

The
IPOPEMA Securities Group

Directors' Report on the Group's Operations

**for the three months
ended March 31st 2013**

Warsaw, May 14th 2013

Contents

PART I

1. Net profit (loss)	3
2. Material events and factors with bearing on the financial performance	4
3. Factors with potential bearing on the Q2 2013 results	5
4. Performance against forecasts	5

PART II

1. Structure of the IPOPEMA Securities Group	6
2. Changes in the structure of the IPOPEMA Securities Group	6
3. Shareholder structure of IPOPEMA Securities S.A.	6
4. Changes in the number of shares held by members of management and supervisory personnel	7
5. Issue, redemption and repayment of equity and non-equity securities	7
6. Loans, guarantees, sureties	7
7. Selected corporate events	7
8. Court proceedings	8
9. Related-party transactions	8
10. Material events subsequent to the balance-sheet date	8

PART I

1. Financial performance

Revenue

On the back of an increase in revenue from brokerage services and the investment fund and portfolio management business in Q1 2013, the Group's consolidated revenue improved by 11.5% on Q1 2012 (from PLN 24,173 thousand to PLN 26,945 thousand).

Revenue from securities trading continued to be the most significant source of the Group's revenues in Q1 2013 (45.8% of the consolidated revenue from core activities). It went up 4.6% year on year (from PLN 11,797 thousand to PLN 12,337 thousand). This growth was attributable to the Company's significantly higher share in trading on the Warsaw Stock Exchange, which reached 10.33% in Q1 2013 (Q1 2012: 8.13%) while the market's aggregate trading value remained nearly flat.

Q1 2013 also was more favourable for the Group's investment banking business, whose revenue reached PLN 4,329 thousand, having more than doubled relative to the figure reported for Q1 2012 (PLN 1,799 thousand).

As a consequence, total revenue of the brokerage and related services segment (IPOPEMA Securities) amounted to PLN 16,755 thousand in Q1 2013, up 21.8% year on year.

The investment fund and portfolio management business (IPOPEMA TFI and IPOPEMA Asset Management) recorded a nearly 20% growth in revenues relative to Q1 2012, driven by an increase in the number of funds and a higher value of assets under management (as at the end of March 2013, IPOPEMA TFI had 88 funds and subfunds under management, with an aggregate asset value of PLN 8,613m, compared with 63 funds and an aggregate asset value of PLN 6,757m a year earlier).

In the first three months of 2013, IPOPEMA Business Consulting recorded revenue from advisory services of PLN 2,311 thousand (8.6% of the Group's total revenue), having dropped by 38.2% year on year (from PLN 3,742 thousand in Q1 2012).

Costs and expenses

In Q1 2013, the Group's cost of operations amounted to PLN 22,326 thousand, 16.8% higher year on year (PLN 19,118 thousand in Q1 2012).

Cost of operations in the brokerage and related services segment reached PLN 12,512 thousand in Q1 2013, up by 26.9% on Q1 2012, which was due mainly to higher transaction costs and higher cost of salaries.

In the investment fund and portfolio management business, cost of operations grew by 22.4% in Q1 2013, to PLN 7,504 thousand, primarily owing to higher costs associated with the creation of new funds, as well as higher cost of distribution.

Cost of operations recorded in Q1 2013 by IPOPEMA Business Consulting stood at PLN 2,310 thousand, down by 26.1% compared with PLN 3,125 thousand recorded in Q1 2012.

Costs relating to the valuation of the Company's share option plans, as disclosed in the consolidated financial statements, amounted to PLN 104 thousand in Q1 2013 (2012: PLN 32 thousand).

Profit (loss)

Despite a growth in consolidated revenue, the Group's profit on core activities and operating profit (PLN 4,619 thousand and PLN 4,042 thousand, respectively) were lower than in Q1 2012 (PLN 5,055 thousand and PLN 5,382 thousand, respectively), which was due to higher cost of operations. However, a more favourable balance of finance income and finance costs contributed to a higher net profit for Q1 2013, at PLN 3,212 thousand (Q1 2012: PLN 2,833 thousand).

As IPOPEMA Securities' interest in IPOPEMA Business Consulting is 50.02%, profit attributable to owners of the parent was PLN 3,109 thousand, and profit attributable to non-controlling interests was PLN 103 thousand.

IPOPEMA Securities' net profit for Q1 2013 as shown in the Company's separate financial statements was PLN 2,608 thousand (Q1 2012: PLN 1,516 thousand). At the same time net profit reported in the consolidated financial statements for the same period (as the result of the brokerage and related services segment) was

down by PLN 104 thousand, standing at PLN 2,504 thousand (due to the cost of incentive schemes, which are not reflected in separate financial statements).

In the fund and portfolio management segment, net profit in the first three months of 2013 was at PLN 501 thousand, compared with PLN 867 thousand in the corresponding period of 2012 .

The consulting business reported net profit of PLN 270 thousand in Q1 2013 (vs. PLN 436 thousand in Q1 2012).

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

Situation on the equity market of the Warsaw and Budapest Stock Exchanges

Despite the reversal of the upward trend prevailing since mid-2012, the total value of trades on the WSE in Q1 2013 was slightly higher than in the first quarter of 2012. Furthermore, IPOPEMA Securities substantially improved its market share – to 10.33% (from 8.13% in January–March 2012). The Company was able to hold on to its 2012 market share on the Budapest Stock Exchange. However, in the period under analysis, the value of trading was significantly lower (down over 30% on Q1 2012). In total, this resulted in higher revenues from securities trading, which went up 4.6%, to PLN 12,337 thousand in Q1 2013 (Q1 2012: PLN 11,797 thousand).

Investment banking services

Q1 2013 was much more favourable for the Company's equity transactions business compared with the corresponding period of 2012. IPOPEMA Securities was engaged in the sale of a large equity interest in PKO BP by the State Treasury (the Company acted as a joint book runner) and successfully completed the financial restructuring of Trakcja S.A. In consequence, investment banking operations generated a revenue of PLN 4,329 thousand, more than double the figure reported in Q1 2012 (PLN 1,799 thousand).

Activities of IPOPEMA TFI and IPOPEMA Asset Management

The key drivers of the increase in revenue from fund and portfolio management included an increase in the number of funds and a higher value of assets held by the funds managed by IPOPEMA TFI. At the end of Q1 2012, IPOPEMA TFI had 63 funds under its management, with an aggregate asset value of PLN 6,757m. As at the end of March 2013, the number of funds rose to 88 (including subfunds), whereas the aggregate value of their assets grew to PLN 8,613m. Despite a 17.9% growth of revenue, a major increase in cost of operations reported in Q1 2013 (by 22.4%) contributed to a slight decline in net profit (PLN 501 thousand relative to PLN 867 thousand in Q1 2012).

IPOPEMA Business Consulting

The more challenging conditions on the advisory services market were reflected in the results of IPOPEMA Business Consulting. Year on year, its revenue dropped by 38.2%, and despite the fact that the operating expenses shrank by 26.1%, the net profit fell to PLN 207 thousand, from PLN 436 thousand in Q1 2012.

3. Factors with potential bearing on the Q2 2013 results

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

After a period of upturn in H2 2012, the Company's markets saw a downtrend in the first three months of 2013. However, the total value of trades on the WSE in January–March 2013 was still higher than in the corresponding period of 2012 (despite the fact that the high value of January trading was an outcome of a few large block transactions). Unfortunately, the value of trading on the Budapest and Prague Stock Exchanges in Q1 2013 was considerably lower than in Q1 2012 (down by 32% and 38%, respectively). It is therefore difficult to predict whether similar trading values will continue in the following months of Q2 2013, and to estimate their effect on the Company's financial performance.

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 may continue to discourage new public offerings. Despite this unfavourable backdrop, the Company is working on new equity transactions and will 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 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. Nevertheless, despite a downtrend in WIG's performance in the first months of 2013, March was the sixth month in a row with the value of subscriptions exceeding the value of redemptions. While investor sentiment in Q2 2013 is difficult to predict, a possible revival of clients' interest in investment funds should improve 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 following months of 2013, the key drivers of IPOPEMA Business Consulting's operations will include performance of its existing contracts and new additions to the order book, with a concurrent tight cost control.

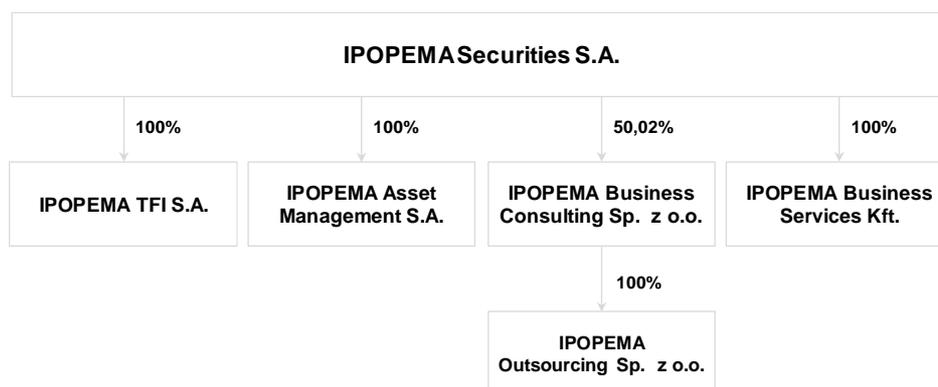
4. Performance against forecasts

The Company did not publish any performance forecasts.

PART II

1. Organisational structure of the IPOPEMA Securities Group

The IPOPEMA Securities Group consists of IPOPEMA Securities S.A., as 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; currently dormant). IPOPEMA Securities, IPOPEMA TFI, IPOPEMA AM and IPOPEMA BC are consolidated, while IPOPEMA Business Services and IPOPEMA Outsourcing have been excluded from consolidation given the immateriality of their financial information.



2. Changes in the structure of the IPOPEMA Securities Group

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

3. Shareholder structure of IPOPEMA Securities S.A.

As at March 31st 2013, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	Number of shares and votes at GM	% of total vote at GM
IPOPEMA 10 FIZAN ¹	2,851,420	9.52%
OFE PZU Złota Jesień*	2,770,000	9.25%
IPOPEMA PRE-IPO FIZAN ²	2,188,370	7.31%
KL Lewandowska S.K.A. ³	2,086,749	6.97%
JLK Lewandowski S.K.A. ⁴	2,066,249	6.90%
JLS Lewandowski S.K.A. ⁴	2,066,249	6.90%
Aviva OFE Aviva BZ WBK*	1,562,539	5.22%
Total shareholders holding over 5% of the share capital	15,591,576	52.07%

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

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

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

³ Subsidiary of Katarzyna Lewandowska.

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

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

As at March 31st 2013, members of the management and supervisory staff held, directly or indirectly through their subsidiaries or related entities (including dedicated funds), the following shareholdings in IPOPEMA Securities S.A. The number of shares held by such persons did not change relative to the end of the previous reporting period.

Person	No. of shares and votes	% of ownership interest and total vote
Jacek Lewandowski – President of the Management Board ¹	6,320,868	21.11%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.50%
Mariusz Piskorski – Vice-President of the Management Board	965,000	3.22%
Mirosław Borys – Vice-President of the Management Board	696,428	2.33%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.48%
Total	11,568,005	38.64%

¹ As presented in the table in Section 3, shares in IPOPEMA Securities S.A. are also held by KL Lewandowska S.K.A., a subsidiary of Katarzyna Lewandowska, Jacek Lewandowski's wife.

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

Save for the shares issued as part of the incentive scheme (see Section 7 below), no non-equity or equity securities of IPOPEMA Securities S.A. were issued, redeemed or repurchased in Q1 2013 or in the comparative period.

6. Loans, guarantees, sureties

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

7. Selected corporate events

Subscription for shares under the incentive scheme

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

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: "fuels" (Konrad Anuszkiewicz) and "market strategy" (Arkadiusz Chojnacki).

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

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

In March 2013, the Research Department won yet again – this time in the Forbes' ranking (4/2013), taking the lead in four out of five categories, with as many as four IPOPEMA analysts making it to the top twenty in the individual ranking.

8. Litigations

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

9. Related-party transactions

In Q1 2013, there were no material related party transactions.

10. Material events subsequent to the balance-sheet date

Subsequent to March 31st 2013, there were no material events with a bearing on the Company's operations.

Warsaw, May 14th 2013

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice-President of the
Management Board

Stanisław Waczkowski
Vice-President of the
Management Board

Mirosław Borys
Vice-President of the
Management Board