

The Derivatives Market

At the end of 2005, the following types of derivatives were listed on the Exchange:

- Futures contracts on the WIG20, MIDWIG and TechWIG indices, T-bonds, the stocks of eleven companies, and two currencies (US dollars and euro);
- European-style options on the WIG20 index and the stocks of five companies;
- Index participation units (MiniWIG20) based on the WIG20 index.

All derivatives are traded in the continuous trading system. Futures contracts, options and index participation units are traded from 9.00 a.m. to 4.30 p.m.

As is the case with other securities quoted in the continuous system, an auction is held at the opening and closing of trading. Following the closing auction a ten-minute post-auction trading phase takes place from 4.20 p.m. to 4.30 p.m.

There is a separate schedule for trading in the Treasury bonds futures, which were introduced on February 14, 2005. In their case trading closes at 4.35 p.m. and there is no post-auction trading phase.

The Exchange, as the organizer of trading, develops a contract specification for each type of derivative instrument, which defines, among other things, the method of calculating contract value, the quotation unit and tick (the minimum price fluctuation), the first and last day of trading, etc. In its role as a clearing house, the National Depository for Securities determines procedures for clearing, settlement and record-keeping, as well as the required margin. Some Exchange members act as market makers to ensure li-

quidity on the derivatives market (non-members may also perform this function). This means that, based on an agreement made with the Exchange, they are required to place their own buy and sell orders in the order book.

Price variation limits (relative to the reference price) are enforced in derivatives trading as follows:

- index futures 5%;
- stock futures 5%;
- currency futures 3%;
- bond futures: 1.5 percentage points;
- index participation units 5%;
- index options 100 index points;
- stock options: determined once per quarter, in PLN, as 5% average from the last 20 closing prices for the underlying instrument in the previous quarter.

Futures

The WSE derivatives market was launched on January 16, 1998, when WIG20 index futures were introduced to trading. In subsequent years, futures on currencies, individual stocks and other indices have followed. At the end of 2005, WIG20, MIDWIG and TechWIG index futures, USD and Euro futures, T-bond futures, as well as contracts on eleven individual stocks, were available for trading on the Exchange.

Since the launch of the WSE derivatives market the WIG20 futures market has been the most dynamically developing segment. High turnover on futures contracts is gene-



rated above all by domestic individual investors, who in 2005 accounted for around 80% of trading.

In 2005, the volume of trading in futures on the Exchange exceeded 5.3 million contracts, which was the highest-ever volume traded.

On February 14, 2005, the Warsaw Stock Exchange launched another derivative instrument – Treasury bond futures. These futures are the first interest-rate-linked derivative product on the WSE, as well as the first where settlement is based on physical delivery of the underlying instrument.

Index futures contracts – basic characteristics

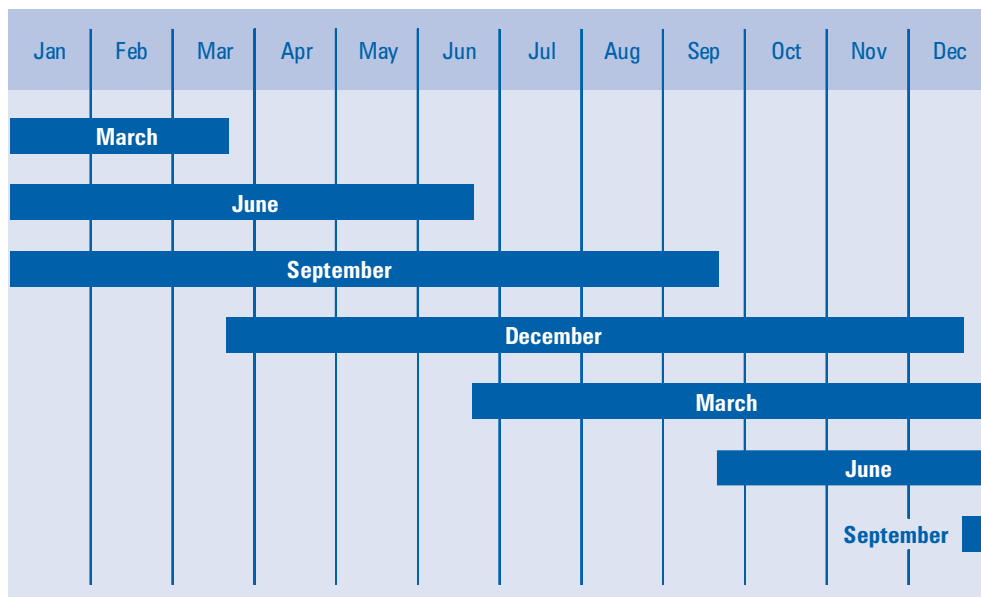
Contract symbol	FXYZkr, where: F – type of instrument XYZ – abbreviated name of underlying instrument (W20, MID, TEC) k – delivery month code (determined by the Exchange) r – last digit of delivery year
Multiplier	10 PLN
Contract value	Product of multiplier and contract price
Quotation unit	Index points
Minimum price fluctuaction (tick)	One index point
Minimum tick value	10 PLN
Contract delivery months	Three nearest months of the following cycle: March, June, September, December
Last trading day	The third Friday of the delivery month If there is no trading session on that date, it is the last trading session day preceding the third Friday of the delivery month
Expiry date	Last trading day
First trading day	The first trading day following the previous contract expiry
Final settlement price	Final settlement price is determined on the contract expiry date as the arithmetic mean of all given index (WIG20, TechWIG, MIDWIG) values from the last hour of continuous trading and the index value as determined at the close of trading
Settlement date	The next business day following the contract expiry date (day after the last trading day)
Settlement	Cash in PLN

Stock futures contracts – basic characteristics

Contract symbol	FXYZkr, where: F – type of instrument XYZ – abbreviated name of underlying instrument k – delivery month code (determined by the Exchange) r – last digit of delivery year
Number of shares per contract	MILLENNIUM - 3,000; KGHM, PKN ORLEN, TPSA - 500; ELEKTRIM - 300 AGORA - 200; BRE, BZWBK, PEKAO, PROKOM - 100; BPHPBK - 50
Quotation unit	PLN (per share)
Contract value	Product of contract price and number of shares per contract
Minimum price fluctuaction (tick)	0.01 PLN if contract price does not exceed 5 PLN 0.05 PLN if contract price exceeds 5 PLN
Minimum tick value	Product of tick and number of shares per contract
Contract delivery months	Three nearest months of the following cycle: March, June, September, December
Last trading day	The third Friday of the delivery month If there is no trading session on that date, it is the last trading session day preceding the third Friday of the delivery month
Expiry date	Last trading day
First trading day	The first trading day following the previous contract expiry
Final settlement price	Final settlement price is determined on the contract expiry date as the volume-weighted arithmetic average of all transactions in the underlying stock at a session, as per quotation system
Settlement date	The next business day following the contract expiry date (day after the last trading day)
Settlement	Cash in PLN



Index and stock futures trading calendar

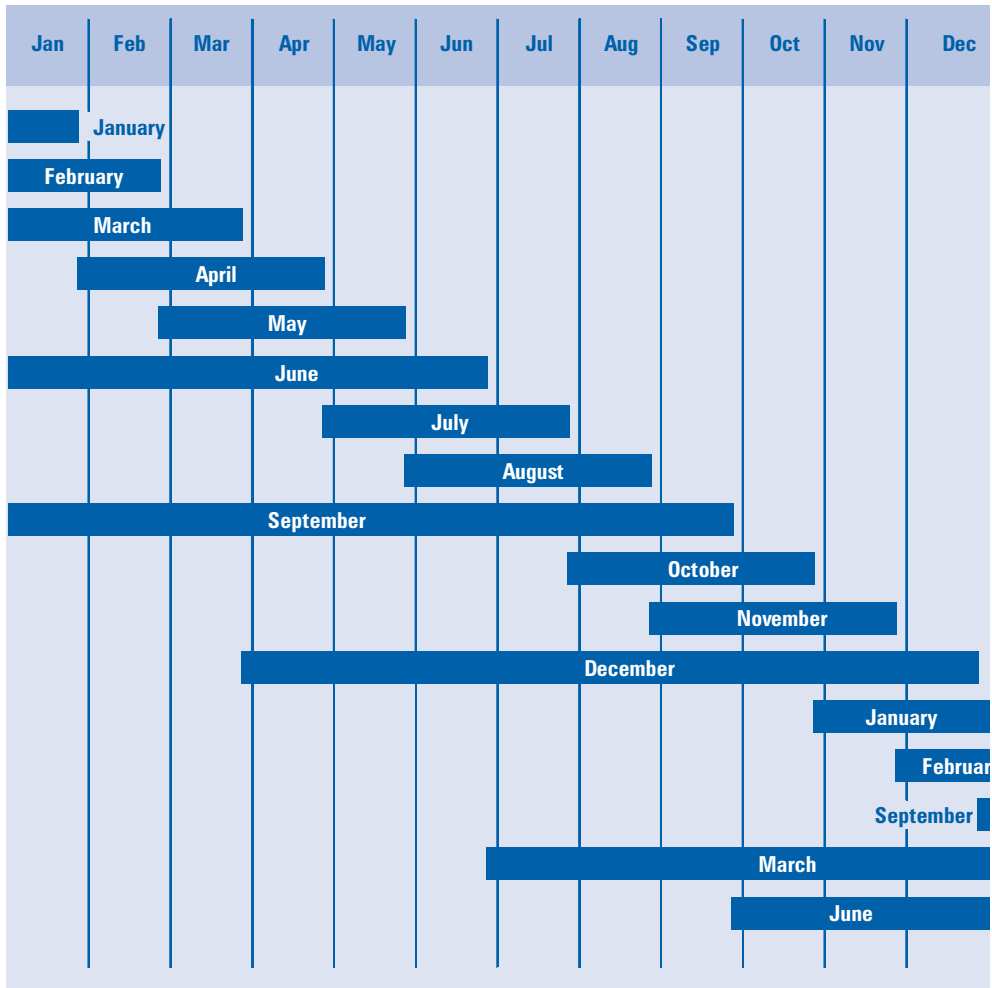


Currency futures contracts – basic characteristics

Contract symbol	FXYZkr, where: F – type of instrument XYZ – abbreviated name of underlying instrument (EUR, USD) k – delivery month code (determined by the Exchange) r – last digit of delivery year
Contract size	10,000 EUR or 10,000 USD
Minimum price fluctuation (tick)	0.01 PLN per 100 EUR or 0.01 PLN per 100 USD
Minimum tick value	1 PLN
Contract delivery months	Three nearest calendar months plus two subsequent months from the March quarterly cycle (March, June, September, December)
Expiry date	The fourth Friday of the delivery month
Last trading day	Trading day directly preceding the expiry date
First trading day	Trading day falling on the expiry date of the previous contract
Final settlement price	The average EUR or USD exchange rate determined by the National Bank of Poland at the fixing on the contract expiry date multiplied by 100. It is expressed to the nearest 0.01 PLN (per 100 EUR or 100 USD)
Settlement date	The next business day following the contract expiry date
Settlement	Cash in PLN



Currency futures trading calendar





Treasury bond contracts – basic characteristics

Abbreviated contract name	FPS5kr, where: F – type of instrument PS5 – abbreviated name of underlying instrument k – delivery month code (as per the Exchange Management Board resolution) r – last digit of delivery year
Underlying instrument	Fixed interest treasury bonds issued by the Minister of Finance, with a minimum issue value of PLN 5 billion and a remaining maturity of not less than 2 years and 9 months and not more than 5 years and 6 months as of the futures contract delivery date
Contract par value	PLN 100,000
Multiplier	PLN 1,000
Trading unit	The value is given in percentage points for each PLN 100 of the par value of the contract
Tick	0.01 of a percentage point
Tick value	PLN 10
Contract value	The product of the contract price and the multiplier
Delivery months	Two nearest of March, June, September and December
Last trading day	The trading day being the third Friday of the delivery month. If this day is not a trading day according to the exchange calendar, then the last trading day before the third Friday of the delivery month.
Expiry date	The same day as the last trading day
First trading day of a new series	The first trading day following expiry of the previous contract series
Final settlement price	Final settlement price is determined on the contract expiry date as the turnover-weighted arithmetic average of prices of all transactions in contracts of a series concluded during the last hour of continuous trading and at the close of the continuous trading
Final settlement value	The product of the final settlement price of a contract and the multiplier
Contract delivery	Bond delivery in accordance with the rules determined by the NDS
Contract delivery date	The fourth business day after the last trading day is the delivery date for a contract of a series in the event of contract physical delivery



Treasury bonds futures trading calendar

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	March										
	June										
		September									
					December						
									March		
											June

**Futures contracts – key figures**

	Futures contracts (total)				
	2005	2004	2003	2002	2001
Number of transactions per session	238 025	125 494	116 201	77 334	98 646
Total turnover value (million PLN)	948 305	492 134	462 951	310 579	394 583
Average turnover value per session (thous. PLN)	21 428	14 153	16 860	12 755	15 019
Average volume per session	6 271	4 529	5 049	4 229	4 953
Open interest (at year-end)	33 418	30 270	22 535	19 283	12 815
Number of series (at year-end)	54	49	51	46	40
	WIG20 futures				
	2005	2004	2003	2002	2001
Total turnover value (million PLN)	225 296	122 192	113 662	75 246	95 932
Average turnover value per session (thous. PLN)	897 592	479 186	452 836	302 194	383 728
Average volume per session	20 546	13 664	16 410	12 278	14 586
Number of transactions per session	5 691	4 159	4 722	3 874	4 650
Open interest (at year-end)	30 099	27 460	20 163	17 539	11 412
Liquidity ratio (%)	170.4	164.7	207.0	171.0	179.5
Number of series (at year-end)	3	3	3	3	3
	TechWIG futures				
	2005	2004	2003	2002	2001
Total turnover value (million PLN)	105	102	43	130	636
Average turnover value per session (thous. PLN)	418	398	172	524	2 544
Average volume per session	30	31	17	52	134
Number of transactions per session	28	28	12	42	97
Open interest (at year-end)	209	181	39	203	146
Liquidity ratio (%)	0.3	0.4	0.2	0.8	2.2
Number of series (at year-end)	3	3	3	3	3
	MIDWIG futures				
	2005	2004	2003	2002*	2001
Total turnover value (million PLN)	89	842	215	144	---
Average turnover value per session (thous. PLN)	355	3 302	857	668	---
Average volume per session	10	100	38	36	---
Number of transactions per session	9	83	33	30	---
Open interest (at year-end)	40	146	111	124	---
Liquidity ratio (%)	0.2	5.8	4.1	3.6	---
Number of series (at year-end)	3	3	3	3	---

* MIDWIG futures have been listed since February 18, 2002

Futures contracts – key figures

	<i>Stock futures</i>				
	2005	2004	2003	2002	2001*
Total turnover value (million PLN)	5 468	2 085	1 758	1 332	923
Average turnover value per session (thous. PLN)	21 784	8 177	7 003	5 347	3 909
Average volume per session	689	345	371	370	257
Number of transactions per session	521	248	267	271	185
Open interest (at year-end)	2 928	2 268	1 972	1 291	779
Liquidity ratio (%)	4.6	3.1	3.7	3.6	2.3
Number of series (at year-end)	33	30	32	27	24
	<i>Treasury bonds futures</i>				
	2005**	2004	2003	2002	2001
Total turnover value (million PLN)	6 646	---	---	---	---
Average turnover value per session (thous. PLN)	30 074	---	---	---	---
Average volume per session	146	---	---	---	---
Number of transactions per session	2	---	---	---	---
Open interest (at year-end)	58	---	---	---	---
Number of series (at year-end)	2	---	---	---	---
	<i>EUR exchange rate futures</i>				
	2005	2004	2003	2002	2001
Total turnover value (million PLN)	92	113	357	235	565
Average turnover value per session (thous. PLN)	368	444	1 422	944	2 258
Average volume per session	5	5	16	12	30
Number of transactions per session	4	3	10	8	16
Open interest (at year-end)	25	50	165	53	266
Number of series (at year-end)	5	5	5	5	5
	<i>USD exchange rate futures</i>				
	2005	2004	2003	2002	2001
Total turnover value (million PLN)	328	159	166	247	590
Average turnover value per session (thous. PLN)	1 308	625	661	990	2 362
Average volume per session	20	9	8	12	28
Number of transactions per session	17	8	6	7	15
Open interest (at year-end)	59	165	85	73	212
Number of series (at year-end)	5	5	5	5	5

* Single stock futures have been listed since January 22, 2001

** T-bond futures have been listed since February 14, 2005



Options

The first options debuted on the Warsaw Exchange on September 22, 2003. These were European-style options based on the WIG20, the index covering the largest companies listed on the WSE.

On October 17, 2005, European-style options concerning stocks of five companies (TPSA, PROKOM, PEKAO, PKN ORLEN and KGHM) were introduced to trading.

For each session, a reference price is calculated based on the Black-Scholes model. Interest rate and volatility parameters are as determined by the NDS. Due to the nature

of the instrument, margins are required only from the option writers (those opening short positions). Option buyers do not pay margins. The options available on the Warsaw Exchange are in the European style, which means that they may only be exercised on the expiry date.

As is the case of futures, trading liquidity is supported by market-makers who, based on an agreement concluded with the exchange, are obliged to place their own buy and sell orders in the order book.

At the end of 2005, 122 series of options were available for trading.

Index options – basic characteristics

Abbreviated name of option	0W20krccc, where: 0 – type of instrument W20 – abbreviated name of underlying instrument r – last digit of expiry year ccc – exercise price designation
Multiplier	PLN 10 per index point
Option value	Product of option price and multiplier
Quotation unit	Index points
Tick	0.01 point if option price does not exceed 5 points 0.05 point if option price exceeds 5 points
Expiry months	Two nearest months of the following cycle: March, June, September, December
Expiry date	The third Friday of the expiry month. If there is no trading session on that date, it is the last trading session day preceding the third Friday of the expiry month
Last trading day	Expiry date
Exercise price	Equal to the value of the underlying instrument, with respect to which the settlement balance shall be determined taking into account the multiplier
Exercise value	Product of exercise price and multiplier
Settlement price	Settlement price is determined on the expiry date as the arithmetic mean of all WIG20 index values during the last hour of continuous trading and the index value as determined at the close of trading
Settlement value	Product of settlement price and multiplier
Settlement date	First business day following the date on which settlement price is determined
Settlement	Cash in PLN

Stock options – basic characteristics

Abbreviated name of option	OXYZkrcccp, where: O – type of instrument, XYZ – code standing for name of underlying instrument (as determined by the Exchange Management Board), k – option type and expiry month code (as determined by the Exchange Management Board), r – last digit of expiry year, ccc – exercise price, p – code designating option operations in connection with underlying instrument operations or exercise of rights arising from underlying instruments.
Number of stocks per option	KGHM, PKNORLEN, TPSA - 500, PEKAO, PROKOM - 100
Option price	Option value per stock being the underlying instrument, expressed in quotation units
Option value	Product of option price and number of stocks per option
Quotation unit	PLN (per stock)
Tick	PLN 0.01 if option price does not exceed PLN 5, PLN 0.05 if option price exceeds PLN 5.
Expiry months	Two nearest months of the cycle comprising March, June, September, December
Expiry date	Third Friday of the expiry month for the series. If such day is not a trading day according to the exchange calendar, the expiry date shall fall on the last trading day before the third Friday of the expiry month.
Last trading day	Expiry date
Exercise price	A value equal to the price of the underlying instrument, by reference to which the settlement balance shall be determined taking into account the number of stocks per option.
Exercise value	Product of exercise price and number of stocks per option
Settlement price	Settlement price is determined on the expiry date as the turnover-weighted arithmetic mean of prices of all transactions in stocks being underlying instruments made in the trading system at a trading session
Settlement value	Product of settlement price and number of stocks per option
Settlement date	First business day following the date on which settlement price is determined.
Settlement	Cash in PLN

**Options – key figures**

	Options (total)		
	2005	2004	2003
Total turnover value (million PLN)*	11 556	2 786	636
Average turnover value per session (million PLN)	45.32	10.93	9.21
Wartość obrotu wg premii (million PLN)	145.97	49.67	19.25
Average volume per session	1 014	309	299
Number of transactions per session	345	134	117
Open interest (at year-end)	6 845	4 775	847
Number of series (at year-end)	122	18	16
	Index options		
	2005	2004	2003**
Total turnover value (million PLN)*	11 370	2 786	636
Average turnover value per session (million PLN)	44.59	10.93	9.21
Turnover value according to premium (million PLN)	139.34	49.67	19.25
Average volume per session	996	309	299
Number of transactions per session	334	134	117
Open interest (at year-end)	6 432	4 775	847
Liquidity ratio (%)	8.60	3.75	3.74
Number of series (at year-end)	22	18	16
	Stock options		
	2005***	2004	2003
Total turnover value (million PLN)*	186	---	---
Average turnover value per session (million PLN)	3.57	---	---
Wartość obrotu wg premii (million PLN)	6.63	---	---
Average volume per session	84	---	---
Number of transactions per session	51	---	---
Open interest (at year-end)	413	---	---
Liquidity ratio (%)	0.98	---	---
Number of series (at year-end)	100	---	---

* Value of trading at the underlying instrument closing price

** WIG20 options have been listed since September 22, 2003

*** Single stock options have been listed since October 17, 2005

MiniWIG20 - index participation units



Index participation units (IPU) have been quoted on the Exchange since November 26, 2001. An index participation unit is a security representing all the stocks constituting a given index. As far as the expected rate of return is concerned, buying this instrument is equivalent to investing in the index constituent stocks, without the necessity of buying the individual stocks included in the index portfolio. IPUs traded on the WSE are based on the WIG20, the index reflecting the

performance of the twenty largest listed companies.

Acquisition of an IPU is equivalent to investment in a portfolio of the twenty stocks constituting the index. IPUs are priced in PLN, with the price of one unit being equal to 1/10 of the value of the WIG20 index. IPUs offer money-making opportunities both for those who expect the value of the index to rise (long position, i.e. purchase of IPUs) and those who anticipate a fall (short position, i.e. writing of IPUs).

MiniWIG20 – index participation units on WIG20 – basic characteristics

Abbreviated IPU name	MW20
Underlying instrument	WIG20 index
Multiplier	0.1 PLN
Value of an IPU	Multiplier * value of underlying instrument
Quotation unit	PLN per IPU
Tick and tick value	0.01 PLN
Last trading day	Last but one trading day in December 2025 In exceptional cases, the Exchange Management Board may set the last trading day to fall on a different date, but must disclose such information to the public at least 4 weeks in advance
Expiry date	The date on which the settlement price is determined for the last time The first exchange trading day after the last trading day
Settlement price	The product of the opening value of underlying instrument and the multiplier
Settlement value	Equal to the settlement price
Rights of IPU holders	The holder may exercise IPU and receive a payment from the writer equal to the settlement balance as at the first trading day following the exercise
Settlement balance	The same as IPU settlement value
Exercise date	The date on which the IPU holder exercises his right or, if there is no early exercise, the trading day preceding the expiry date The exercise is allowed on any trading day until and including the day preceding the expiry date
Settlement date	The next business day following the date on which the settlement price is determined
Settlement	Cash in PLN



MiniWIG20 – key figures

	2005	2004	2003	2002	2001*
Total turnover value (thous. PLN)	7 977	15 628	33 948	61 662	5 571
Average turnover value per session (thous. PLN)	32	61	135	248	242
Average volume per session	74	179	528	984	971
Number of transactions per session	5	7	10	14	20
Open interest (at year-end)	6 692	10 981	20 336	27 866	4 346
Number of series (at year-end)	1	1	1	1	1

* Index participation units have been listed since November 26, 2001

Warrants

The first warrants were introduced to trading on the Exchange on March 9, 1998. In 2005 there were European and American-style warrants available for trading on the WSE. European style means that the warrant could be exercised only on a date designated in advance by the issuer, known as the expi-

ry date, while American style means that the warrant could be exercised on any day up to the expiry date.

Currently, there are no warrants quoted on the Exchange. The last series of warrants were quoted on December 16, 2005. Then, all the warrants were withdrawn from trading by their issuers.

Warrants – key figures

	2005*	Warrants (total)			
		2004	2003	2002	2001
Total turnover value (thous. PLN)	2 884	11 460	15 492	8 489	20 399
Average turnover value per session (thous. PLN)	11.92	44.94	61.72	34.09	81.59
Average volume per session	1 278	5 333	8 011	4 133	9 631
Number of transactions per session	7	15	22	14	29
Number of series (at year-end)	8	29	35	41	81
	2005	Index warrants			
		2004**	2003	2002	2001
Total turnover value (thous. PLN)	—	12	1 973	3 647	7 816
Average turnover value per session (thous. PLN)	—	0.21	7.86	14.65	31.26
Average volume per session	—	27	1 062	736	2 387
Number of transactions per session	—	0	3	5	10
Number of series (at year-end)	—	2	2	8	10

* December 16, 2005 - the last day of quotations for warrants

** March 19, 2004 - the last day of quotations for index warrants

Warrants – key figures

	2005*	Stock warrants			
		2004	2003	2002	2001
Total turnover value (thous. PLN)	1 981	5 695	8 303	3 556	11 993
Average turnover value per session (thous. PLN)	8.19	22	33	14	48
Average volume per session	985	3 428	5 234	2 863	6 534
Number of transactions per session	5	8	12	6	18
Number of series (at year-end)	6	27	31	31	69
	2005	Futures warrants**			
		2004	2003	2002	2001
Total turnover value (thous. PLN)	903	5 753	5 216	1 287	529
Average turnover value per session (thous. PLN)	3.73	23	21	5	8
Average volume per session	293	1 899	1 715	533	689
Number of transactions per session	2	7	6	3	4
Number of series (at year-end)	2	2	2	2	2
	2005	T-bills warrants***			
		2004	2003	2002	2001
Total turnover value (thous. PLN)	—	—	—	—	62
Average turnover value per session (thous. PLN)	—	—	—	—	0
Average volume per session	—	—	—	—	772
Number of transactions per session	—	—	—	—	0
Number of series (at year-end)	—	—	—	—	2

* December 16, 2005 - the last day of quotation for stock warrants

** Futures warrants were listed from September 24, 2001 to December 16, 2005

*** T-bills warrants were listed from April 17, 2001 to December 17, 2001