

IPOPEMA Securities Group

Directors' Report on the Group's Operations

**in the nine months ended
September 30th 2011**

Warsaw, November 9th 2011

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Part I

1. Financial performance

Revenue

On the back of revenue growth across all operating segments in Q3 2011, the IPOPEMA Securities Group generated total revenue of PLN 31,065 thousand, up by 32.5% relative to the figure posted in Q3 2010. In the first three quarters of 2011, consolidated revenue amounted to PLN 86,162 thousand, having grown by 16.9% year on year.

As in prior periods, the major source of the IPOPEMA Securities Group's revenue in Q3 2011 was securities trading, which generated PLN 15,028 thousand, accounting for 48.4% of consolidated revenue from core activities. In comparison with the corresponding period of 2010, revenue from trading in securities increased by 19.4% (from a PLN 12,583 thousand base). In the first three quarters of 2011, revenue from securities trading amounted to PLN 44,832 thousand, having grown by 17.0% year on year (Q1-Q3 2010: PLN 38,313 thousand). This significant revenue growth was primarily attributable to higher value of trades executed by IPOPEMA Securities on the WSE and recognition of revenue from activities related to debt instruments trading, launched in Q4 2010.

In Q3 2011, the Company's revenue from investment banking services more than doubled relative to Q3 2010, totalling PLN 6,753 thousand (16.0% of consolidated revenue). Revenue from investment banking activities in the first three quarters of 2011 was 5.4% higher than the figure reported in the corresponding period of 2010 (PLN 13,803 thousand vs PLN 13,094 thousand).

Both in Q3 2011 and in Q1-Q3 2011, revenue generated by the investment fund management segment (represented by IPOPEMA TFI) grew significantly. The segment's revenue advanced by 8.9% compared with the figure recorded in Q3 2010 (PLN 5,036 thousand vs PLN 4,626 thousand), and by 33.4% compared with Q1-Q3 2010 (PLN 15,506 thousand vs PLN 11,621 thousand). The higher revenue follows from a substantial growth in the value of assets under management, which as at the end of September 2011 amounted to PLN 5.2bn (PLN 3.5bn as at the end of Q3 2010), combined with a growth in revenue generated by actively managed funds.

In Q3 2011, revenue from consulting services (represented by IPOPEMA Business Consulting) equalled PLN 4,484 thousand, 58.7% more than in Q3 2010. In Q1-Q3 2011, the segment generated PLN 11,865 thousand in revenue, representing a 17% increase relative to the first nine months of 2010 (from a PLN 10,145 thousand base).

Costs and expenses

In Q3 2011, total cost of core activities amounted to PLN 21,473 thousand, and were 32.4% higher than in Q3 2010, when they stood at PLN 16,224 thousand. In the first nine months of 2011, total cost of core activities amounted to PLN 59,857 thousand, representing a 16.9% growth relative to Q1-Q3 2010 (from a PLN 51,196 thousand base). The rise was mainly attributable to higher variable costs, which grew along with the increase in the Group's scale of operations and revenue.

In the brokerage and related services segment (the domain of IPOPEMA Securities), total cost of operations in the first three quarters of 2011 reached PLN 38,974 thousand, up by 17.2% from the figure reported in Q1-Q3 2010 (PLN 33,242 thousand). The rise was mainly attributable to the expansion of the Group's scale of operations and increase in variable costs (salaries and wages and transaction costs).

In Q1-Q3 2011, total cost of operations of IPOPEMA TFI amounted to PLN 11,762 thousand, 30.8% more than in the corresponding period of 2010, primarily due to the costs of creating and operating funds and distribution costs, as well as an increase in salaries and wages.

In the first three quarters of 2011, total cost of operations of IPOPEMA Business Consulting totalled PLN 9,121 thousand, up by only 1.7% relative to the figure reported in Q1-Q3 2010, that is PLN 8,965 thousand.

In the first nine months of 2011, accounting costs related to valuation of the share option plans operated by the Company amounted to PLN 113 thousand (PLN 787 thousand in Q1-Q3 2010).

Net profit (loss)

Both in Q3 2011 and Q1-Q3 2011, consolidated performance of the Company improved at all levels. In July-September 2011, profit from core activities stood at PLN 9,592 thousand (against PLN 7,226 thousand in Q3

2010), operating profit rose to PLN 12,004 thousand (from PLN 7,038 thousand in Q3 2010), while net profit reached PLN 11,751 thousand (compared with PLN 5,626 thousand in Q3 2010). In the first three quarters of 2011, profit from core activities was PLN 26,305 thousand (relative to PLN 22,499 thousand in Q1-Q3 2010), operating profit stood at PLN 28,245 thousand (vs PLN 21,062 thousand), while net profit amounted to PLN 24,518 thousand (compared with PLN 15,738 thousand).

Given that IPOPEMA Securities holds a 50.02% share in IPOPEMA Business Consulting, comprehensive income attributable to the parent in Q3 2011 was PLN 11,345 thousand, while in Q1-Q3 2011 it amounted to PLN 23,327 thousand (in the same periods, comprehensive income attributable to minority interests was PLN 406 thousand and PLN 1,191 thousand, respectively).

IPOPEMA Securities' net profit as reported in the separate financial statements was PLN 14,903 thousand in Q1-Q3 2011 and PLN 13,187 thousand in the corresponding period of 2010. It differed from net profit for the same periods posted in the consolidated financial statements (as profit of the brokerage and related services segment of PLN 19,186 thousand and PLN 12,779 thousand, respectively) due primarily to a gain on bargain purchase (for more information, see Note 17 to the consolidated financial statements) and, to a lesser extent, costs related to the valuation of employee share options, which reduced the segment's result as disclosed in the consolidated financial statements of the Group by PLN 113 thousand in Q1-Q3 2011 and PLN 316 thousand in the comparative period of the previous year.

In Q1-Q3 2011, the investment fund management segment posted net profit of PLN 3,026 thousand, a rise of nearly 50% on the corresponding period of 2010 (PLN 2,023 thousand).

In Q1-Q3 2011, the consulting services segment (IPOPEMA Business Consulting) recorded net profit of PLN 2,306 thousand, almost two and a half times higher than in Q1-Q3 2010, when it stood at PLN 936 thousand.

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

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

Q3 2011 saw a clear reversal of the upward trend on which the WIG index of the WSE had remained since March 2009. Nevertheless, in the first three quarters of 2011, equity trading on the WSE grew by 35.6% year on year, which resulted in an increase in revenue of IPOPEMA Securities, despite a slight decline of the Company's market share (8.19% in Q1-Q3 2011 vs 8.39 in Q1-Q3 2010).

A different situation was seen on the Budapest Stock Exchange, where the value of equity trading in the period January-September 2011 was 32% lower than in the comparative period of 2010. In 2011, the Company consolidated its market position on the BSE, reaching a market share of 7.57% in Q1-Q3 2011, while in the period March-September 2010 (the Company commenced brokerage activity on the BSE in March 2010) its market share equalled 7.01%.

The above developments drove up the Company's revenue from trading in securities by 17.0%, to PLN 44,832 thousand in Q1-Q3 2011 (compared with PLN 38,313 thousand in Q1-Q3 2010).

Investment banking services

The Company's activity in the area of investment banking services was similar in the comparative periods, which translated into comparable revenues from this segment (PLN 13.803 thousand in Q1-Q3 2011 vs PLN 13.094 thousand in Q1-Q3 2010).

IPOPEMA TFI's business

The key factors contributing to the considerably higher revenue from fund management were an increase in the number of funds under management and a higher value of assets held by the managed funds – at the end of September 2011, IPOPEMA TFI managed 51 closed-end investment funds and two open-end ones with total assets of PLN 5.2bn. Moreover, in Q1-Q3 2011, IPOPEMA TFI generated revenue from the IPOPEMA Rynku Mieszkaniowego FIZAN closed-end fund offered since Q4 2010 and the IPOPEMA m-Indeks FIO open-end fund targeted at a wide range of retail investors (launched in Q3 2010). With a relatively moderate increase in operating expenses, the new sources of revenue enabled the Company to generate a net profit from investment fund management of PLN 3,026 thousand in Q1-Q3 2011, which represented a nearly 50% increase relative to the figure reported in Q1-Q3 2010 (PLN 2,023 thousand).

IPOPEMA Business Consulting's business

In the first nine months of 2011, IPOPEMA Business Consulting also recorded better performance than in the corresponding period of 2010. Thanks to executing new contracts and maintaining operating expenses at a relatively unchanged level, a 17% growth in revenue (PLN 11,865 thousand vs PLN 10,145 thousand) translated into a two and a half-fold increase in net profit (to PLN 2,306 thousand from PLN 936 thousand).

3. Factors with a potential bearing on the Q4 2011 results

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

The reversal in early August 2011 of the upward trend observed on the WSE since the beginning of 2009 has had no direct impact on the value of the Company's equity trading, which in Q3 reached its highest quarterly level this year. On the Budapest Stock Exchange the situation was very similar. Despite significant declines in equity indices at the end of July and beginning of August 2011, Q3 was characterised by the highest value of trading. However, should the negative market sentiment continue into the following months, it may potentially have an adverse effect on the liquidity of the WSE and BSE. Irrespective of the prevailing market trends, the Company's objective will be to consolidate its position on both markets, despite intensifying competition from foreign brokers on the WSE and from local market players in Hungary.

Further increase of IPOPEMA Securities' involvement in investment banking projects

The reversal of favourable market conditions observed on the WSE, which renders the execution of equity transactions, particularly public offerings (both private transactions and privatisations have been put on hold) much more difficult, may adversely affect the Company's operations in the investment banking segment. In the following months of 2011, the Company will try to compensate for the stagnation in the public offerings market by increasing its activities aimed to secure new transactions in areas less sensitive to deteriorating market conditions.

Further expansion of IPOPEMA TFI's business

While eroding the value of assets under management, the current deterioration of market conditions on the WSE may also undermine investors' confidence in investment funds and trigger a wave of redemptions (including in the funds managed by IPOPEMA TFI – IPOPEMA m-INDEKS FIO and Alior Short Equity Subfund). On the other hand, a decrease in the value of assets will have no effect on IPOPEMA TFI's revenue from management of closed-end investment funds, where fees do not depend on the value of a fund's assets.

Expansion of IPOPEMA Business Consulting's business

In the coming months of 2011, key drivers of IPOPEMA BC's business will include the performance of some of its existing contracts and new additions to its order book, with a limited increase in expenses.

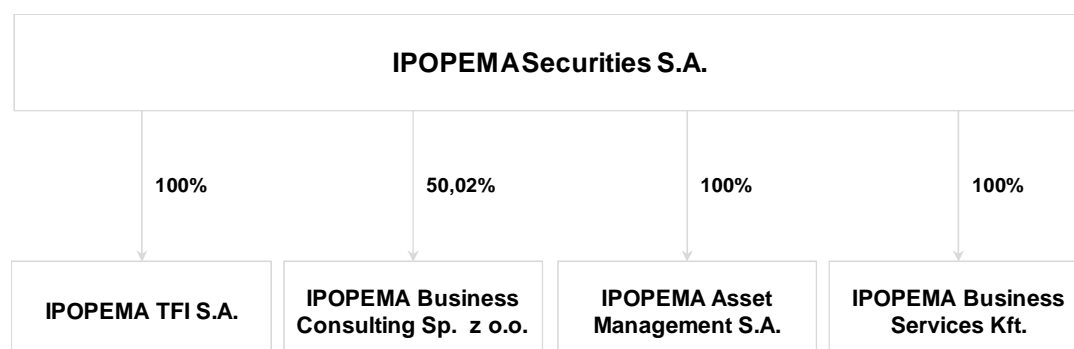
4. Performance against forecasts

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 undertaking, and subsidiary undertakings: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Asset Management S.A., and IPOPEMA Business Services Kft.



2. Changes in the organisational structure of the IPOPEMA Securities Group

On September 30th 2011, the Company became the sole shareholder of Credit Suisse Asset Management (Polska) S.A., which since October 26th 2011 has operated under the name of IPOPEMA Asset Management S.A.

3. Shareholder structure of IPOPEMA Securities S.A.

As at September 30th 2011, the Company's shareholder structure (shareholders holding more than 5% of the shares in IPOPEMA Securities S.A.) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
Fundusz IPOPEMA 10 FIZAN ¹	2,851,120	9.65%
OFE PZU Złota Jesień*	2,251,346	7.62%
Fundusz IPOPEMA PRE-IPO FIZAN ²	2,188,370	7.40%
KL Lewandowska S.K.A. ³	2,086,749	7.06%
JLK Lewandowski S.K.A. ⁴	2,066,249	6.99%
JLS Lewandowski S.K.A. ⁴	2,066,249	6.99%
TFI Allianz Polska S.A. ⁵	1,922,383	6.50%
Total shareholders holding more than 5% of the share capital	15,432,466	52.21%

* Based on the annual report of OFE PZU Złota Jesień.

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 A subsidiary undertaking of Katarzyna Lewandowska.

⁴ A subsidiary undertaking of Jacek Lewandowski, President of the Company's Management Board.

⁵ Shares held by the Allianz Platinum FIZ and Allianz FIO funds (based on notifications received by the Company).

Until the date of this Report, no changes occurred in the shareholder structure of the Company (the group of shareholders holding, directly or indirectly, 5% or more of the shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Shareholders Meeting).

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

As at September 30th 2011, same as at June 30th 2011, members of the management and supervisory staff held, directly or indirectly through their subsidiary or related undertakings (including dedicated funds), the following shareholdings in IPOPEMA Securities S.A.

Person	No. of shares and votes	% of share capital and total vote
Jacek Lewandowski – President of the Management Board ¹	6,320,868	21.39%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.63%
Mariusz Piskorski – Vice-President of the Management Board	965,000	3.27%
Mirosław Borys – Vice-President of the Management Board	696,428	2.36%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.50%
Total	11,568,005	39.14%

¹ As presented in the table in Section 3, shares in IPOPEMA Securities S.A. are also held (directly and through subsidiary undertaking) by Katarzyna Lewandowska, Jacek Lewandowski's wife.

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

As part of the incentive scheme based on shares in IPOPEMA Securities S.A. launched in 2009, in February 2011 another pool of 212,500 shares was issued within the limit of the conditional share capital (for more details, see Section 7 of this Report).

Save for the shares issued as described above, no equity or non-equity securities of IPOPEMA Securities S.A. were issued, redeemed or repaid in Q1-Q3 2011 or in the comparative period.

6. Sureties granted

In Q1-Q3 2011 (and in the comparative period), no IPOPEMA Group undertaking granted any sureties for loans or issued any guarantees.

7. Selected corporate actions and material information

Acquisition of Credit Suisse Asset Management (Polska) S.A.

On March 15th 2011, the Company entered into a share purchase agreement concerning all the shares in Credit Suisse Asset Management (Polska) S.A. ("CSAM"). The completion of the transaction was subject to obtaining the required approvals from the regulatory bodies, i.e. the Polish Office of Competition and Consumer Protection (clearance obtained on May 30th 2011) and the Polish Financial Supervision Authority (decision not to raise objections announced on September 6th 2011). The final agreement transferring the ownership of the CSAM shares to the Company was concluded on September 30th 2011. On October 26th 2011, the change of name of the acquired company to IPOPEMA Asset Management S.A. ("IPOPEMA AM") was registered.

The acquisition of IPOPEMA AM was an element of the IPOPEMA Securities Group's development strategy in the area of asset management for institutional and corporate clients. The transaction will result in a significant expansion of the IPOPEMA Securities Group's asset management business. Moreover, the acquisition of staff with a wealth of experience-backed expertise in portfolio management will allow the IPOPEMA Securities Group to enlarge its product offering and client base in the area of asset management.

Subscription for shares under the incentive scheme

As part of the incentive scheme based on shares in IPOPEMA Securities S.A. launched in 2009, in February 2011 another pool of shares were made available to eligible employees, which involved a change in the amount of the Company's share capital. In particular, the first subscription for shares under Share Option Plan II took place. 714,285 shares had been earmarked for this purpose, out of which 212,500 shares were subscribed for. As a result, the share capital was increased by PLN 21,250, to PLN 2,955,480.10. All the shares were issued within the limit of 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.

Expiry of the authorised capital

Pursuant to the Company's Articles of Association, the Management Board (subject to an approval of the Supervisory Board) was authorised to increase the Company's share capital by a total of PLN 350,000, through an issue of up to 3,500,000 shares, within three years from the date on which the Articles of Association containing the authorisation were entered in the Register of Entrepreneurs (the authorised capital). The above period expired on January 23rd 2011, triggering the expiry of the authorisation.

On June 29th 2011, the Annual General Shareholders Meeting again authorised the Management Board to increase the share capital by the same amount and within the same period, i.e. three years from the date of registering the relevant amendment to the Articles of Association. The amendment was registered on September 28th 2011.

Awards and distinctions

In the most recent ranking published by the Forbes magazine (issue No. 10/2011), prepared on the basis of institutional clients' ratings, IPOPEMA Securities ranked first in the combined classification and was the highest-ranking brokerage house in terms of professionalism, individualised approach to clients (flexibility), quality of services on the secondary market, and the quality of research reports and recommendations. Furthermore, IPOPEMA topped the ranking in the category of separate evaluation of broker teams for another consecutive year, and three brokers of IPOPEMA Securities, including the second-time winner of the listing, were placed among the best fifteen sales-traders in the individual ranking.

In the ranking published by the Forbes magazine in May 2011 (issue No. 5/2011), where analyst teams were rated by institutional investors, IPOPEMA Securities came second, and was the highest-ranking brokerage house in terms of "Professionalism". Moreover, the portfolio built on the basis of recommendations issued by IPOPEMA Securities Research Office produced the highest rate of return among all the portfolios recommended by various research offices.

8. Court proceedings

On January 13th 2009, the Company filed a suit with the Regional Court for payment of past due receivables in the amount of PLN 891 thousand. Even though the request was dismissed, the Company is considering taking other legal steps in the case. The IPOPEMA Securities Group undertakings were not parties to any other court proceedings.

9. Related-party transactions

In Q1-Q3 2011, the Company did not enter into any material related-party transactions.

10. Material events subsequent to the balance-sheet date

In the period between September 30th 2011 and the date of release of the financial statements, no material events with a significant bearing on the Company's operations occurred.

Warsaw, November 9th 2011

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