SELECTED FINANCIAL DATA

	For the period: from 01.01.2018 to 31.12.2018 PLN'000	For the period: from 01.01.2017 to 31.12.2017 PLN'000	For the period: from 01.01.2018 to 31.12.2018 EUR'000	For the period: from 01.01.2017 to 31.12.2017 EUR'000
Investment profit	219 178	124 544	51 367	29 341
Profit on operating activities	183 890	119 998	43 097	28 270
Profit before taxation	171 390	107 623	40 167	25 355
Net profit	174 531	104 686	40 903	24 663
Net cash from operating activities	(22 456)	16 408	(5 263)	3 866
Net cash from investment activities	63 190	28 711	14 809	6 764
Net cash from financial activities	(58 761)	(101 151)	(13 771)	(23 830)
Net increase/(decrease) of cash and cash equivalents	(18 027)	(56 032)	(4 225)	(13 200)

	Balance as at 31.12.2018 PLN'000	Balance as at 31.12.2017 PLN'000	Balance as at 31.12.2018 EUR'000	Balance as at 31.12.2017 EUR'000
Total assets	1 445 341	1 361 499	336 126	326 428
Non-current liabilities	96 579	134 039	22 460	32 137
Current liabilities	83 767	137 393	19 481	32 941
Equity	1 264 995	1 090 067	294 185	261 351
Share capital	52 920	52 887	12 307	12 680
No of shares (in items)	52 920 078	52 886 596	52 920 078	52 886 596
Weighted average no of shares (in items)	52 894 944	55 652 879	52 894 944	55 652 879
Profit (loss) per one weighted average ordinary share (in PLN / EUR)	3,30	1,88	0,77	0,44
Book value per one share (in PLN / EUR)	23,90	20,61	5,56	4,94

The above selected financial data are in addition to the financial statements prepared in accordance with the EU IFRS and have been converted into EUR according to the following principles:

– individual assets and liabilities as at the balance sheet date - according to the average exchange rate prevailing as at the balance sheet date, announced by the National Bank of Poland; respectively as at 31 December 2018 – 4,3000, and as at 31 December 2017 – 4,1709;
– individual items in the statement of profit and loss and other comprehensive income and the statement of cash flows for the period from 1 January to 31 December of the given year - at the average rate, calculated as the arithmetic average of exchange rates published by National Bank of Poland on the last day of the month during the period; respectively for the period from 1 January to 31 December 2018 – 4,2669 and from 1 January to 31 December 2017– 4,2447.

MCI Capital S.A.

Financial Statements
for the financial year ended 31 December 2018

For the shareholders of MCI Capital S.A.

In accordance with the Regulation of the Minister of Finance of 29 March on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws of 2018 No 757 with amendments), the Management Board of the entity is obliged to procure preparation of the financial statements in accordance with governing accounting principles, which presents the true, fair and clear view of the financial and material situation of MCI Capital S.A. for the financial year ending on 31 December 2018 and its financial result for the financial year ending on that day.

These financial statements were approved for publication and signed by the Management Board of the Company.

Name	Position/Function	Signature
Tomasz Czechowicz	President of the Management Board	
Ewa Ogryczak	Vice-President of the Management Board	
Paweł Kapica	Member of the Management Board	

Keeping the Book of Records:
Mazars Polska Sp. z o.o.
00-549 Warsaw, Piękna 18

Warsaw, 15 April 2019

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the financial year ended 31 December 2018

	NOTES	For the period: from 01.01.2018 to 31.12.2018 PLN'000	*Restated** For the period: from 01.01.2017 to 31.12.2017 PLN'000
Revaluation of shares	1a	121 638	117 144
Profit on investment certificates	1b	(71)	8 283
Revaluation of derivative financial instruments	1c	-	(1 910)
Revenues from dividends received	2	97 611	1 027
Investment profit		**219 178**	**124 544**
Operating expenses	3	(3 930)	(4 044)
Other operating income	4	11 628	221
Other operating expenses	4	(42 986)	(723)
Profit on operating activities		**183 890**	**119 998**
Financial income	5	4 349	5 552
Financial expenses	5	(16 849)	(17 926)
Profit before taxation		**171 390**	**107 623**
Income tax	6	3 141	(2 938)
Net profit		**174 531**	**104 686**
Other net comprehensive income		-	-
Total comprehensive income		**174 531**	**104 686**
Earnings per share			
Basic	7	3,30	1,88
Diluted	7	3,30	1,81

The statement on profit or loss and other comprehensive income should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 7 to 46.

*Comparative data have been restated in terms of presentation of revenues from dividends received, described in **Note 31 *„Description of material accounting policies”*** in point „Change in presentation method” on page 35.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	NOTES	Balance as at 31.12.2018 PLN'000	Balance as at 31.12.2017 PLN'000
ASSETS			
Non-current assets			
Tangible fixed assets		744	545
Investment certificates	8	78 443	80 999
Investments in subsidiaries	9	1 335 767	1 207 174
Investments in associates	10	9 173	15 078
Investments in other entities		7	7
Trade and other receivables	12	425	412
Deferred income tax assets	6	5 087	7 134
Derivatives	1d	200	200
		1 429 846	**1 311 549**
Current assets			
Trade and other receivables	11	8 292	24 720
Cash and cash equivalents	12	7 203	25 230
		15 495	**49 950**
Total assets		**1 445 341**	**1 361 499**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	52 920	52 887
Reserve capital	13	991 372	886 686
Other reserve capital		44 501	44 137
Retained earnings		1 671	1 671
Net profit		174 531	104 686
		1 264 995	**1 090 067**
Non-current liabilities			
Liabilities on bonds	15	95 930	133 001
Trade and other liabilities		649	1 038
		96 579	**134 039**
Current liabilities			
Trade and other liabilities	16	1 093	2 811
Liabilities on bonds	15	82 499	122 729
Provisions	17	175	11 853
		83 767	**137 393**
Total Equity and Liabilities		**1 445 341**	**1 361 499**

The statement of financial position should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 7 to 46.

STATEMENT OF CHANGES IN EQUITY
For the period from 1 January to 31 December 2018

PLN'000	Share capital	Reserve capital				Other reserve capital		Retained earnings	Net profit (loss)	Total equity
		Issue of shares as part of conversion of convertible bonds	Issue of shares – implementation of the management options programme	Issue of shares above their nominal value	Distribution of profit	Management incentive programme and other share-based payments	Valuation of the bond capital element			
As at 01.01.2017	**58 752**	**28 175**	**2 792**	**106 440**	**883 305**	**38 378**	**5 395**	**1 671**	**(82 243)**	**1 042 665**
Transfer of profit (loss)	-	-	-	-	(82 243)	-	-	-	82 243	-
Purchase of own shares (**Note 13**)	(5 899)	-	-	-	(51 783)	-	-	-	-	(57 682)
Share based payments (**Note 20**)	34	-	-	-	-	364	-	-	-	398
Net profit	-	-	-	-	-	-	-	-	104 686	104 686
As at 31.12.2017	**52 887**	**28 175**	**2 792**	**106 440**	**749 279**	**38 742**	**5 395**	**1 671**	**104 686**	**1 090 067**
As at 01.01.2018	**52 887**	**28 175**	**2 792**	**106 440**	**749 279**	**38 742**	**5 395**	**1 671**	**104 686**	**1 090 067**
Transfer of profit		-	-	-	104 686	-	-		(104 686)	-
Share based payments (**Note 20**)	33	-	-	-	-	364	-	-	-	397
Net profit	-	-	-	-	-	-	-	-	174 531	174 531
As at 31.12.2018	**52 920**	**28 175**	**2 792**	**106 440**	**853 965**	**39 106**	**5 395**	**1 671**	**174 531**	**1 264 995**

The statement of changes in equity should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 7 to 46.

STATEMENT OF CASH FLOWS
for the period from 1 January to 31 December 2018

	For the period: from 01.01.2018 to 31.12.2018 PLN'000	For the period: from 01.01.2017 to 31.12.2017 PLN'000
Cash flows from operating activities		
Net profit for the reporting period	**174 531**	**104 686**
Adjustments:		
Depreciation of tangible fixed assets	170	186
Revaluation of shares, certificates and derivatives	(121 567)	(123 396)
Share-based incentive programmes	364	364
Purchase of investment certificates*	(21 921)	(25 643)
Redemption of investment certificates*	24 406	66 872
Costs of issue of bonds - paid	(987)	(220)
Finance income and expenses	(81 789)	17 430
Income tax paid	(2 763)	(1 594)
Other adjustments**	2 423	(144)
Change in provisions	(11 678)	(4)
Change in trade and other receivables	16 415	(22 735)
Change in trade and other payables	(2 107)	(259)
Change in deferred tax assets and liabilities	2 047	866
Net cash from operating activities	**(22 456)**	**16 408**
Cash flows from investment activities		
Dividends received	63 416	1 027
Proceeds from sale and repayment of bills of exchange	-	45 955
Proceeds from granted loans	-	557
Proceeds from disposal of subsidiaries	-	122
Proceeds from disposal of fixed assets	992	106
Participation units in Quercus redeemed	209	-
Outflows for the purchase of bills of exchange	-	(19 000)
Outflows for the purchase of shares in subsidiaries	(1 053)	(3)
Outflows for the purchase of fixed assets	(374)	(53)
Net cash from investment activities	**63 190**	**28 711**
Cash flows from financial activities		
Outflows for the purchase of own shares	-	(57 682)
Options programme	33	33
Issue of bills of exchange	94 000	-
Issue of bonds	36 482	20 000
Repayment of bils of exchange with interest	(60 164)	(16 190)
Repayment of loans with interest	-	(148)
Repayment of bonds	(116 000)	(31 000)
Interest paid on bonds	(13 112)	(16 164)
Net cash from financial activities	**(58 761)**	**(101 151)**
Net increase/(decrease) of cash and cash equivalents	**(18 027)**	**(56 032)**
Opening balance of cash and cash equivalents	25 230	81 262
Closing balance of cash and cash equivalents	**7 203**	**25 230**

*Change in comparative data concerns the presentation of inflows from sale of investment certificates and outflows for purchase of investment certificates.
**Other adjustments consist mainly of income tax paid disclosed in separate line and proceeds from disposal of fixed assets disclosed in cash flows in investment activities.

The statement of cash flows should be read in conjunction with selected explanatory notes and the notes to the financial statements on pages 7 to 46.

ADDITIONAL INFORMATION CONTAINING MATERIAL ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY INFORMATION

General information

With a decision of the District Court for the city of Wrocław-Fabryczna of 21 July 1999, MCI Capital S.A. (hereinafter referred to as the “Company”, “Issuer” or “MCI”) was entered into the Commercial Register under RHB No 8752. With a decision of the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register of 28 March 2001, the Company was entered into the National Court Register under No 0000004542. The Company was assigned:

- Statistical Number REGON: 932038308,
- NIP (tax ID): 899-22-96-521,
- The registered office of the Company is located at Pl. Europejski 1 in Warsaw,
- The life of the Company is unlimited.

MCI carries on direct investment activities of the private equity / venture capital type and invests its assets through 5 investment funds of diversified investment strategy. The funds invest entrusted funds in investment assets in accordance with their investment strategy. From large buyout and growth investment (MCI.EuroVentures 1.0 FIZ and MCI.TechVentures 1.0 FIZ) to investments in start-ups and small technology companies (Helix Ventures FIZ and Internet Ventures FIZ) to debt instruments and property (MCI.CreditVentures 2.0 FIZ). Investments in portfolio companies are made in the horizon of several years, during which management actively supports development of companies and supervises execution of business strategy by them, and then looks for opportunities to sell. The most important assets are shares in companies and other financial instruments, such as: bonds, investment certificates, bills of exchange, loans and deposits.

Ultimate controlling entity: MCI Management Sp. z o.o.

Basis for the preparation of the Financial Statements

These financial statements have been prepared in accordance with International Financial Reporting Standards approved by the European Union, and in the areas not regulated by the above standards in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2018, item 395 with subsequent amendments) and executive regulations issued on its basis, as well as requirements relating to issuers of securities admitted or applying for admission to public trading.

Information concerning the preparation of the consolidated financial statements

In accordance with the criteria of paragraph 27 of IFRS 10, an entity meets the definition of an investment entity if it:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis, thus it can be classified as an investment entity.

The main goal of MCI in purchasing the investment certificates for funds was to earn benefits by investing in financial assets and earning profit from an increase in the value of net assets of the funds. The company invests funds in order to obtain returns from the increase in the value of investments (investment certificates). The sole activity of the Company is to invest funds to five closed-end investment funds and thus obtain a return on the invested capital. The company, as a public company, has many investors for whom the most important issue is the return on the invested capital over the long term. The Management Board analyses and evaluates the performance of the Company’s activities through the prism of the increase in the fair value of assets being held, which are portfolio investments of closed-end investment funds, through which the Company conducts its investments. The fair value is the best reflection of the value of assets held by the Company.

The company meets the criteria for classification as an investment entity specified in paragraph 27 of IFRS 10 *Consolidated Financial Statements* (hereinafter "IFRS 10"). The company does not prepare consolidated financial statements because it does not have subsidiaries that provide services related to the Company's investment activity.

These financial statements of MCI Capital S.A. is the only financial report prepared by MCI Capital S.A.

Date of approval of the financial statements for the current financial year

The financial statements were approved by the Management Board of the Company on 15 April 2019.

Date of approval of the financial statements for the previous financial year

The financial statements were approved by the Management Board of the Company on 27 April 2018 and the General Meeting of Shareholders on 21 June 2018.

Functional currency and presentation currency

Items of the financial statements relating to the Company are measured and presented using the primary currency of the economic environment in which the Company operates (the "functional currency"), which is the Polish zloty. Figures in the financial statements are presented in thousands of Polish zloty, unless stated otherwise.

Judgements and estimates

The preparation of the financial statements requires the Management Board of the Company to make judgements, estimates and assumptions that affect the adopted accounting policies and amounts reported in the financial statements.

All judgements, assumptions and estimates which have been made for the purposes of these financial statements are presented in the required disclosures relating to individual items of these financial statements, in the notes to the financial statements, containing significant accounting policies and other explanatory data, which constitute an integral part of the financial statements. Estimates and judgements are verified on an on-going basis. They are based on past experience, including expectations as to future events which seem justified in a given situation and new information.

Below are the key assumptions concerning the future and other basic reasons for uncertainty of estimates as at the balance sheet date.

Fair value of financial instruments

Fair value measurement model and assumptions. Significant risks relate to the fair value of shares in subsidiaries, which are strongly influenced by measurement models used. Main assumptions and judgements are presented in **Note 9, "*Investments in subsidiaries*"**.

Share-based payments

Determination of the value of individual share-based schemes is based on estimates of the Company adopted for the fair value measurement of equity instruments granted, including: the actual strike price of shares of MCI Capital S.A. on the grant date, the estimate of historical volatility, risk-free interest rate, the expected dividend yield, the period in which the holder may exercise rights under the scheme and measurement model applied. For more information, see **Note 19 *"Employee benefits"***.

Deferred tax assets

The Company recognises a deferred tax asset on tax losses arising in 2012-2016. The Company is able to settle past tax losses through the redemption of investment certificates.

Accounting policy

Accounting policies applied in these financial statements are the same as those applied by the Company in the financial statements as at and for the year ended 31 December 2017, except for changes resulting from the adoption of new IFRSs described in Note 32 and changes in the presentation of dividend income in the statement of profit or loss and other comprehensive income, as described in Section "Comparative data".

1. Gain on investments

The item of gains and losses from changes in fair value includes revaluation of financial assets:

- shares in subsidiaries, associates and other entities,
- investment certificates of closed-end investment funds (“FIZ”) held by MCI,
- derivatives,
- other gain on investments.

1a. Revaluation of shares and realised net gain or loss on sale of shares

	For the period: from 01.01.2018 to 31.12.2018 PLN ‘000	For the period: from 01.01.2017 to 31.12.2017 PLN ‘000
Revaluation of subsidiaries		
MCI Fund Management Sp. z o.o.*	128,596	95,765
MCI Fund Management Sp. z o.o. II MCI.PrivateVentures S.K.A.	-	21,082
MCI Fund Management Sp. z o.o. IV MCI.PrivateVentures S.K.A.	-	6,487
	128,596	**123,334**
Revaluation of associates		
Private Equity Managers S.A.	(6,958)	(6,312)
	(6,958)	**(6,312)**
Realised net gain or loss on sale of shares in other entities		
Digital Avenue S.A.	-	122
	-	**122**
Revaluation of shares, total	**121,638**	**117,144**

*The value of assets of MCI Fund Management Sp. z o.o. in 100% consists of value of investment certificates of MCI.TechVentures 1.0. and MCI.EuroVentures 1.0. subfunds, separated from MCI.PrivateVentures FIZ. This means that the revaluation of shares in MCI Fund Management Sp. z o.o. indirectly results from the gain or loss on investment certificates of the aforementioned subfunds in the amount of PLN 235,038 thousand (gain), of which PLN 232,704 thousand is an unrealised gain (revaluation of investment certificates) and PLN 2,334 thousand is a realised gain. The valuation of MCI Fund Management Sp. z o.o. was adjusted for the dividend paid in the amount of PLN 96,500 thousand, included in the Company's finance income.

The subsidiary does not provide investment management services or any other services related to MCI's investment activities.

In 2017, MCI Capital S.A. disposed of Digital Avenue S.A. and realised a gain on this transaction in the amount of PLN 122 thousand.

Information on the measurement of subsidiaries and associates is presented in **Note 9 “*Investments in subsidiaries*”** and in **Note 10 “*Investments in associates*”**.

1b. Gain or loss on investment certificates

	For the period: from 01.01.2018 to 31.12.2018 PLN ‘000	For the period: from 01.01.2017 to 31.12.2017 PLN ‘000
Investment certificates of Helix Ventures Partners FIZ*	(3,666)	(295)
Investment certificates of Internet Ventures FIZ**	(1,164)	3,243
Investment certificates of MCI.CreditVentures FIZ 2.0***	3,970	3,138
Revaluation of investment certificates (unrealised gain or loss)	**(860)**	**6,086**

*As a result of analysis of recoverability of invested funds from Helix Ventures Partners FIZ conducted in the second quarter of 2018 based on agreements with other participants of the fund, the Management Board of the Company decided to write off the value of these certificates as at the balance sheet date due to low likelihood of recovery of funds invested at the present level of valuation of the fund's portfolio.
**The loss from revaluation of investment certificates of Internet Ventures FIZ in 2018 resulted mainly from changes the fund's net assets on account of a loss on operations in the amount of PLN 1.1 million, due to a decrease in unrealised gain or loss from valuation of investments.
***The unrealised gain on investment certificates of MCI.CreditVentures 2.0 FIZ in 2018 resulted primarily from changes in the fund's net assets, on account of a profit on operations in the amount of PLN 15.3 million. The fund generated a higher profit on operations in 2018 (increase by PLN 2 million) as compared to 2017, mainly as a result of an increase in unrealised gain from the valuation of the fund's investments and an increase in net investment income (interest income from the financing provided by the fund).

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	**For the period: from 01.01.2017 to 31.12.2017 PLN '000**
Investment certificates of Helix Ventures Partners FIZ	-	(26)
Investment certificates of Internet Ventures FIZ	(195)	58
Investment certificates of MCI.EuroVentures FIZ	984	-
Investment certificates of MCI.CreditVentures FIZ 2.0	-	2,165
Realised net gain or loss on redemption of investment certificates	**789**	**2,197**
Gain or loss on investment certificates	**(71)**	**8,283**

For information on the valuation of the above items, see **Note 8 "*Investment certificates*"**.

1c. Revaluation of derivative financial instruments

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	**For the period: from 01.01.2017 to 31.12.2017 PLN '000**
Embedded derivative for investment certificates of Internet Ventures FIZ	-	(1,110)
Embedded derivative for investment certificates of Helix Ventures Partners FIZ	-	(800)
	-	**(1,910)**

1d. Carrying amount of derivative financial instruments

	Balance as at 31.12.2018 PLN '000	**Balance as at 31.12.2017 PLN '000**
Embedded derivative for investment certificates of Internet Ventures FIZ	-	-
Embedded derivative for investment certificates of Helix Ventures Partners FIZ	200	200
	200	**200**

The Company measures the embedded financial instrument, namely the mechanism of privileged distribution of funds invested in investments made by Internet Ventures FIZ and Helix Ventures Partners FIZ. The Company has a priority of return of invested funds in the event of the exit from the investments.

2. Dividend income

In 2018, the Company received dividends from Private Equity Managers S.A. and MCI Fund Management Sp. z o.o. from profits earned for 2017 in the total amount of PLN 97,610,596.00, i. e. PLN 1,110,596.00 from Private Equity Managers S.A. and PLN 96,500,000.00 from MCI Fund Management Sp. z o.o.

In 2017, the Company received a dividend from Private Equity Managers S.A. from the profit earned in 2016 in the total amount of PLN 1,027,378.13. The Company held 350,641 shares eligible for dividend. The dividend was paid on 16 November 2017 in the amount of PLN 2.93 per share.

3. Operating expenses

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Depreciation of property, plant and equipment and amortisation of intangible assets	(170)	(186)
Raw materials and consumables used	(54)	(56)
Third-party services*	(2,166)	(1,609)
Taxes and charges	(44)	(126)
Salaries and wages**	(1,266)	(1,787)
Employee benefits	(14)	(58)
Social security	(32)	(45)
Other expenses	(184)	(177)
	(3,930)	**(4,044)**

*Costs of third-party services include mainly costs of legal advisory, audit and accounting services.
**The decrease in costs of wages and salaries results from the resignation of the Vice President of the Management Board from the Company's Management Board as of 28 June 2018.

4. Other operating income and expenses

Other operating income

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Reversal of provision for legal costs of the JTT case*	11,466	-
Other operating income	162	221
	11,628	**221**

Other operating expenses

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Return of compensation to the State Treasury in connection with the JTT case*	(42,764)	-
Write-off of receivables	(83)	-
Other operating expenses	(139)	(723)
	(42,986)	**(723)**

*For a detailed description of the dispute with the State Treasury, see **Note 23 "Contingent assets and liabilities"**.

5. Finance income and costs

Finance income

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Interest income calculated using the effective interest rate method, including:	112	1,024
Interest on short-term bank deposits	112	76
Interest income on purchased promissory notes	-	890
Interest income on loans	-	58
Fee and commission income – guarantees*	4,020	4,108
Income from revaluation or redemption of participation units	205	420
Other finance income	12	-
	4,349	**5,552**

*MCI Capital S.A. provides services related to investments which consist in financial support to entities in which an investment in the form of a warranty and guarantee was made to maximise returns from investing in investments. This activity does not constitute a separate significant activity or a separate significant source of income for the investment entity.

Finance costs

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Interest expense on:		
Promissory notes issued	(359)	(157)
Bank credits	-	(2)
Bonds issued	(15,817)	(17,052)
Interest paid to the state budget or other interest	(4)	(1)
Net foreign exchange gains and losses	-	(26)
Other*	(669)	(689)
	(16,849)	**(17,926)**

*This item includes the consideration for the subsidiary of MCI Capital S.A., i.e. MCI Fund Management Sp. z o.o. for making available the investment certificates of MCI.TechVentures 1.0 and MCI.EuroVentures 1.0 subfunds, which constitute a collateral for bonds issued by MCI Capital S.A.

6. Income tax

Income tax recognised in the statement of comprehensive income

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Income tax – current portion	(163)	(2,072)
Income tax – correction of tax return for 2011*	5,349	-
Income tax – deferred portion	(2,046)	(866)
	3,141	**(2,938)**

*Correction of the tax return for 2011 resulted from the judgment of the Court of Appeal in the JTT case dated 18 September 2018. For details, see **Note 23 "Contingent assets and liabilities"**.

Reconciliation of income tax

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Profit before tax	**171,390**	**107,623**
Corporate income tax at the statutory tax rate (19%)	(32,564)	(20,448)
Effect of permanent differences between profit before tax and taxable income, including:	35,705	17,510
Non-taxable income	**43,018**	**23,629**
- revaluation of shares	24,433	23,433
- dividends received	18,546	195
- income from providing a logo	39	-
Non-tax-deductible expenses	**(9,618)**	**(1,463)**
- revaluation of shares	(1,322)	(1,199)
- impairment losses	(16)	(49)
- incentive scheme and management stock options	(69)	(99)
- compensation to be returned to the State Treasury in accordance with the judgment dated 18 September 2018	(8,125)	-
- other	(86)	(116)
Other	**2,305**	**(4,656)**
- income tax of MCI Fund Management Sp. z o.o. settled in the MCI Tax Group	(1,442)	(4,063)
- accounting for income from providing a logo	-	(145)
- reversal of deferred tax on unused tax losses	-	(448)
- income tax – correction of tax return for 2011 (JTT case)	5,349	-
- loss on capital gains of MCI Capital S.A.	(1,603)	-
	3,141	**(2,938)**
Effective tax rate	**(1.8%)**	**2.7%**

MCI Capital S.A. is a parent company in a Tax Group together with MCI Fund Management Spółka z o.o., established in 2016. The fiscal year of the Tax Group runs from 1 July to 30 June. The agreement was signed for three consecutive fiscal years. As at the date of these financial statements, the Tax Group is in the third year of its existence.

During the life of the Tax Group, its members are obliged to maintain in each fiscal year the tax profitability ratio at 2% or higher (in the fiscal year commencing on 1 July 2018) and 3% or higher (in the fiscal years ended 30 June 2018), calculated as the ratio of income to revenue. Otherwise, the Tax Group will be dissolved. At the same time, companies may not benefit from any other tax exemption under other legal acts.
Losses generated by companies before establishing the Tax Group do not expire. For this reason, MCI will be entitled to settle tax losses over the next five consecutive fiscal years, with the Tas Group period not being taken into account when calculating successive tax years.

As a result, the Company recognised deferred tax assets for tax losses incurred prior to the Tax Group due to the fact that they will be settled later (deferred tax assets to be realised after 12 months). At the same time, the Company confirms that it is able to generate taxable income in the future allowing it to settle its tax losses.

Tax losses

Incurred in (year)	Loss amount PLN '000	Amount utilised PLN '000	Amount to be utilised PLN '000	To be utilised until
2012	2,358	-	2,358	1 year after leaving the Tax Group
2013	9,590	-	9,590	2 years after leaving the Tax Group
2014	3,528	-	3,528	3 years after leaving the Tax Group
2015	9,128	-	9,128	4 years after leaving the Tax Group
H1 2016*	2,890	-	2,890	5 years after leaving the Tax Group
	27,494	**-**	**27,494**	

*Before establishment of the Tax Group on 1 July 2017

Deferred tax

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
Deferred tax assets:		
To be realised after 12 months	5,000	5,224
To be realised within 12 months	2,756	3,639
	7,756	**8,863**
Deferred tax liabilities:		
To be settled after 12 months	-	-
To be settled within 12 months	2,667	1,729
	2,667	**1,729**

In the statement of financial position, the Company offsets deferred tax assets and liabilities by presenting them in a single item.

Deferred tax assets

	Deductible tax losses PLN '000	Temporary difference* PLN '000	Total PLN '000
As at 31 December 2016	**5,672**	**4,508**	**10,180**
Effect on profit/loss	(448)	(869)	(1,317)
Effect on equity	-	-	-
As at 31 December 2017	**5,224**	**3,639**	**8,863**
Effect on profit/loss	-	(1,107)	(1,107)
Effect on equity	-	-	-
As at 31 December 2018	**5,224**	**2,532**	**7,756**

*This item relates mainly to an impairment loss on investment certificates of Helix Ventures Partners FIZ and interest accrued on bonds.

Deferred tax liabilities

	Revaluation of portfolio companies	Interest	Other temporary differences*	Total
	PLN '000	PLN '000	PLN '000	PLN '000
As at 31 December 2016	**1**	**124**	**2,055**	**2,180**
Effect on profit/loss	-	(124)	(327)	(451)
Effect on equity	-	-	-	-
As at 31 December 2017	**1**	**-**	**1,728**	**1,729**
Effect on profit/loss	-	-	938	938
Effect on equity	-	-	-	-
As at 31 December 2018	**1**	**-**	**2,666**	**2,667**

*This item relates mainly to revaluation of investment certificates.

Deferred tax assets, net

As at 31 December 2018	**5,087**
As at 31 December 2017	**7,134**

7. Earnings (loss) per share

Basic earnings (loss) per share

	For the period: from 01.01.2018 to 31.12.2018	For the period: from 01.01.2017 to 31.12.2017
	PLN '000	PLN '000
Net profit attributable to shareholders of the Company	174,531	104,686
Weighted average number of ordinary shares (in thousands)	52,895	55,653
Basic earnings per share (PLN per share)	**3.30**	**1.88**

Diluted earnings/(loss) per share

	For the period: from 01.01.2018 to 31.12.2018	For the period: from 01.01.2017 to 31.12.2017
	PLN '000	PLN '000
Profit attributable to shareholders of the Company	174,531	104,686
Profit applied in the determination of diluted earnings per share	174,531	107,309
Interest expense on bonds (PLN '000)	-	3,238
Net interest expense on bonds (PLN '000)	-	2,623
Weighted average number of ordinary shares (in thousands)	52,895	55,653
Adjustments for:		
remuneration scheme based on issue of shares (in thousands)	33	33
bonds convertible into shares (in thousands) (Note 15)	-	3,534
Weighted average number of ordinary shares for the purposes of diluted earnings per share (in thousands)	52,928	59,219
Diluted earnings per share (PLN per share)	**3.30**	**1.81**

8. Investment certificates

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
Investment certificates of Helix Ventures Partners FIZ	-	3,666
Investment certificates of Internet Ventures FIZ	23,319	26,179
Investment certificates of MCI.CreditVentures FIZ 2.0	55,124	51,154
	78,443	**80,999**

Valuation of investment certificates

Investment certificates are valued on a quarterly basis, based on the fair value measurement of investments in portfolio companies and other investments held by these funds. Revaluation of certificates to their fair value from quarterly valuations is recognised in profit or loss of MCI at the end of each quarter.

Fair value of the investment showing the effect of an increase or decrease in the value of investment certificates by 10 percentage points.

Investment certificates	10%	-10%
Investment certificates of Internet Ventures FIZ	25,651	20,987
Investment certificates of MCI.CreditVentures 2.0 FIZ	60,636	49,612
	86,287	**70,599**

9. Investments in subsidiaries

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
MCI Fund Management Sp. z o. o.	1,335,767	1,207,171
Energy Mobility Partners Sp. z o.o.*	-	3
	1,335,767	**1,207,174**

*On 20 June 2018, MCI Capital S.A. sold all shares (51% of shares) held in Energy Mobility Partners Spółka z ograniczoną odpowiedzialnością for PLN 2.5 thousand. The shares were acquired by Private Equity Managers S.A. Energy Mobility Partners Sp. z o.o. did not conduct any operating activities.

Characteristics of a subsidiary

- **MCI Fund Management Sp. z o. o.**

A company with its registered office in Poland, holding certificates of (indirect subsidiary):

- MCI.TechVentures 1.0 Subfund separated within the MCI.PrivateVentures Closed-End Investment Fund,
- MCI.EuroVentures 1.0 Subfund separated within the MCI.PrivateVentures Closed-End Investment Fund.

MCI hold directly 100% of shares in MCI Fund Management Sp. z o.o.

Measurement of shares in subsidiaries

Shares in MCI Fund Management Sp. z o.o. are carried at fair value based on the adjusted net asset value as at the balance sheet date. Adjusted net asset value is reflected in fair value of investments in the subsidiary – primarily investment certificates of closed-end investment funds.

The difference between the measurement of the subsidiary and the value of investment certificates is affected primarily by:

– Balance of short-term financial liabilities amounting to PLN 60,000 thousand;
– Deferred tax liabilities on investment certificates planned to be redeemed with a three-year time horizon, amounting to PLN 10,479 thousand.

The fair value of investment certificates in MCI Fund Management Sp. z o.o. is measured based on published financial statements of investment funds on the basis of reporting valuations or on the basis of official valuations of investment funds (where no financial statements of the funds are published). The measurements of the above funds are carried out on a quarterly basis. The measurements are approved of by the Management Board of MCI Capital TFI S.A.

Below is a reconciliation of the value of investment certificates held by the Company through subsidiaries and investment certificates held by the Company directly with the value of these subsidiaries as at 31 December 2018 and 31 December 2017, and investment certificates in the amount presented in the Company's statement of financial position.

Fair value of the investment in subsidiaries showing the effect of an increase or decrease in the value of investment certificates by 10 percentage points.

Subsidiary	10%	-10%
MCI Fund Management Sp. z o. o. *	1,476,332	1,195,202
	1,476,332	**1,195,202**

*The value of investment certificates subject to simulation as at 31 December 2018 is PLN 1,405,647 thousand.

Reconciliation of investment certificates held by MCI and assets value of subsidiaries and investment certificates presented in the statement of financial position of MCI as at 31 December 2018:

Fund	% held	NAV attributable to MCI Capital S.A. and MCI Fund Management Sp. z o.o. as at 31.12.2018	NAV attributable as at 31.12.2018	NAV attributable as at 31.12.2017	Change in NAV
MCI.TechVentures 1.0	51.60%	421,879	817,522	864,301	(46,779)
MCI.EuroVentures 1.0	96.22%	983,768	1,022,451	842,271	180,180
MCI.CreditVentures 2.0 FIZ	26.99%	55,124	204,217	201,559	2,658
Internet Ventures FIZ	44.39%	23,319	52,530	55,452	(2,922)
Helix Ventures Partners FIZ	45.28%	4,654	10,279	8,100	2,179
Total assets of FIZ		**1,488,744**	**2,106,999**	**1,971,683**	**135,316**

Fund	(a) New issues	(b) Redemptions	(c) Income distribution	(d) Result of operations	Total (a+b+c+d)
MCI.TechVentures 1.0	-	(92,652)	-	45,873	(46,779)
MCI.EuroVentures 1.0	39,596	(82,101)	-	222,685	180,180
MCI.CreditVentures 2.0 FIZ	16,271	(28,672)	(266)	15,325	2,658
Internet Ventures FIZ	2,842	(2,921)	-	(2,843)	(2,922)
Helix Ventures Partners FIZ	-	-	-	2,179	2,179
Total assets of FIZ	**58,709**	**(206,346)**	**(266)**	**283,219**	**135,316**

Investment certificates held by MCI Capital S.A. and MCI Fund Management Sp. z o.o.	1,488,744
Net liabilities of MCI Fund Management Sp. z o.o.	(69,880)
Write-off of investment certificates of Helix Ventures Partners FIZ	(4,654)
Investments in subsidiaries and investment certificates presented in the statement of financial position of MCI (Notes 8 and 9)	**1,414,210**

Reconciliation of investment certificates held by MCI and assets value of subsidiaries and investment certificates presented in the statement of financial position of MCI as at 31 December 2017:

Fund	% held	NAV attributable to MCI Capital S.A. and MCI Fund Management Sp. z o.o. as at 31.12.2017	NAV attributable as at 31.12.2017	NAV attributable as at 31.12.2016	Change in NAV
MCI.TechVentures 1.0	51.23%	442,797	864,301	990,248	(125,947)
MCI.EuroVentures 1.0	93.34%	786,218	842,271	789,807	52,464
MCI.CreditVentures 2.0 FIZ	25.38%	51,154	201,559	185,894	15,665
Internet Ventures FIZ	47.21%	26,180	55,452	47,898	7,554
Helix Ventures Partners FIZ	45.28%	3,668	8,100	9,574	(1,474)
Total assets of FIZ		**1,310,017**	**1,971,683**	**2,023,421**	**(51,738)**

Fund	Reconciliation of the change in NAV				
	(a) New issues	(b) Redemptions	(c) Income distribution	(d) Result of operations	Total (a+b+c+d)
MCI.TechVentures 1.0	99,550	(280,923)	-	55,426	(125,947)
MCI.EuroVentures 1.0	3,918	(53,448)	-	101,994	52,464
MCI.CreditVentures 2.0 FIZ	110,254	(107,917)	-	13,328	15,665
Internet Ventures FIZ	1,486	(867)	-	6,935	7,554
Helix Ventures Partners FIZ	-	(800)	-	-674	(1,474)
Total assets of FIZ	**215,208**	**(443,955)**	**-**	**177,009**	**(51,738)**

Investment certificates held by MCI Capital S.A. and MCI Fund Management Sp. z o.o.	1,310,017
Liabilities of MCI's subsidiaries	(21,844)
Investments in subsidiaries and investment certificates presented in the statement of financial position of MCI (Notes 8 and 9)	**1,288,173**

10. Investments in associates

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
Private Equity Managers S.A.	9,173	15,078
	9,173	**15,078**

Measurement of shares the associate

	Balance as at 31.12.2018	Balance as at 31.12.2017
Number of shares in Private Equity Managers S.A. held by MCI Capital S.A.	379,043	350,641
Share price (PLN/share)	24.20	43.00
Value of investments	**9,173**	**15,078**

As at 31 December 2018, the Company held directly 11.07% of shares in Private Equity Managers S.A. ("PEM"). PEM is the parent company of the Private Equity Managers S.A. Capital Group, which focuses on managing assets of MCI funds (*private equity, venture capital and mezzanine debt*). It is treated as an associate in view of the Company's shareholding in PEM and personal links.

The Company's shares have been listed on the Warsaw Stock Exchange since 9 April 2015. Shares in Private Equity Managers S.A. were priced at PLN 24.20 per share, which was the closing price of PEM shares at the session of the Warsaw Stock Exchange on 31 December 2018, and the change of their value was taken to profit or loss. As at 31 December 2017, PEM's shares were priced at PLN 43.00 per share.

11. Trade and other receivables

Short-term receivables

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
Trade receivables	3	86
Receivables from related entities*	853	23,617
Tax receivables/receivables from the state budget	1,231	90
Prepayments and accrued income	844	914
Receivable refund of CIT on compensation from 2011, in connection with the JTT case**	5,349	-
Other receivables	12	13
	8,292	**24,720**

*A significant portion of receivables from related entities at the end of the comparative period resulted from unpaid redemption of series H investment certificates of the MCI.CreditVentures 2.0 FIZ fund, redeemed on 29 December 2017 in the amount of PLN 19,810 thousand.
The remaining portion of receivables from related entities is related to warranties and financial guarantees granted, as well as sublease of space and re-invoicing of telephone and taxi costs.

**The financial statements include receivables from overpaid corporate income tax in the amount of PLN 5,349 thousand in connection with the correction of the tax return for 2011 caused by the judgment of the Court of Appeal in the JTT case dated 18 September 2018.

Due to the short-term nature of the above receivables, their carrying amount is the best approximation of their fair value.

Long-term receivables

The balance of trade and other receivables presented as long-term receivables of PLN 425 thousand as at 31 December 2018 comprised guarantee deposit receivable that the Company paid to the lessor in connection with the lease of space in accordance with the terms of the lease. The guarantee deposit will remain on the lessor's account throughout the lease term plus three months.

Receivables from related entities

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
MCI.PrivateVentures FIZ*	612	818
MCI Venture Projects Sp. z o.o. VI S.K.A.	-	721
MCI.CreditVentures 2.0 FIZ**	77	19,887
Private Equity Managers S.A.	90	2,081
MCI Capital TFI S.A.	23	39
PEM Asset Management Sp. z o.o.	27	55
Other	24	17
	853	**23,617**

*Receivables from MCI.PrivateVentures FIZ comprise mainly receivables from warranties granted, as described in more detail in **Note 24 "Warranties and guarantees"**
**Receivables from MCI.CreditVentures 2.0 FIZ at the end of the comparative period comprised receivables from the redemption of series H investment certificates of MCI. CreditVentures 2.0 FIZ, redeemed on 29 December 2017 in the amount of PLN 19,810 thousand. The Company received a relevant payment from the fund on 1 February 2018.

12. Cash and cash equivalents

As at the balance sheet date, the balance of cash and cash equivalents in the amount of PLN 7,203 thousand comprised funds held on the bank account and bank deposits.

As at 31 December 2017, the balance of cash and cash equivalents amounted to PLN 25,230 thousand.

13. Equity

Share capital

	Balance as at 31.12.2018	Balance as at 31.12.2017
Share capital issued and paid (PLN '000)	52,920	52,887
Number of shares	52,920,078	52,886,596
Nominal value per share (PLN)	1.00	1.00
Nominal value of all shares (PLN '000)	**52,920**	**52,887**

On 2 October 2018, 33,482 series C subscription warrants ("Warrants") were issued, taken up free of charge by Tomasz Czechowicz. Each Warrant entitled its holder to acquire one bearer share in the share capital of the Company with a nominal value of PLN 1.00 per share. On 2 October 2018, the Warrants were converted into shares as part of a conditional increase in share capital, as described in more detail by the Company in Current Report 33/2018.

Statutory reserve funds

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
Opening balance	**886,686**	**1,020,712**
Decrease of capital as part of cancellation of shares (Note 28)	-	(51,783)
Transfer of profit/(loss) from previous period to statutory reserve funds	104,686	(82,243)
Closing balance	**991,372**	**886,686**

Treasury shares

In 2017, the Company executed the Treasury Share Buy-back Programme in order to cancel its treasury shares. During 2017, the Company purchased a total of 5,899,084 treasury shares. The shares were cancelled in June 2017. As at 31 December 2018 and 31 December 2017, the Company held no treasury shares.

14. Shareholding structure

Major shareholders of the Company as at 31 December 2018

	Ownership interest		Share in total voting rights at GM	
	Number of shares	Ownership interest	Number of voting rights at GM	Share in total voting rights at GM
Tomasz Czechowicz	378,964	0.72%	378,964	0.72%
MCI Management Sp. z o.o.*	37,570,724	71.00%	37,570,724	71.00%
Other shareholders	14,970,390	28.29%	14,970,390	28.29%
	52,920,078	**100.00%**	**52,920,078**	**100.00%**

*Company controlled by Tomasz Czechowicz.

Major shareholders of the Company as at 31 December 2017

	Ownership interest		Share in total voting rights at GM	
	Number of shares	**Ownership interest**	**Number of voting rights at GM**	**Share in total voting rights at GM**
Tomasz Czechowicz	345,482	0.65%	345,482	0.65%
MCI Management Sp. z o.o.*	33,537,126	63.41%	33,537,126	63.41%
Other shareholders	19,003,988	35.93%	19,003,988	35.93%
	52,886,596	**100.00%**	**52,886,596**	**100.00%**

*Company controlled by Tomasz Czechowicz.

15. Liabilities under bonds

	Balance as at 31.12.2018 PLN '000	Balance as at 31.12.2017 PLN '000
Amount of liability as at the issue date, at nominal value	293,150	287,150
Costs related to issue of bonds	(4,854)	(4,267)
Carrying amount of liability as at the issue date	**288,296**	**282,883**
Principal component (without deferred tax)*	(578)	(578)
Liability component as at the issue date	**287,718**	**282,305**
Accrued interest – costs YTD	46,993	36,911
Interests paid – costs YTD	(40,282)	(32,486)
Repayment	(116,000)	(31,000)
Carrying amount of liability as at the balance sheet date	**178,429**	**255,730**
Long-term portion:	95,930	133,001
Short-term portion:	82,499	122,729
	178,429	**255,730**

*applies to series G1 bonds redeemed by MCI on 21 March 2018

Bonds issued by MCI Capital S.A.

The following table presents the value of bond liabilities, issue date, redemption date, balance of interest paid and interest rates of bonds (the table also includes information on bonds redeemed during the financial year that were not included in the Company's liabilities as at 31 December 2018).
On 2 March 2018, the Company issued series P bonds (nominal value of PLN 37,000 thousand).
On 21 March 2018, the Company redeemed series G1 bonds in accordance with their maturity date.
On 11 December 2018, the Company redeemed series J1 bonds in accordance with their maturity date.

Series of Bonds	Allotment date	Redemption date	Number of bonds	Interest rate	Nominal value of bonds	Interest paid until 31.12.2018
					PLN '000	**PLN '000**
G1 Series*	21.03.2014	21.03.2018	50,000	WIBOR.6M + 3.9%	50,000	11,760
J1 Series	11.12.2015	11.12.2018	66,000	WIBOR.6M + 3.9%	66,000	11,270
K Series	24.06.2016	24.06.2019	54,500	WIBOR.6M + 3.9%	54,500	7,736
M Series	23.12.2016	20.12.2019	25,000	WIBOR.6M + 3.9%	20,650	2,349
N Series	29.12.2016	29.12.2021	45,000	fixed – 6.5%	45,000	4,383
O Series	20.06.2017	19.06.2020	20,000	WIBOR.6M + 3.9%	20,000	1,712
P Series	02.03.2018	01.03.2021	37,000	WIBOR.6M + 4.0%	37,000	1,072
					293,150	**40,282**

*Series of bonds convertible into shares in MCI Capital S.A. The bonds were redeemed on 21 March 2018.

16. Trade payables and other liabilities

	As at 31.12.2018 PLN '000	As at 31.12.2017 PLN '000
Trade payables	481	528
Liabilities to related entities	209	158
Tax liabilities	3	1,696
Social security and other charges payable	9	38
Deferred income*	1,037	1,428
Other liabilities	3	1
	1,742	**3,849**
Long-term portion:	649	1,038
Short-term portion:	1,093	2,811
	1,742	**3,849**

*This item relates mainly to settlements on account of warranties granted, collected in advance, and income for making the Company's logo and name available to the lessee for marketing purposes (unsettled deferred income).

17. Provisions

	As at 31.12.2018 PLN '000	As at 31.12.2017 PLN '000
Provision for litigation costs*	-	11,466
Provision for bonuses and holiday entitlements	79	216
Other provisions	96	171
	175	**11,853**

Reversal of the provision for the legal costs (success fee) associated with proceedings relating to compensation for the bankruptcy of JTT. In its judgment of 18 September 2018, the Court of Appeal changed the contested judgment by reducing the value of compensation due to the Company from the State Treasury to PLN 2,190 thousand with statutory interest (the judgment was unfavourable to the Company). Therefore, the Company has no grounds for maintaining the said provision. For details, see **Note 23 *"Contingent assets and liabilities".

18. Financial assets and liabilities measured at fair value

The following financial assets and liabilities are carried by the Company at fair value:

Financial assets designated at fair value through profit or loss upon initial recognition

Investments in shares of subsidiaries, associates and other entities which do not run investing activities, as well as investment certificates of investment funds and derivatives are recognised at fair value upon initial recognition with changes in fair value taken to profit or loss.

The method of shares measurement depends on the type of available inputs used in the measurement. For entities whose shares are not listed on an active market, fair value is determined using valuation techniques commonly applied by market participants, not based on inputs from an active market, but providing the most accurate reflection of the fair value.
The Company classifies the principles of fair value measurement using the hierarchy below which reflects the importance of inputs used in the measurement:

- **Level 1** – financial assets/liabilities measured directly based on prices quoted on an active market.
- **Level 2** – financial assets/liabilities measured using valuation techniques based on inputs from an active market or market observations.

– **Level 3** – financial assets/ liabilities measured using techniques commonly applied by market participants, not based on inputs from an active market.

The table below presents a classification to the relevant hierarchy level:

	As at 31.12.2018		As at 31.12.2017	
	Level	**Measurement method**	**Level**	**Measurement method**
Investments in subsidiaries				
MCI Fund Management Sp. z o. o.	3	Adjusted net assets	3	Adjusted net assets
Energy Mobility Partners Sp. z o.o.	-	-	3	Adjusted net assets
Investments in associates				
Private Equity Managers S.A.	1	Price quoted on an active market (WSE)	1	Price quoted on an active market (WSE)
Investment certificates				
Investment certificates Helix Ventures Partners FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Investment certificates Internet Ventures FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Investment certificates MCI.CreditVentures 2.0 FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Derivatives				
Embedded derivative for investment certificates Internet Ventures FIZ	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)
Embedded derivative for investment certificates Helix Ventures Partners FIZ	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)

In the Company's opinion, measurement of investment certificates at the net asset value ("NAV") and measurement of investments in subsidiaries at the value of adjusted net assets is the best reflection of the fair value of these investments.

The Company makes transfers between levels of the fair value hierarchy when the change of conditions results in fulfilment of non-fulfilment of the criteria for classification to a particular level. The Company makes transfers between levels of the fair value hierarchy in the interim period in which the event giving rise to the change of conditions occurred. The Company applies a consistent approach to transfers to and from different levels of the fair value hierarchy.

Portfolio companies of investment funds whose investment certificates are held by the Company or its subsidiary (i.e. MCI Fund Management Sp. z o.o.) are measured using different measurement methods, depending on the stage of development of the company, the nature of the business and the industry in which the company operates (comparative methods, invested funds, recent comparable transactions, market prices). The adopted measurement methods are the best reflection of the fair value of individual companies.

Measurement of financial instruments measured at fair value in the statement of financial position

Type of financial instrument	Method of measurement of the financial instrument	As at 31.12.2018 PLN '000	As at 31.12.2017 PLN '000
Non-current assets			
Investment certificates	Measured at fair value through profit or loss	78,443	80,999
Investments in subsidiaries	Measured at fair value through profit or loss	1,335,767	1,207,174
Investments in associates	Measured at fair value through profit or loss	9,173	15,078
Investments in other entities	Measured at fair value through profit or loss	7	7
Derivatives	Measured at fair value through profit or loss	200	200

These assets were measured at fair value through profit or loss as designated for measurement through profit or loss.

Measurement of financial instruments not measured at fair value in the statement of financial position

Type of financial instrument	Method of measurement of the financial instrument	As at 31.12.2018 PLN '000	As at 31.12.2017 PLN '000
Non-current assets			
Trade and other receivables	Measured at nominal value	425	412
Current assets			
Trade and other receivables	Measured at nominal value	8,292	24,720
Long-term liabilities			
Liabilities on account of bonds	Measured at amortised cost	95,930	133,001
Trade and other payables	Measured at nominal value	649	1,038
Short-term liabilities			
Trade and other payables	Measured at nominal value	1,093	2,811
Liabilities on account of bonds	Measured at amortised cost	82,499	122,729

The Company assumes that for the above financial instruments, not measured at fair value in the statement of financial position, their fair value approximates their carrying amount. This category includes mainly liabilities on account of bonds whose interest rate is based on a variable interest rate (WIBOR + margin), allowing to conclude that the amortised cost determined on this basis is the best reflection of the fair value.

19. Employee benefits

The statement of comprehensive income includes the following costs of employee benefits:

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Current service cost	901	1,266
Social security costs	32	45
Share-based payments and option schemes*	364	521
Other employee benefits	14	58
	1,311	**1,890**

*In 2018, this item includes:
- share-based payments: PLN 364 thousand,

In 2017, this item includes:
- share-based payments: PLN 364 thousand,
- measurement of inventive scheme: PLN 157 thousand.

Remuneration of key personnel

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	For the period: from 01.01.2017 to 31.12.2017 PLN '000
Management Board		
Short-term employee benefits	411	684
Share-based payments	364	521
Lump-sum for the use of cars	8	39
	783	**1,244**
Supervisory Board		
Short-term employee benefits	19	103
	19	**103**

Employment / function

	As at 31.12.2018 Number of employees	As at 31.12.2017 Number of employees
Management Board	3	4
Supervisory Board	5	5
Operational staff	7	8
	15	**17**

Advances granted to the members of the Management Board

The Company did not grant advances to members of the Management Board in 2018 and 2017.

Loans granted to members of the Management Board

The Company did not grant loans to members of the Management Board in 2018 and 2017.

20. Share-based incentive schemes

Remuneration scheme for the President of the Management Board

On 28 June 2016, the Ordinary General Meeting of the Company decided to issue subscription warrants dedicated to Mr. Tomasz Czechowicz in connection with execution of the remuneration scheme adopted by the Company's Supervisory Board by Resolution No 1 of 25 May 2016 (the "Remuneration Scheme").

Under the Remuneration Scheme, the Company will issue no more than 100,446 registered series C subscription warrants with the right to subscribe for no more than 100,446 ordinary series A1 bearer shares issued by the Company as part of conditional increase of the share capital. The proposed acquisition of warrants was addressed exclusively to Mr. Tomasz Czechowicz and the issue of warrants will be effected in accordance with the Remuneration Scheme. Each subscription warrant will entitle the holder to subscribe for 1 share. The issue price of shares subscribed through the exercise of warrants will amounted to PLN 1,00 per share. Mr. Tomasz Czechowicz will be able to acquire shares by 31 December 2020, on condition that he remains on the position of the member of the Management Board of the Company throughout the vesting period of the warrants. The first vesting period runs from 1 January 2016 to 31 December 2016, during which the eligible person acquires the right to 33,482 subscription warrants. The second vesting period is the period from 1 January 2017 to 31 December 2017, during which the eligible person acquires the right to 33,482 subscription warrants. The third vesting period runs from 1 January 2018 to 31 December 2018, during which the eligible person acquires the right to 33,482 subscription warrants (a total of up to 100,446 warrants). The cost of PLN 364 thousand was recognised in the Company's books as regards the Remuneration Scheme in 2018. Similar amounts of cost were recognised in 2017 and 2016.

On 2 October 2018, Mr Tomasz Czechowicz exercised his right to take up subscription warrants acquired during the second vesting period and to convert the warrants into shares, as described in **Note 13 *"Equity"***

21. Remuneration of the entity authorised to audit financial statements (gross)

	For the period: from 01.01.2018 to 31.12.2018 PLN '000	**For the period: from 01.01.2017 to 31.12.2017 PLN '000**
Audit of annual financial statements	170	158
Review of semi-annual financial statements	75	70
Other services*	172	344
	417	**572**

*Other services relate to works connected with bond issuance programme.

22. Dividend

The Company's Management Board plans to allocate the entire net profit earned in 2018, amounting to PLN 174,531 thousand, to the statutory reserve funds.

The Management Board did not adopt a resolution to distribute the dividend for 2017.

23. Contingent assets and liabilities

JTT damages

On 2 October 2006 attorneys of MCI Capital S.A. filed an action with the Circuit Court in Wrocław against the State Treasury for PLN 38,5m for the losses incurred and benefits lost by MCI Capital S.A. as the shareholder of JTT Computer S.A., resulting from illegal actions of the tax authorities. Following the binding judgement of the Appellate Court of 31 March 2011, MCI received a compensation of PLN 46,6m (including interest). The Treasury appealed against the judgment of the Court of Appeal and filed a cassation appeal to the Supreme Court. On 26 April 2012 the Supreme Court dismissed the judgment favourable to MCI and referred to case to be reviewed again by the Appellate Court. On 17 January 2013 the Appellate Court upheld the appealed judgment and re-awarded the JTT compensation to MCI.

The State Treasury filed a cassation appeal to the Supreme Court against the second judgment of the Appellate Court in Wrocław of 17 January 2013. Following the cassation appeal, on 26 March 2014 the Supreme Court repealed the judgment of the Appellate Court of 17 January 2013 and referred the case to be reviewed again by the Appellate Court in Wrocław.

In July 2014 the first hearing before the Court of Appeal took place, which allowed evidence of supplementary hearing of witnesses. In March 2015 another hearing before the Court of Appeal took place during which subsequent witnesses were heard.

At the moment of preparing these financial statements, the proceedings are pending and the case is being reviewed by the Court of Appeal. The court obtained evidence from personal evidence, then asked the team of experts to prepare a supplementary written opinion from a hearing of the expert and specify the dates for that opinion. The experts expressed their readiness to draw up a supplementary opinion. On 4 March 2016, the experts informed the Court that the issue of the opinion would require the involvement of a panel of experts close to that of the first opinion, i.e. at the stage of the first instance court, and that the issue of the opinion would need the proceedings to be re-examined. In January 2017, the court addressed to the experts a letter urging them to submit an opinion. In response, the experts issued supplementary opinion on 6 March 2017, which supported the existing arrangements. The letter responding to the opinion has been submitted. Moreover, the State Treasury filed charges to the opinion. At current stage the court will be recognizing applications of each party concerning complementing the evidence. At the same time, the State Treasury filed to issue another supplementary opinion.

On 18 September 2018, the Court of Appeal in Wrocław issued a decision, in which it amended the decision appealed against and decided to order payment by the State Treasury for MCI Capital S.A. (MCI) of the amount of PLN 2.2 million with interest, dismissing the remaining portion of MCI's claims. In its oral grounds for the judgment, the Court of First Instance stated that the amount of damage suffered by MCI was determined on the basis of judicial discretion.

The execution of the above judgment of the Court of Appeal in Wrocław resulted in the outflow of cash from the Company in the amount of PLN 42.8 million.

At the time of preparation of these financial statements, the Company awaits the written grounds for the judgment. Having examined the written grounds for the judgment, the Company intends to file a cassation appeal against the judgment with the Supreme Administrative Court.

Corporate income tax – JTT compensation

On 20 June 2011 MCI applied to the Minister of Finance for an interpretation regarding the income tax on the compensation obtained from the State Treasury for the impairment of the JTT shares which belonged to MCI. The Company believes that the compensation obtained from the State Treasury is not taxable income. In the individual interpretation of 14 September 2011, the tax authority found the Company's position invalid, so the Company appealed to the Voivodeship Administrative Court against the interpretation. In its judgment of 12 November 2012, the Voivodeship Administrative Court dismissed the appeal and stated, among others, that compensation granted under provisions of the civil law benefited from the exemption from taxation by the end of 1998, when the provision was deleted. In January 2013 the Company filed a cassation appeal against the judgment of the Voivodship Administrative Court to the Supreme Administrative Court.

After the hearing on 9 April 2015 the Supreme Administrative Court issued a judgment which dismissed the cassation appeal. The ruling is final. After receiving written justification for the judgment of the Supreme Administrative Court, a decision was made to bring an appeal complaint to the Constitutional Court on the unconstitutional nature of taxation of compensation obtained from the State Treasury. The constitutional appeal was lodged on 3 November 2015. On 26 April 2016, the Constitutional Court refused to proceed with a constitutional complaint. As a result, national procedural rules were exhausted and the possibility of questioning the operation of the State Treasury was exhausted.

On 30 December 2016 MCI applied to the Head of the First Mazovian Tax Office in Warsaw for the declaration of overpayment in corporate income tax for the tax year 2011. In the correction of the CIT-8 declaration for 2011, the company has shown an overpayment of PLN 5.3 m. As at the date of preparation of this report, the company is awaiting resolution in this case.

In the opinion of the Management Board, compensation received from the State Treasury is not a financial increment and therefore does not meet the definition of income under the Corporate Income Tax Act and should therefore not be treated as a taxable revenue. In addition, it should be noted that, in fact, the State Treasury reduced the compensation paid to the Company for the value of the Company's tax paid, whereas the damage suffered should, in the opinion of the Company's Management Board, be repaired entirely.

As a result, the Company decided to file a correction of the CIT declaration in order to claim a refund of the tax paid on the compensation it owed from the State Treasury.

On 30 December 2017 the Company applied to the Head of First Masovian Tax Office in Warsaw for a statement of excess payment in corporate income tax for 2011. In correction of CIT-8 tax return for 2011, the Company indicated excess payment in the amount of PLN 5,3 million.

On 13 April 2017 the Company received notification from the Head of First Masovian Tax Office in Warsaw that the case regarding excess payment of corporate income tax for 2011 was forwarded to Second Masovian Tax Office in Warsaw.

On 8 June 2017 the Company received from Second Masovian Tax Office in Warsaw refusal to state the excess payment. The Company filed cancellation on 22 June 2017 to the appeal body, i.e. Director of Tax Administration Chamber in Warsaw. On 13 September 2017 the Company received a decision from the appeal body, which maintained the decision of first instance body, i.e. Head of Second Masovian Tax Office in Warsaw.

On 27 September 2018, the Provincial Administrative Court in Warsaw examined the complaint against the decision of the Director of the Tax Chamber in Warsaw, upholding the decision of the Head of the Second Tax Office of the Mazowieckie Province in Warsaw of 7 June 2017, refusing to acknowledge the overpayment of corporate income tax for 2011 in the amount of PLN 5.3 million. The Company filed another request for acknowledgement of overpayment on 18 February 2019, taking into account the judgment of the Court of Appeal of 18 September 2018. On 18 February 2019, the Company filed a correction of the Company's corporate income tax return for 2011 with a motion to acknowledge an overpayment of corporate income tax for the aforementioned period.

The financial statements include receivables from overpaid corporate income tax in the amount of PLN 5 million in connection with the correction of the tax return for 2011 caused by the judgment of the Court of Appeal in the JTT case dated 18 September 2018.

Administrative proceedings initiated ex officio by the PFSA

The Polish Financial Supervision Authority commenced, ex officio, on 3 November 2016, proceedings against MCI Capital S.A. with regard to imposition of a financial penalty in connection with the suspicion of an infringement by the Company of the provisions of the Act of 29 July 2015 on the offer and terms of introducing financial instruments into organised trading system and on public companies. The proceedings were commenced in connection with the purchase, by the Company in 2010, of shares in Travelplanet.pl S.A.

On 1 September 2017, the Company received a decision of the Polish Financial Supervision Authority dated 29 August 2017, pursuant to which the Authority imposed on the Company and a natural person pecuniary penalties in the amounts of PLN 100 thousand, respectively for each party to the proceedings. The Company and the natural person are the same party in the proceedings before the PFSA. Since the natural person requested re-examination of the case, the decision issued by the Authority is not final. As at 31 December 2018, the Company carries a provision recognised for this purpose, in the amount of PLN 100 thousand.

24. Warranties and guarantees

Warranties granted to MCI.CreditVentures 2.0 FIZ

- Warranty of 23 June 2015

On 23 June 2015, MCI Capital S.A. granted a warranty for a treasury limit of PLN 5 million granted by Alior Bank S.A. to MCI CreditVentures 2.0. The warranty covers liabilities of MCI CreditVentures 2.0 related to the master treasury transaction agreement of 19 June 2015 if MCI CreditVentures 2.0 fails to repay such liabilities when due.

On 25 May 2018, the treasury limit granted to MCI.CreditVentures 2.0 FIZ was increased to PLN 8 million and extended to 6 March 2019. At the same time, the warranty granted by MCI Capital S.A. was extended and reduced to PLN 0.5 million.

- Warranty of 13 February 2017

On 13 February 2017, Private Equity Managers S.A. granted a warranty for credit liabilities in the amount of PLN 15.3 million granted under the Revolving Facility Agreement dated 13 February 2017 by Alior Bank S.A. with its registered office in Warsaw for the benefit of MCI.CreditVentures 2.0 FIZ. The warranty covers the Borrower's liabilities under the aforementioned Facility in the event that the Borrower fails to repay such liabilities when due. The final repayment date of the facility is 14 November 2019.

On 11 May 2017, pursuant to an Annex to the Revolving Facility Agreement of 13 February 2017, the guarantor of the facility granted to MCI.CreditVentures 2.0 FIZ changed from Private Equity Managers S.A. to MCI Capital S.A. As a result, the warranty granted by Private Equity Managers S.A. expired, and MCI Capital S.A. became the new guarantor. The warranty was granted for up to PLN 30.6 million.

Warranties granted to MCI.PrivateVentures FIZ

- warranty of 11 September 2014 – MCI.EuroVentures 1.0 subfund

On 11 September 2014, MCI Capital S.A. granted a warranty, subsequently amended by Annex No 1 to the warranty of 31 July 2015 and Annex No 2 to the warranty of 8 November 2017 for liabilities under the facility granted by Alior Bank S.A. under the revolving credit facility agreement of 11 September 2014, with subsequent annexes of 1 October 2014; 29 July 2015; 7 January 2016; 2 November 2016; 8 September 2017; 6 October 2017 and 8 November 2017, in the amount of PLN 30 million, for MCI.PrivateVentures FIZ with the separated subfund MCI.EuroVentures 1.0. The Company signed a statement on the establishment of an enforcement title pursuant to Article 777 § 1(5) of the Civil Code up to the maximum amount of PLN 30 million. The Bank is entitled to issue an enforceability clause to the deed by 6 November 2023.

Financial guarantee for liabilities under bonds issued by MCI Venture Projects Sp. z o.o. VI SKA

On 10 March 2016, the Company granted a financial guarantee in connection with the issue of bonds by MCI Venture Projects Spółka z o.o. VI Spółka komandytowo-akcyjna. The guarantee was granted pursuant to Czech law. The guarantee secures the following obligations of the Issuer:
- to pay the nominal value and interest on the Bonds;
- due to unjust enrichment towards a given holder of the Bonds caused by the invalidity or annulment of the Bonds;
- for sanctions caused by improper or late payment of Bonds.

In connection with the additional issue of the Bonds on 11 October 2016, the total nominal value of the Bonds is CZK 699 million (about PLN 110.7 million at the CZK/PLN exchange rate of 11 October 2016, i.e. 0.1583). The value of interest on the Bonds results from the terms of issue of the Bonds. The interest is accrued on the basis of a variable interest rate, depending on the value of the 6M PRIBOR reference rate and increased by a margin of 3.8% per annum. The guarantee secures the above-mentioned liabilities up to an amount not higher than 130% of the total nominal value of the Bonds issued, arising up to 8 April 2021. The maximum value of the above liabilities to be repaid by the Company under the Guarantee (after the issue of 11 October 2016) will not exceed CZK 908.7 million (about PLN 143.8 million assuming that CZK 1 is the equivalent to PLN 0.1583).

The guarantee was granted until the day on which the obligations covered by the Guarantee are fully met, but no longer than until 8 April 2022.

For the financial guarantee granted, the Company charges a fee of 1% per annum on the value of the collateral, which is approximately PLN 1.4 million per year.

Financial guarantee for liabilities under bonds issued by AAW X Sp. z o.o.

On 16 March 2018, the Company granted a financial guarantee to AAW X Sp. z o.o. in connection with issuance of bonds in the Czech market. The guarantee was granted pursuant to Czech law. The guarantee constitutes a collateral for amount of up to 130% of the nominal value of issues bonds, i.e. up to CZK 222.3 million (approx. PLN 35.2 million). The warranty was established until the date of settlement of liabilities of AAW X Sp. z o.o. under the issued bonds, not later, however, than until 29 March 2024.

Collateral for a credit facility taken out by MCI Management Sp. z o.o.

On 27 July 2018, the Company provided collateral for the credit facility granted by Alior Bank S.A. to MCI Management Sp. z o.o. for the liabilities under the Revolving Credit Facility Agreement in the amount of PLN 20 million. The maximum amount of the collateral is PLN 40 million In order to secure the claims, the Company established a registered pledge for the bank over 48,000 shares in Private Equity Managers S.A. The pledge

expires when the credit facility is fully repaid by MCI Management Sp. z o.o. or the pledge is deleted from the pledge register on the basis of a certificate issued by the bank.
On 27 July 2018, the Company provided collateral for the credit facility granted by Alior Bank S.A. to MCI Management Sp. z o.o. for the liabilities under the Revolving Credit Facility Agreement in the amount of PLN 19.8 million. The maximum amount of the collateral is PLN 39.6 million In order to secure the claims, the Company established a registered pledge for the bank over 150,000 shares in Private Equity Managers S.A. The pledge expires when the credit facility is fully repaid by MCI Management Sp. z o.o. or the pledge is deleted from the pledge register on the basis of a certificate issued by the bank.

Warranties granted to Private Equity Managers S.A.

On 21 November 2018, in connection with the granting of additional financing to Private Equity Managers S.A. by ING Bank Śląski S.A. in the amount of PLN 15 million, the Company granted a civil-law warranty of up to PLN 18 million and made a representation on submission to enforcement in the form of a notarial deed pursuant to Article 867 § 1(5) of the Code of Civil Procedure of 17 November 1964 (Journal of Laws of 2014, item 101) up to PLN 18 million and until 31 December 2025.

25. Significant events in 2018

Status of an Alternative Investment Company

On 16 November 2018, the Company received a letter from the Polish Financial Supervision Authority ("PFSA") notifying that, in the PFSA's opinion, activities carried out by the Company are appropriate for an internal manager of an Alternative Investment Company. The procedure for granting the Company a permit to conduct business activity as a manager of and Alternative Investment Company is pending.

Granting of a financial guarantee

On 16 March 2018, the Company granted a financial guarantee to AAW X Sp. z o.o. in connection with the planned issuance of bonds in the Czech market. The guarantee was granted pursuant to Czech law. The guarantee constitutes a collateral for amount of up to 130% of the nominal value of issues bonds, i.e. up to CZK 222,300,000.

Redemption of series G1 bonds

On 21 March 2018, the Company, according to the schedule, redeemed 50,000 series "G1" bonds with nominal value of PLN 1,000 each and total nominal value of PLN 50,000,000.

Redemption of series J1 bonds

On 11 December 2018, the Company, according to the schedule, redeemed 66,000 series "J1" bonds with nominal value of PLN 1,000 each and total nominal value of PLN 66,000,000.

Issue of series P bonds

On 5 March 2018, the Company issued 37,000 series "P" bearer bonds with nominal value of PLN 1,000 each and total nominal value of PLN 37,000,000. The bonds were issued at a discount of 98.6% of their nominal value. The date of redemption of the bonds falls on 4 March 2021. The bonds bear interest at WIBOR6M + 4.00%. The bonds are secured with 135,680 investment certificates of MCI.TechVentures 1.0 Subfund separated within the MCI.PrivateVentures Closed-End Investment Fund.

Enforcement of the judgment of the Court of Appeal in Wrocław of 18 September 2018

On 16 November 2018, the Company paid the amount of PLN 42,764 thousand to the State Treasury in connection with the enforcement of the judgment of the Court of Appeal in Wrocław of 18 September 2018.

26. Material events subsequent to the balance sheet date

The Company did not identify any significant events subsequent to the balance sheet date that should be disclosed in the financial statements.

27. Condensed financial information on MCI investment funds

MCI invest in closed-end investment funds.

As at 31 December 2018, the Company held:

- 26.99% of investment certificates of MCI.CreditVentures FIZ 2.0,
- 44.39% of investment certificates of Internet Ventures FIZ, and
- 45.28% of investment certificates of Helix Ventures Partners FIZ.

In addition, an indirect subsidiary of MCI, i.e. MCI Fund Management Sp. z o.o. (MCI holds 100% of shares in MCI FM), invests in investment certificates of closed-end investment funds.

As at 31 December 2018, the MCI FM held:

- 96.22% of investment certificates of MCI.EuroVentures 1.0, a Subfund separated within MCI.PrivateVentures FIZ, and
- 51.60% of investment certificates of MCI.TechVentures 1.0, a Subfund separated within MCI.PrivateVentures FIZ.

Investment certificates are measured at fair value. Measurement is based on fair value measurement of the Funds' investments and other assets and liabilities. Any change in the measurement of the aforementioned assets and liabilities is reflected in the net asset value ("NAV") of each of the Funds, which translates directly to the revaluation of investment certificates.

Below is presented condensed financial information as at 31 December 2018 concerning Investment Funds whose investment certificates are held by MCI and MCI FM (based on reporting valuations of the funds):

	Credit Ventures FIZ		Internet Ventures FIZ		Helix Ventures Partners FIZ		MCI.EuroVentures 1.0 subfund		MCI.TechVentures 1.0 subfund		Total	Total
Item	31.12.2018	MCI share	31.12.2018	MCI share	31.12.2018	MCI share	31.12.2018	MCI share	31.12.2018	MCI share	31.12.2018	MCI / MCI FM share
	100.00%	26.99%	100.00%	44.39%	100.00%	45.28%	100.00%	96.22%	100.00%	51.60%	100.00%	
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
NAV structure:	204,217	55,124	52,530	23,319	10,279	4,654	1,022,451	983,768	817,522	421,879	**2,106,999**	**1,488,744**
- Public companies	-	-	-	-	-	-	-	-	-	-	-	-
- Non-public companies	199,348	53,810	51,655	22,931	10,107	4,576	1,137,081	1,094,061	922,291	475,945	2,320,482	1,651,323
- Cash, including deposits	5,991	1,617	409	182	158	72	12,648	12,169	10,708	5,526	29,914	19,566
- Other assets	308	83	1,856	824	71	32	115,306	110,944	2,381	1,229	119,922	113,111
- Liabilities	1,430	386	1,390	617	57	26	242,584	233,406	117,858	60,820	363,319	295,255
Net investment income	9,751	2,632	(2,230)	(990)	(76)	(34)	(29,802)	(28,674)	(37,289)	(19,243)	**(59,646)**	**(46,310)**
Realised and unrealised gains / losses	5,574	1,505	(613)	(272)	2,255	1,021	252,487	242,935	83,162	42,915	**342,865**	**288,103**
Results of operations for the period	15,325	4,137	(2,843)	(1,262)	2,179	987	222,685	214,260	45,873	23,673	**283,219**	**241,794**

Below is presented condensed financial information as at 31 December 2017 concerning Investment Funds whose investment certificates are held by MCI and MCI FM (based on reporting valuations of the funds):

	Credit Ventures FIZ		Internet Ventures FIZ		Helix Ventures Partners FIZ		Sub-fund MCI.EuroVentures 1.0		Sub-fund MCI.TechVentures 1.0		Total	Total
Item	**31.12.2017**	**MCI share**	**31.12.2017**	**MCI share**	**31.12.2017**	**MCI share**	**31.12.2017**	**MCI share**	**31.12.2017**	**MCI share**	**31.12.2017**	**MCI / MCI FM share**
	100.00%	**25.38%**	**100.00%**	**47.21%**	**100.00%**	**45.28%**	**100.00%**	**93.34%**	**100.00%**	**51.23%**	**100.00%**	
	PLN '000	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**
NAV structure:	201,559	51,154	55,452	26,180	8,100	3,668	842,271	786,218	864,301	442,797	**1,971,683**	**1,310,017**
- Public companies	-	-	-	-	-	-	6,709	6,262	35,490	18,182	42,199	24,444
- Non-public companies	202,648	51,430	56,571	26,708	7,853	3,556	771,018	719,710	854,515	437,784	1,892,605	1,239,188
- Cash, including deposits	20,597	5,228	356	168	261	118	64,410	60,120	30,524	15,637	116,148	81,271
- Other assets	254	64	12	6	35	16	225,124	210,131	1,299	665	226,724	210,882
- Liabilities	21,940	5,568	1,487	702	49	22	224,990	210,006	57,527	29,471	305,993	245,769
Net investment income	8,448	2,144	(2,581)	(1,218)	(76)	(34)	28,578	26,675	(26,787)	(13,723)	**7,582**	**13,844**
Realised and unrealised gains / losses	4,880	1,239	9,516	4,493	(598)	(271)	73,416	68,526	82,213	42,118	**169,427**	**116,105**
Results of operations for the period	13,328	3,383	6,935	3,274	(674)	(305)	101,994	95,201	55,426	28,395	**177,009**	**129,948**

28. Related parties

Information on related-party transactions as at 31 December 2018

	Ultimate controlling entity	Subsidiaries	Associates	Other related parties*	Total
Investments:					
Investments in subsidiaries	-	1,335,767	-	-	1,335,767
Investments in associates	-	-	9,173	-	9,173
Investment certificates	-	-	-	78,443	78,443
Derivatives	-	-	-	200	200
Receivables:					
Trade and other receivables	-		90	763	853
Liabilities:					
Trade and other payables	-	203	4	2	209
Income and expenses:					
Revaluation of shares	-	128,596	(6,958)	-	121,638
Revaluation of investment certificates	-	-	-	(71)	(71)
Operating expenses	(1)	-	(3)	(27)	(31)
Dividend income	-	96,500	1,111	-	97,611
Finance income	23	-	2	3,995	4,020
Finance costs	(274)	(863)	-	(165)	(1,303)

*Other related parties comprise all investment funds, funds' portfolio companies, subsidiaries of PEM, i.e. MCI Capital TFI S.A., PEM Asset Management Sp. z o.o., and indirect subsidiaries of MCI.

Information on related-party transactions as at 31 December 2017

	Ultimate controlling entity	Subsidiaries	Associates	Other related parties*	Total
Investments:					
Investments in subsidiaries	-	1,207,174	-	-	1,207,174
Investments in associates	-	-	15,078	-	15,078
Investment certificates	-	-	-	80,999	80,999
Derivatives	-	-	-	200	200
Receivables:					
Trade and other receivables	-	3	2,081	21,533	23,617
Liabilities:					
Trade and other payables	-	154	4	-	158
Liabilities on account of bonds	19,265	-	-	-	19,265
Income and expenses:					
Revaluation of shares	-	123,334	(6,312)	-	117,022
Gain or loss on investment certificates	-	-	-	8,283	8,283
Revaluation of derivative financial instruments	-	-	-	(1,910)	(1,910)
Operating expenses	-	-	(1)	-	(1)
Dividend income	-	-	1,027	-	1,027
Finance income	-	841	56	4,134	5,031
Finance costs	(1,230)	(675)	-	(157)	(2,062)

*Other related parties comprise all investment funds, funds' portfolio companies, subsidiaries of PEM, i.e. MCI Capital TFI S.A., PEM Asset Management Sp. z o.o., and indirect subsidiaries of MCI.

29. Operating leases

As at the balance sheet date, the Company does not use any fixed assets under operating leases.

30. Operating segments

As at the balance sheet date, the Company does not use any fixed assets under an operating lease agreement.

31. Description of material accounting policies

Material accounting policies applied while preparing these financial statements are presented below.

Comparative data

Comparative data presented in the financial statements were prepared using accounting policies identical to those adopted for the twelve-month period ended 31 December 2018, except for changes resulting from the application of new International Financial Reporting Standards effective as of 1 January 2018 (IFRS 9 and IFRS 15) described in Note 32 and a change resulting from a different presentation of dividend income in the statement of profit or loss and other comprehensive income described in the section below.

Presentation change

In these financial statements, dividend income was presented in the statement of profit or loss and other comprehensive income under investing activities of the Company, whereas in the financial statements for 2017 such income was presented under financing activities. The change was made in order to better reflect the economic substance of transactions.

Going concern assumption

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, i.e. for at least 12 months after the balance sheet date of 31 December 2018. At the date of approving these financial statements, the Company's Management Board was aware of no facts or circumstances that would indicate a threat to the Company's continuing as a going concern in the 12 months after the balance sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations.

Investment entity

The Company meets the following criteria for being classified as an investment entity, as set out in paragraph 27 of IFRS 10, i.e:

- it obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- it commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- it measures and evaluates the performance of substantially all of its investments on a fair value basis,

and therefore can be classified as an investment entity.

An investment entity does not consolidate its subsidiaries other than subsidiaries carrying out investment activities. Investments in subsidiaries other than those engaged in investing activities are measured at fair value through profit or loss and recognised in profit or loss of the current period.

The fair value of investments in subsidiaries (not engaged in investing activities) is determined on the basis of the adjusted net asset value of each subsidiary as at a given balance sheet date. The adjusted net asset value is determined on the basis of the measurement of net asset value of funds issuing investment certificates in which the subsidiaries invest. The value of investment certificates of these funds, in turn, is based on the fair value measurement of investments in portfolio companies, adjusted for the liabilities of the funds.

Investments in subsidiaries

Investments in subsidiaries are measured at fair value through profit or loss and recognised in profit or loss of the current period, in accordance with IAS 10.31. The fair value of investments in subsidiaries (not engaged in investing activities) is determined on the basis of the adjusted net asset value of each subsidiary as at a given balance sheet date. The adjusted net asset value is determined on the basis of the measurement of net asset value of funds issuing investment certificates in which the subsidiaries invest. The value of investment certificates of these funds, in turn, is based on the fair value measurement of investments in portfolio companies, adjusted for the liabilities of the funds.

Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In accordance with the International Accounting Standards, MCI measures its investments in associates or joint ventures at fair value through profit or loss.

Fair value measurement of investments in associates is based on:

- for a listed company – the share price on a public market as at the balance sheet date,
- for a company not listed on a public market:
  a) based on the fair value of net assets of the associate as at the balance sheet date, or
  b) in the event of a representative sale of shares in a given associate in the reporting period – based on the share value determined in that sale.

Foreign currencies

As at the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the mid rate quoted by the NBP for that date. Foreign exchange gains and losses are recognized directly in profit or loss, except to the extent that they arise from the measurement of assets and liabilities where changes in fair value are recognised directly in equity.

Operating expenses

Operating expenses are the administrative and economic costs connected with the maintenance of the Company and ensuring of its proper functioning. General and administrative expenses include, among others:

- salaries and employee benefits, as well as social security costs (this applies to persons employed under an employment contract, mandate contracts or contracts for a specific work),
- costs of third party services,
- depreciation of fixed assets and amortization of intangible assets,
- consumption of materials and energy,
- taxes and charges,
- other expenses.

Employee benefits

Amounts of short-term employee benefits, other than those on account of employment termination and equity benefits, are recognised as liabilities, net of all amounts which have already been paid, and at the same time they are recognised as expenses of the period, unless the benefit is to be recognised as a cost of assets.

Employee benefits in the form of paid absences are recognised as liabilities and costs at the moment when employees performed work if the work performed causes an increase of possible future paid absences or at the moment when they occur if there is no connection between work and increase of possible future paid absences.

Share-based payments

Equity compensation benefits include benefits in such forms as: shares, share options and other equity instruments issued by the entity, as well as cash payments whose amount depends on future market price of shares in that entity.

The total amount that is expensed over the vesting period is measured at the fair value of the options granted, excluding the impact of any non-market related vesting conditions.

The proceeds from the exercise of options (less transaction costs directly related to the exercise) are recognised as share capital (nominal value) and supplementary capital from the share premium.

Taxes

Mandatory decrease in profit/(increase in loss) comprises current income tax and deferred income tax. Current tax expense is calculated based on the taxable profit (tax base) for a financial year. The net profit/(loss) established for tax purposes differs from the net profit/(loss) established for financial reporting purposes due to exclusion of taxable income and costs which are deductible in future years as well as items which will never be subject to taxation. Tax expenses are calculated based on the tax rates effective for a given financial year.

Deferred income tax is calculated as the tax to be paid or received in subsequent periods using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax liability is recognised for all taxable temporary differences, and deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets or liability is not recognised if the temporary difference arises from goodwill or from the initial recognition of another asset or liability in a transaction that affects neither the accounting profit or loss, nor taxable profit or loss.

The carrying amount of a deferred tax asset is reviewed as at each balance sheet date and is reduced to the extent it is no longer probable that sufficient taxable profits will be generated to allow the deferred tax asset to be realised in full or in part.

Deferred tax is calculated at tax rates that are expected to apply in the period when the asset is recovered or the liability is settled.

Deferred tax assets and liabilities are recognised in the statement of profit or loss, except where they relate to items that are recognised directly in equity, in which case the related deferred tax is also recognised in equity.

In connection with the establishment of the Tax Group, during the life of the Tax Group, its members are obliged to maintain in each fiscal year the tax profitability ratio at 2% or higher (in the fiscal year commencing on 1 July 2018) and 3% or higher (in the fiscal years ended 30 June 2018), calculated as the ratio of income to revenue.

Losses generated by companies before establishing the Tax Group do not expire. For this reason, companies are entitled to settle tax losses over the next five consecutive fiscal years, with the Tas Group period not being taken into account when calculating successive tax years.

Financial instruments

Principles effective as of 1 January 2018

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to a binding agreement.

Financial instruments are classified into the following categories: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income; financial assets measured at fair value through profit or loss; financial liabilities measured at fair value through profit or loss and financial liabilities subsequently measured at amortised cost.

Principles effective until 31 December 2017

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to a binding agreement.

Financial instruments are classified into the following categories: financial assets or financial liabilities measured at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, other financial liabilities.

Financial assets

The following financial assets are classified as measured at fair value through profit or loss: investments in subsidiaries and associates, investment certificates and derivatives.

Investments in subsidiaries and associates are designated as measured at fair value through profit or loss on initial recognition in accordance with IFRS 10, IAS 28 and IAS 27. The method of measurement of shares at fair value depends on the type of available inputs used in the measurement. For entities whose shares are not listed on an active market, fair value is determined using valuation techniques commonly applied by market participants, not based on inputs from an active market, but providing the most accurate reflection of the fair value.

The fair value of investment certificates is determined on the basis of the funds' net asset value.

Fair value of derivatives is determined on the basis of a model of fair value measurement using available source information.

Changes in the fair value of these assets are recognised in profit or loss. Financial assets are disclosed under the following balance sheet items:

- investments in subsidiaries,
- investments in associates,
- investment certificates,
- derivatives,
- cash and cash equivalents,
- trade receivables,
- promissory note receivables,
- loans advanced.

Finance income and costs

Finance income and costs include interest accrued on financial assets or financial liabilities and are recognised on an accrual basis, i.e. in the financial year to which they relate.

Impairment of financial assets

Principles effective as of 1 January 2018

At each reporting date, the Company assesses whether credit risk of a given financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

In order to identify a significant increase in credit risk, the Company applies the following qualitative criteria:

- Payments that are more than 30 days past due, unless the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.
- Forbearance, which is extension of the repayment date or splitting the payment due into instalments except for cases, where extension of repayment date or splitting payment due into instalments is the tool of managing liquidity and concern transactions with related parties, investment funds managed by MCI Capital TFI S.A. and portfolio companies of these funds, and the Company has full control over it;
- Events associated with increase in risk, so called "soft evidence" of impairment, identified as part of analysis of relationship with contractor.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

In the case of trade receivables, the Company always measures an impairment loss on the expected credit losses at an amount equal to full lifetime expected credit losses.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

Principles effective until 31 December 2017

As at balance sheet date, the Company assesses whether there is any objective indication of impairment of a financial asset or a group of financial assets.

If there is an objective indication that the value of assets measured at amortised cost has been impaired, an impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The amount of impairment loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulties of the issuer or obligor;
- contractual default,
- the lender, for reasons relating to the borrower's financial difficulty, granting to the borrower a concession,
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation,
- the disappearance of an active market for that financial asset because of financial difficulties.

If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses their impairment. Assets that are individually reviewed for impairment and for which an impairment loss has been recognised or it has been concluded that the existing impairment loss will not change, are not taken into account in collective review of assets for impairment. If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, in so far as the carrying amount of the asset does not exceed its amortised cost/recoverable amount as at the reversal date.

Investment certificates

Investment certificates are measured at fair value through profit or loss and recognised in profit or loss of the current period. The fair value of investment certificates is the reporting valuation of funds (or official valuation if reporting valuation is not available), i.e. the net asset value of the investment certificates ("NAV per IC") held by the Company. Valuation of investment certificates is made at the frequency specified in the fund's Statute, but not less than once every three months. It is based on an estimate of the value of the financial instruments in which the fund invests. Individual components of the fund's investments (shares, derivatives, debt instruments, etc.) are measured at fair value. The revaluation of investment components is made quarterly. Valuation of other assets and liabilities of funds is also carried out at fair value. Therefore, the reporting and official valuation of funds (i.e. NAV per IC) is the best reflection of the fair value of investment certificates.

Cash and cash equivalents

Cash and current deposits in the statement of financial position include cash at bank and in hand as well as current deposits with an original maturity of three months or less.

Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are disclosed under the following balance sheet items:

- credits, loans,
- bonds,
- promissory notes,
- trade and other payables.

Any gains or losses on measurement of financial liabilities are recognised in the statement of profit or loss under finance income or costs.

Provisions for liabilities

The Company recognises a provision if the Company has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. If the Company anticipates that costs for which provisions have been recognised will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets but only when it is practically certain to occur. Cost related to a given provision is recognised in profit or loss net of any recoveries. Provisions are not recognised for future operating losses.

Functional currency. Presentation of items disclosed in the financial statements

Items of the financial statements relating to the Company are measured using the primary currency of the economic environment in which the Company operates (the “functional currency”), which is the Polish zloty. Figures
in the financial statements are presented in thousands of Polish zloty, unless stated otherwise.

Amendments to standards

Standards and interpretations endorsed by the EU not yet applicable to annual periods beginning on 1 January 2018

Standards and Interpretations endorsed by the EU	Type of expected change in accounting policies
IFRS 16 Leases	IFRS 16 replaces IAS 17 *Leases* and the related interpretations. For lessees, the new Standard eliminates the existing distinction between finance and operating leases and discloses most leases in the statement of financial position. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires lessees to recognise a right-of-use asset and a lease liability in the statement of financial position. Rights of use are amortised, and interest is charged on the lease liability. This will increase initial lease costs, even where lease parties have agreed on fixed annual payments. The new standard provides for a number of exemptions with limited applicability, including: - leases with a lease term of 12 months or less and containing no purchase options, and - leases where the underlying asset has a low value. Lessors will continue to classify leases as either operating or finance and thus recognise most leases without any changes. The Company does not expect the Standard to have a significant effect on its financial statements upon entry into force.
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 provides guidance on income tax treatment where the applied treatment has not yet been accepted by the relevant tax authorities and is intended to enhance clarity. From the IFRIC 23 perspective, **the key issue is assessing the probability of a tax treatment being accepted by the relevant tax authorities. If it is concluded that it is probable that a particular uncertain tax treatment will be accepted by the relevant tax authorities, the tax should be recognised in the financial statements consistently with the relevant income tax filings without reflecting the uncertainty over current and deferred tax treatment. Otherwise, taxable profit (tax loss), tax bases and unused tax losses should be recognised using the most likely amount method or the expected value method (sum of probability-weighed possible solutions), depending on which provides better predictions of the resolution of the uncertainty. The Company must assume that tax authorities will examine the uncertain tax treatment** and will have full knowledge of all relevant information when doing so. The Company does not expect the Interpretation to have a material effect on its financial statements, because there are no significant uncertainties related to income tax recognition.
Amendments to IFRS 9 Financial Instruments	These amendments allow prepayable financial assets with negative compensation representing contractual cash flows that are solely payments of principal and interest on the principal amount outstanding to be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss as long as such financial assets meet the remaining requirements applicable under IFRS 9. The Company does not expect the amendments to have a material effect on its financial statements on initial application as it has no prepayable financial assets.
Amendments to IAS 28 Investments in Associates and Joint Ventures	The amendments clarify that entities apply IFRS 9 Financial Instruments to investments in associates and joint ventures, which are not accounted for using the equity method. The Company does not expect the amendments to have a material effect on its financial statements on initial application.

In addition, as at 31 December 2018 the following standards and interpretations were adopted by the IASB but not yet endorsed by the EU:

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*)	The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognised depends on whether the assets sold or contributed to an associate or joint venture constituted a business: - the gain or loss is recognised in full where the contributed assets meet the definition of a business (irrespective of whether such business has the form of a subsidiary or not). - the partial gain or loss is recognised when the transaction involves assets that do not constitute a business, even if those assets were part of a subsidiary. The Company does not expect the amendments to have a material effect on its financial statements as it has no associates or joint ventures.
IFRS 17 *Insurance Contracts*	IFRS 17, which replaces the transitional IFRS 4 Insurance Contracts standard introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national standards, which resulted in the application of many different solutions. IFRS 17 solves the comparability problem created by IFRS 4 by requiring consistent recognition of all insurance contracts, to the benefit of both investors and insurers. Contractual obligations will be recognised at present value rather than historical cost. The Company does not expect the Standard to have a material effect on its financial statements as the Company is not involved in any insurance business.

Standards and Interpretations not yet endorsed by the EU	Type of expected change in accounting policies
Annual Improvements to IFRS Standards 2015–2017 Cycle	The Annual Improvements to IFRS Standards 2015–2017 Cycle contain four amendments. The key amendments: - clarify that the entity elects to remeasure an investment in a joint venture when it obtains control of the joint venture in accordance with IFRS 3 Business Combinations; - clarify that an entity does not remeasure an investment in a joint venture when it obtains joint control of a joint venture in accordance with IFRS 11 Joint Arrangements; - clarify that an entity should always recognise the tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the transaction or event that gave rise to the recognition of the dividend was recognised; - clarify that an entity should derecognise from borrowed funds without a specific purpose those funds specifically borrowed to finance the acquisition of a qualifying asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale have been completed; funds borrowed specifically to fund the acquisition of a qualifying asset are not funds borrowed to fund the acquisition of a qualifying asset after the qualifying asset is ready for its intended use or sale. These amendments are not expected to have a material on the entity's financial statements.
Amendments to IAS 19 *Employee Benefits (Plan Amendment, Curtailment or Settlement)*	The amendments to IAS 19 explain how entities recognise expenses when there is a change in a defined benefit plan. The changes require the entity to use current assumptions in the event of a plan amendment, curtailment or settlement in order to determine the current service cost and net interest for the remaining reporting period from the plan amendment date. These amendments are not expected to have a material on the entity's financial statements.
Amendments to IFRS 3 *Business Combinations*	The amendments narrow down and clarify the definition of a business. They also enable a simplified assessment of whether a set of assets and activities constitutes a group of assets and not a business. These amendments are not expected to have a material on the entity's financial statements.
Amendments to IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors*	The amendments harmonise and clarify the definition of "Material" and provide guidelines to increase consistency in the application of this concept in international financial reporting standards. These amendments are not expected to have a material on the entity's financial statements.

32. The effect of applying the new standards on the financial statements

IFRS 9 *Financial Instruments*

IFRS 9 "Financial Instruments" is effective for annual periods beginning on or after 1 January 2018.

In accordance with IFRS 9, on initial recognition a financial asset may be classified into the following measurement categories:

1. financial assets measured at amortised cost;
2. financial assets measured at fair value through other comprehensive income;
3. financial assets measured at fair value through profit or loss;

Financial liabilities are classified into the following categories:

1. financial assets measured at amortised cost;
2. financial liabilities measured at fair value through profit or loss.

Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments.

Depending on the business model, financial assets may be classified as:

- held for the purpose of collecting contractual cash flows,
- held for the purpose of collecting contractual cash flows or for sale,
- held for trading and other.

The assessment of the business model is made at the initial recognition of the financial asset (with the exception of the first adoption of IFRS 9 – when the Company classifies financial assets in accordance with the business models applied at the date of the implementation of the standard i.e. 1 January 2018).

The business model criterion refers to the way the Company is managing financial assets in order to generate cash flows. The Company has analysed its business models and performed SPPI tests (to assess whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding) for each group of financial assets, based on which it has classified groups of financial assets into each of the categories listed above and applied measurement methods appropriate to each of them.

The analysis of business models and the results of SPPI tests showed that the application of the new standard did not result in a significant change in the categories of the Company's financial assets and liabilities presented in these financial statements, and did not affect their measurement as at 1 January 2018.

As at the date of adoption of the standard, 1 January 2018, the classification and carrying amounts of the Company's financial instruments were as follows:

	Measurement method		Carrying amount	
Item of financial statements	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Investment certificates	Measured at fair value through profit or loss	Measured at fair value through profit or loss	80,999	80,999
Investments in subsidiaries	Measured at fair value through profit or loss	Measured at fair value through profit or loss	1,207,174	1,207,174
Investments in associates	Measured at fair value through profit or loss	Measured at fair value through profit or loss	15,078	15,078
Investments in other entities	Measured at fair value through profit or loss	Measured at fair value through profit or loss	7	7
Derivatives	Measured at fair value through profit or loss	Measured at fair value through profit or loss	200	200
Trade and other receivables	Measured at amortised cost	Measured at amortised cost	25,132	25,132
Trade and other payables	Measured at amortised cost	Measured at amortised cost	3,849	3,849
Liabilities on account of bonds	Measured at amortised cost	Measured at amortised cost	255,730	255,730

In accordance with IFRS 9, financial assets are classified into the following measurement categories:

- Stage 1 – non-impaired exposures, for which expected credit loss is estimated for the 12-month period;
- Stage 2 – non-impaired exposures, for which a significant increase in risk has been identified and for which expected loss is based on probability of default over the entire lending period;
- Stage 3 – impaired exposures.

In order to identify a significant increase in credit risk, the Company applies the following qualitative criteria:

- Payments that are more than 30 days past due, unless the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due;
- Forbearance, which is extension of the repayment date or splitting the payment due into instalments except for cases, where extension of repayment date or splitting payment due into instalments is the tool of managing liquidity and concern transactions with related parties, and the Company has full control over it;
- Events associated with increase in risk, so called “soft evidence” of impairment, identified as part of analysis of relationship with contractor.

The Company calculates the allowance for expected credit losses at an amount equal to lifetime expected credit losses for trade receivables, cash and cash equivalents and other financial assets. The allowance for expected credit losses is calculated using the provision matrix – the Company uses its historical credit loss experience to estimate the lifetime expected credit losses on the financial assets.

Calculation of the allowance for expected credit losses recognised in the financial year ended 31 December 2018 indicated an immaterial amount of allowance for expected credit losses. Therefore, the Company did not recognise this allowance.

IFRS 15 *Revenue from Contracts with Customers*

The Company analysed the impact of implementation of IFRS 15 on the financial statements. The Company did not identify any contracts where the implementation of IFRS 15 could have a material impact on the financial statements.

33. Expected effect of new standards applied for the first time in the reporting period beginning on 1 January 2019

IFRS 16 *Leases*

The Company has analysed the application of IFRS 16 to the financial statements. As a result of the analysis, lease fees for office space were measured. Based on preliminary calculations, the Company estimates that the impact of the new standard on the financial statements will be immaterial. The standard will be applied for the first time for the reporting period beginning on 1 January 2019.

34. Financial risk management

Risks to which the Company is exposed:

- market risk
- investment risk
- credit risk.

The most significant risks to which the Company is exposed are presented below:

MARKET RISK

The Company is exposed to market risk, which includes interest rate risk. The Company's exposure to market risk for changes in interest rates relates primarily to bank deposits, loans drawn as well as issued promissory notes and bonds.

The Company does not use derivative financial instruments to hedge its investment portfolio. The Company uses sensitivity analysis to measure the interest rate risk.

Risk of changes in valuations of financial assets

Risk associated with a decrease in the value of financial instruments – shares. Subsidiaries are measured to the fair value of assets held at least once a quarter. Hence, changes in the fair value are reflected in the financial statements on the ongoing basis. The Company monitors the level of valuation of subsidiaries on an ongoing basis. Measurement methods and carrying amounts of subsidiaries are described in **Note 9 *"Investments in subsidiaries"***.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to bank deposits, loans drawn as well as issued own securities (promissory notes and bonds).

The Group does not hedge the interest rate risk using derivative financial instruments. The Company uses sensitivity analysis to measure the interest rate risk.
Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rate interest.

Liquidity risk

The Company manages the liquidity risk by monitoring payment dates and demand for cash with respect to the servicing of payables (current transactions are monitored on a weekly basis) and demand for cash. Demand for cash is compared to the available sources of funds (including, in particular, through assessment of the capacity to obtain funding in the form of credits, loans, bonds) and confronted with investments of free funds.

The Company manages risk by monitoring liquidity ratios based on balance sheet items, analysis of levels of liquid assets in relation to cash flows and maintaining access to different sources of funding (including stand-by credit lines).

The liquidity management process is optimised by centralised management of financial resources within the MCI Group, where liquid surpluses of monetary resources generated by companies in the Group are invested in loans and other instruments issued by entities from the group (lower credit risk). The Group's surplus cash is invested in short-term liquid financial instruments, e.g. bank deposits.

Another method of liquidity risk management is maintaining open and unused credit lines. They serve as a liquidity reserve.

Currency risk

In the period from 1 January to 31 December 2018, the Company did not conclude any transactions which would expose it to currency risk. In addition, the Funds invest in currencies other than PLN. In view of the above, fluctuations of foreign exchange rates will have impact on the reported value of investments, which will decrease in the case of appreciation of PLN compared to foreign currencies in which individual investments are measured during the investment period. Changes in exchange rates, through decreases in valuation or value of income obtained in the case of sale of the investments, can decrease the value of the funds' assets and thus the value of investment certificates held by MCI. The managing Company, as far as possible, maintains the policy of securing foreign exchange risk through foreign currency adjustment of sources of funding in relation to the original investment currency

INVESTMENT RISK

The essence of venture capital investments is the possibility of obtaining higher rates of return through investments
in projects characterised by higher risk level. Prior to making a venture capital investment, investment teams perform an in-depth analysis of the business plan; however, this does not necessarily ensure that the undertaking's development will meet the assumptions. In particular, this concerns technological innovations which do not yet have an application in the market, and thus are difficult to assess. If the business model of a given enterprise is not successful, it can have negative impact on the value of the investment, including loss. As a result, it may translate negatively into the Company's financial results through decrease in the value of investment certificates.

Risk associated with valuation of managed companies with impact on the value of managed assets

Once a quarter, MCI performs valuation of the fair value of assets held in funds and this value translates into the value of assets under management and the level of collected remuneration for the managing company. Funds whose certificates the MCI and MCI's subsidiaries hold commit capital for a period 5 and 10 years. Subsidies are typically provided to entities whose securities are not listed on the stock exchange. Thus, the liquidity of such investments is limited and profit realised through sale — typically to industry or financial investors — of the company's shares. However, there is no certainty that the funds will find potential buyers for their investments in the future and will be able to withdraw from them while achieving the assumed rates of return. The risk of negative economic and stock exchange situation can additionally impede the possibility of performing the withdrawal or considerably limit the achievable rate of return. As a result, it may have negative impact on MCI's financial results.

Competition risk associated with acquisition of new investment projects

MCI's development is strictly associated with the possibility of making new investments in promising, technologically advanced economic projects. There has been an increase in competition in the market on the part of other funds (venture capital, private equity) and business angels, also interested in investments in entities from the modern technologies industry. The Management Board of MCI addresses this risk through geographic expansion into new, prospective markets, where competition is smaller. MCI Capital S.A.'s major competitive advantage is recognisability in Poland and abroad, which allows it to win new projects.

Risk associated with the structure of fund investment portfolio

Appropriate diversification, aimed at reduction of the investment risk, is crucial for portfolio creation. Funds whose certificates are held by MCI endeavour to reduce the indicated risk by lowering the level of capital exposure in one undertaking.

At the same time, funds are consistently pursuing geographic and sectoral diversification policies. Funds acquire shares in companies operating in Poland, but also in Central and Eastern Europe (CEE), German-speaking countries (DACH), former USSR (CIS), Turkey, and Israel. Geographic diversification allows for spreading the investment risk of funds (the decrease in profitability through the deterioration of the economic situation in one market may be minimized due to the good situation on another market) and to benefit from the increase in value of investments in emerging markets. In addition, the Funds diversify their investments by segments of the companies hose shares are acquired by the Funds. Funds invest in early stage companies (start-up/seed businesses) through growth and large buyout/expansion companies.

CREDIT RISK

Credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of financial assets with which the Company’s credit risk is associated, which comprise: trade and promissory note receivables, granted loans, cash, derivative instruments as well as investments in shares and investment certificates, and off-balance sheet liabilities, i.e. warranties and guaranties granted. A significant part of the Company's financial assets is made up of receivables and investments in related entities. The Company optimises the liquidity management process by granting loans, holding promissory note receivables and trade receivables from related parties. The Company monitors the balance of receivables on an ongoing basis. Credit risk associated with investments in subsidiaries and affiliates, investment certificates and derivative instruments is based on the results of companies and funds and is reflected in the valuation of these investments at fair value. At the same time, the financial performance of the companies and funds is monitored by the Company on an ongoing basis. With respect to cash, in order to improve current liquidity, the Company concludes bank deposit agreements with entities with high creditworthiness and deposits the funds for short periods of time. There is no material concentration of credit risk at the Company.