



ZAAWANSOWANE TECHNOLOGIE INFORMATYCZNE

***Talex S.A.***  
***Annual Report 2019***

## **March 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
PKD :	5184

### **Branches**

Currently, the Company has thirteen branches:

- Talex Białystok, ul. Ogrodowa 31;
- Talex Bielsko-Biała, ul. I Dywizji Pancерnej 45;
- Talex Bydgoszcz, ul. Fordońska 393;
- Talex Gdynia, ul. Chwarznieńska 170b;
- Talex Katowice, ul. Aleja Walentego Róździeńskiego 91;
- Talex Kraków, ul. Zbożowa 2;
- Talex Lublin, ul. Jana Sawy 2;
- Talex Łódź, ul. Piotrowska 276;
- Talex Olsztyn, ul. Jagiellończyka 23;
- Talex Rzeszów, ul. Powstań Listopadowych 3;
- Talex Szczecin, ul. Pomorska 53;
- 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 visualisation, high-availability solutions (clusters), backup and recovery services (recovery centers, data replication, disk arrays etc.) as well as information security solutions, such as preventing unauthorised intrusions into ICT networks or developing

private virtual networks. The Company also provides network integration services, including DWDM, IP telephony, structural cabling, network monitoring etc.

The outsourcing offer focuses on two main areas – Data Center services and services guaranteeing continuity of business processes. Talex S.A. provides its customers with the access to its own Data Center. This may happen in a number of ways: the customers may use only the space of the Data Center or use the full service, which includes offering space, hiring equipment, configuring applications as well as administering and monitoring. At the customer's request, applications can be monitored 24/7. In case of equipment or software failures, the Company's experts offer remote or onsite support. The qualifications of the engineers are confirmed with certificates from the leading equipment and software manufacturers.

A special outsourcing service offered by the Company are rollouts – mass upgrades of ICT infrastructure for large customers, especially those with branches across the whole country. Talex S.A. has specialised in such activities, having performed many rollouts, for example, in three leading Polish banks.

The software production services include custom-made software, developing modules extending the existing applications, tuning the applications to the specific needs of customers or developing codes used in integration processes. The Company uses modern technologies, such as Java, Microsoft.NET; Oracle, DB2, MS SQL databases; and WebSphere, WebLogic and JBoss application servers.

Software produced by the Company is used in financial institutions, state-owned enterprises as well as large industrial companies.

TALEX S.A. is a partner of many leading hardware and software manufacturers. The Company's employees have attended training courses and passed exams, as a result of which they obtained certificates confirming their qualifications in the field of the newest technologies.

Procedures of all the activities of the Company are compliant with the quality management system, defined by the ISO 9001:2000 standard. Given its specific business profile and the importance of its customers, the Company also obtained the ISO 27001:2005 certificate, which confirms that the procedures followed by the Company guarantee full security of information and customers' data, as well as ISO 20000:2011 certificate, which confirms that the management of IT services, in particular the provision of IT services in the installation, relocation, expansion, change, and removal of hardware and software, and the break and fix of hardware and software for business partners of the Company, is in compliance with international standards.

## **IT market in Poland and prospects for the development of the Company**

In 2019, the revenue dynamics on Polish IT market should reach 4.8%, which represents PLN 34.2 billion. In general, the average growth rate of the IT market in Poland in the years 2018-2023 is expected to reach 3% annually, which means that technology users will increase their spending on IT solutions by PLN 8 billion in this period.

The entry into force of new regulations related to personal data protection – RODO brought significant changes on the IT market in Poland. The process of preparing for these regulations was associated not only with further bureaucratic obligations, but also expenditures on the creation of new jobs, training and implementation of new IT systems. Hence the constantly growing expenditure on software and services. Practically all companies and public institutions had to cope with the introduction of new regulations. It is estimated that the process of complete preparation and implementation of all procedures may have cost every enterprise a few or even several hundred thousand

zlotys, and the expenses of all European companies in connection with RODO may have reached as much as 9 billion dollars.

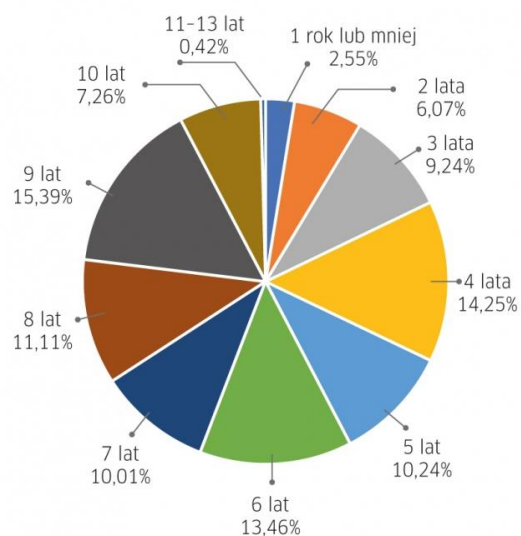
At the same time, in PMR's report entitled "IT market in Poland 2018. Market analysis and development forecasts for the years 2018-2023", RODO (45% of responses received) was most frequently mentioned as a factor contributing to the development of the domestic IT sector in the next two years. The survey, which was conducted in the second quarter of 2018 among the IT companies, showed that 36% declared that they generated significant revenues due to RODO and 18% expected additional turnover due to it.

Furthermore, IT companies are still counting on an improvement in the public sector, according to the PMR report, 45% of the largest IT companies in the industry expect it to happen this year, and 19% only in 2020, while 7% of those asked believe that the domestic public procurement market will not be better.

According to PMR analysts, the weakest forecasts concern the market of IT equipment as in the nearest future, apart from lower sales of computers and monitors in terms of volume on the domestic market, also a decline in sales on the market of printing equipment can also be expected. The decrease in sales of computer hardware is also affected by the extension, in relation to recent years, of the lifetime of computer equipment, in particular computers and laptops.

The average usage time for computer use in the world increased in 2018 to 6 years (according to Avast PC Trends Report 2019) - in 2017, it was 5.5 years. According to the analysis covering 163 million laptops and desktops (in homes and enterprises worldwide), equipment that is at least 4 years old dominates, while around 15% of the computers still in use are more than twice as old, i.e. 9 years old. In addition, most devices produced before 2015 have already updated their operating system to Windows 10, which limits the number of people interested in replacing their older hardware with a new one due to the end of support for Windows 7 at the beginning of 2020.

#### KOMPUTERY NA ŚWIECIE W PODZIALE NA WIEK MASZYN\*



\*Licząc do roku 2018

Źródło: Avast PC Trends Report 2019

In IDC's opinion outsourcing services will have higher growth rates. The most dynamic growth will be noted in the services of infrastructure hosting and client application

management, which can contribute to a wider use of cloud solutions. Analytical companies estimate that Polish market of cloud technologies will exceed the value of PLN 1 billion before the year 2020. However, according to Gartner, the global market of cloud services will still exceed USD 300 billion already in this year, and in 2020 it will reach USD 400 billion.

The data provided by the Central Statistical Office (GUS) show that only 10% of all Polish enterprises used cloud solutions in 2017. The potential of cloud computing solutions is most appreciated by large companies. Among Polish enterprises that use at least one business process in the cloud, as much as 37.1% are large companies employing more than 250 people. The second place is taken by medium-sized enterprises, which account for 17.2%, followed by small companies employing from 10 to 50 people. In the case of the latter, only 7.6% use the cloud. At the same time, in each of these segments a few percent increase in interest in this technology can be observed.

Also, according to PMR, one of the most important trends in IT outsourcing in Poland in the coming years will be the increase in the popularity and use of the abovementioned services in the cloud. During the next years the public cloud will become increasingly important on the Polish market. It is mostly a significant potential audience and popularization of such solutions among small and medium sized companies that work to the benefit of public cloud solutions. In the case of private cloud, the size of the contracts which tend to have a completely different character and scale than those purchased in the public cloud, is a factor with a similar impact. According to PMR analysts, the scale of the phenomenon in SMEs and higher volumes of the sale of services will take the lead, while large companies will adopt cloud solutions partially by fitting them into the existing infrastructure and using de facto the hybrid model. Most of the revenue from cloud services is generated by the software as a service model (SaaS); the IaaS and PaaS services have a slightly smaller revenue share. The willingness to use cloud computing is not dependent on the size of business or industry, but rather depends on the customers' awareness.

According to the ITwiz Best 100 report, currently the biggest share of cloud solutions in Poland is held by SaaS solutions (67%), followed by IaaS (23%) and PaaS (10%). In the case of IaaS and PaaS models that provide cloud computing solutions, local companies having their own data centers, which are also owned by Talex, still have an advantage in Poland.

Even though the geographical location of the facility does not have much significance in practice, it is still not common for most clients to locate resources in a server room in a different city than the one where the head office or branch is located in Poland. Still, the main argument in favour of choosing a server room in another city is usually the security aspect and the desire to have a backup centre or server resources in alternative locations. According to the latest PMR report "Data centre market in Poland 2017. Market analysis and development forecasts for 2017-2021," the value of the domestic data center market increased by 15% last year. At the same time, the area of data center increased by more than 10,000 meters, including both server space and the entire infrastructure necessary for the operation of the facilities.

Although the preferences of the largest IT customers in Poland are still often shaped by the desire to possess their own physical infrastructure, the trend of moving from owning assets to using services is slowly becoming more visible and continuing in recent years. The change in the way enterprises operate translates into processes within the organisation, human resources and IT systems supporting business management. Cloud storage, mobility and the Internet of Things have long been known as breakthrough technologies. Today, cloud storage and mobile solutions are becoming completely natural, so everything indicates that SaaS (Software as a Service) will become such a

ubiquitous model that soon every software will be delivered over the cloud, regardless of its purpose and functionality.

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.

Much is said about the trend concerning the growing expenditures of companies on protection against cyber threats, but this is not visible in Polish distribution. Revenues from the sale of IT security products for enterprises in 2018 were almost the same as in the previous year; they include hardware and software (on-premise and in the cloud), which are grouped into three categories of solutions: data protection and recovery, endpoint security, and network protection. The calmness on the market in Poland contrasts with the growth in Western Europe, where distributors increased their turnover in the digital security segment by 8.8%. Both corporate and SME customers ordered more. The demand for data protection and data recovery solutions increased the most. In the case of network security, the result improved mainly due to software. On the other hand, sales of hardware decreased.

**Przychody ze sprzedaży produktów  
bezpieczeństwa IT w dystrybucji  
w 2018 r.**

Kraj	Wzrost rok do roku
Wielka Brytania	19,92%
Czechy	13,81%
Włochy	10,37%
Hiszpania	8,90%
Niemcy	7,59%
<b>Polska</b>	<b>0,76%</b>
Francja	0,04%

Źródło: Context

According to analysts, the further demand for IT security solutions in distribution can be expected to continue to grow, mainly due to *General Data Protection Regulation*, GDPR. Taking into account the above, there will be even more companies in the circle of interest of cybercriminals, and cloud providers should be particularly cautious. We can expect a new type of attacks based on data theft under a threat of disclosure of information about

the leak and penalty receipt. As a result, more companies may now be the target of hackers, and it applies even to companies that have not been interesting to them so far. In connection with the appearing new types of threats Talex company has set up a Cyber Security Department.

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 2018 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.

### Expenditures on fixed asset of the Company in 2018

In 2018, the Company incurred a total expenditure on tangible fixed assets and intangible assets in the amount of PLN 13,037 thousand.

SPECIFICATION	Expenditures incurred in 2018 (PLN in thds)	Plans for 2018 (PLN in thds)
Office building A and B	106	0
Modernization of Data Center building	393	0
Purchase of technical equipment and machinery	7,067	,3,550
Purchase of means of transport	1,605	600
Purchase of other fixed assets	1,235	100
Intangible assets (software)	162	50
Investment in foreign fixed assets	2,469	2,700
<b>TOTAL</b>	<b>13,037</b>	<b>7,000</b>

The Company incurred the largest expenditures on the equipment of Data Center and new branch of the Company in Wrocław, renewal of the car fleet and purchase of technical equipment necessary for the provision of IT services.

### Plans for increase and maintenance of tangible fixed assets in 2019

The Company's plans for 2019 include expenditures on the renewal and supplementation of technical equipment necessary for the provision of IT services, the renewal of car fleet and necessary investments in the branches of the Company.

Specification:

- |  |                  |
|--|------------------|
| • Purchase of technical equipment and machines | PLN 750 thousand |
| • Purchase of means of transport               | PLN 600 thousand |
| • Intangible assets                            | PLN 250 thousand |
| • Purchase of other fixed assets               | PLN 200 thousand |
| • Investments in the Company's offices         | PLN 100 thousand |

**TOTAL** **PLN 2,000 thousand**

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

#### Sales revenues and financial result in 2018

In 2018, the Company recorded the sales revenues of PLN 107,897 thousand, with the net profit of PLN 5,731 thousand (in 2017 – PLN 4,720 thousand).

SPECIFICATION	2018 (PLN in thds)	2017 (PLN in thds)	Fluctuation
Revenues from sales of products	60,837	53,301	114.14%
Revenues from sales of goods and materials	33,929	54,596	62.15%

In the reporting period, the revenues from sales were lower by 12% than the revenues in the previous year. However, gross profit on sales was higher than in 2017 and amounted to PLN 24,166. The revenues from the sale of products increased in comparison to 2017, while the sales of goods and materials decreased by 38%.

Additionally, the structure of revenues from sales changed. The share of services in sales revenues increased to approximately 65%, in the comparable period of 2017 it accounted for approximately 49% of total sales revenues, and the margin on the sale of those services increased from 30% in 2017 to 34% in 2018.

Revenues from sales of goods and materials accounted for 35% of total sales revenues (50% in 2017), with profitability around 10% (9% in 2017). The companies are constantly looking for savings and, according to the research conducted by PMR, the extension of the length of the life cycle of IT equipment becomes already a rule. The average usage time for desktop computers in large companies is 5 years. This is due to the fact that currently the computers of several years are perfectly adequate for normal office work where high computing power is not required. Laptops are used for a period of 3-5 years, and on the average not more than 4 years. The model of lease of computer



equipment is also gaining in popularity, which also translates into the structure of the Company's revenues.

<b>SPECIFICATION</b>	<b>2018 (PLN in thds)</b>	<b>2017 (PLN in thds)</b>	<b>Fluctuation</b>
<b>Net revenues from sales</b>	94,766	107,897	95.45%
Gross profit from product sales	20,724	16,101	128.71%
Gross profit from the sale of goods and materials	3,442	5,102	67.46%
<b>Gross profit (loss) from sales</b>	24,166	21,203	113.97%
Sales costs	4,205	3,746	112.25%
Costs of management	12,340	10,372	118.97%
Profit (loss) from sales	7,621	7,085	107.57%
Profit (loss) from operating activities	8,342	7,531	110.77%
Gross profit (loss)	7,881	7,108	110.88%
<b>Net profit (loss)</b>	6,575	5,731	114.73%

Although the Company had lower net revenues from sales, the higher margin on sales of both services and goods were reflected in the gross profit on sales and on other levels of the Company's operations. In connection with the signed and planned contracts, which include both the sale of equipment and services, the Company plans to maintain favourable terms of sale of its products.

### **Company assets**

The annual financial statement compiled as at 31 December 2018 presents the value of assets amounting to PLN 93,558 thousand, which represents 100.23% of the value of assets at the end of 2017.

The value of fixed assets at the end of 2018 amounted to PLN 67,302 thousand which means it increased by PLN 7,016 thousand as compared to the last day of 2017, which resulted mainly from the expenditures the Company incurred on the equipping of Data Center and a new branch in Wrocław. Due to the above, the greatest share in the fixed assets are tangible fixed assets, accounting for over 70% of total assets. in relation to planned depreciation. Intangible assets and long-term prepayments and accrued income in both periods were below 1% of total assets.

<b>SPECIFICATION</b>	<b>31.12.2018</b>		<b>31.12.2017</b>	
	<b>(PLN in thds)</b>	<b>% share in the assets</b>	<b>(PLN in thds)</b>	<b>% share in the assets</b>
<b>FIXED ASSETS</b>	<b>67,302</b>	<b>71.94%</b>	<b>60,286</b>	<b>64.58%</b>
Intangible assets	459	0.49%	478	0.51%
Tangible fixed assets	66,058	70.61%	59,075	63.29%
Long-term receivables	0	0.00%	0	0.00%
Long-term investments	-	-	-	-
Long-term prepayments and accrued income	785	0.84%	733	0.79%

The value of current assets as at 31.12.2018 amounted to PLN 26,256 thousand and was lower by 7% compared to the value as at the last day of December 2017. The greatest part of the current assets constituted short-term receivables, which were lower by 17% in comparison to 2017.

Current assets in both reported periods account for approximately 28% of total assets. This indicator informs about the potential possibilities of the company. The higher the share of this ratio, the higher the company's financial liquidity. Current assets are much easier to convert into cash compared to tangible assets.

In comparison with the previous period the level of stock slightly decreased - PLN 1,636 thousand in 2018 in comparison to PLN 1,781 thousand in 2017.

Despite the decrease in short-term receivables from PLN 23,323 thousand in 2017 to PLN 17,901 thousand in 2018, their share in total assets remained unchanged. Similarly, the share of short-term investments in total assets remained unchanged amounting to 7% in 2018, as compared to 8% in 2017.

Short-term prepayments and accrued income accounted for less than 0.5% of total assets in both periods.

SPECIFICATION	31.12.2018		31.12.2017	
	(PLN in thds)	% share in the assets	(PLN in thds)	% share in the assets
<b>CURRENT ASSETS</b>	26,256	28.06%	33,061	35.42%
Inventories	1,636	1.75%	1,781	1.91%
Short-term receivables	17,901	19.13%	23,323	24.99%
Short-term investments	6,322	6.76%	7,618	8.16%
Short-term prepayments and accrued income	397	0.42%	339	0.36%

### Overall financial condition of the Company

Selected financial ratios.

Profitability ratios	2018	2017	Desired quantities
<b>Return on sales (ROS)</b>			
Net profit/sale value *100 (%)	6.94%	5.31%	positive rising
<b>Return on assets (ROA)</b>			
Net profit/ total assets * 100 (%)	7.03%	6.14%	positive rising
<b>Return on equity (ROE)</b>			
Net profit/own equity * 100(%)	11.93%	10.99%	positive rising
<b>Corrected profitability of assets</b>			
Net profit+(financial costs - income tax on interest) /total assets*100(%)	7.65%	6.86%	positive rising
<b>Leverage</b>			
Profitability of equity – profitability of assets	4.90%	4.85%	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	2018	2017	Desired quantities
<b>Financial liquidity ratio I</b>	1.46	1.34	1.2 - 1.8
Current assets / short-term liabilities			
<b>Financial liquidity ratio II</b>	1.37	1.27	0.8 - 1.0
(current assets- inventories )/short-term liabilities			

The liquidity ratios have been permanently at a high level which is still very safe for the Company. These ratios define the Company's ability to timely regulate its current liabilities. The values of these indicators slightly increased in 2018, yet still fall into an optimal size level. This means that the Company has sufficient amount of funds to pay its liabilities. Higher levels of these indicators shall mean that the Company has a significant excess liquidity. Keeping cash in the amount that allows the coverage of all obligations, regardless of their maturity, would be uneconomical for the company.

Debt ratios	2018	2017	Desired quantities
<b>Overall debt ratio</b>	0.26	0.34	Max 0.5
Liabilities and provisions for liabilities/total assets			
<b>Long-term debt ratio</b>	0.12	0.14	Max 0.5-1
Long-term liabilities/equity capital			

Total debt ratio decreased at the end of 2018 compared to the previous year but has been still at a safe level. In addition, the optimal values of the financial liquidity ratios, mostly a high level of short-term receivables and cash held by the Company, 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 the investment loan agreement for financing the investment of the construction of IT Centre.

Management performance indicators	2018	2017	Desired quantities
<b>Receivables turnover ratio</b>	6.16	5.99	7-10
Net sales revenues /average receivables			
<b>Inventory Cycle</b>	9.82	6.30	decreasing
Average inventory cycle/ cost of sales *360			
<b>Receivables Cycle</b>	58.47	60.11	decreasing
Average receivables /cost of sales * 360			

<b>Duration of receivables in days</b>	34.06	46.37	average deadline
Average trade receivables /cost of sales*360			
<b>Conversion period of working capital into cash</b>	68.29	66.41	decreasing
Receivables cycle + inventories cycle (in days)			

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. The reasons for such a situation should be seen in the negative market practices of the customers beyond the company's control.

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 lower level than in 2017, indicating a shortening 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 decreased significantly from 46.5 days in 2017 to 34 days in 2018. The shortening of the payments periods is conducive to obtaining additional discounts and discounts on purchase prices of goods and services.

The analysis of these indicators show the improvement of the overall efficiency of the Company's operations in 2018. Talex has proper indicators to finance operations, including the compliance to the golden rule of balance and finance at the safe level. Good financial liquidity characterizes the Company; the profitability and turnover ratios also remain at a good level.

## Financial standing

The Company's shareholders' equity as at 31.12.2018 amounted to PLN 55,113 thousand, which comprised:

- share capital (3,000,092 shares) PLN 3,000 thousand
- reserve capital PLN 46,509 thousand
- net profit/loss for 2018 PLN 6,575 thousand

The Company's standing, in terms of payments, was good in 2018. There were no difficulties with prompt payments of taxes, social insurance or payments to employees and suppliers. The Company paid two instalments of dividend and timely pays the investment credit. Although the cash at hand and on bank accounts decreased in comparison to 2017, the Company's current cash and signed long-term contracts secure the current needs of the Company.

Total liabilities as at 31.12.2018 amounted to PLN 24,706 thousand (in 2017 they amounted to PLN 31,772), which comprised 44% of the shareholders' equity (in 2017 – 61%), provided that this amount includes also the long-term credit taken by the Company.

In 2018 the Company used current bank loans under agreements for revolving credits in current accounts. As at 31.12.2018, the debt under these agreements amounted to PLN 3 million. On 30 May 2017 the Company signed the investment credit agreement, provided by Bank Zachodni WBK S.A to the Company, in the amount of PLN 17 million for

the realization of the project entitled "Creation of IT Centre providing modern services," which was increased by the Annex of 13 July 2018 to the amount of PLN 19.2 million.

In 2018, the Company placed its free assets mainly in fixed-term over-night deposit accounts. Both instruments can be considered as risk-free.

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 Company's own shares**

As at the day of 31 December 2018 the Company had no own shares.

### **Financial risk management**

Due to the amount of the Company's cash ensuring timely performance of obligations of the Company, high level of liquidity in the Company stable for a couple of years now, and safe level of receivables in relation to 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, 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 order to minimize the risk associated with changes in interest rates the Company in July 2018 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 2018 to 30 June 2020. Repayment of this credit is expected in the analogous period.

In 2018 the Company did not use services offered by financing entities, entities hedging exchange rate risk, nor did it purchase significant amounts of foreign currency. The majority of payments of liabilities in foreign currencies were made by the Company from receivables received from customers in that currency. Payments of liabilities in foreign currencies in the reporting period amounted to approximately PLN 22 million, representing 16.8% of the Company's total liabilities, whereas the receivables received in foreign currencies amount to approximately PLN 24 million, i.e. 19.9% of all receivables.

### **Employment**

At the end of 2018, the Company had 394 employees. The average employment in 2018 expressed in full-time jobs equalled 368.01.

### **Significant risk factors and threats**

#### Risk associated with economic situation

The constant economic and political changes may constitute a source of both threats and opportunities for businesses in Poland. The elements of the country's economic policy most significant for business are employment costs, taxes and investment policy. The key macroeconomic factors include the level of GDP, investment, inflation and exchange rates – especially USD and EUR. The poor state of the economy, and so, poor state of businesses, may result in the decrease of investments, reducing the number and value of the Company's orders.

There is a risk that in the near future the IT market will be restless, and the behavior of potential customers hardly predictable. Such a situation can be affected by the economic environment, debt crisis of countries as well as the threat of the economic and euro zone crises return. Enterprises that usually adapt to market conditions may decide to limit investments and adopt a strategy of waiting.

#### Risk associated with competition

The Company operates in a sector, where one needs to face intense competition, both from domestic businesses, which have been operating on the market for years, as well as new businesses. The growing number of the latter is a result of, among other things, open borders and the influx of foreign businesses operating in the same sector. Those businesses try to take over part of the market by taking over small domestic companies. Another significant threat is the growing tendency to provide direct services by global suppliers of computing solutions, who, so far, have operated in Poland through domestic integrators. The strengthened position of the rival businesses may weaken that of the Company. The Company's activities which are to minimize the above risks involve constant expanding of the offer by the newest technological solutions, raising the qualifications of the staff as well as providing services, whose standard guarantees that the Company is perceived as professional, experienced and reliable.

#### Risk associated with supplier dependence

The Company has signed partnership agreements with numerous global IT corporations. In most cases, those corporations offer solutions similar in quality, function and price. The Company also cooperates with many domestic distributors of IT products. As a result, most of the solutions offered by the Company may be based on alternative products provided by different suppliers. However, part of the company's offer is based on products that are unique. The need to use particular manufacturer's products may sometimes be determined by specific requirements of a client. If the Company ceased to cooperate with particular corporations in the IT sector, it could lose the opportunity to sign certain agreements.

#### Risk associated with large customer dependence

According to the strategy of the Company's commercial operations, large part of the Company's activities is based on regular, long-standing and extensive IT services provided to large businesses. The strategy involves unquestionable benefits but also the risk that, in case of losing certain important customers, the Company will face a temporary reduction of revenues or even the need to reorganize certain areas of its activity. To minimize this risk, the Company tries to increase the number of its key customers and generate part of its revenues by cooperating with many small contractors.

#### The risk associated with providing solutions and services of crucial importance for the customers' business activities

The Company's customers deem a considerable number of the solutions and services provided by the Company highly important for business processes. Any defects in the solutions provided by the Company or inappropriate implementation of the services offered may lead to considerable losses on the part of the customer or, in some cases, make it impossible for the customer to conduct their basic business activities. In such cases, the Company may have to pay the financial penalty and damages specified in the agreements and lose some of its customers. To minimize this risk, the Company includes provisions of its limited liability in the agreements and signs insurance agreements with insurance companies.

#### The risk associated with losing key employees

Given the open job market in the countries of Western Europe as well as the growing demand for the ICT experts in the foreign businesses operating in Poland, the Company may lose many of its highly qualified employees. If the Company lacked employees with specialist qualifications, it could lose some of its certificates and entitlements. Also, the standard of the services provided by the Company could fall. Therefore, the Company offers a variety of incentives, both financial and non-financial, for example, specialist training courses on the newest information technologies, where employees can improve their qualifications. As a result, the Company has not marked any significant loss of its indispensable experts for the last couple of years.

### Basic products, goods and services

The Company achieved much higher level of revenues from the sales of products in comparison to last year; they increased by 14.14% in 2018. The sales of goods and materials in 2018 accounted for about 36% of total revenues. The dynamics of that sales comprised 62.15%.

SPECIFICATION	2018 (PLN in thds)	2017 (PLN in thds)	Fluctuation
Revenues from sales of products	60,837	53,301	114.14%
Revenues from sales of goods and materials	33,929	54,596	62.15%

Installation and maintenance of IT environment services (32.4%) and outsourcing of IT services (22.7%) comprised the largest share of the sales of services. The Company recorded the highest sales growth in the area of IT integration and Data Center services, and then in the area of services connected with software.

outsourcing of IT services including services of Backup Office, Help Desk, Service Desk and Monitoring, as well as in the area of services related to installation and maintenance of IT environments. The Company managed to maintain on a similar level as compared to 2017 Data Center services including collocation, hosting, and infrastructure provision.

In subsequent years the Company will further develop the sale of Data Center services, in particular in the new location of the branch in Wrocław, where since the end of 2018 works related to the launch of the new server room of Talex Company have been carried out. The Company also focuses on the development and sale of services in the area of broadly understood maintenance of application, IT devices, and installation and configuration of IT equipment, which is a consequence of contracts signed by Talex for this type of services.

SPECIFICATION	2018 (PLN in thds)	2017 (PLN in thds)	Fluctuation
Installation and maintenance of IT environment services	19,691,	17,298,	113.8%
Software related services	13,782	12,116	113.8%
Outsourcing of IT services	12,003	9,799	122.5%
Data Center services	10,499,	9,758,	107.6%
IT integration	4,145	2,767	149.8%

Others	717	563	127.4%
<b>TOTAL</b>	<b>60,837</b>	<b>53,301</b>	<b>114.14%</b>

The fluctuation rate of the revenues from sales of goods and materials equalled 62.15% at the end of 2018 and almost fully concerns the wholesale of computers and peripheral equipment.

<b>SPECIFICATION</b>	<b>2018 (PLN in thds)</b>	<b>2017 (PLN in thds)</b>	<b>Fluctuation</b>
- wholesale of computers and peripheral equipment	33,913	54,578	62.13%
- wholesale of electronic and telecommunication equipment	0	0	-
- other out-of-shop retail sales	160	18	88.89%
<b>TOTAL</b>	<b>33,929</b>	<b>54,596</b>	<b>91.3%</b>

### Markets and supply sources

In 2018, the Company sold goods and products only on the Polish market.

The territorial structure of the sales revenues:

<b>SPECIFICATION</b>	<b>2018 (w tys. PLN)</b>	<b>2017 (w tys. PLN)</b>	<b>Fluctuation</b>
<b>Net revenues from the sale of products:</b>	60,837	53,301	114.14%
Country	60,837	53,301	114.14%
Export	0	0	
<b>Net revenues from the sale of goods and materials:</b>	33,929	54,696	62.15%
Country	33,929	54,596	62.15%
Export	0	0	-
<b>NET REVENUES FROM THE SALE OF PRODUCTS. GOODS AND MATERIALS</b>	<b>94,766</b>	<b>107,897</b>	<b>87.83%</b>

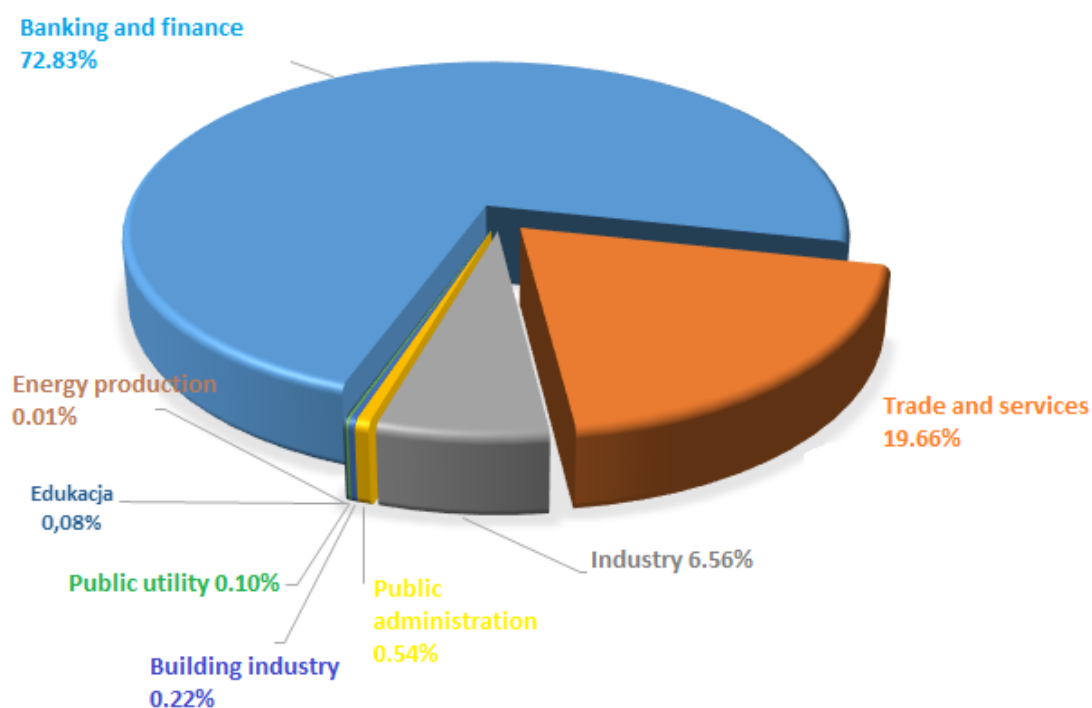
The structure of the greatest recipients of the Company:

<b>RECIPIENTS</b>	<b>2018</b>	
	<b>PLN in thds</b>	<b>%</b>
Santander Group	40,833	43.09%
PKO BP Group	11,912	12.57%
Credit Agricole Group	7,090	7.48%
Eurocash SA	3,681	3.88%
Volkswagen Group Polska S.A.	3,577	3.77%
ING S.A. Group	3,521	3.72%



Allegro Sp. z o.o. Group	3,265	3.45%
Bravura Solutions Polska Sp. z o.o.	2,445	2.58%
Tree IT Sp. z o.o.	1,668	1.76%
Toyota Motor Poland Company Limited Sp. z o.o.	1,442	1.52%
Bank Handlowy w Warszawie SA	1,348	1.42%
The Bank New York Mellon Poland Sp.z o.o.	1,221	1.29%
Plum Sp. z o.o.	1,202	1.27%
HP Group	969	1.02%
<b>TOTAL</b>	<b>10,592</b>	<b>11.18%</b>

### The structure of revenues according to the market in 2018



### Main suppliers of the Company:

SUPPLIERS	2018	
	PLN in thds	%
AB S.A.	9,114	14.79%
ALSO Sp. z o.o.	6,714	10.90%
S4E S.A.	4,986	8.09%
HP Inc Polska Sp. z o.o.	4,183	6.79%
ABC DATA S.A.	3,629	5.89%
WENDEX	3,583	5.82%
PGE Obrót SA	2,183	3.54%
TD AS Poland Sp. z o.o.	1,849	3.00%
Santander Leasing SA	1,803	2.93%
VERTIV Poland Sp. z o.o.	1,642	2.67%

VERACOMP SA	1,473	2.39%
BFF Investments Polska Sp. z o.o.	1,367	2.22%
ENEA Operator Sp. z o.o.	1,124	1.82%
Ingram Micro Sp. z o.o.	1,078	1.75%
Tech Data Polska Sp. z o.o.	1,045	1.70%
DABO PLUS Sp. z o.o.	1,006	1.63%
PKN ORLEN SA	1,002	1.63%
Other	13,826	22.44%
<b>TOTAL</b>	<b>61,607</b>	<b>100.00%</b>

The Company is not dependent on the suppliers to any great extent. In particular, goods and products purchased by the Company from suppliers trading (the turnover with them comprises of approximately 10% of the total value of supplies) can be purchased from alternative distributors on similar purchase terms.

The Company does not have any formal relations, other than commercial settlements, with recipients or suppliers whose share exceeds 10% of the total sales income.

### Information on agreements significant for the issuer's activity

In 2018 the Company continued to realize the orders from its strategic customers from banking and financial as well as public administration sector. Moreover, the Company received a number of further orders, about which Talex informed in the succeeding current reports:

- On 15 March 2018 the Company signed the agreement 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.
- On 7 July 2018 the Company concluded the agreement 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.
- On 21 December 2018 the Company signed the annex to the agreement concluded with Credit Agricole Bank Polska S.A. about which the Company had informed in the current report No. 17/2011 and in the current report No. 4/2016. The subject of the annex is the extension of the scope of the IT services provision with the use of Data Center infrastructure. The services will be provided by the Company for 5 years and their value in that period is estimated at the net amount of PLN 3.6 million. The services covered by the agreement are certified outsourcing within the meaning of relevant provisions of the Banking Law.

In 2018 the Company continued to execute orders received from strategic clients from the banking, financial and public administration sectors. Moreover, the Company

received a number of orders from its regular customers, about which Talex reported in subsequent current reports:

- 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. 25/2017) 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.
- In the period from 15 May 2018 (publication of the current report No. 14/2018) to 31 July 2018 (publication of the current report No. 16/2018), 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 5.74 million. The largest of these orders is the order of July 2017 with the net value of PLN 643 thousand. The subject of the order is delivery of computer equipment.
- On 22 July 2018 the Company received an order within the framework of the agreement dated 6 November 2017 with Powszechna Kasa Oszczędności PKO BP S.A. seated in Warsaw, about which Talex informed on 7 November 2017 (publication of the current report No.21/2017). The subject of the order is the delivery of computer equipment, the estimated net value of which, expressed in convertible currencies, as translated into Polish zlotys, amounts to PLN 6.08 million.
- In the period from 31 July 2018 (publication of the current report No. 16/2018) to 28 September 2018 (publication of the current report No. 19/2018) the Company obtained a number of further orders from Santander Bank Polska S.A. with its seat in Wrocław (previously Bank Zachodni WBK S.A.). The total net value of the received orders is PLN 5.34 million. The largest of these orders is the order of September 2018 with the net value of PLN 703 thousand. The subject of the order is the delivery of computer hardware.
- In the period from 28 September 2018 (publication of the current report No. 19/2018) to 14 November 2018 (publication of the current report No. 20/2018) the Company obtained a number of further orders from Santander Bank Polska S.A. with its seat in Warsaw (previously Bank Zachodni WBK S.A. seated in Wrocław). The total net value of the received orders is PLN 5.15 million. The largest of these orders is the order of October 2018 with the net value of PLN 1.43 thousand. The subject of the order is the delivery of computer hardware.

- On 26 November 2018 the Company obtained an order from Credit Agricole Bank Polska S.A. with its seat in Wrocław. The subject of the order is the delivery of IT solutions, the net value of which is PLN 5.12 million.
- In the period from 14 November 2018 (publication of the current report No. 20/2018) to 19 December 2018 (publication of the current report No. 22/2018) the Company has obtained a number of further orders from Santander Bank Polska S.A. with its seat in Warsaw (previously Bank Zachodni WBK S.A. seated in Wrocław). The total net value of the received orders is PLN 7.15 million. The order of November 2018, the net value of which is PLN 1.55 million, is the largest of them. The subject of the order is the delivery of IT solutions.

Moreover, in the presented period, the delivery of the maintenance as well as outsourcing services specified in the agreements with the Company's clients, mainly from the banking and financial sector as well as the public sector, was continued.

### **Information on credit and loan agreements**

On 30 May 2018 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 3/2017). On 13 July 2018 the Company signed the Annex to this agreement that increased the credit incurred to the amount of PLN 2.2 million.

The Company also uses credit lines in current accounts. The funds from these loans enable the Company to maintain optimal financial liquidity.

### **Information on loans, sureties and guarantees granted**

The contingent liabilities of the Company, due to performance bonds and payment securities issued by the financing bank, amounted to PLN 268 thousand. Those liabilities are secured with capped mortgage on the Company's headquarters building.

Contingent liabilities included performance bonds, bid bonds, bonds on account of warranty and guarantee, payment guarantees and guarantees on advance payments. Performance bonds comprised about 57% of the guarantees issued on 31.12.2018. The purpose of those bonds is to secure the claims which could arise in the case of improper performance of an agreement. Payment guarantees represented approximately 43%, the purpose of which is to guarantee the timely payment of monetary liabilities.

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 Wrocław. The mortgage was created on the real estate owned by the Company, registered in the Land Register kept by the District Court in Poznań – Stare Miasto in Poznań, under the entry no. KW P01P/00137.699/9. The real estate in question comprises a plot of 14.744.00 sq. meters, with an office building of the usable area of 2.445.80 sq. meters.

### **Assessment of financial assets management**

Information on the assessment of financial assets management has been presented in the "Financial standing" and "Financial risk management" sections.

The Company systematically meets all the incurred liabilities. Liquidity ratios of TALEX S.A. confirm that the enterprise is able to pay its liabilities. The current ratio equalled 1.46 at the balance sheet date, while the quick ratio equalled 1.37.

### 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

On 11 May 2018 the General Meeting of Shareholders appointed the Supervisory Board Members for the new term of office :

- Witold Hołubowicz
- Andrzej Kurc
- Jacek Nowak
- Bogna Pilarczyk
- Małgorzata Poprawska

On the same day, the newly appointed Supervisory Board appointed the Management Board Members for the new term of office:

- Janusz Gocałek
- Jacek Klauziński
- Andrzej Rózga
- Rafał Szalek
- Radosław Wesołowski

### 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

Members of the Management Board held the following shares of the Company (as at the day of preparing this report):

Shareholder	Number of shares
-------------	------------------

	Series A	Series B	Series C	Series D	Series E	Total
Janusz Gocałek	34,000	283,000	145,216	294,340	2,237	756,556
Jacek Klauziński	34,000	283,000	145,216	294,340	2,237	756,556
Andrzej Rózga	34,000	283,000	145,216	294,340	2,237	756,556
Rafał Szalek	-	-	-	-	889	889
Andrzej Kurc	-	-	-	1,012	-	1,012

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 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

**Information on the agreements known to the issuer, which may result in future changes in the present structure of share ownership in terms of shares held by current shareholders and bondholders**

The Company does not have any information on the agreements, which may result in future changes in the present structure of share ownership in terms of shares held by current shareholders. 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, being registered shares, are subject to the limitation of the transfer of ownership rights. Additionally, shares of series A are preference shares regarding the voting right. The terms of conversion of those shares into bearer shares as well as of their disposal have been defined in par. 8 of the Company's Articles of Association. The shares of the Company are not limited as to the exertion of voting rights.

**Information on agreements with an entity authorized to audit financial statements**

On 30 May 2018 the Supervisory Board, acting under the Articles of Association of the Company, passed a resolution on 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 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 remuneration for the performance of the agreement with PKF Consult will amount to PLN 66,000.00.

In 2018 the Company did not use the tax advisory services.

**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 Management 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**

In the past half-year, 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.

**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**

Factors that affect the results of the Company with a view to the next year are mainly the fulfilment of the agreements concluded with the regular, long-term customers of the Company as well as the realization of the contracts from the previous years, including, among others, Poznan University of Technology.

In the past 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. To achieve these aims TALEX completed the project entitled "Creation of IT Centre providing modern services."

In 2018, the Company also established a Cyber Security Department dealing with the broadly understood security of cyberspace. The main tasks of this department include:



development and implementation of strategic documents in the field of cyber security, development of guidelines for establishing appropriate security measures for ICT systems and analysis.

Furthermore, on 20 March 2018 the Company concluded 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 the planned current purchases with its own funds. The schedule for the current purchases was arranged so that their implementation does not affect the Company's liquidity nor affect its financial standing.

### **Information on the rules of preparing the annual financial statement**

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

Poznan, 17 April 2019

#### Members of the Management Board:

Janusz Gocałek.....

Jacek Klauziński.....

Andrzej Różga.....

Rafał Szałek.....

Radosław Wesółowski.....