ZAAWANSOWANE TECHNOLOGIE INFORMATYCZNE

Talex S.A.
Annual Report 2013

March 2013

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 certification, which confirms that the procedures followed by the Company guarantee full security of information and customers' data.

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. Jagiellońska 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.

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

Sales and profit in 2013

In 2013, the Company recorded net loss of PLN 5,944 thousand, with sales revenues of PLN 117,110 thousand.

SPECIFICATION	2013 (PLN in thds)	2012 (PLN in thds)	Fluctuation
Revenues from sales of products	38,117	32,177	118.46%
Revenues from sales of goods and materials	56,514	110,589	51.10%

The Company recorded higher revenues from sales in 2013 in comparison to 2012 (increase by about 24%). Although the structure of sales changed to the detriment of the revenues from the sale of services, as they constituted 35.6% of total revenues (in 2012 – 40.3%), yet the revenues from the sale of products (services) reached a higher level in comparison to 2012 and they increased by 9.4% in 2013.

Also, the margin on sales of products increased from 21.1% in 2012 to 32.7% in 2013. The increase in the margin on services has been achieved due to the organizational changes carried out within the Company aimed at the optimization of the processes connected with the provision of IT infrastructure services. As a part of the carried out optimization, inter alia, the Company could afford to give up the majority of subcontractors and realize within its organization the services previously rendered by them, which had a positive impact on the reduction of the costs of the Company and the financial results in the last year.

The revenues from the sale of goods and materials increased in Talex by about 33.4% in comparison to 2012. The Company achieved profitability on the sale of goods and materials at the level of about 6.1%, slightly better now than in the previous year (then it was 5.6%).

Despite the increased revenues of the Company in the area of goods and materials and the already invalid matter of the crisis on the Polish IT market in the last year, the recovery and the release of the IT investments in the Company's customers occurred more slowly than it was forecasted. Enterprises are constantly looking for cost savings and, according to research conducted by PMR, the extension of life-cycle of IT equipment made by the companies has become the rule nowadays. The average time of the PCs use in large enterprises is 5 years. In comparison to the study from two years ago, the share of the companies that exchange desktops after more than six years increased by 18 percentage points. This is due to the fact that currently several years' computers are perfectly adequate for common office work, which does not require large computing power. Laptops are used for a period of 3 to5 years, but on average - not more than for 4 years.

SPECIFICATION	2013 (PLN in thds)	2012 (PLN in thds)	Fluctuation
Gross profit from sales of products	13,632	8,030	69.76%
Gross profit from sales of goods and materials	4,598	3,195	43.91%

Higher revenues from sales were reflected in the gross profit from sales and at other levels of the company's profit. The Company's results were also influenced by the repayment of written-off assets (doubtful debts).

SPECIFICATION	2013 (PLN in thds)	2012 (PLN in thds)	Fluctuation
Gross profit from sales	18,230	11,225	62.41%
Profit from sales	6,381	-1,416	550.64%
Gross profit	7,294	-2,310	415.76%
Net profit	5,944	-2,152	376.21%

Company assets

The value of fixed assets as of the 31st December 2013 amounted to PLN 30,072 thousand and increased by about 11.6% compared to the last day of 2012. 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 almost three times compared to 2012 due to the already initiated investment of the construction of a new office building 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 2007-2013 (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.")

	ASSETS	31.12.2013 (PLN in thds)	31.12.2012 (PLN in thds)
I	**FIXED ASSETS**	**30,072**	**26,956**
1.	Intangible assets	1,277	1,260
2.	Tangible fixed assets	28,017	25,120
3.	Long-term receivables	127	117
4.	Long-term investments	-	-
5.	Long-term prepayments and accrued income	651	459

The value of current assets as at 31.12.2013 amounted to PLN 43,550 thousand and increased by about 11.2%, compared with 2012. Due to the much higher turnover of the Company and better sales profitability, the amount of cash in bank accounts increased by over 105%, from PLN 9,596 thousand in 2012 to PLN 19,703 thousand in 2013.

	ASSETS	31.12.2013 (PLN in thds)	31.12.2012 (PLN in thds)
II	**CURRENT ASSETS**	**43,550**	**39,141**
1.	Inventories	2,091	7,712
2.	Short-term receivables	20,710	21,010
3.	Short-term investments	19,703	9,596
4.	Short-term prepayments and accrued income	1046	823

Current assets constituted 59.15% of the total assets of the Company as at the last day of 2013. It is worth noting that approximately 45.2% of assets in 2013 is cash, which in addition to the value of this indicator, is the evidence of good financial liquidity of the Company. Current assets, compared to physical assets, are much more easily converted to cash.

Overall financial condition

Selected financial ratios.

SPECIFICATION	2013	2012
Profitability ratios		
Sales ratio	5.45%	-1.50%
Operation activities ratio	6.14%	-2.70%
Gross profit ratio	6.23%	-2.44%
Net profit ratio	5.08%	-2.27%

Return on assets ratio	8.07%	-3.26%
Return on shareholders' equity ratio	13.41%	-5.34%
Liquidity ratios		
Current ratio	1.78	1.66
Quick ratio	1.70	1.33
Debt ratios		
Total debt ratio	0.35	0.36
Long-term debt ratio	0.03	0.01
Management effectiveness ratio		
Receivables turnover ratio (in days)	51	65
Inventories turnover ratio (in days)	16	23
Liabilities turnover ratio (in days)	46	50

The level of gross margin profitability ratio in 2013 remained at a level slightly higher than in 2012. This is mostly due to a larger level of turnover and positive results on sales. Other indicators of profitability, analogically to particular levels of turnover, reached also a positive value in 2013.

Liquidity ratios that define the ability of the Company to to pay its current obligations are at a high and safe level at all times. The sizes of these indicators in 2013 showed the excess liquidity. The liquidity ratios has been counted based on a formula of current liquidity, calculated as the quotient of current assets and short-term liabilities, and quick liquidity, calculated as the quotient of current assets minus stock and short-term liabilities.

The high level of liquidity is also confirmed by the high level of current assets in the Company's total assets; as at 31.12.2013 it amounted to 59.15%. This proportion remained at similar level with regard to 2012 when it was equal 59.22%. The Company had cash in bank accounts in the amount of PLN 19,703 thousand and did not take working capital facilities during the audited period, neither the investment loans nor the long-term credits, and all the expenditures concerning currently realized contracts of the Company were covered from the funds of the Company.

The total debt ratio as at 31.12.2013 was at the level of 0.36, comparable to the one in 2012 (0.35). In addition, the optimal values of the financial liquidity's indices, and mostly the Company's funds, reduce the financial risk in the enterprise and the probability of a loss of the ability to repay the debts.

As at the last day of 2013, there is a slight long-term debt due to the leasing agreements.

Receivables turnover ratio decreased in comparison to the previous year and in 2013 equalled 51 days. This ratio can give the information about possible problems with the collection of the receivables which can reduce the liquidity of the Company. Talex, due to the money on the account and a stable financial situation, can afford a temporary lending of its clients, which indeed involves the freezing of funds in the claims, but in the current market situation, it can also helps to strengthen the relationships with regular customers of the Company and to build lasting relationships with newfound customers of Talex SA. Receivables turnover ratio should be analyzed in relation to liabilities turnover ratio. The values of both ratios have remained on a safe, similar with respect to each other, level for a couple of years.

Liabilities turnover ratio decreased in comparison to 2012 and equalled approximately 46 days. 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. TALEX, due to collected cash, did not have to practise this and thus did not make liabilities payments terms dependent on receivables payments terms.

Inventories turnover ratio decreased in 2013 by 7 days, compared with 2012. Its value depends also on the types of agreements that are concluded by the Company.

Management effectiveness ratios were calculated based on the average data determined from 5 periods (at the beginning of 2013 and at the end of each quarter in 2013).

On the basis of the above analysis, the financial condition of the Company may be described as good. Good financial liquidity characterizes the Company and the indicators of management performance reflect the policy of the Company as well as the decisions taken in the last year in terms of the agreements executed by the Company.

Financial standing

The Company's shareholders' equity as at 31.12.2013 amounted to PLN 40,293 thousand, which comprised:

- share capital (3,000,092 shares) PLN 3,000 thousand
- reserve capital PLN 31,393 thousand
- net profit for 2013 PLN 5,944 thousand

The Company's standing, in terms of payments, was good in 2013. 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 increased by about 105% in comparison to 2012 and amounted to PLN 19,703 thousand as at 31.12.2013.

Total liabilities as at 31.12.2013 amounted to PLN 25,595 thousand, which comprised 57.7% of shareholders' equity. Up to 31.12.2013, the Company did not take any bank credits.

In 2013, the Company placed its free assets mainly in fixed-term over-night deposit accounts.

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

Owing to the commencement of the investment of Creation of IT Centre, the Company is considering the possibility of taking an investment credit for the period of 5 years, provided for the co-financing agreement.

Information on buying Company's own shares

On 30 August 2013 the Company published (in a current report no. 28/2013) the programme of own shares purchase of Talex S.A. The terms and conditions of the Buy-Programme have been defined earlier by Resolutions No 13 and 14 of the Ordinary General Meeting of Shareholders dated 18 April 2012 (current report no.10/2012).

In the audited period the Company spent the amount of PLN 45,557.89 for the purchase of own shares. Under the BuyBack-Programme, in the period from 30 September 2013 to 31 October 2013, the Company received 4,499 own shares total. All the details concerning the acquired own shares were published by the Company in its subsequent current reports.

Financial risk management

As at 31.12.2013, the liabilities on account of leasing agreements amounted to PLN 1,818 thousand, which comprised PLN 1,183 thousand of long-term liabilities and PLN 635 thousand of short-term liabilities. Given the amount of the Company's cash, and so the 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.

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 2013, payments in foreign currencies comprised approximately 9.7% of the Company's total payments. Supply payment deadlines did not exceed two months. The decisions concerning the use of hedging instruments will be taken depending on the state of the foreign currency market.

Employment

At the end of 2013, the Company had 294 employees. The average employment in 2013 expressed in full-time jobs equalled 281 and was exactly the same as in the previous year.

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 64% of total sales in 2013. The remaining 36% are the revenues from the sales of products; therefore, the share of services remained in 2012 at the similar level in the structure of revenues of the Company.

SPECIFICATION	2013 (PLN in thds)	2012 (PLN in thds)	Fluctuation
Revenues from sales of products	41,692	38,117	9.38%
Revenues from sales of goods and materials	75,418	56,514	33.45%
TOTAL NET SALES REVENUES	**117,110**	**94,631**	**23.75%**

Computer hardware maintenance and repair services (30.89%), user's software services (16.31%), personal computer and software installation (9.84%), hosting and data processing services (9.76%), and computer system design (8.85%) comprised the largest share of the sales of services.

In the analyzed 2013, among other things due to the signed agreements, there was a significant growth of services concerning one of the key area of the Company's activities, that is the services connected with software, including application service and services of computers systems design. Next important direction of the Company's activity are *Break & Fix* and *IMACD* services, which translates into the level of receivables from those services in the "computer hardware maintenance and repair services" and "user's software services" together.

SPECIFICATION	**2013** **(PLN in thds)**	**2012** **(PLN in thds)**	**Fluctuation**
computer hardware maintenance and repair services	12,877	14,779	-12.87%
user's software services	6,799	4,921	38.16%
personal computer and software installation	4,103	1,532	167.82%
hosting and data processing services	4,069	4,292	-5.20%
computer system design	3,688	2,354	56.67%
machine and office equipment leasing and renting services	2,996	373	703.22%
client's computer system management and service	2,785	5,982	-53.44%
structural cabling installation	1,971	2,736	-27.96%
other goods sales agency	757	247	206.48%
service and monitoring of electronic systems	580	2	28900.00%
real estate renting	324	262	23.66%
call center services	322	0	0.00%
installation of high-powered computers	213	233	-8.58%
warehouse and storage	82	75	9.33%
provision of transmission systems	52	91	-42.86%
computer courses and afterschool forms of education	33	44	-25.00%
computer hardware sales agency	20	154	-87.01%
software development	12	0	0.00%
provision of the access to the Internet	7	0	0.00%

air conditioning and ventilation installation services	2	0	0.00%
organization and management of conventions, promotional activities	0	33	0.00%
repair and maintenance of modems, cameras and communication equipment	0	6	0.00%
advertising campaigns, other advertising services	0	1	0.00%
TOTAL NET REVENUES FROM SALES OF PRODUCTS	**41,692**	**38,117**	**9.38%**

The fluctuation rate of the revenues from sales of goods and materials equalled 33.45% in 2013 compared with the parallel period of the previous year. Compared with 2012 the Company generated in 2013 higher revenues from sales of computers. peripheral equipment as well as from sales of software; they constituted 99.7% of total sale of goods and materials.

SPECIFICATION	**2013 (PLN in thds)**	**2012 (PLN in thds)**	**Fluctuation**
- wholesale of computers and peripheral equipment	75,209	56,141	33.96%
- wholesale of electronic and telecommunication equipment	163	321	-49.22%
- sales of remaining materials	25	35	-28.57%
- retail	21	17	23.53%
TOTAL NET REVENUES FROM SALES OF GOODS AND MATERIALS	**75,418**	**56,514**	**33.45%**

Markets and sources of supply

SPECIFICATION	**2013 (w tys. PLN)**	**2012 (w tys. PLN)**	**Fluctuation**
Net revenues from the sale of products:	**41,692**	**38,117**	**9.38%**
Country	41,689	38,112	9.39%
Export	3	5	-40.00%
Net revenues from the sale of goods and materials:	**75,418**	**56,514**	**33.45%**
Country	74,773	53,870	38.80%
Export	645	2,644	-75.61%
NET REVENUES FROM THE SALE OF PRODUCTS. GOODS AND MATERIALS	**117,110**	**94,631**	**23.75%**

In 2013 the Company continued to sell goods and products on the Czech Republic market. Although the amount in comparison to the previous year significantly decreased, it comprised about 0.6% of total turnover of the Company.

The structure of recipients:

RECIPIENTS	2013	
	PLN in thds	%
Grupa BZWBK	39,368	33.62%
Credit Agricole Bank Polska S.A.	10,539	9.00%
Grupa ING	8,501	7.26%
Marshal Office of the Lubelskie Voivodship	5,959	5.09%
EUROCASH S.A.	4,691	4.01%
Alior Bank S.A.	4,408	3.76%
Poznan University of Technology	4,045	3.45%
Grupa Allegro Sp. z o.o.	3,281	2.80%
Information Society Development Foundation	3,280	2.80%
Volkswagen Group Polska Sp. z o.o.	3,149	2.69%
Other	29,889	25.52%
TOTAL	**117,110**	**100.00%**

Main suppliers of the Company:

SUPPLIERS	2013	
	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%
Syntea 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 1 January 2013 the Company concluded the agreement with 1 January 2013 with ING Bank Śląski S.A. headquartered in Katowice. The subject of the agreement is to provide hardware maintenance and IT services. The agreement has been signed for 36 months with a possibility of renewal for the further 12 months. The total net value of the agreement for the period of 3 years is estimated at the amount of PLN 4.6 million. The actual value of the agreement is subject to change according to the changes in the volume of services provided hereunder.

- On 20 March 2013 the Company concluded the agreement with Allegro Group located in Poznan. The subject of the agreement, signed for the period of 3 years, is the delivery of software. The value of the agreement denominated in Euro is equivalent to the amount of PLN 7.7 million.

- On 28 March 2013 the Consortium consisting of TALEX S.A. (Leader) with its registered office in Poznan and Syntea Business Solutions Sp. z o. o. (Partner) with its registered office in Lublin signed the agreement with Poznan University of Technology in Poznan. The subject of the agreement is a complex IT support in the IT outsourcing model. The remuneration payable to the Consortium for the provision of services covered by the agreement is estimated at the gross value of PLN 34.9 million for the period of 48 months.

- On 17 June 2013 the Company has received information on the reception of the order from Bank Zachodni WBK S.A. with its seat in Wroclaw. The subject of the order is the delivery of IT solutions with the value of PLN 6.25 million.

- On 4 July 2013 the Management of Talex S.A. informed that the Company signed the annex to the agreement dated 5 October 2009 and concluded with Bravura Solutions Polska Sp. z o. o. with its seat in Warsaw. The subject of the agreement is the provision of ICT infrastructure along with the complementary services.
  By virtue of the signed annex, the range of the provided services was broadened and the term of the agreement was extended to 31 July 2019. The value of the remuneration on account of the performance of the agreement is due to the Company from the date of the annex conclusion to the end of the term of the agreement and is estimated at the amount of PLN 4.0 million.

- On 9 July 2013 the Company informed that the Framework Agreement dated 21 June 2011, concluded with Bank Zachodni WBK with its seat in Wroclaw, about

which the Company informed in the current report No 20/2011, has been amended. The subject of the concluded Framework Agreement is the consolidation of IT services and ongoing maintenance of the Bank's IT environments. The detailed scope of services provided by the Company under the Agreement is specified in the so-called Work Packages, constituting the appendices to the Agreement. As part of the changes the list of services rendered for the Bank has been expanded with the new services. At the same time the volume of services provided so far has been increased and the period for the Work Packages under the change has been extended to 30 June 2016. The value of the Agreement together with the Work Packages is estimated at the amount of PLN 9.5 million per year. The total value of the Agreement shall be contingent upon the changes in the volume of services provided under the Agreement.

- On 23 July 2013 the Company signed the agreement with the Minister of Economy. The subject of the agreement is the subsidy to the Company's project entitled "Creation of IT Centre providing modern services." The maximum value of the grant amounts to PLN 7.15 million gross. 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.")

- On 1 August 2013 the Company concluded the agreement with the Information Society Development Foundation (FRSI - Fundacja Rozwoju Społeczeństwa Informacyjnego) with its seat in Warsaw. The subject of the agreement is the delivery of IT solutions to public libraries throughout the country as a part of the third round of the Library Development Program of the Polish-American Freedom Foundation (see Current Report 1/2010 and 22/2011). Remuneration for the execution of the subject of the agreement is estimated at PLN 3.0 million gross.

- On 26 August 2013 the Company signed the annex to the agreement with Credit Agricole Bank Polska S.A. , about which the Company informed in the current report No 5/2011. The subject of the annex is the extension of the agreement for additional services. New services will be provided by the Company during 5 years and their value in the described period is estimated at the amount of PLN 3.1 million gross.

- On 16 September the Company signed the annex to the agreement concluded with Poznan University of Technology (publication of the current report No. 9/2013). The subject of the agreement is the optimization of the scope of the agreement and partial reduction of the range of services commissioned by the University. The value of the services that decreases the value of the agreement is estimated at PLN 6.9 million gross.

- On 1 October 2013 the Company has received information on the reception of the order dated 30 September 2013 from Bank Zachodni WBK S.A. with its seat in Wroclaw. The subject of the order is the delivery of IT solutions with the net value of USD 1.7 5 million which is equal to PLN 6.78 million.

In 2013 the Company continued to realize a number of orders obtained from the key clients of TALEX with together meet the criteria of the significant agreement, in particular from:

- ING Bank Śląski S.A. with its seat in Katowice – current reports no. 3/2013 and 32/2013,

- Bank Zachodni WBK S.A. with its seat in Wroclaw - current reports no. 4/2013, 18/2013 and 40/2013,
- Credit Agricole Bank Polska S.A. with its seat in Warsaw - current reports no. 20/2013 and 42/2013,
- Eurocash S.A. with its seat in Komorniki - current reports no. 41/2013,
- Alior Bank S.A. with its seat in Kraków - current reports no. 43/2013.

In the period presented (2013). the delivery of the technical support and maintenance as well as outsourcing services specified in the agreements with the Company's clients was continued. mainly from the banking and financial sector as well as the public sector.

To the best of the Company's knowledge. there were no agreements signed between its shareholders in 2013.

Information on the organisational and capital relations of the issuer

The Company does not have any organisational or capital relations with other entities.

Transactions with related entities

In the period presented, the Company did not conduct any transactions with related entities.

Information on credit and loan agreements

In 2013 the Company did not take any credits or loans.

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 6,409 thousand. Those liabilities are secured with capped mortgage on the Company's headquarters building (detailed information on the security is given below).

Contingent liabilities included performance bonds, bid bonds, bonds on account of warranty and guarantee and payment guarantees. Performance bonds comprised about 76.41% of the guarantees issued on 31.12.2013. The purpose of those bonds is to secure the claims which could arise in the case of improper performance of an agreement.
Nearly 11.91% 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 10.26% of the guarantees issued on 31.12.2013 and bid bonds comprised about 1.42%.

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 Wroclaw. The mortgage was created on the real estate owned by the Company, registered in the Land Register kept by the District Court in Poznan – Stare Miasto in Poznan, 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.

The issuer's use of the inflows from the issue of securities

In the period presented, the Company did not issue securities.

Explanations concerning the differences between the financial results presented in the annual report and the previously published forecast

The Management Board of the Company did not publish any forecast for 2013.

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 1.78 at the balance sheet date. while the quick ratio equalled 1.70.

The high level of liquidity also confirms the large share of current assets in the total assets of the enterprise, which equalled 59.15% as at 31.12.2013 (59.22% in 2012).

Assessment of the feasibility of planned investments

The Company's main goals for 2014 are intensified activities of selling the Company's services. especially its software as well as IT implementation and outsourcing services.

In order to achieve these goals the Company initiated the project entitled "Creation of IT Centre providing modern services" under which TALEX started among others the realization of the investment including the extension of already existing office and technical infrastructure. 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 Company intends to finance its planned investments mainly through its own funds and EU grants. The investment schedule has been arranged in such a way that the implementation of particular investments should not affect the Company's liquidity or its financial standing. In order to finance the already realized investment "Creation of IT Centre" including among others the construction of a new office building and the extension of the present building of Data Center, the Company is considering taking the investment credit. The decision concerning the form of financing will be made in the firs half of 2014.

The analysis of the balance sheet, profit and loss account, cash flow statement as well as the analysis of the financial standing of the enterprise, based on the standard financial ratios, shows the financial stability of the Company; thus its financial standing is good and does not pose w threat to the planned investments. Additionally, the enterprise is credible for banks, in case it needs to take an investment loan.

The positive assessment of the feasibility of planned investments is also confirmed by the low total debt ratio as at the balance sheet date.

Assessment of factors and unusual events influencing the financial result in the fiscal year

In 2013 the Company managed to achieve positive financial results, despite the economic slowdown still noticeable on the financial market.

Internal and external factors, significant for the development of the issuer's enterprise and perspectives of the issuer's activity development

Primarily, the economic situation in the country is critical for the development of IT industry in Poland. The economic slowdown and. connected with it, the restrictions in the companies' expenditure on IT are the main barriers to the development of the industry. Some restrictions are seen in the difficulties with the use of EU funds, as well as the obscure and frequently changing Polish law. Another phenomenon which is associated with the current situation is the exchange rate risk. hindering the valuation and calculation of the profit concerning the projects realized in the long term.

The situation on the market in 2013 was more stable than in 2012, but the companies kept their distance in relation to purchase decisions and despite good market situation continued to impede the investment expenditures. This situation was affected by the economic environment, the threat of the return of the economic crisis and the crisis of the Euro zone. That state of affairs had its consequence in the adaptation of business to the market situation, including restrictions on investments and the adoption of wait-and-see strategy.

The global financial crisis has caused the increased importance of IT outsourcing as an attempt to optimize the amount of expenses on IT of the companies. The companies will always seek opportunities to reduce costs which will also influence on their attempts to launch IT support to external partner. The market for outsourcing services is constantly monitored and reviewed. so that the customers have the latest results of research on this segment of the service.

Outsourcing services are often a very important element in building long-term business strategies. Companies worldwide are looking for IT service providers who in a safe way will be able to support their internal processes and infrastructure. In the context of the global search for more and more places where you can implement IT service outsourcing model, research concerning safe and optimal location for such services deserves a special attention. According to the results in 2013, the whole region of Central and Eastern Europe (CEE) headed the list of the safest cities, which indicates that outsourcing in this region is interesting not only for domestic companies but also for partners around the world.

According to Pierre Audion Consultants, in 2015 the Polish market of software and IT services (estimated market value on the level of Euro 4.1 billion) will be the second (after Russia) IT market in Central and Eastern Europe. The growth of software and IT services markets in 2011-2015 is estimated at 7.2% per annum. Similar predictions are formulated for the third segment of the IT market, i.e. the hardware market. According to forecasts, the average increase in Polish hardware market in the period from 2011 to 2014 will be 7.7% per annum. The main propelling forces of the IT market growth in Poland include: the influx of foreign investments, the availability of public aid and new directions of the sector's development.

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

Factors that affect the results of the Company with a view to the next quarter are mainly: the fulfilment of the agreements concluded with the regular, long-term customers of the Company, particularly from the banking and financial sector such as Bank Zachodni WBK SA. ING Bank Śląski SA. Credit Agricole Bank Polska SA. as well as the realization of the investment 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 services provided in the aforementioned project "Establishment of IT Centre providing modern services" also fit well into a trend of services, the potential of which is still inexhaustible in Poland, namely Cloud Computing services. According to a recent IDC research, the market of cloud computing services in Poland in 2012 amounted to slightly more than $ 66 million and grew very quickly, more than 25% year on year; especially, if we compare it with the traditional IT market, which recently has not been particularly dynamic and recorded one digit increases. Importantly, the market is growing slightly faster than it was predicted a few years ago.

Chmura vs usługi IT, 2012

Źródło: IDC

Poland Cloud Services Market 2012 and 2013–2017 Forecast

Poland IT Services Market 2012 and 2013–2017 Forecast

Cloud computing may not be the dominant model on the Polish market in the near future, but it will be a good alternative to traditional models of IT services. Looking at our past experience and the increase of expectations as well as customer awareness we assume that in the near future the number of buyers will be increasing, often supplementing the traditional model of IT services with the cloud computing model.

Outlays on tangible fixed assets of the Company in 2013

In 2013 the outlays on tangible fixed assets and intangible assets of the Company amounted to PLN 4,776 thousand.

Main outlays on tangible fixed assets of the Company in 2013:

Outlays	Amount (PLN in thds)
Purchase of technical equipment and machinery	1,882
Expansion and investment in the Company's premises	1,170
Purchase of equipment in leasing	1,107
Purchase of land	406
Purchase of other fixed assets	133
Server room	

	65
Purchase of means of transport	13
TOTAL	4,776

The outlays on the purchase of technical equipment and machinery constituted almost 47.9% of the outlays on tangible fixed assets in 2013.

The expenditures for the extension and investment in the Company's premises accounted for about 24.5%. The incurred expenses were related to the commencement of the project financed from the European Union - the construction of the IT services Centre and adaptive works carried out in the Company's new branches. Also, the Company purchased another land in the last year (about 8.5% of the expenditures). Moreover, in relation to the project for the University of Technology, the Company purchased fixed assets according to the sale & leaseback agreement; these expenditures accounted for 23.2% of expenditures on fixed assets under construction. In the past year, the Company continued to implement its plans to incur the expenditures on the renewal and supplement of technical equipment necessary for the provision of services (approximately 2.8% of expenditures).

Plans to increase and maintain tangible fixed assets in 2014

The outlays on the tangible fixed assets of the Company in 2014 will be mostly related to replacement and modernization of technical equipment, essential for the delivery of IT services.

Specification:

- IT services centre, including:
  Office building PLN 11,256 thousand
  Server room PLN 3,500 thousand
- Purchase of technical devices and computer hardware PLN 2,500 thousand
- Purchase of means of transport: PLN 340 thousand
- Intangible assets: PLN 130 thousand
- Other fixed assets: PLN 100 thousand

Changes in the basic principles of managing the issuer's enterprise

In 2013, there were no significant changes in the basic principles of managing the Company.

Composition of members of the Management and Supervisory Boards of the Company, principles concerning the appointment and dismissal of the managing persons and the authority of the managing persons

In 2013 there were no changes in the Management and Supervisory Boards of the Company.
In the audited period, due to the expiry of the term of office in the Management and Supervisory Boards, the Annual General Meeting of Shareholders on 25 April 2013 appointed the Members of the Supervisory Board. Also, on its meeting on the same day, the Supervisory Board of the Company appointed Members of the Management Board. As a result, the same persons were appointed and the composition of both Boards remained unchanged.

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.

Value of the remuneration, awards or benefits paid, due or potentially due to the managing and supervising persons

The information has been featured in section 10 of the "Additional notes to Annual Report 2013."

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 Szałek	-	-	-	-	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 and bondholders.

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 does not have the system of controlling the employee share ownership schemes.

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 the issuer's adherence to the principles of corporate governance

The information has been featured in the "Report on the adherence to the principles of corporate governance by Talex S.A., headquartered in Poznań in 2013", which constitutes an annex to the present report.

Information on agreements with an entity authorized to audit financial statements

On 18 April 2013. the Supervisory Board of the Company. on the basis of the Company's Articles of Association. adopted a resolution to select Poprawska i Kasztelan – Biegli Rewidenci Spółka Partnerska. headquartered in Poznań. ul. Winklera 1. as the auditor of the Company's financial statements. with whom TALEX will sign the agreements on the semi-annual financial statement drawn up for 30.06.2013 and 30.06.2013 as well as the audit of the annual financial statement drawn up for 31.12.2013 and 31.12.2013.

The selected entity is registered under the no. 2791 on the list maintained by the National Council of Chartered Auditors.

The total net value of auditors' remuneration amounts to PLN 40.000 thousand.

In 2013 the Company did not use tax consulting services.

Poznan. 20 March 2013

Members of the Management Board:

Janusz Gocałek.....

Jacek Klauziński.....

Andrzej Rózga.....

Rafał Szałek.....

Radosław Wesołowski.....