



# **GPW Group Financial Results Q3 2015**

30 October 2015

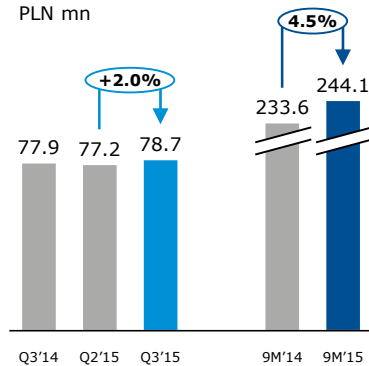
## **Summary of GPW activities in Q3 2015**

GPW Group financial results in Q3 2015

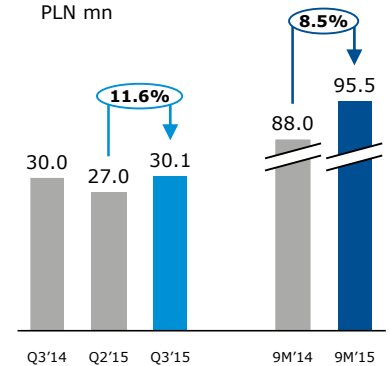
# Improved financial results despite a challenging market environment

- ◆ Consistent implementation of business strategy
  - ✓ attracting new investors and traders on GPW
  - ✓ start of TGE Financial Instruments Market
  
- ◆ Progress of efficiency programme
  - ✓ improvements in the Group structure
  - ✓ high cost discipline
  
- ◆ Solid financial results
  - ✓ net profit up by 11.6% qoq
  - ✓ revenue, net profit and EBITDA for the 9 months the highest in history
  
- ◆ Challenging market environment

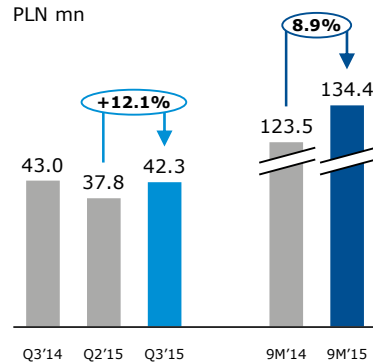
### Sales revenue



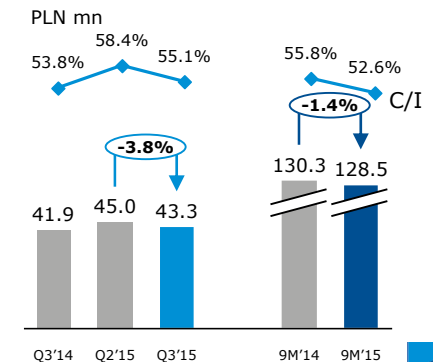
### Net profit



### EBITDA



### Operating expenses



# GPW among European leaders by number of IPOs

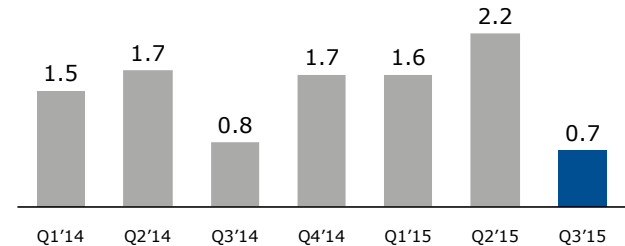
Warsaw: #4 in Europe by number of IPOs<sup>1</sup>

Exchange		9M'14	Q1'15	Q2'15	Q3'15	9M'15
LSE	▼	109	27	28	9	64
NASDAQ OMX	▲	40	18	37	9	64
Euronext	▼	36	13	13	7	33
GPW	▲	21	2	16	6	24
Borsa Italiana	▼	22	6	7	7	20
BME	▲	11	3	5	8	16
DB	▼	17	3	7	5	15
Oslo Bors	▼	12	1	5	-	6
Stambul SE	▼	9	3	1	1	5
BVB	▲	1	2	2	-	4
SIX Swiss	▼	5	1	1	1	3
Irish SE	▼	3	1	1	-	2
Zagreb SE	▲	-	2	-	-	2
Praga SE	▼	1	-	-	-	-
Wiener Boerse	▼	2	-	-	-	-
Athens Ex.	▼	1	-	-	-	-
<b>TOTAL</b>		<b>290</b>	<b>82</b>	<b>123</b>	<b>53</b>	<b>258</b>

- ◆ Continued dynamic acquisition of issuers (mainly small and mid-caps)
- ◆ Promoting the exchange in the regions:
  - ✓ Capital for Growth – programme raising the profile of the Exchange as the venue for raising growth capital and creating local jobs; support for companies and local governments seeking funding under the EU Perspective 2014-2020
  - ✓ 11 events (another 3 – November 2015), more than 20 presentations of listed companies, nearly 1,100 participants

## Poland's ECM value<sup>2</sup>

PLN bn

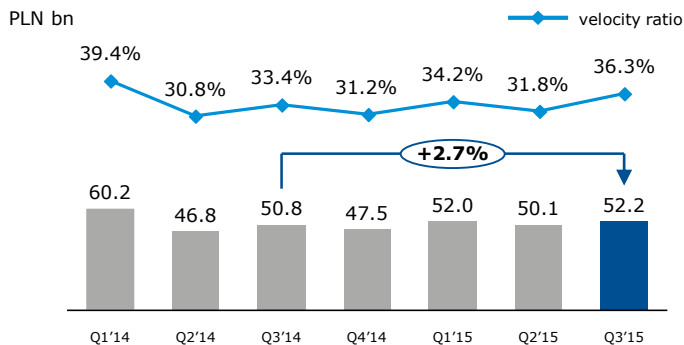


<sup>1</sup> PwC IPO Watch Europe Q3 2015 (regulated and alternative markets)

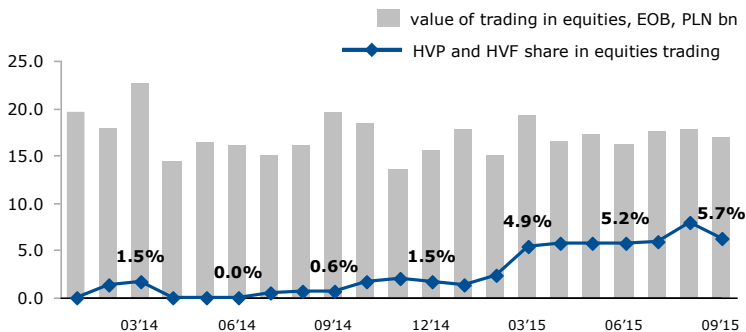
<sup>2</sup> ECM - Equity Capital Market; source: Dealogic, ECM value at transaction value as at the pricing date

# Potential to grow liquidity after acquisition of new exchange members

## Turnover in shares (Main Market, EOB)



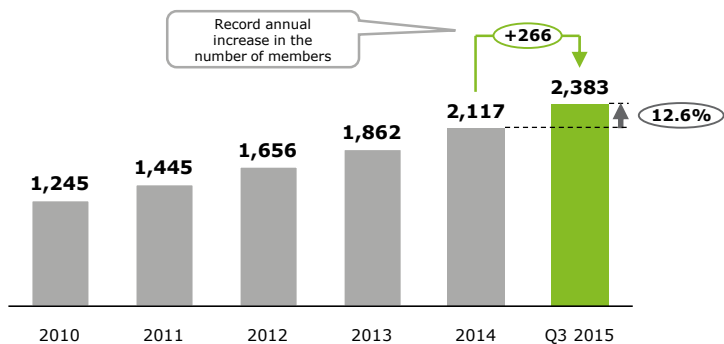
## Share of HVP and HVF participants in turnover in shares



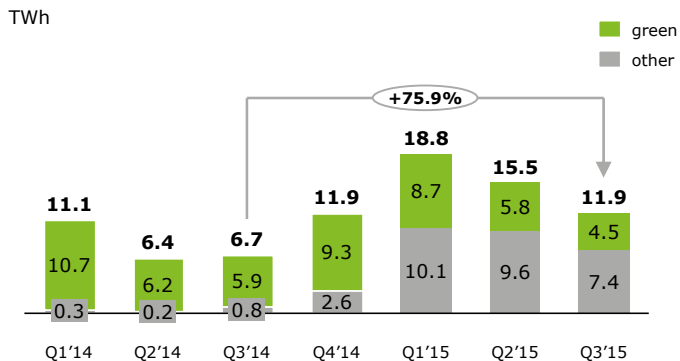
- ◆ Two new exchange members: Credit Suisse International and Spire Europe Ltd.; pending: Sun Trading International
- ◆ Two new equity market makers: Hudson River Trading, Trigon
- ◆ The first Global Clearing Member (GCM): ABN Amro Clearing Bank
- ◆ Continued development of the High Volume Providers programme and launch of the new programme High Volume Funds:
  - ✓ 7 participants in both programmes at the end of Q3 2015 on the cash and futures market
  - ✓ growing share of HVP and HVF in turnover:
    - EOB in equities: on average 6.1% in Q3 2015
    - derivatives: on average 2.2% in Q3 2015
  - ✓ several more members likely to join
- ◆ Infrastructure development:
  - ✓ revitalised colocation service
  - ✓ RMA application and Kill Switch functionality
  - ✓ first international ISV

# Developing product offer on the commodity market and growing number of members of COR

## Growth in the number of members of the register



## Volume of trade in property rights



## New products and business areas

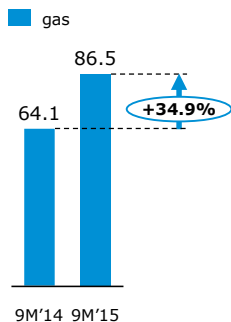
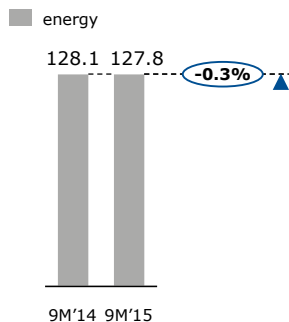
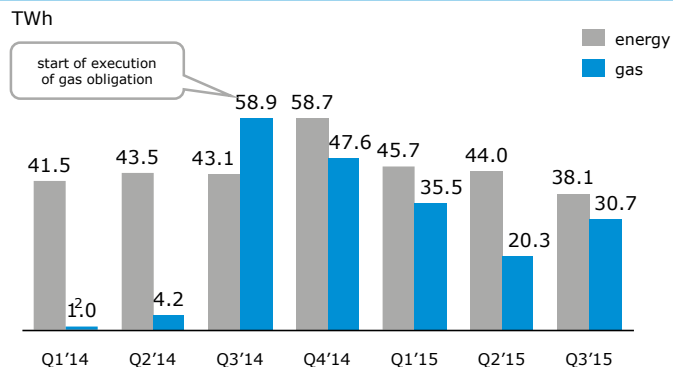
- Extended trading hours and new index TGEgasID
- Trading data reporting service
- In Q3 2015 first contracts to sell guarantees of origin on TGE
- TGE becomes a member of the European market Multi Regional Coupling
- WSEInfoEngine – supplements TGE's offer
- Forward contracts on green certificates

### Some of volume drivers in the coming quarters:

- ✓ **electricity:** launch of the financial instruments market
- ✓ **gas:** launch of the financial instruments market, new products, new members
- ✓ **property rights:** change of the support system to auctions – amended RES Act, Energy Efficiency Act, continued rebuilding of cogeneration volumes after re-establishment of support, change of the deadline for RES certificate cancellation (usually to 30.06; in 2016 – exceptionally two deadlines: 31.03, 30.06)

# Launch of the market in commodity derivatives settled in cash

## Volume of trade in electricity and gas with physical delivery

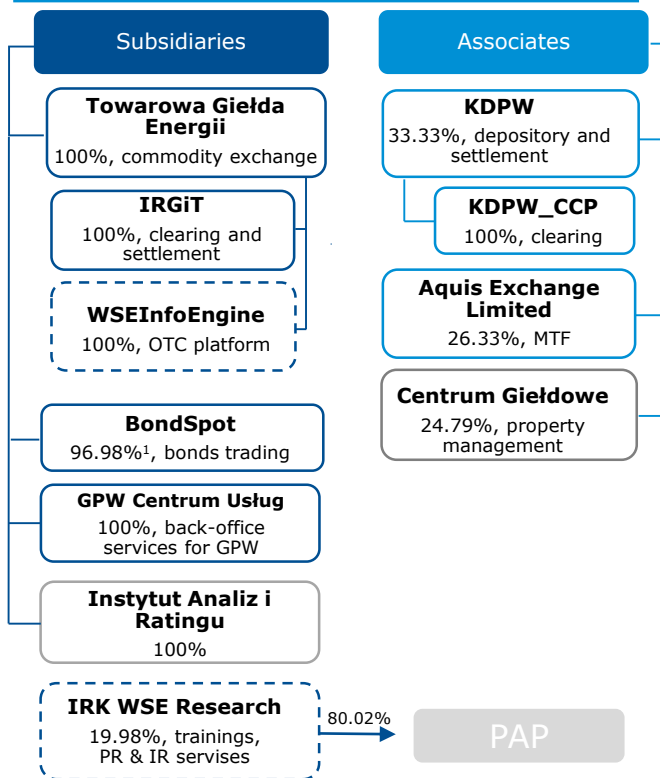


## Market in futures settled in cash - no physical delivery

- ◆ Launch on 4 November 2015
- ◆ A pillar of GPW Group's strategy for the commodity market
- ◆ Strategic goals by 2020:
  - ✓ volume of trade in electricity futures – more than 60% of Poland's electricity consumption
  - ✓ volume of trade in gas futures – more than 15% of the liberalised gas market
  - ✓ increased market liquidity based on interactions with the spot market
  - ✓ in 2016 – start building liquidity
- ◆ Current volume of trade (physical delivery):
  - ✓ electricity - ca. 140% of Poland's electricity consumption
  - ✓ gas - ca. 65% of Poland's gas consumption
- ◆ Potential opened by the launch of the financial instruments market:
  - ✓ new source of revenue
  - ✓ new (financial/international) market participants
  - ✓ continued growth of independent energy traders
  - ✓ stronger regional position of TGE

# Consistently pursued efficiency programme. reorganisation of the Group

## GPW Group structure



### ◆ Reorganising the Group:

- ✓ WSEInfoEngine – 100% to TGE (consolidation of the commodity market within TGE Group) - **completed**
- ✓ IRK WSE Research – 80.02% to PAP (strategic investor) - **completed**
- ✓ Instytut Analiz i Ratingu – looking for additional investors - **in process**

### ◆ Optimisation of the use of office space and real estate assets:

- ✓ on-going project to relocate subsidiaries to Centrum Giełdowe
- ✓ GPW's real estate assets (including Centrum Giełdowe S.A.) – optimisation under consideration

<sup>1</sup> On 6 October 2015, GPW received KNF's consent to buy more shares of BondSpot and now holds 96.98%; the stake was 94.43% at 30 September 2015



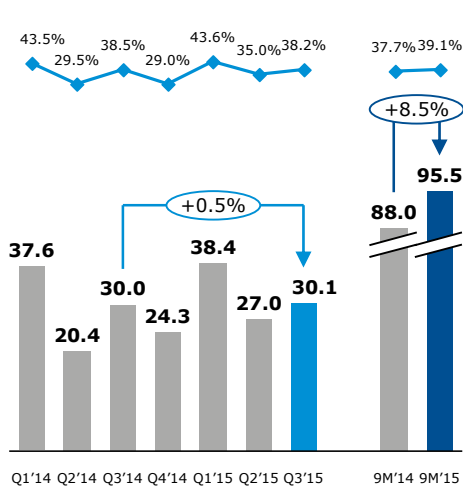
Summary of GPW activities in Q3 2015

**GPW Group financial results in Q3 2015**

# Record-high results after Q3

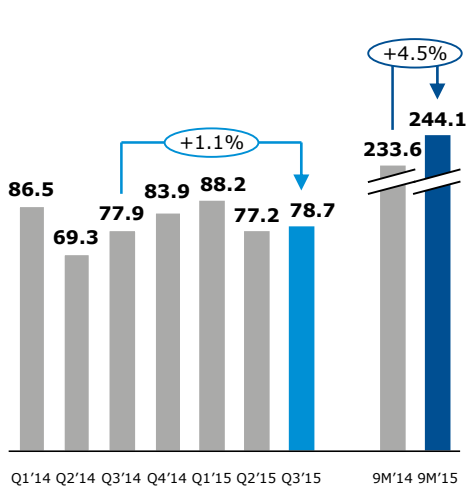
## Net profit and net profit margin

PLN mn, %



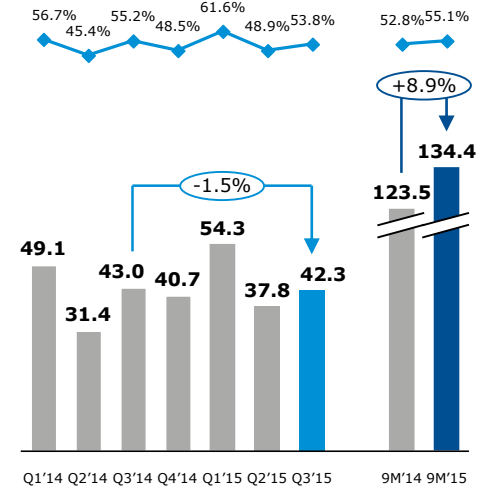
## Sales revenue

PLN mn



## EBITDA and EBITDA margin

PLN mn, %



- ◆ Dividend payment from 2014 profit at PLN 100.7 mn on 4 August, dividend yield at 6.3%<sup>1</sup>
- ◆ Intended dividend payment from 2015 profit at PLN 2.60 per share according to the dividend policy

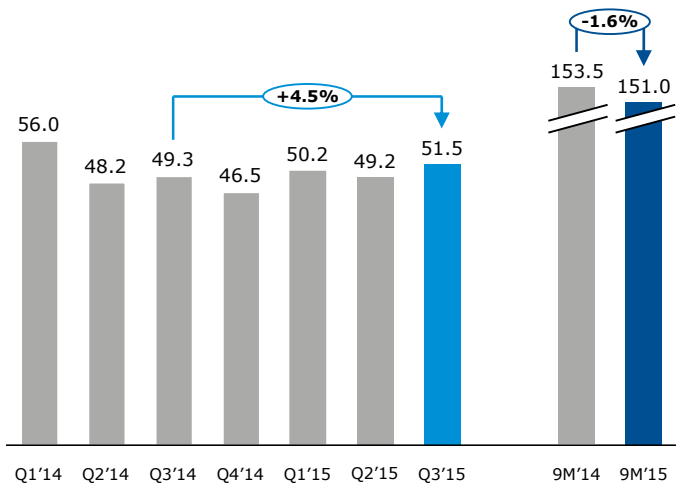
<sup>1</sup> Dividend yield based on GPW share price at 30 September 2015

# Financial market as the growth driver for revenues in Q3 (+2.0% qoq)

## Revenue – financial market

PLN mn

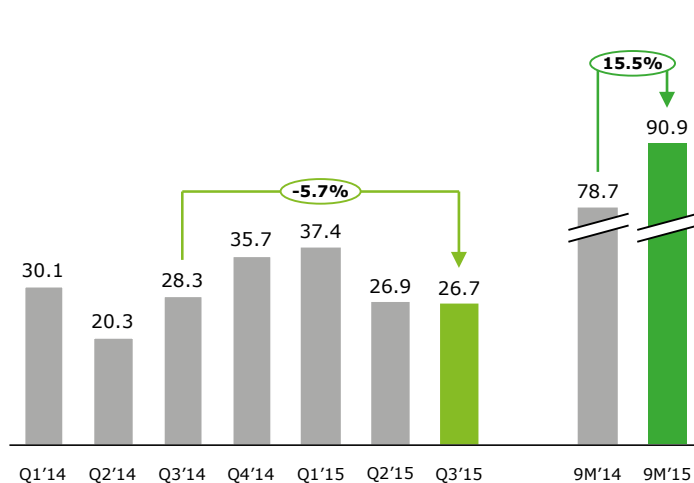
Q3'15: 65.4%



## Revenue – commodity market

PLN mn

Q3'15: 33.9%

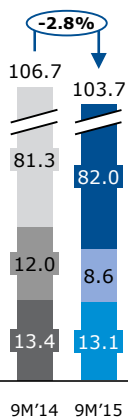
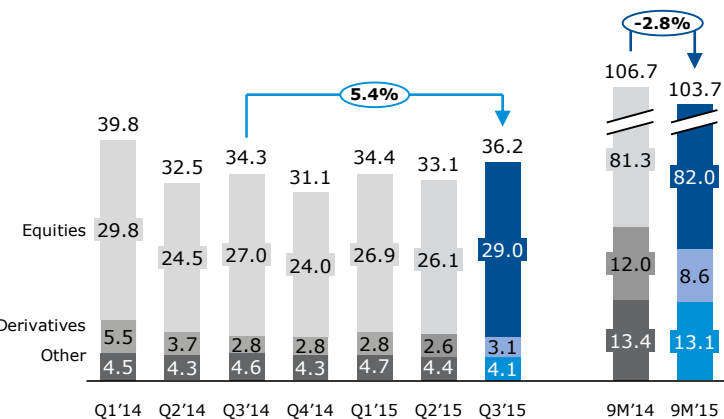


# Growth of trading revenue (RF)

Q3'15: 46.0%

## Trading revenue – financial market

PLN mn



- ◆ Average fees on the equity market stable in 9M 2015
- ◆ Average trade in equities per session: PLN 792 mn in Q3 2015 vs. PLN 784 mn in Q3 2014 and PLN 821 mn in Q2 2015
- ◆ Increase in the number of session transactions in Q3 2015: +30.6% YoY, +18.3% QoQ
- ◆ Higher trading revenue from tender offers

## Investor activity on GPW markets

Q1 2014 Q2 2014 Q3 2014 Q4 2014 Q1 2015 Q2 2015 Q3 2015

Equities – value of trade (EOB, PLN bn)						
60.2	46.8	50.8	47.5	52.0	50.1	52.2
						2.7% yoy
						4.2% qoq

Futures and options – volume of trade (mn contracts)						
3.18	2.18	1.89	2.24	2.20	2.01	2.09
						10.6% rdr
						4.1% kdk

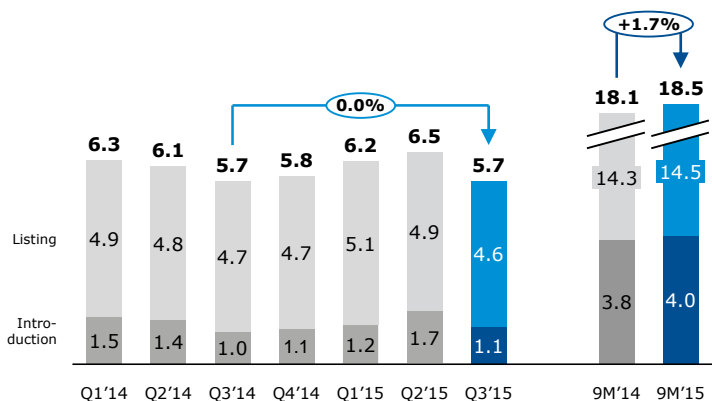
Treasury bonds – TBSP, cash transactions (PLN bn)						
82.2	77.6	94.7	72.9	92.6	59.4	50.2
						-46.9% rdr
						-15.4% kdk

# Issuer activity stable YoY. lower IPO values

## Listing revenue

PLN mn

Q3'15: 7.2%



- ◆ Poland's ECM value at PLN 0.7 bn in Q3 2015 vs. PLN 2.2 bn in Q2 2015 and PLN 0.8 bn in Q3 2014
- ◆ Number of IPOs on the Main Market – 8: no change YoY, 3 less than in Q2 2015
- ◆ Capitalisation of domestic companies at PLN 556.1 bn – the lowest since Q2 2013

## Issuer activity

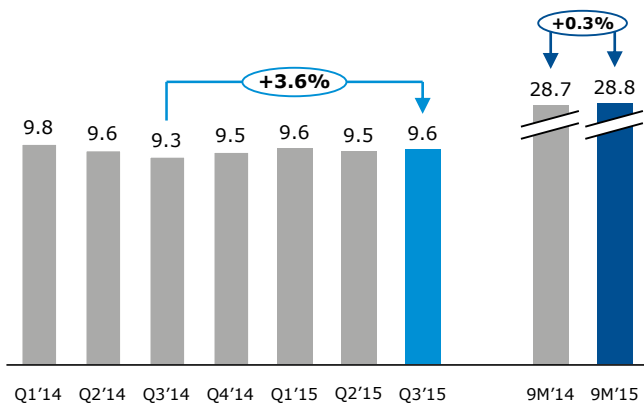
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Number of IPOs on the Main Market	5	8	5	10	2	8	5
							0.0% yoy -37.5% qoq
Capitalisation of domestic companies (PLN bn)	613.4	607.2	635.2	591.2	618.2	605.2	556.1
							-12.5% yoy -8.1% qoq

# Stable revenue from information services

## Revenue from information services

PLN mn

Q3'15: 12.2%



- ◆ New non-display data contracts – rising share in revenue
- ◆ Growing number of subscribers for commodity market and TBSP data feeds
- ◆ Revived interest in index licences
- ◆ Drop in the number of subscribers has no material impact on revenue

## Data vendors and subscribers

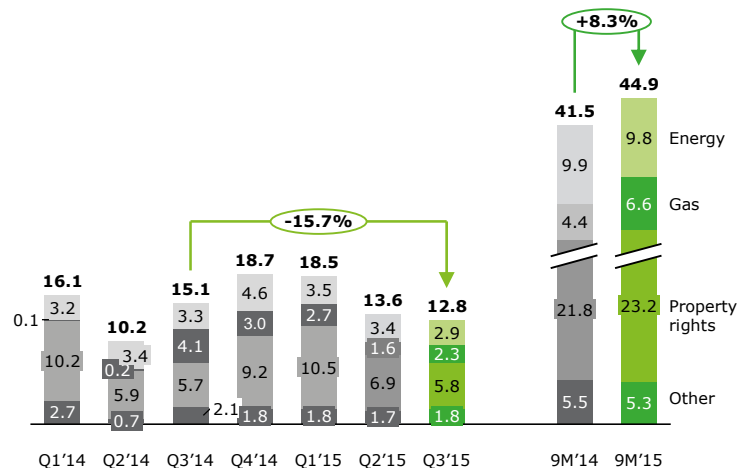
Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Number of subscribers (thou.)						
265.4	261.9	246.4	240.3	241.1	238.7	224.1
						-9.1% yoy
						-6.1% qoq
Number of data vendors						
59	58	57	58	58	56	56

# Weather conditions impact the energy market in Q3

## Trading revenue (commodity market)

PLN mn

Q3'14: 16.2%



- ◆ Lower volumes on the energy market due to unusually hot summer (limited electricity generation)
- ◆ Revenue from the gas market decreased YoY: high comparative base as the obligation to sell gas on the exchange took effect in Q3 2014
- ◆ Seasonal low activity of TGE participants on the market in property rights
- ◆ Significant YoY improvement in volumes of trade in property rights to cogeneration certificates

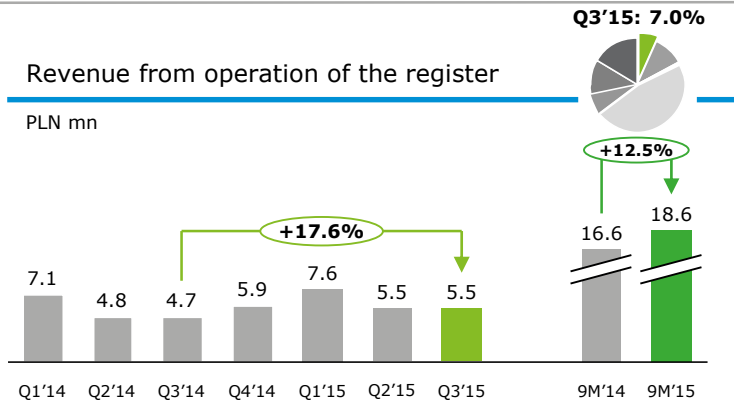
## Investor activity on the commodity market

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Electricity – volume of trade (TWh)	41.5	43.5	43.1	58.7	45.7	44.0	38.1
							-11.5% yoy -13.3% qoq
Natural gas – volume of trade (TWh)	1.0	4.2	58.9	47.6	35.5	20.3	30.7
							-47.9% yoy 50.8% qoq
Property rights – volume of trade (TWh)	11.1	6.4	6.7	11.9	18.8	15.5	11.9
							75.9% yoy -23.3% qoq

# YoY increase of activity in the register of certificates of origin

## Revenue from operation of the register

PLN mn



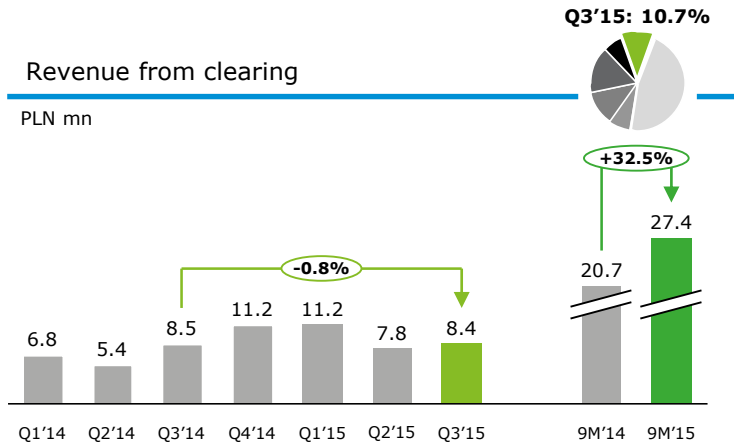
- ◆ YoY increase in revenue from the register of certificates of origin mainly driven by more cogeneration certificates cancelled and issued

- ◆ Revenue from clearing:

- ✓ QoQ increase following the end of promotion for clearing of the gas market and an increase of trade in property rights
- ✓ YoY decrease following a decrease in volumes on the gas and electricity market

## Revenue from clearing

PLN mn



## Activity of register participants

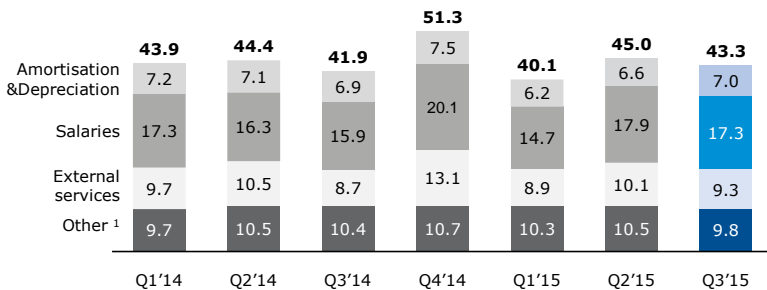
Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Volume of issued property rights (TWh)						
8.8	13.4	8.9	11.2	17.5	10.8	13.0
						47.2% yoy
						20.7% qoq
Volume of cancelled certificates of origin (TWh)						
9.7	3.7	3.5	3.7	4.3	7.7	10.4
						198.0% yoy
						36.8% qoq



# Efficiency programme and cost optimisation

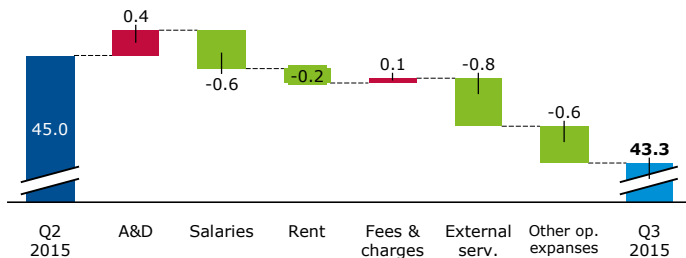
## Operating expenses

PLN mn



## Change in operating expenses

PLN mn



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

### ◆ Key ratios:

- ✓ Cost regime: cost/income ratio at **52.6%** in 9M 2015 (vs. 57.2% in 2014 and mid-term target <50% in 202)
- ✓ Decrease of operating expenses by 1.4% YoY in 9M 2015 (PLN 128.5 mn vs. PLN 130.3 mn)

### ◆ Savings initiatives – according to plan:

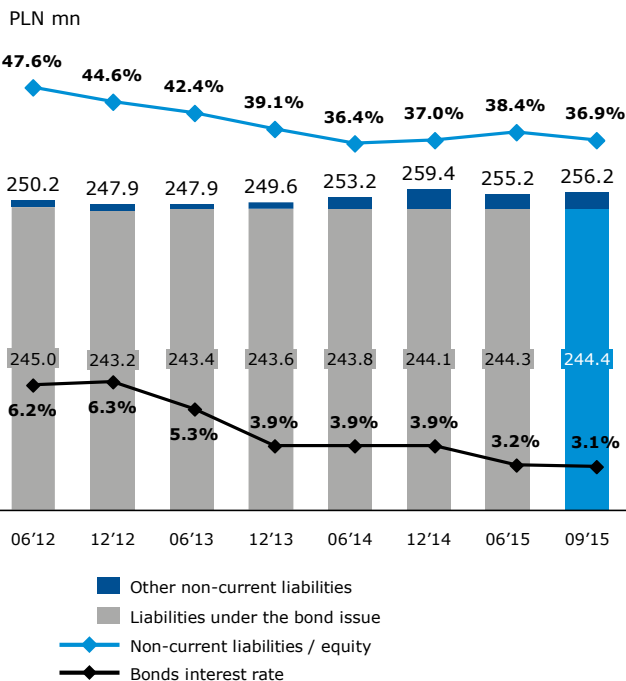
- ✓ Decrease of GPW separate operating expenses by PLN 5.3 mn or 5.5% YoY in 9M 2015
- ✓ Continued optimisation of employment (GPW and WSEInfoEngine, sale of IRK) - > salaries to decrease by ca. PLN 0.2 mn in the following quarters
- ✓ Group's rent and maintenance costs down by 8.3% YoY in 9M 2015 following the termination of some lease contracts for space in Centrum Giełdowe

### ◆ Continued growth initiatives:

- ✓ depreciation and amortisation charges increased by PLN 0.4 mn QoQ in Q3 2015 (TGE development projects)
- ✓ increase of employment in development areas (including the financial instruments market)

# Optimising the long-term funding structure

## Non-current liabilities

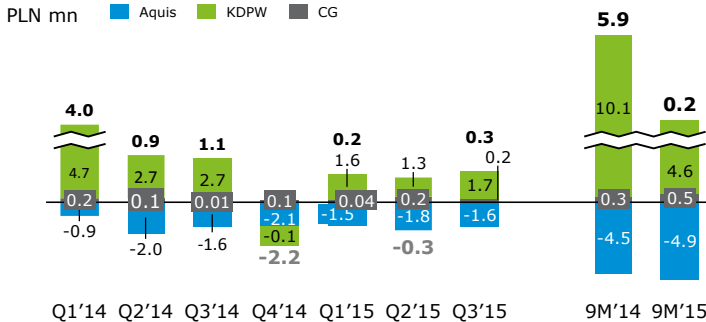


- ◆ 7Y fixed-coupon bonds issued by the Group's parent entity – record-low interest rate of 3.19%
- ◆ Non-current liabilities to equity much below 50%
- ◆ Optimising non-current liabilities structure:
  - ✓ redemption of some floating-rate bonds with cash raised in the new issue
  - ✓ extended maturity of debt

New issue – series C:	Previous issue – series A and B:
<ul style="list-style-type: none"> <li>◆ fixed rate – 3.19%, <b>the lowest of all fixed-coupon PLN bonds listed on Catalyst</b></li> <li>◆ 7Y bonds maturing in October 2022</li> <li>◆ issue value: PLN 125 mn</li> <li>◆ goal: <b>to redeem some floating-rate bonds</b></li> </ul>	<ul style="list-style-type: none"> <li>◆ floating rate – WIBOR 6M + 1.17%</li> <li>◆ partial redemption of series A and B bonds:                             <ul style="list-style-type: none"> <li>• October 2015</li> <li>• value of bonds redemption: PLN 126.0 mn</li> </ul> </li> <li>◆ remaining bonds mature in January 2017</li> </ul>

# Share of profit of associates

## Share of profit of associates<sup>1</sup>



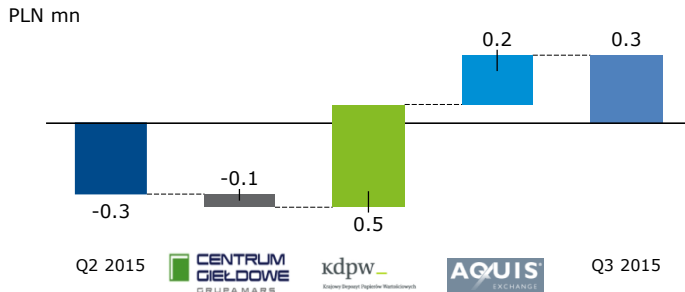
### ◆ KDPW Group results:

- ✓ net profit in 9M 2015 down to PLN 13.9 mn (vs. PLN 30.4 mn in 9M 2014) due to the developing netting service
- ✓ modest increase in profit QoQ (+PLN 0.4 mn) driven by volumes on the financial market

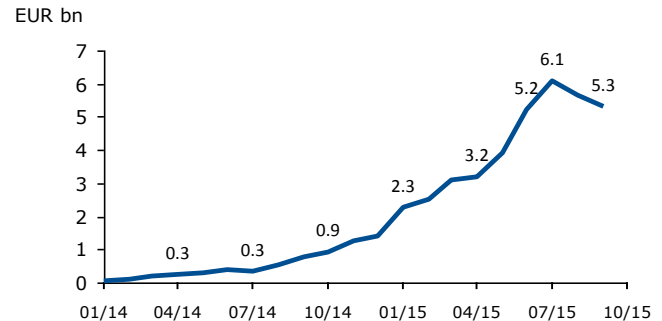
### ◆ Group's share of the loss of Aquis Exchange in 9M 2015 at PLN 4.9 mn vs. PLN 4.5 mn in 9M 2014:

- ✓ growing number of members and turnover in Q3 2015 on average at ~EUR 5.7 bn
- ✓ costs under control but still no growth in revenue

## Change of share of profit of associates



## Turnover on Aquis Exchange



<sup>1</sup> Quarterly results of KDPW Group in 2015 not fully comparable to previous years due to change in the recognition of annual fees paid by participants (until 2014, fully under the revenue of Q1; as of 2015, pro rata in each quarter)

# GPW Group's consolidated P&L

PLN mn	9M 2014	9M 2015	Q3 2014	Q2 2015	Q3 2015
<b>Revenue</b>	<b>233.6</b>	<b>244.1</b>	<b>77.9</b>	<b>77.2</b>	<b>78.7</b>
Financial market	153.5	151.0	49.3	49.2	51.5
Trading	106.7	103.7	34.3	33.1	36.2
Listing	18.1	18.5	5.7	6.5	5.7
Information services	28.7	28.8	9.3	9.5	9.6
Commodity market	78.7	90.9	28.3	26.9	26.7
Trading	41.5	44.9	15.1	13.6	12.8
Register of Certificates of Origin	16.6	18.6	4.7	5.5	5.5
Clearing	20.7	27.4	8.5	7.8	8.4
Other operating income	1.4	2.2	0.3	1.1	0.5
<b>Operating expenses</b>	<b>130.3</b>	<b>128.5</b>	<b>41.9</b>	<b>45.0</b>	<b>43.3</b>
Other income	0.9	1.1	0.2	0.2	0.2
Other expenses	2.0	2.1	0.1	1.1	0.3
<b>Operating profit</b>	<b>102.2</b>	<b>114.6</b>	<b>36.1</b>	<b>31.2</b>	<b>35.3</b>
Financial income	8.2	8.1	2.7	4.4	2.0
Financial expenses	7.6	6.6	2.5	2.2	1.9
Share of profit of associates	5.9	0.2	1.1	-0.3	0.3
<b>Profit before income tax</b>	<b>108.7</b>	<b>116.2</b>	<b>37.3</b>	<b>33.1</b>	<b>35.7</b>
Income tax	20.7	20.7	7.3	6.1	5.6
<b>Net profit</b>	<b>88.0</b>	<b>95.5</b>	<b>30.0</b>	<b>27.0</b>	<b>30.1</b>

- ◆ Tax rate in Q3 2015 down to 15.6% due to a tax loss of PLN 1.3 mn on the sale of WSE IE
- ◆ Financial income down in Q3 2015 – PLN 2.8 mn restatement of GPW's investment in Aquis in Q2 2015

# GPW Group's consolidated balance sheet

As of:					
PLN mn	30.09.2014	31.12.2014	31.03.2015	30.06.2015	30.09.2015
<b>Non-current assets</b> , including among others	<b>586.3</b>	<b>572.7</b>	<b>571.4</b>	<b>572.3</b>	<b>569.2</b>
Property, plant and equipment	119.4	119.8	116.6	112.1	109.8
Intangible assets	261.5	261.0	262.8	265.6	263.7
Share of profit of associates	189.9	188.1	188.4	190.1	190.3
<b>Current assets</b> , including among others	<b>406.2</b>	<b>451.4</b>	<b>484.8</b>	<b>519.7</b>	<b>425.7</b>
Trade and other receivables	39.1	42.6	91.5	61.4	73.4
Available-for-sale financial assets	0.6	10.5	10.6	10.6	10.6
Cash and cash equivalents	359.6	389.0	379.0	446.8	341.3
<b>Total assets</b>	<b>992.6</b>	<b>1,024.2</b>	<b>1,056.2</b>	<b>1,092.0</b>	<b>994.8</b>

- ◆ Dividend of PLN 100.7 mn paid out on 4 August 2015
- ◆ Receivables in 9M 2015 include TGE Group's VAT receivable from clearing at PLN 36.0 mn
- ◆ GPW Group's negative net debt at PLN 105.8 mn at the end of Q3 2015 (cash surplus)

Stan na:					
PLN mn	30.09.2014	31.12.2014	31.03.2015	30.06.2015	30.09.2015
Equity	676.0	700.5	738.8	664.0	694.1
<b>Non-current liabilities</b>	<b>255.8</b>	<b>259.4</b>	<b>253.5</b>	<b>255.2</b>	<b>256.2</b>
Liability under the bond issue	244.0	244.1	244.2	244.3	244.4
<b>Current liabilities</b> , including among others	<b>60.8</b>	<b>64.3</b>	<b>64.0</b>	<b>172.7</b>	<b>44.5</b>
Trade payables	13.7	10.0	10.0	19.6	1.8
Income tax payable	1.7	1.2	2.3	7.1	11.2
Dividend and other liabilities	32.0	36.2	15.1	116.7	0.0
Employee benefits payable	9.5	9.9	7.6	9.6	1.2
Provisions	1.2	1.3	1.3	1.3	0.0
<b>Total equity and liabilities</b>	<b>992.6</b>	<b>1,024.2</b>	<b>1,056.2</b>	<b>1,092.0</b>	<b>994.8</b>

# GPW Group's consolidated cash flows

PLN mn	9M until 30 September:	
	2014	2015
<b>Cash flows from operating activities</b> , including among others:	<b>120.0</b>	<b>61.4</b>
Cash flows from operating activities	130.5	72.8
Net profit of the period	88.0	95.5
Adjustments	42.5	-22.7
Income tax	20.7	20.7
Depreciation of property, plant and equipment	21.2	19.8
Financial income on restatement of share of profit of associates	0.0	-2.8
Interest income on deposits	7.2	4.8
Interest and premium on bond issue	7.5	6.1
Share of profit of associates	-5.9	-0.2
Change in current assets and liabilities	7.8	-59.8
Decrease of trade and other receivables	-4.1	-30.4
Increase / decrease of other liabilities	6.9	-27.1
Income tax expense	-11.4	0.0
<b>Cash flows from investing activities</b> , including among others:	<b>-16.5</b>	<b>-4.5</b>
Purchase of property, plant and equipment	-7.0	-6.4
Purchase of intangible assets	-2.0	-4.2
Purchase of available-for-sale financial assets	0.0	0.0
Purchase of associates	-15.2	0.0
Interest received	7.2	4.8
<b>Cash flows from financing activities</b> , including among others:	<b>-55.6</b>	<b>-104.8</b>
Dividend paid and company social fund	-50.6	-100.7
Interest paid	-4.7	-3.9
<b>Increase/decrease of net cash and cash equivalents</b>	<b>47.8</b>	<b>-48.0</b>
Cash and cash equivalents - opening balance	311.5	389.0
Cash and cash equivalents - closing balance	<b>359.6</b>	<b>341.3</b>

- ◆ Increase of GPW's trade receivables and TGE's tax receivables caused lower cash flows from operating activities in 9M 2015 YoY
- ◆ Capital expenditure at PLN 13.9 mn in 9M 2015

## IR events

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- ◆ **9-10 November 2015**  
Seventh Annual CEEMEA One-on-One Conference,  
Goldman Sachs, London
- ◆ **20-22 November 2015**  
Professional Investor conference for individual investors,  
Zakopane, organised by the Association of Individual  
Investors (SII)
- ◆ **1-4 December 2015**  
WOOD 's Winter Conference 2015, Prague

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