



***SEMI-ANNUAL REPORT FOR THE I HALF OF
2013***

REPORT ON ACTIVITY

QUMAK S.A. • Al. Jerozolimskie 136 • 02-305 Warszawa

Table of contents

I. General information.....	2
II. Basic economic and financial parameters.....	3
III. Basic economic-financial quantities.....	4
III. Description of basic risks and threats.....	13
IV. Description of corporate group organization.....	15
V. Indication of the effects of changes in composition of entity.....	16
VI. Board position regarding the implementation of the profit forecast for 2014.....	16
VII. Information on shareholders holding at least 5% of the votes at the General Meeting of Qumak S.A.	16
VIII. Statement of changes in ownership of the issuer's shares or scope of rights to shares held by managers and supervisors of the issuer.....	17
IX. Information about proceedings instituted before a court or administrative body.....	17
X. Information about the conclusion by the issuer of one or more transactions with related entities, if they are relevant and have been included under other circumstances than market ones.....	19
XI. Information about granting by the issuer or its subsidiary a credit, loan or guarantees – together to one entity – if the value of the guarantee or guarantees shall be equivalent to at least 10% of equity of the issuer.....	19
XII. Other information which according to the issuer are important for assessing its personnel, property, financial, financial result and their changes and information that is relevant for assessing the feasibility of the obligations of the issuer.....	19
XIII. Factors that in the assessment of the issuer will have an impact on the results achieved by him in at least the next half year perspective.....	19

I. General information

Company:	Qumak Spółka Akcyjna
Registered office:	02-305 Warszawa Al. Jerozolimskie 134
Phone no:	(022) 519-08-00
Fax:	(022) 519-08-33
Tax Identification Number (NIP):	524-01-07-036
National Economy Register (REGON):	012877260
Polish Classification of Activities (PKD):	46

Company's branches/local offices:

- Branch in Kraków at ul. Kobierzyńska 2
- Local office in Bielsko-Biała at ul. 11 Listopada 60/62
- Local office in Gdańsk at ul. Trzy Lipy 3

Change of the Company's registered office was registered in the National Court Register on 15 July 2014 on the basis of a decision of the Warsaw District Court, XII Commercial Division of the National Court Register of 14 July 2014.

Management Board of the Company

In the period from 1 January to 30 June 2014 the Management Board functioned in the following membership:

- Paweł Jaguś - President of the Management Board
 - Aleksander Plata - Vice President of the Management Board
 - Jacek Suchenek - Member of the Management Board
-

Supervisory Board

In the period from 1 January to 30 June 2014 the Supervisory Board functioned in the following membership:

- Marek Michałowski - Chairman of the Supervisory Board
- Jan Pilch - Vice Chairman of the Supervisory Board
- Monika Hałupczak - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board
- Wojciech Włodarczyk - Member of the Supervisory Board

Membership of Committees of the Supervisory Board was the following:

Audit Committee

- Monika Hałupczak
- Maciej Matusiak
- Marek Michałowski

Remuneration Committee

- Jan Pilch
- Wojciech Włodarczyk

II. Basic economic-financial quantities

A. Selected financial data

SELECTED FINANCIAL DATA				
	I half/2014	I half/2013	I half/2014 (in thousand EUR)	I half/2013 (in thousand EUR)
I. Net revenue from sales of products, goods and materials	293 171	222 269	70 163	52 745
II. Profit (loss) from operation activities	5 342	- 3 954	1 278	-938
III. Gross profit (loss)	5 256	- 4 249	1 258	-1 008
IV. Net profit (loss)	4 017	- 4 119	961	-977
V. Net cash flow in operating activities	-31 170	14 187	-7 460	3 367
VI. Net cash flow in investing activities	- 3 330	-678	-797	-161
VII. Net cash flow in financial activities	925	-532	221	-124
VIII. Total net cash flow	- 33 575	12 986	-8 035	3 082
IX. Total assets	250 543	209 824	60 214	48 467
X. Liabilities and provisions for liabilities	173 180	137 541	41 621	31 771
XI. Long-term liabilities	8 862	5 378	2 130	1 242
XII. Short-term liabilities	122 933	96 124	29 545	22 204
XIII. Equity	77 363	72 283	18 593	16 697
XIV. Initial capital	10 375	10 375	2 493	2 397
XV. Number of shares (in items)	10 375	10 375	10 375	10 375
XVI. Profit (loss) per share (in PLN / EUR)	1.49	0.44	0.36	0.10
XVII. Diluted profit (loss) per one ordinary share (in PLN / EUR)	1.49	0.44	0.36	0.10
XVIII. Book value per one share (in PLN / EUR)	7.46	6.97	1.79	1.61

XIX. Diluted book value per one share (in PLN / EUR)	7.46	6.97	1.79	1.61
XX. Declared or cashed dividend per share (in PLN / EUR)	1.00	1.75	0.24	0.40

Principles of calculation of financial statements

Particular items of assets and liabilities in the balance sheet were converted according to the exchange rates applicable on the last day of the period:

Average exchange rates of EUR NBP of 28.06.2013 Table A 124/A/NBP/2013 - 4.3292

Average exchange rates of EUR NBP of 30.06.2014 Table A 124/A/NBP/2014 - 4.1609

Specific items of profit and loss accounts and statements on cash flow were converted according to exchange rates representing an arithmetic mean of average rates published by Polish National Bank for the EURO, applicable on the last day of each month in particular reporting period:

Arithmetic average of average exchange rates in NBP at the end of each month in period 01.01 - 30.06.2014 – 4.1784

Arithmetic average of average exchange rates in NBP at the end of each month in period 01.01 - 28.06.2013 – 4.2140

B. Financial results

During I half of the year 2014 Qumak S.A. noted the basic operating revenues in the amount of PLN 293 171 thousands. In comparison with analogical period during last year the dynamics of income reached 132%.

Increase in income from sales resulted also in increase of costs in similar dynamics (131%).

Table: Structure of sales and costs in the I half of 2014 compared to the I half of 2013 (in thousand PLN)

SPECIFICATION	I h 2014	I h 2013	Dynamics
Net income from sales	293.171	222.269	132%
Costs of business activity	249.635	189.908	131%
Cost of sales	35.471	24.639	144%
Costs of general management	6.592	7.395	89%
Costs in total	291.698	221.942	131%
Profit from sales	1 473	327	

Other Company's Operational Income in the I half of 2014 considered:

Profit from sales of components of fixed assets	PLN 63 thousand
Other operational revenues (dissolution of reserves, etc.)	PLN 6 594 thousand
Other Operational Revenues in Total	PLN 6 657 thousand

Other Operational Costs considered:

Loss from disposal of non-financial tangible assets	PLN 0 thousand
Revaluation write-offs of non-financial assets (reserves for hard receivables, over-valuation of goods)	PLN 138 thousand
Other operational costs	PLN 2 650 thousand

Other Operational Costs in Total	PLN 2 788 thousand
Result from operating activities amounted to	PLN 5 342 thousand
Financial Income considered:	
Interest from purchasers and from deposits	PLN 207 thousand
Financial investments revaluation write-offs	PLN 12 thousand
Other	PLN 0 thousand
Financial Income in Total	PLN 219 thousand
Financial costs considered:	
Credits' interest, loans and leasing	PLN 11 thousand
Investments revaluation write-offs	PLN 294 thousand
Other	PLN 0 thousand
Financial Costs in Total	PLN 305 thousand
Extraordinary income	PLN 0
Extraordinary losses	PLN 0
Income tax and deferred income tax	PLN 1 238 thousand

In accordance with the provisions of the Accounting Act there was created at the day of 30.06.2014 settlement position of long-term contracts and works in progress of PLN 97 620 thousand (incomes) and PLN 91 907 thousand (costs). During the I half of 2014 there were resolved long-term contracts established at 31.12.2013 in the amount of PLN 55 590 thousand (incomes) and PLN 52 192 thousand (costs).

In accordance with the provisions of the Accounting Act, and rules of careful evaluation, the Management Board of the Company dissolved and created reserves for:

Table: Reserves as of 30.06.2014 (in thousand PLN)

	as of 31.12.2013	Dissolved reserves	Created reserves	as of 30.06.2014
Reserve for service	5 627	1 019	794	5 447
Reserve due to discount for goods	117	49	0	68
Reserve for difficult to collect receivables	10 124	6	138	10 256
Reserve for bonuses	4 000	4 000	2 400	2 400
Reserve for holiday	1 299	0	1 144	2 443
Reserve for one-time retirement benefit	310	0	106	416
Reserve for costs of ongoing production	120	0	0	120
Reserve for audit of balance	27	27	0	0
Reserves in total	21 669	5 101	4 582	21 150

As for 30.06.2014 assets due to deferred income tax were PLN 3 912 thousand, and reserve due to deferred income tax was PLN 1 238 thousand.

The Company's activity in the I half of 2014 was summed up with a net income amounting to PLN 4 017 thousand.

In the presented period there were no unusual and extraordinary events having a substantial influence on financial results.

Profitability ratios

Table: Profitability ratios of Qumak S.A.

	I h 2014	2013	I h 2013
Profitability of sales (gross)	14.85%	14.93%	14.56%
Profitability EBITDA	2.28%	1.86%	-1.27%
Profitability of operational income	1.82%	1.44%	-1.78%
Profitability gross	1.79%	1.78%	-1.91%
Profitability net	1.37%	1.36%	-1.85%

Regulations of ratios' calculation:

EBITDA = operational income + depreciation

Profitability of sales (gross) = gross profit from sales of the period/ profit from sales of the period

Profitability EBITDA = EBITDA of the period/ income from sales of the period

Profitability of operational income = operational profit of the period/ profit from sales of the period

Profitability gross = gross profit of period/ profit from sales of period

Profitability net = net profit of period/ profit from sales of period

Ratios of financing structure and ratios of liquidity

In the presented period the Company financed its activity from own capital, from liabilities towards suppliers, and factoring agreement with a limit amounting to PLN 20 million. State of available means was enough in the period for efficient operation of conducted business activity.

Table: Ratios of financing structure of Qumak S.A.

	30.06.2014	31.12.2013	30.06.2013
Ratio of general debt	0.69	0.65	0.66
Ratio of debt with interest to assets	0.10	0.02	0.04
Ratio of fixed assets covered by own capital	5.44	6.50	6.4
Ratio of debt in own capital	0.32	0.06	0.12

Analysis of debt was performed on the basis of the ratios presented below:

ratio of general debt – liabilities and reserves for liabilities in total/ assets in total

ratio of debt with interest to assets – debt with interest/ assets in total

ratio of fixed assets covered by own capital – own capital/ fixed assets

ratio of debt in own capital – debt with interest/ own capital

In analyzed periods ratios of debt are in a very low level and the Company perceives no threat to the ability to meet financial obligations.

Table: Ratios of financial liquidity of Qumak S.A.

	30.06.2014	31.12.2013	30.06.2013
Ratio of current liquidity (current ratio)	1.92	1.97	2.06
Ratio of quick liquidity (quick ratio)	0.97	1.36	1.96

Regulations of ratios' calculation:

Ratio of current liquidity = current assets/ short-term liabilities

Ratio of quick liquidity = (current assets – reserves – short-term prepayments)/ short-term liabilities

Both ratios indicate that the Company has no problems regarding liquidity of capital.

C. Income structure

Commercial actions are concentrated and realized, as well as settled by their division into selected business lines, such as:

- Business Intelligence
- Integrated systems of providing service to larger groups of clients (CC, ERP, IVR)
- Managing IT infrastructure, maintenance and service (ITSM, EAM)
- Data Center
- Aviation Infrastructure
- Intelligent Transportation Systems (ITS)
- IT systems for public sector
- Business continuity and data protection
- Multimedia expositions
- Managing and service of computer systems
- Outsourcing of IT specialists
- Deliveries of hardware and licenses

For the needs of comparability of results in described period with regard to results from previous periods, results of business lines were grouped in a way so that they represent analogical scopes of activity as during presentation of data for previous periods.

Group of Business Applications includes lines:

- Business Intelligence
- Integrated systems of providing service to larger groups of clients (CC, ERP, IVR)
- Managing IT infrastructure, maintenance and service (ITSM, EAM)

Group of Infrastructural IT Technologies includes lines:

- Data Center
- Aviation Infrastructure
- Intelligent Transportation Systems (ITS)
- BMS and building technologies

Group of System Integration includes lines:

- IT systems for public sector
- Business continuity and data protection
- Multimedia expositions

Group of Delivery of hardware, licenses, service and outsourcing includes lines:

- Managing and service of computer systems

- Outsourcing of IT specialists
- Deliveries of hardware and licenses

Table: Value and structure of Qumak S.A. sales in Groups of Business Lines (in thousand PLN)

Type of activities	I h 2014		2013		I h 2013	
	Value	%	Value	%	Value	%
Income in total, including:	293 171	100.00%	540 083	100.00%	222 269	100%
Business Applications	9 033	3.08%	25 503	4.72%	11 086	4.99%
Infrastructural IT Technologies	140 014	47.76%	223 656	41.41%	72 280	32.52%
System Integration	107 853	36.79%	212 182	39.29%	41 658	18.74%
Delivery of hardware and licenses, service and outsourcing	35 920	12.25%	78 155	14.47%	96 940	43.61%
Other income	351	0.12%	587	0.11%	305	0.14%

Table: results in operational activity of the Company by Groups of Business Lines (in thousand PLN)

	I h 2014		2013		I h 2013	
	Value	%	Value	%	Value	%
Business Applications	-953	-9.20%	6 221	21.73%	3 508	44.02%
Infrastructural IT Technologies	2 327	22.46%	6 799	23.74%	-384	-4.82%
System Integration	3 827	36.91%	9 563	33.40%	2 684	33.68%
Delivery of hardware and licenses, service and outsourcing	2 791	26.94%	5 710	19.94%	1 863	23.38%
Other income	2 371	22.89%	342	1.19%	298	3.74%
In total	10 359		28 635		7 969	
Costs of general management	-6 593		-12 688		-7 395	
Dissolution of reserves and write-offs (other operational costs)	4 082		3 348		2 542	
Created reserves and write-offs (other operational costs)	-2 506		-11 526		-7 070	
Operational profit	5 342		7 769		-3 954	

Leader within turnover is a group responsible for infrastructural IT technologies, and in the scope of operational result a group of system integration. Negative result of business applications group is a result of already borne costs of realization of contracts without their invoicing.

D. Changes in quantity and type of share capital

In the I half of 2014 the Company did not issue shares and did not increase the capital.

E. Contingent liabilities

Company under its business is obliged by some provisions in contracts to submit in the form of bank or insurance bid warranty, good performance of works guarantee, warranty of removal of defects and faults. As for 30.06.2014 there were active:

- good performance of works guarantee amounting to	PLN 85 808 thousand
- warranty for removal of defects and faults amounting to	PLN 18 493 thousand
- warranty for bid bond amounting to	PLN 7 521 thousand
- tenant guarantee amounting to	PLN 895 thousand

F. Investments of the company

Apart from investments in the form of purchasing fixed assets the Company did not conduct other investments.

G. Tangible assets, intangible fixed assets

In the I half of 2014 investment expenses were related with increase of employment as a result of performing a contract for service of Orange network, and resulted from a change of the company's registered office. Item fixed assets under construction is a result of performing an Agreement concerning executing and financing the project realized within the frames of a pilot scheme under the name "Wsparcie badań naukowych i prac rozwojowych w skali demonstracyjnej DEMONSTRATOR+". Subject of the Agreement is performing a "modern demonstrator simulator for drivers of rail vehicles".

Other investment costs in the presented period were limited to only to recreation of used fixed assets.

Table: Total investment expenditures

SPECIFICATION	I p 2014	2013	I h 2014
Technical devices	1116	1182	240
Transportation means	2060	2443	769
Other tangible assets	5	218	13
Intangible fixed assets	38	103	23
Fixed assets in construction	659	153	519
TOTAL:	3878	4 102	1 564

H. More significant achievements in research and development

On 23 December 2013 the Company entered into with the National Centre for Research and Development an Agreement concerning performing and funding a project realized within the frames of pilot study undertaking named "DEMONSTRATOR+ Supporting scientific research and development works in demonstration scale". The Company is in the role of the leader of consortium in the Contract, which includes the following entities: IKKU Sp. z o.o., Railway Institute, Military University of Technology.

Subject of the contract is executing "a modern demonstrator simulator for railway vehicles operators, increasing efficiency and safety of their performance", co-funded by the Center within the frames of the abovementioned undertaking. As a part of the project's performance there will be executed a locomotive simulator and there will be created methodology of conducting on it trainings and exercises for machine operators among others within driving fast speed passenger trains.

Period of performing the project is 36 months and its deadline was set for 30.11.2016.

I. Financial assets

Company holds shares purchased on a regulated market – Warsaw Stock Exchange of a value of PLN 444 thousands (as of 30.06.2014).

Moreover the Company holds minority shares (9.98%) in Madkom S.A. taken up on the basis of made investment agreement of 28 October 2013.

Madkom S.A. is listed in New Connect market and its market value as of 30.06.2014 was PLN 1 012 thousands.

J. Employment

Employment in Qumak S.A. in the end of June 2014 was 710 persons, (including from outsourcing services 144 persons).

K. Significant event after balance date

After the balance day no significant events took place, which may have impact on future financial performance of the Company, apart from substantial agreements described below:

- Agreement entered into with SPS Construction Sp. z o.o. of 14 July 2014

Subject of the above mentioned Agreement is performing works covering among others performing installations: basic electrical, guaranteed power supply and low voltage installations, building automation, fire protection systems, CCTV and access control, as well as structural cabling in an office and commercial building at ul. Konstruktorska 4 in Warsaw.

For performing the subject of the Agreement there was set a lump sum remuneration amounting to PLN 31,100,000.00 net.

Deadline for works was set to 30 May 2015.

- Received statement on rescinding the agreement made with Data Techno Park Sp. z o.o. within the scope of not performed obligations and information on agreement with the Ordering Party

On 23 July 2014 the Company received a statement on rescinding the Agreement, in the scope of not fulfilled obligations, concluded on 11 February 2014 with Data Techno Park Sp. z o.o. with its registered office in Wrocław (hereafter referred to as the Ordering Party), covering the 1 part of the order, which includes delivery of IT infrastructure for the needs of Medyczne Centrum Przetwarzania Danych DTP Sp. z o.o. in Wrocław. Statement is dated as of 21 July 2014.

Until the day of rescinding, the Company realized the above mentioned Agreement in its substantial part, the value of performed works and services is PLN 46,987,672.48 gross.

As a result, the Company simultaneously entered into an Agreement with the Ordering Party, in which there were settled liabilities of parties due to works performed so far within the frames of the above mentioned Agreement. It was agreed that the total remuneration of the Company settled on the basis of a conducted inventory of accepted works as well as ongoing works is PLN 46,987,672.48 gross.

The Ordering Party stated that rescinding the Agreement, in the scope of not fulfilled obligations, resulted from a decision on limiting financing of the above mentioned investment performed within the frames of a project co-financed by the Polish Agency for Enterprise Development, which caused stopping its performance.

The Ordering Party stated that rescinding the Agreement, in the scope of not fulfilled obligations, takes place not because of not performing or improper performing of the subject of the Agreement by the Company or other circumstances, for which the Company is held responsible.

Rescinding in the scope of not fulfilled obligations enters into force from 21 July 2014.

Management Board of the Company assessed that rescinding by the Ordering Party the performance of the abovementioned Agreement does not influence significantly a financial result of the Company in 2014. It is valid to underline that the Agreement was properly performed in its large part, what was confirmed by the Ordering Party.

Subject of the above mentioned Agreement was delivery of IT infrastructure and software for the needs of creating and development of IT platforms e-services and online applications as well as providing service in a health sector with implementation in the area of Medyczne Centrum Przetwarzania Danych DTP Sp. z o.o. in Wrocław, which in particular covers providing environment to create and develop modern IT services in a health sector, and creating an infrastructure and software to provide modern e-services and online applications (Cloud Computing). The Company informed about entering into this agreement in a current report no 6/2014 of 12 February 2014.

It is important to mention that on 27 June 2014 the Company received a statement on rescinding the Agreement covering the 2 part of the above order on delivery of IT infrastructure for the needs of Medyczne Centrum Przetwarzania Danych DTP Sp. z o.o. in Wrocław amounting to PLN 76,873,755.24 gross. Performing this Agreement was previously suspended by the Ordering Party on the basis of a letter of 15 April 2014. More information on this subject is included in Additional information to the report for the I half of 2014, point VII.

- Agreement entered into with the European Solidarity Center on 8 August 2014

Subject of the Agreement is delivery and installation of an exhibition for children "Playground" in the European Solidarity Centre on the basis of a submitted design.

For performing the subject of the Agreement there was set lump sum remuneration in the amount of PLN 4,161,954.11 gross.

Deadline of performing the subject of the Agreement together with launching, conducting tests and providing training to personnel is on 28 November 2014.

This Agreement is an extension of the scope of works performed within the substantial agreement entered into between the European Solidarity Centre and a consortium including: Qumak S.A. (in the role of a leader) and Maciej Lubocki Multimedia Art & Education on 5 March 2014. Subject of the agreement is delivery and installation of Fixed Display for the European Solidarity Centre, which involves among others preparation of display rooms, delivery of exhibition elements, exhibits, and multimedia devices, and lump sum remuneration for performing the above-mentioned works is PLN 38,149,567.63 gross. The Company informed about entering into the agreement in a current report no 10/2014 of 6 March 2014.

- Agreement entered into with PKO Bank Polski on 19 August 2014

On 19 August 2014 there was signed an Agreement with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (hereafter referred to as the Bank) concerning construction works performed as general contracting with warranty service.

Subject of the Agreement is performing by Qumak S.A (hereafter referred to as the Supplier) works and making deliveries necessary to realize an Investment project which is a Data Processing Center together with technical infrastructure (installations and devices), as well as accompanying infrastructure, including comprehensive development of the area and its location with supervision and coordination of performing sub-scope of works by subcontractors.

For performing the subject of the Agreement there was set a remuneration amounting to PLN 55,544,715.45 net. This remuneration does not include receivables for service and maintenance of devices and infrastructure, as well as costs of materials replaced/delivered during inspections.

Works provided in the subject of the agreement should be performed within 15 months from the day of entry of the Agreement into force. After obtaining an occupancy permit the warranty period begins, which depending on the type of works, devices or installations is 36 or 60 months.

Starting creating a Capital Group

Management Board by realizing a development strategy of the Company for the years 2013-2016, adopted in 2012, has decided to start creating a capital group through division into competence companies within the scope of Intelligent Transportation Systems and aviation technologies.

Steps realized to reach this goal are:

- Registering a company STAR ITS Sp. z o.o. of share capital amounting to PLN 250,000.00 (1 000 shares of face value of PLN 250.00) and Qumak S.A. took up 930 shares of a total value of PLN 232,500.00. The Company was registered on 7.08.2014 by the District Court

Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register under the number KRS 0000519358;

- Signing an incorporation agreement of SKYLAR Sp. z o.o. on 9.07.2014, of a share capital amounting to PLN 250,000.00 (1 000 shares of face value of PLN 250.00), the share capital was taken up in total by Qumak S.A. (unpaid) – the company currently operates as limited liability company in an organization.

III. Description of basic risks and threats

Risk associated with being dependant on suppliers

The company is linked by partnership agreements with many IT companies. These companies, in most cases, offer solutions similar to each other both in terms of functionality and quality, and price. The company also cooperates with many national distributors of IT products. Thus most of the solutions offered by the Company may be constructed on the basis of alternative products from various vendors.

Risk associated with seasonality of income

The IT market is characterized by high seasonality of sales, as manifested by the fact that a large proportion of sales revenue is generated in the fourth quarter of the year. Therefore, the weak fourth quarter financial results may indicate poor performance throughout the year. For several years, the company tries to organize realization of contracts in such a way, that positive financial results were recorded in each quarter of the year.

Risk associated with the process of acquiring of new contracts

The Company's activity is characterized by the fact that a significant proportion of contracts, which are the sources of income of the Company, are determined in the form of tenders, a large part of which are in the form of public tenders. There is no assurance that the Company will be able to acquire new orders constantly, the implementation of which shall ensure the achievement of a satisfactory level of income. The occurrence of such circumstances may adversely affect the business activity and financial position of the Company, achieved financial results and prospects for development.

Risk associated with executed contracts

The proper operation of an information system is one of the basic conditions for the proper functioning of the enterprise. Qumak, by creating and providing customers with such solutions, bears the risk of error, which may adversely affect the functioning of the client company, which may result in the client incurring significant damage. The occurrence of such circumstances brings the risk of raising claims for compensation on general terms against the Company or for payment of penalties reserved in contracts concluded with customers, which may have a negative impact on operations and financial position achieved by the Company and its financial performance. The company in the above-mentioned field usually signs a cooperation agreement or provision of services (so-called agreement unnamed), to which, in cases not regulated by provisions of the Civil Code, including in particular the mandate contract, less frequently contract work. Risks arising from the implementation of the above agreements are mitigated by the appropriate rules of civil liability of the Company. One of the basic principles is responsibility on general principles, resulting from the Civil Code. On this basis the Company avoids liability for lost profits and is liable for actual

damages and possible to prove losses. With contractual penalties Qumak minimizes risk by placing in contracts limit to the amount of penalties, to a level of 10% of the salary threshold, and introduces a liability formula for delay (reasons attributable to the Company) and not for the delay (reasons also not being their fault of the Company). Qumak also uses in contracts so called "Force majeure clause", which allows you to avoid liability because of operations and factors beyond the Company's fault. Moreover, the company has a third party insurance, and in the specific contracts also uses the designer insurance, and insurance against the assemble risks.

Risk associated with changes in technology and new products development in the business

IT sector is characterized by rapid development of solutions and technologies, and therefore the product life cycle is relatively short in this market. Therefore, the Company's success depends largely on the ability to apply in offered products and services, solutions of latest technology. To remain competitive place in the market, are required to maintain development and investing in new products. There is a risk in the market of appearance of new solutions that will ensure that the products and services offered by the Company will be unattractive and will not provide Qumak revenue expected at the stage of their formation and development. There is also no certainty that new arrangements, on which creation or development presently or in the future, will operate the company, expected to reach the technological parameters and will be welcomed by potential customers, which would result in loss of income. The occurrence of any of these circumstances could have a negative impact on the activities and financial position of the Company, and achieved financial results and development prospects. To mitigate the risk, the company continues to raise the qualifications of its employees.

Risk associated with growth of competition in domestic market

Significant impact on the Company has increasing competition from both Polish and foreign IT companies, particularly in the case of applying for the implementation of large and prestigious contracts. The consolidation of large companies on the Polish market and using by growing number of institutions their own specialists may affect the Company's competitiveness with other entities, which may in turn influence its operations and financial results. Steadily is growing the role of competition from major foreign companies, equipped with faster access to the latest technology and cheaper sources of capital, which allows for funding of the biggest contracts. There is no assurance that increased competition will not affect in the near future in a negative way the operations or financial position of the Company.

Risk associated with exchange rate fluctuations

Business transactions settled in a foreign currency cause a risk for acquiring other than planned revenues and expenses as a result of changes in exchange rates, which may adversely affect the Company's results. Qumak tries to avoid these situations by using appropriate tools available in the financial market to neutralize the impact of currency fluctuations on its financial results. There is no assurance that such actions will prove fully effective, and thus the fluctuations of zloty against foreign currencies could have a negative impact on the activities and financial position achieved by the Company and its financial performance. Any significant transaction in foreign currency, such as buying and selling is considered individually. Analyzed is the risk and the decision is made on application of financial or organizational mechanisms.

Risk of changes in law

Frequent revisions, inconsistency and lack of uniform interpretation of the law involve risks associated with the legal environment in which it operates. Particularly frequent changes are the rules and interpretations of tax legislation. Both the practice of tax authorities and the judicial decisions in this area are not uniform. In case of acceptance by the tax authorities different from Qumak interpretation of tax laws, the Company may take into account the negative consequences that affect the business, financial condition and financial results. The company's legal department is required to track changes in the law and inform the Management Board of revisions that can affect the business activity.

Risk associated with the macroeconomic and political situation in Poland

Development of services offered by the Company is closely correlated with the overall economic situation in Poland. The greatest influence on financial results may have GDP growth tempo, the size of tenders for IT solutions, level of investments in corporations, level of inflation, labor costs, tax burden, level of foreign currencies in relation to PLN. There is a risk that the slowdown in economic growth, decline in business investment, decrease in tenders, or increase in inflation, can have a negative effect on the operation and financial condition of the Company, as well as on the performance of its financial results. Unfortunately, in this case, the Management Board can only try to anticipate future situations and try to prepare the company for worse times.

Risk associated with the loss of key employees of the Company

Due to the growing demand for ICT professionals from companies operating in Poland and abroad, there is risk of outflow of highly qualified staff. Lack of staff with professional qualifications could lead to the loss of some certificates and powers of the Company with which its business activities are promoted; also it could lead to the deterioration of services provided by the Company. To reduce the risk of losing key employees, the Company applies a series of incentives in both the motivation of a financial sort and development opportunities for taking part in specialized trainings on the latest information technology. With this approach, the Company has so far not reported an increased outflow of the necessary specialists.

Risk associated with a business party in bankruptcy

With regard to crisis and increasing difficulties that many Polish businesses encounter, there is a risk of a company entering a state of bankruptcy, on subcontractors as well as contractors side. The Company puts all the effort to conclude agreements with economically stable entities, however in case of long-term projects taking few years and variability of the environment the risk of bankruptcy of one of contractors, becomes a significant risk. The Company tries to mitigate the risk by diversification of contractors and putting itself in the role of a qualified subcontractor, what gives the ability to claim remuneration from investor. With regard to substantial subcontractors, the Company uses a compulsory warranty of good performance and removal of defects and failures, what in case of bankruptcy should allow the mitigation of potential losses.

IV. Description of corporate group organization

Company as of 30.06.2014 had no subsidiaries and in the period covered by the report the company did not create a capital group.

After the balance day the Company undertook activities aiming at creating a capital group described in this *Report on activity, in chapter II point K. More significant events after the balance day* (above).

V. Indication of the effects of changes in composition of entity

In the reporting period in Qumak S.A. there were no changes in the structure of the entity. There were also no transactions in financial assets.

VI. Board position regarding the implementation of the profit forecast for 2014

Management Board of the Company did not provide forecast for the year 2014.

VII. Information on shareholders holding at least 5% of the votes at the General Meeting of Qumak S.A.

Share capital of the Company at the date of publication of the report for the I half of 2014 amounts to PLN 10.375.082 and is divided into 10.375.082 shares, which correspond to 10.375.082 votes at the General Meeting Qumak S.A.

Shareholding structure at the day of publishing the report for the I quarter of 2014

Shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of the Company at the day of publishing of the report for the I quarter of 2014 were:

Shareholder	Number of held shares	Share in share capital in %	Number of votes	Share in total number of votes at GM in %
Legg Mason TFI including: Legg Mason Parasol FIO	973.914	9.39%	973.914	9.39%
OFE PZU „Złota Jesień”	843.008	8.13%	843.008	8.13%
PTE Allianz Polska S.A.	558.000	5.38%	558.000	5.38%
Aviva Powszechnie Towarzystwo Emerytalne Aviva BZ WBK SA	849.603	8.19%	849.603	8.19%
QUERCUS TFI S.A. 1)	588.034	5.67%	588.034	5.67%
	590.368	5.69%	590.368	5.69%

1) Notice received on 30 January 2014 from QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of managed investment funds Quercus Parasolowy SFIO, Quercus Absolute Return FIZ and Quercus Absolutnego Zwrotu FIZ, informing on the increase made together by Funds of their part in total number of votes in the Company, as well as on exceeding the threshold of 5% of total number of votes in the Company. Before the change, the Funds held in total 514.703 Company's shares, what accounted for 4.96% of Company's equity. Held shares entitled to 514.703 votes on General Meeting of the Company, what accounted for 4.96% of total number of votes on General Meeting. After the change as a result of a

transaction conducted on 29 January, the Funds hold in total 590.368 shares of the Company, what accounts for 5.69% of the Company's equity. Held shares provide 590.368 votes on General Meeting of the Company, what accounts for 5.69% of total number of votes on General Meeting.

Shareholding structure at the day of publishing the report for the I half of 2014

Shareholders holding directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of the Company at the day of publishing of the report for the I half of 2014 were:

Shareholder	Number of held shares	Share in share capital in %	Number of votes	Share in total number of votes at GM in %
Legg Mason TFI including: Legg Mason Parasol FIO	973.914	9.39%	973.914	9.39%
OFE PZU „Złota Jesień”	843.008	8.13%	843.008	8.13%
PTE Allianz Polska S.A.	558.597	5.38%	558.597	5.38%
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA	849.603	8.19%	849.603	8.19%
QUERCUS TFI S.A.	660.591	6.37%	660.591	6.37%
	590.234	5.69%	590.234	5.69%

Above table was prepared on the basis of information on number of shares held by shareholders registered on General Meeting of Qumak S.A. on 16 June 2014.

VIII. Statement of changes in ownership of the issuer's shares or scope of rights to shares held by managers and supervisors of the issuer

The state of Qumak S.A. shares owned by members of the Management and Supervisory Board at the date of submission of the report for the I half of 2014, in comparison to the state on the date of submission of the report for the I quarter of 2014 is as follows:

Management Board	status as for submission of report for I quarter of 2014	status as for submission of report for I half of 2014	Change of status
Paweł Jaguś	322.200	322.200	0
Aleksander Plata	395.600	395.600	0
Jacek Suchenek	200	200	0

Members of Supervisory Board hold no shares of Qumak S.A.

IX. Information about proceedings instituted before a court or administrative body

Company informs that currently there are instituted proceedings before a court, arbitration body or administrative body in the scope of liabilities or receivables of the issuer of a total value:

- In the scope of liabilities – PLN 48,810.00
- In the scope of receivables – PLN 23,751,171.18

Information concerning the biggest proceedings in the scope of receivables of the Company.

Within the scope of court proceedings concerning performing by a consortium of companies Elektrobudowa SA, Qumak S.A., Przedsiębiorstwo “Agat” S.A. (hereafter referred to as: “EQA”) an investment under the name “comprehensive performance of energy, low voltage and automation BMS within the realization of the II stage of construction of the National Stadium in Warsaw”.

In the second quarter of 2012 General Contractor selected by the National Treasury to perform this investment stopped payments to subcontractors, including EQA. As a consequence, EQA turned to the National Treasury – being together with the General Contractor a co-debtor of EQA – for payment of due remuneration. As a result of decline to make payments of total receivables, EQA instituted the following court proceedings against the National Treasury – the Minister of Sport and Tourism:

1. Petition for payment of remuneration from the Main Agreement (agreement of 15 December 2009 no 109011/151/2009)
Disputed amount: PLN 16 581 766
Date of instituting the proceedings: 26 November 2013
2. Petition for payment of remuneration from Additional Agreements (agreement of 30 December 2011 no 109011/567/2011 and the agreement of 30 December 2011 no 109011/577/2011)
Disputed amount: PLN 3 521 854
Date of instituting the proceedings: 20 January 2014

The Management Board’s statement on the above cases:

On 7 May 2013 there was received a letter from the Narodowe Centrum Sportu Sp. z o.o. acting on behalf of and for the National Treasury concerning evading by the Ordering Party legal effects of submitted as a result of an error statement on performing a final acceptance of the Subcontractor’s works performed at the construction of the National Stadium in Warsaw.

The letter was directed to a Consortium including: Elektrobudowa S.A. (in the role of a Leader of the Consortium), Qumak S.A. and Przedsiębiorstwo Agat S.A. (hereafter referred together as a “Consortium”). It referred to agreements made between a consortium including PBG S.A., Hydrobudowa Polska S.A., Alpine Bau Deutschland AG, Alpine Bau GmbH and Alpine Construction Polska Sp. z o.o. and a Subcontractor, the subject of which was performing installations of energy, low voltage and BMS within the scope of performing a construction of the National Stadium together with accompanying infrastructure in Warsaw.

Management Board of Qumak S.A. states that signed by Parties Final Acceptance Protocol of 30 August 2012 as of the state on 30 April 2012 confirms the factual state in which the National Stadium was and completeness of performed works by the Subcontractor . In the opinion of the Management Board of Qumak S.A. the Ordering Party cannot effectively evade legal effects relating to signing by the Ordering Party the Final Acceptance Protocol concerning works performed by the Subcontractor at the construction of the National Stadium in Warsaw, because the Ordering Party submitted at that time a statement of knowledge concerning quality and scope of performed works by the Subcontractor. In the opinion of the Management Board presented by the Narodowe Centrum Sportu Sp. z o.o. statement is not complying with the factual and legal state.

Statement of Narodowe Centrum Sportu Sp. z o.o. prevents reaching a pre-court settlement finalizing payment for subcontractor's works performed at the National Stadium in Warsaw.

X. Information about the conclusion by the issuer of one or more transactions with related entities, if they are relevant and have been included under other circumstances than market ones

The Company has no related entities.

XI. Information about granting by the issuer or its subsidiary a credit, loan or guarantees – together to one entity – if the value of the guarantee or guarantees shall be equivalent to at least 10% of equity of the issuer

During the I half of 2014, the Company has not provided guarantees, loan guarantees or loans with a value exceeding the equivalent of at least 10% of equity issuer.

XII. Other information which according to the issuer are important for assessing its personnel, property, financial, financial result and their changes and information that is relevant for assessing the feasibility of the obligations of the issuer

There is no information important for assessing personnel, property, financial and financial result in the I half of 2014 apart from the information transferred in Additional Information to the report for the I half of 2014 and Report on activity in the I half of 2014.

XIII. Factors that in the assessment of the issuer will have an impact on the results achieved by him in at least the next half year perspective

Portfolio of orders of the Company (value of signed contracts and not included yet in the Company's result) for the year 2014-2015 as of 30.06.2014 amounts to PLN 374 million, what together with revenues invoiced so far for the I half of 2014 gives and amount of PLN 674 million. (The Company in previous periods informed on the value of orders portfolio including already realized sales).

Warsaw, 25 August 2014

Management Board members:

Paweł Jaguś – President of the Management Board

Aleksander Plata – Vice President of the Management Board.....

Jacek Suchenek – Member of the Management Board.....