Kredyt Inkaso S.A. Capital Group

Management Report of the Group and Company for nine months ended **31.12.2023**

Warsaw, 28.02.2024.

1. MILESTONES AND FAILURES OF CAPITAL GROUP SUBSIDIARIES AND KEY EVENTS FOR THE CAPITAL GROUP

In the nine months ended 31 December 2023, the Kredyt Inkaso Group committed record-level investments in new debt portfolios: the cost of acquiring the debt portfolios was PLN 185.2 million, compared to PLN 76.2 million in the comparative period of FY 2022/23 (and PLN 119.9 million in full FY 2022/23). As planned, the Group made purchases in all strategic markets, mainly in Poland (80% of acquisitions) and Romania (19% of acquisitions).

During the three quarters of FY 2023/24, the Group reported debt portfolio recoveries of PLN 257.8 million, an increase by PLN 23.6 million (+10% year-on-year) compared to the same period last year. The payments recovered during the nine months of FY 2023/24 included PLN 167.8 million on portfolios that had been acquired prior to April 2020. The repayments exceeded the expected level by PLN 61.5 million for that period. Upon a review of debt recovery forecasts, during the three quarters of FY 2023/24 the Group recognised PLN 19 million in revenue, with over 90% related to repayments expected until September 2024. (the ratio of revenue from the reviewed forecast covering the last 12 months to the average book value of the debt portfolios over this period was 3%). Interest income was higher than in the corresponding period of the previous year (PLN 113.3 million vs PLN 88.6 million) and the Group's total net revenue was PLN 195.1 million in the current period compared to PLN 153.7 million in the comparative period (+27% year-on-year).

Operating expenses in the nine months ended 31 December 2023 were PLN 124.6 million which marked an increase of PLN 13.2 million (+12% year-on-year) from the same period of the previous financial year. Most of this increase came from payroll (PLN 5.3 million, +13% y/y), third-party services (PLN 4.6 million, +14% y/y), and court / enforcement fees and charges (PLN 1.5 million, +5% y/y). The increase in salaries costs is due, primarily, to inflationary pressures and the finalised process of Group's preparation for a significant increase in the scale of its operations (understood as the value and number of debt portfolios handled). The increase in third-party costs is mainly due to higher consultancy expenses, including related to the review of strategic options (in Q3 2023/24 alone, costs related to one-off projects amounted to approximately PLN 2.5 million). The increase in the court and enforcement fees and charges expected in future quarters will translate into recoveries in the enforcement recovery channel. The Group monitors the level of operating expenses on an ongoing basis, particularly in the context of the ratio of key cost items (such as salaries or court and enforcement fees) to the payments generated by the Group - these ratios are maintained at the level of the best market benchmarks in the debt management sector.

In the three quarters of FY 2023/24, the Group recorded an increase in financing costs by PLN 10.4 million (+34% year-on-year) from PLN 30.5 million in the three quarters of the previous financial year to PLN 41.0 million currently, which was mainly due to higher financing costs derived from the Group's growing balance of financial liabilities and higher WIBOR reference rates (an increase of PLN 6.6 million in interest expenses related to financial liabilities compared to the same period last year). The Group's results were also negatively impacted by fluctuations in foreign exchange rates, most notably RON/PLN (PLN 5.8 million in foreign exchange losses recognized as "financial expense" in the nine months of FY 2023/24 compared to PLN 0.2 million in foreign exchange gains recognized in the same period last year; in the third quarter of FY 2023/24 alone, these costs amounted to PLN 4.6 million compared to PLN 1.7 million in the third quarter of 2022/23).

The circumstances described above had an impact on the Group's gross profit of PLN 32.3 million (+62% y/y) and net profit of PLN 29.5 million (+85% y/y) in the six-month period ended 31 December 2023, compared to gross profit of PLN 19.9 million and net profit of PLN 15.9 million, respectively, in the same period last year.

The Group's operating profit in the nine months ended 31 December 2023 was PLN 70.5 million (+67% y/y), compared to PLN 42.3 million in the same period last year. As for segments, Poland accounts for 57% of operating profit, Romania for 21% and Bulgaria for 17% (in the comparative period it was respectively: 61%, 14%, 9%). In Poland, net revenue increased year-on-year by +24% from PLN 104.7 million to PLN 130.2 million, in Romania by +71% from PLN 19.9 million to PLN 33.9 million, and in Bulgaria by +81% from PLN 10.6 million to PLN 19.3 million. Operating expenses in those countries grew at a much slower rate: Poland recorded a 14% year-on-year increase in operating expenses from PLN 79.0 million to PLN 90.0 million, Romania's operating expenses rose 41% from PLN 13.8 million to PLN 19.5 million in the period under review, while Bulgaria showed an increase in operating expenses of only 3% from PLN 6.8 million to PLN 7.0 million.

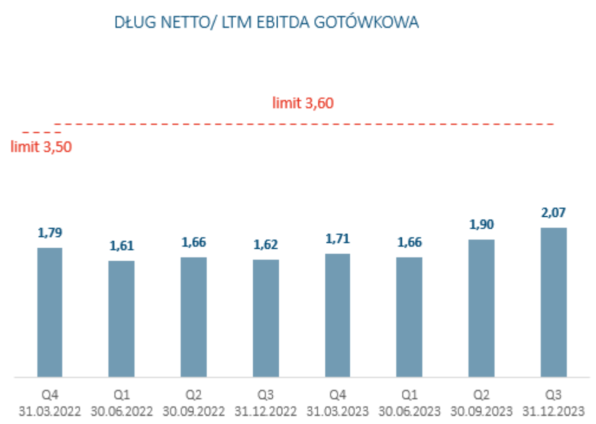
	01/04/2023-31/12/2023	01/04/2022-31/12/2023	Change	Change in %
Profit (loss) on operating activities	**70,521**	**42,278**	**28,243**	**66.8%**
Interest income on debt portfolios calculated using the effective interest rate method (-)	(113,275)	(88,642)	(24,633)	27.8%
Portfolio revaluation (-)	(78,236)	(63,452)	(14,784)	23.3%
Depreciation (+)	6,457	5,635	822	14.6%

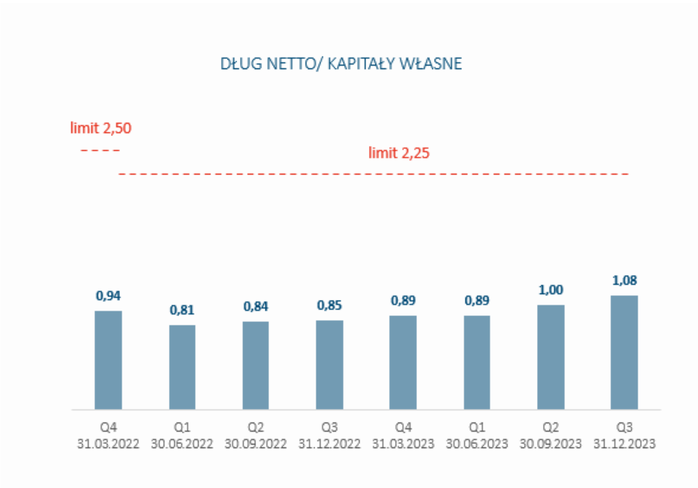
	01/04/2023-31/12/2023	01/04/2022-31/12/2023	Change	Change in %
Debtors' payments (+)	257,751	234,153	23,598	10.1%
Cash EBITDA	**143,218**	**129,972**	**13,246**	**10.2%**

The Parent of the Capital Group - Kredyt Inkaso S.A. - increased its net revenues by PLN 11.3 million (+19% y-o-y) during the reporting period, thanks to growth in debt management revenue. The cost base rose by PLN 8.7 million (+15% y-o-y) to PLN 68.9 million. Salaries and employee benefits (up PLN 4.9 million, +20% y/y) were mainly responsible for the increase in costs. Depreciation and other operating expenses remained at similar levels. Finally, the net result decreased by PLN 2.8 million compared to the same period last year and amounted to PLN -0.8 million in the current reporting period.

During the nine months ended 31 December 2023, the Group successfully completed four issues of bonds (with the fifth issue occurring after the balance sheet date), among others based on a prospectus approved by the Polish Financial Supervision Authority (KNF) up to PLN 100 million, effective until 16 February 2024. The Group's net financial debt, which is defined as liabilities under borrowings and other sources of finance as well as lease liabilities, less cash, was PLN 376.2 at the end of the current reporting period.

Despite increasing debt, the ratio of consolidated net financial debt to equity and the ratio of consolidated net financial debt to cash EBITDA (based on which bond covenants are set) remain at safe levels.





2. MANAGEMENT BOARD'S POSITION ON POTENTIAL REALIZATIOPN OF PUBLISHED RESULT FORECASTS FOR THE CURRENT FINANCIAL YEAR

Both the Kredyt Inkaso S.A. Capital Group and the parent company did not publish forecasts of financial results.

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

3.1. Judicial and enforcement proceedings

The Group's business model involves the purchase of debt portfolios resulting from the sale of universal services (usually from several thousand to even tens of thousands of debt claims in a portfolio) and to pursue their payment through the courts. The Group's activities include mass litigation and enforcement proceedings conducted by enforcement officers. However, due to the relatively low debt balances, there is no risk of concentration (of one or more bad debts, i.e., with characteristics significantly worse than calculated).

As at the Approval Date, the following legal proceedings to which the Group is a party are pending, arising from:

- a lawsuit of BEST S.A. dated 9 January 2019 for payment jointly and severally by the Company, Paweł Szewczyk, Jan Paweł Lisicki and Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. of the amount of PLN 51,847,764, but with respect to Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. the claimant limits the demand to PLN 2,260,000 and the costs of court proceedings including attorney costs according to the statutory standards. This action arises from the alleged damage caused to BEST S.A. by the defendants, as a result of the purchase of the Company's shares at an inflated price, determined on the basis of the Company's financial statements for the 2014/2015 financial year, which were adjusted in subsequent financial years. Kredyt Inkaso S.A. recognizes BEST S.A.'s claim as unfounded (Current Report 8/2019);
- a lawsuit by John Harvey van Kannel dated 28 December 2020, against the Company for (i) establishing the existence of a resolution to dismiss Maciej Jerzy Szymanski from the Company's Board, and (ii) annulling Resolution no. 38/2020 of the Company's Annual General Meeting of Shareholders, dated 27 November 2020, on the appointment of Daniel Dabrowski to the Company's Supervisory Board for a new term. John Harvey van Kannel's request for injunction in the present case was finally refused, and the Company announced it in Current Report 11/2021. The Company considers the demands contained in the lawsuit to be completely unfounded and opposes them, actively participating in the court proceedings (Current Report 26/2021). BEST Capital FIZAN is acting in this case as a side intervener on the side of John Harvey van Kannel;
- a second lawsuit by John Harvey van Kannel dated 22 June 2021, against the Company for annulling Resolution no. 12/2021 of the Company's Extraordinary General Meeting of Shareholders, dated 24 May 2021, on the appointment of Daniel Dąbrowski to the Company's Supervisory Board. The Company considers the demands contained in the lawsuit to be completely unfounded and opposes them, actively participating in the court proceedings (Current Report 31/2021). The case was concluded with a favourable verdict for the Company from the Court of Appeals passed on 4 April 2023, dismissing John Harvey van Kannel's appeal in its entirety (Current Report 8/2023). On 1 August 2023, the Company's attorney was served a notice that the last resort appeal had been filed with the supreme court by one of the claimants (BEST Capital FIZAN). The Company considers the claim under the last resort appeal to be completely unfounded (Current Report 32/2023).
- a lawsuit of 18 August 2016 against joint and several defendants: BEST S.A. and Krzysztof Borusowski, and seeking claims of PLN 60,734,500 in favour of the Company. The amount demanded arises from the Company's claim against the Respondents for compensation for damage caused to the Company as a result of the Respondents' dissemination of false and slanderous information: regarding the Company's Board at the time, alleged irregularities in the Company, alleged falsification of financial statements and lack of authority of the Company's Board to act on behalf of the Company, which, according to the Company, was the direct reason for the termination of the agreements concluded with the Company to manage debt portfolios and legal services agreements 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, and AGIO Wierzytelności Plus 2 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty. The amount of the claim is the sum of the actual losses incurred by the Company and its estimated lost benefits in future years, as the Company announced in Current Report 57/2016 dated 10 August 2016, and additionally estimated lost benefits, due to, among other things, the termination of management agreements by Lumen Profit 14 NS FIZ, Lumen Profit 15 NS FIZ, Lumen Profit 16 NS FIZ. The Company informed about the reasons and the impact of the termination of the above agreements on the Company's financial situation, in particular the loss of further regular income as well as the potential litigation by the Company to seek relevant compensation, in the Consolidated Quarterly Report for Q1 2016/2017 which was published on 12 August 2016. On 25 August 2023, the court requested the parties to submit their final depositions in writing

before the case is closed and the judgment decided in a closed-door session of the court, which both parties did. As a result, the Company expects to complete the first-instance proceedings before the end of the Company's current financial year.

- a lawsuit dated 8 June 2020 against the Defendants jointly and severally Paweł Szewczyk, Ion Melnic and KI Servcollect SRL for an order that the defendants jointly and severally pay the Company the amount of PLN 21,320,000 as compensation for indirect damages that the Company suffered due to the actions of the defendants (between June 2014 and April 2016 when the sale and purchase of Romanian debt portfolios were being arranged and committed), together with statutory interest for delay calculated since 26 May 2020, to the date of payment, PLN 30,000 as reimbursement of the costs incurred by the Company for the preparation of a private opinion of an expert in the field of business valuation, together with statutory interest for delay calculated from the date of delivery of the copy of the statement of claim to the last of the Respondents until the date of payment, and PLN 44,000 as reimbursement for the costs of providing certified translations of the statement of claim and some of the appendices to the statement of claim, together with statutory interest for delay calculated from the date of delivery of the copy of the statement of claim to the last of the Respondents until the date of payment. The main claim of PLN 21,320,000 became apparent during an in-house investigation which showed that Paweł Szewczyk, then acting as the president of board for Kredyt Inkaso S.A. and capital group companies, namely Kredyt Inkaso Investments RO S.A., Kredyt Inkaso Portfolio Investments Luxembourg S.A., and at the same time being a member of the management board of KI Servcollect SRL, had used his knowledge and information concerning Kredyt Inkaso S.A. and the capital group companies to gain financial benefit from the purchase and sale transactions covered by the lawsuit, which were closed on the Romanian market between June 2014 and April 2016. Paweł Szewczyk did not inform the Company while holding the President of Board office about the nature and scope of his collaboration with KI Servcollect SRL in the process of organising debt trading transactions on the Romanian market. Paweł Szewczyk remained a member of the Board at KI Servcollect SRL without the prior consent of the Supervisory Board of Kredyt Inkaso S.A. in this respect or informing it about it. At the same time, Paweł Szewczyk knew that KI Servcollect SRL made significant profits on debt trading transactions involving Kredyt Inkaso group companies even though KI Servcollect SRL had no investment agreement or service contract singed with any company from the Kredyt Inkaso capital group. Along with the lawsuit, the Company sought injunction to secure the above claims (Current Report 13/2020). The Company's request for injunction was dismissed by the court and, as the appeal filed by the Company's attorney was rejected by the upper court, this decision should be considered final. In January 2024, BEST S.A. filed to join the side of the Company in the proceedings to which the defendants objected (still to be examined by the court). Witnesses are still being interviewed in the case and further hearing dates are set. According to the attorney, there will be an expert opinion issued in the case;
- a lawsuit by two members of the Supervisory Board, dated 24 June 2021, to revoke the resolution of the group of shareholders entitled to elect members of the Supervisory Board by separate group voting, no. 13/2021 of the Company's Extraordinary General Meeting of 24 May 2021, on the appointment of Mr. Karol Szymański to the Company's Supervisory Board for a new term and granting him the authority to perform supervisory activities on a permanent individual basis. The Company intends to actively participate in the legal proceedings (Current Report 53/2021);
- the second lawsuit by two members of the Supervisory Board, dated 25 May 2022, to revoke the resolution of the group of shareholders entitled to elect members of the Supervisory Board by separate group voting, no. 6/2022 of the Company's Extraordinary General Meeting of 25 April 2022, on the appointment of Mr. Karol Szymański to the Company's Supervisory Board for a new term and granting him the authority to perform supervisory activities on a permanent individual basis. The Company intends to actively participate in the litigation (Current Report 36/2022 and 38/2022). By an order dated 6 July 2022, the court granted the injunction securing the claimants by suspending the effective force of the resolution until the lawsuit is conclusively closed. The Company intends to actively participate in the legal proceedings. According to information provided in Current Report 60/2023, the Court of Appeals reversed the order dated 6 July 2022, and referred the request for injunction to the District Court of Warsaw for reconsideration. The Court of Appeals did not rule on any substantive grounds regarding whether or not securing of the claim should be granted. The request for injunction will therefore be reconsidered.

3.2. Tax proceedings

On 29 December 2022, Kredyt Inkaso RUS Limited Liability Company (LLC) ("KI RUS") received a notice of audit from the Interdistrict Inspectorate of the Federal Tax Service. The subject of the audit was all taxes and fees and insurance premiums for the period from 1 January 2019 to 31 December 2021. On 22 June 2023, a report on the aforementioned tax audit was issued, which questioned the settlements between KI RUS and Kredyt Inkaso Portfolio Investments (Luxembourg) Societe Anonyme (hereinafter: "KI LUX") under claim assignment agreements entered into between the companies on 16 May 2014 and 2 July 2014, and an agency agreement dated 5 May 2014.

The following arrears amounts were indicated in the tax audit report:

- RUB 19.4 million (excluding interest) for underreporting corporate income tax for 2019-2021 plus a fine at a rate of 40%, the amount of which the Company calculated is RUB 7.8 million,
- RUB 28,7 million (excluding interest) for the payer's failure to collect withholding tax on payments to KI LUX plus a fine at a rate of 20%, the amount of which the Company calculated was RUB 5.7 million, and

value-added tax overpayment for 2019-2021 of RUB 2.3 million.

The Group has set up a provision to cover the charges raised in the amount of RUB 79.8 million (including the amount of tax arrears and anticipated interest and fines).

KI RUS submitted objections to the audit report in writing and in a meeting with the tax authority. On 21 August 2023, the Russian Company made a payment of tax arrears (excluding interest and fines) in the total amount of RUB 31.5 million (net of value-added tax overpayment), which was agreed upon during a meeting with the tax authority on 18 August 2023. On 30 August 2023, KI RUS received the final decision on the results of the audit, in which the tax authority set the final amount of tax arrears and fines (excluding interest) at a total of RUB 29.6 million. The decision became final after 30 days, at which time the Russian company settled the interest on the tax arrears, which amounted to RUB 5.1 million. The total amount of tax arrears, fines and interest paid for irregularities identified by the tax authority for 2019 - 2021 amounted to RUB 32.4 million (after deducting the amount of overpayment in value-added tax indicated above).

KI RUS also adjusted its tax settlements for the unaudited period from January 2022 to March 2023, resulting in a tax payment with interest of RUB 5.6 million.

As of April 2023, KI RUS makes tax settlements according to the interpretation indicated by the tax authority.

In September 2023, the Group dissolved the unused portion of the provision which had been set up in connection with tax proceedings pending in Russia, in the amount of RUB 41.8 million (equivalent to PLN 1.9 million, exchange rate as at 30 September 2023).

3.3. Inspection proceedings

There were no significant inspections or investigations during the reporting period.

4. INFORMATION ABOUT THE CONCLUSION BY THE ENTITIES OF THE CAPITAL GROUP OF TRANSACTIONS WITH RELATED PARTIES, CONCLUDED ON CONDITIONS OTHER THAN MARKET CONDITIONS

All transactions entered into by Group entities with related parties were typical and routine transactions entered into on an arm's-length basis, and their nature and terms resulted from the day-to-day operating activities carried out by entities in the Group.

5. INDICATION OF FACTORS THAT WILL AFFECT THE ACHIEVED RESULTS OF THE CAPITAL GROUP IN THE PERSPECTIVE OF AT LEAST THE NEXT QUARTER

5.1. Strategic assumptions of the Capital Group in the following years

The main objective of the Group's activities, after returning to significant investments in debt portfolios, is to continue their dynamic growth in the coming years, mainly in the Polish, Romanian and Bulgarian markets, and to improve net profitability and return on invested capital.

The Group intends to successively improve operating margins on its business by increasing the efficiency of the portfolio collection process, optimizing the strategy of collection activities and fully implementing the advanced statistical decision-making models consistently developed in recent years.

An equally important area is the development of information technology and technological innovation. The Group in the Polish market is constantly developing the operating system. In the Romanian market, the system has been upgraded to the latest version based on cloud solutions, and there are plans to implement it in the Bulgarian market as well. The Group launched an online customer service portal in 2021, first in the Polish market, and similar activities are planned in foreign markets to increase the number of communication channels with customers. The self-service portal is scheduled to launch in Romania by the end of 2024, and in Bulgaria by the end of the first half of 2025.

The Group places significant emphasis on transforming its organizational culture and improving the efficiency of its operational processes and further implementing lean methodologies.

In April 2023, the Parent's Board decided to start the process of reviewing strategic options, in accordance with the resolution of the Company's Annual General Meeting of 30 September 2022, in April 2023, a contract was signed with a transaction advisor who, together with other advisors, is supporting the Board in conducting the strategic review. As at the Approval Date, the review of strategic options has not been completed or any binding decisions made regarding the final selection of the option to be implemented. Several potential investors are involved in the current phase of the review of strategic options (a competitive procedure), with the range of scenarios in consideration including potential transactions in shares or assets of the Company or its subsidiaries. As such, the review of strategic options may finally lead to solutions which, insofar as implemented, may cause the Group to violate certain covenants that have been incorporated in relevant credit facility agreements or the bond issue terms and conditions. For example, the review of strategic options may lead to (i) a transaction resulting in a change in the Issuer's shareholding structure and, consequently, potential publication of a share sale offer and later withdrawal of the shares from the Regulated Market (possibly causing the early redemption of bonds or credit facility liabilities becoming due and payable) or (ii) a transaction resulting in the disposal by the Company or Group entities of a material part of its assets or business (possibly causing the early redemption of bonds or credit facility liabilities becoming due and payable). However, the review of strategic options may also conclude with a decision to keep the status quo as at the Approval Date.

5.2. External factors important for the development of the Group

The external factors driving the Group's growth include:

- the evolution of the approach to debt disposal by universal service providers and the banking sector,
- lack of legal or organizational action on the part of the administration and legislators that could impose formal or de facto restrictions on the disposal or recovery of debt claims by creditors other than the original creditors,
- macro economic situation that makes it economically rational to continue to raise funds for business development in the form of debt or equity,
- no phenomenon of high inflation in the long term,

- unemployment levels,
- no legislative changes resulting in an excessive increase in the tax burden.

5.3. Internal factors important for the development of the Group

Among internal factors, the most important for the Group's development are:

- maintaining the ability to handle cases - the efficiency and security of the operation of ICT systems,
- the Group's financial position to continue to raise funds for business development in the form of debt or equity,
- development of human resource competence 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 staff.

6. DESCRIPTION OF KEY HAZARDS AND RISKS

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

The internal control system includes:

- internal control function to ensure compliance with control mechanisms and ensure the quality of processes,
- a compliance organizational unit (Compliance Officer) tasked with identifying, assessing, controlling and monitoring the risk of non-compliance of operations with laws, internal regulations and market standards, and providing periodic reports in this regard,
- an independent internal audit function (Internal Audit Division) to examine and evaluate, in an independent and objective manner, the adequacy and effectiveness of the risk management system and internal control system.

The Group manages risk by keeping abreast of current market trends and developments, as well as changes in the legal and regulatory environment. In terms of risk management, the Group identifies and analyzes the risk factors to which it is exposed and defines the actions to be taken in dealing with the risks, as well as determines the controls to safeguard the process.

The Kredyt Inkaso Capital Group has a Risk Committee. The Committee's tasks and method of operation are specified in the Regulations of the Risk Committee of the Kredyt Inkaso Capital Group.

Risk factors and threats are presented in the table below.

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
Risks related to the increase in operating costs	Significant increases in the Group's operating expenses may be affected by increases in such cost groups as: (i) costs of court, notary, enforcement officer and other litigation fees related to debt management through legal channels, as well as tax charges; (ii) postage and bank charges; (iii) labour costs; (iv) costs of services and materials purchased by the Group; and (v) costs of obtaining financing. The costs indicated in (i) and (ii) above may increase in particular due to a possible change in legislation. Due	Since the Group has no control over the growth of most of the costs mentioned, its activities are mainly focused on reducing the negative impact of these risks on the financial performance of the business. In order to minimize the risk of rising operating costs, the Group:	High

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	to high inflation, there is a risk of further increases in the cost of services and materials (iv) and upward pressure on wages (iii), as well as continued increases in interest rates, which would have a direct impact on the increase in the cost of obtaining financing (v). A disproportionate increase in any of the aforementioned cost groups, particularly in relation to the dynamics of realized revenues, may negatively affect the Group's growth dynamics and results of operations, and consequently its ability to settle its obligations.	▪ increases operational efficiency, ▪ reduces cost-creating activities by selectively choosing cases with the potential to guarantee cost recovery, ▪ chooses less costly activities if the probability of expected returns is similar, ▪ forgoes costly legal action if the cost is higher than the likely gains, ▪ for cost reasons, discontinues enforcement upon request in cases where this is related to the repayment of the debt or the conclusion of an agreement with the debtor as to its repayment and at the same time when the creditor is able to demonstrate this fact before the enforcement officer, ▪ monitors cases with pending enforcement proceedings with the aim of taking them up within the statutory deadline, ▪ in cases where it is justified, the creditor files a complaint against the action of the enforcement officer on the costs charged to the creditor, ▪ monitors cases with rejected (on merits or for procedural reasons) statement of claims in order to pay costs in a timely manner to minimise the risk of further costs being incurred. Preventive measures involve tracking changes that lead to potential cost increases. Where possible, even before these costs rise, the Group is implementing these measures in advance.	
Risk of negative revaluation of	The Group acquires debt portfolios for its own account. If the acquired debt portfolios do not	The Group analyses current repayments from debt	High

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
carrying value of acquired debt portfolios	generate the expected cash flows over the assumed time horizon, they may need to be revalued downward. This risk is relatively greater in new markets or portfolios with unusual characteristics, where the Group does not yet have sufficient historical data. Risks may also materialize if the economic situation deteriorates. An additional element affecting the risk in question is the potential change in foreign currency exchange rates, which may translate into higher or lower PLN inflows from foreign portfolios (currency risk).	portfolios in relation to forecasts and the current economic situation and changes in the law. Based on its analysis, the Group continuously updates the valuation of debt portfolios based on the most current cash flow projections. The Group monitors its exposure to exchange rate risk on an ongoing basis, including from foreign portfolios - if the so-called appetite for this type of risk is exceeded, the Group may decide to apply risk mitigation tools.	
Risk related to transactions with related parties	Due to the nature of the Group's operations and structure, there are business transactions between Group entities 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. In the case of any audit, its key criterion is the analysis of compliance of financial and non-financial parameters with so-called market conditions. Despite the application of internal rules for determining the terms and conditions of transactions between related parties, the Group cannot exclude the possibility that the transfer prices and transfer pricing documentation used may be challenged by tax authorities carrying out audit activities at the Group. This, in turn, may consequently lead to a change in the Group's accrued taxable income base and the need to pay additional tax, along with late interest and possible additional financial penalties. The occurrence of material differences between the Group and the tax authorities in the determination of tax income on the grounds of transactions of significant value to the Group could have a material adverse effect on the Group's operations, financial position and results of operations.	In order to reduce this risk, the Company analyses the marketability of transactions in accordance with the rules 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 the services of professional consulting entities.	Medium
Risk of new legal restrictions on sale of debt claims	The Group is in the business of acquiring and managing debt portfolios sold by original creditors, in particular, such as financial institutions, telecommunications operators and cable television networks. The scope of this activity, including restrictions on its conduct, is due in particular to: • regulations and legislative changes, • decisions and rulings of public administration bodies, e.g. Financial Supervision Authority, Office of Competition and Consumer Protection, Office of the Polish Data Protection Commissioner, • communications, guidelines and interpretations of public administration bodies. In order to minimize the negative repercussions of changes in the environment of debt collection	The Group constantly monitors the scope of proposed and coming into force legislative changes, with a particular focus on regulations affecting the Group's main business areas. In addition, it keeps abreast of communications (guidelines, decisions, etc.) addressed to market participants by government authorities. If a change or announcement is considered to potentially affect the Group's business, it takes	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	activities, it is necessary to have effective tools to monitor possible changes and their implementation in the Group.	adjustment measures in this regard on an ongoing basis. The Group has separate organizational units: • responsible for the area of debt management, • Compliance Officer, which monitor the Group's compliance with legal regulations, including updating internal regulations as necessary.	
Risk of breach of obligations under other than issued bonds	In the event of a deterioration in the Group's liquidity, it is possible that the Group will be temporarily or permanently unable to repay previously contracted debt, or that it will be in breach of its obligations under financing agreements. As a result, some or all of the Group's debt may become immediately due and payable, while the sercured assets may be seized by financial institutions, which could have a material adverse effect on the Group's business, financial condition and results of operations. Placing external financing on maturity would result in a loss of liquidity for the Group.	Taking into account the conclusions of the ongoing internal analysis and forecasts of financial data, the risk of violation of obligations to creditors in the Group is minimal. In order to reduce the risk, the Group diversifies external financing and manages liquidity in a way that minimizes the risk of liabilities being brought to maturity through an event of default in financing agreements.	Medium
Liquidity risk	Expenditures for the purchase of debt portfolios are financed from both equity and debt financing, the sources of which are bond issues (indirectly) and bank loans. In the event of a deterioration in the Group's liquidity, it is possible that the Group will be temporarily or permanently unable to repay previously contracted debt, or that it will be in breach of its obligations under financing agreements. As a result, some or all of the Group's debt may become immediately due and payable, and the secured assets may be seized by creditors, which could have a material adverse effect on the Group's business, financial condition and results of operations.	As part of its liquidity risk management measures, the Group conducts the following activities: • Planning and ongoing monitoring of financial flows, • Managing cash flows between Group entities, • Recovery of debt claims on a continuous basis, in accordance with the adopted strategy, • Analysis of the possibility of using external sources of financing.	Medium
Risks related to the Group's debt level	The scale of financing operations with foreign capital is at a moderate level. Existing debt levels may affect the level of financing costs, particularly if market interest rates continue to rise. The occurrence of the above events may adversely affect the Company's ability to make payments on external financing. Taking into account the conclusions of the ongoing internal analysis of financial data, as at the Approval Date, there is no basis 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 issuance of bonds and in the form of bank loans, but this does not eliminate the risk of a change in this condition in the future.	The Group analyses the conclusions of its internal analysis of the Group's debt financial data on an ongoing basis and decides on the level of the Group's debt and interest rate risk hedging based on this.	Medium
Risks associated with consumer bankruptcy	Consumer bankruptcy as a legal institution came into force in 2009 and has been successively modified since then, starting with the first major amendment in 2016. The original legislation, however, did not allow	In order to reduce risks, the Group has streamlined and organized the processes responsible for the proper,	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	non-business individuals to take full advantage of this debt relief mechanism. Accordingly, the act of 30.08.2019 on amending the act - Bankruptcy Law and some other laws (Journal of Laws of 2020, item 1288), which came into force on 24 March 2020, has significantly facilitated consumers to declare bankruptcy, which has consequently translated into a marked increase in the number of bankruptcy proceedings. Currently, the insolvency of the debtor is the only condition for declaring bankruptcy, which means that bankruptcy is declared practically following every bankruptcy petition filed. However, bankruptcy alone does not equal debt relief. Available statistics from the Central Economic Information Centre (COIG) show that about 15,600 consumer bankruptcies were declared in Poland throughout 2022, compared to more than 18,000 in 2021 and 13,000 in 2020. In 2023, 21,000 debtors declared consumer bankruptcy cases, beating the previous record set in 2021.	efficient and timely handling of cases in which bankruptcy information has been received. 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, an automated engine was implemented for quick downloading of debtor register notices and quick searches of debtors who declared bankruptcy, allowing for timely access to bankruptcy. In turn, in order to economically and quickly handle the increasing number of cases in which bankruptcy proceedings are pending, the Group has initiated and continues to work on automation of the claim reporting process.	
Regulatory risk	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 laws relating to the debt collection sector, civil proceedings, debt funds, the operation of capital companies and public companies, the conduct of activities supervised by public administration authorities in the management of debt funds, as well as general rules of business, trading in financial instruments and tax regulations, may, among other things, be meaningful in this respect. The Group includes 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 under the generally applicable laws of the European Union. Therefore, there are risks associated with the possibility of regulatory changes in other jurisdictions as well. At the same time, operating in a volatile regulatory environment in different legal jurisdictions generates an increased risk that the Group may misrecognize its tax obligations. As a result of tax reviews, including by external consulting firms in connection with the review of strategic options, the Group may obtain new information concerning the potential risk of the Group's tax liabilities having been recognised improperly in the past. Changes in legislation can cause issues with interpretation, short vacatio legis, inconsistent court rulings, legal restrictions on the conduct of business, and unfavourable interpretations adopted by public administrations. Any such change in regulations may increase the Group's operating costs, affect its financial performance and cause difficulties in assessing the impact of future events or decisions, and consequently affect the Group's ability to pay.	The Group, through a dedicated business unit, monitors changes in the legal and regulatory environment. Notwithstanding the above, in matters covered by the subject matter of each organizational unit, each of them is obliged to keep abreast of changes in laws, prudential regulations, internal regulations, recommendations and guidelines of supervisory bodies that affect the activities of the respective organizational unit, and to take the necessary adjustment measures. In addition, as a member of the industry organization ZPF (Association of Financial Companies), the Company takes an active part in providing opinions on regulatory changes and in shaping the debt market in Poland. The Group also works with reputable consulting firms, both locally and internationally.	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
Risk of significant decline in repayment levels from acquired portfolios	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 debt claims that if defaulted could significantly reduce the Group's liquidity, but such a situation cannot be ruled out in the future. Repayments from mass processes involve many customers whose repayment is independent. Thus, risks may materialize, however, mainly as a result of significant macro economic changes. High inflation index, rising interest rates or more unemployment 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.	The Group mitigates the risk of a significant decline in repayments by monitoring daily receipts on an ongoing basis and, in the event of significant deviations from expected recoveries, by updating its short- and/or long-term servicing strategy, intensifying or adjusting collection activities on selected debt portfolios. The service strategy and product offerings are revised in line with the changing business environment to optimize the results obtained.	Medium
Risk of investment in debt portfolios	The development of the debt trading market in Poland is increasing the number and variety of parameters of the debt portfolios offered and, consequently, the data that the Group must analyse before making an investment decision. Valuation of debt portfolios is a complex process of statistical and expert evaluation. In view of the fact that each debt portfolio offered for sale is different, and there are differences even at the level of packages coming from 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 package and the operating costs of recovery. 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 the enforcement of debt claims. When making investments, however, the Group has no assurance that the cash flows from its debt portfolios will be in line with the original estimates in terms of amounts and timing of repayments. Among the main reasons for the risk of recording lower cash flows are the deterioration of debtors' financial situation for economic reasons, the lower-than-expected efficiency of the debt collection process, and the Group's erroneous assumptions made at the date of investment. The effect of inappropriate valuation of the acquired portfolio may result in an overvaluation of the acquired debt portfolios, which may negatively affect the Group's result and thus the value of its equity. In turn, lower-than-expected or pushed-back cash flows from acquired portfolios could negatively affect the Company's ability to meet its obligations.	The models used for valuing debt holdings are continuously adapted and updated to the business environment in which the Group operates. Not only the current state, but also projected changes in repayments in the future are taken into account.	Medium
Compliance risk	Due to the scale, scope and nature of the 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, which may result in administrative penalties (including financial penalties) imposed by	The Group has adopted internal regulations in the area of compliance, such as compliance risk management, conflict of interest management, anti-corruption, protection of	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	supervisory authorities, loss of reputation or loss of licenses. It should be noted that the activities carried out by the Company are regulated activities, which means that in order to carry them out, the Company must obtain a permit from the Financial Supervision Authority, and consequently is also subject to the supervision by this authority. Failure to comply with or misapply supervisory requirements can consequently lead to sanctions by these authorities. As an entity listed on the Stock Exchange, the Company is additionally required to comply with the rules and standards set by the WSE, as well as the applicable laws and regulations for public companies.	professional secrecy, whistleblowing, and ethical principles. In addition, the organizational structure includes a separate and independent organizational unit responsible for compliance, which is responsible for coordinating the management process in the aforementioned areas. Primary compliance mechanisms include: a) internal regulations and adopted rules of conduct, b) the distribution of tasks and powers assigned to employees in different organizational positions within a given process, aimed at preventing situations in which an employee oversees one's own actions, or there is a potential conflict of interest between employees with personal connections, c) employee training, d) access control - understood as a set of access rights to a specific area, system, process, data, e) physical control - understood as a set of access rights to a specific area, f) records and lists kept, g) documenting exceptions in the performance of certain activities under certain rules of conduct, h) any automated controls built into information systems, other controls built into processes, internal regulations to ensure compliance.	
Risk of deterioration of debtors' financial situation	The volume of recovery proceeds from debt portfolios depends on the financial condition of the debtors. Deterioration of the economic situation in Poland and in foreign markets may consequently result in a halt in economic growth, an increase in the unemployment rate, a drop in demand, a drop in real income and thus a deterioration in the financial situation of debtors and their ability to settle their obligations. In an environment of high inflation and rising interest rates, the situation of debtors may worsen, while dynamic changes in tax laws may have an ambiguous impact on debtors' ability to service their obligations.	The Group continuously monitors the situation related to the effects of high inflation and conducts an analysis of the need to take measures to reduce the scale of its impact on the Group's future results. However, due to the dynamics of the interest rate situation, which is related to external factors beyond the Group's control,	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	Any deterioration in the financial situation of debtors, regardless of their type (individuals or companies), may directly affect the return on investment from debt portfolios, which may have a significant negative impact on the Group's operations, financial position and results of operations.	the Group is unable to definitively determine the impact of this situation on the permanent deterioration of the debtors' financial situation. Since the Group has no control over inflation growth, its activities are mainly focused on reducing the negative impact of these risks on the performance of the business.	
Risk of inability to purchase new debt portfolios and new collection orders	Due to the activities of competitors, both those already operating in the Group's business markets and new players, or due to changes in the way debt sellers behave, in particular changes in the formula for disposing of portfolios or acquiring servicers, the Group may face restrictions on the acquisition of new debt portfolios that are attractive to the Group, as well as new requests to manage debt portfolios or outsource debt collection. The Group's restrictions on access to capital and the development by primary creditors of their own specialised debt collection and restructuring departments may also be obstacles to acquiring more debt portfolios. The above factors could have a significant negative impact on the Group's operations and its earnings prospects.	In order to reduce this risk, the Group constantly monitors the market for the purchase of debt claims and the market for services related to the enforcement of debt claims, both in terms of the activities of competing companies and the formula for the disposal of debt portfolios or the acquisition of entities for cooperation.	Medium
Risk of rising prices of debt portfolios	In the near term, further increases in transaction prices may occur, as there is currently an apparent increase in prices for some portfolio sales in the market. Increased interest in investments in debt portfolios and the continued relatively low supply of portfolios may result in further increases in portfolio prices. In the short term, the price increase may translate into increased negative cash flow for the Group, while in the medium and long term it may translate into lower profitability of its debt collection activities. This could adversely affect the Group's operations and its earnings prospects.	The Group constantly monitors the debt purchase market and the level of transaction prices of debt portfolios available on the market.	Medium
Risk of increasing the size of debt portfolios offered for sale	The market situation may result in an increase in the size and value of debt portfolios put up for sale in the near future. There is a risk that with significant increases, the Group may find it difficult or impossible to participate independently in tenders to purchase the largest, and most attractive, debt portfolios. As a result, 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 could have a material adverse effect on the Group's operations, financial position and results of operations.	In order to reduce this risk, the Group is taking steps to attract potential investors for the purchase of high-volume debt portfolios, as well as consistently increasing the scale of its operations and thus its ability to purchase larger debt portfolios.	Medium
Risk of further increase in statutory interest	The rate of statutory interest for late payment from 5 October 2023 is 11.25% per annum. Over the past few years, the amount of statutory interest has, in the first instance, decreased to 5.6% in May 2020 (as a result of	The Group manages this risk by analysing the macroeconomic situation and announced changes in	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	successively lower interest rates). Rising inflation in 2021 forced action, and since October 2021, the Monetary Policy Council (hereafter also the MPC) raised interest rates eleven times, with the last hike taking place on 7 September 2022. After a long cycle of increases, the first interest rate cut of 0.5 percentage points took effect on 7 September 2023, with the next cut of 0.25 percentage points on 5 October 2023. The amount of statutory interest directly affects the Group's interest income from overdue debt claims, but at the same time adversely affects the increase in financing costs and the deterioration of the financial condition of debtors. Given the current level of rates, the risk of further rate increases in the near term seems relatively unlikely. It seems more likely that there will be downward pressure on rates or that they will remain at current levels.	interest rates, but has no influence on the MPC's decisions.	
Risk of negative image	The Group's debt recovery often involves individuals and legal entities in a debt spiral. Some of the people against whom claims are asserted, or those around them, may resort to the intervention of media interested in load-bearing topics and choose to create so-called black PR against the Group or the debt collection industry. These actions can be based on both facts and slander and false information, including those bearing the hallmarks of unfair competition. If such cases are publicized by the media, each case could directly or indirectly affect the Group's credibility in the eyes of investors, financiers, debt portfolio sellers and other business partners. This may reduce the valuation of financial instruments issued by the Company or reduce the availability of external financing and the number of debt portfolio purchase transactions entered into by the Group.	The Company monitors the media for information in the context of the Company and the Group and responds to it. Communication activities are carried out both by a professional team inside the organization and in cooperation with an external PR agency. Being a member of the Polish Association of Financial Enterprises (ZPF), the Company participates in a PR initiative called "Debt collection - clearly". It has an educational purpose, make both the media and their audiences more familiar with the principles of the debt management market and the legal framework behind operations of such market players. The group conducts educational activities in social media (educational posts and the Kredyt Inkaso Academy series) and on the website. The group also prepares materials to deepen consumers' financial knowledge (tutorials) and to introduce them to the role and operation of debt management companies.	Medium
Risks related to the macroeconomic situation and the socio-economic situation in Poland	The activities and level of financial results generated by the Group, as well as the pace of implementation of strategic plans, depend on the macroeconomic situation. 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	The Group constantly analyses the macroeconomic situation and changes in the banking and financial sector, although it does not directly influence 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	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	situation of households. Possible unfavourable trends in the development of macroeconomic, social and political factors may have a negative impact on the Group's results, financial position and business prospects.	changing external environment, creating financial forecasts in the short, medium and long-term horizons.	
Risks related to exchange rate volatility	The Group operates in foreign markets and thus is exposed to foreign exchange risk, mainly from investments in debt portfolios and servicing of debt portfolios acquired outside Poland. Currency fluctuations affect the financial result through: 1) changes in the expressed value of revenues from foreign markets and the expressed value of costs in the foreign markets portion of the operating activities; 2) changes in the value of foreign debt portfolios (purchase price and valuation), the value of which expressed in PLN is dependent on foreign exchange rates; 3) unrealized exchange differences from the valuation of settlements as at the balance sheet date. The Group is exposed to foreign exchange risk arising from current receivables and payables, cash and cash equivalents, capital expenditures, as well as investments (net asset value) in the Group's foreign subsidiaries. Exchange rate volatility, caused in particular by the deterioration of macroeconomic indicators and an increase in the political risks of the countries in which the Group operates, could have a significant negative impact on the Group's operations and financial position.	Much of the Group's activity takes place in 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 derivative contracts to hedge foreign currency risk. In addition, the Group may use natural hedging measures against the currency risk, such as credit facilities in foreign currencies.	Medium
Risk of failure to achieve the Group's strategic objectives	Delay, partial or total inability to implement the Group's strategic objectives, due to, among other things, changes in the market situation, the macroeconomic or regulatory environment, mistakes by those responsible for implementing the Group's strategy, could materially affect the Company's and the Group's operations and, indirectly, their financial performance. This, in turn, may translate into a slowdown in the acquisition of more debt portfolios due to a weaker capital base, both in terms of equity and third-party capital. 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 results.	The Group conducts ongoing monitoring of operational and financial performance and progress in implementing the adopted strategy. A number of control activities have been introduced in the Group to numerically periodically analyse the correctness of the strategic activities performed. In addition, the Group prevents the risk of misdefining strategic goals in annual cycles, prior to developing the budget for subsequent years, by performing a strategy analysis that includes verification of opportunities and threats arising from the macroeconomic environment.	Medium
Risk of corporate disputes with the shareholder	BEST S.A., based in Gdynia, holds 33.09% of the total number of votes at the General Meeting. BEST S.A. carries out competitive activities with respect to the Kredyt Inkaso S.A. Given the aspect of the competitive nature of the Shareholder's business and the existing disputes between the Shareholder and the Company, there is a	The Company employs qualified lawyers and cooperates with reputable law firms to minimize the effects of potential Shareholder actions that could negatively affect the	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	risk of the Shareholder taking actions that impede the Company's development or damage its reputation. The ongoing disputes have a multifaceted dimension, and BEST S.A., having the corporate powers of a shareholder, effectively uses various legal means, so that the dispute continues.	Company's development or damage its reputation.	
Risk of exceeding investment limits by closed-end investment funds	Due to the Group's ownership of closed-end investment funds (non-standardized closed-end debt investment funds), there is a risk of exceeding the investment limits set by applicable laws or fund charters for individual funds or sub-funds. This risk can also materialize in overexposure to one market sector, type of debt or other assets, which can result in adverse financial consequences if the value of the assets held by the fund or sub-fund decreases, including as a result of changes in the debt market. The risk of exceeding investment limits may be updated as a result of the investment decision of the fund management company of a particular closed-end investment fund, the decision of the management entity, or as a result of a passive change in the value of assets.	The Company, as a portfolio manager of non-standardized closed-end debt investment funds in cooperation with investment fund companies, monitors the limits assigned to each investment fund on an ongoing basis and prepares and applies procedures, strategies, operational guidelines and operational plans to reduce the above risks.	Medium
Risks related to military actions of the Russian Federation on the territory of Ukraine	The military actions of the Russian Federation in Ukraine may result in further dynamic legislative and factual changes in the introduction of restrictions on the conduct of business, including the effective exercise of corporate control at the level of the Russian Group company in which a Luxembourg-based entity, i.e. Kredyt Inkaso Portfolio Investments (Luxembourg) S.A., holds the majority of shareholding rights. Negative media comments about the Group continuing to operate in Russia are possible. The longer it takes to phase-out this activity, the more the risk of potential negative PR will increase. According to the provisions of the AML/CFT laws, the Group must apply enhanced financial security measures if a customer transaction involves high-risk countries. This means: a) Withholding - up to a maximum of 5 business days - of incoming and outgoing transfers, b) Demanding: additional information and documents relating to the transaction (e.g., invoice) and information on the sources of the client's assets and funds and all its beneficial owners. If this information and documents are not received within the allotted time, it will not be possible to execute the stalled transaction; and, as a last resort, the relationship with the customer may be terminated. In addition, at the end of April 2022, the first Polish sanctions list was created, initially including more than 50 individuals and business entities. The Polish sanctions list is a supplement to the EU sanctions list	The Group constantly monitors legislative and regulatory changes, with particular attention to potential restrictions on the operations of foreign-owned entities, and assesses their impact on the entity's current operations and on the Group's business. The Group has implemented internal regulations in the area of anti-money laundering and counter-terrorist financing. It actively incorporates changes in sanctions lists, including Polish, EU, UN, OFAC, into its ongoing business decisions and activities. In terms of technology, the Group has realized the technological separation of the Russian company from the Group's infrastructure. A proactive response to the situation in Russia protects the Group in the event of unexpected actions from within Russia (e.g., acquisition	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	and refers to oligarchs and Russian entities with real business interests in Poland. Regardless of the risks associated with the subsidiary's operations in the Russian Federation, the prolonged hostilities just across Poland's border are having a direct negative impact on public sentiment, further increases in inflation, and the maintenance of high interest rates. All these factors can negatively affect the ability of indebted people to generate financial surpluses and the propensity of indebted people to settle their obligations. In particular, this will apply to voluntary contributions.	of a Russian company forced by legislative changes, hacking attacks). Trends in repayment levels are analysed depending on the source of these payments, but the Group has no influence on further geopolitical developments and the resulting economic consequences. Efforts are underway to encourage debtors to repay their debts with partial debt forgiveness and instalment payments, arguing, among other things, to reduce further high interest costs.	
Risk of changes in legal regulations concerning the recovery of debts	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. Changes in regulations in many areas of law, particularly changes in legal acts relating directly or indirectly to the Company's operations also constitute a risk for the Group. As a result of unfavourable legislative changes, the risk of increased costs or labour, prolonged litigation or reduced legal recovery may materialize. A change in these regulations or in their application or interpretation could have an adverse effect on the Group's business, financial condition and results of operations.	Since the Group's influence on the legislative change process is negligible, preparing the organization for the announced changes seems to be the most appropriate way to mitigate this risk. Monitoring potential changes in legislation becomes crucial in this regard. The Company is a part of the Association of Financial Companies (ZPF) and actively participates in the work of monitoring and reviewing legislative changes affecting the financial industry. In particular, the Company regularly monitored government work on the draft *act on debt collection activities and the debt collector profession*. The draft ultimately failed to make it to the previous parliament. Through the ZPF, the Company is monitoring and keeping abreast of the work on implementation of the *Directive of the European Parliament and of the Council of 24 November 2021* *on entities servicing loans and credit buyers and amending Directives 2008/48/EC and i2014/17/EU,* while preparing to implement changes in operational processes resulting from the proposed legislation. The Company has introduced a mechanism for selecting cases referred for litigation and enforcement based on	Medium

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
		predictive models, eliminating cases with low potential for obtaining an enforcement title in court that is required for the enforcement officer's actions. For cases with less potential, less costly forms of recovery are used, skipping the legal stage.	
Risk associated with changes in interest rates	One of the most important factors affecting households and businesses, including but not limited to their ability to pay their obligations, is interest rates. An increase in interest rates most often translates into an increase in the cost of servicing financing, which in turn can translate into 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. To finance its operations and development plans, the Group uses debt capital in the form of bank loans and bonds. In the concluded loan agreements 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. Thus, 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 of its financial results. The change in interest rates also affects the fair value of the Group's purchased debt portfolios, which is estimated using a discount rate. It should be noted, however, that a change in market interest rates does not directly affect the value of the packages reported on the Group's balance sheet under the amortized cost method. Unfavourable changes in interest rates could have a material adverse effect on the Group's operations, financial position and results of operations.	The Group controls financial ratios under loan agreements and bond issuance terms, and measures interest rate risk. Based on framework agreements with the bank, the Group may enter into derivative contracts to hedge interest rate risk.	Medium
Risks related to security of processing and protection of personal data	Due to the nature of its business, the Group processes personal data on a large scale and manages personal data sets of significant size. Personal data is processed in accordance with the data protection regulations in force in Poland and the European Union, as well as the individual countries in which the Group's entities operate. However, it cannot be ruled out that, despite the technical and organizational measures in place to ensure the protection of processed personal data, a breach of legal obligations in this regard will occur, in particular an incidental disclosure of personal data to unauthorized persons. In the event of violations of laws related to the protection of personal data, in particular the disclosure of personal data in an unlawful manner, the Group may be exposed to criminal or administrative sanctions, including in particular the penalties 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	In order to reduce the likelihood of the risk materializing, the Group, acting both as a Controller and Processor (within the meaning of the General Data Protection Regulation), has implemented a number of technical and organizational measures. They serve to protect data, including personal data, regardless of its form, from loss, damage, destruction, or unwanted escape outside the Group, as well as use or processing to the extent not permitted by law. The following principles are the basis for all activities: • the compliance of the activities of data processing with the law and concluded contracts,	Low

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	data and on the free movement of such data and repealing Directive 95/46/EC ("GDPR"). Unlawful disclosure of personal data may also result in exposure of the Group to liability for infringement of personal rights or liability for damages under the RODO, as well as negatively affect the image of the Group or any of its entities, which may have a material adverse effect on the Group's business. Such situations may occur despite the Group's use of technical and organizational measures to ensure the protection of processed personal data.	• fulfilment of the information obligations imposed by the law to the persons whose data has been obtained and is being processed, • continuous and comprehensive education of employees on data protection and processing methods, • preventing unauthorized direct access to data, data sets or data processing systems, • preventing unauthorized electronic access or taking control of the information system or its functions.	
Risks associated with the requirement of a majority of more than 60% of votes cast or more for the adoption of a General Meeting resolution	According to the Company's Articles of Association, 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 stipulate more far-reaching requirements (qualified majority). Under conditions of dispersed shareholding, such a solution raises the risk that in the event of a divergent position among shareholders, the General Meeting may not be able to adopt resolutions due to the inability to obtain a majority of more than 60% of the votes cast in favor of a given resolution. Such provisions of the Articles of Association and the provisions of the Commercial Companies Code - in a situation where Waterland's shareholding in the Company is reduced in a way that does not ensure a majority of 60% of the votes represented at a given General Meeting, or for matters requiring a more far-reaching requirement for a majority of votes cast under the Commercial Companies Code or the Articles of Association - could hinder the adoption of a resolution and, in an extreme situation, paralyse the work of the General Meeting, which could have a significant negative impact on the corporate credibility and, indirectly, the Group's operations.	It is in the interest of the majority shareholder to hold a number of shares that will at least allow it to pass resolutions at the General Meeting that do not require a qualified majority of votes on its own. On the other hand, passing resolutions requiring a qualified majority is not necessary at this time to continue current operations.	Low
Risks related to copyrights of software used by the Group	In the course of its operations, the Group uses, among other things, software for which it has obtained a license or property 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 license agreements or agreements transferring copyrights. The Company cannot assure that third parties will not raise claims against Group companies alleging infringement of their intellectual property rights, or that 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 able to renew the license period, and thus continue to use the software in question, beyond the end of the originally stipulated license period. In addition to this,	The Company has implemented an internal regulation dedicated to the management of intellectual property, including licenses, describing, among other things: ▪ rules for acquiring intellectual property rights depending on the source of acquisition (e.g., under an employment contract, civil law contracts), ▪ terms and conditions of contracts for the acquisition of intellectual	Low

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	in the course of internal work on their own IT solutions carried out with the participation of persons cooperating with Group companies under civil law contracts, it cannot be ruled out that doubts may arise as to whether Group companies have effectively acquired, or have acquired to the proper extent, the copyrights to 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, situation or development prospects.	property rights (e.g., subject matter of the license, fields of exploitation, moment of transfer of rights, exemption from liability in case of third-party claims, contractual penalties), ▪ rules for documenting and updating intellectual property rights, ▪ rules for dealing with infringements of intellectual property rights. The Company additionally has separate units in its organizational structure dedicated to legal services, compliance assurance and internal audit to ensure compliance with the above regulations, as well as a special-purpose company conducting strictly IT activities.	
Risk related to the violation of the collective interests of consumers	The Group's operations in Poland are controlled by, among others, the President of the Office of Competition and Consumer Protection (UOKiK). There is a risk of interpretation that the Group's activities in certain areas may violate the collective interest of consumers. In the event that the President of the Office of Competition and Consumer Protection finds a violation of the collective interest of consumers, this may result in the imposition of administrative sanctions, including fines, on the Group. Notwithstanding the above, there is a possible risk of class action lawsuits if consumer groups assert their rights. Similar risks apply to the Group's operations in other countries where it operates. The realization of the above risks could have a significant impact on the Group's operations, financial position and results of operations. The Group's operations are essentially based on the process of collecting on a massive scale the receivables of individual debtors, i.e. consumers. Potential financial consequences could result from loss of reputation, increased number of complaints and claims, more regulatory auditing, and financial penalties.	As part of the compliance process implemented by the Group, regardless of the actions taken by the Compliance function, laws, regulations, recommendations and expectations of supervisory authorities (in particular, the President of the Office of Competition and Consumer Protection) are reviewed on an ongoing basis. Once the areas that need change are identified, improvements are implemented. The entire process is supported by the Compliance Officer, who continuously analyses changes in the legal and regulatory environment and informs the relevant organizational units of these changes. The Compliance Officer then performs periodic independent verification of the status of the changes made.	Low
Risk of discontinuation of services to third-party debt management funds (applies to the Polish	Part of the Group's revenue comes from providing portfolio management services to third-party debt funds. A periodic or permanent reduction in the scale of cooperation or discontinuation of cooperation with entities for which the Group manages debt portfolios, as well as the inability to attract new entities to cooperate in this area, may adversely affect the	In order to reduce this risk, the Group emphasises the diversification of revenue sources. After the balance sheet date, the Group has ceased to provide services to third-party debt management	Low

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
business of the Group)	Group's revenue, which may have a negative impact on the Group's operations, financial position and results of operations.	funds. Consequently, the risk no longer exists.	
Risks related to the influence of the majority shareholder on the Company	As at the Approval Date, WPEF VI Holding 5 B.V., based in Bussum, the Netherlands, a member of the Waterland Private Equity Investments B.V. group (hereinafter "Waterland") holds 7,929,983 shares in the Issuer, representing 61.49% of the Issuer's share capital and representing 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 due to the fact that Waterland exercises voting rights on the majority of shares at the General Meeting. Thus, Waterland has a decisive influence on the adoption of resolutions on the payment of dividends or the appointment and removal of members of the Supervisory Board, which has the power to appoint and remove members of the Company's Board. Holding a dominant shareholder position allows Waterland to exercise effective control over the Company's and the Group's operations, including - from the position of corporate governance - a fundamental influence on such important issues as management decision-making and the implementation of investment policies and business strategies. The interests of the majority shareholder and the Company coincide and consist of maximizing the Company's value, while the majority shareholder's permissible influence on the Group's operations is regulated by mandatory laws.	It is in the interest of the majority shareholder to maintain its holding of the Company's shares that allows it to control the Company and independently pass resolutions at the General Meeting to the extent required to conduct day-to-day operations in accordance with the Company's interests.	Low
Risk of preference of bondholders of debt funds in which the Group invests	Due to the business model adopted by the Group, funds raised through bond issues may be used to acquire investment certificates of debt funds acquiring debt portfolios. In addition to issuing investment certificates, which are taken up by the Group, among others, the funds may also raise funds by issuing bonds and taking out bank loans up to the amount specified in the Funds Act. Bondholders' claims resulting from the funds' bonds subscribed by them may have seniority over claims from the Group's investment certificates, which, in the event of liquidity problems or persistent problems with the settlement of liabilities by the debt funds, raises the risk that the funds invested by the Group in the investment certificates may not be recovered, which could have a significant negative impact on the Group's operations, financial position and results of operations.	The Group, being aware of the risk of preference of bondholders of bonds issued by debt funds, as an investor recommends raising funds from other sources to avoid the risk. The funds whose investment certificates the Group holds as at the Approval Date are not bond issuers.	Low
Risks associated with technology development	There is a risk that new solutions will appear on the market that 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 on creating or developing, will not achieve the expected performance, which would have a negative impact on the recovery of expenditures.	The Group analyses emerging market trends in the development of information technologies and products and possible ways to use them - especially in the area of FinTech, including AI. In addition, it establishes and maintains business relationships with technology partners to test and	Low

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	Failure to develop and invest in modern IT solutions can result in reduced efficiency in service delivery, which can in turn translate into operational efficiency.	implement cutting-edge technologies and ensures that it maintains the high technological level of its own solutions. As part of its IT strategy, the Company has established a team responsible for analysing, verifying and implementing innovative solutions.	
Risk of not obtaining financing for acquisition of new debt portfolios	The Group's main business is the acquisition of debt portfolios for its own account, which requires the commitment of significant financial resources, in part by raising external financing in the form of bank loans and bond issues. It cannot be ruled out that due to the possibility of deterioration in the Group's perception and assessment of its financial credibility in the future, or due to 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 bonds, including their timely redemption.	A factor mitigating this risk is the Company's long history of active participation in the bond issuance market. With regard to the series of bonds issued by the Company that are traded on the stock exchange, the Company holds quarterly meetings with investors, at which it presents current results and business development prospects.	Low
Risks related to the review of strategic options for the Company	Following the request made to the Company's Board by its key shareholders, based on the resolution of the Annual General Meeting of 30 September 2022 (Current Report 60/2022) to initiate a review of strategic options concerning the Company's future in order to resolve the Company's existing shareholder situation, including in particular the potential disposal by shareholder(s) of the Company's shares, on 4 April 2023 the Board signed an agreement with a transaction advisor (Ipopema Securities S.A. based in Warsaw), hence initiating the review of strategic options (Current Report 9/2023). As part of the process, to the extent permitted by applicable law, additional information about the Company and its affiliates may be provided to selected entities. Accordingly, the Board has engaged such transaction advisor who together with other advisors support the Board in conducting the strategic review. As at the Approval Date, the review of strategic options has not been completed or any binding decisions made regarding the final selection of the option to be implemented. Several potential investors are involved in the current phase of the review of strategic options (a competitive procedure), with the range of scenarios in consideration including potential transactions in shares or assets of the Company or its subsidiaries. As such, the review of strategic options may finally lead to solutions which may cause the Group to violate certain covenants that have been incorporated in relevant credit facility agreements or the bond issue terms and conditions – for example, the review of strategic options may lead to (i) a transaction resulting in a change in the Issuer's shareholding structure and, consequently, potential publication of a share sale offer and later withdrawal of the shares	A possible review outcome could be an event that the Company's Board will have no control of, such as a discretionary decision of the Company's shareholders concerning the shareholding structure. In this respect, the role and tasks of the Board (according to the General Meeting resolution of September 2022) are to summarise the results of the strategic review and present them in cooperation with the consultants, thus enabling the shareholders to make further decisions based on objective and reasonable input. In other events where the implementation of decision upon the strategic review will require a consent of the Company's Board (in addition to approvals from other corporate bodies, if any), for example in the case of a decision leading to the disposal of a material part of the Company's or Group's assets, then the role and tasks of the Board will be (i.e. in addition to the presentation of the summary and results of the strategic	Low

Risk	Description of risks and the Company's and Group's exposure to risk	Risk management	Risk level
	from the Regulated Market (possibly causing the early redemption of bonds or credit facility liabilities becoming due and payable) or (ii) a transaction resulting in the disposal by the Company or Group entities of a material part of its assets or business (possibly causing the early redemption of bonds or credit facility liabilities becoming due and payable). However, the review of strategic options may also conclude with a decision to keep the status quo as at the Approval Date.	review to the shareholders) to appropriately structure and prepare any potential transactions with a view to mitigating risks of regulatory or contractual violations as well as to ensure that the Group meets all its obligations provided for in regulations or contracts.	

7. STATEMENT FROM THE MANAGEMENT BOARD

The financial statements for the nine months ended 31 December 2023 as well as comparative data have been prepared in accordance with the applicable accounting principles and reflect the Group's and the Company's assets, financial position, financial result in a true, fair and clear manner, while the Management Report on the Group's and the Company's operations provides a true picture of the Group's development, achievements and situation, including a description of the main threats and risks.

President of Board	Vice President of Board	Vice President of Board	Board Member
Barbara Rudziks	Maciej Szymański	Iwona Słomska	Mateusz Boguta