The
IPOPEMA Securities Group

Interim condensed consolidated financial statements

For the six months ended June 30th 2017

Warsaw, August 24th 2017

Contents

Financial highlights 4
Interim condensed consolidated statement of comprehensive income 5
Interim condensed consolidated statement of financial position 6
Interim condensed consolidated statement of cash flows 7
Interim condensed consolidated statement of changes in equity 9
Notes 10
1. IPOPEMA Securities Group 10
2. Composition of the Group 11
3. Basis of preparation of the interim condensed consolidated financial statements 12
3.1. Statement of compliance 12
3.2 Measurement currency and reporting currency 12
3.3. Going concern assumption 12
3.4. Comparability of data 12
4. Changes in applied accounting policies 12
5. Selected accounting policies 12
6. Accounting policies introduced in the first half of 2017 16
7. New standards and interpretations which have been issued but are not yet effective 16
8. Changes in estimates 17
9. Earnings per share 18
10. Operating segments 18
11. Notes to the interim condensed consolidated statement of financial position – assets 21
12. Notes to the interim condensed consolidated statement of financial position – equity 22
13. Notes to the interim condensed statement of financial position – liabilities and accruals and deferred income 23
14. Notes to the interim condensed consolidated statement of comprehensive income 25
15. Income tax 25
16. Employee benefits – employee share option plans 26
17. Dividends paid and proposed 26
18. Exclusions from consolidation 26
19. Seasonality of operations 27
20. Contingent liabilities and contingent assets 27
21. Guarantees 27
22. Leases 27
23. Related-party transactions 28
24. Items of the consolidated statement of cash flows 29
25. Pending court or administrative proceedings 30
26. Material events and factors in the first half of 2017 30
27. Events subsequent to the end of reporting period 31

STATEMENT OF COMPLIANCE

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

- To the best of our knowledge, the half-year condensed consolidated financial statements as at June 30th 2017 and the comparative data were prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial condition and results of the IPOPEMA Securities Group;
- BDO Sp. z o.o., registered office at ul. Postępu 12, Warsaw, a qualified auditor of financial statements, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (NCSA) under Reg. No. 3355, which reviewed the half-year condensed consolidated financial statements, was appointed in compliance with applicable laws. BDO Sp. z o.o and the auditor who audited the half-year condensed consolidated financial statements of IPOPEMA Securities S.A. as at June 30th 2017 meet the criteria for issuing an objective and independent auditor's opinion on the half-year financial statements and an objective and independent auditor's report on review of the interim condensed consolidated financial statements, in accordance with the applicable laws and professional standards; The Directors' Report for the first half of 2017 gives a true picture of the Group's development, achievements and position; it also includes a description of key risks and threats.

Warsaw, August 24th 2017

Management Board of IPOPEMA Securities S.A.:

________________	________________	________________	________________
Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice President of the Management Board	Stanisław Waczkowski Vice President of the Management Board	Mirosław Borys Vice President of the Management Board

Financial highlights

Financial highlights	PLN '000 Six months ended June 30th		EUR '000 Six months ended June 30th	
	2017	2016	2017	2016
Revenue from core business	45,866	38,510	10,799	8,791
Cost of core activities	42,059	38,041	9,902	8,684
Profit/(loss) on core activities	3,807	469	896	107
Operating profit/(loss)	4,042	556	952	127
Pre-tax profit/(loss)	2,572	682	606	156
Net profit/(loss) on continuing operations	1,943	472	457	108
Net profit/(loss)	1,943	472	457	108
Earnings/(loss) per ordinary share (weighted average) (PLN/EUR)				
- basic	0.07	0.01	0.02	0.00
- diluted	0.07	0.01	0.02	0.00
Net cash flow from operating activities	31,026	- 112,936	7,305	- 25,782
Total cash flows	22,290	- 117,315	5,248	- 26,781

Consolidated financial highlights	PLN '000			EUR '000		
	Jun 30 2017	Dec 31 2016	Jun 30 2016	Jun 30 2017	Dec 31 2016	Jun 30 2016
Total assets	357,250	340,349	341,861	84,526	76,932	77,248
Current liabilities	263,541	246,505	253,445	62,354	55,720	57,269
Equity	83,995	83,635	81,334	19,873	18,905	18,378
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)	2.81	2.79	2.72	0.66	0.63	0.61

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	First half of 2017	First half of 2016
EUR	4.2474	4.3805

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

Exchange rate as at	Jun 30 2017	Dec 31 2016	Jun 30 2016
EUR	4.2265	4.4240	4.4255

Interim condensed consolidated statement of comprehensive income

for the six months ended June 30th 2017

	Note	Jan 1–Jun 30 2017	Jan 1–Jun 30 2016
CONTINUING OPERATIONS			
Revenue from core activities, including:	15	**45,866**	**38,510**
Revenue from brokerage activities		22,896	16,979
Revenue from investment fund and asset management		14,891	15,357
Revenue from advisory services		8,079	6,174
Cost of core activities	15	**42,059**	**38,041**
Profit/(loss) on core activities		**3,807**	**469**
Gain/(loss) on transactions in financial instruments held for trading		492	- 60
Gain/(loss) on transactions in financial instruments held to maturity		-	-
Gain/(loss) on transactions in financial instruments available for sale		42	80
Other income		498	368
Other expenses		797	301
Operating profit/(loss)		**4,042**	**556**
Finance income		417	951
Finance costs		1,887	825
Gross profit (loss)		**2,572**	**682**
Income tax	16	629	210
Net profit/(loss) on continuing operations		**1,943**	**472**
DISCONTINUED OPERATIONS		**-**	**-**
Net profit/(loss) for period		**1,943**	**472**
Attributable to:			
Owners of the parent		1,960	398
Non-controlling interests		- 17	74
Earnings/(loss) per share (PLN)		0.07	0.01
Diluted earnings/(loss) per share (PLN)		0.07	0.01
Net profit/(loss) for period		**1,943**	**472**
Other comprehensive income		**360**	**- 53**
Gains and losses on remeasurement of financial assets available for sale		445	- 65
Income tax on items of other comprehensive income		- 85	12
Comprehensive income for period		**2,303**	**419**
Attributable to:			
Owners of the parent		2,320	345
Non-controlling interests		- 17	74

Warsaw, August 24th 2017

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

ipopema

Interim condensed consolidated statement of financial position

as at June 30th 2017

ASSETS	Note	Jun 30 2017	Dec 31 2016	Jun 30 2016
Cash and cash equivalents	12	64,399	42,714	31,723
Short-term receivables	12, 14	264,989	268,907	276,106
Current tax assets		34	-	124
Current prepayments and accrued income		1,191	1,092	871
Financial instruments held for trading		2,712	126	1,281
Financial instruments held to maturity		-	-	-
Financial instruments available for sale		15,852	16,432	21,131
Investments in jointly controlled entities and associates		-	-	-
Long-term receivables		-	1,384	1,375
Long-term loans advanced		25	54	88
Property, plant and equipment		3,875	4,781	4,913
Investment property		-	-	-
Intangible assets		2,388	2,859	2,706
Deferred tax assets		1,609	1,756	1,533
Non-current prepayments and accrued income		176	244	10
TOTAL ASSETS		**357,250**	**340,349**	**341,861**

EQUITY AND LIABILITIES	Note	Jun 30 2017	Dec 31 2016	Jun 30 2016
Current liabilities	14	263,182	246,068	253,314
Current tax liabilities		359	437	131
Other financial liabilities		-	-	-
Non-current liabilities		408	487	567
Deferred tax liabilities	16	136	49	181
Accruals	14	9,170	9,673	6,334
Total liabilities		**273,255**	**256,714**	**260,527**
Share capital	13	2,994	2,994	2,994
Other capital reserves		14,191	13,830	13,622
Retained earnings		63,315	62,401	61,136
Total equity		**80,500**	**79,225**	**77,752**
Non-controlling interests		**3,495**	**4,410**	**3,582**
Total equity		**83,995**	**83,635**	**81,334**
TOTAL EQUITY AND LIABILITIES		**357,250**	**340,349**	**341,861**

Warsaw, August 24th 2017

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

ipopema

Interim condensed consolidated statement of cash flows

for the six months ended June 30th 2017

CASH FLOWS	Note	Jan 1–Jun 30 2017	Jan 1–Jun 30 2016
Cash flow from operating activities			
Profit before tax		**2,572**	**682**
Total adjustments:	26	**28,454**	**- 113,618**
Depreciation and amortisation		1,375	1,334
Foreign exchange gains/(losses)		101	- 106
Interest and dividends		574	610
Gain/(loss) on investing activities		415	- 98
Increase/(decrease) in financial instruments held for trading		-2,586	- 66
Increase/(decrease) in financial instruments available for sale		-	18
Increase/(decrease) in receivables		9,360	- 97,538
Increase/(decrease) in current liabilities (net of borrowings)		19,880	- 14,793
Change in provisions and impairment losses on receivables		104	111
Increase/(decrease) in accruals and deferrals		- 458	- 3,071
Income tax paid		- 290	- 39
Other adjustments		- 21	20
Net cash from operating activities		**31,026**	**- 112,936**
Cash flows from investing activities			
Increase in loans advanced		-	- 203
Decrease in loans advanced		103	104
Purchase of property, plant and equipment and intangible assets		- 460	- 205
Proceeds from financial instruments available for sale and held to maturity		7,725	828
Purchase of financial instruments available for sale and held to maturity		- 10,230	- 10,287
Interest received		79	70
Profit distributions (dividends) received		7	-
Net cash from investing activities		**- 2,776**	**- 9,693**
Cash flows from financing activities			
Proceeds from borrowings		-	6,099
Proceeds from issue of debt securities		5	2
Repayment of debt securities		- 3	- 5
Interest paid		- 653	- 667
Dividends paid to owners of the parent		- 900	-
Repayment of finance lease liabilities		- 102	- 115
Repayment of borrowings		- 4,307	-
Net cash from financing activities		**- 5,960**	**5,314**
Total cash flows		**22,290**	**- 117,315**

Net increase/(decrease) in cash and cash equivalents		22,189	- 117,205
Effect of exchange rate fluctuations on cash held		- 101	110
Cash at beginning of period	26	42,185	148,802
Cash at end of period, including	26	**64,475**	**31,487**
- restricted cash*		39,166	9,099

Warsaw, August 24th 2017

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

Interim condensed consolidated statement of changes in equity

For the six months ended June 30th 2017

	Equity attributable to owners of the parent						
		Other capital reserves					
	Share capital	Share premium	Revaluation capital reserve	Other capital reserves	Retained earnings	Non-controlling interests	Total equity
As at Jan 1 2017	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
Profit for period	-	-	-	-	1,960	- 17	1,943
Other comprehensive income	-	-	361	-	-	-	361
Dividend paid	-	-	-	-	- 1,046	- 900	- 1,946
Other increase	-	-	-	-	-	2	2
As at Jun 30 2017	**2,994**	**10,351**	**626**	**3,214**	**63,315**	**3,495**	**83,995**
As at Jan 1 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for 2016	-	-	-	-	1,463	902	2,365
Other comprehensive income	-	-	155	-	-	-	155
Dividend paid	-	-	-	-	- 3,293	-	- 3,293
As at Dec 31 2016	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
As at Jan 1 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for period	-	-	-	-	398	74	472
Other comprehensive income	-	-	-53	-	-	-	- 53
Dividend paid	-	-	-	-	- 3,493		- 3,493
As at Jun 30 2016	**2,994**	**10,351**	**57**	**3,214**	**61,136**	**3,582**	**81,334**

Warsaw, August 24th 2017

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

Notes

1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the ‘Group’, ‘IPOPEMA Group’) comprises entities controlled by IPOPEMA Securities S.A. (the ‘Parent’ or ‘Company’). The Parent’s registered office is at ul. Próżna 9, Warsaw, Poland.

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

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

The Group’s principal business comprises:

1. brokerage activities, business and management advisory services,
2. operation of investment fund companies, as well as creation and management of investment funds
3. management of portfolios of broker-traded financial instruments,
4. computer facilities management activities,
5. computer advisory services.

IPOPEMA Securities S.A. – the Parent

The Parent was established on March 2nd 2005 (as Dom Maklerski IPOPEMA S.A.) for indefinite time.

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

The Parent was assigned Industry Identification Number (REGON) 140086881. IPOPEMA Securities S.A. conducts brokerage activities pursuant brokerage licences granted by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

The name of the Company was changed from Dom Maklerski IPOPEMA S.A. to IPOPEMA Securities Spółka Akcyjna under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

As part of its brokerage business IPOPEMA Securities S.A. provides comprehensive services in the area of intermediation in securities trading on the secondary market. The Company’s partners include high-profile international financial institutions, the majority of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as private individuals. The Company’s investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares), in which it acts as the coordinator, offeror or financial adviser, but also on M&A transactions and management buy-outs, as well as on advisory mandates concerning the raising of financing on the private market, including from private equity funds and through pre-IPO placements. In addition, until the end of 2016 the Company had also provided advisory services related to corporate financial restructuring and finance raising for infrastructure projects; in the first quarter of 2017 this business was transferred to a dedicated subsidiary – IPOPEMA Financial Advisory sp. z o.o. SK.

2. Composition of the Group

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

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

1) consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, as well as creation and management of investment funds - discretionary management of securities portfolios advisory services in the area of securities trading intermediation in the sale and redemption of investment fund units representation service for foreign funds - management of portfolios of broker-traded financial instruments	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consultancy services computer facilities management activities, computer consultancy services - software-related activities wholesale of computers, computer peripherals and software	full	50.02%	50.02%
IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	- advisory services related to corporate financial restructuring and finance raising for infrastructure projects	full	N/A	

2) non-consolidated subsidiaries controlled by the Company:

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

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

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

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

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

3.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRSs applicable to interim financial reporting, as endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), which have been endorsed recently or are pending endorsement, are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'). These interim condensed consolidated financial statements of the Group cover the six months ended June 30th 2017 and contain comparative data for the six months ended June 30th 2016 and as at December 31st 2016. These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Group for 2016.

3.2nd 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.

3.3. Going concern assumption

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

3.4. Comparability of data

There were no significant presentation changes in the six months ended June 30th 2017.

4. Changes in applied accounting policies

In the first half of 2017, there were no changes in the accounting policies compared with the policies applied in the full-year consolidated financial statements for 2016, issued on March 21st 2017. The consolidated financial statements for 2016 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

5. Selected accounting policies

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Financial assets

- financial assets at fair value through profit or loss (including financial instruments held for trading),
- loans and receivables,
- financial instruments held to maturity,
- financial instruments available for sale.

Financial liabilities

- financial liabilities at fair value through profit or loss (including financial instruments held for trading),
- financial liabilities at amortised cost.

The Group classifies each financial instrument into a given category upon initial recognition.

Financial instruments and financial liabilities measured at fair value through profit or loss

- A financial asset is designated as held for trading if it is acquired principally for the purpose of selling it in the near term, if it is part of a portfolio for which there is a pattern of short-term profit-taking, or if it is a derivative with positive fair value. The Group designates a financial asset/liability as measured at fair value through profit or loss if: it is classified as held for trading (i.e. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or it is a derivative (except for a derivative that is designated as an effective hedging instrument), it was designated as measured at fair value through profit or loss on initial recognition. Financial liabilities other than held for trading may be designated by the Group upon initial recognition as financial liabilities measured at fair value through profit or loss if: the designation will eliminate or significantly reduce a measurement or recognition inconsistency; or a group of financial assets or liabilities or both is managed and its performance is measured on a fair value basis in accordance with a documented risk management or investment strategy applied by the Group, whereunder information regarding asset grouping is exchanged internally; or
- They constitute part of a contract with one or more embedded derivatives, and IAS 39 permits that the entire contract (an asset or a liability) be designated as at fair value through profit or loss. Financial instruments and financial liabilities acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the amount or other assets received.

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

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

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms, not traded on an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less impairment losses. Interest income is recognised at the effective interest rate, save for short-term receivables where recognition of interest income would be immaterial. Non-interest bearing short-term receivables are measured at amounts receivable, subject to the prudent valuation principle. In this category, the Group includes mainly trade receivables, bank deposits and other cash, as well as loans granted to employees and associates of IPOPEMA Securities and of a related company.

Financial instruments available for sale

Financial instruments available for sale are those non-derivative financial instruments which are designated as available for sale or are not classified into any of the other categories. Financial assets available for sale include mainly investment certificates, investment fund units, corporate and government bonds acquired in order to invest cash surplus, other than investment certificates which have been designated as financial assets at fair value through profit or loss since the Group intends to sell them in the near term. This category also includes shares in non-consolidated subsidiaries.

Financial instruments available for sale are classified as non-current assets if they are not intended for sale within a year from the end of the reporting period; otherwise, they are classified as current assets. As at the end of each reporting period, financial instruments available for sale are measured at fair value, and any resultant gains or losses (other than impairment losses) are recognised under other comprehensive income. In the case of bonds, the gain or loss to be recognised under other comprehensive income comprises the difference between the measurement-date fair value of the assets less interest accrued up until that date at the contractual interest rate, and the value of the assets at adjusted cost. Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at fair value, including the transaction costs. Shares in non-consolidated subsidiaries are measured at cost less impairment losses. Investment certificates and investment fund units are recognised at fair value, based on the net asset value per certificate/unit as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under other comprehensive income.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings, are initially measured at fair value less transaction costs and then at amortised cost (interest expense is measured using the effective cost method). The effective interest rate method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that effectively discounts estimated future cash payments over the expected life of a given liability or, when appropriate, a shorter period. The Group derecognises a financial liability when, and only when, the Group's obligation specified in the contract is discharged or cancelled or expires.

Receivables

Short-term receivables

Shor-term receivables include all receivables from clients, non-consolidated related entities, banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, as well as all or part of receivables related to other items, which are not classified as financial assets, in each case maturing within 12 months from the end of the reporting period.

Receivables are initially recognised at nominal value and measured as at the end of the reporting period at amounts receivable. Receivables are remeasured to account for the probability of their payment and impairment losses are recognised where necessary. The Group recognises impairment losses if there is objective evidence that it will not be able to recover all the amounts due in line with the original contractual terms. Impairment losses are recognised in particular for:

- receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,
- receivables past due by more than 1 year – impairment loss of 100% of the receivables amount is recognised.

Apart from 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. Such impairment losses were recognised on loans and trade receivables. Impairment losses on receivables are recognised under other expenses. The cost connected with recognition of impairment losses at the time of confirming that particular receivables are uncollectible is a tax-deductible expense; otherwise, such cost is not tax-deductible. Impairment losses on receivables are reversed if the impairment decreases in subsequent periods and the increase in the value of the receivables may be attributed to events that occurred after the impairment loss was recognised. Reversed impairment losses are recognised under other income.

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

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

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

Long-term receivables

Long-term receivables are receivables whose terms to maturity are longer than 12 months from the end of the reporting period.

Impairment losses

As at the end of each reporting period, the Group evaluates whether there is any indication that an asset may be impaired.
Intangible assets which are not yet available for use are tested on an annual basis, regardless of whether there is an indication of impairment. These assets may be tested for impairment at any time during the year.

The following indication of possible impairment of an asset may be identified:

- impairment of the market value of an asset during the period is much higher than it might have been expected as a result of passage of time and normal use,
- significant technological, market, economic or legal changes, unfavourable for the Group, have occurred during the reporting period or are likely to occur in the near future in the Group's operating environment or on the markets for which the asset is intended,
- market interest rates or other market rates of return on investment have increased during the period and the increase is likely to affect the discount rate applied to calculate the value in use of the asset and decrease its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation value,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant changes, unfavourable for the Group, in the current or expected scope or manner of use of an asset have occurred during the period or are likely to occur in the near future,
- there is evidence, originating from internal reporting, for poorer than expected, current or future, economic performance of an asset.

Liabilities

Current liabilities

Current liabilities are liabilities which are payable within 12 months from the end of the reporting period. Liabilities are measured at amounts due.

Current liabilities include all liabilities to clients, liabilities to non-consolidated related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities include overdrafts and finance lease liabilities; methods of their recognition are described in „Financial liabilities measured at amortised cost" above.

Recognition of current liabilities under executed transactions is discussed above in 'Short-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses.'

Non-current liabilities

Non-current liabilities are liabilities which are payable within more than 12 months from the end of the reporting period.

6. Accounting policies introduced in the first half of 2017

In the first half of 2017, no new international accounting standards came to effect.

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

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

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* − published by the International Accounting Standards Board on January 19th 2016, effective for annual periods beginning on or after January 1st 2017. At present, the procedure of formal approval of the amendment by the European Commission is pending;
- Amendments to IAS 7 *Disclosure Initiative* − effective for annual periods beginning on or after January 1st 2017. Amendments to IAS 7 impose the requirement to disclose in the statement of cash flows changes
in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The standard states that in order to fulfil the requirement an entity must provide a reconciliation between the opening and closing balances in the statement of financial position for individual liabilities classified as cash flows from financing activities in the statement of cash flows. At present, the procedure of formal approval of the amendment by the European Commission is pending;
- IFRS 9 *Financial Instruments* – published by the International Accounting Standards Board on July 24th 2014; the standard's final version supersedes previous versions of IFRS 9, completing the Board's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard regulates classification and measurement of financial assets and liabilities, as well as impairment and hedge accounting. IFRS 9 does not include guidelines on hedge accounting of portfolios of financial assets and liabilities, since these matters are covered by a separate project of the International Accounting Standards Board. The standard is effective for annual periods beginning on or after January 1st 2018;
- IFRS 15 *Revenue from Contracts with Customers* − published by the International Accounting Standards Board on May 28th 2014, effective for annual periods beginning on or after January 1st 2018;
- 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;
- Amendments to IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* – published by the International Accounting Standards Board on September 12th 2016, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 40 *Transfers of Investment Property* – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018;
- IFRS 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on or after January 1st 2019; IFRS 16 introduces new rules for the recognition of leases;
- Amendments to various standards „Amendments to IFRSs (Cycle 2014-2016)" – amendments made to IFRS (IFRS 1, IFRS 12, and IAS 28), primarily aimed at resolving discrepancies and clarifying terminology

(amendments to IFRS 12 for annual periods beginning on or after January 1st 2017, and amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after January 1st 2018);

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

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

8. Changes in estimates

In the first six months of 2017, there were no changes to estimates, except for the changes in accruals and deferred income, depreciation/amortisation and impairment losses on receivables, discussed in Note 14. Translation of foreign-currency items

Transactions in currencies other than the Polish złoty are accounted for as at the transaction date, using the following exchange rates:

1) the exchange rate actually applied on the transaction date, resulting from the nature of the transaction – in the case of sale or purchase of foreign currencies and payment of receivables or liabilities,
2) the mid-rate quoted for a given currency by the National Bank of Poland (the 'NBP') on the day preceding the transaction date – in the case of payment of receivables or liabilities, if the application of the exchange rate specified in item 1 is not justified, and in the case of other transactions.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish złoty are translated into the złoty at the mid-rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are recognised in finance income or costs, as appropriate.

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

Currency	Jun 30 2017	Dec 31 2016	Jun 30 2016
USD	3.7062	4.1793	3.9803
EUR	4.2265	4.4240	4.4255
HUF 100	1.3689	1.4224	1.3996
RON	0.9269	0.9749	0.9795
GBP	4.8132	5.1445	5.3655
UAH	0.1424	0.1542	0.1603
CZK	0.1611	0.1637	0.1636
CHF	3.8667	4.1173	4.0677
TRY	1.0535	1.1867	1.3791
JPY 100	3.3128	3.5748	3.8688
NOK	0.4430	0.4868	0.4749
CAD	2.8543	3.0995	3.0733
SEK	0.4379	0.4619	0.4696

DKK	0.5684	0.5951	0.5949
AUD	2.8464	3.0180	2.9615

Source: National Bank of Poland.

9. Earnings per share

For each period, earnings per share are computed as the quotient of the net profit attributable to the Parent for the period and the weighted average number of shares in the period. To obtain diluted earnings per share, the weighted average number of shares in the period is adjusted to account for all potentially dilutive ordinary shares. In the case of the Company, these are Series C shares which may be issued within the limit of conditional share capital in connection with the incentive scheme adopted at the Company, to the extent it is implemented. To date, 1,880,952 shares have been allocated to be subscribed for by the eligible persons after certain criteria are met.

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

	Jan 1–Jun 30 2017	Jan 1–Jun 30 2016
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Diluted number of shares	29,937,836	29,937,836
Earnings from continuing operations per share		
- basic	0.07	0.01
- diluted	0.07	0.01

10. Operating segments

1. For management purposes, the Group is divided into separate segments based on types of services provided. There are therefore the following reporting operating segments: The segment of brokerage and related services, comprising (i) the business of IPOPEMA Securities, i.e. brokerage and investment banking activities, which focus on public offerings of securities (particularly equities) (where the Company acts as the coordinator, offeror and financial adviser), issue of debt instruments, M&A transactions and management buy-outs, as well as advisory mandates concerning the raising of financing on the private market, including from private equity funds and through pre-IPO placements, and (ii) IFA SK, i.e. advisory services related to financial restructuring and finance raising for infrastructure projects (in previous periods, this activity was conducted by IPOPEMA Securities, therefore, in accordance with the regulatory classification of brokerage services, it was identified as additional brokerage activities; in spite of the fact that this activity has been transferred to IFA SK, a decision was made to keep the previously applied segmentation for the purposes of consolidated financial statements).

2. The segment of investment fund and portfolio management, comprising the business of IPOPEMA TFI, i.e. creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.

3. The segment of advisory services, comprising the services of IPOPEMA Business Consulting, which focuses on business and management consultancy, computer facilities management, computer consultancy and software-related activities.

Operating segments	Six months ended June 30th Continuing operations Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment's total revenue	23,092	14,891	8,121	46,104
Intersegment sales	- 196	-	- 42	- 238
Sales to external clients	**22,896**	**14,891**	**8,079**	**45,866**
Segment's costs				
Segment's costs – purchases from external suppliers	- 20,945	- 13,701	- 7,672	- 42,318
Segment's costs – intersegment purchases	-	-	-	-
Consolidation eliminations	238	21	-	259
Segment's total costs	**- 20,707**	**- 13,680**	**- 7,672**	**- 42,059**
Segment's profit/(loss) on core activities	**2,189**	**1,211**	**407**	**3,807**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	2,189	1,211	407	3,807
Interest income	106	92	6	204
Interest expense	- 638	- 15	-	- 653
Other net finance income/ expenses	493	32	- 111	414
Other income/ expenses	- 445	125	41	- 279
Consolidation eliminations	- 921	-	-	- 921
Profit before tax and non-controlling interests	**784**	**1,445**	**343**	**2,572**
Income tax	247	296	86	629
Consolidation eliminations	-	-	-	-
Total corporate income tax	**247**	**296**	**86**	**629**
Net profit for period	**537**	**1,149**	**257**	**1,943**
Assets and liabilities as at Jun 30 2017				
Segment's assets	318,117	30,386	8,747	357,250
Unallocated assets	-	-	-	-
Total assets	**318,117**	**30,386**	**8,747**	**357,250**
Segment's liabilities	260,296	2,465	1,324	264,085
Accruals and deferred income	4,605	4,452	113	9,170
Segment's net profit/(loss)	537	1,149	257	1,943
Equity (excluding net profit/(loss) for current period)	51,810	23,099	3,631	78,540
Non-controlling interests (excluding net profit/(loss) for current period)	2	-	3,510	3,512
Total equity and liabilities	**317,250**	**31,165**	**8,835**	**357,250**

Operating segments	Six months ended June 30th 2016 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment's total revenue	16,979	15,357	6,232	38,568
Intersegment sales	-	-	- 58	- 58
Sales to external clients	**16,979**	**15,357**	**6,174**	**38,510**
Segment's costs				
Segment's costs – purchases from external suppliers	- 17,992	- 14,033	- 6,096	- 38,121
Segment's costs – intersegment purchases	-	-	-	-
Consolidation eliminations	40	40	-	80
Segment's total costs	**- 17,952**	**- 13,993**	**- 6,096**	**- 38,041**
Segment's profit/(loss) on core activities	**- 973**	**1,364**	**78**	**469**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	- 973	1,364	78	469
Interest income	126	51	8	185
Interest expense	- 730	- 16	-	- 746
Other net finance income/ expenses	2,075	53	49	2,177
Other income/ expenses	10	72	6	88
Consolidation eliminations	- 1,491	-	-	- 1,491
Profit before tax and non-controlling interests	**- 983**	**1,524**	**141**	**682**
Income tax	- 143	307	49	213
Consolidation eliminations	-	- 3	-	- 3
Total corporate income tax	**- 143**	**304**	**49**	**210**
Net profit for period	**- 840**	**1,220**	**92**	**472**
Assets and liabilities as at Dec 31 2016				
Segment's assets	295,763	30,818	13,768	340,349
Unallocated assets	-	-	-	**-**
Total assets	**295,763**	**30,818**	**13,768**	**340,349**
Segment's liabilities	239,300	3,510	4,231	247,041
Accruals and deferred income	3,875	5,066	732	9,673
Segment's net profit/(loss)	- 396	1,051	1,710	2,365
Equity (excluding net profit/(loss) for current period)	53,175	21,764	2,823	77,762
Non-controlling interests (excluding net profit/(loss) for current period)	-	-	3,508	3,508
Total equity and liabilities	**295,954**	**31,391**	**13,004**	**340,349**

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

Cash and cash equivalents

Cash and other assets	Jun 30 2017	Dec 31 2016
Cash and other assets of the Group		
a) at banks and in hand	19,505	26,561
b) other	44,894	16,153
Total	**64,399**	**42,714**
Cash and other assets		
a) the Group's own cash and other assets	25,233	30,303
b) cash and other assets of clients deposited in cash accounts at the brokerage house and paid towards acquisition of securities in an IPO or on the primary market	39,166	12,411
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**64,399**	**42,714**

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

Clients' cash deposited in the Parent's bank account, in the amount of PLN 39,166 thousand as at June 30th 2017 and PLN 12,411 thousand as at December 31st 2016, is also disclosed under other cash equivalents.

Receivables

Short-term receivables	Jun 30 2017	Dec 31 2016
From clients / trade receivables	100,494	135,569
- under transactions executed on the Warsaw Stock Exchange	78,925	89,043
- under transactions executed on the Budapest Stock Exchange	5,015	21,049
- under transactions executed on the Prague Stock Exchange	-	2,674
- under transactions executed on the New York Stock Exchange	175	7,065
- under transactions executed on the London Stock Exchange	5,380	116
- under transactions executed on the Frankfurt Stock Exchange	820	2,252
- under transactions executed on the Prague Stock Exchange	106	-
- other	10,073	13,370
From related entities	13	13
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	111,028	73,232
- under transactions executed on the Warsaw Stock Exchange*	87,116	40,067
- under transactions executed on the Budapest Stock Exchange	4,812	6,163
- under transactions executed on the Prague Stock Exchange	-	3,121
- under transactions executed on the London Stock Exchange	1,203	-
- under transactions executed on the New York Stock Exchange	1,144	16,410
- under transactions executed on the Amsterdam Stock Exchange	-	6,270
- under transactions executed on the Milan Stock Exchange	449	-
- under transactions executed on the Frankfurt Stock Exchange	461	-
- under transactions executed on the Paris Stock Exchange	5	-
- under transactions executed on the Zurich Stock Exchange	21	-
- other	15,817	1,201
From entities operating regulated markets and commodity exchanges	-	-
From the Central Securities Depository of Poland and exchange clearing houses	30,088	34,907

- from the settlement guarantee fund	29,882	34,694
- other	206	213
From investment and pension fund companies and from investment and pension funds	4,651	2,761
From issuers of securities or selling shareholders	-	-
Taxes, subsidies and social security receivable	360	40
Other	18,355	22,385
Total short-term receivables	**264,989**	**268,907**

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

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

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

Financial assets

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

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

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

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

In the first half of 2017, the Group purchased property, plant and equipment and intangible assets for an amount of PLN 460 thousand (H1 2016: PLN 205 thousand).

Material purchase or sale transactions in property, plant and equipment

In the first half of 2017 and in 2016, the Group did not purchase or sell any material items of property, plant and equipment. Material liabilities under purchases of property, plant and equipment

The Group has no material liabilities under purchases of property, plant and equipment.

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

Share capital

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

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

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

Increase/(decrease) in accruals and deferred income

	Jan 1–Jun 30 2017	Jan 1–Jun 30 2016	2016
As at beginning of reporting period	**9,673**	**9,714**	**9,714**
Recognised in period	6,320	4,386	14,156
Used	6,480	7,766	13,858
Reversed	343	-	339
As at end of reporting period	**9,170**	**6,334**	**9,673**

Impairment losses on receivables

In the first half of 2017, impairment losses on receivables increased by PLN 104 thousand, following reversal or use of impairment losses (H1 2016: decrease by PLN 111 thousand).

Liabilities (current)

Current liabilities	Jun 30 2017	Dec 31 2016
To clients	133,992	93,748
To related entities	1	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	109,574	130,250
- to the Warsaw Stock Exchange *	97,295	97,968
- to the Budapest Stock Exchange	5,807	20,191
- to the Prague Stock Exchange	-	2,670
- to the New York Stock Exchange	175	7,055
- to the London Stock Exchange	5,372	116
- to the Frankfurt Stock Exchange	819	2,250
- to the Stockholm Stock Exchange	106	-
To entities operating regulated markets and commodity exchanges	564	602
- to the Warsaw Stock Exchange	480	536
- to the Budapest Stock Exchange	16	16
- to the Vienna Stock Exchange	68	44
- to the Chicago Mercantile Exchange	-	6
To the Central Securities Depository of Poland and exchange clearing houses	3,093	2,044
Borrowings	10,478	14,784
- from related entities	-	-
- other	10,478	14,784
Debt securities	5	4
Taxes, customs duties and social security payable	1,677	1,406
Salaries and wages	-	1
To investment and pension fund companies and to investment and pension funds	800	1,704
Other	2,998	1,525
a) dividends payable	1,046	-
b) other	1,952	1,525
- financial liabilities (lease)	206	242
- other liabilities	1,746	1,283
Total current liabilities	**263,182**	**246,068**

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

Except bank borrowings, liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities under borrowings	Jun 30 2017	Dec 31 2016
Bank borrowing	10,478	14,784
- outstanding amount	10,478	14,784
Current liabilities under borrowings	**10,478**	**14,784**

As at June 30th 2017, the Group's liabilities under borrowings related to its brokerage business amounted to PLN 10,478 thousand (December 31st 2016: PLN 14,784 thousand), including:

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 15th 2017:
   i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland in respect of the settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item ii.
   ii. Revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Central Securities Depository of Poland. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item i above, both credit facilities are also jointly secured with a security deposit of PLN 4m. HUF 409m current account overdraft facility from Raiffeisen Bank Zrt, used to settle transactions on the Budapest Stock Exchange in connection with brokerage activities, expiring on March 14th 2018. The facility is secured with a security deposit of HUF 409m.

Bonds

In the first half of 2017, the Group companies issued registered bonds with a total nominal amount of PLN 5.2 thousand, maturing in 2017–2020 (depending on the series). In the first half of 2016, the Group issued ten registered bonds with a total nominal amount of PLN 2 thousand, maturing in 2016–2019 (depending on the series). The total amount of liabilities payable by the Group on redemption of the bonds will not exceed the bonds' nominal value and is not significant to the Group. The bond issues are related to the scheme of variable remuneration components implemented at the Group with a view to strengthening the risk management system. Until the date of issue of this report, the Group redeemed PLN 4.9 thousand worth of bonds (including PLN 3.0 thousand worth of bonds redeemed in the first half of 2017), compared with PLN 4.5 thousand redeemed in the first half of 2016.

Defaults under credit facilities or loans or breach of material credit covenants, with respect to which no remedial action was taken by the end of the reporting period

None.

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

Revenue from core activities

Revenue from core activities	Jan 1–Jun 30 2017	Jan 1–Jun 30 2016
Revenue from trading in securities	12,089	10,505
Revenue from investment banking services	9,590	6,368
Revenue from management of investment funds and clients' assets	14,891	15,357
Revenue from consultancy services	8,079	6,174
Other revenue from core activities	1,217	106
Total revenue from core activities	**45,866**	**38,510**

Operating expenses

Cost of core activities	Jan 1–Jun 30 2017	Jan 1–Jun 30 2016
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	4,020	3,161
Fees payable to trade organisation	20	-
Salaries and wages	17,907	17,078
Social security and other benefits	1,866	1,809
Employee benefits	379	303
Raw material and consumables used	224	302
Costs of maintenance and lease of buildings	1,591	1,524
Depreciation and amortisation	1,375	1,334
Taxes and other public charges	892	768
Other costs, including:	13,785	11,762
- fund management and distribution costs	4,533	4,747
- transaction costs other than cost of clearance through clearing houses or stock exchanges	3,403	1,180
- ICT and information services	1,827	1,852
- marketing, representation and advertising	292	440
- software purchases (for recharge)	272	874
- other services	3,458	2,669
Total cost of core activities	**42,059**	**38,041**

15. 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–Jun 30 2017	Jan 1–Jun 30 2016
Profit before tax	**2,572**	**682**
Tax calculated at 19% rate	**489**	**130**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	901	1,467
Tax losses for which no deferred tax assets were recognised − other	320	-
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	- 393	454
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	- 70

ipopema

Non-taxable income	- 91	- 1,428
Tax base for current and deferred income tax	**3,309**	**1,105**
Reductions, exemptions	-	-
Income tax expense	**629**	**210**

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 increased by PLN 87 thousand in the first half of 2017. In the first half of 2016 they fell by 48 thousand. Deferred tax liabilities increased by PLN 147 thousand in the first half of 2017. In the first half of 2016 they increased by 54 thousand.

16. Employee benefits – employee share option plans

No Company shares were acquired as part of the incentive scheme in the first half of 2017 or the comparative period. Costs of incentive schemes increase the cost of salaries and wages, However, no such costs were incurred in the first half of 2017 or in 2016.

17. Dividends paid and proposed

On May 9th 2017, the Annual General Meeting of IBC resolved to pay dividend of PLN 1.8m. The dividend is to be paid from a part of the 2016 profit (PLN 1,800 thousand), and the dividend will amount to PLN 899.55 per share. By the date of issue of these financial statements, the Company received the full amount of the dividend.

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

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

On April 29th 2016, the General Meeting of IPOPEMA TFI S.A. resolved to pay dividend of PLN 1,470 thousand, i.e. approximately PLN 0.42 per share.

Issue, redemption and repayment of debt and equity securities

The Group companies did not issue any equity or debt securities in the first half of 2017 or in 2016. In the second quarter of 2017 until the date of these interim condensed financial statements, the Group companies carried out bond issues, as described in Note 14.

18. Exclusions from consolidation

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

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Business Services Srl (in liquidation)
Total assets as at Jun 30 2017	3	52
% share in Parent's total assets	-	-
Revenue in Jan 1–Jun 30 2017	-	-
% share in Parent's revenue	-	-
Net assets as at Jun 30 2017	- 4	37
Net profit/(loss) in Jan 1–Jun 30 2017	-	-

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Business Services Kft.	IPOPEMA Business Services Srl.
Total assets as at Dec 31 2016	2	N/A	55
% share in Parent's total assets	-	N/A	0.02
Revenue in Jan 1–Jun 30 2016	-	N/A	263
% share in Parent's revenue	-	N/A	1.55
Net assets as at Dec 31 2016	2	N/A	40
Net profit/(loss) in Jan 1–Jun 30 2016	-	N/A	37

19. 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.

20. Contingent liabilities and contingent assets

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

21. 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 by a security deposit with a current value of PLN 1,394 thousand. Under an annex executed in 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of office space.

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

22. Leases

The Group as a lessee – right to use a building

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

Operating lease liabilities*	Jun 30 2017	Dec 31 2016
	Present value of minimum lease payments	
Within 1 year *	2,118	2,251
Within 1 to 5 years *	8,474	8,976
Over 5 years *	1,149	2,796
Total operating lease liabilities	**11,741**	**14,023**
	First half of 2017	**First half of 2016**
Cost of operating leases recognised in period	**1,296**	**1,287**

** Average annual amount during the lease term.*

The Group as a lessee – finance leases

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

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

Finance lease liabilities	Jun 30 2017	Dec 31 2016
Net carrying amount	454	577
Present value of minimum lease payments	**611**	**727**
Within 1 year *	206	242
Within 1 to 5 years *	405	485
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	**102**	**226**

The Group companies did not enter into any sublease agreements.

23. 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 half of 2017 and in the first half of 2016, the Group did not conclude any material related-party transactions other than on an 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–Jun 30 2017				Jan 1–Jun 30 2016			
IPOPEMA Business Services Kft.	-	-	-	-	-	-	-	-
IPOPEMA Business Services Srl.	-	-	-	-	-	-	262	-
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-	-	-	-	-
Members of the Management and Supervisory	-	20			-	21	3	-
Other related parties	-	-	-	-	-	-	-	-
Total	**-**	**20**	**-**	**-**	**-**	**21**	**265**	**-**

Related-party transactions – receivables and liabilities

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

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are charged directly to the funds.

24. 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	
	Jun 30 2017	Dec 31 2016	Jun 30 2017	Dec 31 2016
Cash and cash equivalents	**64,399**	**42,714**	**64,475**	**42,185**
1. In hand	1	2	1	2
2. At banks	19,504	26,559	19,504	26,559
3. Other cash	44,890	15,645	44,890	15,645
4. Cash equivalents	4	508	-	-
5. Accrued foreign exchange differences	-	-	80	- 21

The difference between the presentation of cash in the balance sheet and in the statement of cash flows as at as at June 30th 2017 and June 30th 2016 follows from "adjusting" cash for the effect of foreign exchange differences and received gift cards 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 12.

Differences in changes in balance-sheet items

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Jun 30 2017	Dec 31 2016	Jun 30 2017
Gross short- and long-term receivables	265,973	271,171	9,360
Net receivables	264,989	270,291	
Impairment losses on receivables	984	880	104
Prepayments and accrued income	1,367	1,336	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	9,168	9,595	- 458
Total increase/(decrease) in impairment losses and accruals and deferrals			**- 354**

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 as at June 30th 2017 net of amount of receivables under loans advanced and security deposits receivable, disclosed under investing activities.

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Jun 30 2016	Dec 31 2015	Jun 30 2016
Gross short- and long-term receivables	278,162	180,371	- 97,538
Net receivables	277,481	179,801	
Impairment losses on receivables	681	570	111
Prepayments and accrued income	881	1,184	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	6,296	9,670	- 3,071
Increase/(decrease) in impairment losses and accruals and deferrals			**- 2,960**

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 June 30th 2016 net of receivables under loans advanced, receivables under payment to increase a security deposit, and interest on a security deposit paid, disclosed under investing activities.

25. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of the claim is PLN 49.2 thousand. The proceedings are pending. In May 2017, the Company filed two further suits against its customers. In each case, the amount of the claim is PLN 30 thousand. The proceedings are pending.

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

26. Material events and factors in the first half of 2017

Equity market and investment banking

In the first half of 2017, only the Prague Stock Exchange saw investor activity decrease compared with the first half of 2016 (down 2.0%), while the trading volumes in Warsaw and Budapest were higher by 46.5% and 8.4%, respectively. Over the same period, the Company strengthened its position both on the WSE, where its market share increased to 5.13% (from 4.86%), and on the BSE (in the first half of 2017 its market share was 2.37%, compared with 2.07% a year earlier). As a result, in the first half of 2017 the Company's revenue from trading in securities increased by 15.1% year on year, to PLN 12,089 thousand (H1 2016: PLN 10,505 thousand).

Conditions on the capital market were equally challenging as in the first half of 2016. Nevertheless, the brokerage segment's revenue from investment banking business increased in the reporting period by 50.6% (PLN 9,590 thousand vs PLN 6,368 thousand in the first half of 2016).

In the first half of 2017, the segment also delivered a significant increase in other revenue from core activities (PLN 1,217 thousand vs PLN 106 thousand a year earlier), mainly on higher revenue from the retail business.

As a result of these factors, the brokerage segment posted a profit on core activities and a net profit of PLN 2,189 thousand and PLN 537 thousand, respectively (compared with a PLN 973 thousand loss and a PLN 840 thousand net loss a year earlier).

IPOPEMA TFI

An increase in the value of assets in actively managed funds (to PLN 1.1bn at the end of June 2017, vs PLN 0.9bn a year earlier) brought about an increase in revenue from the management of these funds. At the same time, as a result of changes in the laws regulating fund activities, introduced in 2016, revenue from fees for managing closed-end investment funds declined. As a result, IPOPEMA TFI's total revenue for the first half of 2017 fell slightly (to PLN 14,891 thousand, from PLN 15,357 thousand in the first half of 2016), and despite reduction of operating costs by 2.2%, the segment delivered a slightly lower net profit (PLN 1,149 thousand vs PLN 1,220 thousand in the first half of 2016).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in the first half of 2017 resulted in a 30% increase in the company's revenue, which, despite higher operating costs (up by 25.9%), was reflected in improved net profit (PLN 257 thousand, compared with a PLN 92 thousand posted a year earlier).

27. Events subsequent to the end of reporting period

All events relating to the reporting period were disclosed in the accounting books and the condensed consolidated financial statements for the period January 1st–June 30th 2017. No material events occurred after the reporting date which should have been but were not disclosed in the accounting books for the reporting period.

Warsaw, August 24th 2017

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