

The IPOPEMA Securities Group

Directors' Report on the Group's Operations

**in the first quarter of 2011,
ended March 31st 2011**

Warsaw, May 10th 2011

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PART I

1. Financial performance

Revenue

On the back of growth in revenues across all the operating segments in Q1 2011, the IPOPEMA Securities Group was able to generate total revenue of PLN 26,328 thousand, up by 27.8% relative to the figure posted in Q1 2010.

The most significant source of the IPOPEMA Securities Group's revenue in Q1 2011 was securities trading, which generated PLN 15,481 thousand, accounting for 58.8% of the consolidated revenue from core activities. In comparison with the corresponding period of 2010, revenue from trading in securities increased by 30.7% (from a PLN 11,846 thousand base). This growth was primarily attributable to the recovery observed on the secondary market of the Warsaw Stock Exchange, as well as to the recognition of revenue from operations on the Budapest Stock Exchange for the entire quarter and revenue from trading in debt securities in this revenue item.

In Q1 2011, the Company's revenue from investment banking services totalled PLN 2,460 thousand and was similar to that posted in the same quarter of the previous year (PLN 2,906 thousand). However, given the schedules of the transactions carried out in the first three months of the current year, the Company completed fewer transactions than in Q1 2010.

In Q1 2011, total revenue of the brokerage and related services segment (IPOPEMA Securities) amounted to PLN 18,168 thousand, up by 21.9% year on year.

IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("IPOPEMA TFI") recorded a 60% growth in revenue relative to Q1 2010, driven by an increase in the number of funds and a higher value of assets under management. As at the end of March 2011, IPOPEMA TFI managed 55 funds and subfunds with an aggregate asset value of PLN 4,299m, compared with 45 funds and an aggregate asset value of PLN 2,253m a year earlier.

After the first three months of 2011, IPOPEMA Business Consulting Sp. z o.o. ("IPOPEMA BC") recorded revenue from advisory services in the amount of PLN 3,174 thousand (12.1% of the Group's total revenue), representing a 23.1% increase relative to Q1 2010 (from a PLN 2,578 thousand base).

Costs and expenses

In Q1 2011, the costs of core activities at the Group amounted to PLN 18,080 thousand, and were 20.1% higher than in Q1 2010, when they stood at PLN 15,055 thousand. Higher costs were attributable primarily to the growth in the total cost of salaries and wages due to an increase in headcount at all Group's companies, higher transaction costs following from increased turnover in the brokerage business, as well as higher other operating expenses.

In Q1 2011, IPOPEMA Securities' total cost of operations amounted to PLN 11,635 thousand, up by 15.2% on the Q1 2010 figure due to the factors indicated above.

Higher costs at IPOPEMA TFI, totalling PLN 3,691 thousand in Q1 2011, compared with PLN 2,579 thousand a year earlier, primarily resulted from higher costs related to the establishment and management of funds, as well as higher distribution costs, which increased nearly threefold.

The increase in the costs of operations at IPOPEMA Business Consulting (PLN 2,708 thousand in Q1 2011 vs. PLN 2,246 thousand in Q1 2010) was attributable to the higher cost of contracted services and subcontractors, which nearly doubled.

Due to the partial settlement and completion of the share option plans implemented by the Company, in Q1 2011 total costs related to their valuation stood at PLN 46 thousand relative to PLN 301 thousand in Q1 2010.

Net profit (loss)

Significantly higher revenue in all the operating segments, concurrent with only a moderate increase in costs, resulted in a considerably improved financial performance. In Q1 2011, consolidated profit on core activities amounted to PLN 8,248 thousand (against PLN 5,547 thousand in Q1 2010). After the first three months of

2011, operating profit and net profit amounted respectively to PLN 7,586 thousand and PLN 6,063 thousand, compared with PLN 5,406 thousand and PLN 3,576 thousand in Q1 2010.

Given the fact that IPOPEMA Securities' stake in IPOPEMA BC is 50.02%, the profit attributable to owners of the parent amounted to PLN 5,853 thousand, and profit attributable to minority interests was PLN 210 thousand.

IPOPEMA Securities' net profit for Q1 2011 shown in the Company's separate financial statements totalled PLN 4,636 thousand (PLN 2,917 thousand in Q1 2010). The 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 60 thousand lower, at PLN 4,576 thousand, mostly due to the valuation of employee share options totalling PLN 46 thousand.

In Q1 2011, the investment fund management segment (IPOPEMA TFI) posted net profit of PLN 1,065 thousand, nearly doubling the figure reported in the corresponding period of 2010 (PLN 554 thousand).

Net profit generated in Q1 2011 by the consulting services segment (IPOPEMA BC) increased by 65.7% year on year, to reach PLN 422 thousand (Q1 2010: PLN 254 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

Q1 2011 saw a continuation of the growth trend on the secondary market of the WSE. Average monthly trading volume reached PLN 42.9bn, up by 39.9% from Q1 2009, when the trading volume was PLN 30.7bn. In Hungary, trading volumes on the equity market were similar those recorded in the wake of the economic slump and implementation of changes in the pension system in H2 2010. Thus, the average monthly trading volumes in Q1 2011 were lower by 35.6% compared with the corresponding period of 2010 (EUR 2.4bn in January-March 2011, against EUR 3.73bn a year earlier). Despite the fact that IPOPEMA's market share on the WSE slightly deteriorated (to 8.13% in Q1 2011, compared with 8.54% a year earlier), owing to higher trading volumes and the recognition of revenue from IPOPEMA's fully-fledged business operations on the BSE (March 2010 was the first month of the Company's operations on that market), as well as owing to the revenue from debt securities trading (a business started in Q4 2010), IPOPEMA Securities' revenue from securities trading rose to PLN 15,481 thousand in Q1 2011 from PLN 11,846 thousand during the first three months of 2010 (up by 30.7%).

Investment banking services

Due to a lower number of closed transactions in the first three months of 2011, during that period the Company's revenue from investment banking services was down by 15.3% compared with the same period of 2010 (PLN 2,460 thousand against PLN 2,906 thousand a year earlier).

IPOPEMA TFI's business

Key factors which contributed to considerably higher revenue from fund management included an increase in the number of funds and a higher value of assets under IPOPEMA TFI's management. At the end of Q1 2010, IPOPEMA TFI managed 45 funds with an aggregate assets value of PLN 2,253m, while as at the end of March 2011 the number of funds increased to 55 (including subfunds) and the aggregate value of their assets reached PLN 4,299m. With 60% higher revenue and a limited increase in the total costs of operations (up by 43.1%), in Q1 2011 the segment generated a net profit of PLN 1,065 thousand, nearly double the figure reported for Q1 2010.

IPOPEMA Business Consulting's business

IPOPEMA Business Consulting's consistent efforts to build a stronger order book brought results in the form of revenue of PLN 3,174 thousand in Q1 2011, up by 23.1% on Q1 2010 when the respective figure was PLN 2,578 thousand. Coupled with a concurrent slower growth of costs, such top line allowed the segment to achieve net profit of PLN 422 thousand (up by 65.7% year on year).

Recognition of the cost of the incentive scheme

As the Company adopted a reporting system compliant with the International Financial Reporting Standards (the "IFRS"), it had to recognise the effect of valuation of the share option plans implemented by the IPOPEMA Securities Group in the consolidated financial statements. However, in connection with the settlement and completion of Share Option Plan I, in Q1 2011 the total accounting charge from the incentive scheme amounted to only PLN 46 thousand (allocated exclusively to IPOPEMA Securities), while in Q1 2010 it was PLN 301 thousand (PLN 127 thousand at IPOPEMA Securities and PLN 174 thousand at IPOPEMA TFI).

3. Factors with a potential bearing on the Q2 2011 results

Market situation on the Warsaw and Budapest stock exchanges

The continued uptrend on the WSE and improved sentiment on the BSE will benefit the main business areas and financial performance of the IPOPEMA Securities Group. The improved conditions on the secondary market of the WSE (seen e.g. in the average trading volumes in Q1 2011 relative to the average for 2010), as well as the expected large privatisation transactions and good prospects for public offerings (on the WSE) should find reflection in the revenue to be generated by IPOPEMA Securities' in the following months of the year. However, it is difficult to assess whether the current improvement in the market conditions is sustainable. Similarly, it is difficult to predict the situation on the BSE over the rest of the year. The monthly trading volumes in the first months of 2011, despite their lower average value relative to H2 2010, indicate a slightly upward trend.

IPOPEMA Securities' position on the secondary market

Consolidation of IPOPEMA Securities' position on the secondary market combined with the continued growth trend on the WSE and improving sentiment on the BSE should have a favourable effect on the Company's revenue. On the other hand, increasing competition from foreign brokers operating on the WSE directly as 'remote WSE members', and from local brokers on the BSE, might result in a lower number of handled transactions and consequently reduce the value of the Company's turnover.

Further growth of IPOPEMA Securities' involvement in investment banking projects and execution of transactions which are currently at the preparation stage

The improving market conditions on the WSE have spurred a rebound of interest in raising capital on the public market, also among unlisted companies. This creates better opportunities for a sustainable return to the execution of public offerings: both the Company's existing projects and new transactions which may be secured by the Company in the future. IPOPEMA perseveres in its efforts to manage secondary public offerings, as well as to carry out finance raising transactions through convertible bond issues. At the same time, the Company seeks to handle M&A deals and financial advisory projects.

Further growth of IPOPEMA TFI's business

Further recovery on the Warsaw Stock Exchange should drive up the value of assets under management (the funds' assets frequently include shares listed on the WSE), as well as translate into greater interest in the funds offered by IPOPEMA TFI from external clients, including the retail clients who are the target group for two funds managed by IPOPEMA TFI: IPOPEMA m-INDEKS FIO (replicating the mWIG40 index) and the Alior Agresywny Sub-fund. Furthermore, IPOPEMA TFI is consistently expanding its offering targeted at individuals and corporate investors.

Growth of IPOPEMA Business Consulting's business

The current improvement of the economic climate is expected to translate into more favourable conditions on the consultancy services market. In the following months of 2011, the key drivers of IPOPEMA Business Consulting's business will include performance of its existing contracts and new additions to the order book, with a concurrent constant cost control.

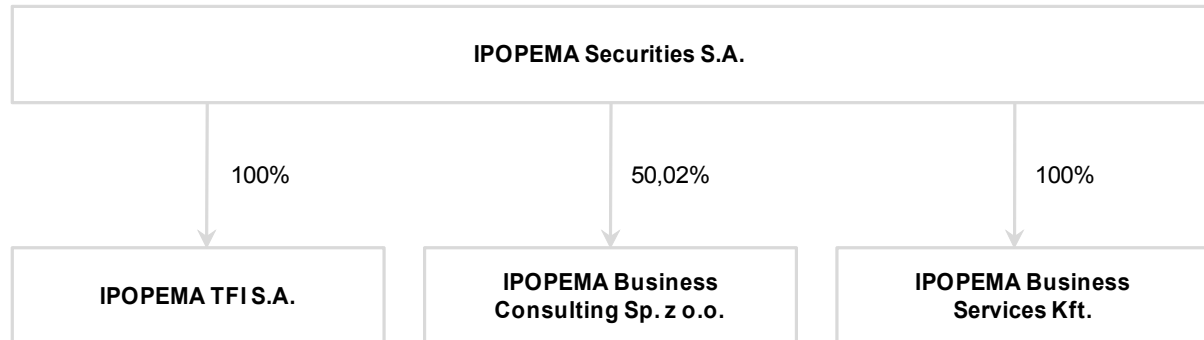
4. Performance against forecasts

The Company did not publish forecasts of financial results.

PART II

1. Organisational structure of the IPOPEMA Securities Group

The IPOPEMA Securities Group consists of IPOPEMA Securities S.A., the Parent Undertaking, and the following subsidiary undertakings: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o. and IPOPEMA Business Services Kft.



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

In Q1 2011, there were no changes in the organisational structure of the IPOPEMA Securities Group.

3. Shareholder structure of IPOPEMA Securities S.A.

As at March 31st 2011, 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	9.65%
Fundusz IPOPEMA PRE-IPO FIZAN ²	2,851,120	9.65%
KL Lewandowska S.K.A. ³	2,749,500	9.30%
JLK Lewandowski S.K.A. ⁴	2,729,000	9.23%
JLS Lewandowski S.K.A. ⁴	2,729,000	9.23%
OFE PZU Złota Jesień*	2,251,346	7.62%
TFI Allianz Polska S.A. ^{5 **}	1,922,383	6.50%
Total shareholders holding more than 5% of the share capital	18,083,769	61.19%

* 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 A subsidiary undertaking of Katarzyna Lewandowska; Katarzyna Lewandowska also holds 498 shares, representing less than 0.01% of all Company shares.

Director's Report on the Operations of the IPOPEMA Securities Group in Q1 2011

⁴ A subsidiary undertaking of Jacek Lewandowski, President of the Company's Management Board; Jacek Lewandowski also holds 860 shares, representing less than 0.01% of all Company shares.

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

On April 12th 2011, persons related to certain members of the Management and Supervisory Boards sold a total of 2,663,808 shares in IPOPEMA Securities S.A., on which the Company reported in Current Report No. 11/2011 of April 12th 2011.

Taking into account the changes in the shareholder structure following these transactions, as at this report date the following shareholders held more than 5% of the total vote at the General Shareholders Meeting of the Company:

Shareholder	Number of shares and votes at GM	% of total vote at GM
Fundusz IPOPEMA PRE-IPO FIZAN ¹	2,851,120	9.65%
OFE PZU Złota Jesień*	2,251,346	7.62%
Fundusz IPOPEMA 10 FIZAN ¹	2,188,670	7.41%
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	15,432,766	52.22%

* 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 A subsidiary undertaking of Katarzyna Lewandowska.

⁴ A subsidiary undertaking 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 staff

As at March 31st 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. 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 share capital and total vote
Jacek Lewandowski – President of the Management Board ¹	8,321,427	28.16%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.63%
Mariusz Piskorski – Vice-President of the Management Board	1,060,000	3.59%
Mirosław Borys – Vice-President of the Management Board	928,571	3.14%
Bogdan Kryca – Member of the Supervisory Board	642,854	2.18%
Total	14,095,707	47.69%

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.

Following the sale transaction of April 12th 2011 (referred to in Section 3 above), the number of the Company shares held by the management and supervisory staff as at the date of this report was as follows:

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 (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 2011 or in the comparative period.

6. Sureties granted

No IPOPEMA Securities Group member granted any sureties in respect of loans, or issued any guarantees, in Q1 2011 or in the comparative period.

7. Selected corporate events

Purchase of shares in 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 is subject to obtaining the required approvals from the regulatory bodies (the Polish Financial Supervision Authority and the Polish Office of Competition and Consumer Protection).

The acquisition of CSAM is 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 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 offering and client base in the area of asset management.

Subscription of shares under the incentive scheme

As part of implementation of the incentive scheme based on the shares of IPOPEMA Securities S.A. which was launched in 2009, in February 2011 shares were made available as part of another tranche of the scheme, entailing a change in the amount of the share capital. In particular, the first subscription of shares under Share Option Plan II took place. 714,285 shares were earmarked for this purpose, out of which 212,500 were subscribed for. As a result, the share capital increased by PLN 21,250 to PLN 2,955,480.10. All the shares were issued within the limit of conditional share capital, and their unit 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 authorised capital

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

Awards and distinctions

In the most recent ranking published by the Forbes magazine (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 a recommendation issued by IPOPEMA Securities Research Office had the highest rate of return among all the portfolios recommended by various research offices.

8. Court proceedings

On January 13th 2009, the Company filed with the Regional Court a suit for payment of past due receivables in the amount of PLN 891 thousand. Impairment losses were recognised for the full amount of the disputed claim in 2008. The Company was not a party to any other court proceedings.

9. Related party transactions

In Q1 2011, there were no material related party transactions.

10. Material events subsequent to the balance-sheet date

In the period between March 31st 2011 and the date of release of these financial statements, no material events with a material bearing on the Company's operations occurred.

Warsaw, May 10th 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