

ABC Data S.A.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017**



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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the 3-month period ended 31 March 2017

	<i>Notes</i>	<i>3 months ended 31.03.2017 (unaudited)</i>	<i>3 months ended 31.03.2016 (unaudited)</i>
Revenues		744 117	870 890
Cost of sales		(698 997)	(828 304)
Gross profit on sales		45 120	42 586
Other operating income		653	7 287
Selling expenses		(38 955)	(37 531)
Administrative expenses		(6 526)	(6 237)
Other operating expenses		(63)	(63)
Gross profit on operations		229	6 042
Financial income	5	9 385	12
Financial expenses		(2 059)	(1 644)
Net financial expenses		7 326	(1 632)
Profit before tax		7 555	4 410
Income tax	8	236	(975)
Net profit for the period		7 791	3 435
Net change in fair value of cash flow hedges	16	6 238	4 062
Income tax on other comprehensive income		(1 185)	(772)
Total other comprehensive income		5 053	3 290
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12 844	6 725
Profit (loss) per share in PLN:			
– basic profit for the reporting period		0,06	0,03
– diluted profit for the reporting period		0,06	0,03

Ilona Weiss <i>President of the Management Board</i>	Juliusz Niemoćko <i>Vice-President of the Management Board</i>	Andrzej Kuźniak <i>Vice-President of the Management Board</i>	Maciej Kowalski <i>Vice-President of the Management Board</i>	Krystyna Cybulska <i>Chief Accountant</i>
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Warsaw, 17 May 2017

Notes to the Condensed Interim Financial Statements on pages 6 to 17

form their integral part

CONDENSED INTERIM BALANCE SHEET as at 31 March 2017

	Notes	31.03.2017 (unaudited)	31.12.2016	31.03.2016 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	9	6 277	6 619	3 802
Intangible assets	9	30 279	30 442	27 017
Long term investments		52 835	52 835	52 697
Deferred tax assets		11 649	12 598	6 410
		101 040	102 494	89 926
Current assets				
Inventories	10	332 639	369 649	445 443
Short-term financial assets	11	27 501	17 080	582
Trade and other receivables		265 065	491 778	337 213
Income tax receivables		7 179	5 047	3 392
Cash and cash equivalents	6	11 994	58 543	12 360
		644 378	942 097	798 990
TOTAL ASSETS		745 418	1 044 591	888 916
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		3 992	(1 070)	3 307
Retained profit		85 359	77 568	109 279
		244 378	231 525	267 613
Long-term liabilities				
Provisions for employee benefits		642	642	437
Provisions	12	416	463	700
		1 058	1 105	1 137
Short-term liabilities				
Current portion of interest-bearing bank and other borrowings	13	110 997	137 987	127 812
Liabilities due to employee benefits		11 016	9 911	10 089
Other financial liabilities	14	23 685	21 933	25 398
Corporate income tax liabilities		352 096	639 756	453 689
Trade and other liabilities	12	2 188	2 374	3 178
Provisions		499 982	811 961	620 166
Total liabilities		501 040	813 066	621 303
TOTAL EQUITY AND LIABILITIES		745 418	1 044 591	888 916

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*President
of the Management
Board*

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Krystyna Cybulska
Chief Accountant

Warsaw, 17 May 2017

CONDENSED INTERIM STATEMENT OF CASH FLOWS for the 3-month period ended 31 March 2017

	<i>Noty</i>	<i>3 months ended 31.03.2017 (unaudited)</i>	<i>3 months ended 31.03.2016 (unaudited)</i>
Cash flow from operating activities			
Gross profit		7 555	4 410
Adjusted by:			
Amortization / Depreciation		765	506
Share base expenses		9	17
(Profit)/loss on investing activities		(30)	(15)
(Increase)/ decrease in receivables		226 713	149 477
(Increase)/ decrease in inventories		37 010	(57 040)
Increase/ (decrease) in liabilities, except for borrowings		(287 660)	(121 318)
Financial income		(9 385)	(12)
Financial expenses		2 059	1 644
Increase/(decrease) in liabilities to employees		1 105	852
Change in provisions	12	(233)	(95)
Income tax paid		(2 132)	(2 315)
Other		5 005	(2 109)
Net cash flow from operating activities		(19 219)	(25 998)
Cash flow from investing activities			
Sales of property, plant and equipment and intangible assets	9	33	20
Acquisition of property, plant and equipment and intangible assets	9	(262)	(54)
Interest received		102	12
Net cash flow from investing activities		(127)	(22)
Cash flow from financing activities			
Change in overdrafts	13	(26 990)	31 519
Inflows/(outflows) due to cash pooling	14	2 275	4 147
Interest paid		(2 488)	(2 020)
Net cash flow from financing activities		(27 203)	33 646
Net increase/(decrease) in cash and cash equivalents		(46 549)	7 626
Opening balance of cash		58 543	4 734
Closing balance of cash	6	11 994	12 360

Ilona Weiss Juliusz Niemoćko Andrzej Kuźniak Maciej Kowalski Krystyna Cybulska
President *Vice-President* *Vice-President* *Vice-President* *Chief Accountant*
the Management *the Management* *the Management* *the Management*
Board *Board* *Board* *Board*

Warsaw, 17 May 2017

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the 3-month period ended 31 March 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>
3 months 2017								
As at 1 January 2017		125 267	39 825	(10 065)	(1 070)	77 568	-	231 525
Net profit for the period		-	-	-	-	-	7 791	7 791
Other net comprehensive income for the period		-	-	-	5 053	-	-	5 053
Comprehensive income for the period		-	-	-	5 053	-	7 791	12 844
Share-based payments		-	-	-	9	-	-	9
As at 31 March 2017		125 267	39 825	(10 065)	3 992	77 568	7 791	244 378
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 paid	7	-	-	-	-	(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, 17 May 2017

NOTES

1. General information

ABC Data S.A. (the “Company”) is a publicly traded joint-stock company with its registered office in Warsaw. Its interim condensed separate financial statements cover the three months ended 31 March 2017. The statement of comprehensive income with notes thereto and the statement of cash flows cover the three months ended 31 March 2017 and comparative data for the three months ended 31 March 2016. Comparative data presented in the balance sheet include a balance as at 31 December 2016 and 31 March 2016. Comparative data presented in the statement of changes in equity cover the entire 2016.

The Company was incorporated by a notarized deed of 25 July 2007 under the name of ABC Data Holding S.A. It has been operating under the name of ABC Data S.A. since 4 January 2010.

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

The existence of the Company is perpetual.

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 17 May 2017, the separate interim financial statements of the Company for the three months ended 31 March 2017 were approved for publication by the Management Board.

The Company prepared also condensed interim consolidated financial statements for the three months ended 31 March 2017, which were approved for publication by the Management Board on 17 May 2017.

2. Basis for preparation of the condensed interim financial statements

These condensed interim financial statements have been prepared in line with International Financial Reporting Standards (“IFRS”), in particular International Accounting Standard 34 and the relevant IFRS as endorsed by the European Union. As at the date of approval of these financial statements 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”).

These condensed interim financial statements have been presented in Polish zlotys (PLN) and all figures are in PLN thousand, unless stated otherwise.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, there were no circumstances that would indicate a risk to the Company’s ability to continue as a going concern.

The condensed interim financial statements do not include all the information and disclosures required for annual financial statements and they should be read together with the Company's financial statements 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 principles (policy) adopted for the preparation of these financial statements are consistent with those used for the preparation of the financial statements of the Company for the year ended 31 December 2016, except for the following amendments to standards and new interpretations applicable to annual periods beginning on 1 January 2017:

Effects of new and amended Standards and Interpretations

The following amendments to the existing standards have been approved for use by International Reporting Standards Board after 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows, Disclosure Initiative.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Until the publication date of these financial statements, the above amendments have not been endorsed by the European Union. Their application would not have impacted the Company's accounting policy or these financial statements.

4. Seasonality of operations

Sales of computers and electronic appliances are subject to seasonal changes. 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 31.03.2017</i>	<i>3 months ended 31.03.2016</i>
Bank interest income	102	5
Interest income from cash pooling	-	7
Dividend income from subsidiaries	9 283	-
	9 385	12

6. Cash and cash equivalents

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

	<i>31.03.2017</i> <i>(unaudited)</i>	<i>31.03.2016</i> <i>(unaudited)</i>
Cash at bank and in hand	11 994	10 398
Other cash	-	1 962
	11 994	12 360

7. Dividends paid and proposed

On 21 March 2017 the Management Board of ABC Data S.A. passed a resolution to recommend the General Meeting not to pay dividend to the shareholders from 2016 profit.

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

8. Income tax

Key tax charge components in profit or loss:

	<i>3 months</i> <i>ended</i> <i>31.03.2017</i> <i>(unaudited)</i>	<i>3 months</i> <i>ended</i> <i>31.03.2016</i> <i>(unaudited)</i>
Current income tax charge	-	-
Deferred income tax	236	(975)
Income tax charged to net profit for the current period	236	(975)

9. Property, plant and equipment and intangible assets

9.1. Acquisition and sale of property, plant and equipment

During the three months ended 31 March 2017, the Company acquired property, plant and equipment of PLN 116 thousand (during the three months ended 31 March 2016: PLN 37 thousand).

During the three months ended 31 March 2017, the Company sold property, plant and equipment with a net value of PLN 3 thousand (during the three months ended 31 March 2016: PLN 5 thousand).

9.2. Acquisition and sale of intangible assets

During the three months ended 31 March 2017, the Company acquired intangible assets of PLN 146 thousand (during the three months ended 31 March 2016: PLN 17 thousand).

During the nine-month periods ended 31 March 2017 and 31 March 2016, the Company did not sell any intangible assets.

10. Inventories

As at 31 March 2017, an impairment loss on inventories reducing their value to the net realizable value totalled PLN 12,145 thousand (vs. PLN 13,118 thousand as at 31 December 2016 and PLN 13,799 thousand as at 31 March 2016). Changes in the impairment loss are recognized in "Costs of goods sold".

11. Current financial assets

	<i>31.03.2017</i> <i>(unaudited)</i>	<i>31.12.2016</i>	<i>31.03.2016</i> <i>(unaudited)</i>
Currency forward contracts	1 138	-	577
Borrowing granted to subsidiary	17 075	17 075	-
Dividend receivable from subsidiary	9 283	-	-
Other	5	5	5
	27 501	17 080	582

12. Provisions

(unaudited)	<i>Guarantee costs</i>	<i>Onerous contracts</i>	<i>Total</i>
Amount as at 1 January 2017	2 315	522	2 837
Recognized	-	-	-
Derecognized	(233)	-	(233)
Amount as at 30 March 2017	2 082	522	2 604
Long-term portion	416	-	416
Short-term portion	1 666	522	2 188

(unaudited)	<i>Guarantee costs</i>	<i>Onerous contracts</i>	<i>Total</i>
Amount as at 1 January 2016	3 593	380	3 973
Recognized	-	-	-
Derecognized	(95)	-	(95)
Amount as at 30 March 2016	3 498	380	3 878
Long-term portion	700	-	700
Short-term portion	2 798	380	3 178

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, length of warranty periods, historical data regarding faulty goods and the related losses and current operating costs of the service department. According to the Company, a provision of PLN 1,666 thousand shall be used within 12 months by 31 March 2018, while the remaining portion will be utilized after this date.

Onerous contracts

Additionally, the Company recognizes a provision related to goods purchase orders pending as at the end of the reporting period, which will be fulfilled at prices higher than the net realizable value. The provision is estimated on the basis of a detailed analysis of goods sales price trends after the end of the reporting period. Both recognition and derecognition of the said provision affect other operating expenses. It is expected that the total balance will be used in 2017.

13. Interest-bearing bank loans and credit facilities

Information on loans and changes in their balances (by bank):

in thousand PLN	Currency	Interest	Maturity date	31.03.2017	31.12.2016	31.03.2016
Overdraft facility - Bank Polska Kasa Opieki S.A.	PLN	Wibor 1M+margin	15.12.2017	7	4 433	9 349
Overdraft facility - Bank Polska Kasa Opieki S.A.	EUR	Euribor 1M+margin	15.12.2017	10 013	414	14 848
Overdraft facility - Bank Polska Kasa Opieki S.A.	USD	Libor 1M+margin	15.12.2017	2 030	638	599
Overdraft facility - Bank Millennium S.A.	PLN	Wibor 1M+margin	28.04.2018	1 022	12 553	8 359
Overdraft facility - Bank Millennium S.A.	EUR	Euribor 1M+margin	28.04.2018	6 244	1 899	17 535
Overdraft facility - Bank Millennium S.A.	USD	Libor 1M+margin	28.04.2018	4	1 318	205
Credit facility - cash pool account -Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	09.10.2025	3 462	-	2 357
Overdraft facility - Bank ING Bank Śląski S.A.	EUR	Euribor 1M+margin	09.10.2025	8 289	12 912	17 772
Overdraft facility - Bank ING Bank Śląski S.A.	USD	Libor 1M+margin	09.10.2025	3 274	9 764	-
Overdraft facility - Bank ING Bank Śląski S.A.	CZK	Pribor 1M+margin	09.10.2025	6 044	-	5 228
Overdraft facility - Bank ING Bank Śląski S.A.	RON	Robor 1M+margin	09.10.2025	1	-	-
Overdraft facility - Bank Societe Generale	PLN	Wibor 1M+margin	23.09.2019	163	42 252	3 365
Overdraft facility - Bank Societe Generale	EUR	Euribor 1M+margin	23.09.2019	36 046	455	26 972
Overdraft facility - Bank Societe Generale	USD	Libor 1M+margin	23.09.2019	21	9 309	40
Overdraft facility - Bank Societe Generale	HUF	Bubor 1M+margin	23.09.2019	-	3 322	-
Overdraft facility -BGŻ BNP Paribas	PLN	Wibor 1M+margin	01.12.2025	3 801	6 583	5 338
Overdraft facility -BGŻ BNP Paribas	EUR	Euribor 1M+margin	01.12.2025	29 382	14 426	15 806
Overdraft facility -BGŻ BNP Paribas	USD	Libor 1M+margin	01.12.2025	-	1 682	39
Overdraft facility - Bank Handlowy w Warszawie S.A.	PLN	Wibor 1M+margin	26.07.2019	1 194	16 027	-
				110 997	137 987	127 812

Bank loans are collateralized with the Company's declarations of voluntary submission to enforcement or blank promissory notes with promissory note agreements as well as authorizations to debit the Company's banks accounts.

Interest liabilities are usually paid in monthly periods during the entire financial year.

14. Other financial liabilities

	31.03.2017 (unaudited)	31.12.2016	31.03.2016 (unaudited)
Currency forward contracts-liabilities	-	94	-
Cash pooling liability	23 425	21 150	25 268
Accrued interest on factoring	260	689	130
Total	23 685	21 933	25 398

15. Equity

Share capital

As at 31 March 2017, the shareholding structure was as follows:

	Number of shares	Number of votes at GSM	% of votes held
MCI Venture Projects sp. z o.o. VI S.K.A.	76 060 378	76 060 378	60,7%
OFE PZU "Złota Jesień"	11 624 678	11 624 678	9,3%
Pozostali Akcjonariusze	37 581 843	37 581 843	30,0%
Total	125 266 899	125 266 899	100%

16. Hedge accounting

The Company hedges the currency risk related to sales indexed to EUR and USD exchange rates and denominated in these currencies with foreign currency monetary items, i.e. trade liabilities reduced by trade receivables and cash, and increased/reduced by the notional value of FX forwards and FX swaps regarding currency sales/purchases. The Company designates certain foreign currency monetary items as hedging instruments in the cash flow hedge model and recognizes them in line with the hedge accounting principles.

The following tables present the key parameters of foreign currency monetary items designated as hedges, including periods when cash flows will occur arising from the cash flow hedges and when they will have an effect on the profit/loss, as well as their fair value in PLN thousand as at 31 March 2017.

Hedging instruments – EUR

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Trade liabilities	(74 961)	(189 740)	(74 961)	(189 740)	April/May 2017	April/May 2016
Trade receivables	83 437	74 335	83 437	74 335	April/May 2017	April/May 2016
Cash	(90 945)	(90 435)	(90 945)	(90 435)	April/May 2017	April/May 2016
FX Forward EUR	(42 684)	-	26	-	April/May 2017	April/May 2016
Total monetary items	(125 153)	(205 840)	(82 443)	(205 840)		

Hedging instruments - USD

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Trade liabilities	(62 456)	(70 410)	(62 456)	(70 410)	April/May 2017	April/May 2016
Trade receivables	7 695	10 952	7 695	10 952	April/May 2017	April/May 2016
Cash	(4 793)	4 493	(4 793)	4 493	April/May 2017	April/May 2016
FX Forward USD	-	7 518	-	(11)	April/May 2017	April/May 2016
Total monetary items	(59 554)	(47 447)	(59 554)	(54 976)		

* For items other than FX forward derivative transactions, the carrying amount has been presented. According to the Company, the carrying amount 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.

	3 months ended 31.03.2017	3 months ended 31.03.2016
Opening balance	(1 467)	(71)
Effective portion of profit/loss on the hedging instrument	12 200	3 348
Amounts charged to profit or loss, including:	5 962	(714)
- Adjustment of sales revenue	5 962	(714)
- Adjustment arising from hedge ineffectiveness	-	-
Closing balance	4 771	3 991

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 capital structure is monitored on the basis of the net debt to EBITDA ratio.

Net debt includes liabilities arising from credit facilities, loans and cash pooling liabilities less cash and cash equivalents. EBITDA is defined as the net profit/loss determined in line with IFRS-EU, increased by depreciation and amortization, impairment losses on property, plant and equipment and on intangible assets, net financial expenses and income tax.

As at 31 March 2017, the above ratio was as follows:

	<i>31.03.2017</i>	<i>31.03.2016</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net debt	122 688	140 720
EBITDA *	8 487	37 874
Net debt ratio	14.5	3.7

**/EBITDA for the 12 months ended 31 March 2017 and 31 March 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 increase in the scale of regional operations and maintaining the dominant position of the Company in relationships with its suppliers. This will allow the Company to maximize benefits from the existing vendor contracts signed by ABC Data SA, supported by local relationships depending on the needs or offer attractiveness. Such an approach results in an increased demand for working capital at the Company, which, accompanied by the contribution of the regional operations, results in a low level of the ratio calculated by reference to the consolidated data and is in line with the growth strategy adopted by the Group.

The Management Board pro-actively shapes the ratio through the implementation and enforcement of procedures aimed to optimize the demand for working capital financing. Further, the ratio is adjusted by changes in dividend or issue of shares.

Additionally, pursuant to 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 value.

18. Contingent liabilities

18.1. Guarantees and surety bonds issued to secure the payment of liabilities taken on by subsidiaries

On 16 March 2015, ABC Data S.A. entered into a tripartite loan agreement with ING Bank Śląski and its subsidiary, iSource S.A., whereby the Company and iSource assume joint and several liability for the payment of the amounts due to the bank.

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

ABC Data S.A. has issued guarantees and surety bonds to secure the payment of its subsidiaries' liabilities to their suppliers and financial institutions. As at 31 March 2017, the related contingent liabilities amounted to:

- USD 40,000 thousand and PLN 37,500 thousand – relating to the liabilities of iSource S.A.;
- USD 2,550 thousand and EUR 1,300 thousand – relating to the liabilities of ABC Data Distributie SRL;
- CZK 364,455 thousand – relating to the liabilities of ABC Data s.r.o in the Czech Republic;
- USD 3,000 thousand – relating to the liabilities of ABC Data Kft.

Furthermore, at the request of ABC Data S.A., Bank Handlowy w Warszawie S.A. issued a letter of credit of USD 100 thousand to secure foreign currency transactions of ABC Data Distributie SRL. The letter of credit expired on 17 April 2017.

18.2. Contingent liabilities relating to reprographic fees

Pursuant to the Act on Copyright and the Neighboring Rights of 4 February 1994, the Company, as an importer of copiers, scanners and similar devices enabling the copying of published works, as well as blank data carriers enabling the recording of works for personal use, pays charges to organizations managing copyrights and the related rights collectively. Following an inspection carried out by an auditor appointed by these organizations, they have claimed significant additional amounts from the Company. According to the Company, the auditor's calculations include a number of errors, and the resulting claims are groundless. At present, a dispute with one of the organizations is pending. Due to doubts regarding the interpretation of legal regulations and differences in court decisions, the Company has recognized a provision for the amount which, in its opinion, fully covers the risk related to a possibility of an unfavorable ruling.

In the first quarter of 2016, a collective copyright management organization filed claims against the Company for the payment of PLN 19,206 thousand in relation to amounts due allegedly for the Company's sale of devices and blank data carriers. According to the Company and a third-party legal adviser, the calculation methodology used in the suit contains numerous errors and the related claims are baseless.

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

Under the investment agreement (Note 19) the Company is obliged to make an additional payment for the shares in SPV Sail, depending on the financial performance of S4E (Conditional Payment II). The payment amount has been determined at the amount of PLN 3,359 thousand based on independent appraiser's estimates as at the date of assuming control by the Company.

18.4. Tax returns

Corporate income tax for the 2010 fiscal year

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 discontinued by a decision of 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 against the decision of the Director of the Tax Chamber in Warsaw in whole with the Regional Administrative Court in Warsaw.

In its judgment of 19 April 2016, the Regional Administrative Court in Warsaw repealed the decision appealed against. The judgment is not final. The Company agrees with the resolution of the first-instance court, whereby the decision was repealed. However, it questions the statement of reasons in several respects. Therefore, on 12 July 2016, it filed a last resort appeal with the Supreme Administrative Court. The decision is pending.

Value added tax for September 2012 and for the second quarter of 2014

In October 2014, the Head of the Second Mazovian Tax Office in Warsaw instituted tax proceedings against the Company with respect to value added tax for September 2012, as a continuation of an inspection which began in December 2013. On 14 December 2016, the proceedings were discontinued as baseless.

In September 2014, inspection proceedings were instituted against the Company on the authorization of the Director of the Tax Inspection Office in Warsaw to examine reliability of the tax bases declared by the Company as well as correctness of calculation of value added tax paid for the second quarter of 2014. The aforesaid proceedings had not been closed by the date of these financial statements.

Several years ago, the Company implemented strict quality control and vendor management procedures aimed to minimize the risk of irregularities in its tax reports. As the procedures are followed with due care, the Management Board is of the opinion that payments of regulatory liabilities are made as appropriate. Therefore, the probability of an unfavorable result of the aforementioned proceedings is considered to be low and it is not necessary to estimate any related provision.

19. Related-party transactions

The following table presents total amounts of transactions concluded with related parties during the three months ended 31 March 2017 and 31 March 2016, respectively, as well as balances of liabilities and receivables as at 31 March 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 Management S.A. Group companies</u>					
MCI Management S.A.	2017	4	-	-	-
Morele Net Sp. z o.o.	2017	24 049	1 255	11 126	817
MCI Management S.A.	2016	0	-	-	-
Morele Net Sp. z o.o.	2016	16 797	1 697	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>
<u>Subsidiaries</u>					
ABC Data Marketing Sp. z o.o.	2017	409	5 195	325	2 676
ABC Data s.r.o. - Czechy	2017	37 172	1 093	19 618	518
ABC Data s.r.o. - Słowacja	2017	19 619	-	10 120	-
UAB ABC Data Lietuva - Litwa	2017	53 114	-	13 414	-
ABC Data Hungary Kft.	2017	21 959	25	35 442	23
ABC Data Distributie SRL	2017	30 276	59	26 967	43
ABC Data GmbH - Niemcy	2017	(2)	-	2 018	-
iSource S.A.	2017	120	23	48	1
ABC Data Finanse Sp. z o.o.	2017	5	-	-	-
SPV Sail Sp. z o.o.	2017	-	-	-	-
S4E S.A.	2017	187	-	212	-
ABC Data Marketing Sp. z o.o.	2016	106	6 032	1 943	3 381
ABC Data s.r.o. - Czechy	2016	49 315	2 961	35 028	1 683
ABC Data s.r.o. - Słowacja	2016	62 186	367	19 830	28
UAB ABC Data Lietuva - Litwa	2016	51 500	-	22 903	-
ABC Data Hungary Kft.	2016	21 961	497	45 564	449
ABC Data Distributie SRL	2016	45 026	3	39 861	145
ABC Data GmbH - Niemcy	2016	(3)	-	2 118	-
iSource S.A.	2016	183	-	74	-
ABC Data Finanse Sp. z o.o.	2016	5	-	-	-
SPV Sail Sp. z o.o.	2016	-	-	-	-
S4E S.A.	2016	-	-	2 960	-

<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>Management Board</u>					
Andrzej Kuźniak	2017	3	-	-	-
Juliusz Niemotko	2017	2	-	-	-
Andrzej Kuźniak	2016	-	-	-	-
Juliusz Niemotko	2016	-	-	-	-

Cash pool transactions

<i>related party</i>		<i>receivables</i>	<i>liabilities</i>	<i>interest received</i>	<i>interest paid</i>
<u>Subsidiaries</u>					
ABC Data Marketing Sp. z o.o.	2017	67	-	-	22 342
Isource S.A.	2017	1	-	-	1 083
ABC Data Marketing Sp. z o.o.	2016	62	-	-	23 971
Isource S.A.	2016	1	7	-	1 296

Loan to SPV Sail Sp. z o.o.

In ABC Data S.A. an amount receivable of PLN 17,075 thousand has occurred as a result of a loan originated to SPV Sail Sp. z o.o. for the purchase of shares in S4E S.A. The loan bears a fixed interest rate. SPV Sail is obliged to return the principal with interest by 31 December 2017.

Remuneration paid to the Management and Supervisory Board members

	<i>3 months ended 31.03.2017 (unaudited)</i>	<i>3 months ended 31.03.2016 (unaudited)</i>
Management Board		
Short-term employee benefits (payroll and payroll charges)	524	480
Supervisory Board		
Short-term employee benefits (payroll and payroll charges)	75	92
	599	409

20. Events after the end of the reporting period

No events that would have a material effect on these financial statements but have not been presented herein occurred after the end of the reporting period.

Ilona Weiss <i>President of the Management Board</i>	of	Juliusz Niemotko <i>Vice-President of the Management Board</i>	of	Andrzej Kuźniak <i>Vice-President of the Management Board</i>	of	Maciej Kowalski <i>Vice-President of the Management Board</i>	of	Krystyna Cybulska <i>Chief Accountant</i>
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Warsaw, 17 May 2017