IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the nine months ended September 30th 2011

Warsaw, November 9th 2011

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Financial highlights

Financial highlights	PLN '000		EUR '000		PLN '000		EUR '000	
	3 months ended Sep 30				9 months ended Sep 30			
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from core activities	31,065	23,450	7,415	5,863	86,162	73,695	21,320	18,411
Costs of core activities	21,473	16,224	5,126	4,057	59,857	51,196	14,811	12,790
Profit from core activities	9,592	7,226	2,290	1,807	26,305	22,499	6,509	5,621
Operating profit	12,004	7,038	2,865	1,760	28,245	21,062	6,989	5,262
Pre-tax profit	13,550	7,211	3,234	1,803	29,603	19,970	7,325	4,989
Net profit from continuing operations	11,751	5,626	2,805	1,407	24,518	15,738	6,067	3,932
Net profit	11,751	5,626	2,805	1,407	24,518	15,738	6,067	3,932
Net earnings per ordinary share (weighted average) (PLN/EUR)								
- basic	0.40	0.19	0.09	0.05	0.83	0.54	0.21	0.14
- diluted	0.39	0.19	0.09	0.05	0.82	0.53	0.20	0.13
Net cash provided by (used in) operating activities	40,167	12,068	9,588	3,017	15,400	59,905	3,811	14,966
Total cash flows	37,186	168	8,876	42	14,581	43,016	3,608	10,747

Consolidated financial highlights	PLN '000		EUR '000	
	Sep 30 2011	Dec 31 2010	Sep 30 2011	Dec 31 2010
Total assets	836,566	408,402	189,646	103,124
Current liabilities	744,735	331,689	168,828	83,754
Equity	79,841	69,251	18,100	17,486
Number of shares	29,554,801	29,342,301	29,554,801	29,342,301
Book value per share (PLN/EUR)	2.71	2.36	0.61	0.60

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 2011	Jan 1–Sep 30 2010
EUR	4.0413	4.0027

- Items of the statement of financial position:

Exchange rate as at	Sep 30 2011	Dec 31 2010	Sep 30 2010
EUR	4.4112	3.9603	3.9870

Interim condensed consolidated statement of comprehensive income

for the 9 months ended September 30th 2011

	Note	Jan 1–Sep 30 2011	Jul 1–Sep 30 2011	Jan 1–Sep 30 2010	Jul 1–Sep 30 2010
CONTINUING OPERATIONS					
Revenue from core activities, including:	15	**86,162**	**31,065**	**73,695**	**23,450**
Revenue from brokerage activities		58,791	21,545	51,929	16,000
Revenue from management of investment funds		15,506	5,036	11,621	4,625
Revenue from advisory services		11,865	4,484	10,145	2,825
Costs of core activities	15	**59,857**	**21,473**	**51,196**	**16,224**
Profit from (loss on) core activities		**26,305**	**9,592**	**22,499**	**7,226**
Gain (loss) on transactions in financial instruments held for trading		- 2,421	- 1,994	- 1,363	- 209
Gain (loss) on transactions in financial instruments held to maturity		-	-	-	-
Gain (loss) on transactions in financial instruments available for sale		-	-	-	-
Other operating income		4,604	4,480	207	71
Other operating expenses		243	74	281	50
Operating profit (loss)		**28,245**	**12,004**	**21,062**	**7,038**
Finance income		3,776	2,199	1,489	- 135
Finance expenses		2,418	653	2,581	- 308
Pre-tax profit (loss)		**29,603**	**13,550**	**19,970**	**7,211**
Corporate income tax	16	5,085	1,799	4,232	1,585
Net profit from (loss on) continuing operations		**24,518**	**11,751**	**15,738**	**5,626**
DISCONTINUED OPERATIONS		**-**	**-**	**-**	**-**
Net profit (loss) for period		**24,518**	**11,751**	**15,738**	**5,626**
Attributable to:					
Owners of the parent		23,327	11,345	15,270	5,483
Non-controlling interests		1,191	406	468	143
Earnings (loss) per share (PLN)		0.83	0.40	0.54	0.19
Diluted earnings (loss) per share (PLN)		0.82	0.39	0.53	0.19
Other comprehensive income		**265**	**- 65**	**905**	**89**
Gains and losses on revaluation of financial assets available for sale		327	- 80	1,117	109
Corporate income tax on items of other comprehensive income		- 62	15	- 212	- 20
Comprehensive income for period		**24,783**	**11,686**	**16,643**	**5,715**
Attributable to:					
Owners of the parent		23,592	11,280	16,175	5,572
Non-controlling interests		1,191	406	468	143

Warsaw, November 9th 2011

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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 2011

ASSETS	Note	Sep 30 2011	Dec 31 2010
Cash and cash equivalents	12	108,041	98,732
Current receivables	12, 14	713,966	289,654
Current prepayments and accrued income		1,373	768
Financial instruments held for trading		1,133	8,852
Financial instruments held to maturity		-	-
Financial instruments available for sale		2,483	2,157
Investments in jointly controlled and associated undertakings		-	-
Non-current receivables		402	493
Non-current loans advanced		2,589	2,865
Property, plant and equipment		2,015	1,572
Investment property		-	-
Intangible assets		2,214	1,860
Inventories		100	-
Non-current prepayments and accrued income		2,250	1,449
TOTAL ASSETS		**836,566**	**408,402**

EQUITY AND LIABILITIES		Sep 30 2011	Dec 31 2010
Current liabilities	14	744,735	331,689
Other financial liabilities		-	-
Non-current liabilities		-	-
Provisions	14	11,838	7,422
Accruals and deferred income		152	40
Total liabilities		**756,725**	**339,151**
Share capital	13	2,955	2,934
Other capital reserves		12,388	10,970
Retained earnings		61,514	53,554
Total equity		**76,857**	**67,458**
Non-controlling interests		**2,984**	**1,793**
Total capital		**79,841**	**69,251**
TOTAL EQUITY AND LIABILITIES		**836,566**	**408,402**

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Interim condensed consolidated statement of cash flows

for the 9 months ended September 30th 2011

CASH FLOWS	Note	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010
Cash flows from operating activities			
Pre-tax profit		**29,603**	**19,970**
Total adjustments:	25	**- 14,203**	**39,935**
Depreciation and amortisation		936	716
Foreign exchange gains/(losses)		- 1,123	- 8
Interest and dividends		475	483
Gain (loss) on investing activities		570	453
Change in financial instruments held for trading		7,720	221
Change in receivables		- 420,052	- 215,341
Change in current liabilities (net of loans and borrowings)		406,243	258,137
Change in provisions and impairment losses on receivables		505	- 676
Change in accruals and deferrals		- 416	- 704
Income tax		- 4,673	- 4,133
Other adjustments (including effect of incentive schemes and acquisition of CSAM)		- 4,388	787
Net cash provided by (used in) operating activities		**15,400**	**59,905**
Cash flows from investing activities			
Increase in loans advanced		- 8	- 3,445
Decrease in loans advanced		8	159
Acquisition of property, plant and equipment and intangible assets		- 1,169	- 713
Proceeds from financial instruments available for sale and held to maturity		10,616	5,001
Acquisition of financial instruments available for sale and held to maturity		- 4,965	- 10,639
Other cash used in investing activities		-	- 671
Other cash provided by investing activities		5,274	211
Net cash provided by (used in) investing activities		**9,756**	**- 10,097**
Cash flows from financing activities			
Increase in loans and borrowings		4,534	-
Proceeds from issue of own shares		1,062	-
Interest paid		- 803	- 692
Repayment of loans and borrowings		-	- 6,100
Dividends to owners of the parent		- 15,368	-
Net cash provided by (used in) financing activities		**- 10,575**	**- 6,792**
Total cash flows		**14,581**	**43,016**
Net increase (decrease) in cash and cash equivalents		15,412	43,014
Change in cash resulting from foreign exchange differences		831	- 2
Cash at beginning of period	25	88,633	42,169
Cash at end of period, including	25	**103,214**	**85,183**
restricted cash		*10,146*	*9,170*

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Interim condensed consolidated statement of changes in equity

for the 9 months ended September 30th 2011

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other capital reserves					
	Share capital	Share premium account	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**
As at Jan 1 2010	**2,893**	**7,280**	**- 32**	**1,471**	**35,552**	**1,376**	**48,540**
Profit for the period	-	-	-	-	15,270	468	15,738
Costs of incentive scheme	-	-	-	787	-	-	787
Other comprehensive income	-	-	905	-	-	-	905
Dividend payment	-	-	-	-	-	-	-
As at Sep 30 2010	**2,893**	**7,280**	**873**	**2,258**	**50,822**	**1,844**	**65,970**

Warsaw, November 9th 2011

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Notes

1. Information on the IPOPEMA Securities Group

The IPOPEMA Securities Group ("the Group", "the IPOPEMA Securities Group") comprises undertakings which are controlled by IPOPEMA Securities S.A. ("the Parent Undertaking" or "the Company").

The Parent Undertaking'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 2011, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its four subsidiary undertakings (the subsidiaries are presented in Section 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 Undertaking

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

The Parent Undertaking 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 Undertaking 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 Shareholders 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 and financial adviser, M&A transactions and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. The Company also provides advisory services related to corporate financial restructuring.

2. Composition of the Group

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

As at September 30th 2011, the Group comprised IPOPEMA Securities S.A. and the following subsidiary undertakings:

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 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 peripheral devices and software	Full	50.02%	50.02%
IPOPEMA Business Services Kft.	- office and business support	unconsolidated (immaterial financial data)	100%	100%
IPOPEMA Asset Management S.A.	- management of portfolios of broker-traded financial instruments	Full	100%	100%

3. Basis for preparation

3.1st Compliance statement

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRS applicable to interim financial reporting, as endorsed by the European Union. The other standards, amendments to the applicable standards and interpretations of the International Financial Reporting Interpretations Committee which have been endorsed recently or are pending endorsement are not relevant for the Group's operations and their effect on the financial statements of the Group 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 period of nine months ended September 30th 2011 and contain comparative data for nine months ended September 30th 2010 and as at December 31st 2010.

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 2010.

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. 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.

3.3rd 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 first nine months of 2011, there were no changes in the applied accounting policies compared with the policies applied in the consolidated financial statements for 2010, released on March 18th 2011. The consolidated financial statements for 2010 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:

- it is classified as held for trading (i.e. it is acquired or incurred 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 (except for a derivative that is designated as 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, the category includes primarily shares traded on the Warsaw Stock Exchange (WSE) and Budapest Stock Exchange (BSE) as well as derivatives traded on the WSE. The Group has also entered into a currency forward contract. 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 measured at fair value through profit or loss.

Financial derivatives are carried at fair value from the transaction date, and any resulting gains or losses are posted to 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 contract entered into by the Company. Fair value is determined based on stock-exchange prices 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, and those with negative fair values as liabilities.

Financial instruments and financial liabilities acquired in transactions on the regulated market are recognised as at the transaction date. Financial instruments are carried at acquisition cost as at the contract date, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are carried 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, using 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. They include mainly trade receivables, bank deposits, cash equivalents, loans, and acquired unlisted debt securities, not classified to other categories.

Loans advanced to IPOPEMA Securities' employees and business partners are classified under "Loans advanced". For loans which may be amortised (loans advanced for three and five years), 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 amounted to PLN 422 thousand as at September 30th 2011, including non-current receivables of PLN 302 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 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 recognised under 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 acquisition 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 subsidiary undertakings not subject to consolidation are measured at cost less impairment. Investment certificates are carried 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 loans and borrowings, 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, related undertakings, 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 then measured at amounts due as at the end of the reporting period. The amount of receivables is subsequently decreased by impairment losses. Receivables are remeasured to account for the probability of their repayment 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 under 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 the recovery of the full amount of receivables is subject to significant risk.

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. Reversal of an impairment loss is recognised in the consolidated statement of comprehensive income under other operating 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 settled at the clearing house due to the transaction settlement procedure (T+3). In the case of purchase transactions on stock exchanges made to execute 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 made on stock exchanges to execute 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 of impairment of an asset. Tests for three groups of assets: goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, are made on an annual basis, regardless of whether there is an indication of impairment. Those types of 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 undertakings, 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 the measurement of which has been discussed above in the section devoted to "Financial liabilities at amortised cost".

Recognition of current liabilities under executed transactions has been presented above in the section entitled "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 2011

Standards and interpretations which have been issued and are effective for annual periods beginning on January 1st 2011:

- Amendment to IAS 32 "Classification of Rights Issues" – effective for annual periods beginning on or after February 1st 2010;
- Revised IAS 24 "Related Party Disclosures" – effective for annual periods beginning on or after January 1st 2011;
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement" – effective for annual periods beginning on or after January 1st 2011;
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" – effective for annual periods beginning on or after July 1st 2010;
- Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters", published on January 28th 2010 and effective for annual periods beginning on or after July 1st 2010;

- Annual Improvements to IFRSs

  On May 6th 2010, the International Accounting Standards Board published Amendments to IFRS containing changes to six standards and one interpretation. They include changes to the scope, presentation, disclosure, recognition and measurement, as well as terminology and editing changes. The majority of the changes are effective for annual periods beginning on January 1st 2011;

- Amendments to IFRIC 14 "IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" – prepayments of a minimum funding requirement, endorsed by the EU on July 19th 2010, (effective for annual periods beginning on or after January 1st 2011).

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:

- 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 will be effective for annual periods beginning on or after July 1st 2011;

- Amendments to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" – effective for annual periods beginning on or after July 1st 2011;
- IFRS 9 "Financial Instruments" – effective for annual periods beginning on or after January 1st 2013;
- Amendments to IAS 12 "Deferred Tax: Recovery of Underlying Assets" – effective for annual periods beginning on or after January 1st 2012;
- IFRS 12 "Disclosure of Interests in Other Entities" - effective for annual periods beginning on or after January 1st 2013;
- IFRS 10 "Consolidated Financial Statements" - 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;
- IFRS 11 "Joint Arrangements" - 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;

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 2011, there were no changes to estimates, except for changes in provisions 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 a 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 National Bank of Poland for a given currency, in effect at the end of the reporting period. The resulting 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 2011	Dec 31 2010
USD	3.2574	2.9641
EUR	4.4112	3.9603
HUF 100	1.5097	1.4206
GBP	5.0832	4.5938
UAH	0.4076	0.3722
CZK	0.1791	0.1580
CHF	3.6165	3.1639
INR 100	6.6452	6.7450

10. Net earnings per share

For each period, net earnings per share are computed as the quotient of net profit 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 date, 1,880,952 shares have been allocated for subscription – subject to fulfilment of specified criteria – by the eligible persons. Of that number, 212,500 shares were subscribed for in Q1 2011.

In line with the adopted methodology, for the purpose of computing diluted earnings, the number of the Company shares was increased by 245,364 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 2011	Jan 1–Sep 30 2010
Number of shares	29,554,801	28,928,553
Weighted average number of shares	29,509,654	28,928,553
Diluted number of shares	29,755,018	29,573,251
Net earnings per share from continuing operations for period		
- basic	0.83	0.54
- diluted	0.82	0.53

11. Operating segments

For management purposes, the Group has been divided into separate segments based on types of products and services. 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, as part of which the Company focuses on public offerings of securities (especially shares) – where it acts as the coordinator, offering broker and financial adviser – M&A transactions and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. The segment also includes IPOPEMA Securities' consultancy services relating to corporate financial restructuring and asset management services; the latter are intended 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 activities, computer consultancy and software-related activities.

Operating segments	9 months ended Sep 30 2011 Continuing operations Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Sales to external clients	58,791	15,506	11,865	**86,162**
Inter-segment sales	-	-	77	**77**
Segment's total revenue	**58,791**	**15,506**	**11,942**	**86,239**
Segment's costs and expenses	**- 39,009**	**- 11,865**	**- 9,121**	**- 59,995**
- including costs of the incentive scheme	*- 113*	-	-	***- 113***
Inter-segment 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 from continuing operations before tax and finance expenses	19,817	3,744	2,744	**26,305**
Interest income	982	97	11	**1,090**
Interest expenses	806	-	-	**806**
Other finance income/expenses, net	- 1,493	- 3	150	**- 1,346**
Other operating income/expenses	4,432	3	-	**4,435**
Inter-segment 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 the incentive scheme	***19,299***	***3,026***	***2,306***	***24,631***
Net profit for the period excluding acquisition of CSAM	***14,785***	***3,026***	***2,306***	***20,117***
Assets and liabilities as at Sep 30 2011				
Segment's assets	805,922	22,783	7,811	**836,516**
Unallocated assets	-	-	-	**-**
Total assets	**805,922**	**22,783**	**7,811**	**836,516**
Segment's liabilities	740,283	3,166	1,286	**744,735**
Provisions for liabilities and other provisions	7,067	4,335	588	**11,990**
Equity	68,508	8,379	- 80	**76,807**
Non-controlling interests	-	-	2,984	**2,984**
Total equity and liabilities	**815,858**	**15,880**	**4,778**	**836,516**

Operating segments	9 months ended Sep 30 2010			
	Continuing operations			
	Brokerage and related services	Investment fund management	Consultancy services	Total
Revenue				
Sales to external clients	51,929	11,621	10,145	**73,695**
Inter-segment sales	-	-	-	**-**
Segment's total revenue	51,929	11,621	10,145	**73,695**
Segment's total costs and expenses	**- 33,242**	**-8,989**	**- 8,965**	**- 51,196**
- including costs of the incentive scheme	*- 316*	*- 471*	-	***-,787***
Segment's profit (loss)	**18,687**	**2,632**	**1,180**	**22,499**
Unallocated costs	-	-	-	**-**
Profit from (loss on) continuing operations before tax and finance expenses	18,687	2,632	1,180	**22,499**
Interest income	706	31	25	**762**
Interest expenses	738	-	-	**738**
Other finance income/expenses, net	- 2,477	-	-,2	**- 2,479**
Other operating income/expenses	- 22	- 52	-	**- 74**
Profit (loss) before tax and non-controlling interests	16,156	2,611	1,203	**19,970**
Corporate income tax	3,377	588	267	**4,232**
Net profit (loss) for period	**12,779**	**2,023**	**936**	**15,738**
Net profit (loss) for period (excluding costs of the incentive scheme)	***13,095***	***2,494***	***936***	***16,525***
Assets and liabilities as at Dec 31 2010				
Segment's assets	392,655	10,181	5,566	408,402
Unallocated assets	-	-	-	**-**
Total assets	**392,655**	**10,181**	**5,566**	**408,402**
Segment's liabilities	328,185	1,781	1,723	331,689
Provisions for liabilities and other provisions	6,388	817	257	7,462
Equity	63,624	5,019	- 1,185	67,458
Non-controlling interests	-	-	1,793	1,793
Total equity and liabilities	**398,197**	**7,617**	**2,588**	**408,402**

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 2011	Dec 31 2010
Cash and other assets of the Group		
a) at banks and in hand	34,464	33,374
b) other	73,577	65,358
Total cash and other assets of clients of the brokerage house	**108,041**	**98,732**
Cash and other assets:		
a) cash and other assets of the Group	61,004	49,584
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	47,037	49,148
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total cash and other assets	**108,041**	**98,732**

Cash at banks bears interest at fixed or variable rates, except for non-interest bearing security for transactions on the Budapest Stock Exchange, which was paid into a separate bank account. Short-term deposits are placed for various periods ranging from one day to several months, depending on the Group's current cash requirements, and bear interest at the agreed interest rates.

Receivables

As at September 30th 2011, current receivables stood at PLN 713,966 thousand, compared with PLN 289,654 thousand as at December 31st 2010.

Current receivables	Sep 30 2011	Dec 31 2010
From clients / trade receivables	308,424	167,909
- from clients under transactions executed on the Warsaw Stock Exchange	270,791	156,322
- from clients under transactions executed on the Budapest Stock Exchange	30,624	6,457
- other	7,009	5,130
From related undertakings	908	707
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	350,369	94,211
- under transactions executed on the Warsaw Stock Exchange	310,082	87,912
- under transactions executed on the Budapest Stock Exchange	40,287	6,299
From entities operating regulated markets and commodity exchanges	-	9
From the National Depository for Securities and exchange clearing houses	45,915	21,048
- from the settlement guarantee fund	45,915	21,048
- other	-	-
From investment and pension fund companies and from investment and pension funds	4,294	4,349
From issuers of securities or selling shareholders	-	52
From commercial chamber	-	-
Taxes, subsidies and social security receivable	307	1,075
Other	3,749	294
Total current receivables	**713,966**	**289,654**

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

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

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

In the first nine months of 2011, the Group acquired property, plant and equipment and intangible assets valued at PLN 1,169 thousand, compared to PLN 713 thousand worth of acquisitions posted for the first nine months of the previous year.

13. Notes to the statement of financial position – equity

Share capital

As at September 30th 2011, the Company's share capital amounted to PLN 2,955,480.10, having risen by PLN 21,250 from December 31st 2010.

It was divided into 7,000,000 Series A ordinary bearer shares, 21,571,410 Series B ordinary bearer shares, and 983,391 Series C ordinary bearer shares.

As at December 31st 2010, the share capital amounted to PLN 2,934,230.10 and comprised 29,342,301 shares.

Sale of the Company shares by related parties

On April 12th 2011, sale transactions were executed involving Company shares as a result of which certain Management and Supervisory Board members, or persons related to them, sold in aggregate 3,190,951 IPOPEMA Securities shares. Detailed information on those transactions was published by the Company in Current Report No. 11/2011 of April 12th 2011.

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

Change in provisions

	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010	2010
As at beginning of reporting period	**7,422**	**7,016**	**7,016**
CSAM's provisions as at September 30th 2011	3,015	-	-
Provisions created in period	12,905	9,893	12,797
Provisions used	11,242	9,803	11,814
Provisions released	262	648	577
As at end of reporting period, including:	**11,838**	**6,458**	**7,422**
Deferred tax liability	933	619	652

Impairment losses on receivables

In the first nine months of 2011, impairment losses on receivables decreased by PLN 625 thousand (in Q3 2011 the decrease was PLN 498 thousand). In the comparative period, i.e. in the first nine months of 2010, impairment losses on receivables increased by PLN 110 thousand (in Q3 2010, they decreased by PLN 21 thousand), whereas in the whole of 2010 impairment losses on receivables grew by PLN 143 thousand.

Provisions for court proceedings, fines and damages

In the periods covered by these financial statements the Company was not a defendant in any court proceedings. On January 13th 2009, IPOPEMA Securities S.A. filed with the Regional Court a suit for payment of past due receivables (in 2008 impairment losses were recognised for the full amount of the receivables, i.e. PLN 891 thousand); for further information see Note 26.

Liabilities (current)

Current liabilities	Sep 30 2011	Dec 31 2010
To clients	319,207	120,470
- under transactions executed on the Warsaw Stock Exchange	229,297	59,757
- under transactions executed on the Budapest Stock Exchange	23,054	2,779
- other	66,856	57,934
To related undertakings	24	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	392,840	190,456
- under transactions executed on the Warsaw Stock Exchange	345,025	178,597
- under transactions executed on the Budapest Stock Exchange	47,815	11,859
To entities operating regulated markets and commodity exchanges	1,894	758
To the National Depository for Securities and exchange clearing houses	7,424	2,159
Loans and borrowings	12,016	7,481
- from related undertakings	-	-
- other	12,016	7,481
Taxes, customs duties and social security payable	1,929	847
Salaries and wages	28	2
To investment and pension fund companies and to investment and pension funds	250	535
Other	9,123	8,981
a) dividends payable	-	-
b) other	9,123	8,981
- financial liabilities (valuation of futures and forward transactions)	-	98
- other liabilities	9,123	8,883
Total current liabilities	**744,735**	**331,689**

With the exception of loans, the liabilities do not bear interest.

Interest-bearing bank loans and borrowings

Current liabilities under loans and borrowings	Sep 30 2011	Dec 31 2010
Bank loan	12,016	7,481
- outstanding Mount	12,016	7,481
Current liabilities under loans and borrowings	**12,016**	**7,481**

As at September 30th 2011, the Parent Undertaking's liabilities under loans related to its brokerage business amounted to PLN 12,016 thousand, compared with PLN 7,481 thousand as at December 31st 2010. The liabilities resulted from two working-capital overdraft facility agreements executed on July 22nd 2009 with Alior Bank S.A. to finance payment of the Company's liabilities to the National Depository for Securities. On July 20th 2010, the Company executed annexes to the agreements under which the term of the two agreements described below was extended by one year, i.e. until July 19th 2012:

1. Agreement providing for a 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 security deposit of PLN 4m placed in a term deposit account as joint collateral securing also the credit facility specified in item 2.

2. Agreement providing for a revolving credit facility of up to PLN 30m. The purpose of the facility is to finance payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Polish NDS. 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.

15. Notes to the statement of comprehensive income

Revenue from core activities

Revenue from core activities	**Jan 1–Sep 30 2011**	**Jul 1–Sep 30 2011**	**Jan 1–Sep 30 2010**	**Jul 1–Sep 30 2010**
Revenue from trading in securities	44,832	15,028	38,313	12,583
Revenue from investment banking services	13,803	6,753	13,094	3,273
Revenue from management of investment funds	15,506	5,036	11,621	4,626
Revenue from advisory services	11,865	4,484	10,145	2,825
Other revenue from core activities	156	- 236	522	143
Total revenue from core activities	**86,162**	**31,065**	**73,695**	**23,450**

Costs of core activities

Costs of core activities	**Jan 1–Sep 30 2011**	**Jul 1–Sep 30 2011**	**Jan 1–Sep 30 2010**	**Jul 1–Sep 30 2010**
Affiliation costs	-	-	-	-
Fees payable to regulated markets, commodity exchanges, the National Depository for Securities and exchange clearing houses	10,861	4,318	8,938	2,829
Fees payable to commercial chamber	-	-	-	-
Salaries and wages	29,876	11,147	25,036	8,509
Social security and other benefits	1,051	237	1,072	91
Employee benefits	286	92	147	49
Materials and energy used	491	136	386	134
Costs of maintenance and lease of buildings	1,221	423	1,161	397
Depreciation and amortisation	936	324	716	251
Taxes and other public charges	1,088	277	937	294
Commissions and other charges	2	-	-	-
Other	14,045	4,519	12,803	3,670
Total costs of core activities	**59,857**	**21,473**	**51,196**	**16,224**

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 2011	**Jul 1–Sep 30 2011**	**Jan 1–Sep 30 2010**	**Jul 1–Sep 30 2010**
Current income tax				
Current income tax expense	4,861	2,171	3,820	1,625
Deferred income tax				
Relating to occurrence and reversal of temporary differences	224	- 372	412	- 22
Deferred income tax affecting equity	- 62	15	- 212	- 20
Income tax expense disclosed in the statement of comprehensive income	**5,023**	**1,814**	**4,020**	**1,583**

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. Since it is not possible to refer 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.

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 the regulatory bodies, i.e. the Polish Financial Supervision Authority and the Polish Office of Competition and Consumer Protection. The approvals were granted respectively on September 6th 2011 and May 30th 2011. The acquisition of 100% of shares in CSAM under the agreement was completed 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 management of portfolios of broker-traded financial instruments.

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

Provisional accounting for the transaction

Fair value of consideration paid (PLN)	
- cash	4.41
- other tangible and intangible assets, including a business or subsidiary of the acquirer	-
- liabilities incurred, e.g. liabilities for contingent consideration	-
- equity interests of the acquirer, including the number of instruments or shares issued or issuable and the method of fair value measurement for these instruments or shares	-
Fair value of consideration paid (PLN)	**4.41**

Receivables acquired (PLN '000)	**Sep 30 2011**
- fair value of receivables	3,582
- gross contractual amounts receivable	-
- best estimate as at acquisition date of the contractual cash flows not expected to be collected	-
Classes of receivables	
- current receivables from clients	1,060
- receivables from investment and pension fund companies and from investment and pension funds	147
- other receivables	2,375

Main classes of assets acquired and liabilities assumed (PLN '000)	**Sep 30 2011**
Assets	
- current receivables	3,582
- current prepayments and accrued income	77
- property, plant and equipment	515
- intangible assets	48
- deferred tax assets	816

Liabilities	
- current liabilities	1,637
- provisions for liabilities	3,015

Gain on bargain purchase (PLN '000)	
- value of consideration paid	0 *
- net value of the identifiable assets acquired and liabilities assumed as at acquisition date	4,766
Gain on bargain purchase	**4,766**
Costs directly associated with the acquisition	365
Net effect of CSAM acquisition on the IPOPEMA Securities Group's result	**4,401**

** Value in PLN rounded to the nearest thousand; for information on the value of consideration paid, see the discussion below.*

The gain on 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 the gain on bargain purchase. The gain on bargain purchase was posted under other operating income and included in the brokerage and related services segment.

Under IFRS 3 , the initial accounting for a business combination (the "provisional" accounting according to IFRS 3 terminology) may be adjusted in the period of 12 months from the date of obtaining control, to reflect any new information.

Revenue and profit or loss of the acquired company from the date of acquisition, disclosed in the consolidated statement of comprehensive income for the period	-
Revenue and profit or loss of the combined undertaking for the current reporting period, calculated as if all business combinations in the reporting year took place at the beginning of the annual reporting period	
- revenue	4,236
- loss for period	- 6,164

18. Employee benefits – employee share option plans

In the first nine months of 2011, under Share Option Plan II, eligible persons acquired 212,500 shares. In the comparative period, i.e. in the first nine months of 2010 no shares were acquired as part of the incentive scheme, but over the whole of 2010 eligible persons acquired (under Share Option Plan I) a total of 413,748 shares.

The cost of the incentive schemes discussed above 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 2011 by PLN 113 thousand (in Q3 2011 by PLN 34 thousand), affecting profit of IPOPEMA Securities S.A.

In the comparative period, i.e. in the first nine months of 2010, the costs of those plans increased the cost of salaries and wages by PLN 787 thousand (in Q3 2010 by PLN 228 thousand), of which PLN 471 thousand was allocated to IPOPEMA TFI S.A. (out of which PLN 168 thousand related to Q3 2010). The remainder (PLN 316 thousand), which includes also the valuation of options covered by the agreements executed in 2006 between the then sole shareholder of the Company and some of the Company's current employees and members of the Management and Supervisory Boards, was charged to IPOPEMA Securities S.A. In performance of the abovementioned agreements, the eligible persons acquired existing Company shares. Given that certain conditions which had to be fulfilled remained valid in the period covered by these financial statements, the cost resulting from the valuation of the above options was charged to the consolidated result of the Company also in 2010. Despite the fact that the Company was not a party to the acquisition transactions, and thus did not issue any new shares, pursuant to the adopted accounting standards the cost should be allocated to the issuer.

The option plans were valued 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 June 29th 2011, the General Shareholders Meeting resolved to allocate the 2010 profit of PLN 15,431 thousand to dividend. The amount of dividend per 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 62 thousand, which was the effect of rounding off the dividend per share. Pursuant to the above resolution of the General Shareholders Meeting, the difference was contributed to the Company's statutory reserve funds.

In 2010, the Group paid no dividend.

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

In the first nine months of 2011 and 2010, the Group companies did not issue, redeem, or repay any debt securities. In Q1 2011, the Company issued 212,500 Series C shares. For more information, see Note 18.

21. Exclusions of companies from consolidation

In line with IAS 8.8, which permits a departure from the IFRS where the effect of such departure would be immaterial, IPOPEMA Business Services Kft., a subsidiary undertaking of IPOPEMA Securities, is not included in these condensed consolidated financial statements.

IPOPEMA Business Services Kft. – all figures in PLN ‘000	
Balance-sheet total as at Sep 30 2011	784
% share in parent’s balance-sheet total	0.10
Revenue for period Jan 1 – Sep 30 2011	509
% share in parent’s revenue	0.87
Net assets as at Sep 30 2011	- 175
Net profit (loss) for period Jan 1 – Sep 30 2011	- 226

IPOPEMA Business Services Kft. – all figures in PLN ‘000	
Balance-sheet total as at Dec 31 2010	780
% share in parent’s balance-sheet total	0.20
Revenue for period Jan 1 – Sep 30 2010	783
% share in parent’s revenue	1.51
Net assets as at Dec 31 2010	88
Net profit (loss) for period Jan 1 – Sep 30 2010	246

22. Seasonality

The Group’s operations are not subject to seasonality and thus 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. Related-party transactions

IPOPEMA Securities is the Parent Undertaking of four subsidiaries. Composition of the Group and the equity interests have been 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–Sep 30 2011				Jan 1–Sep 30 2010			
IPOPEMA BC	-	-	-	-	-	-	-	-
IPOPEMA TFI	-	40	35	-	-	92	-	-
IPOPEMA Business Services Kft.	-	87	605	87	-	23	558	-
IPOPEMA Asset Management S.A.	-	499	-	-	-	-	-	-
Members of the Management and Supervisory Boards	58	-	103	-	-	-	739	-
Other related parties	-	-	-	-	-	-	26	11
Total	**58**	**626**	**743**	**164**	**-**	**115**	**1,323**	**11**

Related party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Sep 30 2011	Dec 31 2010	Sep 30 2011	Dec 31 2010
IPOPEMA BC	-	9	33	-
IPOPEMA TFI	-	7	-	-
IPOPEMA BS Kft.	1,167	1,099	-	-
IPOPEMA Asset Management S.A.	613	-	-	
Members of the Management and Supervisory Boards	44	-	24	-
Other related parties	-	-	-	-
Total	**1,824**	**1,115**	**57**	**-**

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.

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 undertaking) and any related monetary costs and benefits.

Structure of cash

	Presentation in the balance sheet		Presentation in the statement of cash flows	
	Sep 30 2011	**Dec 31 2010**	**Sep 30 2011**	**Dec 31 2010**
Cash and cash equivalents	**108,041**	**98,732**	**103,214**	**88,589**
1. In hand	16	10	16	10
2. At banks	34,448	33,364	34,448	33,364
3. Other cash	69,537	55,215	69,537	55,215
4. Cash equivalents (deposit for a period exceeding three months)	4,040	10,143	-	-
Change in cash resulting from currency exchange differences	-	-	831	- 45

The difference between the presentation of cash in the balance sheet and the statement of cash flows as at September 30th 2011 was attributable to foreign exchange gains of PLN 831 thousand and the recognition of a PLN 4m long-term deposit (maturing in more than three months after the balance-sheet date) under investing activities, as well as to elimination of PLN 40 thousand of interest accrued on the deposit.

The difference between the presentation of cash in the balance sheet and the statement of cash flows in 2010 was attributable to foreign exchange losses of PLN (-) 45 thousand and the recognition of a PLN 10m long-term deposit (maturing in more than three months after the balance-sheet date) under investing activities, as well as to elimination of PLN 143 thousand of interest accrued on the deposit.

Differences in changes in balance-sheet items

	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 (excluding CSAM)	8,823	7,422	
- deferred tax liabilities	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**

	Presentation in the balance sheet		Presentation in the statement of cash flows – change
	Sep 30 2010	**Dec 31 2009**	**Sep 30 2010**
Gross (current and non-current) receivables	550,192	331,265	- 215,341
Net receivables	547,831	329,015	
Impairment losses on receivables	2,361	2,251	110
Provisions	6,458	7,016	- 558
- deferred tax liabilities	619	211	
- other provisions	5,839	6,805	
Deferred income tax taken to equity	13	5	- 8
Total change in impairment losses and provisions			**- 676**

Current prepayments and accrued income	1,226	500	- 726
Non-current prepayments and accrued income	1,205	1,447	
- deferred tax assets	1,205	1,422	
- other prepayments and accrued income	-	25	25
Deferred income tax taken to equity	-	3	- 3
Total accruals and deferrals (net of deferred tax assets)	**1,226**	**525**	**- 704**

Explanation to other items of the statement of cash flows

	Jan 1–Sep 30 2011	Jan 1–Sep 30 2010
Cash flows from operating activities		
Other adjustments	- 4,388	787
- incentive scheme	113	787
- gain on bargain purchase (CSAM)	- 4,401	-
- other	- 100	-
Cash flows from investing activities		
Other cash used in investing activities	-	671
- current loans advanced	-	671
Other cash provided by investing activities	5,274	211
- decrease in lease receivables	90	74
- interest received	365	137
- acquisition of CSAM (cash)	4,819	-

26. Information on court proceedings

On January 13th 2009, the Company filed with the Regional Court a suit for payment of past due receivables in the amount of PLN 891 thousand. The suit has been dismissed, however, the Company is considering taking other legal action in the case. Impairment losses were recognised (in 2008) for the full amount of the disputed receivables.

None of the IPOPEMA Group's undertakings was party to any other court proceedings.

27. Other events and factors in the first nine months of 2011

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

Q3 2011 saw a significant decline in the upward trend of the WIG index on the WSE, which had continued since March 2009. Nevertheless, in the first three quarters of 2011, trading volumes on the WSE equity market grew by 35.6% year on year, which resulted in an increase in the revenue of IPOPEMA Securities, despite the Company's slight market share reduction (8.19% in Q1–Q3 2011 vs 8.39 in Q1–Q3 2010).

A different situation holds for the Budapest Stock Exchange, where the value of trading on the equity market in the period January–September 2011 was 32% lower than in the comparative period of 2010. In 2011, the Company consolidated its market position, reaching a market share of 7.57% in Q1–Q3 2011, while in the period March–September 2010 (the Company commenced brokerage activities on the BSE in March 2010) its market share equalled 7.01%.

All of the above drove up the Company's revenue from trading in securities by 17%, to PLN 44,832 thousand in Q1–Q3 2011 (compared with PLN 38,313 thousand in Q1–Q3 2010).

Investment banking services

The Company's activity in the area of investment banking services was similar in the comparative periods, which translated into comparable revenues from this segment (PLN 13.803 thousand in Q1–Q3 2011 vs PLN 13.094 thousand in Q1–Q3 2010).

IPOPEMA TFI's business

The key factors that contributed to the considerably higher revenue of IPOPEMA TFI were an increase in the number of funds and a higher value of assets under management – as at the end of September 2011, the company managed 51 closed-end investment funds and 2 open-end funds, with aggregate assets of PLN 5.2bn. Moreover, in Q1–Q3 2011, IPOPEMA TFI generated revenue from the operation of the IPOPEMA Rynku Mieszkaniowego FIZAN closed-end fund (offered since Q4 2010), and the IPOPEMA m-Indeks FIO open-end fund targeted at a wide range of retail investors (launched in Q3 2010). With a relatively moderate increase in operating expenses, the new sources of revenue enabled the Company to generate a net profit of PLN 3,026 thousand from investment fund management in Q1–Q3 2011, which means a nearly 50% increase relative to the figure reported in Q1–Q3 2010 (PLN 2,023 thousand).

IPOPEMA Business Consulting's business

In the first nine months of 2011, IPOPEMA Business Consulting recorded better performance than in the corresponding period of 2010. Thanks to executing new contracts and maintaining the operating expenses at a relatively unchanged level, the 17% growth in revenues (PLN 11,865 thousand vs PLN 10,145 thousand) translated into a two-and-a-half increase in the net profit (PLN 2,306 thousand vs PLN 936 thousand).

28. Events subsequent to the end of the reporting period

All events relating to the reporting period were disclosed in the accounting books and financial statements for the period January 1st – September 30th 2011. No significant 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 9th 2011

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