed through the income statement.

If there is evidence of possible impairment of investments held to maturity measured at amortized cost, the amount of impairment is determined as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the original effective group of asset interest rate.

If the indications of impairment cease to exist, impairment losses are reversed:

- through the profit or loss – in the case of financial assets classified as investments held to maturity and available-for-sale financial assets which are debt securities;
- through other reserves – in the case of available-for-sale financial assets which are equity instruments.

The accounting policies for impairment of trade receivables are described in Note 2.8.3.

2.8.2. Receivables in respect of repurchase transactions

Securities purchased in buy-sell-back transactions are treated as receivables which are secured with the securities purchased and received. The difference between the sales price and the buyback price is treated as interest and accrued using the effective interest rate method over the term of the contract.

2.8.3. Trade receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unrecoverable debt and the provisions for doubtful receivables are recognized in the profit and.

With respect to short-term receivables due to the short-term period of their settlement, the book value is deemed to be the fair value of these items.

Receivables are removed from the balance sheet (written off) when their uncollectibility has been documented with:

- a decision that these are uncollectible, recognized by the creditor as reflecting the actual situation, issued by the relevant enforcement proceedings authority, or
- a court decision dismissing a bankruptcy petition comprising the liquidation of assets, when the assets of the insolvent debtor are insufficient for covering the costs of the proceedings, or discontinuing bankruptcy proceedings comprising the liquidation of assets, when the debtor's assets are insufficient for satisfying the creditors' claims, or that bankruptcy proceedings comprising the liquidation of assets have been completed, or
- a report stating that the expected procedural and enforcement costs associated with the debt recovery would be equal to or higher than the amount of the debt.

2.9. Other receivables

Other receivables comprise mainly prepayments and deferred costs and payments for the rights to perpetual usufruct of land.

Prepayments and deferred cost items are recorded when expenditures incurred relate to goods or services to be received in future periods. Prepayments and deferred costs comprise:

- long-term balances relating to future reporting periods, more than 12 months from the balance sheet date, and
- short-term balances relating to future reporting periods, up to 12 months from the balance sheet date.

Prepayments and deferred costs are recognized in the income statement over the life of the relevant contract.

2.10. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.11. Inventories

Inventories are stated at the lower of cost and net realizable value.

As at the balance date, materials are stated at the lower of purchase price and net realizable value, less impairment write-downs. Impairment write-downs are charged to other expenses.

2.12. Cash and cash equivalents – recognized in the statements of cash flows

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13. Equity

The Group's equity comprises:

- share capital of the parent company shown at par, adjusted for hyperinflation,
- other reserves, including the revaluation reserve,
- retained earnings, comprising:
    - retained earnings from prior years (comprising supplementary capital and other reserves formed from prior year profits), and
    - profit for the year.

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", equity items (except for retained earnings and any surpluses on revaluation of assets) have been restated using the general price index beginning from the date on which a given equity item was contributed or otherwise formed, for the period in which the economy in which the Group carries out its operations was a hyperinflationary economy, i.e. until 31 December 1996. The effect of recalculating the appropriate equity items using the inflation ratios was reflected in retained earnings and is presented in Note 14.

2.14. Income tax

Income tax comprises current and deferred tax.

Current income tax is calculated on the basis of net taxable income for a given financial year determined in accordance with the binding tax regulations and using the tax rates provided in those regulations. Net taxable income (loss) differs from accounting profit (loss) for the year due to excluding taxable income and deductible costs relating to future periods as well as cost and income items that would never be deductible or taxable.

Deferred tax is calculated using the liability method as tax payable or reimbursable in the future in respect of differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax amounts used for the calculation of the tax base.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The deferred tax liabilities are recorded in the full amount and are not subject to discounting.

Deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

The amount of the deferred tax asset is analyzed at each balance date, and it is written down if the expected future taxable income or taxable temporary differences are not sufficient to utilize the asset in full.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. The deferred tax is recognized in the income statement for the given period unless the deferred tax relates to transactions or events recognized in other comprehensive income or directly in equity, when it is also recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities can be offset when the Group's companies have an enforceable right to offset their current income tax receivables and liabilities and when the deferred tax assets and liabilities relate to income tax imposed on the same tax-payer by the same tax authorities.

2.15. Employee benefits

In accordance with the remuneration system, employees of the parent company are entitled to jubilee bonuses, retirement benefits, holiday pay and social security contribution. Retirement benefits are one-off payments, being the multiplication of monthly remuneration (within a range from 100% to 500%, depending on the period of service and number of months remaining to retirement age).

Employer contribution to state pension schemes is charged to the income statement in the period which the contribution relates to.

The Group makes provision for liabilities on account of retirement benefits and jubilee bonuses determined on the basis of an estimation of liabilities of that type, using an actuarial model. All provisions formed are charged to the income statement.

The Group makes provision for liabilities arising from unused annual leave (taking into account all outstanding unused holiday days), from damages and severance payments made to those employees whose employment contracts are terminated for reasons independent of the employee, and for the employee compensation costs incurred in the current period which will be paid out in future periods, including bonuses.

Provisions for retirement benefits and jubilee bonuses are recorded on the basis of the assumptions described in detail in Note 16.

Furthermore, the parent company has an incentive scheme, according to which, depending on the Company's results, the employees have the right to annual bonuses dependant on the net profit and employee individual performance. The Group sets up provisions for bonuses in order to assign costs to the periods to which they relate. Provisions are estimated according to the best knowledge of the parent entity's Management Board concerning probable bonuses to be paid, which are set up individually for each employee, based on the incentive scheme for salaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group pays contributions for the Employees' Pension Fund, to which employees belong voluntarily based on an agreement. After payment of the contributions, the Group has no further obligations to make payments in respect of payment to the Fund. These contributions are charged to costs of employee benefits as they are incurred. Paid social security contributions are recognized as cost of the period they relate to.

2.16. Provisions

Provisions are recorded when the Group companies have a current (legal or constructive) obligation resulting from past events and it is probable that settling the obligation will result in an outflow of resources embodying economic benefits and the amount of the obligation can be reliably estimated.

Provisions are recorded in particular against the following (if the above-mentioned conditions for recording a provision have been met):

- results of pending litigation and disputes,
- future employee benefits, and
- restructuring costs.

Provisions are recorded based on parent entity's Management Board best estimates of the expenditure necessary to settle the current obligation at the balance sheet date. If the effect of changes in the time value of money is material, the provision corresponds to the present value of expenditure, which as expected would be necessary to settle the obligation.

2.17. Revenue recognition

(a) Sales revenue

Sales revenue is recognized when it is likely that economic benefits will flow to the Group from transactions and the amount of revenue can be reliably measured. Sales revenue is recognized at the fair value of the consideration received or due, representing receivables for services provided in the course of ordinary business activities. Sales revenue is recognized at the time the services representing the Group's core activities are provided.

Sales revenue includes the following groups:

- Revenue from trading

  Trading revenue consists of the fees collected from WSE members on the basis of WSE Regulations. Trading fees are the main revenue item in this category. Trading commission depends on the size, value, turnover and type of instrument being traded. In addition to trading commissions, lump sum fees are collected to enable the trading and to provide access to the information systems of the Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Revenue from listing

  Listing comprises the revenue collected from the issuers on the basis WSE Regulations. Fees for the listing of securities are the main revenue item in this category. The annual listing fee depends on the market value of trading securities issued by particular companies. In addition, lump sum fees are collected from issuers for admission and for introducing securities to the exchange market and for submitting the relevant applications for this admission and introduction of securities.

- Revenue from information services

  Revenue from information services consist of revenue earned on the sale of stock exchange information: real-time stock exchange data and statistical and historical data in the form of a statistical e-mail bulletin, electronic publications, calculation of indices, index licenses and other calculations as well as BondSpot information services.

  The sale of stock exchange information is based on separate agreements signed with stock exchange data distributors, stock exchange members and other organizations, mainly financial institutions.

- Other revenue

  Other revenue is earned on other services provided by the Group such as training services relating to an educational programme for young people ("Stock Exchange School"), and other training courses on the stock exchange market organized according to needs. Revenues of WSEInfoEngine from the services related to data transmission as well as training services income of Instutut Rynku Kapitałowego – WSE Research S.A. are also included in this category.

(b) Financial income

Financial revenues comprise gains on the sale and interest income of financial assets available-for-sale and held-to-maturity financial assets, as well as dividend income.

Interest income is recognized on a time-proportionate basis using the effective interest method. Dividend income is recognized at the moment of establishing the shareholders' right to receive the payment.

2.18. <u>Leases</u>

A lease agreement is classified as a finance lease when the terms of the agreement transfer substantially all risks and rewards of ownership to the lessee. All remaining leases are treated as operating leases.

Group as lessee – operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease of land, if it is not expected that the legal title will be transferred to the lessee before the end of the lease term, is classified as operating lease. In particular, operating lease agreements comprise rights to perpetual usufruct of land owned by the State Treasury.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the leases.

Group as lessee – finance lease

The Group leases property and equipment under finance lease. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between (deducted from) the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included as finance lease liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

2.19. Contingent liabilities

A contingent liability is:

- a possible obligation resulting from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not fully under the entity's control, or
- a present obligation resulting from past events, which however is not recorded in the consolidated financial statements because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be reliably determined

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group is subject to the following financial risks: market risk (including cash flow and fair value interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize any potential adverse effects on the Group's financial performance. The parent entity's Management Board is responsible for risk management within the Group. The Group has dedicated departments, responsible for ensuring its liquidity, including foreign currency liquidity, debt collection and timely payment of liabilities, particularly tax liabilities. The Group does not use derivative financial instruments, fair value hedges or cash flow hedges to manage financial risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.2. Market risk

(a) Cash flow and fair value interest rate risk.

The Group is moderately exposed to interest rate risk. The Group has short-term and long-term assets whose interest terms and profitability were determined at the inception of contracts which are not subject to significant changes in connection with interest rate fluctuations. Due to the average or short period to maturity the risk of changes in the cash flows related to those assets resulting from interest rate fluctuations is relatively low.

The Group minimizes interest rate risk by maintaining a low average duration period for the entire Treasury bond portfolio – below two years. In the case of an increase in interest rates, the Group obtains higher deposit interest rates and the cash flows increase, and at the same time the fair value of the bonds decreases.

Based on the sensitivity analysis performed, a decrease/increase in the market interest rate of 0.50 percentage points (assuming no other changes) would result in 2010 in a decrease/increase in the net profit and cash flows of PLN 317 thousand and an increase/decrease in the revaluation reserve of PLN 269 thousand. Accordingly decrease/increase in interest rates of 0.25 percentage point (assuming no other changes) respectively would have resulted in 2009, in a decrease/an increase in the net profit and cash flows of PLN 1,404 thousand and an increase/ a decrease in the revaluation reserve of PLN 509 thousand

Detailed information on the Group's exposure to interest risk is presented in Note 10.

(b) Foreign exchange risk

The Group does not conduct significant international activities and has moderate foreign exchange risk.

Based on the result of sensitivity analysis to average exchange rates changes performed, the impact of a 10% decrease/increase in average EUR exchange rate (i.e. PLN 0.40; assuming no other changes) would result in a change in net profit for 2010 of PLN 4,424 thousand. Based on the result of sensitivity analysis to average exchange rates changes performed as at 31 December 2009, the impact of a 10% decrease/increase in average EUR exchange rate (i.e. PLN 0.41; assuming no other changes) results in a change in net profit for 2009 of PLN 330 thousand

EUR exchange rate volatility has been estimated based on the average NBP exchange rate volatility in the last three years, defined as the standard deviation of the daily exchange rates published by the National Bank of Poland over the last 3 years (rounded up to nearest whole percentage).

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The tables below summarize the Group's exposure to foreign exchange risk:

31.12.2010

	PLN	EUR	USD	Other	Total
Assets					
Treasury Bonds held to maturity	-	-	-	-	-
Treasury Bonds and bills available-for-sale	41,313	-	-	-	41,313
Cash and cash equivalents	76,840	30,766	-	-	107,606
Trade receivables	16,545	7,765	-	-	24,310
Total financial assets	**134,698**	**38,531**	**-**	**-**	**173,229**
Liabilities					
Trade liabilities	7,455	(157)	116	75	7,489
Finance lease liabilities	150	-	-	-	150
Dividends payable	-	-	-	-	-
Total financial liabilities	**7,605**	**(157)**	**116**	**75**	**7,639**
Net foreign exchange position	**127,093**	**38,688**	**(116)**	**(75)**	**165,590**

31.12.2009

	PLN	EUR	USD	Other	Other Total
Assets					
Treasury Bonds held to maturity	150,645	-	-	-	150,645
Treasury Bonds and bills available-for-sale	45,875	-	-	-	45,875
Cash and cash equivalents	477,333	6,834	-	-	484,167
Trade receivables	15,834	3,721	-	-	19,555
Total financial assets	**689,687**	**10,555**	**-**	**-**	**700,242**
Liabilities					
Trade liabilities	5,479	1,585	-	-	7,064
Finance lease liabilities	69	-	-	-	69
Dividends payable	506,182	-	-	-	506,182
Total financial liabilities	**511,730**	**1,585**	**-**	**-**	**513,315**
Net foreign exchange position	**177,957**	**8,970**	**-**	**-**	**186,927**

(c) Price risk

The Group is exposed to debt and equity securities price risk because of investments held and classified in the consolidated statements of financial position as available for sale. The Group is not exposed to commodity price risk.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Debt securities purchased by the Group have a fixed redemption price and are characterized by low risk. Possible changes to their market prices are determined by the changes in interest rates, the impact of which is presented in point (a) above.

The Group's investments in the equity of other entities that are publicly traded are mostly investments in other entities operating stock exchanges and are not directly dependent on specific stock exchange indices, therefore the Group does not analyze the impact of possible changes in the stock exchange indices on its equity.

3.3. Credit risk

Credit risk is defined as a risk of occurrence of losses due to counterparty's default of payments to the Group or as a risk of decrease in economic value of amounts due to the Group as a result of deterioration of counterparty's ability to repay amounts due to the Group.

The credit risk connected with trade receivables is restricted by the parent entity's Management Board by setting limits and an assessment of the clients' credibility.

The parent entity's Management Board 's resolutions, which are binding on the Group, set payment dates that differ depending on groups of clients. These payment dates are 30 days for most clients. The payment terms for recipients of stock exchange news bulletins are mostly 60 days. There is a procedure of collecting receivables in the Group, based on which amounts due are collected.

The reliability of clients is verified in accordance with the Group's regulations and with capital market general laws concerning issuers of securities.

Financial assets held by the Group are disclosed in the table below.

	31.12.2010	31.12.2009
Financial assets available-for-sale	**42,616**	**49,622**
- long-term	11,829	3,738
- short-term	30,787	45,884
Financial assets held to maturity	**-**	**150,645**
- long-term	-	40,810
- short-term	-	109,835
Loans and receivables	**185,980**	**503,718**
- trade and other receivables	78,389	19,555
- term deposits and current accounts	107,591	484,163
Total financial assets	**228,596**	**703,985**

By decision of the parent entity's Management Board, the portfolio of debt securities comprises only securities issued or guaranteed by the State Treasury (rating A2 according to Moody's). In this way, the risk of loss is minimized. Buy-sell-back transactions also cover only bonds issued by State Treasury.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In the case of banks and financial institutions (concerning term deposits and bank accounts and buy-sell-back transactions) only entities with a good rating (stable financial standing) are acceptable (being in the range of A2 to Baa2 according to Moody's).

The maximum exposure of the Group to credit risk is reflected in the value of trade receivables, loans granted, deposits held and the value of the portfolio of purchased debt securities.

The Group's exposure to credit risk is presented in the following table:

	31.12.2010	31.12.2009
Trade and other receivables	78,389	19,555
Debt securities, including:	41,313	196,520
- Treasury bonds held to maturity	-	150,645
- Treasury bonds and bills available-for-sale	41,313	45,875
Term deposits and current accounts	107,591	484,163
Total	**227,294**	**700,238**

Detailed information on credit risk of trade receivables is presented in Note 11.

3.4. Liquidity risk

An analysis of the Group's financial position shows that the Group is not significantly exposed to liquidity risk.

An analysis of the structure of the Group's assets shows a considerable share of liquid assets, and thus, a very good position of the Group in terms of liquidity. Cash and debt securities owned by the Group as at 31 December 2010 amounted to PLN 148,913 thousand (as at 31 December 2009: PLN 680,687 thousand) representing 26.66% of the total assets (as at 31 December 2009: 64.69%)

The decrease of total current assets in 2010 resulted from dividend payment at 11 January 2010 in amount of PLN 506,182 thousand for 2008 and previous years as well as at 20 July 2010 in amount of PLN 90,659 thousand for 2009.

The analysis of the structure of equity and liabilities shows the following share of equity in financing the WSE's operations. Equity as at 31 December 2010 comprised 93.95% of WSE's total liabilities and equity (31 December 2009: 49.43%)

Significant share of liabilities to total liabilities and equity in 2009 results from reclassification of PLN 506,182 thousand from equity to current liabilities in January 2010 in respect to dividend approved.

The parent entity's Management Board monitors, on a current basis, forecasts of the Group's liquidity funds on the basis of contractual cash flows, based on the current interest rates.

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Liquidity analysis the based on the contractual cash flows is presented in the following tables:

Liquidity risk as at 31 December 2010

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
Assets							
Treasury bonds and bills available-for-sale	-	-	31,275	625	12,500	-	44,400
Term deposits and current accounts	54,990	52,110	500	-	-	-	107,600
Trade receivables	20,853	3,340	20	19	88	-	24,320
Total assets	**75,843**	**55,450**	**31,795**	**644**	**12,588**	**-**	**176,320**
Liabilities							
Trade liabilities	5,523	861	544	272	272	-	7,472
Finance lease liabilities	5	24	19	25	78	-	151
Dividends payable	-	-	-	-	-	-	-
Total liabilities	**5,528**	**885**	**563**	**297**	**350**	**-**	**7,623**
Liquidity gap	**70,315**	**54,565**	**31,232**	**347**	**12,238**	**-**	**168,697**

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Liquidity risk as at 31 December 2009

	Up to 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
Assets							
Treasury bonds held to maturity	2,000	3,060	1,275	114,245	44,400	-	164,980
Treasury bonds and bills available-for-	-	-	-	46,900	-	-	46,900
Term deposits and current accounts	484,436	-	-	-	-	-	484,436
Trade receivables	16,842	2,713	-	-	-		19,555
Total assets	**503,278**	**5,773**	**1,275**	**161,145**	**44,400**	**-**	**715,871**
Liabilities							
Trade liabilities	7,064	-	-	-	-	-	7,064
Finance lease liabilities	4	8	11	22	28	-	73
Dividends payable	506,182	-	-	-	-	-	506,182
Total liabilities	**513,250**	**8**	**11**	**22**	**28**	**-**	**513,319**
Liquidity gap	**(9,972)**	**5,765**	**1,264**	**161,123**	**44,372**	**-**	**202,552**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.5. Capital management

The parent company considers as capital its total equity. The equity maintained is compliant with the Commercial Code and Financial Instruments Act; there are no other external capital requirements.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group maintains sufficient liquid financial means in order to settle its liabilities in a timely manner. The risk of delays in settlements is minimal.

The parent entity's capital management policy is derived from annually reviewed assumptions. These form the basis of the rules of conduct in this regard in a given financial year and are formalized by way of parent entity's Management Board Resolutions.

The basic criteria for selecting financial instruments and their structure are the security of investments and, secondly, their profitability due to the fact that WSE is an institution of public trust. WSE invests its free cash in short-term, highly liquid instruments (bank deposits, repo transactions in Treasury bills, Treasury bills and bonds) and long-term instruments (Treasury bonds). The cash invested in short-term instruments is maintained on a level which ensures paying the dues resulting from WSE's current operations and covering the investment expenditures. In order to mitigate the interest rate risk, free funds are invested so that the average-weighted WSE liquid funds' duration falls within the 1 to 2-year bracket. The results of the cash management are reported to the parent entity's Management Board of WSE on a current basis.

4. Critical judgments and accounting estimates

Estimates and accounting judgments are subject to ongoing verification. Estimates and judgments adopted for the purpose of preparing the consolidated financial statements are based on historical experience, predictions and analyses of future events, which to the best knowledge of the parent entity's Management Board are believed to be reasonable in that situation.

Economic useful lives for property and equipment and intangible assets

The Group determines the estimated economic useful lives and depreciation and amortization rates for property and equipment and intangible assets. These estimates are based on the anticipated periods of using of the individual groups of property and equipment and intangible assets. The adopted economic useful lives may undergo considerable changes as a result of new technological solutions appearing on the market, plans of parent entity's Management Board or their intensive use.

As at 31 December 2010 and 31 December 2009, the depreciation and amortization rates adopted by the Company reflected the economic useful lives of non-current assets.

Valuation of fair value of financial assets held to maturity

The Company estimates the fair value of financial assets held to maturity. Detailed information is presented in Note 9.

Calculation of provisions for doubtful receivables

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Detailed information on the method of calculation of provisions for doubtful receivables is presented in Note 2.8.3., whereas detailed information allowances made for doubtful receivables is presented in Note 11.

5. Property and equipment

For the year ended 31 December 2010	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Assets under construction	Total
Opening net book value	96,408	20,601	1,575	5,763	124,347
Additions	771	8,808	622	8,329	18,530
Disposals & liquidation	-	(203)	-	(10,200)	(10,403)
Depreciation charge (Note 20)	(2,883)	(9,672)	(403)	-	(12,958)
Closing net book value	**94,296**	**19,534**	**1,794**	**3,892**	**119,516**
As at 31 December 2010					
Opening gross book value	119,253	70,781	5,633	3,892	199,559
Accumulated depreciation	(24,957)	(51,247)	(3,839)	-	(80,043)
Net book value	**94,296**	**19,534**	**1,794**	**3,892**	**119,516**

For the year ended 31 December 2009	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Assets under construction	Total
Opening net book value	98,639	16,417	1,606	5,314	121,976
Additions	527	7,474	300	5,441	13,742
Disposals & liquidation	-	(119)	(9)	-	(128)
Transfers to other categories	82	4,910	-	(4,992)	-
Depreciation charge (Note 20)	(2,840)	(8,081)	(322)	-	(11,243)
Closing net book value	**96,408**	**20,601**	**1,575**	**5,763**	**124,347**
As at 31 December 2009					
Opening gross book value	118,479	69,829	4,987	5,763	199,058
Accumulated depreciation	(22,071)	(49,228)	(3,412)	-	(74,711)
Net book value	**96,408**	**20,601**	**1,575**	**5,763**	**124,347**

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6. Intangible assets

For the year ended 31 December 2010	**Licenses**	**Copyrights**	**Goodwill**	**Total**
Opening net book value	11,662	1,454	22,986	36,102
Additions	18,642	175	9,535	28,352
Disposals & liquidation	(564)	-	-	(564)
Amortization charge (Note 20)	(3,373)	(350)	-	(3,723)
Closing net book value	**26,367**	**1,279**	**32,521**	**60,167**
As at 31 December 2010				
Opening gross book value	85,937	1,904	32,521	120,362
Accumulated amortization	(59,570)	(625)	-	(60,195)
Net book value	**26,367**	**1,279**	**32,521**	**60,167**

For the year ended 31 December 2009	**Licenses**	**Copyrights**	**Goodwill**	**Total**
Opening net book value	10,911	717	-	11,628
Additions	3,823	908	22,986	27,717
Disposals & liquidation	-	-	-	-
Amortization charge (Note 20)	(3,072)	(171)	-	(3,243)
Closing net book value	**11,662**	**1,454**	**22,986**	**36,102**
As at 31 December 2009				
Opening gross book value	66,777	1,729	22,986	91,492
Accumulated amortization	(55,115)	(275)	-	(55,390)
Net book value	**11,662**	**1,454**	**22,986**	**36,102**

Useful life for intangible assets corresponding to WARSET exchange system ends as at 31 December 2011. The net book value of intangible assets corresponding to WARSET amounted to PLN 2,303 thousand as at 31 December 2010 (PLN 4,606 thousand as at 31 December 2009).

Goodwill of PLN 32,560 thousand comprises of:

- goodwill of PLN 22,986 thousand on consolidation of BondSpot S.A. for the first time,
- goodwill of PLN 9,574 thousand on acquisition by WSE and WSEInfoEngine of poee WSE Energy Market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A goodwill impairment test in respect to the acquisition of controlling interest in BondSpot S.A. has been performed through estimation of value in use with discounted cash flows (DCF) method for the period of 2011-2017. Six-year projection period has been used, because within this time the company is expected to reach the targeted development level.

The following assumptions were made in the test:

- weighted average cost of capital before tax: 10.05%,
- compound annual growth rate in revenue in the analyzed period: 10.68%,
- compound annual growth rate in costs in the analyzed period: 8.65%.

The assumptions made for the purpose of goodwill impairment test were based on the long term financial budgets of BondSpot S.A. Management Board for the period 2010-2017.
The analysis includes the following main cash flows resulting from the following income and expense categories:

- fees and commissions collected from the organized markets members and participants (fixed and transaction charges),
- fees collected from issuers of securities quoted on organized markets,
- Treasury BondSpot Poland over-the-counter market revenue,
- revenue from sale of information services,
- operating expenses (amortization and depreciation, materials and energy, external services, taxes and fees, salaries, social security and other employee benefits, other expenses).

Based on the analysis performed conclusion was reached that as at 31 December 2010 there is objective evidence to reverse previously recognised impairment losses of PLN 1,500 thousand on shares in BondSpot S.A.:

- after WSE obtained control over the company, it has undergone restructuring, which improved financial and operational results of BondSpot S.A.
- in the next two years the company plans to implement a new exchange system, which will increase BondSpot markets appeal to investors and is a potential source of an increase in revenue and improvement in financial performance. In the next two years launch of a new B2C segment on Treasury BondSpot Poland is planned, which will constitute an additional significant source of revenue.

A goodwill impairment test in respect to acquisition of organised part of an enterprise – Electricity Trading Platform (poee) was performed through estimation of value in use with discounted cash flows (DCF) method for the from 1 November 2010 to 31 December 2015. More than five-year projection period has been used consistent with the market practice.
The following assumptions were made in the test:

- weighted average cost of capital before tax: 12.2%,
- compound annual growth rate in revenue in the analyzed period: from 1.5% to 4.2%,
- compound annual growth rate in costs in the analyzed period: from 14.9% to 18.8%.

Valuation assumption for Electricity Trading Platform are based on operating and financial forecast prepared by Elbis Sp. z o.o., WSE and Krajowy Depozyt Papierów Wartościowych S.A., and based on the analysis of current situation and future prospects for energy industry in Poland.
The analysis includes the following main cash flows resulting from the following income and expense categories:

- revenue from electricity trading,
- revenue from property rights trading,
- revenue from certificate of origin trading,
- revenue from financial derivatives trading,
- revenue corresponding to trade and technical operator activities,

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- operating expenses (amortization and depreciation, materials and energy, external services, taxes and fees, salaries, social security and other employee benefits, other expenses).

WSE Energy Market (poee) was launched on 11 December 2010 and until 31 December 2010 21 exchange sessions were completed. No significant impact on valuation of the organised part of the enterprise has been identified in respect to delay in actual launch date of poee versus originally planned when preparing DCF analysis. As at 31 December 2010 there are no indications that significant revision to cash flows or cost of capital applied in poee valuation. As a result no impairment loss occurred in respect to the organised part of the enterprise – poee.

7. Investments in associates

	Year ended 31.12.2010	**Year ended 31.12.2009**
Beginning of the year	**179,324**	**171,896**
Dividends	(54,302)	-
Share in profit *	14,170	11,061
Adjustment for acquisition of control over BondSpot S.A.	-	(3,387)
Other	(176)	-
Share in revaluation reserve (Note 14)	(60)	(246)
End of the year	**138,956**	**179,324**

** Represents share in profit after tax*

Investments in associates that are accounted for under the equity method include:

Entity	**31.12.2010**	**31.12.2009**
KDPW S.A.	123,341	163,607
Centrum Giełdowe S.A.	15,615	15,717
INNEX Stock Exchange	-	-
- purchase price	3,820	3,820
- impairment allowance	(3,820)	(3,820)
Total	**138,956**	**179,324**

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None of the Group's associates is listed on an active market. Selected financial data of associates are as follows:

Name of entity	Assets	Equity	Liabilities	Revenue	Profit (loss) for the period	Interest held	The Group's share in associate's profit (lost)
KDPW S.A.	1,361,353	370,023	991,330	150,908	42,106	33.33%	14,035
Centrum Giełdowe S.A.	92,880	63,027	29,853	17,533	547	24.79%	135
INNEX *	2,313	2,303	10	283	(192)	24.98%	-
Total	**1,456,546**	**435,353**	**1,021,193**	**168,724**	**42,461**		**14,170**

** INNEX Stock Exchange prepares financial statements in accordance with Ukrainian accounting policies.*

Name of entity	Assets	Equity	Liabilities	Revenue	Profit (loss) for the period	Interest held	The Group's share in associate's profit (lost)
KDPW S.A.	1,428,858	490,821	938,037	104,031	30,612	33.33%	10,204
Centrum Giełdowe S.A.	94,099	63,401	30,698	17,539	3,457	24.79%	857
INNEX *	2,478	2,380	98	785	24	24.98%	-
Total	**1,525,435**	**556,602**	**968,833**	**122,355**	**34,093**		**11,061**

** INNEX Stock Exchange prepares financial statements in accordance with Ukrainian accounting policies.*

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In accordance with Article 4, clause 3 of the Memorandum of Association of KDPW S.A., the company has only registered shares.

The registered offices of the associates, except for INNEX, are located in Poland. The registered office of INNEX is located in Ukraine.

The carrying amount of investments in associates does not differ significantly from their fair value.

WSE purchased shares of Ukrainian Stock Exchange INNEX to transform it into modern platform of trading Ukrainian securities. It was also planned to start trading derivates. In 2008 an impairment loss on INNEX carrying amount of PLN 3,820 thousand (total amount of investment) was recognized based on the following triggering events:

- the deep economic crisis that affected the grow perspectives of the Ukrainian economy made WSE unable to actively participate in the Ukrainian capital market, and
- significant decrease in the amount of privatization transactions, which are currently the main revenue source for INNEX, resulted in a negative financial result for 2008.

Moreover, INNEX shares are not quoted on any market and it is not possible to sell the shares of INNEX. The negative financial result of INNEX for 2010 does not indicate any evidence justifying reversal of impairment loss on shares of INNEX as at 31 December 2010.

8. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. After offsetting, the following amounts are presented in the consolidated financial statements:

Deferred tax assets:	**31.12.2010**	**31.12.2009**
- deferred tax assets to be recovered within 12 months	(2,375)	(2,206)
- deferred tax assets to be recovered after more than 12 months	(1,931)	(2,094)
Total	**(4,306)**	**(4,300)**

Deferred tax liabilities:	**31.12.2010**	**31.12.2009**
- deferred tax liabilities to be recovered within 12 months	(69)	1,564
- deferred tax liabilities to be recovered after more than 12 months	368	336
Total	**299**	**1,900**

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The gross movement on the deferred tax asset account is as follows:

	Year ended 31.12.2010	Year ended 31.12.2009
Deferred tax assets (net) at the beginning of the period	(2,400)	(1,586)
Credited to the income statement	(1,328)	(998)
Tax charged (Credited) to other comprehensive income	(279)	184
Deferred tax assets (net) at the end of the period	**(4,007)**	**(2,400)**

Deferred tax assets and liabilities (without taking into consideration the offsetting of balances within the same tax jurisdiction) are as follows:

Deferred tax assets	31.12.2010	31.12.2009
Credited to the income statement	**4,306**	**4,300**
Unused holiday pay	257	111
Jubilee bonuses and retirement benefits	508	523
Efficiency and discretional bonus	1,537	1,640
Impairment of shares	726	726
Interest included in the purchase price of bonds	244	384
Change of amortization rate	112	-
Impairment write-down of trade receivables	511	39
Advisory services	-	311
Promotion	-	189
Other	411	377
Total	**4,306**	**4,300**

Deferred tax liabilities	Year ended 31.12.2010	Year ended 31.12.2009
Charged to the income statement	**358**	**1,680**
Accrued financial income	326	1,515
Difference between book value and tax value of property and equipment and intangible assets	32	162
Other	-	3
Charged to other comprehensive income	**(59)**	**220**
Total	**299**	**1,900**

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The amount recognized in other comprehensive income in respect of deferred tax is as follows:

	Year ended 31.12.2010	Year ended 31.12.2009
Fair valuation of shares	(131)	65
Fair valuation of debt securities	72	155
Total	**(59)**	**220**

The Group did not include in the calculation of deferred tax the differences between book values and tax values of the associates.

On 23 July 2010 the Ordinary General Shareholder's Meeting of KDPW S.A. passed the Resolution No. 26/2009 regarding allocation of PLN 12,235,650 of the net profit for 2009 and PLN 150,000,000 of other reserves for dividend payment. Dividend attributable to WSE amounted PLN 54,079 thousand and was paid 25 January 2011.

The total difference between accounting and tax value of associates as at 31 December 2010 amounted to PLN 163,853 thousand (PLN 123,484 thousand as at 31 December 2009). According to The Act of 22 February 2002 on Corporate Income Tax, WSE will not be charged with tax on dividend paid by its associates. Moreover, the parent entity does not intend to sell shares in associates. Therefore, the Group did not recognize a deferred tax liabilities in respect of the difference between the book value of associates and its tax base, which would amount in total to PLN 23,462 thousand as at 31 December 2010 (as at 31 December 2009 PLN 31,132 thousand)

9. Available-for-sale and held to maturity financial assets

(a) Available-for-sale financial assets

	Year ended 31.12.2010	Year ended 31.12.2009
Beginning of the period	**49,622**	**163,166**
Additions	3,055	6,385
Reclassification from protfolio of financial assets held to maturity	152,372	-
Decreases (redemption of Treasury bonds and bills, interest received)	(160,965)	(120,900)
Change in fair value – recognized in other comprehensive	(1,468)	971
- shares	(1,031)	476
- Treasury bonds and Treasury bills	(437)	495
End of the period	**42,616**	**49,622**
Non-current portion	11,829	3,738
Current portion	30,787	45,884

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Available-for-sale financial assets include:

Name of entity	**31.12.2010**	**31.12.2009**
Non-current		
Shares in Towarowa Giełdza Energii S.A., Warsaw, Poland	647	647
Shares in XTRADE S.A., Warsaw, Poland	1,880	4,000
Shares in NYSE Euronext, Amsterdam, Holland	-	918
Shares in Deutsche Borse, Frankfurt, Germany	-	1,263
Shares in London Stock Exchange, London, the United Kingdom	-	237
Shares in Sibiu Monetary Financial an Commodities Wxchange, Sibiu, Romania	656	673
Treasury bonds	10,526	-
- with fixed interest rate	10,526	-
Impairment of shares	(1,880)	(4,000)
Total	**11,829**	**3,738**
Current		
Other shares: Centrozap S.A.	-	9
Treasury bonds	30,787	45,875
- with fixed interest rate	30,787	*45,875*
Total	**30,787**	**45,884**

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Non-current available-for-sale financial assets include:

Name of entity	Purchase consideration of shares	Impairment	Revaluation	Carrying amount
31.12.2010				
XTRADE S.A., Warsaw , Poland	1,880	(1,880)	-	-
Tow arow a Giełda Energii S.A., Warsaw , Poland	647	-	-	647
S.C. SIBEX - Sibiu Stock Exchange S.A., Sibiu, Romania	1,343	(687)	-	656
Total	**3,870**	**(2,567)**	**-**	**1,303**
31.12.2009				
XTRADE S.A., Warsaw , Poland	4,000	(4,000)	-	-
Tow arow a Giełda Energii S.A., Warsaw , Poland	647	-	-	647
NYSE Euronext, Amsterdam, Holland	828	-	90	918
Deutsche Borse, Frankfurt, Germany	396	-	867	1,263
London Stock Exchange, Londyn, the United Kingdom	200	-	37	237
Sibiu Monetary Financial and Commodities Exchange, Sibiu, Romania	1,324	-	(651)	673
Total	**7,395**	**(4,000)**	**343**	**3,738**

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Since there is no active market for shares in Towarowa Giełda Energii S.A. and it is not possible to reliably determine the fair value of the shares in this company, they were recognized at cost, net of impairment losses.

Due to the losses recorded by XTRADE S.A., shares in the company were fully impaired. In 2010 WSEInfoEngine S.A. sold 529,914 shares in XTRADE S.A.

The fair value of quoted investments are based on share quotations. Since 2010 Sibiu Monetary Financial and Commodities Exchange (SIBEX) is quoted on Monetary Financial and Commodities Exchange (SIBEX). The fair value of this company was based on market prices as at 30 December 2010. The value of SIBEX as at 31 December 2010 was estimated using the multiples method based on comparison between market indices of other quoted public exchanges. The measurement was made using P/E, P/BV and EV/S ratios, taking into account the discount for limited liquidity. The value of SIBEX was measured using the multiples method and the carrying amount of SIBEX's shares in its subsidiary and associates was added.
In 2010 WSE sold shares in NYSE Euronext, Deutsche Borse, London Stock Exchange and Centrozap S.A.

(b) Financial assets held to maturity

	Year ended 31.12.2010	Year ended 31.12.2009
Beginning of the period	**150,645**	**222,648**
Additions (purchases of bonds and interest accrued)	2,727	10,887
Decreases (redemption of bonds and interest received as well as reclassification from held to matrurity to available-for-sale financial assets)	(153,372)	(82,890)
End of the period	**-**	**150,645**
Non-current	-	40,810
Current	-	109,835

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	31.12.2010	31.12.2009
Total non-current:	**-**	**40,810**
- Bonds with fixed interest	-	40,810
Total current	**-**	**109,835**
- Bonds with fixed interest	-	108,847
- Treasury bills	-	988
Total	**-**	**150,645**

Due to planned dividend payment, with dividend payment date set at 20 July 2010, the WSE Management Board decided in June 2010 on sale of part of held to maturity bonds portfolio. Due to change in designation of the asset portfolio of PLN 152,372 thousand, the Group reclassified these assets to available-for-sale category. As a result, the Group cannot classify acquired financial assets to the held to maturity category until the end of 2012. In July 2010 PLN 62,319 of the reclassified bonds were sold.

The fair value of financial assets held to maturity would amount to PLN 150,295 thousand as at 31 December 2009 and would be PLN 350 thousand lower than the value measured using the effective interest rate.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (that is, derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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The classification of financial assets available-for-sale measurement, according to fair value hierarchy as at 31 December 2010, was following: level one PLN 42,616 thousand, as at 31 December 2009: level one PLN 48,949 thousand, level three PLN 673 thousand. In 2010 the reclassification between the levels was made in respect to shares in S.C. SIBEX – Sibiu Stock Exchange, which has been quoted on S.C. SIBEX – Sibiu Stock Exchange since 15 December 2010 and its shares as at 31 December 2010 are at level 1. Fair value of these shares as at 31 December 2010 was estimated using the multiples method based on comparison between market indices of other quoted public exchanges.

Changes in assets classified as level three:

	31.12.2010	31.12.2009
Cost	-	1,323
Revaluation	-	(651)
Carrying amount	**-**	**672**

10. Interest rate risk

The following is an analysis of financial assets classified based on the earlier of their date of interest rate adjustment or their maturity. Other financial assets and financial liabilities, not presented in the tables below (except for finance lease liabilities), do not bear interest.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A summary of financial assets as at 31 December 2010

	Total	Maturity date / Date of interest rate adjustment								
		less than 1 year,	*less than 1 month*	*1-3 months*	*3 months - 1 year*	1-2 years	2-3 years	3-4 years	4-5 years	over 5 years
Long-term bonds	**10,526**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,526**	**-**
- with fixed interest:	10,526	-	-	-	-	-	-	-	10,526	-
- available for sale	10,526	-	-	-	-	-	-	-	10,526	-
Short-term bonds	**30,787**	**-**	**-**	**-**	**30,787**	**-**	**-**	**-**	**-**	**-**
- with fixed interest:	30,787	-	-	-	30,787	-	-	-	-	-
- available for sale	30,787	-	-	-	30,787	-	-	-	-	-
Term deposits and current accounts	**107,591**	107,597	55,987	51,610	-	-	-	-	-	-
Total	**148,904**	**107,597**	**55,987**	**51,610**	**30,787**	**-**	**-**	**-**	**10,526**	**-**

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
A summary of financial assets as at 31 December 2009

		Maturity date / Date of interest rate adjustment								
	Total	*less than 1 year, including*	*less than 1 month*	*1-3 months*	*3 months - 1 year*	1-2 years	2-3 years	3-4 years	4-5 years	over 5 years
Long-term bonds	**40,810**	**-**	**-**	**-**	**-**	**30,555**	**-**	**-**	**-**	**10,255**
- with fixed interest:	40,810	-	-	-	-	30,555	-	-	-	10,255
- held to maturity	40,810	-	-	-	-	30,555	-	-	-	10,255
Short-term bonds	**154,722**	**154,722**	**-**	**154,722**	**-**	**-**	**-**	**-**	**-**	**-**
- with fixed interest:	154,722	154,722	-	154,722	-	-	-	-	-	-
- available for sale	45,875	45,875	-	45,875	-	-	-	-	-	-
- held to maturity	108,847	108,847	-	108,847	-	-	-	-	-	-
Short-term T-bills	**988**	**988**	**-**	**-**	**988**	**-**	**-**	**-**	**-**	**-**
- with fixed interest	988	988	-	-	988	-	-	-	-	-
Term deposits and current accounts	**484,163**	**484,163**	**484,163**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**680,683**	**639,873**	**484,163**	**154,722**	**988**	**30,555**	**-**	**-**	**-**	**10,255**

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
11. Trade and other receivables

Trade and other receivables comprise the following:

	31.12.2010	31.12.2009
Gross trade receivables	27,214	21,264
Impairment w rite-dow n of trade receivables	(2,904)	(1,709)
Net trade receivables	24,310	19,555
Dividend receivables	54,079	-
Total financial assets	**78,389**	**19,555**
Prepayments	1,586	2,644
Other receivables and advances	1,134	635
Receivables from the public sector	307	35
Total non financial assets	**3,027**	**3,314**
Total trade and other receivables	**81,416**	**22,869**

As at 31 December 2010, trade receivables amounting to PLN 6,922 thousand (PLN 3,824 thousand as at 31 December 2009) were overdue. The overdue balance includes PLN 416 thousand from debtors that went bankrupt, PLN 0 thousand debtors covered by the liquidation proceedings and PLN 6,506 thousand of other overdue receivables. The balance as at 31 December 2009 included PLN 322 thousand from bankrupt debtors, PLN 2 thousand debtors covered by the liquidation proceedings and PLN 3,500 thousand of other overdue receivables.

Until the approval date of the financial statements by the parent entity Management Board overdue receivables of PLN 3,749 thousand has been settled.

Trade receivables

Trade receivables by credit quality:

Gross book value of trade receivables	Trade receivables neither past due nor impaired	Trade receivables which are past due as at balance sheet date but not impaired				Trade receivables impaired
		1 to 30 days	31 to 60 days	61 to 90 days	more than 90 days	
As at 31 December 2010	20,292	2,402	1,018	186	412	2,904
As at 31 December 2009	17,440	1,409	528	37	141	1,709

Trade receivables neither past due nor impaired include principally receivables from the Exchange members, which are mostly banks and brokerage houses, but also receivables from the issuers of securities and other receivables.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the structure of trade receivables neither past due nor impaired by type of debtors:

Debtors by type	31.12.2010	31.12.2009
Warsaw Stock Exchange members	13,918	11,958
Issuers	625	366
Polish Financial Supervision	-	-
Others	5,749	5,116
Total	**20,292**	**17,440**

Receivables from stock exchange members include receivables from Polish and foreign banks and brokerage houses, whose risk rating are presented in the following table. Due to the fact that the Group does not have its own credit ratings system, external credit ratings were used. In the case of the lack of a credit rating of any single debtor, the rating of the parent company of the debtor was used.

Rating by Moody's	31.12.2010	31.12.2009
Aaa	-	21
Aa	2,387	4,565
A	3,344	3,665
Baa	3,543	69
Not rated	4,644	3,638
Total	**13,918**	**11,958**

Receivables from issuers include fees from companies listed on the Warsaw Stock Exchange.

Other trade receivables include mainly fees for the access to the stock exchange data and other fees. Other trade receivables as at 31 December 2010 contained receivables from approx. 100 clients, out of which approx. 30% were foreign clients (as at 31 December 2009: approx. 80 clients, foreign clients – approx. 30%). The main group of debtors were brokerage houses having access to stock exchange data. These constituted approx. 50% of receivables (as at 31 December 2009: approx. 60%)

As at 31 December 2010, trade receivables which were past due amounting to PLN 2,904 thousand (PLN 1,709 thousand as at 31 December 2009) were impaired. The balance includes PLN 416 thousand from bankrupt debtors, PLN 0 thousand debtors covered by the liquidation proceedings and PLN 2,488 thousand of other overdue receivables (as at 31 December 2009: PLN 322 thousand from bankrupt debtors, PLN 2 thousand debtors covered by the liquidation proceedings and PLN 1,385 thousand of other overdue receivables)

Movements in impairment allowance for trade receivables

	Year ended 31.12.2010	Year ended 31.12.2009
Beginning of the period	**1,709**	**1,520**
Write-down recorded	1,835	1,395
Receivables written off during the period as uncollectible	(112)	-
Reversal of write-downs	(528)	(1,206)
End of the period	**2,904**	**1,709**

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The recording and reversing of allowance for impaired receivables were recognized as other expenses or other income respectively. The amounts that are charged to the write-downs account are typically written off if the cash is not expected to be collected, i.e. it is highly probable that the debtor will go bankrupt, will be subject of financial restructuring or when debtor has significant financial difficulties.

The Group has no collaterals on receivables. None of the trade receivables were renegotiated.

Gross value of trade receivables – geographical concentration:

	31.12.2010	31.12.2009
Domestic receivables	17,554	16,462
Foreign receivables	9,660	4,802
Total	**27,214**	**21,264**

The following table presents the concentration of gross trade receivables in terms of individual debtors:

Entity	31.12.2010	Share	31.12.2009	Share
Entity A	1,844	7%	1,892	9%
Entity B	1,656	6%	1,817	9%
Entity C	1,084	4%	1,254	6%
Entity D	1,327	5%	1,148	5%
Entity E	864	3%	854	4%
Entity F	1,078	4%	621	3%
Entity G	681	3%	698	3%
Entity H	549	2%	622	3%
Others	18,131	66%	12,358	58%
Total	**27,214**	**100%**	**21,264**	**100%**

In the opinion of the parent entity's Management Board, due to the short period of trade receivables collection, the fair value of those receivables is equal to their book value.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Other receivables

The parent entity's Management Board also performs an analysis of impairment allowance for other receivables. Impairment write-down of other receivables is included in the following table.

Movements in impairment write-downs of other receivables:

	Year ended 31.12.2010	Year ended 31.12.2009
Beginning of the period	**82**	**77**
Write-downs recorded	-	5
Write-downs utilised	(5)	-
Write-downs reversed	(77)	-
End of the period	**-**	**82**

12. Long term prepayments

Prepayments relate solely to the payment for the right to perpetual usufruct of land. The current portion of the right to perpetual usufruct of land in the amount of PLN 106 thousand as at 31 December 2010 (as at 31 December 2009 PLN 106 thousand) is included in prepayments and deferred costs in the Note 11.

Perpetual usufruct of land is deferred and amortized over 40 years.

13. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31.12.2010	31.12.2009
Cash in hand	9	4
Current accounts	1,228	2,271
Term deposits	106,363	481,892
Total cash and cash equivalents	**107,600**	**484,167**

Cash and cash equivalents include short-term bank deposits, current accounts and cash in hand. For short-term deposits and current accounts, given their short realization period, the fair value is equal to the carrying amount. In the balance sheet they are measured at amortized cost, using the effective interest rate. The carrying amount of such deposits and current accounts is considered to be their estimated fair value, given the fact that the interest rates applied are based on market rates and the re-pricing period is shorter than 1 month. The average maturity of such deposits was 17 days in 2010 (in 2009 - 28 days).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Equity

Equity attributable to the shareholders of parent entity	31.12.2010	31.12.2009
Share capital	63,865	63,865
Other reserves	204	1,453
Retained earnings	459,774	455,741
Total	**523,843**	**521,059**

Share capital	31.12.2010	31.12.2009
41 972 000 ordinary shares approved, allocated and paid up	41,972	41,972
Revaluation of the share capital using the inflation rate	21,893	21,893
Total	**63,865**	**63,865**

Share capital from before 1996 (at par value of PLN 6,000 thousand) was revalued using the general price index in accordance with IAS 29 (the cumulative inflation rate for the period April 1991 – December 1996 amounted to 464.9%).

As at 31 December 2010 the share capital of WSE amounted to PLN 41,972 thousand and was divided into 41,971,000 shares of nominal value of PLN 1 each. As far as ownership structure is concerned, as at 31 December 2010 the share capital was divided into 15,185,470 Series A preferred shares (one share gives two votes) and 26,786,470 B series ordinary bearer shares. As a result of privatization of WSE in 2010 the State Treasury holds 14,688,470 Series A preferred registered shares, which represent 35.0% of total shares and give 29,376,940 votes on General Meeting, which represents 51.4% of the total vote on General Meeting. The remaining Series A shares (497,000 shares, 1.18% of total shares) are held mainly by brokerage houses and banks, and give 994,000 votes on General Meeting (1.74% of the total vote on General Meeting). As at 31 December 2010, 26,786,530 Series B bearer shares (63.82% of total shares) and corresponding 26,786,530 votes (46.86% of the total vote) were in free float on WSE's Main Market

As at 31 December 2009 the share capital of WSE in amount of PLN 41,972 thousand was divided into 41,972,000 shares of nominal value of PLN 1 each. According to the article 4 excerpt 3 of WSE's Memorandum of Association as at 31 December 2009 all shares of WSE were registered.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The ownership structure and percentage of shares in the parent company as at 31 December 2010 and 31 December 2009:

Shareholders	Nominal value of shares as at 31.12.2010	% of shares in Share capital	% of votes	Nominal value of shares as at 31.12.2009	% of shares in Share capital	% of votes
Registered shares	15,185	36.18%	53.14%	41,972	100.00%	100.00%
State Treasury	14,688	35.00%	51.40%	41,475	98.82%	98.82%
Banks	233	0.57%	0.83%	238	0.57%	0.57%
Brokerage houses	203	0.48%	0.71%	203	0.48%	0.48%
Others	56	0.13%	0.20%	56	0,13%	0,13%
Bearer shares	26,787	63.82%	46.86%	-	-	-
Total	**41,972**	**100%**	**100%**	**41,972**	**100%**	**100%**

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other reserves

	31.12.2010	31.12.2009
Revaluation reserve	**204**	**1,453**
- revaluation	263	1,673
- deferred tax (parent entity)	(59)	(220)

Changes in the revaluation reserve

	Year ended 31.12.2010	Year ended 31.12.2009
Beginning of the period:	**1,453**	**919**
- parent entity (net)	944	164
- associate (net)	509	755
Additions/decreases	**(1,249)**	**534**
- changes due to revaluation and sales:	(1,528)	718
parent entity	(1,468)	964
associate (net)	(60)	(246)
- deferred tax, including parent company	279	(184)
End of period:	**204**	**1,453**
- parent entity	(245)	944
- associate (net)	449	509

Changes in the revaluation reserve

	Year ended 31.12.2010	Year ended 31.12.2009
Beginning of the period:	**1,453**	**919**
Changes due to revaluation to fair value:	(1,528)	718
- decrease	(3,869)	(1,655)
- increase	2,341	2,373
Deferred tax (parent company)	279	(184)
End of the period	**204**	**1,453**

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Retained earnings

	Supplementary capital	Reserves	Accumulated profits	Profit for the period	Total
31 December 2009	**38,023**	**182,508**	**134,448**	**100,762**	**455,741**
Allocation of profit for 2009	-	148	100,614	(100,762)	**-**
Dividend payable	-	-	(90,659)	-	**(90,659)**
Other adjustments to equity	-	-	-	-	**-**
Profit for the year 2010 attributable to the shareholders of the parent entity	-	-	-	94,692	**94,692**
31 December 2010	**38,023**	**182,656**	**144,403**	**94,692**	**459,774**
31 December 2008	**38,017**	**607,489**	**125,946**	**89,703**	**861,155**
Allocation of profit for 2008	-	195	89,508	(89,703)	**-**
Dividend payable	-	(425,176)	(81,006)	-	**(506,182)**
Other adjustments to equity	6	-	-	-	**6**
Profit for the year 2009 attributable to the shareholders of the parent entity	-	-	-	100,762	**100,762**
31 December 2009	**38,023**	**182,508**	**134,448**	**100,762**	**455,741**

As required by the Commercial Companies Code, which is binding upon the Company, the amounts to be divided between the shareholders may not exceed the net profit reported for the last financial year plus retained earnings, less the accumulated losses and amounts transferred to reserves that are established in accordance with law or the Memorandum of Association and that may not be earmarked for the payment of dividend.

The net profit, which stands for the basis of the dividend’s payment for 2010, has been calculated according to International Financial Reporting Standards (IFRS) as adopted by the European Union.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The net profit, which stands for the basis of the dividend’s payment, has been calculated according to Polish GAAP. This is due to the fact that applicable binding Polish laws required the preparation of WSE’s statutory standalone financial statements until 31 December 2009 in compliance with Polish GAAP.

As required by WSE's Memorandum of Association, the supplementary capital is earmarked for covering losses that may arise on the Company’s operations, and for supplementing the share capital. Transfers from profit are made to the supplementary capital, which may not be lower than 10% of the profit. The transfers may be discontinued when the supplementary capital equals a third of the share capital.

The reserves are earmarked for covering investments and other expenses connected with the Company’s operations. Reserves can be capitalised as share capital.

15. Trade payables and other liabilities

	31.12.2010	31.12.2009
Trade payables	6,968	6,840
Amounts due to related parties	504	224
Dividends payable	-	506,182
Total financial liabilities	**7,472**	**513,246**
Social security and similar payables	4,275	1,360
Other payables *	6,421	4,523
Accruals and deferred income**	744	970
Total other liabilities	**11,440**	**6,853**
Total trade payables and other liabilities	**18,912**	**520,099**

(*) other payables include as at 31 December 2010 among others PLN 5,400 thousand payables for purchase Electric Energy Trading Platform (poee) and PLN 682 thousand payables to Polish Financial Supervision Authority (as at 31 December 2009 4,220 thousand).

In the opinion of the parent entity’s Management Board, due to the short period of settlement of trade payables, the fair value of those payables amounts to their book value.

Other non-current payables in amount of PLN 1,360 thousand include as at 31 December 2010 payables for the last instalment for purchase from ELBIS Sp. z o.o. Electric Energy Trading Platform (poee). The due date is in 2012.

There are no overdue payables.

16. Employee benefits payable (retirement benefits, pension benefits and jubilee bonuses)

The Group records provisions for retirement and pension benefits and jubilee bonuses (employee benefits) based on the actuarial valuation prepared as at the balance date by an independent actuarial advisor.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31.12.2010	**31.12.2009**
Payables recognized in the balance sheet in respect of retirement and pension benefits and jubilee bonuses:	2,723	2,833
- Current	356	793
- Non-current	2,367	2,040
Expenses recognized in the income statement in respect of retirement and pension benefits and jubilee bonuses (Note 20)	250	391

Factors that have substantial impact on the current value of these employee benefit liabilities include:
- rate of employee mobility (rotation),
- discount rate; and
- rate of salaries increase.

Provisions were calculated for each employee individually. The provision is valued based on the present value of the WSE's future non-current payables in respect of retirement and pension benefits and jubilee bonuses. The expected amount of retirement and pension benefits is calculated as a product of the expected retirement and pension base, expected growth in the base until the time of attaining retirement age, and a percentage ratio depending on the number of years in service. The resulting amount is discounted on an actuarial basis.

The expected amount of jubilee bonuses is calculated as a product of the expected bonus base, expected growth in the base until the time of acquiring the right to the bonus, and at the percentage ratio depending on years in the service. The resulting amount is subsequently discounted on an actuarial basis.

In 2010 the following assumptions were made in the actuarial valuation:
1) the discount rate was determined based on the market yields of Treasury bonds whose currency and maturity are the same as the currency and the estimated maturity of the employee benefits payable – the nominal discount rate was determined at 5.9 % p.a. (hence the real discount rate is 3.4%); and,
2) the inflation rate is 2.5% p.a. and may fluctuate by +/-1 percentage point,
3) wages and salaries and future benefits are assumed to grow by 3.5% p.a.; and
4) the mobility rate in 2010 year is assumed to be 6.0%.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other employee benefits payables:

	31.12.2010	31.12.2009
Non-current	**2,367**	**2,040**
Retirement and pension benefits and jubilee bonuses	2,367	2,040
Current	**9,790**	**10,325**
Retirement and pension benefits and jubilee bonuses	356	793
Other	9,434	9,532
Total	**12,157**	**12,365**

Breakdown of employee benefits payables:

	31.12.2010	31.12.2009
Current		
Beginning of the period	**9,532**	**7,817**
- annual and spot bonuses	8,087	8,689
- unused holiday pay	1,301	816
- overtime pay	38	21
- vehicles lump sums	8	6
- used during period	(9,532)	(7,817)
End of the period	**9,434**	**9,532**

17. Provisions for other liabilities and charges

Structure of the total provisions for other liabilities and charges	31.12.2010	31.12.2009
Non-current	1,010	1,010
Current	211	200

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Legal claims	Other provisions	Total
As at 1 January 2009	**-**	**400**	**400**
- additional provisions	1,010	200	1,210
- reversed during the period	-	(200)	(200)
- used during the period	-	(200)	(200)
As at 31 December 2009	**1,010**	**200**	**1,210**
As at 1 January 2010	**1,010**	**200**	**1,210**
- additional provisions	-	211	211
- reversed during the period	-	-	-
- used during the period	-	(200)	(200)
As at 31 December 2010	**1,010**	**211**	**1,221**

The Group has created provision for litigation in the amount of PLN 1,010 thousand as a result of legal claims filed by employees. It is difficult to estimate when the balance of provisions set as at 31 December 2009 will be utilized. In the parent entity's Management Board's opinion, which was backed by the professional legal advice, the execution of the employee claims will not incur considerable losses as it is expected that they will not exceed the amount of provisions as at 31 December 2010

Other provisions comprise provisions for the planned profit appropriation to the Company Social Fund.

18. Finance lease liabilities

	31.12.2010	31.12.2009
Non-current	77	28
Current	73	41
Total finance lease liabilities	**150**	**69**

	31.12.2010	31.12.2009
Finance lease liabilities gross – minimum lease payments	**67**	**73**
Up to 1 year	37	45
1 to 5 years	30	28
Future financial cost of finance lease	-	**(4)**
Present value of finance lease liabilities	**150**	**69**
Up to 1 year	73	41
1 to 5 years	77	28

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Revenue

	Year ended 31.12.2010	Year ended 31.12.2009
Revenue from trading	168,783	149,155
Revenue from listing	20,224	14,883
Revenue from information services	32,569	32,891
Other revenue	4,053	2,569
Total	**225,629**	**199,498**

20. Operating expenses

	Year ended 31.12.2010	Year ended 31.12.2009
Depreciation and amortization	16,681	14,486
Salaries (1)	35,226	32,684
Other employee costs (2)	8,696	8,165
Rent and other rent related fees	6,279	5,782
Fees and charges	16,045	15,853
External services (3)	42,101	32,603
Other operating expenses (4)	7,312	9,019
Total	**132,341**	**118,592**

(1) Salaries	Year ended 31.12.2010	Year ended 31.12.2009
Wages and salaries	34,303	31,815
Termination payments	504	261
Employee cost concerning jubilee bonus	419	608
Total	**35,226**	**32,684**

(2) Other employee costs	Year ended 31.12.2010	Year ended 31.12.2009
Social security costs (contributions under the state pension scheme)	3,587	3,855
Retirement benefit costs, defined benefit plans *	250	391
Retirement benefit costs, defined contribution plans **	1,540	1,369
Other current service benefits (including: medical services, lunch subsidies, Social Fund)	3,319	2,550
Total	**8,696**	**8,165**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

** The Group offers its employees defined benefit plans. The plans relate to retirement and pension benefits and are based on the number of years in service and salaries (Note 16).*
*** The Group offers its employees defined contribution plans (Employee' Pension Fund). The plans are financed from contributions made by the Group and employees to the retirement fund that is independent of the Group's financial structure.*

(3) External services	Year ended 31.12.2010	Year ended 31.12.2009
Building renovations and maintenance	11,433	10,350
Advertising expenses	12,968	5,345
Electronic data transfer	5,224	4,881
Consulting and audit fees	3,943	4,073
Press announcements	99	647
Staff training	900	791
Security	920	675
Telecommunication	603	592
Information services	604	2,111
Office cleaning	417	377
Legal and translation services	1,746	260
Software modifications	178	180
Transportation services	138	124
Post services	41	57
Bank charges	75	66
KDPW charges	124	-
Market animation	1,225	988
TBS Poland market upkeep	777	1,086
Other external services	687	-
Total	**42,101**	**32,603**

Other operating expenses	Year ended 31.12.2010	Year ended 31.12.2009
Office stationery and electricity	4,445	3,455
Business trips	1,264	1,389
Sponsorship	106	379
Membership fees	701	665
Property insurance	138	55
Attendance in conferences	255	257
Other expenses	403	2,819
Total	**7,312**	**9,019**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Other income and financial income

Other income

	Year ended 31.12.2010	Year ended 31.12.2009
Compensations received	19	235
Donations received	229	83
Reversal of impairment charges	528	1,206
Reversal of impairment of investments	-	647
Other	363	324
Total	**1,139**	**2,495**

Financial income

	Year ended 31.12.2010	Year ended 31.12.2009
Interest on bank deposits and current account	1,683	16,527
Interest, including:	1,982	15,960
- interest from available for sale financial assets	1,852	2,727
- interest from financial assets held to maturity	130	13,233
Income on sale of financial assets available for sale	6,327	-
Dividends	250	305
Other	65	-
Total	**10,307**	**32,792**

22. Other expenses

	Year ended 31.12.2010	Year ended 31.12.2009
Donations (1)	192	2,068
Loss from sale of property and equipment	77	24
Impairment charges	1,835	1,395
Provision for compensations	-	274
Impairment of investments (2)	351	-
Other	222	125
Total	**2,677**	**3,886**

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) In 2010, donations were made to:

- Fundacja Edukacji Rynku Kapitałowego (Capital Market Education Foundation) – for purchase of electronic al equipment – PLN 13 thousand:
- foundations, orphanages, charity associations – PLN 134 thousand:
- other donations for statutory purposes – PLN 35 thousand.

In 2009, donations were made to:

- Fundacja Edukacji Rynku Kapitałowego (Capital Market Education Foundation) – for the establishment of a Polish faculty at Columbia University in New York – PLN 1,728 thousand;
- foundations, orphanages, charity associations – PLN 139 thousand;
- other donations for statutory purposes – PLN 201 thousand.

23. Income tax

	Year ended 31.12.2010	Year ended 31.12.2009
Current income tax	21,846	23,079
Deferred tax (Note 8)	(1,328)	(998)
Total	**20,518**	**22,081**

As required by the Polish tax regulations, the tax rate applicable in 2010 and 2009 was 19%.

The reconciliation of the theoretical amount of tax arising from profit before tax and the statutory tax rate with the income tax expense shown in the income statement is as follows:

	Year ended 31.12.2010	Year ended 31.12.2009
Profit before income tax	**115,344**	**122,789**
Income tax rate	19%	19%
Income tax at the statutory tax rate	**21,915**	**23,330**
Tax effect of:		
Expenses not deductible for tax purposes	1,281	1,064
Income not subject to tax	(123)	(255)
Additional income subject to tax	20	-
Non taxable share of profit of associates	(2,692)	(2,102)
Other	117	44
Tax charge	**20,518**	**22,081**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Contingencies

The tax authorities may inspect the books of account and tax settlements within 5 years after the end of the year in which tax returns were submitted and they may impose additional tax on the Group, together with penalties and interest.

According to the parent entity's Management Board, there are no indications of any material contingent liabilities in this respect arising.

25. Contingent liabilities and investment commitments

As at 31 December 2010 and 31 December 2009 the Group had no contingent liabilities and investment commitments.

26. Related party transactions

The Group's related parties include its associates (Krajowy Depozyt Papierów Wartościowych S.A., Centrum Giełdowe S.A. and INNEX). The related parties include also the Treasury of State as a parent entity (holding as at 31 December 2010 35.00% of shares and 51.40% of votes on the General Meeting) as well as entities controlled, jointly controlled by the State Treasury and entities over which the State Treasury exerts significant influence. Additionally related parties are members of key management personnel of WSE.

Information about transactions with entities related to the State Treasury
The Ministry of the State Treasury provides neither to the general public nor to the companies held by the State Treasury a complete list of the entities which are controlled or jointly controlled by the State Treasury, or entities over which the State Treasury exerts significant influence. Consequently the WSE's Management Board using its best efforts has disclosed transactions with these entities it managed to identify.

The related parties identified by the WSE's Management Board include companies listed on the WSE (issuers of securities) and the stock exchange members. The Group charges the listed related entities for admission to trading, for floating and listing financial instruments. Related parties being the stock exchange members are charged for enabling the conclusion of transactions in the stock exchange market, for enabling access to the Exchange's information systems and for trading in financial instruments.

All the transactions with entities related to the State Treasury are concluded in the normal course of business of the Group and are carried out on an arm's length basis.

The Group's revenue from individually significant transactions with State-controlled entities and operating expenses for the year ended 31 December 2010 and balances with these entities as at 31 December 2010 were as follows:

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

No	Name of entity	Receivables 31.12.2010	Liabilities 31.12.2010	Revenue for the year ended 31.12.2010	Operating expenses for the year ended 31.12.2010
1.	BGŻ S.A.*	94	-	1,115	-
2.	PKO BP S.A.**	559	-	9,219	-
3.	Powszechny Zakład Ubezpieczeń S.A.	-	-	151	47
4.	Bank Ochrony Środowiska S.A.***	913	15	11,746	180
	Total	**1,566**	**15**	**22,231**	**227**

* *Transactions with Dom Maklerski BGŻ S.A. are included*
** *Transactions with Dom Maklerski PKO Bank Polski S.A. are included*
*** *Transactions with Dom Maklerski Bank Ochrony Środowiska S.A. are included*

Individual and joint impact of other transactions with State-controlled entities was not significant.

The Group's revenue from individually significant transactions with State-controlled entities and operating expenses for the year ended 31 December 2009 and balances with these entities as at 31 December 2009 were as follows:

No	Name of entity	Receivables 31.12.2010	Liabilities 31.12.2010	Revenue for the year ended 31.12.2010	Operating expenses for the year ended 31.12.2010
1.	BGŻ S.A.*	104	-	1,212	-
2.	PKO BP S.A.**	641	-	7,994	-
3.	Powszechny Zakład Ubezpieczeń S.A.	3	-	8	-
4.	Bank Ochrony Środowiska S.A.***	1,081	-	13,299	-
	Razem	**1,829**	**-**	**22,513**	**-**

* *Transactions with Dom Maklerski BGŻ S.A. are included*
** *Transactions with Dom Maklerski PKO Bank Polski S.A. are included*
*** *Transactions with Dom Maklerski Bank Ochrony Środowiska S.A. are included*

In accordance with the Polish law, the Group is subject to taxation. The Group pays tax to the State Treasury, which is a related party until 9 November 2010. The principles and regulations binding upon the Group in this regard are the same as those binding upon other entities which are not a related party with the Group.

In accordance with the Decree of the Minister of Finance of 18 October 2005 on fees paid to the Polish Securities and Exchange Commission by supervised entities, the Group pays fees to the State Treasury in the amount set by the Polish Financial Supervision Authority (PFSA). The Group contributes monthly prepayments and the PFSA makes final yearly settlements before 15 February of the following year. Fees paid to Polish Financial Supervision Authority in 2010 amounted to PLN 14,986 thousand (in 2009: PLN 14,983 thousand). The liability in respect of the difference between the amount of the advance payments made and the amount of the annual charges as determined by the PFSA amounted to PLN 682 thousand as at 31 December 2010 (PLN 4,220 thousand as at 31 December 2009)

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Transactions with associates

For the year ended 31 December 2010

Name of entity	Receivables 31.12.2010	Liabilities 31.12.2010	Revenue for the year ended 31.12.2010	Operating expenses for the year ended 31.12.2010
Centrum Giełdowe S.A.	-	427	-	2,086
KDPW S.A.	54,267	77	877	208
Total	**54,267**	**504**	**877**	**2,294**

For the year ended 31 December 2009

Name of entity	Receivables 31.12.2010	Liabilities 31.12.2010	Revenue for the year ended 31.12.2010	Operating expenses for the year ended 31.12.2010
Centrum Giełdowe S.A.	-	159	-	2,197
KDPW S.A.	43	65	208	58
Total	**43**	**224**	**208**	**2,255**

In the years ended 31 December 2010 and 31 December 2009 no receivables from related parties were written off and no impairment write-downs on receivables from related parties were recorded.

The Group did not grant any guarantees or warranties for the benefit of related parties.

The Group did not conclude transactions with INNEX in the years 2009-2010.

In 2010 the Group also concluded transactions with the “Książęca 4“ Housing Cooperative of which it is a member. In 2010 related expenses amounted to PLN 2,961 thousand and in 2009 PLN 2,685 thousand. Moreover when the Housing Cooperative generates surpluses in individual year, the Group receives the refunds. It amounted to PLN 25 thousand in 2010. In 2009 there were no refunds.

Information on remuneration and benefits to key management personnel

Management Board of parent entity is key management personnel of the Group.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Remuneration and benefits paid and payable to the key management personnel of the Warsaw Stock Exchange:

	Year ended 31.12.2010	Year ended 31.12.2009
Remuneration	1,243	1,164
Other employee benefits	566	528
Unused holiday pay	506	118
Total	**2,315**	**1,810**

Information on loans to key management personnel

In 2010 as well as in 2009 no loans were granted to the key management personnel of the Group.

27. Future minimum lease payments

Lease fees paid under operating lease are charged to expenses over the lease period using the straight-line method.

WSE is a party to rental agreements in respect of office space and conference room with a three-month' notice for which rent to be paid over three months amounts to PLN 157 thousand. In 2007 WSE concluded an agreement for the lease of office space for the period of 3 years, for which the rent payable in 2011 amounts to PLN 834 thousand. In 2010 WSE concluded an agreement for the lease of office space for the period of 9 months, for which the rent payable in 2011 amounts to PLN 136 thousand.

In 2007, Bondspot S.A. concluded an agreement for the lease of office space for a period of 5 years, for which the rent payable in 2010-2011 amounts to PLN 658 thousand in total.

In 2006 WSEInfoEngine concluded an agreement for the lease of office space with a three-month' notice. In 2008 the company concluded new agreement in place of the previous one with three-month' notice as well. In 2009, WSEInfoEngine terminated the agreement from 2008 and concluded a new agreement for the lease of office space for a period of 3 years, for which the rent payable in 2010-2012 amounts to PLN 166 thousand in total.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Total future minimum lease payments under non-cancellable operating leases are as follows:

As at 31 December 2010

	Up to 1 year	1-5 years	Over 5 years	Total
GPW	1,127	-	-	**1,127**
BondSpot S.A.	494	164	-	**658**
WSE InfoEngine S.A.	133	33	-	**166**
Total	**1,754**	**197**	**-**	**1,951**

As at 31 December 2009

	Up to 1 year	1-5 years	Over 5 years	Total
GPW	1,288	-	-	**1,288**
BondSpot S.A.	520	520	-	**1,040**
WSE InfoEngine S.A.	117	147	-	**264**
Total	**1,925**	**667**	**-**	**2,592**

28. Derivative financial instruments

As at 31 December 2010 and 31 December 2009 there were no derivative instruments in the Group.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Cash generated from operations

	Note	Year ended 31.12.2010	Year ended 31.12.2009
Profit for the period		**94,826**	**100,708**
Total adjustments		**15,278**	**(9,399)**
Income tax expense	23	20,518	22,081
Depreciation of property and equipment	5	12,958	11,243
Amortization of intangible assets	6	3,723	3,243
Loss on sale of property and equipment	22	77	24
Net movement in provisions for other liabilities and charges	17	11	810
Financial income on financial asstes held to maturity	21	(130)	(13,233)
Financial income on available-for-sale financial assets	21	(8,179)	(2,727)
Dividend income on available-for-sale financial assets	21	(250)	(305)
Interest income on deposits	21	(1,683)	(16,527)
Share in profit of associates	7	(14,170)	(11,061)
Result of an impairment of shares in associates	21	-	(647)
Other		560	(1,091)
Increase in inventories		(13)	(51)
(Increase)/decrease in trade and other receivables and prepayments	11	(4,372)	(2,917)
Increase/(decrease) in trade and other payables	15,18	6,436	(347)
Increase in employee benefit payables	16	(208)	2,106
Cash generated from operations		**110,104**	**91,309**

30 Dividend

On 21 October 2009 the Act of 4 September 2008 implementing changes to the Act on trading in financial instruments (Journal of Laws from 2009 No 165, item 1316) and other Acts become effective, allowing the shareholders of the WSE to claim dividend. Under Resolutions No. 32 and 33 of the WSE Ordinary General Shareholders Meeting dated 30 July 2009 the total amount of PLN 506,182,320 was allocated for dividend payment. The dividend was paid on 11 January 2010. The dividend paid per share amounted to PLN 12.06.

Under Resolutions No. 4 of the WSE Ordinary General Shareholders Meeting dated 30 July 2010 the net profit for the financial year 2009 was divided and PLN 90,659,520 was allocated for dividend payment. The dividend was paid on 20 July 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Earnings per share

Basic	**Year ended 31.12.2010**	**Year ended 31.12.2009**
Profit attributable to the shareholders of the parent entity	94,692	100,762
Weighted average number of ordinary shares (in thousands)	41,972	41,972
Basic earnings per share (in PLN)	**2.26**	**2.40**

Diluted	**Year ended 31.12.2010**	**Year ended 31.12.2009**
Profit attributable to the shareholders of the parent entity	94,692	100,762
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	41,972	41,972
Diluted earnings per share (in PLN)	**2.26**	**2.40**

32. Operating segments

Following the "management approach", operating segments are reported in accordance with the internal reporting provided to the parent entity's parent entity's Management Board (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses their performance.

The operating segments of the Group were identified by the type of products and services, from which a given operating segment earns revenues.

In the years 2009-2010 the Group was engaged in activities in three main operating segments:

- trading (transaction fees dependant on the stock exchange market turnover, stock exchange system access fees, charges for servicing brokerage application);
- listing (annual fees for the listing of securities and one-off charges e.g. charges for admission and introducing the securities to stock exchange trading);
- information services.

At the moment, the Group does not analyse costs of the individual operating segments. However, it intends to implement activity based costing model, which will support appropriate segment cost allocation. Furthermore, the Group does not allocate assets and liabilities to individual segments.

The Group's other revenues comprise mainly the revenue from training services and rental of space. None of these areas of operations represent reportable segments. The Management Board does not analyse data relating to the subsidiaries and associated entities.

In 2009-2010 there were no sales between the segments.

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's operating segments are concentrated on the territory of Poland. All Group assets are located in Poland.

The following tables present a reconciliation of the data analysed by the parent entity's Management Board of the parent entity with the relevant items shown in these consolidated financial statements.

In 2010, the segment revenues were as follows:

		WSE*	Subsidiaries	Other adjustments	Total**
Revenue (external transactions)		**216,467**	**10,024**	**(862)**	**225,629**
Segments	Trading	160,369	8,414	-	168,783
	Listing	20,041	183	-	20,224
	Information services	32,521	52	(4)	32,569
	Other	3,536	1,375	(858)	4,053
Operating expenses		124,473	8,796	(928)	132,341
Profit/(loss) on sales		91,994	1,228	-	93,288
Other operating loss		(19)	17	(1,536)	(1,538)
Operating profit/(loss)		91,975	1,245	-	93,220
Net financial gain		63,276	450	(54,302)	9,424
Share of profit of associates		-	-	14,170	14,170
Profit/(loss) before income tax		**155,251**	**1,695**	**(41,668)**	**115,344**

** Data analyzed by the Management Board of WSE*
*** As presented in Consolidated Statements of Comprehensive Income.*

In 2009, the segment revenues were as follows:

		WSE*	Subsidiaries	Other adjustments	Total**
Revenue (external transactions)		**192,463**	**7,377**	**(342)**	**199,498**
Segments	Trading	142,633	6,522	-	149,155
	Listing	14,772	111	-	14,883
	Information services	32,891	144	(144)	32,891
	Other	2,167	600	(198)	2,569
Operating expenses		109,989	8,762	(159)	118,592
Profit/(loss) on sales		82,474	(1,385)	(183)	80,906
Other operating loss		(1,743)	(350)	722	(1,371)
Operating profit/(loss)		80,731	(1,735)	539	79,535
Net financial gain		32,508	409	(724)	32,193
Share of profit of associates		-	-	11,061	11,061
Profit/(loss) before income tax		**113,239**	**(1,326)**	**10,876**	**122,789**

** Data analyzed by the Management Board of WSE*
*** As presented in Consolidated Statements of Comprehensive Income.*

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue by geographical area was as follows:

	Year ended 31.12.2010	Share (%)	Year ended 31.12.2009	Share (%)
Domestic sales	183,266	81%	166,764	84%
Export sales	42,363	19%	32,734	16%
Total	**225,629**	**100%**	**199,498**	**100%**

The following tables present a reconciliation of total assets and liabilities as analysed by parent entity's Management Board to total assets and liabilities presented in these consolidated financial statements.

Assets and liabilities are presented in the assets and liabilities of the Group as at 31 December 2010 and 2009 as follows:

Year ended 31.12.2010	WSE	Subsidiaries	Associates*	Other adjustments**	Total***
Total assets	426,670	18,335	127,304	(13,783)	**558,526**
Total liabilities	30,226	3,724	-	(150)	**33,800**

** representing the difference between the carrying amount of the associates determined using the equity method and their measurement at cost net of impairment as analysed by the Management Board*

*** other adjustments consist among the other consolidation elimination such as: (1) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (2) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period (3) non-controlling interests in the net assets of consolidated subsidiaries (4) intragroup balances, transactions, income and expenses*

**** as presented in Consolidated Statements of Financial Position*

Year ended 31.12.2010	WSE	Subsidiaries	Associates*	Other adjustments**	Total***
Total assets	888,038	13,013	167,672	(13,172)	**1,055,551**
Total liabilities	533,583	2,192	-	(2,032)	**533,743**

** representing the difference between the carrying amount of the associates determined using the equity method and their measurement at cost net of impairment as analysed by the Management Board*

*** other adjustments consist among the other consolidation elimination such as: (1) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (2) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period (3) non-controlling interests in the net assets of consolidated subsidiaries (4) intragroup balances, transactions, income and expenses*

**** as presented in Consolidated Statements of Financial Position*

(ALL AMOUNTS IN PLN THOUSAND, UNLESS OTHERWISE STATED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Acquisition of Electricity Trading Platform

On 18 October 2010 the agreement was signed to acquire from ELBIC Sp. z o.o. Electricity Trading Platform (poee) which formed the organised part of the enterprise. The proportionate shares in poee was acquired by WSE, KDPW S.A. and WSEInfoEngine S.A. The total purchase price is PLN 15,000 thousand, PLN 8,500 of which applied to WSE and PLN 1,700 thousand to WSEInfoEngine S.A. The transaction was subject to approval by the Polish Financial Supervision Authority of the Regulation of Exchange Clearing House and approval of a Chairman of the Office of Competition and Consumer Protection.

After obtaining required approvals the acquirers gained control over poee on 10 December 2010.

WSE intends to develop Electricity Trading Platform and organise the commodities market corresponding to electric energy and other commodity instruments. WSE intention is establishment of offer appealing to electricity producers and gaining significant share in electricity trading.

WSEInfoEngine S.A. will develop market of services in respect to trade operator of measurement and equalisation of energy for state owned companies.

The main categories of assets acquired as at 10 December 2010 (measured at fair value):

- intangible assets PLN 518 thousand,
- property and equipment PLN 130 thousand,
- cash and cash equivalents PLN 1 thousand.

Goodwill was established as follows:

▪ purchase price of the organised part of the enterprise	PLN 10,315 thousand
▪ fair value of net assets	PLN 779 thousand
▪ goodwill recognised by WSE and WSEInfoEngine S.A.	PLN 9,536 thousand

34. Events after the balance date

No significant events occurred after 31 December 2010 which would have significant impact on the financial statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements are presented by the Management Board of the Warsaw Stock Exchange:

1. Ludwik Sobolewski – the President of the Management Board
2. Lidia Adamska – the Member of the Management Board
3. Beata Jarosz – the Member of the Management Board
4. Adam Maciejewski – the Member of the Management Board

Lidiia Michalska - Chief Accounting Officer

Warsaw, 19 March 2011