

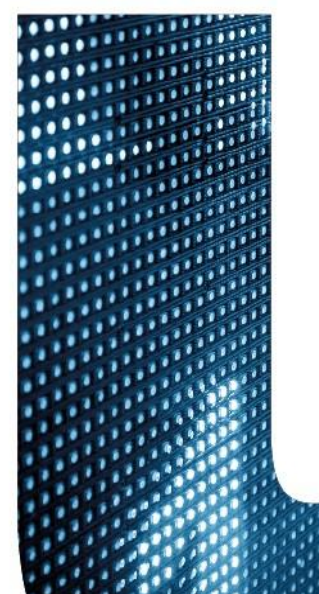
The IPOPEMA Securities  
Group

# Interim condensed consolidated financial statements

for the three months  
ended March 31st 2020

Warsaw, May 21st 2020

**ipopema**



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# Financial highlights

Financial highlights	PLN '000		EUR '000	
	Three months ended March 31st		Three months ended March 31st	
	2020	2019	2020	2019
Revenue from core activities	49,045	25,917	11,156	6,030
Cost of core activities	46,891	26,589	10,666	6,187
Profit/(loss) on core activities	2,154	- 672	490	- 156
Operating profit/(loss)	- 1,128	- 674	- 257	- 157
Profit/(loss) before tax	40	- 934	9	- 217
Net profit/(loss) from continuing operations	- 164	- 853	- 37	- 198
Net profit/(loss)	- 164	- 853	- 37	- 198
Earnings/(loss) per ordinary share (weighted average) (PLN/EUR)				
- basic	0.00	- 0.03	0.00	- 0.01
- diluted	0.00	- 0.03	0.00	- 0.01
Net cash from operating activities	15,555	2,464	3,538	573
Total cash flows	5,940	- 2,170	1,351	- 505

Consolidated financial highlights	PLN '000		EUR '000	
	Mar 31 2020	Dec 31 2019	Mar 31 2020	Dec 31 2019
Total assets	241,831	271,200	53,123	63,684
Current liabilities	138,568	168,310	30,439	39,523
Equity	83,409	83,744	18,322	19,665
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.79	2.80	0.61	0.66

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

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

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in the period	Jan–Mar 2020	Jan–Mar 2019
EUR	4.3963	4.2978

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

Exchange rate as at	Mar 31 2020	Dec 31 2019	Mar 31 2019
EUR	4.5523	4.2585	4.3013

# Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2020

	Note	Jan 1–Mar 31 2020	Jan 1–Mar 31 2019
<b>CONTINUING OPERATIONS</b>			
<b>Revenue from core activities, including:</b>	15	<b>49,045</b>	<b>25,917</b>
Revenue from brokerage activities		9,581	7,472
Revenue from investment fund and asset management		33,078	12,473
Revenue from advisory services		6,386	5,972
<b>Cost of core activities</b>	15	<b>46,891</b>	<b>26,589</b>
<b>Profit/(loss) on core activities</b>		<b>2,154</b>	<b>- 672</b>
Gain/(loss) on financial assets measured at fair value through profit or loss		- 3,030	68
Other income		227	160
Other expenses		479	230
<b>Operating profit/(loss)</b>		<b>- 1,128</b>	<b>- 674</b>
Finance income		1,544	326
Finance costs		376	586
<b>Profit/(loss) before tax</b>		<b>40</b>	<b>- 934</b>
Income tax	16	204	- 81
<b>Net profit/(loss) on continuing operations</b>		<b>- 164</b>	<b>- 853</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>Net profit/(loss) for period</b>		<b>- 164</b>	<b>- 853</b>
Attributable to:			
Owners of the parent		- 145	- 810
Non-controlling interests		- 19	- 43
Earnings/(loss) per share (PLN)		0.00	- 0.03
Diluted earnings/(loss) per share (PLN)		0.00	- 0.03
<b>Net profit/(loss) for period</b>		<b>- 164</b>	<b>- 853</b>
<b>Other comprehensive income that will not be reclassified to profit or loss</b>		<b>- 83</b>	<b>70</b>
Gains and losses on remeasurement of equity instruments		- 103	87
Income tax on items of other comprehensive income		20	-17
<b>Comprehensive income for period</b>		<b>- 247</b>	<b>- 783</b>
Attributable to:			
Owners of the parent		- 228	- 740
Non-controlling interests		- 19	- 43

# Interim condensed consolidated statement of financial position

as at March 31st 2020

<b>ASSETS</b>	<b>Note</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>	<b>Mar 31 2019</b>
Cash and cash equivalents	12	79,131	62,713	44,767
Short-term receivables	12, 14	136,367	182,531	256,228
Current tax assets		464	12	169
Short-term prepayments and accrued income		1,560	1,234	1,218
Financial assets measured at fair value through profit or loss		314	308	7,913
Equity instruments measured through other comprehensive income		4,966	4,972	6,386
Investments in jointly controlled entities and associates		-	-	-
Long-term receivables		2,683	2,882	3,454
Long-term loans		280	322	29
Right-of-use assets		9,448	9,768	12,223
Property, plant and equipment		2,119	1,781	2,105
Investment property		-	-	-
Intangible assets		1,203	1,192	1,499
Deferred tax assets		3,286	3,473	2,706
Long-term prepayments and accrued income		10	12	74
<b>TOTAL ASSETS</b>		<b>241,831</b>	<b>271,200</b>	<b>338,771</b>

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>	<b>Mar 31 2019</b>
Current liabilities	14	133,700	163,848	233,584
Current tax liabilities		-	292	4
Other financial liabilities		187	-	-
Short-term lease liabilities	23	4,681	4,170	14,321
Long-term lease liabilities	23	8,988	9,850	2,107
Other non-current liabilities		-	-	-
Deferred tax liabilities	16	451	454	408
Accruals and deferred income	14	10,415	8,842	8,723
<b>Total liabilities</b>		<b>158,422</b>	<b>187,456</b>	<b>259,147</b>
Share capital	13	2,994	2,994	2,994
Other components of equity		13,920	14,003	13,707
Retained earnings		61,994	62,139	58,376
<b>Equity attributable to owners of the parent</b>		<b>78,908</b>	<b>79,136</b>	<b>75,077</b>
<b>Non-controlling interests</b>		<b>4,501</b>	<b>4,608</b>	<b>4,547</b>
<b>Total equity</b>		<b>83,409</b>	<b>83,744</b>	<b>79,624</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>241,831</b>	<b>271,200</b>	<b>338,771</b>

# Interim condensed consolidated statement of cash flows

for the three months ended March 31st 2020

CASH FLOWS	Note	Jan 1–Mar 31 2020	Jan 1–Mar 31 2019
<b>Cash flows from operating activities</b>			
Profit before tax		40	- 934
<b>Total adjustments:</b>	25	<b>15,515</b>	<b>3,398</b>
Depreciation and amortisation		1,224	1,219
Foreign exchange gains/(losses)		- 487	- 2
Interest and dividends		280	269
Gain/(loss) on investing activities		36	-
Increase/(decrease) in financial assets measured at fair value through profit or loss		- 6	1,843
Increase/(decrease) in receivables		46,551	- 69,896
Increase/(decrease) in current liabilities (net of borrowings)		- 34,171	69,645
Increase/(decrease) in provisions and impairment losses on receivables		569	115
Increase/(decrease) in accruals and deferrals		1,249	- 1,210
Proceeds from leases		261	206
Adjustment related to implementation of IFRS 16		-	1,254
Other adjustments		9	- 45
<b>Net cash from operating activities</b>		<b>15,555</b>	<b>2,464</b>
<b>Cash flows from investing activities</b>			
Increase in loans		- 100	- 50
Decrease in loans		39	53
Acquisition of property, plant and equipment and intangible assets		- 789	- 231
Acquisition of equity instruments measured through other comprehensive income		- 10,106	- 25
Sale of equity instruments measured through other comprehensive income		9	-
<b>Net cash from investing activities</b>		<b>- 10,947</b>	<b>- 253</b>
<b>Cash flows from financing activities</b>			
Repayment of debt securities		- 1	- 2
Proceeds from issue of debt securities		-	1
Interest paid		- 220	- 208
Payment of lease liabilities		- 980	- 898
Proceeds from borrowings		2,621	-
Payment of borrowings		-	- 3,274
Dividends to non-controlling interests		- 88	-
<b>Net cash from financing activities</b>		<b>1,332</b>	<b>- 4,381</b>
<b>Total cash flows</b>		<b>5,940</b>	<b>- 2,170</b>
Increase/decrease in cash and cash equivalents		6,427	- 2,168
Effect of exchange rate fluctuations on cash held		487	2
Cash at beginning of period	25	62,736	46,879
<b>Cash at end of period, including</b>	25	<b>68,676</b>	<b>44,709</b>
- restricted cash*		37,735	16,212

\* Restricted cash includes primarily clients' funds held by the Company, as well as cash in escrow.

# Interim condensed consolidated statement of changes in equity

for the three months ended March 31st 2020

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other components of equity			Retained earnings		
		Share premium	Revaluation capital reserve	Other capital reserves			
<b>As at Jan 1 2020</b>	<b>2,994</b>	<b>10,351</b>	<b>438</b>	<b>3,214</b>	<b>62,139</b>	<b>4,608</b>	<b>83,744</b>
Net profit/loss for period	-	-	-	-	- 145	- 19	- 164
Other comprehensive income	-	-	- 83	-	-	-	- 83
Payment of dividend/share in profit	-	-	-	-	-	- 88	- 88
<b>As at Mar 31 2020</b>	<b>2,994</b>	<b>10,351</b>	<b>355</b>	<b>3,214</b>	<b>61,994</b>	<b>4,501</b>	<b>83,409</b>
<b>As at Jan 1 2019</b>	<b>2,994</b>	<b>10,351</b>	<b>72</b>	<b>3,214</b>	<b>59,186</b>	<b>4,590</b>	<b>80,407</b>
Net profit for 2018	-	-	-	-	3,116	418	3,534
Other comprehensive income	-	-	366	-	- 163	-	203
Dividend paid	-	-	-	-	-	- 400	- 400
<b>As at Dec 31 2019</b>	<b>2,994</b>	<b>10,351</b>	<b>438</b>	<b>3,214</b>	<b>62,139</b>	<b>4,608</b>	<b>83,744</b>
<b>As at Jan 1 2019</b>	<b>2,994</b>	<b>10,351</b>	<b>72</b>	<b>3,214</b>	<b>59,186</b>	<b>4,590</b>	<b>80,407</b>
Net profit/loss for period	-	-	-	-	- 810	- 43	- 853
Other comprehensive income	-	-	70	-	-	-	70
<b>As at Mar 31 2019</b>	<b>2,994</b>	<b>10,351</b>	<b>142</b>	<b>3,214</b>	<b>58,376</b>	<b>4,547</b>	<b>79,624</b>

# Notes

## 1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the “Group”, “IPOPEMA Group”) comprises entities controlled by IPOPEMA Securities S.A. (the “parent” or the “Company”).

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

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

As at March 31st 2020, 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, creation and management of investment funds,
4. management of portfolios of broker-traded financial instruments,
5. computer facilities management,
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 registered 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. is authorised to conduct brokerage activities 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 the Company provides comprehensive services in the area of intermediation in securities trading on the secondary market, and intermediates in debt instruments trading outside the regulated market. The Company’s partners and clients are established and well known international financial institutions, as well as most of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as private individuals. The brokerage business of IPOPEMA Securities S.A. is supported by a team of analysts, who provide research coverage on several dozen companies listed on the WSE and foreign stock exchanges.

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

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



## 2. Composition of the Group

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

As at March 31st 2020, 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.	<ul style="list-style-type: none"> <li>- operation of investment fund companies, creation and management of investment funds</li> <li>- discretionary management of securities portfolios</li> <li>- securities trading advisory services</li> <li>- intermediation in the sale and redemption of investment fund units</li> <li>- representation service for foreign funds</li> <li>- management of portfolios of broker-traded financial instruments</li> </ul>	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	<ul style="list-style-type: none"> <li>- other business and management consultancy services</li> <li>- computer facilities management</li> <li>- computer consultancy</li> <li>- software-related activities</li> <li>- wholesale of computers, computer peripherals and software</li> </ul>	full	50.02%	50.02%
IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	<ul style="list-style-type: none"> <li>- advisory services related to corporate financial restructuring and finance raising for infrastructure projects</li> </ul>	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. ("IFA")	<ul style="list-style-type: none"> <li>- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa</li> </ul>	not consolidated (due to immateriality of financial data)	100%	100%
MUSCARI Capital Sp. z o.o. ("MUSCARI")	<ul style="list-style-type: none"> <li>- intermediation in offering the Company's brokerage services as an investment firm agent</li> </ul>	not consolidated (due to immateriality of financial data)	100%	100%

On March 16th 2020, the Company purchased 100% of shares in Grupa Finanset Sp. z o.o. (current name: MUSCARI Sp. z o.o.). The company's share capital amounts to PLN 50 thousand and is divided into 1,000 shares.

IPOPEMA Financial Advisory Sp. z o.o. and MUSCARI are not consolidated as their effect on the Group's data is immaterial.

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

### 3.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRSs applicable to interim financial reporting, as endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which have been endorsed recently or are pending

endorsement, are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

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

These interim condensed consolidated financial statements of the Group cover the three months ended March 31st 2020 and contain comparative data for the three months ended March 31st 2019 and as at December 31st 2019.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Securities Group for 2019.

### **3.2. Measurement currency and reporting currency**

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

### **3.3. Going concern assumption**

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

### **3.4. Comparability of data**

There were no significant presentation changes in the three months ended March 31st 2020.

## **4. Changes in applied accounting policies**

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the Company's consolidated financial statements for the year ended December 31st 2019, issued on March 31st 2020. The consolidated financial statements for 2019 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

## **5. Selected accounting policies**

### **Financial assets**

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

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

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

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

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

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

### **Financial assets and financial liabilities measured at fair value through profit or loss**

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

Financial assets acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of the instrument, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the instrument.

As at each reporting date, financial assets measured at fair value through profit or loss are measured and any gains or losses are recognised as income or expense on finance instruments measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss held by the Group are shares listed on the Warsaw Stock Exchange (“WSE”) and a currency forward. For the purpose of the measurement, the Group takes into account the closing prices quoted by the WSE on the last business day of the reporting period.

The Group does not apply hedge accounting.

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

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

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 purchase price may be the best estimate.

#### **Investments in equity instruments measured at fair value through other comprehensive income.**

Equity instruments measured through other comprehensive income include in particular investment fund units and investment certificates purchased for the purpose of investing surplus funds. They are disclosed under non-current assets unless the Group intends to sell them within 12 months of the reporting date.

Investment certificates and 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. Subsequent to initial recognition, they are measured at fair value, and changes in the fair value are recognised in other comprehensive income and presented in equity as revaluation reserve.

#### **Financial liabilities measured at amortised cost**

Other financial liabilities, including bank borrowings and lease liabilities, are initially measured at fair value less transaction costs and subsequently at amortised cost (interest expense is recognised using the effective interest method). The effective interest 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 exactly discounts estimated future payments or receipts over the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

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 are financial assets measured at amortised cost. This asset class includes receivables from clients, receivables from related entities other than consolidated entities, receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses on account of concluded transactions and all or part of receivables on account of other titles not carried as financial assets, which fall due within 12 months from the end of the reporting period.

Receivables are initially recognised in accordance with IFRS 15 and measured as at the end of the reporting period at amortised cost. The carrying amount of receivables is revised based on the expected credit losses model. Allowances for expected credit losses are recognised at the time of initial recognition of receivables. As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the impairment loss measured at an amount equal to lifetime expected credit losses.

The Group applied a portfolio approach to recognition of impairment losses, with impairment losses ranging from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year. If there are indications that a credit loss may have occurred, the Group may recognise impairment losses for individual assets. Changes in allowances for expected credit losses are recognised in profit or loss.

Credit risk related to security deposits held at banks, receivables on account of stock-exchange transactions, deposits held at clearing houses and public receivables is assessed as low and the effect of the credit loss allowance on the consolidated financial statements has been disregarded.

A significant item among the Group's short-term receivables are receivables from clients arising from stock-market transactions. These include 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 arising in connection with transaction to buy or sell securities which have not yet been cleared given the nature of the transaction clearing procedure (T+2). In the case of buy transactions 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 transactions are executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)\* and current liabilities towards the clients for whom the sale transactions were executed.

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

### Long-term receivables

Non-current receivables are receivables whose term to maturity is 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 a non-financial 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 may indicate possible impairment of an asset:

- 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 adverse technological, market, economic or legal changes have occurred during the reporting period or are likely to occur in the near future in the Group's operating environment or on the markets for which the asset is intended,
- market interest rates or other market rates of return on investment have increased during the period and the increase is likely to affect the discount rate applied to calculate the asset's value in use and reduce its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant adverse changes in the current or expected scope or manner of use of an asset have occurred during the reporting period or are likely to occur in the near future,

- evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

## Liabilities

### Current liabilities

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

Current liabilities include all liabilities to customers, 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 (KDPW) and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as lease liabilities, non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities include overdraft facilities; the method of measuring such liabilities are described in 'Financial liabilities measured at amortised cost' above.

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

### Non-current liabilities

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

## 6. Accounting policies introduced in 2020

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7 – the IASB amended hedge accounting in connection with the planned reform of reference interest rates (WIBOR, LIBOR, etc.). These rates are often a hedged item, for example in the case of IRS hedges. The planned replacement of existing rates with new reference rates raised doubts as to whether the planned transaction is still highly probable, whether future hedged cash flows are still expected or whether there is an economic link between the hedged item and the hedging item. The amendment to the standards specified that it should be assumed in the estimates that there will be no change in reference rates. The amendments are effective for annual periods beginning on or after January 1st 2020. As the Group does not apply hedge accounting, the uncertainty related to interest rate derivatives does not affect its financial statements.
- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Correction of Errors* – effective for annual periods beginning on or after January 1st 2020. The IASB published a new definition of 'materiality'. Amendments to IAS 1 and IAS 8 clarify the definition of materiality and improve the standards' consistency.

The Group did not opt for early adoption of other standards and interpretations which have been issued but are not yet effective.

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

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

- 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* – issued on May 18th 2017 and 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 significant amendments to the existing IFRS 4 requirements.
- Amendments to IFRS 3 *Business Combinations* – effective for annual periods beginning on or after January 1st 2020. The amendments to IFRS 3 include a change in the definition of 'business'. Under the amended standard, the scope of the definition is narrower and will probably increase the proportion of acquisitions classified as asset acquisition.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – issued on January 23rd 2020 and effective for annual periods beginning on or after January 1st 2022. The amendments to IAS 1 affect the requirements for presentation of liabilities in the financial statements. The classification of financial liabilities as non-current liabilities will depend on the existence of rights to defer settlement of the liability by at least twelve months and on the satisfaction of conditions for the deferment at the end of the reporting period.

The Group will apply the amended standards as of January 1st 2021, unless a different effective date is provided. Upon initial application, the amended standards will have no material effect on the Group's consolidated financial statements.

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

## 8. Changes in estimates

In the first three months of 2020, there were no changes to estimates other than 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 zloty 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 zloty are translated into the zloty at the mid-rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are recognised in finance income or costs, as appropriate.

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

Currency	Mar 31 2020	Dec 31 2019	Mar 31 2019
USD	4.1466	3.7977	3.8365
EUR	4.5523	4.2585	4.3013
HUF 100	1.2679	1.2885	1.3409
GBP	5.1052	4.9971	4.9960
CZK	0.1665	0.1676	0.1666
CHF	4.3001	3.9213	3.8513
TRY	0.6314	0.6380	0.6802
JPY 100	3.8208	3.4959	3.4625
NOK	0.3953	0.4320	0.4433
CAD	2.9214	2.9139	2.8553
SEK	0.4114	0.4073	0.4130
DKK	0.6096	0.5700	0.5761
AUD	2.5481	2.6624	2.7174
RON	0.9429	0.8901	0.9029

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 reporting period were the same.

	Jan 1–Mar 31 2020	Jan 1–Mar 31 2019
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Net profit/(loss) on continuing operations per share	0.00	- 0.03

## 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.
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 2020			
	Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
<b>Revenue</b>				
Segment's total revenue	9,758	33,078	6,386	49,222
Intersegment sales	- 89	-	-	- 89
Consolidation eliminations	- 88	-	-	- 88
<b>Sales to external clients</b>	<b>9,581</b>	<b>33,078</b>	<b>6,386</b>	<b>49,045</b>
<b>Segment's costs</b>				
Segment's costs – purchases from external suppliers	- 10,184	- 30,371	- 6,513	- 47,068
Segment's costs – intersegment purchases	-	89	-	89
Consolidation eliminations	88	-	-	88
<b>Segment's total costs</b>	<b>- 10,096</b>	<b>- 30,282</b>	<b>- 6,513</b>	<b>- 46,891</b>
<b>Segment's profit/(loss) on core activities</b>	<b>- 515</b>	<b>2,796</b>	<b>- 127</b>	<b>2,154</b>
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	- 515	2,796	- 127	2,154
Interest income	64	12	41	117
Interest expense	- 275	- 38	- 39	- 352
Other net finance income/expenses	- 1,665	228	104	- 1,333
Other income/expenses	- 127	- 114	- 11	- 252
Consolidation eliminations	- 294	-	-	- 294
<b>Profit before tax and non-controlling interests</b>	<b>- 2,812</b>	<b>2,884</b>	<b>- 32</b>	<b>40</b>
Income tax	- 346	553	- 3	204
Consolidation eliminations	-	-	-	-
<b>Total corporate income tax</b>	<b>- 346</b>	<b>553</b>	<b>- 3</b>	<b>204</b>
<b>Net profit for period</b>	<b>- 2,466</b>	<b>2,331</b>	<b>- 29</b>	<b>- 164</b>
<b>Assets and liabilities as at Mar 31 2020</b>				
Segment's assets	168,035	58,022	15,774	241,831
Unallocated assets	-	-	-	-
<b>Total assets</b>	<b>168,035</b>	<b>58,022</b>	<b>15,774</b>	<b>241,831</b>
Segment's liabilities	119,588	21,659	6,760	148,007
Accruals and deferred income	2,979	7,392	44	10,415
Segment's net profit/(loss)	- 2,466	2,331	- 29	- 164
Equity (excluding net profit/(loss) for current period)	45,520	28,272	5,261	79,053
Non-controlling interests (excluding net profit/(loss) for current period)	127	-	4,393	4,520
<b>Total equity and liabilities</b>	<b>165,748</b>	<b>59,654</b>	<b>16,429</b>	<b>241,831</b>



Operating segments	3 months ended March 31st 2019			
	Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
<b>Revenue</b>				
Segment's total revenue	7,736	12,473	5,972	26,181
Intersegment sales	- 146	-	-	- 146
Consolidation eliminations	- 118	-	-	- 118
<b>Sales to external clients</b>	<b>7,472</b>	<b>12,473</b>	<b>5,972</b>	<b>25,917</b>
<b>Segment's costs</b>				
<b>Segment's costs – purchases from external suppliers</b>	<b>- 8,537</b>	<b>- 12,387</b>	<b>- 5,932</b>	<b>- 26,856</b>
Segment's costs – intersegment purchases	-	146	-	146
Consolidation eliminations	118	-	3	121
<b>Segment's total costs</b>	<b>- 8,419</b>	<b>- 12,241</b>	<b>- 5,929</b>	<b>- 26,589</b>
<b>Segment's profit/(loss) on core activities</b>	<b>- 947</b>	<b>232</b>	<b>43</b>	<b>- 672</b>
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	- 947	232	43	- 672
Interest income	55	47	52	154
Interest expense	- 315	- 43	- 51	- 409
Other net finance income/ expenses	69	- 9	3	63
Other income/ expenses	- 8	- 59	- 3	- 70
Consolidation eliminations	-	-	-	-
<b>Profit before tax and non-controlling interests</b>	<b>- 1,146</b>	<b>168</b>	<b>44</b>	<b>- 934</b>
Income tax	- 114	43	- 10	- 81
Consolidation eliminations	-	-	-	-
<b>Total corporate income tax</b>	<b>- 114</b>	<b>43</b>	<b>- 10</b>	<b>- 81</b>
<b>Net profit for period</b>	<b>- 1,032</b>	<b>125</b>	<b>54</b>	<b>- 853</b>
<b>Assets and liabilities as at Dec 31 2019</b>				
Segment's assets	203,584	48,138	19,478	271,200
Unallocated assets	-	-	-	-
<b>Total assets</b>	<b>203,584</b>	<b>48,138</b>	<b>19,478</b>	<b>271,200</b>
Segment's liabilities	153,614	14,540	10,460	178,614
Accruals and deferred income	2,075	6,757	10	8,842
Segment's net profit/(loss)	- 333	3,286	581	3,534
Equity (excluding net profit/(loss) for current period)	46,000	25,074	4,946	76,020
Non-controlling interests (excluding net profit/(loss) for current period)	63	-	4,127	4,190
<b>Total equity and liabilities</b>	<b>201,419</b>	<b>49,657</b>	<b>20,124</b>	<b>271,200</b>

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

### Cash and cash equivalents

<b>Cash and other assets</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>
<b>Cash and other assets of the Group</b>		
a) at banks and in hand	28,566	26,721
b) other cash	50,559	35,976
c) cash equivalents	6	16
<b>Total</b>	<b>79,131</b>	<b>62,713</b>
<b>Cash and other assets</b>		
a) the Group's own cash and other assets	41,396	33,878
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	29,935	20,835
c) cash in escrow account	7,800	8,000
d) cash and other assets transferred from the settlement guarantee fund	-	-
<b>Total</b>	<b>79,131</b>	<b>62,713</b>

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. The item 'other cash' includes clients' cash deposited in the parent's bank account, in the amount of PLN 29,935 thousand as at March 31st 2020 and PLN 20,835 thousand as at December 31st 2019.

### Receivables

<b>Short-term receivables</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>
From clients / trade receivables	39,687	60,612
- under transactions executed on the Warsaw Stock Exchange	16,479	32,331
- under transactions executed on the London Stock Exchange	207	282
- under transactions executed on the Istanbul Stock Exchange	-	1,091
- under transactions executed on the Frankfurt Stock Exchange	232	32
- under transactions executed on the New York Stock Exchange	699	15
- under transactions executed on the Vienna Stock Exchange	498	-
- under transactions executed on the Oslo Stock Exchange	397	-
- other	21,175	26,861
From related entities	-	-
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	58,647	94,861
- under transactions executed on the Warsaw Stock Exchange*	24,345	60,246
- under transactions executed on the Budapest Stock Exchange	562	-
- under transactions executed on the Prague Stock Exchange	20	-
- under transactions executed on the New York Stock Exchange	181	2,940
- under transactions executed on the London Stock Exchange	5,989	-
- under transactions executed on the Zurich Stock Exchange	-	660
- under transactions executed on the Toronto Stock Exchange	-	1,036
- under transactions executed on the Frankfurt Stock Exchange	1,736	952
- under transactions executed on the Paris Stock Exchange	-	262
- under transactions executed on the Vienna Stock Exchange	137	-
- under transactions executed on the Stockholm Stock Exchange	179	-
- other	25,498	28,765
From the Central Securities Depository of Poland and exchange clearing houses	18,324	15,680
- from the settlement guarantee fund	18,324	15,680

From investment and pension fund companies and from investment and pension funds	17,825	8,594
Taxes, subsidies and social security receivable	202	199
Under framework securities lending and short sale agreements	-	1,195
Other	1,682	1,390
<b>Total short-term receivables</b>	<b>136,367</b>	<b>182,531</b>

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

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

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

### Financial assets and liabilities

In Q1 2020 and in the comparative period, the policies for measurement of financial assets at fair value or classification of financial assets did not change.

As at March 31st 2020 and December 31st 2019, the carrying amounts of financial assets and financial liabilities approximated their fair values.

Instrument category and item of the consolidated statement of financial position	Mar 31 2020		Dec 31 2019	
	carrying amount	fair value	carrying amount	fair value
<b>Financial assets</b>	<b>223,741</b>	<b>223,741</b>	<b>253,728</b>	<b>253,728</b>
- cash and cash equivalents	79,131	79,131	62,713	62,713
- derivative financial instruments	-	-	226	226
- loans	676	676	609	609
- short- and long-term receivables	138,654	138,654	185,126	185,126
- shares in listed companies	314	314	82	82
- shares and bonds (unlisted)	120	120	14	14
- investment fund units/investment certificates	4,846	4,846	4,958	4,958
<b>Financial liabilities at amortised cost</b>	<b>133,700</b>	<b>133,700</b>	<b>163,848</b>	<b>163,848</b>
- overdraft facility	9,420	9,420	6,799	6,799
- liabilities (other than credit facilities)	124,280	124,280	157,049	157,049
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>187</b>	<b>187</b>	-	-
- derivative financial instruments	187	187	-	-

The Group uses derivatives to mitigate the risk of exchange rate changes for currencies in which some of the Group's securities sale and purchase transactions are denominated. While the derivative instruments held by the Group hedge it against currency risk, they are not security within the meaning of IFRS 9. Consequently, they are recognised as held for trading. All derivatives are measured at fair value, determined based on market data.

Investment fund units and investment certificates are designated as measured at fair value through other comprehensive income as they are classified as equity instruments. In the first quarter of 2020, the Group reported losses of PLN 103 thousand on this category of financial assets (Q1 2019: profit of PLN 87 thousand).

The table below presents financial instruments measured at fair value classified in the three-level hierarchy:

Level 1 – where fair value is measured based on quoted (unadjusted) prices for identical assets or liabilities in active markets,

Level 2 – where fair value is measured based on market inputs other than quoted market prices (e.g. estimated by direct or indirect reference to similar instruments in the market),

Level 3 – where fair value is measured using different valuation techniques which are not based on observable market inputs.

As at Mar 31 2020

	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value through profit or loss</b>				
Derivative instruments	-	-	-	-
Financial assets measured at fair value other than derivatives	314	-	-	314
<b>Total financial assets measured at fair value through profit or loss</b>	<b>314</b>	<b>-</b>	<b>-</b>	<b>314</b>
<b>Equity instruments measured through other comprehensive income</b>				
Investment certificates and investment fund units	-	4,846	-	4,846
Debt instruments	-	-	-	-
<b>Total equity instruments measured through other comprehensive income</b>	<b>-</b>	<b>4,846</b>	<b>-</b>	<b>4,846</b>
<b>Financial liabilities measured at fair value through profit or loss</b>				
Derivative instruments	-	187	-	187
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>-</b>	<b>187</b>	<b>-</b>	<b>187</b>

\* Net of assets measured at cost.

In the reporting period, there were no material transfers between Level 1 and Level 2 of the instruments' fair value.

As at December 31st 2019

	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value through profit or loss</b>				
Derivative instruments	-	226	-	226
Financial assets measured at fair value other than derivatives	82	-	-	82
<b>Total financial assets measured at fair value through profit or loss</b>	<b>82</b>	<b>226</b>	<b>-</b>	<b>308</b>
<b>Equity instruments measured through other comprehensive income</b>				
Investment certificates and investment fund units	-	4,958	-	4,958
Debt instruments	-	-	-	-
<b>Total equity instruments measured through other comprehensive income</b>	<b>-</b>	<b>4,958</b>	<b>-</b>	<b>4,958</b>
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Net of assets measured at cost.

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

In Q1 2020 and in 2019, 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 2020, the Group acquired property, plant and equipment and intangible assets with a value of PLN 789 thousand (Q1 2019: PLN 231 thousand).

#### Significant transactions to purchase or sell property, plant and equipment

In Q1 2020 and in 2019, 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 2020, the Group's share capital was PLN 2,993,783.60 (no change on December 31st 2019).

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

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

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

	Jan 1–Mar 31 2020	Jan 1–Mar 31 2019	2019
As at beginning of reporting period	8,842	9,992	9,992
Recognised in period	4,865	3,348	17,487
Used	3,290	3,324	18,534
Reversed	2	1,293	103
As at end of reporting period	10,415	8,723	8,842

#### Impairment losses on receivables

In Q1 2020, impairment losses on receivables increased by PLN 569 thousand (Q1 2019: increase of PLN 115 thousand).

#### Liabilities (current)

Current liabilities	Mar 31 2020	Dec 31 2019
To clients	96,930	105,099
To related entities	4	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	21,958	43,763
- to the Warsaw Stock Exchange *	16,575	42,308
- to the Istanbul Stock Exchange	-	1,091
- to the London Stock Exchange	3,504	281
- to the Paris Stock Exchange	-	19
- to the Frankfurt Stock Exchange	231	13
- to the New York Stock Exchange	699	15

- to the Vienna Stock Exchange	528	-
- to the Oslo Stock Exchange	396	-
- other	25	36
To entities operating regulated markets and commodity exchanges	363	340
- to the Warsaw Stock Exchange	363	340
To the Central Securities Depository of Poland and exchange clearing houses	100	3,122
Borrowings	9,420	6,799
- from related entities	-	-
- other	9,420	6,799
Debt securities	-	1
Taxes, customs duties and social security payable	1,690	1,545
Salaries and wages	74	1
To investment and pension fund companies and to investment and pension funds	1,264	1,158
Other	1,897	2,020
a) dividends payable	1,000	1,000
b) other	897	1,020
- other liabilities	897	1,020
<b>Total current liabilities</b>	<b>133,700</b>	<b>163,848</b>

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

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

#### Interest-bearing borrowings

<b>Current liabilities under borrowings</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>
Bank borrowings	9,420	6,799
- outstanding amount	9,420	6,799
<b>Current liabilities under borrowings</b>	<b>9,420</b>	<b>6,799</b>

As at March 31st 2020, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 9,420 thousand (December 31st 2019: PLN 6,799 thousand). The liabilities arose under 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/KDPW CCP (the clearing agent) and related to the brokerage activities. The current facilities expire on October 16th 2020:

- i. Revolving credit facility of up to PLN 8m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland/KDPW CCP in respect of the clearing and settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured by a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank 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 25m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Transactions Settlement Guarantee Fund operated by KDPW CCP. The facility is secured by a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank and a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank with the bank. As stated in item i above, both credit facilities are also jointly secured by a security deposit of PLN 4m.

## Bonds

By the date of issue of these financial statements, in 2020 the Group did not issue any bonds. In the reference period (i.e. Q1 2019), the Group issued four registered bonds with a total nominal value of PLN 0.8 thousand. 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 issue was related to the Company's policy for the settlement of variable remuneration components.

In Q1 2020, the Company redeemed PLN 0.8 thousand worth of bonds, compared with PLN 1.6 thousand redeemed in Q1 2019.

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

<b>Revenue from core activities</b>	<b>Jan 1–Mar 31 2020</b>	<b>Jan 1–Mar 31 2019</b>
Revenue from trading in securities	7,762	5,609
Revenue from investment banking services	1,131	1,529
Revenue from investment fund and portfolio management services	33,078	12,473
Revenue from advisory services	6,386	5,972
Other revenue from core activities	688	334
<b>Total revenue from core activities</b>	<b>49,045</b>	<b>25,917</b>

### Operating expenses

<b>Cost of core activities</b>	<b>Jan 1–Mar 31 2020</b>	<b>Jan 1–Mar 31 2019</b>
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	1,196	1,109
Payments to CCP	83	64
Trade organisation membership fees	11	11
Salaries and wages	13,243	10,143
Social security	1,411	1,022
Employee benefits	168	147
Raw material and consumables used	198	141
Depreciation and amortisation	1,224	1,219
Taxes and other public charges	103	100
Other costs, including:	29,254	12,633
- fund management and distribution costs	22,044	7,460
- transaction costs other than cost of clearance through clearing houses or stock exchanges	1,031	597
- ICT and information services	1,373	1,137
- marketing, representation and advertising	411	387
- software purchases (for recharge)	858	401
- other services	3,537	2,651
<b>Total cost of core activities</b>	<b>46,891</b>	<b>26,589</b>

## 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 2020	Jan 1–Mar 31 2019
<b>Profit before tax</b>	<b>40</b>	<b>- 934</b>
<b>Tax calculated at 19% rate</b>	<b>8</b>	<b>-</b>
Taxable income/deductible expenses for which no deferred tax assets were recognised – total consolidation adjustments	491	179
Tax losses for which no deferred tax assets were recognised – other	- 23	260
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	248	- 142
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-
Non-taxable income	316	212
<b>Tax base for current and deferred income tax</b>	<b>1,072</b>	<b>- 425</b>
Reductions, exemptions	-	-
<b>Income tax expense</b>	<b>204</b>	<b>- 81</b>

### 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 decreased by PLN 3 thousand in Q1 2020 (Q1 2019: decrease of PLN 9 thousand).

Deferred tax assets were lower by PLN 187 thousand in Q1 2020 (Q1 2019: increase of PLN 55 thousand).

## 17. Dividends paid and proposed

In Q1 2020, the Company did not pay or resolve to pay any dividend.

On February 7th 2020, the general meeting of IFA SK resolved to distribute profit for 2018 of PLN 381 thousand. The Company received the full amount of its share in the profit of IFA SK.

On June 28th 2019, the Annual General Meeting of IBC resolved to allocate a part of the 2018 profit, of PLN 0.8m, to dividend (PLN 399.80 per share). The dividend had not been paid by the date of these consolidated financial statements.

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

In 2020, until the issue date of these interim condensed consolidated financial statements, and in Q1 2019, the Group companies did not issue any equity securities.

For information on debt securities, see Note 14.



## 19. Exclusions of companies from consolidation

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

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	MUSCARI Capital Sp. z o.o.
Total assets as at Mar 31 2020	6	9
% of parent's total assets	-	-
Revenue in Jan 1–Mar 31 2020	4	-
% of parent's revenue	-	-
Net assets as at Mar 31 2020	- 2	- 119
Net profit/(loss) in Jan 1–Mar 31 2020	4	- 60

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.
Total assets as at Dec 31 2019	2
% of parent's total assets	-
Revenue in Jan 1–Mar 31 2019	4
% of parent's revenue	-
Net assets as at Dec 31 2019	- 5
Net profit/(loss) in Jan 1–Mar 31 2019	-

## 20. Seasonality of operations

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

## 21. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (see Note 14), and paid a deposit of PLN 1.5m as security for settlement of transactions on foreign stock exchanges.

## 22. 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 amount of PLN 1,444 thousand. Under an amendment agreement of 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.

## 23. Leases

### The Group as a lessee

In 2020, the most significant lease contracts were leases of office space. The right to use the building for the term of the contract was classified by the Group as 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.

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

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

Minimum lease payments are presented in the table below.

<b>Lease liabilities</b>	<b>Mar 31 2020</b>		<b>Dec 31 2019</b>	
Net carrying amount	13,669		14,020	
<b>Present value of minimum lease payments</b>	<b>Lease payments</b>	<b>Finance charge</b>	<b>Lease payments</b>	<b>Finance charge</b>
Within 1 year	4,681	332	4,170	358
In 1 to 5 years	8,988	250	9,850	291
Over 5 years	-	-	-	-
<b>Depreciation expense recognised in Q1</b>	<b>820</b>		<b>818</b>	

The Group as a lessor

<b>Finance lease liabilities</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>
Net carrying amount	2,029	2,218
<b>Present value of minimum lease payments</b>	<b>2,029</b>	<b>2,218</b>
Within 1 year	790	776
In 1 to 5 years	1,239	1,442
Over 5 years	-	-

## 24. 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 2020 and in Q1 2019, 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)

<b>Related party</b>	<b>Revenue from core activities</b>	<b>Other income</b>	<b>Purchases – core activities</b>	<b>Other purchases</b>	<b>Revenue from core activities</b>	<b>Other income</b>	<b>Purchases – core activities</b>	<b>Other purchases</b>
	<b>Jan 1–Mar 31 2020</b>				<b>Jan 1–Mar 31 2019</b>			
IPOPEMA Financial Advisory Sp. z o.o.	-	-	4	-	-	-	-	-
Members of the Management and Supervisory Board	-	-	32	-	-	-	-	-
Other related parties	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>36</b>	-	-	-	-	-

Related-party transactions – receivables and liabilities

<b>Related party</b>	<b>Receivables</b>		<b>Liabilities</b>	
	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>	<b>Mar 31 2020</b>	<b>Dec 31 2019</b>
IPOPEMA Financial Advisory Sp. z o.o.	-	-	4	1
Members of the Management and Supervisory Board	-	-	-	-
Other related parties	-	-	-	-
<b>Total</b>	-	-	<b>4</b>	<b>1</b>

Under IAS 24, related parties include also members of the Management Board and the Supervisory Board and persons related to them.

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are incurred directly by the funds. Members of the Management and Supervisory Boards used fund management services both in Q1 2020 and in 2019; two funds in which some members of the Company's Management Board or their related persons are investors were exempted from administration fees.

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

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

Investing activities – purchase and sale of intangible assets, property, plant and equipment and non-current securities.

Financing activities – acquisition or loss of sources of financing (changes in the amount of and relation between equity and external capital at the entity) and any related monetary costs and benefits.

### Structure of cash

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows	
	Mar 31 2020	Dec 31 2019	Mar 31 2020	Dec 31 2019
<b>Cash and cash equivalents</b>	<b>79,131</b>	<b>62,713</b>	<b>68,676</b>	<b>62,736</b>
1. In hand	2	3	2	3
2. At banks	28,564	26,718	28,564	26,718
3. Other cash	50,559	35,976	40,559	35,976
4. Cash equivalents	6	16	-	-
5. Accrued foreign exchange differences	-	-	- 449	39

The difference between the presentation of cash in the balance sheet and the statement of cash flows as at March 31st 2020 and December 31th 2019 follows from (i) presentation of cash net of the effect of foreign exchange differences; (ii) p-cards received, presented under cash and cash equivalents, and (iii) bank deposits maturing in more than three months.

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 2020	Dec 31 2019	Mar 31 2020
Gross short- and long-term receivables	140,405	186,199	46,551
Net receivables	139,050	185,413	
Impairment losses on receivables	1,355	786	569
Prepayments and accrued income	1,570	1,246	- 324
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	10,415	8,842	1,573
<b>Total change in impairment losses and accruals and deferrals</b>			<b>1,818</b>

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 removal from gross receivables as at March 31st 2020 of receivables under loans advanced and interest on a security deposit, which are disclosed under investing activities.

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Mar 31 2019	Dec 31 2018	Mar 31 2019
Gross short- and long-term receivables	261,498	190,146	- 69,896
Net receivables	259,682	188,445	
Impairment losses on receivables	1,816	1,701	115
Prepayments and accrued income	1,292	1,351	59
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	8,723	9,992	- 1,269
<b>Increase/(decrease) in impairment losses and accruals and deferrals</b>			<b>- 1,095</b>

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 removal from gross receivables as at March 31st 2019 of receivables under loans advanced and interest on a security deposit, which are disclosed under investing activities.

## 26. Litigation and administrative proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice (“GPW”), in which GPW sought payment of PLN 20,554,900.90 for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI has not recognised any provision for potential costs related to the claim. IPOPEMA TFI considers GPW’s claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. By the date of these consolidated financial statements, a number of hearings were held and a number of witnesses were heard. Given the complex factual and legal circumstances, it is difficult at this point to predict the outcome of the proceedings or the date of their conclusion.

## 27. Material events and factors in Q1 2020

The most important and dominant factor with a direct impact on the activities of almost all businesses is the global coronavirus pandemic. Given its scale and the pace of development, the pandemic triggered volatility levels and concerns about the state of the economy, both on a global scale and locally, which have not been seen for years. The coronavirus epidemic in Poland did not begin to spread until March, but it has already had a negative impact on some of the IPOPEMA Group’s business areas. It is more than likely that the economic effects of the pandemic will affect the Group’s business also in subsequent periods.

### Equity market and investment banking

The uncertainty associated with the coronavirus pandemic and the related high volatility on the WSE stock market was particularly evident in March and April 2020, when the value of trades increased compared with the corresponding months of 2019, by 59.8% and 71.4%, respectively. Stock trading volumes in the quarter were 19.2% higher year on year, largely driven by the activity of retail investors. As a result, IPOPEMA Securities recorded a slightly lower share in total market trading volumes (3.46% vs 3.47% a year earlier, losing to brokerage offices specialising in services for retail customers), but the value of trades executed by the Company went up by 14.3% relative to the first three months of 2019. This translated into a 38.4% increase in revenue from securities trading (to PLN 7,762 thousand) compared with Q1 2019.

The IPOPEMA Group’s equity capital market transactions segment took the most severe blow from the coronavirus crisis in terms of operations and performance: after the execution of a number of transactions in the pipeline was suspended, the segment posted investment banking revenue of PLN 1,131 thousand in Q1 2020, down 26.0% (or PLN 1,529 thousand) year on year.

As a result of the above factors, the brokerage services segment reported an operating loss of PLN 515 thousand (vs a PLN 947 thousand loss a year earlier) and net loss of PLN 2,466 thousand (vs net loss of PLN 1,032 thousand the year before). On a standalone basis, i.e. net of consolidation eliminations, IPOPEMA Securities’ net loss was PLN 1.813 thousand (vs a net loss of PLN 497 thousand in 2019).

## IPOPEMA TFI

Success fees from the securitisation funds and fees for the management of funds whose management was gradually taken over by IPOPEMA TFI in late 2019 and early 2020 from other investment fund companies, including Saturn TFI and Lartiq TFI, were the main driver of the more than 2.5-fold increase in the investment fund management segment's revenue. The share of revenue from management of capital market funds continued to grow (the value of the funds' assets was PLN 2.1bn at the end of March 2020, compared with PLN 1.8bn a year earlier). The total value of assets under IPOPEMA TFI's management at the end of March 2020 was PLN 60.1bn (PLN 51.5bn at the end of Q1 2019). Despite a significant increase in operating expenses (by 147.4%, mainly due to higher costs of management of securitisation funds and higher costs of services and salaries and wages), the segment posted a profit on core activities of PLN 2,796 thousand and a net profit of PLN 2,331 thousand (vs PLN 232 thousand and PLN 125 thousand in Q1 2019, respectively).

## IPOPEMA Business Consulting

A higher number of advisory projects carried out by IPOPEMA Business Consulting in Q1 2020 resulted in a 6.9% increase in the company's revenue (to PLN 6,386 thousand from PLN 5,972 thousand). However, with a 9.8% growth in operating expenses, it translated into a net loss of PLN 29 thousand (vs a net profit of PLN 54 thousand the year before).

## 28. 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 2020.

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

Warsaw, May 21st 2020

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Jacek Lewandowski  
President of the  
Management Board

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Mariusz Piskorski  
Vice President of the  
Management Board

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Stanisław Waczkowski  
Vice President of the  
Management Board

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Mirosław Borys  
Vice President of the  
Management Board

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Danuta Ciosek  
Chief Accountant