

Management Board's Report

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

Warsaw, March 17th 2011

Contents

1.	General Information	3
2.	Financial Highlights and Overview of the Financial Standing of the Ipopema Group	4
3.	Material Events and Factors with a Bearing on the Financial Performance	7
4.	Factors with Potential Bearing on the 2011 Results.....	8
5.	Business Profile of IPOPEMA Securities and the IPOPEMA Group	9
5.1	Key Markets, Clients and Suppliers of the IPOPEMA Securities and the IPOPEMA Group	9
5.2	Organisational Structure of the IPOPEMA Securities Group	9
5.3	Development Prospects and Strategy of the IPOPEMA Group	10
5.4	Related-Party Transactions	10
5.5	Important Corporate Events in 2010 and in 2011 Prior to the Date of the Financial Statements	11
5.6	Awards and Distinctions	12
5.7	Research and Development	12
5.8	Changes in Significant Management Policies.....	12
6.	Share Capital and Shareholder Structure of IPOPEMA Securities S.A.....	13
6.1	Change in Share Capital of IPOPEMA Securities S.A.....	13
6.2	Change in Share Capitals of other Companies of the IPOPEMA Group	13
6.3	Shareholder Structure of IPOPEMA Securities S.A.....	13
6.4	Share Buy-Back.....	14
7.	Management and Supervisory Staff	15
8.	Court Proceedings	17
9.	Credit Facility Agreements, Sureties, Guarantees and Other Agreements	18
10.	Risk Factors and Threats	19
11.	Information on Qualified Auditor of Financial Statements	23
12.	Statement of Compliance with Corporate Governance Rules	24

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 brokerage services and company research, as well as investment banking services (through parent undertaking IPOPEMA Securities S.A.), establishment and management of closed-end and open-end investment funds (through subsidiary undertaking IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.), as well as asset management services, and business and IT consultancy services (through subsidiary undertaking IPOPEMA Business Consulting Sp. z o.o.).

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 then 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 on foreign markets. The IPOPEMA Group was extended by adding IPOPEMA TFI in 2007, and IPOPEMA Business Consulting in 2008.

As part of its brokerage business, IPOPEMA Securities provides institutional clients with comprehensive intermediation services related to securities trading on the Warsaw Stock Exchange ("WSE") and on the Budapest Stock Exchange ("BSE"). The Company's partners include both high-profile international financial institutions and a majority of 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 sixty issuers listed on the WSE and the BSE.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of capital market transactions which involve the use of equity instruments (shares), debt instruments (corporate bonds and notes), and hybrid solutions (convertibles). In particular, the Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offeror and financial advisor – 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. Moreover, IPOPEMA Securities specialises in the provision of comprehensive services related to the raising of capital the issues of corporate bonds and notes.

IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("IPOPEMA TFI") focuses its business on the establishment and management of both closed-end investment funds (targeted at high-net-worth individuals and corporate clients) and open-end investment funds (targeted at a wide group of retail investors). Additionally, the IPOPEMA Group provides discretionary portfolio management services (asset management) as part of personalised investment strategies.

IPOPEMA Business Consulting Sp. z o.o. ("IPOPEMA BC") 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)	2010	2009
Total revenue, including	100,451	70,503
<i>Brokerage and related services</i>	69,378	55,320
<i>Investment fund management</i>	17,499	8,832
<i>Advisory services</i>	13,574	6,351
Total cost of operations	71,071	53,148
Profit on core activities	29,380	17,355
Net profit for the period	18,419	11,608

Revenue

Thanks to strong revenue increases across all operating segments, the IPOPEMA Group's consolidated revenue grew by 42.5% in 2010, to PLN 100,451 thousand (from PLN 70,503 thousand in 2009).

As in 2009, brokerage services continued to be the most significant source of the IPOPEMA Group's revenue in 2010 (accounting for 69.1% of the consolidated figure), having grown by 25.4%, from PLN 55,320 thousand in 2009, to PLN 69,378 thousand in 2010. However, due to the rapid growth of revenue in other segments, the proportion of revenue from brokerage services in total revenue fell in 2010 - from 78.5% in 2009 to 69.1%. The growth of revenue from brokerage and related services was attributable, on the one hand, to a higher value of transactions executed on the WSE (with a slight decrease of the Company's share in trading) and, on the other hand, to revenue streams from the Hungarian market – total revenue from securities trading in 2010 was PLN 51,335 thousand, which represented a 22% growth compared with PLN 41,862 thousand in 2009. Thanks to the fact that the value of transactions handled by the Company was higher, an even stronger growth was recorded in the case of revenue from investment banking, which totalled PLN 17,052 thousand in 2010, a 31.1% growth year on year from PLN 13,006 thousand.

The 2010 revenue from investment funds management rose nearly two-fold on the 2009 result, from PLN 8,832 thousand to PLN 17,499 thousand year on year (respectively, 12.5% and 17.4% of the consolidated figure). The significant growth was attributable to an increase in the number of funds to 51 (relative to 43 as at the end of 2009) and a higher value of assets under management (PLN 3.9bn in 2010, compared with PLN 1.9bn as at the end of 2009).

In 2010, the Group's consultancy business was also growing fast, which translated into revenue of PLN 13,574 thousand (13.5% of the consolidated figure), more than twice the amount posted in 2009. It is all the more noteworthy considering that 2010 was only the second year of IPOPEMA BC's operations.

In 2010, IPOPEMA Securities' separate revenue amounted to PLN 69,378 thousand, a 25.4% growth year on year, from PLN 55,320 thousand.

Costs and Expenses

The IPOPEMA Group's total operating expenses in 2010 were PLN 71,071 thousand, having risen by 33.7% year on year, from PLN 53,148 thousand in 2009. The rise in expenses was largely attributable to a higher cost of salaries and wages, resulting from higher staffing levels at all Group companies. Consolidated costs and expenses were also affected by higher transaction costs and other costs (chiefly the cost of contracted services).

Total operating expenses of the brokerage and related services segment (IPOPEMA Securities) in 2010 amounted to PLN 45,001 thousand, up by 19.1% on 2009 (PLN 37,774 thousand), which resulted from higher transaction costs (an 23.5% increase) and a higher cost of salaries and wages (a 5.1% increase), as well as a rise in other costs, mainly the cost of contracted services. On a separate basis, operating expenses of IPOPEMA Securities in 2010 were lower than the total costs of the segment (thanks largely to the fact that they did not include the cost of the Incentive Scheme) and amounted to PLN 44,546 thousand (2009: PLN 37,308 thousand).

Higher costs of IPOPEMA TFI (the investment funds management segment), which in 2010 increased by 56.9% to PLN 13,568 thousand, were mostly the result of higher salaries and wages, and higher costs related to the establishment and distribution of open-end funds.

In the case of IPOPEMA Business Consulting (the consultancy services segment), an 85.9% growth of operating expenses was mainly attributable to a higher cost of salaries and wages, as its team was expanded to include 42 persons (as at the end of 2010), as well as a rise in other costs (primarily the cost of subcontractors).

Costs connected with the valuation of the share option plans implemented by the Company amounted in 2010 to PLN 1,094 thousand (2009: PLN 2,182 thousand).

Net Profit (Loss)

The strong revenue growth accompanied by slower growth in costs and expenses resulted in improved performance across all segments of the IPOPEMA Group's business. In 2010, consolidated profit on core activities amounted to PLN 29,380 thousand (2009: PLN 17,355 thousand). Operating profit and net profit were PLN 26,381 thousand and PLN 18,419 thousand, respectively (2009: PLN 15,144 thousand and PLN 11,608 thousand). Given the fact that IPOPEMA Securities holds 50.02% of all shares in IPOPEMA BC, total consolidated profit attributable to owners of the parent amounted to PLN 18,002 thousand, while profit attributable to non-controlling interests totalled PLN 471 thousand. The improved performance was also reflected in higher margins – in 2010, margin on core activities was 29.2% (2009: 24.6%), with net margin standing at 18.3% (2009: 16.5%).

The brokerage and related services segment posted in 2010 a net profit of PLN 14,661 thousand, compared with PLN 12,109 thousand the year before. On a separate basis, IPOPEMA Securities recorded in 2010 PLN 15,431 thousand in net profit, relative to PLN 12,690 in 2009. The higher separate profits were attributable primarily to the fact that the cost of the Incentive Scheme had to be recognised in the consolidated financial statements. The above separate profits translated into net margin of 22.2% in 2010, compared with 22.9% in 2009.

In 2010, the investment fund management segment (IPOPEMA TFI) posted a net profit of PLN 2,915 thousand, versus a net loss of PLN 209 thousand reported in 2009. However, if it had not been for the adverse effect of the accounting costs related to the valuation of the share option plan, net profit generated by the investment fund management segment in 2010 would have increased to PLN 3,554 thousand and to PLN 1,508 thousand in 2009.

The consultancy services segment (IPOPEMA Business Consulting) posted in 2010 a net profit of PLN 843 thousand, compared with a net loss of PLN 292 thousand incurred in 2009.

Analysis of The Balance Sheet of the IPOPEMA Securities Group

The key items of the Company's consolidated balance sheet are current receivables and current liabilities, which as at December 31st 2010 accounted, respectively, for 70.9% and 81.2% of the balance-sheet total. Current receivables and liabilities are recognised predominantly in connection with buy or sell transactions in securities which have been executed but not yet settled by the Polish NDS. 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 2010 stood at PLN 98,732 thousand, which accounted for 24.2% of total assets. The amount included PLN 93,462 thousand of cash carried by IPOPEMA Securities, including the company's own funds of PLN 44,314 thousand (with clients' cash representing the balance).

As at the end of 2010, equity accounted for 16.5% of the balance-sheet total (PLN 67,458 thousand). The outstanding amount of interest-bearing debt under a short-term working capital bank loan, contracted by IPOPEMA Securities to finance contributions to the Stock-Exchange Transactions Settlement Guarantee Fund and to settle transactions, amounted to PLN 7,481 thousand as at December 31st 2010 (1.8% 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 a high level of current liabilities related to transactions in securities is offset by a high level of receivables from such transactions, and the amount of cash held being approximately 6-times higher than interest-bearing debt, in the Management Board's opinion 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 forecasts of financial results.

Material Off-Balance Sheet Items

As at December 31st 2010, off-balance sheet items posted by the Company included futures for the total amount of PLN 8,050 thousand acquired for the Company's own account in connection with its role as a futures market maker, and a PLN 9,109 thousand forward contract hedging the foreign currency position (a Deutsche Bank deposit related to settlements of transactions on the Hungarian market). However, it should be noted that open positions on equity-based futures are usually hedged with an offsetting position in equities (arbitrage transactions).

Capital Expenditure

Total capex incurred by the IPOPEMA Group in 2010 amounted to PLN 1,624 thousand and was related mainly to computer hardware and software. As at the date of these financial statements, the Group does not plan any major capital expenditure which would require funding from sources other than the Group's own resources.

3. Material Events and Factors with a Bearing on the Financial Performance

Situation on the Equity Market of the Warsaw and Budapest Stock Exchanges

In 2010, the WIG index of the WSE continued to gain in value on a steady upward trend (which started in March 2009). This was also reflected in the trading values – PLN 407.8bn in 2010, compared with PLN 334.5bn in 2009. Despite slight erosion of its market share (8.30% in 2010 against 8.76% in 2009), the Company posted an 8.8% increase in revenue from securities trading on the WSE.

The total value of trading on the BSE amounted in 2010 to EUR 40.0bn (2009: EUR 36.9bn), however in H2 2010 a substantial decline in the trading value was seen on the back of economic uncertainties and the pension system's reform – the average monthly trading value in the period July-December was EUR 2.6bn, compared with EUR 4.0bn in H1 2010. IPOPEMA Securities launched its operations on the Hungarian market in March 2010, securing a monthly share in trading of 5.91% (the sixth largest market player), and then gradually strengthening its position to reach in December a monthly share in trading of 7.48% (the fourth largest market player). As a result, total revenue from equity trading on the BSE amounted to PLN 5,805 thousand.

Investment Banking Services

2010 also saw a higher value of transactions handled by IPOPEMA Securities' investment banking segment – in 2010, the Company provided advisory services in connection with transactions with a total value of PLN 3.2bn, compared with PLN 923m the year before. The result was a 30% growth in revenue, to PLN 17,052 thousand (2009: PLN 13,006 thousand).

IPOPEMA TFI's Business

Key factors which contributed to considerably higher revenue from fund management included an increase in the number of funds and a higher value of assets under IPOPEMA TFI's management. As at the end of 2009, IPOPEMA TFI managed 43 funds and the aggregate value of assets under its management was PLN 1.9bn. As at the end of 2010, the number of funds rose to 51, while the aggregate value of their assets grew to PLN 3.9bn. A nearly two-fold increase in revenue, combined with a limited growth (56.9%) in total operating expenses, allowed the investment fund management segment to generate a net profit of PLN 2,915 thousand in 2010. However, without taking into account the accounting costs related to the Incentive Scheme in the amount of PLN 639 thousand, the segment's profit would have grown to PLN 3,544 thousand.

IPOPEMA Business Consulting's Business

IPOPEMA Business Consulting also saw a strong growth in business volumes – in 2010 its revenue was at PLN 13,574 thousand, more than twice the amount of PLN 6,351 thousand in 2009 revenue. The high revenue was the result of the fact that contracts secured in 2009 (the first year of IPOPEMA BC's operations) entered the performance phase, as well as of further additions to the order book in 2010. The substantial growth of IPOPEMA BC's business volumes required a considerable increase in the staffing level, which was reflected in a higher cost of salaries and wages. Nevertheless, in 2010 IPOPEMA BC posted a net profit of PLN 843 thousand, compared with a net loss of PLN 292 thousand incurred in 2009.

Recognition of the Cost of the Incentive Scheme

As the Company adopted a reporting system compliant with the International Financial Reporting Standards (the "IFRS"), it had to recognise the effect of valuation of the stock option plans implemented by the IPOPEMA Securities Group in the consolidated financial statements. In 2010, the related costs totalled PLN 1,094 thousand (PLN 455 thousand at IPOPEMA Securities and PLN 639 thousand at IPOPEMA TFI), while in 2009 they amounted to PLN 2,182 thousand (PLN 465 thousand at IPOPEMA Securities and PLN 1,717 thousand at IPOPEMA TFI).

4. Factors with Potential Bearing on the 2011 Results

Market Situation on the Warsaw and Budapest Stock Exchanges

The continued uptrend on the WSE and improved sentiment on the BSE will benefit the main business areas and financial performance of the IPOPEMA Group. Improved conditions on the secondary market (from the beginning of 2009 and throughout 2010), as well as large privatisation transactions and a recovery of the public offerings segment (on the WSE) should continue to be reflected in IPOPEMA Securities' revenue in 2011. However, it is difficult to predict whether the current uptrend on the WSE is sustainable.

IPOPEMA Securities' Position on the Secondary Market

Reinforcement of IPOPEMA Securities' position on the WSE's and BSE's secondary equity markets, coupled with the continued recovery on the WSE and a possible rebound of the BSE, should have a favourable effect on the Company's revenue. Nevertheless, intensifying competition from foreign brokers on the WSE may result in a lower number of transactions handled, bringing down the value of the Company's turnover. Similarly, IPOPEMA Securities' position on the BSE will depend on how fast new clients are acquired and cooperation with the existing ones is expanded with respect to transactions on the BSE, as well as on competition from local brokers.

Further Growth of IPOPEMA Securities' Involvement in Investment Banking Projects and Execution of Transactions Which Are Currently at the Preparation Stage

The improving market conditions on the WSE have spurred a rebound of interest in raising capital on the public market, also among companies not yet listed. This creates opportunities to further increase the number of initial and secondary public offerings handled, as well as capital raising transactions through issues of bonds, notes and convertibles. At the same time, the Company will seek to handle M&A transactions and financial advisory projects.

Further Growth of IPOPEMA TFI's Business

The recovery on the Warsaw Stock Exchange has translated into an increase in the value of assets under management (the funds' assets frequently include stocks listed on the WSE), as well as into a greater interest of 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 (replicating the mWIG40 index) and the Alior Agresywny Sub-fund. Moreover, IPOPEMA TFI is consistently expanding its offering targeted at individuals and corporate investors.

Growth of IPOPEMA Business Consulting's Business

The current improvement of the economic climate is expected to translate into more favourable conditions on the consultancy services market. In 2011, key drivers of IPOPEMA Business Consulting's business will include the performance of some of its existing contracts and new additions to the order book, with a limited 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 and share in trading on that market – from 5.91% in March 2010 (sixth position) to 7.48% in December 2010 (fourth position). The effect of the operations on the Hungarian market on the Company's financial performance in 2011 will depend, most of all, on the situation on that market, and the rate at which new clients are acquired and cooperation with existing clients is expanded in the area of transactions on the BSE.

5. Business Profile of IPOPEMA Securities and the IPOPEMA Group

5.1 Key Markets, Clients and Suppliers of the IPOPEMA Securities and the IPOPEMA Group

Key Markets of the IPOPEMA Group

In the area of intermediation in securities trading, the key market of IPOPEMA Securities is the Warsaw Stock Exchange. Since March 2010, the Group has been also expanding brokerage activities on the Hungarian 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.

IPOPEMA Business Consulting operates on the 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. In addition, the Company arranges exits for significant shareholders of public companies (both private individuals and legal persons), through sale of shares on the WSE or through private placements.

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

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

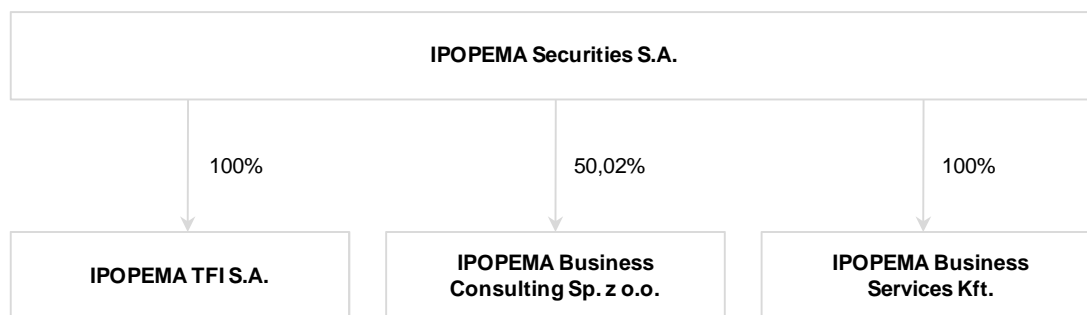
In 2010, no single client accounted for more than 10% of the Group's sales revenue.

Key Suppliers

The key supplier of IPOPEMA Securities is Mennica Polska S.A., from which the Company leases office space. However, in 2010 no single supplier accounted for more than 10% of consolidated operating expenses of the IPOPEMA Group. A significant item of operating expenses were transaction costs (payable to the WSE and the Polish NDS), which in 2010 accounted for 17.1% of consolidated operating expenses.

5.2 Organisational Structure of the IPOPEMA Securities Group

The Group of IPOPEMA Securities S.A. 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, whereas IPOPEMA Business Services is excluded from consolidation, given the immateriality of its financial information.



In 2010, there were no changes in the organisational structure of the IPOPEMA Group. The Company and its subsidiaries did not have any branches. In 2010, the Group did not make any deposits or equity investments.

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 brokerage and investment banking services - will seek to become a leading CEE brokerage office over the next two to three years. 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 area of brokerage services, in addition to activities launched on the Hungarian market in 2011, the Company is currently in the process of launching operations on the Czech market. An important factor in establishing the Company's position as a "regional hub" will be further expansion of its research coverage to include the largest companies listed on the stock exchanges in Budapest and Prague. 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. A strategic goal of IPOPEMA TFI is to continue strengthening its position on the market of investment fund companies offering units of closed-end funds, as well as developing its offering of active management funds and funds targeted at retail clients. 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 2010, the Company did not enter into any material related-party transactions. For details of related party-transactions, see Note 24 to the annual consolidated financial statements.

5.5 Important Corporate Events in 2010 and in 2011 Prior to the Date of the Financial Statements

Purchase of Shares in Credit Suisse Asset Management (Polska) S.A.

On March 15th 2011, the Company entered into a share purchase agreement concerning all shares in Credit Suisse Asset Management (Polska) S.A. ("CSAM"). The completion of the transaction is subject to obtaining the required approvals from the regulatory bodies (the Polish Financial Supervision Authority and the Polish Office of Competition and Consumer Protection).

The planned acquisition of CSAM is an element of the IPOPEMA Group's development strategy in the area of asset management for institutional and corporate clients. The transaction would result in significant expansion of the IPOPEMA Group's asset management business. Moreover, the acquisition of staff with a wealth of experience-backed competences in portfolio management will allow the IPOPEMA Group to enlarge its offering and client base in the area of asset management.

Launch of Brokerage Activities on the Hungarian Market

In March 2010, the Company launched brokerage activities on the Budapest Stock Exchange, of which it is a remote member. The brokerage operations are conducted in cooperation with local partners acting as "investment firm agents".

Expansion of Activities to Include Intermediation in Debt Instruments OTC Trading

Last year, IPOPEMA Securities' team was joined by experts in debt instruments trading, as a result of which the Company was able to launch operations in that segment in Q4 2010. Services are provided mainly on the over-the-counter market and targeted at financial institutions - mainly existing clients for the Company's services involving the intermediation in securities trading on the WSE.

Change in the Company's Shareholder Structure

In early July 2010, there was a material change in the Company's shareholder structure, as Manchester Securities Corp. sold its entire holding of IPOPEMA Securities shares (see Section 5.3 below). Consequently, new financial institutions joined the group of investors holding 5% or more of the shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Shareholders Meeting.

Subscription of Shares under the Incentive Scheme

In November 2010 and in February 2011, further tranches were made available under the Incentive Scheme implemented in 2009, which resulted in a change of the share capital.

In November 2010, 413,748 Series C shares were subscribed for under Share Option Plan I, resulting in an increase of the Company's share capital by PLN 41,374.80, to PLN 2,934,230.10 (this was the second tranche of shares offered under the Plan - the first pool of 357,143 shares were subscribed for in 2009).

The first subscription of shares under Share Option Plan II took place in February 2011. 714,285 shares were earmarked for the purpose, out of which 212,500 were subscribed for. As a result, there was an increase of the share capital by PLN 21,250, to PLN 2,955,480.10.

All the shares were issued within the limit of conditional share capital, and their issue price was PLN 0.47 per share under Share Option Plan I and PLN 5 per share under Share Option Plan II. Moreover, the shares were registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange, following assimilation with the existing Company shares.

Expiry of Authorised Capital

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

Excution 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 credit facilities, contracted to finance the Company's liabilities towards the Polish NDS in respect of settlement of transactions concluded by the Company on the WSE (PLN 10m) and to finance the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund (PLN 30m). The annexes extend the term of the agreements until July 20th 2011.

5.6 Awards and Distinctions

In this year's ranking published by the Forbes magazine (issue No. 11/2010) and prepared on the basis of institutional clients' ratings, IPOPEMA Securities ranked second in the combined classification and was the highest-ranking brokerage house in terms of research reports and products, individualised approach to clients and the quality of services on the secondary market. Furthermore, IPOPEMA topped the ranking in the category of separate evaluation of broker teams, while two brokers of IPOPEMA Securities, including the undisputed leader of the listing, were placed among the best five sales-traders in the individual ranking.

Moreover, the IPOPEMA Research Office team was distinguished in two other rankings in 2010. In the ranking published by the Forbes magazine (issue No. 4/2010) where analyst teams were rated by institutional investors, IPOPEMA Securities came second, and was the highest-ranking brokerage house in terms of "Professionalism". IPOPEMA Securities' Research Office also ranked high, at the second place, in the ranking of stock-market analysts organised by *Parkiet* (December 30th and 31st 2010).

5.7 Research and Development

The Company and the IPOPEMA Group are not involved in any research activities.

5.8 Changes in Significant Management Policies

In 2010, the Company and its subsidiaries did not introduce any changes to their significant management policies.

6. Share Capital and Shareholder Structure of IPOPEMA Securities S.A.

6.1 Change in Share Capital of IPOPEMA Securities S.A.

In accordance with the information contained in Section 5.5, in November 2010 and February 2011, shares were issued for the purposes of the Incentive Scheme implemented by the Company. The shares were issued as part of a conditional increase of the share capital pursuant to Resolution No. 3 of the Extraordinary General Shareholders Meeting ("EGM") of December 5th 2007 (as amended by Resolution No. 5 of the EGM, dated March 20th 2009). Consequently, on November 30th 2010, the Company's share capital was increased by PLN 41,374.80, through the issue of 413,748 Series C ordinary registered shares, to PLN 2,934,230.10. On December 10th 2010, the shares were registered with the Polish NDS and, pursuant to the Company's Articles of Association, were on the same date converted into bearer shares. Therefore, as at December 31st 2010 the Company's share capital was divided into 29,342,301 ordinary bearer shares (including 7,000,000 Series A shares, 21,571,410 Series B shares and 770,891 Series C shares), registered with the Polish NDS and introduced to trading on the Warsaw Stock Exchange. The resulting share premium account of PLN 153,086.76 was allocated in full to the Company's statutory reserve funds.

On February 9th 2011, the share capital was again increased, by PLN 21,250, through the issue of 212,500 Series C ordinary registered shares, which were registered with the Polish NDS and converted into bearer shares on February 22nd 2011. As a result, the share capital amounts to PLN 2,955,480.10 and is divided into 29,554,801 ordinary bearer shares (including 7,000,000 Series A shares, 21,571,410 Series B shares and 983,391 Series C shares).

6.2 Change in Share Capitals of other Companies of the IPOPEMA Group

In 2010, the share capitals of other Companies of the IPOPEMA Group did not change.

6.3 Shareholder Structure of IPOPEMA Securities S.A.

As at December 31st 2010, the shareholder structure of the Company (shareholders holding 5% or more of the shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Shareholders Meeting) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
Fundusz IPOPEMA 10 FIZAN ¹	2,851,420	9.72%
Fundusz IPOPEMA PRE-IPO FIZAN ²	2,851,120	9.72%
KL Lewandowska S.K.A. ³	2,749,500	9.37%
JLK Lewandowski S.K.A. ⁴	2,729,000	9.30%
JLS Lewandowski S.K.A. ⁴	2,729,000	9.30%
OFE PZU Złota Jesień*	2,251,346	7.67%
TFI Allianz Polska S.A. ^{5 **}	1,708,844	5.82%
Total shareholders holding more than 5% of the share capital	17,870,230	60.90%

* Based on the annual report of OFE PZU Złota Jesień

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

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

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

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

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 Allianz Platinum FIZ and Allianz FIO funds.

As at the date of approval of this Report, the shareholder structure of the Company (shareholders holding 5% or more of the shares in IPOPEMA Securities S.A. and of the total vote at the Company's General Shareholders Meeting) was as follows:

Shareholder	Number of shares and votes at GM	% of total vote at GM
Fundusz IPOPEMA 10 FIZAN ¹	2,851,420	9.65%
Fundusz IPOPEMA PRE-IPO FIZAN ²	2,851,120	9.65%
KL Lewandowska S.K.A. ³	2,749,500	9.30%
JLK Lewandowski S.K.A. ⁴	2,729,000	9.23%
JLS Lewandowski S.K.A. ⁴	2,729,000	9.23%
OFE PZU Złota Jesień*	2,251,346	7.62%
TFI Allianz Polska S.A. ^{5 **}	1,922,383	6.50%
Total shareholders holding more than 5% of the share capital	18,083,769	61.19%

* Based on the annual report of OFE PZU Złota Jesień

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

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

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

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

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 Allianz Platinum FIZ and Allianz FIO funds.

Other than 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

In 2010, the Company did not buy back any shares.

7. Management and Supervisory Staff

Remuneration of Members of Management and Supervisory Staff

The table below presents the remuneration for 2010 (both paid and potentially payable) and additional benefits (healthcare financed by the Company) from the Company to the Management Board members:

First name and surname	2010 (PLN '000)	2009 (PLN '000)
Jacek Lewandowski	1,383	1,160
Mirosław Borys	723	860
Mariusz Piskorski	1,218	885
Stanisław Waczkowski	3,226	3,783

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

The table below presents the remuneration received in 2010 from IPOPEMA Securities by the Supervisory Board members as compensation for the performance of their supervisory duties:

First name and surname	2010 (PLN '000)	2009 (PLN '000)
Jacek Jonak	9	5
Janusz Diemko	6.5	5.5
Roman Miler	2	3
Bogdan Kryca	8	5
Wiktor Sliwinski	5	5

In 2010, the above-named persons did not receive any remuneration from subsidiary undertakings of IPOPEMA Securities S.A.

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

The table below presents the shareholdings (direct or through controlled undertakings) of members of the management and supervisory staff of IPOPEMA Securities as at December 31st 2009:

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 6.3, shares in IPOPEMA Securities S.A. are also held by KL Lewandowska S.K.A., a subsidiary undertaking of Katarzyna Lewandowska, Jacek Lewandowski's wife.

The table below presents the shareholdings (direct or through controlled undertakings) of members of the management and supervisory staff of IPOPEMA Securities as at December 31st 2010 and as at the date of the financial statements:

Person	No. of shares and votes	% of share capital and total vote as at Dec 31 2010	% of share capital and total vote as at the date of the financial statements
Jacek Lewandowski – President of the Management Board ¹	8,321,427	28.36%	28.16%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.71%	10.63%
Mariusz Piskorski – Vice-President of the Management Board	1,060,000	3.61%	3.59%
Mirosław Borys – Vice-President of the Management Board	928,571	3.16%	3.14%
Bogdan Kryca – Member of the Supervisory Board	642,854	2.19%	2.18%

Total	14,095,707	48.03%	47.70%
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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 undertaking of Katarzyna Lewandowska, Jacek Lewandowski's wife.

In 2010, the shareholding of Mariusz Piskorski was reduced following disposal of 225,713 shares in July 2010 (through his subsidiary), whereas the shareholding of Bogdan Kryca was increased, as the latter notified the Company of acquisition of 357,140 Company shares by a closely related person in August 2010. In addition, in November 2010 and February 2011 the Company carried out two issues of shares within the limit of conditional share capital, as described in Section 6.1, as a result of which the shareholdings in the Company were diluted.

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

Agreements Concluded with Members of Management and Supervisory Staff

In 2010, the Company did not conclude any agreements with members of its management or supervisory staff concerning compensation in the event of employment termination.

8. Court Proceedings

On January 13th 2009, the Company filed a suit with the Regional Court seeking payment of past-due receivables in the amount of PLN 891 thousand. Impairment losses were recognised for the full amount of the claim in 2008. Neither the Company nor any of the IPOPEMA Group's undertakings were party to any other court proceedings.

9. Credit Facility Agreements, Sureties, Guarantees and Other Agreements

Conclusion of Credit Facility Agreements

On July 21st 2010, the Company signed annexes to credit facility agreements with Alior Bank providing for two credit facilities, contracted to finance the Company's liabilities towards the Polish NDS in respect of settlement of transactions concluded by the Company on the WSE (PLN 10m) and to finance the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund (PLN 30m). The annexes extend the term of the agreements until July 20th 2011.

Agreements Concluded in the Ordinary Course of Business

In 2010, IPOPEMA Securities S.A. concluded several agreements on the provision of brokerage services, around a dozen agreements on the provision of investment banking services, as well as several agreements on the provision of asset management services. IPOPEMA TFI concluded several agreements on the establishment of closed-end investment funds, while IPOPEMA Business Consulting entered into around a dozen agreements on the provision of advisory services.

Loans Advanced and Sureties Issued

In 2010, the Company advanced a number of loans to its subsidiary IPOPEMA Business Services Kft. for a total amount not exceeding the equivalent of PLN 500,000. In addition to the loan, the Company advanced a loan to its employee for an amount which is immaterial from the perspective of the Company's financial statements (the loan was repaid by December 31st 2010) and long-term loans (for three and five years) to the Company's partners for a total amount of PLN 3,445 thousand, as recorded in its accounting books. Since the loans may be amortised after the repayment date, the Company applies the straight-line amortisation method with respect to the principal amount and accrued interest. Taking into account the amortisation charges made in 2010, as at December 31st 2010 the total value of the above loans as disclosed in the Company's accounting books was PLN 2,865 thousand.

The Company did not contract any loans and did not provide or receive any sureties or guarantees.

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 the risk factors, considered as the most significant by the Management Board, inherent in the business of the IPOPEMA Group and its member companies, which – should they materialise – may have an adverse effect on the business, financial standing, performance or development prospects of the Company and the IPOPEMA Group.

Risk Related to the Conditions 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. A 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 (particularly equities) and thereby erode revenues from active management services. To date, this factor has had a limited impact on the results achieved by IPOPEMA TFI, as its activities consisted mainly in establishing closed-end private equity funds. However, since the company is expanding its active management services, any continued downturn may erode revenues and earnings of IPOPEMA TFI.

Risk Related to Competition in the Services Markets on which IPOPEMA Securities and the IPOPEMA 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 Polish capital market, 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 brokerage and advisory services provided by foreign financial institutions which establish or expand their offices in Warsaw. The intensifying competition may cause the Company to lose part of its market share and increase downward pressure on the prices of services offered by the Company, which may ultimately have an adverse effect on its financial standing.

Similarly, IPOPEMA TFI and IPOPEMA Business Consulting compete against companies with established market positions and new market entrants. In less than four years of its operations, IPOPEMA TFI has become one of the most active player on the Polish market in terms of establishing closed-end investment funds. In addition to establishing new closed-end investment funds, the company's development plans include expansion into the segment of actively managed funds. IPOPEMA Business Consulting, for which 2010 was only the second year of operations, has been growing strongly, expanding both its client base and 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 Related to Dependence on the Management Personnel, Necessity to Retain Key Employees, Acquisition of Highly Qualified Specialists and Remuneration

The business of the IPOPEMA Group and its development prospects depend largely on the knowledge, experience and qualifications of its management personnel. Their work for the IPOPEMA Group has been a key factor behind its successes to date. Hence, the departure of any of the members of the IPOPEMA Group's management personnel 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 attract new employees with relevant competencies and experience.

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

Risk Related to Settlement of Stock Exchange Transactions

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

Risk Related to the Nature of Investment Banking Services

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

Risk Related to the Level of Equity and Financial Needs of the Company and the IPOPEMA Group

As at December 31st 2010, the Company's consolidated equity net of non-controlling interests was PLN 67,458 thousand (PLN 47,164 thousand as at December 31st 2009). Despite the considerable level of equity, the Company finances some of its activities with debt. 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, operated by the Polish NDS. Currently, the Company makes contributions to the Fund using a credit facility. There is a risk that the level of equity (and thus the level of regulatory capital) 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 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.

Given the scope and scale of conducted business and the generated results, the current level of the Company's equity is sufficient. However, it cannot be ruled out that expansion or change of the scope of the Company's business, or the implementation of possible business projects, 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 its share capital through an issue of new shares.

Risk Related to the Business of IPOPEMA TFI

Given the stiffening competition on the market of investment funds and the relationship between individual funds' performance and the economic conditions, including in particular the conditions 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 extreme circumstances, they may incur losses) or that clients will lose confidence in the fund managers, which may eventually lead to some clients withdrawing from 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, IPOPEMA TFI may be unable to generate the assumed level of revenue.

Furthermore, while the number of funds managed by IPOPEMA TFI has been growing rapidly, there can be no assurance that IPOPEMA TFI will be able to maintain its existing clients and acquire new clients, which may affect the revenue growth. Moreover, IPOPEMA TFI continues to expand its offering targeted at a broad investor base, however, there is a risk that - if IPOPEMA TFI fails to acquire clients and assets for the funds or if the funds fail to yield adequate rates of return - the company may not be able to generate satisfactory revenue.

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

Risk Related to the Activities of the Market Maker and Proprietary Trading Department

The nature of the activities of the Market Maker and Proprietary Trading Department, that is entering into short-term transactions on the stock 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 investment strategies they employ will be successful, and therefore the Department's activities may bring unsatisfactory results or even result in losses.

Risk Related to the Activities of the Portfolio Management Department

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

Risk Related to Brokerage Operations in Hungary

In March 2010, IPOPEMA Securities launched brokerage activities on the Budapest Stock Exchange. Over the first months of its operation on that market, the Company steadily increased its market share, from 5.91% in March 2010 (the sixth largest market player) to 7.48% in December 2010 (the fourth largest market player). However, due to economic and political instability in Hungary, at present it is difficult to predict how those factors will affect the conditions prevailing on the Budapest Stock Exchange and thus the performance of IPOPEMA on that market.

Risk Related to the Function of Payment Bank

In order to start and conduct operations on the WSE, it is a prerequisite for the Company (as well as other brokerage houses which are direct members of the WSE) 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, 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 a corresponding agreement in relation to transactions executed on the Budapest Stock Exchange.

Risk Related to the IT and Telecommunications Systems

A particularly sensitive area of the Company's activities is the necessity to ensure uninterrupted and secure operation of its IT and telecommunications systems. Any serious system failure might not only expose the Company to the risk of financial liability towards its clients for orders not executed or incorrectly executed, but with time might also undermine client confidence. The Company purchased and implemented a dedicated IT system for providers of brokerage services, which has been upgraded and modified on a continual basis. The

objective behind the purchase of the system and the ongoing steps taken by the Company in order to ensure the best possible security solutions for its IT and telecommunications infrastructure, is to mitigate the risk of adverse effects of possible failure of the IT systems, unauthorised access to the data stored on the servers used by the Company, or loss of such data. However, there can be no assurance that the risk does not materialise despite the precautions taken by the Company.

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

The IPOPEMA 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 aimed to limit the risk of mistakes and errors in 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 activities 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 market manipulation). In the case of the Company this role is performed by the Compliance Office. Although as at date of this Report there have been no instances of criminal or unethical conduct on the part of the Company's employees, there can be no assurance that such events will not occur in the future. Any such incident may expose the Company to administrative sanctions from competent authorities, including the Polish Financial Supervision Authority, and may lead to financial losses to the Company, resulting from the necessity to pay compensations and loss of reputation.

11. Information on Qualified Auditor of Financial Statements

Information on the date of the agreement concluded with the qualified auditor of financial statements and its remuneration is presented in Section 35 of the annual financial statements of IPOPEMA Securities S.A.

12. Statement of Compliance with Corporate Governance Rules

Corporate Governance Code Applicable to the Company

IPOPEMA Securities applies the corporate governance rules set forth in the document "Best Practices for WSE Listed Companies", attached to Resolution No. 17/1249/2010 of the WSE Supervisory Board, dated May 19th 2010 ("Best Practices"). The above document is available at: www.corp-gov.gpw.pl under Corporate governance at WSE: <http://www.corp-gov.gpw.pl/assets/library/polish/publikacje/dpsn2010.pdf>.

Corporate Governance Rules which the Company Does Not Comply with, including the Extent of and Reasons for such Non-Compliance

In 2010, 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 2009. Moreover, in 2010 the Company complied with some of the rules indicated in that statement, notably the rules set in Section III.7 (repealed as of July 1st 2010 by virtue of the WSE's Management Board's resolution dated May 19th 2010) and Section III.8 concerning an audit committee, as well as the tasks and procedures of the Supervisory Board's committees. On March 12th 2010, an Audit Committee was established within the Company's Supervisory Board, pursuant to the provisions of the Act on qualified auditors, their self-government, entities qualified to audit financial statements and on public supervision, dated May 7th 2009 (Dz.U. No. 77, item 649). Additionally, the rules of the Committee's procedure and criteria to be met by its members are generally consistent with the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, referred to in the said Section III.8 of Best Practices.

As regards the remaining provisions of Best Practices (as amended from July 1st 2010 by virtue of the above-mentioned resolution of the WSE's Management Board), the Company may not fully observe:

- 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, although some information and documents still need to be completed (albeit the absence of some information may result from the fact that the events listed 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 Shareholders 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 – according to the foregoing information, 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 III.10, concerning remote participation of shareholders in General Shareholders Meetings – due to the complexity (also from the formal and legal point of view) of issues related to access to General Shareholders Meetings, identification of shareholders and their proxies, ensuring adequate two-way communication, the Company does not plan to comply this year with the rules set forth in the above Section of Best Practices; however, Best Practices set the deadline by which the rules should be implemented on January 1st 2012.

The above comments refer 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 the 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 set out in Section I.1 (amended as of July 1st 2010), concerning the use of modern technologies and state-of-the-art communication tools to ensure fast, secure and efficient access to information – the Company intends to embrace the above recommendation in the future, however for the time being it has not fully implemented it (especially as regards broadcasting and providing access to

General Shareholders Meetings); as far as the scope of information published on its corporate website, the Company aims to implement the relevant recommendations, as stated in the comment to Section II.1-2 (above);

- the recommendation set out in Section I.5, concerning the remuneration of members of the management and supervisory bodies – the Company complied with the recommendation as it was worded until June 30th 2010; according to its amended version effective from July 1st 2010, companies should adopt remuneration policies compliant with the Commission Recommendation of December 14th 2004 on fostering an appropriate regime for the remuneration of directors of listed companies (supplemented with Commission Recommendation of April 30th 2009); the Company's remuneration policy is consistently applied, albeit it has no written form, which in the Management Board's opinion is not necessary given the size and structure of the Company. The Company believes that its remuneration policy conforms with Best Practices, both with respect to the forms and amounts of remuneration, and takes account of the Company's best interests; however its details are not publicly disclosed. At the same time, the Company - as required by law - discloses information on the remuneration of members of its management and supervisory bodies, which is determined and reviewed by the bodies which supervise them (respectively, the Supervisory Board and General Shareholders Meeting).
- the recommendation set out in Section I.9 (added as of July 1st 2010), 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 are based exclusively on a candidate's merits.

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 the 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 to 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, who should possess 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);
- allocation 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.

Shareholders Holding Significant Blocks of Shares

As at December 31st 2010, the following shareholders held more than 5% of shares in IPOPEMA Securities S.A.:

Shareholder	No. of shares and votes	% of total vote at GM
Fundusz IPOPEMA 10 FIZAN1	2,851,420	9.86%
Fundusz IPOPEMA PRE-IPO FIZAN2	2,851,120	9.86%
KL Lewandowska S.K.A.3	2,749,500	9.50%
JLK Lewandowski S.K.A.4	2,729,000	9.43%
JLS Lewandowski S.K.A.4	2 729 000	9.43%
OFE PZU Złota Jesień*	2,251,346	7.67%
TFI Allianz Polska S.A. ^{5 **}	1,708,844	5.82%
Total shareholders holding more than 5% of the share capital	17,870,230	60.90%

* Based on the annual report of OFE PZU Złota Jesień

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

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

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

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

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 Allianz Platinum FIZ and Allianz FIO funds.

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

Following the private placement of Company shares in May 2009, the Company entered into lock-up agreements with its existing shareholders. The terms of the agreements apply also to the holders of Series C shares issued as part of the Incentive Scheme. The shareholders (save for Manchester Securities Corp.), who hold in total 19,928,561 shares (representing 69.75% of all shares and votes at the GM) agreed, in particular, not to sell the shares held:

- until the last day of the 12-month period following the date of introduction of the Company shares to trading on the Warsaw Stock Exchange (i.e. until May 25th 2010) – with respect to 25% of all the shares held by a given shareholder, subject to the right to sell all or some of such shares in a private placement; these restrictions will not apply if the closing price of the Company shares at any session at the WSE exceeds their closing price on the date of the introduction by at least 100%, provided, however, that the Shareholder obtains IPOPEMA's written consent,
- until the last day of the 24-month period following the date of the introduction of Company shares to trading on the Warsaw Stock Exchange (i.e. May 25th 2011) – with respect to the remaining 75% of the shares held by a given shareholder as at the date of the agreement.

Restrictions on the right to sell the shares also apply in the case of shares held by Manchester Securities Corp., which agreed not to dispose of the shares not sold in the private placement for the period of 12 months following the date of the introduction of Company shares to stock-exchange trading (i.e. May 25th 2010).

The above restrictions do not apply (neither with respect to Manchester Securities Corp., nor the other shareholders discussed above) to all shareholders with whom the abovementioned agreements were concluded, and the Management Board may resolve to lift the restrictions in the event of:

- (i) a compulsory buyout offer in respect of Company shares,
- (ii) a tender offer to sell or exchange IPOPEMA shares, and
- (iii) with respect to the 25% of the shares subject to the 12-month lock up, if the closing price of Company shares on any trading day on the Warsaw Stock Exchange exceeds by at least 100% their closing price as of the date of the Company's first-time listing on the WSE.

Rules Governing Appointment and Removal of the Company's Management Staff and such Staff's Powers, including in Particular the Power 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 the 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 January 24th 2008, 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 and provided for in the Articles of Association do not differ for those set forth in the Polish Commercial Companies Code.

Manner of Operation of the General Shareholders 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 Shareholders Meeting, the manner of operation of the General Shareholders 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 amended on August 3rd 2009), 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	April 25th 2008
Miroslaw Borys	Vice-President of the Management Board	April 25th 2008
Mariusz Piskorski	Vice-President of the Management Board	April 25th 2008
Stanislaw Waczkowski	Vice-President of the Management Board	December 18th 2008

¹Date of appointment for the second 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. No changes were made to the composition of the Company's Supervisory Board in the discussed period.

First name and surname	Position	Appointment date+
Jacek Jonak	Chairman of the Supervisory Board	April 23rd 2008
Roman Miler	Deputy Chairman of the Supervisory Board	April 23rd 2008
Janusz Diemko	Secretary of the Supervisory Board	April 23rd 2008
Bogdan Kryca	Member of the Supervisory Board	April 23rd 2008
Wiktoria Sliwinski	Member of the Supervisory Board	April 23rd 2008

¹Date of appointment for the second 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.

As at December 31st 2010, the management and supervisory staff named below held IPOPEMA Securities shares, either directly or indirectly through subsidiary or related entities (including dedicated funds). By the date of this Report, the number of shares held by the management and supervisory staff did not change, but their percentage share of the share capital and total vote held changed following the issue of shares within the limit of conditional share capital, which took place in February 2011.

Person	No. of shares and votes	% of share capital and total vote as at Dec 31 2010	% of share capital and total vote as at the date of the financial statements
Jacek Lewandowski – President of the Management Board ¹	8,321,427	28.36%	28.16%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.71%	10.63%
Mariusz Piskorski – Vice-President of the Management Board	1,060,000	3.61%	3.59%
Mirosław Borys – Vice-President of the Management Board	928 571	3.16%	3.14%
Bogdan Kryca – Member of the Supervisory Board	642,854	2.19%	2.18%
Total	14,095,707	48.03%	47.70%

¹ As shown in the table included in Section: "Shareholders Holding Significant Blocks of Shares", shares in IPOPEMA Securities S.A. are also held (directly and through a subsidiary undertaking) by Katarzyna Lewandowska, Jacek Lewandowski's wife.

Warsaw, March 17th 2011

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice-President of the
Management Board

Stanisław Waczkowski
Vice-President of the
Management Board

Mirosław Borys
Vice-President of the
Management Board