

Directors' Report

**on the operations of
IPOPEMA Securities S.A. and the
IPOPEMA Group in 2012**

Warsaw, March 20th 2013

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Introduction

This Directors' Report was prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, and in accordance with the International Financial Reporting Standards ("IFRS") and the Polish Accountancy Act.

1. General information

The IPOPEMA Securities Group ("IPOPEMA Group") is a financial institution specialising in the provision of brokerage services and equity research, as well as investment banking services (through the Parent – IPOPEMA Securities S.A. – the "Company"), creation and management of closed-end and open-end investment funds (through subsidiary IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. – "IPOPEMA TFI"), as well as asset management services (through subsidiary IPOPEMA Asset Management S.A. – "IPOPEMA AM"), and business and IT consultancy services (through subsidiary IPOPEMA Business Consulting Sp. z o.o. – "IPOPEMA BC").

IPOPEMA's operating history dates back to May 2003, when Dom Inwestycyjny IPOPEMA S.A. was established to provide advisory services related to the preparation and execution of capital market transactions. In pursuance of the strategy to provide comprehensive investment banking services, in June 2005 DI IPOPEMA established a subsidiary, Dom Maklerski IPOPEMA S.A., which concentrated on the services relating to the execution of public offerings. In the second half of 2006, DI IPOPEMA's business was transferred to DM IPOPEMA, whose name was changed to IPOPEMA Securities S.A. In October 2006, the range of services offered by the Company was expanded to include brokerage services on the secondary market of the Warsaw Stock Exchange and – in subsequent years – on foreign markets. The IPOPEMA Group was extended by adding IPOPEMA TFI in 2007, IPOPEMA Business Consulting in 2008, and IPOPEMA Asset Management in 2011.

As part of its brokerage business, IPOPEMA Securities provides comprehensive intermediation services for institutional clients related to securities trading on the Warsaw Stock Exchange ("WSE") and on the Budapest Stock Exchange ("BSE"), and since 2012 also on the Prague Stock Exchange ("PSE"). Since 2010 the Company has been also providing intermediation services in debt instruments trading outside the regulated market. The Company's partners include both high-profile international financial institutions and most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers. The brokerage operations of IPOPEMA Securities are supported by a team of analysts, who prepare research reports, recommendations and comments on more than 70 companies listed on the WSE, BSE and PSE.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities also specialises in the provision of comprehensive financial restructuring services.

IPOPEMA TFI's business focuses on the creation and management of both closed-end investment funds (targeted at high-net-worth individuals and corporate clients) and open-end investment funds (offered to a wide group of retail investors).

IPOPEMA AM provides discretionary portfolio management services (asset management) involving personalised investment strategies to institutional clients (insurers, investment funds, non-profit organisations) and individuals.

IPOPEMA Business Consulting Sp. z o.o. focuses on the provision of consultancy services in the area of corporate strategies and operations, as well as IT consultancy services.

2. Financial highlights and overview of the financial standing of the IPOPEMA Group

Consolidated financial highlights (PLN '000)	2012	2011
Total revenue, including	94,110	112,338
<i>Brokerage and related services</i>	52,005	72,427
<i>Investment fund and asset management</i>	28,378	22,458
<i>Consultancy services</i>	13,727	17,453
Cost of core activities	80,058	83,140
Profit on core activities	14,052	29,198
Operating profit	14,900	30,547
Net profit for the period	9,886	26,118

Revenue

Market conditions in 2012 were considerably more challenging than in 2011, which was reflected in the IPOPEMA Group's revenue – the total revenue of PLN 94,110 thousand earned in 2012 was 16.2% down year on year.

The most significant source of the Group's revenue continued to be securities trading, which generated PLN 37,799 thousand in revenue in 2012 (40.2% of consolidated revenue from core activities). Unfortunately, given the significantly lower trading volumes on the WSE and BSE (down 25.3% and 39.1% year on year, respectively), revenue in this category fell 34.5% from 2011.

The investment banking business turned out to be the most resilient to the difficult market conditions in 2012. The segment reported revenue of PLN 13,781 thousand, close to the level of 2011 (PLN 14,481 thousand).

In 2012, the investment fund and portfolio management business (IPOPEMA TFI and IPOPEMA Asset Management) recorded a year-on-year growth in revenue of 26.4% (PLN 28,378 thousand relative to PLN 22,458 thousand in 2011). The key drivers of the growth included a rise in the number of managed funds, higher value of assets held by the funds, and consolidation of revenue generated by IPOPEMA Asset Management for the whole year (in 2011, it was consolidated only in Q4).

In 2012, revenue generated by the consulting business (IPOPEMA Business Consulting) amounted to PLN 13,727 thousand (14.6% of the Group's total revenue), having dropped by 21.3%, from PLN 17,453 thousand in 2011.

On a separate basis, revenue of IPOPEMA Securities for 2012 amounted to PLN 52,057 thousand (2011: PLN 72,767 thousand).

Costs and expenses

Despite higher costs posted by the investment fund management segment, lower costs of operations posted in other segments resulted in total costs of operations declining in 2012 by 3.7% year on year (from PLN 83,140 thousand in 2011 to PLN 80,058 thousand).

In 2012, total costs of operations in the brokerage services segment stood at PLN 43,027 thousand and were down 16.0% on 2011 (PLN 51,224 thousand), mainly due to lower transaction costs and lower cost of salaries and wages.

The increase in costs of operations in the investment fund and portfolio management segment (by 39.9%, to PLN 25,513 thousand) followed mainly from the fact that compared with 2011 the segment was expanded to include IPOPEMA Asset Management, whose financial figures, including costs of operations, were consolidated in 2012 for the whole year, while in 2011 only the figures for Q4 2011 were consolidated.

Costs of operations in the consulting services segment in 2012 dropped by 15.8% year on year, from PLN 13,675 thousand to PLN 11,518 thousand.

Expenses connected with the valuation of the share option plans operated by the Company amounted to PLN 105 thousand in 2012 (2011: PLN 162 thousand).

Net profit (loss)

A significant fall in total revenues, combined with a less substantial reduction in total cost of operations had a material adverse impact on the overall financial performance of the Group. In 2012, consolidated profit on core activities was PLN 14,052 thousand (2011: PLN 29,198 thousand). Operating profit and net profit stood at PLN 14,900 thousand and PLN 9,886 thousand, respectively, compared with PLN 30,547 thousand and PLN 26,118 thousand, respectively, in 2011 (it should be noted that the 2011 results included a one-off gain of PLN 4,589 thousand on bargain purchase of CSAM).

As IPOPEMA Securities' equity interest in IPOPEMA Business Consulting is 50.02%, profit attributable to owners of the parent was PLN 9,054 thousand, and profit attributable to non-controlling interests was PLN 832 thousand.

IPOPEMA Securities' net profit for 2012 as shown in its separate financial statements was PLN 8,528 thousand (2011: PLN 15,585 thousand). It was higher by PLN 4,952 thousand than the figure disclosed (as profit of the brokerage and related services segment) in the consolidated financial statements for the same period, mainly due to dividends of PLN 3,800 thousand and PLN 1,101 thousand received from IPOPEMA TFI and IPOPEMA Business Consulting, respectively, that were eliminated in the consolidated financial statements.

The net profit of the investment fund and portfolio management segment for 2012 was PLN 4,612, up by 19.8% on 2011, when it amounted to PLN 3,851 thousand.

Despite a drop in the costs of operations of the consulting services segment, a more substantial drop in revenue drove down the net profit to PLN 1,698 thousand in 2012 (2011: PLN 3,187 thousand).

Analysis of the statement of financial position of the IPOPEMA Group

The key items of the Company's consolidated statement of financial position are current receivables and current liabilities, which as at December 31st 2012 accounted for 65.4% and 89.4% of the balance-sheet total, respectively. Current receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities, not yet settled at the Polish National Depository for Securities. In the case of buy transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises liabilities towards the parties to such market transactions (brokerage offices and brokerage houses, known as the anonymous party to a transaction) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on the WSE on behalf of clients whose accounts are maintained by custodian banks, the Company recognises receivables from the parties to such market transactions and liabilities towards the clients on behalf of whom such sell trades have been executed.

Cash as at December 31st 2012 stood at PLN 254,781 thousand, which accounted for 32.1% of total assets. Of that amount, PLN 218,400 thousand was clients' cash.

As at the end of 2012, equity accounted for 9.1% of the balance-sheet total (PLN 72,072 thousand). The outstanding amount of interest-bearing debt under a short-term working capital facility contracted by IPOPEMA Securities to finance contributions to the Stock-Exchange Transactions Settlement Guarantee Fund and to settle transactions amounted to PLN 25,213 thousand as at December 31st 2012 (3.2% of the balance-sheet total).

Assessment of financial resources management

IPOPEMA Securities S.A. and other Group companies meet their liabilities as they fall due. Given the fact that the high level of current liabilities related to transactions in securities is offset by the high level of receivables from such transactions, and the amount of cash held by the Company, there is no risk to the Company's liquidity.

Explanation of differences between financial performance and published financial performance forecasts

The Company did not publish any performance forecasts.

Material off-balance sheet items

As at December 31st 2012, off-balance-sheet items in the Company's financial statements amounted to PLN 4,296 thousand. Nearly all of this amount is attributable to a forward contract hedging a currency position (deposit with a Czech branch of Deutsche Bank, related to transaction settlements on the Czech market).

Capital expenditure

Total capital expenditure incurred by the IPOPEMA Group in 2012 amounted to PLN 4,161 thousand and included expenditure to purchase property, plant and equipment (PLN 2,619 thousand) and intangible assets (PLN 1,542 thousand). As at the date of the financial statements, the Group did not plan any material investments that would require financing other than internal funds of the Group companies.

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

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

In 2012, sharp swings in investor sentiment continued on the Warsaw Stock Exchange. After stocks rallied in Q1 2012, a correction followed in Q2 2012, with the WIG index having nosedived close to the lows observed in the second half of 2011. Since June 2012, WIG has been in an uptrend again. However, compared with 2011 the present uptrend is accompanied by substantially lower trading volumes – in 2012 the total value of trading session transactions went down 25.3% year on year. On the Budapest Stock Exchange, the total value of trades on the equity market in 2012 was down by 39.0% on 2011.

The Company managed to slightly increase its share in trading on the WSE (from 8.26% in 2011 to 8.29% in 2012), while increased competition on the BSE pushed the Company's share a little lower - from 7.23% in 2011 to 6.91% in 2012.

Those factors, and particularly the markedly lower trading volume on the WSE, translated into a 34.5% drop in the Company's revenue from securities trading (from PLN 57,683 thousand in 2011 to PLN 37,799 thousand in 2012).

Investment banking services

Market conditions in 2012 were also a little less favourable for the capital raising business compared with 2011. Although a modest recovery was seen at the beginning of 2012 after a complete freeze of market activity in the second half of 2011, investors' uncertainty as to further market developments contributed to lower company valuations, which put nearly all new public offerings into a halt. Market sentiment improved to some extent only in Q4 2012, when two major public offerings took place – the IPO of ZE PAK, with the Company as a joint bookrunner, and the IPO of Alior Bank, with the Company as a global joint coordinator and the offering broker. As a result, IPOPEMA Securities' 2012 revenue from investment banking services amounted to PLN 13,781 thousand (compared with PLN 14,481 thousand in 2011), which should be considered a good result given the adverse market conditions. The result was driven by the Company's strong activity in investment banking services – IPOPEMA Securities was distinguished by the WSE and the Parkiet daily as the brokerage house with the largest value of IPO transactions in 2012.

IPOPEMA TFI's and IPOPEMA AM's activities

The key drivers of the considerable increase in revenue from fund and portfolio management (up 26.4%, to PLN 28,378 thousand) included an increase in the number of funds, higher value of assets held by the funds managed by IPOPEMA TFI, and consolidation of revenue generated by IPOPEMA Asset Management for the whole of 2012 (in 2011, only the results for Q4 2011 were consolidated). As at the end of 2011, IPOPEMA TFI had 56 funds under management, with an aggregate asset value of PLN 6.1bn. As at the end of 2012, the number of funds rose to 85 (including subfunds), and the aggregate value of their assets grew to PLN 7.8bn. Despite the strong rise in costs of operations (by 39.9%), the high revenue growth in 2012 translated into a 20% increase in the net profit reported by the asset management segment (to PLN 4,612 thousand, from PLN 3,851 thousand in 2011).

IPOPEMA Business Consulting

The more challenging market environment had an adverse impact on IPOPEMA Business Consulting as well. The company posted PLN 13,728 thousand in revenue in 2012, down by 21.3% year on year. Despite having reduced cost of operations by 15.8% (from PLN 13,675 thousand to PLN 11,518 thousand), the drop in revenue translated into lower net profit of PLN 1,698 thousand (2011: PLN 3,187 thousand).

4. Factors which may affect the 2013 performance

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

Ever since the Company's markets (and global markets) collapsed in mid-2011, market sentiment has been highly volatile. Following a rebound in Q1 2012, a deep correction was recorded in Q2 2012, with the rock bottom hit in early June 2012, whereafter WIG re-entered an uptrend. It must be noted, however, that the recent recovery is accompanied by substantially lower trading volumes (compared with Q1 2012, trading value in subsequent quarters went down by 23%, 18% and 18%, respectively). The trading observed in 2013 gives reasons to feel optimistic, but it must be remembered that the high value of January trading was an outcome of a few large block transactions. It is therefore difficult to predict how the market situation will unfold in 2013. The situation on the BSE and PSE markets was similar – despite the fact the markets' main indices have been rising since mid-2012, no increase in trading volume has been observed.

Further increase in IPOPEMA Securities' involvement in investment banking projects

In 2012, investors' uncertainty as to further market developments contributed to low company valuations, which discouraged new public offerings. Nonetheless, the privatisation of ZE PAK completed in Q3 2012 (with the Company as joint bookrunner) and the IPO of Alior Bank – the largest private IPO in the history of the WSE (with the Company as global coordinator and offering broker), as well as the sale by the State Treasury of a significant equity interest in PKO BP in January 2013 (with the Company as joint bookrunner) may bode well for the future. The Company is working on new equity transactions and will make attempts at winning new clients, including from sectors more resilient to the volatile sentiment on the stock-exchange market.

Further expansion of IPOPEMA TFI's and IPOPEMA AM's business

The deterioration of market conditions on the WSE in the second half of 2011 not only caused an outflow of clients' money from investment funds, but also undermined investors' confidence in this type of products, as evidenced by the very limited inflow of new funds and redemptions of investment fund units. The trend reversed in February 2012 (after six successive months of asset erosion) and by the end of July 2012, despite uncertainty still running high among investors, Polish investment funds reported net subscriptions. Following a slight downturn in August and September, in subsequent months (until February 2013) investment funds had been registering asset inflows again. While investor sentiment in the following months of the year is difficult to predict, a possible revival of clients' interest in investment funds should improve the performance of the fund and portfolio management segment. However, a large proportion of IPOPEMA TFI's revenue (from management of closed-end funds) does not depend on the value of the funds' assets and, consequently, on market conditions.

Further expansion of IPOPEMA Business Consulting's business

In 2013, the key drivers of IPOPEMA Business Consulting's operations will include continued execution of its existing contracts and new additions to the order book, with a concurrent tight cost control.

5. Business profiles of IPOPEMA Securities and the IPOPEMA Group

5.1 Key markets, clients and suppliers of IPOPEMA Securities and the IPOPEMA Group

Key markets of the IPOPEMA Group

In the area of intermediation in securities trading, the key markets for IPOPEMA Securities are the Warsaw Stock Exchange and the Budapest Stock Exchange. Since Q1 2012, the Group has been also expanding brokerage activities on the Czech market.

In the investment banking area, the Company offers services to both domestic and foreign clients, handling equity transactions and providing advisory services mainly on the domestic market.

IPOPEMA TFI operates on the investment fund market, managing both closed-end investment funds as well as open-end investment funds, which are targeted at a wide group of retail clients. In the area of open-end investment funds, consistent efforts are being made to strengthen IPOPEMA TFI's market position.

In the area of securities portfolio management services, IPOPEMA AM focuses on the Polish market.

IPOPEMA Business Consulting operates primarily on the Polish business and IT consultancy market, focusing on advisory services relating to strategy, operational management and IT management.

Key clients

Clients of the Company's brokerage business include both high-profile international financial institutions and leading local intermediaries (including branches of major investment banks). IPOPEMA Securities' clients include most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers.

The investment banking services of IPOPEMA Securities are used by a wide variety of clients. They include companies already listed on the WSE, for whom IPOPEMA Securities prepares secondary offerings or provides advice on M&A transactions. The Company prepares and executes initial public offerings for private companies, advises such companies on M&A transactions and capital raising, and provides financial advisory services, including services related to financial restructuring. In addition, the Company arranges exits for significant shareholders of public companies (both private individuals and legal persons), effected through sale of shares on the WSE or through private placements.

IPOPEMA TFI's offering is targeted primarily at high-net-worth individuals. They include in particular major shareholders of companies listed on the WSE or large private enterprises. At the same time, the company is consistently expanding its business in the area of open-ended investment funds targeted at a wide group of retail investors, where IPOPEMA TFI cooperates with third-party distributors.

IPOPEMA AM's clients primarily include insurers, investment funds, non-profit organisations and high-net-worth individuals.

IPOPEMA Business Consulting concentrates on services to corporate clients from the following sectors: industrial, energy, consumer goods, trade and distribution, IT and telecommunications.

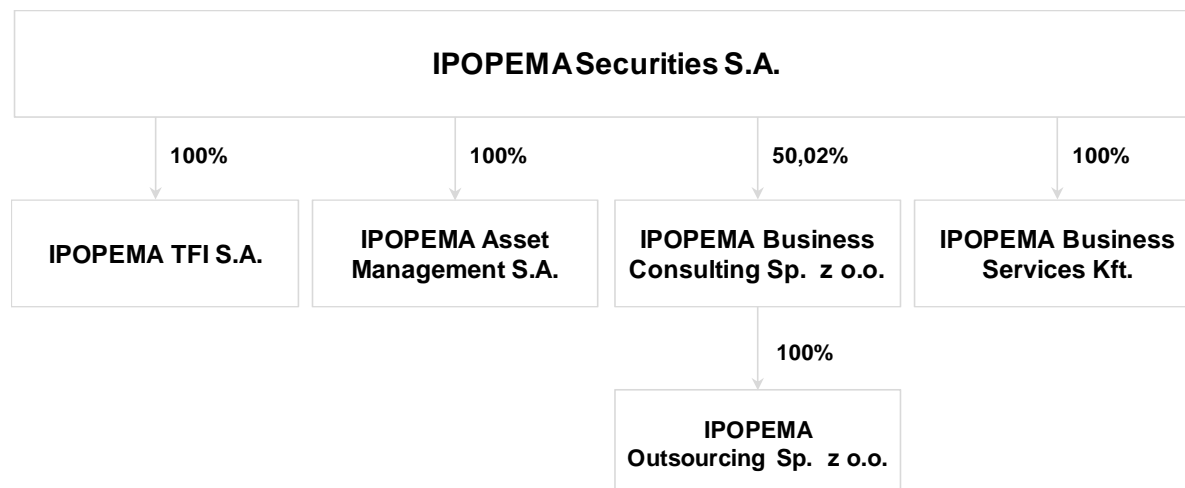
In 2012, no client accounted for more than 10% of the Group's revenue.

Key suppliers

The Company works with several providers of services (including banking services, clearing services for brokerage activities, office space lease, or IT services), however, none of them has a position which would give it advantage over the Company, including by making the Company dependent on the services of a single provider or imposing on the Company disadvantageous terms of trade. The most significant item of service costs were transaction costs (payable to stock exchanges and clearing houses), which in 2012 accounted for 13.4% of consolidated costs of operations.

5.2 Organisational structure of the IPOPEMA Group

The Group of IPOPEMA Securities S.A. consists of IPOPEMA Securities S.A., which is the parent, and subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Asset Management S.A., IPOPEMA Business Services Kft, and IPOPEMA Outsourcing Sp. z o.o. (a wholly-owned subsidiary of IPOPEMA Business Consulting). IPOPEMA Securities, IPOPEMA TFI, IPOPEMA AM and IPOPEMA BC are consolidated, while IPOPEMA Business Services and IPOPEMA Outsourcing have been excluded from consolidation given the immateriality of their financial information.



In 2012, the IPOPEMA Group came to include IPOPEMA Outsourcing Sp. z o.o., which is to support the activities of IPOPEMA Business Consulting, but was not operational in the year under analysis. The Company and its subsidiaries did not operate branches.

5.3 Development prospects and strategy of the IPOPEMA Group

In line with its development strategy, IPOPEMA Securities - as one of Poland's leading brokerage houses in selected segments of the brokerage business and investment banking services - will seek to become a leading CEE brokerage office. The IPOPEMA Group's operations will continue to focus on services to institutional clients – both investors and companies – and high-net-worth individuals who are looking for active advice on asset management or who are significant shareholders of business entities (including public companies). A comprehensive range of services and substantial synergies within the Group will allow the Company and its subsidiaries to build and tighten their relations with clients by offering them a variety of products for each stage of business development.

In the brokerage services segment, in addition to the activities conducted on the Hungarian market, in Q1 2012 the Company launched operations on the Czech market (having become a member of the Prague Stock Exchange (PSE) in Q4 2011). An important factor in establishing the Company's presence in the region is further expansion of its research coverage (which already includes more than 70 companies listed on the WSE and BSE) to include the largest companies listed on the stock exchange in Prague (since December 2012 the Company's Research Department has been providing coverage for Komerční Banka). Within the investment banking business, the Company intends to become one of the most active brokerage offices in the area of services related to capital market transactions, with diversified revenue sources.

IPOPEMA TFI still intends to further strengthen its position on the market of investment fund companies offering units of closed-end funds, as well as to further increase the amounts of cash managed under the already fairly developed offering of active management funds and funds targeted at retail clients. The addition of IPOPEMA AM fits within the IPOPEMA Group's development strategy in the area of asset management for institutional and corporate clients, and allowed the Group to significantly expand the asset management business and to extend its product offering.

IPOPEMA Business Consulting intends to further entrench its position on the consultancy services market by acquiring new clients (domestic and from Central and Eastern Europe) and entering into cooperation with global players on the consultancy and IT markets to implement joint projects.

5.4 Related-party transactions

In 2012, the Company did not enter into any material related-party transactions. For details of related party-transactions, see Note 25 to the annual consolidated financial statements.

5.5 Important corporate events in 2012 and 2013 until the date of release of the financial statements

Subscription for shares under the Incentive Scheme

As part of the Incentive Scheme launched in 2009, in 2012 and 2013 successive pools of shares were made available under Share Option Plan II (for which 714,285 shares were earmarked, with 212,500 shares subscribed for in 2011), which affected the amount of the Company's share capital. In particular, in 2012 a total of 197,321 shares were subscribed for, as a result of which the share capital was increased by PLN 19,732.10, to PLN 2,975,212.20. This year, the number of shares subscribed for is 185,714, leading to a further share capital increase (by PLN 18,571.40, to PLN 2,993,783.60).

All the shares were issued within the limits of conditional share capital, and their issue price was PLN 5 per share. The shares were registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange, following assimilation with the existing Company shares.

Considering the rules of the Incentive Scheme it should be mentioned that awarding of the rights to subscribe for shares within the limit of conditional share capital was subject to a resolution of the Management Board.

Dividends from IPOPEMA TFI and IPOPEMA Business Consulting

In 2012, IPOPEMA Securities S.A. received first dividends from two subsidiaries: IPOPEMA TFI - PLN 3,800 thousand, and IPOPEMA Business Consulting - PLN 1,101 thousand (in the form of interim dividend from 2012 profits, totalling PLN 2,200 thousand, of which the Company received PLN 1,101 thousand). While the dividend amounts are the Company's finance income and are disclosed in its separate financial statements, they are eliminated from the IPOPEMA Group's consolidated financial statements.

5.6 Awards and distinctions

In January 2012, IPOPEMA came in second in the 2011 ranking of best-performing capital market teams. The ranking was published in the *Parkiet* and *Rzeczpospolita* dailies, with its key criterion being the total value of primary market transactions launched on the WSE in 2011.

In February 2012, the Company was also presented with the first prize awarded by the WSE in the category "Largest number of IPOs launched on the WSE in 2010-2011".

Moreover, IPOPEMA took the second place in a ranking of best research teams selected by institutional investors, which is published by the *Forbes* monthly. In the individual ranking, two analysts of the Research Department at IPOPEMA Securities were in the top ten.

The Company also ranked second on the list of best brokerage houses selected by institutional investors (*Forbes* 10/2012), but was the only brokerage house to take the first place in as many as three categories (professionalism, quality of service on the WSE secondary market and quality of research and recommendations).

In 2013, IPOPEMA Securities came first in the *Parkiet's* ranking of the best capital market teams in 2012, and received an award from the WSE for floating shares of the highest value as part of IPOs in 2012.

5.7 Research and development

The Company and the IPOPEMA Group are not involved in any R&D activities.

5.8 Changes in significant management policies

In 2012, the Company and its subsidiaries did not change their significant management policies.

6. Share capital and shareholder structure of IPOPEMA Securities S.A.

6.1 Change in the share capital of IPOPEMA Securities S.A.

As stated in Section 5.5, in February 2012 and February 2013 shares were issued for the purposes of the Incentive Scheme operated by the Company. The shares were issued as part of a conditional increase in the share capital pursuant to Resolution No. 3 of the Extraordinary General Meeting ("EGM") of December 5th 2007 (as amended by Resolution No. 5 of the EGM dated March 20th 2009). Accordingly, on February 20th 2012 the Company's share capital was increased by PLN 19,732.10 through the issue of 197,321 Series C ordinary registered shares, i.e. up to PLN 2,975,212.20. On March 7th 2012, the shares were registered with the Polish NDS and were converted, in line with the Articles of Association, into bearer shares with effect from that date. Therefore, as at December 31st 2012 the Company's share capital was divided into 29,752,122 ordinary bearer shares (including 7,000,000 Series A shares, 21,571,410 Series B shares and 1,180,712 Series C shares), registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange. Following the issue of the shares, the share premium of PLN 966,872.90 was allocated in full to the Company's statutory reserve funds.

February 2013 saw two further share capital increases (by a total of PLN 18,571.40), through the issue of 185,714 Series C ordinary registered shares, which were registered with the Polish NDS and converted into bearer shares (on February 21st and March 4th 2013). Consequently, the share capital was increased to PLN 2,993,783.60 and is divided into 29,937,836 ordinary bearer shares (including 7,000,000 Series A shares, 21,571,410 Series B shares, and 1,354,819 Series C shares). Following the issue of the shares, the share premium of PLN 909,998.60 was allocated in full to the Company's statutory reserve funds.

6.2 Change in share capital of other companies of the IPOPEMA Group

In 2012, the share capital of other companies of the IPOPEMA Group did not change.

6.3 Shareholder structure of IPOPEMA Securities S.A.

As at December 31st 2012, the shareholder structure of the Company (shareholders holding 5% or more of shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Meeting) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
IPOPEMA 10 FIZAN ¹	2,851,420	9.58%
OFE PZU Złota Jesień*	2,770,000	9.31%
IPOPEMA PRE-IPO FIZAN ²	2,188,370	7.36%
KL Lewandowska S.K.A. ³	2,086,749	7.01%
JLK Lewandowski S.K.A. ⁴	2,066,249	6.94%
JLS Lewandowski S.K.A. ⁴	2,066,249	6.94%
Aviva OFE Aviva BZ WBK*	1,562,539	5.25%
Total shareholders holding over 5% of the share capital	15,591,576	52.39%

* Based on notifications received by the Company from the shareholders.

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

² The main investors in the Fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

³ Subsidiary of Katarzyna Lewandowska.

⁴ Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

As at the date of approval of this Report (taking into account the share issue for the purposes of the Incentive Scheme, discussed in Section 6.1 above), the shareholder structure of the Company (shareholders holding 5% or more of shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Meeting) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
IPOPEMA 10 FIZAN ¹	2 851 420	9,52%
OFE PZU Złota Jesień*	2,770,000	9,25%
IPOPEMA PRE-IPO FIZAN ²	2 188 370	7,31%
KL Lewandowska S.K.A. ³	2,086,749	6,97%
JLK Lewandowski S.K.A. ⁴	2,066,249	6,90%
JLS Lewandowski S.K.A. ⁴	2,066,249	6,90%
Aviva OFE Aviva BZ WBK*	1,562,539	5,22%
Total shareholders holding over 5% of the share capital	15,591,576	52,07%

* Based on notifications received by the Company from the shareholders.

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

² The main investors in the Fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

³ Subsidiary of Katarzyna Lewandowska.

⁴ Subsidiary of Jacek Lewandowski, President of the Company's Management Board.

Except for the arrangements under the Incentive Scheme described in Section 5.5, the Company did not enter into any agreements which could result in future issues of shares, leading to changes in the proportion of shares held by the Company's existing shareholders.

6.4 Share buy-back

Except for transactions executed as part of the Company's brokerage activities (intermediation in equities trading on the WSE), the Company did not purchase any of its own shares.

7. Management and supervisory personnel

Remuneration of members of management and supervisory personnel

The table below presents the remuneration for 2012 (both paid and potentially payable) and additional benefits (healthcare benefits financed by the Company) received by the Management Board members from the Company:

First name and surname	2012 (PLN '000)	2011 (PLN '000)
Jacek Lewandowski	1,044	1,272
Mirosław Borys	619	722
Mariusz Piskorski	769	960
Stanisław Waczkowski	2,153	3,820

Members of the Management Board of IPOPEMA Securities did not receive any remuneration from its subsidiaries.

The table below presents the remuneration received for 2012 from IPOPEMA Securities by the Supervisory Board members for the performance of their supervisory duties:

First name and surname	2012 (PLN '000)	2011 (PLN '000)
Jacek Jonak	20	22
Janusz Diemko	14	18
Roman Miler	-	5
Bogdan Kryca	16	18
Wiktor Sliwinski	2	2
Małgorzata Adamkiewicz	3	-
Zbigniew Mrowiec	-	-

In 2012, members of the IPOPEMA Securities Supervisory Board did not receive remuneration from the subsidiaries.

Changes in the number of shares held by members of management and supervisory personnel

The number of shares held by members of the management and supervisory personnel did not change during 2012 or to date in 2013.

The table below presents information on the number of shares held (directly or through controlled entities) by members of the management and supervisory personnel of IPOPEMA Securities as at December 31st 2011:

Person	No. of shares and votes	% of ownership interest 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 6.3, shares in IPOPEMA Securities S.A. are also held by KL Lewandowska S.K.A., a subsidiary of Katarzyna Lewandowska, Jacek Lewandowski's wife.

The table below presents information on the number of shares held (directly or through controlled entities) by members of the management and supervisory personnel of IPOPEMA Securities as at December 31st 2012 and as at the date of the financial statements:

Person	No. of shares and votes	% of ownership interest and total vote as at Dec 31 2012	% of ownership interest and total vote as at the date of the financial statements
Jacek Lewandowski – President of the Management Board ¹	6,320,868	21.25%	21.11%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.56%	10.50%
Mariusz Piskorski – Vice-President of the Management Board	965,000	3.24%	3.22%
Mirosław Borys – Vice-President of the Management Board	696,428	2.34%	2.33%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.49%	1.48%
Total	11,568,005	38.88%	38.64%

¹ As presented in the table in Section 6.3, shares in IPOPEMA Securities S.A. are also held by KL Lewandowska S.K.A., a subsidiary of Katarzyna Lewandowska, Jacek Lewandowski's wife.

Other than the Company shares specified above, members of the Company's management and supervisory personnel did not hold (directly or indirectly) any shares in subsidiaries of IPOPEMA Securities.

Agreements concluded with members of management and supervisory personnel

In 2008, the Company entered into agreements with two Management Board members (Mirosław Borys and Mariusz Piskorski), under which each of them is entitled to compensation equal to three times their monthly salary if they are removed from the Management Board or not reappointed for another term of office (subject to conditions set forth in the agreements) or their remuneration terms are changed to less favourable.

8. Litigations

The Company is a party to court proceedings before the Warsaw Regional Court – XIV Labour and Social Insurance Division, which have been initiated on the basis of appeals lodged by the Company against decisions of the Social Insurance Institution (I Warsaw Branch) determining the base for the computation of contributions to social insurance, health insurance, Labour Fund and the Guaranteed Employee Benefits Fund, for the period from January 2009 to February 2010. For more information, see Notes 66 and 67 to the Company's financial statements.

9. Credit facility agreements, sureties, guarantees and other agreements

Credit facility agreements

The Company is a party to agreements made on July 22nd 2009 with Alior Bank, which provide for two working-capital overdraft facilities (bearing variable interest) which are used for payment of liabilities to the Polish National Depository of Securities in connection with the brokerage business conducted by the Company. The agreements are extended every year, and were also extended in 2012. Their current expiry date is July 19th 2013.

Agreements concluded in the ordinary course of business

In 2012, IPOPEMA Securities S.A. concluded a dozen or so agreements for the provision of brokerage services, as well as a similar number of agreements for the provision of investment banking services. IPOPEMA TFI entered into several dozen agreements to create closed-end investment funds, and IPOPEMA Asset Management into several asset management agreements. IPOPEMA Business Consulting made several dozen agreements with clients for the provision of advisory services in 2012.

Loans, guarantees and sureties

In 2012, the Company did not receive and did not provide any sureties or loans (other than loans to employees). Two bank guarantees were issued for the benefit of IPOPEMA Securities, one by Nordea Bank Poland, for the amount of EUR 268 thousand (in connection with lease of office space), and one by BRE Bank, for the amount of EUR 2.5m (in connection with services provided by Deutsche Bank, consisting in settlement and clearance of transactions made on the BSE). For detailed information on those guarantees, see Note 46 to the Company's financial statements.

Shareholder agreements

The Management Board of IPOPEMA Securities S.A. is not aware of any agreements between the Company's shareholders.

10. Risk factors and threats

Below are presented risk factors specific to the business of the IPOPEMA 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 Group.

Risk related to the situation on capital markets

The Company's financial results depend primarily on capital market conditions, especially in Poland. The economic slowdown is taking a toll on the performance of global stock exchanges, including the Warsaw Stock Exchange, Budapest Stock Exchange, and Prague Stock Exchange, where the Company operates. The capital market downturn affects the Company's revenue through lower trading volumes on the stock exchanges and challenging conditions for execution of public offerings. It is currently difficult to predict with reasonable certainty whether the recovery seen on the global stock markets in Q4 2012 means a lasting reversal of the downward trend.

With respect to IPOPEMA TFI, the less favourable climate on the capital markets discourages investment in listed securities (mainly equities) and thereby affects revenue from active management services. To date, this has had a limited effect on the performance of IPOPEMA TFI, as it focuses on creating closed-end private equity funds. However, since the company is expanding its active management business, a prolonged market downturn may erode revenues and earnings of IPOPEMA TFI (particularly due to difficulties in acquiring new assets for management or even maintaining their current volumes).

Likewise, in the case of IPOPEMA AM, the factor of crucial importance to its operations is the market sentiment, which drives equity and debt instrument prices, thus affecting the value of assets under management and revenue from portfolio management services.

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

In recent years, many new companies have entered the market on which IPOPEMA Securities S.A. operates. In addition to brokerage houses which have operated for a number of years and 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. They are established by individuals with relevant professional experience, who can guarantee a standard of service comparable to that offered by Poland's leading brokerage institutions. Furthermore, the recent significant growth of the Polish capital market and the State Treasury's privatisation policy have translated into a surge of interest in the brokerage and advisory business from foreign financial institutions, which establish or expand their offices in Warsaw. The growing competition, including from remote brokers operating at the WSE, 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 position.

Similarly, IPOPEMA TFI, IPOPEMA Asset Management and IPOPEMA Business Consulting compete against companies with established market positions and new market entrants. Over the five years of its operation, IPOPEMA TFI has become one of the most active players on the Polish market in terms of creating closed-end investment funds, and continues to expand its offering and strengthen its position on the market of actively managed funds. IPOPEMA AM is one of the longest-standing businesses on the Polish asset management market. After a dozen or so years of operations (formerly as Credit Suisse Asset Management (Polska) S.A.), the company holds a firm position and boasts extensive experience in the area of asset management for institutional and individual investors. IPOPEMA Business Consulting continues to grow dynamically in the fifth year of its active operation, consistently expanding its client base and order book. Nonetheless, there can be no assurance that the competitors' activities will not stand in the way of the development plans of IPOPEMA TFI, IPOPEMA AM, and IPOPEMA Business Consulting; if so, this may have an adverse effect on the future results of the IPOPEMA 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 IPOPEMA Group's business and development prospects largely depend on the knowledge, experience and qualifications of the management personnel. Their work for the IPOPEMA Group has been a key factor behind its success to date. Hence, if any of the members of the IPOPEMA 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 Group companies must retain highly qualified staff. The nature of the Company's business requires that part of IPOPEMA Securities', IPOPEMA TFI's and IPOPEMA AM's employees, in addition to having relevant experience, meet formal requirements for the provision of brokerage or investment advisory services. Besides, to ensure its continued development, the Group needs to hire new employees with relevant competencies and experience.

Given the strong competition and a limited availability of qualified professionals that guarantee the required level of service, 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 Group companies in the future.

Risk related to settlement of stock exchange transactions

The Company is a clearing member of the Polish national securities depository KDPW_CCP, 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 clearing 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, for the purpose of the transaction clearing the Company must use 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 acquire securities which it may be unable to sell on equally favourable terms or which it may be unable to sell at all. In the case of sell transactions, there is a risk that the Company may need 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 seeking introduction of their shares to trading on the WSE as well as 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 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). As 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 requirements of the Company and the IPOPEMA Group

In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund managed by KDPW_CCP. 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, the Company's ability to use debt financing may be limited and it may be necessary for the Company to scale down its business or increase its equity base.

To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and 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, including the separate and consolidated capital adequacy requirements, 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 December 31st 2012: PLN 59,342 thousand and PLN 72,072 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 operations (particularly as regards potential new business projects) will require the equity to be increased. The necessity to increase the equity base may also extend to other Group companies, namely IPOPEMA AM, which,

being a brokerage house, is subject to the same regulatory requirements as IPOPEMA Securities S.A., and IPOPEMA TFI S.A., which may be subject to additional risk estimation and capital requirement obligations as a result of potential regulatory changes affecting investment fund companies.

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 the 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), the 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. In connection with the above and the fact that in the case of selected funds IPOPEMA TFI's consideration depends on the funds' performance against an agreed benchmark rate of return, the risk that the fund managers will not meet the targets and that the clients will discontinue their relationship with IPOPEMA TFI may cause IPOPEMA TFI to be unable to generate the assumed level of revenue.

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 to a certain extent on whether it is able to secure relevant administrative approvals (particularly to create new funds), as well as the direction of possible changes in the legal environment relevant 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 the 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 business of IPOPEMA Asset Management

IPOPEMA AM's business is primarily exposed to investment risk. It cannot be ruled out that the IPOPEMA AM's managing personnel will not make wrong decisions or pursue wrong investment strategies, which may result in the loss of current clients and difficulties in winning new clients, and may thus have a negative effect on IPOPEMA AM's performance.

Risk related to brokerage operations in Hungary and the Czech Republic

In three years of its operations on the Hungarian market, the Company gained a significant market share (6.95% in 2010, 7.23% in 2011 and 6.91% in 2012) similar to that seen on the Warsaw Stock Exchange. However, due to economic and political instability in Hungary, it is still difficult to predict how the situation prevailing on the Budapest Stock Exchange will develop in the future and how it will affect the performance of IPOPEMA on that market.

In Q1 2012, IPOPEMA Securities launched brokerage activities on the Prague Stock Exchange (PSE). During the first year, those activities were conducted on a limited scale but are planned to be materially expanded in 2013. At present, it is difficult to assess the impact of the Czech operations on the Company's performance in the future. It is possible, however, that the break-even point will be achieved later than expected and that the results will prove unsatisfactory.

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 the Hungarian and Czech branches of Deutsche Bank, with which the Company executed agreements in relation to transactions executed on the Budapest Stock Exchange and the Prague 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 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 in the long term. 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 implementation of a new transactional system by the WSE

A new transactional system is planned to be implemented by the WSE in Q2 2013. The UTP (Universal Trading Platform) will replace the present Warset system (currently, the new system implementation date has been set by the WSE Management Board for April 15th 2013). The highly complex nature of such operations entails a correspondingly high level of risk that incidents and problems might arise which may render correct processing of trades on the WSE difficult or – in extreme cases – impossible. This risk affects in particular the brokerage houses operating on the WSE, including the Company, which in connection with the above change were forced to make significant changes in their own IT and telecommunications infrastructure to ensure its compatibility with the WSE's new system. It was also necessary to make far-reaching changes in, and to expand, the trading and settlement systems used by the brokerage houses, or to implement new systems to replace the ones used to date. Despite many months of preparations in this area, the fact that such systems are very complex and complicated (both in terms of their functionalities and software development issues), combined with the WSE's completely new IT environment, is a source of a very high implementation risk. This risk is material since those systems are of key importance to correct operation of brokerage houses, including IPOPEMA Securities, which derives a considerable portion of its revenue from brokerage activities at the WSE.

Risk related 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 client confidence in the IPOPEMA 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 the course of 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 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 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). 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.

Risk related to financial instruments

As part of its operations, the Company uses various financial instruments. No assurance can be given that a change in the value of the financial instruments held by the Company will not have an adverse effect on its performance. This is particularly likely in the case of futures contracts, whose value depends on changes in the value of underlying instruments. However, the Company uses futures contracts as hedges of its transactions in the underlying instruments, so any changes in the value of those contracts are offset by opposite changes in the value of the underlyings. For an additional description of risks related to financial instruments, see Section 31 of the consolidated financial statements (interest rate risk, currency risk, price risk).

11. Auditor of the financial statements

For information on the date of the agreement concluded with the qualified auditor of financial statements and its remuneration, see Section 34 of the annual consolidated financial statements of the IPOPEMA Group.

12. Statement of compliance with corporate governance standards

Corporate governance code applicable to the Company

IPOPEMA Securities complies with the corporate governance rules set forth in the document "Best Practices for WSE Listed Companies" ("Best Practices"), adopted by Resolution No. 17/1249/2010 of the WSE Supervisory Board, dated May 19th 2010, and amended pursuant to subsequent Resolutions of the WSE Supervisory Board: No. 15/1282/2011 of August 31st 2011, No. 20/1287/2011 of October 19th 2011 and No. 19/1307/2012 of November 21st 2012. The consolidated text of Best Practices is available at: www.corp-gov.gpw.pl, in the "Regulations" section: http://www.corp-gov.gpw.pl/assets/library/polish/regulacje/dobre_praktyki_16_11_2012.pdf.

Corporate governance rules which the Issuer does not comply with, including the extent of and reasons for such non-compliance

In 2012, the Company complied with the recommendations set forth in "Best Practices for WSE Listed Companies", and did not depart from them, except as indicated in the statement included in the Annual Report for 2011. In particular, the departures from Best Practices effective in 2012 may relate to:

- Section II.1-2, concerning the scope of the corporate website – according to the indicated rule, the website must also be published in English, although the publication of some information in English may be delayed relative to its publication Polish; as far as the scope of information and documents is concerned, the Company largely complies with the rules set out in Section II.1. The absence of some information may result from the fact that the events specified in the above Section of Best Practices did not occur at the Company;
- Section II.1.6 and III.1.1, concerning annual reports on the activity of the Supervisory Board and the Supervisory Board's assessment before the General Meeting – the contents of such reports and the scope of such assessments remain at the discretion of the Supervisory Board;
- Section III.8, concerning the tasks and procedures of the Supervisory Board's committees – an Audit Committee was established at the Company, whose procedures are generally compliant with the provisions of Annex I to the Commission Recommendation of February 15th 2005, to which the rule set forth in Section III.8 of Best Practices refers; besides the Audit Committee, no other committees were established, particularly no other committees referred to in the above regulations, but in principle their tasks lie within the remit of the entire Supervisory Board; the above Commission Recommendation permits such an arrangement where the Supervisory Board has a small number of members, which is the case with the Company's Supervisory Board;
- Section IV.10, concerning remote participation of shareholders in General Meetings – due to the complexity of issues related to the access to General Meetings, identification of shareholders and their proxies, ensuring adequate two-way communication, the Company did not comply in 2012 and does not plan to comply in 2013 with the rules set forth in this Section of Best Practices.

The above commentary refers to the rules set forth in Sections II-IV of Best Practices, which are covered by the "comply or explain" mechanism in line with WSE's implementation guidelines. The guidelines contained in Section I of Best Practices, which represent recommendations regarding best practices, are not covered by the mechanism, although they are subject to annual reporting. In view of the foregoing, the Company reports that it complies with most of the guidelines listed in Section I of Best Practices, with the following exceptions:

- the recommendation contained in Section I.9, concerning an equal proportion of men and women in management and supervisory positions – the Company does not apply any restrictions or obstacles to women serving in such positions, and employment at the Company or appointment to its bodies is based exclusively on a candidate's merits. In this context it is worth to draw attention to the fact that on June 28th 2012 the Company's Supervisory Board was joined by Ms Małgorzata Adamkiewicz;
- the recommendation contained in Section I.12, concerning the possibility to exercise the voting right during a General Meeting, personally or by proxy, using means of electronic communication – in 2013 the Company is not planning to abide by this recommendation given the complex nature of procedural, legal and IT issues determining the safety and effectiveness of such form of participation in a GM.

Key features of the risk control and management system in the process of preparation of financial statements

The risk control and management system used by the Company in the process of preparation of financial statements (both separate and consolidated) aims to ensure that the financial statements are reliable, complete and compliant with applicable regulations – both with respect to their contents and timely publication. The system meeting the above criteria is based on the following items:

- Adopted and employed rules for circulation and approval of documents that facilitate prompt and complete recognition of all accounting data;
- Proper flow of information recognised in accounting records between designated persons from appropriate organisational units, and persons engaged in the preparation of financial statements;
- Use of appropriate software and IT systems to facilitate internal reporting and financial information processing;
- Adoption of proper criteria for selection and evaluation of employees engaged in the reporting process, possessing the competences, knowledge and experience relevant to the functions and tasks they are charged with;
- Ensuring cooperation between the Company's auditor and its Supervisory Board to ensure exchange of information related to the financial statements (especially at the audit plan preparation stage, and at its final stage, but before the audit process is complete);
- Division of tasks and responsibilities related to the preparation of financial statements between various internal units to facilitate independent assessment and cross-verification of the documentation prepared, taking into account the cooperation that is necessary for the process (i.e. allocation of accounting and financial controlling tasks, engaging the Management Board at an early stage of the report preparation, ongoing cooperation with the Company's auditor);
- Ensuring proper communication and information flow between IPOPEMA Group companies with respect to the due dates and the form.

Considering the above, the Management Board believes that the risk control and management system for the preparation of financial statements implemented at the Company fulfils the aims defined above and is adequate given the structure of the Company and Group.

Major holdings of shares in the Company

For a list of shareholders holding over 5% of shares in IPOPEMA Securities S.A., see Section 6.3 of this Report.

Holders of any securities conferring special control rights

There are no securities of IPOPEMA Securities S.A. conferring special control rights.

Restrictions on voting rights

There are no restrictions on the voting rights attached to IPOPEMA Securities S.A. shares.

Restrictions on transfer of ownership rights to the Company's securities

As at the date of approval of the financial statements, there are no restrictions on transferability of the Company's securities.

Rules governing appointment and removal of the Company's management personnel; powers of the management personnel, including in particular the authority to resolve to issue or buy back shares

The Management Board is composed of two to five members, including the President, who are appointed for a three-year term and removed from office by the Supervisory Board. The Management Board acts in accordance with the Rules of Procedure for the Management Board, adopted by the Supervisory Board.

The Management Board is authorised to increase the Company's share capital, within the limit of the authorised capital, by an aggregate amount of up to PLN 350,000, through an issue of up to 3,500,000 new shares, by way of one or more share capital increases within the limit specified above, within three years as of September 28th

2011, provided that such share capital increase within the limit of the authorised capital is approved by the Supervisory Board.

Rules governing amendments to the Company's Articles of Association

The rules governing amendments to the Company's Articles of Association as defined in the Articles of Association do not differ from those set forth in the Polish Commercial Companies Code.

Manner of operation of the General Meeting, its basic powers and description of shareholders' rights along with the procedure for their exercise

As the Company did not introduce rules of procedure for the General Meeting, the manner of operation of the General Meeting of IPOPEMA Securities, its basic powers as well as the shareholders' rights and the procedure for their exercise are defined in the Polish Commercial Companies Code, as well as "Best Practices for WSE Listed Companies" applied by the Company.

Composition and activities of the Company's management, supervisory and administrative bodies or of their committees; changes in their composition in the last financial year

The table below presents the composition of the Management Board of IPOPEMA Securities S.A. as at the date of this Report. No changes were made to the composition of the Company's Management Board in the discussed period.

First name and surname	Position	Appointment date ¹
Jacek Lewandowski	President of the Management Board	June 1st 2011
Mirosław Borys	Vice-President of the Management Board	June 1st 2011
Mariusz Piskorski	Vice-President of the Management Board	June 1st 2011
Stanisław Waczkowski	Vice-President of the Management Board	June 1st 2011

¹Date of appointment for the third term of office.

The table below presents the composition of the Supervisory Board of IPOPEMA Securities S.A. as at the date of this Report. Following resignation by Mr Roman Miler and Mr Wiktor Sliwinski from membership in the Supervisory Board, on June 28th 2012 Ms Małgorzata Adamkiewicz and Mr Zbigniew Mrowiec were appointed as its new members.

First name and surname	Position	Appointment date ¹
Jacek Jonak	Chairman of the Supervisory Board	June 29th 2011
Janusz Diemko	Secretary of the Supervisory Board	June 29th 2011
Małgorzata Adamkiewicz	Member of the Supervisory Board	June 28th 2012
Bogdan Kryca	Member of the Supervisory Board	June 29th 2011
Zbigniew Mrowiec	Member of the Supervisory Board	June 28th 2012

¹Date of appointment for the current term of office.

Except for Bogdan Kryca, the Company believes that all Members of the Supervisory Board met the independence criterion, pursuant to Annex II to the Commission Recommendation (2005/162/EC) of February 15th 2005.

Information on holdings of the Company shares by management and supervisory personnel is presented in Section 7 of this Report.

Warsaw, March 20th 2013

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