

Organisation of Trading

Since November 17, 2000, trading on the WSE has used the WARSET trading system. Similar systems are in use on a number of exchanges worldwide. The WARSET system is highly effective in accepting, processing and fulfilling orders. At the same time, it is reliable and safe, providing full automation of order transmission and transaction execution. WARSET allows effective access to trading for market participants, and offers numerous ways of taking advantage of real-time market information.

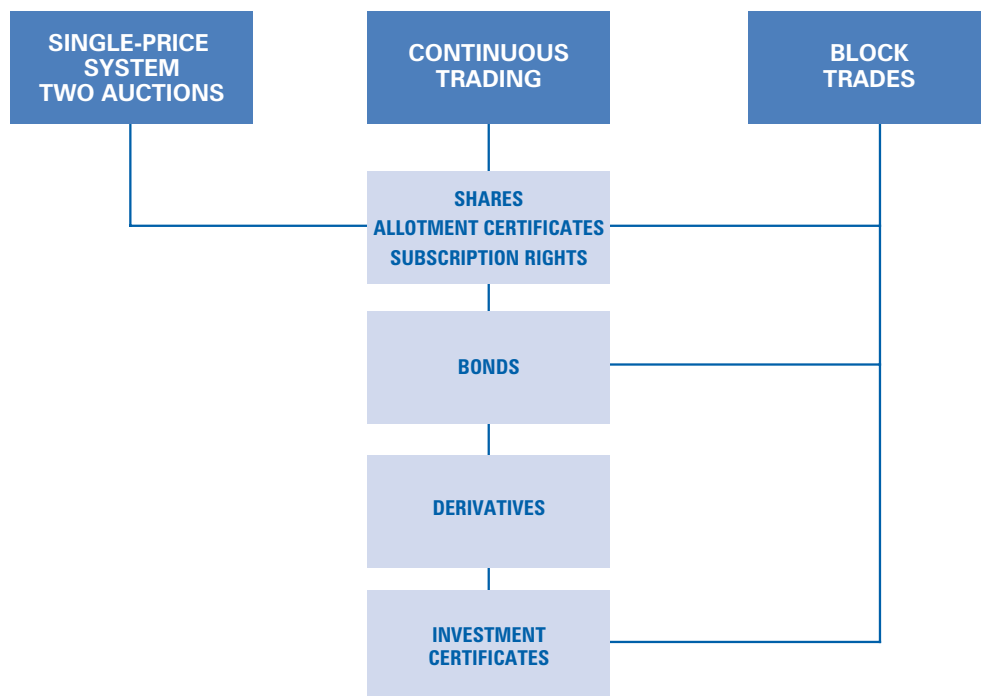
Transactions

An investor intending to conclude a transaction on the Exchange must have an investment account with an investment firm (e.g. brokerage house). A member firm that has accepted a client's order to buy or sell financial instruments on the Exchange is responsible for proper fulfilment of this order.

Exchange transactions can be concluded in one of the following quotation systems:

- continuous trading;
- single-price auction with two auctions per day.

Financial instruments and quotation system





Additionally, for large blocks of securities, it is possible to conclude transactions outside of the trading session in the form of block trades.

Orders

Most often, the investor places an order in the brokerage house which runs his account via internet or phone. The order is then forwarded via a computer network to the WSE's trading system.

Every year, an increasing number of orders are placed via the internet. Thanks to the integration of brokerages' IT systems with the Exchange, this method is swift and secure.

When placing an order the investor must state:

- the type of order (buy/sell);
- the price limit, or a type of order without price limit;
- the order validity date;
- the name of the security or financial instrument to be bought or sold;
- the number of securities;
- additional requirements for execution of the order.

Types of orders

The WARSET system makes it possible to place different types of orders and thereby allows investors to apply various investment strategies tailored to their goals and needs in specific situations.

The two basic types of orders used in trading on the Exchange are orders with a price limit and those without a stated price limit.

Orders with a price limit (limit orders)

Here the investor precisely defines a buy or sell price limit for a given instrument. In the case of a buy order, this is the maximum

price which the investor agrees to pay. In the case of a sell order, it is the price below which the investor is not willing to sell the instruments in question.

It should be remembered that:

- for stocks, subscription rights, allotment certificates, investment certificates, warrants and index participation units limits are stated in PLN;
- for bonds limits are stated as a percentage of nominal value;
- for futures contracts limits are stated in points (index futures) or in PLN (currency and stock futures) or as a percentage of the nominal value (T-bond contracts);
- for index options the limit is stated in points, and in case of stock options in PLN.

Orders without a price limit

Orders without a limit are designed for investors who do not want to wait long for their order to be realized, for whom the fact that the transaction is completed is more important than the price obtained. Orders without a price limit (the Polish abbreviations are PKC, PCR and PCRO) cannot be placed for options, subscription rights and warrants. Moreover orders without a limit cannot be placed for the first session in which a given instrument is quoted.

Market orders (MARKET; Polish abbreviation: PCR) can be placed only during continuous trading (any phase except market balancing), and are executed at the price of the first best opposite order. The unfilled portion of the order becomes an order with a limit price equal to that at which the last transaction was concluded.

Market-on-opening orders (OPENING; Polish abbreviation: PCRO) are used in auctions, and are placed during the phase in which orders are accepted for the opening

and closing in the continuous trading system and the single-price auction system, as well as during market balancing. They are executed, respectively, at the opening price, closing price, single price, or price determined during balancing.

Must-be-filled orders (MBF; Polish abbreviation: PKC) can be placed at all stages of continuous trading and the single-price auction, with the exception of the intervention phase and post-auction trading. When these orders are placed during the order collection period for the opening, close, single-price auction, and market balancing, they are executed respectively at the opening price, closing price, single price, and price determined during market balancing.

Additional requirements for order execution

A minimum size order (**MIN**; Polish abbreviation: **Wmin**) specifies a minimum number of securities which the investor requires to be traded if the order is to be executed.

In hidden orders (**HID**; Polish abbreviation: **WUJ**) the investor specifies the size of successive portions to be realized, i.e. the number of securities to be displayed at a given time (minimum 100 securities).

A stop order (**STOP**; Polish abbreviation: **LimAkt**) is not displayed immediately after being entered into the system, but is disclosed only if the indicative opening price or last price in continuous trading reaches the level specified by the investor. In addition to an activation limit, these orders must also contain a price limit for execution or a must-be-filled requirement.

Order validity dates

Broker orders may have a validity period set in the form of a specific date, or may be

marked as day, good-'till-cancelled (GTC), fill-and-kill (FAK) or fill-or-kill (FOK).

An order marked as **GTC (DOM** in Polish) is valid indefinitely.

A **FAK** order (**WiN** in Polish) is valid until the time of the first transaction (or first simultaneous transactions). A FAK is executed immediately after being placed and may be executed in part. The unfulfilled portion of the order then becomes void.

A **FOK** order (**WuA** in Polish) is valid until the time of the first transaction (or first simultaneous transactions). However, a FOK order must be executed in full. If this is not possible the order is void.

Continuous trading

In the continuous trading system, the auction procedure is used at the opening and closing of trading. The opening auction allows the opening price to be determined. Orders are accepted in what is known as the pre-opening phase, but transactions are not concluded. However, an indicative opening price is calculated.

After the completion of this phase, the opening price is determined (an auction procedure) and orders entered in the pre-opening phase (and qualifying) are executed. Then continuous quotations begin, and buy and sell orders may be placed.

In continuous trading, buyers and sellers place orders which, when entered into the system and provided that their prices match, are executed on an ongoing basis or are kept in the order book to await placement of an appropriate opposite order so that a transaction becomes possible. There are two priorities applicable to execution of orders: price and time of order placement. This means that in a case where there are two orders of identical price awaiting execution, the order



first entered into the system will be the first to be executed. To avoid random price movement during the final part of a continuous trading session, it is concluded with a closing auction. During the ten-minute post-auction phase, all transactions are executed at the closing price.

The most liquid stocks, all bond series, investment certificates, futures, options, warrants and index participation units are traded in the continuous trading system. If stocks are assigned to continuous trading, corresponding allotment certificates and subscription rights are also traded in this system. Regardless of the quotation system, the transaction unit is always one security.

The single-price auction system (electronic call auction)

Quotations in the single-price system are based on a so-called auction procedure, i.e. a security's price is determined based on orders entered before the opening. The first phase of the session is called pre-opening. In this phase, buy and sell orders are entered into the system, an indicative opening price for the security is calculated and published, but no transactions are concluded. The single price is determined based on orders with and without a price limit. The moment the single price is published, it becomes the price at which transactions are concluded.

To determine the single price, the system uses the following rules:

- maximise trading volume;
- minimise the difference between the respective numbers of securities in buy and sell orders that are possible to fulfil at a given price;
- minimise the difference between the price being determined and the reference price.

Once the single price is published, additional buy and sell orders with limits equal to the designated single price may be entered. This phase is called post-auction trading. In the case of the single-price system with two auctions, the single price is determined twice daily.

Price variation limits

In each quotation system there are limits on price variations with respect to the so-called reference price. In the case of the continuous trading system, the reference price for a transactional price (the price at which a transaction is executed) and the closing price is the closing price from the preceding trading session. When a price is determined in the opening auction, the price becomes the reference for price variation limits in continuous trading. In the single-price auction system, the reference price is the last single price determined for a given instrument.

Block trades

Block trades are transactions involving large blocks of financial instruments. These trades are most often made between large investors who have usually agreed all the transaction details, such as block size, price, and settlement date, in advance. The Exchange *Rules* lay down precise conditions for block trade execution, defining the minimum block size and the maximum difference between the instrument block trade price and its trading session price.



Trading session schedule

Continuous trading - securities

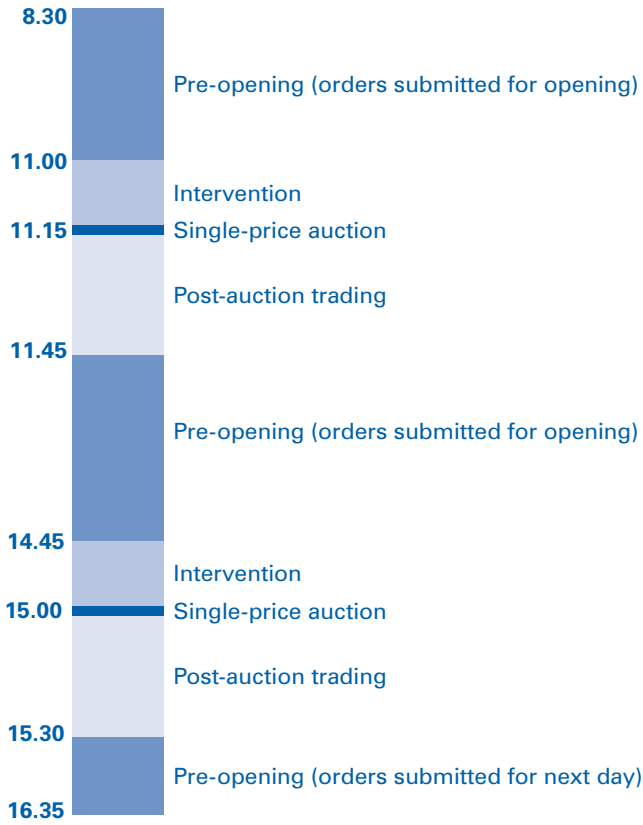


Continuous trading - derivatives instruments





Single-price auction system with two auctions



Continuous trading

Instrument	Reference price	Permissible price variation limit for the opening	Permissible price variation limit for the session, in case the opening price has been determined*
Shares	Closing price	±10% relative to closing price	±10% relative to opening price
Index futures	Daily settlement price	±5% relative to daily settlement price	±5% relative to opening price
Currency futures	Daily settlement price	±3% relative to daily settlement price	±3% relative to opening price
Stock futures	Daily settlement price	±5% relative to daily settlement price	±5% relative to opening price
Treasury bond futures	Daily settlement price	±1,5 percentage points relative to closing price daily settlement price	±1,5 percentage points relative to opening price
Bonds	Closing price	±3 percentage points relative to closing price	±3 percentage points opening price
Priority rights	Closing price	±100% relative to closing price	±100% relative to opening price
Investment certificates	Closing price	±10% relative to closing price	±10% relative to opening price
Allotment certificates	Closing price	±10% relative to closing price	±10% relative to opening price
Subscription rights	Closing price	±100% relative to closing price	±100% relative to opening price
Index participation units	Closing price (including offers on closing)	±5% relative to closing price	±5% relative to closing price
Index options	Theoretical price	±100 pts relative to theoretical price	±100 pts relative to opening price
Stock options	Theoretical price	5% (inPLN) of the average from the last 20 closing prices for the underlying instrument from the last quarter relative to theoretical price	5% (inPLN) of the average from the last 20 closing prices for the underlying instrument from the last quarter relative to opening price

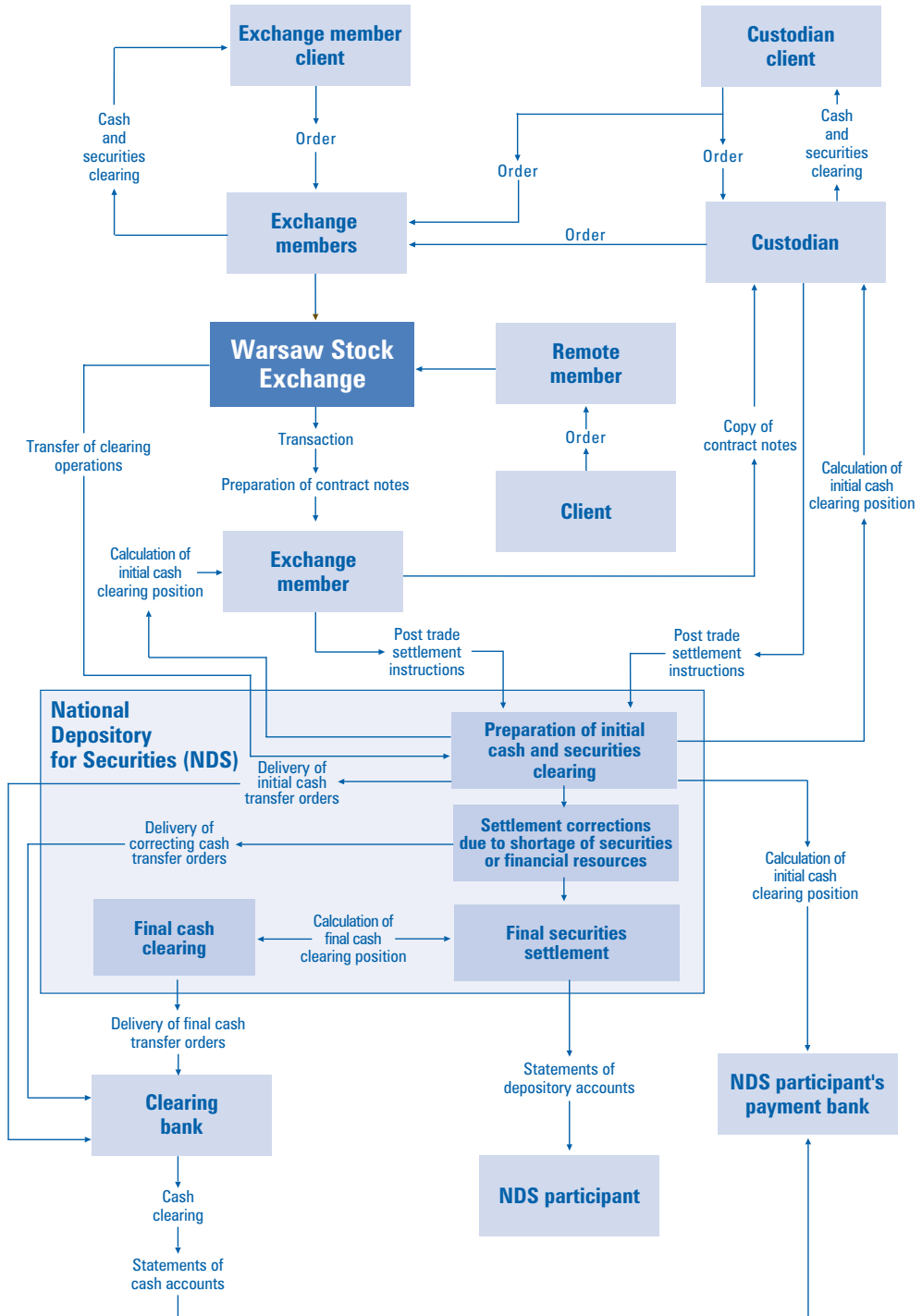
* If no opening price has been determined, the permissible price variation limit is determined in relation to the closing price (the daily settlement price for futures, the theoretical price for options)

Single-price system with two auctions

Instrument	Permissible price variation limit for auction
Shares Allotment certificates	±10% relative to the reference price of the last auction
Subscription rights	±100% relative to the reference price of the last auction



Transaction settlement



As of December 31, 2005
Source: National Depository for Securities

WARSET - system architecture

