# The ABC Data S.A. Capital Group

## CONSOLIDATED ABRIGED INTERIM FINANCIAL STATEMENTS
## FOR THE 3 MONTHS' PERIOD CLOSED ON 31 MARCH 2018

(PLN '000)

# CONSOLIDATED ABRIDGED INTERIM STATEMENT OF COMPREHENSIVE INCOME

## for the 3 months' period closed on 31 March 2018

| | Notes | 3 months ended 31.03.2018 (unaudited) | 3 months ended 31.03.2017 (unaudited) |
|---|---|---|---|
| Revenues | 6 | 1 046 047 | 994 779 |
| Cost of sales | | (985 824) | (936 260) |
| **Gross profit on sales** | | **60 223** | **58 519** |
| Other operating income | | 307 | 1 233 |
| Selling expenses | | (42 863) | (43 681) |
| Administrative expenses | | (10 605) | (10 149) |
| Oter operating expenses | | (887) | (434) |
| **Gross profit on operations** | | **6 175** | **5 488** |
| Financial income | | 4 | 103 |
| Financial expenses | | (2 603) | (2 457) |
| **Net financial income** | | **(2 599)** | **(2 354)** |
| **Profit before tax** | | **3 576** | **3 134** |
| Income tax | 9 | (1 269) | (1 688) |
| **Net profit for the period** | | **2 307** | **1 446** |
| **Net profit , attributed to:** | | | |
| Parent shareholders | | **2 450** | **1 568** |
| Non-controlling interest | | **(143)** | **(122)** |
| Items that may be subsequently reclassified to profit or loss | | | |
| Exchange differences on foreign operations translation | | 224 | (599) |
| Net change in fair value of cash flow hedges | 15 | (2 419) | 6 238 |
| Income tax on other comprehensive income | | 460 | (1 185) |
| **Total other comprehensive income** | | **(1 735)** | **4 454** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **572** | **5 900** |
| **Total comprehensive income, attributed to:** | | | |
| Parent shareholders | | 715 | 6 022 |
| Non-controlling interest | | (143) | (122) |
| Profit (loss) per share in PLN: | | | |
| – basic profit for the reporting period | | 0.02 | 0.01 |
| – diluted profit for the reporting period | | 0.02 | 0.01 |

| | | | |
|---|---|---|---|
| Ilona Weiss | Andrzej Kuźniak | Arkadiusz Lew-Kiedrowski | Krystyna Cybulska |
| *President* | *Vice-President* | *Vice-President* | *Chief Accountant* |

*Warsaw, 29 May 2018*

(PLN '000)

# CONSOLIDATED ABRIDGED INTERIM BALANCE SHEET
## as at 31 March 2018

| | *Notes* | *31.03.2018 (unaudited)* | *31.12.2017 (restated)* | *31.03.2017 (unaudited) (restated)* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 10 | 12 030 | 12 896 | 9 878 |
| Intangible assets | 10 | 76 909 | 75 983 | 71 294 |
| Deferred tax assets | | 9 533 | 8 651 | 21 794 |
| Contract assets | | 714 | 2 259 | 2 335 |
| Other long term receivables | | 588 | 591 | 591 |
| | | **99 774** | **100 380** | **105 892** |
| **Current assets** | | | | |
| Inventories | 11 | 407 305 | 365 333 | 354 568 |
| Contract asstes | | 25 386 | 34 879 | 35 970 |
| Short-term financial assets | | 2 | 786 | 1 143 |
| Income tax receivables | | 9 018 | 6 926 | 10 250 |
| Trade and other receivables | | 429 064 | 693 137 | 349 803 |
| Cash and cash equivalents | 7 | 29 951 | 43 012 | 36 860 |
| | | **900 726** | **1 144 073** | **788 594** |
| **TOTAL ASSETS** | | **1 000 500** | **1 244 453** | **894 486** |

| Ilona Weiss | Andrzej Kuźniak | Arkadiusz Lew-Kiedrowski | Krystyna Cybulska |
|---|---|---|---|
| *President* | *Vice-President* | *Vice-President* | *Chief Accountant* |

*Warsaw, 29 May 2018*

(PLN '000)

# CONSOLIDATED ABRIDGED INTERIM BALANCE SHEET
## as at 31 March 2018

| | Notes | 31.03.2018 (unaudited) | 31.12.2017 (restated) | 31.03.2017 (unaudited) (restated) |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| Share capital | 14 | 125 267 | 125 267 | 125 267 |
| Share premium | | 39 825 | 39 825 | 39 825 |
| Treasury shares | | (10 065) | (10 065) | (10 065) |
| Other reserve capital | | (367) | 1 592 | 3 992 |
| Exchange differences on translation of foreign operations | | 2 266 | 2 042 | 1 286 |
| Retained profit | | 132 840 | 130 390 | 115 790 |
| **Equity (attributable to parent shareholders)** | | **289 766** | **289 051** | **276 095** |
| **Non-controlling interest** | | **4 398** | **4 541** | **4 983** |
| **Total equity** | | **294 164** | **293 592** | **281 078** |
| **Long-term liabilities** | | | | |
| Provisions for employee benefits | | 597 | 597 | 651 |
| Long-term financial liabilities | | 477 | 557 | 471 |
| Contract liabilities | | 1 939 | 1 434 | 895 |
| Other long-term laibilities | | 7 359 | 8 749 | 10 437 |
| Provisions | 12 | 528 | 528 | 484 |
| | | **10 900** | **11 865** | **12 938** |
| **Short-term liabilities** | | | | |
| Current portion of interst bearing borrowings | 13 | 141 824 | 132 684 | 130 030 |
| Liabilities due to employee benefits | | 15 027 | 15 074 | 14 075 |
| Other financial liabilities | | 1 037 | 1 033 | 4 082 |
| Income tax liabilities | | 2 067 | 1 725 | 991 |
| Contract liabilities | | 4 940 | 1 696 | 1 503 |
| Trade and other liabilities | | 527 855 | 784 099 | 447 176 |
| Provisions | 12 | 2 686 | 2 685 | 2 613 |
| | | **695 436** | **938 996** | **600 470** |
| **Total liabilities** | | **706 336** | **950 861** | **613 408** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 000 500** | **1 244 453** | **894 486** |

| Ilona Weiss | Andrzej Kuźniak | Arkadiusz Lew-Kiedrowski | Krystyna Cybulska |
|---|---|---|---|
| *President* | *Vice-President* | *Vice-President* | *Chief Accountant* |

*Warsaw, 29 May 2018*

(PLN '000)

# CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CASH FLOWS
## for the 3 months' period closed on 31 March 2018

| | Notes | *3 months ended 31.03.2018 (unaudited)* | *3 months ended 31.03.2017 (unaudited) (restated)* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Gross profit | | **3 576** | **3 134** |
| Adjusted by: | | | |
| Amortization / Depreciation | | 1 739 | 1 271 |
| Cost of share-based payments | | - | 9 |
| (Profit) / loss on investing activities | | 1 | (32) |
| (Increase)/decrease in receivables | | 264 076 | 269 880 |
| (Increase)/decrease in inventories | | (41 972) | 44 644 |
| (Increase)/decrease in contract assets | | 11 038 | (8 832) |
| Increase/(decrease) in liabilities, except for borrowings | | (257 634) | (343 112) |
| Increase /(decrease) in contract liabilities | | 3 749 | (89) |
| Financial income | | (4) | (103) |
| Financial expemses | | 2 603 | 2 457 |
| Increase /(decrease) in liabilities to employees | | (47) | 205 |
| Change in provisions | 12 | 1 | (257) |
| Income tax paid | | (3 421) | (6 257) |
| Other | | (1 474) | 5 411 |
| **Net cash flow from operating activities** | | **(17 769)** | **(31 671)** |
| **Cash flow from investing activities** | | | |
| Sales of property, plant, equipment and intangible assets | 10 | 12 | 35 |
| Acquisition of property, plant, equipment and intangible assets | 10 | (1 524) | (591) |
| Interest received | | 5 | 103 |
| **Net cash flow from investing activities** | | **(1 507)** | **(453)** |
| **Cash flow from financing activities** | | | |
| Inflow from bank borrowings | | - | 4 838 |
| Payments due to financial leasing | | (132) | (105) |
| Change in overdrafts | 13 | 9 140 | (23 757) |
| Interest paid | | (2 793) | (2 943) |
| **Net cash flow from financing activities** | | **6 215** | **(21 967)** |
| Net increase / (decrease) in cash and cash equivalents | | (13 061) | (54 091) |
| **Opening balance of cash** | | **43 012** | **90 951** |
| **Closing balance of cash** | 7 | **29 951** | **36 860** |

| Ilona Weiss | Andrzej Kuźniak | Arkadiusz Lew-Kiedrowski | Krystyna Cybulska |
|---|---|---|---|
| *President* | *Vice-President* | *Vice-President* | *Chief Accountant* |

*Warsaw, 29 May 2018*

(PLN '000)

# CONSOLIDATED ABRIDGED INTERIM STATEMENT OF CHANGES IN EQUITY

## for the 3 months' period closed on 31 March 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 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 | | - | - | - | - | - | - | 2 450 | **2 450** | (143) | **2 307** |
| Other net comprehensive income for the period | | - | - | - | 224 | (1 959) | - | - | **(1 735)** | - | **(1 735)** |
| Comprehensive income for the period | | - | - | - | 224 | (1 959) | - | 2 450 | **715** | (143) | **572** |
| Share-based payments | | - | - | - | - | - | - | - | - | - | - |
| Dividend payment | | - | - | - | - | - | - | - | - | - | - |
| **As at 31 March 2018** | | **125 267** | **39 825** | **(10 065)** | **2 266** | **(367)** | **130 390** | **2 450** | **289 766** | **4 398** | **294 164** |
| **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** |
| Acquisition of a subsidiary | | - | - | - | - | - | - | - | - | - | - |
| 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 | Arkadiusz Lew-Kiedrowski | Krystyna Cybulska |
| *President* | *Vice-President* | *Vice-President* | *Chief Accountant* |

*Warsaw, 29 May 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 Consolidated Abridged Interim Financial Statements of the Group cover the 3 months' period closed on 31 March 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 months' period closed on 31 March 2018 and comparative data for the 3 months' period closed on 31 March 2017. The comparative data in the balance sheet include the balance as at 31 December 2017 and as at 31 March 2017. The statement of changes in equity presents as comparative data the data 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.

MCI Capital S.A. is the ultimate parent of the ABC Data S.A. Capital Group, and it controls the Group through its subsidiary: MCI Venture Projects Spółka z ograniczoną odpowiedzialnością VI Spółka komandytowo-akcyjna.

On 29 May 2018, the present consolidated abridged interim financial statements of the Group for the 3 months' period closed on 31 March 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

These consolidated abridged interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with International Accounting Standard No. 34 and IFRSs approved by the EU. As at the date of approval of these financial statement for publication, considering the IFRS implementation process taking place 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.

# 3. Significant accounting principles (policy)

The accounting principles (policy) used to draw up these consolidated financial statements are compliant with the ones which were applied when drawing up the annual consolidated financial statements of the Group for the year closed on 31 December 2017, except for using the following changes to the standards and new interpretations binding for the annual periods beginning on 1 January 2018.

**Influence of new and amended standards and interpretations**

As at 1 January, the following standards endorsed by the EU have been applied by the Group:
- IFRS 15 "Revenue from Contracts with Clients"; the standard was endorsed 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 endorsed 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 has analyzed specific categories of revenue and contracts in terms of the moment of recognizing and the amount of recognized revenue. Based on the analysis, the Group assumed that this standard does not affect in any way the consolidated financial statements of the Group.

Based on the analysis, the Group amended the presentation method of selected balance sheet items. Assets due to the Group's right to recover goods from the customers, formerly recognized in "Inventories", were reclassified as "Contractual assets". Services purchased for further resale to the customers, formerly recognized in "Trade and other receivables" or "Other long-term receivables", have been reclassified as "Contractual assets".
Revenues from future periods, formerly recognized in "Trade and other liabilities" or "Other long-term liabilities", have been reclassified as "Contractual liabilities".

The above changes are for demonstration purposes only, and they do not affect the balance sheet total of the Group. The Group applied the standard retrospectively in accordance with IFRS 15.C3a. The comparative data in the Group's consolidated balance sheet and in the consolidated statement of cash flows has been restated accordingly. The summary of amendments to the comparative data of the Company has been included in Note 4.

**First application of IFRS 15 "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 valuation method of held financial instruments. The Group did not identify significant changes in the classification of financial assets that would result in a changed valuation method.

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 consolidated financial statements for 2017.

# 4. Data comparability

In the financial statements for the 3 months' period closed on 31 March 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 31 March 2017 have been restated to ensure comparability with the data as at 31 March 2018. Some of the above liabilities and receivables, which as at 31 December 2017 were due or settled, after 31 March 2018 have been recognised as long-term liabilities and receivables.

The tables below present the restatement of the balance sheet as at 31 December 2017, 31 March 2017 and the statement of cash flows for the 3 months' period of 2017 resulting from the implementation of IFRS 15. The balance as at 31/03/2017 also includes demonstrative changes described above.

(PLN '000)

Balance sheet as of 31.12.2017

| | *31.12.2017 (reported)* | *Presenatation change* | *31.12.2017 (restated)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 896 | - | 12 896 |
| Intangible assets | 75 983 | - | 75 983 |
| Deferred tax assets | 8 651 | - | 8 651 |
| Contract assets | - | 2 259 | 2 259 |
| Other long term receivables | 2 850 | (2 259) | 591 |
| | **100 380** | **0** | **100 380** |
| **Current assets** | | | |
| Inventories | 397 447 | (32 114) | 365 333 |
| Contract asstes | - | 34 879 | 34 879 |
| Short-term financial assets | 786 | - | 786 |
| Income tax receivables | 6 926 | - | 6 926 |
| Trade and other receivables | 695 902 | (2 765) | 693 137 |
| Cash and cash equivalents | 43 012 | - | 43 012 |
| | **1 144 073** | **-** | **1 144 073** |
| **TOTAL ASSETS** | **1 244 453** | **-** | **1 244 453** |

| | *31.12.2017 (reported)* | *Presenatation change* | *31.12.2017 (restated)* |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity (attributable to parent shareholders)** | **289 051** | **-** | **289 051** |
| Non-controlling interest | 4 541 | - | 4 541 |
| **Total equity** | **293 592** | **-** | **293 592** |
| **Long-term liabilities** | | | |
| Provisions for employee benefits | 597 | - | 597 |
| Long-term financial liabilities | 557 | - | 557 |
| Contract liabilities | - | 1 434 | 1 434 |
| Other long-term laibilities | 10 183 | (1 434) | 8 749 |
| Provisions | 528 | - | 528 |
| | **11 865** | **-** | **11 865** |
| **Short-term liabilities** | | | |
| Current portion of interst bearing borrowings | 132 684 | - | 132 684 |
| Liabilities due to employee benefits | 15 074 | - | 15 074 |
| Other financial liabilities | 1 033 | - | 1 033 |
| Income tax liabilities | 1 725 | - | 1 725 |
| Contract liabilities | - | 1 696 | 1 696 |
| Trade and other liabilities | 785 795 | (1 696) | 784 099 |
| Provisions | 2 685 | - | 2 685 |
| | **938 996** | **-** | **938 996** |
| **Total liabilities** | **950 861** | **-** | **950 861** |
| **TOTAL EQUITY AND LIABILITIES** | **1 244 453** | **-** | **1 244 453** |

(PLN '000)

Balance sheet as of 31.03.2017

| | *31.03.2017 (reported)* | *Presenatation change* | *31.03.2017 (restated)* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 878 | - | 9 878 |
| Intangible assets | 71 294 | - | 71 294 |
| Deferred tax assets | 21 794 | - | 21 794 |
| Contract assets | - | 2 335 | 2 335 |
| Other long term receivables | - | 591 | 591 |
| | **102 966** | **2 926** | **105 892** |
| **Current assets** | | | |
| Inventories | 385 338 | (30 770) | 354 568 |
| Contract asstes | - | 35 970 | 35 970 |
| Short-term financial assets | 1 143 | - | 1 143 |
| Income tax receivables | 10 250 | - | 10 250 |
| Trade and other receivables | 357 929 | (8 126) | 349 803 |
| Cash and cash equivalents | 36 860 | - | 36 860 |
| | **791 520** | **(2 926)** | **788 594** |
| **TOTAL ASSETS** | **894 486** | **-** | **894 486** |

| | *31.03.2017 (reported)* | *Presenatation change* | *31.03.2017 (restated)* |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity (attributable to parent shareholders)** | **276 095** | **-** | **276 095** |
| Non-controlling interest | 4 983 | - | 4 983 |
| **Total equity** | **281 078** | **-** | **281 078** |
| **Long-term liabilities** | | | |
| Provisions for employee benefits | 651 | - | 651 |
| Long-term financial liabilities | 471 | - | 471 |
| Contract liabilities | - | 895 | 895 |
| Other long-term laibilities | - | 10 437 | 10 437 |
| Provisions | 484 | - | 484 |
| | **1 606** | **11 332** | **12 938** |
| **Short-term liabilities** | | | |
| Current portion of interst bearing borrowings | 130 030 | - | 130 030 |
| Liabilities due to employee benefits | 14 075 | - | 14 075 |
| Other financial liabilities | 4 082 | - | 4 082 |
| Income tax liabilities | 991 | - | 991 |
| Contract liabilities | - | 1 503 | 1 503 |
| Trade and other liabilities | 460 011 | (12 835) | 447 176 |
| Provisions | 2 613 | - | 2 613 |
| | **611 802** | **(11 332)** | **600 470** |
| **Total liabilities** | **613 408** | **-** | **613 408** |
| **TOTAL EQUITY AND LIABILITIES** | **894 486** | **-** | **894 486** |

(PLN '000)

Cash flow statement

| | | 3 months ended 31.03.2017 (reported) | Presenatation change | 3 months ended 31.03.2017 (restated) |
|---|---|---|---|---|
| **Cash flow from operating activites** | | | | |
| Gross profit | | **3 134** | - | **3 134** |
| Adjusted by: | | | | |
| Amortization / Depreciation | | 1 271 | - | 1 271 |
| Cost of share-based payments | | 9 | - | 9 |
| (Profit) / loss on investing activities | | (32) | - | (32) |
| (Increase)/decrease in receivables | | 269 035 | 845 | 269 880 |
| (Increase)/decrease in inventories | | 36 657 | 7 987 | 44 644 |
| (Increase)/decrease in contract assets | | - | (8 832) | (8 832) |
| Increase/(decrease) in liabilities, except for borrowings | | (343 201) | 89 | (343 112) |
| Increase/(decrease) in contract liabilities | | - | (89) | (89) |
| Financial income | | (103) | - | (103) |
| Financial expemses | | 2 457 | - | 2 457 |
| Increase /(decrease) in liabilities to employees | 12 | 205 | - | 205 |
| Change in provisions | | (257) | - | (257) |
| Income tax paid | | (6 257) | - | (6 257) |
| Other | | 5 411 | - | 5 411 |
| **Net cash flow from operating activities** | | **(31 671)** | - | **(31 671)** |

# 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. This cycle directly translates into trade receivable amounts and the use of bank loans and credit facilities.

# 6. Information concerning operating segments

The Group carries out homogeneous trade activities. The Group's operating segments include the Parent and its subsidiaries carrying out distribution activities in Czechia, Slovakia, Lithuania, Germany, Romania and Hungary. These segments meet the aggregation criteria specified in the IFRS 8.12, that is to say they have similar economic characteristics, they offer the same assortment of goods, they sell to the same customer category, and they 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, only one operating segment has been identified by the Group.

(PLN '000)

**Information on geographic areas**

Sales revenue by seat (country) of particular clients:

| | *3 months ended 31.03.2018 (unaudited)* | *3 months ended 31.03.2017 (unaudited) (restated/*)* |
|---|---|---|
| Poland | 749 053 | 691 245 |
| Sales markets | 178 437 | 158 386 |
| Other EU Member States | 107 788 | 132 678 |
| Other countries | 10 769 | 12 470 |
| | 1 046 047 | 994 779 |

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

*/* In the financial statements for the 3 months' period closed on 31 March 2017, sales to German clients were recognized under "Direct markets". In these statements, they are recognized under "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:

| | *31.03.2018 (unaudited)* | *31.03.2017 (unaudited)* |
|---|---|---|
| Cash at bank and in hand | 29 493 | 35 482 |
| Short term deposits | - | - |
| Other cash | 458 | 1 378 |
| | **29 951** | **36 860** |

# 8. Dividends paid and proposed to be paid

On 9 May 2018, the Management Board of the Company decided to recommend the Ordinary General Meeting of the Company's Shareholders to allocate the entire net profit for the financial year 2017, in the amount of PLN 35,117 thousand, for the shareholders' dividend.
Moreover, the Management Board recommended to allocate for dividend additional PLN 3716 thousand from the supplementary capital.
The total amount of dividend recommended for payment is PLN 38,833 thousand that is 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 8 December 2017, the remaining part is PLN 0.23 per share.

The Group 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 31.03.2018 (unaudited)* | *3 months ended 31.03.2017 (unaudited)* |
|---|---|---|
| Current income tax | (1 681) | (1 769) |
| Deferred income tax | 412 | 81 |
| Income tax charged to net profit for the current period | **(1 269)** | **(1 688)** |

# 10. Fixed tangible assets and intangible assets

## 10.1. Acquisition and sale of fixed tangible assets

Over the 3 months' period closed on 31 March 2018, the Group purchased tangible fixed assets with a value of PLN 357 thousand (over the 3 months' period closed on 31 March 2017, it was PLN 432 thousand).

Over the 3 months' period closed on 31 March 2018, the Group sold tangible fixed assets with a net value of PLN 6 thousand (over the 3 months' period closed on 31 March 2017, it was PLN 3 thousand).

## 10.2. Acquisition and sale of intangible assets

Over the 3 months' period closed on 31 March 2018, the Group purchased intangible assets with a value of PLN 1,167 thousand (over the 3 months' period closed on 31 March 2017, it was PLN 159 thousand).

Over the 3 months' period closed on 31 March 2018, and over the 3 months' period closed on 31 March 2017, the Company did not sell any intangible assets.

## 10.3. Financial lease

Over the 3 months' period closed on 31 March 2018, the Group did not conclude any financial lease agreements.

Over the 3 months' period closed on 31 March 2017, the Group concluded a financial lease agreement. The contract relates to a passenger car with the value of 93 thousand PLN.

# 11. Inventories

As at 31 March 2018, the impairment loss on inventories up to net realizable selling prices amounted to PLN 13,012 thousand PLN (as at 31 December 2017: PLN 12,360 thousand, and as at 31 March 2017: PLN 13,141 thousand). Changes in the impairment losses are recognized in "Costs of sales".

(PLN '000)

# 12. Provisions

| | *Guarantee costs* | *Onerous contracts* | *Other provisions* | *Total* |
|---|---|---|---|---|
| Amount as at 1 January 2018 | 2 795 | 418 | 0 | 3 213 |
| Recognized | - | - | - | - |
| Derecognized | (1) | - | - | (1) |
| Exchange differences on translation | 2 | - | - | 2 |
| Amount as at 31 March 2018 | 2 796 | 418 | - | 3 214 |
| Long-term portion | 528 | - | - | 528 |
| Short-term portion | 2 268 | 418 | 0 | 2 686 |

| | *Guarantee costs* | *Onerous contracts* | *Other provisions* | *Total* |
|---|---|---|---|---|
| Amount as at 1 January 2017 | 2 832 | 522 | - | 3 354 |
| Recognized | - | - | - | - |
| Derecognized | (233) | - | - | (233) |
| Exchange differences on translation | (24) | - | - | (24) |
| Amount as at 31 March 2017 | 2 575 | 522 | 0 | 3 097 |
| Long-term portion | 484 | - | - | 484 |
| Short-term portion | 1 952 | 522 | 139 | 2 613 |

**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. According to the estimations of the Group, the provision of PLN 2,268 thousand is going to be used up within 12 months by 31 March 2019, while the remaining portion will be used up after 31 March 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.

# 13. 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 | Maturity date | 31.03.2018 | 31.12.2017 | 31.03.2017 |
|---|---|---|---|---|---|---|
| Overdraft facility - Bank Polska Kasa Opieki S.A. | PLN | Wibor 1M+margin | 15.12.2018 | 3 577 | 18 244 | 7 |
| Overdraft facility - Bank Polska Kasa Opieki S.A. | EUR | Euribor 1M+margin | 15.12.2018 | 19 431 | 656 | 10 013 |
| Overdraft facility - Bank Polska Kasa Opieki S.A. | USD | Libor 1M+margin | 15.12.2018 | 8 116 | - | 2 030 |
| Overdraft facility - Bank Millennium S.A. | PLN | Wibor 1M+margin | 28.04.2018 | - | 16 154 | 1 022 |
| Overdraft facility - Bank Millennium S.A. | EUR | Euribor 1M+margin | 28.04.2018 | - | 1 054 | 6 244 |
| Overdraft facility - Bank Millennium S.A. | USD | Libor 1M+margin | 28.04.2018 | 168 | 42 | 4 |
| Credit facility- cash pool account -Bank ING Bank Śląski S.A. | PLN | Wibor 1M+margin | 31.12.2025 | - | - | 3 462 |
| Overdraft facility - Bank ING Bank Śląski S.A. | EUR | Euribor 1M+margin | 31.12.2025 | 18 055 | 21 377 | 8 289 |
| Overdraft facility - Bank ING Bank Śląski S.A. | USD | Libor 1M+margin | 31.12.2025 | 6 074 | - | 3 274 |
| Overdraft facility - Bank ING Bank Śląski S.A. | CZK | Pribor 1M+margin | 31.12.2025 | 4 395 | 49 | 6 044 |
| Overdraft facility - Bank ING Bank Śląski S.A. | RON | Robor 1M+margin | n/d | - | - | 1 |
| Overdraft facility - Bank Societe Generale | PLN | Wibor 1M+margin | n/d | - | - | 163 |
| Overdraft facility - Bank Societe Generale | EUR | Euribor 1M+margin | n/d | - | - | 36 046 |
| Overdraft facility - Bank Societe Generale | USD | Libor 1M+margin | n/d | - | - | 21 |
| Overdraft facility -BGŻ BNP Paribas | PLN | Wibor 1M+margin | 01.12.2025 | 2 304 | 6 730 | 3 801 |
| Overdraft facility -BGŻ BNP Paribas | EUR | Euribor 1M+margin | 01.12.2025 | 15 336 | 11 237 | 29 382 |
| Overdraft facility - Bank Handlowy w Warszawie S.A. | PLN | Wibor 1M+margin | n/d | - | - | 1 194 |
| Overdraft facility - mBank S.A. | PLN | Wibor overnight +margin | 13.07.2018 | 22 508 | 42 165 | - |
| Overdraft facility - mBank S.A. | EUR | Euribor overnight +margin | 13.07.2018 | 6 647 | 209 | - |
| Overdraft facility - mBank S.A. | USD | Libor overnight +margin | 13.07.2018 | 10 837 | - | - |
| Credit facility - Bank Handlowy w Warszawie S.A. | PLN | Wibor 3M+margin | n/d | - | - | 10 800 |
| Credit facility - Bank Handlowy w Warszawie S.A. | PLN | Wibor 1M+margin | n/d | - | - | 5 000 |
| Revolving credit-mBank S.A. | PLN | Wibor 1M+margin | 26.06.2018 | 5 000 | 5 000 | - |
| Overdraft facility - Alior Bank S.A. | PLN | Wibor 3M+margin | 31.12.2018 | 9 868 | 9 767 | 3 233 |
| Overdraft facility - Credit Agricole Bank Polska S.A. | PLN | Wibor 1M+margin | 15.06.2018 | 9 508 | - | - |
| Razem | | | | **141 824** | **132 684** | **130 030** |

Bank loans are collateralized with the Group's statement of submission to enforcement under Article 97.1 and 97.2 of the Banking Act together with an authorization for banks to issue a bank enforcement title, or a statement of submission to enforcement filed in the form of a notarial deed under Article 777.1(5) of the Code of Civil Procedure, or a blank promissory note with promissory note agreement. 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.

## 14. Equity

**Share capital**

As at 31 March 2018, the shareholding structure was as follows:

| | Number of shares | Number of votes o | % 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" | 9 650 000 | 9 650 000 | 7.70% |
| Other shareholders | 39 556 521 | 39 556 521 | 31.58% |
| Total | 125 266 899 | 125 266 899 | 100.00% |

## 15. Hedging accounting

The Group hedges the foreign currency risk associated with sales indexed to EUR and USD exchange rates and denominated in these currencies using foreign currency monetary items, i.e. trade liabilities decreased by trade receivables and cash, and increased/decreased by the notional value of FX forwards and FX swaps regarding currency sales/purchases. The Group identifies designated foreign currency monetary items as hedging instruments under 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 31 March 2018.

Hedging instruments – EUR

| Instrument type | Nominal amount | | Fair value* | | Expected maturity of hedged position | |
|---|---|---|---|---|---|---|
| | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 |
| Trade liabilities | (73 129) | (74 961) | (73 129) | (74 961) | April/May 2018 | April/May 2017 |
| Trade receivables | 58 379 | 83 437 | 58 379 | 83 437 | April/May 2018 | April/May 2017 |
| Cash | (59 089) | (90 945) | (59 089) | (90 945) | April/May 2018 | April/May 2017 |
| FX Forward EUR | (29 460) | (42 684) | (24) | 26 | April/May 2018 | April/May 2017 |
| Total monetary items | (103 299) | (125 153) | (73 863) | (82 443) | | |

(PLN '000)

Hedging instruments – USD

| Instrument type | Nominal amount | | Fair value* | | Expected maturity of hedged position | |
|---|---|---|---|---|---|---|
| | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 | 31.03.2018 | 31.03.2017 |
| Trade liabilities | (69 384) | (62 456) | (69 384) | (62 456) | April/May 2018 | April/May 2017 |
| Trade receivables | 10 297 | 7 695 | 10 297 | 7 695 | April/May 2018 | April/May 2017 |
| Cash | (25 134) | (4 793) | (25 134) | (4 793) | April/May 2018 | April/May 2017 |
| FX Forward USD | (13 656) | - | (4) | - | April/May 2018 | April/May 2017 |
| Total monetary items | (97 877) | (59 554) | (84 225) | (59 554) | | |

** 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:

| | *3 months ended 31.03.2018* | *3 months ended 31.03.2017* |
|---|---|---|
| Opening balance | 2 237 | (1 467) |
| Effective portion of profit/loss on hedging instrument | 1 214 | 12 201 |
| Amounts charged to profit or loss, including: | 3 633 | 5 962 |
| - Adjustment of sales revenue | 3 633 | 5 962 |
| - Adjustment arising from hedge ineffectiveness | - | - |
| Closing balance | (182) | 4 772 |

## 16. 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 loans and debt instruments as well as finance lease liabilities, less cash and cash equivalents. EBITDA is defined as the net financial result determined in accordance with IFRS-EU, plus depreciation and amortization, impairment losses on property, plant and equipment, and intangible assets, net financial expenses and income tax.

As at 31 March 2018 and 31 March 2017 the ratio was as follows:

| | *3 months ended 31.03.2018 (unaudited)* | *3 months ended 31.03.2017 (unaudited)* |
|---|---|---|
| Net debt | | |
| EBITDA | 112 797 | 93 990 |
| **Net debt ratio** | 59 824 | 35 122 |
| | **1.9** | **2.7** |

**/EBITDA for the 12 months' periods closed on 31 March 2018 and 31 March 2017.*

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.

# 17. Contingent liabilities

## 17.1. Contingent liabilities for reprographic fees

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.
Currently, a dispute of the Company with three of the organizations is pending. 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.

Currently, the actions for payment of PLN 27,068 thousand allegedly due for the Company's sale of equipment and blank data carriers are pending filed by the organizations dealing with collective management of copyrights. 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.

## 17.2. Tax returns

**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 decision is pending.

**Tax on goods and services 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. The proceedings have not been closed by the date of these statements.

Several years ago, the Company implemented strict quality and vendor control procedures aimed to minimize the risk of irregularities in its accounting. These procedures are regularly reviewed and developed based on information from the tax authorities. As the procedures are followed with due care, the Management Board finds that payments of public law liabilities are fulfilled as appropriate. Therefore, the probability of an unfavourable outcome of the inspections conducted is considered to be low, and it is not necessary to estimate any associated provision.

(PLN '000)

# 18. Related-party transactions

The table below presents cumulative amounts of transactions concluded with related parties during the 3 months' periods closed on 31 March 2018 and 31 March 2017, respectively, as well as balances of liabilities and receivables as at 31 March 2018 and 31 March 2017.

| *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* | 26 078 | 1 192 | 14 864 | 286 |
| MCI Capital S.A. | *2017* | 4 | - | - | - |
| Morele Net Sp. z o.o. | *2017* | 24 049 | 1 255 | 20 962 | 196 |

**Remuneration paid to the Management and Supervisory Board members**

| | *3 months ended 31.03.2018 (unaudited)* | *3 months ended 31.03.2017 (unaudited)* |
|---|---|---|
| Management Board of the Parent Company | | |
| Short-term employee benefits | 763 | 524 |
| Supervisory Board of the Parent Company | | |
| Short-term employee benefits | 112 | 75 |
| | **875** | **599** |
| Management Boards of subsidiaries | | |
| Short-term employee benefits | 1 284 | 1 227 |
| Total | **2 159** | **1 826** |

# 19. 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 | Arkadiusz Lew-Kiedrowski | Krystyna Cybulska |
|---|---|---|---|
| *President* | *Vice-President* | *Vice-President* | *Chief Accountant* |

*Warsaw, 29 May 2018*