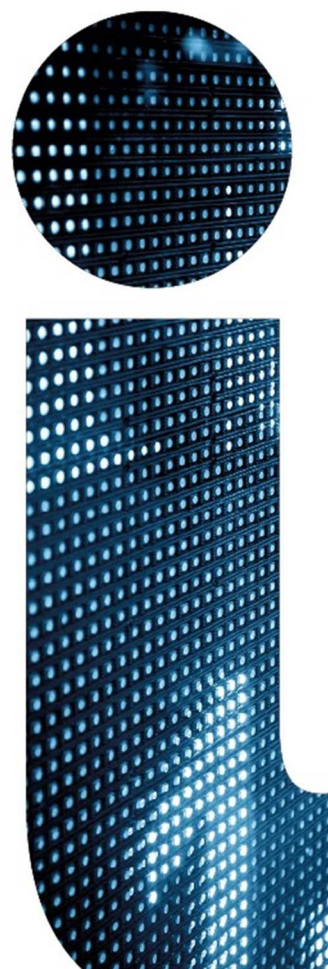


The IPOPEMA
Securities Group

Directors' Report

**on the Group's Operations
for the nine months
ended September 30th 2016**

Warsaw, November 9th 2016



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Part I

1. Financial performance

Key consolidated financial results*	Q1–Q3 2016	Q1–Q3 2015
Total revenue, including	59,089	70,479
<i>Brokerage and related services</i>	25,464	33,200
<i>Investment fund management</i>	23,995	28,303
<i>Consultancy services</i>	9,630	8,976
Total cost of core activities	56,825	65,714
Profit on core activities	2,264	4,765
Net profit for period	1,403	2,548

* Unaudited.

Revenue

Lower revenue in the brokerage services and investment fund and portfolio management segments translated into a 16.2% decline in consolidated revenue of the IPOPEMA Group in Q1-Q3 2016 – down to PLN 59,089 thousand from PLN 70,479 thousand in Q1-Q3 2015.

Revenue from brokerage services (PLN 25,464 thousand; 43.1% of consolidated revenue) was 23.3% lower than the year before (PLN 33,200 thousand), driven by 27.5% lower revenue from trading in securities (PLN 16,185 thousand vs PLN 22,311 thousand a year earlier) and 15.4% lower revenue from investment banking services (PLN 9,101 thousand vs PLN 10,761 thousand). Lower revenue from brokerage operations was principally attributable to lower value of trading on the WSE (down by 13.0%) and a decline in the Company's market share (4.66% in January-September 2016 vs 5.91% a year earlier).

In Q1-Q3 2016, IPOPEMA TFI (investment fund and portfolio management business) posted revenue of PLN 23,995 thousand (40.6% of consolidated revenue), which represents a 15.2% decrease on Q1-Q3 2015 (PLN 28,303 thousand). Lower revenue in the segment was mostly due to the transfer of the management of white label funds to other fund management companies. The total value of assets in other actively managed funds amounted to PLN 1.1bn as at the end of September 2016, up from PLN 0.6bn as at the end of September 2015. At the same time, in the asset management business the average value of assets went down from PLN 0.7bn in Q1-Q3 2015 to PLN 0.3bn in January-September 2016, while the total value of assets under management as at the end of September 2016 grew to PLN 51.0bn (from PLN 34.0bn the year before).

In January-September 2016, IPOPEMA Business Consulting (the consultancy segment) posted revenue of PLN 9,630 thousand (16.3% of consolidated revenue), which represented a 7.3% increase on Q1-Q3 2015 (PLN 8,976 thousand).

Costs and expenses

As a result of lower costs in the brokerage services and the investment fund and portfolio management segments, the IPOPEMA Group's total costs of operations in the first three quarters of 2016, at PLN 56,825 thousand, were 13.5% lower than a year earlier (in Q1-Q3 2015: PLN 65,714 thousand).

In January-September 2016, costs of operations in the brokerage services segment totalled PLN 26,028 thousand, having decreased by 16.5% on Q1-Q3 2015 (down from PLN 31,179 thousand), chiefly on the back of lower transaction costs and lower cost of salaries and wages.

In the investment fund and portfolio management segment, total costs of operations dropped by 16.9% on Q1-Q3 2015, to PLN 21,299 thousand, chiefly because of lower distribution and management costs of actively managed funds, including white label funds, which largely depend on the value of assets of such funds.

IPOPEMA Business Consulting reported costs of operations of PLN 9,498 thousand in Q1-Q3 2016, up by 6.5% from a year earlier, when these costs amounted to PLN 8,916 thousand.

Net profit/(loss)

Despite the loss reported by the brokerage services segment, profit earned by other business segments translated into a consolidated profit on core activities and a net profit of PLN 2,264 thousand and PLN 1,403 thousand, respectively (vs a PLN 4,765 thousand profit on core activities and PLN 2,548 thousand net profit a year earlier).

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02%, net profit attributable to owners of the parent was PLN 1,287 thousand, and profit attributable to non-controlling interests was PLN 116 thousand.

In the brokerage services segment, despite lower costs of operations, the significant decline in revenue translated into a net loss of PLN 1,122 thousand (vs a PLN 575 thousand net profit a year earlier). IPOPEMA Securities' net profit for Q1-Q3 2016 disclosed in the separate financial statements was PLN 328 thousand (Q1-Q3 2015: PLN 2,055 thousand); in both years dividends received by IPOPEMA Securities from subsidiaries: PLN 1,470 thousand from IPOPEMA TFI in Q1-Q3 2016 and a total of PLN 1,400 thousand from IPOPEMA TFI and IPOPEMA Business Consulting in Q1-Q3 2015, were not accounted for in the consolidated financial statements.

Despite 15.2% lower revenue posted by IPOPEMA TFI, the 16.9% reduction in its costs of operations translated into a 20.7% net profit increase in the investment fund and portfolio management segment (PLN 2,369 thousand vs PLN 1,962 thousand in Q1-Q3 2015).

Also in the consultancy services segment, the fact that revenue rose slightly faster than costs of operations contributed to a net profit increase (PLN 156 thousand vs PLN 11 thousand a year earlier).

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

Equity market and investment banking

In Q1-Q3 2016, only the Budapest Stock Exchange recorded an increase in the value of trading (up 7.8% on Q1-Q3 2015), while trading in Warsaw and Prague was down 13.0% and 12.7%, respectively, relative to the first nine months of 2015. Over the same period, the Company's market share on the WSE declined to 4.66% (from 5.91% a year earlier) because of growing competition, chiefly from foreign-based brokerage houses. The market share on the BSE remained almost flat year on year (2.18% vs 2.21% a year earlier). As a result, the Company's revenue from trading in securities in January–September 2016 was down 27.5% year on year (PLN 16,185 thousand vs PLN 22,311 thousand).

On the market for equity transactions, the situation in Q1-Q3 2016 was more difficult than in the same period a year earlier, with the total value of IPOs on the WSE being three times lower year on year. A lower number of transactions handled by IPOPEMA Securities in the period translated into lower investment banking revenue (PLN 9,101 thousand vs PLN 10,761 thousand).

As a result of the above factors, revenue of the brokerage services segment was 23.3% lower year on year, and the segment posted a net loss of PLN 1,122 thousand in Q1-Q3 2016 (relative to a PLN 575 thousand net profit in the previous year) despite lower cost of operations.

IPOPEMA TFI's activities

Despite an overall growth in assets under management to PLN 51.0bn as at the end of September 2016, compared with PLN 34.0bn a year earlier, the transfer of the management of white label funds coupled with a decline in assets managed as part of the asset management business translated into a 15.2% drop in revenue of the investment fund and portfolio management segment, to PLN 23,995 thousand in Q1-Q3 2016, compared with PLN 28,303 thousand a year earlier. Concurrently, a 16.9% reduction in operating expenses lifted the segment's net profit to PLN 2,369 thousand (from PLN 1,962 thousand in Q1-Q3 2015).

IPOPEMA Business Consulting

A larger number of advisory projects pursued by IPOPEMA Business Consulting in the first nine months of 2016 compared with the corresponding period in 2015, translated into the company's revenue growth by 7.3%, which,

despite 6.5% higher operating expenses, resulted in net profit being higher than a year earlier (PLN 156 thousand vs PLN 11 thousand).

3. Factors with potential bearing on the Q4 2016 results

Market situation on the Warsaw, Budapest and Prague stock exchanges and IPOPEMA Securities' position on the secondary market

Following moderate changes, in late October the WIG index was 5.8% higher than at the end of 2015, while over the same period the Budapest BUX index climbed 24.6% and the Prague PX index fell by 3.6%. At the same time, in Q1-Q3 2016 only the BSE saw a growth in the value of trading (up 7.8%), whereas investor activity on the WSE and PSE slowed down by 13.0% and 12.7%, respectively. It is therefore difficult to predict the developments on the Company's markets in subsequent months of 2016.

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

Following a challenging first quarter on the equity transaction market, the situation improved slightly in the subsequent months. IPOPEMA Securities acted as the Joint Bookrunner and Underwriter in this year's largest public offering of X-Trade Brokers DM. Moreover, it was engaged in the Braster S.A. equity offering and in Bank Pocztowy and Globe Trade Centre debt offerings, acting also as an agent in the Kredyt Inkaso tender offer. However, announcements of further changes to open-ended pension funds and the continuing risk of a further downgrade in Poland's rating may have an adverse effect on market sentiment in the coming months. Nevertheless, the Company is working on several transactions and continues to seek new clients, including from sectors which are more resilient to stock market volatility.

Expansion of IPOPEMA Securities' retail business

In February 2016, the Company started offering brokerage services and investment products to a broad base of retail customers. To date, the Company has established relations with four entities acting as investment firm agents (Expander Advisors, NWA I Dom Maklerski, Grupa FINANSET and HKN Capital Fund), and shortly intends to launch collaboration with Fintegra, which is already entered in IPOPEMA's list of investment firm agents. IPOPEMA Securities' retail customers could subscribe for investment certificates (Raiffeisen Centrobank, Trigon), shares offered in public offerings (X-Trade Brokers DM, Auto Partner), and bonds (Bank Pocztowy, GTC). However, as the retail business is still in an early phase of development, it is hard to reliably predict the pace of its growth in the coming months and thus its effect on the Company's performance.

Further expansion of IPOPEMA TFI's business

Asset inflows into investment funds are correlated with the performance of capital markets. 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. The downturn observed on the WSE from May 2015 through mid-January 2016 resulted in retail investment funds reporting net redemptions for nine consecutive months (up to and including February 2016). Despite renewed interest in investment products (in the period from March to September, June was the only month in which retail investment funds reported net redemptions), it is difficult to predict how investor sentiment will change in the coming months. The prevailing record-low interest rates may encourage transfers of savings from bank deposits to investment funds, which may have a positive effect on the performance of the fund and portfolio management segment. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on market conditions. In the coming months, this area of IPOPEMA TFI's business may be materially affected by the direction of possible changes in the legal framework for the business of investment funds and the tax regime applicable to investment funds and their investors.

Expansion of IPOPEMA Business Consulting's business

In the subsequent months of 2016, the key drivers of IPOPEMA Business Consulting's operations will include continued performance of its existing contracts and new additions to the order book, coupled with tight cost control.

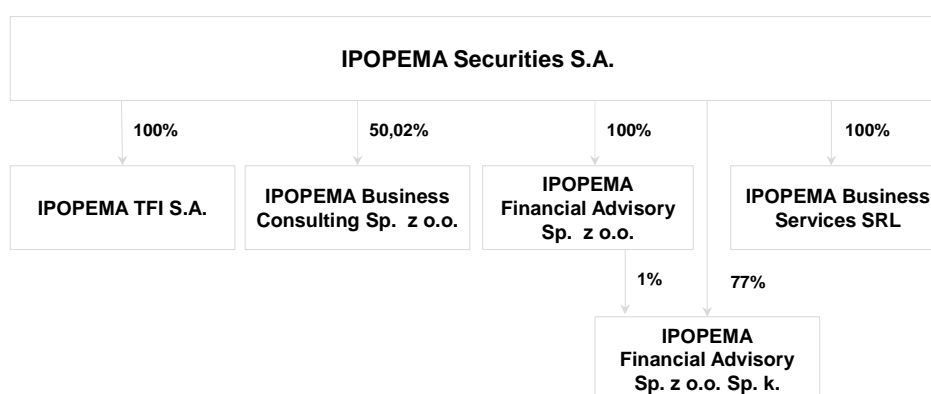
4. Performance vs forecasts

The Company did not publish any performance forecasts.

Part II

1. Organisational structure of the IPOPEMA Securities Group

The Group of IPOPEMA Securities S.A. consists of IPOPEMA Securities S.A. as the parent, and the following subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o. Sp. k., and IPOPEMA Business Services SRL (Romania). IPOPEMA Securities, IPOPEMA TFI and IPOPEMA Business Consulting are consolidated, while the other companies are excluded from consolidation based on the immateriality of their financial data.



2. Changes in the structure of the IPOPEMA Securities Group

In accordance with the information provided in the Company's latest annual report, given changes to the model of operating in foreign markets, the process of winding up IPOPEMA Business Services Kft. (Hungary) and IPOPEMA Business Services SRLIBS SRL (Romania) was launched. On April 1st 2016, the process of winding up the Hungarian subsidiary was completed, resulting in IPOPEMA Securities becoming the sole shareholder of IPOPEMA Business Services SRL (whose winding up is expected to be concluded by the end of 2016).

Moreover, the Company acquired from IPOPEMA Business Consulting all shares in IPOPEMA Outsourcing Sp. z o.o., whose name was then changed to IPOPEMA Financial Advisory Sp. z o.o. At the same time, in July 2016, the subsidiary IPOPEMA Financial Advisory Spółka z ograniczoną odpowiedzialnością Sp.k. (IFA SK) was registered. The abovementioned structure was established in connection with the planned transfer to IFA SK of advisory services related to corporate financial restructuring and fund raising for infrastructure projects, currently provided by IPOPEMA Securities, which is expected to be made in early 2017.

3. Shareholding structure of IPOPEMA Securities S.A.

As at September 30th 2016, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights at GM	% of total voting rights at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.99%
JLC Lewandowski S.K.A. ²	2,990,789	9.99%
OFE PZU Złota Jesień*	2,950,000	9.85%
IPOPEMA 10 FIZAN ³	2,851,420	9.52%
Katarzyna Lewandowska	2,136,749	7.14%
Quercus Parasolowy SFIO*	1,754,164	5.86%
Total shareholders holding over 5% of the share capital	15,673,911	52.35%

* Based on notifications received by the Company from the shareholders.

¹ The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

² Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

³ The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

As at the date of this report, there were no changes in the group of shareholders directly or indirectly holding 5% or more of the Company shares and of total voting rights at the Company's General Meeting.

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

As at September 30th 2016 (as well as at June 30th 2016 and as at the date of this report), members of the management staff held, directly or indirectly through their subsidiaries or related parties (including dedicated funds), the following shareholdings in IPOPEMA Securities S.A.:

Person	No. of shares and votes	% of ownership interest and total voting rights
Jacek Lewandowski – President of the Management Board ¹	6,320,868	21.11%
Stanisław Waczkowski – Vice President of the Management Board	3,142,855	10.50%
Mariusz Piskorski – Vice President of the Management Board	915,000	3.06%
Miroslaw Borys – Vice President of the Management Board	696,428	2.33%
Daniel Ścigała – Member of the Management Board	118,212	0.39%
Total	11,193,363	37.39%

¹ As disclosed in the table in Section 3, shares in IPOPEMA Securities S.A. are also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

5. Issue, redemption and repayment of equity and non-equity securities

Except for an issue of registered bonds with a total par value of PLN 2 thousand, no equity or non-equity securities of IPOPEMA Securities S.A. were issued, redeemed or repurchased in Q1-Q3 2016 or the

comparative period. The total amount of liabilities payable by the Company on redemption of the bonds will not exceed the bonds' par value and is not significant to the Company, and the issue is related to the Variable Remuneration Component Policy implemented at the Company. For more information, see Note 11 to the interim condensed separate financial statements and Note 14 to the interim condensed financial statements.

6. Loans, guarantees, sureties

In Q1-Q3 2016 (and in the comparative period), the Company did not receive and did not provide any sureties or loans (other than loans to its employees and associates). The guarantees provided to the Company, disclosed in Note 12 to the interim condensed financial statements of IPOPEMA Securities, were renewed.

7. Selected corporate events and material information

Changes in the IPOPEMA Group's structure

As disclosed in Section 2 above, in 2016 the winding up of the Hungarian subsidiary IPOPEMA Business Services Kft was completed. Furthermore, IPOPEMA Securities acquired from IPOPEMA Business Consulting the subsidiary IPOPEMA Outsourcing Sp. z o.o., which, following the change of its name to IPOPEMA Financial Advisory Sp. z o.o., became the general partner in newly established IPOPEMA Financial Advisory Spółka z ograniczoną odpowiedzialnością Sp.k. Early in 2017, IPOPEMA Securities' consultancy services related to financial restructuring and fund raising for infrastructure projects are to be transferred to IPOPEMA Financial Advisory Spółka z ograniczoną odpowiedzialnością Sp.k.

Dividend from IPOPEMA TFI

In Q1-Q3 2016, a resolution was adopted concerning IPOPEMA TFI's payment of dividend of PLN 1,470 thousand to IPOPEMA Securities. The dividend amount represents the Company's finance income and is disclosed in its separate financial statements but eliminated in the Group's consolidated financial statements.

8. Litigation and court proceedings

In March 2014, administrative proceedings against IPOPEMA TFI were initiated before the Polish Financial Supervision Authority concerning compliance with the provisions its Articles of Association by one of the funds. Even though IPOPEMA TFI presented detailed explanations and arguments, the Polish Financial Supervision Authority decided to impose a fine of PLN 50 thousand on IPOPEMA TFI. IPOPEMA TFI filed a request for re-examination of the case.

Furthermore, in July 2015, IPOPEMA TFI received a decision of the General Inspector for Financial Information on the instigation of proceedings to impose a fine for failure to meet the obligation to register a transaction and failure to implement follow-up recommendations issued by the Polish Financial Supervision Authority within the prescribed time limit. IPOPEMA TFI presented detailed explanations in the proceedings and filed a petition with the Minister of Finance to re-examine the case. However, in December, the Minister of Finance upheld the challenged decision. IPOPEMA TFI filed an appeal against the decision to the Provincial Administrative Court, which, however, dismissed the complaint in full. IPOPEMA TFI is considering lodging an appeal with the Supreme Administrative Court.

In April 2016, IPOPEMA Securities filed a suit against one of its clients for payment of PLN 49 thousand plus interest under unpaid invoices for consultancy in raising funds. In June 2016, the court issued an order of payment in writ-of-payment proceedings. Now, the defendant has time to object against the order of payment.

Directors' Report on the Operations of the IPOPEMA Securities Group for the first nine months of 2016

In July 2016, IPOPEMA TFI received a copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ("GPW"), for payment of PLN 20.5m for loss incurred by GPW due to GPW's investment in investment certificates of IPOPEMA 60 FIZAN, a fund managed by IPOPEMA TFI. IPOPEMA TFI believes the claim to be groundless and has taken legal action to have it dismissed. IPOPEMA TFI timely submitted a response to the statement of claim and is currently awaiting the court's further decisions.

Apart from the above-mentioned proceedings, in 2016 none of the IPOPEMA Group companies was party to any other court or administrative proceedings.

9. Related-party transactions

In Q1-Q3 2016, the Company did not enter into any material related-party transactions. For more information on related-party transactions, see Note 25 to the interim condensed consolidated financial statements.

10. Material events subsequent to the reporting date

Between September 30th 2016 and the date of issue of the financial statements, there were no material events with a bearing on the Company's operations.

Warsaw, November 9th 2016

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

Mirośław Borys
Vice President of the
Management Board

Daniel Ścigała
Member of the
Management Board