The IPOPEMA Securities Group
IPOPEMA Securities S.A.

Interim condensed consolidated financial statements

for the nine months ended September 30th 2017

Warsaw, November 16th 2017

Contents

Financial highlights

Financial highlights	PLN '000		EUR '000		PLN '000		EUR '000	
	Three months ended September 30th				Nine months ended September 30th			
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue from core activities	23,091	20,579	5,401	4,736	68,957	59,089	16,235	13,525
Cost of core activities	21,033	18,784	4,920	4,323	63,092	56,825	14,854	13,007
Profit on core activities	2,058	1,795	481	413	5,865	2,264	1,381	518
Operating profit	1,310	1,887	306	434	5,352	2,443	1,260	559
Profit before tax	1,339	1,144	313	263	3,911	1,826	921	418
Net profit on continuing operations	883	931	207	214	2,826	1,403	665	321
Net profit	883	931	207	214	2,826	1,403	665	321
Earnings per ordinary share (weighted average) (PLN/ EUR)								
- basic	0.02	0.03	0.01	0.01	0.09	0.04	0.02	0.01
- diluted	0.02	0.03	0.01	0.01	0.09	0.04	0.02	0.01
Net cash flow from operating activities	- 14,273	14,208	- 3,339	3,270	16,753	- 98,728	3,944	- 22,598
Total cash flows	- 12,253	9,338	- 2,866	2,149	10,037	- 107,977	2,363	- 24,715

Consolidated financial highlights	PLN '000			EUR '000		
	Sep 30 2017	Jun 30 2017	Dec 31 2016	Sep 30 2017	Jun 30 2017	Dec 31 2016
Total assets	453,060	357,250	340,349	105,140	84,526	76,932
Current liabilities	360,796	263,541	246,505	83,729	62,354	55,720
Equity	84,771	83,995	83,635	19,673	19,873	18,905
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.83	2.81	2.79	0.66	0.66	0.63

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

- Items of the interim condensed consolidated statement of comprehensive income and interim condensed consolidated 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–Sep 2017	Jan–Sep 2016
EUR	4.2566	4.3688

- Items of the interim condensed consolidated statement of financial position:

Exchange rate as at	Sep 30 2017	Dec 31 2016	Sep 30 2016
EUR	4.3091	4.4240	4.3120

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2017

	Note	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017	Jan 1 – Sep 30 2016	Jul 1 – Sep 30 2016
CONTINUING OPERATIONS					
Revenue from core activities, including:	15	**68,957**	**23,091**	**59,089**	**20,579**
Revenue from brokerage activities		34,168	11,272	25,464	8,485
Revenue from investment fund and asset management		22,808	7,917	23,995	8,638
Revenue from advisory services		11,981	3,902	9,630	3,456
Cost of core activities	15	**63,092**	**21,033**	**56,825**	**18,784**
Profit/(loss) on core activities		**5,865**	**2,058**	**2,264**	**1,795**
Gain/(loss) on transactions in financial instruments held for trading		344	- 148	- 101	- 41
Gain/(loss) on transactions in financial instruments held to maturity		-	-	-	-
Gain/(loss) on transactions in financial instruments available for sale		561	519	201	121
Other income		893	395	577	209
Other expenses		2,311	1,514	498	197
Operating profit/(loss)		**5,352**	**1,310**	**2,443**	**1,887**
Finance income		583	166	642	- 309
Finance costs		2,024	137	1,259	434
Gross profit (loss)		**3,911**	**1,339**	**1,826**	**1,144**
Income tax	16	1,085	456	423	213
Net profit/(loss) on continuing operations		**2,826**	**883**	**1,403**	**931**
DISCONTINUED OPERATIONS		**-**	**-**	**-**	**-**
Net profit/(loss) for period		**2,826**	**883**	**1,403**	**931**
Attributable to:					
Owners of the parent		2,827	867	1,287	889
Non-controlling interests		- 1	16	116	42
Earnings/(loss) per share (PLN)		0.09	0.02	0.04	0.03
Diluted earnings/(loss) per share (PLN)		0.09	0.02	0.04	0.03
Net profit/(loss) for period		**2,826**	**883**	**1,403**	**931**
Other comprehensive income		**106**	**- 254**	**77**	**130**
Gains and losses on remeasurement of financial assets available for sale		131	- 314	95	160
Income tax on items of other comprehensive income		- 25	60	- 18	- 30
Comprehensive income for period		**2,932**	**629**	**1,480**	**1,061**
Attributable to:					
Owners of the parent		2,933	613	1,364	1,019
Non-controlling interests		- 1	16	116	42

Warsaw, November 16th 2017

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice President of the Management Board	Stanisław Waczkowski Vice President of the Management Board	Mirosław Borys Vice President of the Management Board	Danuta Ciosek Chief Accountant

Interim condensed consolidated statement of financial position

as at September 30th 2017

ASSETS	Note	Sep 30 2017	Jun 30 2017	Dec 31 2016	Sep 30 2016
Cash and cash equivalents	12	57,236	64,399	42,714	40,702
Short-term receivables	12, 14	365,848	264,989	268,907	371,747
Current tax assets		81	34	-	-
Current prepayments and accrued income		1,305	1,191	1,092	991
Financial instruments held for trading		7,381	2,712	126	2,450
Financial instruments held to maturity		-	-	-	-
Financial instruments available for sale		13,864	15,852	16,432	16,401
Investments in jointly controlled entities and associates		-	-	-	-
Long-term receivables		-	-	1,384	1,380
Long-term loans advanced		53	25	54	88
Property, plant and equipment		3,581	3,875	4,781	5,216
Investment property		-	-	-	-
Intangible assets		2,172	2,388	2,859	2,630
Deferred tax assets		1,402	1,609	1,756	1,565
Non-current prepayments and accrued income		137	176	244	166
TOTAL ASSETS		**453,060**	**357,250**	**340,349**	**443,336**

EQUITY AND LIABILITIES	Note	Sep 30 2017	Jun 30 2017	Dec 31 2016	Sep 30 2016
Current liabilities	14	360,581	263,182	246,068	354,154
Current tax liabilities		215	359	437	264
Other financial liabilities		-	-	-	-
Non-current liabilities		377	408	487	520
Deferred tax liabilities	16	110	136	49	10
Accruals	14	7,006	9,170	9,673	5,793
Total liabilities		**368,289**	**273,255**	**256,714**	**360,741**
Share capital	13	2,994	2,994	2,994	2,994
Other capital reserves		13,936	14,191	13,830	13,752
Retained earnings		64,330	63,315	62,401	62,225
Total equity		**81,260**	**80,500**	**79,225**	**78,971**
Non-controlling interests		**3,511**	**3,495**	**4,410**	**3,624**
Total equity		**84,771**	**83,995**	**83,635**	**82,595**
TOTAL EQUITY AND LIABILITIES		**453,060**	**357,250**	**340,349**	**443,336**

Warsaw, November 16th 2017

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Interim condensed consolidated statement of cash flows

for the nine months ended September 30th 2017

CASH FLOWS	Note	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017	Jan 1–Sep 30 2016	Jul 1–Sep 30 2016
Cash flow from operating activities					
Profit before tax		**3,911**	**1,339**	**1,826**	**1,144**
Total adjustments:	26	**12,842**	**- 15,612**	**- 100,554**	**13,064**
Depreciation and amortisation		2,061	686	1,983	649
Foreign exchange gains/(losses)		38	- 63	258	364
Interest and dividends		810	236	885	275
Gain/(loss) on investing activities		- 110	- 525	- 184	- 86
Increase/(decrease) in financial instruments held for trading		- 7,256	- 4,670	- 1,236	- 1,170
Increase/(decrease) in financial instruments available for sale		-	-	-	- 18
Increase/(decrease) in receivables		- 96,504	- 105,864	- 193,453	- 95,915
Increase/(decrease) in current liabilities (net of borrowings)		115,870	95,990	95,424	110,217
Change in provisions and impairment losses on receivables		1,474	1,370	134	23
Increase/(decrease) in accruals and deferrals		- 2,745	- 2,287	- 3,914	- 843
Income tax paid		- 695	- 405	- 476	- 437
Other adjustments		- 101	- 80	25	5
Net cash from operating activities		**16,753**	**- 14,273**	**- 98,728**	**14,208**
Cash flows from investing activities					
Increase in loans advanced		- 48	- 48	- 263	- 60
Decrease in loans advanced		127	24	397	293
Purchase of property, plant and equipment and intangible assets		- 715	- 255	- 983	- 778
Disposal of property, plant and equipment and intangible assets		80	80	-	-
Proceeds from financial instruments available for sale and held to maturity		13,543	5,818	7,946	-
Purchase of financial instruments available for sale and held to maturity		- 15,230	- 5,000	- 12,387	7,118
Interest received		104	25	-	- 2,100
Other cash generated by investing activities		10	3	190	120
Net cash from investing activities		**- 2,129**	**647**	**- 5,100**	**4,593**
Cash flows from financing activities					
Proceeds from borrowings		-	-	256	- 5,843
Proceeds from issue of debt securities		5	-	2	-
Repayment of debt securities		- 5	- 2	- 6	- 1
Interest paid		- 855	- 202	- 933	- 266
Dividends paid to owners of the parent		- 898	- 898	- 3,293	- 3,293
Dividends paid to owners of the parent		- 900	-	-	-
Repayment of finance lease liabilities		- 144	- 42	- 175	- 60
Repayment of borrowings		- 1,790	2,517	-	-
Net cash from financing activities		**- 4,587**	**1,373**	**- 4,149**	**- 9,463**
Total cash flows		**10,037**	**- 12,253**	**- 107,977**	**9,338**

Net increase/(decrease) in cash and cash equivalents		9,999	- 12,190	- 108,222	8,983
Effect of exchange rate fluctuations on cash held		- 38	63	- 245	- 355
Cash at beginning of period	26	42,185	64,475	148,802	31,487
Cash at end of period, including	26	**52,222**	**52,222**	**40,825**	**40,825**
*- restricted cash**		*38,150*	*38,150*	*19,815*	*19,815*

** Restricted cash includes primarily clients' funds held by the Company.*

Warsaw, November 16th 2017

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Interim condensed consolidated statement of changes in equity

for the nine months ended September 30th 2017

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other capital reserves					
	Share capital	Share premium	Revaluation capital reserve	Other capital reserves	Retained earnings		
As at Jan 1 2017	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
Profit for period	-	-	-	-	2,827	- 1	2,826
Other comprehensive income	-	-	106	-	-	-	106
Dividend paid	-	-	-	-	- 898	- 900	- 1,798
Other increase	-	-	-	-	-	2	2
As at Sep 30 2017	**2,994**	**10,351**	**371**	**3,214**	**64,330**	**3,511**	**84,771**
As at Jan 1 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for 2016	-	-	-	-	1,463	902	2,365
Other comprehensive income	-	-	155	-	-	-	155
Dividend paid	-	-	-	-	- 3,293	-	- 3,293
As at Dec 31 2016	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
As at Jan 1 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for period	-	-	-	-	1,287	116	1,403
Other comprehensive income	-	-	77	-	-	-	77
Dividend paid	-	-	-	-	- 3,293	-	- 3,293
As at Sep 30 2016	**2,994**	**10,351**	**187**	**3,214**	**62,225**	**3,624**	**82,595**

Warsaw, November 16th 2017

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

Notes

1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the ‘Group’, ‘IPOPEMA Group’) comprises entities controlled by IPOPEMA Securities S.A. (the ‘Parent’ or ‘Company

The Parent’s registered office is at ul. Próżna 9, Warsaw, Poland.

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

As at September 30th 2017, the IPOPEMA Group comprised IPOPEMA Securities S.A. and its subsidiaries presented in Note 2 below.

The Group’s principal business comprises:

1. brokerage activities,
2. business and management advisory 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 on March 2nd 2005 (as Dom Maklerski IPOPEMA S.A.) for indefinite time.

The Parent is entered in the Business Register of the National Court Register maintained by the District Court, 12th Commercial Division of the National Court Register, under entry No. KRS 0000230737.

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

IPOPEMA Securities S.A. conducts brokerage activities pursuant brokerage licences granted by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

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 in the area of intermediation in securities trading on the secondary market. The Company’s partners include high-profile international financial institutions, the majority of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as private individuals.

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, offeror or financial adviser, but also on M&A transactions and management buy-outs, as well as on advisory mandates concerning the raising of financing on the private market, including from private equity funds and through pre-IPO placements. In addition, until the end of 2016 the Company had also provided advisory services related to corporate financial restructuring and finance raising for infrastructure projects; in the first quarter of 2017 this business was transferred to a dedicated subsidiary – IPOPEMA Financial Advisory sp. z o.o. SK.

2. Composition of the Group

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

As at September 30th 2017, the Group comprised IPOPEMA Securities S.A. and the following entities:

1) consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
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 - 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%
IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	- advisory services related to corporate financial restructuring and finance raising for infrastructure projects	full	N/A	

2) non-consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Financial Advisory Sp. z o.o.*	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	not consolidated (due to immateriality of financial data)	100%	100%
IPOPEMA Business Services Srl. **	- office and business support – the company has been placed in liquidation	not consolidated (due to immateriality of financial data)	100%	100%

**In May 2016, the Company purchased from IBC all shares in IPOPEMA Outsourcing Sp. z o.o. In August 2016, the company's name was changed to IPOPEMA Financial Advisory Sp. z o.o. (IFA);*

*** Following the change of the business model for foreign markets, the process of winding up IBS Srl. began in 2016;*

Pursuant to Art. 58.1 of the Accounting Act, IPOPEMA Business Services Srl and IPOPEMA Financial Advisory Sp. z o.o. are not consolidated as their effect on the Group's financial data is immaterial.

3. Basis of 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 IFRSs applicable to interim financial reporting, as endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), which have been endorsed recently or are pending endorsement, are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

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

These interim condensed consolidated financial statements of the Group cover the nine months ended September 30th 2017 and contain comparative data for the nine months ended September 30th 2016 and as at December 31st 2016.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Group for 2016.

3.2 Measurement currency and reporting currency

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

3.3 Going concern assumption

These interim condensed consolidated financial statements were prepared on the assumption that the companies of the Group would continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, there were no circumstances which would indicate any threat to the Group's consolidated companies continuing as going concerns.

3.4 Comparability of data

There were no significant presentation changes in the nine months ended September 30th 2017.

4. Changes in applied accounting policies

In the nine months ended September 30th 2017, there were no changes in the accounting policies compared with the policies applied in the full-year consolidated financial statements for 2016, issued on March 21st 2017. The consolidated financial statements for 2016 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

<u>Financial instruments</u>

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.

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 instruments and financial liabilities acquired in transactions on the regulated market 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 first recognised in the accounting books at the contract date at the fair value of the amount or other assets received.

Financial instruments held for trading are measured at fair value as at each reporting date, and any resultant gains or losses are disclosed under revenue or costs related to financial instruments held for trading.

Financial instruments held for trading comprise shares listed on the Warsaw and Budapest Stock Exchanges. For measurement purposes, the Group takes into account closing prices quoted on the Warsaw Stock Exchange (the 'WSE') and the Budapest Stock Exchange (the 'BSE') on the last business day of the reporting period.

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 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 short-term receivables where recognition of interest income would be immaterial. Non-interest bearing short-term receivables are measured at amounts receivable, subject to the prudent valuation principle. In this category, the Group includes mainly trade receivables, bank deposits and other cash, as well as loans granted to employees and associates of IPOPEMA Securities and of a related company. In this category, the Group includes mainly trade receivables, bank deposits and other cash, as well as loans granted to employees and associates of IPOPEMA Securities and of a related company.

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, corporate 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. This category also includes shares in non-consolidated subsidiaries.

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 other comprehensive income. In the case of bonds, the gain or loss to be recognised under other comprehensive income comprises the difference between the measurement-date fair value of the assets less interest accrued up until that date at the contractual interest rate, and the value of the assets at adjusted cost.

Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at fair value, including the transaction costs.

Shares in non-consolidated subsidiaries are measured at cost less impairment losses. Investment certificates and investment fund units are recognised at fair value, based on the net asset value per certificate/unit as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under “other comprehensive income”.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank 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

Short-term receivables

Shor-term receivables include all receivables from clients, non-consolidated related entities, 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 at amounts receivable. 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 this 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. Such impairment losses were recognised on trade receivables.

Impairment losses on receivables are recognised under other expenses. The cost connected with recognition of impairment losses at the time of confirming that particular receivables are uncollectible is a tax-deductible expense; otherwise, such cost is not tax-deductible. 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 are recognised in the consolidated statement of comprehensive income under other income.

Shor-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses

Short-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses arise in connection with securities purchases and sales which have not yet been settled at the clearing houses due to the transaction clearing procedure (T+2). In the case of buy trades executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (market counterparties) * and short-term receivables from the clients on behalf of whom such buy trades have been executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions) * and current liabilities towards the clients for whom the sale transactions were executed.

** Pursuant to Art. 45h of the amended Act on Trading in Financial Instruments, in the case of transactions executed on the WSE, KDPW CCP (the clearing agent) assumed the rights and obligations of the parties to the market transactions.*

Long-term receivables

Long-term 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. Intangible assets which are 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 or 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 due.

Current liabilities include all liabilities to clients, liabilities to non-consolidated related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland 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 include overdrafts and finance lease liabilities; methods of their recognition are described in „Financial liabilities measured at amortised cost" above.

Recognition of current liabilities under executed transactions is discussed above in 'Short-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity 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 nine months ended September 30th 2017

In the nine months ended September 30th 2017, no new international accounting standards came to effect.

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 IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* − published by the International Accounting Standards Board on January 19th 2016, effective for annual periods beginning on or after January 1st 2017. At present, the procedure of formal approval of the amendment by the European Commission is pending;
- Amendments to IAS 7 *Disclosure Initiative* − effective for annual periods beginning on or after January 1st 2017 Amendments to IAS 7 impose the requirement to disclose in the statement of cash flows changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The standard states that in order to fulfil the requirement an entity must provide a reconciliation between the opening and closing balances in the statement of financial position for individual liabilities classified as cash flows from financing activities in the statement of cash flows. At present, the procedure of formal approval of the amendment by the European Commission is pending;
- IFRS 9 *Financial Instruments* – published by the International Accounting Standards Board on July 24th 2014; the standard's final version supersedes previous versions of IFRS 9, completing the Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard regulates classification and measurement of financial assets and liabilities, as well as impairment and hedge accounting. IFRS 9 does not include guidelines on hedge accounting of portfolios of financial assets and liabilities, since these matters are covered by a separate project of the International Accounting Standards Board. The standard is effective for annual periods beginning on or after January 1st 2018;
- IFRS 15 *Revenue from Contracts with Customers* − published by the International Accounting Standards Board on May 28th 2014, effective for annual periods beginning on or after January 1st 2018. According to the new Standard, a five-step model will be used to determine the moment of revenue recognition and its amount. Under the model, revenue should be recognised when (or to the extent that) the Group transfers control of goods or services to a customer, at the amount to which the Group expects to be entitled;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* – the clarifications provide additional information and explanations concerning the main points of IFRS 15, such as identification of individual performance obligations in the contract, determination whether the entity is an agent or principal under the contract, and accounting for revenue from licences. In addition to additional clarifications, exemptions and simplifications for first-time adopters were also introduced. The clarifications are effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 2 *Share-based Payment* – published by the International Accounting Standards Board on June 20th 2016, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments* with IFRS 4 *Insurance Contracts* – published by the International Accounting Standards Board on September 12th 2016, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 40 *Transfers of Investment Property* – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018;
- IFRS 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on or after January 1st 2019; IFRS 16 introduces new rules for the recognition of leases;
- Amendments to various standards „Amendments to IFRSs (Cycle 2014–2016)" – amendments made to IFRS (IFRS 1, IFRS 12, and IAS 28), primarily aimed at resolving discrepancies and clarifying terminology (amendments to IFRS 12 are effective for annual periods beginning on or after January 1st 2017, and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1st 2018);

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018;
- IFRS 17 *Insurance Contracts* – published on 18 May 2017, effective for annual periods beginning on or after January 1st 2021. Its prior use is permitted (provided that IFRS 15 and IFRS 9 are simultaneously applied). The standard replaces the existing regulations on insurance contracts (IFRS 4);
- Amendments to IFRS 10 and IAS 28: Sale or transfer of assets between the investor and its associate or joint venture – published on September 11th 2014, effective for annual periods beginning on or after January 1st 2016 (the effective date has been postponed, with no indication of the initial date). The amendments clarify the manner of accounting for a transaction in which a parent loses control over its subsidiary that does not constitute a business as defined in IFRS 3 *Business Combinations* through a sale or contribution of all or a part of shares in that subsidiary to an equity-accounted associate or joint venture. The European Commission has decided to postpone the formal procedure for approval of the revised standards;
- IFRIC 23 *Uncertainty over Income Tax Treatments* – effective for annual periods beginning on or after January 1st 2019.

The Group will apply the amended provisions of the standards as of January 1st 2018, unless a different effective date for the amended provisions is provided. When first adopted, the amended standards will have no material effect on the Group's consolidated financial statements. The Group did not opt for early application the above standards, amendments, and interpretations.

8. Changes in estimates

In the first nine months of 2017, there were no changes to estimates, except for the changes in accruals and deferred income, depreciation/amortisation 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-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, if the application of the exchange rate specified 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-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 costs, as appropriate.

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

Currency	September 30th 2017	December 31st 2016	September 30th 2016
USD	3.6519	4.1793	3.8558
EUR	4.3091	4.4240	4.3120
HUF 100	1.3846	1.4224	1.3947
RON	0.9368	0.9749	0.9675
GBP	4.8842	5.1445	4.9962
UAH	0.1373	0.1542	0.1488
CZK	0.1655	0.1637	0.1596
CHF	3.7619	4.1173	3.9802
TRY	1.0269	1.1867	1.2822
JPY 100	3.2439	3.5748	3.8171
NOK	0.4594	0.4868	0.4796
CAD	2.9383	3.0995	2.9290
SEK	0.4492	0.4619	0.4487
DKK	0.5790	0.5951	0.5786
AUD	2.8625	3.0180	2.9339

Source: National Bank of Poland.

10. Earnings per share

For each period, 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 case of the Company, 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 is implemented. To date, 1,880,952 shares have been allocated to be subscribed for by the eligible persons after certain criteria are met.

As there were no dilutive shares, the amounts of basic earnings per share and diluted earnings per share in the periods covered by these condensed consolidated financial statements were the same.

	Jan 1–Sep 30 2017	Jan 1–Sep 30 2016
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Diluted number of shares	29,937,836	29,937,836
Earnings from continuing operations per share		
- basic	0.09	0.04
- diluted	0.09	0.04

11. Operating segments

For management purposes, the Group is divided into separate segments based on types of services provided. There are therefore the following reporting operating segments:

1. The segment of brokerage and related services, comprising the business of (i) IPOPEMA Securities, i.e. brokerage and investment banking activities focused on public offerings of securities (particularly equities) where the Company acts as the coordinator, offeror and financial adviser, issue of debt instruments, M&A transactions and management buy-outs, as well as advisory mandates concerning the raising of financing on the private market, including from private equity funds and through pre-IPO placements, and (ii) IFA SK, i.e. advisory services related to financial restructuring and finance raising for infrastructure projects (in previous periods, this activity was conducted by IPOPEMA Securities, therefore, in accordance with the regulatory classification of brokerage services, it was identified as additional brokerage activities; in spite of the fact that this activity has been transferred to IFA SK, a decision was made to keep the previously applied segmentation for the purposes of consolidated financial statements).
2. The segment of investment fund and portfolio management, comprising the business of IPOPEMA TFI, i.e. creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.
3. The segment of advisory services, comprising the services of IPOPEMA Business Consulting, which focuses on business and management advisory, computer facilities management, computer advisory and software-related activities.

Operating segments	9 months ended September 30th 2017 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment's total revenue	34,483	22,808	12,032	69,323
Intersegment sales	- 315	-	- 51	- 366
Sales to external clients	**34,168**	**22,808**	**11,981**	**68,957**
Segment's costs				
Segment's total costs	- 30,654	- 21,296	- 11,538	- 63,488
Segment's costs	-	-	-	-
Consolidation eliminations	363	33	-	396
Segment's costs – purchases from external suppliers	**- 30,291**	**- 21,263**	**- 11,538**	**- 63,092**
Segment's profit/(loss) on core activities	**3,877**	**1,545**	**443**	**5,865**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	3,877	1,545	443	5,865
Interest income	150	135	7	292
Interest expense	- 908	- 21	-	- 929
Other net finance income/ expenses	523	541	- 62	1,002
Other income/ expenses	- 1,654	207	60	- 1,387
Consolidation eliminations	- 932	-	-	- 932
Profit before tax and non-controlling interests	**1,056**	**2,407**	**448**	**3,911**
Income tax	480	494	111	1,085
Consolidation eliminations	-	-	-	-
Total corporate income tax	**480**	**494**	**111**	**1,085**
Net profit for period	**576**	**1,913**	**337**	**2,826**
Assets and liabilities as at Sep 30 2017				
Segment's assets	414,626	29,348	9,086	453,060
Unallocated assets	-	-	-	-
Total assets	**414,626**	**29,348**	**9,086**	**453,060**
Segment's liabilities	357,189	2,445	1,649	361,283
Accruals and deferred income	3,973	3,003	30	7,006
Segment's net profit/(loss)	576	1,913	337	2,826
Equity (excluding net profit/(loss) for current period)	52,002	22,801	3,630	78,433
Non-controlling interests (excluding net profit/(loss) for current period)	2	-	3,510	3,512
Total equity and liabilities	**413,742**	**30,162**	**9,156**	**453,060**

Operating segments	9 months ended September 30th 2016 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment's total revenue	25,464	23,995	9,708	59,167
Intersegment sales	-	-	- 78	- 78
Sales to external clients	**25,464**	**23,995**	**9,630**	**59,089**
Segment's costs				
Segment's total costs	- 26,080	- 21,356	- 9,498	- 56,934
Segment's costs	-	-	-	-
Consolidation eliminations	52	57	-	109
Segment's costs – purchases from external suppliers	**- 26,028**	**- 21,299**	**- 9,498**	**- 56,825**
Segment's profit/(loss) on core activities	**- 564**	**2,696**	**132**	**2,264**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	- 564	2,696	132	2,264
Interest income	186	66	13	265
Interest expense	- 1,047	- 24	-	- 1,071
Other net finance income/ expenses	1,592	150	17	1,759
Other income/ expenses	- 26	81	56	111
Consolidation eliminations	- 1,502	-	-	- 1,502
Profit before tax and non-controlling interests	**- 1,361**	**2,969**	**218**	**1,826**
Income tax	- 239	597	62	420
Consolidation eliminations	-	3	-	3
Total corporate income tax	**- 239**	**600**	**62**	**423**
Net profit for period	**- 1,122**	**2,369**	**156**	**1,403**
Assets and liabilities as at Dec 31 2016				
Segment's assets	295,763	30,818	13,768	340,349
Unallocated assets	-	-	-	-
Total assets	**295,763**	**30,818**	**13,768**	**340,349**
Segment's liabilities	239,300	3,510	4,231	247,041
Accruals and deferred income	3,875	5,066	732	9,673
Segment's net profit/(loss)	- 396	1,051	1,710	2,365
Equity (excluding net profit/(loss) for current period)	53,175	21,764	2,823	77,762
Non-controlling interests (excluding net profit/(loss) for current period)	-	-	3 508	3,508
Total equity and liabilities	**295,954**	**31,391**	**13,004**	**340,349**

12. Notes to the interim condensed consolidated statement of financial position – assets

Cash and cash equivalents

Cash and other assets	Sep 30 2017	Dec 31 2016
Cash and other assets of the Group		
a) at banks and in hand	13,678	26,561
b) other	43,558	16,153
Total	**57,236**	**42,714**
Cash and other assets		
a) the Group's own cash and other assets	19,086	30,303
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	38,150	12,411
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**57,236**	**42,714**

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for periods ranging from one day to several months, depending on the Group's cash requirement at a given time, and bear interest at variable or fixed interest rates, set by reference to the interest rate for overnight bank deposits. Short-term deposits are presented under other cash. Deposits maturing in more than three months are presented under: Cash equivalents.

Other cash also includes clients' cash deposited in the Parent's bank account, in the amount of PLN 38,150 thousand as at September 30th 2017 and PLN 12,411 thousand as at December 31st 2016.

Receivables

Short-term receivables	Sep 30 2017	Dec 31 2016
From clients / trade receivables	142,523	135,569
- under transactions executed on the Warsaw Stock Exchange	118,093	89,043
- under transactions executed on the Budapest Stock Exchange	11,340	21,049
- under transactions executed on the Prague Stock Exchange	2,419	2,674
- under transactions executed on the New York Stock Exchange	1,765	7,065
- under transactions executed on the London Stock Exchange	78	116
- under transactions executed on the Frankfurt Stock Exchange	194	2,252
- under transactions executed on the Zurich Stock Exchange	83	-
- under transactions executed on the Madrid Stock Exchange	137	-
- other	8,414	13,370
From related entities	19	13
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	166,334	73,232
- under transactions executed on the Warsaw Stock Exchange*	137,847	40,067
- under transactions executed on the Budapest Stock Exchange	6,461	6,163
- under transactions executed on the Prague Stock Exchange	-	3,121
- under transactions executed on the London Stock Exchange	1,334	-
- under transactions executed on the New York Stock Exchange	-	16,410
- under transactions executed on the Amsterdam Stock Exchange	-	6,270
- under transactions executed on the Paris Stock Exchange	45	-
- under transactions executed on the Frankfurt Stock Exchange	39	-
- other	20,608	1,201
From entities operating regulated markets and commodity exchanges	-	-
From the Central Securities Depository of Poland and exchange clearing houses	33,895	34,907
- from the settlement guarantee fund	33,684	34,694
- other	211	213
From investment and pension fund companies and from investment and pension funds	4,530	2,761

From issuers of securities or selling shareholders	10	-
Taxes, subsidies and social security receivable	277	40
Other	18,260	22,385
Total short-term receivables	**365,848**	**268,907**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where such transactions are executed on the WSE, include receivables from KDPW CCP (the clearing agent, which has assumed the rights and obligations of the parties to the transactions).*

Short-term receivables and current liabilities are recognised predominantly in connection with executed buy and sell transactions in securities, not yet settled at clearing houses.

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

Financial assets

In the first nine months of 2017 and in the comparative period, the policies for measurement of financial assets at fair value or classification of financial assets did not change.

Recognition and reversal of impairment losses on financial assets, property, plant and equipment, intangible assets or other assets

In the first nine months of 2017, the Group did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did it reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 14).

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

In the first nine months of 2017, the Group purchased property, plant and equipment and intangible assets for PLN 715 thousand (the first nine months of 2016: PLN 983 thousand).

Material purchase or sale transactions in property, plant and equipment

In the first nine months of 2017 and in 2016, the Group did not purchase or sell any material items of 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 interim condensed consolidated statement of financial position – equity

Share capital

As at September 30th 2017, the Group's share capital was PLN 2,993,783.60 (no change on December 31st 2016).

The share capital was divided into 7,000,000 Series A ordinary bearer shares, 21,571,410 Series B ordinary bearer shares, and 1,366,426 Series C ordinary bearer shares.

14. Notes to the interim condensed statement of financial position – liabilities and accruals and deferred income

Increase/(decrease) in accruals and deferred income

	Jan 1–Sep 30 2017	Jan 1–Sep 30 2016	2016
As at beginning of reporting period	9,673	9,714	9,714
Recognised in period	9,695	6,523	14,156
Used	12,020	10,437	13,858
Reversed	342	7	339
As at end of reporting period	**7,006**	**5,793**	**9,673**

Impairment losses on receivables

In the nine months ended September 30th 2017, impairment losses on receivables rose by PLN 1,474 thousand (including an increase of PLN 1,370 thousand in Q3 2017). In the nine months ended September 30th 2016, impairment losses on receivables rose by PLN 134 thousand (including an increase of PLN 23 thousand in Q3 2016).

Liabilities (current)

Current liabilities	Sep 30 2017	Dec 31 2016
To clients	177,095	93,748
To related entities	1	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	160,630	130,250
- to the Warsaw Stock Exchange *	144,610	97,968
- to the Budapest Stock Exchange	11,352	20,191
- to the Prague Stock Exchange	2,415	2,670
- to the New York Stock Exchange	1,762	7,055
- to the London Stock Exchange	78	116
- to the Frankfurt Stock Exchange	193	2,250
- to the Zurich Stock Exchange	83	-
- to the Madrid Stock Exchange	137	-
To entities operating regulated markets and commodity exchanges	539	602
- to the Warsaw Stock Exchange	457	536
- to the Budapest Stock Exchange	29	16
- to the Vienna Stock Exchange	53	44
- to the Chicago Mercantile Exchange	-	6
To the Central Securities Depository of Poland and exchange clearing houses	4,432	2,044
Borrowings	12,995	14,784
- from related entities	-	-
- other	12,995	14,784
Debt securities	4	4
Taxes, customs duties and social security payable	889	1,406
Salaries and wages	-	1
To investment and pension fund companies and to investment and pension funds	600	1,704
Other	3,396	1,525
a) dividends payable	-	-
b) other	3,396	1,525
- financial liabilities (lease)	142	242
- other liabilities	3,254	1,283
Total current liabilities	**360,581**	**246,068**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following items of the statement of financial position: current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage* *houses under executed transactions, where such transactions are executed on the WSE, include liabilities to KDPW CCP (the clearing agent which has assumed the rights and obligations of the parties to the transactions).*

Except bank borrowings, liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities	Sep 30 2017	Dec 31 2016
Bank borrowing	12,995	14,784
- outstanding amount	12,995	14,784
Current liabilities	**12,995**	**14,784**

As at September 30th 2017, the Company's liabilities under borrowings related to its brokerage business amounted to PLN 12,995 thousand (December 31st 2016: PLN 14,784 thousand). The liabilities arose under:

1. Two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland in connection with the brokerage activities. Their current term expires on September 14th 2018:
   i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland 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 ii.
   ii. 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 Central Securities Depository of Poland. 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 i above, both credit facilities are also jointly secured with a security deposit of PLN 4m.
2. HUF 409m current account overdraft facility from Raiffeisen Bank Zrt, used to settle transactions on the Budapest Stock Exchange in connection with brokerage activities, expiring on March 14th 2018. The facility is secured with a security deposit of HUF 409m.

Bonds

In the first nine months of 2017, the Group companies issued 26 registered bonds with a total nominal amount of PLN 5.2 thousand, maturing in 2017–2020 (depending on the series). In the first nine months of 2016, the Group companies issued 10 registered bonds with a total nominal amount of PLN 2 thousand, maturing in 2016–2019 (depending on the series). The total amount of liabilities payable by the Group on redemption of the bonds will not exceed the bonds' nominal value and is not significant to the Group. The bond issues are related to the scheme of variable remuneration components implemented at the Group with a view to strengthening the risk management system.

By the date of these financial statements, the Group redeemed PLN 6.4 thousand worth of bonds (including PLN 1.9 thousand worth of bonds redeemed in Q3 2017), compared with PLN 6.4 thousand redeemed in the first nine months of 2016.

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 interim condensed consolidated statement of comprehensive income

Revenue from core activities

Revenue from core activities	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017	Jan 1–Sep 30 2016	Jul 1–Sep 30 2016
Revenue from trading in securities	17,948	5,859	16,185	5,680
Revenue from investment banking services	14,948	5,358	9,101	2,733
Revenue from management of investment funds and clients' assets	22,808	7,917	23,995	8,638
Revenue from consultancy services	11,981	3,902	9,630	3,456
Other revenue from core activities	1,272	55	178	72
Total revenue from core activities	**68,957**	**23,091**	**59,089**	**20,579**

Operating expenses

Cost of core activities	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017	Jan 1–Sep 30 2016	Jul 1–Sep 30 2016
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	5,994	1,974	4,751	1,590
Fees payable to trade organisation	30	10	-	-
Salaries and wages	27,465	9,558	25,446	8,368
Social security and other benefits	2,434	568	2,324	515
Employee benefits	519	140	548	245
Raw material and consumables used	327	103	438	136
Costs of maintenance and lease of buildings	2,391	800	2,312	788
Depreciation and amortisation	2,061	686	1,983	649
Taxes and other public charges	1,562	670	1,908	1,140
Other costs, including:	20,309	6,524	17,115	5,353
- fund management and distribution costs	7,296	2,763	6,909	2,162
- transaction costs other than cost of clearance through clearing houses or stock exchanges	4,268	865	1,734	554
- ICT and information services	2,737	910	2,680	828
- marketing, representation and advertising	520	228	632	192
- software purchases (for recharge)	272	-	1,354	480
- other services	5,216	1,758	3,806	1,137
Total cost of core activities	**63,092**	**21,033**	**56,825**	**18,784**

16. Income tax

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

	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017	Jan 1–Sep 30 2016	Jul 1–Sep 30 2016
Profit before tax	**3,911**	**1,339**	**1,826**	**1,144**
Tax calculated at 19% rate	**743**	**254**	**347**	**217**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	901	-	1,467	-
Tax losses for which no deferred tax assets were recognised − other	300	- 20	-	-
Tax loss carryforwards for which no deferred tax assets were recognised	-	-	-	-
Use of unrecognised tax losses	-	-	-	-
Non-deductible expenses	1,925	2,318	536	82

Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-	- 70	-
Non-taxable income	- 1,325	- 1,234	- 1,533	- 105
Tax base for current and deferred income tax	**5,712**	**2,403**	**2,226**	**1,121**
Reductions, exemptions	-	-	-	-
Income tax expense	**1,085**	**456**	**423**	**213**

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 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 more mature 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 companies.

Deferred tax

Deferred tax liabilities rose by PLN 61 thousand in the nine months ended September 30th 2017 (including a decrease of PLN 26 thousand in Q3 2017). In the same period of 2016, they dropped by PLN 123 thousand (including a decrease of PLN 171 thousand in Q3 2016). Deferred tax assets went up by PLN 354 thousand in the nine months ended September 30th 2017 (including a decrease of PLN 207 thousand in Q3 2017). In the same period of 2016, they rose by PLN 86 thousand (including an increase of PLN 32 thousand in Q3 2016).

17. Employee benefits – employee share option plans

No Company shares were acquired as part of the incentive scheme in the first nine months of 2017 or in the comparative period.

Costs of incentive schemes increase the cost of salaries and wages. No such costs were incurred in the first nine months of 2017 or in 2016.

18. Dividends paid and proposed

On May 9th 2017, the Annual General Meeting of IBC resolved to pay dividend for 2016, in a total amount of PLN 1.8m (PLN 899.55 per share). By the date of issue of these financial statements, the Company received the full amount of the dividend.

On June 27th 2017, the Annual General Meeting of the Company resolved to allocate the entire profit for 2016, of PLN 1,046 thousand, to dividend. The dividend per share was PLN 0.03. The dividend record date was set for July 7th 2017, and the dividend payment date – for July 18th 2017. On the dividend payment date, a total of PLN 898 thousand was paid out to the shareholders. The difference between the distributed amount and the PLN 1m approved by the General Meeting results from rounding off the amount of dividend per share. Pursuant to the General Meeting's resolution, the difference was allocated to the Company's reserve capital.

On June 29th 2016, the General Meeting of the Company resolved to distribute dividend of PLN 3.5m. The 2015 profit of PLN 3,493 thousand was allocated to dividend payment. The dividend per share was PLN 0.11. The dividend record date was set for July 8th 2016, and the dividend payment date – for July 27th 2016. On the dividend payment date, a total of PLN 3,293 thousand was paid out to the shareholders. The difference between the distributed amount and the PLN 3.5m approved by the General Meeting results from rounding off the amount of dividend per share. Pursuant to the General Meeting's resolution, the difference was contributed to the Company's reserve capital.

On April 29th 2016, the General Meeting of IPOPEMA TFI S.A. resolved to pay dividend of PLN 1,470 thousand for 2015, i.e. approximately PLN 0.42 per share. No dividend was paid for 2016 and the whole profit was retained at the company.

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

The Group companies did not issue any equity or debt securities in the first nine months of 2017 or in 2016.

In the periods specified above, until the date of these interim condensed financial statements, the Group companies carried out bond issues, as described in Note 14.

20. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRSs when the effect of such departure is immaterial, IPOPEMA Business Services Srl and IFA were not consolidated in these condensed consolidated financial statements.

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Business Services Srl. (in liquidation)
Total assets as at Sep 30 2017	3	53
% share in Parent's total assets	-	0.01
Revenue in Jan 1–Sep 30 2017	10	-
% share in Parent's revenue	-	-
Net assets as at Sep 30 2017	- 5	37
Net profit/(loss) in Jan 1–Sep 30 2017	- 1	- 1

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Business Services Srl.
Total assets as at Dec 31 2016	2	55
% share in Parent's total assets	-	0.02
Revenue in Jan 1–Sep 30 2016	-	263
% share in Parent's revenue	-	1.03
Net assets as at Dec 31 2016	2	40
Net profit/(loss) in Jan 1–Sep 30 2016	-	24

21. Seasonality of operations

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

22. Contingent liabilities and contingent assets

The Group had no contingent liabilities or contingent assets as at September 30th 2017 or December 31st 2016.

23. Guarantees

In January 2012, the Company received from PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) a guarantee of up to EUR 268 thousand, secured with a security deposit with a current value of PLN 1,398 thousand. Under an annex executed in 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of office space.

In March 2016, mBank S.A. issued a guarantee in respect of the Company's liabilities for the benefit of Raiffeisen Polbank S.A., which is IPOPEMA Securities S.A.'s clearing bank for transactions executed on foreign stock exchanges. The guarantee was issued for EUR 1.5m and secures timely payment of the Company's liabilities towards Raiffeisen Polbank arising in connection with the services provided by the bank, consisting in settlement and clearing of stock exchange transactions. The guarantee, expiring on March 31st 2018, is secured with a security deposit of EUR 1.5m.

24. Leases

The Group as a lessee – right to use a building

The Group companies lease office space under lease contracts. The right to use the building for the term of the contract was classified by the Company as operating lease. The contract was originally executed for a period of five years, starting from 2013, with an option to extend its term for another two years. Pursuant to an annex to the contract, executed in January 2016, the lease was extended until January 2023. Minimum lease payments are presented in the table below.

Operating lease liabilities*	Sep 30 2017	Dec 31 2016
	Present value of minimum lease payments	
Within 1 year *	2,142	2,251
Within 1 to 5 years *	8,851	8,976
Over 5 years *	556	2,796
Total operating lease liabilities	**11,549**	**14,023**

** Average annual amount during the lease term.*

The Group as a lessee – finance leases

Group companies are parties to vehicle lease agreements. The financing party has the right to recalculate its fee in the event of changes in the 1M EURIBOR/WIBOR interest rate or regulatory changes (notably tax regime changes). The agreements provide for a mileage limit for the vehicles, which will be accounted for in respect of the entire lease term. If the mileage limit agreed by the parties is exceeded, the lessee has to pay an additional excess mileage charge.

The lease contracts were classified as finance leases. Minimum lease payments are presented in the table below.

Finance lease liabilities	Sep 30 2017	Dec 31 2016
Net carrying amount	392	577
Present value of minimum lease payments	**517**	**727**
Within 1 year *	142	242
Within 1 to 5 years *	375	485
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	**144**	**226**

The Group companies did not enter into any sublease agreements.

25. Related-party transactions

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

In the first nine months of 2017 and in 2016, the Group did not conclude any material related-party transactions on a non-arm's length basis.

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

Related party	Revenue from core activities	Other income	Purchases – core activities	Other purchases	Revenue from core activities	Other income	Purchases – core activities	Other purchases
	Jan 1–Sep 30 2017				Jan 1–Sep 30 2016			
IPOPEMA Business Services Srl.	-	-	-	-	-	-	262	-
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-	-	-	-	-
Members of the Management and Supervisory	-	30	-	-	-	31	43	-
Other related parties	-	-	-	-	-	-	-	-
Total	**-**	**30**	**-**	**-**	**-**	**31**	**305**	**-**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Sep 30 2017	Dec 31 2016	Sep 30 2017	Dec 31 2016
IPOPEMA Business Services Srl.	-	-	-	-
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-
Members of the Management and Supervisory	12	13	-	-
Other related parties	7	-	1	-
Total	**19**	**13**	**1**	**-**

26. Items of the consolidated statement of cash flows

Operating activities – provision of brokerage and advisory services, fund and asset management services and securities trading in the capacity of a broker.

Investing activities – purchase and sale 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 condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows	
	Sep 30 2017	**Dec 31 2016**	**Sep 30 2017**	**Dec 31 2016**
Cash and cash equivalents	**57,236**	**42,714**	**52,222**	**42,185**
1. In hand	1	2	1	2
2. At banks	13,677	26,559	13,677	26,559
3. Other cash	43,493	15,645	38,493	15,645
4. Cash equivalents	65	508	-	-
5. Accrued foreign exchange differences	-	-	51	- 21

The difference between the presentation of cash in the statement of financial position and in the statement of cash flows as at September 30th 2017 and December 31st 2016 follows from adjusting cash for the effect of foreign exchange differences and from presenting gift cards received from a telecom operator and deposits maturing in more than three months under cash.

Cash at end of period comprises the Group's own and its clients' cash and cash equivalents – for more information on the structure of cash, see Note 12.

Differences in changes in balance-sheet items

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Sep 30 2017	**Dec 31 2016**	**Sep 30 2017**
Gross short- and long-term receivables	368,202	271,171	- 96,504
Net receivables	365,848	270,291	
Impairment losses on receivables	2,354	880	1,474
Prepayments and accrued income	1,442	1,336	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	6,956	9,595	- 2,745

The difference between change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at September 30th 2017 net of receivables under loans advanced, security deposits receivable, and receivables related to investing activities.

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Sep 30 2016	**Dec 31 2015**	**Sep 30 2016**
Gross short- and long-term receivables	373,831	180,371	- 193,453
Net receivables	373,127	179,801	
Impairment losses on receivables	704	570	134
Prepayments and accrued income	1,157	1,184	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	5,783	9,670	- 3,914
Increase/(decrease) in impairment losses and accruals and deferrals			**- 3,780**

The difference between the presentation of cash in the statement of financial position and in the statement of cash flows as at September 30th 2016 and December 31st 2015 follows from adjusting cash for the effect of foreign exchange differences and from presenting gift cards received from a telecom operator under cash.

Cash at end of period comprises the Group's own and its clients' cash and cash equivalents – for more information on the structure of cash, see Note 12.

Explanation concerning other items of the consolidated statement of cash flows

	Jan 1–Sep 30 2017	Jan 1–Sep 30 2016
Cash flow from operating activities		
Other adjustments	- 101	25
- other	- 101	25
Cash flows from investing activities		
Other cash generated by investing activities	10	190
- dividends received	10	52
- interest received	-	138

27. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of the claim is PLN 49.2 thousand. The proceedings are pending.

In May 2017, the Company filed two further suits against its customers. In each case, the amount of the claim is PLN 30 thousand. In one case, the court issued a payment order, which is not yet final. The proceedings are pending.

In July 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice (‘GPW’), in which GPW seeks payment of PLN 20.5m in connection with a financial loss incurred by GPW as a result of its investment in certificates issued by the IPOPEMA 60 FIZAN fund managed by IPOPEMA TFI. IPOPEMA TFI considers GPW’s claims to be groundless and is seeking to dismiss the action. A response to the claim has been filed with the court. Currently, IPOPEMA TFI awaits the first hearing, scheduled for February 13th 2018. For this reason, IPOPEMA TFI has not recognised any provision for potential costs related to the claim.

Apart from the above-mentioned proceedings, in Q1–Q3 2017 none of the IPOPEMA Group companies was party to any other court proceedings.

28. Material events and factors in the first nine months of 2017

Equity market and investment banking

In the first three quarters of 2017, only the Prague Stock Exchange saw investor activity decrease compared with the first three quarters of 2016 (down 7.9%), while the trading volumes in Warsaw and Budapest were higher by 35.3% and 12.0%, respectively. Over the same period, IPOPEMA strengthened its position both on the WSE, where its market share rose to 5.06% (from 4.66%), and on the BSE (in January–September 2017 its market share was 2.75%, compared with 2.18% a year earlier). As a result, in January–September 2017 the Company’s revenue from securities trading rose by 10.9% year on year, to PLN 17,948 thousand (Q1–Q3 2016: PLN 16,185 thousand).

Conditions on the capital market were equally challenging as in the first three quarters of 2016. Nevertheless, the brokerage segment’s revenue from investment banking business increased in the reporting period by 64.2% (PLN 14,948 thousand vs PLN 9,101 thousand in the same period of 2016).

In Q1–Q3 2017, the segment also delivered a significant increase in other revenue from core activities (PLN 1,272 thousand vs PLN 178 thousand a year earlier), mainly on higher revenue from the retail business.

As a result of these factors, the brokerage segment posted a profit on core activities and a net profit of PLN 3,877 thousand and PLN 576 thousand, respectively, (compared with losses of PLN 564 thousand and PLN 1,122 thousand a year earlier).

Activities of IPOPEMA TFI

A higher value of assets in actively managed funds (to PLN 1.2bn at the end of September 2017, vs PLN 1.1bn a year earlier) brought about an increase in revenue from the management of these funds. At the same time, as a result of changes in the laws regulating fund activities, introduced in 2016, revenue from fees for managing closed-end investment funds declined. As a result, IPOPEMA TFI’s total revenue for Q1–Q3 2017 fell by 4.9% (to PLN 22,808 thousand, from PLN 23,995 thousand in the first three quarters of 2016), which, with operating costs virtually unchanged (PLN 21,263 thousand vs PLN 21,299) translated into a lower net profit (PLN 1,913 thousand compared with PLN 2,369 thousand in January–September 2016).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in the first three quarters of 2017 resulted in an increase in the company’s revenue (PLN 11,981 thousand vs PLN 9,630 thousand), which, despite higher operating costs (up by 21.5%), was reflected in improved net profit (PLN 337 thousand, compared with a PLN 156 thousand posted a year earlier).

29. Events subsequent to the end of reporting period

All events relating to the reporting period are disclosed in the accounting books and the condensed consolidated financial statements for the period January 1st–September 30th 2017.

No material events occurred after the reporting date which should have been but were not disclosed in the accounting books for the reporting period.

Warsaw, November 16th 2017

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