

Directors' Report

**on the operations of IPOPEMA
Securities S.A. and IPOPEMA Securities
Group in H1 2011**

Warsaw, August 24th 2011

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PART I

1. Financial performance

Consolidated financial highlights	2011			2010		
	Jan-Mar*	Apr-Jun*	Jan-Jun	Jan-Mar*	Apr-Jun*	Jan-Jun
Total revenue, including	26,328	28,769	55,097	20,602	29,643	50,245
<i>Brokerage and related services</i>	18,168	19,078	37,246	14,910	21,019	35,929
<i>Investment fund management</i>	4,986	5,484	10,470	3,114	3,882	6,996
<i>Advisory services</i>	3,174	4,207	7,381	2,578	4,742	7,320
Total cost of core activities	18,079	20,305	38,384	15,055	19,917	34,972
Profit on core activities	8,249	8,464	16,713	5,547	9,726	15,273
Net profit for the period	6,129	6,638	12,767	3,576	6,536	10,112

* Unaudited data.

Revenue

On the back of growth in revenues across all operating segments in H1 2011, the IPOPEMA Securities Group was able to generate total revenue of PLN 55,097 thousand, up by 9.7% on the figure posted in H1 2010 (PLN 50,245 thousand).

The most significant source of the IPOPEMA Securities Group's revenue in H1 2011 was securities trading, which generated PLN 29,803 thousand, accounting for 54.1% of consolidated revenue from core activities. Compared with the respective figure for H1 2010, revenue from securities trading went up by 15.8% (from PLN 25,730 thousand), which is primarily attributable to the uptrend observed on the secondary market of the WSE, accompanied by a slight growth in IPOPEMA's market shares, as well as to recognition of revenue from trading in bonds on the secondary market (launched in Q4 2010) under revenue from securities trading.

The Company's revenue from investment banking services for the first six months of 2011 reached PLN 7,049 thousand (12.8% of consolidated revenue), which meant a 28.2% decrease relative to the corresponding period of the previous year (PLN 9,821 thousand).

When compared with H1 2010, revenue from management of investment funds generated by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("IPOPEMA TFI") rose sharply, by almost 50%, from PLN 6,995 thousand to PLN 10,470 thousand. The increase follows chiefly from the larger number of managed funds and the value of their assets – as at the end of June 2011, IPOPEMA TFI managed 55 investment funds and sub-funds with the aggregate asset value of PLN 5,040m, while a year earlier it managed 51 funds with the aggregate asset value of PLN 3,009m.

After the first six months of 2011, IPOPEMA Business Consulting Sp. z o.o. ("IPOPEMA BC") recorded revenue from advisory services in the amount of PLN 7,381 thousand (13.4% of the Group's total revenue), almost equal to the figure for H1 2010 (PLN 7,320 thousand).

H1 2011 revenue of IPOPEMA Securities, on a separate basis, was PLN 37,246 thousand, a 3.7% increase from PLN 35,930 thousand reported a year earlier.

Costs and expenses

In H1 2011, the cost of core activities amounted to PLN 38,384 thousand and was 9.8% higher than in H1 2010, when they stood at PLN 34,972 thousand. The higher costs are principally attributable to increased salaries and wages, and higher other costs of core activities (mainly cost of contracted services).

In H1 2011, total cost of core activities recognised in the brokerage and related services segment (IPOPEMA Securities) was PLN 24,983 thousand, which means an 11.3% increase on H1 2010 (chiefly attributable to a 15.8% rise in salaries and wages and a 10.3% increase in other cost and expenses). On a separate basis, the cost of core activities of IPOPEMA Securities was lower than the total cost of the segment (mainly owing to the exclusion of cost of an incentive scheme and other consolidation adjustments) and amounted to PLN 24,939 thousand in H1 2011, relative to PLN 22,189 thousand in H1 2010.

In H1 2011, costs and expenses of IPOPEMA TFI (investment fund management segment) were driven up mainly by higher costs of establishing and managing investment funds, as well as distribution cost (up by 65.1% relative to H1 2010).

IPOPEMA Business Consulting (advisory services segment) recorded total cost of core activities of PLN 5,473 thousand in H1 2011, down by 15.8% relative to H1 2010, mainly on the back of lower other cost of core activities (contracted and subcontractors' services).

In H1 2011, expenses connected with the valuation of the share option plans implemented by the Company amounted to PLN 79 thousand (PLN 558 thousand in H1 2010).

Net profit (loss)

The improved revenue in all operating segments, concurrent with only a moderate increase in costs, resulted in considerably higher net profit. In H1 2011, consolidated profit on core activities amounted to PLN 16,713 thousand (PLN 15,273 thousand in H1 2010). Operating profit and net profit totalled PLN 16,241 thousand and PLN 12,767 thousand, respectively, in H1 2011, while in H1 2010 the Group recorded operating profit of PLN 14,024 thousand and net profit of PLN 10,112 thousand.

Given the fact that IPOPEMA Securities' shareholding in IPOPEMA BC is 50.02%, the aggregate consolidated profit attributable to owners of the parent amounted to PLN 11,982 thousand, and profit attributable to minority interests totalled PLN 785 thousand.

In the segment of brokerage and related services (IPOPEMA Securities), profit on core activities amounted to PLN 12,263 thousand in H1 2011, relative to PLN 13,485 thousand in H1 2010, while net profit stood at PLN 9,172 thousand in H1 2011 and PLN 8,756 thousand in H1 2010.

In H1 2011, the investment fund management segment (IPOPEMA TFI) posted net profit of PLN 2,023 thousand, nearly tripling the figure reported in the corresponding period of 2010 (PLN 705 thousand).

In H1 2011, the advisory services segment (IPOPEMA Business Consulting) recorded net profit of PLN 1,572 thousand, almost two and a half times higher than in H1 2010, when it stood at PLN 651 thousand.

IPOPEMA Securities' separate operating profit and net profit amounted to PLN 11,895 thousand and PLN 9,246 thousand, respectively, in H1 2011, compared with PLN 12,625 thousand and PLN 9,093 thousand, respectively, in H1 2010. For the same period, net profit disclosed in the consolidated financial statements (as the profit on brokerage and related services) was by PLN 74 thousand lower and totalled PLN 9,172 thousand, which is attributable mainly to the measurement of the incentive scheme (totalling PLN 79 thousand).

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

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

In H1 2011, the WSE's WIG index continued its climb started in March 2009. An upward trend was also seen in monthly average trading values **on a double counted basis – counting both buy and sell transactions** – PLN 42.9bn in January–June 2011, compared with PLN 33.3bn in the corresponding period of 2010. Moreover, IPOPEMA Securities' market share increased slightly, from 8.47% in H1 2010 to 8.62% in H1 2011.

On the Budapest Stock Exchange, monthly trading value on the equity market in January–June 2011 was by 40.8% lower than in H1 2010. IPOPEMA Securities commenced its activities on the Hungarian market in March 2010, winning a market share of 6.88% in the period March–June 2010 (5.34% for the whole of H1 2010), and has steadily been improving its position, to reach a market share of 7.48% in H1 2011.

All of the above drove up the Company's revenue from trading in securities by 15.8%, to PLN 29,803 thousand (compared with PLN 25,730 thousand in H1 2010).

Investment banking services

The performance in the investment banking segment (IPOPEMA Securities) in H1 2011 was slightly worse than in H1 2010: revenue from investment banking services stood at PLN 7,049 thousand and went down by 28.2% year on year, mainly due to a lower value of transactions completed in H1 2011 (a total of PLN 1.02bn compared with PLN 1.99bn in H1 2010).

IPOPEMA TFI's business

Key factors which contributed to the considerably higher revenue reported in the fund management segment included an increase in the number of funds and a higher value of assets under IPOPEMA TFI's management. As at the end of June 2010, IPOPEMA TFI managed 51 funds, while the aggregate value of assets under management was PLN 3.01bn. As at the end of June 2011, the number of funds rose to 55 (including subfunds), whereas the aggregate value of their assets grew to PLN 5.04bn. A 50% increase in revenue, with the simultaneous limited growth of total cost of core activities (by 31.6%) enabled IPOPEMA to generate net profit of PLN 2,023 thousand in the fund management segment in H1 2011, relative to PLN 705 in H1 2010.

IPOPEMA Business Consulting's business

H1 2011 was more favourable compared with the corresponding period of 2010 also in the case of IPOPEMA Business Consulting. While the company's revenue was at a level similar to that recorded in H1 2010, when combined with a 15.8% reduction in total cost of core activities, it translated into an almost two-and-a-half increase in net profit of the advisory services segment (PLN 1,572 thousand in H1 2011 compared with PLN 651 thousand in H1 2010).

Recognition of incentive scheme costs

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 H1 2011 the total charge relating to the incentive scheme amounted to only PLN 79 thousand (allocated exclusively to IPOPEMA Securities), while in H1 2010 it was PLN 558 thousand (PLN 256 thousand at IPOPEMA Securities and PLN 302 thousand at IPOPEMA TFI).

3. Factors with a potential bearing on the H2 2011 results

Market situation on the Warsaw and Budapest Stock Exchanges

The current reversal of the favourable conditions which prevailed on the secondary market from the beginning of 2009 is decidedly reducing appetite for privatisation transactions and public offerings, which may affect IPOPEMA Securities' revenue in the following months of the year. However, it is currently difficult to assess the extent and likely duration of the current market slump.

IPOPEMA Securities' position on the secondary market

Strengthening of IPOPEMA Securities' position on the WSE's and BSE's secondary markets should benefit the Company's revenue. However, it is difficult to predict the effect of the currently observed downtrend on the value of trading on both markets. Furthermore, intensifying competition from foreign brokers on the WSE may result in a lower number of transactions handled, bringing down the value of the Company's turnover. Similarly, the Company's performance on the BSE will be driven by the developments on the Hungarian market and IPOPEMA Securities' share in trading on the BSE.

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

The reversal of favourable market conditions currently observed on the WSE will render the execution of equity transactions, including in particular public offerings, more difficult, which may adversely affect the Company's operations in the investment banking segment in the following months. Nevertheless, the Company will, whenever possible, continue the current projects and will focus on acquiring new transactions in the areas less sensitive to the adverse effect of deteriorating market conditions.

Further growth of IPOPEMA TFI's business

In addition to a decrease in the value of assets under investment funds' management, the deterioration of market conditions on the WSE may also weaken 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, lower value of assets will be of no effect on the amount of IPOPEMA TFI's revenue from the management of closed-end investment funds where fees do not depend on the value of fund's assets.

Growth of IPOPEMA Business Consulting's business

The economic deceleration may encourage companies to make further cost savings, thus generating demand for advisory services provided by IPOPEMA Business Consulting. In H2 2011, the factors of key relevance to IPOPEMA BC's activities will be the performance of part of the company's existing contracts and growth of the company's order book, with a limited increase in expenses.

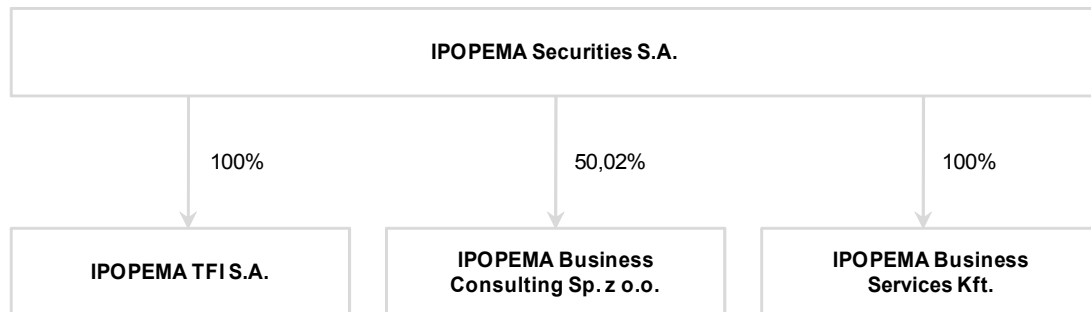
4. Performance against forecasts

The Company and the Group 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., which is the parent undertaking, and subsidiary undertakings: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o. and IPOPEMA Business Services Kft. IPOPEMA Securities, IPOPEMA TFI 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 organisational structure of the IPOPEMA Securities Group

In H1 2011, there were no changes in the organisational structure of the IPOPEMA Securities Group.

3. Shareholder structure of IPOPEMA Securities S.A.

As at June 30th 2010, the shareholder structure of the Company (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) was as follows:

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 ²	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.

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 (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 March 31st 2011, the management and supervisory staff listed below held IPOPEMA Securities S.A. shares, either directly or indirectly through subsidiary or related entities (including dedicated funds).

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 transactions in the Company shares executed on April 12th 2011, in which persons related to certain members of the Management and Supervisory Boards sold a total of 2,663,808 shares in IPOPEMA Securities S.A. (see the Company's Current Report No. 11/2011 of April 12th 2011), the shareholdings of members of the management and supervisory staff of the Company as at the date of this Report were 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

As part of the incentive scheme based on shares of 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 H1 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 H1 2011 or in the comparative period.

7. Selected corporate events in H1 2011

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 Company has already obtained the clearance from the Polish Office of Competition and Consumer Protection (see the Company's Current Report No. 13/2011 of May 30th 2011), but as at the date of this Report the proceedings before the Polish Financial Supervision Authority had not been completed.

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 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 of IPOPEMA Securities S.A. which was launched in 2009, in February 2011 another tranche of the scheme was executed and 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. Moreover, 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 Company's share capital by a total of PLN 350,000, through the 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 making a relevant amendment to the Articles of Association. As at the date of this Report, the amendment had not been registered.

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 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 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). As at the date of preparation of these financial statements, the proceedings were still under way.

The IPOPEMA Securities Group undertakings were not parties to any other court proceedings.

9. Related-party transactions

In H1 2011, the Company did not enter into any material related-party transactions other than on non-arms' length terms. Detailed specification of related-party transactions is included in Note 23 to the interim condensed consolidated financial statements.

10. Material events subsequent to the balance-sheet date

Execution of annexes to credit facility agreements with Alior Bank

On July 20th 2011, the Company signed annexes to credit facility agreements with Alior Bank providing for two credit facilities, contracted to finance the Company's liabilities towards the Polish NDS in respect of settlement of transactions concluded by the Company on the WSE (PLN 10m) and to finance the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund (PLN 30m). The annexes extended the term of the agreements until July 19th 2012.

11. Risk factors

Below are presented risk factors specific to the business of the IPOPEMA Securities Group or its member companies, which the Management Board believes to be the most material and which – should they materialise – may have an adverse effect on the operations, financial standing, performance or development prospects of the Company and the IPOPEMA Securities Group.

Risk related to the situation on capital markets

The Company's financial results are primarily dependent on capital market conditions, especially in Poland. In particular, the economic slowdown is causing a slump on global stock exchanges, including the Warsaw Stock Exchange and Budapest Stock Exchange, the markets on which the Company operates. The downturn in the capital markets also affects the Company's revenue as a result of lower trading value on the stock exchanges and difficulties in the execution of public offerings. It is currently difficult to predict with certainty how long the downward trend will continue on stock markets. If the negative investor sentiment continues for a longer term, this may have an adverse effect on the Company's financial performance.

With respect to IPOPEMA TFI, less favourable climate on the capital markets affects interest in investing in listed securities (mainly equities) and thereby reduces revenues from active management services. To date, this factor has had a limited impact on the results achieved by IPOPEMA TFI as its activities consisted mainly in establishing closed-end private equity funds. However, since the company is expanding its active management services, a continued downturn may erode revenues and earnings of IPOPEMA TFI.

Risk related to competition in the services markets on which IPOPEMA Securities and the IPOPEMA Securities Group operate

In recent years, many new companies have entered the market on which IPOPEMA Securities S.A. operates. In addition to brokerage houses already present on the market for several years, which have successfully established a strong foothold on the capital market in Poland, some new entrants have appeared, providing

brokerage and advisory services on a limited scale. New brokerage offices are created by individuals with relevant professional experience, who can guarantee a standard of service similar to that offered by Poland's leading brokers. Furthermore, the recent significant growth of the Polish capital market and the State Treasury's privatisation policy have inspired increased interest in the provision of brokerage and advisory services from foreign financial institutions, which are establishing or expanding their offices in Warsaw. The growing competition may result in the Company losing part of its market share and in higher pressure on prices of the offered services, which may have an adverse effect on the Company's financial standing.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and new market entrants. In less than four years of its operation, IPOPEMA TFI has become one of the most active players on the Polish market in terms of establishing closed-end investment funds. In addition to establishing new closed-end investment funds, the company's development plans include further expansion of the offering and strengthening its position on the market of actively managed funds. In the third year of its active operation, IPOPEMA Business Consulting continues to grow dynamically, consistently enlarging its client base and order book. There can be no assurance that measures taken by competitors will not stand in the way of the development plans of both IPOPEMA TFI and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future results of the IPOPEMA Securities Group as a whole.

Risk related to dependence on the management personnel, necessity to retain key employees, acquisition of highly qualified specialists and level of remuneration

The business of the IPOPEMA Securities Group and its development prospects largely depend on the knowledge, experience and qualifications of the management personnel. Their work for the IPOPEMA Securities Group has been a key factor behind its successes to date. Hence, if any of the members of the IPOPEMA Securities Group's management personnel decides to leave the Company, this may have an adverse effect on the business and financial standing of the Company and its subsidiaries, as well as on their financial performance and development prospects.

Furthermore, in order to deliver an adequate quality of service, the IPOPEMA Securities Group companies must retain highly qualified staff. The nature of the Company's business requires part of IPOPEMA Securities' or IPOPEMA TFI's employees to have relevant experience and to comply with formal requirements for the provision of brokerage or investment advisory services. Besides, to ensure continued development of the Company, it is necessary to hire new employees with relevant competencies and experience.

Given the growing market competition and a limited availability of qualified professionals that guarantee the required level of service quality, with a view to ensuring stability of the key staff, the Company's Management Board seeks to develop appropriate incentive mechanisms to motivate employees to link their future with the Group. One of the measures in this area is the incentive scheme and the employee remuneration system in place. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the IPOPEMA Securities Group in the future.

Risk related to settlement of stock exchange transactions

The Company is a clearing member of the Polish NDS, which means that on the clearing date it is required to pay for executed buy transactions and deliver securities in order to clear executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should deliver cash for executed buy transactions or securities for executed sell transactions on the settlement date. However, a client may fail to provide the cash or securities on time. In such a case, until the client has settled the relevant liabilities, the Company must settle the transaction using its own resources (buy transactions) or deliver securities acquired on the market (sell transactions). Additionally, if the client fails to pay for a buy transaction, there is also a risk that the Company may have to acquire the securities, which it may be unable to sell on equally favourable terms or to which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may be required to acquire the securities on the market at a price higher than the price at which the client was supposed to deliver such securities or that it will be impossible to acquire such securities. Such a situation does not limit the Company's right to assert claims against the client on account of the client's failure to perform obligations under an agreement (order) concerning a transaction in securities.

Risk related to the nature of investment banking services

The Company's services in the area of investment banking, in particular advisory services to companies applying for introduction of their shares to trading on the WSE as well as M&A transactions, are characterised by relatively long performance periods (typically not less than several months). Given the volatile nature of capital markets and changes of investment plans by the Company's clients, there is a risk that part of the projects commenced by the Company may be postponed or the clients may decide to abandon the process of introducing their shares to trading (in particular when faced with adverse market conditions), primarily in the light

of the current slump on the capital market. Given that success fees account for a substantial portion of the Company's consideration in the case of such projects, any such decisions may have an adverse effect on the Company's financial performance.

Risk related to the level of equity and financial needs of the Company and the IPOPEMA Securities Group

In connection with its activity on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Stock-Exchange Transactions Settlement Guarantee Fund, managed by the Polish NDS. Currently, each day the Company makes a contribution to the Fund using a credit facility. In the case of any events with an adverse effect on the Company's financial performance and the resulting losses, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business.

To date, the Company has not encountered any problems in making sufficient contributions to the Guarantee Fund, while the present level of the available credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should be also noted that, if the Company's clients fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements as part of the separate and consolidated capital adequacy requirement, which to a large extent depend on the scope and scale of brokerage activities. IPOPEMA's equity on a separate and consolidated basis (as at June 30th 2011: PLN 58,999 thousand and PLN 68,121 thousand, respectively) is maintained at a level ensuring an appropriate surplus over the capital requirements, however, it cannot be ruled out that a rapid expansion of the scope of operations (particularly as regards potential new business projects) will require the equity levels to be significantly increased.

Risk related to the business of IPOPEMA TFI

Given the rising competition on the market of investment funds as well as the relationship between individual funds' performance and the economic situation, including in particular the situation on the capital markets, and the correctness of investment decisions made by managers of IPOPEMA TFI funds, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) or that clients will lose confidence in the fund managers, which may eventually lead to some clients closing their relationship with the funds managed by IPOPEMA TFI. Due to these factors and the fact that in the case of selected funds IPOPEMA TFI's consideration depends on the funds' investment results and performance against the agreed benchmarks, the risk that the fund managers will not meet the targets and that the clients will discontinue their relationship with IPOPEMA TFI may prevent IPOPEMA TFI from generating revenue as planned.

Furthermore, while thus far the number of funds managed by IPOPEMA TFI has been growing dynamically, there can be no assurance that IPOPEMA TFI will be able to maintain its existing client base and acquire new clients in the future, which may have an adverse effect on revenue growth. Furthermore, IPOPEMA TFI is constantly expanding its offering addressed to a broad group of investors. There is a risk that - if IPOPEMA TFI fails to acquire clients and assets for the funds or if the funds fail to achieve adequate rates of return, subsequently leading to client churn and difficulties in winning new clients - the company will not be able to generate satisfactory revenue from these funds.

The rate of IPOPEMA TFI's business growth also depends on whether it is able to secure relevant administrative approvals (particularly to establish new funds), as well as the direction of possible changes of the legal environment applicable to the business of investment funds and taxation of investment funds and unit holders.

Risk related to the activities of the Market Making and Proprietary Trading Department

The nature of the operations of the Market Making and Proprietary Trading Department, that is entering into short-term transactions on the stock-exchange market for the Company's own account, exposes the Company to investment risk. In particular, there can be no assurance that decisions made by the Department's staff or applied investment strategies will be successful, and therefore the Department's activities may bring unsatisfactory results or even result in losses.

Risk related to the activities of the Portfolio Management Department

The activities of the Portfolio Management Department involve investment risk. It cannot be ruled out that the Department's staff will not make wrong decisions or pursue wrong investment strategies. As a consequence, the result of the Department's activities may not be satisfactory, which in turn may lead to loss of existing accounts and problems with securing new ones.

Risk related to brokerage operations in Hungary

In March 2010, IPOPEMA Securities launched brokerage activities on the Budapest Stock Exchange. Since the first months of its operation on that market, the Company has steadily increased its market share, from 5.91% in March 2010 (the sixth largest market player) to 12.22% in June 2011 (the third largest market player). However, due to economic and political instability in Hungary, at present it is difficult to predict how those factors will affect the conditions prevailing on the Budapest Stock Exchange and thus the performance of IPOPEMA on that market.

Risk related to the function of Payment Bank

In order to be able to start and conduct operations on the WSE the Company (as well as other brokerage houses which are direct members of the WSE) is required to have a valid agreement on Payment Bank services with a bank which is a member of the Polish NDS. The Company's Payment Bank is currently Alior Bank S.A. If the agreement on Payment Bank services was terminated, the Company would need to enter into a new agreement with another bank, which would take time and require the Company to agree new terms of business. Any difficulties in finding another Payment Bank could even pose a risk that the Company might have to temporarily suspend its brokerage or market making and proprietary trading activities on the WSE until a new agreement is signed.

A similar risk exists with respect to Deutsche Bank Zrt., the bank with which the Company executed a corresponding agreement in relation to transactions executed on the Budapest Stock Exchange.

Risk related to the IT and telecommunications systems

A particularly sensitive area of the Company's activities is the necessity to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure might not only expose the Company to the risk of financial liability towards its clients for orders not executed or incorrectly executed, but with time might also undermine client confidence. The Company purchased and implemented a dedicated IT system for providers of brokerage services, which has been upgraded and modified on a continual basis. The objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure, is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. However, there can be no assurance that the risk does not materialise despite the precautions taken by the Company.

Risk related to mistakes and errors of IPOPEMA's employees and breaches of law

The IPOPEMA Securities Group's position on the markets on which it is present relies primarily on the degree of client confidence in the IPOPEMA Securities Group and its employees. The nature and scope of the Group's services require its employees not only to possess the relevant expertise and experience, but also to comply with the procedures in place at each company of the Group, designed to limit the risk of mistakes and errors in course of the Group's operations. Although each employee of the IPOPEMA Securities Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that mistakes or errors will not occur in day-to-day operations. Any such errors or mistakes may, depending on their scale, affect the financial standing and financial performance of the IPOPEMA Securities Group. Given the nature of the Company's operations, the risk of mistakes is particularly relevant in the case of staff operating directly on the secondary market.

In line with the applicable laws, a company authorised to conduct brokerage activity is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure (including the rules for the protection of inside information and the procedure for counteracting and identifying instances of manipulation). In the case of the Company this role is performed by the Compliance Office. Although as at date of this Report there have been no instances of criminal or unethical conduct on the part of the Company's employees, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses to the Company, resulting from the necessity to pay compensations and loss of reputation.

Warsaw, August 24th 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