Principles for compiling the abridged semi-annual report for the first six months of 2010

Periods which the presented financial data concern:

- First six months of 2010: from 1st January 20109 to 30th June 20109
- Year 2009: from 1st January 2009 to 31st December 2009
- First six months of 2009: from 1st January 2009 to 30th June 2009

The financial statement contains only unitary data as TALEX S.A. does not consist of internal organizational units which draw up their own financial statements.
As of 30.06.2010 TALEX S.A. was not a dominant unit or a major investor and it did not draw up a consolidated financial statement.
TALEX S.A. intends to continue its business activity in the foreseeable future. According to the opinion of the Management Board and the Supervisory Board, there are no circumstances that could pose a threat to this activity.
For the sake of data comparability, the financial report for 2010 has not been converted as there have been no major changes in the bookkeeping policy.
The party examining the financial report for the year 2009 did not express any reservations to the financial report and therefore no corrections were necessary.
TALEX S.A. draws up the financial statement on the basis of provisions contained in the Accounting Act of 29th September 1994. Due to the fact that the Company does not draw up consolidated financial statements a separate financial statement according to MSR or US GAAP has not been drawn up. Reliable indication of differences in the value of the revealed data is not possible.

ACCOUNTING PRINCIPLES

1. According to article 3 section 1 point 9 of the Accounting Act the calendar year is considered **the financial year**.
2. According to article 3 section 1 point 8 of the Accounting Act the calendar month is considered **the reporting period**. A balance of the general ledger accounts is drawn up at the end of every reporting period.
3. Record and allocation of operating expenses are kept according to kinds on accounts under group 4 and at the same time according to types of activities and functions on accounts under group 5, with further reference to the costs of products sold or the financial result.
4. Financial statements are drawn up using the profit and loss account by function of expenses.
5. Cash flow account, in the part concerning operating activity, is drawn up using indirect method, in the part concerning investment and financial activities using the direct method.
6. It is assumed that **substantial** for the assessment of the property and financial situation and the financial result is the event resulting in the change of total assets of more than 1%.
7. Account books are kept using the computer technique based on the integrated financial and accounting program IRBIS created by TALEX SOFTWARE Ltd. - the company bought on 1.06.1998.

METHODS OF ASSETS AND LIABILITIES VALUATION

1. **Fixed assets and intangible assets** are covered by the analytical quantity and value register. They are valued according to acquisition prices or manufacturing cost decreased by depreciation and amortization write-offs in proportion to the period of their utilization, and also by the permanent impairment write-offs. Fixed assets and intangible assets with the initial value of PLN 3,500 and below PLN 3,500 are amortized once, in the month following the month in which they were put into use.
   Fixed assets and intangible assets with the initial value of more than PLN 3,500 are amortized using the straight- line method, starting from the month following the month in which they were put into use according to the following rules:
   a. computer software - 2 years
   b. cost of completed research and development - 3 years
   c. goodwill - 5 years
   d. other intangible assets - 5 years
   e. computer equipment as subject to technical progress is amortized at the rate increased by the coefficient of 2.0
   f. means of transport as exploited more intensively in relation to average conditions and requiring special technical efficiency are amortized at the rate increased by coefficient of 1.4

g. fixed assets exploited on the basis of a leasing agreement are amortized at the rate resulting from the duration of the agreement
h. other fixed assets according to tax rates.

2. **Fixed assets under construction** are valued according to real costs incurred for the construction, assembly, adjustment and improvement of future fixed assets, decreased by the permanent impairment write-offs.
3. **Long term investments** are valued according to acquisition prices decreased by the permanent impairment write-offs.
4. **Reserves** covering materials, commodities, finished products and production in progress are appraised as follows:

a. **materials and commodities** according to absolute purchase prices increased by import duty (in case of import). Yearly consumption is appraised as follows:
   i. commodities identified by serial numbers according to their price of purchase
   ii. commodities and materials not identified by a serial number according to the FIFO principle "First in, first out".

b. **ready products** according to real, direct production costs.
During the reporting period the turnover of ready products proceeds by fixed prices. At the end of the reporting period the appraisal is adjusted with the deviation from absolute production cost.

c. **production in progress** is appraised according to real, absolute production cost of a particular order.

5. **Domestic receivables** are valued according to the nominal value set at their beginning.
Receivables in foreign currencies at balancing date are valued at the average exchange rate set for a given currency by the National Bank of Poland.
At balancing date the receivables and claims are indicated in the value corrected by revaluation write-offs in the following cases:

a. brought before the court – 100% write-off;
b. receivables from entities in liquidation – 100% write-off;
c. receivables that have been overdue for over half a year - 100% write-off.

6. **Short-term financial assets** are priced at market value. Results of the differences between the priced value at the balancing day and the acquisition price regard revenues or financial costs.
Domestic cash is valued at nominal value.
Cash in foreign currencies at the balancing day is valued at the average exchange rate set for a given currency by the National Bank of Poland.
7. **Primary capital (share capital)** is valued at the nominal value, in accordance with the entry in the National Court Register.
8. **Supplementary capital** is priced at the nominal value resulting from capital increases and decreases.
9. **Revaluation capital** is valued at nominal value resulting from capital increases and decreases.
10. **Provisions for liabilities** include:
a) Provisions for retirement benefits valued at the balancing day according to the following formula: the number of employees without the settled right to retirement at the balancing day x average monthly salary in the company x likelihood indicator of retirement severance payment, differentiated by the employee's age:

up to 25 years	5%
26-30 years	10%
31-35 years	20%
36-40 years	35%
41-45 years	50%
46-50 years	70%
51-55 years	80%
56-60 years	90%
over 60 years	100%

b) provision for deferred income tax created to the amount of income tax payable in the future in relation to the occurrence of positive transient differences between the book value and the tax value of assets and liabilities. The amount of income tax resulting from negative transient differences is shown in **the prepayments and accrued income on account of deferred income tax.**

11. **Domestic liabilities** are priced in the amount requiring payment.
Liabilities in foreign currencies at the balancing day are valued at the average rate set for a given currency by the National Bank of Poland.

12. **Special funds** include:
The Company Social Benefits Fund functioned until 31.12.2003. In 2004 it was decided that the fund would no longer be functioning.

STOCKTAKING

Assets and liabilities shown in account books at the balancing day are covered by stocktaking conducted by means of:

a) the physical inventory

- fixed assets	– once every 4 years
- materials, goods and products	– every year in IV quarter
- production in progress	– as of 31st December
- cash in hand	– as of 31st December
b) balance confirmation	
- cash at bank and bank credits	– as of 31st December
- settlements with recipients and suppliers	– every year in IV quarter
c) verification of balances	
- other assets and liabilities	– as of 31st December

PROFIT AND LOSS ACCOUNT

1. **Net revenues from the sale of goods and products** include amounts due on this account from the recipients, decreased by the value added tax due. The transfer of goods to the recipient, or reception of the service by them, is considered the moment of sale. Revenues from sales are accrued for the reporting periods they concern

2. **Costs of operating activity** include the value of sold products, goods and materials priced at the production costs or acquisition prices, increased by the overall general costs of management and sales incurred from the beginning of the financial year. Costs include VAT only in that part, in which according to the provisions in force, this tax is not subject to deduction.
   Costs are included in the period they concern, regardless of the day when the invoice was received or the payment made.

3. **Other revenues and operating costs** include revenues and costs not related directly to the Company's normal activity, but having an influence on the financial result.
   a) Revenues include:
   - gain on disposal of non-financial fixed assets;
   - grants, subventions and after-payments;
   - gain from liquidation of fixed assets;
   - surpluses of fixed and current assets, whose source of origin was not established;
   - negative goodwill write-offs;
   - received compensations and contractual penalties;
   - written off, outdated or abandoned liabilities;
   - non-utilized reserves for future costs and losses;
   - decrease of liability revaluation write-offs;
   - remuneration of the tax payer;
   - assets received free of charge;

   b) Costs include:
   - loss on disposal of the non-financial fixed assets;
   - write-offs on account of loss of value of non-financial assets;
   - net value of liquidated fixed assets;
   - amortization of goodwill;
   - revaluation write-offs of stocks of tangible current assets as a result of depreciation of their value-in-use or commercial value;
   - value of the elements of assets transferred free of charge and of cash;
   - non-culpable shortages and damages to elements of property, not resulting from random events;
   - costs of removal of damages to the elements of property;
   - paid contractual compensations;
   - costs of legal and execution proceedings;
   - costs of obtaining grants;
   - provisions created for probable costs and losses in operating activities;
   - revaluation write-offs of liabilities.

4. **Revenues and financial costs** include revenues and costs of financial operations.
   a) Revenues include:
   - received dividends and shares in the profits of other companies;

- gained and accrued interest on assets on bank accounts (excluding interest on assets of the Company Social Benefits Fund), on loans granted, deposits, bid securities, on delay in the payment of receivables, on securities;
- gain on disposal of investments;
- increase in the investment value;
- positive exchange rate differences;
- release of created reserves in the encumbrance of financial operations costs

b) Costs include:
- paid and accrued interest and commissions on incurred credits and loans and for delay in the payment of liabilities;
- loss on disposal of investments;
- decrease in the value of investment;
- negative exchange rate differences;
-leasing charges
- creation of reserves for certain and probable costs and financial losses;
- surplus of issuance costs or increase of share capital, above the difference between the issue value and the nominal value of shares sold,

5. **Extraordinary gains and losses** include the value of events difficult to predict, apart from the operating activity of the company and not related to the general risk of running the Company.
   a) Extraordinary gains include:
   - received compensations for the loss or damage to the fixed and current assets as a result of random events, such as a fire, flood, hurricane, robbery etc.;
   - revenues from the sale of elements of property damaged due to random events.
   b) Extraordinary losses include:
   - net value of fixed and current assets lost or damaged due to random events;
   - costs of removal of random events effects.

6. **Obligatory encumbrance of financial result** includes:
   a) the legal persons income tax is calculated according to The Legal Persons Income Tax Act of 15 February 1992, from the gross balance sheet profit, corrected by the revenues not subject to tax and costs not constituting the costs of revenue acquisition;
   b) decrease in income tax by accruals for deferred income tax;
   c) increase in income tax by the reserve created for deferred income tax.

Net financial result is set according to the provisions of the Accounting Act as a difference of revenues, costs and obligatory encumbrances of financial result.

CHANGES IN THE APPRAISAL METHOD FOR ASSETS AND LIABILITIES

In 2010 the method of appraisal for assets and liabilities was not changed. The data for 2010 and 2009 presented in the financial report are fully comparable.

EURO EXCHANGE RATE ADOPTED FOR THE CALCULATION OF SELECTED FINANCIAL DATA:

	Mid-rate Turing the period	**Minimal Exchange rate Turing the period**	**Maximal Exchange rate during the period**	**Exchange rate of the last day of the period**
First six months of 2010	4,0042	3,8356	4,1770	4,1458
First six months of 2009	4,5184	3,9170	4,8999	4,4696

RULES FOR CONVERTING BASIC ELEMENTS OF FINANCIAL REPORT INTO EUR.

Conversion into EURO has been carried out in the following way:

1. For items I to VIII and for item XV the mid-rate for a given period was applied. Currency mid-rate is calculated as an arithmetic mean of the NBP exchange rates effective on the last day of the month in the given period.

2. For items IX to XIII and XVI to XVII the NBP exchange rate for the last day of the period was used..

REMAINING RULES

Book value per share is equal to the quotient of book value (equal to the equity) for the day of publishing the report and the total number of shares.
Profit (loss) per share is equal to the quotient of profit (loss) for 2010 and the total number of shares.
Annual profit (loss) per share is equal to the quotient of profit for the last 12 months from the day of publishing the report and the total number of shares.

Diluted values have not been calculated as the total number of shares in the predictable period will not be subject to change.