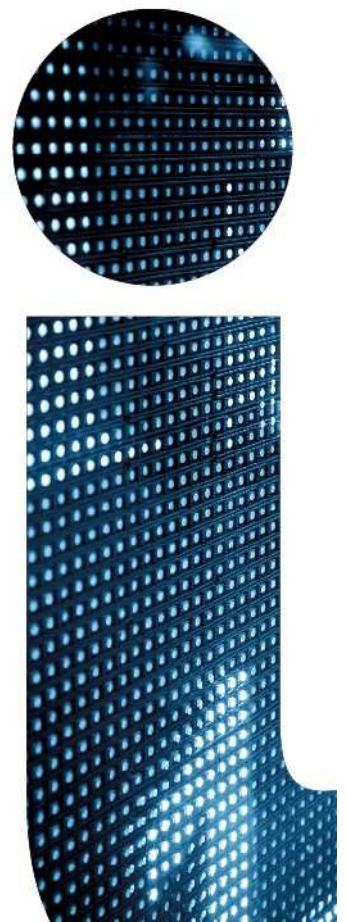


The IPOPEMA Securities Group

Directors' Report

**on the Operations of the IPOPEMA Securities Group
for three months
ended March 31st 2016**

Warsaw, May 13th 2016



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PART I

1. Financial performance

Revenue

Lower revenue across all operating segments translated into a 24.6% decline in consolidated revenue of the IPOPEMA Group in Q1 2016 – down to PLN 16,916 thousand from PLN 22,446 thousand in Q1 2015.

Revenue from brokerage services (PLN 7,426 thousand; 43.9% of consolidated revenue) was 19.7% lower than the year before (PLN 9,244 thousand), driven by lower revenue from trading in securities (PLN 5,620 thousand vs PLN 7,563 thousand in Q1 2015), with a slight growth of revenue from investment banking services (PLN 1,775 thousand vs PLN 1,672 thousand). The lower revenue from brokerage operations was principally attributable to lower trading values on the WSE (drop by 14.4%) and a decline in the Company's market share (5.04% in Q1 2016 vs 6.12% in Q1 2015).

In Q1 2016, IPOPEMA TFI (investment fund and portfolio management business) posted revenue of PLN 7.666 thousand (45.3% of consolidated revenue), which means a 23.7% decrease on Q1 2015 (PLN 10,050 thousand), attributable mainly to a complete outflow of assets from white label funds following the termination of agreements for the management of such funds. As a result, as at the end of Q1 2016 the asset value of white label funds dropped down to zero, while in Q1 2015 their value averaged at PLN 0.4bn. Average asset value in the remaining actively managed funds was largely unchanged in Q1 2016 relative to the corresponding period of 2015 (PLN 0.7bn). Further, in the asset management segment average value of assets under management went down from PLN 1.2bn in Q1 2015 to PLN 0.3bn in January–March 2016. The total value of assets under management as at the end of March 2016 was PLN 48.6bn (down from PLN 22.9bn the year before).

In Q1 2016, IPOPEMA Business Consulting (consultancy segment) posted revenue of PLN 1,824 thousand (Q1 2015: PLN 3,152 thousand), which accounted for 10.8% of the IPOPEMA Group's consolidated revenue.

Costs and expenses

As a result of lower costs of operations across all business segments, the IPOPEMA Group's total costs of operations in Q1 2016 were down 11.7% on Q1 2015 and amounted to PLN 18,536 thousand (Q1 2015: PLN 20,983 thousand).

In January–March 2016, costs of operations in the brokerage services segment totalled PLN 8,743 thousand, having decreased by 9.2% on Q1 2015 (down from PLN 9,631 thousand), chiefly on the back of lower transaction costs.

In Q1 2016, cost controls implemented in the investment fund and portfolio management business resulted in a 13.2% decrease in total costs of operations – to PLN 7,265 thousand.

Thanks to tight cost discipline, IPOPEMA Business Consulting's total cost of operations were also down – by 15.3% on the previous year (PLN 2,528 thousand vs PLN 2,983 thousand).

Net profit/(loss)

The loss recorded in the brokerage services and consultancy services segments translated into a consolidated loss on core activities and a net loss of PLN 1,620 thousand and PLN 2,181 thousand, respectively (vs a PLN 1,463 thousand profit on core activities and PLN 128 thousand net profit in Q1 2015).

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02%, loss attributable to owners of the parent was PLN 1,857 thousand, and loss attributable to non-controlling interests was PLN 324 thousand.

In the brokerage services segment, despite lower costs of operations, the significant decline in revenue translated into a net loss of PLN 1,899 thousand (vs a PLN 1,237 thousand net loss in Q1 2015).

IPOPEMA Securities' quarterly net loss, as disclosed in the separate financial statements, stood at PLN 1,918 thousand (Q1 2015: net loss of PLN 1,193 thousand), and was PLN 19 thousand higher than the segment's net loss (due to consolidation eliminations).

Despite significantly lower revenue posted by IPOPEMA TFI, the decline in costs of operations in the fund and portfolio management segment translated into a net profit of PLN 410 thousand (Q1 2015: PLN 1,358 thousand).

In the consultancy services segment, the decrease in revenue was not offset despite lower costs, which resulted in IPOPEMA Business Consulting posting a net loss of PLN 692 thousand for Q1 2016 (vs PLN 7 thousand net profit in Q1 2015).

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

Equity market and investment banking

In Q1 2016, only the Budapest Stock Exchange recorded an increase in the trading volumes (up 23.3% on Q1 2015), while the trading volumes in Warsaw and Prague were 14.4% and 21.8% lower, respectively, relative to the first three months of 2015. Over the same period, the Company's market share declined to 5.04% on the WSE and 1.89% on the BSE (from 6.12% and 2.75% in a year earlier) because of growing competition, chiefly from foreign-based brokerage houses. As a result, the Company's revenue from trading in securities in Q1 2016 went down by 25.7% relative to Q1 2015 (PLN 5,620 thousand vs PLN 7,563 thousand).

The market for equity transactions was equally challenging as in Q1 2015 (Q1 2016 saw one new debut on the WSE with an offering worth PLN 72m, while the only debut in Q1 2015 was only worth under PLN 30m). Furthermore, transactions which the Company is currently preparing were not scheduled to close in the first quarter of the year, as a result of which revenue from investment banking activities came in at PLN 1,775 thousand and was slightly higher than a year earlier (PLN 1,672 thousand).

As a result of the above factors, the brokerage services segment posted a net loss of PLN 1,899 thousand in Q1 2016 (relative to a PLN 1,237 thousand net loss in the previous year) despite lower cost of operations.

IPOPEMA TFI's activities

Despite an increase in the total value of assets under management (to PLN 48.6bn as at the end of March 2016 vs PLN 22.9bn in the previous year), the fund and portfolio management segment recorded a decline in assets in actively managed funds. In Q1 2016, the average value of assets in actively managed funds amounted to PLN 0.7bn (vs PLN 1.1bn a year earlier), and the average value of assets under management by the IPOPEMA asset management business was PLN 0.3bn (Q1 2015: PLN 1.2bn). This caused a decrease of 23.7% in revenue of the fund and portfolio management segment, to PLN 7,666 thousand (down from PLN 10,050 thousand in Q1 2015). Despite a 13.2% reduction of the cost of operations, the lower revenue translated into a lower net profit of the segment of PLN 410 thousand (down from PLN 1,358 thousand in Q1 2015).

IPOPEMA Business Consulting

As a result of the postponement of a number of major projects, IPOPEMA Business Consulting's revenue was significantly lower than in the corresponding period of 2015 (PLN 1,824 thousand vs PLN 3,152 thousand), even despite lower cost of operations, which resulted in the segment's net loss of PLN 692 thousand.

Given the markedly more difficult situation on the consultancy market in the first months of 2016, the number of projects carried out by IPOPEMA Business Consulting was lower than in the corresponding period of the previous year, driving down the segment's revenue to PLN 1,824 thousand (vs PLN 3,152 thousand).

3. Factors with potential bearing on the Q2 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 April the WIG index was up 2.5% on the end of 2015, while over the same period the Budapest BUX index climbed 12.3% and the Prague PX index declined by 4.2%. At the same time, in Q1 only the BSE saw a growth in trading volumes (up 23.3%), whereas investor activity on the WSE and PSE slowed down by 14.4% and 21.8%, 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 April and May. IPOPEMA Securities acted as the Joint Bookrunner and Underwriter in this year's largest public offering of X-Trade Brokers DM. However, prevailing uncertainty concerning the future of pension funds and a risk of Poland's rating downgrade 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 entered into cooperation with two agents of investment companies (Expander Advisors and NWA Dom Maklerski), and IPOPEMA Securities' retail customers could subscribe for certificates issued by Raiffeisen Centrobank and for shares as part of public offerings of X-Traders Brokers and Auto Partner. 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 this year.

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. The downturn observed on the WSE from May 2015 through mid-January 2016 saw net redemptions in retail investment funds for nine consecutive months (up to and including February 2016). Despite renewed interest in investment products (in March and April, investment funds reported net subscriptions), it is difficult to predict how investor sentiment will change in the coming months. The prevailing record-low interest rates may encourage further transfer of savings from bank deposits to investment funds, which in turn may have a positive effect on the performance of the fund and portfolio management segment. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on market conditions.

Expansion of IPOPEMA Business Consulting's business

The postponement of projects from Q1 and commencement of a number of new projects should had a positive effect on the consultancy services segment in Q2 2016. Moreover, continued tight costs discipline will be another driver of IPOPEMA Business Consulting's operations apart from the further increase of the order book.

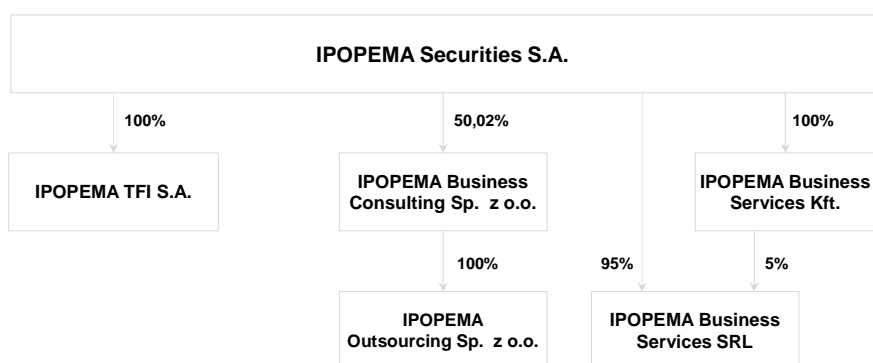
4. Performance vs. forecasts

The Company did not publish any performance forecasts.

Part II

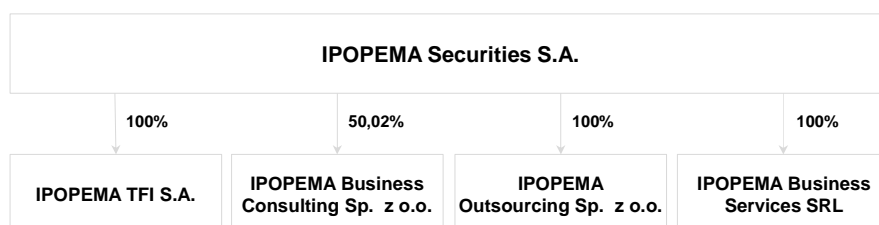
1. Structure of the IPOPEMA Securities Group

As at March 31st 2016, the Group of IPOPEMA Securities S.A. consisted of IPOPEMA Securities S.A., which is the parent of the Group, and the following subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Business Services Kft (Hungary), IPOPEMA Business Services SRL (Romania), and IPOPEMA Outsourcing Sp. z o.o. (a subsidiary of IPOPEMA Business Consulting as at the above date). IPOPEMA Securities, IPOPEMA TFI and IPOPEMA Business Consulting are consolidated, while IPOPEMA Business Services Kft, IPOPEMA Business Services SRL and IPOPEMA Outsourcing 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 in 2016). Furthermore, as part of continued efforts to streamline the organisational structure of the IPOPEMA Securities Group, the Company has purchased all shares in IPOPEMA Outsourcing from IPOPEMA Business Consulting. Given the above changes, as at the date of authorising this report, the organisational structure of the IPOPEMA Securities Group was as follows:



3. Shareholders of IPOPEMA Securities

As at March 31st 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.

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

Below are specified members of the management and supervisory staff who held, directly or indirectly through their subsidiaries or related entities (including dedicated funds), IPOPEMA Securities S.A. shares as at March 31st 2016. The shareholdings of members of the management and supervisory staff do not differ from those disclosed in the annual report for 2015.

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

No non-equity or equity securities of IPOPEMA Securities S.A. were issued, redeemed or repurchased in Q1 2016.

6. Loans, guarantees, sureties

In Q1 2016 (and in the comparative period), the Company did not receive and did not provide any sureties or loans. For detailed information on guarantees provided to Company, see Note 12 to the financial statements of IPOPEMA Securities.

7. Selected corporate events

No material corporate events occurred in Q1 2016.

8. Litigation and court proceedings

In March 2015, the Polish Financial Supervision Authority issued a decision imposing a fine of PLN 50 thousand on IPOPEMA TFI for non-compliance of one of its funds with the provisions of its Articles of Association. IPOPEMA TFI filed a request for re-examination of the case.

In September 2015, IPOPEMA TFI received a decision of the General Inspector for Financial Information to impose a fine of PLN 5,000 for failure to meet the obligation to register a transaction in 2011–2013 and failure to implement follow-up recommendations issued by the Polish Financial Supervision Authority within the prescribed time limit. IPOPEMA TFI appealed the decision to the Minister of Finance who upheld the challenged decision in December. IPOPEMA TFI then filed an appeal against the decision to the Provincial Administrative Court.

In relation to one client's failure to settle the remuneration due to IPOPEMA Securities for consultancy services in raising financing, in April 2016 IPOPEMA filed a suit for payment under writ-of-payment proceedings. The value of the subject of the dispute is PLN 49.2 thousand. The proceedings have not been concluded to date.

Apart from the above-mentioned proceedings, the Company was not party to any other court or administrative proceedings in Q1 2016.

9. Related-party transactions

In Q1 2016, the Company did not execute any material related-party transactions.

10. Material events subsequent to the reporting date

Subsequent to March 31st 2016, there were no material events with a bearing on the Company's operations.

Warsaw, May 13th 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

Mirosław Borys
Vice-President of the
Management Board

Daniel Ścigała
Member of the
Management Board