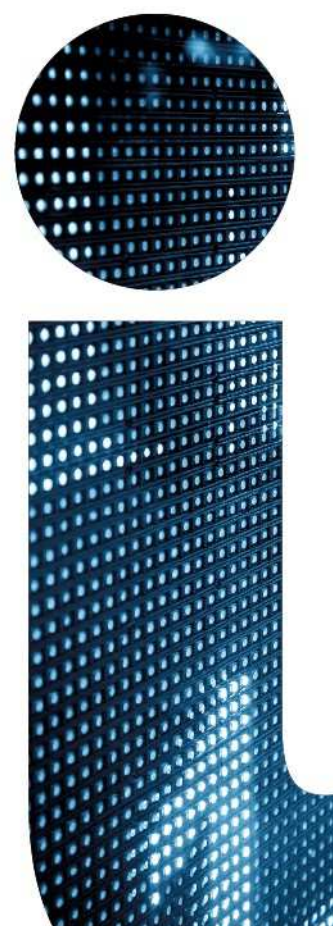


The IPOPEMA Securities Group

Directors' Report

**on the operations of the IPOPEMA Securities Group
for three months
ended March 31st 2017**

Warsaw, May 18th 2017



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PART I

1. Financial performance

Revenue

Higher revenue in the brokerage and consultancy services segment, coupled with a concurrent minor decline in revenue from investment fund and portfolio management, translated into a 31.2% growth in total consolidated revenue of the IPOPEMA Group in Q1 2017, which rose to PLN 22,193 thousand from PLN 16,916 thousand in Q1 2016.

Revenue from brokerage services (PLN 10,328 thousand; 46.5% of consolidated revenue) was 39.1% higher than the year before (PLN 7,426 thousand), driven by higher revenue from securities trading (PLN 6,393 thousand vs PLN 5,620 thousand in Q1 2016) coupled with a growth in revenue from investment banking services (PLN 2,746 thousand vs PLN 1,775 thousand) and significantly higher other revenue from core activities (PLN 1,189 thousand vs PLN 31 thousand), mainly attributable to a revenue growth 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 49.9%), despite the Company's slightly lower market share (5.00% in Q1 2017 vs 5.04% a year earlier). The improved revenue from investment banking services was due to a higher number of transactions completed in Q1 2017 compared with the same period of 2016.

In Q1 2017, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 7,582 thousand (34.2% of consolidated revenue), close to the figure reported a year earlier (PLN 7,666 thousand). However, the structure of revenue changed towards a higher share of revenue from the management of actively managed funds following a growth of their assets value, which in Q1 2017 averaged PLN 1.0bn, up by 43% (PLN 0.7bn) year on year. The total value of assets under management as at the end of March 2017 was PLN 54.8bn (up from PLN 48.6bn a year earlier).

IPOPEMA Business Consulting (consultancy segment) posted revenue of PLN 4,283 thousand in Q1 2017 (19.3% of consolidated revenue), more than double the figure of PLN 1,824 thousand reported a year earlier.

Costs and expenses

As a result of higher costs of operations in the brokerage and consultancy services segments, the IPOPEMA Group's total costs of operations in Q1 2017 were up 10.7% on Q1 2016 and amounted to PLN 20,524 thousand (Q1 2016: PLN 18,536 thousand).

In January–March 2017, costs of operations in the brokerage services segment totalled PLN 10,032 thousand, having increased by 14.7% on Q1 2016 (up from PLN 8,743 thousand), chiefly on higher transaction costs and costs of distribution of investment products.

Cost controls implemented in the investment fund and portfolio management segment helped reduce total costs of operations by 9.9%, to PLN 6,549 thousand vs PLN 7,265 thousand the year before.

The business scale expansion in the consultancy services segment in Q1 2017 entailed an increase in operating costs (PLN 3,943 thousand), which rose by 56.0% compared with the first three months of 2016.

Net earnings

Operating profits generated by all the segments translated into a consolidated operating profit of PLN 1,669 thousand in Q1 2017 (compared with a consolidated operating loss of PLN 1,620 thousand reported a year earlier). Furthermore, thanks to net profits earned in the fund and portfolio management and consultancy services segments, in spite of a net loss posted in the brokerage services segment, the Group recorded a consolidated net profit of PLN 519 thousand (vs a net loss of PLN 2,181 thousand in Q1 2016).

As IPOPEMA Securities' respective equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 78%, net profit attributable to owners of the parent amounted to PLN 558 thousand, and loss attributable to non-controlling interests was PLN 39 thousand.

Despite higher operating costs, higher revenue generated in the brokerage services segment translated into the segment's profit on core operations of PLN 296 thousand (compared with a PLN 1,317 thousand loss a year earlier). However, as a result of higher interest expense and foreign exchange losses, the segment recorded a net loss of PLN 370 thousand (compared with a net loss of PLN 1,899 thousand a year earlier).

On a separate basis, IPOPEMA Securities reported a net loss of PLN 95 thousand in Q1 2017 (compared with a net loss of PLN 1,918 thousand in Q1 2016).

Despite marginally lower revenue in the fund and portfolio management segment, the reduction of costs of operations translated into a higher operating profit (PLN 1,033 thousand vs PLN 401 thousand a year earlier) and net profit (PLN 869 thousand vs PLN 410 thousand) posted in Q1 2017.

In the consultancy services segment, significantly higher revenue outpaced an increase in operating costs to yield an operating profit of PLN 340 thousand and net profit of PLN 20 thousand, compared with an operating loss of PLN 704 thousand and net loss of PLN 692 thousand reported in Q1 2016.

2. Material events and factors with bearing on the financial performance

Equity market and investment banking

In Q1 2017, only the Budapest Stock Exchange recorded a decrease in trading volumes (down 6.0% on Q1 2016), while trading volumes in Warsaw and Prague were, respectively, 49.9% and 10.1% higher compared with the first three months of 2016. Over the same period, the Company's market share at the WSE contracted slightly to 5.00% (from 5.04%), while its position on the BSE strengthened (in Q1 2017 its market share was 2.23%, compared with 1.89% a year earlier). As a result, the Company's revenue from trading in securities in Q1 2017 rose by 13.8% year on year (PLN 6,393 thousand vs PLN 5,620 thousand).

Conditions on the capital market were equally challenging as in Q1 2016. However, thanks to a tender offer for Gobarto shares and offering of Globe Trade Centre bonds, as well as services provided on an as-needed basis with respect to several transactions that were under preparation, the segment of brokerage services recorded higher revenue from investment banking (PLN 2,746 thousand, compared with PLN 1,775 thousand in Q1 2016).

In Q1 2017, the Company also recorded a significant increase in other revenue from core activities (PLN 1,189 thousand vs PLN 31 thousand a year earlier), mainly on higher revenue from the retail business.

As a result of these factors, the brokerage services segment posted a profit on core activities of PLN 296 thousand (compared with a PLN 1,317 thousand loss a year earlier), despite higher operating costs. However, due to higher interest expense and foreign exchange losses, the segment recorded a net loss of PLN 370 thousand (compared with a net loss of PLN 1,899 thousand a year earlier).

Activities of IPOPEMA TFI

The increase in the value of assets in actively managed funds (to PLN 1.0bn at the end of March 2017, compared with PLN 0.7bn a year earlier) brought about an increase in revenue from the management of these funds. At the same time, as a result of changes in the laws regulating fund operations, introduced in 2016, there was a decline in revenue from closed-end investment funds. As a result, IPOPEMA TFI's total revenue for Q1 2017 fell slightly (to PLN 7,582 thousand, from PLN 7,666 thousand in Q1 2016), but thanks to a reduction of operating costs by 9.9%, the segment saw its net profit improve to PLN 869 thousand (from PLN 410 thousand in Q1 2016).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in Q1 2017 resulted in a more than twofold increase in the company's revenue, which, despite higher operating costs (up by 56.0%), was reflected in improved net profit (PLN 20 thousand, compared with a PLN 692 thousand loss posted a year earlier).

3. Factors which may affect the Group's performance in Q2 2017

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

In the first months of 2017, stock market indices were growing at a steady pace both on the WSE and the BSE – by the end of April, WIG and BUX grew by 19.0% and 9.4%, respectively, relative to the end of 2016. The Prague Stock Exchange PX index stood 3.0% higher at the end of April relative to the end of December. At the same time, in Q1 2017, only the Budapest Stock Exchange saw investor activity wane compared with Q1 2016 (down 6.0%), while the trading volumes in Warsaw and Prague were, respectively, 49.9% and 10.1% higher. Despite this optimistic sentiment, it is difficult to predict how the market situation will be developing in the coming months of 2017.

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

After a challenging first quarter on the capital market, the situation improved in April, owing mostly to two initial public offerings (Griffin RE and Dino Polska) – the largest IPOs since the beginning of 2014. However, the current optimistic market sentiment may deteriorate later in 2017 due to the continuing uncertainty as to final details of the reform of the Polish open-end pension funds (OFE) system. Nonetheless, the Company is currently working on several transactions and continues to seek 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 broad base of retail customers. To date, the Company has entered into cooperation with four entities acting as investment firm agents (Expander Advisors, NWA I Dom Maklerski, Grupa FINANSET, and HKN Capital Fund), and soon intends to launch collaboration with Fintegra and Caspar Asset Management, which are already entered in IPOPEMA's list of investment firm agents. Although the retail business is already contributing to the Company's revenue, the project is still at an early stage of development, which makes it hard to reliably predict the rate of its growth in the following months of 2017 and, consequently, its further effect on the Company's performance.

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 resurgence of sentiment in favour of investment products (between March 2016 and April 2017, retail investment funds recorded net outflows only in June and December 2016), it is hard to make a fair prediction of investor sentiment in the coming months of 2017. However, 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. In the following months

of 2017, the market of closed-end investment funds may be materially affected by changes in the laws regulating their operations, including their tax treatment. 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 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.

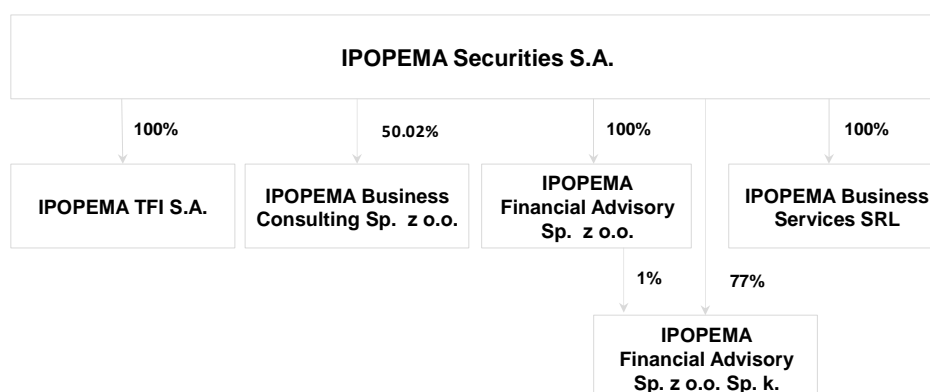
4. Performance against forecasts

The Company has not published any performance forecasts.

Part II

1. Organisational structure of the IPOPEMA Securities Group

As at March 31st 2017, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. as the parent, and the following 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 organisational structure of the IPOPEMA Securities Group

On April 1st 2016, the process of winding up the Hungarian subsidiary was completed, resulting in IPOPEMA Securities becoming the sole shareholder of IPOPEMA Business Services SRL (whose liquidation is expected to be closed in the first half of 2017). Moreover, the Company acquired from IPOPEMA Business Consulting all shares in IPOPEMA Outsourcing Sp. z o.o., whose name was then changed to IPOPEMA Financial Advisory Sp. z o.o. At the same time, the subsidiary IPOPEMA Financial Advisory Spółka z ograniczoną odpowiedzialnością Sp.k. was registered in July 2016.

3. Shareholding structure of IPOPEMA Securities S.A.

As at March 31st 2017, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights at GM	% of total voting rights at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.99%
JLC Lewandowski S.K.A. ²	2,990,789	9.99%
OFE PZU Złota Jesień*	2,950,000	9.85%
IPOPEMA 10 FIZAN ³	2,851,420	9.52%
Katarzyna Lewandowska	2,136,749	7.14%
Quercus Parasolowy SFIO*	1,754,164	5.86%
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.

4. Changes in the number of shares held by members of management and supervisory personnel

Below are specified members of the management and supervisory staff who, as at March 31st 2017, held – either directly or indirectly through their subsidiaries or related entities (including dedicated funds) – IPOPEMA Securities shares. The shareholdings of members of the management and supervisory staff did not differ from those disclosed in the 2016 report.

Person	No. of shares and votes	% of ownership interest and total vote
Jacek Lewandowski – 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%
Total	11,075,151	36.99%

¹ As disclosed in the table 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

No non-equity or equity securities of IPOPEMA Securities S.A. were issued in Q1 2017 or Q1 2016. However, in connection with the variable remuneration components policy, bonds were redeemed for a total amount of PLN 1.1 thousand (compared with PLN 3.3 thousand a year earlier). For more information on the issue and redemption of bonds, see Note 14 to the consolidated financial statements.

6. Loans, guarantees and sureties

In Q1 2017, the Company did not receive or provide any sureties or loans, while 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 a part of the advisory business to IPOPEMA Financial Advisory

Starting from 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. For more information on this company, see the Directors' Report for 2016 and the consolidated financial statements of the IPOPEMA Group for Q1 2017.

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

On January 4th 2017, Mr Daniel Ścigała tendered his resignation as a Management Board Member citing important personal reasons, effective from the end of January 2017. As of January 31st 2017, Mr Daniel Ścigała does not work for 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 Mr Maciej Jasiński has remained with the IPOPEMA Group and continues to be engaged in the activities of IPOPEMA TFI.

Dividend from 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 April 2016, IPOPEMA Securities filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of claim is PLN 49.2 thousand. 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 the 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. IPOPEMA TFI filed an response to the statement of claim in due time and is currently awaiting the court's further decisions on the matter.

Apart from the above-mentioned proceedings, none of the IPOPEMA Group companies was party to any other court or administrative proceedings in Q1 2017.

9. Related-party transactions

In Q1 2017, the Company did not execute any material related-party transactions.

10. Material events subsequent to the reporting date

In the period between March 31st 2017 and the issue date of the financial statements, there were no material events affecting the Company's operations.

Warsaw, May 18th 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

Mirosław Borys
Vice President of the
Management Board