

**REPORT ON THE ACTIVITY OF THE SUPERVISORY BOARD  
IN 2018  
AND  
ASSESSMENT OF THE COMPANY AND THE MANAGEMENT ACTIVITY  
IN 2018**

In 2018, the Supervisory Board of Talex S.A. performed their functions in an uninterrupted way in accordance with the respective law regulations, particularly with the code of commercial companies and of the Articles of Association of the Company.

The Supervisory Board performing its functions during the term of office ending on the day of the Ordinary General Meeting of Shareholders approving the financial statements for 2017 was appointed by the General Meeting of Shareholders of Talex S.A. held on 25 April 2013. On the same day, after the closing of the General Meeting of Shareholders, the Members of the Supervisory Board at its meeting appointed Mrs. Bogna Pilarczyk to be its President.

As at 11 May 2018 (i.e. the day of the Ordinary General Meeting of Shareholders that approved the financial statements for 2017) the Supervisory Board of the Company consisted of:

- Grzegorz Ganowicz,
- Andrzej Kurc,
- Marek Nawrocki,
- Jacek Nowak
- Bogna Pilarczyk.

The Ordinary General Meeting of Shareholders of Talex S.A. held on 11 May 2018 appointed the Supervisory Board members for the next term of office. On the same day, after closing the General Meeting of Shareholders, at the meeting of the Supervisory Board its members elected Bogna Pilarczyk as President of the Supervisory Board.

The term of office of the current Supervisory Board expires on the date of the Ordinary General Meeting of Shareholders approving the financial statements for the year 2022.

As at 31 December 2018 the Supervisory Board of the Company consisted of:

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

In the described period, there were no other than stated above changes in the personal composition of the Supervisory Board. The majority of the Supervisory Board members meets the criteria of independence.

On 25 April 2013 the Supervisory Board in their field of competence appointed the Management Board of the Company. By way of resolution the following composition of the Management Board of Talex S.A. was selected:

- Janusz Gocąlek - President of the Management Board,

- Jacek Klauziński - Vice President of the Management Board,
- Andrzej Rózga - Vice President of the Management Board,
- Rafał Szalek - Member of the Management Board,
- Radosław Wesołowski – Member of the Management Board.

As at the day of 11 May 2018, in view of the expiry of the term of office of the Management Board, the Supervisory Board appointed the following members of the Management Board by way of a resolution:

- Janusz Gocąlek - President of the Management Board,
- Jacek Klauziński - Vice President of the Management Board,
- Andrzej Rózga - Vice President of the Management Board,
- Rafał Szalek - Member of the Management Board,
- Radosław Wesołowski – Member of the Management Board.

As at the day of 31 December 2018, the composition of the Management Board was identical as in the day of its appointment. The term of office of the present Management Board expires on the day of the Ordinary General Meeting of Shareholders approving the financial statements for 2022.

In 2018, during cyclic meetings, the Supervisory Board evaluated the situation of the Company and made necessary decisions by resolutions.

At the meeting on 26 January 2019 the Supervisory Board carried out a preliminary assessment and analysis of the financial results achieved by the Company in 2017 and adopted the resolution to grant bonuses from the achieved results to the members of the Management Board. On 23 February the Supervisory Board adopted detailed information on the current economic situation of the Company from the Management Board and analysed the financial results achieved in 2017, and on 22 March 2018 held a meeting with the Company's certified auditor. On 5 April 2018 the Supervisory Board adopted a resolution on the adoption of the financial statements and the Report of the Management Board on the activity of the Company in 2017, as well as approved the scope and agenda of the General Meeting of Shareholders held on 11 May 2018, and on 9 April 2019 carried out the analysis of the performance of the corporate governance rules in the Company, referring to the document „Good Practices of Companies listed in the Stock Exchange” and also accepted the document Report on the activity of the Supervisory Board of the Company in 2017 as well as the assessment of the Company's situation and the activity of the Management Board in 2017.

On 11 May 2018 the Supervisory Board, in the exercise of its powers specified by generally applicable laws and the provisions of the Company's Articles of Association, elected its President and Members of the Company's Management Board, as described in detail at the beginning of the report.

On the same day, the Supervisory Board 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 2017, item 1089), including Art. 128 (1) of the aforementioned Act, appointed an Audit Committee. 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 composition of the Audit Committee to include five persons and simultaneously appointed all the Members-in-office of the Supervisory Board to the Audit Committee, and appointed the President of the Audit Committee.

On 27 September 2018, at an off-site meeting, the Supervisory Board familiarised itself with the Company's investments in the development of infrastructure in Wrocław, in particular those related to the Company's new Data Center.

At the meeting held on 19 December 2018 the Supervisory Board made a preliminary analysis of the Company's financial results achieved in 2018.

The Supervisory Board carried out the annual analysis of corporate governance rules carried out in the Company, referring to the document „Good Practices of Companies listed in the Stock Exchange in 2016.” In the Supervisory Board’s evaluation, those rules were implemented in their entirety with the following exceptions, which occurred only incidentally:

- principle No. I.Z.1.16, which was violated only incidentally: on 11 May 2018 the Ordinary General Meeting of Shareholders took place. The above mentioned principle was not fully implemented because the Company does not record the course of the proceedings of the General Meetings, and therefore it does not publish such recording on its website during the time of the Meeting. Derogation from this principle is justified by a low interest of the Company’s Shareholders in the participation in the General Meeting. Over the past few years the number of the Shareholders did not exceed a few people the majority of whom were the Company’s Management members.
- principle No. I.Z.1.20, which was violated only incidentally: on 11 May 2018 the Ordinary General Meeting of Shareholders took place. The above mentioned principle is not fully implemented because the Company does not record the course of the proceedings of the General Meetings and therefore does not make such recordings available on its website. Derogation from this principle is justified by a low interest of the Company’s Shareholders in the participation in the General Meeting. Over the past years the number of Shareholders did not exceed a few people the majority of whom were simultaneously the Company’s Management members.
- Principle No. IV.Z.16., which was violated only incidentally: on 11 May 2018 the General Meeting of Shareholders of the Company adopted the resolution on the division of profit for 2017. According to this resolution, the dividend was paid in two equal instalments. This decision was due to a rational policy of the Company in its financial sector in connection to the ongoing investments. One time derogation from this principle relates only to the date of payment of the second instalment of dividend because the period between the date of setting the right to dividend and the date of dividend payment is longer than 15 working days.

Furthermore, the Supervisory Board noted that the Company together with the change in the presentation of data on its website made every effort and continues to ensure that the recommendations and principles contained in the abovementioned congregation are fully respected by the Company.

In performing its tasks, the Supervisory Board monitored the following on an ongoing basis and analysed the economic situation of the Company. In the indicated period of the previous year, the Board also held a series of meetings, including a meeting with the Key Auditor, the Management Board, the Chief Accountant and key employees. The Supervisory Board in the self-assessment of its work, expresses its deep conviction that its operation is in full compliance with generally applicable laws, regulations designated as soft law, the Company's Articles of Association, and the actual needs of the Company as well as in the legitimate interests of its Shareholders.

In 2018 the Company generated sales revenues in the amount of PLN 94,766 thousand with a net profit of PLN 6,575 thousand (net profit achieved in 2017 was PLN 5,731 thousand).

In the reported period, sales revenues were about 12% lower than in the previous year, whereas gross profit on sales was higher than in 2017 and amounted to PLN 24,166 thousand. The revenues from the sale of products increased by about 14% in comparison to 2017, whereas the sale of goods and materials decreased by about 38%.

Additionally, the structure of sales revenues changed significantly. The share of services in sales revenues increased and amounted to approx. 65% - in the comparable period of 2017 they accounted for around 49% of total sales revenues, also the margin on sales of these services increased from 30% in 2017 to 34% in 2018.

The revenues from the sale of goods and materials accounted for approximately 35% of total sales revenues (in 2017 it was 50%), with the profitability of approximately 10% (9% in 2017).

The annual financial statements as at 31 December 2018 present the value of assets in the amount of PLN 93,558 thousand, which represents 100,23% of the value of assets at the end of 2017, which means that they are still on the similar level.

The value of fixed assets at the end of 2018 amounted to PLN 67,302 thousand and thus increased by PLN 7,016 thousand in comparison to the amount at the end of 2017. The increase in the value was mainly affected by the expenditures incurred by the Company on the equipment of the new Data Center in Wrocław. The economic ratios for the Company indicate its systematic development based on a long-term provision of a favorable financial situation. The Company's standing in terms of payments was good in 2018. There were no difficulties with timely payments of taxes, social insurance or payments to employees and suppliers. The Company paid both instalments of the dividend as well as has timely paid the instalments of the investment credit.

Among the main recipients of the Company's offer are: Santander (previous name: BZ WBK) (over 43%), Powszechna Kasa Oszczędności Bank Polski (over 13%), Credit Agricole Bank Polska S.A. (over 7%), Eurocash S.A. (around 4%), and Volkswagen Group Polska S.A. (over 4%). The banking and finance sector provides over 72.83% of the Company's revenues, while trade and services account for nearly 19.66%, and industry – 6.58%.

The structure of the Company's suppliers remains without major changes for a few years now. The largest providers include: AB S.A. (nearly 15%), ALSO Polska Sp. z o.o. (nearly 11%), S4E S.A. (over 8%), HP Inc Polska Sp. z o.o. (over 3%). The net profit achieved in 2018 in the amount of PLN 5,575 thousand provides a good basis for further dynamic development of the Company. What is worth noting is the 21.42% increase in net profit in relation to 2017, which was generated at a lower than in 2017 level of revenues.

The Company does not deploy a separate system of internal control and risk management directly related to the process of preparing financial statements. Financial statements are prepared by financial and accounting services for the Company (supervised by the Chief Accountant) and approved by the Management Board. The financial statement approved by the Management Board is then examined by an independent statutory auditor chosen by the Supervisory Board of the Company.

Internal procedures of the Company, including those related to the process of preparing financial statements, are in accordance with the integrated system of quality and security management of ISO 9001:2008 and ISO 27001:2005 deployed in the Company.

The Supervisory Board, undertaking the analysis of significant risks related to the Company, agrees with the analysis and assessment made by the Management Board in this respect. The Supervisory Board classifies the following as fundamental risks correlated with the Company's situation:

- risk related to the economic situation,
- competition risk,
- the risk associated with dependence on suppliers,
- the risk associated with dependence on large customers,
- risk related to the provision of solutions and services that are of key importance for the operations of customers,
- risk related to the loss of key employees of the Company.

In the opinion of the Supervisory Board, the actions taken by the Management Board towards defined risks, and above all the awareness, constant monitoring of the state of affairs, and activities aimed at their diversification guarantee maximum protection of the Company's interests.

The Company has not implemented a separate policy with respect to sponsoring, charity or other activities of a similar nature, as the scope of such activities does not justify its separate establishment.

The Company did not implement any other policy regarding sponsorship, charitable or other activities because the scope of operations in this regard do not justify its separate establishment.

In the opinion of the supervisory authority of the Company, the Management Board observed the regulations of generally applicable law and internal rules in making its decisions.

The Supervisory Board, performing supervisory functions in relation to the Management Board and acting solely in the best interests of the Company and its Shareholders, hereby states that the management activity of the Management Board regarding Talex S.A. ensures further dynamic development of the Company and allows for the realistic assessment of the possibilities of achieving the established goals.

Poznan, 25 April 2019

For the Supervisory Board: