



ZAAWANSOWANE TECHNOLOGIE INFORMATYCZNE

***Semi-Annual Report
on Issuer's Activity
Talex S.A. in Poznan***

August 2018

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
NACE :	5184

Branches

At present, the Company has fourteen branches, including one foreign branch headquartered in the Czech Republic.

Branches in Poland:

- Talex Białystok, ul. Ogrodowa 31;
- Talex Bielsko-Biała, ul I Dywizji Pancерnej 45;
- Talex Gdynia, ul. Chwarzniewska 170b;
- Talex Katowice, Al. W. Roździeńskiego 91;
- Talex Kraków, ul. Cystersów 20A;
- Talex Lublin, ul. Jana Sawy 2;
- Talex Łódź, ul. Piotrowska 276;
- Talex Olsztyn, ul. Jagiellońska 21/23;
- Talex Rzeszów, ul. Powstańców Listopadowych 3;
- Talex Szczecin, ul. Pomorska 53;
- Talex Toruniu, ul. Włocławska 167;
- Talex Warszawa, ul. Olbrachta 94;
- Talex Wrocław, ul. Bierutowska 57/59;
- Talex Zielona Góra, ul. Szczekocińska 27

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 virtualisation, 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 ITC 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, which is confirmed by obtained certificates.

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 customers' data, as well as the ISO 20000-1:2011 certification, which confirms that the management of IT services, in particular services that the Company delivers in the area of installations, relocations, enlargement, changes, hardware and software removal, and hardware and software failures elimination for the business partners of Talex, is in accordance with this international standard.

IT market and perspectives of development for the Company

Polish IT market is expected to maintain positive growth dynamics in the years 2016-2021, according to PMR. However, global IT spending in 2018 will be 4.5% higher than in 2017, according to Gartner's forecast.

Experts predict revenue growth driven by successive blockchain implementations, development of solutions in the area of the Internet of Things, as well as significant progress in the analysis of large data streams using algorithms, machine learning and artificial intelligence (AI). - The key to the growth of the digital economy in 2018 will undoubtedly be the automation of the processes of processing huge amounts of data, which are becoming its driving force.

Gartner points out that the segment of software for companies stands out for its high potential. Expenditures in this area will increase by 9.5% in 2018, while in 2019 a further growth by 8.4% is expected. Companies will also start to invest in the development of corporate applications. The use of software in the SaaS model will gain in importance. Companies become aware that they need to invest in technology in order to remain competitive. According to the European Statistical Office (Eurostat), in 2015 only 16% of large Polish enterprises used the system supporting the management of production. Two

years later, at the end of 2017, 26% of large companies in our country used professional IT solutions. In this way, we overtook the Czech Republic, Slovakia, France and Germany.

According to PMR, one of the most important trends in IT outsourcing in Poland in the coming years will be the increase in popularity and use of cloud services. Cloud storage, mobility and the Internet of Things have for years been described as breakthrough technologies. For the current generation, cloud storage and mobile solutions are completely natural. Everything points to the fact that Software as a Service becomes a model so ubiquitous that soon any software will be delivered through the cloud, regardless of its purpose and functionality.

With an increasing number of customers in SaaS and a dynamically growing amount of data available in the cloud, companies will move away from user or transaction cost models, turning to models that calculate the actual increase in value of the enterprise. More and more popularity on the cloud solutions market is gaining the DaaS (data as a service) service, which allows a better understanding of the processes in enterprises and will be a significant support in planning strategies for the coming years. The stereotype that on-premise systems guarantee greater security than cloud solutions is changing due to the development of security systems for virtual solutions. The security measures offered by cloud computing environments are much more advanced and easier to implement and manage. A sole data protection against an attack or leakage to the network is not sufficient. Security implementation made by SaaS developers as a code that detects and recognizes threats, or restoring systems after security breaches is currently a necessary action.

In addition, more and more organizations will be moving towards micro-services that cooperate in delivering the best results for businesses, abandoning large monolithic applications. These micro-services will also drive demand for digital ecosystems and e-commerce platforms.

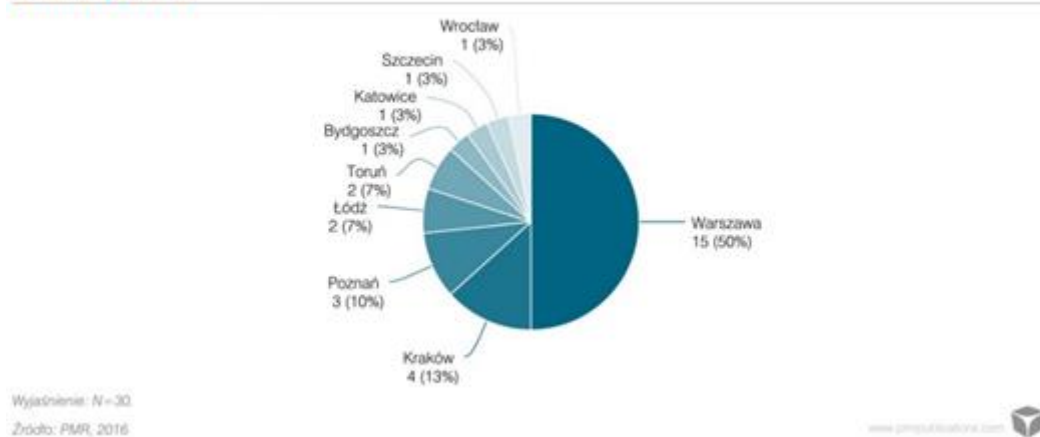
For several years now, there has been a trend in application development, which assumes an increasing personalization of solutions meeting the user's expectations, which means that known solutions will be enriched with artificial intelligence algorithms. There will be applications on the market that learn about the user's behaviour, habits, and ways of spending free time.

There is no doubt that today is the golden age of enterprise software. The IT market for business has never before had such a high level of innovation and sophistication as today. Continuous development of new technologies has changed the perception of enterprise software. Innovations appearing on the market are becoming easier and easier to implement and more and more effectively improve business processes.

The preferences of the largest recipients of IT in Poland are continuously shaped by the desire to have their own, physical infrastructure, and therefore the data center market in Poland is growing at double digit rates. The airspace in commercial facilities is constantly growing.

According to PMR's latest report "Data centre market in Poland 2017. Market analysis and development forecasts for 2017-2021", the value of the Polish data centre market increased by 15% last year. At the same time the area of data centres expanded by over 10,000 m², including both server space and the whole infrastructure necessary for the operation of a facility.

Geographical structure of 30 largest commercial data centers in Poland (%), January 2016



Although the geographical location of a data centre is without greater significance, it is still uncommon for most clients to place their resources in a server room located in a city other than the one in which their headquarters or their Polish office operates. Most frequently the main reason for choosing a server room in the same city is the security factor and the wish to have a back-up data centre or server resources in alternative locations.

According to the analyses by Future Market Insights, Polish IT market is driven by a growing interest of the enterprises in the solutions that bring an edge over the competition. Sectors that invest most are the financial, public, and manufacturing sectors. It can be clearly seen that there is a demand for CRM solutions, optimization of processes (BPM), Business Intelligence tools (BI), and optimization of fixed asset management. In this year, Business Intelligence solutions should become increasingly important among large companies, and cloud computing - in the SME sector, as pointed out also by the PMR reports.

The cloud provides the opportunity to make good use of the potential of IT, also in the banking sector, with which Talex has been cooperating for many years. The analysis shows that customers can focus on the provision of financial services rather than on investing their resources in IT. Therefore, bankers are increasingly counting the costs of services that must be sustained over time and compare them with the costs of investing in their own IT environment. The bank which takes into consideration the use of cloud separates in its business the thing due to which it actually competes with other banks from the remaining elements, which are already less important but generate costs that should be limited.

It is also worth noting that, according to the estimates by Gartner, by 2020 about 25 billion devices will be continuously gathering data. This means for the IT business - for which there is no worthless data, a greater demand for data storage and processing, and therefore also greater demand for analysts and effective tools for analysing and archiving of information overload. The coming year may actually bring the solutions facilitating the management of information as well as its appropriate classification and analysis. However, data analysis requires large amount of information to be collected which means the necessity of constant improvement of the mechanisms for data archiving and recovery, which in turn will create an even greater demand for computing power.

Due to the above, the Company plans to continue to focus its activities on: outsourcing, integration services in the field of information technology and software production. Treating outsourcing services as one of the strategic directions of development, the

Company is consistently, for several years, developing the necessary skills and technical infrastructure.

Factors affecting the results achieved by the Company in the next quarter include primarily the implementation of contracts with regular, long-term customers of the Company, in particular with the clients from banking and financial sectors such as Bank Zachodni WBK S.A., ING Bank Śląski S.A., Credit Agricole Bank Polska S.A., and PKO Bank Polski S.A.

The services provided in the project realized in the period from 2013 to 2017 entitled "Creation of IT Centre providing modern services", under the Operational Programme Innovative Economy, 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", also fit well into the services, described above, namely Cloud Computing services.

In the coming years the market of cloud services shall be more focused on applications available in the cloud rather than on the infrastructure itself. Surely, we will face the optimization of the costs of cloud operation and the use of cloud by the companies. It is necessary to better manage the performance and monitor costs. The cloud is a normal business product and has to meet the criteria of the product to be offered, among others, to banks, which means it has to be governed by the specific licensing legislation, be effective and have a determined price.

Additionally, the Company's results in the second half of this year will be influenced by the ongoing project entitled "„Development of theoretical foundations and a prototype of a hybrid decision-making and rating system." The above mentioned project was granted a funding within the framework of the Wielkopolska Regional Operational Programme for 2014-2020 (priority axis 1 „Innovative and competitive economy", Action: 1.2 „Enhancing the innovative potential of enterprises in Wielkopolska region").

Expenditures on fixed asset of the Company in the first half of 2018

In the first half of 2018, the Company incurred a total expenditure on tangible fixed assets and intangible assets in the amount of PLN 8,139 thousands.

SPECIFICATION	Expenditures incurred in the first half of 2018 (PLN in thds)
Purchase of technical equipment and machinery	4,850
Investments in rented properties	1,282
Purchase of other fixed assets	1,021
Purchase of means of transport	722
Intangible assets (software)	130
A and B Office building	82
Extension of Data Center building	52
TOTAL	8,139

The Company incurred the largest expenditures on the purchase of technical equipment and machinery as well as the investments in rented properties

Plans for increase and maintenance of tangible fixed assets in the second half of 2018

Plans for the second half of this year include further expenditures for the renewal and supplementation of technical equipment necessary for the provision of IT services.

Specification:

- Purchase of technical equipment and machinery PLN 3,000 thousand
- Investments in rented properties PLN 2,000 thousand
- Purchase of means of transport PLN 400 thousand
- Other fixed assets PLN 100 thousand

TOTAL

PLN 5,500 thousand

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

Sales and profit in the first six months of 2018

In the first six months of 2018, the Company recorded the sales revenues of PLN 42,529 thousand, with the net profit of PLN 786 thousand (in the first half of 2017 the sales revenues were equal to PLN 46,592 thousand and the net profit of PLN 1,439 thousand).

SPECIFICATION	First six months of 2018 (PLN in thds)	First six months of 2017 (PLN in thds)	Fluctuation
Revenues from sales of products	24,379	24,584	99.17%
Revenues from sales of goods and materials	18,150	22,008	82.47%

In the reporting period, the revenues from sales were lower by 8.7% than the revenues in the last year. The revenues from sales of products stayed at the similar level (decrease by 0.83%), and the sales of goods and materials decreased by 17.5%.

In the analysed period the structure of sales revenues changed. The share of services in sales revenues increased and was about 57.3%; in the comparable period of the first half of 2017 it accounted for approximately 52.8% of total sales revenues. The margin on the sale of those services stayed at the level similar as the one in the first half of 2017 year and was equal to 27.2%. In the second half of this year, the Company intends to achieve the profitability of the sold products on the level of 30% due to better use of lately completed investments.

Revenues from sales of goods and materials accounted for 42.7% of total sales revenues (in the first half of 2017 they were equal to 47.2%) with the profitability of 11.2% (7.9% in 2017). The companies are constantly looking for savings which makes the extension of life cycle of IT products to remain a rule. The average time of the use of desktops computers in big enterprises is 5 years. This is influenced by the fact that now the several years old computers are sufficient for ordinary office work where no high computing power is necessary. The laptops are used for the period of 3-5 years but, on average, not longer than for 4 years.

SPECIFICATION	First six months of 2018 (PLN in thds)	First six months of 2017 (PLN in thds)	Fluctuation
Net revenues from sales	42,529	46,592	91.28%

Gross profit from sales of products	6,640	6,638	100.03%
Gross profit from sales of goods and materials	2,036	1,739	117.08%
Gross profit (loss) from sales	8,676	8,377	103.57%
Costs of sales	1,840	1,445	127.33%
General management costs	5,988	5,082	117.81%
Profit (loss) from sales	848	1,850	45.84%
Profit (loss) from operating activities	1,168	2,053	56.89%
Gross profit (loss)	991	1,784	55.49%
Net profit (loss)	786	1,439	65.62%

Although sales revenues in the first half of 2018 decreased by 8.7% compared to the first half of 2017, the margin on sales increased from 17.9% to 20.4% in the first half of this year, which allowed the Company to achieve a higher gross profit on sales than in the corresponding period of 2017. On the other hand, the profit on sales and profits at other levels of activity decreased as the Company recorded higher costs of sales and higher general management costs as compared to last year's costs.

Company assets

The value of fixed assets as at 30.06.2018 amounted to PLN 65,417 thousand and slightly increased by 8% compared to the value at the end of the first half of 2017. The increase was affected mainly by the changes in the area of intangible related to adaptation of the branch office in Wrocław and with the purchase of equipment for the purpose of new contracts signed by the Company.

	ASSETS	30.06.2018 (PLN in thds)		30.06.2017 (PLN in thds)	
		(PLN thds)	% of share	(PLN thds)	% of share
I	FIXED ASSETS	65,417	81.01%	60,485	70.73%
1.	Intangible assets	515	0.64%	451	0.53%
2.	Tangible fixed assets	64,236	79.55%	59,530	69.61%
3.	Long-term receivables	-	-	-	-
4.	Long-term investments	-	-	-	-
5.	Long-term prepayments and accrued income	666	0.82%	504	0.59%

The value of current assets as at 30.06.2018 amounted to PLN 15,331 thousand and was lower by about 38.6% compared to the value at 30.06.2017. The greatest share in the current assets constituted short-term receivables, which were lower by 42.6% in relation to the first half of 2017. The Company collected on the bank account the amount of PLN 2,369 thousand, i.e. by over 53.6% less than in the analogous period in 2017.

	ASSETS	30.06.2018 (PLN in thds)		30.06.2017 (PLN in thds)	
		(PLN thds)	% of share	(PLN thds)	% of share
II	CURRENT ASSETS	15,331	18.99%	24,956	29.18%
1.	Inventories	2,135	2.64%	1,908	2.23%

2.	Short-term receivables	9,908	12.27%	17,273	20.20%
3.	Short-term investments	2,369	2.93%	5,105	5.97%
4.	Short-term prepayments and accrued income	919	1.14%	670	0.78%

Current assets constituted about 18.99% of the total assets of the Company as at the end of the first half 2018 (in 2017 it was equal to 29.18%). This ratio indicates the potential of the company. The higher this part of the index, the higher the liquidity of the Company. Current assets compared to tangible current assets are much more easily converted into cash.

Overall financial condition

Selected financial ratios.

Profitability ratios	1st half of 2018	1st half of 2017	Desired quantities
Return on sales (ROS) Net profit/sale value *100 (%)	1.85 %	3.09%	positive rising
Return on assets (ROA) Net profit/sale value *100 (%)	0.97 %	1.68%	positive rising
Return on equity (ROE) Net profit/own equity *100(%)	1.59%	3.01%	positive rising
Adjusted return on assets Net profit + (financial costs – income tax of the finance costs)/ assets*100(%)	1.30 %	2.07%	positive rising
Leverage Profitability of equity – profitability of assets	0.62%	1.33%	positive rising

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

The return on assets (ROA) shows the ability of the entity to generate profit. The higher the level of return on assets, the better the company's financial situation

The return on equity (ROE) indicates the size of the net profit per unit of capital invested in the company. The higher the efficiency of the equity, the better the financial situation of the Company, and the possibility of paying higher dividends.

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

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

Liquidity ratios	1st half of 2018	1st half of 2017	Desired quantities
Financial liquidity ratio I Current assets / short-term liabilities	0.93	1.17	1.2 – 1.8

Financial liquidity ratio II (current assets- inventories)/short-term liabilities	0.8	1.08	0,8 -1.0
Financial liquidity ratio I short-term investments/ short-term liabilities	0.14	0.24	Min. 0.3

The liquidity ratios have been permanently at the high level which is still safe for the Company. These ratios define the Company's ability to timely settle its current liabilities. The values of liquidity ratios slightly increased in the first half of 2018, yet they are still clustered around the optimal values, which means that the Company has sufficient funds to repay its liabilities. Higher levels of these ratios would imply the excess liquidity in the Company. Keeping cash in the amount that covers all liabilities, regardless of their maturity, would be uneconomical for the Company.

Debt ratios	1st half of 2018	1st half of 2017	Desired quantities
Overall debt ratio Liabilities and provisions for liabilities/total assets	0.30	0.35	Max 0.5
Long-term debt ratio Long-term liabilities/equity capital	0.16	0.18	Max 0.5-1

Total debt ratio decreased at the end of the first half of 2018 compared to the previous year but has been still at the safe level. In addition, the optimal values of the liquidity ratios, and most of all high level of short-term receivables, reduce the financial risk in the company and the probability of losing the ability to repay the debt.

The long-term debt results from the car fleet lease agreements and IT equipment agreements, as well as the investment loan agreement for financing the already completed investment of the construction of IT Center.

Management performance indicators	1st half of 2018	1st half of 2017	Desired quantities
Receivables turnover ratio Net sales revenues /average receivables	2.99	2.63	7-10
Inventory Cycle Average inventory cycle/ cost of sales *360	10.58	7.43	Decreasing
Receivables Cycle Average receivables /cost of sales * 360	60.22	68.53	Decreasing
Duration of receivables in days Average trade receivables /cost of sales*180	38.80	54.54	Average maturity date
Conversion period of working capital into cash Receivables cycle + inventories cycle (in days)	71.25	75.96	decreasing

The low level of receivables turnover ratio, that is below the value of 7, indicates that the level of debt is high, meaning that the company is crediting its customers excessively, which in practice means a long-term freezing of funds in receivables. In the first half of 2018 the Company managed to raise the value of this ratio to the desired optimum level in comparison to the first half of the previous year.

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

The receivables cycle was at a similar level than in the first half of 2017, indicating an extension of the waiting time for repayment of debts. This ratio does not exceed by more than half the deadline described in the terms of sale. Talex, due to the money on the account, can afford to temporary credit its customers, which indeed entails the freezing of funds in receivables but simultaneously allows the Company to entrench the relations with its regular customers and build lasting relationships with the new customers.

At the same time, the duration of receivables in days increased from almost 58 days in the first half of 2017 to almost 39 days in the first half of 2018. The extension of the payments period is commonly used as a form of interest-free credit, which is particularly useful in cases where the Company give credits to its customers, determining the extended payments terms.

The analysis of these indicators shows the good overall efficiency of the Company's operations in the first half of 2018. Talex has proper financial liquidity and the profitability and turnover ratios also remain at a good level.

Financial standing

The Company's shareholders' equity as at 30.06.2018 amounted to PLN 49,324 thousand, which comprised

• share capital (3,000,092 shares)	PLN	3,000 thousand
• reserve capital	PLN	45,509 thousand
• net profit/loss for 2018	PLN	786 thousand

The Company's standing, in terms of payments, was good in the first six months of 2018. There were no difficulties with prompt payments of taxes, social insurance or payments to employees and suppliers. The Company paid the first instalment of the dividend as well as has timely paid the instalment of the investment credit. Although the amount of the cash at hand and in the bank accounts of the Company decreased in comparison to the previous year, the Company's funds and concluded long-term agreements secure the current needs of the Company.

Total liabilities as at 30.06.2018 amounted to PLN 31,424 thousand, which comprised 63.7% of shareholders' equity, taking into account that the amount of the liabilities includes also the long-term credit incurred by the Company.

At the date of 30.06.2018, the Company did not take any bank credits. However, on 30 May 2014 the Company signed the investment credit agreement provided by Bank Zachodni WBK S.A to the Company in the amount of PLN 17 million gross for the realization of the project entitled "Creation of IT Centre providing modern services," which was increased by the Annex at 13 July 2015 to PLN 19,2 million.

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

Information on buying treasury shares

As at the day of 30 June 2018 the Company did not hold any own shares. At present, as in the period covered by the report, the Company does not implement and did not implement the Buy-back Programme of its own shares.

Financial risk management

Due to the amount of cash that allows the Company for timely payment of its liabilities, the Company's liquidity maintaining on a good level for a couple of years, and a safe level of receivables in relation to the liabilities of the Company, the risk of changes in

interest rates does not threaten the activity of the enterprise. Although the Company signed the agreement for the investment credit but the debt as at the day 30.06.2018 amounted to PLN 7,696 thousand, yet the loan was taken out in the framework of the project for which the funding has been granted to the Company under the Operational Programme Innovative Economy 2007-2017 (priority axis 4 "Investments in innovative enterprises," measure 4.5 "Support for investment of considerable importance to the economy," sub-measure 4.5.2 "Support for investment in the modern services sector.") The maximum value of the grant amounts to PLN 7.15 million gross. In July 2014 the Company concluded IRS transaction in the amount of PLN 6 million to partially secure a fixed interest rate of the investment credit. The term of the contract includes the period from 30 June 2015 to 30 June 2020. Repayment of this credit is expected in the analogous period.

The risk related to changes in foreign currency exchange rates against the Polish zloty for Talex was low in the analyzed period. Although the Company did not use the services of financing entities, hedging against foreign exchange risk, it also did not make any significant purchase or sale of currency. The majority of payments of liabilities in foreign currencies was made by the Company from receivables received from the recipient in that currency. In the first half of 2018, payments in foreign currencies accounted for 17.5% of all payments, while the Company earned a profit of PLN 44.5 thousand on financing activities in the area of foreign exchange differences.

Due to the Company's good liquidity, Talex can make decisions concerning the sale of currencies in a convenient time.

Employment

On 30.06.2018, the Company had 371 employees. The average employment in the first half of 2018 expressed in full-time jobs equalled 354.67.

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, including ICT solutions. Lower demand for such products may cause shrinkage of the market and increased competition resulting in reduction of prices. This may influence the reduction of sales profitability and in longer term also the liquidity of companies operating in this sector.

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 Talex 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 products and goods comprised 42.7% of total sales in the first six months of 2018. Their dynamics of this group equalled 82.47%. The Company managed to keep the level of revenues from the sales of products in the first half of 2018; their dynamics in comparison to the corresponding period in 2017 amounted to 99.17%.

SPECIFICATION	First six months of 2018	First six months of 2017	Fluctuation
---------------	--------------------------	--------------------------	-------------

	(PLN in thds)	(PLN in thds)	
Revenues from sales of products	24,379	24,584	99.17%
Revenues from sales of goods and materials	18,150	22,008	82.47%

Installation and maintenance of IT environment services (33.5%) comprised the largest share of the sales of services, where at the same time the decrease of sales was recorded. Subsequently, outsourcing of IT services (23%), software related services (18.1%), and Data Center related services including collocation, hosting, and providing the availability of infrastructure (17.8%). In subsequent years the Company will further develop the sale of Data Center services but also the services related to broadly understood services of applications and IT equipment as well as installation and configuration of IT equipment which is the result of the agreements signed by Talex for this kind of services.

SPECIFICATION	First six months of 2018 (PLN in thds)	First six months of 2017 (PLN in thds)	Fluctuation
Installation and maintenance of IT environment services	8,164	9,942	82.12%
Outsourcing of IT services	5,605	4,501	124.53%
Software related services	4,424	4,397	100.61%
Data Center services	4,350	4,987	87.23%
IT integration	1,580	551	286.75%
Other services	256	206	124.27%
TOTAL NET REVENUES FROM SALES OF PRODUCTS	24,379	24,584	99.17%

The fluctuation rate of the revenues from sales of goods and materials equalled 82.47% at the end of 1st half of 2018 and almost entirely relates to wholesale of computers, peripheral equipment and software.

SPECIFICATION	First six months of 2018 (PLN in thds)	First six months of 2017 (PLN in thds)	Fluctuation
- wholesale of computers, peripheral equipment and software	18,143	22,002	83.46%
- remaining out-of-shop retail sales	7	6	116.67%
TOTAL NET REVENUES FROM SALES OF GOODS AND MATERIALS	18,150	22,008	82.47%

Markets and sources of supply

In 2018, the Company sold goods and products only on the Polish market but also abroad as it happened in the previous year. The Company's revenues from foreign sales in 2017 came from the activities in the Czech Republic.

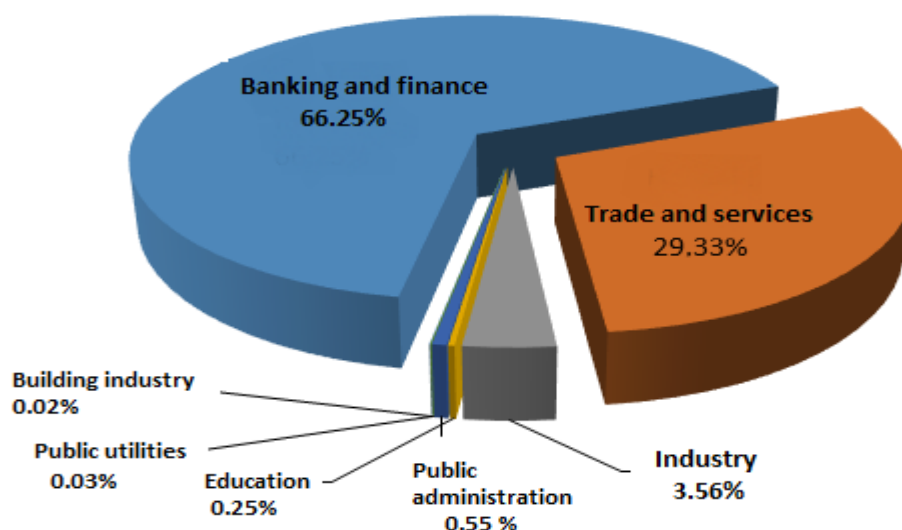
Sales revenues by geographical location:

SPECIFICATION	First six months of 2018 (PLN in thds)	First six months of 2017 (PLN in thds)	Fluctuation
Net revenues from sales of products:	24,379	24,584	99.17%
Poland	24,379	24,584	99.17%
Export	0	0	0.00%
Net revenues from sales of goods and materials:	18,150	22,008	82.47%
Poland	18,150	22,008	82.47%
Export	0	0	0.00%
NET REVENUES FROM SALES OF PRODUCTS, GOODS AND MATERIALS	42,529	46,592	91.28%

The biggest recipients of the Company:

RECIPIENTS	First six months of 2018	
	PLN in thds	%
Grupa Santander (previously: Grupa BZWBK)	17,816	41,89%
EUROCASH S.A.	3,112	7,32%
Credit Agricole Bank Polska SA	2,950	6,94%
Powszechna Kasa Oszczędności Bank Polski S.A.	2,945	6,92%
Grupa Allegro Sp. z o.o.	1,674	3,94%
Tree IT Sp. z o.o.	1,668	3,92%
Bravura Solutions Polska Sp. z o.o.	1,522	3,58%
Grupa ING	1,313	3,09%
Grupa Volkswagen Polska	1,182	2,78%
Bank Handlowy w Warszawie SA	716	1,68%
Plum Sp. z o.o.	681	1,60%
The Bank New York Mellon Poland Sp. z o.o.	861	1,44%
Others	6,340	14.91%
Total	42,530	100.00%

The structure of sales revenues in the first half of 2018, by sectors of sale.



Pie chart: sales structure in the first six months of 2018, by sectors of sales:

66.25%	banking and finances
29.33 %	trade and services
3.56 %	industry
0.55 %	public administration
0.25 %	education
0.03 %	public utilities
0.02 %	building industry

Main suppliers of the Company:

SUPPLIERS	First six months of 2018	
	PLN in thds	%
S4E S.A.	4,791	14.57%
ALSO Polska Sp. z o.o.	3,804	11.57%
HP Inc Polska Sp. z o.o.	3,209	9.76%
AB S.A.	1,710	5.20%
ABC Data S.A.	1,570	4.77%
WENDEX Mieczysław Wendland	1,444	4.39%
VERTIV Poland Sp. z o.o.	1,144	3.48%
TD AS Poland S.A.	1,104	3.36%
VERACOMP S.A.	1,092	3.32%
PGE Obrót S.A.	1,065	3.24%
Ingram Micro Sp. z o.o.	842	2.56%
Santander Leasing SA (previously BZ WBK Leasing SA)	832	2.53%
Tech Data Polska Sp. z o.o.	775	2.36%
Zakład Instalacyjno – Montażowy MARCO	669	2.03%
BFF Investments Polska Sp. z o.o.	660	2.01%
Others	8,174	24.86%

TOTAL	32,885	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 with whom comprises the turnover 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 15 March 2018 the Company signed an agreement with Toyota Motor Poland Limited Sp. z o.o. with its seat in Warsaw. The subject of the agreement is provision of IT services with the use of Talex Data Center. The agreement was concluded for the period of 5 years with a possibility of its extension. The estimated net value of the agreement in a period of 5 years is PLN 9.77 million, yet no less than PLN 6 million.

In the first half of 2018 the Company continued to realize a number of orders obtained from its strategic customers from banking and financial sector. Moreover, the Company received a number of further orders, about which Talex informed in the current report:

- In the period from 9 August 2017 (publication of the current report No. 16/2017) to 5 January 2018 (publication of the current report No. 1/2018), the Company obtained a number of further orders from Tree IT Sp z o.o. with its seat in Kościelna Wieś. The total net value of the received orders is PLN 4.9 million. The largest of these orders is the order of November 2017 with the net value of PLN 79 thousand. The subject of the order is the delivery of computer equipment.
- in the period from 14 December 2017 (publication of the current report No. 15/2017) to 2 March 2018 (publication of the current report No. 3/2018), the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław. The total net value of the received orders is PLN 4.93 million. The largest of these orders is the order of November 2017 with the net value of PLN 1,01 million. The subject of the order is the delivery of computer equipment.
- in the period from 2 March 2018 (publication of the current report No. 3/2018) to 15 May 2018 (publication of the current report No. 14/2018), the Company obtained a number of further orders from Bank Zachodni WBK S.A. with its seat in Wrocław. The total net value of the received orders is PLN 5.68 million. The largest of these orders is the order of March 2018 with the net value of PLN 1.25 million. The subject of the order is the delivery of IT solutions.

Information on credit and loan agreements

On 30 May 2014 the Company signed the investment credit agreement provided by Bank Zachodni WBK S.A to the Company in the amount of PLN 7.15 million gross for the realization of the project entitled "Creation of IT Centre providing modern services" (publication of the current reports No. 24/2013 and 3/2014). On 13 July 2015 the value of the investment credit agreement was increased by the Annex to the agreement by PLN 2.2 million.

Information on loans, sureties and guarantees granted

The Company has the contingent liabilities under due contract performance guarantees and sureties issued and payment guarantees granted by the funding bank, amount to PLN 326 thousand. Those liabilities are secured with capped mortgage on the Company's headquarters building.

Contingent liabilities included guarantees on account of due contract performance bonds and bonds on account of warranty and guaranty. Among the guarantees issued as of the day of 30.06.2018r. about 72.3% were due contract performance bonds. The purpose of those bonds is to secure the claims which could arise in the case of improper performance of an agreement. Nearly 27.7% as at the last day of June 2018 were the bonds on account of warranty and guarantees.

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 with a total useful area of 2,445.80 m2.

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.

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

In the reporting period there were no significant changes in the basic principles of managing the Company.

Changes in the composition of members of the Management and Supervisory Boards of the Company

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

Agreements signed between the issuer and the managing persons, providing for a compensation for the latter in case of their resignation or dismissal

The Company did not sign any agreements with the managing persons, providing for a compensation for the latter in case of their resignation or dismissal.

Shares of the issuer and shares of the related entities, held by the managing and supervising persons

Total number and nominal value of the shares of the Company

Issue	Number of shares	Nominal value (PLN)	Total value (PLN in thds)
Total	3,000,092	1	3,000
Series A	102,000	1	102
Series B	849,000	1	849

Series C	450,000	1	450
Series D	889,092	1	889
Series E	710,000	1	710

The members of the Management Board held the following shares of the Company:

Shareholder	Number of shares					
	Series A	Series B	Series C	Series D	Series E	Total
Janusz Gocałek	34000	283000	145216	293340	2237	758793
Jacek Klauziński	34000	283000	145216	293340	2237	758793
Andrzej Różga	34000	283000	145216	293340	2237	758793
Rafał Szalek	-	-	-	-	889	889
Andrzej Kurc	-	-	-	3036	-	3036

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	758,793	25.29	894,793	26.25
Jacek Klauziński	758,793	25.29	894,793	26.25
Andrzej Różga	758,793	25.29	894,793	26.25

FAMILIAR S.A., SICAF-SIF

spółka prawa Wielkiego

Księstwa Luksemburga	190.822*	7.58	190.822*	5.60
----------------------	----------	------	----------	------

* the number of shares and the number of votes resulting from the shares, as at 25.04.20176, on the basis of the list of Shareholders entitled to the participation in the Ordinary General Meeting of Shareholders that took place on 11 May 2018.

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

Management Board of the Company do not know any agreement which could result in future change in the proportion of shares held by existing shareholders. The Company does not emit bonds.

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

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

Information on the system of controlling the employee share ownership schemes

The Company did not issue any employee shares.

Information on the limitations related to the transfer of ownership rights to the securities of the issuer and the exertion of voting rights in relation to the shares of the issuer

Only the shares of series A, B and D are subject to the limitation of the transfer of ownership rights. They are the registered shares and the shares of series A are preference shares regarding the voting right. The terms of conversion of those shares into bearer shares as well as of their disposal have been defined in par. 8 of the Company's Articles of Association. The shares of the Company are not limited as to the exertion of voting rights.

Information on agreements with an entity authorized to audit financial statements

On 30 May 2017 the Supervisory Board, acting under the Articles of Association of the Company, passed a resolution on the selection of the PKF Consult Sp. z o.o. registered in Warsaw at ul. Orzycka 6 lok. 1B (02-695), as an entity with which the contract will be signed on auditing the financial statements compiled on 30 June 2018 and 30 June 2017 and reviewing the financial statements prepared as at 31 December 2017 and 31 December 2018. The selected entity is recorded in the register of entities authorized to audit financial statements under the No. 477 kept by the National Council of Statutory Auditors.

The total net value of auditors' remuneration amounted to PLN 66.000,00.

In the first half of 2018 the Company did not use the services of tax advisory.

Organization of the capital group of the issuer with the indication of the units subject to consolidation

The Company is not a member of the capital group.

Indicating the results of structural changes in the economic entity, including the results of merging economic entities, takeover or sales of

members of the capital group of the issuer, long-term investments, division, restructuring and abandonment of business activity

During the presented period there were no changes in the structure of the economic entity.

Opinion of the Management Board on the feasibility of executing the forecasted results published earlier for a given year in the light of the results presented in the quarterly report in reference to the forecasted results

The board of the Company did not publish the forecast of the financial results for the year 2018.

Pending proceedings before courts, arbitration or public administration authorities

During the past quarter the Company did not commence and it was not a side in any court proceedings or public administration proceedings in relation to any liabilities of the value constituting at least 10% of its equity capital.

Information on conclusion of one or many transactions with related entities by the Issuer or its subsidiary, provided that the value of the transactions (the total value of all transactions concluded since the beginning of the financial year) exceeds the equivalent of EUR 500,000 in PLN

Since the beginning of the financial year, the Company has not concluded any transactions with related entities of total value exceeding the equivalent of EUR 500,000 in PLN.

Information on credit and loans sureties or guarantees granted by the Issuer or its subsidiary, to one entity in total or to its subsidiary, if the total value of existing sureties or guarantees is equal to at least 10% of the equity capital of the Issuer

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

Other information which, in the opinion of the Issuer, is important for assessing its headcount, assets, financial standing and results, as well as movements therein, and information important to evaluate the fulfillment of the commitments the Issuer made

In the reporting period there were no changes that could have an impact on the personnel, wealth and financial situation as well as on financial results and their changes; there were also no events important to the assessment of the possibilities to fulfil the obligations of the Company.

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

The future year's results will be affected by the incomes from executing the agreements with regular, long-term customers of the Company.

In the past half of this year the Company continued its activities related to the development of software offered by the Company. At the same time, the Company is making intensive efforts to obtain further large and permanent recipients of IT infrastructure maintenance and support services offered by the Company. In order to achieve these aims, TALEX continued plans related to the development of Data Center services, which was related to significant investments incurred by the Company, which included electrical, teletechnical and construction works related to the adaptation of a new branch in Wrocław, and the establishment of another Data Center.

The Company's results will also be affected by the agreement signed on 2 July 2018 with Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw (Bank). The agreement was concluded for a definite period of time, until 30 June 2021. The subject of the agreement is the provision of technical and maintenance services for IT hardware and software used in organizational units of the Bank, Bank Agencies, and selected units of the Bank's Capital Group in Poland. The total estimated gross value of services provided under the agreement within 3 years (the value of the agreement) amounts to PLN 25.9 million. The total actual value of the contract depends on the number of services ordered on the basis of the agreement.

Moreover, on 20 March 2017 the Company concluded the agreement with the Board of the Wielkopolska Region which functions as an Institution in charge of Management of the Wielkopolska Regional Operational Programme for the years 2014-2020. The subject of the agreement is the subsidy to the Company's project entitled „Development of theoretical foundations and a prototype of a hybrid decision-making and rating system.” The maximum value of the grant amounts to PLN 2.49 million. The funding has been granted to the Company within the framework of the Wielkopolska Regional Operational Programme for 2014-2020 (priority axis 1 „Innovative and competitive economy”, Action: 1.2 „Enhancing the innovative potential of enterprises in Wielkopolska region”).

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

Information on the rules of preparing the abridged semi-annual financial statement

Information on the rules of preparing the abridged semi-annual financial statement is included in the attachment to this report.

Poznan, 6 September 2018

Members of the Management Board:

Janusz Gocałek.....

Jacek Klauziński.....

Andrzej Różga.....

Rafał Szalek.....

Radosław Wesołowski