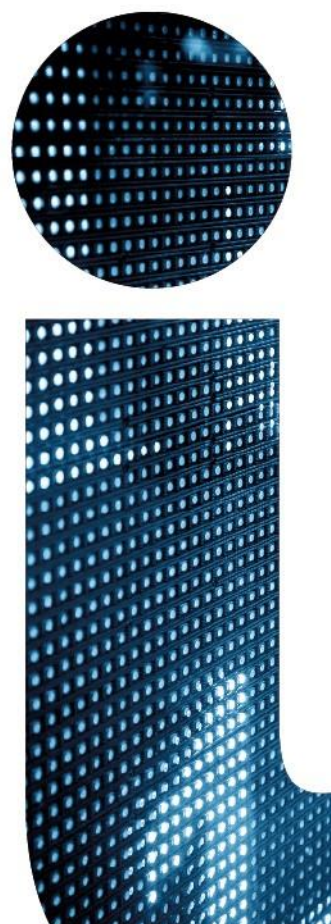


IPOPEMA Securities Group

Directors' Report

**on the operations of the IPOPEMA Securities Group
for three months
ended March 31st 2018**

Warsaw, May 24th 2018



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PART I

1. Financial results

Revenue

Higher revenue in the segment of brokerage and advisory services, and a slight decrease in revenue of the fund and portfolio management segment, translated into a 6.0% increase in the Group's total consolidated revenue in the first quarter of 2018, to PLN 23,529 thousand, from PLN 22,193 thousand in the first quarter of 2017.

Revenue from brokerage services (PLN 10,860 thousand; 46.2% of consolidated revenue) was 5.2% higher than the year before (PLN 10,328 thousand), driven by higher revenue from securities trading (an increase to PLN 6,746 thousand vs PLN 6,393 thousand in the first quarter of 2017) coupled with a slight decrease in revenue from investment banking services (PLN 2,662 thousand vs PLN 2,746 thousand) and higher other revenue from core activities (PLN 1,452 thousand vs PLN 1,189 thousand), mainly attributable to stronger revenue streams in the retail business. The increase in revenue from brokerage activities was principally attributable to higher revenue from intermediation in equities trading on foreign markets and on the domestic bond market. The decrease in revenue from investment banking services was due to a lower value of transactions completed in the first quarter of 2018 compared with the same period of 2017.

In the first quarter of 2018, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 7,103 thousand (30.2% of consolidated revenue), i.e. 6.3% less than the year before (PLN 7,582 thousand). Relative to Q1 2017, the structure of revenue changed towards a higher share of revenue from the management of capital market funds following an increase of their assets value, which averaged PLN 1.3bn in Q1 2018 vs PLN 1.1bn in Q1 2017. The total value of assets under management as at the end of March 2018 was PLN 55.0bn (up from PLN 54.8bn a year earlier).

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 5,566 thousand in Q1 2018 (23.7% of consolidated revenue), a 30% increase (from PLN 4,283 thousand) compared with the first three months of 2017.

Costs and expenses

The IPOPEMA Group's total costs of operations in Q1 2018 were up 17.6% on Q1 2017 and amounted to PLN 24,142 thousand (Q1 2017: PLN 20,524 thousand).

In January–March 2018, costs of operations in the brokerage services segment totalled PLN 10,652 thousand, having increased by 6.2% on Q1 2017 (up from PLN 10,032 thousand), chiefly on higher costs of distribution of investment products and higher cost of services.

Higher costs of operations in the investment fund and portfolio management segment (PLN 8,071 thousand vs PLN 6,549 thousand in Q1 2017) were primarily driven by higher costs of fund distribution.

Higher revenue in the advisory services segment in Q1 2018 entailed an increase in operating costs (PLN 5,419 thousand), up by 37.4% compared with the first three months of 2017.

Financial results

Despite an operating profit earned by the brokerage and advisory services segments, a loss posted by the investment fund management segment translated into a consolidated operating loss of PLN 613 thousand (compared with a PLN 340 thousand profit a year earlier). As regards the net result, only the advisory services segment recorded a net profit and, consequently, a consolidated net loss for the first quarter of 2018 amounted to PLN 865 thousand (compared with a net profit of PLN 519 thousand the year before).

As IPOPEMA Securities' respective equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 78%, loss attributable to owners of the parent amounted to PLN 824 thousand, while loss attributable to non-controlling interests was PLN 41 thousand.

Despite a rise in operating costs, higher revenue generated in the brokerage services segment translated into the segment's profit on core operations of PLN 208 thousand (compared with a PLN 296 thousand loss a year earlier). However, as a result of higher finance costs, the segment recorded a net loss of PLN 432 thousand (compared with a net loss of PLN 370 thousand in the previous year).

On a separate basis, IPOPEMA Securities reported a net loss of PLN 158 thousand in Q1 2018 (compared with a net loss of PLN 95 thousand in Q1 2017).

Lower revenue from the management of investment funds (down by 6.3%), combined with significantly higher operating expenses (up by 23.2%), translated into a PLN 968 thousand loss on the operations of the investment fund and portfolio management segment (vs a profit of PLN 1,033 thousand for Q1 2017) and a PLN 570 thousand net loss (compared with a profit of PLN 869 thousand posted the year before).

In Q1 2018, the advisory services segment recorded an operating profit of PLN 147 thousand (compared with PLN 340 thousand the year before) and a net profit of PLN 137 thousand (Q1 2017: PLN 340 thousand and PLN 20 thousand, respectively).

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

Equity market and investment banking

In the first quarter of 2018, the total value of trades executed on the Warsaw Stock Exchange was 19.5% lower than a year earlier. Over the same period, the Company's market share contracted slightly, to 4.92% from 5.00%. Nevertheless, its increased activity in equities trading intermediation on foreign markets and higher revenue from bonds trading translated into an increase in revenue from securities trading (PLN 6,746 thousand vs PLN 6,393 thousand a year earlier).

Conditions on the capital market were equally challenging as in Q1 2017. Thanks to the offering of Globe Trade Centre and Kredyt Inkaso bonds, as well as services provided on an as-needed basis with respect to several transactions under preparation, in Q1 2018 the segment of brokerage services recorded only a slight drop in revenue from investment banking (PLN 2,662 thousand compared with PLN 2,746 thousand in Q1 2017).

In Q1 2018, the Company also recorded an increase in other revenue from core activities (PLN 1,452 thousand vs PLN 1.189 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 208 thousand (compared with a PLN 209 thousand loss a year earlier), despite higher operating costs. However, as a result of higher finance costs, the segment recorded a net loss of PLN 432 thousand (compared with a net loss of PLN 370 thousand in the previous year).

Activities of IPOPEMA TFI

An increase in the value of assets in capital market funds (to PLN 1.3bn at the end of March 2018, compared with PLN 1.0bn 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 activities, introduced in 2016, there was a decline in revenue from fees for managing closed-end investment funds. As a result, IPOPEMA TFI's total revenue for Q1 2018 fell by 6.3% (to PLN 7,103 thousand, from PLN 7,582 thousand in Q1 2017), which, together with a 23.2% increase in operating costs, translated into the segment's net loss of PLN 570 thousand (compared with a net profit of PLN 869 thousand the year before).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in the first quarter of 2018 resulted in a 30% increase in the company's revenue, which, despite higher operating costs (up by 37.4%), was reflected in improved net profit (PLN 137 thousand, compared with a PLN 20 thousand loss posted a year earlier).

3. Factors which may affect the Group's performance in Q2 2018

Market situation on the Warsaw Stock Exchange and IPOPEMA Securities' position on the secondary market

After the WIG index gained over 20% in 2017, the Warsaw Stock Exchange has now entered a bear phase – until the date of issue of this Management's Discussion and Analysis, WIG has declined 9.0% since the beginning of the year (and 14.1% since the peak recorded in the second half of January). The deteriorated sentiment is also seen in weaker investor activity – in Q1 2018, the value of trading on the WSE was 19.5% lower than last year. It is therefore difficult to predict how the market situation will develop in the coming months of 2018.

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

The first months of 2018 have seen no signs that conditions in the public offerings market might improve during the year. 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 wider retail audience. At present, the Company works with five entities acting as investment firm agents (Expander Advisors, Grupa Finanset, HKN Capital Fund, Caspar Asset Management, and HRE Finance), 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 effect on results of the Company's operations in the coming months of 2018.

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 renewed interest in investment products (retail investment funds have reported net subscriptions ever since January 2017), it is difficult to predict how investor sentiment will change in the coming months of 2018. 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, its scale depending 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 2018, 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.

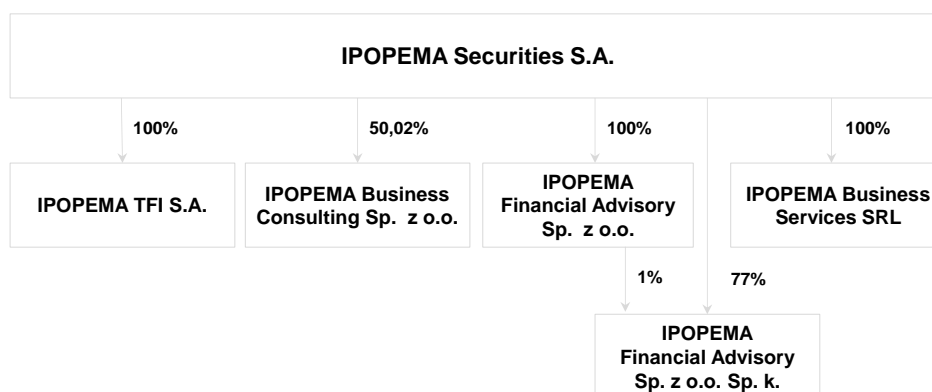
4. Performance against forecasts

The Company has not published any performance forecasts.

PART II

1. Organisational structure of the IPOPEMA Securities Group

As at March 31st 2018, 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 (a Romanian company in liquidation). 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

In the first quarter of 2018, there were no changes in the structure of the IPOPEMA Securities Group.

3. Shareholding structure of IPOPEMA Securities S.A.

As at March 31st 2018, 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*	2,750,933	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. Changes in the number of shares held by members of management and supervisory personnel

Below are listed members of the management and supervisory personnel who, as at March 31st 2018 (until the date of this Management's Discussion and Analysis), held – either directly or indirectly through their subsidiaries or related parties (including dedicated funds) – IPOPEMA Securities shares. The shareholdings of members of the management and supervisory staff did not differ from those disclosed in the 2017 report.

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	10.49%
Mariusz Piskorski – Vice President of the Management Board	915,000	3.05%
Mirosław Borys – Vice President of the Management Board	696,428	2.32%
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

No equity or non-equity securities of IPOPEMA Securities S.A. were issued in Q1 2018 or in Q1 2017. However, in connection with the variable remuneration components policy, bonds were redeemed for a total amount of PLN 2.2 thousand (compared with PLN 1.1 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 2018, the Company did not receive or provide any sureties or loans. The guarantees provided to the Company are described in Note 12 to the financial statements of IPOPEMA Securities.

7. Court proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of the claim was PLN 49.2 thousand. A payment order was issued, subsequently appealed against by the defendant. The appeal was dismissed by the court on formal grounds. The defendant lodged a complaint, which was also dismissed by the court. The enforcement proceedings are pending. To date, the disputed amount has been enforced.

In May 2017, the Company filed two further suits against its clients. In each case, the amount of the claim was PLN 30 thousand. In January 2018, in one of these cases, the court issued a payment order with a writ of execution, and enforcement proceedings were instituted. As at the date of the interim condensed financial statements, the claimed amount had been enforced. As regards the other case, a payment order was issued in December 2017; as at the date of the financial statements, the proceedings were pending.

On July 27th 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 20,554,900.90m for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI considers GPW's claims to be groundless and is seeking dismissal of the action. A response to the claim has been filed with the court. For this reason, IPOPEMA TFI has not recognised any provision for potential costs related to the claim. To date, one hearing has already been held and another has been scheduled. However, it cannot be ruled out that the final judgment may be unfavourable for IPOPEMA TFI, but given the early stage of the proceedings, the probability of any outcome cannot be reliably determined.

On November 14th 2017, the Management Company received a copy of a statement of claim filed by a former employee, seeking payment of PLN 40,500 in severance pay allegedly agreed between the parties. The Management Company disputed the claim in its entirety, taking steps to have it dismissed by the court.

Apart from the above-mentioned proceedings, none of the IPOPEMA Group companies was party to any other court or administrative proceedings in Q1 2018.

8. Related-party transactions

In Q1 2018, the Company did not execute any material related-party transactions.

9. Material events subsequent to the reporting date

In the period between March 31st 2018 and the date of issue of the financial statements, there were no material events which would affect the Company's business.

Warsaw, May 24th 2018

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