



**Information in accordance with par. 66 section 4 and 5
of the Regulation of the Minister of Finance of 29 March 2018
(Dz. U. [Journal of Laws] of 2018, item 757)
to the quarter report for the third quarter of 2020
including the period from 01.07.2020 to 30.09.2020**

TALEX[®] S.A.

1. Information on the changes in the methods of assets and liabilities valuation and determination of the financial result

In the 3rd quarter of 2020 there was no change in the methods of assets and liabilities valuation and determination of the financial result.

2. Rules adopted during preparation of the report:

TALEX S.A. draws up the financial statement on the basis of provisions contained in the Accounting Act of 29 September 1994. Due to the fact, that the Company does not draw up consolidated financial statements, a separate financial statement according to MSR or US GAAP has not been drawn up. Reliable indication of differences in the value of the revealed data, particularly those concerning equity, net financial result and substantial differences regarding the adopted accounting principles, is not possible.

- a. According to article 3 section 1 point 9 of the Accounting Act the calendar year is considered **the financial year**.
- b. According to article 3 section 1 point 8 of the Accounting Act the calendar month is considered the reporting period. A balance of the general ledger accounts is drawn up at the end of every reporting period.
- c. Record and allocation of operating expenses are kept according to kinds on accounts under group 4 and at the same time according to types of activities and functions on accounts under group 5, with further reference to the costs of products sold or the financial result.
- d. Financial statements are drawn up using the profit and loss account by function of expenses.
- e. Cash flow account is drawn up using indirect method.
- f. It is assumed that substantial for the assessment of the property and financial situation and the financial result is the event resulting in the change of total assets of more than 1%.
- g. The Company keeps account books using the computer technique based on the integrated ERP system - Microsoft Dynamics AX by Microsoft Ireland Operations Ltd.

2.1 Methods of assets and liabilities valuation:

a. Fixed assets and intangible assets are covered by the analytical quantity and value register. They are valued according to acquisition prices or manufacturing cost decreased by depreciation and amortization write-offs in proportion to the period of their utilization, and also by the permanent impairment write-offs. Equipment with the value of less than PLN 1000 is not entered into the fixed assets register only but is included in the cost of materials. In appropriate cases, by the decision of the Management Board, assets with the value of less than PLN 1000 can be entered in the register of fixed assets. Such fixed assets are amortized once, in the month following the month in which they were put into use. Fixed assets and intangible assets with the initial value above PLN 1000 are amortized on a straight line basis starting from the month following the month in which they were put into use. When determining the amortization period and the annual amortization rate, the economic useful life rate of the asset is taken into account.

- Fixed assets used under finance lease are depreciated at the rate resulting from the term of the agreement, if the lease term constitutes at least 40% of the standard depreciation period.

- In other cases, fixed assets under finance leases are depreciated over their economic useful lives.

Sale-and-lease-back in the books of Talex S.A. functions as financial lease, with the difference that Talex was at the same time the supplier of the leased asset.

b. Fixed assets under construction are valued according to real costs incurred for the construction, assembly, adjustment and improvement of future fixed assets, decreased by the permanent impairment write-offs.

c. Long term investments – do not occur.

d. Reserves covering materials, commodities, finished products and production in progress are appraised according to absolute purchase prices:

- **materials and commodities** - yearly consumption is appraised as follows:

- commodities identified by serial numbers according to their price of purchase;
- commodities and materials not identified by a serial number according to the FIFO principle "First in, first out".
- **ready products** – do not occur.
- **production in progress** is appraised according to real, absolute production cost of a particular orders, in the amount not exceeding the value of the income described in the agreement.
- e. **Domestic receivables** are valued according to the nominal value set at their beginning. Receivables in foreign currencies at balancing date are valued at the average exchange rate set for a given currency by the National Bank of Poland. At balancing date the receivables and claims are indicated in the value corrected by revaluation write-offs in the following cases:
 - receivables from entities in liquidation – 100% write-off;
 - receivables that have been overdue for over half a year - 100% write-off.
- f. **Short-term financial assets** are priced at market value. Results of the differences between the priced value at the balancing day and the acquisition price regard revenues or financial costs. Domestic cash is valued at nominal value. Cash in foreign currencies at the balancing day is valued at the average exchange rate set for a given currency by the National Bank of Poland.
- g. **Primary capital (share capital)** is valued at the nominal value, in accordance with the entry in the National Court Register.
- h. **Supplementary capital** is priced at the nominal value resulting from capital increases and decreases.
- i. **Revaluation capital** is valued at nominal value resulting from capital increases and decreases.
- j. **Provisions for liabilities** include:
 - **provisions for retirement benefits** valued at the balancing day according to the following formula:
 the number of employees without the settled right to retirement at the balancing day
 x average monthly salary in the company x likelihood indicator of retirement
 severance payment, differentiated by the employee's age:

up to 25 years	5%
26-30 years	16%
31-35 years	27%
36-40 years	37%
41-45 years	48%
46-50 years	60%
51-55 years	73%
56-60 years	85%
61-65 years	99%
over 66years	100%
 - **provision for unused holiday leaves:** created at the end of the year as the product of the statutory daily remuneration and the number of days of unused holiday leave
 - **provision for deferred income tax** created to the amount of income tax payable in the future in relation to the occurrence of positive transient differences between the book value and the tax value of assets and liabilities. The amount of income tax resulting from negative transient differences is shown **in the prepayments and accrued income on account of deferred income tax.**
 - **other provisions** include the costs of future solutions for business transactions for which revenues and the provision for the VAT with due interests have been accrued before the balance sheet date.
- k. **Domestic liabilities** are estimated in the amount requiring payment. Liabilities in foreign currencies at the balancing day are valued at the average rate set for a given currency by the National Bank of Poland.

 Liabilities due to leasing agreements are disclosed in the amount resulting from the sum of capital installments that require payment.
 Liabilities due to bank loans are disclosed in the accounting books at their nominal value (in the amount of debt) increased by interest due as at the balance sheet date.

2.2. Information on significant changes in estimation values;

In the reporting period there was no significant change in the estimates.

3. Additional information:

3.1 A description of factors and events, particularly of untypical ones, having a significant influence on the financial results achieved;

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 Semi-Annual Report 2020 – Talex S.A. 5 / 21 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 Poznan and Wroclaw. 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.

3.2 Explanations concerning the seasonality or periodicity of the issuer's activity in the presented period;

The Company records the highest sales in the last quarter of the year, which is connected with the execution of investment budgets by the largest clients of the Company at the end of the year.

3.3 Information on write-downs revaluing supplies to the net value obtainable after the reversal of such write-downs.

In the third quarter of 2020 the Company did not recognize a revaluation write-down on service inventories.

3.4 Information on write-downs for impairment of financial assets, tangible fixed assets and fixed assets, intangible assets or other assets, and on reversal of such write-downs.

The Company did not make the above described write-downs.

3.5 Information on creation, increase, use and dissolution of reserves (in PLN thds);

Title of the provision	State as at 01.07.2020	Creation of the provision	Use of the provision	Dissolution of the provision	State as at 30.09.2020
1. For retirement benefits and similar	675	0	0	0	675
- for retirement severance pay	285	-	-	-	285
- for unused holiday leaves	390	-	-	-	390
2. Other provisions	0	0	0	0	0
- for remunerations of the previous period	0	-	-	-	0
- for future costs	0	-	0	-	0
Total	675	0	0	0	675

3.6 Information on assets and provisions due to deferred income tax (in PLN thds);

Title of the assets	State as at 01.07.2020	Creation of the provision	Use of the provision	State as at 30.09.2020
- due to unpaid remunerations	33	5	2	0
- due to write-offs to doubtful accounts	24	0	0	0
- due to provisions for retirement severance pay	54	0	0	0
- due to provision for unused holiday leaves	74	0	0	0
- due to invoicing of future periods services	23	25	18	0
- due to invoicing of advance payments for deliveries	0	0	0	0
- due to the costs of remaining provisions	0	0	0	0
- due to revaluation write-down on inventories	44	0	1	0
- due to IRS transaction assessment	0	0	0	0
- due to non-notified credit interests	0	0	0	0
- due to tax loss occurrence	0	105	62	0
- due to difference in tax depreciation and balance sheet depreciation	0	0	0	0
Total assets	252	135	83	0
Title of provision	State as at 01.07.2020	Creation of the provision	Use of the provision	State as at 30.09.2020
- due to positive difference in tax depreciation	26	8	14	0
- due to recorded discounts	39	62	53	0
Total provision	65	70	67	0

3.7 Information on significant transactions of purchase and sales of fixed assets;

In the reporting period there were no significant transactions of purchase or sale of fixed assets.

3.8 Information concerning significant liability due to the purchase of tangible fixed assets;

In the reporting period there were no significant liability due to the purchase of tangible fixed assets.

3.9 Information on significant settlements under court proceedings;

In the reporting period there were no significant settlements under court proceedings.

3.10 Indication of the corrections of the errors in previous periods;

In the reporting period there were no corrections of the errors of previous periods.

3.11 Information on changes in the economic situation and conditions of conducting business activity, significantly influencing the fair market value of financial assets and financial liabilities of the entity, whether the assets and liabilities are recognized in the fair market value or corrected purchase price (amortized cost);

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.

3.12 Information on non-repayment of the credit or loan or violating significant provisions of the credit or loan agreement, in relation to which no corrective measures were undertaken until the end of the reporting period;

As at the day of the report compilation, the Company is not in arrears with the repayment of the credit or loan and has in no way infringed any provisions of the credit or loan agreement.

3.13 Information on conclusion of one or many transactions between an issuer and the entity dependent, if they are significant and were concluded on the terms other than market ones;

The Company is not an affiliated entity.

3.14 In case of financial instruments evaluated in their fair value - information concerning a change in a manner (method) of its valuation;

In the third quarter of 2020 the Company did not change the valuation method of the financial instruments.

3.15 Information on change of classification of financial assets as a result of changing the purpose or use of those assets;

In the third quarter of 2020 the Company did not change the classification of the financial instruments.

3.16 Information concerning the issue, redemption and repayment of debt and capital securities;

In the presented period no issue, redemption or repayment of debt and capital securities took place.

3.17 Information concerning the paid (or declared) dividend, jointly and calculated per one share, with the division into ordinary and preference shares;

In the third quarter of 2020 payment of the first instalment of dividend took place. The second instalment of dividend was paid in the fourth quarter of this year. The total amount allocated to the payment of dividend shall be calculated as the product of the number of shares participating in the dividend and the amount of PLN 0.60 (i.e. the amount allocated for dividend per share); the amount was equal to PLN 1,800,055.20. All shares of the Company are covered by the dividend. The payment of dividend was paid in two instalments, broken down as follows: PLN 0.40 for the first instalment per share participating in the dividend and PLN 0.20 for the second instalment per share participating in the dividend. It has been settled that 24 June 2020 was the dividend record date, while the days of dividend payment were: 2 July 2020 (for the first instalment) and 3 November 2020 (for the second instalment).

3.18 Indication of events, which took place after the day for which the abridged quarterly financial statement was drawn up, not included in this statement, but which could substantially influence the future financial results of the issuer;

After the date this report has been drawn up, there were no events that could substantially influence the future financial results.

3.19 Information concerning changes in contingent liabilities or assets, which have taken place since the end of the last financial year;

Title of contingent liability	State as at 01.07.2020	Increase of liability	Expiration of liability	State as at 30.09.2020
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- due to guarantee and warranty	0	-	-	0
- due to performance bonds	226	-	-	226
- advance payment guarantees	0	-	-	0
- payment guarantees	119	1	-	120
- tender guarantee	0	-	-	0
Total	345	1	-	346

3.20 Other information which may significantly affect the evaluation of the property and financial standing and the financial result;

As at the day of publication of the report for the third quarter 2020 there were no, other than those shown in this report, important events in the Company, which could have had a significant influence on the assessment of its employment, property, financial situation, and fulfilment of commitments by the issuer.