The IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the nine months ended September 30th 2020

Warsaw, November 19h 2020

Contents

Financial highlights

Financial highlights	PLN '000 3 months ended Sep 30		EUR '000		PLN '000 9 months ended Sep 30		EUR '000	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from core activities	66,038	33,766	14,861	7,763	171,779	93,086	38,672	21,605
Cost of core activities	58,994	33,421	13,276	7,684	156,709	94,605	35,279	21,957
Profit/(loss) on core activities	7,044	345	1,585	79	15,070	- 1,519	3,393	- 352
Operating profit/(loss)	6,803	- 530	1,531	- 122	12,412	- 542	2,794	- 126
Profit/(loss) before tax	6,695	- 957	1,507	- 220	12,564	- 1,690	2,828	- 392
Net profit/(loss) from continuing operations	5,255	- 854	1,183	- 196	10,015	- 1,354	2,255	- 314
Net profit/(loss)	5,255	- 854	1,183	- 196	10,015	- 1,354	2,255	- 314
Earnings/(loss) per ordinary share (weighted average) (PLN/EUR)								
- basic	0.17	- 0.03	0.04	- 0.01	0.33	- 0.05	0.07	- 0.01
- diluted	0.17	- 0.03	0.04	- 0.01	0.33	- 0.05	0.07	- 0.01
Net cash from operating activities	83,304	- 3,706	18,747	- 852	104,260	14,732	23,471	3,419
Total cash flows	78,516	- 18,940	17,669	- 4,354	100,321	- 6,138	22,585	- 1,425

Consolidated financial highlights	PLN '000			EUR '000		
	Sep 30 2020	Jun 30 2020	Dec 31 2019	Sep 30 2020	Jun 30 2020	Dec 31 2019
Total assets	402,218	282,340	271,200	88,853	63,220	63,684
Current liabilities	289,283	174,406	168,310	63,905	39,052	39,523
Equity	93,676	88,538	83,744	20,694	19,825	19,665
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	3.13	2.96	2.80	0.69	0.66	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–Sep 2020	Jan-Sep 2019
EUR	4.4420	4.3086

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

Exchange rate as at	Sep 30 2020	Dec 31 2019	Sep 30 2019
EUR	4.5268	4.2585	4.3736

Interim condensed consolidated statement of comprehensive income

for the nine months ended September 30th 2020

	Note	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020	Jan 1–Sep 30 2019	Jul 1–Sep 30 2019
CONTINUING OPERATIONS					
Revenue from core activities, including:	15	**171,779**	**66,038**	**93,086**	**33,766**
Revenue from brokerage activities		35,682	14,261	24,429	8,692
Revenue from investment fund and asset management		117,398	45,281	48,950	18,231
Revenue from advisory services		18,699	6,496	19,707	6,843
Cost of core activities	15	**156,709**	**58,994**	**94,605**	**33,421**
Profit/(loss) on core activities		**15,070**	**7,044**	**- 1,519**	**345**
Gain/(loss) on financial assets measured at fair value through profit or loss		- 2,783	- 268	- 518	- 971
Other income		1,582	424	2,260	224
Other expenses		1,457	397	765	128
Operating profit/(loss)		**12,412**	**6,803**	**- 542**	**- 530**
Finance income		1,205	218	1,031	521
Finance costs		1,053	326	2,179	948
Profit/(loss) before tax		**12,564**	**6,695**	**- 1,690**	**- 957**
Income tax	16	2,549	1,440	- 336	- 103
Net profit/(loss) on continuing operations		**10,015**	**5,255**	**- 1,354**	**- 854**
DISCONTINUED OPERATIONS		-	-	-	-
Net profit/(loss) for period		**10,015**	**5,255**	**- 1,354**	**- 854**
Attributable to:					
Owners of the parent		9,960	5,300	- 1,368	- 846
Non-controlling interests		55	- 45	14	- 8
Earnings/(loss) per share (PLN)		0.33	0.17	- 0.05	- 0.03
Diluted earnings/(loss) per share (PLN)		0.33	0.17	- 0.05	- 0.03
Net profit/(loss) for period		**10,015**	**5,255**	**- 1,354**	**- 854**
Other comprehensive income that will not be reclassified to profit or loss		**69**	**34**	**87**	**- 9**
Gains and losses on remeasurement of equity instruments		85	42	107	- 11
Income tax on items of other comprehensive income		- 16	- 8	- 20	2
Comprehensive income for period		**10,084**	**5,289**	**- 1,267**	**- 863**
Attributable to:					
Owners of the parent		10,029	5,334	- 1,281	- 855
Non-controlling interests		55	- 45	14	- 8

Interim condensed consolidated statement of financial position

as at September 30th 2020

ASSETS	Note	Sep 30 2020	Jun 30 2020	Dec 31 2019	Sep 30 2019
Cash and cash equivalents	12	162,967	84,639	62,713	53,797
Short-term receivables	12, 14	209,615	174,534	182,531	186,857
Current tax assets		238	53	12	169
Short-term prepayments and accrued income		1,229	1,331	1,234	1,080
Financial assets measured at fair value through profit or loss		846	130	308	6,656
Equity instruments measured through other comprehensive income		3,089	3,072	4,972	4,941
Investments in jointly controlled entities and associates		-	-	-	-
Long-term receivables		9,405	2,479	2,882	7,154
Long-term loans		193	236	322	335
Right-of-use assets		8,395	9,714	9,768	10,587
Property, plant and equipment		2,467	2,253	1,781	1,849
Investment property		-	-	-	-
Intangible assets		1,443	1,095	1,192	1,216
Deferred tax assets		2,323	2,795	3,473	2,971
Long-term prepayments and accrued income		8	9	12	6
TOTAL ASSETS		**402,218**	**282,340**	**271,200**	**277,618**

EQUITY AND LIABILITIES	Note	Sep 30 2020	Jun 30 2020	Dec 31 2019	Sep 30 2019
Current liabilities	14	283,395	168,738	163,848	176,762
Current tax liabilities		-	77	292	-
Financial liabilities measured at fair value through profit or loss		125	39	-	-
Short-term lease liabilities	23	5,888	5,591	4,170	3,761
Long-term lease liabilities	23	6,781	8,423	9,850	11,078
Other non-current liabilities	14	1,751	1,751	-	-
Deferred tax liabilities	16	404	335	454	422
Accruals and deferred income	14	10,198	8,848	8,842	6,810
Total liabilities		**308,542**	**193,802**	**187,456**	**198,833**
Share capital	13	2,994	2,994	2,994	2,994
Other components of equity		14,159	14,125	14,003	13,724
Retained earnings		71,982	66,799	62,139	57,863
Equity attributable to owners of the parent		**89,135**	**83,918**	**79,136**	**74,581**
Non-controlling interests		**4,541**	**4,620**	**4,608**	**4,204**
Total equity		**93,676**	**88,538**	**83,744**	**78,785**
TOTAL EQUITY AND LIABILITIES		**402,218**	**282,340**	**271,200**	**277,618**

Interim condensed consolidated statement of cash flows

for the nine months ended September 30th 2020

CASH FLOWS	Note	Jan 1–Sep 30 2020	Jul 1–Sep 30 2020	Jan 1–Sep 30 2019	Jul 1–Sep 30 2019
Cash flows from operating activities					
Profit before tax		**12,564**	**6,695**	**- 1,690**	**- 957**
Total adjustments:	25	**91,696**	**76,609**	**16,422**	**- 2,749**
Depreciation and amortisation		3,904	1,234	3,655	1,206
Foreign exchange gains/(losses)		57	187	- 17	- 98
Interest and dividends		745	191	1,031	210
Gain/(loss) on investing activities		36	-	-	-
Change in financial assets at fair value through profit or loss		- 538	- 716	3,100	- 3,972
Increase/(decrease) in receivables		- 35,493	- 42,277	- 4,517	- 15,209
Increase/(decrease) in current liabilities (net of borrowings)		122,012	117,240	14,907	15,843
Increase/(decrease) in provisions and impairment losses on receivables		868	255	- 1,040	23
Increase/(decrease) in accruals and deferrals		1,365	1,453	- 2,917	- 1,124
Proceeds from leases		781	260	781	260
Adjustment related to implementation of IFRS 16		-	-	1,475	108
Income tax paid		- 1,984	- 1,170	- 10	- 6
Other adjustments		- 57	- 48	- 26	10
Net cash from operating activities		**104,260**	**83,304**	**14,732**	**- 3,706**
Cash flows from investing activities					
Decrease in loans		133	47	117	45
Increase in loans		- 515	- 150	- 470	- 392
Acquisition of property, plant and equipment and intangible assets		- 2,001	- 806	- 492	- 116
Acquisition of equity instruments measured through other comprehensive income		- 66	-	- 23,075	- 13,000
Sale of equity instruments measured through other comprehensive income		2,120	25	11,595	779
Interest received		207	207	8	8
Net cash from investing activities		**- 122**	**- 677**	**- 12,317**	**- 12,676**
Cash flows from financing activities					
Proceeds from issue of debt securities		-	-	2	-
Repayment of debt securities		- 1	-	- 3	- 1
Interest paid		- 544	- 133	- 699	- 248
Payment of lease liabilities		- 3,181	- 1,084	- 2,786	- 974
Payment of borrowings		-	-	- 4,467	- 735
Proceeds from borrowings		596	- 2,295	-	-
Dividends to non-controlling interests		- 687	- 599	- 600	- 600
Net cash from financing activities		**- 3,817**	**- 4,111**	**- 8,553**	**- 2,558**
Total cash flows		**100,321**	**78,516**	**- 6,138**	**- 18,940**

Net increase/(decrease) in cash and cash equivalents		100,263	78,328	- 6,122	- 18,842
Effect of exchange rate fluctuations on cash held		- 57	- 187	16	98
Cash at beginning of period	25	62,736	84,541	46,879	59,681
Cash at end of period, including	25	**163,056**	**163,056**	**40,741**	**40,741**
*- restricted cash**		*127,070*	*127,070*	*18,709*	*18,709*

** 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 nine months ended September 30th 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			
As at Jan 1 2020	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**4,608**	**83,744**
Net profit/loss for period	-	-	-	-	9,960	55	10,015
Other comprehensive income	-	-	156	-	-	-	156
Dividend paid	-	-	-	-	-	- 88	- 88
Other increases/decreases	-	-	-	-	- 117	- 34	- 151
As at Sep 30 2020	**2,994**	**10,351**	**594**	**3,214**	**71,982**	**4,541**	**93,676**
As at Jan 1 2019	**2,994**	**10,351**	**72**	**3,214**	**59,186**	**4,590**	**80,407**
Net profit for 2019	-	-	-	-	3,116	418	3,534
Other comprehensive income	-	-	366	-	- 163	-	203
Dividend paid	-	-	-	-	-	- 400	- 400
As at Dec 31 2019	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**4,608**	**83,744**
As at Jan 1 2019	**2,994**	**10,351**	**72**	**3,214**	**59,186**	**4,590**	**80,407**
Net profit/loss for period	-	-	-	-	- 1,368	14	- 1,354
Other comprehensive income	-	-	87	-	45	-	132
Dividend paid	-	-	-	-	-	- 400	- 400
As at Sep 30 2019	**2,994**	**10,351**	**159**	**3,214**	**57,863**	**4,204**	**78,785**

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 September 30th 2020, the IPOPEMA Group comprised IPOPEMA Securities S.A. and its subsidiaries presented in Note 2 below.

The Group’s principal business comprises:

1. brokerage activities,
2. business and management advisory services,
3. operation of investment fund companies, 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 include 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 September 30th 2020, the Group comprised IPOPEMA Securities S.A. and the following entities:

1) consolidated subsidiaries controlled by the Company:

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

2) non-consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Financial Advisory Sp. z o.o.	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	not consolidated (due to immateriality of financial data)	100%	100%
MUSCARI Capital Sp. z o.o. ("MUSCARI")	- intermediation in offering the Company's brokerage services as an investment firm agent	not consolidated (due to immateriality of financial data)	100%	100%

On March 16th 2020, the Company acquired 100% of shares in Grupa Finanset Sp. z o.o (current name: MUSCARI Capital 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

3.1st Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRSs applicable to interim financial reporting, as endorsed by the European

Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), which have been endorsed recently or are pending endorsement, are not relevant to the Group’s operations or their effect on the Group’s financial statements would be immaterial.

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

These interim condensed consolidated financial statements of the Group cover the nine months ended September 30th 2020 and contain comparative data for the nine months ended September 30th 2019 and as at June 30th 2020 and 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.

3.2nd 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 nine months ended September 30th 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.

'Investments in equity instruments measured at fair value 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.

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

A significant item among the Group's short-term receivables are receivables from clients arising from stock-market transactions, i.e. 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 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,
- 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 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 stock-market 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 the nine months ended September 30th 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;
- 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 References to the Conceptual Framework in IFRS Standards – effective for annual periods beginning on or after January 1st 2020. The IASB prepared a new version of the conceptual framework for financial reporting. For consistency reasons, references to the conceptual framework, as included in various standards, were adjusted accordingly.

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 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;
- Amendments to IAS 16: Property, Plant and Equipment. The amended standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1st 2022;
- Amendments to IFRS 16: Leases. The amended standard permits lessees not to treat COVID-19-related changes in lease contracts as lease modifications requiring adjustments to lease liabilities and right-of-use assets;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets. The amended standard clarifies what costs an entity considers in assessing whether a contract is onerous. The amendments are effective for financial statements for periods beginning on or after January 1st 2022.

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 nine 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 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 disclosed as finance income or costs, as appropriate.

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

Currency	Sep 30 2020	Dec 31 2019	Sep 30 2019

USD	3.8658	3.7977	4.0000
EUR	4.5268	4.2585	4.3736
HUF 100	1.2412	1.2885	1.3068
GBP	4.9560	4.9971	4.9313
CZK	0.1666	0.1676	0.1693
CHF	4.1878	3.9213	4.0278
TRY	0.4983	0.6380	0.7081
JPY 100	3.6586	3.4959	3.7071
NOK	0.4087	0.4320	0.4406
CAD	2.8843	2.9139	3.0212
SEK	0.4296	0.4073	0.4077
DKK	0.6079	0.5700	0.5858
AUD	2.7515	2.6624	2.7008
RON	0.9291	0.8901	0.9207

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–Sep 30 2020	**Jan 1–Sep 30 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	0.33	- 0.05

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	9 months ended September 30th 2020 Continuing operations Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment's total revenue	36,960	117,398	18,699	173,057
Intersegment sales	- 1,015	-	-	- 1,015
Consolidation eliminations	- 263	-	-	- 263
Sales to external clients	**35,682**	**117,398**	**18,699**	**171,779**
Segment's costs				
Segment's total costs	- 30,146	- 109,232	- 18,609	- 157,987
Segment's costs – intersegment purchases	-	1,015	-	1,015
Consolidation eliminations	263	-	-	263
Segment's costs – purchases from external suppliers	**- 29,883**	**- 108,217**	**- 18,609**	**- 156,709**
Segment's profit/(loss) on core activities	**5,799**	**9,181**	**90**	**15,070**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	5,799	9,181	90	15,070
Interest income	97	30	108	235
Interest expense	- 701	- 141	- 106	- 948
Other net finance income/ expenses	- 1,583	- 19	63	- 1,539
Other income/ expenses	96	- 29	59	126
Consolidation eliminations	- 380	-	-	- 380
Profit before tax and non-controlling interests	**3,328**	**9,022**	**214**	**12,564**
Income tax	978	1,551	20	2,549
Consolidation eliminations	-	-	-	-
Total corporate income tax	**978**	**1,551**	**20**	**2,549**
Net profit for period	**2,350**	**7,471**	**194**	**10,015**
Assets and liabilities as at Sep 30 2020				
Segment's assets	321,880	63,536	16,802	402,218
Unallocated assets	-	-	-	-
Total assets	**321,880**	**63,536**	**16,802**	**402,218**
Segment's liabilities	267,413	23,558	7,373	298,344
Accruals and deferred income	3,401	6,567	230	10,198
Segment's net profit/(loss)	2,350	7,471	194	10,015
Equity (excluding net profit/(loss) for current period)	45,416	28,498	5,261	79,175
Non-controlling interests (excluding net profit/(loss) for current period)	93	-	4,393	4,486
Total equity and liabilities	**318,673**	**66,094**	**17,451**	**402,218**

Operating segments	9 months ended September 30th 2019 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total
Revenue				
Segment's total revenue	25,123	48,950	19,707	93,780
Intersegment sales	- 431	-	-	- 431
Consolidation eliminations	- 263	-	-	- 263
Sales to external clients	**24,429**	**48,950**	**19,707**	**93,086**
Segment's costs				
Segment's total costs	- 26,301	- 49,424	- 19,574	- 95,299
Segment's costs – intersegment purchases	-	431	-	431
Consolidation eliminations	263	-	-	263
Segment's costs – purchases from external suppliers	**- 26,038**	**- 48,993**	**- 19,574**	**- 94,605**
Segment's profit/(loss) on core activities	**- 1,609**	**- 43**	**133**	**- 1,519**
Unallocated costs	-	-	-	-
Profit from continuing operations before tax and finance costs	- 1,609	- 43	133	- 1,519
Interest income	190	146	148	484
Interest expense	- 925	- 126	- 145	- 1,196
Other net finance income/expenses	- 557	40	19	- 498
Other income/expenses	1,176	302	16	1,494
Consolidation eliminations	- 400	- 55	-	- 455
Profit before tax and non-controlling interests	**- 2,125**	**264**	**171**	**- 1,690**
Income tax	- 416	86	5	- 325
Consolidation eliminations	-	- 11	-	- 11
Total corporate income tax	**- 416**	**75**	**5**	**- 336**
Net profit/loss for period	**- 1,709**	**189**	**166**	**- 1,354**
Assets and liabilities as at Dec 31 2019				
Segment's assets	203,584	48,138	19,478	271,200
Unallocated assets	-	-	-	-
Total assets	**203,584**	**48,138**	**19,478**	**271,200**
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
Total equity and liabilities	**201,419**	**49,657**	**20,124**	**271,200**

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

Cash and cash equivalents

Cash and other assets	Sep 30 2020	Dec 31 2019
Cash and other assets of the Group		
a) at banks and in hand	35,638	26,721
b) other cash	127,323	35,976
c) cash equivalents	6	16
Total	**162,967**	**62,713**
Cash and other assets		
a) the Group's own cash and other assets	35,897	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	116,070	20,835
c) cash in escrow account	11,000	8,000
d) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**162,967**	**62,713**

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 116,070 thousand as at September 30th 2020 and PLN 20,835 thousand as at December 31st 2019.

Receivables

Short-term receivables	Sep 30 2020	Dec 31 2019
From clients / trade receivables	94,262	60,612
- under transactions executed on the Warsaw Stock Exchange	15,153	32,331
- under transactions executed on the Budapest Stock Exchange	48,715	-
- under transactions executed on the Prague Stock Exchange	209	-
- under transactions executed on the London Stock Exchange	5,355	282
- under transactions executed on the Istanbul Stock Exchange	-	1,091
- under transactions executed on the Frankfurt Stock Exchange	2,578	32
- under transactions executed on the New York Stock Exchange	1,435	15
- under transactions executed on the Oslo Stock Exchange	107	-
- under transactions executed on the Stockholm Stock Exchange	738	-
- under transactions executed on the Toronto Stock Exchange	1,742	-
- under transactions executed on the Madrid Stock Exchange	60	-
- under transactions executed on the Australian Securities Exchange	159	-
- under transactions executed on the Brussels Stock Exchange	51	-
- other	17,960	26,861
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	58,659	94,861
- under transactions executed on the Warsaw Stock Exchange*	30,462	60,246
- under transactions executed on the New York Stock Exchange	3,957	2,940
- under transactions executed on the Zurich Stock Exchange	911	660
- under transactions executed on the Toronto Stock Exchange	-	1,036
- under transactions executed on the Frankfurt Stock Exchange	1,687	952
- under transactions executed on the Paris Stock Exchange	1,153	262
- under transactions executed on the Vienna Stock Exchange	859	-
- under transactions executed on the Amsterdam Stock Exchange	707	-
- under transactions executed on the Copenhagen Stock Exchange	630	-

- under transactions executed on the Stockholm Stock Exchange	409	-
- under transactions executed on the Oslo Stock Exchange	891	-
- other	16,993	28,765
From the Central Securities Depository of Poland and exchange clearing houses	33,950	15,680
- from the settlement guarantee fund	33,950	15,680
From investment and pension fund companies and from investment and pension funds	18,227	8,594
Taxes, subsidies and social security receivable	183	199
Under framework securities lending and short sale agreements	-	1,195
Other	4,334	1,390
Total short-term receivables	**209,615**	**182,531**

** 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 the first nine months of 2020, the policies for measurement of financial assets at fair value or classification of financial assets did not change.

As at December 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	Sep 30 2020		Dec 31 2019	
	carrying amount	fair value	carrying amount	fair value
Financial assets	**386,115**	**386,115**	**253,728**	**253,728**
- cash and cash equivalents	162,967	162,967	62,713	62,713
- derivative financial instruments	-	-	226	226
- loans	1,011	1,011	609	609
- short- and long-term receivables	218,202	218,202	185,126	185,126
- shares in listed companies	846	846	82	82
- shares and bonds (unlisted)	80	80	14	14
- investment fund units/investment certificates	3,009	3,009	4,958	4,958
Financial liabilities at amortised cost	**285,146**	**285,146**	**163,848**	**163,848**
- overdraft facility	7,396	7,396	6,799	6,799
- subsidy	1,751	1,751	-	-
- liabilities (other than credit facilities and subsidy)	275,999	275,999	157,049	157,049
Financial liabilities measured at fair value through profit or loss	**125**	**125**	**-**	**-**
- derivative financial instruments	125	125	-	-

The Group uses derivatives to mitigate the risk of exchange rate changes. 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 nine months of 2020, gains on this category of financial assets reached PLN 85 thousand (9M 2019: a profit of PLN 107 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 Sep 30 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Financial assets measured at fair value other than derivatives	846	-	-	846
Total financial assets measured at fair value through profit or loss	**846**	**-**	**-**	**846**
Equity instruments measured through other comprehensive income				
Investment certificates and investment fund units	-	3,009	-	3,009
Debt instruments	-	-	-	-
Total equity instruments through other comprehensive income *	**-**	**3,009**	**-**	**3,009**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	125	-	125
Total financial liabilities measured at fair value through profit or loss	**-**	**125**	**-**	**125**

** 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 Dec 31 2019

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

** 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 the first nine months of 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 the first nine months of 2020, the Group purchased property, plant and equipment and intangible assets for PLN 2,001 thousand (the first nine months of 2019: PLN 492 thousand).

Significant transactions to purchase or sell property, plant and equipment

In the first nine months of 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 September 30th 2020, the Group's share capital was PLN 2,993,783.60 (no change on December 31st 2019).

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–Sep 30 2020	Jan 1–Sep 30 2019	2019
As at beginning of reporting period	**8,842**	**9,992**	**9,992**
Recognised in period	15,980	10,155	17,487
Used	14,582	11,697	18,534
Reclassification in keeping with IFRS 16	-	1,640	-
Reversed	42	-	103
As at end of reporting period	**10,198**	**6,810**	**8,842**

Impairment losses on receivables

In the nine months ended September 30th 2020, impairment losses on receivables rose by PLN 868 thousand (including an increase of PLN 255 thousand in Q3 2020). In the corresponding period of 2019, impairment losses on receivables fell by PLN 1,040 thousand (including an increase of PLN 23 thousand in Q3 2019).

Liabilities (current)

Current liabilities	Sep 30 2020	Dec 31 2019
To clients	234,952	105,099
To related entities	3	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	30,339	43,763
- to the Warsaw Stock Exchange *	17,963	42,308
- to the Budapest Stock Exchange	26	-
- to the Prague Stock Exchange	105	-
- to the Istanbul Stock Exchange	-	1,091
- to the London Stock Exchange	5,348	281
- to the Paris Stock Exchange	-	19
- to the Frankfurt Stock Exchange	1,010	13
- to the New York Stock Exchange	1,433	15
- to the Italian Stock Exchange	339	-
- to the Australian Securities Exchange	159	-
- to the Vienna Stock Exchange	1,226	-
- to the Stockholm Stock Exchange	736	-
- to the Oslo Stock Exchange	107	-
- to the Brussels Stock Exchange	51	-
- to the Madrid Stock Exchange	60	-
- to the Toronto Stock Exchange	1,744	-
- other	32	36
To entities operating regulated markets and commodity exchanges	215	340
- to the Warsaw Stock Exchange	215	340
To the Central Securities Depository of Poland and exchange clearing houses	5,751	3,122
Borrowings	7,396	6,799
- from related entities	-	-
- other	7,396	6,799
Debt securities	-	1
Taxes, customs duties and social security payable	1,263	1,545
Salaries and wages	-	1
To investment and pension fund companies and to investment and pension funds	1,317	1,158
Other	2,159	2,020
a) dividends payable	400	1,000
b) other	1,759	1,020
- other liabilities	1,759	1,020
Total current liabilities	**283,395**	**163,848**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, 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 leases, liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities under borrowings	Sep 30 2020	Dec 31 2019
Bank borrowings	7,396	6,799
- outstanding amount	7,396	6,799
Current liabilities under borrowings	**7,396**	**6,799**

As at September 30th 2020, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 7,396 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 November 15th 2021:

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 with 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. The same collateral also secures 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.

Subsidies

On June 3rd 2020, IBC received PLN 1,751 thousand in subsidy under a governmental programme run by the Polish Development Fund ("PDF") to provide financial support to micro, small and medium-sized enterprises in order to mitigate the impact of the COVID-19 epidemic in Poland (the "Programme"). Under the Programme, up to 75% of the subsidy may be eligible for forgiveness, subject to fulfilment of relevant conditions. PDF may, however, request that the funding be repaid in full if: (i) the beneficiary ceases to carry on, or suspends, business activities, (ii) proceedings to liquidate the beneficiary have been instigated (if applicable), or (iii) insolvency or restructuring proceedings have been instigated with respect to the beneficiary, in any case, within 12 months of the grant date.

The repayable portion of the subsidy will be repaid in 24 equal monthly instalments starting from the 13th calendar month following the disbursement date. The IBC may repay the subsidy early, subject to fulfilment of relevant obligations under the subsidy agreement.

Bonds

In 2020, until the issue date of these financial statements, no Group companies issued any bonds. In the first nine months of 2019, the Company issued 8 registered bonds for a total nominal amount of PLN 1.6 thousand, maturing in 2019. The bonds issue was related to the Company's policy for the settlement of variable remuneration components.

In the first nine months of 2020, the Group redeemed PLN 1.2 thousand worth of bonds (with no bonds redeemed in the three months to September 30th 2020), compared with PLN 3.2 thousand redeemed a year earlier.

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–Sep 30 2020**	**Jul 1–Sep 30 2020**	**Jan 1–Sep 30 2019**	**Jul 1–Sep 30 2019**
Revenue from trading in securities	22,963	7,625	16,583	6,104
Revenue from investment banking services	10,533	5,820	6,363	1,944
Revenue from investment fund and portfolio management services	117,398	45,281	48,950	18,231
Revenue from advisory services	18,699	6,496	19,707	6,843
Other revenue from core activities	2,186	816	1,483	644
Total revenue from core activities	**171,779**	**66,038**	**93,086**	**33,766**

Operating expenses

Cost of core activities	**Jan 1–Sep 30 2020**	**Jul 1–Sep 30 2020**	**Jan 1–Sep 30 2019**	**Jul 1–Sep 30 2019**

Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	2,931	832	3,479	1,256
Payments to CCP	245	71	189	64
Trade organisation membership fees	34	11	34	11
Salaries and wages	41,762	14,691	33,191	11,341
Social security	3,499	883	2,558	622
Employee benefits	495	170	475	155
Raw material and consumables used	458	146	425	144
Depreciation and amortisation	3,904	1,234	3,655	1,206
Taxes and other public charges	5,026	4,622	1,012	753
Other costs, including:	98,355	36,334	49,587	17,869
- fund management and distribution costs	76,934	28,982	33,376	12,274
- transaction costs other than cost of clearance through clearing houses or stock exchanges	3,332	1,346	1,877	652
- ICT and information services	4,483	1,483	3,598	1,262
- marketing, representation and advertising	1,330	490	1,040	325
- software purchases (for recharge)	227	- 909	1,682	787
- other services	12,049	4,942	8,014	2,569
Total cost of core activities	**156,709**	**58,994**	**94,605**	**33,421**

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–Sep 30 2020	Jul 1–Sep 30 2020	Jan 1–Sep 30 2019	Jul 1–Sep 30 2019
Profit before tax	**12,564**	**6,695**	**- 1,690**	**- 957**
Tax calculated at 19% rate	**2,388**	**1,272**	**- 321**	**- 182**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	- 58	- 305	743	- 3
Tax losses for which no deferred tax assets were recognised − other	- 101	22	4	- 33
Tax loss carryforwards for which no deferred tax assets were recognised	-	-	-	-
Use of unrecognised tax losses	-	-	-	-
Non-deductible expenses	702	394	555	225
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-	-	-
Non-taxable income	308	773	- 1,383	221
Tax base for current and deferred income tax	**13,415**	**7,579**	**- 1,771**	**- 547**
Reductions, exemptions	-	-	-	-
Income tax expense	**2,549**	**1,440**	**- 336**	**- 103**

Tax settlements

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant fines and other sanctions. As there is no possibility of referring to an established regulatory framework in Poland, the applicable regulations often lack clarity and consistency. Frequent discrepancies in opinions concerning the legal construction of tax regulations, both between different governmental agencies, and between governmental agencies and enterprises, create areas of uncertainty and conflict. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements are subject to inspection for five years from the end of the year in which the respective tax was paid. Such inspections may result in additional tax liabilities being imposed on the Group companies.

Deferred tax

Deferred tax liabilities fell by PLN 50 thousand in the nine months ended September 30th 2020 (including an increase of PLN 69 thousand in Q3 2020). In the same period of 2019, they grew by PLN 5 thousand (including a decrease of PLN 10 thousand in Q3 2019).

Deferred tax assets went down by PLN 1,150 thousand in the nine months ended September 30th 2020 (including an decrease of PLN 472 thousand in Q3 2020). In the same period of 2019, they rose by PLN 320 thousand (including an increase of PLN 95 thousand in Q3 2019).

17. Dividends paid and proposed

In the first nine months of 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. In 2020, IFA SK also paid a total of PLN 26.6 thousand to one of its limited partners towards the partner's expected share in profit for 2019.

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 the first nine months of 2019, the Group companies did not issue any equity securities.

For information on the issue and redemption of 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 Sep 30 2020	5	105
% of parent's total assets	-	0.03
Revenue in Jan 1–Sep 30 2020	11	60
% share in Parent's revenue	-	0.17
Net assets as at Sep 30 2020	- 2	- 412
Net profit/(loss) in Jan 1–Sep 30 2020	3	- 353

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–Sep 30 2019	11
% share in Parent's revenue	-
Net assets as at Dec 31 2019	- 5
Net profit/(loss) in Jan 1–Sep 30 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: (i) a deposit of PLN 1.5m as security for settlement of transactions on foreign stock exchanges; and (ii) a deposit as security for the guarantee discussed in Note 15.

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 1,446 thousand. Under an amendment agreement of 2020, the guarantee amount was increased to EUR 308 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.

Lease liabilities	**Sep 30 2020**		**Dec 31 2019**	
Net carrying amount	12,669		14,020	
Present value of minimum lease payments	**Lease payments**	**Finance charge**	**Lease payments**	**Finance charge**
Within 1 year	5,888	288	4,170	358
In 1 to 5 years	6,781	145	9,850	291
Over 5 years	-	-	-	-
Depreciation expense recognised in period ended	**2,804**		**3,265**	

The Group as a lessor

Finance lease liabilities	**Sep 30 2020**	**Dec 31 2019**
Net carrying amount	1,641	2,218
Present value of minimum lease payments	**1,641**	**2,218**
Within 1 year	818	776
In 1 to 5 years	823	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 the first nine months of 2020 and in 2019, the Group did not conclude any material related-party transactions on a non-arm's length basis.

Related-party transactions – income and expenses (PLN '000)

Related party	Revenue from core activities	Other income	Purchases – core activities	Other purchases	Revenue from core activities	Other income	Purchases – core activities	Other purchases
	Jan 1–Sep 30 2020				Jan 1–Sep 30 2019			
IFA Sp. z o.o.	-	-	11	-	-	-	-	-
MUSCARI	4	-	46	-	-	-	-	-
Members of the Management and Supervisory Boards	-	-	40	-	-	-	1	-
Other related parties	-	-	-	-	-	-	-	-
Total	**4**	**-**	**97**	**-**	**-**	**-**	**1**	**-**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
IFA Sp. z o.o.	-	-	3	1
Members of the Management and Supervisory Boards	-	-	-	-
Total	**-**	**-**	**3**	**1**

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 the first nine months of 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	
	Sep 30 2020	Dec 31 2019	Sep 30 2020	Dec 31 2019
Cash and cash equivalents	**162,967**	**62,713**	**163,056**	**62,736**
1. In hand	2	3	2	3
2. At banks	35,636	26,718	35,636	26,718
3. Other cash	127,323	35,976	127,323	35,976
4. Cash equivalents	6	16	-	-
5. Accrued foreign exchange differences	-	-	95	39

The difference between the presentation of cash in the balance sheet and the statement of cash flows as at September 30th 2020 and December 31st 2019 follows from (i) presentation of cash net of the effect of foreign exchange differences and (ii) received purchase cards presented under cash and cash equivalents.

Cash at end of period comprises the Group's own and its clients' cash and cash equivalents – for more information on the structure of cash, see Note 12.

Differences in changes in balance-sheet items

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Sep 30 2020	**Dec 31 2019**	**Sep 30 2020**
Gross short- and long-term receivables	220,674	186,199	- 35,493
Net receivables	219,020	185,413	
Impairment losses on receivables	1,654	786	868
Prepayments and accrued income	1,237	1,246	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	10,198	8,842	1,365
Increase/(decrease) in impairment losses and accruals and deferrals			**2,233**

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 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
	Sep 30 2019	**Dec 31 2018**	**Sep 30 2019**
Gross short- and long-term receivables	194,672	190,146	- 4,517
Net receivables	194,011	188,445	
Impairment losses on receivables	661	1,701	- 1,040
Prepayments and accrued income	1,086	1,351	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	6,810	9,992	- 2,917
Total increase/(decrease) in impairment losses and accruals and deferrals			**- 3,957**

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 of interest receivable 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 interim condensed 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. Clients' financial instruments

Clients' financial instruments	Sep 30 2020	Dec 31 2019
Securities admitted to official listing		
- quantity	111,495	111,180
- amount	1,132,061	514,479
Securities not admitted to official listing		
- quantity	42,062	36,070
- amount	17,047	10,901
Designated sponsor		
(i) shares		
- quantity	6,347	291
- amount	116,664	554
(ii) bonds		
- quantity	0.02	0.033
- amount	2,000	3,300
(iii) investment certificates		
- quantity	475	161
- amount	156,303	28,824

28. Material events and factors in the first nine months of 2020

Equity market and investment banking

Despite the continuing economic uncertainty due to the COVID-19 pandemic, in the nine months to September 30th 2020 the WSE saw markedly higher investor activity, with the total turnover for the period up 32.7%, largely on the back of increased retail trading. As a result, IPOPEMA Securities recorded a lower share in total market trading volumes (2.74% vs 4.35%% a year earlier, losing to brokerage offices specialising in services for retail customers), but its increased bond trading activities combined with the Company being more active on foreign markets translated into a 38.5% year-on-year growth in revenue from securities trading to PLN 22,963 thousand (nine months ended September 30th 2019: PLN 16,583).

Despite the fact that in the three months ended March 31st 2020 equity market transactions was the IPOPEMA Group's business area most affected by the coronavirus epidemic (following suspension of a number of transactions in the pipeline), the second and third quarters of 2020 saw a definite rebound, with the Company advising on several transactions. In the nine months ended September 30th 2020, investment banking revenue came in at PLN 10,533 thousand, up 65.5% year on year (nine months ended September 30th 2019: PLN 6,363 thousand).

As a result of the above factors, the brokerage services segment reported an operating profit of PLN 5,799 thousand (vs a PLN 1,609 thousand loss a year earlier) and net profit of PLN 2,350 thousand (vs net loss of PLN 1,709 thousand the year before).

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 were the main driver of the more than 2-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 2bn at the end of September 2020, compared with PLN 1.5bn a year earlier). At the same time, the total value of assets under IPOPEMA TFI's management as at September 30th 2020 was PLN 59.2bn (up from PLN 56.4bn as at September 30th 2019). Despite a significant increase in operating expenses (by 120.9%, mainly due to higher costs of management of an increased number of funds and higher costs of services and salaries and wages), the segment posted a profit on core activities of PLN 9,181 thousand and a net profit of PLN 7,471 thousand (vs PLN 43 thousand loss and PLN 189 thousand net profit in the nine months to September 30th 2019, respectively).

IPOPEMA Business Consulting

With some of IPOPEMA Business Consulting customers affected by uncertainty around the coronavirus pandemic, in the nine months ended September 30th 2020 the segment saw a decline of 5.1% in revenue year on year. Despite effective monitoring of operating expenses, which in the nine months ended September 30th 2020 fell by 4.9% year on year, the decrease in revenue translated into a lower operating profit of PLN 90 thousand (vs PLN 133 thousand in the nine months ended September 30th 2019), with a year-on-year increase in net profit (to PLN 194 thousand from PLN 166 thousand).

29. Events subsequent to the end of reporting period

All events relating to the reporting period are disclosed in the accounting books and the condensed consolidated financial statements for the period January 1st–September 30th 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, November 19th 2020

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