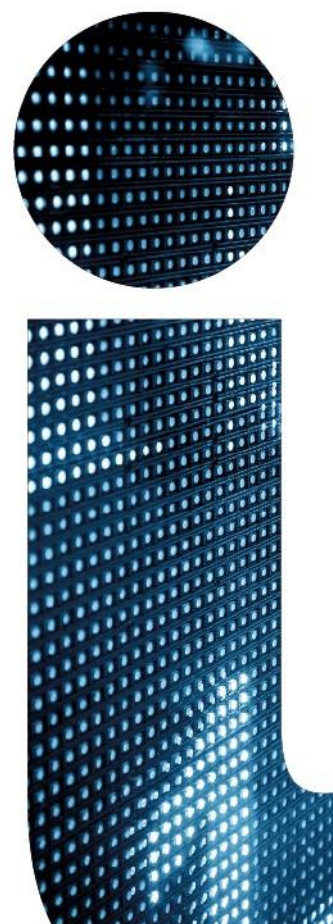


The IPOPEMA Securities  
Group

# Directors' Report

**for the three months ended March 31st 2022**

Warsaw, May 18th 2022



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# PART I

## 1. Financial results

| Consolidated financial highlights (PLN '000)* | 3 months ended<br>Mar 31 2022 | 3 months ended<br>Mar 31 2021 |
|---|-------------------------------|-------------------------------|
| Total revenue, including                      | 63,201                        | 64,752                        |
| <i>Brokerage and related services</i>         | 14,230                        | 19,076                        |
| <i>Investment fund management</i>             | 41,850                        | 39,420                        |
| <i>Advisory services</i>                      | 7,121                         | 6,256                         |
| Total operating expenses                      | 59,519                        | 59,204                        |
| Profit on core activities                     | 3,682                         | 5,548                         |
| Net profit for period                         | 9                             | 3,041                         |

\*Unaudited

### Revenue

In the first quarter of 2022, the IPOPEMA Group's consolidated revenue (PLN 63,201 thousand) declined slightly year on year (PLN 64,752 thousand). Although the segments of fund management and advisory services reported a revenue increase of 6.2% and 13.8% respectively, the increase was offset by lower revenue earned by the segment of brokerage services (down 25.4%).

The largest year-on-year decline was seen in the revenue posted by the brokerage services segment (PLN 14,230 thousand, 22.5% of consolidated revenue), chiefly due to lower revenue from investment banking services (PLN 5,193 thousand vs PLN 10,149 thousand in the three months ended March 31st 2021). However, it should be considered that in the first quarter of 2021 the Company posted record revenue from investment banking services, therefore this year's revenue (especially under such uncertain market conditions) can be viewed positively. At the same time, revenue from securities trading was maintained at levels close to those reported for the first quarter of 2021 (PLN 8,448 thousand vs PLN 8,794 thousand). Although the Company slightly improved its market share (to 2.26% in the first quarter of 2022, from 2.13% a year earlier), it recorded lower revenue from transactions executed jointly with the investment banking segment.

In the three months ended March 31st 2022, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 41,850 thousand (66.2% of consolidated revenue), an increase of 6.2% compared with the three months ended March 31st 2021 (PLN 39,420 thousand). The revenue increase posted by IPOPEMA TFI is mainly attributable to higher revenue from management of securitisation funds. Concurrently, as a result of the market-wide trend of withdrawing funds from actively managed funds, the total value of assets in these funds at IPOPEMA TFI was PLN 1.7bn as at the end of March 2022, down PLN 0.5bn year on year. This translated into slightly lower revenue from capital market fund management. Taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company – as at the end of March 2022, total assets under its management amounted to PLN 62.1bn (compared with PLN 59.8bn at the end of March 2021).

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 7,121 thousand (11.3% of consolidated revenue) in the three months ended March 31st 2022, relative to PLN 6,256 thousand in the corresponding period of the previous year (up by 13.8%).

### Costs and expenses

In the first quarter of 2022, the IPOPEMA Group's total operating expenses amounted to PLN 59,519 thousand and remained practically unchanged year on year (PLN 59,204 thousand).

In January–March 2022, operating expenses of the brokerage services segment totalled PLN 11,835 thousand, having declined by 24.9% on the three months ended March 31st 2021 (PLN 15,758 thousand), chiefly on lower costs of services related to transactions then executed.

Higher operating expenses in the investment fund and portfolio management segment (PLN 40,772 thousand vs PLN 37,266 thousand in the three months ended March 31st 2021) were primarily driven by costs related to management of securitisation funds.

In the advisory services segment, operating expenses in the three months ended March 31st 2022 went down by 11.8% year on year (to PLN 6,912 thousand from PLN 6,180 thousand the year before).

## Financial results

The net profit generated by the segments of fund management and advisory services allowed the Group to maintain a consolidated net profit despite the loss posted by the brokerage services segment (PLN 9 thousand vs consolidated net profit of PLN 3,041 thousand in the first quarter of 2021).

As IPOPEMA Securities' equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, respectively, the loss attributable to owners of the parent was PLN 67 thousand, with a profit of PLN 76 thousand attributable to non-controlling interests.

With a 25.4% decrease in revenue (despite a 24.9% decline in operating expenses), the brokerage services segment earned a profit on core activities of PLN 2,395 thousand for the three months ended March 31st 2022 (compared with PLN 3,318 thousand the year before). However, higher finance costs led to a net loss of PLN 569 thousand (vs a PLN 1,448 thousand net profit for the first three months of 2021). On a separate basis (net of intra-group sales and other consolidation eliminations), in the three months ended March 31st 2022 IPOPEMA Securities reported a net loss of PLN 343 thousand (vs a net profit of PLN 2,515 thousand the year before).

A 6.2% increase in revenue from fund management was accompanied by a 9.4% growth in operating expenses, which reduced the segment's results, with the profit on core activities at PLN 1,078 thousand (compared with PLN 2,154 thousand in the three months ended March 31st 2021) and a net profit of PLN 412 thousand (compared with PLN 1,465 thousand in the three months ended March 31st 2021).

Despite an 11.8% increase in operating expenses, a revenue increase of 13.8% enabled the advisory services segment to post a profit on core activities of PLN 209 thousand (compared with PLN 76 thousand the year before) and a net profit of PLN 166 thousand (compared with PLN 128 thousand the year before).

## 2. Performance drivers in the three months ended March 31st 2022

### Equity market and investment banking

In the first months of this year, despite volatile market sentiment the Warsaw Stock Exchange continued to see very high levels of investor activity. Total trading volumes in the three months ended March 31st 2022 were up 5.0% year on year. IPOPEMA Securities also recorded a slightly higher share in the total market trading volumes (2.26% vs 2.13% a year earlier). On the other hand, revenue from transactions executed jointly with the investment banking segment was lower than in the previous year. All in all, in the first quarter of 2022 the Company reported PLN 8,448 thousand in revenue from securities trading (compared with PLN 8,794 thousand a year earlier).

Also the equity market saw volatile sentiment – high inflation and the war in Ukraine significantly dampened investor and corporate activity. However, in the first quarter of 2022 the Company carried out a secondary offering of Polenegria shares and completed several smaller advisory projects. As a result, revenue from investment banking services reached PLN 5,193 thousand. Although the revenue fell significantly year on year (from PLN 10,149 thousand), it should be noted that in the first quarter of 2021 the Company posted record revenue from investment banking services.

The above factors led the brokerage segment to a net loss of PLN 569 thousand in the first quarter of 2022, compared with a net profit of PLN 1,448 thousand in the first three months of 2021. On a separate basis (net of intra-group sales and other consolidation eliminations), in the three months ended March 31st 2022 IPOPEMA Securities reported a net loss of PLN 343 thousand (vs a net profit of PLN 2,515 thousand the year before).

## IPOPEMA TFI

IPOPEMA TFI's revenue went up by 6.2% on the first quarter of 2021, mainly on the back of higher revenue from management of securitisation funds. However, the last few months have seen a significant outflow of funds from actively managed investment funds, as a consequence of which the total value of assets in these funds at IPOPEMA TFI was PLN 1.7bn at the end of March 2022, down by PLN 0.5bn year on year. This led to a slight decrease in revenue from capital market fund management. Nonetheless, taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company – as at the end of March 2022, total assets under its management amounted to PLN 62.1bn (compared with PLN 59.8bn at the end of March 2021).

## IPOPEMA Business Consulting

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 7,121 thousand in the three months ended March 31st 2022, relative to PLN 6,256 thousand in the corresponding period of the previous year (up by 13.8%). Despite higher operating expenses (up 11.8%), the company managed to improve its performance, with profit on core activities of PLN 209 thousand (vs PLN 76 thousand in the first quarter of 2021) and net profit of PLN 166 thousand, compared with a net profit of PLN 128 thousand a year earlier.

# 3. Factors which may affect the Group's performance in subsequent periods of 2022

## War in Ukraine

At the present moment, the largest risk factor with a bearing, inter alia, on the economy is without doubt Russia's aggression and war on Ukraine, which started on February 24th 2022. For obvious reasons, it is difficult to reliably predict how the war will unfold and how long it will last, let alone what its aftermath will be. However, one can expect that it will have an extremely negative impact on the European economy and situation on the Polish market. The consequences of this war can already be seen in some areas of the Company's operations, as evidenced by customers' increased caution in investment decision-making. However, it is still too early to assess the actual impact of the current developments on the Company's and its Group's business in subsequent periods of the current year.

## Situation on the WSE secondary market

As regards operations in the secondary market, following a sharp downward revaluation of equities in late February 2022 the main index of the Warsaw Stock Exchange (WIG) consistently recovered in March, but since the beginning of April 2022 it has been under a strong pressure and now it is almost 20% below the levels seen at the end of 2021 and approximately 10% below the levels observed immediately after Russia's invasion on Ukraine. At the same time, in the first four months of 2022 investor activity on the WSE was slightly higher than in the first four months of 2021 (up 4.7% in total). It is therefore hard to predict how the situation on the WSE will evolve in the remaining months of this year.

## Capital market

Despite relatively good conditions in the capital market in 2021, Russia's invasion on Ukraine has significantly changed the sentiment of both investors and companies themselves. The situation is not helped by the high inflation and further interest rate hikes. The Company expects some of the transactions that are currently being prepared may be postponed or suspended, and new mandates may be difficult to obtain. Nevertheless, IPOPEMA Securities continues to execute transactions for entities in sectors that are relatively unlikely to be adversely affected by the economic impact of the war in Ukraine.

## Investment fund management segment

Little optimism was seen in the investment fund segment at the beginning of 2022. The prospects of continuing high inflation and interest rate hikes erode returns and lead to a gradual outflow of assets from the funds – April was the seventh consecutive month of net redemptions, with record high net redemptions of PLN 8.1bn recorded in March. In addition, the high uncertainty about how the war in Ukraine unfolds may adversely affect the performance of funds actively managed by IPOPEMA TFI and thus the Management Company's revenue from their management. However, a proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on the prevailing economic climate and stock market sentiment.

## Advisory services segment

In the advisory services segment, IPOPEMA Business Consulting continues the execution of ongoing projects and begins new ones, which should improve its financial performance. However, in 2022, as a result of the prolonged armed conflict in Ukraine and the related turbulence in the Polish and international markets, demand for services in the sector in which IPOPEMA Business Consulting operates may decline.

## SARS-CoV-2 epidemic

In previous periods, especially in 2020, but also in 2021, the SARS-CoV-2 epidemic was a factor with potentially the strongest bearing on the economy and financial markets and, consequently, on the Company's business. At present, the COVID-19 threat seems not to be severe, as evidenced by the formal lifting of the state of pandemic emergency in Poland. Although the pandemic situation may deteriorate in the coming months due to the possible emergence of new coronavirus mutations, at present the Company has not identified any significant adverse effect of the epidemic on its operations.

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

In subsequent periods of the current year, IPOPEMA TFI may 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 2022. 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., April 30th 2022, the variable management fee would not have been recognised.

# 4. Performance against forecasts

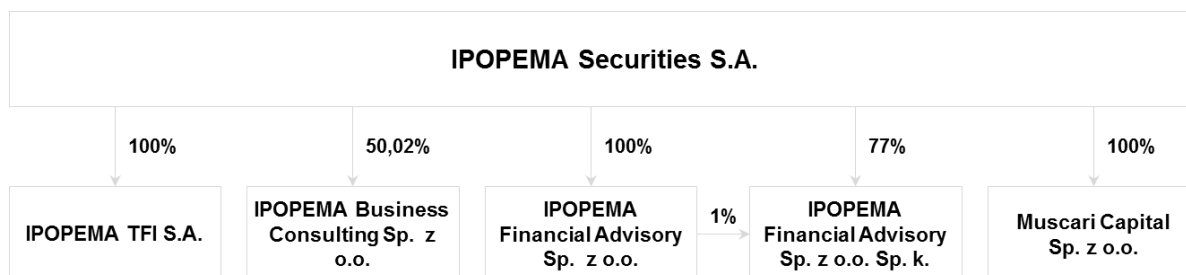
The Company has not published any performance forecasts.

## PART II

### 1. Organisational structure of the IPOPEMA Securities Group

As at March 31st 2022, 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. IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. are consolidated, while IPOPEMA Financial Advisory Sp. z o.o. and Muscari Capital were excluded from consolidation based on the immateriality of their financial data.

Furthermore, a joint-stock company was established on March 23rd 2022 in the performance of the investment agreement with ProService Finteco Sp. z o.o. IPOPEMA Securities is to acquire a 50% equity interest in the joint-stock company, the principal business of which will consist in providing custodian services to closed-end investment funds. As at the date of this report, the company had not yet been entered in the National Court Register and is therefore not included in the chart below. For more information on the project, see Note 23 to the Company's financial statements and Note 27 to the consolidated financial statements.



### 2. Changes in the Group's organisational structure

On March 23rd 2022, a company was established jointly with ProService Finteco Sp. z o.o. Its principal business will be the provision of custodian services to closed-end investment funds. For more information, see Section 1 hereof. There have been no changes in the Group's organisational structure to date in 2022.

### 3. Shareholding structure of IPOPEMA Securities S.A.

As at March 31st 2022, the following shareholders held more than 5% of shares in and votes at the General Meeting of 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 <sup>1</sup>                               | 2,990,789                          | 9.98%                          |
| IPOPEMA 10 FIZAN <sup>2</sup>                                    | 2,851,420                          | 9.52%                          |
| Value FIZ*   | 2,750,933                          | 9.18%                          |
| QUERCUS Funds <sup>3*</sup>                                      | 2,256,200                          | 7.54%                          |
| Katarzyna Lewandowska  | 2,136,749                          | 7.13%                          |
| Jarosław Wikaliński <sup>4</sup>                                 | 1,499,900                          | 5.01%                          |
| <b>Shareholders holding over 5% of the share capital – total</b> | <b>17,479,675</b>                  | <b>58.38%</b>                  |

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

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

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

<sup>3</sup> QUERCUS Parasolowy SFIO and QUERCUS Multistrategy FIZ.

<sup>4</sup> 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 March 31st 2022 (and until the date of this Management's Discussion and Analysis), the management and supervisory personnel listed below held, directly or indirectly through their subsidiaries or related parties (including dedicated funds), shares in IPOPEMA Securities S.A. The holdings of the management and supervisory personnel did not change vs those presented in the 2021 report.

| Person   | No. of shares and voting rights | % of ownership interest and total voting rights |
|--|---------------------------------|---|
| Jacek Lewandowski – CEO and President of the Management Board <sup>1</sup> | 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%   |
| <b>Total</b>   | <b>7,684,362</b>                | <b>25.66%</b>                                   |

<sup>1</sup> 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

In the three months ended March 31st 2022 (and March 31st 2021) IPOPEMA Securities S.A. did not issue any equity or non-equity securities. In connection with the implementation of the variable remuneration component policy in 2022, PLN 2.4 thousand worth of bonds have been issued. For more information, see Note 11 to the Company's financial statements and Note 14 to the consolidated financial statements.



## 6. Loans, guarantees and sureties

In the three months ended March 31st 2022, 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 financial statements of IPOPEMA Securities.

## 7. Litigation and administrative 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 and the operation of the Polish judicial system, it is not possible at this point to predict the date of conclusion or the outcome of the proceedings.

Save for the above, the IPOPEMA Group was not party to any material court or administrative proceedings.

## 8. Related-party transactions

In the first quarter of 2022, the Company did not execute any material related-party transactions, otherwise than in the ordinary course of business of the IPOPEMA Group companies.

## 9. Material events subsequent to the reporting date

In the period between March 31st 2022 and the date of issue of the financial statements, there were no material events which would affect the Company's business.

Warsaw, May 18th 2022

### Management Board of IPOPEMA Securities S.A.:

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Jacek Lewandowski  
President of the  
Management Board

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Mariusz Piskorski  
Vice President of the  
Management Board

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Stanisław Waczkowski  
Vice President of the  
Management Board

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Mirosław Borys  
Vice President of the  
Management Board