

## **Dear Shareholders**

### **Annual Report for 2010 available to public**

#### **Introduction**

The year 2009 was difficult for the entire IT industry. Companies, reducing costs, slowed down or even partially halted the planned investments related to the modernization of computer systems or the purchase of new software. As the result of 2009 global economic crisis, computer hardware segment of the market suffered the most - the value of sales fell by 19%. Such a gloomy atmosphere was surrounding us when we entered the new year 2010. Yet, optimistic forecasts made at the beginning of 2010 were soon confirmed. Last year, the value of the Polish IT market reached nearly PLN 28 billion. Sales growth in the segment of computer equipment was approximately 5% and its share accounted for about 42% of the IT market. Sales in the segment of IT services was estimated at 35%, while sales in the software market – at about 22% share of the market.

Poland is viewed as a significant IT services center. The fact that it is worthwhile to invest in the Polish IT sector has been acknowledged by such global corporations as Microsoft, HP, Google, Oracle, IBM or SAP, which confirmed their recognition of our country by their presence on the Polish market. Investments made by IT sector giants confirm the strongly growing market and the increasing domestic demand, which also creates new opportunities for domestic companies that can compete with the largest by using their skilled human resources and providing the same high quality service at a much lower price. This competition trend resembles the strategy pursued for many years by our Company: the continuous development of our skills and competences allows us to compete successfully even for the largest clients on our market, while sophisticated technical infrastructure and knowledge accumulated for many years allow us to offer products and services consistent with recent advances in technology.

Following the period of economic crisis, many companies halted decisions on information technology expenditure in the first half of 2010, despite the reserved funds. This trend was reversed in the second half of the year, however. In accordance with analysts' forecasts, the Company's clients recovered from the post-crisis shock and resumed the implementation of their IT projects – at that time, owing to preparations made during the period of the crisis, the Company was fully able to accomplish all the entrusted tasks. The favorable macroeconomic situation and a company-wide effort allowed to complete 2010 with a profit.

In 2010, we focused not only on fulfilling orders placed by our clients but also on continuing investments and changes initiated in 2009. The most important comprise projects partially financed from EU funds, related to the development of our Data Center infrastructure and TalDesk application supporting the activities of the Company's service departments. In addition, based on the Board's decision, investments were made related to the implementation of a new ERP system. All these steps were taken to continuously improve the quality of services offered by Talex.

#### **Our results in 2010**

Company's revenues from sales in 2010 amounted to PLN 105,836 thousand, including revenues from the sales of products of PLN 37,121 thousand and from sale of goods and materials PLN 68,715 thousand. Revenues from sales of goods and materials increased twofold – by about 102% in relation

to 2009. In 2010 the Company managed to achieve profitability from the sales of goods and materials of 7.3%, while in 2009 it remained at the level of 6.3%. Revenues from sales of products increased by about 33%; also rose the margin on product sales, which amounted to about 25.8% - in 2009 it amounted to about 23.6%.

The past 2010 year was much better for Talex than the year 2009, when the Company strongly felt the impact of the economic slowdown that caused decline in sales of services related to information technologies and the decline in sales of IT equipment. This economic recession is still observable in the Polish IT market, affecting the expenditure of both businesses and consumers. Yet, the market's slow recovery from the downturn has also been visible, influencing the Company's revenues from sales of goods and materials in 2010 – Talex completed the year 2010 with a net profit equal to PLN 2,244 thousand.

### **Our clients and suppliers**

IT solution providers achieved better results in 2010 in connection with the general improvement of the macroeconomic situation. A significant increase in the number of IT solutions orders was particularly visible in the public administration and financial sectors and was also reflected in the revenues of the Company. One study shows that as many as 83% of companies surveyed expected growth of the IT market and the respondents forecast a double-digit growth rate in 2011. It is also possible that the market will grow faster than the forecasts indicate as many IT investments halted after 2009 due to the global crisis are now being implemented or are to be implemented soon.

As in previous years, our offer is directed mainly to large and medium-sized enterprises, particularly the financial market (49.6% of revenues) and public administration (17.4% of revenues). As a result of contracts signed the past year, other significant sources of the Company's turnover are the following sectors of the market: education and culture (9.1%), manufacturing and industry (7.8%) and trade and services (7.4%), followed by uniformed services, utilities, construction, media and telecommunications, transport and logistics, and health care.

The strategy of the Company assumes that a significant portion of its business is based on solid, long-term and comprehensive provision of IT services for large organizations. We constantly aim at increasing the number of our key clients and at the same time generating part of our revenue from cooperation with several smaller contractors, thus avoiding the risks associated with sole dependence on large clients.

For many years, our main suppliers have been Polish and international IT companies such as Microsoft, Hewlett Packard, IBM, Dell Computer, Lenovo, Fujitsu and others. We are not significantly dependent on our present suppliers and we are able to purchase goods from alternative distributors on similar terms.

### **Our competency**

Continuous attention to infrastructure development allows us to offer our clients the most advanced services, which is particularly true about the outsourcing services provided in our Data Processing Center (Data Center). There are clients not only interested in such services, but clients already utilizing our Data Center space and infrastructure. Our competence in the delivery of outsourcing

services, based on international standards and backed by certifications of our engineers, as well as the respective resources and infrastructure, form together an attractive offer for key clients from the financial and industry sectors.

Client's trust and recognition results from the qualifications and competences of our employees. Information technology is one of the fastest growing fields of science: new products and technologies are continually created – that is why our company has always stressed the importance of continuous upgrading of skills and acquisition of new authorization certificates. We have signed partnership agreements with leading global software and hardware manufacturers, and our engineers, passing qualification exams, gain valuable knowledge and skills that pay particularly during their contacts with clients. The number of certificates earned by our employees is constantly expanding.

## **Plans for 2011**

In accordance with our previous strategic plans implemented consistently for the past few years and modified depending on market conditions, we still intend to, and continue our focus on, offering an ever wider range of integration and outsourcing services utilizing the infrastructure of our Data Center, as well as offering our own software products tailored to the needs of individual clients.

According to IT industry experts, the crisis in the IT segment is definitely over. The year 2011 will be a period of increased turnover in the global technology market – of 5% in comparison with the previous year. Having analyzed this forecast, we expect that the upward trend in services and software will be maintained in the coming years. After the weak 2009 year, the segment of computer hardware will certainly be dynamically reacting over the next two years, which means that the Company's clients will resume large integration projects.

In 2011, we are planning to complete many internal investment projects. The most important of them include the implementation of an ERP system and the completion of the next stage of the Data Center development. The latter is particularly important for strengthening the company's position in the segment of IT outsourcing services, since, according to Gartner analysts, traditional technologies will lose their current momentum, and the prevailing currents will become such solutions as cloud computing, SaaS or mobile solutions.

In line with the Company's strategy, which aims at the highest quality of services provided, we are also planning the 2011 re-certification of our operating procedures' compliance with ISO 9001 and ISO 27001 standards. Additionally, by the end of the year, we intend to have introduced activity principles complying with ISO 20000, along with the respective certification.

We are open to opportunities created by obtaining financial support based on EU programs. We have already achieved good results in this field, which gives us the confidence that we should continue going in this direction.

The dynamically evolving macroeconomic situation also facilitates the expansion of the Company's area of activity. After a preliminary analysis of the IT market in Central Europe, the Company intends to return to its previous plans of entering the markets of neighboring countries.

## **Conclusion**

2010 was a year of post-crisis uncertainty but with increased efforts and exceptional activity on the market it was ultimately successful for Talex. We achieved much higher revenues than in 2009, expanded the Company's infrastructure and maintained professional standards of competence. We also started cooperation with new clients and completed several large projects.

Detailed information on the Company's operations is provided in the 2010 financial report, the study of which is strongly recommended.

On behalf of employees and management team of our Company, I would like to thank all Shareholders most sincerely for the great trust placed in us, particularly during the recent, economically significant period of time. I would also like to assure you that the Company continually strives to strengthen its position in the market.

We hope that our efforts will translate into further growth, leading to new contracts and excellent performance in the present 2011 year.

Janusz Gocałek  
President of Management Board  
TALEX S.A.