

Transcript of the retail investor chat with GPW Vice President Jacek Fotek on Wednesday, 27 November 2019 at 3 p.m.

Moderator: Good afternoon and welcome to our investor chat with GPW VP Jacek Fotek. The floor is open for questions.

majkel89@onet.pl: What's up with the analytical support programme?

Jacek Fotek: The analytical support programme currently covers 40 companies participating in mWIG40 and sWIG80 and it is going according to plan. All Exchange Members participating in the programme have issued initiating reports. Within a year, the Exchange Members need to issue update reports. They have to provide at least 4 update reports within the two years of the programme. The programme has been welcomed by the investor community. According to the companies, interest and recognition on the capital market are on the rise.

Fundamentalista: What are your acquisition plans?

Jacek Fotek: The Exchange pursues an organic growth strategy but we are open to potential M&A opportunities. We are following closely other exchanges, the post-trade sector, as well as technology companies.

mmmaslov: Are you satisfied with the quality of reports issued under the analytical coverage programme?

Jacek Fotek: We are currently analysing the impact of the programme on the market and the quality of available reports. We believe that the emergence of free-of-charge access to professional reports is by itself positive for retail investors.

Arnold: Why do you think companies are not very interested in going public?

Jacek Fotek: The issue of falling IPO numbers affects most European exchanges. The situation on the Polish market is due to low valuations. At this time, four prospectuses are pending before the Polish Financial Supervision Authority (KNF). We are talking to companies which are planning to go public in near future. They are postponing the IPO decision until valuations on the secondary market improve. We hope that the launch of the PPK programme will provide a boost to the market. The programme will produce tangible effects already in 2020.

Ryszard Kornecki: Do you have any plans that could improve turnover on the exchange?

Jacek Fotek: Despite low valuations, the velocity ratio (turnover to capitalisation) remains at 30-34%. Turnover and liquidity should improve in the long term with rising valuations, the inflow of new capital following the launch of PPK, as well as strategic measures under #GPW2022, including the launch of a securities lending and borrowing system and the development of derivatives and ETFs. A new ETF, BetaWIG20Short, has been newly listed today. Passive ETFs typically generate more transactional interest, both in stocks and derivatives, which improves their liquidity. The planned pension fund reform should release additional free float which is now frozen in pension funds.

Nand: Aren't you concerned that the fast pace of delistings combined with many IPOs of gaming companies on the GPW and NC markets (as well as the conversion of the profile of listed companies to gaming) could soon leave nothing but gaming companies on GPW?

Jacek Fotek: Both of our markets list more than 800 companies. Gaming companies are still a relatively small percentage. There is no such risk. The number of IPOs is a function of good valuations. Clearly, gaming companies still enjoy popularity among investors.

mrk.cebulski@gmail.com: How long will the analytical coverage programme continue?

Jacek Fotek: The programme is open for a period of two years. It may be modified in the next edition or earlier if special circumstances arise.

prodywidendowy: Is the management going to recommend a dividend payment from the 2019 profit?

Jacek Fotek: GPW has steadily paid dividends to the shareholders for years. According to the dividend policy, the Exchange Management Board intends to recommend to the General Meeting a payment of dividend from the 2019 profit at least equal to PLN 2.4 per share and an increase of the dividend from the profits of 2020-2022 by at least PLN 0.1 per share each year.

Weck: Why is the cost/income ratio lower than expected in the exchange's growth strategy by 2022? Is it due to major cost cuts or because certain activities impacting costs have not been implemented?

Jacek Fotek: It is due to a strict cost discipline, the impact of one-offs, such as a lower KNF fee this year, as well as lower expenses than originally expected. Operating expenses can be expected to increase in the coming quarters.

Damian Kobycycki: Is the Exchange planning to follow in the footsteps of Orlen and others and launch loyalty programmes for investors? It would seem that the Exchange should be a leader of such programmes...

Jacek Fotek: GPW supports all initiatives dedicated to retail investors. For instance, we have recently launched an analytical support programme which provides free-of-charge access to professional analytical reports for a broad group of retail investors. We regularly launch new products and offer educational activities, including the continuation of the Exchange School programme. We are certain that retail investors' market share on the exchange will grow, especially on the back of clear market trends. We are planning to offer new initiatives to this group of investors. We will keep the market up to date.

Grzelczyk: What happened to the idea of a rating agency for bond issuers? Have you given up on it?

Jacek Fotek: The Exchange continues to believe that it makes sense to establish a rating agency to improve the rating culture in Poland. As one of the three shareholders of PAR, GPW actively supports initiatives aiming at the launch of the agency as soon as possible.

Jurek: Are you planning to introduce new categories of futures on instruments listed on the exchange and if so, when?

Jacek Fotek: It depends on market demand and the development of recently introduced macroindex futures. We keep following the market to address investors' expectations.

Neuw: Have you considered launching a proprietary crowdfunding platform?

Jacek Fotek: GPW is working on a broad blockchain-based solution not only for crowdfunding. We are developing a solution that will reach the biggest possible group of potential clients. We address developments in global capital markets impacting clients' expectations, technological opportunities and access to capital. The solution under development requires amendments to legal regulations as well as other necessary changes. We expect to open the Private Market next year.

Aha: What is your opinion about the potential of the food platform project?

Jacek Fotek: Poland is a leading food producer and exporter in Europe. On the other hand, the region lacks a well-developed standardised agricultural market. We have the necessary technology and experience as an operator of trading in financial instruments and commodities. The project is going according to plan. We expect to launch the pilot in March 2020.

gpw fan: What's next with Catalyst?

Jacek Fotek: The corporate bond market still represents a huge growth potential. After the difficult period 2017-2018, when the value of issued instruments was growing at a slower pace, we expect the growth rate to step up in the coming years. That should in particular help new classes of debt, including planned MREL bonds issued by banks as well as development bonds planned under the Capital Market Development Strategy. GPW will address changing needs of investors and market trends in the organisation of trading and outreach to new groups of market participants.

patryk: When will you implement a new trading system?

Jacek Fotek: Our project developing a new trading system runs until 2024. It will be gradually rolled out in GPW Group companies. We expect to consolidate the trading systems across the GPW Group.

Moderator: Thank you for your participation in this event. Unfortunately, due to time constraints, I was unable to take all your questions. We will answer them within a few days and publish them on the GPW Investor Relations website under FAQ. Feel free to contact our Investor Relations, they will be happy to take your questions.

Felix Banaszak: Are you planning to implement comprehensive, nation-wide, long-lasting and multifaceted initiatives to attract ordinary people to the market?

Jacek Fotek: GPW is running many initiatives aiming to promote the capital market and attract retail investors. We continuously support investors with educational and other initiatives. In 2019, we have launched the Exchange's Analytical Coverage Support Programme where brokers have published recommendations for 40 companies, available free of charge to investors at <https://www.gpw.pl/gpwpa>. Ten of the issuers participating in the programme, representing a quarter of the total number of participants, were never covered by analysts before. The educational dimension of the programme and the objective of attracting new investors to the market are the Exchange's top priorities.

GPW hosts events where companies meet with retail investors; participation is offered free of charge. We have recently held three conferences "Gaming on the Exchange", one event dedicated to biotechnologies "Business is in Our DNA", as well as the "GPW Innovation Day." We will certainly arrange similar events in 2020.

GPW's headquarters regularly host public events, training sessions, meetings with companies, workshops, etc. All upcoming events are announced in GPW's social media (facebook, twitter, instagram).

CG: What are you going to do to prevent companies' breaching corporate governance rules? How about imposing tangible penalties as well as offering incentives to issuers for quality compliance with the Best Practice?

Jacek Fotek: The Best Practice relies on a "comply or explain" model, where companies are not penalised by the Exchange for failure to comply with the principles. The actual penalty comes with negative perception by investors who say no to low quality of corporate governance in listed companies. However, we will work with the Best Practice Committee and consider concepts that could align the applicable regulations with expectations arising from the Capital Market Development Strategy. No penalties and no incentives can replace the role of shareholders who verify the truthfulness of companies' declarations of compliance with the Best Practice and enforce the highest standards of compliance.

Karol Wajchrzak: What is the Exchange doing to encourage Polish companies to go public on GPW?

Jacek Fotek: Attracting new issuers is of fundamental importance to GPW. In 2019, we have launched the GPW Growth initiative which supports the development and transition of SMEs that could go public on GPW in the future. The project is dedicated to owners of private companies who can participate for a fee. We have identified a large group of companies, including family firms, which could go public on the Exchange in the coming years. We are also working with private equity/venture capital funds, which are a natural source of IPOs. We expect the IPO market to improve if overall conditions improve and valuations rise. About a dozen companies have enrolled their leading managers in the first edition of the programme, something that we are very proud of.

Serek: Renewable energy companies are in fashion and their valuations are high. Have you seen rising interest of that sector in IPOs on GPW or NC?

Jacek Fotek: We have not seen additional interest of such companies in our markets, for two reasons: typically, either they are start-ups or else they focus on raising capital from EU funds. We are talking to several renewable energy companies. We may see IPOs from that industry in the future.

Jarek G.: What additional remedies are you planning to implement in order to improve the safety of investors on NC?

Jacek Fotek: NewConnect (NC) is one of the biggest alternative markets in Europe. We have been pursuing a strategy that improves the quality of the market and, consequently, the safety of investors. Over the past few years, GPW has established the Council of Authorised Advisors which ensures the responsibility of Authorised Advisors for the market and supports its development. We have introduced new segments on NewConnect: NC Focus (which groups the best companies on NewConnect), NC Base and NC Alert to improve the safety and transparency of trading. Each segment has its own specific qualitative criteria, related mainly to the companies' financial standing and their compliance with disclosure requirements on the market.

Many exchanges in our region and beyond look up to NewConnect. We will continue to develop that market segment. NewConnect was granted the status of SME Growth Market (SME ATS) in July 2019. The SME Growth Market status offers advantages to issuers with respect to obligations under MAR (regulations concerning insiders lists and the publication of inside information) as well as prospectus obligations.

Strateg: How do you evaluate progress in the implementation of the Exchange's growth strategy by 2022?

Jacek Fotek: The Exchange's growth strategy by 2022 includes 14 strategic initiatives and more than a dozen projects which will implement a range of solutions improving our core business and adding new business segments. We monitor the implementation of initiatives and align them with the changing environment. We have raised PLN 42.36 million external financing for the implementation of the strategic initiatives. All strategic measures are monitored so we can quickly react to changes in the legal and business environment. The key events in the implementation of the strategy include:

- Commenced development of the Trading Platform (estimated cost PLN 90 million, NCBR co-financing PLN 30.20 million) and the GPW Data system (NCBR co-financing PLN 4.2 million; based on machine learning and artificial intelligence), Ministry of Science and Higher Education research grant (PLN 1 million);
- Development of an agricultural market (KOWR co-financing PLN 5.13 million), Memorandum of Understanding with Elewarr Sp. z o.o. concerning the development of a network of authorised warehouses;
- Establishment of a technology company, GPW Tech, which specialises in IT solutions for the capital market;
- ASI status of the fund of funds GPW Ventures;
- Launch of the GPW Growth Academy supporting development of SMEs;
- Launch of the GPW Partner Firm – GPW Crowdfunding Partner Programme addressed to brokers involved in crowdfunding;
- Selection of 40 SMEs supported by Exchange Members in the Exchange's Analytical Coverage Support Pilot Programme;
- GPW Foundation received co-financing for educational projects at PLN 1.75 million from the Ministry of Science and Higher Education and the National Bank of Poland.

Our development initiatives focus on the core business, as well; we are constantly adding new products to our offer. The recent additions include a new version of the GPW mobile application featuring a range of new innovative functionalities; launch of new ETFs; introduction of new futures on the WIG.GAMES index; introduction of sectoral indices; publication of the WIG-ESG index; launch of the CEEPlus index which covers the top 100 companies in the region.

Waldi: Wouldn't it make sense for GPW to actively participate in lobbying in favour of changes to the tax system that could encourage investors to invest on the exchange?

Jacek Fotek: GPW participated in broad-range market consultations in the drafting of the Capital Market Development Strategy. The final version of the Strategy approved by the Government in October 2019 includes a number of changes to the tax system in support of the market.

The changes recommended in the Strategy are based among others on solutions that exist in the most developed economies. The tax policy under the Strategy aims to use the tax system as an effective tool encouraging issuers, intermediaries and investors to use the capital market more broadly.

We are reviewing the Strategy and we will advocate against existing tax barriers and in favour of tax incentives for investors including:

- Netting of capital gains and losses: gains and losses on investments in capital funds should be offset on an annual basis together with gains and losses on other capital investments; however, gains and losses on high-risk investments could be offset as a separate category (not combined with gains and losses on lower-risk products). Losses could be offset up to a limit, for instance, within 5 years.
- Lower taxes on dividends: dividend taxes should be reduced from 19% to 9% for gains on capital investments in order to attract local and international investors and issuers to the Polish capital market.
- Taxation on gains from coupons: the exiting taxation on bond coupons should be changed to provide tax relief for specific categories of bonds acquired by investors on the (primary or secondary) organised market.

Tomek Guzera: GPW holds hundreds of millions of zlotys of cash in financial instruments and banks accounts. Given the Exchange's excellent financial position, wouldn't it make more sense to invest and spend much more to promote the market among potential investors and companies that could be floated on the exchange?

Jacek Fotek: Our liquid assets have a purpose. GPW's current strategy #GPW2022 sets ambitious goals. We are also ready for potential M&As. We will use the money when market opportunities arise. The management is committed to our dividend policy because the Group cannot grow at the expense of our shareholders.

pasymek: What is the average yield on the company's bank deposits and financial instruments?

Yields earned by GPW in the past few months are as follows:

- bank deposits: approx. 1.5%
- corporate bonds, certificates of deposit: approx. 2%

Dave: How effective is your enforcement of fines imposed on companies listed on NewConnect? What is the percentage of fines actually paid by listed companies to specific beneficiaries?

We have seen improvement in the payment of fines. It should be remembered that companies pay fines imposed under the regulations to an organisation of public good of their choice; no fines are paid to GPW.

Domi: Are you already working on the GPW Data system? Will it be available to retail investors in 2021?

Jacek Fotek: The roll-out of the GPW Data project is scheduled in H2 2021. The GPW Data project is one of the key strategic initiatives and a good fit for the Capital Market Development Strategy which covers among others the launch of electronic reporting standards in the Inline eXtensible Business Reporting Language (iXBRL). Automation of access to and analysis of exchange data is crucial to the development of the Polish capital market.

The GPW Data project will rely on machine learning and artificial intelligence. It will help capital market participants to make fast optimised investment decisions. The GPW Data system will provide quick access to market data, data analysis and processing, and the development of investors' transactional algorithms based on AI.

Project work is starting this year. The first phase is to develop financial reporting models under the applicable electronic reporting standards. Next steps will include the development of a reporting system followed by the distribution of investment support tools.

Muszka: What does the balance-sheet line intangible assets at PLN 247 million represent?

Jacek Fotek: The exact balance of intangible assets as at 30 September 2019 is PLN 247,314 thousand, including mainly the Group's rights and licences in IT systems, such as the core trading systems (UTP, SAPRI, MTS, Nasdaq Solution).

daniel: Is GPW planning to take over another exchange?

Jacek Fotek: The Exchange pursues an organic growth strategy but we are open to potential acquisitions. We are following closely a broad range of entities: other exchanges, the post-trade

sector, as well as technology companies. We are looking for investment and acquisition targets. We will announce potential decisions in current reports.

Mateusz M.: Are you planning specific steps to attract foreign companies?

Jacek Fotek: We are currently focusing on attracting Polish companies to the exchange because many domestic companies could benefit from the opportunities available on the capital market and successfully attract local and international investors. However, we are open to foreign companies and we are meeting with them, as well. Our co-operation with other Three Seas Region exchanges in the CEEplus index project is a potential source of companies, for instance those interested in dual listing.

Michalina: Will you introduce stock options?

Jacek Fotek: GPW's offer follows the expectations of market participants. One of the initiatives under our updated growth strategy #GPW2022 is to develop the market in derivatives including stock options. We are ready for such development of the market. The pace of that development depends on growing liquidity of underlying instruments, i.e., specific stocks.

investor: Shouldn't you be focusing on the cash stock market as a priority before engaging in other strange projects...?

Jacek Fotek: GPW' strategy includes the development of existing business lines as well as the development of new business segments to diversify our revenue and become even more independent of market conditions in different segments of trading. Given the current trends on the exchange market, global exchange operators are increasingly earning revenue from sales of technologies and market data while the share of revenue from trade in financial instruments is falling steadily. Our initiatives are consistent with those international trends. We want to grow and develop market infrastructure in order to create shareholder value. The initiatives we are taking are necessary to that end.