



# PRESENTATION OF WSE GROUP RESULTS IN Q2 2013

JULY 2013



## Strengthening WSE's international position

- WSE's share in equities trading in CEE<sup>1</sup> in June was record-high at 65%
- Implementation of UTP in April 2013 and technical readiness to provide High Performance Access service
- Intensive sales activity abroad

## WSE Group reorganisation to achieve maximum synergies and strengthen competences

- Centralisation of WSE Group IT systems and improved IT security
- Change in the organization of work of WSE Group
- Changes on Management Boards of WSE Group companies

## Commodity market

- WSE InfoEngine – OTC platform and new services
- Obligation to trade in gas on the exchange as a driver of a growing gas market
- New initiative – agri-market

## Active collection of dividend

- PLN 43.3 mn in H1 2013 vs PLN 11.5 mn in 2012

## WSE Group financial results (PLN mn)

	Q2 2013	change YoY	H1 2013	change YoY
Revenue	64.6	-7.9%	143.9	7.4%
Operating expenses	44.0	12.0%	80.9	8.8%
Operating profit	20.7	-34.1%	63.7	-5.0%
Net profit	17.0	-36.5%	59.0	-2.0%
EBITDA <sup>2</sup>	31.4	-15.9%	82.8	1.5%

<sup>2</sup> EBITDA = operating profit + share of profit of associates + depreciation and amortisation

## WSE on the stock exchange<sup>3</sup>

Capitalisation	PLN 1.65 bn
Average daily turnover in Q2 2013	PLN 2.5 mn
Free float	64.7%
Turnover ratio <sup>4</sup>	36.5%
Dividend yield	2.0%
Dividend paid from 2012 profit	PLN 0.87/share

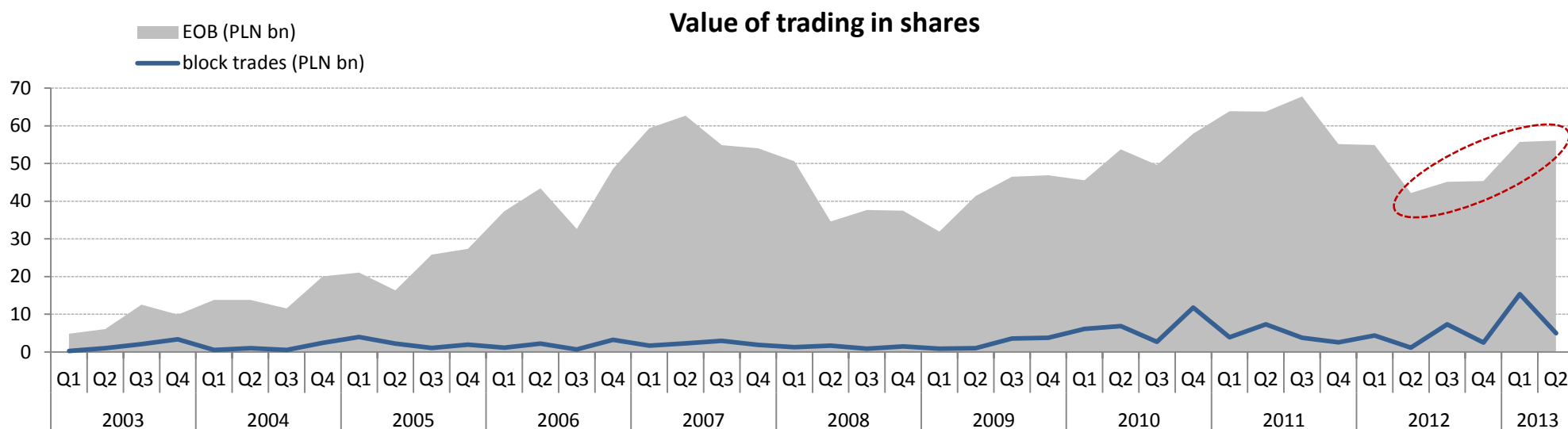
<sup>3</sup> As at 28.06.2013

<sup>4</sup> Annualised turnover in H1 2013 to capitalisation as at 28.06.2013

# Trading in Shares on Main Market



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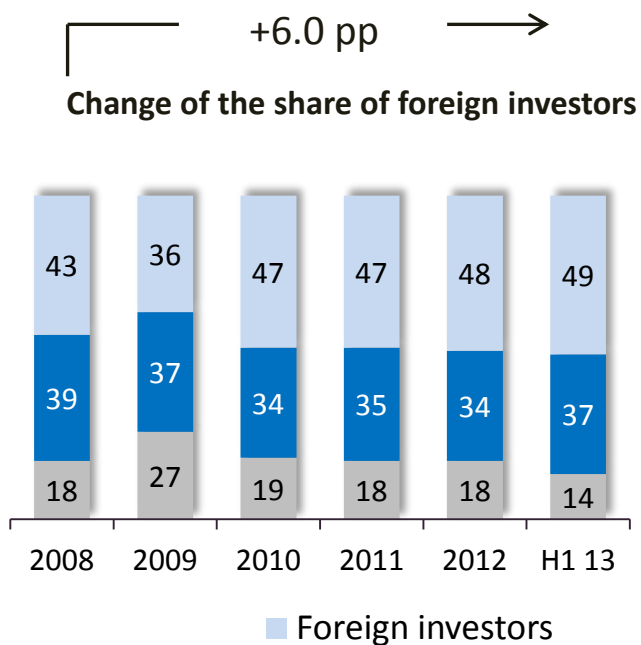
Free float increased by 4 pp (from 43% to 47%) year on year; the turnover ratio was 41.25% in Q2, i.e., 4.1 pp higher than in the year 2012.

Average transaction fee for session trades on the Main Market was 2.37 b.p. in H1 2013; the decrease compared to 2012 (2.54 b.p.) was mainly driven by a reduction of fees

[PLN mn]	Q2 2013	Q1 2013	change QoQ	Q2 2012	change YoY	H1 2013	H1 2012	change YoY
<b>Total trades</b>	61 063	71 093	-14.1%	43 323	40.9%	132 156	102 584	29%
<b>EOB</b>	56 070	55 725	0.6%	42 171	33.0%	111 795	97 063	15%
<b>Block trades</b>	4 993	15 369	-67.5%	1 151	333.8%	20 361	5 522	269%

# Share of investor in WSE trading<sup>1</sup>

## Equities, Main Market (%)



## Equities, NewConnect (%)

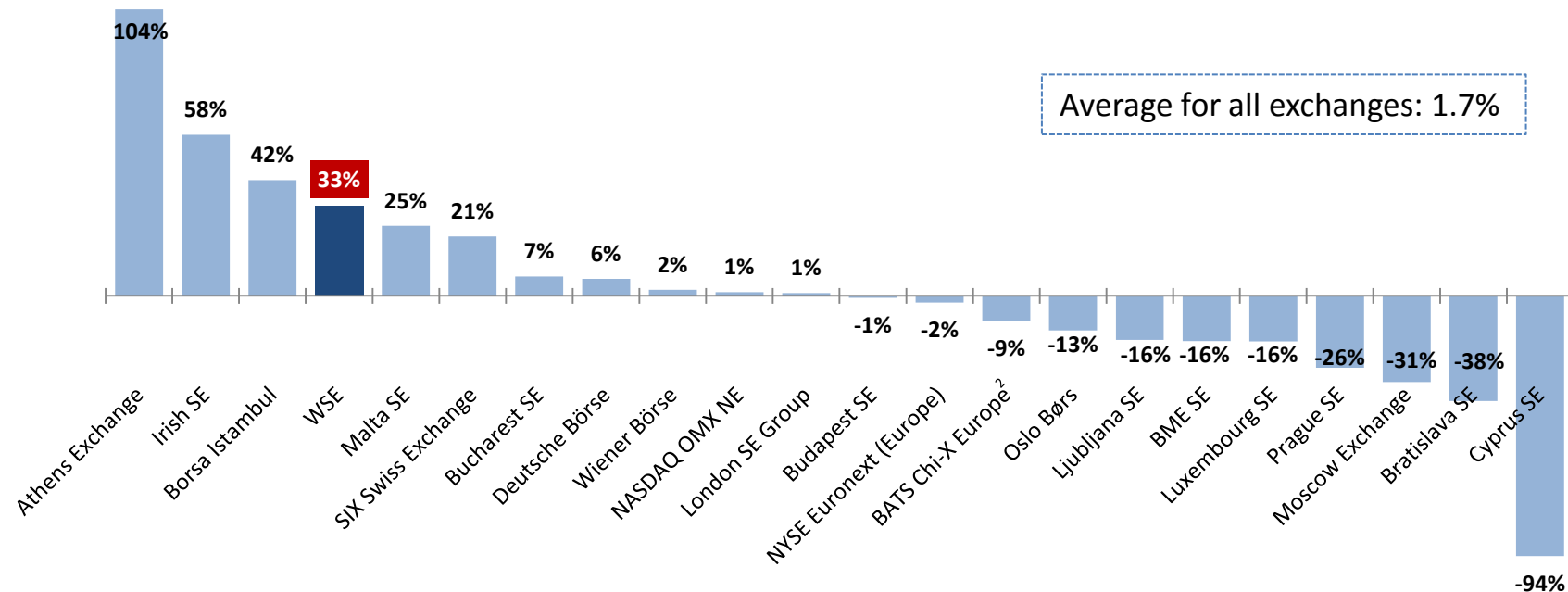


## Futures, (%)



🔗 Diversified base of market participants, a significant share of individual investors

## Growth rate of the value of trading on European exchanges, Q2 2013 v. Q2 2012<sup>1</sup>



- WSE was one of the most dynamically growing exchanges in Europe by the value of trading: the increase in equities trading on the WSE by 33% YoY in Q2 2013 was well above the average for European exchanges (1.7%)
- According to the IPO Watch Europe report, WSE ranked 2nd in Europe by the number of IPOs in H1 2013 (31 IPOs representing 26% of all IPOs in Europe) and 7th by the value of IPOs (EUR 325 mn)

<sup>1</sup> Source: WFE, FESE, WSE; session trades in local currency

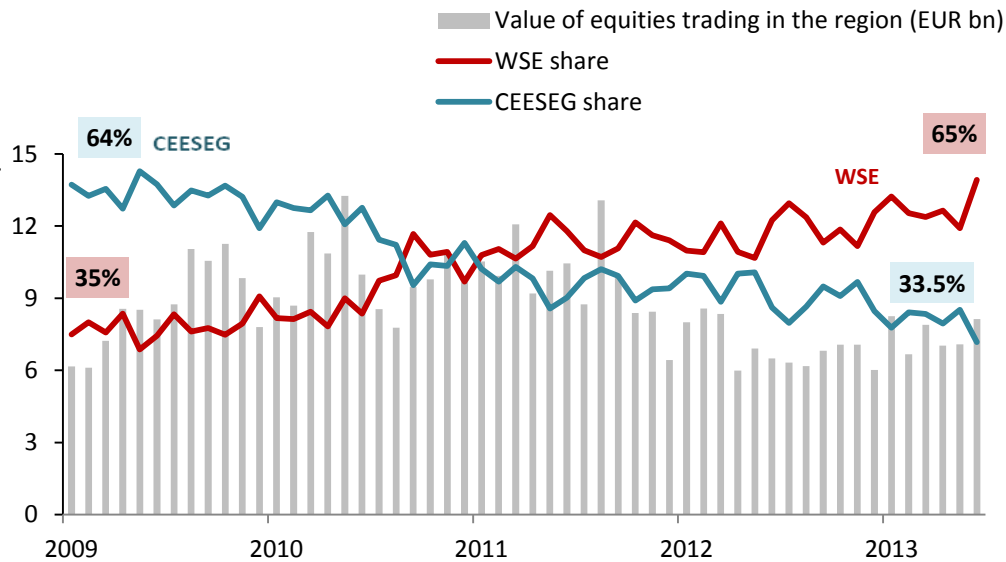
<sup>2</sup> Since 20.05.2013, BATS Chi-X Europe operates in Europe as a licensed exchange

# WSE's Position in CEE<sup>1</sup>



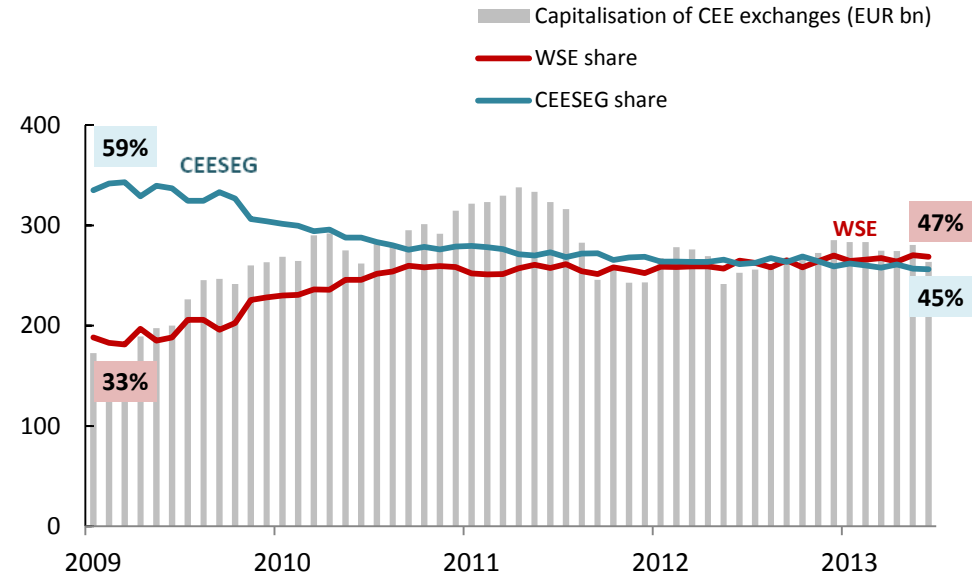
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## WSE's share in equities trading in CEE



Source: Thomson Reuters

## WSE's share in capitalisation in CEE<sup>2</sup>



Source: FESE

WSE strengthens its international position:

- 📌 June 2013 – WSE's historically highest share in trading in shares in CEE<sup>1</sup> – 65% (Q2 – 60%)
- 📌 WSE's 47 percent share in CEE by capitalisation of domestic companies<sup>2</sup>

<sup>1</sup> Including: WSE, CEESEG Group, Bulgarian and Romanian stock exchanges

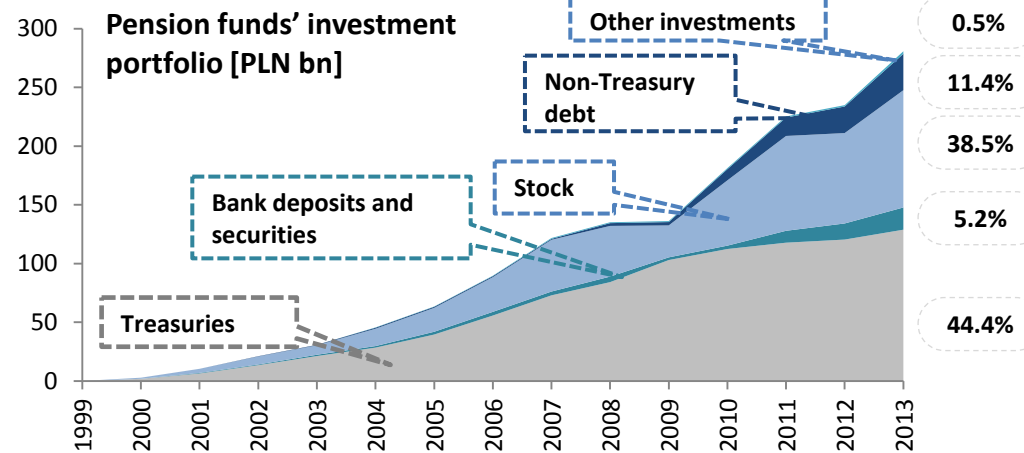
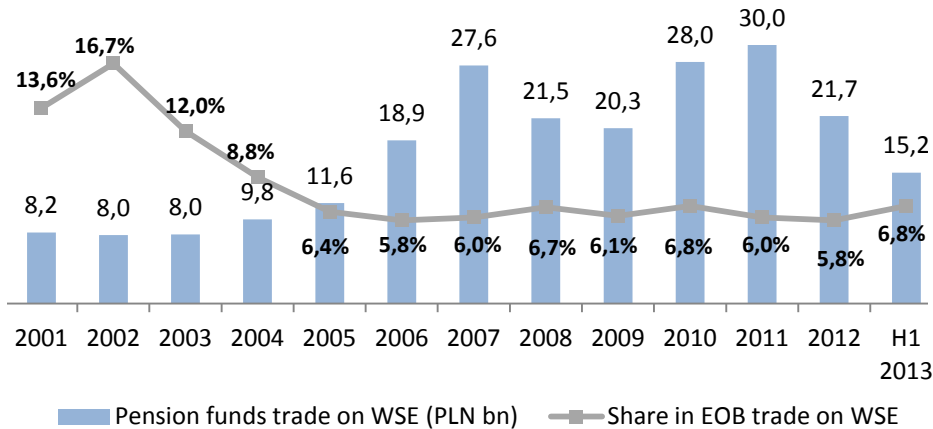
<sup>2</sup> Domestic capitalisation according to FESE's definition, i.e., domestic and foreign single-listed companies

# Pension Funds on the Stock Market



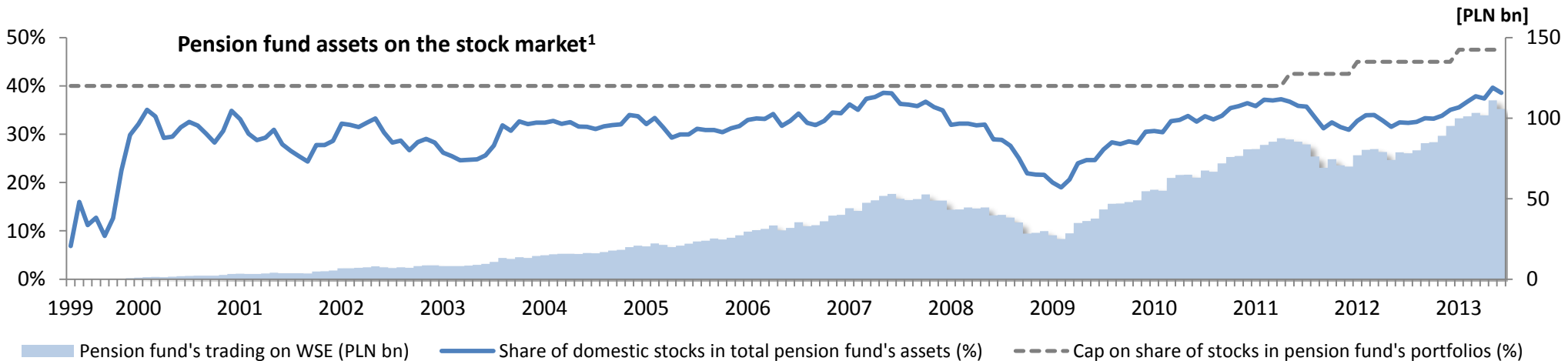
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**Pension fund's shares in EOB in WSE**



- Since 2005, pension funds' share in session trade on the WSE is around 6%.
- Pension funds' growing share in the capitalisation of domestic companies and free float (19.4% and 41.0%, respectively, at the end of June)

**Pension fund assets on the stock market<sup>1</sup>**



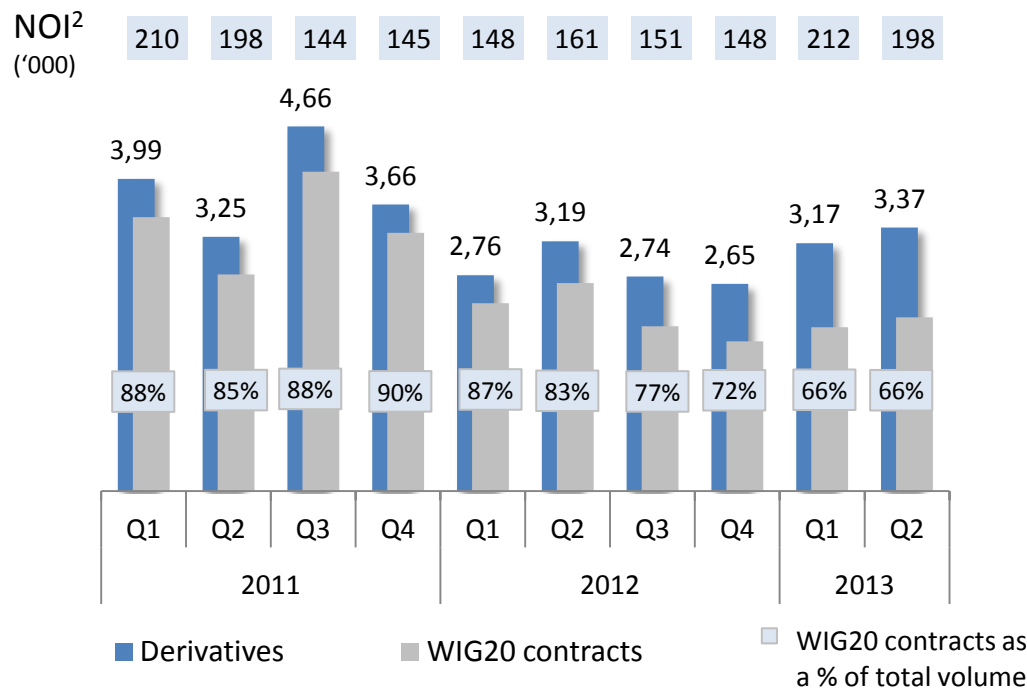
<sup>1</sup> Source: PFSA



# Trading in Derivatives on WSE



**Volume of trading in derivatives  
(by quarter, mn instruments)<sup>1</sup>**



- Volume of trading in options increased by 19.7% v. Q1 2013 and by 43.8% v. Q2 2012
- Volume of trading in WIG20 contracts increased by 6.2% v. Q1 2013 and decreased by 16.4% v. Q2 2012

## In H2 2013:

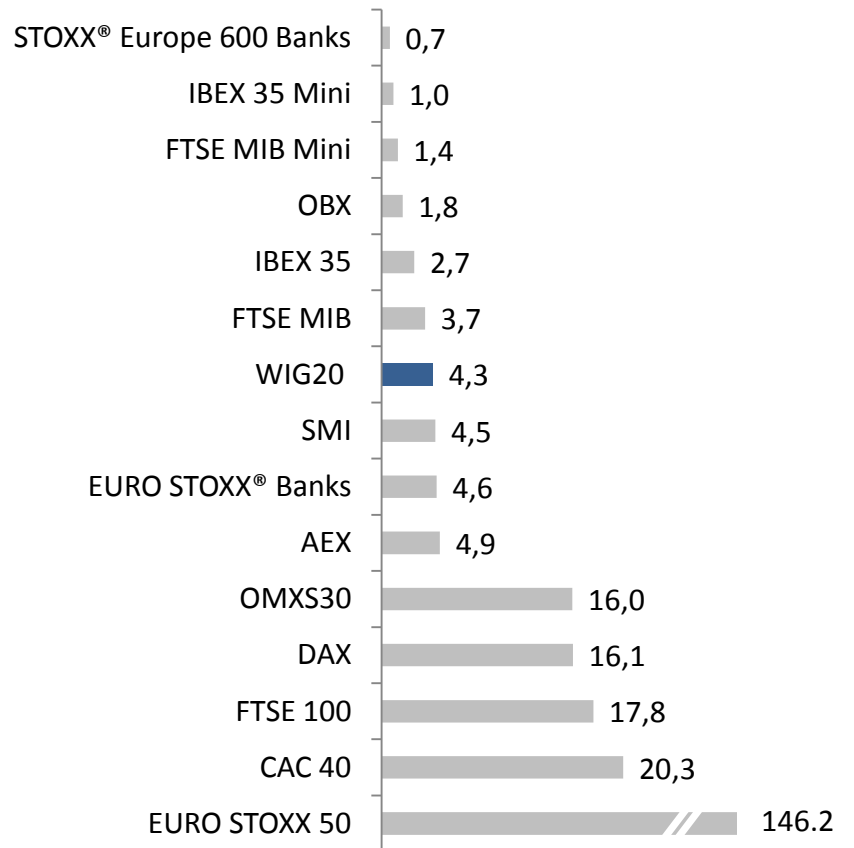
- Introduction of stock options
- Introduction of T-bond and WIBOR derivatives

<sup>1</sup> Since 1 May 2012, the volume of trading in currency futures is calculated on the basis of a trading unit of 1,000 (previously 10,000). Consequently, the total volume of trading in derivatives in Q2 2012 and subsequent quarters is not fully comparable to earlier periods

<sup>2</sup> Number of open interest in aggregate in futures, options and index participation units

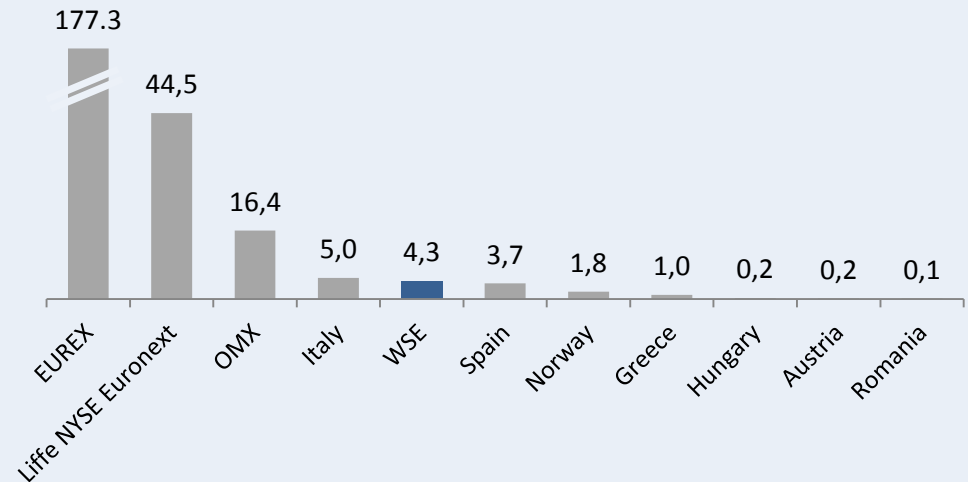
# Volume of Trading in Contracts in Europe

## Volume of trading in futures contracts for indices in Europe (H1 2013, mn contracts)



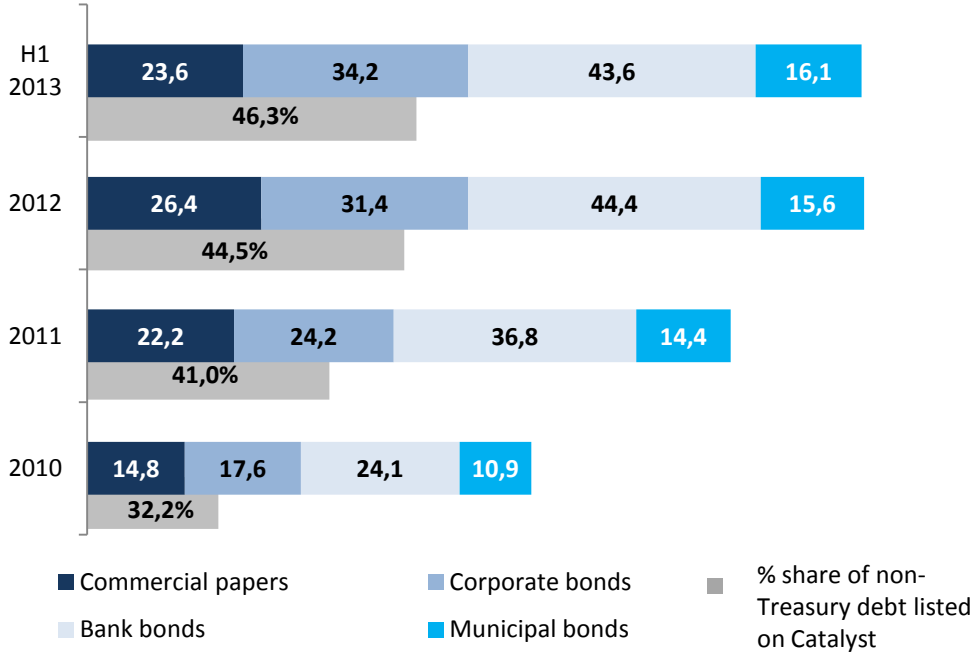
- WSE remained Europe's #5 by volume of trading in index futures
- WIG20 futures rank #9 by the volume of trading among all index futures in Europe

## Volume of trading in index futures (H1 2013, mn contracts)<sup>1</sup>

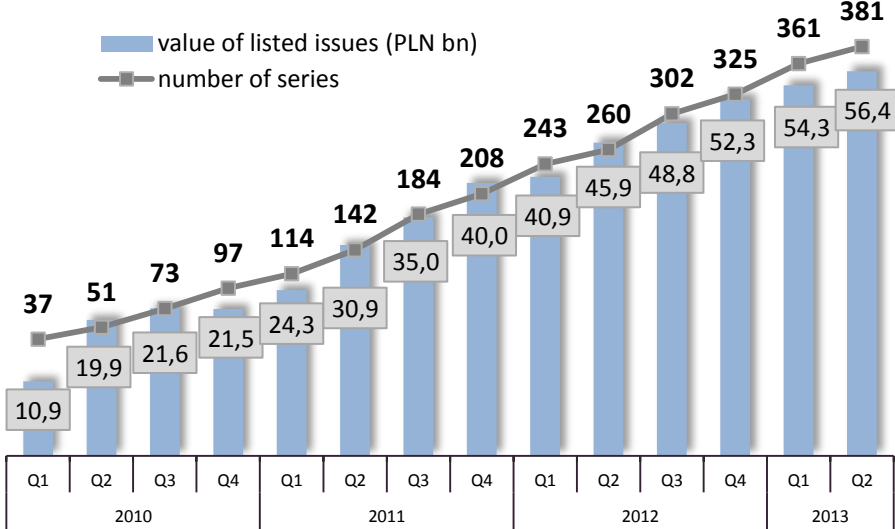


# Non-Treasury Bond Market – Catalyst

**Growth of Poland’s non-Treasury debt market**  
(value of issue at the end of a period, PLN bn)



**Catalyst (non-Treasury debt)**



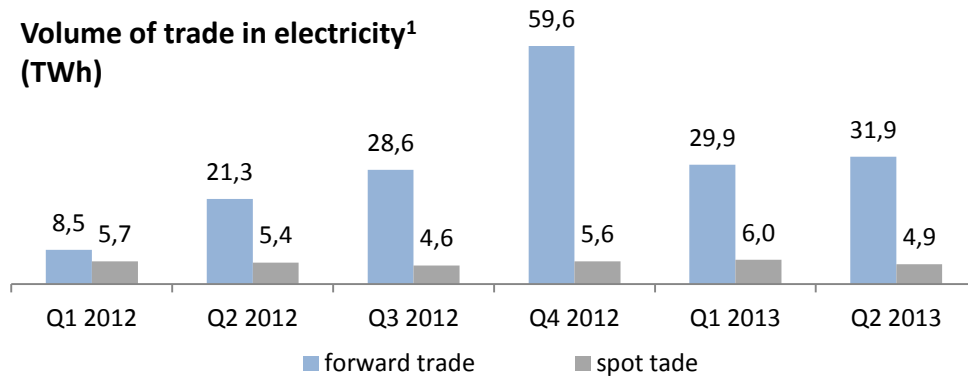
- Steady growth of the value of issues of non-Treasury bonds listed on Catalyst
  - Value of issues listed on Catalyst increased in the last 3 years by 42% per year
  - The number of issues on non-Treasury bonds increased by 95% per year
  - 46.3% of the value of non-Treasury bonds issued in Poland listed on Catalyst

# Commodity Market



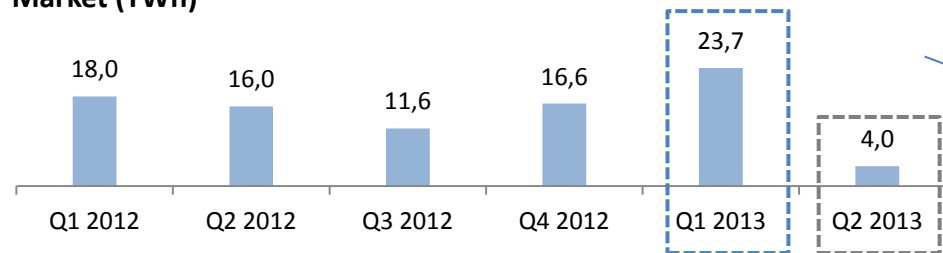
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Volume of trade in electricity<sup>1</sup>  
(TWh)



❖ Total volume of spot and forward trade in electricity was 36.8 TWh in Q2 (increase of 2.3% QoQ and 37.7% YoY)

Volume of trade in property rights – Property Rights Market (TWh)



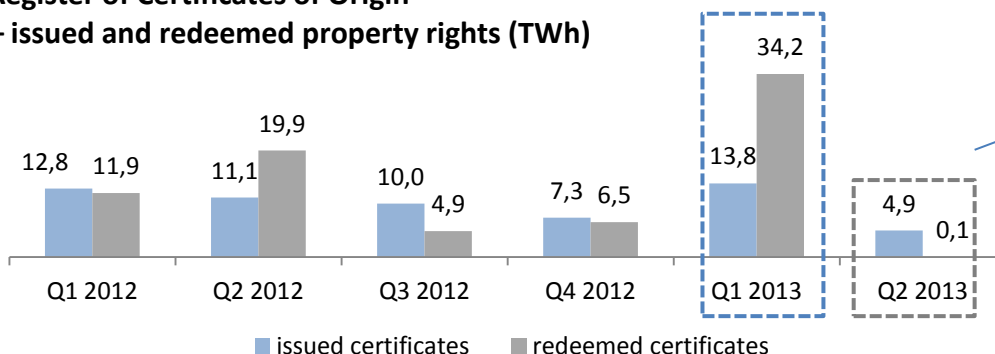
❖ Volume of trading in property rights and volume of issued and cancelled property rights decreased:

❖ due to expiration of support for production of electricity from high-efficiency cogeneration (yellow and red certificates of origin) at the end of Q1 2013

❖ compared to record-high volume in Q1 2013

❖ Legislative efforts underway to re-instate support for electricity

Register of Certificates of Origin  
– issued and redeemed property rights (TWh)

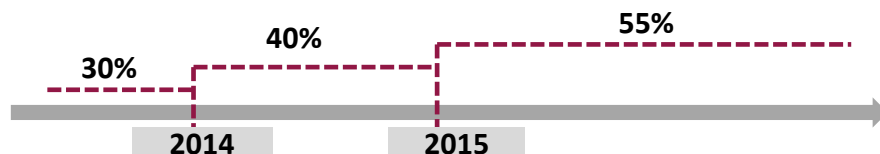


<sup>1</sup> Figures until the end of Q1 2013 include trade in electricity on WSE Energy Market poee. Trade in electricity is centralised within PolPX as of Q2 2013.

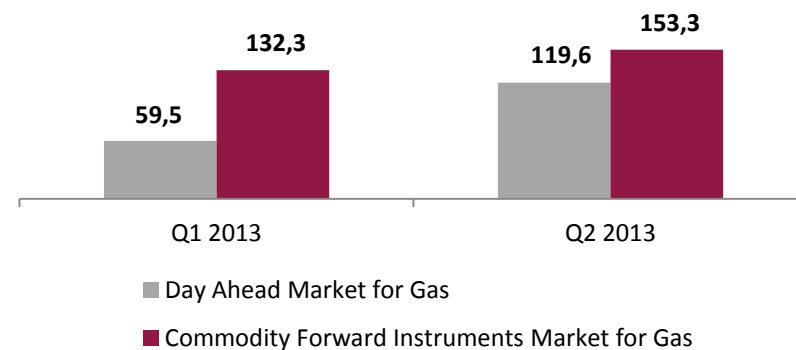
## Gas market:

- ⚙ Total volume of all trade on the gas market in H1 2013: 464.6 GWh
- ⚙ Obligation to trade in gas on the exchange as a driver of a growing gas market
- ⚙ Consumption of natural gas in Poland in 2012: 15.8 bn m<sup>3</sup>, i.e., ca. 173.4 TWh
- ⚙ 'Small energy legislation tri-pack' opens the door for entities other than commodity brokers to participate directly in the gas market

## Upward path for the obligation to trade in gas on the exchange<sup>1</sup>



## Volume of trading on the PolPX gas market (GWh)



<sup>1</sup> under the law passed by the Sejm on 26 July 2013

## Commodity financial derivatives market

- ❖ Efforts to open a market of financial derivatives (i.e., without physical delivery) with commodities as the underlying instrument
  - ❖ underlying: power and gas
  - ❖ scheduled opening date: H1 2014 (subject to PolPX obtaining a licence to operate a regulated market)

## Changes to the core business of WSE InfoEngine SA

- ❖ Leveraging WSE Group's available infrastructure and resources to supplement and expand the range of Group's services:
  - ❖ Operating a platform of trading in commodities with physical delivery (OTC) for coal, power, biomass and LPG
  - ❖ Signed contract for implementation of the Trayport Exchange Trading System (ETS)
  - ❖ Services for end users of energy and energy companies: trade balancing and trade operator, IT services
  - ❖ Experienced managers: long-time CEO of PolPX Grzegorz Onichimowski appointed CEO of WSE InfoEngine

## Opening an agri market



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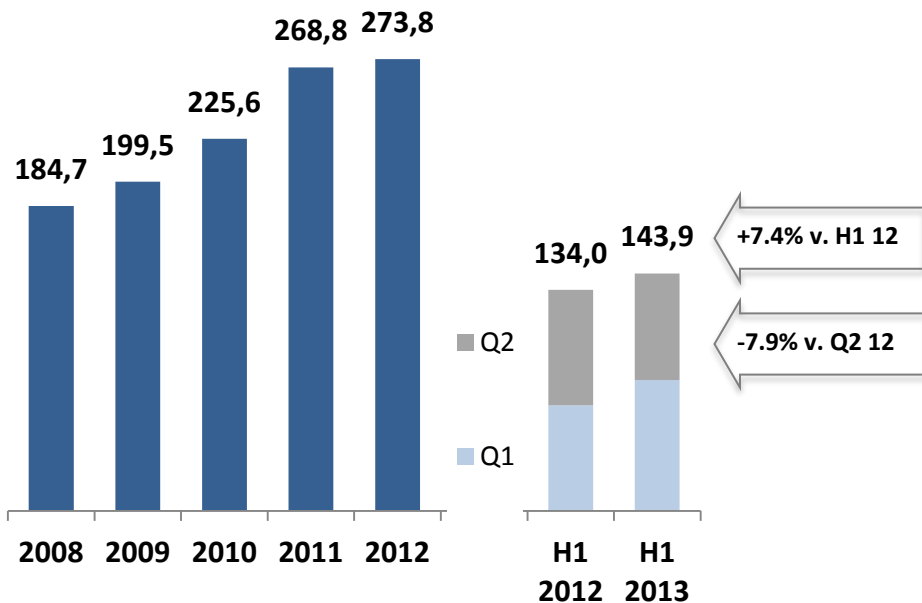
# WSE Group Financials



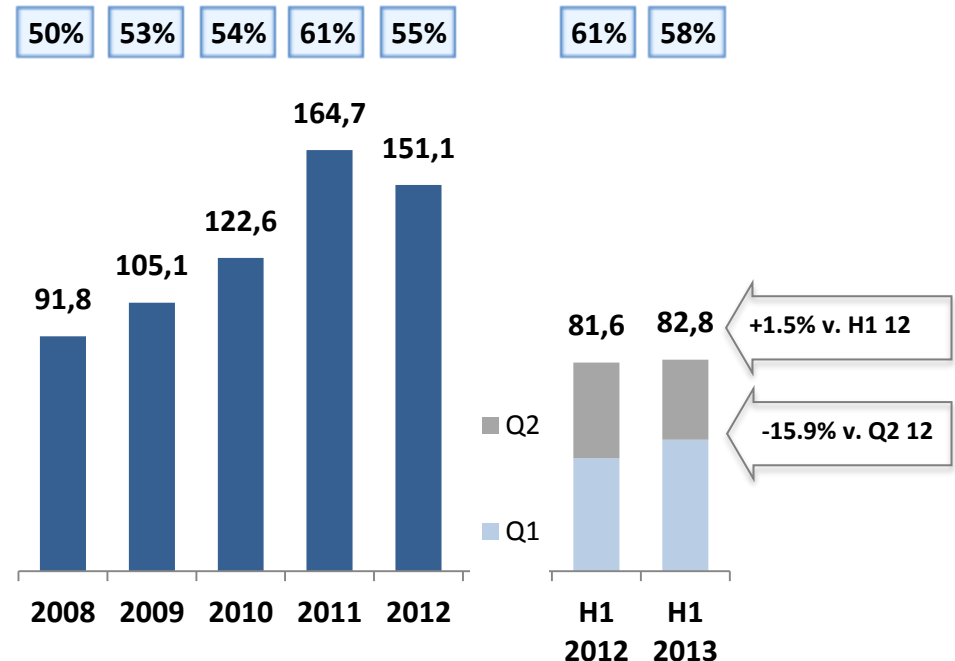
# Revenue and EBITDA in the Uptrend

- Revenue and EBITDA increased by 7.4% and 1.5% (YoY) respectively in H1 2013
- Stability on the financial market, seasonal decrease in revenue on the commodity market in Q2
- Acquisition of PolPX added significant seasonality to WSE Group results
- Operating profit in Q2 2013: PLN 20.7 mn (-34.1% YoY and -52.0% QoQ); net profit: PLN 17.0 mn (-36.5% YoY and -59.6% QoQ);

Revenue [PLN mn]



EBITDA<sup>1</sup> [PLN mn] and EBITDA margin [%]



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



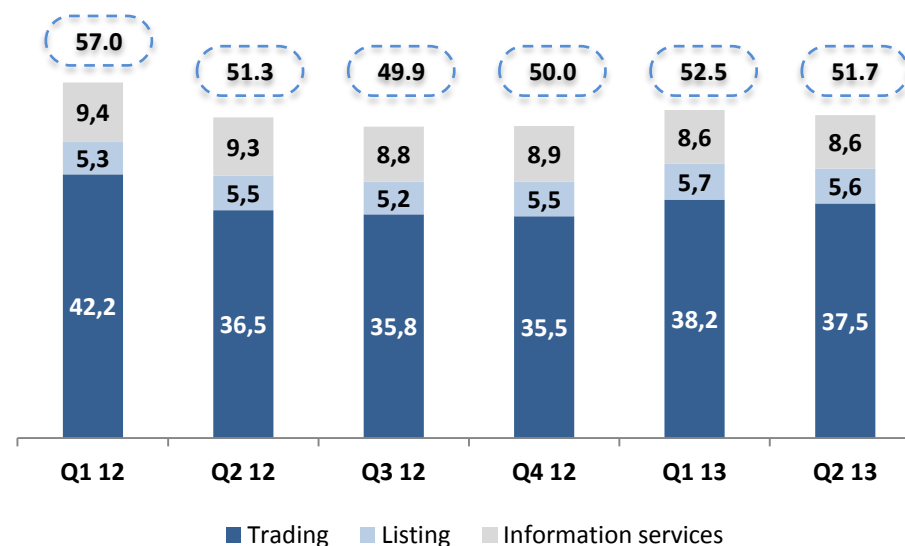
# Revenue from the Financial Market



[PLN'000]	Q2 2013	Q2 2012	YoY	H1 2013	H1 2012	YoY
<b>Financial market</b>	<b>51 701</b>	<b>51 341</b>	<b>0.7%</b>	<b>104 220</b>	<b>108 299</b>	<b>-3.8%</b>
Trading, including:	37 543	36 504	<b>2.8%</b>	75 726	78 741	<b>-3.8%</b>
<i>Shares</i>	26 946	23 462	14.9%	54 789	52 838	3.7%
<i>Derivatives</i>	5 624	7 703	-27.0%	10 967	14 958	-26.7%
<i>Bonds</i>	3 486	3 566	-2.2%	6 923	7 343	-5.7%
<i>Other<sup>1</sup></i>	1 487	1 773	-16.1%	3 046	3 602	-15.4%
Listing	5 588	5 541	<b>0.8%</b>	11 325	10 830	<b>4.6%</b>
Information services	8 570	9 296	<b>-7.8%</b>	17 169	18 728	<b>-8.3%</b>

- Revenue on the financial market decreased by 1.6% QoQ and increased by 0.7% YoY in Q2 2013
- The revenue structure remained largely unchanged in the last 6 quarters
- The main driver of the revenue on the financial market is trading revenue (it depends on equities and derivatives market trends)

Structure of revenue from the financial market [PLN mn]



<sup>1</sup> Fees paid by exchange members and other cash market instruments

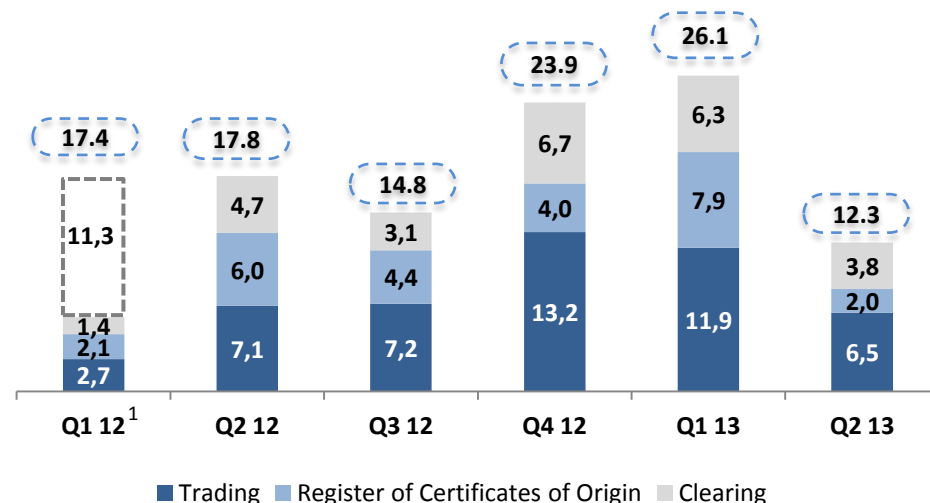
# Revenue from the Commodity Market



[PLN'000]	Q2 2013	Q2 2012	YoY	H1 2013	H1 2012 <sup>1</sup>	YoY
<b>Commodity market</b>	<b>12 307</b>	<b>17 812</b>	<b>-30.9%</b>	<b>38 437</b>	<b>23 947</b>	<b>60.5%</b>
Trading:	6 501	7 083	-8.2%	18 389	9 762	88.4%
<i>Electricity</i>	2 634	2 274	15.8%	5 709	3 010	89.7%
<i>Natural gas</i>	15	-	-	22	-	-
<i>Property rights</i>	2 165	3 138	-31.0%	9 335	4 342	115.0%
<i>Other</i>	1 687	1 671	1.0%	3 323	2 410	37.9%
Register of Certificates of Origin	1 977	6 017	-67.1%	9 874	8 083	22.2%
Clearing	3 829	4 712	-18.7%	10 174	6 102	66.7%

- Decrease in revenue from the commodity market in Q2 2013 due to seasonality and expiration of support for electricity from high-efficiency cogeneration
- Significant part of certificates of origin were cancelled late in 2012; as a result, some revenue from the Register of Certificates of Origin was delayed from Q1 to Q2 2102
- Revenue of PolPX Group increased by 9,2% YoY in H1 2013

Structure of revenue on the commodity market [PLN mn]

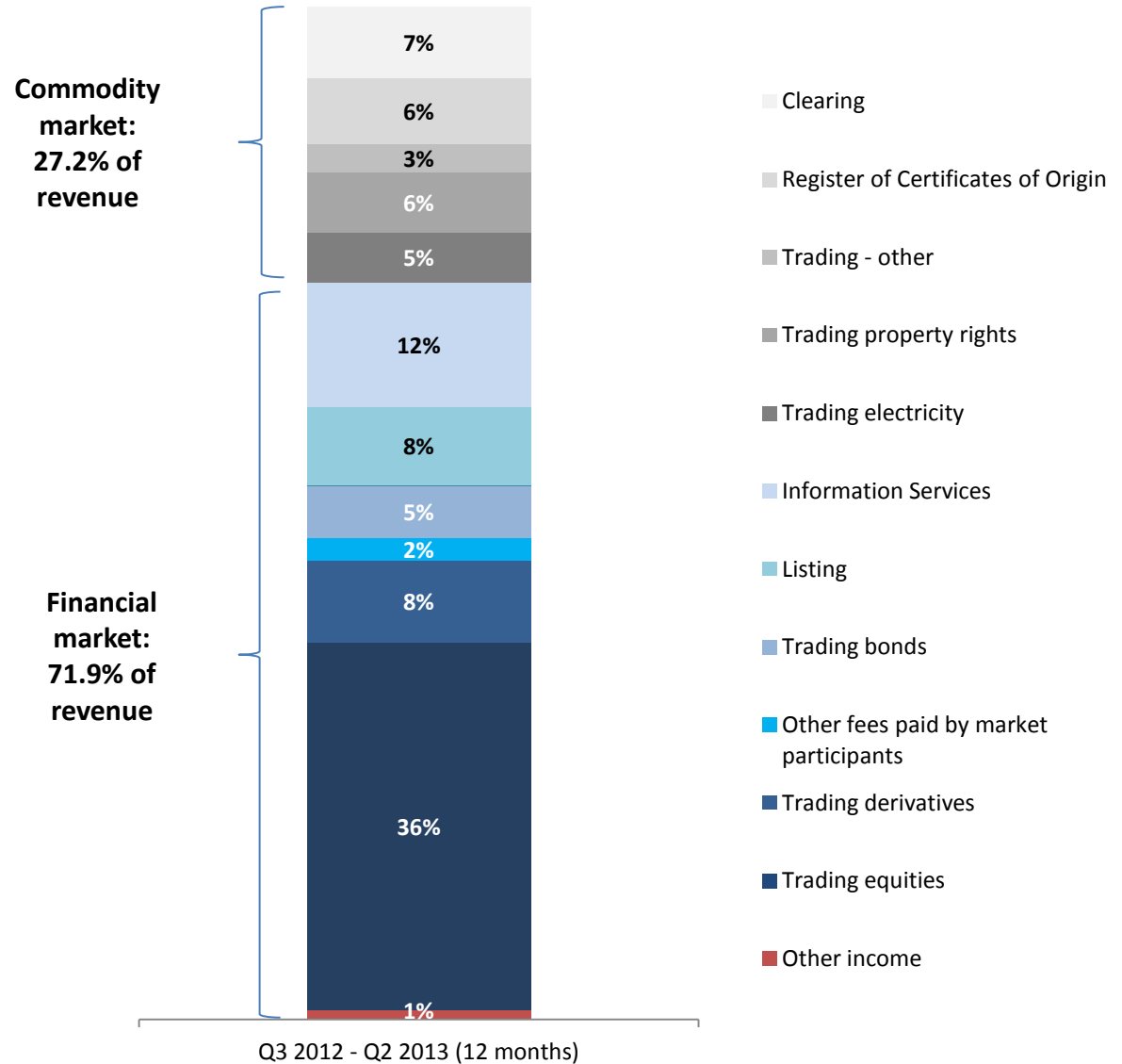


■ Trading ■ Register of Certificates of Origin ■ Clearing  
 □ Revenue of PolPX Group in January and February 2012 – not consolidated with WSE Group

<sup>1</sup> Consolidation of PolPX results with WSE Group results started in March 2012

# Structure of WSE Group Revenue

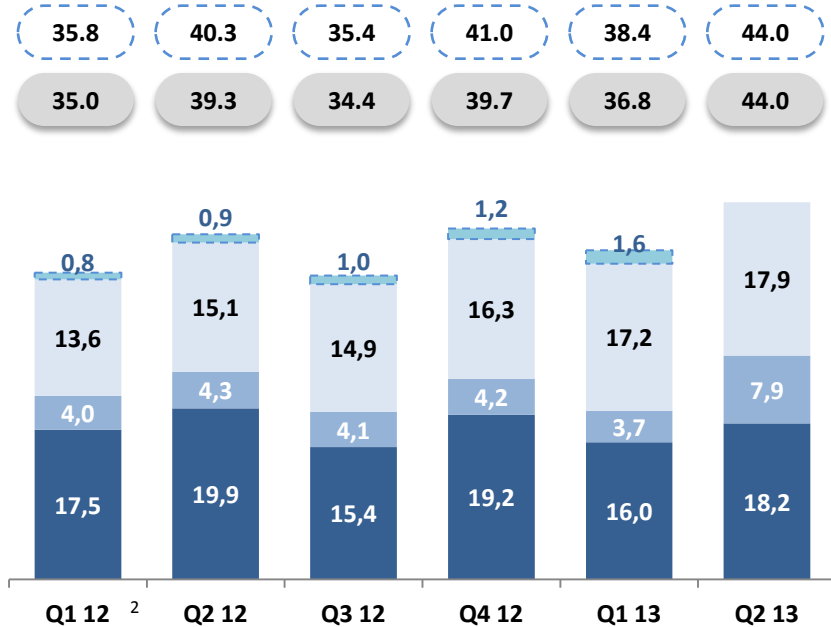
- Acquisition of PolPX in February 2012 ensured significant diversification of revenue sources
- In the last 4 quarters (Q3 2012 – Q2 2013), revenue from trading in equities represented 36.3% of WSE Group revenue; revenue in the period was PLN 283.7 mn
- In 2010 – 2011, with average annual revenue at PLN 247.2 mn, revenue from trading in equities represented 52.3%





# Increase in Operating Expenses

Operating expenses (PLN mn)<sup>1</sup>

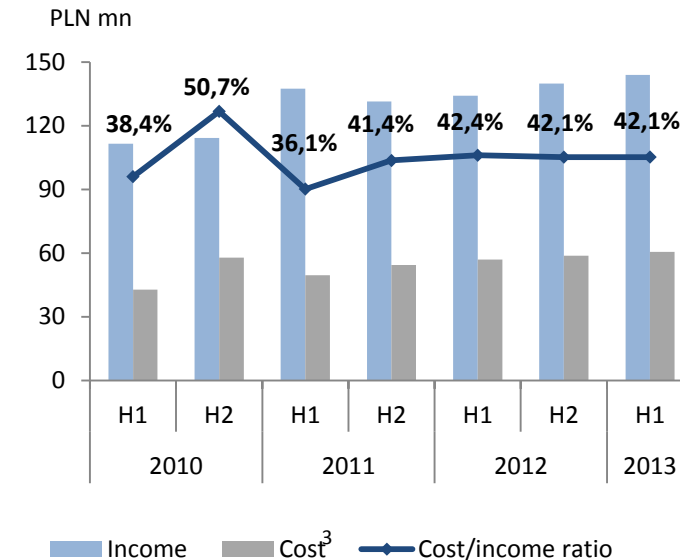


→ total expenses actually incurred (including UTP expenditure)<sup>1</sup>

→ total expenses on accounting basis (as per financial statements)

- Capitalised UTP expenditure<sup>1</sup>
- Salaries and other employee cost
- Amortisation and depreciation
- Other cost

Cost/Income ratio<sup>3</sup>



- 🔗 Amortisation of UTP started in Q2 2013 (ca. PLN 1.4 mn per month)
- 🔗 Amortisation of Warset ended in Q4 2012, hence lower amortisation in Q1 2013
- 🔗 Additional employee cost in Q1 2013 (PLN 1.6 mn – no-compete; PLN 0.5 mn – termination benefits and equivalent)
- 🔗 Additional employee cost in Q2 2013 (PLN 1.4 mn – increase in annual bonus provisions; UTP expenditure no longer capitalised in Q1 2013 – employee cost was a large part)

<sup>1</sup> Capitalisation of UTP expenditure was not recognised under operating expenses but shown as the initial value of intangible assets, amortised as of April 2013

<sup>2</sup> WSE Group consolidates PolPX Group results as of March 2012

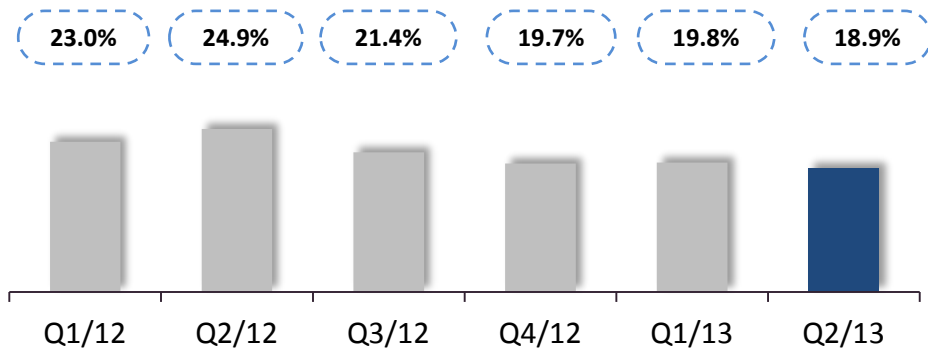
<sup>3</sup> Cost net of amortisation and fees paid by WSE to PFSA

# Profitability Measures

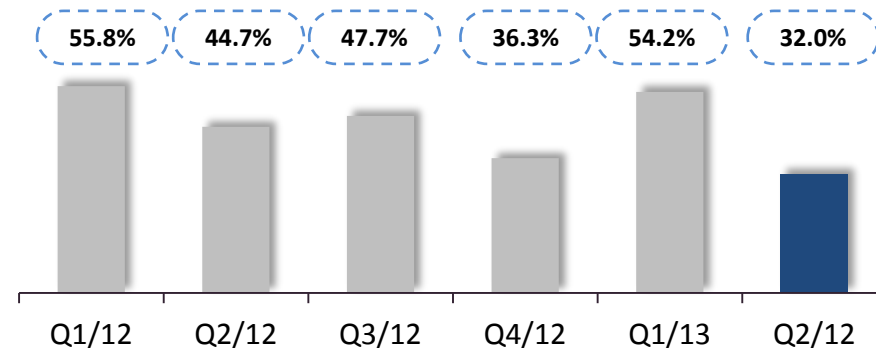


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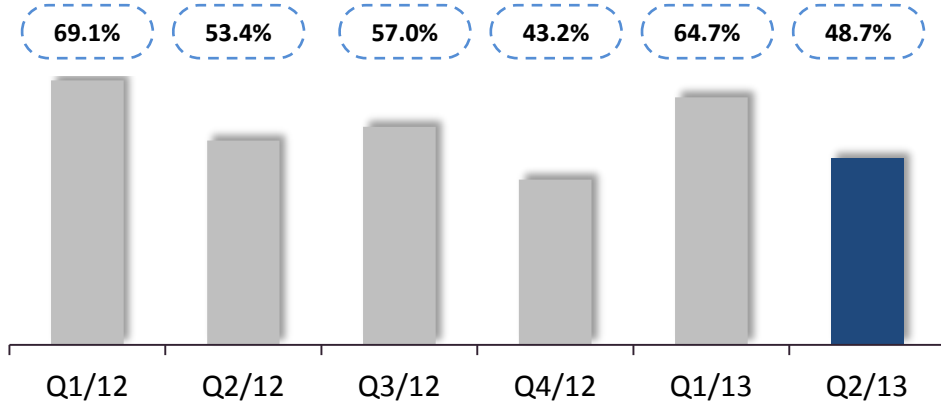
## Return on equity (ROE) <sup>1</sup>



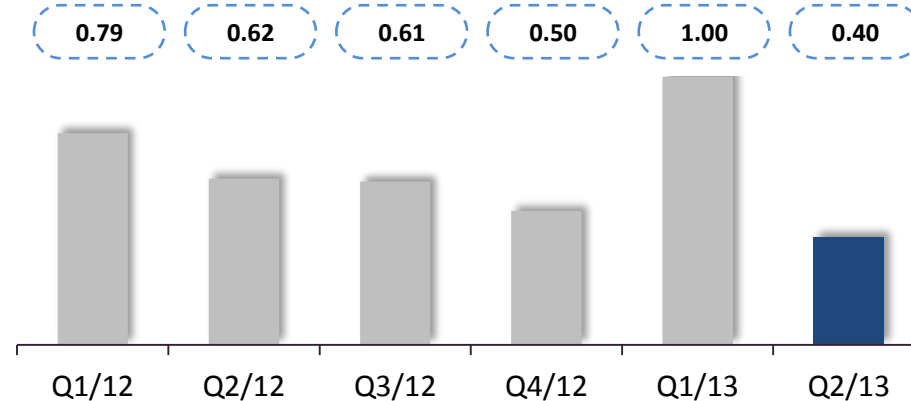
## Operating profit margin



## EBITDA margin<sup>2</sup>



## EPS [PLN]



<sup>1</sup> Net profit for the last 12 months / average equity at the beginning and at the end of the last 12 months

<sup>2</sup> EBITDA = EBIT + share of profit of associates + depreciation and amortisation

## Dividends received in H1 2013:

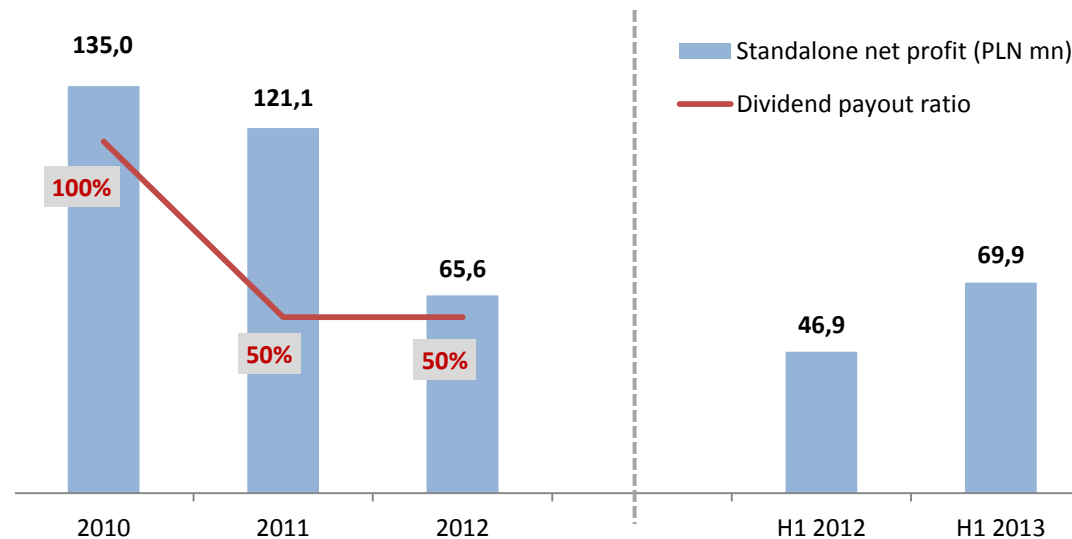
- *PolPX: PLN 33.9 mn*
- *BondSpot: PLN 5.1 mn*
- *KDPW: PLN 3.7 mn*
- *CG: PLN 0.5 mn*

## Dividends received in H1 2012:

- *KDPW: PLN 7.1 mn*
- *BondSpot: PLN 4.4 mn*

- Dividend for 2012 at PLN 32.7 mn (PLN 0.78 per share) paid in July 2013
- Dividends from subsidiaries improves WSE separate net profit which is the basis for dividend payout at 30-50% according to the dividend policy
- Dividends are eliminated in the consolidation process (positive impact onto standalone profit)

**WSE standalone net profit and dividend payout ratio**



# WSE Group Balance Sheet



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PLN'000	30.06.2013	31.03.2013	30.06.2012
<b>Non-current assets, including:</b>	<b>568 880</b>	<b>579 151</b>	<b>516 251</b>
Plant and property	128 000	131 182	134 649
Intangible assets	268 372	271 026	213 649
Investment in associates	154 050	155 071	147 045
<b>Current assets, including:</b>	<b>506 026</b>	<b>473 336</b>	<b>499 153</b>
Trade and other receivables	40 555	50 194	95 618
Available-for-sale financial assets	428	272	58 254
Cash and cash equivalents	460 897	420 093	344 892
<b>Total assets</b>	<b>1 074 906</b>	<b>1 052 486</b>	<b>1 015 404</b>
<b>Equity</b>	<b>584 102</b>	<b>600 756</b>	<b>525 409</b>
<b>Non-current liabilities, including:</b>	<b>247 950</b>	<b>247 889</b>	<b>250 213</b>
Liabilities under bond issue	243 387	243 272	245 000
<b>Current liabilities, including:</b>	<b>242 854</b>	<b>203 841</b>	<b>239 782</b>
Trade payables	3 516	8 924	11 533
Corporate income tax liabilities	298	1 705	1 751
Other liabilities and provisions	227 043	182 611	218 704
Employee benefits payable	11 997	10 601	7 794
<b>Total equity and liabilities</b>	<b>1 074 906</b>	<b>1 052 486</b>	<b>1 015 404</b>

- Intangible assets increased as a result of UTP implementation
- 'Cash' includes assets of the WCCH settlement guarantee system (restricted cash) at PLN 153.7 mn; reflected in other liabilities.
- Equity decreased in Q2, reflecting the planned WSE dividend payout (moved from equity to dividend payable)
- WSE Group's non-current liabilities mainly include WSE liabilities under bond issue

## WSE IR Events

**30 October 2013, Wednesday**

Q3 2013 results

**31 December 2013, Tuesday**

Interest payment on WSE bonds for the 4th interest period

## WSE Investor Relations

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## Warsaw Stock Exchange

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