



# **GPW Group's Financial Results Q2 2018**

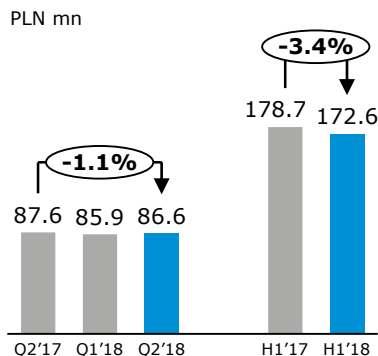
1 August 2018

## **Summary of the GPW Group's Activity in Q2 2018**

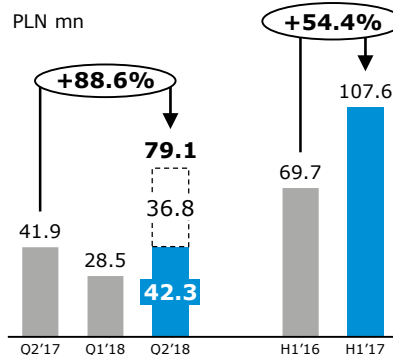
Financial Results of the GPW Group in Q2 2018

# Very good financial results in a difficult market environment

## Sales revenue



## Net profit



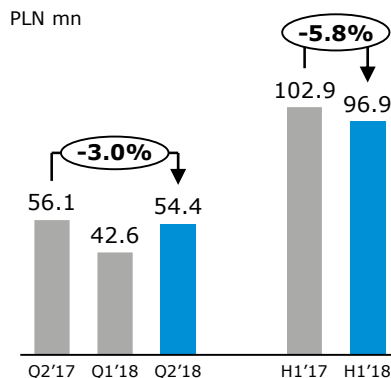
### ◆ Sales revenue

Sales revenue up by 0.8% QoQ and down by 1.1% YoY in Q2 2018

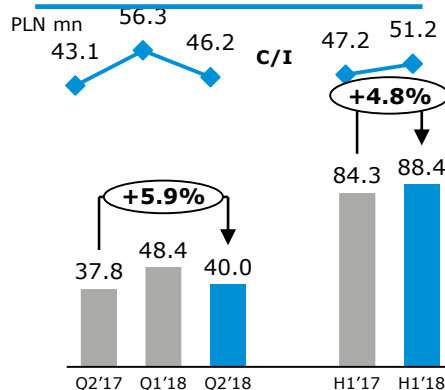
### ◆ Net profit

Net profit up by 177.7% QoQ and up by 88.6% YoY to PLN 79.1 mn in Q2 2018 (net of one-offs sale of Aquis Exchange - up by 1.0% YoY and up by 48.4% QoQ)

## EBITDA



## Operating expenses



### ◆ EBITDA

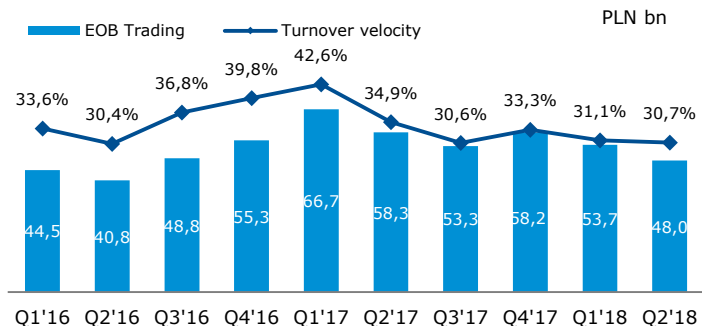
EBITDA up by 27.7% QoQ and down by 3.0% YoY to PLN 54.4 mn in Q2 2018

### ◆ Operating expenses

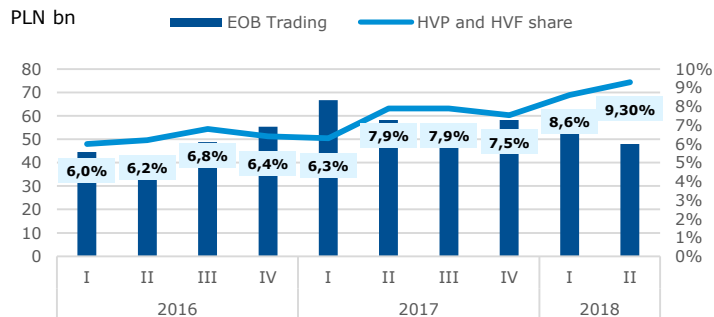
Expenses down by 17.3% QoQ and up by 5.9% YoY in Q2 2018

# Trading in equities down

## Volume of EOB trading on the Main Market



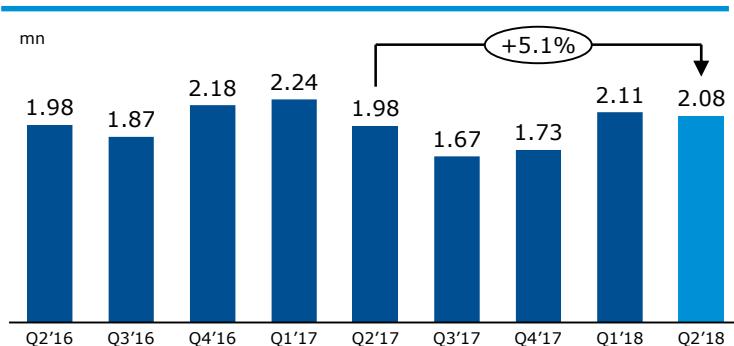
## Activity of HVP and HVF clients vs. market turnover



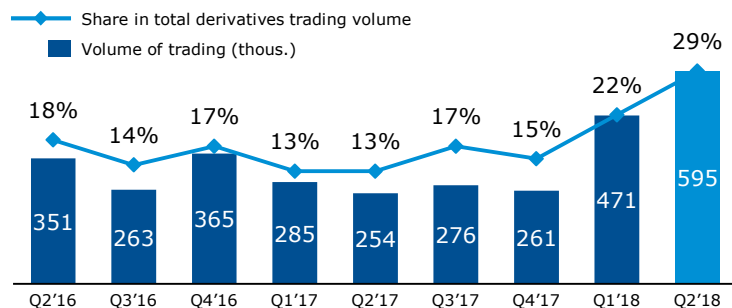
- ◆ Value of EOB trading in Q2 2018 down by 17.6% YoY to PLN 48.0 bn, due to a very demanding reference base of 2017, and down by 10.6% QoQ
- ◆ Turnover velocity 30.7% in Q2 2018 r. versus 34.9% in Q2 2017 r. and 31.3% in Q1 2018 r.
- ◆ New Exchange Member: Michael Ström
- ◆ New External Administrator
- ◆ New GPW colocation client
- ◆ Share of HVP and HVF participants in trading in shares at 9.3% vs. 8.6% in Q1 2018 and 7.9% in Q2 2017

# Higher YoY derivatives turnover in Q2'18

## Volume of trading in derivatives

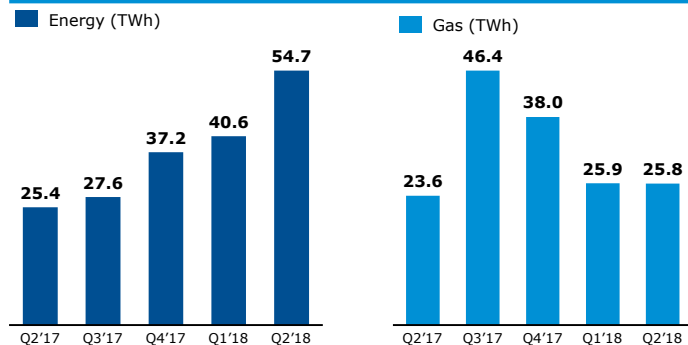


## Volume of trading in currency futures

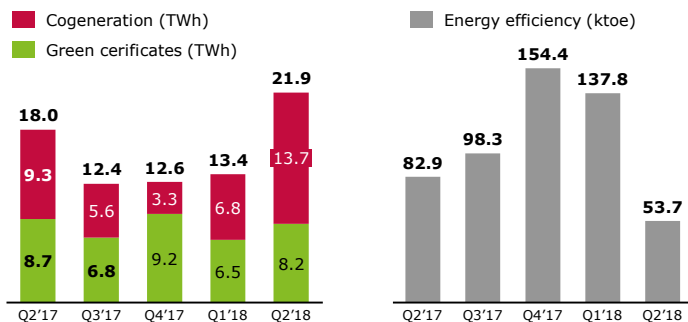


- ◆ Total volume of trading in derivatives was 2.08 mn contracts in Q2 2018, down by 1.7% QoQ and up by 5.1% YoY.
- ◆ Volume of trading in WIG20 futures in Q2 2018 down by 11.4% YoY and by 6.5% QoQ to 1.10 mn contracts.
- ◆ Volume of trading in currency futures up sharply in Q2 2018 (+134.2% YoY. +26.4% QoQ) to 595 contracts – **the highest since 2015**
- ◆ WIG20 futures maker taker programme? added to the HVP programme
- ◆ WIG20 volatility in Q2 2018 at 18.3%.
- ◆ Share of proprietary traders in futures trading at 11.0% in Q2 2018 vs. 7.1% in Q1 2018 and 8.4% in Q2 2017

## Volume of spot and forward trading in electricity and gas



## Volume of trading in property rights (spot and forward)



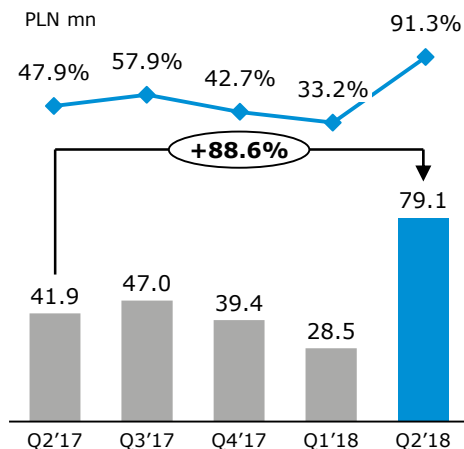
- ♦ **Gas market:** Total volume of trading on the gas markets at 25.8 TWh in Q2 2018 (+9.5% YoY, -0.4% QoQ). The quarterly volume of spot transactions in gas was 3.7 TWh (-32.5% YoY, -66.3% QoQ). **The volume of forward transactions was 22.2 TWh, an increase of 22.0% YoY and 47.1% QoQ.**
- ♦ **Electricity market:** Total volume of trading in electricity was 54.7 TWh in Q2 2018 **(+115.9% YoY, +35.0% QoQ)**. The quarterly volume of spot transactions was 6.4 TWh in Q2 2018 (+6.9% YoY, -11.1% QoQ). The volume of forward transactions at 48.3 TWh was the highest since 2015 (+149.9% YoY, +45.0% QoQ).
- ♦ **Property Rights Market:**
  - ✓ Volume of trading in property rights from cogeneration was 13.7 TWh in Q2 2018 **(+47.5% YoY, +99.5% QoQ)**.
  - ✓ Volume of trading in RES property rights was 8.2 TWh in Q2 2018 (-5.8% YoY, **+25.5% QoQ**).
  - ✓ Volume of trading in property rights in energy efficiency was 53.7 ktOe in Q2 2018 (-35.2% YoY, -61.0% QoQ).

Summary of the GPW Group's Activity in Q2 2018

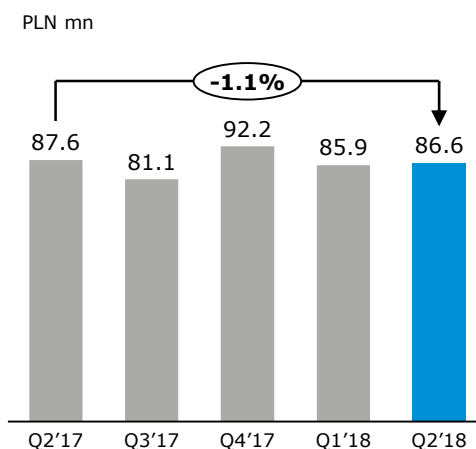
## **Financial Results of the GPW Group in Q2 2018**

# Stable revenues and EBITDA margin due to diversified business model of GPW Group

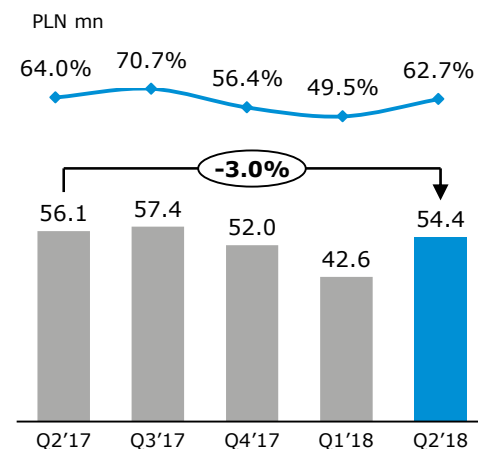
## Net profit and net profit margin



## Revenue



## EBITDA and EBITDA margin



- ◆ Net profit in Q2 2018 bolstered by a one-off: the sale of Aquis Exchange (balance of the transaction before tax at PLN 45.4 mn PLN)
- ◆ Revenue down YoY due to lower volumes of trading on the financial market
- ◆ Stable EBITDA at PLN 54.4 mn (down by 3.0% YoY. up by 26.7% QoQ)

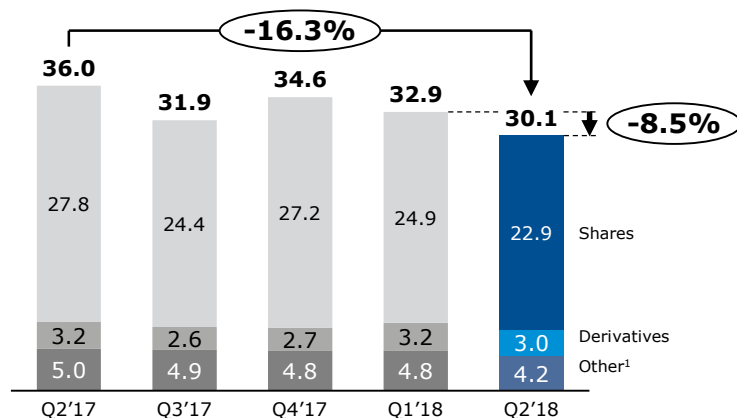


# Trading revenues from the financial market down

## Trading revenue – financial market

PLN mn

Q2'18: 34.7%



- ♦ Trading revenue on the financial market at PLN 30.1 mn (down by 8.5% QoQ and by 16.3% YoY)
- ♦ Average turnover in shares per session at PLN 787.4 mn in Q2 2018 vs. PLN 866.2 mn in Q1 2018 and PLN 971.2 mn in Q2 2017
- ♦ Average fee on the stock market at 2.22 bps in Q2 2018 vs. 2.20 bps in Q1 2018 and 2.15 bps in Q2 2017

## Investor activity on GPW markets

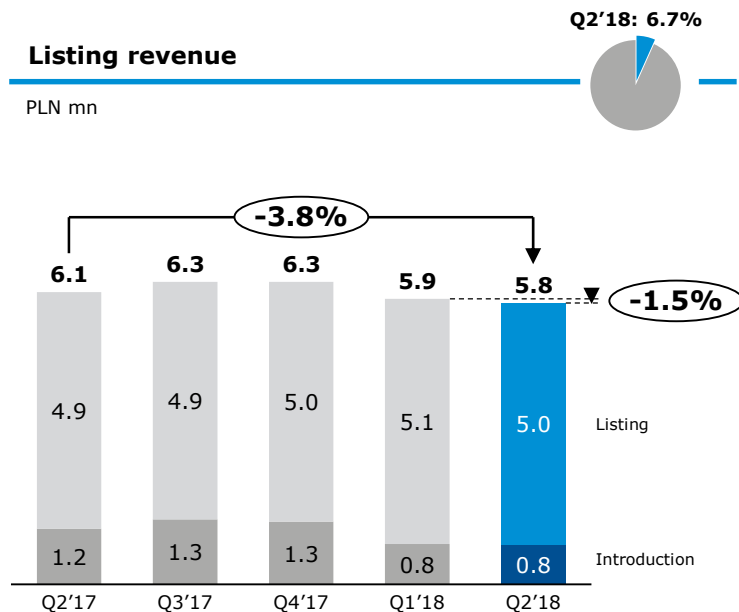
	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Shares – value of trade (EOB. PLN bn)	58.3	53.3	58.2	53.7	48.0
					-17.6% YoY -10.6% QoQ
Futures and options – volume of trade (mn contracts)	2.0	1.7	1.7	2.1	2.1
					+5.1% YoY -1.7% QoQ
Treasury bonds – TBSP. cash transactions (PLN bn)	49.9	47.0	38.2	42.5	29.4
					-41.1% YoY -30.9% QoQ
Treasury bonds – TBSP. conditional transactions (PLN bn)	78.4	96.4	92.2	58.3	58.0
					-26.0% YoY

¹ Debt instruments, other cash market instruments, other fees paid by market participants

# Stable listing revenue in Q2 2018

## Listing revenue

PLN mn



- ♦ 3 IPOs on the Main Market and 7 IPOs on NewConnect worth PLN 204 mn in total
- ♦ Revenue from listing fees stable in Q2 2018 at PLN 5.0 mn, revenue from fees for introduction also stable at PLN 0.8 mn
- ♦ Free float at 50% in Q2 2018 vs. 49% in Q1 2017 and in Q2 2017

## Issuer activity

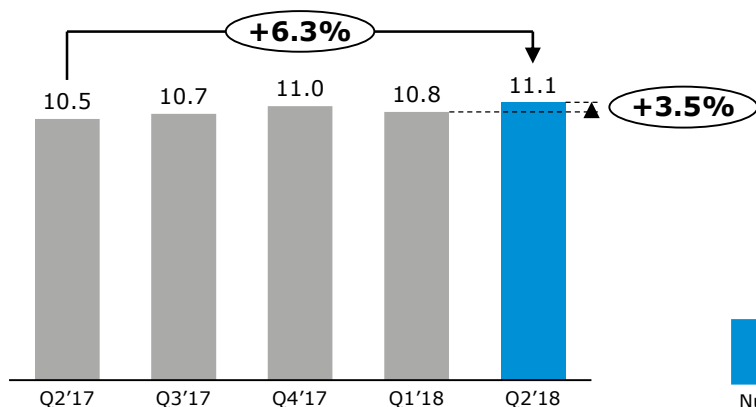
Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Number of IPOs on the Main Market				
3	3	6	2	3
				0% YoY
				50.0% QoQ
Capitalisation of domestic companies (PLN bn)				
645.0	672.1	671.0	607.7	569.3
				-11.7% YoY
				-6.3% QoQ
Value of IPOs (PLN mn)				
2 211	5 121	148	93	187
				+101,0% QoQ

# Growing revenue from information services – financial market

## Revenue from information services<sup>1</sup>

PLN mn

Q2'18: 12.8%



- ◆ New clients in different market segments attracted in Q2 2018:
  - ✓ 7 data vendors including:
    - ◆ 1 vendor of real-time data
    - ◆ 6 vendors of delayed data
  - ✓ 1 non-display client
  - ✓ 2 recipients of processed data
- ◆ Growing number of subscribers of GPWB, TGE and BondSpot data

## Data vendors, subscribers and non-display clients

Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Number of subscribers (thou.)				
232.0	245.7	244.6	249.5	252.6
				+8.9% YoY +1.2% QoQ
Number of data vendors				
52	51	52	66	73
				+40.4% YoY +10.6% QoQ
Non-display				
51	52	53	55	56
				+9.8% YoY +1.8% QoQ

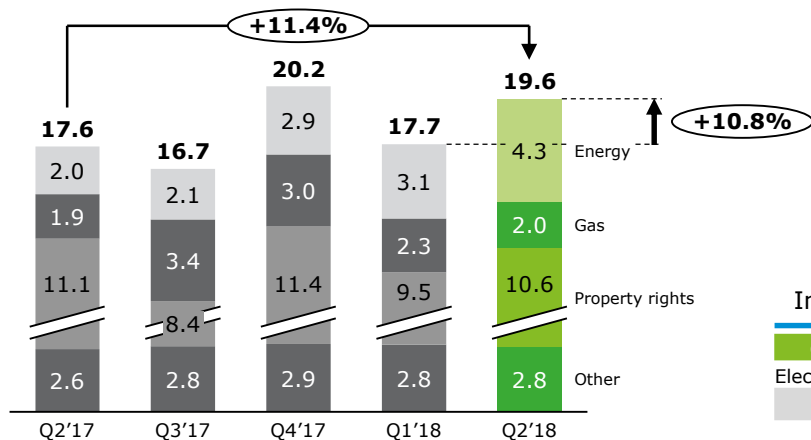
<sup>1</sup> Following the introduction of a separate item: Commodity market information services, the presented data include only the revenue from the financial market and may differ from the presentation in previous quarters

# Continued increase in revenue from the energy market

## Trading revenue – commodity market

PLN mn

Q2'18: 22.7%



- Continued increase in revenue from trading in electricity (+38.4% QoQ and +115.9% YoY) mainly driven by an increase in forward trading.
- Decrease in revenue from trading in gas by 13.6% QoQ and increase by 4.3% YoY due to higher volumes of forward transactions (+22.0% YoY and +47.1% QoQ) and a sharp decrease of volumes of spot trading (-66.3% QoQ and -32.5% YoY).
- Increase in revenue from trading in property rights by 11.5% QoQ and decrease by 4.6% YoY mainly due to rising volumes of cogeneration certificates (+101.5% QoQ, +47.3% YoY) and RES certificates (+26.2% QoQ, -5.7% YoY).

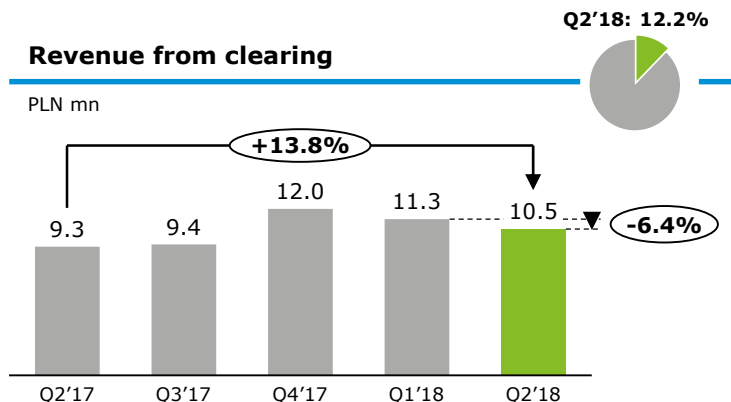
## Investor activity on the commodity market

	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Electricity – volume of trade (TWh)	25.4	27.6	37.2	40.6	54.7
					+115.4% YoY +35.0% QoQ
Natural gas – volume of trade (TWh)	23.6	46.4	38.0	25.9	25.8
					+9.5% YoY -0.4% QoQ
Property rights – volume of trade (TWh)	18.0	12.4	12.6	13.4	21.9
					+21.7% YoY +63.4% QoQ

# More activity in the Register of Certificates of Origin

## Revenue from clearing

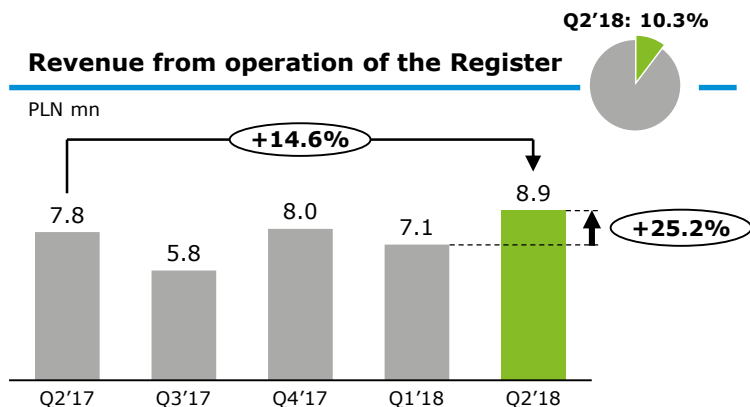
PLN mn



- Revenue from clearing increased by 13.8% YoY in Q2 2018. mainly driven by high volumes on the energy market, and decreased by 6.4% QoQ.
- Higher revenue from the operation of the Register of Certificates of Origin due to higher volumes of cancelled certificates (obligation to cancel certificates for last year by end of June).

## Revenue from operation of the Register

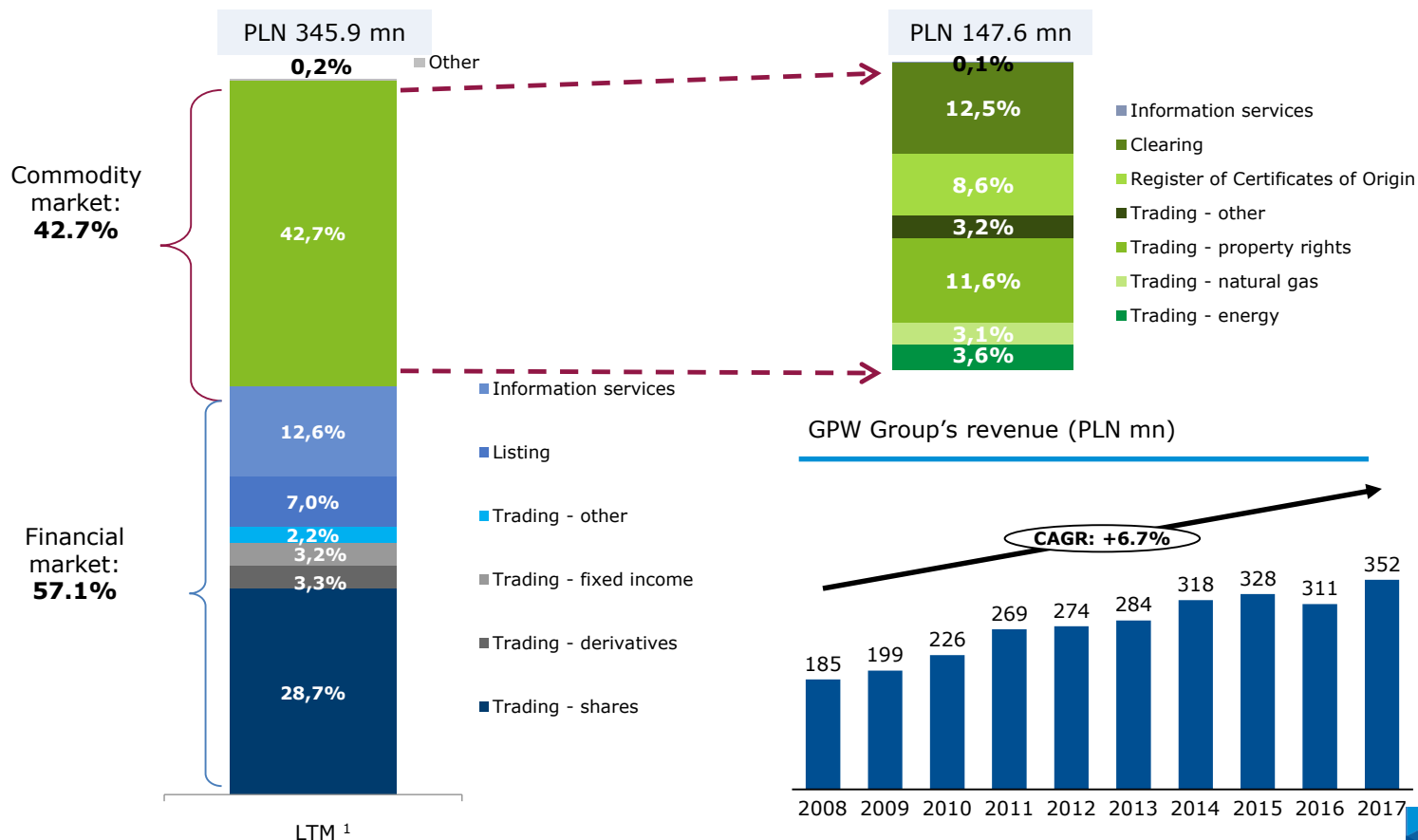
PLN mn



## Activity of participants of the Register of Certificates of Origin

Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
Volume of issued property rights (TWh)				
13.2	9.6	9.0	19.6	13.6
				+3.1% YoY -30.3% QoQ
Volume of cancelled certificates of origin (TWh)				
12.7	13.9	7.3	2.8	14.8
				+16.1% YoY +433.5% QoQ

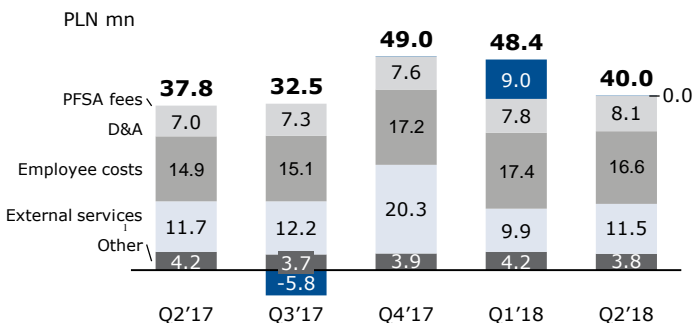
# GPW Group's Revenue Structure



<sup>1</sup> Last 12 months ended 30 June 2018

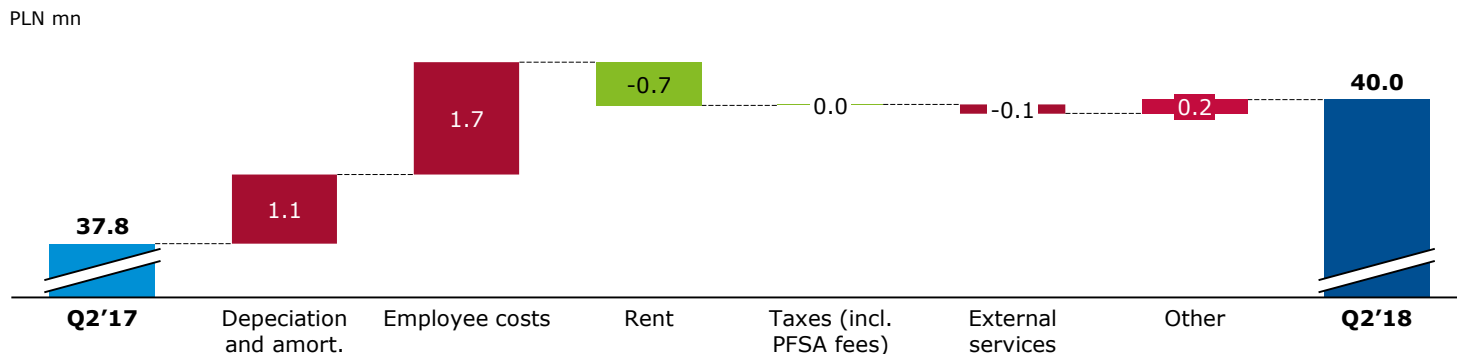
# Continuation of cost discipline in Q2'18

## Operating expenses: +5.9% YoY and -17.3% QoQ



- ♦ The Group's operating expenses were PLN 40.0 mn in Q2 2018 (+5.9% YoY and -17.3% QoQ)
- ♦ Cost/income ratio<sup>2</sup> at 46.2% in Q2 2018 vs. 43.1% in Q2 2017 vs. 56.3% in Q1 2018
- ♦ Depreciation and amortisation charges up by 15.2% YoY and by 3.4% QoQ to PLN 8.1 mn. Increase driven by the depreciation/amortisation of two new systems implemented in TGE in 2017: X-Stream (May) and Sapri (November)
- ♦ Salaries at PLN 16.6 mn (+11.6% YoY and -4.5% QoQ). The YoY increase driven by additional headcount and rising salaries
- ♦ Rent down by PLN 1.9 mn (-25.6% YoY and -22.4% QoQ)
- ♦ Despite one-off costs in Q2 2018 due to advisory fees in the sale of Aquis Exchange and strategy update (0.9 mn PLN). External service charges down YoY to PLN 11.5 mn

## Change in operating expenses

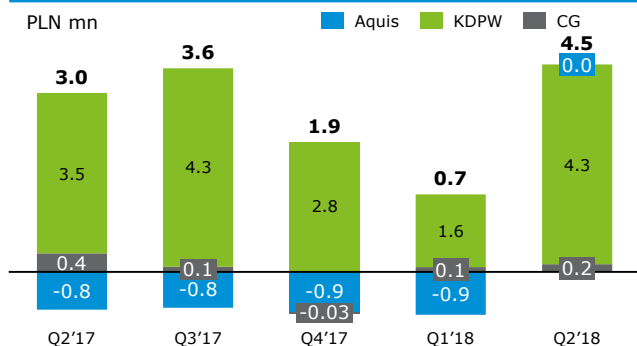


<sup>1</sup> Other includes rent, fees and charges (net of the PFSA fees), and other operating expenses

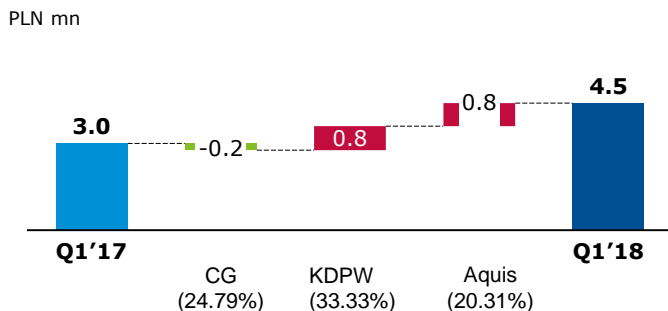
<sup>2</sup> C/I based on reported data

# Share of profit of associates

## Share of profit of associates



## Change of share of profit of associates



- ◆ Increase of the share of profit of associates by 46.9% YoY and up by 499.5% QoQ
- ◆ KDPW Group's profit:
  - ✓ KDPW's net profit was PLN 12.9 mn in Q2 2018 vs. PLN 4.7 mn in Q1 2018 (+26.5% QoQ)
  - ✓ Increase of revenue from one-off fees, i.e., corporate action fees (general meetings)
  - ✓ Decrease of revenue from clearing fees
- ◆ Aquis Exchange's profit:
  - ✓ Sale of GPW's stake in Aquis on 14 June 2018 at GBP 12.4 mn gross
  - ✓ Elimination of the five-year-long negative contribution of Aquis



# GPW Group's Consolidated Balance Sheet



PLN mn	30.06.2017	31.03.2018	30.06.2018
<b>Non-current assets</b> , including among others	<b>597.2</b>	<b>580.7</b>	<b>578.6</b>
Property, plant and equipment	113.8	108.7	108.2
Intangible assets	271.4	265.1	262.5
Share of profit of associates	201.6	196.0	199.9
Financial assets measured at fair value through other comprehensive income	0.0	0.2	0.2
Non-current prepayments	6.8	6.2	5.8
<b>Current assets</b> , including among others	<b>615.5</b>	<b>612.5</b>	<b>693.4</b>
Trade and other receivables	89.1	87.4	68.5
Financial assets measured at amortised cost	0.0	82.7	110.8
Available-for-sale financial assets	0.0	12.2	0.0
Cash and cash equivalents	526.3	430.2	512.0
<b>Total assets</b>	<b>1,212.7</b>	<b>1193.2</b>	<b>1,272.0</b>

- ◆ Increase in total assets quarter in quarter, as of 30 June 2018, was mainly driven by a cash increase following the sale of the stake in the associate Aquis at a gain and an increase of cash flows from operating activities
- ◆ Decrease of trade receivables, as of 30 June 2018, due to lower trade receivables and VAT receivable in IRGiT
- ◆ In 2018, GPW invested free cash in corporate bonds and certificates of deposits recognised at PLN 110.8 mn under financial assets measured at amortised costs under current assets
- ◆ Increase of current liabilities quarter on quarter as at 30 June 2018 was due to the recognition of the dividend payment to the GPW shareholders at PLN 92.3 mn. In addition, other current liabilities include a VAT current liability, in particular in TGE, at PLN 24.5 mn

PLN mn	30.06.2017	31.03.2018	30.06.2018
<b>Equity</b>	<b>724.6</b>	<b>839.9</b>	<b>826.5</b>
<b>Non-current liabilities</b> , including among others	<b>258.8</b>	<b>255.5</b>	<b>256.5</b>
Liability under the bond issue	243.4	243.7	243.8
Deferred income tax liability	5.3	2.7	3.9
<b>Current liabilities</b> , including among others	<b>229.3</b>	<b>97.8</b>	<b>189.0</b>
Trade payables	3.5	23.8	18.8
Employee benefits payable	8.1	8.1	10.5
Income tax payable	7.6	1.6	8.7
Credits and loans	60.0	0	0
Accruals and deferred income	37.2	0.6	0.6
Other current liabilities	110.7	28.4	126.1
<b>Total equity and liabilities</b>	<b>1,212.7</b>	<b>1193.2</b>	<b>1,272.0</b>

## **Annex: Back-up Slides**

# GPW Group's Consolidated Profit & Loss Account



PLN mn	Q2'17	Q1'18	Q2'18
<b>Revenue</b>	<b>87.6</b>	<b>85.9</b>	<b>86.6</b>
Financial market	52.5	49.6	47.1
Trading	36.0	32.9	30.1
Listing	6.1	5.9	5.8
Information services	10.5	10.8	11.1
Commodity market	34.8	36.2	39.2
Trading	17.6	17.7	19.6
Register of Certificates of Origin	7.8	7.1	8.9
Clearing	9.3	11.3	10.5
Information services	0.1	0.1	0.1
Other operating income	0.4	0.2	0.4
<b>Operating expenses</b>	<b>37.8</b>	<b>48.4</b>	<b>40.0</b>
Other income	0.0	0.8	0.3
Other expenses	0.9	2.2	0.3
Impairment losses	0.0	1.5	0.4
<b>Operating profit</b>	<b>49.0</b>	<b>34.7</b>	<b>46.3</b>
Financial income	1.5	1.9	48.2
Financial expenses	2.5	2.2	2.1
Share of profit of associates	3.0	0.7	4.5
<b>Profit before income tax</b>	<b>51.1</b>	<b>35.1</b>	<b>96.8</b>
Income tax	9.2	6.7	17.7
<b>Net profit</b>	<b>41.9</b>	<b>28.5</b>	<b>79.1</b>
<b>EBITDA</b>	<b>56.1</b>	<b>42.6</b>	<b>54.4</b>

- ♦ Operating expenses increased YoY due to additional depreciation and amortisation charges (a significant increase in TGE: implementation of the new trading system X-Stream in May 2017 and the Sapri system in November 2017), an increase of salaries (additional headcount: rebuilding of human resources in GPW, launch of operations of GPWB and IAiR, higher additional remuneration)
- ♦ Other costs decreased due to a lower donation to the Polish National Foundation (PLN 1.5 mn in Q1 2018 vs. PLN 3 mn in Q1 2017)
- ♦ Financial income: significant increase due to the recognition of the sale of Aquis: balance of the transaction at PLN 45.4 mn

# GPW Group's Consolidated Cash Flows



6m ended on 30 June

PLN mn	2018	2017
<b>Cash flows from operating activities, including among others:</b>	<b>87.3</b>	<b>34.9</b>
Cash flows from operating activities	110.2	80.8
Net profit of the period	107.6	69.7
Adjustments:	2.6	11.1
Income tax	24.4	17.2
Depreciation and amortization	15.9	13.4
Foreign exchange (gains)/losses	0.3	0.2
Income from interest on deposits	-2.9	-2.8
Interest on issued bonds	3.8	3.5
Share of profit of associates	-5.2	-4.5
Change in current assets and liabilities	12.1	-21.2
(Increase)/Decrease of trade and other receivables	-4.7	24.2
(Increase)/Decrease of other liabilities	8.5	-70.5
Interest on tax liabilities paid/refunded	-0.1	-14.5
Income tax paid/(refund)	-22.8	-31.4
<b>Cash flows from investing activities, including among others:</b>	<b>-57.9</b>	<b>-9.9</b>
Purchase of property, plant and equipment	-4.1	-5.3
Purchase of intangible assets	-4.5	-8.0
Sale of available-for-sale financial assets	57.5	-
Acquisition of other financial assets measured at amortised cost	-110.2	-
Interest received	2.9	2.8
<b>Cash flows from financing activities, including among others:</b>	<b>-3.7</b>	<b>54.7</b>
Paid interest	-3.7	-4.0
Loans taken	-	59.7
Proceeds from bond issue	-	119.9
Buy-back of bonds issued	-	-120.5
<b>Increase/decrease of net cash and cash equivalents</b>	<b>25.8</b>	<b>79.7</b>
Cash and cash equivalents - opening balance	486.5	446.8
Cash and cash equivalents - closing balance	512.0	526.3

- ◆ Positive cash flows from operating activities as of 30 June 2018, compared to 30 June 2017, as a result of a higher net profit, an increase of liabilities and a lower tax paid.
- ◆ Negative cash flows from investing activities as of 30 June 2018 mainly due to GPW's acquisition of bonds and certificates of deposit at PLN 110.2 mn and sale of assets at PLN 57.5 mn (sale of Aquis Exchange).
- ◆ Negative cash flows from financing activities as at 30 June 2018: a small amount mainly driven by the payment of interest on bonds.
- ◆ A smaller increase of net cash in H1 2018 vs. H1 2017 due to the acquisition of bonds and certificates of deposit as part of the investment of free cash.

# Financial Market: Trading in Equities

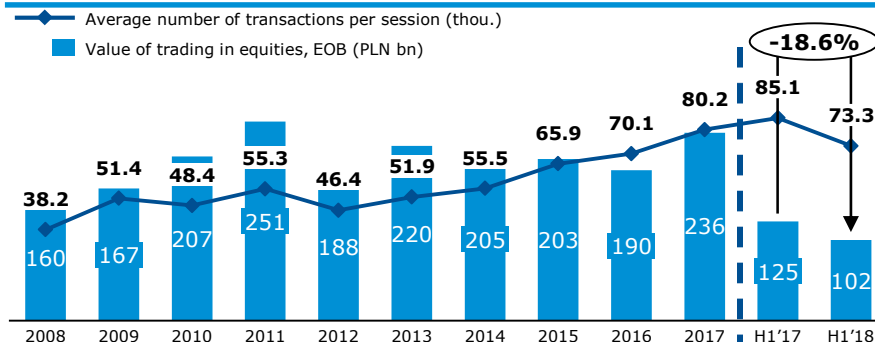


26.4%<sup>1</sup>

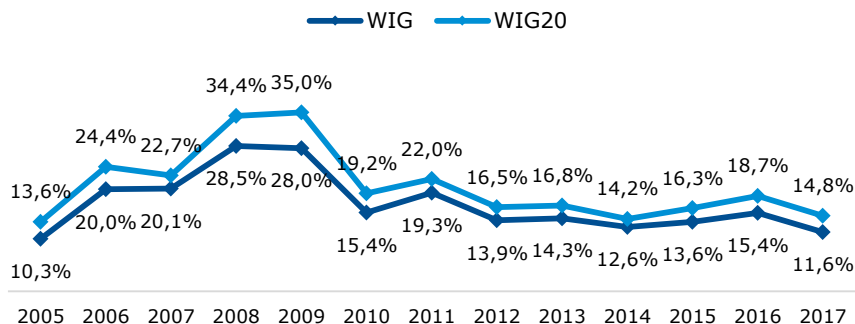
## ◆ Revenue drivers:

- ✓ Value of trading in equities
- ✓ Structure of orders (small. large. mid-sized)

### Value of trading in equities and number of transactions



### Volatility – WIG and WIG20



<sup>1</sup> Share in GPW Group's revenue in Q2 2018

# Financial Market: Trading in Derivatives

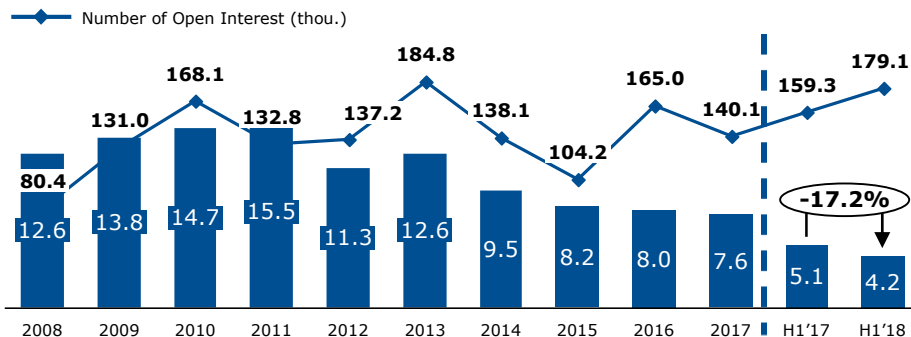


**3.5%<sup>2</sup>**

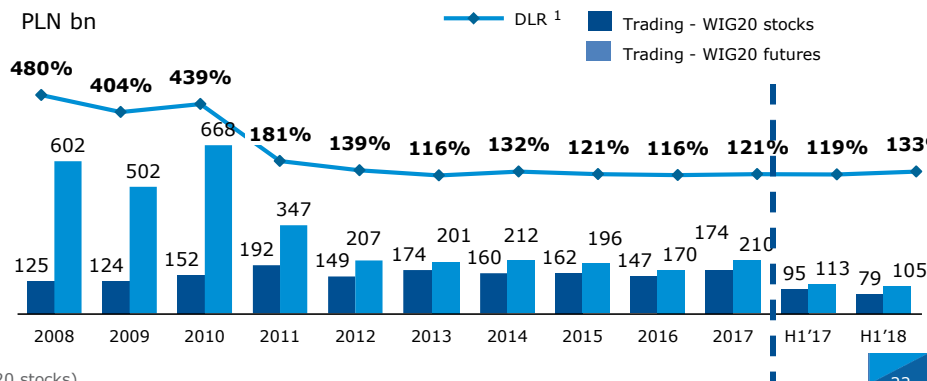
## ◆ Revenue drivers:

- ✓ Volume of trading in futures
- ✓ Number of open interest
- ✓ Volatility

## Volume of trading in derivatives



## Volume of trading in futures v. volatility



<sup>1</sup> Velocity ratio (value of trade in WIG20 futures to value of trade in WIG20 stocks)

<sup>2</sup> Share in GPW Group's revenue in Q2 2018

# Financial Market: Other Instruments and Fees Paid by Participants



**2.8%<sup>1</sup>**

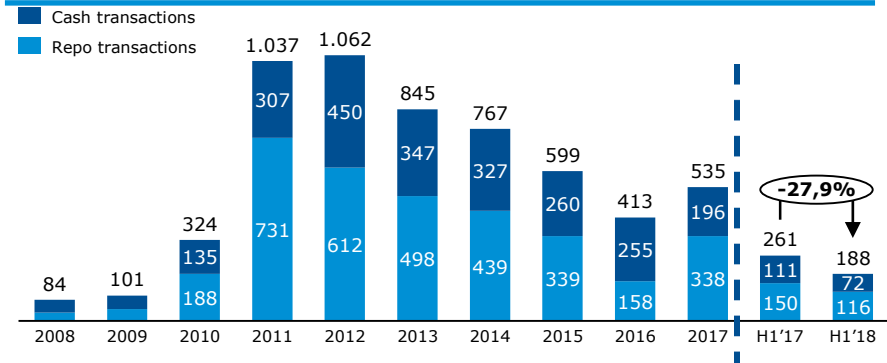


**2.0%<sup>2</sup>**

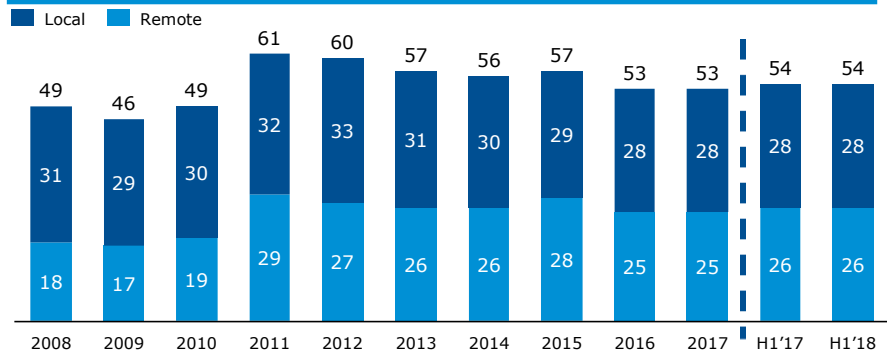
## ◆ Revenue drivers:

- ✓ Value of trading in Treasury bonds
- ✓ Number of exchange members

Value of trading on Treasury BondSpot Poland. PLN bn



Number of exchange members



<sup>1</sup> Share in GPW Group's revenue in Q2 2018. trade in debt instruments

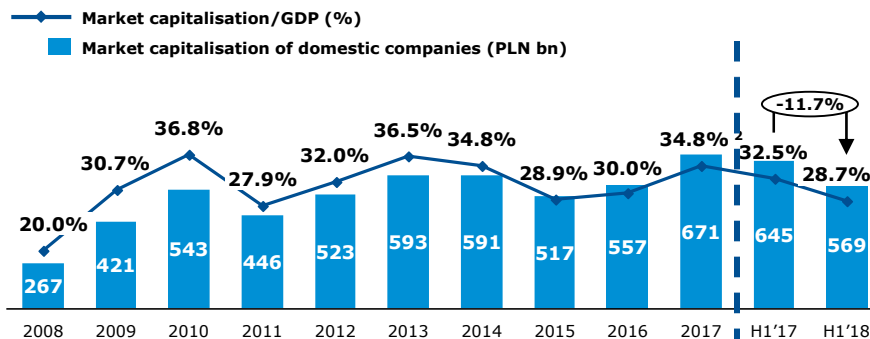
<sup>2</sup> Share in GPW Group's revenue in Q2 2018. trading fees paid by market participants



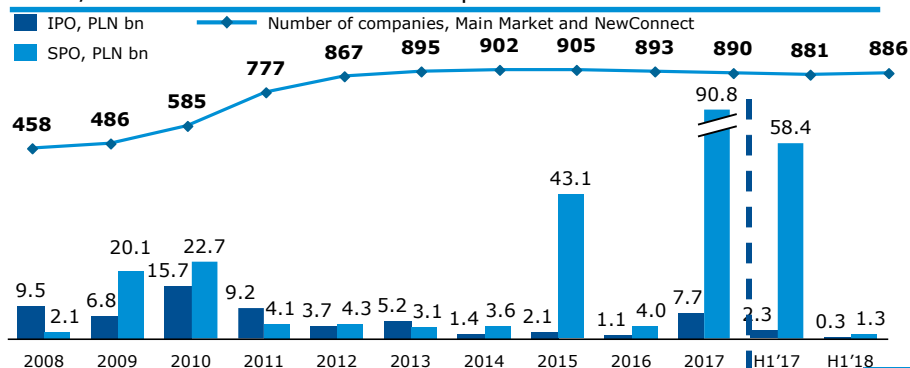
## ◆ Revenue drivers:

- ✓ Capitalisation at YE
- ✓ Value of new issue shares and bonds
- ✓ Number of issuers

## Capitalisation of domestic companies



## IPO/SPO value and number of companies



<sup>1</sup> Share in GPW Group's revenue in Q2 2018

<sup>2</sup> Source: Central Statistical Office (GUS). 2017 GDP estimate

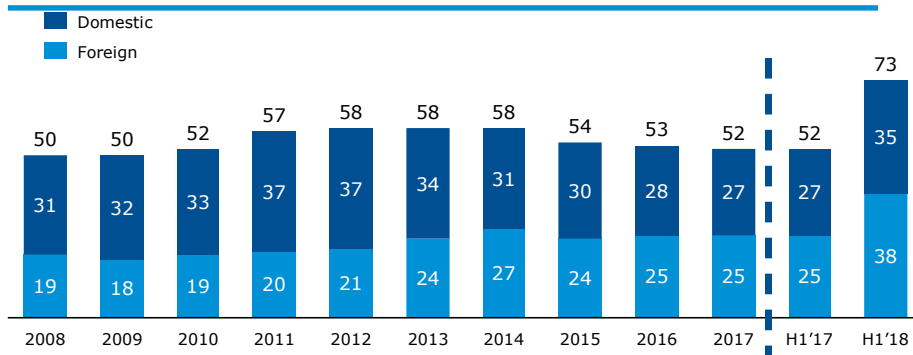




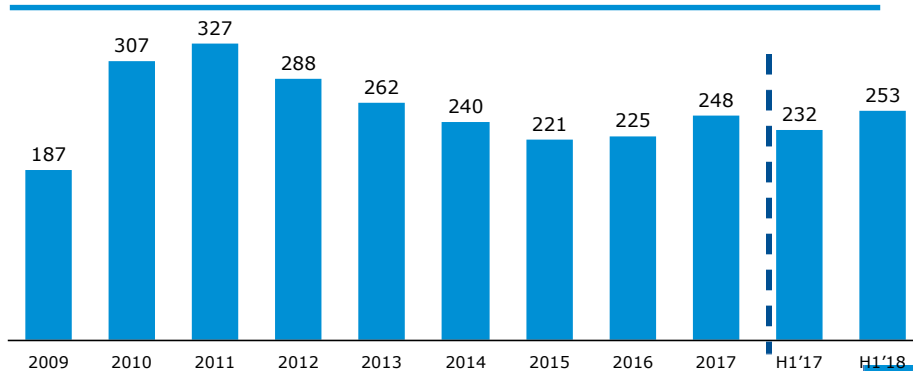
**12.8%<sup>1</sup>**

- ◆ Revenue drivers:
  - ✓ Number of data vendors
  - ✓ Number of subscribers

Number of data vendors



Number of subscribers (thousand)



<sup>1</sup> Share in GPW Group's revenue in Q2 2018

# Commodity Market: Trading in Electricity and Gas

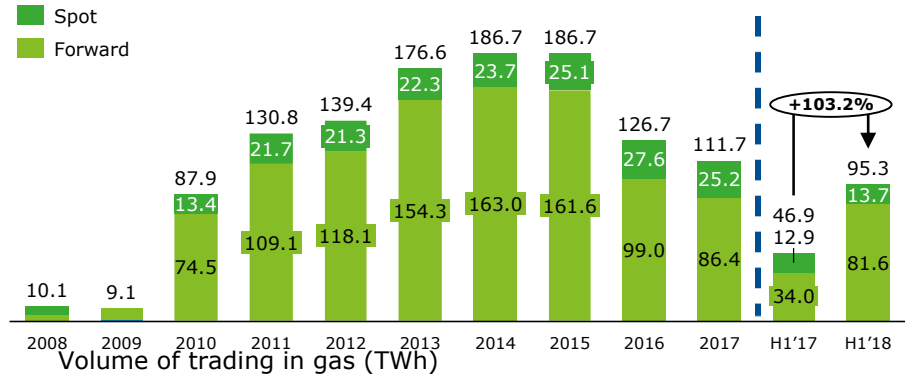


7.3%<sup>2</sup>

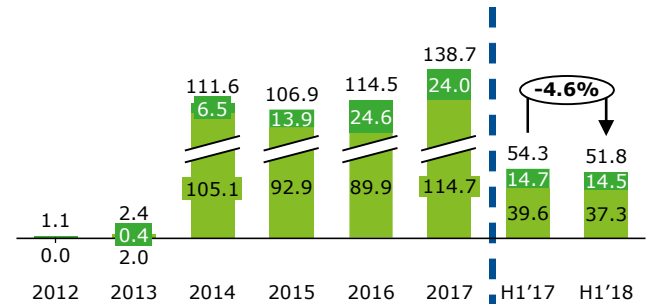
## ◆ Revenue drivers:

- ✓ Volume of trading in electricity
- ✓ Volume of trading in gas
- ✓ Share of spot and forward trading

Volume of trading in electricity (TWh)<sup>1</sup>



Volume of trading in gas (TWh)



<sup>1</sup> Data for 2006-2013 include trade on the GPW Energy Market pool

<sup>2</sup> Share in GPW Group's revenue in Q2 2018

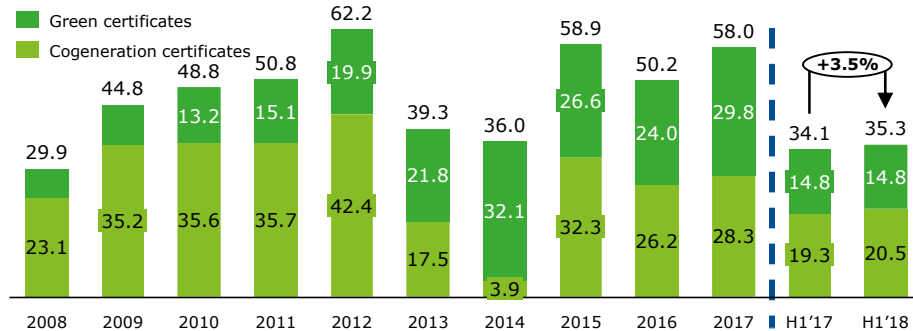
# Commodity Market: Trading in Property Rights

 **12.3%<sup>1</sup>**

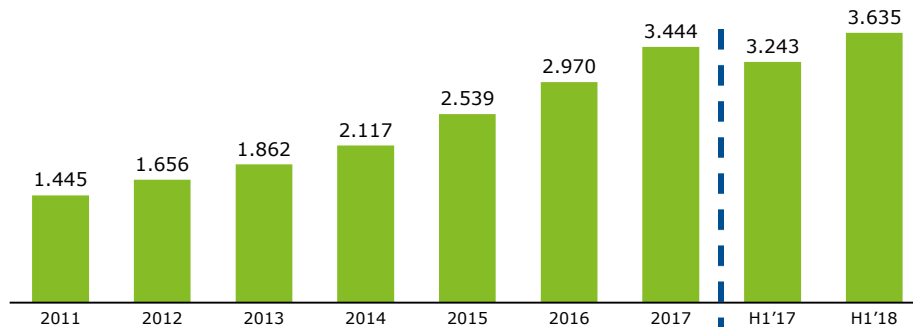
◆ Revenue drivers:

- ✓ Volume of trading in property rights
- ✓ Share of certificate categories in trade
- ✓ Number of register participants

Trading in property rights (TWh)



Number of participants of the Register of Certificates of Origin



<sup>1</sup> Share in GPW Group's revenue in Q2 2018

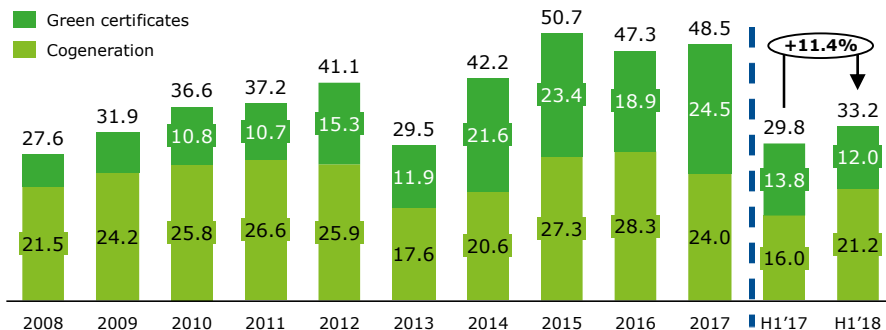
# Commodity Market: Register of Certificates of Origin



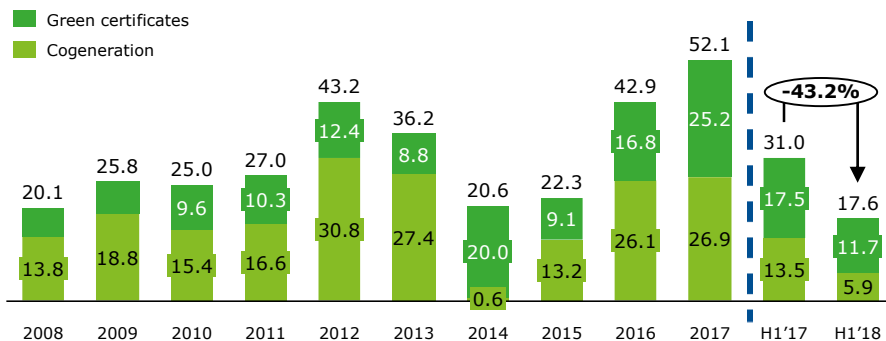
## Revenue drivers:

- ✓ Volume of issued property rights
- ✓ Volume of cancelled property rights

### Volume of issued property rights (TWh)



### Volume of cancelled property rights (TWh)



<sup>1</sup> Share in GPW Group's revenue in Q2 2018

## IR events

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### ♦ 8-12 October 2018

Erste Group Investor Conference 2018. Stegersbach in Austria

### ♦ 30 October 2018

Publication of Q3 2018 results

### ♦ 4-7 December 2018

Wood's Winter Wonderland. Emerging Europe Conference.  
Prague in the Czech Republic

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