

GLOSSARY

Particular regulations concerning trading on the WSE are contained in the WSE *Rules and Regulations*, as well as in the Exchange Supervisory Board and Exchange Management Board resolutions published by the Exchange in the Cedula official daily bulletin and *Przełąd Prawa Giełdowego* (Stock Exchange Legal Review).

Admission to trading

a resolution by the Exchange Supervisory Board to admit securities for trading on the Exchange

Affiliate

a brokerage firm which is not a WSE member, and places orders through a WSE member firm

Allocation

(in the single-price auction system) the partial filling of a buy or sell order whose price limit equals the price set on a balanced market, in the event of an excess of sell or buy orders

Allocation rate

(in the single-price auction system) the ratio indicating the degree to which limit orders with price limits equal to the single price were filled; the allocation is conducted on a balanced market in the event of an excess of sell or buy orders

Allotment certificates

financial instrument allowing investors who purchased shares of a new issue to sell them prior to their introduction to Exchange trading

Assimilation

the fusion of two quotation lines of the same security

Balanced market

(in the single-price auction system) a situation in which all PKC orders, limit buy orders with price limits higher than the price set at auction, and sell orders with price limits lower than the set price can be executed in full, and the set price is within permissible brackets

Balancing phase (specialist offer)

(in the single-price auction system) the first part of post-auction trading, when orders balancing supply and demand are accepted at the single-price set at the auction

Base index value

the initial, arbitrarily defined value of an exchange index; the base value for WIG, MIDWIG, WIG20, WIRR indices is 1,000; for NIF, it is 160

bd (Polish abbreviation for 'ex-dividend')

information posted next to a given security's quotation; the letters signify that shares without dividend rights are the subject of trading

Bear market

a prolonged period during which stock market prices fall

Block trade

a transaction concluded off-session on the WSE, the minimum size of which is set forth in the WSE Rules; a block trade in an Exchange-listed security may be concluded before it is introduced to trading on the Exchange (pre-session block transaction) or after (off-session block transaction)

Board lot (round lot)

a transaction unit; the number of securities (or multiplicity thereof) for which a transaction may be concluded in a given system

Bond

a security issued in series, in which the issuer states that he is a debtor to the bond owner (bondholder), and undertakes the obligation to perform a specified service (to pay the bond holder a specified sum of money, usually at specified intervals, and to repay the principal of the loan at maturity); a convertible bond gives its owner the privilege to exchange it for other securities of the issuing company at some future date, under prescribed conditions

bp (Polish abbreviation for 'ex-subscription rights')

information posted next to a given security's quotation; the letters signify that shares which no longer have subscription rights are the subject of trading

Broker's order

an order placed by a WSE member firm based on a client's order

Brokerage firm (brokerage house)

an entity which is authorised by the Polish Securities and Exchange Commission to, among other things: offer securities in public trading, acquire and sell securities, and offer portfolio management and investment advice services to its clients

Bull market

a prolonged period during which stock market prices rise

Cedula

the WSE's official bulletin; Cedula lists quotations and provides information on listed securities, as well as on the Exchange, its members and listed companies

Continuous quotation system

continuous trading; the system in which transactions for a given security are concluded at different prices during one session

Crossing phase

(in the single-price auction system) the second part of post-auction trading; buy and sell orders at the already-established price may be submitted and executed; the crossing phase occurs automatically after a given security has reached market equilibrium

Current and periodical reports

information that an issuer of publicly-traded securities is required to disclose to the public

Derivatives

instruments whose value depends on the price or value of their underlying instrument

Divergent market

an unbalanced market in which the highest price limit on a buy order is lower than the lowest limit on a sell order, or a market in which there are only buy or only sell orders; a market with no orders at all is also considered a divergent market

Dividend

the amount of a company's profit to be distributed to shareholders; determined by resolution of the company's General Meeting of Shareholders

Dividend yield

a ratio calculated by dividing paid-out dividend in the last financial year by the average market value of the company for the same period; in percentage points

DVP

(delivery versus payment)

the rule governing settlement of Exchange transactions; DVP is based on the simultaneous transfer of cash and securities

dw

(Polish abbreviation for "before split")

information posted next to a given security's quotation; the letters signify that the security will undergo a split

EPS

net profit for the last 4 quarters divided by the number of outstanding shares

Estimated price

(in the single-price auction system) a security's price, determined by a specialist on a divergent market

Exchange Court

a permanent body established to act as an arbitrator in conflicts between parties to Exchange transactions and between the Exchange and its shareholders

Exchange data-feed services

exchange data which WSE makes available in electronic format to data vendors

Exchange index

an indicator of price changes for all securities of a given type or a selected group thereof

Exchange Management Board

WSE's executive body, consisting of five members, including the President; the Board directs the business and manages the assets of WSE, and represents the Exchange in external contacts

Exchange member

an entity which operates a brokerage firm, is a shareholder of the WSE, and which has been approved by the Exchange Supervisory Board to operate the Exchange - in particular, to conclude Exchange transactions

Exchange Supervisory Board

the supervisory board of the company that operates WSE; at WSE, in addition to performing duties regulated by the Commercial Code, the Board also approves securities for Exchange trading and admits brokerage firms to operate on the Exchange

Exchange trading session

a period of time during which transactions may be concluded on the Exchange; on the WSE, sessions are held on the trading floor from Monday to Friday, between 10:00 AM and 4:00 PM

Exchange transaction

a transaction concluded on the WSE in accordance with the Exchange's rules and regulations, involving securities which have been approved for Exchange trading, rights to securities, and other financial instruments

FESE

the Federation of European Stock Exchanges, an organisation bringing together the exchanges of EU countries; the WSE has been an associate member of FESE since June 4, 1999

FIBV

the Fédération Internationale des Bourses de Valeurs (the International Federation of Stock Exchanges), an organisation that

groups together the world's largest and best-organised exchanges; WSE has been an FIBV member since October 10, 1994

Floor

the traditional place where transactions are concluded at Exchange headquarters

Free market

the part of the WSE market where shares admitted to public trading, but not meeting requirements for listing on the WSE main or parallel markets, may be traded

Futures contract

a contract between two parties, one of which undertakes the obligation to buy, the other to sell a specified quantity of a standardised underlying instrument, or to carry out an equivalent cash settlement, at a precisely specified future date (expiry date) and at a price defined precisely at the moment the contract is entered into

General Meeting

a joint-stock company's highest authority; General Meetings are called at least once a year

Intervention

(in the single-price auction system) a situation during a trading session where a specialist for a given security buys or sells securities (out of or for his own inventory), in an attempt to balance the market

Introduction of securities to Exchange trading

a decision in the form of an Exchange Management Board resolution which determines the first day of quotation, the quotation method, the number of securities introduced, the transaction unit, the session days and the method of the securities' introduction to trading

Investment certificates

securities issued by closed-end or mixed investment funds, which certify participation in the fund and make it possible to determine at any given time the amount due to a participant; these securities may be listed on the Exchange

Investment fund

a pooled fund which an investment fund corporation manages for its customers by making investments; each fund has clearly-stated investment objectives, and a given fund's volume depends on its number of customers

IOSCO

the International Organisation of Securities Commissions, of which the Polish Securities and Exchange Commission has been a member since 1991; the WSE has been an affiliate member since 1998

Issuer

an entity issuing securities in its own name

Komisja Papierów Wartościowych i Giełd [KPWiG]

(Polish Securities and Exchange Commission) a government body which ensures the propriety of securities market activities and the safety of investors, and oversees licensing activities on the securities market

Krajowy Depozyt Papierów Wartościowych SA [KDPW S.A.]

(National Depository for Securities) a joint-stock company established by the State Treasury and the Warsaw Stock Exchange, whose main tasks include: keeping and registering publicly-traded securities; collecting interest, dividends and redemptions; issuing depository receipts; facilitating settlement and clearing of transactions

ks

(Polish abbreviation for 'estimated price')

information posted next to a given security's quotation; these letters signify that an estimated price was determined for the security

Last price

(in the continuous quotation system) the price at which the last transaction for a given security was concluded in a given session

Letter of hypothecation

a debt instrument issued by a mortgage bank, underlied by the mortgage bank's accounts receivable, secured by mortgages or guarantees granted by specified institutions (including the State Treasury and the National Bank of Poland); the issuer, a mortgage bank, pledges to perform a specified monetary service for the holder - payment of interest and redemption of the letter in the manner and on the dates specified in the conditions of issue

Limit order

an order stating a security's maximum purchase price or minimum sale price

Listed company

a joint-stock company whose securities from at least one issue are admitted for trading on the Exchange

Main market

the part of the Exchange market which encompasses the securities with the highest liquidity; issuers on the main market generally have more capital and a longer history

Market capitalisation

the total value of all listed securities (or groups of securities), based on their market prices

Market maker

an Exchange member firm which, based on an agreement with the WSE, is required to enter its own buy and sell orders in the order book (on the derivatives market)

Maturity

for bonds, the day upon which the issuer is required to pay the bondholder the bonds' nominal value plus interest

MIDWIG index

a price index covering 40 companies listed on the main market which do not figure in the WIG20; calculated since January 1998

National Investment Fund (NIF)

a joint-stock company established within the framework of the National Investment Funds Program (Mass Privatisation Program), holding shares of privatised companies brought into the program by the State Treasury; currently, 15 National Investment Funds exist

NIF index

the National Investment Funds Index - a portfolio price index encompassing shares of the 15 National Investment Funds received upon the conversion of one NIF certificate; calculated since June 12, 1997

nk

(Polish abbreviation 'buy order surplus')

(in the single-price auction system) information posted next to a given security's quotation, along with a percentage indicating the extent to which buy orders for that security with price limits equal to the set price remained unfilled on a balanced market

Non-transactional price

(in the single-price auction system) a given security's price, equal to an upper or lower price limit set when there was at least a fivefold surplus of sell or buy orders for the security; there is no trading in that security on a given day when a non-transactional price is determined

ns

(Polish abbreviation for 'sell order surplus')

(in the single-price auction system) information posted next to a given security's quotation, along with a percentage indicating the extent to which sell orders for that security with price limits equal to the set price remained unfilled on a balanced market

ok (Polish abbreviation for 'non-transactional buy price')

(in the single-price auction system) information posted next to a given security's quotation; these letters signify a non-transactional price because of excessive demand

Opening price

(in the continuous quotation system) a security's price as determined on the basis of orders accepted before the trading session (and based on relevant rules governing the single-price auction system); if no opening price can be determined, the price of the first transaction becomes the opening price

Option

a contract between a writer and a buyer, giving the buyer the right to buy (or sell) a specified number of an underlying instrument (e.g. currency or stock) at a certain date and at an agreed-upon price; a warrant is a specific type of option

Order book

(in the single-price auction system) orders for a given security, submitted to the exchange before a given session and taken into account when setting a price for the session, sorted according to price

os

('non-transactional sell price', in Polish abbreviation)

(in the single-price auction system) information posted next to a given security's quotation; these letters signify a non-transactional price because of excessive supply

Outstanding shares

number of registered shares

P/BV

Price/Book Value ratio; a listed company's market value compared to its book value

P/E

Price/Earnings ratio; a listed company's market value compared to the sum of its profits and losses for the last four quarters

Parallel market

the part of the Exchange market which encompasses securities of lower liquidity; issuers on the parallel market generally have less capital and a shorter history than do companies on the main market

PCR

(Polish abbreviation for 'non-competitive market order')

(in the single-price auction system) an order which does not participate in the price-setting process, and is executed after other orders placed before the session; contains no price limit

PDR's (Polish Depository Receipts)

securities offered on the Polish market, representing the ownership of stock in a foreign-based company, intended for foreign companies which would like to be listed on the Warsaw Stock Exchange

PKC (Polish abbreviation for 'competitive market order')

an order which participates in the price-setting process, and does not contain a price limit; has the same priority of execution as limit orders placed before the session

Post-auction trading

(in the single-price auction system) the part of a session during which transactions for a given security may be concluded based on an already-established price; post-auction trading consists of two phases: a balancing phase and a crossing phase

Price variation limits (price brackets)

the maximum price change relative to the reference price, or maximum change during the session, defined separately each quotation method and type of security

Prospectus

a document which provides detailed information on an issuer's legal and financial status, as well as on the issuer's securities to be introduced to public trading

Public company

a company whose shares from at least one issue have been admitted for public trading by the Polish Securities and Exchange Commission

pw**(Polish abbreviation for 'after split')**

information posted next to a given security's quotation; these letters signify that the security underwent a split

Quotation market

a part of the Exchange market having its own listing requirements; the WSE has three quotation markets: main, parallel and free

Rate of return

the increase in value of an investment, including dividends or interest and subscription rights, stated as a percentage

Rate of return on index

the percentage change between the last index value from the single-price auction in a given period and the last index value from the previous period; the USD rate of return is calculated by dividing the index values by the USD exchange rates

Rate of return on shares

the percentage change between the last price from the single-price auction in a given period and the last price from the previous period; dividend re-invested

Rate of return on T-bonds

the percentage change in T-bond settlement price between the last session of the

previous period and the last session of the period being analysed; interest re-invested in the same bonds during the first session after the interest record date (determination of right to interest)

Reduction

(in the single-price auction system) a proportional reduction (carried out by a specialist) in the extent to which buy or sell orders scheduled for execution are filled on an unbalanced market

Reduction rate

a ratio specifying the degree to which orders on an unbalanced market were reduced

Reference price

(in the single-price auction system) a given security's price, as set during the last trading session; (in the continuous quotation system) for securities quoted in both trading systems - the price determined on the same day in the single-price auction system; for securities quoted only in the continuous trading system - the last price from the previous session

rk (Polish abbreviation for 'reduction of buy orders')

(in the single-price auction system) information posted next to a given security's quotation, along with the extent (stated as a percentage) to which the filling of all PKC buy orders, and orders with price limits equal to or higher than the single-price, was reduced

rs (Polish abbreviation for 'reduction of sell orders')

(in the single-price auction system) information posted next to a given security's quotation, along with the degree (stated as a percentage) to which the filling of all PKC sell orders, and orders with price limits equal to or lower than the single-price, was reduced

Securities portfolio management

services rendered by a brokerage firm to invest in securities on behalf of its client; requires permission of the Polish Securities and Exchange Commission

Settlement price

the value according to which Exchange transactions are cleared; the settlement price for a given bond equals the bond's quotation multiplied by its nominal value, plus interest due; for shares, it equals the market price

Share

a type of security - a document certifying that its owner holds a portion of a joint-stock company's capital; the document

gives the owner the right to receive dividends and attend the General Meeting of Shareholders

Share dispersion

one of the listing requirements - the minimum number of shareholders of a given security for the main market is 500; for the parallel market, the number is 300

Share issue price

the selling price of securities on the primary market

Share split

the exchange of all of a given company's shares for a proportionally larger amount of shares with a proportionally lower nominal value

Shareholder

an owner of shares

Single-price

(in the single-price auction system) the price determined by a specialist, based on the orders received for a given security; all transactions during a given session are concluded at this price

Single-price auction system

a trading system in which all transactions for a given security are concluded at one set price (single-price) throughout an entire session

Specialist

(in the single-price auction system) a WSE member who is required to set the price for a given security, and to ensure proper market balance and liquidity; the specialist for a given security is nominated by its issuer, upon approval of the WSE Management Board

Spread

expressed in basis points (100 b.p. = 1%)-difference between share price (value of an index calculated using this price) in the best buy and sell offers at the end of continuous trading; if calculation of the indicator is not possible for a given session, or the range of offers is very wide, the value of 1,000 basis points is assumed

Subscription right

a shareholder's right to subscribe for shares of a new issue (pre-emptive rights)

Suspension of quotation

a temporary suspension of trading in a given security of a given issuer for a specified time period; a suspension can take place upon the issuer's request, or out of the best interest and safety of market participants

T+1

the timeframe for settling futures transactions: the next business day

T+2

the timeframe for settling T-bond transactions: the transaction date plus two business days

T+3

the timeframe for settling equity transactions concluded on the WSE; the transaction date plus three business days

Transaction settlement

provision of securities to the buyer and money to the seller as a result of a concluded transaction

Treasury bills

short-term securities issued by the State Treasury (with maturities of 52 weeks or less); T-bills are not traded on WSE

Turnover ratio for shares

turnover volume (single-counted) in the single-price auction and in continuous trading divided by the number of shares listed

Turnover value

the total value of all transactions concluded for a given security or on a given market; turnover on the WSE is calculated as the sum of the value of all buy and sell transactions

Turnover volume

the total number of securities traded, calculated for a given security or for a given market

Unbalanced market

(in the single-price auction system) a situation in which a price that would meet the conditions of a balanced market cannot be determined

Warrant

a financial instrument whose price depends on the price or value of the so-called underlying; unconditional and irrevocable obligation incurred by the warrant issuer to pay out the settlement value to entitled warrant holders

WARSET

the WSE's new trading system

WIG index

the Warsaw Stock Exchange Index - a total-return index encompassing all shares listed on the main market, calculated since April 16, 1991

WIG sector sub-indices

sub-indices of the WIG index making it possible to evaluate the return on investment in companies in various sectors of the economy; the base date for the sub-indices is December 31, 1998

WIG20 index

a price index encompassing 20 of the largest and most-traded companies on the main market; calculated since April 16, 1994

WIRR index

the Parallel Market Index; a total-return index encompassing shares listed on the parallel market, calculated since December 31, 1994

Volatility

standard deviation of natural logarithms of the ratio of price (index value) to previous session price for each session of the period, annualised by 250 trading sessions in a year

Volume

the number of shares (bonds) traded (single-counted)

Yield to maturity

yield to maturity includes all future interest payments and the redemption; calculated at the last transaction price in continuous trading for fixed-interest bonds

z**(Polish abbreviation for 'suspension of quotation')**

information posted next to a given security's quotation; this letter signifies that trading of the security has been suspended

zd**(Polish abbreviation for 'with dividend rights')**

information posted next to a given security's quotation; these letters signify that shares carry dividend rights for the last financial year

zp**(Polish abbreviation for 'with subscription rights')**

information posted next to a given security's quotation; these letters signify that the shares are traded with subscription rights