



**REPORT ON THE ACTIVITY OF THE SUPERVISORY BOARD
IN 2019
AND
ASSESSMENT OF THE COMPANY AND THE MANAGEMENT ACTIVITY
IN 2019**

May 2020

TALEX[®] S.A.

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In 2019, 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 was appointed by the General Meeting of Shareholders of Talex S.A. held on 23 May 2020. 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.

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 2019 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 11 May 2019 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 Gocalek - 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 2019, the composition of the Management Board was identical as in the day of its appointment. In the described period there were no changes in the personal composition of the Management Board. 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 2019, 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 the year 2018, and at the meeting on 31 January 2019 adopted the resolution to grant bonuses from the achieved results to the members of the Management Board as well as the resolution on changing the remuneration of members of the Management Board. At the meeting on 15 April 2019 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 2018, as well as approved the scope and agenda of the General Meeting of Shareholders held on 23 May 2019. At the meeting held on the same day, the Supervisory Board 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 2018 as well as the assessment of the Company’s situation and the activity of the Management Board in 2018.

On 23 May 2019, the Supervisory Board, in the exercise of its powers specified by generally applicable laws and the provisions of the Company's Articles of Association, adopted a resolution on granting consent to the disposal of the Company’s real estate.

At the meeting held on 18 June 2019, the Supervisory Board in the execution of the generally applicable legal regulations, and acting pursuant to §23 section 1 point 1) of the Company’s Articles of Association selected the PKF Consult Sp. z o.o. Sp. K. registered in Warsaw at ul. Orzycka 6 lok. 1B (02-695), entered into the register of entrepreneurs kept by the District Court for the Capital City of Warsaw, 13th Commercial Division, under the KRS number: 579479 and entered into the list of entities authorized to audit financial statements kept by the National Council of Statutory Auditors under the No. 477, as the entity with which an agreement will be signed on the review of the Company's financial statements drawn up as of 30 June 2019 and the audit of the Company's financial statements drawn up as of 31 December 2019.

On 7 October 2019 the Supervisory Board made an analysis of the Company's financial results achieved in the first half of 2019.

At the meeting held on 17 December 2019 the Supervisory Board made a preliminary analysis of the Company's financial results achieved in year 2019 and familiarized itself with the internal regulations adopted in the Company in the area of counteracting a failure to comply with the obligation to provide information on tax schemes.

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 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 23 May 2019 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 23 May 2019 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 23 May 2019 the General Meeting of Shareholders of the Company adopted the resolution on the division of profit for 2018. 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 2019 the Company generated sales revenues in the amount of PLN 88,814 thousand with a net profit of PLN 2,404 thousand (net profit achieved in 2018 was PLN 6,575 thousand).

In the reported period, sales revenues were about 6% lower than in the previous year. Also, the gross profit on sales was lower than in 2018 and amounted to PLN 2,863 thousand. The revenues from the sale of products decreased by about 2% in comparison to the year 2018, whereas the sale of goods and materials decreased by about 15%.

The structure of sales revenues changed significantly. The share of services in sales revenues increased and amounted to approx. 67% - in the corresponding period of the year 2018 that share accounted for around 64% of total sales revenues, whereas the margin on sales of these services decreased from 34% in 2018 to 28% in 2019.

The revenues from the sale of goods and materials accounted for approximately 33% of total sales revenues (in 2018 it was 36%), with the same as in the previous year profitability of approximately 10%.

The annual financial statements as at 31 December 2019 present the value of assets in the amount of PLN 83,342 thousand, which represents 89.08% of the value of assets at the end of 2018.

The value of fixed assets at the end of 2019 amounted to PLN 63,529 thousand and therefore decreased by PLN 3,773 thousand in comparison to the amount at the end of 2018. The decrease in value was mainly affected by the lower expenditures incurred by the Company on the renovation of the Company's fixed assets. The largest share in fixed assets is held by property,

plant and equipment, representing over 76% of total assets. Intangible fixed assets and long-term prepayments in both periods were below 1% of total assets.

The Company's standing in terms of payments was good in 2019. 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 (over 35%), Credit Agricole Group (over 15%), PKO BP Group (near 9%), Eurocash S.A. (around 4%), and Volkswagen Group Polska S.A. (over 3.4%). The banking and finance sector provides over 66.9% of the Company's revenues, while trade and services account for nearly 25.5%, and industry – 5.6%.

The structure of the Company's suppliers remains without major changes for a few years now. The largest providers include: S4E S.A. (nearly 14.5%), AB S.A. (nearly 13%), WENDEX Mieczysław Wendland (7.7%), ALSO Polska Sp. z o.o. (nearly 8%). The net profit achieved in 2019 in the amount of PLN 2,404 thousand provides a good basis for further dynamic development of the Company.

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
- risk associated with common threats, including epidemic.

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.

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 by 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, 13 May 2020

For the Supervisory Board: