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# **WSE GROUP FINANCIAL RESULTS**

## **Q1 2015**

**30 APRIL 2015**



## Summary of Activities of WSE Group in Q1 2015

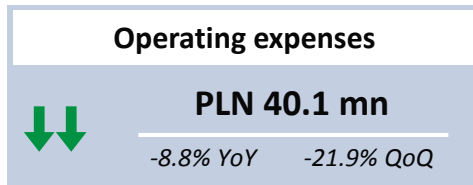
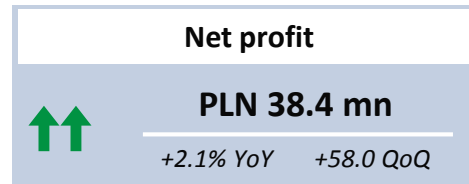
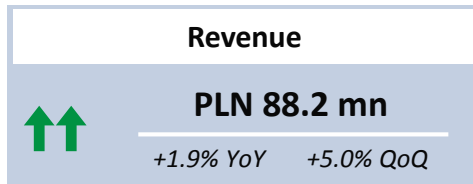
Paweł Tamborski, President of the WSE Management Board, CEO  
Grzegorz Zawada, Vice President of the WSE Management Board, CSO  
Ireneusz Łazor, President of the PolPX Management Board

# Increase of WSE Group's profit in Q1 2015



- ❖ Record-high revenue and EBITDA of WSE Group in Q1 2015
- ❖ Best quarter in history of the commodity market
- ❖ Significant decrease of operating expenses

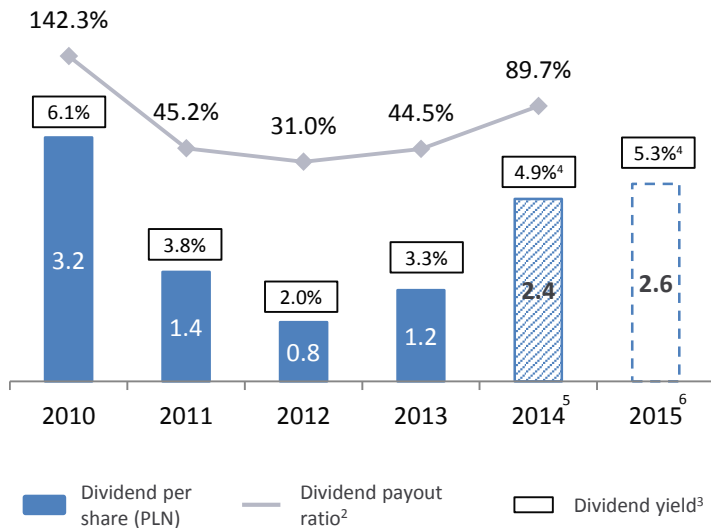
## Positive trend of WSE Group financials



# Proposed dividend for 2014 in implementation of the strategy



## Dividend from WSE shares



## Dividend for 2014

- ◆ WSE Management Board recommends dividend payout for 2014 at PLN 2.4 per share
  - in line with the dividend policy
  - to be approved by the General Meeting

## Our dividend policy provides for

- ◆ a dividend payout ratio of more than 60% of the consolidated profit
- ◆ the payment of PLN 2.6 per share from the 2015 profit

<sup>1</sup> Based on the financial year of the dividend payout; <sup>2</sup> Based on the consolidated profit; <sup>3</sup> Based on the share price at the dividend record date; <sup>4</sup> At the share price of 31 March 2015;

<sup>5</sup> Recommendation of the Exchange Management Board, subject to approval by the General Meeting <sup>6</sup> Intended dividend payout according to the dividend policy approved in October 2014

# Number of business initiatives in progress




**TOWAROWA  
GIEŁDA ENERGII S.A.**  
Grupa Kapitałowa GPW

**BONDSPOT S.A.**  
Grupa Kapitałowa GPW

## Q1 2015

- ❖ Acquisition of another two participants of the High Volume Provider programme
- ❖ Licensed to operate a market in financial derivatives based on exchange-traded commodities
- ❖ Decision to buy a commodity market trading system from Nasdaq
- ❖ Acquisition of 3 subscribers of non-display market data
- ❖ Promoting the Polish capital market in Asia (with HSBC)
- ❖ Polish Capital Day in London with PKO BP – conference promoting Polish companies
- ❖ ‘Futures Masters’, ‘Turbo wyzwanie’, ‘ABC inwestora giełdowego’ – contests, training, publications promoting the Exchange among retail investors
- ❖ Reduction of fees for market makers of WIG20 futures
- ❖ 2 companies newly listed on the Main Market in equities and 7 issues of debt on Catalyst
- ❖ Acquisition of a new market maker on the energy market – Tauron Polska Energia
- ❖ New participant of the TBSP spot market – Alior Bank S.A.

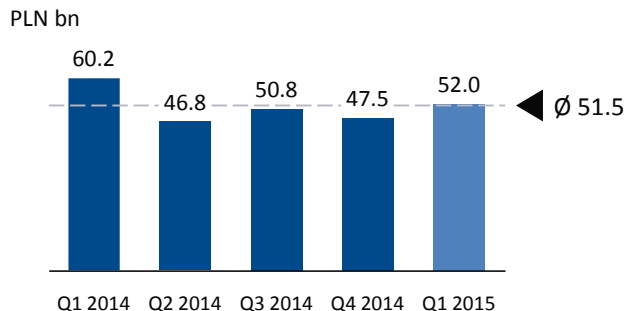
## Q2 2015

- ❖ Polish Capital Markets Day in New York with Auerbach Grayson and Ipopema Securities - conference promoting Polish companies
- ❖ Emerging Europe Financials Conference in Warsaw with Wood&Co. – conference promoting Polish companies
- ❖ New subscribers of non-display market data and data vendors
- ❖ ‘Kapitał dla rozwoju’ – series of 16 meetings across Poland to promote the capital market among entrepreneurs
- ❖ LitPol Link agreement as another step towards Polish-Lithuanian energy trade
- ❖ Acquisition of a market maker for equity futures
- ❖ Gaining the membership in Multiregional Price Coupling (commodity market)
- ❖ 4 companies newly listed on the Main Market in April (including Idea Bank with a capitalisation of PLN 2.1 bn); further issues of significant size, both on the equity and bond market, in the pipeline

# Increase of turnover on the equity market and first signs of recovery on the primary market

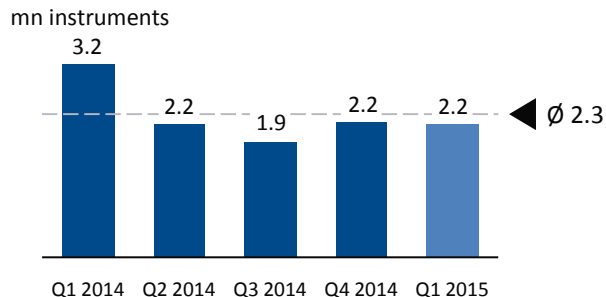


## Trading in shares (Main Market, EOB)<sup>1</sup>

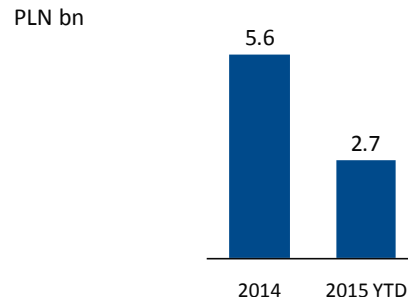


- The share market was in the lateral trend in Q1 2015
- Two new listings in Q1 2015 (including one transfer from NewConnect)
- Four new listings in April 2015
- IPOs of the foreign company Uniwheels and Wirtualna Polska, and more companies interested in being listed on WSE as a sign of recovery of IPOs

## Volume of trade in derivatives



## Value of ECM market in Poland<sup>2</sup>



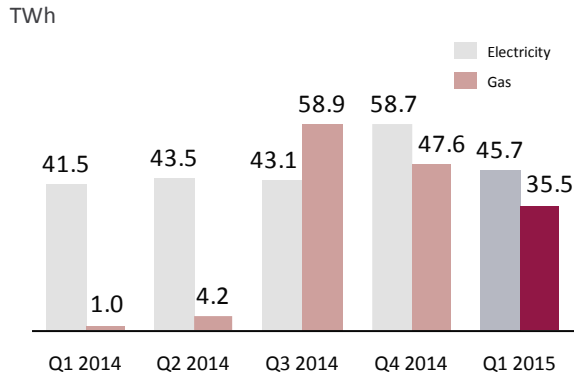
<sup>1</sup> Electronic Order Book excluding block trades

<sup>2</sup> Equity Capital Market; source: Dealogic

# Increasingly diversified commodity market activities

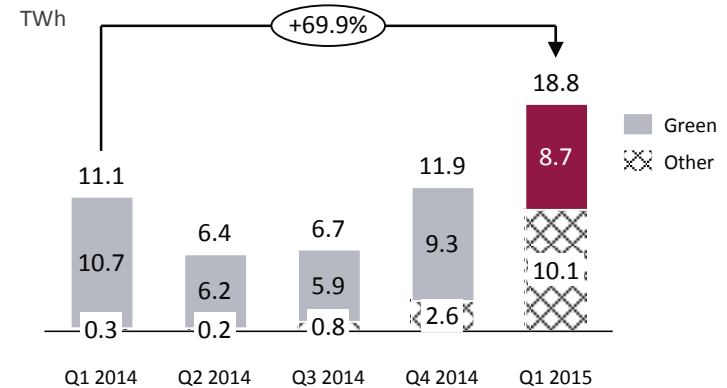


## Volume of trade in electricity and gas



- ⚡ Increase in the volume of trade in electricity by 10.1% YoY
- ⚡ Volume of trade in electricity on PolPX in Q1 2015 at 108.7% of electricity production v. 101.5% in Q1 2014
- ⚡ Preparing for the launch of a market in financial futures on commodities

## Volume of trade in property rights



- ⚡ Significant increase in the volume of trade in property rights in cogeneration certificates of origin as a result of reinstated statutory support in 2014 (obligation to cancel certificates by the end of June)
- ⚡ Entry into force of the Act on Renewable Energy Sources:
  - installations, which operate in the system of certificates of origin may stay in the system for 15 years
  - ultimately complete replacement of the system of origin of certificates by the auction system



## **WSE financials, Q1 2015**

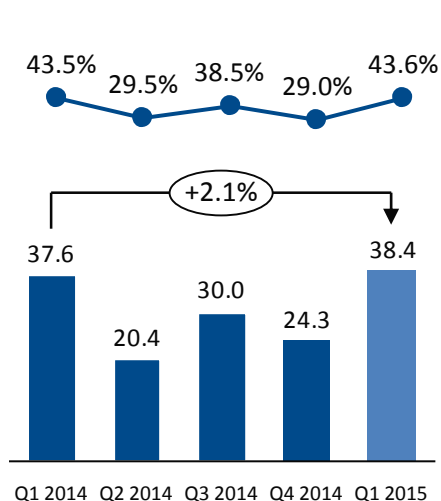
Karol Półtorak, Vice President of the WSE Management Board, CFO



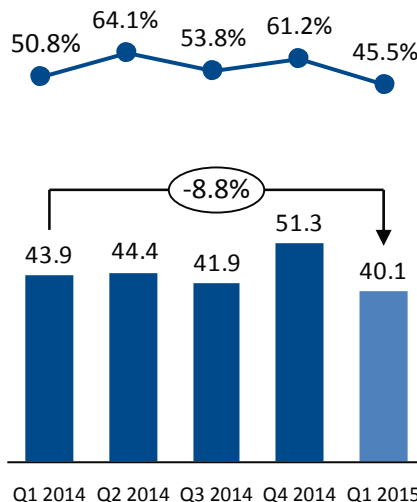
# Decrease of operating expenses and significant increase of profits



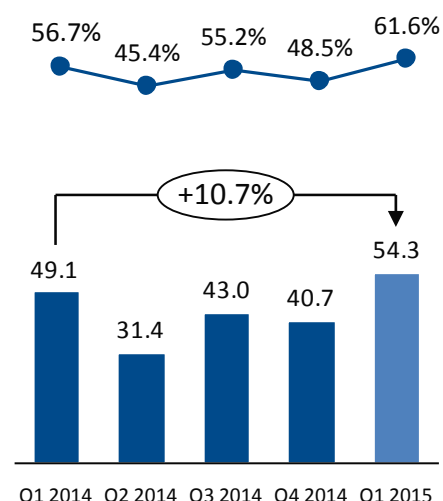
## Net profit and net profit margin



## Operating expenses and C/I ratio



## EBITDA and EBITDA margin

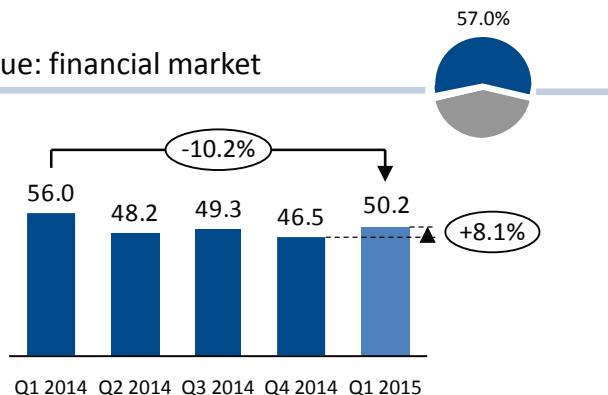


# Record-high revenue of WSE Group due to improvement on the financial market and a very good quarter on the commodity market



## Revenue: financial market

PLN mn

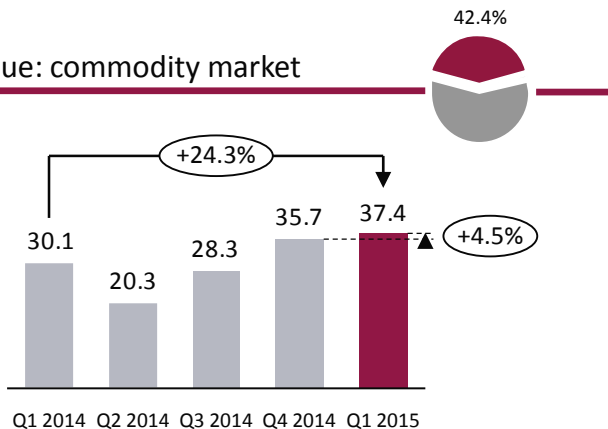


Revenue of WSE Group at PLN **88.2** mn in Q1 2015 (**the highest in the history of WSE Group**)

➤ increase by 1.9% YoY and by 5.0% QoQ

## Revenue: commodity market

PLN mn



High share of revenue from the commodity market in total revenue of the Group (42.4% v. 36.0% in all of 2014) as a result of:

➤ increasing diversification of business (including trade in natural gas)

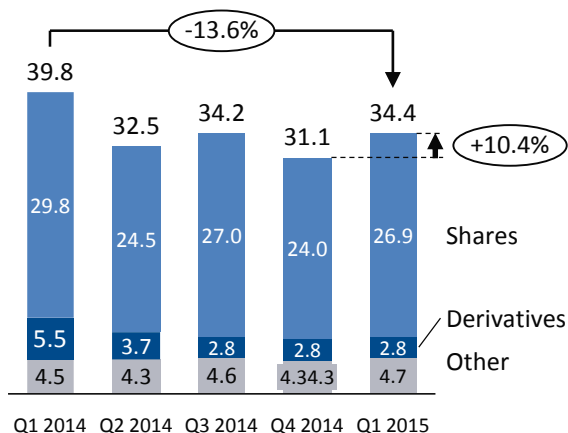
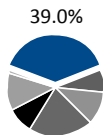
➤ record-high volume of issued green certificates of origin

# Increase of trading revenue from the financial market



## Trading revenue (financial market)

PLN mn



- ❖ Average transaction fee on the equity market in Q1 2015 at the comparable level as in 2014
- ❖ Decrease in the share of trading revenue on the financial market in total revenue from 46.0% in Q1 2014 to 39.0% in Q1 2015
- ❖ Average turnover in shares per session in Q1 2015: PLN 839 mn v. PLN 778 mn in Q4 2014 and 824 mn in whole 2014

## Activity of investors on WSE markets

|   | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 |                         |
|---|---------|---------|---------|---------|---------|-------------------------|
| Shares – value of trading (EOB <sup>1</sup> , PLN bn) | 60.2    | 46.8    | 50.8    | 47.5    | 52.0    | -13.7% YoY<br>9.6% QoQ  |
| Futures – volume of trading (mn contracts)            | 3.18    | 2.18    | 1.89    | 2.24    | 2.20    | -30.8% YoY<br>-1.6% QoQ |
| Treasury bonds – TBSP, cash transactions (PLN bn)     | 82.2    | 77.6    | 94.7    | 72.9    | 92.6    | 12.6% YoY<br>27.0% QoQ  |

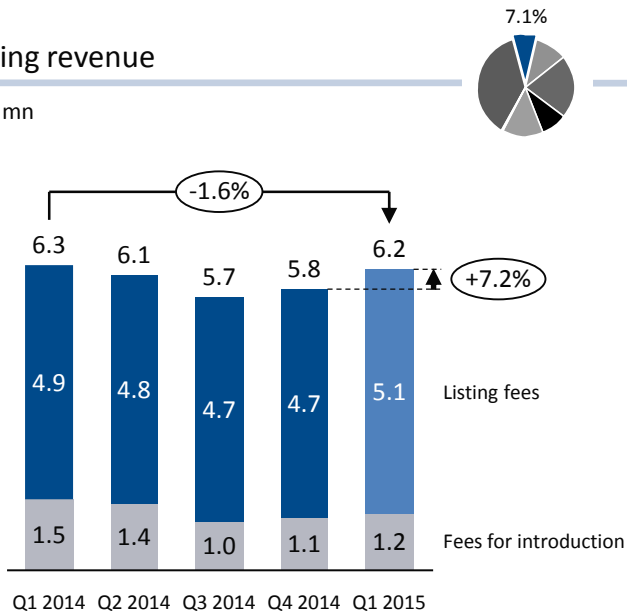
<sup>1</sup> Electronic Order Book excluding block trades

# Increase of annual fees paid by issuers



## Listing revenue

PLN mn



- ◆ Increase of revenue reflects the growing number of issuers on WSE markets and higher capitalisation of companies on the Main Market at the end of 2014, which is the base for annual fees in 2015

## Activity of issuers

| Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 |
|---------|---------|---------|---------|---------|
|---------|---------|---------|---------|---------|

Number of new listings on the Main Market

|   |   |   |    |            |
|---|---|---|----|------------|
| 5 | 8 | 5 | 10 | 2          |
|   |   |   |    | -60.0% YoY |
|   |   |   |    | -80.0% QoQ |

Value of IPOs and SPOs (PLN bn)

|     |     |     |     |                   |
|-----|-----|-----|-----|-------------------|
| 1.0 | 1.4 | 0.8 | 1.3 | 35.7 <sup>2</sup> |
|     |     |     |     | 3511.5% YoY       |
|     |     |     |     | 2556.6% QoQ       |

Capitalisation of domestic companies (PLN bn)

|       |       |       |       |          |
|-------|-------|-------|-------|----------|
| 613.4 | 607.2 | 635.2 | 591.2 | 618.2    |
|       |       |       |       | 0.8% YoY |
|       |       |       |       | 4.6% QoQ |

<sup>1</sup> The value of IPOs includes capital deals arranged by issuers (public and private) excluding ABB

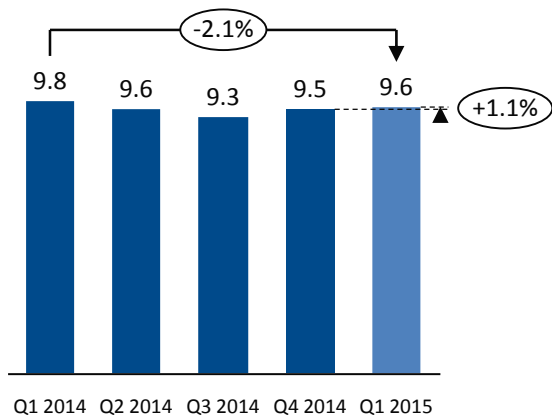
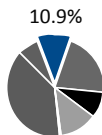
<sup>2</sup> Q1 2015 data include teo secondary offering by Banco Santander SA worth PLN 33 bn

# Increasing interest in commodity market data



## Revenue from information services

PLN mn



- Acquisition of 3 non-display data subscribers
- Number of retail data subscribers under pressure of prolonged lateral trend on WSE
- Increase in the number of professional data subscribers
- 4 PolPX data vendors (Reuters + 3DM) and about 300 professional subscribers

## Data vendors and subscribers

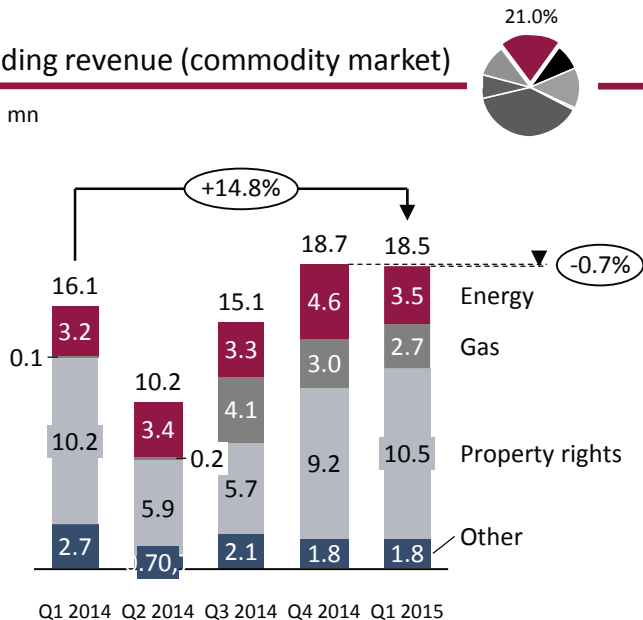
| Q1 2014                       | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 |
|-------------------------------|---------|---------|---------|---------|
| Number of subscribers (thou.) |         |         |         |         |
| 265.4                         | 261.9   | 246.4   | 240.3   | 244.7   |
| -7.8% YoY<br>1.8% QoQ         |         |         |         |         |
| Number of subscribers         |         |         |         |         |
| 59                            | 58      | 57      | 58      | 58      |

# High trading revenue on the commodity market



## Trading revenue (commodity market)

PLN mn



- Property rights: increased activity due to a high volume of issued green certificates and renewed market of cogeneration certificates (following restored statutory support in 2014)
- Electricity: seasonal decrease in volumes in Q1 2015
- Natural gas: decrease in volumes Q1 2015 QoQ due to accumulation of activity of gas market participants in H2 2014

## Activity of investors on the commodity market

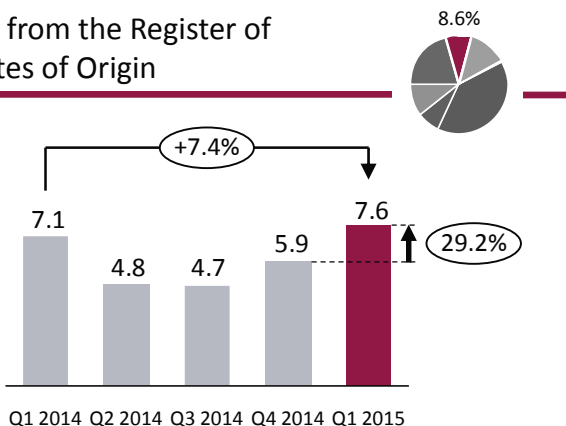
|   | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015                   |
|---|---------|---------|---------|---------|---------------------------|
| Electricity – volume of trading (TWh)     | 41.5    | 43.5    | 43.1    | 58.7    | 45.7                      |
|   |         |         |         |         | 10.1% YoY<br>-22.2% QoQ   |
| Natural gas – volume of trading (TWh)     | 1.0     | 4.2     | 58.9    | 47.6    | 35.5                      |
|   |         |         |         |         | 3355.9% YoY<br>-25.5% QoQ |
| Property rights – volume of trading (TWh) | 11.1    | 6.4     | 6.7     | 11.9    | 18.8                      |
|   |         |         |         |         | 69.8% YoY<br>58.4% QoQ    |

# Growing activity of Register and Clearing House members



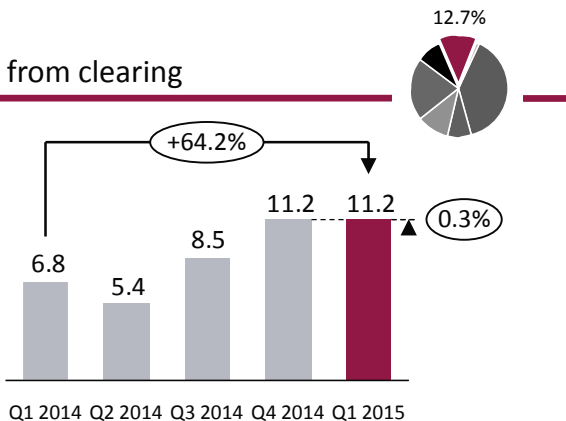
## Revenue from the Register of Certificates of Origin

PLN mn



## Revenue from clearing

PLN mn



- ⚡ Increase in revenue from the Register of Certificates of Origin as a result of a record-high volume of green certificates of origin issued by the Energy Regulatory Office
- ⚡ Less impact of seasonal effects in relation to high volumes of cancellations in Q2-Q4 2014
- ⚡ High revenue from clearing as a result of rising volumes of gas deliveries

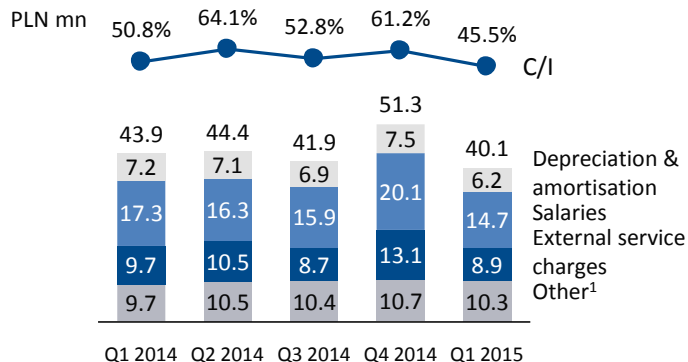
## Activity of investors on PolPX markets

|  | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015    |
|--|---------|---------|---------|---------|------------|
| Volume of issued property rights (TWh) | 8.8     | 13.4    | 8.9     | 11.2    | 17.5       |
|  |         |         |         |         | 98.9% YoY  |
|  |         |         |         |         | 56.3% QoQ  |
| Volume of issued property rights (TWh) | 9.7     | 3.7     | 3.5     | 3.7     | 4.3        |
|  |         |         |         |         | -55.6% YoY |
|  |         |         |         |         | 16.2% QoQ  |

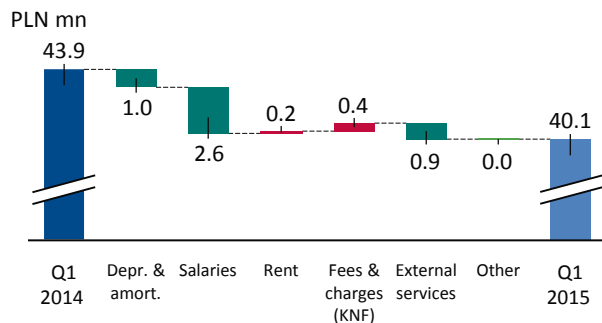
# Maintained cost discipline



## Operating expenses and cost/income ratio



## Change in operating expenses



- ❖ The completion of depreciation of property, plant and equipment in Q4 2014 (PLN 0.5 mn), in addition one-off charge of PLN 0.8 mn in Q4 2014
- ❖ WSE's advance fees for capital market supervision (KNF) at PLN 5.5 mn in Q1 and Q2 2015 vs PLN 5.4 mn in Q4 2014
- ❖ Released provisions – one-off net effect at PLN 3.3 mn (under salaries)
- ❖ Harmonisation of the rules of recognition of provisions against annual bonuses in the Group

<sup>1</sup> 'Other' includes rent, fees and charges, and other operating expenses



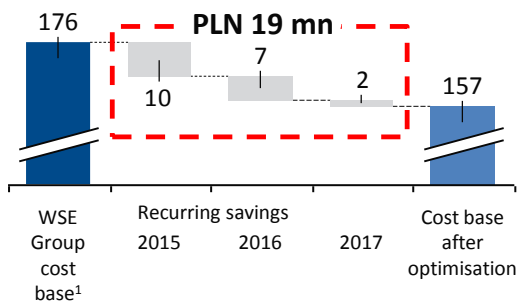
# Cost optimisation programme supporting WSE Group's development initiatives



## Key goals of the optimisation programme

1 **59%** in 2013 cost / income **<50%** by 2020

2 Savings programme



3 Savings **can finance growth investments** in 2015

## Realizacja

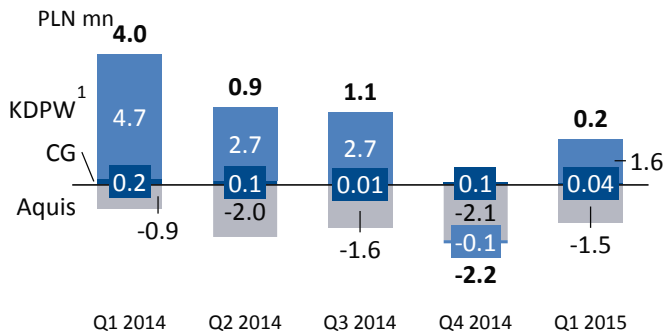
- ❖ **Cost / income** Q1 2015 ---> **45.5%**  
2014 ---> **57.2%**
- ❖ Maintained cost discipline
- ❖ Savings programme 2015 is on-going property  
external service charges  
other (including HR)  
IT
- ❖ The overarching objective is the reduction of the C/I ratio rather than an absolute cost reduction

<sup>1</sup> Last 12 months to 30 September 2014

# Improved results of associates

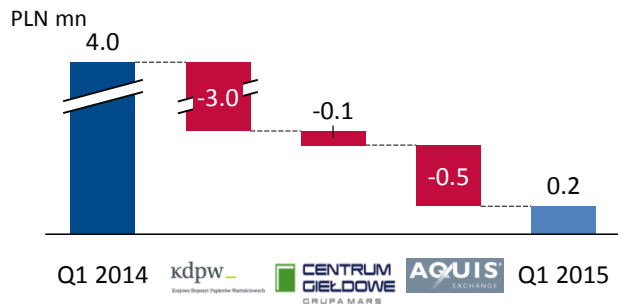


## WSE share in profits of associates

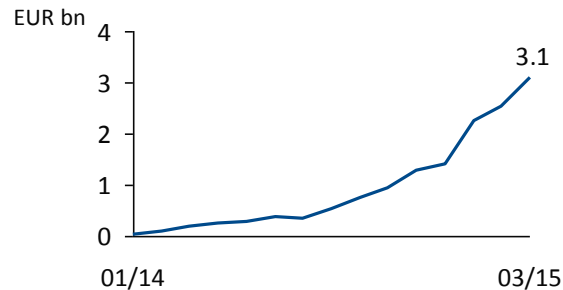


- Decrease of the net profit of KDPW Group to PLN 4.9 mn in Q1 2015 (PLN 30 mn in all of 2014) as a result of:
  - decrease of revenue from clearing on the cash market
  - decrease of revenue from management and administration of guarantee fund
- Aquis: costs under control, but the dynamically growing turnover is not yet sufficient to break even

## Change of share of profit of associates



## Aquis Exchange turnover value



<sup>1</sup> The Q1 2015 profit of the KDPW Group is not fully comparable to previous quarters due to a different recognition of annual fees from participants (until 2014 fully in Q1 revenue; as of 2015 pro rata in each quarter)



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**P&L, cash flows, balance sheet**



| PLN mn                             | Q1 2014     | Q4 2014     | Q1 2015     |
|------------------------------------|-------------|-------------|-------------|
| <b>Revenue</b>                     | <b>86.5</b> | <b>83.9</b> | <b>88.2</b> |
| Financial market                   | 56.0        | 46.5        | 50.2        |
| Trading                            | 39.8        | 31.1        | 34.4        |
| Listing                            | 6.3         | 5.8         | 6.2         |
| Information services               | 9.8         | 9.5         | 9.6         |
| Commodity market                   | 30.1        | 35.7        | 37.4        |
| Trading                            | 16.1        | 18.7        | 18.5        |
| Register of certificates of origin | 7.1         | 5.9         | 7.6         |
| Clearing                           | 6.8         | 11.2        | 11.2        |
| Other operating income             | 0.5         | 1.7         | 0.6         |
| <b>Operating expenses</b>          | <b>43.9</b> | <b>51.3</b> | <b>40.1</b> |
| Other income                       | 0.2         | 0.4         | 0.7         |
| Other expenses                     | 0.9         | -0.2        | 0.7         |
| <b>Operating profit</b>            | <b>41.9</b> | <b>33.1</b> | <b>48.1</b> |
| Financial income                   | 2.6         | 2.2         | 1.7         |
| Financial expenses                 | 2.5         | 2.7         | 2.5         |
| Share of profit of associates      | 4.0         | -2.2        | 0.2         |
| <b>Profit before income tax</b>    | <b>45.9</b> | <b>30.4</b> | <b>47.5</b> |
| Income tax expense                 | 8.3         | 6.1         | 9.1         |
| <b>Profit of the period</b>        | <b>37.6</b> | <b>24.3</b> | <b>38.4</b> |

- Income tax rate of 20.1% in Q4 2014, due to a loss of associates, and 19.1% in Q1 2015
- Decrease of financial income due to falling interest rates in Poland

# WSE Group consolidated balance sheet



| PLN mn                              | As at          |                |                |
|-------------------------------------|----------------|----------------|----------------|
|                                     | 31.03.2014     | 31.12.2014     | 31.03.2015     |
| <b>Non-current assets</b>           | <b>590.6</b>   | <b>572.7</b>   | <b>571.4</b>   |
| Property, plant and equipment       | 121.0          | 119.8          | 116.6          |
| Intangible assets                   | 265.9          | 261.0          | 262.8          |
| Investment in associates            | 187.8          | 188.1          | 188.4          |
| <b>Current assets</b>               | <b>417.5</b>   | <b>451.4</b>   | <b>484.8</b>   |
| Trade and other receivables         | 52.3           | 42.6           | 91.5           |
| Available-for-sale financial assets | 0.3            | 10.5           | 10.6           |
| Cash and cash equivalents           | 358.6          | 389.0          | 379.0          |
| <b>Total assets</b>                 | <b>1,008.1</b> | <b>1,024.2</b> | <b>1,056.2</b> |

- WSE Group's non-current liabilities are mainly WSE's liabilities under bond issue maturing in January 2017
- As at the end of Q1 2015, net debt was negative at PLN 143.3 mn (cash surplus)

| PLN mn                              | As at          |                |                |
|-------------------------------------|----------------|----------------|----------------|
|                                     | 31.03.2014     | 31.12.2014     | 31.03.2015     |
| Equity                              | 675.7          | 700.5          | 738.8          |
| <b>Non-current liabilities</b>      | <b>249.6</b>   | <b>259.4</b>   | <b>253.5</b>   |
| Liabilities under bond issue        | 243.7          | 244.1          | 244.2          |
| <b>Current liabilities</b>          | <b>82.9</b>    | <b>64.3</b>    | <b>64.0</b>    |
| Trade payables                      | 3.8            | 10.0           | 10.0           |
| Income tax payable                  | 2.0            | 1.2            | 2.3            |
| Dividend and other payables         | 63.3           | 41.3           | 40.9           |
| Employee benefits payable           | 9.2            | 9.9            | 7.6            |
| Provisions                          | 1.9            | 1.3            | 1.3            |
| <b>Total equity and liabilities</b> | <b>1,008.1</b> | <b>1,024.2</b> | <b>1,056.2</b> |

# WSE Group consolidated cash flows



| PLN mn  | #m ending 31 March |              |
|---|--------------------|--------------|
|   | 2014               | 2015         |
| <b>Cash flows from operating activities</b>                 | <b>61.1</b>        | <b>-6.6</b>  |
| Cash flows from operating activities                        | 64.9               | -1.8         |
| Income tax paid   | -3.8               | -4.8         |
| <b>Cash flows from investing activities</b>                 | <b>-14.1</b>       | <b>-3.3</b>  |
| Purchase of property, plant and equipment                   | -0.8               | -0.2         |
| Purchase of intangible assets                               | -0.1               | -4.7         |
| Purchase of available-for-sale financial assets             | 0.0                | 0.0          |
| Purchase of an associate                                    | -15.2              | 0.0          |
| Interest received   | 2.1                | 1.5          |
| <b>Cash flows from financing activities</b>                 | <b>-0.2</b>        | <b>0.0</b>   |
| Dividend payout and Company Social Benefits Fund            | 0.0                | 0.0          |
| Interest paid   | 0.0                | 0.0          |
| <b>Increase / Decrease of net cash and cash equivalents</b> | <b>46.9</b>        | <b>-9.9</b>  |
| Opening balance of cash and cash equivalents                | 311.5              | 389.0        |
| <b>Closing balance of cash and cash equivalents</b>         | <b>358.6</b>       | <b>379.0</b> |

⚙ Increase of WSE's trade receivables by PLN 5.3 mn and PolPX's receivables from statutory settlements by PLN 43.7 mn drove lower cash flows from operating activities in Q1 2015

⚙ Negative cash flows at PLN 14.1 mn in Q1 2014 mainly due to purchase of shares of Aquis Exchange Ltd for PLN 15.2 mn

⚙ Capital expenditure in Q1 2015 at PLN 4.9 mn



## WSE IR events

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- 📅 **18 May 2015, Monday**  
Polish Capital Markets Day, WSE,  
Auerbach & Grayson and Ipopema  
Securities, New York
  
- 📅 **29-31 May 2015**  
WallStreet Conference for individual  
investors, SII, Karpacz
  
- 📅 **9-11 June 2015**  
Emerging Europe Financials conference,  
Wood & Co., Warsaw
  
- 📅 **30 July 2015, Tuesday**  
H1 2015 results
  
- 📅 **30 October 2015, Friday**  
Q3 2015 results

## WSE Investor Relations

tel. +48 22 537 72 50

[ir@gpw.pl](mailto:ir@gpw.pl)

[www.gpw.pl/relacje\\_inwestorskie](http://www.gpw.pl/relacje_inwestorskie)

### Warsaw Stock Exchange

ul. Książęca 4, 00-498 Warsaw, Poland

tel. +48 22 628 32 32

[gpw@gpw.pl](mailto:gpw@gpw.pl)

[www.gpw.pl](http://www.gpw.pl)

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