

***Annual Report
on Issuer's Activity
- Talex S.A. in Poznań***

April 2024

Talex S.A.
ul. Karpia 27d
61-619 Poznań

tel. (061) 8 275 500
inwestor@talex.pl
www.talex.pl

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

NIP : 7820021045
REGON : 004772751
NACE : 5184

Branches

The Company currently has ten branches.

Branches in Poland:

- Talex Białystok, ul. Ogrodowa 31;
- Talex Bydgoszcz, ul. Fordońska 393;
- Talex Gdynia, ul. Chwarznieńska 170b;
- Talex Katowice, al. Walentego Roździeńskiego 91;
- Talex Kraków, ul. Cystersów 21D;
- Talex Lublin, ul. Jana Sawy 2;
- Talex Łódź, ul. Piotrowska 276;
- Talex Szczecin, ul. Pomorska 53;
- Talex Warszawa, ul. Olbrachta 94;
- Talex Wrocław, ul. Bierutowska 57/59,

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-sized 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 strives 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 virtualisation, high-availability solutions (clusters), recovery services (recovery centers, data replication, disk arrays) as well as information security solutions - preventing and reacting to unauthorized intrusions into ICT networks and building private virtual networks. The Company also provides network integration services, including DWDM, IP telephony, structural wiring, network monitoring, etc.

The outsourcing offer focuses on two main areas – Data Center services and services guaranteeing continuity of business processes. Talex S.A. provides its customers with the access to its own Data Center. These services are offered in a few models, such as

colocation, lease of dedicated IT infrastructure, cloud computing, and provision of access to complete business applications. These services are offered in a few models, such as colocation, lease of dedicated IT infrastructure, cloud computing, and provision of access to complete business applications. At the customer's request, IT infrastructure and application software can be monitored 24/7. Talex S.A. has two Data Centers – one in Poznan and the other in Wroclaw. The Data Center in Poznan has an area of over 2200 m², and the DC in Wroclaw exceeds the area of 800 m². Currently, Talex S.A. is the only company in Poland which can offer its customers Data Center services certified in accordance with the European standard EN 50600, both in Poznan and Wroclaw.

As part of its business continuity services, Talex S.A. provides its customers with Data Center backup services, backup offices comprising office space equipped with the necessary IT infrastructure, integrated with the customer's systems, as well as Network Operation Center services, which involve monitoring teletransmission networks, IT devices and applications 24 hours a day.

The Company provides Contact Center services in the scope of recording and handling incidents and HelpDesk services in the area of supported IT technologies. The Company also provides services involving installation, relocation, modification and removal of IT hardware and software, including mass replacement of ICT infrastructure for large clients, especially those with branches scattered throughout the country, and failure removal services covering IT environments of its clients. 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. We employ cutting-edge technologies using artificial intelligence mechanisms to create responsive and progressive web applications, among other things. Software produced by the Company is used in financial institutions, state-owned enterprises, as well as in 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, confirmed by the certificates they hold. The procedures of all 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 certification, which confirms that the procedures followed by the Company guarantee full security of customers' data, and also the ISO 20000-1:2011 certificate to confirm that the management of IT services complies with this international standard, in particular the management of services provided by the Company in the area of installation, relocation, expansion, replacement and removal of hardware and software, and hardware and software troubleshooting for the Company's business partners.

IT market in Poland and development prospects for the Company

The estimations presented by the Gartner Institute indicate a 5.5% increase in the global spending on new technologies in 2023. Like in the previous periods, the segment with the largest growth opportunities is software production. At the same time, experts are not overly optimistic, stressing that the actual financial results achieved by the IT segment will be affected by both the inflation and high costs of doing business. A number of comments made by market experts also claims that the area of new technologies – after many years of dynamic growth – will now slow down, mostly due to inflation and the loss of geopolitical stability observed, in particular, in the European and North American markets. It should be noted, however, that the progressive digitalization of the global economy is an irreversible phenomenon which, as a consequence, will require constant investment and development. This is why one should currently speak rather of a slowing down than a visible down trend in the IT sector.

IT market analysts from Fitch Solutions forecast both a more dynamic growth on the IT market in Poland and its growing share in domestic GDP, which may increase up to 4.5% in 2025 (compared to 3.5% in 2022).

Market experts also indicate that the shift towards IT services is perceived by enterprises as one of the more significant ways to optimize costs. It is of particular import in the period when an economic slowdown and its associated pressure to cut business costs are projected.

The experts of IT market also forecast increased incomes generated by the implementation of blockchain technologies, development of new solutions in the area of the Internet of Things, as well as significant progress in the analysis of large data streams using machine learning and artificial intelligence (AI) algorithms.

According to PMR, the increase in popularity and use of cloud services will be one of the most important trends in IT outsourcing in Poland in the years to come. Cloud storage, mobility, and the Internet of Things were referred to as breakthrough technologies for years. At present, cloud storage and mobile solutions are seen as entirely natural. Software as a Service solutions are becoming such a universal model that common delivery of software through the cloud, irrespective of its purpose and functionality, is also to be expected.

Other significant trends in market developments also include a departure from maintaining private data centers. The estimations by Gartner show that, already in the prospect of five coming years, about 80% of enterprises worldwide will dispose of their own data centers to seek the necessary space and computing power for their data in professional data center facilities. This trend is not solely dictated by the economic and technological aspects, but equally so by striving to ensure the security of stored and processed data.

The Company still intends to consistently focus its activities on: outsourcing, integration services in the field of information technology, and software production. Considering outsourcing services as one of its strategic directions of development, the Company has been consistently developing the necessary skills and technical infrastructure for several years.

The Company also analyses its prospects of strategic development in the following years: the Management Board is open to various options and directions for the Company's strategic development, including attracting a financial investor. As at the date of this report, the Company's Management Board has not prejudged the choice of a specific model or declared a deadline for such a decision.

The determinants of the the results achieved by the Company in the next quarter include primarily the implementation of contracts with regular, long-term customers of the Company, in particular with such clients from the banking and financial sector as Santander Bank Polska S.A., Credit Agricole Bank Polska S.A., and PKO Bank Polski S.A. as well as with the clients from other sectors, including Grupa Allegro Sp. z o.o., Eurocash S.A., and Volkswagen Group Polska Sp. z o.o.

In the coming years the market of cloud services should focus primarily on applications available in the cloud rather than on the infrastructure itself. We are bound to face the optimization of cloud operation costs and the use of the cloud by companies. It will be necessary to better manage the performance and monitor costs. Being a normal business product, the cloud has to meet the criteria set for products offered to banks, among others, which means it has to follow certain licensing legislation, be effective and have a specific price.

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 two fully redundant, independent Data Centers located in Poznan and Wroclaw. The standards of labour and service provision developed by the company ensured, in particular, the undisturbed provision of those services in the time of the pandemic. 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.

An important aspect for the Company's operations is the fact that Talex S.A. is not currently conducting 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 existing situation and its development, taking into account its possible impact on the economic relations of the Company with its Clients.

Expenses on the Company's tangible fixed assets in 2023

In 2023 the Company incurred total expenses on tangible and intangible assets in the amount of PLN 3.71 million, out of which PLN 3.12 million was financed by leasing, and PLN 594 thousand with the Company's resources.

SPECIFICATION	Expeses incurred in 2023 (in PLN thd)
Modernisation of the Company's buildings	86
Investments in rented properties	13
Concept of a new server facility building	70
Purchase of technical equipment and machinery	3,398
- included leasing	3,117
Purchase of other fixed assets	30
Purchase of means of transport from lease	11
Intangible assets (software)	103
TOTAL EXPENSES ON FIXED ASSETS	3,711

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

Plans for the increase and maintenance of tangible fixed assets in 2024

The Company plans investment expenditures in 2024 for the renewal and supplementation of the technical equipment necessary for the provision of IT services and for the necessary investments in the Company's premises.

Specification:

- Purchase of technical equipment and machinery	PLN 1,000 thousand	
- Intangible assets	PLN 100 thousand	
- Purchase of other fixed assets	PLN 400 thousand	
- Investments in the Company's premises		PLN 100 thousand
TOTAL		PLN 1,600 thousand

The Company intends to carry out the investment plans presented above through leasing.

Basic economic and financial data disclosed in the annual financial statement

Sales revenues and financial result of the Company in 2023

In 2023 Talex S.A. achieved sales revenues of PLN 82,443 thousand, at a net profit of PLN 1,487 thousand (the 2022 net profit was PLN 1,748 thousand).

SPECIFICATION	2023 (in PLN thd)	2022 (in PLN thd)	Fluctuation
Revenues from sales of products	71,625	61,358	116.7%
Revenues from sales of goods and materials	10,818	20,266	53.4%

In the reporting period, the revenues from sales were higher by about 1% than the previous year revenues. Gross profit from sales was also greater than in 2022 and amounted to PLN 18,464 thousand. Revenues from the sales of products grew by 16.7% compared with 2022, whereas the sales of goods and materials decreased by about 53.4%.

However, the structure of sales revenues had changed. The share of services in sales revenues increased to almost 87%, whereas in the comparable period of 2022 it amounted to roughly 75% of total sales revenue. The margin on the sales of these services also increased, from 20.3% in 2022 to about 24.2% in 2023.

Revenues from the sales of goods and materials accounted for roughly 13% of total sales revenues (compared to 25% in 2022), at a slightly lower profitability of 10.3% in 2023 in comparison to 13.4% in the previous year.

SPECIFICATION	2023 (in PLN thd)	2022 (in PLN thd)	Fluctuation
Net sales revenue	82,443	81,624	101.0%
Gross profit on sales of products	17,353	12,449	139.4%
Gross profit on sales of goods and materials	1,111	2,715	40.9%
Gross profit (loss) on sales	18,464	15,164	121.8%
Costs of sales	4,153	4,822	86.1%
General management costs	13,363	13,520	98.8%
Profit (loss) on sales	948	- 3,178	-
Profit (loss) on operating activities	2,417	2,723	88.8%
Gross profit (loss)	1,740	2,313	75.2%
Net profit (loss)	1,487	1,748	85.0%

In 2023 the Company achieved greater net sales revenue and higher gross profit on the sales of products than in the previous year, which was reflected in the gross sales profit and at all other levels of the Company's operations.

Company assets

The Company's annual financial statement as at 31 December 2023 presents an asset value of PLN 77,727 thousand, which represents 102.2% of the total asset value at the end of 2022.

The value of fixed assets as at the end of 2023 amounted to PLN 61,503 thousand, which was a decrease of PLN 56 thousand compared to the value at the end of 2022. Tangible fixed assets are the largest part of fixed assets, making up almost 80% of that number.

Intangible assets made up less than 0.5% of the asset value, whereas long-term prepayments and accrued income were at the level of 1% of total assets. Long-term investments, valued according to market, amounted to 8% of the asset value in 2023.

SPECIFICATION	31.12.2023		31.12.2022	
	(in PLN thd)	% of share	(in PLN thd)	% of share
FIXED ASSETS	61,509	79.13%	61,565	80.95%
Intangible assets	271	0.35%	355	0.47%
Tangible fixed assets	54,178	69.70%	54,293	71.39%
Long-term receivables	0	0.00%	0	0.00%
Long-term investments	6,235	8.02%	5,967	7.85%
Long-term prepayments and accrued income	825	1.06%	950	1.25%

The value of current assets as at 31.12.2023 amounted to PLN 16,218 thousand and was greater by almost 12% than the value on 31.12.2022. Short-term receivables accounted for the greatest share in the current assets, exceeding the previous year's values by 51%.

The current assets in the period under review reach almost 21 of the total asset value. This ratio indicates the potential of the Company: the higher the share of the index, the higher the liquidity of the Company. Compared to tangible asset components, current assets are much more easily converted into cash.

Compared to the previous review period, the level of inventories remained low. It amounted to PLN 458 thousand in 2023, compared to PLN 876 thousand in 2022.

The Company reported growth of short-term receivables from PLN 7,954 thousand in 2022 to PLN 12,016 thousand in 2023. The share of these receivables in the total assets increased from 10.5% in 2022 to 15.5 in 2023. The share of short-term investments in total assets was 4.1% in 2023 compared to 6.8% in 2022.

Short-term prepayments and accrued income did not exceed 1% of total assets in both periods.

SPECIFICATION	31.12.2023		31.12.2022	
	(in PLN thd)	% of share	(in PLN thd)	% of share
CURRENT ASSETS	16,218	20.87%	14,488	19.05%
Inventories	458	0.59%	876	1.15%
Short-term receivables	12,016	15.46%	7,954	10.46%
Short-term investments	3,180	4.09%	5,149	6.77%
Short-term prepayments and accrued income	564	0.73%	509	0.67%

Overall financial condition

Selected financial indicators.

Profitability ratios	2023	2022	Desired quantities
Return on sales (ROS)			
Net profit / sale value * 100 (%)	1.80%	2.14%	positive rising
Return on assets (ROA)			
Net income / total assets * 100 (%)	1.91%	2.30%	positive rising
Return on equity (ROE)			
Net income / own equity * 100 (%)	2.83%	3.42%	positive rising

Adjusted return on assets			
Net profit + (financial costs – income tax on financial costs) / total assets * 100 (%)	2.79%	2.93%	positive rising
Leverage			
profitability of equity – profitability of assets	0.92%	1.12%	positive rising

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

ge indicates whether the operating profit generated by foreign capital is higher than the interests, or whether funding the operation of the company externally earns an income.

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

Liquidity ratios	2023	2022	Desired quantities
Liquidity ratio I (current liquidity)			
Current assets / short-term liabilities	1.09	0.93	1.2 – 1.8
Liquidity ratio II (fast liquidity)			
(current assets – inventories) / short-term liabilities	0.06	0.87	0.8 – 1.0

The liquidity ratios remain at a safe level for the company all the time. They determine the Company's capacity to pay its current liabilities on time. In 2022, these ratios fluctuated around the optimum values, which means that the Company has the appropriate means to repay incurred liabilities. Higher levels of these ratios would indicate that the Company has a significant excessive liquidity. Maintaining cash in the amount sufficient to caveer all liabilities irrespective of their maturity would be uneconomical for the business.

Debt ratios	2023	2022	Desired quantities
Overall debt ratio			
Liabilities and provisions for liabilities / total assets	0.24	0.23	Max 0.5
Long-term debt ratio			
Long-term liabilities / equity capital	0.07	0.04	Max 0.5–1

Total debt ratio slightly increased at the end of 2023 compared to the preceding period and remains at the safe level. Moreover, the nearly optimal levels of liquidity ratios, in particular the short-term receivables ratio, lower the financial risk of a business and the probability it may become unable to pay its debt.

The long-term debt results from IT equipment lease agreements.

Management performance indicators	2023	2022	Desired quantities
Receivables turnover ratio			
Net sales revenues / average receivables	10.20	10.84	7–10

Inventory cycle			
Average inventory cycle / cost of sales * 360	3.89	4.28	decreasing
Receivables cycle			
Average receivables / amount of sales * 360	35.28	33.22	decreasing
Duration of receivables in days			
Average trade receivables / cost of sales * 360	28.35	36.75	average maturity date
Conversion period of working capital into cash			
Receivables cycle + inventory cycle (in days)	39.17	37.50	decreasing

The low level of receivables turnover ratio, that is, below the value of 7, indicates a high level of receivables, meaning that the company is crediting its customers, which in practice involves freezing its funds in receivables. The negative market practices of recipients, independent of the Company, are the underlying reason of that.

The inventory cycle represents the average number of days passing from the time an item is introduced to the inventory to the time it leaves. The shorter time equity is bound in the asset, the better.

The receivables cycle was somewhat higher than in 2022, which indicate longer waiting times for the repayment of receivables. No significant difficulties in receiving remuneration for services performed or goods delivered were observed in the period under review. The Company strives to build good relations with its clients, which contributes to timely payments of receivables.

The duration of trade payables in days decreased from 37 days in 2022 to 28 days in 2023. Shortened payment periods of trade payables necessitates self-financing of deliveries pending receipt of the funds from the sale.

The analysis of these indicators shows the good overall efficiency of the Company's operations in 2023. Talex S.A. has proper financial liquidity, and the debt and turnover ratios remain at appropriate levels.

Financial standing

The Company's shareholders' equity as at 31 Decembr 2023 amounted to PLN **52,572** thousand, which comprised:

- share capital (3,000,092 shares) PLN 3,000 thousand
- supplementary capital PLN 48,085 thousand
- net profit for 2023 PLN 1,487 thousand

In terms of payments, the Company's standing in 2023 was stable. There were only some temporary difficulties in tax and social security payments. The Company timely fulfils its obligations to its employees and suppliers. It also repays finance lease installments on time. The amount of cash at hand and in the bank accounts of the Company remained at a similar level related to the previous year. The funds held by the Company and the signed long-term contracts provide for its current needs.

Total liabilities as at 31.12.2023 amounted to PLN 18,320 thousand (PLN 17,745 thousand in 2022), which comprised over 35% of shareholders' equity (also 35% in 2022), considering that the amount of liabilities includes long-term lease agreements.

In 2023, the Company used working capital loans as part of revolving loan agreements in current accounts. Debts resulting from these contracts amounted to PLN 3,906 million.

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

Information on buying treasury shares

As at 31 December 2023, the Company did not hold any own shares.

Financial risk management

The Company partially finances its current operations using bank loans. Liabilities on account of credits are subject to interest based on variable interest rates. The Company is exposed to the risk of interest rate changes. A potential increase in interest rates may cause an increase in financial costs, which will negatively impact the financial results achieved by the Company. The Company monitors the level of interest rates on a current basis.

In 2023 the Company did not use the services of financing entities to hedge against foreign exchange risk, nor did it make any significant purchase of foreign currency. The majority of payments of liabilities in foreign currencies was made by the Company from receivables received from recipient in that currency. In the period under review, payments of liabilities in foreign currencies were equivalent to less than PLN 2.3 million, which was about 3% of the total liabilities of the Company. In term, the receivables obtained in currencies were also equivalent to about PLN 2.8 million, or less than 3% of total receivables.

Employment

As at 31 December 2023, the Company had 243 employees. The average employment in 2023 was 252 full-time equivalents.

Significant risk factors and threats

Risk associated with economic situation.

The constant economic and political changes may become 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 of USD and EUR. The poor state of the economy, and so, the poor state of businesses, primarily leads to the decrease in investments, including investments in ICT solutions. The lower demand for such products may cause a shrinkage of the market and increased competition, resulting in a reduction of prices. Such a turn of events would significantly impact the profitability of sales and, in a longer term, also the liquidity of companies operating in this sector.

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 enterprises. 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 a 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, thus far, have operated in Poland through domestic integrators. The strengthened position of rival businesses may weaken that of the Company. The Company's activities undertaken to minimize the above risks involve constantly expanding the offer with the newest technological solutions, raising the qualifications of the staff, as well as providing the 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, the majority 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 products from a particular manufacturer may sometimes ensue from 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 it enjoys.

Risk associated with large customer dependence.

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

Risk associated with providing solutions and services of crucial importance for the clients' business activities

A considerable portion of the solutions and services provided by Talex S.A. is related to key business processes, from the perspective of the Company's clients. 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 client or, in some cases, make it impossible for the client to conduct their basic business activities. In such cases, the Company may be liable to pay the financial penalty and damages specified in the agreements and lose some of its customers. The Company strives to mitigate this risk by including limited liability provisions in its agreements and contracting insurance companies.

Risk associated with losing key employees.

Given the open job market in the countries of Western Europe as well as the growing demand for ICT experts in the foreign businesses operating in Poland, the Company may lose many of its highly qualified employees. Without employees holding specialist qualifications, the Company risks not only losing some of its certifications and entitlements but also lowering the standard of the services it provides. To mitigate the risk of losing key employees, the Company offers a variety of incentives, both financial and non-financial, such as participation in specialist training courses on the newest information technologies, where employees can improve their qualifications. Owing to this approach, the Company has not marked any significant loss of its indispensable experts for the last couple of years.

Risk associated with common threats, including epidemic threats.

The ease of travelling both throughout the territory of Europe and beyond entails a risk of carrying diseases with equal ease. This threat may result in epidemic and pandemic phenomena. The reactions of state and local government authorities, often correlated with the activities undertaken by the authorities of other countries and international organization, may introduce regulations limiting the traffic of both passengers and goods. The impact of an epidemic threat may affect the employees of the Company, in particular their actual availability, as well as its suppliers and the recipients of its services. Such an occurrence involves a potential risk of a temporary limitation in the scope of services provided by the Company, disruption in its supply chain, or a decrease in the demand of the Company's clients for its services. The Company, therefore, develops and constantly updates its operational continuity plans, adequate to possible threats. In particular, the work organization at the Company is adapted so that its employees can carry out their tasks

remotely while maintaining the highest security standards of information transfer. The most important IT systems of the Company, crucial for its operation, are redundant and have been located in geographically dispersed locations. Moreover, in its selected local units, the Company keeps backup offices enabling it to relocate some of its employees. The implementation of flexible work organization has the immediate result of minimizing the risk of direct personal contact, which then leads to the decreased risk of possible infections.

Risk associated with conducting business in an uncertain economic environment.

The sources of risk and its potential and actual impact on the functioning of the Company are constantly being diagnosed at each individual level of enterprise management. By consistently building the awareness of the managerial staff that risk is a fixed component of conducting business activities, we are able, to a significant extent, to undertake measures which minimize the probability that specific risks may arise. The COVID pandemic period as well as the previous experiences of destabilized markets, such as was the case of the investment market in 2008, sensitized the managerial staff to the constant analysis of potential risks and, in particular, to mitigating their impact. The operation of the Company is based on sustainable use of bank services, with regard to both debt and investment, and on creating a diversified portfolio of service suppliers. The company is also involved in projects aimed at decreasing the costs of conducting business, some of which will make it less supplier-dependent.

Basic products, goods and services

The Company achieved greater revenue from the sales of products than in 2022, which grew by 16.7% compared to that year. The sales of goods and materials in 2023 comprised about 13% of total sales revenues. The dynamics of this group exceeded 53%.

SPECIFICATION	2023 (in PLN thd)	2022 (in PLN thd)	Fluctuation
Revenues from sales of products	71,625	61,358	116.73%
Revenues from sales of goods and materials	10,818	20,266	53.38%

Data Center services and IT environment installation and maintenance services were the largest shares in the sale of services (46% and 25% respectively). Whereas among the major product groups, the Company reported the greatest increase in the sales of software-related services.

In the years to come, the Company will further develop the sale of services based on the its Data Center resources. The Company also focuses on the development and sales of software production related services, services related to broadly understood servicing of applications and IT equipment as well as the installation and configuration of IT equipment, which ensues from the agreements concluded by Talex for this kind of services.

SPECIFICATION	2023 (in PLN thd)	2022 (in PLN thd)	Fluctuation
Installation and maintenance of IT environment services	18,260	16,732	109%
Data Center services	32,596	27,333	119%
Software-related services	13,267	9,617	138%
Outsourcing of IT services	5,097	4m997	102%
IT integration	2,230	2,492	89%
Other services	175	187	94%
TOTAL	71,625	61,358	117%

The dynamics of revenues from sales of goods and materials at the end of the 2023 amounted to 53.4%, which was almost entirely due to wholesale of computers, peripheral equipment and software.

SPECIFICATION	2023 (in PLN thd)	2022 (in PLN thd)	Fluctuation
wholesale of computers, peripheral equipment and software	10,817	20,261	53%
wholesale of electronic and telecommunication equipment	0	0	20%
remaining out-of-shop retail sales	1	5	53%
TOTAL	10,818	20,266	53%

Markets and sources of supply

In 2023 the Company sold goods and product solely on the domestic market.

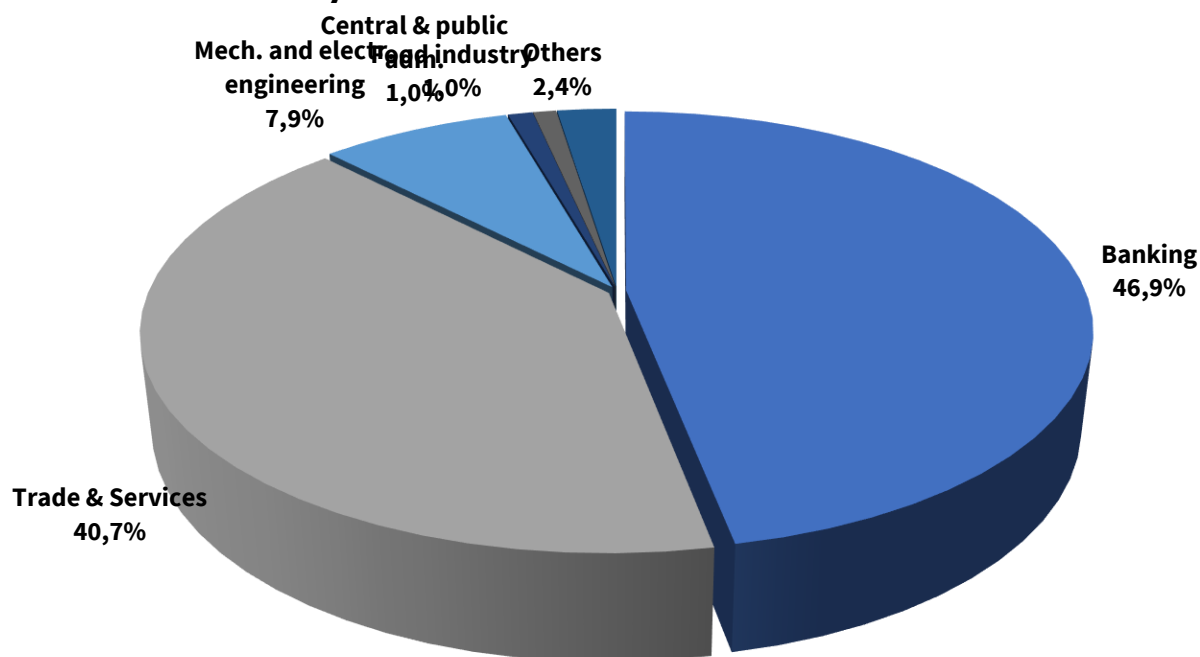
Sales revenues by geographical location:

SPECIFICATION	2023 (in PLN thd)	2022 (in PLN thd)	Fluctuation
Net revenues from sales of products:	71,625	61,358	117%
Domestic	71,625	61,358	117%
Export	0	0	0
Net revenues from sales of goods and materials:	10,818	20,266	53%
Domestic	10,818	16,485	53%
Export	0	3,781	0
TOTAL	82,443	81,624	101%

The Company's largest recipients:

SPECIFICATION	2023 (in PLN thd)	% share
Santander Group	17,581	21.1%
Allegro Group	13,662	16.4%
PKO BP Group	7,420	8.9%
Crédit Agricole	6,915	8.3%
Toyota Central Europe Sp. z o.o.	3,885	4.7%
VW Group	3,725	4.5%
Citi Handlowy Group	3,378	4.1%
P4 Sp. z o.o.	2,145	2.6%
Asseco Poland S.A.	1,637	2.0%
PLUM Sp. z o.o.	1,681	2.0%
Bravura Solutions Sp. z o.o.	1,366	1.6%
TADMAR Sp. z o.o.	1,495	1.8%
PayU S.A.	1,270	1.5%
NTT DATA Business Solutions Sp. z o.o.	1,016	1.2%
Others	16,056	19.3%
TOTAL	83,232	100.0%

Structure of sales by sectors of sale in 2023



Main suppliers of the Company

SPECIFICATION	2023 (in PLN thd)	% share
ENEA S.A.	21,311	40.1%
Also Polska Sp. z o.o.	2,846	5.4%
ENEA Operator Sp. z o.o.	2,553	4.8%
WENDEX Mieczysław Wendland	2,018	3.8%
Ingram Micro Sp. z o.o.	1,920	3.6%
Hewlett Packard Enterprise Polska Sp. z o.o.	1,246	2.3%
Volkswagen Financial Services Polska Sp. z o.o.	1,238	2.3%
BFF Investments Polska Sp. z o.o.	1,236	2.3%
AB S.A.	1,233	2.3%
Arrow ECS Sp. z o.o.	1,207	2.3%
Santander Leasing S.A.	1,077	2.0%
TD SYNEX AS Poland sp. z o.o.	1,030	1.9%
ORLEN S.A.	1,002	1.9%
Others	13,238	24.9%
TOTAL	53,185	100.0%

The Company is not significantly dependent on its suppliers. In particular, goods and products purchased by the Company from the suppliers whose shares exceed 10% of total turnover can be purchased from alternative distributors on similar purchase terms.

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

Information on agreements significant for the issuer's activity

In 2023 the Company continued to realize a number of orders obtained from its strategic customers. Moreover, the Company received a number of orders from its long-term clients, of which Talex informed in its current reports:

- in the period between 12 December 2022 (publication of the current report No. 13/2022) and the publication day of this report on 2 June 2023, the Company obtained a number of further orders from Santander Polska S.A. with its seat in Warsaw. The total net value of the received orders is PLN 4.93 million.
- On 23 October 2023, The Company has been notified of the execution of an annex to the contract concluded with Allegro.pl Sp. z o.o. (previous name Grupa Allegro Sp. z o.o.) with its registered office in Poznan (the Client), of which Talex S.A. had informed in current reports No. 26/2014 and 2/2019. The subject of the annex is the extension of the period of provision of colocation services in the processing center (Data Center) of Talex S.A. along with accompanying services (IT outsourcing) to the Client. The estimated net value of the agreement within 3 years amounts to PLN 13.1 million. The actual value of the agreement is dependent on the actual number of the devices belonging to the Client co-located in the Company's Data Center throughout the contractual period as well as on the number and scope of accompanying services provided.
- On 31 October 2023, the Company received an order from Toyota Central Europe Sp. z o.o. with its seat in Warsaw. The subject of the order is provision of IT services with the use of the Company's Data Center infrastructure. The aforementioned services will be provided for the period of 5 years with the option of an extension for an indefinite period. The estimated net value of the order of services in the period of 5 years is PLN 8.92 million. The actual value of provided services is dependent on the actual number of Client's devices co-located in the Company's Data Center as well as on the number and scope of accompanying services provided.
- On 17 November 2023, the Companyt was notified of the execution of an annex to the contract concluded with P4 Sp. z o.o. (previous name 3GNS Sp. z o.o. Sp. K.) with its registered office in Warsaw (the Client). The subject of the annex is the extension of the period of provision of colocation services in the processing centre (Data Center) of Talex S.A. along with accompanying services (IT outsourcing) to the Client. The estimated net value of the agreement within 3 years amounts to PLN 12.7 million. The actual value of the agreement is dependent on the actual number of the devices belonging to the Client co-located in the Company's Data Center throughout the contractual period as well as on the number and scope of accompanying services provided.
- In the period between 2 December 2023 (publication of the current report No. 5/2023) and the publication day of this report on 12 December 2023, the Company obtained a number of further orders from Santander Polska S.A. with its seat in Warsaw. The total net value of the received orders is PLN 6.71 million.

Information on credit and loan agreements

The Company uses credit lines in current accounts. The funds from these credits enable the Company to maintain an optimum financial liquidity. At the day of the report compilation, the total amount of liabilities on account of credits taken was PLN 3,906 thousand, all of which was disclosed under short-term liabilities.

The company has concluded a factoring agreement with EUROFACTOR Polska S.A. At the end of 2023 there were no liabilities under that title.

Information on loans, sureties and guarantees granted

The Company has contingent liabilities in respect of performance guarantees and payment security guarantees granted by the financing bank in the amount of Those liabilities are secured with capped mortgage on the Company's headquarters building.

The contingent liabilities included two performance guarantees and payment guarantees. As at 31.12.2023, performance guarantees constituted about 60% of all issued guarantees. The purpose of performance guarantees is to secure the claims which might arise in the case of improper performance of an agreement. Almost 40% of all guarantees were

payment guarantees, the purpose of which is to guarantee the timely payment of monetary claims.

The collateral for the renewed agreement on the limit for bank guarantees granted to the Company by Santander Bank Polska S.A. is collateral mortgage, established by notarial deed, up to the amount of PLN 10 million, in favour of Santander Bank Polska S.A. with its registered office in Warsaw. The mortgage was established on the real estate owned by the Company, entered into the register maintained by the District Court Poznań - Stare Miasto in Poznań, 5th Land and Mortgage Register Division, entry No. KW P01P/00137699/9. The real estate consists of a plot of land with an area of 14,744.00 m², built-up with an office building with a usable area of 2,445.80 m².

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. The liquidity ratios of TALEX S.A. confirm that the enterprise is able to pay its liabilities. The company has maintained proper financial liquidity for many years; at the balance sheet date, the current liquidity ratio was 1.09, and the quick liquidity ratio was 1.06.

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 management and oversight of the issuer

In the period under review, there were no changes in the composition of the Company's management or supervision. The Ordinary General Meeting of Shareholders held on 7 June 2022 appointed five members of the Supervisory Board. Simultaneously, at its meeting on 7 June 2022, the Supervisory Board of the Company appointed five Members of the Management Board. The appointments to the Company's governing bodies were dictated by the expiration of the term of office of all Members of the Supervisory Board and of all Members of the Management Board. The appointments did not lead to change in the composition and number of Members of the Supervisory Board and the Management Board of the Company, or any changes in the functions performed by individual Members of either body in relation to the previous term of office of both bodies of the Company.

In the period under review, the aforesaid bodies had the following composition:

The Supervisory Board:

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

The Management Board:

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

Agreements signed between the issuer and 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 in the case of their dismissal, redundancy or resignation from their position.

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 (in PLN)	Total value (in PLN thd)
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

The following shares in the Company are held by the managing and supervising persons:

Shareholder	Number of shares					
	Series A	Series B	Series C	Series D	Series E	Total
Janusz Gocałek	34,000	283,000	145,216	293,340	2,237	758,793
Jacek Klauziński	34,000	283,000	145,216	293,340	2,237	758,793
Andrzej Rózga	34,000	283,000	145,216	293,340	2,237	758,793
Rafał Szalek	-	-	-	-	290	290
Andrzej Kurc	-	-	-	3036	-	3036

To the best of the Management Board's knowledge, its other members and 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

State as at the date of the drafting of the report.

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.*	250,000	8.33	250,000	7.34

* the shareholding status as at 14 June 2023 based on the list of shareholders entitled to attend the General Meeting convened on 21 June 2023.

The value of remuneration, awards and benefits, including those resulting from motivational or bonus programs based on the Issuer's equity, paid, called up or potentially called up individually for persons managing and supervising in the company

The information on the amounts of all remuneration paid to the members of the Company's bodies has been included in Note 38 in the additional information on the financial statement.

Information on all liabilities due to pensions and similar benefits for former managing or supervising persons, or former members of management bodies, and on liabilities incurred in relation to these pensions, with an indication of the total for each body category.

The Company does not have any liability of this kind.

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 Management Board of the Company is not aware of any agreements which could result in future change in the proportion of shares held by existing shareholders. The Company has not issued bonds.

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

The Company has not issued any securities which entitle to special supervisory powers over it.

Information on the system of controlling the employee share ownership schemes

The Company has not issued 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 are subject to the limitation of the transfer of ownership rights. These are registered shares, and the series A shares are additionally privileged with regard to voting rights. 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 audit firm

On 22 June 2022, the Supervisory Board of the Company, acting under the Company's Articles of Association, adopted a resolution on the appointment of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. registered in Warsaw as an entity with which the agreement will be signed on the review of the interim financial statements of the Company prepared as at 30 June 2022 and 30 June 2023 as well as on the audit of the annual

financial statements of the Company prepared as at 31 December 2022 and 31 December 2023. The selected entity is recorded in the register of entities authorized to audit financial statements under the No. 477 kept by the National Council of Statutory Auditors. The choice was made in accordance with applicable regulations and professional standards.

The total net value of auditors' remuneration due to execution of the above agreement with PKF Consult Sp. z o.o. Sp. K. will amount to PLN 101 thousand.

During the period under review, the Company did not use 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 a capital group. In particular, the Company has no organizational or capital relations. Consequently, no transactions with related parties take place.

Information on the issuance of securities in the reporting period.

In the reporting period the Company did not carry out any issuance of securities.

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

During the period under review 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 2023.

Pending proceedings before courts, arbitration or public administration authorities

During the past six months 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

During the period described, the Company did not grant any sureties, credit, guarantees or loans of the value in excess of 10% of the shareholder's equity of the Issuer.

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 period under review, 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.

Estimate of non-typical factors and events affecting the results of the activity for the financial year

The description of the non-typical factors and events has been included in Note 4A in the additional information on the financial statement.

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

The revenues generated by the Company from the sale of services will continue to be influenced mainly by the income from the performance of permanent, long-term agreements with the Company's long-term customers, in particular contracts for the provision of IT infrastructure maintenance and technical support services. The Company is also developing hosting and colocation services implemented on the basis of its own Data Centre.

At the time of publication of these financial statements, the situation in Poland with respect to the prior state of a pandemic and the pandemic stabilization period seems to be returning to the state of the economy before the outbreak. However, the negative impact of the changes on the raw materials and fuel markets, and the negative inflation trend, are still noticeable. The Management Board of Talex will continue to monitor its potential impact on the Company's operations and will take all possible steps to mitigate its negative effects on the entity.

The Management Board of Talex keeps a close eye on the current situation in Ukraine. 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 monitors the situation on currency markets and prices of energy carriers as elements that significantly influence the condition of the national market, including of the Company's Customers.

During the reporting period, a revaluation of the undeveloped plot of land representing a long-term investment was carried out. The value of the investment was assumed on the basis of a current appraisal. The value of the real estate presented in long-term investments according to the current appraisal is PLN 6,235 thousand. The Company's valuation assumptions at the balance sheet date take into account its use in accordance with the development plan in force at the date when the aforesaid estimate was drawn. The real

estate concerned was sold by the Company in January 2024, about which the Company informed in its Current Report 2/2024.

On 28 March 2023, the Company announced, by way of a current report, the decision of the Management Board to begin the process of analysing the Company's strategic development opportunities. The aim of the measures taken is to assess the possible directions of the Company and the increase in its value. The Management Board is open to various options and directions for the Company's strategic development, including attracting a financial investor. As at the date of this report, the Company's Management Board has not prejudged the choice of a specific model for the Company's development and has not declared a deadline for such a decision. The Company will report on significant decisions regarding the process undertaken in separate current reports.

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.

Poznań, 22 April 2024

Members of the Management Board:

Janusz Gocałek

Jacek Klauziński

Andrzej Różga

Rafał Szałek

Radosław Wesołowski

Corporate governance statement
issued by
Talex S.A. with its seat in Poznań
in 2023

Attachment to the Report on activities of
 TALEX Spółka Akcyjna
 in 2023

1. A collection of corporate governance principles applicable to the Company and the location where the collection can be accessed by the general public.

In 2023 the Company implemented the principles of corporate governance found in the document "Best Practice for GPW Listed Companies 2021", enacted through Resolution of the Council of the Warsaw Stock Exchange S.A. (Attachment to the Resolution ref. 13/1834/2021 on 29 March 2021). The abovementioned collection is available on the website <https://www.gpw.pl/best-practice2021>. The Exchange Rules do not make implementing the principles mandatory for the Company. However, it requires reporting on how the principles are observed.

2. The scope of the Company's deviation from clauses of the aforesaid collection of corporate governance principles and explanation of such deviation.

In the period of 2023, the Company complied with all the principles of corporate governance found in the document "Best Practice for GPW Listed Companies 2021", with the following exceptions, announced by the Company in the report published in the EIB system on 27 July 2021:

Information policy and communication with investors

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:

The principle is not applied; The company is in the process of developing and successively presenting information in this regard 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;

The principle is not applied; an explanation of the above will be provided when 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.

The principle is not applied; an explanation of the above will be provided when the information referred to in point 1.4. At the same time, the Company announces that it applies the principles of equal remuneration in practice, taking into account the job contingent and seniority.

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.

The principle is not applied; the Company's main shareholders are its founders, who are also members of the Management Board. The Company remains open to contacting shareholders who, based on the Company's years of experience, prefer to meet individually with the Company's management. The Company's practice to date has not confirmed shareholder interest in meetings in a broader format.

Management Board and 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%.

The principle is not applied; currently the Company has a single diversity policy.

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.

The principle is not applied; the Company's main shareholders are its founders, who are also members of the Management Board. These persons are of the same sex. The Management Board selection process follows substantive criteria, and the composition of the Board is not determined by an election based on ensuring a specific gender diversity index. The composition of the Supervisory Board takes the gender diversity index into account.

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;

The principle is not applied; the Company intends to introduce an implementation of this principle in the future.

211.6. 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.

The principle is not applied; the Company intends to introduce an implementation of this principle in the future.

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.

The principle does not apply to the Company; the Company declares its willingness to apply this principle in the event that it qualifies for the indices indicated.

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.

The principle is not applied; the Company intends to introduce an implementation of this principle in the future.

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.

The principle does not apply to the Company; the Company is not a member of a capital group currently.

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.

The principle is not applied; the Company intends to introduce an implementation of this principle in the future.

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 applied; the Company intends to introduce an implementation of this principle in the future.

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 its willingness to apply this principle in the event that it qualifies for the indices indicated.

General Meeting, shareholder relations

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.

The principle is not applied; the Company's main shareholders are its founders, who are also members of the Management Board. The Company's practice to date has not confirmed shareholder interest in participating in a general meeting by means of electronic communication.

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

The principle is not applied; the Company's main shareholders are its founders, who are also members of the Management Board. The Company's practice to date has not confirmed shareholder interest in a 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.

The principle is not applied; the Company permits the exercise of shareholders' rights in this respect in accordance with the regulations contained in the Code of Commercial Companies.

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;

The principle is not applied; the Company permits the exercise of shareholders' rights in this respect in accordance with the regulations contained in the Code of Commercial Companies. The Company declares that the information provided by the shareholders on the nominations will be published on the Company's website without delay.

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.*

The principle is not applied; decisions regarding the issue will be made taking into account the material needs of the Company existing at the 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.*

The principle is not applied; the Company declares that the principle is being applied in practice, taking into account the material needs of the Company existing at the time the relevant resolutions are adopted.

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.

The principle does not apply to the Company; the Company is not a member of a capital group currently. The Company declares its willingness to apply 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.

The principle does not apply to the Company; the Company is not a member of a capital group currently. The Company declares its willingness to apply 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.

The principle does not apply to the Company; the Company is not a member of a capital group currently. The Company declares its willingness to apply 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.

The principle does not apply to the Company; the Company is not a member of a capital group currently. The Company declares its willingness to apply this principle.

Remuneration

6.3. If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.

The principle is not applied; the Company currently does not have a stock option programme for managers. The Company declares its willingness to apply this principle.

3. Description of the main characteristics of the internal control and risk management systems applied by the Company with reference to the preparation of financial statements.

The Company has not implemented a separate internal control and risk management system directly dedicated to the preparation of financial statements. The financial statements are prepared by the Company's financial and accounting services under control of the Chief Accountant and then approved by the Management Board. Irrespective of the method adopted for the preparation of financial statements, the statements approved by the Management Board are then audited by an auditing entity selected by the Company's Supervisory Board.

In accordance with obligatory law regulations, in particular the stipulations of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Dz.U.2017.1089), including Art. 128 Section 1 of the Act, the Supervisory Board appointed the Audit Committee on 19 September 2017. The Supervisory Board determined the five-person composition of the Audit Committee. The composition of the Audit Committee fulfils the criteria of competence and independence of its members as stipulated by the Act.

The activities of the Company's organizational units participating in the preparation of financial statements are covered by the integrated quality and information security management system implemented in the Company in accordance with ISO 9001 and ISO 27001 standards.

4. Shareholders who have qualifying holdings, directly or indirectly, the numbers of shares held, their percentage share in the share capital, the number of votes the shares carry and their percentage share in the total votes in the General Meeting of Shareholders.

As at 4 January 2022

Shareholder's name	Number of shares	Share (%)	Number of votes
Votes (%)	in the capital		in the
AGM			
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.	250,000*	8.33	250,000* 7.34

* the shareholding status as at 14 June 2023 based on the list of shareholders entitled to attend the General Meeting convened on 21 June 2023.

5. The holders of any securities which entitle to special supervisory powers and the description of such powers.

The Company has not issued any securities which entitle to special supervisory powers over it.

6. Limitations on the exercise on voting rights, such as limitations on voting by holders of a certain portion or number of votes, timing limitations on voting, or other provisions under which, in cooperation with the Company, ownership of securities is deprived of some rights incidental thereto;

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

7. Restrictions on the transfer of ownership titles to the Issuers securities;

Only the shares of series A, B and D are subject to the limitation of the transfer of ownership rights. These are registered shares, and the series A shares are additionally privileged with regard to voting rights. 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. The rules of appointment and dismissal of managing persons and the rights of managing persons, including the right to issue or redeem shares.

The entitlement to appoint and remove members of the Company's Management Board belongs to the Supervisory Board as defined by the Company's Articles of Association. The right to accept decisions regarding the issue or redemption of shares lies within the competence of the General Meeting.

9. Terms of amending the Company's Articles of Association.

The amendments to the Company's Articles of Association are introduced in compliance with generally applicable laws. The Company's Articles of Association does not grant the Company's bodies any special powers in this regard. The right to amend the Company's Articles of Association is an exclusive competence of the General Meeting.

10. The manner of operation and essential authorities of the General Meeting of Shareholders, description of the shareholders' rights and the exercise thereof, and in particular the rules set forth by the Bylaws of the General Meeting provided such bylaws have been adopted, unless such information is determined directly by the provisions of law.

The manner of operation of the General Meeting of the Company's shareholders is in full compliance with generally applicable laws, in particular with the provisions of the Code of Commercial Companies. The Company did not implement additional internal regulations in this regard except those stipulated in § 13-19 of the Company's Articles of Association. The scope of competence of the General Meeting and Shareholders' rights provided in the Company's Articles of Association do not deviate from the regulations stipulated by the generally applicable laws.

The General Meeting is held at the Company's Headquarters or in Warsaw.

The Ordinary General Meeting of Shareholders is held no later than by the end of June each year.

The General Meeting is convened by the Management Board. The Supervisory Board may convene the Ordinary General Meeting if the Management Board fails to convene it by the date described in this section or in the Articles of Association, and an extraordinary General Meeting if it finds it advisable. The powers of other entities to convene a General Meeting were provided in the adduced editorial units of the Articles of Association and do not deviate from the regulations described in the generally applicable laws.

In its long-term practice, the Company has striven to convene the Ordinary General Meeting as expeditiously as possible after the end of each accounting year.

Shareholders representing at least half of the share capital or at least half of the total number of votes in the Company are entitled to convene an extraordinary General Meeting. The shareholders appoint a Chairperson of such meeting.

A shareholder or shareholders representing at least one twentieth of the share capital may request that an extraordinary General Meeting be convened and certain issues be placed on the agenda of that Meeting. The motion to convene an extraordinary General Meeting should be submitted to the Management Board in writing or in the form of an e-mail. If within two weeks from submission to the Management Board of a request an extraordinary General Meeting of Shareholders is not convened, the registry court, by way of a decision, can authorize shareholders, who have made such request, to convene the extraordinary General Meeting of Shareholders. The court then appoints a Chairperson for that Meeting.

The entity who convened the General Meeting sets its agenda taking into account submitted requests. Requests to place certain issues on the agenda of the General Meeting can be made by a shareholder (or shareholders) representing at least one twentieth of the share capital. A General Meeting of Shareholders shall be convened by making an announcement on the Company's website and in the manner prescribed for announcement of current information in accordance with the provisions of law regarding public offering and conditions governing the introduction of financial instruments to organized trading and public companies at least 26 days prior to the scheduled day of the General Meeting. The agenda of the General Meeting and other information required by the law shall be published in that announcement.

Only the persons being the shareholders in the Company sixteen days prior to the date of the General Meeting (date of registration of attending the General Meeting) are entitled to participate therein. Shareholders can attend the General Meeting in person or through representatives. Proxy to participate in the General Meeting and exercise the right to vote shall be granted in writing or will be invalid. Proxy to exercise the right of vote shall be granted in writing or through electronic means. The grant of the power of attorney in electronic form does not require a secure electronic signature verified using a valid qualified certificate. The right to attend the General Meeting is also granted to the members of the Company's authorities and the persons appointed by the Management Board to handle the General Meeting.

The General Meeting shall be able to pass resolutions provided it has been convened properly. Each share shall carry one vote at the General Meeting with the exception of voting preference shares. The resolutions of the Meeting are passed by ordinary majority of votes validly cast, unless applicable governing laws or the Articles of Association dictate otherwise. Voting is open. Secret voting is ordered for elections and motions concerning the dismissal of the members of the Company's boards or its liquidators, or concerning holding them liable, as well as in case of personal issues and on demand of at least one person attending the General Meeting.

The agenda of the Ordinary General Meeting should include:

- reviewing and approving financial statements and the reports of the Management Board on the operation of the Company for the previous financial year, as well as the report of the Supervisory Board on the audit of the Management Board's statements;
- adoption of a resolution on division of profit or coverage of loss from the previous financial year;
- adoption of a resolution on granting the members of the Company's bodies a vote of acceptance for performing their duties;
- adoption of a resolution on the election of the Company's new authorities provided they are elected by the General Meeting and the terms of office of the present members expire by the date of the General Meeting.

The General Meeting shall be solely authorized to adopt resolutions on the following issues:

- appointment and dismissal of the members of the Supervisory Board;
- amendment of the Company's Articles of Association;
- issuance of convertible bonds and bonds with pre-emptive rights,
- establishment of the rules and amounts of remuneration for the members of the Supervisory Board,
- merger with another company,
- dissolution of the Company and the appointment of liquidators,
- sale and lease of the enterprise or its organized part and the creation of limited property rights therein,
- examining the appeals of the Management Board against decisions of the Supervisory Board refusing to grant consent to undertake certain actions,
- purchase of own shares by the Company, which are then to be offered to be purchased by employees or persons who were employed by the Company or its associate company for a period of at least three years.

The Company did not adopt any distinct rules for the General Meeting.

11. Compositions and the changes in the compositions that occurred in the course of the last financial year, as well as the description of the operation of management, supervisory and administrative bodies of the Issuer and their committees

Members of the Management Board (as at 31 December 2023):

- Janusz Gocałek
- Jacek Klauziński
- Andrzej Różga
- Rafał Szalek
- Radosław Wesółowski

Members of the Supervisory Board (as at 31 December 2023):

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

The Supervisory Board was appointed for the current term of office by the General Meeting held on 7 June 2022 due to the expiry of the previous term of office of the Board. The Management Board was appointed by the Supervisory Board on 7 June 2022 due to the expiry of the previous term of office of the Management Board.

The Company's bodies operate in full compliance with generally applicable laws. The detailed operational procedures of the Company's Management and Supervisory Boards have been defined in the Company's Articles of Association and in distinct regulations for these bodies, approved by the Supervisory Board, that is, in the "Regulations of the Management Board of Talex S.A." and the "Regulations of the Supervisory Board of Talex S.A." The Company makes the aforesaid documents in their current form available on its website.

On 7 June 2022, the Supervisory Board appointed the Audit Committee in accordance with the regulations defined in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Dz.U.2020.1415 with later amendments). All members of the Supervisory Board were appointed to the Audit Committee.

12. Information about the Audit Committee

- Members of the Audit Committee who meet the statutory independence criteria:
Witold Hołubowicz
Jacek Nowak
Małgorzata Poprawska
- members of the Audit Committee with knowledge and competencies in accounting or auditing, and an indication of how they were acquired:
Bogna Pilarczyk - Prof. Dr hab. at the Poznań University of Economics
Małgorzata Poprawska - expert auditor – KRBR Number 5796
- members of the Audit Committee with knowledge and competencies in the Issuer's field of business activity, and an indication of how they were acquired:
Witold Hołubowicz - Dr hab. inż., Professor of Adam Mickiewicz University in Poznań – Head of the Department of Applied Computer Science at the Faculty of Physics of AMU in Poznań
Andrzej Kurc - nearly thirty years of experience in the implementation and management of IT projects for companies in the IT sector
- The auditing firm which audited the Company's financial statements for the period of 2022 within the scope of permitted non-audit services assessed the Company's report on remuneration; due to the nature of the service, in particular the legal basis of it, there was no need to assess the independence of the auditing firm.
- In making a recommendation of an audit firm, the Audit Committee is guided in particular by the firm's impartiality, independence, the highest quality of its audit engagements and its knowledge of the IT industry in which the Company operates.
- On 22 June 2022, the Supervisory Board of the Company, acting under the Company's Articles of Association, adopted a resolution on the appointment of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. registered in Warsaw as an entity with which the agreement will be signed on the review of the interim financial statements of the Company prepared as at 30 June 2022 and 30 June 2023 as well as on the audit of the annual financial statements of the Company prepared as at 31 December 2022 and 31 December 2023. The selected entity is recorded in the register of entities authorized to audit financial statements under the No. 477 kept by the National Council of Statutory Auditors. The choice was made in accordance with applicable regulations and professional standards.
- In the period of 2023 the Audit Committee held three meetings.

13. Description of the diversity policy applied to administrative, management and supervisory bodies of the Issuer with regard to such aspects as, for instance, age, sex or education and work experience, goals of such diversity policy, methods of its implementation and the effects achieved in the reporting period

In its activity, the Company strives to ensure responsible diversity in selecting the composition of its bodies. The representatives of the Company's bodies observe actual benefits from ensuring diversity, in particular with regard to the criteria of age, experience and sex. However, substantive competencies and social skills remain the fundamental criteria of selecting the composition of both the Supervisory and Management Boards of the Company. Practical implementation of the aforesaid assumptions boils down to ensuring adequate selection of personnel while fully respecting diversity, with special attention being paid to the equality of opportunity. The above aims to, above all else, ensure the stability and continuity of operation of the Company as a business entity and entrepreneur. In the opinion of the Company's bodies, a diversity policy is meaningful and justified when it contributes to the development of the enterprise and to ensuring the satisfaction of representatives of distinct interest groups within the more and less immediate environment of the Company.

When analysing the actual impact of striving to ensure diversity (understood as referred to above), it is necessary to also take into account the specific nature of the Company's activity and its specialty within the IT industry. It is so because the activity of the Company as an integrator of advanced IT technologies imposes certain limitations on parities in pursuit of diversity. By its nature, activity in the IT industry, in particular in the field of maintenance services provided at local units of the Company's clients, leads to a natural increase in younger and male personnel.

Currently, the five-person Management Board of the Company is composed entirely of men, most of whom are the Company's founders and significant shareholders, whereas in the composition of the five-person Supervisory Board there are two women, one of whom serves as the President of the Supervisory Board, the other is the President of the Audit Committee. The representatives of both bodies ensure diversity in the scope of education and obtained work experience. Moreover, the composition of the Management Board, apart from fulfilling the above diversity criteria, is also significantly diversified with regard to the age of individual members of that body.

Irrespective of the implemented diversity policy and the results achieved so far, the Company observes an ongoing trend in the growing number of women with high substantive competencies as well as the broadening of the age spectrum among its employees.