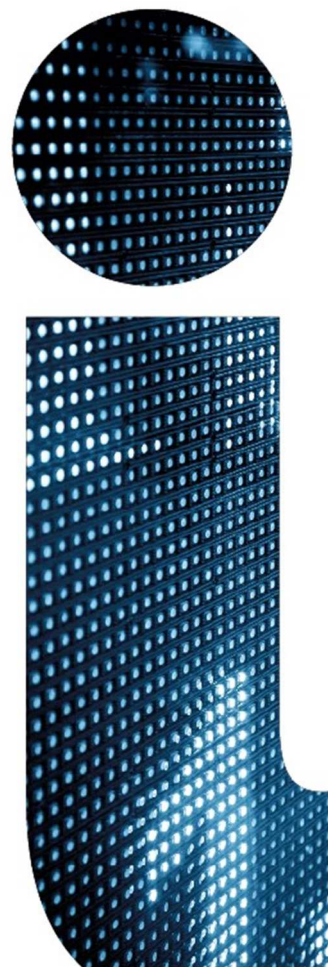


The IPOPEMA Securities Group

Directors' Report

**on the operations of the IPOPEMA
Securities Group in the nine months
ended September 30th 2017**

Warsaw, November 16th 2017



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PART I

1. Financial results

Consolidated financial highlights*	Q1–Q3 2017	Q1–Q3 2016
Total revenue, including	68,957	59,089
<i>Brokerage and related services</i>	34,168	25,464
<i>Investment fund management</i>	22,808	23,995
<i>Advisory services</i>	11,981	9,630
Total operating costs	63,092	56,825
Profit on core activities	5,865	2,264
Net profit for period	2,826	1,403

*Unaudited

Revenue

Higher revenue in the segment of brokerage and advisory services and a slight decrease in revenue in the fund and portfolio management segment translated into a 16.7% increase in the Group's total consolidated revenue in Q1–Q3 2017, to PLN 68,957 thousand, from PLN 59,089 thousand in the first nine months of 2016.

Revenue from brokerage services (PLN 34,168 thousand; 49.5% of consolidated revenue) was 34.2% higher than the year before (PLN 25,464 thousand), driven by higher revenue from securities trading (a 10.9% increase to PLN 17,948 thousand vs PLN 16,185 thousand in the first nine months of 2016) coupled with more than a 60% increase in revenue from investment banking services (PLN 14,948 thousand vs PLN 9,101 thousand) and significantly higher other revenue from core activities (PLN 1,272 thousand vs PLN 178 thousand), mainly attributable to stronger revenue streams in the retail business. The increase in revenue from brokerage operations was principally attributable to a higher value of trades executed on the WSE (up by 35.3%), and the Company's higher market share (5.06% in Q1–Q3 2017 vs 4.66% a year earlier). The improved revenue from investment banking services was due to a higher value of transactions completed in the first three quarters of 2017 compared with the same period of 2016.

In Q1–Q3 2017, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 22,808 thousand (33.1% of consolidated revenue), i.e. 4.9% less year on year (PLN 23,995 thousand). However, the structure of revenue changed towards a higher share of revenue from the management of actively managed funds following an increase of their assets value, which in January–September 2017 averaged PLN 1.1bn, i.e. 29% more year on year (2016: PLN 0.8bn). The total value of assets under management as at the end of September 2017 was PLN 48.0bn (down from PLN 51.0bn a year earlier).

IPOPEMA Business Consulting (advisory services segment) posted revenue of PLN 11,981 thousand in the first three quarters of 2017 (17.4% of consolidated revenue), which represented a 24.4% increase year on year, from PLN 9,630 thousand.

Costs and expenses

As a result of higher costs of operations in the brokerage and advisory services segments, the IPOPEMA Group's total operating costs in Q1–Q3 2017 increased by 11.0% year on year, to PLN 63,092 thousand (Q1–Q3 2016: PLN 56,825 thousand).

In January–September 2017, operating costs in the brokerage services segment totalled PLN 30,291 thousand, having increased by 16.4% on the first three quarters of 2016 (from PLN 26,028 thousand), chiefly on higher transaction costs and costs of distribution of investment products.

Total operating costs of the investment fund and portfolio management segment in Q1–Q3 2017 were PLN 21,263 thousand and remained virtually unchanged year on year (PLN 21,299 thousand).

The business scale expansion in the consultancy services segment in the first three quarters of 2017 translated into an increase in operating costs, which rose by 21.5% year on year (to PLN 11,538 thousand).

Financial results

In Q1–Q3 2017, profit was reported across all segments, which translated into a consolidated operating profit of PLN 5,865 thousand (PLN 2,264 thousand a year earlier) and consolidated net profit of PLN 2,826 thousand (PLN 1,403 thousand a year earlier).

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02% and in IPOPEMA Financial Advisory - 78% (shares held directly and indirectly), net profit attributable to owners of the parent was PLN 2,827 thousand (loss attributable to non-controlling interests was PLN -1 thousand).

Despite higher operating costs, higher revenue in the brokerage services segment translated into the segment's profit on core operations of PLN 3,877 thousand (PLN -564 thousand loss a year earlier), and a net profit of PLN 576 thousand (PLN -1,122 net loss a year earlier).

On a separate basis, IPOPEMA Securities reported a net profit of PLN 2,308 thousand the first three quarters of 2017 (compared with a net profit of PLN 328 thousand in the first three quarters of 2016).

Lower revenue in the investment fund management segment, with operating costs practically unchanged, translated into the segment's profit on core operations of PLN 1,545 thousand in Q1–Q3 2017 (compared with PLN 2,696 a year earlier) and a net profit of PLN 1,913 thousand (vs PLN 2,369 thousand the year before).

In the advisory services segment, higher revenue outpaced an increase in operating costs to yield an operating profit of PLN 443 thousand and net profit of PLN 337 thousand, compared with operating profit of PLN 132 thousand and net profit of PLN 156 thousand reported in Q1–Q3 2016.

2. Material events and factors with a bearing on financial results

Equity market and investment banking

In the first three quarters of 2017, only the Prague Stock Exchange saw investor activity decrease compared with the first three quarters of 2016 (down 7.9%), while the trading volumes in Warsaw and Budapest were higher by 35.3% and 12.0%, respectively. Over the same period, the Company strengthened its position both on the WSE, where its market share rose to 5.06% (from 4.66%), and on the BSE (in January–September 2017 its market share was 2.75%, compared with 2.18% a year earlier). As a result, in January–September 2017 the brokerage services segment's revenue from trading in securities increased by 10.9% year on year, to PLN 17,948 thousand (Q1–Q3 2016: PLN 16,185 thousand).

Conditions on the capital market were equally challenging as in the first three quarters of 2016. Nevertheless, the brokerage segment's revenue from investment banking business increased in the reporting period by 64.2% (PLN 14,948 thousand vs PLN 9,101 thousand in the first three months of 2016).

In Q1–Q3 2017, the segment also delivered a significant increase in other revenue from core activities (PLN 1,272 thousand vs PLN 178 thousand a year earlier), mainly on higher revenue from the retail business.

As a result of these factors, in the first three quarters of 2017 the brokerage segment posted a profit on core activities and a net profit of PLN 3,877 thousand and PLN 576 thousand, respectively (compared with a PLN 564 thousand loss and a PLN 1,122 thousand net loss a year earlier).

Activities of IPOPEMA TFI

An increase in the value of assets in actively managed funds (to PLN 1.2bn at the end of September 2017, vs PLN 1.1bn a year earlier) brought about higher revenue from the management of these funds. At the same time, as a result of changes in the laws regulating fund activities, introduced in 2016, revenue from fees for managing closed-end investment funds declined. As a result, IPOPEMA TFI's total revenue for Q1–Q3 2017 fell by 4.9% (to PLN 22,808 thousand, from PLN 23,995 thousand in the first three quarters of 2016), which, with operating costs virtually unchanged (PLN 21,263 thousand vs PLN 21,299) translated into a lower net profit (PLN 1,913 thousand compared with PLN 2,369 thousand in January–September 2016).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in the first three quarters of 2017 resulted in an increase in the company's revenue (PLN 11,981 thousand vs PLN 9,630 thousand), which, despite higher operating costs (up by 21.5%), was reflected in improved net profit (PLN 337 thousand, compared with a PLN 156 thousand posted a year earlier).

3. Factors which may affect the Group's performance in Q4 2017

Market situation on the Warsaw, Budapest and Prague Stock Exchanges and IPOPEMA Securities' position on the secondary market

Since the beginning of 2017, the indices on the Company's markets have been on the rise – at the end of October, the WIG, BUX and PX indices were up by 25.3%, 23.8% and 15.6%, respectively, on the end of 2016. At the same time, only the Prague Stock Exchange recorded a year-on-year decline in investor activity (down by 7.9%), while trading volumes on the WSE and BSE increased by 35.3% and 12.0%, respectively. Despite this optimistic sentiment, it is difficult to predict how the market situation will be developing towards the end of 2017.

As part of its operations, the Company may acquire financial instruments for its own account. As at the date of this report, the exchange valuation of the portfolio of instruments held by the Company declined markedly. If the current prices persist, the Q4 net profit may be reduced by approximately PLN 2m on account of revaluation.

IPOPEMA Securities' involvement in investment banking projects and execution of transactions in the order book

After a difficult first quarter, in the following months conditions on the equity market improved, mainly due to large public offerings (Griffin RE, Dino Polska, GetBack and Play Communications). However, the current optimistic market sentiment may deteriorate later in 2017 due to the lingering uncertainty as to final details of the reform of the Polish open-end pension funds (OFE) system coupled with increased transfers of funds from OFEs to ZUS (Polish Social Insurance Institution) following the lowering of the retirement age. Nonetheless, the Company is currently working on several transactions and continues the efforts to win new clients, including from sectors which are more resilient to stock market volatility.

Expansion of IPOPEMA Securities' retail business

In February 2016, the Company started offering brokerage services and investment products to a wider retail audience. To date, the Company has entered into cooperation with six entities acting as investment firm agents (Expander Advisors, NWA I Dom Maklerski, Grupa FINANSET, HKN Capital Fund, Caspar Asset Management, and HRE Finanse), and intends to partner with other entities. Although the retail business is already contributing to the Company's revenue, the project is still at a relatively early stage of development, and therefore it is hard

to reliably predict the rate of its growth in the following periods and, consequently, its further effect on results of the Company's operations.

Further expansion of IPOPEMA TFI's business

Changes of the situation on capital markets are reflected in the volume of inflows of assets to investment funds. Any strong market downturn causes a decline in the value of assets under management, but also undermines investors' confidence in this type of products, which translates not only into a very limited inflow of new funds but also into unit redemptions. Despite the current increased interest in investment products (in March 2016–July 2017, retail investment funds delivered net outflows only in June and December 2016), it is difficult to make a fair prediction of investor sentiment in the coming months of 2017. The continuing record-low interest rates may encourage transfers of savings from bank deposits to investment funds, which in turn may have a positive effect on the performance of the fund and portfolio management segment. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on market conditions. Nevertheless, changes in the legal regime introduced in 2016 and affecting the operation of such funds have had an adverse effect on revenues from this area. This adverse effect may continue into future periods, and its scale will depend on the direction of further changes in the laws governing fund activities, including taxation. Given that IPOPEMA TFI is a leading market player specialising in closed-end investment funds, such legislative changes may have an adverse effect on its revenue streams in this business segment.

Expansion of IPOPEMA Business Consulting's business

In the following months of 2017, the key drivers of IPOPEMA Business Consulting's operations will include continued performance of its existing contracts and new additions to the order book, coupled with tight cost control.

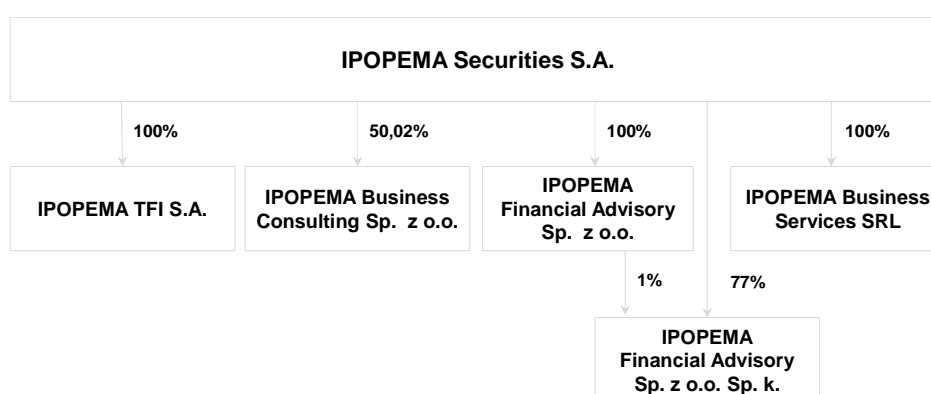
4. Performance against forecasts

The Company has not published any performance forecasts.

PART II

1. Organisational structure of the IPOPEMA Securities Group

As at September 30th 2017, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. (the parent) and its subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o. Sp. k. and IPOPEMA Business Services SRL (Romania). IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. are consolidated, while IPOPEMA Business Services SRL and IPOPEMA Financial Advisory Sp. z o.o. are excluded from consolidation based on the immateriality of their financial data.



2. Changes in the Group's organisational structure

Since the release of the most recent full-year financial statement, there have been no changes to the Group's (liquidation of IPOPEMA Business Services SRL has not been completed).

3. Shareholding structure of IPOPEMA Securities S.A.

As at September 30th 2017, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
JLC Lewandowski S.K.A. ²	2,990,789	9.98%
OFE PZU Złota Jesień*	2,950,000	9.85%
IPOPEMA 10 FIZAN ³	2,851,420	9.52%
Katarzyna Lewandowska	2,136,749	7.13%
Quercus Parasolowy SFIO*	1,754,164	5.85%
Total shareholders holding over 5% of the share capital	15,673,911	52.35%

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

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

² Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

³ The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

Following the notification received on October 12th on the acquisition of Company shares by Value FIZ fund (as announced in Current Report No. 14/2017), as at the date of issue of this report the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
JLC Lewandowski S.K.A. ²	2,990,789	9.98%
OFE PZU Złota Jesień*	2,950,000	9.85%
IPOPEMA 10 FIZAN ³	2,851,420	9.52%
Value FIZ*	2,770,933	9.18%
Katarzyna Lewandowska	2,136,749	7.13%
Quercus Parasolowy SFIO*	1,754,164	5.85%
Total shareholders holding over 5% of the share capital	18,424,844	61.54%

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

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

² Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

³ The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

4. Number of shares held by members of management and supervisory personnel

Below are specified members of the management and supervisory personnel who, as at September 30th 2017 (and as at the date of this report), held – either directly or indirectly through subsidiaries or related entities (including dedicated funds) – IPOPEMA Securities shares:

Person	No. of shares and voting rights	% of ownership interest and total voting rights
Jacek Lewandowski – CEO and President of the Management Board ¹	6,320,868	21.11%
Stanisław Waczkowski – Vice President of the Management Board	3,142,855	10.50%
Mariusz Piskorski – Vice President of the Management Board	915,000	3.06%
Mirosław Borys – Vice President of the Management Board	696,428	2.33%
Piotr Szczepiórkowski – Member of the Supervisory Board	9,811	0.03%
Total	11,084,962	37.03%

¹ As disclosed in item 3, shares in IPOPEMA Securities S.A. were also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

5. Issue, redemption and repayment of equity and non-equity securities

In connection with the implementation of the variable remuneration components policy, in Q1–Q3 2017, IPOPEMA Group companies issued bonds with a total value of PLN 5.2 thousand (Q1–Q3 2016: PLN 2 thousand). By the date of issue of this report, the Group redeemed PLN 6.4 thousand worth of bonds (PLN 6.4 thousand in the first three quarters of 2016). For more information on the issue and redemption of bonds, see Note 11 to the separate financial statements of IPOPEMA Securities S.A., and Note 14 to the consolidated financial statements.

6. Loans, guarantees and sureties

In Q1–Q3 2017 (and in the comparative period), the Company did not receive or provide any sureties or loans (other than loans to its employees, associates and a subsidiary). The guarantees provided to the Company, described in detail in Note 12 to the financial statements of IPOPEMA Securities, were renewed.

7. Selected corporate events

Transfer of part of the advisory business to IPOPEMA Financial Advisory

In February 2017, the advisory services related to financial restructuring and fund raising for infrastructure projects, thus far provided by IPOPEMA Securities, were transferred to IPOPEMA Financial Advisory Sp. z o.o. Sp. k.

Resignations by members of the Company's and IPOPEMA TFI's Management Boards

On January 4th 2017, Mr Daniel Ścigala tendered his resignation as a Management Board Member citing important personal reasons, effective from the end of January 2017. January 31st 2017 was the last day of work of Daniel Ścigala at the Company.

On March 14th 2017, Mr Maciej Jasiński resigned as Vice President of the Management Board of IPOPEMA TFI. The resignation is due to personal reasons, but Maciej Jasiński has remained with the IPOPEMA Group and continues to be engaged in the activities of IPOPEMA TFI.

Change in the composition of the Supervisory Board

In connection with the expiry in 2017 of the statutory mandate of the Supervisory Board, on June 27th 2017 the Annual General Meeting elected the Supervisory Board for the next term of office. Mr Zbigniew Mrowiec, who resigned as candidate for the new term, was replaced on the Supervisory Board by Piotr Szczepiórkowski. There were no other changes in the composition of the IPOPEMA Securities Supervisory board.

Dividend paid by IPOPEMA Business Consulting

In May 2017, a resolution on dividend payment was passed by IPOPEMA Business Consulting, pursuant to which IPOPEMA Securities is to receive PLN 900 thousand.

8. Court proceedings

In March 2015, the Polish Financial Supervision Authority imposed a fine of PLN 50 thousand on IPOPEMA TFI for non-compliance by one of the funds with the provisions of its Articles of Association between September 4th 2012 and July 29th 2013. IPOPEMA TFI rejected the Authority's arguments and filed a request for re-examination of the case. In August 2017, following re-examination of the case, the Polish Financial Supervision Authority maintained its position.

In April 2016, IPOPEMA Securities filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of the claim is PLN 49.2 thousand. The proceedings are pending.

In May 2017, the Company filed two further suits against its customers. In each case, the amount of the claim is PLN 30 thousand. In one of the cases, the court issued an order of payment which has not yet become final. The proceedings are pending.

In July 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ('GPW'), in which GPW seeks payment of PLN 20.5m in connection with a financial loss incurred by GPW as a result of its investment in certificates issued by the IPOPEMA 60 FIZAN fund managed by IPOPEMA TFI. IPOPEMA TFI considers GPW's claims to be groundless and is seeking to dismiss the action. A response to the claim has been filed with the court. Currently, IPOPEMA TFI awaits the first hearing scheduled for February 2018. For this reason, IPOPEMA TFI has not recognised any provision for potential costs related to the claim.

Apart from the abovementioned proceedings, none of the IPOPEMA Group companies was party to any other court proceedings in the first three quarters of 2017.

9. Related-party transactions

In Q1–Q3 2017, the Company did not conclude any material related-party transactions on a non-arm's length basis. For details of related party-transactions, see Note 25 to the interim condensed consolidated financial statements.

10. Material events subsequent to the reporting date

In the period between September 30th 2017 and the date of issue of the financial statements, there were no material events which would affect the Company's business.

Management's Discussion and Analysis for report for the first nine months of 2017

Warsaw, November 16th 2017

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski
President
of the Management Board

Mariusz Piskorski
Vice President
of the Management Board

Stanisław Waczkowski
Vice President
of the Management Board

Miroslaw Borys
Vice President
of the Management Board