Quarterly report containing interim financial statements of the Capital Group for Q4 2022-2023

covering the period from 01.07.2022 to 30.06.2023

Publication date: 22 August 2023

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I) SELECTED CONSOLIDATED FINANCIAL DATA

	Selected financial data	PLN'000		EUR'000	
		01.07.2022-30.06.2023	01.07.2021-30.06.2022	01.07.2022-30.06.2023	01.07.2021-30.06.2022
I	Net revenues from the sale of products, goods and materials	15,219,713	14,030,825	3,256,598	3,033,495
II	Profit/(loss) on operations	270,333	212,458	57,844	45,934
III	Profit/(loss) before tax	197,919	189,184	42,349	40,902
IV	Net profit/(loss)	158,053	151,112	33,819	32,671
V	Profit/(loss) per ordinary share (PLN/EUR)	9.76	9.34	2.09	2.02
VI	Diluted profit/(loss) per ordinary share (PLN/EUR)	9.76	9.34	2.09	2.02
VII	Total comprehensive income	178,392	168,464	38,171	36,422
VIII	Total comprehensive income attributable to the shareholders of the parent entity	178,392	168,464	38,171	36,422
IX	Total comprehensive income attributable to minority shareholders	0	0	0	0
X	Net cash flows from operating activities	144,405	-4,503	30,899	-974
XI	Net cash flows from investing activities	-11,593	-23,554	-2,481	-5,092
XII	Net cash flows from financing activities	-131,026	-10,988	-28,036	-2,376
XIII	Total net cash flows	1,786	-39,045	382	-8,442
	As at the balance sheet date	**30.06.2023**	**30.06.2022**	**30.06.2023**	**30.06.2022**
XIV	Total assets	3,409,907	3,422,484	766,220	731,206
XV	Liabilities and provisions for liabilities	2,116,201	2,278,645	475,519	486,828
XVI	Long-term liabilities	112,890	175,444	25,367	37,483
XVII	Short-term liabilities	2,003,311	2,103,201	450,152	449,344
XVIII	Equity	1,293,706	1,143,839	290,701	244,379
XIX	Share capital	16,188	16,188	3,638	3,459
XX	Number of shares (units)	16,187,644	16,187,644	16,187,644	16,187,644
XXI	Book value per share (PLN/EUR)	79.92	70.66	17.96	15.10
XXII	Diluted book value per share (PLN/EUR)	79.92	70.66	17.96	15.10

Mean NBP's exchange rate (EUR/PLN) of 30.06.2023:	4.4503
Mean NBP's exchange rate (EUR/PLN) of 30.06.2022:	4.6806
Mean NBP's exchange rate (EUR/PLN) for the period 01.07.2022-30.06.2023	4.6735
Mean NBP's exchange rate (EUR/PLN) for the period 01.07.2021-30.06.2022	4.6253

II) SELECTED SEPARATE FINANCIAL DATA

SELECTED FINANCIAL DATA		PLN'000		EUR'000	
		01.07.2022-30.06.2023	01.07.2021-30.06.2022	01.07.2022-30.06.2023	01.07.2021-30.06.2022
I	Net revenues from the sale of products, goods and materials	8,841,547	8,480,024	1,891,847	1,833,400
II	Profit/(loss) on operations	154,276	101,151	33,011	21,869
III	Profit/(loss) before tax	131,362	104,685	28,108	22,633
IV	Net profit/(loss)	108,279	85,114	23,169	18,402
V	Profit/(loss) per ordinary share (PLN/EUR)	6.69	5.26	1.43	1.14
VI	Diluted profit/(loss) per ordinary share (PLN/EUR)	6.69	5.26	1.43	1.14
VII	Net cash flows from operating activities	11,083	28,835	2,371	6,234
VIII	Net cash flows from investing activities	1,633	48,378	349	10,459
IX	Net cash flows from financing activities	-14,295	-89,652	-3,059	-19,383
X	Total net cash flows	-1,579	-12,439	-338	-2,689
	As at the balance sheet date	30.06.2023	30.06.2022	30.06.2023	30.06.2022
XI	Total assets	2,247,131	2,133,522	504,939	455,822
XII	Liabilities and provisions for liabilities	1,421,274	1,412,171	319,366	301,707
XIII	Long-term liabilities	36,249	87,559	8,145	18,707
XIV	Short-term liabilities	1,385,025	1,324,612	311,221	283,000
XV	Equity	825,857	721,351	185,573	154,115
XVI	Share capital	16,188	16,188	3,638	3,459
XVII	Number of shares (units)	16,187,644	16,187,644	16,187,644	16,187,644
XVIII	Book value per share (PLN/EUR)	51.02	44.56	11.46	9.52
XIX	Diluted book value per share (PLN/EUR)	51.02	44.56	11.46	9.52

Mean NBP's exchange rate (EUR/PLN) of 30.06.2023:	4.4503
Mean NBP's exchange rate (EUR/PLN) of 30.06.2022:	4.6806
Mean NBP's exchange rate (EUR/PLN) for the period 01.07.2022-30.06.2023	4.6735
Mean NBP's exchange rate (EUR/PLN) for the period 01.07.2021-30.06.2022	4.6253

III) CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON 30 JUNE 2023

Profit and loss account	From 01.04.2023 to 30.06.2023 PLN'000	From 01.07.2022 to 30.06.2023 PLN'000	From 01.04.2022 to 30.06.2022 comparable data	From 01.07.2021 to 30.06.2022 comparable data
Continuing operations	*3 months*	*12 months*	*3 months*	*12 months*
Sales revenues	3,089,157	15,219,713	3,197,983	14,030,825
Internal costs of sales	2,963,832	14,638,138	3,079,228	13,532,573
Gross profit/(loss) on sales	**125,325**	**581,575**	**118,755**	**498,252**
Costs of sale	53,916	247,128	56,769	224,175
Administrative expenses	24,769	71,199	21,554	63,558
Other operating revenues	2,651	15,026	3,456	9,949
Other operating expenses	1,120	7,941	-1,404	8,010
Profit/(loss) on operating activities	**48,171**	**270,333**	**45,292**	**212,458**
Financial income	3,299	18,290	8,855	12,624
Financial expenses	17,058	90,704	15,277	35,898
Profit on disposal of affiliated entities	0	0	0	0
Share in profit of associated entities	0	0	0	0
Profit/(loss) before tax	**34,412**	**197,919**	**38,870**	**189,184**
Income tax	7,205	39,866	8,748	38,072
Net profit/(loss)	**27,207**	**158,053**	**30,122**	**151,112**
Discontinued operations	0	0	0	0
Net profit/(loss) from continued operations	27,207	158,053	30,122	151,112
Net profit/(loss)	**27,207**	**158,053**	**30,122**	**151,112**
Net profit/(loss) attributable to:	**0**			
Shareholders of the parent entity	**27,207**	**158,053**	**30,122**	**151,112**
Non-controlling shareholders	0	0	0	0

IV) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

Statement of comprehensive income	From 01.04.2023 to 30.06.2023 PLN'000	From 01.07.2022 to 30.06.2023 PLN'000	From 01.04.2022 to 30.06.2022 comparable data	From 01.07.2021 to 30.06.2022 comparable data
	3 months	*12 months*	*3 months*	*12 months*
Net profit/(loss)	**27,207**	**158,053**	**30,122**	**151,112**
Other comprehensive income:				
Items that may be reclassified to profit/(loss) in subsequent periods				
FX differences from translation of investments in foreign entities	-33,245	-6,452	-3,609	30,634
Hedge accounting	16	26,791	-13,257	-13,282
Share in other comprehensive income of affiliated entities	0	0	0	0
Results of revaluation of financial assets measured through other comprehensive income	0	0	0	0
Income tax pertaining to items that may be reclassified	0	0	0	0
Items that will not be reclassified to profit/(loss)	**0**		0	
Results of revaluation of fixed assets	0	0	0	0
Actuarial gains and losses	0	0	0	0
Income tax pertaining to items that will not be reclassified	0	0	0	0
Total comprehensive income attributable to:				
Shareholders of the parent entity	**-6,022**	**178,392**	**13,256**	**168,464**
Non-controlling shareholders	**0**	**0**	**0**	**0**

V) CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED ON 30 JUNE 2023

ASSETS	Period ended on 30 June 2023 PLN'000	Period ended on 31 March 2023 PLN'000	Period ended on 30 June 2022 PLN'000
Fixed assets	**365,887**	**372,658**	**378,321**
Intangible assets	28,676	29,918	27,905
Goodwill	50,416	53,241	50,845
Right-of-use assets	48,570	52,513	54,926
Tangible fixed assets	162,520	164,824	169,157
Investment properties	452	452	452
Long-term receivables	12	22	23
Long-term financial assets	447	452	494
Finance lease receivables	778	952	0
Deferred income tax assets	74,016	70,284	74,519
Current assets	**3,044,020**	**3,037,301**	**3,044,163**
Inventories	1,841,853	1,617,355	1,680,527
Trade and other receivables	1,134,326	1,331,598	1,305,890
Income tax receivables	6,626	4,433	184
Financial assets	2,407	8,946	1,935
Other assets	6,152	6,886	4,684
Cash and cash equivalents	52,656	68,083	50,943
TOTAL ASSETS	**3,409,907**	**3,409,959**	**3,422,484**

LIABILITIES AND EQUITY	Period ended on 30 June 2023 PLN'000	Period ended on 31 March 2023 PLN'000	Period ended on 30 June 2022 PLN'000
Total equity	**1,293,706**	**1,303,169**	**1,143,839**
Equity attributable to the shareholders of the Parent Entity	**1,293,706**	**1,303,169**	**1,143,839**
Equity attributable to non-controlling shareholders	**0**	**0**	**0**
Issued share capital	16,188	16,188	16,188
Treasury shares	-10,369	-6,926	-1,929
Supplementary capital, of which:	146,943	146,943	146,273
share premium over the nominal value of shares	*135,503*	*135,503*	*135,503*
Reserve capital	656,392	689,620	571,024
Retained profits	484,552	457,344	412,283
Liabilities and provisions for liabilities			
Long-term liabilities	**112,890**	**116,990**	**175,444**
Long-term bonds, borrowings and bank loans	63,245	63,580	117,595
Lease liabilities	43,928	47,393	52,503
Deferred income tax provision	4,997	5,297	5,044
Provision for retirement benefits	720	720	302
Short-term liabilities	**2,003,311**	**1,989,800**	**2,103,201**
Trade and other liabilities	1,475,865	1,516,501	1,614,820
Liabilities under contracts with customers	280,008	231,810	209,697
Short-term bonds, borrowings and bank loans	193,071	184,145	205,954
Lease liabilities	6,896	6,300	2,045
Other financial liabilities	0	383	2,195
Income tax liabilities	510	268	22,591
Short-term provisions	46,961	50,393	45,899
Total liabilities	**2,116,201**	**2,106,790**	**2,278,645**
TOTAL LIABILITIES AND EQUITY	**3,409,907**	**3,409,959**	**3,422,484**

VI) Consolidated Statement of Changes in Equity for the period ended on 30 June 2023

Statement of changes in equity	Share capital	Treasury shares	Supplementary capital	Reserve capital from reduction of the share capital	General reserve capital	Capital from measurement of cash flow hedges	Reserve capital for currency translations	Total reserve capital	Retained profits	Total equity attributable to shareholders of the parent entity	Equity attributable to non-controlling shareholders	Total equity
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 01 July 2021	**16,188**	**-898**	**146,158**	**146**	**447,207**	**1,807**	**55,651**	**504,811**	**326,291**	**992,550**	**0**	**992,550**
Net profit for the financial year								0	151,112	151,112		151,112
Profit distribution for the preceding financial year			116		65,004			65,004	-65,120	0		0
Dividend					-16,143			-16,143		-16,143		-16,143
Conversion of values from financial statements of foreign subsidiaries (other comprehensive income)							30,634	30,634		30,634		30,634
Cash flow hedging (other comprehensive income)						-13,282		-13,282		-13,282		-13,282
Purchase of treasury shares		-1,031						0		-1,031		-1,031
Other			-1		-1	1		0		-1		-1
As at 30 June 2022	**16,188**	**-1,929**	**146,273**	**146**	**496,067**	**-11,474**	**86,285**	**571,024**	**412,283**	**1,143,839**	**0**	**1,143,839**

Statement of changes in equity	Share capital	Treasury shares	Supplementary capital	Reserve capital from reduction of the share capital	General reserve capital	Capital from measurement of cash flow hedges	Reserve capital for currency translations	Total reserve capital	Retained profits	Total equity attributable to shareholders of the parent entity	Equity attributable to non-controlling shareholders	Total equity
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 01 July 2022	**16,188**	**-1,929**	**146,273**	**146**	**496,067**	**-11,474**	**86,285**	**571,024**	**412,283**	**1,143,839**	**0**	**1,143,839**
Net profit for the financial year								0	158,053	158,053		158,053
Profit distribution for the preceding financial year			670		85,114			85,114	-85,784	0		0
Dividend					-20,085			-20,085		-20,085		-20,085
Conversion of values from financial statements of foreign subsidiaries (other comprehensive income)							-6,452	-6,452		-6,452		-6,452
Cash flow hedging (other comprehensive income)						26,791		26,791		26,791		26,791
Purchase of treasury shares		-8,440						0		-8,440		-8,440
Other								0		0		0
As at 30 June 2023	**16,188**	**-10,369**	**146,943**	**146**	**561,096**	**15,317**	**79,833**	**656,392**	**484,552**	**1,293,706**	**0**	**1,293,706**

VII) CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED ON 30 JUNE 2023

Cash flow statement	From 01.04.2023 to 30.06.2023 PLN'000	From 01.07.2022 to 30.06.2023 PLN'000	From 01.04.2022 to 30.06.2022 PLN'000	From 01.07.2021 to 30.06.2022 PLN'000
Cash flows from operating activities	*3 months*	*12 months*	*3 months*	*12 months*
Gross profit/(loss)	34,412	197,919	38,870	189,184
Financial expenses recognised in profit and loss account	-9,782	14,467	4,747	13,330
Depreciation/amortisation	6,285	24,975	5,379	18,944
Profit/(loss) on investing activities	-165	-559	505	361
FX profit/(loss)	-27,498	26,010	-17,821	12,095
Gross profit after adjustments	**3,252**	**262,812**	**31,680**	**233,914**
Changes in working capital:				
Change in trade and other receivables	214,315	186,992	-131,648	-323,969
Change in inventories	-224,573	-162,212	171,187	-368,532
Change in other assets	739	-1,461	-371	-524
Change in trade liabilities	-40,644	-138,971	-19,697	432,396
Change in liabilities under contracts with customers	48,198	70,311	-11,916	49,419
Change in provisions	-3,440	1,480	758	15,286
Other adjustments	0	0	0	0
Changes in the working capital	**-5,405**	**-43,861**	**-195,924**	**-195,924**
Cash generated from operating activities	**-2,153**	**218,951**	**37,990**	**37,990**
Interest paid	-3	-3	-1	-1
Income tax paid	-14,043	-74,543	-8,661	-42,492
Net cash flows from operating activities	**-16,199**	**144,405**	**-4,503**	**-4,503**
Cash flows from investing activities				
Payments for purchased financial assets	0	0	0	0
Inflows from disposal of financial assets	0	0	0	0
Interest received	3	59	1	6
Dividends received	0	0	0	0
Borrowings disbursed	-22	-72	-511	-526
Borrowings repaid	19	100	11	70
Payments for tangible fixed assets	-3,607	-10,212	-8,635	-23,174
Inflows from disposal of tangible fixed assets	197	599	706	977
Payments for intangible assets	-659	-2,067	-449	-907
Paid development costs	0	0	0	0
Net cash (spent)/generated from investing activities	**-4,069**	**-11,593**	**-23,554**	**-23,554**
Cash flows from financing activities				
Dividend distribution	0	-20,085	0	-16,143
Proceeds from issues of debt securities	0	30,000	0	0
Inflows from share issues	0	0	0	0
Payments for purchased treasury shares	-3,443	-8,440	-729	-1,031
Inflows from loans and borrowings	-40,038	162,802	8,212	147,284
Borrowings and loans repaid	54,502	-263,755	-15,673	-49,996
Interest	-8,683	-29,031	-6,112	-12,834
Redemption of debt securities	0	0	-75,000	-75,000
Lease under IFRS 16	-943	-2,517	-769	-3,268
Net cash used in financing activities	**1,395**	**-131,026**	**-90,071**	**-10,988**
Net change in cash and cash equivalents	**-18,873**	**1,786**	**-67,617**	**-39,045**

Unrealised profits/(losses) on FX differences relating to cash	3,446	-73	-257	1,094
Cash and cash equivalents at the beginning of financial year	**68,083**	**50,943**	**118,817**	**88,894**
Cash and cash equivalents at the end of financial year	**52,656**	**52,656**	**50,943**	**50,943**

VIII) Separate Profit and Loss Account for the period ended on 30 June 2023

Profit and loss account	From 01.04.2023 to 30.06.2023 PLN'000	From 01.07.2022 to 30.06.2023 PLN'000	From 01.04.2022 to 30.06.2022 PLN'000	From 01.07.2021 to 30.06.2022 PLN'000
Continuing operations	*3 months*	*12 months*	*3 months*	*12 months*
Sales revenues	1,756,937	8,841,547	2,011,757	8,480,024
Internal costs of sales	1,684,334	8,518,062	1,940,080	8,223,502
Gross profit/(loss) on sales	**72,603**	**323,485**	**71,677**	**256,522**
Costs of sale	32,239	144,609	33,426	131,040
Administrative expenses	10,335	28,025	8,253	26,237
Other operating revenues	2,736	8,470	815	6,189
Other operating expenses	546	5,045	2,101	4,283
Profit/(loss) on operating activities	**32,219**	**154,276**	**28,712**	**101,151**
Financial income	2,699	34,356	6,068	28,256
Financial expenses	9,980	57,270	10,889	24,722
Profit on disposal of affiliated entities	0	0	0	0
Share in profit of associated entities	0	0	0	0
Profit/(loss) before tax	**24,938**	**131,362**	**23,891**	**104,685**
Income tax	4,984	23,083	5,824	19,571
Net profit/(loss) from continued operations	**19,954**	**108,279**	**18,067**	**85,114**
Discontinued operations	0	0	0	0
Net profit/(loss) from continued operations	19,954	108,279	18,067	85,114
Net profit/(loss)	**19,954**	**108,279**	**18,067**	**85,114**
Net profit/(loss) attributable to:				
Shareholders of the parent entity	19,954	108,279	18,067	85,114
Non-controlling shareholders	0	0	0	0

	From 01.04.2023 to 30.06.2023	From 01.07.2022 to 30.06.2023	From 01.04.2022 to 30.06.2022	From 01.07.2021 to 30.06.2022
Average weighted number of ordinary shares used to calculate basic earnings per share (all ratios)	16,187,644	16,187,644	16,187,644	16,187,644
Profit/(loss) per ordinary share (PLN)	1.23	6.69	1.12	5.26
Diluted profit/(loss) per ordinary share (PLN)	1.23	6.69	1.12	5.26

IX) STANDALONE OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED ON 30 JUNE 2023

Statement of comprehensive income	From 01.04.2023 to 30.06.2023 PLN'000	From 01.07.2022 to 30.06.2023 PLN'000	From 01.04.2022 to 30.06.2022 PLN'000	From 01.07.2021 to 30.06.2022 PLN'000
Net profit/(loss)	**19,954**	**108,279**	**18,067**	**85,114**
Other comprehensive income:				
Items that may be reclassified to profit/(loss) in subsequent periods				
FX differences from translation of investments in foreign entities	0	0	0	0
Hedge accounting	9,302	24,752	-4,355	-10,218
Share in other comprehensive income of affiliated entities	0	0	0	0
Results of revaluation of financial assets measured through other comprehensive income	0	0	0	0
Income tax pertaining to items that may be reclassified	0	0	0	0
Items that will not be reclassified to profit/(loss)				
Results of revaluation of fixed assets	0	0	0	0
Actuarial gains and losses	0	0	0	0
Income tax pertaining to items that will not be reclassified	0	0	0	0
Total comprehensive income attributable to:				
Shareholders of the parent entity	**29,256**	**133,031**	**13,712**	**74,896**
Non-controlling shareholders	**0**	**0**	**0**	**0**

X) SEPARATE STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED ON 30 JUNE 2023

ASSETS	Period ended on 30 June 2023 PLN'000	Period ended on 31 March 2023 PLN'000	Period ended on 30 June 2022 PLN'000
Fixed assets	**271,807**	**269,473**	**269,498**
Intangible assets	643	772	336
Tangible fixed assets	41,761	41,004	40,981
Right-of-use assets	7,363	7,599	8,603
Investment properties	452	452	452
Long-term receivables		0	0
Long-term financial assets	162,674	163,045	162,217
Deferred income tax assets	58,914	56,601	56,909
Current assets	**1,975,324**	**1,939,945**	**1,864,024**
Inventories	1,149,124	909,827	958,599
Trade and other receivables	739,687	933,243	831,244
Income tax receivables	0	700	0
Financial assets	38,568	40,423	25,373
Other assets	2,976	2,746	2,260
Cash and cash equivalents	44,969	53,006	46,548
TOTAL ASSETS	**2,247,131**	**2,209,418**	**2,133,522**

LIABILITIES AND EQUITY	Period ended on 30 June 2023	Period ended on 31 March 2023	Period ended on 30 June 2022
	PLN'000	PLN'000	PLN'000
Total equity	**825,857**	**800,823**	**721,351**
Equity attributable to the shareholders of the Parent Entity	**825,857**	**800,823**	**721,351**
Equity attributable to non-controlling shareholders	**0**	**0**	**0**
Issued share capital	16,188	16,188	16,188
Treasury shares	-10,369	-6,926	-1,929
Supplementary capital, of which:	135,503	135,503	135,503
share premium over the nominal value of shares	135,503	135,503	135,503
Reserve capital	576,256	567,733	486,475
Retained profits	108,279	88,325	85,114
Liabilities and provisions for liabilities			
Long-term liabilities	**36,249**	**35,793**	**87,559**
Long-term borrowings and bank loans	31,296	30,580	81,445
Lease liabilities	4,317	4,577	5,896
Deferred income tax provision		0	0
Pension and similar benefit provisions	636	636	218
Short-term liabilities	**1,385,025**	**1,372,802**	**1,324,612**
Trade and other liabilities	984,511	1,080,013	1,027,471
Liabilities under contracts with customers	221,180	170,300	177,926
Short-term borrowings and bank loans	144,110	83,935	61,041
Lease liabilities	1,714	1,808	1,747
Other financial liabilities	0	0	2,042
Income tax liabilities	232	0	17,706
Short-term provisions	33,278	36,746	36,678
Total liabilities	**1,421,274**	**1,408,595**	**1,412,171**
TOTAL LIABILITIES AND EQUITY	**2,247,131**	**2,209,418**	**2,133,522**

XI) Separate Statement of Changes in Equity for the period ended on 30 June 2023

Statement of changes in equity	Share capital PLN'000	Treasury shares PLN'000	Supplementary capital PLN'000	General reserve capital PLN'000	Capital from measurement of cash flow hedges PLN'000	Total reserve capital PLN'000	Retained profits PLN'000	Total equity PLN'000
As at 01 July 2021	**16,188**	**-898**	**135,503**	**447,319**	**514**	**447,833**	**65,004**	**663,630**
Net profit for the financial year	0	0	0	0	0	0	85,114	85,114
Profit distribution for the preceding financial year	0	0	0	65,004	0	65,004	-65,004	0
Dividend	0	0	0	-16,143	0	-16,143	0	-16,143
Cash flow hedging (other comprehensive income)	0	0	0	0	-10,218	-10,218	0	-10,218
Purchase of treasury shares	0	-1,031	0	0	0	0	0	-1,031
Other	0	0	0	0	-1	-1	0	-1
As at 30 June 2022	**16,188**	**-1,929**	**135,503**	**496,180**	**-9,705**	**486,475**	**85,114**	**721,351**

Statement of changes in equity	PLN'000	Treasury shares PLN'000	Supplementary capital PLN'000	General reserve capital PLN'000	Capital from measurement of cash flow hedges PLN'000	Total reserve capital PLN'000	Retained profits PLN'000	Total equity PLN'000
As at 01 July 2022	**16,188**	**-1,929**	**135,503**	**496,180**	**-9,705**	**486,475**	**85,114**	**721,351**
Net profit for the financial year	0	0	0	0	0	0	108,279	108,279
Profit distribution for the preceding financial year	0	0	0	85,114	0	85,114	-85,114	0
Dividend	0	0	0	-20,085	0	-20,085	0	-20,085
Cash flow hedging (other comprehensive income)	0	0	0	0	24,752	24,752	0	24,752
Purchase of treasury shares	0	-8,440	0	0	0	0	0	-8,440
Other	0	0	0	0	0	0	0	0
As at 30 June 2023	**16,188**	**-10,369**	**135,503**	**561,209**	**15,047**	**576,256**	**108,279**	**825,857**

XII) SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED ON 30 JUNE 2023

Cash flow statement	From 01.04.2023 to 30.06.2023 PLN'000	From 01.07.2022 to 30.06.2023 PLN'001	From 01.04.2022 to 30.06.2022 PLN'002	From 01.07.2021 to 30.06.2022 PLN'000
Cash flows from operating activities	*3 months*	*12 months*	*3 months*	*12 months*
Gross profit/(loss)	24,938	131,362	23,891	104,685
Financial expenses recognised in profit and loss account	3,841	15,316	2,994	7,822
Depreciation/amortisation	1,471	5,752	1,335	5,013
Share in profit of subsidiary entities	-16,890	-16,890	-16,176	-16,176
Profit/(loss) on investing activities	-165	-384	-55	-145
FX profit/(loss)	13,084	26,740	-5,461	-12,509
Gross profit after adjustments	**26,279**	**161,896**	**6,528**	**88,690**
Changes in working capital:				
Change in trade receivables	193,939	91,940	-35,405	-261,009
Change in inventories	-239,370	-190,966	122,937	-118,385
Change in other assets	-230	-716	-1,118	-621
Change in trade liabilities	-95,519	-42,977	-84,412	282,839
Change in liabilities under contracts with customers	50,880	43,254	-1,340	45,590
Change in provisions	-3,467	-2,982	-588	11,774
Other adjustments	0	0	0	0
Changes in the working capital	**-93,767**	**-102,447**	**75**	**-39,812**
Cash generated from operating activities	**-67,488**	**59,449**	**6,603**	**48,878**
Interest paid	0	0	0	0
Income tax paid	-8,362	-48,366	-2,746	-20,043
Net cash flows from operating activities	**-75,850**	**11,083**	**3,857**	**28,835**
Cash flows from investing activities				
Payments for purchased financial assets	0	0	0	0
Inflows from disposal of financial assets	0	0	0	0
Interest received	63	870	312	6,604
Dividend received	16,890	16,890	16,176	16,176
Borrowings disbursed	-22,022	-105,899	-26,687	-71,337
Borrowings repaid	21,479	94,267	22,874	99,438
Payments for tangible fixed assets	-1,643	-4,175	-1,058	-2,391
Inflows from disposal of tangible fixed assets	184	447	55	175
Payments for intangible assets	0	-767	-174	-287

Paid development costs	0	0	0	0
Net cash generated from investing activities	**14,951**	**1,633**	**11,498**	**48,378**
Cash flows from financing activities				
Dividend distribution	0	-20,085	0	-16,143
Proceeds from issues of debt securities	0	30,000	0	0
Inflows from share issues	0	0	0	0
Payments for purchased treasury shares	-3,443	-8,440	-729	-1,031
Inflows from loans and borrowings	62,750	162,802	27,897	54,424
Borrowings and loans repaid	1	-161,424	-15,673	-43,159
Interest	-6,039	-15,361	-4,205	-8,119
Redemption of debt securities	0	0	-75,000	-75,000
Payments under leases (IFRS 16)	-407	-1,787	-144	-624
Net cash used in financing activities	**52,862**	**-14,295**	**-67,854**	**-89,652**
Net change in cash and cash equivalents	**-8,037**	**-1,579**	**-52,499**	**-12,439**
Cash and cash equivalents at the beginning of financial year	53,006	46,548	99,047	58,987
Cash and cash equivalents at the end of financial year	**44,969**	**44,969**	**46,548**	**46,548**

XIII) NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPLIANCE STATEMENT

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

The Interim Abbreviated Consolidated Financial Statements do not contain all the information that is disclosed in the annual consolidated financial statements made in compliance with IFRS. The Interim Abbreviated Consolidated Financial Statements should be read jointly with the Consolidated Financial Statements of the AB Capital Group for 2021/22.

2. APPLIED ACCOUNTING PRINCIPLES

The financial statements have been prepared using the same rules and measurements for the current and comparable periods.

- **Going concern assumption**

The consolidated financial statements have been prepared under the assumption that the Group will continue as a going concern in the foreseeable future. As of the date of these financial statements, no circumstances exist that would pose a threat to the continuation as a going concern.

- **Functional currency and reporting currency**

All values disclosed in the consolidated financial statements are given in Polish zlotys (PLN). The Polish zloty is the functional and reporting currency of the Capital Group. The data in the financial statements has been disclosed in PLN'000, unless, in certain circumstances, a greater accuracy has been applied.

- **Consolidation basis**

These consolidated financial statements were made in accordance with the historical cost convention with the exception of derivative financial instruments which are stated at fair value.

The consolidated financial statements include the financial statements of the parent entity and the financial statements of the entities controlled by the parent entity. Control is deemed to have been assumed when the Parent Entity is able to influence financial and operational policies of the subordinated entities, directly or indirectly, in order to benefit from their activity.

Financial performance of the subsidiary entities acquired or disposed during the year is disclosed in the consolidated financial statements from/until the time of effective acquisition or disposal.

These financial statements are the consolidated financial statements of the Group for the period from 01.07.2022 to 30.06.2023, and they include financial data of the parent entity AB S.A., Alsen Sp. z o.o., Alsen Marketing Sp. z o.o., B2B IT Sp. z o.o., Optimus Sp. z o.o., Rekman Sp. z o.o., as well as the financial data of the Czech companies and the Slovak company for the period from 01.07.2022 to 30.06.2023.
The financial figures for the previous financial period, i.e. from 01.07.2021 to 30.06.2022 and the financial data as at 30 June 2022 is presented as comparable data.

The parent entity and Alsen Sp. z o.o., Alsen Marketing Sp. z o.o., B2B Sp. z o.o., Rekman Sp. z o.o., Optimus Sp. z o.o., Rekman Sp. z o.o. keep their books in compliance with the accounting rules set forth in the Accounting Act of 29 September 1994, as amended. The Czech companies and the Slovak company keep their books in compliance with the national standards applicable in the territory of Czech Republic and Slovakia, respectively. To make the consolidated financial statements compliant with IFRS, adjustments have been made, which are not included in the books of account of the entities within the Group.

Whenever required, the financial statements of subsidiary or associated entities are adjusted to make the accounting rules applied by these entities compliant with the rules applied by other Group entities.

All transactions, balances, revenues, and expenses between the consolidated entities are fully eliminated for consolidation purposes.

- **Business combinations**

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

- **Goodwill**

Goodwill resulting from the acquisition represents a difference between the total purchase consideration and the total of fair values of the identifiable assets, liabilities, and contingent liabilities of a subsidiary, an associated entity, or a joint venture recognised as at the acquisition date.
Goodwill is initially recognised as an asset at cost, and is subsequently measured at cost less any accumulated impairment.

- **Recognition of sales income**

The Group generates sales revenues from wholesale and retail sale of computers, computer hardware, toys, AV equipment and household appliances from the subscription sales of licenses of computer programs and provision of marketing services. Income from sales is recognised at fair value received or due after accounting for anticipated discounts, returns by customers, and similar charges.

<u>Sales of goods</u>

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

- the Group has transferred control over the ordered goods to the buyer,
- the remuneration due for the delivered goods has been reliably estimated;
- it is probable that the economic benefits associated with the transaction will be received by the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group recognises revenues from sales of goods when control is transferred to the customer, i.e. at the time of sale, because at that point the customer has full disposal of the purchased goods, i.e. they can sell the goods to their customer, redirect the goods sent by courier to another shipping address or have the Group ship the goods directly to their customer. The Group provides its customers with the opportunity to sell using ready-made B2B and B2C shops, where goods from the Group’s warehouse are sold directly to the end customer.
The amount of revenue covers an amount underlying the contract less eligible discounts to which the customer becomes entitled after satisfying the terms and conditions provided for in the contract. Variable factors, for example, may include the value and increase of sales, the type of goods. Such discounts are recognised in the period to which they apply. Revenues from sales of goods are recognised at a specific time. The Group makes its wholesale sales to professional customers and retail sales. The right of return is provided for in specific cases established under regulations of law. Furthermore, the Group may contractually

determine the right to return purchased goods pursuant to the criteria established in bilateral trade agreements. The Group estimates a relevant potential liability, and, if material, it recognises potential liabilities relating to the expected returns in an appropriate manner.
If the goods distribution agreement executed with a specific manufacturer or other supplier or other agreements impose on the Company obligations of providing maintenance services or warranty repairs, the Group estimates envisaged costs to be incurred recognising them in provisions and making an appropriate adjustment of own costs in a given reporting period.

Provision of services

Revenues generated under service contracts is recognised by reference to the stage of completion of the transaction under each contract and the customer derives economic benefits from the completed performance. If licenses are sold under a subscription model, revenue is recognised proportionally to the lapse of a period for which such subscription has been purchased.

Interest revenue

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

- **Foreign currencies**

The separate financial statements of the Group's companies are presented in the currencies prevailing on the markets of their respective business operations (their functional currencies). The consolidated financial statements present the financial results and items relating to the individual entities in the Polish zloty (PLN), which is the functional currency of the Parent Entity and the presentation currency of the consolidated financial statements.

In the separate financial statements transactions executed in other currencies than Polish zlotys (PLN) are disclosed at the exchange rate prevailing on the transaction date. As at the balance sheet date, foreign currency-denominated cash assets and liabilities are translated at the exchange rate prevailing on that date. Non-cash assets and liabilities measured at fair value and denominated in foreign currencies are translated at the exchange rate prevailing on the date the fair value has been determined. Non-cash items stated at historical cost in foreign currencies are not re-translated.
FX differences are recognised in the Comprehensive Income Statement in the period in which they occurred, with the following exceptions:

- FX differences concerning assets under construction to be used in production that are incorporated as costs of such assets and that are treated as adjustments of interest expense of foreign currency-denominated loans;
- FX differences resulting from transactions executed to hedge certain FX risk (see: rules of hedge accounting); and
- FX differences resulting from cash receivables from or liabilities towards foreign entities with which no settlements are planned or such settlements are not likely and that are part of net investments in such foreign entities and are recognised in reserve capital for currency translations and in the net profit/(loss) on disposal of investments.

For consolidation purposes, the assets and liabilities of foreign subsidiaries are translated into PLN at the exchange rate prevailing as at the balance sheet date. Income and expenses are translated at the mean exchange rate for the reporting period except when fluctuations of the exchange rates are material (then the exchange rates of the transaction dates are applied). Any resultant FX differences are recognised in the consolidated financial statements in equity and are transferred to the reserve fund for currency translations set up by the Group. Such FX differences are recognised as income or expenses in the period when a foreign subsidiary is sold.

Goodwill and fair value adjustments resulting from the acquisition of a foreign subsidiary are treated as an asset or liability of the entity domiciled abroad and are translated into PLN at the exchange rate prevailing as at the balance sheet date.

- **External borrowing costs**

External borrowing costs directly related to the acquisition or manufacturing of assets that require a longer time to be used or resold are added to the manufacturing costs of such assets until the assets are ready for intended application or resale. Gains on investments generated as a result of short-term investments of the external funding before they are invested in the assets referred to above reduce the external borrowing costs subject to capitalisation.

All other costs of external funding are recognised directly in the profit and loss account in the period in which they were incurred.

- **Costs of future retirement benefits**

In accordance with the labour law regulations, the employees of the Group are entitled to a retirement allowance. It is a one-off payment due to employees upon their retirement. The amount of retirement allowances depends on the average salary of an employee. The Group sets up a provision for future retirement allowance liabilities in order to allocate the costs to the relevant periods. In accordance with IAS 19, retirement allowances are defined post-employment benefit plans. The accrued liabilities are equal to the discounted payments to be made in the future subject to staff rotation and apply to the period until the balance sheet date. Demographic data and information on staff rotation is based on historical data. Changes in the provisions resulting from the calculations are recognised as profit or loss.

- **Taxation**

Income tax of the entity includes current tax payable and deferred tax.

Current tax

The current tax liability is calculated on the basis of the taxable result (base) for the current financial year. A tax profit/(loss) differs from the book net profit/(loss) due to exclusion of taxable income and tax-deductible expenses in future periods, as well as income and expenses that are never subject to taxation. The current income tax liability of the Group is calculated at the tax rates applicable in a given financial year.

Deferred income tax

Deferred income tax is calculated using the balance sheet liability method as a tax payable or refundable in the future, taking into account differences between the carrying amount of assets and liabilities and the corresponding tax values used to calculate the taxation base.
The deferred income tax provision is recognised with respect to all positive temporary taxable differences, while the deferred income tax assets are recognised at a probable reduction amount of future taxable profit by recognised negative temporary differences. No deferred income tax asset or provision is recognised when a temporary difference arises from goodwill or due to initial recognition (other than in a business combination) of another asset or liability, which, at the time of transaction, does not affect the accounting or taxable profit.

The deferred income tax provision is recognised on temporary tax differences resulting from investments in subsidiary and affiliated entities and in joint ventures unless the Group is able to control the reversal moment of such temporary difference and it is probable that in the foreseeable future the temporary difference is not reversed. Deferred income tax asset for deductible temporary differences related to such investments and interests is recognised to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised.

The carrying value of the deferred income tax asset is subject to review as at each balance sheet date and when the anticipated future taxable profit is not sufficient to recover the asset or a part thereof, the value is reduced accordingly.

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

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

Current and deferred income tax for the current accounting period

Current and deferred income tax is recognised as income or expense in profit and loss account, except to the extent that tax arises from items recognised directly in equity, in which case income tax is also recognised in equity, or from the initial recognition of business combinations. In the case of business combinations, tax consequences are taken into account for goodwill calculation or determination of fair value of the acquiring entity's share in identifiable assets, liabilities, and contingent liabilities of the acquired entity in excess of the acquisition cost.
As at the balance sheet date 30.06.2023, the Group's current income tax charge amounted to PLN -45,717 thousand and deferred income tax amounted to PLN 5,851 thousand.

- **Leasing**

The AB Group acts as a lessor within the scope of rental agreements for office and as a lessee within the scope of rental agreements for office and warehouse space and under the perpetual usufruct right of land. For lease contracts, in which it acts as a lessee, the Group recognised the right-to-use assets, as well as lease liabilities, in accordance with IFRS 16.

The Group uses available exemption from the application of the requirements of the standard with regard to short-term leases and leases for which the underlying asset is low value (does not exceed the amount of USD 5,000). In such case, the Group recognises cyclical lease payments in its profit or loss account.

An agreement may be classified as a short-term contract if its term does not exceed 12 months. When assessing the lease term and the length of the non-cancellable period of lease, the Company applies the definition of a contract and determines the period for which the contract is enforceable (IFRS 16, Paragraph B34). A lease is no longer enforceable when both the lessee and the lessor each has the right to terminate the lease without permission from the other party, with no more than an insignificant penalty.

- **Tangible fixed assets**

Fixed assets and fixed assets under construction are initially recognised at the acquisition or manufacturing cost.
As at the balance sheet date, fixed assets are recognised at the acquisition or manufacturing cost reduced by depreciation and accumulated impairment allowances.
As at the balance sheet date fixed assets under construction are recognised at the acquisition or manufacturing cost.
Depreciation/amortisation rates are applied in order to reduce the acquisition or manufacturing cost of assets other than fixed assets under construction. Such impairment allowances are made applying a straight-line

method over assets' useful life, starting from the month following the month a fixed asset has been brought to use. Estimated useful life, residual values and depreciation/amortisation methods are subject to review at the end of each year and the results of any changes to estimates are recognised prospectively.
In accordance with the materiality principle, fixed assets with the initial value under PLN 2,500 are expensed on a one-off basis in the month in which such fixed assets have been brought to use.
Assets held pursuant to finance lease contracts are depreciated over a period of their anticipated useful economic life in accordance with the same principles as the Company's own assets, however, not longer than until the end of the lease contract.
Profit or loss resulting from disposal/liquidation or withdrawal from use of property, plant and equipment is a difference between the sales revenues and the carrying amount of such items and is recognised in the profit and loss account.

- **Investment properties**

Investment properties are the properties that generate rental income and/or are held with the anticipation that they will grow in value. Investment properties are initially recognised at the acquisition cost.
As at the balance sheet date, investment properties are recognised at the acquisition cost reduced by depreciation and accumulated impairment allowances.

- **Intangible assets**

Intangible assets acquired by separate purchase transactions

Intangible assets acquired by separate purchase are recognised at historical cost reduced by depreciation and accumulated impairment allowances. Amortisation is applied using a straight-line method over the anticipated useful life of the assets. The estimated useful life and the related amortisation are reviewed at the end of each annual reporting period and the effects of changes in estimates are recognised in the future reporting periods.

In accordance with the materiality principle, intangible assets with the initial value under PLN 2,500 are expensed on a one-off basis in the month in which such intangible assets have been brought to use.

Intangible assets acquired through business combinations

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

After the initial recognition, the assets are disclosed at historical cost reduced by amortisation and accumulated impairment allowances in the same manner as intangible assets acquired by separate purchase.

Intangible assets with indefinite useful lives relating to the AT Computers and Comfor Stores trademarks have been recognised in the Group's balance sheet. No amortisation charge is made for these intangible assets as the Parent Entity has no plans to resell the companies or trademarks in the foreseeable future. However, an annual impairment test is performed.

Impairment of tangible fixed assets and intangible assets excluding goodwill

As at each balance sheet date, the Group reviews the carrying values of its tangible fixed assets and intangible assets to identify any indications of impairment. Where there is an indication of impairment, the recoverable amount of an asset is calculated to determine a potential impairment allowance. Where an asset does not generate cash flows that are largely independent of those generated from other assets, such an analysis is performed for a cash generating unit (CGU) of which such an asset is part. If it is possible to identify a reliable and uniform allocation basis, fixed assets items held by the Group are allocated to specific CGUs or to the smallest groups of CGUs for which a reliable and uniform allocation basis may be identified.

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

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

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

If an impairment allowance is subsequently reversed, the net value of an asset (or CGU) is increased to the new estimated recoverable amount not exceeding, however, the carrying amount of the asset that would have been recognised if no impairment of the asset/CGU had been previously recognised. Impairment reversal is recognised forthwith in the profit and loss account as long as the asset was not revalued earlier – in such a case, reversal of impairment is treated as an increase in revaluation.

- **Inventories**

Inventories include goods, materials, and finished products. Goods and materials are disclosed at the acquisition cost, including the purchase price increased by import duties, the costs of transportation, loading, unloading, and other costs directly related to the acquisition of goods and materials, less any discounts and rebates, however, not higher than the net selling price. Outflows of materials and goods are recognised at weighted average prices.
The manufacturing costs of products include costs directly related to a product unit and appropriately allocated variable and fixed manufacturing overheads. Variable manufacturing overheads are allocated to a product unit on the basis of the current use of the manufacturing machinery and equipment. Fixed manufacturing overheads are allocated on the basis of normal use of the production capacity. Outflows of materials and goods are recognised at weighted average values.
The net sale price is a realisable price as at the balance sheet date net of VAT.

Additionally, the Group calculates an impairment allowance for inventories for each balance sheet date on the basis of their ageing analysis. The Group makes an estimate of a predicted impairment during their subsequent resale of goods that are in the oldest ageing brackets made pursuant to transactions executed on the same or similar types of goods. As at 30 June 2023, the inventory allowance amounted to PLN 103.5 million.

- **Provisions**

Provisions are recognised when the Group has present liabilities (legal or contractual) that result from past events, the Group will probably have to pay them and their amount can be reliably assessed.

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

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

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

The Group establishes provisions for:
- retirement allowances,
- holiday leaves,
- costs concerning the reporting period, but not included in the financial statements, and which the Group is able to reliably estimate,
- warranty repairs.

- **Financial assets**

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

The Group has been classifying the financial assets into the following categories:
- financial assets measured at amortised cost,
- financial assets measured at fair value through the profit and loss account,
- financial assets measured at fair value through other comprehensive income.

The classification is subject to the business model applied to asset management, approved by the Group and the contractual conditions of cash flows for the relevant financial asset.
The Group re-classifies investments in debt instruments only when the management model of the assets changes.

Financial assets measured at amortised cost

Debt instruments kept in compliance with the business model to generate cash flows are measured at amortised cost. Measurement is made with the effective interest rate method to the gross value of the financial assets with the exception of financial assets that are impaired due to credit risk. Income from debt instruments other than financial assets measured at fair value through the profit and loss account is recognised at the effective interest rate.

Financial assets measured at fair value the profit and loss account

Assets that do not comply with the requirements to be measured at amortised cost or at fair value through other comprehensive income, are measured at fair value through financial result. Financial assets measured at fair value through profit and loss account are disclosed at fair value and the resultant profit or loss is recognised in the profit and loss account. A net profit or loss recognised in the profit and loss account includes dividend or interest generated by a specific financial asset.

Financial assets measured at fair value through other comprehensive income

The group includes financial assets with cash flows being solely payments of the principal and interest and which in compliance with the business model are kept in order to maintain contractual cash flows and sale of financial assets;

A financial asset is classified as available for sale if:

- it has been purchased for re-sale in the near future; or
- it is part of a portfolio of financial instruments managed by the Group as a whole, in compliance with the current and actual model to generate short-term profit; or
- it is a derivative instrument not classified as a hedging instrument.

A financial asset other than available for sale may be classified as measured at fair value through other comprehensive income if:

- such classification eliminates or materially reduces inconsistencies of valuation or recognition occurring in other circumstances; or
- contractual conditions concerning the financial asset generate cash flows at pre-determined dates that constitute repayments of principal and payments of interest on the outstanding principal.

The above classification does not apply to FX profit and loss on financial assets used as hedging items in compliance with Hedge Accounting applied by the Company.

Impairment of financial assets

Financial assets – apart from those measured at fair value through profit and loss – are tested for impairment at each balance sheet date. Financial assets lose value, irrespective of the fact if there are objective impairment indicators. For trade receivables, the Group applies a matrix of impairment allowances where receivables are grouped by age and anticipated losses are estimated on that basis.

The carrying value of a financial asset is reduced directly with an impairment allowance with the exception of trade receivables whose carrying value is reduced with allowances made to a specially designated account. The charges apply to trade receivables deemed as uncollectible; when they are collected, such amounts are credited to the account. Changes in the carrying value of the impairment account are recognised in the profit and loss account.

If in a subsequent period, the amount of impairment allowances is reduced and the reduction may be objectively related to an event that has occurred after the impairment allowance, the impairment allowance shall be reversed through the statement of comprehensive income to the extent corresponding to the reversed carrying value as at the impairment date and up to the amount of the amortised historical cost that would have been recognised had it not been for the impairment. The above applies to all assets with the exception of available-for-sale equity instruments. In this case, an increase of fair value following impairment is recognised directly in equity with the exception of interest income and FX profit which is recognised in financial result.

De-recognition of financial assets

The Group derecognises financial assets only after expiry of any contractual rights to cash flows generated by such assets or when such financial assets substantially with all their related risk and all rewards have been transferred to another entity. If the Group does not transfer nor retains substantially all risk and all rewards related to a financial asset and retains control of such asset, it recognises the retained share in such asset and the related liabilities under potential payments. However, if the Group retains substantially all risk and all rewards related to such a transferred asset, it continues to recognise the financial asset and any secured borrowings underlying the received income.

- **Liabilities under contracts with customers**

The item covers liabilities under future outflows of the Group's companies. Future outflows result from activities, which are to occur in the future further to arrangements made in the past with business partners, however, the date and/or amount of such outflows is not certain. The actual date of an outflow of benefits results from final arrangements with a business partner, and, consequently, the date of actual execution of individual activities as planned, among others, in the form of promotional events, granted discounts, organised training.

- **Financial liabilities and equity instruments issued by the Group**

Classification as debt or equity

Debt and equity instruments are classified as financial liabilities or as equity, subject to contractual arrangements.

Equity instruments

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

Financial liabilities

Financial liabilities are classified either as financial liabilities stated at fair value through the statement of comprehensive income or as other financial liabilities.

Financial liabilities measured at fair value through profit and loss

This category includes available- for- sale financial liabilities or liabilities defined as stated at fair value through profit and loss account.

A financial liability is classified as available for sale if:

- it has been contracted primarily to be repurchased within a short time;
- it is part of a portfolio of financial instruments managed by the Group as a whole, in compliance with the current and actual model to generate short-term profit; or
- it is a derivative instrument not classified as a hedging instrument.

A financial liability other than available for sale may be classified as measured at fair value through profit and loss account at initial recognition if:

- such classification eliminates or materially reduces the inconsistency of valuation or recognition occurring in other circumstances; or
- the financial asset is part of a group of financial assets or liabilities or both that are managed and its performance is measured on a fair value basis in accordance with the documented risk management strategy or investments of the Group within which information on asset groups is transferred internally; or
- it is part of a contract containing one or more embedded derivative instruments and IAS 39 allows classification of the entire contract (an asset or a liability) to be measured at fair value through the income statement.

Financial liabilities measured at fair value through profit and loss account are stated at fair value and the resultant financial profit or loss is recognised in the profit and loss account, including interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are initially measured at fair value net of transaction costs.

Subsequently, they are measured at the amortised historical cost using the effective interest rate method and interest expense is recognised using the effective income method.

The effective interest method is used to calculate the amortised cost of a liability and to allocate interest expenses to the relevant periods. The effective interest rate is a rate discounting future cash payments over the foreseeable useful life of a liability or over a shorter time, if required.
The above classification does not apply to FX income and expense on financial liabilities used as hedging items in compliance with hedge accounting applied in the Group.

Derivative instruments

The Group uses FX term contracts like forward to hedge against FX risk.

Derivative instruments are recognised at fair value as at the date of the contract and subsequently they are re-measured to fair value as at each balance sheet date. The resultant profit or loss is immediately recognised in the profit and loss account and in other comprehensive income in compliance with the hedge accounting used in the Group.
Derivative instruments are disclosed as financial assets or liabilities depending on their current value.
Derivative instruments not designated as effective hedging instruments are classified as current assets or liabilities.

Hedge accounting

In line with the accounting principles adopted, the results of changes in the valuation of hedging instruments insofar as they function as effective hedging, are charged to revaluation reserve and then they adjust sales. The results of balance-sheet valuation of hedging instruments are recognised in the statement of other comprehensive income.

The effects of changes in the measurement of the hedged positions to the extent they constitute an effective hedge are recognised in the revaluation reserve (cash flow accounting) and recognised as profit or loss of the current period (fair value accounting). The profit and loss related to the hedged position resulting from the hedged risk is also recognised as profit or loss of the current period, respectively.

The Group mitigates the level of FX risk by executing forward currency contracts (outright and NDF). Hedging transactions are executed in line with the procedures applicable in the AB Group and are always reflected in the open position exposed to the FX risk. The Group uses derivative instruments only for the purpose of hedging its operational activities.

- **Critical accounting judgements and the basis for estimation of uncertainties**

Using the accounting rules applicable within the Group as specified in Note No. 2, the Management Board has to make judgements, estimates, and assumptions concerning the carrying value of assets and liabilities that cannot be assessed otherwise on the basis of available sources. Estimates and their underlying assumptions are based on historical experience and other factors deemed as material. The actual results may differ from the assumed estimates.

Estimates and the underlying assumptions are subject to an ongoing review. Changes in the estimated values are recognised in the period of the review if they apply solely to such a period or in the current period and future periods if the changes apply to both a current period and to future periods.

- **Critical accounting judgements**

Below are presented the critical judgements other than related to the estimates (see below) made by the Management Board in the process of applying the Group's accounting principles, having the greatest influence on the values presented in the consolidated financial statements.

Impairment of goodwill

In order to verify whether goodwill has been impaired, an estimate of the value in use of all cash-generating units to which goodwill has been attributed needs to be made. To calculate the value in use, the Company needs to estimate future cash flows attributable to an entity and determine an appropriate discount rate as required to calculate the present value of such cash flows.
As at the balance sheet date, the book value of goodwill was PLN 50.4 million.

Intangible assets with unspecified useful life.

Intangible assets with indefinite useful life are annually tested for impairment at the level of cash generating units. As at the balance sheet date, the Group holds intangible assets with indefinite useful life that amount to PLN 26.3 million.

Impairment of assets

As at each balance sheet date, the Group verifies if there are any indications of impairment of non-financial assets. The assessment of the value in use consists in identifying future cash flows by a centre generating cash flows and requires determination of a discount rate to calculate the present value of such cash flows. As at 30 June 2023, in the opinion of the Management Board no assets held by the Group had been impaired.

Useful lives of property, plant and equipment and intangible assets

The depreciation and amortisation rates are determined on the basis of an anticipated economic useful life of property, plant. and equipment and intangible assets. Annually, the approved economic useful life is subject to review on the basis of current estimates. As at the balance sheet date, the tangible fixed assets amounted to PLN 162.5 million.

Rules of estimating liabilities under contracts with customers

The value of a liability recognised in the balance sheet reflects most accurately the estimated expenditure required to settle a present obligation as at the balance sheet date, taking into account the underlying risk and the related uncertainty. If the liability amount is determined using the estimated cash flows required settling the present liability, its carrying value is equal to the present value of the cash flows.

Measurement of provisions for employee benefits

The provisions for employee benefits (provision for retirement allowances) have been assessed using actuarial methods.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is measured using the appropriate measurement techniques. The Group uses a professional judgement to select adequate methods and to make assumptions. The Management Board makes a judgement selecting an appropriate method to measure financial instruments not quoted on an active market. The methods applied are commonly used by market players. With respect to financial derivative instruments, the assumptions are based on market rates adjusted for instrument-specific features. Other financial instruments are measured at discounted cash flows on the basis of assumptions confirmed to the extent possible with observable prices or market rates.

Deferred income tax asset

The Group recognises a deferred income tax asset assuming that a taxable profit will be generated in the future to utilise the asset. Material deterioration of the generated taxable profit in the future could render this assumption unjustified.

Impairment allowances of receivables and inventories

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

Pursuant to IFRS 9 the Group has introduced a new model with regard to determination of impairments, i.e. the model of expected credit losses.

As concerns value impairment, the Group has performed credit risk analysis for the financial assets (including trade receivables, other receivables), which has been based on the adopted credit loss risk estimation model. Categories of the receivables due from related companies have been separated in the trade and other receivables which are subject to the insurance coverage under insurance policies and receivables which are not insured. Weights of the probability of default (POD) have been assigned to the separated groups and values of receivables depending on the bracket of ageing of receivables (current (0) – 30 – 90 – 180 – 360). As regards the group of insured receivables, the estimation related only to deductibles (EAD), additionally dividing business partners into risk classes assigning to them various weights of probability (POD) according to ratings adopted by insurers. As regards insured (deductible) and uninsured receivables, the Group used a multiplier that retrospectively corresponded to the effectiveness of collection activities over a period of the financial year. An aggregated expected credit loss (ECL) is the result of the adopted rules.

The Group calculates an impairment for inventories for each balance sheet date on the basis of their ageing analysis. The Group's companies
make an appropriate estimate of a predicted impairment during their subsequent resale of goods
that are in the oldest ageing brackets, among others, made pursuant to transactions executed on the same or similar types of goods based on statistical impairment of the market value of goods according a matrix of ageing or pursuant to the comparison of the lowest market prices. The analysis uses transactions executed in the last quarter before the balance sheet date, having regard to significant volatility in prices of goods and fast economic ageing (including computer hardware, consumer electronics). Impairment calculation considers an average level of price equalisation by suppliers for reference goods within an ageing bracket of less than 30 days.

3. Operating segments

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

Geographical segments

The three key divisions of the Company operate in three basic geographical areas: A, B and C. The composition of each geographical segment is as follows:

Area A Poland	In Area A the Group operates wholesale outlets.
Area B Czech Republic	In Area B, the Group operates wholesale and retail outlets and manufacturing facilities.
Area C Slovakia	In Area C the Group operates wholesale outlets.

The Group's revenues from external sales and information on assets in each geographical segment are presented below.

Income per segment

Revenues by segments	Period ended on 30.06.2023	Period ended on 30.06.2023	Period ended on 30.06.2023	Period ended on 30.06.2023

	PLN'000	PLN'000	PLN'000	PLN'000
	External sales	Sales between segments	Other	Total
Poland	9,084,063	367,197	0	9,451,260
Czech Republic	5,538,020	741,960	0	6,279,980
Slovakia	597,630	1	0	597,631
Total segments	15,219,713	1,109,158	0	16,328,871
Eliminations				1,109,158
Consolidated income				**15,219,713**

Revenues by segments	Period ended on 30.06.2022 PLN'000	Period ended on 30.06.2022 PLN'000	Period ended on 30.06.2022 PLN'000	Period ended on 30.06.2022 PLN'000
	External sales	Sales between segments	Other	Total
Poland	8,309,897	445,953	0	8,755,850
Czech Republic	5,154,084	729,268	0	5,883,352
Slovakia	566,844	5	0	566,849
Total segments	14,030,825	1,175,226	0	15,206,051
Eliminations				1,175,226
Consolidated income				**14,030,825**

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

Assets and liabilities per segment

Assets and liabilities by segments	30.06.2023 PLN'000	30.06.2023 PLN'000
	Assets	Liabilities
Poland	2,281,150	1,486,993
Czech Republic	1,070,992	576,753
Slovakia	57,765	52,455
Total segments	**3,409,907**	**2,116,201**

Assets and liabilities by segments	30.06.2022 PLN'000	30.06.2022 PLN'000
	Assets	Liabilities
Poland	2,173,798	1,488,606
Czech Republic	1,192,680	738,177
Slovakia	56,006	51,862
Total segments	**3,422,484**	**2,278,645**

Results per segment

Result	Period ended on 30.06.2023	of which: interest income/expense

	PLN'000	PLN'000
Continuing operations		
Poland	125,717	-56,053
Czech Republic	70,423	-25,085
Slovakia	1,779	0
Profit before tax	197,919	
Income tax	39,866	
Profit for the financial year on continuing operations	158,053	
Discontinued operations		
Profit before tax	0	
Income tax	0	
Profit for the financial year from discontinued operations	0	
Profit for the financial year	**158,053**	

Depreciation/amortisation per segment

Depreciation/amortisation by segments	Period ended on 30.06.2023 PLN'000	Period ended on 30.06.2023 PLN'000
Continuing operations	**Acquisition of fixed assets**	**Depreciation/amortisation**
Poland	8,896	12,664
Czech Republic	4,546	12,300
Slovakia	0	11
Consolidated	**13,442**	**24,975**

Information on products and services

The business of the Group is split into:

- wholesale trade in computer, telecommunications, multimedia, electronic equipment and household appliances
- retail trade in computer hardware,
- wholesale and retail trade in toys,
- personal computer manufacturing

Revenues	Period ended on 30.06.2023	Period ended on 30.06.2023	Period ended on 30.06.2023
	PLN'000	PLN'000	PLN'000
	Sales revenues	**Assets**	**Acquisition of fixed assets**
Wholesale trade	15,043,991	3,272,633	10,629
Retail trade	127,066	14,793	363
Manufacturing	48,656	122,481	2,450
Total	**15,219,713**	**3,409,907**	**13,442**

Revenues	Period ended on 30.06.2022 PLN'000	Period ended on 30.06.2022 PLN'000	Period ended on 30.06.2022 PLN'000

	Sales revenues	Assets	Acquisition of fixed assets
Wholesale trade	13,839,021	3,401,515	71,371
Retail trade	91,082	14,204	47
Manufacturing	100,722	6,765	13
Total	**14,030,825**	**3,422,484**	**71,431**

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

4. Operations in the interim period

The seasonal fluctuations of individual items affecting the financial result in the period covered by the Report reflect the market trends from the preceding years.

5. Earnings per share

	Period ended on 30.06.2023	Period ended on 30.06.2022
Basic earnings per share		
From continuing operations in PLN'000	158,053	151,112
From discontinued operations in PLN'000	0	0
Total basic earnings per share in PLN	9.76	9.34
Diluted profit per share		
From continuing operations in PLN'000	158,053	151,112
From discontinued operations in PLN'000	0	0
Total diluted earnings per share in PLN	**9.76**	**9.34**

Basic earnings per share

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

	Period ended on 30.06.2023	Period ended on 30.06.2022
Profit for the financial year attributable to the shareholders of the parent entity	158,053	151,112
Profit used to calculate the total basic earnings per share	158,053	151,112
Profit used to calculate the total basic earnings per share on continued operations	158,053	151,112
Average weighted number of the ordinary shares used to calculate the basic earnings per share	16,187,644	16,187,644
Average weighted number of the ordinary shares used to calculate the basic earnings per share	16,187,644	16,187,644

6. DIVIDENDS

The dividend distribution took place on 16 January 2023. A total amount of PLN 20,084,524 was paid, representing PLN 1.25 for each ordinary and preference share (excluding treasury shares acquired by the Company under the Treasury Share Buyback Programme). The amount of payment attributable to ordinary shares totalled PLN 18,443,273.75, while the amount of PLN 1,641,250.00 concerned preference shares.

7. TANGIBLE FIXED ASSETS

Tangible fixed assets	Own land	Buildings and structures	Investments in third-party fixed assets	Plant and machinery and other	Investments in progress	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Valuation cost						
As at 01 July 2022	**15,458**	**154,166**	**66**	**114,974**	**888**	**285,552**
Increase	0	941	0	9,788	380	**11,109**
Liquidations/sales	0	0	0	-2,342	0	**-2,342**
Net FX differences	-36	-246	0	-494	0	**-776**
Acceptance for use	0	0	0	320	-320	**0**
Other	0	-87	0	87	0	**0**
As at 30 June 2023	**15,422**	**154,774**	**66**	**122,333**	**948**	**293,543**
Depreciation and impairment						
As at 01 July 2022	**0**	**50,749**	**43**	**65,603**	**0**	**116,395**
Elimination as a result of disposal/liquidation of assets	0	0	0	-2,279	0	**-2,279**
Depreciation/amortisation costs	0	5,050	4	12,505	0	**17,559**
Net FX differences	0	-253	0	-388	0	**-641**
Other	0	-6	0	6	-11	**-11**
As at 30 June 2023	**0**	**55,540**	**47**	**75,447**	**-11**	**131,023**
Carrying value						
As at 30.06.2022	**15,458**	**103,417**	**23**	**49,371**	**888**	**169,157**
As at 30.06.2023	**15,422**	**99,234**	**19**	**46,886**	**959**	**162,520**

8. INVESTMENTS IN AFFILIATED ENTITIES

In the reviewed period, the Group did not carry out any investments in its affiliated entities.

9. GOODWILL

	Period ended on 30.06.2023 PLN'000	Period ended on 30.06.2022 PLN'000
Cost		
As at the beginning of financial year	50,845	47,842
Goodwill from business combination		
FX differences	-429	3,003

end of the period:	50,416	50,845
Accumulated impairment allowances		
As at the beginning of financial year	0	0
end of the period:	0	0
Carrying value		
Opening balance	**50,845**	**47,842**
Closing balance	**50,416**	**50,845**

The goodwill was generated as a result of the acquisition on 30 October 2007 of 100% shares in AT Computers Holding a.s. with its registered office in Ostrava, Czech Republic which holds 100 % shares in the following entities:
- AT Computers a.s. with its registered office in Žilina, Slovakia,
- AT Campus s.r.o. with its registered office in Ostrava, Czech Republic,
- AT Computer s.r.o. with its registered office in Ostrava, Czech Republic,
- AT Distribution s.r.o with its registered office in Ostrava, Czech Republic (former: – Comfor Stores a.s. with its registered office in Brno, Czech Republic,

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

10. PROVISIONS

Long-term short-term	As at 30.06.2022 PLN'000	Establishing PLN'000	Application PLN'000	Other PLN'000	As at 30.06.2023 PLN'000
Provision for retirement benefits	302	418	0	0	720

Short-term provisions	As at 30.06.2022 PLN'000	Establishing PLN'000	Application PLN'000	Other PLN'000	As at 30.06.2023 PLN'000
Provision for warranty repairs	33,555	11,312	12,003	-193	32,671
Provision for receivables in factoring	3,512	830	2,071	0	2,271
Provision for employee benefits	7,723	1,629	295	-17	9,040
Other provisions, of which:	1,109	4,116	2,234	-12	2,979
- audit	194	66	260	0	0
- other	915	4,050	1,974	-12	2,979
Total	**45,899**	**18,687**	**17,403**	**-222**	**46,961**

11. HEDGE ACCOUNTING

Financial derivatives and hedges

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

Derivative hedging instruments are used to hedge future cash flows.

When a hedge is established, the Group formally identifies and documents the hedging relationship, the objective of risk management and the hedging strategy in accordance with the approved hedge accounting policy.

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

Profit or loss resulting from changes to the fair value of the hedging instruments that do not meet the requirements of hedge accounting are recognised directly in the profit and loss of the current reporting period.

Cash flow hedges

The Group hedges FX risk related to sales indexed to EUR and USD exchange rates by using FX cash positions – trade liabilities, liabilities under bank loans, trade receivables, cash and FX forward contracts for currency sale/purchase.

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

Hedging instruments – EUR

Instrument type	Nominal value, EUR'000		Fair value, PLN'000		Anticipated maturity period of the hedged position	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Trade liabilities	(154,709)	(130,308)	(688,436)	(609,934)	July, August, September	July, August, September
Trade receivables	20,817	20,708	92,629	96,930	July, August	July, August, September
Bank loans	(15,505)	(20,976)	(68,993)	(98,186)	July, August	July, August
Cash	1,262	166	5,617	776	July, August	July, August
FX Forward EUR	(90,540)	(118,910)	988	1,147	July, August	July, August, September
Total cash positions:	**(238,675)**	**(249,320)**	**(658,195)**	**(609,267)**		

Hedging instruments – USD

Instrument type	Nominal value, USD'000		Fair value, PLN'000		Anticipated maturity period of the hedged position	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Trade liabilities	(18,639)	(17,253)	(76,453)	(77,468)	July, August	July, August
Trade receivables	973	3,409	3,995	15,288	July, August	July, August, September
Bank loans	(1,164)	(2,835)	(4,781)	(12,776)	July, August	July, August
Cash	518	143	2,123	643	July, August	July, August

FX Forward USD	(10,970)	(28,435)	612	(1,498)	July, August	July, August
Total cash positions:	**(29,282)**	**(44,971)**	**(74,504)**	**(75,811)**		

** For items other than FX Forward derivative transactions, carrying values were stated, as they do not differ materially from the fair values.*

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

	12 months to 30.06.2023 (PLN'000)	**12 months to 30.06.2022 (PLN'000)**
Gross amount recognised in equity at the beginning of the period	(14,166)	2,230
Net amount recognised in equity at the beginning of the period	(11,474)	1,807
Effective portion of profit/(loss) on the derivative instrument in the period recognised in equity	73,476	(25,127)
Amounts derecognised from equity and recognised in the profit and loss account during the period, of which:	40,399	(8,731)
- adjustment of income from operating activities	29,124	(24,153)
- adjustment of income from financing activities	11,274	15,423
– adjustment due to hedge ineffectiveness	0	0
Gross amount recognised in equity at the end of period	18,911	(14,166)
Deferred income tax asset/provision	(3,594)	2,692
Net amount recognised in equity at the end of period	15,317	(11,474)

12. Loans and borrowings

In the period from the publication of the Annual Report (i.e. 20 September 2022) until the publication of the report for Q4 of the financial year 2022/2023, the Group's companies did not conclude any new loan agreements, apart from annexes extending the existing loan agreements for subsequent periods or increasing the amount of available limit.
The following limits have been increased between the beginning of July 2022 and the end of June 2023:
- credit limit at Credit Agrigole Bank Polska by PLN 10 million (from PLN 66 million to PLN 76 million),
- credit limit at ING Bank Śląski by PLN 25 million (from PLN 60 million to PLN 85 million),
- limits at Československá Obchodní Banka by CZK 300 million, from CZK 1,200 million to CZK 1,500 million.

A loan from BGK in the amount of PLN 30 million was repaid.

The AB Group repays its liabilities under loans and borrowings in a timely manner. In the reported period, there was no significant breach of provisions of any loan or borrowing agreement.

13. Leasing

Balance sheet	Period ended on 30.06.2023 PLN'000	Period ended on 30.06.2022 PLN'000
Assets		
Carrying value of right-of-use assets	48,570	54,926
land (perpetual usufruct right)	5,178	5,207

buildings and structures	43,392	49,719
Liabilities and equity		
Lease liabilities	50,824	54,548
Long-term	43,928	52,503
Short-term	6,896	2,045

Profit and Loss Account	Period ended on 30.06.2023	Period ended on 30.06.2022
Depreciation/amortisation cost of right-of-use assets	6,377	4,179
land (perpetual usufruct right)	78	76
buildings and structures	6,299	4,103
Cost of interest on lease liabilities	1,086	371
FX differences on liability measurement	1,982	-156
Other comprehensive income	114	-17
Increases in right-of-use assets	266	46,851
Total cash outflow from leases	2,736	3,640

14. ISSUED CAPITAL

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

15. DISPOSAL OF SUBSIDIARY COMPANIES

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

16. TAKEOVER OF SUBSIDIARY COMPANIES

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

17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at the balance sheet date, the Group's off-balance sheet liabilities included bank guarantees totalling PLN 20,233 thousand. In addition, AB S.A. and ATC Holding provided sureties for the liabilities of their subsidiaries (the PLN equivalent of the sureties provided by AB S.A. is PLN 395,498 thousand and by ATC Holding PLN 209,197,474 thousand).

Details are provided in item 8 of Additional Information.

18. EVENTS AFTER THE REPORTING DATE

On 27 July 2023 the Management Board of AB S.A. decided to issue a new series of unsecured bonds, within the existing Bond Issue Programme, established under the issue agreement of 18 July 2014, concluded with Bank Polska Kasa Opieki S.A.
The established terms and conditions of the issue of the Bonds:
− Total nominal value of the Bonds: PLN 80,000,000
− Nominal value of one Bond: PLN 10,000
− Issue price of one Bond: PLN 10,000
− Issue date of the Bonds: 18 August 2023

− Redemption date of the Bonds: 18 February 2027
− Interest periods: 6 months
- Interest rate: variable based on an interest rate based on WIBOR6M, plus a fixed margin of 260 basis points.
The bonds were issued on 18 August 2023 under Article 33(1) of the Act on Bonds of 15 January 2015 and Article 1(4)(a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council.
The bonds were listed on the alternative trading system operated by the Warsaw Stock Exchange.

On 2 August 2023 AB S.A. acquired a total of 1,105 (one thousand one hundred and five) assimilated own bonds of series AB04 231023 and AB05 231023 (registered with the NDS S.A. under ISIN no: PLAB00000068), listed on the Catalyst Alternative Trading System, with a nominal value of PLN 10,000 each. These bonds were acquired at a repurchase price equal to the nominal value plus accrued interest up to the settlement date of the acquisition. The bonds were purchased for redemption. The redemption of the Bonds took place on the date of their purchase.

19. TRANSACTIONS WITH RELATED ENTITIES

In the period from 01 July 2022 to 30 June 2023, there were no transactions other than those concluded at arm's length.

XIV) ADDITIONAL INFORMATION

The additional Information is required to be disclosed pursuant to the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information disclosed by issuers of securities and conditions of recognition as equivalent of information required by the law of a Non-Member State.

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

1.1 The entities of the Capital Group (with information on consolidation method or share valuation)

As at 30 June 2023, the Group was composed of the following entities:

Parent entity

- AB S.A. (parent entity)
- The Company's business consists in distribution of computers and electronic equipment in Poland and abroad.

Address of the registered office:	ul. Europejska 4, 55-040 Magnice;
REGON (Statistical Identification Number):	931908977
NIP (Tax Identification Number):	895-16-28-481
Registration authority:	District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register. The Company was entered into the Register on 23 October 2001 under the number KRS 0000053834.
Duration of the Company:	unlimited

Subsidiary entities

- Alsen Sp. z o.o. (AB S.A. owns 100% of shares) – subject to full consolidation.
The Company is engaged in marketing and training activities and wholesale of computers and computer hardware.

- Alsen Marketing Sp. z o.o. (AB S.A. owns 100% of shares) – subject to full consolidation. The Company arranges retail sales of computers and electronic equipment, it carries out retail sales of computers and electronic equipment, it arranges a franchise network and carries out marketing operations.

- B2B IT Sp. z o.o. (AB S.A. owns 100% of shares) – subject to full consolidation. The Company is engaged in logistics.

- AT Computers Holding a.s. (AB S.A. owns 100% of shares) – subject to full consolidation.
The Company is engaged in management of subsidiary entities.

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

- AT Compus s.r.o. (AT Computers Holding a.s. owns 100% of shares) – subject to full consolidation. The Company is engaged in assembly of computers from ready sub-assemblies. Finished products are re-sold to distribution companies for further resale.

- Comfor Stores a.s. (AT Computers Holding a.s. owns 100% of shares) – subject to full consolidation. The Company is engaged in retail trade in computers and electronic materials.

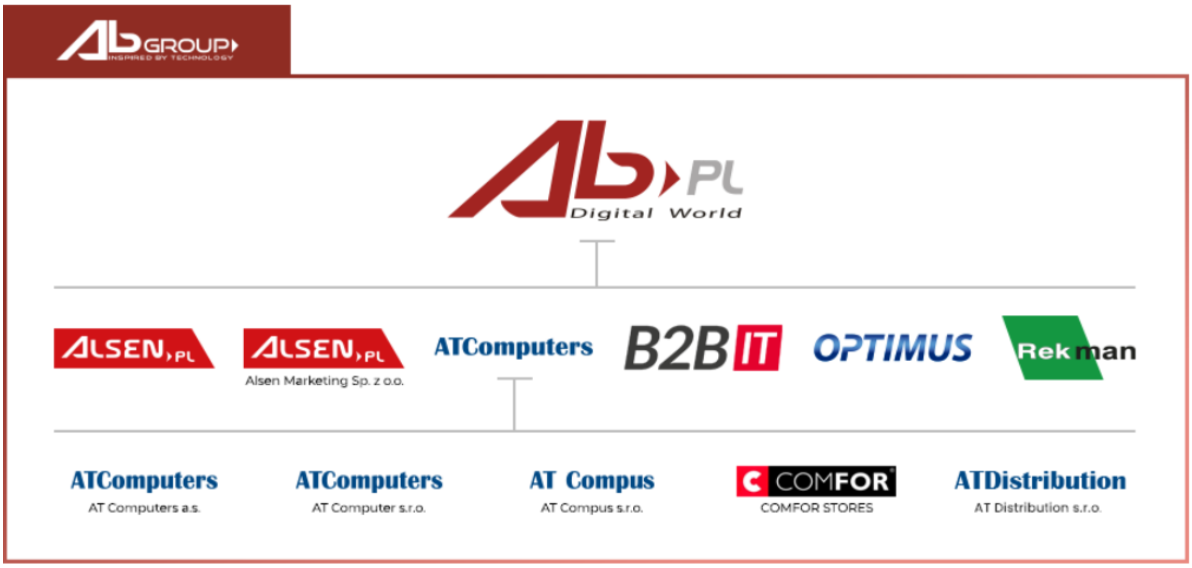
- AT Computer s.r.o. (AT Computers Holding a.s. owns 100% of shares) – subject to full consolidation. The Company's business consists in distribution of computers and electronic equipment in the Slovak market.

- AT Distribution s.r.o. (AT Computers Holding a.s. owns 100% of shares) – subject to full consolidation. The Company is engaged in retail trade in computers and electronic materials.

- Optimus Sp. z o.o. (AB S.A. owns 100% of shares) – subject to full consolidation.
The Company is engaged in trade business.

- Rekman Sp. z o.o. (AB S.A. owns 100% of shares) – subject to full consolidation.
The Company is engaged in wholesale of toys and board games for children.

1.2 Structure of the Capital Group



2. Effects of changes in the structure of the Group

In Q4 of the financial year 2022/2023 the structure of the AB Capital Group did not change.

3. Position of the Management Board on the feasibility of previously published forecasts

The Group has not published any performance forecasts for the current year.

4. Shareholders holding minimum 5% of the overall number of votes at the Issuer's General Meetings

To the Issuer's best knowledge, the shareholding structure of the Parent Entity as at the Quarterly Report's publication date was as follows:

As at 22 August 2023	Number of shares	Shareholding structure by the number of shares	Number of votes	Shareholding structure by the number of votes
Andrzej Przybyło	1,316,200	8.13%	2,629,200	15.02%
Iwona Przybyło	1,749,052	10.80%	1,749,052	9.99%
Nationale-Nederlanden OFE	2,626,631	16.23%	2,626,631	15.01%
Allianz OFE	1,935,054	11.95%	1,935,054	11.06%
Aegon OFE	1,105,972	6.83%	1,105,972	6.32%
OFE PZU	995,549	6.15%	995,549	5.69%
PKO BP Bankowy OFE	931,014	5.75%	931,014	5.32%
Others	5,528,172	34.16%	5,528,172	31.59%
Total	**16,187,644**	**100.00%**	**17,500,644**	**100.00%**

5. ISSUER'S SHARES OR RIGHTS TO THE SHARES HELD BY PERSONS MANAGING AND SUPERVISING THE ISSUER

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

The Issuer's shares or rights to the shares held by persons managing and supervising the Issuer's business as at the date when this Quarterly Report was published, i.e. 22 August 2023:

As at 22 August 2023	Number of shares	Shareholding structure by the number of shares	Number of votes	Shareholding structure by the number of votes
Management Board				
Andrzej Przybyło	1,316,200	8.13%	2,629,200	15.02%
Krzysztof Kucharski	25,000	0.15%	25,000	0.14%
Zbigniew Mądry	0	0.00%	0	0.00%
Grzegorz Ochędzan	0	0.00%	0	0.00%
Supervisory Board				
Iwona Przybyło	1,749 052	10.80%	1,749 052	9.99%
Wojciech Niesyto	0		0	
Jacek Łapiński	0		0	
Jakub Bieguński	0		0	
Jerzy Baranowski	0		0	
Marek Ćwir	0		0	

In a period between the publication of the Annual Report and the publication of the Report for Q4 of the financial year 2022/2023, there were no changes in the shareholding held by the managing or supervising persons.

6. PROCEEDINGS PENDING IN COURTS, BEFORE ARBITRATION BODIES OR PUBLIC ADMINISTRATION BODIES

AB S.A. and also companies of the AB Group are not subject to any majorproceedings pending in courts, before a competent arbitration body, or a public administration body concerning liabilities or receivables.

7. INFORMATION ON ANY TRANSACTION(S) CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY WITH RELATED ENTITIES OTHERWISE THAN ON AN ARM'S LENGTH BASIS

In the period from 01 July 2022 to 30 June 2023 there were no transactions other than those concluded at arm's length.

8. INFORMATION ON LOAN SURETIES, BORROWINGS, OR GUARANTEES GRANTED BY THE ISSUER OR ITS SUBSIDIARY ENTITIES

As part of their operations, the Group's companies issued bank guarantees in the amount of PLN 20,233 thousand in favour of their counterparties.

The table below presents guarantees and letters of credit in their original currency and translated into PLN.

Ordering party	Guarantee issuer	Beneficiary	Currency	Amount in currency	Amount in PLN	Validity date
AB S.A.	Santander	Intel	USD	1,000,000	4,106,600	16.01.2024
AB S.A.	Credit Agricole	Samsung Electronics POLSKA	PLN	11,000,000	11,000,000	30.09.2024
AB S.A.	Credit Agricole	State Treasury – Director of the Chamber of Fiscal Administration in Wrocław	PLN	500,000	500,000	perpetual
AT Computers, a.s.	ČSOB, a.s.	Celní úřad pro Jihočeský kraj [Customs office for the South Bohemian Region]	CZK	400,000	75,000	perpetual
AT Computers, a.s.	ČSOB, a.s.	Celní úřad pro Jihočeský kraj [Customs office for the South Bohemian Region]	CZK	100,000	18,750	perpetual
COMFOR STORES a.s.	ČSOB, a.s.	Palladium Praha s.r.o.	EUR	72,075	320,755	24.05.2024
COMFOR STORES a.s.	ČSOB, a.s.	EURO-PROPERTY Fund	EUR	28,596	127,261	30.05.2024
COMFOR STORES a.s.	ČSOB, a.s.	Atrium Flora – prodejna	EUR	15,559	69,243	15.06.2024
COMFOR STORES a.s.	ČSOB, a.s.	Deoria Estates	EUR	11,042	49,140	15.02.2024
COMFOR STORES a.s.	ČSOB, a.s.	Zásilkovna s.r.o.	CZK	90,000	16,875	10.09.2023
AT Computers, a.s.	ČSOB, a.s.	Ubiquity (Taiwan) Sales Limited	USD	440,000	1,806,904	10.06.2024
AT Computers, a.s.	ČSOB, a.s.	CONTERA Investment VIII. s.r.o., Říčany	EUR	478,000	2,127,243	24.04.2024
COMFOR STORES a.s.	ČSOB, a.s.	Atrium Flora – stánek	EUR	3,450	15,352	31.05.2024
					20,233,124	

The table below shows the nominal amounts of sureties granted in original currency, granted by AB S.A. and ATC Holding to guarantee the liabilities of subsidiaries (the equivalent of sureties in PLN granted by AB is PLN 395,498 thousand and by ATC Holding PLN 197,474 thousand).

Subsidiary company that received a guarantee	Beneficiary	Currency	Amount in currency	Validity date
AT Computers	Apple	USD	80,000,000	perpetual
AT Computers	Intel	USD	3,000,000	perpetual
Rekman	LEGO	PLN	17,000,000	30.11.2023
Alsen Marketing	Samsung	PLN	1,500,000	31.12.2027
B2B	ING Bank	PLN	36,150,000	31.01.2035
AT Computers, a.s.	KB a.s.	CZK	1,050,000,000	31.12.2030
COMFOR Stores	ČSOB a.s.	CZK	3,192,029	31.12.2038

9. Description of the issuer's major achievements and failures in the period covered by the report, with the list of the most significant events related to the issuer

Operations of the AB Group in the area of IT and telco

The AB Group continues to strengthen its leading position in IT distribution in the CEE Region. According to Context's 2023 data, the Group is ranked eighth among the largest European IT distributors. The experience of being present on the market for many years, listening to the needs of market participants, being close to the partners allows us to achieve measurable market results, and thanks to the broadest partner base in the CEE region, 16,000 partners, we achieve the widest market reach.

Currently, the IT market is seeing a slowdown related to the deterioration in economic sentiment, as a consequence of the energy crisis, high inflation and the central banks' response to these adverse developments, in the form of significant interest rate increases. Market dynamics are also affected by the effect of a high base and market saturation (record turnover was recorded in 2022). According to Context, in Q1 and Q2 2023, the dynamics of the IT distribution market in the Region[1] were negative and the market contracted by 2% and 8% respectively. Meanwhile, the Group's turnover dynamics in Q1 and Q2 2023 were +6% y/y and -3%, indicating AB Group's relative resilience to market turbulence.

In the long term, the IT market in Poland has the potential for long-term growth, due to the ongoing digital transformation of societies and the trend towards achieving per capita spending at the level of Western countries. Digital communication in administration, medicine and healthcare, the virtualisation of teaching or the dynamic development of additional services and solutions for consumers within e-commerce will continue to generate new demand for IT solutions, both from the user side as well as from the provider of new solutions.
Among the projects that will generate further demand for IT equipment are the purchase of notebooks for students and teachers (a government programme implemented through a public tender), a loan programme for cloud transformation, a programme for the development of high-speed internet access, legislative changes in public administration (mCitizen), In a report announced in 2023, Poland ranked 5th in the EU in terms of the pace of digital transformation between 2017 and 2022 (increase in the DESI – Digital Economy and Society Index).
In addition to digital transformation, the rise of rental as an alternative to ownership is cited as key trends in this market, as well as, the rise of equipment repair and maintenance services, and AI/IoT/VR technologies.

The Group's turnover for the twelve months of 2022/2023 amounted to PLN 15,219,713 thousand, up 8.5% y/y. Noteworthy is the increase in market demand for servers, telco, processors, software, printers and audio-video.
The Group's net result for the twelve months of 2022/2023 amounted to PLN 158,053 thousand, 4.6% higher than in the same period of the previous year.
EBITDA in the 12-month period amounted to PLN 295,308 thousand, 27.6% higher than in the same period last year.

Apple-branded products account for the largest share of AB Group sales. The Group is the dominant distributor of the brand's products in the Poland/Czech Republic/Slovakia region. The saturation of the Polish market with iphones is still much lower than in other developed European countries, which, combined with the strong interest in new models of the brand, presents the prospect of further growth.

The Group is successful in the Telco market, where it has many years of experience and a very wide range of products (Apple, Realme, Oppo, Motorola, Samsung, Asus, LG, Vivo). New distribution contracts have recently been signed: Xiaomi, Honor, Tecno. Sales are made through a number of channels: through mobile network operators, the retail and open market channels, as well as Digimax's own franchise network. This market has very good prospects for further growth. Among the key trends, there is an increased interest in phones with 5G and further technological developments, an increase in the average value of the device sold and the rise of renting as an alternative to owning.

AB continues its training activities within its Competence Centre. In the 12-month period 2022/23, it organised 226 events (6,374 participants) and 451 Pearson Vue exams. The training provided by the Centre is appreciated by participants for the breadth of the offer and the quality.

The Group is also developing sales of advanced IT solutions, for which market demand continues to grow. It thus fits in with the visible market trends that will define increased demand in the coming periods, particularly

[1] Poland, the Czech Republic, Slovakia.

in the areas of cyber security, modern systems at the so-called network edge, AI. The Group has a team of system engineers and a broad product portfolio to enable complex projects.
As part of the VAD business, the Group entered into new distribution contracts with Check Point, Mobotix, Teltonika Networks.

Confirmation of the results achieved in the area of distribution activities is provided by the awards and distinctions received by the Group's companies. Recent awards and accolades include:
Samsung Memory Distributor of the Year 2023 for AB, IT Champions 2023 Distributor of the Year 2023 for AB, IT Champions 2023 award in the Training and Education category for AB Competence Centre S.A, AB leader of Computerworld Top200 2023, in the categories: largest IT company in Poland, largest Polish IT distributor, largest IT equipment supplier, largest third-party equipment supplier, Polityka weekly: ESG ranking. White Letter CSR Policy 2023 for AB, Distributor of the Year 2022 Hewlett Packard Enterprise for AB, HP Partner Award Distribution Coverage SMB for AB S.A., AB Distributor of the Year 2022/2023 Schneider Electric, Best Local Supplier Honeywell for AT Computers in the category Productivity Solutions and Services, Best Distributor of the Year 2022 Canon for AT Computers in the category of "Genuine Consumables Performance" Czech Republic and Slovakia, Hewlett Packard Enterprise Distributor of the Year 2022 for AT Computers, Jabra Distributor of the Year 2022 for AT Computers.

The awards and ranking positions received are confirmation that AB Group is not only the largest, but also the best distributor in the Poland/Czech Republic/Slovakia region.

Operations of the AB Group in the area of distribution of AV equipment/household appliances

After a period of high growth, there is now a weakening of demand in the AV equipment/household appliances market in Poland, mainly as a result of the deterioration in consumer sentiment caused by the ongoing war, the energy crisis and high inflation, as well as a slump in demand in the housing market due to rising mortgage servicing costs. According to the CSO, retail sales growth in the first half of 2023 was -2.0% in current prices (-13.0% in constant prices). Demand in this market may also be affected by the end of the coronavirus pandemic and the partial return of employees from remote working to offices.

A key factor that will affect the dynamics of this market in the coming quarters is the new law that allows first-time home buyers to obtain a loan with a fixed low interest rate for the first ten years.

AB Group is active in the AV equipment/household appliances market and has products from all major suppliers, including Amica, Beko, Bosch, Candy, Electrolux, LG, Philips, Samsung, Whirlpool and Zelmer. The product portfolio is still being expanded.

The Group is developing the Kakto franchise sales channel. Competence in managing the sales network in the franchise model, gained during many years of experience in the development of other franchise networks translates into sales results achieved by Kakto.

Operations of the AB Group in the area of distribution of toys

Rekman is a leading toy distributor in Poland that has been operating on the market for 30 years. It collaborates with several hundred trading partners, offering the broadest assortment of products from a majority of leading global and Polish manufacturers. The Company has been strengthening its position on the toys market by optimising the sales structures (developing its retail and e-commerce channels), and also through improvement of logistics.

Impact of the ongoing war

AB Group has no operations in Russia, Belarus or Ukraine. In the past period, the Group made no deliveries to these countries and no sales to Russia and Belarus, while sales to Ukraine amounted to PLN 1 million. Factors potentially affecting the Group's operations are related to difficulties in the availability of goods, delays in deliveries, as well as the dynamics of commodity prices and business costs, currency fluctuations, high financing costs and the economic downturn.
Due to the movement of Ukrainian nationals between Poland and Ukraine, some difficulties in the labour market can be expected periodically.

Financial resource management

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

The distributor ensures the continuity of deliveries to the retailer, as a result the end-user has guaranteed constant access to a wide range of products. This function means that the distributor must maintain a wide range of products available "on the spot" in the warehouse. Thus, by fulfilling the role in the distribution channel, the distributor maintains high levels of inventories, which are partly financed by the supplier through credit limits with different maturity dates, and, partly, by the distributor, due to a change in demand for offered products.

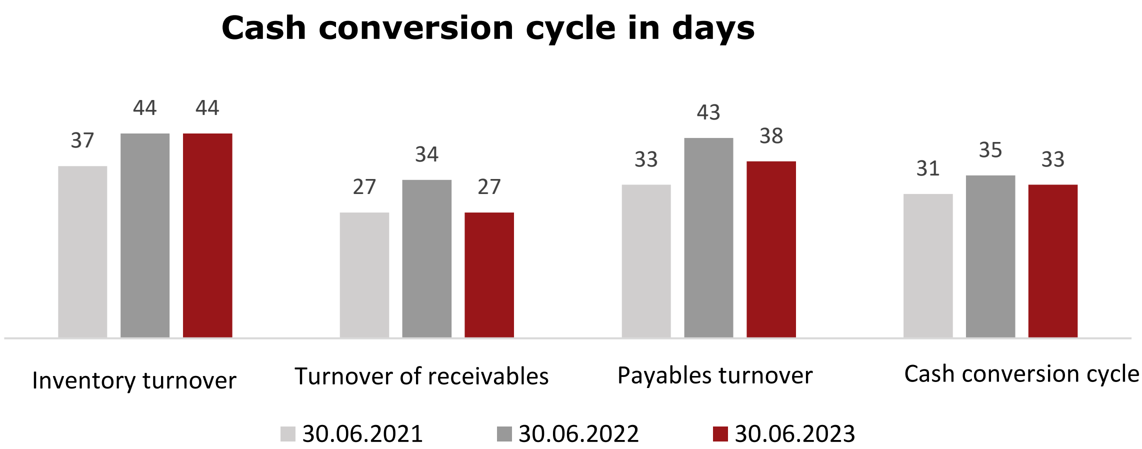
Under this model, working capital management is one of the key competences of a large distributor. The so-called broadline distributor maintains a positive working capital, fulfilling the credit function mentioned above and the function of supplier in the distribution channel, ensuring continued access to products; such characteristics of business combined with a huge scale of operations determine the amount of receivables, inventories, and liabilities, including interest liabilities in the Group's balance sheet. Sales growth and diversification and expansion of the product offer (new distribution agreements) define significantly the level of interest debt.

For many years AB Group has been conducting a responsible policy in the scope of the values of balance sheet items. This is particularly reflected in the capital adequacy in relation to the scale of carried operations. Consistent implementation of the policy of a responsible distributor shapes debt, liquidity, turnover ratios, as well as the ability to service debt at safe levels, which is particularly important in a changing market environment, as may be observed in times of the coronavirus.

The key financial ratios illustrate the Group's very good financial health and the efficient financial management of the Group's companies.

Cash cycle indicators[2] were maintained at the following levels:

- inventory turnover ratio: 44 days
- receivables turnover ratio: 27 days
- liabilities turnover ratio(including payables to customers): 38 days
- cash conversion cycle 33 days

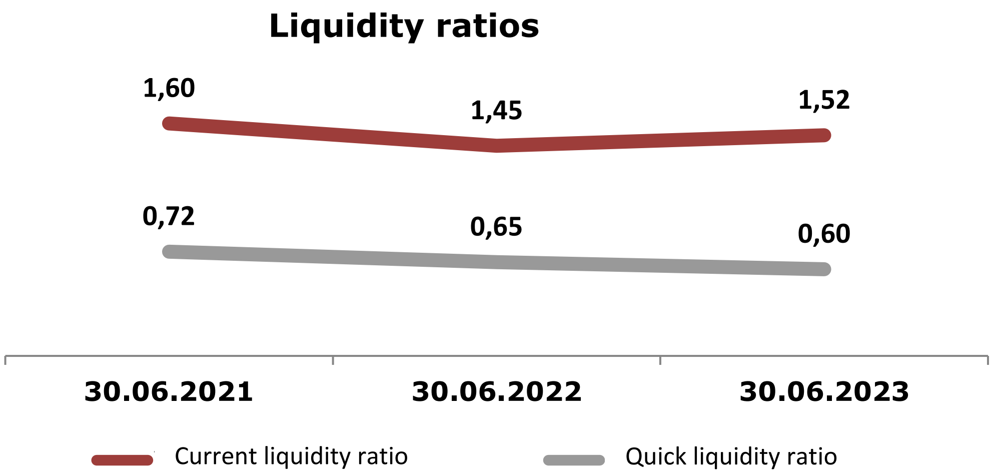


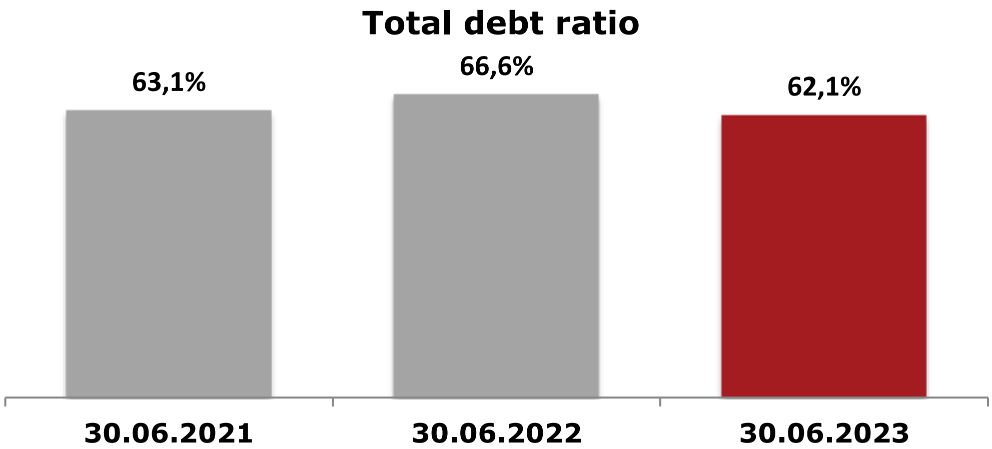
The current liquidity ratio and quick liquidity ratio were at a safe level of 1.52 and 0.60, respectively.

[2] The ratios are presented on an annual basis, YTD

ul. Europejska 4, 55-040 Magnice, Tel. (+48 71) 39 37 500, Fax (+48 71) 39 37 529, www.ab.pl
BANK ACCOUNT: Santander Bank Polska S.A. 44 /O Wrocław, PL68 1500 1155 1211 5003 2339 0000 (PLN),
PL46 1500 1155 1211 5003 5196 000 (EUR), PL58 1500 1155 1211 5003 2456 0000 (USD); NIP 895-16-28-481
Warsaw: tel. (+48 022) 51 09 300, fax (+48 022) 51 09 333

The total debt ratio was 62.1 per cent, lower than in previous years due to a reduction in receivables related to the change in sales structure and additional equity from profits generated during the financial year (gradual change in the structure of financing sources).





The Management Board pays special attention to FX risk hedging. The nature of its business exposes the Group to a material risk relating to currency rate fluctuations. Hedge accounting implemented by the Group virtually eliminates the FX risk. The applied hedging instruments do not generate an additional risk related to a high volatility of market conditions, such as options or option strategies.

The Group manages the credit risk in a structured and responsible manner. It applies a prudential receivables policy, verifies merchant limits granted, and insures receivables. Owing to its credit policy, the Group effectively mitigates the risk related to overdue receivables. At the same time, a conservative approach to valuation of such assets does not create the risk of incorrect classification.

On 18 February 2022, the Management Board of AB S.A. adopted the Issuer's Share Buyback Programme. This authorisation covers the fully paid bearer Shares of the Issuer, dematerialised, admitted to trading on a regulated market operated by the Warsaw Stock Exchange and marked with the ISIN code: PLAB00000019. The shares are purchased by the Issuer to have them redeemed. The maximum cash amount allocated to the Programme (to finance the acquisition of the Shares together with their acquisition costs) is PLN 16,187,644.00. The maximum number of Shares to be acquired under the Programme is 3,193,079 .
The Programme will run until 20 December 2023 or until the indicated Maximum Amount is exhausted. The funds earmarked for the acquisition of Shares will come from the capital created for this purpose pursuant to

Resolution No. 7/2018 of the Issuer's Annual General Meeting of 20 December 2018. The Shares will be cancelled by way of a reduction in the capital reserve. In Q4 of the financial year 2022/23. AB S.A. repurchased 64,195 shares for PLN 3,443 thousand. The share buyback price was in the range of PLN 47.00 to PLN 61.00.
At the end of June 2023, the total number of shares repurchased (including shares repurchased under the programme carried out in previous years) was 234,429, representing 1.45% of the share capital and 1.34% in the total number of votes at the General Meeting.

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

EXTERNAL FACTORS

The most significant factor affecting the results is the social and macroeconomic situation in the Region and in the world, as well as sentiments in the economy and the demand for IT goods and services.

Russia's aggression against Ukraine

Russia's military aggression against Ukraine has been ongoing since February 2022. This serious political situation is having a very negative impact on the economies of the Region and the world, including through sharp fluctuations in energy commodity prices and a record global increase in inflation. There is a high risk of a further negative impact on the economic climate, including the IT equipment market. While we do not currently see a real impact of the war on product availability, there is a risk of reduced product availability if the war escalates into other countries' economies, such as increased political tension around Taiwan, where a significant proportion of the key IT solutions distributed globally originate. Also, the availability of raw materials in times of armed conflict may be significantly reduced, which in turn may further increase inflation. Due to the uncertain situation, there are sharp fluctuations in currency exchange rates and share prices.

There is a risk that the ongoing invasion and the associated uncertainty in the economy will also have a negative impact on existing economic activity, consumers' propensity to purchase electronic devices and businesses' decisions to make development investments.

AB Group has no operations in Russia, Belarus or Ukraine. Also, in the past period, the Group made no deliveries from these countries or sales to Russia and Belarus. Sales made in the territory of Ukraine amounted to PLN 1 million. War-related risks may include impediments to the availability of goods, delays in supply, as well as sharp increases in commodity prices as well as in the cost of doing business, and a downturn in the Region's economy. The Group's activities are based on the distribution of mainly IT, consumer electronics and AV equipment/household appliances products based on distribution agreements with manufacturers. On the basis of these, the sales policy pursued is fully coordinated with the actions taken by producers, including, among other things, securing a market price for the products distributed by AB Group.

Macroeconomic situation in Poland

Poland's economy is clearly slowing down. GDP growth in 2022 was +5.1%[3] (compared to growth of +6.9% in 2021). According to forecasts published by the National Bank of Poland in July 2023, GDP growth in 2023 is expected to be +0.6%, while in 2024 and 2025 it will be +2.4% and +3.3% respectively[4].
Dynamic price increases are expected to continue to hold back consumption. In addition, the uncertain political and economic situation associated with the ongoing war is contributing to the weakening demand. The July 2023 global PMI stood at 43.5 (the fifteenth consecutive month of remaining below the 50-point level, while June and July 2023 saw a marked decline from the May reading of 47.0)[5].

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[3] CSO
[4] Inflation report. July 2023 Monetary Policy Council.
[5] https://www.obserwatorfinansowy.pl/forma/dispatches/wskaznik-pmi-dla-przemyslu-w-polsce-w-lipcu-wyniosl-435-pkt/

The unemployment rate remains low, with an unemployment rate of 5.0% in June 2023 (according to the CSO) compared to 5.2% in 2022. Unemployment as defined by Eurostat in June 2023 was 2.7%, the second lowest in Europe, just behind Malta (2.6%)[6].

The biggest challenge is the level of inflation, which is 14.4 per cent in Poland in 2022 and accompanied by strong fluctuations in the exchange rate of the zloty. In order to normalise inflation, the Monetary Policy Council has repeatedly raised interest rates. This, in turn, has an impact on the cost of financing companies, including AB Group. According to the July 2023 NBP forecasts, the CPI inflation rate is expected to reach 11.9% in 2023, and 5.2% and 3.6[7]in 2024 and 2025 respectively.

The serious situation in Ukraine may also significantly affect the labour market in Poland, due to the movement of the Ukrainian population between Poland and Ukraine. The AB Group mitigates this risk by pursuing a prudent personnel management policy, manifested, among other things, in reserves of human resources capacity. Thanks to the automation of logistics processes, much of the work in the warehouse does not require physical strength and can be carried out by women.

Macroeconomic situation in the Czech Republic

There are signs of cooling in the Czech economy. GDP growth in 2022 was +2.4%. Projections published by the OECD in June 2023 show that the projected GDP growth rate in 2023 is +0.3%[8]. A further decline in consumption is expected, driven by a reduction in household wealth, due to very high inflation and high financing costs, and a continued tendency to save, due to the uncertain political and economic situation[9]. GDP growth is expected to be +2.4% in 2024.

The July 2023 PMI was at a very low level of 41.4[10]. It has remained well below 50 for a year.

Unemployment levels in the Czech Republic are still very low (2.7% in June 2023 according to Eurostat). This is consistently one of the lowest scores across the EU.

As in many other EU countries, the challenge for the Czech economy is the record high level of inflation, reaching 15.1% in 2022. According to OECD forecasts published in July 2023, CPI inflation is expected to be 12.2% in 2023 and 3.4% in 2024.

Macroeconomic situation in Slovakia

Slovakia's GDP growth rate in 2022 was +1.7%. According to forecasts published in June 2023 by the OECD, GDP growth is expected to be +1.3% in 2023 and +2.0% in 2024[11]. As reported by the Slovak Ministry of Finance in June 2023, the country's economy will avoid entering recession in 2023 by maintaining domestic demand, using tools to fight inflation and using EU funds[12].

Slovakia's unemployment rate is expected to remain at 6.3% in 2023-2024 (it was 6.1% in 2022, at the end of June 2023: 6.0%)[13].

Inflation at the end of 2022 was 12.1% (HICP), while it is forecast to be 11.0% in 2023 and 5.6[14]in 2024.

Global macroeconomic situation

[6] https://ec.europa.eu/eurostat
[7] Inflation report. July 2023 Monetary Policy Council.
[8] The Czech Ministry of Finance reported in April 2023 a GDP growth forecast of +0.1% in 2023: https://www.mfcr.cz/en/statistics/macroeconomic-forecast/2023/macroeconomic-forecast-april-2023-50911
[9] https://www.mfcr.cz/en/statistics/macroeconomic-forecast/2023/macroeconomic-forecast-april-2023-50911
[10] https://pl.investing.com/economic-calendar/czech-s-p-global-pmi-812
[11] The Slovak Ministry of Finance gave a GDP growth forecast of 1.2% and 1.3% for 2023-24 in June 2023.
[12]https://www.mfsr.sk/en/finance/institute-financial-policy/policy-briefs/inflation-hits-households-consumption-june-2023.html
[13] https://www.statista.com/statistics/375276/unemployment-rate-in-slovakia/
[14]https://www.oecd-ilibrary.org/sites/ce188438-en/1/3/3/41/index.html?itemId=/content/publication/ce188438-en&_csp_=f8e326092da6dbbbef8fbfa1b8ad3d52&itemIGO=oecd&itemContentType=book

The global economy has clearly slowed down. Global GDP growth was +3.4% in 2022 (compared to +6.3% in 2021) and will be +2.7% and +2.9% in 2023 and 2024, respectively, according to OECD forecasts[15] of June 2023.

US GDP growth in 2022 was +2.1% (compared to +5.9% in 2021), and is expected to be +1.6% and +1.0% in 2023 and 2024 respectively, according to the OECD's June 2023 forecast. The unemployment rate in 2022 was below 4%, stood at 3.5% at the end of 2022 and remained at this level of 3.5-3.7% in Q1-Q2 2023[16]. Due to the fall in energy prices, there is a reduction in inflation about the beginning of 2023. From a level of 8% in 2022, inflation fell to 3% in June 2023.

The economy in the euro area has also clearly slowed down. In 2022, GDP growth in the euro area was +3.5% (compared to +5.4% in 2021), while according to forecasts published by the OECD in June 2023, GDP growth in 2023 will be just +0.9% and +1.5% in 2024. Unemployment in 2022 in the European Union was 6.1% (Eurozone 6.6%[17]). According to projections provided by the OECD, it is expected to remain at the same level in 2023 and 2024. The level of inflation (HICP) in 2022 was +8.4%, while in 2023 and 2024 it is expected to be respectively: +5.8% i +3.2%.

China's GDP growth in 2022 was only +3.0% y-o-y (compared to +8.4% in 2021), This slowdown had to do with the numerous lockdowns introduced earlier, as well as the negative impact of global inflation and uncertainty over the ongoing war in Ukraine.
China's economy is currently in a bruising phase; according to OECD forecasts published in June 2023, GDP growth is expected to be +5.4% in 2023 and +5.1% in 2024.

Impact of macroeconomic factors on the IT distribution market

Russia's ongoing aggression against Ukraine is causing serious consequences in the economy, in the form of soaring commodity and fuel prices, high interest rates and potentially a downturn in the economy.

A significant factor affecting the operation of the AB Group is very high inflation, which is associated with a sharp increase in the cost of doing business, as well as high interest rates, which in turn contributes to a significant increase in financing costs.
The Group constantly monitors the financing structure of its operations, adapting it to the current situation and ensuring that, on the one hand, the further development of its activities is secure and, on the other hand, financing costs are kept at an optimum level.

The AB Group's business is also affected by volatility of exchange rates, among others, relating to substantial reliance of the Polish and Czech currencies on information flowing from other European and non-European capitals. The strong fluctuations in the zloty exchange rate observed recently have to do with the ongoing Russian invasion of Ukraine and the very high level of inflation.
The volatility of exchange rates affects the AB Group's business in terms of an evolution of product prices and demand for goods, too. The Group hedges FX risk related to sales indexed to EUR and USD exchange rates by using FX cash positions – trade liabilities, liabilities under bank loans, trade receivables, cash and FX forward contracts for currency sale/purchase. Due to the application of hedge accounting with respect to the FX risk, the Group shifts effective part of FX differences from a financial part of the profit and loss account to its operating part.

The following table details the aspects of the business environment, potentially having an impact on the AB Group's operations in the next reporting period:

The economic situation and demand in the economies of the world and the Region, the further course of the ongoing war in Ukraine and its impact on the economies of the world and the Region.
Volatility in demand in the IT and AV equipment/household appliances, the possibility of a downturn

[15] https://www.oecd.org/economic-outlook/june-2023/
[16] https://www.statista.com/statistics/273909/seasonally-adjusted-monthly-unemployment-rate-in-the-us/
[17]https://ec.europa.eu/eurostat/documents/2995521/15893630/3-01022023-BP-EN.pdf/e907214e-5496-dfa0-cd00-2d68dbf62f2b

due to the ongoing war and the ensuing economic crisis, as well as market saturation after a period of record turnover during the coronavirus pandemic.
Return of supply chain disruptions, restrictions on the availability of raw materials, materials and products. High commodity price dynamics.
Volatility on FX markets, primarily the following exchange rates: EUR/PLN and USD/PLN, as well as EUR/CZK and USD/CZK – impact on the weakening of local currencies on product prices for end customers.
Currently, very high levels of inflation, uncertainty about the dynamics of the prices of goods and services in future periods, the decline in the wealth of households and companies and the associated economic downturn.
The very high level of interest rates, which has an impact on companies' financing costs, as well as on the dynamics of the consumer credit market.
The dynamic growth and evolution of the IT hardware sector, the demand for remote workstations, the increasing digitalisation, including the digital transformation of the public sector, the development of the areas of cyber-security and data centres, 5G technology, the further development of the smart home sector and the circular economy.
Progressing market consolidation in the IT distribution market.

INTERNAL FACTORS

In addition to the factors arising from the Group's environment, also a number of internal factors will have a significant impact on the market position and the financial situation of the Group:

Further development of the product portfolio – as part of the adopted market strategy, aimed at increasing sales and improving partners' loyalty,
Continuous efforts to optimise management of inventories, working capital, and logistics, resulting in operating expense reduction in relation to income.
The position of the Group in the IT distribution market in the Region and an opportunity to use economies of scale.
Parallel development in multiple distribution channels: resellers, e-commerce, large retail networks, public administration, corporate customers, integrators, the franchise network, and export sales.
Hedge accounting applied to eliminate FX risk, and an effective hedging policy against FX risk.
Offering additional services to partners (e.g. training, certifications, outsourcing of logistic processes, sales platforms, joint marketing initiatives), which allow the Company obtaining their loyalty and generating higher margins,
Maintenance of debts ensuring, on one hand, financial safety, and providing for stable growth with a dynamically growing scale of operations on the other,
Ensuring stable funding sources over a long-term perspective,
A responsible receivables management policy, ensuring that the Group maintains a high level of liquidity and a low claims ratio.
Recruiting new counterparties (new distribution agreements) and commercial partners.
Diversification of product groups with new categories from outside the new technologies segment (such as AV equipment/household appliances, office articles and consumables).
Execution of projects aimed at integration and standardisation in the entire AB Group, while keeping an appropriate level of independence of activities on individual markets.
Wide range of delivery forms, development of dropshipping system, automation of processes in the logistics area: hybrid picking system, ultra-fast sorter, modern WMS. Implementation of solutions to optimise accounting processes in the back office area.
Close collaboration among the Group's companies bringing about results in the form of a knowledge base and know-how sharing.

11. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The financial statements were approved by the Management Board for publication on 22 August 2023.

First and last name	Position/Function	Signature
Andrzej Przybyło	PRESIDENT OF THE MANAGEMENT BOARD	
Krzysztof Kucharski	DEPUTY PRESIDENT OF THE MANAGEMENT BOARD	
Zbigniew Mądry	DEPUTY PRESIDENT OF THE MANAGEMENT BOARD	
Grzegorz Ochędzan	DEPUTY PRESIDENT OF THE MANAGEMENT BOARD	

Person who has been entrusted with maintenance of the books of account

First and last name	Position/Function	Signature
Magdalena Kosatka	CHIEF ACCOUNTANT	