

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

Dear Shareholders,

I present to you the Annual Report detailing the financial performance and achievements of the IPOPEMA Group in 2012.

The year 2012 proved to be an extremely challenging period for the brokerage business. The significantly less favourable market environment translated into weaker performance of all brokerage houses, which in aggregate posted a nearly PLN 66m loss on brokerage activities¹. Against this backdrop, IPOPEMA Securities delivered robust results, earning nearly PLN 9m in profit on brokerage business. What is more, given that in 2012 the total net profit of all brokerage houses was PLN 121.3m, IPOPEMA Securities with PLN 8.5m in net profit contributed nearly 7% to the total net result of the brokerage industry in Poland.

The difficult market conditions were particularly reflected in the situation on the Warsaw Stock Exchange, with the total trading volumes in 2012 down 25.3% year on year. The downturn directly affected IPOPEMA Securities' revenue from brokerage business, which declined to PLN 38.8m (relative to PLN 57.7m in 2011), despite the Company maintaining, or even slightly expanding, its market share.

2012 was equally challenging for the capital raising business. Investors' prevailing uncertainty as to further market developments, contributing to lower company valuations, put nearly all IPOs on hold. Nevertheless, in H1 2012, IPOPEMA took part in the two crucial transactions on the WSE: sale of shares of Polska Grupa Energetyczna S.A. by the State Treasury and share issue by Globe Trade Centre. The IPO market recovered in Q4 2012, which saw two major flotations: the IPO of ZE PAK with the Company as a joint bookrunner, and the IPO of Alior Bank, the largest transaction by a private company in WSE history, with IPOPEMA as the global coordinator and offering broker. Consequently, despite the highly unfavourable market climate and thanks to the strong commitment of our team, revenue from investment banking services amounted to PLN 13.8m, having remained relatively flat on 2011 (PLN 14.5m). It is worth noting that the transactions executed in 2012 have considerably improved IPOPEMA's position in the investment banking industry - being a company from an independent financial group we participated in the transactions on a par with the largest global investment banks.

In 2012, the investment fund and asset management business (IPOPEMA TFI and IPOPEMA Asset Management) recorded a year-on-year increase in revenue of over 26% (PLN 28.4m relative to PLN 22.5m in 2011). This growth was attributable to a rise in the number of funds and higher value of assets under management (as at the end of 2012, IPOPEMA TFI managed 85 funds and subfunds with an aggregate asset value of PLN 7.8bn, compared with 56 funds and an aggregate asset value of PLN 6.1bn a year earlier), as well as the full recognition of IPOPEMA Asset Management's revenue in the consolidated financial statements (the company has been consolidated since Q4 2011). Higher revenue drove up the segment's net result, which was PLN 4.6m, having increased by nearly 20% year on year. In 2012, IPOPEMA considerably developed its open-ended investment fund business, rolling out new products as part of the IPOPEMA SFIO portfolio (December 2012 marked the first anniversary of IPOPEMA SFIO launch). After a year of presence on the market, the value of assets placed under its management reached PLN 150m, which means that the daily inflow of new funds to IPOPEMA SFIO amounted to nearly PLN 400 thousand. In the individual months, IPOPEMA SFIO funds outperformed their peers, which is partly attributable to the professional management team, additionally expanded in 2012.

The more challenging market situation in 2012 had a bearing on IPOPEMA Business Consulting. In 2012, the advisory business posted PLN 13.7m in revenue (nearly 15% of the IPOPEMA Group total revenue), down approximately 21% year on year. Despite a drop in the costs of operations of the consulting services segment (of nearly 16%), a more substantial drop in revenue drove down the net profit to PLN 1.7m in 2012.

¹ PFSA's data, available at: http://www.knf.gov.pl/aktualnosci/2013/archiwum.jsp?_page=2

I am pleased to report that in 2012 the quality of services rendered by IPOPEMA was yet again appreciated by the market in a number of rankings. In January 2012, IPOPEMA came in second in the 2011 ranking of best-performing capital market teams, compiled by the Parkiet daily (its key criterion being the total value of primary market transactions launched on the WSE in 2011). In February 2012, IPOPEMA was also presented with a prize awarded by the WSE in the category "Largest number of IPOs launched on the WSE in 2010-2011". Moreover, IPOPEMA took the second place in a ranking of best research teams selected by institutional investors, published by the Forbes monthly. In the individual ranking, two analysts of the Research Department at IPOPEMA Securities were in the top ten. The Company also ranked second on the Forbes' list of best brokerage houses selected by institutional investors, but was the only brokerage house to take the first place in as many as three categories (professionalism, quality of service on the WSE secondary market and quality of analyses and recommendations). In 2012, a manager of IPOPEMA Asset Management was named among the world's top one thousand managers by Citywire, a UK information group. In 2013, the Company has received two awards for transactions executed in the previous year: IPOPEMA took the first place in Parkiet's ranking of the best capital market teams in 2012, and received an award from the WSE for introducing shares of the highest value as part of IPOs in 2012.

2013 is and will be an exceptional year for the Group companies. It marks the tenth anniversary of IPOPEMA, a good occasion to sum up past achievements. From my perspective as President of the Management Board, I would like to note that over the past decade we have built a strong group of companies, with a diversified product mix and diversified revenue streams from several business lines contributing towards its bottom line. The strength and position of the IPOPEMA Group is particularly evident against the backdrop of the challenging climate prevailing in the markets of brokerage services and investment banking for the past few years. In 2013, all companies of the IPOPEMA Group will consistently focus on expanding and strengthening their market position, hoping that these efforts will be reflected in improved financial performance of the Group and sustainable growth of its value.

Yours faithfully,

Jacek Lewandowski
President of the Management Board

Warsaw, March 20th 2013