Quarterly Report Containing the Interim Financial Statements of the Group for Q1 of the Financial Year 2014-2015

Covering the Period from 01 July 2014 to 30 September 2014

Publication date: 14 November 2014

Table of contents:

I) SELECTED CONSOLIDATED FINANCIAL DATA

	PLN '000		EUR '000	
	Q1 for the period from 14-07-01 to 14-09-30	Q1 for the period from 13-07-01 to 13-09-30	Q1 for the period from 14-07-01 to 14-09-30	Q1 for the period from 13-07-01 to 13-09-30
Sales revenues	1,494,569	1,255,568	357,202	296,020
Profit / (loss) on operating activities	20,640	18,193	4,933	4,289
Profit / (loss) before income tax	18,875	16,200	4,511	3,819
Net profit / (loss)	15,105	13,055	3,610	3,078
Net profit (loss) attributable to the shareholders of the parent company	15,105	13,051	3,610	3,077
Net profit / (loss) attributable to minority shareholders		4		1
Total comprehensive income	12,717	16,433	3,039	3,874
Total comprehensive income attributable to the shareholders of the parent company	12,717	16,429	3,039	3,873
Total comprehensive income attributable to minority shareholders		4		1
Net cash flows from operating activities	22,782	23,374	5,445	5,511
Net cash flows from investing activities	-24,556	-1,878	-5,869	-443
Net cash flows from financing activities	29,842	-15,802	7,132	-3,726
Total net cash flows	28,068	5,694	6,708	1,342
Profit / (loss) per ordinary share (PLN/EUR)	0.93	0.81	0.22	0.19
Diluted profit / (loss) per ordinary share (PLN/EUR)	0.93	0.81	0.22	0.19
Number of shares (units)	16,187,644	16,187,644	16,187,644	16,187,644
	PLN '000		EUR '000	
	As at 30.09.2014	As at 30.06.2014	As at 30.09.2014	As at 30.06.2014
Total assets	1,386,780	1,259,790	332,123	302,769
Equity attributable to the shareholders of the parent company	476,602	463,885	114,142	111,487
Equity attributable to non-controlling shareholders				
Total equity	476,602	463,885	114,142	111,487
Long-term liabilities	105,566	5,067	25,282	1,218
Short-term liabilities	804,612	790,838	192,699	190,064
Total liabilities	910,178	795,905	217,981	191,282
Book value per share (PLN/EUR)	29.45	28.66	7.05	6.89
Diluted book value per share	29.45	28.66	7.05	5.89

NBP's average exchange rate as of 30.09.2014:	PLN/EUR	4.1755
NBP's average exchange rate as of 30.06.2014:	PLN/EUR	4.1609
Average exchange rate in the period from 01.07.2013 to 30.09.2013	PLN/EUR	4.2415
Average exchange rate in the period from 01.07.2014 to 30.09.2014	PLN/EUR	4.1841

II) SELECTED NON-CONSOLIDATED FINANCIAL DATA

	PLN '000		EUR '000	
	Q1 for the period from 14-07-01 to 13-09-30	Q1 for the period from 13-07-01 to 13-09-30	Q1 for the period from 14-07-01 to 14-09-30	Q1 for the period from 13-07-01 to 13-09-30
I. Net revenues from sale of products, goods. and materials	961,213	849,102	229,730	200,189
II. Profit / (loss) on operating activities	13,348	11,279	3,190	2,659
III. Gross profit / (loss)	12,725	10,410	3,041	2,454
IV. Net profit / (loss)	10,032	8,242	2,398	1,943
V. Net cash flows from operating activities	36,101	14,423	8,628	3,400
VI. Net cash flows from investing activities	-26,018	-4,983	-6,218	-1,175
VII. Net cash flows from financing activities	22,198	-6,989	5,305	-1,648
VIII. Total net cash flows	32,281	2,451	7,715	578
	PLN '000		EUR '000	
	As at 30.06.2014	As at 30.06.2014	As at 30.06.2014	As at 30.06.2014
IX. Total assets	910,634	826,801	218,090	298,707
X. Liabilities and provisions for liabilities	537,555	461,196	128,740	110,840
XI. Long-term liabilities	100,631		24,100	
XII. Short-term liabilities	403,683	428,602	96,679	103,077
XIII. Equity	373,079	365,605	89,350	87,867
XIV. Share capital	16,188	16,188	3,877	3,891
XV. Number of shares (units)	16,187,644	16,187,644	16,187,644	16,187,644
XVI. Profit / (loss) per ordinary share (PLN/EUR)	0.62	2.78	0.15	0.66
XVII. Diluted profit / (loss) per share (PLN/EUR)	0.62	2.78	0.15	0.66
XVII. Book value per share (PLN/EUR)	23.05	22.58	5.52	5.43
XVIII. Diluted book value per share	23.05	22.58	5.52	5.43

NBP's average exchange rate as of 30.06.2014:	PLN/EUR	4.1609
NBP's average exchange rate as of 30.09.2014:	PLN/EUR	4.1755
Average exchange rate in the period from 01.07.2013 to 30.09.2013	PLN/EUR	4.2415
Average exchange rate in the period from 01.07.2014 to 30.09.2014	PLN/EUR	4.1841

ul. Kościerzyńska 32, 51-416 Wrocław, Poland tel. (+48 71) 3240 500, fax (+48 71) 32 40 529, 78 90 529, www.ab.pl
BANK ACCOUNT: BZ WBK S.A. 44 /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
Warszawa: tel. (+48 022) 51 09 300, fax (+48 022) 51 09 333

III) CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 30 SEPTEMBER 2014

	Three-month period ended on 30/09/2014 PLN '000	Three-month period ended on 30/09/2013 PLN '000
Continuing operations		
Sales revenues	1,494,569	1,255,568
Cost of goods sold	-1,436,835	-1,206,550
Gross profit / (loss) on sales	57,734	49,018
Costs of sale	-29,772	-23,626
Administrative expenses	-5,729	-5,880
Other operating income	1,286	1,529
Other operating expenses	-2,879	-2,848
Profit / (loss) on operating activities	**20,640**	**18,193**
Finance income	638	692
Finance costs	-2,403	-2,685
Profit on disposal of affiliated entities		
Share in profit of affiliated entities		
Profit / (loss) before income tax	18,875	16,200
Income tax	-3,770	-3,145
Net profit / (loss) on continuing operations	**15,105**	**13,055**
Discontinued operations		
Profit / (loss) on discontinued operations		
Net profit / (loss)	**15,105**	**13,055**
Net profit / (loss) attributable to:		
Shareholders of the parent company	15,105	13,051
Non-controlling shareholders		4

IV) CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD ENDED ON 30 SEPTEMBER 2014

	Three-month period ended on 30/09/2014	Three-month period ended on 30/09/2013
	PLN '000	PLN '000
Net profit / (loss)	**15,105**	**13,055**
Other comprehensive income:		
Items that can be reclassified to profit or loss in subsequent periods		
Foreign currency translation differences relating to investments in foreign entities	299	-3,831
Hedge accounting	-2,687	7,209
Share in other comprehensive income of affiliated entities		
Valuation of available-for-sale financial assets		
Income tax pertaining to items that can be reclassified		
Items that will not be reclassified to profit or loss		
Fixed assets revaluation		
Actuarial gains or losses		
Income tax pertaining to items that will not be reclassified		
Comprehensive income attributable to:		
Shareholders of the parent company	12,717	16,429
Non-controlling shareholders		4
Total comprehensive income	**12,717**	**16,433**

V) Consolidated Statement of Financial Position for the period ended on 30 September 2014

	As at 30/09/2014	30/06/2014
	PLN '000	PLN '000
ASSETS		
Fixed assets		
Tangible assets	116, 998	94,334
Goodwill	41,433	41,592
Other intangible assets	22, 368	22,540
Long-term investments	452	452
Deferred income tax asset	10, 098	9,249
Finance lease receivables		
Other financial assets	203	211
Other assets		
Total fixed assets	**191,552**	**168,378**
Current assets		
Inventories	583,049	546,030
Trade and other receivables	534,052	495,752
Income tax receivables		
Derivatives		
Other financial assets	27	194
Other assets	4,007	3,411
Cash and cash equivalents	74,093	46,025
Total current assets	**1,195,228**	**1,091,412**
Total assets	1,386,780	1,259,790

LIABILITIES	30/09/2014 PLN '000	30/06/2014 PLN '000
Equity		
Issued share capital	16,188	16,188
Treasury shares		
Reserve capital	143,968	143,968
Reserve fund	176,048	178,436
Retained earnings	140,398	125,293
Equity attributable to the shareholders of the parent company	476,602	463,885
Equity attributable to non-controlling shareholders		
Total equity	**476,602**	**463,885**
Non-current liabilities		
Long-term borrowings and bank loans		
Financial liabilities	100,576	
Pension liabilities		
Deferred income tax provision	4,990	5,067
Long-term provisions		
Total long-term liabilities	**105,566**	**5,067**
Current liabilities		
Trade and other payables	634,308	555,906
Short-term bank borrowings and loans	125,765	194,561
Finance lease liabilities		
Other financial liabilities	217	
Current tax liability	4,040	5,319
Short-term provisions	40,282	35,052
Total current liabilities	**804,612**	**790,838**
Total payables	**910,178**	**795,905**
Total liabilities	1,386,780	1,259,790

VI) Consolidated Statement of Changes in Equity for the period ended on 30 September 2014

	Share capital	Reserve capital	Reserve funds from reduction in share capital	General reserve fund	Cash received from valuation of cash flow hedges	Reserve fund for currency translations	Total reserve fund	Retained earnings	Equity attributable to the 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 2013	16,188	142,346	146	139,269	-5,915	29,679	163,179	98,856	420,569	108	420,677
Issue of ordinary shares											
Costs of share issue											
Purchase of treasury shares											
Valuation of managerial option scheme											
Net profit / (loss) for the period								13,051	13,051	4	13,055
Profit distribution for the preceding financial year											
Foreign currency translation differences of investments in foreign entities						-3,831	-3,831		-3,831		-3,831
Hedge accounting					7,209		7,209		7,209		7,209
Fixed assets revaluation											
Income tax on other total income											
Other											
Dividend distribution											
Total recognised revenues and expenses											
As at 30 September 2013	16,188	142,346	146	139,269	1,294	25,848	166,557	111,907	436,998	112	437,110

	Share capital	Reserve capital	Reserve funds from reduction in share capital	General reserve fund	Cash received from valuation of cash flow hedges	Reserve fund for currency translations	Total reserve fund	Retained earnings	Equity attributable to the shareholders of the parent company	Equity attributable to non-controlling shareholders	Total equity
Balance as at 1 July 2014	16,188	143,968	146	168,507	-188	9,971	178,436	125,293	463,885		463,885
Costs of share issue											
Purchase of treasury shares											
Valuation of managerial option scheme											
Net profit / (loss) for the period								15,105	15,105		15,105
Profit distribution for the preceding financial year											
Foreign currency translation differences of investments in foreign entities						299	299		299		299
Net cash flow hedge					-2,687		-2,687		-2,687		-2,687
Fixed assets revaluation											
Income tax on other total income											
Acquisition of a subsidiary											
Other											
Dividend distribution											
Total recognised revenues and expenses											
As at 30 September 2014	16,188	143,968	146	168,507	-2,875	10,270	176,048	140,398	476,602		476,602

VII) Consolidated Cash Flow Statement for the period ended on 30 September 2014

	Three-month period ended on 30/09/2014	Three-month period ended on 30/09/2013
	PLN '000	PLN '000
Cash flows from operating activities		
Gross profit / (loss)	18,875	16,200
Financial expenses recognised in the comprehensive income statement	1,112	1,607
Depreciation / amortisation	2,038	2,445
Profit / (loss) on investments	-64	43
FX profit / (loss)	-1,577	5,561
	20,384	25,856
Change in working capital		
Change in trade receivables	-38,300	-8,102
Change in other receivables		
Change to inventories	-37,019	22,217
Change in other assets	-596	701
Change in trade payables	78,402	-15,638
Change in provisions	5,230	2,030
Other adjustments		
	7,717	1,208
Cash generated from operating activities	28,101	27,064
Interest paid		
Corporate income tax paid	-5,319	-3,690
Net cash from operating activities	22,782	23,374
Cash flows from investing activities		
Payments for purchased financial assets		
Proceeds from disposal of financial assets		
Interest received		
Borrowings disbursed		-869
Borrowings repaid	34	32
Payments for tangible fixed assets	-24,567	-710
Proceeds from disposal of tangible fixed assets	85	51
Payments for intangible assets	-108	-382
Cash generated from investing activities	-24,556	-1,878
Cash flows from financing activities		
Proceeds from issues of debt securities	99,750	
Proceeds from share issues		
Costs of share issues		
Borrowings and loans received		
Borrowings and loans repaid	-68,796	-14,058
Interest	-1,112	-1,744
Redemption of debt securities		
Purchase of treasury shares		
Net cash from financing activities	29,842	-15,802
Net change in cash and cash equivalents	**28,068**	**5,694**
Cash and cash equivalents at the beginning of the period	46,025	12,479
Cash and cash equivalents at the end of the period	74,093	18,173

VIII) STANDALONE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 30 SEPTEMBER 2014

	Three-month period ended on 30/09/2014	Three-month period ended on 30/09/2013
	PLN ’000	PLN ’000
Continuing operations		
Sales revenues	961,213	849,102
Cost of goods sold	-929,674	-824,751
Gross profit / (loss) on sales	31,539	24,351
Costs of sale	-13,813	-8,220
Administrative expenses	-2,564	-2,734
Other operating income	897	455
Other operating expenses	-2,711	-2,573
Profit / (loss) on operating activities	**13,348**	**11,279**
Finance income	1,466	1,171
Finance costs	-2,089	-2,040
Profit on disposal of affiliated entities		
Share in profit of affiliated entities		
Profit / (loss) before income tax	12,725	10,410
Income tax	-2,693	-2,168
Net profit / (loss) on continuing operations	**10,032**	**8,242**
Net profit / (loss)	**10,032**	**8,242**
Number of shares	**16,187,644**	**16,187,644**
Profit / (loss) per ordinary share (PLN)	0.62	0.51
Diluted profit / (loss) per ordinary share (PLN)	0.62	0.51

These condensed financial statements have been prepared in compliance with International Accounting Standards (“IAS 34”). The Company has made a presentation adjustment to comparable data. The adjustment is due to hedge accounting and applies to the presentation of realised FX gains / (loss) that were transferred from financing activity to core operating activity.
The adjustment is presented below.

	Three-month period ended on 30/09/2013	adjustment	Three-month period ended on 30/09/2013
	After adjustment		Before the adjustmer
	PLN ’000		PLN ’000
Continuing operations			
Sales revenues	849,102	-482	849,584
Cost of goods sold	-824,751		-824,751
Gross profit / (loss) on sales	24,351	-482	24,833
Costs of sale	-8,220		-8,220
Administrative expenses	-2,734		-2,734
Other operating income	455		455
Other operating expenses	-2,573		-2,573
Profit / (loss) on operating activities	**11,279**	-482	**11,761**
Finance income	1,171	482	689
Finance costs	-2,040		-2,040
Profit on disposal of affiliated entities			
Share in profit of affiliated entities			
Profit / (loss) before income tax	10,410		10,410
Income tax	-2,168		-2,168
Net profit / (loss) on continuing operations	**8,242**		**8,242**
Net profit / (loss)	**8,242**		**8,242**

ul. Kościerzyńska 32, 51-416 Wrocław, Poland tel. (+48 71) 3240 500, fax (+48 71) 32 40 529, 78 90 529, www.ab.pl
BANK ACCOUNT: BZ WBK S.A. 44 /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
Warszawa: tel. (+48 022) 51 09 300, fax (+48 022) 51 09 333

IX) STANDALONE COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD ENDED ON 30 SEPTEMBER 2014

	Three-month period ended on 30/09/2014 PLN '000	Three-month period ended on 30/09/2013 PLN '000
Net profit / (loss)	**10,032**	**8,242**
Other comprehensive income:		
Items that may be reclassified to profit/loss in subsequent periods		
Hedge accounting	-2,558	5,479
Valuation available-for–sale financial assets		
Income tax pertaining to items that can be reclassified		
Items that will not be reclassified to profit or loss		
Fixed assets revaluation		
Actuarial gains or losses		
Income tax pertaining to items that will not be reclassified		
Total comprehensive income	**7,474**	**13,721**

X) Standalone Statement of Financial Position for the period ended on 30 September 2014

	As at 30/09/2014	30/06/2014
	PLN '000	PLN '000
ASSETS		
Fixed assets		
Tangible assets	51,955	52,237
Goodwill		
Other intangible assets	938	1,110
Long-term investments	452	452
Deferred income tax asset	7,463	6,522
Finance lease receivables		
Other financial assets	157,337	132,434
Other assets		
Total fixed assets	**218,145**	**192,755**
Current assets		
Inventories	320,526	307,508
Trade and other receivables	306,874	294,379
Income tax receivables		
Derivatives		
Other financial assets	27	194
Other assets	1,947	1,131
Cash and cash equivalents	63,115	30,834
Total current assets	**692,489**	**634,046**
Total assets	910,634	826,801

LIABILITIES	30/09/2014 PLN '000	30/06/2014 PLN '000
Equity		
Issued share capital	16,188	16,188
Treasury shares		
Reserve capital	135,503	135,503
Reserve fund	166,306	168,864
Retained earnings	55,082	45,050
Total equity	**373,079**	**365,605**
Non-current liabilities		
Long-term borrowings and bank loans		
Financial liabilities	100,576	
Pension liabilities		
Deferred income tax provision	55	
Long-term provisions		
Total non-current liabilities	**100,631**	
Current liabilities		
Trade and other payables	400,150	346,859
Short-term bank borrowings and loans		76,440
Finance lease liabilities		
Other financial liabilities	555	
Current tax liability	2,978	5,303
Short-term provisions	33,241	32,594
Total current liabilities	**436,924**	**461,196**
Total payables	**537,555**	**461,196**
Total liabilities	910,634	826,801

XI) CHANGES TO EQUITY (NON-CONSOLIDATED)

	[TPLN]	Share capital	Reserve capital	Other reserve funds	Cash received from valuation of cash flow hedges	Retained profit	Total equity
I	**Balance as at 1 July 2013**	**16,188**	**135,503**	**139,407**	**-4,550**	**29,238**	**315,786**
	Costs of share issue						
	Previous year's profit distribution			29,238		-29,238	
	Net cash flow hedge				5,479		5,479
	Dividend distribution						
	Net profit for the period					8,242	8,242
	Other						
	As at 30 September 2013	**16,188**	**135,503**	**168,645**	**929**	**8,242**	**329,507**

	[TPLN]	Share capital	Reserve capital	Other reserve funds	Cash received from valuation of cash flow hedges	Retained profit	Total equity
I	**Balance as at 1 July 2014**	**16,188**	**135,503**	**168,645**	**219**	**45,050**	**365,605**
	Costs of share issue						
	Previous year's profit distribution						
	Net cash flow hedge				-2,558		-2,558
	Dividend distribution						
	Net profit for the period					10,032	10,032
	Other						
	As at 30 September 2014	**16,188**	**135,503**	**168,645**	**-2,339**	**55,082**	**373,079**

XII) STANDALONE CASH FLOW STATEMENT

	Three-month period ended on 30/09/2014	Three-month period ended on 30/09/2013
	PLN '000	PLN '000
Cash flows from operating activities		
Gross profit / (loss)	12,725	10,410
Financial expenses recognised in the comprehensive income statement	621	1,266
Depreciation / amortisation	1,168	1,423
Profit / (loss) on investments		46
FX profit / (loss)	-746	5,899
	13,768	19,044
Change in working capital		
Change in trade receivables	-12,495	17,190
Change in other receivables		
Change to inventories	-13,018	20,113
Change in other assets	-816	289
Change in trade payables	53,291	-39,748
Change in provisions	674	1,016
Other adjustments		
	27,636	-1,140
Cash generated from operating activities	41,404	17,904
Interest paid		
Corporate income tax paid	-5,303	-3,481
Net cash from operating activities	36,101	14,423
Cash flows from investing activities		
Payments for purchased financial assets		-3,820
Proceeds from disposal of financial assets		
Interest received		
Borrowings disbursed	-25,168	-1,169
Borrowings repaid	34	32
Payments for tangible fixed assets	-890	-74
Proceeds from disposal of tangible fixed assets	10	48
Payments for intangible assets	-4	
Cash generated from investing activities	-26,018	-4,983
Cash flows from financing activities		
Proceeds from issues of debt securities	99,750	
Proceeds from share issues		
Costs of share issues		
Borrowings and loans received		
Borrowings and loans repaid	-76,440	-5,586
Interest	-1,112	-1,403
Redemption of debt securities		
Purchase of treasury shares		
Net cash from financing activities	22,198	-6,989
Net change in cash and cash equivalents	**32,281**	**2,451**
Cash and cash equivalents at the beginning of the period	30,834	9,152
Cash and cash equivalents at the end of the period	63,115	11,603

XIII) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPLIANCE STATEMENT

These Condensed Consolidated Interim Financial Statements of the Group have been prepared in compliance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting ("IAS 34") and in compliance with the relevant accounting standards applicable to interim financial reporting, approved by the European Union, published and in force at the time of preparation of these Consolidated Interim Financial Statements.

These consolidated interim financial statements do not contain all the information that is disclosed in the annual consolidated financial statements made in accordance with IFRS. These condensed consolidated interim financial statements shall be construed jointly with the consolidated financial statements of the Group for 2013/14.

2. APPLIED ACCOUNTING PRINCIPLES

- **Going concern assumption**

The Consolidated Financial Statements have been prepared on the assumption that the Group shall be a going concern in the foreseeable future. As of the date of these Financial Statements, no circumstances have occurred that would pose a threat to continuation of business activities.

- **Functional and reporting currency**

These consolidated financial statements have been made in Polish Zlotys (PLN). The Polish Zloty is the functional and reporting currency of the Group. The data in the financial statements has been presented in PLN thousand, unless in certain circumstances a greater accuracy has been applied.

- **Consolidation basis**

These Consolidated Financial Statements have been prepared under a historical cost convention with the exception of derivative financial instruments that are measured at fair value.

The Consolidated Financial Statements include the financial statements of the parent entity and the 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 performance of subsidiary entities acquired or disposed during the year is 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 in 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 where there is binding commitment and ability of non-controlling shareholders to make additional investments to cover the losses.

- **Business Combinations**

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

- **Goodwill**

Goodwill resulting from acquisition represents a difference between the total purchase consideration and the total of the fair values of the acquired assets, including recognised assets, liabilities, and contingent liabilities of a 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 measured at cost reduced by accrued impairment.

- **Recognition of sales revenues**

Sales revenues are recognised at fair value of the consideration received or receivable, less anticipated volume rebates, returns by clients and similar charges.

Sale of goods

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold;
- amount of revenue can be measured reliably;
- it is probable that economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenues generated under service contracts are recognised by reference to the stage of completion of a transaction under each contract.

Interest and dividend income

Dividend income is recognised when the shareholders' right to receive dividend distribution is established.

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

- **Foreign currencies**

Non-consolidated financial statements of the Group's companies are presented in the currencies prevailing in the markets of their respective business operations (their functional currencies). The Consolidated Financial Statements present the financial results and items relating to the individual entities in Polish zlotys (PLN) which is the functional currency of the Company and the presentation currency of the Consolidated Financial Statements.

In the non-consolidated financial statements, transactions executed in currencies other 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 measured at fair value and denominated in foreign currencies are translated at the exchange rate prevailing on the date the fair value has been determined. Non-cash items stated at historical cost in foreign currencies are not re-translated.

Foreign exchange differences are recognised in the profit and loss account in the period they arise, with the following exceptions:

- foreign exchange differences relating to assets under construction to be used in production that are incorporated as costs of such assets are treated as adjustments of interest expense of foreign currency-denominated loans;
- foreign exchange differences resulting from transactions executed to hedge certain foreign exchange risk (see: hedge accounting rules); and
- foreign 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 funds from foreign currency translation and in net profit/(loss) on disposal of investments.

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

Goodwill and fair value adjustments resulting from the 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**

Borrowing costs directly related to the 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 earned on temporary investment of such borrowing prior to its investment in the assets referred to above reduce the borrowing costs subject to capitalisation.

All other borrowing costs are recognised directly through the profit and loss account in the period in which they have been incurred.

- **Costs of future retirement benefits**

In accordance with the labour law regulations, employees of the Group are entitled to retirement allowance. It is a one-off payment due to employees upon their retirement. The retirement allowance amount depends on the employee's average salary. 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 post-employment benefit plans. 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 to the provisions resulting from the 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 using the taxation base for the current financial year. Tax profit (loss) differs from the carrying net profit (loss) due to exclusion of taxable income and tax-deductible expenses in future periods, as well as revenues and expenses that are never subject to taxation. The 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 tax payable or refundable in the future taking into account differences between the carrying value of assets and liabilities and the corresponding tax values used to calculate the taxation base.
The deferred income tax provision is recognised with respect to all positive temporary taxable differences while the deferred income tax asset is recognised at a probable reduction amount of the future taxable profit by recognised negative temporary differences. No deferred income tax asset or provision is recognised when a 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.

The 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. A deferred income tax asset for deductible temporary differences related to such investments and interests is recognised to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

The carrying 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 its part, the value shall be reduced accordingly.

The deferred income tax asset and liability is calculated at the tax rates that will be applicable when such an asset is realised or a liability becomes due, in accordance with the tax regulations (rates) applicable as at the balance sheet date. Measurement of deferred income tax assets and liabilities reflects tax consequences of the method according to which the Group expects to recover or settle the carrying value of deferred income tax assets and liabilities as at the date of the Financial Statements.

The deferred income tax assets and liabilities are set-off when there is a right to set-off current income tax assets against current income tax liabilities, as long as such items are taxable by the same tax authority and the Group intends to settle its income tax assets and liabilities on a net amount basis.

ul. Kościerzyńska 32, 51-416 Wrocław, Poland tel. (+48 71) 3240 500, fax (+48 71) 32 40 529, 78 90 529, www.ab.pl
BANK ACCOUNT: BZ WBK S.A. 44 /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
Warszawa: tel. (+48 022) 51 09 300, fax (+48 022) 51 09 333

Current and deferred income tax for the current accounting period

Current and deferred income tax is recognised as income or expense in the profit and loss account, except to the extent that the tax arises from items recognised directly in equity, in which case income tax is also recognised in equity, or from the initial recognition of business combinations. In case of business combinations, tax consequences are taken into account for goodwill calculation or determination of the fair 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 initially 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.
Fixed assets under construction are recognised as at the balance sheet date at acquisition cost or manufacturing cost.
Depreciation rates are applied in order to reduce the acquisition cost or manufacturing cost of assets other than fixed assets under construction. Such write-downs are made using a straight-line method over assets' useful life, starting from the month following the month such fixed asset has been brought to use. An estimated useful life, residual values, and the depreciation method are subject to review at the end of each year and the results of any changes to estimates are recognised prospectively.
In accordance with the materiality principle, fixed assets with an initial value under PLN 2,500 are expensed in the month following the month in which such fixed assets have been brought to use.
Assets held under finance lease contracts are depreciated over the period of their anticipated useful economic life in accordance with the same principles as the Company's own assets, however, not longer than until the end of the lease contract.
Profit or loss resulting from disposal / liquidation or withdrawal from the use of tangible fixed assets is a difference between proceeds from disposal and the carrying value of such items and is recognised in the profit and loss account.

- **Investment property**

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is initially recognised at cost.
As at the balance sheet date, investment property is recognised at acquisition cost less accumulated depreciation and impairment losses.

- **Intangible Assets**

Intangible assets acquired under separate purchase transactions

Intangible assets acquired in separate transactions are recognised at historical cost reduced by accumulated amortisation and accumulated 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 as part of a business combination are identified and recognised separately from the goodwill, if they comply with the definition of intangible assets and if their fair value can be reliably assessed. The cost of such assets is equivalent to their fair value as at the acquisition date.

After initial recognition, the assets are disclosed at historical cost less amortisation and accumulated impairments in the same manner as intangible assets acquired in separate transactions. Intangible assets with indefinite 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 the carrying values of its fixed assets and intangible assets to identify any indications of impairment. Where there is an indication of impairment, the recoverable amount of an asset is calculated to determine a potential impairment loss. Where an asset does not generate cash flows that are largely independent of those generated from other assets, such an analysis is performed for cash generating unit (CGU) of which such an asset is part. If it is possible to identify a reliable and uniform allocation basis, fixed assets held by the Group are allocated to specific CGUs or to the smallest groups of CGUs for which a reliable and uniform allocation basis may be identified.

With respect to intangible assets with indefinite useful life, impairment tests are performed annually and, additionally, when there is an indication of possible impairment.

The recoverable value is determined as the higher of: the fair value less costs of disposal and value in use. The latter is equivalent to the present value of future cash flows discounted with a gross discount rate accounting for the time value of money and the risk specific for each asset.

If the recoverable amount is lower than the carrying value of an asset (or CGU), the carrying value of the asset or CGU is reduced to the recoverable value. Impairment loss is recognised forthwith as the cost of the period in which it has occurred with the exception of a situation when an asset is recognised at its revalued amount (then the impairment is treated as a reduction to the prior revaluation).

If an impairment charge is subsequently reversed, the net value of the asset (or cash generating unit) is increased to the new estimated realisable value not exceeding, however, the carrying 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 has not been revalued earlier – in such a case, the reversal of impairment is treated as revaluation increase.

- **Inventories**

Inventories are recognised at the lowest of: purchase price, manufacturing cost, or net realisable value (NRV).
The net sale 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, uploading, unloading, and other costs directly related to acquisition of the goods and materials, less any discounts and rebates.
The manufacturing costs of products include costs directly related to a product unit and appropriately allocated variable and fixed manufacturing costs. Variable manufacturing costs are allocated to a product unit on the basis of the current use of the manufacturing machinery and equipment. Fixed manufacturing costs are allocated on the basis of normal use of production capacity. Outflows of goods and materials follow the weighted average and FIFO method, while outflows of products follow the FIFO method.
The net sale 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 the past events, the Group will probably have to pay them and the amount can be reliably assessed.

The recognised provision reflects most accurately the estimated expenditure required to settle the present obligation as at the balance sheet date, taking into account the underlying risk and the related uncertainty. If the provision is assessed using the estimated cash flows required to settle the current obligation, the carrying value is equal to the present value of the cash flows.

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

Warranty obligations

Provisions for the costs of warranty repairs are recognised at the time of the sale of products, taking into account the best estimate of management as to the future costs to be incurred by the Group during the warranty period.

- **Financial assets**

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

Financial assets are classified into the following categories: financial assets at fair value through profit and loss, held-to-maturity investments, available-for-sale financial assets, 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 method

This is a method to calculate the amortised costs of assets and to allocate 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 measured at fair value through profit and loss is recognised at the effective interest rate.

Financial assets measured at fair value through statement of comprehensive income

This group includes available-for-sale financial assets or assets measured 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 measured at fair value through profit and loss at initial recognition, if:

- such classification eliminates or materially reduces inconsistency of valuation or recognition occurring under other circumstances;
- the financial asset is a part of a group of financial assets or liabilities or both that are managed and its performance is evaluated on a fair value basis in accordance with the documented strategy of risk management 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 the classification of the entire contract (an asset or a liability) to be measured at fair value through profit and loss.

Financial assets measured at fair value through profit and loss are recognised 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 includes dividend or interest generated by a specific financial asset.

Held-to-maturity investments

Commercial papers and debentures with fixed or determinable payments and with fixed maturity dates that the Group intends to and is able to hold to maturity are classified as investments held to maturity. Such investments are recognised at amortised historical cost using the effective interest rate less impairment, while 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 available-for-sale assets and are measured at fair value. Profit and loss resulting from changes in fair value is recognised directly in equity as revaluation reserve, with the exception of impairment losses, interest accrued at the effective interest rate and foreign exchange gains or losses on cash assets that are recognised directly in profit and loss account. If an investment is sold or impaired, the accumulated profit or loss previously recognised in the revaluation reserve is transferred to the profit and loss for the reporting period.

Dividend on equity instruments available for sale is recognised in 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 currencies is determined by translating the amounts at the spot rate as at the balance sheet date. A change in fair value attributable to foreign exchange differences resulting from a change in the amortised historical cost of a given asset is recognised in profit and loss account while other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables with fixed or determinable payments that are not traded in an active market are classified as “loans and receivables”. They are measured at amortised cost using the effective interest rate and by taking impairment into account. 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 measured at fair value through profit and loss – are tested for impairment at each balance sheet date. Financial assets are impaired when there are objective indications that events occurring after the initial recognition of an asset have adversely affected the related estimated future cash flows. With respect to financial assets recognised at amortised historical cost, impairment is the difference between the carrying value and the present value of estimated cash flows discounted at the financial asset's 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 in the carrying value of the charge account are recognised in 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 has occurred after the impairment charge, the impairment charge shall be reversed through the profit and loss account to the extent corresponding to the reversed carrying 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 rewards have been transferred to another entity. If the Group does not transfer nor retains substantially all risk and all rewards 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 payments. However, if the Group retains substantially all risk and all rewards related to such a 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

Equity instruments include any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. They are recognised at the amounts received less direct issue costs.

Financial liabilities

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

Financial liabilities measured at fair value through profit and loss

This category includes available-for-sale financial liabilities or liabilities defined as measured 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 measured at fair value through profit and loss at initial recognition, if:

- such classification eliminates or materially reduces the 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 that are managed and its performance is evaluated on a fair value basis 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 measured at fair value through profit and loss.

Financial liabilities measured at fair value through profit and loss 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 initially measured at fair value net of transaction costs.

Subsequently, they are recognised at the 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 amortised cost of a liability and to allocate interest expenses to the relevant periods. The effective interest rate is a rate discounting future cash payments over the foreseeable useful life of a liability or over a shorter time, if required.

- **Derivatives**

The Group uses foreign currency forward or swap contracts to hedge against foreign currency risk.

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

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

Hedge accounting

As from 1 July 2011, the Group has started applying hedge accounting in relation to foreign currency risk covering sales indexed to foreign currencies (EUR or USD). The designated hedging relation is treated as hedging of cash flows. The settlement of hedges is specified in Note No. 10 *Derivative financial instruments and hedges – cash flow hedging*.

The numbers resulting from the application of hedge accounting by the Company are presented in Note No. 10 *Cash flow hedging*.

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

Using the accounting rules applicable within the Group as specified in Note 2, the Management Board has to make judgments, estimates, and assumptions concerning the carrying value of assets and liabilities that cannot be assessed otherwise on the basis of available sources. Estimates and their underlying assumptions are based on historical experience and other factors deemed as material. The actual results may differ from the assumed estimates.

Estimates and their 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 the current period and to the future periods.

- **Critical judgments in applying accounting principles**

Below are the core assumptions relating to the future and other bases underlying the uncertainty estimates as at the balance sheet date that affect the risk of major adjustments to the carrying value of assets and liabilities in the next financial year.

Impairment of goodwill

In order to verify whether goodwill has been impaired, an estimate of the value in use of all cash-generating units to which the goodwill has been attributed needs to be made. To calculate the value in use, the Company needs 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 carrying value of goodwill amounted to PLN 41.4 million.

Intangible assets with indefinite useful life.

Intangible assets with the indefinite useful life are annually tested for impairment at the level of cash generating units. As at the balance sheet date, the Group holds intangible assets with the indefinite useful life that amounts to PLN 21.3 million.

Impairment of assets

As at each balance sheet date, the Group verifies if there are any indications of impairment of non-financial assets. Assessment of value in use consists in identifying future cash flows by a cash generating unit and requires determination of a discount rate to calculate the present value of such cash flows.
As at 30 September 2014, 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. The assumed economic useful life is subject to annual review on the basis of updated estimates. As at the balance sheet date, fixed assets amounted to PLN 117 million.

Assessment of provisions for employee benefits

Provisions for employee benefits (provision for retirement allowance) have been assessed using actuarial methods.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is measured using the appropriate valuation techniques. The Group uses professional judgment to select adequate methods and to make assumptions. The Management Board makes a judgment selecting an appropriate method to measure financial instruments not traded 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 measured 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 tax asset assuming that taxable profit will be generated in the future to utilise the asset. Material deterioration of the generated taxable profit in the future could render this assumption unjustified.

Impairment of receivables and inventories

As at the balance sheet date, the Group assesses if there is objective evidence of impairment of receivables, groups of receivables and inventories. If the recoverable amount of an asset is below its carrying value, a given unit recognises an impairment loss down to the present value of anticipated cash flows.

3. OPERATING SEGMENTS

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

Geographical segments

The 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 by segments

	External sales	Sales between segments	Other	Total
	Period ended 30/09/14	Period ended 30/09/14	Period ended 30/09/14	Period ended 30/09/14
	PLN '000	PLN '000	PLN '000	PLN '000
Poland	945,566	47,856		993,422
Czech Republic	483,730	94,258		577,988
Slovakia	65,273	152		65,425
Total segments				1,636,835
Eliminations				142,266
Consolidated revenues				1,494,569

	External sales	Sales between segments	Other	Total
	Period ended 30/09/13	Period ended 30/09/13	Period ended 30/09/13	Period ended 30/09/13
	PLN '000	PLN '000	PLN '000	PLN '000
Poland	835,825	39,641		875,466
Czech Republic	364,662	80,992		445,654
Slovakia	55,081	281		55,362
Total segments				1,376,482
Eliminations				120,914
Consolidated revenues				1,255,568

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

Assets and liabilities by segments

	Assets	Liabilities
	30/09/14	30/09/14
	PLN '000	PLN '000
Poland	896,091	562,457
Czech Republic	453,243	305,948
Slovakia	37,446	41,773
Total segments	1,386,780	910,178
Eliminations		
Non-allocated		
Consolidated	1,386,780	**910,178**

Results by segments

	Of which interest expense / income	Period ended 30/09/14
	PLN '000	PLN '000
Continuing operations		
Poland	-1,296	13,753
Czech Republic	-491	5,187
Slovakia	1	-65
Eliminations		
Non-allocated		
Profit before income tax		18,875
Income tax		3,770
Profit for the financial year on continuing operations		15,105
Discontinued operations		
Profit before income tax		
Income tax		
Profit for the financial year on discontinued operations		
Profit for the financial year		15,105

Depreciation / amortisation by segments

	Acquisition of fixed assets	Period ended 30/09/13
	PLN '000	PLN '000
Continuing operations		
Poland	24,287	1,319
Czech Republic	323	699
Slovakia	57	20
Consolidated	24,667	2,038

Market segments

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

- wholesale trade in computer, telecommunications, multimedia, and electronic equipment,
- retail trade in computer hardware,
- personal computer manufacturing.

	Revenues from sales to external clients	Assets per segment	Acquisition of fixed assets
	Period ended 30/09/14	Period ended 30/09/14	Period ended 30/09/14
	PLN '000	PLN '000	PLN '000
wholesale trade	1,487,432	1,376,487	24,531
Retail trade	5,263	5,892	5
Production	1,874	4,401	131
	1,494,569	1,386,780	24,667

	Revenues from sales to external clients	Assets per segment	Acquisition of fixed assets
	Period ended 30/09/13	Period ended 30/09/13	Period ended 30/09/13
	PLN '000	PLN '000	PLN '000
wholesale trade	1,248,142	1,146,969	1,089
Retail trade	6,593	6,383	-
Production	833	1,238	3
	1,255,568	1,154,590	1,092

The 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

The seasonal fluctuations of individual items affecting the financial performance in the period covered with the report reflect the market trends from the preceding years.

5. Profit per share

	Period ended 30/09/14	Period ended 30/09/13
	PLN per share	PLN per share
Basic profit per share		
From continuing operations	15,105	13,051
From discontinued operations		
Total basic profit per share	0.93	0.81

Diluted profit per share	15,105	13,051
From continuing operations		
From discontinued operations		
Total diluted profit per share	0.93	0.81

Basic profit per share

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

	Period ended 30/09/14	**Period ended 30/09/13**
	PLN ’000	**PLN ’000**
Profit for the financial year attributable to the shareholders of the parent entity	15,105	13,051
Profit used to calculate the total basic profit per share	15,105	13,051
Profit used to calculate the total basic profit per share on continued operations	15,105	13,051

	Period ended 30/09/14	**Period ended 30/09/13**
	PLN ’000	**PLN ’000**
Average weighted number of ordinary shares used to calculate the basic profit per share	16,187,644	16,187,644

6. Dividends

No dividend was distributed to the shareholders in the interim period.

7. Tangible fixed assets – increase

	AB S.A.	Rekman Sp. z o.o.	Alsen Marketing Sp. z o.o.	B2B IT Sp. z o.o.	ATC Holding
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Structures					46
Plant and equipment	204				50
Means of transport	600				179
Equipment	86		8		5
Intangible Assets	4	4			100
Fixed assets / intangible assets under construction			433	22,948	
TOTAL	**894**	**4**	**441**	**22,948**	**380**

8. Investments in affiliated entities

In the reviewed period, the Group did not make any investment in its affiliated entities.

9. Goodwill

	Period ended 30/09/13	Period ended 30/09/13
	PLN '000	PLN '000
Cost		
Beginning of the financial year	41,592	42,107
Goodwill from business combination		
Foreign exchange differences	-159	-707
End of the financial year	41,433	41,400
Accumulated impairment charges		
Beginning of the financial year		
End of the financial year		
Carrying value		
Opening balance		
Closing balance	41,433	41,400

The goodwill was generated as a result of the acquisition of 100% shares made on 30 October 2007 in AT Computers Holding a.s. with its registered office in Ostrava, the Czech Republic, 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

and as a result of the acquisition of 100% shares in Rekman Sp. z o.o. with its registered office in Wrocław on 30 September 2013.

10. HEDGE ACCOUNTING

Financial derivatives and hedges

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

Changes in the fair value of derivative instruments that do not meet the requirements of hedge accounting are recognised directly through 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.

The cash flow hedge is an operation hedging the risk of volatility of cash flows relating to the hedged asset or liability with a planned probable future transaction or a probable future liability that could affect profit and loss account.

Profit or loss resulting from changes to 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 foreign currency risk related to sales indexed to EUR and USD exchange rates by using foreign currency cash positions – trade payables, liabilities under bank loans, trade receivables, cash and foreign currency forward contracts for currency sale/purchase.

The Group identifies 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, TEUR '000		Fair value, TPLN '000*		Anticipated maturity period of hedged position	
	30.09.2014	**30.09.2013**	**30.09.2014**	**30.09.2013**	**30.09.2014**	**30.09.2013**
Trade payables	(59,531)	(43,807)	(248,549)	(184,847)	October, November	October, November
Trade receivables	8,036	4,417	33,552	18,644	October, November	October, November
Bank loans	-	(1,635)	-	(6,895)	October, November	October, November
Cash	386	354	1,612	1,494	October, November	October, November
FX Forward EUR	(18,404)	(12,514)	669	269	October, November	October, November
Total cash positions:	**(69,513)**	**(53,185)**	**(212,716)**	**(171,335)**		

Hedging instruments – USD

Instrument type	Nominal value, TUSD '000		Fair value, TPLN '000*		Anticipated maturity period of hedged position	
	30.09.2014	**30.09.2013**	**30.09.2014**	**30.09.2013**	**30.09.2014**	**30.09.2013**
Trade payables	(29,680)	(21,023)	(98,030)	(65,682)	October, November	October, November
Trade receivables	2,620	1,394	8,651	4,354	October, November	October, November
Bank loans	-	-	-	-	October, November	October, November
Cash	87	28	286	88	October, November	October, November
FX Forward EUR	(8,632)	6,568	(691)	(9)	October, November	October, November
Total cash positions:	**(35,604)**	**(13,033)**	**(89,784)**	**(61,249)**		

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

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

	3 months until 30.09.2014	3 months until 30.09.2013
Gross amount recognised in equity at the beginning of the period	(232)	(7,303)
Net amount recognised in equity at the beginning of the period	(188)	(5,915)
Effective portion of profit/(loss) on the hedging instrument in the period recognised in equity	(9,683)	6,817
Amounts derecognised from equity and recognised in the profit and loss account during the period, of which:	(6,367)	(2,083)
- adjustment to income from operating activities	(6,090)	(649)
- adjustment to income from financing activities	(276)	(1,434)
- adjustment due to hedge ineffectiveness	-	-
Gross amount recognised in equity at the end of the period	(3,549)	1,597
Deferred income tax provision	674	303
Net amount recognised in equity at the end of the period	(2,875)	1,294

11. Loans and borrowings

In the period from the publication of the annual report (18 September 2014) until the publication of the report for the first quarter of the financial year 2014/2015, the Group did not contract any new loans.

12. Issued capital

During the period under review, there were no changes to the Company's issued capital.

13. Disposal of subsidiary companies

During the period under review, the Group did not sell any subsidiary entities.

14. Takeover of subsidiary companies

During the period under review, the Group did not take over any subsidiary entities.

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

	PLN '000
	2014-09-30
Guarantees granted	20,435
Total	**20,435**

Details are provided in item 8 of additional information.

16. EVENTS AFTER THE REPORTING DATE

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 2014 to 30 September 2014 there were no transactions other than concluded on an arm's length basis.

XIV) ADDITIONAL INFORMATION

The additional information is required to be disclosed pursuant to the Regulation of the Minister of Finance of 19 February 2009 on current and periodic disclosure by issuers of securities and conditions to recognise as equivalent the information that is required by regulations of law in Non-Member States.

1. ORGANISATION OF THE GROUP WITH IDENTIFICATION OF THE CONSOLIDATED ENTITIES

1.1. Entities in the Group of AB S.A. (with details of the consolidation method or share valuation)

As at 30 September 2014. the 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 registered office:	ul. Kościerzyńska 32, 51-416 Wrocław
Statistical number (REGON)	931908977
Tax identification number (NIP):	895-16-28-481
Registration authority:	District Court for Wrocław – Fabryczna, 6th Commercial Division of the National Court Register. The entry to the

	register was made on 22.10.2001 under KRS number 0000053834.
Duration of the Company:	unlimited.

Subsidiary entities

- Alsen Sp. z o.o. (AB S.A. owns 100% of shares) – consolidated
  The Company engages in marketing and training activities.

- 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. (AT Computers Holding a.s. owns 100% of shares) – consolidated
  The Company's business consists in distribution of computers and electronic equipment in the Czech Republic and abroad.

- AT Compus s.r.o. (AT Computers Holding a.s. owns 100% of shares) – consolidated
  The Company's business consists in assembly of computers from sub-assemblies. Finished products are re-sold to distribution companies for further resale.

- Comfor Stores a.s. (AT Computers Holding a.s. owns 100% of shares) – consolidated
  The Company's business consists in retail trade in computers and electronic materials.

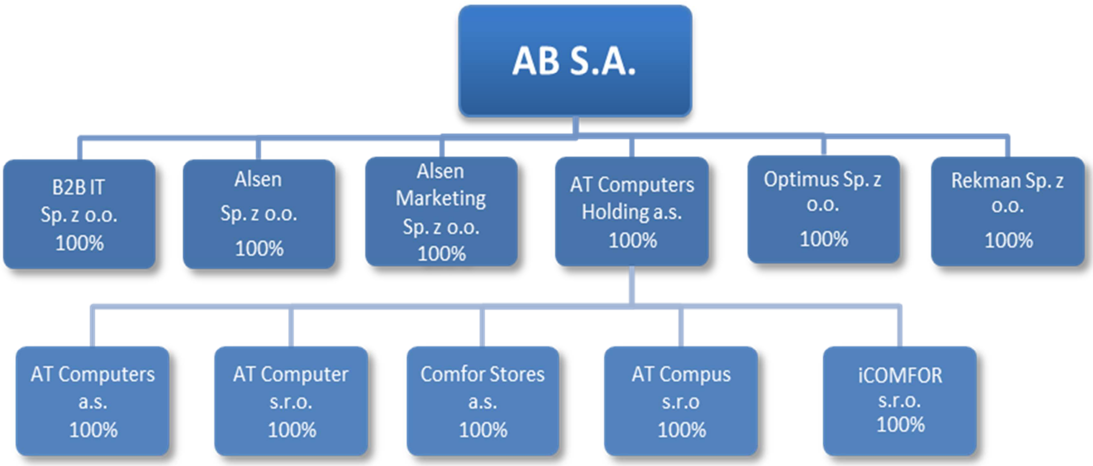
- AT Computer s.r.o. (AT Computers Holding a.s. owns 100% of shares) – consolidated
  The Company's business consists in distribution of computers and electronic equipment in the Slovak Republic.

- iCOMFOR s.r.o. (AT Computers Holding a.s. owns 100% of shares) – consolidated (established on 16 September 2011)
  The Company's business consists in retail trade in computers and electronic materials.

- Optimus Sp. z o.o. (AB S.A. owns 100% of shares) – consolidated
  The Company's business consists in the production of computers, servers and network equipment; it also develops a franchise network for small and medium-sized IT integrators.

- Rekman Sp. z o.o. (AB S.A. owns 100% of shares) – consolidated
  The Company is involved in wholesale business of toys and board games for children.
  The Company's business consists in retail trade in computers and electronic materials.

1.2. Group Structure



2. EFFECTS OF CHANGES TO THE STRUCTURE OF THE GROUP

In Q1 of the financial year 2014/2015, the structure of the AB Group did not change.

3. POSITION OF THE MANAGEMENT BOARD ON FEASIBILITY OF THE FORECASTS PUBLISHED EARLIER.

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

4. SHAREHOLDERS HOLDING MINIMUM 5% OF THE OVERALL NUMBER OF VOTES AT ISSUER'S GENERAL MEETINGS

To the best knowledge of the issuer, the shareholding structure of the parent company was as follows as of the publication fate of the report:

As at 14.11.2014	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	8.13%	2,629 200	15.02%
Iwona Przybyło	1,749,052	10.80%	1,749,052	9.99%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1,500,000	9.27%	1,500,000	8.57%
Aviva Investors Poland S.A.	1,002,723	6.19%	1,002,723	5.73%
ING OFE	2,291,911	14.16%	2,291,911	13.10%
Other	8,327,758	51.45%	8 327,758	47.59%
Total	**16,187,644**	**100.00%**	**17,500,644**	**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 blocks or the number of votes at General Meetings.

5. Issuer's shares or rights attached to them held by persons managing and supervising the Issuer

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

The Issuer's shares or rights to shares held by persons managing and supervising the Issuer's business as at the date when the quarterly report was published, i.e. as at 14 November 2014:

As at 14.11.2014	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	1,749,052	10.80%	1,749,052	9.99%
Jacek Łapiński	0		0	
Jan Łapiński	0		0	
Radosław Kiełbasiński	0		0	
Andrzej Bator	0		0	
Katarzyna Jażdrzyk	0		0	

In the period from the publication date of the annual report for the financial year 2013/2014 to the publication date of the report for the first quarter 2014/2015, there were no changes in the shareholdings of managing or supervising persons.

6. Proceedings pending in courts, arbitration bodies, or public administration bodies

None of the companies of the Group of AB S.A. is subject to any proceedings pending in court, before an arbitration body, or public administration body concerning liabilities or receivables exceeding 10% of equity.

7. Information on any transaction(s) concluded by the Issuer or its subsidiary with related entities otherwise than on an arm's length basis

In the period from 1 July 2014 to 30 September 2014 there were no transactions other than concluded on an arm's length basis.

8. Information on any loan surety or borrowing or guarantee granted by the issuer or its subsidiary entities

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

	PLN '000
	2014-09-30
Guarantees granted	20,435
Total	**20,435**

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

Guarantee issuer	Beneficiary	Bank	Currency	Amount	Validity date
AB S.A.	Intel	Pekao	USD	1 000 000	2015-01-16
AB S.A.	Lenovo (Singapore) Pte Ltd	SEB	USD	1 500 000	2015-01-23
AB S.A.	Wrocław BC Sp. z o. o.	BZ WBK SA	PLN	372 450	2016-01-03
AT Computers, a.s.	Lenovo (Singapore) Pte Ltd	CITIBANK Europe plc	USD	2 400 000	2014-09-30
AT Computers, a.s.	Celní ředitelství Ostrava	CITIBANK Europe plc	CZK	500 000	2015-05-22
AT Computers, a.s.	ProLogis czech Republic	CITIBANK Europe plc	EUR	271 000	2015-02-11
AT Computers, a.s.	Huawei Technologies (Czech) s.r.o.	CITIBANK Europe plc	EUR	500 000	2014-10-31
COMFOR Stores	Palladium Praha s.r.o.	CITIBANK Europe plc	EUR	54 184	2015-09-09
COMFOR Stores	HUTS II s.r.o.	CITIBANK Europe plc	EUR	8 630	2015-05-14
COMFOR Stores	KLEPIERRE CZ, s.r.o.	CITIBANK Europe plc	EUR	11 970	2015-06-20
COMFOR Stores	EKZ Tschechien	CITIBANK Europe plc	EUR	9 539	2014-11-13
COMFOR Stores	FLORA SEN	CITIBANK Europe plc	EUR	6 723	2015-05-14
COMFOR Stores	Pradera SC Futurum Ostrava	CITIBANK Europe plc	EUR	10 954	2014-12-13
COMFOR Stores	Euro Mall Hradec Králové	CITIBANK Europe plc	EUR	12 183	2015-05-14
COMFOR Stores	Best Properties South, a.s.	CITIBANK Europe plc	CZK	156 140	2014-12-13
COMFOR Stores	CEI Building	CITIBANK Europe plc	CZK	221 643	2015-06-20
COMFOR Stores	New Karolina Shopping	CITIBANK Europe plc	CZK	299 000	2015-09-12
COMFOR Stores	Klepierre Plzeň	CITIBANK Europe plc	EUR	7 440	2014-12-13

The table below presents nominal amounts of guarantees in the original currencies; the guarantees were provided by ATC Holding to secure the repayment of loans contracted by subsidiary companies (equivalent of TPLN 173 862).

Guarantee issuer	Beneficiary	Currency	Amount
AT Computers, a.s.	KB a.s.	CZK	700 000 000
AT Computers, a.s.	CITIBANK a.s.	CZK	300 000 000
COMFOR Stores	CITIBANK a.s.	CZK	8 934 000
AT Computers, a.s.	CITIBANK a.s.	CZK	136 400 000

9. Other information that is material for the evaluation of the condition in terms of human resources, assets, finance, results of the Group and changes thereto as well as information that is material for the assessment of the ability of its obligations by the Parent Company

- **Major achievements and failures by the Group**

Revenues generated by the Group in Q3 2014 were 19% up on the equivalent period last year. Profitability of operations grew by 13% year on year from TPLN 18,193 to TPLN 20,640 with the net profit increasing from TPLN 13,055 to TPLN 15,105 achieving a growth rate of 16%. The low level of selling, general, and administrative expenses (SG&A) is a major element characteristic for the Group. Low SG&A expenses are a major competitive advantage in the demanding sector. The cash conversion cycle was shortened to 32 days from 36 days in the same quarter a year earlier. Special note should also be made of the shorted cycle of receivables from 39 to 31 days.

Continued growth of sales is a result of a consistently expanded range of offered products and a growing number of commercial partners. The Group has been regularly expanding its product portfolio by adding goods from the IT sector, as well as RTV and household appliances, toys, and it has been expanding sales of its white labels under the TB logo. For a few quarters a growing sales trend in the household appliances segment has been observed. In the segment of large household appliances sales recorded a 2.5-fold growth in relation to the first quarter of the previous year. Furthermore, the AB Group has also been developing collaboration under long-term distribution agreements and also focuses on development by concluding new contracts. Work has been intensified on the development of the existing franchise networks as: Alsen in Poland, Comfor in the Czech Republic and in Slovakia, Premio and Triline in the Czech Republic, and opening new ones: in Poland - Kakto (household appliances/RTV) and Optimus (integrators) and in the Czech Republic - Digimax (mobile solutions and smart home).

Additionally, the Group has been developing and upgrading its AB Online platform. The Group has been launching innovative offers for partners and producers – 3D and 360 degrees photos to show all details of products. With that service, the products offered by the AB Group will be presented from several angles. The AB Online platform has become one of the most advanced e-commerce solutions in the region.

An important event in the reporting period for the Group was an issue of five-year corporate bonds for the total nominal value of PLN 100,000,000 which is aimed at diversifying the funding structure and secures financial plans of AB S.A. for the next years. Most of the raised funds will be applied to increase the working capital and expend the products portfolio. A substantial part will also be used to finance investments in the modern distribution centre in Magnice. The investment project is expected to be completed at the end of the first half of 2015. New solutions in the field of WMS and warehouse automation will be among the most advanced systems of that type in the region and will provide the Group with a competitive advantage in the areas of logistics and e-commerce.

The situation of the Czech company in the AB Group – ATC Holding – was stable in Q3 2014. ATC has been increasing its sales dynamically (in the analysed period by 42% y/y in the base currency), thus strengthening its leading position in the Czech Republic. The growth was driven by sales of telephones and tablets. There was also a dynamic growth of the sales of servers. Further recovery was noted in the enterprise segment.

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

The IT product distribution model is based on strong involvement of the distributor that offers material values for the manufacturer. In addition to providing access to a full spectrum of sales market channels and support for pre- and after-sales services, provision of lending is one of the most crucial roles of the distributor in this model. The distributor conducts sales largely on the basis of trade credits. Payment terms depend on the customer's creditworthiness, the nature of its activities, sales volumes, and other individually defined parameters. The key role of the distributor is also to maintain the widest possible product offer.

In such a model, working capital management is one of the key competences of a major distributor. AB, as a broadline distributor, maintains positive working capital fulfilling its credit function mentioned above; such characteristics of the business combined with a huge scale of operations determine the amount of receivables, inventories, and liabilities, including interest liabilities, in the Company's balance sheet. Additionally, the dynamic sales growth observed in the recent years, as well as diversification and expansion of the product offer (new distribution agreements) also contribute to an increase in interest debt.
Basic financial results, maintained at optimum levels, reflect AB's very good financial condition and effective management of the Company's financials.

The Management Board pays special attention to foreign currency risk hedging. The nature of its business exposes the Company to material risk relating to currency rate fluctuations, but hedge accounting implemented by the Company virtually eliminates foreign currency risk. The applied hedging instruments do not generate additional risk related to a high volatility of market conditions, such as options or option strategies.
The Company has been managing credit risk in a structured and responsible manner. It applies a restrictive receivables policy, verifies trade credit limits granted and insures receivables. Thanks to its credit policy, the Company does not have any problems with overdue receivables. At the same time, a conservative approach to valuation of such assets does not create risk of incorrect classification.

10. FACTORS THAT IN THE ISSUER'S OPINION WILL AFFECT THE RESULTS TO BE GENERATED IN THE NEXT QUARTER

The first quarter of the financial year 2014/15 did not produce any major changes in the standing of the major global economies. The Group operates in an environment of material currency fluctuations, the Polish and Czech currencies are largely influenced by information coming from European and non-European economies. The information affects the exchange rates of the currencies in which the Group companies operate, as well as prices of products. Forecasts for Poland's economy are optimistic. These views are supported with a growing domestic demand, improved situation on the labour market and accelerated growth of consumption and private sector investments. However, an unstable political situation in Ukraine and in Russia continues to pose a threat to Poland's economy growth. The restrictions on the trade with Russia and the recent developments in Ukraine resulted in a drop of PMI below 50 points; however, the data for October show a growth of PMI returning to over 50 points, reaching 51.2 points which is a signal of recovery in Poland's industrial sector at the beginning of Q4, following short drops in Q3. With an unchanged political situation, projections forecast a slowdown in GDP growth by about 0.1 percent. However, should the sanctions become more severe, Poland's GDP growth would suffer by about 0.9 percent annually. As a result, that will indirectly affect consumers' purchasing willingness and demand for Polish goods. GDP is also expected to continue to grow in the Czech Republic. The current situation in the IT market may be an important factor. According to projections, the IT market in Central and Eastern Europe will grow by 4.5 percent annually on average over 2014-2018. Poland is the largest market in the region which accounts for almost one half of the value of the entire region. The largest IT spending per head has been recorded in the Czech Republic, which is followed by Poland, Slovakia, and Hungary. Poland and the Czech Republic are countries where the IT sector has a major contribution to GDP.

The above macroeconomic circumstances materially impact development decisions taken by the Group's companies. The macroeconomic hurdles keep motivating the Group to continue its activity relying on its strong market position. Being a distribution leader in the IT sector, the AB Group has been endeavouring to maintain and consolidate its market position with a view to financial security. The Company keeps diversifying its market risk by offering a large product portfolio which makes the Group attractive as a supplier. The core advantages in the IT market are the price and commercial terms of transactions, which, with the standardised products, means competition in term of margin and costs. Such conditions obviously translate into profitability levels achieved. The fact has been visible in the financials for the nine months of the calendar year of 2014.

Carrying operations in three countries – Poland, Czech Republic and Slovakia, the AB Group distributes its potential business risks among the three markets and thus becomes more immune to the risk of adverse changes in one of the markets. Additionally, the operations within the Group generate major synergies and unifications at various organisational and market levels.
As a result of the approved strategy, the Company's financial standing has been growing stronger each year.

INTERNAL FACTORS

- Consistent implementation of the approved development strategy.
- Maintenance of the largest possible product portfolio – as part of the adopted market strategy, aimed at increasing sales and improving partners' loyalty.
- Continuous work on optimising inventory management, working capital, and logistics resulting in the lowest SGA to income ratio in the sector.
- Simultaneous expansion in multiple sales channels: resellers, e-commerce, large retail networks, public administration, corporate customers, integrators, franchise network, and export sales.
- Hedge accounting applied to eliminate foreign currency risk, and an effective hedging policy against foreign currency risk.
- Provision of additional services to partners (e.g. training, certifications, outsourcing of logistic processes, sales platforms, and joint marketing initiatives), which allow the Group to win their loyalty and generate higher margins.
- Necessity of an immediate response to the rapidly changing market trends.
- Development of white labels to ensure higher return on sales.
- Maintenance of debts at an optimum level ensuring financial safety on the one hand, and allowing for stable growth, with a dynamically growing scale of operations, on the other.
- Strict receivables policy guaranteeing that the Company' liquidity will remain at a high level.
- Use of the Company's leading position on the Polish, Czech, and Slovak markets – economies of scale, strong negotiation position.
- Expansion of the circle of counterparties (new distribution agreements) and commercial partners.
- Diversification of the product groups to include new categories from outside the new technologies segment (such as household appliances and audio/video devices, stationery and consumables, toys).

EXTERNAL FACTORS

- Unstable macroeconomic situation on the European markets which results from debt crisis and the political crisis related to the situation in Ukraine.
- Continued high volatility in foreign currency markets, primarily with respect to the following exchange rates: EUR/PLN and USD/PLN, as well as EUR/CZK and USD/CZK.
- Projected slow GDP growth in Poland and Slovakia.
- End of recession in the Czech Republic and accelerating GDP growth.
- Reduced PMI in Q3 2014 resulting, *inter alia*, from economic sanctions (restrictions on trade with Russia) and the political situation east of Poland; however, PMI in October 2014 returned to 51.2 points.
- Record low interest rates should stimulate the consumer credit market within the next year, which may translate into sales growth by AB S.A.
- Quick technological development.
- Strong competition, resulting in pressure on prices and generated margins.
- Consolidation of the market.

11. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

Date	First and last name	Position / function	Signature
14.11.2014	*Andrzej Przybyło*	PRESIDENT OF THE MANAGEMENT BOARD	
14.11.2014	*Krzysztof Kucharski*	MEMBER OF THE MANAGEMENT BOARD	
14.11.2014	*Zbigniew Mądry*	MEMBER OF THE MANAGEMENT BOARD	
14.11.2014	*Grzegorz Ochędzan*	MEMBER OF THE MANAGEMENT BOARD	
14.11.2014	*Danuta Uzarska*	CHIEF ACCOUNTANT	