

Letter from the President of the Management Board to the Shareholders of IPOPEMA Securities S.A.

Dear Shareholders,

I have the pleasure to present to you our Annual Report detailing the financial performance and achievements of the IPOPEMA Securities Group in 2016, which proved to be another challenging year for our business.

The total value of trading on the Budapest Stock Exchange was up 7.5% year on year while the trading value in Warsaw fell 6.9% and in the case of Prague it remained flat on 2015. Over the same period, IPOPEMA's market share shrank to 4.86% on the WSE and 2.07% on the BSE (from 5.87% and 2.42% in 2015) because of growing competition. The combined effect of these factors was a 21.1% drop in revenue from securities trading, to PLN 22.7m, from 28.7m in 2015.

The situation on the Polish capital market was even more challenging in 2016 than in prior years, with the total value of IPOs on the Warsaw Stock Exchange having almost halved year on year. The lower number of completed capital market transactions caused the Company's revenue from investment banking services to fall 22.1% (by PLN 14.5m) compared with the record year of 2015.

While IPOPEMA TFI preserved the position of Poland's largest fund management company by value of assets under management (PLN 50.6bn in funds and portfolios at the end of 2016) and continued to grow asset values in actively managed funds (from PLN 0.6bn in 2015 to PLN 1.1bn at the end of 2016), the outflow of white label funds led to a 15% decline in revenue posted by the fund and portfolio management business (PLN 32.8m compared with PLN 38.5m in 2015).

In contrast, 2016 was an excellent year for IPOPEMA Business Consulting. With revenue up almost 50% (from PLN 12.1m in 2015 to PLN 17.8m) and tight cost control, net profit delivered by the advisory services business improved considerably.

IPOPEMA Securities is continuing the roll-out of its brokerage services and investment products designed for retail clients. In February 2016, the Company began to cooperate with four entities acting as investment firm agents (Expander Advisors, NWAJ Dom Maklerski, Grupa FINANSET, and HKN Capital Fund), and plans to launch collaboration with Fintegra and Caspar Asset Management, which are already entered in IPOPEMA's list of investment firm agents. IPOPEMA Securities also opened almost 2,300 new brokerage accounts.

In 2017 we want to sharpen our focus on expanding the financial restructuring and infrastructure finance advisory business, which used to be part of IPOPEMA Securities, but has been moved, as of 2017, to a dedicated subsidiary, IPOPEMA Financial Advisory.

Furthermore, in 2017 we will continue to focus on strengthening our market position and enhancing our competitive advantage across all business segments while maintaining a consistent cost discipline. We hope these efforts, as well as the growth of our businesses, will be reflected in improved financial performance and will contribute towards increasing the Group's value.

With best regards,

Jacek Lewandowski
President of the Management Board

Warsaw, March 21st 2017