The ABC Data S.A. Capital Group

CONSOLIDATED ABRIGED INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS' PERIOD CLOSED ON 30 JUNE 2018
WITH AN INDEPENDENT CERTIFIEDAUDITOR'S OPINION FROM REVIEW

Warsaw, September 28, 2018

Table of content:

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the 6 months' period closed on 30 June 2018

	Note	*3 months ended 30.06.2018 (unaudited)*	*6 months ended 30.06.2018 (unaudited)*	*3 months ended 30.06.2017 (unaudited, restated)*	*3 months ended 30.06.2017 (unaudited, restated)*
Revenues	6	957 131	1 993 862	919 257	1 914 036
Cost of sales		(907 193)	(1 887 190)	(862 490)	(1 804 009)
Gross profit on sales		**49 938**	**106 672**	**56 767**	**110 027**
Other operating income		1 353	1 660	2 720	3 953
Selling expenses		(37 838)	(77 212)	(40 933)	(79 355)
Administrative expenses		(12 623)	(23 228)	(10 368)	(20 517)
Other operating expenses		(7 895)	(8 782)	(1 028)	(1 462)
Gross profit (loss) on operations		**(7 065)**	**(890)**	**7 158**	**12 646**
Financial income		107	111	8	111
Financial expenses		(2 355)	(4 958)	(2 095)	(4 552)
Net financial expenses		**(2 248)**	**(4 847)**	**(2 087)**	**(4 441)**
Gross profit (loss)		**(9 313)**	**(5 737)**	**5 071**	**8 205**
Income tax	9	(350)	(1 619)	(1 762)	(3 450)
Net profit (loss)		**(9 663)**	**(7 356)**	**3 309**	**4 755**
Net profit (loss) , attributed to:					
Parent shareholders		(9 476)	(7 026)	3 588	5 156
Non-controlling interest		(187)	(330)	(279)	(401)
Items that may be subsequently reclassified to profit or loss					
Exchange differences on foreign operations translation		144	368	441	(158)
Net change in fair value of cash flow hedges	17	(5 446)	(7 865)	(3 176)	3 062
Income tax on other comprehensive income		1 034	1 494	603	(582)
Total other comprehensive income		**(4 268)**	**(6 003)**	**(2 132)**	**2 322**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(13 931)**	**(13 359)**	**1 177**	**7 077**
Total comprehensive income, attributed to:					
Parent shareholders		(13 744)	(13 029)	1 456	7 478
Non-controlling interest		(187)	(330)	(279)	(401)
Profit (loss) per share in PLN:					
– basic profit for the reporting period		(0.08)	(0.06)	0.03	0.04
– diluted profit for the reporting period		(0.08)	(0.06)	0.03	0.04

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

Warsaw, 28 September 2018

CONSOLIDATED ABRIDGED INTERIM BALANCE SHEET
as at 30 June 2018

	Note	*30.06.2018 (unaudited)*	*31.12.2017*	*30.06.2017 (unaudited, restated)*	*01.01.2017 (restated)*
ASSETS					
Non-current assets					
Property, plant and equipment	10	11 113	12 896	9 556	10 229
Intangible assets	11	77 436	75 983	72 530	72 352
Deferred tax assets		10 766	8 651	21 874	22 960
Other long-term receivables		1 076	2 850	3 240	2 371
		100 391	**100 380**	**107 200**	**107 912**
Current assets					
Inventories	12	403 163	397 447	418 898	421 995
Short-term financial assets		-	786	412	5
Income tax receivables		10 107	6 926	7 070	7 439
Contract assets		3 610	-	-	-
Trade and other receivables		403 049	695 902	389 348	624 593
Cash and cash equivalents	7	23 961	43 012	28 989	90 951
		843 890	**1 144 073**	**844 717**	**1 144 983**
TOTAL ASSETS		**944 281**	**1 244 453**	**951 917**	**1 252 895**

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

Warsaw, September 28, 2018

	Note	*30.06.2018 (unaudited)*	*31.12.2017*	*30.06.2017 (unaudited, restated)*	*01.01.2017 (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		(4 778)	1 592	1 068	(1 070)
Exchange differences on translation of foreign operations		2 410	2 042	1 727	1 885
Retained profit		95 167	130 390	119 378	114 222
Equity (attributable to parent shareholders)		**247 826**	**289 051**	**277 200**	**270 064**
Non-controlling interest		4 211	4 541	4 704	5 105
Total equity		**252 037**	**293 592**	**281 904**	**275 169**
Long-term liabilities					
Provisions for employee benefits		703	597	651	651
Other financial liabilities	15	615	557	375	505
Other liabilities		9 448	10 183	10 650	12 075
Provisions	13	506	528	444	535
		11 272	**11 865**	**12 120**	**13 766**
Short-term liabilities					
Current portion of interest-bearing bank borrowings	14	128 054	132 684	119 716	148 949
Liabilities due to employee benefits		11 666	15 074	13 190	13 870
Other financial liabilities	15	29 213	1 033	4 105	4 570
Income tax liabilities		953	1 725	1 997	2 615
Contract liabilities		3 835	-	-	-
Trade and other liabilities		504 666	785 795	516 603	791 137
Provisions	13	2 585	2 685	2 282	2 819
		680 972	**938 996**	**657 893**	**963 960**
Total liabilities		**692 244**	**950 861**	**670 013**	**977 726**
TOTAL EQUITY AND LIABILITIES		**944 281**	**1 244 453**	**951 917**	**1 252 895**

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

Warsaw, September 28, 2018

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CASH FLOWS
for the 6 months' period closed on 30 June 2018

	Note	*6 months ended 30.06.2018 (unaudited)*	*6 months ended 30.06.2017 (unaudited)*
Cash flow from operating activities			
Gross profit (loss) from continuing operations		**(5 737)**	**8 205**
Adjusted by:			
Amortization / Depreciation		2 930	2 509
Share base expenses		1	8
(Profit)/loss on investing activities		9	(16)
(Increase)/ decrease in contract assets		(3 610)	-
Decrease in receivables		294 627	234 376
(Increase)/ decrease in inventories		(5 716)	3 097
(Increase)/ decrease in contract liabilities		(3 835)	-
Decrease in liabilities, except for borrowings		(274 194)	(275 959)
Financial income		(111)	(111)
Financial expenses		4 958	4 552
Decrease in liabilities to employees		(3 302)	(680)
Change in provisions	13	(122)	(628)
Income tax paid		(6 137)	(3 268)
Other		(6 053)	2 852
Net cash flow from operating activities		**(6 292)**	**(25 063)**
Cash flow from investing activities			
Sales of property, plant and equipment and intangible assets	10,11	269	49
Acquisition of property, plant and equipment and intangible assets	10,11	(3 488)	(2 236)
Borrowings allowed to third party companies		-	(412)
Interest received		7	110
Other investment expenses		(1)	-
Net cash flow from investing activities		**(3 213)**	**(2 489)**
Cash flow from financing activities			
Bank borrowing received		-	1 742
Repaid finance lease liabilities		(265)	(192)
Change in overdrafts	14	(4 630)	(20 013)
Bank borrowing re-paid	14	-	(10 962)
Interest paid		(5 213)	(4 986)
Finance lease inflows		562	-
Other financial inflows		-	1
Net cash flow from financing activities		**(9 546)**	**(34 410)**
Net increase/(decrease) in cash and cash equivalents		(19 051)	(61 962)
Opening balance of cash		**43 012**	**90 951**
Closing balance of cash	7	**23 961**	**28 989**

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

Warsaw, 28 September 2018

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 6 months' period closed on 30 June 2018

(unaudited)	*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*
6 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 (loss) for the period		-	-	-	-	-	-	(7 026)	**(7 026)**	(330)	**(7 356)**
Other net comprehensive income for the period		-	-	-	368	(6 371)	-	-	**(6 003)**	-	**(6 003)**
Comprehensive income for the period		-	-	-	368	(6 371)	-	(7 026)	**(13 029)**	(330)	**(13 359)**
Share-based payments		-	-	-	-	1	-	-	**1**	-	**1**
Dividend declared	8	-	-	-	-	-	(28 197)	-	**(28 197)**	-	**(28 197)**
As at 30 June 2018		**125 267**	**39 825**	**(10 065)**	**2 410**	**(4 778)**	**102 193**	**(7 026)**	**247 826**	4 211	**252 037**

Ilona Weiss — *President*

Andrzej Kuźniak — *Vice-President*

Krystyna Cybulska — *Chief Accountant*

Warsaw, 28 September 2018

(PLN '000)

ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY
for the 12 months' 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
President

Andrzej Kuźniak
Vice-President

Krystyna Cybulska
Chief Accountant

Warsaw, 28 September 2018

(PLN '000)

CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY
for the 6 months' period closed on 30 June 2017

(unaudited)	*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*
6 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		-	-	-	-	(350)	-	-	**(350)**	-	**(350)**
As at 1 January 2017		**125 267**	**39 825**	**(10 065)**	**1 885**	**(1 420)**	**114 222**	-	**269 714**	5 105	**274 819**
Net profit for the period		-	-	-	-	-	-	5 156	**5 156**	(401)	**4 755**
Other net comprehensive income for the period		-	-	-	(158)	2 480	-	-	**2 322**	-	**2 322**
Comprehensive income for the period		-	-	-	(158)	2 480	-	5 156	**7 478**	(401)	**7 077**
Share-based payments		-	-	-	-	8	-	-	**8**	-	**8**
Dividend declared		-	-	-	-	-	-	-	-	-	-
As at 30 June 2017		**125 267**	**39 825**	**(10 065)**	**1 727**	**1 068**	**114 222**	**5 156**	**277 200**	4 704	**281 904**

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

Warsaw, 28 September 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 Group's Interim Abridged Consolidate Financial Statements cover the 6-month period closed on 30 June 2018 and comparative data for the 6-month period closed on 30 June 2017, and as at 31 December 2017. The statement of comprehensive income and the notes to the statement of comprehensive income also cover data for the 3-month period closed on 30 June 2018 and comparative data for the 3-month period closed on 30 June 2017. The data for the 3-month period closed on 30 June 2017 were not reviewed or examined by the independent certified auditor.

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 28 September 2018, the present consolidated abridged interim financial statements of the Group for the 6-month period closed on 30 June 2018 was approved for publication by the Management Board.

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

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

This condensed interim consolidated financial statement has 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 it 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 realizable 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 recognised 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, 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 recognized 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 service, the Group considered the ordering party - agent issue. However, in the majority of cases, it reached the conclusion that it is the Group which 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 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, recognized as deferred revenue and recognized in revenue only when the liabilities are fulfilled.

As a result of analysis of the 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 presentation methods for 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 recognized 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.
The impact of applying IFRS 15 on the interim balance sheet as at 30 June 2018 and the statement of comprehensive income for the 3-month and 6-month periods closed on 30 June 2018 is presented in the tables below:

	30.06.2018	*change*	*30.06.2018 without adopting of IFRS 15*
ASSETS			
Non-current assets			
Property, plant and equipment	11 113	-	11 113
Intangible assets	77 436	-	77 436
Deferred tax assets	10 766	-	10 766
Other long-term receivables	1 076	-	1 076
	100 391	**-**	**100 391**
Current assets			
Inventories	403 163	-	403 163
Short-term financial assets	-	-	-
Income tax receivables	10 107	-	10 107
Contract assets	3 610	(3 610)	-
Trade and other receivables	403 049	(1 130)	401 919
Cash and cash equivalents	23 961		23 961
	843 890	**(4 740)**	**839 150**
TOTAL ASSETS	**944 281**	**(4 740)**	**939 541**

	30.06.2018	*change*	*30.06.2018 without adopting of IFRS 15*
EQUITY AND LIABILITIES			
Share capital	125 267	-	125 267
Share premium	39 825	-	39 825
Treasury shares	(10 065)	-	(10 065)
Other reserve capital	(4 778)	-	(4 778)
Exchange differences on translation of foreign operations	2 410	-	2 410
Retained profit	95 167	-	95 167
Equity (attributable to parent shareholders)	**247 826**	**-**	**247 826**
Non-controlling interest	4 211	-	4 211
Total equity	**252 037**	**-**	**252 037**
Long-term liabilities			
Provisions for employee benefits	703	-	703
Other financial liabilities	615	-	615
Other liabilities	9 448	-	9 448
Provisions	506	-	506
	11 272	**-**	**11 272**
Short-term liabilities			
Current portion of interest-bearing bank borrowings	128 054	-	128 054
Liabilities due to employee benefits	11 666	-	11 666
Other financial liabilities	29 213	-	29 213
Income tax liabilities	953	-	953
Contract liabilities	3 835	(3 835)	-
Trade and other liabilities	504 666	(905)	503 761
Provisions	2 585	-	2 585
	680 972	**(4 740)**	**676 232**
Total liabilities	**692 244**	**(4 740)**	**687 504**
TOTAL EQUITY AND LIABILITIES	**944 281**	**(4 740)**	**939 541**

	3 months ended 30.06.2018	*change*	*3 months ended 30.06.2018 without adopting of IFRS 15*
Revenues	957 131	14 966	972 097
Cost of sales	(907 193)	(14 966)	(922 159)
Gross profit on sales	**49 938**	**-**	**49 938**
		-	

	6 months ended 30.06.2018	*change*	*6 months ended 30.06.2018 without adopting of IFRS 15*
Revenues	1 993 862	24 012	2 017 874
Cost of sales	(1 887 190)	(24 012)	(1 911 202)
Gross profit on sales	**106 672**	**-**	**106 672**
		-	

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, 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 recognize 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.

4. Data comparability

In the financial statements for the 6 months' period closed on 30 June 2017, the Group recognized 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 recognized in short-term items.
In these statements, the data recognized in the balance sheet as at 30 June 2017 have been restated to ensure comparability with the data as at 30 June 2018. Some of the above liabilities and receivables, which as at 30 June 2017 were due or settled, after 30 June 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 June 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**

	30.06.2017 (unaudited)	change	*30.06.2017 (unaudited, restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	9 556	-	9 556
Intangible assets	72 530	-	72 530
Deferred tax assets	21 874	-	21 874
Other long-term receivables	-	3 240	3 240
	103 960	**3 240**	**107 200**
Current assets			
Inventories	418 898	-	418 898
Short-term financial assets	412	-	412
Income tax receivables	7 070	-	7 070
Trade and other receivables	392 588	(3 240)	389 348
Cash and cash equivalents	28 989	-	28 989
	847 957	**(3 240)**	**844 717**
		-	
TOTAL ASSETS	**951 917**	**-**	**951 917**
EQUITY AND LIABILITIES			
Total equity	**281 904**	**-**	**281 904**
Long-term liabilities			
Provisions for employee benefits	651	-	651
Other financial liabilities	375	-	375
Other liabilities	-	10 650	10 650
Provisions	444	-	444
	1 470	**10 650**	**12 120**
Short-term liabilities			
Current portion of interest-bearing bank borrowings	119 716	-	119 716
Liabilities due to employee benefits	13 190	-	13 190
Other financial liabilities	4 105	-	4 105
Income tax liabilities	1 997	-	1 997
Trade and other liabilities	527 253	(10 650)	516 603
Provisions	2 282	-	2 282
	668 543	**(10 650)**	**657 893**
Total liabilities	**670 013**	**-**	**670 013**
TOTAL EQUITY AND LIABILITIES	**951 917**	**-**	**951 917**

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 3-month and 6-month periods are illustrated in the tables below:

	3 months ended (unaudited)	*change*	*3 months ended (unaudited, restated)*
Revenues	919 257	-	919 257
Cost of sales	(857 662)	(4 828)	(862 490)
Gross profit on sales	**61 595**	**(4 828)**	**56 767**
		-	
Other operating income	2 720	-	2 720
Selling expenses	(45 761)	4 828	(40 933)
Administrative expenses	(10 368)	-	(10 368)
Other operating expenses	(1 028)	-	(1 028)
Gross profit on operations	**7 158**	**-**	**7 158**

	6 months ended (unaudited)	*change*	*6 months ended (unaudited, restated)*
Revenues	1 914 036	-	1 914 036
Cost of sales	(1 793 922)	(10 087)	(1 804 009)
Gross profit on sales	**120 114**	**(10 087)**	**110 027**
		-	
Other operating income	3 953	-	3 953
Selling expenses	(89 442)	10 087	(79 355)
Administrative expenses	(20 517)	-	(20 517)
Other operating expenses	(1 462)	-	(1 462)
Gross profit on operations	**12 646**	**-**	**12 646**

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: 1st quarter - 21%, 2nd quarter - 20%, 3rd quarter - 24%, 4th quarter - 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 it 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.

Information on geographic areas

Sales revenue by seat (country) of particular clients:

	3 months ended 30.06.2018 (unaudited)	*6 months ended 30.06.2018 (unaudited)*	*3 months ended 30.06.2017 (unaudited, restated/*)*	*6 months ended 30.06.2017 (unaudited, restated/*)*
Poland	677 533	1 417 270	648 764	1 340 009
Sales markets	169 975	348 412	145 311	303 697
Other EU Member States	102 121	209 909	109 485	242 163
Other countries	7 502	18 271	15 697	28 167
	957 131	1 993 862	919 257	1 914 036

Czechia, Germany, Lithuania, Slovakia, Hungary, Romania constitute direct markets.

/ In the financial statements for the 6 months' period closed on 30 June 2017, sales to German clients was recognized under* “*Direct markets*”*. In these statements, it is recognized under* “*Other EU countries*”.

7. Cash and cash equivalents

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

	30.06.2018 (unaudited)	*30.06.2017 (unaudited)*
Cash at bank and in hand	23 772	28 612
Short-term deposits	114	-
Other cash	75	377
	23 961	**28 989**

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 2017 financial year, 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.

9. Income tax

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

	3 months ended 30.06.2018 (unaudited)	*6 months ended 30.06.2018 (unaudited)*	*3 months ended 30.06.2017 (unaudited)*	*6 months ended 30.06.2017 (unaudited)*
Current income tax charge	(692)	(2 373)	(1 219)	(2 988)
Deferred income tax	342	754	(543)	(462)
Income tax charged to net profit for the current period	**(350)**	**(1 619)**	**(1 762)**	**(3 450)**

In the first half of 2018, the effective tax rate amount to minus 28%, as compared with 42% in the analogous period of the previous year. The relative increase in the tax burden of the Group mainly results from the increase of the effective tax rate in the Parent Company, brought about by the amendment to the provisions of the Corporate Income Tax Act in respect to including license fees and intangible services purchased from related undertakings in tax-deductible expenses.

10. Property, plant and equipment

10.1. Purchases and sales

During the 6-month period closed on 30 June 2018, the Group purchased tangible fixed assets of PLN 1 535 thousand (during the 6-month period closed on 30 June 2017: PLN 925 thousand).

During the 6-month period closed on 30 June 2018, the Group sold tangible fixed assets of PLN 238 thousand net (during the 6-month period closed on 30 June 2017: PLN 25 thousand).

10.2. Financial lease

During the 6-month period closed on 30 June 2018, the Group concluded financial lease agreements, whose subject-matters are passenger cars worth PLN 277 thousand.

During the 6-month period closed on 30 June 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

During the 6-month period closed on 30 June 2018, the Group purchased intangible assets for the amount of PLN 1 914 thousand (during the 6-month period closed on 30 June 2017: PLN 1 311 thousand).

During the 6 months' period closed on 30 June 2018, the Group did not sell any intangible assets. It was also the case for the 6 months' period ended 30 June 2017.

12. Inventories

As at 30 June 2018, the amount of the write-down revaluating inventories to realizable net values amounted to PLN 11 740 thousand (as at 31 December 2017: PLN 12 360 thousand, as at 30 June 2017: PLN 25 412 thousand). Changes in the impairment losses are recognized in "Costs of sales".

13. Provisions

(unaudited)	*Guarantee costs*	*Onerous contracts*	*Other provisions*	*Total*
Amount as at 1 January 2018	2 795	418	-	3 213
Recognized	-	402	5	407
Derecognized	(124)	(418)	-	(542)
Exchange differences on translation	13	-	-	13
Amount as at 30 June 2018	2 684	402	5	3 091
Long-term portion	506	-	-	506
Short-term portion	2 178	402	5	2 585

(unaudited)	*Guarantee costs*	*Onerous contracts*	*Other provisions*	*Total*
Amount as at 1 January 2017	2 832	522	-	3 354
Recognized	(20)	322	45	347
Derecognized	(430)	(522)	-	(952)
Exchange differences on translation	(23)	-	-	(23)
Amount as at 30 June 2017	2 359	322	45	2 726
Long-term portion	444	-	-	444
Short-term portion	1 915	322	45	2 282

Warranty costs

The Group recognizes 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. The Group expects that the provision in the amount of PLN 2 178 thousand will be used over the period of 12 months, by 30 June 2019, and the remaining part of the provision – after 30 June 2019.

Onerous contracts

Additionally, the Group recognizes a provision related to goods purchase orders pending at the balance sheet date, which will be fulfilled at prices higher than the realizable 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 recognized 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	30.06.2018	31.12.2017	30.06.2017
Overdraft facility - Bank Polska Kasa Opieki S.A.	PLN	Wibor 1M+margin	15.12.2018	1 806	18 244	10 430
Overdraft facility - Bank Polska Kasa Opieki S.A.	EUR	Euribor 1M+margin	15.12.2018	28 996	656	23 987
Overdraft facility - Bank Polska Kasa Opieki S.A.	USD	Libor 1M+margin	15.12.2018	1 570	-	-
Overdraft facility - Bank Millennium S.A.	PLN	Wibor 1M+margin	28.06.2019	104	16 154	944
Overdraft facility - Bank Millennium S.A.	EUR	Euribor 1M+margin	28.06.2019	116	1 054	-
Overdraft facility - Bank Millennium S.A.	USD	Libor 1M+margin	28.06.2019	623	42	232
Credit facility- cash pool account -Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	31.12.2025	910	-	2 925
Overdraft facility - Bank ING Bank Śląski S.A.	EUR	Euribor 1M+margin	31.12.2025	5 578	21 377	27 063
Overdraft facility - Bank ING Bank Śląski S.A.	USD	Libor 1M+margin	31.12.2025	5 977	-	-
Overdraft facility - Bank ING Bank Śląski S.A.	CZK	Pribor 1M+margin	31.12.2025	6 676	49	9 080
Overdraft facility -BGŻ BNP Paribas	PLN	Wibor 1M+margin	01.12.2025	241	6 730	6 589
Overdraft facility -BGŻ BNP Paribas	EUR	Euribor 1M+margin	01.12.2025	9 941	11 237	16 780
Overdraft facility -BGŻ BNP Paribas	USD	Libor 1M+margin	01.12.2025	-	-	-
Overdraft facility - Bank Handlowy w Warszawie S.A.	PLN	n/d	n/d	-	-	728
Overdraft facility - mBank S.A.	PLN	Wibor overnight+margin	30.06.2019	5 471	42 165	-
Overdraft facility - mBank S.A.	EUR	Euribor overnight+margin	30.06.2019	17 093	209	-
Overdraft facility - mBank S.A.	USD	Libor overnight+margin	30.06.2019	18 509	-	-
Credit facility - Alior Bank	PLN	n/d	n/d	-	-	1 742
Revolving credit - mBank S.A.	PLN	Wibor overnight+margin	30.06.2019	5 000	5 000	-
Overdraft facility - Alior Bank	PLN	Wibor 3M+margin	31.12.2018	9 583	9 767	4 424
Overdraft facility - Credit Agricole	PLN	Wibor 1M+margin	14.09.2018	9 860	-	9 778
Overdraft facility - Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	31.12.2018	-	-	5 014
Total				**128 054**	**132 684**	**119 716**

Bank loan guarantees take form of a written statement on submission to enforcement under Articles 97.1 and 97.2 of the Banking Law Act together with the authorization for banks to issue a bank enforcement title or statement of submission to enforcement filed in the form of a notarial deed under Article 777 § 1(5) of the Code of Civil Procedure. Loans and credit facilities of S4E S.A. are also collateralized with the assignment of receivables from a specific group of contractors and the assignment of receivables due to the factoring agreement concluded with the bank that granted the loan or credit facility.

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

15. Other financial liabilities

	30.06.2018 (unaudited)	*31.12.2017*	*30.06.2017 (unaudited)*
Other long-term financial liabilities			
Financial lease liabilities	615	557	375
	615	**557**	**375**
Other short-term financial liabilities			
Dividend payable	28 197	-	-
FX contracts	277	-	39
Financial lease liabilities	461	499	358
Other financial liabilities	278	534	3 708
	29 213	**1 033**	**4 105**

16. Equity

Share capital

As at 30 June 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 recognizes 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 June 2018.

Hedging instruments – EUR

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Trade liabilities	(60 720)	(96 729)	(60 720)	(96 729)	july/august 2018	july/august 2017
Trade receivables	60 319	81 333	60 319	81 333	july/august 2018	july/august 2017
Cash	(61 102)	(67 409)	(61 102)	(67 409)	july/august 2018	july/august 2017
FX Forward EUR	(56 701)	(42 265)	(158)	90	july/august 2018	july/august 2017
Total monetary items:	(118 204)	(125 070)	(61 661)	(82 715)		

Hedging instruments – USD

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Trade liabilities	(62 656)	(95 725)	(62 656)	(95 725)	july/august 2018	july/august 2017
Trade receivables	12 013	8 109	12 013	8 109	july/august 2018	july/august 2017
Cash	(26 499)	689	(26 499)	689	july/august 2018	july/august 2017
FX Forward USD	(1 872)	33 356	5	(133)	july/august 2018	july/august 2017
Total monetary items:	(79 014)	(53 571)	(77 137)	(87 060)		

** 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 recognized in equity are presented below:

	6 months ended 30.06.2018	*6 months ended 30.06.2017*
Opening balance	2 237	(1 467)
Effective portion of profit/loss on the hedging instrument	(14 690)	16 193
Amounts charged to profit or loss, including:	(6 825)	13 131
- Adjustment of sales revenue	(6 825)	13 131
- Adjustment arising from hedge ineffectiveness	-	-
Closing balance	(5 628)	1 595

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 June 2018, the above ratio was as follows:

	30.06.2018 (unaudited)	*30.06.2017 (unaudited)*
Net debt		
EBITDA*	105 169	91 460
Net debt ratio	45 554	37 040
	2.31	**2.47**

**/EBITDA for the 12 months' periods closed on 30 June 2018 and 30 June 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 organizations dealing in collective management of copyrights or the related rights. Following an inspection carried out by an auditor appointed by these organizations, 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 recognized 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 for Q2 of 2014

In September 2014, inspection proceedings were instituted against the Company following the authorization 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 the 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 4,633,402.78 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 2nd quarter 2014 and paid the tax including due interest in the total amount of PLN 5,997,274.

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

Proceedings against iSource S.A.

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 the 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.

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 the 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. The estimated amount of VAT calculated in August 2014, to which the inquiry of the tax authority pertained, amounted to CZK 31 852 thousand (PLN 5 284 thousand).

As at the date of these statements, the tax authority has not commented on the clarifications provided by the company. Therefore, based on the opinion of the tax advisor and the attorney of the company, in the opinion of the Group, 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, so no provision has been set up for that purpose.

20. Fair values of financial instruments

	Category in line with IFRS 9	Balance sheet amount *30.06.2018*	*31.12.2017*	*30.06.2017*
Financial assets				
Trade and other receivables	FAAC	423 086	681 460	373 459
Currency forwards	FAFVPL	-	786	-
Cash and cash equivalents	FAAC	23 961	43 012	28 989

	Category in line with IFRS 9	Balance sheet amount *30.06.2018*	*31.12.2017*	*30.06.2017*
Financial liabilities				
Currency forwards	FLFVPL	277	-	39
Overdraft facilities	FLAC	128 054	132 684	119 716
Trade and other liabilities	FLAC	493 788	760 896	515 295

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

		Level 1	Level 2	Level 3
Currency forward liabilities	30.06.2018	-	277	-
Currency forward assets	31.12.2017	-	786	-
Currency forward liabilities	30.06.2017	-	39	-

21. Related-party transactions

The table below presents cumulative amounts of transactions concluded with related undertakings during the 6 months' periods ended on 30 June 2018 and 30 June 2017, respectively, as well as balances of liabilities and receivables as at 30 June 2017 and 31 December 2018, respectively.

Related party		*Sales to related parties*	*Purchases from related parties*	*Receivables from related parties*	*Liabilities to related parties*
MCI Capital S.A. Group companies					
MCI Capital S.A.	*2018*	-	-	-	-
Morele Net Sp. z o.o.	*2018*	50 868	1 835	14 780	250
MCI Capital S.A.	*2017*	7	-	-	-
Morele Net Sp. z o.o. /*	*2017*	48 227	2 394	20 962	279

/ The comparative data was adjusted with the transactions and the balances between Morele Net and the subsidiaries of ABC Data S.A.*

Remuneration paid to the Management and Supervisory Board members

	6 months ended 30.06.2018 (unaudited)	*6 months ended 30.06.2017 (unaudited)*
Management Board of the Parent Company		
Short-term employee benefits	3 847	1 041
Supervisory Board of the Parent Company		
Short-term employee benefits	215	154
	4 062	**1 195**
Management Boards of subsidiaries		
Short-term employee benefits	2 748	2 610
Total	**6 810**	**3 805**

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, 28 September 2018