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The IPOPEMA Securities S.A. Group

Directors' Report

**on the activities of IPOPEMA Securities S.A.
and the IPOPEMA Securities S.A. Group.
in the first half of 2024**

Warsaw, September 4, 2024

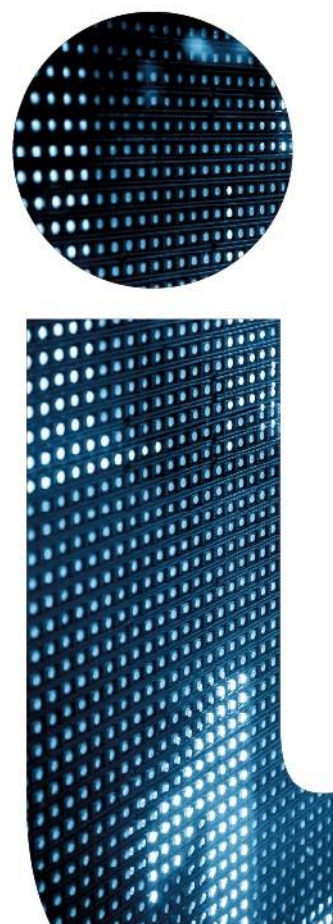


Table of contents

PART I

1. Financial result.....	3
2. Significant events and factors that affected financial performance	4
3. Factors that may affect results in the second half of 2024	5
4. Implementation of forecasts	6

PART II

1. Organizational structure of the IPOPEMA Securities Group	7
2. Changes in the organizational structure of the IPOPEMA Securities Group	7
3. Shareholders of IPOPEMA Securities S.A.	8
4. Change in the number of shares held by managing or supervising persons	8
5. Information on issuance, redemption and repayment of non-equity and equity securities	9
6. Loans, guarantees, warranties	9
7. Selected corporate events in the first half of 2024	9
8. Judicial proceedings and administrative proceedings	10
9. Transactions with related parties	10
10. Significant events after the balance sheet date.....	11
11. Risk factors	11

PART I

1. Financial result

Selected consolidated financial data	2024			2023		
	I-III*	IV-VI*	I-VI	I-III*	IV-VI*	I-VI
Total revenue, including	66.245	64.982	131.227	70.167	78.942	149.109
<i>Brokerage and related services</i>	13.983	18.910	32.893	13.475	18.779	32.254
<i>Investment fund management</i>	44.444	37.697	82.141	49.842	53.751	103.593
<i>Consulting services</i>	7.818	8.375	16.193	6.850	6.412	13.262
Total operating costs	65.719	61.106	126.825	68.163	74.017	142.180
Profit from core operations	526	3.876	4.402	2.004	4.925	6.929
Net profit for the period	1.463	4.905	6.368	1.817	5.275	7.092

*Unaudited data

Revenue

In H1 2024, the IPOPEMA Group's consolidated revenues (PLN 131,227 million) were 12.0% lower than a year earlier (PLN 149,109 thousand), primarily due to lower revenues in the fund management segment (down 20.7%), despite higher revenues in the brokerage and advisory services segments (up 2.0% and 22.1%, respectively).

Revenues realized in the brokerage services segment (PLN 32,893 thousand; 25.1% of consolidated revenues) were slightly higher than a year earlier (PLN 32,254 thousand), driven primarily by higher revenues from investment banking services (PLN 12,468 thousand vs. PLN 9,829 thousand in H1 2023). At the same time, the Company recorded a lower market share in trading on the WSE (1.78% vs. 2.00%), which, combined with slightly lower revenue from bond trading, translated into a decrease in the level of revenue from securities trading (PLN 17,023 thousand vs. PLN 20,073 thousand).

IPOPEMA TFI (fund and portfolio management segment) recorded revenues of PLN 82,141 thousand in H1 2024 (62.6% of consolidated revenues), down 20.7% compared to H1 2023 (PLN 103,593 thousand). The lower revenues of IPOPEMA TFI are mostly the result of the termination of the management of several debt funds in Q1 2024.

IPOPEMA Business Consulting (consulting services segment) recorded revenues of PLN 16,193 thousand (12.3% of consolidated revenues) in the first half of 2024, up 22.1% from PLN 13,262 thousand a year earlier.

Costs

The IPOPEMA Group's total operating expenses in H1 2024 amounted to PLN 126,825 thousand, down 10.8% from the same period in 2023 (PLN 142,180 thousand).

In the brokerage services segment, total operating expenses in January-June 2024 amounted to PLN 30,763 thousand, 3.9% higher than in the first half of last year (PLN 29,600 thousand).

Lower operating expenses in the investment funds and portfolio management segment (PLN 80,123 thousand vs. PLN 99,761 thousand in H1 2023) were mainly due to lower costs related to the management of debt funds (due to the termination of the management of several such funds in Q1 2024).

In the consulting services segment, the level of costs recorded in the first half of 2024 (PLN 15,939 thousand) was 24.3% higher than a year earlier (PLN 12,819 thousand).

Financial result

Profit on core operations and net profit recorded in H1 2024 in all segments translated into consolidated profit on core operations of PLN 4,402 thousand (vs. PLN 6,929 thousand a year earlier) and consolidated net profit of PLN 6,368 thousand (vs. PLN 7,092 thousand a year earlier).

As IPOPEMA Securities' stake in IPOPEMA Business Consulting is 50.02% and 77% in IPOPEMA Financial Advisory, net profit attributable to shareholders of the parent company amounted to PLN 6,377 thousand, and PLN 9 thousand was net loss attributable to minority shareholders.

In the brokerage services segment, 2.0% higher revenues (with operating expenses higher by 3.9%) translated into slightly lower levels of segment profits in H1 2024. - Profit from core operations amounted to PLN 2,130 thousand (vs. a loss of PLN 2,654 thousand a year earlier), and net profit was PLN 2,568 thousand (vs. PLN 3,299 thousand in H1 2023). Nonetheless, on a standalone basis (i.e., excluding intragroup sales and other consolidation exclusions), IPOPEMA Securities recorded in H1. 2024 net profit of PLN 4,707 thousand (vs. PLN 4,916 thousand a year earlier).

The fund management segment recorded a 20.7% decrease in revenue, which, despite operating expenses being 19.7% lower, translated into lower levels of profit from core operations (PLN 2,018 thousand versus PLN 3,832 thousand in H1 2023). At the same time, the segment recorded slightly higher net profit - PLN 3,706 thousand versus PLN 3,621 thousand a year earlier).

In the consulting services segment, despite an increase in revenue levels (by 22.1%), higher operating costs (by 24.3%) translated into slightly lower profit levels - profit from core operations amounted to PLN 254 thousand (vs. PLN 443 thousand a year earlier), and net profit was PLN 94 thousand (vs. PLN 172 thousand net profit in H1 2023).

2. Significant events and factors that affected financial performance

Situation on the stock trading market and in the area of investment banking

The stock trading market on the WSE in the first half of this year saw significantly higher investor activity than a year earlier - total turnover in January-June was 27.3% higher than in the first half of 2023. At the same time, IPOPEMA Securities recorded a lower market share (1.78% vs. 2.00%). Revenue from bond trading was also slightly lower than a year earlier. These factors, among others, translated into a lower total level of securities trading revenues in H1 2024 (PLN 17,023 thousand vs. PLN 20,073 thousand a year ago).

The situation was better in the equity transaction market - the first half of the year saw slightly higher activity from companies and investors. As a result, revenues from investment banking services in January-June 2024 amounted to PLN 12,468 thousand, 26.8% higher than in the same period of 2023 (PLN 9,829 thousand).

The above factors caused the brokerage services segment to record slightly lower profits in H1 2024 than a year earlier (PLN 2,130 thousand vs. PLN 2,654 thousand profit on operations and PLN 2,568 thousand vs. PLN 3,299 thousand net profit). On the other hand, on a standalone basis (i.e. excluding intragroup sales and other consolidation exclusions), IPOPEMA Securities recorded a net profit of PLN 4,707 thousand in the period (vs. PLN 4,916 thousand a year earlier).

Activities of IPOPEMA TFI

The termination of the management of several debt funds in the first quarter of 2024 translated into lower levels of IPOPEMA TFI's revenues and expenses - revenues for the entire six months of 2024 were 20.7% lower (PLN 82,141 thousand vs. PLN 103,593 thousand), and expenses were 19.7% lower (PLN 80,123 thousand vs. PLN 99,761 thousand). At the same time, the total value of assets in actively managed funds of IPOPEMA TFI amounted at the end of June 2024. PLN 1.1 billion (i.e., the same as a year earlier). Nevertheless, taking into account the assets accumulated also in dedicated funds, IPOPEMA TFI invariably remains the largest Polish mutual fund company - total assets under management at the end of June 2024 amounted to PLN 55.0 billion (vs. PLN 55.7 billion at the end of June 2023).

Activities of IPOPEMA Business Consulting

Despite the still difficult market situation, consistent execution of projects from the order book allowed IPOPEMA Business Consulting to increase revenues by 22.1% compared to H1 2023 (PLN 16,193 thousand vs. PLN 13,262 thousand). However, as a result of a higher level of costs (by 24.3%), the segment recorded lower profit levels - profit from core operations amounted to PLN 254 thousand and net profit to PLN 94 thousand (vs. PLN 443 thousand and PLN 172 thousand, respectively, a year earlier).

3. Factors that may affect results in the second half of 2024

The situation in the secondary market

Although the upward trend on the WSE has continued since mid-October 2022 (at the end of June this year, the value of the WIG was nearly half of what it was at the end of 2022), it was only the first half of this year that brought a significant recovery - turnover on the WSE stock market in January-June 2024 was 27.3% higher than a year earlier. Although IPOPEMA Securities recorded a lower market share in turnover (1.73% vs. 2.00%), it still maintains high activity in bond trading and foreign markets. However, it is difficult to predict how the situation in this area will unfold in future periods.

Situation in the area of capital transactions

In the first half of 2024, relative optimism returned to the equity transactions market and a slight recovery was observed. At the same time, IPOPEMA Securities scored a fairly good first half of the year in terms of transactions handled. In addition, the IPOs announced for the rest of the year may have a positive impact on the further return of company and investor sentiment towards equity transactions in the following months of the year.

Situation in the investment fund management segment

Since the beginning of 2023, the mutual fund market has seen growing investor optimism - July 2024 was the nineteenth month with a positive balance of inflows and outflows. Moreover, in the first half of this year, the balances of inflows to retail funds were significantly higher than in the respective months of the previous year. Most of the inflows are directed to companies in the banking groups and within the debt fund strategy. At the same time, it should be noted that part of IPOPEMA TFI's revenue (from the management of closed-end funds) does not depend on the value of the funds' assets, and thus on the economic situation and the stock market. In addition, in the first quarter of 2024, the Society terminated the management of several debt funds, which in subsequent periods will result in both a lower value of revenues for the management of the funds and a lower level of costs associated with the management of these funds.

Situation in the consulting services segment

In the consulting business segment, IPOPEMA Business Consulting is implementing started and new projects. Expectations for demand for services in the business sector of IPOPEMA Business Consulting will be closely linked to the economic climate in the coming months of this year.

Variable fund and portfolio management fee (investment fund and brokerage portfolio management segment)

In subsequent periods of the current year, IPOPEMA TFI may see income from the variable management fee for selected funds (and the costs of managing these funds), which is settled on the last day of the fiscal year and will not be recognized in the income statement until December 2024. Accordingly, interim, it is not recognized in the

income of the 'segment for the management of investment funds and portfolios of brokerage financial instruments' representing only an estimated value, subject to ongoing updating determined by investment results and the amount of assets under management. As of the end of the last calendar month preceding the date of this report, i.e. August 31 this year, the impact of the variable management fee on the segment's gross profit would be PLN 1.9 million.

War in Ukraine

An invariably significant risk factor concerning, among other things, the economic situation is the war in Ukraine. It is difficult to reliably predict its further course and duration, let alone its consequences. The uncertainty regarding further developments and Russia's behavior and actions makes it difficult to assess the real impact of the current situation on the Company's and its group's operations in future periods.

4. Implementation of forecasts

The company did not publish financial forecasts (both standalone and consolidated).

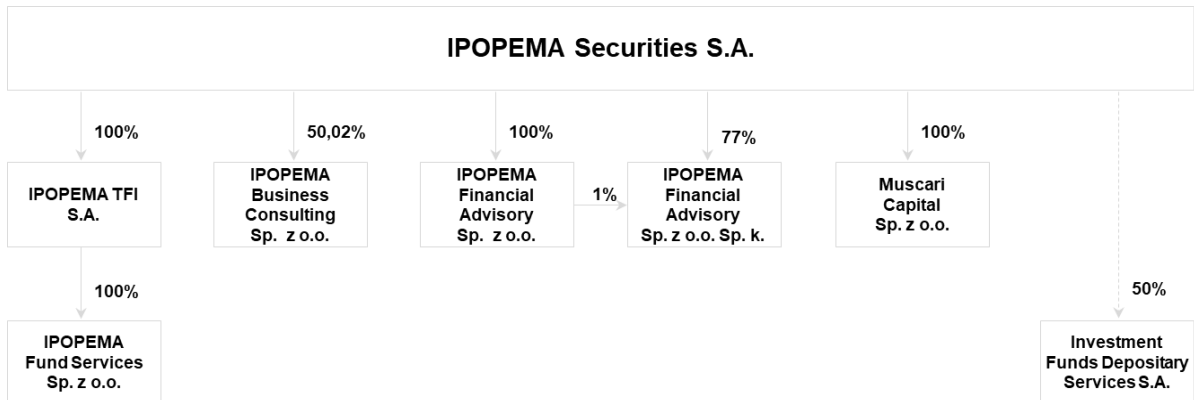
PART II

1. Organizational structure of the IPOPEMA Securities Group

As of June 30, 2024, the IPOPEMA Securities Group consisted of IPOPEMA Securities S.A. as the parent company and subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o. Sp. k., Muscari Capital Sp. z o.o. IPOPEMA Funds Services Sp. z o.o.

IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. are consolidated. Sp. k., while IPOPEMA Financial Advisory Sp. z o.o., Muscari Capital Sp. z o.o. and IPOPEMA Funds Services Sp. z o.o. were excluded from consolidation due to immateriality of financial data.

In addition, IPOPEMA Securities holds 50% of the shares and rights in Investment Funds Depository Services S.A. ("IFDS"), i.e. a company established together with ProService Finteco sp. z o.o.. Given that, in principle, the distribution of power and voting rights is equal among the aforementioned shareholders, in accordance with applicable regulations, none of them has the status of a parent company. Consequently, IFDS also formally does not constitute a subsidiary of IPOPEMA Securities and is not subject to consolidation.



2. Changes in the organizational structure of the IPOPEMA Securities Group

There were no significant changes in the organizational structure of the IPOPEMA Securities Group in H1 2024.

3. Shareholders of IPOPEMA Securities S.A.

As of June 30, 2024 (as well as on the date of this report), the Company's shareholders holding more than 5% of IPOPEMA Securities S.A. shares were as follows:

Shareholder	Number of shares and votes at the AGM	% of the total number of votes at the AGM
OFE PZU "Złota Jesień "**.	2.993.684	9,99%
Value FIZ*.	2.992.824	9,99%
IPOPEMA PRE-IPO FIZAN Fund ¹	2.990.789	9,98%
Quercus Funds * ²	2.955.369	9,87%
IPOPEMA 10 FIZAN Fund ³	2.851.420	9,52%
Katarzyna Lewandowska	2.136.749	7,13%
Jaroslaw Wikalinski ⁴	1.499.900	5,01%
Total shareholders over 5%	18.420.735	61,52%

*Data based on shareholder notifications received by the Company, updated according to filings at the Company's last AGM.

¹The main participant in the Fund is Jacek Lewandowski - President of the Company's Management Board, as well as Katarzyna Lewandowska

²Total funds managed by QUERCUS TFI

³The only participant in the Fund is Stanislaw Waczkowski - Vice President of the Management Board of the Company

⁴Based on a verbal agreement on consensual voting at the AGM, Jaroslaw Wikalinski together with Malgorzata Wikalinski have a total of 2,770,789 votes, or 9.25% of the total number of votes at the AGM

4. Change in the number of shares held by managing or supervising persons

As of June 30, 2024 (and until the date of this report), the management and supervisory persons indicated below held - directly or indirectly through subsidiaries or affiliates (including dedicated funds) - shares in IPOPEMA Securities S.A.. The holdings of the above-mentioned persons have not changed compared to the holdings presented in the report for Q1 2024.

Person	number of shares and votes	% of capital and votes
Jacek Lewandowski - President of the Management Board ¹	3.330.079	11,12%
Stanislaw Waczkowski - Vice President of the Management Board	3.142.855	10,49%
Miroslaw Borys - Vice President of the Management Board	696.428	2,32%
Mariusz Piskorski - Vice President of the Management Board	515.000	1,72%
Total	7.684.362	25,66%

¹ According to the information in the table in point 3, IPOPEMA Securities S.A. shares are also held by Jacek Lewandowski's wife, Katarzyna Lewandowska.

5. Information on issuance, redemption and repayment of non-equity and equity securities

In H1 2024 (nor in the comparative period) IPOPEMA Securities S.A. did not issue non-equity or equity securities. At the same time, the Company redeemed bonds in connection with the implementation of the variable remuneration policy for a total amount of PLN 0.8 thousand (the same as in the comparative period).

6. Loans, guarantees, warranties

During H1 2024, the Company did not receive or grant any sureties or loans (other than loans to Group companies, employees and associates), while information on guarantees issued to the Company is provided in Note Item. 23 of the consolidated financial statements.

7. Selected corporate events in the first half of 2024

Implementation of the Incentive Program

In the second quarter of this year. The Company's Supervisory Board, acting pursuant to the authorization granted to it by the Annual General Meeting ("AGM") of IPOPEMA Securities S.A. dated May 23, 2023, approved the implementation of an incentive program (the "Incentive Program") by the Management Board. Pursuant to the resolutions of the AGM, in particular Resolution No. 18 on conditional capital and Resolution No. 19 on the Incentive Program in the IPOPEMA Group, the Company is authorized, subject to certain requirements, to issue for the purposes of implementing the Incentive Program a maximum of 2,993,783 series D shares, i.e. 10% of the share capital, at a unit issue price of PLN 1.50.

In view of the above, the Management Board decided this year to launch the Incentive Program under a separate option plan (Option Plan I), and the Supervisory Board - as indicated at the outset - approved the Management Board's decision. Option Plan I is addressed to two persons from IPOPEMA TFI, including its CEO, and covers a maximum of 798,342 series D shares, i.e. 2.67% of the Company's current share capital. The possibility of taking up the aforementioned shares depends on IPOPEMA TFI achieving certain financial parameters in 2024 and 2025 (regardless of meeting the criterion indicated in § 11 of the aforementioned Resolution No. 19 of the AGM).

In accordance with the requirements of the International Financial Reporting Standards, the Incentive Program, in terms of Option Plan I, has been valued, and its cost is included in the IPOPEMA Group's consolidated financial statements prepared in accordance with IFRS. However, the cost is not charged to the Company's result in the separate financial statements, due to the absence of such requirements in the Accounting Act. More detailed information on the above valuation is provided in sec. 17 of the consolidated financial statements.

Change in the composition of the Supervisory Board

On June 6, 2024, the Annual General Meeting appointed the Company's Supervisory Board for a new term, which included Marcin Dyl, replacing Janusz Diemko, who resigned to run for re-election.

8. Judicial proceedings and administrative proceedings

In 2016, IPOPEMA TFI received a copy of a lawsuit filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A., headquartered in Katowice ("GPW"), seeking payment of PLN 20.6 million for alleged property damage suffered by GPW in connection with GPW's investment in investment certificates of one of the so-called dedicated funds managed by the Society (closed-end investment fund of non-public assets). The Society considers the WSE's claim to be unfounded and has taken legal steps to dismiss it by filing a response to the lawsuit with the court and participating in further litigation. As of the date of this report, some of the scheduled hearings have been held in the case, during which some of the procedural activities were carried out. Further procedural activities are scheduled to be carried out at a later stage of the court proceedings. In view of this, and in view of the complicated factual and legal situation and the specifics of the Polish judicial system, at this stage it is not possible to authoritatively determine the outcome of the ongoing proceedings.

Four lawsuits were also filed against IPOPEMA TFI concerning funds that were previously managed by Saturn TFI and Lartiq TFI, the management of which was taken over by IPOPEMA TFI as a result of the Financial Supervision Commission's decision to revoke permits for the above investment fund companies to carry out their activities. Three of the claims, with a total claim value of approximately PLN 2.6 million, were filed in December 2022 and January 2023, while the last one was filed in October 2023. This is a class action lawsuit against IPOPEMA TFI and the bank acting as depositary for the fund to which the lawsuit relates. The resulting value of the subject matter of the dispute is PLN 25.3 million, and the case is at the stage of the court's examination of the admissibility of the class action. IPOPEMA TFI strongly disputes the claims in question in their entirety as completely unfounded and groundless. This is because the allegations raised in them relate to circumstances that are a consequence of the management of the funds in question and their situation prior to the period when IPOPEMA TFI took over their management. In connection with the above, the Management Board of IPOPEMA TFI is taking legal steps to dismiss the lawsuits, as well as to protect the good name of IPOPEMA TFI.

In addition, in the first half of 2022, a lawsuit was filed against IPOPEMA Business Consulting by one of its clients regarding an implementation agreement between the parties executed in the normal course of IPOPEMA Business Consulting's business. The amount of the claim indicated by the plaintiff was PLN 14.5 million, but given the facts, supported by legal analyses, the Management Board of IPOPEMA Business Consulting did not recognize the above-mentioned claim treating it as completely unfounded and devoid of any factual and legal basis. IPOPEMA Business Consulting also filed a lawsuit against this client for a total amount of PLN 12.6 million to enforce its remuneration for completed and delivered work, contractual penalties and damages. In May 2024, a settlement was reached in front of a mediator, according to which the parties retained the contractual benefits fulfilled to date, while waiving any further claims related to the contract and the implementation of the entire project. As of the date of publication of this report, the parties had been served with a court order approving the settlement and discontinuing both proceedings, which definitively ended both lawsuits.

Other than the above, the IPOPEMA Group was not a party to any significant legal or administrative proceedings.

9. Transactions with related parties

In H1 2024, the Company did not enter into any significant transactions with related parties. More information on related party transactions is included in the interim condensed consolidated financial statements in Note 25.

10. Significant events after the balance sheet date

In Q3 2024, up to the date of this Report, the shareholders of IFDS (i.e., the Company and ProService Finteco) decided (in the form of a resolution of an extraordinary general meeting of IFDS) to increase the share capital by a total of PLN 1,000,000 through the issuance of series C shares. These shares were taken up and fully paid for in equal shares, i.e. PLN 500,000 each, by each shareholder. After the aforementioned changes, IPOPEMA Securities and ProService hold shares constituting invariably 50% each of the share capital and total number of votes in IFDS.

In addition, there were no significant events affecting the Company's operations between June 30, 2024 and the date of the financial statements.

11. Risk factors

The Company invariably identifies the war in Ukraine as a potentially significant risk factor. Its unprecedented nature means that, depending on further developments, it could still have a materially negative impact on the economic situation or investment "climate" in Poland, and consequently also pose a threat to the Group's operations and financial position.

Notwithstanding the above predominant risk associated with the war in Ukraine, the existing risk factors specific to the operations of the IPOPEMA Group or its individual companies, the realization of which may have a potentially negative impact on the Company's and the IPOPEMA Group's operations, financial position, results or development prospects, remain valid. The most significant of these, in the opinion of the Management Board, are presented below.

Risks related to conjuncture in capital markets

The primary influence on the Company's financial results is the situation in the capital markets, especially the Polish market. In particular, the economic slowdown translates into a deterioration of trends on global stock exchanges and stock exchanges from the Central and Eastern European region, where the Company operates. Deterioration in the capital market, in turn, affects the Company's revenues due to a reduction in the value of trading on stock exchanges and difficulties in carrying out public offerings.

With regard to IPOPEMA TFI's operations, the poorer situation on the capital market means a decline in interest in investing in public securities, especially equities, and thus a lower level of income earned from active management services. In past years, this has had a limited impact on the Society's performance, as its activities have largely focused on the creation of closed-end private asset mutual funds. However, given the increasing scale of the provision of active management services, the prolonged persistence of unfavorable economic conditions may affect the lower level of revenues and profits obtained by IPOPEMA TFI (in particular, due to difficulties in acquiring new funds for management, or even in maintaining their current size). Similarly, in the area of asset management, the primary factor affecting operations is market sentiment affecting changes in the prices of equities and debt instruments, which translates into the value of assets under management, and thus into revenues from fees for managing portfolios.

Risk of deterioration in the financial position of counterparties

Depending on economic conditions, there is a risk that companies will face liquidity difficulties. At the same time, it cannot be ruled out that analogous problems will affect clients of IPOPEMA Group companies. It may then turn out that payments from counterparties will be delayed or withheld, which, as a consequence, would have a negative impact on cash flows on the part of IPOPEMA Group companies (especially in areas where long-term consulting and implementation projects are carried out, and payment of remuneration is scheduled after the work is completed).

Risks related to competition in the service markets where IPOPEMA Securities and the IPOPEMA Group operate

In all markets where IPOPEMA Securities operates, there is strong competition - both from domestic brokerage houses that have been operating for years and from foreign financial institutions that are increasing their activity in Central and Eastern Europe, including Poland (operating both as remote brokers and opening local offices). Increasing competition may cause the risk of further reduction of market shares and increase pressure on prices of offered services, which, as a consequence, may negatively affect the Company's financial situation.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete with both established players and newcomers. IPOPEMA TFI is the largest investment fund company in Poland in terms of total assets under management, as well as one of the most active players in the creation of closed-end investment funds. In addition, IPOPEMA TFI is steadily expanding its offerings and strengthening its position in the active management funds market. IPOPEMA Business Consulting is consistently developing its client base and order book. In the future, however, it cannot be ruled out that actions taken by competitors may hinder the further development plans of IPOPEMA TFI and IPOPEMA Business Consulting, which would adversely affect the future performance of the entire IPOPEMA Group.

Risks related to dependence on management and ensuring the invariability of key staff, attracting highly qualified professionals and salary levels

The IPOPEMA Group's operations and its growth prospects are largely dependent on the knowledge, experience and qualifications of its executives. Their work for the IPOPEMA Group companies is one of the factors that have determined its success to date. Therefore, the possible departure of the IPOPEMA Group's executives or key employees could have a negative impact on the operations and financial position of the Company and its subsidiaries, their financial performance and development prospects.

In addition, to ensure the proper level of services provided by IPOPEMA Group companies, it is necessary to have highly qualified staff. The nature of the business requires that some of the people employed by IPOPEMA Securities or IPOPEMA TFI have not only experience, but also meet the formal requirements for providing brokerage services or investment advisory services. In addition, in order to ensure the continued growth of the Group, it is necessary to recruit new employees, including people with relevant competence and experience. Given the high competition in the market and the limited number of people with qualifications that guarantee the maintenance of an adequate standard of services, in order to ensure the stability of the key staff, the Company's Management Board is trying to motivate employees to bind their professional future with the IPOPEMA Group. However, the implementation of the above intentions may be associated with an increase in spending on salaries for employees, which, given the high share of salary costs in the structure of total operating costs, may have a negative impact on the financial results achieved by IPOPEMA Group companies in the future.

Risks related to the settlement of exchange transactions

The Company appears in the NDS_CCP as a clearing participant, which means that it has an obligation on the settlement date to pay for the concluded purchase transactions or deliver securities to settle the concluded sale transactions. The Company executes transactions on behalf of clients (who have accounts with depository banks), who on the settlement date should deliver cash for executed purchase transactions or securities for executed sale transactions. However, there is a risk that the customer may fail to deliver cash or securities on time. In such a case, until the customer settles its obligations, the Company must settle the transaction using its own funds (purchase) or substitute securities purchased on the market (sale). There is also a risk that if the customer does not settle the purchase transaction, the Company will acquire securities that may be possible to sell on inferior terms or not at all. On the other hand, in the case of a sale transaction, there is a risk that the Company will be forced to purchase securities in the market at a higher price compared to the price at which the customer was to provide such securities or that it will not be possible to purchase them. The occurrence of such a situation does not limit the Company's right to claim liability from the customer for the customer's non-performance of the contract (order) for securities transactions.

Risks associated with the nature of investment banking services

The Company's investment banking services, including in particular advice to entities seeking to list their shares on the WSE, as well as transactions in the area of mergers and acquisitions, are characterized by relatively long lead times (at least several months as standard). Due to the volatility of the mood on the capital markets or changes in decisions on the part of the Company's clients as to their investment intentions, there is a risk that the implementation of some of the projects started by the Company may be postponed or that clients may decide to discontinue work on the implementation of transactions (in particular, in view of the unfavorable market situation). Given that an essential part of the Company's remuneration in this type of projects is the success fee, the decisions mentioned above may negatively affect the Company's financial results.

Risks associated with the retail business

In 2016, the Company began offering brokerage services and investment products to a wider range of individual customers. This activity is largely carried out through distributors cooperating with the Company in the formula of an investment company agent, whose network is constantly being expanded. In addition, the activity for the aforementioned clients is strongly dependent on the economic situation and the stock market situation, which makes it difficult to assess unequivocally how this activity will develop in future periods and, consequently, what its impact on the Company's result will be.

Risks associated with the operations of IPOPEMA TFI

Given the fierce competition in the market for investment funds and the dependence of the results achieved by individual funds on the economic situation, including in particular the situation in the capital markets, as well as the accuracy of investment decisions made by IPOPEMA TFI fund managers, there is a risk that these funds will not bring the rate of return on capital expected by customers (or, in extreme cases, a loss), there will be a loss of confidence of customers in the managers and, in the long run, this will lead to the resignation of some investors from investing funds in funds managed by IPOPEMA TFI, as well as make it difficult to attract new customers. Given the above, and the fact that in some funds part of IPOPEMA TFI's remuneration depends on investment performance and exceeding the assumed reference rate of return on capital, the risk of failure by the manager to achieve the established assumptions and customers' resignation from IPOPEMA TFI's services, may result in the Society's failure to achieve the planned level of revenue.

The dynamics of IPOPEMA TFI's business development is also partly dependent on obtaining the relevant administrative permits, as well as the direction of possible changes in the law, regulating in particular the activities of investment funds and the rules of taxation of investment funds and their participants.

In the area of asset management, the activities of IPOPEMA TFI are primarily subject to investment risk. It cannot be ruled out that the decisions made by the Society's management team or the investment strategies used will turn out to be wrong. This may lead to the loss of existing customers and difficulties in attracting new ones, which may consequently have a negative impact on IPOPEMA TFI's performance.

Risks related to the level of equity and the financing needs of the Company and the IPOPEMA Group

In connection with its activities on the secondary market, the Company is required to provide an adequate amount of funds to the Clearing Fund managed by NDS_CCP after each trading day. Currently, the Company replenishes the above fund each time using its credit line. However, in the event of events that have a significant negative impact on the Company's financial performance, the risk of a reduction in the Company's ability to use debt financing cannot be ruled out, which could result in the need to reduce the scale of its operations or increase its capital base.

To date, the Company has not experienced any problems related to the amount of payments to the Settlement Fund, and the current level of the available credit line ensures the safe conduct of business at its current level, or even a significant increase. It should also be noted that in the event that the Company's customers fail to settle the transactions concluded on their orders in a timely manner, the Company will be forced to carry out the transactions using its own funds, provided that the amount of the available credit line is insufficient to cover the liabilities on this account.

In addition, the Company, as a brokerage house, is required to meet capital standards in terms of individual and consolidated capital requirements, which are largely dependent on the scope and scale of its brokerage business. Shareholders' equity is maintained at a level that ensures an adequate surplus over the aforementioned capital requirements. However, it cannot be ruled out that as a result of a change in the scope or scale of operations, incurring a material loss or regulatory and legal changes, they will be required to be increased. The need to increase the capital base may also apply to IPOPEMA TFI, which, as a result of possible regulatory changes covering investment fund companies, may be subject to additional obligations to estimate risk and capital requirements.

Risks associated with acting as a Payer Bank

The condition for the Company (as well as other brokerage houses that are direct participants in the Exchange) to start and operate on the WSE is to have a valid agreement with a bank that is a participant in the NDS to act as a Payer Bank, which is currently held for the Company by Alior Bank S.A.. Any termination of such an agreement would necessitate the Company to conclude an agreement with another bank, which would take time, as well as the need to separately agree on new terms of cooperation. In the event of possible difficulties in quickly establishing cooperation with a new bank, there would even be a risk of having to temporarily suspend brokerage activities, until the date of the new agreement.

Risks of a similar nature also apply to Austria's Raiffeisen Bank International, which serves the Company in the settlement of transactions concluded on foreign exchanges.

Risks associated with the operation of information and telecommunications systems

An aspect of particular importance for the Company's operations is to ensure that the IT and telecommunications systems used are trouble-free and secure. Any major system failure could not only expose the Company to the risk of financial liability to customers for orders that are not completed or are not properly executed, but could also result in a loss of customer confidence in the long term. The Company has purchased and implemented a specialized IT system dedicated to brokerage service providers, which is subject to constant updates and modifications. Both the purchase of the IT system and the ongoing measures taken by the Company to ensure the highest possible level of security of the IT and telecommunications infrastructure used are aimed at reducing the risk of negative consequences that would be associated with a possible failure of IT systems, unauthorized access to data stored on the servers used by the Company, or loss of such data. However, despite the Company's taking the aforementioned measures, it cannot be ruled out that risks in this area will materialize, and consequently that the risk of claims or sanctions, including fines, against the Company (or other companies in its capital group) will materialize.

Risks related to errors and mistakes of IPOPEMA employees and cases of violation of the law

The IPOPEMA Group's position in the markets it serves is primarily a function of the degree of trust that clients place in the IPOPEMA Group and its employees. The nature and scope of the services provided require them not only to have knowledge and experience, but also to follow the procedures in place at each Group company to reduce the risk of mistakes and errors in the course of business. Despite the fact that each employee of the IPOPEMA Group is obliged to know and comply with the procedures of conduct implemented in the respective company, it cannot be ruled out that in the course of day-to-day operations errors and mistakes may occur, which, depending on their scale, may affect the financial situation and current financial results achieved by the IPOPEMA Group. Due to the nature of the business, the risk of errors largely applies to teams directly operating in the secondary market. In addition, as the business of offering investment products to a wide range of individual investors grows, so does the risk of potential claims against the Company, particularly in the event of incurring a loss on the products purchased by the investor - both due to potential failures on the part of the Company and for reasons beyond its control (i.e. those attributable to the issuer of the instrument or the entity managing the instrument).

In accordance with the applicable regulations, an entity licensed to conduct brokerage activities is required to have a unit within its structure that exercises constant control over compliance by employees providing brokerage and investment advisory services with the law and the provisions of internal rules of conduct. Despite this, the occurrence of the cases referred to above cannot be ruled out, which may consequently expose the Company to

negative administrative consequences from supervisory authorities, including the FSA, as well as may expose the Company to financial and reputational losses.

Risks associated with a claim against IPOPEMA TFI

According to the information provided in sec. 8, the lawsuits described in the aforementioned item have been filed against IPOPEMA TFI. The Management Board of the Society considers these lawsuits to be completely unfounded and is taking action to dismiss them. However, despite the unequivocal assessment of the lawsuits by the Management Board of IPOPEMA TFI and the actions taken, unfavorable judgments in individual cases cannot be ultimately ruled out. Their current status, as well as the lengthiness of the court proceedings, also does not allow for a reliable assessment of the timing of the resolution of any of the above-mentioned cases.

Legal and regulatory risks

The Company, as a brokerage house, and its subsidiary, as an investment fund company, operate on the basis of a permit from the Financial Supervision Authority and operate in a market characterized by a high degree of complexity and volatility of legal regulations concerning many areas of activity. This increases the risk in the area of adjusting operations to the requirements of the law and possible violation of laws, regulations or administrative provisions governing the activities of Group companies, particularly IPOPEMA Securities and IPOPEMA TFI. The consequence of this may be the imposition of sanctions by supervisory institutions (including the Financial Supervision Authority), among others in the form of fines or, in an extreme case, revocation of the permit to conduct a given type of activity.

The problem of the volatility of regulations, their quality and the number of new obligations affect not only the business areas of the IPOPEMA Group, but also the conduct of business and management of enterprises in general. The aforementioned factors result in an increased risk of failure to comply with certain regulations or improper compliance with them. It causes an increase in the risk of imposing penalties on business entities, the number and maximum amount of which under various legal acts is also increasing, even more so given the ambiguity of many regulations.

Notwithstanding the above formal aspect, subsequent changes in laws and new regulations may affect various areas of the IPOPEMA Group's operations and affect its profitability, forcing it to incur additional costs or adversely affecting its revenues.

Warsaw, September 4, 2024

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Vice President

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