

Directors' Report

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

Warsaw, March 20th 2012

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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 Q1 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 70 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, 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 focuses its business 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) as part of 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)	2011	2010
Total revenue, including	112,338	100,451
<i>Brokerage and related services</i>	72,427	69,378
<i>Investment fund and asset management</i>	22,458	17,499
<i>Consultancy services</i>	17,453	13,574
Total cost of core activities	83,140	71,071
Profit on core activities	29,198	29,380
Operating profit	30,547	26,381
Net profit for the period	26,118	18,419

Revenue

Thanks to the strong revenue growth across all operating segments, the IPOPEMA Group's consolidated revenue grew by 11.8% in 2011, to PLN 112,338 thousand (from PLN 100,451 thousand in 2010).

As in the previous years, brokerage and related services continued to be the most significant source of the IPOPEMA Group's revenue in 2011, having grown by 4.4%, from PLN 69,378 thousand in 2010, to PLN 72,427 thousand in 2011. Due to the rapid expansion of revenue in other segments, the proportion of revenue from brokerage services in total revenue fell – from 69.1% in 2010 to 64.5% in 2011.

The growth of revenue in the brokerage and related services segment was primarily attributable to higher revenue from securities trading, generated on the back of higher trading volumes on the WSE equity market (with a slight decrease of the Company's share in trading), as well as full recognition of revenue from activities related to debt instruments trading, launched in Q4 2010. The higher revenue from brokerage services helped maintain an upward momentum of revenue in the entire brokerage services segment despite a decline in revenue from investment banking services. Following the market collapse in the second half of 2011, and the resulting effective closure of capital markets, revenue from investment banking services fell to PLN 14,481 thousand, from PLN 17,052 thousand in 2010.

The 2011 revenue from investment funds management rose by 28.3% on 2010 result, from PLN 17,499 thousand to PLN 22,458 thousand (respectively, 17.4% and 20.0% of consolidated revenue). This strong growth was mainly attributable to an increase in the number of funds (to 56, vs. 51 as at the end of 2010) and a higher value of assets under management (PLN 6.1bn in 2011, compared with PLN 3.9bn as at the end of 2010), as well as recognition in Q4 2011 of revenue generated by IPOPEMA AM, whose assets under management totalled PLN 2.6bn as at the end of 2011.

A similar improvement was seen in the consultancy services segment – in the third year of IPOPEMA BC's operations its revenue advanced by 28.6%, from PLN 13,574 thousand in 2010 to PLN 17,453 thousand in 2011, representing, respectively, 13.5% and 15.5% of the consolidated revenue.

IPOPEMA Securities' separate revenue amounted to PLN 72,767 thousand in 2011, a 4.9% growth year on year, from PLN 69,378 thousand.

Costs and expenses

The IPOPEMA Group's total operating expenses in 2011 were PLN 83,140 thousand, having risen by 17.0% year on year, from PLN 71,071 thousand in 2010. The increase in expenses was mainly attributable to higher costs of salaries and wages, largely resulting from higher headcount, transaction costs and other costs (chiefly the cost of services).

Total operating expenses of the brokerage and related services segment (IPOPEMA Securities) in 2011 amounted to PLN 51,224 thousand, up by 13.8% on 2010 (PLN 45,001 thousand), which resulted from higher transaction costs (a 16.6% increase) and the higher cost of salaries and wages (a 13.9% increase). On a separate basis, total operating expenses of IPOPEMA Securities in 2011 were by PLN 60 thousand lower than the total cost of the segment, and amounted to PLN 51,164 thousand (2010: PLN 44,546 thousand).

Higher costs in the investment fund management segment (IPOPEMA TFI, and since the beginning of Q4 2011 also IPOPEMA AM), which in 2011 increased by 34.4%, to PLN 18,241 thousand, mostly resulted from higher salaries and wages (increased employment), and higher costs related to the creation and distribution of open-end funds.

In the case of IPOPEMA Business Consulting (the consultancy services segment), in 2011 operating expenses grew by 9.4% year on year, to PLN 13,675 thousand (2010: PLN 12,502 thousand).

Expenses connected with the valuation of the share option plans operated by the Company amounted to PLN 162 thousand in 2011 (2010: PLN 1,094 thousand).

Net profit (loss)

In 2011, consolidated profit on core activities was PLN 29,198 thousand, and was slightly down on the previous year (PLN 29,380 thousand). Operating profit and net profit were PLN 30,547 thousand and 26,118 thousand, respectively, and were higher relative to the previous year (PLN 26,381 thousand and PLN 18,419 thousand, respectively). The items affecting the amount of operating and net profit include gain on bargain purchase (for details, see Note 23.1 to the consolidated financial statements) and a significantly higher current period's profit. Given the fact that IPOPEMA Securities holds 50.02% of IPOPEMA BC shares, total consolidated profit attributable to owners of the Parent amounted to PLN 24,487 thousand, while profit attributable to non-controlling interests was PLN 1,631 thousand. These results contributed to a 26.0% margin on core activities (2010: 29.2%) and a net margin of 23.2% (2010: 18.3%).

The brokerage and related services segment posted a net profit of PLN 19,080 thousand in 2011 (2010: PLN 14,661). In 2011, IPOPEMA Securities' separate net profit (excluding the gain on bargain purchase and cost of the Incentive Scheme) amounted to PLN 15,585 thousand, compared with PLN 15,431 thousand in 2010 (with a margin of 21.4% and 22.2%, respectively).

In 2011, the investment fund management segment (IPOPEMA TFI and – as of Q4 2011 – IPOPEMA AM) posted a net profit of PLN 3,851 thousand, up by 32.1% on 2010 (PLN 2,915).

In 2011, the consultancy services segment (IPOPEMA Business Consulting) posted a net profit of PLN 3,187 thousand, which was nearly four times higher than in 2010 (PLN 843 thousand).

Analysis of the statement of financial position of the IPOPEMA Securities Group

The key items of the Company's consolidated statement of financial position are current receivables and current liabilities, which as at December 31st 2011 accounted for 81.3% and 85.7% 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 2011 stood at PLN 100,491 thousand, which accounted for 15.9% of total assets. The amount included PLN 90,339 thousand of cash carried by IPOPEMA Securities, including the Company's own funds of PLN 44,564 thousand (with clients' cash representing the balance).

As at the end of 2011, equity accounted for 12.3% of the balance-sheet total (PLN 77,545 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 15,083 thousand as at December 31st 2011 (2.4% 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 2011, off-balance sheet items included futures for a total amount of PLN 1,398 thousand acquired for the Company's own account in connection with its role as a futures market maker, and two forward contracts of PLN 14,956 thousand used to hedge foreign currency positions (deposits held at Deutsche Bank's branches in Hungary and the Czech Republic related to settlements of transactions on these markets). 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 2011 was PLN 2,106 thousand and involved mainly spending on IT hardware and systems. As at the date of the financial statements, the Group did 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

Although in the second half of 2011 the WSE's WIG index reversed its upward trend, started in March 2009, the overall performance of the equity market in terms of trading volumes clearly improved in 2011 relative to 2010 – the monthly average of value of trading (on a double counted basis) was PLN 42.1bn in 2011 (2010: PLN 34.0bn). IPOPEMA Securities' market share remained relatively flat (8.26% in 2011 vs. 8.30% in 2010).

On the Budapest Stock Exchange, the average monthly value of trading in 2011 was 31.0% lower than in 2010 (EUR 2.3bn against EUR 3.3bn). The Company's market share, however, grew from 6.95% in 2010 to 7.23% in 2011.

As a result (and following full recognition of revenue from activities related to debt instruments trading, launched in Q4 2010), the Company's revenue from trading in securities in 2011 grew by 12.4%, to PLN 57,683 thousand (2010: PLN 51,335 thousand).

Investment banking services

While the total value of transactions handled by IPOPEMA in 2011 increased twofold relative to 2010 (which was mainly attributable to a PLN 5.4bn IPO of JSW S.A. where the Company acted as one of the members of the offering syndicate), the market collapse in the second half of the year virtually closed the equity market to new transactions. Consequently, the Company's revenue from investment banking services was PLN 14,481 thousand, down 15.1% on the year before (PLN 17,052 thousand).

IPOPEMA TFI's and IPOPEMA AM's activities

Key factors which contributed to the considerably higher revenue reported in the fund management segment included an increase in the number of funds and a higher value of assets under IPOPEMA TFI's management. As at the end of 2010, IPOPEMA TFI managed 51 closed-end funds and the aggregate value of assets under its management was PLN 3.9bn. As at the end of 2011, the number of funds rose to 56, while the aggregate value of their assets grew to PLN 6.1bn. Moreover, at the end of 2011 three sub-funds of the IPOPEMA SFIO fund were launched: IPOPEMA Obligacji, IPOPEMA Agresywny and IPOPEMA Makro Alokacji. As a result, at the end of 2011 IPOPEMA TFI managed three open-end funds: IPOPEMA SFIO, m-Indeks and ALIOR SFIO (with four sub-funds). The continuing growth of IPOPEMA TFI's revenue and consolidation of IPOPEMA AM's revenue since Q4 2011 contributed to a 28.3% rise in revenue of the investment fund management segment, to PLN 22,458 thousand (2010: PLN 17,499 thousand).

IPOPEMA Business Consulting's business

IPOPEMA Business Consulting also saw strong business growth – in 2011 its revenue was at PLN 17,453 thousand, having increased by 28.6% over the 2010 figure (PLN 13,574 thousand). The high revenue resulted from ongoing execution of mandates obtained in 2010 and from new projects mandated by our anchor clients in 2011. A moderate increase in costs also allowed IPOPEMA BC to improve its margin – in 2011, its net profit amounted to PLN 3,187 thousand, nearly four times more than a year before (PLN 843 thousand).

Recognition of Incentive Scheme costs

As the Company adopted a reporting system compliant with the International Financial Reporting Standards (the "IFRS"), it had to recognise the effect of valuation of the share option plans implemented by the IPOPEMA Securities Group in the consolidated financial statements. However, in connection with the settlement and completion of Share Option Plan I, in 2011 the total charge relating to the incentive scheme amounted to only PLN 162 thousand (allocated exclusively to IPOPEMA Securities), while in 2010 it was PLN 1,094 thousand (PLN 455 thousand at IPOPEMA Securities and PLN 639 thousand at IPOPEMA TFI).

4. Factors which may affect the 2012 performance

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

Following the stock market decline in the second half of 2011, the first months of 2012 spell a return of optimism among investors. Nonetheless, the current trading activity is slightly lower than in the prior year. Therefore, it is difficult to predict the market conditions for the coming months of 2012. Regardless, the Company will further seek to strengthen its position on all its markets.

Further increase of IPOPEMA Securities' involvement in investment banking projects

The deterioration of market sentiment on the WSE in the second half of 2011 virtually closed the equity market to new transactions. However, first signs of recovery are seen in Q1 2012 – in February 2012, IPOPEMA Securities was one of the advisers to the successful sale of shares of PGE Polska Grupa Energetyczna S.A. by the State Treasury. The Company has further equity transactions in the pipeline and will work on acquisition of new clients. It is difficult to predict how long the current upward trend on the WSE will last. Nonetheless, the Company continues to actively seek transactions in the market segments less prone to the volatility of the stock 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. Following six successive months of redemptions, February 2012 was the first month when investment funds registered in Poland reported a net inflow of money. A possible rebound of clients' interest in investment funds should improve the performance of the investment fund 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 2012, the factors of key relevance to IPOPEMA BC's activities will be the performance of part of the company's existing mandates and growth of the company's order book, with a limited increase in expenses.

IPOPEMA's brokerage business in Hungary

In two years of its operations on the BSE, the Company gained a significant market share (6.95% in 2010, 7.23% in 2011) similar to that on the Warsaw Stock Exchange. However, due to the economic and political instability in Hungary, it is currently difficult to predict the conditions on the Budapest Stock Exchange in 2012 and their effect on the Company's performance.

IPOPEMA's brokerage business in the Czech Republic

In Q4 2011, the Company became a member of the Prague Stock Exchange. Following a period of test transactions, in Q1 2012 the Company launched services for external clients. However, given the project's early stage of development, it is difficult to determine its impact on IPOPEMA's financial performance in 2012. It will depend, most of all, on the situation on the Czech stock market, the rate at which new clients are acquired, and the broadening of cooperation with the existing clients of IPOPEMA Securities in the area of transaction execution on the PSE.

5. Business profiles 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 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 (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-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.

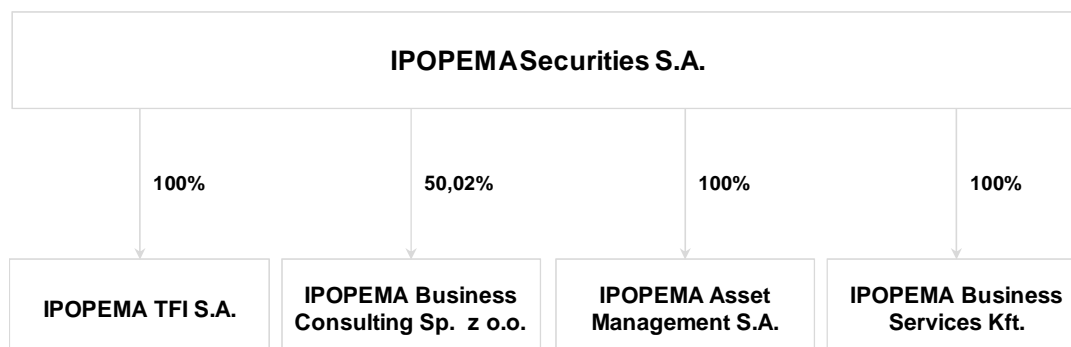
In 2011, none of the client's accounted for more than 10% of the Group's revenue.

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 the provider advantage over the Company or which would enable the provider to impose on the Company disadvantageous terms of trade. A significant item of service costs were transaction costs (payable to stock exchanges and clearing houses), which in 2011 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, and subsidiaries: IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A., IPOPEMA Business Consulting Sp. z o.o., IPOPEMA Asset Management S.A., and IPOPEMA Business Services Kft. IPOPEMA Securities, IPOPEMA TFI, IPOPEMA AM and IPOPEMA BC are consolidated, while IPOPEMA Business Services has been excluded from consolidation, given the immateriality of its financial information.



In 2011, the IPOPEMA Group was extended to include IPOPEMA Asset Management (formerly Credit Suisse Asset Management (Polska) S.A.). 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 will be further expansion of its research coverage (which already includes 70 companies listed on WSE and BSE) to include the largest companies listed on the stock exchange 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 further development of its offering of active management funds and funds targeted at retail clients. The addition of IPOPEMA AM fits within the IPOPEMA Securities 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 2011, 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 2011 and in 2012 prior to the date of release of the financial statements

Expiry of the authorised capital

Pursuant to the Company's Articles of Association, the Management Board (subject to an approval of the Supervisory Board) was authorised to increase the Company's share capital by a total of PLN 350,000, through an 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. However, by way of a resolution of the General Meeting dated June 29th 2011, the Management Board was again granted the authorisation for a period of three years from the date the amended Articles of Association containing the authorisation were registered, i.e. September 28th 2011.

Subscription for shares under the incentive scheme

As part of the incentive scheme launched in 2009, in February 2011 and in February 2012, successive pools of shares were made available under Share Option Plan II (for which 714,285 shares were earmarked), which affected the amount of the Company's share capital.

In particular, the first subscription of shares under Share Option Plan II took place in February 2011, whereby a total of 212,500 shares were subscribed for and the Company's share capital was increased by PLN 21,250 to PLN 2,955,480.10. In February 2012, under the same Share Option Plan II, 197,321 shares were subscribed for, which resulted in a further increase in the Company's share capital by PLN 19,732.10, to PLN 2,975,212.20.

All the shares were issued within the limit of the 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.

Acquisition of Credit Suisse Asset Management (Polska) S.A.

On March 15th 2011, the Company entered into a share purchase agreement concerning all the shares in Credit Suisse Asset Management (Polska) S.A. ("CSAM"). The completion of the transaction was subject to obtaining the required approvals from the regulatory bodies, i.e. the Polish Office of Competition and Consumer Protection (clearance obtained on May 30th 2011) and the Polish Financial Supervision Authority (decision not to raise objections announced on September 6th 2011). The final agreement transferring the ownership of the CSAM shares to the Company was concluded on September 30th 2011. On October 26th 2011, the change of name of the acquired company to IPOPEMA Asset Management S.A. ("IPOPEMA AM") was registered.

The addition of IPOPEMA AM, which fits within the IPOPEMA Securities Group's development strategy in the area of asset management for institutional and corporate clients, allowed the Group to significantly expand its business in that area.

Execution of annexes to credit facility agreements with Alior Bank

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

Membership in the Prague Stock Exchange

In Q4 2011, the Company became a member of the Prague Stock Exchange ("PSE"), while in Q1 2012 it launched its brokerage activities on that market (based on a formula similar to the one employed on the Hungarian market, i.e. without opening a branch). Expansion into the Prague market is a complementary

addition to the range of services offered by the Company as a one-stop intermediary in securities trading on the most liquid markets in Central and Eastern Europe.

5.6 Awards and distinctions

In the most recent ranking published by the Forbes magazine (issue No. 10/2011), prepared on the basis of institutional clients' ratings, IPOPEMA Securities ranked first in the combined classification and was the highest-ranking brokerage house in terms of professionalism, individualised approach to clients (flexibility), quality of services on the secondary market, and the quality of research reports and recommendations. Furthermore, IPOPEMA topped the ranking in the category of separate evaluation of broker teams for another consecutive year, and three brokers of IPOPEMA Securities, including the second-time winner of the listing, were placed among the best fifteen sales-traders in the individual ranking.

In the ranking published by the Forbes magazine in May 2011 (issue No. 5/2011), where analyst teams were rated by institutional investors, IPOPEMA Securities came second, and was the highest-ranking brokerage house in terms of "Professionalism". Moreover, the portfolio built on the basis of recommendations issued by IPOPEMA Securities Research Office produced the highest rate of return among all the portfolios recommended by various research offices.

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 2011, 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 Share Capital of IPOPEMA Securities S.A.

In accordance with the information contained in Section 5.5, in February 2011 and February 2012, shares were issued for the purposes of the Incentive Scheme operated 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 Meeting ("EGM") of December 5th 2007 (as amended by Resolution No. 5 of the EGM, dated March 20th 2009). Consequently, on February 9th 2011, the Company's share capital was increased by PLN 21,250, through the issue of 212,500 Series C ordinary registered shares, to PLN 2,955,480.10. On February 17th 2011, 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 2011 the Company's share capital was 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), 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 1,041,250.00 was allocated in full to the Company's statutory reserve funds.

On February 20th 2011, the share capital was again increased, by PLN 19,732.10, through the issue of 197,321 Series C ordinary registered shares, which were registered with the Polish NDS and converted into bearer shares on March 7th 2012. As a result, the share capital amounts to PLN 2,975,212.20 and is 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). Following the issue, the share premium of PLN 966,872.90 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 2011, 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 2011, 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 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%
OFE PZU Złota Jesień*	2,251,346	7.62%
Fundusz IPOPEMA PRE-IPO FIZAN ²	2,188,370	7.40%
KL Lewandowska S.K.A. ³	2,086,749	7.06%
JLK Lewandowski S.K.A. ⁴	2,066,249	6.99%
JLS Lewandowski S.K.A. ⁴	2,066,249	6.99%
TFI Allianz Polska S.A.** ⁵	1,922,383	6.50%
Total shareholders holding over 5% of the share capital	15,432,766	52.22%

* 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 of Katarzyna Lewandowska.

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

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

As at the date of approval of this Report, and taking into account the share issue discussed in Section 6.1 above, 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	9.58%
OFE PZU Złota Jesień*	2,251,346	7.57%
Fundusz 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%
TFI Allianz Polska S.A. ^{5, **}	1,922,383	6.46%
Aviva OFE Aviva BZ WBK**	1,562,539	5.25%
Total shareholders holding over 5% of the share capital	16,995,305	57.12%

* 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 of Katarzyna Lewandowska.

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

⁵ Shares held by 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

Except for transactions executed as part of the Company's brokerage activities (intermediation in equities trading on the WSE), the Company did not buy back 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 2011 (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	2011 (PLN '000)	2010 (PLN '000)
Jacek Lewandowski	1,272	1,383
Mirosław Borys	722	723
Mariusz Piskorski	960	1,218
Stanisław Waczkowski	3,820	3,226

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

The table below presents the remuneration received in 2011 from IPOPEMA Securities by the Supervisory Board members for the performance of their supervisory duties:

First name and surname	2011 (PLN '000)	2010 (PLN '000)
Jacek Jonak	22	9
Janusz Diemko	18	6.5
Roman Miler	4.5	2
Bogdan Kryca	18	8
Wiktor Sliwinski	1.5	5

In 2011, 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 table below presents the shareholdings (direct or through controlled entities) owned by members of the management and supervisory personnel of IPOPEMA Securities as at December 31st 2010:

Person	No. of shares and votes	% of ownership interest and total vote
Jacek Lewandowski – President of the Management Board ¹	8,321,427	28.36%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.71%
Mariusz Piskorski – Vice-President of the Management Board	1,060,000	3.61%
Mirosław Borys – Vice-President of the Management Board	928,571	3.16%
Bogdan Kryca – Member of the Supervisory Board	642,854	2.19%
Total	14,095,707	48.03%

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 the shareholdings (direct or through controlled entities) of members of the management and supervisory personnel of IPOPEMA Securities as at December 31st 2011 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 2010	% 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	21.39%	21.25%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.63%	10.56%
Mariusz Piskorski – Vice-President of the Management Board	965,000	3.27%	3.24%
Miroslaw Borys – Vice-President of the Management Board	696,428	2.36%	2.34%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.50%	1.49%
Total	11,568,005	39.14%	38.88%

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.

In 2011, the shareholdings owned by Jacek Lewandowski, Mariusz Piskorski, Miroslaw Borys, and Bogdan Kryca were reduced following disposal (directly or through subsidiaries) of respectively 2,000,559 shares, 95,000 shares, 232,143 shares, and 200,000 shares (for details see Current Report No. 11/2011). In addition, in February 2011 and February 2012 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 shareholdings in the Company were diluted.

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 2011, the Company did not conclude any agreements with members of its management or supervisory personnel concerning compensation payable in the event of employment termination.

8. Court proceedings

On January 13th 2009, the Company filed with the Regional Court a suit for payment of past due receivables in the amount of PLN 891 thousand. The suit was dismissed by way of court decision on July 28th 2011, however, the Company is considering taking other legal action in the case. The IPOPEMA Securities Group entities were not parties to any other court proceedings.

9. Credit agreements, sureties, guarantees and other agreements

Conclusion of credit facility agreements

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

Agreements concluded in the ordinary course of business

In 2011, IPOPEMA Securities S.A. concluded several agreements for the provision of brokerage services, around a dozen agreements for the provision of investment banking services, as well as several agreements for 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 2011, the Company did not contract any borrowings 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 risk factors specific to the business of the IPOPEMA Securities Group or its member companies, which the Management Board believes to be the most material and which – should they materialise – may have an adverse effect on the operations, financial standing, performance or development prospects of the Company and the IPOPEMA Securities Group.

Risk related to the situation on capital markets

The Company's financial results are primarily dependent on capital market conditions, especially in Poland. In particular, the economic slowdown is causing a slump on global stock exchanges, including the Warsaw Stock Exchange, Budapest Stock Exchange, and Prague Stock Exchange. The downturn also affects the Company's revenue through lower trading volumes on the stock exchanges and difficult conditions for execution of public offerings. It is currently difficult to predict with certainty whether the upward trend seen on global stock markets in Q1 2012 is a lasting reversal of the slowdown observed in the second half of 2011.

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

Similarly, for IPOPEMA AM the market sentiment (which drives equity and debt instrument prices thus affecting the value of managed assets and, in effect, revenues from portfolio management services) is the primary factor affecting its business.

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

In recent years, many new companies have entered the market on which IPOPEMA Securities S.A. operates. In addition to brokerage houses 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 brokerage and advisory services provided by foreign financial institutions which establish or expand their offices in Warsaw. The growing competition may result in the Company losing part of its market share and in higher pressure on prices of the offered services, which may have an adverse effect on the Company's financial position.

Similarly, IPOPEMA TFI, IPOPEMA AM, and IPOPEMA Business Consulting compete against both companies with established market positions and new market entrants. In four years of its operation, IPOPEMA TFI has become one of the most active players in 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 nearly fifteen 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. In the fourth year of its active operation, IPOPEMA Business Consulting continues to grow dynamically, consistently expanding its client base and order book. Although, in the future, there can be no assurance that measures taken by competitors 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 Securities Group as a whole.

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

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

Furthermore, in order to deliver an adequate quality of service, the IPOPEMA Securities Group companies must retain highly qualified staff. The nature of the Company's business requires part of IPOPEMA Securities', IPOPEMA TFI's, or IPOPEMA AM'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 Group, it is necessary 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 quality, with a view to ensuring stability of the key staff, the Company's Management Board seeks to develop appropriate incentive mechanisms to motivate employees to link their future with the Group. One of the measures in this area is the incentive scheme and the employee remuneration system in place. However, the pursuit of those plans may require increased expenditure on employee remuneration, which, given the considerable share of salaries and wages in total operating expenses, may have an adverse effect on the financial results of the IPOPEMA Securities Group in the future.

Risk related to settlement of stock exchange transactions

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

Risk related to the nature of investment banking services

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

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

To date, the Company has not encountered any problems in making sufficient contributions to the Guarantee Fund, while the present level of the available credit facility ensures safe continuation of business on the current scale or even a substantial increase in business volumes. It should be also noted that, if the Company's clients

fail to settle transactions concluded on the basis of their orders in a timely manner, the Company may be required to execute such transactions using its own funds if the available credit facility is not sufficient to cover the liabilities.

Moreover, as a brokerage house, the Company is obliged to meet the capital requirements as part of the separate and consolidated capital adequacy requirement, which to a large extent depend on the scope and scale of brokerage activities. IPOPEMA's equity on a separate and consolidated basis (as at December 31st 2011: PLN 65,301 thousand and PLN 77,545 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 of operations (particularly as regards potential new business projects) will require the equity to be significantly increased.

Risk related to the business of IPOPEMA TFI

Given the rising competition on the market of investment funds as well as the relationship between individual funds' performance and the economic situation, including in particular the situation on the capital markets, and the correctness of investment decisions made by managers of IPOPEMA TFI funds, there is a risk that the funds may not yield the expected rate of return (or, in an extreme case, they may incur losses) or that clients will lose confidence in the fund managers, which may eventually lead to some clients closing their relationship with the funds managed by IPOPEMA TFI. 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 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 establish new funds), as well as the direction of possible changes of the legal environment applicable to the business of investment funds and taxation of investment funds and unit holders.

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

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

Risk related to the 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 two years of its operations on the Hungarian market, the Company gained a significant market share (6.95% in 2010, 7.23% in 2011) similar to that seen on the Warsaw Stock Exchange. However, due to economic and political instability in Hungary, at present it is difficult to predict how the conditions prevailing on the Budapest Stock Exchange will be shaping in the future, and eventually, what their impact on the performance of IPOPEMA on that market will be.

In Q1 2012, IPOPEMA Securities launched brokerage activities on the Prague Stock Exchange (PSE). The company has a limited operating history on the Czech market, hence it is difficult to assess the impact of the Czech operations on the Company's performance in the future. It is possible 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 mistakes and errors of IPOPEMA's employees and breaches of law

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

In line with the applicable laws, a company authorised to conduct brokerage activity is required to have a unit which exercises ongoing supervision over compliance of the employees who provide brokerage and investment advice services with legal regulations and internal rules of procedure (including the rules for the protection of inside information and the procedure for counteracting and identifying instances of manipulation). 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. 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 33 of the annual consolidated financial statements of IPOPEMA Securities S.A.

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 Resolutions No. 15/1282/2011 of August 31st 2011 and 20/1287/2011 of October 19th 2011 of the WSE Supervisory Board. 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_19_10_2011_final.pdf.

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

In 2011, 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 2010. In particular, the departures from Best Practices effective in 2011 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 (also from the formal and legal point of view) of issues related to the access to General 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 this Section of Best Practices; however, Best Practices set the deadline by which the rules should be implemented on January 1st 2013.

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.1, concerning the use of modern technologies and state-of-the-art communication tools, which 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 been fully implemented (especially as regards broadcasting and providing access to General Meetings);
- the recommendation contained in Section I.5, concerning the remuneration of members of the management and supervisory bodies 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's 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 Meeting). Pursuant to the Regulation of the Minister of Finance on rules governing brokerage houses' policy on variable pay components for the management personnel, dated December 2nd 2011, brokerage houses must comply with the rules provided therein by March 31st 2012, and implement a policy on variable pay components in line with the regulation. At present, the Company is preparing such document, which will be adopted within the specified deadline;

- 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.

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.

Shareholders holding significant blocks of shares

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

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.

Following the sale of Company shares executed in April 2011 by certain members of the Management and Supervisory Boards (see Current Report No. 11/2011 of April 12th 2011), the lock-up period stipulated in the agreements was extended by another 12 months (i.e. until April 11th 2012) with respect to all the remaining Company shares held (directly or indirectly through related entities) by all Management Board members and a member of the Supervisory Board (specified in the Current Report above).

Restrictions on the right to sell the shares also apply to 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, which ended on May 25th 2010).

Rules governing appointment and removal of the Company's management personnel 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 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 and provided for 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 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	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

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

First name and surname	Position	Appointment date ¹
Jacek Jonak	Chairman of the Supervisory Board	June 29th 2011
Roman Miler	Deputy Chairman of the Supervisory Board	June 29th 2011
Janusz Diemko	Secretary of the Supervisory Board	June 29th 2011
Bogdan Kryca	Member of the Supervisory Board	June 29th 2011
Wiktor Sliwinski	Member of the Supervisory Board	June 29th 2011

¹ Date of appointment for the third 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 2011, the management and supervisory personnel named below held IPOPEMA Securities shares, either directly or indirectly through subsidiaries or related entities (including dedicated funds). By the date of this report, the number of shares held by the management and supervisory personnel 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 2012.

Person	No. of shares and votes	% of ownership interest and total vote as at Dec 31 2011	% 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	21.39%	21.25%
Stanisław Waczkowski – Vice-President of the Management Board	3,142,855	10.63%	10.56%
Mariusz Piskorski – Vice-President of the Management Board	965,000	3.27%	3.24%
Mirosław Borys – Vice-President of the Management Board	696,428	2.36%	2.34%
Bogdan Kryca – Member of the Supervisory Board	442,854	1.50%	1.49%
Total	11,568,005	39.14%	38.88%

¹ As shown in the table included in Section: "Shareholders holding significant blocks of shares", shares in IPOPEMA Securities S.A. are also held (indirectly through a subsidiary) by Katarzyna Lewandowska, Jacek Lewandowski's wife.

Warsaw, March 20th 2012

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