

The
IPOPEMA Securities Group

Directors' Report

**on separate financial statements of
IPOPEMA Securities S.A. and
consolidated statements of the
IPOPEMA Securities Group
for the nine months ended
September 30th 2012**

Warsaw, November 8th 2012

Contents

PART I

1.	Financial performance.....	3
2.	Material events and factors with bearing on the financial performance.....	4
3.	Factors with potential bearing on the Q4 2012 results	5
4.	Performance against forecasts.....	6

PART II

1.	Organisational structure of the IPOPEMA Securities Group	7
2.	Changes in the structure of the IPOPEMA Securities Group	7
3.	Shareholder structure of IPOPEMA Securities S.A.	7
4.	Changes in the number of shares held by members of the management and supervisory staff	8
5.	Issuance, redemption and repayment of non-equity and equity securities	8
6.	Sureties granted.....	8
7.	Selected corporate events and material information	9
8.	Litigations.....	9
9.	Related-party transactions	9
10.	Material events subsequent to the balance-sheet date	10

PART I

1. Financial performance

Consolidated financial highlights	Q1–Q3 2012	Q1–Q3 2011
Total revenue, including	63,333	86,162
<i>Brokerage and related services</i>	33,712	58,791
<i>Investment fund management</i>	19,914	15,506
<i>Consultancy services</i>	9,707	11,865
Total cost of core activities	53,642	59,857
Profit on core activities	9,691	26,305
Net profit for the period	5,424	24,518

* Unaudited.

Revenue

In relation to the corresponding period of the previous year, the significantly less favourable market situation prevalent in Q1–Q3 2012 translated into lower revenue generated by the IPOPEMA Group, which went down 26.5% year on year in January–September 2012 (from PLN 86,162 thousand to PLN 63,333 thousand).

The most significant source of the Group's revenue continued to be securities trading, which totalled PLN 28,419 thousand in Q1–Q3 2012 (44.9% of consolidated revenue from core activities). Unfortunately, given the significantly lower trading volumes at the Warsaw and Budapest Stock Exchanges (down 28.9% and 42.4% year on year, respectively), revenue in this category fell 36.6% year on year.

The unfavourable market situation had an even more damaging effect on revenue from investment banking services, which dropped to PLN 4,904 thousand in January–September 2012 (versus PLN 13,803 thousand in Q1–Q3 2011).

In Q1–Q3 2012, the segment of investment fund and portfolio management, comprising IPOPEMA TFI's and IPOPEMA AM's business, posted an over 30% year-on-year increase in revenue (from PLN 15,506 thousand to PLN 19,914 thousand). The key drivers of the increase included a rise in the number of managed funds, a higher value of assets held by the funds, and consolidation of revenues generated by IPOPEMA Asset Management since Q4 2011.

In Q1–Q3 2012, revenue generated by the consulting business (IPOPEMA Business Consulting) amounted to PLN 9,707 thousand (representing 15.3% of the Group's total revenue), having dropped by 18.2% from PLN 11,865 thousand in Q1–Q2 2011.

IPOPEMA Securities' separate revenue (brokerage and related services) amounted to PLN 33,712 thousand in Q1–Q3 2012, compared with PLN 58,791 thousand recorded in Q1–Q3 2011.

Costs and expenses

Despite higher costs posted by the investment fund management segment, lower costs of operations posted in other segments resulted in total costs of operations declining in Q1–Q3 2012 by 10.4% year on year (from PLN 59,857 thousand to PLN 53,642 thousand).

In Q1–Q3 2012, total costs of operations in the brokerage services segment stood at PLN 27,390 thousand and were down by 29.7% on Q1–Q3 2011 (PLN 38,974 thousand), mainly due to lower transaction costs and lower cost of salaries and wages.

In the same period, costs posted by the investment fund and portfolio management segment increased by 54.3% on Q1–Q3 2011 (from PLN 11,762 thousand to PLN 18,147 thousand). However, the increase followed mainly from the fact that, compared with the corresponding period of the prior year, the segment has been expanded to include the business of IPOPEMA Asset Management, an entity whose financial data, including costs of operations, has been consolidated since Q4 2011.

In Q1–Q3 2012, costs in the consulting services segment dropped by 11.1% year on year, from PLN 9,121 thousand to PLN 8,105 thousand.

Net profit (loss)

A significant fall in total revenues combined with a lower reduction in total cost of operations had a material adverse impact on the overall financial performance. In Q1–Q3 2012, consolidated profit on core activities was PLN 9,691 thousand (Q1–Q3 2011: PLN 26,305 thousand). Operating profit and net profit stood at PLN 8,653 thousand and PLN 5,424 thousand, respectively, compared with PLN 28,245 thousand and PLN 24,518 thousand, respectively, in Q1–Q3 2011 (it should be noted that 2011 results include a one-off gain on the bargain purchase of CSAM).

As IPOPEMA Securities' interest in IPOPEMA Business Consulting is 50.02%, profit attributable to owners of the parent was PLN 4,825 thousand, and profit attributable to non-controlling interests was PLN 599 thousand.

IPOPEMA Securities' net profit for Q1–Q3 2012 as shown in the Company's separate financial statements was PLN 5,910 thousand (Q1–Q3 2011: PLN 14,903 thousand). It was up by PLN 3,806 thousand on the figure disclosed (as profit of the brokerage and related services segment) in the consolidated financial statements for the same period mainly due to PLN 3,800-worth of dividend received from IPOPEMA TFI that was eliminated in the consolidated financial statements.

In Q1–Q3 2012, the investment fund and portfolio management segment posted net profit of PLN 2,143 thousand, down 29.2% year on year (Q1–Q3 2011: PLN 3,026 thousand).

Although costs of operation were lower in the consulting services segment, a more substantial drop in revenue drove down net profit to PLN 1,177 thousand in Q1–Q3 2012 (Q1–Q3 2011: PLN 2,306 thousand).

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

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

In Q1–Q3 2012, sharp swings in investor sentiment continued on the Warsaw Stock Exchange. After stocks rallied in Q1 2012, a correction followed in Q2 2012, with the WIG index having nosedived close to the lows observed in the second half of 2011. Since June 2012, WIG has been in an uptrend again. Compared with 2011, the present uptrend is accompanied by substantially lower trading volumes – in Q1–Q3 2012 the total value of trading session transactions went down 27.4% year on year.

On the Budapest Stock Exchange, the total trading value on the equity market in the period January–September 2012 was down by 42.4% year on year.

In addition, due to the growing competition, the Company's market shares shrank slightly year on year, from 8.19% to 8.02% on the WSE and from 7.57% to 6.68% on the BSE.

Said factors translated into a 36.6% drop in the Company's revenue from securities trading, which fell from PLN 44,832 thousand in Q1–Q3 2011 to PLN 28,419 thousand in Q1–Q3 2012.

Investment banking services

Q1–Q3 2012 was also much less favourable for the capital raising business compared with the corresponding period of 2011. Although a modest recovery was seen at the beginning of 2012 after a complete freeze of market activity in the second half of 2011, investors' prevailing uncertainty as to further market developments contributed to lower company valuations, which put nearly all new public offerings into a halt. Consequently, due to a lower number of closed transactions in Q1–Q3 2012, during that period the Company's revenue from investment banking services totalled PLN 4,904 thousand (Q1–Q3 2011: PLN 13,803 thousand).

IPOPEMA TFI

The key drivers of the considerable increase in revenue from fund and portfolio management (up 28.4%, to PLN 19,914 thousand) included an increase in the number of funds, a higher value of assets held by the funds managed by IPOPEMA TFI, and consolidation of revenues generated by IPOPEMA Asset Management since Q4 2011. At the end of September 2011, IPOPEMA TFI had 51 funds under its management with an aggregate

asset value of PLN 5,2bn. As at the end of September 2012, the number of funds rose to 76 (including subfunds), whereas the aggregate value of their assets grew to PLN 7,4bn. Despite a 28.4% growth in revenue, a major increase in cost of operations reported in Q1–Q3 2012 (by 54.3%) contributed to a decline in net profit (PLN 2,143 thousand relative to PLN 3,026 thousand in Q1–Q3 2011).

IPOPEMA Business Consulting

The challenging market environment had an adverse impact on IPOPEMA Business Consulting as well. The company posted PLN 9,707 thousand in revenue in Q1–Q3 2012, down 18.2% year on year. Despite having reduced cost of operations by 11.1% (from PLN 9,121 thousand to PLN 8,105 thousand) the drop in revenue translated into lower net profit of PLN 1,177 thousand (Q1–Q3 2011: PLN 2,306 thousand).

3. Factors with potential bearing on the Q4 2012 results

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

Ever since the Company's markets (and global markets) collapsed in mid-2011, sharp swings in sentiment have been observed. Following a rebound in Q1 2012, a deep correction was recorded in Q2 2012, with the rock bottom hit in June 2012, whereafter WIG re-entered an uptrend. It must be noted, however, that the recent recovery is accompanied by substantially lower trading volumes (trading value in Q2 and Q3 2012 went down by 23% and 18%, respectively, on Q1 2012). It is therefore difficult to predict how the market situation will unfold in Q4 2012.

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

Although a modest short-term recovery was seen on the capital raising markets in the first months of 2012, the prevailing investors' uncertainty as to further market developments contributed to lower company valuations, which discouraged new public offerings. On the other hand, privatisation of ZE PAK completed in late October 2012, in which the Company was a bookrunner, bodes well for the future. Despite the unfavourable backdrop, the Company is working on new equity transactions (for example as the global coordinator and offering broker during Alior Bank's IPO) 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's and IPOPEMA Asset Management's business

The deterioration of market conditions on the WSE in the second half of 2011 not only caused an outflow of clients' money from investment funds, but also undermined investors' confidence in this type of products, as evidenced by the very limited inflow of new funds and redemptions of investment fund units. July 2012, despite uncertainty still running high among investors, Polish investment funds reported net subscriptions. After the trend retreated slightly in August and September, in October assets started to flow back to investment funds and more than compensated for net redemptions recorded in the preceding two months. While investor sentiment in the following months of the year 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 Q4 2012, the key drivers of IPOPEMA Business Consulting's operations will include continued execution of its existing contracts and new additions to the order book, with a concurrent tight cost control.

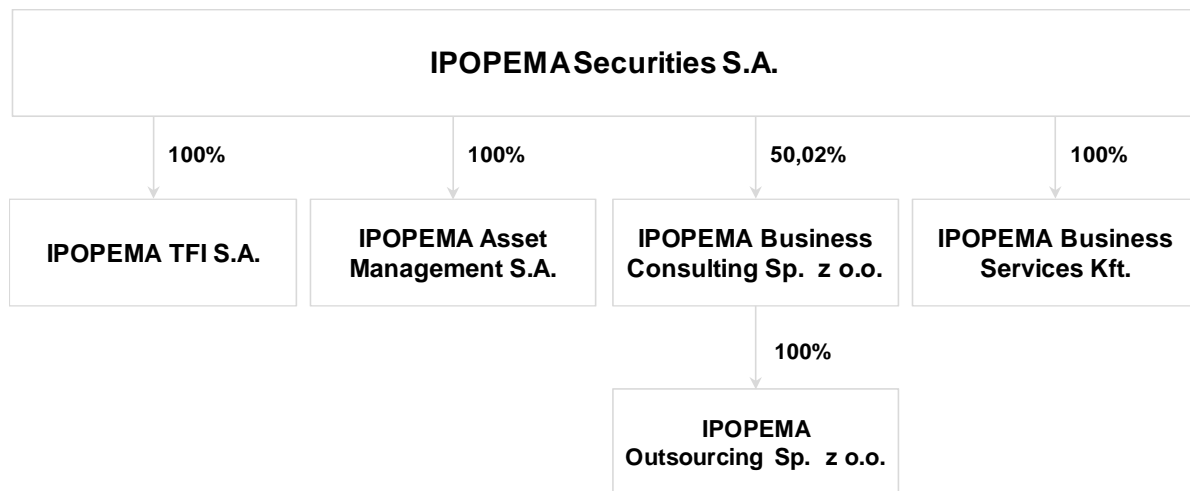
4. Performance against forecasts

The Company did not publish any performance forecasts.

PART II

1. Organisational structure of the IPOPEMA Securities Group

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



2. Changes in the structure of the IPOPEMA Securities Group

In Q1–Q3 2012, the IPOPEMA Securities Group was expanded through addition of IPOPEMA Outsourcing Sp. z o.o., which provides support to the operations of IPOPEMA Business Consulting.

3. Shareholder structure of IPOPEMA Securities S.A.

As at September 30th 2012, 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
Fundusz IPOPEMA 10 FIZAN ¹	2,851,420	9.58%
OFE PZU Złota Jesień*	2,770,000	9.31%
PRE-IPO FIZAN ²	2,188,370	7.36%
KL Lewandowska S.K.A. ³	2,086,749	7.01%
JLK Lewandowski S.K.A. ⁴	2,066,249	6.94%
JLS Lewandowski S.K.A. ⁴	2,066,249	6.94%
Aviva OFE Aviva BZ WBK*	1,562,539	5.25%
Total shareholders holding over 5% of the share capital	15,591,576	52.39%

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

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

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

³ Subsidiary of Katarzyna Lewandowska.

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

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

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

As at September 30th 2012 and June 30th 2012, 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.

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

5. Issuance, redemption and repayment of non-equity and 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–Q3 2012 or in the comparative period.

6. Sureties granted

No sureties for loans or guarantees were issued by the IPOPEMA Securities Group entities in Q1–Q3 2012 or in the comparative period.

7. Selected corporate events and material information

Subscription for shares under the incentive scheme

The second subscription for shares under Share Option Plan II took place in February 2012. A total of 197,321 shares were subscribed for, which increased the share capital by PLN 19,732.10, to PLN 2,975,212.20 (the first subscription for 212,500 shares took place in February 2011). All the shares were issued within the conditional share capital, and their issue price was PLN 5 per share. The shares were registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange, following assimilation with the existing Company shares.

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

Following a change in the Company's share capital due to the subscription for Series C shares issued within the limits of the conditional share capital (see above), on February 23rd 2012 the Supervisory Board adopted a consolidated text of the Company's Articles of Association reflecting that change.

Awards and distinctions

In January 2012, IPOPEMA came in second in the 2011 ranking of best-performing capital market teams. The ranking was published in the Parkiet and Rzeczpospolita dailies, with its key criterion being the total value of primary market transactions launched on the WSE in 2011.

In February 2012, the Company was also presented with the first 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, which is 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 list of best brokerage houses selected by institutional investors (Forbes 10/2012), 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).

Dividend from IPOPEMA TFI

In H1 2012, a resolution was adopted concerning IPOPEMA TFI's payment of dividend of PLN 3,800 thousand to IPOPEMA Securities. While the dividend amount is the Company's finance income and is disclosed in its separate financial statements, it is eliminated from the IPOPEMA Group's consolidated financial statements.

8. Litigations

On January 13th 2009, the Company filed with the Regional Court a suit for payment of past due receivables of PLN 891 thousand. The suit was finally dismissed by the Court's judgement of July 28th 2011. This had no effect on the Company's or the Group's financial performance in Q1–Q3 2012, because an impairment loss had been recognised in previous years for the full amount of the receivables. The IPOPEMA Securities Group entities were not parties to any other court proceedings.

9. Related-party transactions

In Q1–Q3 2012, the Company did not conclude any material transactions with related parties other than at arm's length. For details of related party-transactions, see Note 25 to the interim condensed consolidated financial statements.

10. Material events subsequent to the balance-sheet date

Subsequent to September 30th 2012, there were no material events with a bearing on the Company's operations.

Warsaw, November 8th 2012

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