Talex S.A.
Annual Report 2012

March 2012

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 Katowice, ul. Aleja Walentego Roździeńskiego 91
- Talex Kraków, ul. Kamieńskiego 51;
- 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 2012

In 2012, the Company recorded net loss of PLN 2.152 thousand, with sales revenues of PLN 94,631 thousand.

SPECIFICATION	2012 (PLN in thds)	2011 (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 lower revenues from sales in comparison to 2011 (decrease by about 35%). The structure of sales also changed. The share of goods sales in total sales increased in 2012 to around 40.3% (22.5% at the end of 2011). The revenues from sales of products also increased (by about 18.5%) in comparison to the previous year as well as profit margin on sales of products which amounted to about 21.1% (17.7% in 2011). That margin level was significantly affected by the results of the fourth quarter of 2012 – at that time the margin was 41.7%. 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, one of the least profitable regional branches was close down and another was transferred to a new location. The reduction of the costs of services shall have a positive impact on the Company's financial results in the near future.

The economic recession was still visible in the Polish IT market, which continues to be reflected in the expenditure of both companies and consumers. In addition, the fear of crisis that is currently affecting European countries returned, which also affects the decisions of Polish enterprises concerning purchase and sale. Part of the investment, including IT area, is set aside in time; in order to save costs companies are extending the length of the life cycle of IT equipment. All the above mentioned can partly explain the significant decline in revenues from sales of goods and materials in the Company in 2012. The revenues from sales of goods and materials decreased by about 49% in comparison to 2011. The Company achieved profitability on sales of goods and materials at the level of about 5.6% (exactly the same as in 2011).

Lower level of revenues from sales of goods and materials was also a result of the postponement to the new tax year the settlement of the agreement signed by the Company in September 2011 with Lubelskie Region, the subject if which is the delivery of IT solutions with a total gross value of PLN 7.6 million.

SPECIFICATION	2012 (PLN in thds)	2011 (PLN in thds)	Fluctuation
Gross profit from sales of products	8,030	5,682	141.32%
Gross profit from sales of goods and materials	3,195	6 264	51.01%

Despite higher revenues from product sales and a much higher margin on services sales at the end of 2012, the Company achieved lower gross profit on sales. Nearly 50% drop of the revenues from sales of goods and materials, the increase in the employment as well as the fixed costs of the Company contributed to the negative net sales result. It should be noted, however, that the Company, at much lower turnover, reached the profit on sales at the level close to 2011.

The remaining profit levels were affected by unpaid receivables under contracts with customers, including System Online PL, Fugo SA, Winnicki company and the PBG Group companies, at the total amount of PLN 1,843 thousand. The Company initiated several proceedings before courts to recover the pre-term receivables due to the Company.

Despite the loss on the activity and difficult receivables inflow, the Company continues to finance its operations mostly with its own equity and the current liabilities covered by its own cash.

SPECIFICATION	2012 (PLN in thds)	2011 (PLN in thds)	Fluctuation
Gross profit from sales	11,225	11,946	93.96%
Profit from sales	-1,416	-1,445	102.01%
Gross profit	-2,310	693	-333.33%
Net profit	-2,152	662	-325.08%

Company assets

The value of fixed assets as of the 31st December 2012 amounted to PLN 26,956 thousand and decreased by about 2% compared to the last day of 2011. It can therefore be assumed that the value of fixed assets remained at the similar level when compared to 2011.

	ASSETS	31.12.2012 (PLN in thds)	31.12.2011 (PLN in thds)
I	**FIXED ASSETS**	**26,956**	**27,507**
1.	Intangible assets	1 260	1 264
2.	Tangible fixed assets	25,120	25,747
3.	Long-term receivables	117	199
4.	Long-term investments	-	-
5.	Long-term prepayments and accrued income	459	297

The value of current assets as at 31.12.2012 amounted to PLN 39,141 thousand, i.e. it decreased by about 7%, compared with 2012. Due to the much lower turnover of the Company, the short-term receivables significantly decreased (by 35%), yet, at the same time the value of inventories and the amount of cash in bank accounts increased from PLN 5,559 thousand in 2011 to PLN 9,596 thousand in 2012.

	ASSETS	31.12.2012 (PLN in thds)	31.12.2011 (PLN in thds)
II	**CURRENT ASSETS**	**39,141**	**42,121**
1.	Inventories	7,712	2,925
2.	Short-term receivables	21,010	32,783
3.	Short-term investments	9,596	5,559
4.	Short-term prepayments and accrued income	823	854

Current assets constituted 59.22% of the total assets of the Company as at the last day of 2012 and, despite lower level of turnover, and receivables too, the Company managed to maintain this indicator at the level similar to that in 2011. It is worth noting that approximately 24.5% of assets in 2012 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	2012	2011
Profitability ratios		

Sales ratio	-1.50%	-1.01%
Operation activities ratio	-2.70%	0.12%
Gross profit ratio	-2.44%	0.49%
Net profit ratio	-2.27%	0.46%
Return on assets ratio	-3.26%	0.95%
Return on shareholders' equity ratio	-5.34%	1.54%
Liquidity ratios		
Current ratio	1.66	1.74
Quick ratio	1.33	1.61
Debt ratios		
Total debt ratio	0.36	0.35
Long-term debt ratio	0.01	0.01
Management effectiveness ratio		
Receivables turnover ratio (in days)	65	33
Inventories turnover ratio (in days)	23	24
Liabilities turnover ratio (in days)	50	41

The level of gross margin profitability ratio in 2012 remained at a level slightly lower than in 2011. This is mostly due to a smaller level of turnover. Other indicators of profitability, analogically to particular levels of turnover, reached also a negative value in 2012. The impact of particular elements on the level of the Company's profit is described in the first part of the report.

Liquidity ratios that define the ability of the Company to to pay its current obligations are at a high level at all times - although at a lower level during the period under investigation when compared to 2011, but still on a high and safe level for the Company. The sizes of these indicators in 2012 showed the excess liquidity.

The high level of liquidity is also confirmed by the high level of current assets in the Company's total assets, and as at 31.12.2012 it amounted to 59.22%. This proportion remained at similar level with regard to 2011 when it was equal 60.5%; only the structure of current assets changed. Due to the decreased turnover, there was a decrease in short-term receivables; yet, short-term investments and inventories increased.

The total debt ratio as at 31.12.2012 equalled 0.36 due to the increase in the liabilities of the Company and was higher than in 2011. 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 2012, there is a slight long-term debt due to the leasing agreements on the multifunction devices by Lexmark.

Receivables turnover ratio increased in comparison to the previous year and in 2012 equalled 65 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.

Liabilities turnover ratio increased in comparison to 2011 and equalled approximately 50 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.

Inventories turnover ratio increased slightly in 2012, compared with 2011. Its value depends also on the types of agreements that are concluded by the Company.

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 31.12.2012 amounted to PLN 40,293 thousand, which comprised:

- share capital (3,000,092 shares) PLN 3,000 thousand
- reserve capital PLN 34,445 thousand
- net profit for 2012 PLN 2,152 thousand

The Company's standing, in terms of payments, was good in 2012. 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 73% in comparison to 2011 and amounted to PLN 9,596 thousand as at 31.12.2012.

Total liabilities as at 31.12.2012 amounted to PLN 24,123 thousand, which comprised 59.9% of shareholders' equity. Up to 31.12.2012, the Company did not take any bank credits.

In 2012, 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. In case of the enterprise signing any significant agreements, the assets of the Company will make it possible for the enterprise to get a credit from the bank that offers its services to the Company.

Information on buying Company's own shares

In 2012, the Company did not hold or buy any of its own shares.

Financial risk management

In 2012, the Company signed further leasing agreements. As at 31.12.2012, the liabilities, on this account, amounted to PLN 1,071 thousand, which comprised PLN 539 thousand of long-term liabilities and PLN 532 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 2012, payments in foreign currencies comprised approximately 12.41% 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 2012, the Company had 281 employees. The average employment in 2012 expressed in full-time jobs equalled 280 and was higher by 31 compared with the average employment 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 40% of total sales in 2012. The remaining 60% are the revenues from the sales of products; therefore, the share of services significantly increased in the structure of revenues of the Conmpany.

SPECIFICATION	**2012 (PLN in thds)**	**2011 (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%
TOTAL NET SALES REVENUES	**94,631**	**142,766**	**66.28%**

Maintenance and computer repair services (15.62%), client's computer system management and service (6.32%), software services for particular users (5.20%), hosting and data processing services (4.54%), and structural cabling installation services (2.89%) comprised the largest share of the sales of services.

SPECIFICATION	**2012 (PLN in thds)**	**2011 (PLN in thds)**	**Fluctuation**
computer hardware maintenance and repair services	14779	13296	111.15%
structural cabling installation	2736	3259	83.95%
user's software services	4921	4182	117.67%
hosting and data processing services	4292	2742	156.53%
software development	0	1028	0.00%

personal computer and software installation	1532	2750	55.71%
provision of transmission systems	91	856	10.63%
real estate renting and management	262	416	62.98%
other goods sales agency	247	611	40.43%
client's computer system management and service	5982	1782	335.69%
machine and office equipment leasing and renting services	373	203	183.74%
call center services	0	121	0.00%
computer system design	2354	646	364.40%
organization and management of conventions, promotional activities	33	50	66.00%
warehouse and storage	75	81	92.59%
service and monitoring of electronic systems	2	6	33.33%
installation of high-powered computers	233	13	1792.31%
Computer courses and afterschool forms of education	44	5	880.00%
air conditioning and ventilation installation services	0	6	0.00%
land transport services	0	7	0.00%
computer hardware sales agency	154	108	142.59%
advertising campaigns, other advertising services	1	0	-
repair and maintenance of modems, cameras and communication equipment	6	9	66.67%
TOTAL NET REVENUES FROM SALES OF PRODUCTS	**38 117**	**32 177**	**118.46%**

The fluctuation rate of the revenues from sales of goods and materials equalled 51.10% in 2012, compared with the parallel period of the previous year. Compared with 2011, the Company generated lower revenues from sales of computers, peripheral equipment as well as from sales of software and electronic and telecommunications equipment.

SPECIFICATION	**2012 (PLN in thds)**	**2011 (PLN in thds)**	**Fluctuation**
- wholesale of computers and peripheral equipment	56,141	108,662	51.67%
- wholesale of electronic and telecommunication equipment	321	1,467	21.88%
- sales of remaining materials	35	453	7.73%

- retail	17	7	242.86%
TOTAL NET REVENUES FROM SALES OF GOODS AND MATERIALS	**56,514**	**110,589**	**51.10%**

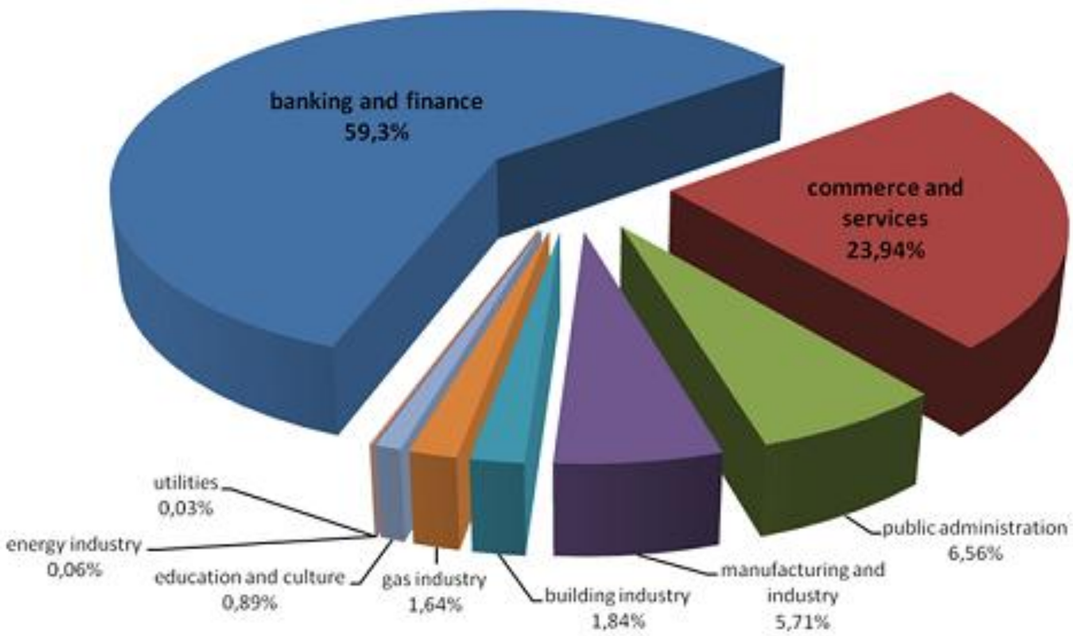
Markets and sources of supply

SPECIFICATION	**2012 (w tys. PLN)**	**2011 (w tys. PLN)**	**Fluctuation**
Net revenues from the sale of products:	**38,117**	**32,177**	**118.46%**
Country	38,112	32,177	118.44%
Export	5	-	-
Net revenues from the sale of goods and materials:	**56,514**	**110,589**	**51.10%**
Country	53,870	110,336	48.82%
Export	2,644	253	1045.06%
NET REVENUES FROM THE SALE OF PRODUCTS, GOODS AND MATERIALS	**94,631**	**142,766**	**66.28%**

In 2012, the Company sold goods and products not only on the Polish market. Due to the establishment of a new branch in the Czech Republic, the structure of sales according to the market changed. Although the amount in comparison to the previous year significantly increased, it was still a small amount in 2012 in relation to the total turnover of the Company and comprised about 2.8%.

The structure of recipients:

RECIPIENTS	**2012**	
	PLN in thds	**%**
Grupa BZWBK	20,822	22.00%
Credit Agricole Bank Polska S.A.	12,663	13.38%
Grupa ING	9,841	10.40%
Kredyt Bank S.A.	3,507	3.71%
Volkswagen Group Polska Sp. z o.o.	3,449	3.64%
EUROCASH S.A.	3,300	3.49%
Grupa Allegro Sp. z o.o.	2,645	2.80%
Other	38,404	40.58%
TOTAL	**94,631**	**100.00%**



Main suppliers of the Company:

SUPPLIERS	2012	
	PLN in thds	%
Microsoft Ireland Operations Ltd	14,458	18.16%
ABC DATA S.A.	12,220	15.35%
S4E S.A.	9,153	11.50%
ACTION S.A.	5,527	6.94%
Dell Sp. z o.o.	2,854	3.59%
Z.E.T. MIKROVOLT	2,852	3.58%
Hewlett Packard Polska Sp. z o.o.	2,669	3.35%
Avnet Sp. z o.o.	2,144	2.69%
AB S.A.	2,131	2.68%
others	25,594	32.15%
TOTAL	**79,602**	**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 30 March 2012, the Company concluded the agreement with the State Treasury represented by the State Forests. The subject of the agreement is the delivery of software with the maximum total gross value of PLN 7.9 million.

The agreement will be implemented based on the orders given by the contracting authority; their value, defined in the agreement, is the approximate value.

- On 8 June 2012 the Company has obtained, by the agency of its branch in Prague (the Czech Republic) the order from the Czech National Bank (Czech: Česká národní banka).
  The subject of the agreement is the delivery of software with the total net value estimated at the amount of CZK 10.5 million (Czech crowns), which is equivalent to PLN 1.8 million.

- On 19 September 2012, the Company concluded the agreement with the Lubelskie Region. The subject of the agreement is the delivery of IT solutions with the maximum total gross value of PLN 7.6 million.

- In 2012 the Company obtained also a number of orders from the clients of TALEX with the total value of orders that exceed the criterion of the significant agreement. The largest of these orders are the following:

  - a number of further orders from ING Bank Śląski S.A. with its seat in Katowice, which together meet the criterion of the significant agreement. The total net value of the received orders is PLN 4 million. The largest of these orders is an order of January 2012 with the net value of PLN 410 thousand. The subject of the contract is the delivery of IT solutions.

  - a number of further orders from Credit Agricole Bank Polska S.A. with its seat in Warsaw, which together meet the criterion of the significant agreement. The total net value of the received orders is PLN 4 million. The largest of these orders is the order of 23 March 2012 with the net value of PLN 1.6 million. The subject of the contract is the delivery of IT solutions.

  - a number of further orders from Bank Zachodni WBK S.A. with its seat in Wroclaw, which together meet the criterion of the significant agreement. The total net value of the received orders is PLN 4 million. The largest of these orders is the order of 14 June 2012 with the net value of PLN 244 thousand. The subject of the contract is the delivery of IT services.

  - a number of further orders from Kredyt Bank S.A. with its seat in Warsaw, which together meet the criterion of the significant agreement. The total net value of the received orders is PLN 4.4 million. The largest of these orders is the order of 30 December 2011 with the net value of PLN 1million. The subject of the contract is the delivery of IT solutions.

  - a number of further orders from Bank Zachodni WBK S.A. with its seat in Wroclaw, which together meet the criterion of the significant agreement. The total net value of the received orders is PLN 4 million. The largest of these orders is the order of 4 December 2012 with the net value of PLN 516 thousand. The subject of the contract is the delivery of IT solutions.

  - a number of further orders from Credit Agricole Bank Polska S.A. with its seat in Warsaw, which together meet the criterion of the significant agreement. The total net value of the received orders is PLN 3,9 million. The largest of these orders is the order of 12 December 2012 with the net value of PLN 900 thousand. The subject of the contract is the delivery of IT services.

In the period presented (2012), 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 2012.

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 2012 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 3,037 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 37% of the guarantees issued on 31.12.2012. The purpose of those bonds is to secure the claims which could arise in the case of improper performance of an agreement. The bonds on account of warranty and guarantee comprised about 25% of the guarantees issued on 31.12.2012. Nearly 9% of all guarantees were payment guarantees, the purpose of which is to guarantee the timely payment of monetary liabilities and bid bonds comprised about 3%.

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 value of the real estate given in the accounting books of the Company equalled PLN 7.78 million.

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 2012.

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 1.66 at the balance sheet date, while the quick ratio equalled 1.33.

The high level of liquidity also confirms the large share of current assets in the total assets of the enterprise, which equalled 59.22% as at 31.12.2012.

Assessment of the feasibility of planned investments

Investment plans of the Company will be presented in the "External and internal factors significant for the of the issuer's enterprise and perspectives of the issuer's development" section.

The Company's main goals for 2013 are intensified activities of selling the Company's services, especially its software as well as IT implementation and outsourcing services.

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.

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 2012 negative effects of the crisis on the financial markets were still noticeable in the financial results of the Company. Despite some signs of recovery, the Company's clients reduced to the minimum investments in IT technology, which influenced the reduction in sales of software and computer hardware.

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 is. 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 2012, particularly in the IT sector, was as unstable as in the previous year and was affected primarily by the economic environment, the debt crisis in many countries, 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.

Unfortunately, the majority of economists are of one accord as to the fact that the year 2013 will be a drastically difficult year, particularly in Europe, and therefore perhaps also in Poland. The Gartner's forecast for 2013 is surprising. According to Gartner, next year in the IT industry will be slightly better than the present. The value of sales on a global scale will increase by 3.8 % in relation to 2012; moreover, a slight increase should be maintained until 2016, so the auditor does not share the pessimistic vision of the deepening crisis.

In subsequent years, the expenditure in big companies will still have strategic importance to IT suppliers. It is hardly likely that the share of big companies will fall below 50% in the total value of the IT market in the next 2-3 years, especially due to the prolonged period of time of the hardware replacement process. Not without significance is also the necessity of migration to more advanced solutions in the software area.

The global financial crisis has caused the increased interest in and 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 2012, 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.

These results are particularly important for companies involved in high-risk business, and such will include financial institutions, where security, stability and data protection prevail and often outweigh the cost factors. According to published research results, the CEE region turns out to be ideal for the outsourcing of IT projects in terms of both safety and cost.

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 agreements concluded in 2012 but the fulfilment of whose has been postponed to 2013.

Outlays on tangible fixed assets of the Company in 2012

In 2012 the outlays on tangible fixed assets and intangible assets of the Company amounted to PLN 3,250 thousand.

Main outlays on tangible fixed assets of the Company in 2012:

Outlays	Amount (PLN in thds)

Purchase of technical equipment and machinery	1,556
Purchase of other fixed assets	115
Server room	186
Intangible assets	1,216
Expansion and investment in the Company's premises	78
Purchase of land	99
Purchase of means of transport	**3,250**
TOTAL	1,556

The outlays on the purchase of technical equipment and machinery constituted almost 47.9% of the outlays on tangible fixed assets in 2012; the expenditures for the purchase of other fixed assets (about 35.4%) and expenditures on server room (about 5.7%). The incurred outlays were related to further expansion of the Data Center, particularly to the equipment of the computer center building in the necessary infrastructure. Last year, the Company was still in the course of carrying out its plans to increase the outlays on the modernization of the car fleet as well as the replacement and modernization of technical equipment, essential for the delivery of computing services and technical equipment. The Company incurred significant expenditures on intangible assets (about 37.4%) related to the implementation of the integrated system Microsoft Dynamics AX.

Plans to increase and maintain tangible fixed assets in 2013

The outlays on the tangible fixed assets of the Company in 2013 will be mostly related to replacement and modernization of technical equipment, essential for the delivery of IT services.

Specification:

- Adaptation of the new premises of the Company PLN 430 thousand
- Purchase of technical devices and computer hardware: PLN 350 thousand
- Other fixed assets: PLN 100 thousand
- Purchase of means of transport PLN 70 thousand
- Intangible assets: PLN 50 thousand

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

In 2012, 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 2012 there were no changes in the Management Board of the Company.
In the audited period the following changes took place in the Supervisory Board of the Company:

- on 8th March 2012 Mr. Tomasz Łodygowski, Member of the Supervisory Board of the Company and its President at the same time, submitted his resignation to the Board.
- The Supervisory Board of the Company at its meeting on 8th March 2012, acting under the Articles of Association, appointed by co-opting Mr Andrzej Kurc as the Member of the Supervisory Board. At the same time, the Supervisory Board of the

Company adopted the election of a new President, Member of the Supervisory Board, Ms Bogna Pilarczyk. In accordance with the provisions of the Company's Articles of Association, the decision on the appointment of Mr. Andrzej Kurc as the Member of the Supervisory Board was approved by the resolution No 12 of the Ordinary General Meeting of Shareholders of Talex S.A. dated 18 April 2012.

- On 24 April 2012 Mr. Jerzy Nawrocki, Member of the Supervisory Board of the Company, submitted his resignation to the Board.
- The Supervisory Board of the Company at its meeting on 5 June 2012 acting under the Articles of Association appointed by co-opting Mr Jacek Nowak as the Member of the Supervisory Board. In accordance with the provisions of the Articles of Association, the choice of a new Member is subject to approval by the next General Meeting of Shareholders 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.

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 11 of the "Additional notes to the financial statement and comparable data."

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 2012", which constitutes an annex to the present report.

Information on agreements with an entity authorised to audit financial statements

On 18 April 2012, 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 30.06.2012 and 30.06.2012 as well as the audit of the annual financial statement drawn up for 31.12.2012 and 31.12.2012.

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 2012 the Company did not use tax consulting services.

Poznan, 1 March 2012

<u>Members of the Management Board:</u>

Janusz Gocałek......................................

Jacek Klauziński......................................

Andrzej Rózga..

Rafał Szałek..

Radosław Wesołowski...............................