



ZAAWANSOWANE TECHNOLOGIE INFORMATYCZNE

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

September 2019

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 RISC and Intelx86, storage devices and Storage Area Networks (SAN), operating system such as UNIX (AIX, HP-UX, Solaris), Windows and Linux, database systems (Oracle, IBM DB2 UDB, SAP DB, MS SQL Server). The services include, among other things, consolidation and virtualisation, high-availability solutions (clusters), recovery services (recovery centers, data replication, backup) as well as information security solutions. The Company also provides network integration services, including design and implementation of LAN/WAN/MAN, broadband networks DWDM and IP telephony.

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. These services are offered in a few models, such as colocation, lease of dedicated IT infrastructure, cloud computing, and provision of access to complete business applications. At the customer's request, IT infrastructure and application software can be monitored 24/7. Talex S.A. has two centers of data processing – Data Center in Poznan and in Wroclaw. Data Center in Poznan has an area of over 2200 m², and the DC in Wroclaw has an area of 800 m² at its disposal. Currently, Talex S.A., as the only company in Poland, can offer its customers Data Center services certified in accordance with the European standard EN 50600, both in Poznan and Wroclaw.

As part of business continuity services, Talex S.A. provides its customers with Data Center backup services, backup offices covering office space equipped with the necessary IT infrastructure, integrated with the customer's systems, and the Network Operation Center services 24 hours a day that monitors teletransmission networks, IT devices and applications.

The company provides Contact Center services in the scope of recording and handling incidents and HelpDesk services in the area of supported IT technologies. These services are certified in accordance with the requirements of EN 15838:2009. The company also provides services in the scope of installation, relocation, changes and removal of IT hardware and software, including mass replacement of ICT infrastructure at large customers, especially those with branches scattered throughout the country, and failure removal services in the customer's IT environments. The management of maintenance services in Talex S.A. is certified for compliance with the requirements of the ISO 20000-1:2011 standard.

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. 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.

IT market and perspectives of development for the Company

In the analysts' opinion, Polish IT market will continue to maintain positive growth dynamics in the upcoming years. According to Gartner's forecast, IT spending in this year will increase by 1.1% in comparison to 2018 (earlier forecasts estimated growth reaching 2.8%).

Gartner's analysts clearly indicate that the coming years will be marked by an increase in expenditure on the acquisition of professional IT services by customers, instead of investments in their own ICT infrastructure. This trend is confirmed by the reducing rises of the expenditure on the purchase of equipment (increase in 2017 by 5.7%, in 2018 by 3.6%, forecast for the current year is an increase by 2.4%) as well as of software (it increased in 2017 by 10.4%, in 2018 by 9.9%, and the forecasted increase for the

current is by 8.3%). The resulting investment gap in IT spending is filled by higher demand for IT and telecommunication services.

Market experts also point out that the shift towards IT services is perceived by companies as one of the most significant methods of cost optimization. This is particularly important in a period of forecasted economic slowdown and cost-cutting pressure on companies related to it.

IT market experts also forecast an increase in revenues generated by implementations of blockchain technology, development of the Internet of Things solutions, as well as significant progress in the field of analysis of large data streams using algorithms, machine learning and artificial intelligence.

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.

The departure from the maintenance of private Data Centers is also a significant direction of developments in the market. Gartner's estimates indicate that already in the next 5 years approx. 80% of companies in the world will eliminate their own Data Centers and will search for the necessary space and computing power for their data in professional Data Centers. This direction is dictated not only by economic and technological aspects, but also to ensure the security of stored and processed data.

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 Santander Bank Polska S.A., ING Bank Śląski S.A., Credit Agricole Bank Polska S.A., and PKO Bank Polski S.A.

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 2019

In the first half of 2019, the Company incurred a total expenditure on tangible fixed assets and intangible assets in the amount of PLN 2 million.

SPECIFICATION	Expenditures incurred in the first half of 2019 (PLN in thds)
Investments in rented properties	1,087
Purchase of technical equipment and machinery	484
Purchase of other fixed assets	148
Purchase of means of transport from lease	1
Intangible assets (software)	258
TOTAL	1,978

The Company incurred the largest expenditures on the completion of the investment in the Company's branch in Wrocław.

Plans for increase and maintenance of tangible fixed assets in the second half of 2019

Plans for the second half of 2019 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 650 thousand
- Investments in rented properties PLN 200 thousand
- Other fixed assets PLN 100 thousand
- Intangible assets PLN 50 thousand

TOTAL

PLN 1,000 thousand

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

Sales and profit in the first six months of 2019

In the first six months of 2019, the Company recorded the sales revenues of PLN 43,113 thousand, with the net profit of PLN 159 thousand (in the first half of 2018 the sales revenues were equal to PLN 42,529 thousand and the net profit of PLN 786 thousand).

SPECIFICATION	First six months of 2019 (PLN in thds)	First six months of 2018 (PLN in thds)	Fluctuation
Revenues from sales of products	28,136	24,379	115.4%
Revenues from sales of goods and materials	14,977	18,150	82.5%

In the reporting period, the revenues from sales were higher by 1.4% than the revenues in the last year. The revenues from sales of products increased significantly i.e. by over 15%.

In the analysed period the structure of sales revenues strengthened. The share of services in sales revenues increased and was over 65%; in the comparable period of the first half of 2018 it accounted for approximately 57% of total sales revenues. The margin on the sale of those services decreased slightly to the level of 26%, and in the first half of 2019 year and was equal to 27.2%. Due to better use of lately completed infrastructure investments, the Company intends to achieve the profitability of the sold products on the level of 30% in the second half of this year.

Revenues from sales of goods and materials accounted for 35% of total sales revenues (in the first half of 2018 they were equal to 43%) with the profitability of 9% (11% in 2018).

The company offers its customers a complex service of remote management of their IT environment (IT as a service), the result of which is gradual increase of the share of revenues from sales of services in total revenues.

SPECIFICATION	First six months of 2019 (PLN in thds)	First six months of 2018 (PLN in thds)	Fluctuation
Net revenues from sales	43,113,	42,529	101.40%
Gross profit from sales of products	7,245	6,640	109.11%
Gross profit from sales of goods and materials	1,342	2,036	65.91%
Gross profit (loss) from sales	8,587	8,676	98.97%
Costs of sales	2,203	1,840	119.73%
General management costs	6,943	5,988	115.95%
Profit (loss) from sales	- 559	848	-65.92%
Profit (loss) from operating activities	500	1,168	42.81%
Gross profit (loss)	254	991	25.63%
Net profit (loss)	159	786	20.23%

Sales revenues in the first half of 2019 increased by 1.4% compared to the first half of 2018. However, the margin on sales remained at a virtually unchanged level of 20%. Therefore, the Company achieved slightly lower gross profit on sales than in the corresponding period of 2018. The increase in the costs of sales and general management costs resulted in the loss on sales and a decrease in gross and net profit.

Company assets

The value of fixed assets as at 30.06.2019 amounted to PLN 66,106 thousand and slightly increased by 1% compared to the value at the end of the first half of 2018. The increase was affected mainly by the changes in the area of intangible related to adaptation of the branch office in Wroclaw and with the purchase of equipment for the purpose of new contracts signed by the Company.

	ASSETS	30.06.2019 (PLN in thds)		30.06.2018 (PLN in thds)	
		(PLN thds)	% of share	(PLN thds)	% of share
I	FIXED ASSETS	66,106	80.92%	65,417	80.92%
1.	Intangible assets	591	0.72%	515	0.72%

2.	Tangible fixed assets	64,886	79.43%	64,236	79.43%
3.	Long-term receivables	-	-	-	-
4.	Long-term investments	-	-	-	-
5.	Long-term prepayments and accrued income	629	0.77%	666	0.77%

The value of current assets as at 30.06.2019 amounted to PLN 15,583 thousand and was slightly higher compared to the value at 30.06.2018. The greatest share in the current assets constituted short-term receivables. The Company collected on the bank account the amount of PLN 2,285 thousand, the amount similar to one in the analogous period in 2018.

	ASSETS	30.06.2019 (PLN in thds)		30.06.2018 (PLN in thds)	
		(PLN thds)	% of share	(PLN thds)	% of share
II	CURRENT ASSETS	15,583	19.08%	15,331	19.08%
1.	Inventories	2,510	3.07%	2,135	2.64%
2.	Short-term receivables	10,165	12.45%	9,908	12.27%
3.	Short-term investments	2,285	2.80%	2,369	2.93%
4.	Short-term prepayments and accrued income	623	0.76%	919	1.14%

Current assets constituted about 19.08% of the total assets of the Company as at the end of the first half 2019 (in 2018 it was equal to 18.99%). 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 2019	1st half of 2018	Desired quantities
Return on sales (ROS) Net profit/sale value *100 (%)	0.37%	1.85%	positive rising
Return on assets (ROA) Net profit/sale value *100 (%)	0.20%	0.97%	positive rising
Return on equity (ROE) Net profit/own equity *100(%)	0.20%	0.97%	positive rising
Adjusted return on assets Net profit + (financial costs – income tax of the finance costs)/ assets*100(%)	0.53%	1.30%	positive rising
Leverage Profitability of equity – profitability of assets	0.31%	1.59%	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 2019	1st half of 2018	Desired quantities
Financial liquidity ratio I Current assets / short-term liabilities	0.84	1.93	1.2 – 1.8
Financial liquidity ratio II (current assets- inventories)/short-term liabilities	0.71	0.8	0,8 -1.0
Financial liquidity ratio I short-term investments/ short-term liabilities	0.12	0.14	Min. 0.3

In the first half of 2019 the values of liquidity ratios slightly decreased. In order to ensure liquidity , the Company uses credit lines in current accounts. Furthermore, in the period reported the Company concluded a leaseback agreement for IT infrastructure in the amount of PLN 1,771 thousand for the period of 5 years.

Debt ratios	1st half of 2019	1st half of 2018	Desired quantities
Overall debt ratio Liabilities and provisions for liabilities/total assets	0.29	0.30	Max 0.5
Long-term debt ratio Long-term liabilities/equity capital	0.11	0.16	Max 0.5-1

Total debt ratio decreased at the end of the first half of 2019 compared to the previous year but has been still at the safe level.

The deadlines for the repayment of receivables and the maturity of short-term liabilities allow the Company to maintain its liquidity at a safe level. If necessary, the Company may mobilize funds from current credit lines.

The long-term debt results from the car fleet lease agreements and IT equipment agreements.

Management performance indicators	1st half of 2019	1st half of 2018	Desired quantities
Receivables turnover ratio Net sales revenues /average receivables	3.45	2.99	7-10
Inventory Cycle Average inventory cycle/ cost of sales *360	11.70	10.58	decreasing

Receivables Cycle Average receivables /cost of sales * 360	52.19	60.22	decreasing
Duration of receivables in days Average trade receivables /cost of sales*180	22.28	38.80	average maturity date
Conversion period of working capital into cash Receivables cycle + inventories cycle (in days)	63.89	71.25	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 2019 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 2018, 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. The Company monitors the status of receivables repayment on an ongoing basis. In the reported period, no significant delays in the repayment of receivables were noted.

At the same time, the duration of receivables in days increased from almost 39 days in the first half of 2018 to almost 22 days in the first half of 2019. 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 2019. 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 30.06.2019 amounted to PLN 51,371 thousand, which comprised

• share capital (3,000,092 shares)	PLN	3,000 thousand
• reserve capital	PLN	49,183 thousand
• net profit/loss for 2019	PLN	159 thousand

The Company's standing, in terms of payments, was good in the first six months of 2019. There were no difficulties with prompt payments of taxes, social insurance or payments to employees and suppliers. The Company timely pays the instalments of the investment credit. The amount of the cash at hand and in the bank accounts of the Company remained at a similar level in comparison to the previous year, and the Company's funds and concluded long-term agreements secure the current needs of the Company.

Total liabilities as at 30.06.2019 amounted to PLN 30,319 thousand, which comprised 60% of shareholders' equity, taking into account that the amount of the liabilities includes also the investment credit and long-term agreements credit concluded by the Company.

The Company uses working capital loans and at the date of 30.06.2019 the amount of short-term liabilities on this account amounted to PLN 2 million. Additionally, PLN 4.2 million remained to be repaid in the coming year under the agreement on investment credit granted to the Company in the amount of PLN 17 million by Bank Zachodni WBK S.A. (currently Santander Bank Polska S.A.) for the realization of the project entitled

"Creation of IT Centre providing modern services," which was increased by the Annex dated 13 July 2015 to the amount of PLN 19,2 million.

In 2019 the Company invested free funds primarily in overnight deposits, which should be classified as a safe instrument.

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 2019 the Company did not hold any 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. The Company concluded the agreement for the investment credit and the debt as at the day 30.06.2019 amounted to PLN 4,2 million. 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 2007-2018 (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 2019, payments in foreign currencies accounted for 8% of all payments, and the Company recorded a loss of the value of less than PLN 1 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 30.06.2019, the Company had 399 employees. The average employment in the first half of 2019 expressed in full-time jobs equalled 397.28.

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 34.7% of total sales in the first six months of 2019. Their dynamics of this group equalled 81.4%. The Company managed to increase the level of revenues from the sales of products in the first half of 2019; their dynamics amounted to 113.8%.

SPECIFICATION	First six months of 2019 (PLN in thds)	First six months of 2018 (PLN in thds)	Fluctuation
Revenues from sales of products	28,136	24,379	113.8%
Revenues from sales of goods and materials	14,977	18,150	81.4%

Installation and maintenance of IT environment services (32.5%) comprised the largest share of the sales of services, where at the same time the increase of sales was recorded. Subsequently, Data Center (25.8%), software related services (20.6%), outsourcing of IT services including the services of Service Desk, Backup Office and IT infrastructure monitoring (15.9%). 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 2019 (PLN in thds)	First six months of 2018 (PLN in thds)	Fluctuation
Installation and maintenance of IT environment services	9,145	8,164	112.0%
Data Center services	7,270	5,605	129.7%
Software related services	5,787	4,350	133.0%
Outsourcing of IT services	4,482	4,424	101.3%
IT integration	1,333	1,580	84.4%
Other services	119	256	46.5%
TOTAL NET REVENUES FROM SALES OF PRODUCTS	28,136	24,379	115.4%

The fluctuation rate of the revenues from sales of goods and materials equalled 82.5% at the end of 1st half of 2019 and almost entirely relates to wholesale of computers, peripheral equipment and software.

SPECIFICATION	First six months of 2019 (PLN in thds)	First six months of 2018 (PLN in thds)	Fluctuation
- wholesale of computers, peripheral equipment and software	14,970	18,143	82.5%
- remaining out-of-shop retail sales	7	7	100%
TOTAL NET REVENUES FROM SALES OF GOODS AND MATERIALS	14,977	18,150	82.5%

Markets and sources of supply

In 2019, the Company sold goods and products only on the Polish market.

Sales revenues by geographical location:

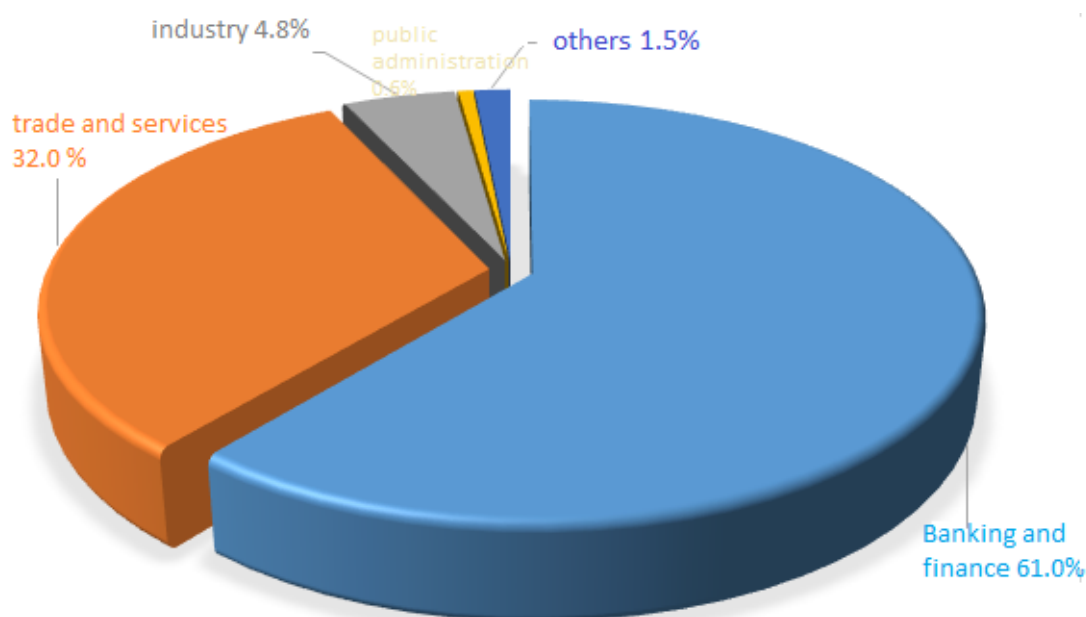
SPECIFICATION	First six months of 2019 (PLN in thds)	First six months of 2018 (PLN in thds)	Fluctuation
Net revenues from sales of products:	28,136	24,379	115.4%
Poland	28,136	24,379	115.4%
Export	0	0	0.00%
Net revenues from sales of goods and materials:	14,977	18,150	82.5%
Poland	14,977	18,150	82.5%
Export	0	0	0.00%
NET REVENUES FROM SALES OF PRODUCTS, GOODS AND MATERIALS	43,113	42,529	101.4

The biggest recipients of the Company:

RECIPIENTS	First six months of 2019	
	PLN in thds	%
Grupa Santander	14,545	33.7%
Credit Agricole Bank Polska SA	8,014	18.6%
Powszechna Kasa Oszczędności Bank Polski S.A.	3,407	7.9%
Eurocash S.A.	2,299	5.3%
Grupa Allegro Sp. z o.o.	2,036	4.7%
Volkswagen Group Polska Sp. z o.o.	1,172	2.7%
Bravura Solutions Polska Sp.z o.o.	954	2.2%

Toyota Motor Poland Company Limited Sp. z o.o.	942	2.2%
Grupa ING	928	2.2%
Bank Handlowy w Warszawie SA	899	2.1%
The Bank New York Mellon Poland Sp.z o.o.	611	1.4%
Grupa PZU	482	1.1%
Others	6,824	15.8%
Total	43,113	100.00%

The structure of sales revenues in the first half of 2019, by sectors of sale.



Pie chart: sales structure in the first six months of 2019, by sectors of sales:

61.0%	banking and finances
32.0 %	trade and services
4.8 %	industry
0.6 %	public administration
1.5 %	others

Main suppliers of the Company:

SUPPLIERS	First six months of 2019	
	PLN in thds	%
S4E S.A.	7,188	22.7%
ALSO Polska Sp. z o.o.	3,856	12.2%
HP Inc Polska Sp. z o.o.	2,204	7.0%
AB S.A.	1,999	6.3%
ABC Data S.A.	1,973	6.2%
WENDEX Mieczysław Wendland	1,866	5.9%
VERTIV Poland Sp. z o.o.	1,256	4.0%

TD AS Poland S.A.	1,111	3.5%
VERACOMP S.A.	872	2.8%
PGE Obrót S.A.	614	1.9%
Ingram Micro Sp. z o.o.	596	1.9%
BZ WBK Leasing SA	415	1.3%
Tech Data Polska Sp. z o.o.	406	1.3%
Zakład Instalacyjno – Montażowy MARCO	331	1.0%
BFF Investments Polska Sp. z o.o.	318	1.0%
Others	6,635	21.0%
TOTAL	31,640	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 12 February 2019 the Company signed an agreement with Allegro.pl Sp. z o.o. (formerly: Grupa Allegro Sp. z o.o.) with its registered office in Poznan (the Client), of which Talex had informed in the current report no. 26/2014. The subject of the annex is extension of the period of provision of colocation services in the processing centre (Data Center) of Talex S.A. along with accompanying services (IT outsourcing) to the Client. The estimated net value of the agreement within 3 years amounts to PLN 11.5 million. The actual value of the agreement is dependent on the actual number of the Customer's equipment co-located in the Company's Data Center during the term of the agreement as well as on the number and scope of accompanying services provided.

In the first half of 2019 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 19 December 2018 (publication of the current report No. 23/2018) to 5 April 2019 (publication of the current report No. 3/2019), the Company obtained a number of further orders from Santander Bank Polska S.A. with its seat in Warsaw. The total net value of the received orders is PLN 5.06 million. The largest of these orders is the order of February 2019 with the net value of PLN 457 thousand. The subject of the order is the delivery of IT services.

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. As at the end of the first half of 2019, the debt under the investment credit amounted to PLN 4.17 million recognized in current liabilities.

Furthermore, the Company renewed the MULTILINIA agreement with Santander Bank Polska S.A. under which the Bank left PLN 3 million available for the Company to use as the working capital facility. As at 30.06.2019, the use of this loan amounted to PLN 2 million.

In February 2019, the Company also renewed the agreement on multi-purpose credit line concluded with Powszechna Kasa Oszczędności BP S.A. The maximum amount of debt due to the use of the limit is PLN 5 million. As at 30.06.2019, there was no debt under this credit facility.

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 350 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 30.06.2019r. about 68% 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 32% as at the last day of June 2019 were the bonds on account of payment guarantee.

As a security to the renewed contract on the limit for bank guarantees, granted to the Company by Santander Bank Polska S.A., the Company created a contractual mortgage, established by a notarial deed, up to the amount of PLN 10 million, on account of Santander Bank Polska S.A., headquartered in Warsaw. 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 useable floor area of 8,470 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 Rózga	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

As at 30 June 2019:

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 Rózga	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
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* the number of shares and the number of votes resulting from the shares, as at 25.04.20186, 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 2019.

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 18 June 2019 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 2019 and reviewing the financial statements prepared as at 31 December 2019. 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 45 thousand.

In the analysed period 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 2019.

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 annex signed to the agreement with Allegro.pl Sp. z o.o. with its registered office in Poznań (current report no. 2/2019). The subject of the annex is extension of the period of provision of colocation services in the processing centre (Data Center) of Talex S.A. along with accompanying services (IT outsourcing) to the Client. The estimated net value of the agreement within 3 years amounts to PLN 11.5 million. The actual value of the agreement is dependent on the actual number of the Customer's equipment co-located in the Company's Data Center during the term of the agreement as well as on the number and scope of accompanying services provided. Similar significance can be given to the agreement with Bravura Solutions Polska Sp. z o.o. with its seat in Warsaw (current report no. 12/2019). The subject of the agreement is provision of IT services. The agreement was concluded for the period of 5 years and represents a continuation of the existing agreement signed in 2009. The estimated net value of the agreement in a period of 5 years is PLN 5.6 million.

Moreover, on 20 March 2018 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, September 2019

Members of the Management Board:

Janusz Gocałek.....

Jacek Klauziński.....

Andrzej Rózga.....

Rafał Szałek.....

Radosław Wesołowski