

ABC Data S.A. Corporate Group

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2016**



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CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three-month and nine-month periods ended 30 September 2016

		<i>3 months ended 30.09.2016</i>	<i>9 months ended 30.09.2016</i>	<i>3 months ended 30.09.2015</i>	<i>9 months ended 30.09.2015</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues	5	1 091 343	3 315 237	1 020 940	3 365 906
Cost of sales		(1 029 563)	(3 139 905)	(968 874)	(3 184 556)
Gross profit on sales		61 780	175 332	52 066	181 350
Other operating income		1 248	9 720	570	1 778
Selling expenses		(47 276)	(133 260)	(35 738)	(111 719)
Administrative expenses		(9 089)	(27 005)	(8 053)	(22 905)
Other operating expenses		(355)	(1 157)	(727)	(2 649)
Gross profit on operations		6 308	23 630	8 118	45 855
Financial income		3	10	5	86
Financial expenses		(2 146)	(6 005)	(1 580)	(5 487)
Net financial expenses		(2 143)	(5 995)	(1 575)	(5 401)
Profit before tax		4 165	17 635	6 543	40 454
Income tax	8	(1 310)	(4 533)	(1 585)	(8 654)
Net profit		2 855	13 102	4 958	31 800
Net profit attributed to:					
Parent shareholders		2 855	13 102	4 958	31 800

Ilona Weiss	Juliusz Niemoćko	Andrzej Kućniak	Maciej Kowalski	Krystyna Cybulska
<i>President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Vice-President of the Management Board</i>	<i>Chief Accountant</i>

Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three-month and nine-month periods ended 30 September 2016

	<i>3 months ended 30.09.2016</i>	<i>9 months ended 30.09.2016</i>	<i>3 months ended 30.09.2015</i>	<i>9 months ended 30.09.2015</i>	
	<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	
Net profit		2 855	13 102	4 958	31 800
Items that may be subsequently reclassified to profit or loss					
Exchange differences on foreign operations translation		(292)	246	162	124
Net change in fair value of cash flow hedges	18	4 351	1 284	1 628	3 089
Income tax on other comprehensive income		(827)	(244)	(309)	(587)
Total other comprehensive income		3 232	1 286	1 481	2 626
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6 087	14 388	6 439	34 426
Comprehensive income for the period, attributed to:					
Parent shareholders		6 087	14 388	6 439	34 426
Profit (loss) per share in PLN:					
– basic profit for the reporting period		0,02	0,11	0,04	0,26
– diluted profit for the reporting period		0,02	0,11	0,04	0,26

Ilona Weiss
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Krystyna Cybulska
Chief Accountant

Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

prepared as at 30 September 2016

		30.09.2016	30.06.2016	31.12.2015	30.09.2015
	Notes	(unaudited)	(unaudited)		(unaudited)
ASSETS					
Non-current assets					
Property, plant and equipment	9	5 344	4 238	4 759	4 190
Intangible assets	10	47 644	47 212	46 205	46 230
Long term investments	11	6 383	6 383	-	-
Deferred tax assets		24 183	21 668	22 172	25 137
		83 554	79 501	73 136	75 557
Current assets					
Inventories	13	491 144	458 953	422 035	399 498
Short-term financial assets		237	5	794	171
Income tax receivables		4 964	7 662	2 669	1 018
Trade and other receivables		515 154	466 495	537 651	436 465
Cash and cash equivalents	6	57 273	32 954	32 052	44 579
		1 068 772	966 069	995 201	881 731
TOTAL ASSETS		1 152 326	1 045 570	1 068 337	957 288

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<i>President</i>	<i>Vice-President</i>	<i>Vice-President</i>	<i>Vice-President</i>	<i>Chief Accountant</i>
<i>of the Management Board</i>	<i>of the Management Board</i>	<i>of the Management Board</i>	<i>of the Management Board</i>	

Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

prepared as at 30 September 2016

		30.09.2016 <i>(unaudited)</i>	30.06.2016 <i>(unaudited)</i>	31.12.2015	30.09.2015 <i>(unaudited)</i>
EQUITY AND LIABILITIES					
Equity (attributable to parent shareholders)					
Share capital	17	125 267	125 267	125 267	125 267
Share premium		39 825	39 825	39 825	39 825
Treasury shares		(10 065)	(10 065)	(10 065)	(10 065)
Other reserve capital		1 089	(2 454)	-	(1 757)
Exchange differences on translation of foreign operations		1 544	1 836	1 298	1 104
Retained profit		110 189	107 334	144 899	129 861
		267 849	261 743	301 224	284 235
Long-term liabilities					
Provisions for employee benefits		446	446	446	461
Other financial liabilities	16	61	73	89	97
Provisions	14	558	739	810	855
		1 065	1 258	1 345	1 413
Short-term liabilities					
Current portion of interest-bearing bank borrowings	15	153 875	128 572	96 293	140 626
Liabilities due to employee benefits		10 665	11 157	12 188	9 541
Other financial liabilities	16	234	48 300	543	1 522
Income tax liabilities		2 178	855	214	784
Trade and other liabilities		713 806	590 294	652 755	514 600
Provisions	14	2 654	3 391	3 775	4 567
		883 412	782 569	765 768	671 640
Total liabilities		884 477	783 827	767 113	673 053
TOTAL EQUITY AND LIABILITIES		1 152 326	1 045 570	1 068 337	957 288

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<i>of the Management Board</i>	<i>of the Management Board</i>	<i>of the Management Board</i>	<i>of the Management Board</i>	

Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the three-month and nine-month periods ended 30 September 2016

	<i>3 months ended 30.09.2016</i>	<i>9 months ended 30.09.2016</i>	<i>3 months ended 30.09.2015</i>	<i>9 months ended 30.09.2015</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flow from operating activities				
Gross profit from continuing operations		4 165	17 635	6 543
Gross loss from discontinued operations				40 454
Amortization / Depreciation		581	1 792	631
Share base expenses		19	49	-
(Profit)/loss on investing activities		5	(16)	(22)
(Increase)/ decrease in receivables		(48 659)	22 497	(62 585)
(Increase)/ decrease in inventories		(32 191)	(69 109)	9 927
Increase/ (decrease) in liabilities, except for borrowings		123 512	61 051	4 698
Financial income		(3)	(10)	(5)
Financial expenses		2 146	6 005	1 580
Increase/(decrease) in liabilities to employees		(492)	(1 523)	(395)
Change in provisions	13	(918)	(1 373)	(18)
Income tax paid		(677)	(7 085)	(2 461)
Other/*		4 109	(4 533)	804
Net cash flow from operating activities		51 597	25 380	(41 303)
				4 035

*/*Item "Other" includes changes to fair value of cash flow hedges, changes to fair value of FX contracts, and forex differences on translation of balance sheet items of foreign subsidiaries. Further, in the period of the nine months ended 30 September 2016, an adjustment arising from measurement of intangible assets transferred in exchange for shares in BiznesLinCO has been recognized.*

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Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the three-month and nine-month periods ended 30 September 2016

		<i>3 months ended 30.09.2016</i>	<i>9 miesięcy zakończone 30.09.2016</i>	<i>3 miesiące zakończone 30.09.2015</i>	<i>9 miesięcy zakończone 30.09.2015</i>
	<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flow from investing activities					
Sales of property, plant and equipment and intangible assets	9,10	20	62	101	638
Acquisition of property, plant and equipment and intangible assets	9,10	(2 564)	(3 657)	(142)	(913)
Interest received		3	10	5	36
Net cash flow from investing activities		(2 541)	(3 585)	(36)	(239)
Cash flow from financing activities					
Purchase of treasury shares		-	-	-	(4 646)
Repaid finance lease liabilities		(11)	(29)	(10)	(26)
Dividends paid	7	(47 812)	(47 812)	(44 134)	(44 134)
Change in overdrafts	18	25 303	57 582	78 958	60 032
Interest paid		(2 217)	(6 315)	(1 582)	(5 713)
Other financial outflows		-	-	1 354	1 354
Net cash flow from financing activities		(24 737)	3 426	34 586	6 867
Net increase/(decrease) in cash and cash equivalents		24 319	25 221	(6 753)	10 663
Opening balance of cash		32 954	32 052	51 332	33 916
Closing balance of cash	6	57 273	57 273	44 579	44 579

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Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-month period ended 30 September 2016

	<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Exchange differences on foreign operations translation</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total</i>
3 months 2016									
As at 1 July 2016		125 267	39 825	(10 065)	1 836	(2 454)	97 087	10 247	261 743
Net profit for the period		-	-	-	-	-	-	2 855	2 855
Other net comprehensive income for the period		-	-	-	(292)	3 524	-	-	3 232
Comprehensive income for the period		-	-	-	(292)	3 524	-	2 855	6 087
Purchase of treasury shares		-	-	-	-	19	-	-	19
Share-based payments		-	-	-	-	-	-	-	-
Dividend declared		-	-	-	-	-	-	-	-
As at 30 September 2016		125 267	39 825	(10 065)	1 544	1 089	97 087	13 102	267 849

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Warsaw, 9 November 2016				

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month period ended 30 September 2016

	<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Exchange differences on foreign operations translation</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total</i>
9 months 2016									
As at 1 January 2016		125 267	39 825	(10 065)	1 298	-	144 899	-	301 224
Net profit for the period		-	-	-	-	-	-	13 102	13 102
Other net comprehensive income for the period		-	-	-	246	1 040	-	-	1 286
Comprehensive income for the period		-	-	-	246	1 040	-	13 102	14 388
Purchase of treasury shares		-	-	-	-	49	-	-	49
Share-based payments	7	-	-	-	-	-	(47 812)	-	(47 812)
Dividend paid									
As at 30 September 2016		125 267	39 825	(10 065)	1 544	1 089	97 087	13 102	267 849

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Warsaw, 9 November 2016

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 12-month period ended 31 December 2015

	<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Exchange differences on foreign operations translation</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total</i>
12 months 2015									
As at 1 January 2015		125 267	39 825	(5 419)	980	(4 259)	142 195	-	298 589
Net profit for the period		-	-	-	-	-	-	46 838	46 838
Other net comprehensive income for the period		-	-	-	318	4 235	-	-	4 553
Comprehensive income for the period		-	-	-	318	4 235	-	46 838	51 391
Purchase of treasury shares		-	-	(4 646)	-	-	-	-	(4 646)
Share-based payments		-	-	-	-	24	-	-	24
Dividend paid	7	-	-	-	-	-	(44 134)	-	(44 134)
As at 31 december 2015		125 267	39 825	(10 065)	1 298	-	98 061	46 838	301 224

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<i>of the Management Board</i>	<i>of the Management Board</i>	<i>of the Management Board</i>	<i>of the Management Board</i>	
Warsaw, 9 November 2016				

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month period ended 30 September 2015

	<i>Note</i>	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Exchange differences on foreign operations translation</i>	<i>Other reserve capital</i>	<i>Retained profit</i>	<i>Net profit</i>	<i>Total</i>
9 months 2015									
As at 1 January 2015		125 267	39 825	(5 419)	980	(4 259)	142 195	-	298 589
Net profit for the period		-	-	-	-	-	-	31 800	31 800
Other net comprehensive income for the period		-	-	-	124	2 502	-	-	2 626
Comprehensive income for the period		-	-	-	124	2 502	-	31 800	34 426
Purchase of treasury shares		-	-	(4 646)	-	-	-	-	(4 646)
Dividend declared	7	-	-	-	-	-	(44 134)	-	(44 134)
As at 30 September 2015		125 267	39 825	(10 065)	1 104	(1 757)	98 061	31 800	284 235

Ilona Weiss <i>President of the Management Board</i> Warsaw, 9 November 2016	Juliusz Niemotko <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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NOTES

1. General information

The ABC Data S.A. Capital Group (the “Group”) comprises ABC Data S.A. (the “Parent”, the “Company”) and its subsidiaries. The condensed interim financial statements of the Group cover the 3-month and 9-month periods ended 30 September 2016. The statement of comprehensive income, the statement of cash flows and notes to the statement of comprehensive income cover data for the three-month and nine-month periods ended 30 September 2016 and comparative data for the three-month and nine-month periods ended 30 September 2015. Comparative data presented in the balance sheet include the balance as at 31 December 2015, 30 September 2015 and 30 June 2015. Comparative data presented in the statement of changes in equity cover the nine-month period ended 30 September 2015 and the whole of 2015.

The Parent 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.

It is registered 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 statistical number REGON 141054682.

The existence of the Parent and the Group companies is perpetual.

The Group’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.

MCI Capital S.A. is the top level parent of the ABC Data S.A. Capital Group and it controls the Group through its subsidiary: MCI Venture Projects Spółka z ograniczoną odpowiedzialnością VI Spółka komandytowo – akcyjna.

On 9 November 2016, the condensed interim consolidated financial statements of the Group for the 3-month and 9-month periods ended 30 September 2016 were approved for publication by the Management Board.

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

2. Basis for preparation of the condensed interim financial statements

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard 34, 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 consolidated financial statements have been presented in Polish zlotys (PLN) and all figures are in PLN thousand, unless stated otherwise.

These condensed interim consolidated financial statements have been prepared on the assumption that the Group 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 Group companies' ability to continue as a going concern.

The condensed interim consolidated financial statements do not include all information and disclosures as required for annual consolidated financial statements and they should be read together with the Group's consolidated financial statements for the year ended 31 December 2015.

3. Summary of significant accounting policies

The accounting principles (policy) adopted for the preparation of these financial statements are consistent with those adopted for the preparation of the financial statements of the Group for the year ended 31 December 2015, except changes to the following standards and new interpretations applicable to annual periods beginning on 1 January 2016:

- **Revised IFRS 11 "Joint Arrangements"** - Accounting for Acquisitions of Interests in Joint Operations – endorsed by the EU on 24 November 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative, endorsed by the EU on 18 December 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortization, endorsed by the EU on 2 December 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants, endorsed by the EU on 23 November 2015 (applicable to annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions, endorsed by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements, endorsed by the EU on 18 December 2015 (applicable to annual periods beginning on or after 1 January 2016).
- **Revised standards "IFRS Improvements (2010-2012)"** – amendments to standards resulting from the annual improvements process (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), primarily with a view to removing inconsistencies and clarifying wording – endorsed by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015);
- **Revised standards "IFRS Improvements (2012-2014)"** – amendments to standards resulting from the annual improvements process (IFRS 5, IFRS 7, IAS 19 and IAS 34), primarily with a view to removing inconsistencies and clarifying wording – endorsed by the EU on 15 December 2015 (applicable to annual periods beginning on or after 1 January 2016).

The amendments had no effect on the presented financial position or the performance of the Group.

The Group did not decide to apply early any standard, interpretation or amendment which had been published but was not yet effective.

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. Operating segments

The Group's operating segments include the Parent and its subsidiaries carrying out distribution activities in the Czech Republic, Slovakia, Lithuania, Poland, Romania, Germany and Hungary. These segments meet the consolidation criteria established in IFRS 8.12, i.e. have similar economic characteristics, offer the same products which are sold to the same customer categories and use the same methods of distribution.

Information about geographical regions

Sales revenue by customer's country of residence:

	<i>3 months ended 30.09.2016 (unaudited)</i>	<i>9 months ended 30.09.2016 (unaudited)</i>	<i>3 months ended 30.09.2015 (unaudited)</i>	<i>9 months ended 30.09.2015 (unaudited)</i>
Poland	731 051	2 131 995	634 036	1 798 162
Sales markets /*	255 993	784 851	283 619	881 925
Other EU Member States	72 392	289 963	66 343	333 040
Other countries	31 907	108 428	36 942	352 779
	<u>1 091 343</u>	<u>3 315 237</u>	<u>1 020 940</u>	<u>3 365 906</u>

/* Czech Republic, Slovakia, Lithuania, Hungary, Germany, Romania

6. Cash and cash equivalents

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

	<i>30.09.2016 (unaudited)</i>	<i>30.09.2015 (unaudited)</i>
Cash at bank and in hand	57 273	44 579
Other cash	-	-
	<u>57 273</u>	<u>44 579</u>

7. Dividends paid and proposed

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.

Dividend from ordinary shares for 2014 was paid on 8 July 2015 and amounted to PLN 44 134 thousand. The dividend per share for 2014 was PLN 0.36.

8. Income taxes

Key tax charge components in profit or loss:

	<i>3 months ended 30.09.2016 (unaudited)</i>	<i>9 months ended 30.09.2016 (unaudited)</i>	<i>3 months ended 30.09.2015 (unaudited)</i>	<i>9 months ended 30.09.2015 (unaudited)</i>
Current income tax charge	(4 678)	(6 772)	(1 791)	(8 794)
Deferred income tax	3 368	2 239	206	140
Income tax charged to net profit for the current period	(1 310)	(4 533)	(1 585)	(8 654)

9. Property, plant and equipment

9.1. Acquisition and sale

During the nine-month period ended 30 September 2016, the Group acquired property, plant and equipment of PLN 1,852 thousand (during the nine months ended 30 September 2015: PLN 441 thousand).

During the nine-month period ended 30 September 2016, the Group sold or liquidated property, plant and equipment with the net value of PLN 55 thousand (during the nine months ended 30 September 2015: PLN 519 thousand).

9.2. Finance leases

During the nine-month periods ended 30 September 2016 and 30 September 2015, the Group did not conclude any finance leases.

10. Intangible assets

10.1. Acquisition and sale

During the nine-month period ended 30 September 2016, the Group acquired intangible assets of PLN 1,815 thousand (during the nine months ended 30 September 2015: PLN 472 thousand).

During the nine-month period ended 30 September 2016, the Group did not sell any intangible assets. The same was the case in the nine-month period ended 30 September 2015.

11. Long-term investments

In the first quarter of 2016, the Parent took up 19.9% of shares in BizneslinkCO Sp. z o.o., an entity related to the key shareholder of ABC Data. The shares were taken up in exchange for a contribution in the form of an Internet domain and the bizneslink trademark. The Company classified the transaction involving a transfer of the said Internet domain and the trademark as an asset exchange transaction, which was measured based on the fair value of the transferred set of assets of PLN 6,383 thousand (in accordance with an independent valuation).

A gain of PLN 6,367 thousand resulting from the measurement of the aforesaid assets and the accounting for the transaction costs was recognized in other operating revenue.

12. Business Combinations and Acquisition of Non-controlling Interest

On 22 August 2016, ABC Data S.A. entered into an investment agreement concerning the Company's purchase of a controlling interest in the share capital of S4E S.A. ("S4E") with its registered office in Kraków, equal to 1,412,423 shares representing 81.3% of the share capital (the "Shares") from Bartosz Stebnicki and Joanna Gawąd – Stebnicka being parties to a joint property of husband and wife arrangement (the "Sellers").

The Company reported its entry into the aforesaid Investment Agreement in Current Report No. 21/2016 of 22 August 2016.

Under the Investment Agreement, the Company will acquire a controlling interest in the share capital of S4E equal to 1,412,423 shares representing 81.3% of the share capital of S4E.

The price agreed by the parties for the 81.3% interest in the share capital of S4E S.A. may range from PLN 19.8 million to PLN 25.4 million, depending on the fulfilment of the business objectives defined in the Agreement by the Sellers and S4E. The price will be paid by the Company in the manner and on the terms specified in the Investment Agreement.

A special purpose vehicle in the form of a limited liability company (the "SPV") has been established for purposes of acquisition of the controlling interest by ABC Data S.A. Under the Agreement, the Sellers assumed the obligation to transfer the title to 162,500 Shares onto the SPV and purchase, through the SPV, 1,249,923 Shares from the remaining shareholders that have committed to sell their Shares under separate agreements.

As a result of the Share purchase, the SPV will hold 1,412,423 Shares representing 81.3% of the share capital of S4E. Under the Investment Agreement, the Sellers assumed the obligation to sell all the interest in the share capital of the SPV to ABC Data S.A. Once all the objectives defined in the Agreement have been fulfilled, 81.3% of the share capital of S4E will be held by ABC Data S.A. and the remaining 18.7% will be held by other shareholders.

The Agreement is conditional and numerous conditions precedent are technical. Another condition precedent is the consent of the President of the Office of Competition and Consumer Protection for the transaction. The consent was issued on 27 September 2016.

The right to rescind the Investment Agreement, the liquidated damages and the circumstances when they will become due have been defined in the Investment Agreement. These and the remaining terms of the Investment Agreement do not differ from standard terms of similar agreements.

S4E S.A. is one of the major Polish value added distribution companies (VAD) in the IT hardware segment. It began its operations in 2001. In August 2007, the entity's shares were admitted to trading in the alternative trading system on the NewConnect market.

13. Inventory

As at 30 September 2016, impairment loss on inventories reducing their value to the net realizable value was PLN 13,611 thousand (as at 31 December 2015: PLN 13,971 thousand; as at 30 September 2015: PLN 18,960 thousand). Changes in the impairment loss are recognized in “Costs of goods sold”.

14. Provisions

	<i>Guarantee costs</i>	<i>Onerous contracts</i>	<i>Other provisions</i>	<i>Total</i>
Amount as at 1 January 2016	4 063	380	142	4 585
Recognized	37	-	-	37
Derecognized	(1 264)	(12)	(145)	(1 421)
Exchange differences on translation	7	-	4	11
Amount as at 30 September 2016	2 843	368	1	3 212
Long-term portion	558	-	-	558
Short-term portion	2 286	368	-	2 654

	<i>Guarantee costs</i>	<i>Onerous contracts</i>	<i>Other provisions</i>	<i>Total</i>
Amount as at 1 January 2015	3 325	123	1 050	4 498
Recognized	730	241	-	971
Derecognized	(39)	-	-	(39)
Exchange differences on translation	(2)	-	(6)	(8)
Amount as at 30 September 2015	4 014	364	1 044	5 422
Long-term portion	855	-	-	855
Short-term portion	3 159	364	1 044	4 567

Warranty costs

The Group 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. The Group predicts that a provision of PLN 2,286 thousand will be used during the 12-month period ended 30 September 2017, whereas the remaining balance will be used after 30 September 2017.

Onerous contracts

Additionally, the Group 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 2016.

15. Interest-bearing bank loans and credit facilities

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

<i>in thousand PLN</i>	Currency	Interest	Maturity date	30.09.2016	31.12.2015	30.09.2015
Overdraft facility - Bank Polska Kasa Opieki S.A.	PLN	Wibor 1M+margin	15.12.2017	44 232	11 910	19 103
Overdraft facility - Bank Polska Kasa Opieki S.A.	EUR	Euribor 1M+margin	15.12.2017	6 160	1 227	14 686
Overdraft facility - Bank Polska Kasa Opieki S.A.	USD	Libor 1M+margin	15.12.2017	-	1 438	352
Overdraft facility - Bank Millennium S.A.	PLN	Wibor 1M+margin	28.04.2017	20 876	30 099	18 970
Overdraft facility - Bank Millennium S.A.	EUR	Euribor 1M+margin	28.04.2017	12 613	408	20 821
Overdraft facility - Bank Millennium S.A.	USD	Libor 1M+margin	28.04.2017	483	430	1 486
Overdraft facility - Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	09.10.2025	-	-	2 873
Credit facility- cash pool account -Bank ING Bank Śląski S.A.	PLN	Wibor 1M+margin	09.10.2025	1 248	7 844	-
Overdraft facility - Bank ING Bank Śląski S.A.	EUR	Euribor 1M+margin	09.10.2025	3 725	114	19 957
Overdraft facility - Bank ING Bank Śląski S.A.	USD	Libor 1M+margin	09.10.2025	-	6 064	1 768
Overdraft facility - Bank ING Bank Śląski S.A.	CZK	Pribor 1M+margin	09.10.2025	5 989	1 460	6 779
Overdraft facility -Societe General SA	PLN	Wibor 1M+margin	23.09.2019	4 116	23 754	3 571
Overdraft facility -Societe General SA	EUR	Euribor 1M+margin	23.09.2019	30 908	11 438	29 086
Overdraft facility -Societe General SA	USD	Libor 1M+margin	23.09.2019	-	107	121
Overdraft facility -Societe General SA	HUF	Bubor1M+margin	23.09.2019	2	-	-
Overdraft facility -BCŻ BNP Paribas	PLN	Wibor 1M+margin	01.12.2025	896	-	-
Overdraft facility -BCŻ BNP Paribas	EUR	Euribor 1M+margin	01.12.2025	17 381	-	-
Overdraft facility -BCŻ BNP Paribas	USD	Libor 1M+margin	01.12.2025	201	-	-
Overdraft facility- Bank Handlowy at Warsaw	PLN	Wibor 1M+margin	26.07.2019	1 471	-	-
Overdraft facility- Bank Handlowy at Warsaw	EUR	Euribor 1M+margin	26.07.2019	3 574	-	-
Overdraft facility - Raiffeisen Bank Polska S.A.	PLN	n/d	n/d	-	-	1 053
Total				153 875	96 293	140 626

Bank loans have been collateralized by means of a written declaration of submission to enforcement under Article 97.1-2 of the Banking Law, along with an authorization for the banks to issue enforced collection orders, or a declaration of submission to enforcement made in the form of a notarized deed under Article 777.1.5 of the Code of Civil Procedure.

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

16. Other financial liabilities

	30.09.2016 <i>(unaudited)</i>	30.06.2016 <i>(unaudited)</i>	31.12.2015	30.09.2015 <i>(unaudited)</i>
Other long-term financial liabilities				
Financial lease liabilities	61	73	89	97
Total	61	73	89	97
Other short-term financial liabilities				
Dividend payable	-	47 812	-	-
FX contracts	-	182	-	-
Financial lease liabilities	38	38	36	35
Other financial liabilities	196	268	507	1487
Total	234	48 300	543	1 522

17. Equity

Share capital

As at 30 September 2016, 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.	77 060 378	77 060 378	61,52%
OFE PZU "Złota Jesień"	11 624 678	11 624 678	9,28%
Aviva OFE Aviva BZ WBK	8 741 426	8 741 426	6,98%
Other shareholders	27 840 417	27 840 417	22,22%
Total	125 266 899	125 266 899	100,00%

18. Hedge accounting

The Parent hedges 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 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 affect the financial profit/loss, as well as their fair value in PLN as at 30 September 2016.

Hedging instruments - EUR

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Trade liabilities	(198 775)	(127 351)	(198 775)	(127 351)	October/ November 2016	October/ November 2015
Trade receivables	95 837	90 959	95 837	90 959	October/ November 2016	October/ November 2015
Cash	(74 241)	(84 313)	(74 241)	(84 313)	October/ November 2016	October/ November 2015
FX Forward EUR	6 468	(21 193)	7	19	October/ November 2016	October/ November 2015
Total monetary items:	(170 711)	(141 898)	(177 172)	(120 686)		

Hedging instruments - USD

Instrument type	Nominal amount		Fair value*		Expected maturity of hedged position	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Trade liabilities	(92 331)	(93 320)	(92 331)	(93 320)	October/ November 2016	October/ November 2015
Trade receivables	11 515	12 587	11 515	12 587	October/ November 2016	October/ November 2015
Cash	(27)	(2 561)	(27)	(2 561)	October/ November 2016	October/ November 2015
FX Forward EUR	23 135	29 826	7	399	October/ November 2016	October/ November 2015
Total monetary items:	(57 708)	(53 468)	(80 836)	(82 895)		

* 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 materially differ from their fair value.

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

	<i>9 months ended</i> 30.09.2016	<i>9 months ended</i> 30.09.2015
Opening balance	(71)	(5 299)
Effective portion of profit/loss on the hedging instrument	(1 903)	(7 952)
Amounts charged to profit or loss, including:	(3 188)	(11 042)
- Adjustment of sales revenue	(3 188)	(11 042)
- Adjustment arising from hedge ineffectiveness	-	-
Closing balance	1 214	(2 209)

19. Capital management

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

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

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

As at 30 September 2016, the above ratio was as follows:

	30.09.2016 <i>(unaudited)</i>	30.09.2015 <i>(unaudited)</i>
Net debt		
EBITDA*	96 602	96 047
Net debt ratio	46 694	67 273
	2.07	1.43

**/EBITDA for the 12 months ended 30 September 2016 and 30 September 2015*

The Group aims to maintain the ratio at the maximum level of 4.

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.

20. Contingent liabilities

Pursuant to the Act on Copyright and the Neighboring Rights of 4 February 1994, the Group, 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 Parent. 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 provisions 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 Parent for the payment of PLN 19,206 thousand in relation to amounts due allegedly for the Parent's sale of devices and blank data carriers. According to the Parent and a third-party legal adviser, the calculation methodology used in the suit contains numerous errors and the related claims are baseless.

Tax returns of ABC Data S.A.

Corporate income tax for the 2007/2008 fiscal year

The proceedings were closed with the issue of a decision by the Director of the Tax Chamber in Warsaw on 17 September 2013, whereby the tax loss determined was lower than the loss reported in the Company's tax return by PLN 245 thousand. In its judgment of 25 April 2014, the Regional Administrative Court in Warsaw dismissed the appeal filed by the Company against the said decision of the Director of the Tax Chamber in Warsaw. The Company filed a last resort appeal against the aforementioned judgment with the Supreme Administrative Court in Warsaw and is awaiting a resolution of the matter. The hearing before the Supreme Administrative Court was scheduled for 18 November 2016.

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 appealed against that decision to the Provincial 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. The proceedings were pending as at the date of the financial statements.

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.

21. Related-party transactions

The following table presents aggregate amounts of transactions concluded with related parties during the nine months ended 30 September 2016 and 30 September 2015, respectively, in addition to the balances of receivables and liabilities as at 30 September 2016 and 31 December 2015, respectively.

<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.	<i>2016</i>	-	-	-	-
Morele Net Sp. z o.o.	<i>2016</i>	58 326	58 326	58 326	58 326
MCI Capital S.A.	<i>2015</i>	25	-	-	-
Morele Net Sp. z o.o.	<i>2015</i>	39 329	2 929	8 014	674

Remuneration paid to the Management and Supervisory Board members

	<i>9 months ended 30.09.2016 (unaudited)</i>	<i>9 months ended 30.09.2015 (unaudited)</i>
Management Board of the Parent Company		
Short-term employee benefits	3 179	1 395
Supervisory Board of the Parent Company		
Short-term employee benefits	269	287
	3 448	1 682
Management Boards of subsidiaries		
Short-term employee benefits	2 927	3 115
Total	6 375	4 797

22. Subsequent events

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

Ilona Weiss <i>President of the Management Board Warsaw, 9 November 2016</i>	Juliusz Niemotko <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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