

ABC Data S.A.

**CONDENSED INTERIM FINANCIAL STATEMENT
FOR THE 6 MONTHS' PERIOD ENDED 30 JUNE 2017
INCLUDING THE OPINION OF A CHARTERED AUDITOR**



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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the 6-month period ended 30 June 2017

		<i>3 months ended 30.06.2017 (unaudited)</i>	<i>6 months ended 30.06.2017</i>	<i>3 months ended 30.06.2016 (unaudited)</i>	<i>6 months ended 30.06.2016 (unaudited)</i>
	<i>Notes</i>				
Revenues		725 237	1 469 354	1 004 396	1 875 286
Cost of sales		(676 887)	(1 375 884)	(955 068)	(1 783 372)
Gross profit on sales		48 350	93 470	49 328	91 914
Other operating income		2 239	2 892	1 094	8 381
Selling expenses		(39 064)	(78 019)	(42 410)	(79 941)
Administrative expenses		(6 528)	(13 054)	(6 529)	(12 766)
Other operating expenses		(472)	(535)	(175)	(238)
Gross profit on operations		4 525	4 754	1 308	7 350
Financial income	5	12 393	21 778	22 465	22 477
Financial expenses		(1 573)	(3 632)	(1 769)	(3 413)
Net financial expenses		10 820	18 146	20 696	19 064
Profit before tax		15 345	22 900	22 004	26 414
Income tax	8	(712)	(476)	(46)	(1 021)
Net profit for the period		14 633	22 424	21 958	25 393
Items that may be subsequently reclassified to profit or loss					
Net change in fair value of cash flow hedges	16	(3 176)	3 062	(7 129)	(3 067)
Income tax on other comprehensive income		603	(582)	1 355	583
Total other comprehensive income		(2 573)	2 480	(5 774)	(2 484)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12 060	24 904	16 184	22 909
Profit (loss) per share in PLN:					
– basic profit for the reporting period		0,12	0,18	0,18	0,21
– diluted profit for the reporting period		0,12	0,18	0,18	0,21

Ilona Weiss	Andrzej Kuźniak	Maciej Kowalski	Konrad Pyrz	Ewa Gawryszewska
<i>President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Financial Director</i>	<i>Financial Statement prepared by:</i>

Warsaw, 31 August 2017

CONDENSED INTERIM BALANCE SHEET as at 30 June 2017

	<i>Notes</i>	<i>30.06.2017</i>	<i>31.12.2016</i>	<i>30.06.2016</i> <i>(unaudited)</i>
ASSETS				
Non-current assets				
Property, plant and equipment	9	6 267	6 619	3 650
Intangible assets	9	30 313	30 442	27 584
Long term investments	10	52 835	52 835	52 697
Deferred tax assets		11 540	12 598	8 389
		100 955	102 494	92 320
Current assets				
Inventories	11	345 951	369 649	411 056
Short-term financial assets		17 076	17 080	5 229
Income tax receivables		4 227	5 047	5 262
Trade and other receivables		324 174	491 778	437 969
Cash and cash equivalents	6	2 783	58 543	3 868
		694 211	942 097	863 384
TOTAL ASSETS		795 166	1 044 591	955 704
	<i>Notes</i>	<i>30.06.2017</i>	<i>31.12.2016</i>	<i>30.06.2016</i> <i>(unaudited)</i>
EQUITY AND LIABILITIES				
Equity				
Share capital	15	125 267	125 267	125 267
Share premium		39 825	39 825	39 825
Treasury shares		(10 065)	(10 065)	(10 065)
Other reserve capital		1 418	(1 070)	(2 454)
Retained profit		99 992	77 568	83 425
		256 437	231 525	235 998
Long-term liabilities				
Provisions for employee benefits		642	642	437
Provisions	12	385	463	654
		1 027	1 105	1 091
Short-term liabilities				
Current portion of interest-bearing bank and other borrowings	13	98 758	137 987	128 572
Liabilities due to employee benefits		10 586	9 911	8 958
Other financial liabilities	14	14 811	21 933	63 530
Corporate income tax liabilities		411 684	639 756	514 571
Trade and other liabilities	12	1 863	2 374	2 984
Provisions		537 702	811 961	718 615
		538 729	813 066	719 706
Total liabilities		538 729	813 066	719 706
TOTAL EQUITY AND LIABILITIES		795 166	1 044 591	955 704

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Warsaw, 31 August 2017

Further explanatory notes to the Condensed Interim Financial Statement on pages 8 to 20 form an integral part thereof

CONDENSED INTERIM STATEMENT OF CASH FLOWS

for the 6-month period ended 30 June 2017

	<i>Notes</i>	<i>6 months ended 30.06.2017</i>	<i>6 months ended 30.06.2016 (unaudited)</i>
Cash flow from operating activities			
Gross profit		22 900	26 414
Adjusted by:			
Amortization / Depreciation		1 590	1 002
Share base expenses		8	30
(Profit)/loss on investing activities		(12)	(20)
(Increase)/ decrease in receivables		167 604	48 721
(Increase)/ decrease in inventories		23 698	(22 653)
Increase/ (decrease) in liabilities, except for borrowings		(228 072)	(60 436)
Financial income		(21 778)	(22 477)
Financial expenses		3 632	3 413
Increase/(decrease) in liabilities to employees		675	(279)
Change in provisions	12	(589)	(335)
Income tax paid		820	(4 854)
Other		3 011	(8 478)
Net cash flow from operating activities		(26 513)	(39 952)
Cash flow from investing activities			
Sales of property, plant and equipment and intangible assets	9	37	30
Acquisition of property, plant and equipment and intangible assets	9	(1 134)	(971)
Dividends received from subsidiaries	19	21 668	17 233
Interest received		109	20
Net cash flow from investing activities		20 680	16 312
Cash flow from financing activities			
Change in overdrafts	13	(39 229)	32 279
Inflows/(outflows) due to cash pooling		(6 662)	(5 853)
Interest paid		(4 037)	(3 652)
Other financial inflows		1	-
Net cash flow from financing activities		(49 927)	22 774
Net increase/(decrease) in cash and cash equivalents		(55 760)	(866)
Opening balance of cash		58 543	4 734
Closing balance of cash	6	2 783	3 868

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Warsaw, 31 August 2017

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 6-month period ended 30 June 2017

	<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total equity</i>
6 months 2017								
As at 1 January 2017		125 267	39 825	(10 065)	(1 070)	77 568	-	231 525
Net profit for the period		-	-	-	-	-	22 424	22 424
Other net comprehensive income for the period		-	-	-	2 480	-	-	2 480
Comprehensive income for the period		-	-	-	2 480	-	22 424	24 904
Share-based payments		-	-	-	8	-	-	8
Dividend declared		-	-	-	-	-	-	-
As at 30 June 2017		125 267	39 825	(10 065)	1 418	77 568	22 424	256 437

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Warsaw, 31 August 2017

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 12-month period ended 31 December 2016

<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total equity</i>
12 months 2016							
As at 1 January 2016	125 267	39 825	(10 065)	-	105 844	-	260 871
Net profit for the period	-	-	-	-	-	19 536	19 536
Other net comprehensive income for the period	-	-	-	(1 131)	-	-	(1 131)
Comprehensive income for the period	-	-	-	(1 131)	-	19 536	18 405
Share-based payments	-	-	-	61	-	-	61
Dividend payment	-	-	-	-	(47 812)	-	(47 812)
As at 31 December 2016	125 267	39 825	(10 065)	(1 070)	58 032	19 536	231 525

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Warsaw, 31 August 2017

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 6-month period ended 30 June 2016

<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total equity</i>
6 months 2016							
As at 1 January 2016	125 267	39 825	(10 065)	-	105 844	-	260 871
Net profit for the period	-	-	-	-	-	25 393	25 393
Other net comprehensive income for the period	-	-	-	(2 484)	-	-	(2 484)
Comprehensive income for the period	-	-	-	(2 484)	-	25 393	22 909
Share-based payments	-	-	-	30	-	-	30
Dividend declared	-	-	-	-	(47 812)	-	(47 812)
As at 30 June 2016	125 267	39 825	(10 065)	(2 454)	58 032	25 393	235 998

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Warsaw, 31 August 2017

FURTHER EXPLANATORY NOTES

1. General information

ABC Data S.A. (the “Company”) is a publicly traded joint-stock company with its registered office in Warsaw. The condensed interim financial statement of the Company covers the 6 months' period ended 30 June 2017 and reference data for the 6 months' period ended 30 June 2016 and as at 31 December 2016. The Statement of Comprehensive Income and Notes to the Statement of Comprehensive Income also include data for the 3 months' period ended 30 June 2017 and reference data for the 3 months' period ended 30 June 2016, which information have not been reviewed or audited by a chartered auditor.

The Company was established by a notarial deed dated 25 July 2007 under the name ABC Data Holding S.A. Since 4 January 2010, the Company has been operating under the name ABC Data S.A.

The Company is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court, 13th Commercial Division of the National Court Register, under number KRS 0000287132. The Company was assigned the following statistical number REGON: 141054682.

The duration of the Company is unlimited.

The Company's core business includes:

- wholesale of computers, peripherals and software,
- wholesale of electronic and telecommunication equipment,
- manufacture of computers and peripherals,
- software-related activities,
- data processing, hosting and similar activities,
- repair and maintenance of computers and peripherals,
- other IT and computer services,
- IT equipment administration,
- other non-school forms of education,

On 31 August 2017, this separate interim financial statement of the Company for the 6 months' period ended 30 June 2017 was approved for publication by the Management Board.

The Company also prepared a condensed interim consolidated financial statement for the 6 months' period ended 30 June 2017, which was approved for publication by the Management Board on 31 August 2017.

2. Basis for preparation of the condensed interim financial statement

This condensed interim consolidated financial statement has been prepared in accordance with the International Accounting Standard 34 approved by the EU. As at the date of approval of these financial statement for publication, considering the IFRS implementation process taking place in the EU and the activities carried out by the Company, as regards the accounting principles applied by the Company, the IFRS which came into force do not differ from those endorsed by the EU.

IFRS consist of standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

This condensed interim financial statement has been presented in Polish zlotys (PLN) and all figures are in PLN thousand, unless stated otherwise.

This condensed interim financial statement has been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of this financial statement, there were no circumstances found that would indicate a risk to the Company's ability to continue as a going concern.

The condensed interim financial statement does not include all the information and disclosures required for the annual financial statement and it should be read together with the Company's financial statement for the year ended 31 December 2016.

The interim profit/loss may not fully reflect the realizable profit/loss for the financial year.

3. Summary of significant accounting policies

The accounting policies followed when preparing the financial statement are consistent with those applied when in the preparation of the Company's financial statement for the year ending on 31 December 2016.

Amendments to existing standards first applied in the Group's financial statement for 2017

No amendments have been made to the existing standards that have been issued by the IASB and approved for use in the EU and which should first enter into force in the Company's financial statement for 2017.

New standards and amendments to existing standards that have already been issued by the IASB and approved by the EU, but which have not yet entered into force

The following new standards have been issued by the IASB and approved for use in the EU without yet entering into force:

- **IFRS 9 „Financial Instruments”** – approved in the EU on 22 November 2016 (applicable to annual periods starting on or after 1 January 2018),
- **IFRS 15 „Revenue from the Contracts with Clients”** and amendments to IFRS 15 „Effective Date of IFRS 15” – approved in the EU on 22 September 2016 (applicable to annual periods starting on or after 1 January 2018).

New standards and amendments to existing standards issued by the IASB, but not yet approved for use in the EU

Currently, the IFRS in the form approved by the EU do not significantly differ from the regulations issued by the International Accounting Standards Board (IASB), except for new standards, amendments to standards and new the interpretation as below, which have not yet been approved for use in the EU as at the date of publication of this financial statement (the effective dates below relate to the standards in their full version).

- **IFRS 14 „Deferred Budget Balance of Regulated Activities”** (applicable to annual periods starting on or after 1 January 2016) – the European Commission has decided not to initiate the approval process of this provisional standard for use inside the EU pending the issuance of the final IFRS 14,
- **IFRS 16 „Leasing”** – (applicable to annual periods starting on or after 01 January 2019),
- **IFRS 17 „Insurance Contracts”** – (applicable to annual periods starting on or after 01 January 2021),
- **Amendments to IFRS 2 „Share-based payments”** – Classification and valuation of share-based payments (applicable to annual periods starting on or after 01 January 2018),
- **Amendments to IFRS 4 „Insurance Contracts”** – Application of IFRS 9 „Financial Instruments” together with IFRS 4 „Insurance Instruments” (applicable to annual periods starting on or after 1 January 2018 or at the time of the first application of IFRS 9 „Financial Instruments”),
- **Amendments to IFRS 10 „Consolidated Financial Statements” and IAS 28 „Investments in Associated Companies and Joint Ventures”** – Sale or transfer of assets between the investor and its associated

company or joint venture and subsequent amendments (the effective date of the amendments has been deferred until the investigation of the equity method is completed),

- **Amendments to IFRS 15 „Revenue from Contracts with Clients”** – Clarification to IFRS 15 “Revenue from Contracts with Clients (applicable to annual periods starting on or after 01 January 2018),
- **Amendments to IAS 7 „Cash Flow Statement”** – Initiative concerning disclosures (applicable to annual periods starting on or after 01 January 2017),
- **Amendments to IAS 12 „Income Tax”** – Recognition of assets for deferred income tax on unrealized loss (applicable to annual periods starting on or after 01 January 2017),
- **Amendments to IAS 40 „Investment Property”** – Transfers of investment property (applicable to annual periods starting on or after 01 January 2018),
- **Amendments to various standards „Amendments to the IFRSs (the 2014-2016 cycle)”** – amendments implemented as part of the procedure of the introduction of yearly amendments to the IFRSs (IFRS 1, IFRS 12 and IAS 28) aimed in particular at resolving inconsistencies and clarifying vocabulary (amendments to IFRS 12 are applicable to annual periods starting on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are applicable to annual periods starting on or after 1 January 2018),
- **Interpretation of IFRIC 22 „Transactions in Foreign Currencies and Advance Payments”** – (applicable to annual periods starting on or after 01 January 2018),
- **Interpretation of IFRIC 23 „Uncertainty regarding Income Tax Accounting”** – (applicable to annual periods starting on or after 01 January 2019),

According to the Company’s estimates, the new standards listed above, amendments to existing standards and their interpretation would have no significant impact on the financial statement if applied by the Company at the balance sheet date.

The hedge accounting of the financial assets and liabilities portfolio, whose rules have not been approved for use in the EU remain external to the regulations approved by the EU.

According to the Company's estimates, the application of the hedge accounting of the financial assets and liabilities portfolio in accordance with **IAS 39 „Financial Instruments: Recognition and valuation”** would have no significant impact on the financial statement if applied for use at the balance sheet date.

The Company has not opted for an early application of any standard, interpretation or amendment that has been published, but has not yet entered into force.

4. Seasonality of operations

Sales of computers and electronic appliances are subject to seasonal fluctuations. Higher revenue and operating profit is usually generated in the second half of the year. The sales level is the highest in November and December. This cycle directly translates into trade receivable amounts and the use of bank loans and credit facilities.

5. Financial revenue

		<i>3 months ended 30.06.2017 (unaudited)</i>	<i>6 months ended 30.06.2017</i>	<i>3 months ended 30.06.2016 (unaudited)</i>	<i>6 months ended 30.06.2016 (unaudited)</i>
Bank interest income		7	109	8	20
Dividend income from subsidiaries	19	12 385	21 668	22 457	22 457
Other		1	1	-	-
		12 393	21 778	22 465	22 477

6. Cash and cash equivalents

For purposes of the condensed interim statement of cash flows, cash and cash equivalents include:

	<i>30.06.2017</i>	<i>30.06.2016 (unaudited)</i>
Cash at bank and in hand	2 783	3 868
Other cash	-	-
	2 783	3 868

7. Dividends paid and proposed to be paid

The General Meeting of Shareholders of the Company on 28 June 2017, passing a resolution on the distribution of profit for 2016, resolved to retain the entire profit within the Company.

On 31 May 2017, the Management Board of the Company passed a resolution (the "Resolution") on conditional payment of an advance towards the expected dividend for 2017. If the conditions specified in the Resolution are met, an advance of PLN 10,021 thousand PLN (PLN 0.08 per share) will be paid by 31 December 2017.

The dividend from ordinary shares for 2015 was paid on 11 July 2016 and amounted to PLN 47,812 thousand . The dividend per share paid for 2015 was PLN 0.39.

8. Income tax

Key tax charge components in the profit or loss account are as follows:

	<i>3 months ended 30.06.2017 (unaudited)</i>	<i>6 months ended 30.06.2017</i>	<i>3 months ended 30.06.2016 (unaudited)</i>	<i>6 months ended 30.06.2016 (unaudited)</i>
Current income tax charge	-	-	(670)	(670)
Deferred income tax	(712)	(476)	624	(351)
Income tax charged to net profit for the current period	(712)	(476)	(46)	(1 021)

9. Fixed tangible assets and intangible assets

9.1. Acquisition and sale of fixed tangible assets

Over the 6 months' period ended 30 June 2017, the Company purchased tangible fixed assets with a value of PLN 565 thousand (over the 6 months' time ended 30 June 2016 it was PLN 209 thousand)).

Over the 6 months' period ended 30 June 2017, the Company sold tangible fixed assets with a value of PLN 25 thousand , over the 6 months' period ended 30 June 2016, the Company sold tangible fixed assets with a value of PLN 10 thousand .

9.2. Acquisition and sale of intangible assets

Over the 6 months' period ended 30 June 2017, the Company purchased intangible assets with a value of PLN 569 thousand (over the 6 months' period ended 30 June 2016 it was PLN 762 thousand) .

Over the 6 months' period ended 30 June 2017, the Company did not sell any intangible assets. It was also the case for the 6 months' period ended 30 June 2017.

10. Long-term investment

	30.06.2017	31.12.2016	30.06.2016 (unaudited)
Investments in subsidiaries	52 835	52 835	46 314
Investments in other entities	-	-	6 383
Total	52 835	52 835	52 697

11. Inventories

As at 30 June 2017, the value of write-down of inventories to net realizable selling prices amounted to PLN 11,101 thousand PLN (as at 31 December 2016: PLN 13,118 thousand) and as at 30 June 2016: PLN 12,490 thousand)). Changes in the provision amount are recognized in "Costs of goods sold".

12. Provisions

	<i>Guarantee costs</i>	<i>Onerous contracts</i>	<i>Total</i>
Amount as at 1 January 2017	2 315	522	2 837
Recognized	-	322	322
Derecognized	(389)	(522)	(911)
Amount as at 30 June 2017	1 926	322	2 248
Long-term portion	385	-	385
Short-term portion	1 541	322	1 863
<i>(unaudited)</i>			
	<i>Guarantee costs</i>	<i>Onerous contracts</i>	<i>Total</i>
Amount as at 1 January 2016	3 593	380	3 973
Recognized	-	-	-
Derecognized	(323)	(12)	(335)
Amount as at 30 June 2016	3 270	368	3 638
Long-term portion	654	-	654
Short-term portion	2 616	368	2 984

Warranty costs

The Company recognizes a provision for costs of complaints related to warranties and guarantees given with regard to goods sold. The provision is estimated based on the sales volume, duration of warranty periods, historical data regarding faulty goods and the associated losses as well as current operating costs of the service department. According to the estimations of the Company, the provision of PLN 1,541 thousand is going to be used up within 12 months by 30 June 2018, while the remaining portion will be used up after this date.

Onerous contracts

Also, the Company recognizes a provision related to goods purchase orders pending at the balance sheet date, which will be fulfilled at prices higher than the realizable net selling price. The Company estimates the volume of the provision based on a detailed analysis of goods sales price trends after the balance sheet date. Both the creation and termination of the provision are recognized under other operating expenses. The Company expects that the total provision will be used up by 2017.

13. Interest-bearing bank loans

Information on loans and changes in their balances in particular banks is provided in the table below:

in thousand PLN	Currency	Interest	Maturity date	30.06.2017	31.12.2016	30.06.2016
Overdraft facility - Bank Polska Kasa Opieki S.A.	PLN	Wibor 1M+margin	15.12.2017	10 430	4 433	49 658
Overdraft facility - Bank Polska Kasa Opieki S.A.	EUR	Euribor 1M+margin	15.12.2017	23 987	414	2 887
Overdraft facility - Bank Polska Kasa Opieki S.A.	USD	Libor 1M+margin	15.12.2017	-	638	1 288
Overdraft facility - Bank Millennium S.A.	PLN	Wibor 1M+margin	28.04.2018	944	12 553	6 980
Overdraft facility - Bank Millennium S.A.	EUR	Euribor 1M+margin	28.04.2018	-	1 899	11 981
Overdraft facility - Bank Millennium S.A.	USD	Libor 1M+margin	28.04.2018	232	1 318	642
Credit facility- cash pool account -Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	09.10.2025	2 925	-	1 810
Overdraft facility - Bank ING Bank Śląski S.A.	EUR	Euribor 1M+margin	09.10.2025	27 063	12 912	14 383
Overdraft facility - Bank ING Bank Śląski S.A.	USD	Libor 1M+margin	09.10.2025	-	9 764	-
Overdraft facility - Bank ING Bank Śląski S.A.	CZK	Pribor 1M+margin	09.10.2025	9 080	-	2 602
Overdraft facility -Societe General SA	PLN	Wibor 1M+margin	23.09.2019	-	42 252	4 437
Overdraft facility -Societe General SA	EUR	Euribor 1M+margin	23.09.2019	-	455	14 090
Overdraft facility -Societe General SA	USD	Libor 1M+margin	23.09.2019	-	9 309	244
Overdraft facility -Societe General SA	HUF	Bubor 1M+margin	23.09.2019	-	3 322	-
Overdraft facility -BGŻ BNP Paribas	PLN	Wibor 1M+margin	01.12.2025	6 589	6 583	269
Overdraft facility -BGŻ BNP Paribas	EUR	Euribor 1M+margin	01.12.2025	16 780	14 426	17 253
Overdraft facility -BGŻ BNP Paribas	USD	Libor 1M+margin	01.12.2025	-	1 682	48
Overdraft facility -Bank Handlowy w Warszawie	PLN	Wibor 1M+margin	26.07.2019	728	16 027	-
Razem				98 758	137 987	128 572

Bank loan guarantees take form of a written statement on submission to enforcement under Art. 97 sections 1-2 of the Banking Act together with the authorization for banks to issue a bank enforcement title or statement of submission to enforcement filed in the form of a notarial deed under Art. 777 § 1(5) of the Code of Civil Procedure.

Interest liabilities are usually settled monthly over the entire financial year.

14. Other financial liabilities

	30.06.2017	31.12.2016	30.06.2016 (unaudited)
Dividend payable	-	-	47 812
Cash pooling liability	14 488	21 150	15 268
Currency forward contracts-liabilities	39	94	182
Accrued interest on factoring	284	689	268
Total	14 811	21 933	63 530

15. Equity

Share capital

As at 30 June 2017, the shareholding structure was as follows:

	Number of shares	Number of votes at GSM	Percentage of votes held
MCI Venture Projects sp. z o.o. VI.S.K.A.	76 060 378	76 060 378	60,72%
OFE/PZU "Złota Jesień"	9 650 000	9 650 000	7,70%
Other shareholders	39 556 521	39 556 521	31,58%
Total	125 266 899	125 266 899	100,00%

16. Hedge accounting

The Company hedges the foreign currency risk associated with sales indexed to EUR and USD exchange rates and denominated in these currencies using foreign currency monetary items, i.e. trade liabilities less trade receivables and cash, and FX forwards and FX swaps relating to foreign currency sales/purchases plus/less the nominal value. The Company identifies designated foreign currency monetary items as hedging instruments in the cash flow hedge model and recognizes them in accordance with the hedge accounting principles.

The tables below present the key parameters of foreign currency monetary items allocated for hedging instruments, including periods where cash flows will occur arising from the cash flow hedges and where they will affect the financial result, as well as their fair value in PLN thousand as at 30 June 2017.

Hedging instruments - EUR

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Trade liabilities	(96 729)	(237 406)	(96 729)	(237 406)	july/august 2017	july/august 2016
Trade receivables	81 333	82 443	81 333	82 443	july/august 2017	july/august 2016
Cash	(67 409)	(59 723)	(67 409)	(59 723)	july/august 2017	july/august 2016
FX Forward EUR	(42 265)	4 426	90	8	july/august 2017	july/august 2016
Total monetary items:	(125 070)	(210 260)	(82 715)	(214 678)		

Hedging instruments – USD

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Trade liabilities	(95 725)	(79 967)	(95 725)	(79 967)	july/august 2017	july/august 2016
Trade receivables	8 109	9 455	8 109	9 455	july/august 2017	july/august 2016
Cash	689	(1 741)	689	(1 741)	july/august 2017	july/august 2016
FX Forward USD	33 356	28 658	(133)	(38)	july/august 2017	july/august 2016
Total monetary items:	(53 571)	(43 595)	(87 060)	(72 291)		

* For items other than FX forward derivative transactions, the carrying value has been presented. In the opinion of the Company, the carrying value of these items does not differ considerably from their fair value.

Changes in the fair value of cash flow hedges recognized in equity are presented below.

	<i>6 months ended 30.06.2017</i>	<i>6 months ended 30.06.2016</i>
Opening balance	(1 467)	(71)
Effective portion of profit/loss on the hedging instrument	16 193	(9 890)
Amounts charged to profit or loss, including:	13 131	(6 824)
- Adjustment of sales revenue	13 131	(6 824)
- Adjustment arising from hedge ineffectiveness	-	-
Closing balance	1 595	(3 137)

17. Capital management

The key objective of the Management Board is to maintain a capital structure that would enable the Company's growth, guarantee return on investment for the shareholders, and ensure that the lenders' opinion on the Company is positive.

The Company monitors the capital structure on the basis of the net debt / EBITDA ratio.

Net debt includes facilities, loans and debt less the value of cash and cash equivalents. EBITDA is defined as the financial result determined in accordance with IFRS-EU, plus depreciation, impairment losses on tangible fixed asset and intangible assets, net financial costs and income tax.

As at 30 June 2017, the above ratio was as follows:

	<i>30.06.2017</i>	<i>30.06.2016 (unaudited)</i>
Net debt	110 463	139 972
EBITDA *	12 033	21 802
Net debt ratio	9.2	6.4

**/EBITDA for the 12 months' periods ended 30 June 2017 and 30 June 2016.*

The Company aims to maintain the ratio at the maximum level of 4, calculated based on the consolidated data. The growth strategy adopted by the ABC Data Capital Group assumes an amplification of regional operations while maintaining the leading position of the Company when dealing with the suppliers. This will allow the Company to maximize benefits from the existing vendor contracts to which ABC Data SA is part, boosted by local resources depending on the needs or the perceived potential of a particular offer. Such an approach results in an increased demand for working capital at the Company, which, combined with the contribution of regional operations, results in maintaining a low level of the ratio as calculated based on consolidated data in accordance with the growth strategy pursued by the Group.

The Management Board pro-actively shapes the ratio by implementing and enforcing procedures aimed at optimizing the demand for working capital loan. Furthermore, the ratio is adjusted by means of changing the dividend level or issuing shares.

Additionally, in accordance with the Code of Commercial Companies, the Company is obliged to create supplementary capital by appropriating at least 8% of profit for each financial year, until its balance corresponds to at least one third of the share capital.

18. Contingent liabilities

18.1. Guarantees and sureties issued for the subsidiaries' liabilities

On 16 March 2015, the Company concluded a tripartite agreement with ING Bank Śląski S.A. and its subsidiary iSource S.A. According to said agreement, the Company and iSource are jointly and severally liable for liabilities to the bank.

On 30 September 2015, the Company concluded a cash pooling service agreement with ING Bank Śląski S.A. (Bank) and its subsidiaries ABC Data Marketing Sp. z o.o. and iSource S.A. Since 3 March 2017 the company SPV Sail Sp. z o. o. is also part to this agreement. Pursuant to the provisions of the agreement, each Participant undertakes to repay the debt arising from non-payment of the daily limit by any of the Participants.

ABC Data S.A. has issued guarantees and sureties for the liabilities of its subsidiaries to their suppliers and financial institutions. As at 30 June 2017, the contingent liabilities related to the above amounted to:

- USD 30,000 thousand and PLN 37,500 thousand for the liabilities of iSource S.A.
- USD 2,500 thousand , EUR 1,300 thousand and PLN 6,000 thousand for the liabilities of ABC Data Distributie SRL
- CZK 364,455 thousand for the liabilities of ABC Data s.r.o in the Czech Republic
- USD 3,000 thousand and PLN 54,000 thousand for the liabilities of ABC Data Kft.

18.2. Contingent liabilities for reprographic fees

Pursuant to the Act on Copyright and the Related Rights of 4 February 1994, the Company, as an importer of copiers, scanners and other similar reprographic equipment enabling the copying of published works, as well as blank data carriers enabling the recording of works for personal use, pays fees to organizations dealing in collective management of copyrights or the related rights. Following an inspection carried out by an auditor appointed by these organizations, the latter have claimed significant additional amounts from the Company. According to the Company, the auditor's calculations include a number of errors, and the claims based thereon are groundless. Currently, a dispute of the Company with one of the organizations is pending. Due to doubts regarding the interpretation of legal regulations and discrepancies in previous court decisions, the Company has recognized a provision for the amount which, in its opinion, fully covers the risk related to the possibility of an unfavourable ruling.

In the first half of this year, an organizations dealing in collective management of copyrights filed an action for payment of PLN 19,206 thousand of fees allegedly due for the Company's sale of equipment and blank data carriers. According to the company and a third-party legal adviser, the calculation methodology used in the suit contains a number of errors and the claims based thereon are groundless.

18.3. Contingent liability to make an additional payment for the shares in SPV Sail Sp. z o.o.

Under the investment agreement, the Company is obliged to make an additional payment for the shares taken up in SPV Sail, proportional to the financial performance of S4E (Conditional Payment II). The amount of this payment has been determined at PLN 3,359 thousand based on the estimates prepared by an independent appraiser at the date of control being taken over by the Company.

18.4. Tax returns

Corporate income tax for the fiscal year 2010

In 2011, inspection proceedings were instituted by the Director of the Tax Inspection Office in Warsaw against the Company with respect to corporate income tax for 2010. The proceedings were terminated by a decision issued on 5 June 2014, which determined the Company's corporate income tax liability for 2010. Despite the Company's appeal, the aforesaid decision was upheld by the Director of the Tax Chamber in Warsaw. The Company filed an appeal with the Regional Administrative Court in Warsaw, opposing the decision of the Director of the Tax Chamber in Warsaw in its entirety.

In its non-final judgement of 19 April 2016, the Regional Administrative Court in Warsaw repealed the decision that the Company appealed against. The Company agrees with the decision of the first-instance court, whereby the decision was repealed. However, it opposes the substantiation of the judgement in a number of respects. Therefore, on 12 July 2016, it filed a last resort appeal with the Supreme Administrative Court. The decision is pending.

Tax on goods for the 2nd quarter of 2014

In September 2014, inspection proceedings were instituted against the Company following the authorization of the Director of the Tax Inspection Office in Warsaw to examine the validity of the tax bases declared by the Company as well as correctness of calculation and payment of value added tax for the 2nd quarter of 2014. The proceedings has not been closed by the date of this statement.

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

19. Related-party transactions

The tables below present cumulative amounts of transactions concluded with related parties during the 6 months' periods ended 30 June 2017 and 30 June 2016, respectively, as well as balances of liabilities and receivables as at 30 June 2017 and 31 March 2016.

<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Liabilities to related parties</i>
<u>MCI Capital S.A. Group companies</u>				
MCI Capital S.A.	2017	7	-	-
Morele Net Sp. z o.o.	2017	48 227	2 129	17 403
MCI Capital S.A.	2016	0	-	-
Morele Net Sp. z o.o.	2016	35 062	4 357	15 039
			15 039	353

<i>Related party</i>		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Liabilities to related parties</i>
Subsidiaries					
ABC Data Marketing Sp. z o.o.	2017	854	10 804	226	2 645
ABC Data s.r.o. - Czechy	2017	67 389	2 714	21 045	802
ABC Data s.r.o. - Slowacja	2017	36 788	-	10 682	-
UAB ABC Data Lietuva - Litwa	2017	99 908	-	13 221	-
ABC Data Hungary Kft.	2017	42 932	25	29 487	-
ABC Data Distributie SRL	2017	59 597	100	31 859	13
ABC Data GmbH - Niemcy	2017	(2)	-	2 021	-
iSource S.A.	2017	235	23	47	-
ABC Data Finanse Sp. z o.o.	2017	10	-	2	-
SPV Sail Sp. z o.o.	2017	-	-	-	-
S4E S.A.	2017	518	18	607	22
ABC Data Marketing Sp. z o.o.	2016	204	12 455	1 943	3 381
ABC Data s.r.o. - Czechy	2016	90 415	5 974	35 028	1 683
ABC Data s.r.o. - Slowacja	2016	48 192	747	19 830	28
UAB ABC Data Lietuva - Litwa	2016	98 065	-	22 903	-
ABC Data Hungary Kft.	2016	54 773	557	45 564	449
ABC Data Distributie SRL	2016	81 590	8	39 861	145
ABC Data GmbH - Niemcy	2016	-4	7	2 118	-
iSource S.A.	2016	290	6	74	-
ABC Data Finanse Sp. z o.o.	2016	10	-	-	-
SPV Sail Sp. z o.o.	2016	-	-	-	-
S4E S.A.	2016	-	-	2 960	-

Cash pooling transactions

<i>related entity</i>		<i>Interest expense</i>	<i>Interest income</i>	<i>Assets</i>	<i>Liabilities</i>
Spółki zależne					
ABC Data Marketing Sp. z o.o.	2017	138	-	-	14 469
Isource S.A.	2017	2	-	-	19
S4E S.A.	2017	-	-	1	-
ABC Data Marketing Sp. z o.o.	2016	139	-	-	21 088
Isource S.A.	2016	2	15	-	62

Dividend income from subsidiaries

Dividend income from subsidiaries 2017

ABC Data Marketing Sp. z o.o.	10 570
iSource S.A.	9 283
UAB "ABC Data" - LT	1 815
Total	21 668

Dividend income from subsidiaries 2016

ABC Data Marketing Sp. z o.o.	13 729
iSource S.A.	5 224
UAB "ABC Data" - LT	3 504
Total	22 457

Loan given to SPV Sail Sp. z o.o.

ABC Data S.A. owes a loan of PLN 17,075 thousand given to SPV Sail Sp. z o.o. for the purchase of shares of the company S4E S.A in November 2016. It is a fixed interest rate loan (expressed in %). SPV Sail is obliged to return the principal loan together with interest by 31 December 2017.

Remuneration paid to the Management and Supervisory Board members

	<i>6 months ended 30.06.2017</i>	<i>6 months ended 30.06.2016 (unaudited)</i>
Management Board		
Short-term employee benefits	1 041	2 560
Supervisory Board		
Short-term employee benefits	154	210
	<u>1 195</u>	<u>2 770</u>

20. Events after the end of the reporting period

No events that would have a material effect on this statement without being reflected herein occurred after the balance sheet date.

Ilona Weiss	Andrzej Kuźniak	Maciej Kowalski	Konrad Pyrz	Ewa Gawryszewska
<i>President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Financial Director</i>	<i>Financial Statement prepared by:</i>

Warsaw, 31 August 2017