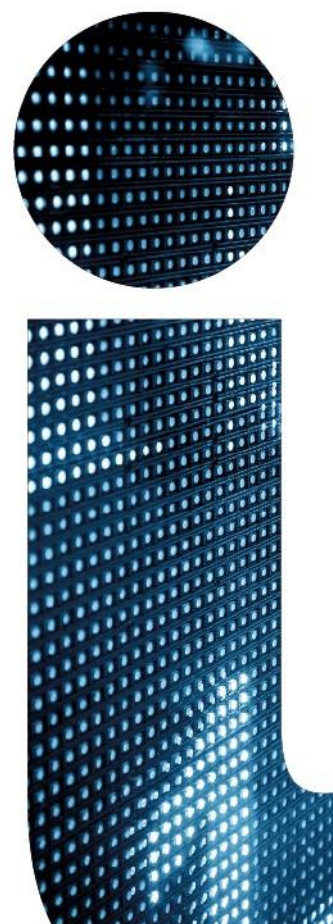


The IPOPEMA Securities Group

Directors' Report

**for the three months ended
March 31st 2019**

Warsaw, May 23rd 2019



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PART I

1. Financial results

Revenue

Despite lower revenue from brokerage services, the rise in revenue from investment fund management and advisory services contributed to a 10.1% increase in the IPOPEMA Group's total consolidated revenue in Q1 2019 (to PLN 25,917 thousand from PLN 23,529 thousand in January–March 2018).

Revenue generated in the segment of brokerage services (PLN 7,472 thousand; 28.8% of consolidated revenue) was down by 31.2% year on year (PLN 10,860 thousand) due to lower revenue in each area of the Company's operations. Revenue from trading in securities fell by 16.9% (PLN 5,609 thousand vs PLN 6,746 thousand), while revenue from investment banking services amounted to PLN 1,529 thousand compared with PLN 2,662 thousand a year before, and other revenue (mainly retail revenue) was PLN 334 thousand (relative to PLN 1,452 thousand in Q1 2018). The drop in revenue from brokerage activities was chiefly attributable to a decline in the Company's market share (3.47% in the first three months of 2019 vs 4.92% in the same period of 2018). Revenue from investment banking services deteriorated due to a materially lower value of transactions completed in Q1 2019 compared with Q1 2018. At the same time, other revenue fell primarily as a result of a shift in retail investors' sentiment towards investment funds.

In Q1 2019, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 12,473 thousand (52.5% of consolidated revenue), 75.6% more than the year before (PLN 7,103 thousand). Success fees from the securitisation funds launched in 2018 were the main driver of a material increase in IPOPEMA TFI's revenue. The share of revenue from management of capital market funds continues to grow following an increase of their asset value, which reached PLN 1.6bn at the end of March 2019 vs PLN 1.3bn in the previous year. The total value of assets under IPOPEMA TFI's management as at the end of Q1 2019 was PLN 51.5bn (down from PLN 55.0bn a year earlier).

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 5,972 thousand in Q1 2019 (23.0% of consolidated revenue), a 7.3% increase (from PLN 5,566 thousand) compared with the first three months of 2018.

Costs and expenses

The IPOPEMA Group's total costs of operations in Q1 2019 were up 10.1% on Q1 2018 and amounted to PLN 26,589 thousand (Q1 2017: PLN 24,142 thousand).

In January–March 2019, costs of operations in the brokerage services segment totalled PLN 8,419 thousand, having decreased by 21.0% on Q1 2018 (down from PLN 10,652 thousand), chiefly on lower transaction costs and lower cost of services.

Higher costs of operations in the investment fund and portfolio management segment (PLN 12,241 thousand vs PLN 8,071 thousand in Q1 2018) were primarily driven by costs related to securitisation funds management and higher costs of capital market funds distribution.

Higher revenue in the advisory services segment in Q1 2019 entailed an increase in operating costs (PLN 5,929 thousand), up by 9.4% compared with the first three months of 2018.

Financial results

Despite the operating profit earned on investment fund management and advisory services, in Q1 2019 the loss posted by the brokerage services segment resulted in a consolidated operating loss of PLN 672 thousand (vs loss of PLN 613 thousand a year earlier). Similarly, despite the net profit earned on investment fund management and advisory services, the net loss posted by the brokerage services segment translated into a consolidated net loss of PLN 853 thousand in the first three months of 2019 (vs net loss of PLN 865 thousand a year earlier).

As IPOPEMA Securities' respective equity interests in IPOPEMA Business Consulting and IPOPEMA Financial Advisory are 50.02% and 77%, loss attributable to owners of the parent amounted to PLN 810 thousand, while loss attributable to non-controlling interests was PLN 43 thousand.

Despite reduced operating costs, the markedly lower revenue in the brokerage services segment in Q1 2019 resulted in a loss on core activities of PLN 947 thousand (vs profit of PLN 208 thousand a year earlier), and a net loss of PLN 1,032 thousand (vs net loss of PLN 432 thousand a year earlier).

On a separate basis, IPOPEMA Securities reported a net loss of PLN 497 thousand in Q1 2019 (compared with a net loss of PLN 158 thousand in Q1 2018).

Markedly higher revenue from investment fund management (up by 75.6%), despite significantly higher operating expenses (up by 51.7%), translated into a PLN 232 thousand operating profit of the investment fund and portfolio management segment (vs a loss of PLN 968 thousand the year before) and a PLN 125 thousand net profit (compared with a net loss of PLN 570 thousand posted in Q1 2018).

In Q1 2019, the advisory services segment recorded an operating profit of PLN 43 thousand and net profit of PLN 54 thousand, compared with PLN 147 thousand and PLN 137 thousand, respectively, a year earlier.

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

Equity market and investment banking

Although the value of trades executed on the Warsaw Stock Exchange in Q1 2019 was only 1.2% lower than in Q1 2018, in the same period the Company's market share dropped significantly, from 4.92% to 3.47%, leading to a 16.9% decline in revenue from securities trading (PLN 5,609 thousand vs PLN 6,746 thousand in Q1 2018).

Last year's headwinds on the equity transactions market persisted also in the first quarter of 2019. Consequently, revenue from investment banking services was 42.6% lower than in Q1 2018 (PLN 1,526 thousand vs PLN 2,662 thousand).

The first months of 2019 on the investment funds market were far more challenging than the first quarter of 2018 as investors were more willing to withdraw money from investment funds rather than to invest in them. This translated into a major drop in revenue from the retail business, and thus the revenue classified as other revenue from core activities, which amounted to PLN 334 thousand in Q1 2019, compared with PLN 1,452 thousand in Q1 2018.

As a result of these factors, despite lower operating expenses, in Q1 2019 the brokerage segment posted a loss on core activities amounting to PLN 947 thousand and net loss of PLN 1,032 thousand (vs profit on core activities of PLN 208 thousand and net loss of PLN 432 thousand in Q1 2018).

Activities of IPOPEMA TFI

Success fees from the securitisation funds launched in 2018 were the main driver of a material increase in revenue in the investment fund management segment. Additionally, an increase in the value of assets in capital market funds (to PLN 1.6bn at the end of March 2019, compared with PLN 1.3bn a year earlier) brought about an increase in revenue from the management of these funds. At the same time, revenue from the management of closed-end funds declined. In Q1 2019, the investment fund management segment recorded an increase in revenue of 75.6%, to PLN 12,473 thousand (PLN 7,103 thousand a year earlier), which despite operating expenses higher by 51.7% (mainly due to higher costs of management of securitisation funds and distribution of capital market funds) resulted in a profit on core activities of PLN 232 thousand and a net profit of PLN 125 thousand (compared with a loss on core activities of PLN 968 thousand and a net loss of PLN 570 thousand in the first three months of 2018).

IPOPEMA Business Consulting

A higher number of advisory projects carried out by IPOPEMA Business Consulting in Q1 2019 resulted in a 7.3% increase in the company's revenue (to PLN 5,972 thousand from PLN 5,566 thousand). However, due to higher operating expenses (up 9.4%), net profit fell to PLN 54 thousand (2018: PLN 137 thousand).

3. Factors which may affect performance in Q2 2019

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

After a 15% decline in the WIG index in the first ten months of 2018, the downward trend reversed and until April 2019 the Warsaw Stock Exchange had been in an upward trend. After the first four months of the year, the WIG was 11.3% higher from the low recorded in October 2018. However, the major price slump on the WSE in May largely offset those increases. However, declines in the index do not translate into investors' activity – in the first four months of 2019, trading was virtually the same as in the corresponding period of 2018. Notwithstanding the above, it is difficult to predict how the market situation will develop in the coming months of 2019.

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

The year 2018 proved very difficult for the equity transaction market, and the first months of this year have failed to inspire hope of any significant improvement. 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 2016, the Company started offering brokerage services and investment products to a wider retail audience. At present, the Company is working with seven entities acting as investment firm agents, and notification procedures are pending before the Polish Financial Supervision Authority concerning several new relations. Although the retail business is already contributing to the Company's revenue, considering the stage of the project as well as current market conditions that suppress demand from retail investors for specific investment products (bonds, closed-end investment fund certificates), it is hard to reliably predict the rate of its growth in the next months of 2019. Nonetheless, the Company constantly seeks to enhance its product offering and secure new entities to act as agents for IPOPEMA Securities.

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. From January 2018 to June 2018, investment funds recorded net subscriptions (continued since the beginning of 2017), but the second half of 2018 saw a clear trend to redeem rather than subscribe for investment fund units. Also in 2019, management companies have to deal with net redemptions (in the first four months of the year, only in February subscriptions were higher than redemptions). It is difficult, though, to predict shifts in investor sentiment in the coming months of 2019. 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. Although 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, those revenues still account for a considerable portion of IPOPEMA TFI's total revenue. This adverse effect may continue into future periods if the legal framework for the business of investment funds, including the tax regime applicable to those funds, should change.

Expansion of IPOPEMA Business Consulting's business

In the following months of 2019, 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.

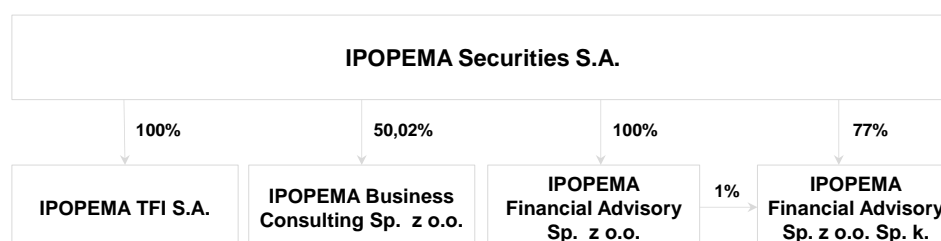
4. Performance against forecasts

The Company has not published any performance forecasts.

PART II

1. Organisational structure of the IPOPEMA Securities Group

As at March 31st 2019, 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. and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. Consolidated companies are IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k., while IPOPEMA Financial Advisory Sp. z o.o. is excluded from consolidation based on the immateriality of its financial data.



2. Changes in the Group's organisational structure

In the first quarter of 2019, there were no changes in the structure of the IPOPEMA Securities Group.

3. Shareholding structure of IPOPEMA Securities S.A.

As at March 31st 2019, 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
OFE PZU Złota Jesień*	3.471.868	11.59%
IPOPEMA PRE-IPO FIZAN ¹	2.990.789	9.98%
JLC Lewandowski S.K.A. ²	2.990.789	9.98%
IPOPEMA 10 FIZAN ³	2.851.420	9.52%
Quercus Parasolowy SFIO*	2.827.552	9.44%
Value FIZ*	2.750.933	9.18%
Katarzyna Lewandowska	2.136.749	7.13%
Total shareholders holding over 5% of the share capital	20.020.100	66.87%

* 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 2019 (until the date of this Management's Discussion and Analysis), held – either directly or indirectly through their subsidiaries or related parties (including dedicated funds) – shares in IPOPEMA Securities. Their shareholdings did not differ from those disclosed in the full-year report for 2018.

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	10,020	0.03%
Total	11,085,171	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 2019 or in Q1 2018. On the other hand, in connection with implementing the variable remuneration components policy, in Q1 2019 bonds were issued for a total nominal amount of PLN 0.8 thousand (no bonds were issued in the comparative period) and redeemed for a total amount of PLN 1.6 thousand (PLN 2.2 thousand in the first quarter of 2018). 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 2019, 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

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 sought 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 to have the action dismissed. It filed a response to the statement of claim

with the court and has participated in successive procedural steps. By the date of this report, two hearings had been held in the case, during which further evidence motions were submitted and a witness was heard. The Court scheduled the next hearings for September, October and December 2019. In view of the early stage of evidence taking and the complexity of factual and legal circumstances, the outcome of the proceedings cannot yet be determined.

8. Related-party transactions

In Q1 2019, the Company did not execute any material related-party transactions.

9. Material events subsequent to the reporting date

In the period between March 31st 2019 and the date of issue of the financial statements, there were no material events which would affect the Company's business.

Warsaw, May 23rd 2019

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