The
IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the nine months ended September 30th 2012

Warsaw, November 8th 2012

Contents

Financial highlights

Financial highlights	PLN '000		EUR '000		PLN '000		EUR '000	
	3 months ended Sep 30				9 months ended Sep 30			
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue from core activities	18,644	31,065	4,508	7,415	63,333	86,162	15,098	21,320
Cost of core activities	16,853	21,473	4,075	5,126	53,642	59,857	12,788	14,811
Profit on core activities	1,791	9,592	433	2,290	9,691	26,305	2,310	6,509
Operating profit	1,559	12,004	377	2,865	8,653	28,245	2,063	6,989
Pre-tax profit	828	13,550	200	3,234	5,867	29,603	1,399	7,325
Net profit on continuing operations	561	11,751	136	2,805	5,424	24,518	1,293	6,067
Net profit	561	11,751	136	2,805	5,424	24,518	1,293	6,067
Net earnings per ordinary share (weighted average) (PLN/ EUR)								
- basic	0.01	0.40	0.00	0.09	0.16	0.83	0.04	0.21
- diluted	0.01	0.39	0.00	0.09	0.16	0.82	0.04	0.20
Net cash from operating activities	- 12,253	40,167	- 2,963	9,588	- 25,246	15,400	- 6,018	3,811
Total cash flows	- 25,214	37,186	- 6,097	8,876	- 38,487	14,581	- 9,175	3,608

Consolidated financial highlights	PLN '000			EUR '000		
	Sep 30 2012	Jun 30 2012	Dec 31 2011	Sep 30 2012	Jun 30 2012	Dec 31 2011
Total assets	476,410	529,704	631,175	115,808	124,306	142,903
Current liabilities	399,450	453,992	540,648	97,100	106,538	122,407
Equity	72,887	71,972	80,969	17,718	16,890	18,332
Number of shares	29,752,122	29,752,122	29,554,801	29,752,122	29,752,122	29,554,801
Book value per share (PLN/EUR)	2.45	2.42	2.74	0.60	0.57	0.62

The individual items of the financial highlights were translated into the euro at the following exchange rates:

- Items of the statement of comprehensive income and statement of cash flows:

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in a given period	Jan 1–Sep 30 2012	Jan 1–Sep 30 2011
EUR	4.1948	4.0413

- Items of the statement of financial position:

Exchange rate as at	Sep 30 2012	Dec 31 2011	Sep 30 2011
EUR	4.1138	4.4168	4.4112

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2012

	Note	Jan 1–Sep 30 2012	Jul 1–Sep 30 2012	Jan 1–Sep 30 2011	Jul 1–Sep 30 2011
CONTINUING OPERATIONS					
Revenue from core activities, including:	15	**63,333**	**18,644**	**86,162**	**31,065**
Revenue from brokerage activities		33,712	9,300	58,791	21,545
Revenue from management of investment funds and assets		19,914	6,521	15,506	5,036
Revenue from advisory services		9,707	2,823	11,865	4,484
Cost of core activities	15	**53,642**	**16,853**	**59,857**	**21,473**
Profit (loss) on core activities		**9,691**	**1,791**	**26,305**	**9,592**
Gain (loss) on transactions in financial instruments held for trading		- 837	- 128	- 2,421	- 1,994
Gain (loss) on transactions in financial instruments held to maturity		-	-	-	-
Gain (loss) on transactions in financial instruments available for sale		159	28	-	-
Other operating income	17	451	117	4,604	4,480
Other operating expenses		811	249	243	74
Operating profit (loss)		**8,653**	**1,559**	**28,245**	**12,004**
Finance income		2,829	800	3,776	2,199
Finance costs		5,615	1,531	2,418	653
Pre-tax profit (loss)		**5,867**	**828**	**29,603**	**13,550**
Income tax	16	443	267	5,085	1,799
Net profit (loss) on continuing operations		**5,424**	**561**	**24,518**	**11,751**
DISCONTINUED OPERATIONS		-	-	-	-
Net profit (loss) for period		**5,424**	**561**	**24,518**	**11,751**
Attributable to:					
Owners of the parent		4,825	419	23,327	11,345
Non-controlling interests		599	142	1 191	406
Earnings (loss) per share (PLN)		0.16	0.01	0.83	0.40
Diluted earnings (loss) per share (PLN)		0.16	0.01	0.82	0.39
Other comprehensive income		**927**	**338**	**265**	**- 65**
Gains and losses on revaluation of financial assets available for sale		1,144	417	327	- 80
Corporate income tax on items of other comprehensive income		- 217	- 79	- 62	15
Comprehensive income for period		**6,351**	**899**	**24,783**	**11,686**
Attributable to:					
Owners of the parent		5,752	757	23,592	11,280
Non-controlling interests		599	142	1,191	406

Warsaw, November 8th 2012

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

Danuta Ciosek
Chief Accountant

Interim condensed consolidated statement of financial position

as at September 30th 2012

ASSETS	Note	Sep 30 2012	Jun 30 2012	Dec 31 2011	Sep 30 2011
Cash and cash equivalents	12	60,673	86,058	100,491	108,041
Current receivables	12, 14	389,526	421,603	512,960	713,966
Current prepayments and accrued income		1,459	1,114	880	1,373
Financial instruments held for trading		5,575	804	1,521	1,133
Financial instruments held to maturity		-	-	-	-
Financial instruments available for sale		7,326	6,962	6,016	2,483
Investments in jointly controlled entities and associates		-	-	-	-
Non-current receivables		1,451	4,071	372	402
Non-current loans advanced		1,717	1,987	2,433	2,589
Property, plant and equipment		4,088	3,100	2,434	2,015
Investment property		-	-	-	-
Intangible assets		2,954	2,353	2,268	2,214
Inventories		-	-	26	100
Non-current prepayments and accrued income		1,641	1,652	1,774	2,250
TOTAL ASSETS		**476,410**	**529,704**	**631,175**	**836,566**

EQUITY AND LIABILITIES		Sep 30 2012	Jun 30 2012	Dec 31 2011	Sep 30 2011
Current liabilities	14	399,450	453,992	540,648	744,735
Other financial liabilities		-	-	-	-
Non-current liabilities		543	294	-	-
Provisions	14	3,499	3,446	9,558	11,838
Accruals and deferred income		31	-	-	152
Total liabilities		**403,523**	**457,732**	**550,206**	**756,725**
Share capital	13	2,975	2,975	2,955	2,955
Other		13,862	13,509	11,917	12,388
Retained earnings		52,027	51,607	62,673	61,514
Total equity		**68,864**	**68,091**	**77,545**	**76,857**
Non-controlling interests		**4,023**	**3,881**	**3,424**	**2,984**
Total equity		**72,887**	**71,972**	**80,969**	**79,841**
TOTAL EQUITY AND LIABILITIES		**476,410**	**529,704**	**631,175**	**836,566**

Warsaw, November 8th 2012

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Interim condensed consolidated statement of cash flows

for the nine months ended September 30th 2012

CASH FLOWS	Note	Jan 1–Sep 30 2012	Jul 1–Sep 30 2012	Jan 1–Sep 30 2011	Jul 1–Sep 30 2011
Cash flows from operating activities					
Pre-tax profit		**5,867**	**828**	**29,603**	**13,550**
Total adjustments:	26	**- 31,113**	**- 13,081**	**- 14,203**	**26,617**
Depreciation and amortisation		1,274	465	936	324
Foreign exchange gains/(losses)		1,444	260	- 1,123	- 1,090
Interest and dividends		473	1,014	475	331
Gain (loss) on investing activities		615	203	570	197
Change in financial instruments held for trading		- 4,064	- 4,748	7,720	1,198
Change in financial instruments available for sale		- 80	-	-	-
Change in receivables		122,886	29,349	- 420,052	38,470
Change in current liabilities (net of bank borrowings and other debt instruments)		- 145,637	- 39,040	406,243	- 9,399
Change in provisions and impairment losses on receivables		- 6,858	81	505	2,753
Change in accruals and deferrals		- 552	- 362	- 416	386
Income tax		- 793	- 294	- 4,673	- 2,086
Other adjustments (including effect of incentive schemes and acquisition of CSAM)		179	- 9	- 4,388	- 4,467
Net cash from operating activities		**- 25,246**	**- 12,253**	**15,400**	**40,167**
Cash flows from investing activities					
Increase in loans advanced		- 15	-	- 8	-
Decrease in loans advanced		13	8	8	2
Acquisition of property, plant and equipment and intangible assets		- 2,852	- 1,573	- 1,169	- 350
Cash provided by financial instruments available for sale and held to maturity		2,556	82	10,616	10,412
Acquisition of financial instruments available for sale and held to maturity		- 2,546	-	- 4,965	- 4,365
Other cash used in investing activities		- 1,219	2,588	-	-
Other cash from investing activities		548	148	5,274	5,208
Net cash from investing activities		**- 3,515**	**1,253**	**9,756**	**10,907**
Cash flows from financing activities					
Proceeds from borrowings		5,876	1,678	4,534	1,877
Proceeds from issue of share capital		986	-	1,062	-
Interest paid		- 996	- 363	- 803	- 397
Repayment of finance lease liabilities		- 120	- 57	-	-
Dividends to owners of the parent		- 15,472	- 15,472	- 15,368	- 15,368
Net cash from financing activities		**- 9,726**	**- 14,214**	**- 10,575**	**- 13,888**
Total cash flows		**- 38,487**	**- 25,214**	**14,581**	**- 37,186**

Net increase (decrease) in cash and cash equivalents		- 39,768	- 25,376	15,412	37,944
Exchange differences on cash and cash equivalents		- 1,281	- 162	831	758
Cash at beginning of the period	26	96,400	83,127	88,633	66,028
Cash at end of the period, including	26	**57,913**	**57,913**	**103,214**	**103,214**
restricted cash		*4,121*	*4,121*	*10,146*	*10,146*

Warsaw, November 8th 2012

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Interim condensed consolidated statement of changes in equity

for the nine months ended September 30th 2012

	Equity attributable to owners of the parent						
		Other					
	Share capital	Share premium	Revaluation capital reserve	Other	Retained earnings	Non-controlling interests	Total equity
As at Jan 1 2012	**2,955**	**8,474**	**716**	**2,727**	**62,673**	**3,424**	**80,969**
Profit for the period	-	-	-	-	4,825	599	5,424
Issue of shares	20	966	-	-	-	-	986
Costs of incentive scheme	-	-	-	53	-	-	53
Other comprehensive income	-	-	927	-	-	-	927
Dividend payment	-	-	-	-	- 15,472	-	- 15,472
As at Sep 30 2012	**2,975**	**9,440**	**1,643**	**2,779**	**52,027**	**4,023**	**72,887**
As at Jan 1 2011	**2,934**	**7,433**	**972**	**2,565**	**53,554**	**1,793**	**69,251**
Profit for 2011	-	-	-	-	24,487	1,631	26,118
Issue of shares	21	1,041	-	-	-	-	1,062
Costs of incentive scheme	-	-	-	162	-	-	162
Other comprehensive income	-	-	- 271	-	-	-	- 271
Dividend payment	-	-	-	-	- 15,368	-	- 15,368
Other adjustments	-	-	15	-	-	-	15
As at Dec 31 2011	**2,955**	**8,474**	**716**	**2,727**	**62,673**	**3,424**	**80,969**

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other					
	Share capital	Share premium	Revaluation capital reserve	Other	Retained earnings		
As at Jan 1 2011	**2,934**	**7,433**	**972**	**2,565**	**53,554**	**1,793**	**69,251**
Profit for the period	-	-	-	-	23,327	1,191	24,518
Issue of shares	21	1,041	-	-	-	-	1,062
Costs of incentive scheme	-	-	-	113	-	-	113
Other comprehensive income	-	-	265	-	-	-	265
Dividend payment	-	-	-	-	- 15,368	-	- 15,368
As at Sep 30 2011	**2,955**	**8,474**	**1,237**	**2,678**	**61,513**	**2,984**	**79,841**

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Notes

1. The IPOPEMA Securities Group

The IPOPEMA Securities Group (the “Group”) comprises entities controlled by IPOPEMA Securities S.A. (the “Parent” or the “Company”).

The Parent’s registered office is at ul. Waliców 11, Warsaw, Poland.

The Company shares are listed on the main market of the Warsaw Stock Exchange.

As at September 30th 2012, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (the subsidiaries are presented in Note 2).

The Group’s core business comprises:

1. brokerage activities,
2. business and management consultancy services,
3. operation of investment fund companies, as well as creation and management of investment funds,
4. management of portfolios of broker-traded financial instruments,
5. computer facilities management activities,
6. computer consultancy services.

IPOPEMA Securities S. A. – the Parent

The Parent was established (under the name of Dom Maklerski IPOPEMA S.A.) on March 2nd 2005 for indefinite time.

The Parent is entered in the Register of Entrepreneurs at the National Court Register maintained by the District Court, XII Commercial Division of the National Court Register, under entry No. KRS 0000230737.

The Parent was assigned Industry Identification Number (REGON) 140086881.

On June 30th 2005, the Polish Securities and Exchange Commission (currently the Polish Financial Supervision Authority) granted a brokerage licence to the Company, authorising it to conduct brokerage activities in the scope specified in the decision.

The name of the Company was changed from Dom Maklerski IPOPEMA S.A. to IPOPEMA Securities Spółka Akcyjna under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

As part of its brokerage business IPOPEMA Securities S.A. provides comprehensive services for institutional clients in the area of intermediation in securities trading on the secondary market. The Company’s partners are both high-profile international financial institutions and the majority of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers.

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

2. Composition of the Group

IPOPEMA Securities S.A. is the Parent of the IPOPEMA Securities Group. Both the Parent and the other Group entities have been established for indefinite time.

As at September 30th 2012, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

Company name	Business profile	Consolidation method	Share capital held	Total vote held
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, as well as creation and management of investment funds - discretionary management of securities portfolios - advisory services in the area of securities trading - intermediation in the sale and redemption of investment fund units - representation service for foreign funds	full	100%	100%
IPOPEMA Asset Management S.A.	- management of portfolios of broker-traded financial instruments	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consultancy services, - computer facilities management activities, - computer consultancy services, - software-related activities, - wholesale of computers, computer peripherals and software	full	50.02%	50.02%
indirect subsidiary (through IPOPEMA Business Consulting sp. z o.o., the sole shareholder of the company)				
IPOPEMA Outsourcing Sp. z o.o.	- support to IPOPEMA Business Consulting Sp. z o.o.	not consolidated (immaterial financial data)	wholly-owned by IBC	
IPOPEMA Business Services Kft.	- office and business support	not consolidated (immaterial financial data)	100%	100%

3. Basis for preparation of the interim condensed consolidated financial statements

3.1st Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRS applicable to interim financial reporting, endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which have been endorsed recently or are pending endorsement are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed consolidated financial statements of the Group cover the nine months ended September 30th 2012 and contain comparative data for the nine months ended September 30th 2011 and as at December 31st 2011.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Securities Group for 2011.

3.2nd Measurement currency and reporting currency of the financial statements

The measurement currency and the reporting currency of these interim condensed consolidated financial statements is the Polish złoty ("PLN") and all amounts herein are presented in thousands of Polish złoty, unless stated otherwise.

3.3rd Going concern assumption

These interim condensed consolidated financial statements have been prepared on the assumption that the companies of the Group would continue as going concerns in the foreseeable future. As at the date of approval of these financial statements, there are no circumstances which would indicate any threat to their continuing as going concerns.

4. Changes in applied accounting policies

In the nine months ended September 30th 2012, there were no changes in the applied accounting policies compared with the policies published in the consolidated financial statements for 2011, released on March 20th 2012. The consolidated financial statements for 2011 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

5. Selected accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are classified by the Group into the following categories:

Financial assets

- financial assets at fair value through profit or loss (including financial instruments held for trading),
- loans and receivables,
- financial instruments held to maturity,
- financial instruments available for sale.

Financial liabilities

- financial liabilities at fair value through profit or loss (including financial instruments held for trading),
- financial liabilities at amortised cost.

The Group classifies each financial instrument into a given category upon initial recognition.

Financial instruments and financial liabilities measured at fair value through profit or loss.

A financial asset is designated as held for trading if it is acquired principally for the purpose of selling it in the near term, if it is part of a portfolio for which there is a pattern of short-term profit-taking, or if it is a derivative with positive fair value.

The Group designates a financial asset/liability as measured at fair value through profit or loss if:

- an asset/liability qualifies as held for trading (i.e. it has been acquired or assumed principally for the purpose of selling or repurchasing it in the near term, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or it is a derivative (other than a derivative which has been designated as, or is, an effective hedging instrument),

- it was designated as measured at fair value through profit or loss on initial recognition.

As far as the Group is concerned, this category includes primarily equity instruments acquired for resale in the near term, such as shares listed on the Warsaw Stock Exchange (WSE) or the Budapest Stock Exchange (BSE), and derivatives traded on the WSE. The Group has also entered into currency forward contracts. The Group does not apply hedge accounting.

Financial liabilities other than held for trading may be designated by the Group upon initial recognition as financial liabilities measured at fair value through profit or loss if:

- the designation will eliminate or significantly reduce a measurement or recognition inconsistency; or
- a group of financial assets or liabilities or both is managed and its performance is measured on a fair value basis in accordance with a documented risk management or investment strategy applied by the Group, whereunder information regarding asset grouping is exchanged internally; or
- they constitute part of a contract with one or more embedded derivatives, and IAS 39 permits that the entire contract (an asset or a liability) be designated as at fair value through profit or loss.

Financial derivatives are carried at their fair values starting from the transaction date, and any gains or losses are disclosed under income or costs related to financial instruments held for trading. Financial derivatives held by the Group are listed on the Warsaw Stock Exchange, with the exception of the *forward* contracts entered into by the Company. Fair value is determined based on the price of a relevant instrument quoted on the Warsaw Stock Exchange or, in the case of instruments not listed on the Warsaw Stock Exchange, by using recognised valuation models based on market data. Derivatives with positive fair values are disclosed in the statement of financial position as assets, while those with negative fair values – as liabilities.

Financial instruments and financial liabilities acquired or assumed as a result of transactions executed in regulated trading are recognised as at the transaction date at cost, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are initially recognised as at the contract date at the fair value of the amount or other assets received.

Financial instruments held to maturity

Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity.

As at the end of each reporting period, financial assets held to maturity are measured at amortised cost with the effective interest rate.

As at the end of the reporting period, the Group did not have any financial instruments held to maturity.

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms, not traded on an active market, are classified as loans and receivables. Loans and receivables with more than 12 months to maturity are measured at amortised cost using the effective interest rate method, less impairment losses. Interest income is recognised at the effective interest rate, save for current receivables where recognition of interest income would be immaterial. Non-interest bearing current receivables are measured at amounts receivable, subject to the prudent valuation principle. Current receivables include mainly trade receivables, bank deposits and other cash equivalents, as well as loans and acquired unlisted debt securities not classified into other categories.

Loans advanced to IPOPEMA Securities's employees and business partners are classified under “Loans advanced”. Since three-year and five-year loans may be amortised after the repayment date, the Group applies the straight-line amortisation method with respect to the principal amount and accrued interest. Amortisation charges are disclosed under finance expenses.

Furthermore, under financial assets the Group discloses receivables under lease of property, plant and equipment and intangible assets to IPOPEMA Business Services. The value of the leased out property, plant and equipment and intangible assets was PLN 302 thousand as at September 30th 2012 (December 31st 2011: PLN 393 thousand), including non-current receivables of PLN 177 thousand (December 31st 2011: PLN 272 thousand).

Financial instruments available for sale

Financial instruments available for sale are those non-derivative financial instruments which are designated as available for sale or are not classified into any of the other categories.

Financial assets available for sale include mainly investment certificates, investment fund units, and government bonds acquired in order to invest cash surplus, other than investment certificates which have been designated as financial assets at fair value through profit or loss since the Group intends to sell them in the near term.

Financial instruments available for sale are classified as non-current assets if they are not intended for sale within a year from the end of the reporting period; otherwise, they are classified as current assets. As at the end of each reporting period, financial instruments available for sale are measured at fair value, and any resultant gains or losses (other than impairment losses) are taken to the revaluation capital reserve.

Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at cost (fair value), including the transaction costs. Investment fund units are measured at current prices, i.e. the net asset value per unit last published by the investment fund.

Shares in subsidiaries not subject to consolidation are measured at cost less impairment. Investment certificates and investment fund units are recognised at fair value, based on the net value per certificate as published by the investment fund in consultation with the depositary. Valuation results increase or decrease (as appropriate) the revaluation capital reserve.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings and other debt instruments, are initially measured at fair value less transaction costs and then at amortised cost (interest expense is measured using the effective cost method). The effective interest rate method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that effectively discounts estimated future cash payments over the expected life of a given liability or, when appropriate, a shorter period.

The Group derecognises a financial liability when, and only when, the Group's obligation specified in the contract is discharged or cancelled or expires.

Receivables

Current receivables

Current receivables include all receivables from clients, non-consolidated related parties, banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, as well as all or part of receivables related to other items, which are not classified as financial assets, in each case maturing within 12 months from the end of the reporting period.

Receivables are initially recognised at nominal value and measured as at the end of the reporting period and amounts receivable. The amount of receivables is subsequently decreased by impairment losses. Receivables are remeasured to account for the probability of their payment and impairment losses are recognised where necessary.
The Group recognises impairment losses if there is objective evidence that it will not be able to recover all the amounts due in line with the original contractual terms.

Impairment losses are recognised in particular for:

- receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,
- receivables past due by more than 1 year - impairment loss of 100% of the receivables amount is recognised.

Apart from the above general rule, the Group may also recognise impairment losses on an individual basis, when it believes that there is considerable risk that the full amount of a receivable may not be recovered.

Impairment losses on receivables are recognised under other operating expenses. Impairment losses on receivables are reversed if the impairment decreases in subsequent periods and the increase in the value of receivables may be attributed to events that occurred after the impairment loss was recognised. Reversed impairment losses increase other operating income in the consolidated statement of comprehensive income.

Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other brokerage houses

Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other brokerage houses arise in connection with the executed transactions of purchase and sale of securities which have not yet been cleared at the clearing houses due to the transaction settlement procedure (T+3). In the case of purchase transactions executed on stock exchanges to fulfil orders placed by clients whose accounts are kept by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities and other brokerage houses (parties to the market transactions) and current receivables from the clients for whom the purchase transactions were executed. In the case of sale transactions executed on stock exchanges to fulfil orders placed by clients whose accounts are kept by custodian banks, the Group discloses current receivables from banks conducting brokerage activities and other brokerage houses (parties to the market transactions) and current liabilities towards the clients for whom the sale transactions were executed.

Non-current receivables

Non-current receivables are receivables whose terms to maturity are longer than 12 months from the end of the reporting period.

Impairment losses

As at the end of each reporting period the Group evaluates whether there is any indication that an asset may be impaired. Three groups of assets, including goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, are tested on an annual basis, regardless of whether there is an indication of impairment. These assets may be tested for impairment at any time during the year.

The following indication of possible impairment of an asset may be identified:

- impairment of the market value of an asset during the period is much higher than it might have been expected as a result of passage of time and normal use,
- significant technological, market, economic or legal changes, unfavourable for the Group, have occurred during the reporting period or are likely to occur in the near future in the Group's operating environment or on the markets for which the asset is intended,
- market interest rates or other market rates of return on investment have increased during the period and the increase is likely to affect the discount rate applied to calculate the value in use of the asset and decrease its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation value,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant changes, unfavourable for the Group, in the current or expected scope and manner of use of an asset have occurred during the period or are likely to occur in the near future,
- there is evidence, originating from internal reporting, for poorer than expected, current or future, economic performance of an asset.

<u>Liabilities</u>

Current liabilities

Current liabilities are liabilities which are payable within 12 months from the end of the reporting period. Liabilities are measured at amounts payable.

Current liabilities include all liabilities to clients, liabilities to related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the National Depository for Securities and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities also include overdrafts whose measurement is discussed in “Financial liabilities at amortised cost”.

Recognition of current liabilities under executed transactions is presented above in “Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other brokerage houses”.

Non-current liabilities

Non-current liabilities are liabilities which are payable within more than 12 months from the end of the reporting period.

6. Accounting policies introduced in the first nine months of 2012

Standards and interpretations which have been issued and are effective for annual periods beginning on January 1st 2012:

- Amendments to IFRS 7 “Disclosures – Transfers of Financial Assets”;

  The amendments, published on October 7th 2010, change the requirements concerning disclosures on transfers of financial assets. The amendments are effective for annual periods beginning on or after July 1st 2011;

- Amendments to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates”

  Amendments to IFRS 1 were published on December 20th 2010 and are applicable for annual periods starting on or after July 1st 2011. The amendments concern the reference to “January 1st 2004” as the fixed date for the first-time adoption of the IFRS and replace it with the “date of the first-time adoption of the IFRS” with a view to eliminating the need to restate transactions executed prior to the entity's first-time adoption of the IFRS. Further, the standard was supplemented with the guidance concerning re-adoption of the IFRS for periods following the periods of severe hyperinflation which prevents full compliance with the IFRS.

- Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”

  Amendment to IAS 12 was published on December 20th 2010 and is applicable for annual periods starting on or after January 1st 2012. The amendment clarifies, inter alia, the measurement of deferred tax assets and liabilities in the case of investment property measured in accordance with the fair value model defined in IAS 40 *Investment Property.* After the amended standard becomes effective, SIC Interpretation 21 *“Taxes – Recovery of Revalued Non-Depreciable Assets” will be cancelled*.

The Company believes that the above standards and interpretations did not have a material effect on its financial statements when first adopted.

7. New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been published by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective yet:

- IFRS 9 “Financial Instruments” – effective for annual periods beginning on or after January 1st 2015;
- IFRS 10 “Consolidated Financial Statements” - effective for annual periods beginning on or after January 1st 2013;

- IFRS 11 “Joint Arrangements” – effective for annual periods beginning on or after January 1st 2013;
- IFRS 12 “Disclosure of Interests in Other Entities” – effective for annual periods beginning on or after January 1st 2013;
- IFRS 13 “Fair Value Measurement” – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IAS 19 “Employee Benefits” – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IAS 27 “Separate Financial Statements” – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IAS 1 “Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income” – effective for annual periods beginning on or after July 1st 2012;
- Amendments to IFRS 32 “Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities” – effective for annual periods beginning on or after January 1st 2013;
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IFRS 7 “Financial Instruments: Disclosures –Offsetting Financial Assets and Financial Liabilities” – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IFRS 1 – Amendments to IFRS 1 were published on March 13th 2012 and are applicable for annual periods starting on or after January 1st 2013. The amendments are designed to enable an entity adopting the IFRS for the first time to be freed from the full retrospective application of all of the IFRS if such entity uses government loans bearing interest at a rate lower than market rates.

The Company believes that the other standards and interpretations will not have any material effect on its financial statements when first adopted.

8. Changes in estimates

In the first nine months of 2012, there were no changes to estimates, except the changes in provisions for and impairment losses on receivables, discussed in Note 14.

9. Translation of foreign-currency items

Transactions in currencies other than the Polish złoty are accounted for as at the transaction date, using the following exchange rates:

1) the exchange rate actually applied on the transaction date, resulting from the nature of the transaction – in the case of sale or purchase of foreign currencies and payment of receivables or liabilities,
2) the mid-exchange rate quoted for a given currency by the National Bank of Poland (the “NBP”) on the day preceding the transaction date –in the case of payment of receivables or liabilities where the application of the exchange rate referred to in item 1 is not justified, and in the case of other transactions.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish złoty are translated into the złoty at the mid-exchange rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are recognised in finance income or expenses, as appropriate.

The following exchange rates were applied for the purposes of balance-sheet valuation:

Currency	Sep 30 2012	Dec 31 2011	Sep 30 2011
USD	3.1780	3.4174	3.2574
EUR	4.1138	4.4168	4.4112
HUF 100	1.4502	1.4196	1.5097
GBP	5.1571	5.2691	5.0832
UAH	0.3920	0.4255	0.4076
CZK	0.1634	0.1711	0.1791
CHF	3.4008	3.6333	3.6165
INR 100	6.0448	6.4100	6.6452

Source: National Bank of Poland.

10. Net earnings per share

For each period, net earnings per share are computed as the quotient of the net profit attributable to the Parent for the period and the weighted average number of shares in the period.

To obtain diluted earnings per share, the weighted average number of shares in the period is adjusted to account for all potentially dilutive ordinary shares. In the Company's case, these are Series C shares which may be issued within the limit of conditional share capital in connection with the incentive scheme adopted at the Company, to the extent it was implemented.

In line with the adopted methodology, for the purpose of computing diluted earnings, the number of the Company shares was increased by 66,440 shares.

Given the low number of dilutive shares, the values of basic earnings per share and diluted earnings per share in the periods covered by these financial statements are similar.

	Jan 1 – Sep 30 2012	Jan 1 – Sep 30 2011
Number of shares	29,752,122	29,554,801
Weighted average number of shares	29,716,115	29,509,654
Diluted number of shares	29,782,555	29,755,018
Net earnings from continuing operations for the period per share		
- basic	0.16	0.83
- diluted	0.16	0.82

11. Operating segments

For management purposes, the Group is divided into separate segments, based on types of services rendered. The following reporting operating segments have been identified:

1. The segment of brokerage and related services, comprising IPOPEMA Securities' business, i.e. brokerage and investment banking activities, which focus on public offerings of securities (particularly equities) – where the Company acts as the coordinator, offering broker and financial adviser – issue of debt instruments, M&A transactions and management buy-outs, as well as advisory mandates concerning the raising of financing on the private market, including from private equity funds and through pre-IPO placements. The segment also provides consultancy services relating to corporate financial restructuring, and *asset* management services which were transferred to IPOPEMA AM at the beginning of Q3 2012.
2. The segment of investment fund and portfolio management, comprising IPOPEMA TFI's and IPOPEMA AM's business; the two companies focus on the creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.
3. The segment of consultancy services, comprising services of IPOPEMA Business Consulting, which focuses on business and management consultancy, computer facilities management, computer consultancy and software-related activities.

Operating segments	Nine months ended September 30th 2012 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Segment's total revenue	33,712	20,562	9,870	**64,144**
Intersegment sales	-	- 648	- 163	**- 811**
Sales to external clients	**33,712**	**19,914**	**9,707**	**63,333**
Segment's costs and expenses	**- 27,508**	**- 19,558**	**- 8,246**	**- 55,312**
- including costs of the incentive scheme	*- 53*	-	-	***- 53***
Intersegment eliminations	118	1,411	141	**1,670**
Segment's total costs and expenses	**- 27,390**	**- 18,147**	**- 8,105**	**- 53,642**
Segment's profit/(loss) on core activities	**6,322**	**1,767**	**1,602**	**9,691**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	6,322	1,767	1,602	**9,691**
Interest income	940	137	1	**1,078**
Interest expenses	- 1,099	- 10	- 1	**- 1,110**
Other net finance income/costs	326	155	- 113	**368**
Other income/expenses	212	44	38	**294**
Intersegment eliminations	- 3,871	- 583	-	**- 4,454**
Profit before tax and non-controlling interests	**2,830**	**1,510**	**1,527**	**5,867**
Total corporate income tax	**- 726**	**633**	**- 350**	**- 443**
Net profit for the period	**2,104**	**2,143**	**1,177**	**5,424**
Net profit for the period, excluding costs of the incentive scheme	***2,157***	***2,143***	***1,177***	***5,477***
Assets and liabilities as at Sep 30 2012				
Segment's assets	447,723	19,554	9,133	**476,410**
Unattributed assets	-	-	-	**-**
Total assets	**447,723**	**19,554**	**9,133**	**476,410**
Segment's liabilities	396,604	2,365	1,025	**399,994**
Provisions for liabilities and other provisions	1,058	2,394	78	**3,530**
Segment's net profit (loss)	2,104	2,143	1,177	**5,424**
Equity (net of the segment's profit/loss)	54,051	9,625	- 237	**63,439**
Non-controlling interests	-	-	4,023	**4,023**
Total equity and liabilities	**453,817**	**16,527**	**6,066**	**476,410**

Operating segments	Nine months ended September 30th 2011			
	Continuing operations			
	Brokerage and related services	Investment fund management	Consultancy services	Total
Revenue				
Segment's total revenue	58,791	15,506	11,942	**86,239**
Intersegment sales	-	-	- 77	**- 77**
Sales to external clients	**58,791**	**15,506**	**11,865**	**86,162**
Segment's costs and expenses	**- 39,009**	**- 11,865**	**- 9,121**	**- 59,995**
- including costs of incentive scheme	*- 113*	-	-	***- 113***
Intersegment eliminations	35	103	-	**138**
Segment's total costs and expenses	**- 38,974**	**- 11,762**	**- 9,121**	**- 59,857**
Segment's profit (loss)	**19,817**	**3,744**	**2,744**	**26,305**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	19,817	3,744	2,744	**26,305**
Interest income	982	97	11	**1,090**
Interest expenses	806	-	-	**806**
Other net finance income/costs	- 1,493	-,3	150	**- 1,346**
Other operating income/expenses	4,432	3	-	**4,435**
Intersegment eliminations	- 40	- 35	-	**- 75**
Profit before tax and non-controlling interests	**22,892**	**3,806**	**2,905**	**29,603**
Total corporate income tax	**3,706**	**780**	**599**	**5,085**
Net profit for the period	**19,186**	**3,026**	**2,306**	**24,518**
Net profit for the period (excluding costs of incentive scheme)	***19,299***	***3,026***	***2,306***	***24,631***
Net profit for the period excluding purchase of CSAM	***14,785***	***3,026***	***2,306***	***20,117***
Assets and liabilities as at Dec 31 2011				
Segment's assets	600,596	20,334	10,245	**631,175**
Unallocated assets	-	-	-	**-**
Total assets	**600,596**	**20,334**	**10,245**	**631,175**
Segment's liabilities	535,266	1,993	3,389	**540,648**
Provisions for liabilities and other provisions	6,715	2,843	-	**9,558**
Segment's net profit (loss)	19,080	3,851	3,187	**26,118**
Equity	49,423	4,829	- 2,825	**51,427**
Non-controlling interests	-	-	3,424	**3,424**
Total equity and liabilities	**610,484**	**13,516**	**7,175**	**631,175**

12. Notes to the statement of financial position – assets

Cash and cash equivalents

Cash and cash equivalents comprise the following items:

Cash and other assets	Sep 30 2012	Dec 31 2011
Cash and other assets of the Group		
a) at banks and in hand	19,808	40,194
b) other	40,865	60,297
Total	**60,673**	**100,491**
Cash and other assets:		
a) cash and other assets of the Group	34,748	54,716
b) cash and other assets of clients deposited in cash accounts at the brokerage house and paid towards acquisition of securities in an IPO or on the primary market	25,925	45,775
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**60,673**	**100,491**

Cash deposits at banks bear interest at fixed or variable interest rates. Short-term deposits are placed for various periods ranging from one day to several months, depending on the Group's current cash requirement, and bear interest at the agreed interest rates.

Receivables

Current receivables	Sep 30 2012	Dec 31 2011
From clients / trade receivables	191,877	212,713
- from clients under transactions executed on the Warsaw Stock Exchange	168,270	186,526
- from clients under transactions executed on the Budapest Stock Exchange	5,937	15,921
- from clients under transactions executed on the Prague Stock Exchange	-	-
- from clients under transactions executed on the New York Stock Exchange	10,994	-
- from clients under transactions executed on the London Stock Exchange	201	-
- other	6,475	10,266
From related entities	778	1,213
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	136,638	251,990
- under transactions executed on the Warsaw Stock Exchange	120,144	246,585
- under transactions executed on the Budapest Stock Exchange	13,634	5,405
- under transactions executed on the Prague Stock Exchange	2,860	-
From entities operating regulated markets and commodity exchanges	-	-
From the National Depository for Securities and exchange clearing houses	53,057	42,476
- from the settlement guarantee fund	53,057	42,476
- other	-	-
From investment and pension fund companies and from investment and pension funds	3,573	3,577
From issuers of securities or selling shareholders	-	-
From commercial chamber	-	-
Taxes, subsidies and social security receivable	386	308
Other	3,217	683
Total current receivables	**389,526**	**512,960**

Current receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities which have not yet been cleared.

In the case of buy trades executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Company recognises liabilities towards the parties to market transactions (banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, known as the anonymous party to a transaction) and receivables from the clients on behalf of whom such buy trades have been executed. In the case of sell trades executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Company recognises receivables from the parties to market transactions and liabilities towards the clients on behalf of whom such sell trades have been executed.

Financial assets

In the first nine months of 2012, the policies regarding measurement of financial assets at fair value and classification of financial asset did not change.

Impairment losses on financial assets, property, plant and equipment, intangible assets or other assets and reversal thereof

In 2012 and 2011, the Group did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did it reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 14).

Acquisition and sale of property, plant and equipment and intangible assets

In the first nine months of 2012, the Group acquired property, plant and equipment and intangible assets worth PLN 2,852 thousand (including PLN 1,573 thousand in Q3 2012), relative to PLN 1,169 thousand in the corresponding period of 2011 (including PLN 350 thousand in Q3 2011).

Material purchase or sale transactions in property, plant and equipment

In the first nine months of 2012 and in 2011, the Group did not execute any material purchase or sale transactions in property, plant and equipment.

Material liabilities under purchases of property, plant and equipment

The Group has no material liabilities under purchases of property, plant and equipment

13. Notes to the statement of financial position – equity

Share capital

As at September 30th 2012, the Company's share capital was PLN 2,975,212.20, having risen PLN 19,732.10 from December 31st 2011.

It was divided into 7,000,000 Series A ordinary bearer shares, 21,571,410 Series B ordinary bearer shares, and 1,180,712 Series C ordinary bearer shares.

As at December 31st 2011, the share capital was PLN 2,955,480.10 and was divided into 29,554,801 shares.

14. Notes to the statement of financial position – liabilities and provisions

Change in provisions

	Jan 1- Sep 30 2012	Jan 1- Sep 30 2011	2011
As at beginning of reporting period	**9,558**	**7,422**	**7,422**
CSAM's provisions as at September 30th 2011	-	3,015	2,867
Provisions created in period	4,727	12,905	15,667
Provisions used	10,738	11,242	15,863
Provisions released	48	262	535
As at end of reporting period, including:	**3,499**	**11,838**	**9,558**
Deferred tax liability	761	933	1,051

Impairment losses on receivables

In the first nine months of 2012, impairment losses on receivables decreased by PLN 1,088 thousand (with no change in impairment losses on receivables occurring in Q3 2012), mainly due to the utilisation of previously recognised impairment losses. In the comparative period, i.e. the first nine months of 2011, impairment losses on receivables decreased by PLN 625 thousand (including by PLN 498 thousand in Q3 2011), while in 2011 – they were down by PLN 689 thousand.

Liabilities (current)

Current liabilities	Sep 30 2012	Dec 31 2011
To clients	141,086	273,727
- under transactions executed on the Warsaw Stock Exchange	85,192	209,914
- under transactions executed on the Budapest Stock Exchange	6,883	2,005
- under transactions executed on the Prague Stock Exchange	2,858	-
- other	46,153	61,808
To related parties	392	389
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	227,026	240,732
- under transactions executed on the Warsaw Stock Exchange	203,152	221,519
- under transactions executed on the Budapest Stock Exchange	12,679	19,213
- under transactions executed on the Prague Stock Exchange	-	-
- under transactions executed on the New York Stock Exchange	10,994	-
- under transactions executed on the London Stock Exchange	201	-
To entities operating regulated markets and commodity exchanges	718	836
To the National Depository for Securities and exchange clearing houses	4,785	3,912
Borrowings and other debt instruments	20,957	15,083
- from related parties	-	-
- other	20,957	15,083
Taxes, customs duties and social security payable	784	1,571
Salaries and wages	-	-
To investment and pension fund companies and to investment and pension funds	297	512
Other	3,405	3,886
a) dividends payable	-	-
b) other	3,405	3,886
- financial liabilities (valuation of futures and forward transactions)	10	54
- other liabilities	3,395	3,832
Total current liabilities	**399,450**	**540,648**

With the exception of bank borrowings, the liabilities do not bear interest.

Interest-bearing bank borrowings and other debt instruments

Current liabilities under borrowings and other debt instruments	Sep 30 2012	Dec 31 2011
Bank borrowing	20,957	15,083
- outstanding amount	20,957	15,083
Current liabilities under borrowings and other debt instruments	**20,957**	**15,083**

As at September 30th 2012, the Group's liabilities under borrowings related to its brokerage business amounted to PLN 20,957 thousand (December 31st 2011: PLN 15,083 thousand). The liabilities were incurred under two working-capital overdraft facility agreements of July 22nd 2009 executed between the Company and Alior Bank S.A.

The facilities are used to finance payment of liabilities to the National Depository for Securities in connection with the brokerage activities and are renewed on an annual basis – the term of the two agreements expires on July 19th 2013:

1. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the National Depository for Securities in respect of the settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item 2.
2. Revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Polish National Depository for Securities. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item 1 above, both credit facilities are jointly secured by a PLN 4m security deposit.

Defaults under credit facilities or loans or breach of material credit covenants, with respect to which no remedial action was taken by the end of the reporting period

none

15. Notes to the statement of comprehensive income

Revenue from core activities

Revenue from core activities	Jan 1 - Sep 30 2012	Jul 1 - Sep 30 2012	Jan 1 - Sep 30 2011	Jul 1 - Sep 30 2011
Revenue from trading in securities	28,419	8,518	44,832	15,028
Revenue from investment banking services	4,904	707	13,803	6,753
Revenue from management of investment funds and assets	19,914	6,521	15,506	5,036
Revenue from advisory services	9,707	2,823	11,865	4,484
Other revenue from core activities	389	75	156	- 236
Total revenue from core activities	**63,333**	**18,644**	**86,162**	**31,065**

Cost of core activities

Cost of core activities	Jan 1 - Sep 30 2012	Jul 1 - Sep 30 2012	Jan 1 - Sep 30 2011	Jul 1 - Sep 30 2011
Affiliation costs	-	-	-	-
Fees payable to regulated markets, commodity exchanges, the National Depository for Securities and exchange clearing houses	7,711	2,441	10,861	4,318
Fees payable to commercial chamber	-	-	-	-
Salaries and wages	26,553	8,476	29,876	11,147
Social security and other benefits	1,693	344	1,051	237
Employee benefits	311	115	286	92
Materials and energy used	473	168	491	136
Costs of maintenance and lease of buildings	1,399	433	1,221	423
Depreciation and amortisation	1,274	465	936	324
Taxes and other public charges	1,379	478	1,088	277
Commissions and other charges	68	20	2	-
Other	12,781	3,913	14,045	4,519
Total cost of core activities	**53,642**	**16,853**	**59,857**	**21,473**

16. Income tax

The key components of income tax expense as disclosed in the statement of comprehensive income are as follows:

	Jan 1 - Sep 30 2012	Jul 1 - Sep 30 2012	Jan 1 - Sep 30 2011	Jul 1 - Sep 30 2011
Current income tax				
Current income tax expense	794	295	4,861	2,171
Deferred income tax				
Relating to occurrence and reversal of temporary differences	- 351	- 28	224	- 372
Deferred income tax affecting equity	- 217	- 79	- 62	15
Income tax expense disclosed in the statement of comprehensive income	**226**	**188**	**5,023**	**1,814**

Tax settlements

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant fines and other sanctions. As there is no possibility of referring to an established regulatory framework in Poland, the applicable regulations often lack clarity and consistency. Frequent discrepancies in opinions concerning the legal construction of tax regulations, both between different governmental agencies, and between governmental agencies and enterprises, create areas of uncertainty and conflict. Consequently, tax risk in Poland is substantially higher than in countries with better developed tax systems.

Tax settlements are subject to inspection for five years from the end of the year in which the respective tax was paid. Such inspections may result in additional tax liabilities being imposed on the Group.

Deferred tax

In the first nine months of 2012, deferred tax liabilities decreased by PLN 290 thousand. In Q3 2012, deferred tax liabilities increased by PLN 40 thousand. In the first nine months of 2011, deferred tax liabilities were up PLN 281 thousand, including an increase of PLN 129 thousand in Q3 2011.

In the first nine months of 2012, deferred tax assets fell by PLN 133 thousand, including a decrease of PLN 11 thousand in Q3 2012. In the first nine months of 2011, deferred tax assets were up by PLN 801 thousand, including an increase of PLN 1,322 thousand in Q3 2011.

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

On September 30th 2011, under an agreement of March 15th 2011, IPOPEMA Securities acquired 100% of shares in Credit Suisse Asset Management (Polska) S.A. ("CSAM"). The completion of the transaction was subject to obtaining the required approvals from competent regulatory bodies, i.e. the Polish Financial Supervision Authority (KNF) and the Polish Office of Competition and Consumer Protection (UOKiK). The approvals were granted on September 6th 2011 and May 30th 2011 respectively. The agreement for the acquisition of 100% of shares in CSAM took effect on September 30th 2011.

On October 26th 2011, amendments to CSAM's Articles of Association were registered, including the change of the company's name to IPOPEMA Asset Management S.A. ("IAM"). IAM's business consists in the management of portfolios of broker-traded financial instruments.

The related gain from a bargain purchase was calculated based on guidance provided in IFRS 3. The value of net assets of the acquired company as at the date of obtaining control was PLN 4,766 thousand. The fair value of consideration paid was PLN 4.41. The acquisition price less the value of net assets as at the date of obtaining control constitutes gain on a bargain purchase. The gain on a bargain purchase was recognised in Q3 2011 under other operating income and allocated to the brokerage and related services segment. Costs directly related to the acquisition amounted to PLN 365 thousand.

Details concerning items of CSAM's balance sheet and income statement as at the date of the acquisition were presented in the financial statements for 2011, published on March 20th 2012.

18. Employee benefits – employee share option plans

In the first nine months of 2012, under Share Option Plan II, eligible persons acquired 197,321 shares. In the corresponding period of 2011, a total of 212,500 shares were acquired under the scheme.

The cost of the incentive schemes is not recognised in the separate financial statements, as the Polish Accountancy Act stipulates no such requirement. This cost is recognised in the consolidated financial statements of the IPOPEMA Securities Group. In connection with the transition to financial reporting compliant with the International Financial Reporting Standards, it was necessary to account for the effect of valuation of the option plans implemented by the Group in the Group's consolidated financial statements.

In total, on a consolidated basis, the cost of the option plans increased the cost of salaries and wages in the first nine months of 2012 by PLN 53 thousand (including by PLN 15 thousand in Q3 2012), affecting the bottom line of IPOPEMA Securities S.A. In the comparative period, i.e. the first nine months of 2011, the cost of these plans increased the cost of salaries and wages by PLN 113 thousand (including by PLN 34 thousand in Q3 2011).

The option plans were measured using the Black-Scholes model, adjusted by continuous yield dividend and the dilution effect (decrease in the value of individual shares as a result of issuing new shares at a price below market).

19. Dividends paid and proposed

On April 23rd 2012, the General Meeting of IPOPEMA TFI S.A. resolved to pay dividend of PLN 3.8m, i.e. PLN 1.27 per share. As at the date of these financial statements, the dividend had been paid out to the Company in full.

On June 28th 2012, the General Meeting resolved to distribute the 2011 profit of PLN 15,585 thousand as dividend. The dividend amount per one share was PLN 0.52. The dividend record date was set for July 6th 2012, and the dividend payment date – for July 23rd 2012. On the dividend payment date, a total of PLN 15,471 thousand was paid out to the shareholders. The distribution amount was lower than the 2011 profit by PLN 114 thousand, which was the effect of rounding off the dividend per share. Pursuant to the General Meeting's resolution, the difference was contributed to the Company's statutory reserve funds.

On June 29th 2011, the General Meeting resolved to distribute the 2010 profit of PLN 15,431 thousand as dividend. The dividend amount per one share was PLN 0.52. The dividend record date was set for July 15th 2011, and the dividend payment date for July 29th 2011. On the dividend payment date, a total of PLN 15,368 thousand was paid out to the shareholders. The distribution amount was lower than the 2010 profit by PLN 63 thousand, which was the effect of rounding off the dividend per share. Pursuant to the General Meeting's resolution, the difference was contributed to the Company's statutory reserve funds.

20. Issue, redemption and repayment of debt and equity securities

In the first nine months of 2012 and in 2011, the Company issued 197,321 and 212,500 Series C shares, respectively. For more information, see Note 18.

21. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRS when the effect of the departure is immaterial, IPOPEMA Business Services Kft., a subsidiary of IPOPEMA Securities, and IPOPEMA Outsourcing Sp. z o.o., a subsidiary of IBC, were not consolidated in these condensed consolidated financial statements.

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.
Total assets as at Sep 30 2012	5	895
% share in Parent's total assets	0.00	0.20
Revenue for period Jan 1–Sep 30 2012	0	941
% share in Parent's revenue	0.00	2.8
Net assets as at Sep 30 2012	4	164
Net profit (loss) for period Jan 1–Sep 30 2012	- 1	157

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.
Total assets as at Dec 31 2011	-	750
% share in Parent's total assets	-	0.12
Revenue for period Jan 1–Sep 30 2011	-	509
% share in Parent's revenue	-	0.87
Net assets as at Dec 31 2011	-	6
Net profit (loss) for period Jan 1–Sep 30 2011	-	- 226

22. Seasonality

The Group's operations are not subject to seasonality and the presented results do not show any material fluctuations during the year.

23. Contingent liabilities and contingent assets

In the period covered by these financial statements, the Group did not carry any contingent liabilities or assets.

24. Guarantees

In January 2012, Nordea Bank Polska S.A. issued a guarantee to IPOPEMA Securities S.A. up to the total amount of EUR 268 thousand, secured with a cash deposit of PLN 1,239 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of new office space.

In April 2012, BRE Bank S.A. provided a guarantee in respect of the Company's liabilities for the benefit of the Hungarian Branch of Deutsche Bank AG, which is IPOPEMA Securities S.A.'s clearing bank for transactions executed on the Budapest Stock Exchange. The guarantee was issued for the amount of EUR 2.5m, and secures the Company's timely payment of its liabilities towards Deutsche Bank arising in connection with the services provided by the Bank, consisting in settlement and clearance of BSE transactions. The guarantee was provided until April 1st 2013, however in certain special cases specified in the agreement it remains valid until July 1st 2013.

25. Related-party transactions

IPOPEMA Securities is the Parent of the Group. The composition of the Group and the equity interests are presented in Note 2.

In the first nine months of 2012 and in 2011, the Group did not conclude any material transactions with related parties other than at arm's length.

Related party transactions – income and expenses (PLN '000)

Related party	Revenue from core activities	Other operating income	Purchases – core activities	Other purchases	Revenue from core activities	Other operating income	Purchases – core activities	Other purchases
	Jan 1–Sep 30 2012				Jan 1–Sep 30 2011			
IPOPEMA Business Services Kft.	-	91	577	91	-	87	605	87
Members of the Management and Supervisory	-	-	7	-	58	-	103	-
Other related parties	4	-	-	-	-	-	-	-
Total	**4**	**91**	**584**	**91**	**58**	**87**	**708**	**87**

Related party	Revenue from core activities	Other operating income	Purchases – core activities	Other purchases	Revenue from core activities	Other operating income	Purchases – core activities	Other purchases
	Jul 1–Sep 30 2012				Jul 1–Sep 30 2011			
IPOPEMA Business Services Kft.	-	31	198	31	-	29	204	29
Members of the Management and Supervisory	-	-	3	-	-	-	23	-
Other related parties	-	-	-	-	-	-	-	-
Total	**-**	**31**	**201**	**31**	**-**	**29**	**227**	**29**

related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Sep 30 2012	Dec 31 2011	Sep 30 2012	Dec 31 2011
IPOPEMA Business Services Kft.	919	1,093	392	383
Members of the Management and	-	-	-	-
Other related parties	1	-	-	-
Total	**920**	**1,093**	**392**	**383**

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are charged directly to the funds.

26. Items of the statement of cash flows

Operating activities – provision of brokerage and consulting services, acting as market maker to perform tasks related to the organisation of the regulated market, acquisition and disposal of securities in the capacity of a dealer, and investment fund management services.

Investing activities – purchase and disposal of intangible assets, property, plant and equipment and non-current securities.

Financing activities – acquisition or loss of sources of financing (changes in the amount of and relation between equity and external capital at the entity) and any related monetary costs and benefits.

Structure of cash

		Presentation in the balance sheet		Presentation in the statement of cash flows	
		Sep 30 2012	**Dec 31 2011**	**Sep 30 2012**	**Dec 31 2011**
Cash and cash equivalents		**60,673**	**100,491**	**57,913**	**96,400**
1.	In hand	12	15	12	15
2.	At banks	19,796	40,179	19,796	40,179
3.	Other cash	36,825	56,206	36,825	56,206
4.	Cash equivalents (deposit for a period exceeding three months)	4,040	4,091	-	-
	Exchange differences on cash and cash equivalents			- 1,281	1,179

As at September 30th 2012, the difference between the presentation of cash in the statement of financial position and the statement of cash flows is attributable to: the recognition of a PLN 4m long-term deposit (maturing in more than three months from the end of the reporting period) under investing activities and interest of PLN 40 thousand on the deposit, which – as unrealised interest – was excluded from cash flows from operating activities; as well as to change in foreign exchange differences of PLN 1,281 thousand.

As at December 31st 2011, the difference between the presentation of cash in the statement of financial position and the statement of cash flows is attributable to the recognition of a PLN 4m long-term deposit (maturing in more than three months from the end of the reporting period) under investing activities and interest of PLN 91 thousand on the deposit, which – as unrealised interest – was excluded from cash flows from operating activities, as well as to foreign exchange losses of PLN 1,179 thousand.

Differences in changes in balance-sheet items

	Presentation in the balance sheet		Presentation in the statement of cash flows – change
	Sep 30 2012	**Dec 31 2011**	**Sep 30 2012**
Gross (current and non-current) receivables	391,594	515,036	122,886
Net receivables	390,977	513,332	
Impairment losses on receivables	617	1,704	- 1,087
Provisions	3,499	9,558	
- deferred tax liability	761	1,051	
- other provisions	2,738	8,507	- 5,769
Total change in impairment losses and provisions			**- 6,858**
Current prepayments and accrued income	1,459	880	- 579
Non-current prepayments and accrued income	1,641	1,774	
- deferred tax assets	1,641	1,774	
- other prepayments and accrued income	-	-	
Accruals and deferred income	31	-	31
Total accruals and deferrals (net of deferred tax assets)	**1,428**	**880**	**- 552**

The difference between the balance-sheet change in gross receivables and the amount disclosed in the statement of cash flows is attributable to the reduction of receivables as at September 30th 2012 by the amount of receivables under loans advanced and non-current receivables, disclosed under investing activities, and the amount of receivables under lease (non-current portion) disclosed in the financing activities.

	Presentation in the balance sheet		Presentation in the statement of cash flows – change
	Sep 30 2011	**Dec 31 2010**	**Sep 30 2011**
Gross (current and non-current) receivables	716,243	292,540	- 420,052
Net receivables	714,368	290,147	
Impairment losses on receivables	1,768	2,393	- 625
Provisions	8,823	7,422	
- deferred tax liability	923	652	
- other provisions	7,900	6,770	1,130
Total change in impairment losses and provisions			**505**
Current prepayments and accrued income	1,373	768	- 605
Non-current prepayments and accrued income	2,250	1,449	
- deferred tax assets	2,250	1,449	
- other prepayments and accrued income	-	-	
Accruals and deferred income	152	40	112
Total accruals and deferrals (net of deferred tax assets)	**1,221**	**728**	**- 416**

Notes to other items of the statement of cash flows

	Jan 1 - Sep 30 2012	**Jan 1 - Sep 30 2011**
Cash flows from operating activities		
Other adjustments	181	- 4,388
- incentive scheme	53	113
- gain on bargain purchase (CSAM)	-	- 4,401
- other	128	- 100
Cash flows from investing activities		
Other cash used in investing activities	1,219	-
- cash deposit securing bank guarantee	1,174	-
- other	45	
Other cash from investing activities	548	5,274
- decrease in lease receivables	94	90
- dividend received	172	-
- interest received	260	365
- other	22	4,819

27. Litigation

On January 13th 2009, the Company filed with the Regional Court a suit for payment of past due receivables of PLN 891 thousand. The suit was finally dismissed by the Court's judgement of July 28th 2011. This had no effect on the Company's or the Group's financial performance in the first nine months of 2012, because an impairment loss had been recognised in previous years for the full amount of the receivables. Entities of the IPOPEMA Securities Group were not involved in any other court proceedings.

28. Material events and factors in the first nine months of 2012

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

In Q1–Q3 2012, sharp swings in investor sentiment continued on the Warsaw Stock Exchange. After stocks rallied in Q1 2012, a correction followed in Q2 2012, with the WIG index having nosedived close to the lows observed in the second half of 2011. Since June 2012, WIG has been in an uptrend again. Compared with 2011, the present uptrend is accompanied by substantially lower trading volumes – in Q1–Q3 2012 the total value of trading session transactions went down 27.4% year on year.

On the Budapest Stock Exchange, the total trading value on the equity market in the period January–September 2012 was down by 42.4% year on year.

In addition, due to the growing competition, the Company's market shares shrank slightly year on year, from 8.19% to 8.02% on the WSE and from 7.57% to 6.68% on the BSE.

Said factors translated into a 36.6% drop in the Company's revenue from securities trading, which fell from PLN 44,832 thousand in Q1–Q3 2011 to PLN 28,419 thousand in Q1–Q3 2012.

Investment banking services

Q1–Q3 2012 was also much less favourable for the capital raising business compared with the corresponding period of 2011. Although a modest recovery was seen at the beginning of 2012 after a complete freeze of market activity in the second half of 2011, investors' prevailing uncertainty as to further market developments contributed to lower company valuations, which put nearly all new public offerings into a halt. Consequently, due to a lower number of closed transactions in Q1–Q3 2012, during that period the Company's revenue from investment banking services totalled PLN 4,904 thousand (Q1–Q3 2011: PLN 13,803 thousand).

IPOPEMA TFI's and IPOPEMA Asset Management's activities

The key drivers of the considerable increase in revenue from fund and portfolio management (up 28.4%, to PLN 19,914 thousand) included an increase in the number of funds, a higher value of assets held by the funds managed by IPOPEMA TFI, and consolidation of revenues generated by IPOPEMA Asset Management since Q4 2011. At the end of September 2011, IPOPEMA TFI had 51 funds under its management with an aggregate asset value of PLN 5,2bn. As at the end of September 2012, the number of funds rose to 76 (including subfunds), whereas the aggregate value of their assets grew to PLN 7,4bn. Despite a 28.4% growth in revenue, a major increase in cost of operations reported in Q1–Q3 2012 (by 54.3%) contributed to a decline in net profit (PLN 2,143 thousand relative to PLN 3,026 thousand in Q1–Q3 2011).

IPOPEMA Business Consulting

The challenging market environment had an adverse impact on IPOPEMA Business Consulting as well. The company posted PLN 9,707 thousand in revenue in Q1–Q3 2012, down 18.2% year on year. Despite having reduced cost of operations by 11.1% (from PLN 9,121 thousand to PLN 8,105 thousand) the drop in revenue translated into lower net profit of PLN 1,177 thousand (Q1–Q3 2011: PLN 2,306 thousand).

29. Events subsequent to the end of reporting period

All events relating to the reporting period are disclosed in the accounting books and the financial statements for the period January 1st–September 30th 2012. No material events occurred after the end of the reporting period which should have been but were not disclosed in the accounting books for the reporting period.

Warsaw, November 8th 2012

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

Danuta Ciosek
Chief Accountant