The
IPOPEMA Securities Group

Interim condensed consolidated financial statements

for half-year ended June 30th 2016

Warsaw, August 23th 2016

Contents

STATEMENT OF COMPLIANCE

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

- to the best of our knowledge, the interim condensed consolidated financial statements as at June 30th 2016 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial standing and financial performance of the IPOPEMA Securities Group;
- the Directors' Report on the operations of the IPOPEMA Securities Group in H1 2016 gives a true picture of the Group's development, achievements and standing; it also includes a description of risks and threats;
- BDO Sp. z o.o., registered office at ul. Postępu 12, Warsaw, Poland, a qualified auditor of financial statements, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (NCSA) under Reg. No. 3355, which reviewed the half-year separate and consolidated financial statements, was appointed in compliance with applicable laws. BDO Sp. z o.o. and the auditor who reviewed the half-year condensed consolidated financial statements of the IPOPEMA Securities Group as at June 30th 2016 meet the relevant criteria for issuing an impartial and independent report on the reviewed interim condensed consolidated financial statements, in accordance with the applicable laws and professional standards.

Warsaw, August 23th 2016

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice President of the Management Board	Stanisław Waczkowski Vice President of the Management Board	Mirosław Borys Vice President of the Management Board	Daniel Ścigała Member of the Management Board

Financial highlights

Financial highlights	PLN '000 Half-year ended June 30		EUR '000 Half-year ended June 30	
	2016	2015	2016	2015
Revenue from core activities	38,510	45,903	8,791	11,104
Cost of core activities	38,041	43,653	8,684	10,559
Profit/loss on core activities	469	2,250	107	544
Operating profit/loss	556	1,877	127	454
Profit/loss before tax	682	1,592	156	385
Net profit/loss on continuing operations	472	679	108	164
Net profit/loss	472	679	108	164
Earnings/loss per ordinary share (weighted average) (PLN/ EUR)				
- basic	0,01	0,02	0,00	0,01
- diluted	0,01	0,02	0,00	0,01
Net cash from operating activities	-112,936	35,732	-25,782	8,643
Total cash flows	-117,315	36,518	-26,781	8,833

Key consolidated financial results	PLN '000			EUR '000		
	Jun 30 2016	Dec 31 2015	Jun 30 2015	Jun 30 2016	Dec 31 2015	Jun 30 2015
Total assets	341,861	353,310	325,625	77,248	82,907	77,633
Current liabilities	253,445	258,462	238,394	57,269	60,650	56,836
Equity	81,334	84,408	81,038	18,378	19,807	19,321
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.72	2.82	2.71	0.61	0.66	0.65

The key financial results were translated into the euro at the following exchange rates:

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

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in a given period	H1 2016	H1 2015
EUR	4.3805	4.1341

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

Exchange rate as at	Jun 30 2016	Dec 31 2015	Jun 30 2015
EUR	4.4255	4.2615	4.1944

Interim condensed consolidated statement of comprehensive income

for half-year ended June 30th 2016

	Note	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
CONTINUING OPERATIONS			
Revenue from core activities, including:	15	**38,510**	**45,903**
Revenue from brokerage activities		16,979	19,902
Revenue from investment fund and asset management		15,357	19,818
Revenue from consultancy services		6,174	6,183
Cost of core activities	15	**38,041**	**43,653**
Profit/loss on core activities		**469**	**2,250**
Gain (loss) on transactions in financial instruments held for trading		-60	-379
Gain (loss) on transactions in financial instruments held to maturity		-	-
Gain (loss) on transactions in financial instruments available for sale		80	72
Other income		368	324
Other expenses		301	390
Operating profit/(loss)		**556**	**1 877**
Finance income		951	601
Finance costs		825	886
Profit/(loss) before tax		**682**	**1 592**
Income tax	16	210	913
Net profit/(loss) on continuing operations		**472**	**679**
DISCONTINUED OPERATIONS		**-**	**-**
Net profit/(loss) for period		**472**	**679**
Attributable to:			
Owners of the parent		398	658
Non-controlling interests		74	21
Earnings (loss) per share (PLN)		0.01	0.02
Diluted earnings (loss) per share (PLN)		0.01	0.02
Net profit for period		**472**	**679**
Other comprehensive income		**- 53**	**1**
Gains and losses on remeasurement of financial assets available for sale		- 65	1
Corporate income tax on items of other comprehensive income		12	-
Comprehensive income for period		**419**	**680**
Attributable to:			
Owners of the parent		345	659
Non-controlling interests		74	21

Warsaw, August 23th 2016

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Mirosław Borys
Vice President of the Management Board

Daniel Ścigała
Member of the Management Board

Danuta Ciosek
Chief Accountant

Interim condensed consolidated statement of financial position

as at June 30th 2016

ASSETS	Note	Jun 30 2016	Dec 31 2015	Jun 30 2015
Cash and cash equivalents	12	31,723	148,949	87,219
Current receivables	12, 14	276,106	178,434	209,542
Current tax assets		124	209	216
Current prepayments and accrued income		871	1,147	1,094
Financial instruments held for trading		1,281	1,214	2,927
Financial instruments held to maturity		-	-	-
Financial instruments available for sale		21,131	11,764	10,697
Investments in jointly controlled entities and associates		-	-	-
Non-current receivables		1,375	1,367	5,858
Non-current loans advanced		88	1	253
Property, plant and equipment		4,913	5,553	4,488
Investment property		-	-	-
Intangible assets		2,706	3,156	2,396
Deferred tax assets		1,533	1,479	935
Non-current prepayments and accrued income		10	37	-
TOTAL ASSETS		**341,861**	**353,310**	**325,625**

EQUITY AND LIABILITIES	Note	Jun 30 2016	Dec 31 2015	Jun 30 2015
Current liabilities	14	253,314	258,462	238,309
Current tax liabilities		131	-	85
Other financial liabilities		-	-	-
Non-current liabilities		567	593	570
Deferred tax liabilities	16	181	133	31
Accruals and deferred income	14	6,334	9,714	5,592
Total liabilities		**260,527**	**268,902**	**244,587**
Share capital	13	2,994	2,994	2,994
Other capital reserves		13,622	13,675	13,606
Retained earnings		61,136	64,231	60,986
Total equity		**77,752**	**80,900**	**77,586**
Non-controlling interests		**3,582**	**3,508**	**3,452**
Total equity		**81,334**	**84,408**	**81,038**
TOTAL EQUITY AND LIABILITIES		**341,861**	**353,310**	**325,625**

Warsaw, August 23th 2016

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Interim condensed consolidated statement of cash flows

for half-year ended June 30th 2016

CASH FLOWS	Note	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Cash flows from operating activities			
Profit before tax		**682**	**1,592**
Total adjustments:	26	**-113,618**	**34,140**
Depreciation and amortisation expenses		1,334	1,251
Foreign exchange gains/(losses)		-106	207
Interest and dividends		610	328
Gain (loss) on investing activities		-98	-130
Change in financial instruments held for trading		-66	-1,464
Change in financial instruments available for sale		18	-56
Change in receivables		-97,538	40,295
Change in current liabilities (net of borrowings)		-14,793	-3,017
Change in provisions and impairment losses on receivables		111	-679
Change in accruals and deferrals		-3,071	-1,765
Income tax paid		-39	-857
Other adjustments (including the cost of incentive schemes)		20	27
Net cash from operating activities		**-112,936**	**35,732**
Cash flows from investing activities			
Increase in loans advanced		-203	-
Decrease in loans advanced		104	96
Acquisition of property, plant and equipment and intangible assets		-205	-542
Disposal of property, plant and equipment		-	5
Cash provided by financial instruments available for sale and held to maturity		828	7,185
Acquisition of financial instruments available for sale and held to maturity		-10,287	-9,221
Interest received		70	94
Other cash used in investing activities		-	-1,000
Other cash from investing activities		-	101
Net cash from investing activities		**-9,693**	**-3,282**
Cash flows from financing activities			
Proceeds from borrowings		6,099	4,640
Proceeds from issue of debt securities		2	4
Repayment of debt securities		-5	-3
Interest paid		-667	-434
Repayment of finance lease liabilities		-115	-139
Net cash from financing activities		**5,314**	**4,068**
Total cash flows		**-117,315**	**36,518**

Net increase (decrease) in cash and cash equivalents		-117,205	36,511
Effect of exchange rate fluctuations on cash held		110	-7
Cash at beginning of period	26	148,802	50,707
Cash at end of period, including	26	**31,487**	**87,225**
restricted cash		*9,099*	*4,202*

Warsaw, August 23th 2016

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Interim condensed consolidated statement of changes in equity

for half-year ended June 30th 2016

	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 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for period	-	-	-	-	398	74	472
Other comprehensive income	-	-	-53	-	-	-	-53
Dividend payment	-	-	-	-	-3,493	-	-3,493
as at Jun 30 2016	**2,994**	**10,351**	**57**	**3,214**	**61,136**	**3,582**	**81,334**
as at Jan 1 2015	**2,994**	**10,351**	**53**	**3,166**	**60,328**	**3,831**	**80,723**
Profit for 2015	-	-	-	-	3,903	77	3,980
Costs of incentive scheme	-	-	-	48	-	-	48
Other comprehensive income	-	-	57	-	-	-	57
Dividend payment	-	-	-	-	-	-400	-400
as at Dec 31 2015	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
as at Jan 1 2015	**2,994**	**10,351**	**53**	**3,166**	**60,328**	**3,831**	**80,723**
Profit for period	-	-	-	-	658	21	679
Costs of incentive scheme	-	-	-	35	-	-	35
Other comprehensive income	-	-	1	-	-	-	1
Dividend payment	-	-	-	-	-	-400	-400
as at Jun 30 2015	**2,994**	**10,351**	**54**	**3,201**	**60,986**	**3,452**	**81,038**

Warsaw, August 23th 2016

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Notes

1. The IPOPEMA Securities Group

The IPOPEMA Securities Group (the "IPOPEMA Securities Group" or the "Group") comprises entities controlled by IPOPEMA Securities S.A. (the "Parent" or "Company").

The Parent's registered office is at ul. Próżna 9, Warsaw, Poland.

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

As at June 30th 2016, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (the subsidiaries are presented in Note 2).

The Group's principal business activities are:

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

IPOPEMA Securities S.A. – the Parent

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

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

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

IPOPEMA Securities S.A. conducts brokerage activities in accordance with relevant brokerage licences granted by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

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

As part of its brokerage business IPOPEMA Securities S.A. provides comprehensive services in the area of intermediation in securities trading on the secondary market. The Company's partners are high-profile international financial institutions, the majority of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as retail clients.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares), in which it acts as the coordinator, offering broker or financial adviser; M&A transactions and management buy-outs; and advisory mandates concerning the raising of financing on the private market, including from private equity funds and through pre-IPO placements. The Company also provides advisory services related to corporate financial restructuring and raising financing for infrastructural projects.

2. Composition of the Group

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

As at June 30th 2016, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

Name of subsidiary	Business profile	Consolidation method	Share capital held	Total vote held
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies; creation and management of investment funds - discretionary management of securities portfolios - advisory services in the area of securities trading - intermediation in the sale and redemption of investment fund units - representation service for foreign funds - management of portfolios of broker-traded financial instruments	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consultancy services - computer facilities management activities - computer consultancy services - software-related activities - wholesale of computers, computer peripherals and software	full	50.02%	50.02%
IPOPEMA Financial Advisory Sp. z o.o.*	- operational support	not consolidated (immaterial financial data)	100%	100%
IPOPEMA Business Services Srl. **	- office and business support	not consolidated (immaterial financial data)	100%	100%

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

*** Given changes to the model of operating in foreign markets, the process of winding up IBS Srl began in 2016.*

**** Given changes to the model of operating in foreign markets, the process of winding up IBS Kft was concluded in 2016. On April 1st 2016, IBS Kft was deleted from the court register.*

***** In July 2016, IPOPEMA Financial Advisory spółka z ograniczoną odpowiedzialnością spółka komandytowa (IFA SK), with the Company and Jarosław Błaszczak as limited partners and IFA as the general partner, was entered in the Business Register. As at the date of this report, IFA SK did not commence its operations. The Company is liable for the IFA SK's liabilities to creditors of up to PLN 7,750. The structure including IFA and IFA SK was established in connection with the planned transfer to IFA SK of advisory services related to corporate financial restructuring and raising financing for infrastructural projects, currently provided within IPOPEMA Securities, which is scheduled for the second half of 2016 (Jarosław Błaszczak, limited partner of IFA SK, currently cooperates with the Company in this business area).*

3. Basis of preparation

3.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRS applicable to interim financial reporting, 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 half-year ended June 30th 2016 and contain comparative data for the half-year ended June 30th 2015 and as at December 31st 2015.

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 2015.

3.2. Measurement currency and reporting currency of the financial statements

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

3.3. Going-concern assumption

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

3.4. Comparability of data

There were no significant presentation changes in the half-year ended June 30th 2016.

4. Changes in applied accounting policies

In H1 2016, there were no changes in the accounting policies compared with the policies applied in the consolidated financial statements for 2015, issued on March 18th 2016. The consolidated financial statements for 2015 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

5. Selected accounting policies

<u>Financial instruments</u>

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

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

Financial assets

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

Financial liabilities

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

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

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

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

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

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

As far as the Group is concerned, this category includes primarily equity instruments acquired for resale in the near term, such as shares listed on the Warsaw Stock Exchange (WSE) and the Budapest Stock Exchange (BSE). The Group does not apply hedge accounting.

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

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

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

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

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

Financial instruments held to maturity

Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity.

As at the end of each reporting period, financial assets held to maturity are measured at amortised cost with the effective interest rate.

As at the end of the reporting period and the comparative period, the Group did not have any financial instruments held to maturity.

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms, not traded on an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less impairment losses. Interest income is recognised at the effective interest rate, save for current receivables where recognition of interest income would be immaterial. Non-interest bearing current receivables are measured at amounts receivable, subject to the prudent valuation principle. Current receivables include mainly trade receivables, bank deposits and other cash, as well as loans and acquired unlisted debt instruments not classified into other categories. Loans advanced to IPOPEMA Securities' employees and business partners are classified under 'Loans advanced'.

Financial instruments available for sale

Financial instruments available for sale are those non-derivative financial instruments which are designated as available for sale or are not classified into any of the other categories.

Financial assets available for sale include mainly investment certificates, investment fund units, corporate bonds, and government bonds acquired in order to invest cash surplus, other than investment certificates which have been designated as financial assets at fair value through profit or loss since the Group intends to sell them in the near term.

Financial instruments available for sale are classified as non-current assets if they are not intended for sale within a year from the end of the reporting period; otherwise, they are classified as current assets. As at the end of each reporting period, financial instruments available for sale are measured at fair value, and any resultant gains or losses (other than impairment losses) are recognised under other comprehensive income. In the case of bonds, the gain or loss to be recognised under other comprehensive income comprises the difference between the measurement-date fair value of the assets less interest accrued up until that date at the contractual interest rate, and the value of the assets at adjusted cost.

Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at fair value, including the transaction costs.

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

Financial liabilities measured at amortised cost

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

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

Receivables

Current receivables

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

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

Impairment losses are recognised in particular for:

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

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

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

<u>Current receivables from clients, current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses</u>

Current receivables from clients, current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses arise in connection with securities purchases and sales which have not yet been cleared at the clearing houses due to the transaction settlement procedure (T+2). In the case of purchase transactions on stock exchanges made to execute orders placed by clients whose accounts are kept by custodian banks, the Company recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current receivables from the clients for whom the purchase transactions were executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current liabilities towards the clients for whom the sale transactions were executed.

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

Non-current receivables

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

<u>Impairment losses</u>

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

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

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

<u>Liabilities</u>

Current liabilities

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

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

Current liabilities also include overdrafts whose measurement is discussed above in 'Financial liabilities at amortised cost'.

Current liabilities under executed transactions are presented above in 'Current receivables from clients, current receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses'.

Non-current liabilities

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

6. Accounting policies introduced in H1 2016

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2016:

- Amendments to IAS 1 *Disclosures* – effective for annual periods beginning on or after January 1st 2016;
- Amendments to IAS 16 and IAS 38 – effective for annual periods beginning on or after January 1st 2016; Amendments to IAS 16 and IAS 38 introduced the rule related to 'consumption of the economic benefits' with respect to recognition of depreciation and amortisation. The IASB has clarified that revenue-based methods should not be used to calculate depreciation or amortisation;
- Amendments to IAS 19 *Employee Benefits* – effective for annual periods beginning on or after February 1st 2015;
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* – effective for annual periods beginning on or after January 1st 2016. The amendment permits the use of the equity method as one of optional methods of accounting for investments in subsidiaries, associates and jointly-controlled entities in separate financial statements;
- Amendments to IFRS 11 *Joint Arrangements* – effective for annual periods beginning on or after January 1st 2016. The amendments introduce new requirements concerning disclosure of acquisition of an interest in a joint operation and provides guidance on how to account for such acquisition;
- Annual Improvements to IFRSs cycle 2010–2012 – effective for annual periods beginning on or after February 1st 2015. They concern IFRS 2 *Definition of 'vesting conditions'*, IFRS 3 *Accounting for contingent consideration in a business combination*, IFRS 8 *Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets*, IFRS 13 *Short-term receivables and payables*, IAS 7 *Interest paid that is capitalised*, IAS 16/IAS 38 *Revaluation method − proportionate restatement of accumulated depreciation*, IAS 24 *Key management personnel*;
- Amendments to various standards made as part of an annual IFRS improvement cycle: Annual Improvements 2012–2014 – effective for annual periods beginning on or after January 1st 2016. They concern IFRS 5 *Change of disposal method*, IFRS 7 *Servicing contracts*, IAS 19 *Discount rate: regional market issue*, IAS 34 *Disclosure of information 'elsewhere in the interim financial report'*.

The Group believes that the above standards and interpretations did not have a material effect on its financial statements when first adopted.

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

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

- IFRS 9 *Financial Instruments* – published by the International Accounting Standards Board on July 24th 2014; the standard's final version supersedes previous versions of IFRS 9, completing the Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard regulates classification and measurement of financial assets and liabilities, as well as impairment and hedge accounting. IFRS 9 does not include guidelines on hedge accounting of portfolios of financial assets and liabilities, since these matters are covered by a separate project of the International Accounting Standards Board. The standard is effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – effective for annual periods beginning on or after January 1st 2016. The amendments clarify the manner of accounting for a transaction in which a parent loses control over its subsidiary that does not constitute a business as defined in IFRS 3 *Business Combinations* through a

sale or contribution of all or a part of shares in that subsidiary to an equity-accounted associate or joint venture. This date was tentatively postponed by the International Accounting Standards Board;

- IFRS 14 *Regulatory Deferral Accounts* – published by the International Accounting Standards Board on January 30th 2014, effective for annual periods beginning on or after January 1st 2016. The standard permits an entity which is a first-time adopter of IFRS to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRS and do not account for such activities, in accordance with the published IFRS 14, amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of other comprehensive income;
- IFRS 15 *Revenue from Contracts with Customers* − published by the International Accounting Standards Board on May 28th 2014, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* − published by the International Accounting Standards Board on January 19th 2016 and effective for annual periods beginning on or after January 1st 2017;
- Amendments to IAS 7 *Disclosure Initiative* − published by the International Accounting Standards Board on January 29th 2016 and effective for annual periods beginning on or after January 1st 2017;
- IFRS 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on or after January 1st 2019;
- Amendments to IFRS 2 *Share-based Payment* − published by the International Accounting Standards Board on June 20th 2016 and effective for annual periods beginning on or after January 1st 2018;

The Group believes that the other standards and interpretations will not have any material effect on its financial statements when first adopted.

8. Changes in estimates

In H1 2016, there were no changes to estimates, except 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-exchange 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 where the application of the exchange rate referred to 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-exchange rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are recognised in finance income or costs, as appropriate.

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

Currency	Jun 30 2016	Dec 31 2015	Jun 30 2015
USD	3.9803	3.9011	3.7645
EUR	4.4255	4.2615	4.1944
HUF 100	1.3996	1.3601	1.3312
RON	0.9795	0.9421	0.9349
GBP	5.3655	5.7862	5.9180
UAH	0.1603	0.1622	0.1780
CZK	0.1636	0.1577	0.1538
CHF	4.0677	3.9394	4.0412
TRY	1.3791	1.3330	1.3993
JPY 100	3.8688	3.2411	3.0843
NOK	0.4749	0.4431	0.4775
CAD	3.0733	2.8102	3.0361
SEK	0.4696	0.4646	0.4558
DKK	0.5949	0.5711	0.5622
INR 100	5.8936	5.8962	5.9022

Source: National Bank of Poland.

10. Earnings per share

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

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

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

	Jan 1 − Jun 30 2016	Jan 1 − Jun 30 2015
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Diluted number of shares	29,937,836	29,937,836
Net profit from continuing operations for period per share		
- basic	0.01	0.02
- diluted	0.01	0.02

11. Operating segments

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

1. The segment of brokerage and related services, comprising IPOPEMA Securities' business, i.e. brokerage and investment banking activities, which focus on public offerings of securities (particularly equities) – where the Company acts as the coordinator, offering broker and financial adviser – issue of debt instruments, M&A transactions and management buy-outs, as well as advisory mandates concerning the raising of financing on the private market, including from *private equity* funds and through *pre-IPO* placements. The segment also includes advisory services related to corporate financial restructuring and raising financing for infrastructural 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 consultancy services, comprising services of IPOPEMA Business Consulting, i.e. chiefly business and management consultancy, computer facilities management, computer consultancy and software-related activities.

Operating segments	Half-year ended June 30th 2016 Continuing operations Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Segment's total revenue	16,979	15,357	6,232	**38,568**
Intersegment sales	-	-	-58	**-58**
Sales to external clients	**16,979**	**15,357**	**6,174**	**38,510**
Segment's costs				
Segment's total costs	-17,992	-14,033	-6,096	**-38,121**
Segment's costs – intersegment purchases	-	-	-	**-**
Consolidation eliminations	40	40	-	**80**
Segment's costs – purchases from external suppliers	**-17,952**	**-13,993**	**-6,096**	**-38,041**
Segment's profit/(loss) on core activities	**-973**	**1,364**	**78**	**469**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	-973	1,364	78	**469**
Interest income	126	51	8	**185**
Interest expenses	-730	-16	-	**-746**
Other finance income/cost, net	2,075	53	49	**2,177**
Other income/expenses	10	72	6	**88**
Consolidation eliminations	-1,491	-	-	**-1,491**
Profit before tax and non-controlling interests	**-983**	**1,524**	**141**	**682**
Income tax	-143	307	49	**213**
Consolidation eliminations	-	-3	-	**-3**
Total corporate income tax	**-143**	**304**	**49**	**210**
Net profit for period	**-840**	**1,220**	**92**	**472**
Assets and liabilities as at Jun 30 2016				
Segment's assets	305,172	27,688	9,001	**341,861**
Unallocated assets	-	-	-	**-**
Total assets	**305,172**	**27,688**	**9,001**	**341,861**
Segment's liabilities	250,325	2,092	1,776	**254,193**
Accruals and deferred income	2,804	3,495	35	**6,334**
Segment's net profit/(loss)	-840	1,220	92	**472**
Equity (net of profit/loss for current period)	52,955	21,576	2,823	**77,354**
Non-controlling interests (net of profit/loss for current period)	-	-	3,508	**3,508**
Total equity and liabilities	**305,244**	**28,383**	**8,234**	**341,861**

Operating segments	Half-year ended June 30th 2015 Continuing operations Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Segment's total revenue	19,902	20,985	6,183	**47,070**
Intersegment sales	-	-1,167	-	**-1,167**
Sales to external clients	**19,902**	**19,818**	**6,183**	**45,903**
Segment's costs				
Segment's total costs	-19,864	-18,869	-6,138	**-44,871**
Segment's costs – intersegment purchases	-	-	-	**-**
Consolidation eliminations	-	1,218	-	**1,218**
Segment's costs – purchases from external suppliers	**-19,864**	**-17,651**	**-6,138**	**-43,653**
Segment's profit/(loss) on core activities	**38**	**2,167**	**45**	**2,250**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	38	2,167	45	**2,250**
Interest income	191	98	9	**298**
Interest expenses	-497	-16	-	**-513**
Other finance income/cost, net	980	41	1	**1,022**
Other income/expenses	20	-29	-	**-9**
Consolidation eliminations	-1,442	-14	-	**-1,456**
Profit before tax and non-controlling interests	**-710**	**2,247**	**55**	**1,592**
Income tax	-223	-681	-12	**-916**
Consolidation eliminations	-	3	-	**3**
Total corporate income tax	**-223**	**-678**	**-12**	**-913**
Net profit for period	**-933**	**1,569**	**43**	**679**
Net profit for period, excluding costs of the incentive scheme	***-898***	***1,569***	***43***	***714***
Assets and liabilities as at Dec 31 2015				
Segment's assets	314,512	30,814	7,984	**353,310**
Unallocated assets	-	-	-	**-**
Total assets	**314,512**	**30,814**	**7,984**	**353,310**
Segment's liabilities	254,353	3,829	1,006	**259,188**
Accruals and deferred income	5,168	4,546	-	**9,714**
Segment's net profit/(loss)	2,032	1,907	41	**3,980**
Equity (net of profit/loss for current period)	54,412	19,726	2,859	**76,997**
Non-controlling interests (net of profit/loss for current period)	-	-	3,431	**3,431**
Total equity and liabilities	**315,965**	**30,008**	**7,337**	**353,310**

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

Cash and cash equivalents

Cash and other assets	**Jun 30 2016**	**Dec 31 2015**
Cash and other assets of the Group		
a) at banks and in hand	15,570	28,425
b) other	16,153	120,524
Total	**31,723**	**148,949**
Cash and other assets:		
a) cash and other assets of the Group	22,624	44,644
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	9,099	104,305
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**31,723**	**148,949**

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for various periods, ranging from one day to several months, depending on the Group's cash requirements 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'.

Clients' cash deposited in the Parent's bank account, in the amount of PLN 9,099 thousand as at June 30th 2016 and PLN 104,305 thousand as at December 31st 2015, is also disclosed under other cash.

Receivables

Current receivables	**Jun 30 2016**	**Dec 31 2015**
From clients / trade receivables	74,415	73,138
- under transactions executed on the Warsaw Stock Exchange	55,383	62,910
- under transactions executed on the Budapest Stock Exchange	8,759	602
- under transactions executed on the London Stock Exchange	491	-
- under transactions executed on the New York Stock Exchange	-	110
- under transactions executed on the Vienna Stock Exchange	1,459	795
- under transactions executed on the Frankfurt Stock Exchange	400	220
- other	7,923	8,501
From related entities	22	18
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	145,364	64,558
- under transactions executed on the Warsaw Stock Exchange*	137,520	56,568
- under transactions executed on the Budapest Stock Exchange	1,226	4,027
- under transactions executed on the London Stock Exchange	82	-
- under transactions executed on the New York Stock Exchange	1,859	-
- under transactions executed on the Prague Stock Exchange	99	3,467
- other	4,578	496
From the Central Securities Depository of Poland and exchange clearing houses	36,716	24,133
- from the settlement guarantee fund	36,716	24,014
- other	-	119
From investment and pension fund companies and from investment and pension funds	4,210	3,634
From issuers of securities or selling shareholders	112	2,332
Taxes, subsidies and social security receivable	62	119
Other	15,205	10,502
Total current receivables	**276,106**	**178,434**

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

Current receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities, not yet settled at clearing houses.

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

Financial assets

In H1 2016 and in the comparative period, the policies for measurement of financial assets at fair value and classification of financial assets did not change.

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

In H1 2016, the Group did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did it reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 14).

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

In H1 2016, the Group acquired property, plant and equipment and intangible assets for PLN 205 thousand (H1 2015: PLN 542 thousand).

Material purchase or sale transactions in property, plant and equipment

In H1 2016 and in 2015, the Group did not purchase or sell any material items of property, plant and equipment.

Material liabilities under purchase 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 June 30th 2016, the Company's share capital was PLN 2,993,783.60 (no change relative to December 31st 2015).

It 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

Change in accruals and deferred income

	Jan 1 – Jun 30 2016	Jan 1 – Jun 30 2015	2015
As at beginning of reporting period	**9,714**	**7,625**	**7,625**
Provisions recognised in period	4,386	7,096	17,456
Used	7,766	9,129	15,309
Reversed	-	-	58
As at end of reporting period	**6,334**	**5,592**	**9,714**

Impairment losses on receivables

In H1 2016, impairment losses on receivables fell by PLN 111 thousand as a result of reversal and use of impairment losses (H1 2015: decrease of PLN 679 thousand).

Liabilities (current)

Current liabilities	**Jun 30 2016**	**Dec 31 2015**
To clients	138,815	168,415
To related entities	-	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	86,345	68,947
- to the Warsaw Stock Exchange *	75,223	67,216
- to the Budapest Stock Exchange	8,774	602
- to the London Stock Exchange	491	-
- to the New York Stock Exchange	-	109
- to the Vienna Stock Exchange	1,458	795
- to the Frankfurt Stock Exchange	399	219
- other	-	6
To entities operating regulated markets and commodity exchanges	444	563
- to the Warsaw Stock Exchange	376	488
- to the Budapest Stock Exchange	21	44
- to the Prague Stock Exchange	-	21
- to the Bucharest Stock Exchange	-	6
- to the Chicago Mercantile Exchange	3	4
- other	44	-
To the Central Securities Depository of Poland and exchange clearing houses	93	844
Borrowings	21,237	15,138
- from related entities	-	-
- other	21,237	15,138
Debt securities	5	6
Taxes, customs duties and social security payable	888	818
To investment and pension fund companies and to investment and pension funds	856	1,969
Other	4,631	1,762
a) dividends payable	3,493	-
b) other	1,138	1,762
- financial liabilities (lease)	155	186
- other liabilities	983	1,576
Total current liabilities	**253,314**	**258,462**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following items of the statement of financial position: current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage* *houses under executed transactions, where they relate to transactions executed on the WSE, include 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, the liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities under borrowings	Jun 30 2016	Dec 31 2015
Credit facility	21,237	15,138
- outstanding amount	21,237	15,138
Current liabilities under borrowings	**21,237**	**15,138**

As at June 30th 2016, the Company had liabilities of PLN 21,237 thousand under credit facilities connected with its brokerage business (December 31st 2015: PLN 15,138 thousand), including:

1. Two working capital overdraft facility (lines of credit) agreements executed on July 22nd 2009 with Alior Bank S.A. The facilities are used to finance payment of liabilities to the Central Securities Depository of Poland in connection with the brokerage activities and are renewed on an annual basis – their current term expires on September 15th 2016:
   i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland in respect of the settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item ii.
   ii. Revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Central Securities Depository of Poland. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item i above, both credit facilities are jointly secured by a PLN 4m security deposit.
2. Current account overdraft facility of EUR 1.5m from Raiffeisen Bank ZRT, used to settle stock exchange transactions on the Budapest Stock Exchange in connection with brokerage activities. The facility expires on March 16th 2017. The facility is secured by a EUR 1.5m security deposit.

Bonds

In H1 2016, the Company issued 10 registered bonds with a total par value of PLN 2 thousand, with different series maturing between 2016 and 2019. In H1 2015, the Company issued 20 registered bonds with a total par value of PLN 4 thousand, with different series maturing between 2015 and 2018. The total amount of liabilities payable by the Company on redemption of the bonds will not exceed the bonds' par value and is not significant to the Company. The bond issues are related to the Variable Component Remuneration Policy implemented at the Company pursuant to the Minister of Finance's Regulation on the rules for establishment of a variable component remuneration policy for persons holding management positions at brokerage houses, dated December 2nd 2011. For more details, see the updated version of the document entitled 'Disclosure of information on IPOPEMA Securities S.A.'s capital adequacy', available on the Company's website.

By the date of issue of these financial statements, the Group redeemed PLN 5.6 thousand worth of bonds (including PLN 4.5 thousand in H1 2016), compared with PLN 4.5 thousand in H1 2015.

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 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Revenue from trading in securities	10,505	14,811
Revenue from investment banking services	6,368	5,064
Revenue from management of investment funds and clients' assets	15,357	19,818
Revenue from consultancy services	6,174	6,183
Other revenue from core activities	106	27
Total revenue from core activities	**38,510**	**45,903**

Operating expenses

Cost of core activities	Jan 1 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Affiliation costs	-	-
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	3,161	4,564
Salaries and wages	17,078	17,595
Social security and other benefits	1,809	1,632
Employee benefits	303	246
Raw material and consumables used	302	389
Costs of maintenance and lease of buildings	1,524	2,004
Depreciation and amortisation expenses	1,334	1,251
Taxes and other public charges	768	921
Other costs, including:	11,762	15,051
- fund management and distribution costs	4,747	8,188
- transaction costs other than cost of clearance through clearing houses or stock exchanges	1,180	792
- ICT and information services	1,852	1,856
- marketing, representation and advertising	440	673
- software purchases (for recharge)	874	410
- other services	2,669	3,132
Total cost of core activities	**38,041**	**43,653**

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 2016 – Jun 30 2016	Jan 1 2015 – Jun 30 2015
Profit before tax	**682**	**1,592**
Tax calculated at 19% rate	**130**	**302**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	1,467	1,450
Tax losses for which no deferred tax assets were recognised − other	-	1,349
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	454	1,106

Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-70	-
Non-taxable income	-1,428	-689
Tax base for current and deferred income tax	**1,105**	**4,808**
Reductions, exemptions	-	-
Income tax expense	**210**	**913**

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 Group companies.

Deferred tax

In H1 2016, deferred tax liabilities grew by PLN 48 thousand, while in H1 2015 they decreased by PLN 69 thousand. In H1 2016, deferred tax assets rose by PLN 54 thousand, while in H1 2015 they fell by PLN 480 thousand.

17. Employee benefits – employee share option plans

No eligible persons subscribed for any shares under the Company's incentive scheme in H1 2016 or in the comparative period.

On a consolidated basis, the cost of incentive schemes increased the cost of salaries and wages in H1 2015 by PLN 35.5 thousand (H1 2016: no cost). The amount was charged against the profit of the operating segment of IPOPEMA Securities S.A.

The share option plan under which the above cost of salaries and wages was recognised was measured using the binomial tree model.

18. Dividends paid and proposed

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

On April 29th 2016, the General Meeting of IPOPEMA TFI S.A. resolved to pay dividend of PLN 1,470 thousand, i.e. PLN 0.42 per share. As at the date of these financial statements, the dividend was paid in full to the Company.

On June 19th 2015, the General Meeting of IPOPEMA Asset Management S.A. resolved to pay dividend for 2014 of PLN 1m, i.e. approximately PLN 17.85 per share. The dividend was paid out to the Company in full.

On June 30th 2015, the General Meeting of IPOPEMA Business Consulting Sp. z o.o. resolved to pay dividend for 2014 of PLN 800 thousand, i.e. approximately PLN 400 per share. The full amount of the dividend was paid out.

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

Group companies issued no equity securities in H1 2016 or in 2015.

However, the Company issued bonds in those periods, as discussed in detail in Note 14.

20. Exclusions of companies from consolidation

In these condensed consolidated financial statements (in line with IAS 8.8, which permits departures from the IFRS when the effect of the departure is immaterial), the following companies: IPOPEMA Business Services Kft. (on April 1st 2016, IBS was deleted from the court register) and IPOPEMA Business Services Srl (subsidiaries of IPOPEMA Securities), and IPOPEMA Financial Advisory Sp. z o.o. (in May 2016, the Company acquired all shares in IPOPEMA Outsourcing Sp. z o.o. from IBC) were not consolidated.

(PLN '000)	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Business Services Kft.	IPOPEMA Business Services Srl.
Total assets as at Jun 30 2016	1	n.a.	70
% share in Parent's total assets	-	n.a.	0.02
Revenue for period Jan 1 – Jun 30 2016	-	n.a.	263
% share in Parent's revenue	-	n.a.	1.55
Net assets as at Jun 30 2016	1	n.a.	62
Net profit (loss) for period Jan 1 – Jun 30 2016	-	n.a.	37

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.	IPOPEMA Business Services Srl.
Total assets as at Dec 31 2015	1	96	60
% share in Parent's total assets	-	0.03	0.02
Revenue for period Jan 1 – Jun 30 2015	-	186	252
% share in Parent's revenue	-	0.93	1.26
Net assets as at Dec 31 2015	1	62	24
Net profit (loss) for period Jan 1 – Jun 30 2015	-	40	45

21. Seasonality

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

22. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (for a detailed description, see Note 14).

23. Guarantees

In January 2012, PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) issued to the Company a guarantee of up to EUR 268 thousand, secured by a security deposit with the current value of PLN 1,375 thousand. Under the annexes executed in 2014 and 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of office space.

In March 2016, mBank issued a guarantee in respect of the Company's liabilities to Raiffeisen Bank Polska S.A., which has been IPOPEMA's clearing bank for foreign transactions since March 16th 2016. The guarantee was issued for the amount of EUR 1.5m, and secures the Company's timely payment of its liabilities to Raiffeisen Bank arising in connection with the services provided by the Bank, consisting in the settlement and clearance of foreign transactions. The guarantee is secured with a EUR 0.9m security deposit. The guarantee was issued until March 31st 2017.

24. Leases

The Group as a lessee – right to use a building

Group companies lease office space under lease agreements. The right to use the building for the term of the agreement was classified by the Company as operating lease. The lease agreement providing for the right to use the building was initially 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 agreement, executed in January 2016, the lease agreement was extended until January 2023. Minimum lease payments are presented in the table below.

Operating lease liabilities	**Jun 30 2016**	**Dec 31 2015**
	Present value of minimum lease payments	
Within 1 year *	2,192	3,112
Within 1 to 5 years *	9,284	9,798
Over 5 years *	3,570	-
Total operating lease liabilities	**15,046**	**12,910**

** Average annual value during the lease term.*

The Group as a lessee – finance leases

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

The lease agreements have been classified as finance leases. Minimum lease payments are presented in the table below.

Finance lease liabilities	**Jun 30 2016**	**Dec 31 2015**
Net carrying amount	602	776
Present value of minimum lease payments	**720**	**776**
Within 1 year *	155	186
Within 1 to 5 years *	565	590
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	**115**	**268**

The Group companies did not enter into any sublease agreements.

25. Related-party transactions

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

In H1 2016 and in 2015, the Group did not conclude any material transactions with related parties other than on an arm's length basis.

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

Related party	Revenue from core activities	Other income	Purchases – core activities	Other purchases	Revenue from core activities	Other income	Purchases – core activities	Other purchases
	Jan 1 – Jun 30 2016				Jan 1 – Jun 30 2015			
IPOPEMA Business Services Kft.	-	-	-	-	-	-	184	-
IPOPEMA Business Services Srl.	-	-	262	-	-	-	250	-
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-	-	-	-	-
Members of the Management and Supervisory Boards	-	21	3	-	3	19	23	-
Other related entities	-	-	-	-	-	-	-	-
Total	**-**	**21**	**265**	**-**	**3**	**19**	**457**	**-**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Jun 30 2016	Dec 31 2015	Jun 30 2016	Dec 31 2015
IPOPEMA Financial Advisory Sp. z o.o.	-	-	-	-
IPOPEMA Business Services Srl.	-	-	-	-
Members of the Management and Supervisory Boards	22	18	-	-
Other related entities	-	-	-	-
Total	**22**	**18**	**-**	**-**

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

26. Items of the consolidated statement of cash flows

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

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

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

Structure of cash

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows	
	Jun 30 2016	**Dec 31 2015**	**Jun 30 2016**	**Dec 31 2015**
Cash and cash equivalents	**31,723**	**148,949**	**31,487**	**148,802**
1. In hand	2	1	2	1
2. At banks	15,568	28,423	15,568	28,423
3. Other cash	16,143	120,495	16,143	120,494
4. Cash equivalents	10	30	-	-
5. Accrued foreign exchange differences	-	-	-226	-116

The difference between the presentation of cash in the statement of financial position and the statement of cash flows as at June 30th 2016 and as at December 31st 2015 follows from presentation of cash net of the effect of foreign exchange differences and received gift cards presented under cash and cash equivalents.

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

Differences in changes in balance-sheet items

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

The difference between change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at June 30th 2016 net of receivables under loans advanced, receivables under payment to increase a security deposit made in 2015, and interest on a security deposit receivable, disclosed under investing activities.

Explanation concerning other items of the consolidated statement of cash flows

	Jan 1 2016 – Jun 30 2016	**Jan 1 2015 – Jun 30 2015**
Cash flows from operating activities		
Other adjustments	20	27
- incentive scheme	-	35
- other	20	- 8
Cash flows from investing activities		
Other cash used in investing activities	-	1,000
- payment / increase in cash deposit	-	1,000
Other cash from investing activities	-	101
- dividend received	-	101

27. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The value of the subject of the dispute is PLN 49.2 thousand. The proceedings have not been concluded to date.

On July 27th 2016, IPOPEMA TFI received a copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ("GPW"), for payment of PLN 20,554,900.90 for an alleged loss incurred by GPW due to GPW's investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (closed-end private equity investment fund). IPOPEMA TFI has challenged the claim in its entirety, and it will take legal action to have the claim dismissed and to protect its good name. Accordingly, IPOPEMA TFI did not recognise provisions for potential costs related to the claim.

In October 2015, the General Inspector for Financial Information imposed a fine of PLN 5 thousand on IPOPEMA TFI for failure to meet the obligation to register a transaction and failure to implement follow-up recommendations issued by the Polish Financial Supervision Authority within the prescribed time limit. IPOPEMA TFI filed a petition with the Minister of Finance to re-examine the case. In December 2015 the Minister of Finance upheld the challenged decision. IPOPEMA TFI filed an appeal against the decision to the Provincial Administrative Court.

In March 2015, The Office of the Polish Financial Supervision Authority imposed a fine of PLN 50 thousand on IPOPEMA TFI for non-compliance by one of the subfunds with investment restrictions stipulated in its Articles of Association in the period from September 4th 2012 to July 29th 2013; the non-compliance related to investing in futures contracts on the WIG20 index. IPOPEMA TFI did not agree with the PFSA's arguments, and filed a request for re-examination of the case, which has not been considered to date.

28. Material events and factors in H1 2016

Equity market and investment banking

In H1 2016, only the Budapest Stock Exchange recorded an increase in the trading volumes (up 5.8% on H1 2015), while the trading volumes in Warsaw and Prague were 16.4% and 16.7% lower, respectively, relative to the first six months of 2015. Over the same period, the Company's market share on the WSE declined to 4.74% (from 6.19% a year earlier) because of growing competition, chiefly from foreign-based brokerage houses. The market share on the BSE remained almost flat year on year (2.33% vs 2.32% a year earlier). As a result, the Company's revenue from trading in securities in H1 2016 declined by 29.1% year on year (PLN 10,505 thousand vs PLN 14,811 thousand).

On the market for equity transactions, the situation in H1 2016 was more difficult than in H1 2015, with the total value of IPOs on the WSE being three times lower year on year. However, a higher number of successful transactions handled by IPOPEMA Securities in this period contributed to an increase of 25.8% in investment banking revenue (PLN 6,368 thousand vs PLN 5,064 thousand).

As a result of the above factors, the revenue of the brokerage services segment was 14.7% lower year on year, and the segment posted a net loss of PLN 840 thousand in H1 2016 (relative to a PLN 933 thousand net loss in the previous year) despite lower cost of operations.

IPOPEMA TFI's activities

Despite an increase in the total value of the funds' assets to PLN 53.2bn as at the end of June 2016 (from PLN 31.2bn as at the end of June 2015), a year-on-year decline in the value of assets under management in H1 2016, from PLN 0.5bn to PLN 0.3bn, as well as termination of agreements for the management of white label funds resulting in a complete outflow of assets from those funds, translated into a 22.5% revenue decrease in the fund and portfolio management segment (PLN 15,357 thousand in H1 2016 vs PLN 19,818 thousand in H1 2015). Consequently, even with a 20.7% reduction in the cost of operations, the segment's net profit fell to PLN 1,220 thousand (from PLN 1,569 thousand in H1 2015).

IPOPEMA Business Consulting

A slight year-on-year decrease in revenue posted by IPOPEMA Business Consulting in H1 2016 (down 0.1%) together with a slightly lower cost of operations (down 0.7%) translated into moderately higher net profit (PLN 92 thousand vs PLN 43 thousand in H1 2015).

One-off events of non-typical nature, size, or frequency, which have a bearing on the assets, liabilities, equity, net profit/loss, or cash flows

None.

29. Events subsequent to the end of reporting period

All events relating to the reporting period were disclosed in the accounting books and the condensed consolidated financial statements for the period January 1st – June 30th 2016.

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

Warsaw, August 23th 2016

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	Daniel Ścigała Member of the Management Board

Danuta Ciosek
Chief Accountant