

**Record of the individual investors chat with Jacek Fotek, GPW VP & CO, held on Wednesday, 27 March 2019 at 10 a.m.**

**Moderator:** Welcome to this investor chat with GPW VP Jacek Fotek. We are ready to take your questions.

**Wojtek:** *Hello, have you considered to pay quarterly dividends, which is a common practice in the USA (also followed by Polish companies)? GPW reports regular revenue, profits and cash flows, so it should not be a problem. It would definitely help in the development and promotion of Poland's capital market and make GPW an even better dividend payer.*

**Jacek Fotek:** The shareholders are our priority, which is why we have pursued a consistent dividend policy over the years. Last June, GPW published an update of its strategy by 2022. Our annual capex budget is approved by the Supervisory Board. We implement a development programme and follow our dividend policy to make sure that our investors do benefit from our efforts. However, given the investment needs, annual dividend payments remain the optimum solution.

**investor:** *Is it a good or a bad thing, in your opinion, that the share of individual and institutional investors in trading on GPW has been falling sharply over the years while the share of foreign investors has been growing?*

**Jacek Fotek:** The results of this year's survey of the share of different categories of investors in GPW trading confirm that the share of individual investors has dropped and so has the share of domestic individual investors while the share of foreign investors has increased. I do wish that the share of individual investors were higher and continued to grow. One of the measures to make this happen is a programme of analytical coverage of small and medium-sized companies. We expect an improvement as market conditions on GPW improve.

**tutu:** *Are you planning a merger or alliance with another exchange?*

**Jacek Fotek:** We would be interested in acquisitions of other exchanges if such opportunity arose. We are watching the market and won't say no if an attractive acquisition target emerges. We are always looking for such a target. The search is difficult because of high valuations. We are also looking for technology companies whose business would be close to our core business.

**Księgowy:** *Are you experiencing significant payroll pressures?*

**Jacek Fotek:** Our personnel expenses increased by PLN 1.1 million YoY in Q4 2018, i.e., by 6.5%. The increase of the personnel expenses was driven by external factors as well as our efforts to rebuild the human resources necessary to implement our strategy. We enjoy positive conditions on the Polish market but they have the side effect because salaries are rising, which is something we have to take into account.

**gracz: The Exchange has opened a programme of analytical support for companies participating in mWIG40 and sWIG80. What about other companies? Several hundred companies do not participate in any indices. Do they not deserve attention?**

**Jacek Fotek:** At the outset, the programme is open to companies which represent the biggest potential of better liquidity and more investor interest. If it is successful, we may extend it to include other companies.

**Majchrzak: Will the new Employee Capital Plans (PPK) impact GPW's results?**

**Jacek Fotek:** We publish no forecasts of GPW's future results. However, the launch of the PPK scheme will change the structure of capital flows in Poland, becoming one of the strategic pillars of market growth. I am certain that the programme will fundamentally support the segment of domestic investors and help to attract more capital, including international capital.

**Marek: Will a part of the gains on the sale of Aquis Exchange be paid out as a dividend?**

**Jacek Fotek:** It is the intention of the GPW Management Board to recommend that the General Meeting approve a dividend payment in line with the profitability and the financial capacity of GPW, exceeding 60% of the annual consolidated net profit of the GPW Group attributable to the GPW shareholders, adjusted for the share of profit of associates. The proceeds on the sale of Aquis contributed to the 2018 net profit and will certainly be included in the recommended amount of the dividend.

**Majkel: When do you expect to publish the first analytical reports financed by GPW? On which website will they be available?**

**Jacek Fotek:** Brokers will select companies in the order and on the terms defined in the regulations of the programme. Enrolment is open until 22 April, to be followed by the selection of companies and then 60 days for the preparation of the initial reports. We will announce where the reports will be published. They will obviously be public.

**energetyk: What underlies the sharp increase of trading in electricity in 2018?**

**Jacek Fotek:** The annual volume of trading on the electricity market in 2018 was historically high. The total volume of trading was 226 TWh, representing an increase of 102.5% YoY. The performance was driven by a number of factors. First of all, continued good market conditions caused electricity consumption to grow. In addition, the proportion of electricity required to be sold on an exchange was raised from 15% to 30% and then, in H2 2018, to 100%. While the regulatory amendments took effect at the beginning of 2019, the volumes grew already in 2018. In addition, growing electricity prices encouraged market participants to hedge their positions with forward transactions.

**Szpajdi: How successful are your efforts to acquire more issuers? How many companies are you talking to about the benefits of going public? How many IPOs are you expecting in 2019?**

**Jacek Fotek:** The acquisition of new issuers is of crucial importance to the growth of the exchange. Our strategic initiatives include GPW Growth addressed to private companies which could sooner or later go public. We have identified many companies which work with associations, such as unions of family-owned firms, and encounter barriers in growth or problems of succession. Awareness of the market remains low, educational barriers need to be overcome. We work closely with venture capital funds, which are a natural source of IPOs. The IPO market is strongly impacted by the status of and conditions on the exchange as well as the outlook of valuations. According to public information, nine companies are awaiting KNF's approval of the prospectus. Another six companies have filed documents required to introduce shares to NewConnect.

**trzea:** *Following the requirement to sell electricity on the exchange, did you cut your trading fees?*

**Jacek Fotek:** We did not cut exchange fees for that reason; however, early this year, we launched a maker-taker programme to improve the liquidity of trading by extending support to market makers. Trading fees charged to market makers have been cut by 50%. It is too early yet to evaluate the results of the programme. It will continue until 30 June; our assessment will be published mid-year. This is currently difficult in view of recent regulatory and legal amendments and uncertainty of market participants, as demonstrated by lower turnover early this year.

**Majkel:** *We do you offer so few events for individual investors open to the general public (meetings, company talks, etc.)?*

**Jacek Fotek:** The Exchange supports many initiatives addressed to a broad group of investors, including individual investors. Our conferences and seminars are in large part open to individual investors. Only last week, we took part in the Invest Cuffs in Kraków. We will be present at the Wall Street in Karpacz. The GPW Foundation runs many educational initiatives targeting individual investors. The second edition of the GPW Innovation Day to be held on 2 April 2019 will bring together innovative companies and investors. We are planning another edition of the event in H2 2019. These are just a few of our initiatives scheduled in 2019.

**Nie.:** *What are your plans for the further development of NewConnect?*

**Jacek Fotek:** NewConnect (NC) is one of the biggest alternative markets in Europe. The Exchange supports its development and will continue to do so. Our segmentation helps to improve the transparency and quality of disclosures in NC. On the other hand, 66 companies have transferred from NC to the Main Market. Many exchanges in the region and beyond are envious of this segment of our market. We will work to ensure that companies listed on NewConnect continue to improve investor relations, grow and move to the Main Market.

**MagdaB:** *How does FTSE Russell's classification of Poland as a developed market help GPW? What is the impact on GPW trading, in your opinion? Is it positive or negative?*

**Jacek Fotek:** From the long-term strategic perspective, the reclassification of the Polish capital market has a fundamentally positive impact. We are the only country in the region to enjoy this status. Concerns about an adverse impact of the reclassification on turnover or foreign investors' sentiment

have not materialised; to the contrary. Last year, when Poland was reclassified, our turnover was historically high. The recent rebalancing of the FTSE Russell index contributed to very high turnover in March. In brief, we believe that it helps.

**Zarębski: You have recently introduced new futures, including LPP and 11 bit studios stock futures. Are you planning to introduce more single-stock futures and futures on other financial instruments?**

**Jacek Fotek:** GPW tailors its offer to the expectations of market participants. We have recently launched new indices, including the much-awaited game developer index WIG.GAMES, as well as three macrosector indices. The new indices group companies from selected sectors based on uniform criteria linked to their business profile. Importantly, the number of index participants is limited based on their high liquidity. We continue to expand our offer to include indices which could serve as the underlying of futures. As a result, investors can diversify risks across stocks from a sector or deploy strategies to the downside of sector stocks without securities lending and borrowing. Investors can also better use combined strategies. In addition, we have modified the trading unit of currency futures to ensure that their presentation is consistent with the underlying. We have recently seen much additional interest in currency futures.

**Michael Angelo: In your opinion, does GPW's present valuation reflect the company's fundamentals?**

**Jacek Fotek:** It would be hard to comment from the perspective of the management board. In my opinion, the profitability of the exchange, the diversification of its revenue, the new strategic segments we are planning to expand to, such as a food platform or the broadly understood commodity instruments market, should generate revenue in the long term. Looking at our valuation compared to other exchanges, we see room for growth. In addition, such fundamentals as the launch of the PPK scheme, the government's Strategy for Development of the Capital Market, and the global trend of OTC trade moving to electronic platforms ensure a favourable market and regulatory environment. Our results in the past years, particularly in 2017-2018, are clear proof that GPW has a growth potential.

**Marianna: When will you launch trading in agricultural commodities?**

**Jacek Fotek:** The Polish Power Exchange will organise trading and provide market participants with an electronic platform of trading in agricultural commodities which will be selected in a feasibility study of the Food Platform project. Preparations for the launch of the market will continue until February 2020, followed by a six-month pilot. The pilot will only include spot trading in wheat for consumption with physical delivery. After the pilot, we will continue to operate and develop the market by adding more commodities and instruments.

**Mariola: What issues of the Polish stock exchange are being raised by institutional and foreign investors? What are the most acute problems?**

**Jacek Fotek:** Foreign investors, like all investors, want their investments to be profitable with a strong outlook and prospects of growth. They appreciate our maturity and the partial upgrade completed last year, as well as the diversification of the exchange's revenues, which ensures stability across the

economic cycle combined with solid profitability. Foreign investors are interested in the market's prospects of growth in the segments of equities, bonds, and commodity instruments. They remain concerned with insufficient liquidity of the market and the small size of most of the listed companies.

***makler: The Exchange will pay PLN 50 thousand per company for research. Couldn't you pay less?***

**Jacek Fotek:** GPW will pay fees of PLN 50 thousand to Exchange Members participating in the analytical coverage support programme. The objective of the Programme is to increase the number of published analyses of companies participating in mWIG40 and sWIG80 while providing local and international investors with broader access to up-to-date analyses and improving the liquidity of trading in shares of companies participating in the programme. We want to offer high quality research, which is why the fees to be paid by GPW will be at market levels. We consider this an investment which will pay off when investors trade more actively.

***pasymek: Had it not been for the sale of Aquis Exchange Limited, you would have reported a double-digit decrease in the net profit in 2018. So, the company wasn't all that successful in 2018, was it?***

**Jacek Fotek:** We are benchmarked to historically high results of 2017, which represent a high comparative base. Considering the decrease of the value of trading across all segments of the financial market, the GPW Group's operating results are relatively good. Please note the positive results of the commodity segment, which now accounts for more than 44% of revenue, and the segment of information services, which generates approximately 13% of revenue. As a result, we maintained an EBITDA margin of more than 58%.

***Krzysztof P: Will you publish a record of this chat, for instance in PDF format, for future reference?***

**Jacek Fotek:** Yes, the chat will soon be published on the GPW website under the Investor Relations section dedicated to presentations and webcasts.

***studenciak: What is the velocity ratio? How do you compute and interpret velocity? Is a velocity ratio over 30% good or bad?***

**Jacek Fotek:** The velocity ratio is a good measure of the market activity of investors. In 2018, it performed much better than the value of trading, which proves that trading in equities remained stable despite falling valuations. Compared to the most advanced exchanges, whose velocity is more than 60%, we have much room for growth. To do that, we have to continue investing, not only in the liquidity of stocks but also in the development of derivatives, structured instruments, and ETFs.

***Jessika: Are you planning to introduce stock options in near or more remote future?***

**Jacek Fotek:** It depends on the liquidity of the underlying instruments and the further growth of trading in futures, including single-stock futures. I expect that investor demand for options will emerge. We are ready to support market development in that regard.

**Jacek Fotek:** Thank you for your participation in our chat. We hope that we have introduced you to the standing and outlook of the GPW Group. Unfortunately, due to time constraints, we cannot take all of your questions. Please contact GPW's Investor Relations at [ir@gpw.pl](mailto:ir@gpw.pl). Visit the Investor Relations panel on the GPW website to find practical information about the Company's position and outlook. Again, thanks for chatting with us. We wish you solid returns in 2019.