

Directors' Report

**on the operations of IPOPEMA Securities S.A.
and the IPOPEMA Securities Group
in H1 2014**

Warsaw, August 21st 2014

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PART I

1. Net profit (loss)

Consolidated financial highlights	2014			2013		
	I-III*	IV-VI*	I-VI	I-III*	IV-VI*	I-VI
Total revenue, including	30,410	23,362	53,772	26,945	24,607	51,552
<i>Brokerage and related services</i>	16,638	10,023	26,661	16,755	12,971	29,726
<i>Investment fund management</i>	10,245	10,723	20,968	7,879	8,183	16,062
<i>Consultancy services</i>	3,527	2,616	6,143	2,311	3,453	5,764
Total cost of core activities	24,701	21,004	45,705	22,326	21,773	44,098
Profit on core activities	5,709	2,358	8,067	4,619	2,834	7,454
Net profit for the period	3,780	1,264	5,049	3,212	1,148	4,361

* Unaudited.

Revenue

Despite a more challenging market environment, in the period January–June 2014 the Group generated revenue of PLN 53,772 thousand, up 4.3% on PLN 51,552 thousand recorded in H1 2013.

Revenue from trading in securities was affected the most by the difficult market conditions, having decreased 14.4% year on year, from PLN 23,167 thousand in H1 2013 to PLN 19,842 thousand in H1 2014. The decrease was driven by both slightly lower trading volumes on the WSE and BSE (down 4.5% and 3.8%, respectively) and the Company's lower share in trading on the WSE (6.68% in H1 2013, down from 9.66% in H1 2013).

On the other hand, the Company's revenue from investment banking services was up 6.6% in H1 2014, to PLN 6,804 thousand (H1 2013: PLN 6,381 thousand).

The investment fund and portfolio management segment posted an even more considerable improvement of 30.5%, with revenue of PLN 20,968 thousand (H1 2013: PLN 16,062 thousand). The factors contributing to the increase were a larger number of funds under management and a higher value of assets held by the funds (as at the end of June 2014, IPOPEMA TFI managed 94 funds and sub-funds, with an aggregate value of assets at PLN 23.9bn, compared with 87 funds and sub-funds and an aggregate value of assets of PLN 11.6bn a year earlier). At the end of H1 2014, the value of assets of IPOPEMA TFI actively managed funds was PLN 863m, up from PLN 455m at the end of June 2013.

The revenue generated by IPOPEMA Business Consulting (consultancy services) also increased year on year, from PLN 5,764 thousand in H1 2013 to PLN 6,143 thousand in H1 2014 (11.4% of the Group's total revenue).

On a separate basis, IPOPEMA Securities (brokerage and related services) generated PLN 26,661 thousand of revenue in H1 2014, compared with PLN 29,726 thousand a year earlier.

Costs and expenses

Despite lower operating expenses in the brokerage services segment, higher costs in other segments translated into a slight increase in the Group's consolidated costs of operations (up 3.6%, from PLN 44,098 thousand in H1 2013 to PLN 45,705 thousand in H1 2014).

In H1 2014, total operating expenses in the brokerage services segment were PLN 21,921, having decreased 6.1% on H1 2013 (PLN 23,356 thousand), mainly owing to lower transaction costs.

In the investment fund and portfolio management business, cost of operations increased 11.4% in H1 2014, to PLN 17,703 thousand, primarily owing to higher cost of distribution of actively-managed funds.

Cost of operations recorded in H1 2014 by IPOPEMA Business Consulting was PLN 6,081 thousand, compared with PLN 4,853 thousand in H1 2013.

Costs relating to the valuation of the Company's share option plans, as disclosed in the consolidated financial statements, were PLN 68 thousand in H1 2014 (H1 2013: PLN 153 thousand).

Net profit (loss)

Despite the higher operating expenses, the increase in revenue had a positive effect on the overall financial performance. In H1 2014, the consolidated profit on core activities was PLN 8,067 thousand (H1 2013: PLN 7,454 thousand), operating profit was PLN 7,735 thousand (H1 2013: PLN 5,731) and net profit amounted to PLN 5,049 thousand (H1 2013: PLN 4,361 thousand).

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02%, profit attributable to owners of the parent was PLN 4,991 thousand, and profit attributable to non-controlling interests was PLN 58 thousand.

IPOPEMA Securities' net profit for H1 2014 disclosed in the separate financial statements, was PLN 5,523 thousand (H1 2013: PLN 4,655 thousand), that is PLN 3,111 thousand more than the net profit from brokerage and related services disclosed in the consolidated financial statements for the same period. The difference is chiefly attributable to dividends received from IPOPEMA Asset Management and IPOPEMA Business Consulting (PLN 2,000 thousand and PLN 1,000 thousand, respectively), which were eliminated from the consolidated financial statements.

In H1 2014, the investment fund and portfolio management segment (the combined activities of IPOPEMA TFI and IPOPEMA Asset Management) posted net profit of PLN 2,522 thousand (H1 2013: PLN 187 thousand).

Despite the higher revenue, net profit earned by the consultancy services segment was down from PLN 961 thousand in H1 2013 to PLN 115 thousand in H1 2014, with the change caused by the higher operating expenses.

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

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

With substantial index movements, the total volume of trading on all Company markets in H1 2014 was lower year on year, with the volumes on the WSE, BSE and PSE markets down by 4.5%, 3.8% and 12.2%, respectively. Over the same period, the Company's market share declined to 6.86% on the WSE and 3.63% on the BSE (from 9.66% and 6.47% in H1 2013, respectively). As a result, the Company's revenue from trading in securities in H1 2014 declined by 14.4% year on year (PLN 19,842 thousand vs. PLN 23,167 thousand).

Investment banking services

In H1 2014, IPOPEMA Securities' performance on the equity market slightly improved relative to the same period of 2013. IPOPEMA Securities acted as a global coordinator for the offering of Globe Trade Centre S.A. shares, carried out public offerings of Comperia S.A. shares and MCI Management S.A. convertible bonds, and organised a private placement of Braster S.A. shares. All in all, total revenue from investment banking services was up 6.6%, to PLN 6,804 thousand.

Activities of IPOPEMA TFI and IPOPEMA Asset Management

The key driver of the increase in revenue from fund and portfolio management was an increase in the number of funds and a higher value of assets in the funds managed by IPOPEMA TFI. At the end of June 2013, IPOPEMA TFI had 87 funds under management, with an aggregate asset value of PLN 11.6bn. As at the end of June 2014, the number of funds was 94 (including subfunds), and the aggregate value of their assets stood at PLN 23.9bn. Although operating expenses increased (up 11.4%), the strong revenue increase in H1 2014 (up by 30.5%) resulted in a substantial increase in net profit (PLN 2,522 thousand vs. PLN 187 thousand in H1 2013).

IPOPEMA Business Consulting

Despite a 6.6% year-on-year increase in revenue generated by IPOPEMA Business Consulting in H1 2014, a 25.3% increase in operating expenses, driven by the headcount increase related to ongoing projects, translated into lower net profit (PLN 115 thousand vs. PLN 911 thousand in H1 2013).

3. Factors with potential bearing on the H2 2014 results

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

The first half of 2014 saw strong sentiment volatility on all Company's home markets – following large-scale index movements in Budapest and somewhat smaller changes in Warsaw and Prague, the market indices are now roughly where they were at the beginning of the year. In addition, the total value of trades executed on all three markets in H1 2014 was lower year on year, with the trading volumes on the WSE, BSE and PSE down 4.5%, 3.8% and 12.2%, respectively. It is therefore difficult to predict the developments on the Company's markets in subsequent months of 2014.

IPOPEMA Securities' current investment banking projects and transaction pipeline

While in terms of the number and value of stock exchange debuts the first half of 2014 matched the successful debuts of the same period in 2013, the political situation in Ukraine and the uncertainty surrounding the ultimate economic effect of the changes on the open-end pension funds market in Poland make investors reluctant to market large IPOs or secondary offerings. 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 and IPOPEMA Asset Management

Changes of the situation on capital markets are reflected in the volume of inflows of assets to investment funds. 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. Nevertheless, despite the volatile market conditions and significant uncertainty caused by the tense political situation in Ukraine, investment funds continue to record inflows of new assets. July 2014 was the 22th consecutive month of net inflows of assets to retail investment funds (however, there was a significant transfer of assets from equity funds to lower-risk investment products). While it is difficult to predict how investor sentiment will change in subsequent months of 2014, the prevailing interest rates, still at their record lows, may continue to encourage transfers of savings from bank deposits to investment funds, which may have a positive effect on the performance of the fund and portfolio management segment. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on market conditions.

Expansion of IPOPEMA Business Consulting's business

In the subsequent following months of 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, coupled with tight cost control.

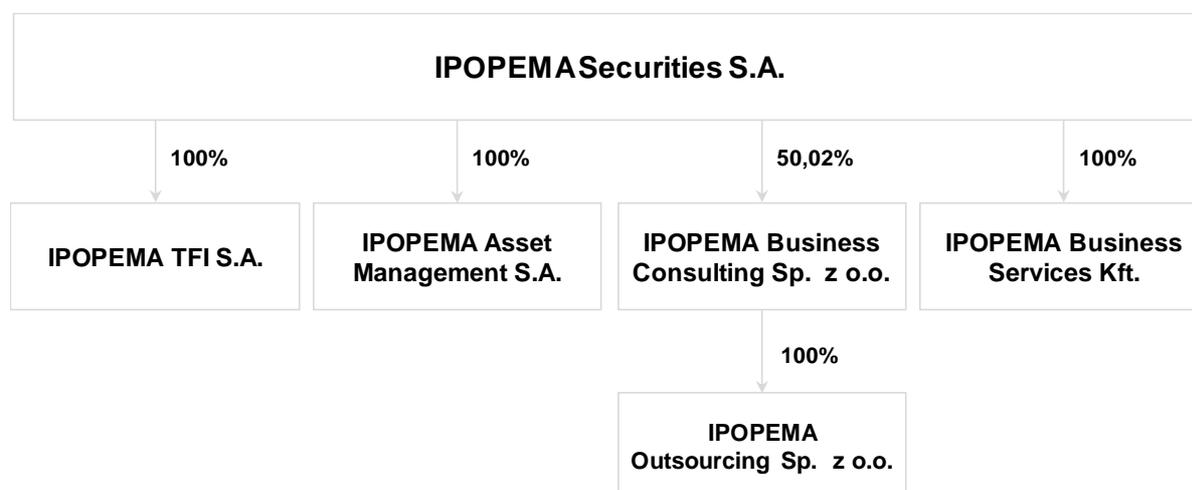
4. Performance vs. forecasts

The Company did not publish any separate or consolidated profit guidance.

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 of the Group, and the following 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 are excluded from consolidation as their inclusion would be immaterial for the purpose of giving a true and fair view of the Group.



2. Changes in the structure of the IPOPEMA Securities Group

In H1 2014, there were no changes in the structure of the IPOPEMA Securities Group.

3. Shareholding structure of IPOPEMA Securities S.A.

As at June 30th 2014, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and voting rights at GM	% of total voting rights at GM
IPOPEMA PRE-IPO FIZAN ¹	2,990,789	9.99%
JLC Lewandowski S.K.A. ²	2,990,789	9.99%
OFE PZU Złota Jesień*	2,950,000	9.85%
IPOPEMA 10 FIZAN ³	2,851,420	9.52%
Katarzyna Lewandowska	2,136,749	7.14%
Quercus Parasolowy SFIO*	1,754,164	5.86%
Total shareholders holding over 5% of the share capital	15,673,911	52.35%

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

¹ The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

² Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

³ The only investor in the fund is Stanisław Waczkowski, Vice-President of the Company's Management Board.

Until the date of this report, there were no changes in the group of shareholders directly or indirectly holding 5% or more of the Company shares and of total voting rights at the Company's General Meeting.

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

As at March 31st 2014 and June 31st 2014, members of the management staff held, directly or indirectly through their subsidiaries or related entities (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	915,000	3.06%
Mirosław Borys – Vice-President of the Management Board	696,428	2.33%
Total	11,075,151	36.99%

¹ As disclosed in the table in Section 3, shares in IPOPEMA Securities S.A. are also held by Katarzyna Lewandowska, Jacek Lewandowski's wife.

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

No non-equity or equity securities of IPOPEMA Securities S.A. were issued, redeemed or repurchased in H1 2014 or the comparative period.

6. Loans, guarantees, sureties

In H1 2014 (and in the comparative period) the Company did not receive and did not provide any sureties or loans. The guarantees provided to the Company, disclosed in Note 11 to the interim condensed financial statements of IPOPEMA Securities, were renewed.

7. Selected corporate events in H1 2014

Changes in composition of the Supervisory Board

On February 10th 2014, the General Meeting appointed Michał Dobak to the Company's Supervisory Board (to replace Małgorzata Adamkiewicz, who resigned from the Supervisory Board with effect from August 31st 2013).

Registration as regulated entity in Romania and membership in the Bucharest Stock Exchange

In connection with the planned launch of operations in Romania, in February 2014 IPOPEMA Securities was registered as an entity regulated by the Romanian Financial Supervision Authority. In June 2014, the Company became a member of the Bucharest Stock Exchange. The Company expects to launch its operations in Romania in September 2014.

Awards and distinctions

In April 2014, IPOPEMA Securities received 'The Best Equity House in Poland' title, awarded by EMEA Finance in its Europe Banking Awards 2013, in recognition of IPOPEMA's participation in the most important transactions of 2013. In Q1 2014, the Company received another international award. For its role in the privatisation of Energa, IPOPEMA Securities was awarded the 'Best Privatisation IPO' title by EMEA Finance. In June, IPOPEMA Securities was named 'Best Financial Group Poland 2014' and 'Best Equity House 2014 Poland' by the Global Financial Market Review, a financial news website.

Once again in recent years, IPOPEMA Securities topped the ranking published by the Parkiet daily newspaper. Its Research Department team was classified second. In the same ranking, Piotr Zielonka, Head of the Research Department, was named Poland's best analyst for the third time in a row. In addition to his victory in the overall ranking, Piotr Zielonka came first in the Construction & Development and Trade and Distribution categories. In the Energy category, he shared the victory with Tomasz Ściesiek, his colleague from the Research Department. Piotr Zielonka also ranked second in the Market Strategy category. In March 2014, Mr Zielonka was again awarded the 'Stock Exchange Analyst of the Year' title, this time in the Parkiet daily newspaper's 'Bulls and Bears' ranking. Also in March, for the third time in a row, Piotr Zielonka topped Forbes' best analyst ranking, prepared based on assessments made by institutional investors. In the same ranking, IPOPEMA Securities' Research Department was named the second most professional research team on the market, and the Department's recommendations were recognised as the most effective. In March 2014, the Research Department of IPOPEMA Securities also came in second in the WarsawScan annual survey of investor relations, performed by NBS among 63 managers and analysts.

In January 2014, Arkadiusz Bogusz, Head of the Debt Instruments Office at IPOPEMA TFI and IPOPEMA Asset Management, was named 'Master of Bonds' by the Puls Biznesu daily newspaper. Arkadiusz Bogusz ranked first in the Treasury Securities Funds category: the return on the IPOPEMA bond fund under his management reached 5.5% in 2013 (4 pp more than the competing funds). Also in March, IPOPEMA TFI was named among the five institutions nominated for 'The TFI of the Year' award in a ranking compiled by the Parkiet daily newspaper.

Dividends distributed by IPOPEMA Asset Management and IPOPEMA Business Consulting

In H1 2014, IPOPEMA AM and IPOPEMA BC resolved to pay dividend of PLN 2,000 thousand and 1,000 thousand, respectively, to IPOPEMA Securities. The dividend amounts represent the Company's finance income and are disclosed in its separate financial statements, but are eliminated in the Group's consolidated financial statements.

8. Litigation and court proceedings

In H1 2014, none of the IPOPEMA Group companies were involved in any litigation or court proceedings.

In May 2014, the President of the Office of Competition and Consumer Protection issued a final decision imposing a fine of PLN 17.7 thousand (EUR 4 thousand) on IPOPEMA Asset Management S.A. The fine was related to procedural irregularities which took place from prior to the acquisition of Credit Suisse Asset

Management (Polska) S.A. ("CSAM") by IPOPEMA Securities S.A. (CSAM was then a part of the Credit Suisse Group). As at the date of this report, the fine had been paid.

9. Related-party transactions

In H1 2014, the Company did not execute any material related party transactions. For details of related party transactions, see Note 24 to the interim condensed consolidated financial statements.

10. Material events subsequent to the reporting date

Execution of annexes to credit facility agreements with Alior Bank

After the reporting date, the Company executed annexes to the credit agreements executed in July 2009 with Alior Bank, contracted to finance payment of the Company's current liabilities to the National Depository for Securities in respect of the settlement of transactions concluded by the Company on the WSE (PLN 10m), and to finance its membership in the Stock-Exchange Transactions Settlement Guarantee Fund (PLN 30m). Under the annexes, the effective terms of the agreements were extended until September 17th 2014.

11. Risk factors

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 adversely affects global stock markets, 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 volumes on the stock exchanges and the challenging conditions for execution of public offerings of securities. At present, it is difficult to estimate long-term market impact of the current political tensions in Eastern Europe.

With respect to IPOPEMA TFI, such adverse market conditions discourage investment in listed securities (mainly equities) and thereby affect 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 Asset Management, 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 some of its market share and in higher pressure on prices, which may have an adverse effect on the Company's financial performance.

Similarly, IPOPEMA TFI, IPOPEMA Asset Management and IPOPEMA Business Consulting compete against companies with established market positions and against new market entrants. In the seven 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 creating 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 more than ten years of operations (formerly as Credit Suisse Asset Management (Polska) S.A.), the company holds a firm position and enjoys 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 to be able to provide 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 some of the projects commenced by the Company may be postponed or the clients may decide to abandon execution of the transaction (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 June 30th 2014: PLN 62,425 thousand and PLN 77,282 thousand, respectively) is maintained at a level ensuring 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 may also extend to other Group companies, namely to IPOPEMA AM, which, being a brokerage house, is subject to the same regulatory requirements as IPOPEMA Securities S.A.; and to 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 strong 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 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, as well as with respect to the bank which will clear the Company's transactions on the Bucharest Stock Exchange.

Risk related to the IT and telecommunications systems

A particularly significant aspect of the Company's activities is the need 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. In spite of all the steps taken by the Company, the potential materialisation of risks in this area cannot be ruled out.

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 underlying instruments.

Warsaw, August 21st 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