

Warsaw, 16 November 2018

Press release

ABC Data S.A. maintains its position related to fiscal control carried out at its subsidiary, iSource

On 16 November 2018, iSource S.A was informed about the decision of the Director of the Chamber of Fiscal Administration regarding the control for the first half of 2013. The Director of the Chamber upheld the decision of the body of first instance related to the tax (VAT) liability of the Company for the aforementioned period. ABC DATA S.A and its subsidiary, iSource S.A uphold their standpoint that the issued decision was vitiated by an error of law. iSource is to make an appeal against the decision before the Regional Administrative Court in Warsaw.

- The Director of the Chamber of Fiscal Administration upheld the decision of the body of first instance relating to the VAT liability of the company and setting it at PLN 11.6 million plus interest, which as at November 16, 2018, gives a total liability amounting to PLN 15.2 million.
- iSource presented to the tax authority a bank guarantee in the amount of PLN 15.2 million, with a request to establish a collateral. Therefore, iSource S.A. assumes that there will be no need to pay the aforementioned liability until the Regional Administrative Court in Warsaw settles the matter.
- In the event of a negative decision regarding the obligation to pay the abovementioned tax liability made by the Court, ABC Data S.A. concluded with its shareholders, MCI Venture Projects sp. z o.o. VI S.K.A. and the President of the Management Board of ABC Data S.A., Ilona Weiss, a preliminary agreement under which both entities will enable a subordinated loan in the total amount of PLN 15.2 million to cover any possible liability in the case in question, if it becomes due.

The Decision was issued based on the control initiated at iSource S.A in July 2016 and related to the correctness of calculating and paying the tax on goods and services for 2013. Based on the determinations regarding VAT settlements for the period January - June 2013 made by the fiscal authority, the VAT liability for this period was set at PLN 11.6 million. At the same time, the determinations made in relation to the period July - December 2013, did not show any irregularities. In the appeal dated 28 August 2018, iSource S.A. contested the decision in question before the Director of the Chamber of Fiscal Administration in Warsaw, demanding that it be repealed and that the proceedings be discontinued. In addition, an investigation for



committing a fraud (Article 286 of the Polish Penal Code) was initiated, in which iSource S.A. acts as a party to the proceedings and exercises the rights of the aggrieved party. The fiscal authority, however, did not include this information in the issued Decision.

Information regarding the status of the proceedings and the possible amount of iSource's value added tax liability for the period January - June 2013 were disclosed in accordance with the law in the interim consolidated financial statements for the first half of 2018 and for the period of 3 and 9 months ended on September 30, 2018.

In 2014, iSource entered into an official agreement with Apple Distribution International ("ADI"), which means that starting from 2014, more than 99% of iSource's turnover has been generated directly under the agreement with ADI. Therefore, iSource S.A. - based on its own analysis and the analysis made by its tax advisor - does not see any risk in contesting VAT settlements for further periods.

ABC DATA S.A and iSource S.A uphold their standpoint that the issued decision was vitiated by an error of law. Therefore there are grounds to make a successful appeal against the decision before the Regional Administrative Court in Warsaw. Currently, iSource S.A, together with its proxies, are in the course of preparing the appeal.

Results of ABC DATA for Q3 2018

In Q3 2018 the Group generated PLN 1,093.6 million in sales revenue and in total in the three quarters of 2018 its revenues amounted to PLN 3,087.5 million. The Group managed to maintain a similar year-on-year level of revenue, both when it comes to Q3 2018 and the first 9 months of 2018. Gross profit on sales in Q1-3 2018 amounted to PLN 167.6 million (-2% y/y), and in Q3 alone it amounted to 2018 PLN 61.0 million (-1% y/y). The EBITDA for the third quarter of 2018 amounted to PLN 11.0 million (-29% y/y) and its level was influenced by higher labor and transportation costs. After the first three quarters of 2018, EBITDA amounted to PLN 13.1 million (-58% y/y. Its level was significantly affected by one-off events: the correction of VAT declaration for the second quarter of 2014 and exchange rate fluctuations). If these events were excluded, the Group's EBITDA would reach PLN 21.4 million after the first three quarters of 2018. In addition, the Group's profits this year have been affected by the rising labor costs,



both in Poland and in the CEE region, as well as higher transportation costs. As a result of the company's activities related to the optimization of the working capital level, at the end of the third quarter of 2018 ABC Data reduced its net debt to PLN 98.9 million, meaning PLN 10.5 million less compared to the end of Q3 2017.

About ABC Data S.A.

ABC Data S.A. is a leading IT hardware distributor in Central and Eastern Europe. It is the only company in the industry that operates directly in eight CEE countries. The company successfully sets market trends and systematically expands its portfolio with products relying on new, innovative technologies. Thanks to many years of investing in online customer service platforms, today ABC Data S.A. enjoys the leading position in the field of online B2B sales. In the years 2009 - 2017 ABC Data S.A. was seven times named the Best IT Distributor in the CEE region by EMEA Channel Academy: one of the most important industry distinctions. It is the first Polish company that became a member of GTDC, a prestigious association of the largest IT distributors in the world. From 2010, ABC Data has been listed on the Warsaw Stock Exchange.

Contacts with media:

Agnieszka Forasińska

ABC Data S.A.

Agnieszka.Forasinska@abcdata.eu

+48 22 591 67 83