



LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Letter from the President of the Management Board

Description of the GPW
Group

GPW on the Capital Market

ONLINE
ANALYST



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Ladies and Gentlemen, Dear Shareholders and Investors,

It is with great satisfaction that I present to you the report of the Exchange Management Board on the activity of the Warsaw Stock Exchange Group and the consolidated and separate financial statements for 2016.

The strong financial position of GPW as measured by its capitalisation and rising share price, a record-high increase in turnover in stocks and its average daily value clearly demonstrate that investors are mainly focusing on the strong fundamentals of the Polish economy as well as an outlook of stable returns. The very conducive conditions currently prevailing on the Warsaw Stock Exchange as well as the emerging acceleration in the Polish economy are the key



drivers of fast growth of the GPW Group and the capital market.

GPW is now one of the few European trading venues where companies continue to raise capital: in IPO Watch report we ranked third in Europe by the number of IPOs in 2016. Investors' sentiment about GPW continues to improve as their trust in our company consolidates. It all has a tangible financial impact. The report on the activity of the GPW Group in 2016 is best proof of that.

Despite the unfavourable market environment, the GPW Group pursued a strict cost discipline and reported the highest net profit since 2011 at PLN 131.1 million which increased by 7.9 percent year on year in 2016. This was driven by a reduction of operating expenses to PLN 150.2 million, the lowest level since 2012, as well as the generated revenue of PLN 310.9 million. As a result, the cost/income ratio was record-low at 48.3 percent. The separate revenue of GPW stood at PLN 175.5 million and its operating expenses decreased by more than PLN 20 million to PLN 100.1 million. As a result, we are reporting a net profit which improved by 19.8 percent.

Investor activity improved strongly in Q4 2016. The value of trade in shares on the electronic order book increased by 12.3 percent year on year and stood at PLN 55.3 million in Q4 2016. As a result, the velocity ratio was 41.1 percent, the highest since Q2 2013. The strong improvement of investor activity on the financial market is both a reason for satisfaction and an incentive to continue strengthening the liquidity on the cash and derivatives markets.

In 2016, GPW proved that it is a well-manged, transparent company which enjoys strong investor confidence. This was demonstrated by the issue of GPW bonds, where subscriptions in the tranche addressed to individual investors were reduced by as much as 63.4 percent. Another proof is GPW's participation in the Respect Index portfolio, which represents those companies listed on the GPW Main Market which follow the highest standards of corporate governance, disclosures and investor relations.

GPW generously shares its profits with the shareholders. The dividend paid by GPW in 2016 implied a dividend yield of 6.7 percent. It was one of the best ratios on the local market and in the global exchange industry. The total shareholders return on GPW stocks was in 2016 at 17,6%.

Growing the shareholder value is as important for us as operational transparency based on the highest standards of corporate governance. The key project implemented by the Warsaw Stock Exchange in the area of dialogue and relations with market participants was the introduction of the Code of Best Practice of GPW-Listed Companies in 2016. The Code was aligned with the current market conditions and European regulations, and aims to further improve the quality of corporate governance in public companies.

It should be noted, however, that GPW is at a turning point in its 25-year history, as are

other large traditional exchanges around the world. This is a time for a new opening, which is how the current phase should be viewed. I am positive that GPW has a great potential, multiple growth opportunities, and a promising future.

Yours truly,

Professor Dr hab. Małgorzata Zaleska