

Management Board's Report

**on the operations of IPOPEMA
Securities S.A. and IPOPEMA Securities
Group in H1 2010**

Warsaw, August 24th 2010

Table of contents

PART I

1. Financial Performance	3
Significant Events and Factors with a Bearing on the Financial Performance	4
Factors with a Potential Bearing on the H2 2010 Results	5
Performance against Forecasts	6
1. Organisational Structure of the IPOPEMA Securities Group	7
2. Changes in the Organisational Structure of the IPOPEMA Securities Group	7
3. Shareholder Structure of IPOPEMA Securities S.A.	7
4. Changes in the Number of Shares Held by Members of the Management and Supervisory Staff	8
5. Issue, Buyout and Redemption of Equity and Non-Equity Securities	9
6. Sureties Granted	9
7. Selected Corporate Events in H1 2010	9
8. Court Proceedings	9
2. Related Party Transactions	10
3. Material Events Subsequent to the Balance-Sheet Date	10
4. Risk Factors	10

PART I

1. Financial Performance

Selected consolidated financial data	2010			2009		
	Jan-Mar*	Apr-Jun*	Jan-Jun	Jan-Mar*	Apr-Jun*	Jan-Jun
Total revenue, including	20,602	29,643	50,245	9,476	15,451	24,927
<i>Brokerage and related services</i>	14,910	21,020	35,930	8,382	12,887	21,269
<i>Investment fund management</i>	3,114	3,881	6,995	1,094	1,815	2,909
<i>Advisory</i>	2,578	4,742	7,320	0	749	749
Total cost of operations	15,055	19,917	34,972	10,702	12,463	23,165
Profit on core activities	5,547	9,726	15,273	-1,226	2,988	1,762
Net profit for period	3,576	6,536	10,112	-1,938	2,674	736

* Unaudited data

Revenue

Major growth in revenues was recorded across all operating segments, which enabled the IPOPEMA Group to generate total revenue of PLN 50,245 thousand, double the figure posted in H1 2009 (PLN 24,927 thousand).

The most significant source of the IPOPEMA Group's revenue in H1 2010 was securities trading, which generated PLN 25,730 thousand, accounting for 51.2% of consolidated revenue from core activities. Compared with the corresponding period of 2009, revenue from securities trading rose by 55.9% (from PLN 16,502 thousand), driven by the recovery observed on the secondary market of the Warsaw Stock Exchange and a slight rise in IPOPEMA's market share.

The Company's revenue from investment banking services for the first six months of 2010 reached PLN 9,821 thousand (19.5% of consolidated revenue), which meant an over two-fold increase relative to the corresponding period of the previous year (when the revenue was PLN 4,617 thousand).

When compared with H1 2009, revenue from management of investment funds generated by IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("IPOPEMA TFI") rose sharply, from PLN 2,909 thousand to PLN 6,995 thousand, recording a 140.5% increase. The increase followed chiefly from the larger number of managed funds and the value of their assets – as at the end of June 2010, IPOPEMA TFI managed 51 funds and sub-funds with the aggregate asset value of PLN 3,009m, while a year earlier it managed 41 funds with the aggregate asset value of PLN 1,475m.

After the first six months of 2010, IPOPEMA Business Consulting Sp. z o.o. ("IPOPEMA BC") recorded revenue from consultancy services in the amount of PLN 7,320 thousand (14.6% of the IPOPEMA Group's total revenue), which is particularly noteworthy given the company's relatively short operating history (operations launched at the beginning of 2009).

Non-consolidated revenue of IPOPEMA Securities in H1 2010 was PLN 35,930 thousand, a 68.9% increase from PLN 21,269 thousand reported a year earlier.

Costs and Expenses

In H1 2010, the costs of core activities amounted to PLN 34,972 thousand and were 51.0% higher than in H1 2009, when they stood at PLN 23,165 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.

In H1 2010, total cost of core activities recognised in the brokerage and related services segment (IPOPEMA Securities) was PLN 22,445 thousand, which means a 41.2% increase on H1 2009 (chiefly attributable to a 38.8% rise in transaction costs and a 37.1% increase in salaries and wages payable). Non-consolidated cost of activities of IPOPEMA Securities was lower than the total cost of the segment by an amount reflecting expenses associated with the operation of the incentive scheme, and stood at PLN 22,189 thousand, relative to PLN 15,668 thousand in H1 2009.

In H1 2010, costs and expenses of IPOPEMA TFI (investment fund management segment) were driven up mainly by higher costs of establishing and operating investment funds (up by 124.9% relative to H1 2009).

The increase in IPOPEMA Business Consulting's (consultancy services segment) costs of operations was attributable primarily to a rise in the cost of salaries and wages (up by 42.0%), brought about by a significant growth in the number of employees (and associates) – 37 persons as at the end of June 2010, compared with 19 persons a year earlier.

In H1 2010, expenses connected with the valuation of the share option plans implemented by the Company amounted to PLN 558 thousand (PLN 1,662 thousand in H1 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 H1 2010, consolidated profit on core activities amounted to PLN 15,273 thousand (PLN 1,762 thousand in H1 2009). Operating profit and net profit totalled PLN 14,024 thousand and PLN 10,112 thousand, respectively, while H1 2009 had seen an operating profit of PLN 1,066 thousand and a net profit of PLN 736 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 9,787 thousand, and profit attributable to minority interests totalled PLN 325 thousand.

IPOPEMA Securities' net profit for H1 2010 totalled PLN 9,093 thousand (PLN 4,333 thousand in H1 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 337 thousand and amounted to PLN 8,756 thousand, which was mostly due to the valuation of the incentive scheme, in the total amount of PLN 256 thousand.

The net profit posted by the investment fund management segment (IPOPEMA TFI) after the first six months of 2010 amounted to PLN 705 thousand, while the same segment reported a net loss of PLN 1,746 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 H1 2010 would have increased to PLN 1,007 thousand (compared with a loss of PLN 312 thousand in H1 2009).

The segment of consulting services (represented by IPOPEMA Business Consulting) posted a net profit of PLN 651 thousand for H1 2010, compared with a net loss of PLN 1,566 thousand incurred in the corresponding period of 2009. The loss was attributable mainly to the fact that H1 2009 was the first half year of the company's operations, when the company focused on building its order book.

In H1 2010, the separate profit on core activities amounted to PLN 13,741 thousand, compared with PLN 5,602 in H1 2009. Operating profit and net profit totalled PLN 12,625 thousand and PLN 9,093 thousand, respectively, whereas in H1 2009 the Company posted an operating profit of PLN 5,044 thousand and a net profit of PLN 4,333 thousand. Higher separate profits relative to the figures disclosed in the consolidated financial statements for the segment of brokerage and related services were attributable primarily to the need of recognition in the consolidated financial statements of the incentive scheme costs.

Significant Events and Factors with a Bearing on the Financial Performance

Situation on the Equity Market of the WSE and the BSE

In H1 2010, the WSE's WIG index continued its climb started in March 2009. An upward trend was also seen in monthly trading values – PLN 33.3bn in January – June 2010, compared with PLN 24.5bn in the corresponding period of 2009. Moreover, IPOPEMA Securities' share in stock trading increased slightly, from 8.35% in H1 2009 to 8.47% in H1 2010.

In January – August 2009, the monthly trading value on the BSE equity market grew from EUR 1.9bn to EUR 4.5bn, but the growth trend was halted by a slowdown in trading that lasted until December 2009 (the monthly trading value declined to EUR 2.2bn). However, since the beginning of 2010 the monthly trading value has again increased, to EUR 4.5bn in June 2010. IPOPEMA Securities commenced active operations on the Hungarian market in March 2010, securing a share in monthly stock trading of 5.91% (6th position), and gradually strengthened its position to reach a share in monthly stock trading of 7.86% in June 2010 (4th position).

All of the above drove up the Company's revenue from trading in securities by 55.9%, to PLN 25,730 thousand (compared with PLN 16,502 thousand in H1 2009).

Handling of Investment Banking Transactions

H1 2010 was also a much more successful period for investment banking services provided by IPOPEMA Securities. Revenue from this business segment more than doubled (PLN 9,821 thousand in H1 2010 vs. PLN 4,617 thousand in H1 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 June 2009, IPOPEMA TFI managed 41 funds, while the aggregate value of assets under management was PLN 1.48m. As at the end of June 2010, the number of funds rose to 51 (including subfunds), whereas the aggregate value of their assets grew to PLN 3,01m. An almost two-fold increase in revenue, combined with a limited and incommensurate growth (32.1%) in costs of operations, allowed the Company to generate a net profit of PLN 1,007 thousand in H1 2010 in the investment fund management segment. However, after taking into account the incentive scheme costs charged to IPOPEMA TFI (PLN 302 thousand), the segment's profit was reduced to PLN 705 thousand.

IPOPEMA Business Consulting's Business

H1 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 six months of 2009 the consultancy services segment recorded revenue of PLN 749 thousand, with costs of operations at PLN 2,707 thousand. Still, contracts won by IPOPEMA BC in 2009 translated into revenue of PLN 7,320 thousand in H1 2010. This allowed the segment to generate a net profit of PLN 651 thousand, in spite of a more than two-fold growth in costs of operations (attributable primarily to the higher employment costs connected with an 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 share option plans implemented by the IPOPEMA Securities Group in the consolidated financial statements. In H1 2010, the related costs totalled PLN 558 thousand (PLN 256 thousand at IPOPEMA Securities and PLN 302 thousand at IPOPEMA TFI), while in H1 2009 they amounted to PLN 1,662 thousand (PLN 228 thousand at IPOPEMA Securities and PLN 1,434 thousand at IPOPEMA TFI).

Factors with a Potential Bearing on the H2 2010 Results

Market Situation on the WSE and BSE

The continued uptrend on the WSE and BSE 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 (on the WSE) should be reflected in the IPOPEMA Securities' revenue in the following months of the year. However, it is difficult to assess whether the current improvement in the market conditions will continue.

IPOPEMA Securities' Position on the Secondary Market

Reinforcement of IPOPEMA Securities' position on the WSE's and BSE's secondary markets, coupled with the continued recovery on both stock exchanges, should have a favourable effect on the Company's revenue. On the other hand, increasing competition from foreign brokers on the WSE might result in a lower number of handled transactions and reduce the value of the Company's turnover. Similarly, IPOPEMA Securities' position on the BSE will depend on how fast new customers will be acquired and cooperation with the existing ones will be expanded with respect to handling transactions on the BSE, as well as on the competitiveness of local brokers.

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 strive to manage secondary public offerings as well as raising of financing through convertible bond issues. At the same time, the Company will seek to handle 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. Assuming that the improved market climate continues, the investment fund market may be expected to soon return to a path of sustained growth 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 – IPOPEMA 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 periods.

Growth of IPOPEMA Business Consulting

The improved economic climate is expected to cause a further improvement of the situation on the consultancy services market. In H2 2010, the key factors affecting IPOPEMA Business Consulting's activities will be the performance of part of the company's existing contracts and growth of the company's order book, with only a slight increase in expenses.

IPOPEMA's Brokerage Business in Hungary

Since the launch of brokerage activities on the Budapest Stock Exchange (BSE), the Company has been consistently strengthening its position on the stock exchange and its share in stock trading – from 5.91% in March (6th position) to 8.34% in July (4th position). However, given that the project is still at a relatively early stage of development, it is difficult to determine the impact of that business segment on IPOPEMA's financial performance in the entire 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.

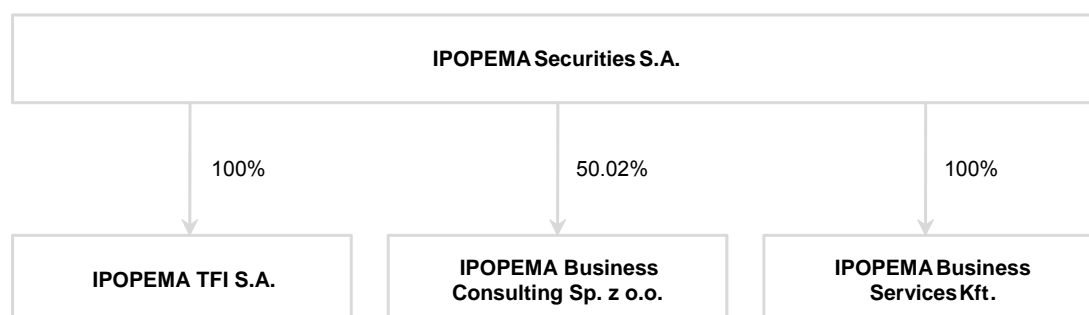
Performance against Forecasts

The Company and the Group did not publish forecasts of financial results.

PART II

1. Organisational Structure of the IPOPEMA Securities Group

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

3. Shareholder Structure of IPOPEMA Securities S.A.

As at June 30th 2010, the shareholder structure of the Company (shareholders holding 5% or more of the shares in IPOPEMA Securities S.A. and of total vote at the Company's General Shareholders Meeting) 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 FIZAN ¹	2,851,420	9.86%
Fundusz IPOPEMA PRE-IPO FIZAN ²	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%
Otwarty Fundusz Emerytalny PZU Złota Jesień *	1,451,346	5.02%

Total shareholders holding more than 5% of the share capital	19,075,666	65.94%
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* Based on notifications received by the Company from the shareholders.

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.

As at the date of this Report, the shareholder structure of the Company (shareholders holding 5% or more of the shares in IPOPEMA Securities S.A. and of 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 10 FIZAN ¹	2,851,420	9.86%
Fundusz IPOPEMA PRE-IPO FIZAN ²	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%
TFI Allianz Polska S.A. ^{5*}	1,708,844	5.91%
Customers of Pioneer Pekao Investment Management S.A. ^{6*}	1,599,634	5.53%
Otwarty Fundusz Emerytalny PZU Złota Jesień *	1,451,346	5.02%
Total shareholders holding more than 5% of the share capital	18,669,864	64.54%

* Based on notifications received by the Company from shareholders.

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.

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

⁶ All disclosed shares are held by Pioneer Fundusz Inwestycyjny Otwarty.

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

As at June 30th 2010, same 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.

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.

As at the date of this Report, members of the management and supervisory staff held, directly or indirectly through their subsidiary or related undertakings (including dedicated funds), the following shareholdings in IPOPEMA Securities S.A.

Person	No. of shares and votes	% of share capital and total vote
Jacek Lewandowski – President of the Management Board ¹	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	1,060,000	3.66%
Mirosław Borys – Vice-President of the Management Board	928,571	3.21%
Bogdan Kryca – Member of the Supervisory Board	285,714	0.99%
Total	13,738,567	47.49%

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 Equity and Non-Equity Securities

In H1 2010 (and in the comparative period), no equity or non-equity securities of IPOPEMA Securities S.A. were issued, redeemed or repaid.

6. Sureties Granted

In H1 2010 (and in the comparative period), no IPOPEMA Group undertaking granted sureties for loans or issued guarantees.

7. Selected Corporate Events in H1 2010

Launch of Brokerage Activities on the Hungarian Market

In March 2010, the company actively commenced brokerage activities on the Budapest Stock Exchange (BSE) as a remote member. The brokerage operations are conducted in cooperation with local partners acting as "investment firm agents". In order to provide operational support for the agents, in December 2009 IPOPEMA Securities established IPOPEMA Business Services Kft. The core business of the subsidiary is the provision of office and business support services. Currently, the services are provided exclusively to IPOPEMA Securities 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.

2. Related Party Transactions

In H1 2010, the Company did not enter into any material related party transactions. Detailed specification of related party transactions is included in Note 23 to the interim condensed consolidated financial statements.

3. Material Events Subsequent to the Balance-Sheet Date

Change in the Shareholder Structure

In early July 2010, a material change occurred in the shareholder structure of the Company after Manchester Securities Corp. sold all of its holding (see Section 3 above). The group of investors holding 5% or more of the shares in IPOPEMA Securities S.A. and of total vote at the Company's General Shareholders Meeting was enlarged with other financial institutions.

Conclusion of Annexes to Credit Facility Agreements with Alior Bank

On July 21st 2010, the Company signed annexes to credit facility agreements with Alior Bank providing for two revolving credit facilities, contracted to finance the payment of the Company's liabilities to the National Depository for Securities in respect of the settlement of transactions concluded by the Company on the WSE (PLN 10m) and to finance the payment of 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 20th 2011.

4. Risk Factors

Below are presented the most significant, in the Management Board's opinion, risk factors specific to the business of the IPOPEMA Group or its member companies, which – if realised – may have an adverse effect on the business, financial standing, performance or development prospects of the Company and the IPOPEMA Group.

Risk Relating to the Situation on Capital Markets

The Company's financial results are primarily dependent on capital market conditions, especially the situation 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 exchange and difficulties in the execution of public offerings. It is currently difficult to be certain whether the recent clear improvement in the situation on the stock exchange is a result of a sustained reversal. Return of negative investor sentiment in a long term may have an adverse effect on the Company's financial performance.

In the case of IPOPEMA TFI, less favourable conditions on the capital markets affect investors' interest in listed securities (in particular equities) and thereby reduce revenues on 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 creating closed-end private equity funds. However, since the company is expanding its active management services, continued downturn may lead to lower revenues and earnings of IPOPEMA TFI.

Risk Relating to Competition in the Services Markets on which IPOPEMA Operates

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 markets in Poland, some new entrants have appeared, providing brokerage and advisory services on a limited scale. They 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 markets and the State Treasury's privatisation policy have translated into an increased interest in brokerage and advisory services, including services of intermediation in trading in securities provided by foreign financial institutions which establish or expand their Warsaw offices. The growing competition may result in the Company losing part of its market share and in increased downward pressure on prices of the offered services, which may ultimately have an adverse effect on the Company's financial standing.

By analogy, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and new market entrants. In the nearly three years of its operations, IPOPEMA TFI has become one of the most active participants of the Polish market in establishing closed-end investment funds; in addition to establishing new closed-end investment funds, the company's development plans include expansion into the segment of actively managed funds. IPOPEMA Business Consulting, for which 2010 is just the second year of its activities, has been growing dynamically, expanding both its client base and the team of advisors. 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 Group as a whole.

Risk Relating 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 Group and its development prospects depend to a large extent on the knowledge, experience and qualifications of the management personnel. Their work for IPOPEMA Group companies has been instrumental to its successes to date. Hence, if any of the members of IPOPEMA Group's management personnel leaves the Group, 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 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 knowledge and experience.

Given the growing market competition and a limited supply of persons having qualifications which will 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 build their future with the Group. One of the measures in this area is the incentive scheme and the applied remuneration system for employees. However, fulfilment of these plans requires increased expenditure on employee remuneration, which, due to a considerable share of salaries and wages in the operating cost structure, may have an adverse effect on the financial results of the IPOPEMA Group in the future.

Risk Relating to Settlement of Stock Exchange Transactions

The Company is a clearing member of the Polish NDS, which means that on the settlement date it is required to pay for executed buy transactions or deliver securities in order to settle executed sell transactions. The Company executes transactions for clients (holding accounts with custodian banks), who should furnish cash on account of executed buy transactions or deliver securities under buy transactions on the settlement date. However, there is a risk that a client may fail to provide cash or securities on time. In such a case, until the client has settled relevant liabilities, the Company must settle transactions using its own resources (buy transactions) or deliver securities acquired on the market (sale transactions). Additionally, there is also a risk that in the event of failure by the client to pay for a buy transaction, the Company may have to acquire securities which can be sold on less favourable terms or which cannot be sold at all. In the case of sale transactions, there is a risk that the Company may be required to acquire 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 failure to perform under the agreement (order) concerning a transaction in securities.

Risk Relating to the Nature of Investment Banking Services

Services provided by the Company in the area of investment banking, in particular advisory services to companies applying for introduction of their shares to trading on the WSE and M&A transactions, are characterised by relatively long execution periods (typically not less than several months). Given the volatile nature of capital markets and changes in decisions by the Company's clients as to their investment plans, 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). Given that a substantial part of the Company's consideration in projects of this type is represented by success fees, such decisions may have an adverse effect on the Company's financial performance.

Risk Relating to the Level of Equity and the Company's Financial Needs

As at June 30th 2010, the Company's equity was PLN 51,762 thousand, net of minority interests (PLN 47,164 thousand as at December 31st 2009). Despite the considerable level of equity, the Company uses debt financing. Under the applicable laws and regulations, the Company's total debt may not be higher than four times the Supervisory Capital Level. 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, the Company makes a contribution to the Fund using a credit facility. There is a risk that the level of equity (and, thereby, the Supervisory Capital Level) and the available debt financing will limit the turnover potentially achievable by the Company. 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 at the current level or even a substantial increase in business volumes.

It should be also noted that if the Company's clients fail to settle transactions concluded at their order 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.

Given the scope and scale of conducted business and the generated results, the current level of the Company's equity is sufficient. However, it is possible that business projects currently underway or planned in future may require a higher level of equity

In the case of any events with an adverse effect on the Company's financial performance and the resulting losses, the level of equity may be reduced, which may also limit the Company's ability to use debt financing and force the Company to scale down its business. If the equity base needs to be increased, the Company may have to increase the share capital through an issue of new shares.

Risk Relating to the Business of IPOPEMA TFI

Given the rising competition on the market of investment funds and 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' 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, IPOPEMA TFI may be unable to generate 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 future, which may have an adverse effect on revenue growth. Furthermore, IPOPEMA TFI manages an open-end umbrella investment fund (launched in March 2009 for Alior Bank's clients) and the IPOPEMA m-INDEKS FIO fund. There is a risk that if the bank or IPOPEMA TFI fails to acquire clients and assets for the funds or if IPOPEMA TFI does not achieve adequate returns the funds will not generate satisfying revenue.

Growth of IPOPEMA TFI's business also depends on obtaining relevant administrative permits (including in particular authorisations to create new funds) and on the direction of possible changes in the law governing the business activities of investment funds and taxation rules applicable to investment funds and their unit holders.

Risk Relating to the Business of IPOPEMA Business Consulting

IPOPEMA Business Consulting Sp. z o.o. was established in August 2008, with the share capital of PLN 3,000 thousand. In 2009, the first year of the company's operating activities, IPOPEMA Business Consulting generated revenue of PLN 6,351 thousand in the consulting services segment and reported a net loss of PLN 292 thousand. Further growth accompanied by tight cost control enabled the company to achieve the break-even point in the consulting services segment (a net profit of PLN 651 thousand on revenue of PLN 7,320 thousand). However, there can be no assurance that the company will acquire new clients, which may have an adverse effect on the future performance.

Risk Relating to the Operations 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 the decisions made by the Department's staff or the investment strategies they employ will be successful, and therefore those operations may bring unsatisfactory results or even result in losses.

Risk Relating to the Activities of the Portfolio Management Department

The activities conducted by the Portfolio Management Department involve investment risk. It cannot be ruled out that the team working at the Department may take wrong decisions or pursue wrong investment strategies. As a consequence, the result of the Department's operations may not be satisfactory, which in turn may lead to client churn and problems with securing new accounts.

Risk Relating to Brokerage Operations in Hungary

In March 2010, IPOPEMA Securities launched brokerage activities on the Budapest Stock Exchange (BSE). Over the first months of its operations on that market, the company steadily increased its market share, from 5.9% in March (the sixth largest market player) to 7.9% in June (the fourth largest market player). However, given the relatively short period of operation on the Hungarian market, it is difficult to assess whether the company will be able to maintain its market position in the long run and, consequently, what will be the effect of the operations on the BSE on the Company's future performance.

Risk Relating to the Function of the Payment Bank

It is a necessary condition for the beginning and maintenance of operations on the WSE by the Company (as well as other brokerage houses which are direct members of the WSE) that it has a valid agreement on Payment Bank services with a bank which is a member of the Polish NDS. The Company's Payment Bank is Alior Bank S.A. If an 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 agreeing on new terms of business. Any difficulties in prompt commencement of cooperation with another bank could even pose a risk that the Company might have to temporarily suspend its brokerage activity or market making and proprietary trading activities on the WSE, as the case may be, until a new agreement is signed.

A similar risk exists with respect to Deutsche Bank Zrt, the bank with which the Company executed an agreement regarding transactions effected on the Budapest Stock Exchange.

Risk Relating 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 may not only expose the Company to the risk of financial liability to clients for not executed or incorrectly executed orders, but may also undermine the client's 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 collected 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 actions taken by the Company.

Risk Relating to Mistakes and Errors of IPOPEMA's Employees and Breaches of Law

The IPOPEMA Group's position on the markets on which it is present relies primarily on the degree of clients' confidence in the IPOPEMA Group and its employees. The nature and scope of the Group's services requires not only employees' expertise and experience but also compliance with the procedures in place at each company of the Group, which are designed to limit the risk of mistakes and errors in the Group's operations. Although each employee of the IPOPEMA Group is obliged to know and apply the operational procedures in effect at a given company, there can be no assurance that no mistakes or errors 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 Group. Given the nature of the Company's operations, the risk of mistakes is particularly relevant to the staff operating directly on stock-exchange markets, namely the Secondary Market Department and the Market Making and Proprietary Trading Department of IPOPEMA Securities.

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 responsibility is performed by the Compliance Office. Although as at date of this Report there have been no instances of criminal or unethical conduct on part of the Company's employees, there can be no assurance that such events do not occur in the future. Any such occurrence may expose the Company to adverse administrative consequences from the 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 2010

The Management Board of IPOPEMA Securities S.A.:

_____	_____	_____	_____
Jacek Lewandowski	Mariusz Piskorski	Stanisław Waczkowski	Mirosław Borys
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board