

The IPOPEMA Securities Group

Directors' Report

**accompanying separate financial
statements of IPOPEMA Securities S.A.
and consolidated financial statements of
the IPOPEMA Securities Group
for the nine months ended September
30th 2013**

Warsaw, November 7th 2013

Contents

PART I

1.	Profit (loss)	3
2.	Material events and factors with bearing on the financial performance	4
3.	Factors with potential bearing on the Q4 2013 results	5
4.	Performance against forecasts.....	6

PART II

1.	Organisational structure of the IPOPEMA Securities Group	7
2.	Changes in the structure of the IPOPEMA Securities Group	7
3.	Shareholder structure of IPOPEMA Securities S.A.	7
4.	Changes in the 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, sureties	9
7.	Selected corporate events and material information	9
8.	Litigations	10
9.	Related-party transactions	10
10.	Material events subsequent to the balance-sheet date	10

PART I

1. Profit (loss)

Consolidated financial highlights	Q1–Q3 2013	Q1–Q3 2012
Total revenue, including	74,507	63,333
<i>Brokerage and related services</i>	40,448	33,712
<i>Investment fund management</i>	25,318	19,914
<i>Advisory services</i>	8,741	9,707
Total cost of core activities	64,306	53,642
Profit on core activities	10,201	9,691
Net profit for the period	6,085	5,424

* Unaudited.

Revenue

A year-on-year recovery in market conditions in Q1–Q3 2013 had a positive impact on the IPOPEMA Group's performance as its revenue for the period grew 17.6% year on year, from PLN 63,333 thousand to PLN 74,507 thousand.

The most significant source of the Group's revenue continued to be securities trading, which generated PLN 34,328 thousand in revenue in Q1–Q3 2013 (46.1% of consolidated revenue from core activities), up 20.8% year on year. The growth drivers included improved conditions on the WSE secondary market (with trading value up 15.7% year on year) and the Company's materially increased share in that market, which arrived at 9.28% in the period January–September 2013 (January–September 2012: 8.02%).

A 16.3% revenue growth was also delivered by the investment banking segment (PLN 5,702 thousand in Q1–Q3 2013 compared with PLN 4,904 thousand in Q1–Q3 2012).

The investment fund and portfolio management business posted a considerable 27.1% improvement in revenue as well (revenue of PLN 25,318 thousand in Q1–Q3 2013). This growth was mainly attributable to a rise in the number of funds and higher value of assets under management (as at the end of September 2013, IPOPEMA TFI managed 93 funds and subfunds with an aggregate asset value of PLN 12,462m, compared with 76 funds and an aggregate asset value of PLN 7,398m a year earlier). It is also important to note that in Q1–Q3 2013 IPOPEMA TFI significantly increased the asset value of its actively managed funds, which rose to PLN 600m as at the end of September 2013.

The consultancy business segment (IPOPEMA Business Consulting) posted revenue of PLN 8,741 thousand (11.7% of the IPOPEMA Group's total revenue) in Q1–Q3 2013, compared with PLN 9,707 thousand in the analogous period of 2012.

IPOPEMA Securities' separate revenue (brokerage and related services) amounted to PLN 40,448 thousand in Q1–Q3 2013, compared with PLN 33,712 thousand recorded in Q1–Q3 2012.

Costs and expenses

Despite lower cost of operations in the consultancy business segment, the rise in costs in the other business segments drove the Group's consolidated cost of operations in Q1–Q3 2013 up by 19.9%, to PLN 64,306 thousand (from PLN 53,642 thousand a year before).

In Q1–Q3 2013, total cost of operations in the brokerage services segment stood at PLN 33,489 thousand, and was up 22.3% on Q1–Q3 2012 (PLN 27,390 thousand), mainly due to higher transaction costs and higher cost of salaries and wages.

In the investment fund and portfolio management business, cost of operations grew 29.7% in Q1–Q3 2013, to PLN 23,534 thousand, primarily owing to higher cost of distribution and costs associated with the creation and management of closed-end funds.

Cost of operations recorded in Q1–Q3 2013 by IPOPEMA Business Consulting (consultancy business segment) stood at PLN 7,283 thousand, down 10.1% compared with PLN 8,105 thousand recorded in January–September 2012.

Costs relating to the valuation of the Company's share option plans, as disclosed in the consolidated financial statements, amounted to PLN 203 thousand in Q1–Q3 2013 (Q1–Q3 2012: PLN 53 thousand).

Net profit (loss)

Despite the increased cost of operations, the Group reported improved financial performance on the back of higher total revenue. After the first three quarters of 2013, consolidated profit on core activities and net profit stood at PLN 10,201 thousand and PLN 6,085 thousand, respectively, compared with PLN 9,691 thousand and PLN 5,424 thousand, respectively, for Q1–Q3 2012.

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02%, consolidated profit attributable to owners of the parent was PLN 5,350 thousand, and profit attributable to non-controlling interests was PLN 735 thousand.

IPOPEMA Securities' net profit for Q1–Q3 2013 as shown in the Company's separate financial statements amounted to PLN 4,875 thousand (Q1–Q3 2012: PLN 5,910 thousand) and was higher by PLN 1,558 thousand on the net profit figure for the same period disclosed (as profit of the brokerage and related services segment) in the consolidated financial statements. The difference is due mainly to the dividend received from IPOPEMA TFI (PLN 1,000 thousand), which was eliminated in the consolidated financial statements.

The investment fund and portfolio management business recorded pre-tax profit of PLN 1,695 thousand for Q1–Q3 2013, up ca. 12% on the Q1–Q3 2012 respective figure (PLN 1,510 thousand). Net profit for the same period amounted to PLN 1,298 thousand, compared with PLN 2,143 thousand for Q1–Q3 2012. It should be noted, though, that in 2012 the figure included the recognition of a deferred tax asset in respect of tax losses brought forward.

Despite the fall in profit reported by the consultancy business segment in Q1–Q3 2013 (PLN 1,458 thousand compared with PLN 1,602 thousand in Q1–Q3 2012), the improved net finance income/costs figure had the effect of increasing the segment's net profit year on year (PLN 1,470 thousand relative to PLN 1,177 thousand in Q1–Q3 2012).

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

Situation on the equity markets of the Warsaw, Budapest and Prague Stock Exchanges

Similarly to the previous year, in Q1–Q3 2013 the markets where the Company operates saw high volatility of stock market indices. However, trading by value on the Warsaw Stock Exchange was up 15.7%, compared with 10.9% and 28.7% year-on-year declines in trading value recorded by the Budapest Stock Exchange and the Prague Stock Exchange, respectively, in the period from January to September 2013.

The Company further consolidated its position on the WSE secondary market in Q1–Q3 2013, and with a share of 9.28% (Q1–Q3 2012: 8.02%) emerged as the second most active broker on that market.

These factors, despite the lower trading on the BSE and a slight contraction in the Company's share in that market (6.40% vs. 6.68%), led to a 20.8% increase in securities trading revenue (PLN 34,328 thousand, compared with PLN 28,419 thousand in the previous year).

Investment banking services

Similarly to Q1–Q3 2012, the volatility on the WSE in the period from January to September 2013, compounded by considerable investor uncertainty as to the future of pension funds, had a major dampening effect on the equity market activity of investors and issuers alike. In the period from January to September 2013, the Company recorded revenue from investment banking services of PLN 5,702 thousand, up 16.3% on the respective figure for Q1–Q3 2012. The majority of this revenue was generated in H1 2013, which is mainly attributable to the profiles and timetables of the projects implemented.

IPOPEMA TFI's and IPOPEMA Asset Management's activities

The most important driver of increased revenue posted by the investment fund and portfolio management business for the period January–September 2013 (PLN 25,318 thousand vs. PLN 19,914 thousand for Q1–Q3 2012) was an increase in the number of funds and in the value of assets managed by IPOPEMA TFI; as at the end of September 2013, the number of funds rose to 93 (including subfunds), while their total assets went up to PLN 12.5bn. Despite a 27.1% growth of revenue, a major increase in cost of operations reported in Q1–Q3 2013 (up 29.7%) contributed to a decline in net profit (PLN 1,298 thousand relative to PLN 2,143 thousand in Q1–Q3 2012).

IPOPEMA Business Consulting

The challenging market environment had an adverse impact on IPOPEMA Business Consulting as well. The company posted PLN 8,741 thousand in revenue in Q1–Q3 2013, down 10.0% year on year. Despite reduced cost of operations (down 10.1%, from PLN 8,105 thousand to PLN 7,283 thousand), the drop in revenue contributed to lower net operating profit of PLN 1,458 thousand (Q1–Q3 2012: PLN 1,602 thousand). However, the improved net finance income/costs figure translated into higher net profit (PLN 1,470 thousand relative to PLN 1,177 thousand for Q1–Q3 2012).

3. Factors with potential bearing on the Q4 2013 results

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

In the period from January to September 2013, high volatility of sentiments prevailed across all markets on which the Company operates; the declines continuing from the beginning of the year were followed by a recovery in the second half of April, which was stalled by a significant correction in early June. After that the Warsaw WIG index and Prague PX index are on the rise again, while the Budapest BUX index is trading within a range. Although investor activity on the WSE is higher than a year earlier (trading value in the period from January to September 2013 was up 15.7% year on year) even despite the market volatility, the BSE and PSE markets saw declines in trading value of 10.9% and 28.7%, respectively. Therefore, it is difficult to predict the situation and investor activity on the Company's markets in the months to come.

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

While the first months of 2013 saw a slight recovery in the equity transactions business, the prevailing low valuations combined with investors' uncertainty as to the shape of the OFE market's reform and the resulting investors' restraint have contributed to the limited supply of new public offerings. However, the beginning of Q4 2013 seems more promising – the IPO of PKP Cargo S.A. (with the Company as a joint bookrunner) proved a success and another major privatisation transaction is planned by the end of this year, namely the IPO of Energa S.A. The Company is also preparing further equity transactions and continues its efforts to acquire new customers, including those representing industries more resistant to equity market volatility.

Further expansion of IPOPEMA TFI and IPOPEMA Asset Management

Changes of the capital market situation are reflected in the inflow of assets to investment funds. A strong market downturn not only causes a decline in the value of assets under management, but also undermines investors' confidence in this type of products, which translates into a very limited inflow of new funds and unit redemptions. Despite the market volatility seen since the beginning of 2013, investment funds have been recording a steady inflow of assets (however, September was the first month when investment funds reported net redemptions after 11 consecutive months of net subscriptions). While it is difficult to predict how investor sentiment will be shaping in the rest of the year, the prevailing interest rates, now at their record low, are encouraging transfers of savings from bank deposits to investment funds, which may have a positive impact on the performance in 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

In Q4 2013, the key drivers of IPOPEMA Business Consulting's operations will include continued execution of its existing contracts and new additions to the order book, with a concurrent tight cost control.

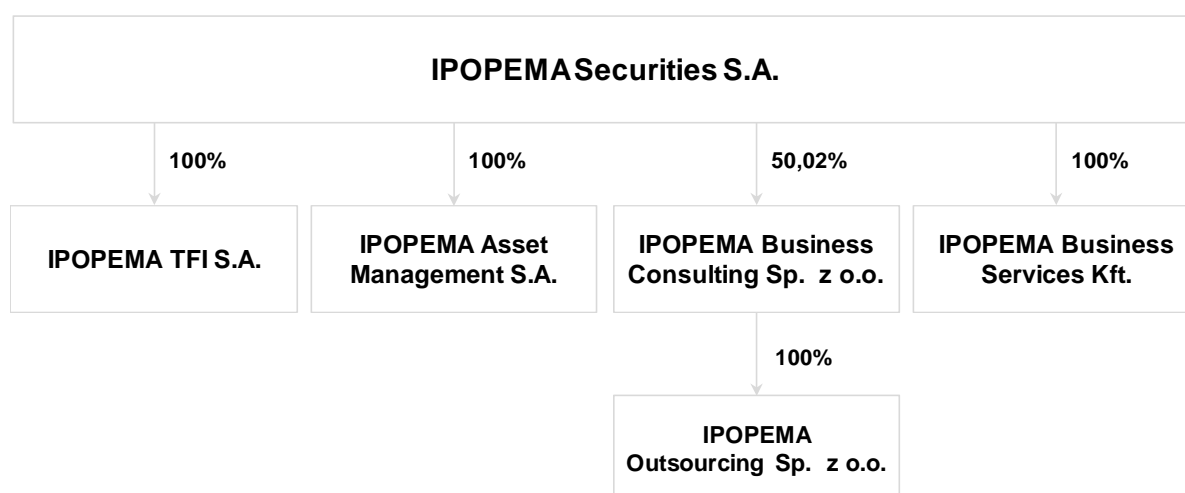
4. Performance against forecasts

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., which is the parent, and subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Asset Management S.A., IPOPEMA Business Services Kft, and IPOPEMA Outsourcing Sp. z o.o. – a subsidiary of IPOPEMA Business Consulting. IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Asset Management and IPOPEMA Business Consulting are consolidated, while IPOPEMA Business Services and IPOPEMA Outsourcing have been excluded from consolidation given the immateriality of their financial information.



2. Changes in the structure of the IPOPEMA Securities Group

In Q1–Q3 2013, there were no changes in the structure of the IPOPEMA Securities Group.

3. Shareholder structure of IPOPEMA Securities S.A.

As at September 30th 2013, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and votes at GM	% of total vote at GM
OFE PZU Złota Jesień*	2,950,000	9.85%
IPOPEMA 10 FIZAN ¹	2,851,420	9.52%
PRE-IPO FIZAN ²	2,188,370	7.31%
KL Lewandowska S.K.A. ³	2,086,749	6.97%
JLK Lewandowski S.K.A. ⁴	2,066,249	6.90%
JLS Lewandowski S.K.A. ⁴	2,066,249	6.90%
Aviva OFE Aviva BZ WBK*	1,815,000	6.06%
Total shareholders holding over 5% of the share capital	16,024,037	53.51%

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

¹ The only investor in the fund is Stanisław Waczkowski, Vice-President of the Company's Management Board.

² The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

³ Subsidiary of Katarzyna Lewandowska.

⁴ Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

Until the date of this report, no changes occurred in the group of shareholders directly or indirectly holding 5% or more of the Company shares and of the total vote 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 2013 (and as at June 30th 2013 and the date of this report), members of the management and supervisory 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 vote
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	965,000	3.22%
Mirosław Borys – Vice-President of the Management Board	696,428	2.33%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.48%
Total	11,568,005	38.64%

¹ As stated in the table in Section 3, shares in IPOPEMA Securities S.A. are also held (directly and through a subsidiary) by Katarzyna Lewandowska, Jacek Lewandowski's wife.

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

In Q1–Q3 2013, the Company issued shares under its incentive scheme (see Section 7 below).

In the same period, the Company issued registered bonds with a total par value of PLN 10 thousand, maturing in 2013–2015 (depending on the series). The total amount of liabilities payable by the Company on redemption of the bonds will not exceed the bonds' par value and is immaterial to the Company. The Company has already redeemed a part of those bonds (with a total value of PLN 4 thousand): PLN 2 thousand worth of bonds in Q3 2013 and the same amount between September 30th 2013 and the date of this report.

The bond issues referred to above are related to the Variable Component Remuneration Policy implemented at the Company pursuant to the Minister of Finance's Resolution on the rules for establishment of a variable component remuneration policy for persons holding management positions at brokerage houses, dated December 2nd 2011.

For more details, see the document "Disclosure of information on IPOPEMA Securities S.A.'s capital adequacy", available on the Company's website.

Save for the above, no non-equity or equity securities of IPOPEMA Securities S.A. were issued, redeemed or repurchased in Q1–Q3 2013 or in the comparative period.

6. Loans, guarantees, sureties

In Q1–Q3 2013 and in the comparative period, the Company did not receive and did not provide any sureties or loans (other than loans to employees). In Q1–Q3 2012, a bank guarantee for the total of EUR 268 thousand was provided to the Company by Nordea Bank Polska (in connection with lease of office space). The Company also received a guarantee from BRE Bank for the total amount of EUR 2.5m (issued in April 2012 and subsequently extended in March 2013), for the benefit of the Hungarian Branch of Deutsche Bank AG, which is the Company's clearing bank for transactions executed on the Budapest Stock Exchange.

7. Selected corporate events and material information

Subscription for shares under the incentive scheme

The third subscription for shares under Share Option Plan II took place in February 2013. A total of 185,714 shares were subscribed for, which increased the share capital to PLN 2,993,783.60 (the first subscription for 212,500 shares took place in February 2011, the second subscription for 197,321 shares followed in February 2012). All the shares were issued within the limits of conditional share capital, and their issue price was PLN 5 per share. The shares were registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange, following assimilation with the existing Company shares.

Adoption of consolidated text of the Company's Articles of Association

After it received a court decision to enter the share capital increase resulting from the subscription for Series C shares issued within the limit of conditional share capital (as described above) in the National Court Register, on June 11th 2013 the Management Board drafted a consolidated text of the Company's Articles of Association to incorporate that change.

Awards and distinctions

In January 2013, the Research Department of IPOPEMA Securities took the first place in the ranking of top research teams compiled by the Parkiet and Rzeczpospolita dailies. The Company's analysts also won in two individual categories.

In February 2013, the Company came in first in the Parkiet's ranking of the best-performing capital market teams, based on the highest value of IPOs in 2012.

In the same month, IPOPEMA Securities received a certificate of merit from the Warsaw Stock Exchange for "floating shares of the highest value as part of IPOs on the main market in 2012".

In March 2013, the Research Department won yet again – this time in the Forbes' ranking (4/2013), taking the lead in four out of five categories.

In July, IPOPEMA Securities was named The Best Equity House in the Euromoney Awards for Excellence 2013 in recognition of its significant contribution to the largest and most prestigious transactions of the past year.

In October 2013, the Forbes monthly published its ranking in which brokerage houses were assessed by institutional investors. As the year earlier, IPOPEMA Securities took the second place in the ranking.

Dividend from IPOPEMA TFI

In Q1–Q3 2013, a resolution was adopted concerning IPOPEMA TFI's payment of dividend of PLN 1,000 thousand to IPOPEMA Securities. The dividend was paid. While the dividend amount is the Company's finance income and is

disclosed in its separate financial statements, it is eliminated from the IPOPEMA Group's consolidated financial statements.

Changes in the composition of the Supervisory Board

As of August 31st 2013, following her resignation, Małgorzata Adamkiewicz ceased to be Member of Supervisory Board. Ms Adamkiewicz had been appointed to the Supervisory Board on June 28th 2012. Currently, the IPOPEMA Securities Supervisory Board is composed of four persons, while the legal regulations require it to be composed of at least five persons. Accordingly, the Management Board intends to convene the Extraordinary General Meeting in the near future, in order to fill the vacant position on the Supervisory Board.

8. Litigations

The Company was a party to court actions before the Regional Court in Warsaw, XIV Labour and Social Insurance Division, which were initiated on the basis of appeals lodged by the Company against decisions of the Social Insurance Institution (1st Warsaw Branch) determining the base for the computation of contributions to social insurance, health insurance, Labour Fund and the Guaranteed Employee Benefits Fund, for the period from January 2009 to February 2010. In the course of subsequent proceedings, based on the findings of the related tax inspections, the Social Insurance Institution reversed the decisions appealed against, and the Company filed corrected declarations (in 2012, the Company recognised a provision of PLN 19 thousand for the projected amount of costs resulting from the correction of settlements for that period). Therefore, the above court actions were discontinued during the year.

9. Related-party transactions

In Q1–Q3 2013, the Company did not conclude any material transactions with related parties other than at arm's length. For details of related party-transactions, see Note 25 to the interim condensed consolidated financial statements.

10. Material events subsequent to the balance-sheet date

Subsequent to September 30th 2013, there were no material events with a bearing on the Company's operations.

Warsaw, November 7th 2013

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