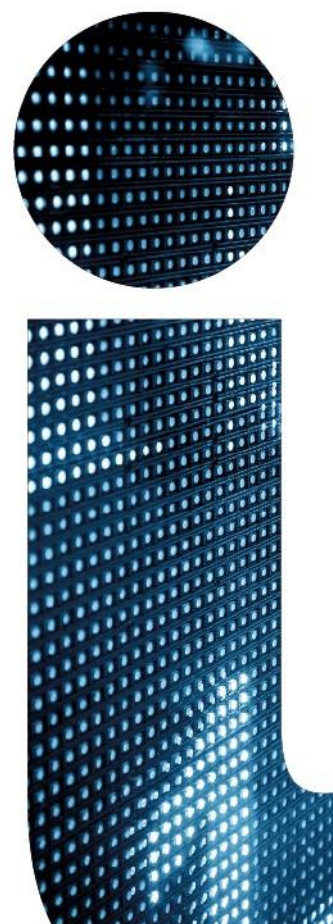


IPOPEMA Securities Group

# Directors' Report

**for the three months ended March 31st 2023**

Warsaw, May 18th 2023



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# PART I

## 1. Financial results

Consolidated financial highlights (PLN '000)*	3 months ended Mar 31 2023	3 months ended Mar 31 2022
Total revenue, including	70,167	63,201
<i>Brokerage and related services</i>	13,475	14,230
<i>Investment fund management</i>	49,842	41,850
<i>Advisory services</i>	6,850	7,121
Total operating expenses	68,163	59,519
Profit on core activities	2,004	3,682
Net profit for period	1,817	9

\*Unaudited

### Revenue

In the first quarter of 2023, the IPOPEMA Group's consolidated revenue reached PLN 70,167 thousand and was 11% higher than in the first quarter of 2022 (PLN 63,201 thousand), mainly due to an increase in revenue in the fund management segment (up 19.1%), with a slight revenue drop recorded in the segments of brokerage services and advisory services (down 5.3% and 3.8%, respectively).

The year-on-year decline in the revenue posted by the brokerage services segment (PLN 13,475 thousand, 19.2% of consolidated revenue; down from PLN 14,230 thousand) was chiefly due to lower revenue from investment banking services (PLN 2,999 thousand vs PLN 5,193 thousand in the first quarter of 2022). At the same time, the Company recorded an increase in revenue from trading in securities (PLN 9,833 thousand vs PLN 8,448 thousand), mainly as a result of higher revenue from trading in bonds (with the market share on the WSE maintained at the same level as in the first quarter of 2022).

In the three months ended March 31st 2023, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 49,842 thousand (71.0% of consolidated revenue), an increase of 19.1% compared with the three months ended March 31st 2022 (PLN 41,850 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 trend, observed throughout 2022, of significant fund withdrawals from retail funds, the total value of assets in IPOPEMA TFI's actively managed funds was PLN 1.1bn as at the end of March 2023, down PLN 0.3bn 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 2023, total assets under its management amounted to PLN 58.6bn (compared with PLN 62.1bn at the end of March 2022).

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 6,850 thousand (9.8% of consolidated revenue) in the first quarter of 2023, relative to PLN 7,121 thousand in the corresponding period of the previous year (down 3.8%).

### Costs and expenses

The IPOPEMA Group's total operating expenses in the three months ended March 31st 2023 amounted to PLN 68,163 thousand, up 14.5% year on year (three months ended March 31st 2022: PLN 59,519 thousand).

In January–March 2023, operating expenses in the brokerage services segment totalled PLN 14,412 thousand, having increased by 21.8% on the three months ended March 31st 2022 (PLN 11,835 thousand), chiefly on higher staff costs and higher costs of services (distribution of investment products).

Higher operating expenses in the investment fund and portfolio management segment (PLN 47,089 thousand vs PLN 40,772 thousand in the three months ended March 31st 2022) 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 2023 were down 3.6% year on year (PLN 6,662 thousand vs PLN 6,912 thousand the year before).

## Financial results

Gains of the fund management and advisory services segments (and the loss posted by the brokerage services segment) translated into consolidated operating profit of PLN 2,004 thousand in the first quarter of 2023 (vs PLN 3,682 thousand the year before) and consolidated net profit of PLN 1,817 thousand (vs PLN 9 thousand the year before).

As IPOPEMA Securities' equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, respectively, net profit attributable to owners of the parent was PLN 1,898 thousand, while net loss attributable to non-controlling interests was PLN 81 thousand.

In the brokerage services segment, a 5.3% decrease in revenue (with a 21.8% increase in operating expenses) led to losses in the first quarter of 2023 – the loss on core activities reached PLN 937 thousand (compared with a profit of PLN 2,395 thousand the year before) and net loss amounted to PLN 459 thousand (vs net loss of PLN 569 thousand for the first three months of 2022). Nonetheless, on a separate basis (net of intra-group sales and other consolidation eliminations), in the three months ended March 31st 2023 IPOPEMA Securities reported a net profit of PLN 367 thousand (vs a net loss of PLN 343 thousand the year before).

The fund management segment recorded a 19.1% increase in revenue. With a 15.5% growth in operating expenses, this led to an increase in the segment's profits – profit on core activities reached PLN 2,753 thousand (vs PLN 1,078 thousand in the three months ended March 31st 2022) and net profit amounted to PLN 2,216 thousand (vs PLN 412 thousand the year before).

Despite a 3.6% drop in operating expenses, with a revenue decrease of 3.8% the advisory services segment posted slightly lower profits – profit on core activities amounted to PLN 188 thousand (vs PLN 209 thousand the year before) and net profit came in at PLN 60 thousand (vs PLN 166 thousand the year before).

## 2. Performance drivers in the three months ended March 31st 2023

### Equity market and investment banking

In the first months of 2023, investor activity on the equity market of the WSE was significantly lower than the year before – the total trading volume from January to March was 29.1% down on the first quarter of 2022. IPOPEMA Securities recorded a slightly lower share in the total market trading volumes (2.03% vs 2.26%). Revenue from transactions executed jointly with the investment banking segment fell year on year. But given the growth in revenue from bond brokerage, the overall revenue from securities trading for January to March 2023 (PLN 9,833 thousand) was 16.4% higher than in the previous year (PLN 8,448 thousand).

A conservative sentiment was also seen on the capital market – persistently high inflation and interest rate levels considerably reduced the activity of companies and investors. As a result, revenue from investment banking services was PLN 2,999 thousand in the first quarter of 2023, down from PLN 5,193 thousand recorded the year before.

As a result of the above factors, in the first three months of 2023 the brokerage services segment reported a net loss of PLN 459 thousand (vs a net loss of PLN 569 thousand the year before). On a separate basis (net of intra-group sales and other consolidation eliminations), in the three months ended March 31st 2023 IPOPEMA Securities reported a net profit of PLN 367 thousand (vs a net loss of PLN 343 thousand the year before).

### IPOPEMA TFI

IPOPEMA TFI's revenue went up 19.1% year on year, mainly on the back of higher revenue from management of securitisation funds. Concurrently, as a result of the trend, observed throughout 2022, of significant fund

withdrawals from retail funds, the total value of assets in IPOPEMA TFI's actively managed funds was PLN 1.1bn as at the end of March 2023, down PLN 0.3bn year on year. This translated into slightly lower 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 2023, total assets under its management amounted to PLN 58.6bn (compared with PLN 62.1bn at the end of March 2022).

### **IPOPEMA Business Consulting**

Despite the still challenging market conditions, IPOPEMA Business Consulting's revenue fell only 3.8% year on year (PLN 6,850 thousand vs PLN 7,121 thousand) thanks to consistent implementation of projects in the order book. Despite a slight decrease in costs (down 3.6%), this translated into slightly lower profits – profit on core activities reached PLN 188 thousand and net profit came in at PLN 60 thousand (compared with, respectively, PLN 209 thousand and PLN 166 thousand in the first quarter of 2022).

## **3. Factors which may affect the Group's performance in subsequent periods of 2023**

### **War in Ukraine**

Currently, a significant risk factor impacting the economic and other aspects remains the war in Ukraine. 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 continue to exert a negative impact on the European economy and situation on the Polish market. The consequences of this war can be seen in some areas of the Company's operations, as evidenced by customers' increased caution in investment decision-making. The actual impact of the present situation on the operations of the Company and its Group in subsequent periods is extremely difficult to assess given the unpredictability of developments and further war operations.

### **WSE secondary market**

As regards activity on the secondary market, market sentiment continues to be rather gloomy. Despite the rebound observed since mid-October 2022, at the end of April 2023 the value of the WIG index was approximately 14% below that recorded in January 2022. In the first three months of 2023, investor activity on the WSE was 29.1% lower than the year before. What additionally makes it difficult to predict how the situation on the WSE will unfold in the coming periods is disquieting news from global financial markets of issues faced by banks and bank bankruptcies.

### **Capital market**

The first months of 2023 saw unfavourable developments also on the capital markets – both investors and companies showed a highly cautious attitude. Although the second quarter brought signs of a slight uptick in market sentiment, it is difficult to make any definite predictions of how it will develop in the coming months. The situation is also made worse by high inflation and interest rate levels. The above factors may affect the execution of transactions in the pipeline or the ability to secure new ones.

### **Investment fund management segment**

Since the beginning of this year, the investment fund market has seen a reversal of last year's sentiment – by April, inflows to retail funds exceeded PLN 2.7bn. However, the continuing prospects of high inflation and

uncertainty as to interest rate levels in the future may curb investors' enthusiasm in the coming months. Moreover, the situation in Ukraine may still affect market sentiment and inflows to funds. 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 2023, 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.

### **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 2023. 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 2023, the variable management fee would be PLN 7.4m.

## **4. Performance against forecasts**

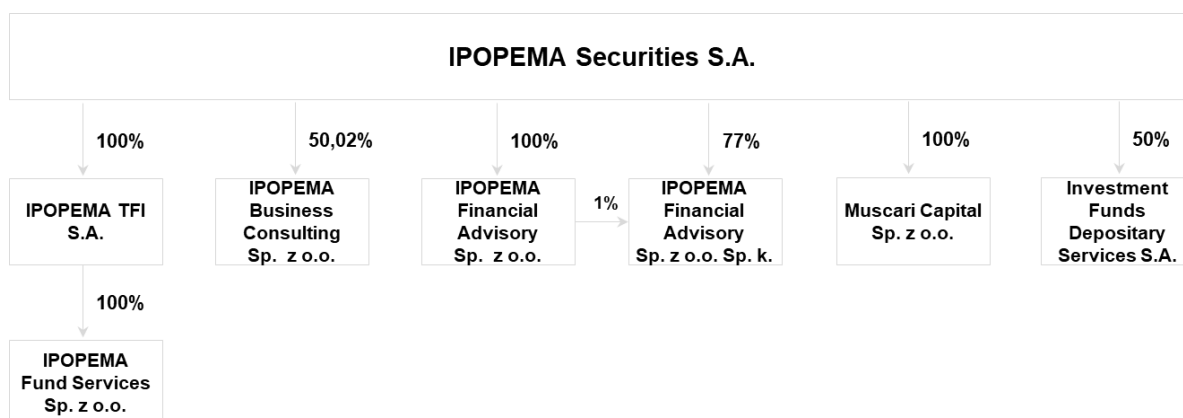
The Company has not published any performance forecasts.

## PART II

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

As at March 31st 2023, 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., Muscari Capital Sp. z o.o., Investment Funds Depository Services S.A., and IPOPEMA Fund Services Sp. z o.o.

IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. are consolidated, while the other companies are excluded from consolidation based on the immateriality of their financial data.



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

In the three months ended March 31st 2023, there were no changes in the organisational structure of the IPOPEMA Securities Group.

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

As at March 31st 2023, 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 2023 (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 2022 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 2023 (and March 31st 2022) IPOPEMA Securities S.A. did not issue any equity or non-equity securities. The Company repurchased bonds (for a total amount of PLN 0.8 thousand) in connection with the implementation of the variable remuneration component policy. 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 2023, 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

In 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 20.6m 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 had been 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.

In addition, in December 2022 and January 2023 three legal actions were brought against IPOPEMA TFI, concerning funds previously managed by Saturn TFI and Lartiq TFI, whose management was taken over by IPOPEMA TFI following a decision of the Polish Financial Supervision Authority to withdraw the business licences held by these investment fund management companies. The total amount of claims under these actions is PLN 2.6m. IPOPEMA TFI contests the claims in their entirety since the actions brought against IPOPEMA TFI concern circumstances that were a consequence of the funds' management and situation in the period before their management was taken over by IPOPEMA TFI. Currently, the Management Board of IPOPEMA TFI is taking legal steps to have the claims dismissed and protect IPOPEMA TFI's good name.

In the six months to June 30th 2022, a client of IPOPEMA Business Consulting filed an action against the company relating to an implementation contract between the parties, performed in the ordinary course of IPOPEMA Business Consulting's business. The plaintiff estimated the amount of the claim at PLN 14.5m. Given the facts, supported by legal opinions, the Management Board of IPOPEMA Business Consulting considers the claim to be entirely unfounded and without factual and legal merit. Moreover, IPOPEMA Business Consulting has taken steps to obtain remuneration due from the client for the work completed and handed over to the client.

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 2023, 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 2023 and the date of issue of the financial statements, there were no material events which would affect the Company's business.

Warsaw, May 18th 2023

## 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

\_\_\_\_\_  
Miroslaw Borys  
Vice President of the  
Management Board