



WARSAW STOCK EXCHANGE

CONFERENCE CALL ON WSE RESULTS FOR Q1 2025

Michał Kuzawiński, WSE Director of Strategy and IR:

Good afternoon and good morning, everyone and welcome to Warsaw Stock Exchange Q1 2025 Results Call. Let me introduce today's speakers. We have with us the CEO of Warsaw Stock Exchange Tomasz Bardziłowski, we have our CFO Marcin Rulnicki and the CEO of Commodity Exchange Piotr Listwoń. And I'm Michał Kuzawiński, Head of Strategy and Investor Relations. You will have an opportunity to ask questions after a short presentation. If you'd like to ask a question and you are dialed in, please press star 2 on your telephone keypad to enter the queue. Or if you've joined us online, you can either type your question in the box provided, or request to ask a voice question. And now without further ado, let me pass the mic to Tomasz.

Tomasz Bardziłowski, WSE CEO:

Hello everybody and welcome to our first quarter earnings call. We are proud to say that Q1 2025 was a record quarter in many areas. First, we have delivered record high revenues of the group, which amounted to 132.3 million zlotys. This was an increase of almost 12% on a year-on-year basis. This growth was driven by an exceptional performance of our financial market segment with revenue growing by almost 15% year-on-year, but also with the solid performance in the commodity segment with revenue growing by 9% year-on-year. The growth in financial segment was supported and driven by cash equity turnover. The cash equity turnover went up by 35% year-on-year in the first quarter and was supported by record high performance of our main indices, which went up by over 20% year-to-date in the first quarter. And you will see also that this good performance continued in the second quarter so far. In the first quarter, we had a good cost control. Operating costs in the group went up by 5.3% year-on-year, which resulted in a decline in cost/income ratio to 65.8% from almost 70% a year ago. You may notice a change in accounting treatment of a fee to Polish Financial Supervisory Authority. In the previous years, we booked the total fee in the first quarter and now we will evenly distribute the fee across all quarters. We obviously have adjusted the cost in the previous years, so you will see them on comparable basis. In terms EBITDA, we reported over 25% growth in EBITDA to almost 55 million zlotys and our consolidated net profit jumped by 28% to over 50 million zlotys. A few weeks ago, our management board recommended to pay a dividend of 132 million zlotys, which represents 89% of the consolidated net profit line and it translates into 3.15 zlotys per share, a 5% increase on a year-on-year basis. The dividend will be voted on at our upcoming shareholder meeting in June. In terms of corporate events, we would like to note that in April our supervisory board has appointed Mrs. Dominika Niewiadomska-Siniecka as a member of the board responsible for legal and regulatory affairs.

Talking about what was driving our main engine of growth in the first quarter, i.e., turnover in cash equities, you see here that in Euro terms the turnover was up 38.4% on a year-on-year basis and we've been a leading European exchange in terms of turnover growth. We are also proud to say that in Euro terms we are a leading exchange of liquidity. Measured by velocity ratio, i.e., the turnover to market cap, our velocity ratio

amounted to 56.6% in the first quarter, which is a significant improvement compared to 40% in the fourth quarter of last year.

On the next slide we show the performance of main indices year to date. You will see that the bull market rally has continued in April and so far in May with our main indices going up by over 30% in local currency terms. And we point out that this rally is not only limited to blue chips and to big 20 index companies, but also right now we also see a growth in stock prices in the mid- and small-cap segment. Our mid-peak and small-cap indices are also joining the rally. And you see here that also with the help of a stronger currency, we are number one market with 43% increase in the MSCI poll. And we also point out that even despite such exceptional performance, the valuation of the market looks still relatively undemanding with over 25% discount to MSCI emerging markets on a one-year forward PE basis.

Let me now comment on the performance in the primary market. In the first quarter, we saw the continuation of a breakthrough on the IPO side with an IPO of Healthcare services provider Diagnostyka worth 1.7 billion zlotys. We especially wanted to say that we are very happy with the performance of Diagnostyka. The stock is up over 60% year-to-date since the IPO price. We hope that more activity on the primary market will be visible in coming quarters in terms of equities. In terms of our bond segment, we are pleased to see over 40% increase in the value of bonds introduced to our Catalyst market, improvement in the corporate segment, still quite solid value of issuance of the municipal bonds, and a big improvement in the value of the secured mortgage bonds. We expect a continuation of those increases going forward. And as I said, we expect a more active IPO market over the next two quarters, especially in the upcoming season. I will now pass on to Marcin, our CFO, to discuss in detail our financial results of the first quarter.

Marcin Rulnicki, WSE CFO:

Good morning and good afternoon to all. As Tomasz said, it was a very solid, very good quarter and we are very happy about the performance. The revenues went up 12% and it was due to financial and commodity market's exceptional performance. Details will follow in the next few slides. In terms of operating expenses, we are very pleased with 5.3% growth rate compared to Q1 2024. It shows good control over operating costs and it's in line with our expectations. Technically, we changed the approach to recognition of Financial supervisory authority fee, that is the annual fee, and historically it used to be booked in Q1 as a whole amount, whereas from January 2025 we will start recognizing it in a monthly installment over the whole year to reflect the nature of this cost. All data in this presentation, including historical numbers, has been calculated accordingly and presents in comparable form. Due to very dynamic growth in revenues and reasonable growth in operating expenses, we can see that our operating performance was very good. Operating profit went up 28% and reached \$46 million in Q1 2025, and EBITDA went up almost 26% and reached almost \$55 million. What happened below operating profit line? Better performance from financial activity due to lower financial costs mainly, and also, we had significantly higher share in the profits of our associated companies. Here we mainly report the depository profits. They were much better in Q1 2025 than the year before, mainly because of very dynamic revenue growth together with good control over operating costs. At the end, more than \$10 million was contributed from depository for our net results. At the end, our net profit for the period reached over \$50 million and went up 27.8% compared to the same quarter of last year. Again, very solid, very good results and we are happy with this performance.

Now a few words about revenues and revenue mix. Here we present revenue segments. As we mentioned before, the most dynamic growth we observed in the financial market where revenue from financial market grew by almost 15%, mainly in revenues from trading activities. I will show details on the following slide. Also, the commodity market showed very good performance with more than 9% growth compared to Q1 2024. As a result of this, we see a slight change in our share of revenue, which is not dependent on turnover. In Q1 2025, it was 32.4% and it went down by 1.5 percentage points compared to last year.

Speaking about trading activity in the financial market, that was the biggest part of our financial market segment revenue. You can see that in Q1 2025, it went up to 56.4 million dollars. The most dynamic growth was within the equity part of the trading activity. It was following the record high turnover that we had in equities in Q1 2025. It exceeded 111 billion dollars in Q1 only and was 35% higher than the year before. Following this, we had an almost 29% growth in revenues from equities. In other classes of assets, we had a small decline in derivatives, stable revenue from debt, and others.

In other areas of the financial market segment, we saw reasonable growth in both information services, listing revenues, and in our Armenian Stock Exchange. Without getting too much into details, I would say that in listing revenues, we saw a growth in both listing fees and also in fees for introduction. In Armenia, the growth is coming mainly from deposit and equity. Now, a few words about the commodity market. I will ask Piotr, the CEO of Commodity Stock Exchange, to comment on this.

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

Thank you. Revenues from the commodity market in first quarter reached 23.5 zlotys, which represents an increase of over 11% year-on-year and 30% quarter-on-quarter. Apart from the electricity, we recorded double-digit revenue increases in each segment of fees for quarterly and year-on-year basis. The decrease in revenues on the energy market is mainly due to the lower trading volumes of the forward markets, which, running without trading obligations, is more influenced by significant inflation in liquidity, which also translated into the lower contracting of yearly instruments in this period. Natural gas trading in first quarter amounted to 39% in total, so increased over 20% year-on-year and 10% quarter-on-quarter. These forward markets had a large share in the higher trading volumes, reaching a record level of 12 TWh, which is an increase of 77% year-on-year and over 25% quarter-on-quarter. So, we are very happy with the activity of the gas market participants in the recent months and upward trends that we are also observing in the current quarter. Regarding the property rights market, we noted year-on-year increase in the trade of renewable energy property rights by over 30%, which should be connected to the increased obligation to redeem green certificates to 8.5% in 2025. In 2021, it was 5%.

Going next to the clearing and settlement revenue, we recorded in the first quarter an increase year-on-year of almost 9%, amounting to 13.2 million zlotys. These are due to the higher trading volumes and transactions in our clearinghouse, so all the transactions which are executed on the TGE. We noted stable revenues in the registers when comparing year-on-year basis. In quarterly comparison, we see an increase in revenues, but it's primarily related to the fact that rent generation in autumn and winter period is lower than in first quarter. Also, trading companies and some large electricity customers are in the process of purchasing green certificates and energy efficiencies certificates in order to redeem them by 30th of June for the previous year.

Marcin Rulnicki, WSE CFO:

Okay, now let's have a look at the operating expenses. The growth here was mainly driven by higher personnel expenses, which went up by 7.6% compared to Q1-24. There are two main reasons for that. The first reason is that the number of FTEs in the group went up by 13 full-time employees. This growth is mainly coming from strengthening our teams, mainly the teams which are involved in IT-related operations. The other reason is that we booked higher provision for variable salaries in Q1-2025 as a result of better performance that we observed in the first quarter of this year. External services-wise, here we maintained more or less the trends that we observed already in previous quarters. So, stable services in IT with decline in advisory and other services in Q1 compared to the previous year. What is also worth mentioning here is the growth in depreciation and amortization line. Over 1 million up here, and the reason is additional software solutions, which we implemented end of last year. Also, we started the amortization of the IP to

our platform that is used by Warsaw Stock Exchange subsidiaries. This is the platform for dynamic investment management. So, the two new assets generated additional amortization compared to the previous year. Due to good cost control and good revenue growth that we observed in the last quarter, you can see that cost income ratio went down to below 66%, and this is the lowest level for the last three years. So, we are very happy about it. But it's fair to say that maintaining this growth rate in operating expenses in the following quarters may be a challenge. We already know about additional expenses, which we will have to incur in the remaining part of the year. Also, related to big projects we are progressing with, including the WATS Transaction Platform and the accounting system that we are implementing. Majority of costs around these systems are capitalized, but those which are not qualified for capitalization incur our operating expenses. So, we should expect higher growth rates in operating expenses in the coming quarters. That's the message.

Now moving to Capital expenditures. The number for Q1 2025 seems high, over 24 million, and 62% up compared to Q1 2024. But this is something that we expected, and we also communicated already in the Q4 conference. Because, just to remind you, at the end of the year we had several deliveries, especially of IT-related hardware, which were conducted before the end of the year, but were not paid for. So, practically, we paid for these deliveries in the first weeks of 2025, and this is something that, let's say, additionally increased capital expenditures for equipment in the first quarter of 2025. Intangible assets are pretty much in line with our expectations, and in this line, you can also find costs related to WATS development, transaction platform development, which, let's say, goes in line with our expectations. Looking at a longer perspective, when you compare 2024 to the last 12 months ending in March 2025, you can see right now the growth of 17% due to this higher CAPEX in Q1. However, it's also fair to say that we expect the same trend in the remaining quarters of the year. So, at the end, we expect that capital expenditures in 2025 should be significantly higher than in 2024.

A few words about liquidity and cash flow. No surprises here. In this table, we're also comparing the last 12 months ending in March and the last two years. In the LTM March 2025, we had very strong operating cash flow of almost 160 million zlotys, and it represents more than 90% of our EBITDA, so our cash flow version of our results is on a pretty high level. We had slightly higher CAPEX because of the reasons that I mentioned on the previous slide, but still, even after deducting this high CAPEX, our free cash flow remains higher, better than in 2024. It's almost at 93 million. Liquid assets on our balance sheet end of March were more than 455 million zlotys. That's a pretty high number and a pretty safe liquidity position. So, it also supports our dividend planning.

And about dividends, I will remind you on this slide. So, in April, the Management Board recommended the distribution of 132 million zlotys from profit and capital to our shareholders. This translates to 3.15 zlotys per share, so 5% up year over year. And the dividend yield at the date of announcement was 6.6%. This is a little bit more than we promised in our dividend policy because we are declaring 60% and 80% of consolidated net profit to be distributed every year. And here, you can see it's almost 89%. We also mentioned that we're communicating the strategic development directions that in the years when we can afford it, we will try to exceed this 80% promise. And this is the case. We propose a dividend date for the 23rd of July and the payment date on the 6th of August. The supervisory board positively reacted to our recommendation. Right now, we are waiting for the approval of the shareholders.

Tomasz Bardziłowski, WSE CEO:

Let me now comment on the outlook for the remaining quarters of this year. The outlook remains positive. In terms of financial markets and cash equities, we still see high activity. In April, due to increased volatility, our turnover on our main market increased by almost 38%. And also, we see that so far in May, in the first

half of May, the year-over-year growth was over 20% in terms of turnover and cash equities. In terms of the commodity market, let me ask Piotr to comment briefly about the outlook for the coming quarters.

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

Sure. Having in mind that the gas in the energy mix in Poland is growing, the role of the gas is growing, so we expect that the market turnover should be going up. We see our results in the first quarter, so we forecast that it should go up in the further months of this year. The second thing we should have in mind is that the second quarter of each year sees a higher contracting and redemption of the green certificates, so it should be also noted in respect of the revenues of the second quarter.

Tomasz Bardziłowski, WSE CEO:

Thank you, Piotr. In terms of operating costs, we expect higher year-over-year cost dynamics in the coming quarters due to several factors. First, we have higher development spending, especially for the new WATS transaction platform, which will be launched on 10th November of this year. Secondly, due to the new financial accounting system, which we'll launch this year, but also due to a base effect. Just to remind you that we have started our construction program in the second quarter of last year, so there is our base of comparison. In terms of CAPEX, we have already talked about that. This year's CAPEX is expected to become higher than last year. This is mainly related to the launch of the new transaction platform, and we expect that the following year, 2026, the CAPEX will decline to a more normal level. Also, we would like to point out and stress that we are quite positive in terms of mid-term growth factors. We see a big focus in terms of the growth of the new capital market, both at the European level and here at the domestic level. We should be a big beneficiary of those structural changes and structural positive trends.

Michał Kuzawiński, WSE Director of Strategy and IR:

Thank you, and with that, we are ready to take your questions.

Moderator:

Thank you very much. Just a reminder on the question-and-answer section. If you would like to ask a voice question and you are connected via the telephone, please press star 2 on your keypad. That is star 2. If you are connected via the web, you may also ask a voice question or send your question as a text. We see our first voice question from Miguel from WOOD&Company. Please go ahead. Your line is now open.

Miguel Dias, WOOD&Company:

Hi, thank you. Congratulations on strong results and thanks for the presentation. I would like to start maybe with two questions for Piotr if I may. Is there any particular reason why we are seeing record high turnover on the gas spot market? I also noticed that in April forward transactions in gas were very high. So, if you can just provide some color on this, it would be appreciated. Has this been like a consequence of any changes that you've implemented or is this just like pure market function?

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

Do you want to ask the second question, or do you want me to answer the first one?

Miguel Dias, WOOD&Company:

No, if you can answer that question, it would be appreciated.

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

So, I just mentioned just a moment ago that our gas market is growing in Poland. I don't know if you can hear me well?

Miguel Dias, WOOD&Company:

I can, but I also can hear myself typing.

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

So, the green role of gas in the energy mix in Poland is growing. This is the first thing. So, there are lots of plans for creating new power plants based on the gas. As you may know, physically it takes about three, four years to build a generation based on the gas. So having in mind that the lifetime of the coal power plants is pretty short now. Within three, four, five years they will be out of their lives. So, the Polish government is looking for some new possibilities. We found that very good and stable production would be from the gas. So, we see a lot of contracts that our major gas company in Poland, Orlen is buying from the LFG. Those contracts could be sold on the Polish market, on TGE. So, this is the case. We can see the growing numbers of trades on the power electricity contracts, but also on the spot market, which is the record on the spot market, amounting to 12 terawatt hours in the first quarter. So, it is because that is good for TGE and for the market and the competition, is that for those power plants that are already based on the gas market, on the gas source, mostly they are contracting on the exchange and mostly they are contracting on the spot. Because now we are at a time when renewable sources are generated, the power from renewable sources, but based on the weather conditions. So, when the sun is not shining and the wind is not blowing, then we need to have something instead. So, we find that the gas is a really good example of the source that could be used. And most of the power plants are contracting on the gas market that we are running. So, this is the case that we have bigger volumes, and we expect that the volumes will stay with us and will be also higher in the future.

Miguel Dias, WOOD&Company:

Also, in terms of revenues from property rights, would you say this is close to the run rate for the next quarters?

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

Yes, I mentioned that the second quarter is the time of redemption of the green and efficiency certificates. So, it is seasonal that the second quarter is really high in revenues and in the volumes. I expect that the second quarter will be as good as the last year, or even more because we already have the obligation for redemption of those green certificates a little bit higher than it was last year. So, I expect that it will be also bigger volumes and also revenues coming out of those groups.

Miguel Dias, WOOD&Company:

And for the second half of the year, do you see Q1 as the run rate for those quarters?

Piotr Listwoń, CEO of Polish Power Exchange (WSE subsidiary):

The second quarter will be the biggest one probably because of the period of redemption. However, in terms of trading, I expect that the volumes should be bigger than last year because of the obligation. In 2024, the obligation to redeem the green certificates was at the level of 5%. For 2025, the level was increased to 8.5%. So, we expect that the volumes will be higher than last year.

Miguel Dias, WOOD&Company:

Now, maybe in terms of OPEX, just a general question. Where would you say the yearly increase would land for 2025? I understand that moving forward, it's going to be a bit higher growth in the next quarters. So, on a yearly basis, where would you say that OPEX is landing?

Marcin Rulnicki, WSE CFO:

Let me take this one. I think in our strategic direction that we announced at the end of last year, we defined that our annual growth in OPEX should not exceed 6% in the period of three years which were covered by this analysis. And I think we should maintain it. We don't have any other reasons to change. However, I think 2025 can be the most challenging of the three years. So, I would say that in the three-year period, we should still maintain this 4-6% growth rate that we assumed. But in 2025, we have our challenges as we mentioned. There's maybe one more thing to consider here. Because in the same document, we also announced that our expected revenue growth rate is between 6% and 8%. Of course, we have limited control over it. So, if our revenues allow us to spend a little bit more, I think we have a good idea of how to invest in the development of our business and how to, let's say, maybe stimulate further growth in the future. So, depending on the revenues, we may also in a controlled way decide to increase the operating costs and invest in the business development.

Miguel Dias, WOOD&Company:

Got it. Thanks a lot. And in which areas of the business would you consider spending a bit more if revenues allow?

Marcin Rulnicki, WSE CFO:

I think we should consider investing a bit more in business development, creating new products, also maybe in promotion and marketing around Warsaw Stock Exchange. So, these are the areas where I can see potential to invest. And of course, we'll still maintain investing in IT-related teams and services. This is where we see also, they need to increase spending, at least at this short term.

Miguel Dias, WOOD&Company:

Okay. Thanks so much. And just one last question. This one is a little bit more technical. But could you explain how the change in accounting policy related to the PFSA changed the income recognized and booked coming from KDPW?

Marcin Rulnicki, WSE CFO:

Yeah, that's a technical one, but a valid one. The depository, they were recognizing this fee over time already in the past. And for presenting consolidated numbers, we had to adjust their numbers to our policy. So, what they were recognizing over time, we were changing and recognized in Q1 entirely. And now, due to the change in our policy, we had to consistently present their results. So, we, let's say, reversed what we did before. That's why you can see that this line changed as well in our comparable data. And looking for details of the impact of these changes on our P&L, you can either refer to a separate slide, which we show in the appendix to this presentation. And we also have a dedicated note in our financial statement that describes the impact.

Miguel Dias, WOOD&Company:

Okay. Understood. Thank you so much. That's all for me. Thanks, guys.

Moderator:

Okay. Thank you. Thank you very much. Just another reminder for the rest of participants. If you would like to ask a voice question, please press star two on your keypad. If you are connected via the web, you can also ask a voice question or send your question as a text. Our next question is a text question from Usman Olubajo from Letko Brosseau. Could you provide insights on the expected IPO activity for this year? Please share an update on new ETF developments, including any plans related to rates and other products.

Tomasz Bardziński, WSE CEO:

Of course, we are very happy with the extremely strong performance, aftermarket performance of the first IPO we had this year, the Diagnostyka, with the share price up over 60%, and with the record high level of indices. So far this year, it was the first performing market in the world. And of course, this draws attention of potential issuers. We hope that the IPO market will therefore be more active over the next few quarters. We expect one medium-sized IPO in this quarter, and then several other IPOs, including hopefully a few larger ones by the end of this year. But I also would like to say that we are much more active right now in terms of contacts with potential issuers, with the contacts and our initiatives related to private equity funds and values candidates, which may think about listing at IPOs on the Warsaw Stock Exchange.

In terms of ETFs, we now have 13 ETFs listed on the market. We expect new ETFs to come to market over the next few months. Here, in particular, we have high hopes with the dividend ETF, which is based on our index of highest dividend-paying companies, which will pay a cash dividend on a quarterly basis. We think that this could be very attractive, especially for retail investors. We have heard from our ETF providers in our past to introduce some other ETFs, including the ETF on Bitcoin, which we expect to be launched this year. In terms of REITs, we understand from various public statements by government representatives that the legislation on REITs may be finalized this year. If so, we would expect the first IPO of REITs next year on the Warsaw Stock Exchange.

Moderator:

Okay, thank you. Thank you very much. Just a final reminder, if you would like to ask a voice question, please press star 2 on your keypad. If you are connected via the web, you may also ask a voice question or send your question as a text. Let's just give a moment or so for any other questions to come in.

Michał Kuzawiński, WSE Director of Strategy and IR:

Well, if there are no further questions, then thank you everybody for joining the call. Thank you for listening. Thank you for your active participation. We are looking forward to speaking to you again during our Q2 results call in the summer. In the meantime, if you have any questions, please don't hesitate to reach out to us by contacting the Warsaw Stock Exchange Investment Relations team. Thank you and goodbye. Thank you.

Moderator:

Thank you. We are now closing all the lines. Thank you.