

The IPOPEMA Securities Group

Management Board's Report on the Operations

**of the IPOPEMA Securities Group
in Q1 2010
ended March 31st 2010**

Warsaw, May 7th 2010

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PART I

1. Financial Performance

Revenue

In Q1 2010, the Group's revenue grew significantly in all operating segments, resulting in total revenue of PLN 20,603 thousand, up by 117.4% relative to Q1 2009.

The most significant source of the IPOPEMA Group's revenue in Q1 2010 was securities trading, which generated PLN 12,004 thousand, accounting for 58.3% of consolidated revenue from core activities. Compared with the corresponding period of 2009, revenue from securities trading rose by 70.9% (from PLN 7,022 thousand), driven by the recovery observed on the secondary market of the Warsaw Stock Exchange.

The Company's revenue from investment banking services for the first three months of 2010 reached PLN 2,906 thousand (14.1% of consolidated revenue), which meant an over two-fold increase relative to the corresponding period of the previous year (when the revenue was PLN 1,360 thousand).

When compared with Q1 2009, revenue from management of investment funds generated by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("IPOPEMA TFI") rose sharply, from PLN 1,094 thousand to PLN 3,114 thousand, recording a nearly three-fold increase. The increase followed chiefly from the larger number of managed funds and the value of their assets – as at the end of March 2010, IPOPEMA TFI managed 45 funds and sub-funds with the aggregate asset value of PLN 2,253m, while a year earlier it managed 33 funds with the aggregate asset value of PLN 1,204m.

After the first three months of 2010, IPOPEMA Business Consulting Sp. z o.o. ("IPOPEMA BC") recorded revenue from consultancy services in the amount of PLN 2,578 thousand (12.5% of the IPOPEMA Group's total revenue), which is particularly noteworthy given the fact that the company commenced operations at the beginning of 2009.

Costs

In Q1 2010, the costs of core activities amounted to PLN 15,056 thousand and were 40.7% higher than in Q1 2009, when they stood at PLN 10,702 thousand. The growth is attributable primarily to higher transaction costs, following from increased turnover of the brokerage business, as well as to the higher cost of salaries and wages due to higher headcount at all Group's companies.

IPOPEMA Securities' total costs and expenses in Q1 2010 amounted to PLN 10,230 thousand, up by 35.2% on the Q1 2009 figure (mainly as a result of a 42.1% increase in transaction costs and an 18.6% increase in the cost of salaries and wages).

The main drivers of IPOPEMA TFI's growing costs were the higher cost of salaries and wages (resulting from higher headcount and payment of a one-off bonus) and higher costs of creation and management of funds. They went up by 33.9% and 128%, respectively, compared with Q1 2009.

The increase in IPOPEMA Business Consulting's costs of operations was attributable primarily to a rise in the cost of salaries and wages (up by 42.1%), brought about by a significant growth in the number of employees (and associates) – 29 persons as at the end of March 2010, compared with 18 persons a year earlier.

In Q1 2010, expenses connected with the valuation of the share option plans implemented by the Company amounted to PLN 301 thousand (PLN 331 thousand in Q1 2009).

Net Profit (Loss)

The markedly improved revenue in all operating segments, concurrent with only a moderate increase in costs, resulted in considerably higher net profit. In Q1 2010, consolidated profit on core activities amounted to PLN 15,056 thousand (compared to a loss of PLN 1,226 thousand in Q1 2009). Operating profit and net profit totalled PLN 5,406 thousand and PLN 3,576 thousand, respectively, while Q1 2009 had seen an operating loss of PLN 1,999 thousand and a net loss of PLN 1,938 thousand.

Given the fact that IPOPEMA Securities' shareholding in IPOPEMA BC is 50.02%, the profit attributable to owners of the parent amounts to PLN 3,448 thousand, and profit attributable to minority interests totals PLN 127 thousand.

IPOPEMA Securities' net profit for Q1 2010 totalled PLN 2.917 thousand (PLN 159 thousand in Q1 2009). However, the net profit posted in the consolidated financial statements for the same period (as the profit of the segment of brokerage and related services) was lower by PLN 150 thousand and amounted to PLN 2,767 thousand, which was mostly due to the valuation of employee stock options, in the total amount of PLN 127 thousand.

The net profit posted by the investment fund management segment (IPOPEMA TFI) after the first three months of 2010 amounted to PLN 554 thousand, while the same segment reported a net loss of PLN 558 thousand in the corresponding period of the previous year. If it had not been for the adverse effect of accounting costs related to the valuation of the share option plan, the net profit generated by the investment fund management segment in Q1 2010 would have increased to PLN 728 thousand (and the net loss in Q1 2009 would have decreased to PLN -302 thousand).

The segment of consulting services (represented by IPOPEMA Business Consulting) posted a net profit of PLN 255 thousand for Q1 2010, compared with a net loss of PLN 1,450 thousand incurred in the corresponding period of 2009. The loss was attributable mainly to the fact that Q1 2009 was the first quarter of the company's operations, when the company only incurred costs of operations and did not generate any revenue.

2. Significant Events and Factors with a Bearing on the Financial Performance

Situation on the Equity Market of the WSE

After the downturn on the WSE observed from the middle of 2007, at the beginning of 2009, a distinct upward trend was seen in monthly trading values – in Q1 2010, monthly stock trading on the WSE during regular trading hours averaged PLN 30.7bn, relative to PLN 21.3bn in Q1 2009 and PLN 27.9bn in the whole of 2009. IPOPEMA's share in stock trading on the WSE was very close to the levels reported in the previous periods (8.54% in Q1 2010 vs. 8.56% in Q1 2009); given that the trading volume increased, the Company was able to significantly improve its revenue from securities trading, from PLN 7,022 thousand in Q1 2009 to PLN 12,001 thousand in Q1 2010 (up by 77.9%).

Handling of Investment Banking Transactions

Q1 2010 was also a much more successful period for the Company's investment banking. Revenue from this business segment more than doubled (PLN 2,906 thousand in Q1 2010 vs. PLN 1,360 thousand in Q1 2009), driven by an increased number of transactions handled and transactions completed.

IPOPEMA TFI's Business

The key factors that contributed to the considerably higher revenue from fund management were an increase in the number of funds and a higher value of assets held by the funds managed by IPOPEMA TFI. As at the end of Q1 2009, IPOPEMA TFI managed 33 funds, while the aggregate value of assets under management was PLN 1,204m. As at the end of March 2010, the number of funds rose to 45 (including subfunds), whereas the aggregate value of their assets grew to PLN 2,253m. An almost three-fold increase in revenue, combined with a limited and incommensurate growth (54.5%) in costs of operations, allowed the Company to generate a net profit of PLN 559 thousand in Q1 2010 in the investment fund management segment. However, after taking into account the incentive scheme costs charged to IPOPEMA TFI (PLN 174 thousand), the segment's profit was reduced to PLN 385 thousand.

IPOPEMA Business Consulting's Business

Q1 2010 was significantly more favourable compared with the corresponding period of 2009 also in the case of IPOPEMA Business Consulting. However, it must be borne in mind that 2009 was the first year of IPOPEMA BC's operating activity. In the first three months of 2009 the consultancy services segment posted only costs of operations, and thus recorded a net loss of PLN 1,450 thousand. Still, contracts won by IPOPEMA BC in 2009 translated into revenue of PLN 2,578 thousand in Q1 2010. This allowed the segment to generate a net profit of PLN 255 thousand, in spite of a 77% rise in the costs of operations (which is attributable primarily to the higher employment costs connected with a markedly increased number of the company's consultants).

Recognition of Incentive Scheme Costs

As the Company's adopted a reporting system compliant with the International Financial Reporting Standards (the "IFRS"), it had to recognise the effect of valuation of the stock option plans implemented by the IPOPEMA Securities Group in the consolidated financial statements. In Q1 2010, the related costs totalled PLN 301 thousand (PLN 127 thousand at IPOPEMA Securities and PLN 174 thousand at IPOPEMA TFI), while in Q1 2009 they amounted to PLN 331 thousand (PLN 75 thousand at IPOPEMA Securities and PLN 256 thousand at IPOPEMA TFI).

3. Factors with a Potential Bearing on the Q2 2010 Results

Market Situation

The continued uptrend on the WSE will benefit the main business areas and financial performance of the IPOPEMA Securities Group. The improved conditions on the secondary market since the beginning of 2009, as well as large privatisation transactions and better prospects for public offerings should be reflected in the IPOPEMA Securities' revenue in the following months of the current year. However, it is difficult to predict whether the uptrend will continue, especially given the current slowdown (observed at the time of preparation of these financial statements), involving a drop in stock exchange indices.

IPOPEMA Securities' Position on the Secondary Market

Reinforcement of IPOPEMA Securities' position on the WSE's secondary market, coupled with the continued recovery on the stock exchange, should have a favourable effect on the Company's revenue. On the other hand, the currently observed increased activity of foreign brokers which operate on the WSE directly, as 'remote WSE members', might result in a lower number of transactions and 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

Improved 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 will also seek to provide services in secondary public offerings as well as capital raising transactions involving convertible bond issues. At the same time, the Company will seek to obtain assignments relating to M&A transactions and financial advisory projects.

Further Growth of IPOPEMA TFI

The recovery on the Warsaw Stock Exchange should also translate into an increase in the value of assets under management (the funds' assets frequently include shares listed on the WSE), as well as into greater interest from external clients in the funds offered by IPOPEMA TFI. In the improved climate the investment fund market may be expected to permanently return onto the growth path in terms of the value of assets in the retail segment. Retail clients will be the target group for two new funds managed by IPOPEMA TFI – m-Indeks FIO (the first open-end fund of IPOPEMA TFI intended for a broad distribution) and Alior Short Equity sub-fund. m-Indeks FIO, replicating the mWIG40 index, will be first distributed through the investment platform of one of the major Polish banks. Units of the Alior Short Equity, which is the first investment product in Poland to replicate changes in the WIG20 Short index value, are already offered through the Alior Bank network. IPOPEMA TFI's new products should positively affect the amount of revenue generated in next quarters.

Growth of IPOPEMA Business Consulting

The situation on the market for consultancy services is anticipated to improve in the near future, and it is expected that the company will continue to expand and explore the market, which may potentially lead to a significant growth of business. At present, IPOPEMA Business Consulting is performing the contracts secured so far, and their performance will be reflected in the revenue in 2010.

IPOPEMA's Brokerage Business in Hungary

In March 2010, the Company launched its brokerage operations on the Budapest Stock Exchange (BSE), of which it is a remote member. The Company's market shares in the first two months of the operations reached 5.9% and 5.6% respectively. However, given the project's early stage of development, it is difficult to determine the impact of that business segment on IPOPEMA's financial performance in Q2 2010. It will depend, most of all, on the situation on the Hungarian stock market, the rate at which new clients are acquired, and the broadening of cooperation with the existing clients of IPOPEMA Securities in the area of transaction execution on the BSE.

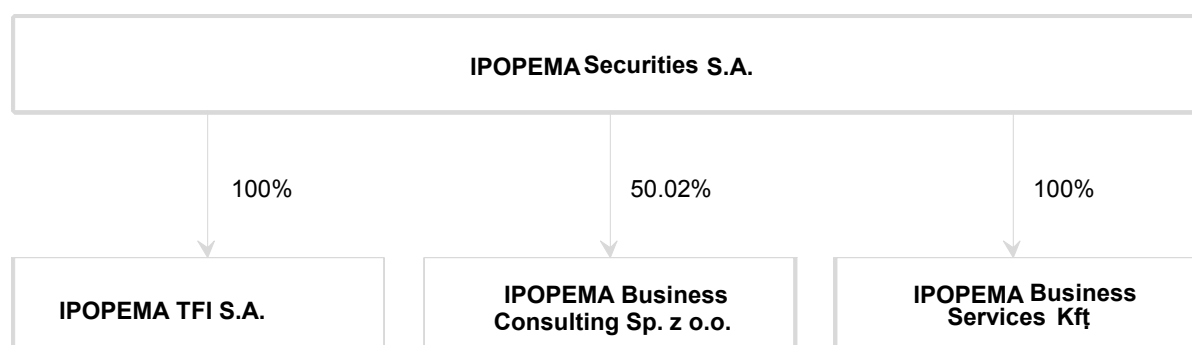
4. Performance Forecast

The Company has not published any performance forecasts.

Part II

1. Organisational Structure of the IPOPEMA Securities Group

The Group of IPOPEMA Securities 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.



2. Changes in the Organisational Structure of the IPOPEMA Securities Group

In Q1 2010, no changes in the organisational structure of the IPOPEMA Securities Group occurred.

3. Shareholder Structure of IPOPEMA Securities S.A.

As at March 31st 2010, the shareholder structure of the Company (shareholders holding more than 5% of shares in IPOPEMA Securities S.A.) was as follows:

| Shareholder | No. of shares and votes at GM | % of total vote at GM |
|--|-------------------------------|-----------------------|
| Manchester Securities Corp. | 3,714,280 | 12.84% |
| Fundusz IPOPEMA 10 FIZAN1 | 2,851,420 | 9.86% |
| Fundusz IPOPEMA PRE-IPO FIZAN2 | 2,851,120 | 9.86% |
| KL Lewandowska S.K.A.3 | 2,749,500 | 9.50% |
| JLK Lewandowski S.K.A.4 | 2,729,000 | 9.43% |
| JLS Lewandowski S.K.A.4 | 2,729,000 | 9.43% |
| Total shareholders holding in excess of 5% of the share capital | 17,624,320 | 60.92% |

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

² The main investor in the Fund is Mr Jacek Lewandowski, President of the Company's Management Board, and Ms Katarzyna Lewandowska.

³ A subsidiary undertaking of Katarzyna Lewandowska; Katarzyna Lewandowska also holds 498 shares representing less than 0.01% of all Company shares.

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.

4. Changes in the Number of Shares Held by Members of the Management and Supervisory Staff

As at March 31st 2010, 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 those persons remained unchanged relative to the end of the last 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 | 28.77% |
| Stanisław Waczkowski – Vice-President of the Management Board | 3,142,855 | 10.86% |
| Mariusz Piskorski – Vice-President of the Management Board | 1,285,713 | 4.44% |
| Mirosław Borys – Vice-President of the Management Board | 928,571 | 3.21% |
| Bogdan Kryca – Member of the Supervisory Board | 285,714 | 0.99% |
| Total | 13,964,280 | 48.27% |

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, Buyout and Redemption of Non-Equity and Equity Securities

In Q1 2010 (and in the comparative period), no non-equity or equity securities of IPOPEMA Securities S.A. were issued, redeemed or repaid.

6. Sureties Granted

In Q1 2010 (and in the comparative period), no IPOPEMA Group undertaking granted sureties for loans or issued guarantees.

7. Selected Corporate Events in Q1 2010

Launching Brokerage Activities on the Hungarian Market

In March 2010, the Company launched its active brokerage operations on the Budapest Stock Exchange (BSE), of which it is a remote member. The activities are carried out in cooperation with local partners operating as "investment firm agents". Offering organisational support to the agents was among the objectives behind establishing IPOPEMA Business Services Kft., a subsidiary undertaking, in December 2009. The company's

business consists in providing office and business support. Currently, those services are rendered exclusively for IPOPEMA's agents.

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. The amount of the disputed claim was fully covered with an impairment charge in 2008. The Company was not a party to any other court proceedings.

9. Related-Party Transactions

In Q1 2010, the Company did not enter into any material related party transactions.

10. Material Events Subsequent to the Balance-Sheet Date

In the period between March 31st 2010 and the date of release of the financial statements, no material events with a bearing on the Company's operations occurred.

Warsaw, May 7th 2010

The 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