



ZAAWANSOWANE TECHNOLOGIE INFORMATYCZNE

Talex S.A. Annual Report 2022

April 2022

Company Information

Company Name :	TALEX Spółka Akcyjna
Registered Office :	61 – 619 Poznań, ul Karpia 27D
Phone Number :	(061) 8 275 500
Fax :	(061) 8 275 599
Taxpayer Registration Number :	782 – 00 – 21 - 045
Company Registration Number:	004772751
PKD :	5184

Branches

Currently, the Company has thirteen branches:

- Talex Białystok, ul. Ogrodowa 31;
- Talex Bydgoszcz, ul. Fordońska 393;
- Talex Gdynia, ul. Chwarznieńska 170b;
- Talex Katowice, ul. Aleja Walentego Roździeńskiego 91;
- Talex Kraków, ul. Zbożowa 2;
- Talex Lublin, ul. Jana Sawy 2;
- Talex Łódź, ul. Piotrowska 276;
- Talex Olsztyn, ul. Jagiellończyka 23;
- Talex Rzeszów, ul. Powstań Listopadowych 3;
- Talex Szczecin, ul. Pomorska 53;
- Talex Warszawa, ul. Olbrachta 94;
- Talex Wrocław, ul. Bierutowska 57/59;
- Talex Zielona Góra, ul. Szczekocińska 27.

Field of activity

The joint-stock company TALEX S.A. (previously the limited liability company TALEX Sp. z o.o.) has been a provider of technologically advanced IT services for small and medium-size businesses since 1990.

The Company's activity focuses on three main areas: integration of ICT systems, IT outsourcing and software development.

The integration of ICT systems includes a large number of services. The Company tries to provide its clients with a full range of services, starting with preliminary analyses and expert consultation, project design and management services, development and introduction of integration procedures, system configuration and tuning, ending with the organisation of staff training programs, whose focus are the products and services offered by the Company. Such an extensive offer guarantees the integrity of the customers' IT systems as well as high quality, reliability and adherence to the basic security standards.

The platforms covered by the integration services offered are Intel/RISC, UNIX, i5/OS, Windows and Linux. The services include, among other things, consolidation and visualisation, high-availability solutions (clusters), backup and recovery services (recovery centers, data replication, disk arrays etc.) as well as information security solutions, such as preventing unauthorised intrusions into ICT networks or developing private virtual networks. The Company also provides network integration services, including DWDM, IP telephony, structural cabling, network monitoring etc.

The outsourcing offer focuses on two main areas – Data Center services and services guaranteeing continuity of business processes. Talex S.A. has the resources allowing to

offer to its clients the services of Data Center, which are provided in several models, such as collocation, lease of dedicated IT infrastructure, cloud computing and services for hosting complete business applications. Upon request, IT infrastructure and application software can be monitored 24 hours a day, 7 days a week. Talex S.A. has two centers of data processing – Data Center in Poznan and in Wroclaw. Data Center in Poznan has over 2200 m² of space, and the DC in Wroclaw has an area of 800 m² at its disposal. Currently, Talex S.A., as the only company in Poland, can offer its customers Data Center services certified in accordance with the European standard EN 50600 standard, both in Poznan and Wroclaw.

As part of services of business continuity and disaster recovery, Talex S.A. provides its customers with backup services of Data Center, backup offices including office space equipped with the necessary IT infrastructure, integrated with the customer's systems, and with the Network Operation Center services 24 hours a day that monitors telecommunication networks, IT devices and applications.

The Company provides Contact Center services with regard to recording and handling incidents as well as HelpDesk services in the area of supported IT technologies. These services are certified in accordance with the requirements of EN 15838:2009 standard. The Company also provides services in the scope of installation, relocation, modification and removal of IT hardware and software, including mass replacement of ICT infrastructure at large customers, especially those with branches scattered throughout the country, and services of failure removal in the customer's IT environments. The management of maintenance services in Talex S.A. is certified for compliance with the requirements of the ISO 20000-1:2011 standard.

The software production services include custom-made software, developing modules extending the existing applications, tuning the applications to the specific needs of customers or developing codes used in integration processes. The Company uses modern technologies with the use of artificial intelligence, producing web based responsive and progressive applications. Software produced by the Company is used in financial institutions, state-owned enterprises as well as large industrial companies.

TALEX S.A. is a partner of many leading hardware and software manufacturers. The Company's employees have attended training courses and passed exams, as a result of which they obtained certificates confirming their qualifications in the field of the newest technologies. Procedures of all the activities of the Company are compliant with the quality management system, defined by the ISO 9001:2000 standard. Given its specific business profile and the importance of its customers, the Company also obtained the ISO 27001:2005 certificate, which confirms that the procedures followed by the Company guarantee full security of information and customers' data, as well as ISO 20000:2011 certificate, which confirms that the management of IT services, in particular the provision of IT services in the installation, relocation, expansion, change, and removal of hardware and software, and the break and fix of hardware and software for business partners of the Company, is in compliance with international standards.

IT market in Poland and prospects for the development of the Company

Market experts indicated in the first months of the year 2022 that the current year should bring a significant improvement after clearly weaker years of 2020 and 2021. Gartner experts estimate that 2022 should primarily bring a significant growth in the software segment, at nearly 11.5% (compared with 9% estimated for 2021). Similarly, growth estimates for the IT hardware market are close to 15% (compared with 8% estimated for 2021). Whereas, growth in the segments of Data Center services and IT services is estimated at around 5%, respectively. Analysts were cautious in expecting higher growth dynamics in 2022, primarily due to the calming down of the situation

concerning the COVID-19 pandemic. At the same time, analysts emphasize that one of the conditions for achieving the forecasted growth trends is stabilization in the semiconductor production market.

The indicated estimates were presented in the period before the armed conflict in Ukraine. Experts are very cautious about the real impact of the ongoing war on the future economic situation, especially in Europe and Poland. On the one hand, the current geopolitical situation encourages the search for solutions to ensure a high level of security of IT solutions, on the other hand, companies naturally approach are cautious about spending money on investment. Experts also point out that the two-year pandemic period slowed down the processes of modernization of IT infrastructure, which should soon translate into a significant increase in demand in this sector.

Market experts also point out that the turn to IT services is perceived by companies as one of the most important methods of cost optimization. This is particularly important in the period of the forecasted economic slowdown and the related pressure to cut costs of enterprises.

IT market experts also anticipate an increase in revenues generated by the implementation of blockchain technology, development of solutions from the Internet of Things domain, as well as significant progress in analysis of large data streams by means of machine learning and artificial intelligence (AI) algorithms.

According to PMR, one of the most important trends in IT outsourcing in Poland in the coming years will be the increase in the popularity and use of services in the cloud. Cloud storage, mobility and the Internet of Things have been referred to as disruptive technologies for years. Today, cloud storage and mobile solutions are being adopted completely naturally. Software as a Service solutions are becoming such a universal model that we can also expect widespread software delivery via the cloud, regardless of purpose and functionality.

Moving away from private Data Centers is also considered a significant course of market development. Gartner's estimates indicate that within the next 5 years about 80% of companies worldwide will liquidate their own Data Centers and will look for the necessary space and computing power for their data in professional Data Centers. This direction is dictated not only by economic and technological aspects, but also by the desire to ensure the security of stored and processed data.

The Company consistently plans to continue its activities with the focus on outsourcing of IT services and integration services in the field of information technology and software production. Treating outsourcing as one of the strategic directions of development, the Company has consequently been developing the necessary skills and technical infrastructure for several years.

Factors affecting the results of the Company over the next year include mainly the fulfilment of the agreements concluded with the regular, long-term clients of the Company, in particular with clients from the banking and financial sector, such as Santander Bank Polska SA, Credit Agricole Bank Polska SA and PKO Bank Polski SA, as well as with clients from other sectors, such as Grupa Allegro Sp. z o. o., Eurocash S.A. and Volkswagen Group Polska Sp. z o. o.

In the forthcoming years, the market of cloud services shall focus more on applications available in the cloud, rather than the infrastructure itself. We are certainly approaching the optimization of cloud operating costs and its use by companies. It will be necessary to better manage performance and monitor costs. Cloud is a normal business product and must meet the criteria of a product offered, for example, to banks, i.e. to have regulated licensing rights, be effective and have a certain price.

At the same time, the Company pays particular attention to the sanitary and epidemiological situation related to the coronavirus COVID-19 pandemic, both in Poland and abroad. The Company does not preclude the possibility that pandemic may significantly affect the overall market situation. The Company's ongoing and undisturbed operation is possible, inter alia, through the provision of means of communication for remote work, without prejudice to safety standards. Moreover, the Company's activities, with special regard to services, are carried out using fully redundant, two independent Data Centers located in Poznań and Wrocław. However, due to the atypical situation related to the COVID-19 pandemic and a very wide geographical area affected, it is currently difficult to predict how this situation will affect the economic condition and future business decisions of the Company's customers and the market. Still, with regard to the functioning of the Company itself, it should be emphasized that a significant part of its revenues comes from long-term IT outsourcing contracts, which significantly affects the stability of the Company's operations.

Also, the fact that the Company does not currently conduct any business activities on the Ukrainian market or with entities substantially engaged in Ukraine is a significant circumstance for the operations of the Company. Likewise, the Company is neither directly nor indirectly engaged on the Russian or Belarusian markets. The Management Board of Talex keeps a close eye on the current situation and its development, bearing in mind that it may have a real impact on the Company's economic relations with its customers.

Expenditures on fixed asset of the Company in 2021

In 2021, the Company incurred expenditures on tangible fixed assets and intangible assets in the amount of PLN 2.65 million, of which PLN 1.91 million was financed through leasing and PLN 730 thousand through own funds.

SPECIFICATION	Expenditures incurred in 2021 (PLN in thds)
Modernization of the Company's buildings	95
Investments in rented offices	210
- of which: leasing	0
Purchase of technical equipment and machinery	2 342
- of which: leasing	1 976
Purchase of other fixed assets	86
- of which: leasing	0
Repurchase of leased means of transport	11
Intangible assets (software)	222
- of which: leasing	92
TOTAL EXPENDITURES ON FIXED ASSETS	2 966

The Company incurred the largest expenditures on purchase of technical equipment and machinery.

Plans for increase and maintenance of tangible fixed assets in 2022

The Company's plans for 2022 include expenditures on the renewal and supplementation of technical equipment necessary for the provision of IT services, the renewal of car fleet and necessary investments in the branches of the Company.

Specification:

• Purchase of technical equipment and machines	PLN 1,200 thousand
• Intangible assets	PLN 100 thousand
• Purchase of other fixed assets	PLN 200 thousand
TOTAL	PLN 1,500 thousand

Basic economic and financial data, disclosed in the semi-annual financial report

Sales revenues and financial result in 2021

In 2021, the Company recorded the sales revenues of PLN 73,298 thousand, with the net profit of PLN 4,972 thousand (net profit in 2020 – PLN 3,622 thousand).

SPECIFICATION	2021 (PLN in thds)	2020 (PLN in thds)	Fluctuation
Revenues from sales of products	49,811	57,561	86.5%
Revenues from sales of goods and materials	23,487	39,400	59.6%

In the reporting period, the revenues from sales were lower by 24.4% than the revenues in the previous year. Also, the gross profit on sales was higher than in 2020 and amounted to PLN 13,840. The revenues from the sale of products decreased by about 13.8% in comparison to 2020, and the sales of goods and materials decreased by about 40%.

The structure of revenues from sales changed slightly. The share of services in sales revenues increased to approximately 68%; in the comparable period of 2020 it accounted for approximately 60% of total sales revenues; the margin on the sale of those services slightly increased to almost 22% in 2021 from 29% in 2020.

Revenues from sales of goods and materials accounted for 32% of total sales revenues (40% in 2020), with similar level of profitability.

SPECIFICATION	2021 (PLN in thds)	2020 (PLN in thds)	Fluctuation
Net revenues from sales	73,298	96,961	75.60%
Gross profit from product sales	10,930	16,609	65.81%
Gross profit from the sale of goods and materials	2,910	4,790	60.75%
Gross profit (loss) from sales	13,840	21,399	64.68%
Sales costs	4,813	5,107	94.24%
Costs of management	14,047	14,520	96.74%
Profit (loss) from sales	-5,020	1,772	-283.30%
Profit (loss) from operating activities	-4,610	4,670	-98.72%
Gross profit (loss)	-4,844	4,455	-108.73%
Net profit (loss)	-4,972	3,622	-137.27%

In 2021 the Company had lower net revenues from sales and comparable margin on sales of services, which was reflected in the gross profit on sales and on other levels of the Company's operations.

Company assets

The annual financial statement compiled as at 31 December 2021 presents the value of assets amounting to PLN 69,990 thousand, which represents 82.9% of the value of assets at the end of 2020.

The value of fixed assets at the end of 2021 amounted to PLN 57,384 thousand which means it decreased by PLN 2,629 thousand as compared to the last day of 2020, which resulted mainly from the expenditures the Company incurred on the equipping of Data Center and a new branch in Wrocław. Due to the above, the greatest share in the fixed assets are tangible fixed assets, accounting for over 82% of total assets. in relation to planned depreciation. Intangible assets and long-term prepayments and accrued income in both periods were below 1% of total assets.

SPECIFICATION	31.12.2021		31.12.2020	
	(PLN in thds)	% share in the assets	(PLN in thds)	% share in the assets
FIXED ASSETS	57,384	82.00%	60,013	71.07%
Intangible assets	510	0.73%	447	0.53%
Tangible fixed assets	56,507	80.74%	59,098	69.98%
Long-term receivables	0	0.00%	0	0.00%
Long-term investments	-		-	
Long-term prepayments and accrued income	367	0.52%	468	0.55%

The value of current assets as at 31.12.2021 amounted to PLN 12,606 thousand and was lower by 23% compared to the value as at the last day of December 2020. The greatest part of the current assets constituted short-term receivables, which were lower by 64% in comparison to previous year.

Current assets in both reported periods account for approximately 18% of total assets. This indicator informs about the potential possibilities of the company. The higher the share of this ratio, the higher the company's financial liquidity. Current assets are much easier to convert into cash compared to tangible assets.

In comparison with the previous period, the level of stock slightly increased to PLN 853 thousand in 2021 as compared to PLN 773 thousand in 2020.

There was a decrease in short-term receivables, from PLN 17,741 thousand in 2020 to PLN 6,298 thousand in 2021; their share in total assets decreased from 21% in 2020 to 9% in 2021. The share of short-term investments in total assets remained at a similar level and amounted to 7% in 2021, as compared to over 6 % in 2020.

Short-term prepayments and accrued income accounted for less than 1% of total assets in both periods.

SPECIFICATION	31.12.2021	31.12.2020
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	(PLN in thds)	% share in the assets	(PLN in thds)	% share in the assets
CURRENT ASSETS	12,606	18.01%	24,434	28.93%
Inventories	853	1.22%	773	0.92%
Short-term receivables	6,289	9.00%	17,741	21.01%
Short-term investments	4,887	7.00%	5,294	6.27%
Short-term prepayments and accrued income	568	0.81%	626	0.74%

Overall financial condition of the Company

Selected financial ratios.

Profitability ratios	2021	2020	Desired quantities
Return on sales (ROS) Net profit/sale value *100 (%)	-6.78%	3.74%	positive rising
Return on assets (ROA) Net profit/ total assets * 100 (%)	-7.10%	4.29%	positive rising
Return on equity (ROE) Net profit/own equity * 100(%)	-10.08%	6.42%	positive rising
Corrected profitability of assets Net profit+(financial costs - income tax on interest) /total assets*100(%)	-6.76%	4.69%	positive rising
Leverage Profitability of equity – profitability of assets	-2.97%	2.13%	positive rising

The return on sales (ROS) informs about the amount of profit margin in the percentage of sales after deduction of costs and taxes. A higher level of this ratio indicates a more favorable financial condition of the company.

The return on assets (ROA) shows the ability of the entity to generate profit. The higher the level of return on assets, the better the company's financial situation

The return on equity (ROE) indicates the size of the net profit per unit of capital invested in the company. The higher the efficiency of the equity, the better the financial situation of the Company, and the possibility of paying higher dividends.

Leverage indicates whether the operating profit generated by foreign capital is higher than the interests that is whether the company earns money for itself due to the external funding.

Positive leverage occurs when the profitability of the whole capital (equity and foreign) of the company, calculated as the relation between the operating profit and total capital, is higher than the interest rate on debt (foreign capital).

Liquidity ratios	2021	2020	Desired quantities
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Financial liquidity ratio I	1.10	1.38	1.2 - 1.8
Current assets / short-term liabilities			
Financial liquidity ratio II	1.03	1.33	0.8 -1.0
(current assets- inventories)/short-term liabilities			

The liquidity ratios have been permanently at a safe level which is still very safe for the Company. These ratios define the Company's ability to timely regulate its current liabilities. The values of these indicators slightly decreased in 2021 and still fall into an optimal size level. This means that the Company has sufficient amount of funds to pay its liabilities. Higher levels of these indicators shall mean that the Company has a significant excess liquidity. Keeping cash in the amount that allows the coverage of all obligations, regardless of their maturity, would be uneconomical for the company.

Debt ratios	2021	2020	Desired quantities
Overall debt ratio	0.30	0.33	Max 0.5
Liabilities and provisions for liabilities/total assets			
Long-term debt ratio	0.06	0.07	Max 0.5-1
Long-term liabilities/equity capital			

Total debt ratio decreased slightly at the end of 2021 compared to the previous year but has been still at a safe level. In addition, the optimal values of the financial liquidity ratios, mostly a high level of short-term receivables and cash held by the Company, reduce the financial risk in the company and the probability of losing the ability to repay the debt.

The long-term debt results from the car fleet lease agreements and the investment loan agreement for financing the investment of the construction of IT Centre.

Management performance indicators	2021	2020	Desired quantities
Receivables turnover ratio	7.02	6.86	7-10
Net sales revenues /average receivables			
Inventory Cycle	5.52	5.01	decreasing
Average inventory cycle/ cost of sales *360			
Receivables Cycle	51.26	52.45	decreasing
Average receivables /cost of sales * 360			
Duration of receivables in days	90.06	77.92	average deadline
Average trade receivables /cost of sales*360			
Conversion period of working capital into cash	56.77	57.46	decreasing
Receivables cycle + inventories cycle (in days)			

The low level of receivables turnover ratio, that is below the value of 7, indicates that the level of debt is high, meaning that the company is crediting its customers excessively, which in practice means a long-term freezing of funds in receivables. The reasons for such a situation should be seen in the negative market practices of the customers beyond the company's control.

The inventory cycle indicates the average number of days that have passed since the introduction of inventory to the warehouse up to its leave. The shorter time for the equity in the asset, the better.

The receivables cycle was at a slightly lower level than in 2020, indicating a reduction of the waiting time for repayment of debts. This ratio does not exceed by more than half the deadline described in the terms of sale. Talex, due to the money on the account, can afford to temporary credit its customers, which indeed entails the freezing of funds in receivables but simultaneously allows the Company to entrench the relations with its regular customers and build lasting relationships with the new customers.

At the same time, the duration of receivables in days decreased significantly from 78 days in 2020 to 90 days in 2021. The extension of payments periods allows for flexible financing of supplies with funds received from their sale.

The analysis of these indicators show the improvement of the overall efficiency of the Company's operations in 2021. Talex has proper indicators to finance operations, including the compliance to the golden rule of balance and finance at the safe level. Good financial liquidity characterizes the Company; the profitability and turnover ratios also remain at a good level.

Financial standing

The Company's shareholders' equity as at 31.12.2021 amounted to PLN 49,337thousand, which comprised:

• share capital (3,000,092 shares)	PLN 3,000 thousand
• reserve capital	PLN 51,309 thousand
• net profit/loss for 2021	PLN -4,972 thousand

The Company's standing, in terms of payments, was good in 2021. There were no difficulties with prompt payments of taxes, social insurance or payments to employees and suppliers. The Company paid two instalments of dividend and timely pays the financial leasing instalments. The Company's cash position in bank accounts and at hand decreased in comparison to 201, however, the Company's current cash and signed long-term contracts secure the current needs of the Company.

Total liabilities as at 31.12.2021 amounted to PLN 14,629 thousand (in 2020 they amounted to PLN 21,479), which comprised 30% of the shareholders' equity (in 2020 – 38%), except that the amount of liabilities includes working capital loans and financial liabilities under lease agreements.

In 2021 the Company used current bank loans under agreements for revolving credits in current accounts. As at 31.12.2021, the debt under these agreements amounted to PLN 2,371 million. At the end of June 2021 the Company has fully paid off its liabilities under the investment loan granted to the Company in the amount of PLN 17 million by Bank Zachodni WBK S.A, current name Santander Bank Polska S.A. for the realization of the project entitled "Creation of IT Centre providing modern services," which was increased by the Annex of 13 July 2015 to the amount of PLN 19.2 million.

In 2021, the Company placed its free assets in interest-bearing bank accounts.

The enterprise will continue to finance its activity through the shareholders' equity. Current liabilities will be paid with the Company's current receivables.

Information on buying Company's own shares

As at the day of 31 December 2021 the Company had no own shares.

Financial risk management

The Company partially finances its current operations with the use of bank loans. Liabilities under the credits bear interest on the basis of variable interest rates. The Company is exposed to the risk of changing interest rates. A potential increase in interest rates may result in an increase in financial costs, which will negatively affect the financial results achieved by the Company. The Company monitors the level of interest rates on an ongoing basis.

In 2021 the Company did not use services offered by financing entities, entities hedging exchange rate risk, nor did it purchase significant amounts of foreign currency. The majority of payments of liabilities in foreign currencies were made by the Company from receivables received from customers in that currency. Payments of liabilities in foreign currencies in the reporting period amounted to approximately PLN 10 million, representing more than 7% of the Company's total liabilities, whereas the receivables expressed in foreign currencies amount to also approximately PLN 11.7 million, i.e. 11.4% of all receivables.

Employment

As at the date 30 December 2021, the Company had 296 employees. The average employment in 2021 expressed in full-time jobs equalled 313.92.

Significant risk factors and threats

Risk associated with economic situation

The constant economic and political changes may constitute a source of both threats and opportunities for businesses in Poland. The elements of the country's economic policy most significant for business are employment costs, taxes and investment policy. The key macroeconomic factors include the level of GDP, investment, inflation and exchange rates – especially USD and EUR. The poor state of the economy, and so, poor state of businesses, may result in the decrease of investments, reducing the number and value of the Company's orders.

There is a risk that in the near future the IT market will be restless, and the behavior of potential customers hardly predictable. Such a situation can be affected by the economic environment, debt crisis of countries as well as the threat of the economic and euro zone crises return. Enterprises that usually adapt to market conditions may decide to limit investments and adopt a strategy of waiting.

Risk associated with competition

The Company operates in a sector, where one needs to face intense competition, both from domestic businesses, which have been operating on the market for years, as well as new businesses. The growing number of the latter is a result of, among other things, open borders and the influx of foreign businesses operating in the same sector. Those businesses try to take over part of the market by taking over small domestic companies. Another significant threat is the growing tendency to provide direct services by global suppliers of computing solutions, who, so far, have operated in Poland through domestic integrators. The strengthened position of the rival businesses may weaken that of the Company. The Company's activities which are to minimize the above risks involve constant expanding of the offer by the newest technological solutions, raising the qualifications of the staff as well as providing services, whose standard guarantees that the Company is perceived as professional, experienced and reliable.

Risk associated with supplier dependence

The Company has signed partnership agreements with numerous global IT corporations. In most cases, those corporations offer solutions similar in quality, function and price. The Company also cooperates with many domestic distributors of IT products. As a result, most of the solutions offered by the Company may be based on alternative products provided by different suppliers. However, part of the company's offer is based on products that are unique. The need to use particular manufacturer's products may sometimes be determined by specific requirements of a client. If the Company ceased to cooperate with particular corporations in the IT sector, it could lose the opportunity to sign certain agreements.

Risk associated with large customer dependence

According to the strategy of the Company's commercial operations, large part of the Company's activities is based on regular, long-standing and extensive IT services provided to large businesses. The strategy involves unquestionable benefits but also the risk that, in case of losing certain important customers, the Company will face a temporary reduction of revenues or even the need to reorganize certain areas of its activity. To minimize this risk, the Company tries to increase the number of its key customers and generate part of its revenues by cooperating with many small contractors.

The risk associated with providing solutions and services of crucial importance for the customers' business activities

The Company's customers deem a considerable number of the solutions and services provided by the Company highly important for business processes. Any defects in the solutions provided by the Company or inappropriate implementation of the services offered may lead to considerable losses on the part of the customer or, in some cases, make it impossible for the customer to conduct their basic business activities. In such cases, the Company may have to pay the financial penalty and damages specified in the agreements and lose some of its customers. To minimize this risk, the Company includes provisions of its limited liability in the agreements and signs insurance agreements with insurance companies.

The risk associated with losing key employees

Given the open job market in the countries of Western Europe as well as the growing demand for the ICT experts in the foreign businesses operating in Poland, the Company may lose many of its highly qualified employees. If the Company lacked employees with specialist qualifications, it could lose some of its certificates and entitlements. Also, the standard of the services provided by the Company could fall. Therefore, the Company offers a variety of incentives, both financial and non-financial, for example, specialist training courses on the newest information technologies, where employees can improve their qualifications. As a result, the Company has not marked any significant loss of its indispensable experts for the last couple of years.

Risk associated with common risks, including epidemic

The ease of movement of individuals within and outside Europe carries the risk of easy transmission of disease, with the possible consequence of epidemics and pandemics. The central and local governments' reactions often correlate with activities of other countries governments and international organisations and can be regulatory both in terms of the restrictions on the movement of people and trade of goods. The noticeable effects of the epidemiological risk may concern both the Company's employees, in particular their physical availability, and the Company's suppliers as well as the recipients of the Company's services. Such a situation means a potential risk of temporary limitation of the scope of services provided by the Company, or disruption in the supply chain, or a reduction of the Company's Clients' demand for its services. The Company develops and constantly updates its business continuity plans to be adequate to the possible threats. In particular, the organisation of work in the Company is adjusted to the possibility of

remote work with the highest standards of security of data transmission. The most important IT systems necessary for the Company's operations have been duplicated and are located in geographically distant locations. The Company also has, in its selected field branches, backup offices (Disaster Recovery Centers), allowing for relocation of some of its employees. The direct effect of flexible organization of work is the minimization of the risk of direct contacts between people, and thus reduction of the risk of possible infections.

Basic products, goods and services

The Company achieved lower level of revenues from the sales of products in comparison to last year; they decreased by 13.5% in 2021. The sales of goods and materials in 2021 accounted for about 32% of total revenues. The dynamics of that sales comprised less than 60%.

SPECIFICATION	2021 (PLN in thds)	2020 (PLN in thds)	Fluctuation
Revenues from sales of products	49,811	57,561	86.54%
Revenues from sales of goods and materials	23,487	39,400	59.61%

Installation and maintenance of IT environment services (33.9%) and Data Center related services (29.7%) comprised the largest share of the sales of services. The Company recorded the highest sales growth in the area of other services and Data Center services.

In subsequent years the Company will further develop the sale of Data Center services, in particular in the new location of the branch in Wrocław, where since the end of 2018 works related to the launch of the new server room of Talex Company have been carried out. The Company also focuses on the development and sale of services in the area of broadly understood maintenance of application, IT devices, and installation and configuration of IT equipment, which is a consequence of contracts signed by Talex for this type of services.

SPECIFICATION	2021 (PLN in thds)	2020 (PLN in thds)	Fluctuation
Installation and maintenance of IT environment services	16,866	18,116	93.1%
Data Center services	14,795	13,689	108.1%
Software related services	8,390	11,571	72.5%
Outsourcing of IT services	6,709	8,810	76.1%
IT integration	2,641	5,058	52.2%
Others	410	317	129.2%
TOTAL	49,811	57,561	86.5%

The fluctuation rate of the revenues from sales of goods and materials was 60% at the end of 2021 and almost fully concerns the wholesale of computers and peripheral equipment and software.

SPECIFICATION	2021 (PLN in thds)	2020 (PLN in thds)	Fluctuation
- wholesale of computers and peripheral equipment and software	23,476	39,383	59.6%
- wholesale of electronic and telecommunication equipment	0	0	-
- other out-of-shop retail sales	11	17	68.6%
TOTAL	23,487	39,400	59.6%

Markets and supply sources

In 2021, the Company sold goods and products only on the Polish market.

The territorial structure of the sales revenues:

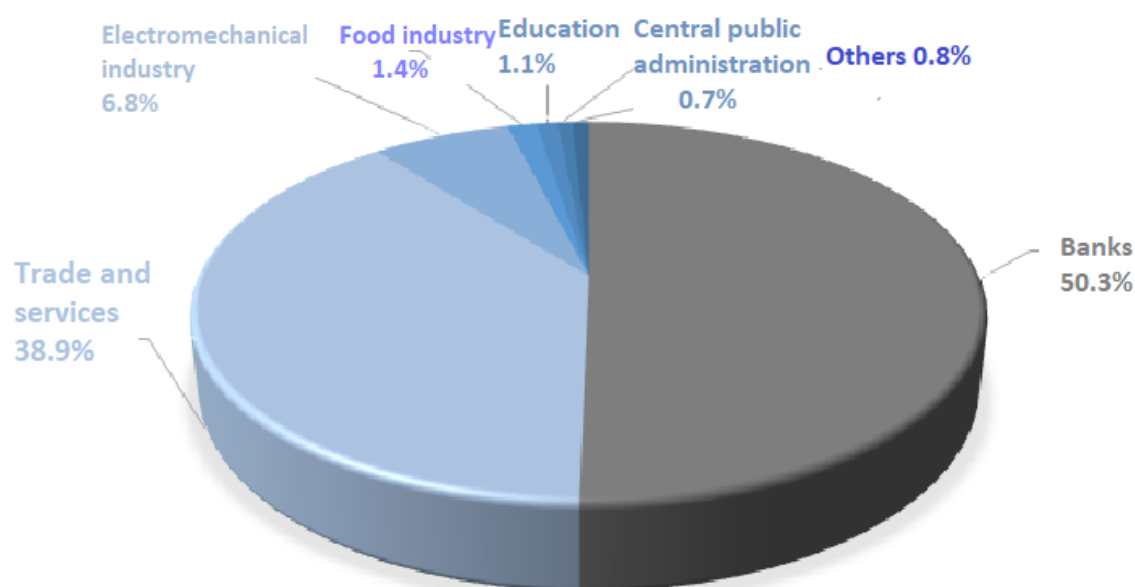
SPECIFICATION	2021 (w tys. PLN)	2020 (w tys. PLN)	Fluctuation
Net revenues from the sale of products:	49,811	57,561	86.5%
Country	49,811	57,561	86.5%
Export	0	0	
Net revenues from the sale of goods and materials:	39,400	39,400	136%
Country	18,922	37,977	49.8%
Export	4,565	1,423	320.9
NET REVENUES FROM THE SALE OF PRODUCTS. GOODS AND MATERIALS	23,487	96,961	59.6%

The structure of the greatest recipients of the Company:

RECIPIENTS	2021	
	PLN in thds	%
Santander Group	18,628	25.41%
PKO BP Group	8,294	11.31%
Group Credit Agricole Group	6,994	9.54%
Allegro Sp. z o.o.	4,412	6.02%
Eurocash SA	3,939	5.37%
Volkswagen Group Polska S.A.	2,757	3.76%
Toyota Motor Poland Company Limited Sp. z o.o.	1,998	2.73%
Bravura Solutions Polska Sp. z o.o.	1,804	2.46%

Citi Bank International	1,440	1.96%
Plum sp. z o.o.	1,285	1.75%
ING Bank Śląski S.A.	1,096	1.50%
TERG S.A.	962	1.31%
P4 Sp.z o.o.	925	1.26%
SOLARIS Bus&Coach S.A.	835	1.14%
Others	17,610	24.46%
TOTAL	73,298	100.00%

The structure of revenues according to the market in 2021



Main suppliers of the Company:

SUPPLIERS	2021	
	PLN in thds	%
AB S.A.	5,509	11.8%
ENEA S.A.	3,813	8.2%
Panasonic Marketing Europe GmbH	3,701	7.9%
S4E S.A.	2,907	6.2%
DELL Sp. z o.o.	2,159	4.6%
Also Polska Sp. z o.o.	2,073	4.4%
WENDEX Mieczysław Wendland	2,003	4.3%
Santander Leasing S.A.	1,746	3.7%
Arrow ECS Sp.z o.o.	1,718	3.7%
ENEA Operator Sp.z o.o.	1,635	3.5%
Panasonic Connect Europe GmbH	1,228	2.6%
Volkswagen Financial Services Polska Sp.z o.o.	1,149	2.5%

BFF Investments Polska Sp. z o.o.	1,130	2.4%
VERTIV Poland Sp. z o.o.	1,065	2.3%
TD AS Poland sp. z o.o.	1,045	2.2%
Hewlett Packard Enterprise Polska Sp. z o.o.	1,004	2.1%
Others	12,827	27.25%
TOTAL		100.0%

The Company is not dependent on the suppliers to any great extent. In particular, goods and products purchased by the Company from suppliers trading (the turnover with them comprises of approximately 10% of the total value of supplies) can be purchased from alternative distributors on similar purchase terms.

The Company does not have any formal relations, other than commercial settlements, with recipients or suppliers whose share exceeds 10% of the total sales income.

Information on agreements significant for the issuer's activity

- On 2 July 2021 the Company was notified of the conclusion of the agreement with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw (Bank). The agreement was concluded for a period of 3 years. The subject of the agreement is the provision of technical and maintenance services for IT hardware and software used in organizational units of the Bank, Bank Agencies, and selected units of the Bank's Capital Group in Poland. The total estimated gross value of services provided under the agreement within 3 years (the value of the agreement) amounts to PLN 14.3 million. The total actual value of the agreement depends on the number of services ordered on the basis of the agreement.
- On 1 July 2021 the Company was notified of the conclusion of the agreement with Toyota Motor Poland Limited Sp. z o.o. with its seat in Warsaw. The subject of the agreement is provision of IT services with the use of Talex Data Center infrastructure. The agreement was concluded for the period of 5 years with the possibility of its extension for an indefinite term. The estimated net value of the agreement in the period of 5 years is EUR 2.06 million

In 2021 the Company continued to execute orders received from strategic clients from the banking and financial sectors. Moreover, the Company received a number of orders from Santander Bank Polska S.A., about which Talex reported in subsequent current reports:

- In the period from 11 December 2020 (publication of the current report No. 21/2020) to 16 July 2021 (publication of the current report No. 11/2021) the Company obtained a number of further orders from Santander Bank Polska S.A. with its seat in Warsaw. The total net value of the received orders is PLN 6.44 million.

Information on credit and loan agreements

The Company uses credit lines in current accounts. The funds from these loans enable the Company to maintain optimal financial liquidity. As at the day of preparation of the financial statements, liabilities due to incurred loans amounted in total to PLN 2,371 thousand and were presented in short-term liabilities.

Information on loans, sureties and guarantees granted

The contingent liabilities of the Company, due to performance bonds and payment securities issued by the financing bank, amounted to PLN 398 thousand. Those liabilities are secured with capped mortgage on the Company's headquarters building.

Contingent liabilities included performance bonds, bid bonds, bonds on account of warranty and guarantee, payment guarantees and guarantees on advance payments. Performance bonds comprised about 69% of the guarantees issued on 31.12.2021. The purpose of those bonds is to secure the claims which could arise in the case of improper performance of an agreement. Payment guarantees represented approximately 31%, the purpose of which is to guarantee the timely payment of monetary liabilities.

As a security to the renewed contract on the limit for bank guarantees, granted to the Company by Santander Bank Polska S.A., the Company created a capped mortgage, established by a notarial deed, up to the amount of PLN 10 million, on account of Santa.A., headquartered in Wrocław. The mortgage was created on the real estate owned by the Company, registered in the Land Register kept by the District Court in Poznań – Stare Miasto in Poznań, under the entry no. KW P01P/00137.699/9. The real estate in question comprises a plot of 14.744.00 sq. meters, with an office building of the usable area of 2.445.80 sq. meters.

Assessment of financial assets management

Information on the assessment of financial assets management has been presented in the "Financial standing" and "Financial risk management" sections.

The Company systematically meets all the incurred liabilities. Liquidity ratios of TALEX S.A. confirm that the enterprise is able to pay its liabilities. The current ratio equalled 1.00 at the balance sheet date, while the quick ratio equalled 0.98.

Changes in the basic principles of managing the issuer's enterprise

In the reporting period there were no significant changes in the basic principles of managing the Company.

Changes in the composition of members of the Management and Supervisory Boards of the Company

On 11 May 2018 the General Meeting of Shareholders appointed the Supervisory Board Members for the new term of office :

- Witold Hołubowicz
- Andrzej Kurc
- Jacek Nowak
- Bogna Pilarczyk
- Małgorzata Poprawska

On the same day, the newly appointed Supervisory Board appointed the Management Board Members for the new term of office:

- Janusz Gocałek
- Jacek Klauziński
- Andrzej Rózga
- Rafał Szalek
- Radosław Wesołowski

Agreements signed between the issuer and the managing persons, providing for a compensation for the latter in case of their resignation or dismissal

The Company did not sign any agreements with the managing persons, providing for a compensation for the latter in case of their resignation or dismissal.

Shares of the issuer and shares of the related entities, held by the managing and supervising persons

Total number and nominal value of the shares of the Company:

Issue	Number of shares	Nominal value (PLN)	Total value (PLN in thds)
Total	3,000,092	1	3,000
Series A	102,000	1	102
Series B	849,000	1	849
Series C	450,000	1	450
Series D	889,092	1	889
Series E	710,000	1	710

Members of the Management Board held the following shares of the Company (as at the day of preparing this report):

Shareholder	Number of shares					
	Series A	Series B	Series C	Series D	Series E	Total
Janusz Gocałek	34,000	283,000	145,216	294,340	2,237	756,556
Jacek Klauziński	34,000	283,000	145,216	294,340	2,237	756,556
Andrzej Rózga	34,000	283,000	145,216	294,340	2,237	756,556
Rafał Szalek	-	-	-	-	889	889
Andrzej Kurc	-	-	-	3,036	-	3,036

To the best of the Management Board's knowledge, the members of the Supervisory Board do not hold any shares of the Company.

Shareholders holding, directly or indirectly, through controlled entities, at least 5% of the total votes in the General Meeting of the issuer

Shareholder's name	Number of shares	Share (%) in the capital	Number of votes	Votes (%) in the General Meeting of Shareholders
Total	3,000,092	100,00	3,408,092	100,00
Janusz Gocałek	758,793	25.29	894.793	26.25

Jacek Klauziński	758,793	25.29	894.793	26.25
Andrzej Rózga	758,793	25.29	894.793	26.25
Integrale IT Sp. z o.o.	176,500*	5,88	176,500*	5.18

*the number of shares and the number of votes resulting from the shares, established as at 4 January 2022, based on notification received from a Shareholders pursuant to Article 69 of the Act of 29 July 2005 on Public Offering (...)

Information on the agreements known to the issuer, which may result in future changes in the present structure of share ownership in terms of shares held by current shareholders and bondholders

The Company does not have any information on the agreements, which may result in future changes in the present structure of share ownership in terms of shares held by current shareholders. The Company does not emit bonds.

Information on holders of securities which entitle to special supervisory powers over the issuer

The Company did not issue any securities which entitle to special supervisory powers over the issuer.

Information on the system of controlling the employee share ownership schemes

The Company did not issue any employee shares.

Information on the limitations related to the transfer of ownership rights to the securities of the issuer and the exertion of voting rights in relation to the shares of the issuer

Only the shares of series A, B and D, being registered shares, are subject to the limitation of the transfer of ownership rights. Additionally, shares of series A are preference shares regarding the voting right. The terms of conversion of those shares into bearer shares as well as of their disposal have been defined in par. 8 of the Company's Articles of Association. The shares of the Company are not limited as to the exertion of voting rights.

Information on agreements with an entity authorized to audit financial statements

On 19 June 2020 the Supervisory Board of the Company, on the basis of the Company's Articles of Association, adopted a resolution on the selection of UHY ECA Audyt Sp. z o.o. Sp. K. registered in Warsaw at ul. Połczyńska (01-337), as an entity with which an agreement has been signed on the review of the Company's financial statements drawn up as of 30 June 2021 and the audit of the Company's financial statements drawn up as

of 31 December 2021 and 30 June 2022, as well as the review of the Company's financial statements drawn up as of 31 December 2022. The selected entity is recorded in the register of entities authorized to audit financial statements under the No. 3115 kept by the National Council of Statutory Auditors.

The total net value of remuneration for the performance of the agreement with UHY ECA Audyt Sp. z o.o. Sp. K. will amount to PLN 90 thousand.

Moreover, on 23 April 2021 the Company concluded the agreement with UHY ECA Audyt Sp. K., the subject of which was the assessment of the Company's report on remuneration; the remuneration under the agreement was equal to net amount of PLN 5.5 thousand.

In 2021 the Company did not use the tax advisory services.

Organization of the capital group of the issuer with the indication of the units subject to consolidation

The Company is not a member of the capital group.

Indicating the results of structural changes in the economic entity, including the results of merging economic entities, takeover or sales of members of the capital group of the issuer, long-term investments, division, restructuring and abandonment of business activity

During the presented period there were no changes in the structure of the economic entity.

Opinion of the Management Board on the feasibility of executing the forecasted results published earlier for a given year in the light of the results presented in the quarterly report in reference to the forecasted results

The Management Board of the Company did not publish the forecast of the financial results for the year 2021.

Pending proceedings before courts, arbitration or public administration authorities

In the past half-year, the Company did not commence and it was not a side in any court proceedings or public administration proceedings in relation to any liabilities of the value constituting at least 10% of its equity capital.

Information on conclusion of one or many transactions with related entities by the Issuer or its subsidiary, provided that the value of the transactions (the total value of all transactions concluded since the beginning of the financial year) exceeds the equivalent of EUR 500,000 in PLN

Since the beginning of the financial year, the Company has not concluded any transactions with related entities of total value exceeding the equivalent of EUR 500,000 in PLN.

Information on credit and loans sureties or guarantees granted by the Issuer or its subsidiary, to one entity in total or to its subsidiary, if the total value of existing sureties or guarantees is equal to at least 10% of the equity capital of the Issuer

In the presented period, the Company did not grant any sureties, credit, guarantees or loans.

Other information which, in the opinion of the Issuer, is important for assessing its headcount, assets, financial standing and results, as well as movements therein, and information important to evaluate the fulfillment of the commitments the Issuer made

In the reporting period there were no changes that could have an impact on the personnel, wealth and financial situation as well as on financial results and their changes; there were also no events important to the assessment of the possibilities to fulfil the obligations of the Company.

Factors which, in the opinion of the Issuer, will influence the results of the Issuer at least in the next quarter

Factors that affect the results of the Company with a view to the next year are mainly the fulfilment of the agreements concluded with the regular, long-term customers of the Company as well as the realization of the contracts from the previous years.

In the past year the Company continued its activities related to the development of software offered by the Company. At the same time, the Company is making intensive efforts to obtain further large and permanent recipients of IT infrastructure maintenance and support services offered by the Company. Moreover, the Company completed investments related to equipping the Data Center and the new branch of the Company in Wrocław, which will affect the future results of the Company.

The Company intends to finance the planned current purchases with its own funds. The schedule for the current purchases was arranged so that their implementation does not affect the Company's liquidity nor affect its financial standing.

In the Company's opinion, the sanitary and epidemiological situation related to the coronavirus COVID-19 pandemic both in Poland and abroad may significantly affect the overall market situation. All kinds of restrictions related primarily to the movement of people and goods in cross-border traffic will have an impact on the functioning of the economy. The Company is continuously fulfilling its obligations towards its customers using previously developed, regardless of the current situation, business continuity plans. The Company's ongoing and undisturbed operation is possible, among others, due to the provision of means of communication for remote work, without prejudice to safety standards. Moreover, the Company's activities, with special regard to services, are carried out using fully redundant, two independent Data Centers located in Poznań and Wrocław. However, due to the atypical situation related to the COVID-19 pandemic and a very wide geographical area affected, it is currently difficult to predict how this situation will affect the economic condition and future business decisions of the Company's customers and the market. Still, with regard to the functioning of the Company itself, it should be emphasized that a significant part of the Company's revenues comes from long-term IT outsourcing contracts, which significantly affects the stability of the Company's operations.

Talex S.A. does not currently conduct any business activities on the Ukrainian market or with entities substantially engaged in Ukraine. Likewise, the Company is neither directly nor indirectly engaged on the Russian or Belarusian markets. The Management Board of Talex keeps a close eye on the current situation and its development. In the Company's opinion, it is too early to make a reliable and credible assessment of the impact of the armed conflict in Ukraine on the economic situation in the region and on Talex itself. The Management Board of the Company in particular observes the situation on currency markets and prices of energy carriers as elements which significantly influence the national market, including the condition of the Company's Customers.

Information on the rules of preparing the annual financial statement

Information on the rules of preparing the annual financial statement is included in the attachment to this report.

Poznan, 26 April 2022

Members of the Management Board:

Janusz Gocałek.....

Jacek Klauziński.....

Andrzej Rózga.....

Rafał Szałek.....

Radosław Wesołowski.....

Report
on the adherence to the principles of corporate governance
by Talex S.A., headquartered in Poznan,
in 2021
Annex to the annual report of
Talex S.A.
2021

1. The set of principles which the Company adheres to and website where it is publicly available.

In 2021, the Company adhered to the principles of corporate governance, presented in the document entitled “Best Practice for WSE Listed Companies” established by resolution of the Supervisory Board of the Warsaw Stock Exchange SA (appendix to Resolution No. 26/1413/2015 of the Exchange Supervisory Board dated 13 October 2015) for the period from 1 January 2021 to 30 June 2021 and the corporate governance principles contained in the document “Best Practice for WSE Listed Companies 2021” established by resolution of the Supervisory Board of the Warsaw Stock Exchange SA (appendix to Resolution no. 13/1834/2021 of 29 March 2021) with respect to the period from 1 July 2021 to 31 December 2021. The content of the document is available at <https://www.gpw.pl/best-practice2021>. Under the WSE regulations, the Company is not obliged to adhere to the indicated set of principles, but only to report on them.

2. Information on the extent to which the company did not adhere to the indicated set of principles of corporate governance and explanation of the reasons of such a conduct.

In the period from 1 January 2021 to 30 June 2021, the Company followed the recommendations included in “Best Practice for WSE Listed Companies 2021” document, with the following exceptions that occurred incidentally:

Disclosure Policy, Investor Communications

I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting:

This principle was breached incidentally: the General Meeting of Shareholders was held on 25 May 2021. This principle was not implemented due to the fact that Company does not record the proceedings of General Meetings and therefore does not make it public on its website during the proceedings of the General Meeting. A derogation from this rule is justified by the low interest of the Company’s shareholders in the participation in the General Assembly. Over the past years the number of shareholders taking part in the subsequent General Meetings has not exceeded a few people, the majority of whom are also members of the governing body of the Company.

I.Z.1.20. an audio or video recording of a general meeting:

This principle was breached incidentally: the General Meeting of Shareholders was held on 25 May 2021. This principle was not implemented due to the fact that Company does not record the proceedings of General Meetings and therefore does not make it public on its website. A derogation from this rule is justified by the low interest of the Company’s shareholders in the participation in the General Assembly. Over the past years the number of shareholders taking part in the subsequent General Meetings has not exceeded a few people, the majority of whom are also members of the governing body of the Company.

General Meeting, Shareholder Relations

IV.Z.16. The dividend record date and the dividend payment date should be set so as to ensure that the period between them is not longer than 15 business days. A longer period between these dates requires a justification.

The principle was breached incidentally: the General Meeting of Shareholders held on 25 May 2021 adopted a resolution on distribution of profit for the year 2020. Pursuant to the resolution, dividend was paid in two equal instalments. The decision to use that method of dividend payment was taken due to rational financial policy of the Company in connection with the ongoing investments. A one-time derogation from this Rule referred only to the payment date of the second installment of the dividend, because the period between the date of setting the right to dividend and the date of payment of the second dividend installment of is longer than 15 working days.

In the period from 1 July 2021 to 31 December 2021 the Company followed the recommendations included in “Best Practice for WSEListed Companies 2021” document, with the following exceptions about which the Company had informed in the publication on 27 June 2021 of the report in EBI system:

Disclosure Policy, Investor Communications

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

This principle is not applied; The Company is in the course of preparing the information it is going to publish on its website.

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

This principle is not applied; the explanation of the above stated will be presented after compilation of the information referred to in point 1.4.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

This principle is not applied; the explanation of the above stated will be presented after compilation of the information referred to in point 1.4. At the same time, the Company informs that in practice it applies the principles of equal remuneration taking into account the content of the job and the length of service.

1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

This principle is not implemented; main investors of the Company are its founders who are also members of the Management Board. The Company remains open to contact with shareholders who, based on the Company's long experience, prefer individual meetings with the Company's Management Board. The Company's practice to date has not confirmed the shareholders' interest in more extensive meetings.

Management Board, Supervisory Board

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

This principle is not implemented; the Company currently has one diversity policy. The Company's governing bodies have undertaken work to prepare a diversity policy separate for the Management Board and the Supervisory Board.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

This principle is not implemented; the main shareholders of the Company are its founders, who are also members of the Management Board. These persons are of one gender. The selection process for the members of the Management Board involves the use of substantive criteria and the composition of the Management Board is not determined by an election based on the provision of a specific gender diversity index. The composition of the Supervisory Board takes into account the gender diversity index.

2.11. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following:

2.11.5. assessment of the rationality of expenses referred to in principle 1.5;

This principle is not implemented; the Company intends to apply the rule as of the next annual report.

2.11.6. information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

This principle is not implemented; the Company intends to apply the rule as of the next annual report.

Internal systems and functions

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other

companies which do not appoint an internal auditor who meets such requirements, the audit committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

This principle is not implemented; the Company intends to apply the rule as of the next annual report.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

This principle is not implemented; the Company intends to apply the rule as of the next annual report.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

This principle is not implemented; at the moment the Company does not belongs to a capital group.

3.8. The person responsible for internal audit or the management board if such function is not performed separately in the company reports to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle 3.1 and tables a relevant report.

This principle is not implemented; the Company intends to introduce the rule in this year.

3.9. The supervisory board monitors the efficiency of the systems and functions referred to in principle 3.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and makes annual assessment of the efficiency of such systems and functions according to principle 2.11.3. Where the company has an audit committee, the audit committee monitors the efficiency of the systems and functions referred to in principle 3.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.

The principle is not implemented; the Company intends to introduce the rule in this year.

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

The principle does not apply to the Company; the Company declares willingness to apply this rule in case the Company is qualified to the indicated indices.

General Meeting and Shareholders relations

4.1. Companies should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of

shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

This principle is not implemented; main investors of the Company are its founders who are also members of the Management Board. The Company's practice has so far not confirmed the shareholders' interest in participating in the General Meeting by means of electronic communication.

4.3. Companies provide a public real-life broadcast of the general meeting.

This principle is not implemented; main investors of the Company are its founders who are also members of the Management Board. The Company's practice has so far not confirmed the shareholders' interest in the real-life broadcast of the General Meeting.

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

This principle is not implemented; the Company allows for the exercise of shareholders' rights in this respect in accordance with the regulations contained in the Commercial Companies Code.

4.9. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:

4.9.1. candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website;

This principle is not implemented; the Company allows for the exercise of shareholders' rights in this respect in accordance with the regulations contained in the Commercial Companies Code. The Company declares that the information submitted by shareholders concerning the proposed candidates will be immediately published on the Company's website.

4.13. Resolutions concerning a new issue of shares with the exclusion of subscription rights which grant pre-emptive rights for new issue shares to selected shareholders or other entities may pass subject at least to the following three criteria:

a) the company has a rational, economically justified need to urgently raise capital or the share issue is related to rational, economically justified transactions, among others such as a merger with or the take-over of another company, or the shares are to be taken up under an incentive scheme established by the company;

b) the persons granted the pre-emptive right are to be selected according to objective general criteria;

c) the purchase price of the shares is in a rational relation with the current share price of the company or is to be determined in book-building on the market.

This principle is not implemented; decisions regarding the issues will be made taking into account the essential needs of the Company as they exist at a given time.

4.14. Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria:

- a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares;*
- b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses;*
- c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders;*
- d) the company generates insufficient cash flows to pay out dividends;*
- e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of bond issue;*
- f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.*

This principle is not implemented; the Company declares the implementation of this principle in practice, taking into account the essential needs of the Company existing at the time of adopting the relevant resolution.

Conflict of interest, related party transactions

5.3. No shareholder should have preference over other shareholders in related party transactions. The foregoing also concerns transactions concluded by the company's shareholders with members of the company's group.

This principle is not implemented; currently the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

5.5. If a transaction concluded by a company with its related party requires the consent of the supervisory board, before giving its consent the supervisory board assesses whether to ask a prior opinion of a third party which can provide valuation of the transaction and review its economic impact.

This principle is not implemented; currently the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

5.6. If a related party transaction requires the consent of the general meeting, the supervisory board issues an opinion on the rationale of such transaction. In that case, the supervisory board assesses whether to ask a prior opinion of a third party referred to in principle 5.5.

This principle is not implemented; currently the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

5.7. If a decision concerning the company's significant transaction with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made, including an opinion of the supervisory board referred to in principle 5.6.

This principle is not implemented; currently the Company does not belong to a capital group. The Company declares its willingness to implement this principle.

Remuneration

6.2. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.

This principle is not implemented; at present the Company does not have a managerial stock options programme. The Company declares its willingness to implement this principle.

3. Description of the main characteristics of the internal control and risk management systems, related to the process of financial statement preparation, adopted by the Company.

The Company did not implement a separate system of internal control and risk management related directly to the process of financial statement preparation. Financial statements are prepared by the finance and accounting services of the Company, supervised by the Chief Accountant, and then approved by the Management Board. Regardless of the adopted method of conduct regarding preparation of the financial statements, the financial statements approved by the Management Board are then verified by the audit company, which is chosen by the Supervisory Board of the Company.

In the execution of the generally applicable legal regulations, and in particular the provisions of the Act of 11 May 2017 on certified auditors, audit firms and public supervision (Journal of Laws 2021, item 1089), including Art. 128 item 1 of the Act of 19 September 2021, an Audit Committee was appointed by the Supervisory Board.

The term of office of the appointed Audit Committee shall come to an end as of the day of the General Meeting of Shareholders that discharge authority to the Supervisory Board currently in office. The Supervisory Board established the Audit Committee shall be composed of five persons. The composition of the Audit Committee meets the criteria of competence and independence of its members as defined by the provisions of that Act. At the same time the Supervisory Board decided that as of the date of adoption of the resolution in question on the appointment of Audit Committee, the Supervisory Board ceases to perform the Audit Committee's duties within the meaning of the repealed provisions of law.

The activity of the organizational units involved in the process of financial statement preparation is covered by the integrated quality management and information security system, which complies with the ISO 9001:2008 and ISO 27001:2013 standards.

4. Shareholders holding, directly or indirectly, significant blocks of shares, including the number of shares held, their percentage share in the share capital, the number of votes they carry and their percentage share in the total votes in the General Assembly.

As at 4 January 2021:

Shareholder's name	Number of shares	Share (%) in the capital	Number of votes	Votes (%) in the General Assembly of Shareholders
Total	3,000,092	100.00	3,408,092	100.00

Janusz Gocałek	758,793 25.29	894,793	26.25
Jacek Klauziński	758,793 25.29	894,793	26.25
Andrzej Rózga	758,793 25.29	894,793	26.25
Integrale IT Sp. Z o.o.	175,500*	5.88	176,500* 5.18

*the number of shares and the number of votes resulting from the shares, established as at 18 March 2021, based on the list of the Shareholders authorized to participation in the Ordinary General Meeting of Shareholders of the Company held on 9 June 2021.

5. Holders of securities which entitle to special supervisory powers and description of such powers.

The Company did not issue any securities which entitle to special supervisory powers over the issuer.

6. Limitations related to the exertion of voting rights, such as the limitation of the voting rights of the holders owning a specific part or number of votes, time limitations of the exertion of voting rights or regulations, according to which, in case of the Company's cooperation, capital rights related to securities are separate from the ownership of securities.

The shares of the Company and the exertion of voting rights to which the shares entitle are not limited in any of the above ways.

7. Limitations related to the transfer of ownership rights to the securities of the issuer.

Only the shares of series A, B and D, being registered shares, are subject to the limitation of the transfer of ownership rights. They are the registered shares and additionally shares of series A are preference shares regarding the voting right. The terms of conversion of those shares into bearer shares as well as of their disposal have been defined in par. 8 of the Company's Articles of Association. The shares of the Company are not limited as to the exertion of voting rights.

8. Principles for appointing and dismissing managing persons and description of the rights of such persons, especially the right to take decisions about share issue or repurchase.

The right to appoint and dismiss members of the Management Board of the Company has been granted to the Supervisory Board and defined in the Company's Articles of Association. The right to take decisions about share issue or repurchase shall be exercised by the General Assembly.

9. Principles of changing the Company's Articles of Association.

Changes in the Company's Articles of Association are made in accordance to the generally applicable provisions of law; the Company's Articles of Association do not introduce any special rights of the Company governing bodies in this respect. Changing the Company's Articles of Association is reserved only for the General Assembly.

10. The way in which the General Assembly functions, its basic powers and the description of the shareholders' rights and the way of their exertion, especially of the rules arising from the regulations of the General Assembly, in case such regulations have been adopted, unless they arise directly from the provisions of law.

The way in which the General Assembly of Shareholders of the Company functions is compliant with the generally applicable provisions of law and in particular with the Commercial Companies Code. The Company has not introduced any additional corporate internal regulations in this respect, except for the provisions specified in articles 13-19 of the Company's Articles of Association. The extent of powers of the General Assembly and the rights of shareholders defined in the Company's Articles of Association are compliant with the regulations of the generally applicable provisions of law.

The General Assembly is held at the Company's headquarters or in Warsaw.

The Ordinary General Assembly is held annually, on the last day of June at the latest. Should the Management Board of the Company fail to convene the Ordinary General Assembly in due time specified in the present chapter or the Statute, the Supervisory Board is entitled to convene it, as well as to convene Extraordinary General Assembly, if deems it advisable. The powers of other entities to convene the General Assembly are specified in the above-mentioned parts of the Statute and did not deviate from the rules laid down in generally applicable laws.

For many years, the Company has been convening the Ordinary General Assemblies as soon as possible after the closing of the fiscal year.

The Extraordinary General Assembly may be convened by the shareholders who hold at least half of the share capital or at least half of the votes in the Company. The shareholders appoint the Chairman of the Assembly.

The shareholder or shareholders representing at least one twentieth of the share capital may demand the calling the Extraordinary General Assembly and filing motions for the inclusion of particular issues on the agenda. The demand for calling the Extraordinary General Assembly shall be submitted to the Management Board in writing or in electronic form. If the Extraordinary General Assembly is not called within two weeks since the day of submitting the demand to the Management Board, the register court may authorize the shareholders submitting the demand to convene the Assembly. The court shall appoint the chairman of the Assembly.

The person convening the General Assembly shall set its agenda, taking the motions filed into account. A shareholder (shareholders), representing at least one twentieth of the share capital, shall file motions for the inclusion of particular issues on the agenda of the General Assembly. The General Assembly shall be announced on the Company's website and in the way specified for passing current information according to the regulations on public offer and on conditions of entering financial instruments to organized trading system and on public companies, at least twenty six days prior to the date of the General Assembly. The announcement shall include the agenda of the General Assembly and other information published in the announcement and required by law.

The right to attend the General Assembly shall exclusively have persons having shares on sixteen days before the date of the General Assembly (the day of registration of participation in the General Assembly). Shareholders have to right to attend the General Assembly in person or by

proxies. The power of attorney to attend the Assembly and to exercise the right to vote should be made in writing, or other be null or void. The power of attorney to exercise the right to vote shall be in writing or in electronic form. Assigning the power of attorney in electronic form does not require stamping with secure electronic signature verified with a valid qualified certificate. Members of the Company's authorities and persons appointed by the Managing Board to manage the General Assembly shall also have the right to attend the General Assembly.

If convened correctly, the General Assembly can adopt resolutions. Each share carries the right to one vote, unless it is a preference share as to the voting power. The resolutions of the Assembly shall be adopted by a simple majority of the votes duly cast, unless an applicable provision of law or the Company's Articles of Association require differently. Shareholders shall vote by open ballot. Secret ballot shall be called for in cases of elections, motions to dismiss members of the Company's authorities or its liquidators or bring them to justice, as well as in cases of personal matters or at the request of at least one person present at the General Assembly.

The General Assembly shall:

- analyze and approve the financial statements and the Management Board's reports on the Company's activity for the previous fiscal year as well as the Supervisory Board's statement and opinion on the Management Board's reports
- adopt a resolution regarding the distribution of the profit or offset of losses for the previous fiscal year
- adopt a resolution to clear the members of the Company's governing bodies for due performance of their duties
- adopt a resolution regarding the election of new authorities of the Company, if they are elected by the General Assembly and their mandates expire on the day of the General Assembly.

Moreover, the sole authority of the General Assembly shall include adopting resolutions regarding:

- appointment and dismissal of members of the Supervisory Board
- changes in the Company's Articles of Association
- issue of convertible bonds or bonds with preemptive rights
- determination of the rules of remunerating members of the Supervisory Board and the value of such remuneration
- mergers with other companies
- dissolution of the Company and selection of its liquidators
- disposal and lease of the enterprise or its organized part and establishment of limited property rights
- investigation of appeals of the Management Board against the decisions of the Supervisory Board, which refuses to grant its approval for a given action
- acquisition of treasury shares by the Company, which are to be offered for acquisition to the employees or persons who were employed by the Company or a related company for the period of at least three years.

The Company has not adopted any regulations of the General Assembly.

11. The composition of members of the Management and Supervisory Boards, its changes during the last fiscal year, and the description of the way the bodies managing, supervising and administrating the issuer as well as their committees function

Members of the Management Board (as for 31 December 2021):

- Janusz Gocałek
- Jacek Klauziński
- Andrzej Rózga

- Rafał Szalek
- Radosław Wesołowski

Members of the Supervisory Board (as for 31 December 2021):

- Witold Hołubowicz
- Andrzej Kurc
- Jacek Nowak
- Bogna Pilarczyk
- Małgorzata Poprawska

The Supervisory Board in the given composition was appointed by the General Assembly on 11 May 2018, following the expiration of the terms of office. The Management Board was appointed by the Supervisory Board on 11 May 2018, following the expiration of the terms of office.

The governing bodies of the Company function in accordance with the generally applicable provisions of law. Detailed description of the rules of operation of the Management and Supervisory Boards has been included in the Company's Articles of Association as well as in separate regulations of those bodies, approved by the Supervisory Board, that is: "Regulations of the Management Board of Talex S.A." and "Regulations of the Supervisory Board of Talex S.A.", respectively. The above documents are available at the company's website.

On 23 May 2019 the Supervisory Board appointed the Audit Committee in accordance with the regulations specified in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2020, item 1415, as amended). All members of the Supervisory Board were appointed to the personal composition of the Audit Committee.

12. Information concerning the Audit Committee

- Members of the Audit Committee fulfilling the statutory criteria for independence:

Witold Hołubowicz

Jacek Nowak

Bogna Pilarczyk

Małgorzata Poprawska

- Members of the Audit Committee who possess knowledge and skills in accounting or auditing financial statements, indicating the manner of their acquisition:

Bogna Pilarczyk - prof. dr hab. at Poznan University of Economics

Małgorzata Poprawska - statutory auditor - No. 5796 held by the National Chamber of Statutory Auditors.

- members of the Audit Committee possessing knowledge and skills in the sector in which the issuer operates, indicating the manner of their acquisition

Witold Hołubowicz - dr hab. inż., professor of Adam Mickiewicz University in Poznan – Head of the Department of the Applied Computer Science at the Faculty of Physics of Adam Mickiewicz University in Poznan

Andrzej Kurc - almost thirty years of experience in implementation and management of IT projects in IT companies

- the audit firm auditing the Company's financial statements for the period 2021 in respect of permitted non-audit services has assessed the Company's remuneration report; due to the nature of the service, in particular the legal basis relating to it, it was not necessary to assess the independence of the audit firm
- when making recommendations to an audit firm, the Audit Committee is guided in particular by its impartiality, independence, the highest quality of its audit activities, knowledge of the IT industry in which the Company operates.
- On 19 June 2020 the Supervisory Board of the Company, on the basis of the Company's Articles of Association, adopted a resolution on the selection of UHY ECA Audyt Sp. z o.o. Sp. K. registered in Warsaw at ul. Połczyńska (01-337), as an entity with which an agreement has been signed on the review of the Company's financial statements drawn up as of 30 June 2021 and the audit of the Company's financial statements drawn up as of 31 December 2021. The selected entity is recorded in the register of entities authorized to audit financial statements under the No. 3115 kept by the National Council of Statutory Auditors. In addition, on 23 April 2021 the Company concluded an agreement with UHY ECA Audyt sp. z o.o. Sp. K., the subject of which was to carry out an assessment of the Company's report on remuneration.
- the Audit Committee held three meetings in 2021

13. A description of diversity policy applied by the bodies administrating, managing, and supervising the issuer with regard to aspects such as age, gender, or education and work experience, as well as to the aims of the diversity policy, the manner of its implementation, and the results in a given reporting period.

In its activities, the Company strives to provide a rational diversity both in the selection of both the composition of its governing bodies and in the process of recruitment. Representatives of the Company recognize the real benefits of ensuring diversity, in particular with regard to age, experience and gender. Nonetheless, the basic criteria in the selection of both the composition of the Company's Supervisory Board, Management Board, managers, and employees are professional competence and social skills. The accomplishment of the identified objectives amounts to ensuring the adequacy of the personnel selection with full respect for diversity, paying due attention to the mainstreaming of the provision of equal opportunities. This is intended to ensure the stability and continuity of the Company's operations as a business entity, entrepreneur. In the opinion of the Company's governing bodies, the diversity policy makes sense and is justified only when it serves the development of the Company and promotes satisfaction of various business groups representatives maintaining more or less close relations with the Company.

When analyzing the actual impact of the efforts to ensure diversity (understood as referred to above), the nature of the Company activities and its specialization in the IT industry should also be taken into account. The Company's activities as advanced IT systems integrator implies a certain restrictions reducing quotas in ensuring diversity. By its nature, the activity in IT industry, in particular in the field of maintenance services provided in the branch units of the Company's customers, brings about natural increase of younger staff and men.

Currently, the Management Board of the Company is composed of five male members, most of whom are founders of the Company and its significant shareholders, whereas the Supervisory Board is composed of five persons, including two women, one of whom serves as President of the Supervisory Board. The personal representatives of the two governing bodies provide diversity in the field of education and work experience. Moreover, the composition of the Management Board, in addition to the provision of the above criteria of diversity, is also significantly diverse in terms of age of the individual members of this body.

Regardless of the policy of diversity and successes already achieved in this area, the Company notes an upward trend in the employment of women with high qualifications and widening of the age spectrum of its employees.