Quarterly report containing interim financial statements of the Capital Group for Q3 of the financial year of 2013-2014

covering the period from 01-01-2014 to 31-03-2014

Publication date: 15 May 2014

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I) SELECTED CONSOLIDATED FINANCIAL DATA

	PLN '000		EUR '000	
	Three quarters for the period from 01.07.2013 to 31.03.2014	Three quarters for the period from 01.07.2012 to 31.03.2013	Three quarters for the period from 01.07.2013 to 31.03.2014	Three quarters for the period from 01.07.2012 to 31.03.2013
Sales revenues	4 241 032	4 124 537	1 009 337	996 337
Profit / (loss) on operations	65 398	50 322	15 564	12 156
Profit (loss) before income tax	56 339	39 809	13 408	9 616
Net profit (loss)	44 880	32 213	10 681	7 781
Net profit (loss) attributable to the shareholders of the parent company	44 880	32 207	10 681	7 780
Net profit (loss) attributable to minority shareholders		6		1
Total comprehensive income	31 407	27 224	7 475	6 576
Total comprehensive income attributable to the shareholders of the parent company	31 407	27 218	7 475	6 575
Total income attributable to minority shareholders		6		1
Net cash flows from operating activities	-14 584	-78 814	-3 471	-19 039
Net cash flows from investing activities	-3 571	-2 149	-850	-519
Net cash flows from financing activities	30 826	78 634	7 336	18 995
Total net cash flows	12 671	-2 329	3 016	-563
Profit (loss) per ordinary share (PLN/EUR)	2.78	1.99	0.66	0.48
Diluted profit (loss) per ordinary share (PLN/EUR)				
Number of shares (pcs.)	16 187 644	16 187 644	16 187 644	16 187 644
	PLN '000		EUR '000	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
Total assets	1 291 882	1 206 729	309 707	288 871
Equity attributable to the shareholders of the parent company	451 976	409 181	108 354	97 951
Equity attributable to non-controlling shareholders		111		27
Total equity	451 976	409 292	108 354	97 978
Long-term liabilities	5 237	5 312	1 255	1 272
Short-term liabilities	834 669	792 125	200 098	189 622
Total liabilities	839 906	797 437	201 354	190 893
Book value per share (PLN/EUR)	27.93	25.28	6.70	6.05
Diluted book value per share				

NBP's mean rate of 31.03.2014:	4.1713	PLN/EUR
NBP's mean rate of 31.03.2013:	4.1774	PLN/EUR
Average rate in the period 01.07.2013 – 31.03.2014	4.2018	PLN/EUR
Average rate in the period 01.07.2012 – 31.03.2013	4.1397	PLN/EUR

II) SELECTED NON-CONSOLIDATED FINANCIAL DATA

	PLN '000		EUR '000	
	Three quarters for the period from 01.07.2013 to 31.03.2014	Three quarters for the period from 01.07.2012 to 31.03.2013	Three quarters for the period from 01.07.2013 to 31.03.2014	Three quarters for the period from 01.07.2012 to 31.03.2013
I. Net revenues from sale of goods and materials	2 769 240	2 845 671	659 060	687 410
II. Profit (loss) on operations	35 888	17 777	8 541	4 294
III. Gross profit / (loss)	42 622	27 909	10 144	6 742
IV. Net profit (loss)	35 728	25 156	8 503	6 077
V. Net cash flows from operating activities	35 895	-22 241	8 543	-5 373
VI. Net cash flows from investing activities	-4 430	13 705	-1 054	3 311
VII. Net cash flows from financing activities	-21 422	6 656	95 098	1 608
VIII. Total net cash flows	10 043	-1 880	2 390	-454
	PLN '000		EUR '000	
	As at 31.03.2014	As at 31.03.2013	As at 31.03.2014	As at 31.03.2013
IX. Total assets	836 681	815 619	200 580	195 246
X. Liabilities and provisions	479 650	500 774	114 988	119 877
XI. Long-term liabilities				
XII. Short-term liabilities	453 366	497 918	108 687	119 193
XIII. Equity	357 031	314 845	85 592	75 369
XIV. Share capital	16 188	16 188	3 881	3 875
XV. Number of shares (pcs.)	16 187 644	16 187 644	16 187 644	16 187 644
XVI. Profit (loss) per ordinary share (PLN/EUR)	2.21	1.55	0.53	0.37
XVII. Diluted profit (loss) per share (PLN/EUR)				
XVII. Book value per share (PLN/EUR)	22.06	19.45	5.29	4.66
XVIII. Diluted book value per share				

NBP's mean rate of 31.03.2014:	4.1713	PLN/EUR
NBP's mean rate of 31.03.2013:	4.1774	PLN/EUR
Average rate in the period 01.07.2013 – 31.03.2014	4.2018	PLN/EUR
Average rate in the period 01.07.2012 – 31.03.2013	4.1397	PLN/EUR

IV) Consolidated profit and loss account for the period ended on 31 March 2014

	Three-month period ended on 31.03.2014	Nine-month period ended on 31.03.2014	Three-month period ended on 31.03.2013	Nine-month period ended on 31.03.2013
	PLN '000	PLN '000	PLN '000	PLN '000
Continued operations				
Sales revenues	**1 348 370**	4 241 032	**1 354 561**	4 124 537
Internal cost of sales	**-1 295 720**	-4 049 944	**-1 300 722**	-3 972 504
Gross profit (loss) on sale	**52 650**	**191 088**	**53 839**	**152 033**
Costs of sale	**-33 728**	-91 873	**-37 206**	-82 435
Overheads	**-3 885**	-19 179	**-4 765**	-20 947
Other operating income	**2 872**	3 923	**1 329**	3 990
Other operating expenses	**-1 657**	-18 561	**-563**	-2 319
Profit / (loss) on operations	**16 252**	**65 398**	**12 634**	**50 322**
Financial income	**299**	947	**885**	4 725
Financial expenses	**-2 795**	-10 006	**-5 947**	-15 238
Profit on disposal of affiliated entities				
Share in profit of affiliated entities				
Profit (loss) before income tax	**13 756**	**56 339**	**7 572**	**39 809**
Income tax	**-3 125**	-11 459	**-1 378**	-7 596
Net profit (loss) on continued operations	**10 631**	**44 880**	**6 194**	**32 213**

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Discontinued operations				
Net profit (loss) on discontinued operations				
Net profit (loss)	**10 631**	**44 880**	**6 194**	**32 213**
Net profit / loss attributable to:				
Shareholders of the parent company	**10 631**	44 880	**6 202**	32 207
Non-controlling shareholders			**8**	6
	10 631	44 880	**6 194**	32 213

V) CONSOLIDATED TOTAL INCOME STATEMENT FOR THE PERIOD ENDED ON 31 MARCH 2014

	Three-month period ended on 31.03.2014	Nine-month period ended on 31.03.2014	Three-month period ended on 31.03.2013	Nine-month period ended on 31.03.2013
	PLN '000	PLN '000	PLN '000	PLN '000
Net profit (loss)	**10 631**	**44 880**	**6 194**	**32 213**
Other total income				
Items that may be reclassified to profit/loss in subsequent periods				
	1 014	-19 063	-718	-1 372
FX differences from translation of investments in foreign entities	141	5 590	-4 774	-3 617
Hedge accounting				
Share in other total income of affiliated entities				
Results of valuation of financial assets available for sale				
Income tax pertaining to items that may be reclassified				
Items that will not be reclassified to profit/loss				
Results of revaluation of fixed assets				
Actuarial profit and loss				
Income tax on other total income				
Other total income (net)				
Total comprehensive income	**11 786**	**31 407**	**702**	**27 224**
Total income attributable to:				
Shareholders of the parent company	11 786	31 407	696	27 218
Non-controlling shareholders			6	6
Total comprehensive income	**11 786**	**31 407**	702	27 224

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VI) Consolidated statement of financial position for the period ended on 31 March 2014

	As at 31.03.2014	As at 30.06.2013
	PLN '000	PLN '000
ASSETS		
Fixed assets		
Tangible assets	87 268	90 100
Goodwill	41 718	42 107
Other intangible assets	22 813	25 911
Long-term investments	452	452
Deferred income tax asset	7 695	6 874
Financial leasing receivables		
Other financial assets	273	219
Other assets		
Total fixed assets	**160 219**	**165 663**
Working assets		
Inventories	588 859	453 909
Trade and other receivables	514 478	532 155
Income tax receivables		
Derivatives		
Other financial assets	172	148
Other assets	3 004	3 044
Cash and cash equivalents	25 150	12 479
Total working assets	**1 131 663**	**1 001 735**
Total assets	1 291 882	1 167 398

LIABILITIES	31.03.2014 PLN '000	30.06.2013 PLN '000
Equity		
Issued share capital	16 188	16 188
Treasury shares		
Reserve capital	142 346	142 346
Reserve funds	178 944	163 179
Retained profit	114 498	98 856
Equity attributable to the shareholders of the parent company	451 976	420 569
Equity attributable to non-controlling shareholders		108
Total equity	**451 976**	**420 677**
Long-term liabilities		
Long-term borrowings and bank loans		
Finance lease liabilities		
Pension liabilities		
Deferred income tax provision	5 237	5 495
Long-term provisions		
Total long-term liabilities	**5 237**	**5 495**
Short-term liabilities		
Trade and other payables	553 018	508 403
Short-term bank borrowings and loans	247 232	211 335
Finance lease liabilities		
Other financial liabilities		695
Current tax liability	2 891	3 690
Short-term provisions	31 528	17 103
Total short-term liabilities	**834 669**	**741 226**
Total liabilities	**839 906**	**746 721**
Total liabilities	1 291 882	1 167 398

VII) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED ON 31 MARCH 2014

	Share capital	Treasury shares	Capital of decrease of the share capital	Reserve capital	General reserve fund	Reserve fund from revaluation of cash flow hedges	FX conversion reserve fund	Total reserve fund	Retained profit	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	PLN '000
Balance as at 1 July 2012	16 188			140 631	105 110	-944	27 768	132 080	93 064	381 963	141	382 104
Issue of ordinary shares			146									
Costs of share issue												
Purchase of treasury shares												
Valuation of managerial option scheme												
Net profit / loss for the period									32 207	32 207	6	32 213
Profit distribution for the preceding financial year												
FX differences from translation of investments in foreign entities							-3 617	-3 617		-3 617		-3 617
Hedge accounting						-1 372		-1 372		-1 372		-1 372
Results of revaluation of fixed assets												
Income tax on other total income												
Other											-36	-36
Dividend distribution												
Total recognised revenues and expenses												
As at 31 March 2013	16 188		146	140 631	105 110	-2 316	24 151	127 091	125 271	409 181	111	409 292

	Share capital	Treasury shares	Capital of decrease of the basic capital	Reserve capital	General reserve fund	Revaluation of cash flow hedges	FX conversion reserve fund	Total reserve fund	Retained profit	Equity attributable to the shareholders of the parent company	Equity attributable to non-controlling shareholders	Total equity
Balance as at 1 July 2013	16 188	0	146	142 346	139 269	-5 915	29 679	163 179	98 856	420 569	108	420 677
Costs of share issue												
Purchase of treasury shares												
Valuation of managerial option scheme												
Net profit / loss for the period									44 880	44 880		44 880
Profit distribution for the preceding financial year					29 238			29 238	-29 238			
FX differences from translation of investments in foreign entities							-19 063	-19 063		-19 063		-19 063
Net cash flow hedge						5 590		5 590		5 590		5 590
Results of revaluation of fixed assets												
Income tax on other total income												
Acquisition of a subsidiary												
Other												
Dividend distribution											-108	-108
Total recognised revenues and expenses												
As at 31 March 2014	16 188	0	146	142 346	168 507	-325	10 616	178 944	114 498	451 976	0	451 976

VIII) Consolidated cash flow statement for the period ended on 31 March 2014

	Nine-month period ended on 31.03.2014	Nine-month period ended on 31.03.2013
	PLN '000	PLN '000
Cash flows from operating activities		
Gross profit (loss)	56 339	39 809
Financial expenses recognised in the total income statement	5 043	9 123
Depreciation / amortisation	7 486	7 568
Profit (loss) on investments	-6	-37
FX profit (loss)	-10 902	-6 226
	57 960	50 237
Changes in working capital		
Change in trade receivables	17 677	6 381
Change in other receivables		
Change in inventories	-134 950	-131 428
Change in other assets	40	661
Change in trade payables	44 615	10 323
Change in provisions	14 425	-8 922
Other adjustments		
	-58 193	-122 985
Cash generated from operating activities	-233	-72 748
Interest paid		
Corporate income tax paid	-14 351	-6 066
Net cash from operating activities	-14 584	-78 814
Cash flows from investing activities		
Payables for purchased financial assets		
Proceeds from disposal of financial assets		
Interest received		
Borrowings disbursed	-23	-353
Borrowings repaid	128	2 717
Payment for tangible fixed assets	-3 376	-3 545
Proceeds from disposal of tangible fixed assets	358	158
Payments for intangible assets	-658	-1 126
Cash generated from investing activities	-3 571	-2 149
Cash flows from financing activities		
Proceeds from issues of debt securities		
Proceeds from share issues		
Costs of share issues		
Borrowings and loans received	35 897	87 757
Borrowings and loans repaid		
Interest	-5 071	-9 123
Dividend distribution		
Purchase of treasury shares		
Net cash from financing activities	30 826	78 634
Net change in cash and cash equivalents	**12 671**	**-2 329**
Cash and cash equivalents at the beginning of the period	12 479	16 460
Cash and cash equivalents at the end of the period	25 150	14 131

IX) BALANCE SHEET (NON-CONSOLIDATED)

	ASSETS [TPLN]	2014-03-31	2013-12-31	2013-06-30	2013-03-31
I	**Fixed assets**	**187 805**	**186 729**	**176 555**	**173 940**
1	Intangible assets	158	214	533	571
	- Goodwill				
2	Tangible fixed assets	52 681	53 145	54 882	55 671
3	Long-term receivables				
3.1	From related entities				
3.2	From other entities				
4	Long-term investments	130 142	128 348	117 177	116 899
4.1	Real estate properties	452	452	452	452
4.2	Intangible assets				
4.3	Long-term financial assets	129 690	127 896	116 725	116 447
a)	in related entities, of which:	129 552	127 750	116 507	116 447
	- interests in subsidiaries are measured with the equity method				
	- borrowings granted	4 302	2 501	658	598
b)	in other entities	138	146	218	
	- borrowings granted	138	146	218	
4.4	Other long-term investments				
5	Long-term prepayments	4 824	5 022	3 963	799
5.1	Deferred income tax asset	4 824	5 022	3 963	799
5.2	Other prepayments and accruals				
II	**Working assets**	**648 876**	**706 424**	**600 214**	**641 679**
1	Inventories	338 746	303 974	256 633	321 037
2	Short-term receivables	289 459	382 132	333 453	309 815
2.1	From related entities	16 790	24 394	17 374	12 756
2.2	From other entities	272 669	357 738	316 079	297 059
3	Short-term investments	19 570	19 191	9 159	9 555
3.1	Short-term financial assets	19 570	19 191	9 159	9 555
a)	in related entities				
b)	in other entities	375	66	7	166
c)	cash and cash equivalents	19 195	19 125	9 152	9 389
3.2	Other short-term investments				
4	Short-term prepayments	1 101	1 127	969	1 272
	TOTAL ASSETS	**836 681**	**893 153**	**776 769**	**815 619**

	LIABILITIES [TPLN]	2014-03-31	2013-12-31	2013-06-30	2013-03-31
I	**Equity**	**357 031**	**350 939**	**315 786**	**314 845**
1	Share capital	16 188	16 188	16 188	16 188
2	Called up share capital not paid (negative value)				
3	Treasury shares (negative value)				
4	Reserve capital	135 503	135 503	135 503	135 503
5	Revaluation reserve	967	2 371	-4 550	-1 409
6	Other reserve funds	168 645	168 645	139 407	139 407
7	Retained profit (accumulated loss)				
8	Net profit (loss)	35 728	28 232	29 238	25 156
9	Net profit distributions during the financial year (negative value)				
II	**Liabilities and provisions for liabilities**	**479 650**	**542 214**	**460 983**	**500 774**
1	Provisions for liabilities	26 284	27 581	13 005	2 856
1.1	Deferred income tax provision	227	556		

1.2	Pension and similar benefit provisions	400	300	300	250
a)	long-term				
b)	short-term				
1.3	Other provisions	25 657	26 725	12 705	2 606
a)	long-term				
b)	short-term	25 657	26 725	12 705	2 606
2	Long-term liabilities				
2.1	to related entities				
2.2	to other entities				
3	Short-term liabilities	453 366	514 633	447 978	497 918
3.1	to related entities	4 417	2 183	843	608
3.2	to other entities	448 704	512 209	446 593	497 113
3.3	Special funds	245	241	542	197
4	Accruals				
4.1	Negative goodwill				
4.2	Other accruals				
a)	long-term				
b)	short-term				
	TOTAL LIABILITIES	**836 681**	**893 153**	**776 769**	**815 619**

X) OFF-BALANCE SHEET ITEMS (NON-CONSOLIDATED)

	[TPLN]	2014-03-31	2013-12-31	2013-06-30	2013-03-31
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**	**8 254**	**4 351**	**19 488**	**21 938**
2.1	To related entities as				
	- guarantees and sureties received				
2.2	To other entities as	8 254	4 351	19 488	21 938
	- guarantees and sureties issued	8 254	4 351	19 488	21 938
3	Other - factoring			17 787	73 695
	Total off-balance sheet items	**8 254**	**4 351**	**37 275**	**95 633**

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XI) Profit and Loss Account (non-consolidated)

	[TPLN]	From 01.01.2014 to 31.03.2014	From 01.07.2013 to 31.03.2014	From 01.01.2013 to 31.03.2013	From 01.07.2012 to 31.03.2013
I	Net revenues from the sale of products, goods and materials, of which:	933 410	2 769 240	992 058	2 845 671
	- from related entities	41 705	138 553	41 501	133 060
1	Net revenues from the sale of products	9 125	24 644	6 594	34 836
2	Net revenues from the sale of goods and materials	924 285	2 744 596	985 464	2 810 835
II	Costs of sold products, goods, materials, of which:	908 893	2 675 602	964 732	2 784 208
1	Manufacture costs of sold products	9 088	24 537	6 580	34 776
2	Goods and materials sold	899 805	2 651 065	958 152	2 749 432
III	**Gross profit (loss) on sales (I-II)**	**24 517**	**93 638**	**27 326**	**61 463**
IV	**Costs of sale**	**11 944**	**34 239**	**16 937**	**31 282**
V	**Overheads**	**2 606**	**8 410**	**2 554**	**10 203**
VI	**Profit / (loss) on sales (III-IV-V)**	**9 967**	**50 989**	**7 835**	**19 978**
VII	**Other operating income**	**1 369**	**1 552**	**1 179**	**2 372**
1	Profit on disposal of non-financial fixed assets	8		2	
2	Subsidies				
3	Other operating income	1 361	1 552	1 177	2 372
VIII	**Other operating expenses**	**573**	**16 653**	**459**	**4 573**
1	Loss on disposal of non-financial fixed assets		38		11
2	Revaluation of non-financial assets	3	5	4	424
3	Other operating expenses	570	16 610	455	4 138
IX	**Profit / (loss) on operations (VI+VII-VIII)**	**10 763**	**35 888**	**8 555**	**17 777**
X	Financial income	1 184	14 060	404	21 674
1	Dividend and profit distributions, of which:		9 078		13 040
	- from related entities		9 078		13 040
2	Interest, of which:	272	830	404	886
	- from related entities				192
3	Profit on disposal of investments				
4	Revaluation of investments				
5	Other	912	4 152		7 748
XI	Financial expenses	2 467	7 326	6 495	11 542
1	Interest, of which:	2 144	6 467	3 503	10 625
	- to related entities				
2	Loss on disposal of investments				
3	Revaluation of investments				
4	Other	323	859	2 992	917
XII	**Profit / (loss) on business operations (IX+X-XI)**	**9 480**	**42 622**	**2 464**	**27 909**
XIII	**Net extraordinary item (XIII.1. - XIII.2.)**				
1	Extraordinary profit				
2	Extraordinary loss				
XIV	**Gross profit (loss) (XII+/-XIII)**	**9 480**	**42 622**	**2 464**	**27 909**
XV	**Income tax**	**1 984**	**6 894**	**269**	**2 753**
a)	current part	1 785	8 822	-89	2 560
b)	deferred part	199	-1 928	358	193
XVI	**Other obligatory profit decreases (loss increase)**				
XVII	**Share in net profit (loss) of subsidiary companies**				
XVIII	**Net profit (loss) (XIV-XV-XVI+/-XVII)**	**7 496**	**35 728**	**2 195**	**25 156**

XII) CHANGES TO EQUITY (NON-CONSOLIDATED)

	[TPLN]	from 01.01.2014 to 31.03.2014	from 01.07.2013 to 31.03.2014	from 01.01.2013 to 31.03.2013	from 01.07.2012 to 31.03.2013
I	**Equity at the beginning of the period (OB)**	**350 939**	**315 786**	**315 938**	**290 744**
a)	changes to the applied accounting principles (policies)				
b)	adjustment of manifest errors				
I.a	**Equity at the beginning of the period after reconciliation to comparable data**	**350 939**	**315 786**	**315 938**	**290 744**
1	Share capital at the beginning of the period	16 188	16 188	16 188	16 188
1.1	Changes to share capital				
a)	increases (due to)				
	- share issue				
b)	decreases (due to)				
	- share redemption				
1.2	Share capital at the end of the period	16 188	16 188	16 188	16 188
2	Opening balance of called-up share capital				
2.1	Changes of due contributions to share capital				
a)	increases (due to)				
b)	decreases (due to)				
2.2	Closing balance of called-up share capital				
3	Treasury shares at the beginning of the period				
3.1	Changes to treasury shares				
a)	increases (due to)				
b)	decreases (due to)				
3.2	Treasury shares at the end of the period	0	0	0	0
4	Opening balance of reserve capital	135 503	135 503	135 503	135 503
4.1	Changes to reserve capital				
a)	increases (due to)				
	- share issue above par value				
	- profit distribution (statutory)				
	- profit distribution in excess of the minimum statutory value				
b)	decreases (due to)				
	- costs of share issue				
4.2	Reserve capital at the end of the period	135 503	135 503	135 503	135 503
5	Revaluation reserve at the beginning of the period	2 371	-4 550	1 879	-355
5.1	Changes to revaluation reserve	-1 404	5 517	-3 288	-1 054
a)	Hedge accounting (due to)	-1 404	5 517	-3 288	-1 054
b)	decreases (due to)			1 879	
	- disposal of fixed assets				

5.2	Revaluation reserve at the end of the period	967	967	- 1 409	-1 409
6	Other reserve funds at the beginning of the period	168 645	139 407	139 407	
6.1	Changes to other reserve funds		29 238		
a)	increases (due to)		29 238		
	transfer of retained profit		29 238		
	Proceeds for share capital				
b)	decreases (due to)				
	-share redemption				
6.2	Other reserve funds at the end of the period	168 645	168 645	139 407	139 407
7	Retained profit (accumulated loss) at the beginning of the period	28 232	29 238	22 961	34 159
7.1	Retained profit at the beginning of the period	28 232	29 238	22 961	34 159
a)	changes to the applied accounting principles (policies)				
b)	adjustment of manifest errors				
7.2	Retained profit at the beginning of the period after reconciliation with comparable data				
a)	increases (due to)				
	- retained profit distribution				
b)	decreases (due to)		29 238		34 159
	retained profit distribution		29 238		34 159
	increase of reserve fund		29 238		34 159
	dividend distribution				
7.3	Retained profit at the end of the period	28 232			
7.4	Accumulated loss at the beginning of the period				
a)	changes to the applied accounting principles (policies)				
b)	adjustment of manifest errors				
7.5	Accumulated loss at the beginning of the period after reconciliation to comparable data				
a)	increases (due to)				
	- transfer of accumulated loss for coverage				
b)	decreases (due to)				
7.6	Accumulated loss at the end of the period				
7.7	Retained profit (accumulated loss) at the end of the period	28 232		22 961	
8	Net result	7 496	35 728	2 195	25 156
a)	net profit	7 496	35 728	2 195	25 156
b)	net loss				
c)	profit distributions				
II	**Equity at the end of the period (CB)**	**357 031**	**357 031**	**314 845**	**314 845**
III	**Equity including proposed profit distribution (loss coverage)**	**357 031**	**357 031**	**314 845**	**314 845**

XIII) CASH FLOW STATEMENT (NON-CONSOLIDATED)

	[TPLN]	from 01.01.2014 to 31.03.2014	from 01.07.2013 to 31.03.2014	from 01.01.2013 to 31.03.2013	from 01.07.2012 to 31.03.2013
a	**Cash flows from operating activities**				
I	**Net profit**	**7 496**	**35 728**	**2 195**	**25 156**
II	**Total adjustments:**	**-13 049**	**167**	**-43 796**	**-47 397**
1	Share in net profit (loss) of subsidiary companies	-9 078	-9 078	-13 040	-13 040
2	Depreciation / amortisation	1 365	4 198	1 445	4 426
3	FX profit (loss)	773	4 511	-2 807	-535
4	Interest and profit distributions (dividend)	1 164	3 650	2 128	7 536
5	Profit/loss on investments	-8	38	-2	11
6	Change to provisions	-1 524	13 052	-2 112	-1 415
7	Change to inventories	-34 772	-82 113	-8 766	-44 757
8	Change to receivables	92 673	43 994	90 033	6 178
9	Change to short-term liabilities, excepting loans and borrowings	-63 890	23 975	-111 047	-5 751
10	Change to accruals	248	-2 060	372	-50
11	Other adjustments				
III	**Net cash flows from operating activities**	**-5 553**	**35 895**	**-41 601**	**- 22 241**
B.	**Cash flows from investing activities**				
I	**Proceeds**	**9 196**	**9 365**	**13 094**	**15 822**
1	Disposal of intangible assets and tangible fixed assets	88	165	2	72
2	Disposal of investments in properties and intangible assets				
3	Of financial assets, of which:	9 108	9 200	13 092	15 750
a)	in related entities	9 078	9 078	13 040	15 240
	- disposal of financial assets				
	- dividend and profit distributions	9 078	9 078	13 040	13 040
	- repayment of long-term borrowings granted				
	- interest				
	- other proceeds from financial assets				
	- dividend and profit distributions				
	- repayment of long-term borrowings granted				2 200
	- interest				
	- other proceeds from financial assets				
b)	in other entities	30	122	52	510
	- disposal of financial assets				
	- dividend and profit distributions				
	- repayment of long-term borrowings granted	30	122	52	510
	- interest				
	- other proceeds from financial assets				
	- dividend and profit distributions				
	- repayment of long-term borrowings granted				
	- interest				
	- other proceeds from financial assets				
4	other investment proceeds				
II	**Outflows**	**5 004**	**13 795**	**575**	**2 117**
1	Purchase of intangible assets and tangible fixed assets	1 315	1 846	525	1 884
2	Purchase of investments in properties and intangible assets				
3	On financial assets	3 689	11 949	50	233
a)	in related entities	3 689	11 929	50	50
	- purchase of financial assets	1 883	8 254		
	- long-term borrowings granted	1 806	3 675	50	50
b)	in other entities		20		183
	- purchase of financial assets				
	- long-term borrowings granted		20		183

4	Other investment outflows				
III	**Net cash flows from investing activities**	**4 192**	**-4 430**	**12 519**	**13 705**
c	**Cash flows from financing activities**				
I	Proceeds	2 623		32 189	14 192
1	Net proceeds from issues of shares and other equity instruments				
2	Loans and borrowings	2 623		32 189	14 192
3	Issue of debt securities				
4	Other financial proceeds				
II	**Outflows**	**1 192**	**21 422**	**2 128**	**7 536**
1	Purchase of treasury shares				
2	Dividend and other distributions to shareholders				
3	Other profit distributions				
4	Repayment of loans and borrowings		17 744		
5	Redemption of debt securities				
6	Other financial liabilities				
7	Payments under financial leasing				
8	Interest	1 192	3 678	2 128	7 536
9	Other financial outflows				
III	**Net cash flows from financing activities**	**1 431**	**-21 422**	**30 061**	**6 656**
D	**Total net cash flows**	**70**	**10 043**	**979**	**-1 880**
E	**Balance-sheet change in cash, of which:**	**70**	**10 043**	**979**	**-1 880**
	- change in cash due to FX differences				
F	**Cash at the beginning of the period**	**19 125**	**9 152**	**8 410**	**11 269**
G	**Cash at the end of the period, of which:**	**19 195**	**19 195**	**9 389**	**9 389**
	- with restricted availability				

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XIV) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPLIANCE STATEMENT

These Condensed Consolidated Interim Financial Statements of the Group have been prepared in compliance with the 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 condensed 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 Capital Group for 2012/13.

2. APPLIED ACCOUNTING PRINCIPLES

- **Going concern assumption**

The Consolidated Financial Statements have been 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 have been prepared in Polish Zlotys (PLN). The Polish Zloty is the functional and reporting currency of the Capital Group. The data in the financial statements was presented in PLN thousand unless in certain circumstances a greater accuracy was applied.

- **Consolidation basis**

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention with the exception of derivative financial instruments, which are measured at fair value.
The Consolidated Financial Statements contain 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 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 revalued at cost reduced by accumulated impairment.

- **Recognition of sales revenues**

Sales revenues are recognised at fair value received or receivable after accounting for anticipated rebates, returns by clients and similar charges.

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 anticipated 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 the shareholders' right to receive dividend distribution is established.

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

- **Foreign currencies**

Un-consolidated 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 the non-consolidated 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 measured 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 arise, 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 hedge certain FX risk (see: hedge 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 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 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 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**

Costs of external financing 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 on investments generated as a result of short-term investments 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 funding 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 upon 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 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 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. 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 a tax payable or refundable in the future taking into account differences between the book 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 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.

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. The deferred income tax assets 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 assets and provisions 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 (rates) applicable as at the balance sheet date. Revaluation of the deferred income tax assets and provisions reflect tax consequences of the method according to which the Group expects to recover or account for the book value of deferred income tax assets and provisions as at the date of the financial statements.

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The deferred income tax assets and provisions are set-off when a right occurs to set-off the current income tax assets and provisions as long as such items are taxable by the same tax authority and the Group intends to settle its income tax assets and provisions 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 income 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 the 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 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.
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 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 assets with the initial value under PLN 2,000 are expensed in the month following the month such fixed assets were 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 properties**

Investment properties are the properties that generate rent revenues and/or are held with the anticipation that they will grow in value. Investment properties are initially recognised at cost.
As at the balance sheet date, investment properties are 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 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 through business combinations are identified and recognised separately from the 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 amortisation and accumulated impairment write-downs in the same manner as intangible assets acquired in separate transactions. Intangible assets with unspecified useful life are subject to an impairment test each year.

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

As at each balance sheet date, the Group reviews the 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 impairment write-down. When an asset does not generate cash flows that are largely independent of cash flows generated by other assets, such an 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, the 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 a 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 accounting for the current 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 at its revalued amount (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 the 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, the reversal of impairment is treated as an increase in revaluation.

- **Inventories**

Inventories are recognised at the lowest of: acquisition price or manufacturing cost or at net sales price.
The net 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 acquisition price including the purchase price increased by import duties, costs of transportation, loading, unloading and other costs directly related to the acquisition of goods and materials less any discounts and rebates.
The manufacturing costs of products include costs directly related to the product and appropriately allocated variable and fixed indirect manufacturing costs. Variable indirect manufacturing costs are allocated to a product unit on the basis of the current use of the manufacturing machinery and equipment. Fixed indirect manufacturing costs are allocated on the basis of normal use of production capacity. Rotation of goods and materials follows the weighted average and the FIFO method, while rotation of products follows the FIFO method.
The net 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 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 the underlying risk and the related 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 can be reliably assessed.

Warranty obligations

Provisions for costs of warranty repairs are recognised at the time of 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 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; the initial value is measured at fair value reduced by 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 in the following categories: financial assets originally measured at fair value through profit and loss account; investments kept until maturity, financial assets available for sale 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 allocate interest income in relevant periods. The effective interest rate is the rate discounting estimated future cash proceeds over the anticipated useful life of a financial asset or over a shorter time if justified.

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

Financial assets measured at fair value through the total income statement

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 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 measured 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 for the classification of the entire contract (an asset or a liability) to be measured at fair value through profit and loss account.

Financial assets measured at fair value through profit and loss account are measured 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 a 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 to 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 method 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 assets available for sale and measured 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 accrued at the effective interest rate and FX gains and 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 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 the 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. Change in fair value attributable to 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 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 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 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 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 same 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 the 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 retain 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 payments. However, if the Group retains 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.

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- **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 measured at fair value through profit and loss account or as other financial liabilities.

Financial liabilities measured at fair value through profit and loss account

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 account 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 managed groups and the results are measured 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 measured at fair value through profit and loss account are measured 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 measured 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 the amortised cost of the liability and to allocate interest expense to the relevant periods. The effective interest rate is a rate discounting future cash payments over a foreseeable life of a liability or over a shorter time if required.

Derivatives

The Group uses forward currency and cross currency swap term contracts to hedge FX 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 working assets or liabilities.

Hedge accounting

As from 1 July 2011, the Capital Group has started applying hedge accounting in relation to FX 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 No. 3, the Management has to make judgments, estimates and make assumptions concerning book value of assets and liabilities that cannot be assessed otherwise than 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 the 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.**

Herebelow there are 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 book of value of assets and liabilities in the next financial year.

Impairment of goodwill

A statement that goodwill was impaired requires an estimate of the useful value of all units generating cash flows to which the goodwill was attributed. In order to calculate the useful 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 41.7 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 21.3 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 generated by a centre generating cash flows and requires the determination of a discount rate to calculate the present value of such cash flows.

As at 31 March 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. 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 87.2 million.

Assessment of provisions for employee benefits

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

Fair value of financial instruments

The 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 appropriate methods and to make assumptions. The Management makes a judgment selecting an appropriate method to measure 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 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 asset assuming that taxable profit will be generated in the future to offset the asset. Material deterioration of the 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. OPERATING 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 is presented below:

Revenues per segment

	External sales	Sales between segments	Other	Total
	Period ended 31.03.2014	Period ended 31.03.2014	Period ended 31.03.2014	Period ended 31.03.2014
	PLN '000	PLN '000	PLN '000	PLN '000
Poland	2 712 806	159 759		2 872 565
Czech Republic	1 319 693	296 001		1 615 694
Slovakia	208 533	834		209 367
Total segments				4 697 626
Eliminations				456 594
Consolidated revenues				4 241 032

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

Assets and liabilities per segment

	Assets	Liabilities
	31.03.2014	31.03.2014
	PLN '000	PLN '000
Poland	796 112	484 826
Czech Republic	462 737	324 638
Slovakia	33 033	30 442
Total segments	1 291 882	839 906
Eliminations		
Non-allocated		
Consolidated	**1 291 882**	**839 906**

Results per segment

	Of which interest expense / income	Period ended 31.03.2014
		PLN '000
Continued operations		
Poland	-5 591	35 324
Czech Republic	-1 367	21 977
Slovakia	4	-962
Eliminations		
Non-allocated		
Profit before income tax		56 339
Income tax		11 459
Profit for the financial year on continued operations		44 880
Discontinued operations		
Profit before income tax		
Income tax		
Profit for the financial year on discontinued operations		
Profit for the financial year		44 880

Depreciation / amortisation per segment

	Acquisition of fixed assets	Period ended 31.03.2014
	PLN '000	PLN '000
Continued operations		
Poland	3 202	4 628
Czech Republic	1 317	2 718
Slovakia		140
Consolidated	4 519	7 486

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
- personal computer manufacturing

	Revenues from sales to external clients	Assets per segment	Acquisition of fixed assets
	Period ended 31.03.2014	31.03.2014	Period ended 31.03.2014
	PLN '000	PLN '000	PLN '000
Wholesale trade	4 216 927	1 283 301	4 300
Retail trade	22 595	6 496	214
Production	1 510	2 085	5
	4 241 032	**1 291 882**	4 519

The sales 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 result in the period covered with the report reflect the market trends from the preceding years.

5. Profit per share

	Period ended 31.03.2014 PLN per share	Period ended 31.03.2013 PLN per share
Basic profit per share		
From continued operations	44 880	32 007
From discontinued operations		
Total basic profit per share	2.78	1.99
Diluted profit per share	44 880	32 207
From continued operations		
From discontinued operations		
Total diluted profit per share	2.78	1.99

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 31.03.2014 PLN '000	Period ended 31.03.2013 PLN '000
Profit for the financial year attributable to the shareholders of the parent entity	44 880	32 207
Profit used to calculate the total basic profit per share	44 880	32 207
Profit used to calculate the total basic profit per share on continued operations	44 880	32 207

	Period ended 31.03.2014 ’000	Period ended 31.03.2013 ’000
Average weighted number of ordinary shares used to calculate the basic profit per share	16 187 644	16 187 644

6. Dividend

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

7. Fixed assets – increase

	AB S.A.	Rekman Sp. z o.o.	B2B IT Sp. z o.o.	Alsen Marketing Sp. z o.o.	Optimus Sp. z o.o.	ATC Holding a.s.
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Intangible assets	8			650		
Land				11		
Buildings and structures	46					
Plant and equipment	113	15			11	791
Motor vehicles	877					380
Equipment	755			4		146
Fixed assets / intangible assets under construction	205		437	70		
TOTAL	**2 004**	**15**	**437**	**735**	**11**	**1 317**

8. Investments in affiliated entities

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

9. Goodwill

	31.03.2014 PLN '000	30.06.2013 PLN '000
Cost		
Beginning of the financial year	42 107	41 980
Goodwill from business combination (acquisition)		
FX differences	-389	127
End of the financial year	41 718	42 107
Accumulated impairment charges		
Beginning of the financial year		
End of the financial year		
Book value		
Opening balance		
Closing balance	41 718	42 107

The goodwill was generated as a result of the acquisition on 30 October 2007 of 100% shares in AT Computers Holding a.s. with its registered office in Ostrava, 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 on 30 September 2013 of 100% shares in Rekman Sp. z o.o.

10. Hedge accounting

Financial derivatives and hedges

Forward currency contracts are used as the 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 the fair value of derivative instruments that do not meet the requirements of hedge accounting are recognised directly in 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.

Cash flow hedges meeting in a given period the conditions specified above are recognised as follows:

- the portion of profit or loss related to hedging instruments that constitutes the effective hedge is recognised directly in equity through the statement of changes in equity,
- the ineffective portion of profit or loss related to hedging instruments is recognised as profit or loss.

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.

In the applied cash flow hedging, the amounts recognised directly in equity are recognised in the profit and loss account in the same period(s) during which the hedged planned transaction affects the profit and loss account – that is when the planned sale occurs.
The Group shall cease to apply the hedge accounting rules if:

a) the hedging instrument expires, is sold, dissolved, or executed. In such event the accumulated profit or loss related to the hedging instrument, recognised directly in equity for the period when the hedge was effective, is recognised under a separate item in equity until the planned transaction is executed.
b) the hedge no longer meets the hedge accounting criteria set forth in par. 88 of IAS 39. In such event the accumulated profit or loss related to the hedging instrument, recognised directly in equity for the period when the hedge was effective, is recognised under a separate item in equity until the planned transaction is executed.
c) the execution of the planned transaction is no longer expected. As of then, all accumulated profit or loss related to the hedging instruments recognised directly in equity for the period when the hedge was effective is recognised in profit and loss account.
d) the entity invalidates hedging relationship. The accumulated profit or loss related to the hedging instrument, recognised in equity for the period when the hedge was effective, continues to be recognised in equity until the planned transaction is executed or until its execution is no longer expected.

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

Hedging instruments – EUR

Instrument type	Nominal value, EUR '000		Fair value, PLN '000		Anticipated maturity period of hedged position	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Trade payables	(59 757)	(46 941)	(249 255)	(195 987)	April, May 2014	April, May 2013
Trade receivables	8 306	6 905	34 643	28 823	April, May 2014	April, May 2013
Bank loans	(5 985)	(207)	(24 967)	(866)	April, May 2014	April, May 2013
Cash	261	715	1 088	2 987	April, May 2014	April, May 2013
FX Forward EUR	(15 782)	(32 256)	22	(581)	April, May 2014	April, May 2013
Total cash positions:	**(72 957)**	**(71 784)**	**(238 469)**	**(165 624)**	**31.03.2014**	**31.03.2013**

Hedging instruments – USD

Instrument type	Nominal value, USD '000		Fair value, PLN '000		Anticipated maturity period of hedged position	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Trade payables	(22 438)	(13 096)	(68 025)	(42 649)	April, May 2014	April, May 2013
Trade receivables	2 694	2 740	8 173	8 928	April, May 2014	April, May 2013
Bank loans	(232)	(1 110)	(705)	(3 618)	April, May 2014	April, May 2013
Cash	88	50	264	163	April, May 2014	April, May 2013
FX Forward USD	32	(9 108)	121	(836)	April, May 2014	April, May 2013
Total cash positions:	**(19 856)**	**(20 524)**	**(60 172)**	**(38 012)**		

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

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

	9 months to 31.03.2014	9 months to 31.03.2013
Gross amount recognised in equity at the beginning of the period	(7 303)	(1 166)
Net amount recognised in equity at the beginning of the period	(5 915)	(944)
Effective portion of profit/loss on the hedging instrument in the period recognised in equity (gross)	(4 173)	3 761
Amounts derecognised from equity and recognised in profit and loss account during the period, of which:	(11 074)	5 454
- adjustment to income from operating activities	(9 391)	5 454
- adjustment to income from financing activities	(1 683)	0
- adjustment due to hedge ineffectiveness	0	0
Gross amount recognised in equity at the end of the period	(402)	(2 859)
Deferred income tax asset/provision	76	543
Net amount recognised in equity at the end of the period	(325)	(2 316)

11. Loans and Borrowings

In the period from the publication of the annual report (18 September 2013) until the publication of the report for the third quarter of the financial year 2013/2014, the Group's companies contracted the following new loans:
- AB SA signed two new loan agreements with ING Bank Śląski S.A. and PKO Bank Polski. The credit limits amount to PLN 60,000,000.00 with ING Bank Śląski S.A and PLN 100,000,000.00 with PKO Bank Polski respectively. The loans were first disbursed to repay the loans previously contracted with Bank BPH S.A. and Bank Pekao SA.
- Rekman Sp. z o.o. signed an annex increasing the credit limit with Bank Zachodni WBK from PLN 1,300,000.00 to PLN 5,000,000.00.

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. Take-over of Subsidiary Companies

During the reporting period, Rekman Sp. z o.o. was taken over. 100% of shares were taken over. The purchase cost was TPLN 5 310. The amount may be adjusted due to the terms and conditions underlying the purchase of the shares in Rekman Sp. z o.o. which refer to future events and may not be assessed as at the take-over date.

In accordance with IFRS 3, the combination is a pro forma combination.

The book value of the acquired net assets was as follows:

Fixed assets	
Tangible fixed assets	15
Working assets	
Inventories	10 408
Trade and other receivables	7 459
Cash and cash equivalents	51
Other assets	23
Liabilities and provisions	16 017
Goodwill at take-over	3 371

15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

	PLN '000
	2014-03-31
Guarantees granted	17 446
Total	**17 446**

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 2013 until 31 March 2014 there were no transactions concluded otherwise than at arm's length.

XV) 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 periodical disclosure by issuers of securities and conditions to recognise as equivalent the information that is required by the law in Non-Member States.

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

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

As at 31 March 2014 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
Statistical number (REGON)	931908977
Tax identification number NIP:	895-16-28-481
Registration body:	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 is involved in sales of computers and electronic equipment, arranges a franchise network and carries out marketing operations.

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

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

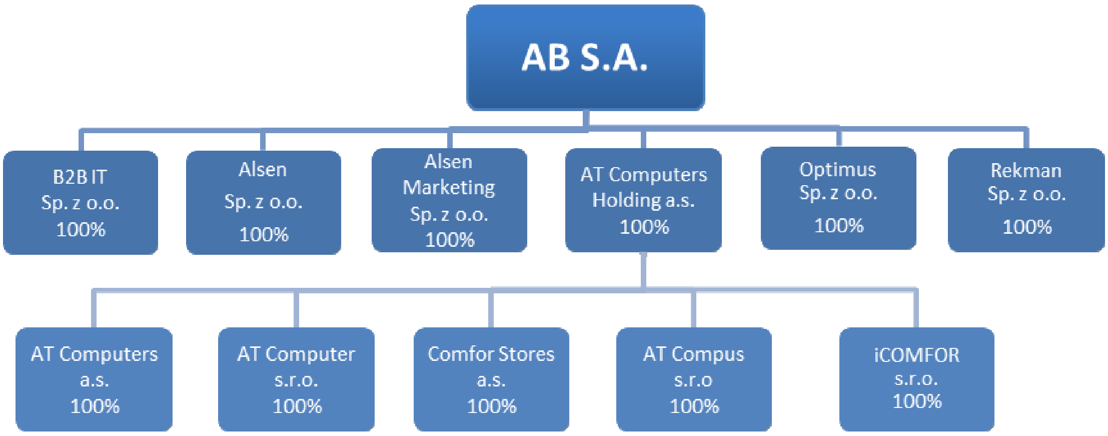
- AT Computers Holding a.s. (AB S.A. owns 100% of shares) – consolidated
  The Company manages subsidiary entities.

- AT Computers a.s. (AT Computers Holding a.s. owns 100% of shares) – consolidated
  The Company's business consists in the 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 the 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 the 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.
- Rekman Sp. z o.o. (AB S.A. owns 100% of shares) – consolidated
  The Company is involved in wholesale of toys and board games for children.

1.2. Structure of the Capital Group



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

In Q3 2013/2014 the structure of the AB Capital 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 as of the publication date of the report was as follows:

As at 15.05.2014	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 from the publication date of the annual report to the publication date of the report, the Company received a notification from Iwona Przybyło that she had reduced her share in the overall number of votes at general meetings of AB S.A. and PKO BP Bankowy Otwarty Fundusz Emerytalny S.A. that it had reduced its share in the overall number of votes at general meetings of the Company to under the threshold of under 5%. From Aviva Investors Poland S.A. the Company received a notification of 27 November 2013 that it had increased its share in the overall number of votes at general meetings of of the Company above 5%.

5. Issuer's shares or rights thereto held by person managing and supervising the Issuer

- **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 – 15 May 2014:

As at 15.05.2014	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 2012/2013 to the publication date of the report for the third quarter 2013/2014, there was a change in the package of shares held by Iwona Przybyło.

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

No Company in the AB S.A. Capital Group is subject to any proceedings pending in court, 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 at arm's length

In the period between 1 July 2013 and 31 March 2014 there were no transactions concluded otherwise than at arm's length.

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
	2014-03-31
Guarantees granted	17 446
Total	**17 446**

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 currency.

Guarantee Issuer	Beneficiary	Bank	Currency	Amount	Validity date
AB S.A	Polkomtel	BPH	PLN	667 783,25	2014-04-29
AB S.A	Intel	Pekao	USD	1 000 000,00	2015-01-16
AB S.A	Lenovo	SEB	USD	1 500 000,00	2015-01-23
AT Computers, a.s.	IBM Česká republika, s.r.o	CITIBANK Europe plc	CZK	500 000,00	2014-05-24
AT Computers, a.s.	Lenovo (Singapore) Pte Ltd	CITIBANK Europe plc	USD	2 400 000,00	2014-08-19
AT Computers, a.s.	Celní ředitelství Ostrava	CITIBANK Europe plc	CZK	500 000,00	2014-05-22
AT Computers, a.s.	ProLogis czech Republic	CITIBANK Europe plc	EUR	271 000,00	2015-02-11
COMFOR Stores	Palladium Praha s.r.o.	CITIBANK Europe plc	EUR	54 184,00	2014-09-25
COMFOR Stores	HUTS II s.r.o.	CITIBANK Europe plc	EUR	8 530,31	2014-05-21
COMFOR Stores	KLEPIERRE CZ, s.r.o.	CITIBANK Europe plc	EUR	11 970,00	2014-07-02
COMFOR Stores	EKZ Tschechien	CITIBANK Europe plc	EUR	9 539,00	2014-11-13
COMFOR Stores	FLORASEN	CITIBANK Europe plc	EUR	5 850,00	2014-12-13
COMFOR Stores	Pradera SC Futurum Ostrava	CITIBANK Europe plc	EUR	10 954,00	2014-12-13
COMFOR Stores	Euro Mall Hradec Králové	CITIBANK Europe plc	EUR	11 499,00	2014-05-25
COMFOR Stores	Best Properties South, a.s.	CITIBANK Europe plc	CZK	156 140,00	2014-12-13
COMFOR Stores	NISA Obch.společnost	CITIBANK Europe plc	CZK	212 775,00	2014-07-03
COMFOR Stores	CEI Building	CITIBANK Europe plc	CZK	212 775,00	2014-07-02
COMFOR Stores	New Karolina Shopping	CITIBANK Europe plc	CZK	251 000,00	2014-10-05
COMFOR Stores	Klepierre Plzeň	CITIBANK Europe plc	EUR	7 440,00	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 174 091).

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	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**

The major achievement of the Group in Q3 of the financial year 2013/2014 was another material improvement of profitability and increased net profit. The profitability on operations grew year on year by 29% from TPLN 12 634 to TPLN 16 252 while the net profit increased from TPLN 6 194 to TPLN 10 631 with a growth rate of 72% which also means an improved y/y profitability from 0.46% to 0.79%. The rapid growth of net profitability was the effect of consistently reduced SG&A costs that in relation to revenues dropped amounted to 2.65% which was due to a nominal drop of the costs by 10% quarter on quarter, as well as financial costs where the reduction by 53% results from a more effective management of the working capital.

Having discontinued certain low-margin goods in its commercial offer, in Q3 2013/2014 the Group generated income at a level similar to the previous year of PLN 1.35 billion while for the three quarters of the financial year the Group managed to generate a growth by almost 3% to PLN 4.24 billion. The systematic growth of sales is the result of a consistently expanding offer and the growing number of commercial partners.

The Company keeps expanding its product portfolio with goods also from non-IT sectors. For a number of quarters there has been a noticeable positive impact of the RTV/household appliances segment on the sales levels; additionally, actions have been taken to make certain goods available solely in the AB distribution network. In the segment of large household appliances there was a growth of sales by several times in relation to the first quarter of the previous year. The Group has also been developing the product portfolio under the TB brand – its own brand lines; recently, the Group has focused on developing the TB Touch brand under which tablets have been sold for two quarters.

An event that affected the generated results was the performance of further steps resulting from the re-activation strategy of the Optimus brand under which new dedicated product lines are being developed to be sold in the franchise network of the integrator partners. The development of adequate back-up facilities and financial and logistics support has resulted in an intensified interest in collaboration by market partners which augurs well for the future results of the project.

The situation of the Czech company GK AB – ATC Holding – has been stable. Despite a market slow-down, ATC has recorded growing sales in all distribution channels (by 20% y/y in he analysed period), consolidating its leading position in the Czech market. E-commerce has been the fastest growing distribution channel in the Czech Republic and in Slovakia and there was a slight recovery in the retail and public sectors as well as in the enterprise segment. The growth of sales was primarily due to telco group products.

As a result of the acquisition of Rekman – a leading Polish toy distributor – and development plans of new distribution channels, AB is of the opinion that toy e-commerce has good development prospects. The entire toy market in Poland is estimated at PLN 2.5 billion. The Management Board has also noted that the e-commerce channel has been the fastest growing segment in the operations of the Group.

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

The IT product distribution model is based on strong involvement of the distributor, which offers material values for the producer. Apart from access to the full spectrum of sales market channels and support for pre- and after-sales services, one of the most crucial roles of the distributor in this model is crediting. The distributor conducts sales largely on the basis of trade credits. Payment terms depend on the customer's credibility, 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 a positive working capital fulfilling its credit function mentioned above; such characteristics of the business combined with the huge scale of operations determines the amount of receivables, inventories and liabilities, including interest liabilities, in the Company's balance sheet. In addition, the dynamic sales growth observed in the recent years as well as the 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 finance.

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

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

The end of 2013 and beginning of 2014 did not bring any material changes with regards to major economies, either globally or in the region. High volatility and FX fluctuations, as well as considerable dependence of PLN and CZK on information from other European and non-European capitals of major global economies generate a significant risk, not only in terms of volatility of product prices, but also volatility in demand (consumers' expectations as to sale outs and the risk of job loss). The GDP growth forecasts for 2014 are more optimistic, they indicate a slight economic recovery in Poland and a reversal of a negative GDP growth in the Czech Republic. However, high unemployment may remain a factor slowing down consumer demand. The situation in the IT distribution market may be another major factor – the existing competition has cut down the margins to historic lows. Commercial terms of transactions and organisational and logistics support are becoming increasingly important.

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 are obviously translated into the generated profitability levels. The fact has been visible in the financials for the nine months of the financial year of 2013/2014.

INTERNAL FACTORS

- Maintenance of the largest possible product portfolio – as part of the adopted market strategy, aimed at increasing sales and improving partners' loyalty
- Continuous efforts to optimise the management of inventories, working capital and logistics, resulting in operating costs reduction in relation to revenues
- Simultaneous expansion in multiple sales channels: resellers, e-commerce, large retail networks, public administration, corporate customers, integrators, franchise network, export sales
- Hedge accounting applied to eliminate FX risk, and effective hedging policy against FX risk
- Offering additional services to partners (e.g. trainings, certifications, outsourcing of logistic processes, sales platforms, joint marketing initiatives), which allow the Company to obtain their loyalty and generate higher margins
- Development of own brands to ensure higher return on sales
- Maintenance of debt at an optimum level ensuring, on the one hand, financial safety, and on the other, allowing for stable growth, with a dynamically growing scale of operations
- Strict receivables policy guaranteeing that the Group's liquidity will remain at a high level
- Taking advantage of the Company's leading position on the Polish, Czech and Slovak markets – economies of scale, strong negotiating position
- Expanding the group of counterparties (new distribution agreements) and commercial partners
- Diversification of product groups with new categories outside the new technologies segment (such as Household appliances and audio/video devices, stationery and consumables, toys).

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EXTERNAL FACTORS

- An unstable macroeconomic situation on European markets, caused by the debt crisis
- Uncertainty of financial markets as to the outcome to the political crisis in Ukraine
- Continued high volatility in FX markets, primarily with respect to the following exchange rates: EUR/PLN and USD/PLN as well as EUR/CZK and USD/CZK.
- Low GDP growth in Poland and Slovakia, continuing recession in the Czech Republic, high unemployment, decreasing purchasing power and low consumption level affected AB Group's business in the analysed period.
- The last two quarters produced an improvement of the core macroeconomic indicators – retail sales, GDP, PMI, which optimistically augurs for the future.
- The series of interest rate cuts started by NBP in November 2012, as a result of which they dropped to a historic low level, contributed to a gradual decrease in financing costs in relation to revenues. Low interest rates are also a phenomenon observed for a long time in Slovakia and the Czech Republic. Economists predict that this trend which is positive for AB S.A. will continue in the long run.
- The record low interest rates should within the next 2-3 quarters stimulate the consumer credit market, which may translate into AB S.A.'s sales growth.
- Fast technological development
- Strong competition, resulting in pressure on prices and generated margins
- Consolidation of the market

The above macroeconomic circumstances materially impact the development decisions taken by the Group. The result is a sustainable development based on a number of product groups. Consistent expansion of the product portfolio, over 15,000 business partners and focusing on activities in the three major markets disperse the business risk.

11. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

Date	First and last name	Position / function	Signature
15.05.2014	*Andrzej Przybyło*	PRESIDENT OF THE MANAGEMENT BOARD	
15.05.2014	*Krzysztof Kucharski*	MEMBER OF THE MANAGEMENT BOARD	
15.05.2014	*Zbigniew Mądry*	MEMBER OF THE MANAGEMENT BOARD	
15.05.2014	*Grzegorz Ochędzan*	MEMBER OF THE MANAGEMENT BOARD	
15.05.2014	*Danuta Uzarska*	CHIEF ACCOUNTANT	