



**Introduction
to Annual Financial Report**

**Prepared as at
31.12.2020**

TALEX[®] S.A.

1. Field of activity

Talex S.A. provides advanced IT services in the field of system integration, hardware implementations, IT projects developments. It also offers IT outsourcing services based on its own Data Processing Center (Data Center). The Company's activity includes also a distribution and service of computer hardware. The offer is directed mainly to the market of financial institutions, banks as well as large and medium-sized enterprises.

TALEX S.A. was entered into the register of entrepreneurs kept by the District Court in Poznań – Nowe Miasto and Wilda in Poznań, VIII Economy Department of National Court Register under No 0000048779 (date of register in the NCR: 3rd October 2001).

TALEX S.A. does not consist of internal organizational units which draw up their own financial statements. As a consequence, the financial statement contains only unitary data.

Due to the structure of sales revenues, where the greatest part includes the sale of goods, the primary activity of the Company has been defined by the Central Statistical Office, according to the Polish Classification of Activities 2007, as "wholesale of computers, computer peripheral equipment and software"-46.51.Z

2. Time frames:

Talex S.A. operates since 9th April 1998. There are no limited time frames.

3. Periods which the presented financial data concern:

- Year 2020: from 1st January 2020 to 31st December 2020
- Year 2019: from 1st January 2019 to 31st December 2019

4. The Members of the Management Board and Supervisory Board

As of 31st December 2020, the Management Board and the Supervisory Board consist of the following members:

Management Board:

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| • Janusz Gocąlek | - President of the Management Board |
| • Jacek Klauziński | - Vice President of the Management Board |
| • Andrzej Różga | - Vice President of the Management Board |
| • Rafał Szalek | - Member of the Management Board |
| • Radosław Wesołowski | - Member of the Management Board |

Supervisory Board :

- | | |
|------------------------|-------------------------------------|
| • Bogna Pilarczyk | - Chairman of the Supervisory Board |
| • Witold Hołubowicz | - Member of the Supervisory Board |
| • Andrzej Kurc | - Member of the Supervisory Board |
| • Jacek Nowak | - Member of the Supervisory Board |
| • Małgorzata Poprawska | - Member of the Supervisory Board |

5. Rules adopted in preparation of the financial statement:

- a. The financial statement contains only unitary data as TALEX S.A. does not consist of internal organizational units which draw up their own financial statements.
- b. The Company intends to continue its business activity in the foreseeable future. According to the opinion of the Management Board and the Supervisory Board, there are no circumstances that could pose a threat to this activity.

- c. The party examining the financial report for the year 2019 did not express any reservations to the financial report and therefore no corrections were necessary.
- d. TALEX S.A. draws up the financial statement on the basis of provisions contained in the Accounting Act of 29th September 1994 and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognized as equivalent. 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 is not possible.
- e. According to article 3 section 1 point 9 of the Accounting Act the calendar year is considered the financial year.
- f. According to article 3 section 1 point 8 of the Accounting Act the calendar month is considered the reporting period. A trial balance of the general ledger accounts is drawn up at the end of every reporting period.
- g. 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.
- h. Financial statements are drawn up using the profit and loss account by function of expenses.
- i. Cash flow account, in the part concerning operating activity, is drawn up using indirect method, in the part concerning investment and financial activities using the direct method.
- j. 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%.
- k. The Company is keeping the account books using the computer technique based on the integrated financial and accounting system - Microsoft Dynamics AX by Microsoft Ireland Operations Ltd.

5.1 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.
Fixed assets with the initial value not exceeding PLN 1000 are not entered in the analytical records and are included in the costs 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 to use.
Fixed assets and intangible assets with the initial value above PLN 1000 are amortized using the straight-line method, starting from the month following the month in which they were put into use. In determining the amortization period and the annual amortization rate, the economic useful life of the assets are taken into account.
- 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** are valued according to acquisition prices decreased by the permanent impairment write-offs.
- d. **Reserves** covering materials, commodities, finished products and production in progress are appraised as follows:
 - **materials and commodities** according to absolute purchase prices increased by import duty (in case of import). 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 order in the amount not exceeding the value of income defined 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	10%
31-35 years	20%
36-40 years	35%
41-45 years	50%
46-50 years	70%
51-55 years	80%
56-60 years	90%
over 60 years	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** comprise the costs of future liabilities regarding business transactions for which revenues had been recorded before the balance sheet date and the provision for VAT and due interest.
- k. **Domestic liabilities** are priced 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.

5.2 Information on significant changes in estimated figures;

In 2020 there was no significant change in estimated values.

6. Selected financial data including basic positions of the abridged financial statement (also converted into EURO);

SELECTED FINANCIAL DATA	PLN in thds	EUR in thds
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	Year 2020	Year 2019	Year 2020	Year 2019
I. Net revenues from sales of products, goods and materials	96,961	88,814	21,671	20,646
II. Profit (loss) from operating activities	4,670	2,798	1,044	650
III. Gross profit (loss)	4,455	2,863	996	666
IV. Net profit (loss)	3,622	2,404	810	559
V. Net cash flows from operating activities	6,137	8,865	1,372	2,061
VI. Net cash flows from investment activities	-124	-1,228	-28	-285
VII. Net cash flows from financial activities	-7,982	-6,696	-1,784	-1,557
VIII. Total net cash flows	-1,969	941	-440	219
IX. Total assets	84,447	83,342	18,299	19,571
X. Liabilities and provisions for liabilities	28,038	28,754	6,076	6,684
XI. Long-term liabilities	3,735	4,318	809	1,014
XII. Short-term liabilities	17,745	18,247	3,845	4,285
XIII. Equity	56,409	54,588	12,223	12,819
XIV. Share capital	3,000	3,000	650	704
XV. Number of shares	3,000,092	3,000,092	3,000,092	3,000,092
XVI. Profit (loss) per one common share (PLN/EUR)	1.21	0.80	0.00	0.19
XVII. Book value per share (PLN/EUR)	18.80	18.20	4.07	4.23
XVIII. Declared or paid dividend per one share (PLN/EUR)	0.70	0.60	0.16	0.14

Rules,for,converting,basic elements of financial report into EUR.

For items I to VIII and for XVI the mid-rate for a given period was applied. Currency mid-rate is calculated as an arithmetic mean of the NBP exchange rates effective on the last day of the month in the given period.

For items IX to XIV and XVII the NBP exchange rate for the last day of the period was used.

Kurs EURO przyjęto do obliczania wybranych danych finansowych:

	Mid-rate Turing the period	Minimal Exchange rate Turing the period	Maximal Exchange rate during the period	Exchange rate of the last day of the period
Year 2020	4.4742	4.2279	4.6330	4.6148
Year 2019	4.3018	4.2406	4.3891	4.2585