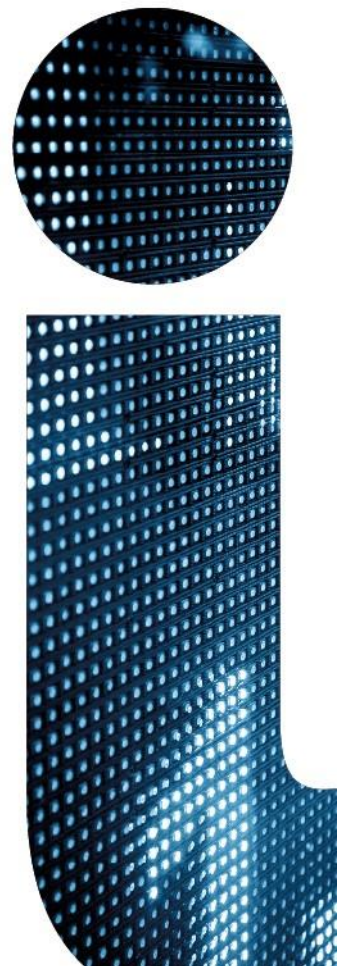


The IPOPEMA Securities Group

Directors' Report

**on the operations of IPOPEMA Securities S.A.
and the IPOPEMA Securities Group
in 2018**

Warsaw, March 29th 2019



Contents

1.	General information.....	3
2.	Financial highlights and overview of the financial standing of the Group	4
3.	Material events and factors with a bearing on financial results	6
4.	Factors which may affect the 2019 performance	7
5.	Business profiles of IPOPEMA Securities and the IPOPEMA Securities Group	8
5.1	Key markets, clients and suppliers of IPOPEMA Securities and the IPOPEMA Securities Group	8
5.2	Organisational structure of the IPOPEMA Securities Group	9
5.3	Development prospects and strategy of the IPOPEMA Securities Group	9
5.4	Related-party transactions	10
5.5	Important corporate events in 2018 and in 2019 before the date of issue of the report	10
5.6	Research and development	10
5.7	Changes in significant management policies	10
6.	Share capital and shareholding structure of IPOPEMA Securities S.A.	11
6.1	Change in the share capital of IPOPEMA Securities S.A.	11
6.2	Change in the share capital of other Group companies	11
6.3	Shareholding structure of IPOPEMA Securities S.A.	11
6.4	Share buy-back.....	11
6.5	Employee share option plans	11
7.	Management and supervisory personnel	12
8.	Court and administrative proceedings.....	13
9.	Credit facility agreements, sureties, guarantees and other agreements	13
10.	Risk factors and threats	14
11.	Auditor of the financial statements	18
12.	Statement of compliance with corporate governance standards.....	18

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 in securities trading for institutional clients, chiefly on the Warsaw Stock Exchange ('WSE'), but also on other global stock exchanges. In 2014, the Company 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. Currently, the Company already cooperates with seven such agents.

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 2016; 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)	2018	2017
Total revenue, including	98,108	97,155
<i>Brokerage and related services</i>	32,380	45,644
<i>Investment fund and asset management</i>	40,579	30,357
<i>Advisory services</i>	25,149	21,154
Total operating expenses	98,381	88,828
Profit on core activities	-273	8,327
Operating profit	-850	5,846
Net profit for period	-2,063	2,458

Revenue

Despite lower revenue from brokerage services, the increased revenue from investment fund management and advisory services contributed to a slight (1.0%) increase in the IPOPEMA Group's total consolidated revenue in 2018 (to PLN 98,108 thousand from PLN 97,155 thousand in 2017).

Revenue from brokerage services (PLN 32,380 thousand or 33.0% of consolidated revenue) was 29.1% lower than a year earlier (PLN 45,644 thousand), due mainly to a significant decline in revenue from investment banking services (PLN 8,112 thousand vs PLN 18,972 thousand in 2017), with revenue from securities trading down by 11.9% and totalling PLN 21,987 thousand vs PLN 24,970 thousand in 2017. The drop in revenue from brokerage activities was attributable, on the one hand, to a 14.8% decrease in total value of trading on the WSE and, on the other hand, to a decline in the Company's market share (4.44% vs 5.12% in 2017). The revenue from investment banking services deteriorated due to a materially lower value of transactions completed in 2018 compared with 2017. On the other hand, an increase in retail business revenue of 34.0% (to PLN 2,281 thousand) drove an increase in other revenue from core activities.

In 2018, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 40,579 thousand (41.4% of consolidated revenue), i.e. 33.7% more than the year before (PLN 30,357 thousand). Relative to 2017, the structure of revenue changed towards a higher share of revenue from the management of capital market funds following an increase of their asset value, which reached PLN 1.5bn at the end of 2018 vs PLN 1.2bn in 2017. The total value of assets under management as at the end of 2018 was PLN 53.5bn (up from PLN 48.7bn a year earlier).

IPOPEMA Business Consulting (advisory services segment) posted revenue of PLN 25,149 thousand in 2018 (25.6% of consolidated revenue), which represented a 18.9% increase year on year, from PLN 21,154 thousand.

Costs and expenses

The IPOPEMA Group's total costs of operations in 2018 were up 10.8% year on year and amounted to PLN 98,381 thousand (vs PLN 88,828 thousand in 2017).

In 2018, operating costs in the brokerage services segment totalled PLN 35,566 thousand, having decreased by 11.2% compared with 2017 (from PLN 40,040 thousand), due mostly to lower transaction costs.

Higher operating costs in the investment fund and portfolio management segment (PLN 39,663 thousand vs PLN 29,476 thousand in 2017) were primarily driven by higher costs of fund distribution and costs related to fund management.

The higher revenue in the advisory services segment in 2018 entailed an increase in operating costs (PLN 23,152 thousand), which went up by 19.9% compared with 2017.

Financial results

Despite operating profit earned on investment fund management and advisory services, the loss posted by the brokerage services segment resulted in a consolidated operating loss of PLN 273 thousand (vs profit of PLN 8,327 thousand a year earlier). Similarly, despite net profit earned on the investment fund management and advisory services, the net loss posted by the brokerage services segment translated into a consolidated net loss of PLN 2,063 thousand in 2018 (vs net profit of PLN 2,458 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 2,934 thousand, while profit attributable to non-controlling interests was PLN 871 thousand.

Despite lower operating expenses, a marked decrease in revenue in the brokerage services segment resulted in a loss of PLN 3,186 thousand on core activities (vs profit of PLN 5,604 thousand a year earlier) and a net loss of PLN 4,812 thousand (vs net profit of PLN 142 thousand a year earlier).

On a separate basis, IPOPEMA Securities reported a net loss of PLN 4,310 thousand in 2018 (vs net profit of PLN 1,263 thousand in 2017).

Despite a 33.7% increase in revenue from investment fund management in 2018, higher costs of operations (up 34.6%) translated into the segment's performance relatively unchanged compared with 2017: operating and net profit were, respectively, PLN 916 thousand and PLN 1,042 thousand, compared with PLN 881 thousand and PLN 1,092 thousand in 2017.

In 2018, the advisory services segment recorded an operating profit of PLN 1,997 thousand and net profit of PLN 1,707 thousand, compared with PLN 1,842 thousand and PLN 1,224 thousand, respectively, a year earlier.

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 2018 accounted for 71.2% and 64.1% 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 2018, cash stood at PLN 46,938 thousand (18.1% of total assets), of which PLN 15,814 thousand was clients' cash.

As at December 31st 2018, the Company's return on assets (calculated in accordance with Art. 110w of the Act on Trading in Financial Instruments) was -2.00% (vs 0.39% as at December 31st 2017).

As at the end of 2018, equity (PLN 80,407 thousand including non-controlling interests) accounted for 31.0% 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 15,485 thousand as at December 31st 2018 (6.0% 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 2018, the only off-balance-sheet item was a forward contract (with a nominal value of PLN 6,516 thousand) hedging the currency risk of a security deposit of EUR 1.5m securing settlement of transactions on foreign exchanges.

Capital expenditure

Total capital expenditure on property, plant and equipment and intangible assets incurred by the IPOPEMA Securities Group in 2018 amounted to PLN 495 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. 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 2018, the total value of trades executed on the Warsaw Stock Exchange was 14.8% lower than a year earlier. Over the same period, the Company's market share contracted as well, to 4.44% from 5.12%, leading to a 11.9% decline in revenue from securities trading (PLN 21,987 thousand vs PLN 24,970 thousand in 2017).

In 2018, conditions on the equity transaction market proved incomparably tougher than in 2017. Despite several transactions, the segment's revenue from investment banking services was by over a half lower than in 2017 (PLN 8,112 thousand vs PLN 18,972 thousand).

On the other hand, in 2018 the Company recorded an increase in other revenue from core activities (PLN 2,281 thousand vs PLN 1,702 thousand in 2017), driven mainly by higher revenue from the retail business.

As a result of these factors, despite lower operating expenses the brokerage segment posted a loss on core activities amounting to PLN 3,186 thousand and a net loss of PLN 4,812 thousand (vs profit on core activities of PLN 5,604 thousand and net profit of PLN 142 thousand in 2017).

Activities of IPOPEMA TFI

An increase in the value of assets in capital market funds (to PLN 1.5bn at the end of 2018, compared with PLN 1.2bn a year earlier) brought about an increase in revenue from the management of these funds. The year-on-year revenue growth was also driven by the launch of several securitisation funds. At the same time, revenue from the management of closed-end funds declined. In 2018, the investment fund management segment recorded a 33.7% increase in revenue, to PLN 40,579 thousand (vs PLN 30,357 thousand a year earlier), which, given a 34.6% increase in operating expenses (mainly due to higher distribution costs and services,

including costs of fund management), translated into a slightly lower net profit (PLN 1,042 thousand vs PLN 1,092 thousand in 2017).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in 2018 resulted in a 18.9% increase in the company's revenue (to PLN 25,149 thousand from PLN 21,154 thousand). Despite higher operating expenses (up 19.9%), net profit rose to PLN 1,707 thousand (2017: PLN 1,224 thousand) on the back of the revenue increase.

4. Factors which may affect the 2019 performance

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 currently the Warsaw Stock Exchange is in an upward trend. As at the end of February, the WIG was 10.9% higher from the low recorded in October 2018. Optimism is also reflected in investors' activity. In the first two months of 2019, the trading volume was virtually the same as in the corresponding period of 2018 (which may be viewed as a favourable development in the context of the trading slump observed on the WSE throughout 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 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 October 2017 to May 2018, investment funds were recording net subscriptions, but the second half of 2018 saw a clear trend to redeem rather than subscribe for investment fund units. After five months of net outflows, February 2019 was the first month of net subscriptions to the funds.

However, it is difficult to determine whether the February subscriptions are a harbinger of positive sentiment towards investment products. It should be noted that 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, therefore, on stock market conditions. Nonetheless, the legislative changes affecting the operation of closed-end funds, introduced in 2016, have had an adverse effect on revenue from these operations. 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 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.

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 is also engaged in brokerage activities on a number of other foreign exchanges.

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 other intermediaries (including branches of major investment banks). IPOPEMA Securities' domestic clients include most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset management companies 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 public offerings for private companies, advises such companies on M&A transactions and capital raising, and provides them with financial advisory services, including 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.

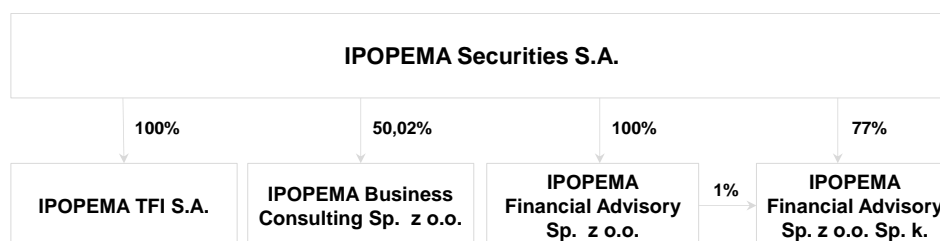
In 2018, no client accounted for more than 10% of the Group's revenue.

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 2018 accounted for 5.8% of consolidated operating expenses.

5.2 Organisational structure of the IPOPEMA Securities Group

June 2018 saw the closing of liquidation of the Romanian subsidiary IPOPEMA Business Services SRL. As at December 31st 2018, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. (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., and IPOPEMA Financial Advisory Sp. z o.o. Sp.k. IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Business Consulting and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. are consolidated, while IPOPEMA Financial Advisory Sp. z o.o. is excluded from consolidation based on the immateriality of its 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 2018, 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 2018 and in 2019 before the date of issue of the report

Changes in the structure of the IPOPEMA Group

As mentioned in Section 5.2 above, liquidation of the Romanian subsidiary IPOPEMA Business Services SRL was completed in June 2018.

Dividend paid by IPOPEMA Business Consulting

In June 2018, a resolution on dividend payment by IPOPEMA Business Consulting was passed, with PLN 600 thousand payable to IPOPEMA Securities.

Changes in the Management Board of IPOPEMA TFI

In October 2018, the Supervisory Board of IPOPEMA TFI removed Jarosław Jamek from the position of Vice President of the Management Board and appointed Katarzyna Westfeld (then the Chief Financial Officer) as Member of the IPOPEMA TFI Management Board.

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 2018, 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 2018, there were no changes in the Company's share capital.

6.2 Change in the share capital of other Group companies

In 2018, 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 2018 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
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.

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 2018 (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	
	2018	2017	2018	2017
Management Board	1,818	2,312	400	396
Jacek Lewandowski	501	738	100	101
Mirosław Borys	403	494	100	101
Mariusz Piskorski	403	529	100	101
Stanisław Waczkowski	511	520	100	93
Daniel Ścigala	-	31	-	-
Supervisory Board	167	150	32	12
Jacek Jonak	35	40	-	-
Janusz Diemko	26	22	-	-
Bogdan Kryca	18	24	-	-
Michał Dobak	28	28	-	-
Piotr Szczepiórkowski	60	20	32	8
Zbigniew Mrowiec	-	16	-	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 2018 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 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 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 (Miroslaw 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

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, only one hearing had been held in the case. During the hearing, IPOPEMA TFI's attorney requested the court to admit further evidence which, as was the case with the request to admit evidence submitted in the response to the statement of claim, has not yet been considered. The court set the date of the next hearing for April 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.

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 2018. Their current expiry date is September 14th 2019.

Agreements concluded in the ordinary course of business

During 2018, IPOPEMA Securities concluded more than a dozen agreements for the provision of brokerage services with institutional clients and several hundred brokerage agreements with retail clients, as well as more than a dozen agreements for the provision of investment banking and advisory services. In 2018, IPOPEMA TFI created several 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 2018, the Company did not receive or provide any sureties or loans (except for loans to Group companies, 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. An economic slowdown adversely affects global stock markets and the CEE stock markets where the Company operates. Any downturn on the capital market affects the Company's revenue through lower trading volumes on stock exchanges and challenging conditions for 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. In past years, this 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 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, including Poland (operating both as foreign-based brokerage houses and through their local offices). 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 company 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 members of the Group's management or other key personnel decide to leave, this may have an adverse effect on the operations and financial condition 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 Group'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 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 clearing 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 IPOPEMA Securities' retail business

In 2016, the Company started offering brokerage services and investment products to a wider retail audience. These activities are carried out largely through distributors cooperating with the Company as investment firm's agents. The agent network is still under development and is yet to reach the desired scale. Moreover, the current market situation in which demand for certain investment products fell significantly as a result of insolvency of their issuers, combined with regulatory changes limiting the ability of distributors (including IPOPEMA Securities) to earn revenue under the existing market model, make it difficult to reliably assess how

such operations will develop in the coming periods and, consequently, to assess their impact on the Company's performance.

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. Equity is maintained at a level which ensures adequate surplus over the capital requirements referred to above. However, it cannot be ruled out that as a result of change in the scope or scale of operations, a significant loss or changes in the regulatory and legal framework equity will need 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 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. Despite the measures taken by the Company, there can be no assurance that a risk in this area would not materialise, leading to a risk of claims against or penalties, including fines, imposed on the Company (or other Group companies).

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. Moreover, as the Company develops its operations consisting in offering investment products to a broad retail audience, there is also a growing risk of potential claims against the Company, particularly if products purchased by an investor generate a loss – both as a result of potential failure by the Company and for reasons beyond its control (i.e. attributable to the issuer or manager of a given instrument).

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. Nevertheless, 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.

Legal and 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.

Frequent legal changes, the overall quality of legislation, as well as imposition of new obligations affect not only the IPOPEMA Group's business, but also the conduct of business activities and business management in general. These factors increase the risk of non-compliance or incorrect compliance with certain regulations, aggravating the risk of fines and penalties for business entities. The number and maximum amounts of such fines and penalties, enforced under various legal acts, are also on the rise, particularly in view of ambiguities in many regulations.

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 2018, 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.

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.

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.

Audit Committee

- To comply with the requirements of the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (the "Act on Statutory Auditors") and given that IPOPEMA Securities S.A. meets the criteria for being considered a public-interest entity within the meaning of the Act on Statutory Auditors, on September 7th 2017 an Audit Committee of IPOPEMA Securities S.A. was established, comprising all members of the Supervisory Board.
- All Audit Committee members met the independence criteria.
- The persons with knowledge and skills in accounting or auditing of financial statements include Janusz Diemko, qualified auditor, and Piotr Szczepiórkowski, licensed investment adviser and ACCA member.
- All members of the Audit Committee have the knowledge and skills relevant for the sector in which IPOPEMA Securities S.A. operates given their professional experience and many years of active membership on the Company's Supervisory Board.
- The audit firm which audited the Company's financial statements did not provide any non-audit services to the Company.
- The key provisions of the Company's policy and procedure for selecting an audit firm and the policy for the provision of additional services by an audit firm, its affiliates or a member of its network are as follows:
 - an auditor is selected by the Supervisory Board based on the Audit Committee's recommendation;
 - in the case of selection of a new audit firm and not just an extension of the agreement with the existing audit firm, the Audit Committee recommends at least two candidates with the Committee's preferred choice indicated;
 - an audit firm and lead auditor may audit the Company's financial statements for no more than five consecutive years;
 - the first agreement with an audit firm is concluded for no more than two years;
 - the audit firm performing the audit (or its affiliates or network member) does not provide the Company or its related entities, directly or indirectly, with any prohibited non-audit services or services that are not a financial audit;
 - the audit firm may provide services which are not prohibited services (as specified in Art. 136.2 of the Act on Statutory Auditors) only to the extent such services are not related to the Company's tax policy, following an assessment by the Audit Committee of threats and independence safeguards in accordance with the Act on Statutory Auditors.
- The recommendation on audit firm selection met the conditions defined in the Company's relevant policy and procedure.
- In 2018, the Audit Committee held five meetings.

Warsaw, March 29th 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