



## FINANCIAL INCOME AND EXPENSES



*The Group's total financial expenses were PLN 12.2 million in 2013 compared to PLN 17.8 million in 2012.*

Financial income of the Group amounted to PLN 10.9 million in 2013, a decrease of PLN 3.2 million compared to PLN 14.1 million in 2012.

Financial income mainly includes interest on bank deposits, financial income from investments in Treasury bonds and a surplus of positive fx differences. Interest income from bank deposits amounted to PLN 8.7 million in 2013 and PLN 10.7 million in 2012. Financial income from held Treasury bonds amounted to PLN 0.6 million in 2013 and PLN 2.1 million in 2012. The surplus of positive fx differences over negative fx differences was PLN 0.9 million in 2013. The fx differences balance was negative (PLN 1.0 million) in 2012 and it was recognised under financial expenses.

Financial income of the Group stood at PLN 1.7 million in Q4 2013 compared to PLN 2.2 million in Q3 2013 and PLN 3.2 million in Q4 2012.

The Group's total financial expenses were PLN 12.2 million in 2013 compared to PLN 17.8 million in 2012. The expenses were lower in 2013 mainly due to the interest cost of debt service in respect of a bond issue, which amounted to PLN 11.2 million in 2013 compared to PLN 15.5 million in 2012. The negative fx differences were PLN 1.0 million in 2012.

Financial expenses amounted to PLN 2.8 million in Q4 2013 compared to PLN 2.6 million in Q3 2013 and PLN 4.5 million in Q4 2012. The expenses in Q3 and Q4 2013 were lower than in Q4 2012 mainly due to the lower interest costs of debt service under the bond issue following changes to WIBOR 6M, which is the floating interest rate underlying the interest rate on the bonds.

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

The total cost of the bond offering was PLN 2.2 million and it was recognised in prepayments, reducing the Company's financial expenses on a straight-line basis from the issue date of series A bonds (23 December 2011) until the redemption date of series A and B bonds (2 January 2017). The prepayments reduce the Company's bond issue liabilities. The cost of the offering added PLN 0.5 million to the financial expenses of the Group in 2013 and PLN 0.4 million in 2012. The cost of the offering was PLN 0.1 million in each of the quarters under review.

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