



**Management Board Report on the Operations of  
Quantum software S.A. for the period  
between 1 January and 31 December 2014.**

**Kraków, 20 March 2015**

## **Basic principles of preparing financial statements**

These consolidated financial statements of Quantum software S.A. for 2014 were prepared in line with IAS and International Financial Reporting Standards (IFRS) approved by the European Union, which include standards and interpretations published or adopted by the International Accounting Standards Board and the Standing Interpretation Committee at the IASB. These financial statements of Quantum software S.A. were prepared under Article 55(6a) of the Accounting Act.

This report on the activity of Quantum software S.A. covers the period between 1 January and 31 December 2014.

The annual report of Quantum software S.A. for the reporting period between 01.01.2014 and 31.12.2014 comprises:

- the financial statements of the Issuer for the period from 01.01.2014 to 31.12.2014 and at 31.12.2014 prepared in accordance with International Accounting Standards, including the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and notes to the financial statements;
- Comparative financial data to the financial statement of 31.12.2014 and for the 12-month period closing as of 31.12.2013,
- The Management Board's Report on the activities of the Issuer for the period between 01.01.2014 and 31.12.2014,
- Statements of the Management Board pursuant to Section 91(1)(5) and (6) of the Regulation of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities, and the conditions for considering as equivalent the information required by the law of a non-member state.

**Signatures of the Management Board Members: Person responsible for keeping  
books of accounts:**

Tomasz Hatala

Chief Accountant - Monika Kuś

Bogusław Ożóg

Marek Jędra

Tomasz Mnich

## Summary of the information included in the report on the activity of the Management Board of Quantum software S.A. for 2014:

1. The Report on the Activities of the Management Board of 2014.
2. Management Board's Statement on the use of corporate governance policies in Quantum software S.A. in 2014.
3. Reports on the activity of the Supervisory Board for 2014.

### 1. Basic information

Quantum software Spółka Akcyjna; 30-633 Kraków, ul. Walerego Sławka 3A. The main business activity of the company is consulting in the scope of software. Quantum software S.A. was entered into the Register of Businesses of the National Court Register (KRS) Kraków – Śródmieście, XI Economic Division on October 30th, 2002 under KRS No. 0000136768 PKD (Polish Classification of Activities) 62.01Z. Software activities

The Company was established for an unlimited period of time, as stipulated in the Articles of Association.

Statistical identification number (REGON): 351243328  
Tax identification number (NIP): 677-17-53-870  
National Court Register (KRS): 0000136768  
Share capital paid in full: PLN 740,378.50

### **Management Board:**

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

### **Supervisory Board:**

Leopold Kutyla	Chair of the Supervisory Board
Tomasz Polończyk	Deputy Chair of the Supervisory Board
Henryk Gaertner	Member of the Supervisory Board
Piotr Nadolski	Member of the Supervisory Board
Andrzej Ruciński	Member of the Supervisory Board

The company is a parent entity to the following entities at 31.12.2014:

**1. Corporate name: Quantum East Sp. z o.o. – subsidiary**

Registered office: Kraków

Address: Walerego Sławka 3A

National Court Register (KRS): 0000294284

Shareholders: 63.74% of shares held by Quantum software S.A.

Share capital paid up in full: PLN 282,500.00

**2. Corporate name: Quantum International Sp. z o.o. – subsidiary in Ukraine**

Registered office: Kiev

Address: Prospect Moskovskij

Certificate No. 100107724

Shareholders: 100% of shares held by Quantum East

Share capital paid up in full: USD 76,200.00

**3. Corporate name: Quantum International Sp. z o.o. – subsidiary in Russia**

Registered office: Moscow

Address: ul. Letnikovskaja 10 building 11

Certificate No. 1117746038035

Shareholders: 99% of shares held by Quantum East

Share capital: RUB 1,200,000.00 paid up in full

**4. Corporate name: Quantum I - Services Sp. z o.o. – subsidiary**

Registered office: Kraków

Address: Walerego Sławka 3a

National Court Register (KRS): 0000331050

Shareholders: 100% of shares held by Quantum software S.A.

Initial capital fully financed with an in-kind contribution: PLN 1,500,00.00

**5. Corporate name: Edisonda Sp. z o.o. – subsidiary**

Registered office: Kraków

Address: Walerego Sławka 3a

National Court Register (KRS): 0000335987

Shareholders: 59.20% of shares held by Quantum software S.A.

Share capital paid up in full: PLN 150,000.00

**6. Corporate name: Quantum Mobile Solutions Sp. z o.o. – subsidiary**

Registered office: Kraków

Address: Walerego Sławka 3A

National Court Register (KRS): 0000297249

Shareholders: 75% of shares held by Quantum I - Services Sp. z o.o.

Share capital paid up in full: PLN 6,000.00

**7. Corporate name: Quantum Brasil Engenharia Em Software Ltda-ME. – subsidiary**

Registered Office: Brasilia/DF

Address: Condomínio Jardim Botânico, Etapa 01, quadra 02. Rua 01 lote 112 – loja 12, Lago Sul - Brasília - DF - CEP 71.680-362

Register No.: 11.795.637/0001-38 and NIRE No. 53201627870

Shareholders: 85% of shares held by Quantum software S.A.

Share capital paid up in full: BRL 200,000.00

**8. Corporate name: EQ System East – associate**

Registered office: Kraków

Address : Walerego Sławka 3a

National Court Register (KRS): 0000486510

Shareholders: 48% of shares held by Quantum software S.A.

Share capital paid up in full: PLN 50,000.00

**9. Corporate name: Quantum Qguar sp. z o.o. – subsidiary**

Registered office: Kraków

Address : Walerego Sławka 3a

National Court Register (KRS): 0000516717

Shareholders: 100% of shares held by Quantum software S.A.

Share capital financed with an in-kind contribution of PLN 3,995,00.00 and a cash contribution of PLN 5,000.00.

## 2. Financial results of the Issuer in 2014

### Selected financial data of the Issuer's income statement

Item	2014 (in thousands of PLN)	2013 (in thousands of PLN)
Net revenue from sales	11,380	15,889
Net revenue from sales of products	9,299	14,713
Net revenues from the sale of goods and materials	2,081	1,176
Profit on sales	369	-168
EBIT profit (loss)	-330	-44
Profit on operations + EBITDA depreciation	574	1,690
Gross profit (loss)	-1,426	-2,284
Net profit (loss)	-1,405	-1,769
Equity	10,421	11,850
Liabilities and provisions	810	3,283
Including long-term liabilities	0	197
Return on sales (ROS)	-12.34%	-11.13%
Return on assets (ROA)	- 12.51%	-11.68%
Return on equity (ROE)	- 13.48%	-14.92%
Current ratio	1.7	4.0
Quick ratio	1.7	4.0

The ratios presented in the table are calculated by the following formulae:

- a) return on sales – ratio of net profit to revenues from sales and services
- b) return on assets – ratio of net profit to assets at the end of reporting period
- c) return on equity – ratio of net profit to do equity at the end of reporting period
- d) current ratio – ratio of current assets to the balance value of short-term liabilities
- e) quick ratio – ratio of current assets less provisions to the balance value of short-term liabilities

### **3. Financial situation of the Issuer**

**3.1.** On 25 July 2014, the Management Board of Quantum Software S.A. transferred the business to a newly formed Quantum Qguar sp. z o.o. All shares in the new company are held by the Issuer. The Issuer took up 79,900 new shares with a nominal value of PLN 50 each in the subsidiary Quantum Qguar sp. z o.o., thus increasing the share capital of the subsidiary by PLN 3,995,000.00 (three million nine hundred ninety-five thousand Polish zloty) up to PLN 4,000,000.00 (four million Polish zloty). The shares were taken up in return for an in-kind contribution of the Issuer's business under Article 55<sup>1</sup> in conjunction with Article 55<sup>2</sup> of the Polish Civil Code, which comprises, among others, fixed assets, inventories, rights and obligations under the contracts concluded in the usual course of business, claims, trademarks and service marks, rights to Internet domains, licensing rights, copyrights and related property rights, including to software and word and graphic signs, certain property rights in the form of shares in subsidiaries, short- and long-term accruals, research and development, employment relationships with employees under Article 23<sup>1</sup> of the Polish Labour Code. The share premium was fully allocated to the legal reserve of Quantum Qguar sp. z o.o. As a result of the shares being taken up by the Issuer and the corresponding contribution being made, the Issuer is still a parent entity of Quantum Qguar sp. z o.o.

The in-kind contribution was made by the Issuer to Quantum Qguar sp. z o.o. in the implementation of Resolution No. 17 of the Annual General Meeting of Quantum software S.A. dated 6 June 2014., published in Current Report No. 16/2014. The ownership of the Issuer's business, subject to the exemptions, was transferred under an agreement to transfer the business entered into on 25 July 2014 between the Issuer and Quantum Qguar sp. z o.o., as a contribution for the acquired shares.

The agreement was concluded on the terms no other than the arm's length terms. Both the agreement and the assets sold meet the criteria for being qualified as significant. The Issuer assumes the value equal to 10% of its equity as the criterion for the agreement and the assets to qualify as significant.

This was reported by the Issuer in Current Report No. 20/2014.

**3.2.** The purpose of the transfer was to separate the Issuer's holding and operating activities in the development, implementation and servicing of Qguar software. Since the date of the transfer, these operating activities have been performed by the new company.



Accordingly, the Issuer's financial performance for 2014 are difficult to compare to the previous year.

In 2014, Quantum software SA recorded revenues of PLN 11,380 thousand, of which PLN 9,122 thousand related to the core business (licenses and services related to Qguar). The loss of approx. PLN 1,405 thousand was mainly attributable to partial write-downs on loans and liabilities of subsidiaries in Ukraine and Russia. These write-downs were fully recognised in the second half of the year, which had already impacted the result of the subsidiary of Quantum Qguar. To compare the financial performance of the Issuer for 2013, the results of Quantum software S.A. and Quantum Qguar Sp. o.o. should be combined. Some elements of this comparison are included in the consolidated financial statements relating to the Quantum Group as a whole.

#### **4. Information on the Issuer's activity in 2014**

The events described below relate to the period preceding 25 July (the date of the business transfer).

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

- Ponetex Logistics sp. z o.o.
- Bea Beleza sp. z o.o. sp. k.
- Market Detal sp. z o.o.

➤ **New implementations for the previously operated customers:**

- Agros Nova sp. z o.o.
- Kontinet Spedition GmbH
- DINO sp. z o.o.

➤ **Other important events:**

- Qguar WMS in Ecuador (Ferremundo [www.ferremundo.com.ec](http://www.ferremundo.com.ec)).

#### **5. Changes in the amount and type of equity**

In 2014, the Issuer did not make any changes to the amount or type of equity.

## **6. Information on basic products**

The following information relates to the Issuer's profile in the period preceding 25 July, i.e. the date of the business transfer. After that date, the Issuer focuses on the Group's holding activity.

The main object of the Issuer's activity is creating computer software to assist in logistic and production processes and implementing complete IT systems in companies focused on these processes, which also includes software and equipment of other producers. Quantum software S.A. operates mainly in a niche segment, providing technically advanced, high-quality solutions to demanding customers. The Issuer has operated on the Polish market since 1997. International experience acquired since 1991, know-how in IT and logistics and proven expert team enabled Quantum software S.A. to gain the position of the leading producer of specialist storage and distribution software from Central and Eastern Europe.

The flagship product of the Issuer is the Qguar system, with around 200 completed implementations mainly in Poland, but also in Germany, France, United Kingdom, Slovakia, Czech Republic, Hungary, Ukraine, Russia and Belarus. The QGUAR system is a package belonging to the SCM (Supply Chain Management) software class, and more specifically to SCE (Supply Chain Execution). Its functionality operates and optimises processes connected with the logistics of storage, distribution and production in relation to the processes of purchase and sales. Its unitary implementation is usually an organisational change in the company and requires several months of work of an expert team. The division of the Qguar system into respective modules allows for the management of selected links of the integrated supply chain, or for a complex logistics management.

The company's package offer includes the following products:

- Qguar Warehouse Management System Professional – Qguar WMS PRO,
- Qguar Warehouse Management System Easyway – Qguar WMS EASYWAY,
- Qguar Yard Management System – Qguar YMS
- Qguar Manufacturing Execution System – Qguar MES
- Qguar Transport Management System – Qguar TMS,

And the additional modules:

- Qguar VPM – Voice Picking technology
- Application of a remote (Internet) access to the system – Qguar 4WEB.
- Qguar Dashboard
- Qguar Pilot

- Qguar Visual Warehouse
- Qguar OTM
- Qguar Messaging
- Qguar Queryser

Expansion to foreign markets translates into the necessity to create new language versions of the Qguar system. The currently available versions are Polish, English, German, French, Spanish, Portuguese, Hungarian, Italian, Russian and Romanian. These activities also contribute to the implementation of changes and improvements in the existing systems.

In addition to its own software, the Company sells complementary software of other producers and equipment.

The process of implementing the Qguar system involves the following stages and types of services:

- design (also called Technical Specification of the Implementation),
- configuration and possible individual expansions,
- installation,
- training,
- implementation,
- post-implementation support,
- maintenance.

## **7. Sales and supply markets**

The following information relates to the Issuer's profile in the period preceding 25 July, i.e. the date of the business transfer. After that date, the Issuer focuses on the Group's holding activity.

Quantum software S.A. focuses primarily on the Polish territory, and exports in 2014 accounted for approx. 7% of total sale (customer service in the European Union and the sale of licenses to partner companies).

### Product structure

	2014	% share	2013	% share
<b>Own licences (Qguar) and services</b>	9,122	80.2%	14,650	92.2%
<b>Goods</b>	2,081	18.3%	1,176	7.4%
<b>Other sales</b>	177	1.5%	63	0.4%
<b>Total</b>	<b>11,380</b>	<b>100%</b>	<b>15,889</b>	<b>100%</b>

Data in thousands of PLN

### Sales by markets

	2014	% share	2013	% share
<b>Country</b>	10,584	93%	13913	87.6%
<b>Abroad</b>	796	7%	1976	12.4%
<b>Total</b>	<b>11,380</b>	<b>100%</b>	<b>15,889</b>	<b>100%</b>

Data in thousands of PLN

The main business areas to which the Company's products and services are related are the companies of the following scope of activity:

- distribution centres dealing with comprehensive distribution of trade goods, i.e. have full control over each economic and logistic stage, starting from supply, through transport to storage, storage itself, sales, to freight forwarding to sales outlets and settlement of the whole process,
- storage areas, in which outsourced logistic services are rendered, thus taking up the function of an external storage of a trade or production company, relieve the company from the necessity of goods management,
- comprehensive freight and transport services,
- production companies with own distribution, which do not contract logistic services, and for which all macro-logistics can be operated or the existing system - improved, by expanding their IT structures.

The above division is reflected in the structure of the current customers of the Company, which consists of:

- trade and distribution companies,
- production companies (food and non-food merchandise),
- service companies dealing with logistics.

## **8. Information on significant events which took place after the balance sheet date, not recognised in the financial statements.**

No significant events took place after the balance sheet date

## **9. Achievements in the field of research and development.**

The following information relates to the Issuer's profile in the period preceding 25 July, i.e. the date of the business transfer. After that date, the Issuer focuses on the Group's holding activity.

Due to its business industry, the Issuer manages practically its entire research activity in the scope of IT, i.e. hardware, system software, tool software, database software. The aim of this activity is selection of offered solutions and technologies used in the implementation of own products. Since 2008, two development projects have been implemented in the area of supply chain management, which were accepted to funding from EU funds under Operational Programme - Innovative Economy 2007-2013, Measure 1.4-4.1- Support for implementation of results of R&D works. The projects were implemented by the end of 2010, but their settlement affected the results of the company in 2014.

## **10. Employment structure of Quantum software S.A.**

Employment in Quantum software S.A. until the date of transfer of the business, i.e. at 25 July 2014, was 93 employees on average. The average gross salary amounted to PLN 6,230.87.

### **Employment structure**

Following the transfer of business as described in point 3.1, the Issuer's employees became the employees of Quantum Qguar sp. z o.o., hence the average employment in Quantum software S.A. at 31 December 2014 was as follows:

	Year ended on 31 December 2014	Year ended on 31 December 2013
Management Board	4	4
White collar/ Administration	0	90
Blue collar employees	0	0
Total	4	94

### **11. Contingent liabilities**

In 2014, Quantum software S.A. held no contingent liabilities.

### **12. Description of significant risk factors and threats, and to what extent the issuer is exposed to them**

As a holding company, the Issuer is currently exposed to risks inherent in the operations of its subsidiaries and associates. Currently Quantum Qguar Sp. z o.o is the largest subsidiary. However, risks and uncertainties described apply also to other operations that fall within the IT sector.

#### **Risk related to the macroeconomic situation**

The Issuer's financial situation depends on the macroeconomic situation in Poland. The financial result achieved by the Company directly and indirectly depend on, among others: the GDP growth dynamics, inflation, monetary and tax policy of a country, level of business investments, level of household income and consumer demand. All the aforesaid factors as well as the direction and level of changes influence the fulfillment of tasks assumed by the Issuer. The economic growth means lower revenue of companies operating in particular regions and industries. Consequently, they adjust their investment expenditure, including development through improvement or purchase of computer hardware and appropriate software. The Quantum Group entities, as IT systems provider, may directly experience the consequences of changes in the budgets allocated by companies to computerisation.

#### **Risk related to continued economic crisis**

Due to the downturn on global financial markets which occurred in 2008 a large number of economies of countries to which the Company sells its products faced recession or at least a

significant slowdown in economic growth. The risk is decreasing in the context of signs of recovery in the Polish economy in 2013 and better forecasts for the European Union markets.

**Risk of slowdown in the growth of particular segments in the IT sector in Poland related to technological changes in the industry**

The value of the entire IT market is made of hardware, software and services. Each of these segments may develop faster or slower. Analysis pertaining to the IT hardware and services market indicate growth trends. The small saturation of Polish companies with modern technologies creates a fertile ground for the development of companies whose activities' focus is similar to that of the Quantum holding companies. However, this market is very sensitive to economic conjuncture fluctuations. During economic downturn companies restrict their investment policies, including IT expenditure. Decreased demand for computer software entails the Group's obtaining lower sales results, substantially different from the Management Board's forecasts. In such case, the demand for the products of the subsidiaries and associates may decrease, which may entail decreasing the level of obtained sales revenue. Technological changes and frequent launches of new IT services are closely related with this sector. Products' lifecycles are short while expenditure on their development high. Consequently, the incurred expenditure may not be covered by sales revenue. Therefore, there is a risk that a decision to develop a particular product will be based on incorrect premises which do not satisfy current market needs and a risk that the period of creating a product, i.e. the stage of software designing and building as well as the test phase, may be longer than expected and the given market segment will already have been conquered by competitors. Market needs are monitored by employees of the Group companies in order to mitigate that risk. In addition, the cooperation with computer hardware and software suppliers allows for ongoing monitoring of technological changes and innovations on the market.

**Increase of competition growth**

The IT market is currently in the phase of dynamic growth. Such a situation attracts new providers of IT services, who, attracted by high profits, increase the number of entities operating on the market. As a result, new entities offer products diversified in terms of price, functionality or advancement. This directly results in exacerbated competitiveness on the market and may give rise to the need for the holding companies to incur greater development and advertising expenditure and a need to decrease the current level of profit margin. Furthermore, large capacity of the Polish

market and the fact that the level of informatisation is far from average European levels results in many global companies rendering similar services being interested in conducting business in Poland. The Issuer's companies have no influence on competitors' activities and products, but they are able to maintain their market position owing to its experience.

### **Export risk**

The sales of the Issuer's subsidiaries and associates is carried out mainly in Poland. However, these companies also enter into contracts with entities operating in other countries. Currently, 20% of the Group's net sales is obtained abroad. The value of contracts with foreign clients is usually expressed in EUR. Negative tendencies in the exchange rate of PLN to EUR may have negative impact on the financial results of the Company. A fall in the value of EUR compared to PLN will trigger lower export revenues and lower return on export contracts. In view of the situation in Ukraine, Belarus and Russia, counterparties put strong pressure on the Issuer's subsidiaries operating on these markets not to make contracts subject exchange rates of more and more expensive convertible currencies. Thus, the currency risk is even greater.

### **Risk of performed contracts**

The holding companies of Quantum software S.A. do not sell large number of easily installed programmes but they carry out large individual implementation projects of high level of complexity which usually require a few months' work of a team of specialists. A system which is implemented in a particular company must overlook very complex logistic processes and integrate them with all departments' operations in real time. Such circumstance result in a risk of faulty reproduction of processes and information flow in a company, a risk of extending the duration of planned tasks, a risk of changes in the scope of works compared to the initially agreed plan. Decrease in the contract value, higher costs of contract performance compared to the expectations, contract termination or potential financial claims from the customer may have an adverse impact on the current financial situation of the Group companies. These risks are mitigated through international experience, proprietary, standard product base and an experienced team of professionals.

### **Implementation risk**

A supplier of complex IT systems which are implemented for several months is under pressure caused by increasing customer requirements and demand to maintain the budget. Sometimes it is necessary to change the assumptions or lower the remuneration. Currently, economic processes



are becoming more complex; therefore, with no relevant knowledge, it is very easy to implement system in a way that is non-optimal to the customer, which may result in a fall of goodwill and necessity to perform modifications. Furthermore, customers want to treat IT system suppliers as business advisors and require growth of economic effectiveness after installing IT solutions. There is a risk that without proper analyses such requirements may not be satisfied. The effective implementation is one of the objectives of the companies. Implementation departments have multi-level implementation methodology, whereby the possibility of analytical errors is reduced.

### **Risk of potential delays in preparing new products**

As suppliers of IT systems and associated services, the Issuer's subsidiaries must constantly seek to extend their offer, introduce new functionalities and ensure the integrity of any data processed. The competition and customers' demands are constantly growing. As a result, there is a threat of introducing new products that satisfy current demands of the customers later than the competitors and winning the market by other suppliers, which would cause a decrease in sales revenue.

To prevent this, for the last few years, Quantum companies have carried out broad full-scale research and development works that, on the one hand, aim at contributing to improving our products, their quality, and on the other hand, to introduce new, competitive solutions.

### **Risk of the short lifecycle of a product**

Innovativeness and pace of the appearance of new products in IT industry generates necessity for the systematic update of existing products, adjusting them to changing equipment platforms and introducing new products. Lack of sufficient technological base and well-qualified staff may result in delays in updates and in introducing new products, which in effect may compromise attractiveness of our offer. This may lead to decrease of sales revenue, and, in consequence, decrease of attained profit. The Quantum Group companies seek to mitigate this risk through constant development of their managers, successively increasing, if possible, the number of high qualified employees and funding research and development works.

### **HR risk**

As the IT market is growing, our competitors are more and more interested in soliciting efficient, highly qualified personnel. IT firms, which take high qualified staff as their priority in production, are in danger of losing their key specialists. Companies constantly scan the labour market, whilst

the employees themselves are active as well. Such a situation leads to an increase in salaries and wages and gives rise to the risk of lower economic returns. The Issuer's companies seek to provide attractive working conditions for their employees and to have attractive incentive systems in place.

#### **Risk associated with revenue seasonality and irregularity**

The typical seasonal nature of the IT business, where maximum turnover is recorded in Q4 of a calendar year and is related to the end of the financial year and system upgrades, does not apply to the Quantum Group companies. Turnover fluctuations between year quarters are more connected with customer investment cycles than seasonality.

#### **Risk of overdependence on key suppliers**

In their operations, the Issuer's companies use equipment and software from external suppliers. Losing one of key suppliers may result in interruption of supplies. The companies mitigate the risk by maintaining good relationships with strategic partners. An additional factor reducing the risk is cooperation with higher number of suppliers, wherever possible.

#### **Risk of overdependence on key customers**

The risk is incurred by all the Issuer's companies. Generally, income from individual entities occasionally and rarely exceeds 10% of total revenues of individual companies. The Russian and Brazilian operations are the exceptions, but their share in total revenues of the Group is insignificant.

#### **Risk associated with changes in law and tax system instability**

Frequent changes in Polish law are also a threat to the Issuer's companies. The changes refer to, *inter alia*, tax regulations and interpretations, trade regulations and provisions of labour law. Frequent changes in regulations may have negative impact on current operation, raise costs, and also affect financial results. Uncertainty about future changes obstructs the evaluation of future events and strategic decision making process. Coming into force of new law regulations may involve interpretation ambiguities, inconsistent decisions of the courts or unfavourable interpretations adopted by public administration (and tax) authorities. The companies monitor draft changes in law on an ongoing basis and make business decisions subject to the planned changes.

### **Investment risk**

Significant capital expenditure, in accordance with an assumed strategy, is often related to introducing partially new products to new markets. It is an opportunity for development, but also generates additional risks. They are particularly connected with the activity of subsidiaries in other countries. The major risk is located in the eastern (Russia, Ukraine, Belarus) and the Latin American markets and is associated with a different business culture and high costs of ongoing monitoring.

### **Foreign exchange risk**

The Issuer's companies make export transactions in foreign currencies (mainly in EUR). The Ukrainian and Russian operations which face a growing pressure on concluding contracts in local currencies are the exceptions. Changing foreign exchange rates against PLN may result in obtaining lower than expected results. Foreign exchange rates' fluctuations influence the financial result through:

- changes in the value of export sales and costs expressed in PLN,
- realised foreign exchange differences occurring between the date of sales or purchase and the date of payment of receivables or liabilities,
- not realised foreign exchange differences from clearing evaluation as at the balance sheet day,

Trade transactions in foreign currencies on account of export are part of the Company's normal course of operations. Consequently, future cash flows on this account are exposed to changes in value due to foreign exchange fluctuations. The level of compensation between foreign currency revenue and costs has become difficult to predict.

### **13. Information on the Company's organisational or capital relations with other entities.**

Quantum software SA - the parent company of the Group, after setting up Quantum Qguar Sp. z o.o., presently it carries out mainly holding activities;

Quantum East Sp. z o.o. – a subsidiary of the Group; 63.74% of its shares are held by Quantum software S.A. (holding nature). Full consolidation method.

Quantum International Sp. z o.o. (Ukraine) – a subsidiary of the Group; 100% of its shares are held by Quantum East Sp. z o.o. - business focus consists in sales and implementation of

Quantum software S.A.'s IT solutions in the Russian-speaking countries. Full consolidation method.

Quantum International Sp. z o.o. (Russia) – a subsidiary of the Group; 99% of its shares are held by Quantum East Sp. z o.o. – the Company was established to focus on sales and implementation of IT solutions offered by Quantum software S.A. in Russia.

Quantum I - Services Sp. z o.o. – a subsidiary of the Group; 100% of its shares are held by Quantum software S.A. - business focus consists in sales of licences, hardware and IT services that are not directly related to Quantum software S.A.'s own products (at the moment the Qguar series). Full consolidation method.

Edisonda Sp. z o.o. – a subsidiary of the Group; 59.20% of its shares are held by Quantum software S.A.; the company was established to focus on interaction design and research on the communicative effectiveness of websites (or other electronic media) and using the research findings for commercial purposes. Full consolidation method.

Quantum Mobile Solutions Sp. z o.o. – a subsidiary of the Group; 75% of its shares are held by Quantum I-Services Sp. z o.o. – business focus of the company consists in development and sales of IT solutions for mobile devices.

Quantum Brasil Engenharia em Software Ltda- ME. – a subsidiary of the Group; 85% of its shares are held by Quantum software S.A. The purpose of the company is to introduce the Quantum offer in the Federative Republic of Brazil.

EQ System East, a subsidiary of the Group; 48% of its shares are held by Quantum software S.A. The purpose of the company is to introduce a system for automated planning of production processes to the East European market (Russia, Ukraine, Belarus).

Quantum Qguar sp. z o.o. – a subsidiary of the Group; 100% of its shares are held by Quantum software S.A. The company is involved in the development and implementation of IT systems.

**14. Information on main national and foreign investments of the Company (securities, financial instruments, intangible assets, real properties).**

Apart from the investments described in other sections, the Company did not invest in any real property, securities or other financial instruments in the presented period. In the balance sheet position "intangible assets", a large part is occupied by expenditures devoted to an expansion of own Qguar software package, which was one of the goals of the public share issue in 2007.

**15. Information on loans contracted, borrowing agreements and guarantees and warranties granted for the Company**

On 31 December 2014, Quantum Software S.A. repaid all its liabilities in respect of loans and borrowings with the exception of a loan extended by Informatica 68; the loan was transferred to Quantum Qguar under a transfer agreement. Sp. z o.o.

Liability	31.12.2014		31.12.2013		Type of collateral
	Liability amount	Collateral amount	Liability amount	Collateral amount	
Credit DB Agreement CRD /33498/10			-	-	Registered pledge SKODA OCTAVIA, KIA CEED
Credit RB, Agreement CRD/34131/10	-	-	2,730.44	32,951.64	Registered pledge SKODA OCTAVIA
Informatica 68 S.A.	-	-	147,918.19	-	No collateral
IBM Polska Sp. z o.o.	-	-	18,949.02	-	No collateral
<b>TOTAL</b>	-	-	<b>169,597.64</b>	<b>32,951.64</b>	

**16. Borrowings granted in a given business year, with special consideration of borrowings granted to the issuer's related entities, presentation of (at least) their amounts, types and interest rates, currencies and maturity periods, as well as warranties and guaranties granted.**

Borrowings granted include borrowings granted by the company to related parties, other parties and employees.

In 2014, Quantum software S.A. granted the following borrowings:

I. Borrowing to the subsidiary in Brazil, Quantum Brasil Engenharia Em Software Ltda-ME, in the total amount of EUR 52,000.00, maturing within 1 year, bearing interest at 2% p.a.:

- 1) On 4 February 2014, in the amount of EUR 10,000.00;
- 2) On 13 February 2014, in the amount of EUR 5,000.00;
- 3) On 11 March 2014, in the amount of EUR 6,000.00;
- 4) On 17 March 2014, in the amount of EUR 6,000.00;
- 5) On 17 April 2014, in the amount of EUR 5,000.00;
- 6) On 29 April 2014, in the amount of EUR 5,000.00;
- 7) On 14 May 2014, in the amount of EUR 5,000.00;
- 8) On 23 May 2014, in the amount of EUR 10,000.00.

II. To the subsidiary Quantum I-Services Sp. z o.o. in the total amount of PLN 19,000.00, as follows:

- 1) On 17 April 2014, in the amount of EUR 10,000.00, maturing on 30 June 2014, bearing interest at 8% p.a. The borrowing was repaid with interest on 11 June 2014.
- 2) On 18 April 2014, in the amount of EUR 5,000.00, maturing on 30 June 2014, bearing interest at 8% p.a. On 30 June 2014, an addendum was signed under which the maturity date was changed to 31 December 2015 and another addendum changing the interest rate to 7% p.a. was signed on 30 September 2014.
- 3) On 27 May 2014, in the amount of EUR 4,000.00, maturing on 30 July 2014, bearing interest at 8% p.a. On 30 July 2014, an addendum was signed under which the maturity date was changed to 31 December 2015 and another addendum changing the interest rate to 7% p.a. was signed on 30 September 2014.

III. Borrowing to the subsidiary Edisonda sp. z o.o. in the total amount of PLN 100,000.00, as follows:

- 1) On 27 February 2014, in the amount of PLN 50,000.00, maturing on 31 December 2015, bearing interest at 6% + 6M WIBOR p.a.
- 2) On 16 May 2014, in the amount of PLN 50,000.00, maturing on 31 December 2015, bearing interest at 6% + 6M WIBOR p.a.

IV Borrowing to Quantum East Sp. z o.o., in the total amount of PLN 5,000.00, maturing on 30 June 2015, bearing interest at 8% p.a. On 30 September 2014, an addendum was signed under which the maturity date was changed to 31 December 2015 and the interest rate was changed to 7% p.a.

V. Borrowings granted by the Issuer in 2014 to employees in the total amount of 41,000.00. The maturity date is 1 to 3 years and the interest rate is 8% per annum.

VII. Borrowings granted by Quantum software S.A. in 2014 to other entities in the total amount of PLN 77,000.00 maturing between 1 to 2 years and bearing interest at 5% + 3M WIBOR per annum.

At 31 December 2014, all previously granted borrowings were transferred in the form of an organised part of the business to Quantum Qguar sp. z o.o. (the new company). Addenda made after 27 July 2014 were made by Quantum Qguar sp. z o.o.

### **17. Description of the use of issue proceeds by the Issuer**

No security issue took place in 2014.

### **18. Evaluation of financial resources management**

The Management Board assesses the Issuer's financial situation as good. The financial rates do not indicate any threats related to the Company's capacity to fulfil undertaken obligations. The Company is financed mainly from equity and trade creditors.

In 2014, finance costs increased compared to 2013 and amounted to PLN 1,624 thousand, and finance income in the same period amounted to PLN 382 thousand. Finance costs for the year relates mainly to revaluation of investments in the form of a write-down on borrowings granted to Quantum East Sp. z o.o and Quantum Brasil Engenharia Em Software Ltda-ME in the total amount of PLN 919 thousand.

### **19. Feasibility of investment plans, including capital investments compared to the funds held, taking into consideration possible changes in the structure of financing of such operations.**

The financial assets held will allow to realise investments planned for 2015.

### **20. Evaluation of the factors and untypical events influencing the result of operations for a given period.**

Such events did not occur.

### **21. Characteristics of external and internal factors vital for the company development and description of prospective development of business activity, taking into account elements of the marketing strategy.**

Factors which will have an impact on the development of the Issuer's companies in the subsequent year include factors independent of the companies and internal factors dependent on the companies.

External factors include:

- economic situation, with particular consideration of financial markets situation;
- impact of the economic recovery in Poland and other countries;
- situation in the Ukraine, Russia and Belarus and its impact also on sales in other CIS countries;
- enterprises' budgetary decisions as regards IT expenditure;
- Polish companies' access to structural funds, which are first of all devoted to the development of IT systems and financing of research and development works.

Internal factors include:

- prompt completion of works specified in the contracts whose implementation began in previous year in accordance with budgeted expenditure and contractual terms;
- effective HR policy so as to eliminate the risk of turnover by qualified and skilled employees;
- success of marketing efforts in acquiring new contracts;
- success of capital investments.

The largest holding entity of Quantum software S.A., i.e. Quantum Qguar focuses on the development and implementation of IT systems for businesses looking for innovative solutions in logistics. With own software as a starting point, the Company pursues to provide comprehensive solutions to these clients. Future plans are concentrated on improving own product - the Qguar system, and extending the offer and scope of operation.

The strategy of the holding companies of Quantum software S.A. is based on:

- competencies, which are required to create and implement SCM (Supply Chain Management) systems; they are related not only to IT, but to also other areas, such as logistics, automation, and technology of goods identification, company management;



- long-term, international experience in working with best-rated companies in many European countries.

Strategic development directions of the holding companies of Quantum software S.A.:

1. Expanding own software package, Qguar, by subsequent SCM modules,
2. Expanding the offer by:
  - implementing other producers' software, requiring competencies and experience in logistics or being complementary in relation to the Qguar system,
  - full scope of services connected with logistic system integration (interaction design, consulting, computer equipment, peripherals and software in all layers),
3. Further geographic expansion and strengthening of the position of leading software producer for broadly-defined logistics in Central and Eastern Europe.

The Quantum Group intends to pursue the above objectives through organic development, capital investments, potential acquisitions and mergers. Expansion of the Qguar package by additional modules is the most natural mechanism of the development of the Group's offer as a whole. Systematic growth of demand for this type of software results from the following factors:

- growing demand of companies in the area of supply chain optimisation and reduction of logistics-related costs,
- growing demand for logistics services,
- quick development of technology and reduction of the prices of goods identification devices (barcodes, RFID),
- development of mobile data processing technology.

The experience and market position of the Issuer's companies can be used to implement other companies' applications, which could perfectly complement own product package. For many years, the Issuer's companies have developed integration activity in the area of complete logistics systems. The focus is not only the implementation of an application itself, but also on:

- process designing,
- ICT infrastructure
- devices (including industrial automatics),
- operational and database software.

For many companies, the first stage of computerisation involves the area of accounting, whilst further stages are focused on the computerisation of supply chain management. This creates an opportunity for the Company development in the direction of a supplier of complete SCM IT systems for companies, in which the focal point is logistics.

The Qguar package has established leader position in the area of storage and distribution applications on Polish market. Used in Eastern and Western Europe, in nine languages, this package constitutes a good base for exports intensification. Despite the current crisis/stagnation, Central and Eastern Europe is a promising market due to expected economic growth, resulting from the disproportion against the related countries of Western Europe. Our experience proves that the market is so specific that it is possible to successfully compete with western European IT solutions providers. It is important for offered products to be verified on international market (multi-linguality) and to not create barriers for international corporations. "Transboundariness" is one of the basic features of logistic processes.

## **22. Realisation of the forecast results for 2014**

In 2014, the Issuer did not publish any forecast.

## **23. Modifications of basic management principles**

No changes in basic management of the Company took place in 2014.

## **24. Description of the proceedings pending before a court, a competent arbitration authority or a public administration authority** **arbitration authority or a public administration authority**

No such events occurred.

## **25. Information on the conclusion by the Issuer or its subsidiary of one or more transactions with related parties, if the value of the transaction (the aggregate value of all transactions concluded in the period from the beginning of the financial year) exceeds the PLN equivalent of EUR 500,000:**

On 25 July 2014, a business transfer agreement was executed in the form of a notarial deed between Quantum software S.A. and Quantum Qguar sp. z o.o. The Issuer took up 79,900 shares in the share capital of Quantum Qguar sp. z o.o. with a nominal value of PLN 50 each, with a total nominal value of PLN 3,995,000 and the total issue value of PLN 9,695,066. The above transaction is described in detail in point 3.1. of this report.

**26. Changes in the composition of managerial and supervisory bodies.**

In 2014, there were no changes in the composition of the management and supervisory bodies.

**27. Information on the conclusion by the issuer or its subsidiary of one or more material transactions with related entities under other than market conditions, together with their amounts and characteristics.**

Such events did not occur.

**28. Remuneration, awards, profits, including arising from motivational bonus programmes based on the company equity, paid or due to the members of the Management Board and Supervisory Board and information on the remuneration for the members of the Management Board and Supervisory Board of Quantum software SA due to served functions in the subsidiaries' authorities.**

**Remuneration of the Management Board Members for the period 01.01.2014 – 31.12.2014**

Full name	total remuneration for the period 01.01.2014 – 31.12.2014 in PLN
Hatala Tomasz	131,900.00
Ożóg Bogusław	94,082.00
Jędra Marek	109,340.00
Mnich Tomasz	103,682.00

**Remuneration of the Supervisory Board Members for the period 01.01.2014 – 31.12.2014**

Full name	total remuneration for the period 01.01.2014 – 31.12.2014 in PLN
Kutyla Leopold	4,000.00
Polończyk Tomasz	19,035.00
Gaertner Henryk	2,000.00
Piotr Nadolski	6,000.00
Andrzej Ruciński	6,000.00

**29. All agreements concluded between the issuer and managerial staff, providing for a compensation if such persons resign or are dismissed from their position without a valid reason or if they are recalled or dismissed as a result of a merger of the issuer by acquisition.**

President of the Management Board of Quantum software S.A. – Mr. Tomasz Hatala holds the position of the Operations Director under an agreement concluded with the management company Hatala i Spółka Sp. J. The agreement includes 6-months period of notice with no additional compensation.

Vice-President of the Management Board – Mr. Marek Jędra, Vice President of the Management Board – Mr. Bogusław Ożóg and Member of the Management Board – Mr. Tomasz Mnich are employed under employment contract in managerial positions and special (non-standard to the Labour Code) compensations are not included thereof.

**30. In the case of share-holding companies, Establishment of the total number and face value of all of the issuer's shares as well as shares of related entities held by the management and supervisory staff of the issuer (separate for each person):**

The Company's share capital amounts to PLN 740,378.50 and is divided into 1,480,757 shares (750,000 A series registered shares and 730,757 B, C and D series ordinary bearer shares, each with a nominal value of PLN 0.50).

Managers and supervisors holding shares of Quantum software S.A.

<b>Management Board</b>	<b>31 December 2014</b>
Tomasz Hatala	36,200
Bogusław Ożóg	31,924
Marek Jędra	8,200
Tomasz Mnich	3,400
<b>Supervisory Board</b>	<b>31 December 2014</b>
Tomasz Polończyk	8,200

Furthermore, the above persons and Mr. Henryk Gaertner (Member of the Supervisory Board) and Piotr Nadolski (Member of the Supervisory Board) hold shares in the parent entity of the Company. To the knowledge of the Management Board, none of the managing or supervising bodies holds shares in the subsidiaries of Quantum software S.A.

**31. Shareholders holding, directly or indirectly, through their subsidiaries, at least 5% of total votes at the Issuer's General Meeting, including the number of shares held by such entities, their percentage share in the share capital, the number of resulting votes and their percentage share in the total votes at the general meeting.**

To the best of the Company's knowledge, at 20 March 2015, i.e. the date of issue of the annual report, Minvesta Sp. z o.o. with its registered office in Kraków, held 675,421 A series registered shares, which constitute a total of 45.61% of the Company's share capital and carry 1,350,842 votes at the General Meeting, which constitutes 60.56% of the total number of votes and holding 222,979 B series bearer shares of the Company, which constitute a total of 15.06% of the Company's share capital and carry 222,979 votes as the General Meeting of the Company, which constitutes 9.99% of the total number of votes.

**32. Information on any agreements, known to the Issuer (including those concluded after the balance sheet date) that in the future may lead to changes in the proportion of shares held by existing shareholders and bondholders.**

The Issuer's Management Board has no information on any other agreements, apart from the motivational programme and own shares purchase programme, which will result in changes in proportions of the shares currently held by shareholders. At the date of this Report, no legal grounds for operating the incentive scheme exist, nor were new legal grounds established.

### Share Buyback Program

The Issuer's Management Board provided in CR 21/2009 the information regarding detailed conditions of share buy-back. The contents of the "Regulations of the Share Buy Back Scheme" carried out in Quantum software S.A. are available at the Issuer's website. At 31 December 2014, the total number of treasury shares held by the Issuer was 14,930, which constitutes 1.008% of the share capital and 0.669% of votes at the General Meeting.

### **33. Agreements with an entity authorised to audit financial statements**

On 7 January 2014, the Supervisory Board of Quantum software S.A. selected WBS Audyt Sp. z o.o. with its registered office in Warsaw, entered on the list of entities authorised to audit financial statements under number 3685, to review the interim separate and consolidated financial statements of Quantum software S.A. and the Quantum software S.A. Group and to audit separate and consolidated financial statements for the period from 31 December 2013 to 31 December 2015.

On 23 June 2014, Quantum software S.A. concluded with WBS Audyt sp. z o.o. with its registered office in Warsaw an agreement for review of the interim separate and consolidated financial statements of the Quantum software S.A. Group. For the review of the interim separate and consolidated financial statements for 2014, the authorised entity will receive a total net fee of PLN 8,000.

On 19.12.2014, the Company concluded with WBS Audyt Sp. z o.o. with its registered office in Warsaw an agreement to audit the separate and consolidated financial statements of the Quantum software S.A. Group for 2014.

For the audit of the separate and consolidated financial statements for 2013, the authorised entity will receive a total net fee of PLN 14,000.

### **34. Information on using corporate governance policies**

In this scope, the company prepared a separate document, which was published in the annual report.

**Kraków, 20 March 2015**

<b>President of the Management Board</b>	Tomasz Hatala
<b>Vice-President of the Management Board</b>	Bogusław Ożóg
<b>Vice-President of the Management Board</b>	Marek Jędra
<b>Member of the Management Board</b>	Tomasz Mnich

## STATEMENT

The Management Board of Quantum software S.A. declares that, to the best of their knowledge, the Annual Financial Statement and comparative data were prepared in compliance with the accounting principles in force and that they present a true, accurate and fair view of the Quantum software S.A. Capital Group's economic and financial standing and its financial result and that the Annual Management Report presents a true overview of development and achievements of the Quantum software S.A. and its situation, including basic risks and exposures.

**Kraków, 20 March 2015**

<b>President of the Management Board</b>	Tomasz Hatala
<b>Vice-President of the Management Board</b>	Bogusław Ożóg
<b>Vice-President of the Management Board</b>	Marek Jędra
<b>Member of the Management Board</b>	Tomasz Mnich



## STATEMENT

The Management Board of Quantum software S.A. states that the entity authorised to audit financial statements which audited the annual separate financial statement was selected in compliance with legal regulations and that the said entity and certified auditors auditing the statements complied with the conditions pertaining to impartial and independent audit report in compliance with applicable domestic legislation.

**Kraków, 20 March 2015**

<b>President of the Management Board</b>	Tomasz Hatala
<b>Vice-President of the Management Board</b>	Bogusław Ożóg
<b>Vice-President of the Management Board</b>	Marek Jędra
<b>Member of the Management Board</b>	Tomasz Mnich

### **Statement on the use of corporate governance policies in Quantum software S.A. in 2014**

In the performance of the obligation under Section 29(5) of the Rules of the Stock Exchange in connection with Resolution No. 1013/2007 of the WSE Management Board of 11 December 2007 on the scope and structure of the report on the application of the Corporate Governance Principles by listed companies, the Management Board of Quantum software S.A. publishes this statement on the use of the company's corporate governance policies from the set of "Best

Practices of WSE Listed Companies" in the period from 01-01-2014 to the date of issue of the annual report for 2014.

### ***I. Corporate governance policies adopted by Quantum software S.A.***

Quantum Software S.A. is subject to the corporate governance policies forming part of Best Practice for WSE Listed Companies attached to Resolution No. 12/1170/2007 of the WSE Board dated 4 July 2007, as amended by the following resolutions of the WSE Board: No. 17/1249/2010 of 19 May 2010, No. 15/1282/2011 of 31 August 2011, No. 20/1287/2011 of 19 October 2011 and No. 19/1307/2012 of 21 November 2012.

This document was prepared by the Warsaw Stock Exchange in Warsaw and is available in the offices of the Warsaw Stock Exchange in Warsaw and on a special website devoted to corporate governance issues at <http://corp-gov.gpw.pl>.

### ***II. Indication of a scope in which Quantum software S.A. abandoned the above mentioned provisions, indication of these provisions and explanation to the withdrawal.***

The Company uses every effort to apply the corporate governance principles set out in the document by seeking, at each stage of its operation, to follow all the recommendations for best practices for Listed Companies and recommendations addressed to the management boards, supervisory boards and shareholders.

As regards Part I and recommendations contained in it, the following issue needs to be approached.

Recommendation I.9. "The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business." The Supervisory Board members and the Management Board members of the Company are nominated respectively by the General Meeting and the Supervisory Board, taking into account the qualifications, experience and competence of candidates. Factors such as gender are not taken into account in the appointment of members of the Company's governing bodies.

The Company's governing bodies believe that this approach allows for the selection of the most appropriate individuals to perform management and supervisory functions.

As regards the principles set out in Parts II, III and IV, to which the rule "comply or explain" applies, in 2014 the Company generally complied with all of them. However, the Company violated the principle laid down in Part II, paragraph 1, subparagraph 2a) recommending annual posting in the fourth quarter on the corporate website of the information on the participation of respectively women and men in the Management Board and the Supervisory Board of the Company in the last two years.

The Management Board members are nominated solely at the discretion of the Company's shareholders who did not appoint any women to the Supervisory Board. The main criteria for the selection of persons to perform supervisory functions are competencies and skills of the candidate which ensure the proper performance of functions. Therefore, the recommendation under point I.9 is not followed, nor is the information referred to in point II.1.2 disclosed (the Company departed from the principle as a result of departing from principle I.9).

The Company violated the principle set out in Part II, paragraph 1, subparagraph 5) which recommends that where the members of the company's governing bodies are appointed by the general meeting, reasons for selecting candidates to the Management Board and the Supervisory Board, together with their CVs, should be published on the corporate website in such time as to allow the shareholders to read them and to adopt a reasonable resolution.

The Company did not comply with the above principle in electing members of the Supervisory Board for a new term of office at the General Meeting held on 17 May 2012. In line with the previous practice, candidates to the Supervisory Board were presented directly to the General Meeting. As a result, the Company had not received from the shareholders any information about the candidates or the reasons.

### ***III. Description of basic features of internal control and risk management systems applied in the company referring to the process of drawing up financial statements and consolidated financial statements.***

The Management Board is responsible for the Company's internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and

published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.

The process of preparing financial data for the purposes of statutory reporting is automated and based on the Quantum's consolidated financial and accounting system. Preparing data in the source systems is subject to formalised operating and approval procedures, which define the scope of competencies of individual persons. The Management Board and senior management supervises individual areas of activity, processes and products. Key persons are responsible for the creation, implementation, operation and monitoring of a successful and efficient internal control system as well as identification and control of risk borne.

Verification carried out by independent auditors is one of the basic elements of control in the process of preparing the Company's financial statements. An auditor is selected from among independent entities to ensure a high standard of services and independence. An auditor is selected by the Company's Supervisory Board. An auditor is in particular responsible for reviewing semi-annual separate and consolidated financial statements and auditing annual separate and consolidated financial statements. The auditor's independence is fundamental to ensure that the books of accounts are accurately examined.

Moreover, financial statement is subjected to formal verification and approval by a supervising body, i.e. Supervisory Board. Pursuant to Article 4a of the Accounting Act of 29 September 1994, the Supervisory Board is obliged to ensure that the financial statements and the management report meet the requirements set out by law. In order to perform this obligation, the Supervisory Board exercises the powers vested in it under the law and the Articles of Association. This is another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the separate and consolidated financial statements.

The Audit Committee established as part of the Supervisory Board is the body that exercises supervision over the financial reporting process in the Company. The Audit Committee oversees the financial reporting process in order to ensure sustainability, transparency and integrity of financial information. The Audit Committee consists of five members of the Supervisory Board, two of whom must meet the independence criteria set out in Chapter III, paragraph 6 of the Best Practices of WSE Listed Companies.

Under the evaluation of the Supervisory Board, the internal control system is adjusted to the volume and profile of a risk connected with the Company's activity and, simultaneously, risk management, as an essential element for Quantum activity, is implemented correctly and efficiently.

***IV. Shareholders holding, directly or indirectly, significant blocks of shares, including the number of shares held by such entities, their percentage share in the share capital, the number of resulting votes and their percentage share in the total votes at the general meeting.***

To the best of the Company's knowledge, at 20 March 2015, i.e. the date of issue of the annual report, Minvesta Sp. z o.o. with its registered office in Kraków, held 675,421 A series registered shares, which constitute a total of 45.61% of the Company's share capital and carry 1,350,842 votes at the General Meeting, which constitutes 60.56% of the total number of votes and holding 222,979 B series bearer shares of the Company, which constitute a total of 15.06% of the Company's share capital and carry 222,979 votes as the General Meeting of the Company, which constitutes 9.99% of the total number of votes.

***V. Identification of holders of any and all securities with special control rights and a description of such rights.***

The company holds series A voting preference shares, which are not approved to marketing on a regulated market. Series A registered shares are privileged in a way that one share gives the right to two votes on the General Meeting of the Company's shareholders. Series B, C and D shares are ordinary bearer shares and are not limited in their selling.

**Holders of series A shares, which give special control rights related to the company as at the day of annual report publication:**

Shareholder	Number and structure of series A shares	Number of votes on the General Meeting from series A shares and their
-------------	---	---

		structure
"MINVESTA" Sp. z o.o.	6754,21 (90.05 %)	1,350,842 (90.05 %)
Tomasz Hatala	28,181 (3.76 %)	56,362 (3.76 %)
Bogusław Ożóg	19,150 (2.56%)	38,300 (2.56%)
Marek Jędra	6,384 (0.85 %)	12768 (0.85 %)
Robert Dykacz	11,832 (1.58 %)	23,664 (1.58 %)
Tomasz Mnich	2,648 (0.35%)	5,296 (0.35%)
Tomasz Polończyk	6,384 (0.85 %)	12,768 (0.85 %)
Total number of series A shares and related votes	750,000 (100 %)	1,500,000 (100%)

*VI. All restrictions regarding the exercise of the right to vote, such as restriction of the right to vote by holders of a given part or number of votes, temporary restrictions on the right to vote or provisions under which, in cooperation with the company, capital rights attached to securities are separated from holding of securities.*

The Issuer did not issue any shares with the above restrictions.

*VII. Identification of all restrictions on the transfer of ownership of the issuer's securities.*

The Issuer did not issue any securities with any restrictions on their transfer.

*VIII. Description of rules for amending the Issuer's Articles of Association.*

A change to the Articles of Associations requires a special resolution of the general meeting and an entry in the register of entrepreneurs.

*IX. Description of principles regulating the appointment and dismissal of managerial staff and their rights, in particular, the right to decide on the issue or purchase of shares.*

The President of the Management Board and other members of the Management Board are appointed and removed by the Supervisory Board. The term of office of the Management Board is three years. The Management Board comprises 1-5 members, their number is indicated by the Supervisory Board. Members of the Management Board are all appointed for the same term. The mandates of the Management Board members expire at the date of a General Meeting. The condition is an approval of financial statement for the last full business year in which a given member held position. The Company's Management Board manages the Company and represents it in court and outside court. Any statement of intent shall be made and signed on behalf of the Company by two members of the Management Board.

The Management Board is also responsible for any other issues which are not restricted to General Meeting or Supervisory Board.

Decisions of the Management Board are treated as resolutions, which are passed by a majority of votes. Resolutions of the Management Board are passed under open voting. The principles of the Management board operations specifying, in particular, type of issues requiring its resolution, are indicated in a Regulation subject to Supervisory Board's resolution. The Management Board develops and manages documentation for organisational activities performed by the Company, in particular:

- any register-related operations arising from applicable laws;
- announcements required by law and Articles of Association, in a manner described in these documents;
- calling General Shareholders' Meeting and managing documentation regarding the calling and course of the meetings;
- managing share register;
- storing minutes from the Supervisory Board sessions;
- providing exhaustive explanations regarding the Company to the Supervisory Board and General Meeting;
- preparing reports on the Company activity for a past business year;
- preparing propositions of distribution or loss coverage for a financial year;
- defining and announcing payment of dividend;
- managing the Management Board Rules of Procedure and other regulations;

Members of the Management Board participate in any General Meeting and give substantive answers to questions posed at such General Meeting. In addition, Members of the Management Board invited to the meeting of the Supervisory Board by the Chair of the Supervisory Board participate in the meeting and are entitled to speak on the issues tabled on the agenda.

Decisions regarding the issuance or redemption of shares of the Company fall within the scope of powers of the General Meeting of the Company.

According to Art. XIII of the Articles of Association, the share capital of the Company can be raised by issuing new shares. The Articles of Association authorises the Management Board to establish an issue price. New issue shares can be registered shares or bearer shares and may be covered with cash or in-kind contribution. The shares shall be indivisible. The Management Board shall be authorised to issue shares as multiple-share certificates. The shares shall be stamped with an official Company's seal and signed by the Management Board. The signatures of the Management Board can be mechanically reproduced. In case of joint share ownership, the joint owners shall execute their rights through one of them or through a joint representative, subject to a relevant authorisation.

***X. Operation of the General Shareholders' Meeting, its main rights and the description of shareholders' rights and how these rights are exercised, in particular rules resulting from the code of conduct of the General Shareholders' Meeting, if such code has been adopted, unless information in this regard directly result from applicable laws.***

The General Meeting proceeds in accordance with applicable laws, including the Commercial Companies Code and the Act on Trading in Financial Instruments (Dz.U.09.13.69), the Articles of Association and the Rules of Procedure of the General Meeting, as amended on 18 May 2010 by way of Resolution No. 25 of the Annual General Meeting.

The Ordinary General Meeting of Shareholders is convened by the Management Board up to June 30th in each calendar year. The Extraordinary General Meeting is convened by the Management Board on its own initiative or at the request of the Supervisory Board or the shareholders representing at least one-twentieth of the share capital. General Meetings of Shareholders are held in Kraków or in Warsaw. The information on convening General



Shareholders' Meeting is passed in a form of current report and announcement on the company's website. The announcement should be made at least twenty six days before the date of the General Meeting. Announcement about the General Meeting of Shareholders should contain at least information specified in Art. 402<sup>2</sup> of the Commercial Companies Code.

Resolutions passed by the General Meeting require in particular the following:

1. review and approval of the report of the Management Board on the activity of the Company and the financial report of the Company for the previous year
2. establishing the rules and the amount of the remuneration of the Supervisory Board members
3. approving the Code of Conduct of the General Meeting and Supervisory Board,
4. appointing potential liquidators,
5. excluding the whole or part of profit from division, if necessary,
6. appointing and dismissing the Supervisory Board.

General Meeting passes resolutions concerning issues restricted to its competence, in particular in the provisions of the Commercial Companies Code, Code of Conduct of the General Shareholders' Meeting and Articles of Association. With restriction to the events specified in the Commercial Companies Code and in the Articles of Association, resolutions are passed with a majority of votes. Pursuant to the Articles of Association, a resolution on abandoning a case listed in the agenda is passed by the General Meeting at a request of shareholders with a majority of 75% votes, upon receiving approval of all present shareholders who submitted an application for a case review. The resolutions of the General Shareholders' Meetings are included in a protocol drawn up by notary public. Resolutions of the General Shareholders' Meetings can be sued in court in accordance with the detailed conditions laid down in the Commercial Companies Code.

Shareholders have a right to participate in the General Meeting of Shareholders and execute the right to vote from registered shares in person or via representatives. A power of attorney authorising one to take part in the General Meeting of Shareholders and to exercise the right of vote shall be granted in writing or in the electronic form. Granting a power of attorney in the electronic form shall not require using a safe electronic signature verified by means of a valid

qualified certificate. Shareholders' representatives, as legal bodies, should have up-to-date excerpt from the Commercial Register or National Court Register, naming the persons authorised to represent these entities or provide power of attorney identification signed by persons listed in the excerpt. A power of attorney authorising to participate in the General Meeting and execute vote right granted in an electronic form should be sent via e-mail to the address indicated on the Company's website as the relevant e-mail address for investors, not later than 2 days before the meeting relative for the power of attorney. Each A series registered share of the Company entitles to execute two votes in the General Meeting, whilst B, C and D series shares are bearer shares, each B, C or D series share entitles to execute one vote in the General Meeting. Only shareholders of a public company who register their participation in the General Meeting of Shareholders sixteen days before the General Meeting (date of registration of participation in the General Meeting) may take part in it. Holders of registered shares and temporary certificates, lienholders, and users who have the right to cast votes may take part in the General Meeting of Shareholders of the public company if recorded in the share register as of the registration day for the participation in the General Meeting of Shareholders. Bearer shares in the form of a document may take part in the General Meeting of Shareholders of a public company if the document of the shares is submitted to the company no later than on the registration day for the participation in the General Meeting of the Shareholders and is not withdrawn before the end of that day. Instead of shares, a certificate can be issued to prove depositing shares at the notary public, bank or investment firm with registered office or branch in the territory of the European Union or a state being a party to the agreement on European Economic Area, indicated in the announcement regarding the convention of the General Meeting. Such a certificate should indicate the number of documents of the shares and should confirm that the documents of the shares should not be withdrawn before the end of the registration day for the participation in the General Meeting of Shareholders.

Each shareholder can order an excerpt of the applications regarding issues included in the agenda of the next General Meeting. Such order should be submitted to the Management Board. Release of application excerpts should take place no later than a week before the General Meeting.

Immediately after selecting a chairman of the General Meeting, an attendance list should be produced, with all persons participating in the General Meeting together with a number of the Company's shares that each participant presents as the entitled votes. The chairman is obliged to sign the list and disclose it during the General Meeting. Pursuant to Article 410(2), at the request

of shareholders representing one-tenth of the share capital represented at the General Meeting, the attendance list should be checked by a committee appointed for this purpose.

According to the Articles of Association, shareholders have the right to participate in annual profit, designated by the General Shareholders' Meeting to distribute among themselves. The Management Board shall be entitled to pay advance dividends to shareholders at the end of the financial year, provided that the Company has sufficient funds for such disbursements. Payment of the above advance requires approval of the Supervisory Board.

### ***XI Composition and changes in the last financial year and operation of Issuer's managing and supervising bodies and their committees***

***At 31.12.2014, the Management Board was composed of the following members:***

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

The composition of the Management Board did not change throughout 2014. Members of the Management Board were appointed for a three-year term of office on 15 March 2013.

Specific tasks of the Management Board are specified in the Regulations of the Management Board, enacted by the Management Board and approved by the Supervisory Board.

#### ***Principles of operation of the Management Board***

Any statement of intent shall be made and signed on behalf of the Company by two members of the Management Board.

The Management Board is also responsible for any other issues which are not restricted to General Meeting or Supervisory Board.

Decisions of the Management Board are treated as resolutions, which are passed by a majority of votes. Resolutions of the Management Board are passed under open voting. The principles of the Management board operations specifying, in particular, type of issues requiring its resolution, are indicated in a Regulation subject to Supervisory Board's resolution. The Management Board

develops and manages documentation for organisational activities performed by the Company, in particular:

- any register-related operations arising from applicable laws;
- announcements required by law and Articles of Association, in a manner described in these documents;
- calling General Shareholders' Meeting and managing documentation regarding the calling and course of the meetings;
- managing share register;
- storing minutes from the Supervisory Board sessions;
- providing exhaustive explanations regarding the Company to the Supervisory Board and General Meeting;
- preparing reports on the Company activity for a past business year;
- preparing propositions of distribution or loss coverage for a financial year;
- defining and announcing payment of dividend;
- managing the Management Board Rules of Procedure and other regulations;

***At 31.12.2014, the Supervisory Board was composed of the following members:***

Chair of the Supervisory Board	Leopold Kutyla
Deputy Chair of the Supervisory Board	Tomasz Polończyk
Member of the Supervisory Board	Henryk Gaertner
Member of the Supervisory Board	Andrzej Ruciński
Member of the Supervisory Board	Piotr Nadolski

***Principles of operation of the Supervisory Board***

The Supervisory Board operates upon established Rules and Regulations of the Supervisory Board of Quantum software S.A. as well as Articles of Association. The Supervisory Board consists of five to nine members appointed by the General Meeting. The term of office of the

Supervisory Board is 3 years. If a mandate of a Chairman or Member of the Supervisory Board expires before the term of office, a new Chairman or Member of the Board shall be appointed in his/her place only until the expiry of the office term of the remaining members of the Supervisory Board. At least two members of the Supervisory Board must meet the criteria of independent members.

Special powers of the Supervisory Board include:

- reviewing and approving the report of the Management Board on the activity of the Company and the conclusions regarding profit distribution and loss coverage.
- Submitting written reports to the General Meeting on the results of the actions referred to in section 1 above,
- giving consent to purchase and sell real property, perpetual usufruct or interest in real property,
- giving consent to purchase and sell shares or stocks in other companies, acquisitions and creation of other business entities,
- giving consent to the members of the Management Board to take up responsibilities in competitive interest or participate in a competitive company, as a partner or authority body,
- reviewing other cases submitted by the General Meeting,
- giving consent to establishing a proxy by the Management Board,
- selecting an expert auditor, at the Management Board's request, in order to review annual financial statements of the Company.

Sessions of the Supervisory Board are convened by the Chairman at his/her own initiative or upon application of other member of the Board, or at the request of the Management Board. The Supervisory Board shall adopt resolutions by an absolute majority of votes. No resolution may be passed on any matter not included in the agenda, unless all the members of the Supervisory Board are present at the meeting and none of them objects to it. The Members of the Supervisory Board may participate in passing the Board's resolutions through voting in writing via another Member of the Supervisory Board. Casting written votes cannot be applied to those matters which have been included in the agenda during the meeting of the Supervisory Board. Resolutions of the Supervisory Board can be passed without sessions, in writing or using remote direct communication methods. A resolution adopted in such a way is valid provided that all the Board Members have been notified of the content of the draft resolution.

***At 31.12.2014, the Audit Committee of the Supervisory Board was composed of the following members:***

Leopold Kutyla	Chair of the Committee
Tomasz Polończyk	Member of the Committee
Henryk Gaertner	Member of the Committee
Andrzej Ruciński	Member of the Committee
Piotr Nadolski	Member of the Committee

***Rules of procedure of the Audit Committee of the Supervisory Board***

The Audit Committee is part of the Supervisory Board in accordance with the Act of 7 May 2009 on statutory auditors and their self-government, entities authorised to audit financial statements and public oversight, which operates on the basis of Resolution No. 21 of the Annual General Meeting of Quantum software S.A. dated 17 May 2012, and monitors:

- 1) the financial reporting process;
- 2) the efficiency of the internal control, internal audit and risk management systems;
- 3) performance of financial audit;
- 4) the independence of the auditor and the entity authorised to audit financial statements.

The Audit Committee consists of five members of the Company's Supervisory Board, including at least one member who meets the requirements of independence set out in Article 56(3)(1),(3) and (5) of the Act and is qualified in accounting or auditing. The Audit Committee is a standing committee of the Supervisory Board. One of the designated Members of the Supervisory Board is appointed by the Supervisory Board appoints, in an open ballot, as the Chair of the Audit Committee. The Supervisory Board may at any time remove a Member of the Audit Committee from his service as the Chair (and permits him to serve as a Member of the Audit Committee) and appoint another Member of the Audit Committee as the Chair. Members of the Audit Committee serve throughout the term of office of the Supervisory Board. The Supervisory Board may at any time remove any Member of the Audit Committee before the expiry of the mandate of that Supervisory Board Member. Such removal should not be deemed as removal of the Member from the Supervisory Board. The mandate of the Committee Member expires with the expiry of the mandate of the Supervisory Board Member.

The Audit Committee proceeds in accordance with applicable law, including the Act of 7 May 2009 on statutory auditors and their self-government, entities authorised to audit financial statements and on public oversight (Journal of Laws of 2009, No. 77, item 64).

The Audit Committee meetings are held as required, except that they must be held at least before the annual, semi-annual and quarterly financial statements of the Company for the first and for the third quarters are published on the Warsaw Stock Exchange.

The Audit Committee meetings are convened by the Chair of the Committee on his own initiative or at the request of any Member of the Audit Committee. At the request of any Member of the Audit Committee or on his own initiative, the Chair of the Audit Committee may invite to the meetings any person other than the Audit Committee Members, in particular those having expertise, as well as Members of the Management Board and employees of the Company in order to provide detailed explanations or give an opinion on the issues discussed at the meeting. Such invitee should leave the meeting of the Committee for such time when any matter directly relating to them is discussed, an also at the request of any Member of the Audit Committee. The activities of the Committee are directed by the Chair of the Audit Committee. The Chair is also responsible for monitoring the process of drafting of the agenda, distribution of documents and preparation of minutes of the meetings of the Committee.

**Kraków, 20.03.2015**

**President of the Management Board** Tomasz Hatala

**Vice-President of the Management Board** Bogusław Ożóg

**Vice-President of the Management Board** Marek Jędra

**Member of the Management Board** Tomasz Mnich

**Kraków, March 17th, 2015**

**Report on the Activities of the Supervisory Board of Quantum software S.A.  
for the business year 2014, including evaluation of work of the Supervisory Board**

**I. Composition of the Supervisory Board in the business year 2014 was as follows:**

1. Leopold Kutyla – Chairman of the Supervisory Board
2. Tomasz Polończyk – Deputy Chairman of the Supervisory Board
3. Henryk Gaertner - Member of the Supervisory Board
4. Andrzej Ruciński - Member of the Supervisory Board
5. Piotr Nadolski - Member of the Supervisory Board

**II. Rules and mode of operation of the Quantum software S.A. Supervisory Board** are regulated by laws concerning public companies and:

- Articles of Association of Quantum software SA.
- Rules and Regulations of the Supervisory Board of Quantum software S.A.
- Corporate governance policies

In 2014, the Supervisory Board of Quantum software S.A. in Kraków held three meetings (13 March, 31 July and 26 November) in the Company's registered office. During the sessions, individual Members of the Supervisory Board were present in a number permitting to pass resolutions, the average attendance in a session was 4 (four) persons out of 5 (five) members of the Supervisory Board. In 2014, the Supervisory Board also adopted a resolution by telefax voting.

The Supervisory Board constantly supervised the Company's operations. Supervision and control included especially:

- monitoring, analysis and evaluation of the Company's financial situation;
- analysis of interim financial reports;
- reading the Management Board's interim statements concerning the Company's current and planned operations;
- formal and legal issues concerning the activities of the Supervisory Board;

In carrying out its duties in 2014, the Supervisory Board passed the following resolutions:

- review and approval of the report of the Management Board and Capital Group and Financial Statement of the Company and capital Group for 2013.
- recommended to cover the entire net loss of PLN 1,769,386.56 [one million seven hundred and sixty-nine thousand three hundred and eighty-six Polish zloty 56/100] out of the Company's legal reserve;



- granted certificates of completion to members of the Management Board with regard to their duties in 2013.
- considered and approved the Company's financial results for the two first months of 2014;
- adopted a resolution authorising the establishment of Quantum Qguar Sp. z o.o. and the purchase and acquisition of shares in the share capital of that company;
- examined and approved the Company's financial results for the subsequent quarters of 2014;

The Issuer's Supervisory Board consists of the minimal number of members required by law. An audit committee has been distinguished from among the Supervisory Board members. With its basic composition, the supervisory Board is able to perform duties related to audit.

Pursuant to Art. 382 par. 3 of the Commercial Companies Code, the Supervisory Board evaluated:

1. The Company's financial statements for 2014.
2. The Management Board's statement of the Company's operations for the period 01.01.2014-31.12.2014;
3. The Management Board's statement of the Capital Group's operations for the period 01.01.2014-31.12.2014;
4. The consolidated financial statements of the Capital Group for 2014

Considering the above, the Supervisory Boards appeals to the Ordinary General Assembly of Quantum software S.A. to accept:

1. The Management Board's statement of the Company's operations for the period 01.01.2014-31.12.2014;
2. The Company's financial statements for 2014.
3. The Management Board's statement of the Capital Group's operations for the period 01.01.2014-31.12.2014;
4. The consolidated financial statements of the Capital Group for 2014

### **III. Evaluation of the operation of the Supervisory Board of Quantum software S.A., internal control system and risk management system for the Company.**

The supervisory Board gave positive opinion on its own activity, as regards the operation of the internal control system and risk management system relevant to the Company, which, according to the Board, facilitated the correctness of financial information included in interim statements and reports. Under the evaluation of the Supervisory Board, the internal control system is adjusted to the volume and profile of a risk connected with the Company's activity and, simultaneously, risk management, as an essential element for Quantum activity, is implemented correctly and efficiently.

The process of preparing financial data for the purposes of statutory reporting is automated and based on the Quantum's consolidated financial and accounting system. Preparing data in the source systems is subject to formalised operating and approval procedures, which define the scope of competencies of individual persons. The Management Board and senior management supervises individual areas of activity, processes and products. Key persons are responsible for the creation,

implementation, operation and monitoring of a successful and efficient internal control system as well as identification and control of risk borne. Moreover, financial statement is subjected to formal verification and approval by a supervising body, i.e. Supervisory Board.

This statement was adopted by the Supervisory Board in a form of resolution on 17 March 2015.

*Leopold Kutyla*  
*Chair of the Supervisory Board*