

**Market Environment****Mission and Strategy of the GPW Group****Implementation of the GPW Group Strategy in 2016****Business Lines****International Activity of the GPW Group****Development of the GPW Group in 2017****Risks and Threats**[Risks - market environment](#)[Risks - legal environment](#)[Operational risks](#)[Financial risks](#)[Other risks](#)**Other Information****ONLINE  
ANALYST****PAGE TOOLS**

## RISKS OF THE GEOPOLITICAL AND ECONOMIC SITUATION GLOBALLY

The Group's business depends on conditions on the global financial markets. Economic trends in the global economy, especially in Europe and the USA, as well as the geopolitical

situation in neighbouring countries impact investors' perception of risks and their activity on financial and commodity markets. As global investors evaluate geographic regions from the perspective of potential investment, their perception of Poland and GPW may decline in spite of a relatively stronger macroeconomic situation compared to other countries of the region. Less active trading by international investors on the markets operated by the GPW Group could make the markets less attractive to other participants and the amount of charged trading fees, which are the main source of the Group's revenue. Combined with a stable cost level, this could reduce the GPW Group's potential profit.

## RISK OF THE ECONOMIC SITUATION OF OTHER COUNTRIES

The economic situation and market conditions in other countries could impact the perception of the Polish economy and its financial markets. Although the economic situation of other countries could be materially different from the economic situation in Poland, investors' risk aversion caused by the economic situation of other countries could reduce the volume of trade in financial instruments on GPW. In particular, an economic slowdown or crisis in Europe or unexpected economic crises in other parts of the world, especially caused by difficulties of some countries with the repayment of debt, could affect the assessment of investment risk in European economies and consequently cause a shift to safe havens, which could have an adverse impact on investors' activity and sentiment and consequently an adverse impact on the activity of the Group, its financial position and results.

## RISK OF THE ECONOMIC SITUATION IN POLAND

The conditions in the Polish economy impact strongly investors' activity and sentiment on the Polish market and consequently the level of turnover on the markets of the Group. Changes in the state of the Polish economy affect the business and investment activities of issuers whose securities are listed on the markets operated by the Group, including their financial results, which in turn may affect the prices of these securities, the volume of transactions, as well as activities related to issuing new securities. Changes of investors' activity and sentiment on the Polish market have a direct impact on the turnover on the GPW Group's trading revenue. In periods of economic instability and under conditions of risk aversion, the Company's revenue may decrease; even combined with a strict cost discipline, this could reduce the GPW Group's profits. GPW's listing revenue depends directly on the prices of listed instruments. Furthermore, perception of higher risks of investment in Polish assets could restrict access to capital which could be invested on GPW and could adversely impact prices of assets traded on the markets organised and operated by the Group. Changing FX rates could have an adverse impact on investment decisions and their frequency, which could affect the volume, value and number of

transactions on GPW and consequently also the Group's revenue.

## RISK OF MARKET AND POLITICAL EVENTS BEYOND THE GPW GROUP'S CONTROL

The volume of trading, the number of new listings and demand for the GPW Group's products and services are affected by economic, political and market developments, both domestic and global, that are beyond the Group's control, including in particular:

- general trends in the global and domestic economy and on financial markets;
- changes in monetary, fiscal and tax policies;
- the level and volatility of interest rates;
- inflation pressures;
- changes in foreign exchange rates;
- adoption of the euro as the currency of Poland (causing potential changes to monetary and fiscal policy or causing changes in the allocation of investor portfolios);
- reclassification of Poland from Emerging Market to Developed Market in global benchmarks;
- change of Poland's credit rating;
- institutional or individual investors' behaviour;
- volatility in the prices of securities and other financial instruments;
- availability of short-term and long-term funding;
- availability of alternative investment opportunities;
- legislative and regulatory changes; and
- unforeseen market closures or other disruptions in trading.

These events could have a significant impact on the activity of GPW Group clients, mainly issuers and investors. Their low activity could affect the Company's trading and listing revenue, revenue from introduction of financial instruments, and consequently information services, and it could affect the GPW Group's profit.

## RISK OF COMPETITION FROM OTHER EXCHANGES AND ALTERNATIVE TRADING PLATFORMS

The global exchange industry is strongly competitive. In the European Union, competition in the trade and post-trade sectors is amplified by legal amendments designed to harmonise legislation of the EU member states and integrate their financial markets. Hence, the Group is exposed to the risk of competition from other exchanges and alternative trading platforms whose presence on the Polish market could adversely impact the activity of GPW. In particular, the GPW Group may face competition of multilateral trading facilities (MTF) and other venues of exchange and OTC trade. Their activity on the Polish market could take away part of the trading volumes handled by the platforms operated by the Group and exert additional pressures on the level of transaction fees.

## RISK OF COMPETITION FROM MTFs AND OTHER PLATFORMS ON THE POLISH MARKET AND OTHER CENTRAL AND EASTERN EUROPEAN MARKETS

The liberalisation of the European exchange industry under MiFID has caused the emergence of alternative trading platforms in the past few years, including multilateral trading facilities (MTF). The competition from MTFs in Central and Eastern Europe is still limited. The launch of active trade in Polish stocks by MTFs could impact the value of trade in stocks on GPW. Fees charged by MTFs are low compared to the fees charged by exchange operators including GPW, which could exert price pressures and cause attrition of the market share, adversely impacting the activity of the Group, its financial position and results.

## RISK OF PRICE COMPETITION

The trading cost on large foreign exchanges and MTFs is lower than on GPW, mainly due to the relatively small size of the market in Poland. Consolidations in the global exchange sector and the development of MTFs may increase pressures to reduce fees charged for trade on the financial markets. As a result, GPW clients could exert pressures on GPW to reduce listing and trading fees, affecting GPW's revenue. These factors could strongly affect the Company's financial position and results.