



KREDYT INKASO

Kredyt Inkaso S.A. Group

Report of the Management Board on the operations of the Group and the Company for the period of 9 months ended **31 December 2022**

Warsaw, 1 March 2023



1. SIGNIFICANT ACHIEVEMENTS AND FAILURES OF THE GROUP MEMBERS, INCLUDING KEY EVENTS RELATING TO THE GROUP

In the period of 9 months ended 31 December 2022, the Group recorded payments under debt portfolios in the amount of PLN 234.2 million, which represents a growth of PLN 23.9 million (11.4%) compared to the corresponding period of the previous year. The number of payments was PLN 65.6 million higher than the planned number of payments for that period. Interest income was slightly lower than in the corresponding period of the previous year (PLN 88.6 million vs PLN 92.3 million), and total net income of the Group amounted to PLN 153.7 million in the current period compared to PLN 161.2 million in the comparative period (-4.6% y/y).

The operating expenses for the first three quarters amounted to PLN 111.4 million, which represents growth by PLN 15.8 million (16.5%) in relation to the corresponding period of the previous financial year. The majority of this increase is attributable to the costs of remunerations (PLN 5.0 million), court and debt collection fees (PLN 7.1 million) and third-party services (PLN 2.1 million). The increase is costs year over year results, among other reasons, from the consistent preparation of the Group's organisation to significantly increase the scale of activity (understood as the value and number of handled debt portfolios), whereas the increase in the cost of court and debt collection fees in future quarters will translate into recoveries in the bailiff enforcement channel. The Group monitors the level of operating expenses on an ongoing basis, in particular in the context of the ratio of key expense items to the payments and income generated by the Group.

The aforementioned phenomena had an impact on the Group generating operating income of PLN 42.3 million (-35.5% y/y) and net profit of PLN 15.9 million (-61.3% y/y) in the period of 9 months ended on 31 December 2022, compared to operating profit of PLN 65.5 million and net profit of PLN 41.1 million, respectively, in the corresponding period of the previous year.

The situation related to military hostilities in Ukraine affected the valuation of debt portfolios exposed to Russian market risk. In the full-year consolidated financial statements published on 30 June 2022, the Group revaluated the debt portfolios based on the anticipated scenario for the development of events – the current (as at 31 December 2022) valuation of portfolios on the Russian market amounts to PLN 0.5 million, which represents 0.1% of the value of portfolios held by the Group. The liquidity situation of Kredyt Inkaso RUS Limited Liability Company (LLC) is not at risk and the company is able to self-finance its activities.

The Parent of the Group – Kredyt Inkaso S.A. – increased its net income by PLN 5.3 million (9.8%) in the reporting period owing to the increase in income from debt management. The cost base increased by PLN 4.0 million (7.1%) to PLN 60.2 million. Higher costs are due to higher costs of remuneration and employee benefits (up by PLN 3.0 million, 13.7%). Depreciation and amortisation costs remained similar, while other costs were reduced by PLN 0.9 million. Ultimately, net profit was higher by PLN 9.1 million compared to the previous year.

2. POSITION OF THE MANAGEMENT BOARD ON THE FEASIBILITY OF PUBLISHED PERFORMANCE FORECASTS FOR THE CURRENT FINANCIAL YEAR

Neither the Kredyt Inkaso S.A. Group nor the Parent published financial performance forecasts.

3. SIGNIFICANT PROCEEDINGS PENDING BEFORE A COURT, AN ARBITRATION BODY OR AN ADMINISTRATIVE AUTHORITY

3.1. Court and enforcement proceedings

The Group's business model involves purchasing debt portfolios resulting from the sale of universal services (usually from several thousand to even tens of thousands of claims in a portfolio) and pursuing their payment through legal process. As part of the Group's business, it has a large number of court cases and enforcement proceedings conducted by bailiffs. However, due to the relatively small amounts of the debts, there is no risk of concentration (of one or more bad debts, i.e. with characteristics significantly worse than those calculated).

Report of the Management Board on the operations of the Group and the Company for the period of 9 months ended 31 December 2022

As at the Approval Date, there were pending proceedings instigated by the Parent against joint and several defendants: Best S.A. with its registered office in Gdynia and Mr Krzysztof Borusowski ("Defendants", "Statement of Claim"). The Company in the Statement of Claim demands:

- that PLN 60,734,500 with statutory default interest, calculated from the date of filing the claim until the date of payment, be paid by the joint and several Defendants to the Company,
- that the litigation costs, according to the prescribed norms, be awarded from the joint and several Defendants to the Company, unless a bill of costs is filed at the last hearing.

The amount claimed results from the Company's claim against the Respondents for redress of damage inflicted on the Company due to dissemination by the Respondents of untrue and defamatory information: concerning the Company's Management Board, alleged irregularities at the Company, alleged falsification of financial statements and lack of authorisation of the Company's Management Board to act on its behalf, which in the Company's opinion was the direct cause of termination by Lumen Profit 14 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 14 NS FIZ"), Lumen Profit 15 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 15 NS FIZ"), Lumen Profit 16 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 16 NS FIZ"), AGIO Wierzytelności Plus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("AWP NS FIZ") and AGIO Wierzytelności Plus 2 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("AWP 2 NS FIZ") of agreements on debt portfolio management and agreements on the provision of legal services executed with the Company.

The amount of the claim is the sum of the actual losses incurred by the Company and the estimated lost profit in future years, as reported by the Company in Current Report No. 57/2016 of 10 August 2016, and additionally the estimated lost profit resulting from, inter alia, termination of the management agreements by Lumen Profit 14 NS FIZ, Lumen Profit 15 NS FIZ, and Lumen Profit 16 NS FIZ.

The Company communicated the reasons for and the impact of the termination of the aforementioned agreements on the Company's financial position, including in particular the loss of further systematic income as well as the possibility of the Company going to court to seek damages, in the Consolidated Quarterly Report for Q1 of the 2016/2017 financial year published on 12 August 2016.

As at the Approval Date, action brought by the Parent Company against Paweł Szewczyk, Ion Melnic and KI Servcollect SRL, seeking the award jointly and severally against the Defendants of PLN 21,320,000.00 as redress for indirect damage suffered by the Company in connection with the actions of the Defendants, together with statutory default interest from 26 May 2020 until the date of payment, PLN 30,000.00 as reimbursement of costs incurred by the Company for the preparation of a private opinion of an expert business appraiser, together with statutory default interest from the date of delivery of a copy of the statement of claim to the last of the Defendants until the date of payment, and PLN 44,000.00 as reimbursement of costs of preparing sworn translations of the statement of claim and part of appendices thereto, together with statutory default interest from the date of delivery of a copy of the statement of claim to the last of the Defendants until the date of payment, is pending. Along with the action, the Company filed a request to grant injunctive relief (Current Report No. 13/2020). The Company's injunction request was dismissed by the Court and in connection with the rejection of the complaint submitted by the Company's proxy by the Court of second instance, the decision should be deemed as final.

Furthermore, there are pending court proceedings involving: Best S.A., Krzysztof Borusowski (President of the Management Board of Best S.A.), Karol Szymański (former member of the Supervisory Board), the Management Board of the Company, and the Company itself. The above proceedings result from the following, among other things:

- action of Best S.A. to revoke the resolutions of the Annual General Meeting against which it filed an objection, i.e.: (i) Resolution No. 12/2016 to approve the Management Board's report on the operations of Kredyt Inkaso S.A. and separate financial statements of Kredyt Inkaso S.A. for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (ii) Resolution No. 13/2016 to approve the Management Board's report on the operations of the Group and consolidated financial statements of the Group for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (iii) Resolution No. 15/2016 to grant discharge to a member of the Management Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (iv) Resolution No. 16/2016 to grant discharge to a member of the Management Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (v) Resolution No. 17/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (vi) Resolution No. 18/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (vii) Resolution No. 19/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (viii) Resolution No. 20/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (ix) Resolution No. 21/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (x) Resolution No. 22/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016 (Current Report No. 93/2016), (xi) Resolution No. 7/2017 to grant discharge to a member of the Management Board, (xii) Resolution No. 8/2017 to grant discharge to a member

of the Management Board, (xiii) Resolution No. 9/2017 to grant discharge to a member of the Management Board, (xiv) Resolution No. 14/2017 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017, (xv) Resolution No. 15/2017 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017 (Current Report No. 65/2017); On 14 May 2021, the Regional Court in Warsaw, 20th Commercial Department, issued a decision to discontinue the proceedings with respect to Resolutions No. 15/2016 and 7/2017 due to the irrelevance of further proceedings with respect to these resolutions, given that the Company's Annual General Meeting adopted Resolution No. 17/2020 of 27 November 2020 to amend the resolutions on granting discharge to the former Management Board Member referred to above, under which the discharge granted to him for the periods indicated above were revoked;

- action by a former member of the Company's Supervisory Board – Mr Karol Szymański, to revoke the resolution of the Annual General Meeting of the Company of 27 September 2017, i.e. Resolution No. 10/2017 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017 (Current Report No. 9/2018); On 14 October 2021, the Regional Court dismissed the action of a member of the Supervisory Board, however the ruling is not final (Current Report No. 50/2021);
- action of Best S.A. to revoke the resolutions of the Ordinary General Meeting against which it filed an objection, i.e.: (i) Resolution No. 4/2018 to approve the separate financial statements of Kredyt Inkaso S.A. for the financial year beginning on 1 April 2017 and ending on 31 March 2018, (ii) Resolution No. 5/2018 to approve the consolidated financial statements of the Group for the financial year beginning on 1 April 2017 and ending on 31 March 2018, (iii) Resolution No. 6/2018 to approve the Management Board's report on the operations of the Company and the Group for the financial year beginning on 1 April 2017 and ending on 31 March 2018 (Current Report No. 56/2018);
- action by Best S.A. of 09 January 2019 for the payment of PLN 51,847,764 jointly and severally by the Company, Paweł Szewczyk, Jan Paweł Lisicki and Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k., whereby in relation to Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. the claimant limits the demand to PLN 2,260,000 and the litigation costs, including the costs of legal representation according to the prescribed norms. This action arises from the alleged damage caused to BEST S.A. by the defendants as a result of the purchase of shares in the Company at an inflated price determined on the basis of the Company's financial statements for the 2014/2015 financial year, which were corrected in subsequent fiscal years. Kredyt Inkaso S.A. recognises the claim of BEST S.A. as unfounded, as informed in Current Report No. 8/2019;
- action by Best S.A. of 28 June 2019 to declare invalid or revoke Resolution No. 4/2019 of the Extraordinary General Meeting of Kredyt Inkaso S.A. of 30 May 2019 to approve transactions encumbering the Company's assets or the assets of other entities of the Company's Group in connection with the issue of Series F1 bonds by the Company. The Company deems the request stipulated in the statement of claim as unfounded and actively defends against it in court proceedings (Current Report No. 34/2019);
- action by John Harvey van Kannel against the Company to establish (i) the existence of a resolution on removal of Maciej Jerzy Szymański from the Management Board of the Company, and (ii) declare the invalidity of Resolution No. 38/2020 of the Annual General Meeting of the Company of 27 November 2020 on the appointment of Daniel Dąbrowski as member of the Supervisory Board of the Company for a new term of office. The injunction request in this case was dismissed in its entirety with a final decision, which was communicated by the Company in its Current Report No. 11/2021 of 29 April 2021. The Company deems the requests stipulated in the statement of claim as completely unfounded and defends against them by actively participating in court proceedings (Current Report No. 26/2021).
- action by John Harvey van Kannel against the Company to declare the invalidity of Resolution No. 12/2021 of the Extraordinary General Meeting of the Company of 24 May 2021 on the appointment of Daniel Dąbrowski as member of the Supervisory Board of the Company, of which the Company informed in the Current Report No. 31/2021 of 23 August 2021. On 8 August 2022, the District Court in Warsaw, 16th Commercial Department, dismissed the action of the Company's shareholder in its entirety, however the ruling is not final (Current Report No. 44/2022). The attorney of the Company received an appeal of the Claimant against the said judgment, the grounds of which are basically arguments raised by the Claimant in proceedings before the court of first instance, which dismissed the Claimant's claims in their entirety (Current Report No. 01/2023);
- action by two members of the Supervisory Board to revoke the resolution of the group of shareholders entitled to appoint members of the Supervisory Board by block voting No. 13/2021 of the Company's Extraordinary General Meeting of 24 May 2021 on the appointment of Karol Szymanski as Member of the Company's Supervisory Board for a new term of office and his delegation to individually perform supervisory duties on a permanent basis. The Company intends to actively participate in the court proceedings (Current Report No. 53/2021);
- action by two members of the Supervisory Board to revoke the resolution of the group of shareholders entitled to appoint members of the Supervisory Board by block voting No. 6/2022 of the Company's Extraordinary General Meeting of 25 April 2022 on the appointment of Karol Szymański as Member of the Company's Supervisory Board for a new term of office and his delegation to individually perform supervisory duties on a permanent basis. Decision of 6 July 2022. The court secured the claimants' claim for annulment of the aforementioned resolution by suspending its effectiveness until the final conclusion of the proceedings. The Company intends to actively participate in the court proceedings (Current Report No. 36/2022);

- motion of Best S.A. to appoint Rödl Kancelaria Prawna sp. k. and Roedl Audit sp. z o.o. jointly as a special auditor. The Company and its Supervisory Board finds the aforementioned motion unfounded and actively participates in the court proceedings (Current Reports No. 40/2022, No. 66/2022 and No. 3/2023).

3.2. Tax proceedings

On 30 September 2013, Kredyt Inkaso S.A. concluded a Sub-Participation Agreement with Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. (hereinafter: "Agreement" and "Sub-Participant", respectively). The tax consequences of entering into the Agreement covered the tax years from 1 April 2013 to 31 March 2014, from 1 April 2014 to 31 March 2015 and from 1 April 2015 to 31 March 2016. The subject matter of the Agreement was the acquisition by the Sub-Participant of the exclusive right to cash flows from the receivables understood as proceeds from repayments of debt and charges for costs and expenses. Pursuant to the Agreement, Kredyt Inkaso S.A. transferred to the Sub-Participant the exclusive right to cash flows from receivables comprising the debt portfolio specified in the appendix to the Agreement (hereinafter: "Debt Portfolio"). In return for the transfer of the right to cash flows from the receivables, the Sub-Participant undertook to pay a price to Kredyt Inkaso S.A. The price was settled by the Sub-Participant on 13 June 2014.

On 12 April 2016, Kredyt Inkaso S.A. applied for a tax ruling in that matter. In the tax ruling of the Director of the Tax Chamber in Warsaw of 21 July 2016, ref. IPPB3/4510-418/16-3/JBB ("Tax Ruling"), issued in response to the request submitted by Kredyt Inkaso S.A., it was indicated that: "Thus, Kredyt Inkaso S.A. should recognise tax income on account of the price on a cash basis, i.e. on the date of receipt of the payment – in the case in question, on the date of payment of the Price by deducting it from Kredyt Inkaso S.A.'s liability on account of the acquisition price for bonds issued by the Sub-Participant. (...) On the other hand, by transferring to the Sub-Participant, in accordance with the provisions of the sub-participation agreement, amounts constituting proceeds from debt portfolios, Kredyt Inkaso S.A. shall be entitled to treat the transferred amounts as tax deductible expenses and recognise them in the tax account as they are incurred", - "the position of Kredyt Inkaso S.A. assuming no income recognised on account of debt repayment (previously purchased from the original debtor) is incorrect (...). One cannot agree with Kredyt Inkaso S.A.'s claim that exclusion of the receivables in question from the balance sheet may determine tax qualification of a given capital gain", - "The discussed expenses, i.e. the purchase price and Direct Collection Expenses which were incurred by the Company until the conclusion of the sub-participation agreement are directly related to debt (their purchase and collection) being the subject of the sub-participation agreement and not to the event of transferring the rights to cash flows from receivables to the Sub-Participant. (...) Thus, these expenses shall be deductible expenses of a direct nature when the debtors make repayments of those debts or when those debts are sold."

After delivery of the Tax Ruling, Kredyt Inkaso S.A. decided to comply with it, which resulted in the need to file corrections of CIT-8 tax returns for the tax years: from 1 April 2013 to 31 March 2014, from 1 April 2014 to 31 March 2015 and from 1 April 2015 to 31 March 2016, and payment of the corporate income tax together with interest. At the same time, in its letter of 17 October 2016 the Company filed a complaint against the tax ruling to the Provincial Administrative Court in Warsaw ("Provincial Administrative Court"). In its decision of 22 November 2017 the Provincial Administrative Court revoked the ruling (ref. III SA/Wa 3503/16, "Provincial Administrative Court's Decision"). The tax authority filed a cassation appeal within the specified time limit and the case was referred to the Supreme Administrative Court. By its decision of 8 October 2020 (ref. II FSK 1615/18) the Supreme Administrative Court dismissed the Provincial Administrative Court's Decision and remanded the case back to the Provincial Administrative Court. In its decision of 27 April 2021, the Provincial Administrative Court revoked the ruling (ref. III SA/Wa 597/21, "Provincial Administrative Court's Second Decision"). On 22 June 2021, Kredyt Inkaso S.A. received written statement of reasons for the Provincial Administrative Court's Second Decision. Its contents confirms that the position presented by the Company in its request to issue the Tax Ruling was correct. Notwithstanding the above, the Company upholds the allegations that the procedure was breach in the course of issuing the Tax Ruling, described in detail in the complaint dated 17 October 2016. In light of the above, on 22 July 2021 the Company lodged a cassation complaint with the Supreme Administrative Court against the Second Decision of the Provincial Administrative Court. In addition, on 11 August 2021, the Company received a copy of the tax authority's cassation appeal to the Supreme Administrative Court against the Second Decision of the Provincial Administrative Court. In its decision of 10 October 2021 (ref. II FSK 1143/21), the Supreme Administrative Court dismissed the Second Decision of the Provincial Administrative Court and remanded the case back to the Provincial Administrative Court. In its decision of 27 April 2022, the Provincial Administrative Court dismissed the complaint of Kredyt Inkaso S.A. (ref. III SA/Wa 485/22, "Third Decision of the Provincial Administrative Court"). On 9 June 2022, Kredyt Inkaso S.A. received a written statement of reasons for the Third Decision of the Provincial Administrative Court. Its contents confirm that the Tax Authority, when issuing the Tax Ruling, breached the principle of issuing a tax ruling solely on the grounds and within the bounds of the request for its issuance. However, in the assessment of Provincial Administrative Court, this breach did not affect the outcome of the case. Referring to the core dispute in the case (i.e. the date of recognition of tax income on the price of the sub-participation agreement in question), the Provincial Administrative Court highlighted that the Supreme Administrative Court, by setting aside the Provincial Administrative Court's Second Decision, did not make any final resolution

on the matter, leaving it to the judgement of the Provincial Administrative Court. In dismissing the complaint, the Provincial Administrative Court also indicated that it did not share the position of the Supreme Administrative Court in a similar case (ref. II FSK 3299/17), which essentially confirmed the position of Kredyt Inkaso S.A. Therefore, in the opinion of the Provincial Administrative Court this ruling by the Supreme Administrative Court did not apply in the case in question. After analysing the Third Decision of the Provincial Administrative Court, Kredyt Inkaso S.A. lodged a cassation compliant with the Supreme Administrative Court on 11 July 2022. In the complaint, the Company raised allegations that rules of substantive law have been breached, based in particular on the substantive position of the Supreme Administrative Court in a similar case (file ref. No. II FSK 3299/17), and allegations that the rules of procedure have been breached, including the need to comply with the principle of issuing a tax ruling solely on the grounds and within the bounds of the request for its issuance. In addition, on 10 August 2022, the Company received a response of the Tax Authority to the lodged cassation complaint, which includes a motion to dismiss the cassation complaint of the Company.

The Company's cassation appeal was dismissed by the Supreme Administrative Court by means of a decision of 8 November 2022. This resolution of the Supreme Administrative Court means that the dispute concerning the validity of the position presented by the Director of the Tax Chamber in Warsaw, included in the Tax Ruling challenged by the Kredyt Inkaso S.A., was concluded. It is necessary to point out that after the Tax Ruling has been delivered, Kredyt Inkaso S.A. decided to comply with the Tax Ruling, which resulted in the need to file adjusted CIT-8 tax returns in 2016 for the tax years: from 1 April 2013 to 31 March 2014, from 1 April 2014 to 31 March 2015 and from 1 April 2015 to 31 March 2016, and payment of the corporate income tax with interest. In connection with above, the aforementioned decision of the Supreme Administrative Court did not result in the need for Kredyt Inkaso S.A. to file adjusted corporate income tax settlements and corporate income tax settlements of the Company are consistent with the position of the Director of the Tax Chamber in Warsaw included in the Tax Ruling.

On 29 December 2022, KI RUS received a notification that an audit has been initiated by the Russian Federal Taxation Service. The audit concerns two portfolios owned by Kredyt Inkaso Portfolio Investments (Luxembourg) Société Anonyme ("KI LUX") and managed by KI RUS as well as a service agreement between KI RUS and KI LUX. On 25 January 2023, KI RUS received a notification that the audit has been suspended.

3.3. Audit procedures

No other relevant inspections or proceedings were carried out in the reporting period.

4. INFORMATION ON THE EXECUTION OF TRANSACTIONS WITH RELATED PARTIES BY GROUP ENTITIES, EXECUTED ON TERMS OTHER THAN MARKET TERMS.

All transactions executed by Group entities with affiliated entities were typical and routine transactions entered into on terms which did not differ from market terms, and the nature and terms thereof resulted from current operating activities pursued by Group entities.

5. FACTORS WHICH WILL AFFECT THE RESULTS ACHIEVED BY THE GROUP AT LEAST IN THE NEXT QUARTER

5.1. Strategic assumptions of the Group in the coming years

The main objective of the Group's activities in the coming years is to return to making significant investments in debt portfolios, mainly on the Polish, Romanian and Bulgarian markets, and to further improve net profitability.

Report of the Management Board on the operations of the Group and the Company for the period of 9 months ended 31 December 2022

The Group intends to successively improve the operating margin on its business by increasing the effectiveness of the portfolio debt collection process, optimising strategy for debt collection activities, and fully implementing advanced statistical decision-making models successively developed in recent years.

An equally important area is the development of information technology and technological innovation. The Group continuously develops the operating system on the Polish market. On the Romanian market, it plans to migrate the system to the latest version based on cloud solutions and to implement it on the Bulgarian market. The Group launched an online customer service portal, first on the Polish market, with plans to perform similar actions on foreign markets. The upgrade of the operating system and the launch of the self-service portal in Romania are planned for 2023, whereas in Bulgaria for the next year.

The Group places particular emphasis on transforming the organisational culture and improving the effectiveness of operating processes and further implementation of the lean methodology.

On 30 September 2022, the Ordinary General Meeting of Kredyt Inkaso S.A. voted to adopt Resolution No. 20/2022, reading as follows:

The Ordinary General Meetings adopts the following resolution:

§1

The Ordinary General Meeting of Kredyt Inkaso S.A. decides to request the Management Board of Kredyt Inkaso S.A. and authorises the Management Board to commence the review of all strategic options concerning the Company's future in order to resolve the situation in the Company's shareholder structure, including in particular to enable a shareholder or shareholders to dispose of the Company's shares.

This authorisation covers the authorisation of the Management Board of the Company to undertake all formal and legal activities aimed at preparing and conducting the process of reviewing strategic options within the time limit and in accordance with the principles defined by the Management Board of the Company.

§2

The resolution enters into force as of the date of its adoption.

The above resolution was adopted unanimously. In view of the above, The Management Board of the Company took preparatory actions to perform a review of strategic options, the formal commencement of which will be notified by an appropriate current report.

5.2. External factors significant for the development of the Group

External factors driving the Group's growth are:

- evolution of the approach to the disposal of debts by universal service providers and the banking sector,
- lack of legal or organisational action on the part of the administration and the legislature to introduce either formal or de facto restrictions on the sale or recovery of claims by creditors other than the original creditors,
- macroeconomic situation that makes it economically rational to continue to raise funds to develop the business, either as debt or equity,
- absence of high inflation in the long-term,
- unemployment rate,
- no legislative changes resulting in an excessive increase in tax liabilities.

5.3. Internal factors significant for the development of the Group

Of the internal factors for the development of the Group, the most important ones are:

- maintenance of case-handling capacity - efficiency and security of functioning of telecommunication and information systems,
- financial condition of the Group that makes it possible to continue to raise funds to develop the business, either as debt or equity,
- development of competences of human resources to ensure efficient operation of Kredyt Inkaso S.A. as a decision-making centre,
- retention of key employees in the Group,
- development of middle management.

6. DESCRIPTION OF BASIC HAZARDS AND RISKS

The Group has an internal control system in place that supports management by contributing to ensuring the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with risk management principles and compliance with laws, internal regulations, and market standards.

The internal control system includes:

- control function – its purpose is to ensure compliance with control mechanisms relating in particular to the risk management at the Group,
- compliance unit (Compliance Officer) whose task is to identify, assess, control, and monitor compliance risk with regard to law regulations, internal regulations, and market standards, and to present periodic reports in this regard,
- an independent internal audit unit (Internal Audit Division) tasked with examining and evaluating, in an independent and objective manner, the adequacy and effectiveness of the risk management system and the internal control system.

The primary objective of the Group’s risk management is to ensure that all risks associated with its operations are adequately managed. The Group manages risk through risk identification, measurement and assessment, control, forecasting and monitoring, reporting and preventive activities.

Risk management by way of periodic risk assessments, in accordance with the current Risk Management Policy at Kredyt Inkaso Capital Group, consists of:

- risk assessment: identification, analysis and evaluation of risks,
- risk management, including, where applicable, risk mitigation,
- communication and collaboration in the area of risk management.

The Kredyt Inkaso Group has a Risk Committee. The tasks and manner of operation of the Committee have been specified in the Regulations of the Risk Committee at the Kredyt Inkaso Capital Group.

Risk factors and threats have been presented in the table below.

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
Risk associated with an increase in operating costs	A significant increase in the Group’s operating costs may be affected by increases in such cost groups as: (i) costs of court, notary, bailiff and other litigation fees related to the management of receivables through legal means and costs of tax liabilities; (ii) costs of postal and banking fees; (iii) labour costs; (iv) costs of services and materials purchased by the Group and (v) costs of obtaining financing.	As the Group has no influence on the growth of most of these costs, its activities are mainly focused on reducing the negative impact of these risks on the financial results of its activities. In order to minimise the risk of increased operating costs, the Group	High

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>The costs indicated under items (i) and (ii) above may increase in particular due to possible changes in legislation. In connection with rising inflation, there is a risk that the costs of services and materials will continue to increase (i) and put pressure on wage growth (iii), and a risk that the interest rates will continue to rise, which would directly translate into higher financing acquisition costs (v).</p> <p>A disproportionate increase in any of the aforementioned cost groups, particularly in relation to the growth rate of generated revenues, may adversely affect the Group's development rate and results of its activities and, consequently, the ability to settle its liabilities.</p>	<p>takes the following measures:</p> <ul style="list-style-type: none"> ▪ increases operational efficiency, ▪ reduces cost-creating activities by selectively choosing cases with potential for cost recovery, ▪ chooses the less costly action if the probability of obtaining the expected returns is similar, ▪ refrains from costly legal action if the cost is greater than the likely benefits, ▪ for reasons of costs, discontinues enforcement upon request in cases where this is related to the repayment of the debt or to an agreement with the debtor on its repayment and at the same time where the creditor is able to demonstrate this fact to the bailiff, ▪ monitors cases with suspended enforcement proceedings with a view to their adoption within the statutory period, ▪ in cases where this is appropriate, the creditor lodges a complaint against the action of the judicial officer concerning the costs to be borne by the creditor. <p>Preventive measures consist of tracking changes that lead to potential cost increases. Where possible, the Group implements these measures in advance even before these costs increase.</p>	
Risk associated with transactions with related parties	<p>Due to the nature of the Group's operations and structure, Group entities and related parties enter into business transactions referred to as related party transactions. These transactions may be subject to examination by tax authorities, both in Poland and in other countries where the Group operates. For each audit, the key criterion is the analysis of compliance of financial and non-financial parameters with so-called market conditions.</p>	<p>In order to reduce this risk, the Company analyses the marketability of transactions on the basis of applicable law and prepares the transfer pricing documentation required by law. In doing so, it uses tools for professional economic analysis as well as</p>	High

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>Despite the application of internal rules for determining the terms of transactions between related parties, the Group cannot exclude that the applied transfer pricing and the transfer pricing documentation may be questioned by the tax authorities conducting audits in the Group. This may in turn lead to a change in the Group's accrued taxable income base and the need to pay additional tax, together with default interest and possible additional fines.</p>	<p>the services of professional entities.</p>	
	<p>The occurrence of significant differences between the Group and the tax authorities with respect to the determination of tax income on the basis of transactions of significant value for the Group could have a material adverse effect on the Group's operations, financial position and results of operations.</p>		
Risk of negative revaluation of the carrying amount of purchased debt portfolios	<p>The Group acquires debt portfolios for its own account. If the purchased debt portfolios do not generate the expected cash flows over the assumed time horizon, it may be necessary to revalue them downwards. This risk is relatively higher in new markets or portfolios with unusual characteristics where the Group does not yet have sufficient historical data. Risks can also materialise should the economic situation deteriorate. An additional element affecting this risk is the potential change in foreign exchange rates, which may translate into higher or lower PLN inflows from foreign portfolios (currency risk).</p>	<p>The Group analyses current repayments from debt portfolios with reference to forecasts and the current economic situation and changes in the law. Based on its analyses, the Group continuously updates the valuation of its debt portfolios based on the most up-to-date cash flow projections.</p>	High
Risk of introducing legal restrictions on the sale of debts	<p>The Group pursues activity consisting in the acquisition and management of debt portfolios sold by original creditors, in particular such as financial institutions, telecommunications operators and cable television networks. The scope of that activity, including restrictions on its conduct, arises in particular from:</p> <ul style="list-style-type: none"> • legal regulations and legislative changes, • decisions and rulings of public administration authorities, e.g. Polish Financial Supervision Authority, Office for Competition and Consumer Protection, President of the Office of Personal Data Protection, • communications, guidelines, and interpretations of public administration authorities. <p>In order to minimise the negative consequences of changes in the environment of debt collection activities, it is necessary to have effective tools to monitor possible changes and their implementation in the Group.</p>	<p>The Group continuously monitors the scope of legislative changes being drafted and entering into force, with particular emphasis on regulations relating to its main business areas. In addition, it monitors communications (guidelines, decisions, etc.) addressed to market players by public administration authorities on an ongoing basis. If it determines that a change or a communication may affect the Group's operations, it takes appropriate adjustment measures.</p> <p>The Group has separate organisational units:</p> <ul style="list-style-type: none"> • responsible for the debt management area, • Compliance Officer, <p>that monitor the Group's compliance with the law and update internal regulations as necessary.</p>	Medium
Risk of breach of obligations other	<p>If the Group's liquidity deteriorates, it is possible that it will be temporarily or permanently unable to repay previously contracted debt or that it will be in breach</p>	<p>Having regard to the conclusions resulting from on-going internal analyses</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
than those under the bonds issued	<p>of its obligations under the financing agreements. As a result, some or all of the Group's debt may become immediately due and payable, while the collateral assets may be repossessed by financial institutions, which could have a material adverse effect on the Group's business, financial condition and results of operations.</p> <p>Placing external financing on maturity would result in a loss of liquidity for the Group.</p>	<p>and financial data forecasts, the Group minimises the risk of breaching its obligations towards creditors. In order to reduce risk, the Group diversifies its external financing and manages its liquidity in a way that minimises the risk of its liabilities falling due through an event of default in its financing agreements.</p>	
Liquidity risk	<p>Expenditure on debt portfolio purchases is financed both from equity and from debt financing, the sources of which are bond issues and bank loans.</p> <p>If the Group's liquidity deteriorates, it is possible that it will be temporarily or permanently unable to repay previously contracted debt or that it will be in breach of its obligations under the financing agreements. As a result, some or all of the Group's debt may become immediately due and payable, the collateral assets may be repossessed by creditors, which could have a material adverse effect on the Group's business, financial condition and results of operations.</p>	<p>As part of the measures taken to manage liquidity risk, the Group conducts:</p> <ul style="list-style-type: none"> • planning and ongoing monitoring of financial flows, • management of cash flows between Group entities, • recovery of debts on a continuous basis, in accordance with the strategy adopted, • an analysis of the possibilities of using external sources of financing. 	Medium
Risks associated with the level of indebtedness of the Group	<p>The scale of financing operations with foreign capital is at a moderate level. Existing debt levels can affect the level of financial costs, particularly if market interest rates continue to rise. The occurrence of any of the above events may adversely affect the Company's ability to make payments on the bonds and their timely redemption, as well as the value of the bonds.</p> <p>Taking into account the conclusions arising from the ongoing internal analysis of financial data, as at the Approval Date there are no grounds for identifying a threat of loss of liquidity due to the level of the Group's indebtedness, in particular due to liabilities incurred through the issue of bonds, which, however, does not eliminate the risk of a change in this state in the future.</p>	<p>The Group analyses the conclusions resulting from internal analyses of financial data concerning the Group's debt on an ongoing basis. Additionally, the Group hedges interest rate risk with interest rate swaps. Under master agreements with the bank, the Group may enter into additional derivative contracts to hedge interest rate risk in the event of an increase in credit exposure and associated interest rate risk.</p>	Medium
Risk associated with consumer bankruptcy	<p>Consumer bankruptcy as a legal institution entered into force in 2009 and has been successively modified since then, beginning with the first major amendment in 2016. However, the legal provisions in force did not allow natural persons not conducting business activity to fully utilise that debt reduction institution. In view of the above, the Act of 30 August 2019 amending the Act – Bankruptcy Law and Certain Other Acts (<i>Dziennik Ustaw</i> 2020, item 1288), which entered into force as of 24 March 2020, made it much easier for consumers to declare bankruptcy, which in turn lead to a significant increase in the number of bankruptcy proceedings. At present, insolvency of the debtor is the only condition for declaring bankruptcy, which means that practically all applications result in the declaration of bankruptcy. However, the mere declaration of bankruptcy is not tantamount to debt reduction.</p>	<p>In order to reduce risk, the Group has streamlined and structured the processes responsible for the correct, efficient and timely handling of cases in which bankruptcy information has been received.</p> <p>In order to minimise the risk of incurring additional costs of filing a claim, which have to be borne in the case of filing a petition after the statutory deadline, a mechanism for quick search of debtors who declared bankruptcy was applied, allowing for timely access to bankruptcy.</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>According to the available statistical data of the Central Economic Information Centre, approximately 11 thousand consumer bankruptcies were declared in Poland until the end of September 2022, compared to more than 18 thousand in 2021 and 13 thousand in 2020. After a period of substantial growth at the turn of 2020/2021, the number of new bankruptcies stabilised and then started to accelerate at the end of 2022. In September 2022, 1520 people declared consumer bankruptcy, the highest result recorded in that year, similar to the monthly average observed in 2021. This phenomenon is most likely the result of the fact that the Act of 6 December 2018 on the National Debt Register entered into force on 1 December 2021. As of that date, all new bankruptcies are handled electronically via the National Debt Register. The amendment does not affect the bankruptcy proceedings themselves, but the digital exclusion of a portion of debtors and technical defectiveness of the register cannot be ignored, as it most likely contributed to the temporary reduction in the number of declared bankruptcies. High inflation and very high interest rates as well as resolution of bottlenecks in processing applications in the National Debt Register are likely to contribute to a greater number of consumer bankruptcies declared in the future.</p>		
Regulatory risk	<p>The risk of changes in the regulatory environment refers in particular to changes in the legal area applicable to the Group's operations. Changes in the legal regulations concerning the debt collection sector, civil procedure, securitisation funds, functioning of capital and public companies, as well as conducting activities supervised by public administration bodies in the area of securitisation fund management, as well as general rules of conducting business activity, trading in financial instruments and tax regulations, may prove significant from this point of view.</p> <p>The Group has foreign subsidiaries and, in addition to its operations in Poland, it operates in the jurisdictions of Luxembourg, Romania, Bulgaria, Croatia and Russia as well as within the boundaries of the generally applicable laws of the European Union. Therefore, there are risks associated with the possibility of regulatory changes in other jurisdictions as well.</p> <p>Additionally, conducting operations in a volatile regulatory environment in individual legal jurisdictions generates an increased risk of incorrect identification of tax liabilities by the Group.</p> <p>Changes in the legal regulations may be connected with interpretation problems, short <i>vacatio legis</i> period, inconsistent court decisions, legal restrictions related to conducting business activity and unfavourable interpretations adopted by public administration authorities. Any such change in regulations may cause an increase in the Group's operating costs, affect its financial results and cause difficulties in assessing the effects of future events or decisions, and consequently affects the Group's payment capabilities.</p>	<p>The Group, through a dedicated organisational unit, monitors changes in the legal and regulatory environment. Notwithstanding the above, in cases falling within the purview of individual organisational units, each of them is under an obligation to stay up-to-date with changes in legislation, prudential regulations, internal regulations, recommendations and guidelines of supervisory bodies, which have an impact on the activities of the organisational unit managed, and to take necessary adjustment actions. In addition, as a member of the Association of Financial Companies in Poland, the Company takes an active part in issuing opinions on regulatory changes and shaping the debt market in Poland. The Group also cooperates with renowned consulting firms, both locally and internationally.</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
Risk of a material decline in the level of repayments on portfolios acquired	<p>A significant decrease in the level of repayments from acquired portfolios could have a negative impact on the financial and operating position. The Group does not have any individual receivables for which non-payment could materially reduce liquidity of the Group, but such a situation cannot be ruled out in the future. Repayments from bulk processes involve many customers whose repayment is independent. Thus, risks may materialise, but mainly as a result of significant macroeconomic developments. High inflation readings and rising interest rates may result in a decrease in the real domestic budget of customers who settle their liabilities towards the Group, and dynamic changes in tax regulations may have an ambiguous impact on the level of repayments from purchased portfolios.</p>	<p>The Group mitigates the risk of a significant decline in repayments by monitoring daily receipts on an ongoing basis and, in the event of a significant deviation from the expected level of recoveries, by updating its short- and/or long-term servicing strategy, intensifying or adjusting its collection activities on selected debt portfolios. The service strategy and product offer are changed in line with the changing business environment in order to optimise the results obtained.</p>	Medium
Risk of investments in debt portfolios	<p>The development of the debt trading market in Poland results in the increase in the number and diversity of parameters of offered debt portfolios and, consequently, in the data which the Group must analyse before making an investment decision.</p> <p>Valuation of debt portfolios is a complex process of statistical and expert assessment. In view of the fact that each debt portfolio offered for sale is different, and there are differences even at the level of portfolios originating in the same country and from the same original creditor, there is a risk of inappropriate valuation of its value, and thus the inability to recover the amounts spent on the purchase of the portfolio and the operating costs of debt recovery.</p> <p>In addition, one of the main criteria for investment in debt portfolios is the expectation of the distribution of cash flows that the Group will receive from debt recovery. When making an investment, however, the Group cannot be certain that the cash flows from its receivables will be consistent with its original estimates of the amounts and repayment deadlines. The main reasons for the risk of recording lower cash flows include the deterioration of the debtors' financial position for economic reasons, lower than expected efficiency of the debt collection process and incorrect assumptions made by the Group at the investment date.</p> <p>Inappropriate valuation of the acquired debt portfolios may result in overestimation of their value, which may adversely affect the Group's result and thus the value of its equity. In turn, lower than expected or postponed cash flows from the purchased portfolios may negatively affect the ability of the Company to settle its liabilities.</p>	<p>The models used to value debt portfolios are continually adapted and updated to the business conditions in which the Group operates. Not only the current state is taken into account, but also projected future changes in repayments.</p>	Medium
Compliance risk	<p>Due to the scale, scope, and specific nature of our business, which is affected by, among other things, laws, prudential regulations, recommendations of supervisory authorities or standards of conduct applied in the market, there is a risk of inadequate compliance with the above, which may result in</p>	<p>The Group has adopted internal regulations in the area of compliance, such as compliance risk management, conflict of interest management, anti-</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>administrative penalties (including financial penalties) imposed by supervisory authorities, loss of reputation or loss of licence. It should be noted that the activity conducted by the Company is a regulated activity, which means that in order to carry out this activity the Company must obtain a permit from the Financial Supervision Authority and, consequently, is also subject to the supervision of this authority.</p> <p>Failure to comply with or misapplication of supervisory requirements may consequently lead to sanctions by these authorities.</p> <p>As an entity listed on the Stock Exchange, the Company is additionally obliged to comply with the rules and standards set by the WSE as well as legal regulations applicable to public companies.</p>	<p>corruption, protection of professional secrecy, information security, whistleblowing, and ethical principles.</p> <p>In addition, an independent and autonomous organisational unit competent for compliance has been established, which is responsible for coordinating the management process in the aforementioned areas. Base mechanisms ensuring compliance include:</p> <ul style="list-style-type: none"> a) internal regulations and adopted rules of conduct, b) the distribution of tasks and powers assigned to employees holding specific organisational positions within a given process aimed to prevent situations where an employee controls him- or herself or where there is a potential conflict of interest between employees with personal ties, c) training for employees, d) access control – understood as a set of access privileges to a specific area, system, process, data e) physical control – understood as a set of access privileges to a specific area, f) kept registers and lists, g) documenting exceptions as part of the performance of specific actions arising from the rules of procedure, h) any automatic control mechanisms embedded in IT systems, other control mechanisms embedded in processes, internal regulations, aimed at ensuring compliance. 	
Risk of deterioration of the financial condition of debtors	<p>The amount of proceeds from the recovery of receivables from debt portfolios depends on the financial health of the debtors. Deterioration of the economic situation in Poland and on foreign markets may consequently result in a halt in economic growth, an increase in the unemployment rate, a fall in demand, a fall in real income and thus a deterioration of debtors' financial condition and their ability to settle their liabilities. The consequences of the SARS</p>	<p>The Group continuously monitors the situation related to the effects of rising inflation and conducts an analysis regarding the need to take measures to reduce the scale of its impact on the Group's future financial performance.</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>COVID-2 pandemic could significantly affect the financial condition of debtors and the health of the economy as a whole. The restrictions on doing business introduced to combat the epidemic, which affect many sectors, will have a long-term knock-on effect on the income of debtors, both those who run their own businesses and those employed by the affected businesses. In addition, the long-term effects of the epidemic include a fall in GDP and a rise in unemployment, with a consequent impact on the debtors' financial condition.</p> <p>In an environment of high inflation and rising interest rates, the situation of debtors may deteriorate, while dynamic changes in tax legislation may have an ambiguous impact on debtors' ability to pay amounts owed.</p> <p>Any deterioration in the financial condition of debtors, regardless of their type (individuals or businesses), may directly affect the return on investments in debt portfolios, which may have a material adverse effect on the Group's operations, financial position and results of operations.</p>	<p>However, due to the dynamics of the situation related to changes in interest rates, which is linked to external factors beyond the Group's control, the Group is unable to definitively determine the impact of this situation on the permanent deterioration of the financial condition of its debtors.</p> <p>As the Group has no influence on the growth of inflation, its activities are mainly focused on reducing the negative impact of these risks on the results of its activities.</p>	
Risk of being unable to purchase new debt portfolios and new debt collection orders	<p>Due to the activities of competitors, both those already operating on the Group's markets and new players or due to changes in the methods used by debt sellers, in particular changes to the formula for selling debt portfolios or acquiring debt servicing entities, the Group may face limitations on acquisition of new debt portfolios attractive to the Group and new orders for management of debt portfolios or outsourcing debt collection.</p> <p>The acquisition of further debt portfolios may also be constrained by the Group's restrictions on access to capital and the development by the original creditors of their own specialised debt collection and restructuring departments. These factors could have a material adverse effect on the Group's operations and its revenue outlook.</p>	<p>In order to reduce this risk, the Group continuously monitors the market for debt purchases and the market for debt collection services, both in terms of the activities of competitors and the formula for selling debt portfolios or attracting entities to cooperate.</p>	Medium
Risk of increase in debt portfolio prices	<p>In the short-term, there may be a further increase in transaction prices – at present, there is a noticeable increase in prices for certain portfolio sale transactions on the market. The growing interest in investments into debt portfolio and persisting low supply of portfolios may result in further rise in the price of portfolios. In the short-term, the price increase may translate into increased negative cash flows for the Group, while in the medium- and long-term it may translate into lower profitability of the debt collection business, due to, among other things, higher portfolio amortisation values. This may have an adverse effect on the Group's operations and its revenue outlook.</p>	<p>The Group continuously monitors the debt purchase market and the level of transaction prices of debt portfolios available on the market.</p>	Medium
Risk of increasing the size of debt portfolios offered for sale	<p>The situation on the market may result in significant growth in the volume and value of debt portfolios put up for sale in the near future. There is a risk that with significant growth, the Group may find it difficult or impossible to independently participate in tenders for the purchase of the largest and most attractive debt</p>	<p>In order to reduce this risk, the Group takes steps to attract potential investors for the purchase of debt portfolios with high volumes.</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>portfolios. As a consequence, the Group may be forced to form consortia in order to participate in some, especially the most attractive, tenders or to focus on purchasing smaller portfolios whose price attractiveness is significantly lower due to significantly higher competition. This may have a material adverse effect on the Group's business, financial condition and results of operations.</p>		
Risk of further increase in statutory interest	<p>As of September 2022, the interest rate for late payments amounts to 12.25% per annum. In recent years, statutory interest rates have first decreased to 3.6% in May 2021 (as a result of interest rates being gradually lowered). Rising inflation in 2021 has forced appropriate action to be taken and in the period since October 2021 the Monetary Policy Council has already raised interest rates eleven times, with the most recent increase taking place on 7 September 2022. In the last months of 2022, the Monetary Policy Council did not raise interest rates – reference rate is 6.75% and for a third month in a row remains unchanged. According to analysts, this may mean that the cycle of raises has ended.</p> <p>The statutory interest rate has a direct impact on the Group's interest income on past due receivables, but at the same time it increases the cost of financing and adversely affects the financial condition of debtors. Having regard to the current interest rate, it is unlikely that they will increase in the near future. Pressure to lower interest rates seems more likely. However, until inflation starts to fall sharply, the Monetary Policy Council is unlikely to lower interest rates.</p>	<p>The Group manages this risk by analysing the macroeconomic situation and the announced changes in interest rates but does not have an impact on the decisions of the Monetary Policy Council.</p>	Medium
Risk of negative image	<p>The recovery of debt conducted by the Group often concerns individuals and legal entities in a debt spiral. Some individuals against whom debts are pursued or individuals from their environment may resort to the intervention of media interested in catchy topics and decide to create the so-called black PR against the Group or the debt collection industry. These actions may be based on facts as well as on slander and false information, including that constituting unfair competition. If such cases gain publicity in the media, each of them may have a direct or indirect impact on the credibility of the Group in the eyes of investors, entities providing financing, sellers of debt portfolios and other trading partners. This may contribute to a reduction in the valuation of financial instruments issued by the Company or a reduction in the availability of external financing and a reduction in the number of debt portfolio purchase transactions entered into by the Group.</p>	<p>The Company monitors the media for information in the context of the Company and the Capital Group, together with a direct response to published information.</p> <p>As part of the Association of Financial Enterprises, the Company participates in a PR initiative called "Debt collection - a clear case". It has an educational purpose, familiarising both the media and their audiences with how debt management companies operate and the legal basis on which they operate. The Group conducts educational campaigns in social media (educational posts and Kredyt Inkaso Academy cycle) and on the website. The Group also prepares materials to improve the financial knowledge of consumers (guides) and provide information about the role and operations of businesses from the debt management industry.</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
Risk associated with the macroeconomic situation and the socio-economic situation in Poland	<p>The activity and level of financial results generated by the Group, as well as the pace of implementation of strategic plans, depend on the macroeconomic situation in the market. The Group's operations are influenced by factors such as the level and trends of GDP, inflation, government fiscal and monetary policies, availability of financial resources, the growth of real incomes of the population, unemployment levels, changes in the economic situation at national, regional and global levels, changes in the political situation at central and local government levels, as well as the economic situation, of household enterprises. Possible adverse trends in macroeconomic, social and political factors could adversely affect the Group's results, financial position and outlook.</p>	<p>The Group continuously analyses the macroeconomic situation and changes in the banking and financial sector, although it has no direct influence on them. The level of debt repayments and the level of costs associated with debt management are monitored. The Group adapts its operating model to the changing external environment by creating financial forecasts over the short, medium and long term.</p>	Medium
Risk associated with the fluctuation of foreign exchange rates	<p>The Group operates in foreign markets and is therefore exposed to currency risk, mainly from investments in debt portfolios and the servicing of receivables purchased outside Poland. Exchange rate fluctuations affect the financial result through:</p> <ol style="list-style-type: none"> 1) changes in the value of revenues from foreign markets expressed in Polish zloty and costs expressed in Polish zloty in the part related to operating activities in foreign markets; 2) changes in the value of foreign debt portfolios (purchase price and valuation), the value of which expressed in PLN is dependent on exchange rates; 3) unrealised exchange differences on the valuation of settlements as at the balance sheet date. <p>The Group is exposed to foreign currency risk arising from short-term receivables and payables, cash and cash equivalents, capital expenditures and investments (net asset value) in the Group's foreign subsidiaries.</p> <p>The volatility of exchange rates, caused in particular by the deterioration of macroeconomic indicators and the increase in political risks of the countries in which the Group operates, could have a material adverse effect on the Group's operations and financial position.</p>	<p>Much of the Group's activity takes place on the Polish market, however, due to its foreign operations, the Group continuously measures currency risk and open currency positions. Based on framework agreements with the bank, the Group may enter into additional derivative contracts to hedge its currency risk.</p>	Medium
Risk of failure to achieve the Group's strategic assumptions	<p>Delay, partial or complete lack of possibility to implement the Group's strategic assumptions, e.g. due to changes in the market situation, macroeconomic or regulatory environment, mistakes of persons responsible for implementation of the Group's strategy, may significantly affect operating activities of the Company and the Group, and indirectly their financial results. This, in turn, may translate into a slowdown in the acquisition of further debt portfolios due to a weaker capital base, both in terms of equity and third-party capital.</p> <p>Delays in achieving strategic objectives or the occurrence of any of the above circumstances could have a material adverse effect on the Group's business, financial condition or performance.</p>	<p>The Group conducts ongoing monitoring of its operational and financial performance and the progress of its strategy. The Group implemented numerous control measures to ensure numerical and regular analysis of the correctness of the strategic activities carried out. In addition, the Group prevents the risk of misdefining its strategic objectives, in annual cycles, before preparing the budget for subsequent years, by carrying out an analysis of the strategy including verification of the opportunities and</p>	Medium

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
Risk of corporate disputes with a shareholder	<p>BEST S.A. of Gdynia holds 33.09% of the total number of votes at the General Meeting. BEST S.A. conducts business activity competitive to Kredyt Inkaso S.A. Given the competitive nature of the Shareholder's business and the existing disputes between the Shareholder and the Company, there is a likelihood that the Shareholder will take actions that impede the development of the Company or that will be detrimental to its reputation.</p> <p>The on-going dispute has a multi-faceted dimension, and BEST S.A., having corporate rights as a shareholder, effectively uses various legal means to escalate the conflict.</p>	<p>threats arising from the macroeconomic environment.</p> <p>The Company employs qualified lawyers and cooperates with reputable law firms in order to minimise the effects of potential Shareholder actions taken to hinder the Company's development or detrimental to its reputation.</p>	Medium
Risk of exceeding investment limits by own closed-end investment funds	<p>In connection with the Group's holding of closed-end investment funds (closed-end non-standardised securitisation investment funds), there is a risk of exceeding the investment limits set by applicable legislation or the funds' articles of association, for individual funds or subfunds. This risk may also materialise in overexposure to one market sector, type of debt or other assets, which may result in adverse financial consequences if the value of the assets held by the fund or subfund decreases, also as a result of changes in the debt market. The risk of exceeding investment limits may be updated as a result of an investment decision by the company managing a given closed-end investment fund, a decision by the managing entity or a passive change in the value of assets.</p>	<p>The Company, as manager of the debt portfolios of closed-end non-standardised securitisation investment funds, in cooperation with investment fund management companies, monitors on an ongoing basis the limits assigned to individual investment funds and prepares and applies procedures, strategies, operational guidelines and plans aimed at reducing the above risks.</p>	Medium
Risk related to military hostilities of the Russian Federation in the territory of Ukraine	<p>The military hostilities of the Russian Federation in the territory of Ukraine may result in further rapid legislative and factual changes to introduce restrictions in the pursuit of economic activity, including the effective exercise of corporate control over the Russian member of the Group, in which a majority interest is held by an entity based in Luxembourg, i.e. Kredyt Inkaso Portfolio Investments (Luxembourg) S.A.</p> <p>It is possible that there may be negative media comments that the Group continues to operate in Russia. The longer it takes to terminate this activity, the more the risk of possible negative PR will grow.</p> <p>In accordance with the provisions of the Act on Counteracting Money Laundering and Terrorism Financing, the Group must apply enhanced financial security measures if the customer's transaction involves high-risk countries. This means:</p> <p>a) withhold – for up to 5 business days at most – incoming and outgoing transfers,</p> <p>b) requesting:</p> <p>additional information and documents related to transactions (e.g. invoices) and information on the sources of origin of the property and assets of the client and all of its beneficial owners.</p>	<p>The Group monitors legislative and regulatory changes on an ongoing basis, with particular focus on any restrictions in the pursuit of economic activity by foreign-owned entities and assesses their impact on the ongoing operations of the entity and the Group.</p> <p>The Group has implemented internal regulation to counteract money laundering and terrorism financing. It also actively takes into account changes made to sanctions lists, including Polish, EU, UN, OFAC sanctions lists, in its current business decisions and activities.</p>	Medium

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	<p>If this information and documents are not received within the specified time frame, it will not be possible to execute the withheld transaction; and as a last resort, relations with the client may be terminated.</p> <p>In addition, at the end of April of this year, the first Polish sanctions list was created, which initially included over 50 people and economic entities. The Polish sanctions list is a supplement to the EU sanctions list and includes oligarchs and Russian entities with real interests in Poland.</p> <p>Notwithstanding the risks associated with the operation of a subsidiary in the territory of the Russian Federation, prolonged warfare just beyond Poland's border has a direct negative impact on social sentiments, further increase in inflation, and persisting high interest rates. All these factors may have a negative impact on the ability of debtors to generate financial surpluses and their willingness to pay their debts. In particular, this will apply to voluntary payments.</p>	<p>As regards technology, the Group implemented a technological separation of the Russian company outside the Group's infrastructure. An active response to the situation in Russia safeguards the Group in the event of unexpected actions taken by Russia (e.g. acquisition of the Russian company forced by legislative changes, hacker attacks).</p> <p>Trends related to the level of repayments are analysed depending on the source of these payments, however the Group does not have an impact on the development of economic situation and resulting economic consequences. Actions are being taken to encourage debtors to repay debts with partial debt cancellation and by breaking debt down into instalments, bringing forward the argument that this will result in the reduction of high interest expenses.</p>	
Risk of changes in legal regulations concerning debt recovery	<p>A threat to the Group's operations is the instability of the legal system in Poland. Frequently changing regulations and their interpretation significantly hamper business operations and significantly reduce the predictability of financial results. Another risk for the Group are changes in regulations in many areas of law, in particular changes in legal acts relating directly or indirectly to the Company's activities. As a result of unfavourable legislative changes, the risk of increased costs or workload, prolonged litigation or reduced legal recovery may materialise. A change in these laws or in their application or interpretation could have an adverse effect on the Group's business, financial condition and results of operations.</p>	<p>As the Group's impact on the legislative change process is negligible, preparing the organisation for the announced changes seems to be the most appropriate way to mitigate this risk. Monitoring potential changes in legislation becomes crucial in this respect. The Company is a member of the Association of Financial Enterprises and actively participates in the work related to monitoring and providing opinions on legislative changes concerning the financial industry. In particular, the Company continuously monitors and participates in the process of issuing opinions on the draft <i>Act on Debt Collection Activities and the Profession of Debt Collector</i>, while preparing for the implementation of changes in operational processes resulting from the draft provisions of that Act. The Company has introduced a mechanism for selecting</p>	<p>Medium</p>

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
Risk associated with changes in interest rates	<p>One of the most important factors influencing the situation of households and enterprises, including, inter alia, their ability to meet their obligations, is the level of interest rates. An increase in interest rates most often translates into an increase in the cost of financing, which in turn may translate into an increase in the ability of individual debtors to service their debt. A reduction or loss of this capacity could translate negatively into the Group's financial performance.</p> <p>In order to finance its operations and development plans, the Group uses debt capital in the form of bank loans and bonds. In the loan agreements entered into and the terms and conditions of the bond issue, the interest rate on the financing provided is usually set at a variable interest rate plus a margin. Therefore, there is a risk that an increase in interest rates will translate into an increase in the Group's financial costs associated with the repayment of its liabilities, which may consequently translate into a deterioration in its financial performance.</p> <p>Changes in interest rates also have an impact on the fair value of debt portfolios purchased by the Group, which is estimated using a discount rate. However, it should be noted that the change in market interest rates does not directly affect the value of the portfolios accounted for in the Group's balance sheet at amortised cost.</p> <p>Unfavourable changes in interest rates may have a material adverse effect on the Group's business, financial condition and results of operations.</p>	<p>cases referred to court and enforcement proceedings on the basis of predictive models, eliminating cases with a low potential for obtaining a title and enforcing the debt by way of compulsory bailiff enforcement. For cases with less potential, less costly forms of recovery are used, bypassing the legal stage.</p> <p>The Group controls financial ratios under loan agreements and terms of bond issue, and measures interest rate risk. The Group hedges interest rate risk with interest rate swaps. In addition, based on framework agreements with the bank, the Group may enter into additional derivative contracts to hedge its interest rate risk.</p>	Medium
Risk associated with the security of processing and protection of personal data	<p>Due to the nature of its business, the Group processes personal data on a large scale and manages personal data sets of significant size.</p> <p>Personal data are processed in accordance with the regulations on personal data protection in force in Poland and in the European Union, as well as in individual countries where the Group's entities operate.</p> <p>However, it cannot be ruled out that, despite the technical and organisational measures in place to ensure the protection of personal data processed, a breach of legal obligations in this regard will occur, in particular an incidental disclosure of personal data to unauthorised persons. In the event of a breach of the legal provisions relating to the protection of personal data, in particular the unlawful disclosure of personal data, the Group may be exposed to criminal or administrative sanctions, including in particular those</p>	<p>In order to reduce the likelihood of the risk materialising, the Group, acting both as Controller and Processor (within the meaning of the General Data Protection Regulation), has implemented a number of technical and organisational measures. They serve to protect data, including personal data, regardless of their form, against loss, damage, destruction or the unwanted leakage outside the Group, as well as the use or processing to the extent not permitted by law. All activities are based on the following principles:</p>	Low

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
	<p>provided for by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC ("GDPR").</p> <p>Unlawful disclosure of personal data may also result in the Group being exposed to liability for infringement of personal rights or liability for damages under the GDPR, as well as adversely affect the image of the Group or any of its entities, which could have a material adverse effect on the Group's business. Such situations may occur despite the Group's use of technical and organisational measures ensuring the protection of personal data being processed.</p>	<ul style="list-style-type: none"> • compliance of data processing activities with the law and the agreements concluded, • fulfilment of the legal obligations to provide information to those whose data is collected and processed, • continuous and comprehensive training of employees in data protection and data processing methods, • prevention of unauthorised direct access to data, data files or data processing systems, • prevention of unauthorised electronic access to or acquisition of control over an IT system or its functions. 	
Risk associated with the requirement to obtain a majority of more than 60% of the votes cast or more for the adoption of resolutions of the General Meeting of Shareholders	<p>Pursuant to the Articles of Association of the Company, a majority of more than 60% of the votes cast is required for the adoption of a resolution by the General Meeting, unless the Commercial Companies Code or the Articles of Association provide for more far-reaching requirements (qualified majority vote). In a dispersed shareholding environment, this solution raises the risk that in the event of a divergent position between shareholders the General Meeting may not be able to adopt resolutions due to the impossibility of obtaining a majority of more than 60% of votes cast in favour of a given resolution. Such provisions of the Articles of Association of the Company and the provisions of the Commercial Companies Code may, if Waterland's shareholding in the Company is reduced in a manner that does not ensure a majority of 60% of the votes represented at a given General Meeting or in respect of matters requiring a greater majority of votes under the Commercial Companies Code or the Articles of Association, hinder the adoption of resolutions and, in extreme circumstances, paralyse the work of the General Meeting, which could have a material adverse effect on the Company's corporate credibility and, indirectly, the Group's business.</p>	<p>It is in the interest of the majority shareholder to hold such a number of shares as to be able to pass resolutions at the General Meeting which do not require a qualified majority of votes on its own. However, the adoption of resolutions requiring a qualified majority is not necessary for the continuation of current operations at this time.</p>	Low
Risk associated with copyrights to software used by the Group	<p>In the course of its business, the Group uses, among other things, software for which it has obtained licences or economic copyrights from third parties, as well as subcontracts programming services for the creation or development of software to external providers of such services. The legal basis for the Group's use of such software is the relevant licence agreements or agreements transferring copyrights. The Company cannot assure that third parties will not bring claims against Group companies alleging infringement of their intellectual property rights, or that the protection of the rights to use such software will be carried out effectively by the Group. It cannot be guaranteed that in every case the Group will be</p>	<p>The Company has implemented an internal regulation dedicated to the management of intellectual property, including licences, which describes, among other things:</p> <ul style="list-style-type: none"> ▪ the rules for acquiring intellectual property rights depending on the source of acquisition (e.g. under employment 	Low

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	<p>able to extend the licence period, and thus continue to use the software in question, beyond the end of the originally envisaged licence period. In addition, in the course of internal work on our own IT solutions carried out with the participation of persons cooperating with the Group companies under civil law contracts, it cannot be excluded that doubts may arise as to whether the Group companies have effectively acquired, or have acquired to the appropriate extent, the copyrights to the IT solutions created by such persons. The Group may therefore be exposed to the risk of third parties making claims regarding the software used by the Group, which, if found to be valid, could have a material adverse effect on the Group's business, results, condition, or perspectives.</p>	<p>contracts, civil law contracts),</p> <ul style="list-style-type: none"> ▪ the conditions for concluding contracts for the acquisition of intellectual property rights (e.g. subject matter of the licence, fields of exploitation, time of transfer of rights, indemnity against third party claims, contractual penalties), ▪ the rules for documenting and updating intellectual property rights, ▪ the rules of procedure in the case of infringements of intellectual property rights. <p>The Company has additionally created in its organisational structure separate units dedicated to legal services, ensuring compliance and internal audit to ensure compliance with the aforementioned regulations as well as a special purpose vehicle conducting strictly IT activities.</p>	
Risk associated with violation of collective consumer interests	<p>The Group's activity in Poland is controlled by, among others, the President of the Office of Competition and Consumer Protection. There is a risk of interpretation that the Group's activities in certain areas may violate the collective interest of consumers. If the President of the Office of Competition and Consumer Protection finds that the collective interest of consumers has been violated, this may result in administrative sanctions, including financial penalties, being imposed on the Group. Notwithstanding the above, there is a possible risk of class actions when consumer groups assert their rights. Similar risks apply to the Group's activities in other countries in which it operates. The materialisation of these risks may have a material effect on the Group's business, financial condition and results of operations.</p> <p>The Group's activities are essentially based on the process of collecting debts owed by individual debtors, i.e. consumers, on a mass scale. Potential financial consequences may arise from loss of reputation, increased complaints and claims, increased supervisory scrutiny activity and financial penalties.</p>	<p>As part of the compliance process carried out by the Group, regardless of the actions taken by the Compliance unit, laws, regulations, recommendations and expectations of supervisory authorities (in particular the President of the OCCP) are reviewed on an ongoing basis. Once areas for change are identified, improvements are implemented. The entire process is supported by a Compliance Officer who continuously analyses changes in the legal and regulatory environment and informs the relevant organisational units of these changes. The Compliance Officer then performs periodic independent verification of the status of the changes made.</p>	Low
Risk of discontinuation of services for	<p>Part of the Group's revenue comes from the provision of portfolio management services to external securitisation funds. A temporary or permanent</p>	<p>In order to reduce this risk, the Company provides services to securitisation</p>	Low

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
external securitisation funds	<p>reduction in the scale of cooperation or discontinuation of cooperation with the entities for which the Group manages debt portfolios, as well as the Group's inability to attract new entities to cooperate in this area, may adversely affect the Group's revenue, which could have an adverse effect on the Group's business, financial condition and results of operations. The risk is specific to the Group, which manages debt portfolios as part of its activities, and real, as the termination of cooperation with certain investment fund companies in the management of debt portfolios of securitisation funds has already taken place, although this does not significantly affect the financial position of the Company and the Group.</p>	<p>funds and monitors the market with a view to establishing cooperation with new securitisation funds.</p>	
Risk associated with the influence of the majority shareholder on the Company	<p>As at the Approval Date, WPEF VI Holding 5 B.V., with its registered office in Bussum, the Netherlands, which belongs to the Waterland Private Equity Investments B.V. Group ("Waterland"), holds 7,929,983 shares in the Issuer, representing 61.49% of the Issuer's share capital and 61.49% of the total number of votes at the General Meeting. This limits the ability of minority shareholders to influence the Company and the Group, particularly as Waterland exercises voting rights on the majority of shares at the General Meeting. Therefore, Waterland has a decisive influence, through its participation in the General Meeting, on the adoption of resolutions on the payment of dividends or the appointment and removal of members of the Supervisory Board, which is authorised to appoint and dismiss members of the Management Board of the Company. A dominant shareholding position allows Waterland to exercise effective control over the Company's and the Group's operations, including, as a result of its shareholding, exercising significant influence over such important matters as management decisions and the implementation of investment policies and business strategies.</p> <p>The interests of the majority shareholder and the Company are coinciding and consist in maximising profits, while the possible influence of the majority shareholder on the Group's activities is regulated by mandatory legislation.</p>	<p>It is in the interest of the majority shareholder to maintain a block of the Company's shares that allows them to control the Company and independently adopt resolution at the General Meeting to the extent required to pursue current activity in line with the interest of the Company.</p>	Low
Risk of privileging bondholders of securitisation funds in which the Group invests	<p>Given the business model adopted by the Group, funds raised through bond issues may be used to acquire investment certificates of securitisation funds acquiring debt portfolios. In addition to the issue of investment certificates, which are subscribed for, among others, by the Group, these funds may also raise funds by issuing bonds and taking out bank loans, up to the amounts specified in the Act on Funds. Receivables of bondholders for taking up bonds of the funds may be privileged over receivables for investment certificates held by the Group, which in the case of liquidity problems or permanent problems with payment of liabilities by securitisation funds creates the risk of inability to recover funds invested by the Group in investment certificates, which could have a material adverse effect on the Group's business, financial condition and results of operations.</p>	<p>The Group, being aware of the risk of preference of bondholders of bonds issued by securitisation funds, as an investor recommends raising funds from other sources to avoid the risk. The funds whose investment certificates are held by the Group are not bond issuers as at the Approval Date.</p>	Low

Risk	Description of risks and the Company's and Group's exposure to risks	Risk management	Risk level
Risk associated with the development of technologies	<p>There is a risk that new solutions will appear on the market which will make the services offered by the Group unattractive and will not provide the Group with the revenues expected at the stage of their creation and development. In addition, there is a risk that new technological solutions, which the Group is currently or will be working to create or develop in the future, will not achieve the expected parameters, which would have a negative impact on the recovery of the expenditure incurred.</p> <p>Failure to develop and invest in modern IT solutions may result in reduced efficiency of service delivery, which may in turn translate into operational efficiency.</p>	<p>The Group analyses emerging market trends in the development of information technologies and products and possible ways of using them - especially in the FinTech area. In addition, it establishes and maintains commercial relations with technology partners in order to test and implement modern technologies and ensures that the high technological level of its own solutions is maintained. As part of the adopted IT strategy, the Company established a team responsible for the analysis, verification and implementation of innovative solutions.</p>	Low
Risk of not obtaining financing for the acquisition of new debt portfolios	<p>The Group's main activity is the acquisition of debt portfolios for its own account, which requires the commitment of significant financial resources, in part by obtaining external financing in the form of bank loans and bond issues.</p> <p>It cannot be ruled out that due to the possibility that the perception and assessment of the Group's financial credibility may deteriorate in the future or due to a deterioration in external conditions, such as the perception of debt instruments, regulatory changes, changes in market interest rates, there may be a reduction in the availability of external financing, which may reduce the Group's potential to acquire new debt portfolios and consequently translate negatively into the Group's financial results and the Company's ability to make payments on the bonds, including their timely redemption.</p>	<p>The risk mitigating factor is the Company's long history of active participation in the bond issue market. With regard to the series of bonds issued by the Company and traded on the stock exchange, the Company holds quarterly meetings with investors during which it presents its current results and business development prospects.</p>	Low
President of the Management Board Barbara Rudziks	Vice-President of the Management Board Maciej Szymański	Vice-President of the Management Board Iwona Słomska	Members of the Management Board Mateusz Boguta