

**Market Environment****Mission and Strategy of the GPW Group****Implementation of the GPW Group Strategy in 2016****Business Lines****International Activity of the GPW Group****Development of the GPW Group in 2017****Risks and Threats****Other Information****ONLINE ANALYST****PAGE TOOLS** 

The goals of the GPW Group include consistent acquisition of foreign clients by aligning the product offer, price list, and infrastructure with their needs.

GPW's international position is mainly reinforced with on-going expansion of the foreign client base including issuers, brokers, investors and data vendors, as well as initiatives designed to promote the Polish market and Polish companies among international investors.

In 2016, GPW continued its efforts to acquire new clients outside of Poland. The liquidity support programmes (HVP and HVF) grew dynamically, and the biggest trading volumes in the programmes are generated by remote exchange members. GPW continued to

promote the Polish market and GPW-listed companies internationally by holding investor events in partnership with brokers and investment banks around the world and by participating in international conferences and investor meetings. The investor event series Polish Capital Market Days initiated in 2015 included four meetings in 2016: in London, New York, Stockholm and Paris.

The GPW Group also participates in international projects and initiatives for the commodity market, mainly focusing on the integration of European energy markets.

## GPW REPRESENTATIVE OFFICES OUTSIDE POLAND

The Representative in London was hired in June 2013 to enhance GPW's acquisition activities on that market. In 2016, the Representative focused on supporting relations with GPW's business partners including exchange members, investors and providers of technology services for GPW and its clients.

Until the end of Q2 2016, GPW operated a Representative Office in Kiev (Ukraine), whose operations focused on promoting GPW amongst Ukrainian investors, issuers and financial intermediaries. As part of its strict cost discipline policy, GPW decided to close down the Representative Office in Ukraine in mid-2016 and to continue promotions in the region from its head office in Warsaw.

The two Representative Offices have no separate legal personality and do not carry on any profit earning independent business operations. In all their activities, the

Representative Offices act on behalf and for GPW to the extent of powers of attorney granted by the GPW Management Board.

## DEVELOPMENT OF A NETWORK OF FOREIGN INVESTMENT FIRMS – EXCHANGE MEMBERS

International acquisitions in 2016 continued to focus on clients and partners offering a potential of improved liquidity on the markets operated by GPW.

In 2016, GPW expanded its acquisition activities addressed to GPW's business partners including existing and prospective exchange members, investors and providers of technology services.

In 2016, GPW acquired three new remote exchange members: Flow Traders B.V., Spire Europe Ltd., SUN Trading Ltd.; as a result, GPW had 53 members, including 28 local members and 25 remote members, at the year's end. The share of remote exchange members in trade increased, among others driven by their participation in the HVP (High Volume Provider) programme. The share of remote members in EOB trade in shares was 31.1% in 2016 compared to 25.1% in 2015.

**TABLE 14 SHARE OF LOCAL AND REMOTE GPW MEMBERS IN EOB TRADE IN SHARES ON THE MAIN MARKET**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Local	68.9%	74.9%	78.3%	77.8%	89.0%
Remote	31.1%	25.1%	21.7%	22.2%	11.0%

## ATTRACTING FOREIGN ISSUERS

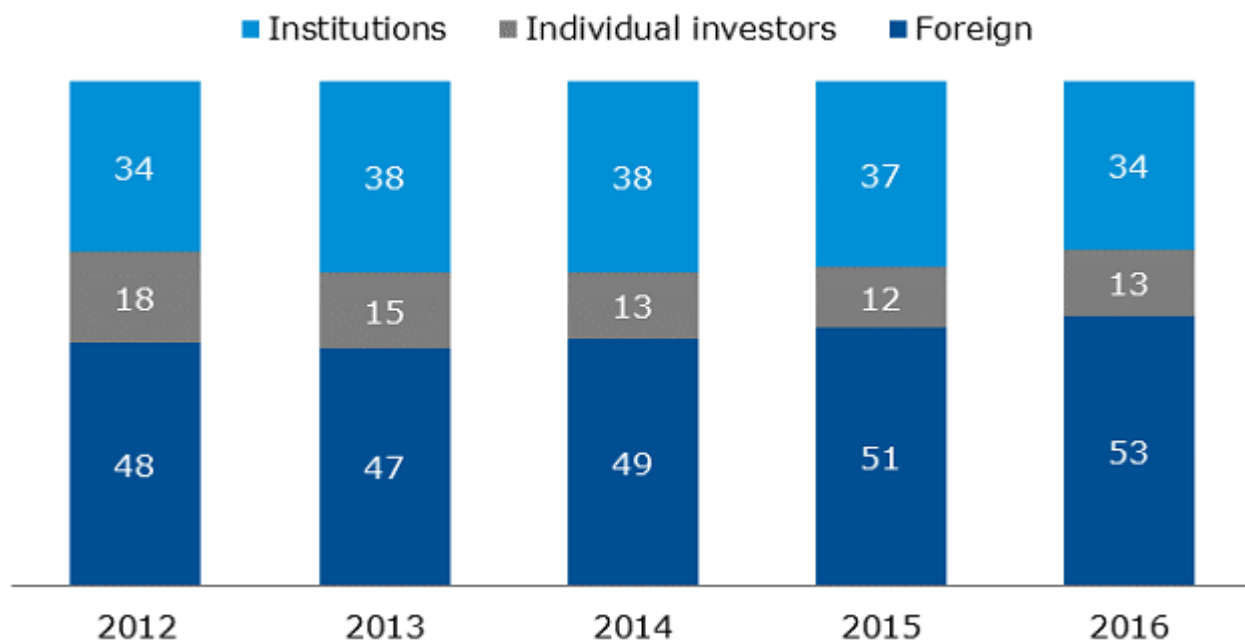
One of the key goals of the GPW Group is to strengthen the position of the regional financial hub by making the Warsaw Stock Exchange the market of first choice for investors and issuers in Central and Eastern Europe. In 2016, GPW took many initiatives to promote the Polish capital market among issuers in the CEE region. The key initiative was a memorandum of understanding signed in October 2016 to create a Polish-Belarusian IPO Centre. The MoU was signed by the Warsaw Stock Exchange, the Polish-Belarusian Chamber of Commerce and Industry, and the Belarusian State University. The objective is to establish a professional education, consultation and legal advisory centre for Belarusian companies. The Polish-Belarusian IPO Centre will take measures to facilitate the access of Belarusian companies to modern financing via the Polish capital market.

As at the end of 2016, the GPW markets listed shares of 61 foreign companies, including 53 foreign companies listed on the Main Market and 8 companies on NewConnect, with total capitalisation of PLN 558.9 billion, compared to PLN 566.3 billion in 2015 (a decrease of 1.5%). The share of foreign companies in total trade in shares on the Main Market was 2.2% in 2016 as compared to 1.8% in 2015. Foreign companies listed on GPW as at 31 December 2016 originate from 24 countries, mainly Ukraine (13 issuers) and the Czech Republic (7 issuers). 34 companies are dual-listed and 30 are single-listed on GPW.

## SHARE OF FOREIGN INVESTORS IN TRADING ON GPW MARKETS

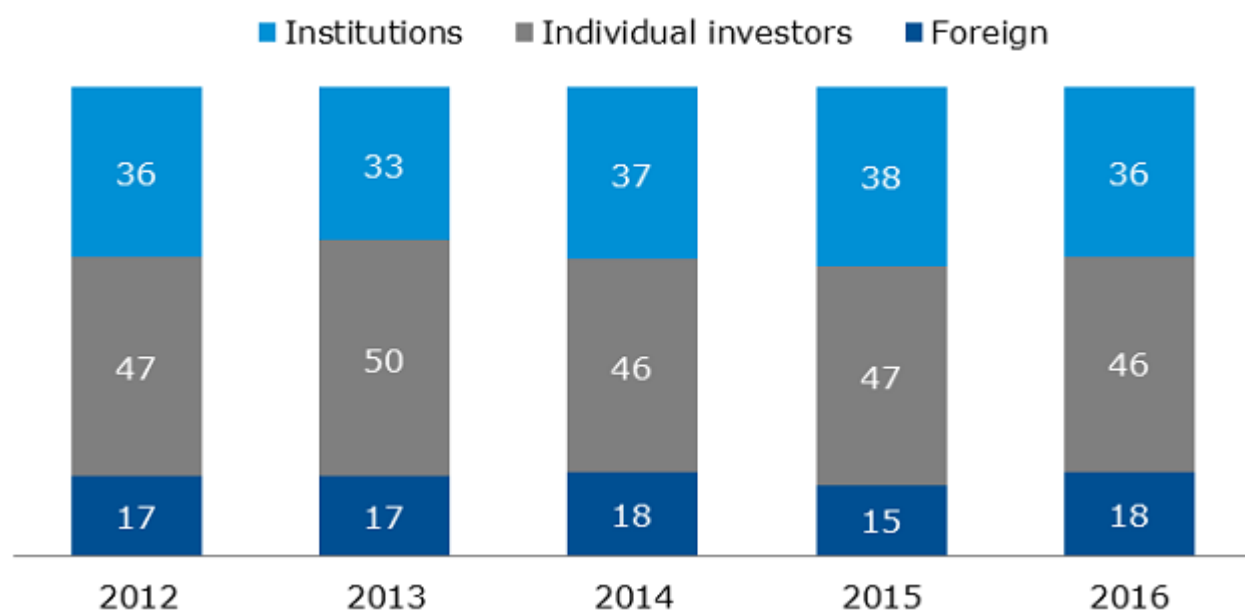
According to GPW's research, foreign investors generated 53% of turnover in shares on the GPW Main Market in 2016, 1 percentage point more than in 2015 (52%).

## SHARE OF INVESTORS IN TRADE IN SHARES ON THE MAIN MARKET (%)



Foreign investors' activity on the futures market remained increased to 18% in 2016 compared to 15% in 2015.

## SHARE OF INVESTORS IN TRADE ON THE FUTURES MARKET (%)



## THE GPW GROUP AS A MEMBER OF INTERNATIONAL ORGANISATIONS AND INITIATIVES

### FESE

The Warsaw Stock Exchange has co-operated with the Federation of European Securities Exchanges (FESE) since 1992. GPW was granted the status of associated member in 1999 and has been a full member of FESE since June 2004. FESE represents 35 exchanges which organise trading in equities, bonds, derivatives and commodities through 19 full members

from 28 countries as well as 1 affiliated exchange and 1 non-European observer member.

## CAPITAL MARKET UNION

In 2015, the Warsaw Stock Exchange was involved in consultations of the Capital Market Union project, designed to create a single capital market across the 28 European Union member states. GPW welcomed the Green Paper which provides for a greater role of the capital market in financing of the EU economy, especially SMEs. In the opinion of GPW, the main objective is to support initiatives which facilitate market access, improve market transparency and encourage mid-term and long-term investing. However, the Capital Market Union concept should take into account the importance of regional capital markets to the national economies.

## SUSTAINABLE STOCK EXCHANGES (SSE)

GPW is a member of the Sustainable Stock Exchanges (SSE) since December 2013. SSE is a UN initiative of global exchanges which promote the development of corporate social responsibility and sustainable development on their home capital markets. SSE was created in 2009 by the United Nations to exchange members' experience in the development and promotion of corporate social responsibility and responsible investment among investors, public companies, regulators and capital market infrastructure institutions. GPW was the ninth exchange to join SSE, the first one in Central and Eastern Europe. SSE has 56 members.

## FIX TRADING COMMUNITY

GPW became a member of the FIX Trading Community in 2014. It is a non-profit industry-driven body which brings together close to 300 financial companies: banks, exchanges, brokers, the buy side, ISVs. The organisation supports dialogue and exchange of information concerning the best practice and standards of messaging on the financial market. The flagship achievement of the FIX Trading Community is the creation and development of the FIX messaging protocol broadly used in the financial industry.

## ASSOCIATION OF EUROPEAN ENERGY EXCHANGES EUROPEX

EUROPEX is the association of European commodity and financial energy exchanges which represents exchange markets in electricity, gas and derivatives. POLPX is a EUROPEX member since 2005.

The mission of EUROPEX is to enhance competition on the European market by ensuring transparent price setting and implementing a single European market in electricity and

gas enabling convergence of prices as well as benefits for customers. EUROPEX participates in the development of market solutions and engages in dialogue with EU authorities and other European institutions which contribute to the development of the markets.

## ASSOCIATION OF POWER EXCHANGES (APEX)

The Association of Power Exchanges (APEX) is an international organisation of world energy exchanges and transmission system operators. It has 50 members around the world. APEX supports the development of energy markets. Its key initiatives include development of a platform for exchange of information and experience among its members. POLPX is an APEX member since 2000.

## ASSOCIATION OF FUTURES MARKETS (AFM)

AFM is an organisation of 26 financial and commodity exchanges around the world. AFM holds its AFM Annual Conferences as a platform for exchange of information and experience between exchanges. The mission of the Association is to promote and encourage the development of new derivatives markets and to support their growth. POLPX is an AFM member since 2014. In 2015, POLPX Vice President Michał Tryuk was elected to the AFM Board. Thanks to close cooperation between POLPX and AFM, the AFM Board selected POLPX as the host and co-organiser as the 18th AFM Annual Conference in 2015. The Conference was held in Poland for the first time ever.

## EACH – EUROPEAN ASSOCIATION OF CCP CLEARING HOUSES

IRGiT representatives take part in plenary meetings, teleconferences and work of the Policy Committee, the Risk Committee and the Legal Committee of the European Association of CCP Clearing Houses EACH. IRGiT takes active part in consultations of draft European regulations on ...

## PRICE COUPLING OF REGIONS – PCR

PCR is the initiative of co-owners of an energy market coupling algorithm. PCR is a decentralised model which combines pricing zones managed by individual local energy exchanges within a single auction mechanism. It is a model solution which ensures price coupling of the day-ahead markets on all borders of EU member states. Each exchange is individually responsible for the use of the common algorithm in electricity pricing and cross-border capacity allocations for each price zone of the European single energy market. The Polish Power Exchange is a full member of the PCR project since Q4 2015. In December 2016, POLPX received all necessary acceptance certifications as an operator and

co-ordinator in the PCR model.

## MULTI-REGIONAL COUPLING

The Multi-Regional Coupling market was founded through integration of regional markets in 2014-2015 and continues to expand. The European project of operational integration of electricity spot markets spans a territory where demand for electricity is ca. 2,800 TWh, equal to 85% of total European demand. This is Europe's biggest and most liquid market. Poland participates in MRC through the Swe-Pol Link and the LitPol Link. In July 2015, POLPX became a full member of the MRC market and signed the Day-Ahead Market Operations Agreement, which supports the co-operation of 12 energy exchanges and 25 transmission system operators.