The ABC Data S.A. Capital Group

CONSOLIDATED ABRIGED INTERIM FINANCIAL STATEMENTS
FOR THE 3-MONTH AND 9-MONTH PERIODS CLOSED ON 30 SEPTEMBER 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the 3-month and 9-month periods closed on 30 September 2018

	Note	*3 months ended 30.09.2018 (unaudited)*	*9 months ended 30.09.2018 (unaudited)*	*3 months ended 30.09.2017 (unaudited, restated)*	*9 months ended 30.09.2017 (unaudited, restated)*
Revenues	6	1 093 617	3 087 479	1 117 257	3 031 293
Cost of sales		(1 032 647)	(2 919 837)	(1 055 476)	(2 859 485)
Gross profit on sales		**60 970**	**167 642**	**61 781**	**171 808**
Other operating income		276	1 936	(46)	3 907
Selling expenses		(40 007)	(117 219)	(36 267)	(115 622)
Administrative expenses		(11 478)	(34 706)	(10 143)	(30 660)
Other operating expenses		(263)	(9 045)	(1 022)	(2 484)
Gross profit on operations		**9 498**	**8 608**	**14 303**	**26 949**
Financial income		73	184	2	113
Financial expenses		(2 486)	(7 444)	(2 218)	(6 770)
Net financial expenses		**(2 413)**	**(7 260)**	**(2 216)**	**(6 657)**
Gross profit		**7 085**	**1 348**	**12 087**	**20 292**
Income tax	9	(2 127)	(3 746)	(2 838)	(6 288)
Net profit (loss)		**4 958**	**(2 398)**	**9 249**	**14 004**
Net profit (loss) , attributed to:					
Parent shareholders		**5 073**	**(1 953)**	**9 313**	**14 469**
Non-controlling interest		**(115)**	**(445)**	**(64)**	**(465)**

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the 3-month and 9-month periods closed on 30 September 2018

	Note	*3 months ended 30.09.2018* (unaudited)	*9 months ended 30.09.2018* (unaudited)	*3 months ended 30.09.2017* (unaudited, restated)	*9 months ended 30.09.2017* (unaudited, restated)
Net profit (loss)		**4 958**	**(2 398)**	**9 249**	**14 004**
Items that may be subsequently reclassified to profit or loss					
Exchange differences on foreign operations translation		(94)	274	315	157
Net change in fair value of cash flow hedges	17	5 880	(1 985)	(2 892)	170
Income tax on other comprehensive income		(1 117)	377	550	(32)
Total other comprehensive income		**4 669**	**(1 334)**	**(2 027)**	**295**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**9 627**	**(3 732)**	**7 222**	**14 299**
Total comprehensive income, attributed to:					
Parent shareholders		**9 742**	**(3 287)**	**6 087**	**14 388**
Non-controlling interest		**(115)**	**(445)**	**(64)**	**(465)**
Profit (loss) per share in PLN:					
– basic profit for the reporting period		0.04	(0.02)	0.08	0.11
– diluted profit for the reporting period		0.04	(0.02)	0.08	0.11

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM BALANCE SHEET
as at 30 September 2018

	Note	*30.09.2018 (unaudited)*	*30.06.2018 (unaudited)*	*31.12.2017*	*30.09.2017 (unaudited, restated)*
ASSETS					
Non-current assets					
Property, plant and equipment	10	11 063	11 113	12 896	9 728
Intangible assets	11	78 486	77 436	75 983	73 941
Deferred tax assets		9 844	10 766	8 651	19 548
Long-term receivables		1 054	1 076	2 850	2 620
		100 447	**100 391**	**100 380**	**105 837**
Current assets					
Inventories	12	415 307	403 163	397 447	433 591
Short-term financial assets		727	-	786	563
Income tax receivables		3 457	10 107	6 926	8 466
Contract assets		1 430	3 610	-	-
Trade and other receivables		500 202	403 049	695 902	534 342
Cash and cash equivalents	7	76 305	23 961	43 012	45 770
		997 428	**843 890**	**1 144 073**	**1 022 732**
TOTAL ASSETS		**1 097 875**	**944 281**	**1 244 453**	**1 128 569**

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM BALANCE SHEET
as at 30 September 2018

		30.09.2018 (unaudited)	*30.06.2018 (unaudited)*	*31.12.2017*	*30.09.2017 (unaudited, restated)*
EQUITY AND LIABILITIES					
Share capital	16	125 267	125 267	125 267	125 267
Share premium		39 825	39 825	39 825	39 825
Treasury shares		(10 065)	(10 065)	(10 065)	(10 065)
Other reserve capital		(15)	(4 778)	1 592	(1 271)
Exchange differences on translation of foreign operations		2 316	2 410	2 042	2 042
Retained profit		100 240	95 167	130 390	128 702
Equity (attributable to parent shareholders)		**257 568**	**247 826**	**289 051**	**284 500**
Non-controlling interest		**4 096**	**4 211**	**4 541**	**4 640**
Total equity		**261 664**	**252 037**	**293 592**	**289 140**
Long-term liabilities					
Provisions for employee benefits		597	703	597	651
Other financial liabilities	15	681	615	557	289
Other liabilities		9 362	9 448	10 183	10 013
Provisions	13	521	506	528	441
		11 161	**11 272**	**11 865**	**11 394**
Short-term liabilities					
Current portion of interest-bearing bank borrowings	14	174 184	128 054	132 684	154 599
Liabilities due to employee benefits		10 793	11 666	15 074	10 557
Other financial liabilities	15	798	29 213	1 033	4 029
Income tax liabilities		881	953	1 725	1 361
Contract liabilities		2 181	3 835	-	-
Trade and other liabilities		633 579	504 666	785 795	655 194
Provisions	13	2 634	2 585	2 685	2 295
		825 050	**680 972**	**938 996**	**828 035**
Total liabilities		**836 211**	**692 244**	**950 861**	**839 429**
TOTAL EQUITY AND LIABILITIES		**1 097 875**	**944 281**	**1 244 453**	**1 128 569**

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CASH FLOWS
for the 3-month and 9-month periods closed on 30 September 2018

	Note	*3 months ended 30.09.2018 (unaudited)*	*9 months ended 30.09.2018 (unaudited)*	*3 months ended 30.09.2017 (unaudited)*	*9 months ended 30.09.2017 (unaudited)*
Cash flow from operating activities					
Gross profit from continuing operations		**7 085**	**1 348**	**12 087**	**20 292**
Adjusted by:					
Amortization / Depreciation		1 535	4 465	1 358	3 867
Share base expenses		-	1	3	11
(Profit)/loss on investing activities		(122)	(113)	(3)	(19)
(Increase)/ decrease in contract assets		2 180	(1 430)	-	-
(Increase)/decrease in receivables		(97 131)	197 496	(143 962)	90 002
(Increase)/ decrease in inventories		(12 144)	(17 860)	(14 693)	(11 596)
(Increase)/ decrease in contract liabilities		6 016	2 181	-	-
(Increase)/decrease in liabilities, except for borrowings		121 157	(153 037)	137 954	(138 005)
Financial income		(73)	(184)	(2)	(113)
Financial expenses		2 486	7 444	2 218	6 770
(Increase)/decrease in liabilities to employees		(979)	(4 281)	(2 633)	(3 313)
Change in provisions	13	64	(58)	10	(618)
Income tax paid		4 233	(1 904)	(1 945)	(5 213)
Other/*		4 836	(1 217)	(3 767)	(915)
Net cash flow from operating activities		**39 143**	**32 851**	**(13 375)**	**(38 850)**

* *The item named "other" includes changes in the fair value of cash flow hedges, changes in the fair value of FX futures and differences in the foreign currency exchange rate resulting from the conversion of balance sheet items of foreign subsidiaries.*

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CASH FLOWS
for the 3-month and 9-month periods closed on 30 September 2018

	Note	3 months ended 30.09.2018 (unaudited)	9 months ended 30.09.2018 (unaudited)	3 months ended 30.09.2017 (unaudited)	9 months ended 30.09.2017 (unaudited)
Cash flow from investing activities					
Sales of property, plant and equipment and intangible assets		320	589	(3)	46
Acquisition of property, plant and equipment and intangible assets	10,11	(2 947)	(6 435)	(2 476)	(4 712)
Interest received		54	61	2	112
Other investment expenses		1	-	-	-
Net cash flow from investing activities		**(2 572)**	**(5 785)**	**(2 477)**	**(4 554)**
Cash flow from financing activities					
Bank borrowing received		-	-	9 838	11 580
Repaid finance lease liabilities		20	(245)	(40)	(232)
Dividends paid		(28 197)	(28 197)	-	-
Change in overdrafts	14	51 130	46 500	31 625	11 612
Bank borrowing re-paid		(5 000)	(5 000)	(6 580)	(17 542)
Interest paid		(2 462)	(7 675)	(2 210)	(7 196)
Finance lease inflows		283	845	-	-
Other financial inflows (outflows)		(1)	(1)	-	1
Net cash flow from financing activities		**15 773**	**6 227**	**32 633**	**(1 777)**
Net increase/(decrease) in cash and cash equivalents		52 344	33 293	16 781	(45 181)
Opening balance of cash		**23 961**	**43 012**	**28 989**	**90 951**
Closing balance of cash	7	**76 305**	**76 305**	**45 770**	**45 770**

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 3-month period closed on 30 September 2018

	Notes	*Share capital*	*Share premium*	*Treasury shares*	*Exchange differences on foreign operations translation*	*Other reserve capital*	*Retained profit*	*Net profit*	*Total*	*Non-controlling interest*	*share capital total*
3 months 2018											
As at 1 July 2018		**125 267**	**39 825**	**(10 065)**	**2 410**	**(4 778)**	**102 193**	**(7 026)**	**247 826**	**4 211**	**252 037**
Net profit for the period		-	-	-	-	-	-	5 073	**5 073**	(115)	**4 958**
Other net comprehensive income for the period		-	-	-	(94)	4 763	-	-	**4 669**		**4 669**
Comprehensive income for the period		-	-	-	(94)	4 763	-	5 073	**9 742**	(115)	**9 627**
Share-based payments		-	-	-	-	-	-	-	-	-	-
Dividend payment		-	-	-	-	-		-	-	-	-
As at 30 September 2018		**125 267**	**39 825**	**(10 065)**	**2 316**	**(15)**	**102 193**	**(1 953)**	**257 568**	**4 096**	**261 664**

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 9-month period closed on 30 September 2018

	Notes	*Share capital*	*Share premium*	*Treasury shares*	*Exchange differences on foreign operations translation*	*Other reserve capital*	*Retained profit*	*Net profit*	*Total*	*Non-controlling interest*	*share capital total*
9 months 2018											
As at 1 January 2018		**125 267**	**39 825**	**(10 065)**	**2 042**	**1 592**	**130 390**	**-**	**289 051**	4 541	**293 592**
Net profit for the period		-	-	-	-	-	-	(1 953)	**(1 953)**	(445)	**(2 398)**
Other net comprehensive income for the period		-	-	-	274	(1 608)	-	-	**(1 334)**	-	**(1 334)**
Comprehensive income for the period		-	-	-	274	(1 608)	-	(1 953)	**(3 287)**	(445)	**(3 732)**
Share-based payments		-	-	-	-	1	-	-	**1**	-	**1**
Dividend payment		-	-	-	-	-	(28 197)	-	**(28 197)**		**(28 197)**
As at 30 September 2018		**125 267**	**39 825**	**(10 065)**	**2 316**	**(15)**	**102 193**	**(1 953)**	**257 568**	**4 096**	**261 664**

Ilona Weiss — *President*

Andrzej Kuźniak — *Vice-President*

Krystyna Cybulska — *Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY
for the 12-month period closed on 31 December 2017

	Notes	*Share capital*	*Share premium*	*Treasury shares*	*Exchange differences on foreign operations translation*	*Other reserve capital*	*Retained profit*	*Net profit*	*Total*	*Non-controlling interest*	*share capital total*
12 months 2017											
As at 1 January 2017		**125 267**	**39 825**	**(10 065)**	**1 885**	**(1 070)**	**114 222**	**-**	**270 064**	5 105	**275 169**
Net profit for the period		-	-	-	-	-	-	25 976	**25 976**	(564)	**25 412**
Other net comprehensive income for the period		-	-	-	157	3 000	-	-	**3 157**	-	**3 157**
Comprehensive income for the period		-	-	-	157	3 000	-	25 976	**29 133**	(564)	**28 569**
Share-based payments		-	-	-	-	12	-	-	**12**	-	**12**
Reclassification to profit or loss		-	-	-	-	(350)	-	-	**(350)**	-	**(350)**
Dividend payment		-	-	-	-	-	(9 808)	-	**(9 808)**	-	**(9 808)**
As at 31 December 2017		**125 267**	**39 825**	**(10 065)**	**2 042**	**1 592**	**104 414**	**25 976**	**289 051**	4 541	**293 592**

Ilona Weiss | Andrzej Kuźniak | Krystyna Cybulska

President | *Vice-President* | *Chief Accountant*

Warsaw, 14 November 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY
for the 9-month period closed on 30 September 2017

	Notes	Share capital	Share premium	Treasury shares	Exchange differences on foreign operations translation	Other reserve capital	Retained profit	Net profit	Total	Non-controlling interest	share capital total
9 months 2017											
As at 1 January 2017		**125 267**	**39 825**	**(10 065)**	**1 885**	**(1 070)**	**114 222**	**-**	**270 064**	5 105	**275 169**
Correction of the opening balance		**-**	**-**	**-**	**-**	**-**	11	**-**	**11**	**-**	**11**
As at 1 January 2017		**125 267**	**39 825**	**(10 065)**	**1 885**	**(1 070)**	**114 233**	**-**	**270 075**	5 105	**275 180**
Net profit for the period		-	-	-	-	-	-	14 469	**14 469**	(465)	**14 004**
Other net comprehensive income for the period		-	-	-	157	138	-	-	**295**	-	**295**
Comprehensive income for the period		-	-	-	157	138	-	14 469	**14 764**	(465)	**14 299**
Share-based payments		-	-	-	-	11	-	-	**11**	-	**11**
Reclassification to profit or loss		-	-	-	-	(350)	-	-	**(350)**	-	**(350)**
As at 30 September 2017		**125 267**	**39 825**	**(10 065)**	**2 042**	**(1 271)**	**114 233**	**14 469**	**284 500**	**4 640**	**289 140**

Ilona Weiss — *President*

Andrzej Kuźniak — *Vice-President*

Krystyna Cybulska — *Chief Accountant*

Warsaw, 14 November 2018

SUPPLEMENTARY EXPLANATORY NOTES

1. General Information

The ABC Data S.A. Capital Group (the "Group") comprises ABC Data S.A. (the "Parent", the "Company") and its subsidiaries. The Abridged Interim Financial Statements of the Group cover the 3-month and 9-month periods closed on 30 September 2018. The statement of comprehensive income and the statement of cash flows as well as notes to the statement of comprehensive income cover data for the 3-month and 9-month periods closed on 30 September 2018 and comparative data for the 3-month and 9-month periods closed on 30 September 2017. The comparative data in the balance sheet include the balance as at 31 December 2017, as at 30 September 2017 and as at 30 June 2018. The statement of changes in equity presents as comparative data the data for the 9-month period closed on 30 September 2017 and for the full year 2017.

The Parent was incorporated under Notarial Deed of 25 July 2007 under the business name ABC Data Holding S.A. Since 4 January 2010, the company has been running its business under the business name ABC Data S.A.

The Company is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court, 13th Commercial Division of the National Court Register, under number KRS 0000287132. The Company was assigned the following statistical number REGON: 141054682.

The duration of the Parent and the members of the Capital Group is indefinite.

The Group's core business includes:

- wholesale of computers, peripherals and software,
- wholesale of electronic and telecommunication equipment,
- manufacture of computers and peripherals,
- software-related activities,
- data processing, hosting and similar activities,
- repair and maintenance of computers and peripherals,
- other IT and computer services,
- IT equipment administration,
- other non-school forms of education.

The superior parent company of the Group ABC Data S.A. is MCI Capital S.A., which controls the Group through its subsidiary: MCI Venture Projects Limited Liability Company VI Limited Liability Joint Stock Company (MCI Venture Projects Spółka z ograniczoną odpowiedzialnością VI Spółka komandytowo-akcyjna).

On 14 November 2018, the present consolidated abridged interim financial statements of the Group for the 3-month and 9-month periods closed on 30 September 2018 were approved for publication by the Management Board.

2. Basis for the preparation of the abridged interim financial statements

This consolidated abridged interim financial statements have been prepared in accordance with the International Accounting Standard 34 approved by the EU. As at the date of approval of these financial statements for publication, considering the ongoing process of implementation of the International Financial Reporting Standards (IFRS) in the EU and the activities carried out by the Company, as regards the accounting principles applied by the Company, the IFRS which came into force do not differ from those endorsed by the EU.
IFRS consist of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated abridged interim financial statements have been presented in Polish zlotys (PLN) and all figures are in PLN thousand, unless stated otherwise.

These consolidated abridged interim financial statements have been prepared based on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of their approval, no circumstances were identified that would pose a threat to the Company's ability to continue as a going concern.

The consolidated abridged interim financial statements do not include all the information and disclosures required for the annual consolidated financial statements, and they should be read together with the Group's consolidated financial statements for the year closed on 31 December 2017, which was approved for publication on 19 April 2018.

The interim financial result may not fully reflect the realisable financial result for the financial year.

Professional judgement and uncertainty of estimates

Preparation of financial statements requires the management to provide their judgements, estimates and assumptions which influence the presented values of assets, liabilities, revenues and costs.

Estimates and adopted assumptions are based on historical experience and other rational factors, and provide a basis for a judgement on the value of assets and liabilities which are not directly reflected in other sources. Their actual value may be different from their estimated value.

Estimates and related assumptions are subject to ongoing verification. A movement in accounting estimates is recognise in the period, when the estimate was changed.

Accounting judgements and estimates adopted when preparing these interim financial statements are the same as those described in the annual financial statements, except for the estimates and judgements pertaining the application of the IFRS 9 and IFRS 15, as described in Note 3.

3. Significant accounting principles (policy)

The accounting principles (policy) used to prepare these interim financial statements comply with those which were applied when preparing the annual financial statements of the Group for the year closed on 31 December 2017, except for the change in the presentation of costs of transport and costs of logistics services (see Note 4) and for introducing the following changes to the standards and new interpretations applicable for the periods started on 1 January 2018.

Influence of new and amended standards and interpretations

As at 1 January 2018, the following standards approved by the EU have been applied by the Group:
- IFRS 15 "Revenue from Contracts with Clients" The standard was approved by the European Union on 22 September 2016
and applies to annual reporting periods beginning on 1 January 2018
or later;
- IFRS 9 "Financial instruments" The standard was approved by the European Union on 22 November 2016
and applies to annual reporting periods beginning on 1 January 2018
or later.

First application of IFRS 15 "Revenue from the Contracts with Clients"

The IFRS 15 "Revenue from Contracts with Clients" establishes a Five-Step Revenue Recognition Model for recognizing revenue arising from the contracts with clients. In accordance with IFRS 15, revenue is recognised in the amount of remuneration which, as expected, is due in exchange for the transfer of promised goods or services to the client. The new standard replaced all existing requirements regarding revenue recognition in accordance with IFRS.

The Group distributes computer hardware and software, and divides its revenue into the following categories:

- Revenue from sales of hardware
- Revenue from sales of third-party licences and services,

Within the "Third-Party Licenses and Services", revenue from sales of third-party licenses and provision of support services for the offered hardware are recognised. Through the e-commerce ABC Data Cloud platform,

the parent company offers its customers the possibility to use advanced IaaS, PaaS, SaaS or Baas cloud solutions, e.g. virtual servers, network disks, solutions for analyses, archiving and data backup, as well as protection software for private devices, or office software. Revenue from sales of third-party licenses/services is essentially recognised as revenue from sales of goods, which means that, at the moment of giving control over the third-party license or service, the revenue is recognised on a one-off basis. For sales of third-party licenses and services, the Group considered the ordering party - agent issue. However, in the majority of cases, it reached the conclusion that it is the Group who is the primary entity responsible for the fulfilment of the obligation to perform and, therefore, the revenue is recognised at gross value, except for revenue from sales of manufacturer's support, offered by one of the companies in the Group.
In the case of this category of revenue, the Group changed the manner of recognising it to the one applied for agency.

Revenue from contracts with customers for the delivery of, among others, computers, peripherals, accessories, consumables, gaming materials, audio/video, household appliances & audio/video devices, consumer electronics and advanced equipment used for building network infrastructure is recognised in the revenue from sales of hardware category. Revenue in that category is recognised at the moment of handing over the control over the hardware.

A part of the Group's revenue comes from agreements with contracting parties for the simultaneous sale of equipment, licenses and services, including long-term agreements. If an invoice for the contract is issued jointly for all its elements, the following standard is required: identification of the contract, identification of contractual obligations to perform services, determination of the transaction price, allocation of transaction price to contractual obligations and recognition of revenue at the point the obligations are fulfilled.

According to the Group, the requirements of the standard are generally met through the isolation of revenue from maintenance services provided throughout the after-sales phase. Based on a specific future transaction price, the relevant part of revenue is, at the time of sale, recognised as deferred revenue and recognised in revenue only when the liabilities are fulfilled.
As a result of the analysis of individual categories of revenue and contracts in terms of the moment and amount of recognised revenue, the Group decided that, apart from identifying agency revenue from sales of manufacturer's support, the standard does not have any significant impact on the Group's financial statements.

Based on the analysis, the Group amended the presentation method of selected balance sheet items. The Group changed the methods for recognising provisions for goods returns from customers, which have been re-classified from the item: *"Trade and other receivables"* to the item: *"Trade and other liabilities"*. The change lead to an increase of the balance sheet total for the Group.
Revenues from future periods, formerly recognised in "Trade and other liabilities" or "Other long-term liabilities", have been reclassified as "Contractual liabilities".
Moreover, the Group separated a new item "Contract Assets" in the balance sheet, where contract receivables are presented, for which revenue was recognised but invoices have not been prepared yet.

The Group applied IFRS 15 with the use of the modified retrospective method pursuant to Clause C3b of IFRS 15.
The impact of applying IFRS 15 on the interim balance sheet as at 30 September 2018 and the statement of comprehensive income for the 3-month and 9-month periods closed on 30 September 2018 is presented in the tables below:

(PLN '000)

ASSETS	*30.09.2018*	*change*	*30.09.2018 without adopting of IFRS 15*
Non-current assets			
Property, plant and equipment	11 063	-	11 063
Intangible assets	78 486	-	78 486
Deferred tax assets	9 844	-	9 844
Other long-term receivables	1 054	-	1 054
	100 447	**-**	**100 447**
Current assets			
Inventories	415 307	-	415 307
Short-term financial assets	727	-	727
Income tax receivables	3 457	-	3 457
Contract assets	1 430	(1 430)	-
Trade and other receivables	500 202	(2 891)	497 311
Cash and cash equivalents	76 305		76 305
	997 428	**(4 321)**	**993 107**
TOTAL ASSETS	**1 097 875**	**(4 321)**	**1 093 554**

EQUITY AND LIABILITIES	*30.09.2018*	*change*	*30.09.2018 without adopting of IFRS 15*
Share capital	125 267	-	125 267
Share premium	39 825	-	39 825
Treasury shares	(10 065)	-	(10 065)
Other reserve capital	(15)	-	(15)
Exchange differences on translation of foreign operations	2 316	-	2 316
Retained profit	100 240	-	100 240
Equity (attributable to parent shareholders)	**257 568**	**-**	**257 568**
Non-controlling interest	4 096	-	4 096
Total equity	**261 664**	**-**	**261 664**
Long-term liabilities			
Provisions for employee benefits	597	-	597
Other financial liabilities	681	-	681
Other liabilities	9 362	-	9 362
Provisions	521	-	521
	11 161	**-**	**11 161**
Short-term liabilities			
Current portion of interest-bearing bank borrowings	174 184	-	174 184
Liabilities due to employee benefits	10 793	-	10 793
Other financial liabilities	798	-	798
Income tax liabilities	881	-	881
Contract liabilities	2 181	(2 181)	-
Trade and other liabilities	633 579	(2 140)	631 439
Provisions	2 634	-	2 634
	825 050	**(4 321)**	**820 729**
Total liabilities	**836 211**	**(4 321)**	**831 890**
TOTAL EQUITY AND LIABILITIES	**1 097 875**	**(4 321)**	**1 093 554**

(PLN '000)

	3 months ended 30.09.2018	*change*	*3 months ended 30.09.2018 without adopting of IFRS 15*
Revenues	1 093 617	12 102	1 105 719
Cost of sales	(1 032 647)	(12 102)	(1 044 749)
Gross profit on sales	**60 970**	**-**	**60 970**
		-	

	9 months ended 30.09.2018	*change*	*9 months ended 30.09.2018 without adopting of IFRS 15*
Revenues	3 087 479	36 114	3 123 593
Cost of sales	(2 919 837)	(36 114)	(2 955 951)
Gross profit on sales	**167 642**	**-**	**167 642**
		-	

The application of IFRS 15 does not have any impact on the other items of the statement of comprehensive income.

First application of IFRS 9 "Financial instruments"

The IFRS 9 "Financial Instruments" defines the requirements for recognition and measurement of financial assets, financial liabilities and certain sale agreements regarding non-financial items. It replaced IAS 39 Instruments: Recognition and Measurement standard.

The IFRS 9 replaces the "incurred loss" model defined in IAS 39 with the "expected credit loss" model (ECL).

According to the Group, the application of the standard did not significantly affect the method of valuation of held financial instruments. The Company did not identify significant changes in the classification of financial assets that would result in a changed method of their valuation.

As part of the implementation of IFRS 9, the Group developed a methodology for calculating the expected credit loss for trade receivables, which was presented in the financial statements for 2017.

Moreover, IFRS 9 introduced changes in the scope of using hedge accounting. Pursuant to the interim provisions contained in Clause 7.2.21 of IFRS 9, the Management Board of the Company decided to apply the requirements pertaining to the use of hedge accounting contained in IAS 39.

Impact of implementation of IFRS 16 "Leases"

The standard has been applicable to one-year periods starting on 1 January 2019.

The IFRS 16 standard replaces the existing leasing regulations (IAS 17), and fundamentally changes the approach to leasing contracts of various nature by obliging lessees to recognise on their balance sheets assets and liabilities due to concluded leasing contracts regardless of their type.

Currently, the use of finance lease within the Group is minor. A majority of passenger cars are used under operating lease agreements. Additionally, the Group leases properties under long-term contracts. Disclosure of these assets and corresponding liabilities in the balance sheet may have a significant impact on its structure and balance sheet total. In addition, the amount of operating expenses will decrease and the amount of financial expenses, depreciation and amortisation will increase, which will affect the EBITDA rate.

The Group has not yet estimated the impact of IFRS 16 on its financial statements.

The Group has not opted for an early application of any standard, interpretation or amendment that has been published, but has not yet entered into force.

(PLN '000)

4. Data comparability

In the financial statements for the 9-month period closed on 30 June 2017, the Group recognised a liability due to discounts from Group's property lessors received in advance for the whole term of long-term rental agreements, in full as other short-term liabilities. Additionally, all deferred revenue, prepayments and deposits made by contracting parties were recognised in short-term items.
In these statements, the data recognised in the balance sheet as at 30 September 2017 have been restated to ensure comparability with the data as at 30 September 2018. Some of the above liabilities and receivables, which as at 30 September 2017 were due or settled, after 30 September 2018 have been recognised as long-term liabilities and receivables.

The tables below show the restatement of the balance sheet as at 1 January 2017 and 30 September 2017, resulting from the change in the presentation of discount liabilities, revenues from future periods, prepayments and deposits, described above.

	31.12.2016	*change*	*01.01.2017 (restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	10 229	-	10 229
Intangible assets	72 352	-	72 352
Deferred tax assets	22 960	-	22 960
Other long-term receivables	-	2 371	2 371
	105 541	**2 371**	**107 912**
Current assets			
Inventories	421 995	-	421 995
Short-term financial assets	5	-	5
Income tax receivables	7 439	-	7 439
Trade and other receivables	626 964	(2 371)	624 593
Cash and cash equivalents	90 951	-	90 951
	1 147 354	**(2 371)**	**1 144 983**
		-	
TOTAL ASSETS	**1 252 895**	**-**	**1 252 895**
EQUITY AND LIABILITIES			
Total equity	**275 169**	**-**	**275 169**
Long-term liabilities			
Provisions for employee benefits	651	-	651
Other financial liabilities	505	-	505
Other liabilities	-	12 075	12 075
Provisions	535	-	535
	1 691	**12 075**	**13 766**
Short-term liabilities			
Current portion of interest-bearing bank borrowings	148 949	-	148 949
Liabilities due to employee benefits	13 870	-	13 870
Other financial liabilities	4 570	-	4 570
Income tax liabilities	2 615	-	2 615
Trade and other liabilities	803 212	(12 075)	791 137
Provisions	2 819	-	2 819
	976 035	**(12 075)**	**963 960**
Total liabilities	**977 726**	**-**	**977 726**
TOTAL EQUITY AND LIABILITIES	**1 252 895**	**-**	**1 252 895**
	-	-	-

ASSETS	30.09.2017 (unaudited)	change	30.09.2017 (unaudited, restated)
Non-current assets			
Property, plant and equipment	9 728	-	9 728
Intangible assets	73 941	-	73 941
Deferred tax assets	19 548	-	19 548
Other long-term receivables	-	2 620	2 620
	103 217	**2 620**	**105 837**
Current assets			
Inventories	433 591	-	433 591
Short-term financial assets	563	-	563
Income tax receivables	8 466	-	8 466
Trade and other receivables	536 962	(2 620)	534 342
Cash and cash equivalents	45 770	-	45 770
	1 025 352	**(2 620)**	**1 022 732**
		-	
TOTAL ASSETS	**1 128 569**	**-**	**1 128 569**

EQUITY AND LIABILITIES			
Total equity	**289 140**	**-**	**289 140**
Long-term liabilities			
Provisions for employee benefits	651	-	651
Other financial liabilities	289	-	289
Other liabilities	-	10 013	10 013
Provisions	441	-	441
	1 381	**10 013**	**11 394**
Short-term liabilities			
Current portion of interest-bearing bank borrowings	154 599	-	154 599
Liabilities due to employee benefits	10 557	-	10 557
Other financial liabilities	4 029	-	4 029
Income tax liabilities	1 361	-	1 361
Trade and other liabilities	665 207	(10 013)	655 194
Provisions	2 295	-	2 295
	838 048	**(10 013)**	**828 035**
Total liabilities	**839 429**	**-**	**839 429**
TOTAL EQUITY AND LIABILITIES	**1 128 569**	**-**	**1 128 569**
	-	-	-

Change in the presentation of transport costs and logistics costs

In these financial statements, the Group showed costs of logistics service and costs of transport (up to the amount of revenue from them) in the "Prime costs of sales" item. In earlier statements, the costs were recognised in "Costs of Sales".

In the opinion of the Management Board, the changed presentation method of costs of transport and logistics costs better reflects their actual nature. The impact of the change on comparative data from the individual items of the statement of comprehensive income for the 3-month and 9-month periods closed on 30 September 2017 is illustrated in the tables below:

(PLN '000)

	3 months ended 30.09.2017 (unaudited)	*change*	*3 months ended 30.09.2017 (unaudited, restated)*
Revenues	1 117 257	-	1 117 257
Cost of sales	(1 050 366)	(5 110)	(1 055 476)
Gross profit on sales	**66 891**	**(5 110)**	**61 781**
		-	
Other operating income	(46)	-	(46)
Selling expenses	(41 377)	5 110	(36 267)
Administrative expenses	(10 143)	-	(10 143)
Other operating expenses	(1 022)	-	(1 022)
Gross profit on operations	**14 303**	**-**	**14 303**

	9 months ended 30.09.2017 (unaudited)	*change*	*9 months ended 30.09.2017 (unaudited, restated)*
Revenues	3 031 293	-	3 031 293
Cost of sales	(2 844 288)	(15 197)	(2 859 485)
Gross profit on sales	**187 005**	**(15 197)**	**171 808**
		-	
Other operating income	3 907	-	3 907
Selling expenses	(130 819)	15 197	(115 622)
Administrative expenses	(30 660)	-	(30 660)
Other operating expenses	(2 484)	-	(2 484)
Gross profit on operations	**26 949**	**-**	**26 949**

5. Seasonality of operations

Sales of computers and electronic appliances are subject to seasonal fluctuations. Higher revenue and operating profit is usually generated in the second half of the year. The sales level is the highest in November and December. The distribution of the Group revenues for 2017, divided into the individual quarters was the following: Q1 - 21%, Q2 - 20%, Q3 - 24%, Q4 - 35%.

Seasonality directly translates into trade receivable amounts and the use of bank loans and credit facilities.

6. Information concerning operating segments

The parent company and its subsidiaries carry out distribution activities in the Czech Republic, Slovakia, Lithuania, Poland, Romania and Hungary. The companies have similar economic characteristics; they offer the same assortment of goods, sell to the same customer category, and use the same distribution methods.

The scope of activities of S4E, which was acquired in 2016, includes distribution of computer hardware and software, as well as the provision of services. According to the Management Board, the characteristics of the business model and the operations carried out by S4E do not make it a separate operating segment (as compared to the existing operations).

Therefore, the Group's activities focus on one operating segment.

(PLN '000)

Information on geographic areas

Sales revenue by seat (country) of particular clients:

	3 months ended 30.09.2018 (unaudited)	*9 months ended 30.09.2018 (unaudited)*	*3 months ended 30.09.2017 (unaudited)*	*9 months ended 30.09.2017 (unaudited)*
Poland	759 227	2 176 497	760 834	2 100 843
Sales markets*/	207 628	556 040	268 892	667 725
Other EU Member States	121 740	331 649	78 378	225 405
Other countries	5 022	23 293	9 153	37 320
	1 093 617	3 087 479	1 117 257	3 031 293

/ * *Czech Republic, Slovakia, Lithuania, Hungary, Germany, Romania*

7. Cash and cash equivalents

For the purposes of the consolidated abridged interim statement of cash flows, cash and cash equivalents include the following:

	30.09.2018 (unaudited)	*30.09.2017 (unaudited)*
Cash at bank and in hand	76 287	45 380
Other cash	18	390
	76 305	**45 770**

8. Dividends paid and proposed to be paid

On 11 June 2018, the General Meeting of Shareholders of the Parent Company adopted a resolution on distribution of profit for 2017 and the payment of dividend. The entire net profit of the Company for the financial year 2017, which amounted to PLN 35,177 thousand, was allocated for the payment of dividend. Moreover, the amount of PLN 3,716 thousand from the supplementary capital was allocated for the payment of dividend. The total amount of dividend is PLN 38,833 thousand, i.e. PLN 0.31 per share.

After excluding the advance on the estimated dividend in the amount of PLN 0.08 per share paid to shareholders on 15 December 2017, the remaining part is PLN 0.23 per share. The dividend was paid on 25 July 2018.

The Company did not pay dividend on profit for the financial year 2016.

(PLN ‘000)

9. Income tax

Main elements of tax burden in the profit and loss account are shown below:

	3 months ended 30.09.2018 (unaudited)	*9 months ended 30.09.2018 (unaudited)*	*3 months ended 30.09.2017 (unaudited)*	*9 months ended 30.09.2017 (unaudited)*
Current income tax charge	(2 335)	(4 708)	65	(2 923)
Deferred income tax	208	962	(2 903)	(3 365)
Income tax charged to net profit for the current period	**(2 127)**	**(3 746)**	**(2 838)**	**(6 288)**

10. Property, plant and equipment

10.1. Purchases and sales

Over the 9-month period closed on 30 September 2018, the Group purchased tangible fixed assets worth PLN 2,744 thousand (over the 9-month period closed on 30 September 2017: PLN 1,970 thousand).

Over the 9-month period closed on 30 September 2018, the Group sold or liquidated tangible fixed assets worth PLN 477 thousand net (over the 9 month period closed on 30 September 2017, it sold or liquidated tangible fixed assets worth PLN 27 thousand net).

10.2. Financial lease

Over the 9-month period closed on 30 September 2018, the Group concluded financial lease agreements, whose subject-matters are passenger cars worth PLN 278 thousand.

Over the 9-month period closed on 30 September 2017, the Group concluded a financial lease agreement, whose subject-matter was a passenger car worth PLN 93 thousand.

11. Intangible assets

11.1. Purchases and sales

Over the 9-month period closed on 30 September 2018, the Group purchased intangible assets worth PLN 3,691 thousand (over the 9-month period closed on 30 September 2017, it purchased intangible assets worth PLN 2,742 thousand).

Over the 9-month period closed on 30 September 2018, the Group did not sell any intangible assets. It was also the case for the 9-month period closed on 30 September 2017.

12. Inventories

As at 30 September 2018, the impairment loss on inventories up to realisable net selling prices amounted to PLN 10,833 thousand PLN (as at 31 December 2017: PLN 12,360 thousand, and as at 30 September 2017: PLN 12,861 thousand). Changes in the impairment losses are recognised in “Costs of sales”.

(PLN '000)

13. Provisions

	Guarantee costs	*Onerous contracts*	*Other provisions*	*Total*
Amount as at 1 January 2018	2 795	418	-	3 213
Recognized	-	402	-	402
Derecognized	(48)	(418)	-	(466)
Exchange differences on translation	6	-	-	6
Amount as at 30 September 2018	2 753	402	-	3 155
Long-term portion	521	-	-	521
Short-term portion	2 232	402	0	2 634

	Guarantee costs	*Onerous contracts*	*Other provisions*	*Total*
Amount as at 1 January 2017	2 832	522	-	3 354
Recognized	7	322	45	374
Derecognized	(454)	(522)	-	(976)
Exchange differences on translation	(16)	-	-	(16)
Amount as at 30 September 2017	2 369	322	45	2 736
Long-term portion	441	-	-	441
Short-term portion	1 928	322	45	2 295

Warranty costs

The Group recognises a provision for costs of complaints related to warranties and guarantees given for the goods sold. The provision is estimated based on the sales volume, duration of warranty periods, historical data regarding faulty goods and the associated losses, as well as current operating costs of the service department. According to the Group estimates, the provision of PLN 1,928 thousand will have been used up within 12 months by 30 September 2019, while the remaining portion will be used up after 30 September 2019.

Onerous contracts

Additionally, the Group recognises a provision related to goods purchase orders pending at the balance sheet date, which will be fulfilled at prices higher than the realisable net selling price. The Group estimates the volume of the provision based on a detailed analysis of goods sales price trends after the balance sheet date. Both the creation and termination of the provision are recognised under other operating expenses. The Group expects that the entire provision will be used up by 2018.

14. Interest-bearing bank loans and credit facilities

Information on loans and changes in their balances in particular banks is provided in the table below:

in thousand PLN	Currency	Interest	The date of expiry of the contract	30.09.2018	31.12.2017	30.09.2017
Overdraft facility - Bank Polska Kasa Opieki S.A.	PLN	Wibor 1M+margin	15.12.2018	10 932	18 244	4 918
Overdraft facility - Bank Polska Kasa Opieki S.A.	EUR	Euribor 1M+margin	15.12.2018	20 473	656	33 632
Overdraft facility - Bank Polska Kasa Opieki S.A.	USD	Libor 1M+margin	15.12.2018	-	-	132
Overdraft facility - Bank Millennium S.A.	PLN	Wibor 1M+margin	28.06.2019	5 095	16 154	297
Overdraft facility - Bank Millennium S.A.	EUR	Euribor 1M+margin	28.06.2019	8 456	1 054	-
Overdraft facility - Bank Millennium S.A.	USD	Libor 1M+margin	28.06.2019	90	42	224
Credit facility- cash pool account -Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	31.12.2025	14 707	-	6 083
Overdraft facility - Bank ING Bank Śląski S.A.	EUR	Euribor 1M+margin	31.12.2025	2 521	21 377	22 176
Overdraft facility - Bank ING Bank Śląski S.A.	USD	Libor 1M+margin	31.12.2025	1 676	-	3 058
Overdraft facility - Bank ING Bank Śląski S.A.	CZK	Pribor 1M+margin	31.12.2025	-	49	2 469
Overdraft facility -BGŻ BNP Paribas	PLN	Wibor 1M+margin	01.12.2025	15 183	6 730	5 151
Overdraft facility -BGŻ BNP Paribas	EUR	Euribor 1M+margin	01.12.2025	9 695	11 237	12 680
Overdraft facility - mBank S.A.	PLN	Wibor overnight+margin	30.06.2019	15 440	42 165	41 411
Overdraft facility - mBank S.A.	EUR	Euribor overnight+margin	30.06.2019	33 952	209	4
Overdraft facility - mBank S.A.	USD	Libor 1M+margin	30.06.2019	4 186	-	-
Overdraft facility - mBank S.A.	CZK	Pribor 1M+margin	30.06.2019	1 665	-	-
Revolving credit - mBank S.A.	PLN	Euribor overnight+margin	30.09.2018	-	5 000	5 000
Overdraft facility - Credit Agricole	PLN	Wibor 1M+margin	30.08.2019	17 050	-	-
Overdraft facility - Alior Bank	PLN	Wibor 1M+margin	31.12.2018	10 000	9 767	9 005
Overdraft facility - Credit Agricole	PLN	Wibor 1M+margin	30.08.2019	3 061	-	8 359
Overdraft facility - Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	31.12.2018	2	-	-
Razem				**174 184**	**132 684**	**154 599**

A declaration of voluntary submission to enforcement prepared in the form of a notarial deed pursuant to Article 777.1(5) of the Code of Civil Procedure or a blank promissory note together with a blank promissory note agreement constitute the collateral for bank loans. The loans of S4E S.A. are also secured by the assignment of receivables from a specific group of contractors.

Interest liabilities are usually settled monthly over the entire financial year.

15. Other financial liabilities

	30.09.2018 (unaudited)	*30.06.2018 (unaudited)*	*31.12.2017*	*30.09.2017 (unaudited)*
Other long-term financial liabilities				
Financial lease liabilities	681	615	557	289
Total	**681**	**615**	**557**	**289**
Other short-term financial liabilities				
Dividend payable	-	28 197	-	-
FX contracts	85	277	-	-
Financial lease liabilities	411	461	499	311
Other financial liabilities	302	278	534	3 718
Total	**798**	**29 213**	**1 033**	**4 029**

16. Equity

Share capital

As at 30 September 2018, the shareholding structure was as follows:

	Number of shares	Number of votes at GSM	Percentage of votes held
MCI Venture Projects sp. z o.o. VI S.K.A.	76 060 378	76 060 378	60.72%
OFE PZU "Złota Jesień"	9 657 000	9 657 000	7.70%
Other shareholders	39 549 521	39 549 521	31.58%
Total	125 266 899	125 266 899	100.00%

17. Hedging Accounting

The parent company of the Group hedges the foreign currency risk associated with sales indexed to EUR and USD exchange rates and denominated in these currencies with the use of foreign currency monetary items, i.e. trade liabilities less trade receivables and cash, and FX forwards and FX swaps relating to foreign currency sales/purchases plus/less the nominal value. The Company identifies designated foreign currency monetary items as hedging instruments in the cash flow hedge model and recognises them in accordance with the hedge accounting principles.

The tables below present the key parameters of foreign currency monetary items allocated for hedging instruments, including periods where cash flows will occur arising from the cash flow hedges and where they will affect the financial result, as well as their fair value in PLN thousand as at 30 September 2018.

(PLN '000)

Hedging instruments – EUR

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Trade liabilities	(111 904)	(124 586)	(111 904)	(124 586)	october/november 2018	october/november 2017
Trade receivables	70 185	95 835	70 185	95 835	october/november 2018	october/november 2017
Cash	(75 012)	(68 247)	(75 012)	(68 247)	october/november 2018	october/november 2017
FX Forward EUR	-	(20 037)	-	(16)	october/november 2018	october/november 2017
Total monetary items:	(116 731)	(117 035)	(116 731)	(97 014)		

Hedging instruments – USD

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Trade liabilities	(100 273)	(43 696)	(100 273)	(43 696)	october/november 2018	october/november 2017
Trade receivables	8 636	8 484	8 636	8 484	october/november 2018	october/november 2017
Cash	(5 781)	(3 214)	(5 781)	(3 214)	october/november 2018	october/november 2017
FX Forward USD	-	38 345	-	826	october/november 2018	october/november 2017
Total monetary items:	(97 418)	(81)	(97 418)	(37 600)		

* *For items other than FX forward derivative transactions, the carrying value has been presented. According to the Company, the carrying amount of these items does not differ considerably from their fair value.*

Changes in the fair value of cash flow hedges recognised in equity are presented below:

	9 months ended 30.09.2018	*9 months ended 30.09.2017*
Opening balance	2 237	(1 467)
Effective portion of profit/loss on the hedging instrument	(9 897)	14 606
Amounts charged to profit or loss, including:	(7 911)	14 436
- Adjustment of sales revenue	(7 911)	14 436
- Adjustment arising from hedge ineffectiveness	-	-
Closing balance	251	(1 297)

(PLN ‘000)

18. Capital management

The key objective of the Management Board is to maintain a capital structure that would enable the Group’s growth, guarantee return on investment for the shareholders, and ensure that the lenders’ opinion on the Company is positive.

The capital structure is monitored on the basis of the net debt to EBITDA ratio.

Net debt includes liabilities arising from credit facilities and financial lease liabilities, less cash and cash equivalents. EBITDA is defined as the financial result determined in accordance with IFRS-EU, plus depreciation, impairment losses on tangible fixed asset and intangible assets, net financial costs and income tax.

As at 30 September 2018, the above ratio was as follows:

	30.09.2018 (unaudited)	*30.09.2017 (unaudited)*
Net debt	98 971	109 429
EBITDA*	40 926	45 812
Net debt ratio	**2.42**	**2.39**

**/EBITDA for the 12 months' periods closed on 30 September 2018 and 30 September 2017.*

The Group aims to maintain the ratio at the level of no more than 4.

The Management Board pro-actively shapes the ratio by implementing and enforcing procedures aimed at optimizing the demand for working capital loan. Furthermore, the ratio is adjusted by means of changing the dividend level or issuing shares.

Additionally, in accordance with the Code of Commercial Companies, the Company is obliged to create supplementary capital by appropriating at least 8% of profit for each financial year, until its balance corresponds to at least one third of the share capital.

19. Contingent liabilities

Pursuant to the Act on Copyright and the Related Rights of 4 February 1994, the Company, as an importer of copiers, scanners and other similar reprographic equipment enabling the copying of published works, as well as blank data carriers enabling the recording of works for personal use, pays fees to organisations dealing in collective management of copyrights or the related rights. Following an inspection carried out by an auditor appointed by these organisations, the latter have claimed significant additional amounts from the Company. According to the Company, the auditor’s calculations include a number of errors, and the claims based thereon are groundless.

At present, proceedings initiated by actions brought by collective copyrights management organisation for the payment of the total amount of PLN 27,068 thousand for alleged due fees related to the sale of devices and blank media by the Company. Due to doubts regarding the interpretation of legal regulations and discrepancies in previous court decisions, the Company has recognised a provision for the amount which, in its opinion, covers the risk related to the possibility of an unfavourable ruling. According to the Company and a third-party legal adviser, the calculation methodology used in the suit contains a number of errors, and the claims based thereon are groundless.

Tax returns of ABC Data S.A.

Corporate income tax for the fiscal year 2010

In 2011, inspection proceedings were instituted by the Director of the Tax Inspection Office in Warsaw against the Company with respect to corporate income tax for 2010. The proceedings were terminated by a decision issued on 5 June 2014, which determined the Company's corporate income tax liability for 2010. Despite the Company's appeal, the aforesaid decision was upheld by the Director of the Tax Chamber in Warsaw. The Company filed an appeal with the Regional Administrative Court in Warsaw opposing the decision of the Director of the Tax Chamber in Warsaw in its entirety.

In its non-final judgement of 19 April 2016, the Regional Administrative Court in Warsaw repealed the decision that the Company appealed against. The Company agrees with the ruling of the first-instance court, whereby the decision was repealed. However, it opposes to the reasons for such ruling in a number of respects. Therefore, on 12 July 2016, it filed a last resort appeal with the Supreme Administrative Court. The last resort appeal was examined by the Supreme Administrative Court on 20 September 2018 which quashed the entire appealed judgement and referred the case to the Regional Administrative Court in Warsaw for re-examination. Now, the Company is waiting for the written reasons for the Judgement of the Supreme Administrative Court.

Tax on goods and services for Q2 of 2014

In September 2014, inspection proceedings were instituted against the Company following the authorisation of the Director of the Tax Inspection Office in Warsaw to examine the validity of the tax bases declared by the Company as well as correctness of calculation and payment of value added tax for the Q2 of 2014.

During the course of proceedings, the report from the audit of the Company's accounting books was served on the Company's attorney in the proceedings. In the report, the Company's right to deduct VAT in the amount of PLN 4.633 thousand was questioned. Pursuant to the procedure pertaining to administrative proceedings, the Company submitted a reservation for the record.

Taking the duration of the proceedings and the related situation of the Company, its competitiveness on the market and further development, following the prudence principle, ABC Data S.A. voluntarily corrected the VAT-7D statement for Q2 of 2014 and paid the tax including due interest in the total amount of PLN 5.997 thousand.

On 23 July 2018, the Company received the final audit results, where the auditors did not include any conclusions or reservations for the Company. At present, no other audit proceedings are pending in ABC Data S.A.

The VAT adjustment described above, including interest, was recognised by the Company in the current period against other operating expenses.

Tax proceedings within Group members

<u>Proceedings against iSource S.A</u>.

In July 2016, audit proceedings were initiated in iSource S.A. subsidiary on behalf of the Head of the Tax Control Authority in Warsaw, as regards the reliability of declared tax bases and the correctness of calculation, and payment of the tax on goods and services for the period from 1 January 2013 to 31 December 2013.

On 7 May 2018, the report on the audit of the accounting books was served on iSource S.A. The company submitted reservations and clarifications to it, and gave its opinion on the evidence collected in the case, in the letters of 21 May 2018, 5 June 2018 and 4 July 2018. The findings of the authority pertaining to the settlements with the state budget for the tax on goods and services for the period from July to December 2013 did not show any irregularities, and the amounts of the tax calculated and the tax due shown in the tax returns for the above months reflected the data shown in the individual VAT registers. On the other hand, the findings made in the audit for the period from January to June resulted in the serving of decision of the Head of the Mazowieckie Customs and Tax Office on iSource S.A. of 1 August 2018, on 14 August 2018. The decision stated the tax on goods and services obligations for the individual months from January 2013 to June 2013 in the total amount of PLN 11.610 thousand.

(PLN '000)

In the appeal of 28 August 2018, iSource S.A. appealed against the entire said decision to the Head of the Fiscal Administration Chamber in Warsaw, requesting that the decision be quashed and the proceedings discontinued. Based on the opinion of an advisor, the Group assesses that the probability of effective challenging the right to deduct VAT at the further states of the proceedings is lower than the chances that it will be enforced.

In the Group's opinion, the decision rendered is not justified by the facts; therefore, no provision was set up for that purpose.

Proceedings against ABC Data s.r.o with its seat in Prague, the Czech Republic

ABC Data s.r.o with its seat in Prague in the Czech Republic applied for the return of surplus of the tax calculated over the tax due for August 2013 and August 2014, in the amount of 10,380 thousand CZK (PLN 1,722 thousand) and CZK 2,178 thousand (PLN 361 thousand), respectively. Due to the positive results of the audit ended on 25 March 2018 and pertained to August 2013, ABC Data s.r.o was reimbursed for VAT in the amount of CZK 10,380 thousand (PLN 1,722 thousand) on 26 March 2018.

As regards August 2014, the company received a letter (a request to determine facts) from the tax authority (Specialized Tax Office) in order to confirm the facts presented by the authority and to prove the company's right to deduct the tax on goods and services on the selected transactions conducted in that period. The scope of clarifications required by the tax authority pertained not only to the reimbursement of the VAT amount for which the Company applied, but all VAT settlements for August 2014. ABC Data s.r.o sent its answer to the tax authority on 25 May 2018, where it gave the required clarifications and confirmed that it had acted with due care as regards the verification of its suppliers, the control over the transactions conducted and the supervision over the flow of purchased goods.

On 2 November 2018, the Company's attorney received a summary of the current audit result (Výsledek kontrolního zjištění), where the tax authority contested the right of the Company to deduct VAT in the amount of CZK 34,030 thousand (PLN 5,645 thousand). The received letter is not an audit-ending document, and the Company will have replied to the above-mentioned letter by 3 December 2018. According to the Company's attorney, the above summary of the current audit result does not significantly change the risk assessment in view of the ongoing proceedings.

Therefore, based on the opinion of the tax advisor and the Company's attorney, the Group believes that the situation where the right of the Company to deduct VAT for August 2014 is effectively challenged is less probable than the chances for its enforcement. Hence, no provision has been set up for that purpose.

20. Fair values of financial instruments

	Category in line with IFRS 9	Balance sheet amount		
		30.09.2018	*31.12.2017*	*30.09.2017*
Financial assets				
Trade and other receivables	FAAC	482 147	681 460	515 808
Currency forwards	FAFVPL	727	786	563
Cash and cash equivalents	FAAC	76 305	43 012	45 770

	Category in line with IFRS 9	Balance sheet amount		
		30.09.2018	*31.12.2017*	*30.09.2017*
Financial liabilities				
Currency forwards	FLFVPL	120	-	-
Overdraft facilities	FLAC	174 184	132 684	154 599
Trade and other liabilities	FLAC	627 153	760 896	647 171

(PLN '000)

Applied abbreviations:

FAAC – Financial assets measured at amortised cost

FAFVPL - Financial assets measured at fair value through profit or loss;

FLAC – Financial liabilities measured at amortised cost

FLFVPL - Financial liabilities measured at fair value through profit or loss;

The Group applies the following hierarchy of determining the value of financial assets, depending on the selected valuation method:

Tier 1: prices quoted on active markets for the same assets and liabilities

Tier 2: input data which are directly and indirectly observable for assets

Tier 3: input data which does base on observable market prices

As at 30 September 2018, 31 December 2017, and as at 30 September 2017, the Group held the following financial instruments measured at fair value through profit or loss:

		Level 1	Level 2	Level 3
Currency forward assets	30.09.2018	-	727	-
Currency forward liabilities	30.09.2018	-	120	-
Currency forward assets	31.12.2017	-	786	-
Currency forward assets	30.09.2017	-	563	-

21. Related-party transactions

The table below presents cumulative amounts of transactions concluded with related parties over the 9-month periods closed respectively on 30 September 2018 and 30 September 2017, as well as balances of liabilities and receivables as at 30 September 2018 and 31 December 2017.

Related party		*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities to related parties*
Spółki z Grupy MCI Capital S.A.					
MCI Capital S.A.	*2018*	-	-	-	-
Morele Net Sp. z o.o.	*2018*	76 376	2 426	12 198	219
UAB Pigu	*2018*	7 765	-	1 144	-
MCI Capital S.A.	*2017*	7	-	-	-
Morele Net Sp. z o.o.	*2017*	48 227	2 338	20 962	257
UAB Pigu	*2017*	3 525	-	1 570	-

(PLN '000)

Remuneration paid to the Management and Supervisory Board members

	9 months ended 30.09.2018 (unaudited)	*9 months ended 30.09.2017 (unaudited)*
Management Board of the Parent Company		
Short-term employee benefits	4 333	2 909
Supervisory Board of the Parent Company		
Short-term employee benefits	292	262
	4 625	**3 171**
Management Boards of subsidiaries		
Short-term employee benefits	4 067	4 382
Total	**8 692**	**7 553**

22. Events after the balance sheet date

No events that would have a material effect on this statement without being reflected herein occurred after the balance sheet date.

Ilona Weiss	Andrzej Kuźniak	Krystyna Cybulska
President	*Vice-President*	*Chief Accountant*

Warsaw, 14 November 2018