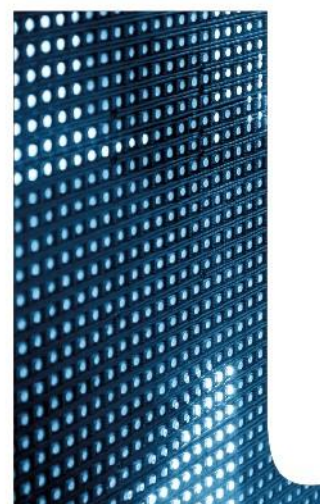


IPOPEMA Securities Group
IPOPEMA Securities S.A.

Directors' Report

**on the operations of IPOPEMA Securities S.A.
and the IPOPEMA Securities Group
in 2017**

Warsaw, March 27th 2018



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Introduction

This Directors' Report was prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, and in accordance with the International Financial Reporting Standards ('IFRS') and the Polish Accounting Act.

1. General information

The IPOPEMA Securities Group ('IPOPEMA Group') specialises in the provision of brokerage, equity research and investment banking services, distribution of investment products, provision of investment advisory services to a broad base of retail clients through the parent IPOPEMA Securities S.A. – the 'Company'), creation and management of closed-end and open-end investment funds and provision of asset management services (through the subsidiary IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. – 'IPOPEMA TFI' or 'Management Company'), as well as provision of business and IT consultancy services (through the subsidiary IPOPEMA Business Consulting Sp. z o.o.). IPOPEMA also offers advisory services related to corporate financial restructuring and finance raising for infrastructure projects. Until 2017, these services were provided by IPOPEMA Securities, and in Q1 2017 they were taken over by a dedicated subsidiary IPOPEMA Financial Advisory Sp. z o.o. Sp. k.

IPOPEMA's operating history dates back to 2003, when Dom Inwestycyjny IPOPEMA S.A. was established to provide advisory services related to the preparation and execution of capital market transactions. In pursuance of the strategy to provide comprehensive investment banking services, in 2005 DI IPOPEMA established a subsidiary, Dom Maklerski IPOPEMA S.A., which concentrated on the services relating to the execution of public offerings. In 2006, DI IPOPEMA's business was transferred to DM IPOPEMA, whose name was changed to IPOPEMA Securities S.A. In 2006, the range of services offered by IPOPEMA was expanded to include brokerage services on the secondary market of the Warsaw Stock Exchange and – in subsequent years – on foreign markets. The Group was extended by adding IPOPEMA TFI in 2007, IPOPEMA Business Consulting in 2008, IPOPEMA Asset Management in 2011 (with the latter merged with IPOPEMA TFI in November 2015), and IPOPEMA Financial Advisory in 2016.

As part of its brokerage business, IPOPEMA Securities provides comprehensive intermediation services for institutional clients related to securities trading, chiefly on the exchanges where it has the status of a member, i.e. the Warsaw Stock Exchange ('WSE'), the Budapest Stock Exchange ('BSE'), the Prague Stock Exchange ('PSE'), but also on other global stock exchanges. In February 2014, the Company was registered as an entity regulated by the Romanian Financial Supervision Authority, and in June 2014 it became a member of the Bucharest Stock Exchange. Since 2010, the Company has been providing intermediation services in debt instruments trading. The Company's partners and clients include both high-profile international financial institutions and most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers. The brokerage operations of IPOPEMA Securities are supported by a team of analysts, who prepare research reports, recommendations and comments on several dozen companies listed on the WSE and foreign stock exchanges.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes.

In February 2016, the Company expanded its existing offering of brokerage services and investment products, including active investment advisory services, by targeting a broader base of retail clients. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents. At present, there are five such agents (Expander Advisors, Grupa Finanset, HKN Capital Fund, Caspar Asset Management and HRE Finance).

IPOPEMA also specialises in the provision of comprehensive financial restructuring services and raising funds for infrastructure projects. These advisory services were offered by IPOPEMA Securities S.A. until 2017; in Q1 2017, the business was taken over by a dedicated subsidiary IPOPEMA Financial Advisory.

IPOPEMA TFI's business focuses on the creation and management of both closed-end investment funds (targeted at high-net-worth individuals and corporate clients) and open-end investment funds (offered to a wide group of retail investors). IPOPEMA TFI also provides discretionary portfolio management services (asset management) involving personalised investment strategies, to institutional clients (insurers, investment funds, non-profit organisations) and individuals.

IPOPEMA Business Consulting Sp. z o.o. focuses on the provision of advisory services in the area of corporate strategies and operations, as well as IT advisory services.

2. Financial highlights and overview of the financial standing of the Group

Consolidated financial highlights (PLN '000)	2017	2016
Total revenue, including	97,155	88,038
<i>Brokerage and related services</i>	45,644	37,457
<i>Investment fund and asset management</i>	30,357	32,762
<i>Advisory services</i>	21,154	17,819
Total operating costs	88,828	84,700
Profit on core activities	8,327	3,338
Operating profit	5,846	3,669
Net profit for period	2,458	2,365

Revenue

Higher revenue in the brokerage and advisory services segment and a decrease in revenue in the fund and portfolio management segment translated into a 10.4% increase in the Group's total consolidated revenue in 2017, to PLN 97,155 thousand, from PLN 88,038 thousand in 2016.

Revenue from brokerage services (PLN 45,644 thousand; 47.0% of consolidated revenue) was 21.9% higher than the year before (PLN 37,457 thousand), driven by higher revenue from securities trading (a 10.2% increase to PLN 24,970 thousand vs PLN 22,665 thousand in 2016), coupled with an over 30% increase in revenue from investment banking services (PLN 18,972 thousand vs PLN 14,460 thousand). Moreover, the Company recorded significantly higher other revenue from core activities, mainly attributable to stronger revenue streams from products and services offered to a wide group of retail investors. The increase in revenue from brokerage operations was principally attributable to a higher value of trading on the WSE (up by 26.5%) and the Company's higher market share (5.12% in 2017 vs 4.86% a year earlier). The improved revenue from investment banking services was due to a higher value of transactions completed in 2017 compared with 2016.

In 2017, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 30,357 thousand (31.2% of consolidated revenue), i.e. 7.3% less year on year (PLN 32,762 thousand). The decrease was due to changes in law and tax regulations, which were unfavourable to investors and concerned dedicated closed-end investment funds, a segment where IPOPEMA TFI enjoys a very strong market position. Some of the funds were liquidated in 2017 as a result of those changes, which translated into lower revenue from the investment fund and portfolio management business. In addition, 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 1.1bn in 2017, up 23% (PLN 0.9bn) year on year. The total value of assets under management as at the end 2017 was PLN 48.7bn (down from PLN 50.3bn as at the end of 2016).

IPOPEMA Business Consulting (advisory services segment) posted revenue of PLN 21,154 thousand in 2017 (21.8% of consolidated revenue), which represented a 18.7% increase year on year, from PLN 17,819 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 2017 increased by 4.9% year on year, to PLN 88,828 thousand (2016: PLN 84,700 thousand).

In 2017, operating costs in the brokerage services segment totalled PLN 40,040 thousand, having increased by 7.7% on 2016 (from PLN 37,167 thousand), chiefly on higher variable costs associated with higher revenue, i.e. transaction costs and costs of distribution of investment products.

Total operating costs of the investment fund and portfolio management segment in 2017 decreased by 7.4% year on year, to PLN 29,476 thousand (2016: PLN 31,819 thousand).

The business scale expansion in the advisory services segment in 2017 translated into an increase in operating costs, which rose by 22.9% year on year (to PLN 19,312 thousand).

Financial results

In 2017, profit was reported across all segments, which translated into a consolidated operating profit of PLN 8,327 thousand (2016: PLN 3,338 thousand) and consolidated net profit of PLN 2,458 thousand (2016: PLN 2,365 thousand).

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 1,651 thousand (net profit attributable to non-controlling interests was PLN 807 thousand).

Despite higher operating costs, higher revenue in the brokerage services segment translated into the segment's profit on core operations of PLN 5,604 thousand (2016: PLN 290 thousand). However, due to a high level of finance costs and other expenses, the segment's net profit amounted to PLN 142 thousand (2016: a net loss of PLN 396 thousand).

On a separate basis, IPOPEMA Securities reported a net profit of PLN 1,263 thousand in 2017 (2016: PLN 1,046 thousand).

Despite a decrease in operating costs, lower revenue in the investment fund management segment translated into the segment's profit on core operations of PLN 881 thousand in 2017 (2016: PLN 943 thousand) and a net profit of PLN 1,092 thousand (2016: PLN 1,051 thousand).

Even though the advisory services segment posted higher revenue, the increase in operating costs translated into lower operating profit (PLN 1,842 thousand compared with PLN 2,105 thousand in 2016) and lower net profit (PLN 1,224 thousand compared with PLN 1,710 thousand in 2016).

Analysis of the Group's statement of financial position

The key items of the Company's consolidated statement of financial position are short-term receivables and short-term payables, which as at December 31st 2017 accounted for 74.5% and 73.6% of total assets and equity and liabilities, respectively. Short-term receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities, not yet settled at the Central Securities Depository of Poland. In the case of buy transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises liabilities towards the parties to such market transactions (brokerage offices and brokerage houses, known as the anonymous party to a transaction) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises receivables from the parties to such market transactions and liabilities towards the clients on behalf of whom such sell trades have been executed.

As at December 31st 2017, cash stood at PLN 67,482 thousand (18.7% of total assets), of which PLN 39,778 thousand was clients' cash.

As at the end of 2017, equity (PLN 84,205 thousand including non-controlling interests) accounted for 23.3% of total equity and liabilities. The outstanding amount of interest-bearing debt under a short-term working capital

facility contracted by IPOPEMA Securities to finance stock-exchange transaction settlements amounted to PLN 27,351 thousand as at December 31st 2017 (7.6% of total equity and liabilities).

Assessment of financial resources management

IPOPEMA Securities S.A. and other Group companies meet their liabilities as they fall due. Since the high level of short-term payables related to transactions executed as part of brokerage activities is offset by the high level of receivables from such transactions, and taking into account the amount of cash held by the Company, the Company did not identify an increased liquidity risk.

Explanation of differences between financial performance and published financial performance forecasts

The Company does not publish any performance forecasts.

Material off-balance sheet items

As at December 31st 2017, the Company had no off-balance sheet items.

Capital expenditure

Total capital expenditure incurred by the IPOPEMA Securities Group in 2017 amounted to PLN 1,334 thousand and included expenditure on IT infrastructure and modification of trading and settlement systems resulting from the expansion of retail operations, as well as from changes in the regulatory environment and changes in the trading and settlement systems of capital market institutions (i.e. stock exchanges on which the Company operates and the clearing house). As at the date of these financial statements, the Group did not plan any material investments that would require financing other than internal funds of the Group companies.

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

Equity market and investment banking

In 2017, only the Prague Stock Exchange saw investor activity decrease compared with 2016 (down 16.7%), while the trading volumes in Warsaw and Budapest were higher by 26.5% and 17.1%, respectively. Over the same period, IPOPEMA strengthened its position both on the WSE, where its market share rose to 5.12% (from 4.86%), and on the BSE (its market share was 2.65%, compared with 2.07% a year earlier). As a result, in 2017 the brokerage services segment's revenue from trading in securities increased by 10.2% year on year, to PLN 24,970 thousand (2016: PLN 22,665 thousand).

With capital market sentiment having slightly improved year on year, projects implemented by the Company contributed to an increase in the brokerage segment's revenue from investment banking business by 31.2% in 2017 (to PLN 18,972 thousand, from PLN 14,460 thousand in 2016).

In 2017, the segment also delivered a significant increase in other revenue from core activities (PLN 1,702 thousand vs PLN 332 thousand a year earlier), mainly on higher revenue from the retail business.

As a result of these factors, the brokerage segment's profit on core activities increased significantly in 2017 (to PLN 5,604 thousand from PLN 290 thousand), despite higher operating costs. However, due to a high level of finance costs and other expenses, the segment's net profit amounted to PLN 142 thousand (2016: a net loss of PLN 396 thousand).

Activities of IPOPEMA TFI

An increase in the value of assets in capital market funds (to PLN 1.2bn at the end of December 2017, compared with PLN 1.1bn 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 late 2016, revenue from fees for managing closed-end investment funds declined. As a result, IPOPEMA TFI's total revenue for 2017 fell by 7.3% (to PLN 30,357 thousand, from PLN 32,762 thousand in 2016), which, together with a 7.4% decrease in operating costs, translated into the segment's profit on core activities of PLN 881 thousand (2016: PLN 943 thousand) and net profit of PLN 1,092 thousand (2016: PLN 1,051 thousand).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in 2017 resulted in an increase in the company's revenue by 18.7% (to PLN 21,154 thousand from PLN 17,819 thousand), which was partly offset by higher operating costs (up 22.9%) and translated into a lower net profit of PLN 1,224 thousand (2016: PLN 1,710 thousand).

4. Factors which may affect the 2018 performance

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

Following an over 20% increase in the WIG index in 2017, the WSE moved into correction territory falling several percent in February and March 2018. This resulted in lower investor activity, with trading volumes on the Warsaw Stock Exchange down 16.1% year on year in January and February; IPOPEMA maintained its market share at the previous year's level (5.13% vs 5.16%). Regardless of market developments during the rest of the year, the Company's revenue from the brokerage business may be adversely affected by the unbundling of research and execution fees in accordance with MiFID II, possibly leading to lower margins in this business segment.

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

Owing to the transactions carried out by the Company in 2017, the brokerage segment recorded an increase in investment banking revenue. 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. To date, the Company has entered into cooperation with five entities acting as investment firm agents (Expander Advisors, 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 effect on results of the Company's operations in 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 the current increased interest in investment products (in March 2016 to February 2018, retail investment funds reported net outflows only in June and December 2016), it is difficult to make a fair prediction of investor sentiment in 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, 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.

Further expansion of IPOPEMA Business Consulting's business

In 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.

5. Business profiles of IPOPEMA Securities and the IPOPEMA Securities Group

5.1 Key markets, clients and suppliers of IPOPEMA Securities and the IPOPEMA Securities Group

Key markets of the IPOPEMA Securities Group

In the area of intermediation in securities trading, the key market for IPOPEMA Securities is the Warsaw Stock Exchange. The Company also conducts brokerage activities on foreign markets, including the Budapest, Prague and Bucharest stock exchanges (as a stock exchange member), as well as many other foreign stock exchanges, through a separate trading platform.

In investment banking, the Company offers services to both domestic and foreign clients, handling equity transactions and providing advisory services on the domestic market, being its key market, and abroad.

The Company's activities related to the offering targeting retail investors are focused on the domestic market.

IPOPEMA TFI operates on the investment fund market, managing both closed-end investment funds as well as open-end investment funds, which are targeted at a wide group of retail clients. In the area of securities portfolio management services, IPOPEMA TFI focuses on the Polish market.

IPOPEMA Business Consulting operates primarily on the Polish business and IT consultancy/advisory market, focusing on advisory services relating to strategy, operational management and IT management.

Key clients

The Company provides brokerage services to both high-profile international financial institutions and leading local intermediaries (including branches of major investment banks). IPOPEMA Securities' clients include most of the leading local institutional investors, open-end pension funds, investment fund companies, asset managers and insurers.

The investment banking services of IPOPEMA Securities are used by a wide variety of clients, including companies already listed on the WSE, for whom IPOPEMA Securities prepares secondary offerings or provides advice on M&A transactions. The Company also arranges tender offers for shares of WSE listed companies. The Company prepares and executes initial public offerings for private companies, advises such companies on M&A transactions and capital raising, and provides financial advisory services, e.g. services related to financial restructuring. In addition, the Company arranges exits for major shareholders of public companies (both private individuals and legal persons), effected through sale of shares on the WSE or through private placements.

In the retail business currently under development, the target market is a broad base of retail investors.

IPOPEMA TFI's offering of closed-end investment funds is addressed primarily to high-net-worth individuals and institutional clients, in particular major shareholders of companies listed on the WSE or large private enterprises, as well as multinational corporations (chiefly operating in the property and financial segments). The company is also consistently expanding its business in the area of open-ended investment funds targeted at a wide group of retail investors, where IPOPEMA TFI cooperates with third-party distributors. IPOPEMA TFI's asset management clients primarily include investment funds, non-profit organisations and high-net-worth individuals.

IPOPEMA Business Consulting concentrates on services to corporate clients from the following sectors: industrial, energy, consumer goods, trade and distribution, IT and telecommunications.

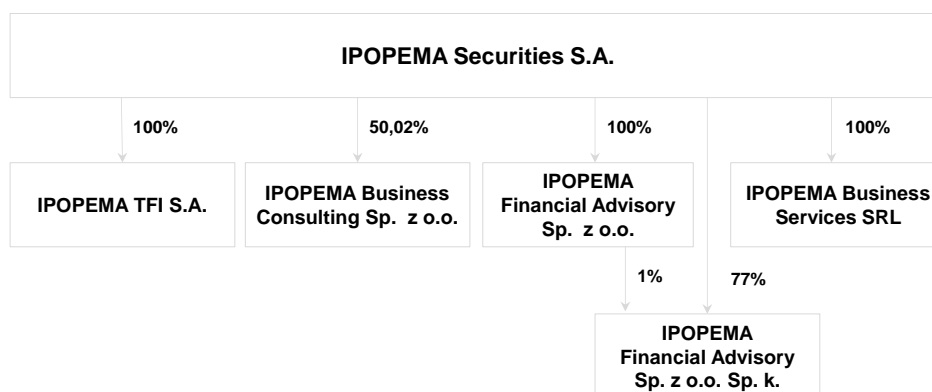
In 2017, no client accounted for more than 10% of the Group's revenue.

Key suppliers

The Company works with several providers of services (including banking services, clearing services for brokerage activities, office space lease, or IT services), however, none of them has a position which would give it advantage over the Company, including by making the Company dependent on the services of a single provider or imposing on the Company disadvantageous terms of trade. The most significant item of service costs were transaction costs (payable to stock exchanges and clearing houses), which in 2017 accounted for 9.0% of consolidated operating expenses.

5.2 Organisational structure of the IPOPEMA Securities Group

As at December 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 (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 the remaining companies are excluded from consolidation based on the immateriality of their financial data.



5.3 Development prospects and strategy of the IPOPEMA Securities Group

While to date IPOPEMA Securities Group's operations were focused on services to institutional clients and high-net-worth individuals who are looking for active advice on asset management or who are major shareholders of business entities (including public companies), the Group is gradually expanding its offering to retail investors – with respect to both investment funds (IPOPEMA TFI) and brokerage services (IPOPEMA Securities). With the comprehensive range of services and substantial synergies within the Group, the Company and its subsidiaries will build and tighten their relations with clients by offering them a variety of products for each stage of business development.

In the brokerage services segment, the Company – in addition to handling transactions on the WSE – provides its clients with access to trading on global exchanges. An important factor in establishing the Company's presence is maintenance of its research coverage, which already includes several dozen companies. In the investment banking business, the Company intends to consolidate its position as one of the most active brokerage offices in the area of services related to capital market transactions, with diversified revenue sources.

The Company is also strategically looking to expand its offering of brokerage services (investment advisory services) and investment products targeting a broad base of retail clients – both directly and through partners acting as investment firm agents.

In the portfolio and investment fund management segment (activities of IPOPEMA TFI), the objective continues to be further strengthening of the leading position on the market of investment fund companies offering closed-end funds (despite unfavourable regulatory and tax changes in this segment), as well as further growth in assets under management in a consistently growing range of funds targeted at retail investors.

IPOPEMA Business Consulting intends to further consolidate its position on the advisory services market by acquiring new clients (domestic and foreign) and establishing relations with global players on the consultancy and IT markets to implement joint projects.

The Group's strategy also envisages an expansion of the financial restructuring and infrastructure finance advisory business, which has been transferred from IPOPEMA Securities to a dedicated subsidiary IPOPEMA Financial Advisory as of 2017.

5.4 Related-party transactions

In 2017, the Company did not enter into any material related-party transactions. For details of related party-transactions, see Note 25 to the full-year consolidated financial statements.

5.5 Important corporate events in 2017 and in 2018 before the date of issue of the report

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, Daniel Ścigała tendered his resignation as a Management Board Member of IPOPEMA Securities, citing important personal reasons, and as of January 31st 2017 he ceased to work for the Company.

On March 14th 2017, 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 Company's 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. 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.

Change in the composition of the Supervisory Board of IPOPEMA TFI

Following amendment of regulations governing audit committees of public-interest entities, in 2017 the composition of the Supervisory Board of IPOPEMA TFI was increased, with Piotr Szczepiórkowski (currently serving on the Supervisory Board of IPOPEMA Securities) and Zbigniew Mrowiec (currently serving on the Supervisory Board of IPOPEMA Securities) appointed as two independent members.

Dividend paid by IPOPEMA Business Consulting

In May 2017, a resolution on dividend payment was passed by IPOPEMA Business Consulting, with PLN 900 thousand attributable to IPOPEMA Securities.

5.6 Research and development

The Company and the IPOPEMA Securities Group are not involved in any R&D activities.

5.7 Changes in significant management policies

In 2017, the Company and its subsidiaries did not change any significant management policies.

6. Share capital and shareholding structure of IPOPEMA Securities S.A.

6.1 Change in the share capital of IPOPEMA Securities S.A.

In 2017, there were no changes in the Company's share capital.

6.2 Change in the share capital of other Group companies

In 2017, there were no changes in the share capital of the other companies of the IPOPEMA Group.

6.3 Shareholding structure of IPOPEMA Securities S.A.

As at December 31st 2017 and as at the date of approval of this Report, the shareholding structure of the Company (shareholders holding 5% or more of shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Meeting) was as follows:

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 Zora 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.

The Company did not enter into any agreements which could result in future issues of shares, leading to changes in the proportion of shares held by the Company's existing shareholders.

6.4 Share buy-back

Except for transactions executed as part of the Company's brokerage activities (intermediation in equities trading on the WSE), the Company did not purchase any of its own shares.

6.5 Employee share option plans

For details on employee share option plans, see Note 17.1 to the full-year consolidated financial statements of the IPOPEMA Securities Group.

7. Management and supervisory personnel

Remuneration of members of management and supervisory personnel

The table below presents remuneration of the Company's Management and Supervisory Board members for 2017 (both paid and payable or potentially payable) and additional benefits (including healthcare benefits, to the extent they are financed by the Company) at the IPOPEMA Securities Group:

First name and surname	Total remuneration at the IPOPEMA Group		Including in subsidiaries	
	2017	2016	2017	2016
Management Board	2,312	3,346	396	1,080
Jacek Lewandowski	738	887	101	270
Mirosław Borys	494	694	101	270
Mariusz Piskorski	529	668	101	270
Stanisław Waczkowski	520	729	93	270
Daniel Ścigała	31	368	-	-
Supervisory Board	150	117	12	-
Jacek Jonak	40	33	-	-
Janusz Diemko	22	16	-	-
Bogdan Kryca	24	18	-	-
Michał Dobak	28	24	-	-
Piotr Szczepiórkowski	20	-	8	-
Zbigniew Mrowiec	16	26	4	-

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

Listed below are members of the management and supervisory personnel who at December 31st 2017 and at the date of authorisation of this report held IPOPEMA Securities shares, either directly or indirectly through subsidiaries or related entities (including dedicated funds). The shareholdings of members of the management and supervisory staff did not differ from those disclosed in the quarterly report for Q1–Q3 2017.

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 the table in Section 6.3, shares in IPOPEMA Securities S.A. are also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

Apart from the Company shares specified above, members of the Company's management and supervisory personnel did not hold (directly or indirectly) any shares in subsidiaries of IPOPEMA Securities.

Agreements concluded with members of management and supervisory personnel

In 2008, the Company entered into agreements with two Management Board members (Mirosław Borys and Mariusz Piskorski), under which each of them is entitled to compensation equal to three times their monthly salary if they are removed from the Management Board or not reappointed for another term of office (subject to conditions set forth in the agreements) or their remuneration terms are changed to less favourable.

8. Court and administrative 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. Although the court has issued a payment order and rejected the client's objection, a complaint procedure is currently under way. In May 2017, IPOPEMA Securities filed two further suits for payment. In each case, the amount of the claim is PLN 30 thousand. The court issued a payment order in both cases, and enforcement proceedings were instituted in one case.

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. The date of the first hearing has not been set. For this reason, IPOPEMA TFI has not recognised any provision for potential costs related to the claim. 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 the outcome cannot be reliably determined.

In November 2017, IPOPEMA TFI received a copy of a statement of claim filed by a former employee, seeking payment of PLN 40.5 thousand in severance pay allegedly agreed between the parties. The Management Company disputed the claim in its entirety and will take 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 2017.

9. Credit facility agreements, sureties, guarantees and other agreements

Credit facility agreements

IPOPEMA Securities is a party to agreements made on July 22nd 2009 with Alior Bank, providing for two working-capital overdraft facilities (bearing interest at variable rates based on 1M WIBOR plus bank margin in PLN) which are used for payment of liabilities to the Central Securities Depository of Poland in connection with the brokerage business conducted by the Company. The agreements are extended every year, and were also extended in 2017. Their current expiry date is September 14th 2018.

Agreements concluded in the ordinary course of business

During 2017, IPOPEMA Securities concluded more than a dozen agreements for the provision of brokerage services with institutional clients and nearly 1,300 brokerage agreements with retail clients, as well as more than a dozen agreements for the provision of investment banking and advisory services. In 2017, IPOPEMA TFI entered into several agreements to create closed-end investment funds, and IPOPEMA Business Consulting signed several dozen agreements for the provision of advisory services.

Given the expansion of its brokerage business targeting retail clients, the Company entered into agreements with entities who will intermediate in offering its products and services to clients as 'investment firm agents'.

Loans, guarantees and sureties

In 2017, the Company did not receive or provide any sureties or loans (except loans to employees and associates). The guarantees provided to the Company are described in Note 42 to the financial statements of IPOPEMA Securities.

Shareholder agreements

The Management Board of IPOPEMA Securities S.A. is not aware of any agreements between the Company's shareholders.

10. Risk factors and threats

Below are presented risk factors specific to the business of the IPOPEMA Securities Group as a whole or its individual companies, which the Management Board believes to be the most material and which – should they materialise – may have an adverse effect on the operations, financial standing, performance or development prospects of the Company and the Group.

Risk related to the situation on capital markets

The Company's financial results depend primarily on capital market conditions, especially in Poland. The economic slowdown adversely affects global stock markets and the CEE stock markets where the Company operates. The capital market downturn affects the Company's revenue through lower trading volumes on the stock exchanges and the challenging conditions for execution of public offerings of securities.

With respect to IPOPEMA TFI, such adverse market conditions discourage investment in listed securities (mainly equities) and thereby affect revenue from active management services. To date, this has had a limited effect on the performance of IPOPEMA TFI, as it focused on creating closed-end private equity funds. However, as the company is expanding its active asset management services, in the context of the negative effect of regulations on the operation of the closed-end investment funds a prolonged market downturn may erode revenues and earnings of IPOPEMA TFI (particularly due to difficulties in acquiring new assets for management or even maintaining their current volumes). Likewise, in the asset management business, the factor of crucial importance to its operations is the market sentiment, which drives equity and debt instrument prices, thus affecting the value of assets under management and revenue from portfolio management services.

Risk related to competition in the markets on which IPOPEMA Securities and other Group companies operate

IPOPEMA Securities is exposed to strong competition across all its markets, both from well-established Polish brokerage houses and foreign financial institutions, which are increasingly active in the CEE region (operating both as foreign-based brokerage houses and through their local offices). The competitive pressure is particularly evident in Poland, as in the recent years Warsaw grew to become the largest and most important capital market in this part of Europe. The intensifying competition may result in a further loss of the Company's market share and in higher pressure on prices, which may have an adverse effect on the Company's financial performance.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and against new market entrants. IPOPEMA TFI is the largest investment fund management companies in terms of total assets under management, and one of the market leaders in creating closed-end investment funds. Moreover, IPOPEMA TFI continues to expand its offering and consolidate its position on the market of actively managed funds. IPOPEMA Business Consulting is consistently expanding its client base and order book. Nonetheless, there can be no assurance that the competitors' activities will not stand in the way of the development plans of IPOPEMA TFI and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future performance of the IPOPEMA Securities Group as a whole.

Risk related to dependence on the management personnel, necessity to retain key employees, acquisition of highly qualified specialists and level of remuneration

The IPOPEMA Securities Group's business and development prospects largely depend on the expertise, experience and qualifications of the management personnel. Their work for the Group has been a key factor behind its success to date. Hence, if any of the valued members of the Group's management personnel decide to leave the Company, this may have an adverse effect on the operations and financial standing of the Company and its subsidiaries, as well as on their financial performance and development prospects.

Furthermore, in order to deliver an adequate quality of service, the Group companies must retain highly qualified staff. The nature of the Company's business requires that part of IPOPEMA Securities' and IPOPEMA TFI's employees, in addition to having relevant experience, meet formal requirements to be able to provide brokerage or investment advisory services. Besides, to ensure continued development of the Group, it is necessary to hire new employees with relevant expertise and experience. Given the strong competition and a limited availability of qualified professionals that guarantee the required level of service, with a view to ensuring stability of the key staff, the Company's Management Board seeks to apply appropriate incentives to motivate employees to link their future with the Group. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the Group companies in the future.

Risk related to settlement of stock exchange transactions

The Company is a clearing member of the Polish national securities depository KDPW_CCP, which means that on the clearing date it is required to pay for executed buy transactions and deliver securities in order to clear executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should deliver cash for executed buy transactions or securities for executed sell transactions on the clearing date. However, a client may fail to provide the cash or securities on time. In such a case, until the client has settled the relevant liabilities, for the purpose of the transaction clearing the Company must use its own resources (buy transactions) or deliver securities acquired on the market (sell transactions). Additionally, if the client fails to pay for a buy transaction, there is also a risk that the Company may acquire securities which it may be unable to sell on equally favourable terms or which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may need to acquire the securities on the market at a price higher than the price at which the client was supposed to deliver such securities or that it will be impossible to acquire such securities. Such a situation does not limit the Company's right to assert claims against the client on account of the client's failure to perform obligations under an agreement (order) concerning a transaction in securities.

Risk related to the nature of investment banking services

The Company's services in the area of investment banking, in particular advisory services to companies seeking introduction of their shares to trading on the WSE as well as M&A transactions, are characterised by relatively long execution periods (typically not less than several months). Given the volatile nature of capital markets and changes of investment plans by the Company's clients, there is a risk that some of the projects commenced by the Company may be postponed or the clients may decide to abandon execution of the transaction (in particular when faced with adverse market conditions). As success fees account for a substantial portion of the Company's consideration in the case of such projects, any such decisions may have an adverse effect on the Company's financial performance.

Risk related to the expansion of IPOPEMA Securities' retail business

In February 2016, the Company started offering brokerage services and investment products to a wider retail audience. As this is still a young business for the Company, it is difficult to reliably predict its growth in the coming periods. Consequently, if this business fails to expand at the expected pace, its contribution to the Company's financial performance may be lower than anticipated.

Activities of IPOPEMA TFI

Given the strong competition on the market of investment funds as well as the dependence of individual funds' performance on the economic situation (in particular the situation on the capital markets) and correctness of investment decisions made by the IPOPEMA TFI fund managers, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) and the clients may lose confidence in the fund managers, which may eventually lead to some clients discontinuing their relationship with the funds managed by IPOPEMA TFI or make attracting new clients more difficult. In view of the above and the fact that in some funds a part of IPOPEMA TFI's remuneration depends on its investment performance and delivery of returns above the benchmark, the risk of the manager failing to meet the set targets and clients' decisions to discontinue using the services offered by IPOPEMA TFI may result in IPOPEMA TFI not being able to achieve the planned volume of revenues. In addition, the market of closed-end funds, whose management has historically been an important source of revenue for IPOPEMA TFI, has been materially affected, and may be affected in the future, by changes applicable laws and regulations, including taxation rules. As a consequence, such amendments have had an adverse effect on IPOPEMA TFI's revenue from such activities, and may continue to have such adverse effect in the future.

The rate of IPOPEMA TFI's business growth depends to a certain extent on whether the company is able to secure relevant administrative approvals (particularly to create new funds), as well as the direction of possible changes in the legal environment relevant to the business of investment funds and taxation of investment funds and unit holders.

As regards asset management, IPOPEMA TFI's business is primarily exposed to investment risk. It cannot be ruled out that the IPOPEMA TFI's managers will not make wrong decisions or pursue wrong investment strategies, which may result in the loss of current clients and difficulties in winning new clients, and may thus have an adverse effect on IPOPEMA TFI's performance.

Risk related to the level of equity and financial requirements of IPOPEMA Securities and the Group

In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund managed by KDPW_CCP. Currently, each day the Company makes a contribution to the Fund using a credit facility. In the case of any events with an adverse effect on the Company's financial performance, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business or increase its equity base.

To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount available under the credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should also be noted that, if the Company's clients fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements, including the separate and consolidated capital adequacy requirements, which to a large extent depend on the scope and scale of brokerage activities. IPOPEMA Securities' equity on a separate and consolidated basis (as at December 31st 2017: PLN 61,756 thousand and PLN 84,205 thousand, respectively) is maintained at a level ensuring an appropriate surplus over the capital requirements. However, it cannot be ruled out that a rapid business expansion, in particular as a result of implementation of new business projects, and legal and regulatory changes will require the equity to be increased. Such need to increase the equity may also extend to IPOPEMA TFI, which may be subject to additional risk estimation and capital requirement obligations as a result of potential regulatory changes affecting investment fund companies.

Risk related to the activities of the payment bank

In order to be able to start and conduct operations on the WSE, the Company (as well as other brokerage houses which are direct members of the WSE) is required to have a valid agreement on payment bank services with a bank which is a member of the CSDP. The Company's payment bank is currently Alior Bank S.A. If the agreement on payment bank services was terminated, the Company would need to enter into a new agreement with another bank, which would take time and require the Company to agree new terms of business. Any difficulties in finding

a successor payment bank could even pose a risk that the Company might have to temporarily suspend its brokerage until a new agreement is signed.

A similar risk exists with respect to the Hungarian and Romanian branches of Raiffeisen Bank, with which the Company executed agreements in relation to transactions executed on the Budapest Stock Exchange and the Bucharest Stock Exchange, as well as with respect to the Polish branch of Raiffeisen Bank, which clears the Company's transactions on the other foreign stock exchanges.

Risk related to the IT and telecommunications systems

A particularly significant aspect of the Company's activities is the need to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure may not only expose the Company to the risk of financial liability to clients for not executed or incorrectly executed orders, but may also undermine the client's confidence in the long term. The Company purchased and implemented a dedicated IT system for providers of brokerage services, which has been upgraded and modified on a continual basis. The objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure, is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. In spite of all the steps taken by the Company, the potential materialisation of risks in this area cannot be ruled out.

Risk related to mistakes and errors of IPOPEMA Securities' employees and breaches of law

The IPOPEMA Securities Group's position on the markets on which it is present depends primarily on the degree of client confidence in the Group companies and their employees. The nature and scope of the Group's services require its employees not only to possess the relevant expertise and experience, but also to comply with the procedures in place at each company of the Group, designed to limit the risk of mistakes and errors in the course of the Group's operations. Although each employee of the IPOPEMA Securities Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that mistakes or errors will not occur in day-to-day operations. Any such errors or mistakes may, depending on their scale, affect the financial standing and financial performance of the IPOPEMA Securities Group. Given the nature of the Group's operations, the risk of mistakes is particularly relevant in the case of staff operating directly on the secondary market.

In line with the applicable laws, a company authorised to conduct brokerage activities is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure (including those applicable to inside information and market manipulation). Although as at date of this Report there were no instances of criminal or unethical conduct on part of the Company employees, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses and loss of reputation.

Risk associated with claims against IPOPEMA TFI

As discussed in Note 8, a legal action has been brought against IPOPEMA TFI by a holder of units in a fund managed by the company. The claimant demands payment of PLN 20.5m due to the loss incurred by the claimant on investment in units of the fund managed by the company. IPOPEMA TFI believes that the claim is groundless and has taken legal steps to have it dismissed by filing a response to the statement of claim with the court (the court is to set the date of the first hearing). 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 the outcome cannot be reliably determined.

Regulatory risk

The Company, as a brokerage house, and its subsidiary, as an investment fund company, carry out their activities under a licence granted by the Polish Financial Supervision Authority, operating on a highly complex market and in a changing regulatory landscape affecting many areas of their business. This leads to an increased risk of non-

compliance with legal requirements and potential violations of laws, regulations or administrative provisions governing the operations of the Group companies, IPOPEMA Securities and IPOPEMA TFI in particular. As a consequence, regulatory authorities (including the Polish Financial Supervision Authority) may impose sanctions such as fines or, in extreme cases, revoke the licence to conduct a particular type of activity.

Notwithstanding the above formal aspect, further changes in law and new regulations may affect various areas of the IPOPEMA Group's operations and its profitability, forcing it to incur additional costs or negatively impacting its revenue.

11. Auditor of the financial statements

For information on the date of the agreement concluded with the qualified auditor of financial statements and its remuneration, see Note 35 of the annual consolidated financial statements of the IPOPEMA Securities Group.

12. Statement of compliance with corporate governance standards

Corporate governance code applicable to the Company

IPOPEMA Securities complies with the corporate governance rules set by the WSE in the document 'Code of Best Practice for WSE Listed Companies 2016', adopted by Resolution of the WSE Supervisory Board, dated October 13th 2015; a relevant statement on compliance with these rule is available on the Company's website. The consolidated texts of both documents are available at: www.corp-gov.gpw.pl, in the 'Regulations' section.

Corporate governance rules which the Issuer does not comply with, including the extent of and reasons for such non-compliance

In 2017, the Company complied with the recommendations set forth in the Best Practices, with the following exceptions:

- I.Z.1.20. – rule regarding the audio or video recording of general meetings:
Given the little interest in general meetings, they are not recorded in any audio or video format.
- IV.R.2. – recommendation regarding participation of shareholders in general meetings using means of electronic communication:
Given the complexity involved in ensuring access to general meetings, identifying shareholders and their proxies, and ensuring appropriate bilateral communication, the Company decided not to comply with this recommendation, as it had done in previous years.
- IV.Z.2. / I.Z.1.16. – rules regarding real-time broadcast of general meetings where justified by the shareholder structure:
Given the condition laid down in the rule and the little interest in general meetings, they are not broadcast by the Company.
- VI.Z.4. – rule regarding reporting on the remuneration policy in the directors' report:
As a brokerage house, the Company is obliged to publish annual capital adequacy reports. Such reports contain a detailed description of the Company's remuneration policy (including quantitative data), largely covering the information referred to in rule VI.Z.4 of the Best Practices.

As regards information on the remuneration paid to individual members of the Management and Supervisory Boards, it was concluded that the scope of disclosures made both in the full-year report and in the capital adequacy report is sufficient and complies with the applicable regulations.

Key features of the risk control and management system used in the preparation of financial statements

The risk control and management system used by the Company in the process of preparation of financial statements (both separate and consolidated) aims to ensure that the financial statements are reliable, complete and compliant with applicable regulations – both with respect to their contents and timely publication. The system meeting the above criteria is based on the following items:

- Applied rules for circulation and approval of documents, which facilitate prompt and complete recognition of all accounting data;
- Proper flow of information to be registered in accounting records between designated persons from appropriate organisational units and persons engaged in the preparation of financial statements;
- Use of appropriate software and IT systems to facilitate internal reporting and financial information processing;
- Adoption of proper criteria for selection and evaluation of employees engaged in the reporting process, possessing the competences, knowledge and experience relevant to the functions and tasks they are charged with;
- Ensuring cooperation between the Company's auditor, its Supervisory Board and Audit Committee to ensure exchange of information related to the financial statements (especially at the audit plan preparation stage, and at its final stage, but before the audit process is complete);
- Division of tasks and responsibilities related to the preparation of financial statements between various internal units to facilitate independent assessment and cross-verification of the documentation prepared, taking into account the cooperation that is necessary for the process (i.e. allocation of accounting and financial controlling tasks, engaging the Management Board at an early stage of the report preparation, ongoing cooperation with the Company's auditor);
- Ensuring proper communication and information flow between Group companies with respect to the timing and form of information.

Considering the above, the Management Board believes that the risk control and management system employed by the Company in the preparation of financial statements fulfils the aims defined above and is adequate given the structure of the Company and the Group.

Major holdings of shares in the Company

For a list of shareholders holding over 5% of shares in IPOPEMA Securities S.A., see Section 6.3 of this Report.

Holders of any securities conferring special control rights

There are no securities of IPOPEMA Securities S.A. conferring special control rights.

Restrictions on voting rights

There are no restrictions on the voting rights attached to IPOPEMA Securities S.A. shares.

Restrictions on transfer of ownership rights to the Company's securities

As at the date of approval of the financial statements, there are no restrictions on transferability of the Company's securities.

Rules governing appointment and removal of the Company's management personnel; powers of the management personnel, including in particular the authority to resolve to issue or buy back shares

Pursuant to the Articles of Association, the Management Board is composed of two to five members, including the President, who are appointed for a three-year term and removed from office by the Supervisory Board. The Management Board acts in accordance with the Rules of Procedure for the Management Board, adopted by the Supervisory Board.

Rules governing amendments to the Company's Articles of Association

The rules governing amendments to the Company's Articles of Association provided in the Articles of Association do not differ from those set forth in the Polish Commercial Companies Code.

Manner of operation and basic powers of the General Meeting, shareholders' rights and the procedure for their exercise

As the Company did not introduce rules of procedure for the General Meeting, the manner of operation of the General Meeting of IPOPEMA Securities, its basic powers as well as the shareholders' rights and the procedure for their exercise are as defined in the Polish Commercial Companies Code, as well as 'Code of Best Practice for WSE Listed Companies' applied by the Company.

Composition and activities of the Company's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

The table below presents the composition of the Management Board of IPOPEMA Securities S.A. as at the date of this Report.

First name and surname	Position	Appointment date ¹
Jacek Lewandowski	President of the Management Board	April 28th 2017
Mirosław Borys	Vice President of the Management Board	April 28th 2017
Mariusz Piskorski	Vice President of the Management Board	April 28th 2017
Stanisław Waczkowski	Vice President of the Management Board	April 28th 2017

¹Date of appointment for the current term of office.

As at December 31st 2016, the Management Board comprised also Daniel Ścigała. On January 4th 2017, Mr Ścigała tendered his resignation as a Management Board Member, with effect as of January 31st 2017.

The table below presents the composition of the Supervisory Board of IPOPEMA Securities S.A. as at the date of this Report.

First name and surname	Position	Appointment date ¹
Jacek Jonak	Chairman of the Supervisory Board	June 27th 2017
Janusz Diemko	Secretary of the Supervisory Board	June 27th 2017
Michał Dobak	Member of the Supervisory Board	June 27th 2017
Bogdan Kryca	Member of the Supervisory Board	June 27th 2017
Piotr Szczepiórkowski	Member of the Supervisory Board	June 27th 2017

¹Date of appointment for the current term of office.

In connection with the expiry 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. Zbigniew Mrowiec, who resigned as candidate for the new term, was replaced on the Supervisory Board by Piotr Szczepiórkowski.

The Company believes that all members of the Supervisory Board met the independence criterion provided for in Annex II to the Commission Recommendation (2005/162/EC) of February 15th 2005.

Information on holdings of Company shares by the management and supervisory personnel is presented in Section 7 of this Report.

Warsaw, March 27th 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

Miroslaw Borys
Vice President of the
Management Board