

This Half-Yearly Report includes:

1. Selected financial data
2. Basic principles assumed to draw up the Financial Statements.
3. Shortened Consolidated Half-Yearly Financial Statements.
4. Issuer's Shortened Consolidated Financial Statements.
5. Report on the Issuer's Capital Group's Business Operations.
6. Board's statement concerning drawing up of the Financial Statements.
7. Board's statement concerning an entity authorised to audit the Financial Statements.
8. Report of the entity authorised to audit the Financial Statements on the audit of the Issuer's Financial Statements.
9. Report of the entity authorised to audit the Financial Statements on the audit of the Consolidated Financial Statements.

Selected financial data comprising basic entries of the Half-Yearly Consolidated Financial Statement (including those converted into EURO)

SELECTED FINANCIAL DATA comprising basic entries of the Half-Yearly Consolidated Financial Statement	in PLN '000		in EUR '000	
	period from 2009-01-01 to 2009-06-30	period from 2010-01-01 to 2010-06-30	period from 2009-01-01 to 2009-06-30	period from 2010-01-01 to 2010-06-30
Net income on sale of products, goods and materials	9 254	9 569	2 048	2390
Profit (loss) on operating activity	-421	- 87	-93	-22
Pre-tax profit/(loss)	-181	70	-40	17
Net profit (loss)	-207	84	-46	21
Net operating cash flows	692	636	153	159
Net cash flows from investment activities	-1 468	- 1 322	-325	-330
Net cash flows from financial activities	-220	62	-49	15
Total net cash flows	-996	- 625	-220	-156
Total assets	19 381	19 701	4 336	4752
Liabilities and liability reserves	2 940	2464	658	594
Long-term liabilities	201	238	45	57
Short-term liabilities	2191	2 226	490	537
Equity	16 441	17 237	3 678	4158
Initial capital	735	735	164	177
Number of shares (pcs)	1 470 000	1 470 000	1 470 000	1470000
Profit (loss) per one ordinary share (in PLN / EUR)	- 0.14	0.06	-0.03	0.01
Diluted profit (loss) per one ordinary share (in PLN / EUR)	- 0.14	0.06	-0.03	0.01
Book value per one ordinary share (in PLN / EUR)	11.18	11.73	3	2.83
Diluted book value per one ordinary share (in PLN / EUR)	-	-	-	-
Declared or paid dividend per one share (in PLN / EUR)	-	-	-	-

Principles for the conversion of basic entries of the Half-Yearly Consolidated Financial Statements into EUR.

For the conversion of selected financial data into EUR in items I to VIII, an arithmetic average calculated on the basis of average NBP exchange rates valid as per the last day of each calendar month in the given period was used as follows:

The arithmetic average during the period from 01.01.2010 to 30.06.2010 – PLN 4.0042.

The arithmetic average during the period from 01.01.09 to 30.06.09 – PLN 4.5184.

For the conversion of selected financial data into EUR in items IX to XVIII, an average NBP exchange rate valid as per the date preceding the day, on which the Financial Statements were drawn up, was used as follows:

1st half of 2010 – PLN 4.1458

1st half of 2009 – PLN 4.4696

Average exchange rates for PLN towards EUR during the period covered by the Statements				
period	average exchange rate during the period	the lowest exchange rate during the period	the highest exchange rate during the period	exchange rate as per the last day of the period
1 st half of 2010	4.0042	3.8356	4.177	4.1458
1 st half of 2009	4.5184	3.917	4.8999	4.4696

Selected financial data comprising basic entries of the Half-Yearly Individual Financial Statement (including those converted into EURO)

SELECTED FINANCIAL DATA comprising basic entries of the Half-Yearly Individual Financial Statement	in PLN '000		in EUR '000	
	period from 2009-01-01 to 2009-06-30	period from 2010-01-01 to 2010-06-30	period from 2009-01-01 to 2009-06-30	period from 2010-01-01 to 2010-06-30
Net income on sale of products, goods and materials	8 264	7 970	1 829	1 990
Profit (loss) on operating activity	-394	277	-87	69
Pre-tax profit/(loss)	-123	90	-27	22
Net profit (loss)	-118	114	-26	28
Net operating cash flows	628	1 043	139	260
Net cash flows from investment activities	-1 442	- 1 317	-319	-329
Net cash flows from financial activities	-202	70	-45	17
Total net cash flows	-1 016	- 204	-225	-51
Total assets	18 830	18 566	4 213	4 478
Liabilities and liability reserves	2 403	2071	538	500
Long-term liabilities	405	180	91	43
Short-term liabilities	1 998	1 891	447	456
Equity	16 427	16 495	3 675	3 979
Initial capital	735	735	164	177
Number of shares (pcs)	1 470 000	1 470 000	1 470 000	1 470 000
Profit (loss) per one ordinary share (in PLN / EUR)	0.22	0.12	0.05	0.03
Diluted profit (loss) per one ordinary share (in PLN / EUR)	0.22	0.12	0.05	0.03
Book value per one ordinary share (in PLN / EUR)	11.17	11.22	3	2.71
Declared or paid dividend per one share (in PLN / EUR)	-	-	-	-

Principles for the conversion of basic entries of the Half-Yearly Individual Financial Statements into EUR.

For the conversion of selected financial data into EUR in items I to VIII, an arithmetic average calculated on the basis of average NBP exchange rates valid as per the last day of the month of each calendar month in the given period was used as follows:

The arithmetic average during the period from 01.01.2010 to 30.06.2010 – PLN 4.0042.

The arithmetic average during the period from 01.01.09 to 30.06.09 – PLN 4.5184.

For the conversion of selected financial data into EUR in items from IX to XVIII, an average NBP exchange rate valid as per the date, on which the Financial Statements were drawn up, was used as follows:

1st half of 2010 – PLN 4.1458

1st half of 2009 – PLN 4.4696

average exchange rates for PLN towards EUR during the period covered by the Statements				
period	average exchange rate during the period	the lowest exchange rate during the period	the highest exchange rate during the period	exchange rate as per the last day of the period
1 st half of 2010	4.0042	3.8356	4.177	4.1458
1 st half of 2009	4.5184	3.917	4.8999	4.4696

Basic principles assumed to draw up the Financial Statements.

These Shortened Interim Consolidated Financial Statements of the Group („Interim Consolidated Financial Statements”) were drawn up in conformity with the International Accounting Standard („IAS”) 34 – Interim Financial Reporting („IAS 34”) and pursuant to relevant accounting standards applicable to interim financial reporting assumed by the European Union, published and valid while drawing up the Interim Consolidated Financial Statements.

The data presented in the Report were elaborated with the use of principles for evaluation of assets and liabilities and assessment of net financial outcome as per the balance-sheet date, providing for the principle of significance. The Interim Consolidated Financial Statements for the 1st half of 2009 were drawn up with the assumption of business activity continuation.

The Interim Consolidated Financial Statements for the 1st half of 2010 were drawn up pursuant to International Financial Reporting Standards assumed by the European Union law. These Financial Statements contains financial data for the 1st half of 2010 and comparable financial data for the 1st half of 2009. No reservations were made in opinions given by entities authorised to review financial statements concerning the Financial Statements for the current year and for the financial statements, the data of which were included for comparative purposes.

The Interim Consolidated Financial Statements for the 1st half of 2010 were drawn up in PLN, rounded to whole thousand.

Accounting records were made in accordance with the historical cost principle. The entity did not made any adjustments, which would reflect the effect of inflation on the individual balance-sheet items and profit and loss account entries. The Company draws up its Profit and Loss Account with the classification of expenses by function. The Cash Flow Statement is drawn up by applying an indirect method.

New accounting standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and amendments to the following standards:

1. IFRS 8 Operating Segments. IFRS 8 Standard was published by the International Accounting Standards Board (IASB) on 30 November 2006 and has been binding for one-year periods beginning on 1 January 2009 or after that date. IFRS 8 replaces IAS 14 „Segment Reporting”. The Standard determines new requirements concerning disclosure of data regarding activity segments as well as data relating to products and services, geographical areas, where the activity is performed and major customers. IFRS 8 requires the so-called “management approach” towards reporting covering financial outcome of individual activity segments.

2. Amendments to IFRS 3 and IAS 27. Amendments to IFRS 3 and IAS 27 were published on 10 January 2008 and they apply to one-year periods beginning on 1 July 2009/ It is possible to apply them for earlier periods. These amendments involve the way of recognising acquisition and business combinations.

3. Amendments to IAS 1. Amendments to MSR 1 were published on 6 September 2007 and they will apply to one-year periods beginning on 1 January 2009 or after that date. It is possible to apply them for earlier periods. The change will involve the way of presentation in the financial statements.

4. Amendments to IAS 32 Financial Instruments: Presentation and to IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. Amendments to IAS 32 and IAS 1 were published on 14 February 2008 and are applicable to one-year periods beginning on 1 January 2009 or later. Amendments to IAS 32 require some puttable financial instruments and obligations arising on company liquidation to be recognised into equity capital, providing for some specific conditions. Amendments to IAS 1 require additional disclosures concerning puttable financial instruments recognised as equity capital.

5. Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards and to IAS 27 Consolidated and Separate Financial Statements and Accounting for Investments in Subsidiaries, Co-Subsidiaries and Affiliates. Amendments to IFRS 1 and IAS 27 were published on 22 May 2008 and are applicable to one-year periods beginning on 1 January 2009 or later. Amendments to IFRS 1 make it possible to evaluate investments in a subsidiary, co-subsidiary or affiliate according to assumed cost, determined as per the day of adopting IFRS. Amendments to IAS 27 consist, among others, in deleting the definition of “evaluation method according to historical cost”, which requires the dividends to be differentiated into dividends towards profits before and after acquisition. Instead, individual financial statements will provide for revenues from any dividends received by a subsidiary, co-subsidiary or affiliate. After receiving a dividend, investments will be evaluated for possible impairment pursuant to IAS 36 Impairment of Assets. As a result of adopted amendments, amendments to IAS 18 and IAS 36 were also introduced.

6. Amendment to IFRS 2 Share-Based Payment. Amendment to IFRS 2 was published on 17 January 2008 and applies to one-year periods beginning on 1 January 2009 or later. The amendment to the standard clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amended standard also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

7. Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items. The amendment to IAS 39 was published on 31 July 2008 and applies to one-year periods beginning on 1 July 2009 or later. The amendment specifies qualifying principles and conditions that determine whether a given financial item may be qualified as hedged item. The introduced amendments clarify how the existing basic hedge accounting principles should be applied in case of designating a one-sided risk (i.e. changes in cash flows or fair value of a hedged item only under or above a specific ceiling determined for a designated variable) and inflation constituting a part of cash flows for a given financial instrument, as hedged items.

8. IFRIC Interpretation 17 „Distribution of Non-Cash Assets”. IFRIC Interpretation 17 was published on 27 November 2008 and is applied to one-year periods beginning on 1 July 2009 or later. This Interpretation provides for guidelines concerning recognition of transactions consisting in distributing in-kind assets to shareholders.

9. IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

10. IFRIC 18 Transfers of Assets from Customers. IFRIC Interpretation 18 was published on 29 January 2008 and is applied to assets received during periods beginning on 1 July 2009 or later. This Interpretation involves guidelines concerning recognition of assets received from customers in order to provide them with an ongoing access to a supply of commodities such as electricity, gas or water.

Shortened Consolidated Half-Yearly Financial Statements.
CONSOLIDATED BALANCE-SHEET

BALANCE-SHEET ITEM	First half /2009	31.12.2009	First half /2010
ASSETS			
I. Fixed assets	7 617.00	7 468.00	7 930.00
1. Tangible fixed assets	1 807.00	1 650.00	1 473.00
2. Investment property			
3. Intangible assets, including:	5 612.00	5 650.00	6 288.00
- goodwill	1.00	1.00	1.00
4. Investments accounted for by equity method			
5. Long-term financial assets	152.00	103.00	108.00
5.1. held in associated entities	148.00		
5.2. in other entities	4.00	103.00	108.00
6. Other long-term investments			
7. Other long-term receivables	42.00	42.00	42.00
7.1. from associated entities			
7.2. from other entities	42.00	42.00	42.00
8. Long-term prepayments and accruals	4.00	23.00	19.00
8.1. Deferred income tax assets	4.00	12.00	11.00
8.2. Other deferred income		11.00	8.00
9. Assets towards pension schemes			
II. Current assets	11 764.00	13 242.00	11 771.00
1. Inventories	32.00	13.00	2.00
2. Receivables towards deliveries and services and other receivables	3 703.00	4 610.00	3 572.00
2.1. from associated entities	98.00		
2.2. from other entities	3 605.00	4 610.00	3 572.00
3. Current income tax			
4. Short-term financial assets	20.00	26.00	139.00
4.1. held in associated entities			
4.2. in other entities	20.00	26.00	139.00
5. Other short-term investments			
6. Short-term prepayments and accruals	130.00	149.00	237.00
7. Cash and cash equivalents	7 879.00	8 444.00	7 821.00
8. Fixed assets for sale (discontinued activity)			
Total assets	19 381.00	20 710.00	19 701.00

LIABILITIES			
I. Total equity capital	16 441.00	17 083.00	17 237.00
I.1. Equity	16 351.00	16 748.00	16 900.00
1. Initial capital	735.00	735.00	735.00
Conditional capital	74.00	125.00	141.00
2. Called up initial capital (negative figure)			
3. Treasury shares (stocks) (negative amount)			
4. Capital reserve	15 441.00	14 651.00	14 416.00
5. Other reserves		989.00	989.00
6. Revaluation reserve			
7. Foreign exchange gains (losses)	6.00	-51.00	-30.00
8. Profit (loss) brought forward	389.00	348.00	554.00
9. Net profit (loss)	-294.00	-49.00	95.00
10. Net profit write-offs during the financial year (negative figure)			
I.2. Minority shareholders' capital	90.00	335.00	337.00
II. Long-term liabilities	406.00	466.00	238.00
1. Reserve due to deferred income tax	108.00	149.00	25.00
2. Reserve for old-age pensions and similar	97.00	105.00	105.00
3. Remaining reserves			
4. Government grants			
5. Financial obligations	201.00	212.00	108.00
5.1. towards associated entities			
5.2. towards other entities	201.00	212.00	108.00
6. Other payables			
6.1. towards associated entities			
6.2. towards other entities			
III. Short-term liabilities	2 534.00	3 161.00	2 226.00
1. Financial obligations	2 162.00	3 007.00	1 658.00
1.1. towards associated entities			
1.2. towards other entities	2 162.00	3 007.00	1 658.00
a) credits and loans	218.00	229.00	200.00
d) against deliveries and services	1 186.00	2 035.00	815.00
c) towards taxes, insurance	653.00	717.00	606.00
d) other	105.00	26.00	37.00
2. Other payables	29.00	7.00	85.00
2.1. towards associated entities			
2.2. towards other entities	29.00	7.00	85.00
3. Current income tax			
4. Reserve for old-age pensions and similar	2.00	3.00	3.00

5. Remaining reserves	341.00	144.00	480.00
5.1. Government grants	310.00	116.00	263.00
5.2. deferred income			
5.3. deferred prepayments and accruals	31.00	28.00	217.00
6. Liabilities towards fixed assets held for sale (discontinued activity)			
Total liabilities	19 381.00	20 710.00	19 701.00
Accounting value	16 351.00	16 748.00	16 900.00
Number of shares (pcs)	1 470 000.00	1 470 000.00	1 470 000.00
Accounting value per share	11.12	11.39	11.50
Diluted number of shares (pcs)	1 470 000.00	1 470 000.00	1 470 000.00
Diluted accounting value per share	11.12	11.39	11.50

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	(in '000)	(in '000)
	First half / 2009	First half / 2010
A. Net revenues on the sale of products, goods and materials, including:	9 254.00	9 569.00
from associated entities	154.00	
Revenues from sales of products and services	8 136.00	8 073.00
Net revenues on sale of goods and materials	1 119.00	1 496.00
Costs of sold products, goods and materials, including:	6 899.00	6 140.00
towards associated entities		
Production costs of sold products	5 888.00	4 904.00
Value of goods and materials sold	1 010.00	1 236.00
Gross profit (loss) on sales	2 356.00	3 429.00
Cost of sales	947.00	1 142.00
Overhead expenses	1 678.00	2 039.00
Profit(loss) on sale	-269.00	248.00
Other operating revenues	27.00	73.00
Profit on sale of non-financial fixed assets		
Subsidies		50.00
Other operating revenues	27.00	23.00
Other operating costs	180.00	408.00
Loss on sale of non-financial fixed assets	180.00	
Revaluation of non-financial assets		408.00
Other operating costs		
Profit (loss) on operating activity	-421.00	-87.00

Financial income	328.00	183.00
Dividends and shares in profits, including:		
from associated entities		
Interest, including:	218.00	173.00
from associated entities		
Profit on sale of investments		
Revaluation of investments	78.00	
Other	32.00	10.00
Financial costs	89.00	26.00
Interest, including	38.00	26.00
towards related entities		
Loss on investment disposal	51.00	
Revaluation of investments		
Other		
Profit (loss) on sale of all or some shares in subordinated entities		
Profit (loss) on business operations	-181.00	70.00
Result on extraordinary events		
Extraordinary profits		
Extraordinary losses		
Write off of subordinated entities' goodwill		
Write off of subordinated entities' negative goodwill		
Pre-tax profit (loss)	-181.00	70.00
Income tax	25.00	-14.00
current tax	30.00	109.00
deferred tax	-5.00	-123.00
Other mandatory reductions of profit (increase of loss)		
Net profit (loss)	-207.00	84.00
Share in net profits (losses) of subordinated entities accounted for by equity method	-87.00	
Minority interest profits (losses)	-6.00	-11.00
Parent company's net profit (loss)	-288.00	95.00
Annualized net profit (loss)	224.00	334.00
Weighted average number of ordinary shares (pcs)	1 470 000.00	1 470 000.00
Profit (loss) per one ordinary share (in PLN)	0.15	0.23
Diluted weighted average number of ordinary shares (pcs)	1 470 000.00	1 470 000.00
Diluted profit (loss) per one ordinary share (in PLN)	0.15	0.23

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY CAPITAL

	First half /2009	2009	First half /2010
Equity capital (fund) as at the beginning of the period (Opening Balance)	16 704.00	16 704.00	17 083.00
change in assumed accounting principles (policy)			
adjustments of basic errors			
Equity capital as at the beginning of the period (Opening Balance), after reconciliation to comparable data	16 704.00	16 704.00	17 083.00
Initial capital as at the beginning of the period	735.00	735.00	735.00
Changes in initial capital			
increase as a result of			
issue of stocks (shares)			
decrease as a result of			
redemption of stocks (shares)			
Initial capital as at the end of the period	735.00	735.00	735.00
Conditional capital as at the beginning of the period	21.00	21.00	125.00
Changes in conditional capital	53.00	104.00	16.00
increase as a result of	53.00	104.00	16.00
Conditional capital as at the end of the period	75.00	125.00	141.00
Called up initial capital as at the beginning of the period			
Change in the called up initial capital			
increase as a result of			
decrease as a result of			
Called up initial capital as at the end of the period			
Treasury stocks (shares) as at the beginning of the period			
Change in the treasury stocks (shares)			
increase as a result of			
decrease as a result of			
Treasury stocks (shares) as at the end of the period			
Capital reserve as at the beginning of the period	14 396.00	14 396.00	14 646.00
Changes in the capital reserve	1 045.00	225.00	-230.00
increase as a result of	1 045.00	1 244.00	

issue of shares above their nominal value		199.00	
from profit distribution (statutory)			
from profit distribution (above statutory minimum value)	1 045.00	1 045.00	
decrease as a result of		989.00	230.00
coverage of loss			230.00
establishment of capital reserve		989.00	
Capital reserve as at the end of the period	15 441.00	14 651.00	14 416.00
Revaluation reserve as at the beginning of the period			
Changes in the revaluation reserve			
increase as a result of			
decrease as a result of			
disposal of fixed assets			
Revaluation reserve as at the end of the period			
Other capital reserves as at the beginning of the period			989.00
Changes in other capital reserves		989.00	
increase as a result of		989.00	
establishment of capital reserve		989.00	
decrease as a result of			
Other capital reserves as at the end of the period		989.00	989.00
Exchange rate differences from the conversion of subordinate entities	6.00	-51.00	-30.00
Profit (loss) brought forward as at the beginning of the period	1 434.00	1 393.00	324.00
Profit of previous years as at the beginning of the period	1 486.00	1 443.00	626.00
change in assumed accounting principles (policy)			
adjustments of basic errors			
Profit of previous years as at the beginning of the period, after reconciliation to comparable data	1 486.00	1 443.00	626.00
increase as a result of			
distribution of profit of previous years			
decrease as a result of	1 045.00	1 045.00	
distribution of profit of previous years	1 045.00	1 045.00	
Profit brought forward as at the end of the period	441.00	398.00	626.00
Loss of previous years as at the beginning of the	52.00	50.00	302.00

period			
change in assumed accounting principles (policy)			
adjustments of basic errors			
Loss of previous years as at the beginning of the period, after reconciliation to comparable data	52.00	50.00	302.00
increase as a result of			
transfer of loss carried forward to be covered			
decrease as a result of			230.00
coverage of loss			230.00
Loss carried forward as at the end of the period	52.00	50.00	72.00
Profit (loss) of previous years as at the end of the period	389.00	348.00	554.00
Net result	-294.00	-49.00	95.00
net profit			421.00
net loss	-294.00	-49.00	-326.00
write-offs from profit			
Equity capital (fund) as at the end of the period (Closing Balance)	16 351.00	16 748.00	16 900.00
Changes in minority shareholders' capital		245.00	2.00
increase		245.00	19.00
purchase of shares in subordinated entities			
decrease			17.00
Minority capital	90.00	335.00	337.00
Equity capital (fund), after providing for the proposed distribution of profit (coverage of loss)	16 441.00	17 083.00	17 237.00

CONSOLIDATED CASH FLOW STATEMENT

	in PLN '000	
	First half /2009	First half /2010
Net operating cash flows (I +/- II) – direct method		
(indirect method)		
Net profit (loss)	-294.00	95.00
Total adjustments	986.00	541.00
Minority interest profits (losses)		-11.00
Share in net profits (losses) of subordinated entities accounted for by equity method		
Depreciation, including:	491.00	487.00
write offs of subordinated entities' goodwill or subordinated entities' negative goodwill		
Foreign exchange gains (losses)	8.00	86.00
Interests and profit sharing (dividends)	-22.00	-27.00
Profit (loss) on investing operations	-1 064.00	300.00
Changes in reserves	-39.00	-124.00
Changes in inventories	-33.00	12.00
Changes in receivables	-495.00	1 049.00
Change in short-terms liabilities, excluding loans and credits	541.00	-1 299.00
Changes in prepayments and accruals	1 599.00	102.00
Other adjustments		-34.00
Net operating cash flows (I +/- II) – indirect method	692.00	636.00
Investment cash flows		
Inflows	776.00	29.00
Sale of intangible and legal assets and tangible fixed assets	46.00	
Sale of investments in real property and intangible and legal assets		
From financial assets, including:	694.00	29.00
held in associated entities		
sale of financial assets		
dividends and profit sharing		
repayment of long-term borrowings		
interest		
other inflows from financial assets		
in other entities	694.00	29.00
sale of financial assets		
dividends and profit sharing		
repayment of long-term borrowings	23.00	17.00
interest	144.00	12.00

other inflows from financial assets	527.00	
Other investment inflows	36.00	
Outflows	2 243.00	1 351.00
Purchase of intangible and legal assets and tangible fixed assets	1 557.00	1 221.00
Investments in real property and intangible and legal assets		
For financial assets, including:	260.00	
held in associated entities	246.00	
purchase of financial assets	246.00	
granted long-term borrowings		
in other entities	15.00	
purchase of financial assets	0.00	
granted long-term borrowings	15.00	
Dividends and participation in profits paid out to minority interests		
Other investment outlays	427.00	130.00
Net cash flow on investment activity (I-II)	-1 468.00	-1 322.00
Financial activity cash flows		
Inflows	130.00	215.00
Net inflows from issue of shares (stocks) and other equity instruments and additional contributions to equity		
Loans and borrowings	73.00	
Issue of debt securities		
Other financial inflows	57.00	215.00
Outflows	349.00	153.00
Purchase of treasury shares (stocks)		
Dividends and other payments to shareholders		
Other than payments toward owners, expenditures towards distribution of profits		
Repayment of loans and borrowings	154.00	108.00
Redemption of debt securities		
Towards other financial liabilities		
Payments under finance lease contracts	21.00	33.00
Interest	16.00	12.00
Other financial outflows	158.00	
Net cash flow on financial activity (I-II)	-220.00	62.00
Total net cash flows (A.III +/- B.III +/- C.III)	-996.00	-624.00
Balance-sheet change in cash and cash equivalents, including:	-994.00	-716.00
change due to foreign exchange gains (losses)	1.00	1.00
Cash as at the beginning of the period	8 882.00	8 444.00
Cash as at the end of the period (F +/- D), including:	7 887.00	7 821.00
of limited disposability	26.00	4.00

Identification of operating segments

- division according to products

Item	Product segment				Total
	Qguar licences	Qguar services: Implementati on, service	Goods (including external licences)	Other	
Revenues from sales	953 601.69	5 827 863.90	1 496 233.52	1 291 208.79	9 568 907.90
Basic operating costs	955 912.99	3 220 481.95	1 235 896.40	727 574.40	6 139 865.74
Cost of sales	134 851.97	824 137.51	0.00	182 594.10	1 141 583.58
Overhead expenses	230 233.91	1 407 056.98	90 311.21	311 744.47	2 039 346.58
Financial income	20 618.99	126 011.40	8 087.98	27 918.81	182 637.18
Operating revenues	52 831.75	16 062.31	1 030.95	3 558.73	73 483.75
Financial costs	2 962.07	18 102.49	1 161.90	4 010.75	26 237.21
Operating costs	46 089.61	281 673.15	18 079.04	62 406.89	408 248.69
Result	-342 998.12	218 485.54	159 903.89	34 355.72	69 747.03

Issuer's Shortened Financial Statements

BALANCE SHEET

BALANCE-SHEET ITEM	First half /2009	31.12.2009	First half /2010
ASSETS			
I. Fixed assets	7 755.00	7 799.00	8 270.00
1. Tangible fixed assets	1 635.00	1 434.00	1 259.00
2. Investment property			
3. Intangible assets, including:	4 350.00	4 368.00	5 309.00
- goodwill			
4. Investments accounted for by equity method			
5. Long-term financial assets	1 724.00	1 943.00	1 651.00
5.1. held in associated entities	1 720.00	1 943.00	1 651.00
5.2. in other entities	4.00		
6. Other long-term investments			
7. Other long-term receivables	42.00	42.00	42.00
7.1. from associated entities			
7.2. from other entities	42.00	42.00	42.00
8. Long-term prepayments and accruals	4.00	12.00	9.00
8.1. Deferred income tax assets	4.00	11.00	9.00
8.2. Other deferred income		1.00	
9. Assets towards pension schemes			
II. Current assets	11 075.00	10 621.00	10 296.00
1. Inventories	6.00	5.00	
2. Receivables towards deliveries and services and other receivables	3 441.00	3 626.00	3 310.00
2.1. from associated entities	368.00	389.00	164.00
2.2. from other entities	3 073.00	3 237.00	3 146.00
3. Current income tax			
4. Short-term financial assets	20.00	27.00	139.00
4.1. held in associated entities			
4.2. in other entities	20.00	27.00	139.00
5. Other short-term investments			
6. Short-term prepayments and accruals	130.00	138.00	225.00
7. Cash and cash equivalents	7 478.00	6 825.00	6 622.00
8. Fixed assets for sale (discontinued activity)			
Total assets	18 830.00	18 420.00	18 566.00

LIABILITIES			
I. Total equity capital	16 427.00	16 365.00	16 495.00
I.1. Equity	16 427.00	16 365.00	16 495.00
1. Initial capital	735.00	735.00	735.00
Conditional capital	75.00	125.00	141.00
2. Called up initial capital (negative figure)			
3. Treasury shares (stocks) (negative amount)			
4. Capital reserve	15 441.00	14 452.00	14 222.00
5. Other reserves		989.00	989.00
6. Revaluation reserve			
7. Foreign exchange gains (losses)			
8. Profit (loss) brought forward	294.00	294.00	294.00
9. Net profit (loss)	-118.00	-230.00	114.00
10. Net profit write-offs during the financial year (negative figure)			
I.2. Minority shareholders' capital	0.00	0.00	0.00
II. Long-term liabilities	405.00	398.00	180.00
1. Reserve due to deferred income tax	108.00	148.00	22.00
2. Reserve for old-age pensions and similar	96.00	105.00	105.00
3. Remaining reserves			
4. Government grants			
5. Financial obligations	201.00	145.00	53.00
5.1. towards associated entities			
5.2. towards other entities	201.00	145.00	53.00
6. Other payables			
6.1. towards associated entities			
6.2. towards other entities			
III. Short-term liabilities	1 998.00	1 657.00	1 891.00
1. Financial obligations	1 626.00	1 508.00	1 325.00
1.1. towards associated entities		1.00	62.00
1.2. towards other entities	1 626.00	1 507.00	1 263.00
a) credits and loans	218.00	206.00	177.00
d) against deliveries and services	650.00	708.00	513.00
c) towards taxes, insurance	653.00	567.00	537.00
d) other	105.00	26.00	36.00
2. Other payables	29.00	6.00	85.00
2.1. towards associated entities			
2.2. towards other entities	29.00	6.00	85.00

3. Current income tax			
4. Reserve for old-age pensions and similar	2.00	3.00	3.00
5. Remaining reserves	341.00	140.00	478.00
5.1. subsidies	310.00	116.00	263.00
5.2. deferred income			
5.3. deferred prepayments and accruals	31.00	24.00	215.00
6. Liabilities towards fixed assets held for sale (discontinued activity)			
Total liabilities	18 830.00	18 420.00	18 566.00
Accounting value	16 427.00	16 365.00	16 495.00
Number of shares (pcs)	1 470 000.00	1 470 000.00	1 470 000.00
Accounting value per share	11.17	11.13	11.22
Diluted number of shares (pcs)	1 470 000.00	1 470 000.00	1 470 000.00
Diluted accounting value per share	11.17	11.13	11.22

INDIVIDUAL PROFIT AND LOSS ACCOUNT

	in PLN '000	
	First half /2009	First half /2010
Net revenues on the sale of products, goods and materials, including:	8 264.00	7 970.00
from associated entities	518.00	335.00
Revenues from sales of products and services	7 517.00	6 539.00
Net revenues on sale of goods and materials	747.00	1 431.00
Costs of sold products, goods and materials, including:	6 100.00	5 133.00
towards associated entities		198.00
Production costs of sold products	5 363.00	3 957.00
Value of goods and materials sold	737.00	1 176.00
Gross profit (loss) on sales	2 164.00	2 837.00
Cost of sales	914.00	1 025.00
Overhead expenses	1 496.00	1 500.00
Profit(loss) on sale	-246.00	312.00
Other operating revenues	32.00	73.00
Profit on sale of non-financial fixed assets		
Subsidies		50.00
Other operating revenues	32.00	23.00
Other operating costs	180.00	108.00
Loss on sale of non-financial fixed assets	180.00	

Revaluation of non-financial assets		108.00
Other operating costs		
Profit (loss) on operating activity	-394.00	277.00
Financial income	337.00	147.00
Dividends and shares in profits, including:		
from associated entities		
Interest, including:	214.00	147.00
from associated entities		8.00
Profit on sale of investments		
Revaluation of investments	78.00	
Other	45.00	
Financial costs	66.00	334.00
Interest, including	15.00	8.00
towards related entities		
Loss on investment disposal	51.00	
Revaluation of investments		300.00
Other		26.00
Profit (loss) on business operations	-123.00	90.00
Result on extraordinary events		
Extraordinary profits		
Extraordinary losses		
Pre-tax profit (loss)	-123.00	90.00
Income tax	-5.00	-24.00
current tax		99.00
deferred tax	-5.00	-123.00
Other mandatory reductions of profit (increase of loss)		
Share in net profits (losses) of subordinated entities accounted for by equity method		
Net profit (loss)	-118.00	114.00
Annualized net profit (loss)	329.00	178.00
Weighted average number of ordinary shares (pcs)	1 470 000.00	1 470 000.00
Profit (loss) per one ordinary share (in PLN)	0.22	0.12
Diluted weighted average number of ordinary shares (pcs)	1 470 000.00	1 470 000.00
Diluted profit (loss) per one ordinary share (in PLN)	0.22	0.12

INDIVIDUAL STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	in PLN '000		
	First half /2009	2009	First half /2010
Equity capital (fund) as at the beginning of the period (Opening Balance)	16 491.00	16 491.00	16 365.00
change in assumed accounting principles (policy)			
adjustments of basic errors			
Equity capital as at the beginning of the period (Opening Balance), after reconciliation to comparable data	16 491.00	16 491.00	16 365.00
Initial capital as at the beginning of the period	735.00	735.00	735.00
Changes in initial capital			
increase as a result of			
issue of stocks (shares)			
decrease as a result of			
redemption of stocks (shares)			
Initial capital as at the end of the period	735.00	735.00	735.00
Conditional capital as at the beginning of the period	21.00	21.00	125.00
Changes in conditional capital	54.00	104.00	16.00
increase as a result of	54.00	104.00	16.00
Conditional capital as at the end of the period	75.00	125.00	141.00
decrease as a result of shareholders' contributions			
Called up initial capital as at the beginning of the period			
Change in the called up initial capital			
increase as a result of			
decrease as a result of			
Called up initial capital as at the end of the period			
Treasury stocks (shares) as at the beginning of the period			
Change in the treasury stocks (shares)			
increase as a result of			

decrease as a result of			
Treasury stocks (shares) as at the end of the period			
Capital reserve as at the beginning of the period	14 396.00	14 396.00	14 452.00
Changes in the capital reserve	1 045.00	56.00	-230.00
increase as a result of	1 045.00	1 045.00	
issue of shares above their nominal value			
from profit distribution (statutory)			
from profit distribution (above statutory minimum value)	1045.00	1045.00	0.00
decrease as a result of		989.00	230.00
coverage of loss			230.00
transfers to the capital reserve		989.00	
Capital reserve as at the end of the period	15 441.00	14 452.00	14 222.00
Revaluation reserve as at the beginning of the period			
Changes in the revaluation reserve			
increase as a result of			
decrease as a result of			
disposal of fixed assets			
Revaluation reserve as at the end of the period			
Other capital reserves as at the beginning of the period			989.00
Changes in other capital reserves		989.00	
increase as a result of		989.00	
establishment of capital reserve		989.00	
decrease as a result of			
Other capital reserves as at the end of the period		989.00	989.00
Profit (loss) brought forward as at the beginning of the period	1 339.00	1 339.00	64.00
Profit of previous years as at the beginning of the period	1 386.00	1 386.00	341.00
change in assumed accounting principles (policy)			
adjustments of basic errors			
Profit of previous years as at the beginning	1 386.00	1 386.00	341.00

of the period, after reconciliation to comparable data			
increase as a result of			
distribution of profit of previous years			
decrease as a result of	1 045.00	1 045.00	
Distribution of profit	1 045.00	1 045.00	
Profit brought forward at the end of the period	341.00	341.00	341.00
Loss of previous years as at the beginning of the period	47.00	47.00	277.00
change in assumed accounting principles (policy)			
adjustments of basic errors			
Loss of previous years as at the beginning of the period, after reconciliation to comparable data	47.00	47.00	277.00
increase as a result of			
transfer of loss carried forward to be covered			
decrease as a result of			230.00
coverage of the loss by capital reserve			230.00
Loss carried forward as at the end of the period	47.00	47.00	47.00
Profit (loss) of previous years as at the end of the period	294.00	294.00	294.00
Net result	-118.00	-230.00	114.00
net profit			114.00
net loss	-118.00	-230.00	
write-offs from profit			
Equity capital (fund) as at the end of the period (Closing Balance)	16 427.00	16 365.00	16 495.00
Equity capital (fund), after providing for the proposed distribution of profit (coverage of loss)			

INDIVIDUAL CASH FLOW STATEMENT

	in PLN '000	
	First half /2009	First half /2010
Operating cash flows		
(direct method)		
Inflows		
Sales		
Other inflows from operating activity		

Outflows		
Deliveries and services		
Net remuneration		
Social and health insurance and other benefits		
Public law taxes and charges		
Other operating outflows		
Net operating cash flows (I +/- II) – direct method		
(indirect method)		
Net profit (loss)	-118.00	114.00
Total adjustments	746.00	929.00
Share in net profits (losses) of subordinated entities accounted for by equity method		
Depreciation	472.00	448.00
Foreign exchange gains (losses)	1.00	-1.00
Interests and profit sharing (dividends)	-199.00	-1.00
Profit (loss) on investing operations	-1064.00	300.00
Changes in reserves	-39.00	-125.00
Changes in inventories	-6.00	6.00
Changes in receivables	-329.00	316.00
Change in short-terms liabilities, excluding loans and credits	310.00	-84.00
Changes in prepayments and accruals	1599.00	104.00
Other adjustments		-34.00
Net operating cash flows (I +/- II) – indirect method	628.00	1043.00
Investment cash flows		
Inflows	776.00	19.00
Sale of intangible and legal assets and tangible fixed assets	46.00	0.00
Sale of investments in real property and intangible and legal assets		
From financial assets, including:	694.00	19.00
held in associated entities		
sale of financial assets		
dividends and profit sharing		
repayment of long-term borrowings		
interest		
other inflows from financial assets		
in other entities	694.00	19.00
sale of financial assets		
dividends and profit sharing		
repayment of long-term borrowings	23.00	17.00
interest	144.00	2.00
other inflows from financial assets	527.00	

Other investment inflows	36.00	
Outflows	2218.00	1336.00
Purchase of intangible and legal assets and tangible fixed assets	1531.00	1206.00
Investments in real property and intangible and legal assets		
For financial assets, including:	260.00	
held in associated entities	246.00	
purchase of financial assets	246.00	
granted long-term borrowings		
in other entities	15.00	
purchase of financial assets		
granted long-term borrowings	15.00	
Other investment outlays	427.00	130.00
Net cash flow on investment activity (I-II)	-1442.00	-1317.00
Financial activity cash flows		
Inflows	126.00	197.00
Net inflows from issue of shares (stocks) and other equity instruments and additional contributions to equity		
Loans and borrowings	73.00	
Issue of debt securities	0.00	
Other financial inflows	53.00	197.00
Outflows	328.00	127.00
Purchase of treasury shares (stocks)		
Dividends and other payments to shareholders		
Other than payments toward owners, expenditures towards distribution of profits		
Repayment of loans and borrowings	154.00	108.00
Redemption of debt securities		
Towards other financial liabilities		
Payments under finance lease contracts		11.00
Interest	16.00	8.00
Other financial outflows	158.00	
Net cash flow on financial activity (I-II)	-202.00	70.00
Total net cash flows (A.III +/- B.III +/- C.III)	-1016.00	-204.00
Balance-sheet change in cash and cash equivalents, including:	-1015.00	-203.00
change due to foreign exchange gains (losses)	1.00	1.00
Cash as at the beginning of the period	8493.00	6825.00
Cash as at the end of the period (F +/- D), including:	7478.00	6622.00
of limited disposability	1.00	4.00

Identification of operating segments

- division according to products

Item	Product segment				Total
	Qguar licenses	Qguar services: Implementation, service	Goods (including external licences)	Other	
Revenues from sales	831 101.79	5 564 454.60	1 431 530.74	142 978.60	7 970 065.73
Basic operating costs	858 147.07	3 073 738.23	1 176 393.68	45 825.86	5 154 104.84
Cost of sales	130 338.23	872 650.21	0.00	22 422.74	1 025 411.17
Overhead expenses	178 152.31	1 192 778.59	76 714.58	30 648.43	1 478 293.91
Financial income	45 449.80	304 298.91	19 571.25	7 818.96	377 138.92
Operating revenues	53 008.74	18 781.77	1 207.97	482.60	73 481.07
Financial costs	68 074.78	455 779.33	29 313.84	11 711.24	564 879.19
Operating costs	13 045.19	87 341.11	5 617.42	2 244.23	108 247.94
Result	-318 197.24	205 247.82	164 270.43	38 427.65	89 748.67

THE BOARD'S REPORT ON THE ISSUER'S CAPITAL GROUP'S BUSINESS OPERATIONS**1) Basic information**

The Capital Group's parent company is Quantum software S.A. with its seat in Kraków at ul. Walerego Sławka 3A. The Company was entered into the Register of Entrepreneurs of the National Court Register for Kraków – Śródmieście, 11th Commercial Division, on 30 October 2002 under KRS 0000136768; PCA 72.21 z. Software-Related Activity. The basic object of the Company's business operations is elaboration and implementation of IT systems for enterprises, which aim at the optimisation of logistics.

Statistical identification number (REGON): 351243328
Tax identification number (NIP): 677-17-53-870
National Court Register (KRS): 0000136768
Fully paid initial capital: 735.000 PLN '000.

The Board of Directors:

President of the Board	Tomasz Hatala
Vice-President of the Board	Bogusław Ożóg
Vice-President of the Board	Marek Jędra
Member of the Board	Tomasz Mnich

Supervisory Board

Chairman of the Supervisory Board	Leopold Kutyla
Deputy Chairman of the Supervisory Board	Tomasz Polończyk
Member of the Supervisory Board	Henryk Gaertner
Member of the Supervisory Board	Jerzy Majewski
Member of the Supervisory Board	Anna Nadolska

The Half-Yearly Financial Statements were drawn up with the assumption that business operations performed by entities belonging to the Quantum software S.A. Capital Group would be continued in foreseeable future.

As per 30.06.2010, the following companies belonged to the Capital Group:

- Quantum software S.A. – a parent company, with its registered office in Kraków, ul. Walerego Sławka 3A,
- Quantum East Sp. z o.o. with its registered office ul. Walerego Sławka 3A,
- Quantum International Sp. z o. o. with its registered office in Kiev, the Ukraine, Prospect Moskovskij,
- CNT Quantum Sp. z o.o. with its registered office in Kraków ul. Walerego Sławka 3A,
- Quantum I- Services Sp. z o.o. with its registered office in Kraków ul. Walerego Sławka 3A,
- Edisona Sp. z o.o. with its registered office in Kraków ul. Walerego Sławka 3A.

The organisational structure of the Group as per 30.06.2010 – specific data of subsidiary and associated companies:

1) The Company: Quantum East Sp. z o.o. – a subsidiary entity

Registered Office: Kraków
Address: Walerego Sławka 3a.
National Court Register (KRS): 0000294284
Shareholders: Quantum software S.A. holds 66.7 % of shares
Fully paid initial capital: 270.000.00 PLN

2) The Company: Quantum International Sp. z o.o. – a subsidiary entity

Registered Office: Kiev
Address: Prospect Moskovskij
Certificate No. 100107724
Shareholders: Quantum East holds 100% of shares
Fully paid initial capital: 76.200 USD

3) The Company: CNT Quantum Sp. z o.o. – an associated entity

Registered Office: Kraków
Address: Walerego Sławka 3a
National Court Register (KRS): 0000297249
Shareholders: Quantum I- Services Sp. z o.o. holds 50 % of shares
Fully paid initial capital: 400.000.00 PLN

4) The Company: Quantum I- Services Sp. z o.o. – a subsidiary entity

Registered Office: Kraków
Address: Walerego Sławka 3A.
National Court Register (KRS): 0000331050
Shareholders: Quantum software S.A. holds 100% of shares
Initial capital fully covered by means of in-kind contributions: 1.500.000.00 PLN

5) The Company: Edisonda Sp. z o.o. – a subsidiary entity

Registered Office: Kraków
Address: Walerego Sławka 3A.
National Court Register (KRS): 0000335987
Shareholders: Quantum software S.A. holds 100% of shares
Fully paid initial capital: 88.800.00 PLN

2) Structure of sales according to product and geographical segments

The Issuer performs business operations in the scope of sales of software and hardware and related services.

Product structure

	01.01.- 30.06.2010	% share	01.01.- 30.06.2009	% share
Qguar licences and services	6 782	70.87 %	7 761	83.87 %
Goods	1 496	15.63 %	1 119	12.09 %
Other sales	1 291	13.50 %	374	4.04 %
Total	9 569	100 %	9 254	100 %

Data in PLN '000

Sales according to sales markets

	01.01.- 30.06.2010	% share	01.01.- 30.06.2009	% share
Domestic market	7 787	81.37 %	6 631	71.66 %
Foreign markets	1 782	18.62 %	2 623	28.33 %
Total	9 569	100 %	9 254	100 %

Data in PLN '000

3) Description of the Capital Group's organisation, providing for entities subject to consolidation and details of possible changes in the Group's structure.

The Group is composed of the following entities:

Quantum software SA - the Group's parent company – operating in the scope of elaboration and implementation of IT systems;

Quantum East Sp. z o.o. – the Group's subordinated company, in which Quantum software SA holds 66.7 % of shares – holding company. Consolidation under the full method.

Quantum International Sp. z o.o. – the Group's subordinated company, in which Quantum East Sp. z o.o. holds 100% of shares – its business operation focuses on the sale and implementation of IT solutions offered by Quantum software SA. in Russian-speaking countries. Consolidation under the full method.

CNT Quantum Sp. z o.o. - the Group's associated company, in which Quantum I- Services Sp. z o.o. holds 50 % of shares. The company offers SAP solutions, both on the domestic market and in East Europe. Consolidation under the full method.

Quantum I- Services Sp. z o.o. – the Group's subordinated company, in which Quantum software S.A. holds 100% of shares – the object of the company's business operation is sale of licences, hardware and IT services, which are not directly related with the products offered by Quantum software S.A. (i.e. currently, the Qguar product series). Consolidation under the full method.

Edisonda Sp. z o.o. - the Group's subordinated company, in which Quantum software S.A. holds 100% of shares – The company was established to design interactions and conduct research concerning effective communication of websites (or other electronic media) and to use the said research for commercial purposes. Consolidation under the full method.

4) Indication of the consequences of changes in the business entity's structure, including changes occurring as a result of business combinations, take-over or sale of the Issuer's Capital Group's entities, long-term investments, divisions, restructuring and discontinuation of business activity.

No changes in the Issuer's structure occurred in the presented period.

5) Evaluation of basic economic and financial data of the Capital Group

In the first half of 2010 the Capital Group generated revenues on sales amounting to 9.569 PLN '000. When compared with the same period of the last year, it amounted to 9.254 PLN '000. A total sales growth rate was 103.4 %.

The sale of products and services related to the company's own software (Qguar package) constituted over 84 % of total sales in the first half of 2010. There was a significant drop in this sale group caused by lower number and value of new implementations. In the Board's opinion, the basic reason for this was a constant low level of investments in Poland, as well as extended crisis in neighbouring countries. In particular, it was in the Ukraine, where the drop in sales of licences and services reached over 30%. It was visible in a significant decrease in the share of sales for export. It proved even necessary to reevaluate some receivables related to Russian and Ukrainian contracts.

When compared with 2009, the Capital Group observed a significant growth in software and hardware of other producers and related services ("Goods" and "Other sale").

The Capital Group completed the first half of 2010 with a net profit of 84 PLN '000.

The Capital Group's companies have stable financing structure of their current business operations, which are based mainly on equity and current trade liabilities funding. The current financing structure does not involve any risk of liquidity loss or destabilisation.

6) Description of the Issuer's significant successes or failures during the period covered by the Report, providing for the most important events:

➤ **Winning new customers in Poland and abroad:**

- Quantum software S.A. signed trade agreements with the following customers:

Huhtamaki Polska Sp. z o.o., XS Sp. z o.o., Harper Hygienics Sp. z o.o., Hanyang ZAS Sp. z o.o., Pacaro S.r.l. (Italy)

- Quantum International signed a trade agreement with the following customer:

Vorteks Sp. z o.o. from the Ukraine

- CNT Quantum, the associated company, signed a sub-contractor's agreement with SCAI/Italy: support for roll-out SAP system for an international customer in a production plant in Poland; it also won one new customer.

- Edisonda, the subsidiary company, won six new customers, among others:

B.P. Grecos Holiday Sp. z o.o., Fundacja Hospicyjna, OpenForm.

➤ **New implementations at the following customers:**

- BlackPoint / Eco service Sp. z o.o.; Wincanton Polska Sp. z o.o., POLOmarket Sp. z o.o., Orlen Oil, Jago S.A..

➤ **Completion of Qguar system implementations for some important domestic customers, including:**

- ME Logistics, Leszek i Agata, Wkręt- Met, Silesian University of Technology (Katowice)

➤ **Other important events:**

- Signing a Partnership Contract with SCAI S.p.A. Group (Italy) and Application Software Systems Ltd. Bulgaria.

- Quantum software received a prestigious award - Jakość Roku 2009 (Quality of the Year).

7) Management Option Program (MO Program) and Treasury Share Purchase Program

The MO Program is intended for key managers of the Company and its subsidiary and associated entities ("Authorised Persons"). The aim of the MO Program is to create a motivation system by linking closely the Authorised Persons' interests with the Company's and other shareholders' interests. The Regulation provides for detailed principles of MO Program operation, in particular, the conditions for the acquisition of Registered Subscription Warrants ("Warrants") and terms for the acquisition and exercising of the right to hold D Series Quantum SA shares, with nominal value of PLN 0.50 each ("Shares") by Authorised Persons. Each Warrant entitles its owner to subscribe for one D Series Quantum SA share, at the issue price of PLN 1.00. The MO Program will be implemented through issuing Warrants for Authorised Persons, who will be announced in separate Resolutions to be adopted by the Supervisory Board. The MO Program provides for a free of charge issue of no more than 44.100 Warrants to be issued in three Packages.

On 3 October 2008, the Supervisory Board adopted a Resolution on accepting the MO Program Regulations ("Regulations"). The said Regulations were adopted pursuant to Resolution No. 18/2008, Resolution No. 19/2008 and Resolution No. 20/2008 of the Ordinary General Meeting of Shareholders of Quantum software SA of 17 June 2008 on the implementation of the Company's Motivation Program for 2008 – 2011, on the conditional increase of Quantum

software SA initial capital and on the issue of the Company's Subscription Warrants within the framework of the Management Option Program ("MO Program"). On 15 July 2009 the Company's Supervisory Board adopted a Resolution on amending the Resolution of 3 October 2008 on accepting the Management Option Program Regulations ("Regulations"); the Issuer notified about in its Current Report No. 23/2008. Pursuant to the Resolution No. 19 of the Ordinary General Meeting of Shareholders of Quantum software SA of 17 June 2008, determining the terms for the purchase of D Series Quantum SA shares, issued pursuant to item XI of its Articles of Association, and in accordance with a Power of Attorney granted by means of Resolution No. 19 of the Company's Ordinary General Meeting of Shareholders of 18 May 2009 in order to make it possible to dispose of Treasury Shares purchased by the Company in favour of the participants of the Management Option Program, the Company's Supervisory Board decided that the Program may be implemented parallelly, through offering the Authorised Persons to enter into Final Contracts and purchase the Company's Treasury Shares, as well as through enabling the Authorised Persons to acquire the Subscription to be converted into D Series shares. Pursuant to the Regulations, at the President of the Board's request, the Supervisory Board will determine a list of Authorised Persons to be offered to enter into Final Contracts. The Authorised Persons may be offered to enter into Final Contracts any time. A total number of the Company's shares (D Series Shares and Treasury Shares) to be offered within the framework of the Program while executing Warrants and Final Contracts will not change and will not exceed 44.100 pcs. The D Series Shares that will not be held by the Authorised Persons shall be redeemed by the Company. Acting pursuant to items 4.4 and 4.5 of the Regulations, the Supervisory Board adopted a Resolution on indicating a final number of Warrants to be issued in the First Package as amounting to 10.757 pcs and a Resolution on transferring 1000 pcs of Warrants from the First Package to the Second Package. Moreover, on 18 May 2010, by means of the Resolution No. 26, the Ordinary General Meeting of Shareholders authorised the Supervisory Board to make amendments in the Management Option Program Regulations, through extending the period of its validity up to 2011, with no increase in the number of Subscription Warrants and Shares offered for Program participants.

The Company estimates that total costs of the MO Program will amount to about 480 PLN '000. The costs incurred for the First Package recorded in 2008 amounted to 21.205.00 PLN, in 2009 103.746.32 PLN, and estimated cost recorded in 2010 will amount to about 80 103.746.32 PLN.

Regulations of the Treasury Share Purchase Program implemented by the Issuer

The Issuer's Board submitted RB 21/2009, a note providing for detailed terms of purchasing the Treasury Shares. The content of the „Treasury Share Purchase Program Regulations” implemented in Quantum software S.A. is available at the Issuer’s website. On 29 April 2010, the Issuer's Board adopted a resolution amending the "Treasury Share Purchase Program Regulations”, implemented by QUANTUM SOFTWARE S.A." (RB 11/2010). As per the day of this periodical Report publication, a total number of shares held by the Issuer amounted to 4.335 pcs, which constitutes 0.2949 % of the initial capital and 0.1953 % of votes at the General Meeting of Shareholders.

8) Description of significant risk factors**Risk relating to microeconomic position**

The Capital Group’s financial position depends on the microeconomic position of Poland, as well as other Eastern European countries. The generated financial result may be influenced directly and indirectly, among others, by the following: GNP rate of growth, inflation, state monetary and tax policy, level of investment of enterprises, an amount of households’ revenues and an amount of consumer demand. Both the aforementioned factors and the direction and level of their changes influence the performance of the Group’s assumed activities. A slow down of the economic growth rate will translate into lower revenues of companies operating in individual regions and industries. Consequently, they will lower their investment outlays, including those intended for development through improvements or purchase of relevant Quantum Group’s hardware and software. This, in turn, may make the Quantum Group, as the IT systems provider, to directly experience the decrease in the enterprises’ budgets intended for computerisation, as a result of its lower return on sales.

Risk relating to continued economic crisis

As a result of the slump on global financial markets, which took place in 2008, a significant number of economies in countries where the Company had sold its products, faced recession or, at least, a considerable slow down of their economic growth rate. This situation referred also to Polish market. As a result of these events, there increased a risk of drop in demand, both in Poland and on foreign export markets. In case of such countries like the Ukraine or Russia, a risk of even deeper financial crisis occurs, which has already translated into lower export level in those countries. The Group has been trying to lower the risk by extending its range of products and looking for new trade channels.

Risk of growth inhibition in individual sectors of IT market in Poland relating to technological changes in the industry

The whole value of the IT market is composed of the sale of hardware, software and related services. Each of these segments may develop more or less dynamically. The analyses concerning the market of hardware and IT services indicate its upward trend. The fact that Polish enterprises have only a few modern technologies at their disposal creates a basis for development of companies with business profiles similar to that of the Quantum software S.A. Capital Group. However, one must also keep in mind that this market is very easily influenced by fluctuations of economic situation. In case of downturn, companies restrict their investment policies, including outlays for IT. Lower demand for software means that the Group will generate lower sales outcome, considerably different from those assumed by the Board. The Group elaborates and implements IT systems mainly for logistic purposes. Its customers are production companies, trade enterprises and companies dealing with store-keeping, freight forwarding and transport. The current situation in Poland, its logistically attractive location and trade exchange with foreign countries ensure good conditions on the Polish market, creating the potential for further development of logistics. Nevertheless, we cannot ensure that the rate of growth in industries, within which the Group's customers operate, will remain on the same level. In case of its slow down, the demand for products may not grow at the hitherto existing rate; it may even decrease, lowering the level of revenues from sales. Technological changes and novelties frequently introduced on the IT market are strictly connected with the sector. Thus, products are characterised by short life cycles, while outlays for their development still remain considerable. As a result, outlays incurred for products may not be returned from revenues on their sales. Therefore, there is a risk that any decision concerning development of a given product may be made basing on incorrect premises, thus, it will not satisfy current market requirements and the risk that the period required for the development of a product, i.e. a design stage, software elaboration and testing phase will take longer than assumed, while the said market segment may have already been captured by competitive entities. The aim of monitoring the market needs, performed by own employees, is to limit this risk. Additionally, the partnership of Quantum software S.A. and hardware and software suppliers enables it to systematically monitor the changes and technological innovations appearing on the market.

Risk of competition growth

The IT market is dynamically growing, which translates into systematically increased levels of revenues from sales on part of companies that operate on this market. Such situation strongly attracts new IT services providers, which - encouraged by big profits – increase the number of entities operating on the market. As a result, the market of business software producers is considerably sub-divided and new companies are still appearing that offer new products with various prices, scope of operation or development level. This, in turn, directly translates into higher competitiveness on the market, and it may make the Company incur greater outlays for development and advertising and lower its hitherto used margin. Moreover, the great capacity of the Polish market and the fact that the level of informatisation differs from the average values in European countries make many global companies rendering the same services interested in commencing their business activity in Poland. The Quantum Group can influence neither the activities undertaken by its competitors nor their products. Nevertheless, it may aim at preserving its position on the market basing on its experience.

Export-related risk

The sales are performed mainly on the Polish market. However, the Group also enters into contacts with entities operating within the territories of Central, Eastern and Western Europe. Currently, about 24% of the Group's revenues from sales come from foreign markets. The value of contracts with foreign customers is usually expressed in EUR. Any negative trends in the scope of exchange rates of PLN towards EUR may adversely affect the Company's financial result. A drop in EUR value towards PLN will result in lower revenues from export on part of Quantum software S.A. and the corresponding lower return on export contracts.

Risk relating to pending contracts

The companies belonging to the Group do not sell great quantities of easy-to-install software, but they perform relatively significant single implementation projects, with a high degree of complexity, usually requiring several months of work performed by a team of specialists. A system implemented in a specific enterprise must usually control logistic processes and integrate them with the operation of all its departments in the so-called real time. In such circumstances, there are risks relating to wrong projection of processes and flow of data in the whole enterprise, prolongation of planned activities in time or changes in the scope of works against those previously arranged. Any lowering of the contract amount, higher costs of contract performance against previously estimated ones, termination of contracts or possible money claims from

customers may adversely affect the Group's current financial position. The fact that the Group's Parent Company has already gained great international experience and its own standard proved system, lowers the risk of the occurrence of any major errors or delays in contract performance.

Risk relating to exchange rates

The companies belonging to the Group carry out their transactions in foreign currencies (mainly in EUR). Any change in foreign currency exchange rates towards PLN may involve lower results than those anticipated. Fluctuations in foreign exchange rates influence the financial result through:

- change in the value of export sales expressed in PLN and costs expressed in PLN,
- realised exchange rates differences occurring between the sale or purchase date and the date of payment of a given amount or liability due,
- unrealised exchange rates differences from the balance-sheet valuation of trade settlements.

Trade transactions in foreign currencies towards export are carried out during the Group's companies' normal business operations. With regards to the foregoing, future cash flows in this respect are exposed to a change in their value resulting from fluctuations in foreign currency exchange rates, while the opportunities for the possible lowering of the currency-related risk are limited due to uncertainty embedded in export markets. In particular, the level of compensation between currency revenues and costs has become less predictable.

9) Description of factors and events, in particular the untypical ones, which may significantly influence the financial result:

Neither such factors nor events occurred.

10) Explanations regarding the seasonal or cyclical nature of the Issuer's business operations during the presented period:

The influence of seasonal nature of the Issuer's business operations is insignificant and similar to that of previous periods.

11) Information concerning the issue, redemption and repayment of debt and capital securities:

In the first half of the year, Quantum software SA and its subsidiaries did not issue any shares, did not redeem or repay any debt or capital securities.

12) Information concerning the paid up or declared dividend, in total and as per one share, providing for a division onto ordinary and preference shares:

The Company did not make any payments towards its shareholders in the presented period.

13) Events occurring after the date of drawing up the Quarterly Consolidated Financial Statements, which were not included in the Financial Statements hereto and which could significantly affect the Issuer's future financial results:

No untypical events occurred after 30 June 2010, which could significantly affect the Issuer's future financial results and which were not included in the Financial Statements hereto.

14) Information concerning changes in contingent liabilities or assets, which have taken place since the completion of the previous accounting year:

No significant events occurred in the presented period, which could affect the contingent liabilities or assets.

15) The Board's position concerning the probability to achieve the previously published forecasts for the year in question, in the light of results presented in the Quarterly Report against the forecasted results:

The Company did not publish any forecasts for the year in question.

16) Indication of the shareholders who hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the Issuer's General Meeting of Shareholders as per the day of submitting the Quarterly Report, providing for the number of shares held by these entities, their percentage share in the equity capital, number of votes corresponding to those shares and indication of any changes in the ownership structure of considerable packages of the Issuer's shares since the date of submitting the previous Quarterly Report:

According to the Company, as per 31 August 2010, i.e. the day of publishing the Half-Yearly Report, the main shareholder of the Company is Quantum Assets Sp. z o.o., with its registered Office in Kraków, holding 675 421 Registered A Series Shares, preferred as to the voting right and 222 979 Ordinary B Series Bearer Shares, constituting total 61.12 % of its equity capital, with the right to 1 573 821 votes at the Company's General Meeting of Shareholders, which constitutes 70.89 % of the total number of votes.

17) A list of the volume of the Issuer's shares and their holders or the rights covering these shares by persons who manage and supervise the Issuer as per the date of submitting the Half-Yearly Report, providing for the changes in the volume of the shares held since the day of submitting the previous report, separately for each such person:

The Company's Board (as per 31 August 2010)

Tomasz Hatala	36 200
Bogusław Ozóg	24 603
Marek Jędra	8 200

Tomasz Mnich	3 400
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**Members of the Supervisory
Board holding the Company's shares
(as per 31 August 2010)**

Tomasz Polończyk	8 200
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18) Indication of proceedings pending in courts of law, before competent arbitration proceedings body or public administration authority providing for the relevant information:

During the period covered by the Report hereto the Company and its subsidiary or associated entities neither initiate any proceedings in the court of law, before competent arbitration proceedings body or public administration authority, which would involve debts of total value exceeding 10% of its equity capital, nor were parties to such proceedings.

19) Information concerning one or more transactions carried out by the Issuer or one of its subsidiaries with any of its associates, if any single transaction or all of them jointly are significant and they were made on terms different from typical market conditions:

The Company did not enter into any contracts with its associated companies during the said period.

20) Information concerning issuance by the Issuer or one of its subsidiaries of any guarantees or warranties covering loans or credits – jointly for one entity or its subsidiary, if the total value of such guarantees or warranties constitutes, at least, 10% of the Issuer's equity capital:

During the presented period, neither the Company nor its subsidiaries granted any guarantees or warranties for any credit or loan, the value of which would exceed 10% of the Issuer's equity capital.

21) Other information which are significant, in the Issuer's opinion, for the evaluation of its personnel, material or financial position, its financial result and changes in these and information which may be important for the evaluation of the probability of performance of the Issuer's liabilities:

No information occurred during the reporting period, which could be significant for the evaluation of the Company's personnel, material or financial position, its financial result and the probability of performance of the Company's liabilities.

22) Indication of factors, which - in the Issuer's opinion – could affect the generated result, in view of, at least, the next quarter:

The factors, which may influence the development of Quantum software S.A. Capital Group in view of the next quarter, are divided into external factors, which are independent of the Company itself and of the Companies belonging to the Group and internal factors, dependent of Quantum software SA and entities belonging to the Capital Group.

The external factors are as follows:

- economic situation after the economic slow down of 2009,
- effect of the crisis on the economies of Poland and neighbouring countries, including the Ukraine,
- prolonged decision-making process on part of enterprises concerning their budgets for IT outlays,
- risk relating to considerable fluctuations in the exchange rate of PLN towards EUR,
- actions undertaken by competitive companies.

The internal factors that may influence the development of the Capital Group are as follows:

- punctual completion of works concerning performance of contracts commenced in previous quarters in compliance with assumed budgets and contractual provisions;
- successful and punctual completion of developmental works in the scope of new products and services;
- effective personnel policy that would eliminate the risk of fluctuations of qualified and competent employees from the Company;
- effective marketing actions aiming at winning new customers;
- possible finalisation of negotiations concerning capital investments.

The Board of the Company

Kraków, 31 August 2010

Tomasz Hatala

Bogusław Ożóg

Marek Jędra

Tomasz Mnich

Board's statement concerning drawing up of the Financial Statements

The Board of Quantum software SA hereby states that, based on its best knowledge, the Half-Yearly Consolidated Financial Statements and comparable data were elaborated in accordance with binding accounting principles and that they truly, reliably and transparently reflect the material and financial position of the Quantum software S.A. Capital Group and its financial result and that the Half-Yearly Report on the Business Operation presents a true image of the Quantum software S.A. Capital Group's development and accomplishments, including description of basic risks.

Kraków, on 31 August 2010

Tomasz Hatala	President of the Board
Bogusław Ozóg	Vice-President of the Board
Marek Jędra	Vice-President of the Board
Tomasz Mnich	Member of the Board

Board's statement concerning the entity authorised to audit the Financial Statements.

The Board of Quantum software SA hereby states that the entity authorised to audit the financial statements, which audited the Half-Yearly Consolidated Financial Statements was chosen in accordance with relevant legal regulations and that the said entity and chartered auditors who audited the said Financial Statements complied with the requirements necessary to issue an impartial and independent opinion on the audit performed, pursuant to relevant provisions of the Polish law.

Kraków, on 31 August 2010

Tomasz Hatala	President of the Board
Bogusław Ozóg	Vice-President of the Board
Marek Jędra	Vice-President of the Board
Tomasz Mnich	Member of the Board