

CATALYST

RYNEK OBLIGACJI GPW

# PRESENTATION OF RESULTS OF WSE GROUP IN Q1 2014

30 APRIL 2014



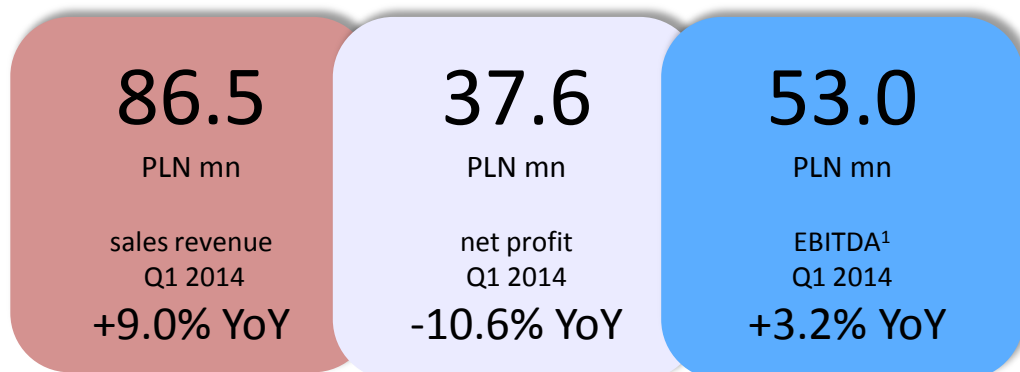
WARSAW  
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EXCHANGE



POLISH  
POWER EXCHANGE



- Good first quarter of WSE Group: growing activity on the financial market, seasonally high volumes on the commodity market
- Closing of the acquisition of Aquis Exchange – associate since 18 February 2014
- WSE Management Board proposal of dividend payout from the 2013 profit at PLN 50.4 million (PLN 1.2 per share v. PLN 0.78 per share for 2012)
- Initiative taken to establish a rating agency
- Reinforcing the credibility of the capital market in Poland (penny stock reform, promotion of compliance and CSR, IRIS Views project, education, efforts to modify the code of corporate governance for companies listed on the WSE Main Market and NewConnect)
- Initiated work of the Financial Market Development Board on a capital market development programme including WSE’s proposals on additional incentives for issuers and investors as well as tax amendments
- Advanced legislative work on securities lending and borrowing for pension funds and allowing direct activity of banks on the exchange
- Initiated analytical work within several projects under the strategy WSE.2020



## WSE on the Stock Exchange<sup>2</sup>

Capitalisation	PLN 1.65 bn
Return rate YTD	-5.3%
Average daily turnover	PLN 2.7 mn
Free float	64.7%
Turnover ratio <sup>3</sup>	40.3%

<sup>1</sup> EBITDA = operating profit + share of profit of associates + depreciation and amortisation

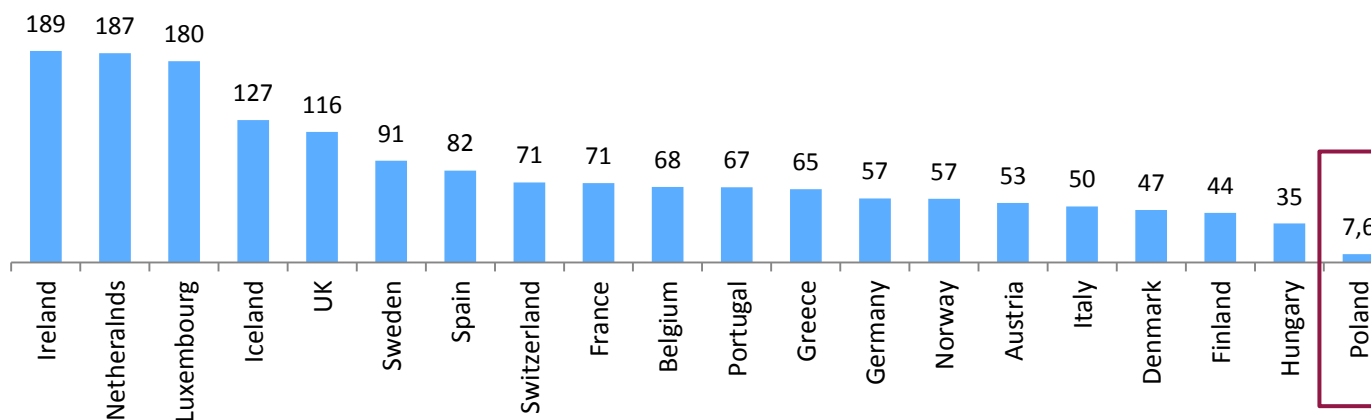
<sup>2</sup> For / As at the end of Q1 2014

<sup>3</sup> Annualised turnover in Q1 to capitalisation at the end of Q1 2014

## Analysis & Rating Institute – WSE initiative to establish a rating agency

- ❖ Improved safeguards for investors against the growing risk of entities without creditworthiness raising capital on the financial market
- ❖ Reinforcing the credibility of the local capital market -> greater investor interest
- ❖ Better conditions and lower costs of raising long-term funding for companies, local governments and infrastructure projects
- ❖ Additional agency activity including preparation and distribution of reports on companies without analytical coverage
- ❖ Agency operating model restraining conflicts of interest
- ❖ Broad support of financial market participants including the Polish Financial Supervision Authority

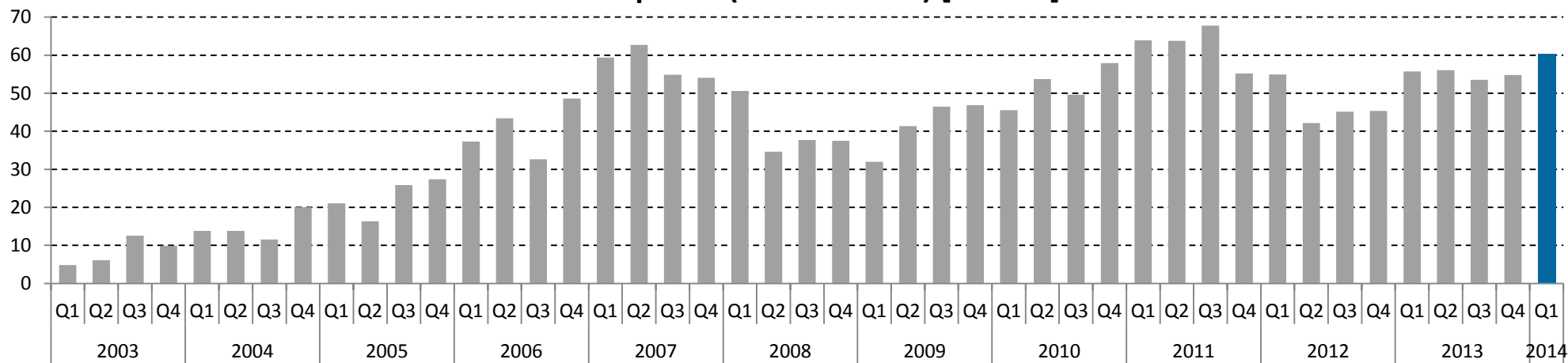
**Bonds issued by financial and non-financial institutions  
to GDP (%)**



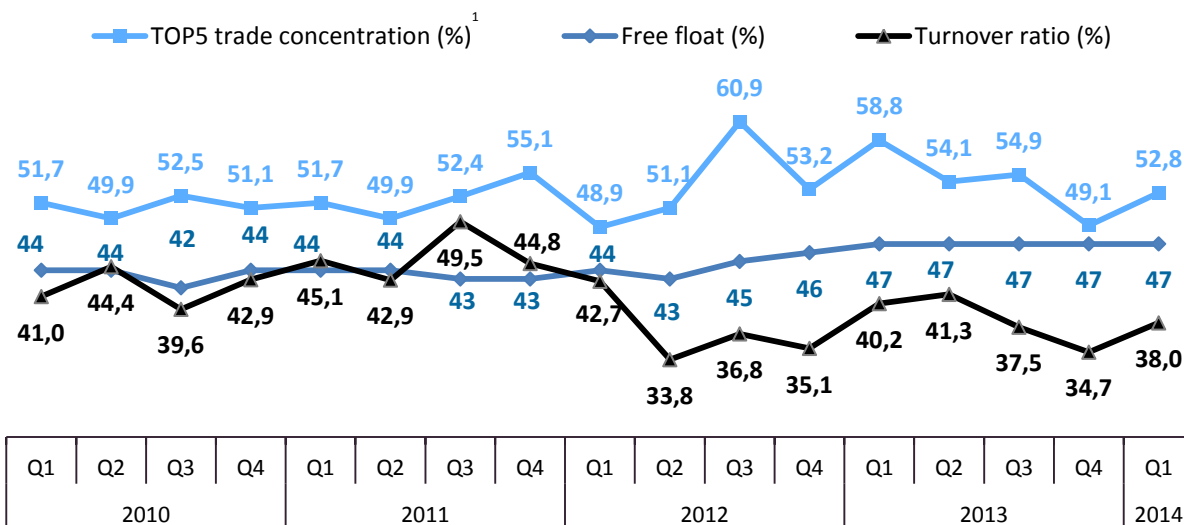
# Trade in Equities on the Main Market



## Value of trade in equities (session trade) [PLN bn]



## Parameters of WSE Main Market



- Value of session trades in Q1 2014: PLN 60.2 bn (+8.1% YoY; +9.9% QoQ)
- Turnover ratio of 38% demonstrates relatively low activity of market investors (growth of turnover mainly as a result of growth of stock prices)
- Average turnover ratio in Q1 2014 in Europe was ca. 75 - 80%; estimated average free float in Europe – ca. 70%

# Liquidity of Main Market Stocks



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## Sources of growing liquidity:

### Interest held by the State Treasury<sup>1</sup>

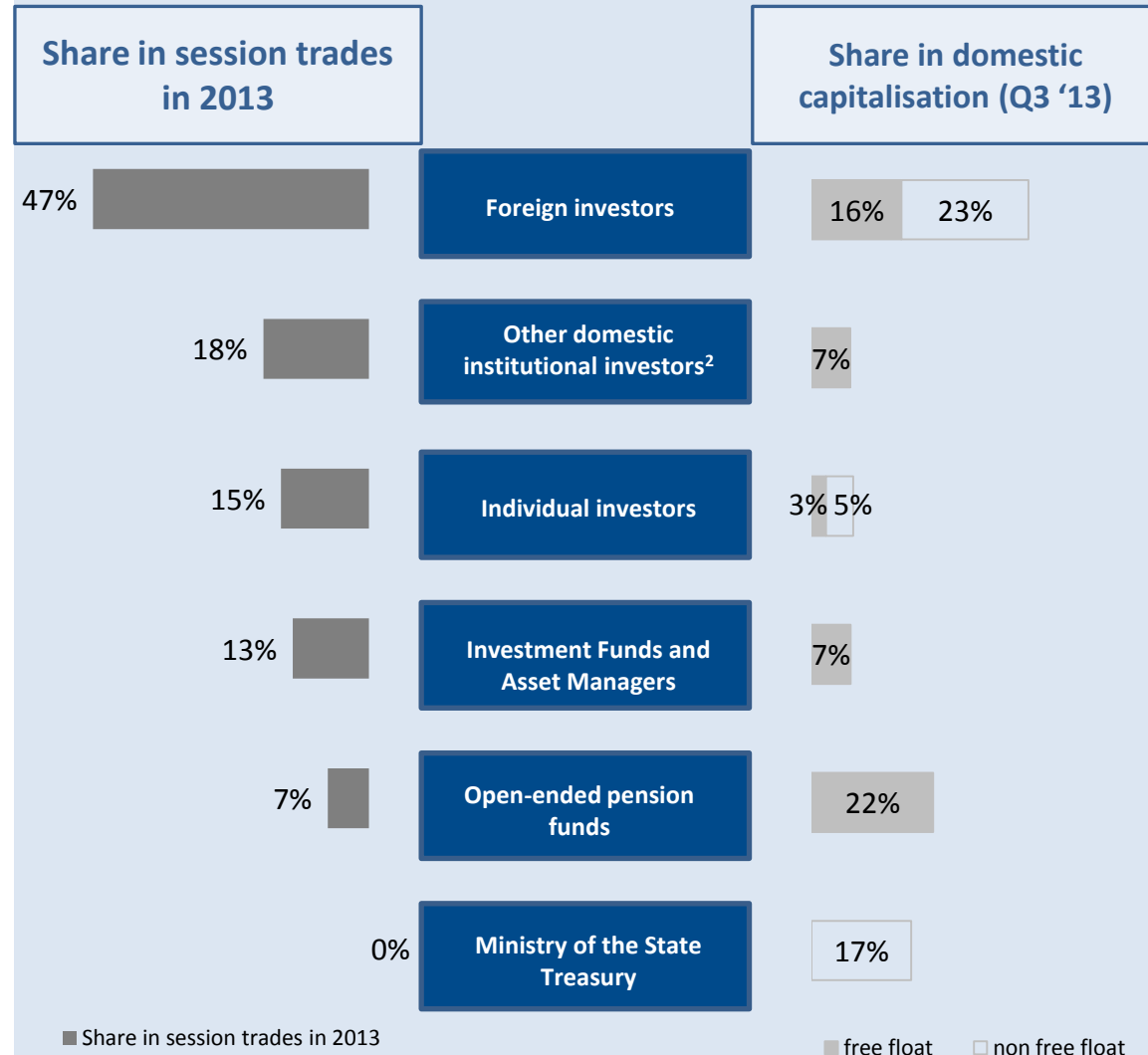
- The value of interest held by the State Treasury in WSE listed companies is ca. PLN 102.4 bn (17% of domestic capitalisation)
- The value of blocks of shares designated for sale by the Ministry of Treasury is ca. PLN 22.5 bn (PGE, PZU, Energa, Enea, PKO BP from ca. PLN 3 bn to PLN 4.3 bn; JSW, PHN, Ciech, GPW, Tauron from ca. PLN 0.5 bn to PLN 1.2 bn)<sup>2</sup>

### New active market participants (trading on own account; using algorithmic trading techniques)

- first member of the High Volume Provider (HVP) programme on the stock market
  - Value of trading in February-March 2014 was PLN 1.1 bn
- more interested parties; conditional on:
  - Lower posttrading fees
  - Launch of operation in Poland by global banks providing clearing services (necessary netting by KDPW)
  - Launch of new WSE functionalities (kill-switch, pre-trade risk management) – in preparation

### Open pension funds

- 'Released free float' due to international and product diversification (non-Treasury bonds)
- Stock lending and borrowing (legislation in the drafting)



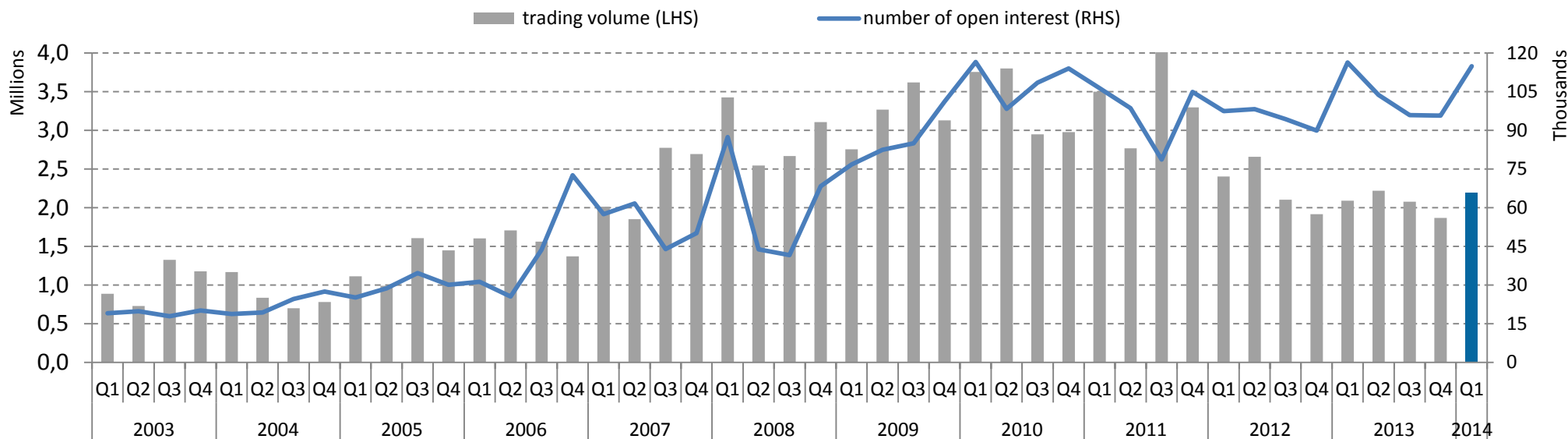
<sup>1</sup> Source: Ministry of Treasury, WSE at the end of Q1 2014

<sup>2</sup> Mainly brokers trading on own account and as market makers  
Source: Ministry of Treasury. PFSA, WSE, NBP

# Liquidity of WIG20 Futures



## WIG20 index futures: volume of trading and number of open interest



⚡ Since 23 June 2014, only WIG20 futures with a multiplier of PLN 20 in trading:

- Reduction of transaction costs for investors by 50%
- Intra-day margins<sup>1</sup> to be offered by brokers in coming months
- Higher leverage

⚡ Since 1 May 2014, transaction fees charged to market makers on WIG20 futures with a multiplier of PLN 20 are waived

<sup>1</sup> Margins for day-trading positions, which are positions opened and closed on the same day; the margins are ca. 50 percent lower than standard margins

## Activity of issuers on WSE markets in Q1 2014



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- 450 listed companies (including 46 foreign companies)
- 5 IPOs (only domestic companies):
  - 2 new issuers: MFO and Vistal Gdynia
  - 3 transfers from NC
- IPO and SPO value: PLN 1 bn
- IPO Watch Europe Q1 2014: WSE ranked #2 by number of IPOs (after LSE)



NEW/**connect**  
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- 442 listed companies (including 10 foreign companies)
- 8 IPOs (only domestic companies)
- IPO and SPO value: PLN 78 mn



- 177 listed issuers (including the State Treasury)
- 14 new issuers:
  - 12 issuers of corporate bonds
  - 2 issuers of municipal bonds
- 19 new bond series
- Value of new issues: PLN 1.1 bn

**Companies raised more than PLN 2.1 bn in stock and bond issues on WSE in Q1 2014**

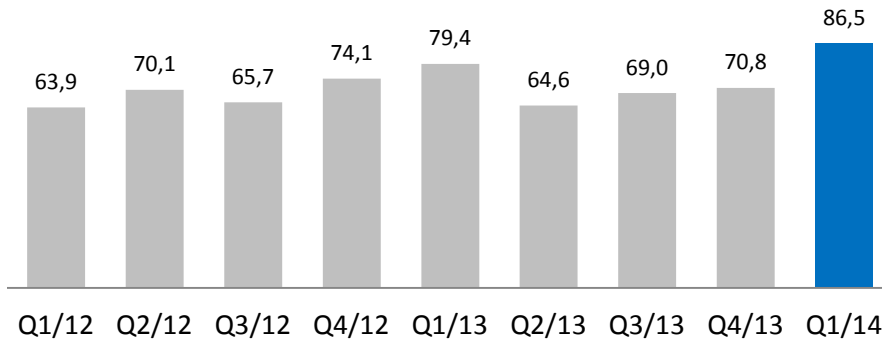
# **WSE Group Financials**



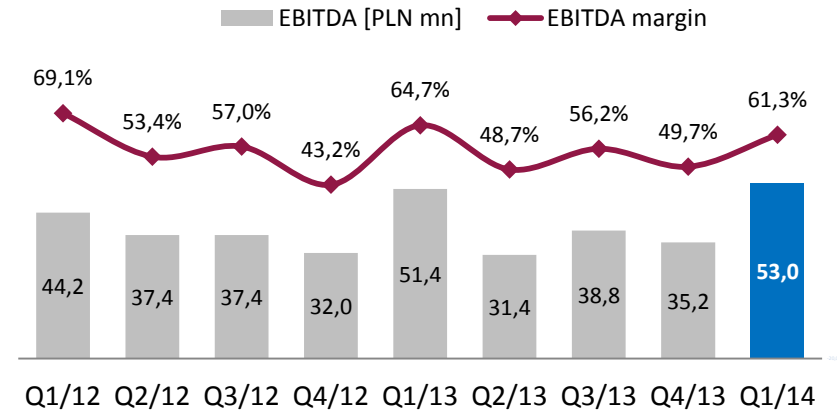
# Key Financials of the Group



## Sales revenue, PLN mn

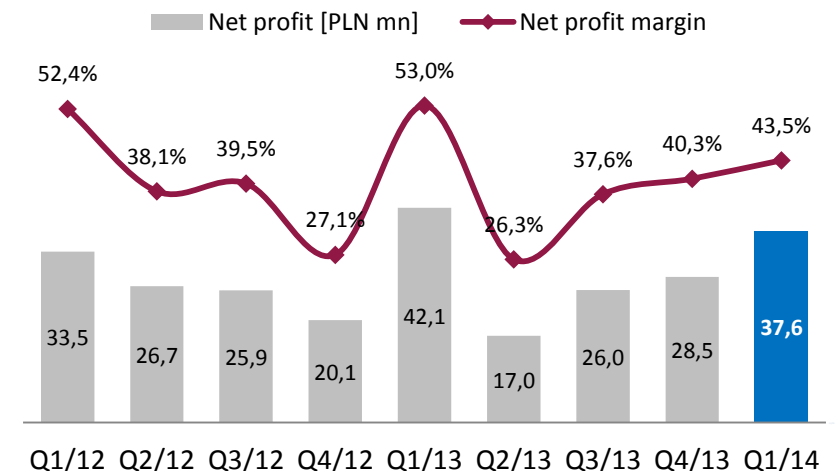


## EBITDA<sup>1</sup>



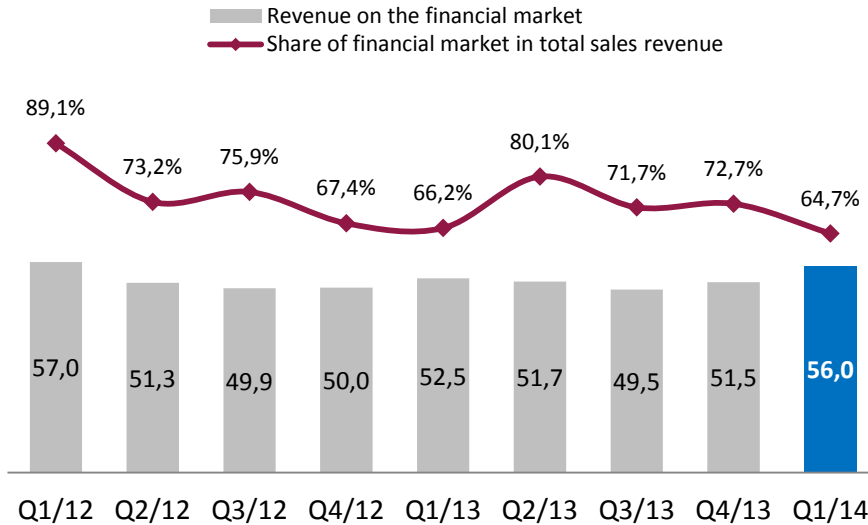
- ❖ Very good first quarter of WSE Group:
  - Record-high revenue (+9% YoY; +22% QoQ)
  - Record-high EBITDA (+3% YoY; +51% QoQ)
- ❖ High net profit: PLN 0.9 per share (-11% YoY; +32% QoQ)
  - YoY decrease due to higher charges related to the new trading system (incl. depreciation and amortisation) and higher external service charges
- ❖ WSE Management Board proposal of dividend payout from the 2013 profit at PLN 50.4 million (PLN 1.2 per share v. PLN 0.78 per share for 2012)

## Net profit



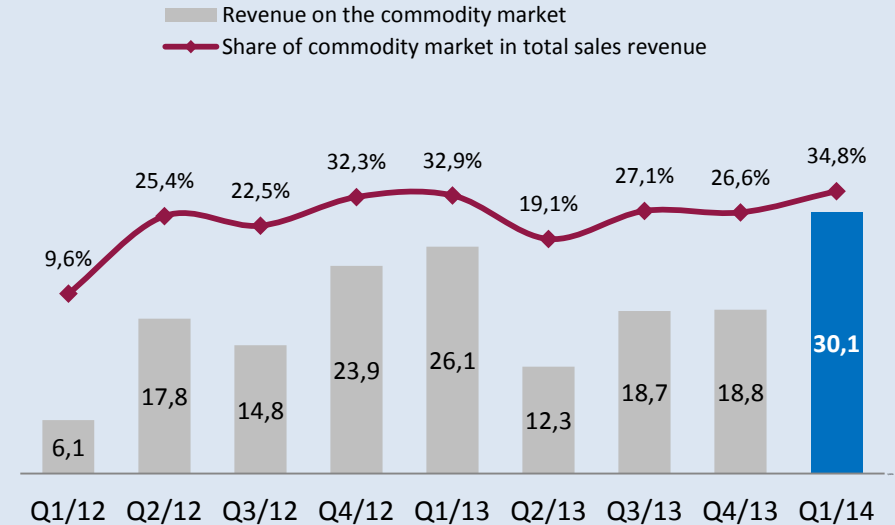
<sup>1</sup>EBITDA = operating profit + share of profit of associates + depreciation and amortisation

## Revenue on the financial market [PLN mn]



- ◆ Recovery on the financial market (higher capitalisation of companies, higher volatility of stock prices)
  - Revenue in Q1 2014: +6.5% YoY; +8.6% QoQ
- ◆ YoY and QoQ growth in main revenue segments (trading, listing, information services)

## Revenue on the commodity market [PLN mn]

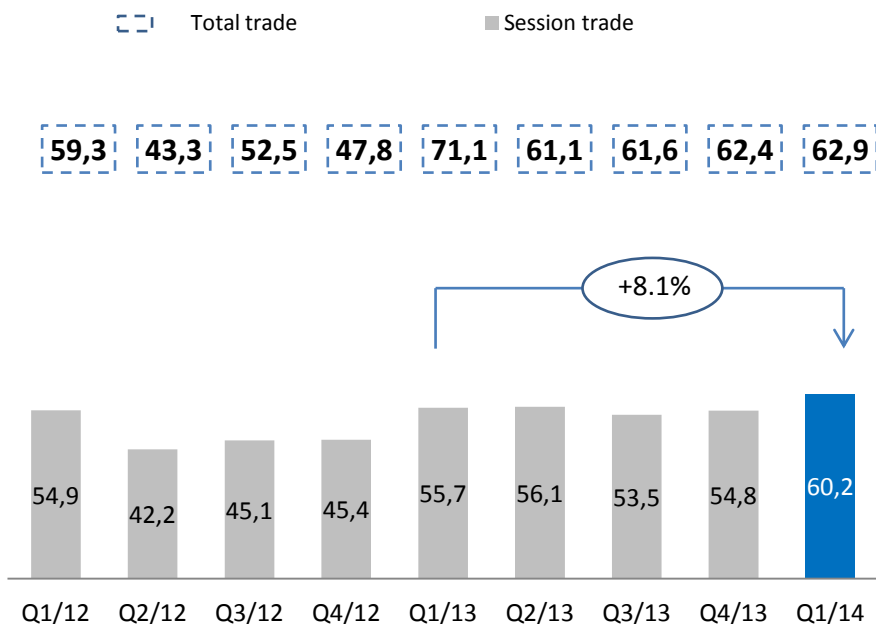


- ◆ Record-high quarter on the commodity market due to seasonal factors
  - Revenue in Q1 2014: PLN 30.1 mn (+15,1% YoY, +59,5% QoQ)
  - Record-high volume of trading and cancellation of certificates of origin of energy from renewable energy sources (green certificates)
- ◆ Restored system of support for cogeneration: new Act extends support until June 2019
- ◆ Still low volumes on the market of gas and white certificates

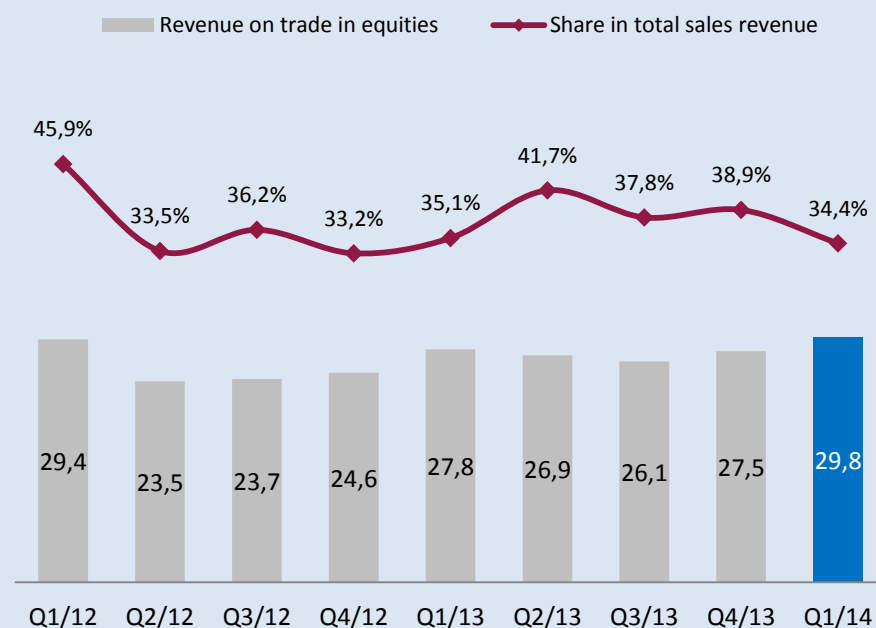
# Trade in Equities



## Value of trade in equities on the Main Market [PLN bn]



## Revenue from trade in equities [PLN mn]

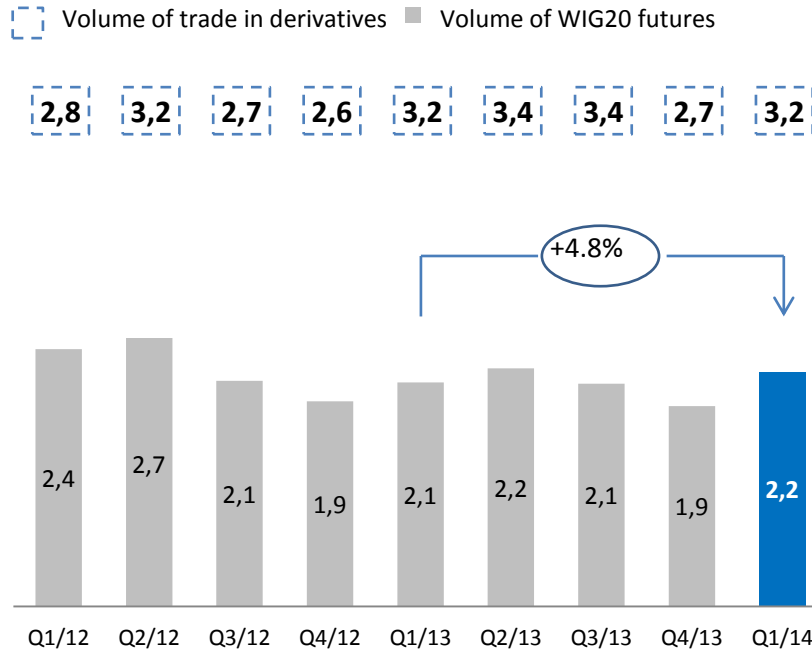


- Value of session trades in Q1 2014: +8.1% YoY; +9.9% QoQ
- Average daily value of session trades at PLN 971.4 mn in Q1 2014 v. PLN 891.3 mn in the whole 2013
- Average number of transactions per session increased by 36.7% YoY in 2014 (the number of transactions per session has been increasing since Q2 2013)

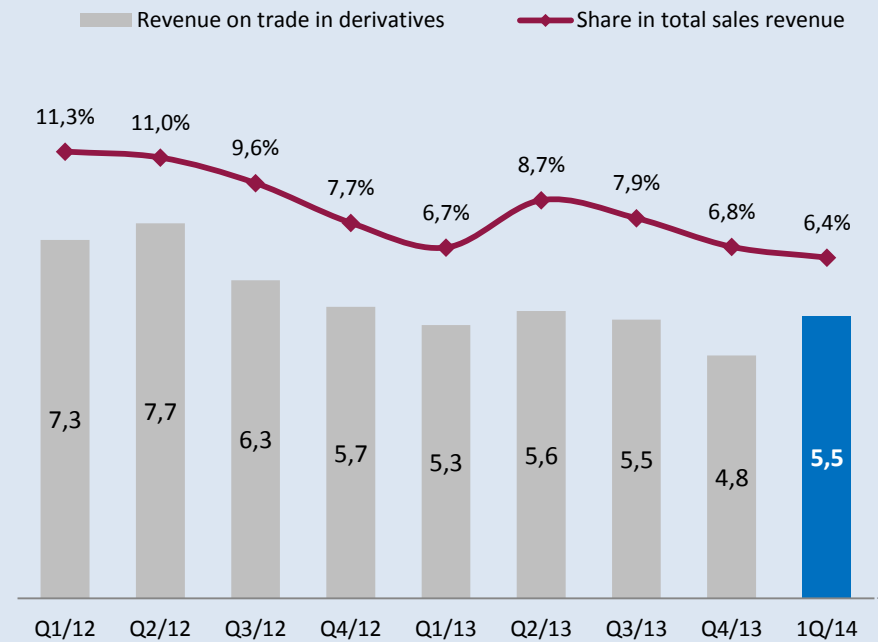
# Trade in Derivatives



## Volume of trade in derivatives [mn]

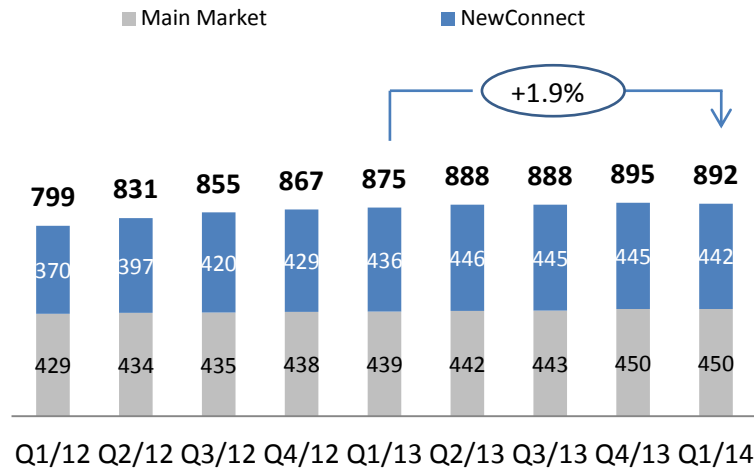


## Revenue on trade in derivatives [PLN mn]

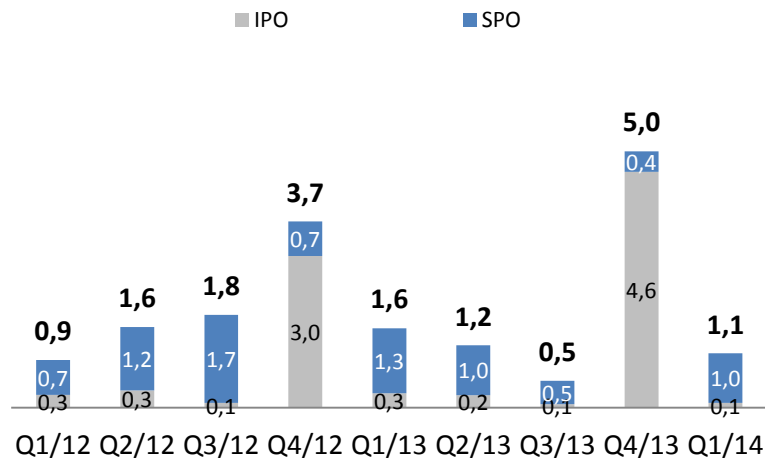


- Volume of trade in WIG20 futures in Q1 2014: +4.8% YoY; +17.3% QoQ
- Relatively low volatility affects the activity of market participants
- Share of revenue on trade in WIG20 futures in total revenue on trade in derivatives: 95%

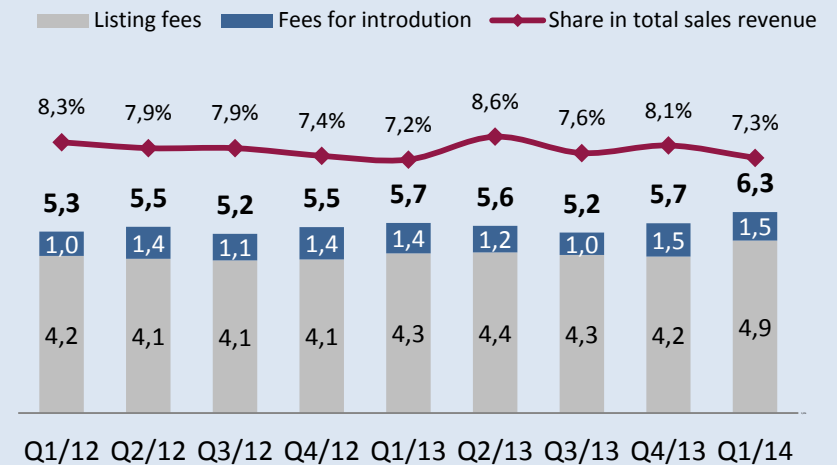
## Number of issuers on equities markets



## Capital raised on equities markets [PLN mn]

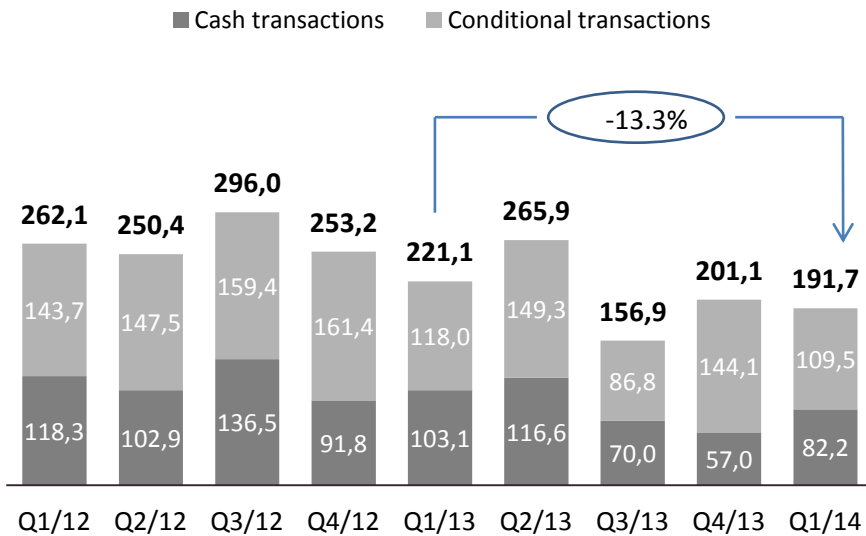


## Listing revenue [PLN mn]

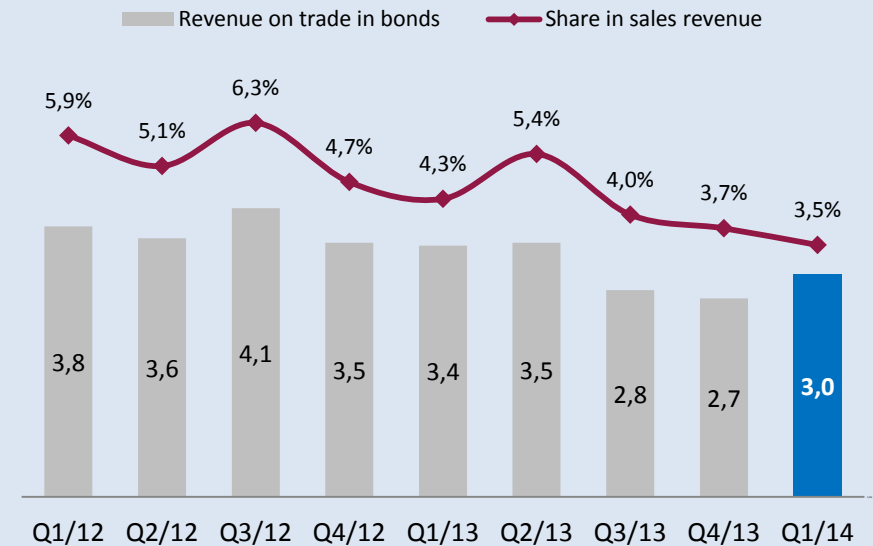


- 13 companies were newly listed on both WSE equities markets in Q1 2014
- Listing revenue in Q1 2014 increased by 10.4% YoY to PLN 6.3 mn
- Higher capitalisation at 2013 YE as the basis for listing fees in 2014

## Value of trade on TBS Poland [PLN bn]



## Revenue on trade in bonds [PLN mn]

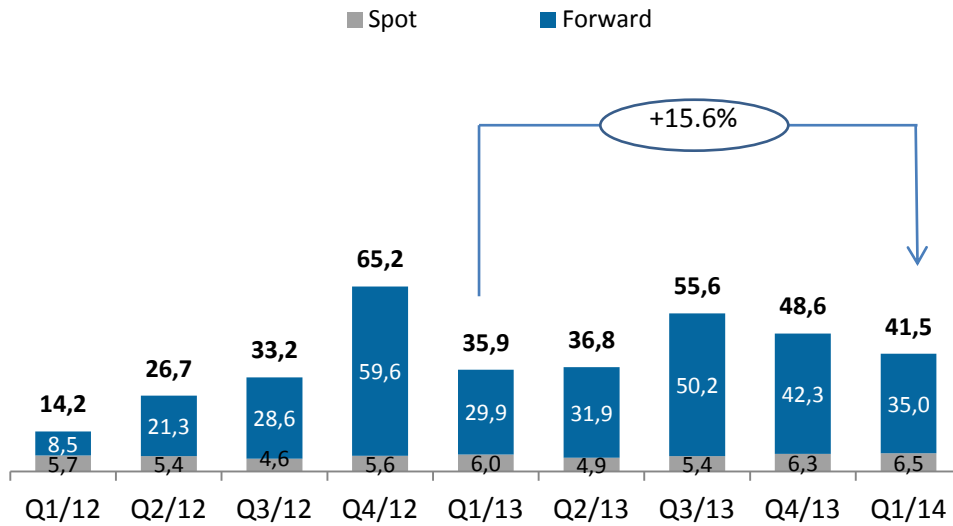


- Value of trade in Treasury bonds on TBSP was PLN 191.7 bn in Q1 2014 (-13.3% YoY; -4.7% QoQ)
- TBSP accounts for 93.2% of revenue on trade in bonds, Catalyst for 6.8%

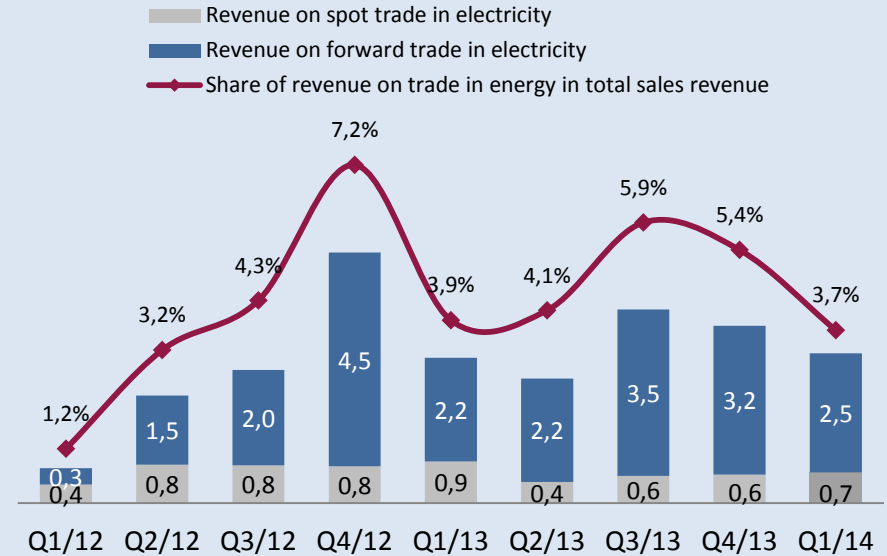
# Commodity Market: Electricity



## Energy market volumes [TWh] <sup>1</sup>



## Revenue on trade in energy [PLN mn]



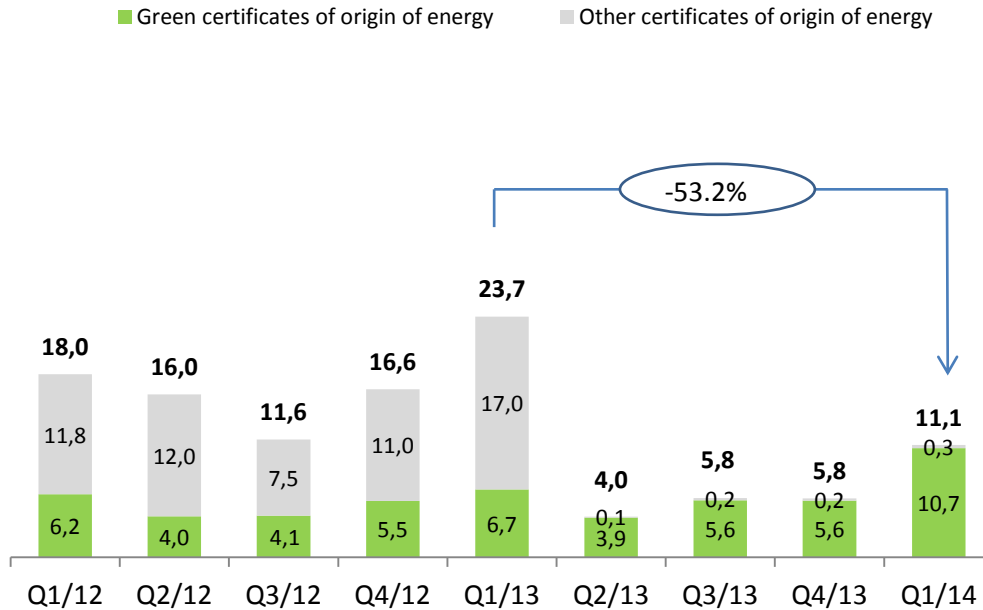
⚡ Volume of trade in Q1 2014: +15.6% YoY; -14.6% QoQ

⚡ Volume of trade in electricity on PolPX in Q1 2014 was equivalent to 101.5% of power produced in Poland in the period

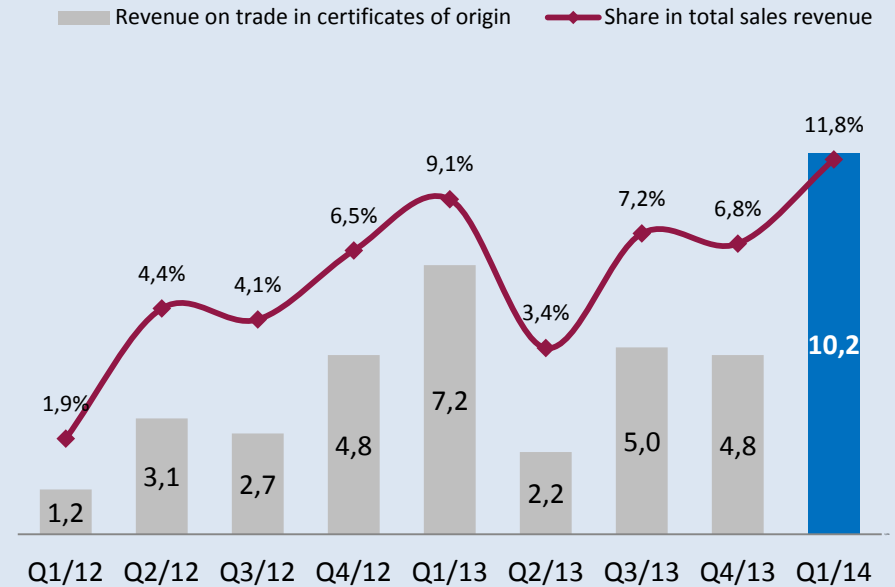
<sup>1</sup> Figures until the end of Q1 2013 include trade in electricity on WSE Energy Market poee; rtrade in electricity is centralised within PolPX as of Q2 2013

# Commodity Market: Property Rights

## Certificates of origin volumes [TWh]



## Revenue on trade in certificates of origin [PLN mn]

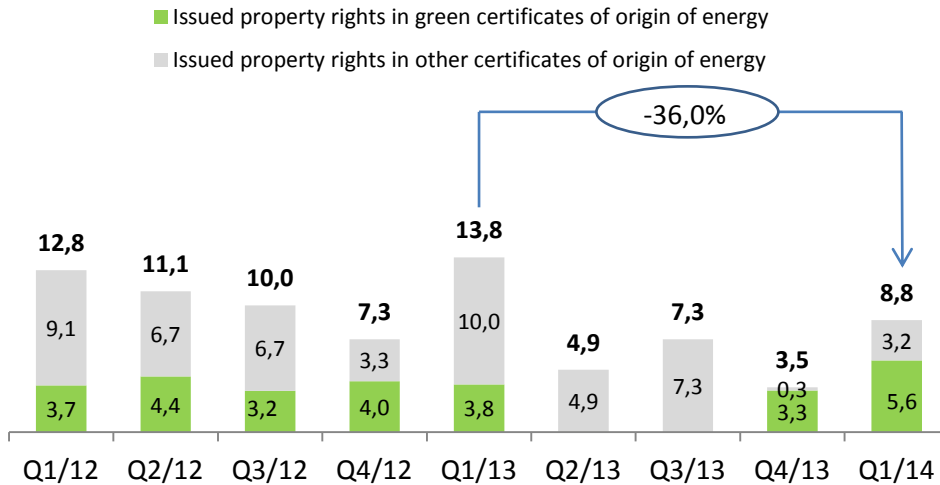


- ❖ Volume of trade in property rights in green certificates in Q1 2014: +60% YoY; +91% QoQ
- ❖ Expiration of promotional fees on trade in property rights in green certificates of origin off session (as of the end of June 2013) and at session (as of the end of 2013)
- ❖ No trade in property rights in red and yellow certificates (cogeneration) since Q2 2013
  - System of support for cogeneration restored in Q2 2014

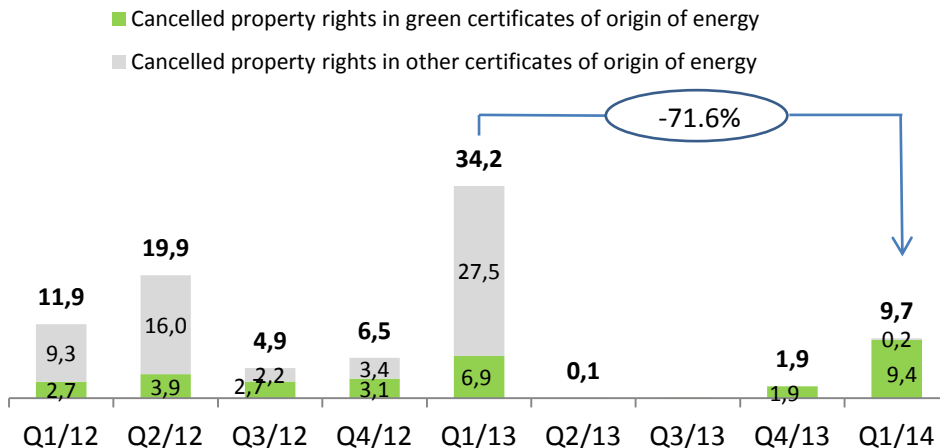




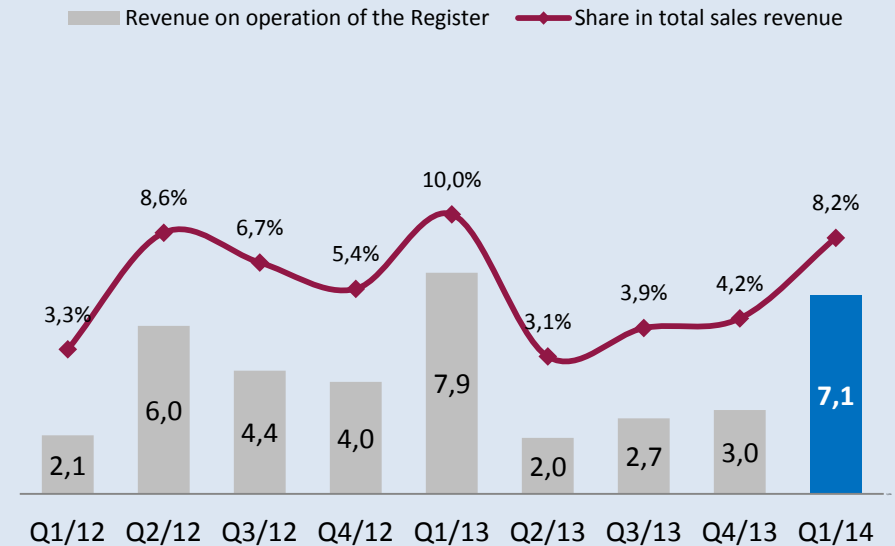
## Register of certificates of origin – issued [TWh]



## Register of certificates of origin – cancelled [TWh]



## Revenue on operation of the register of certificates of origin [PLN mn]



- Volume of cancelled green certificates of origin in Q1 2014: +38% YoY
  - higher mandatory cancellation rate in 2013 (12%) v. 10.4% for 2012
  - mandatory cancellation rate for 2014 at 13% of the volume of energy sold to final consumers

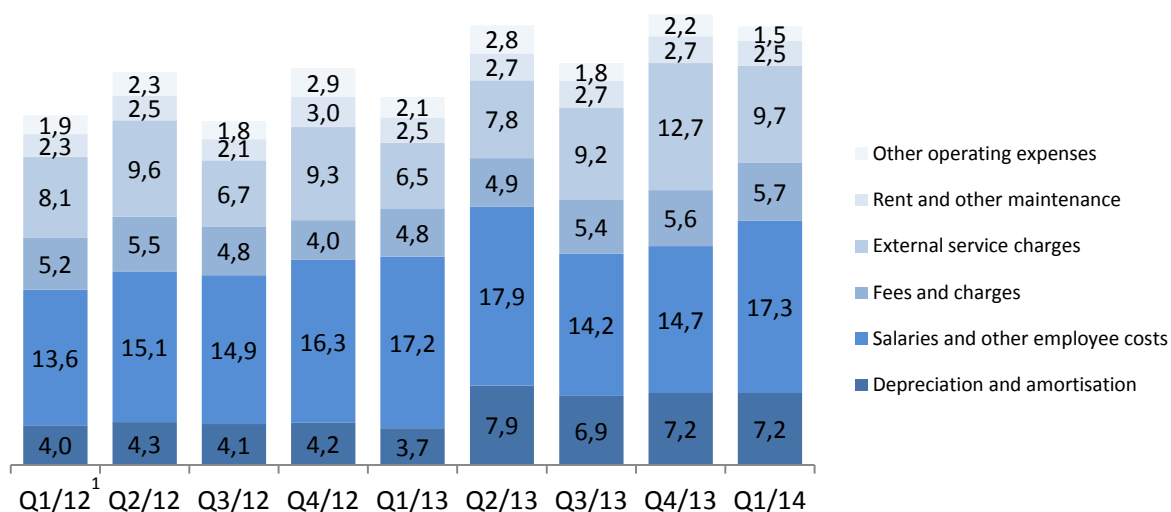
# Operating Expenses



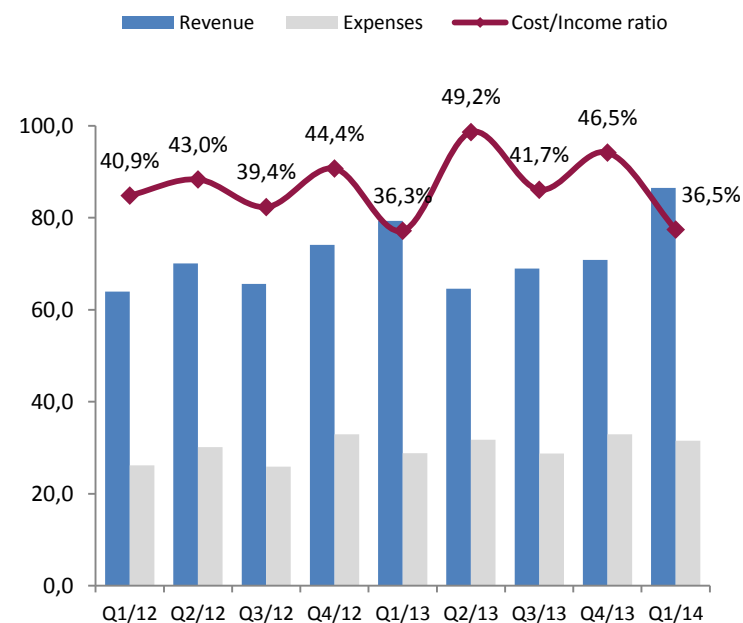
## Operating expenses [PLN mn]

35.0 39.3 34.4 39.7 36.8 44.0 40.2 45.1 43.9

→ total operating expenses



## Cost/Income ratio<sup>2</sup>

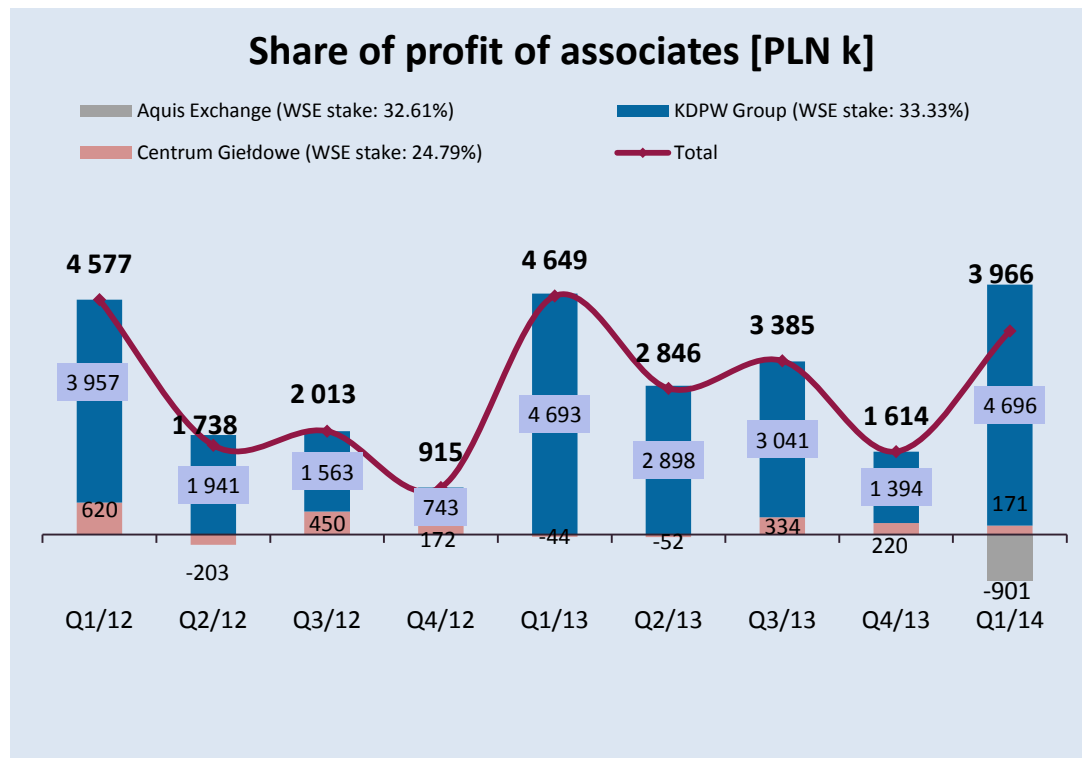


- ⚙ Increase of external service charges (YoY) due to, among others, implementation of development projects
- ⚙ Increase of salaries (QoQ) due to:
  - Higher social security contributions in the first quarters of the year
  - Increase of the Group's workforce (349 employees v. 339 at the end of 2013 and 321 at the end of Q1 2013) and the change of remuneration system
- ⚙ PFSA fees: PLN 5.2 mn in each of Q1 and Q2 2014 v. PLN 4.4 mn in Q1 2013 and PLN 5 mn in Q4 2013
  - expected PFSA fees at PLN 21 mn in 2014 (PLN 18.3 mn in 2013)

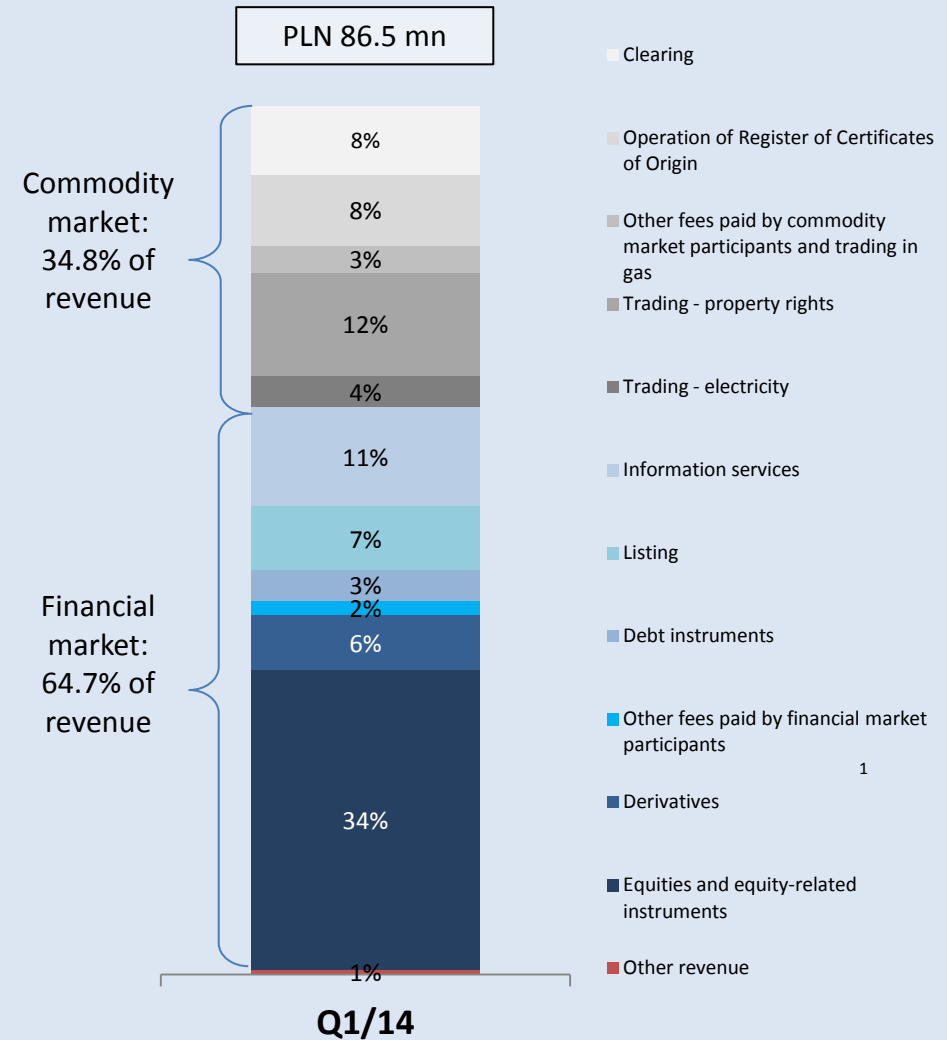
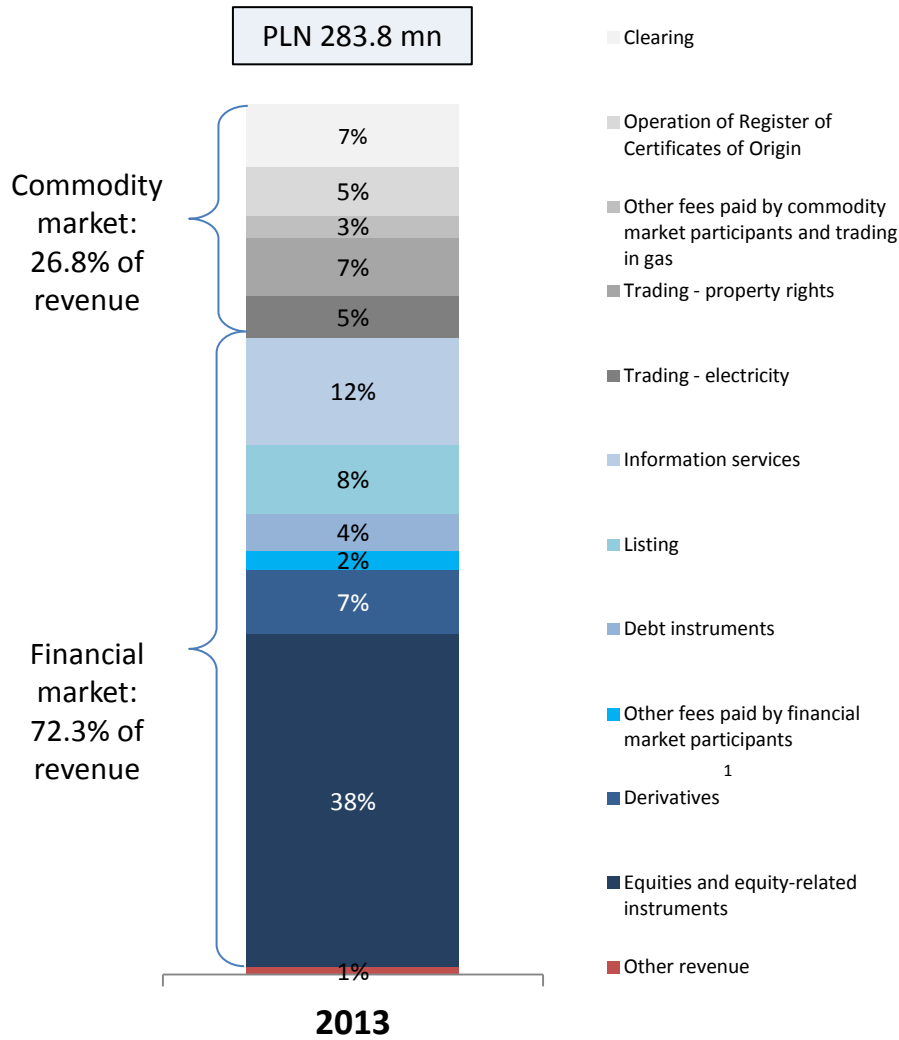
<sup>1</sup> WSE Group consolidates financial results of PolPX Group since March 2012

<sup>2</sup> Net of depreciation and amortisation and net of PFSA fees paid by WSE

- ◆ KDPW: good Q1 driven by general improvement on WSE and booked one-off annual fees (incl. fees from issuers and participants) and revenue from the provision of new services: the Trade Repository and issuance and maintenance of LEI codes
  
- ◆ Aquis Exchange became an associate in mid-February 2014 (following WSE's acquisition of the second tranche of shares)
  - Cost of acquisition by WSE: GBP 5 mn
  - WSE stake in number of shares: 39.06%
  - WSE stake in economic and voting rights: 32.61% (target: 30%)



# WSE Group Revenue Structure



<sup>1</sup> Fees paid by Exchange Members and other cash market instruments

# WSE Group Balance Sheet



WARSAW  
STOCK  
EXCHANGE

PLN k, under IFRS	Q1 2014	Q4 2013	Q1 2013
<b>Non-current assets</b>	<b>590 634</b>	<b>576 421</b>	<b>579 151</b>
Property, plant and equipment	121 045	124 042	131 182
Intangible assets	265 932	269 155	271 026
Investment in associates	187 811	158 540	155 071
<b>Current assets</b>	<b>525 507</b>	<b>482 707</b>	<b>473 336</b>
Trade and other receivables	52 345	34 792	50 194
Available-for-sale financial assets	272	118	272
Cash and cash equivalents	466 610	436 831	420 093
<b>Total assets</b>	<b>1 116 141</b>	<b>1 059 128</b>	<b>1 052 486</b>

PLN k, under IFRS	Q12014	Q4 2013	Q1 2013
<b>Equity</b>	<b>675 692</b>	<b>638 105</b>	<b>600 756</b>
<b>Non-current liabilities</b>	<b>249 563</b>	<b>249 578</b>	<b>247 889</b>
Liabilities under bond issue	243 733	243 617	243 272
<b>Current liabilities</b>	<b>190 886</b>	<b>171 445</b>	<b>203 841</b>
Trade payables	3 763	12 738	8 924
Corporate income tax liability	1 990	657	1 705
Dividends and other liabilities	171 327	144 035	177 709
Employee benefits payable	9 240	11 511	10 601
Other liabilities and provisions	1 892	2 139	1 351
<b>Total equity and liabilities</b>	<b>1 116 141</b>	<b>1 059 128</b>	<b>1 052 486</b>

- ⚙ Increase of investments in associates following the acquisition of Aquis Exchange
- ⚙ 'Cash' includes PLN 108 million of assets of the WCCH clearing guarantee system (restricted cash), reflected in other liabilities
- ⚙ WSE Group's non-current liabilities mainly include WSE liabilities under bond issue
- ⚙ Return on equity at 17.1%<sup>1</sup>

<sup>1</sup> Profit for the last 12 months/Average equity at the beginning and end of the last 12 months

## WSE IR Events

**30 April 2014, Wednesday**

Q1 2014 results

**31 July 2014, Thursday**

H1 2014 results

**31 October 2014, Friday**

Q3 2014 results

## WSE Investor Relations

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