



Talex S.A. Annual Report 2014

March 2014

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
Taxpayer Registration Number :	782 – 00 – 21 - 045
Company Registration Number:	004772751
PKD :	5184

Branches

Currently, the Company has fifteen branches, including one foreign branch with its headquarters in the Czech Republic.

Branches in Poland:

- Talex Białystok, ul. Ogrodowa 31;
- Talex Bielsko-Biała, ul. I Dywizji Pancernej 45;
- Talex Gdańsk, ul. Barniewicka 54A;
- Talex Katowice, ul. Aleja Walentego Roździeńskiego 91;
- Talex Kraków, ul. Zbożowa 2;
- Talex Lublin, ul. Jana Sawy 2;
- Talex Łódź, ul. Piotrowska 276;
- Talex Olsztyn, ul. Jagiellończyka 23;
- Talex Rzeszów, ul. Powstań Listopadowych 3;
- Talex Szczecin, ul. Pomorska 53;
- Talex Toruń, ul. Włocławska 167;
- Talex Warszawa, ul. Olbrachta 94;
- Talex Wrocław, ul. Śrubowa 1.

Foreign branch:

- branch in Prague, Průmyslová 7.

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-size 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 tries 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

visualisation, high-availability solutions (clusters), backup and recovery services (recovery centers, data replication, disk arrays etc.) as well as information security solutions, such as preventing unauthorised intrusions into ICT networks or developing private virtual networks. The Company also provides network integration services, including DWDM, IP telephony, structural cabling, 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. This may happen in a number of ways: the customers may use only the space of the Data Center or use the full service, which includes offering space, hiring equipment, configuring applications as well as administering and monitoring. At the customer's request, applications can be monitored 24/7. In case of equipment or software failures, the Company's experts offer remote or onsite support. The qualifications of the engineers are confirmed with certificates from the leading equipment and software manufacturers.

A special outsourcing service offered by the Company are rollouts – mass upgrades of ICT infrastructure for large customers, especially those with branches across the whole country. Talex S.A. has specialised in such activities, having performed many rollouts, for example, in three leading Polish banks.

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. The Company uses modern technologies, such as Java, Microsoft.NET; Oracle, DB2, MS SQL databases; and WebSphere, WebLogic and JBoss application servers.

Software produced by the Company is used in financial institutions, state-owned enterprises as well as large industrial companies.

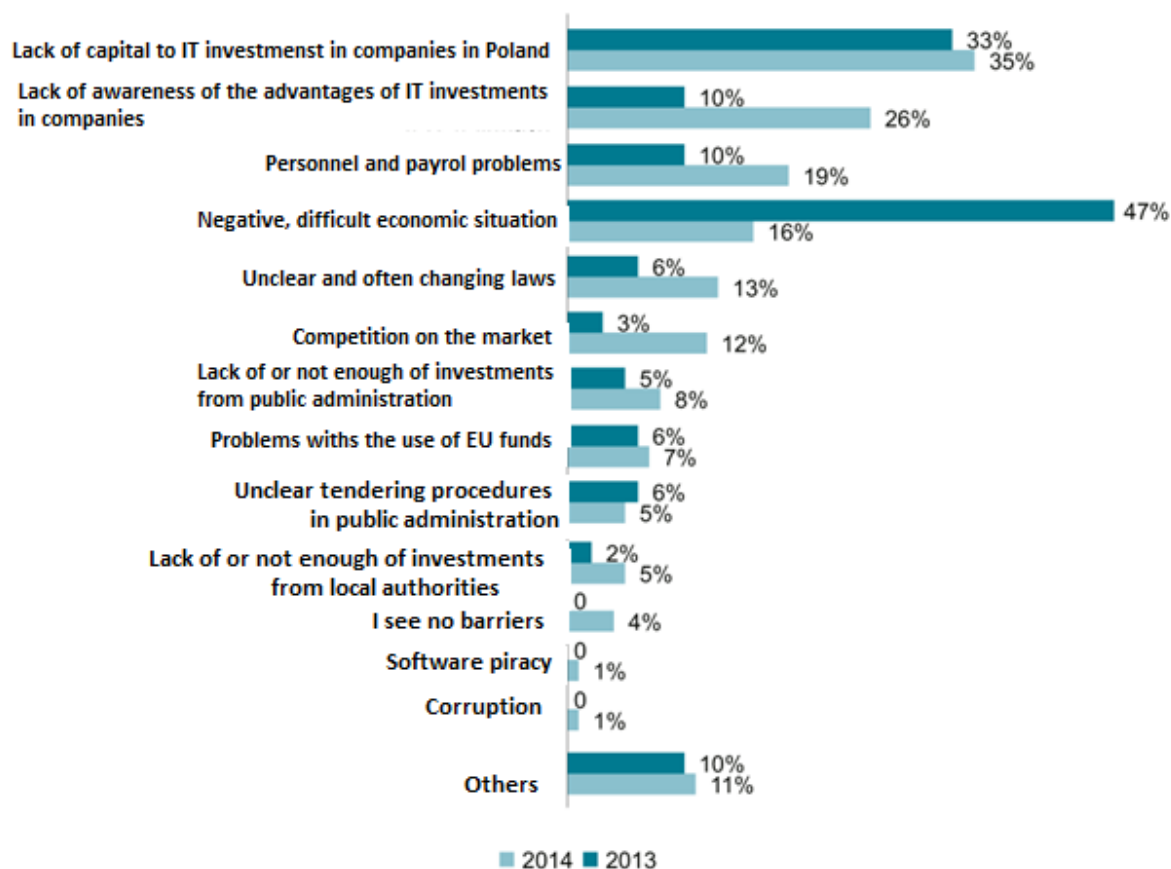
TALEX S.A. is a partner of many leading hardware and software manufacturers. The Company's employees have attended training courses and passed exams, as a result of which they obtained certificates confirming their qualifications in the field of the newest technologies.

Procedures of all the 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 certificate, which confirms that the procedures followed by the Company guarantee full security of information and customers' data, as well as ISO 20000:2011 certificate, which includes the provision of IT services in the installation, relocation, expansion, change, and removal of hardware and software, and the break and fix of hardware and software for business partners of the Company.

IT market in Poland and prospects for the development of the Company

Fewer and fewer companies perceive the general macroeconomic situation as the main barrier that impedes the development of their own IT resources. The forecasts gathered by PMR from the representatives of the largest IT companies in Poland in the second quarter of 2014 are noticeably more optimistic in relation to the forecasts obtained in 2013.

The survey results indicate that a key barrier to the development of the IT industry in Poland is mainly lack of capital for investment and lack of awareness of managers as to the benefits that a company can achieve deciding to invest in innovative IT solutions. In 2014 the percentage of companies, which fear competition on the market and vague, changing laws, has significantly increased.

The biggest barriers to the development of IT market in Poland (%), 2013-2014


Wyjaśnienie: Na podstawie badania na próbie 300 największych firm IT w Polsce.
Źródło: PMR, 2014

www.pmrpublications.com

Domestic companies, according to global trends, look for savings with the parallel increasingly higher demands on the quality of services. Therefore, cloud computing and IT outsourcing are no longer unknown terms in our market, and the services of a remote (via the Internet) provision of software and IT infrastructure are having more and more supporters.

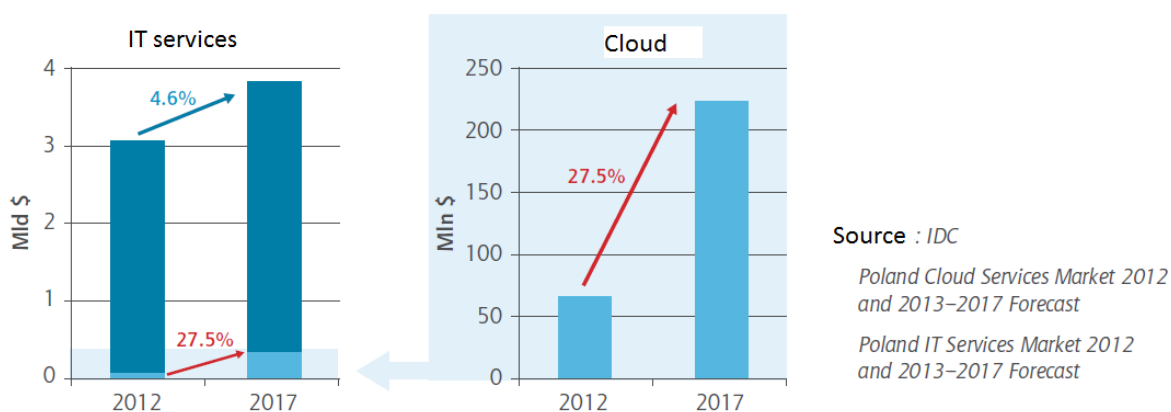
According to Pierre Audition Consultants, Polish market of software and IT services in 2015 (the estimated market value on the level of EUR 4.1 million) will be the second (after Russian) IT market in the Central and Eastern Europe. The increase on the software and IT services markets in the years 2011-2015 is estimated at 7.2% annually. Similar forecasts are formulated for the third of IT market segment, i.e. computer hardware market. According to the estimations, the average growth of Polish hardware market in the period 2011-2014 will reach 7.7% annually. The key drivers for the growth of IT market in Poland are: the inflow of foreign investments, availability of public help and new directions of sector development.

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

Factors affecting 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 the clients from banking and financial sectors such as Bank Zachodni WBK SA, ING Bank Śląski SA, Credit Agricole Bank Polska SA, and the realization of the investment under the Operational Programme Innovative Economy, priority axis 4 "Investments in innovative enterprises," measure 4.5 "Support for Semi-Annual Report 2009 – Talex S.A. investment of considerable importance to the economy," sub-measure 4.5.2 "Support for investment in the modern services sector."

The services provided in the aforementioned project "Creation of IT Centre providing modern services" also fit well into the services, the potential of which in Poland is still inexhaustible, namely Cloud Computing services. According to IDC, the market of Cloud Computing services in Poland shows a constant increase by over 25% year-over-year, especially if we compare it with the traditional IT market, which has not been particularly dynamic recently and brings about a single digit increases. Importantly, the market is growing slightly faster than it was predicted a few years ago.

Cloud vs. IT services, 2012



Cloud computing will be soon very popular model for Polish market. Looking at our past experience and the increase in customers' expectations and awareness we assume the increase in the number of buyers who supplement the traditional model of IT with the model of Cloud Computing services.

The results of the studies carried out at the request of Kapsch BusinessCom company also confirm the above stated conclusions. The research shows that Poland is at the forefront of the region in terms of the scale of the forecasted for the next three years investments in IT solutions, particularly in the services of Cloud Computing, outsourcing and UC systems developed by Talex. The high position of Poland in the rankings mainly comes from the plans for the use of IT services, but also from the present results of Polish companies that are above the average. It turns out that we are at the forefront of the use of cloud computing technology. 31% of Polish companies use IT resources in the cloud (the average of all investigated countries is 27%).

Expenditures on fixed asset of the Company in 2014

In 2014, the Company incurred a total expenditure on tangible fixed assets and intangible assets in the amount of PLN 16,665 thousand.

SPECIFICATION	Expenditures incurred in 2014 (PLN in thds)	Plans for 2014 (PLN in thds)
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The office building No. 2	11,325	11,256
Expansion of Data Center building	2,680	3,500
Purchase of technical equipment and machinery	1,161	2,500
Purchase of means of transport	1,335	1,340
Purchase of other fixed assets	107	100
Intangible assets (software)	38	130
Plot fence	19	0
TOTAL EXPENDITURES	16,665	18,826

The Company incurred the largest expenditures on the expansion of the office building and the expansion of Data Center realized as a continuation of construction of the "IT Center." The purchase of technical equipment and machinery as well as of car fleet related mainly to the reconstruction of the existing resources in use.

Plans for increase and maintenance of tangible fixed assets in 2015

Plans for 2015 include further expenditures for the renewal and supplementation of necessary for the provision of services technical equipment.

Specification:

- IT services Center, including:
 - Office building No 2 PLN 1,250 thousand
 - Data Center building PLN 1,750 thousand
- Purchase of technical equipment and machinery PLN 11,600 thousand
- Purchase of means of transport PLN 550 thousand
- Purchase of other fixed assets PLN 1,100 thousand
- Intangible assets PLN 45 thousand

TOTAL

PLN 16,295 thousand

Basic economic and financial data, disclosed in the semi-annual financial report

Sales revenues and financial result in 2014

In 2014, the Company recorded the sales revenues of PLN 109,936 thousand, with the net profit of PLN 8,675 thousand (in 2013 – PLN 5,944 thousand).

SPECIFICATION	2014 (PLN in thds)	2013 (PLN in thds)	Fluctuation
Revenues from sales of products	54,637	41,692	131.0%
Revenues from sales of goods and materials	55,299	75,418	73.3%

In the reporting period, the revenues from sales were lower by 6.1% than the revenues in the previous year. The revenues from sales of products increased by 31% and the sale of goods and materials was lower by 26.7%.

In the analyzed period the structure of revenues from sales changed significantly in favour of services provided by the Company. In accordance with the Company's policy, the concentration of activities in the areas of integration of ICT systems, outsourcing services in the area of information technology and software production, is visible. The share of services in sales revenues increased to approximately 49.7%, in the comparable period of 2013 they accounted for approximately 35.6% of total sales revenues. The margin on the sale of those services slightly decreased. The margin on sales of products equal to 35.5% (36.7% in 2013). The Company achieved high level of the margin on sales of services which results from the organizational changes inside the Company, the aim of which was to optimize the processes of provision of IT infrastructure maintenance services. In the course of the optimization which started in 2013, among other things, the locations of few branches of the Company were changed as well as the range of the cooperation with companies providing services as subcontractors for Talex. The described changes improved the quality of the services provided by Talex and allowed to reduce the costs of the services which had a positive impact on the Company's financial results.

Revenues from sales of goods and materials accounted for above 50% of total sales revenues and the profitability from the sales of goods and materials decreased in comparison to 2013 to about 5.3% (6.2% in 2013). The companies are constantly looking for savings and, according to the research conducted by PMR, the extension of the length of the life cycle of IT equipment becomes already a rule. The average usage time for desktop computers in large companies is 5 years. As compared with the research conducted two years ago, the share of companies that replace desktops after more than six years increased by 18 percentage points. This is due to the fact that currently the computers of several years are perfectly adequate for normal office work where high computing power is not required. Laptops are used for a period of 3-5 years, and on the average not more than 4 years.

SPECIFICATION	2014 (PLN in thds)	2013 (PLN in thds)	Fluctuation
Net revenues from sales	109,936	117,110	93.9%
Gross profit from product sales	18,935	13,632	138.9%
Gross profit from the sale of goods and materials	3,094	4,598	67.3%
Gross profit (loss) from sales	22,029	18,230	120.8%
Sales costs	4,237	4,280	99.0%
Costs of management	7,742	7,569	102.3%
Profit (loss) from sales	10,050	6,381	157.5%
Profit (loss) from operating activities	10,636	7,191	147.9%
Gross profit (loss)	10,697	7,294	146.7%
Net profit (loss)	8,675	5,944	145.9%

Higher revenues from the sale of services in 2014 with the parallel maintenance of costs of sales and costs of management at the same level as in the previous year were reflected in the gross profit from sales and at other levels of the Company's activities. Due to the signed and already planned contracts which cover both hardware sales and services, the Company plans to maintain the favourable conditions of products sale.

Company assets

The value of fixed assets as of the 31st December 2014 amounted to PLN 43,347 thousand and increased by about 43.6% compared to the last day of 2013. This increase was affected mainly by the changes in the area of fixed assets, including expenditures for the purchase of equipment and machinery as well as for fixed assets under construction.

The position of fixed assets under construction increased by more than PLN 14,242 thousand compared to 2013 due to the already initiated investment of the construction of a new office building and the expansion of server room carried out in the framework of the project entitled "Creation of IT Centre providing modern services." The funding has been granted to the Company under the Operational Programme Innovative Economy 2007-2014 (priority axis 4 "Investments in innovative enterprises," measure 4.5 "Support for investment of considerable importance to the economy," sub-measure 4.5.2 "Support for investment in the modern services sector").

SPECIFICATION	31.12.2014		31.12.2013	
	(PLN in thds)	% share in the assets	(PLN in thds)	% share in the assets
FIXED ASSETS	43,347	51.0%	30,182	35.5%
Intangible assets	904	1.1%	1,277	1.5%
Tangible fixed assets	41,775	49.1%	28,017	32.9%
Long-term receivables	5	0.0%	127	0.1%
Long-term investments	-		-	
Long-term prepayments and accrued income	663	0.8%	761	0.9%

The value of current assets as at 31.12.2014 amounted to PLN 41,692 thousand and was lower by about 4.7% compared to the value as at the last day of December 2013. Despite lower revenues, the Company gathered about PLN 20,879 thousand on the bank account, which was 6% more than in the corresponding period in 2013.

SPECIFICATION	31.12.2014		31.12.2013	
	(PLN in thds)	% share in the assets	(PLN in thds)	% share in the assets
CURRENT ASSETS	41,692	49.0%	43,550	51.2%
Inventories	2,089	2.5%	2,091	2.5%
Short-term receivables	18,292	21.5%	21,269	25.0%
Short-term investments	20,879	24.6%	19,703	23.2%
Short-term prepayments and accrued income	432	0.5%	487	0.6%

Current assets constituted about 49% of the total assets of the Company as at the last day of 2014. This ratio indicates the potential of the company. The higher this part of the index, the higher the liquidity of the Company. It is worth noting that about half of the current assets at the end of 2014 is in fact cash, which is the evidence of good financial liquidity of the Company. Current assets compared to tangible current assets are much more easily converted into cash.

Overall financial condition of the Company

Selected financial ratios.

Preliminary analysis of the balance sheet	2014	2013	Desired quantities
Golden Rule of balance			
(capital + long-term reserves)/fixed assets	113%	147%	100-150%
Golden Rule of balance II			
(short-term foreign capital / current assets)	75%	65%	40-80%

Golden Rule of finance	117.3%	146.8%	above 100%
(Shareholders' equity / foreign capital)			

The ratio amount of the Golden Rule of balance indicates that the Company after the payment of the fixed assets has still funds on the market. Despite the decline of the first indicator, its size still remains at a safe level.

The golden rule of finance specifies what part of the liabilities is covered by the share equity. Maintaining the ratio above 100 % is conducive to the maintenance of the financial balance of the entity and its stability in terms of profitability.

Profitability ratios	2014	2013	Desired quantities
Return on sales (ROS)			
Net profit/sale value *100 (%)	7.89%	5.08%	positive rising
Return on assets (ROA)			
Net profit/ total assets * 100 (%)	10.20%	8.06%	positive rising
Return on equity (ROE)			
Net profit/own equity * 100(%)	17.85%	13.55%	positive rising
Corrected profitability of assets			
Net profit+(financial costs - income tax on interest) /total assets*100(%)	10.44%	8.32%	positive rising
Leverage			
Profitability of equity – profitability of assets	7,64%	5,49%	positive rising

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

Leverage indicates whether the operating profit generated by foreign capital is higher than the interests that is whether the company earns money for itself due to the external funding.

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

Liquidity ratios	2014	2013	Desired quantities
Financial liquidity ratio I			
Current assets / short-term liabilities	1.94	1.78	1.2 - 1.8
Financial liquidity ratio II			
(current assets- inventories)/short-term liabilities	1.84	1.70	0.8 -1.0
Financial liquidity ratio III			
Short-term investments/short-term liabilities	0.97	0.81	min. 0.3

The liquidity ratios have been permanently at a high level which is still very safe for the Company. These ratios define the Company's ability to timely regulate its current liabilities. The size of these indicators in 2014 showed the excess liquidity.

Debt ratios	2014	2013	Desired quantities
Overall debt ratio	0.42	0.35	Max 0.5
Liabilities and provisions for liabilities/total assets			
Long-term debt ratio	0.12	0.03	Max 0.5-1
Long-term liabilities/equity capital			

Total debt ratio increased at the end of 2014 compared to the previous year but has been still at a safe level. In addition, the optimal values of the financial liquidity ratios, mostly a high level of short-term receivables and cash held by the Company, reduce the financial risk in the company and the probability of losing the ability to repay the debt.

The long-term debt results from the car fleet lease agreements and the investment loan agreement for financing the investment of the construction of IT Center. In spite of the increase, the long-term debt ratio is still on a low, safe level for the Company.

Management performance indicators	2014	2013	Desired quantities
Receivables turnover ratio	7.10	6.91	7-10
Net sales revenues /average receivables			
Inventory Cycle	11.24	16.01	decreasing
Average inventory cycle/ cost of sales *360			
Receivables Cycle	50.72	52.08	decreasing
Average receivables /cost of sales * 360			
Duration of receivables in days	49.76	46.12	average deadline
Average trade receivables /cost of sales*360			
Conversion period of working capital into cash	61.96	68.09	decreasing
Receivables cycle + inventories cycle (in days)			

The low level of receivables turnover ratio, that is below the value of 7, indicates that the level of debt is high, meaning that the company is crediting its customers excessively, which in practice means a long-term freezing of funds in receivables. In 2014 the Company managed to raise the value of this ratio to the desired optimum level.

The inventory cycle indicates the average number of days that have passed since the introduction of inventory to the warehouse up to its leave. The shorter time for the equity in the asset, the better.

The receivables cycle was at a lower level than in 2013, indicating a reduction of the waiting time for repayment of debts. This ratio does not exceed by more than half the deadline described in the terms of sale. Talex, due to the money on the account, can afford to temporary credit its customers, which indeed entails the freezing of funds in receivables but simultaneously allows the Company to entrench the relations with its regular customers and build lasting relationships with the new customers.

At the same time, the duration of receivables in days increased from 46 days in 2013 to almost 50 days in 2014. The extension of the payments period is commonly used as a form of interest-free credit, which is particularly useful in cases where the Company give credits to its customers, determining the extended payments terms.

The analysis of these indicators show the improvement of the overall efficiency of the Company's operations in 2014. Talex has proper indicators to finance operations, including the compliance to the golden rule of balance and finance at the safe level. Good financial liquidity characterizes the Company; the profitability and turnover ratios also remain at a good level.

Financial standing

The Company's shareholders' equity as at 31.12.2014 amounted to PLN 48,607 thousand, which comprised:

- | | |
|------------------------------------|---------------------|
| • share capital (3,000,092 shares) | PLN 3,000 thousand |
| • reserve capital | PLN 33,443 thousand |
| • net profit/loss for 2014 | PLN 8,675 thousand |

The Company's standing, in terms of payments, was good in 2014. There were no difficulties with prompt payments of taxes, social insurance or payments to employees and suppliers. The cash at hand and on bank accounts, although the Company is in the process of the realization of the investment to create the Centre of IT services, increased in comparison to 2013 (PLN 19,703 thousand) which secure the current needs of the Company and amounted to PLN 20,879 thousand as at 31.12.2014.

Total liabilities as at 31.12.2014 amounted to PLN 36,432 thousand, which comprised 75% of shareholders' equity.

At the date of 31.12.2014, the Company did not take any bank credits. However, on 30 May 2014 the Company signed the investment credit agreement, provided by Bank Zachodni WBK S.A to the Company, in the amount of PLN 17 million for the realization of the project entitled "Creation of IT Centre providing modern services."

In 2014, the Company placed its free assets mainly in fixed-term over-night deposit accounts. Both instruments can be considered as risk-free.

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

Information on buying Company's own shares

In 2014 the Company published (in a current report no. 28/2014) the programme of own shares purchase of Talex S.A. In the audited period the Company purchased 2,212 of own shares. As at the day of 31 December 2014 the Company received 6,711 own shares in total purchased for PLN 75 thousand.

Financial risk management

Due to the amount of the Company's cash and high level of liquidity in the Company stable for a couple of years now, the risk of changes in interest rates does not threaten the activity of the enterprise.

Although the Company signed the agreement for the investment credit and its use was as at the day 30.06.2014 equal to PLN 4,674 thousand, the loan was taken out in the framework of the project for which the funding has been granted to the Company under the Operational Programme Innovative Economy 2007-2013 (priority axis 4 "Investments in innovative enterprises," measure 4.5 "Support for investment of considerable importance to the economy," sub-measure 4.5.2 "Support for investment in the modern services sector.") The maximum value of the grant amounts to PLN 7.15 million gross. In order to minimize the risk associated with changes in interest rates the Company in July 2014 concluded IRS transaction in the amount of PLN 6 million to partially secure a fixed interest rate of the investment credit. The term of the contract includes the period from 30 June 2015 to 30 June 2020. Repayment of this credit is expected in the analogous period.

The risk of changes in foreign currency exchange rates against PLN is high regarding the current state of the market. Therefore, so far the Company has not used any services reducing exchange rate risk, offered by financing units. In 2014, payments in foreign currencies comprised approximately 18% of the Company's total payments. The decisions concerning the use of hedging instruments will be taken depending on the state of the foreign currency market. In 2014 the Company achieved the profit on the financial activities in the amount of PLN 14 thousand in the field of foreign exchange differences.

Employment

At the end of 2014, the Company had 321 employees. The average employment in 2014 expressed in full-time jobs equalled 310,23.

Significant risk factors and threats

Risk associated with economic situation

The constant economic and political changes may constitute 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 USD and EUR. The poor state of the economy, and so, poor state of businesses, may result in the decrease of investments, reducing the number and value of the Company's orders.

There is a risk that in the near future the IT market will be restless, and the behavior of potential customers hardly predictable. Such a situation can be affected by the economic environment, debt crisis of countries as well as the threat of the economic and euro zone crises return. Enterprises that usually adapt to market conditions may decide to limit investments and adopt a strategy of waiting.

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 businesses. 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 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, so far, have operated in Poland through domestic integrators. The strengthened position of the rival businesses may weaken that of the Company. The Company's activities which are to minimize the above risks involve constant expanding of the offer by the newest technological solutions, raising the qualifications of the staff as well as providing 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, most 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 particular manufacturer's products may sometimes be determined by 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.

Risk associated with large customer dependence

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

The risk associated with providing solutions and services of crucial importance for the customers' business activities

The Company's customers deem a considerable number of the solutions and services provided by the Company highly important for business processes. 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 customer or, in some cases, make it impossible for the customer to conduct their basic business activities. In such cases, the Company may have to pay the financial penalty and damages specified in the agreements and lose some of its customers. To minimize this risk, the Company includes provisions of its limited liability in the agreements and signs insurance agreements with insurance companies.

The risk associated with losing key employees

Given the open job market in the countries of Western Europe as well as the growing demand for the ICT experts in the foreign businesses operating in Poland, the Company may lose many of its highly qualified employees. If the Company lacked employees with specialist qualifications, it could lose some of its certificates and entitlements. Also, the standard of the services provided by the Company could fall. Therefore, the Company offers a variety of incentives, both financial and non-financial, for example, specialist training courses on the newest information technologies, where employees can improve their qualifications. As a result, the Company has not marked any significant loss of its indispensable experts for the last couple of years.

Basic products, goods and services

The sales of goods and materials comprised approximately 50.3% of total sales in 2014. The Company managed to increase the level of revenues from the sales of goods and materials in comparison to 2013. The fluctuation for this sales group equalled 131%.

SPECIFICATION	2014 (PLN in thds)	2013 (PLN in thds)	Fluctuation
Revenues from sales of products	54,637	41,692	131.0%
Revenues from sales of goods and materials	55,299	75,418	73.3%

Installation and maintenance of IT environment services (33.4%) and outsourcing of IT services (24.9%) comprised the largest share of the sales of services. The highest sales growth was recorded in IT Integration services including consolidation and virtualization of IT systems, the construction of Storage Area Networks (SAN), implementation of monitoring systems and mass deployment of IT systems and environments so-called roll-outs. In subsequent years the Company will further develop the sale of Data Center services but also the services related to broadly understood services of applications and

IT equipment as well as installation and configuration of IT equipment which is the result of the agreements signed by Talex for this kind of services.

SPECIFICATION	2014 (PLN in thds)	2013 (PLN in thds)	Fluctuation
Installation and maintenance of IT environment services	18,248	17,684	103.2%
Outsourcing of IT services	13,596	8,824	154.1%
software related services	10,145	5,762	176.1%
IT integration	6,550	2,980	219.8%
Data Center services	5,972	5,469	109.2%
others	126	973	12.9%
TOTAL	54,637	41,692	131.0%

The fluctuation rate of the revenues from sales of goods and materials equalled 73.3% at the end of 2014 and the greatest share in these revenues constituted, as in the previous year, revenues from sales of computers, peripheral equipment and software.

SPECIFICATION	2014 (PLN in thds)	2013 (PLN in thds)	Fluctuation
- wholesale of computers and peripheral equipment	55,167	75,209	73.4%
- wholesale of electronic and telecommunication equipment	47	163	28.8%
- other retail sale in nonspecialised stores	17	25	68.0%
- other out-of-shop retail sales	68	21	323.8%
TOTAL	55,299	75,418	73.3%

Markets and supply sources

In 2014, the Company sold goods and products not only on the Polish market but also abroad as it happened in the previous year. The Company's revenues from foreign sale came from the activities in the Czech Republic.

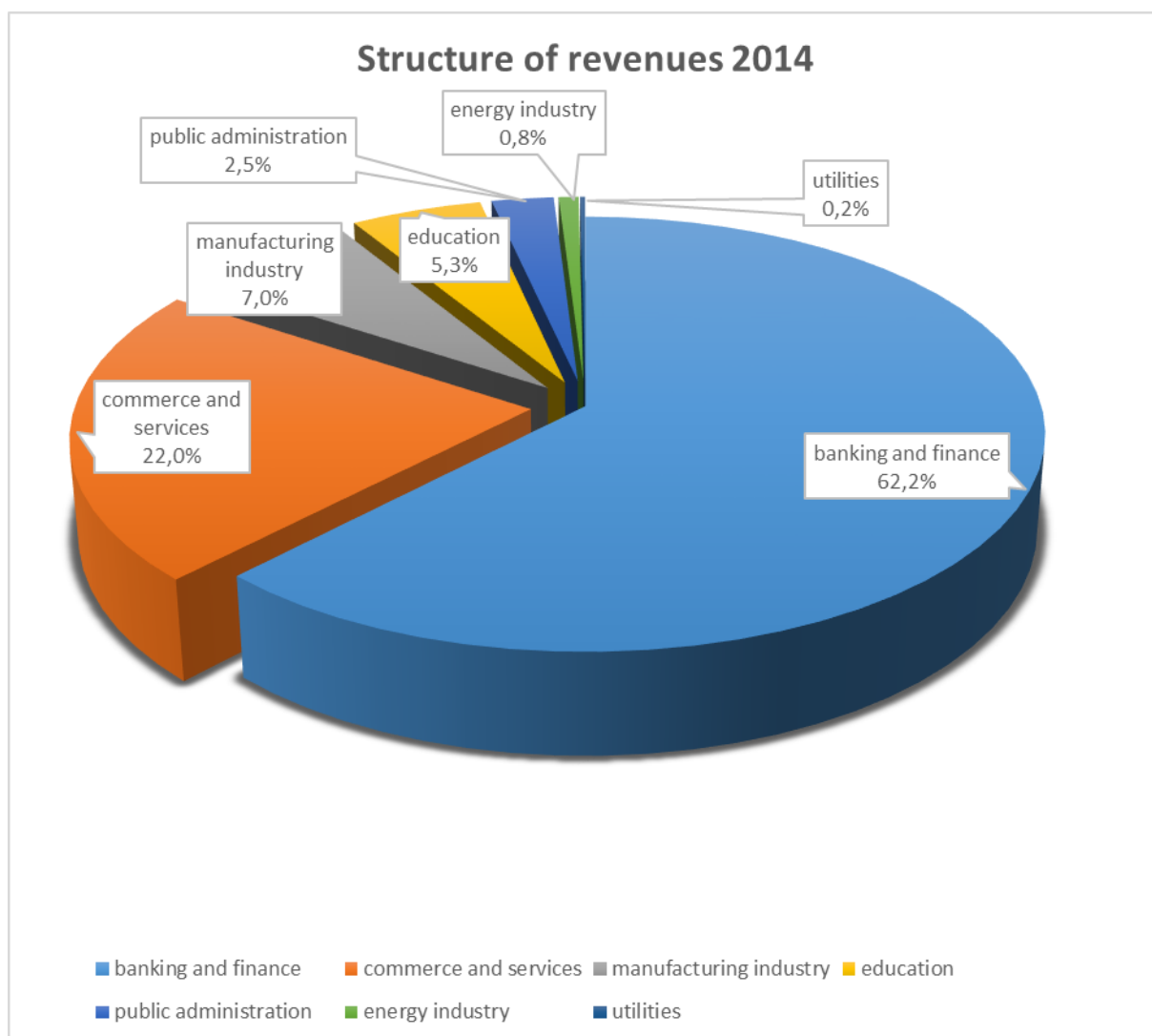
The territorial structure of the sales revenues:

SPECIFICATION	2014 (w tys. PLN)	2013 (w tys. PLN)	Fluctuation
Net revenues from the sale of products:	54,637	41,693	131.0%
Country	54,626	41,690	131.0%
Export	11	3	366.7%
Net revenues from the sale of goods and	55,299	75,418	73.3%

materials:			
Country	54,840	74,773	73.3%
Export	459	645	71.2%
NET REVENUES FROM THE SALE OF PRODUCTS. GOODS AND MATERIALS	109,936	117,111	93.9%

The structure of the greatest recipients of the Company:

RECIPIENTS	2014	
	PLN in thds	%
Grupa BZWBK	41,098	37.38%
Credit Agricole Bank Polska S.A.	13,136	11.95%
Grupa ING	6,812	6.20%
EUROCASH S.A.	5,392	4.90%
Poznan University of Technology	4,990	4.54%
Grupa Allegro Sp. z o.o.	4,212	3.83%
IBM Polska S.A.	4,150	3.77%
Volkswagen Group Polska Sp. z o.o.	4,112	3.74%
Bank Handlowy w Warszawie SA	2,340	2.13%
PGL Lasy Państwowe	2,136	1.94%
The Bank New York Mellon Poland Sp. z o.o.	1,857	1.69%
WARTA S.A.	1,368	1.24%
Other	18,335	16.7%
TOTAL	109,936	100.00%



Main suppliers of the Company:

SUPPLIERS	2014	
	PLN in thds	%
ABC DATA S.A.	19,638	22.82%
Microsoft Ireland Operations Ltd	14,097	16.38%
Dell Sp. z o.o.	7,152	8.31%
S4E S.A.	6,964	8.09%
Arrow ECS Sp. Z o.o.	5,581	6.48%
Hewlett Packard Polska Sp. z o.o.	3,065	3.56%
Synteia Business Solutions Sp. z o.o.	2,846	3.31%
Avnet Sp. z o.o.	1,938	2.25%
Tech Data Polska Sp. z o.o.	1,916	2.23%
RRC Poland Sp. z o.o.	1,560	1.81%
others	21,314	24.76%
TOTAL	86,071	100.00%

The Company is not dependent on the suppliers to any great extent. In particular, goods and products purchased by the Company from suppliers trading (the turnover with them comprises of approximately 10% of the total value of supplies) can be purchased from alternative distributors on similar purchase terms.

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

Information on agreements significant for the issuer's activity

- On 19 February 2014 the Company concluded the agreement of with Pekabud - Morasko Sp. o.o. with its registered office in Poznan, hereinafter referred to as the Contractor. The subject of the agreement is the performance by Pekabud - Morasko Sp. z o.o. of reinforced concrete structures in Talex S.A. office building expansion at Karpia 27d. The net value of the agreement is PLN 5.1 million. The investment is implemented under the Company's project entitled "Creation of IT Centre providing modern services. " The funding for the project has been granted to the Company under the Operational Programme Innovative Economy 2007-2013 about which the Company had already informed.
- On 24 August 2014 the Company concluded the agreement with Credit Agricole Bank Polska S.A. with its registered office in Wroclaw. The subject of the agreement is the provision of IT solutions during the period of 24 months. The total net value of the agreement amounts to PLN 4.87 million. The provisions of the agreement exclude the possibility to seek the lost profits by the Bank and limit the liability of the Company to the Bank for any damages associated with the agreement to actual losses, and additionally to 10% of the value of the agreement. Such restrictions do not include cases where the limitation of liability is not permitted under the law. The criterion to consider the agreement as significant: the amount of equity.
- On 24 November 2014 the Company concluded the agreement with Grupa Allegro Sp. Z o.o. with its registered office in Poznan (Client). The subject of the agreement is the provision for the Client of collocation services in the Data Processing Center (Data Center) of Talex S.A. along with associated services (IT outsourcing). The estimated net value of the agreement in the period till 31 December 2018 is PLN 12.4 million. The actual value of the agreement is dependent upon the number of Client's devices co-located in the Data Center of the Company during the term of the agreement as well as the amount and the scope of the associated services provided. The agreement provides for contractual penalties total value of which is restricted to the amount of PLN 3 million in the term of the agreement. The payment of contractual penalties shall not exclude the right to claim compensation by the Client in the amount exceeding the amount of these penalties. The criterion to consider the agreement as significant: the amount of equity.

In 2014 the Company continued to realize a number of orders obtained from its strategic customers from banking and financial as well as public administration sector. Moreover, the Company received a number of further orders, about which Talex informed in the succeeding current reports:

- in the period from 6 December 2013 (publication of the current report No. 40/2013) to 7 April 2014 (publication of the current report No. 7/2014), the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wroclaw, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.4 million. The largest of these orders is the order of March 2014 with the net

value of PLN 244 thousand. The subject of the contract is realization of IT services.

- in the period from 25 September 2013 (publication of the current report No. 32/2013) to 25 June 2014 (publication of the current report No. 15/2014) the Company obtained a number of further orders from ING Bank Śląski S.A. with its seat in Katowice, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.7 million. The largest of these orders is the order of October 2013 with the net value of PLN 462 thousand. The subject of the contract is the delivery of computer hardware.
- in the period from 7 April 2014 (publication of the current report No. 7/2014) to 16 July 2014 (publication of the current report No. 17/2014) the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.6 million. The largest of these orders is the order of June 2014 with the net value of PLN 268 thousand. The subject of the contract is the realization of IT services.
- in the period from 30 December 2013 (publication of the current report No. 42/2013) to 3 September 2014 (publication of the current report No. 21/2014) the Company obtained a number of further orders from Credit Agricole Bank Polska S.A. with its seat in Warsaw, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.7 million. The largest of these orders is the order of July 2014 with the net value of PLN 0.8 million. The subject of the order is the delivery of computer hardware.
- in the period from 16 July 2014 (publication of the current report No. 17/2014) to 9 September 2014 the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.4 million. The largest of these orders is the order of August 2014 with the net value of PLN 882 thousand. The subject of the order is the delivery of IT solutions.
- In the period from 9 September 2014 (publication of the current report No. 22/2014) to 16 October 2014 (publication of the current report No. 24/2014) the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 5.58 million. The largest of these orders is the order of September 2014 with the net value of PLN 1.09 million. The subject of the order is the delivery of IT solutions.
- In the period from 16 October 2014 (publication of the current report No. 24/2014) to 4 December 2014 (publication of the current report No. 27/2014) the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.84 million. The largest of these orders is the order of November 2014 with the net value of PLN 668 thousand. The subject of the order is the delivery of IT solutions.

- In the period from 4 December 2014 (publication of the current report No.27/2014) to 16 December 2014 (publication of the current report No.28/2014) the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 5.19 million. The largest of these orders is the order of December 2014 with the net value of PLN 1.04 million. The subject of the order is the delivery of IT solutions.
- In the period from 3 September 2014 (publication of the current report No.21/2014) to 22 December 2014 (publication of the current report No.29/2014) the Company obtained a number of further orders from Credit Agricole Bank Polska S.A. with its seat in Warsaw, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.82 million. The largest of these orders is the order of October 2014 with the net value of PLN 947 thousand. The subject of the order is the delivery of IT solutions.
- In the period including twelve months preceding publication of the report No. 30/2014 on 30 December 2014, the Company obtained a number of further orders from Volkswagen Group Polska Sp. z o.o. with its seat in Poznań, which together meet the criterion of a significant agreement. The total net value of the received orders is PLN 4.9 million. The largest of these orders is the order of June 2014 with the net value of PLN 739 thousand. The subject of the contract is the delivery of computer software.

Moreover, in the presented period, the delivery of the maintenance as well as outsourcing services specified in the agreements with the Company's clients, mainly from the banking and financial sector as well as the public sector, was continued.

Information on credit and loan agreements

On 30 May 2014 the Company signed the investment credit agreement provided by Bank Zachodni WBK S.A to the Company in the amount of PLN 7.15 million gross for the realization of the project entitled "Creation of IT Centre providing modern services" (publication of the current reports No. 24/2013 and 3/2014).

Information on loans, sureties and guarantees granted

The contingent liabilities of the Company, due to performance bonds and payment securities issued by the financing bank, amounted to PLN 6,127 thousand. Those liabilities are secured with capped mortgage on the Company's headquarters building.

Contingent liabilities included performance bonds, bid bonds, bonds on account of warranty and guarantee and payment guarantees. Performance bonds comprised about 59.8% of the guarantees issued on 31.12.2014. The purpose of those bonds is to secure the claims which could arise in the case of improper performance of an agreement. Nearly 22.5% of all guarantees were payment guarantees, the purpose of which is to guarantee the timely payment of monetary liabilities. The bonds on account of warranty and guarantee comprised about 12.7% of the guarantees issued on 31.12.2014.

As a security to the renewed contract on the limit for bank guarantees, granted to the Company by Bank Zachodni WBK SA, the Company created a capped mortgage, established by a notarial deed, up to the amount of PLN 10 million, on account of Bank Zachodni WBK S.A., headquartered in Wrocław. The mortgage was created on the real estate owned by the Company, registered in the Land Register kept by the District Court in Poznań – Stare Miasto in Poznań, under the entry no. KW P01P/00137.699/9. The real

estate in question comprises a plot of 14.744.00 sq. meters, with an office building of the usable area of 2.445.80 sq. meters.

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. Liquidity ratios of TALEX S.A. confirm that the enterprise is able to pay its liabilities. The current ratio equalled 1.94 at the balance sheet date, while the quick ratio equalled 1.84.

The high level of liquidity also confirms the large share of current assets in the total assets of the enterprise.

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 members of the Management and Supervisory Boards of the Company

In the reporting period there were no significant changes in the composition of people in charge of the Company.

Agreements signed between the issuer and the 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 for the latter in case of their resignation or dismissal.

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 (PLN)	Total value (PLN in thds)
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

Members of the Management Board held the following shares of the Company (as at the day of preparing this report):

Shareholder	Number of shares					
	Series A	Series B	Series C	Series D	Series E	Total

Janusz Gocałek	34000	283000	145216	294340	-	756556
Jacek Klauziński	34000	283000	145216	294340	-	756556
Andrzej Rózga	34000	283000	145216	294340	-	756556
Rafał Szalek	-	-	-	-	889	889
Andrzej Kurc	-	-	-	1012	-	1012

To the best of the Management Board's knowledge, 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

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	755.556	25.22	892.556	26.19
Jacek Klauziński	755.556	25.22	892.556	26.19
Andrzej Rózga	755.556	25.22	892.556	26.19

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 Company does not have any information on the agreements, which may result in future changes in the present structure of share ownership in terms of shares held by current shareholders. The Company does not emit bonds.

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

The Company did not issue any securities which entitle to special supervisory powers over the issuer.

Information on the system of controlling the employee share ownership schemes

The Company did not issue 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, being registered shares, are subject to the limitation of the transfer of ownership rights. Additionally, shares of series A are preference shares regarding the voting right. 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 entity authorized to audit financial statements

On 8 May 2014, the Supervisory Board of the Company, on the basis of the Company's Articles of Association, adopted a resolution to select "Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością Spółka komandytowa", headquartered in Poznań, ul. Abpa Antoniego Baraniaka 88 E, as an entity with which the contract will be signed on auditing the financial statements compiled on 30 June 2014 and 31 December 2014. The selected entity is recorded in the register of entities authorized to audit financial statements under the No. 3654 kept by the National Council of Statutory Auditors.

The total net value of auditors' remuneration amounted to PLN 35,000.00 net.

In 2014 the Company did not use the 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 the capital group.

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

During the presented period 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 2014.

Pending proceedings before courts, arbitration or public administration authorities

In the past half-year, 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

In the presented period, the Company did not grant any sureties, credit, guarantees or loans of value exceeding 10% of the equity capital 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 reporting period 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.

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

Factors that affect the results of the Company with a view to the next year are mainly the fulfilment of the agreements concluded with the regular, long-term customers of the Company as well as the realization of the contracts from the previous years, including, among others, Poznan University of Technology.

In the past year the Company continued its activities related to the development of software offered by the Company. At the same time, the Company is making intensive efforts to obtain further large and permanent recipients of IT infrastructure maintenance and support services offered by the Company.

To achieve these aims TALEX launched a project entitled "Creation of IT Centre providing modern services" under which the Company began, among other things, the realization of the investment involving the extension of the existing office and technical infrastructure. The funding has been granted to the Company under the the Operational Programme Innovative Economy 2007 -2013 (priority axis 4 "Investments in innovative enterprises," measure 4.5 "Support for investment of considerable importance to the economy," sub-measure 4.5.2 "Support for investment in the modern services sector."

The Company intends to finance the planned current purchases with its own funds and investment credit. The schedule for the current purchases was arranged so that their implementation will not affect the Company's liquidity or bring about strained financial condition.

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.

Poznan, 20 February 2014

Members of the Management Board:

Janusz Gocałek.....

Jacek Klauziński.....

Andrzej Różga.....

Rafał Szałek.....

Radosław Wesółowski.....