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IDMSA BH: results after three quarters of 2011

Press Release

After nine months of 2011 the IDMSA BH Group posted a loss attributable to shareholders of the parent undertaking in the amount of PLN 12.9m.

The Company's separate net profit after three quarters of 2011 reached PLN 22.6m, compared to PLN 23.1m in the same period in 2010.

"Thanks to activities undertaken in the last two-three years, we have to some extent reduced the IDMSA BH Group's reliance on a current situation in the stock market. Nevertheless, it is impossible to fully eliminate the effect of this factor on our results. It is a well-known fact that the situation in the market in the third quarter was highly unfavourable, primarily due to the crisis in the euro-zone, and stock indices fell by approx. 20 per cent. This significantly affected the value of our financial instruments held for trading, which decreased by PLN 31.4m to PLN 457.1m. The total loss on operations in such instruments amounted to PLN 39.5m and was the main reason for closing the third quarter with a loss at a net level," says Mr Grzegorz Leszczyński, the President of IDMSA BH's Management Board.

"IDMSA BH has been carrying out further disinvestments, as exemplified by an investment agreement with Internet Group, concluded already in the fourth quarter of 2011, which will lead to exchanging non-public assets for public ones," explains Mr Leszczyński.

"We intend to continue to consistently implement a strategy providing for the expansion of the IDMSA BH Group. We stick to our plans of taking over an insurance company and pension fund. Currently, it is difficult to specify when potential transactions might take place, as it depends predominantly on the determination of sellers," adds the President of IDMSA BH's Management Board.

Due to a low market valuation of shares in IDMSA BH, the Company's Management Board convened for 7 December 2011 the Extraordinary General Shareholders' Meeting with an agenda including an authorisation to be granted to the Company for the acquisition of up to 21.8m treasury shares, representing 10% of its share capital. The price range within which shares may be purchased will amount to PLN 0.10 - PLN 5. The authorisation for IDMSA BH to acquire treasury shares will be valid until the end of November 2013, and an amount earmarked for the purpose will total PLN 109.1m.

"We have decided to put the resolution on the subsequent buy-back of shares to the vote at the Extraordinary General Shareholders' Meeting, because, firstly, the existing authorisation will expire at

the end of the current year, and secondly, due to falling prices on the stock exchange we could not continue the current buy-back irrespective of the fact that IDMSA BH has had available funds for this purpose. The market price of our shares is currently lower than a minimum value set forth in the existing authorisation, which amounts to PLN 2,” explains Mr Rafał Abratański, the Vice-President of IDMSA BH’s Management Board.

If the Extraordinary General Shareholders’ Meeting decides to grant the authorisation to carry out the treasury share buy-back, it will be already the fourth buy-back carried out by the Company. Since mid-2008 IDMSA BH has bought in aggregate over 31.6m treasury shares, allocating more than PLN 81m for it.

“Ratios of IDMSA BH’s market valuation, following drops in the market in the second half of 2011, reach very attractive levels, especially compared to competition listed on the Warsaw Stock Exchange. As we have already underlined on numerous occasions, we are fully convinced as to very good long-term development prospects of IDMSA BH and of the entire Group. We believe that the current valuation is not reflected in the foundations of our business; therefore, we want to continue to invest in treasury shares,” adds Mr Abratański.

One of IDMSA BH’s largest achievements in the third quarter of 2011 was the successful completion of the initial public offering of shares in Mex Polska S.A., a company holding the network of restaurants and music clubs. At the end of September investors subscribed for all offered shares and in such manner the company secured PLN 10m.

“We perceive the offering of Mex Polska as a notable success, both our and the company’s Management Board. In the period when other companies either postponed offerings or secured but a small percentage of initially assumed funds, we found buyers for all the shares at a price within a range set in book-building,” says Mr Leszczyński.

“We continue to be a very active player in the bond market as well. In the third quarter, we organised issues amounting to PLN 211m and since the beginning of the year, including October, the value of such projects carried out by IDMSA BH has exceeded PLN 1bn,” adds Mr Abratański.

At the beginning of September IDMSA BH sold 5m of its 8m shares in Merchant Securities, a British broker listed on the Alternative Investment Market, purchased by the Company in July 2008. The shares were sold at GBP 0.14 per share.

“Perhaps the value of the block of shares in Merchant Securities was not high; nonetheless, the transaction itself shows yet again that IDMSA BH is highly competent in the identification of investment opportunities. The return rate on 5m shares in Merchant Securities stood at 40 per cent in pounds and over 60 per cent in zloty, which - given a drop in the majority of stock indices in the period - is a remarkable result,” explains Mr Leszczyński.

An entity which bought the shares in Merchant Securities from us, i.e. Sanlam Private Investment, intends to acquire the remaining shares in the company, including 3m shares held by us. A price proposed in a transaction, to be approved by the Financial Services Authority (the British equivalent of

the Polish Financial Supervision Authority), amounts to GBP 0.22 per share, which means that the return rate on the remaining 3m shares will in our case reach 120 percent in pounds,” sums up Mr Leszczyński.

Additional information:

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About the Company:

IDMSA Brokerage House is a parent undertaking in the Group operating in the area of financial services. IDMSA Brokerage House is an independent, non-banking, dynamically developing brokerage office. The Company is the first broker listed on the Warsaw Stock Exchange.

The activities of IDMSA Brokerage House are focused in four main areas:

- brokerage services,
- asset management,
- forex,
- corporate services – capital transactions and operations, and fundraising.

Crucial skills behind the Company's value include know-how and experience which allow IDMSA Brokerage House to provide its Clients with customised solutions, flexibility which enables it to quickly react to market needs, and independence.