

WSE GROUP FINANCIAL RESULTS

Q4 2014

24 FEBRUARY 2015



Introduction

Paweł Tamborski, President of the WSE Management Board

In 2014, We Reinforced WSE Group's Foundations...



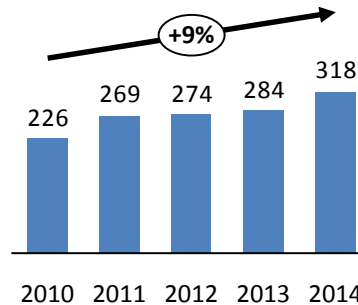
Our activities in 2014 ...

- ⚙️ We have updated the strategy WSE.2020 – **we focus on organic growth**
- ⚙️ We invest in commodity market development – **strong driver of WSE Group growth**
- ⚙️ We are implementing a savings programme **so we can efficiently react to changes in the market environment**

... were aimed at strengthening the foundations of further growth of revenue and profitability

Dynamic growth of revenue

PLN mn



2014	Q4 2014
PLN 317.6 mn +11.9%	PLN 83.9 mn +18.5% YoY



Sales revenue

2014	Q4 2014
PLN 164.1 mn +13.7%	PLN 40.7 mn +21.0% YoY



EBITDA¹

2014
57.2%
-1.4 p.p.



Cost/income

2014	Q4 2014
PLN 112.3 mn -1.1%	PLN 24.3 mn -14.9% YoY



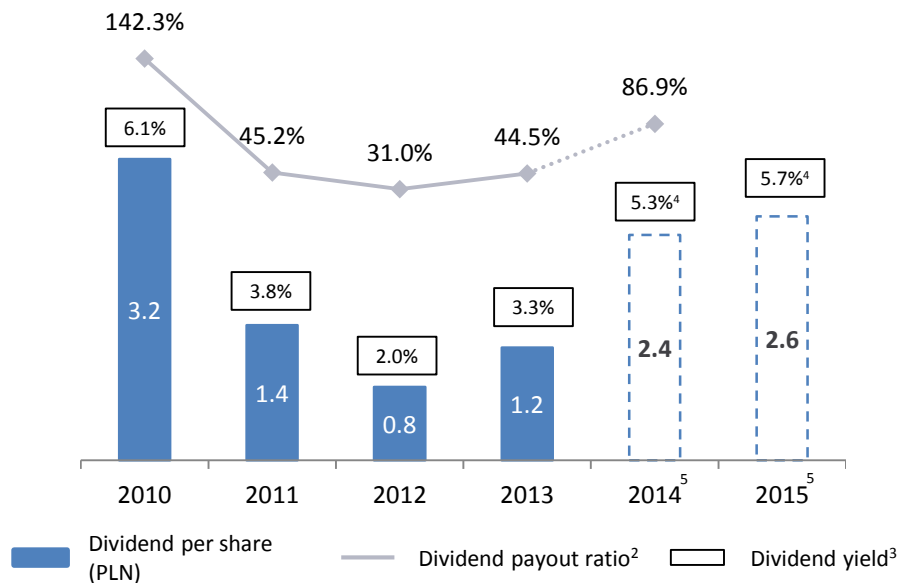
Net profit

¹ operating profit + depreciation and amortisation (net of associates)

... We Increased Projected Dividend Payout to Shareholders...



Dividend paid¹ and intended dividend payout in coming years



Our dividend policy provides for:

- 🔗 **payment of PLN 2.4** per share of dividend from **2014** profit
- 🔗 **payment of PLN 2.6** per share of dividend from **2015** profit
- 🔗 a dividend payout ratio **above 60%** of consolidated profit

¹ by financial year for which dividend is paid; ² based on consolidated profit; ³ based on the stock price as at the ex-dividend date
⁴ own calculations based on WIG20 rate at the end of 2014, transaction fee for a contract PLN 1,6 and for shares 0,033% + PLN 0,2

... And We Prepared for the Busy Year 2015



We optimise and integrate the WSE Group

- We create a shared services centre
- We reduce investments in smaller companies

We improve cost efficiency

- We reduce office space
- We renegotiate deals with contractors
- We optimise our resources

We develop the product offer

- We launch commodity futures
- We focus on pro-sales initiatives

Outlook 2015

We are strongly determined by:

regulation

macroeconomic environment

geopolitics



Situation on the Financial Market in 2014

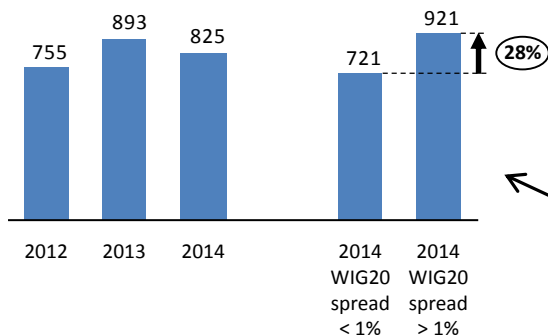
Paweł Tamborski, President of the WSE Management Board

Leaving the Years-Long Lateral Trend Is Key to Growing Turnover in Equities and Derivatives



Average turnover in shares per session

PLN mn



⚡ No stimuli for the equity market to leave the lateral trend

- annual spread of WIG20 values at 12% in 2014 v. 19% in 2013 and 35% on average in 2004-2013

⚡ Further decrease of volatility of stock prices

- record-low volatility of WIG20 in 2014 at 14.8% v. 17.6% in 2013
- record-low number of sessions with a daily spread of WIG20 >1% (129 sessions v. 160 in 2013 and 201 on average in 2004-2013)

In 2014 we observed a record-low annual spread of WIG20 values²

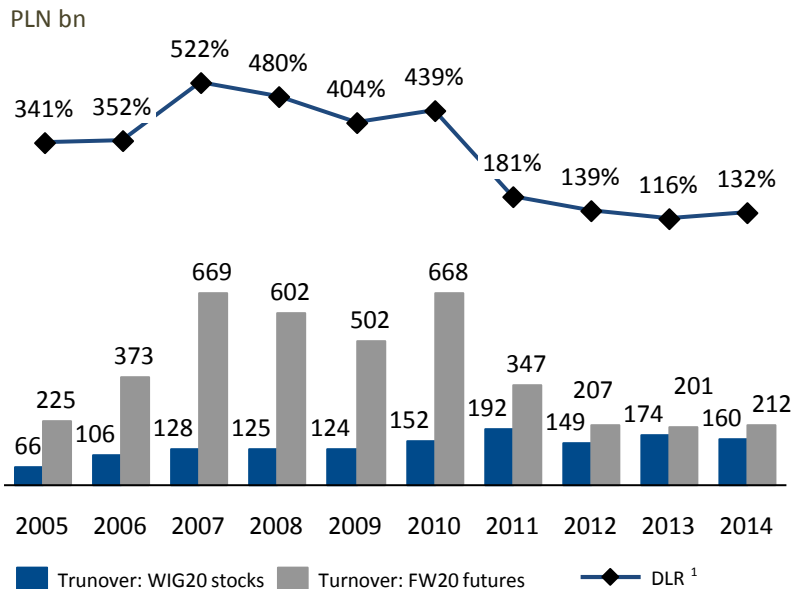


¹ Electronic Order Book; excluding block trades; ² understood as: $(\text{annual max-min}) / ((\text{annual max} + \text{min}) / 2)$
Source: WSE

Increased Volatility and Restored Interest of Retail Investors Are Key to Improved Liquidity of WIG20 Futures



High volatility and risks in 2007-2010 triggered a boom in WIG20 futures



We have made WIG20 futures parameters more attractive

multiplier of PLN 20
(formerly PLN 10)



transaction fees²

FW20 futures	v. WIG20 portfolio	down by:
Dec.2013: 0.70 bps	3.35 bps	79%
Dec.2014: 0.35 bps	3.35 bps	90%
-50%		

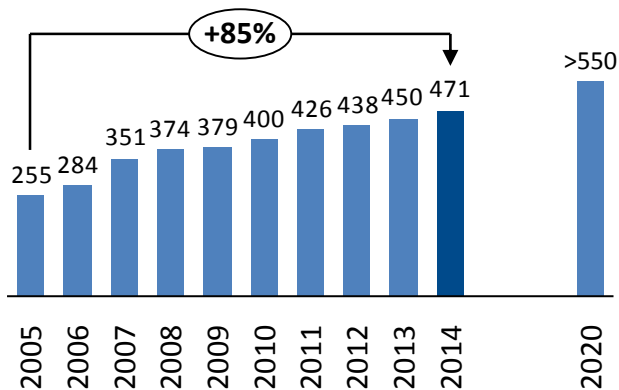
We are planning to support the improved parameters of the instrument with **active and consistent promotions** for all investor groups + activities in the regulatory environment

¹ liquidity ratio (value of trading in WIG20 futures to value of trading in WIG20 stocks)

² own calculations based on the YE WIG20 quotation; contract transaction fee as PLN 1.60 for a contract and 0.033% + PLN 0.2 for shares



Growing number of companies listed on the Main Market: WSE's key asset



- ❖ In 2014, 28 companies were newly listed on the WSE Main Market, i.e., 5 more than in 2013, but their total capitalisation was PLN 5.72 bn v. PLN 15.6 bn in 2013.
- ❖ WSE's strategic target is to cross the mark of 550 issuers in 2020.

Pension fund reform determines the sentiment on the primary and secondary market

- ❖ Pension funds no longer contribute to a 'Polish premium' in stock valuations
 - WSE-listed stocks are relatively cheaper v. EU stocks
 - Pension funds' share in WSE Main Market free float decreased from 43.1% in 2013 to 41.8% in 2014 while free float increased from 47.1% to 47.8%
- ❖ ... and their activity on the secondary market is relatively low
 - Pension funds' turnover on WSE Main Market was PLN 23.1 bn in 2014, an increase of 6% v. 2012 and decrease of 22% v. 2013, which implies a share in total turnover at 5.6% in 2014, 5.8% in 2012, and 6.7% in 2013.



Development of the Commodity Market

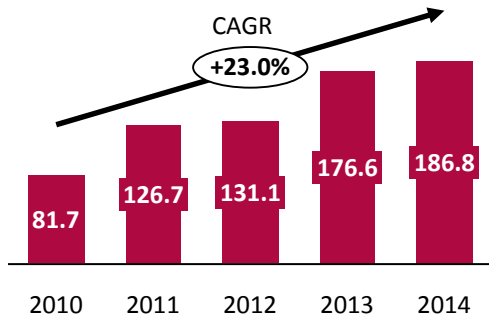
Ireneusz Łazor, President of the PolPX Management Board

We Have Strengthened Our Position on the Electricity Market



Volume of trade in electricity on PolPX

(TWh)



🔗 We have changed the trading schedule on the Day-Ahead Market in electricity by reducing the number of fixings:

- to concentrate trade
- to prepare for full participation in the European market based on the Price Coupling of Regions model (expected in 2016)

Total volume of trade on PolPX energy markets

(2014, TWh)

186.8 TWh



increase by 5.8% YoY



139.4%¹ of Poland's energy consumption



119.4% of Poland's energy production²

¹ energy received by final consumers; source: Eurostat

² based on measurements by Transmission System Operators in on-going operation of the National Power System; source: PSE

We Participate in Development of a Liquid Market in Gas



Total volume of trade in gas

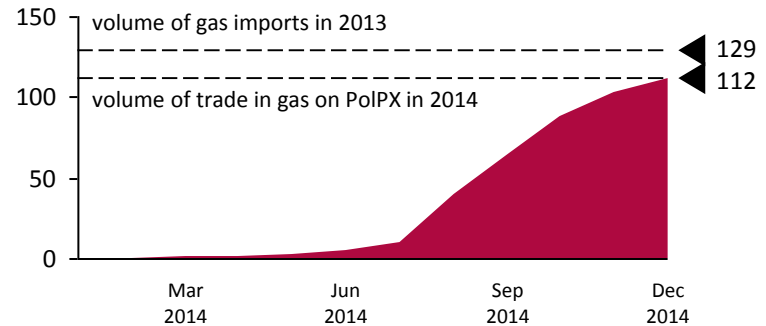
111.6 TWh
approximately
10.17 bn m³

Achievements

- 🔗 **2014 - 48 active participants of PolPX gas markets**
- 🔗 **4 brokerage houses and 13 direct PolPX market members**
- 🔗 Energy Regulatory Office: Q3 2014 - **58 of 138 energy companies** licensed to trade in gas fuels participated in trade in natural gas
- 🔗 Energy Regulatory Office: 2 thousand clients changed the gas supplier in 2014 v. only 429 in 2013

Trade in gas on PolPX in 2014

(TWh, incremental)



Challenges

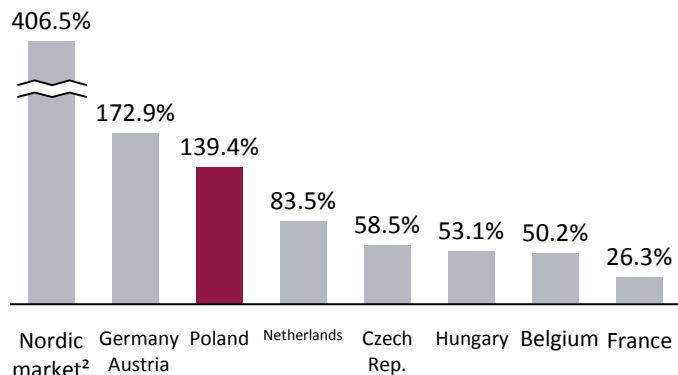
- 🔗 **Eliminate the storage obligation** for imported gas above 100 mn m³
- 🔗 **Amend the supplies diversification regulation** which provides that no more than 59% of imported gas may originate from a single country in 2015 -2019
- 🔗 **Continue activation of the demand side**

High liquidity¹ of a Large Market Makes PolPX a Key Partner of EU's Major Exchanges



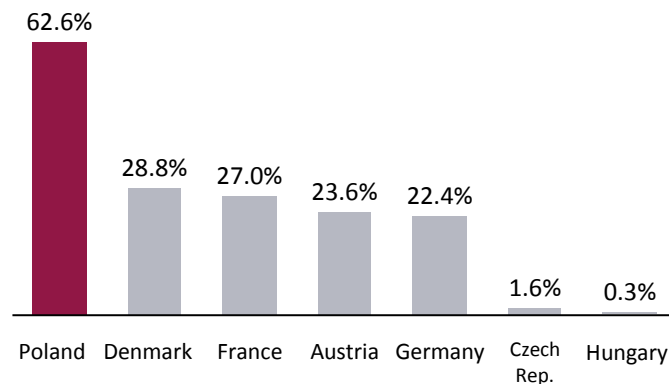
Electricity market

Liquidity of the exchange market in 2014 ((spot + forward)/consumption)

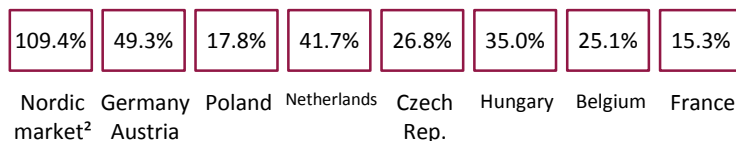


Gas market

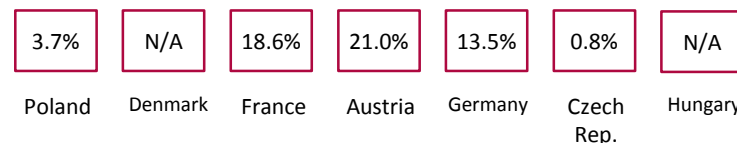
Liquidity of the exchange market in 2014 ((spot + forward)/consumption)



Liquidity of the exchange spot market in 2014 (spot market/consumption)



Liquidity of the exchange spot market in 2014 (spot market/consumption)



¹ Liquidity understood as turnover on the exchange to national consumption of electricity. Consumption data for 2013. Turnover net of registered bilateral contracts.

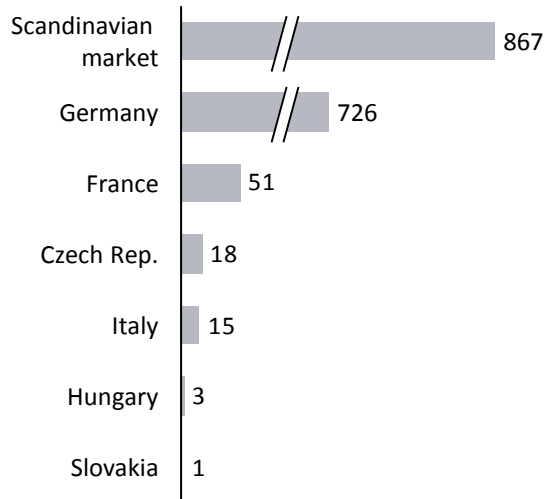
² Denmark, Estonia, Latvia, Norway, Sweden

Source: PolPX, Enerdata, Eurostat, Hungarian Statistical Office, Energinet.dk (date of entry 16.01.2015)



Volume of trading – electricity futures

2014, TWh



PolPX Financial Instruments Market

- Initially energy futures, subsequently gas
- Market supervised by PFSA and cleared by WCCH
- Diverse members – including brokerage houses
 - Energy companies
 - Customers entitled to use transmission services
 - Brokerage houses
 - Foreign brokerage houses
 - Traders who buy and sell exchange-traded commodities

Reasons for the launch

- To address expectations of PolPX members and financial institutions
- To strengthen PolPX position in the region – PolPX Commodity Forward Instruments Market is Europe's second biggest market
- To attract new domestic and international members - financial institutions



WSE Group 2014 and Q4 2014 Financials

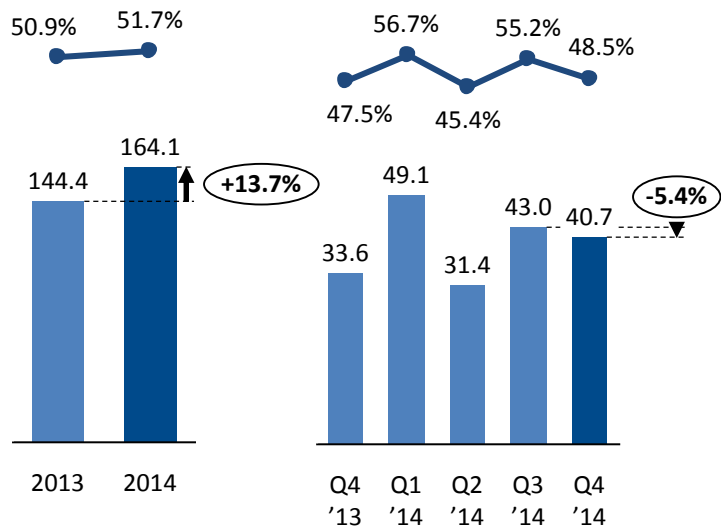
Karol Półtorak, Vice-President of the WSE Management Board, CFO

Q4'14 Results Burdened with Significant One-off and Seasonal Expenses



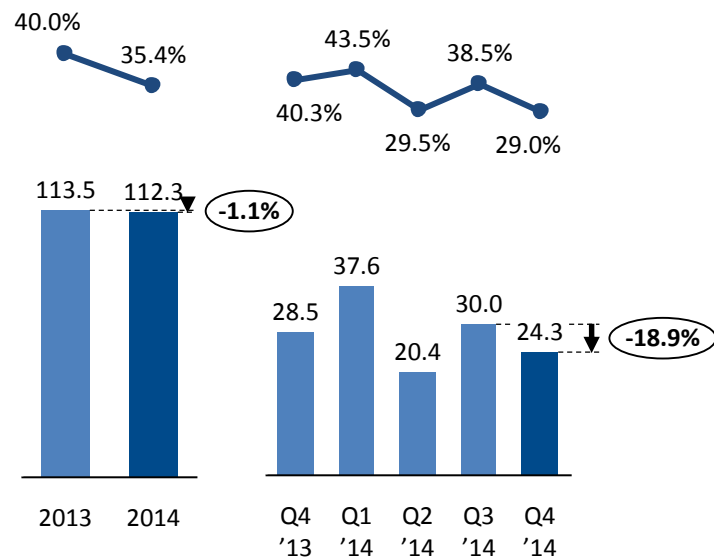
EBITDA¹

PLN mn



Net profit

PLN mn



¹ EBITDA = operating profit + depreciation and amortisation (net of associates)

We Generate Improving Results on the Commodity Market and Invest in Further Growth of the Market

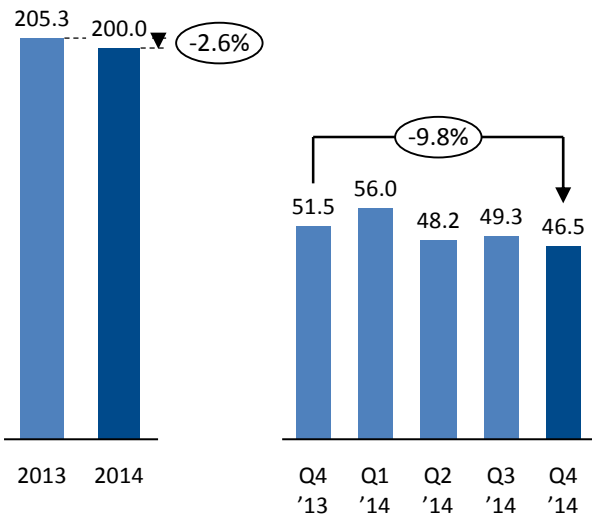


Revenue: financial market

Q4: 55.4%



PLN mn

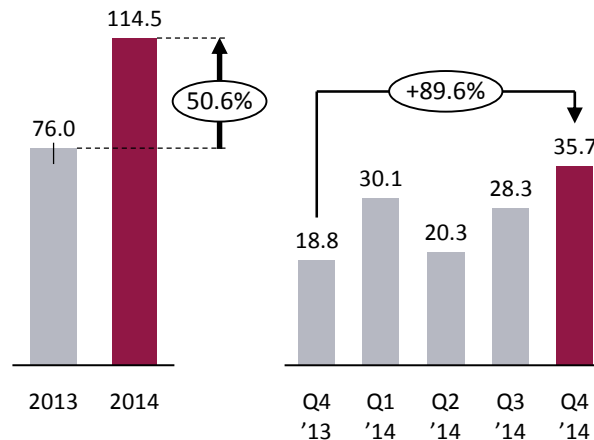


Revenue: commodity market

Q4: 42.6%



PLN mn



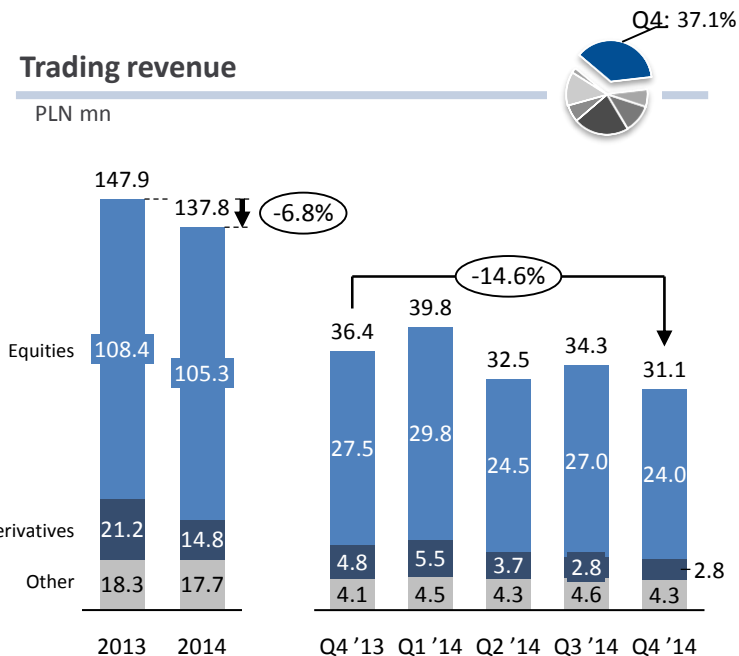
WSE Group's expected capital expenditure in 2015 between PLN 40 and 60 mn, mainly development of the commodity market

Trading Revenue under Pressure of Falling Turnover



Trading revenue

PLN mn



- ⚡ Average transaction fees in Q4 and in 2014 on the equity market at 2.4 bps, the same as in 2013
- ⚡ Average transaction fees on the derivatives market down from PLN 0.84 per contract in 2013 to PLN 0.78 in 2014 (from PLN 0.9 in Q4 '13 to PLN 0.62 in Q4 '14) due to changes in the structure of trading and promotional fees for market makers

Activity of investors on WSE markets

2013	2014	Q4 '13	Q3 '14	Q4 '14
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Equities - value of trading (EOB¹, PLN bn)

220.2	205.4	54.8	50.8	47.5
	-6.7%			-13.3% YoY
				-6.5% QoQ

Futures - volume of trading (mn contracts)

11.8	9.0	2.5	1.8	2.1
	-23.8%			-15.7% YoY
				20.3% QoQ

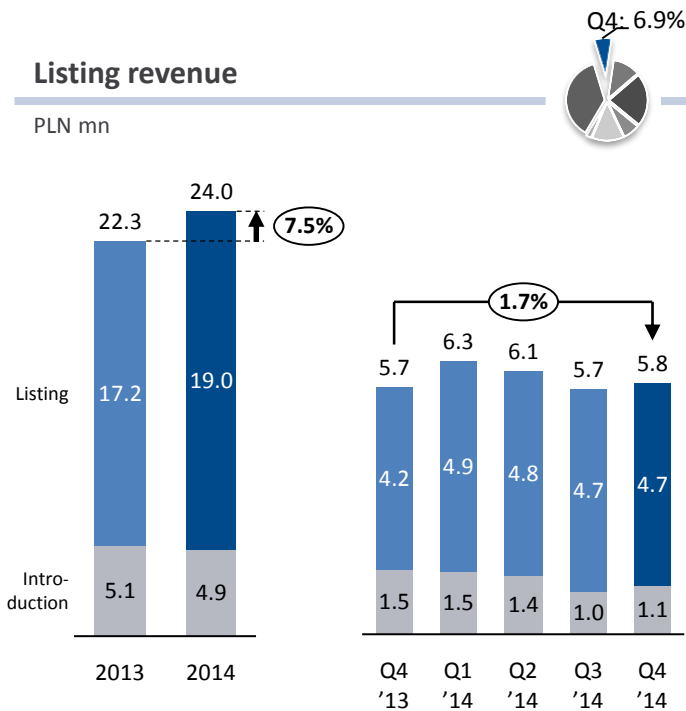
¹ Electronic Order Book, net of block trades

Stable Listing Revenue



Listing revenue

PLN mn



- 80% of listing revenues in 2014 were annual fees whose amount depends mainly on capitalisation of listed companies.

Issuer activity

	2013	2014	Q4 '13	Q3 '14	Q4 '14
New listings on the Main Market					
	23	28	9	5	10
		21.7%			11.1% YoY 100.0% QoQ
Value of IPOs and SPOs (PLN bn)					
	7.7	4.6	4.8	0.8	1.3
		-41.1%			-72.1% YoY 68.9% QoQ
Capitalisation of domestic companies (PLN bn)					
	593.5	591.2	593.5	635.2	591.2
		-0.4%			-0.4% YoY -6.9% QoQ

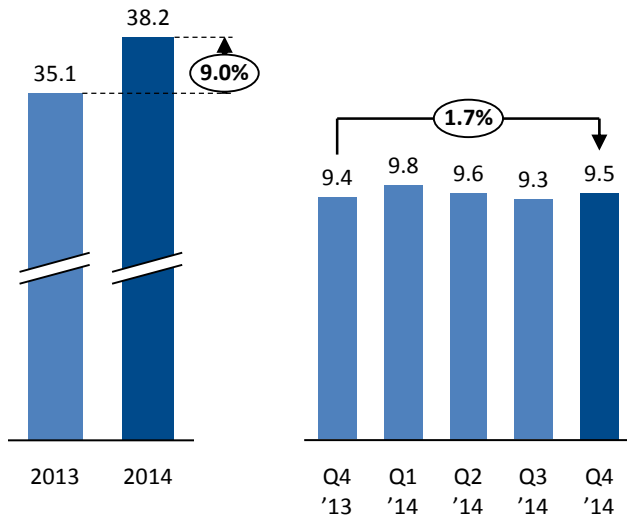
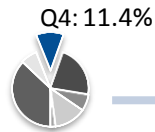
¹ SPO value includes (public and private) capital transactions arranged by issuers net of ABB.

We Are Adding the Commodity Market to Information Services



Revenue from information services

PLN mn



- ❖ We acquire clients for commodity market data and develop non-display products
- ❖ We acquire new high-margin clients on the financial market
- ❖ We align our fees
- ❖ A falling number of data subscribers on the financial market poses a challenge

Data vendors and subscribers (financial market)

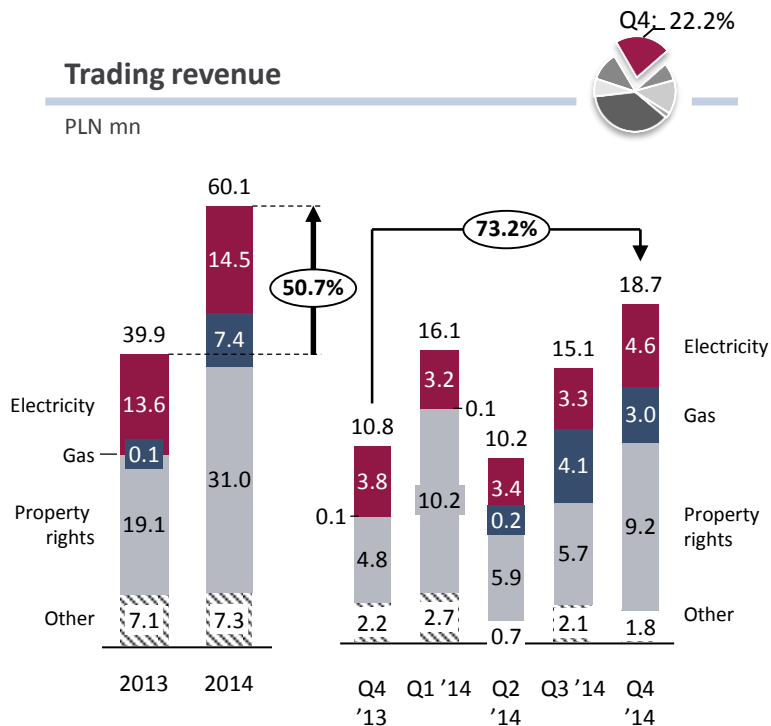
	2013	2014	Q4 '13	Q3 '14	Q4 '14
Data subscribers (thou.)	261.9	240.3	261.9	246.3	240.3
		-8.2%			-8.2% YoY -2,4% QoQ
Data vendors	58	58	58	57	58

We Report 50 Percent Increase in Trading Revenue on the Commodity Market in 2014



Trading revenue

PLN mn



- Trading in natural gas as a new stable source of revenue
- Rebuilding energy trade volumes in Q4
- Very dynamic increase in the volume of trading in property rights following an increase in the volume of issued property rights in renewable energy sources

Investor activity on PolPX markets

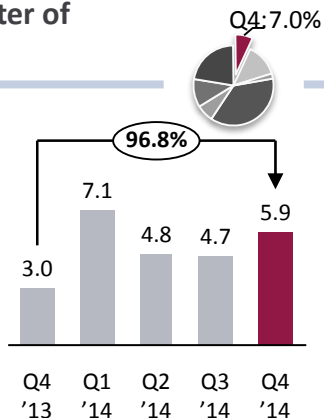
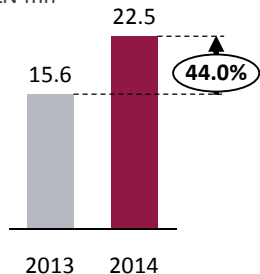
	2013	2014	Q4 '13	Q3 '14	Q4 '14
Electricity - volume of trade (TWh)	177.0	186.8	48.6	43.1	58.6
		5.5%			20.6% YoY 36.1% QoQ
Natural gas - volume of trade (TWh)	2.4	111.6	1.7	58.9	47.5
		4634.5%			2686.1% YoY -19.3% QoQ
Property rights - volume of trade (TWh)	39.3	36.0	5.8	6.7	11.9
		-8.3%			104.9% YoY 76.0% QoQ

Growing Activity of Participants of the Register of Certificates of Origin and Clearing House Members



Revenue from the Register of Certificates of Origin

PLN mn



❖ Certificates of origin from renewable energy sources as the main driver of growth of the Register of Certificates of Origin (increase in the volume of issued and cancelled certificates)

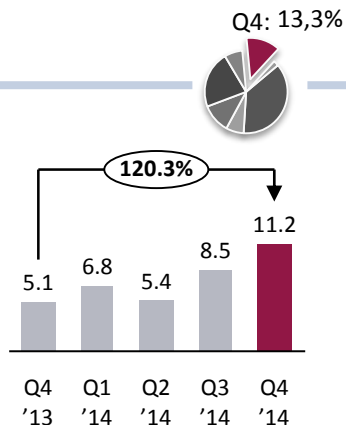
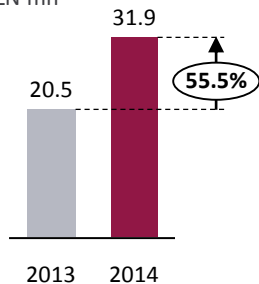
❖ Steady recovery of volumes of cogeneration instruments following reinstatement of support in 2014

❖ Revenue from clearing increases with high volumes of trade in electricity, gas and property rights

❖ Regulatory changes pose a challenge

Revenue from clearing

PLN mn



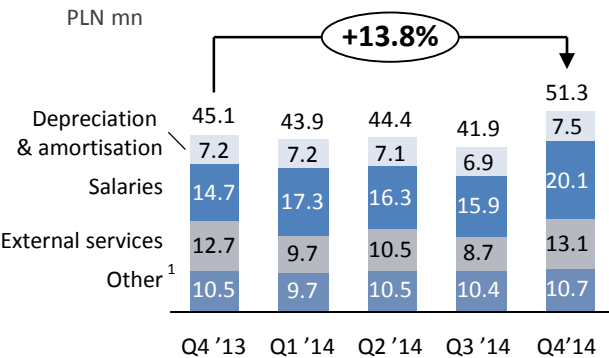
Activity of participants of the Register

	2013	2014	Q4 '13	Q3 '14	Q4 '14
Volume of issued property rights (TWh)	29.5	42.2	3.5	8.9	11.2
		43.3%			218.3% YoY 26.6% QoQ
Volume of cancelled certificates of origin (TWh)	36.2	20.6	1.9	3.5	3.7
		-43.2%			92.6% YoY 6.8% QoQ

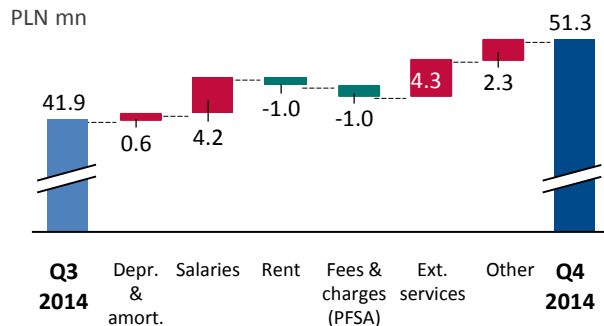
In Q4, We Reported Some One-Off and Seasonal Expenses



Operating expenses



Change of operating expenses in Q4



- ❖ C/I in 2014: reduced to **57.2%** from 58.6% in 2013
 - On track to the strategic target of **C/I < 50% by 2020**, despite planned growth investments in 2015
- ❖ Expenses in Q4'14: increase driven mainly by one-off and seasonal events:
 - Cost of severance pay/restructuring in WSE (ca. PLN 1 mn) and provisions against bonuses for Management Boards of Group companies (ca. PLN 1.3 mn)
 - Settlement of costs including external services (incl. promotions) for development projects in PolPX as well as acquisition and other advisory projects in WSE
 - Cost of impairment losses of WSE IE and IRK (ca. PLN 1.7 mn in total)
- ❖ Savings programme 2015: underway
 - Main sources of savings: real estate, external services, IT, HR

¹ Other includes: rent and other administrative fees, fees and charges, other operation expenses

Lower Profit of Associates

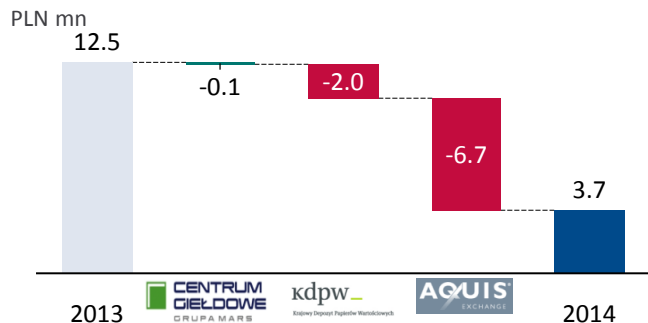


Profit of associates

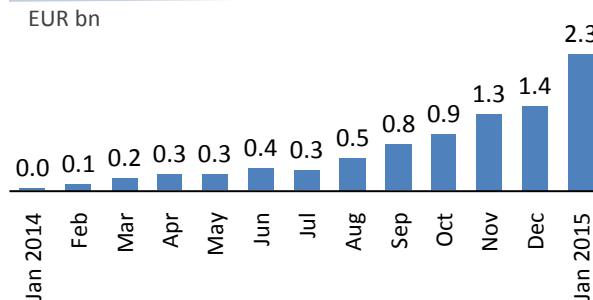


- In Q3 2014, KDPW_CCP launched a netting service, allowing participants to reduce costs
 - KDPW Group 2014 net profit: PLN 30 mn (-16.7% v. 2013)
 - Q4 2014 net profit: -PLN 0.3 mn (due to seasonal costs including provisions for bonuses and unused holidays)
 - netting is expected to become even more popular in 2015
- Turnover on Aquis is growing but the company's future depends on raising capital in mid-2015, further acquisition of members, and breaking even as soon as possible

Change of share of profit of associates



Turnover on Aquis Exchange





P&L, Cash Flows, Balance Sheet

Karol Półtorak, Vice-President of the WSE Management Board, CFO



PLN mn	Q4 2013	Q3 2014	Q4 2014
Sales Revenue	70.8	77.9	83.9
Financial market	51.5	49.3	46.5
Trading	36.4	34.3	31.1
Listing	5.7	5.7	5.8
Information services	9.4	9.3	9.5
Commodity market	18.8	28.3	35.7
Trading	10.8	15.1	18.7
Register of certificates of origin	3.0	4.7	5.9
Clearing	5.1	8.5	11.2
Other operating income	0.5	0.3	1.7
Operating expenses	45.1	41.9	51.3
Other income	1.5	0.2	0.4
Other expenses	0.8	0.1	-0.2
Operating profit	26.4	36.1	33.1
Financial income	1.7	2.7	2.2
Financia expenses	2.8	2.5	2.7
Share of profit of associates	1.6	1.1	-2.2
Profit before tax	26.9	37.3	30.4
Income tax	-1.6	7.3	6.1
Net profit	28.5	30.0	24.3

- ⚙ Other operating income increased mainly due to higher income of IRK and PoIPX
- ⚙ Income tax rate in Q4: 20.1%, in 2014: 19.3% (increase in Q4 due to loss of associates)

WSE Group's Consolidated Balance Sheet



As at:

PLN mn	31.12.2013	30.09.2014	31.12 2014
Non-current assets	576.4	586.3	573.8
Property, plant and equipment	124.0	119.4	119.8
Intangible assets	269.2	261.5	261.0
Investment in associates	158.5	189.9	188.1
Current assets	357.4	406.2	451.5
Trade and other receivables	34.8	39.1	42.6
Available-for-sale financial assets	0.1	0.6	10.5
Cash and cash equivalents	311.5	359.6	389.0
Total assets	933.8	992.6	1025.2

- WSE Group's non-current liabilities are mainly WSE's liabilities in respect of bonds maturing in January 2017.
- After Q4 2014, net debt was negative at (PLN 155.7 mn)¹ (cash surplus)

As at:

PLN mn	31.12.2013	30.09.2014	31.12 2014
Equity	638.1	676.0	700.5
Non-current liabilities	249.6	255.8	260.5
Liabilities under bond issue	243.6	244.0	244.1
Current liabilities	46.1	60.8	64.3
Trade payables	12.7	13.7	10.0
Income tax payable	0.7	1.7	1.2
Dividend payable and other liabilities	18.7	32.0	41.3
Employee benefits payable	11.5	9.5	9.9
Provisions	2.1	1.2	1.3
Total equity and liabilities	933.8	992.6	1 025.2

WSE Group's Consolidated Cash Flows



PLN mn	12M to 31 December:	
	2013	2014
Cash flows from operating activities	172.4	161.7
Cash flows from operating activities, including	192.2	176.9
Depreciation and amortisation	25.7	28.8
Income tax expense	-19.8	-15.2
Cash flows from investing activities	-74.8	-23.1
Acquisition of property, plant & equip.	-14,0	-12,0
Acquisition of intangible assets	-64.7	-6.4
Acquisition of an associate	0	-15.2
Purchases of financial assets available for sale	-10.1	0
Interest received	9.3	9.8
Cash flows from financing activities	-44.4	-60.5
Dividend paid	-33.1	-50.6
Interest paid	-11.2	-9.5
Net increase/decrease of cash and cash equivalents	53.2	78.1
Cash and cash equivalents - opening balance	257.4	311.5
Cash and cash equivalents - closing balance	311.5	389

- ❖ Lower cash flows from operating activities year on year due to changes in assets and liabilities and stable profit
- ❖ Limited investments: capex in 2014 only at PLN 18.4 mn (property, plant and equipment, intangible assets)
- ❖ Higher negative cash flows from financing activities mainly due to payments of higher dividend than in 2013



WSE IR Events

 **10th-11th April 2015**

Citi's CEEMEA Symposium
London

 **17th-19th March 2015**

Polish Capital Market Conference
London

 **30th April 2015, Thursday**

Q3 2015 results

 **30 July 2015, Tuesday**

H1 2015 results

 **30 October 2015, Friday**

Q3 2015 results

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