IPOPEMA Securities
Group

# Interim condensed consolidated financial statements

**for the three months ended March 31st 2018**

Warsaw, May 24th 2018

# Contents

# Financial highlights

| Financial highlights | PLN '000 Three months ended March 31st | | EUR '000 Three months ended March 31st | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue from core activities | 23,529 | 22,193 | 5,631 | 5,174 |
| Cost of core activities | 24,142 | 20,524 | 5,778 | 4,785 |
| Profit/(loss) on core activities | - 613 | 1,669 | - 147 | 389 |
| Operating profit/(loss) | - 1,128 | 2,034 | - 270 | 474 |
| Pre-tax profit/(loss) | - 1,050 | 913 | - 251 | 213 |
| Net profit/(loss) on continuing operations | - 865 | 519 | - 207 | 121 |
| Net profit/(loss) | - 865 | 519 | - 207 | 121 |
| Earnings/(loss) per ordinary share (weighted average) (PLN/EUR) | | | | |
| - basic | - 0.03 | 0.02 | - 0.01 | 0.00 |
| - diluted | - 0.03 | 0.02 | - 0.01 | 0.00 |
| Net cash flow from operating activities | 50,394 | 15,752 | 12,061 | 3,673 |
| Total cash flows | 31,499 | 19,426 | 7,539 | 4,529 |

| Consolidated financial highlights | PLN '000 | | EUR '000 | |
|---|---|---|---|---|
| | Mar 31 2018 | Dec 31 2017 | Mar 31 2018 | Dec 31 2017 |
| Total assets | 432,644 | 361,513 | 102,802 | 86,675 |
| Current liabilities | 339,474 | 266,585 | 80,664 | 63,915 |
| Equity | 83,265 | 84,205 | 19,785 | 20,189 |
| Number of shares | 29,937,836 | 29,937,836 | 29,937,836 | 29,937,836 |
| Book value per share (PLN/EUR) | 2.78 | 2.81 | 0.66 | 0.67 |

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

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

| Average exchange rate calculated as the arithmetic mean of the exchange rates quoted for the last day of each month in a given period | Jan-Mar 2018 | Jan-Mar 2017 |
|---|---|---|
| EUR | 4.1784 | 4.2891 |

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

| Exchange rate as at | Mar 31 2018 | Dec 31 2017 | Mar 31 2017 |
|---|---|---|---|
| EUR | 4.2085 | 4.1709 | 4.2198 |

# Interim condensed consolidated statement of comprehensive income

## for the three months ended Mar 31 2018

| | Note | Jan 1–Mar 31 2018 | Jan 1–Mar 31 2017 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| **Revenue from core activities, including:** | 15 | **23,529** | **22,193** |
| Revenue from brokerage activities | | 10,860 | 10,328 |
| Revenue from investment fund and asset management | | 7,103 | 7,582 |
| Revenue from advisory services | | 5,566 | 4,283 |
| **Cost of core activities** | 15 | **24,142** | **20,524** |
| **Profit/(loss) on core activities** | | **- 613** | **1,669** |
| Gain/(loss) on transactions in financial assets held for trading | | - 627 | 273 |
| Gain/(loss) on transactions in financial instruments available for sale | | - | 14 |
| Other income | | 208 | 186 |
| Other expenses | | 96 | 108 |
| **Operating profit/(loss)** | | **- 1,128** | **2,034** |
| Finance income | | 591 | 226 |
| Finance costs | | 513 | 1,347 |
| **Gross profit (loss)** | | **- 1,050** | **913** |
| Income tax | 16 | - 185 | 394 |
| **Net profit/(loss) on continuing operations** | | **- 865** | **519** |
| **DISCONTINUED OPERATIONS** | | - | - |
| **Net profit/(loss) for period** | | **- 865** | **519** |
| Attributable to: | | | |
| Owners of the parent | | - 824 | 558 |
| Non-controlling interests | | - 41 | - 39 |
| Earnings/(loss) per share (PLN) | | - 0.03 | 0.02 |
| Diluted earnings/(loss) per share (PLN) | | - 0.03 | 0.02 |
| **Net profit/(loss) for period** | | **- 865** | **519** |
| **Other comprehensive income** | | **- 75** | **257** |
| Gains and losses on remeasurement of financial assets held as investments | | - 93 | 317 |
| Income tax on items of other comprehensive income | | 18 | - 60 |
| **Comprehensive income for period** | | **- 940** | **776** |
| Attributable to: | | | |
| Owners of the parent | | - 899 | 815 |
| Non-controlling interests | | - 41 | - 39 |

Warsaw, May 24th 2018

| | | | | |
|---|---|---|---|---|
| Jacek Lewandowski<br>President of the Management Board | Mariusz Piskorski<br>Vice President of the Management Board | Stanisław Waczkowski<br>Vice President of the Management Board | Mirosław Borys<br>Vice President of the Management Board | Danuta Ciosek<br>Chief Accountant |

# Interim condensed consolidated statement of financial position

## as at March 31st 2018

| ASSETS | Note | Mar 31 2018 | Dec 31 2017 | Mar 31 2017 |
|---|---|---|---|---|
| Cash and cash equivalents | 12 | 106,080 | 67,482 | 61,519 |
| Short-term receivables | 12, 14 | 303,547 | 269,162 | 294,984 |
| Current tax assets | | 169 | 157 | - |
| Current prepayments and accrued income | | 1,541 | 1,474 | 1,284 |
| Financial assets held for trading | | 4,500 | 3,009 | 4,146 |
| Financial instruments available for sale | | - | 9,459 | 9,691 |
| Financial assets held as investments | | 6,615 | - | - |
| Investments in jointly controlled entities and associates | | - | - | - |
| Long-term receivables | | 2,766 | 2,943 | 7,719 |
| Long-term loans advanced | | 24 | 35 | 44 |
| Property, plant and equipment | | 2,971 | 3,330 | 4,330 |
| Investment property | | - | - | - |
| Intangible assets | | 2,159 | 2,353 | 2,850 |
| Deferred tax assets | | 2,003 | 1,768 | 1,705 |
| Non-current prepayments and accrued income | | 269 | 341 | 214 |
| **TOTAL ASSETS** | | **432,644** | **361,513** | **388,486** |

| EQUITY AND LIABILITIES | Note | Mar 31 2018 | Dec 31 2017 | Mar 31 2017 |
|---|---|---|---|---|
| Current liabilities | 14 | 339,474 | 266,113 | 294,913 |
| Current tax liabilities | | - | 472 | 109 |
| Other financial liabilities | | - | - | - |
| Non-current liabilities | | 2,942 | 3,185 | 436 |
| Deferred tax liabilities | 16 | 92 | 59 | 295 |
| Accruals and deferred income | 14 | 6,871 | 7,479 | 8,320 |
| **Total liabilities** | | **349,379** | **277,308** | **304,073** |
| Share capital | 13 | 2,994 | 2,994 | 2,994 |
| Other capital reserves | | 13,663 | 13,738 | 14,087 |
| Retained earnings | | 62,330 | 63,154 | 62,959 |
| **Total equity** | | **78,987** | **79,886** | **80,040** |
| **Non-controlling interests** | | **4,278** | **4,319** | **4,373** |
| **Total equity** | | **83,265** | **84,205** | **84,413** |
| **TOTAL EQUITY AND LIABILITIES** | | **432,644** | **361,513** | **388,486** |

Warsaw, May 24th 2018

| Jacek Lewandowski<br>President of the<br>Management Board | Mariusz Piskorski<br>Vice President of the<br>Management Board | Stanisław Waczkowski<br>Vice President of the<br>Management Board | Mirosław Borys<br>Vice President of the<br>Management Board | Danuta Ciosek<br>Chief Accountant |
|---|---|---|---|---|

# Interim condensed consolidated statement of cash flows

## for the three months ended Mar 31 2018

| CASH FLOWS | Note | Jan 1–Mar 31 2018 | Jan 1–Mar 31 2017 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit before tax** | | **- 1,050** | **913** |
| **Total adjustments:** | 26 | **51,444** | **14,839** |
| Depreciation and amortisation | | 605 | 684 |
| Foreign exchange gains/(losses) | | - 102 | 119 |
| Interest and dividends | | 229 | 307 |
| Gain/(loss) on investing activities | | - 153 | - 11 |
| Increase/(decrease) in financial assets held for trading | | - 1,491 | - 4,020 |
| Increase/(decrease) in receivables | | - 33,673 | - 29,855 |
| Increase/(decrease) in current liabilities (net of borrowings) | | 86,755 | 49,272 |
| Change in provisions and impairment losses on receivables | | - 87 | - 41 |
| Increase/(decrease) in accruals and deferrals | | - 603 | - 1,438 |
| Income tax paid | | - | - 180 |
| Other adjustments | | - 36 | 2 |
| **Net cash from operating activities** | | **50,394** | **15,752** |
| **Cash flows from investing activities** | | | |
| Decrease in loans advanced | | 86 | 82 |
| Purchase of property, plant and equipment and intangible assets | | - 125 | - 224 |
| Acquisition of financial assets held as investments | | - 7,080 | - |
| Disposal of financial assets held as investments | | 2,978 | 7,500 |
| Interest received | | 7 | 70 |
| Other cash used in investing activities | | - | - 2,348 |
| **Net cash from investing activities** | | **- 4,134** | **5,080** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | - |
| Repayment of debt securities | | - 2 | - 2 |
| Interest paid | | - 281 | - 382 |
| Payment of finance lease liabilities | | - 379 | - 50 |
| Repayment of borrowings | | - 14,359 | - 972 |
| Other cash generated by investing activities | | 260 | - |
| **Net cash from financing activities** | | **- 14,761** | **- 1,406** |
| **Total cash flows** | | **31,499** | **19,426** |

| | | | |
|---|---|---|---|
| Net increase/(decrease) in cash and cash equivalents | | 31,601 | 19,308 |
| Effect of exchange rate fluctuations on cash held | | 102 | - 118 |
| Cash at beginning of period | 26 | 67,520 | 42,185 |
| **Cash at end of period, including** | 26 | **99,019** | **61,611** |
| *- restricted cash** | | *73,687* | *30,696* |

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

Warsaw, May 24th 2018

| | | | | |
|---|---|---|---|---|
| Jacek Lewandowski<br>President of the Management Board | Mariusz Piskorski<br>Vice President of the Management Board | Stanisław Waczkowski<br>Vice President of the Management Board | Mirosław Borys<br>Vice President of the Management Board | Danuta Ciosek<br>Chief Accountant |

# Interim condensed consolidated statement of changes in equity

## for the three months ended Mar 31 2018

| | Equity attributable to owners of the parent | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| | Share capital | Other capital reserves | | | Retained earnings | | |
| | | Share premium | Revaluation capital reserve | Other capital reserves | | | |
| **As at Jan 1 2018** | **2,994** | **10,351** | **173** | **3,214** | **63,154** | **4,319** | **84,205** |
| Profit for period | - | - | - | - | - 824 | - 41 | - 865 |
| Other comprehensive income | - | - | - 75 | - | - | - | - 75 |
| **As at Mar 31 2018** | **2,994** | **10,351** | **98** | **3,214** | **62,330** | **4,278** | **83,265** |
| **As at Jan 1 2017** | **2,994** | **10,351** | **265** | **3,214** | **62,401** | **4,410** | **83,635** |
| Profit for 2017 | - | - | - | - | 1,651 | 807 | 2,458 |
| Other comprehensive income | - | - | - 92 | - | - | - | - 92 |
| Dividend paid | - | - | - | - | - 898 | - 900 | - 1,798 |
| Other increase/decrease | - | - | - | - | - | 2 | 2 |
| **As at Dec 31 2017** | **2,994** | **10,351** | **173** | **3,214** | **63,154** | **4,319** | **84,205** |
| **As at Jan 1 2017** | **2,994** | **10,351** | **265** | **3,214** | **62,401** | **4,410** | **83,635** |
| Profit for period | - | - | - | - | 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** |

Warsaw, May 24th 2018

| | | | | |
|---|---|---|---|---|
| Jacek Lewandowski<br>President of the Management Board | Mariusz Piskorski<br>Vice President of the Management Board | Stanisław Waczkowski<br>Vice President of the Management Board | Mirosław Borys<br>Vice President of the Management Board | Danuta Ciosek<br>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 March 31st 2018, the IPOPEMA Group comprised IPOPEMA Securities S.A. and its subsidiaries presented in Section 2 below.

The Group’s principal business comprises:

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

## IPOPEMA Securities S.A. – the Parent

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

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

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

IPOPEMA Securities S.A. conducts brokerage activities based on 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 also provides intermediation services in debt instruments trading outside the regulated market. The Company’s partners and clients include both high-profile international financial institutions and most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers. The brokerage operations of IPOPEMA Securities S.A. are supported by a team of analysts, who prepare research reports, recommendations and comments on several dozen companies listed on the WSE and foreign stock exchanges.

The Company’s investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities S.A. also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes.

## 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 2018, 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<br>- discretionary management of securities portfolios<br>- advisory services in the area of securities trading<br>- intermediation in the sale and redemption of investment fund units<br>- representation service for foreign funds<br>- management of portfolios of broker-traded financial instruments | full | 100% | 100% |
| IPOPEMA Business Consulting Sp. z o.o. | - other business and management consultancy services<br>- computer facilities management activities,<br>- computer consultancy services<br>- software-related activities<br>- 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% |

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

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

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

## 3.1st 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 IFRSs 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 2018 and contain comparative data for the three months ended March 31st 2017 and as at December 31st 2017.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Group for 2017.

## 3.2nd Measurement currency and reporting currency

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

## 3.3rd Going concern assumption

These interim condensed consolidated financial statements were prepared on the assumption that the companies of the Group would continue as going concerns 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.

## 3.4th Comparability of data

There were no significant presentation changes in the three months ended March 31st 2018. The presentation changes related to the entry into force of IFRS 9 are discussed in Note 6.1.

# 4. Changes in applied accounting policies

The accounting policies applied in preparing these condensed consolidated financial statements are consistent with the policies applied in preparing the Company's consolidated financial statements for the year ended December 31st 2017, issued on March 27st 2017, save for modifications related to the introduction of new standards, as described in Note 6. The consolidated financial statements for 2017 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

# 5. Selected accounting policies

<u>Financial assets</u>

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

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

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

### Financial assets measured at amortised cost

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

- it is managed in accordance with the business model the objective of which is to hold financial assets to collect their contractual cash flows,
- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets measured at amortised cost include:

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

### Financial assets measured at fair value through other comprehensive income.

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

- it is managed in accordance with the business model the objective of which is to both collect the contractual cash flows and sell the financial asset,
- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

## Financial liabilities

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

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

### Financial assets and liabilities held for trading

A financial asset is designated as held for trading if it is acquired principally for the purpose of selling it in the near term, if it is part of a portfolio for which there is a pattern of short-term profit-taking, or if it is a derivative (with the exception of derivatives in the form of financial guarantee contracts or designated and effective hedges).

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

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

Financial assets held for trading by the Group comprise shares listed on the Warsaw and Budapest Stock Exchanges. For 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.

### Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings and finance lease liabilities, are initially measured at fair value less transaction costs and then at amortised cost (interest expense is measured using the effective cost method). The effective interest rate method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that effectively discounts estimated future cash payments over the expected life of a given liability or, when appropriate, a shorter period.

The Group derecognises a financial liability when, and only when, the Group's obligation specified in the contract is discharged or cancelled or expires.

## Receivables

### Short-term receivables

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

Receivables are initially recognised at nominal value and measured as at the end of the reporting period at amounts receivable. Receivables are revised based on expected losses. Accordingly, as of January 1st 2018, a loss allowance for expected credit losses will be recognised on initial recognition of receivables.

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

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

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

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

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

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

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

## Long-term receivables

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

## Impairment of assets

As at the end of each reporting period, the Group evaluates whether there is any indication that an asset may be impaired.
Intangible assets which are not yet available for use 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 investments 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 measurement are described in „Financial liabilities measured at amortised cost" above.

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

### Non-current liabilities

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

## 6. Accounting policies introduced in 2018

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

- IFRS 9 *Financial Instruments* – published by the International Accounting Standards Board on July 24th 2014; the standard's final version supersedes previous versions of IFRS 9, completing the Board's project to replace IAS 39 '*Financial Instruments: Recognition and Measurement*'. The new standard provides guidance for classification and measurement of financial assets and liabilities, introducing three categories for debt instruments: at amortised cost, at fair value through other comprehensive income, and at fair value through profit or loss. Revisions were made to the methodologies for measurement of equity instruments – by limiting the applicability of measurement at historical cost, impairment – by introducing a new impairment recognition model (the recognition of expected credit losses over the lifetime of a given instrument rather than over the next 12 months) and hedge accounting. IFRS 9 does not include guidelines on hedge accounting of portfolios of financial assets and liabilities, since these matters are covered by a separate project of the International Accounting Standards Board. The standard is effective for annual periods beginning on or after January 1st 2018;
- IFRS 15 *Revenue from Contracts with Customers* – published by the International Accounting Standards Board on May 28th 2014, effective for annual periods beginning on or after January 1st 2018. Under IFRS 15, revenue is recognised in the amount equal to the transaction price determined as consideration for transferring promised goods or services to a customer when control over the goods or services is transferred to the customer. Revenue from contracts with customers is recognised at a point in time or over time, based on the measured progress towards complete satisfaction of a performance obligation.
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* – the clarifications provide additional information and explanations concerning the main points of IFRS 15, such as identification of individual performance obligations in the contract, determination whether the entity is an agent or a principal under the contract, and accounting for revenue from licences. In addition to additional clarifications, exemptions and simplifications for first-time adopters were also introduced. The clarifications are effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 2 *Share-based Payment* – published by the International Accounting Standards Board on June 20th 2016, effective for annual periods beginning on or after January 1st 2018; The amendments contain guidance with regard to: (i) fair value measurement of liabilities under cash-settled share-based transactions; (ii) reclassification from cash-settled share-based transactions to equity-settled share-based transactions, (iii) recognition of an employee's tax liability under share-based transactions.
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* – published by the International Accounting Standards Board on September 12th 2016, effective for annual periods beginning on or after January 1st 2018. The amendments to IFRS 4 address issues arising from implementation of IFRS 9. The released amendments to IFRS 4 complement the range of existing options

and seek to prevent temporary volatility in earnings of the insurance sector entities caused by the adoption of IFRS 9.

- Amendments to IAS 40 *Transfers of Investment Property* – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018; Amendments to IAS 40 clarify the requirements for transfers to and from investment property. They clarify that a change in the management's intentions for the use of investment property does not by itself provide evidence of a change in use. The amended standard should apply to all changes in use introduced after its effective date and to all investment property held as at its effective date.
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018. The interpretation clarifies the time of establishing the transaction date to determine the exchange rate for currency translation at initial recognition of an asset, cost or income item if the entity recognises advance consideration paid or received in a foreign currency. It applies if a transaction is denominated in a foreign currency and the entity recognises advance consideration paid or received in a foreign currency before the recognition of the related asset, cost or income item.
- Amendments to various standards "Annual Improvements to IFRS Standards 2014–2016 Cycle" – amendments made to IFRS (IFRS 1, IFRS 12, and IAS 28), primarily aimed at resolving discrepancies and clarifying terminology (amendments to IFRS 12 are effective for annual periods beginning on or after January 1st 2017, and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1st 2018).

The Group did not opt for early adoption of other standards and interpretations which have been issued but are not yet effective. For the effect of the implementation of the new standards, see Note 6.1.

## 6.1. Presentation changes due to implementation of new standards

### IFRS 9

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

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

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

with the following categories:

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

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

Financial assets held by the Group:

- Shares in non-consolidated subsidiaries (PLN 4 thousand as at March 31st 2018 and December 31st 2017), which were previously presented as financial instruments available for sale and as of January 1st 2018 have been presented as financial assets held as investments at fair value through other comprehensive income. Shares whose fair value cannot be determined reliably were previously measured at cost less impairment losses; in accordance with the new standard, such assets will be measured at fair value (in some cases, cost may be the best estimate of their fair value).
- Investment certificates and investment fund units (PLN 6,601 thousand as at March 31st 2018 against PLN 8,637 thousand as at December 31st 2017), which were previously presented as financial instruments available for sale, and as of January 1st 2018 have been presented as financial assets held as investments at fair value through other comprehensive income.

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

### Expected credit losses

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

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

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

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

## 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 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on January 1st 2019. IFRS 16 introduces a new definition of a lease based on the concept of control over assets. All lease transactions give rise to the lessee's obligation to recognise assets and liabilities from all lease contracts that meet the criteria stipulated by the standard (with a few exceptions and simplifications). Leases of office space, vehicles and other assets will be reflected in the lessee's assets and liabilities measured at the discounted expected cash flows from the contract.

  The change referred to above is expected to have an impact on the Group's consolidated financial statements, but no full assessment of the impact of IFRS 16 on the Group's financial data was performed by the date of authorisation of these financial statements.

- Amendments to IAS 28 *Long-Term Interests in Associates and Joint Ventures* – published on October 12th 2017; the amendments clarify that an entity should apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1st 2019.

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The effective date of the amended regulations has not been set by the International Accounting Standards Board.

- IFRS 17 *Insurance Contracts* – published on May 18th 2017, effective for annual periods beginning on or after January 1st 2021; The main objective of IFRS 17 is to ensure transparency and comparability of the insurers' financial statements. To this end, an entity will disclose quantitative and qualitative information to enable users of its financial statements to assess the impact of insurance contracts on the entity's financial position, financial performance and cash flows. IFRS 17 introduces a number of material amendments to the existing IFRS 4 requirements.

- Interpretation IFRIC 23 *Uncertainty over Income Tax Treatments* – published on June 7th 2017, effective for annual periods beginning on or after January 1st 2019. The interpretation clarifies how to apply the recognition and measurement requirements stipulated in IAS 12 *Income Taxes* in the case of uncertainty over income tax treatments. An uncertain tax treatment is applied if it is not probable that a tax authority will accept a particular tax treatment. In particular, IFRIC 23 defines – if there is uncertainty over income tax treatments – whether and when an entity should consider uncertain tax treatments separately; the assumptions made by the entity about the examination of tax treatments by taxation authorities; how the entity determines taxable profit (tax loss), tax bases, unused tax losses and tax rates; and how the entity considers changes in facts and circumstances. In accordance with the interpretation, the effects of uncertainty should be measured based on the approach which best predicts how the uncertainty will be resolved: either the most likely amount method or the expected value method.

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

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

The Group will apply the amended provisions of the standards as of January 1st 2019, unless a different effective date is provided. When first adopted, the amended standards (except for IFRS 16, the effect of which on the Group's financial data is currently under assessment) will have no material effect on the Group's consolidated financial statements.

The Group did not opt for early application of the above standards, amendments, and interpretations.

## 8. Changes in estimates

In the first three months of 2018, 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 under finance income or costs, as appropriate.

The following exchange rates were used to determine the carrying amounts:

| Currency | March 31st 2018 | December 31st 2017 | March 31st 2017 |
|---|---|---|---|
| USD | 3.4139 | 3.4813 | 3.9455 |
| EUR | 4.2085 | 4.1709 | 4.2198 |
| 100 HUF | 1.3473 | 1.3449 | 1.3670 |
| RON | 0.9034 | 0.8953 | 0.9277 |
| GBP | 4.7974 | 4.7001 | 4.9130 |
| UAH | 0.1298 | 0.1236 | 0.1460 |
| CZK | 0.1659 | 0.1632 | 0.1559 |
| CHF | 3.5812 | 3.5672 | 3.9461 |
| TRY | 0.8625 | 0.9235 | 1.0853 |
| 100 JPY | 3.2149 | 3.0913 | 3.5272 |
| NOK | 0.4361 | 0.4239 | 0.4601 |
| CAD | 2.6529 | 2.7765 | 2.9564 |
| SEK | 0.4097 | 0.4243 | 0.4419 |
| DKK | 0.5646 | 0.5602 | 0.5674 |
| AUD | 2.6288 | 2.7199 | 3.0171 |

*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. 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 2018 | Jan 1-Mar 31 2017 |
|---|---|---|
| Number of shares | 29,937,836 | 29,937,836 |
| Weighted average number of shares | 29,937,836 | 29,937,836 |
| Diluted number of shares | 29,937,836 | 29,937,836 |
| Net profit/(loss) on continuing operations per share | | |
| - basic | - 0.03 | 0.02 |
| - diluted | - 0.03 | 0.02 |

## 11. Operating segments

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

1. The segment of brokerage and related services, comprising the business of (i) IPOPEMA Securities, i.e. brokerage and investment banking activities, distribution of investment products, investment advisory services addressed to a broad range of retail investors, and (ii) IFA SK, i.e. advisory services related to corporate financial restructuring and finance raising for infrastructure projects (in previous periods, this activity was conducted by IPOPEMA Securities, therefore, in accordance with the regulatory classification of brokerage services, it was identified as additional brokerage activities; in spite of the fact that this activity has been transferred to IFA SK, a decision was made to keep the previously applied segmentation for the purposes of consolidated financial statements).
2. The segment of investment fund and portfolio management, comprising the business of IPOPEMA TFI, i.e. creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.
3. The segment of advisory services, comprising the services of IPOPEMA Business Consulting, which focuses on business and management advisory, computer facilities management, computer advisory and software-related activities.

| Operating segments | 3 months ended March 31st 2018<br>Continuing operations<br>Brokerage and related services | Investment fund and portfolio management | Advisory services | Total |
|---|---|---|---|---|
| **Revenue** | | | | |
| Segment's total revenue | 11,042 | 7,103 | 5,566 | 23,711 |
| Intersegment sales | - 182 | - | - | - 182 |
| **Sales to external clients** | **10,860** | **7,103** | **5,566** | **23,529** |
| **Segment's costs** | | | | |
| Segment's costs – purchases from external suppliers | - 10,770 | - 8,135 | - 5,419 | - 24,324 |
| Segment's costs | 118 | 64 | - | 182 |
| Consolidation eliminations | - | - | - | - |
| **Segment's total costs** | **- 10,652** | **- 8,071** | **- 5,419** | **- 24,142** |
| **Segment's profit/(loss) on core activities** | **208** | **- 968** | **147** | **- 613** |
| Unallocated costs | - | - | - | - |
| Profit from continuing operations before tax and finance costs | 208 | - 968 | 147 | - 613 |
| Interest income | 67 | 54 | 63 | 184 |
| Interest expense | - 290 | - 5 | - 48 | - 343 |
| Other net finance income/ expenses | - 545 | 145 | 10 | - 390 |
| Other income/ expenses | 21 | 75 | - 2 | 94 |
| Consolidation eliminations | 18 | - | - | 18 |
| **Profit before tax and non-controlling interests** | **- 521** | **- 699** | **170** | **- 1,050** |
| Income tax | - 89 | - 129 | 33 | - 185 |
| Consolidation eliminations | - | - | - | - |
| **Total corporate income tax** | **- 89** | **- 129** | **33** | **- 185** |
| **Net profit for period** | **- 432** | **- 570** | **137** | **- 865** |
| **Assets and liabilities as at Mar 31 2018** | | | | |
| Segment's assets | 387,898 | 27,924 | 16,822 | 432,644 |
| Unallocated assets | - | - | - | - |
| **Total assets** | **387,898** | **27,924** | **16,822** | **432,644** |
| Segment's liabilities | 331,625 | 2,515 | 8,368 | 342,508 |
| Accruals and deferred income | 3,691 | 3,173 | 7 | 6,871 |
| Segment's net profit/(loss) | - 432 | - 570 | 137 | - 865 |
| Equity (excluding net profit/(loss) for current period) | 52,054 | 23,737 | 4,020 | 79,811 |
| Non-controlling interests (excluding net profit/(loss) for current period) | - 24 | - | 4,343 | 4,319 |
| **Total equity and liabilities** | **386,914** | **28,855** | **16,875** | **432,644** |

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

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

### Cash and cash equivalents

| Cash and other assets | Mar 31 2018 | Dec 31 2017 |
|---|---|---|
| **Cash and other assets of the Group** | | |
| a) at banks and in hand | 23,011 | 24,557 |
| b) other cash | 76,013 | 42,866 |
| c) cash equivalents | 7,056 | 59 |
| **Total** | **106,080** | **67,482** |
| **Cash and other assets** | | |
| a) the Group's own cash and other assets | 32,393 | 27,704 |
| b) cash and other assets of clients deposited in cash accounts at the brokerage house and paid towards acquisition of securities in an IPO or on the primary market | 73,687 | 39,778 |
| c) cash and other assets transferred from the settlement guarantee fund | - | - |
| **Total** | **106,080** | **67,482** |

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

Short-term deposits are presented under other cash. Deposits maturing in more than three months are presented under: Cash equivalents.

Clients' cash deposited in the Parent's bank account, in the amount of PLN 73,687 thousand as at March 31st 2018 and PLN 39,778 thousand as at December 31st 2017, is also disclosed under other cash.

### Receivables

| Short-term receivables | Mar 31 2018 | Dec 31 2017 |
|---|---|---|
| From clients / trade receivables | 114,754 | 102,824 |
| - under transactions executed on the Warsaw Stock Exchange | 82,393 | 63,584 |
| - under transactions executed on the Budapest Stock Exchange | 2,526 | 12,898 |
| - under transactions executed on the Prague Stock Exchange | 4,373 | 6,547 |
| - under transactions executed on the Istanbul Stock Exchange | - | 1,097 |
| - under transactions executed on the Paris Stock Exchange | 262 | - |
| - under transactions executed on the New York Stock Exchange | 9,527 | 1,295 |
| - under transactions executed on the Amsterdam Stock Exchange | 875 | - |
| - under transactions executed on the Frankfurt Stock Exchange | 2,192 | 375 |
| - other | 12,606 | 17,028 |
| From related entities | 7 | 7 |
| From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses* | 150,620 | 118,139 |
| - under transactions executed on the Warsaw Stock Exchange* | 98,806 | 73,764 |
| - under transactions executed on the Budapest Stock Exchange | 4,709 | 1,604 |
| - under transactions executed on the Prague Stock Exchange | - | 879 |
| - under transactions executed on the London Stock Exchange | 1,862 | 4,132 |
| - under transactions executed on the New York Stock Exchange | 3,053 | 1,449 |
| - under transactions executed on the Frankfurt Stock Exchange | 501 | 426 |
| - under transactions executed on the Zurich Stock Exchange | 219 | - |
| - other | 41,470 | 35,885 |
| From the Central Securities Depository of Poland and exchange clearing houses | 32,529 | 43,508 |
| - from the settlement guarantee fund | 32,529 | 43,508 |
| - other | - | - |

| | | |
|---|---|---|
| From investment and pension fund companies and from investment and pension funds | 4,308 | 3,312 |
| Taxes, subsidies and social security receivable | 807 | 110 |
| Other | 522 | 1,262 |
| **Total short-term receivables** | **303,547** | **269,162** |

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

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

In the case of buy 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

Following the adoption of IFRS 9, in Q1 2018 and in the comparative period, the policies for measurement of financial assets at fair value and classification of financial assets changed, as described in Note 6.1.

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

In Q1 2018 and in 2017, the Group companies did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did they reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 14).

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

In Q1 2018, the Group acquired property, plant and equipment and intangible assets with a value of PLN 125 thousand (Q1 2017: PLN 224 thousand).

### Material purchase or sale transactions in property, plant and equipment

In Q1 2018 and in 2017, the Group did not purchase or sell any material items of property, plant and equipment.

### Material liabilities under purchases of property, plant and equipment

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

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

### Share capital

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

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

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

### Increase/(decrease) in accruals and deferred income

| | Jan 1-Mar 31 2018 | Jan 1-Mar 31 2017 | 2017 |
|---|---|---|---|
| **As at beginning of reporting period** | **7,479** | **9,673** | **9,673** |
| Recognised in period | 4,685 | 2,296 | 14,078 |
| Used | 5,293 | 3,318 | 16,269 |
| Reversed | - | 331 | 3 |
| **As at end of reporting period** | **6,871** | **8,320** | **7,479** |

### Impairment losses on receivables

In Q1 2018, impairment losses on receivables decreased by PLN 87 thousand, following reversal or use of impairment losses (Q1 2017: decrease by PLN 41 thousand).

### Liabilities (current)

| **Current liabilities** | **Mar 31 2018** | **Dec 31 2017** |
|---|---|---|
| To clients | 209,298 | 142,118 |
| To related entities | - | - |
| To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses * | 111,936 | 91,401 |
| - to the Warsaw Stock Exchange * | 91,453 | 68,858 |
| - to the Budapest Stock Exchange | 2,524 | 12,889 |
| - to the Prague Stock Exchange | 4,367 | 6,543 |
| - to the Istanbul Stock Exchange | - | 1,096 |
| - to the New York Stock Exchange | 9,515 | 1,293 |
| - to the Paris Stock Exchange | 262 | - |
| - to the Amsterdam Stock Exchange | 874 | - |
| - to the Frankfurt Stock Exchange | 2,190 | 374 |
| - other | 751 | 348 |
| To entities operating regulated markets and commodity exchanges | 509 | 505 |
| - to the Warsaw Stock Exchange | 452 | 397 |
| - to the Budapest Stock Exchange | - | 41 |
| - to the Vienna Stock Exchange | 57 | 67 |
| To the Central Securities Depository of Poland and exchange clearing houses | 662 | 129 |
| Borrowings | 12,982 | 27,351 |
| - from related entities | - | - |
| - other | 12,982 | 27,351 |
| Debt securities | 3 | 5 |
| Taxes, customs duties and social security payable | 1,126 | 1,512 |
| To investment and pension fund companies and to investment and pension funds | 681 | 893 |
| Other | 2,277 | 2,199 |
| a) dividends payable | - | - |
| b) other | 2,277 | 2,199 |
| - lease liabilities | 963 | 1,158 |
| - other liabilities | 1,314 | 1,041 |
| **Total current liabilities** | **339,474** | **266,113** |

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

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

## Interest-bearing borrowings

| Current liabilities | Mar 31 2018 | Dec 31 2017 |
|---|---|---|
| Bank borrowing | 12,982 | 27,351 |
| - outstanding amount | 12,982 | 27,351 |
| **Current liabilities** | **12,982** | **27,351** |

As at March 31st 2018, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 12,982 thousand (December 31st 2017: PLN 27,351 thousand). The liabilities arose under:

1. Two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland in connection with the brokerage activities. Their current term expires on September 14th 2018:
   i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland in respect of the settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item ii.
   ii. Revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Central Securities Depository of Poland. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item i above, both credit facilities are also jointly secured by 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 2019. The facility is secured by a security deposit of HUF 409m.

## Bonds

In 2018 until the issue date of these financial statements and in the comparative period (i.e. in Q1 2017), the Group companies did not issue any bonds. The total amount of liabilities payable by the Group on redemption of the bonds will not exceed the bonds' nominal value and is not significant to the Group. The bonds were issued in connection with the variable remuneration components policy, implemented by the Group as part of its risk management system, in compliance with the applicable regulations.

In Q1 2018, the Group redeemed PLN 2.2 thousand worth of bonds, compared with PLN 1.1 thousand redeemed in Q1 2017.

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

None.

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

### Revenue from core activities

| Revenue from core activities | Jan 1–Mar 31 2018 | Jan 1–Mar 31 2017 |
|---|---|---|
| Revenue from trading in securities | 6,746 | 6,393 |
| Revenue from investment banking services | 2,662 | 2,746 |
| Revenue from management of investment funds and clients' assets | 7,103 | 7,582 |
| Revenue from consultancy services | 5,566 | 4,283 |
| Other revenue from core activities | 1,452 | 1,189 |
| **Total revenue from core activities** | **23,529** | **22,193** |

### Operating expenses

| Cost of core activities | Jan 1–Mar 31 2018 | Jan 1–Mar 31 2017 |
|---|---|---|
| Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses | 1,511 | 1,888 |
| Payments to CCP | 92 | 144 |
| Fees payable to trade organisation | 11 | - |
| Salaries and wages | 9,594 | 8,323 |
| Social security and other benefits | 1,066 | 970 |
| Employee benefits | 149 | 131 |
| Raw material and consumables used | 112 | 131 |
| Costs of maintenance and lease of buildings | 849 | 854 |
| Depreciation and amortisation | 605 | 684 |
| Taxes and other public charges | 92 | 184 |
| Other costs, including: | 10,061 | 7,215 |
| - fund management and distribution costs | 2,924 | 2,110 |
| - transaction costs other than cost of clearance through clearing houses or stock exchanges | 2,688 | 1,853 |
| - ICT and information services | 980 | 1,003 |
| - marketing, representation and advertising | 492 | 155 |
| - software purchases (for recharge) | 1,020 | 272 |
| - other services | 1,957 | 1,822 |
| **Total cost of core activities** | **24,142** | **20,524** |

## 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–Mar 31 2018 | Jan 1–Mar 31 2017 |
|---|---|---|
| **Profit before tax** | **- 1,050** | **913** |
| **Tax calculated at 19% rate** | **-** | **173** |
| Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments | - 26 | 1 |
| Tax losses for which no deferred tax assets were recognised − other | 29 | 68 |
| Tax loss carry forwards for which no deferred tax assets were recognised | - | - |
| Use of unrecognised tax losses | - | - |
| Non-deductible expenses | 1,553 | 497 |

| | | |
|---|---|---|
| Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised | - | - |
| Non-taxable income | - 1,477 | 593 |
| **Tax base for current and deferred income tax** | **- 971** | **2,072** |
| Reductions, exemptions | - | - |
| **Income tax expense** | **- 185** | **394** |

### 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 33 thousand and by PLN 246 thousand in Q1 2018 and Q1 2017, respectively.

Deferred tax assets went up by PLN 235 thousand in Q1 2018. In Q1 2017, they fell by PLN 51 thousand.

## 17. Employee benefits – employee share option plans

No shares were subscribed for in the comparative period, i.e. in Q1 2017. During the term of the plan, a total of 1,880,952 Series C shares were subscribed for. Following the end of the subscription period for Series C shares, as defined in the Company's Articles of Association, on November 30th 2017 the plan expired.

## 18. Dividends paid and proposed

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

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

The Company's Management Board proposed, and the Supervisory Board endorsed the proposal, to allocate the Company's profit for 2017 to dividend distribution. A final decision on profit allocation will be made by the Annual General Meeting convened for June 6th 2018.

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

In 2018 until the issue date of these condensed consolidated financial statements and in Q1 2017, the Group companies did not issue any debt or equity securities.

For information on the redemption of debt securities, see Note 14.

## 20. Exclusions of companies from consolidation

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

| PLN '000 | IPOPEMA Financial Advisory Sp. z o.o. | IPOPEMA Business Services Srl. |
|---|---|---|
| Total assets as at Mar 31 2018 | 3 | - |
| % share in Parent's total assets | - | - |
| Revenue in Jan 1–Mar 31 2018 | 4 | - |
| % share in Parent's revenue | - | - |
| Net assets as at Mar 31 2018 | - 5 | - |
| Net profit/(loss) in Jan 1–Mar 31 2018 | - | - |

| PLN '000 | IPOPEMA Financial Advisory Sp. z o.o. | IPOPEMA Business Services Srl. |
|---|---|---|
| Total assets as at Dec 31 2017 | 3 | - |
| % share in Parent's total assets | - | - |
| Revenue in Jan 1–Mar 31 2017 | 2 | - |
| % share in Parent's revenue | - | - |
| Net assets as at Dec 31 2017 | - 5 | - |
| Net profit/(loss) in Jan 1–Mar 31 2017 | - 1 | - |

## 21. Seasonality of operations

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

## 22. Contingent liabilities and contingent assets

The Group had no contingent liabilities or contingent assets as at March 31st 2018 or December 31st 2017.

## 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 16th 2023, secures liabilities related to the lease of office space.

In March 2016, mBank S.A. issued a guarantee in respect of the Company's liabilities for the benefit of Raiffeisen Polbank S.A., which is IPOPEMA Securities S.A.'s clearing bank for transactions executed on foreign stock exchanges. The guarantee was issued for EUR 1.5m and secured timely payment of the Company's liabilities towards Raiffeisen Polbank arising in connection with the services provided by the bank, consisting in settlement and clearing of stock exchange transactions. The guarantee was valid until April 30th 2018. The guarantee was secured by a EUR 1.5m security deposit. The agreement expired on April 3rd 2018.

## 24. Leases

### The Group as a lessee – right to use a building

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

Minimum lease payments are presented in the table below.

| Operating lease liabilities | Mar 31 2018 | Dec 31 2017 |
|---|---|---|
| | Present value of minimum lease payments | |
| Within 1 year * | 2,103 | 2,055 |
| Within 1 to 5 years * | 7,975 | 8,219 |
| Over 5 years * | - | 87 |
| **Total operating lease liabilities** | **10,078** | **10,361** |
| **Cost of operating leases recognised in Q1** | **645** | **649** |

** Average annual amount during the lease term.*

### The Group as a lessee – finance leases

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

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

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

| Finance lease liabilities | Mar 31 2018 | Dec 31 2017 |
|---|---|---|
| Net carrying amount | 2,807 | 4,200 |
| **Present value of minimum lease payments** | **3,905** | **4,342** |
| Within 1 year * | 963 | 1,158 |
| Within 1 to 5 years * | 2,942 | 3,184 |
| Over 5 years * | - | - |
| **Contingent lease payments recognised as expense in Q1** | **379** | **50** |

| Finance lease liabilities | Mar 31 2018 | Dec 31 2017 |
|---|---|---|
| Net carrying amount | 3,453 | 3,618 |
| **Present value of minimum lease payments** | **3,453** | **3,618** |
| Within 1 year | 687 | 675 |
| Within 1 to 5 years | 2,766 | 2,943 |
| Over 5 years | - | - |
| **Contingent lease payments recognised as income in Q1** | **227** | **605** |

## 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 2018 and in Q1 2017, 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 2018 | | | | Jan 1–Mar 31 2017 | | | |
| IPOPEMA Business Services Srl. | - | - | - | - | - | - | - | - |
| IPOPEMA Financial Advisory Sp. z o.o. | - | - | - | - | - | - | - | - |
| Members of the Management and Supervisory | - | - | - | - | - | 10 | - | - |
| Other related parties | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **10** | **-** | **-** |

Related-party transactions – receivables and liabilities

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

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are charged directly to the funds. Members of the Management and Supervisory Boards used fund management services both in Q1 2018 and in 2017; two funds in which some members of the Company's Management Board or their related persons are investors were exempted from administration fees.

## 26. Items of the consolidated statement of cash flows

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

Investing activities – purchase and sale of intangible assets, property, plant and equipment and long-term 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 2018** | **Dec 31 2017** | **Mar 31 2018** | **Dec 31 2017** |
| **Cash and cash equivalents** | **106,080** | **67,482** | **99,019** | **67,520** |
| 1. In hand | 2 | 2 | 2 | 2 |
| 2. At banks | 23,009 | 24,555 | 23,009 | 24,555 |
| 3. Other cash | 76,013 | 42,866 | 76,013 | 42,866 |
| 4. Cash equivalents (deposit for a period > 3 months) | 7,056 | 59 | - | - |
| 5. Accrued foreign exchange differences | - | - | - 5 | 97 |

The difference between the presentation of cash in the statement of financial position and in the statement of cash flows as at March 31st 2018 and December 31st 2017 follows from presentation of cash net of the effect of foreign exchange differences as well as p-cards received and deposits maturing in over three months 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 2018** | **Dec 31 2017** | **Mar 31 2018** |
| Gross short- and long-term receivables | 308,470 | 274,349 | - 33,673 |
| Net receivables | 306,313 | 272,105 | |
| Impairment losses on receivables | 2,157 | 2,244 | - 87 |
| Prepayments and accrued income | 1,810 | 1,815 | 5 |
| Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest) | 6,871 | 7,479 | - 608 |
| **Total increase/(decrease) in impairment losses and accruals and deferrals** | | | **- 690** |

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at March 31st 2018 net of receivables under loans advanced and receivables related to investing activities.

| | Presentation in the condensed consolidated statement of financial position | | Presentation in the condensed consolidated statement of cash flows – change |
|---|---|---|---|
| | **Mar 31 2017** | **Dec 31 2016** | **Mar 31 2017** |
| Gross short- and long-term receivables | 303,542 | 271,171 | - 29,855 |
| Net receivables | 302,703 | 270,291 | |
| Impairment losses on receivables | 839 | 880 | - 41 |
| Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest) | 8,157 | 9,595 | - 1,438 |
| **Increase/(decrease) in impairment losses and accruals and deferrals** | | | **- 1,479** |

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at 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.

Explanation concerning other items of the consolidated statement of cash flows

| | Jan 1–Mar 31 2018 | Jan 1–Mar 31 2017 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Other adjustments | - 36 | 2 |
| - other | - 36 | 2 |
| **Cash flows from investing activities** | | |
| Other cash used in investing activities | - | 2,348 |
| - payment / increase of security deposit | - | 2,348 |

## 27. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of the claim was PLN 49.2 thousand. A payment order was issued, subsequently appealed against by the defendant. The appeal was dismissed by the court on formal grounds. The defendant lodged a complaint, which was also dismissed by the court. The enforcement proceedings are pending. To date, the disputed amount has been enforced.

In May 2017, the Company filed two further suits against its clients. In each case, the amount of the claim was PLN 30 thousand. In January 2018, in one of these cases, the court issued a payment order with a writ of execution, and enforcement proceedings were instituted. As at the date of these interim condensed financial statements, the claimed amount had been enforced. As regards the other case, a payment order was issued in December 2017; as at the date of these financial statements, the proceedings were pending.

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice (“GPW”), in which GPW seeks payment of PLN 20,554,900.90m for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI considers GPW’s claims to be groundless and is seeking dismissal of the action. A response to the claim has been filed with the court. For this reason, IPOPEMA TFI has not recognised any provision for potential costs related to the claim. To date, one hearing has already been held and another has been scheduled. However, it cannot be ruled out that the final judgment may be unfavourable for IPOPEMA TFI, but given the early stage of the proceedings, the probability of any outcome cannot be reliably determined.

On November 14th 2017, the Management Company received a copy of a statement of claim filed by a former employee, seeking payment of PLN 40,500 in severance pay allegedly agreed between the parties. The Management Company disputed the claim in its entirety, taking steps to have it dismissed by the court.

## 28. Material events and factors in Q1 2018

### Equity market and investment banking

In the first quarter of 2018, the total value of trades executed on the Warsaw Stock Exchange was 19.5% lower than a year earlier. Over the same period, the Company’s market share contracted slightly, to 4.92% from 5.00%. Nevertheless, its increased activity in equities trading intermediation on foreign markets and higher revenue from bonds trading translated into an increase in revenue from securities trading (PLN 6,746 thousand vs PLN 6,393 thousand a year earlier).

Conditions on the capital market were equally challenging as in Q1 2017. Thanks to the offering of Globe Trade Centre and Kredyt Inkaso bonds, as well as services provided on an as-needed basis with respect to several transactions under preparation, in Q1 2018 the segment of brokerage services recorded only a slight drop in revenue from investment banking (PLN 2,662 thousand compared with PLN 2,746 thousand in Q1 2017).

In Q1 2018, the Company also recorded an increase in other revenue from core activities (PLN 1,452 thousand vs PLN 1.189 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 208 thousand (compared with a PLN 209 thousand loss a year earlier), despite higher operating costs. However, as a result of higher finance costs, the segment recorded a net loss of PLN 432 thousand (compared with a net loss of PLN 370 thousand a year earlier).

### Activities of IPOPEMA TFI

An increase in the value of assets in capital market funds (to PLN 1.3bn at the end of March 2018, compared with PLN 1.0bn a year earlier) brought about an increase in revenue from the management of these funds. At the same time, as a result of changes to 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 2018 fell by 6.3% (to PLN 7,103 thousand, from PLN 7,582 thousand in Q1 2017), which, together with a 23.2% increase in operating costs, translated into the segment's net loss of PLN 570 thousand (compared with net profit of PLN 869 thousand the year before).

### IPOPEMA Business Consulting

A higher number of projects carried out by IPOPEMA Business Consulting in the first quarter of 2018 resulted in a 30% increase in the company's revenue, which, despite higher operating costs (up by 37.4%), was reflected in improved net profit (PLN 137 thousand, compared with a PLN 20 thousand loss posted a year earlier).

## 29. Events subsequent to the end of reporting period

All events relating to the reporting period are disclosed in the accounting records and the condensed consolidated financial statements for the period January 1st–March 31st 2018.

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

Warsaw, May 24th 2018

| | | | | |
|---|---|---|---|---|
| Jacek Lewandowski<br>President of the Management Board | Mariusz Piskorski<br>Vice President of the Management Board | Stanisław Waczkowski<br>Vice President of the Management Board | Mirosław Borys<br>Vice President of the Management Board | Danuta Ciosek<br>Chief Accountant |