The
IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the three months ended March 31st 2017

Warsaw, May 18th 2017

Contents

Financial highlights

Financial highlights	PLN '000 Three months ended Mar 31		EUR '000 Three months ended Mar 31	
	2017	2016	2017	2016
Revenue from core activities	22,193	16,916	5,174	3,883
Cost of core activities	20,524	18,536	4,785	4,255
Profit/(loss) on core activities	1,669	-1,620	389	-372
Operating profit/(loss)	2,034	-1,518	474	-348
Pre-tax profit/(loss)	913	-1,879	213	-431
Net profit/(loss) on continuing operations	519	-2,181	121	-501
Net profit/(loss)	519	-2,181	121	-501
Earnings/(loss) per ordinary share (weighted average) (PLN/ EUR)				
- basic	0.02	-0.06	0.00	-0.01
- diluted	0.02	-0.06	0.00	-0.01
Net cash from operating activities	15,752	-98,648	3,673	-22,647
Total cash flows	19,426	-110,277	4,529	-25,317

Consolidated financial highlights	PLN '000		EUR '000	
	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016
Total assets	388,486	340,349	92,063	76,932
Current liabilities	295,022	246,505	69,914	55,720
Equity	84,413	83,635	20,004	18,905
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.82	2.79	0.67	0.63

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

- Items of the interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows:

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in a given period	Jan-Mar 2017	Jan-Mar 2016
EUR	4,2891	4,3559

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

Exchange rate as at	Mar 31 2017	Dec 31 2016	Mar 31 2016
EUR	4.2198	4.4240	4.2684

Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2017

	Note	Jan 1 2017 – Mar 31 2017	Jan 1 2016 – Mar 31 2016
CONTINUING OPERATIONS			
Revenue from core activities, including:	15	**22,193**	**16,916**
Revenue from brokerage activities		10,328	7,426
Revenue from investment fund and asset management		7,582	7,666
Revenue from consultancy services		4,283	1,824
Cost of core activities	15	**20,524**	**18,536**
Profit/(loss) on core activities		**1,669**	**-1,620**
Gain/(loss) on transactions in financial instruments held for trading		273	120
Gain/(loss) on transactions in financial instruments held to maturity		-	-
Gain/(loss) on transactions in financial instruments available for sale		14	32
Other income		186	35
Other expenses		108	85
Operating profit/(loss)		**2,034**	**-1,518**
Finance income		226	393
Finance costs		1,347	754
Profit/(loss) before tax		**913**	**-1,879**
Income tax	16	394	302
Net profit/(loss) on continuing operations		**519**	**-2,181**
DISCONTINUED OPERATIONS		-	-
Net profit/(loss) for period		**519**	**-2,181**
Attributable to:			
Owners of the parent		558	-1,857
Non-controlling interests		-39	-324
Earnings/(loss) per share (PLN)		0.02	-0.06
Diluted earnings/(loss) per share (PLN)		0.02	-0.06
Net profit/(loss) for period		**519**	**-2,181**
Other comprehensive income		**257**	**6**
Gains and losses on remeasurement of financial assets available for sale		317	8
Corporate income tax on items of other comprehensive income		-60	-2
Comprehensive income for period		**776**	**-2,175**
Attributable to:			
Owners of the parent		815	-1,851
Non-controlling interests		-39	-324

Warsaw, May 18th 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

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Interim condensed consolidated statement of financial position

as at March 31st 2017

ASSETS	Note	Mar 31 2017	Dec 31 2016	Mar 31 2016
Cash and cash equivalents	12	61,519	42,714	38,480
Current receivables	12, 14	294,984	268,907	296,792
Current income tax assets		-	-	217
Current prepayments and accrued income		1,284	1,092	1,291
Financial instruments held for trading		4,146	126	2,203
Financial instruments held to maturity		-	-	-
Financial instruments available for sale		9,691	16,432	11,686
Investments in jointly controlled entities and associates		-	-	-
Non-current receivables		7,719	1,384	7,774
Long-term loans advanced		44	54	-
Property, plant and equipment		4,330	4,781	5,261
Investment property		-	-	-
Intangible assets		2,850	2,859	2,915
Deferred tax assets		1,705	1,756	1,172
Non-current prepayments and accrued income		214	244	12
TOTAL ASSETS		**388,486**	**340,349**	**367,803**

EQUITY AND LIABILITIES	Note	Mar 31 2017	Dec 31 2016	Mar 31 2016
Current liabilities	14	294,913	246,068	277,535
Current income tax liabilities		109	437	-
Other financial liabilities		-	-	-
Non-current liabilities		436	487	607
Deferred tax liabilities	16	295	49	129
Accruals and deferred income	14	8,320	9,673	7,299
Total liabilities		**304,073**	**256,714**	**285,570**
Share capital	13	2,994	2,994	2,994
Other capital reserves		14,087	13,830	13,681
Retained earnings		62,959	64,401	62,374
Total equity		**80,040**	**79,225**	**79,049**
Non-controlling interests		**4,373**	**4,410**	**3,184**
Total equity		**84,413**	**83,635**	**82,233**
TOTAL EQUITY AND LIABILITIES		**388,486**	**340,349**	**367,803**

Warsaw, May 18th 2017

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Interim condensed consolidated statement of cash flows

for the three months ended Mar 31 2017

CASH FLOWS	Note	Jan 1 2017 - Mar 31 2017	Jan 1 2016 - Mar 31 2016
Cash flows from operating activities			
Profit before tax		**913**	**-1,879**
Total adjustments:	26	**14,839**	**-96,769**
Depreciation and amortisation expenses		684	676
Foreign exchange gains/(losses)		119	176
Interest and dividends		307	273
Gain/(loss) on investing activities		-11	-32
Increase/(decrease) in financial instruments held for trading		-4,020	-989
Increase/(decrease) in receivables		-29,855	-111,959
Increase/(decrease) in current liabilities (net of borrowings)		49,272	17,557
Change in provisions and impairment losses on receivables		-41	35
Increase/(decrease) in accruals and deferrals		-1,438	-2,512
Income tax paid		-180	-8
Other adjustments (including cost of incentive schemes)		2	14
Net cash from operating activities		**15,752**	**-98,648**
Cash flows from investing activities			
Decrease in loans advanced		82	60
Acquisition of property, plant and equipment and intangible assets		-224	-71
Proceeds from financial instruments available for sale and held to maturity		7,500	50
Interest received		70	70
Other cash used in investing activities		-2,348	-12,805
Net cash from investing activities		**5,080**	**-12,696**
Cash flows from financing activities			
Proceeds from borrowings		-	1,431
Repayment of debt securities		-2	-3
Interest paid		-382	-294
Repayment of finance lease liabilities		-50	-67
Repayment of borrowings		-972	-
Net cash from financing activities		**-1,406**	**1,067**
Total cash flows		**19,426**	**-110,277**

Net increase/(decrease) in cash and cash equivalents		19,308	-110,454
Effect of exchange rate fluctuations on cash held		-118	-177
Cash at beginning of period	26	42,185	148,802
Cash at end of period, including	26	**61,611**	**38,525**
*- restricted cash**		*30,696*	*9,456*

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

Warsaw, May 18th 2017

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Interim condensed consolidated statement of changes in equity

for the three months ended March 31st 2017

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other components of equity					
	Share capital	Share premium	Revaluation capital reserve	Other capital reserves	Retained earnings		
As at Jan 1 2017	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
Profit for period	-	-	-	-	558	-39	519
Other comprehensive income	-	-	257	-	-	-	257
Contributions by non-controlling shareholders	-	-	-	-	-	2	2
As at Mar 31 2017	**2,994**	**10,351**	**522**	**3,214**	**62,959**	**4,373**	**84,413**
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 payment	-	-	-	-	-3,293	-	-3,293
As at Dec 31 2016	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
As at Jan 1 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for period	-	-	-	-	-1,857	-324	-2,181
Other comprehensive income	-	-	6	-	-	-	6
As at Mar 31 2016	**2,994**	**10,351**	**116**	**3,214**	**62,374**	**3,184**	**82,233**

Warsaw, May 18th 2017

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Notes

1. The IPOPEMA Group

The IPOPEMA 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 March 31st 2017, the IPOPEMA Group comprised IPOPEMA Securities S.A. and its subsidiaries presented in Note 2 below.

The Group's principal business activities are:

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

IPOPEMA Securities S.A. – the Parent

The Parent was established on March 2nd 2005 (under the name of 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 on the basis of 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 Q1 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 March 31st 2017, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

1) consolidated subsidiaries controlled by the Company:

Name of subsidiary	Business profile	Consolidation method	Share capital held	Total vote held
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, as well as creation and management of investment funds - discretionary management of securities portfolios - advisory services in the area of securities trading - intermediation in the sale and redemption of investment fund units - representation service for foreign funds - 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:

Name of subsidiary	Business profile	Consolidation method	Share capital held	Total vote held
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);*

*** In view of a change in the model of operating in foreign markets, the process of winding up IBS Srl. began in 2016;*

Pursuant to Art. 58.1 of the Accountancy 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

3.1st 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 three months ended March 31st 2017 and contain comparative data for the three months ended March 31st 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 of the financial statements

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 in the foreseeable future. As at the date of authorisation of these financial statements, 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 three months ended March 31st 2017.

4. Changes in applied accounting policies

In Q1 2017, there were no changes in the accounting policies compared with the policies applied in the consolidated financial statements for 2016, issued on March 21st 2017. The consolidated financial statements for 2016 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

5. Selected accounting policies

<u>Financial instruments</u>

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

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

Financial assets

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

Financial liabilities

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

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

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

A financial asset is designated as held for trading if it is acquired principally for the purpose of selling it in the near term, if it is part of a portfolio for which there is a pattern of short-term profit-taking, or if it is a derivative with positive fair value.

The Group designates a financial asset/liability as measured at fair value through profit or loss if:

- it is classified as held for trading (i.e. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or it is a derivative (except for a derivative that is designated as an effective hedging instrument),
- it was designated as measured at fair value through profit or loss on initial recognition.

Financial liabilities other than held for trading may be designated by the Group upon initial recognition as financial liabilities measured at fair value through profit or loss if:

- the designation will eliminate or significantly reduce a measurement or recognition inconsistency; or
- a group of financial assets or liabilities or both is managed and its performance is measured on a fair value basis in accordance with a documented risk management or investment strategy applied by the Group, whereunder information regarding asset grouping is exchanged internally; or
- they constitute part of a contract with one or more embedded derivatives, and IAS 39 permits that the entire contract (an asset or a liability) be designated as at fair value through profit or loss.

Financial instruments and financial liabilities acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the amount or other assets received.

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

Financial instruments held for trading comprise shares listed on the Warsaw and Budapest Stock Exchanges. For 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 current receivables where recognition of interest income would be immaterial. Non-interest bearing current receivables are measured at amounts receivable, subject to the prudent valuation principle. 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.

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 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

Current receivables

Current 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.

Current receivables from clients, current 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

Current receivables from clients, current 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 purchase transactions on stock exchanges made to execute orders placed by clients whose accounts are kept by custodian banks, the Company recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current receivables from the clients for whom the purchase transactions were executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses current receivables from banks conducting brokerage activities, 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.*

Non-current receivables

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

Impairment losses

As at the end of each reporting period, the Group evaluates whether there is any indication 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.

<u>Liabilities</u>

Current liabilities

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

Current liabilities include all liabilities to clients, liabilities to 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 also include current account overdrafts and finance lease liabilities, measurement of which is discussed above in 'Financial liabilities at amortised cost'.

Recognition of current liabilities under executed transactions is discussed above in 'Current receivables from clients, current 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 2017

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2017:

- 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;
- 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.

The Group believes that application of the above standards and interpretations will not have any material effect on its full-year financial statements.

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:

- 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;
- 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 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 IAS 7 *Disclosure Initiative* – published by the International Accounting Standards Board on January 29th 2016, effective for annual periods beginning on or after January 1st 2017;
- 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;
- 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 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 three months of 2017, there were no changes to estimates, except for the changes in accruals and deferred income, depreciation/amortisation and impairment losses on receivables, discussed in Note 14.

9. Translation of foreign-currency items

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

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

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

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

Currency	Mar 31 2017	Dec 31 2016	Mar 31 2016
USD	3.9455	4.1793	3.7590
EUR	4.2198	4.4240	4.2684
HUF 100	1.3670	1.4224	1.3586
RON	0.9277	0.9749	0.9538
GBP	4.9130	5.1445	5.4078
UAH	0.1460	0.1542	0.1436
CZK	0.1559	0.1637	0.1578
CHF	3.9461	4.1173	3.9040
TRY	1.0853	1.1867	1.3284
JPY 100	3.5272	3.5748	3.3463
NOK	0.4601	0.4868	0.4532
CAD	2.9564	3.0995	2.9007
SEK	0.4419	0.4619	0.4624
DKK	0.5674	0.5951	0.5729
AUD	3.0171	3.0180	2.8838

Source: National Bank of Poland.

10. Earnings per share

For each period, earnings per share are computed as the quotient of the net profit attributable to the Parent for the period and the weighted average number of shares in the period.

To obtain diluted earnings per share, the weighted average number of shares in the period is adjusted to account for all potentially dilutive ordinary shares. In the Company's case, these are Series C shares which may be issued within the limit of conditional share capital in connection with the incentive scheme adopted at the Company, to 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-Mar 31 2017	Jan 1-Mar 31 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	0.02	- 0.06
- diluted	0.02	- 0.06

11. Operating segments

For management purposes, the Group is divided into separate segments based on types of services provided. The following reporting operating segments have been identified:

1. 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 consultancy 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	Three months ended March 31st 2017 Continuing operations Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Segment's total revenue	10,328	7,582	4,315	22,225
Intersegment sales	-	-	-32	-32
Sales to external clients	**10,328**	**7,582**	**4,283**	**22,193**
Segment's costs				
Segment's costs – purchases from external suppliers	-10,064	-6,560	-3,943	-20,567
Segment's costs – intersegment purchases	-	-	-	-
Consolidation eliminations	32	11	-	43
Segment's total costs	**-10,032**	**-6,549**	**-3,943**	**-20,524**
Segment's profit/(loss) on core activities	**296**	**1,033**	**340**	**1,669**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	296	1,033	340	1,669
Interest income	64	48	2	114
Interest expense	-342	-8	-	-350
Other net finance income/ expenses	-487	6	-118	-599
Other income/ expenses	48	1	41	90
Consolidation eliminations	-11	-	-	-11
Profit before tax and non-controlling interests	**-432**	**1,080**	**265**	**913**
Income tax	-62	211	245	394
Consolidation eliminations	-	-	-	-
Total corporate income tax	**-62**	**211**	**245**	**394**
Net profit for period	**-370**	**869**	**20**	**519**
Assets and liabilities as at Mar 31 2017				
Segment's assets	347,415	30,396	10,675	388,486
Unallocated assets	-	-	-	-
Total assets	**347,415**	**30,396**	**10,675**	**388,486**
Segment's liabilities	291,595	2,528	1,630	295,753
Accruals and deferred income	3,376	4,759	185	8,320
Segment's net profit/(loss)	-370	869	20	519
Equity (excluding net profit/(loss) for current period)	52,837	23,014	3,630	79,481
Non-controlling interests (excluding net profit/(loss) for current period)	2	-	4,411	4,413
Total equity and liabilities	**347,440**	**31,170**	**9,876**	**388,486**

Operating segments	Three months ended March 31st 2016 Continuing operations Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Segment's total revenue	7,426	7,666	1,868	16,960
Intersegment sales	-	-	-44	-44
Sales to external clients	**7,426**	**7,666**	**1,824**	**16,916**
Segment's costs				
Segment's costs – purchases from external suppliers	-8,772	-7,291	-2,528	-18,591
Segment's costs – intersegment purchases	-	-	-	-
Consolidation eliminations	29	26	-	55
Segment's total costs	**-8,743**	**-7,265**	**-2,528**	**-18,536**
Segment's profit/(loss) on core activities	**-1,317**	**401**	**-704**	**-1,620**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	-1,317	401	-704	-1,620
Interest income	61	31	4	96
Interest expense	-317	-8	-	-325
Other net finance income/ expenses	-85	101	4	20
Other income/ expenses	-30	-9	-	-39
Consolidation eliminations	-11	-	-	-11
Profit before tax and non-controlling interests	**-1,699**	**516**	**-696**	**-1,879**
Income tax	200	106	-4	302
Consolidation eliminations	-	-	-	-
Total corporate income tax	**200**	**106**	**-4**	**302**
Net profit for period	**-1,899**	**410**	**-692**	**-2,181**
Assets and liabilities as at Dec 31 2016				
Segment's assets	295,763	30,818	13,768	340,349
Unallocated assets	-	-	-	-
Total assets	**295,763**	**30,818**	**13,768**	**340,349**
Segment's liabilities	239,300	3,510	4,231	247,041
Accruals and deferred income	3,875	5,066	732	9,673
Segment's net profit/(loss)	-396	1,051	1,710	2,365
Equity (excluding net profit/(loss) for current period)	53,175	21,764	2,823	77,762
Non-controlling interests (excluding net profit/(loss) for current period)	-	-	3,508	3,508
Total equity and liabilities	**295,954**	**31,391**	**13,004**	**340,349**

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

Cash and cash equivalents

Cash and other assets	Mar 31 2017	Dec 31 2016
Cash and other assets of the Group		
a) at banks and in hand	24,925	26,561
b) other	36,594	16,153
Total	**61,519**	**42,714**
Cash and other assets:		
a) the Group's own cash and other assets	30,823	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	30,696	12,411
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**61,519**	**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 30,696 thousand as at March 31st 2017 and PLN 12,411 thousand as at December 31st 2016, is also disclosed under other cash.

Receivables

Current receivables	Mar 31 2017	Dec 31 2016
From clients / trade receivables	85,262	135,569
- under transactions executed on the Warsaw Stock Exchange	53,678	89,043
- under transactions executed on the Budapest Stock Exchange	20,894	21,049
- under transactions executed on the Prague Stock Exchange	-	2,674
- under transactions executed on the New York Stock Exchange	532	7,065
- under transactions executed on the London Stock Exchange	177	116
- under transactions executed on the Frankfurt Stock Exchange	-	2,252
- other	9,981	13,370
From related entities	13	13
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	154,856	73,232
- under transactions executed on the Warsaw Stock Exchange*	102,915	40,067
- under transactions executed on the Budapest Stock Exchange	46,378	6,163
- under transactions executed on the Prague Stock Exchange	558	3,121
- under transactions executed on the London Stock Exchange	77	-
- under transactions executed on the New York Stock Exchange	-	16,410
- under transactions executed on the Amsterdam Stock Exchange	-	6,270
- other	4,928	1,201
From entities operating regulated markets and commodity exchanges	39	-
From the Central Securities Depository of Poland and exchange clearing houses	36,715	34,907
- from the settlement guarantee fund	36,514	34,694
- other	201	213
From investment and pension fund companies and from investment and pension funds	3,340	2,761
From issuers of securities or selling shareholders	-	-
Taxes, subsidies and social security receivable	227	40

Other	14,532	22,385
Total current receivables	**294,984**	**268,907**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, current 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).*

Current receivables and liabilities are recognised predominantly in connection with the 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 Q1 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 Q1 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 Q1 2017, the Group acquired property, plant and equipment and intangible assets with a value of PLN 224 thousand (Q1 2016: PLN 71 thousand).

Material purchase or sale transactions in property, plant and equipment

In Q1 2017 and 2016, the Group did not purchase or sell any material items of property, plant and equipment.

Material liabilities under purchases of property, plant and equipment

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

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

Share capital

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

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.

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

Increase/(decrease) in accruals and deferred income

	Jan 1-Mar 31 2017	Jan 1-Mar 31 2016	2016
As at beginning of reporting period	**9,673**	**9,714**	**9,714**
Recognised in period	2,296	2,261	14,156
Used	3,318	4,676	13,858
Reversed	331	-	339
As at end of reporting period	**8,320**	**7,299**	**9,673**

Impairment losses on receivables

In Q1 2017, impairment losses on receivables decreased by PLN 41 thousand, following reversal or use of impairment losses (Q1 2016: decrease by PLN 35 thousand).

Liabilities (current)

Current liabilities	**Mar 31 2017**	**Dec 31 2016**
To clients	181,436	93,748
To related entities	1	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	91,601	130,250
- to the Warsaw Stock Exchange *	69,441	97,968
- to the Budapest Stock Exchange	21,452	20,191
- to the Prague Stock Exchange	-	2,670
- to the New York Stock Exchange	532	7,055
- to the London Stock Exchange	176	116
- to the Frankfurt Stock Exchange	-	2,250
- other	-	-
To entities operating regulated markets and commodity exchanges	678	602
- to the Warsaw Stock Exchange	594	536
- to the Budapest Stock Exchange	28	16
- to the Vienna Stock Exchange	52	44
- to the Chicago Mercantile Exchange	4	6
To the Central Securities Depository of Poland and exchange clearing houses	3,447	2,044
Borrowings	13,813	14,784
- from related entities	-	-
- other	13,813	14,784
Debt securities	4	4
Taxes, customs duties and social security payable	1,205	1,406
Salaries and wages	-	1
To investment and pension fund companies and to investment and pension funds	966	1,704
Other	1,762	1,525
a) dividends payable	-	-
b) other	1,762	1,525
- financial liabilities (lease)	252	242
- other liabilities	1,510	1,283
Total current liabilities	**294,913**	**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).*

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

Interest-bearing borrowings

Current liabilities under borrowings	Mar 31 2017	Dec 31 2016
Bank borrowing	13,813	14,784
- outstanding amount	13,813	14,784
Current liabilities under borrowings	**13,813**	**14,784**

As at March 31st 2017, the Group's liabilities under borrowings related to its brokerage business amounted to PLN 13,813 thousand (December 31st 2016: PLN 14,784 thousand). The liabilities arose under:

1. Two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland in connection with the brokerage activities; their current term expires on September 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.
2. HUF 409m current account overdraft facility from Raiffeisen Bank Zrt, used to settle transactions on the Budapest Stock Exchange in connection with brokerage activities, expiring on March 14th 2018. The facility is secured with a security deposit of HUF 409m.

Bonds

The Group companies did not issue any bonds in Q1 2017 or in the comparative period (i.e. in Q1 2016). In Q2 2017 until the publication date of these financial statements, the Group companies issued registered bonds with a total nominal value of PLN 4.3 thousand, maturing between 2017 and 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 bond issues are related to the scheme of variable remuneration components implemented at the Group with a view to strengthening the risk management system.

In Q1 2017, the Group redeemed PLN 1.1 thousand worth of bonds, compared with PLN 3.3 thousand redeemed in Q1 2016.

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

None.

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

Revenue from core activities

Revenue from core activities	Jan 1 2017 - Mar 31 2017	Jan 1 2016 - Mar 31 2016
Revenue from trading in securities	6,393	5,620
Revenue from investment banking services	2,746	1,775
Revenue from management of investment funds and clients' assets	7,582	7,666
Revenue from consultancy services	4,283	1,824
Other revenue from core activities	1,189	31
Total revenue from core activities	**22,193**	**16,916**

Operating expenses

Cost of core activities	Jan 1 2017 - Mar 31 2017	Jan 1 2016 - Mar 31 2016
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	2,014	1,660
Salaries and wages	8,323	8,383
Social security and other benefits	970	1,028
Employee benefits	131	124
Raw material and consumables used	124	152
Costs of maintenance and lease of buildings	793	720
Depreciation and amortisation expenses	684	676
Taxes and other public charges	412	366
Other costs, including:	7,073	5,427
- fund management and distribution costs	3,682	2,484
- transaction costs other than cost of clearance through clearing houses or stock exchanges	261	442
- ICT and information services	910	967
- marketing, representation and advertising	155	245
- software purchases (for recharge)	272	31
- other services	1,793	1,258
Total cost of core activities	**20,524**	**18,536**

16. Income tax

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

	Jan 1 2017 - Mar 31 2017	Jan 1 2016 - Mar 31 2016
Profit before tax	**913**	**-1,879**
Tax calculated at 19% rate	**173**	**-357**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	1	-
Tax losses for which no deferred tax assets were recognised − other	68	3,202
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	497	291
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-7
Non-taxable income	593	-19

Tax base for current and deferred income tax	**2,072**	**1,588**
Reductions, exemptions	-	-
Income tax expense	**394**	**302**

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 there is no possibility of referring 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 246 thousand in Q1 2017. In Q1 2016 they fell by 4 thousand.

Deferred tax assets went down by PLN 51 thousand in Q1 2017. In Q1 2016, they fell by PLN 307 thousand.

17. Employee benefits – employee share option plans

No eligible persons subscribed for any shares under the Company's incentive scheme in Q1 2017 or in the comparative period.

Costs of incentive schemes increase the cost of salaries and wages, however no such costs were recorded in Q1 2017 or 2016.

18. Dividends paid and proposed

On May 11th 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), i.e. it will amount to PLN 899.55 per share.

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 total dividend of PLN 1,470 thousand, i.e. approximately PLN 0.42 per share. By the date of these financial statements, the dividend had been paid to the Company in full.

By the date of these consolidated financial statements, no final decision had been made by the Parent's Management Board concerning recommended distribution of the 2016 profit. Any decisions in this respect will be made at a later date, however not later than by the date of convening of the Annual General Meeting, which pursuant to the Commercial Companies Code must be held within six months from the end of a given financial year.

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

The Group companies did not issue any equity or non-equity securities in Q1 2017 or in 2016.

In Q2 2017 until the date of these interim condensed financial statements, the Group companies carried out bond issues, as described in Note 14.

20. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRSs when the effect of the 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.
Total assets as at Mar 31 2017	2	53
% share in Parent's total assets	-	0.01
Revenue for period Jan 1–Mar 31 2017	2	-
% share in Parent's revenue	-	-
Net assets as at Mar 31 2017	- 4	38
Net profit/(loss) for period Jan 1–Mar 31 2017	- 1	-

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	-	55
% share in Parent's total assets	-	-	0.02
Revenue for period Jan 1–Mar 31 2016	-	-	131
% share in Parent's revenue	-	-	1.76
Net assets as at Dec 31 2016	2	-	40
Net profit/(loss) for period Jan 1–Mar 31 2016	-	-	- 59

21. Seasonality

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

22. Contingent liabilities and contingent assets

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

23. Guarantees

In January 2012, the Company received from PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) a guarantee of up to EUR 268 thousand, secured by a security deposit with a current value of PLN 1,389 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 by a security deposit of EUR 1.5m.

24. Leases

The Group as a lessee – right to use a building

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

Operating lease liabilities	Mar 31 2017	Dec 31 2016
	Present value of minimum lease payments	
Within 1 year *	2,047	2,251
Within 1 to 5 years *	8,190	8,976
Over 5 years *	1,623	2,796
Total operating lease liabilities	**11,860**	**14,023**
Cost of operating leases recognised in the three months ended	**50**	**67**

** Average annual value 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 agreements have been classified as finance leases. Minimum lease payments are presented in the table below.

Finance lease liabilities	Mar 31 2017	Dec 31 2016
Net carrying amount	513	577
Present value of minimum lease payments	**686**	**727**
Within 1 year *	252	242
Within 1 to 5 years *	434	485
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	**50**	**226**

The Group companies did not enter into any sublease agreements.

25. Related-party transactions

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

In Q1 2017 and in Q1 2016, the Group did not conclude any material transactions with related parties 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–Mar 31 2017				Jan 1–Mar 31 2016			
IPOPEMA Business Services Kft.	-	-	-	-	-	-	-	-
IPOPEMA Business Services Srl.	-	-	-	-	-	-	133	-
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-	-	-	-	-
Members of the Management and Supervisory	-	10	-	-	-	10	3	-
Other related parties	-	-	-	-	-	-	-	-
Total	**-**	**10**	**-**	**-**	**-**	**10**	**136**	**-**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Mar 31 2017	Dec 31 2016	Mar 31 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 Boards	13	13	-	-
Other related parties	-	-	-	-
Total	**13**	**13**	**-**	**-**

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

26. Items of the consolidated statement of cash flows

Operating activities – provision of brokerage and consultancy 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	
	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016
Cash and cash equivalents	**61,519**	**42,714**	**61,611**	**42,185**
1. In hand	1	2	1	2
2. At banks	24,924	26,559	24,924	26,559
3. Other cash	36,588	15,645	36,588	15,645
4. Cash equivalents	6	508	-	-
5. Accrued foreign exchange differences	-	-	98	-21

The difference between the presentation of cash in the statement of financial position and the statement of cash flows as at March 31st 2017 and March 31st 2016 follows from presentation of cash net of 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
	Mar 31 2017	**Dec 31 2016**	**Mar 31 2017**
Gross current and non-current receivables	303,542	271,171	-32,371
Net receivables	302,703	270,291	
Impairment losses on receivables	839	880	-41
Accruals and deferrals	8,157	9,595	-1,438
Total increase/(decrease) in impairment losses and accruals and deferrals			**-1,479**

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 March 31st 2017 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.

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Mar 31 2016	**Dec 31 2015**	**Mar 31 2016**
Gross current and non-current receivables	305,171	180,371	-111,959
Net receivables	304,566	179,801	
Impairment losses on receivables	605	570	35
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	7,202	9,714	-2,512
Increase/(decrease) in impairment losses and accruals and deferrals			**-2,477**

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 March 31st 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.

Explanation concerning other items of the consolidated statement of cash flows

	Jan 1 2017 - Mar 31 2017	**Jan 1 2016 - Mar 31 2016**
Cash flows from operating activities		
Other adjustments	2	14
- other	2	14
Cash flows from investing activities		
Other cash used in investing activities	2,348	12,805
- payment / increase of security deposit	2,348	12,805

27. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of claim is PLN 49.2 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. IPOPEMA TFI filed a response to the statement of claim in due time and is currently awaiting the court's further decisions in that case. For this reason, IPOPEMA TFI did not create any provisions for potential costs related to the claim.

28. Material events and factors in Q1 2017

Equity market and investment banking

In Q1 2017, only the Budapest Stock Exchange recorded a decrease in the trading volumes (down 6.0% on Q1 2016), while the trading volumes in Warsaw and Prague were, respectively, 49.9% and 10.1% higher compared with the first three months of 2016. Over the same period, the Company's market share at the WSE contracted slightly to 5.00% (from 5.04%), while its position on the BSE strengthened (in Q1 2017 its market share was 2.23%, compared with 1.89% a year earlier). As a result, the Company's revenue from trading in securities in Q1 2017 rose by 13.8% year on year (PLN 6,393 thousand vs PLN 5,620 thousand).

Conditions on the capital market were equally challenging as in Q1 2016. However, thanks to a tender offer for Gobarto shares and offering of Globe Trade Centre bonds, as well as services provided on an as-needed basis with respect to several transactions that were under preparation, the segment of brokerage services recorded higher revenue from investment banking (PLN 2,746 thousand, compared with PLN 1,775 thousand in Q1 2016).

In Q1 2017, the Company also recorded a significant increase in other revenue from core activities (PLN 1,189 thousand vs PLN 31 thousand a year earlier), mainly on higher revenue from the retail business.

As a result of these factors, the brokerage services segment posted a profit on core activities of PLN 296 thousand (compared with a PLN 1,317 thousand loss a year earlier), despite higher operating costs. However, due to higher interest expense and foreign exchange losses, the segment recorded a net loss of PLN 370 thousand (compared with a net loss of PLN 1,899 thousand a year earlier).

Activities of IPOPEMA TFI

An increase in the value of assets in actively managed funds (to PLN 1.0bn at the end of March 2017, compared with PLN 0.7bn 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 operations, introduced in 2016, there was a decline in revenue from closed-end investment funds. As a result, IPOPEMA TFI's total revenue for Q1 2017 fell slightly (to PLN 7,582 thousand, from PLN 7,666 thousand in Q1 2016), but thanks to a reduction of its operating costs by 9.9%, the segment saw its net profit improve to PLN 869 thousand (from PLN 410 thousand in Q1 2016).

IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in Q1 2017 resulted in a more than twofold increase in the company's revenue, which, despite higher operating costs (up by 56.0%), was reflected in improved net profit (PLN 20 thousand, compared with a PLN 692 thousand loss posted a year earlier).

29. 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–March 31st 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, May 18th 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