Year-on-Year Increase of EBITDA

PRESS RELEASE

- GPW Group’s revenue at PLN 82.5 million in Q3 2019
- EBITDA at PLN 55.9 million in Q3 2019
- Operating profit at PLN 47.0 million in Q3 2019
- Net profit at PLN 41.1 million in Q3 2019
- Operating expenses at PLN 36.1 million in Q3 2019

The Warsaw Stock Exchange (GPW) Group generated revenues of PLN 82.5 million and a net profit of PLN 41.1 million in Q3 2019. Its EBITDA was 55.9 million in Q3 2019, representing an increase of 9.6% year on year. The consolidated revenues decreased by 3.8% quarter on quarter and by 7.4% year on year in Q3 2019. The year-on-year decrease of the revenues was mainly driven by a decrease of the revenue from the commodity market by PLN 2.1 million (5.5%).

The year-on-year decrease of the revenue from the commodity market was due mainly to a decrease of revenues from trade in property rights. It was driven by a decrease of trade in property rights from cogeneration as such certificates expired as of 31 December 2018 and were fully cancelled by 30 June 2019; trade in such certificates stopped in June 2019.

The Group’s revenue from the financial market decreased by PLN 0.7 million year on year and increased by PLN 1.0 million quarter on quarter in Q3 2019. Trading revenue decreased by 2.5% or PLN 0.8 million year on year. The revenue from listing decreased by PLN 0.4 million year on year to PLN 5.0 million in Q3 2019. The revenue from information services continued to increase: it grew by 4.0% or PLN 11.5 million year on year in Q3 2019.

"The Exchange Management Board focuses on multiple business areas. We are implementing a range of solutions addressed to issuers and investors. The key initiatives this year include the launch of the Exchange’s Analytical Coverage Programme for 40 issuers; the introduction of mWIG40 ETFs; the launch of the GPW Growth Academy; the introduction of the WIG-ESG index; the opening of a crowdfunding programme for brokers. Competitiveness of exchanges hinges on technologies, which is why we are developing a proprietary trading platform and the GPW Data system based on machine learning and Artificial Intelligence. We are also working to open an agricultural commodities market. I am certain that growth of the exchange and the capital market will be further spurred by the implementation of the recently adopted Capital Market Development Strategy. The strategic initiatives of the Exchange are a good fit for the new Strategy," said Marek Dietl, President of the GPW Management Board.

Operating expenses decreased by PLN 6.9 million year on year and by PLN 7.2 quarter on quarter to PLN 36.1 million in Q3 2019. The decrease of operating expenses was mainly driven by a smaller fee paid to the Polish Financial Supervision Authority (KNF) in 2019. The final amount of the fee was PLN 6.7 million in 2019 compared to PLN 12.5 million paid in 2018. The cost/income ratio (C/I) was 43.8% in Q3 2019 vs. 50.2% in Q3 2018 and 48.6% in Q2 2019.

Year-on-year changes of operating expenses included an increase of depreciation and amortisation by PLN 1.0 million and an increase of total employee costs by PLN 2.7 million due to a higher headcount as a result of the implementation of the growth strategy #GPW2022. The cost of rent and other charges dropped by PLN 1.2 million year on year.
Presentation of the GPW Group’s financial results for Q3 2019

Net profit

The net profit of the GPW Group was PLN 41.1 million in Q3 2019, representing an increase of 9.3% year on year and a decrease of 3.3% quarter on quarter. The year-on-year increase of the net profit was driven largely by a lower fee paid to KNF.

Revenue from the financial market

The sales revenue on the financial market was PLN 46.4 million in Q3 2019, representing a decrease of 1.5% year on year and an increase of 2.2% quarter on quarter. The revenue on the financial market contributed 56.3% of the total sales revenue of the GPW Group. The revenue on the financial market includes trading revenue, listing revenue, and revenue from information services.

- **Trading revenue on the financial market**
  The trading revenue on the financial market was PLN 29.9 million in Q3 2019 compared to PLN 30.7 million in Q3 2018, representing a decrease of 2.5% year on year and an increase of 5.2% quarter on quarter. The revenue was mainly driven by revenue from trade in shares which decreased by 7.4% year on year and increased by 5.2% quarter on quarter.

- **Listing revenue**
  The GPW Group’s listing revenue on the financial market was PLN 5.0 million in Q3 2019 compared to PLN 5.4 million in Q3 2018 and PLN 5.1 million in Q2 2019. The revenue from listing fees was PLN 4.2 million (-11.7% year on year and -2.2% quarter on quarter). The main drivers of listing revenue include the number of issuers listed on GPW markets and their capitalisation at the end of the previous year. Revenues from fees for introduction and other fees stood at PLN 0.8 million (+31.9% year on year and +6.0% quarter on quarter). The revenues in this business line are mainly driven by the number of IPOs on the GPW markets and the value of shares and bonds introduced to trading.

- **Information services**
  The revenue from information services stood at PLN 11.5 million in Q3 2019, representing an increase of 4.0% year on year and a decrease of 3.7% quarter on quarter. The revenue from information services contributed 14.0% of the GPW Group’s total sales revenues.

Revenue from the commodity market

The sales revenue on the commodity market was PLN 36.0 million in Q3 2019, a decrease of 5.5% year on year and a decrease of 17.1% quarter on quarter. It contributed 43.6% to the GPW Group’s total revenues in Q3 2019. The revenue on the commodity market includes trading revenue, revenue from operation of the register of certificates of origin, and revenue from clearing.

- **Trading revenue on the commodity market**
  The trading revenue on the commodity market decreased by 7.5% year on year and by 14.9% quarter on quarter to PLN 18.8 million in Q3 2019. The revenue from trade in electricity was PLN 4.7 million, a decrease of 10.2% year on year and an increase of 36.4% quarter on quarter. The revenue from trade in gas increased by 3.9% year on year and by 5.2% quarter on quarter to PLN 3.3 million. The revenue from trade in property rights of certificates of origin decreased by 15.2% year on year and by 39.0% quarter on quarter to PLN 7.6 million in Q3 2019. The Group’s revenue from other fees paid by commodity market participants stood at PLN 3.2 million in Q3 2019, representing an increase of 8.9% year on year and 5.4% quarter on quarter. The amount of other fees paid by commodity market participants depends largely on the number and the activity of IRGIIT Members, in particular the number of transactions.

- **Operation of the Register of Certificates of Origin**
  The revenue from the operation of the Register of Certificates of Origin was PLN 6.2 million in Q3 2019, representing a decrease of 5.6% year on year and 31.0% quarter on quarter.
Clearing

The Group earns revenue from clearing activities of IRGiT, which is a subsidiary of TGE. The revenue from clearing was PLN 10.8 million in Q3 2019, representing a decrease of 2.6% year on year and a decrease of 11.2% quarter on quarter. The change of the revenue was driven by volumes of trade on all markets operated by TGE.

Information services

The revenue from information services on the commodity market stood at PLN 172 thousand in Q3 2019 compared to PLN 103 thousand in Q3 2018 and PLN 171 thousand in Q2 2019.

Operating expenses

Operating expenses were PLN 36.1 million in Q3 2019, a decrease of 16.1% year on year and a decrease of 16.7% quarter on quarter. The year-on-year decrease in operating expenses was driven by a decrease of the KNF fee despite an increase of salaries and other employee costs and an increase of depreciation and amortisation.

Depreciation and amortisation charges increased by 12.0% year on year and decreased by 5.5% quarter on quarter to PLN 8.9 million in Q3 2019. The year-on-year increase of depreciation and amortisation charges was due mainly to the implementation of the new standard IFRS 16 Leases in all Group companies. The implementation of the Standard eliminated the differentiation between operating leases and finance leases. Consequently, lessees recognise nearly all leases in the statement of financial position, including leases of office space, car parks, colocation, perpetual usufruct, and cars. The cost of such leases was previously presented in relevant categories of operating expenses and are now split among depreciation, financial expenses, and fees and charges.

It should be noted that IFRS 16 has no impact on the operations of Group companies or the cash flows in 2019 despite its significant impact on the presentation of the financial statements.

Total employee costs stood at PLN 19.2 million in Q3 2019, an increase of 14.1% year on year and a decrease of 0.6% quarter on quarter. The increase in total employee costs was driven by a gradual increase of the Group’s headcount in view of a bigger workload in the implementation of the growth initiatives under the strategy #GPW2022.

The GPW Group’s cost of rent was PLN 1.1 million in Q3 2019, a decrease of 52.4% year on year and an increase of 1.3% quarter on quarter. The year-on-year decrease was mainly driven by the implementation of IFRS 16.

Share of profit of entities measured by the equity method

The GPW Group’s share of profit of entities measured by the entity method was PLN 4.7 million in Q3 2019 compared to PLN 3.4 million in Q3 2018 and PLN 3.6 million in Q2 2019. The year-on-year increase was driven by a higher profit of the KDPW Group.

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The Warsaw Stock Exchange Group (GPW Group) operates trading platforms for shares, Treasury and corporate bonds, derivatives, electricity and gas, and calculates the benchmarks WIBOR and WIBID. The index agent FTSE Russell classifies the Polish capital market as a Developed Market since 2018. The markets operated by the GPW Group are the biggest in Central and Eastern Europe. For more information, visit www.gpw.pl