The IPOPEMA Securities Group
IPOPEMA Securities S.A.

Interim condensed consolidated financial statements

for the nine months ended September 30th 2018

Warsaw, November 15th 2018

Contents

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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			
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from core activities	21,741	23,091	5,078	5,401	66,111	68,957	15,543	16,235
Cost of core activities	23,554	21,033	5,501	4,920	69,021	63,092	16,227	14,854
Profit/(loss) on core activities	- 1,813	2,058	- 423	481	- 2,910	5,865	- 684	1,381
Operating profit/(loss)	- 2,029	1,310	- 474	306	- 4,186	5,352	- 984	1,260
Profit/(loss) before tax	- 2,955	1,339	- 690	313	- 5,234	3,911	- 1,231	921
Net profit /(loss) from continuing operations	- 2,431	883	- 568	207	- 4,335	2,826	- 1,019	665
Net profit/(loss)	- 2,431	883	- 568	207	- 4,335	2,826	- 1,019	665
Earnings/(loss) per ordinary share (weighted average) (PLN/ EUR)								
- basic	- 0.08	0.02	- 0.02	0.01	- 0.14	0.09	- 0.03	0.02
- diluted	- 0.08	0.02	- 0.02	0.01	- 0.14	0.09	- 0.03	0.02
Net cash from operating activities	- 24,046	- 14,273	- 5,616	- 3,339	- 360	16,753	- 85	3,944
Total cash flows	- 24,943	- 12,253	- 5,826	- 2,866	- 18,346	10,037	- 4,313	2,363

Consolidated financial highlights	PLN '000			EUR '000		
	Sep 30 2018	Jun 30 2018	Dec 31 2017	Sep 30 2018	Jun 30 2018	Dec 31 2017
Total assets	333,900	397,293	361,513	78,171	91,089	86,675
Current liabilities	246,115	308,048	266,585	57,619	70,627	63,915
Equity	78,188	80,602	84,205	18,305	18,480	20,189
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)	2.61	2.69	2.81	0.61	0.62	0.67

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	1-9.2018	1-9.2017
EUR	4.2535	4.2566

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

Exchange rate as at	Sep 30 2018	Dec 31 2017	Sep 30 2017
EUR	4.2714	4.1709	4.3091

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2018

	Note	Jul 1–Sep 30 2018	Jul 1 – Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
CONTINUING OPERATIONS					
Revenue from core activities, including:	16	**66,111**	**21,741**	**68,957**	**23,091**
Revenue from brokerage activities		24,918	6,480	34,168	11,272
Revenue from investment fund and asset management		24,679	9,850	22,808	7,917
Revenue from advisory services		16,514	5,411	11,981	3,902
Cost of core activities	16	**69,021**	**23,554**	**63,092**	**21,033**
Profit/(loss) on core activities		**- 2,910**	**- 1,813**	**5,865**	**2,058**
Gain/(loss) on transactions in financial instruments held for trading		- 1,213	- 107	344	- 148
Gain/(loss) on transactions in financial instruments held to maturity		-	-	-	-
Gain/(loss) on transactions in financial instruments available for sale		-	-	561	519
Other income		677	107	893	395
Other expenses		740	216	2,311	1,514
Operating profit/(loss)		**- 4,186**	**- 2,029**	**5,352**	**1,310**
Finance income		1,401	327	583	166
Finance costs		2,449	1,253	2,024	137
Gross profit (loss)		**- 5,234**	**- 2,955**	**3,911**	**1,339**
Income tax	17	- 899	- 524	1,085	456
Net profit/(loss) on continuing operations		**- 4,335**	**- 2,431**	**2,826**	**883**
DISCONTINUED OPERATIONS		**-**	**-**	**-**	**-**
Net profit/(loss) for period		**- 4,335**	**- 2,431**	**2,826**	**883**
Attributable to:					
Owners of the parent		- 4,339	- 2,466	2,827	867
Non-controlling interests		4	35	- 1	16
Earnings/(loss) per share (PLN)		- 0.14	- 0.08	0.09	0.02
Diluted earnings/(loss) per share (PLN)		- 0.14	- 0.08	0.09	0.02
Net profit/(loss) for period		**- 4,335**	**- 2,431**	**2,826**	**883**
Other comprehensive income		**- 49**	**- 22**	**106**	**- 254**
Gains and losses on remeasurement of financial assets available for sale		- 60	- 26	131	- 314
Income tax on items of other comprehensive income		11	4	- 25	60
Comprehensive income for period		**- 4,384**	**- 2,453**	**2,932**	**629**
Attributable to:					
Owners of the parent		- 4,388	- 2,488	2,933	613
Non-controlling interests		4	35	- 1	16

Warsaw, November 15th 2018

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

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Interim condensed consolidated statement of financial position

as at September 30th 2018

ASSETS	Note	Sep 30 2018	Jun 30 2018	Dec 31 2017	Sep 30 2017
Cash and cash equivalents	13	59,229	81,266	67,482	57,236
Short-term receivables	13, 15	249,169	291,649	269,162	365,848
Current tax assets		169	169	157	81
Current prepayments and accrued income		1,135	1,377	1,474	1,305
Financial assets held for trading		8,584	5,023	3,009	7,381
Financial instruments held to maturity		-	-	-	-
Financial instruments available for sale		-	-	9,459	13,864
Financial assets held as investments		4,355	6,407	-	-
Investments in jointly controlled entities and associates		-	-	-	-
Long-term receivables		3,820	3,998	2,943	-
Long-term loans advanced		63	88	35	53
Property, plant and equipment		2,609	2,912	3,330	3,581
Investment property		-	-	-	-
Intangible assets		1,788	1,971	2,353	2,172
Deferred tax assets		2,824	2,236	1,768	1,402
Non-current prepayments and accrued income		155	197	341	137
TOTAL ASSETS		**333,900**	**397,293**	**361,513**	**453,060**

EQUITY AND LIABILITIES	Note	Sep 30 2018	Jun 30 2018	Dec 31 2017	Sep 30 2017
Current liabilities	15	246,111	308,044	266,113	360,581
Current tax liabilities		4	4	472	215
Other financial liabilities		-	-	-	-
Non-current liabilities		2,558	2,828	3,185	377
Deferred tax liabilities	17	180	177	59	110
Accruals	15	6,859	5,638	7,479	7,006
Total liabilities		**255,712**	**316,691**	**277,308**	**368,289**
Share capital	14	2,994	2,994	2,994	2,994
Other capital reserves		13,690	13,711	13,738	13,936
Retained earnings		57,781	60,208	63,154	64,330
Total equity		**74,465**	**76,913**	**79,886**	**81,260**
Non-controlling interests		**3,723**	**3,689**	**4,319**	**3,511**
Total equity		**78,188**	**80,602**	**84,205**	**84,771**
TOTAL EQUITY AND LIABILITIES		**333,900**	**397,293**	**361,513**	**453,060**

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Interim condensed consolidated statement of cash flows

for the nine months ended September 30th 2018

CASH FLOWS	Note	Jan 1–Sep 30 2018	Jul 1–Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
Cash flow from operating activities					
Profit/(loss) before tax		**- 5,234**	**- 2,955**	**3,911**	**1,339**
Total adjustments:	27	**4,874**	**- 21,091**	**12,842**	**- 15,612**
Depreciation and amortisation		1,781	551	2,061	686
Foreign exchange gains/(losses)		- 107	91	38	- 63
Interest and dividends		1,672	637	810	236
Gain/(loss) on investing activities		-	-	- 110	- 525
Increase/(decrease) in financial assets held for trading		- 5,575	- 3,561	- 7,256	- 4,670
Increase/(decrease) in receivables		16,290	39,407	- 96,504	- 105,864
Increase/(decrease) in current liabilities (net of borrowings)		- 8,658	- 59,407	115,870	95,990
Change in provisions and impairment losses on receivables		- 344	- 251	1,474	1,370
Increase/(decrease) in accruals and deferrals		- 95	1,505	- 2,745	- 2,287
Income tax paid		- 66	- 66	- 695	- 405
Other adjustments		- 24	3	- 101	- 80
Net cash from operating activities		**- 360**	**- 24,046**	**16,753**	**- 14,273**
Cash flows from investing activities					
Increase in loans advanced		- 130	-1	- 48	- 48
Decrease in loans advanced		129	28	127	24
Purchase of property, plant and equipment and intangible assets		- 397	- 64	- 715	- 255
Disposal of property, plant and equipment and intangible assets		-	-	80	80
Acquisition of financial assets held as investments		- 17,080	- 10,000	-	-
Disposal of financial assets held as investments		12,296	9,049	-	-
Proceeds from financial instruments available for sale and held to maturity		-	-	13,543	5,818
Purchase of financial instruments available for sale and held to maturity		-	-	- 15,230	- 5,000
Interest received		21	5	104	25
Profit distributions (dividends) received		7	7	10	3
Other cash generated by investing activities		-	-	-	-
Net cash from investing activities		**- 5,154**	**- 976**	**- 2,129**	**647**
Cash flows from financing activities					
Proceeds from issue of debt securities		2	-	5	-
Repayment of debt securities		- 4	- 1	- 5	- 2
Interest paid		- 881	- 339	- 855	- 202
Dividends paid to owners of the parent	19	- 1,197	-	- 898	- 898
Dividends paid to owners of the parent		-	-	- 900	-
Repayment of finance lease liabilities		- 1,097	- 360	- 144	- 42
Repayment of borrowings		- 10,436	519	- 1,790	2,517
Other proceeds – interest on finance leases		781	260	-	-
Net cash from financing activities		**- 12,832**	**79**	**- 4,587**	**1,373**
Total cash flows		**- 18,346**	**- 24,943**	**10,037**	**- 12,253**

Net increase/(decrease) in cash and cash equivalents		- 18,239	- 25,034	9,999	- 12,190
Effect of exchange rate fluctuations on cash held		107	- 91	- 38	63
Cash at beginning of period	27	67,520	74,117	42,185	64,475
Cash at end of period, including	27	**49,174**	**49,174**	**52,222**	**52,222**
*- restricted cash**		*27,127*	*27,127*	*38,150*	*38,150*

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

Warsaw, November 15th 2018

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 changes in equity

for the nine months ended September 30th 2018

	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 2018	**2,994**	**10,351**	**173**	**3,214**	**63,154**	**4,319**	**84,205**
Profit/(loss) for period	-	-	-	-	- 4,339	4	- 4,335
Other comprehensive income	-	-	- 48	-	163	-	115
Dividend paid	-	-	-	-	- 1,197	- 600	- 1,797
As at Sep 30 2018	**2,994**	**10,351**	**125**	**3,214**	**57,781**	**3,723**	**78,188**
As at Jan 1 2017	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
Profit for 2017	-	-	-	-	1,651	807	2,458
Other comprehensive income	-	-	- 92	-	-	-	- 92
Dividend paid	-	-	-	-	- 898	- 900	- 1,798
Other increase/decrease	-	-	-	-	-	2	2
As at Dec 31 2017	**2,994**	**10,351**	**173**	**3,214**	**63,154**	**4,319**	**84,205**
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**

Warsaw, November 15th 2018

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. Prózna 9, Warsaw, Poland.

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

As at September 30th 2018, 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 intermediation in securities trading on the secondary market. The Company’s partners and clients 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 also provides intermediation services in debt instruments trading outside the regulated market. The brokerage operations of IPOPEMA Securities S.A. are supported by a team of analysts, who prepare research reports, recommendations and comments on several dozen companies listed on the WSE and foreign stock exchanges.

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 coordinator, offering broker and financial adviser – M&A 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. IPOPEMA Securities S.A. also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes.

Apart from the above business, the Company also conducts activities which consist in offering brokerage services and investment products, including active investment advisory services, targeting a broader base of retail clients. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents.

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 2018, 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%

Pursuant to Art. 58.1 of the Accounting Act, IPOPEMA Financial Advisory Sp. z o.o. has not been consolidated as its effect on the Group's financial data is immaterial.

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

3.1st Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the 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 2018 and contain comparative data for the nine months ended September 30th 2017 and as at December 31st 2017.

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 Securities Group for 2017.

3.2nd 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.

3.3rd 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 for 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.

3.4th Comparability of data

There were no significant presentation changes in the nine months ended September 30th 2018. The presentation changes related to the entry into force of IFRS 9 are discussed in Note 7.

In 2017, the Parent changed the method of recognising non-deductible VAT (accounted for based on the sales structure and related to exempt activities), which is now recorded in natural expense accounts together with the cost of the underlying item (gross cost).

The table below presents the effect of the changes on the statement of profit or loss for the first six months of 2018.

	As at Sep 30 2017 (approved)	Presentation change	As at Sep 30 2017 (restated)
Cost of core activities	**63,092**	**-**	**63,092**
including:			
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	5,994	30	6,024
Employee benefits	519	30	549
Raw material and consumables used	327	27	354
Costs of maintenance and lease of buildings	2,391	249	2,640
Taxes and other public charges	1,562	- 827	735
Other costs, including:	20,309	491	20,800
- fund management and distribution costs	*7,296*	*-*	*7,296*
- transaction costs other than cost of clearance through clearing houses or stock exchanges	*4,268*	*73*	*4,341*
- ICT and information services	*2,737*	*269*	*3,006*
- marketing, entertainment and advertising	*520*	*-*	*520*
- software purchases (for recharge)	*272*	*-*	*272*
- other services	*5,216*	*149*	*5,365*

4. Changes in applied accounting policies

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the Company's consolidated financial statements for the year ended December 31st 2017, issued on March 27th 2018, save for modifications related to the introduction of new standards, as described in Note 6. The consolidated financial statements for 2017 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 assets

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

- financial assets measured at amortised cost,
- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income.

Financial assets are so classified on initial recognition, depending on the Group's business model for managing financial assets and the nature of contractual cash flows from these instruments.

Financial assets measured at amortised cost

A financial asset is classified into 'Financial assets measured at amortised cost' if both of the following conditions are met:

- it is managed in accordance with the business model the objective of which is to hold financial assets to collect their contractual cash flows,

- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost, excluding trade receivables, are initially recognised at fair value plus directly attributable transaction costs. Trade receivables without a significant financing component (determined in accordance with IFRS 15) are initially measured at the transaction price (as defined in IFRS 15). As the name of the category suggests, the assets are subsequently measured at amortised cost with the use of the effective interest rate method, less impairment losses, if any.

Interest on financial assets classified as 'Financial assets measured at amortised cost', accrued using the effective interest rate method, is recognised under finance income in profit or loss for the period.

Financial assets measured at amortised cost include:

- cash and cash equivalents
- trade receivables
- other receivables and
- other financial assets measured at amortised cost.

Financial assets measured at fair value through other comprehensive income.

A financial asset is classified into 'Financial assets measured at fair value through other comprehensive income' if both of the following conditions are met:

- it is managed in accordance with the business model the objective of which is to both collect the contractual cash flows and sell the financial asset,

- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income include in particular shares in non-consolidated entities. They are disclosed under non-current assets unless the Group intends to sell them within 12 months of the reporting date. Other assets classified into that category include investment certificates and investment fund units acquired to invest surplus cash.

Financial assets measured at fair value through other comprehensive income are disclosed as at the transaction date at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value, and any changes in the fair value (other than impairment losses and foreign exchange gains and losses) are recognised in other comprehensive income and presented in equity as revaluation reserve. When an investment is derecognised, the gain or loss accumulated in revaluation reserve is reclassified to retained earnings as a reclassification adjustment.

Dividends under equity instruments classified as 'Financial assets measured at fair value through other comprehensive income' are recognised in profit or loss for the period under income from financial assets held as investments, at the time of a Group company's acquiring the right to payment.

The fair value of equity instruments traded on an active market is based on their current purchase price. If there is no active market for a given financial asset or unlisted securities, the Group determines their fair value using valuation techniques. These include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, and analysis of discounted cash flows, making maximum use of market inputs; in certain cases, the acquisition price may be the best estimate.

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

- 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 assets and liabilities held for trading

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 the exception of derivatives in the form of financial guarantee contracts or designated and effective hedges).

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

Financial assets held for trading by the Group 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.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings and finance lease liabilities, 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 revised based on expected losses. As of January 1st 2018, a loss allowance for expected credit losses will be recognised on initial recognition of receivables.

As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the loss allowance measured at an amount equal to lifetime expected credit losses.

The loss allowance ratio varies from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year.

No loss allowances were recognised on cash and security deposits at banks, receivables from stock-exchange transactions, deposits held at clearing houses and receivables under public charges, as they are considered safe and because an analysis of historical data identified no credit losses on these categories of receivables in the past.

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

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

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

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 of assets

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 and those with indefinite useful lives are tested on an annual basis, regardless of whether there is any 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" above.

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 2018

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2018:

- 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 provides guidance for classification and measurement of financial assets and liabilities, introducing three categories for debt instruments: at amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss. Revisions were made to the methodologies for measurement of equity instruments – by limiting the applicability of measurement at historical cost, impairment – by introducing a new impairment recognition model (the recognition of expected credit losses over the lifetime of a given instrument rather than over the next 12 months) 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. Under IFRS 15, revenue is recognised in the amount equal to the transaction price determined as consideration for transferring promised goods or services to a customer when control over the goods or services is transferred to the customer. Revenue from contracts with customers is recognised at a point in time or over time, based on the measured progress towards complete satisfaction of a performance obligation.
- 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 a 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; The amendments contain guidance with regard to: (i) fair value measurement of liabilities under cash-settled share-based transactions; (ii) reclassification from cash-settled share-based transactions to equity-settled share-based transactions, (iii) recognition of an employee's tax liability under share-based transactions.
- 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; The amendments to IFRS 4 address issues arising from implementation of IFRS 9. The released amendments to IFRS 4 complement the range of existing options and seek to prevent temporary volatility in earnings of the insurance sector entities caused by the adoption of IFRS 9.
- 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; Amendments to IAS 40 clarify the requirements for transfers to and from investment property. They clarify that a change in the management's intentions for the use of investment property does not by itself provide evidence of a change in use. The amended standard should apply to all changes in use introduced after its effective date and to all investment property held as at its effective date.
- 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. The interpretation clarifies the time of establishing the transaction date to determine the exchange rate for currency translation at initial recognition of an asset, cost or income item if the

entity recognises advance consideration paid or received in a foreign currency. It applies if a transaction is denominated in a foreign currency and the entity recognises advance consideration paid or received in a foreign currency before the recognition of the related asset, cost or income item.

- Amendments to various standards made as part of an annual IFRS improvement cycle (IFRS Annual Improvements cycle 2014−2016) – In December 2016, the International Accounting Standards Board issued Annual Improvements to IFRS Standards 2014−2016 Cycle, containing amendments to three standards: IFRS 12 *Disclosure of Interest in Other Entities*, IFRS 1 *First-time Adoption of IFRS*, and IAS 28 *Investments in Associates and Joint Ventures.* The improvements contain clarifications and changes to the scope of the standards, recognition and measurement, as well as terminological and editorial changes.

The Group did not opt for early adoption of other standards and interpretations which have been issued but are not yet effective. For the effect of the implementation of the new standards, see Note 7.

7. Presentation changes due to implementation of new standards

Applying IFRS 9

IFRS 9 *Financial Instruments* is effective for annual periods beginning after January 1st 2018. The Group has applied IFRS 9 as of its effective date, without restating comparative data (under the exemption provided for in paragraph 7.2.15 of IFRS 9).

IFRS 9 introduces changes in the classification of financial assets, replacing the categories used until December 31st 2017:

- 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,

with the following categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income.

Financial assets are classified on initial recognition, depending on an entity's business model for managing financial assets and the nature of contractual cash flows from these instruments.

Financial assets held by the Group:

- Shares in non-consolidated subsidiaries (PLN 4 thousand as at September 30th 2018 and December 31st 2017), which were previously presented as financial instruments available for sale and as of January 1st 2018 have been presented as financial assets held as investments at fair value through other comprehensive income. Shares whose fair value cannot be determined reliably were previously measured at cost less impairment losses; in accordance with the new standard, such assets will be measured at fair value (in some cases, cost may be the best estimate of their fair value).
- Investment certificates and investment fund units (PLN 4,341 thousand as at September 30th 2018 against PLN 8,393 thousand as at December 31st 2017), which were previously presented as financial instruments available for sale, and as of January 1st 2018 have been presented as financial assets held as investments at fair value through other comprehensive income.

There were no differences in the carrying amounts of financial assets and liabilities resulting from the application of IFRS 9.

Expected credit losses

IFRS 9 introduces a change in the measurement of impairment of financial assets. In accordance with the new standard, an entity is required to recognise and measure impairment based on expected losses rather than incurred losses. Accordingly, as of January 1st 2018, a loss allowance for expected credit losses will be recognised on initial recognition of receivables. As a consequence, entities will not wait until receivables are past due before recognising impairment.

As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the loss allowance measured at an amount equal to lifetime expected credit losses.

The Group conducted a portfolio analysis for trade receivables (other than receivables assessed separately) and applies a simplified provision matrix in the individual age categories based on lifetime expected credit losses. The loss allowance ratio varies from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year.

No loss allowances were recognised on cash and security deposits at banks, receivables from stock-exchange transactions, deposits held at clearing houses and receivables under public charges, as they are considered safe and because an analysis of historical data identified no credit losses on these categories of receivables in the past.

Applying IFRS 15

Under IFRS 15 *Revenue from Contracts with Customers*, revenue is recognised in the amount equal to the transaction price determined as consideration for transferring promised goods or services to a customer when control over the goods or services is transferred to the customer. Revenue from contracts with customers is recognised at a point in time or over time, based on the measured progress towards complete satisfaction of a performance obligation.

The Group provides financial instruments intermediary services, services involving the offering of financial instruments, as well as fund management and general consultancy services. The impact of the new standard has been assessed by analysing the existing contracts. The Group used a practical expedient available under the standard, which provides that the standard may be applied retrospectively only to contracts that are not completed contracts at the date of initial application.

As a result of the analysis, no differences were found in the identification and measurement of revenue generated by the Group.

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

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

- IFRS 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on January 1st 2019. IFRS 16 introduces a new definition of a lease based on the concept of control over assets. All lease transactions give rise to the lessee's obligation to recognise assets and liabilities from all lease contracts that meet the criteria stipulated by the standard (with a few exceptions and simplifications). Leases of office space, vehicles and other assets will be reflected in the lessee's assets and liabilities measured at the discounted expected cash flows from the contract.
- Amendments to IAS 28 *Long-Term Interests in Associates and Joint Ventures* – published on October 12th 2017; the amendments clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1st 2019;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The effective date of the amended regulations has not been set by the International Accounting Standards Board.
- IFRS 17 Insurance Contracts – published on May 18th 2017, effective for annual periods beginning on or after January 1st 2021; The main objective of IFRS 17 is to ensure transparency and comparability of the insurers' financial statements. To this end, an entity will disclose quantitative and qualitative information to enable users of its financial statements to assess the impact of insurance contracts on the entity's financial position, financial performance and cash flows. IFRS 17 introduces a number of material amendments to the existing IFRS 4 requirements.
- Interpretation IFRIC 23 Uncertainty over Income Tax Treatments – published on June 7th 2017, effective for annual periods beginning on or after January 1st 2019. The interpretation clarifies how to apply the recognition and measurement requirements stipulated in IAS 12 *Income Taxes* in the case of uncertainty over income tax treatments. An uncertain tax treatment is applied if it is not probable that a tax authority will accept a particular tax treatment. In particular, IFRIC 23 defines – if there is uncertainty over income tax treatments – whether and when an entity should consider uncertain tax treatments separately; the assumptions made by the entity about the examination of tax treatments by taxation authorities; how the entity determines taxable profit (tax loss), tax bases, unused tax losses and tax rates; and how the entity considers changes in facts and circumstances. In accordance with the interpretation, the effects of

uncertainty should be measured based on the approach which best predicts how the uncertainty will be resolved: either the most likely amount method or the expected value method;

- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement – published on February 7th 2018, effective for annual periods beginning on or after January 1st 2019. The amendments relate to remeasurements of defined benefits plans on a plan amendment, requiring entities to use updated assumptions for the calculation of current service cost and interest for post-amendment periods if the net defined benefit liability (asset) is remeasured. Previously, IAS 19 failed to provide clear guidance on that specific issue.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation – published on October 12th 2017, effective for annual periods beginning on or after January 1st 2019. Amendments to IFRS 9 introduce guidance regarding contracts with prepayment features in which the lender may be forced to accept a prepayment amount that is substantially less than unpaid amounts of principal and interest.

  Such prepayment could constitute a payment to the borrower by the lender and not a compensation from the borrower to the lender. The relevant financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income (depending on the company's business model), and the negative compensation must represent reasonable compensation for early repayment under the contract.
- Amendments to various standards introduced as part of "Annual Improvements to IFRS Standards 2015–2017 Cycle". As part of the annual IFRS improvement cycle, minor amendments to the following standards were made on December 12th 2017: IFRS 3 Business Combinations – clarifying that when an entity obtains control of a joint operation, it remeasures previously held interests in that joint operation; IFRS 11 Joint Arrangements – clarifying that when an entity obtains joint control of a joint operation, the entity does not remeasure previously held interests in that joint operation; IAS 12 Income Taxes – clarifying that all tax consequences of dividends are recognised in the same way; IAS 23 Borrowing Costs – clarifying that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

The Group will apply the amended provisions of the standards as of January 1st 2019, unless a different effective date is provided. When first adopted, the amended standards (except for IFRS 16, the effect of which on the Group's financial data is currently under assessment) 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.

9. Changes in estimates

In the first nine months of 2018, there were no changes to estimates other than changes in accruals and deferred income, depreciation/amortisation and impairment losses on receivables, discussed in Note 15.

10. 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 used to determine the carrying amounts:

Currency	Sep 30 2018	Dec 31 2017	Sep 30 2017
USD	3.6754	3.4813	3.6519
EUR	4.2714	4.1709	4.3091
100 HUF	1.3191	1.3449	1.3846
RON	0.9157	0.8953	0.9368

GBP	4.8055	4.7001	4.8842
CZK	0.1664	0.1632	0.1655
CHF	3.7638	3.5672	3.7619
TRY	0.6134	0.9235	1.0269
100 JPY	3.2403	3.0913	3.2439
NOK	0.4503	0.4239	0.4594
CAD	2.8257	2.7765	2.9383
SEK	0.4149	0.4243	0.4492
DKK	0.5728	0.5602	0.5790
AUD	2.6551	2.7199	2.8625

Source: National Bank of Poland.

11. 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. 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 2018	Jan 1–Sep 30 2017
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	- 0.14	0.09
- diluted	- 0.14	0.09

12. IOperating 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, distribution of investment products, investment advisory services addressed to a broad range of retail investors, and (ii) IFA SK, i.e. advisory services related to corporate financial restructuring and finance raising for infrastructure projects.
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 Sep 30 2018 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment’s total revenue	25,513	24,679	17,194	67,386
Intersegment sales	- 242	-	-	- 242
Consolidation eliminations	- 353	-	- 680	- 1,033
Sales to external clients	**24,918**	**24,679**	**16,514**	**66,111**
Segment’s costs				
Segment’s total costs	- 27,433	- 26,274	- 16,793	- 70,500
Segment’s costs – intersegment purchases	-	243	-	243
Consolidation eliminations	353	-	883	1,236
Segment’s costs – purchases from external suppliers	**- 27,080**	**- 26,031**	**- 15,910**	**- 69,021**
Segment’s profit/(loss) on core activities	**- 2,162**	**- 1,352**	**604**	**- 2,910**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	- 2,162	- 1,352	604	- 2,910
Interest income	176	162	184	522
Interest expense	- 951	- 13	- 134	- 1,098
Other net finance income/ expenses	- 1,119	186	52	- 881
Other income/ expenses	132	- 103	- 92	- 63
Consolidation eliminations	- 592	- 212	-	- 804
Profit before tax and non-controlling interests	**- 4,516**	**- 1,332**	**614**	**- 5,234**
Income tax	- 784	- 195	87	- 892
Consolidation eliminations	-	- 41	34	- 7
Total corporate income tax	**- 784**	**- 236**	**121**	**- 899**
Net profit for period	**- 3,732**	**- 1,096**	**493**	**- 4,335**
Assets and liabilities as at Sep 30 2018				
Segment’s assets	291,782	27,927	14,191	333,900
Unallocated assets	-	-	-	-
Total assets	**291,782**	**27,927**	**14,191**	**333,900**
Segment’s liabilities	241,050	1,870	5,933	248,853
Accruals and deferred income	2,383	4,422	54	6,859
Segment’s net profit/(loss)	- 3,732	- 1,096	493	- 4,335
Equity (excluding net profit/(loss) for current period)	50,877	23,906	4,020	78,803
Non-controlling interests (excluding net profit/(loss) for current period)	- 24	-	3,744	3,720
Total equity and liabilities	**290,554**	**29,102**	**14,244**	**333,900**

Operating segments	9 months ended Sep 30 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 Dec 31 2017				
Segment's assets	313,272	29,188	19,053	361,513
Unallocated assets	-	-	-	-
Total assets	**313,272**	**29,188**	**19,053**	**361,513**
Segment's liabilities	256,910	2,904	10,015	269,829
Accruals and deferred income	3,547	3,197	735	7,479
Segment's net profit/(loss)	142	1,092	1,224	2,458
Equity (excluding net profit/(loss) for current period)	51,868	22,737	3,630	78,235
Non-controlling interests (excluding net profit/(loss) for current period)	2	-	3,510	3,512
Total equity and liabilities	**312,469**	**29,930**	**19,114**	**361,513**

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

Cash and cash equivalents

Cash and other assets	Sep 30 2018	Dec 31 2017
Cash and other assets of the Group		
a) at banks and in hand	15,636	24,557
b) other cash	33,548	42,866
c) cash equivalents	10,045	59
Total	**59,229**	**67,482**
Cash and other assets		
a) the Group's own cash and other assets	32,102	27,704
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	27,127	39,778
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**59,229**	**67,482**

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 27,127 thousand as at September 30th 2018 and PLN 39,778 thousand as at December 31st 2017, is also disclosed as other cash.

Receivables

Short-term receivables	Sep 30 2018	Dec 31 2017
From clients / trade receivables	79,496	102,824
- under transactions executed on the Warsaw Stock Exchange	61,361	63,584
- under transactions executed on the Budapest Stock Exchange	7,091	12,898
- under transactions executed on the Prague Stock Exchange	-	6,547
- under transactions executed on the Istanbul Stock Exchange	-	1,097
- under transactions executed on the London Stock Exchange	171	-
- under transactions executed on the New York Stock Exchange	95	1,295
- under transactions executed on the Frankfurt Stock Exchange	539	375
- other	10,239	17,028
From related entities	7	7
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	130,401	118,139
- under transactions executed on the Warsaw Stock Exchange*	63,436	73,764
- under transactions executed on the Budapest Stock Exchange	-	1,604
- under transactions executed on the Prague Stock Exchange	448	879
- under transactions executed on the London Stock Exchange	1,370	4,132
- under transactions executed on the New York Stock Exchange	1,033	1,449
- under transactions executed on the Frankfurt Stock Exchange	199	426
- under transactions executed on the Zurich Stock Exchange	70	-
- under transactions executed on the Paris Stock Exchange	26,984	-
- other	36,861	35,885
From the Central Securities Depository of Poland and exchange clearing houses	28,485	43,508
- from the settlement guarantee fund	28,485	43,508
- other	-	-

From investment and pension fund companies and from investment and pension funds	5,674	3,312
Taxes, subsidies and social security receivable	600	110
From issuers of securities or selling shareholders	342	-
Under framework securities lending and short sale agreements	516	-
Other	3,648	1,262
Total short-term receivables	**249,169**	**269,162**

** 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 transactions 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 transactions have been executed. In the case of sell transactions 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 transactions have been executed.

Financial assets

Following the adoption of IFRS 9, in the first nine months of 2018 and in the comparative period the policies for measurement of financial assets at fair value and classification of financial assets changed, as described in Note 7.

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

In the first nine months of 2018 and in 2017, the Group companies did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did they reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 15).

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

In the first nine months of 2018, the Group purchased property, plant and equipment and intangible assets for PLN 397 thousand (the first nine months of 2016: PLN 715 thousand).

Material purchase or sale transactions in property, plant and equipment

In the first nine months of 2018 and in 2017, 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.

14. Notes to the interim condensed consolidated statement of financial position – equity

Share capital

As at September 30th 2018, the Group's share capital was PLN 2,993,783.60 (no change on December 31st 2017).

The share capital comprised 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.

15. 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 2018	Jan 1–Sep 30 2017	2017
As at beginning of reporting period	**7,479**	**9,673**	**9,673**
Recognised in period	11,634	9,695	14,078
Used	12,254	12,020	16,269
Reversed	-	342	3
As at end of reporting period	**6,859**	**7,006**	**7,479**

Impairment losses on receivables

In the nine months ended September 30th 2018, impairment losses on receivables fell by PLN 344 thousand (including a decrease of PLN 251 thousand in Q3 2018). 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).

Liabilities (current)

Current liabilities	Sep 30 2018	Dec 31 2017
To clients	132,839	142,118
To related entities	1	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	87,385	91,401
- to the Warsaw Stock Exchange *	79,482	68,858
- to the Budapest Stock Exchange	7,074	12,889
- to the Prague Stock Exchange	-	6,543
- to the London Stock Exchange	171	-
- to the Istanbul Stock Exchange	-	1,096
- to the New York Stock Exchange	95	1,293
- to the Frankfurt Stock Exchange	538	374
- other	25	348
To entities operating regulated markets and commodity exchanges	329	505
- to the Warsaw Stock Exchange	329	397
- to the Budapest Stock Exchange	-	41
- to the Vienna Stock Exchange	-	67
To the Central Securities Depository of Poland and exchange clearing houses	1,235	129
Borrowings	16,911	27,351
- from related entities	-	-
- other	16,911	27,351
Debt securities	3	5
Negative fair value of financial instruments held for trading	-	-
Taxes, customs duties and social security payable	875	1,512
To investment and pension fund companies and to investment and pension funds	596	893
Other	5,937	2,199
a) dividends payable	-	-
b) other	5,937	2,199
- lease liabilities	998	1,158
- other liabilities	4,939	1,041
Total current liabilities	**246,111**	**266,113**

** 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).*

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

Interest-bearing borrowings

Current liabilities	Sep 30 2018	Dec 31 2017
Bank borrowing	16,911	27,351
- outstanding amount	16,911	27,351
Current liabilities	**16,911**	**27,351**

As at September 30th 2018, the Company's liabilities under borrowings related to its brokerage business amounted to PLN 16,911 thousand (December 31st 2017: PLN 27,351 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 16th 2019:
   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 for clearance 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. Current account overdraft facility of HUF 409m from Raiffeisen Bank Zrt, used to settle stock-exchange transactions on the Budapest Stock Exchange in connection with brokerage activities. The facility was secured with a security deposit of HUF 409m. Following a change in the model of operating on the Hungarian market, the facility agreement was terminated in July 2018.

Bonds

In the first nine months of 2018, the Group companies issued 12 registered bonds with a total nominal amount of PLN 2.4 thousand, maturing in 2018–2020 (depending on the series). 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). 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 bonds were issued in connection with the variable remuneration components policy, implemented by the Group as part of its risk management system, in compliance with the applicable regulations.

By the date of these financial statements, the Group redeemed PLN 5.2 thousand worth of bonds (including PLN 0.8 thousand worth of bonds redeemed in Q3 2018), compared with PLN 5.2 thousand redeemed in the first nine months of 2017.

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.

16. Notes to the interim condensed consolidated statement of comprehensive income

Revenue from core activities

Revenue from core activities	Jan 1–Sep 30 2018	Jul 1–Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
Revenue from trading in securities	17,079	4,935	17,948	5,859
Revenue from investment banking services	5,881	1,281	14,948	5,358
Revenue from management of investment funds and clients' assets	24,679	9,850	22,808	7,917
Revenue from consultancy services	16,514	5,411	11,981	3,902
Other revenue from core activities	1,958	264	1,272	55
Total revenue from core activities	**66,111**	**21,741**	**68,957**	**23,091**

Operating expenses

Cost of core activities	Jan 1–Sep 30 2018	Jul 1–Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	4,447	1,309	6,024	1,981
Fees payable to trade organisation	34	11	30	10
Salaries and wages	28,972	9,838	27,465	9,558
Social security and other benefits	2,532	608	2,434	568
Employee benefits	542	145	549	170
Raw material and consumables used	366	126	354	111
Costs of maintenance and lease of buildings	2,579	869	2,640	873
Depreciation and amortisation	1,781	551	2,061	686
Taxes and other public charges	1,597	1,355	735	405
Other costs, including:	26,171	8,742	20,800	6,671
- fund management and distribution costs	10,195	4,479	7,296	2,763
- transaction costs other than cost of clearance through clearing houses or stock exchanges	3,732	538	4,341	891
- ICT and information services	3,031	1,035	3,006	990
- marketing, representation and advertising	1,137	204	520	228
- software purchases (for recharge)	1,020	-	272	-
- other services	7,056	2,486	5,365	1,799
Total cost of core activities	**69,021**	**23,554**	**63,092**	**21,033**

17. 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 2018	Jul 1–Sep 30 2018	Jan 1–Sep 30 2017	Jul 1–Sep 30 2017
Profit before tax	**- 5,234**	**- 2,955**	**3,911**	**1,339**
Tax calculated at 19% rate	**- 994**	**- 561**	**743**	**254**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	373	85	901	-
Tax losses for which no deferred tax assets were recognised − other	29	- 35	300	- 20
Tax loss carryforwards for which no deferred tax assets were recognised	-	-	-	-

Use of unrecognised tax losses	-	-	-	-
Non-deductible expenses	422	736	1,925	2,318
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-		-	-
Non-taxable income	- 315	- 586	- 1,325	- 1,234
Tax base for current and deferred income tax	**- 4,725**	**- 2,755**	**5,712**	**2,403**
Reductions, exemptions	-	-	-	-
Income tax expense	**- 899**	**- 524**	**1,085**	**456**

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 121 thousand in the nine months ended September 30th 2018 (including an increase of PLN 3 thousand in Q3 2018). In the same period of 2017, they grew by PLN 61 thousand (including a decrease of PLN 26 thousand in Q3 2017). Deferred tax assets went up by PLN 1,056 thousand in the nine months ended September 30th 2018 (including an increase of PLN 588 thousand in Q3 2018). In the same period of 2017, they fell by PLN 354 thousand (including a decrease of PLN 207 thousand in Q3 2017).

18. Employee benefits – employee share option plans

No shares were subscribed for in the first nine months of 2018 or in the comparative period. During the term of the scheme, a total of 1,880,952 Series C shares were subscribed for. Following the end of the subscription period for Series C shares, as defined in the Company's Articles of Association, on November 30th 2017 the scheme expired.

19. Dividends paid and proposed

On June 6th 2018, the General Meeting of the Company resolved to distribute dividend of PLN 1,263 thousand. The 2017 profit of PLN 1,263 thousand was allocated to dividend payment. The dividend per share was PLN 0.04. The dividend record date was set for June 15th 2018, and the dividend payment date – for June 27th 2018. On the dividend payment date, a total of PLN 1,197 thousand was paid out to the shareholders. The difference (PLN 66 thousand) between the distributed amount and the PLN 1,263 thousand approved by the General Meeting resulted 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 2018, the Annual General Meeting of IBC resolved to allocate a part of the 2017 profit, of PLN 1.2m, to dividend payment (i.e. PLN 599.70 per share). The dividend had not been paid by the date of issue of these interim condensed financial statements.

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). The full amount of the dividend was paid out.

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 amount 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.

20. 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 2018 or in 2017.

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 15.

21. 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, IFA has not been consolidated in these condensed consolidated financial statements.

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.
Total assets as at Sep 30 2018	3
% share in Parent's total assets	-
Revenue in Jan 1–Sep 30 2018	11
% share in Parent's revenue	-
Net assets as at Sep 30 2018	- 5
Net profit/(loss) in Jan 1–Sep 30 2018	-

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.
Total assets as at Dec 31 2017	3
% share in Parent's total assets	-
Revenue in Jan 1–Sep 30 2017	10
% share in Parent's revenue	-
Net assets as at Dec 31 2017	-5
Net profit/(loss) in Jan 1–Sep 30 2017	-1

22. 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.

23. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (for a detailed description see Note 15). The Company also paid a security deposit to secure a guarantee (see Note 24) and a security deposit of EUR 1.5m as security for cleared stock-exchange transactions.

24. 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 1,416 thousand. Under an annex executed in 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 16th 2023, 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 secured 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 April 30th 2018, was secured with a security deposit of EUR 1.5m. The agreement expired on April 3rd 2018.

25. 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.

Operating lease liabilities*	**Sep 30 2018**	**Dec 31 2017**
	Present value of minimum lease payments	
Within 1 year *	2,166	2,055
Within 1 to 5 years *	7,130	8,219
Over 5 years *	-	87
Total operating lease liabilities	**9,296**	**10,361**
	9 months 2018	**9 months 2017**
Cost of operating leases recognised in the period	2,038	1,949

** 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.

In 2017, a Group company concluded a 60-month lease agreement for IT equipment, to support hosting services provided to the company's trading partner. As per the agreement, the company will have the option to extend the lease or purchase the equipment after the lease term expires. Subject to the consent of the equipment supplier, the company may assign the rights and obligations of the agreement to a third party, and 18 months after the start of the lease the company may terminate the lease without the supplier's consent, provided that the equipment is purchased for a price equivalent to the sum of remaining lease payments. The same terms are set forth in the hosting agreement concluded with the company's trading partner.

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

Finance lease liabilities	**Sep 30 2018**	**Dec 31 2017**
Net carrying amount	3,427	4,200
Present value of minimum lease payments	**3,554**	**4,342**
Within 1 year *	998	1,158
Within 1 to 5 years *	2,556	3,184
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	**1,097**	**329**

Finance lease liabilities	**Sep 30 2018**	**Dec 31 2017**
Net carrying amount	3,115	3,618

Present value of minimum lease payments	**3,115**	**3,618**
Within 1 year	712	675
Within 1 to 5 years	2,403	2,943
Over 5 years	-	-
Contingent lease payments recognised as income in the period	**680**	**605**

26. 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 2018 and in 2017, 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 2018				Jan 1–Sep 30 2017			
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-	-	-	-	-
Members of the Management and Supervisory	-	-	1	-	-	30	-	-
Other related parties	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1**	**-**	**-**	**30**	**-**	**-**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Sep 30 2018	Dec 31 2017	Sep 30 2018	Dec 31 2017
IPOPEMA Financial Advisory Sp. z o.o.	7	7	-	-
Members of the Management and Supervisory Boards	-	-	-	-
Other related parties	-	-	-	-
Total	**7**	**7**	**-**	**-**

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are charged directly to the funds. Members of the Management and Supervisory Boards used fund management services both in the first nine months of 2018 and in 2017. Two funds in which some members of the Company's Management Board or their related persons are investors were exempted from administration fees.

27. 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 2018	**Dec 31 2017**	**Sep 30 2018**	**Dec 31 2017**
Cash and cash equivalents	**59,229**	**67,482**	**49,174**	**67,520**
1. In hand	2	2	2	2
2. At banks	15,634	24,555	15,634	24,555
3. Other cash	33,548	42,866	33,548	42,866
4. Cash equivalents	10,045	59	-	-
5. Accrued foreign exchange differences	-	-	10	97

The difference between the presentation of cash in the balance sheet and the statement of cash flows as at September 30th 2018 and December 31st 2017 follows from presentation of cash net of deposits maturing in more than three months, foreign exchange differences, and gift cards received from a telecom operator presented under cash and cash equivalents.

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 13.

Differences in changes of balance-sheet items

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Sep 30 2018	**Dec 31 2017**	**Sep 30 2018**
Gross short- and long-term receivables	254,889	274,349	16,393
Net receivables	252,989	272,105	
Impairment losses on receivables	1,900	2,244	- 344
Prepayments and accrued income	1,290	1,815	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	6,859	7,479	- 95

The difference between the 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 2018 net of receivables under loans advanced and receivables related to investing and financing activities.

	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.

28. Material court and administrative proceedings

On July 27th 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 sought payment of PLN 20,554,900.90m for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI has not recognised any provision for potential costs related to the claim. IPOPEMA TFI considers GPW's claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. One hearing had been held (on February 13th 2018) by the date of these interim consolidated financial statements. During the hearing, IPOPEMA TFI's attorney requested the court to admit further evidence which, as was the case with the request to admit evidence submitted in the response to the statement of claim, has not yet been considered. However, it cannot be ruled out that the final judgment may be unfavourable for IPOPEMA TFI, but given the early stage of the proceedings and the complexity of factual and legal circumstances, the outcome of the proceedings cannot yet be determined.

29. Material events and factors in the first nine months of 2018

Equity market and investment banking

In Q1–Q3 2018, the total value of trades executed on the Warsaw Stock Exchange was 14.4% lower than a year earlier. Over the same period, the Company's market share contracted as well, to 4.56% from 5.06%, leading to a 4.8% decline in revenue from securities trading (PLN 17,079 thousand vs PLN 17,948 thousand a year earlier).

Conditions on the capital market were definitely more challenging than in the first nine months of 2017. Despite several transactions, the segment's revenue from investment banking services was significantly lower than for the first nine months of 2017 (PLN 5,881 thousand vs PLN 14,948 thousand). On the other hand, in Q1–Q3 2018, the Company recorded an increase in other revenue from core activities (PLN 1,958 thousand vs PLN 1,272 thousand a year earlier), driven mainly by higher revenue from the retail business.

As a result of these factors, despite lower operating expenses the brokerage segment posted a loss on core activities amounting to PLN 2,162 thousand and net loss of PLN 3,732 thousand (vs profit on core activities of PLN 3,877 thousand and net profit of PLN 576 thousand, respectively, in the first nine months of 2017).

Activities of IPOPEMA TFI

An increase in the value of assets in capital market funds (to PLN 1.4bn at the end of September 2018, compared with
PLN 1.2bn 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 governing fund activities, introduced in 2016, revenue from fees for managing closed-end investment funds declined. In the end, despite the 8.2% higher total revenue posted by IPOPEMA TFI, the 22.4% increase in operating expenses translated into the segment's net loss of PLN 1,096 thousand (compared with a net profit of PLN 1,913 thousand the year before).

IPOPEMA Business Consulting

A higher number of advisory projects carried out by IPOPEMA Business Consulting in the first nine months of 2018 resulted in a significant increase in revenue (by 37.8%) which, despite higher operating expenses (up by 37.9%), was reflected in improved net profit (PLN 493 thousand vs PLN 337 thousand posted a year earlier).

30. 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 2018.

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 15th 2018

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