

Directors' Report

**on the operations of IPOPEMA
Securities S.A. and the IPOPEMA
Securities Group in 2013**

Warsaw, March 20th 2014

Contents

1.	General information.....	3
2.	Financial highlights and overview of the financial standing of the Group	4
3.	Material events and factors with bearing on the financial performance.....	7
4.	Factors which may affect the 2014 performance	8
5.	Business profiles of IPOPEMA Securities and the IPOPEMA Securities Group	9
5.1	Key markets, clients and suppliers of IPOPEMA Securities and the IPOPEMA Securities Group	9
5.2	Organisational structure of the IPOPEMA Securities Group	10
5.3	Development prospects and strategy of the IPOPEMA Securities Group	10
5.4	Related-party transactions	11
5.5	Important corporate events in 2013 and 2014 until the date of release of the financial statements	11
5.6	Awards and distinctions	11
5.7	Research and development	12
5.8	Changes in significant management policies	12
6.	Share capital and shareholder structure of IPOPEMA Securities S.A.....	13
6.1	Change in the share capital of IPOPEMA Securities S.A.....	13
6.2	Change in the share capital of other Group companies	13
6.3	Shareholder structure of IPOPEMA Securities S.A.....	13
6.4	Share buy-back.....	14
7.	Management and supervisory personnel	15
8.	Litigations.....	17
9.	Credit facility agreements, sureties, guarantees and other agreements	18
10.	Risk factors and threats	19
11.	Auditor of the financial statements	23
12.	Statement of compliance with corporate governance standards.....	24

Introduction

This Directors' Report was prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, and in accordance with the International Financial Reporting Standards ('IFRS') and the Polish Accountancy Act.

1. General information

The IPOPEMA Securities Group ('IPOPEMA Securities Group') is a financial institution specialising in the provision of brokerage services and equity research, as well as investment banking services (through the Parent – IPOPEMA Securities S.A. – 'the Company'), creation and management of closed-end and open-end investment funds (through subsidiary IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. – 'IPOPEMA TFI'), as well as asset management services (through subsidiary IPOPEMA Asset Management S.A. – 'IPOPEMA AM'), and business and IT consultancy services (through subsidiary IPOPEMA Business Consulting Sp. z o.o. – 'IPOPEMA BC').

IPOPEMA's operating history dates back to May 2003, when Dom Inwestycyjny IPOPEMA S.A. was established to provide advisory services related to the preparation and execution of capital market transactions. In pursuance of the strategy to provide comprehensive investment banking services, in June 2005 DI IPOPEMA established a subsidiary, Dom Maklerski IPOPEMA S.A., which concentrated on the services relating to the execution of public offerings. In the second half of 2006, DI IPOPEMA's business was transferred to DM IPOPEMA, whose name was changed to IPOPEMA Securities S.A. In October 2006, the range of services offered by the Company was expanded to include brokerage services on the secondary market of the Warsaw Stock Exchange and – in subsequent years – on foreign markets. The Group was extended by adding IPOPEMA TFI in 2007, IPOPEMA Business Consulting in 2008, and IPOPEMA Asset Management in 2011.

As part of its brokerage business, IPOPEMA Securities provides comprehensive intermediation services for institutional clients related to securities trading, chiefly on the exchanges where it has the status of a member, i.e. the Warsaw Stock Exchange ('WSE'), the Budapest Stock Exchange ('BSE'), the Prague Stock Exchange ('PSE'), but also on other global stock exchanges. In February 2014, the Company was registered as an entity regulated by the Romanian Financial Supervision Authority, and is currently seeking membership of the Bucharest Stock Exchange. Since 2010 the Company has been also providing intermediation services in debt instruments trading outside the regulated market. The Company's partners include both high-profile international financial institutions and most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers. The brokerage operations of IPOPEMA Securities are supported by a team of analysts, who prepare research reports, recommendations and comments on several dozen companies listed on the WSE and foreign stock exchanges.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities also specialises in the provision of comprehensive financial restructuring services.

IPOPEMA TFI's business focuses on the creation and management of both closed-end investment funds (targeted at high-net-worth individuals and corporate clients) and open-end investment funds (offered to a wide group of retail investors).

IPOPEMA AM provides discretionary portfolio management services (asset management) involving personalised investment strategies, to institutional clients (insurers, investment funds, non-profit organisations) and individuals.

IPOPEMA Business Consulting Sp. z o.o. focuses on the provision of consultancy services in the area of corporate strategies and operations, as well as IT consultancy services.

2. Financial highlights and overview of the financial standing of the Group

Consolidated financial highlights (PLN '000)	2013	2012
Total revenue, including	106,671	94,110
<i>Brokerage and related services</i>	57,699	52,005
<i>Investment fund and asset management</i>	35,825	28,378
<i>Consultancy services</i>	13,147	13,728
Total cost of core activities	91,904	80,058
Profit on core activities	14,767	14,052
Operating profit	11,816	14,900
Net profit for the period	9,370	9,886

Revenue

In 2013, the Group's revenue was PLN 106,671 thousand, up 13.3% on PLN 94,110 thousand recorded in 2012.

The most significant source of the Group's revenue continued to be securities trading, which generated PLN 46,583 thousand in revenue in 2013 (43.7% of consolidated revenue from core activities), up 23.2% year on year. The growth drivers included improved conditions on the WSE secondary market (with trading value up 16.4% year on year) and the Company's materially increased share in that market, which stood at 8.88% for the whole of 2013 (2012: 8.29%).

Less favourable conditions prevailed in the investment banking segment, where the decrease in the number of transactions closed in 2013 translated into lower revenue (PLN 10,761 thousand vs. PLN 13,781 thousand in 2012).

Over the same period, the investment fund and portfolio management business posted a considerable 26.2% improvement in revenue, which arrived at PLN 35,825 thousand. The increase was driven mainly by more funds under management and a higher value of assets held by the funds (as at the end of 2013, IPOPEMA TFI managed 95 funds and sub-funds with an aggregate asset value of PLN 18.3bn, compared with 85 funds and subfunds and aggregate asset value of PLN 7.8bn a year earlier). It is also important to note that in 2013 IPOPEMA TFI significantly increased the asset value of its actively managed funds, which rose to PLN 760m as at the end of December 2013.

In 2013, revenue generated by the consulting business (IPOPEMA Business Consulting) amounted to PLN 13,147 thousand (12.3% of the Group's total revenue), having dropped by 4.2%, from PLN 13,728 thousand in 2012.

On a separate basis, revenue of IPOPEMA Securities for 2013 came at PLN 57,700 thousand (2012: PLN 52,057 thousand).

Costs and expenses

Despite lower cost of operations in the consultancy business segment, the rise in costs in the other operating segments drove the Group's consolidated cost of operations in 2013 up by 14.8%, to PLN 91,904 thousand (2012: PLN 80,054 thousand).

In 2013, total costs of operations in the brokerage services segment stood at PLN 48,407 thousand, having increased 12.5% on 2012 (PLN 43,027 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 27.7% in 2013, to PLN 32,590 thousand, primarily owing to higher cost of distribution and costs associated with the creation and management of closed-end funds.

Costs of operations in the consultancy services segment in 2013 dropped 5.3% year on year, from PLN 11,518 thousand to PLN 10,907 thousand.

Expenses connected with the valuation of the share option plans operated by the Company amounted to PLN 228 thousand in 2013 (2012: PLN 105 thousand).

Net profit (loss)

In 2013, the consolidated profit on core activities increased 5.1%, to PLN 14,767 thousand (2012: PLN 14,052 thousand), and the consolidated pre-tax profit was 10.8% higher year on year, at PLN 12,223 thousand (2012: PLN 11,034 thousand). Nevertheless, the 2013 net profit fell 5.2% year on year, to PLN 9,370 thousand (2012: PLN 9,886 thousand), as the 2012 figure included the effect of recognition of a deferred tax asset in respect of tax losses brought forward.

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02%, profit attributable to owners of the parent was PLN 8,366 thousand, and profit attributable to non-controlling interests was PLN 1,004 thousand.

In 2013, the net profit from brokerage and related services (IPOPEMA Securities) was PLN 4,307 thousand, up 20.4% on PLN 3,576 thousand recorded in 2012. On a separate basis, IPOPEMA Securities' net profit for 2013 was PLN 5,619 thousand (2012: PLN 8,528 thousand), with the difference between the separate and consolidated figures chiefly attributable to dividends received from subsidiaries that were eliminated in the consolidated financial statements (PLN 1,000 thousand from IPOPEMA TFI in 2013 and PLN 4,901 thousand jointly from IPOPEMA TFI and IPOPEMA Business Consulting in 2012). In the investment fund and portfolio management business, the profit on core activities for 2013 was PLN 3,235 thousand, up 12.9% on PLN 2,865 thousand generated in 2012. Pre-tax profit decreased year on year from PLN 4,308 thousand to PLN 3,840 thousand on the back of less favourable balance of other finance income and costs. At the same time, net profit for 2013 from investment fund and portfolio management totalled PLN 3,054 thousand, compared with PLN 4,612 thousand in 2012 (the 2012 figure included the effect of recognition of a deferred tax asset in respect of tax losses brought forward).

Despite slightly lower revenue generated by the consultancy services, improved cost control and net profit from financing activities translated into a substantial increase of the segment's net profit (PLN 2,009 thousand in 2013 against PLN 1,698 thousand in 2012).

Analysis of the Group's statement of financial position

The key items of the Company's consolidated statement of financial position are current receivables and current liabilities, which as at December 31st 2013 accounted for 78% and 73% of the balance-sheet total, respectively. Current receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities, not yet settled at the Polish National Depository for Securities. In the case of buy transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises liabilities towards the parties to such market transactions (brokerage offices and brokerage houses, known as the anonymous party to a transaction) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises receivables from the parties to such market transactions and liabilities towards the clients on behalf of whom such sell trades have been executed.

Cash as at December 31st 2013 stood at PLN 52,749 thousand, which accounted for 15% of total assets. Of that amount, PLN 18,440 thousand was clients' cash.

As at the end of 2013, equity accounted for 24.2% of the balance-sheet total (PLN 85,343 thousand). The outstanding amount of interest-bearing debt under a short-term working capital facility contracted by IPOPEMA Securities to finance contributions to the Stock-Exchange Transactions Settlement Guarantee Fund and transaction settlements amounted to PLN 2,589 thousand as at December 31st 2013 (0.7% of the balance-sheet total).

Assessment of financial resources management

IPOPEMA Securities S.A. and other Group companies meet their liabilities as they fall due. Given the fact that the high level of current liabilities related to transactions in securities is offset by the high level of receivables from such transactions, and taking into account the amount of cash held by the Company, there is no risk to the Company's liquidity.

Explanation of differences between financial performance and published financial performance forecasts

The Company did not publish any performance forecasts.

Material off-balance sheet items

As at December 31st 2013, off-balance-sheet items in the Company's financial statements amounted to PLN 4,376 thousand. This amount is attributable to a forward contract hedging a currency position (deposit with a Czech branch of Deutsche Bank, related to transaction settlements on the Czech market).

Capital expenditure

Total capital expenditure incurred by the IPOPEMA Securities Group in 2013 amounted to PLN 3,174 thousand and included expenditure on IT infrastructure and modification of trading and settlement systems following implementation of new systems by the stock exchanges on which the Company operates (PLN 2,242 thousand for purchase of property, plant and equipment, and PLN 932 thousand for intangible assets). As at the date of these financial statements, the Group did not plan any material investments that would require financing other than internal funds of the Group companies.

3. 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 2013 the Company's markets saw high volatility of stock market indices. However, in 2013 trading by value on the Warsaw Stock Exchange was up 16.4%, compared with 6.5% and 21.5% year-on-year declines in trading value recorded by the Budapest Stock Exchange and the Prague Stock Exchange, respectively.

The Company further consolidated its position on the WSE secondary market in 2013, and with a share of 8.88% (2012: 8.29%) 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 (5.89% vs. 6.91% in 2012), led to a 23.2% increase in securities trading revenue (PLN 46,583 thousand, compared with PLN 37,799 thousand in the previous year).

Investment banking services

The volatility prevailing on the WSE in 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 2013, the Company was engaged in a number of major transactions, including two privatisation IPOs (PKP Cargo and Energa), the sale of a significant equity interest in PKO BP by the State Treasury, a rights issue for Polnord, a bond issue for Marvipol, and a successful financial restructuring of Trakcja S.A. However, the total revenue from investment banking services in 2013 was down 21.9% year on year (from PLN 13,781 thousand to PLN 10,761 thousand).

IPOPEMA TFI's and IPOPEMA AM's activities

The most important driver of improved revenue posted by the investment fund and portfolio management business for 2013 (PLN 35,825 thousand vs. PLN 28,378 thousand in 2012) was an increase in the number of funds and in the value of assets managed by IPOPEMA TFI; as at the end of 2013, the number of funds rose to 95 (including subfunds), while their total assets went up to PLN 18.3bn. Despite the 26.2% growth in revenue, a 27.7% increase in the cost of operations resulted in the segment's lower net profit (PLN 3,054 thousand relative to PLN 4,612 thousand in 2012). However, the 2012 figure included the effect of recognition of a deferred tax asset in respect of tax losses brought forward.

IPOPEMA Business Consulting

In 2013, IPOPEMA Business Consulting posted a revenue of PLN 13,147 thousand (2012: PLN 13,728 thousand). Despite the decrease, lower cost of operations (PLN 10,907 thousand vs. PLN 11,518 thousand in 2012) and higher net profit from financing activities drove net profit up (PLN 2,009 thousand vs. PLN 1,698 thousand a year earlier).

4. Factors which may affect the 2014 performance

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

In 2013, high volatility of sentiments prevailed across all markets on which the Company operated. The declines which continued from the beginning of the year were followed by a recovery in the second half of April, subsequently stalled by a significant correction in early June. After that, the Warsaw WIG index and Prague PX index were on a rise until February 2014, with a few corrections, while the Budapest BUX index remained highly volatile with no visible trend. Since early March 2014, the indices have been under pressure from the political tensions in Eastern Europe, with the largest drop in share prices recorded on the Budapest Stock Exchange, where the BUX index decreased below its early 2012 levels. While investor activity on the WSE was higher than a year earlier despite the market volatility (trading value in 2013 was up 16.4% year on year), the BSE and PSE markets saw declines in trading value of 6.5% and 21.5%, respectively. Therefore, it is difficult to predict how the situation and investor activity on the Company's markets will unfold in 2014.

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 investor restraint, caused by concerns over the outcome of the OFE market's reform, translated into a limited supply of new public offerings throughout most of the year. The situation did not improve until Q4 2013, when the privatisation IPOs of PKP Cargo and Energa were successfully completed. The Company was engaged in both transactions. At present, the political tensions in Europe are driving indices down and discouraging the activity of both investors and issuers. Despite this unfavourable backdrop, the Company is working on new equity transactions and continues to make attempts at winning new clients, including from sectors more resilient to the volatile sentiment on the stock-exchange market.

Further expansion of IPOPEMA TFI's and IPOPEMA AM's business

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 (February was the 17th consecutive month of net subscriptions). While it is difficult to predict how investor sentiment will be shaping in 2014, 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.

Further expansion of IPOPEMA Business Consulting's business

In 2014, 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.

5. Business profiles of IPOPEMA Securities and the IPOPEMA Securities Group

5.1 Key markets, clients and suppliers of IPOPEMA Securities and the IPOPEMA Securities Group

Key markets of the IPOPEMA Securities Group

In the area of intermediation in securities trading, the key markets for IPOPEMA Securities are the Warsaw Stock Exchange and the Budapest Stock Exchange. Furthermore, the Company has been developing its brokerage activities on the Czech market since Q1 2012, and in 2014 applied for membership in the Bucharest Stock Exchange.

In investment banking, the Company offers services to both domestic and foreign clients, handling equity transactions and providing advisory services mainly on the domestic market.

IPOPEMA TFI operates on the investment fund market, managing both closed-end investment funds as well as open-end investment funds, which are targeted at a wide group of retail clients. Consistent efforts are being made to strengthen IPOPEMA TFI's market position in the open-end investment fund segment.

In the area of securities portfolio management services, IPOPEMA AM focuses on the Polish market.

IPOPEMA Business Consulting operates primarily on the Polish business and IT consultancy market, focusing on advisory services relating to strategy, operational management and IT management.

Key clients

The Company provides brokerage services to both high-profile international financial institutions and leading local intermediaries (including branches of major investment banks). IPOPEMA Securities' clients include most of the leading local institutional investors, open-end pension funds, investment fund companies, asset managers and insurers.

The investment banking services of IPOPEMA Securities are used by a wide variety of clients, including companies already listed on the WSE, for whom IPOPEMA Securities prepares secondary offerings or provides advice on M&A transactions. The Company prepares and executes initial public offerings for private companies, advises such companies on M&A transactions and capital raising, and provides financial advisory services, e.g. services related to financial restructuring. In addition, the Company arranges exits for major shareholders of public companies (both private individuals and legal persons), effected through sale of shares on the WSE or through private placements.

IPOPEMA TFI's offering is addressed primarily to high-net-worth individuals, in particular major shareholders of companies listed on the WSE or large private enterprises. The company is also consistently expanding its business in the area of open-ended investment funds targeted at a wide group of retail investors, where IPOPEMA TFI cooperates with third-party distributors.

IPOPEMA AM's clients primarily include insurers, investment funds, non-profit organisations and high-net-worth individuals.

IPOPEMA Business Consulting concentrates on services to corporate clients from the following sectors: industrial, energy, consumer goods, trade and distribution, IT and telecommunications.

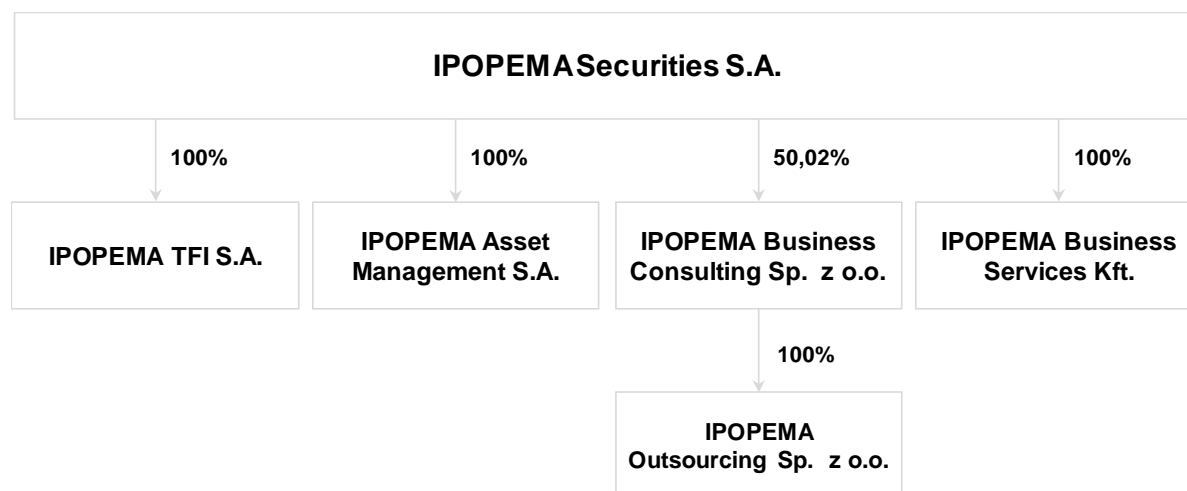
In 2013, no client accounted for more than 10% of the Group's revenue.

Key suppliers

The Company works with several providers of services (including banking services, clearing services for brokerage activities, office space lease, or IT services), however, none of them has a position which would give it advantage over the Company, including by making the Company dependent on the services of a single provider or imposing on the Company disadvantageous terms of trade. The most significant item of service costs were transaction costs (payable to stock exchanges and clearing houses), which in 2013 accounted for 14.8% of consolidated costs of operations.

5.2 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 wholly-owned subsidiary of IPOPEMA Business Consulting). IPOPEMA Securities, IPOPEMA TFI, IPOPEMA AM and IPOPEMA BC are consolidated, while IPOPEMA Business Services and IPOPEMA Outsourcing are excluded from consolidation given the immateriality of their financial information.



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

5.3 Development prospects and strategy of the IPOPEMA Securities Group

In line with its development strategy, IPOPEMA Securities – as one of Poland's leading brokerage houses in selected segments of the brokerage and investment banking markets – will seek to become a leading CEE brokerage franchise. The IPOPEMA Securities Group's operations will continue to focus on services to institutional clients – both investors and companies – and high-net-worth individuals who are looking for active advice on asset management or who are major shareholders of business entities (including public companies). With the comprehensive range of services and substantial synergies within the Group, the Company and its subsidiaries will build and tighten their relations with clients by offering them a variety of products for each stage of business development.

In the brokerage services segment, in addition to the activities conducted on the Hungarian market, in Q1 2012 the Company launched operations on the Czech market (having become a member of the Prague Stock Exchange (PSE) in Q4 2012). At present, the Company is seeking membership in the Bucharest Stock Exchange. An important factor in establishing the Company's presence in the region is further expansion of its research coverage (which already includes several dozen companies) to include the largest companies listed on stock exchanges in Central and Eastern Europe. In investment banking business, the Company intends to become one of the most active brokerage offices in the area of services related to capital market transactions, with diversified revenue sources.

The objective of IPOPEMA TFI continues to be further strengthening of its position on the market of investment fund companies offering closed-end funds, as well as further growth in assets under management of its actively managed funds and funds targeted at retail investors, where it already has a well-developed product range. The addition of IPOPEMA AM to the Group structure was in line with the Group's development strategy for asset management services to institutional and corporate clients, and allowed the Group to significantly expand its operational scale in asset management and to develop its product offering.

IPOPEMA Business Consulting intends to further consolidate its position on the consultancy services market by acquiring new clients (domestic and from Central and Eastern Europe) and establishing relations with global players on the consultancy and IT markets to implement joint projects.

5.4 Related-party transactions

In 2013, the Company did not enter into any material related-party transactions. For details of related party-transactions, see Note 25 to the annual consolidated financial statements.

5.5 Important corporate events in 2013 and 2014 until the date of release of the financial statements

Subscription for shares under the Incentive Scheme

February 2013 saw the third subscription for shares under Share Option Plan II, with a total of 185,714 shares subscribed for, increasing 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 existing Company shares.

Considering the rules of the Incentive Scheme, it should be mentioned that granting the rights to subscribe for shares within the limit of conditional share capital required a relevant resolution to be passed by the Management Board.

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

After it received a court decision to register 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.

Dividend from IPOPEMA TFI

In 2013, a resolution was adopted concerning IPOPEMA TFI's payment of dividend of PLN 1,000 thousand to IPOPEMA Securities. The dividend was paid. The dividend amount represents the Company's finance income and is disclosed in its separate financial statements, but is eliminated from the 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 a member of Supervisory Board. Ms Adamkiewicz had been appointed to the Supervisory Board on June 28th 2012. On February 10th 2014, the General Meeting appointed Michał Dobak in her place.

5.6 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 "the highest value of shares floated on the WSE's main market as part of IPOs 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 in the previous year, IPOPEMA Securities was listed in the second position.

In January 2014, Piotr Zielonka, Head of the Research Department at IPOPEMA, was recognised as the best market analyst in a ranking prepared by the Parkiet daily. He was ranked first in the Construction, Trade and Energy categories, sharing the victory in the Energy category with Tomasz Ściesiek, his colleague from the Research Department. The Research Department as a whole came in second in the general ranking.

In January 2014, Arkadiusz Bogusz, manager of the IPOPEMA bond fund, was named 'Master of Bonds' by the Puls Biznesu daily for generating the highest returns among bond funds.

In February 2014, the IPOPEMA Securities Capital Markets Department was awarded for taking part in the most important privatisation transaction in Poland by the EMEA Finance international magazine.

In March 2014, Piotr Zielonka received the title of 'The Stock Exchange Analyst of the Year' in an annual 'Bulls and Bears' survey organised by the Parkiet daily.

5.7 Research and development

The Company and the IPOPEMA Securities Group are not involved in any R&D activities.

5.8 Changes in significant management policies

In 2013, the Company and its subsidiaries did not change their significant management policies.

6. Share capital and shareholder structure of IPOPEMA Securities S.A.

6.1 Change in the share capital of IPOPEMA Securities S.A.

As stated in Section 5.5, in February 2013 shares were issued for the purposes of the Incentive Scheme operated by the Company. The issue was effected as part of a conditional share capital increase pursuant to Resolution No. 3 of the Extraordinary General Meeting ('EGM') of December 5th 2007 (as amended by Resolution No. 4 of the EGM, dated March 20th 2009). Accordingly, on February 20th 2012 the Company's share capital was increased by PLN 19,732.10, through the issue of 197,321 Series C ordinary registered shares, to PLN 2,975,212.20. On March 7th 2012, the shares were registered with the Polish NDS and were converted, in line with the Articles of Association, into bearer shares with effect from that date. Therefore, as at December 31st 2012 the Company's share capital comprised 29,752,122 ordinary bearer shares (including 7,000,000 Series A shares, 21,571,410 Series B shares and 1,180,712 Series C shares), registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange. Following the share issue, a share premium of PLN 966,872.90 was allocated in full to the Company's statutory reserve funds.

February 2013 saw two further share capital increases (by a total of PLN 18,571.40), through the issue of 185,714 Series C ordinary registered shares, which were registered with the Polish NDS and converted into bearer shares (on February 21st and March 4th 2013). Consequently, the share capital was increased to PLN 2,993,783.60 and comprises 29,937,836 ordinary bearer shares (including 7,000,000 Series A shares, 21,571,410 Series B shares, and 1,354,819 Series C shares). Following the share issue, a share premium of PLN 909,998.60 was allocated in full to the Company's statutory reserve funds. As at December 31st 2013 and as at the date of approval of this Report, the Company's share capital remained unchanged from that level.

6.2 Change in the share capital of other Group companies

In 2013, the share capital of other companies of the IPOPEMA Securities Group did not change.

6.3 Shareholder structure of IPOPEMA Securities S.A.

As at December 31st 2013, the shareholder structure of the Company (shareholders holding 5% or more of shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Meeting) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.99%
Meritum 1 Nova SPV Sp. z o.o. 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	2,086,749	6.97%
Aviva OFE Aviva BZ WBK*	1,815,000	6.06%
Quercus Parasolowy SFIO*	1,754,164	5.86%
Total shareholders holding over 5% of the share capital	17,438,911	58.25%

* 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 approval of this Report (taking into account the notifications of shareholding changes reported in Current Report No. 2/2014 and Current Report No. 7/2014), the shareholder structure of the Company (shareholders holding 5% or more of shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Meeting) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.99%
Meritum 1 Nova SPV Sp. z o.o. 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.

The Company did not enter into any agreements which could result in future issues of shares, leading to changes in the proportion of shares held by the Company's existing shareholders.

6.4 Share buy-back

Except for transactions executed as part of the Company's brokerage activities (intermediation in equities trading on the WSE), the Company did not purchase any of its own shares.

7. Management and supervisory personnel

Remuneration of members of management and supervisory personnel

The table below presents the remuneration for 2013 (both paid and potentially payable) and additional benefits (healthcare benefits financed by the Company) received by the Management Board members from the Company:

First name and surname	2013 (PLN '000)	2012 (PLN '000)
Jacek Lewandowski	589	1,044
Mirosław Borys	552	619
Mariusz Piskorski	447	769
Stanisław Waczkowski	461	2,153

Members of the Management Board of IPOPEMA Securities did not receive any remuneration from its subsidiaries.

The table below presents the remuneration received for 2013 from IPOPEMA Securities by the Supervisory Board members for the performance of their supervisory duties:

First name and surname	2013 (PLN '000)	2012 (PLN '000)
Jacek Jonak	16	20
Janusz Diemko	6	14
Roman Miler	-	-
Bogdan Kryca	12	16
Wiktor Sliwinski	-	2
Małgorzata Adamkiewicz	3	3
Zbigniew Mrowiec	-	-

In 2013, members of the IPOPEMA Securities' Supervisory Board did not receive remuneration from the subsidiaries.

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

The table below presents information on the number of shares held (directly or through controlled entities) by members of the management and supervisory personnel of IPOPEMA Securities as at December 31st 2012:

Person	No. of shares and votes	% of ownership interest and total vote
Jacek Lewandowski – President of the Management Board ¹	6,320,868	21.25%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.56%
Mariusz Piskorski – Vice-President of the Management Board	965,000	3.24%
Mirosław Borys – Vice-President of the Management Board	696,428	2.34%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.49%
Total	11,568,005	38.88%

¹ As stated in the table in Section 6.3, shares in IPOPEMA Securities S.A. were also held by KL Lewandowska S.K.A., a subsidiary of Katarzyna Lewandowska, Jacek Lewandowski's wife.

On September 10th 2013, Bogdan Kryca, member of the Supervisory Board, notified the Company that he had sold his entire interest held indirectly in the Company (see Current Report No. 17/2013). According to the notification, all the shares were acquired by Alicja Kryca (Bogdan Kryca's wife). On October 10th 2013, Mirosław Borys and Mariusz Piskorski, members of the Management Board, notified the Company that they had acquired shares previously held by companies controlled by them (see Current Report No. 18/2013). However, following the transaction the size of their holdings in the Company did not change. On December 31st 2013, the Company received a notification from Jacek Lewandowski, member of the Management Board, on transactions

in Company shares (see Current Report No. 20/2013); the number of shares held by Jacek Lewandowski (directly or indirectly) did not change as a result of those transactions.

Given the transactions referred to above, the number of shares held (directly or through controlled entities) by members of the management and supervisory personnel of IPOPEMA Securities as at December 31st 2013 was as follows:

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%
Total	11,125,151	37,16%

¹ As stated in the table in Section 6.3, shares in IPOPEMA Securities S.A. are also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

On January 21st 2014, Mariusz Piskorski, member of the Management Board, notified the Company that he had sold 50,000 Company shares (see Current Report No. 2/2004), which were acquired by the Company's major shareholder – Katarzyna Lewandowska. The table below presents information on the number of shares held (directly or through controlled entities) by members of the management and supervisory personnel as at the date of approval of this Report:

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	915,000	3.06%
Mirosław Borys – Vice-President of the Management Board	696,428	2.33%
Total	11,075,151	36,99%

¹ As stated in the table in Section 6.3, shares in IPOPEMA Securities S.A. are also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

Apart from the Company shares specified above, members of the Company's management and supervisory personnel did not hold (directly or indirectly) any shares in subsidiaries of IPOPEMA Securities.

Agreements concluded with members of management and supervisory personnel

In 2008, the Company entered into agreements with two Management Board members (Mirosław Borys and Mariusz Piskorski), under which each of them is entitled to compensation equal to three times their monthly salary if they are removed from the Management Board or not reappointed for another term of office (subject to conditions set forth in the agreements) or their remuneration terms are changed to less favourable.

8. Litigations

The Company was a party to court proceedings before the Warsaw Regional Court, 14th Labour and Social Insurance Division, which were initiated on the basis of appeals lodged by the Company against decisions of the Social Insurance Institution (I 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 the proceedings, based on the findings of the relevant 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). In view of the above, the above court proceedings were discontinued in 2013.

9. Credit facility agreements, sureties, guarantees and other agreements

Credit facility agreements

IPOPEMA Securities is a party to agreements made on July 22nd 2009 with Alior Bank, providing for two working-capital overdraft facilities (bearing interest at variable rates) which are used for payment of liabilities to the Polish National Depository of Securities in connection with the brokerage business conducted by the Company. The agreements are extended every year, and were also extended in 2013. Their current expiry date is July 18th 2014.

Agreements concluded in the ordinary course of business

In 2013, IPOPEMA Securities S.A. concluded a dozen or so agreements for the provision of brokerage services, as well as a similar number of agreements for the provision of investment banking services. IPOPEMA TFI entered into more than ten agreements to create closed-end investment funds, and IPOPEMA Asset Management into several asset management agreements. IPOPEMA Business Consulting made several dozen agreements with clients for the provision of consultancy services in 2013.

Loans, guarantees and sureties

In 2013, the Company did not receive and did not provide any sureties or loans (other than loans to employees). The guarantees provided to the Company, described in detail in Note 46 to the financial statements of IPOPEMA Securities, were renewed.

Shareholder agreements

The Management Board of IPOPEMA Securities S.A. is not aware of any agreements between the Company's shareholders.

10. Risk factors and threats

Below are presented risk factors specific to the business of the IPOPEMA Securities Group as a whole or its individual companies, which the Management Board believes to be the most material and which – should they materialise – may have an adverse effect on the operations, financial standing, performance or development prospects of the Company and the Group.

Risk related to the situation on capital markets

The Company's financial results depend primarily on capital market conditions, especially in Poland, and are also influenced by potential adverse effects of structural changes in areas affecting the capital market, i.e. changes in regulations related to open-end pension funds. The economic slowdown is taking a toll on the performance of global stock exchanges, including the Warsaw Stock Exchange, Budapest Stock Exchange, and Prague Stock Exchange, where the Company operates. The capital market downturn affects the Company's revenue through lower trading value on the stock exchanges and challenging conditions for execution of public offerings. At present, it is difficult to estimate the long-term market impact of the current political tension in Eastern Europe.

With respect to IPOPEMA TFI, the less favourable climate on the capital markets discourages investment in listed securities (mainly equities) and thereby affects revenue from active management services. To date, this has had a limited effect on the performance of IPOPEMA TFI, as it focused on creating closed-end private equity funds. However, since the company is expanding its active management business, a prolonged market downturn may erode revenues and earnings of IPOPEMA TFI (particularly due to difficulties in acquiring new assets for management or even maintaining their current volumes).

Likewise, in the case of IPOPEMA AM, the factor of crucial importance to its operations is the market sentiment, which drives equity and debt instrument prices, thus affecting the value of assets under management and revenue from portfolio management services.

Risk related to competition in the services markets on which IPOPEMA Securities and other Group companies operate

IPOPEMA Securities is exposed to strong competition across all its markets, both from well-established Polish brokerage houses and foreign financial institutions, which are increasingly active in the CEE region (operating as foreign-based brokerage houses or through local offices). The competitive pressure is particularly evident in Poland, as in the recent years Warsaw grew to become the largest and most important capital market in this part of Europe. The growing competition may result in the Company losing part of its market share and in higher pressure on prices, which may have an adverse effect on the Company's financial position.

Similarly, IPOPEMA TFI, IPOPEMA Asset Management and IPOPEMA Business Consulting compete against companies with established market positions and new market entrants. In the six years of its activities, IPOPEMA TFI has developed into one of the largest investment fund management companies in terms of total assets under management, and one of the market leaders in establishing closed-end investment funds. Moreover, IPOPEMA TFI continues to expand its offering and consolidate its position on the market of actively managed funds. IPOPEMA AM is one of the longest-standing businesses on the Polish asset management market. After a dozen or so years of operations (formerly as Credit Suisse Asset Management (Polska) S.A.), the company holds a firm position and boasts extensive experience in asset management for institutional and individual investors. IPOPEMA Business Consulting continues to grow dynamically in the sixth year of its active operation, consistently expanding its client base and order book. Nonetheless, there can be no assurance that the competitors' activities will not stand in the way of the development plans of IPOPEMA TFI, IPOPEMA AM, and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future performance of the IPOPEMA Securities Group as a whole.

Risk related to dependence on the management personnel, necessity to retain key employees, acquisition of highly qualified specialists and level of remuneration

The IPOPEMA Securities Group's business and development prospects largely depend on the expertise, experience and qualifications of the management personnel. Their work for the Group has been a key factor behind its success to date. Hence, if any of the members of the Group's management personnel decides to leave the Company, this may have an adverse effect on the operations and financial standing of the Company and its subsidiaries, as well as on their financial performance and development prospects.

Furthermore, in order to deliver an adequate quality of service, the Group companies must retain highly qualified staff. The nature of the Company's business requires that part of IPOPEMA Securities', IPOPEMA TFI's and IPOPEMA AM's employees, in addition to having relevant experience, meet formal requirements for the provision of brokerage or investment advisory services. Besides, to ensure continued development of the Group, it is necessary to hire new employees with relevant expertise and experience.

Given the strong competition and a limited availability of qualified professionals that guarantee the required level of service, with a view to ensuring stability of the key staff, the Company's Management Board seeks to apply appropriate incentive mechanisms to motivate employees to link their future with the Group. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the Group companies in the future.

Risk related to settlement of stock exchange transactions

The Company is a clearing member of the Polish national securities depository KDPW_CCP, which means that on the clearing date it is required to pay for executed buy transactions and deliver securities in order to clear executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should deliver cash for executed buy transactions or securities for executed sell transactions on the clearing date. However, a client may fail to provide the cash or securities on time. In such a case, until the client has settled the relevant liabilities, for the purpose of the transaction clearing the Company must use its own resources (buy transactions) or deliver securities acquired on the market (sell transactions). Additionally, if the client fails to pay for a buy transaction, there is also a risk that the Company may acquire securities which it may be unable to sell on equally favourable terms or which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may need to acquire the securities on the market at a price higher than the price at which the client was supposed to deliver such securities or that it will be impossible to acquire such securities. Such a situation does not limit the Company's right to assert claims against the client on account of the client's failure to perform obligations under an agreement (order) concerning a transaction in securities.

Risk related to the nature of investment banking services

The Company's services in the area of investment banking, in particular advisory services to companies seeking introduction of their shares to trading on the WSE as well as M&A transactions, are characterised by relatively long execution periods (typically not less than several months). Given the volatile nature of capital markets and changes of investment plans by the Company's clients, there is a risk that part of the projects commenced by the Company may be postponed or the clients may decide to abandon the process of introducing their shares to trading (in particular when faced with adverse market conditions). As success fees account for a substantial portion of the Company's consideration in the case of such projects, any such decisions may have an adverse effect on the Company's financial performance.

Risk related to the level of equity and financial requirements of IPOPEMA Securities and the Group

In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund managed by KDPW_CCP. Currently, each day the Company makes a contribution to the Fund using a credit facility. In the case of any events with an adverse effect on the Company's financial performance, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business or increase its equity base.

To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount available under the credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should also be noted that, if the Company's clients fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements, including the separate and consolidated capital adequacy requirements, which to a large extent depend on the scope and scale of brokerage activities. IPOPEMA Securities' equity on a separate and consolidated basis (as at December 31st 2013: PLN 65,894 thousand and PLN 81,182 thousand, respectively) is maintained at a level ensuring an appropriate surplus over the capital requirements, however, it cannot be ruled out that a rapid expansion of the operations (in particular implementation of potential new business projects) will require the equity to be increased. The necessity to increase the equity base may also extend to other Group companies, namely IPOPEMA AM, which, being a brokerage house, is subject to the same regulatory requirements as

IPOPEMA Securities S.A., and IPOPEMA TFI S.A., which may be subject to additional risk estimation and capital requirement obligations as a result of potential regulatory changes affecting investment fund companies.

Risk related to the business of IPOPEMA TFI

Given the rising competition on the market of investment funds as well as the dependence of individual funds' performance on the economic situation (in particular the situation on the capital markets) and correctness of investment decisions made by the IPOPEMA TFI fund managers, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) and the clients may lose confidence in the fund managers, which may eventually lead to some clients closing their relationship with the funds managed by IPOPEMA TFI. In connection with the above and the fact that in the case of selected funds IPOPEMA TFI's consideration depends on the funds' performance against an agreed benchmark rate of return, the risk that the fund managers will not meet the targets and that the clients will discontinue their relationship with IPOPEMA TFI may cause IPOPEMA TFI to be unable to generate the assumed level of revenue.

Furthermore, while thus far the number of funds managed by IPOPEMA TFI has been growing dynamically, there can be no assurance that IPOPEMA TFI will be able to maintain its existing client base and acquire new clients in the future, which may have an adverse effect on revenue growth. Furthermore, IPOPEMA TFI is constantly expanding its offering addressed to a broad group of investors. There is a risk that – if IPOPEMA TFI fails to acquire clients and assets for the funds or if the funds fail to achieve adequate rates of return, leading to client churn and difficulties in winning new clients – the company will not be able to generate satisfactory revenue from these funds.

The rate of IPOPEMA TFI's business growth depends to a certain extent on whether the company is able to secure relevant administrative approvals (particularly to create new funds), as well as the direction of possible changes in the legal environment relevant to the business of investment funds and taxation of investment funds and unit holders.

Risk related to the activities of the Market Making and Proprietary Trading Department

Given the nature of the operations of the Market Making and Proprietary Trading Department, that is entering into short-term transactions on the stock-exchange market for the Company's own account, the Company is exposed to investment risk. In particular, there can be no assurance that decisions made by the Department's staff or the investment strategies they undertake will be successful, and therefore the Department's activities may bring unsatisfactory results or even result in losses.

Risk related to the business of IPOPEMA Asset Management

IPOPEMA AM's business is primarily exposed to investment risk. It cannot be ruled out that the IPOPEMA AM's managers will not make wrong decisions or pursue wrong investment strategies, which may result in the loss of current clients and difficulties in winning new clients, and may thus have an adverse effect on IPOPEMA AM's performance.

Risk related to the function of payment bank

In order to be able to start and conduct operations on the WSE, the Company (as well as other brokerage houses which are direct members of the WSE) is required to have a valid agreement on payment bank services with a bank which is a member of the Polish NDS. The Company's payment bank is currently Alior Bank S.A. If the agreement on payment bank services was terminated, the Company would need to enter into a new agreement with another bank, which would take time and require the Company to agree new terms of business. Any difficulties in finding a successor payment bank could even pose a risk that the Company might have to temporarily suspend its brokerage or market making and proprietary trading activities on the WSE until a new agreement is signed.

A similar risk exists with respect to the Hungarian and Czech branches of Deutsche Bank, with which the Company executed agreements in relation to transactions executed on the Budapest Stock Exchange and the Prague Stock Exchange.

Risk related to the IT and telecommunications systems

A particularly sensitive area of the Company's activities is the necessity to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure may not only expose the Company to the risk of financial liability to clients for not executed or incorrectly executed orders, but may also undermine the client's confidence in the long term. The Company purchased and implemented a dedicated IT

system for providers of brokerage services, which has been upgraded and modified on a continual basis. The objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure, is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. However, there can be no assurance that the risk does not materialise despite the precautions taken by the Company.

Risk related to mistakes and errors of IPOPEMA Securities' employees and breaches of law

The IPOPEMA Securities Group's position on the markets on which it is present depends primarily on the degree of client confidence in the Group companies and their employees. The nature and scope of the Group's services require its employees not only to possess the relevant expertise and experience, but also to comply with the procedures in place at each company of the Group, designed to limit the risk of mistakes and errors in the course of the Group's operations. Although each employee of the IPOPEMA Securities Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that mistakes or errors will not occur in day-to-day operations. Any such errors or mistakes may, depending on their scale, affect the financial standing and financial performance of the IPOPEMA Securities Group. Given the nature of the Group's operations, the risk of mistakes is particularly relevant in the case of staff operating directly on the secondary market.

In line with the applicable laws, a company authorised to conduct brokerage activities is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure (including those applicable to inside information and market manipulation). Although as at date of this Report there were no instances of criminal or unethical conduct on the part of the Company's employees, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses to the Company, resulting from the necessity to pay compensations and loss of reputation.

Risk related to financial instruments

As part of its operations, the Company uses various financial instruments. No assurance can be given that a change in the value of the financial instruments held by the Company will not have an adverse effect on its performance. This is particularly likely in the case of futures contracts, whose value depends on changes in the value of underlying instruments. However, the Company uses futures contracts as hedges of its transactions in the underlying instruments, so any changes in the value of those contracts are offset by opposite changes in the value of the underlyings. For an additional description of risks related to financial instruments, see Note 31 of the consolidated financial statements (interest rate risk, currency risk, price risk).

11. Auditor of the financial statements

For information on the date of the agreement concluded with the qualified auditor of financial statements and its remuneration, see Note 34 of the annual consolidated financial statements of the IPOPEMA Securities Group.

12. Statement of compliance with corporate governance standards

Corporate governance code applicable to the Company

IPOPEMA Securities complies with the corporate governance rules set forth in the document 'Best Practices for WSE Listed Companies' ('Best Practices'), adopted by Resolution No. 17/1249/2010 of the WSE Supervisory Board, dated May 19th 2010, and amended pursuant to subsequent resolutions of the WSE Supervisory Board: No. 15/1282/2011 of August 31st 2011, No. 20/1287/2011 of October 19th 2011 and No. 19/1307/2012 of November 21st 2012. The consolidated text of Best Practices is available at: www.corp-gov.gpw.pl, in the 'Regulations' section:

http://www.corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_16_11_2012.pdf.

Corporate governance rules which the Issuer does not comply with, including the extent of and reasons for such non-compliance

In 2013, the Company complied with the recommendations set forth in 'Best Practices for WSE Listed Companies', and did not depart from them, except as indicated in the statement included in the Annual Report for 2012. In particular, the departures from Best Practices effective in 2013 may relate to:

- Section II.1-2, concerning the scope of information published on the corporate website – according to the indicated rules, a corporate website must also be published in English, although the publication of some information in English may be delayed relative to its publication in Polish; in terms of the scope of information and documents, the Company largely complies with the rules set out in Section II.1. The absence of some information may result from the fact that the events specified in the above Section of Best Practices did not occur at the Company;
- Section II.1.6 and III.1.1, concerning annual reports on the activities of the Supervisory Board and the Supervisory Board's assessment before the General Meeting – the contents of such reports and the scope of such assessments remain at the discretion of the Supervisory Board;
- Section III.8, concerning responsibilities and operation of supervisory board committees – the Company established an Audit Committee, whose operation substantially complied with the relevant provisions of Annex I to the Commission Recommendation of February 15th 2005, to which the practice described in Section III.8 of Best Practices refers. The Audit Committee operated as a separate body until June 20th 2013, when the General Meeting resolved to assign the audit committee function to the Supervisory Board. As regards other committees – in particular those referred to in the abovementioned regulations – the Company adopted a similar approach, i.e. it did not set up the committees and their functions are performed by the Supervisory Board as a whole; the Commission Recommendation accepts such situation in the case of small supervisory boards, which is true of the Company's Supervisory Board.
- Section IV.10, concerning remote participation of shareholders in General Meetings – due to the complexity of issues related to the access to General Meetings, identification of shareholders and their proxies, ensuring adequate two-way communication, the Company did not comply in 2013 and does not plan to comply in 2014 with the rules set forth in this Section of Best Practices.

The above commentary refers to the rules set forth in Sections II-IV of Best Practices, which are covered by the 'comply or explain' mechanism in line with WSE's implementation guidelines. The guidelines contained in Section I of Best Practices, which represent recommendations regarding best practices, are not covered by the mechanism, but they are subject to annual reporting. In view of the foregoing, the Company reports that it complies with most of the guidelines listed in Section I of Best Practices, with the following exceptions:

- Recommendation contained in Section I.9, concerning an equal proportion of men and women in management and supervisory positions – the Company does not apply any restrictions or obstacles to women serving in such positions, and employment at the Company or appointment to its bodies is based exclusively on a candidate's merits;
- Recommendation contained in Section I.12, concerning the possibility of exercising voting rights at a general meeting, personally or by proxy, using means of electronic communication – in 2013 the Company is not planning to abide by this recommendation given the complex nature of procedural, legal and IT issues relevant to the safety and effectiveness of such form of participation in a General Meeting.

Key features of the risk control and management system used in the preparation of financial statements

The risk control and management system used by the Company in the process of preparation of financial statements (both separate and consolidated) aims to ensure that the financial statements are reliable, complete and compliant with applicable regulations – both with respect to their contents and timely publication. The system meeting the above criteria is based on the following items:

- Adopted and employed rules for circulation and approval of documents, which facilitate prompt and complete recognition of all accounting data;
- Proper flow of information to be registered in accounting records between designated persons from appropriate organisational units and persons engaged in the preparation of financial statements;
- Use of appropriate software and IT systems to facilitate internal reporting and financial information processing;
- Adoption of proper criteria for selection and evaluation of employees engaged in the reporting process, possessing the competences, knowledge and experience relevant to the functions and tasks they are charged with;
- Ensuring cooperation between the Company's auditor and its Supervisory Board to ensure exchange of information related to the financial statements (especially at the audit plan preparation stage, and at its final stage, but before the audit process is complete);
- Division of tasks and responsibilities related to the preparation of financial statements between various internal units to facilitate independent assessment and cross-verification of the documentation prepared, taking into account the cooperation that is necessary for the process (i.e. allocation of accounting and financial controlling tasks, engaging the Management Board at an early stage of the report preparation, ongoing cooperation with the Company's auditor);
- Ensuring proper communication and information flow between Group companies with respect to the timing and form of information.

Considering the above, the Management Board believes that the risk control and management system employed by the Company in the preparation of financial statements fulfils the aims defined above and is adequate given the structure of the Company and the Group.

Major holdings of shares in the Company

For a list of shareholders holding over 5% of shares in IPOPEMA Securities S.A., see Section 6.3 of this Report.

Holders of any securities conferring special control rights

There are no securities of IPOPEMA Securities S.A. conferring special control rights.

Restrictions on voting rights

There are no restrictions on the voting rights attached to IPOPEMA Securities S.A. shares.

Restrictions on transfer of ownership rights to the Company's securities

As at the date of approval of the financial statements, there are no restrictions on transferability of the Company's securities.

Rules governing appointment and removal of the Company's management personnel; powers of the management personnel, including in particular the authority to resolve to issue or buy back shares

The Management Board is composed of two to five members, including the President, who are appointed for a three-year term and removed from office by the Supervisory Board. The Management Board acts in accordance with the Rules of Procedure for the Management Board, adopted by the Supervisory Board.

The Management Board is authorised to increase the Company's share capital, within the limit of the authorised capital, by an aggregate amount of up to PLN 350,000, through the issue of up to 3,500,000 new shares, by way of one or more share capital increases within the limit specified above, within three years from September 28th 2011, provided that such share capital increase within the limit of the authorised capital is approved by the Supervisory Board.

Rules governing amendments to the Company's Articles of Association

The rules governing amendments to the Company's Articles of Association provided in the Articles of Association do not differ from those set forth in the Polish Commercial Companies Code.

Manner of operation and basic powers of the General Meeting, shareholders' rights and the procedure for their exercise

As the Company did not introduce rules of procedure for the General Meeting, the manner of operation of the General Meeting of IPOPEMA Securities, its basic powers as well as the shareholders' rights and the procedure for their exercise are as defined in the Polish Commercial Companies Code, as well as 'Best Practices for WSE Listed Companies' applied by the Company.

Composition and activities of the Company's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

The table below presents the composition of the Management Board of IPOPEMA Securities S.A. as at the date of this Report. No changes were made to the composition of the Company's Management Board in the discussed period.

First name and surname	Position	Appointment date ¹
Jacek Lewandowski	President of the Management Board	June 1st 2011
Mirosław Borys	Vice-President of the Management Board	June 1st 2011
Mariusz Piskorski	Vice-President of the Management Board	June 1st 2011
Stanisław Waczkowski	Vice-President of the Management Board	June 1st 2011

¹Date of appointment for the third term of office

The table below presents the composition of the Supervisory Board of IPOPEMA Securities S.A. as at the date of this Report. Following resignation by Ms Małgorzata Adamkiewicz from membership in the Supervisory Board, on February 10th 2014 Mr Michał Dobak was appointed as its new member.

First name and surname	Position	Appointment date ¹
Jacek Jonak	Chairman of the Supervisory Board	June 29th 2011
Janusz Diemko	Secretary of the Supervisory Board	June 29th 2011
Michał Dobak	Member of the Supervisory Board	February 10th 2014
Bogdan Kryca	Member of the Supervisory Board	June 29th 2011
Zbigniew Mrowiec	Member of the Supervisory Board	June 28th 2012

¹Date of appointment for the current term of office.

The Company believes that all members of the Supervisory Board, except for Bogdan Kryca, met the independence criterion provided for in Annex II to the Commission Recommendation (2005/162/EC) of February 15th 2005.

Information on holdings of Company shares by the management and supervisory personnel is presented in Section 7 of this Report.

Warsaw, March 20th 2014

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