

Auditor's report

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quality

clarity



Independent Auditor's report

on the
financial statements of Talex S.A.
with the registered office in Poznań
for the period from 01.01.2016 to 31.12.2016





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This document is a free translation of the report issued in Polish. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation to enhance understanding. The binding Polish original should be referred to in matters of interpretation.

INDEPENDENT AUDITORS' REPORT

To the General Meeting Talex S.A.

Report on financial statements

We have audited the accompanying financial statements of Talex S.A., with its registered office in Poznań, Karpia St. 27D, which comprise introduction to the financial statements, balance sheet as at 31 December 2016, the profit and loss account, the statement of changes in equity, the statement of cash flows for for the financial year then ended and the supplementary information and explanations.

Responsibility of the Management Board and members of the Supervisory Board for the Financial Statements

The Management Board of Talex S.A. is responsible for the preparation of financial statements that give true and fair view in accordance with Act dated 29 September 1994 on accounting (Journal of Laws from 2016, item 1047 with amendments), hereinafter referred to as the Accounting Act and other applicable laws and regulations, as well as keeping the accounting records in accordance with the Accounting Act. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Under the Accounting Act the Management Board and members of the Supervisory Board are required to ensure that the financial statements are prepared in accordance with the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit together with issuance of the long-form audit report.

We conducted our audit in accordance with National Standards on Auditing, being International Standards on Auditing as adopted in Poland (resolution No 2783/52/2015 dated 10 February 2015 of the National Board of Certified Auditors with amendments), hereinafter referred to as National Standards on Auditing, and section 7 of the Accounting Act. Those standards and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Under the Accounting Act we are also required to state in our independent auditor's report, whether financial statements comply, as to the form and content, with applicable laws and regulations as well as the Company's articles of associations and have been prepared based on the properly kept accounting records. We report on these matters based on the work undertaken in the course of the audit.

Opinion

In our opinion, the financial statements of Talex S.A.:

- give true and fair view of the financial position of Talex S.A. as of 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Accounting Act and applied accounting policies,
- have been prepared, in all material respects, in accordance with Accounting Act and comply with the provisions of the Company's articles of association that apply to the financial statements,
- have been prepared based on the properly, in all material respects, kept accounting records in accordance with the Accounting Act.

Report on Other Legal and Regulatory Requirements

Report on activities

Report on activities comprise of financial and non-financial information. The Management Board is responsible for preparation of the report on the activities. Our opinion on financial statements does not cover the report on activities and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Opinion on report on activities

The Management Board is responsible for preparation of the report on the activities. The Management Board and members the Supervisory Board are required to ensure that the report on activities comply with the Article 49 of the Accounting Act



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As required by the Accounting Act and National Auditing Standards, we have read the report on the activities, and in doing so, we considered whether the report disclosed, in all material respects, information required by the Article 49 of the Accounting Act and whether information is consistent with the audited financial statements.

In our opinion, based on the work undertaken in the course of the audit, the accompanying report on the activities discloses, in all material respects, information required by the Article 49 of the Accounting Act and this information is consistent with information in the audited financial statements.

Other statements on the report of activities required by the Accounting Act

In the light of the knowledge and understanding of the Company and its environment obtained during the course of the audit we have not identified material misstatements in the report on the activities.

Signed on the Polish original

Krzysztof Blimel
Statutory Auditor No. 13 112

Key Statutory Auditor
On behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
audit firm number 477

6/1B Orzycka Street
02-695 Warsaw

Poznań, 29 March 2017



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Long-form audit report

on the
financial statements of Talex S.A.
with the registered office in Poznań
for the period from 01.01.2016 to 31.12.2016



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1. General

1.1. General information about the entity

1.1.1. Business name

Talex S.A.

1.1.2. Registered office

Karpia Street 27D, 61-619 Poznań

1.1.3. Registration details

Registration court:	District Court in Poznań, Nowe Miasto i Wilda VIII Commercial Department of the National Court Register
Date:	03.10.2001
Registration number:	KRS 0000048779
REGON:	004772751
NIP:	PL 7820021045

The main business of the Company are (here should be mentioned essentials business activities, not all):

- Wholesale and retail of information technology and communication tools,
- Telecommunications and information service activities,
- Rental and leasing of machinery and equipment, including computers

1.1.4. Share capital structure and related parties

At 31 December 2016 the structure of share capital of the Company of PLN 3 000 092,00 was as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal value of shares TPLN	Percentage of share capital (%)
anusz Gocałek	756 556	26,19%	756,56	25,22%
Jacek Michał Klauziński	756 556	26,19%	756,56	25,22%
Andrzej Różga	756 556	26,19%	756,56	25,22%
pozostali	730 424	21,43%	730,42	24,35%
TOTAL	3 000 092	100,00%	3 000,09	100,00%

1.1.5. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2016, the Management Board of the Company comprised of the following members:

- Janusz Gacałek – Chairman of the Board,
- Jacek Michał Klauziński – Vice-Chairman of the Board,
- Andrzej Różga – Vice-Chairman of the Board,
- Rafał Szałek – Member of the Board,
- Radosław Wesołowski – Member of the Board.

In 2016 there were no changes in the Board

1.2. Information related to the audit of financial statements

1.2.1. Legal requirements related to the audit

The financial statements have been audited in accordance with the audit engagement letter dated 18.05.2016, based on the resolution of Supervisory Board dated 05.05.2016 on the appointment of the auditor.

Key statutory auditor and PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on certified auditors and their government, audit firms and public oversight dated 7 May 2009 (Consolidated text, Journal of Laws of 2015, item 1011, as amended).

1.2.2. Information related to provision of requested information, explanations and representations

Scope of our audit has not been limited. We have received all requested information and explanations necessary to obtain appropriate and sufficient audit evidence.

The Management Board of the Company submitted a representation letter, dated the same date as this report, as to the true and fair presentation of the financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements.

All required representations, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been provided.

The scope of the work planned and performed has not been limited in any way.

1.3. Prior period financial statements

The financial statements as at and for the year ended 31 December 2016 were audited by PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. and received an unqualified opinion.

The financial statements were approved at the General Meeting on 11.05.2016 where it was resolved to allocate the profit for the prior financial year of PLN 6 249 910,08 as follows:

- paid in the form dividends 3 891 395,30 PLN
- paid in the form Supplementary capital (funds) 2 358 514,78 PLN

The financial statements were submitted to the Registry Court on 12.05.2016.

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2. Detailed report

2.1. Financial position and performance

2.1.1. Financial position

ASSETS	2015-12-31 PLN '000	% of total	2016-12-31 PLN '000	% of total
FIXED ASSETS				
Intangible fixed assets	1 018,09	1,0%	584,67	0,6%
Tangible fixed assets	65 771,76	61,8%	61 733,04	62,7%
Long-term prepayments and deferred costs	673,91	0,6%	882,42	0,9%
	67 463,76	63,4%	63 200,13	64,2%
CURRENT ASSETS				
Inventory	2 146,00	2,0%	890,68	0,9%
Short-term receivables	28 361,42	26,7%	26 216,70	26,6%
Short-term investments	8 022,42	7,5%	7 784,84	7,9%
Short-term prepayments and deferred costs	340,47	0,3%	290,70	0,3%
	38 870,31	36,5%	35 182,93	35,7%
Own shares	74,64	0,1%	74,64	0,1%
TOTAL ASSETS	106 408,72	100,0%	98 457,70	100,0%

LIABILITIES	2015-12-31 PLN '000	% of total	2016-12-31 PLN '000	% of total
EQUITY				
Share capital	3 000,09	2,8%	3 000,09	3,0%
Supplementary capital (funds)	36 265,07	34,1%	37 894,84	38,5%
	19 800,00	18,6%	19 880,00	20,2%
Other capital (funds) reserves	5 000,00	4,7%	5 000,00	5,1%
Profit (loss) from previous periods	-1 700,10	-1,6%	-971,36	-1,0%
Net profit (loss)	6 249,91	5,9%	4 720,04	4,8%
	48 814,97	45,9%	49 643,61	50,4%
LIABILITIES AND PROVISIONS				
Provisions	2 165,65	2,0%	2 218,61	2,3%
Long-term liabilities	15 647,66	14,7%	10 947,02	11,1%
Short-term liabilities	32 181,96	30,2%	28 589,72	29,0%
Accruals and deferred incomes	7 598,48	7,1%	7 058,74	7,2%
	57 593,75	54,1%	48 814,09	49,6%
TOTAL LIABILITIES	106 408,72	100,0%	98 457,70	100,0%

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2.1.2. Financial performance

	2015 PLN '000	% of sale revenue	2016 PLN '000	% of sale revenue
Net revenues from sales	124 057,03	100,0%	113 037,07	100,0%
Cost of the sold products, goods and materials	103 655,06	83,6%	93 550,07	82,8%
Gross profit (loss) on sales	20 401,97	16,4%	19 487,00	17,2%
Selling costs	3 748,83	3,0%	3 724,26	3,3%
General and administrative costs	8 645,52	7,0%	9 914,18	8,8%
Profit (loss) on sales	8 007,62	6,5%	5 848,55	5,2%
Other operating costs	654,71	0,5%	976,15	0,9%
Other operating costs	247,33	0,2%	359,84	0,3%
Profit (loss) on operating activities	8 415,00	6,8%	6 464,87	5,7%
Financial revenues	99,92	0,1%	157,07	0,1%
Financial costs	704,63	0,6%	728,55	0,6%
Gross profit/loss	7 810,28	6,3%	5 893,39	5,2%
Corporate income tax	1 560,37	1,3%	1 173,36	1,0%
Net profit (loss)	6 249,91	5,0%	4 720,04	4,2%

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2.1.3. Selected financial ratios

	Selected financial ratios	unit	2014	2015	2016
1.	Return on sales (result on sale / net revenues) x 100%	%	20,0%	16,4%	17,2%
2.	Return on equity (net result / avarege equity) x 100%	%	18,8%	12,8%	9,6%
3.	Debtors' days average trade receivables (net) x 365 days / net revenues	days	62	67	86
4.	Debt ratio (liabilities and provisions for liabilities / total equity and liabilities) x 100%	%	32,0%	45,0%	40,2%
5.	Current ratio <u>current assets / current liabilities</u>		1,9	1,2	1,2

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2.2. Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the financial statements or our opinion.

Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed verification of assets and liabilities in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

Signed on the Polish original

Krzysztof Blimel
Certified Auditor No. 13 112

Key Certified Auditor
On behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
registration number 477

6/1B Orzycka Street
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Poznań, 29 March 2017