

IPOPEMA Securities Group

Directors' Report on the Group's Operations

**in the first quarter of 2012
ended March 31st 2012**

Warsaw, May 10th 2012

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PART I

1. Financial performance

Revenue

Despite stronger revenue figures posted by the investment fund and portfolio management segment and the consultancy services segment, the Group's consolidated revenue was down by 8.2% on the prior year (PLN 24,173 thousand compared with PLN 26,328 thousand) due to a decline in revenues from brokerage services.

The most significant source of the Group's revenue in Q1 2012 continued to be securities trading (48.8% of the consolidated revenue from core activities). However, adverse developments on the WSE and BSE secondary markets (with trading volumes down by 14.1% and 22.9% year on year, respectively) drove the segment's revenue down by 23.8% relative to Q1 2011 (PLN 11,797 thousand versus PLN 15,481 thousand).

The unfavourable market climate had a similar adverse effect on revenues from investment banking services, which fell by 26.9% year on year, from PLN 2,460 thousand to PLN 1,799 thousand.

As a consequence, in Q1 2012 total revenue of the brokerage and related services segment (IPOPEMA Securities) amounted to PLN 13,751 thousand, down by 24.3% year on year.

The investment fund and portfolio management segment (IPOPEMA TFI and IPOPEMA Asset Management) recorded an over 30% growth in revenues relative to Q1 2011, driven by an increase in the number of funds and a higher value of assets under management (as at the end of March 2012, IPOPEMA TFI had 63 funds and sub-funds under management, with an aggregate asset value of PLN 6,757 million, compared with 55 funds and an aggregate asset value of PLN 4,299 million a year earlier) and consolidation of revenues generated by IPOPEMA Asset Management (the company has been consolidated since Q4 2011).

In the first three months of 2012, IPOPEMA Business Consulting recorded revenue from advisory services of PLN 3,747 thousand (15.5% of the Group's total revenue), representing a 17.9% increase relative to Q1 2011 (from a PLN 3,174 thousand).

Costs and expenses

In Q1 2012, cost of operations of the Group amounted to PLN 19,118 thousand, and was 5.7% higher than in Q1 2011 (PLN 18,080 thousand).

Cost of operations incurred by the brokerage and related services segment was PLN 9,861 thousand in Q1 2012, i.e. down by 15.6% on Q1 2011, achieved mainly through lower cost of salaries and lower transaction costs.

Higher cost of salaries following the consolidation of IPOPEMA Asset Management was the key factor driving up cost of operations in the investment fund and portfolio management segment, which rose by 66.2% to PLN 6,132 thousand (PLN 3,691 thousand in Q1 2011).

The increase in cost of operations at IPOPEMA Business Consulting (PLN 3,125 thousand in Q1 2012 vs. PLN 2,708 thousand in Q1 2011) was attributable to the higher payroll cost.

Expenses related to the valuation of the Company's share option scheme totalled PLN 32 thousand in Q1 2012 (PLN 46 thousand in Q1 2011).

Financial performance

A fall in total revenues combined with a rise in total cost of operations had a negative impact on the overall financial performance. In Q1 2012, consolidated profit on core activities amounted to PLN 5,055 thousand (PLN 8,248 thousand in Q1 2011). In the first three months of 2012, operating profit and net profit were PLN 5,328 thousand and PLN 2,833 thousand, respectively, compared with PLN 7,586 thousand and PLN 6,063 thousand in Q1 2011.

As IPOPEMA Securities' interest in IPOPEMA Business Consulting is 50.02%, profit attributable to owners of the parent was PLN 2,589 thousand, and profit attributable to non-controlling interests was PLN 245 thousand.

IPOPEMA Securities' net profit for Q1 2012 shown in the Company's stand-alone financial statements was PLN 1,516 thousand (PLN 4,636 thousand in Q1 2011). Net profit for the same period posted in the consolidated financial statements as the profit of the brokerage and related services segment was by PLN 14 thousand

higher, at PLN 1,530 thousand, mostly due to the valuation of employee share options totaling PLN 46 thousand.

In Q1 2012, the investment fund and portfolio management segment (IPOPEMA TFI and IPOPEMA Asset Management) posted net profit of PLN 867 thousand, down by 18.6% year on year (PLN 1,065 thousand in Q1 2011).

Net profit earned in Q1 2012 by the consulting services segment (IPOPEMA Business Consulting) was up by 3.3% year on year, to PLN 436 thousand (PLN 422 thousand in Q1 2011).

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

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

Although indices on the WSE and BSE exchanges were in an uptrend in Q1 2012, trading volumes were substantially lower than in the prior year (down by 14.1% and 22.9%, respectively, compared with Q1 2011). In addition, due to intensifying competition, the Company's market shares shrank slightly year on year, from 8.13% to 7.87% on the WSE and from 7.09% to 7.00% on the BSE. This eroded revenues from securities trading, which were down to PLN 11,797 thousand in Q1 2012, from PLN 15,481 thousand in Q1 2011.

Investment banking services

Q1 2012 was much less favourable for the capital raising business compared with the corresponding period of 2011. Although a modest recovery was seen 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 discouraged new public offerings.

Due to a lower number of transactions in Q1 2012, during that period the Company's revenue from investment banking services was down by 26.9% on Q1 2011 (PLN 1,799 thousand against PLN 2,460 thousand a year earlier).

IPOPEMA TFI's and IPOPEMA Asset Management's activities

The key drivers of the considerable 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, and consolidation of revenues generated by IPOPEMA Asset Management (consolidated since Q4 2011). At the end of Q1 2011 IPOPEMA TFI had 55 funds and sub-funds under its management with an aggregate asset value of PLN 4,299 million. As at the end of March 2012, the number of funds rose to 63 (including subfunds), whereas the aggregate value of their assets grew to PLN 6,757 million. Despite a 34.0% growth of revenue, a major increase in cost of operations reported in Q1 2012 (by 66.2%) contributed to a slight decline in net profit (PLN 867 thousand relative to PLN 1,065 thousand in Q1 2011).

IPOPEMA Business Consulting

IPOPEMA Business Consulting's consistent efforts to build a stronger order book brought results in the form of revenue of PLN 3,742 thousand in Q1 2012, up by 17.9% on Q1 2011 when this figure was PLN 3,174 thousand. With costs of operations up by 15.4% and higher effective income tax rate, the segment's net profit was up by 3.3% year on year, to PLN 436 thousand.

3. Factors with potential bearing on the Q2 2012 results

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

Although investor sentiment improved in early 2012 (following a stock market collapse in the second half of 2011), trading volumes remained considerably lower than a year ago. Hence, future market developments are difficult to predict, however, there are currently no clear indications, as to which the markets should significantly improve and raise the turnover volumes to the levels seen in the first half of 2012.

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

Although in Q1 2012 a modest recovery was seen on equity markets after a complete freeze of the activity, prevailing investors' uncertainty as to further market developments may still contribute to lower company valuations, which may discourage new public offerings. Despite this fact, 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'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. This was reflected not only in lower inflows but also in redemptions of units. Currently, following six successive months of net outflows, in February and March 2012 Polish investment funds recorded a net inflow of money. A possible rebound of clients' interest in investment funds should improve the performance of the investment 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 2012, 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.

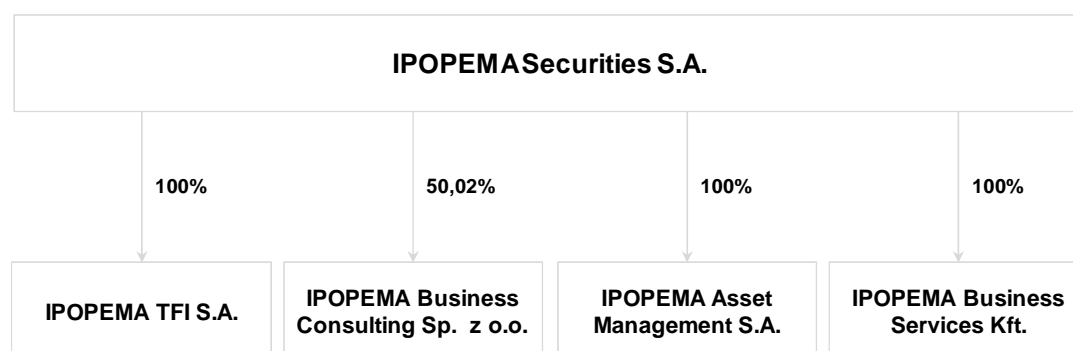
4. Performance against forecasts

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 company, and the subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Asset Management S.A., and IPOPEMA Business Services Kft. IPOPEMA Securities, IPOPEMA TFI, IPOPEMA Asset Management and IPOPEMA Business Consulting are consolidated, while IPOPEMA Business Services has been excluded from consolidation, given the immateriality of its financial information.



2. Changes in the structure of the IPOPEMA Securities Group

In Q1 2012, there were no changes in the structure of the IPOPEMA Securities Group.

3. Shareholder structure of IPOPEMA Securities S.A.

As at March 31st 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*	2,251,346	7.57%
Fundusz IPOPEMA 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%
TFI Allianz Polska S.A. ^{5, **}	1,922,383	6.46%
Aviva OFE Aviva BZ WBK**	1,562,539	5.25%
Total shareholders holding more than 5% of the share capital	16,995,305	57.12%

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

** 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.

⁵ Shares held by Allianz Platinum FIZ and Allianz FIO funds.

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

As at March 31st 2012, members of the management and supervisory boards 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	21.25%
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 presented in the table in Section 3, shares in IPOPEMA Securities S.A. are also held (indirectly through a subsidiary) by 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 2012 or in the comparative period.

6. Sureties granted

No sureties or guarantees were granted or received by the Company in Q1 2012 (nor in the comparative period). Please see Note 7 to financial statement of IPOPEMA Securities S.A. for guarantees issued upon the instructions of the Company.

7. Selected corporate events

Subscription of shares under the incentive scheme

The second allotment of shares under the Share Option Plan II took place in February 2012. A total of 197,321 shares were allotted, which added PLN 19,732.10 to the share capital amounting to PLN 2,975,212.20 (the first allotment of 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 acquisition of 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 February 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 with the Research Department at IPOPEMA Securities were in the top ten.

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 dismissed by court's decision of July 28th 2011. Save as described above, none of the Group companies was a party to any legal proceedings.

9. Related-party transactions

In Q1 2012, there were no material related party transactions entered into by the Company.

10. Material events subsequent to the balance-sheet date

Subsequent to March 31st 2012, there were no material events with a bearing on the Company's operations.

Warsaw, May 10th 2012

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski
CEO, 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