WARSAW STOCK EXCHANGE

CONFERENCE CALL ON WSE RESULTS FOR THE 4Q 2024 AND FY 2024

Michał Kuzawiński, WSE Director of Strategy and IR:
Good afternoon and good morning, everyone. Thank you for joining Warsaw Stock Exchange Q4 and 2024 Results Call. Let me introduce today's speakers. We have with us the CEO of Warsaw Stock Exchange Tomasz Bardziłowski, our CFO Marcin Rulnicki, and the CEO of Commodity Exchange TGE Piotr Listwoń, and I'm Michał Kuzawiński, Head of Strategy and Investor Relations. We will start the call with a short presentation followed by a Q&A session. If you'd like to ask a question you may press star 2 on your telephone keypad. If you've joined us from the webcast, you can either type your question in the send your question box or you can also ask a voice question online. And now without further ado let me pass the line to the CEO of Warsaw Stock Exchange Tomasz Bardziłowski.

Tomasz Bardziłowski, WSE CEO:
Thank you Michał. Ladies and gentlemen, a warm welcome to our 2024 Financial Results Conference. Let me first go through the key achievements of 2024. We delivered record high revenues for the group which were up 4.5% year-on-year driven primarily by an increase in financial market revenues which rose 9.8% year-on-year with a small decline in the commodity segment down 2.7% year-on-year. Those record high financial market revenues were primarily driven by very strong volumes in cash equities. Cash turnover went up over 20.8% last year. This was due to high investor activity with marginal changes in the two main indices. One of the key highlights of last year was an IPO of Zabka Group, the largest IPO in Europe in the second half of last year and the fourth largest in the history of the Warsaw Stock Exchange. Also, for us an important event took place in November when we announced the strategic directions for 2025-2027 with focus on setting financial KPIs and dividend plans with the aim of growing the dividend. We also conducted the review of our non-core businesses and the review led to some write-offs in total of over 38.6 million zlotys at the EBITDA level. However, what we also emphasized was a strong cost control and declining cost-to-income ratio for the first time three years. Overall, for the full year our adjusted EBITDA increased by 2.2% year-on-year and our net profit rose by 1.1% year-on-year in the adjusted basis. Looking at the past year performance of indices, it was lackluster, however, it was more than offset positively in this year-to-date. Poland is the best performing market in the world with the WIG20 index up over 25.6% and in dollar terms well over 30%. Of course, we hope that this performance will ease up things going forward, and we will end the year also as one of the leading markets in the world. What is good news is that this is being accompanied by very strong volumes. Last year the cash equity turnover on the Warsaw Stock Exchange went up by 27% with new attempts making it the largest increase among European exchanges and this year so far has been very, very strong with the year-to-date volumes up 29% year-on-year. We continue to be a liquid exchange; our velocity ratio is one of the top in Europe. The primary market revival was a highlight of last year, with the IPO of Zabka. In total we had nine IPOs, eight of them was a transfer from our SME growth market to the main market. What is also good news is an overall revival on ECM activity. Here a secondary offering market was quite strong. In total we had 55 secondary transactions, excluding issues under incentive programs, capital increases and 13 ABB transactions totaling over 9.4 billion Zlotys. So far this year the IPO market is quite promising. We had over USD 400 million IPO of Diagnostyka which had performed extremely well, up 25% since the IPO price and we see more interest in the primary market in the IPOs from various potential issuers. We also point to a strong corporate board market. Overall, the value of non-treasury bonds introduced to Catalyst was up over 80% last year. So, this is a part on the

market performance and as I said the first quarter has been very strong and looks well for the remaining year. But I will ask our CFO Marcin Rulnicki to guide you through our financial results for the first quarter of this year.

Marcin Rulnicki, WSE CFO:
Hello and welcome everyone. In the next few slides, I would like to highlight the most important components of 2024 results. Starting with a big picture view of our P&L and looking at Q4 only. We reported a small decline in revenue mainly due to a lower revenue quality market that was unfortunately hosted by higher market revenues. We had some savings in the operating expenses. We are very happy about that because our operating expenses compared to Q4 2023 went down 4.2%. So that's something that shows that our cost optimizing plan works well. But the most important component of our results in Q4 are one-off events after review of our non-core assets and investments. We had to write off almost $32.6 million in Q4 only and the whole main year shows almost $38.6 million of assets written off with impact on EBITDA project. We also have some one-offs that I should talk about including a reversal of the provision for potential VAT liability. One such damage that was with positive impact of $29 million below EBITDA level and a few other components all in all $24.6 million up in the financial activities that we did include one-offs as well. Adjusted EBITDA was comparable to Q4 2023 with adjusted net profit slightly below $44 million, -1.7%. Looking at the whole year, the revenues were record high. We are very happy about that 4.5% increase and the cost grew by 3.9% so it helped us to increase the stability and go down without that cost income ratio which is one of our targets emphasized in the key strategic directions that we announced in November. The consolidated adjusted EBITDA for the whole year was 2.2% higher than in 2023 reaching almost $163.7 million and net profit was also up 1.1%, $157.7 million. So, I would say very solid year, very good result, and a very good starting point for delivering our strategic directions in November. A few words about one-offs. At the end of the year, we made a review of our assets and in some cases, we had to revise the assumptions in our models mainly because of revenues overstated performance of those projects. In some cases, we also had to design or hold investments in solutions that we consider not suitable for stock exchange. Altogether the impact of these as I mentioned on the previous slide was almost $38.6million in the whole year on EBITDA level and additional let's say $4.5 below EBITDA and the financial cost where expenses were offset by this income reversal of the provision as mentioned before. Total impact of those one-off items on pre-tax profit was $14 million zloty in the whole of 2024. Just a few words about our revenue mix. It's just to remind. Dividing our revenue into financial market, commodity market and information services. Almost half of it (49.7%) comes from financial market and this is like the dark blue part of the pie on the right-hand side of the slide. Almost one-third (32.4%) is from commodity market and 14.4% comes from information services. Looking at the growth rate in these component segments you can see that the annual revenue from financial market was very dynamic and grew by almost 9.4% year over year. We also observed the higher revenue from information services. We are very happy about that because for three quarters in a row we had double-digit growth here and this is also a part of our strategy to try to increase recurring revenue as part of our revenue mix. As for declining commodity market revenue, overall share of recurring revenue in our total revenue is around 35% in 2024 and one of our key strategic aims is to work to increase this number. Going deeper into financial market, you can see that the dominating part of our trading revenue comes from equity, and this is also the part that grew very much in 2024. We had record high turnover on Warsaw Stock Exchange in 2024, reaching 331.4 billion zloty for the whole year, 20.7% up. With small decline in the average fee, it resulted in 15.2% growth in revenue from the financial market. The other components are relatively smaller, but we will of course work to increase their share. Other parts of financial market revenue include information services, as I mentioned before, double-digit growth here and we are very happy about that. Listing fees, they also grew but this growth followed mainly the market cap and that's the main reason. In Armenian Stock Exchange, the right-hand side of the slide, you can see a small decline coming from depository activity, where we had smaller revenues from ancient bonds, which was very attractive as well. Now a few words about what happened in the revenue of the commodity market, but I will ask, the CEO of Commodity Exchange, to comment.

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):
Hello everyone. The commodity market in 2024 was characterized by stabilization involved in the context of electricity and gas pricing but also revenues from the market trades, which reached the level of almost

84.7 million zloty. Exactly the same as the year before. We saw quite good revenues in 2024, the gas revenue increased by 9.7% and other fees of market participants by 14.4%. On a quarterly basis, we recorded a 9.1% drop in revenue, mainly as a result of weaker revenues from the spot exit market, which after a record-breaking level in 2023 decreased by one third. Clearing. Revenues from the clearing down in quarter by quarter and also year by year by 14.1% and by 9.1% comes from the lower volumes in electricity, gas and property rights market. On the right of the other hand, operation of the registers, we see the revenue on a yearly basis of exactly the same amount of revenues amounting to 21.1 million zloty, having increased by 33.3% on the registry of guarantees of origin. And on a quarterly basis, we see a significant increase by 40.6% also on the register of guarantees of origin.

Marcin Rulnicki:
Now, coming back to expenses on the side of the P&L, I would like to comment a few words about what happened in this area. And in Q4, as I mentioned, we are very happy that our operating expenses went down year-over-year by 4.2%. The decline was both in personal expenses and external services. For the whole year, the operating expenses were up 3.9%, reaching 332 million zloty, and they were growing slower than revenue, which helped us to reach a higher profitability and increase our cost-to-income ratio, which is one of our targets. And the cost-to-income ratio in Q4 only was 70.5%, still high, but we will keep working on it. But what is worth mention here, the third quarter in a row, we've been reducing costs or the costs of growth and revenue. So that's, again, a consequence of our cost-optimizing plan that was introduced last year. A few words about capital expenditures and investments. They seem pretty low in Q4, and they are lower in 2024 compared to the previous year. Maybe one thing worth mentioning here is that we had deliveries of around 10 million zlotys, which were executed still in 2024, but paid for in 2025. So, we cannot see them in cash flow, but they will be visible on the balance sheet already. So, adding this, CapEx for Q4 will be comparable to what we had in Q4 2023, and the annual will be around 65-66 million. Maybe a comment on what we expect for 2025 here. We would like to say that we expect that capital expenditures in 2025 should be significantly higher than in 2024. Why? Mainly because of our work on finalizing our transaction platform and we plan to finalize it by November 2025, and it will incur significant capital expenditures. We're also in progress with meeting DORA requirements, which requires, again, investment, implementing a new financial and accounting system, and still working on the IT infrastructure improvement. All these will contribute to our capital expenditures in 2025 on top of regular CapEx for daily business. And maybe the last but not least slide from this financial part, cash flow and liquidity. In terms of operating cash flow, no surprises here, pretty strong cash flow from operations. Compared to our EBITDA, we see that 89.4% of our EBITDA is converted to cash to be pretty high ratio, in my opinion. We have a little bit lower capital expenditure, as I mentioned on the previous slide, what results in high free cash flow. We went up from 73 million in 2023 to 90.2 in 2024. Financial outflows are slightly higher because of high dividend paid, that's the main reason. And when you look at our balance sheet, our liquid assets at the end of the year are almost 395.1 million zloty, and our net cash is almost 370 million slots, so it looks like we are in a very safe and solid position to realize our investment plan and to consider dividend payment.

Tomasz Bardziłowski:
Okay, so let me now give you an update on the progress in the implementation of our strategy. This strategy was presented last year in November, and it focused on two main areas. First was capital market development and building a value for our stakeholders and shareholders. Why capital market development is important for us? Of course, the stronger the market, also we should profit on that. I just want to remind you that in terms of, for example, such metrics like market cap to GDP, Poland is one of the lowest levels in the EU with 25% ratio of value of domestic listed market stocks to our GDP. This compares to EU average of over 60% and over 100% in such countries like Sweden or Denmark. Of course, our mission is to grow this ratio, but for this we need support from regulators, and I must say that we right now are getting the support to advise initiatives which will result in a stronger capital market here in Poland. We are active not only on local level, but also on European and regional level. We have prepared our position paper on the future shape of European capital markets and where we say that it's also important to help to grow regional capital markets. In terms of local initiatives, we have presented over 60 proposals to our finance minister, on what needs to be done to accelerate the growth of Polish capital markets. We are quite active also in various initiatives aimed at the regulation of the capital markets in Poland and introduction

of new products like ETFs based on European standards or exchange investment trusts. We are also quite active in terms of initiatives for future, for potential issuers, for IPO candidates. We have initiatives aimed at private equity and VC funds, allowing them to present their portfolio companies to local investment community, which is called the GPW IPO Bridge. We are reopening our IPO Academy in the first half of this year. This is a national tool for companies which consider listing on the exchange. And we also want to develop various programs and initiatives aimed at our corporate bond market. In terms of initiatives for brokers, we are expanding our research support program. We want to increase our spending on this program by at least 25% for this year and various market-making activities and programs for local and international brokers. In terms of the key initiatives aimed at improving and delivering shareholder value, last year we focused on cost control. We have introduced an optimization program which led to a very steep decline in the growth of operating costs in the fourth quarter. You may notice that we have managed to oppose a negative growth in operating costs and our cost-to-income ratio has been reduced by almost 2% once to 70.5% for this year. This year we have launched our firm-wide efficiency improvement program, aiming at simplification of various processes and allocation of resources. And we've completed a review of our projects. I'll tell you a bit more about that in the next slide. New products are mainly ETFs and there are new companies on our GlobalConnect platform. We also want to have a group of international ETFs listed on this platform quite soon. As you may know, this year is the year when we will launch the new trading platform called WATS. The date for the launch has been set at November the 10th and we have a lot of IT and not only IT resources right now focusing on delivering the launch on time. Also, we are quite busy with the introduction of the financial accounting system. Just to give you an update about the review of non-core projects, very briefly, GPW DAI is a media advertising targeting platform and here we have started the process of searching and seeking for a strategic investor for this company. GPW Logistics is a platform for logistic services and here after the transferring of IP rights to the technology based on machine learning and AI we will decide on the future of this company once we see what the monetization capability is and once the new offer is completed and ready for the customers. GPW Private Market is a blockchain and supported technology. Blockchain and especially so-called tokenization of non-financial assets is one of our strategic areas. However, in this project we have only 34.5% of IP rights. We are yet to decide whether the blockchain technology will be developed under this project umbrella or it will be developed separately within a group. GPW Tech is a tech company offering IT services to external investors who have competitive restructuring of the company and will not have a negative effect on our P&L going forward and the company is also successful in securing first external clients. GPW Ventures is a venture fund which plans to invest in agriculture startups based on the funds from the Ministry of Agriculture. We discussed with the Ministry of Agriculture that we don't feel a super competent to be active in this space and to return to the funds. As we said in the presentation this led also to write-offs. We don't expect any more write-offs and also, we don't expect this year there could be some negative effect on our P&L but it will be significantly smaller than last year.

Piotr Listwoń:
From the commodity exchange perspective, we have a lot of initiatives proposed in several directions. On the slide you can see some of the projects that we already launched and a couple of words briefly about four of them. First of all, we are on the good path on the electricity and gas futures implementation. We are providing cooperation with selected CCPs and working on the development of operational and IT and finishing a consultation with the market participants about how the market should be. Secondly, development of register of guarantees of region. At the end of last year, we extended the ability to handle new guarantees of a region. I mean the heat and cold coming from the renewable sources. We are working on next guarantees that could be run in the registry, biomethane and hydrogen. Thirdly, we are also working on the indexes for renewable sources. In 2022 we introduced two indices for generation on onshore wind and photovoltaic in Poland. We want to develop it more. We see a lot of interest in biometric dispense in those indices and I hope that in the future we might make some profits also on commercialization of those indices. From the agriculture market we are working on a new model but hoping that it will work finally. Poland will work on the storage evidence instead of making contracts on exactly like tons of wheat. So, what we are doing now, we are working on legislation to propose to make a legislative initiative.

Tomasz Bardziłowski:
Okay and let me now summarize with our outlook for the rest of this year. Of course, the outlook looks quite optimistic. Looking at the volumes, extremely strong volumes we have seen so far this year. Cash equity turnover is up 29% year-on-year and we have record high index levels. We have more interest in the exchange equity trading from various group of investors. We see it also from when we speak to our international investors and shareholders. So, a very good start to the year on the financial market. We've heard from Piotr on the commodity market, we will probably see this year similar trends as next year. However, we already have some statements from various regulators that the market will be again freed up starting from 2026 which should also lead to revival in this segment. OPEX will continue to focus on cost optimization and process optimization. This year we'll have more of the cost related to implementation of the new WATS trading system, DORA regulation and the new financial accounting system. However, given the current trends, I believe we will continue to enjoy operating leverage. In terms of CAPEX, as it was said, the CAPEX project will grow above not only previous levels but also at higher levels as we noticed in 2023. But I strongly believe that after this year when we'll finish the implementation process, we'll also observe a significant decline in CAPEX going forward. We will continue to be a company with a very attractive dividend policy and with a mission to grow a dividend per share. I would also like to share with you my long-term optimism, which is based on structural changes in the EU, in terms of the focus on capital markets, focus on the growth of economies, on how important are investments and financing from capital markets in the growth of our economies. It's not only in Europe but also a very strong focus here in Poland. We'll be a beneficiary of this change. Thank you.

Michał Kuzawiński:
And with that, Rafał, we are ready to take questions.

Moderator:
Okay, thank you. Thank you very much for this presentation. We are now opening the question-and-answer section. If you are dialed in with a telephone and you want to ask a voice question, please press star 2 and wait to be prompted. If you are connected via the web, you may also ask a voice question or send your question as a text with the box provided. We will give a minute or so for the questions to come in. Okay.

Miguel Dias, WOOD&Company:
There has been a strong start of the year for the Polish equity market. Has that changed the expense budgeting for 2025? Are you front loading a bit more thanks to this buffer provided by strong revenues from equity trading? Also, what will be the main driver of the cost increase in 2025?

Marcin Rulnicki:
Okay, I think I should take this one. Well, no, we are not accelerating or changing anything in our cost plan because of high turnover in the first month of the year. We are trying to work according to the plan for the year. Again, I think the cost should increase in 2025. We announced our key strategic directions in November, and we declared that our operating cost growth rate should be at 4-6% annually and we'll try to fulfill this target within the next 3 years. However, I think it's fair to say that in 2025 we will see challenges here. Yes, because of these projects that Tomasz mentioned that we still have to finalize during the year. Of course, a major part of the costs related to them will be capitalized but some of these costs will have to be expensed because they will not meet the capitalization criteria. Also, we see that in certain teams in Warsaw Stock Exchange, we will have to invest in headcount. But again, I think within 3 years we'll be trying to stick to our 4-6% growth rate declaration that we made in November.

Emmanuel De Figueiredo, LBV Asset Management:
In 2025, would it be reasonable to assume positive operating leverage for revenue growing faster than costs given your management initiatives and strong tailwind for market equity turnover in Q1 2025?

Tomasz Bardziłowski:
Let me take this one. So, obviously, if we will see similar trends for the rest of the year that we see in the first quarter, we will see a strong positive impact of operating leverage.

Miguel Dias:
How do you see CapEx and depreciation in 2025 and the years to come?

Marcin Rulnicki:
In terms of CapEx, we made this comment during the presentation, so we expect it to be significantly higher than in 2024 and maybe it will even exceed 2023, which was heavy in terms of investment. So, because of the reasons, again, mentioned during the presentation, mainly the project that we work on, and they are a little bit on top of our regular operating activities. After 2025, we expect CapEx level to go down. At the same time, we think that our depreciation will increase after we start depreciating our internally developed production system. The budget for Q1 that will finalize until November 2025 is $134 million zloty. I think the depreciation period will be relatively long because these systems have really long life. So, I think that we'll probably consider 10-year depreciation period, but still, it will increase our depreciation significantly.

Miguel Dias:
Is WATS trading system still on track to be rolled out in November? How would you estimate the cost saving from efficiency gains and synergies?

Tomasz Bardziłowski:
Yes, so as we said, we have set the date of the launch of the trading system on 10th of November 2025, and it is on track. In terms of cost savings compared to the current license we pay to Euronext for usage of UTP system, of course, we will not have a cost license anymore. However, we will have a maintenance cost. So, those will offset each other. And in terms of the synergies, there will be significant synergies because we will roll out lots of other segments and not only equities, including corporate bonds, and in the future also in energy segments. So, particularly from the start, we will expect synergies. One trader will be able to trade on one screen on various markets. Previously, they used to have a different access to different markets.

Miguel Dias:
The next question for me will be regarding the non-core segments like DAI and Logistics. Are you closer to finding a good solution for these assets? What would that solution entail?

Tomasz Bardziłowski:
As we said in the presentation, in terms of DAI, i.e. the advertising company, we have started the process of searching for strategic investors. In terms of logistics, once the company will prove it can monetize its software, we will make our decisions. However, as we said, we have a strategy. We want to focus on the core segment, on capital markets, so we will most likely, at some point, dispose of the logistics. However, the question is what the optimal timing of such a decision is.

Miguel Dias:
In terms of dividends, what can we expect from 2024 profits?

Tomasz Bardziłowski:
Our dividend policy is to pay between 60-80 consolidated net earnings, of course, adjusting to one-offs. We've also said that the project for us is a gradual growth in dividends per share. We will, in a few weeks' time, present to our shareholders our recommendations on dividends for 2024, taking into account strong

results, also an ample room in our strong balance sheet with almost 368 million in net cash. This decision will also take into account our options related to potential M&A transactions. We have started analyzing opportunities here and probably this allows us to take at least two more months for a final recommendation. Thank you.

Miguel Dias:
When can we expect commodity futures to be introduced? Can you update us on the status of the process and what needs to be done before futures are introduced?

Piotr Listwoń:
Sure, we are expecting to introduce the financial futures between 2026 and 2027. We are still in the process. The status still, some consultations are in the process, I mean with the market participants. We need to know the needs to be accomplished. Still working on the IT system development to that and working on the CCP license extension for the selected CCP that will cover the clearing services of the financial futures. At the end of the process, we will also need approval of the financial instruments market from the Polish Financial Supervision Authority. So, this is the time that we need to go to launch the financial futures.

Miguel Dias:
Did you hear anything regarding the so-called obligo to trade power through the exchange?

Piotr Listwoń:
Yes, over the past week, the obligo for electricity has resurfaced into the Polish media. Market participants have decided the need to improve liquidity in electricity, also the access to electricity, and they also raised the voice of shifting the volumes from the OTC market, I mean the internal trade between producers and trading companies within the same capital group, to be shifted to exchange for making bigger competition on the market and expecting the electricity price to drop. As far as I know, some discussions and internal alliances are underway at the Ministry of Climate and Environment, but no decision yet taken.

Miguel Dias:
What is driving the revenue growth in the register of the guarantees of origin and how should we expect to forecast this revenue line in the future?

Piotr Listwoń:
Sure. The drivers are, of course, more electricity produced by renewable sources, makes more guarantees of origin. So, this is the one thing. Secondly, we have increased number of customers in the registry of origin. On a yearly basis, we have more than 33.3% growth and that means in absolute terms over 707 new participants in the system. So, it makes a new activity of the market and also new guarantees that could be registered. Also, as already mentioned, we introduced new guarantees, so it may help also make the volumes bigger and of course resulting in bigger revenues. And we did some changes in the functionalities of the system, some improvements that enables instant on-demand redemption of guarantees of origin, resulting in over 200% year-on-year growth of redemption certificates. So, these are most of the drivers. It could have an impact on the volumes, on the growth of revenues.

Michał Kuzawiński:
Thank you. Thank you, Piotr. Back to Rafał, do we have any questions from our participants?

Moderator:
No, no. There are no pending questions from the participants, so I will hand back the floor to you.

Michał Kuzawiński:
Well, it was a very self-explanatory call, so thank you for participating and thank you for the questions that came in. And we will want to do the call with you again soon when we announce QA results on the 14th of May 2025. Thank you and goodbye.

Moderator:
Thanks. Thank you. We are now closing all the lines. Thank you and goodbye.