



**REPORT ON THE ACTIVITIES
OF CAPITAL GROUP
KOMPUTRONIK S.A.**

IN 2018

(english version relates to selected sections)

Poznań, July 5, 2019

To Shareholders, Contractors and Employees of the Komputronik S.A. Group

To whom it may concern,

on behalf of the Management Board, I forward to you the annual financial report of the Komputronik S.A. Capital Group. This report was prepared for financial year 2018, which ended 31st March 2019.

In the completed year, the most important task that was achieved was to increase the profitability of sales of products and services offered by the Group of the Issuing Party. The aim was to maintain operational profitability, despite the apparent trend of increasing personnel and material costs. This goal was achieved by eliminating low-cost transactions, as well as increasing the cost efficiency of transactions and projects conducted by the Komputronik Group.

The completed financial year was, for the industry in which the Issuing Party operates, another year full of challenges, mainly related to the availability of insurance for timely payment by contractors. Also for the Group of the Issuing Party this was the main factor affecting its activities negatively. Due to the large number of suppliers and the width of the product offer (more than 100 thousand commodity indices), the size of the limits granted by insurers to the Issuing Party's suppliers was insufficient, which resulted in the necessity of ordering goods in smaller batches, with shorter deadline payments, or even a significant reduction in capital involvement in so-called non-strategic commodity groups. The Issuing Party optimised the purchase of goods in terms of liquidity, which in the fourth quarter of the financial year affected the reduction of trade turnover and profits that the Issuing Party could realise using the full potential of sales in the fourth quarter of the financial year.

In general, the Polish market remains one of the most competitive European markets, so we are pleased to see the positive effects of initiatives undertaken by the state administration, which, thanks to the use of innovative analytical and preventive tools, are increasing the space for honest businesses to function. The Polish market is maturing and stabilising, consolidation processes are noticeably decreasing in their intensity. The prevailing view is that most players in this industry are focusing on sustainable, predictable development, accompanied by a reasonable margin.

In the past year, companies from the Komputronik Group generated a total of PLN 2 billion in revenue, and their total profit on sales amounted to PLN 225.5 million (an increase of 2%). Operating profit amounted to PLN 16.6 million and was higher by more than 74% compared to the previous year. The Group had PLN 10.7 million gross profit and PLN 7.9 million net profit.

We are looking to the future with optimism and hope, counting on the possibility of a further increase in sales and profitability, which will allow us to meet the expectations of our customers and will enable us to build positive experiences for our employees and their satisfaction with the results of their work.

Regards,

Wojciech Buczkowski
Chairman of the Board of Komputronik S.A.

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INTRODUCTION

1. BASIC INFORMATION ABOUT THE KOMPUTRONIK S.A. CAPITAL GROUP

- 1.1. GROUP STRUCTURE
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2. DISCUSSION OF BASIC ECONOMIC AND FINANCIAL DATA DISCLOSED IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CAPITAL GROUP

2.1 CONSOLIDATED DATA

2.1.1 IMPACT OF ONE-OFF EVENTS

Due to the need to ensure comparability of data to those reported in previous years, as well as a clear presentation of the financial position of the Issuing Party, the following financial data will not contain the effects of one-off events that occurred in financial year 2017, i.e.: revaluation of assets in connection with the New Agreement, legal and judicial costs associated with the conclusion of the New Agreement, as well as one-off losses caused by criminal activities.

At the end of financial year 2017 the Company concluded an Agreement whose effects had a significant impact on the results presented in the financial statements for financial year 2017. In consolidated terms, the impact of the settlement can be seen in financial costs items (PLN 41.8 million) and in income tax (reversal of previous tax assets in the value of PLN 1.1 million). Other one-off events that took place in 2017 and were excluded from the presentation of the results are legal and legal advisory costs related to legal proceedings and settlements in the amount of PLN 1.5 million, included in the general costs of the management board and two events related to the activities of criminal groups, which resulted in losses of about PLN 3.4 million (losses in stock goods and extortion of goods in a cross-border transaction), included in other operating costs.

Data (in thousands of PLN)	2017	Influence of one-off events	2017 without one-off events
Sales revenue	2,044,825		2,044,825
Cost of sales	-1,823,527		-1,823,527
Gross profit (loss) from sales	221,298	0	221,298
Sales costs	-178,237		-178,237
General Board expenses	-28,156	-1,500	-26,656
Balance of other operating income and expenses	-5,350	-3,400	-1,950
Profit (loss) from operating activities	9,555	-4,900	14,455
Balance of financial income and expenses	-45,463	-41,800	-3,663
Gross profit	-35,908	-46,700	10,792
Income tax	-1,545	-1,140	-405
Net profit attributable to the shareholders of the parent company	-37,453	-47,840	10,387
EBITDA *	22,223	-4,900	27,123

* EBITDA calculated as operating profit adjusted for depreciation costs

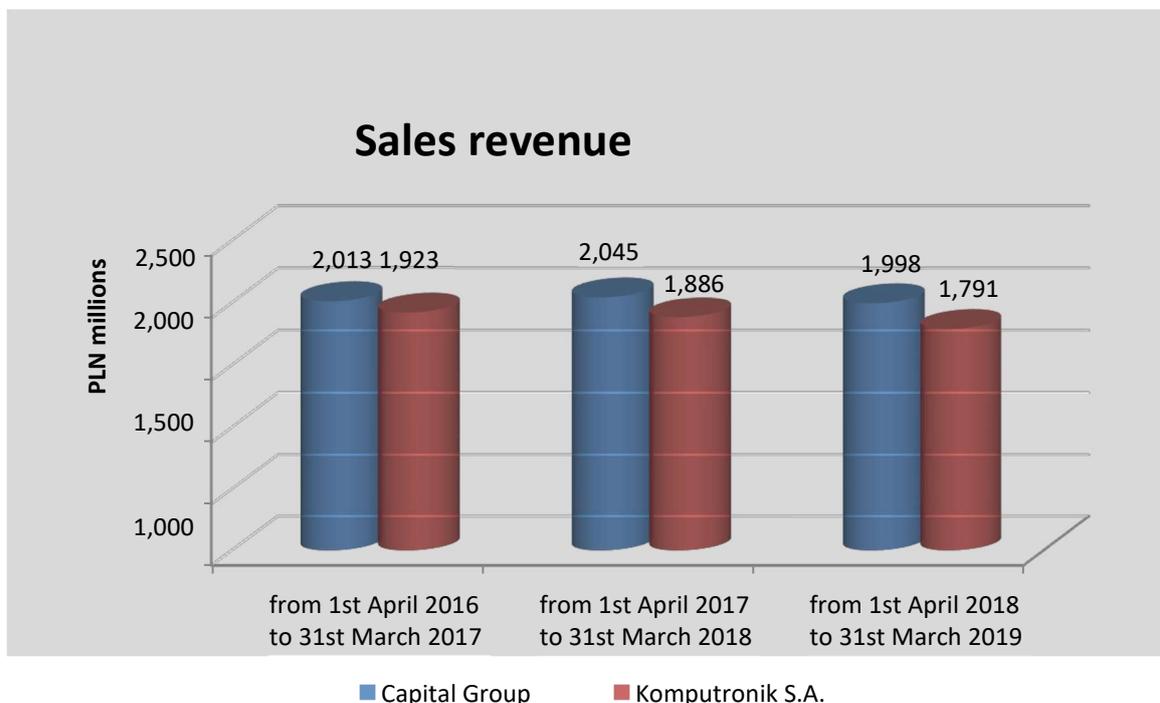
2.1.2 SALES REVENUE. RESULT ON SALES

The current period for the Group was marked by challenges. In the first half of the year sales fell in significant commodity groups, such as laptops, and at the same time there was a strong price pressure from competitors, which caused a decrease in margins of some commodity groups offered by the Group. In order to offset adverse market trends, decisions were taken at the end of the first half of the year to reduce sales of low-margin commodities and gradually increase margins, mainly in retail channels, but also much more emphasis was placed on profitability in the remaining sales channels, with particular emphasis on indirect sales costs, including forwarding, time-consuming warehousing operations and overhead of production costs.

The result of the decisions made was a periodic decrease in trade turnover while improving sales income (gross margin). In the third financial quarter there was no noticeable decrease in sales compared to the previous year, which, with the successful introduction of profitability strategy, allowed to expect significant improvement in results also in the fourth quarter of the financial year. Unfortunately, in the last quarter of the year the companies insuring the turnover with our suppliers lowered the limits granted to the Capital Group. The limitation of insurance limits meant that the Group, when selecting a supplier, had to rely more on the fact that the supplier had an insurance limit rather than on the criterion of the best purchase price. This had an impact on both the reduction of realised turnover and the obtained margins.

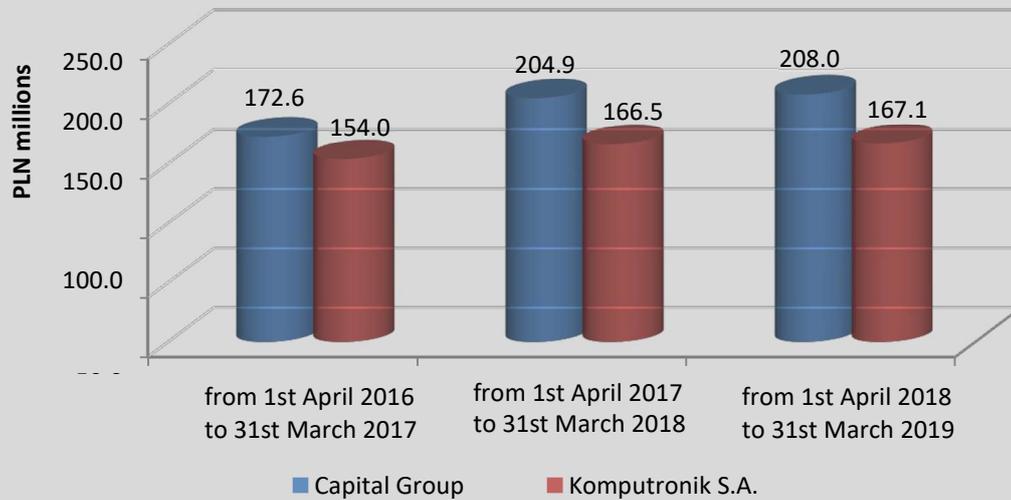
Despite unfavourable conditions, the Group achieved revenue amounting to PLN 1,998 million in the period from 1st April 2018 to 31st March 2019, which resulted in a decrease of 2.3% compared to the previous year. With limited possibilities of using the limits granted by insurance companies that insure the receivables of our suppliers, the Company in the first place reduced the possibility of carrying out capital-intensive transactions with a small profit. It is estimated that as a result of the abovementioned factor, the decrease in turnover in the last quarter of 2018 amounted to about 3-5%.

The Group's gross margin increased from 10.8% in 2017 to 11.3% in the current period, generating a profit on sales amounting to PLN 225.5 million, higher than in the previous year by PLN 4.2 million. We estimate that the result on sales (trade margin) would be higher if the Group had full freedom to choose suppliers, preferring suppliers providing the best purchase prices and after-sales bonus programs, rather than those with sufficient limits granted by insurers.



In 2018 sales and general management costs increased by 1.5% compared to the previous period, with sales costs increased by 1.0% (PLN 1.8 million) and general management costs increased by 5.1% (PLN 1.3 million).

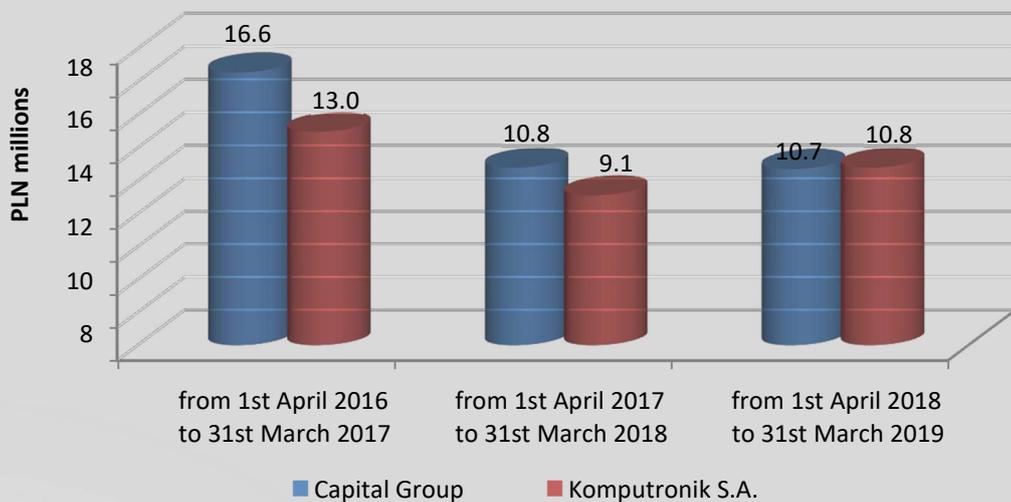
Sales and general management



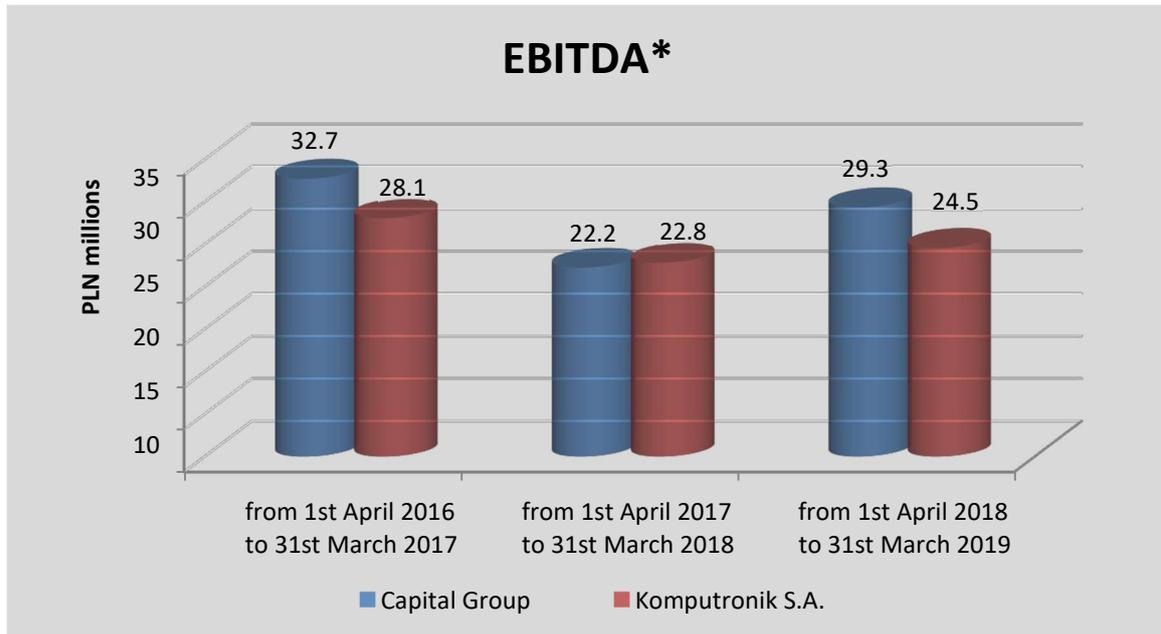
PROFITABILITY

The Group's results as shown in the financial statements amounted to PLN 16.6 million operating profit, PLN 10.7 million gross profit and PLN 7.9 million net profit.

Gross profit (loss)



EBITDA of the Group amounted to PLN 29,315 thousand compared to PLN 22,223 thousand last year (excluding one-off events that occurred in the previous financial year). The increase in EBITDA compared to 2017 confirms the effectiveness of a strategy aimed at increasing the profitability of sales taking into account indirect operating costs, rather than a policy based on the increase in trade turnover.



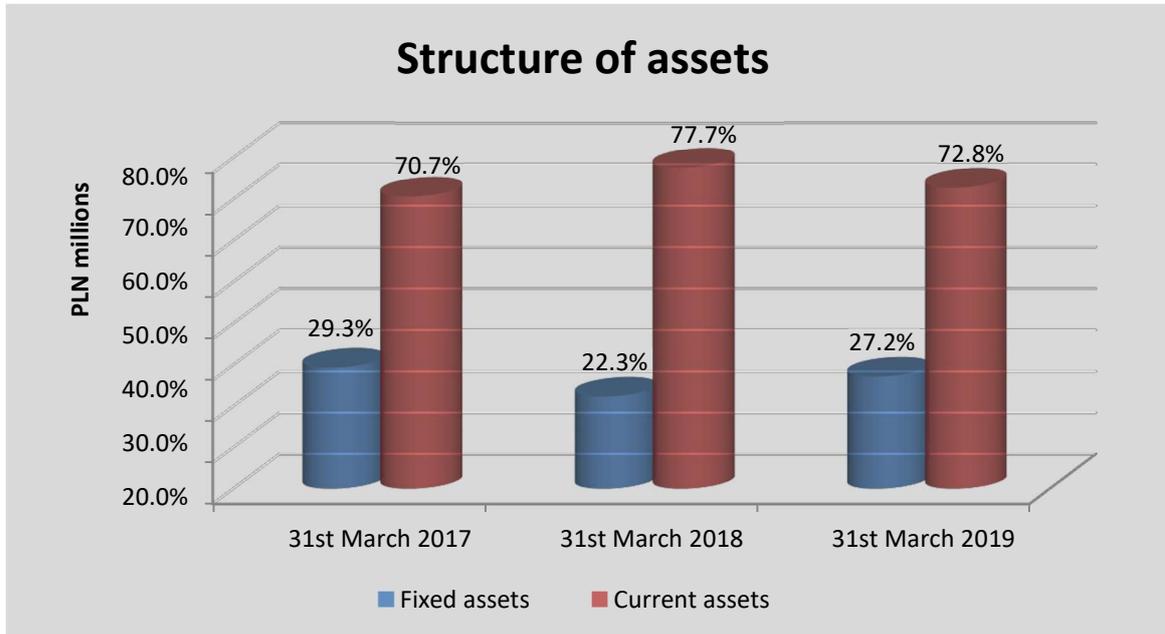
* EBITDA calculated as operating profit adjusted for depreciation costs

2.1.3 ASSETS

Fixed assets as at 31st March 2019 amounted to PLN 144,682 thousand and increased by 20.9% compared to 31st March 2018, accounting for 27.2% of the Group's total assets. Such a significant increase is due to the reclassification of parts of investment properties that were presented as current assets in the previous financial statements.

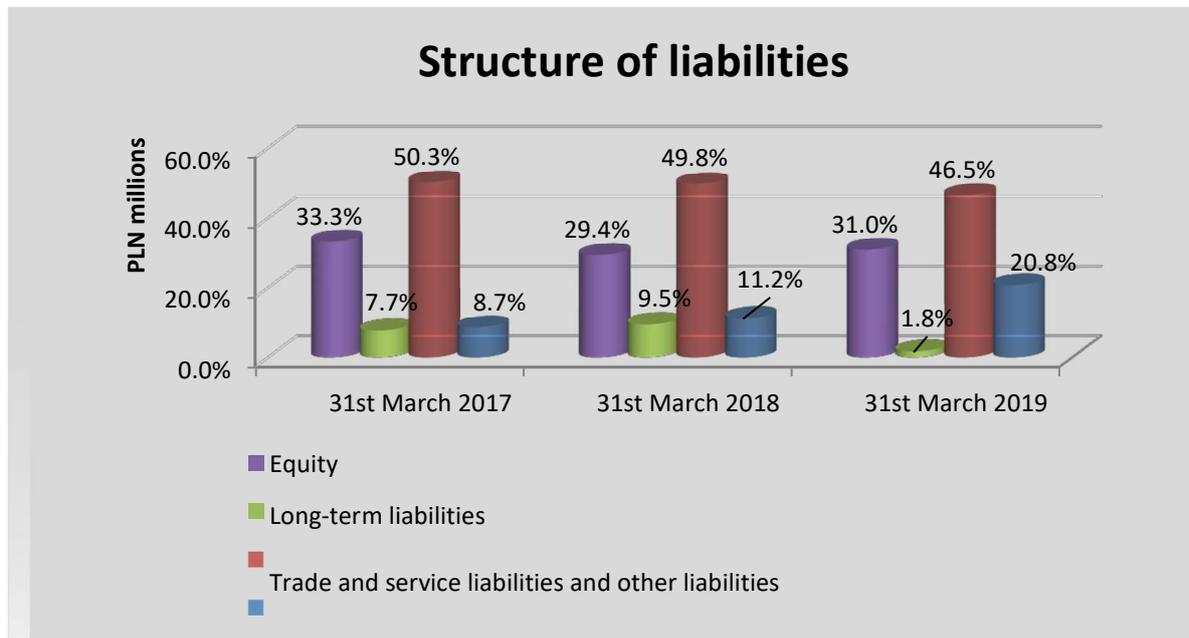
The largest item of the fixed assets was tangible fixed assets (PLN 56,175 thousand) and intangible assets (PLN 29,477 thousand), as well as investment real estate (PLN 31,755 thousand).

	31st March 2017	31st March 2018	31st March 2019
Fixed assets	177,275	119,656	144,682
Current assets	427,176	417,455	387,478



Current assets as at 31st March 2019 amounted to PLN 387,478 thousand and accounted for 72.8% of total assets. Current assets decreased by 7.2% compared to the previous year. The main items of current assets, as in previous years, were trade and service receivables (PLN 102,827 thousand) and provisions (PLN 217,485 thousand).

	31st March 2017	31st March 2018	31st March 2019
Provisions	263,083	232,688	217,485
Trade and service receivables and other receivables	129,188	134,998	120,208
Cash and cash equivalents	21,472	10,111	11,299
Other current assets	13,433	39,658	38,486



2.1.4 CAPITAL AND LIABILITIES

Equity as at 31st March 2019 amounted to PLN 164,765 thousand, which means an increase of 4.2% compared to 31st March 2018; equity accounted for 31.0% of total liabilities.

Liabilities and liability reserves amounted to PLN 367,395 thousand and decreased by 3.0% compared to 31st March 2018.

	31st March 2017	31st March 2018	31st March 2019
Equity	201,013	158,169	164,765
Long-term liabilities	46,841	51,065	9,335
Supply and service obligations, and other liabilities	303,795	267,483	247,583
Other short-term liabilities*	52,802	60,394	110,477

* Other short-term liabilities are current income tax liabilities, loans, other debt instruments, financial leases, derivative financial instruments, employee benefit liabilities and provisions, and short-term accruals

2.1.5 LIQUIDITY. TURNOVER RATIOS

The liquidity ratio decreased slightly compared to previous years and amounted to 1.1 current liquidity ratio and 0.4 increased liquidity ratio respectively.

Detailing	31st March 2017	31st March 2018	31st March 2019
Current ratio (<i>current assets/short-term liabilities</i>)	1.2	1.3	1.1
Increased liquidity ratio (quick ratio) (<i>current assets - inventories - deferred prepayments and accrued income / short-term liabilities</i>)	0.5	0.5	0.4

Due to the limitation of insurance limits granted to suppliers of the Group, inventory stocks have been reduced. As a result of this decision, the inventory turnover index fell from 50 days in 2017 to 46 days in the current

balance sheet period. As a result of the reduction of some capital-intensive trade transactions, the rotation rates of receivables were also reduced (from 21 in 2017 to 19 in 2018) and liabilities (from 50 days in 2017 to 41 in 2018).

The cash conversion cycle amounted to 24 days.

Detailing	31st March 2017	31st March 2018	31st March 2019
Stock turnover in days <i>(average inventories*/own sales costs)*365</i>	50	50	46
Rotation of short-term receivables in days <i>(average balance of commercial receivables and others*/revenue from sales)*365</i>	23	21	19
Rotation of short-term supply obligations and services in days <i>(average balance of trade liabilities and others*/ own sales costs)*365</i>	58	50	41

* calculated as the average value from the beginning and end of the year

2.1.6 CASH FLOW

The current financial period began with cash amounting to PLN 10,111 thousand.

Net cash flow from operating activities amounted to PLN 25,510 thousand. The change in liabilities PLN (-18,597) thousand was the most important for the above flows as was the change in the balance of inventories of PLN 15,203 thousand.

Net cash flow from investment activity amounted to PLN (-27,233) thousand. The most important items in this respect were expenses related to the acquisition of tangible and intangible assets for the total amount PLN (-17,503) thousand.

Net cash flow from financial activities amounted to PLN 2,912 thousand. The most significant factors affecting this group of cash flows were inflows from loans and borrowings taken out, i.e. PLN 8,261 thousand.

The cash as at 31 March 2019 amounted to PLN 11,299 thousand.

2.2 KOMPUTRONIK S.A. – SEPARATE DATA

2.2.1 IMPACT OF ONE-OFF EVENTS

Due to the need to ensure comparability of data to those reported in previous years, as well as a clear presentation of the financial position of the Issuing Party, the following financial data will not contain the effects of one-off events that occurred in financial year 2017, i.e.: revaluation of assets in connection with the New Agreement, legal and judicial costs associated with the conclusion of the New Agreement, as well as one-off losses caused by criminal activities.

At the end of financial year 2017, the Company concluded an Agreement, the effects of which had a significant impact on the results presented in the financial statements. In unit terms, the impact of the settlement can be seen in the loss items from the sale of subsidiaries (PLN 23.2 million) and in income tax (reversal of previous tax assets in the value of PLN 1.1 million). Other one-off events that took place in 2017 and were excluded from the presentation of the results are legal and legal advisory costs related to legal proceedings and settlements in the amount of PLN 1.5 million, included in the general costs of the management board and two events related to the activities of criminal groups, which resulted in losses of about PLN 3.4 million (losses in stock goods and extortion of goods in a cross-border transaction), included in other operating costs.

Data (in thousands of PLN)	2017	Influence of one-off events	2017 without one-off events
Sales revenue	1,886,189		1,886,189
Cost of sales	-1,706,381		-1,706,381
Gross profit (loss) from sales	179,808	0	179,808
Sales costs	-147,300		-147,300
General Board expenses	-20,739	-1,500	-19,239
Balance of other operating income and expenses	-4,084	-3,400	-684
Profit (loss) from operating activities	7,685	-4,900	12,585
Balance of financial income and expenses	-26,644	-23,180	-3,464
Gross profit	-18,959	-28,080	9,121
Income tax	-1,027	-1,140	113
Net profit attributable to the shareholders of the parent company	-19,986	-29,220	9,234
EBITDA *	17,912	-4,900	22,812

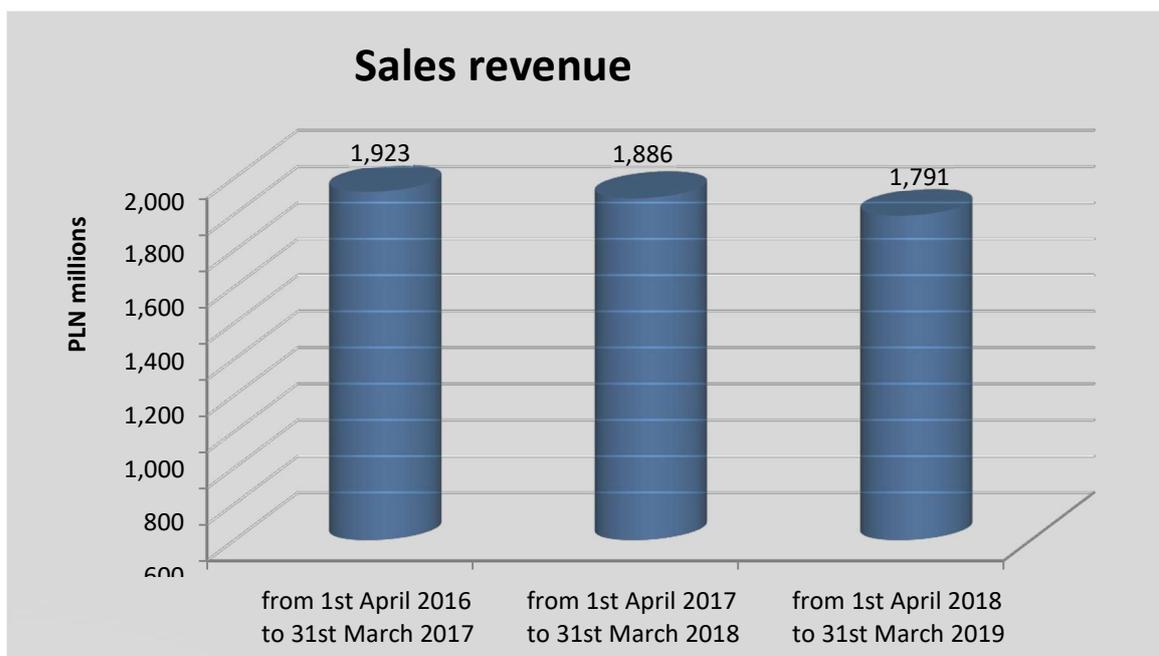
* EBITDA calculated as operating profit adjusted for depreciation costs

2.2.2 SALES REVENUE. RESULT ON SALES

Pomimo niekorzystnych warunków jakie zostały opisane w punkcie 2.1.2 niniejszego sprawozdania, Spółka osiągnęła w okresie od 1.04.2018r. do 31.03.2019r. przychód w wysokości 1 791 mln PLN, co daje spadek w porównaniu do poprzedniego roku o 5,0%. Przy ograniczonych możliwościach zwiększania limitów przyznawanych przez firmy ubezpieczeniowe, które ubezpieczają należności naszych dostawców, Spółka w pierwszej kolejności redukowała możliwość przeprowadzania kapitałochłonnych transakcji o niewielkim zysku.

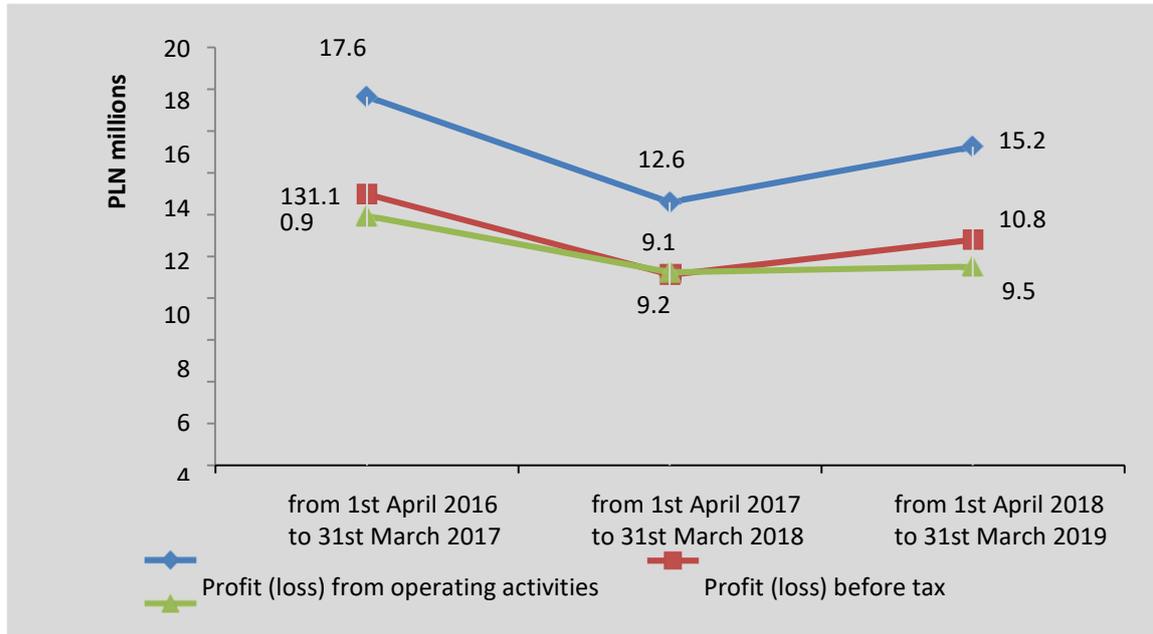
Despite the adverse conditions described in section 2.1.2 of this report, the Company generated revenue amounting to PLN 1,791 million in the period from 1st April 2018 to 31st March 2019, which resulted in a decrease of 5.0% compared to the previous year. With limited possibilities of increasing the limits granted by insurance companies that insure the receivables of our suppliers, the Company reduced the possibility of carrying out capital intensive-transactions with a small profit.

The Company's gross margin increased from 9.5% in 2017 to 10.0% in the current period, generating a profit on sales of PLN 179.1 million (PLN 179.8 million in 2017)

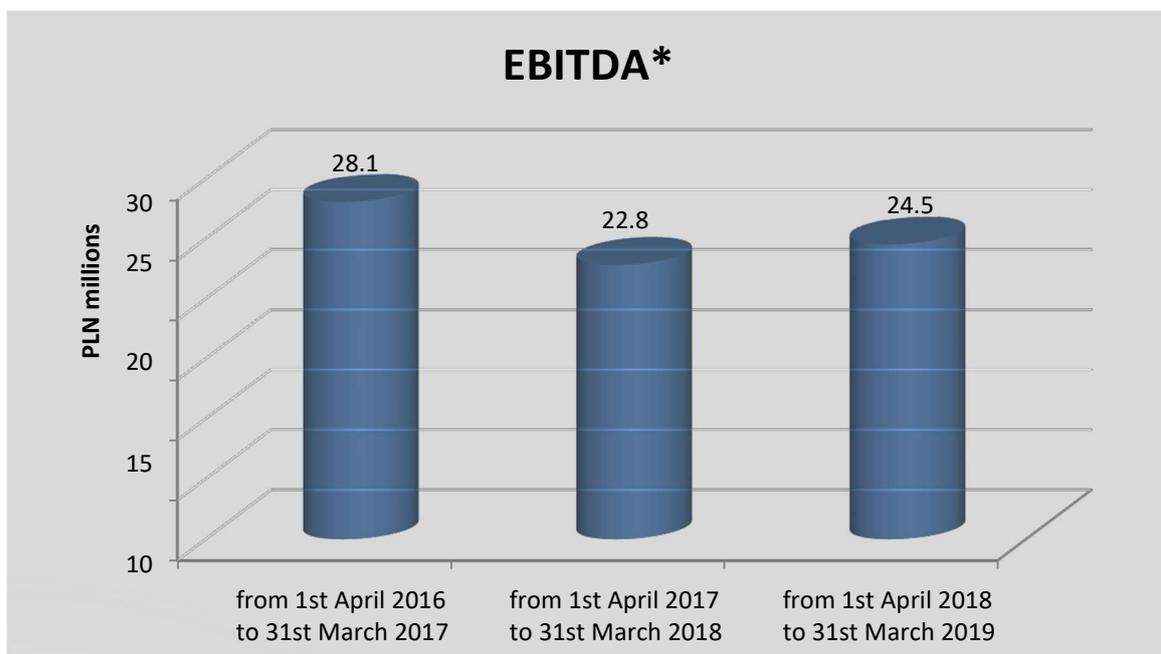


2.2.3 PROFITABILITY

The Company's results as shown in the financial statements amounted to PLN 15.2 million operating profit, PLN 10.8 million gross profit and PLN 9.5 net profit.



EBITDA of the Group amounted to PLN 24,532 thousand compared to PLN 22,812 thousand last year.



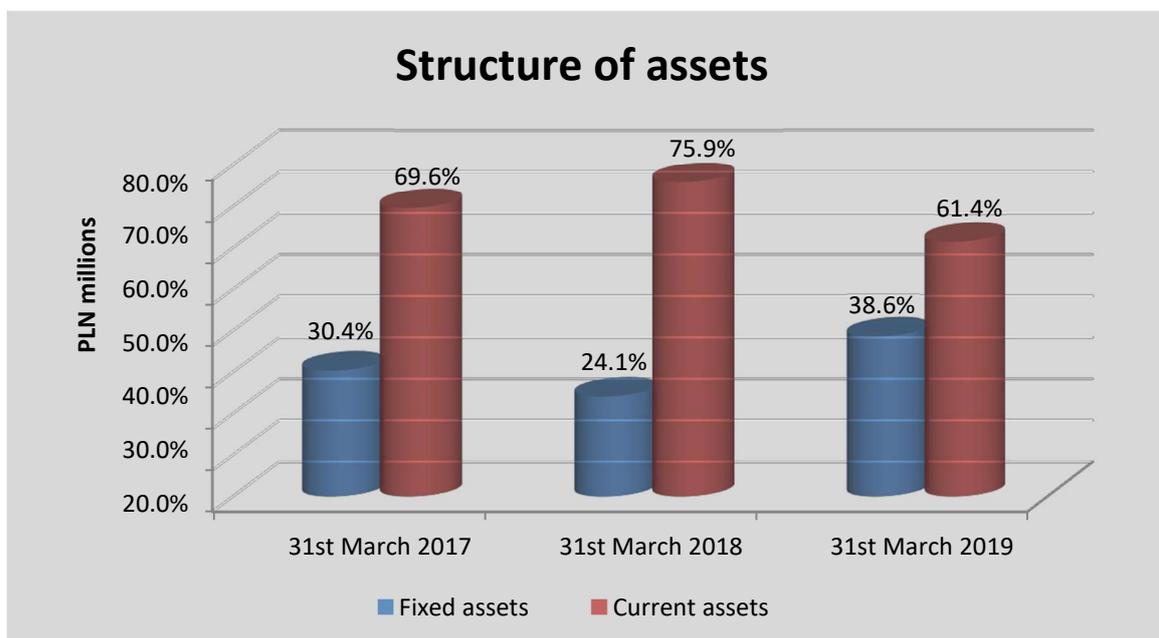
* EBITDA calculated as operating profit adjusted for depreciation costs

2.2.4 ASSETS

Fixed assets as at 31st March 2019 amounted to PLN 211,147 thousand and increased by 64.3% compared to 31st March 2018, accounting for 38.6% of the total assets of the Company. Such a significant increase is primarily due to the reclassification of assets in the form of shares in subsidiaries (a detailed description of changes can be found in Note 8 of the Financial Report of Komputronik S.A.).

The largest item of fixed assets was investments in subsidiaries (PLN 111,680 thousand), as well as tangible assets (PLN 48,205 thousand) and intangible assets (PLN 32,205 thousand).

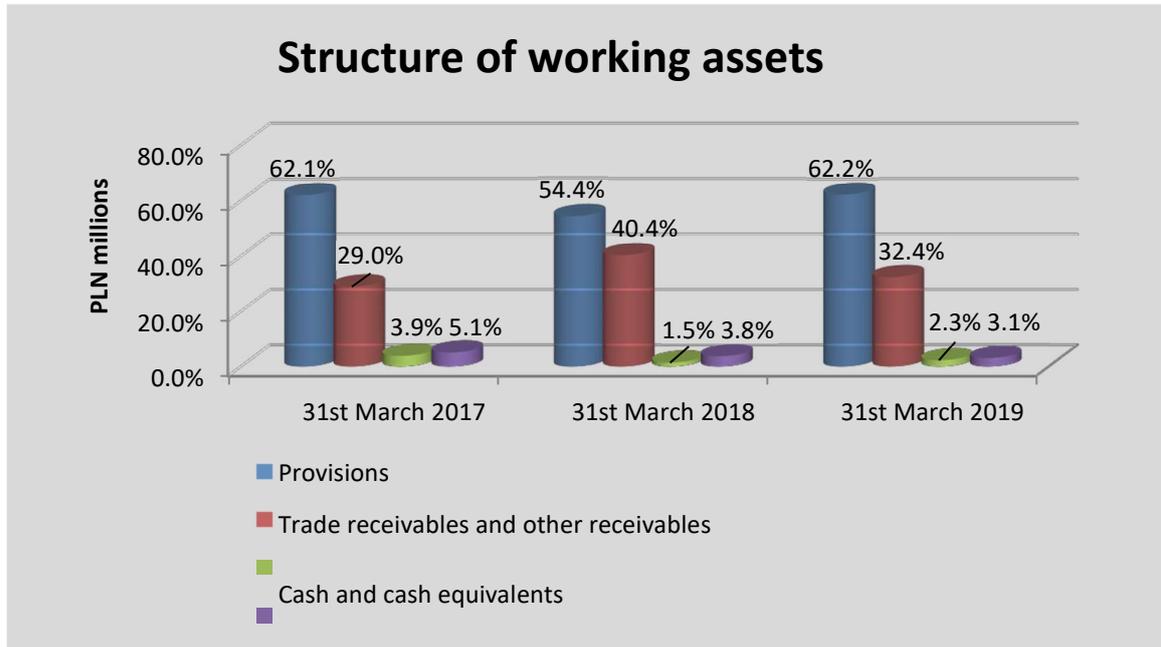
	31st March 2017	31st March 2018	31st March 2019
Fixed assets	178,200	128,533	211,147
Current assets	408,901	405,002	336,467



Aktywa obrotowe na dzień 31.03.2019 r. wyniosły 336 467 tys. PLN i stanowiły 61,4% aktywów ogółem. Aktywa obrotowe zmniejszyły się o 16,9% w porównaniu z poprzednim rokiem. Głównymi pozycjami aktywów obrotowych, podobnie jak w latach poprzednim były należności z tytułu dostaw i usług oraz pozostałe należności (97 543 tys. PLN) oraz zapasy (209 335 tys. PLN).

Current assets as at 31 March 2019 amounted to PLN 336,467 thousand and accounted for 61.4% of total assets. Current assets decreased by 16.9% compared to the previous year. The main items of current assets, as in previous years, were trade and service receivables and other receivables (PLN 97,543 thousand) and provisions (PLN 209,335 thousand).

	31st March 2017	31st March 2018	31st March 2019
Provisions	253,833	220,377	209,335
Trade and service receivables and other receivables	118,420	163,455	109,028
Cash and cash equivalents	15,786	5,968	7,708
Other current assets	20,862	15,202	10,396



2.2.5 CAPITAL AND LIABILITIES

Equity as at 31st March 2019 amounted to PLN 186,434 thousand, which means an increase of 4.7% compared to 31st March 2018; equity accounted for 34.0% of total liabilities.

Liabilities and liability reserves amounted to PLN 361,180 thousand and increased by 1.6% compared to 31st March 2018.

	31st March 2017	31st March 2018	31st March 2019
Equity	198,011	177,990	186,434
Long-term liabilities	50,158	49,690	6,350
Supply and service obligations, and other liabilities	294,105	254,698	255,594
Other short-term liabilities*	44,827	51,157	171,399

* Other short-term liabilities are current income tax liabilities, loans, other debt instruments, financial leases, derivative financial instruments, employee benefit liabilities and provisions, and short-term settlement accruals.



2.2.6 LIQUIDITY. TURNOVER RATIOS

Liquidity ratios decreased compared to previous years and amounted to 0.9 current liquidity ratio and 0.4 increased liquidity ratio respectively.

Detailing	31st March 2017	31st March 2018	31st March 2019
Current ratio (<i>current assets/short-term liabilities</i>)	1.2	1.3	0.9
Increased liquidity ratio (quick ratio) (<i>current assets - inventories - deferred prepayments and accrued income / short-term liabilities</i>)	0.5	0.5	0.4

Due to the limitation of insurance limits granted to the Company's suppliers, inventory stocks have been reduced. As a result, the inventory turnover index fell from 51 days in 2017 to 49 days in the current balance sheet period. As a result of the reduction of some capital intensive-trading transactions, the rotation rates of liabilities were also shortened (from 59 days in 2017 to 50 in 2018). The rotation rate of receivables remained at the same level as last year and amounted to 27 days.

The cash conversion cycle amounted to 26 days.

Detailing	31st March 2017	31st March 2018	31st March 2019
Stock turnover in days (average inventories/own sales costs)*365	50	51	49
Rotation of short-term receivables in days (the average balance of trade receivables and others/sales revenue)*365	21	27	27
Rotation of short-term trade liabilities in days (average balance of trade liabilities and others/own sales costs)*365	58	59	50

* calculated as the average value from the beginning and end of the year

2.2.7 CASH FLOW

The current financial period began with cash amounting to PLN 5,968 thousand.

Net cash flow from operating activities amounted to PLN 132 thousand. The most significant factors affecting the abovementioned flows were the change in the balance of receivables PLN (-17,031) thousand and the change in the balance of inventories PLN 11,042 thousand).

Net cash flow from investment activity amounted to PLN (-1,461) thousand. The most important items in this respect were expenses related to granting loans of PLN (-22,866) thousand, received repayments of loans granted of PLN 18,625 thousand and expenses related to the purchase of tangible fixed assets and intangible assets for the total amount of PLN (-14,450) thousand.

Net cash flow from financial activities amounted to PLN 3,069 thousand. The most significant factors affecting this group of cash flows were inflows from loans and borrowings taken out, i.e. PLN 8,588 thousand.

The cash as at 31 March 2019 amounted to PLN 7,708 thousand.

2.3 IMPLEMENTATION OF FORECASTS

For the financial year 2018, the Group did not present individual forecasts or consolidated financial results.

2.4 MAIN RISKS RELATED TO THE ACTIVITY OF THE CAPITAL GROUP AND WAYS TO MITIGATE THEM

The functioning and development of each company is inextricably linked to risks that can be classified as follows:

- **Risk of macroeconomic deterioration and market competitiveness**

The Group's activity is distinguished among other companies in the IT sector, on the one hand, by its wide range of products and services, and on the other hand by reaching diverse segments of customers. The decline in demand due to the occurrence of business cycles is mitigated by selling to both retail and business customers (B2B). Owning a network of retail stores and a well-known online store enables effective competition with distributors of IT equipment and constitutes a significant barrier to entry for new companies.

- **Risk of interpretation of regulations by state administration bodies**

Significant and frequent changes in legal regulations, which cover many aspects of the operating activities of the Capital Group of the Issuing Party, create risks associated with the effects of divergent interpretation by companies from the Capital Group of the Issuing Party as well as public administration bodies. Divergent interpretations of the provisions resulting from the absence of a single line of case-law, in the situation of a hypothetical dispute with the body, may generate financial risks for the Capital Group of the Issuing Party. The risks of divergent interpretation of legislation may relate to such spheres as income tax and VAT, labour law and social security, environmental protection, securities trading and others.

In the company of the Issuing Party, various checks are carried out regularly, including tax on goods and services, which is typical for entities trading in consumer electronics. None of the audits ended in fiscal year 2018.

Companies from the Capital Group of the Issuing Party have not received any negative decisions issued by the state authorities resulting in the formation of a financial liability, however, the Management Board notes that in the event of such events they may affect the financial situation of the Group. In order to reduce the likelihood of the risks described above, the Issuing Party undertakes the following actions: monitors changes in legal regulations, adjusts internal procedures, directs employees to specialist training, cooperates with reputable law firms and tax advisers, as well as participates in the work of industry organizations (ZIPSEE) and cooperates with environmental organisations.

- **Loss risk**

Deferred sales constitute a large part of the Group's sales. This generates a risk of late repayment or insolvency of counterparties. This risk is controlled by: a policy of granting credit limits based on analysis of the financial situation of counterparties, rapid monitoring (by e-mail and telephone), as well as cooperation with external debt collection companies and law firms. An additional factor in reducing losses is the dispersion of counterparties (industries, regions, forms of business), as well as the possession of an insurance contract that covers about 80-90% of commercial receivables from unaffiliated entities (depending on the period). As a result of criminal activities that took place in 2017, the Issuing Party tightened the verification procedures of the recipients and further trained people involved in domestic and foreign trade in identifying and preventing fraud attempts.

- **Risk of dependence on suppliers and customers**

The Group conducts a policy of diversification of suppliers and customers in terms of commodity trading, software, IT services and financial services. In 2018 the largest supplier held a share of 12.6% in total deliveries (a domestic distributor not affiliated with the Issuing Party in terms of capital and personnel).

None of the recipients exceeded a level of 10% of the total sales value of the Issuing Party/Capital Group of the Issuing Party.

- **Risk of seasonality in sales**

The Group operates in an industry characterised by seasonality of sales. With many years of experience, the Group's experts are able to anticipate seasonal market behaviour and properly manage such elements of activity as inventory volume or contracting stream – placing orders with suppliers in advance, taking into account market demand forecasts.

- **Stock depreciation risk**

The Group attaches great importance to fast rotation of its inventories and to the age structure of inventories in all product groups. In 2018 the Group traded stocks over an average of 46 days. Only goods that are not subject to rapid price depreciation (accessories, computer cases, etc.) can be stored in warehouses for a longer period.

- **Risk of losing key employees**

People are an extremely important part of the operation of any organisation. Loss of key personnel in a short time can result in considerable organisational problems, including the risk of liquidity of the Group's operations. In order to protect itself against such an eventuality, the Company makes sure that none of its areas of activity is dependent on individual knowledge and experience of individuals, so that in the event of unpredictable events, it can efficiently ensure succession to key positions. In addition, in 2018 individual companies from the Group increased the remuneration fund in order to stabilise the personnel situation.

- **Exchange rate risk**

Most of the Group's sales are settled in PLN, but a significant part of its turnover is settled in USD and EUR. In order to hedge against exchange losses, most exposures are hedged by natural hedging (holding liabilities and receivables in the same currencies), and the remainder through forward transactions and option purchases. The

Group aims to neutralise the impact of exchange rate differences on financial results, taking into account the cost of purchasing hedging instruments due to fluctuations in the foreign currency market.

- **Liquidity risk and interest rate risk (credit risk)**

The Group uses diversified types of financing:

- ✓ overdrafts, ordinary and reverse factoring – used to finance trade
- ✓ granted warranty and treasury limits – securing payments of the Group towards suppliers of goods and owners of leased areas.

In order to reduce the risk of changes in bank lending policies, companies in the Group benefit from financing from four banks, and interest rates in agreements with banks are variable — depending on the level of reference rates.

- **Price change risk**

In view of possible changes in the prices of goods offered by companies from the Capital Group of the Issuing Party, it pays particular attention to the rapid turnover of stocks, thus minimising the risk of price changes.

3. EXPECTED DEVELOPMENT OF THE CAPITAL GROUP - EVENTS SIGNIFICANT FOR THE DEVELOPMENT AND STRATEGY OF THE GROUP

3.1 FACTORS AND EVENTS, INCLUDING ATYPICAL EVENTS, HAVING A SIGNIFICANT IMPACT ON THE ECONOMIC ACTIVITY AND STRATEGY OF THE GROUP IN 2018

According to the available data, the global smartphone market is moving from the phase of strong growth to the stage of stabilisation. In the case of tablets, the market is already mature and the volume of sales continues to decrease, with an increase in the average price in this product category. The growth group, albeit at a much slower pace than in previous years, continues to be smartphones, whose sales grew by 1% in volume terms compared to 2017, with an increasing average price of individual devices. 2018 saw a drop in the supply of laptops to the Polish market by almost 7%. According to research conducted by Intel, the average time for replacing a computer with a new one is in the range of 4-6 years and is increasing.

As in the previous year, the business segment is not without significance for the share in profits. Its development translates into the dynamics of the entire IT market.

The prospects for the world market are still promising. According to research, the average annual growth rate of this market in 2019 will be 4%. Smartphones can account for up to 60% of the market share. Most PCs and smartphones are sold in the APAC region. The EMEA region is stabilising after the 2017 decline (mainly by Russia), while countries like Spain and Italy are leaders in growth, following significant declines in previous years caused by the volatile economic situation in these countries. The new driving force behind the market worldwide are smart home solutions in which all manufacturers in the industry are investing.

These factors have a significant impact on the situation on the European market and in Poland, including the functioning of the Komputronik Group.

Komputronik is consistently strengthening its position in smartphone and notebook sales by maintaining its market share. The company started selling PCs of its own production to EU countries and plans to further expand its outlets for its own products, especially more expensive computers targeting gamers, hobbyists and professionals.

Komputronik, which has resources in the form of a highly qualified sales staff, sees an opportunity in selling equipment and services for smart homes, wishing to be the market leader in providing such solutions in Poland soon.

For several years the company has been continuing its strategy of offering competitive prices in the Internet channel, which allows for achieving higher sales dynamics in this channel than the market average for this

segment. The company is consistently implementing its policy and strengthening its position as one of the leaders of the e-commerce market in Poland.

The Group is consistently defending its leading position in the segment of nationwide chains of specialised stores, and the continuation of the strategy of optimising the network of our shops and transforming the franchise network into an agency network which is yielding the assumed results.

The company is conducting a long-term process of optimising its own and transformed stores within the agency network. These stores are intended to combine the model of sales from local stores and sales from a range of tens of thousands of products available from a central warehouse, with the help of advisers and internet kiosks.

3.2 CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS IMPORTANT FOR THE GROUP'S DEVELOPMENT

In the opinion of the Management Board of the Parent Company, the main external factors important for the Group's development are:

Positive factors:

- relatively high demand for computer hardware, software and IT services,
- GDP growth rate,
- increase in personal income, which determines the systematic increase in the standard of living of consumers,
- good prospects for foreign demand,
- relatively low, compared to other countries of the European Union, saturation of household computer equipment,
- restitution demand from individuals, companies and the public sector,
- systematic increase in demand for computer equipment and specialised software from companies and public sector institutions due to the use of EU funds.

Negative factors:

- the risks associated with the volatility of foreign exchange markets, in particular where changes are of a sudden, large nature over short periods of time,
- possible sudden collapse in demand due to the instability of financial markets, resulting in a reduction in customers' disposable income and limited access to financing (instalment loans, investment and working capital loans),
- significant deterioration of the payment situation of counterparties,
- the reduction of trade credit insurance granted by suppliers, as a result of increased VAT risk in the IT industry,
- limitation of financing by IT banks,
- aggressive, difficult to predict acts of competitors, resulting in temporary limitation of the attractiveness of the Company's offer.

The most important internal factors influencing the development and prospects of the Komputronik S.A. Group include:

Positive factors:

- stable shareholders, implementing a consistent ownership policy towards the Group,
- consistently implemented development strategy of the Group by the Management Board, based on an innovative approach to the distribution network: development of a network of stores supported by e-commerce,
- established position as one of the leading players on the Polish IT market,
- very high quality products and services provided, confirmed by international quality certificates,
- skilled, experienced industry staff with low rotation rates in key areas,
- stabilised supply sources,
- stable distribution channels,
- stable financial situation,
- regulated legal and formal sphere in all important aspects of the Company's activity.

Negative factors can be:

- potential loss of some key employees,
- sharp deterioration in the financial situation of key partners (franchising and partner stores), which may result in temporary destabilisation of liquidity;
- reduction in the availability of sources of financing as well as guarantee limits for trade credit granted by insurance companies.

3.3 DEVELOPMENT OF OWN NETWORK, BUSINESS UNITS, NEW SERVICES AND OFFERS

The strategy for the Komputronik S.A. Group assumes further systematic strengthening of its position as one of the leading suppliers of hardware, software and IT services on the Polish market and further expansion of sales of the range of electronics and household appliances and other categories from the Home group.

In order to best meet the expectations of customers from various market segments, Komputronik has diversified its sales channels to many segments and channels, including foreign markets.

3.4 SALES TO BUSINESS CUSTOMERS (B2B)

Komputronik Biznes is consistently developing a portfolio of services. The company's strategy assumes investments in a specialised and targeted offer for such sectors as: industry, medical services, retail and HoReCa, financial and insurance institutions. In addition, the company is developing its security offer in response to the GDPR and NIS regulations. It is extending the offer available in the subscription model, adding new services to the already existing solutions dedicated to: IT outsourcing, printing or business applications, including proprietary applications such as MovarchDS (Digital Signage solution), MovarchCRM (customer relationship management) and MovarchDMS (document management).

2018 was a year of internal changes aimed at increasing the effectiveness of internal and external processes in cooperation with business partners. A derivative of the development of the offer were valuable personnel changes. Komputronik Biznes cooperates with universities and research and development centres – it also has its own R&D department. It also implements innovative projects co-financed from EU and budget funds directed at research and development work. The company also cooperates with partners in the incubation of startups. On the other hand, it works closely with global hardware manufacturers – from printers to servers to more advanced solutions.

In 2018 the company continued its activities in the area of modernisation of Polish hospitals. Comprehensive realisation of investments in hospitals in Krotoszyn, Wrocław and Gryfino has begun. The result of these projects will be modern healthcare facilities equipped with the latest hardware solutions and network infrastructure. One of the key elements of modernisation is equipping hospitals with advanced tools for security, intelligent building management and sensitive data management to meet the highest European standards. These effects can also be achieved thanks to software created by Komputronik Biznes – eSala, which is one of the most important parts of the offer addressed to the medical sector.

Komputronik Biznes has reached the highest level of partnership with DELL EMC, has become the official service partner of Lenovo products and has met the high standards of the Euler Hermes program and received the Golden Payer Certificate. The company developed its own products and services, also by extending its cooperation with Microsoft – mainly by offering original solutions on the Azure platform.

3.5 SALES TO RETAIL CUSTOMERS (B2C)

Retail sales are carried out through two mutually supportive channels: a chain of stores and online sales.

Internet sales are conducted through the largest and most highly valued Internet store of the computer industry in Poland, while simultaneously offering tens of thousands of products from other industries, operating under www.komputronik.pl. Repeatedly honoured with the title “Best Online Store” by the Wprost weekly and the Money.pl portal in the category of Electronics and Household Appliances. An online store is a great way to reach customers who do not have any facilities in their area operating under the Komputronik brand. It is also an excellent source of promotion and assortment information for customers who value personal contact with a competent advisor for stationary stores.

The network of stationary stores currently includes three basic formats: Megastore, midi shops, where the exposure to classic Komputronik stores is extended by products from consumer electronics and household appliances groups, and a format offering electronics in a broader sense with an emphasis on IT and GSM.

The company is developing an agency network project. Most of the companies cooperating on a franchise basis have been transformed into agencies. At the same time, the company is looking for new contractors who have been running their business with a similar profile under their own name, in locations where there have been no commercial outlets under the Komputronik logo thus far. Cooperation on the principles of an agency allows to expand the range offered by transformed establishments, positively affects the quality of customer service and significantly improves the efficiency of outlets.

High quality of service is still an important element of the market advantage for the company, hence the constant interest in this area and research related to the effectiveness of sales processes.

As of 31st March 2019, customers were able to use more than 200 outlets selling their assortment under the “Komputronik” brand (own, agency and partner stores).

3.6 WHOLESALE

The year 2018 was a continuation of the relational approach to the client. The sales team continued training aimed at improving the quality of customer service with the aim of increasing customer satisfaction, trust in Komputronik and maintaining long-term relationships.

At the end of the 2018 fiscal year the Group had more than 100 Stores with the status of Komputronik Partner, as well as many non-affiliated clients. The company has succeeded in attracting numerous foreign customers.

In 2018 the Company effectively continued its strategy of strengthening the sales network, which included, among other things, abandoning cooperation with companies with too high a credit risk or whose quality of end customer service significantly differed from the high standards required by Komputronik, as well as transforming franchise or partner stores into Agencies.

Customers with the status of Komputronik Partner benefit from a number of activities aimed at improving competencies, acquiring skills in sales techniques and also doing business.

Summary

The Komputronik organisation's operating strategy is based on three overarching objectives:

- attracting a wide range of customers whose needs can be satisfied by specialised task forces,
- diversifying operations within the IT industry in order to mitigate the effects of a possible downturn or drop in sales in one of the segments,
- consistently expanding its product range and increasing its sales in the consumer electronics, household appliances and many other categories within the Home group.

A description of the factors influencing the development and prospects of Komputronik S.A. is given in an earlier section.

3.7 SITUATION IN THE INDUSTRY, EXTERNAL DEMAND FORECASTS FOR 2019

Characteristics of the Polish IT market

According to the company's data, the number of sold laptops is significantly decreasing (by nearly 7%), while the average value of a single device is growing (increase by ca. 10%). The average price of products has increased due to various activities of the manufacturers and due to increased awareness of customers who are more willing to use devices that better meet their expectations. There is also a return to interest in the PC segment (laptops, desktop computers and workstations), which are definitely better devices for creative work than tablets, which are additionally being replaced by increasingly functional smartphones. According to data supplied by manufacturers, the Polish market will absorb less than 1.7 million laptops, while the desktop market is stabilising, and the total number of devices supplied will oscillate around 600 thousand. Komputronik offers hundreds of models in all three key groups of almost all the world's leading brands and continues to expand its product portfolio.

The situation on the Polish e-commerce market continues to have a significant impact on the activities of Komputronik S.A. as the Company manages the leading Polish online store and one of the largest in our region of Europe. Research shows that in 2018 this segment of the market (for all industries) increased by 15% in Poland. Internet trading is forecast to grow by 12% in the following year. Poland has great potential in the field of e-commerce. This can be seen in comparison with other European Union countries. The share of Internet sales in the IT, electronics and household appliances sectors in Poland is 23%, whereas in Germany this channel has reached 30%, and in the Czech Republic – already more than 40%. One of the advantages of the Komputronik.pl shop is a quick introduction of new products to the offer and a large assortment available "from stock". Today, the offer includes more than 100 thousand products of almost 700 brands, supplied by 600 suppliers.

Market forecasts for 2019

After a turbulent 2018, the forecasts assume moderate market growth of between 3% and 5%.

3.8 ACHIEVEMENTS AND DISTINCTIONS OF THE KOMPUTRONIK CAPITAL GROUP

100 thousand products

In 2018 Komputronik took actions aimed at meeting the needs of modern customers and enabling them to find everything they are looking for in Komputronik. Last year, Komputronik crossed and maintained the threshold of 100,000 products in its offer, expanding new categories. The company constantly focuses on providing a comprehensive and accessible IT offer, the most popular and latest GSM products and a tailor-made offer of small appliances, smart homes, personal electronics and seasonal products.

Online shop www.komputronik.pl

Komputronik has been gaining knowledge about its clients and their needs over the years. To meet the expectations of over 20 million Poles who visited www.komputronik.pl, it has given them the opportunity to shop quickly and easily. This is the result of improvements to the search engine, which now provides even more relevant hints, category path search, brands, fast filters and many other innovations. The company is continuously working on optimising the functionality of the store and simplifying the purchase.

Komputronik – Quality Service Star

For another year in a row, Komputronik has received an award in the "Polish Quality Service Programme" survey, which monitors the level of customer satisfaction 365 days a year, 24/7. On the basis of the collected data, customer satisfaction indicators are calculated, which affect the selection of an elite group of the most customer-friendly companies, awarded annually by consumers with the award: Quality Service Star.

Komputronik awarded with the Superbrands title

Customers recognise, know and appreciate Komputronik S.A. In a consumer survey of the strength of the Komputronik brand, it was awarded the title of Superbrands Polish Brand 2019.

PIBJA Quality Test

Komputronik.pl was at the forefront (4th place) of the ranking prepared by the Polish Institute of Quality Research (PIBJA), analysing the Polish e-commerce market. A special distinction for the company is the first place in the category of products from the laptop department.

Awarded by Partners

Komputronik received numerous awards from its partners: Huawei, Microsoft, Lenovo, HP and Dell. It is a great honour to be appreciated by those who are everyday companions in achieving specific goals. Komputronik is also appreciated for its expertise and experience.

Komputronik the most trusted store according to Ceneo.pl

Komputronik took first place in the electronics category in the "Trusted Shops" ranking, created by Ceneo.pl. The list is prepared every year on the basis of opinions of Ceneo.pl users. The goal is to help customers choose the best place to make purchases. The Ceneo.pl Trusted Shops Ranking was created for entities participating in the Trusted Opinions Programme.

Komputronik on the list of 200 largest companies in Poland

Komputronik was in the prestigious group of the largest Polish companies, taking 71st place in the ranking of the weekly Wprost.

Komputronik Community

The Komputronik Fanpage and Komputronik Gaming have been constantly appearing in the rankings of the most interactive profiles in the category of Technology and Equipment for months according to the SoTrender report. Every month creations from profiles are distinguished in the category of the best posts. In the May ranking the Komputronik profile was ranked 1st in the Active Users category and 3rd in the Commitment category. This proves that the Brand is one of the best in the industry. On all fanpages Komputronik has accumulated a total of more than 400 thousand fans, and the Komputronik Gaming channel on Youtube has exceeded 100 thousand subscribers.

Continuation of the communication strategy

Under the slogan "For those who" Komputronik has launched a new image and sales campaign. The campaign includes online and outdoor activities, cinema advertising, radio campaigns and special promotions on the website komputronik.pl. The expansion of the assortment was illustrated by the slogan of the Komputronik brand. We've got this. At the same time it is a promise to customers suggesting easy and enjoyable shopping.

Due to changes and the need to focus on activities supporting online sales, a new “Omnichannel” section was created in the structure of Komputronik.

Komputronik Club

In November 2018 the VIP Client program, which has been operating since October 2016, turned into the Komputronik Club. The Komputronik Club is an intuitive application acting as a mobile discount card, allowing access to unique offers and promotional prices. Komputronik has significantly developed the functionality of the application, and the number of customers has reached over 130 thousand.

Komputronik Foundation

In 2018 Komputronik established the Foundation.

It was created to support modern education, development of entrepreneurship, economy, technology, creativity and innovation and to motivate people to achieve both professional and personal success. After the first year of activity, it has successfully delivered on several hundred applications for assistance and a number of activities. Help for others in need, applying for support, is planned.

As part of its statutory activity, the non-profit organisation declares its active participation in the development of local communities and supports various types of projects tailored to the current requirements and individual predispositions for children and youth in the areas of education development, education and upbringing.

4. INFORMATION ON BASIC PRODUCTS, GOODS AND SERVICES OFFERED BY THE KOMPUTRONIK S.A. CAPITAL GROUP

5. INFORMATION ON MARKETS AND SOURCES OF SUPPLY

6. INFORMATION ON CREDIT AGREEMENTS AND LOAN AGREEMENTS AS WELL AS SURETY AND GUARANTEE AGREEMENTS OF THE KOMPUTRONIK S.A. GROUP

7. INFORMATION ON CONTRACTS SIGNIFICANT FOR THE BUSINESS ACTIVITY OF THE KOMPUTRONIK GROUP, CONCLUDED IN 2018

8. INFORMATION ON CONTRACTS KNOWN TO THE MANAGEMENT BOARD OF KOMPUTRONIK S.A., CONCLUDED DURING 2018, AS WELL AS AFTER THE BALANCE SHEET DATE, WHICH IN THE FUTURE MAY RESULT IN CHANGES IN THE PROPORTIONS OF SHARES HELD BY THE EXISTING SHAREHOLDERS OF THE GROUP

9. ISSUE OF SECURITIES

- 10. VALUE OF REMUNERATION, AWARDS, BENEFITS PAID, DUE OR POTENTIALLY DUE TO MANAGING AND SUPERVISING PERSONS IN THE PARENT COMPANY OF THE CAPITAL GROUP**

- 11. INFORMATION ON LIABILITIES RESULTING FROM PENSIONS AND BENEFITS OF A SIMILAR NATURE FOR FORMER MANAGEMENT, SUPERVISORY OR ADMINISTRATIVE BODY MEMBERS**

- 12. INFORMATION ON SPONSORING AND CHARITY ACTIVITIES**

- 13. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES BY KOMPUTRONIK S.A. IN THE FINANCIAL YEAR 2017**

- 14. INFORMATION ON AGREEMENTS WITH AN ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS**

- 15. THE PRINCIPLES OF PREPARATION OF FINANCIAL STATEMENTS**

- 16. MANAGEMENT INFORMATION ON THE SELECTION OF THE AUDIT FIRM TO CARRY OUT THE AUDIT OF THE ANNUAL ACCOUNTS IN ACCORDANCE WITH APPLICABLE PROVISIONS**

Wojciech Buczkowski

Krzysztof Nowak

*Chairman of the Board of
Komputronik S.A.*

*Member of the Board of
Komputronik S.A.*

Poznań, July 5, 2019.