The
IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the six months ended June 30th 2012

Warsaw, August 23rd 2012

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STATEMENT OF COMPLIANCE

The Management Board of IPOPEMA Securities S.A. hereby represents that:

- To the best of our knowledge, the interim condensed consolidated financial statements for the six months ended on June 30th 2012 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial standing and financial performance of the IPOPEMA Securities Group;
- the Directors' Report for H1 2012 gives a true picture of the Group's development, achievements and standing; it also includes a description of risks and threats;
- BDO Sp. z o.o., registered office at ul. Postępu 12, Warsaw, a qualified auditor of financial statements, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (KIBR) under Reg. No. 3355, which reviewed the interim separate and consolidated financial statements, was appointed in compliance with applicable laws. BDO Sp. z o.o. and the auditor who reviewed the interim condensed consolidated financial statements of the IPOPEMA Securities Group for the six months ended on June 30th 2012 meet the relevant criteria for issuing an impartial and independent report on the reviewed financial statements, in accordance with the applicable laws and professional standards.

Warsaw, August 23rd 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

Financial Highlights

Financial highlights	PLN '000 6 months ended		EUR '000 6 months ended	
	Jun 30 2012	Jun 30 2011	Jun 30 2012	Jun 30 2011
Revenue from core activities	44,689	55,097	10,578	13,888
Cost of core activities	36,789	38,384	8,708	9,675
Profit on core activities	7,900	16,713	1,870	4,213
Operating profit	7,094	16,241	1,679	4,094
Pre-tax profit	5,039	16,053	1,193	4,046
Net profit	4,863	12,767	1,151	3,218
Net earnings per ordinary share (weighted average) (PLN/ EUR)	0.15	0.41	0.04	0.10
Net cash from operating activities	-12,993	-24,767	-3,076	-6,243
Total cash flows	-13,273	-22,605	-3,142	-5,698

Consolidated financial highlights	PLN '000		EUR '000	
	Jun 30 2012	Dec 31 2011	Jun 30 2012	Dec 31 2011
Total assets	529,704	631,175	124,306	142,903
Current liabilities	453,992	540,648	106,538	122,407
Equity	71,972	80,969	16,890	18,332
Number of shares	29,752,122	29,554,801	29,752,122	29,554,801
Book value per share (PLN/EUR)	2.42	2.74	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	H1 2012	H1 2011
EUR	4.2246	3.9673

- Items of the statement of financial position:

Exchange rate as at	Jun 30 2012	Dec 31 2011
EUR	4.2613	4.4168

Interim condensed consolidated statement of comprehensive income

for H1 2012 ended June 30th 2012

	Note	Jan 1 2012 - Jun 30 2012	Jan 1 2011 - Jun 30 2011
CONTINUING OPERATIONS			
Revenue from core activities, including:	15	**44,689**	**55,097**
Revenue from brokerage activities		24,412	37,246
Revenue from management of investment funds and assets		13,393	10,470
Revenue from advisory services		6,884	7,381
Cost of core activities	15	**36,789**	**38,384**
Profit (loss) on core activities		**7,900**	**16,713**
Gain (loss) on transactions in financial instruments held for trading		-,709	-,427
Gain (loss) on transactions in financial instruments held to maturity		-	-
Gain (loss) on transactions in financial instruments available for sale		131	-
Other income		334	124
Other expenses		562	169
Operating profit (loss)		**7,094**	**16,241**
Finance income		2,029	1,577
Finance costs		4,084	1,765
Pre-tax profit (loss)		**5,039**	**16,053**
Income tax	16	176	3,286
Net profit (loss) on continuing operations		**4,863**	**12,767**
DISCONTINUED OPERATIONS		**-**	**-**
Net profit (loss) for period		**4,863**	**12,767**
Attributable to:			
Owners of the parent		4,406	11,982
Non-controlling interests		457	785
Earnings (loss) per share (PLN)		0,15	0,41
Diluted earnings (loss) per share (PLN)		0,15	0,40
Other comprehensive income		**589**	**330**
Gains and losses on revaluation of financial assets available for sale		727	407
Corporate income tax on items of other comprehensive income		-138	-77
Comprehensive income for period		**5,452**	**13,097**
Attributable to:			
Owners of the parent		4,995	12,312
Non-controlling interests		457	785

Warsaw, August 23rd 2012

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Mirosław Borys
Vice-President of the Management Board

Danuta Ciosek
Chief Accountant

Interim condensed consolidated statement of financial position

As at June 30th 2012

ASSETS	Note	Jun 30 2012	Dec 31 2011
Cash and cash equivalents	12	86,058	100,491
Current receivables	12, 14	421,603	512,960
Current prepayments and accrued income		1,114	880
Financial instruments held for trading		804	1,521
Financial instruments held to maturity		-	-
Financial instruments available for sale		6,962	6,016
Investments in jointly controlled entities and associates		-	-
Non-current receivables		4,071	372
Non-current loans advanced		1,987	2,433
Property, plant and equipment		3,100	2,434
Investment property		-	-
Intangible assets		2,353	2,268
Inventories		-	26
Non-current prepayments and accrued income		1,652	1,774
TOTAL ASSETS		**529,704**	**631,175**

EQUITY AND LIABILITIES		Jun 30 2012	Dec 31 2011
Current liabilities	14	453,992	540,648
Other financial liabilities		-	-
Non-current liabilities		294	-
Provisions	14	3,446	9,558
Accruals and deferred income		-	-
Total liabilities		**457,732**	**550,206**
Share capital	13	2,975	2,955
Other		13,509	11,917
Retained earnings		51,607	62,673
Total equity		**68,091**	**77,545**
Non-controlling interests		**3,881**	**3,424**
Total capital		**71,972**	**80,969**
TOTAL EQUITY AND LIABILITIES		**529,704**	**631,175**

Warsaw, August 23rd 2012

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Interim condensed consolidated statement of cash flows

for the six months ended June 30th 2012

CASH FLOWS	Note	Jan 1 2012 - Jun 30 2012	Jan 1 2011 - Jun 30 2011
Cash flows from operating activities			
Pre-tax profit		**5,039**	**16,053**
Total adjustments:	25	**-18,032**	**-40,820**
Depreciation and amortisation		809	612
Foreign exchange gains/(losses)		1184	-33
Interest and dividends		-541	144
Gain (loss) on investing activities		412	373
Change in financial instruments held for trading		684	6,522
Change in financial instruments available for sale		-80	-
Change in receivables		93,537	-458,522
Change in current liabilities (net of bank borrowings and other debt instruments)		-106,597	415,642
Change in provisions and impairment losses on receivables		-6,939	-2,248
Change in accruals and deferrals		-190	-802
Income tax		-499	-2,587
Other adjustments (including effect of incentive schemes and acquisition of CSAM)		188	79
Net cash from operating activities		**-12,993**	**-24,767**
Cash flows from investing activities			
Increase in loans advanced		-15	-8
Decrease in loans advanced		5	6
Acquisition of property, plant and equipment and intangible assets		-1,279	-819
Cash provided by financial instruments available for sale and held to maturity		2,474	204
Acquisition of financial instruments available for sale and held to maturity		-2,546	-600
Other cash used in investing activities		-3,807	-
Other cash from investing activities		400	66
Net cash from investing activities		**-4,768**	**-1,151**
Cash flows from financing activities			
Proceeds from borrowings		4,198	2,657
Proceeds from issue of share capital		986	1,062
Interest paid		-633	-406
Repayment of borrowings		-	-
Repayment of finance lease liabilities		-,63	-
Net cash from financing activities		**4,488**	**3,313**
Total cash flows		**-13,273**	**-22,605**
Net increase (decrease) in cash and cash equivalents		-14,392	-22,532
Exchange differences on cash and cash equivalents		-1,119	73
Cash at beginning of the period	25	96,400	88,633
Cash at end of the period, including	25	**83,127**	**66,028**
restricted cash		*4,268*	*9,169*

Warsaw, August 23rd 2012

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Danuta Ciosek
Chief Accountant

Interim condensed consolidated statement of changes in equity

for the six months ended June 30th 2012

	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 2012	**2,955**	**8,474**	**716**	**2,727**	**62,673**	**3,424**	**80,969**
Profit for the period	-	-	-	-	4,406	457	4,863
Issue of shares	20	966	-	-	-	-	986
Costs of incentive scheme	-	-	-	37	-	-	37
Other comprehensive income	-	-	589	-	-	-	589
Dividend payment	-	-	-	-	-15,472	-	-15,472
As at June 30th 2012	**2,975**	**9,440**	**1,305**	**2,764**	**51,607**	**3,881**	**71,972**
As at Jan 1 2011	**2,934**	**7,433**	**972**	**2,565**	**53,554**	**1,793**	**69,251**
Profit for the period	-	-	-	-	11,982	785	12,767
Issue of shares	21	1,041	-	-	-	-	1,062
Costs of incentive scheme	-	-	-	79	-	-	79
Other comprehensive income	-	-	330	-	-	-	330
Dividend payment	-	-	-	-	-15,368	-	-15,368
As at June 30th 2011	**2,955**	**8,474**	**1,302**	**2,644**	**50,168**	**2,578**	**68,121**

Warsaw, August 23rd 2012

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Notes

1. The IPOPEMA Securities Group

The IPOPEMA Securities Group ("the Group") comprises entities which are 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 June 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, pffering 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 June 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

3.1. 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 six months ended June 30th 2012 and contain comparative data for the six months ended June 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.

3.2. 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. These interim condensed consolidated financial statements are presented in the złoty ("PLN") and all amounts herein are presented in thousands of Polish złoty, unless stated otherwise.

3.3. 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 six months ended June 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 333 thousand as at June 30th 2012 (December 31st 2011: PLN 393 thousand), including non-current receivables of PLN 209 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.

<u>Receivables</u>

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.

<u>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</u>

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.

Liabilities

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 H1 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 IFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities” – 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 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 half 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	Jun 30 2012	Dec 31 2011
USD	3.3885	3.4174
EUR	4.2613	4.4168
HUF 100	1.4784	1.4196
GBP	5.2896	5.2691
UAH	0.4221	0.4255
CZK	0.1664	0.1711
CHF	3.5477	3.6333
INR 100	6.0399	6.4100

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 77,122 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.

	H1 2012	H1 2011
Number of shares	29,752,122	29,554,801
Weighted average number of shares	29,697,913	29,486,707
Diluted number of shares	29,775,035	29,744,004
Net earnings from continuing operations for the period per share		
- basic	0.15	0.41
- diluted	0.15	0.40

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 – M&A transactions and management buy-outs, as well as advisory madates concernign 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 are planned to be transferred to IPOPEMA AM.
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	H1 2012 ended June 30th 2012 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Sales to external clients	24,412	13,785	7,027	**45,224**
Intersegment sales	-	-,391	-,144	**-,535**
Segment's total revenue	**24,412**	**13,394**	**6,883**	**44,689**
Segment's costs and expenses	**-18,772**	**-13,329**	**-5,818**	**-37,919**
- including costs of the incentive scheme	*-,37*	*-*	*-*	***-,37***
Intersegment eliminations	107	943	80	**1,130**
Segment's total costs and expenses	**-18,665**	**-12,386**	**-5,738**	**-36,789**
Segment's profit/(loss) on core activities	**5,747**	**1,008**	**1,145**	**7,900**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	5,747	1,008	1,145	**7,900**
Interest income	643	108	1	**752**
Interest expenses	-710	-3	-	**-713**
Other net finance income/costs	1,033	132	-37	**1,128**
Other income/expenses	207	-,10	-	**197**
Intersegment eliminations	-3,846	-379	-	**-4,225**
Profit before tax and non-controlling interests	**3,074**	**856**	**1,109**	**5,039**
Total corporate income tax	**-665**	**747**	**-258**	**-176**
Net profit for the period	**2,409**	**1,603**	**851**	**4,863**
Net profit for the period, excluding costs of the incentive scheme	***2,446***	***1,603***	***851***	***4,900***
Assets and liabilities as at Jun 30 2012				
Segment's assets	501,809	18,914	8,981	**529,704**
Unattributed assets	-	-	-	**-**
Total assets	**501,809**	**18,914**	**8,981**	**529,704**
Segment's liabilities	450,775	2,318	1,193	**454,286**
Provisions for liabilities and other provisions	1,450	1,948	48	**3,446**
Segment's net profit (loss)	2,409	1,603	851	**4,863**
Equity (net of the segment's profit/loss)	54,050	9,273	-95	**63,228**
Non-controlling interests	-	-	3,881	**3,881**
Total equity and liabilities	**508,684**	**15,142**	**5,878**	**529,704**

Operating segments	H1 2012 ended June 30th 2011			
	Continuing operations			
	Brokerage and related services	Investment fund management	Consultancy services	Total
Revenue				
Sales to external clients	37,246	10,470	7,381	**55,097**
Intersegment sales	-	-	-	**-**
Segment's total revenue	**37,246**	**10,470**	**7,381**	**55,097**
Segment's costs and expenses	**-25,018**	**-7,999**	**-5,473**	**-38,490**
- including costs of the incentive scheme	*-,79*	-	-	***-79***
Intersegment eliminations	35	71	-	**106**
Segment's total costs and expenses	**-24,983**	**-7,928**	**-5,473**	**-38,384**
Segment's profit (loss)	**12,263**	**2,542**	**1,908**	**16,713**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	12,263	2,542	1,908	**16,713**
Interest income	670	51	10	**731**
Interest expenses	-409	-	-	**-409**
Other net finance income/costs	-942	-	5	**-937**
Other income/expenses	17	2	-	**19**
Intersegment eliminations	-,30	-35	-	**-65**
Profit before tax and non-controlling interests	**11,569**	**2,560**	**1,923**	**16,052**
Total corporate income tax	**-2,397**	**-537**	**-351**	**-3,285**
Net profit for the period	**9,172**	**2,023**	**1,572**	**12,767**
Net profit for the period (excluding costs of the incentive scheme)	***9,251***	***2,023***	***1,572***	***12,846***
Assets and liabilities as at Dec 31 2011				
Segment's assets	600,596	20,334	10,245	**631,175**
Unattributed 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	Jun 30 2012	Dec 31 2011
Cash and other assets of the Group		
a) at banks and in hand	27,211	40,194
b) other	58,847	60,297
Total	**86,058**	**100,491**
Cash and other assets:		
a) cash and other assets of the Group	46,234	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	39,824	45,775
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**86,058**	**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	Jun 30 2012	Dec 31 2011
From clients / trade receivables	135,765	212,713
- from clients under transactions executed on the Warsaw Stock Exchange	112,243	186,526
- from clients under transactions executed on the Budapest Stock Exchange	13,382	15,921
- other	10,140	10,266
From related entities	717	1,213
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	229,655	251,990
- under transactions executed on the Warsaw Stock Exchange	199,244	246,585
- under transactions executed on the Budapest Stock Exchange	30,411	5,405
From entities operating regulated markets and commodity exchanges	-	-
From the National Depository for Securities and exchange clearing houses	48,042	42,476
- from the settlement guarantee fund	48,042	42,476
- other	-	-
From investment and pension fund companies and from investment and pension funds	3,647	3,577
From issuers of securities or selling shareholders	-	-
From commercial chamber	-	-
Taxes, subsidies and social security receivable	464	308
Other	3,313	683
Total current receivables	**421,603**	**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 the WSE or the Budapest Stock Exchange 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 the WSE or the Budapest Stock Exchange 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 H1 2012, the policies regarding measurement of financial assets at fair value and classification of financial asset did nor change.

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

In H1 2012 and H1 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.

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

In H1 2012, the Group acquired property, plant and equipment and intangible assets for PLN 1,279 thousand (H1 2011: PLN 819 thousand).

Material purchase or sale transactions in property, plant and equipment

In H1 2012 and H1 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 June 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

	H1 2012	H1 2011	2011
As at beginning of reporting period	**9,558**	**7,422**	**7,422**
CSAM's provisions as at September 30th 2011	-	-	2,867
Provisions created in period	3,674	7,596	15,667
Provisions used	9,737	9,452	15,863
Provisions released	49	113	535
As at end of reporting period, including:	**3,446**	**5,453**	**9,558**
Deferred tax liability	721	804	1,051

Impairment losses on receivables

In H1 2012, impairment losses on receivables decreased PLN 1,088 thousand, mainly due to the use of previously recognised impairment losses. In the comparative period, i.e. H1 2011, impairment losses on receivables fell PLN 20 thousand, and over the entire year 2011, impairment losses on receivables declined by PLN 689 thousand.

Liabilities (current)

Current liabilities	Jun 30 2012	Dec 31 2011
To clients	255,634	273,727
- under transactions executed on the Warsaw Stock Exchange	176,575	209,914
- under transactions executed on the Budapest Stock Exchange	21,427	2,005
- other	57,632	61,808
To related parties	-	389
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	155,956	240,732
- under transactions executed on the Warsaw Stock Exchange	133,618	221,519
- under transactions executed on the Budapest Stock Exchange	22,338	19,213
To entities operating regulated markets and commodity exchanges	796	836
To the National Depository for Securities and exchange clearing houses	4,367	3,912
Borrowings and other debt instruments	19,280	15,083
- from related parties	-	-
- other	19,280	15,083
Taxes, customs duties and social security payable	699	1,571
Salaries and wages	-	-
To investment and pension fund companies and to investment and pension funds	497	512
Other	16,763	3,886
a) dividends payable	15,471	-
b) other	1,292	3,886
- financial liabilities (valuation of futures and forward transactions)	33	54
- other liabilities	1,259	3,832
Total current liabilities	**453,992**	**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	Jun 30 2012	Dec 31 2011
Bank borrowing	19,280	15,083
- outstanding amount	19,280	15,083
Current liabilities under borrowings and other debt instruments	**19,280**	**15,083**

As at June 30th 2012, the Group's liabilities under borrowings related to its brokerage business amounted to PLN 19,280 thousand (December 31st 2011: PLN 15,083 thousand). The liabilities were incurred under two working-capital overdraft facility agreements of July 22nd 2009 executed with 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, the two credit facilities are also secured with the joint collateral in the form of a PLN 4m security deposit established pursuant to the annex of July 20th 2011, which replaced the previous security in the form of a block on funds of PLN 10m.

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	H1 2012	H1 2011
Revenue from trading in securities	19,901	29,803
Revenue from investment banking services	4,197	7,049
Revenue from management of investment funds and assets	13,393	10,470
Revenue from advisory services	6,884	7,381
Other revenue from core activities	314	394
Total revenue from core activities	**44,689**	**55,097**

Cost of core activities

Cost of core activities	H1 2012	H1 2011
Affiliation costs	-	-
Fees payable to regulated markets, commodity exchanges, the National Depository for Securities and exchange clearing houses	5,270	6,543
Fees payable to commercial chamber	-	-
Salaries and wages	18,077	18,729
Social security and other benefits	1,349	814
Employee benefits	196	193
Materials and energy used	305	355
Costs of maintenance and lease of buildings	966	798
Depreciation and amortisation	809	612
Taxes and other public charges	901	811
Commissions and other charges	48	2
Other	8,868	9,527
Total cost of core activities	**36,789**	**38,384**

16. Income tax

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

	H1 2012	H1 2011
Current income tax		
Current income tax expense	499	2,690
Deferred income tax		
Relating to occurrence and reversal of temporary differences	- 323	596
Deferred income tax affecting equity	- 138	- 77
Income tax expense disclosed in the statement of comprehensive income	**38**	**3,209**

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 H1 2012, deferred tax liabilities fell PLN 330 thousand. In H1 2011, deferred tax liabilities increased by PLN 152 thousand.

Deferred tax assets decreased by PLN 122 thousand in H1 2012. In H1 2011, they fell PLN 521 thousand.

17. Employee benefits – employee share option plans

In H1 2012, under Share Option Plan II, the eligible persons acquired 197,321 shares, while in the comparative period 212,500 shares were acquired.

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 H1 2012 by PLN 37 thousand, affecting the net result of IPOPEMA Securities S.A. In the comparative period, i.e. H1 2011, the cost of these plans increased the cost of salaries and wages by PLN 79 thousand.

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).

18. 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.

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.

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

In H1 2012 and in 2011, the Company issued 197,321 and 212,500 Series C shares, respectively. For more information, see Note 17.

20. 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 Jun 30 2012	5	668
% share in Parent's total assets	0.00	0.13
Revenue for period Jan 1 – Jun 30 2012	0	494
% share in Parent's revenue	0.00	2.02
Net assets as at Jun 30 2012	4	- 17
Net profit (loss) for period Jan 1 – Jun 30 2012	- 1	- 24

(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 – Jun 30 2011	-	506
% share in Parent's revenue	-	1.36 %
Net assets as at Dec 31 2011	-	6
Net profit (loss) for period Jan 1 – Jun 30 2011	-	8

21. Seasonality

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

22. Contingent liabilities and contingent assets

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

23. 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.

24. 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.

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 – Jun 30 2012				**Jan 1 – Jun 30 2011**			
IPOPEMA Business Services Kft.	-	183	379	60	-	58	401	58
Members of the Management and Supervisory	-	-	4	-	58	-	80	-
Other related parties	4	-	-	-	-	-	-	-
Total	**4**	**183**	**383**	**60**	**58**	**58**	**481**	**58**

related-party transactions – receivables and liabilities

Related party	**Receivables**		**Liabilities**	
	Jun 30 2012	**Dec 31 2011**	**Jun 30 2012**	**Dec 31 2011**
IPOPEMA Business Services Kft.	924	1,093	-	383
Members of the Management and	-	-	-	-
Other related parties	2	-	-	-
Total	**926**	**1,093**	**-**	**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.

25. 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	
	Jun 30 2012	**Dec 31 2011**	**Jun 30 2012**	**Dec 31 2011**
Cash and cash equivalents	**86,058**	**100,491**	**82,008**	**96,400**
1. In,hand	13	15	13	15
2. At,banks	27,198	40,179	27,198	40,179
3. Other,cash	54,797	56,206	54,797	56,206
4. Cash,equivalents,(deposit,for,a,period,exceeding,three,months)	4,050	4,091	-	-
Exchange differences on cash and cash equivalents			- 1,119	1,179

As at June 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 50 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 1,119 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
	Jun 30 2012	**Dec 31 2011**	**Jun 30 2012**
Gross (current and non-current) receivables	426,291	515,036	93,537
Net receivables	425,674	513,332	
Impairment losses on receivables	617	1,704	-1,087
Provisions	3,446	9,558	
- deferred tax liability	721	1,051	
- other provisions	2,725	8,507	-5,782
Total change in impairment losses and provisions			**-6,939**
Current prepayments and accrued income	1,114	880	
Non-current prepayments and accrued income	1,652	1,774	
- deferred tax assets	1,652	1,774	
- other prepayments and accrued income	-	-	
Accruals and deferred income	-	-	
Total accruals and deferrals (net of deferred tax assets)	**1,114**	**880**	**190**

	Presentation in the balance sheet		Presentation in the statement of cash flows – change
	Jun 30 2011	**31.12.2010**	**Jun 30 2011**
Gross (current and non-current) receivables	751,033	292,540	458,522
Net receivables	748,767	290,147	
Impairment losses on receivables	2,266	2,393	-127
Provisions	5,453	7,422	
- deferred tax liability	804	652	
- other provisions	4,649	6,770	-2,121
Total change in impairment losses and provisions			**-2,248**
Current prepayments and accrued income	1,530	768	

Non-current prepayments and accrued income	928	1,449	
- deferred tax assets	928	1,449	
- other prepayments and accrued income	-	-	
Accruals and deferred income	-	40	
Total accruals and deferrals (net of deferred tax assets)	**1,530**	**728**	**802**

Notes to other items of the statement of cash flows

	H1 2012	H1 2011
Cash flows from operating activities		
Other adjustments	90	79
- incentive scheme	37	79
- other	53	-
Cash flows from investing activities		
Other cash used in investing activities	3,807	-
- cash deposit securing bank guarantee	3,762	-
- other	45	-
Other cash from investing activities	400	66
- decrease in lease receivables	62	60
- dividend received	153	-
- interest received	173	6
- other	12	-

26. Litigation

On January 13th 2009, the Company filed with the Regional Court a claim for payment of past due receivables of PLN 891 thousand. The litigation was finally dismissed by the Court on July 28th 2011. This affected neither the Company's nor the Group's performance in H1 2012, as an impairment loss was recognised for the claimed amount in previous years. Entities of the IPOPEMA Securities Group were not involved in any other court proceedings.

27. Material events and factors in H1 2012

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

In H1 2011, the WSE's WIG index continued its climb started in March 2009. The growing trend was also reflected in the trading volume – the monthly average was PLN 42.9bn (on a double-counted basis). At the beginning of H2 2011, the WSE, like other global markets, suffered a major retreat – during several trading sessions the WIG index lost approx. 20%. Since then, the situation on the WSE has been highly volatile and it has been difficult to determine any prevailing trend. The deterioration of market conditions translated also into a lower monthly average of trading volumes, which in H1 2012 was PLN 32.6bn (down 24.1% year on year).

On the Budapest Stock Exchange, the monthly trading volume in the period January–June 2012 was 34.5% down on H1 2011.

In addition, due to the growing competition, the Company's market shares shrank slightly year on year, from 8.62% to 8.13% on the WSE and from 6.77% to 7.48% on the BSE.

All these factors drove down the Company's revenue from trading in securities by 33.2%, to PLN 19,914 thousand (from PLN 29,803 thousand in H1 2011).

Investment banking services

H1 2012 was also much less favourable for the capital raising business compared with the corresponding period of 2011. Although a modest recovery was seen 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 discouraged new public offerings. As a result, a lower number of closed transactions in H1 2012 brought the Company's revenue from investment banking services in that period down by 40.5% on H1 2011 (PLN 4,197 thousand against PLN 7,049 thousand a year earlier).

IPOPEMA TFI's and IPOPEMA Asset Management's activities

The key drivers of the significant increase in revenue from fund and portfolio management (27.9%, to PLN 13,394 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 (consolidated since Q4 2011). At the end of June 2011, IPOPEMA TFI had 55 funds under its management with an aggregate asset value of PLN 5,040m. As at the end of June 2012, the number of funds rose to 75 (including subfunds), whereas the aggregate value of their assets grew to PLN 6,527m. Despite a 27.9% growth of revenue, a major increase in cost of operations reported in H1 2012 (by 56.2%) contributed to a decline in net profit (PLN 1,603 thousand relative to PLN 2,023 thousand in H1 2011).

IPOPEMA Business Consulting

The unfavourable market environment affected also the operations of IPOPEMA Business Consulting, which in H1 2012 reported revenue of PLN 6,883 thousand, down 6.7% year on year. This, and a slight increase in total cost of operations (by 4.8%, to PLN 5,738 thousand) yielded the consulting services segment's net profit of PLN 851 thousand (relative to PLN 1,572 thousand in the corresponding period of 2011).

28. Objectives and principles of financial risk management

Operations on capital markets inherently involve various risks which may have a material effect on the Group's operations, as outlined below.

All types of risk are monitored and controlled with respect to the profitability of the Group's business and the level of capital necessary to ensure security of executed transactions in the context of the capital adequacy requirements.

Interest rate risk

The Group has liabilities under working capital facilities on which interest accrues at variable rates. This gives rise to the risk that interest rates may increase over their level effective as at the agreement date. Also, the Group invests free cash in variable-rate assets, which may result in reduced return on the investment if the rates decline. For information on assets and liabilities exposed to the interest rate risk, see Note 12 *Cash and other assets* and Note 14 *Interest-bearing bank borrowings and other debt instruments*.

Given that in the reporting period the Group held both assets and liabilities bearing interest at variable rates (which significantly mitigated the risk) and that interest rates moved only slightly in the past periods and no significant changes in interest rates are expected in the following reporting periods, the Group did not hedge its exposure to the interest rate risk, as in its opinion the risk is not significant.

Currency risk

The Group is exposed to limited currency risk as it incurs most of its operating expenses in the złoty. Currency risk is primarily related to changes in the USD, EUR and HUF exchange rates, however both in H1 2012 and 2011 most of operating expenses were incurred in the złoty. The Group did not have any foreign-currency borrowings or other debt instruments, however due to its operations in Hungary and in the Czech Republic it uses foreign currencies (HUF and CZK) to settle stock-exchange transactions and other expenses (including fees payable to the clearing bank and the Hungarian stock exchange, as well as the costs of associates). Owing to the nature of the transaction settlements (with the Parent acting as an intermediary), the share of this risk in the overall risk assessment is immaterial.

The Group advanced a foreign currency loan and also holds foreign currency cash at bank. In order to minimise the currency risk, the Group entered into a forward contract which mitigates the results of possible exchange rate fluctuations.

Other price risk

The Group holds financial instruments which are traded on a regulated markets of the Warsaw Stock Exchange (WSE) and the Budapest Stock Exchange (BSE), except for the forward contract. The Group identifies the risk connected with the volatility of prices of financial instruments listed on the stock exchanges. Such instruments are disclosed as financial instruments held for trading in the financial statements. The Group also holds investment certificates and investment fund units, which are exposed to price risk.

The risk related to prices of financial instruments is limited, as the Group invests only a relatively small portion of its cash in financial instruments. Such investments are made chiefly as part of dealing activities, whose strategy provides for the hedging of the Group's own positions, whenever possible, through arbitrage transactions: an open position in an equity contract is usually hedged by an offsetting transaction in shares. Consequently, the risk exposure is minimised.

Credit risk

The Group is exposed to credit risk understood as the risk that the Group's debtors may fail to fulfil their obligations and thus cause losses to the Group. In view of the above, the Group believes that credit risk was accounted for in the financial statements through recognition of impairment losses.

As the Group has many clients, there is no significant concentration of credit risk. No single client's share in the Group's total revenue exceeds 10%.

With respect to the Group's other financial assets, such as cash and cash equivalents, financial assets available for sale and certain derivatives, credit risk is related to the potential inability of a counterparty to meet its payment obligation, and the maximum exposure to the risk is equal to the carrying value of those instruments. Credit risk connected with bank deposits, financial instruments, derivatives and other investments is considered low as the Group executed the transactions with institutions of sound financial standing.

Liquidity risk

The Group is exposed to liquidity risk understood as the risk of failure to meet its liabilities as they fall due. The risk is connected with a potentially limited access to financial markets, resulting in the Group's inability to raise new financing or refinance its debt. The Group's objective is to balance its liquidity position by managing its receivables, liabilities and financial instruments and by using debt financing in the form of short-term bank borrowings.

In the Group's opinion, due to the significant amount of cash (PLN 46,234 thousand as at the balance-sheet date; December 31st 2011: PLN 54,716 thousand) (Note 12 *Cash and cash equivalents*), access to credit facilities to finance the Groups' operations on the WSE (Note 14 *Interest-bearing bank borrowings and other debt instruments*), and the sound financial standing of the Group, the liquidity risk is insignificant.

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 – June 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.

Execution of annexes to credit facility agreements with Alior Bank

After the balance-sheet date, the Company executed annexes to the credit facility agreements with Alior Bank, hereby the term of the agreements was extended until July 19th 2013. For more details, see Note 14. to these condensed financial statements.

Warsaw, August 23rd 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