Quarterly report containing interim financial statements of the Capital Group for Q1 2012-2013

covering the period from 01-07-2012 to 30-09-2012

Publication date: 12 November 2012

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I) SELECTED CONSOLIDATED FINANCIAL DETAILS

	PLN '000		EUR '000	
	Q1 accumulated data for the period 12-07-01 to 12-09-30	Q1 accumulated data for the period 11-07-01 to 11-09-30	Q1 accumulated data for the period 12-07-01 to 12-09-30	Q1 accumulated data for the period 11-07-01 to 11-09-30
Sales revenues	1 122 742	944 466	271 495	225 442
Profit (loss) on operations	11 878	21 757	2 872	5 193
Profit (loss) before income tax	11 587	12 725	2 802	3 037
Net profit (loss)	9 299	10 078	2 249	2 406
Net profit (loss) attributable to shareholders of the parent company	9 263	10 080	2 240	2 406
Net profit (loss) attributable to minority shareholders	36	-2	9	-0,48
Total comprehensive income	9 747	17 767	2 357	4 241
Total income attributable to shareholders of the parent company	9 711	17 769	2 348	4 241
Total income attributable to minority shareholders	36	-2	9	-0,48
Net cash flows from operating activities	-49 142	-58 380	-11 883	-13 935
Net cash flows from investing activities	-1 637	-1 070	-396	-255
Net cash flows from financing activities	56 920	63 503	13 764	15 158
Total net cash flows	5 938	4 053	1 436	967
Profit (loss) per ordinary share (PLN/EUR)	0,57	0,62	0,14	0,15
Diluted profit (loss) per share (PLN/EUR)	0,57	0,62	0,14	0,15
Number of shares	16 187 644	16 334 002	16 187 644	16 334 002
	PLN '000		EUR '000	
	As at 30.09.2012	As at 30.06.2012	As at 30.09.2012	As at 30.06.2012
Total assets	1 151 725	1 090 010	279 966	255 793
Equity attributable to shareholders of the parent company	391 674	381 963	95 210	89 635
Equity attributable to non-controlling shareholders	141	141	34	33
Total equity	391 815	382 104	95 244	89 668
Long-term liabilities	5 834	6 246	1 418	1 466
Short-term liabilities	754 076	701 660	183 304	164 659
Total liabilities	759 910	707 906	184 722	166 124
Book value per share (PLN/EUR)	24,20	23,60	5,88	5,54
Diluted book value per share	24,20	23, 60	5,88	5,54

NBP average fx rate of 30.09.2012:	4,1138	PLN/EUR
NBP average fx rate of 30.06.2012:	4,2613	PLN/EUR
Average fx rate for the period 01.07-30.09.2012	4,1354	PLN/EUR
Average fx rate for the period 01.07-30.09.2011	4,1894	PLN/EUR

II) SELECTED STAND-ALONE FINANCIAL DETAILS

	PLN '000		EUR '000	
	Q1 accumulated data for the period 12-07-01 to 12-09-30	Q1 accumulated data for the period 11-07-01 to 11-09-30	Q1 accumulated data for the period 12-07-01 to 12-09-30	Q1 accumulated data for the period 11-07-01 to 11-09-30
I. Net revenues from sale of goods and materials	770 197	605 118	186 245	144 440
II. Profit (loss) on operations	1 100	21 400	266	5 108
III. Gross profit / (loss)	5 100	6 759	1 233	1 613
IV. Net profit (loss)	4 057	5 055	981	1 207
V. Net cash flows from operating activities	-30 468	-26 579	-7 368	-6 344
VI. Net cash flows from investing activities	1 526	-468	369	-112
VII. Net cash flows from financing activities	31 246	24 723	7 556	5 901
VIII. Total net cash flows	2 304	-2 324	557	-555
	PLN '000		EUR '000	
	As at 30.09.2012	As at 30.09.2011	As at 30.09.2012	As at 30.09.2011
IX. Total assets	825 261	779 589	200 608	176 729
X. Liabilities and provisions	528 035	522 575	128 357	118 465
XI. Long-term liabilities				
XII. Short-term liabilities	523 998	515 616	127 376	116 888
XIII. Equity	297 226	257 014	72 251	58 264
XIV. Share capital	16 188	16 334	3 935	3 703
XV. Number of shares	16 187 644	16 334 002	16 187 644	16 334 002
XVI. Profit (loss) per ordinary share (PLN/EUR)	0,25	0,31	0,06	0,06
XVII. Diluted profit (loss) per share (PLN/EUR)	0,25	0,31	0,06	0,06
XVII. Book value per share (PLN/EUR)	18,36	15,73	4,46	3,57
XVIII. Diluted book value per share	18,36	15,73	4,46	3,57

NBP average fx rate of 30.09.2012:	4.1138	PLN/EUR
NBP average fx rate of 30.09.2011:	4.4112	PLN/EUR
Average fx rate for the period 01.07-30.09.2012	4.1354	PLN/EUR
Average fx rate for the period 01.07-30.09.2011	4.1894	PLN/EUR

III) CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	3 months ended 30/09/2012 PLN '000	3 months ended 30/09/2011 PLN '000
Continued operations		
Sales revenues	1 122 742	944 466
Internal cost of sales	-1 078 773	-886 770
Gross profit (loss) on sales	43 969	57 696
Cost of sales	-27 734	-23 939
Overheads	-5 466	-6 439
Other operating revenues	1 587	1 659
Other operating expenses	-478	-7 220
Profit / (loss) on operations	**11 878**	**21 757**
Financial income	3 754	232
Financial costs	-4 045	-9 264
Profit on disposal of affiliated entities		
Share in profit of affiliated entities		
Profit (loss) before income tax	11 587	12 725
Income tax	-2 288	-2 647
Net profit (loss) on continued operations	**9 299**	**10 078**
Discontinued operations		
Net profit (loss) on discontinued operations		
Net profit (loss)	**9 299**	**10 078**
Net profit / loss attributable to:		
Shareholders of the parent company	9 263	10 080
Non-controlling shareholders	36	-2

IV) CONSOLIDATED TOTAL INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	3 months ended 30/09/2012	3 months ended 30/09/2011
	PLN ’000	PLN ’000
Net profit (loss)	**9 299**	**10 078**
Other total income		
FX differences from translation of foreign entities	-2 725	14 443
Valuation of financial assets available for resale		
Net change in transactions hedging cash flows	3 173	-6 754
Revaluation of fixed assets		
Actuarial profit and loss		
Share in other total income of affiliated entities		
Income tax on other total income		
Other total income (net)	**448**	**7 689**
Total income	**9 747**	**17 767**
Total income attributable to:		
Shareholders of the parent company	9 711	17 769
Non-controlling shareholders	-36	-2
Total income	**9 747**	**17 767**

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V) Consolidated statement of financial position for the period ended 30 September 2012

	As at 30/09/2012	30/06/2012
	PLN '000	PLN '000
ASSETS		
Fixed assets		
Tangible fixed assets	93 607	94 397
Goodwill	41 224	41 980
Other intangible assets	25 365	25 502
Long-term investments	452	452
Deferred income tax asset	4 292	4 702
Receivables under financial leasing		
Other financial assets	1	1
Other assets		
Total fixed assets	**164 941**	**167 034**
Working assets		
Inventories	402 042	401 675
Trade, services and other receivables	557 956	500 715
Income tax receivables	113	113
Derivatives	848	
Other financial assets	331	493
Other assets	3 096	3 520
Cash and cash equivalents	22 398	16 460
Total working assets	**986 784**	**922 976**
Total assets	1 151 725	1 090 010

LIABILITIES	30/09/2012 PLN '000	30/06/2012 PLN '000
Equity		
Issued share capital	16 188	16 188
Treasury shares		
Reserve capital	140 631	140 631
Reserve funds	132 528	132 080
Retained profit	102 327	93 064
Equity attributable to shareholders of the parent company	391 674	381 963
Equity attributable to non-controlling shareholders	141	141
Total equity	**391 815**	**382 104**
Long-term liabilities		
Long-term bank loans and borrowings		
Finance lease liabilities		
Pension benefits		
Deferred income tax provision	5 834	6 246
Long-term provisions		
Total long-term liabilities	**5 834**	**6 246**
Short-term liabilities		
Trade and other payables	482 445	486 185
Short-term bank loans and borrowings	259 777	199 891
Finance lease liabilities		
Other financial liabilities.		964
Current tax liability	2 278	203
Short-term provisions	9 576	14 417
Total short-term liabilities	**754 076**	**701 660**
Total liabilities	**759 910**	**707 906**
Total liabilities	1 151 725	1 090 010

VI) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Share capital	Treasury shares	Reserve capital	General reserve capital	Revaluation reserve of managerial options	FX conversion reserve capital	Total reserve capital	Retained profit	Equity attributable to shareholders of the parent company	Equity attributable to non-controlling shareholders	Total equity
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Balance as at 1 July 2011	16 334	-838	140 158	65 987	-	26 026	92 013	85 777	333 444	141	333 585
Issue of ordinary shares											
Costs of share issue											
Purchase of treasury shares											
Valuation of managerial option scheme											
Net profit / loss for the period								10 080	10 080	-2	10 078
Profit distribution for the preceding financial year											
FX differences from translation of foreign entities						14 443	14 443		14 443		14 443
Hedge accounting					-6 754		-6 754		-6 754		-6 754
Revaluation of fixed assets											
Income tax on other total income											
Other										1	1
Dividend distribution											
Total recognized income and expenses											
As at 30 September 2011	16 334	-838	140 158	65 987	-6 754	40 469	99 702	95 857	351 213	140	351 353

	Share capital	Treasury shares	Reserve capital	General reserve capital	Revaluation of cash flow hedges	FX conversion reserve capital	Total reserve capital	Retained profit	Equity attributable to shareholders of the parent company	Equity attributable to non-controlling shareholders	Total equity
Balance as at 1 July 2012	16 188	140 631	146	105 110	-944	27 768	132 080	93 064	381 963	141	382 104
Costs of share issue											
Purchase of treasury shares											
Valuation of managerial option scheme											
Net profit / loss for the period								9 263	9 263	36	9 299
Profit distribution for the preceding financial year											
FX differences from translation of foreign entities						-2 725	-2 725		-2 725		-2 725
Net cash flow hedge					3 173		3 173		3 173		3 173
Revaluation of fixed assets											
Income tax on other total income											
Purchase of subsidiary company											
Other											
Dividend distribution											
Total recognised income and expenses										-36	-36
As at 30 September 2012	16 188	140 631	146	105 110	2 229	25 043	132 528	102 327	391 674	141	391 815

VII) CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	3 months ended 30/09/2012	3 months ended 30/09/2011
	PLN '000	PLN '000
Cash flow from investing activities		
Gross profit (loss)	11 587	12 728
Financial expenses recognised in the total income statement	2 966	2 747
Depreciation / amortisation	2 447	2 450
Profit (loss) on investments	-26	
FX profit (loss)	-351	10 445
	16 623	28 370
Change in working capital		
Change in trade receivables	-57 241	-120 004
Change in other receivables		
Change in inventories	-367	-73 141
Change in other assets	424	269
Change in trade payables	-3 740	107 594
Change in provisions	-4 841	-1 034
Other adjustments		
	-65 765	-86 316
Cash generated from operating activities	-49 142	-57 946
Interest paid		
Corporate income tax paid	-203	-434
Net cash from operating activities	-49 345	-58 380
Cash flows from investing activities		
Payables for purchased financial assets		
Inflow from disposal of financial assets		
Interest received		
Loans disbursed	-183	-200
Loans repaid	443	5
Payment for tangible fixed assets	-1 917	-445
Inflow from disposal of tangible fixed assets	20	25
Payments for intangible assets		-455
Cash generated from investing activities	-1 637	-1 070
Cash flows from financing activities		
Inflow from issues of debt securities		
Inflow from share issues		
Costs of share issues		
Loans/borrowings received	59 886	66 250
Loans/borrowing repaid		
Interest	-2 966	-2 747
Redemption of debt securities		
Purchase of treasury shares		
Net cash flows from financing activities	56 920	63 503
Net change in cash and cash equivalents	**5 938**	**4 053**
Cash and cash equivalents at beginning of period	16 460	16 437
Cash and cash equivalents at end of period	22 398	20 490

VIII) BALANCE SHEET (STAND-ALONE)

	ASSETS [TPLN]	2012-09-30	2012-06-30	2011-09-30
I	**Fixed assets**	**175 898**	**178 661**	**185 088**
1	Intangible assets	**347**	**545**	**1 630**
	- Goodwill			
2	Tangible fixed assets	**57 938**	**58 323**	**59 700**
3	Long-term receivables			
3.1	From related entities			
3.2	From other entities			
4	Long-term investments	**116 849**	**119 049**	**120 251**
4.1	Real estate	**452**	**452**	**452**
4.2	Intangible assets			
4.3	Long-term financial assets	**116 397**	**118 597**	**119 799**
a)	in related entities, of which:	**116 397**	**118 597**	**119 759**
	- stock or shares	**115 849**	**115 849**	**108 849**
	- loans extended	**548**	**2 748**	**10 910**
b)	in other entities			**40**
	- loans extended			**40**
4.4	Other long-term investments			
5	Long-term accruals	**764**	**744**	**3 507**
5.1	Deferred income tax asset	**764**	**744**	**3 507**
5.2	Other prepayments and accruals			
II	**Working assets**	**649 363**	**605 064**	**594 501**
1	Inventories	270 348	276 280	255 238
2	Short-term receivables	363 257	315 993	331 282
2.1	From related entities	14 872	7 590	11 846
2.2	From other entities	348 385	308 403	319 436
3	Short-term investments	14 281	11 762	7 070
3.1	Short-term financial assets	14 281	11 762	7 070
a)	in related entities			
b)	in other entities	708	493	5
c)	cash and cash equivalents	13 573	11 269	7 065
3.2	Other short-term investments			
4	Short-term accruals	1 477	1 029	911
	TOTAL ASSETS	**825 261**	**783 725**	**779 589**

	LIABILITIES [TPLN]	2012-09-30	2012-06-30	2011-09-30
I	**Equity**	**297 226**	**290 744**	**257 014**
1	Share capital	16 188	16 188	16 334
2	Called up share capital not paid (negative value)			
3	Treasury shares (negative value)			-838
4	Reserve capital	135 503	135 503	135 503
5	Revaluation reserve	2 070	-355	-4 981
6	Other reserves	105 249	105 249	65 980
7	Retained profit (loss)	34 159		39 961
8	Net profit (loss)	4 057	34 159	5 055
9	Net profit distributions during the financial year (negative value)			
II	**Liabilities and provisions**	**528 035**	**492 981**	**522 575**
1	Provisions for liabilities	4 037	4 271	6 959
1.1	Deferred income tax provision	485		
1.2	Provision for pension benefits and similar	250	250	205
a)	long-term			
b)	short-term			

1.3	Other provisions	3 302	4 021	6 754
a)	long-term			
b)	short-term	3 302	4 021	6 754
2	Long-term liabilities			
2.1	Towards related entities			
2.2	Towards other entities			
3	Short-term liabilities	523 998	488 710	515 616
3.1	Towards related entities	2 124	1 983	2 677
3.2	Towards other entities	521 558	486 255	512 703
3.3	Special-purpose funds	316	472	236
4	Prepayments and accruals			
4.1	Negative goodwill			
4.2	Other prepayments and accruals			
a)	long-term			
b)	short-term			
	TOTAL LIABILITIES	**825 261**	**783 725**	**779 589**

IX) OFF-BALANCE SHEET ITEMS (STAND-ALONE)

	[TPLN]	2012-09-30	2012-06-30	2011-09-30
1	**Contingent receivables**			
1.1	From related entities as			
	- guarantees and sureties received			
1.2	From other entities as			
	- guarantees and sureties received			
2	**Contingent liabilities**	**24 091**	**25 392**	**14 647**
2.1	Towards related entities as			
	- guarantees and sureties received			
2.2	Towards other entities as	24 091	25 392	14 647
	- guarantees and sureties issued :	24 091	25 392	14 647
3	Other - factoring	48 922	50 601	54 111
	Total off-balance sheet items	**73 013**	**75 993**	**68 758**

X) Profit and loss account (stand-alone)

	[TPLN]	from 12-07-01 to 12-09-30	from 11-07-01 to 11-09-30
I	Net revenues from the sale of products, goods and materials, of which:	770 197	605 118
	- from related entities	38 995	22 964
1	Net revenues from sales of products	4 337	6 011
2	Net revenues from sales of goods and materials	765 860	599 107
II	Costs of products, goods, materials sold of which:	753 430	565 374
1	Manufacture costs of products sold	4 313	5 950
2	Value of goods and materials sold	749 117	559 424
III	**Gross profit (loss) on sales (I-II)**	**16 767**	**39 744**
IV	**Costs of sales**	**13 322**	**10 289**
V	**Overheads**	**2 464**	**3 045**
VI	**Profit (loss) on sales (III-IV-V)**	**981**	**26 410**
VII	**Other operating revenues**	**390**	**708**
1	Profit on disposal of non-financial fixed assets		
2	Subsidies		
3	Other operating revenues	390	708
VIII.	**Other operating expenses**	**271**	**5 718**
1	Loss on disposal of non-financial fixed assets	12	
2	Revaluation of non-financial assets		
3	Other operating expenses	259	5 718
IX.	**Profit / (loss) on operations (VI+VII-VIII)**	**1 100**	**21 400**
X	Financial income	7 686	194
1	Dividend and profit distribution, of which:		
	- from related entities		
2	Interest, of which:	376	193
	- from related entities		
3	Profit on disposal of investments		
4	Revaluation of investments		
5	Other	7 310	1
XI.	Financial costs	3 686	14 835
1	Interest, of which:	3 415	3 306
	- for related entities		
2	Loss on disposal of investments		
3	Revaluation of investments		
4	Other	271	11 529
XII.	**Profit / (loss) on business operations (IX+X-XI)**	**5 100**	**6 759**
XIII	**Net extraordinary profit/loss (XIII.1. - XIII.2.)**		
1	Extraordinary profit		
2	Extraordinary loss		
XIV	**Gross profit (loss) (XII+/-XIII)**	**5 100**	**6 759**
XV	**Income tax**	**1 043**	**1 704**
a)	current part	1 146	2 905
b)	deferred part	-103	-1 201
XVI	**Other obligatory profit decrease (loss increase)**		
XVII	**Share in profit (loss) of subsidiary companies**		
XVIII	**Net profit (loss) (XIV-XV-XVI+/-XVII)**	**4 057**	**5 055**

XI) CHANGES IN EQUITY (STAND-ALONE)

	[TPLN]	from 12-07-01 to 12-09-30	from 11-07-01 to 12-06-30	from 11-07-01 to 11-09-30
I	**Equity at beginning of period (OB)**	**290 744**	**256 940**	**256 940**
a)	change in approved accounting rules (policies)			
b)	correction of fundamental errors			
I.a	**Equity at beginning of period, after reconciliation with comparable data**	**290 744**	**256 940**	**256 940**
1	Share capital at beginning of period	16 188	16 334	16 334
1.1	Changes in share capital		-146	
a)	increases (due to)			
	- share issue			
b)	decreases (due to)		146	
	- share redemption		146	
1.2	Share capital at end of period	16 188	16 188	16 334
2	Due contributions to share capital at beginning of period			
2.1	Changes in due contributions to share capital			
a)	increases (due to)			
b)	decreases (due to)			
2.2	Due contributions to share capital at end of period			
3	Treasury shares at beginning of period		-838	-838
3.1	Changes in treasury shares		838	
a)	increases (due to)			
	- Purchase of treasury shares			
b)	decreases (due to)		838	
3.2	Treasury shares at end of period		-	-838
4	Reserve capital at beginning of period	135 503	135 503	135 503
4.1	Changes in reserve capital			
a)	increases (due to)			
	- share issue above par value			
	- (statutory) profit distribution			
	- profit distribution in excess of statutory minimum value			
b)	decreases (due to)			
	- costs of share issue			
4.2	Reserve capital at end of period	135 503	135 503	135 503
5	Revaluation capital at beginning of period	-355		
5.1	Changes in revaluation capital	2 425		
a)	increases (due to)	2 425		
	- cash flow hedge			
b)	decreases (due to)		355	4 981
	- cash flow hedge		355	4 981

5.2	Revaluation capital at end of period	2 070	-355	-4 981
6	Other reserves at beginning of period	105 249	65 980	65 980
6.1	Changes in other reserves		39 961	
a)	increases (due to)		39 961	
	profit transfer for the preceding period		39 961	
	Payments for share capital			
b)	decreases (due to)		692	
	share redemption		692	
6.2	Other reserves at end of period	105 249	105 249	65 980
7	Retained profit (loss) at beginning of period	34 159	39 961	39 961
7.1	Retained profit at beginning of period	34 159	39 961	39 961
a)	change in approved accounting rules (policies)			
b)	correction of fundamental errors			
7.2	Retained profit at beginning of period after reconciliation with comparable data	34 159	39 961	39 961
a)	increase (due to)			
	- distribution of retained profit			
b)	decreases (due to)		39 961	
	distribution of retained profit			
	increase in reserve capital		39 961	
	dividend distribution			
7.3	Retained profit at end of period			
7.4	Retained loss at beginning of period			
a)	change in approved accounting rules (policies)			
b)	correction of fundamental errors			
7.5	Retained loss at beginning of period after reconciliation with comparable data			
a)	increases (due to)			
	- transfer of retained loss to be covered			
b)	decreases (due to)			
7.6	Retained loss at end of period			
7.7	Retained profit / loss at end of period	34 159	-	39 961
8	Net profit/loss	4 057	34 159	
a)	net profit	4 057	34 159	5 055
b)	net loss			
c)	profit write-offs			
II	**Equity at end of period (CB)**	**297 226**	**290 744**	**257 014**
III	**Equity after suggested profit distribution (loss coverage)**	**297 226**	**290 744**	**257 014**

XII) CASH FLOW STATEMENT (STAND-ALONE)

	[TPLN]	from 12-07-01 to 12-09-30	from 11-07-01 to 11-09-30
A	**Cash flow from operating activities**		
I	**Net profit**	**4 057**	**5 055**
II	**Total adjustments:**	**- 34 525**	**-31 634**
1	Share in profit (loss) of subsidiary companies		
2	Depreciation / amortisation	1 506	1 698
3	FX profit (loss)	2 430	394
4	Interest and share in profit (dividend)	2 630	2 392
5	Profit/loss on investing activities	-26	
6	Change in provisions	-719	3 412
7	Change in inventories	5 932	-32 911
8	Change in receivables	- 47 264	-96 838
9	Change in short-term liabilities with the exception of loans	1 537	91 484
10	Change in prepayments and accruals	- 551	-1 265
11	Other adjustments		
III	**Net cash flows from operating activities**	**-30 468**	**-26 579**
B.	**Cash flow from investing activities**		
I	**Inflows**	**2 661**	**31**
1	Sale of intangible assets and tangible fixed assets	18	25
2	Disposal of investments in real estate and intangible assets		
3	From financial assets, of which:	2 643	
a)	in related entities	2 200	
	- disposal of financial assets		
	- dividends and share in profits		
	- repayment of long-term loans granted		
	- interest		
	- other inflows from financial assets		
	- dividends and share in profits		
	- repayment of long-term loans granted	2 200	
	- interest		
	- other inflows from financial assets		
b)	in other entities	443	6
	- disposal of financial assets		
	- dividends and share in profits		
	- repayment of long-term loans granted		
	- interest		
	- other inflows from financial assets		
	- dividends and share in profits		
	- repayment of long-term loans granted	443	6
	- interest		
	- other inflows from financial assets		
4	other investment inflows		
II	**Outflows**	**1 135**	**499**
1	Purchase of intangible assets and tangible fixed assets	952	299
2	Purchase of investments in real estate and intangible assets		
3	Financial assets	183	
a)	in related entities		200
	- purchase of financial assets		
	- long-term loans granted		200
b)	in other entities	183	
	- purchase of financial assets		
	- long-term loans granted	183	
4	Other investments		
III	**Net cash flows from investing activities**	**1 526**	**-468**
C	**Cash flows from financing activities**		

I	Inflows	33 876	27 115
1	Net inflows from issues of shares and other equity instruments		
2	Loans and borrowings	33 876	27 115
3	Issue of debt securities		
4	Other financial inflows		
II	**Outflows**	**2 630**	**2 392**
1	Purchase of treasury shares		
2	Dividend and other profit distributions		
3	Other profit distributions		
4	Repayment of loans		
5	Redemption of debt securities		
6	Other financial liabilities		
7	Payments under financial leasing contracts		
8	Interest	2 630	2 392
9	Other financial outflows		
III	**Net cash flows from financing activities**	**31 246**	**24 723**
D	**Total net cash flows**	**2 304**	**-2 324**
E	**Balance sheet change in cash, of which:**	**2 304**	**-2 324**
	- change in cash due to FX differences		
F	**Cash at beginning of period**	**11 269**	**9 389**
G	**Cash at end of period, of which:**	**13 573**	**7 065**
	- restricted cash		

XIII) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

These Condensed Interim Consolidated Financial Statements of the Group were made in accordance with the International Accounting Standard ("IAS") 34 – Interim Financial Reporting ("IAS 34") and in compliance with accounting standards applicable to interim financial reporting as approved by the European Union, published and in force when these Interim Consolidated Financial Statements were prepared.

The Condensed Interim Consolidated Financial Statements do not contain all the information that is disclosed in the annual consolidated financial statements made in compliance with IFRS. These Condensed Interim Consolidated Financial Statements shall be construed jointly with the Consolidated Financial Statements of the Capital Group for 2011/2012.

2. APPLIED ACCOUNTING RULES

- **Going concern assumption**

The Consolidated Financial Statements were prepared on the assumption that the Group is a going concern in the foreseeable future. As of the date of these financial statements, no circumstances occur that would pose a threat to continuation of business activities.

- **Functional currency and reporting currency**

These Consolidated Financial Statements were made in Polish zlotys (PLN). PLN is the functional and reporting currency of the Capital Group. The figures in the financial statements are disclosed in PLN thousand unless in specific cases they are disclosed with more accuracy.

- **Consolidation basis**

These Consolidated Financial Statements were made in accordance with the historical cost convention with the exception of derivative financial instruments which are stated at fair value.

The Consolidated Financial Statements contain the financial statements of the parent entity and financial statements of the entities controlled by the parent entity. Control is deemed to have been assumed when the parent entity is able to influence financial and operational policies of the subordinated entities directly or indirectly in order to benefit from their activity.

Financial results of subsidiary entities acquired or disposed during the year are disclosed in the Consolidated Financial Statements from/until the time of effective acquisition or disposal.

Whenever required, financial statements of subsidiary or affiliated entities are adjusted to make the accounting rules applied by these entities compliant with the rules applied by other Group entities.

All transactions, balances, revenues and expenses between the consolidated entities are fully eliminated for consolidation purposes.

Non-controlling interests (with the exception of goodwill) are disclosed in net assets of the consolidated subsidiary entities separately from the equity of the Group. Non-controlling interests include the value of shares as at the date of business combination (see below) and non-controlling interests in changes to equity starting from the business combination date. Losses attributable to non-controlling interests in excess of the interest in the entity's share capital are allocated to the Group's interests with the exception of instances of binding commitments and ability of the non-controlling shareholders to make additional investments to cover the losses.

- **Business Combinations**

Takeovers of subsidiary entities and separate business operations were accounted for in accordance with the acquisition price method as per the IFRS 3, applicable as at the combination date.

- **Goodwill**

Goodwill from acquisition results from a surplus of acquisition costs as at the take-over date over the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary or affiliated entity or joint venture recognised as at the acquisition date.
Goodwill is initially recognised as an asset at cost and is subsequently valued at cost reduced by accumulated impairment.

- **Recognition of sales revenues**

Sales revenues are recognised at fair received or payable value after accounting for anticipated rebates, returns by clients and similar write-downs.

Sales of goods

Revenues from sales of goods are recognised when all the conditions specified below have been met:

- transfer by the Group to the buyer of material risks and benefits underlying the title to goods;
- transfer by the Group of managerial functions to the extent usually related to the title and of effective control over the sold goods;
- possibility to make a reliable valuation of the revenue amount;
- probability that the entity will receive economic benefits related to the transaction; and
- possibility of a reliable valuation of costs incurred or expected in relation to the transaction.

Provision of services

Revenues generated under service contracts are recognised by taking into account the progress of work under each contract.

Interest and dividend income

Dividend income is recognised when shareholders are granted the right to receive dividend.

Interest income is recognised on an accrual basis by reference to the amount of outstanding principal and subject to effective interest rate which is the rate effectively discounting future cash inflows estimated for the anticipated life of an asset to the net book value of the asset.

- **Foreign currencies**

Stand-alone financial statements of Group companies are presented in the currencies prevailing in the markets of their respective business operations (their functional currencies). The Consolidated Financial Statements disclose financial results and items of each unit in Polish zlotys (PLN) which is the functional currency of the company and the presentation currency of the Consolidated Financial Statements.

In stand-alone financial statements, transactions executed in other currencies than PLN are disclosed at the exchange rate prevailing on the transaction date. As at the balance sheet date, foreign currency-denominated cash assets and liabilities are translated at the exchange rate prevailing as at that date. Non-cash assets and liabilities stated at fair value and denominated in foreign currencies are translated at the exchange rate prevailing on the date the fair value was determined. Non-cash items stated at historical cost in foreign currencies are not re-translated.

FX differences are recognised in the profit and loss account in the period they occurred with the following exceptions:

- FX differences concerning assets under construction to be used in production that are incorporated as costs of such assets are treated as adjustments to interest expense of foreign currency-denominated loans;
- FX differences resulting from transactions executed to secure against a certain FX risk (see: hedging accounting rules); and
- FX differences resulting from cash receivables from or payables towards foreign entities with which no settlements are planned or such settlements are not probable and that are part of net investments in foreign entities and recognised in reserve capital from foreign currency translation and in net profit/loss on disposal of investments.

For consolidation purposes, assets and liabilities of foreign subsidiaries are translated into PLN at the exchange rate as at the balance sheet date. Revenues and expenses are translated at the average exchange rate for the reporting period excepting a situation when fluctuations of the exchange rates are material (then the exchange rates of the transaction dates are applied). Any resultant FX differences are recognised in the Consolidated Financial Statements in equity and are transferred to the FX translation reserve set up by the Group. Such FX differences are recognised as income or expense in the period when a foreign subsidiary is sold.

Goodwill and fair value adjustments resulting from acquisition of a foreign subsidiary are treated as an asset or liability of the entity domiciled abroad and are translated into PLN at the exchange rate prevailing as at the balance sheet date.

- **Borrowing costs**

Costs of external financing directly related to acquisition or manufacturing of assets that require a longer time to be used or resold, are added to the manufacturing costs of such assets until the assets are ready for intended application or resale. Income on investments generated as a result of short-term investment of the external funding before it is invested in the assets referred to above reduce the costs of external financing subject to capitalisation.

All other costs of external financing are recognised directly in the profit and loss account in the period they were incurred.

- **Costs of future pension benefits**

In accordance with labour law regulations, employees of the Group are entitled to retirement allowance. Retirement allowance is a one-off payment due to employees on their retirement. The amount of retirement allowance depends on the average salary of the employee. The Group sets up a provision for future retirement allowance liabilities in order to allocate the costs to relevant periods. In accordance with IAS 19, retirement allowances are defined benefit plans after the period of employment. The accrued liability is equal to discounted payments to be made in the future subject to staff rotation and applies to the period until the balance sheet date. Demographic information and information on staff rotation is based on historical data. Changes in the provisions resulting from calculations are recognised as profit or loss.

- **Taxation**

Income tax of the entity includes current tax payable and deferred tax.

Current income tax

The current tax liability is calculated on the basis of the taxation base for the current financial year. Tax profit (loss) differs from the book net profit (loss) due to exclusion of taxable income and tax-deductible expenses in future periods as well as non-taxable income and non-tax deductible expenses. Current income tax liability is calculated at the tax rates applicable in a given financial year.

Deferred income tax

Deferred income tax is calculated using the balance sheet liability method as a tax payable or refundable in the future taking into account differences between book value of assets and liabilities and the corresponding tax values used to calculate the taxation base.
Deferred income tax provision is recognised on all positive temporary taxable differences while the deferred income tax asset is recognised at a probable reduction amount of future taxable profit by recognised negative temporary differences. No deferred income tax asset or provision is recognised when the temporary difference arises from goodwill or due to original recognition (apart from recognition after business combinations) of another asset or liability item in a transaction that does not affect tax or book profit.

Deferred income tax provision is recognised on temporary tax differences resulting from investments in subsidiary and affiliated entities and in joint ventures unless the Group is able to control the reversal method of such temporary difference and it is probable that in the foreseeable future the temporary difference is not reversed. Deferred income tax asset resulting from temporary differences in deductions related to such investments and interests is recognised to the extent corresponding to probable taxable profit that will be compensated with temporary differences if it is probable that such differences are realised in the foreseeable future.

The book value of the deferred income tax asset is subject to review as at each balance sheet date and when the anticipated future taxable profit is not sufficient to recover the asset or a part thereof, the value shall be reduced accordingly.

The deferred income tax asset and provision are calculated at the tax rates that will be applicable when such asset is realised or provision becomes due, in accordance with the tax regulations applicable as at the balance sheet date. Revaluation of the deferred income tax asset and provision reflects tax consequences of the method according to which the Group expects to recover or account for the book value of deferred income tax asset and provision as at the date of the financial statements.

The deferred income tax asset and provision are set-off when a right occurs to set-off the current income tax asset and provision as long as such items are taxable by the same tax authority and the Group intends to settle its income tax asset and provision with net amounts.

Current and deferred income tax for the current accounting period

The current and deferred income tax is recognised as a cost or revenues in the profit and loss account with the exception of items recognised directly in equity since then the income tax is referred directly to equity, or when it results from the original recognition of business combinations. In case of business combinations, tax consequences are taken into account for goodwill calculation or determination of the value of the acquiring entity's share in identifiable assets, liabilities and contingent liabilities of the acquired entity in excess of the acquisition cost.

- **Tangible fixed assets**

Fixed assets and fixed assets under construction are originally recognised at acquisition cost or manufacturing cost.
As at the balance sheet date, fixed assets are recognised at acquisition cost or manufacturing cost reduced by accumulated depreciation and impairment write-downs.
As at the balance sheet date, fixed assets under construction are recognised at acquisition cost or manufacturing cost.
Depreciation rates are applied in order to write-down the acquisition cost or manufacturing cost of assets other than fixed assets under construction. Such write-downs are made with the linear method throughout the economic life of each item starting from the month following the month such fixed asset was taken over for use. Estimated useful life, residual values and depreciation methods are subject to review at the end of each year and the results of such changes to estimates are recognised prospectively.
In accordance with the materiality principle, fixed asset with initial value under PLN 2.000 is expensed the month following the month such fixed asset was taken over for use.
Assets held pursuant to financial leasing contracts are depreciated for the period of their anticipated useful economic life in accordance with the same principles as owned assets, however not longer than for the term of the leasing contract.
Profit or loss resulting from disposal / liquidation or discontinued use of tangible fixed assets is identified as the difference between disposal proceeds and the book value of such items and recognised in the profit and loss account.

- **Investment real estate**

Investment real estate is the property that generates rent revenues and/or is held with the anticipation that it will grow in value. Investment real estate is initially recognised at cost.
As at the balance sheet date, investment real estate is recognised at acquisition cost reduced by accumulated depreciation and impairment write-downs.

- **Intangible assets**

Intangible assets acquired in separate transactions

Intangible assets acquired in separate transactions are recognised at historical cost reduced by accumulated amortisation and impairment write-downs. Amortisation is applied using the linear method over the anticipated useful life of the assets. The estimated useful life and the related amortisation are reviewed at the end of each annual reporting period and the effects of changes in estimates are recognised in future reporting periods.

Intangible assets acquired through business combinations

Intangible assets acquired through business combination are identified and recognised separately from goodwill if they comply with the definition of intangible assets and if the fair value can be reliably assessed. The cost of such assets is equivalent to their fair value as at the acquisition date.

After the initial recognition, the assets are disclosed at historical cost reduced by accumulated amortisation and impairment write-downs in the same manner as intangible assets acquired in separate transactions. Intangible assets with unspecified useful life are subject to impairment tests each year.

- **Impairment of tangible fixed assets and intangible assets excluding goodwill**

As at each balance sheet date, the Group reviews book values of its fixed assets and intangible assets to identify if there are no indications of impairment. If such indications are identified, the realisable value of such asset is established in order to determine a potential write-down. When an asset does not generate cash flows that are largely independent of cash flows generated by other assets, such analysis is performed for a group of assets generating cash flows containing such an asset. If it is possible to identify a reliable and uniform allocation basis, fixed assets held by the Group are allocated to specific units generating cash flows or to smallest groups of units generating such cash flows for which reliable and uniform allocation basis may be identified.

With respect to intangible assets with unspecified useful life, impairment tests are performed annually and additionally when impairment indications exist.

The realisable value is determined as the higher of: the fair value less costs to sell or the value in use. The latter is equivalent to the present value of estimated future cash flows discounted with a gross discount rate allowing for the market cost of money in time and the risk specific for each asset.

If the realisable value is lower than the book value of the asset (or the unit generating cash flows), the book value of the asset or unit is reduced to the realisable value. Impairment loss is recognised forthwith as the cost of the period in which it occurred with the exception of a situation when an asset is recognised after revaluation (then the impairment is treated as a reduction to the prior revaluation).

If an impairment write-down is subsequently reversed, the net value of the asset (or unit generating cash flows) is increased to the new estimated realisable value not exceeding, however, the book value of the asset that would have been recognised if no impairment of the asset / cash generating unit had been previously recognised. Impairment reversal is recognised forthwith in the profit and loss account as long as the asset was not revalued earlier – in such a case, reversal of impairment is treated as an increase in revaluation.

- **Inventories**

Inventories are recognised at the lower of: purchase price or manufacture cost or at net sales price.
The sales price is the realisable price as at the balance sheet date net of VAT.
Inventories include goods, materials and finished products. Goods and materials are disclosed at cost including the purchase price increased by import duties, costs of transportation, loading, unloading and other costs directly related to acquisition of goods and materials less any discounts and rebates.
The manufacture costs of products include costs directly related to the product and appropriately allocated variable and fixed indirect production costs. Indirect variable production costs are allocated to a product unit on the basis of current use of manufacturing machinery and equipment. Indirect variable production costs are allocated on the basis of normal use of production capacity. Rotation of stocks follows the weighted average and FIFO method while rotation of products follows the FIFO method.
The sales price is the realisable price as at the balance sheet date net of VAT.

- **Provisions**

Provisions are recognised when the Group has current liabilities (legal or contractual) that result from past events, the Group will probably will have to pay them and the amount can be reliably assessed.

The recognised provision reflects most accurately an estimated payable amount of the current liability as at the balance sheet date subject to underlying risk and uncertainty. If the provision is assessed with estimated cash flows required to settle the current liability, the book value shall be equal to the present value of the cash flows.

If it is probable that the economic benefits required to cover the provisions may be recovered from a third party in part or in whole, the receivable is recognised as an asset provided the probability of recovering such amounts is high enough and it can be reliably assessed.

Warranty obligations

Provisions for costs of warranty repairs are recognised at sale of products in accordance with the best estimate of the management as to the future costs to be incurred by the Group during the warranty period.

- **Financial assets**

Investments are recognised on purchase date and derecognised on disposal date if a contract requires that they are delivered on a date determined by a given market; the initial value is stated at fair value reduced by transaction costs with the exception of those assets that are classified as financial assets originally stated at fair value through profit and loss account.

Financial assets are classified in the following categories: financial assets originally at fair value through profit and loss account; investments kept until maturity, financial assets available for resale as well as loans and receivables. The classification depends on the nature and application of financial assets and it is determined at initial recognition.

Effective interest rate method

This is a method to calculate the amortised costs of assets and to allocated interest income in relevant periods. The effective interest rate is the rate discounting estimated future cash flows over the anticipated useful life of a financial asset or over a shorter time if justified.

Income from debt instruments other than financial assets stated at fair value through profit and loss account is recognised at the effective interest rate.

Financial assets stated at fair value through the total income statement

This group includes available-for-sale financial assets or assets stated at fair value through profit and loss account.

A financial asset is classified as available for sale if:

- it has been acquired primarily for resale in the near future; or
- it is a part of a portfolio of financial instruments managed by the Group as a whole, in compliance with the current and actual model to generate short-term profit; or
- it is a derivative instrument not classified as a hedging instrument.

A financial asset other than available for sale may be classified as stated at fair value through profit and loss account at initial recognition if:

- such classification eliminates or materially reduces inconsistency of valuation or recognition occurring in other circumstances; or
- the financial asset is a part of a group of financial assets or liabilities or both managed groups and the results are assessed at fair value in accordance with the documented risk management strategy or investments of the Group within which information on asset groups is transferred internally; or
- the asset is a part of a contract containing one or more embedded derivative instruments and IAS 39 allows classification of the entire contract (an asset or a liability) to be stated at fair value through profit and loss account.

Financial assets stated at fair value through profit and loss account are stated at fair value and the resultant profit or loss is recognised in the profit and loss account. Net profit or loss recognised in the profit and loss account include dividend or interest generated by the specific financial asset.

Investments held to maturity

Commercial papers and debentures with fixed or negotiable payment terms and with fixed maturity dates that the Group wants and is able to hold until maturity are classified as investments held to maturity. Such investments are recognised at amortised historical cost using the effective interest rate less impairment, while the income is recognised using the effective income method.

Financial assets available for sale

Listed stocks and redeemable commercial papers held by the Group that are traded in an active market are classified as assets available for sale and stated at fair value. Profit and loss resulting from changes in fair value are recognised directly in equity as revaluation reserve with the exception of impairment losses, interest applied at the effective interest rate and FX gains and losses on cash assets that are recognised directly in the profit and loss account. If an investment is sold or impaired, the accumulated profit or loss previously recognised in revaluation reserve is transferred to the profit and loss for the reporting period.

Dividend on equity instruments available for sale is recognised in the profit and loss account when the Group is awarded right to the dividend.

The fair value of available-for-sale cash assets denominated in foreign a currency is determined by translating the amounts at the spot rate as at the balance sheet date. Change in fair value of FX differences resulting from a change in the amortised historical cost of a given asset is recognised in the profit and loss account while other changes are recognised in equity.

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms that are not traded in an active market are classified as “loans and receivables”. They are stated at amortised cost using the effective interest rate and by taking into account impairment. Interest income is recognised using the effective interest rate with the exception of short-term receivables where interest recognition would be immaterial.

Impairment of financial assets

Financial assets – apart from those stated at fair value through profit and loss account – are tested for impairment at each balance sheet date. Financial assets are impaired when there are objective indications that events after the initial recognition of an asset adversely affected the related estimated future cash flows. With respect to financial assets recognised at amortised historical cost, impairment is the difference between the book value and the present value of estimated cash flows discounted using the original effective interest rate.

The book value of a financial asset is reduced directly with an impairment charge with the exception of trade receivables whose book value is reduced with charges to a specially designated account. The charges apply to trade receivables deemed as uncollectible; when they are collected, such amounts are credited to the account. Changes of the book value of the charge account are recognised in the profit and loss account.

If in a subsequent period, the amount of impairment charges is reduced and the reduction may be objectively related to an event that occurred after the impairment charge, the impairment charge shall be reversed through profit and loss account to the extent corresponding to the reversed book value as of the impairment date and up to the amount of the amortised historical cost that would have been recognised had it not been for the impairment. The above applies to all assets with the exception of available-for-sale equity instruments. In this case, an increase in fair value following impairment is recognised directly in equity.

Derecognition of financial assets

The Group derecognises financial assets only after expiry of any contractual rights to cash flows generated by such assets or when such financial assets substantially with all their related risk and all benefits have been transferred to another entity. If the Group does not transfer or maintain substantially all risk and all benefits related to a financial asset and retains control of such asset, it recognises the retained share in such asset and the related obligations of potential benefits. However, if the Group maintains substantially all risk and all benefits related to such transferred asset, it continues to recognise the financial asset and any secured loans underlying the received income.

- **Financial liabilities and equity instruments issued by the Group**

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity, subject to contractual agreement.

Equity instruments

Capital instruments include every contract which confirms the right to assets of the entity net of all its liabilities. Equity instruments are recognised at the amounts received less direct issue costs.

Financial liabilities

Financial liabilities are classified either as financial liabilities stated at fair value through profit and loss account or as other financial liabilities.

Financial liabilities stated at fair value through profit and loss account

This category includes available- for- sale financial liabilities or liabilities defined as stated at fair value through profit and loss account.

A financial liability is classified as available for sale if:

- it has been contracted to be repurchased within a short time;
- it is a part of a portfolio of financial instruments managed by the Group as a whole, in compliance with the current and actual model to generate short-term profit; or
- it is a derivative instrument not classified as a hedging instrument.

A financial liability other than available for sale may be classified as stated at fair value through profit and loss account at initial recognition if:

- such classification eliminates or materially reduces inconsistency of valuation or recognition occurring in other circumstances; or
- the financial asset is a part of a group of financial assets or liabilities or both managed groups and the results are assessed at fair value in accordance with the documented risk management strategy or investments of the Group within which information on asset groups is transferred internally; or
- it is a part of a contract containing one or more embedded derivative instruments and IAS 39 allows classification of the entire contract (an asset or a liability) to be stated at fair value through profit and loss account.

Financial liabilities stated at fair value through profit and loss account are stated at fair value and the resultant financial profit or loss is recognised in the profit and loss account including interest paid on the financial liability.

Other financial liabilities.

Other financial liabilities, including bank loans and borrowings, are originally stated at fair value net of transaction costs.

Subsequently, they are recognised at amortised historical cost using the effective interest rate method and interest expense is recognised using the effective income method.

The effective interest rate method is used to calculate the amortised cost of the liability and to allocate interest expenses to the relevant periods. The effective interest rate is a rate discounting future cash payments over the foreseeable life of a liability or over a shorter time if required.

Derivatives

The Group uses forward term contracts to hedge the FX risk.

Derivative instruments are recognised at fair value as of the date of the contract and subsequently they are revalued to fair value as at each balance sheet date. The resultant profit or loss is immediately recognised in the profit and loss account.

Derivative instruments not designated as effective hedging instruments are classified as working assets or liabilities.

Hedge accounting.

As from 1 July 2011 the Group started applying hedge accounting to safeguard against currency exchange risk related to sales indexed to foreign currency exchange rates (EUR and USD). The designated hedging relation is treated as hedging of cash flows. Hedge accounting is described in Note No. 10 *Derivative financial instruments and hedging – hedging of cash flows.*

The numbers resulting from application of hedge accounting by the Company are disclosed in Note No. 10 *Hedging of cash flows.*

- **Critical accounting judgments and the basis for estimation of uncertainty**

Using the accounting rules applicable within the Group as specified in Note No. 3, the Management has to make judgments, estimates and make assumptions concerning book value of assets and liabilities that cannot be assessed otherwise on the basis of available sources. The estimates and the underlying assumptions are based on historical experience and other factors deemed as material. The actual results may differ from the assumed estimates.

The estimates and underlying assumptions are subject to ongoing review. Changes in the estimated values are recognised in the period of the review if they apply solely to such a period or in the current period and future periods if the changes apply both to current period and to the future periods.

- **Critical judgments in applying accounting rules**

Below are the critical assumptions concerning the future and other bases for estimation of uncertainty as at the balance sheet date that have major impact on the risk of material adjustments of the book value of assets and liabilities in the following financial year.

Impairment of goodwill

A statement that goodwill was impaired requires an estimate of the usable value of all units generating cash flows to which the goodwill was attributed. In order to calculate the usable value, the company has to estimate future cash flows attributable to the unit and determine an appropriate discount rate as required to calculate the present value of such cash flows.
As at the balance sheet date, the book value of goodwill was PLN 41.2 million.

Intangible assets with unspecified useful life

Intangible assets with unspecified useful life are subject to an annual impairment test of centres generating cash flows. As at the balance sheet date, the Group holds intangible assets with unspecified useful life of PLN 22.9 million.

Impairment of assets

As at each balance sheet date, the Group verifies if there are any impairment indications of non-financial assets. Assessment of value in use consists in identifying future cash flows by a centre generating cash flows and requires determination of a discount rate to calculate the present value of such cash flows.
As at 30 September 2012, in the opinion of the Management of the Group no assets held by the Group were impaired.

Useful life of tangible fixed assets

The depreciation / amortisation rates are determined on the basis of the anticipated economic useful life of tangible fixed assets and intangible assets. Annually, the approved economic useful life is subject to review on the basis of current estimates. As at the balance sheet date, the fixed assets amounted to PLN 93.6 million.

Assessment of provisions for employee benefits

Provisions for employee benefits (provision of pension allowance) were assessed using actuarial methods.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is assessed using the appropriate valuation techniques. The Group uses professional judgment to select appropriate methods and to make assumptions. The Management makes a judgment selecting an appropriate method to revalue financial instruments not listed in an active market. Methods are applied that are commonly used by market players. With respect to financial derivative instruments, the assumptions are based on market rates adjusted for instrument-specific features. Other financial instruments are revalued at discounted cash flows on the basis of assumptions confirmed to the extent possible with observable prices or market rates.

Deferred income tax asset

The Company recognises a deferred income asset assuming that taxable profit will be generated in the future to offset the asset. Material deterioration of generated taxable profit in the future could render this assumption unjustified.

Revaluation charges to receivables and inventories

As at the balance sheet date the Group assesses if there are objective impairment indications of receivables, groups of receivables and inventories. If the realisable value of an asset is lower than its book value, the company makes a revaluation charge to the present value of anticipated cash flows.

3. OPERATIONAL SEGMENTS

The basic reporting presentation of the Group is based on geographical segments and additionally on sector segments.

Geographical segments

Three key divisions of the Company operate in three basic geographical areas: A, B and C. The composition of each geographical segment is as follows:

Area A Poland	In area A the Group operates wholesale outlets.
Area B Czech Republic	In area B the Group operates wholesale and retail outlets and manufacturing facilities.
Area C Slovakia	In area C the Group operates wholesale outlets.

Revenues of the Group from sales to external clients and information on assets in each geographical segment are presented below:

Revenues per segment

	External sales	Sales between segments	Other	Total
	Period ended 30/09/12	Period ended 30/09/12	Period ended 30/09/12	Period ended 30/09/12
	PLN '000	PLN '000	PLN '000	PLN '000
Poland	749 042	49 444		798 486
Czech Republic	319 900	77 167		397 067
Slovakia	53 800	158		53 958
Total segments				1 249 511
Eliminations				126 769
Consolidated revenues				1 122 742

Selling prices between segments are comparable to the prices applied in external sales of similar products.

Assets and liabilities per segment

	Assets	Liabilities
	30/09/12	30/09/12
	PLN '000	PLN '000
Poland	780 691	526 374
Czech Republic	337 277	207 884
Slovakia	33 757	25 652
Total segments	1 151 725	759 910
Eliminations		
Non-allocated		
Consolidated	1 151 725	**759 910**

Results per segment

	Of which interest expense / income	Period ended 30/09/12
	PLN '000	PLN '000
Continued operations		
Poland	-3 222	4 965
Czech Republic	-331	6 536
Slovakia	-	86
Eliminations		
Non-allocated		
Profit before income tax		11 587
Income tax		2 288
Profit for the financial year on continued operations		9 299
Discontinued operations		
Profit before income tax		
Income tax		
Profit for the financial year on discontinued operations		
Profit for the financial year		9 299

Depreciation / amortisation per segment

	Acquisition of fixed assets	Period ended 30/09/12
	PLN '000	PLN '000
Continued operations		
Poland	1 090	1 531
Czech Republic	827	870
Slovakia	-	46
Consolidated	1 917	2 447

Market segments

The Group uses market segmentation as an additional reporting format.
The business of the Group is split into:

- wholesale trade in computer, telecommunications, multimedia and electronic equipment,
- retail trade in computer hardware
- production of personal computers.

	Revenues from sales to external clients	Assets per segment	Acquisition of fixed assets
	Period ended 30/09/12	Period ended 30/09/12	Period ended 30/09/12
	PLN '000	PLN '000	PLN '000
Wholesale trade	1 115 274	1 143 203	1 913
Retail trade	6 339	5 946	1
Production	1 129	2 576	3
	1 122 742	1 151 725	1 917

Selling prices between segments are comparable to the prices applied in external sales of similar products.
In the comparable period, the Company operated only in one geographical segment (in Poland) and in one market segment (wholesale).

4. Operations in the interim period

Seasonal fluctuations of each item of the financial result in the period covered by the report follow the market trends from previous years.

5. Profit per share

	Period ended 30/09/12	Period ended 30/09/11
	PLN per share	PLN per share
Basic profit per share		
From continued operations	9 263	10 080
From discontinued operations		
Total basic profit per share	0.57	0.62
Diluted profit per share	9 263	10 080
From continued operations		
From discontinued operations		
Total diluted profit per share	0.57	0.62

Basic profit per share

Basic profit per share is calculated by dividing the net profit for the period attributable to shareholders of the parent entity by the weighted average number of shares in the reporting period.

	Period ended 30/09/12 PLN '000	Period ended 30/09/11 PLN '000
(Profit for the financial year attributable to shareholders of the parent entity)	9 263	10 080
Profit used to calculate the total basic profit per share	9 263	10 080
Profit used to calculate the total basic profit per share on continued operations	9 263	10 080

	Period ended 30/09/12 PLN'000	Period ended 30/09/11 PLN'000
Average weighted number of ordinary shares used to calculate basic profit per share	16 187 644	16 187 644

6. Dividends

No dividend was distributed to the shareholders during the year.

7. Tangible fixed assets – increase

	AB S.A.	ALSEN Marketing Sp. z o.o.	ATC Holding
	PLN '000	PLN '000	PLN '000
Structures		138	
Plant and machinery	21		3
Motor vehicles	417		
Equipment	511		425
Fixed assets / intangible assets under construction	3		399
TOTAL	**952**	**138**	**827**

8. Investments in subsidiary entities

In the period under report the Group did not make any investments in subsidiary entities.

9. GOODWILL

	Period ended 30/09/12 PLN '000	Period ended 30/09/11 PLN '000
Cost		
Beginning of financial year	41 980	41 400
Goodwill from business combination		
FX differences	-756	3 784
End of financial year	41 224	45 184
Accumulated impairment charges		
Beginning of financial year		
End of financial year		
Book value		
Opening balance		
Closing balance	41 224	45 184

The goodwill was generated as a result of acquisition on 30 October 2007 of 100% shares in AT Computers Holding a.s. with its registered office in Ostrava which holds 100 % shares in the following entities:
- AT Computers a.s. with its registered office in Žilina, Slovakia,
- AT Campus s.r.o. with its registered office in Ostrava, Czech Republic,
- AT Computer s.r.o. with its registered office in Ostrava, Czech Republic,
- Comfor Stores a.s. with its registered office in Brno, Czech Republic.

10. HEDGE ACCOUNTING

Financial derivatives and hedges

Forward contracts are used as derivative instruments to hedge the Capital Group against FX risk. They are stated at fair value. Derivative instruments are disclosed as financial assets or liabilities depending on their current value.

Change to fair value of derivative instruments that do not meet the requirements of hedge accounting are recognised directly in the profit and loss account of the current reporting period.

Derivative hedging instruments are used to hedge future cash flows.

When a hedge is established, the Group formally identifies and documents the hedging relationship, the objective of risk management and the hedging strategy in accordance with the approved hedge accounting policy.

Hedging of cash flows is aimed at hedging the volatility risk of cash flows related to a specific asset or liability, probable anticipated transaction or probable future liability that could affect the profit and loss account.

Profit or loss resulting from changes in the fair value of hedging instruments that do not meet the requirements of hedge accounting are recognised directly in the profit and loss account of the current reporting period.

Cash flow hedges

The Group hedges FX risk related to sales indexed to EUR and USD exchange rates by using FX cash positions – trade payables, liabilities under bank loans, trade receivables, cash and FX forward contracts for currency sale/purchase.

The Group identified those cash positions as cash flow hedging instruments. For the purposes of hedge accounting, only instruments concluded with external entities are designated as hedging instruments:

Hedging instruments - EUR

Instrument type	**Nominal value, EUR '000**		**Fair value, PLN '000 ***		**Anticipated maturity period of hedged position**	
	30.09.2012	**30.09.2011**	**30.09.2012**	**30.09.2011**	**30.09.2012**	**30.09.2011**
Trade payables	(39 543)	(37 817)	(161 986)	(167 118)	October, November	October, November
Trade receivables	9 569	6 936	39 089	30 650	October, November	October, November
Bank loans	(12)	(2 128)	(49)	(9 385)	October, November	October, November
Cash	129	1 081	532	4 767	October, November	October, November
FX Forward EUR	(5 138)	(19 490)	562	(2 877)	October, November	October, November
Total cash positions:	**(34 995)**	**(51 418)**	**(121 852)**	**(143 963)**		

Hedging instruments – USD

Instrument type	Nominal value, USD '000		Fair value, PLN '000 *		Anticipated maturity period of hedged position	
	30.09.2012	30.09.2011	30.09.2012	30.09.2011	30.09.2012	30.09.2011
Trade payables	(32 680)	(14 609)	(103 740)	(47 714)	October, November	October, November
Trade receivables	2 217	2 433	7 034	7 934	October, November	October, November
Bank loans	0	0	0	0	October, November	October, November
Cash	155	573	494	1 865	October, November	October, November
FX Forward EUR	3 373	(2 207)	435	(827)	October, November	October, November
Total cash positions:	**(26 935)**	**(13 810)**	**(95 777)**	**(38 742)**		

** For items other than FX Forward derivative transactions book values were stated since the book value of those items is not materially different from their fair value.*

An analysis of changes in the fair value of hedging instruments recognised in equity is provided in the table below:

	3 months to 30.09.2012	3 months to 30.09.2011
Gross amount recognised in equity at the beginning of period	(1 166)	0
Effective portion of profit/loss on the derivative instrument in the period recognised in equity	10 736	(15 048)
Amounts derecognised from equity and recognised in the profit and loss account during the period, of which:	6 818	(6 710)
- adjustment to operating income	6 818	(6 710)
- Adjustment due to hedge ineffectiveness	0	0
Gross amount recognised in equity at the end of period	2 752	(8 338)
Deferred income tax provision	523	
Net mount recognised in equity at the end of the period	2 229	(8 338)

11. LOANS AND BORROWINGS

In the period from the publication of the annual report (31 October 2012) until the publication of the report for the first quarter of the financial year 2012/2013 the Group did not contract any new loans.

12. ISSUED CAPITAL

In the period covered by this report there were no changes to the Company's issued capital.

13. DISPOSAL OF SUBSIDIARY COMPANIES

In the period under report the Group did not dispose of any of its subsidiary companies.

14. TAKE-OVER OF SUBSIDIARY COMPANIES

In the period under report the Group did not take over any of its subsidiary companies.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at the balance sheet date, the amount of off-balance sheet liabilities was as follows:

	PLN '000
	2012-09-30
Factoring	48 922
Guarantees granted	43 227
Total	**92 148**

Details are provided in item 8 of additional information.

16. EVENTS AFTER THE REPORTING PERIOD

After the balance sheet date there have been no material events that were not included in the interim financial statements.

17. TRANSACTIONS WITH RELATED ENTITIES

In the period from 1 July 2012 until 30 September 2012 there were no transactions concluded otherwise than at arm's length.

XIV) ADDITIONAL INFORMATION

The additional information is provided in compliance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information disclosure by issuers of securities and the conditions to recognise equivalence of information required by the law in Non-Member States.

1. ORGANISATION OF THE CAPITAL GROUP WITH DETAILS OF CONSOLIDATED ENTITIES

1.1. The entities of the AB S.A. Capital Group (with information on consolidation method or share valuation)

As at 30 September 2012 the Capital group was composed of the following entities:

Parent entity

- AB S.A. (parent entity)
- The Company's business consists in distribution of computers and electronic equipment in Poland and abroad.

Address of the head office:	ul. Kościerzyńska 32, 51-416 Wrocław
REGON statistical number:	931908977
Tax identification number NIP:	895-16-28-481
Registration body:	District Court for Wrocław – Fabryczna, VI Commercial Division of the National Court Register. The entry to the register was made on 22.10.2001 under number KRS 0000053834
Duration of the Company:	unlimited

Subsidiary entities

- Alsen Sp. z o.o. (AB S.A. holds 408 shares with the total value of PLN 204,000 and accounting for 69.39% of all shares) – consolidated

- Alsen Marketing Sp. z o.o. (AB S.A. owns 100% of shares) – consolidated

  The Company manages retail sales of computers and electronic equipment through a franchise network in Poland.

- B2B IT Sp. z o.o. (AB S.A. owns 100% of shares) – consolidated

- AT Computers Holding a.s. (AB S.A. owns 100% of shares) – consolidated

  The Company manages subsidiary entities.

- AT Computers a.s. (100% shares are owned by AT Computers Holding a.s.) – consolidated

  The Company's business consists in distribution of computers and electronic equipment in the Czech Republic and abroad.

- AT Compus s.r.o. (100% shares are owned by AT Computers Holding a.s.) – consolidated

  The Company's business consists in assembly of computers from sub-assemblies. Finished products are re-sold to distribution companies for further re-sale.

- Comfor Stores a.s. (100% shares are owned by AT Computers Holding a.s.) – consolidated

  The Company's business consists in retail trade in computers and electronic materials.

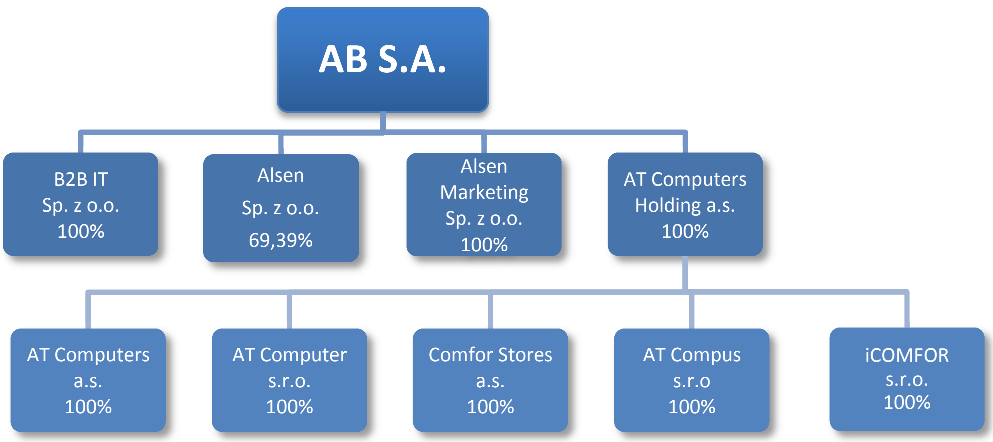
- AT Computer s.r.o (100% shares are owned by AT Computers Holding a.s.) – consolidated

  The Company's business consists in distribution of computers and electronic equipment in the Slovak Republic.

- iCOMFOR s.r.o. (100% shares are owned by AT Computers Holding a.s.) – consolidated (set up on 16 September 2011)

  The Company's business consists in retail trade in computers and electronic materials.

1.2. Organigram of the capital group



2. Effects of changes in the structure of the Capital Group

In Q1 of the financial year 2012/2013 the structure of the AB Capital Group did not change.

3. Opinion of the Management on feasibility of earlier forecasts

The Group has not published any forecast results for the current year.

4. SHAREHOLDERS WITH MINIMUM 5% OF OVERALL VOTING RIGHTS AT ISSUER'S GENERAL MEETINGS

According to the Issuer's knowledge, the shareholding structure of the parent entity as at the day of their quarterly report was as follows:

As at 2012-09-30	Number of shares	Shareholding structure by the number of shares	Number of votes	Shareholding structure by the number of votes
Andrzej Przybyło	1 316 200.00	8.13%	2 629 200.00	15.02%
Iwona Przybyło	2 944 052.00	18.19%	2 944 052.00	16.82%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1 500 000.00	9.26%	1 500 000.00	8.57%
Aviva Investors Poland S.A.	1 281 769.00	7.92%	1 281 769.00	7.32%
ING OFE	2 291 911.00	14.16%	2 291 911.00	13.10%
PKO BP OFE	891 802.00	5.51%	891 802.00	5.10%
Other	5 961 910.00	36.83%	5 961 910.00	34.07%
Total	**16 187 644.00**	**100.00%**	**17 500 644.00**	**100.00%**

In the period between the disclosure of the annual report and the publication of the quarterly report there were no changes in the holding of major packets.

5. ISSUER'S SHARES OR RIGHTS TO SHARES HELD BY PERSONS MANAGING AND SUPERVISING THE ISSUER'S BUSINESS

- **Shares held by managing and supervising persons**

Issuer's shares or rights to shares held by persons managing and supervising the Issuer's business as at the date when this quarterly report was published – 12 November 2012:

As at 2012-11-12	Number of shares	Shareholding structure by the number of shares	Number of votes	Shareholding structure by the number of votes
		Management Board		
Andrzej Przybyło	1,316,200	8.13%	2 629 200	15.02%
Krzysztof Kucharski	25,000	0.15%	25 000	0.14%
Zbigniew Mądry	0	0.00%	0	0.00%
Grzegorz Ochędzan	15,000	0.09%	15 000	0.09%
		Supervisory Board		
Iwona Przybyło	2,944,052	18.19%	2 944 052	16.82%
Jacek Łapiński	0		0	
Jan Łapiński	0		0	
Radosław Kiełbasiński	0		0	
Andrzej Bator	0		0	
Katarzyna Jaździyk	0		0	

In the period between disclosure of the annual report (31 October 2012) and publication of the report for the first quarter of the financial year 2012/2013 there were no changes in the holdings of shares by managing and supervisory persons.

6. PROCEEDINGS PENDING IN COURTS, ARBITRATION BODIES OR PUBLIC ADMINISTRATION BODIES

AB S.A. is not subject to any proceedings pending in court, arbitration body or public administration body concerning liabilities or receivables exceeding 10% of equity.

On 27 May 2009 the Issuer instituted legal proceedings claiming the reimbursement of the amount unduly charged by Raiffeisen Bank Polska S.A. increased by interest. At the same time the company established a provision covering the full disputable amount against the results of the financial year 2008/2009. On 30 December 2010 the Appeal Court in Wrocław pronounced a sentence in the case regarding the reimbursement of the amount of PLN 7,499,590 unduly charged by Raiffeisen Bank Polska S.A. increased by interest. It rendered the verdict pronounced by the District Court final and binding, ordering immediate reimbursement of the amount due to the Company. The disputable amount together with interest was reimbursed to the Company, and the provision for the disputable amount was released against the result of the financial year ended 30 June 2011.

On 27 April 2012 the Supreme Court examined the Bank's appeal against the sentence pronounced by the Appeal Court in Wrocław of 30.12.2010, upholding the verdict of the District Court in Wrocław awarding payment by Raiffeisen Bank Polska S.A. of PLN 7,499,590 together with statutory interest to AB S.A., the Supreme Court overruled the appealed verdict of the Appeal Court and referred the case to be re-examined by this Court. According to the knowledge of the Management Board, there were no new motives or circumstances pertaining to the case in question. The sentence did not, in any manner whatsoever, change the Company's stance in the dispute with the Bank. It should be stressed that the Supreme Court did not resolve the dispute between the Company and the Bank, but only examined the objections concerning the verdict of the Appeal Court. The dispute shall be resolved by the Appeal Court in Wrocław.

7. INFORMATION OF ONE OR MORE TRANSACTIONS WITH RELATED ENTITIES CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY ENTITY OTHERWISE THAN AT ARM'S LENGTH

In the period between 1 July 2012 and 30 September 2012 there were no transactions concluded otherwise than at arm's length.

8. INFORMATION ON GUARANTEES TO LOANS OR GUARANTEES GRANTED BY THE ISSUER OR ITS SUBSIDIARY

As part of their operations, the Group companies issue bank guarantees in favour of counterparties, Customs Office or Tax Office.

	PLN '000
	2012-09-30
Factoring	48 922
Guarantees granted	43 227
Total	**92 148**

Other off-balance sheet liabilities of the Group include bank guarantees issued in favour of counterparties, Customs Office or Tax Office. The table below presents guarantees in their original currency.

Guarantee issuer	Beneficiary	Bank	Currency	Amount	Validity date
AB S.A.	Polkomtel	HSBC	PLN	250 749	2012-10-05
AB S.A.	Polkomtel	HSBC	PLN	701 209	2012-11-28
AB S.A.	Polkomtel	HSBC	PLN	436 184	2012-12-21
AB S.A.	Polkomtel	HSBC	PLN	423 759	2013-01-26
AB S.A.	Polkomtel	HSBC	PLN	421 710	2013-02-28
AB S.A.	Polkomtel	HSBC	PLN	693 129	2013-04-01
AB S.A.	Polkomtel	HSBC	PLN	544 887	2013-04-22
AB S.A.	Polkomtel	HSBC	PLN	413 847	2013-05-17
AB S.A.	Polkomtel	HSBC	PLN	856 752	2013-06-20
AB S.A.	Polkomtel	BPH	PLN	661 140	2013-07-13
AB S.A.	Polkomtel	BPH	PLN	577 447	2013-08-30
AB S.A.	Polkomtel	BPH	PLN	330 179	2013-08-10
AB S.A.	Polkomtel	BPH	PLN	641 256	2013-10-19
AB S.A.	Polkomtel	BPH	PLN	1 142 796	2013-11-09
AB S.A.	Polkomtel	BPH	PLN	423 651	2013-09-29
AB S.A.	Polkomtel	BPH	PLN	1 044 294	2013-11-30
AB S.A.	Polkomtel	BPH	PLN	606 304	2013-12-31
AB S.A.	Polkomtel	BPH	PLN	212 901	2014-01-25
AB S.A.	Polkomtel	BPH	PLN	667 783	2014-04-29
AB S.A.	Polkomtel	BPH	PLN	458 620	2014-03-31
AB S.A.	Apple Distribution	SEB	PLN	9 404 100	2013-11-02
AB S.A.	Intel	PEKAO	USD	1 000 000	2013-01-18
AT Computers, a.s.	IBM Česká republika, s.r.o	CITIBANK Europe plc	CZK	500 000	2013-07-21
AT Computers, a.s.	Lenovo (Singapore) Pte Ltd	CITIBANK Europe plc	USD	2 400 000	2013-08-19
AT Computers, a.s.	Celní ředitelství Ostrava	CITIBANK Europe plc	CZK	500 000	2013-05-22
AT Computer SK	Shoping Palace Bratislava, v.o.s.	CITIBANK (Slovakia)	EUR	8 161	2012-12-19
AT Computers, a.s.	Apple Sales International of Hollyhill Industrial Estate	CITIBANK Europe plc	USD	3 000 000	2013-07-08
AT Computers, a.s.	ProLogis czech Republic	CITIBANK Europe plc	EUR	271 000	2013-04-05
COMFOR Stores	Palladium Praha s.r.o.	CITIBANK Europe plc	EUR	54 184	2013-10-05
COMFOR Stores	HUTS II s.r.o.	CITIBANK Europe plc	EUR	8 179	2013-05-23
COMFOR Stores	KLEPIERRE CZ, s.r.o.	CITIBANK Europe plc	EUR	11 970	2013-07-10
COMFOR Stores	EKZ Tschechien	CITIBANK Europe plc	EUR	9 539	2013-01-31
COMFOR Stores	FLORA SEN	CITIBANK Europe plc	EUR	5 850	2013-02-03
COMFOR Stores	Pradera SC Futurum Ostrava	CITIBANK Europe plc	EUR	10 954	2013-01-15
COMFOR Stores	Euro Mall Hradec Králové	CITIBANK Europe plc	EUR	11 499	2013-06-08
COMFOR Stores	Best Properties South, a.s.	CITIBANK Europe plc	CZK	156 140	2013-01-15
COMFOR Stores	NISA Obch.společnost	CITIBANK Europe plc	CZK	195 000	2013-08-01
COMFOR Stores	CEI Building	CITIBANK Europe plc	CZK	212 005	2013-08-01
COMFOR Stores	New Karolina Shopping	CITIBANK Europe plc	CZK	251 000	2013-10-31
COMFOR Stores	Nový Smíchov Apple	CITIBANK Europe plc	EUR	16 615	2013-02-14

The table below presents nominal amounts of guarantees in the original currencies; the guarantees were provided by ATC Holding to secure repayment of loans incurred by subsidiary companies (equivalent of TPLN 151 799).

Issuer of guarantee	Beneficiary	Currency	Amount
AT Computers, a.s.	KB a.s.	CZK	695 000 000
AT Computers, a.s.	CITIBANK a.s.	CZK	135 000 000
Comfor	CITIBANK a.s.	CZK	9 000 000
AT Computers, a.s.	CITIBANK a.s.	CZK	90 000 000

9. INFORMATION MATERIAL TO ASSESSMENT OF STAFF, ECONOMIC, FINANCIAL SITUATION, RESULTS OF THE GROUP AND CHANGES THERETO AND INFORMATION MATERIAL TO ASSESSMENT OF ABILITY TO REPAY OBLIGATIONS BY THE PARENT ENTITY

- **Major successes and failures of the Group**

Revenues generated by the Group in Q3 2012 were almost 19% higher in relation to the equivalent period last year. This is a result of an expanded product offer and gradual developing of the customer base. Our close cooperation with suppliers on the one hand and listening to our customers' needs on the other produce tangible results. Such position entails various benefits but also responsibilities. In collaboration with its suppliers, the Company implements many projects aimed at providing stronger support for the sale of products. The revenues generated and current sales dynamics are very good indicators for the upcoming quarters, given that the fourth quarter is characterised by higher sales.

Regardless of the above, the Company carries out activities aimed at expanding its product range. This includes the development of the Enterprise channel and development of own brands on which the Company has been consistently working. Teams dedicated for the development of particular business divisions take effective and dynamic actions with the aim to producing sales revenues not only on the Polish market, but also on all markets where the AB Group conducts its operations (Poland, Czech Republic, Slovakia). The exchange of experience gained on these markets brings tangible synergy effects, and the scale of operations resulting from activities on 3 combined markets allows the Group to achieve very good financial results. The Group also invests in traditional product lines. The increase in sales was also a result of major trading in commodities belonging to these groups. With a well tested IT infrastructure, we are able to provide top quality services to all partners, also those located in most remote places in Poland, Czech Republic and Slovakia. This is a major value for computer manufacturers allowing for quick access to customers using state-of-the-art IT technologies, lowest possible cost and top quality sales services.

The selling, general and administrative expenses (SG&A) in the sector are an differentiating element for the Group. The SG&A expenses measured against the sales revenues maintain downward trend and they are one of the lowest ratios in the sector. Low SG&A expenses are a major competitive advantage in the demanding sector.

Ul. Kościerzyńska 32, 51-416 Wrocław, Tel (+48 71) 3240 500, fax (+48 71) 32 40 529, 78 90 529, www.ab.pl
BANK ACCOUNT: Kredyt Bank S.A I/o Wrocław, PL68 1500 1155 1211 5003 2339 0000 (PLN),
PL46 1500 1155 1211 5003 5196 000 (EUR), PL58 1500 1155 1211 5003 2456 0000 (USD); NIP 895-16-28-481
Katowice: tel. (+48 032) 355 90 20, fax (+48 032) 355 45 37 Warszawa: tel. (+48 022) 814 31 43, fax (+48 022) 814 23 46

- **ASSESSMENT OF THE MANAGEMENT OF FINANCIAL RESOURCES WITH JUSTIFICATION**

Distribution of IT and consumer electronic goods is a highly competitive sector. The sale of computers, IT equipment as well as consumer electronic goods in a world dominated by the major manufacturers such as Apple, Intel, HP, Samsung, LG, Sony, Canon, Asus and others, requires very high efficiency, almost perfect management of all types of risks, including market, operational, FX, and credit risk. Bearing in mind that the average margin is at the level of 4-6% means that the Group needs to operate in an almost perfect manner. This situation defines AB Group's operational policy with absolute and permanent streamlining of processes, policy of low operating cost and strict control of all analyses. This also applies to assets held in respect of which the policy is implemented to maximize their use, while maintaining a safe level of liquidity.

The sales model of IT products is based to a large extent on a model with the distributor's strong participation offering major values for the manufacturer. Apart from the access to a vast sales market or support in before and after-sales service, the credit function is one of the most important functions of the distributer in the sales channel. The distributer's sales is performed largely through buyer's credits. Payment terms depend on the customer size, the nature of its operations, sales volume and other customised parameters. At the same time, the role of the distributor is to maintain the availability of a wide range of IT equipment manufacturers. The role of the distribution defines the financial parameters that characterize it. Working capital is one of the most important areas. As a Broadline type distributor we are working on a positive working capital, thereby carrying out an important part of the tasks set by the manufacturers of IT equipment, such nature of the business, combined with the scale of operation determines the appropriate balance sheet items of receivables, inventory and liabilities, including interest. In addition, the dynamic growth of sales in recent years achieved by the Group companies, through an increase in market share and the development of new products (new distribution agreements), has an impact on the increasing need for additional sources of funding. .

The Group has been managing credit risk in a complex and efficient manner. The nature of the business results in major FX exposures which in a market of major currency volatility poses a major challenge to the FX risk hedging strategy. The methods of risk hedging applied by the Group each time are directly reflected in the values of hedged items with a stress on minimising the values exposed to FX risk and thus to mitigate the risk. The applied hedging instruments do not generate additional risk related to a high volatility of market conditions and do not open a new other risk (in particular options or option strategies).

The Group has been managing credit risk in a structured and systemic manner. Procedures have been developed to assess creditworthiness of customers of the Group companies to verify the approved credit limits frequently and to have the receivable portfolio insured. In the opinion of the Parent Company's Management Board those are the necessary actions, in particular in the period of increased credit risk in view of the global economic crisis. As a result of its credit policy, the Management Board of the company has not recorded any deterioration in the bad debt area; the restrictive policy of prudent valuation of those assets is a guideline in situations when certain receivables are classified as sub-standard or irregular.

11. FACTORS WHICH, IN THE ISSUER'S OPINION, WILL AFFECT RESULTS OF AT LEAST THE NEXT QUARTER

The key factors affecting the Group's operations include the overall macroeconomic situation, the returning threat of a significant weakening of the global economy brings an aversion to risk. Poland, the Czech Republic and Slovakia, as the so-called emerging-market economies are vulnerable to these negative effects, both through investments being less attractive and therefore fewer direct investments, as well as larger volatility of local currencies in relation to major world currencies.

The macroeconomic conditions referred to above have a significant impact on the decisions taken by the Group regarding further development. The substantial macroeconomic restrictions and the resulting selective development on the basis of its strong market position in its dominant product groups have produced tangible economic effects. At the same time, being a distribution leader in the IT sector, AB has been making efforts to maintain and consolidate its market position with a view to financial security of the Company. Development of the product offer diversifies market risk – being a supplier of a large range of products, the Company is an attractive supplier for a broad distribution channel.

There is no doubt the conditions described above can affect the substantial variability of demand for goods distributed by the Company. Recognizing this specific nature the operational, financial and credit security procedures are strengthened.

AB, the parent company of the AB Group, by being involved in operations in three countries – Poland, Czech Republic and Slovakia, distributes its potential business risks among the three markets and thus becomes more immune to the risk of unfavourable changes in one of the markets. Additionally, the operations within the Capital Group generate major synergies and unifications at various organisational and market levels.

Apart from the traditional operations for AB – distribution of IT equipment and consumer electronics, this year the Company has been continuing the development of sales structures of its own products, primarily of computers under the Triline, TB and Alsen brands.
As a result of the approved strategy, the financial condition of the Company has been growing stronger with each year.

EXTERNAL FACTORS

1. overall macroeconomic situation and international situation (the debt crisis in the euro zone, debt problems and the potential bankruptcy of Greece and the threat of the same scenario in other countries - Italy, Portugal, Spain);
2. volatility in demand for products distributed by the Company in connection with the economic downturn, the expected decline in GDP growth in 2013, gradually decreasing share of EU investment grants;
3. the increase in debt in Poland and the anticipated changes in tax policy and tax rates in Poland;
4. the dynamics of demand for the products offered by the company;
5. sustained significant volatility in the currency markets, including in particular the development of the EUR/PLN and USD/PLN.

INTERNAL FACTORS

1. large increase in products offered (new distribution agreements) and as a result permanent increase in the scale of operations;
2. continuing and expanding the ongoing unification of products, which results in tangible revenue synergies;
3. consistent expanding and strengthening of its position in the retail channels, gradual building of new domains of business activity;
4. further and consistent building of financial stability of the Company and the Group;
5. optimizing of working capital management;
6. well-established market position as a leader in the CEE region.

12. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

Date	First and last name	Position / function	Signature
12.11.2012	*Andrzej Przybyło*	PRESIDENT OF THE MANAGEMENT BOARD	
12.11.2012	*Krzysztof Kucharski*	MEMBER OF THE MANAGEMENT BOARD	
12.11.2012	*Zbigniew Mądry*	MEMBER OF THE MANAGEMENT BOARD	
12.11.2012	*Grzegorz Ochędzan*	MEMBER OF THE MANAGEMENT BOARD	
12.11.2012	*Danuta Uzarska*	PRESIDENT OF THE MANAGEMENT BOARD	

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PL46 1500 1155 1211 5003 5196 000 (EUR), PL58 1500 1155 1211 5003 2456 0000 (USD); NIP 895-16-28-481
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