



Management Board's report on activity of Qumak Capital Group

For 1st half of 2016 that ended on 30 June 2016

QUMAK S.A. | Al. Jerozolimskie 134 | 02-305 Warszawa

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1. Selected consolidated financial data
Data concerning interim consolidated financial statements by IFRS

ITEMS OF STATEMENT OF COMPREHENSIVE INCOME AND CASH FLOWS	In PLN thousand		In EUR thousand	
	1 half of 2016 (not audited)	1 half of 2015* (not audited)	1 half of 2016 (not audited)	1 half of 2015* (not audited)
Net income from sales	176 048	352 787	40 189	85 336
Profit (loss) on operations	-412	3 781	-94	915
Gross profit (loss)	-1 142	2 004	-261	485
Net profit (loss)	-6 430	1 672	-1 468	404
Net profit (loss) for shareholders of parent entity	-6 336	1 723	-1 446	417
Net cash flow on operations	-26 616	-10 701	-6 076	-2 588
Net cash flow on investment activities	-989	-3 775	-226	-913
Net cash flow on financial activities	-4 220	8 775	-963	2 123
Net cash flow in total	-31 825	-5 701	-7 265	-1 379
Net profit/loss of shareholders of parent entity per one share (in PLN/EUR)	-0.61	0.17	-0.14	0.04
	30.06.2016 (not audited)	31.12.2015 (audited)	30.06.2016 (not audited)	31.12.2015 (audited)
BALANCE SHEET ITEMS				
Assets in total	231 788	300 317	52 376	70 472
Liabilities and provisions for liabilities	183 254	245 123	41 409	57 520
Long-term liabilities	14 700	16 621	3 322	3 900
Short-term liabilities	168 554	228 502	38 087	53 620
Equity of capital group	48 534	55 194	10 967	12 952
Share capital	10 375	10 375	2 344	2 435
Number of shares	10 375	10 375	10 375	10 375
Book value per one share (in PLN/EUR)	4.68	5.32	1.06	1.25
Diluted book value per one share (in PLN/EUR)	4.68	5.32	1.06	1.25
Declared or paid dividend per one share (in PLN/EUR)	-	-	-	-

Data concerning separate financial statements by IFRS

ITEMS OF STATEMENT OF COMPREHENSIVE INCOME AND CASH FLOWS	In PLN thousand		In EUR thousand	
	1 half of 2016 (not audited)	1 half of 2015* (not audited)	1 half of 2016 (not audited)	1 half of 2015* (not audited)
Net income from sales	174 530	352 542	39 842	85 277
Profit (loss) on operations	1 073	3 928	245	950
Gross profit (loss)	353	2 167	81	524
Net profit (loss)	-4 935	1 884	-1 127	456
Net cash flow on operations	-23 166	-11 843	-5 288	-2 865
Net cash flow on investment activities	-1 410	-3 931	-322	-951
Net cash flow on financial activities	-4 292	8 331	-980	2 015
Net cash flow in total	-28 868	-7 443	-6 590	-1 800
Profit/loss per one ordinary share (in PLN/EUR)	-0.48	0.18	-0.11	0.04
	30.06.2016 (not audited)	31.12.2015 (audited)	30.06.2016 (not audited)	31.12.2015 (audited)
BALANCE SHEET ITEMS				
Assets in total	231 341	296 189	52 275	69 503
Liabilities and provisions for liabilities	183 020	242 746	41 356	56 963
Long-term liabilities	14 334	16 358	3 239	3 839
Short-term liabilities	168 686	226 388	38 117	53 124
Equity	48 321	53 443	10 919	12 541
Initial capital	10 375	10 375	2 344	2 435
Number of shares	10 375	10 375	10 375	10 375
Book value per one share (in PLN/EUR)	4.66	5.15	1.05	1.21
Diluted book value per one share (in PLN/EUR)	4.66	5.15	1.05	1.21
Declared or paid dividend per one share (in PLN/EUR)	-	-	-	-

*data converted – causes and effects of conversion are presented in Note 2 and 3 of Other Information and Explanations.

Table A of average exchange rates no 254/A/NBP/2015 of 31-12-2015 EUR exchange rate 1 EUR 4.2615

Table A of average exchange rates no 125/A/NBP/2016 of 30-06-2016 EUR exchange rate 1 EUR 4.4255

Arithmetic average of average exchange rates of NBP at the end of every month for the period 01.01 - 30.06.2015 4.1341

Arithmetic average of average exchange rates of NBP at the end of every month for the period 01.01 - 30.06.2016 4.3805

2. Basic information on Parent company

Name :	Qumak Spółka Akcyjna
Registered office :	02-305 Warszawa Al. Jerozolimskie 134
Phone :	(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 :	4690 Z

Qumak S.A., being a parent entity of Qumak S.A. Capital Group, was established by a Notary Deed of 4 December 1997.

The Company has its registered office in Warsaw at Al. Jerozolimskie 134, 02-305 Warszawa.

The Company was entered on 13 June 2001 in register of entrepreneurs of the National Court Register maintained by Warsaw District Court, 12th Commercial Division of the National Court Register under the number KRS 0000019455. The Company was given a statistical number REGON 012877260 and number NIP 5240107036.

Basic subject of activity of the Company by Polish Classification of Activities is a non-specialized wholesale trade (PKD4690Z).

Duration of the Company is indefinite.

The Company's branches/ local offices:

Branch in Kraków at ul. Puzkarska 7K build. F

Local office in Gdańsk at Al. Grunwaldzka 472B

The Company's branches/ local offices are not self-balancing entities. The Company does not prepare joint financial statements.

3. Subject of activity of Parent company

Joint-stock company Qumak operates in IT area. The Company's activity is concentrated on integration market and covers intelligent building technologies, system integration and business applications.

The Company provides comprehensive services in the scope of computerization of enterprises and institutions, in which IT security, software and related with it applications, computer hardware deliveries and intelligent building technologies are significant elements.

Offered solutions – business lines



Business Intelligence & Big Data

BI is a set of methodologies, processes and technologies, which transform large number of data into information useful in terms of the business aims, providing enhancement of competitiveness of an enterprise and support in managing a company. Within the operations of this line the Company offers comprehensive services within the scope of designing, implementing and maintaining: Business Intelligence, Big Data and Data Mining applications, data warehouses, applications to integrate data (with the use of ETL/ELT processes), planning and budget applications.



Contact Center

In the area of comprehensive systems for professional service of interactions, the Company offers solutions: Contact Center software, IVR applications, speech recognition systems, quality management systems and recording contacts with clients, integrated ERP system, systems for management of chain stores and sales, own applications as a supplement to ready solutions.



Systems for maintenance and management of assets (EAM and ITSM)

In the area of management of company's infrastructure and assets, the Company offers to its clients a solution of EAM class that comprehensively supports management of various types of resources – production, transmission, transport or real estate. This solution enables also management of traffic maintenance processes.

The Company offers also tools of a helpdesk class (ITSM), having a full set of functions constituting support to IT infrastructure management and key IT processes service on the basis of ITIL practice and ISO 27001.



Data Center

Qumak realizes Data Center facilities, fulfilling the role of a main contractor of an entire project. Built server rooms are characterized by technical parameters, which meet strict criteria of TIA or UpTime standards. Large stress is always put on energy efficiency – facilities are realized under a Green Data Center standard.

In a whole investment process, the Company takes full responsibility for a created data center: conducts feasibility study, designs, constructs, equips with IT infrastructure, provides maintenance, as well as provides services of relocation and collocation of DC facilities. Projects are managed in accordance with the PRINCE2 methodology.

In its portfolio the Company has the biggest and the most innovative server rooms in Poland. In total these are 45 facilities of a total server area covering around 9 000 sq. m, created for the largest companies in a commercial market and the public sector institutions.



Airport Automation

Within the scope of this business line, the Company offers systems for management of air operations and solutions for airports and landing areas. Reliable air operations environments are realized on the basis of specialized systems of passengers and planes handling and security. The Company offers systems of navigation lighting and their control, radio navigation, automatic baggage and passenger information systems.

Every implementation starts with a detailed analysis of operational, functional and business needs of a client. Portfolio of the company includes solutions for newly constructed and modernized airports, military airports transformed into Regional Airports, and for the Polish Air Navigation Services Agency and landing areas for helicopters.



Smart City

Smart City solutions serve improving the quality of life in cities through traffic facilitating, decrease in the use of energy, and increasing the safety of citizens. Within the scope of this line, the Company realizes among others Intelligent Transportation Systems – using ICT (Information & Communication Technologies) in the area of transport, individual as well as public. Implementation of solutions of this class aims at enhancing traffic efficiency through reduction of travel time, limiting communication nuisance, such as emissions of pollutants and noise, as well as increasing a safety of traffic participants in the city.

Undertaking the realization of all stages of a project, the Company comprehensively performs among others implementing and launching specialist software, integration of systems and infrastructure on a road, e.g. traffic lights controllers. We provide maintenance and operational continuity of all the systems.



Building Automation

Comprehensive services of consulting, designing and conducting investments related to integrated security systems of facilities and communication systems – is a domain of the BMS business line. The Company's portfolio includes implementations in single buildings, in expanded and dispersed facilities or in complexes of facilities. The Company develops all necessary products for a project's process, including audits, feasibility study, development strategies, concepts, designs, realizations, launchings and trainings, as well as providing maintenance.

The Company holds facility security clearance of the 1st degree certificate confirming full ability to protect classified information bearing the clause SECRET, EU SECRET and NATO SECRET. The Company holds a license issued by the Ministry of the Interior and Administration for performing security systems as well as employs persons holding all necessary licenses and clearances.

Software Development



Within the scope of this business line, the Company provides a comprehensive realization of integrated IT systems. Selection of architecture and programming tools takes place after a detailed analysis of requirements from the system.

Offer includes building and integrating multilayer and dispersed IT systems in an architecture based on services (SOA), process systems (BPM), dedicated telecommunication systems for mobile and fixed network, maps systems GIS, systems of monitoring and management of an enterprise and a sales process.

Business Continuity & Data Security



Process of storing, protection, processing and transfer of data in demanding business environments of our clients is a specialty that the Company develops within the competencies of the Business Continuity & Data Security line. In this area we offer several services: designing and implementations of a necessary infrastructure, implementation of advanced communication services, providing an appropriate level of availability of launched IT services, security and monitoring of every context of access to data, security audits.

Recipients of these services are entities in which theft, loss or periodic lack of access to data may generate high losses or prevent from conducting operations, among others enterprises in a financial, telecommunication sector, as well as public institutions.

Multimedia Exhibitions



Modern technologies in public space deepen the engagement of an organization in a dialogue with an individual recipient. The Company offers a set of services covering designing, production, implementation, maintenance and development of exhibitions with particular inclusion of multimedia and interactive technologies for the needs of museums, science centers, and education. These technologies are used also commercially in large public spaces, shopping malls, railway stations, airports, trade fairs exhibitions.

The Company's advantage is a comprehensive approach to the realization, beginning with designing and performing interactive and multimedia devices, to content performing.

Desktop Management Services



The Company offers a comprehensive set of services, guaranteeing efficient operation of clients' IT systems. It ensures a full functionality of entrusted resources - from hardware, through software, to infrastructure. Professional, fast service and providing comprehensive services at the highest level guarantee safe functioning to our clients. High quality of services is confirmed in parameters of SLA: guarantees of the fastest response times and the shortest times of performing repairs. Our clients are big public institutions, companies with many branches and corporations.

To clients providing extensive services, the Company offers an additional support: repair of hardware, administration, helpdesk, migrations, rollouts, maintenance and inspections. Qumak provides maintenance of office infrastructure, advanced server solutions, intelligent buildings systems as well we advanced Data Center.



Outsourcing of IT staff

Services covering providing skilled IT employees and IT outsourcing is an area of operation within the frames of the Outsourcing of IT staff business line. Apart from recruitment and selection of candidates, the Company provides staff, administrative and legal care for all leased employees; provides services beginning with helpdesk, through system administration, conducting trainings, performing analyses and audits, to comprehensive project management or management of portfolios of IT projects. Among the clients, there are mostly large companies from financial, energy, telecommunication and technological sectors.

4. Rules of preparing semi-annual abbreviated financial statements

These interim consolidated abbreviated financial statements were prepared in compliance with the requirements of the International Financial Reporting Standards, which were validated by the European Union ("IFRS EU"), International Accounting Standard no 34 Interim Financial Reporting.

5. Basic information on Capital Group

As at the balance day the Qumak Capital Group includes:

- Qumak S.A. as a parent entity;
- Skylar Sp. z o.o. – subsidiary;
- Star ITS Sp. z o.o. – subsidiary;
- MAE Multimedia Art & Education Sp. z o.o. – subsidiary.

Financial statements of all entities in the Group are prepared for the same reporting period. Business year of the entities covered by the consolidated financial statements is a calendar year.

Consolidated financial statements cover financial statements of Qumak S.A. and financial statements of its subsidiaries. Companies in the Group prepare the statements in compliance with the IFRS standards. Subsidiaries are subject to full consolidation.

Subsidiaries	Share capital	Share of Qumak in share capital in %
Star ITS Sp. z o.o.	PLN 250,000.00	100%
SKYLAR Sp. z o.o.	PLN 250,000.00	100%
MAE Multimedia Art & Education Sp. z o.o.	PLN 1,000,000.00	58%

On 18 February 2016 there was made a purchase of the remaining part of shares (7%) in the company Star ITS Sp. z o.o. and on 22 March 2016 in Skylar Sp. z o.o. (10%). As at the day of preparing these statements the Parent company Qumak S.A. holds 100% of shares in both of these entities.

Subsidiaries offer services of designing and engineering as well as maintenance accordingly: on the market of intelligent transport systems, aviation infrastructure, and multimedia exhibitions. This, in effect, is to enable the Qumak Group to increase market penetration in selected segments and, thanks to offering highly specialized services, raise profitability of the whole organization.



STAR ITS Sp. z o.o. with its registered office in Gdańsk, Al. Grunwaldzka 472B.

The company was established on 9 July 2014. Registered on 7 August 2014 in Gdańsk District Court Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register under the number KRS 0000519358.

Share capital is PLN 250,000.00 (1000 shares of face value of PLN 250.00).

The company conducts its business within the scope of Intelligent Transportation Systems, it offers in particular:

- Comprehensive ITS implementations;
- Calibration, administration and maintenance of traffic control and management systems;
- Designing and consulting within the scope of traffic control systems;
- Expanding and adjusting already existing traffic control systems.



SKYLAR Sp. z o.o. with its registered office in Warsaw, ul. Niemcewiczka 26.

The company was established on 9 July 2014 and registered on 21 October 2014 in Warsaw District Court in Warsaw, 12th Commercial Division of the National Court Register under the number KRS 0000527081.

Share capital is PLN 250,000.00 (1000 shares of the face value of PLN 250.00).

The company employs high-class engineers specializing in projects concerning modernization and service of airports and landing areas, as well as implementations providing security at airports.

The company conducts its business within the scope of aviation technologies, it offers among others:

- Designing, implementing and maintenance of navigation systems and meteorological radars, modernization and service of radio communication systems;
- Designing and service of heliports and landing areas for military and civilians;
- Assembly and service of baggage systems (BHS) and scanners (EDS);
- Comprehensive implementations within the scope of security and protection.



MULTIMEDIA ART EDUCATION

MAE Multimedia Art & Education Sp. z o.o. with its registered office in Gdańsk, ul. Batorego 8.

The company was established on 14 January 2015 and registered on 14 April 2015 in District Court in Gdańsk, 7th Commercial Division of the National Court Register under the number KRS 0000553162.

Share capital is PLN 1,000,000.00 (1000 shares of the face value of PLN 1,000.00).

MAE develops and implements projects with the use of modern technologies in exhibition and multimedia for museums and exhibition facilities, together with developing own multimedia and scenography content. The company offers services for private and public entities, including museums and science centers. Multi-disciplinary team composed of professionals of complementary skills in various areas takes care of comprehensive development of multidimensional exhibition spaces, starting with a concept, through design, as well as realizes tasks combining construction and installation works with the areas of scenography and multimedia.

6. Membership of managing and supervising bodies of Parent company

Management Board

As at the publication day of these statements, the Management Board has the following members:

Tomasz Laudy	– President of the Management Board;
Marek Tiahnybok	– Vice President for Finance;
Wojciech Strusiński	– Vice President for Sales;
Jacek Suchenek	– Vice President for Realizations.

Changes in membership of the Management Board in the 1st half of 2016

Management Board of the Company in the period from 1 January 2016 to 31 May 2016 operated in the following membership:

Marek Tiahnybok – acting President of the Management Board;

Jacek Suchenek - Vice President for Realizations;

Wojciech Strusiński - Vice President for Sales.

On 4 April 2016 the Supervisory Board adopted a resolution appointing Tomasz Laudy to the membership of the Management Board. He undertook fulfilling duties of a President of the Management Board of the Company on the day of 1 June 2016.

Supervisory Board

As at the publication day of these statements, the Supervisory Board has the following members:

Gwidon Skonieczny	– Chairman of the Supervisory Board;
Aleksandra Górka	– Vice Chairman of the Supervisory Board;
Wojciech Napiórkowski	– Member of the Supervisory Board;
Wojciech Włodarczyk	– Member of the Supervisory Board;
Piotr Woźniak	– Member of the Supervisory Board.

Changes in membership of the Supervisory Board in the 1st half of 2016

Supervisory Board of the Company in the period from 1 January 2016 to 14 June 2016 operated in the following membership:

Monika Hałupczak (Chairman of the Supervisory Board in the period 01.01-25.04.2016), **Wojciech Napiórkowski** (Vice Chairman of the Supervisory Board), **Gwidon Skonieczny** (Chairman of the Supervisory

Board in the period 25.04.2016–14.06.2016), **Wojciech Włodarczyk** (Member of the Supervisory Board), **Piotr Woźniak** (Member of the Supervisory Board). On 25 April 2016 the Supervisory Board dismissed Monika Hałupczak from fulfilling a function of a Chairman of the Supervisory Board, electing Gwidon Skonieczny for this function.

On 14 June 2016 with regard to the end of the 7th term in office of the Supervisory Board, the General Meeting of the Company appointed members of a new 8th term in office of the Supervisory Board. The following members were elected: **Aleksandra Górka**, **Wojciech Napiórkowski**, **Gwidon Skonieczny** (Chairman of the Supervisory Board), **Wojciech Włodarczyk**, **Piotr Woźniak**.

The Supervisory Board was established during a meeting on 23 June 2016, on which there was elected a Chairman Gwidon Skonieczny and a Vice Chairman Aleksandra Górka.

Committees operating in the Supervisory Board

Audit Committee

Wojciech Włodarczyk

Wojciech Napiórkowski

Piotr Woźniak

Remuneration Committee

Gwidon Skonieczny

Aleksandra Górka

7. Basic economic and financial data with Management Board's comment

Financial results

Period from January to June this year have been a demanding period for the Group and Qumak. Market of intelligent infrastructure, dynamic development of which had been beneficial for the Group recently, slowed down with regard to an impasse in public procurement, value of which dropped by 50% year on year. The Company also had been going through the next stages of internal reorganization, one element of which was i.a. replacing a President of the Management Board.

In the first half of 2016 the Group achieved PLN 176 million consolidated revenue, which means a drop year on year by nearly 50%. Significantly lower turnaround is, on the one hand, an effect of an economic cycle on the market of public procurement, on the other hand, a change in sales policy in the Company. In 2015 there was finally settled a tranche of EU means for the years 2007-2013, which resulted in sales accumulation and achieving the highest semi-annual turnaround in the Company's history. First six months this year was a transitional period in which the Polish administration announced on very small scale financial projects in the next perspective for the years 2014-2020. Simultaneously, Management Board had undertaken activities leading to changing revenue structure towards the preference of orders of lower value but allowing higher margins as well as providing fixed recurring revenue.

Comparing gross profitability on sales it is noticeable that it significantly increased with regard to the same half of the year a year before, from 4.7% to 9.6% now. It is worth mentioning that in the 2nd quarter considering stopping to recognize the ISOK contract as a long-term contract, the recognition of income on this project took place, which was previously included in the statements in accordance with the costs advancement, what gave an effect in the form of an additional margin. In the second quarter also a verification of achieved margin took place on contracts which entered a final stage of their realization. Real growth of sales profitability is noticeable in the 2nd quarter, which after accounting allocation was 6.8%. Another also important reason for margin growth in the 2nd quarter this year was modeling the organization and changing income structure, including an increased share of income on contracts realized with a higher margin in a commercial market.

When it comes to costs: within the scope of SG&A there was noted their increase by 10%. This is related to an internal reconstruction of the organization, changes and adjusting employment structure to shifting sales structure. Moreover, there had been undertaken many organizational activities in order to increase control and security as well as mitigate risks in operations of the Group's companies, which is particularly visible in an increase of general administration costs.

Operating result was PLN -0.4 million, comparing to PLN 2 million a year before. It is worth mentioning that in the 2nd quarter the Company generated over PLN 6.3 million EBIT, which positively influenced the result achieved for the whole 1st half of the year. Net loss was on the level of PLN 6.4 million and net gain PLN 1.6 million in the 1st half of 2015. Consolidated net result was strongly influenced by deferred income tax. Its amount is related to a potential loss on tax recognized as at the day of preparing the financial statements (the Group did not create assets for deferred tax from loss on tax as at 30.06.2016, because of uncertainty of its deduction in the nearest time frame).

With regard to comparable data for the 1st half of 2015 it is worth mentioning that in the financial statements for the year 2015 the Company made corrections of long-term contracts valuation (described in details in the consolidated annual statements as at 31.12.2015). One of the effects of this correction was recognition of income on particular contracts in compliance with IAS as a derivative of percentage of costs engagement in a given project. In order to obtain comparability of data for previous periods, the Group made a correction of long-term contracts valuation for the period of the first half of 2015. This correction does not influence the result for the whole year 2015.

Table: Income and costs structure in the 1st half of 2016 in comparison with the 1st half of 2015 (in PLN thousand)

In items	I Q 2016	II Q 2016	I H 2016	I H 2015
Income on sales	75 082	100 966	176 048	352 787
Own costs of sales	73 301	85 813	159 114	335 964
Gross profit (loss) on sales	1 781	15 153	16 934	16 823
- Sales costs	3214	3376	6 590	8 324
- Administration costs	5377	5006	10 383	7 735
- Other operating income	115	257	372	3 482
- Other operating costs	82	663	745	465
Profit (loss) on operating activity	-6 777	6 365	-412	3 781
Result on financial income and costs	-138	-592	-730	-1 777
Profit (loss) before tax	-6 915	5 773	-1 142	2 004
Income tax and deferred income tax	297	4991	5288	332
Net profit (loss)	-7 212	782	-6 430	1 672

Provisions and extraordinary write-downs

Table: Provisions and impaired write-downs on assets

	As at	Dissolved/	Created	As at

	31.12.2015	Used provisions	provisions	30.06.2016
Provisions				
Provision for warranty repairs	8 549	2 732	3 075	8 892
Provision for pension benefits	3 048	118	2 204	5 134
Provision for expected costs of realized contracts	0	-	5 235	5 235
Other provisions	1 713	817	98	994
Total	13 310	3 667	10 612	20 255
Accruals of costs presented in liabilities and provisions for expected losses on contracts				
Accruals concerning costs of realized contracts	7 610	5 235	-	2 375
Provision on expected losses from contracts	46	-	474	520
Total	7 656	5 235	474	2 895
Impaired write-downs on assets				
Impaired write-down from discount on goods	440	-	244	684
Impaired write-down from difficult to collect receivables	7 270	-	265	7 535
Total	7 710		509	8 219

Structure of assets and liabilities of consolidated balance sheet

Balance sheet amount of the Group as at 30.06.2016 was PLN 231 788 thousand and was lower by PLN 68 529 thousand than the state as at 31.12.2015. Decrease of equity by PLN 6 660 thousand results from including in this item retained losses.

	As at 30.06.2016	As at 31.12.2015
Fixed assets	37 350	42 545
Current assets	194 438	257 772
ASSETS IN TOTAL	231 788	300 317
Equity	48 534	55 194
Long-term liabilities	14 700	16 621
Short-term liabilities	168 554	228 502
CAPITAL AND LIABILITIES IN TOTAL	231 788	300 317

Contingent liabilities

In the 1st half of 2016 the Group did not have contingent liabilities except bank and insurance guarantees listed in the note 26 *Liabilities and contingent assets* of abbreviated consolidated financial statements for the 1st half of 2016.

Investments of the Group

In the period presented in these statements, Qumak S.A., parent entity, had been performing the project of a locomotive simulator described below.

Locomotive simulator

Within the frames of signed agreements Qumak launched and continues a project co-funded by means of the National Center for Research and Development, which aims at developing the first product under the brand Qumak – a locomotive simulator. It enables providing trainings of train drivers in safe conditions and creating models of behavior in situations of crisis. This project is performed under a consortium (IKKU Sp. z o.o., Railway Institute, Military University of Technology) and its aim is to build and launching a demonstrator of technologies with the purpose of commercializing it. During the performing of the project, there was appointed in the Company an internal dedicated competence team, the task of which will be to develop projects within the area of simulators for commercial purposes, and in future probably also for the needs of a military.

As at 30.06.2015 engagement in this project amounted to PLN 7 000 thousand.

Fixed assets, intangible assets

Investment expenditure in the presented period was related to a gradual exchange of IT infrastructure and car fleet. Other expenses were limited to restoring used fixed assets. Item *fixed assets under construction* covered mainly expenditures for producing a locomotive simulator (described above).

Table: Net fixed assets for the 1st half of 2016 and the 1st half of 2015

	As at 30.06.2016	As at 31.12.2015
Computers and other office equipment	3 242	2 054
Transport means	2 818	3 440
Other fixed assets	479	512
Fixed assets under construction	7 831	6 928
Total:	14 370	12 934

Financial assets

As a result of quarterly evaluation of shares quoted on WSE (main market) their value was corrected in accordance with a market value as at 30.06.2016. Decreasing their value by PLN 56 thousand was included in a financial result. Value of held shares quoted on WSE is PLN 481 thousand. Other financial assets, intangible assets and tangible fixed assets did not require revaluation.

Shares in Madkom S.A. in consolidated financial statements of Qumak Capital Group are included as financial assets available for sale and valued at fair value, and profits and losses from periodic valuation are allocated to other capitals, as a component of total revenues. In such a situation, changing valuation does no influence a current financial result.

Financial instruments

Group did not apply in the 1st half of 2016 financial instruments to limit the risk of change of prices or a credit risk. There are no adopted uniform methods of managing a financial risk; on every such occasion, the Group analyses every situation separately and decides on possible application of such instruments.

Basic financial ratios of Qumak Capital Group

Table: Profitability ratios of Capital Group Qumak S.A.

	1 H 2016	1 H 2015
Sales profitability (gross)	9.62%	4.77%
EBITDA profitability	0.90%	1.51%
Operating profit profitability	-0.23%	1.07%
Gross profitability	-0.65%	0.57%
Net profitability	-3.65%	0.47%

Rules of calculating ratios:

Sales profitability (gross) = gross income from sales/ revenues from sales

EBITDA profitability = (loss from operations + depreciation)/ revenues from sales

Operating profit profitability = loss from operations/ revenues from sales

Gross profitability = loss before taxes/ revenues from sales

Net profitability = net loss/ revenues from sales

Table: Financing structure ratios of Capital Group Qumak S.A.

	As at 30.06.2016	As at 31.12.2015
General debt ratio	0.79	0.82
Interest-bearing debt to assets ratio	0.07	0.03
Coverage of fixed assets with equity ratio	1.30	1.30
Equity indebtedness ratio	0.34	0.17

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

General debt ratio – liabilities and provisions for liabilities in total/ assets in total,

Interest-bearing debt to assets ratio – interest-bearing indebtedness/ assets in total,

Coverage of fixed assets with equity ratio – equity/ fixed assets,

Equity indebtedness ratio – interest-bearing indebtedness/ equity

Table: Liquidity ratios of Qumak S.A.

	As at 30.06.2016	As at 31.12.2015
Current liquidity ratio (current ratio)	1.15	1.13
Quick liquidity ratio (quick ratio)	0.88	0.99

Rules of calculating ratios:

Current financial liquidity ratio = current assets/ short-term liabilities

*Quick financial liquidity ratio = (current assets – inventory – short-term accruals)
/ short-term liabilities*

The Company's profitability on all levels is worse in comparison with the previous year, which is related to the noted loss in the 1st quarter of 2016. With an exception of gross profitability on sales, which significantly grew in comparison with the same half of 2015; from 4.8% to 9.6% now. Growth of margin took place as an effect of recognizing revenues on the ISOK project and verification of margin on contracts which entered a final stage of their realization. Important reason for margin growth in the 2nd quarter this year was modeling the organization and changing income structure, including an increased share of income on contracts realized with a higher margin in a commercial market.

The most significant change, when it comes to debt ratios, is decrease of interest-bearing debt to assets that is a result of a significant reduction of interest liabilities. The same reason influenced a noticeable improvement of an equity indebtedness ratio.

Current liquidity ratio is on a similar level in comparison to the end of the last year. Quick liquidity ratio decreased to the level of 0.88, mainly because of increase in prepayments that was influenced by significant increase of costs of invoiced services, which are settled in time proportionally to the length of performed contracts. Values of both indicate a good liquidity situation of the Company and lack of threat to pay liabilities.

Equity investments

Apart from investments in buying remaining parts of shares in subsidiaries Skylar Sp. z o.o. and Star ITS Sp. z o.o. in the 1st half of 2016 there were no significant equity investments.

8. Income from sales and reporting segments

Qumak Capital Group performs financial evaluation of its operations with a division into business lines estimating the level of sales, and margin II on projects of a given line. This division is conditioned by the specifics of products and services delivered to recipients.

The evaluation of the segments' results is performed on the basis of EBIT (operating income).

Operating result is calculated by decreasing achieved gross income from sales of a given business line by directly borne costs of sales and a percentage of indirect costs of sales.

Operational segments are presented in a way consistent with an internal reporting, delivered to a main operational stakeholder, on the basis of which he evaluates results and decides on allocation of resources. The main operational stakeholder is the Management Board of the Parent entity.

There are the following operational and reporting segments:

Segment	Description of its operations
Data Center	Data Center is a modern technological center consisting of a server room and devices supporting its functioning. The Group realizes facilities of a Data Center type fulfilling the role of a main contractor of an entire project. It creates concepts, designs, builds, equips with IT infrastructure, and provides maintenance, as well as performs stress tests.
Airport Automation	Solutions covering airport infrastructure, systems of supporting and managing airport terminals, and helicopters landing areas. Comprehensive offering of the enterprise in this area includes among others navigation lighting systems, systems of baggage and passenger information, meteorological services systems, radio navigation and radio communication systems, ice alert systems, and building weather stations radars. The Company's portfolio includes solutions for newly constructed and modernized civil airports, military airports transferred into Regional Airports, realizations for the Polish Air Navigation Services Agency, as well as landing areas for helicopters.
Building Automation	BMS and building technologies are modern, integrated solutions facilitating building's administration, optimizing costs of its maintenance, and guaranteeing a high level of security of facilities. Building management systems, security systems, lighting control systems, biometric systems, IT systems, as well as audio and video are domain of this business line. The Company's portfolio covers implementations in single buildings, in expanded and dispersed facilities, as well as in building complexes. The Company creates all products necessary for an investment process, including audits, feasibility study, development strategies, concepts, designs, realizations, launchings and trainings, as well as providing maintenance.
Software Development	Within the scope of this business line, the Company provides a comprehensive realization of integrated IT systems, from the stage of recognizing requirements and preparing a design, to realization and maintenance. Selection of architecture and programming tools takes place after a detailed analysis of requirements with regard to a system. The Company's offering covers also audit,

	refactoring and taking over of maintenance of already existing solutions.
Multimedia Exhibitions	Multimedia exhibitions is an area offering modern display and multimedia solutions. Applying modern technologies in public space deepen the engagement of an organization in a dialogue with an individual recipient. The Company offers a set of services covering designing, production, implementation, maintenance and development of exhibitions with particular inclusion of multimedia and interactive technologies for the needs of museums, science centers, and education.
Desktop Management Services	Offered by the Company services of direct support at the client's site, service of hardware, servers and active devices, serve ensuring continuity of IT infrastructure functioning, reduction of enterprises' administration costs, decreasing risk at the same time increasing security and optimization of processes. The Company offers a comprehensive set of services, guaranteeing efficient functioning of clients' IT systems.
Sales of hardware and licenses	Segment covers sales of hardware and licenses as ordered by a client, not included by the above-mentioned solutions.
Other	Segment covers aggregated business lines not meeting at the moment of the presentation the threshold of quantity and values, such as: Business Intelligence & Big Data, Contact Center, Business Continuity & Data Security, Outsourcing of IT staff, Smart City.

More information on the topic of segments (business lines) is presented in the point 3 of these Statements.

Net income and operating result are presented in accordance with the rules set in the accounting policy.

For reasons of a different approach to settle trade costs when calculating profitability of segments there was used a method of settlement of labor time spent directly at a given contract, and what comes next at a given segment. Proportionally to borne direct costs of a given segment there were calculated indirect costs of trade, realization, as well as support and development. Because of decrease in revenue and quite stable increase of direct and indirect costs of particular segments, there was noted a significant decrease in margin in some of the segments. Costs of general administration are not settled in division to segments. The whole profitability of segments gives a result complying with an operating result of the Company.

Assets, intangible assets and liabilities are not attributed to segments in records.

Financing of the Company, income tax, items of administration costs as well as other net income/costs are managed at the level of the Company and are not allocated to operating segments.

For all segments there are applied uniform accounting rules based on a policy of appropriate financial reporting. There are no sales transactions between particular segments.

Segments	Income from sales		Operating result	
	I H 2016	I H 2015	I H 2016	I H 2015
Data Center	31 888	27 738	1 294	329
Airport Automation	11 987	101 392	-1 064	3 457
Building Automation	28 227	68 732	2 364	5 377
Software Development	12 204	23 550	4 461	-4 443

Multimedia Exhibitions	17 794	17 327	-2 238	401
Desktop Management Services	17 748	27 729	3 068	604
Sales of hardware and licenses	29 594	30 331	453	1 308
Other segments	26 606	55 988	1 631	4 483
Net income from sales in total	176 048	352 787		
			Costs of general administration	-10 383
				-7 735
			Loss/profit from operations	-412
				3 781

The Group conducts its operations mainly in Poland. Export sales are currently occasional and do not have a significant share in sales and results of the Group.

9. Outlets and markets for provision as well as dependence on recipients and suppliers

Group realizes its current revenue nearly exclusively on a domestic market. Main recipients are commercial entities: enterprises in telecommunication, energy, financial, and construction sectors. Because of a large number of recipients there is no dependence on one recipient. 20 biggest recipients realized in total 73% of turnaround from sales of goods and services. In the 1st half of 2016 no recipient exceeded 10% of total trade of the Group.

Purchase of goods, materials and services are realized on a domestic market. Purchases abroad are rare. Because of a wide spectrum of offered by the Group products, goods and services, as well as within the scope of supplies, there is no dependence on particular suppliers. 20 biggest suppliers realized in 2015 51% of total deliveries to the Group. In the 1st half of 2016 no supplier exceeded 10% of total trade of the Group.

10. Description of most important events and achievements significant for the Group's operations

In the 1st half of 2016 the described below events significant for the Group's operations took place:

Entering into agreement for performing multimedia exhibition in EC1

The agreement for performing a multimedia exhibition in the EC1 complex in Łódź was made on 14 January 2016 by a consortium including: Qumak S.A. (as a leader), MAE Multimedia Art & Education and Estonian Museko. Subject of the agreement is designing, performing and equipping a display in the Science and Technology Centre in Łódź.

The project is divided into four separate tasks. The signed agreement provides for performing the first of them and optionally the other three tasks too. The first task is of the value of around PLN 20 million net (PLN 24.6 million gross). It covers designing and building among others two thematic paths named "Przetwarzanie energii" and "Mikroświat-Makroświat"; an entrance zone, an internet website, a strategy game, and a visual identification system. The contractors will also adapt and arrange display rooms as well as will conduct trainings of employees dedicated to administer all the installed elements. The task realization is planned to be completed in the 4th quarter of 2016.

On 29 April 2016 the Company received an information on expanding the order by performing an exhibition called "Rozwój wiedzy i cywilizacji", for which it will receive a net remuneration amounting to PLN 10,524,067.21. Remuneration for the Consortium for the realization of all the tasks covered in the Agreement can reach even PLN 33 million net (PLN 40.6 million gross).

Entering into agreement for delivery of energy storage system with Energa-Operator

On 8 April 2016, Qumak (as a leader of the consortium) with My-Soft, Commener, and Trakcja TRKil signed an agreement with Energa-Operator for delivery of electricity storage system. This is the first in Poland such storage operating in Lokalny Obszar Bilansowania (LOB). Value of the contract is PLN 6,729,000 net.

Within the frames of the contract there will be delivered and launched electricity storage system of a nominal power exceeding 750kW in both directions of work and of a capacity greater than 1500kWh. Additionally, the Company will provide technical support, particularly in the scope of linking the energy storage to the electricity system of Energa-Operator.

The project will be performer within 22 weeks from entering into this agreement. After completing the works, Qumak will provide maintenance for the next 18 months.

Entering into agreement for performing AWOS at the Airport in Bydgoszcz

Consortium, including Qumak (in the role of a leader) with its subsidiary Skylar, will perform an Automated Weather Observing System (AWOS) at the airport in Bydgoszcz. Value of the order is PLN 2.44 million net.

The scope of works covers among others building a necessary energy and telecom infrastructure, delivering and installing sensors, servers and terminals for service. AWOS that will be implemented by Qumak will meet the highest security standards (CAT III).

AWOS collects data from various points around a runway, such as: speed and direction of wind, temperature of air and ground, visibility along the runway, humidity, height of cloud ceiling. Such information is necessary to provide safe airplanes landings or take-offs even in difficult atmospheric conditions.

This is the 8th implementation of AWOS at Polish airports performed by Qumak and Skylar.

Entering into agreement for realization of IT outsourcing services in Grupa Kapitałowa Kęty S.A.

This agreement is a continuation of a cooperation that had started 6 years ago. The agreement covers a period from 2016 to 2019, and its value in the whole validity period exceeds PLN 4.7 million. Within the frames of this contract Qumak undertook providing service of an entire IT environment of the client (hardware and partially software).

Entering into annexes to reverse factoring agreement and liabilities limit agreement

On 1 July 2016 there were made annexes to a reverse factoring agreement and a liabilities limit agreement with Raiffeisen Bank Polska Spółka Akcyjna (Bank). There were changed duration dates of the above-mentioned agreements.

By an Annex to the Reverse Factoring Agreement made with the Bank on 28 May 2014, there was changed duration of this agreement, set as a term of submitting invoices, setting it to the day of 30 May 2017 and a deadline for using a limit – 29 September 2017.

And by an Annex to the Liabilities Limit Agreement, changing provisions of the Liabilities Limit Agreement made with the Bank on 25 April 2008, there was changed a deadline for using a limit to the day of 30 May 2018 and a date of its final repayment to 30 May 2025.

The Company informed about entering into these above-mentioned Agreements in a current report no 27/2014 of 30 May 2014.

Other contractual provisions, including fees and interest for delay in repayment or collaterals, do not differ from conditions commonly applied in the contracts of this sort.

Place of Qumak S.A. in published rankings

By Computerworld TOP 200 report, Qumak took the first place in the category of IT companies of the biggest income from sales of integration services.

Detailed results of particular categories of the Computerworld TOP 200 Report, in which the Company took high places:

Leader (1. place) :

Biggest supplier of integration services

Biggest supplier of centers and data processing services

Biggest supplier of IT solutions and services for industrial and construction sector

Biggest supplier of IT solutions and services for transport, shipping and logistics sector

Biggest suppliers of IT services – 5. place

In the ITwiz Best100 ranking Qumak was on the list of 10 biggest IT companies on the Polish market.

Leader (1. place):

IT company of the biggest income from sales of integration services

IT company of the biggest income from industrial sector

IT company of the biggest income from transport, shipping and logistics sector

11. Indicating and assessing factors and unusual events influencing results from activity in this period

Received a letter with a statement of rescinding stage 5 of agreement on ISOK system realization

On 28 June 2016 Qumak S.A. received a letter in which the State Treasury – National Water Management Authority acting in his own name and on behalf of the Institute of Meteorology and Water Management – National Research Institute (hereafter referred to as the Ordering Party) submitted a statement of rescinding the Agreement of 29 August 2013 in the part regarding the Stage 5.

Subject of the above-mentioned Agreement is designing, building and implementing the IT system of the country's protection from extraordinary threats (ISOK) and providing a warranty service after the implementation of this system for the period of 5 years. The Company informed about entering into this Agreement in a current report no 46/2013 of 29 August 2013 and about the Annex prolonging the deadline for its realization in a report no 63/2014 of 5 December 2014. For performing the subject of the Agreement there was set remuneration in the amount of PLN 50,640,475.61 net. Stage 5 in the statement of rescinding, concerned an implementation in a production environment of the ISOK system.

The statement of rescinding is dated 28 June 2016. It was submitted pursuant to Article 491 paragraph 2 of the Civil Code. As a reason for rescinding the Ordering Party indicated the delay with regard to the deadline for finishing the Stage 5 as set in the Agreement.

This position of the Ordering Party in the Management Board of Qumak opinion is incomprehensible and not based on facts. All the works within the scope of the Contractor were performed in accordance with the Specification of the Subject Order (OPZ).

In the Management Board's opinion in accordance with the content of the statement of rescinding there is no basis to calculate contractual penalties by the Ordering Party for rescinding the Agreement for reasons contributable to the Contractor.

On 7 September 2016 the Company issued an invoice for the amount of PLN 23 million for performing the products of the stage 5 under the agreement, however, it was not accepted by the Ordering Party.

In the 1st half of 2016 apart from the event described above there were no other unusual events influencing the result on operations in this period.

12. Events after balance day

After the balance day there were the following events that are important to the Group's operations:

Entering into agreement with Energa-Operator for providing service of a Telephone Contact Center

On 26 August 2016, Qumak S.A. signed a contract for a three-year service of notifications received by telephone and e-mail to emergency and distribution center of ENERGA-Operator. This order is divided into four

task areas. First of them covers notifications concerning receiving, registering and giving information regarding i.a.: reporting threat to life or property deriving from the process of distribution of electricity, notifications concerning interruption in supply of electricity and connections, use of the network, settlements and debt collection. Estimated number of serviced notifications submitted by the clients of ENERGA-Operator SA is 82.5 thousand per month. Value of this part of the contract is around PLN 7.1 million net. Next three areas extending the realized tasks are optional and may be ordered until 30 June 2019. Contact center will be serviced by a team of consultants working in the 24/7/365 mode in the Service Desk Center in Płock opened by Qumak in the beginning of August. Total value of all areas is PLN 11 143 654.91 net.

Large block of shares

On 6 September 2016 the Company received a notice sent by Altus Towarzystwo Funduszy Inwestycyjnych S.A. (hereafter referred to as ALTUS TFI S.A), acting on behalf of investment funds managed by ALTUS TFI S.A., informing about exceeding a 5% threshold of total number of votes in the Company.

This took place as a result of settlement on 1 September 2016 a transaction of purchasing 41.084 shares of the Company on a regulated market.

After the change, the investment funds managed by ALTUS TFI S.A. hold in total 540.861 shares of the Company, which constitutes 5.21% of the Company's equity and the same percentage of votes in the Company.

13. Information on shares and shareholding structure of Qumak S.A.

As at the publication day of the report for the 1st half of 2016 share capital of a Parent company is PLN 10,375,082.00. Total number of votes on a general meeting coming from all issued shares of the Company corresponds to the number of shares and is 10.375.082 votes. All shares of the Company are bearer shares and their nominal value is PLN 1.

Below there is a table of shareholders holding at least 5% of total number of votes on a general Meeting of the Company as at the day of publishing the report for the 1st half of 2016, together with indicating changes in date of publication of the report for the 1st half of 2016. The table was prepared on the basis of information provided by shareholders under Article 69 of Act of 29 July 2005 on Public Offering and conditions governing the introduction of financial instruments to the organized trade system and on public companies.

Shareholding structure as at the day of publishing the report for the 1st half of 2016

Shareholders who directly or indirectly through subsidiaries held at least 5% on the day of publishing the report for the 1st half of 2016 were:

Shareholder	Number of held shares	Share in share capital in %	Number of votes	Share in total number of votes on GM in %
Legg Mason TFI	1.033.914	9.97%	1.033.914	9.97%
including:				
Legg Mason Parasol FIO	843.008	8.13%	843.008	8.13%
OFE PZU „Złota Jesień”	558.500	5.38%	558.500	5.38%
PTE Allianz Polska S.A.	989.603	9.54%	989.603	9.54%
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA	960.000	9.25%	960.000	9.25%

Nationale-Nederlanden OFE	547.275	5.27%	547.275	5.27%
Altus TFI S.A.*	540.861	5.21%	540.861	5.21%

*Above data include information provided by Altus TFI S.A. on 6 September 2016 on increasing number of the Company's shares above 5% votes on a general meeting of shareholders of the Company, as a result of a transactions settled on 1 September 2016.

Shareholding structure as at the day of publishing the report for the 1st quarter of 2016

Shareholders who directly or indirectly through subsidiaries held at least 5% on the day of publishing the report for the 1st quarter of 2016 were:

Shareholder	Number of held shares	Share in share capital in %	Number of votes	Share in total number of votes on GM in %
Legg Mason TFI	1.033.914	9.97%	1.033.914	9.97%
including:				
Legg Mason Parasol FIO	843.008	8.13%	843.008	8.13%
OFE PZU „Złota Jesień”	558.500	5.38%	558.500	5.38%
PTE Allianz Polska S.A.	989.603	9.54%	989.603	9.54%
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA	960.000	9.25%	960.000	9.25%
Nationale-Nederlanden OFE	547.275	5.27%	547.275	5.27%

Companies in the capital Group did not purchase in this reporting period own shares.

14. Information on shares of Qumak S.A. held by managing and supervising persons

Management Board	As at the day of publishing a report for the 1st half of 2016	As at the day of publishing a report for the 1st quarter of 2016	Change in status
Jacek Suchenek	200	200	0

Other members of the Management Board do not hold shares of the Company.

Supervisory Board	As at the day of publishing a report for the 1st half of 2016	As at the day of publishing a report for the 1st quarter of 2016	Change in status
Wojciech Włodarczyk	1.721	1.721	0

Other members of the Supervisory Board do not hold shares of the Company.

15. Information on paid or declared dividends

In the 1st half of 2016 and as at the publication day of this report, there was no dividend paid or declared or made advance payments for dividends.

16. Activities of research and development

In accordance with the aims of the Parent company's strategy for 2013-2016, the mission of the Department of Research and Development is continued, which supports creating a strong brand of a business partner who builds and develops innovative technological solutions, as well as influences the market of modern technologies. It uses nearly thirty years of experience of the Company and combines wide capabilities of its specialized departments to create and commercialize innovative technology projects in cooperation with scientific institutions and innovative companies.

Strategic aim of the Research and Development Department, i.e. the creation and development of innovative technological projects in cooperation with scientists, is corresponding to a program realized by the Ministry of Science and Higher Education under the name "Horyzont 2020" - the biggest in the history program of funding scientific research and innovation in the European Union.

Within the scope of signed contracts, Qumak launched a project co-funded from means of the National Centre for Research and Development, which will result in creating the first product under the Qumak brand – a locomotive simulator. It allows providing training to drivers in safe conditions and creating models of behavior in situations of crisis. The simulator uses many innovative software and hardware solutions making it one of the most modern training simulators for railway sector in the world. The above project is performed by a consortium (IKKU Sp. z o.o., the Railway Institute, Military University of Technology), aim of which is constructing and launching a demonstrator of technologies for the purpose of commercialization. During the project there was appointed an internal dedicated competence team in the Company, task of which is a development of projects in the area of simulators for commerce and military, is preparing to introduce to the market an offering of products built on the basis of created solutions.

17. Description of basic risks and threats related to remaining months of this business year

The Company as well as the Group are exposed to financial risks and market risks related with their operations.

Financial risks

The Company is exposed to risks first of all related to financial instruments issued and held within the scope of its operations and financial activity. Main risk factors include credit risk and liquidity risk as well as market risk.

The Company manages financial risk mainly through current and constant monitoring of financial assets and liabilities. The Company does not apply any forms of hedge accounting.

Credit risk

Credit risk is a risk that counterparty will not fulfill its contractual obligations, as a result of which the Company will bear financial losses. The Company applies a rule of performing transactions only with counterparties of a verified creditworthiness, in case obtaining appropriate collateral as a tool in reduction of financial losses risk due to not fulfilling contractual obligations.

More information on the topic of credit risk is presented in the note 24 of the Financial Statements for the 1st half of 2016.

Exchange rate risk

In the periods covered by these financial statements an exchange rate risk included a risk related to the existence of balance of trade receivables and liabilities expressed in foreign currencies.

Liquidity risk

The Company manages liquidity risk by maintaining an appropriate value of capital, using offers of bank services (credit lines, factoring), monitoring planned and actual cash flows, as well as adjusting a profiles of financial assets and liabilities maturity.

Market risks

Risk associated with dependence on suppliers

The Company is tied by partnership agreements with many IT companies. These companies, in most cases, offer solutions similar to each other in terms of functionality and quality, as well as prices. The Company also cooperates with many domestic distributors of IT products. Thanks to this most of the solutions offered by the Group can be developed on the basis of alternative products from various vendors.

Risk associated with seasonality of incomes

IT market is characterized by high seasonality of sales, as manifested by the fact that a large proportion of sales income is generated in the fourth quarter of a year. For several years, the Company tries to organize realization of contracts in such a way that positive financial results are recorded in each quarter of a business year.

Risk associated with the process of acquiring new contracts

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

Risk associated with performer contracts and technological changes in the industry and development of new products

Qumak performs within the scope of its operations projects for entities in the public sector (local self-governments, public institutions). The Company's operations are characterized by the fact that majority of orders being a source of income for the Company is settled in the form of tenders, large number of which in the form of public tenders. Part of these projects is financed from the EU funds, which creates the necessity of their timely performance and settlement. For reasons of the complexity of projects there is a risk of not fulfilling obligations of the Company due to external factors that are beyond the Company's control.

Proper operation of an IT system is one of the basic conditions for proper functioning of an enterprise. The Company by creating and providing customers with such IT solutions, bears the risk of error, which may adversely affect the functioning of the client's enterprise, which may result in the client incurring significant damage. The occurrence of such circumstances brings the risk of raising claims for compensation against the Company. The Company Spółka makes all the effort to fulfill its contractual obligations.

IT sector characterizes with fast development of solutions and technologies, and so the life cycle of a product on this market is relatively short. Therefore, the Company's success depends to a large extent on the ability to

apply the most modern technological solutions in offered services. In order to maintain a competitive market position, it is necessary to conduct development works and investments in new products. There is a risk of new solutions appearing on the market, which will make the services offered by the Company less attractive and that they will not ensure the incomes estimated at the stage of their creation and development. There is also no certainty whether new solutions, on creation or development of which the Company works at present or will work in future, will achieve estimated technological parameters and will be positively accepted by potential recipients, which would result in the loss of planned income.

Risk associated growth of competition on a domestic market

Significant impact on the Group has an increasing competition from both Polish and foreign IT companies, particularly in the case of applying for the implementation of large and prestigious contracts. Consolidation of large companies on the Polish market and using by a growing number of institutions their own specialists may affect the Group's competitiveness in comparison with other entities, which may in consequence influence its activity and financial results. Also, steadily is growing the role of competition from major foreign companies, equipped with quicker access to the latest technological solutions. There is no assurance that the growing competition will not affect in the near future in a negative way the activity or financial situation.

Risk of changes in laws

Frequent revisions, inconsistency and lack of uniform interpretation of the law involve risks associated with the legal environment in which the Company conducts its operations. Particularly frequently undergo changes 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 a different interpretation of tax laws, the Companies can be imposed to the negative consequences that affect the business activity, financial situation and achieved financial results. The Company's legal department is required to track changes in the law and inform the Management Board about revisions that can affect the business operations.

Risk associated with 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, the level of investments in enterprises, the level of inflation, labor costs, tax burden, and the level of foreign currencies exchange rates in relation to Polish zloty. There is a risk that the slowdown in economic growth, decline in investments level in enterprises, decrease in the level of tenders, or increase of inflation, can have a negative effect on activity and financial situation of the Company, as well as on its achieved financial results.

Risk of lack of adequate competencies inside the organization

The Company's activity and its development perspectives are largely based on knowledge, experience and competencies of employees realizing IT projects. It is particularly significant in terms of contracts based on building and integrating multilayer and dispersed IT systems performed within the scope of a Software Development line. Lack of adequate competencies in this scope and not developing them inside the organization can adversely influence the realization of cross-sectional and complicated technologically contracts, what in turn can adversely influence operations, financial situation, results or development perspective of the Company. Simultaneously obtaining such competencies externally can be difficult for the reasons of specific client needs, large competition on the market and pressure on salary increases by valuable employees.

Risk of unfavorable settling legal proceedings in which the Group's companies are a party

Group is a party in several legal proceedings concerning an ordinary course of the Group's business activity. These court proceedings concern cases instituted by regulatory bodies, suppliers and clients (disputes regarding signed contracts), claims made by employees and other. Many contracts made by the Group include provisions concerning optional ways to settle disputed matters, including an amicable way. If parties to a contract cannot reach an agreement, there might appear the necessity to institute court proceedings in order to settle the dispute. With regard to this, there is a risk of unfavorable settling legal proceedings for the Group. The Group, acting under the rules of law, to mitigate this risk undertakes all necessary legal actions in order to

properly secure a formal and substantive quality of documents as well as evidence side of particular proceedings.

18. Information on significant transactions made between related entities

Qumak S.A. is not a subsidiary of any other parent entity. Current structure of the Company's shareholders is presented in above in *the point 5 Membership of Qumak Capital Group* of this report.

Qumak S.A. as a parent entity of the Group in the period from 01.01 – 30.06.2016 had three subsidiaries: STAR ITS Sp. z o.o. , SKYLAR Sp. z o.o. and MAE Multimedia Art & Education Sp. z o.o.

Qumak S.A. in the period of the 1st half of 2016 did not make any transactions with related entities on conditions different from the market ones. Transactions made with related entities are presented in the note no 24 of *abbreviated financial statements of the Company Qumak S.A. for the 1st half of 2016*.

19. Information on collaterals and guarantees granted and received in this business year

In the period of the 1st half of 2016, neither the Parent company nor its subsidiaries grant collaterals for loans or borrowings, the value of which constituted an equivalent of at least 10% of the Company's equity.

Group within the frames of the conducted operations is obliged by provisions of some contracts to submit in a form of a collateral bank or insurance bid bonds or guarantee for proper performance, maintenance bonds. Contingent liabilities from these guarantees are described in the note no 26 of *abbreviated consolidated financial statements for the 1st half of 2016*.

20. Information on organizational relations of Parent company with other entities and main equity investments of the Group

Parent entity held shares purchased on a regulated market – Warsaw Stock Exchange.

Information on held financial instruments and their presentation in the financial statements is included in the point 7 of these statements Basic economic and financial data with Management Board's comment.

21. Court proceedings within the scope of liabilities and receivables of Parent company

At present there are instituted before court, arbitration body or state administrative body proceedings, in which Qumak S.A. is a party (by state as at 30.06.2016) of a total amount of:

- Within the scope of liabilities: PLN 920 178.63
- Within the scope of receivables: PLN 31 792 335.58

The values given above refer to amounts of claims receivable to all consortium members (in case of construction of the National Stadium – described below).

Total value of claims receivable to the Company as at 30 June 2016 is PLN 13 385 thousand

Total value of claims from the Company as at 30 June 2016 is PLN 920 thousand

Information concerning the biggest proceedings within the scope of receivables of Qumak S.A.

Proceedings instituted before court concerning executing by the consortium of companies Elektrobudowa SA, Qumak S.A., Przedsiębiorstwo „AGAT” S.A. (hereafter referred to as: “EQA”) of investment under the name “comprehensive performance of energy, low-voltage works and BMS automation within the frames of realization of the II stage of construction of the National Stadium in Warsaw”:

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

1. Petition for payment of remuneration deriving from Main Agreement
Disputed value: PLN 16 581 766
Date of instituting the action: 26 November 2013
2. Petition for payment of remuneration deriving from Additional Agreements
Disputed value: PLN 3 521 854
Date of instituting the action: 20 January 2014
3. Petition for payment of remuneration for performing not commissioned works
Disputed value: PLN 3 119 066.93
Date of instituting the action: 9 February 2016

On 7 May 2013 there was received a letter from Narodowe Centrum Sportu Sp. z o.o., acting on behalf and for the National Treasury, on the Ordering Party's evasion of legal effects of submitted as a result of an error declaration of final acceptance of the Subcontractor's works performed during the construction of the National Stadium in Warsaw.

In Qumak S.A. Management Board's opinion the Ordering Party cannot effectively evade legal effects resulting from signing by the Ordering Party Final Acceptance Protocol concerning works performed by the Subcontractor during construction of the National Stadium in Warsaw, because the Ordering Party submitted at the time declaration of knowledge regarding quality and scope of executed by the Subcontractor works. In the Management Board's opinion presented by the Narodowe Centrum Sportu Sp. z o.o. statement is inconsistent with factual and legal state.

Total value of claims receivable to the Company for the above-mentioned court proceedings is PLN 6 036 895.29. At present, there are held negotiations in order to enter into settlement in the above-mentioned case.

Moreover, Qumak S.A. undertook legal actions in court to collect from a counterparty Data Techno Park Sp. z o.o. (DTP) payable debts. Subject of dispute is an amount of PLN 3 805 000. The Company intends to continue these steps in order to successfully collect these payable debts in court proceedings by writ of payment. The Company did not recognize these receivables in a write-off because of a high probability of a successful debt collection.

22. Explanation of differences between financial results and their prognoses

Parent company in the 1st half of 2016 did not present prognoses of financial results, neither in separate nor in consolidated statements.

23. Assessment of investment plans, including equity investments

Group will realize investment plans in accordance with the adopted strategy for development and does not expect in the nearest future to realize bigger investments.

24. Changes in basic rules of managing enterprise

In the 1st half of 2016 there were no other changes in basic rules of managing the Group.

25. Other information significant to evaluate staff, property, and financial standing, financial result of Capital Group and their changes as well as information significant for evaluating ability to fulfill obligations by the Group

Apart from information and events described in the point 11 and 12 of this Report on activity, the Company has no other information that is significant for evaluating staff, property, financial standing, financial result, influencing ability to fulfill obligations by Qumak S.A. and its subsidiaries. Liquidity ratios are presented in the point 7 of these statements, indicate no threat to payment of present liabilities of the Group.

26. Characteristics of factors significant for development and description of perspectives of the Group's operations development

In the Management Board of Qumak S.A. opinion, influence on financial results of the Capital Group in the perspective of next quarters will have the following factors:

External factors

In the next quarters a decisive influence on market perspectives of the Company will have a general political and economic situation as well as related investments. In the first half of the year ratings were very low, which directly influenced GDP dynamics in Poland. One of the main factors determining the market situation is a tempo of implementing by the public administration infrastructural programs financed from the EU funds. Taking into consideration a critical for the whole country matter of proper and possibly the fullest use of the last tranche of the EU funds it can be assumed that tenders funded by these means should be launched within several months.

According to specialists monitoring the market of modern technologies, the expected revival will translate into the market growth this year. In 2016 value of IT services market will increase by 6%. When it comes to a private sector, in accordance with the prognoses, companies will most preferably invest in outsourcing services. Significant demand will be also generated in the cybersecurity and so called cloud computing sector.

Internal factors

Qumak for several quarters is going through a gradual reorganization aiming at arranging structures and processes, increasing effectiveness of the business as well as operational security and control. After replacing a President of the Management Board the Company also started to work on a new strategy for the years 2017-2020. It should be developed and published until the end of this year. The Management Board recognized several areas and business lines which will become a fundament for the strategy. This will among others include maintaining the leader position in the segment of intelligent infrastructure, expanding outsourcing competencies, creating own products, as well as low-cost entrance to selected foreign markets.

In the last period the Company entered into several agreements on performance of projects in key areas of its business activity. Some of these projects include a contract with Energa-Operator for providing service of a Telephone Contact Center in Energa-Operator, the value of which in total is over PLN 11 million net, extending a contract for performing a display in EC1 of the value of PLN 10.5 million net. Value of orders portfolio to be realized in 2016 and during the next years, prepared as at 31 July 2016, is nearly PLN 286 million, from which PLN 194 million is in 2016.

27. Management Board's statements

STATEMENT

Of the Management Board on compliance of semi-annual financial statements of Qumak S.A. and consolidated financial statements as well as report on activity of Capital Group Qumak S.A.

Management Board of Qumak S.A. declares that to its best knowledge the semi-annual abbreviated consolidated financial statements of Capital Group Qumak S.A. and semi-annual abbreviated financial statements of Qumak S.A. as well as comparable data were prepared in accordance with the obligatory accounting rules and that they reflect in a true reliable and clear way the Capital Group Qumak S.A. and Qumak S.A. assets and financial standing.

Moreover, we declare that the semi-annual report on activity of Capital Group Qumak S.A. contains a truthful picture of development, achievements and standing of the Group, including description of risks and threats.

STATEMENT

Of the Management Board on selecting entity authorized to audit financial statements

Management Board of Qumak S.A. declares that the entity authorized to audit financial statements, performing an audit of the semi-annual abbreviated consolidated financial statements of Capital Group Qumak S.A. and semi-annual abbreviated financial statements of Qumak S.A. was selected in accordance with the regulations of law and that this entity with its certified auditors performing verification of these Statements have met all requirements to issue an impartial and independent report on the audit of the annual consolidated financial statements, in accordance with the applicable regulations and professional norms

Members of the Management Board

Tomasz Laudy
President of the
Management Board

Marek Tiahnybok
Vice President of the
Management Board
for Finance

Wojciech Strusiński
Vice President of the
Management Board
for Sales

Jacek Suchenek
Vice President of
the Management
Board for
Realizations

Warsaw, 28 September 2016