



KREDYT INKASO

Kredyt Inkaso Capital Group

Management Report of the Group and the Company for the six-month period ended **30.09.2024**

Warsaw, 18 December 2024



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

In the period of six months ended 30 September 2024, the Group recorded almost PLN 173.5 million in debtor payments, therefore improving on the previous year's record for the comparative period by nearly PLN 3.4 million (+2% y/y). Cash EBITDA was PLN 92.5 million (-7% y/y).

Investments in debt portfolios (PLN 68.3 million; -50% y/y) were on the Polish (PLN 57.0 million) and Romanian (PLN 11.3 million) markets. In terms of structure, the purchased portfolios were predominantly retail/bank claims (PLN 43.7 million) and telecom claims (PLN 22.5 million). The portfolio purchases and the positive review of the forecast (portfolio revaluation) over the last 12 months resulted in higher book value of own portfolios which came up by 6% y/y to PLN 727 million.

The noticeable decrease in the value of deviation between actual and forecast debtor repayments in H1 2024/25 (-37% y/y) resulted from the continued improvement of valuation models and the adaptation of their parameters to observable historical data, and, as far as reasonable, to trends and developments in the macroeconomic environment. The above results in the increasing precision of the applied models of debt portfolio measurement – in the first half of this year, the ratio of positive deviations in actual payments versus forecast to total payments was 18% (13% in the second quarter of this year alone), while in the corresponding periods of the previous year these were 28% and 22%, respectively.

Interest income was 21% higher than in the same period of the previous year, mainly due to the growing portfolio pool. In total, the Group's net revenue was PLN 119.9 million in the current period compared to PLN 124.6 million in the comparative period (-4% y/y).

Operating expenses in the first half of the year amounted to PLN 85.6 million, an increase of PLN 9.5 million (+13% y/y) compared to the same period of the previous fiscal year. Most of the increase has been a result of court and enforcement fees that rose by PLN 4.8 million (+25% y/y) and in the coming periods it should translate into higher recoveries through the claim enforcement channel. Third party services expense increased by PLN 4.3 million (+19% y/y), mainly due to consultancy costs related to the review of strategic options. Employment costs rose by PLN 4.3 million (+12% y/y) mainly caused by a significant increase in minimum wages in Poland as well as the high inflation stress in Poland, Romania and Bulgaria, which translated into increased wages in the Group. Because of the expanding scale of our business and the significant y/y expansion of acquired debt portfolios, the number of staff has slightly increased as new resources were necessary to ensure the implementation and day-to-day operating management of acquired debts. (the total increase in the number of employees in the Group at the end of September 2024 amounted to approx. 6% y/y, while the number of teams directly responsible for debt collection activities [the so-called "front office"] increased mainly in Romania). In the six-month period closed, the Group has maintained the ratio of employment costs to debt repayments at the level of the largest and most effective industry competitors (17%). Other operating expenses decreased by nearly PLN 2.7 million (-36% y/y), mostly affected by the partial reversal of the withholding tax provision in Romania (PLN 4.3 million) as a result of the final remeasurement and filing of adjusted tax returns. On the other hand, a provision of PLN 1.4 million was opened to cover the Company's obligation to reimburse costs incurred by the investors as part of the strategic options review. 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 first six months of FY 2024/25, the Group recorded an increase in finance costs by PLN 3.5 million (+15% y/y) from PLN 23.9 million in the first six months of the previous financial year to PLN 27.4 million currently, mainly due to higher interest expense in the current period resulting from the higher debt ratio of the Group.

The developments described above impacted the Group's operating profit of PLN 34.3 million (-14.2% y/y/ and -29% y/y) and net profit from continued operations of PLN 6.6 million (-72% y/y) in the six-month period ended 30 September 2024.

The above analysis of the Group results in H1 2024/2025 includes only the results of continuing operations (i.e. after excluding the results of the Russian entity – cf. Note 14 to the interim condensed consolidated financial statements).

The Group's total net profit (after the discontinued operations figures) was PLN 9.3 million (PLN -19.2 million and -67% y/y).

	01/04/2024- 30/09/2024	01/04/2023- 30/09/2023 restated	Variation	Change %
Profit (loss) on operating activities	34,297	48,482	(14,185)	(29%)
Interest income on debt portfolios calculated using the effective interest rate method (-)	(87,530)	(72,543)	(14,987)	21%

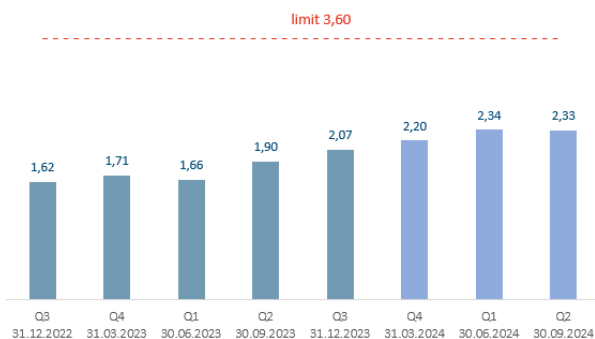
	01/04/2024- 30/09/2024	01/04/2023- 30/09/2023 restated	Variation	Change %
Portfolio revaluation (-)	(31,746)	(50,931)	19,185	(38%)
Depreciation/ amortisation (+)	3,988	4,160	(172)	(4%)
Debtors' payments (+)	173,436	170,064	3,372	2%
CASH EBITDA	92,445	99,232	(6,787)	(7%)

Per segment (cf. Note 3 to the consolidated financial statements), the operating result in Poland was lower by 24% y/y, resulting from significantly higher operating expenses (+14% y/y), including one-off third party services related to the review of strategic options (revenues in Poland increased by 1% y/y). The Romania and Bulgaria segments marked decreases in operating profit by 31% y/y and 36% y/y, respectively, mainly due to lower book revenue level recognized in these segments in the first half of 2024/2025 (lower positive remeasurement of portfolios and lower positive deviations of actual payments versus forecast than in the previous year). In Russia, the lower operating profit year on year resulted naturally from the deteriorating potential of ageing portfolios there.

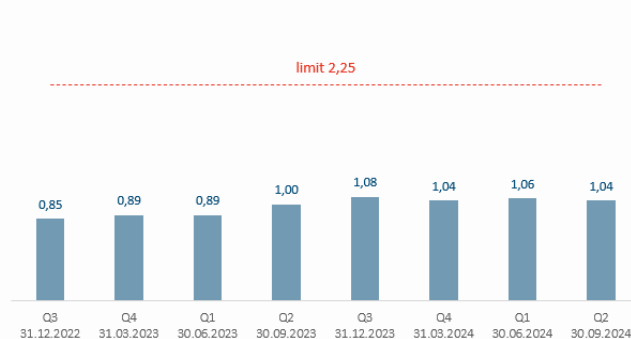
The Parent of the Capital Group - Kredyt Inkaso S.A. - increased its net revenues by PLN 4.4 million (+9% y-o-y) during the reporting period. The cost base rose by PLN 4.7 million (+11% y/y) up to PLN 49.2 million. The increase resulted from higher third-party services (up by PLN 2.7 million, +14% y/y), salaries and employee benefits (up by PLN 1.3 million, +6% y/y), and other operating expenses (up by PLN 1.3 million – the key cause being the provision opened in the amount of PLN 1.4 million covering the Company's obligation to reimburse costs incurred by investors in the review of strategic options). Depreciation/amortisation expense as well as court and enforcement fees decreased slightly in the analysed period, compared to the last year. Finally, the net result decreased by PLN 1.4 million compared to the same period last year and amounted to PLN -1.5 million in 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.

DŁUG NETTO/ LTM EBITDA GOTÓWKOWA



DŁUG NETTO/ KAPITAŁY WŁASNE



(LTM cash EBITDA for the last 12 months, for Q4 2023/24, Q1 2024/25 and Q2 2024/25 does not include the activities of the Russian entity)

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

Both the Kredyt Inkaso 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. Litigations and enforcements

The Group's business model involves purchasing of debt portfolios that include claims arising from sold general services (usually several thousand to tens of thousands of claims bundled in a portfolio) and to pursue their repayment in court. 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 (one or more bad debts, i.e. debts apparently much worse than originally calculated).

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

- 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 the amount of PLN 2,260,000 and the costs of court proceedings including the costs of legal representation 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 fiscal year, which were adjusted in subsequent fiscal years. Kredyt Inkaso S.A. recognises 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 Management 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 Dąbrowski to the Company's Supervisory Board for a new term. John Harvey van Kannel's request for injunction in the present case was fully rejected, 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 this claim sought through this extraordinary procedure to be completely unfounded (Current Report 32/2023).
- a legal action brought by the Company on 18 August 2016 against, jointly and severally: BEST S.A. and Krzysztof Borusowski, for PLN 60,734,500 sought to the benefit 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 Management Board at the time, alleged irregularities in the Company, alleged falsification of financial statements and lack of authority of the Company's Management 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. include in particular (but not limited to): 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 awarded in a closed-door session, and both parties did so. On 12 March 2024, the lower court dismissed the legal action and awarded the Defendants (jointly and severally), according to Article 98 (1) of the Civil Procedure Code and Article 99 of the Civil Code in conjunction with Article 2 (9) of the Minister of Justice Regulation of 22 October 2015 on attorney fees, the amount of PLN 100,000 as refund of legal costs. The Company is currently awaiting a written statement of reasons for this judgment (Current Report 16/2024).

- a lawsuit brought by the Company on 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 arrangement of claim trading transactions on the Romanian market. Paweł Szewczyk remained a member of the Management Board in KI Servcollect SRL without the consent of the Supervisory Board of Kredyt Inkaso S.A. and without notifying the latter. 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 signed with any company from the Kredyt Inkaso capital group. In the lawsuit, the Company has also demanded 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. In May 2024, the Court considered the defendants' objections and excluded BEST S.A. from the proceedings. Witnesses are still being interviewed in the case and further hearing dates are set. The Company is also submitting more requests for evidence. 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 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 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 case is currently pending before the Regional Court in Warsaw, 16th Commercial Division, case number XVI GC 709/22. The Company wants to actively participate in the litigation (Current Report 36/2022 and 38/2022). By an order of 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. According to information provided in Current Report 60/2023, on 23 November 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

There were no significant tax proceedings in the reporting period. After the balance sheet date, on 13 December 2024, the Company received a request from the Customs & Revenue Authorities for Matopolska Province in Poland to submit transfer pricing documentation and JPK_KR and JPK_FA files in connection with the initiation of a customs & tax inspection of corporate income tax disclosures in 01.04.2020 - 31.03.2021.

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

In April 2023, the Parent's Management Board decided to initiate a review of strategic options, based on the Annual General Meeting resolution of 30 September 2022. On 2 October 2024, the Extraordinary General Meeting of the Company resolved to ask the Management Board to continue the review of strategic options and initiate talks with BEST S.A. on a potential merger of the Company with BEST S.A. (as the acquiring party) in order to determine the potential terms of such merger and then to agree upon the merger documentation. Should no such agreement be achieved in the course of the talks by the end of January 2025 or the talks be otherwise terminated earlier due to diverging positions of the two parties, the Management Board was asked to summon a general meeting of the Company to choose further line of action in the review of strategic options (cf. Note 24 in the Group's interim condensed consolidated financial statements cover six months ended 30 September 2024).

The main objective of the Group's activities (assuming the status quo is kept after the review of strategic options), 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. One of the key objectives for the Management Board is to systematically improve *Return On Equity* (ROE) and achieve its level similar to the most effective debt management companies in Europe. In the opinion of the Management Board, assuming the status quo is maintained and there are not further burdens, such as involvement of significant resources in one-off projects (like the review of strategic options), further systematic implementation of the strategy should enable the Group to achieve a robust ROE level at 10+ percent in the coming years.

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 past year, the Group migrated the Romanian operating system to the latest cloud-based version and, in the coming years, plans its further implementation in the Bulgarian market. The Group is also constantly developing an online customer service portal in Poland and wants to launch it in the other foreign markets, as well.

The Group places significant emphasis on transforming its organisational culture and improving the efficiency of its operational processes and further implementing lean methodologies, as well as process automation. The Group has already started investing in the AI area by enhancing staff competences and developing the technology.

5.2. External factors material for the Group's growth

The external factors driving the Group's growth include (assuming the status quo maintained upon the completed review of strategic options):

- the evolution of the approach to debt disposal by universal service providers and the banking sector,
- lack of legal or organisational 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 (assuming the status quo maintained upon the completed review of strategic options):

- maintained ability to process debtor cases - efficient and secure operation of ICT systems,
- the Group's financial position allowing it to raise funds for its business development through debt or equity,
- development of staff 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:

- the Internal Control function that ensures compliance with internal control mechanisms and the quality of processes,
- a compliance-dedicated function (Compliance Officer) tasked with identifying, assessing, controlling and monitoring the risk of non-compliance of operations with laws, internal rules and by-laws and market standards, and providing periodic reports in this regard,
- an independent Internal Audit function (Internal Audit Division) that examines and evaluates, in an independent and objective manner, the adequacy and effectiveness of the risk management system and the internal control system.

The Group manages risks by keeping up to date with the current market trends and developments, as well as changes in the legal and regulatory environment. In terms of risk management, the Group identifies and analyses 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	Risk management	Risk level
Risks related to the increase in operating costs	<p>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.</p> <p>The costs indicated in (i) and (ii) above may increase in particular due to a possible change in legislation. Due 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).</p> <p>A disproportionate increase in any of these cost groups, particularly in the dynamics of realised revenues, may negatively affect the Group's growth dynamic and operational result, consequently leading to impeded ability to service its debts.</p>	<p>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:</p> <ol style="list-style-type: none"> a. increases operational efficiency, b. reduces cost-creating activities by selectively choosing cases with the potential to guarantee cost recovery, c. chooses less costly activities if the probability of expected returns is similar, d. forgoes costly legal action if the cost is higher than the likely gains, e. 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, f. monitors cases with pending enforcement proceedings with the aim of taking them up within the statutory deadline, g. 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, 	High

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk of negative revaluation of carrying value of acquired debt portfolios	<p>The Group acquires debt portfolios for its own account. If the acquired debt portfolios do not 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 proceeds from foreign portfolios (currency risk).</p>	<p>h. 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.</p> <p>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.</p>	High
Risk related to transactions with related parties	<p>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.</p>	<p>The Group analyses current repayments from debt 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.</p>	Medium
	<p>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.</p>	<p>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.</p>	
	<p>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</p>		

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk of new legal restrictions on sale of debt claims	<p>adverse effect on the Group's operations, financial position and results of operations.</p> <p>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:</p> <ul style="list-style-type: none"> • legal regulations and legislative changes, • decisions and rulings of public administrative 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 administrative bodies. <p>In order to minimize the negative repercussions 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 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 adjustment measures in this regard on an ongoing basis. The Group has separate organisational units:</p> <ul style="list-style-type: none"> • in charge of the debt management area, • Compliance Officer, which monitor the Group's compliance with legal regulations, including updating internal rules and by-laws as necessary. 	Medium
Risk of breach of obligations under other than issued bonds	<p>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 secured 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.</p> <p>Placing external financing on maturity would result in a loss of liquidity for the Group.</p>	<p>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.</p>	Medium
Liquidity risk	<p>Expenditures for debt portfolio purchasing are financed from both equity and debt financing, the sources of which are bond issues (indirectly) and bank loans.</p> <p>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.</p>	<p>As part of its liquidity risk management measures, the Group conducts the following activities:</p> <ul style="list-style-type: none"> • 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

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risks related to the Group's debt level	<p>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.</p> <p>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.</p>	<p>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.</p>	Medium
Risks associated with consumer bankruptcy	<p>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 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.</p> <p>Available statistics from the Central Economic Information Centre (COIG) show that about 15.6 thousand consumer bankruptcies were declared in Poland throughout 2022, compared to more than 18 thousand in 2021 and 13 thousand in 2020. In 2023, there were 21 thousand debtors declaring consumer bankruptcy, beating the previous record set in 2021. In the first half of 2024, courts approved the bankruptcy of 10,800 consumers. According to statistics-based estimates, across 2024 the total number of consumer bankruptcies will only slightly exceed the 2023 level.</p>	<p>In order to reduce risks, the Group has streamlined and organised the processes responsible for the proper, efficient and timely handling of cases in which bankruptcy information has been received.</p> <p>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.</p>	Medium
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 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 administrative 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.</p> <p>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.</p>	<p>The Group, through a dedicated business unit, monitors changes in the legal and regulatory environment. Notwithstanding the above, in cases falling within the activity of respective organisational units, each of them is under the obligation to stay up-to-date with changes in legislation, prudential regulations, internal rules and by-laws, recommendations and guidelines of any supervisory authorities, which have an impact on the activities of the organisational unit, as well as to take necessary</p>	Medium

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>At the same time, operating in a volatile regulatory environment in different legal jurisdictions generates an increased risk that the Group may misassess its tax liabilities.</p> <p>As a result of tax reviews, including by external consulting firms in connection with the review of strategic options, the Group obtained new information concerning the risk of the Group's tax liabilities having been recognized improperly in the past.</p> <p>For all uncertain tax positions, the Group analysed the current tax rules and official rulings and, in this assessment, applied them correctly or took steps to rectify any irregularities identified, at the same time opening a provision for the assessed expenses.</p> <p>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.</p>	<p>adjustment actions. In addition, as a member of the Polish Association of Financial Companies (ZPF), 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.</p>	
Risk of significant decline in repayment levels from acquired portfolios	<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 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.</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 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.</p>	Medium
Risk of investment in debt portfolios	<p>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.</p> <p>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.</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 the enforcement of debt claims. When making investments, however, the Group has no assurance</p>	<p>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.</p>	Medium

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>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.</p> <p>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.</p>		
Risk of deterioration of debtors' financial situation	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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, the Group is unable to definitively determine the impact of this situation on the permanent deterioration of the debtors' financial situation.</p> <p>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.</p>	<p>Medium</p>
Risk of inability to purchase new debt portfolios and new collection orders	<p>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.</p> <p>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.</p>	<p>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.</p>	<p>Medium</p>

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk of rising prices of debt portfolios	<p>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.</p>	<p>The Group constantly 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 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.</p>	<p>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.</p>	Medium
Risk of further increase in statutory interest	<p>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 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.</p> <p>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.</p>	<p>The Group manages this risk by analysing the macroeconomic situation and announced changes in interest rates, but has no influence on the MPC's decisions.</p>	Medium
Risk of negative image	<p>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</p>	<p>The Company monitors the media for information in the context of the Company and the Group and responds to it. Communication is carried out both by a professional in-house team and in cooperation with an external PR agency.</p> <p>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</p>	Medium

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	external financing and the number of debt portfolio purchase transactions entered into by the Group.	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). The group also prepares materials to deepen consumers' financial knowledge (tutorials) and to introduce them to the role and operation of debt management companies.	
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 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.	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 changing external environment, creating financial forecasts in the short, medium and long-term horizons.	Medium
Risks related to exchange rate volatility	<p>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:</p> <ol style="list-style-type: none"> 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) unrealised exchange differences from the valuation of settlements as at the balance sheet date. <p>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.</p> <p>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.</p>	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	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk of failure to achieve the Group's strategic objectives	<p>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.</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 results.</p>	<p>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.</p>	Medium
Risk of corporate disputes with the shareholder	<p>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.</p> <p>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 risk of the Shareholder taking actions that impede the Company's development or damage its reputation.</p>	<p>The Company employs qualified lawyers and cooperates with reputable law firms to minimize the effects of potential Shareholder actions that could negatively affect the Company's development or damage its reputation.</p>	Medium
Risk of exceeding investment limits by closed-end investment funds	<p>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 dealing in debt claims, the decision of the management entity, or as a result of a passive change in the value of assets.</p>	<p>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.</p>	Medium
Risks related to military actions of the Russian Federatio on the territory of Ukraine	<p>The military actions of the Russian Federatio 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.</p> <p>Negative media comments about the Group continuing to operate in Russia are possible. The</p>	<p>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.</p> <p>The Group has taken steps to divest the entity operating in</p>	Medium

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>longer it takes to phase-out this activity, the more the risk of potential negative PR will increase.</p> <p>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:</p> <p>a) Withholding - up to a maximum of 5 business days - of incoming and outgoing transfers,</p> <p>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.</p> <p>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.</p> <p>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 and refers to oligarchs and Russian entities with real business interests in Poland.</p> <p>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.</p>	<p>Russia and is making every effort to finalise this transaction within the upcoming 12 months.</p> <p>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.</p> <p>In terms of technology, the Group has realised 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 of a Russian company forced by legislative changes, hacking attacks).</p> <p>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.</p>	
Risk of changes in legal regulations concerning the recovery of debts	<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. 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 and the official interpretation of the existing regulations by both domestic common courts, the Supreme Court as well as CJEU, the risk of increased costs or labour, prolonged litigation or reduced legal</p>	<p>Since the Group's influence 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 regard. The Company is a part of the Association of Financial Companies (ZPF)</p>	<p>Medium</p>

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>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.</p>	<p>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 <i>act on debt collection activities and the debt collector profession</i>. 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 <i>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 2014/17/EU</i>, while preparing to implement changes in operational processes resulting from the proposed legislation. <i>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 2014/17/EU</i>, while preparing to implement changes in operational processes resulting from the proposed legislation.</p> <p>The Company has introduced a mechanism for selecting cases referred for litigation and enforcement based on 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.</p>	
Risk associated with changes in interest rates	<p>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.</p>	<p>The Group controls financial ratios under loan agreements and bond issuance terms, and measures interest rate risk. The Group made certain derivative contracts to partly hedge its interest rate risk.</p>	<p>Medium</p>

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>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 finance expenses associated with the repayment of its liabilities, which may consequently translate into a deterioration of its financial results.</p> <p>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 amortised cost method.</p> <p>Unfavourable changes in interest rates could have a material adverse effect on the Group's operations, financial position and results of operations.</p>		
Compliance risk	<p>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 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.</p> <p>Failure to comply with or misapply supervisory requirements can consequently lead to sanctions by these authorities.</p> <p>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.</p>	<p>The Group has adopted internal rules and by-laws in the area of compliance, such as compliance risk management, conflict of interest management, anti-corruption, protection of professional secrecy, whistleblowing, and ethical principles.</p> <p>In addition, the organisational structure includes a separate and independent organisational unit responsible for compliance, which is responsible for coordinating the management process in the aforementioned areas. Primary compliance mechanisms include:</p> <ol style="list-style-type: none"> a) internal rules and by-laws, and adopted principles of conduct, b) the distribution of tasks and powers assigned to employees in different organisational 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 	Low

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk associated with data processing security and personal data protection	<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 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.</p>	<p>area, system, process, data,</p> <p>e) physical control - understood as a set of access rights to a specific area,</p> <p>f) records and lists kept,</p> <p>g) documenting exceptions in the performance of certain activities under certain rules of conduct,</p> <p>h) any automated controls built into information systems, other controls built into processes, internal regulations to ensure compliance.</p>	Low
	<p>However, it cannot be ruled out that, despite the technical and organisational 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 unauthorised 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 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 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 organisational measures to ensure the protection of processed personal data.</p>	<p>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 organisational 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:</p> <ul style="list-style-type: none"> • the compliance of the activities of data processing with the law and concluded contracts, • 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, • prevention of unauthorised direct access to data, data files or data processing systems; • preventing unauthorised electronic access or taking control of the information system or its functions. 	
Risks associated with the requirement of a	<p>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</p>	<p>It is in the interest of the majority shareholder to hold a number of shares that will</p>	Low

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
majority of more than 60% of votes cast or more for the adoption of a General Meeting resolution	<p>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.</p>	<p>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.</p>	
Risks related to copyrights of software used by the Group	<p>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, 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.</p>	<p>The Company has implemented an internal regulation dedicated to the management of intellectual property, including licenses, describing, among other things:</p> <ul style="list-style-type: none"> ▪ 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 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. <p>The Company additionally has separate units in its organisational structure dedicated to legal services, compliance assurance and internal audit to ensure compliance with the above</p>	Low

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk related to the violation of the collective interests of consumers	<p>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.</p> <p>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 realisation of the above risks could have a significant impact on the Group's operations, financial position and results of operations.</p> <p>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.</p>	<p>regulations, as well as a special-purpose company conducting strictly IT activities.</p>	Low
	<p>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.</p> <p>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.</p>	<p>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.</p>	

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
Risk of preference of bondholders of debt funds in which the Group invests	<p>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.</p>	<p>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.</p>	Low
Risks associated with technology development	<p>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.</p> <p>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.</p>	<p>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 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.</p>	Low
Risk of not obtaining financing for acquisition of new debt portfolios	<p>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.</p> <p>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.</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
Risks related to the review of strategic options for the Company	<p>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</p>	<p>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</p>	Low

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>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 were provided to selected entities. On 2 October 2024, the Extraordinary General Meeting of the Company resolved to ask the Management Board to continue the review of strategic options and initiate talks with BEST S.A. on a potential merger of the Company with BEST S.A. (as the acquiring party) in order to determine the potential terms of such merger and then to agree upon the merger documentation. Should no such agreement be achieved in the course of the talks by the end of January 2025 or the talks be otherwise terminated earlier due to diverging positions of the two parties, the Management Board was asked to summon a general meeting of the Company to choose further line of action in the review of strategic options.</p> <p>At the same time, on 2 October 2024 the Extraordinary General Meeting did not adopt the resolutions in the agenda that would authorise the Management Board to start the procedure of alienating certain Capital Group assets to BEST S.A. (as the acquiring party) and consent to their sale to third parties.</p> <p>In performance of the resolution effected at the Extraordinary General Meeting, on 10 October 2024 the Company signed with BEST S.A. an agreement to commence negotiations and cooperation in relation to a potential merger, and in such agreement the parties agreed that they would make reasonable efforts to analyse the possibility of the potential merger and determine the timetable and structure of its process as well as issue/obtain any disclosures/consents as may be required for the potential merger to/from the competent authorities or third parties.</p> <p>In view of the above, the review of strategic options has not been completed and despite the fact that the Management Board has taken appropriate measures to fix the terms and conditions of the potential merger with BEST S.A. in order to implement such resolution of the Extraordinary General Meeting (including the signing of the above agreement), the Management Board cannot exclude other outcomes of this review. In particular, the Management Board cannot exclude that should the terms of the merger of the Company with BEST S.A. be not agreed upon, the review of strategic options will take a different path, including through a share or asset deal of the Company or its subsidiaries, or other decision made by the Management Board to maintain the status quo. Information about the completion and outcome of the review of strategic options, including any significant events occurring in the course of the process, will be published by the Company appropriately, however the deadline for the</p>	<p>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 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.</p>	

Risk	Description of risks and the Company's and Group's exposure	Risk management	Risk level
	<p>procedure has not been fixed as of the Approval Date. Implementation of any of the strategic options may cause the Group to violate certain covenants that have been incorporated in relevant credit facility agreements or bond issue terms and conditions. For example, the review of strategic options may lead to 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). In addition, such divestment may generate significant proceeds for the Group which are subject to a material amount of tax. A transaction resulting in a change in the Issuer's shareholding structure and, consequently, a possible call for its shares and the withdrawal of its shares from the Regulated Market could also necessitate the early redemption of its bonds or cause its credit facilities to become matured.</p>		

7. STATEMENT FROM THE MANAGEMENT BOARD

The interim condensed interim financial statements and 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 Management Board
Barbara Rudziks

Vice President of Board
Maciej Szymański

Vice President of Board
Iwona Słomska

Board Member
Mateusz Boguta