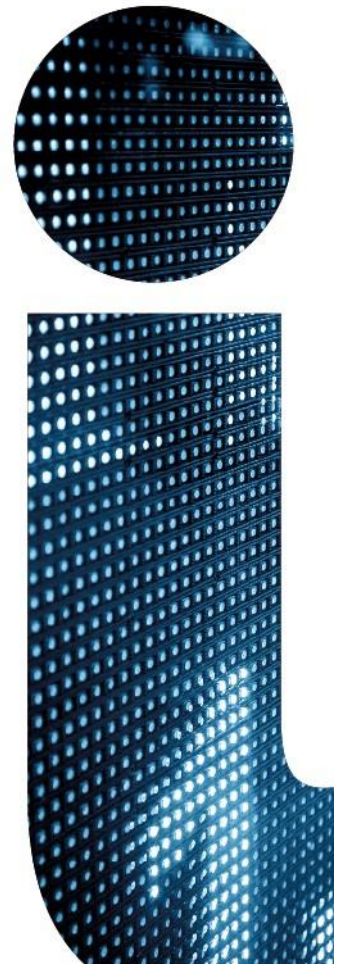


The IPOPEMA Securities
Group

Management's Discussion and Analysis

**for
the nine months
ended September 30th 2019**

Warsaw, November 20th 2019



Contents

PART I

1.	Financial results	3
2.	Material events and factors with a bearing on financial performance	4
3.	Factors which may affect the Group's performance in Q4 2019.....	5
4.	Performance against forecasts.....	6

PART II

1.	Organisational structure of the IPOPEMA Securities Group	7
2.	Changes in the Group's organisational structure	7
3.	Shareholding structure of IPOPEMA Securities S.A.	7
4.	Number of shares held by members of management and supervisory personnel.....	8
5.	Issue, redemption and repayment of equity and non-equity securities.....	8
6.	Loans, guarantees and sureties	8
7.	Selected corporate events.....	8
8.	Material court proceedings	9
9.	Related-party transactions	9
10.	Material events subsequent to the reporting date	9

PART I

1. Financial results

Consolidated financial highlights*	Q1–Q3 2019	Q1–Q3 2018
Total revenue, including	93,086	66,111
<i>Brokerage and related services</i>	24,429	24,918
<i>Investment fund management</i>	48,950	24,679
<i>Advisory services</i>	19,707	16,514
Total operating expenses	94,605	69,021
Profit on core activities	-1,519	-2,910
Net profit for period	-1,354	-4,335

*Unaudited

Revenue

Despite slightly lower revenue from brokerage services, the rise in revenue from investment fund management and advisory services contributed to a 40.8% increase in the IPOPEMA Group's total consolidated revenue in Q1–Q3 2019 (to PLN 93,086 thousand, from PLN 66,111 thousand in January–September 2018).

Revenue generated in the brokerage services segment (PLN 24,429 thousand, accounting for 26.2% of consolidated revenue) was slightly lower year on year (down from PLN 24,918 thousand), driven by a decline in revenue from securities trading and other revenue, offset by a rise in revenue from investment banking services. Revenue from securities trading fell by 2.9% (to PLN 16,583 thousand, from PLN 17,079 thousand), while revenue from investment banking services amounted to PLN 6,363 thousand (up 8.2%, from PLN 5,881 thousand the year before), and other revenue (comprising mainly retail revenue) was PLN 1,483 thousand (relative to PLN 1,958 thousand in Q1–Q3 2018). The drop in revenue from brokerage activities was chiefly attributable to a decline in the Company's market share (4.35% in January–September 2019 vs 4.56% in the same period of 2018). The increase in revenue from investment banking services reflected a slightly higher value of transactions completed in the first nine months of 2019 compared with the same period of 2018. At the same time, a less supportive market environment for retail investment funds translated into a decline in the segment's other revenue.

In the three quarters of 2019, IPOPEMA TFI (the investment fund and portfolio management segment) posted revenue of PLN 48,950 thousand (52.6% of consolidated revenue), more than double the figure for the three quarters of 2018 (PLN 24,679 thousand). The growth of IPOPEMA TFI's revenue was driven mainly by success fees from the securitisation funds launched in the second half of 2018. Another factor was the continually growing share of revenue from the management of capital market funds (their asset value amounted to PLN 1.5bn at the end of September 2019, on a par with the previous year's level). The total value of assets under IPOPEMA TFI's management as at the end of the third quarter of 2019 was PLN 56.4bn (down from PLN 59.1bn at the end of September 2018).

IPOPEMA Business Consulting (the advisory services segment) posted revenue of PLN 19,707 thousand in Q1–Q3 2019 (21.2% of consolidated revenue), a 19.3% increase (from PLN 16,514 thousand) compared with the first nine months of 2018.

Costs and expenses

The IPOPEMA Group's total operating expenses in Q1–Q3 2019 were up 37.1% year on year and amounted to PLN 94,605 thousand (vs PLN 69,021 thousand).

In the first nine months of 2019, operating expenses in the brokerage services segment totalled PLN 26,038 thousand, having gone down 3.8% on the same period of 2018 (from PLN 27,080 thousand), chiefly on lower transaction costs and a lower cost of services.

Higher costs of operations in the investment fund and portfolio management segment (PLN 48,993 thousand vs PLN 26,031 thousand in Q1–Q3 2018) were primarily driven by costs related to the management of securitisation funds and higher costs of distribution of capital market funds.

The higher revenue in the advisory services segment in January–September 2019 entailed an increase in operating expenses (PLN 19,574 thousand), which went up 23.0% compared with the first three quarters of 2018.

Financial performance

Despite the operating profit earned on advisory services, the loss posted by the brokerage services and investment fund management segments resulted in a consolidated operating loss of PLN 1,519 thousand (vs loss of PLN 2,910 thousand a year earlier). The investment fund management segment and the advisory services segment posted net profits, but the loss posted by the brokerage services segment resulted in a consolidated net loss of PLN 1,354 thousand (vs net loss of PLN 4,335 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 1,368 thousand, while profit attributable to non-controlling interests was PLN 14 thousand.

Despite reduced operating costs, the lower revenue in the brokerage services segment resulted in a loss on core activities of PLN 1,609 thousand and a net loss of PLN 1,709 thousand. However, the loss on core activities and the net loss were higher the year before, amounting to PLN 2,162 thousand and PLN 3,732 thousand, respectively.

On a separate basis, in Q1–Q3 2019 IPOPEMA Securities reported a net loss of PLN 519 thousand, which was notably lower than in the same period of 2018, when it reached PLN 2,758 thousand (the difference between the separate net loss and the net loss on brokerage services resulted from consolidation eliminations).

The surge in revenue from investment fund management (up by 98.3%) was offset by markedly higher operating expenses (up by 88.2%), resulting in a PLN 43 thousand operating loss of the investment fund and portfolio management segment (vs a loss of PLN 1,352 thousand the year before) and a PLN 189 thousand net profit (compared with a net loss of PLN 1,096 thousand posted in the first nine months of 2018).

For the first three quarters of 2019, the advisory services segment recorded an operating profit of PLN 133 thousand and net profit of PLN 166 thousand, vs PLN 604 thousand and PLN 493 thousand, respectively, a year earlier.

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

Equity market and investment banking

In Q1–Q3 2019, the total value of trades executed on the Warsaw Stock Exchange was 5.6% lower than a year earlier. Over the same period, the Company's market share contracted as well, to 4.35% from 4.56%, leading to a 2.9% decline in revenue from securities trading (to PLN 16,583 thousand vs PLN 17,079 thousand a year earlier).

Conditions on the capital market were equally challenging in the first three quarters of 2019 as in the entire previous year. Nevertheless, the segment's revenue from investment banking services grew by 8.2% (to PLN 6,363 thousand, from PLN 5,881 thousand in Q1–Q3 2018).

Also in the investment funds market, the first nine months of 2019 were more challenging than the corresponding period of 2018 amid the highly volatile investor sentiment. This eroded revenue from the retail business, and consequently revenue classified as other revenue from core activities, which amounted to PLN 1,483 thousand in the first three quarters of 2019, compared with PLN 1,958 thousand in January–September 2018.

As a result of these factors, despite lower operating expenses, in Q1–Q3 2019 the brokerage services segment posted a PLN 1,609 thousand loss on core activities and a net loss of PLN 1,709 thousand (vs a PLN 2,162

thousand loss on core activities and a net loss of PLN 3,732 thousand reported in Q1–Q3 2018). At the same time, IPOPEMA Securities' net loss on a separate basis in Q1–Q3 2019 was PLN 519 thousand, a marked year-on-year improvement (from a net loss of PLN 2,758 thousand recorded in Q1–Q3 2018).

Activities of IPOPEMA TFI

Success fees from the securitisation funds launched in the second half of 2018 were the main driver of a material increase in revenue in the investment fund management segment. Additionally, a slight rise was recorded in revenue from the management of capital market funds (their asset value amounting to PLN 1.5bn at the end of September 2019, on a par with the previous year's level). At the same time, revenue from the management of closed-end funds declined.

Ultimately, revenue posted by the investment fund management segment for the first three quarters of 2019 nearly doubled, reaching PLN 48,950 thousand (vs PLN 24,679 thousand the year before). Still, despite the significant growth in revenue, an 88.2% increase in operating expenses (due mainly to higher costs of managing securitisation funds and costs of distributing capital market funds) resulted in a loss on core activities of PLN 43 thousand and a net profit of PLN 189 thousand (compared with a PLN 1,352 thousand loss on core activities and a net loss of PLN 1,096 thousand in the first three quarters of 2018).

IPOPEMA Business Consulting

A higher number of advisory projects carried out by IPOPEMA Business Consulting in the first three quarters of 2019 brought up revenue by 19.3%, but its growth was offset by a 23.0% increase in operating expenses. As a result, the net profit figure went down (to PLN 166 thousand, vs PLN 493 thousand posted a year earlier).

3. Factors which may affect the Group's performance in Q4 2019

Market situation on the Warsaw, Budapest and Prague Stock Exchanges and IPOPEMA Securities' position on the secondary market

After a 15% decline in the WIG index in the first nine months of 2018, the downward trend came to a halt and in 2019 the Warsaw Stock Exchange has remained within a sideways trend: after the first ten months of the year, the WIG index was 7.0% above the low recorded last year and barely 0.2% higher than at the end of 2018. At the same time, stock trading volumes on the WSE in the first three quarters of 2019 were down 5.6% on the corresponding period of 2018. However, 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 challenging for the capital transaction market, and the first three quarters of this year also failed to inspire hope of any significant improvement by the end of 2019. 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 eleven 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 current market conditions that suppress demand from retail investors for certain investment products (bonds, closed-end investment fund

certificates), it is hard to reliably predict the rate of its growth in the next months of 2019. Nonetheless, the Company constantly seeks to enhance its product offering and secure new entities to act as agents for IPOPEMA Securities.

Further expansion of IPOPEMA TFI's business

Changes of the situation on capital markets are reflected in the volume of inflows of assets to investment funds. Any strong market downturn causes a decline in the value of assets under management, but also undermines investors' confidence in this type of products, which translates not only into a very limited inflow of new funds, but also into unit redemptions. From January 2018 to June 2018, investment funds recorded net subscriptions (continued since the beginning of 2017), but the second half of 2018 saw a clear trend to redeem rather than subscribe for investment fund units. On the other hand, 2019 has been marked by high volatility of investor sentiment. In the first ten months, retail funds saw five months with net redemptions and five months with net subscriptions (the annual balance at the end of October was positive with PLN 632m in net subscriptions). It is difficult, though, to predict shifts in investor sentiment in the coming months of 2019. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on market conditions. Although changes in the legal regime introduced in 2016 and affecting the operation of such funds have had an adverse effect on revenues from this area, those revenues still account for a considerable portion of IPOPEMA TFI's total revenue. This adverse effect may continue into future periods if the legal framework for the business of investment funds, including the tax regime applicable to those funds, should change.

Expansion of IPOPEMA Business Consulting's business

In the following months of 2019, the key drivers of IPOPEMA Business Consulting's operations will include continued performance of its existing contracts and new additions to the order book, coupled with tight cost control.

4. Performance against forecasts

The Company has not published any performance forecasts.

PART II

1. Organisational structure of the IPOPEMA Securities Group

As at September 30th 2019, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. (the Parent) and its subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Financial Advisory Sp. z o.o., and IPOPEMA Financial Advisory Sp. z o.o. Sp. k. 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.



2. Changes in the Group's organisational structure

In Q1–Q3 2019, there were no changes in the structure of the IPOPEMA Securities Group.

3. Shareholding structure of IPOPEMA Securities S.A.

As at September 30th 2019, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights	% of total voting rights at GM
OFE PZU Złota Jesień*	3,471,868	11.59%
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.98%
JLC Lewandowski S.K.A. ²	2,990,789	9.98%
IPOPEMA 10 FIZAN ³	2,851,420	9.52%
Quercus Parasolowy SFIO*	2,827,552	9.44%
Value FIZ*	2,750,933	9.18%
Katarzyna Lewandowska	2,136,749	7.14%
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 holdings shown above did not change relative to those presented in the H1 2019 report or by the date of this report.

4. Number of shares held by members of management and supervisory personnel

Below are specified members of the management and supervisory personnel who, as at September 30th 2019 (and as at the date of this report), held – either directly or indirectly through subsidiaries or related entities (including dedicated funds) – IPOPEMA Securities shares. The shareholdings of members of the management and supervisory staff did not differ from those disclosed in the report for H1 2019.

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%
Total	11,075,151	36.99%

¹ As disclosed in item 3, shares in IPOPEMA Securities S.A. were also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

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

In connection with the IPOPEMA Group's variable remuneration components policy, in the first three quarters of 2019 Group companies issued PLN 1.6 thousand worth of bonds and redeemed PLN 3.4 thousand worth of bonds, while the year before the Company issued and redeemed PLN 2.4 thousand and PLN 5.2 thousand worth of bonds, respectively. For more information on the issue and redemption of bonds, see Note 15 to the consolidated financial statements.

6. Loans, guarantees and sureties

In the first nine months of 2019, the Company did not receive or provide any sureties or loans (with the exception of loans to employees and associates of immaterial value to the Company). The guarantees provided to the Company, as detailed in Note 12 to the financial statements of IPOPEMA Securities, were renewed.

7. Selected corporate events

Change in the composition of the Supervisory Board

On June 27th 2019, Mr Piotr Szczepiórkowski, appointed to the Supervisory Board on June 27th 2017, ceased to be that body's member following his resignation. His place on the Supervisory Board was taken by Mr Zbigniew Mrowiec, appointed by the Extraordinary General Meeting on September 17th 2019.

Dividend paid by IPOPEMA Business Consulting

In June 2019, a resolution on dividend payment was passed by IPOPEMA Business Consulting, pursuant to which IPOPEMA Securities is to receive PLN 400 thousand.

8. Material court proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ('GPW'), in which GPW sought payment of PLN 20,554,900.90m for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI considers GPW's claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. Three hearings of the case were held by the date of this report. Given the complex factual and legal circumstances, it is difficult at this point to predict the outcome of the proceedings or the date of their conclusion.

9. Related-party transactions

In Q1–Q3 2019, the Company did not conclude any material related-party transactions on a non-arm's length basis. For details of related party-transactions, see Note 25 to the interim condensed consolidated financial statements.

10. Material events subsequent to the reporting date

In the period between September 30th 2019 and the date of issue of the financial statements, there were no material events which would affect the Company's business.

Warsaw, November 20th 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