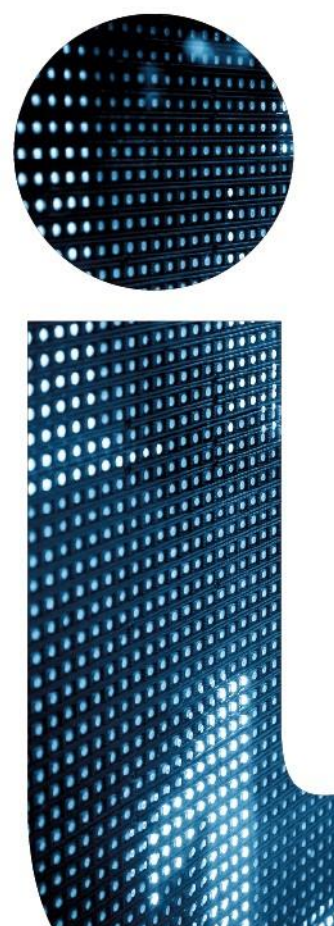


The IPOPEMA Securities Group

Directors' Report

**on the operations of IPOPEMA Securities S.A.
and the IPOPEMA Securities Group
in the first half of 2021**

Warsaw, September 7th 2021



Contents

PART I

1. Financial results	3
2. Material events and factors with a bearing on financial result	4
3. Factors which may affect the Group's performance in the second half of 2021	5
4. Performance against forecasts	6

PART II

1. Organisational structure of the IPOPEMA Securities Group	7
2. Changes in the Group's organisational structure	7
3. Shareholding structure of IPOPEMA Securities S.A.	7
4. Changes in the number of shares held by members of management and supervisory personnel	8
5. Issue, redemption and repayment of equity and non-equity securities.....	9
6. Loans, guarantees and sureties	9
7. Selected corporate events in the first half of 2021	9
8. Court proceedings.....	9
9. Related-party transactions	9
10. Material events subsequent to the reporting date	10
11. Risk factors	10

PART I

1. Financial results

Consolidated financial highlights	2021			2020		
	I-III*	IV-VI*	I-VI	I-III*	IV-VI*	I-VI
Total revenue, including	64,752	59,732	124,484	49,045	56,696	105,741
<i>Brokerage and related services</i>	19,076	11,758	30,834	9,581	11,840	21,421
<i>Investment fund management</i>	39,420	42,435	81,855	33,078	39,039	72,117
<i>Advisory services</i>	6,256	5,539	11,795	6,386	5,817	12,203
Total operating expenses	59,204	55,518	114,722	46,891	50,824	97,715
Profit on core activities	5,548	4,214	9,762	2,154	5,872	8,026
Net profit for period	3,041	2,014	5,055	-164	4,924	4,760

*Unaudited

Revenue

Revenue growth in the brokerage services and investment fund management segments (with a slight decline in revenue of the advisory services segment) translated into a year-on-year increase in the IPOPEMA Group's consolidated revenue in the six months to June 30th 2021 (up 17.7%).

Revenue generated in the segment of brokerage services (PLN 30,834 thousand; 24.8% of consolidated revenue) was 43.9% higher than the year before (PLN 21,421 thousand), driven chiefly by an over three-fold increase in revenue from investment banking services (PLN 14,353 thousand vs PLN 4,713 thousand). The increase was largely attributable to the execution of the IPO of Huuuge, one of the largest share offerings in recent years, in which IPOPEMA Securities acted as a joint bookrunner and offeror (being the only entity organising the offering on the Polish market) and conducted price stabilisation activities. Revenue from securities trading remained broadly flat year on year (PLN 15,385 thousand vs PLN 15,338 thousand), which was largely due to increased activity on foreign markets and to transactions executed jointly with the investment banking segment. The Company recorded a lower volume of trades executed on the WSE, leading to a decline in its market share (2.24% vs 2.98% a year earlier), mainly in favour of brokerage offices specialising in services for retail customers.

In the six months ended June 30th 2021, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 81,855 thousand (65.8% of consolidated revenue), 13.5% more than the figure reported for the corresponding period of 2020 (PLN 72,117 thousand). The growth reported by IPOPEMA TFI was attributable to the segment's larger scale of operations and robust management performance, translating into higher amounts of fees charged for fund management. In addition to fees for the management of securitisation funds, which account for a material portion of IPOPEMA TFI's revenue, the share of revenue from the management of capital market funds continued on an upward trend. Taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company – as at the end of June 2021, total assets under its management amounted to PLN 57.6bn (compared with PLN 57.7bn at the end of June 2020).

IPOPEMA Business Consulting (the advisory services segment) posted PLN 11,795 thousand in revenue for the six months ended June 30th 2021 (9.5% of consolidated revenue), down 3.3% year on year (six months ended June 30th 2020: PLN 12,203 thousand).

Costs and expenses

The IPOPEMA Group's total operating expenses in the first half of 2021 were up 17.4% year on year and amounted to PLN 114,722 thousand (vs PLN 97,715 thousand).

In January–June 2021, costs of operations in the brokerage services segment totalled PLN 27,816 thousand, having increased by 42.7% on the six months to June 30th 2020 (PLN 19,497 thousand), chiefly on higher costs of services and salaries and wages.

Higher costs of operations in the investment fund and portfolio management segment (PLN 74,483 thousand vs PLN 66,062 thousand in the six months ended June 30th 2020) were primarily driven by costs related to securitisation funds management and an increase in costs of services and salaries and wages.

In the advisory services segment, operating expenses in the six months ended June 30th 2021 were slightly up 5.1% year on year (to PLN 12,423 thousand from PLN 12,156 thousand the year before).

Financial results

In the six months ended June 30th 2021, operating and net profits delivered by the brokerage and fund management segments (despite losses posted in the advisory services segment) contributed to consolidated operating profit of PLN 9,762 thousand (vs PLN 8,026 thousand a year earlier) and consolidated net profit of PLN 5,055 thousand (compared with PLN 4,760 thousand in the first half of 2020).

As IPOPEMA Securities' equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, respectively, the profit attributable to owners of the parent was PLN 5,463 thousand, while the loss attributable to non-controlling interests was PLN 408 thousand.

Despite a 42.7% increase in the brokerage services segment's operating expenses, the 43.9% growth in revenue translated into a profit on core activities of PLN 3,018 thousand (vs a PLN 1,924 thousand operating profit a year earlier) and a net profit of PLN 276 thousand (compared with a net loss of PLN 292 thousand in the six months ended June 30th 2020).

After consolidation eliminations, on a separate basis IPOPEMA Securities reported a net profit of PLN 2,895 thousand for the six months ended June 30th 2021 (vs net profit of PLN 391 thousand for the corresponding period of 2020).

A 13.5% increase in revenue from the management of investment funds and portfolios, accompanied by a 12.7% increase in operating expenses, resulted in an improvement of the segment's financial result in the six months to June 30th 2021, with operating profit at PLN 7,373 thousand (vs PLN 6,055 thousand a year earlier) and net profit at PLN 5,393 thousand (vs PLN 4,916 thousand in the same period of 2020).

In the advisory services segment, a slight decline in revenue (down 3.3%) coupled with a slight increase in operating expenses (up 2.2%) led to losses posted by the segment, with loss on core activities at PLN 628 thousand (compared with a profit of PLN 47 thousand posted for the first half of 2020) and net loss at PLN 614 thousand (compared with a net profit of PLN 136 thousand posted for the same period of 2020).

2. Material events and factors with a bearing on financial result

Equity market and investment banking

In the first months of this year, the Warsaw Stock Exchange continued to see very high levels of investor activity. Total trading volumes in the six months ended June 30th 2021 were up 28.3% year on year, with the growth largely driven by retail investors. As a result, IPOPEMA Securities recorded a lower share in total market trading volumes (2.24% vs 2.98% a year earlier, losing to brokerage offices specialising in services for retail customers), but its increased activity on foreign markets and transactions executed jointly with the investment banking segment helped the Company to maintain revenue from securities trading close to the prior-year level (PLN 15,385 thousand compared with PLN 15,338 thousand in the three months ended June 30th 2020).

Investor optimism was also seen on the equity market, with a number of transactions executed in the first six months of the year, of which the IPOs of Pepco Group and Huuuge were among the largest such transactions in recent years (IPOPEMA Securities acted as joint bookrunner and offeror and conducted price stabilisation activities on the latter IPO). IPOPEMA Securities' revenue from investment banking services rose over threefold (to PLN 14,353 thousand vs PLN 4,713 thousand in the six months ended June 30th 2020).

As a result of the above factors, the brokerage services segment delivered a profit on core activities of PLN 3,018 thousand (compared with a profit of PLN 1,924 thousand the year before) and net profit of PLN 276 thousand (net loss of PLN 292 thousand the year before). On a separate basis (i.e. net of intragroup sales and other adjustments), IPOPEMA Securities reported a net profit of PLN 2,895 thousand for the six months to June 30th 2021 (vs a net profit of PLN 391 thousand the year before).

IPOPEMA TFI

The year-on-year revenue growth reported by IPOPEMA TFI (relative to the six months ended June 30th 2020) was attributable to the segment's larger scale of operations and robust management performance, which translated into higher amounts of fees charged for fund management. In addition to fees for the management of securitisation funds, which account for a material portion of IPOPEMA TFI's revenue, the share of revenue from the management of capital market funds continued on an upward trend. Taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company in terms of assets under management. As at the end of June 2021, they totalled PLN 57.6bn (compared with PLN 57.7bn at the end of June 2020).

Despite a 12.7% increase in operating expenses, a 13.5% growth in fund management revenue lifted the segment's profit on core activities to PLN 7,372 thousand (vs PLN 6,055 thousand reported in the six months ended June 30th 2020) and net profit to PLN 5,393 thousand (compared with PLN 4,916 thousand in the six months to June 30th 2020).

IPOPEMA Business Consulting

For some of IPOPEMA Business Consulting's clients, the first six months of 2021 were still marked by uncertainty related to the coronavirus pandemic. As a result, the consulting services segment recorded slightly lower revenue year on year, of PLN 11,795 thousand (vs PLN 12,203 thousand in the six months ended June 30th 2020). At the same time, a slight increase in operating expenses (up 2.2%) drove down the segment's performance, with loss on core activities at PLN 628 thousand and net loss at PLN 614 thousand (vs profit on core activities of PLN 47 thousand and net profit of PLN 136 thousand reported for January to June 2020, respectively).

3. Factors which may affect the Group's performance in the second half of 2021

Effect of SARS-CoV-2 epidemic on the IPOPEMA Group's business

The factor likely to exert the strongest adverse impact on the economy and the condition of the financial markets, and consequently on the IPOPEMA Group's business, in the remaining months of 2020 is the continuing coronavirus epidemic. Despite much lower infection rates compared with the third wave that peaked in March of this year, the extent and duration of its economic impacts will depend largely on the progress of the population vaccination programmes as well as the size of new waves of the epidemic, if any, and the potential restrictions.

The unprecedented nature as well as the scale and complexity of the coronavirus situation, with no clearly adverse impact on the performance of the Group's segments seen so far, make it difficult to estimate the effect of the epidemic on the operations of the Group in the months ahead. IPOPEMA takes steps to benefit from the recovery in some areas and industries, which has already contributed positively to revenues and profits in the past periods, but, due to the unprecedented nature of the pandemic, its long-term consequences for the economy are difficult to predict and subject to high uncertainty.

As regards secondary market brokerage activities, it should be noted the main index of the Warsaw Stock Exchange was in a sideways trend during the first four months of this year, with a steady rise seen from May (at the end of August, the index rose 24.4% on the end of 2020). At the same time, the WSE saw higher investor activity than in the previous year, and the value of trading on the equity market went up 28.3%. Despite these positive factors, it is difficult to predict the situation on the WSE in the subsequent months of the year, especially that the reference

period (the first half of 2020) does not provide a meaningful comparative basis as it was the beginning the pandemic in Europe, including Poland.

The year also started with some promising developments in the equity market, with the investor optimism seen in the second half of 2020 still continuing (large IPOs of Pepco Group and HUUUGE, in which IPOPEMA Securities was the only entity organising it on the Polish market). The Company seeks mandates to execute transactions for entities in sectors that are relatively unlikely to be adversely affected by the economic slowdown, and sees potential for involvement in financial restructuring projects.

Investor optimism was also seen in the investment fund market, with July 2021 being the 15th consecutive month with net subscriptions (although after the record inflows posted in January and February, the subsequent months were slightly calmer). However, it is difficult to predict the behaviour of investors in the coming months and the impact of the market situation on the funds actively managed by IPOPEMA TFI and thus on its revenue from their management.

In the case of IPOPEMA Business Consulting, a key driver of its business in the following months of 2021 will be continued performance of some of its existing contracts and new additions to the order book, coupled with tight cost control. Notwithstanding the above, in July of this year IPOPEMA Business Consulting was released from the obligation to repay 75% of the subsidy received in June 2020 under a support programme of the Polish Development Fund (for details see Note 14 to the consolidated financial statements), which will be recognised as one-off income of PLN 1,313 thousand in the third quarter of 2021.

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

In subsequent periods of the current year, IPOPEMA TFI should recognise revenue from variable fees for managing selected funds (and costs of managing such funds). Variable fees are settled as at the last day of the financial year and cannot be recognised in the statement of profit or loss until December 2021. Therefore, prior to their settlement, the total amount of the fees is only an estimate subject to ongoing updates depending on the performance of investments funds and the amount of assets under management, and, as such, the fees are not included in revenue of the investment fund and portfolio management segment reported in interim financial statements. As at the end of the last calendar month preceding the date of this report, i.e. August 31st 2021, the potential effect of the variable management fee on the gross profit of the investment fund and portfolio management segment was estimated at PLN 3.2m.

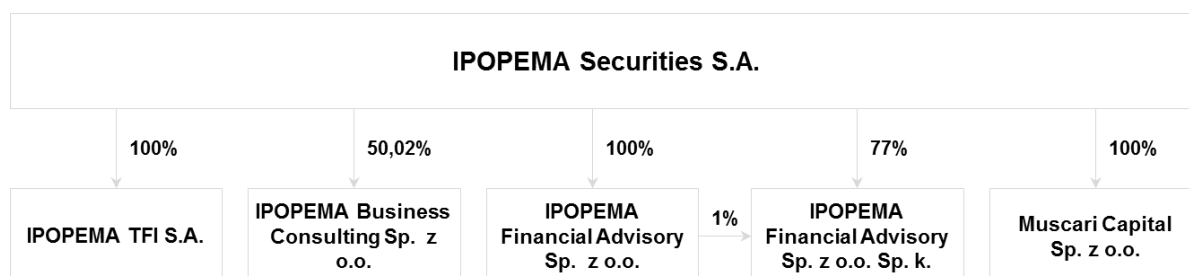
4. Performance against forecasts

The Company has not published any performance forecasts (separate or consolidated).

PART II

1. Organisational structure of the IPOPEMA Securities Group

As at June 30th 2021, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. (the Parent) and its 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. and Muscari Capital Sp. z o.o. Consolidated companies are IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k., while IPOPEMA Financial Advisory Sp. z o.o. and Muscari Capital Sp. z o.o. are excluded from consolidation based on the immateriality of their financial data.



2. Changes in the Group's organisational structure

In the six months ended June 30th 2021, there were no changes in the Group's organisational structure.

3. Shareholding structure of IPOPEMA Securities S.A.

As at June 30th 2021 (and as at the date of this report), the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
OFE PZU Złota Jesień*	2,993,684	9.99%
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
IPOPEMA 10 FIZAN ²	2,851,420	9.52%
Value FIZ*	2,750,933	9.18%
QUERCUS Funds ^{3*}	2,256,200	7.54%
Katarzyna Lewandowska	2,136,749	7.13%
Jarosław Wikaliński ⁴	1,499,900	5.01%
Shareholders holding over 5% of the share capital – total	17,479,675	58.38%

* Based on notifications received by the Company from the shareholders.

¹ The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

² The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

³ QUERCUS Parasolowy SFIO and QUERCUS Multistrategy FIZ.

⁴ Pursuant to an oral agreement on unanimous voting at the General Meeting, Jarosław Wikaliński and Małgorzata Wikalińska hold a total of 2,990,789 voting rights, or 9.98% of total voting rights at the General Meeting.

4. Changes in the number of shares held by members of management and supervisory personnel

As at the date of issue of the first-quarter 2021 report, the holdings of shares by members of the management and supervisory personnel, either directly or indirectly through subsidiaries or related parties (including dedicated funds), were as follows:

Person	No. of shares and voting rights	% of ownership interest and total voting rights
Jacek Lewandowski – CEO and President of the Management Board ¹	3,330,079	11.12%
Stanisław Waczkowski – Vice President of the Management Board	3,142,855	10.49%
Mariusz Piskorski – Vice President of the Management Board	915,000	3.05%
Mirosław Borys – Vice President of the Management Board	696,428	2.32%
Total	8,084,362	27.00%

¹ As disclosed in item 3, shares in IPOPEMA Securities S.A. were also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

Following the transactions reported by the Company in Current Report No. 8 of June 11th 2021, as at June 30th 2021 and as at the date of this report the holdings of Company shares by management and supervisory personnel were as follows:

Person	No. of shares and voting rights	% of ownership interest and total voting rights
Jacek Lewandowski – CEO and President of the Management Board ¹	3,330,079	11.12%
Stanisław Waczkowski – Vice President of the Management Board	3,142,855	10.49%
Mirosław 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 As disclosed in item 3, shares in IPOPEMA Securities S.A. were also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

5. Issue, redemption and repayment of equity and non-equity securities

Implementing its variable remuneration policy, up to the date of this report the Company issued bonds with a total value of PLN 2.8 thousand. Over the same period, it redeemed bonds with a total value of PLN 2.4 thousand (vs PLN 0.8 thousand in the first half of 2020). For more information on the issue and redemption of bonds, see Note 11 to the financial statements of IPOPEMA Securities S.A. and Note 14 to the consolidated financial statements.

6. Loans, guarantees and sureties

In the six months ended June 30th 2021, the Company did not receive or provide any sureties or loans (other than loans to Group companies, employees and independent contractors). For information on guarantees provided to the Company, see Note 12 to the separate financial statements of IPOPEMA Securities.

7. Selected corporate events in the first half of 2021

Change in the composition of the Supervisory Board

As Michał Dobak resigned as a Supervisory Board member in December 2020, with effect from the date of the next General Meeting, his mandate expired on June 21st 2021, which was the date of the Annual General Meeting of IPOPEMA Securities. On the same day, Andrzej Knigawka was appointed to the Company's Supervisory Board.

8. Court proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ("GPW"), in which GPW sought payment of PLN 20,554,900.90 for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI considers GPW's claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. By the date of this report, several hearings were held, with some of the witnesses heard. Given the complex factual and legal circumstances, it is not possible at this point to predict the date of conclusion of the proceedings and the outcome of the proceedings.

9. Related-party transactions

In the first half of 2021, the Company did not execute any material related-party transactions. For details of related party-transactions, see Note 24 to the interim condensed consolidated financial statements.

10. Material events subsequent to the reporting date

In the period between June 30th 2021 and the date of the financial statements, there were no material events which would affect the Company's business.

11. Risk factors

The most important and dominant factor with a direct impact on the activities of almost all businesses is the global coronavirus pandemic. Given its scale and the pace of spreading, the pandemic triggered volatility and concerns about the state of the economy, both on a global scale and locally, which have not been seen for years. While we have not yet seen a global economic crisis, it is difficult to accurately predict how the pandemic will evolve in the near future and how it will affect the economic landscape. Given the unprecedented nature of the pandemic, the Company continues to identify it as potentially the largest risk to the economic situation, including situation on the Polish financial market, and thus as a threat to the Group's operations and future financial condition. For a more detailed assessment of the impact of the coronavirus pandemic on the Group's business and risks, see Section 4 of this Directors' Report.

Notwithstanding the above dominant risk pertaining to the coronavirus pandemic, the existing risk factors specific to the business of the IPOPEMA Group and its individual companies have remained unchanged and may have an adverse effect on the business, financial condition, results or development prospects of the Company and the IPOPEMA Group. Those of the risk factors which in the opinion of the Management Board are the most significant are presented below.

Risk related to the situation on capital markets

The Company's financial results depend primarily on capital market conditions, especially in Poland. An economic slowdown adversely affects global stock markets and the CEE stock markets where the Company operates. Any downturn on the capital market affects the Company's revenue through lower trading volumes on stock exchanges and challenging conditions for public offerings of securities.

With respect to IPOPEMA TFI, such adverse market conditions discourage investment in listed securities (mainly equities) and thereby affect revenue from active management services. In past years, this had a limited effect on the performance of IPOPEMA TFI, as it focused on creating closed-end private equity funds. However, as the company is expanding its active asset management services, a prolonged market downturn may erode revenues and earnings of IPOPEMA TFI (particularly due to difficulties in acquiring new assets for management or even maintaining their current volumes). Likewise, in the asset management business, the factor of crucial importance to its operations is the market sentiment, which drives equity and debt instrument prices, thus affecting the value of assets under management and revenue from portfolio management services.

Risk related to competition in the markets on which IPOPEMA Securities and other Group companies operate

IPOPEMA Securities is exposed to strong competition across all its markets, both from well-established Polish brokerage houses and foreign financial institutions, which are increasingly active in the CEE region, including Poland (operating both as foreign-based brokerage houses and through their local offices). The intensifying competition may result in further loss of the Company's market share and in higher pressure on prices, which may have an adverse effect on the Company's financial performance.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and against new market entrants. IPOPEMA TFI is the largest investment fund management company in

terms of total assets under management, and one of the market leaders in creating closed-end investment funds. Moreover, IPOPEMA TFI continues to expand its offering and consolidate its position on the market of actively managed funds. IPOPEMA Business Consulting is consistently expanding its client base and order book. Nonetheless, there can be no assurance that the competitors' activities will not stand in the way of the development plans of IPOPEMA TFI and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future performance of the IPOPEMA Securities Group as a whole.

Risk related to dependence on the management personnel, necessity to retain key employees, acquisition of highly qualified specialists and level of remuneration

The IPOPEMA Securities Group's business and development prospects largely depend on the expertise, experience and qualifications of the management personnel. Their work for the Group has been a key factor behind its success to date. Hence, if any members of the Group's management or other key personnel decide to leave, this may have an adverse effect on the operations and financial condition of the Company and its subsidiaries, as well as on their financial performance and development prospects.

Furthermore, in order to deliver an adequate quality of service, the Group companies must retain highly qualified staff. The nature of the Group's business requires that part of IPOPEMA Securities' and IPOPEMA TFI's employees, in addition to having relevant experience, meet formal requirements to be able to provide brokerage or investment advisory services. Besides, to ensure continued development of the Group, it is necessary to hire new employees with relevant expertise and experience. Given the strong competition and limited availability of qualified professionals that guarantee the required level of service, with a view to ensuring stability of the key staff, the Company's Management Board seeks to apply appropriate incentives to motivate employees to link their future with the Group. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the Group companies in the future.

Risk related to clearing of stock-exchange transactions

The Company is a clearing member of the Polish national securities depository KDPW_CCP, which means that on the clearing date it is required to pay for executed buy transactions and deliver securities in order to clear executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should deliver cash for executed buy transactions or securities for executed sell transactions on the clearing date. However, a client may fail to provide the cash or securities on time. In such a case, until the client has settled the relevant liabilities, for the purpose of the transaction clearing the Company must use its own resources (buy transactions) or deliver securities acquired on the market (sell transactions). Additionally, if the client fails to pay for a buy transaction, there is also a risk that the Company may acquire securities which it may be unable to sell on equally favourable terms or which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may need to acquire the securities on the market at a price higher than the price at which the client was supposed to deliver such securities or that it will be impossible to acquire such securities. Such a situation does not limit the Company's right to assert claims against the client on account of the client's failure to perform obligations under an agreement (order) concerning a transaction in securities.

Risk related to the nature of investment banking services

The Company's services in the area of investment banking, in particular advisory services to companies seeking introduction of their shares to trading on the WSE as well as M&A transactions, are characterised by relatively long execution periods (typically not less than several months). Given the volatile nature of capital markets and changes of investment plans by the Company's clients, there is a risk that some of the projects commenced by the Company may be postponed or the clients may decide to abandon execution of the transaction (in particular when faced with adverse market conditions). As success fees account for a substantial portion of the Company's consideration in the case of such projects, any such decisions may have an adverse effect on the Company's financial performance.

Risk related to IPOPEMA Securities' retail business

In 2016, the Company started offering brokerage services and investment products to a wider retail audience. These activities are carried out largely through distributors cooperating with the Company as investment firm's agents, with the distributor network continually expanded. The retail business depends heavily on the general economic climate and stock market sentiment, which makes it difficult to conclusively assess how such operations will develop in the coming periods and, consequently, to assess their impact on the Company's performance.

Activities of IPOPEMA TFI

Given the strong competition on the market of investment funds as well as the dependence of individual funds' performance on the economic situation (in particular the situation on the capital markets) and correctness of investment decisions made by the IPOPEMA TFI fund managers, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) and the clients may lose confidence in the fund managers, which may eventually lead to some clients discontinuing their relationship with the funds managed by IPOPEMA TFI or make attracting new clients more difficult. In view of the above and the fact that in some funds a part of IPOPEMA TFI's remuneration depends on its investment performance and delivery of returns above the benchmark, the risk of the manager failing to meet the set targets and clients' decisions to discontinue using the services offered by IPOPEMA TFI may result in the Management Company not being able to achieve the planned volume of revenues.

The rate of IPOPEMA TFI's business growth depends to a certain extent on whether the company is able to secure relevant administrative approvals, as well as the direction of possible changes in the legal environment relevant to the business of investment funds and taxation of investment funds and unit holders.

As regards asset management, IPOPEMA TFI's business is primarily exposed to investment risk. It cannot be ruled out that the IPOPEMA TFI's managers will not make wrong decisions or pursue wrong investment strategies, which may result in the loss of current clients and difficulties in winning new clients, and may thus have an adverse effect on IPOPEMA TFI's performance.

Risk related to the level of equity and financial requirements of IPOPEMA Securities and the Group

In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund managed by KDPW_CCP. Currently, each day the Company makes a contribution to the Fund using a credit facility. In the case of any events with an adverse effect on the Company's financial performance, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business or increase its equity base.

To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount available under the credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should also be noted that, if the Company's clients fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements, including the separate and consolidated capital adequacy requirements, which to a large extent depend on the scope and scale of brokerage activities. Equity is maintained at a level which ensures adequate surplus over the capital requirements referred to above. However, it cannot be ruled out that as a result of change in the scope or scale of operations, a significant loss or changes in the regulatory and legal framework equity will need to be increased. Such need to increase the equity may also extend to IPOPEMA TFI, which may be subject to additional risk estimation and capital requirement obligations as a result of potential regulatory changes affecting investment fund companies.

Risk related to activities of the payment bank

In order to be able to start and conduct operations on the WSE, the Company (as well as other brokerage houses which are direct members of the WSE) is required to have a valid agreement on payment bank services with a bank which is a member of the CSDP. The Company's payment bank is currently Alior Bank S.A. If the agreement on

payment bank services was terminated, the Company would need to enter into a new agreement with another bank, which would take time and require the Company to agree new terms of business. Any difficulties in finding a successor payment bank could even pose a risk that the Company might have to temporarily suspend its brokerage until a new agreement is signed.

A similar risk also applies to Austria's Raiffeisen Bank International, which provides the Company with clearing services in relation to transactions executed on foreign stock exchanges.

Risk related to the IT and telecommunications systems

A particularly significant aspect of the Company's activities is the need to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure may not only expose the Company to the risk of financial liability to clients for not executed or incorrectly executed orders, but may also undermine the client's confidence in the long term. The Company purchased and implemented a dedicated IT system for providers of brokerage services, which has been upgraded and modified on a continual basis. The objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. Despite the measures taken by the Company, there can be no assurance that a risk in this area would not materialise, leading to a risk of claims against or penalties, including fines, imposed on the Company (or other Group companies).

Risk related to mistakes and errors of IPOPEMA Securities' employees and breaches of law

The IPOPEMA Securities Group's position on the markets on which it is present depends primarily on the degree of client confidence in the Group companies and their employees. The nature and scope of the Group's services require its employees not only to possess the relevant expertise and experience, but also to comply with the procedures in place at each company of the Group, designed to limit the risk of mistakes and errors in the course of the Group's operations. Although each employee of the IPOPEMA Securities Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that mistakes or errors will not occur in day-to-day operations. Any such errors or mistakes may, depending on their scale, affect the financial standing and financial performance of the IPOPEMA Securities Group. Given the nature of the Group's operations, the risk of mistakes is particularly relevant in the case of staff operating directly on the secondary market. Moreover, as the Company develops its operations consisting in offering investment products to a broad retail audience, there is also a growing risk of potential claims against the Company, particularly if products purchased by an investor generate a loss – both as a result of potential failure by the Company and for reasons beyond its control (i.e. attributable to the issuer or manager of a given instrument).

In line with the applicable laws, a company authorised to conduct brokerage activities is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure. Nevertheless, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses and loss of reputation.

Risk associated with claims against IPOPEMA TFI

As discussed in Note 8, a legal action has been brought against IPOPEMA TFI by a holder of units in a fund managed by the company. The claimant demands payment of PLN 20.5m due to the loss incurred by the claimant on investment in units of the fund managed by the company. IPOPEMA TFI considers the actions to be groundless and has taken legal steps to have it dismissed by submitting a response to the statement of claim to the court and participating in further procedural steps (several hearings were held by the date of this report, during which some of the witnesses were heard). However, it cannot be ruled out that the final judgment may be unfavourable for IPOPEMA TFI, but given the early stage of the proceedings, the probability of the outcome cannot be reliably determined.

Legal and regulatory risk

The Company, as a brokerage house, and its subsidiary, as an investment fund company, carry out their activities under a licence granted by the Polish Financial Supervision Authority, operating on a highly complex market and in a changing regulatory landscape affecting many areas of their business. This leads to an increased risk of non-compliance with legal requirements and potential violations of laws, regulations or administrative provisions governing the operations of the Group companies, IPOPEMA Securities and IPOPEMA TFI in particular. As a consequence, regulatory authorities (including the Polish Financial Supervision Authority) may impose sanctions such as fines or, in extreme cases, revoke the licence to conduct a particular type of activity.

Frequent legal changes, the overall quality of legislation, as well as imposition of new obligations affect not only the IPOPEMA Group's business, but also the conduct of business activities and business management in general. These factors increase the risk of non-compliance or incorrect compliance with certain regulations, aggravating the risk of fines and penalties for business entities. The number and maximum amounts of such fines and penalties, enforced under various legal acts, are also on the rise, particularly in view of ambiguities in many regulations.

Notwithstanding the above formal aspect, further changes in law and new regulations may affect various areas of the IPOPEMA Group's operations and its profitability, forcing it to incur additional costs or negatively impacting its revenue.

Warsaw, September 7th 2021

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice President of the
Management Board

Stanisław Waczkowski
Vice President of the
Management Board

Mirosław Borys
Vice President of the
Management Board