

THE WARSAW STOCK EXCHANGE



A WSE-LISTED COMPANY

PRESENTATION OF RESULTS OF WSE GROUP IN Q2 2014

31 JULY 2014



WARSAW
STOCK
EXCHANGE



POLISH
POWER EXCHANGE



TREASURY Poland[®]
BONDSPOT

info
engine

Instytut Rynku Kapitałowego
WSE Research S.A.
Grupa Kapitałowa GPW

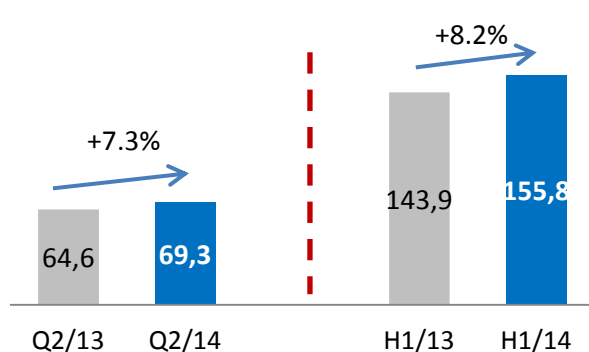
Key Events

- Appointment of the Management Board for a new term of office
- Dividend for 2013 – PLN 1.2 per share (PLN 0.78 for 2012)
- As of 23 June, only WIG20 futures only with a multiplier of PLN 20 in trading
- As of 4 August, securities netting on the cash market
- As of 18 August, WIG20 options with new expiry dates
- 6 October – change of the settlement cycle for shares from T+3 to T+2

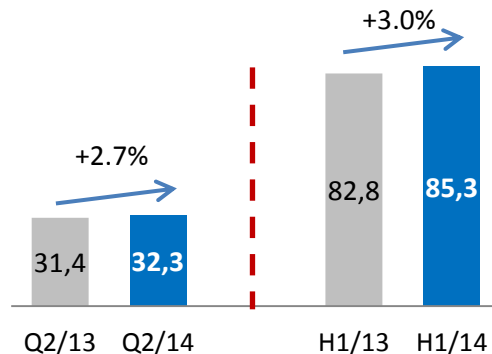
WSE shares in Q2 2014

Capitalisation	PLN 1.63 bn
Return rate YTD	- 6.3%
Average trading value per session	PLN 1.9 mn
Free float	64.7%
Turnover ratio ²	27.7%

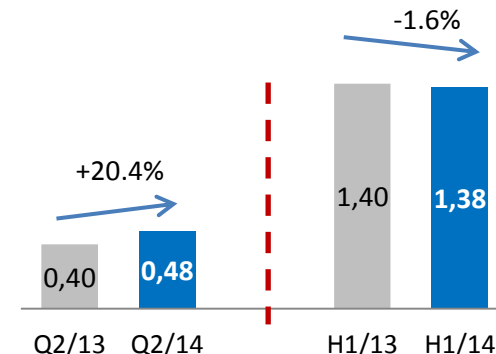
Revenue (PLN mn)



EBITDA (PLN mn)¹



EPS (PLN)



¹ EBITDA = operating profit + share of profit of associates + depreciation and amortisation

² Annualised turnover in Q2 to capitalisation at the end of Q2 2014

New WSE Management Board



Paweł Tamborski
CEO

- 2012-2014 – Undersecretary of State, Ministry of Treasury, responsible for privatisation
- 2010-2012 – Head of Investment Banking, Wood & Company
- 1994-2012 – head of the investment banking team of UniCredit CAIB in Warsaw
- 2008-2012 – co-head of the London ECM CEE in UniCredit CAIB



Dariusz Kułakowski
Vice-President
Information/
Technology (CIO)

- 2013-2014 – WSE Management Board Member
- long-time officer of WSE (Head of Exchange Systems Team, Deputy Director of IT Department; from 2006 General Director for Technology)
- 2001-2003 – PZU S.A., IT Integration Department Director
- 2003-2006 – Proxy of CEO for IT, ZUS



Karol Półtorak¹
Vice-President
Finance(CFO)

- on the capital market since 1999
- 2011-2014 – Vice-President, DM Banku Handlowego
- 2000-2011 – responsible for ECM and M&A in UniCredit CAIB (Warsaw and London)
- previously with Deutsche Bank Securities (formerly ProCapital) and PwC in Warsaw and Grant Thornton in London



Mirosław Szczepański
Vice-President
Operations (COO)

- 2013-2014 – WSE Management Board Member
- long-time officer of WSE (Trading Department Director, Development & Regional Co-operation Director)
- 2009-2013 – CEO, WSEInfoEngine S.A.
- 2012-2013 – CEO, Instytut Rynku Kapitałowego – WSE Research S.A.
- 2013 – Member of the Supervisory Board, Polish Power Exchange



Grzegorz Zawada¹
Vice-President
Strategy &
Development (CSO)

- on the capital market since 1996
- 2011 – Deputy Director, DM PKO BP, responsible for research; from 2012 r. - Director of DM PKO BP
- 2007-2011 – Director in research divisions of: Nomura, RBS and HSBC
- 2000-2007 – with Erste Bank Group as CEE banking analyst, Director of Research for Poland of Erste Bank; from 2005 Management Board Member of Erste Securities Polska

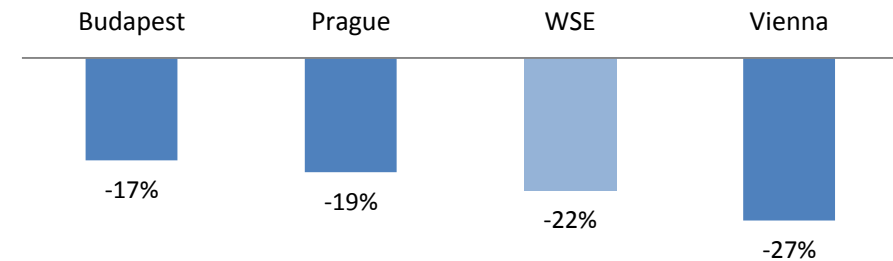
¹ Approval of PFSA is required to assume the position of Vice-President

Unfavourable conditions on the financial market in Q2

- Record-low volatility of WSE's equities market
- On-going parallel trend on WIG20 and WIG charts
- Investors' concerns with the pension fund system reform

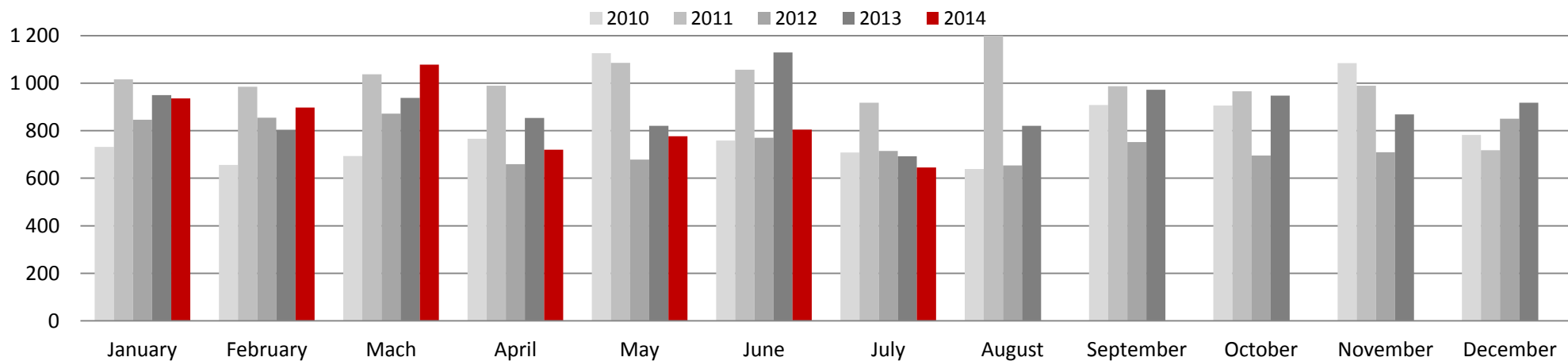
Falling turnover affects also other exchanges in the region

Turnover dynamics in Q2 2014 vs Q1 2014



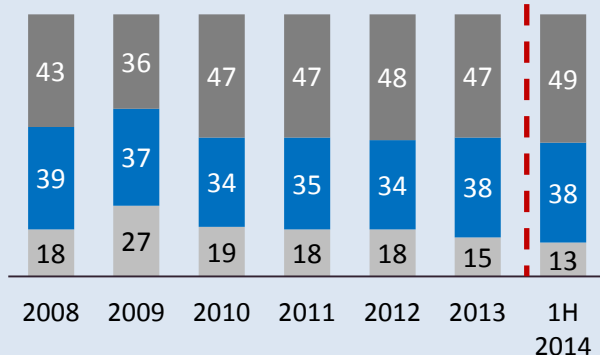
Falling turnover on equities and WIG20 futures markets

Average turnover in equities per session by month (PLN mn)



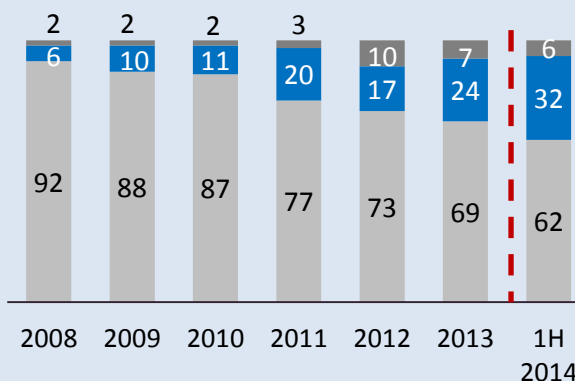
Investors' share in WSE turnover

Equities, Main Market (%)



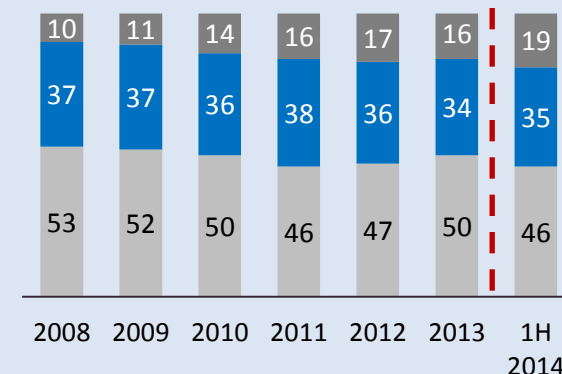
■ Individual investors

Equities, NewConnect (%)



■ Institutional investors

Futures (%)

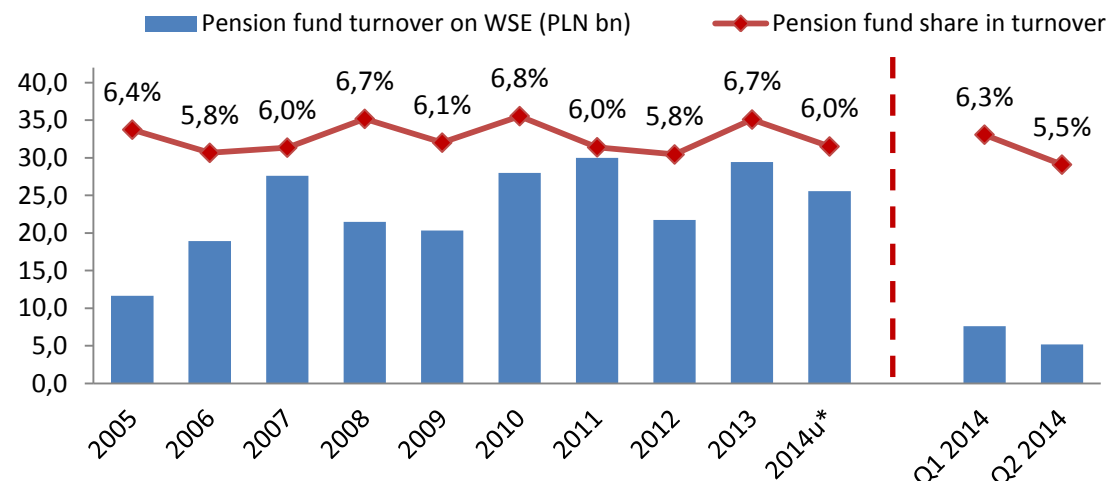


■ Foreign investors

Source: WSE survey, estimates

- ⚡ Growth of the share of foreign investors in turnover by 2 p.p. in equities on the Main Market and by 3 p.p. in futures YoY
- ⚡ Fall of the share of individual investors in turnover by 4 p.p. in futures, by 2 p.p. on the Main Market, by 7 p.p. on NC
- ⚡ Activity of pension funds on WSE in H1 2014 at 6% in equities

Pension fund turnover on WSE and OPFs share

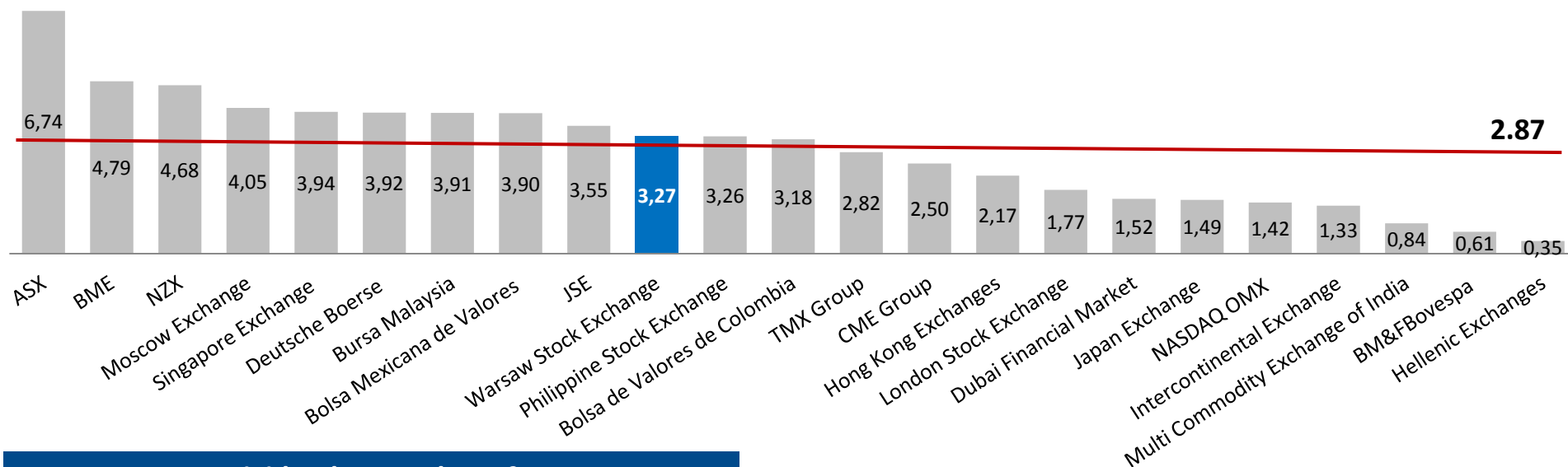


Source: PFSA, WSE;
* annualised data based on Q1 and Q2 2014

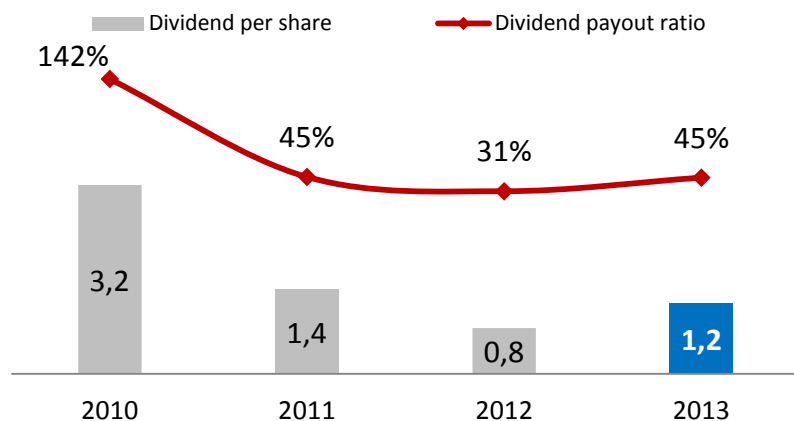
Attractive dividend



Dividend yield in the exchange sector (%)¹



Dividend - WSE shares²



- 🔗 Dividend record date: 7 August 2014
- 🔗 Dividend payment date: 26 August 2014
- 🔗 Profit allocated to dividend: PLN 50,366 thou.
- 🔗 Dividend per share: PLN 1.20

¹ Source: Bloomberg (as of July 25, 2014)

² For the financial year for which a dividend was paid; based on consolidated profit attributable to the shareholders of the parent entity



WSE Group Financials

Q2 2014

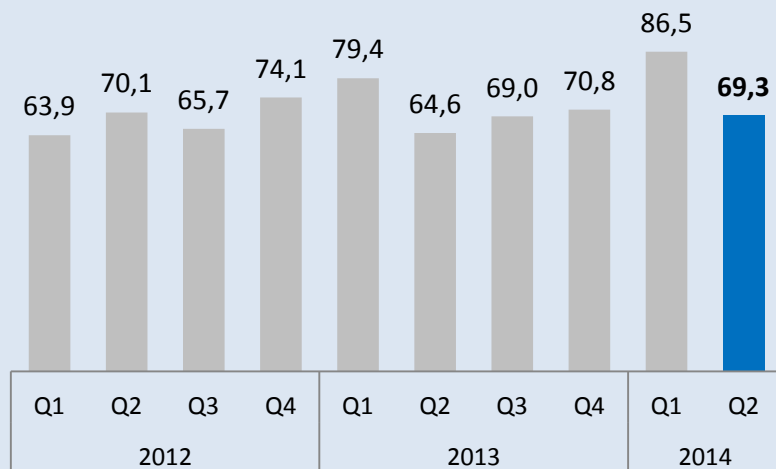
Stable financial position



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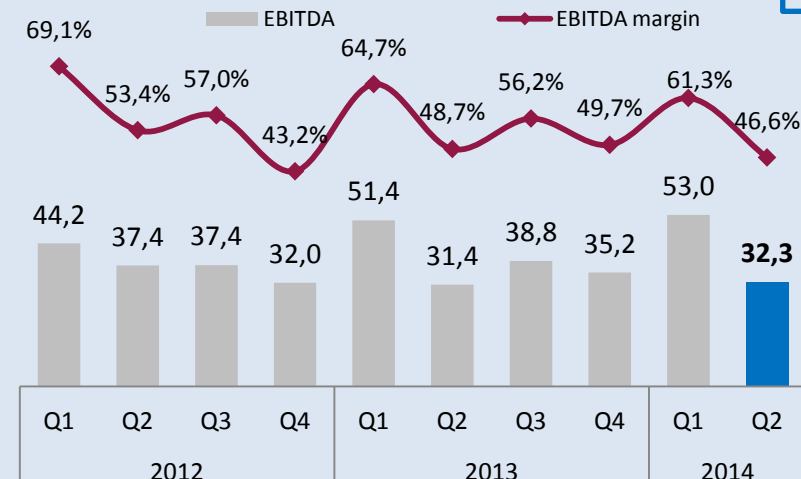
Revenue (PLN mn)

+7.3% YoY



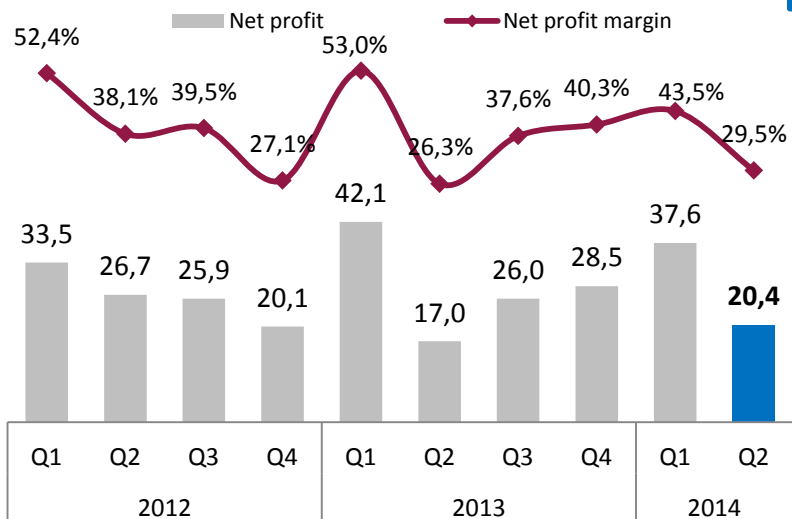
EBITDA (PLN mn)

+2.7% YoY



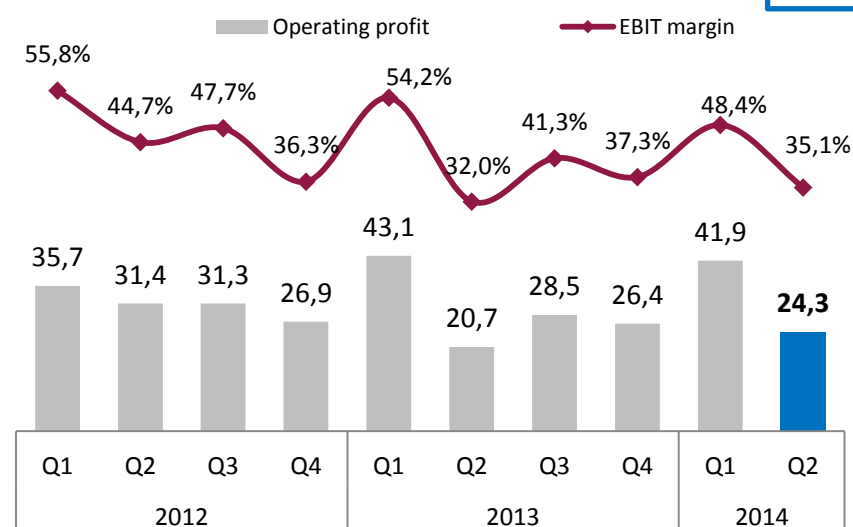
Net profit (PLN mn)

+20.1% YoY



Operating profit (PLN mn)

+17.4% YoY



¹ EBITDA = operating profit + share of profit of associates + depreciation and amortisation

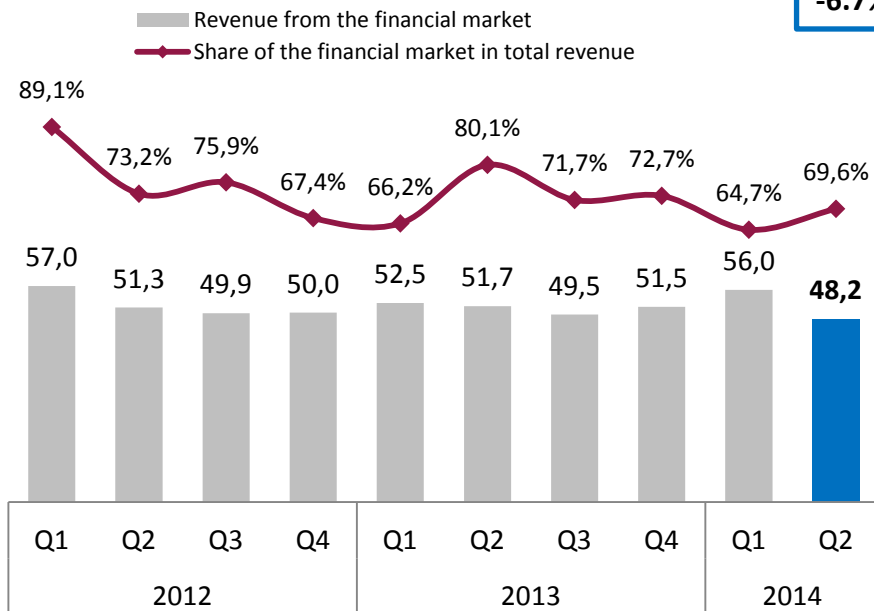
WSE Group revenue



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Revenue from the financial market (PLN mn)

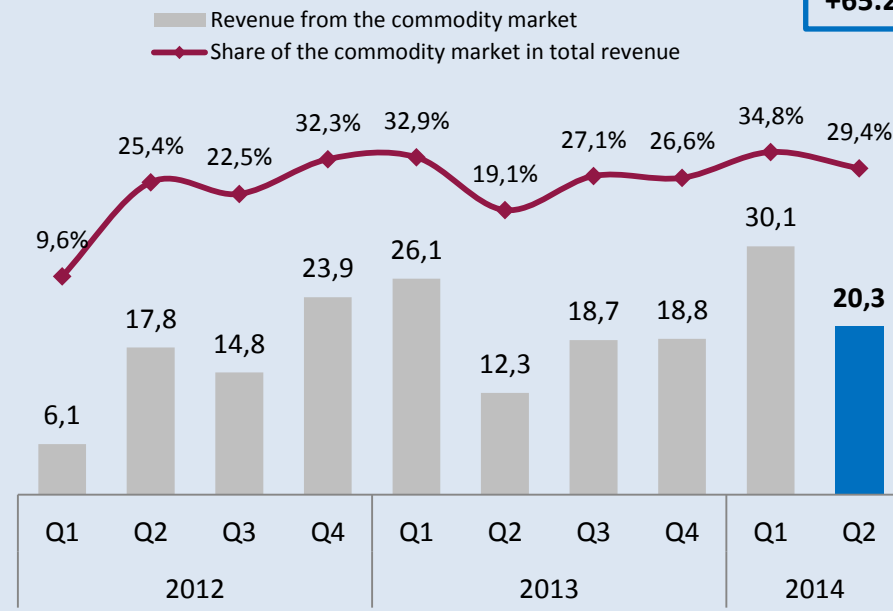
-13.8 QoQ
-6.7% YoY



- ❖ The situation on the financial market is mainly driven by low turnover in equities and futures

Revenue from the commodity market (PLN mn)

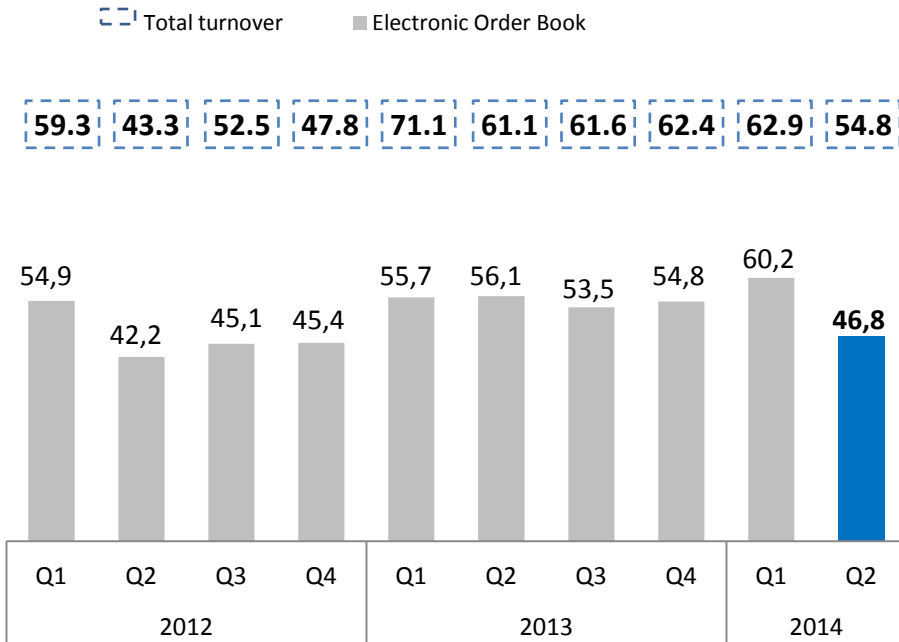
-32.4%QoQ
+65.2% YoY



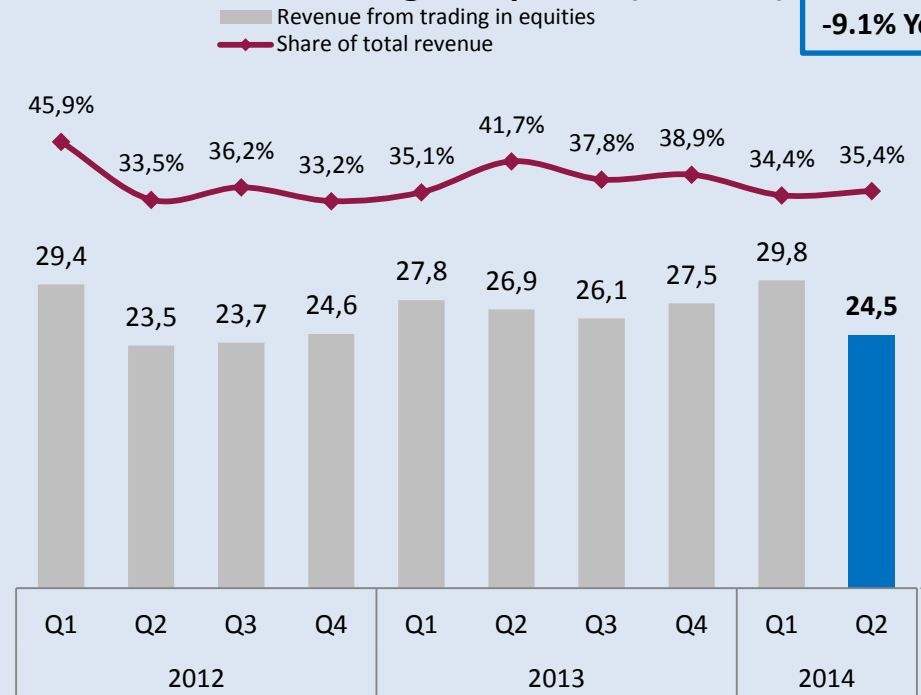
- ❖ Falling revenue from the commodity market QoQ due to seasonal factors (obligation to cancel certificates of origin of electricity by the end of Q1 of each year)
- ❖ The support system for cogeneration was reactivated in May: the new law extends the system until June 2019
- ❖ Record-high volumes on the gas market

Trading in equities

Value of trading in equities on the Main Market (PLN bn)



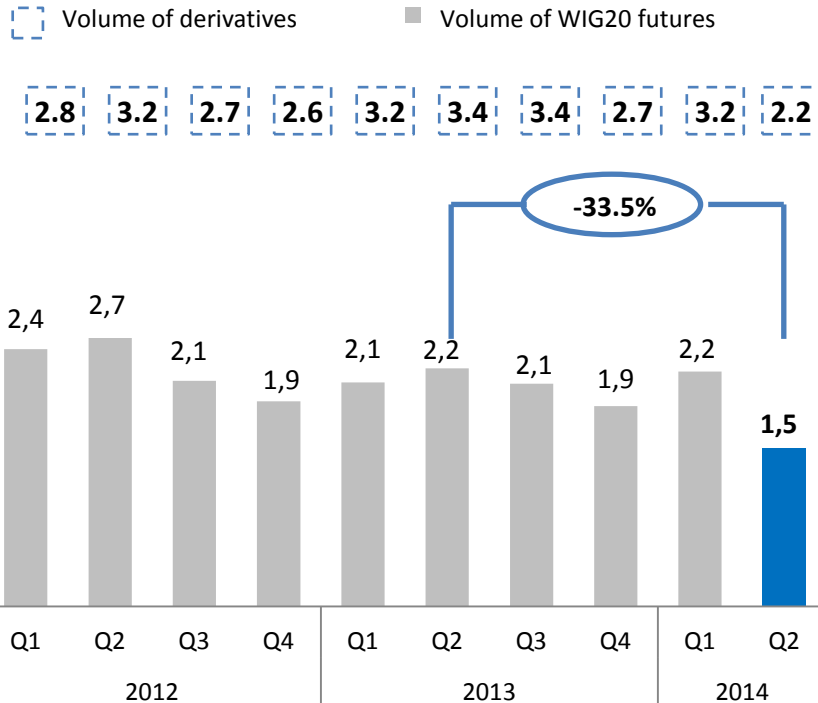
Revenue from trading in equities (PLN mn)



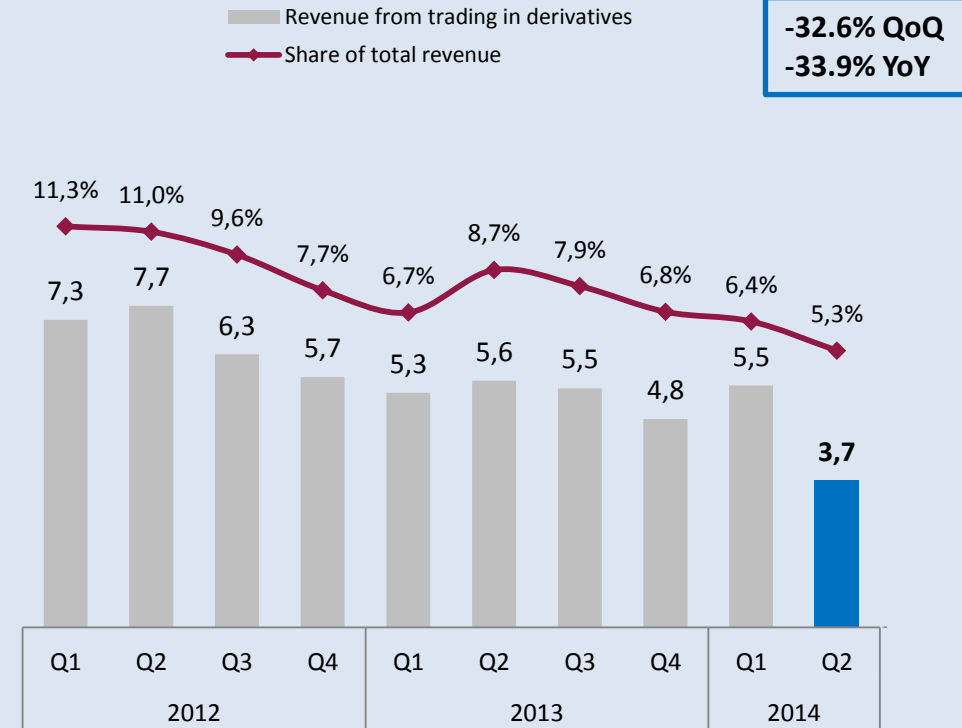
- ⚡ Average daily value of trading at PLN 767.2 mn in Q2 2014 v. PLN 971.4 mn in Q1 2014 and PLN 891.3 mn in all of 2013
- ⚡ Average transaction fee on the Main Market in Q2 2014 at 2.4 b.p., similar to previous periods
- ⚡ Low turnover on WSE and relatively low volatility affect activity of market participants

Turnover in derivatives

Volume of trading in derivatives (mn instruments)



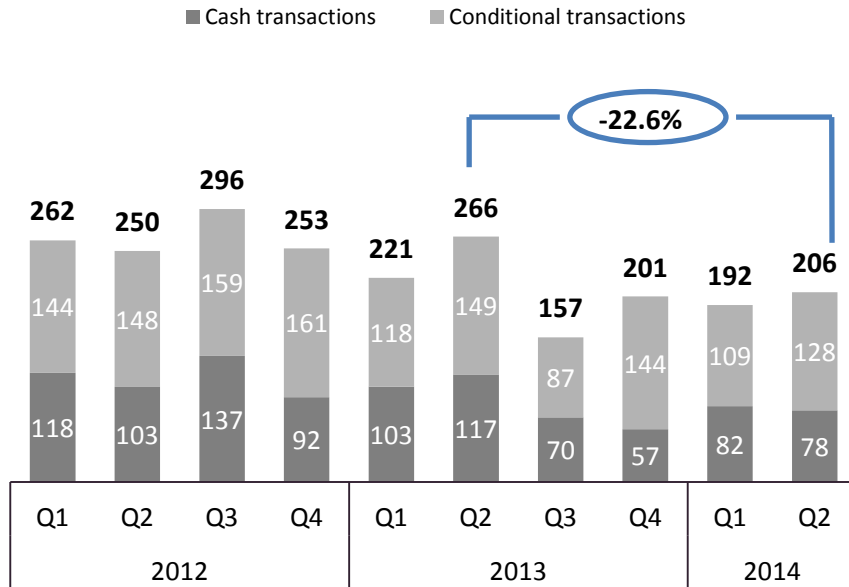
Revenue from trading in derivatives (PLN mn)



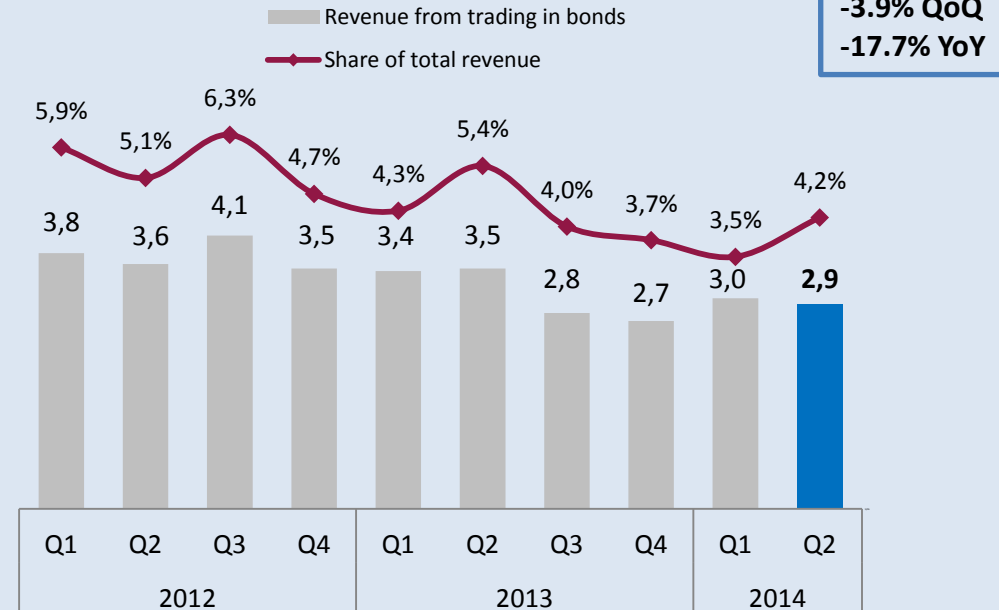
- ❖ WIG20 futures particularly sensitive to low volatility of the underlying -> falling volumes
- ❖ As of 18 August, WIG20 options with new expiry dates: three nearest calendar months and three next months of the quarterly cycle
- ❖ As of 23 June 2014, WIG20 futures only with a multiplier of PLN 20 in trading
 - ❖ higher contract value + unchanged WSE fees = lower transaction costs for investors: down by 50%

Turnover in bonds

Value of trading on TBS Poland (PLN bn)

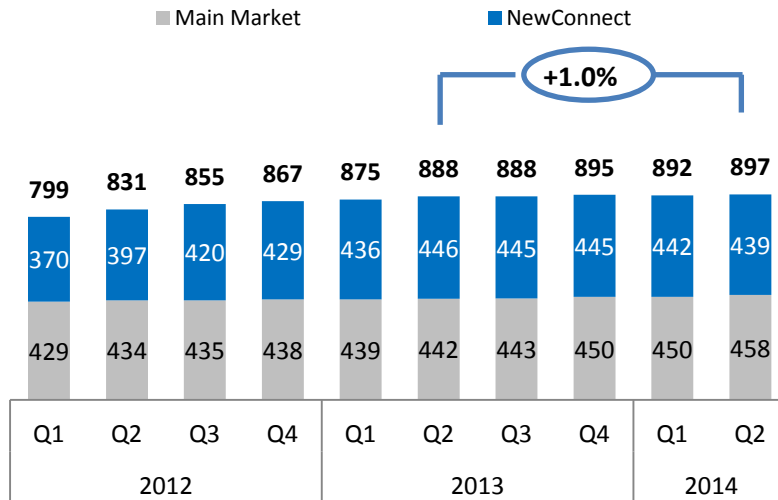


Revenue from trading in bonds (PLN mn)

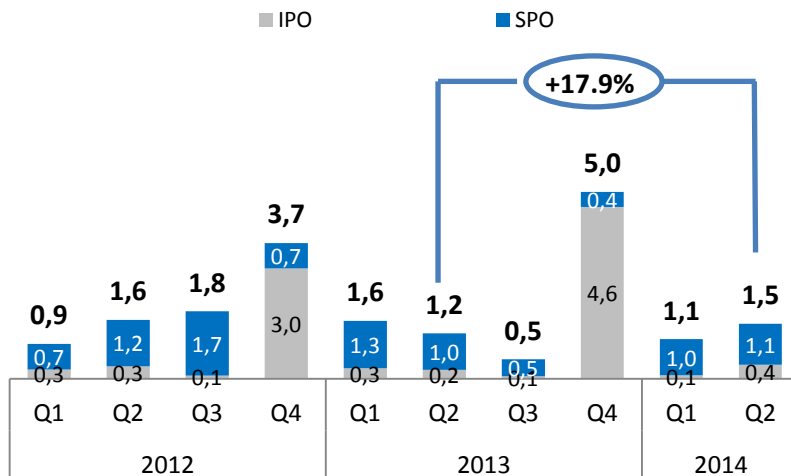


- Value of trading in Treasury bonds on TBSP in Q2 2014 at PLN 205.7 bn (-22.6% YoY; +7.3% QoQ)
- Falling value of trading on TBSP YoY among others due to limited investment activity of pension funds on the T-bond market
- TBSP accounts for 93.8% of revenue from trading in bonds and Catalyst accounts for 6.2%

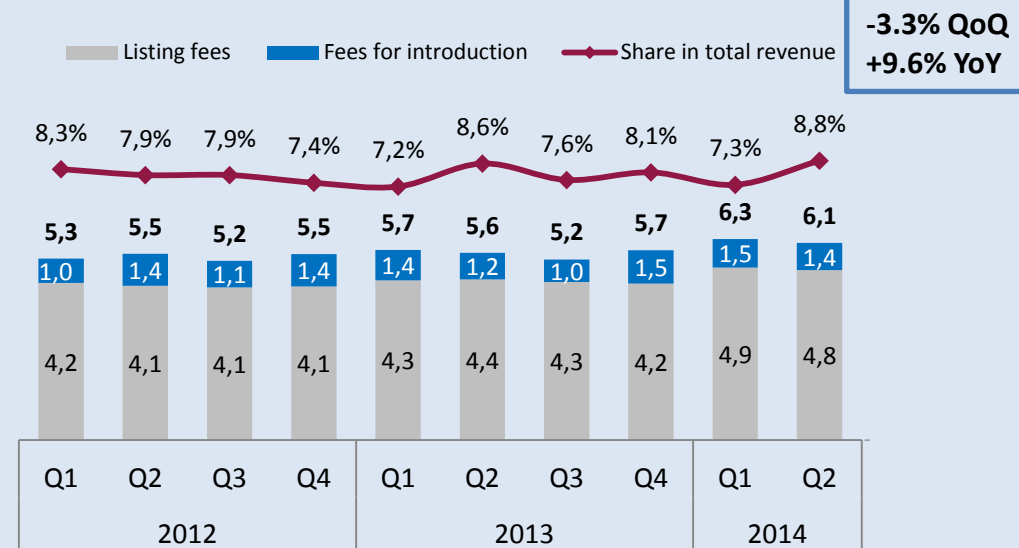
Number of issuers of equities



Amounts raised on equity markets (PLN bn)



Revenue from listing (PLN mn)

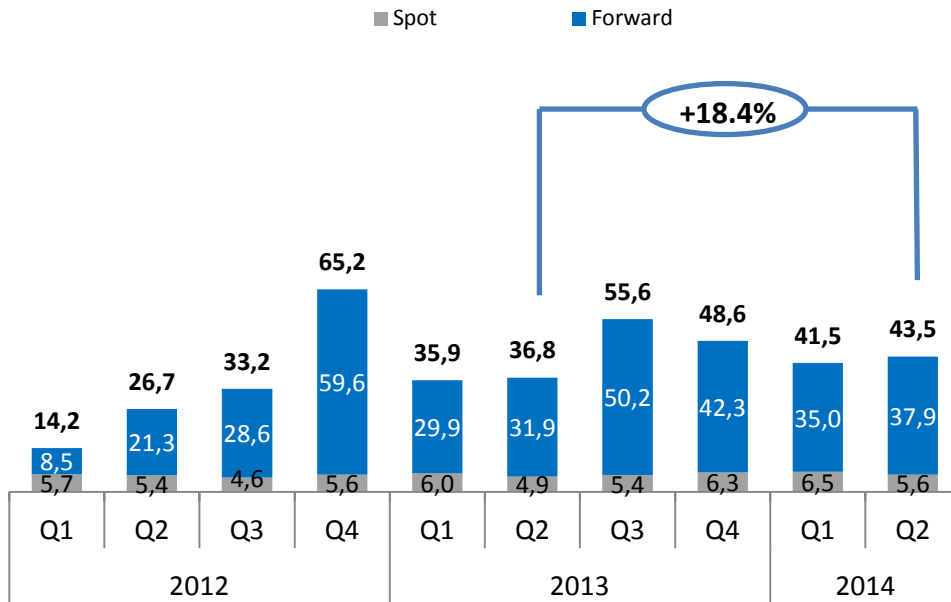


- 8 companies were newly listed on the Main Market in Q2 2014, including 2 transfers from NewConnect; the value of IPOs on the Main Market and NewConnect was PLN 0.4 bn (+55.5% YoY)
- Listing revenue in Q2 2014 increased by 9.6% YoY to PLN 6.1 mn
- Higher capitalisation at 2013YE as the basis of listing fees in 2014

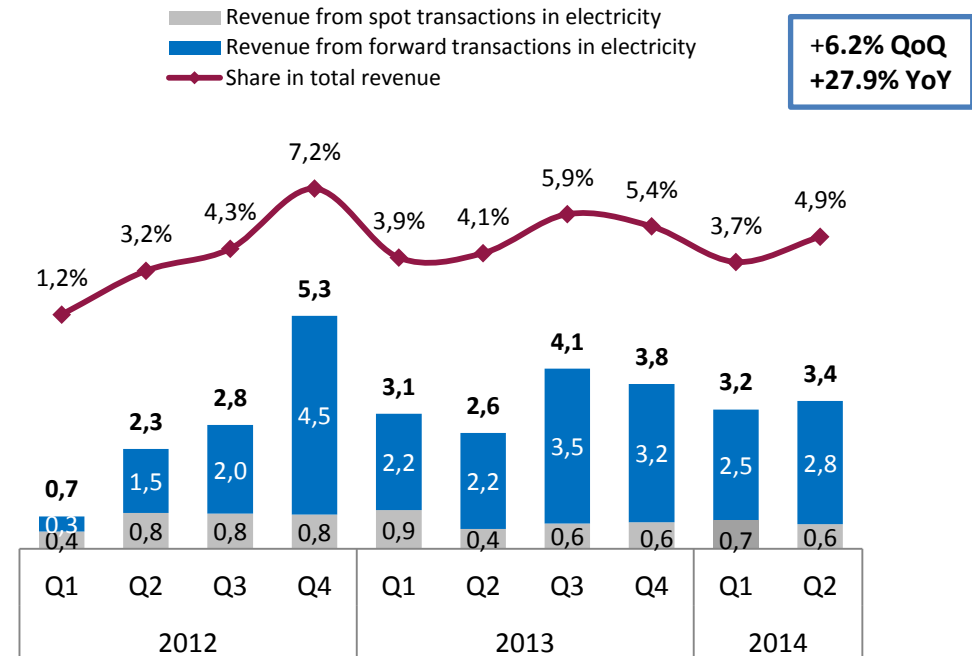
Commodity market: electricity



Power market volumes (TWh) ¹



Revenue from trading in electricity (PLN mn)



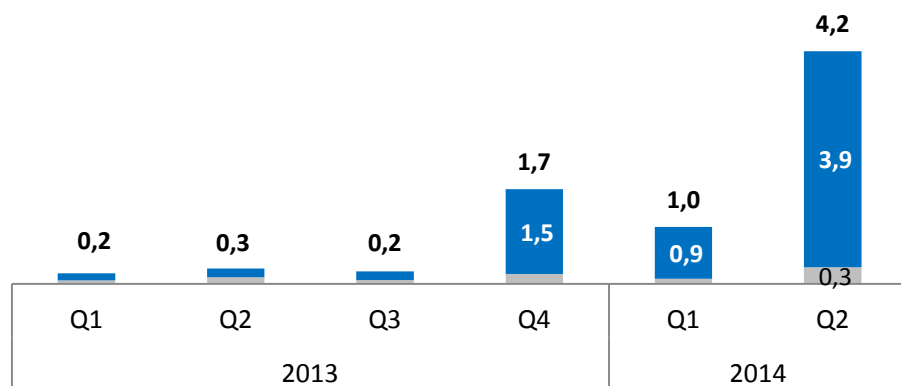
- Volume of trading in Q2 2014: +18.4% YoY; +4.9% QoQ
- Volume of trading in electricity on PolPX in Q2 2014 represented 119.8% of electricity produced in Poland
- Pending Ministry of Finance licence to open futures market in energy prices followed by gas and green certificates.

¹ Data until Q1 2013 including trading in electricity on the poee WSE Energy Market, as of Q2 2013, trading in electricity was concentrated within PolPX

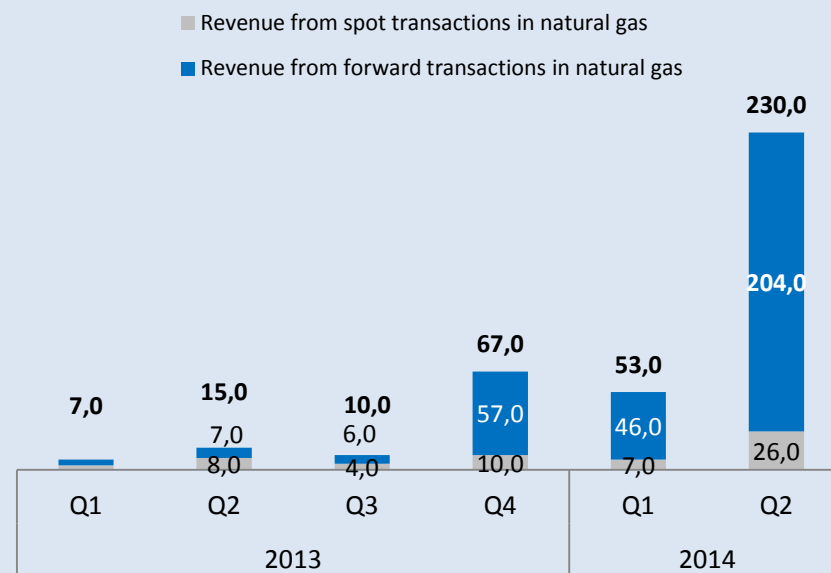
Commodity market: natural gas



Gas market volumes (TWh)



Revenue from trading in gas (PLN'000)



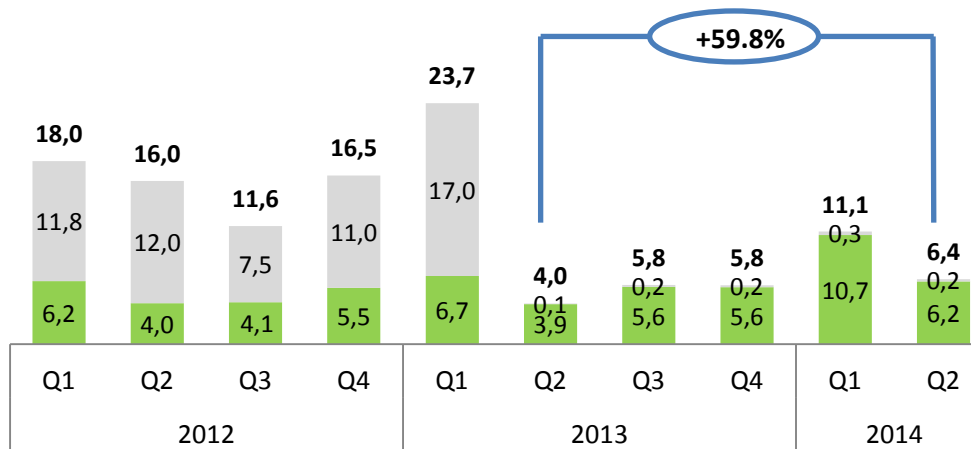
- Volume of trading in gas in Q2 2014: +1436.4% YoY; +308.7% QoQ
- New gas trading opportunities at the Polish Power Exchange - in addition to the Day-Ahead Market and the Commodity Forward Instruments Market, it will be possible to trade gas on the Intraday Market as of July 30

Commodity market: property rights

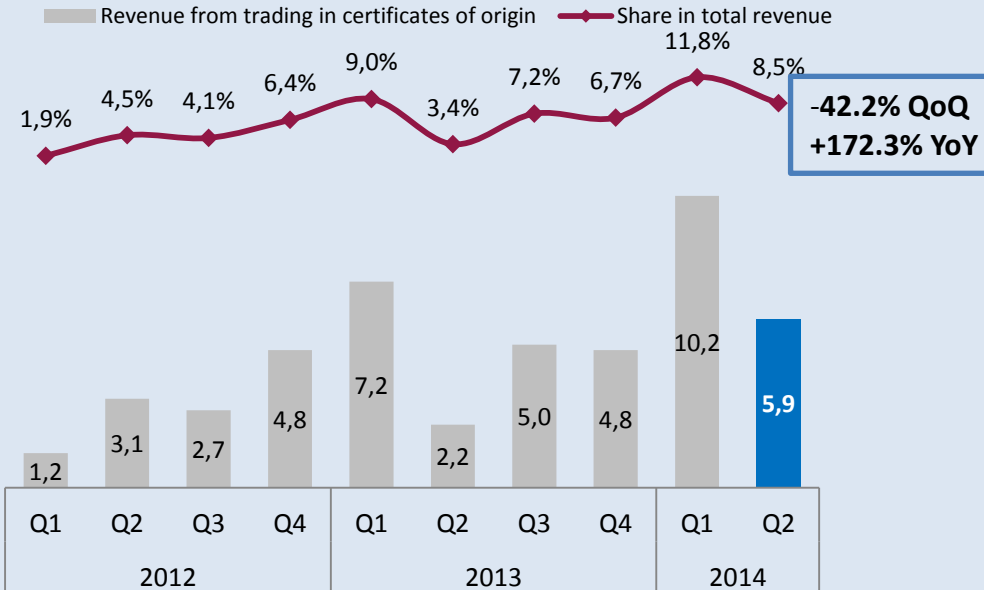


Certificates of origin - trading volume (TWh)

Green certificates of origin of electricity Other certificates of origin of electricity

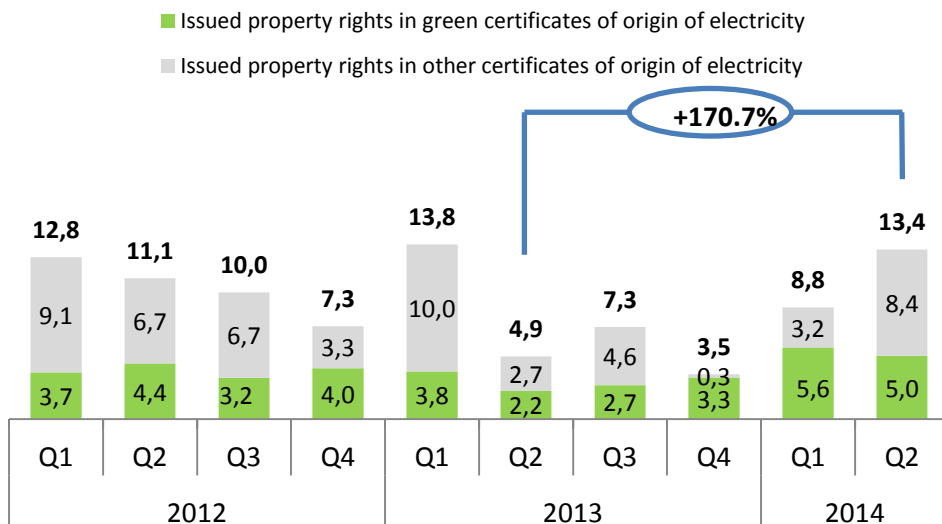


Revenue from trading in certificates (PLN mn)

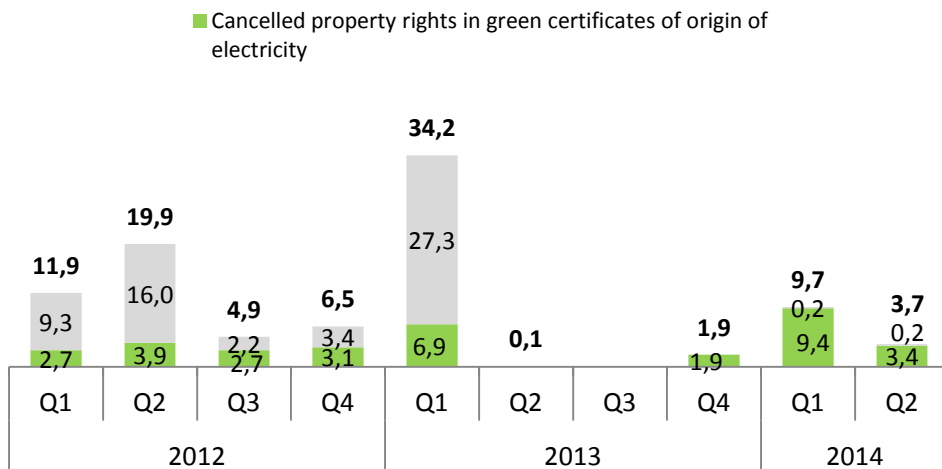


- Falling revenue in Q2 2014 and lower volumes of trading in property rights v. Q1 2014: seasonally lower activity of market participants in Q2 following the clearing of the obligation to cancel certificates of origin for last year

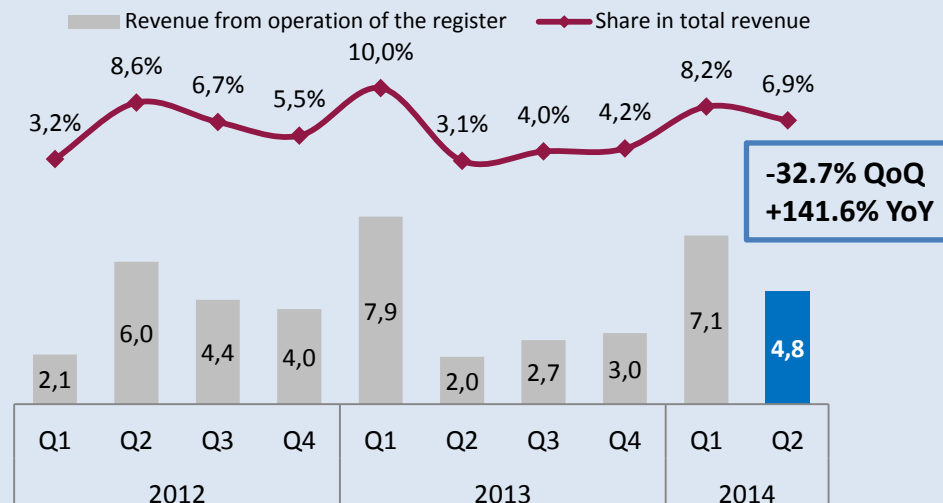
Register of certificates of origin: issuance (TWh)



Register of certificates of origin: cancellation (TWh)



Revenue from operation of the register of certificates of origin (PLN mn)

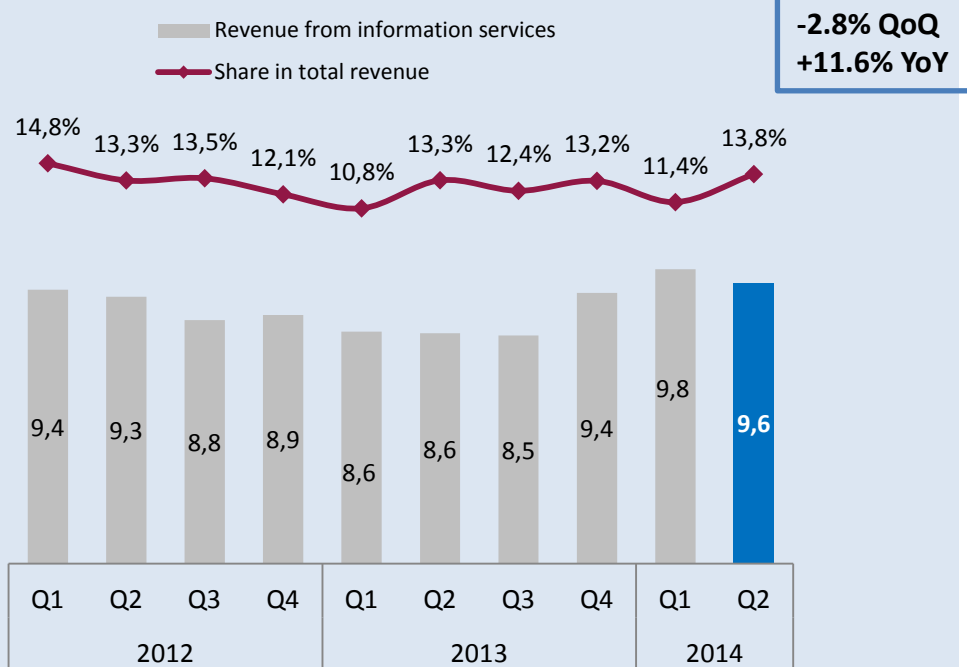


- Lower revenue from the register of certificates of origin by 32.7% QoQ due to lower volume of issuance and cancellation of green certificates of origin
- Seasonality of cancellations: in Q2 of each year the volumes cancelled are lower than in Q1 due to the obligation to clear certificates by the end of Q1 of the year

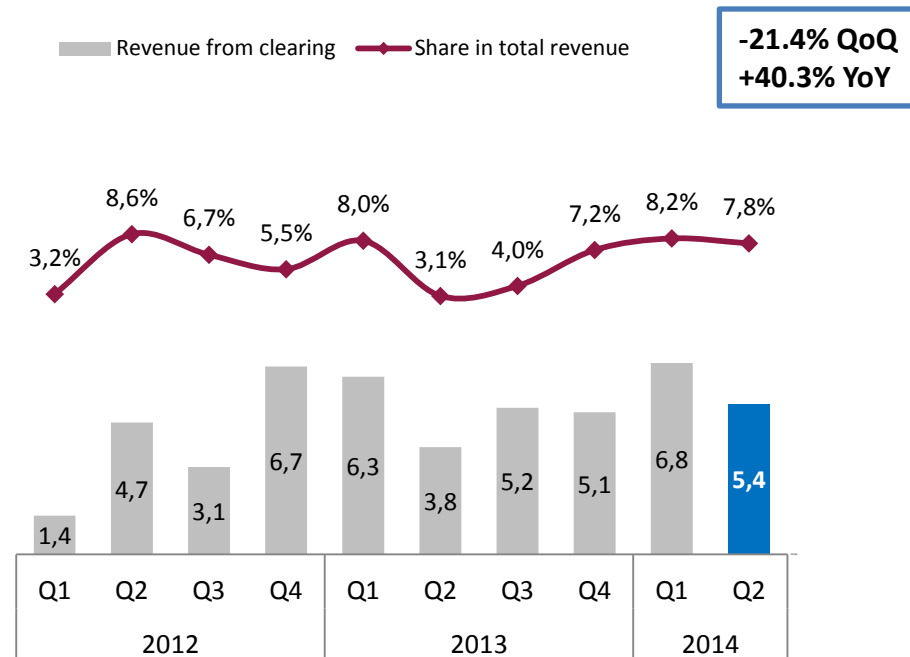
Information services and clearing



Financial market - revenue from information services (PLN mn)



Commodity market - revenue from clearing (PLN mn)



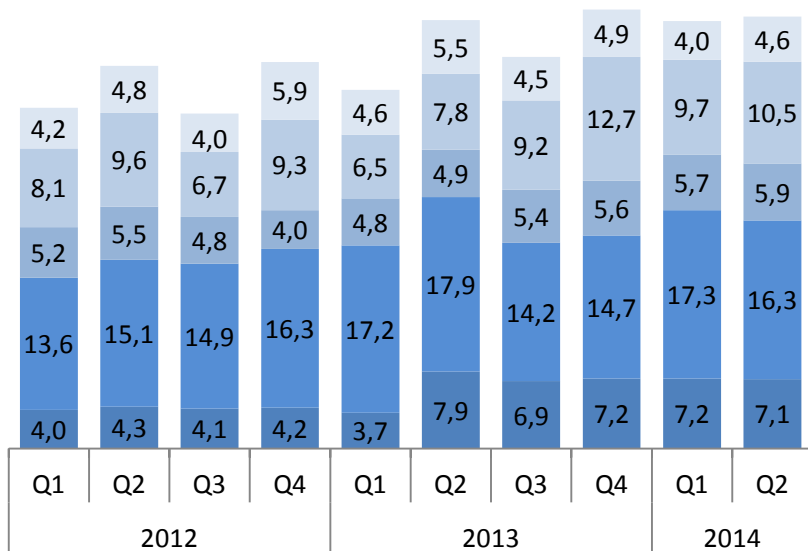
- The decrease in revenue QoQ was mainly driven by lower trading volumes and the resulting fees for clearing on the Property Rights Market (mainly in green certificates)

Operating expenses



Operating expenses (PLN mn)

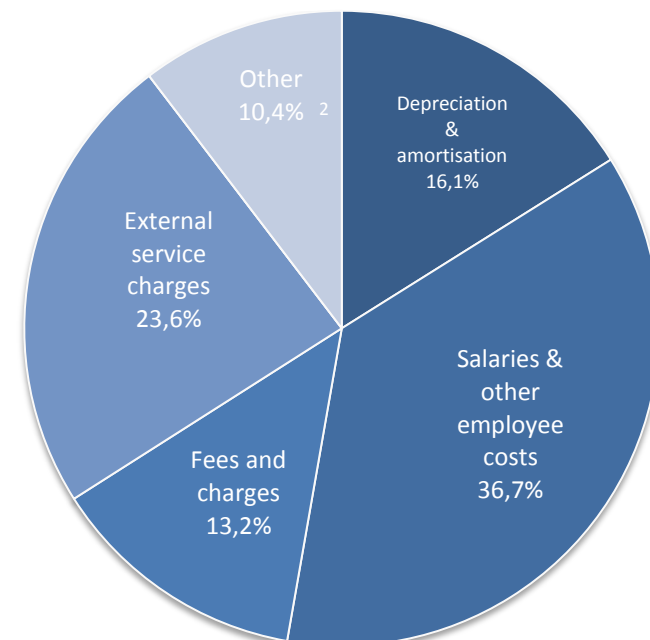
35.0 39.3 34.4 39.7 36.8 44.0 40.2 45.1 43.9 44.4



→ total operating expenses

- Other²
- External service charges
- Fees and charges
- Salaries and other employee costs
- Depreciation and amortisation

Break-down of operating expenses in Q2 2014

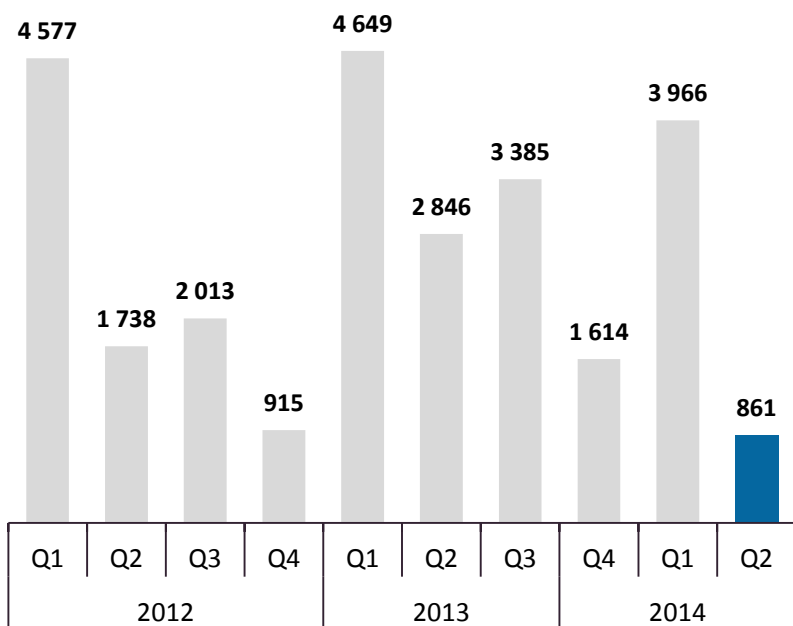


- External service charges increased (YoY) among others due to promotion and refurbishment expenses
- WSE fee paid to PFSA: PLN 5.2 mn in each of Q1 and Q2 2014 v. PLN 4.4 mn in Q2 2013
 - Advance fee for capital market supervision at PLN 5.3 mn in Q3 2014

¹ WSE Group consolidates the results of PolPX Group since March 2012

² Rent & other maintenance fees & other operating expenses

Share of profit of associates (PLN'000)¹

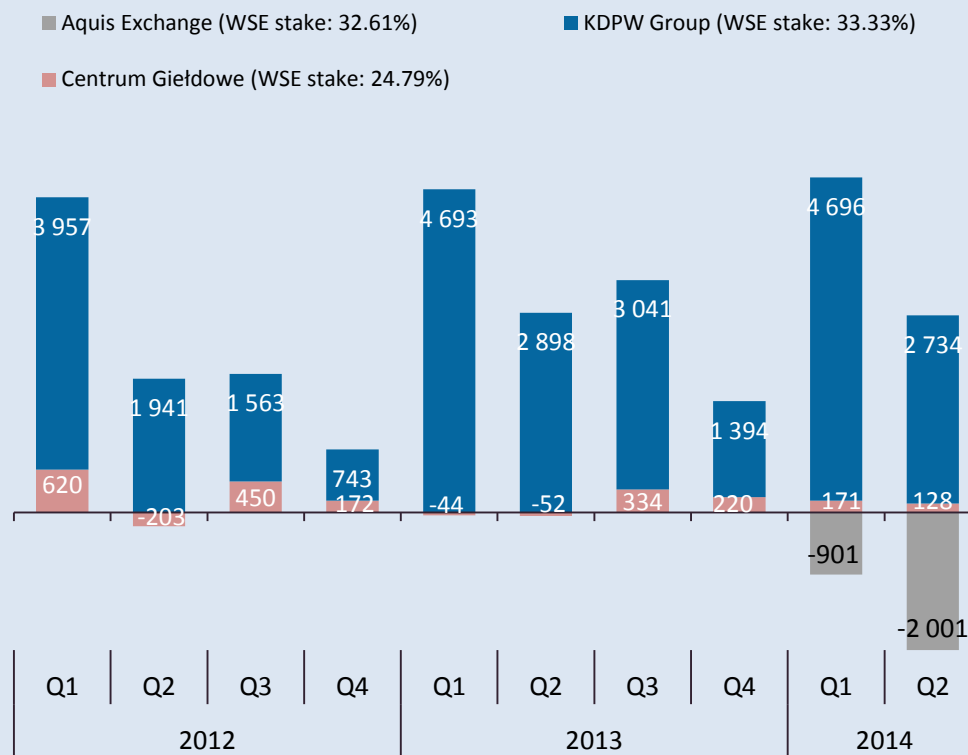


❖ KDPW: weak results in Q2 2014 due to seasonality of KDPW revenue (annual fees are booked in Q1) and overall decrease in investor activity on WSE

❖ Business development of Aquis Exchange:

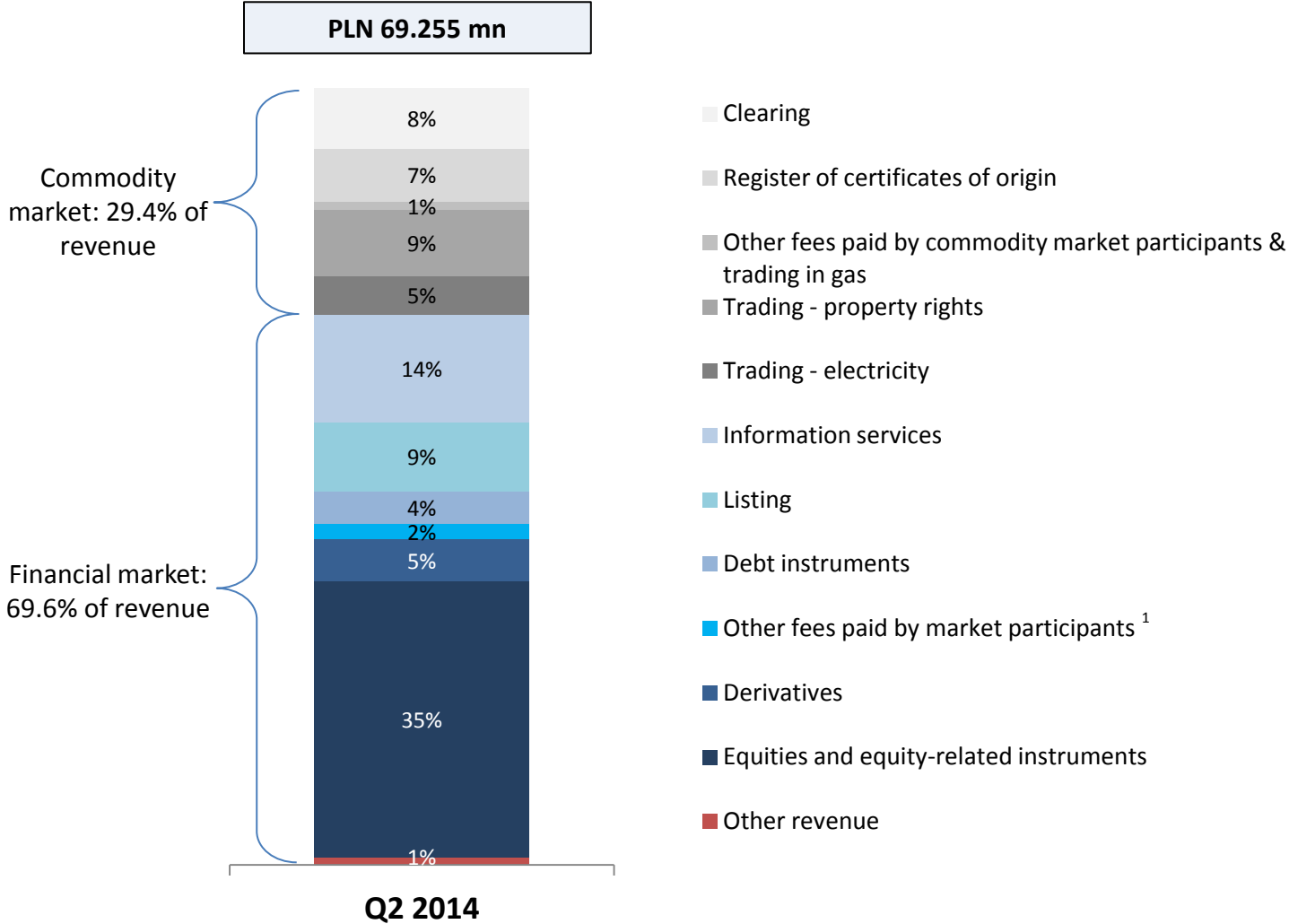
➤ in June 2014, AE launched on 8 new markets

Share of profit of associates (PLN'000)



¹ total profit of KDPW, Centrum Giedowe and Aquis Exchange attributable to WSE

Structure of WSE Group revenue



¹ Fees paid by exchange members and other cash market instruments

WSE Group balance sheet



PLN'000, under IFRS	30.06.2014	31.03.2014	30.06 2013
Non-current assets	587,013	590,634	568,880
Property, plant and equipment	118,530	121,045	128,000
Intangible assets	264,294	265,932	268,372
Investment in associates	188,674	187,811	154,050
Current assets	564,838	525,507	506,026
Trade and other receivables	41,115	52,345	40,555
Available-for-sale financial assets	428	272	428
Cash and cash equivalents	516,174	466,610	460,897
Total assets	1,151,851	1,116,141	1,074,906

PLN'000, under IFRS	30.06.2014	31.03.2014	30.06 2013
Equity	696,280	675,692	584,102
Non-current liabilities	253,239	249,563	247,950
Liabilities under bond issue	243,848	243,733	243,387
Current liabilities	202,332	190,886	242,855
Trade payables	6,967	3,763	3,518
Corporate income tax liability	754	1,990	298
Dividends and other liabilities	182,833	171,327	218,905
Employee benefits payable	10,254	9,240	11,997
Other liabilities and provisions	1,259	1,892	1,354
Total equity and liabilities	1,151,851	1,116,141	1,074,906

- ❖ 'Cash' includes PLN 140 mn 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
- ❖ Increased current liabilities at the end of Q2 2013 due to booking of WSE's expected dividend of PLN 32.7 mn

WSE IR Events

7 August 2014, Thursday

Divident record date

26 August 2014, Tuesday

Dividend payment date

31 October 2014, Friday

Q3 2014 results

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