REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITY OF THE UNIT
for the period of 6 months ended on 31 March 2014
Public Sector
The largest supplier of IT solutions and services

Energy Sector
The largest provider of solutions and services

Maintenance Services
The largest company
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Part I

Financial and material situation
PART I.
Financial and material situation of Sygnity S.A.

1 Basic economic and financial data

<table>
<thead>
<tr>
<th>Detailed list (amounts in PLN thousand)</th>
<th>01.10.2013 - 31.03.2014</th>
<th>01.10.2012 - 31.03.2013</th>
<th>Change y/y %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
<td>A/B</td>
</tr>
<tr>
<td>Revenues from sales</td>
<td>234 647</td>
<td>247 087</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Profit from sales</td>
<td>46 881</td>
<td>49 551</td>
<td>(5.4%)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>21 519</td>
<td>22 366</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>EBIT</td>
<td>13 120</td>
<td>13 980</td>
<td>(6.2%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>10 397</td>
<td>10 175</td>
<td>2.2%</td>
</tr>
<tr>
<td>Net profit</td>
<td>7 368</td>
<td>9 452</td>
<td>(22.0%)</td>
</tr>
</tbody>
</table>

In the reporting period the Company's financial results were worse compared to the previous year, as they were affected by one-off event. The Company posted to other operating expenses 2,144, paid to the Tax Control Office (TCO) for audit proceedings concerning the settlement with the State budget of tax on goods and services in 2008.

The analysis of the financial situation, together with the assessment of the management of its financial resources, is presented in the following sections of this report.

2 Revenues from sales of products and services

In the period of 6 months that ended on 31 March 2014, Sygnity earned revenues from sales of goods and services greater by 1.0% compared to the revenues in the same period of the previous year. The most significant group of revenues were implementation services, which accounted for 51.8% of the total revenue pool.
In the period of 6 months that ended on 31 March 2014, Sygnity S.A. focused its activities on the Polish territory, but in accordance with its strategy, the Company began to selectively offer their services to foreign markets.

3 Operating result and unit profitability index

The company recorded a slight decrease in operating profit compared to the same period last year. Operating income during the period amounted to 13,120.

In the period of 6 months that ended on 31 March 2014, the key indicators of profitability of operations reached values comparable to the same period in the previous year. Return on sales of Sygnity S.A. reached the level of 20.0% compared to 20.1%. EBITDA profitability reached 9.2%, an increase by 0.1 percentage points compared to the same period of the previous year and EBIT profitability was 5.6%. Gross profitability amounted to 4.4%, which also indicates a significant improvement in the profitability of the Company, while net profitability stood at 3.1%.

[figures in PLN thousand, unless otherwise stated]
### Balance sheet analysis

<table>
<thead>
<tr>
<th></th>
<th>31.03.2014</th>
<th>Structure (%)</th>
<th>30.09.2013</th>
<th>Structure (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets (long-term)</td>
<td>270 661</td>
<td>65.0</td>
<td>275 832</td>
<td>63.9</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>10 586</td>
<td>2.5</td>
<td>10 674</td>
<td>2.5</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>38 343</td>
<td>9.2</td>
<td>39 782</td>
<td>9.2</td>
</tr>
<tr>
<td>Goodwill</td>
<td>156 528</td>
<td>37.6</td>
<td>156 528</td>
<td>36.3</td>
</tr>
<tr>
<td>Shares in subsidiaries and joint ventures</td>
<td>52 418</td>
<td>12.6</td>
<td>51 610</td>
<td>12.0</td>
</tr>
<tr>
<td>Other fixed assets</td>
<td>12 786</td>
<td>3.1</td>
<td>17 238</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Current assets (short-term)</strong></td>
<td>145 954</td>
<td>35.0</td>
<td>155 889</td>
<td>36.1</td>
</tr>
<tr>
<td>Reserves</td>
<td>13 378</td>
<td>3.2</td>
<td>13 959</td>
<td>3.2</td>
</tr>
<tr>
<td>Trade receivables and other receivables</td>
<td>116 136</td>
<td>27.9</td>
<td>120 693</td>
<td>28.0</td>
</tr>
<tr>
<td>Cash and short-term deposits</td>
<td>16 362</td>
<td>3.9</td>
<td>18 930</td>
<td>4.4</td>
</tr>
<tr>
<td>Other current assets</td>
<td>78</td>
<td>0.0</td>
<td>2 307</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>416 615</td>
<td>100.0</td>
<td>431 721</td>
<td>100.0</td>
</tr>
</tbody>
</table>

| **LIABILITIES**        |            |               |            |               |
| Equity                 | 247 508    | 59.4          | 238 370    | 55.2          |
| Long-term liabilities  | 17 067     | 4.1           | 60 477     | 14.0          |
| Bond liabilities       |            | 9.1           |            |               |
| Liabilities from finance leases | 6 008 | 1.4           | 6 660      | 1.5           |
| Other long-term liabilities | 11 059 | 2.7           | 14 614     | 3.4           |
| **Short-term liabilities** | 152 040 | 36.5          | 132 874    | 30.8          |
| Credits and loans      | 3 580      | 0.9           | 4 569      | 1.1           |
| Trade liabilities and other liabilities | 99 219 | 23.8          | 116 758    | 27.0          |
| Bond liabilities       | 39 777     | 9.5           | 296        | 0.1           |
| Reserves               | 3 132      | 0.8           | 6 007      | 1.4           |
| Other short-term liabilities | 6 332 | 1.5           | 5 244      | 1.2           |
| **TOTAL LIABILITIES**  | 416 615    | 100.0         | 431 721    | 100.0         |

Fixed assets decreased compared to 30 September 2013 by 5,171, and their share in total assets increased from 63.9% to 65.0%. Goodwill has the largest share in fixed assets, it represents 37.6% of total assets as of 31 March 2014. The Company recorded a decrease in current assets by 9,935 as compared to the state on 30 September 2013, and their share in total assets fell to 35%. Trade receivables and other receivables have the largest share in current assets - 27.9%. The remainder of this group of assets are cash and reserves, respectively 3.9% and 3.2% in total assets as of 31 March 2014.

The increase in the value of equity by 9,138 was primarily driven by positive net result in the amount of 7,368. At the same time, the share of equity in total liabilities increased from 55.2% as of 30 September 2013 to 59.4% as of 31 March 2014. In the reporting period, long-term liabilities decreased by 43,410 and accounted for 4.1% of total liabilities. This decrease is related to the reclassification of liabilities from bonds previously presented in the long-term part to short-term liabilities in connection with approaching maturity dates (February 2015).
Sygnity S.A.
Report of the Management Board on Company’s operations for the 6 months ended on 31 March 2014

5    Managing liquidity and financial structure

<table>
<thead>
<tr>
<th>Detailed list</th>
<th>31.03.2014</th>
<th>30.09.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total debt ratio</td>
<td>0.41</td>
<td>0.45</td>
</tr>
<tr>
<td>Debt to equity ratio</td>
<td>1.46</td>
<td>1.23</td>
</tr>
<tr>
<td>Financing sustainability ratio</td>
<td>0.64</td>
<td>0.69</td>
</tr>
<tr>
<td>Short-term debt ratio</td>
<td>0.61</td>
<td>0.56</td>
</tr>
<tr>
<td>Long-term debt ratio</td>
<td>0.07</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Calculation principles:
- Total debt ratio = total liabilities / total assets
- Debt to equity ratio = equity / total liabilities
- Financing sustainability ratio = (equity + long-term liabilities with provisions) / total assets
- Short-term debt ratio = short-term liabilities / equity
- Long-term debt ratio = long-term liabilities / equity

As of 31 March 2014, the share of liabilities in financing of company's assets, measured by the total debt ratio, was respectively 41% and 45% as of 30 September 2013. Debt of Sygnity S.A. was not a threat to its operations and its ability to settle liabilities on time in the period covered by this report. The ratio decreased in comparison to 30 September 2013, which confirms the stable situation of the Company.

The Company finances its operations mainly from equity, which represents 59.4% of total assets. The share of external financing in the liability structure is 12.6%. As of 31 March 2014, the Company had multi-purpose lines of credit in 2 banks for a total of 80 000, of which it used 18,286 in the guarantee line as of 31 March 2014. As of 31 March 2014, in addition to lines of credit, it also had 2-year bonds maturing in February 2015. The bonds are measured at amortized cost and their carrying value as of 31 March 2014, together with interest accrued, is 39,777.

<table>
<thead>
<tr>
<th></th>
<th>31.03.2014</th>
<th>30.09.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond liabilities</td>
<td>39 777</td>
<td>39 499</td>
</tr>
<tr>
<td>Interest-bearing credits and loans</td>
<td>4 310</td>
<td>5 594</td>
</tr>
<tr>
<td>Liabilities from finance leases</td>
<td>8 456</td>
<td>8 856</td>
</tr>
<tr>
<td>Gross debt</td>
<td>52 543</td>
<td>53 949</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(16 362)</td>
<td>(18 930)</td>
</tr>
<tr>
<td>Net debt</td>
<td>36 181</td>
<td>35 019</td>
</tr>
<tr>
<td>Total equity</td>
<td>247 508</td>
<td>238 370</td>
</tr>
<tr>
<td>Total capital</td>
<td>283 689</td>
<td>273 389</td>
</tr>
<tr>
<td>Debt ratio</td>
<td>12,75%</td>
<td>12,80%</td>
</tr>
</tbody>
</table>

Calculation principles:
- Debt ratio = Net debt / Total equity

6    Loans granted

At of the balance sheet date, the Company had no loans granted to other entities, only employee loans in the amount of 78.

[figures in PLN thousand, unless otherwise stated]
7 Granted guarantees

As of 31 March 2014, the aggregate amount of the Company's contingent liabilities amounted to 59,949, of which:

<table>
<thead>
<tr>
<th>Liabilities from guarantees issued for:</th>
<th>31.03.2014</th>
<th>30.09.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>performance of the contract and removal of defects</td>
<td>49,902</td>
<td>49,015</td>
</tr>
<tr>
<td>tenders</td>
<td>2,135</td>
<td>4,928</td>
</tr>
<tr>
<td>payments</td>
<td>4,123</td>
<td>8,386</td>
</tr>
<tr>
<td>Promissory notes</td>
<td></td>
<td>5,887</td>
</tr>
<tr>
<td>Guarantees for affiliates</td>
<td>789</td>
<td>12,265</td>
</tr>
</tbody>
</table>

8 Issue of securities

The Bond Issue Programme was approved on 29 August 2011 by the Extraordinary General Meeting of Shareholders of Sygnity S.A. As part of the Bond Issue Programme, on 22 February 2013 the Group issued four thousand bonds of series 1/2013 with a nominal value of 10, a total of 40,000. The maturity date of the new issue is 23 February 2015. The issue price per bond was 9.8. The bonds bear interest at a variable interest rate of WIBOR for 6-month deposits denominated in PLN plus a margin. The bond issue was carried out by BRE Bank S.A. on the basis of a binding programme agreement to conduct the bond issue. On 7 May 2013, the bonds were introduced to the market under the CATALYST alternative trading system organized by BondSpot S.A. in accordance with the terms of the bond issue. The maximum value of the programme is 100,000.

9 Agreements concluded with the entity authorized to audit financial statements

On 27 March 2013, the Supervisory Board of Sygnity has chosen PricewaterhouseCoopers Sp. z o.o. as the entity authorised to audit individual and consolidated financial statements of Sygnity for periods 2013-2014. The total consideration payable under the contract with the entity authorised to audit financial statements is listed below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit of the annual financial statements</td>
<td>150</td>
<td>170</td>
</tr>
<tr>
<td>Overview of financial statements</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>240</td>
</tr>
</tbody>
</table>

(figures in PLN thousand, unless otherwise stated)
Part II

Comment of the Board to the operating results
PART II.
Comment of the Board to the operating results

1 Macroeconomic environment

According to forecasts of the National Bank of Poland\(^1\), the GDP in Poland is expected to grow steadily in the short-term trend, and in 2014 and 2015 it should fluctuate between 3% and 4%. At the same time, inflation remains at a low level and in the next two years should be in the range of 1% to 2%.

A positive impact on Polish economic prospects is also associated with the continued recovery abroad. EU funds are an additional impetus for development. The funds from the EU will be earmarked, among others, for IT projects of the Polish state. The value of only one Operational Programme "Digital Poland 2014-2020", adopted by the government on 8 January 2014, amounts to EUR 2,665 billion (including EU contribution of EUR 2,256 billion).

The value of the IT market in the coming years should gradually increase.\(^2\) The average growth rate of this market year-on-year until 2015 should be approximately 5%. The market competition is increasing and there are more and more new companies - in 2012, 40 new companies for the first time in history achieved revenues in excess of PLN 1 million\(^3\). The segment of the market that should grow most is services.

2 Analysis of financial results

In the first half of the financial year 2014, thanks to the consistent implementation of strategic actions, the Company generated once again good financial results at every level of Profit and Loss Account.

The second quarter of financial year 2014 confirmed reversal of the negative trend in sales revenue. Sales in this period amounted to 98,946 and were higher than in the comparable period of the financial year by 8.3%. The sales volume achieved throughout the first half of 2014 amounted to 234,647 and was approximately 5% lower than sales in the comparable period of 2013.

The nominal decline in sales in the reporting period, year-on-year, is due to a reduction of sales of computer hardware (a decrease of approximately 37%) and deliberate focus on high-margin services and products. Total revenues in the three major product categories ("licenses and software", "implementation services" and "support services") recorded a growth of 1.1%, with revenue from implementation services increased by 6.3%.

In the second quarter of financial year 2014 gross profit amounted to 19,597 and was lower by 2.7% than in the comparable period of 2013. In the first half of financial year 2014 gross profit amounted to 46,881 (a decline of 5.4% y/y). Gross margin remained at levels as follows: 20.0% in the first half of 2014 and 20.1% in the first half of 2013.

Cost of sales and general management in the second quarter of financial year 2014 decreased y/y by 416, and throughout the first half of financial year 2014 by more than 2,041. Despite the decrease in these costs the operating result (EBIT) has worsened. In the second quarter of financial year 2014, the Company generated an operating profit of 4,793 (5,236 in the corresponding period of the previous year), and in the first half 13,120 (13,980 in the corresponding period of the previous year). Operating result for the first half has been charged with one-off event. The Company posted to other operating expenses 2,144, paid to the Tax Control Office (TCO) for audit proceedings concerning the settlement with the State budget of tax on goods and services in 2008.

In the half year in question, the Company also recorded a significant decrease in financial expenses, which fell from 4,494 in the first half of 2013 to 3,077.

\(^1\) NBP Economic Institute, Projection of inflation and economic growth of the National Bank of Poland on the basis of NECMOD model, Warsaw / 10 March 2014

\(^2\) PMR, 2013

\(^3\) ComputerWorld TOP 200, Polish IT market, Edition 2013

[figures in PLN thousand, unless otherwise stated]
In the second quarter of financial year 2014 net profit amounted to 2,546 and was higher by 5.4% than in the comparable period of 2013. In the first half of financial year 2014 net profit amounted to 7,368 (9,452 in the corresponding period of the previous year).

In the first half of financial year 2014, the Company generated positive cash flows from operating activities in the amount of 4,624. In the corresponding period of the previous year, operating cash flows amounted to 10,127. Negative net cash flow in the period of (2,568) is evidence of intensification of investment activities.

At the end of the reporting period (31 March 2014), the Company's net debt excluding debt from finance leases amounted to 27,725 and was lower by 9,586 compared to the state on 31 March 2013.

Selected financial data

<table>
<thead>
<tr>
<th>Data in PLN thousand</th>
<th>6 months 2013/2014</th>
<th>6 months 2012/2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues from sales</td>
<td>234 647</td>
<td>247 087</td>
<td>(5.0%)</td>
</tr>
<tr>
<td>Gross profit on sales (profitability)</td>
<td>46 881</td>
<td>49 551</td>
<td>(5.4%)</td>
</tr>
<tr>
<td>EBITDA (profitability)</td>
<td>21 519</td>
<td>22 366</td>
<td>(3.8%)</td>
</tr>
<tr>
<td>Operating profit (EBIT) (profitability)</td>
<td>13 120</td>
<td>13 980</td>
<td>(6.2%)</td>
</tr>
<tr>
<td>Net profit (profitability)</td>
<td>7 368</td>
<td>9 452</td>
<td>(22.0%)</td>
</tr>
</tbody>
</table>

Structure of debt in the last 5 quarters (excluding finance leases)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>4 310</td>
<td>4 449</td>
<td>5 594</td>
<td>5 746</td>
<td>8 548</td>
</tr>
<tr>
<td>Bonds</td>
<td>39 777</td>
<td>40 310</td>
<td>39 499</td>
<td>40 153</td>
<td>39 250</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>16 362</td>
<td>66 259</td>
<td>18 930</td>
<td>10 813</td>
<td>10 487</td>
</tr>
<tr>
<td>Net debt</td>
<td>27 725</td>
<td>(21 500)</td>
<td>26 163</td>
<td>35 086</td>
<td>37 311</td>
</tr>
</tbody>
</table>

Cash flow

<table>
<thead>
<tr>
<th>Data in PLN thousand</th>
<th>6 months 2013/2014</th>
<th>6 months 2012/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>4 624</td>
<td>10 127</td>
</tr>
<tr>
<td>Net cash flows from investment activities</td>
<td>(3 926)</td>
<td>(13 763)</td>
</tr>
<tr>
<td>- Receipts</td>
<td>2 423</td>
<td>412</td>
</tr>
<tr>
<td>- Expenses</td>
<td>(6 349)</td>
<td>(14 175)</td>
</tr>
<tr>
<td>Net cash flows from financial activities</td>
<td>(3 266)</td>
<td>(25 373)</td>
</tr>
<tr>
<td>- Receipts</td>
<td>1 400</td>
<td>42 372</td>
</tr>
<tr>
<td>- Expenses</td>
<td>(4 666)</td>
<td>(67 745)</td>
</tr>
</tbody>
</table>

[figures in PLN thousand, unless otherwise stated]
3 Significant events affecting business activity

New bank agreements

On 31 March 2014, the Management Board of Sygnity concluded with ING Bank Slaski S.A. the Annex to the Loan Agreement of 12 January 2011, on the basis of which the Bank has renewed a multi-purpose line of credit in the amount of 50,000, including a sub-limit for the subsidiary Sygnity Europe Sp. z o.o. The agreement may be renewed for successive 12-month periods after 30 March 2015, though not beyond 30 March 2023. This line will be allocated to finance current operations of the Company in the form of overdraft and bank guarantee limit.

On 31 March 2014, the Management Board of Sygnity concluded with Deutsche Bank Polska S.A. the Annex to the Loan Agreement, on the basis of which the Bank has renewed a multi-purpose line of credit in the amount of 30,000. The contract may be renewed for successive 12-month periods after 31 March 2015, though not beyond 31 March 2020. This line will be allocated to finance current operations of the Company in the form of overdraft and bank guarantee limit.

4 Structure of sales and markets

Sygnity S.A. focuses on three key market sectors: public sector, banking and finance sector, energy sector. The company is number 2 in the IT and new technologies market among companies that provide implementation and software services, number 2 in the public sector and number 3 in the energy sector. The average level of employment in the first half stood at 1,082 employees, forming a competent and stable team, combining IT experience with in-depth knowledge of the industry. During this period there was a backlog consolidation and focus on large projects, especially in the departments of public administration and banking.

5 Events affecting financial results

The financial period ended on 31 March 2014 was a period characterised by a stabilisation of revenue and improved margins and operational efficiency. The Company completed and won a number of important tender procedures by which its position in key sectors remains unthreatened. Long-term cooperation with units of local and central government resulted in the signing of a number of significant contracts, including another contract with the Ministry of Finance for the development of infrastructure of the Data Centre, as well as the implementation of projects: “consolidation and centralisation of customs and tax systems (KiC)”, “e-Imports”, “e-Budget”. The contract will bring the Group revenues of 29,420.

Sygnity systematically seeks to reduce financial debt and improve cash management, which directly resulted in a decrease in financial costs, which decreased by 1,417 compared to the same period last year.

In the 6 months ended on 31 March 2014, the Company posted to other operating expenses 2,144, paid to the Tax Control Office (TCO) for audit proceedings concerning the settlement with the State budget of tax on goods and services in 2008. The Management Board intends to continue the dispute with the tax authorities before an ordinary court in the case of maintaining a non-final decision by the Director of the Tax Chamber. An appeal was made against the results of the inspection, which may in the future result in the return of the amount paid plus interest. The decision of the Tax Control Office on the day of publication of this report is not final.
6. New agreements significant for business

Banking division

"Bank in a Box" - Sygnity S.A. signed a contract with one of the largest banks in Poland to implement the Bank in a Box solution on the basis of a private cloud. Bank in a Box will allow for automating and optimising Data Centre management. This responds to the business needs of the Customer by flexible provision of services based on private cloud infrastructure. This will shorten the time required to launch new business services, introduce management of virtual machine life-cycles and to optimise processes for managing the entire IT infrastructure. The Bank in a Box project is the largest and most innovative solution of its kind in the financial sector in Poland.

The Framework Agreement for sorters for banknotes and banknote counting machines, banking automation - Sygnity S.A. signed a framework agreement with one of the biggest Polish banks for the supply, installation and maintenance of highly efficient sorters for banknotes and banknote counting machines. The devices are designed for use in the Regional Cash Centres. The agreement is valid until 31 March 2017.

Maintenance services - Sygnity S.A. concluded with one of the banks a two-year maintenance agreement for the central system maintenance. Under the agreement, Sygnity will also provide development and modifications to the system responding to the current needs of the Bank on the basis of separately paid orders.

Public division

Ministry of Finance "KIC2" - Expansion of ICT infrastructure of the Data Processing Centre of the Ministry of Finance (centre in Radom) is done through the supply of IT equipment along with associated services (implementation, integration, technical assistance and warranty service).

Organisational Units of Social Assistance and Local Governments - Licenses for 2014
Sygnity extended the contract for another year with Organisational Units of Social Assistance. The contract is for sale of licenses along with maintenance of products in the field of social security. The product supports the implementation of tasks in the field of family benefits, the maintenance fund and housing allowances.

The Ministry of Foreign Affairs (MFA) "Expansion of the Visa-Consul system" - the system is responsible for issuing visas to foreigners entering the Republic of Poland. The agreement includes, among others, Adapting the system to regulatory changes. The system operates in a continuous mode 24h/7/365 days a year in all branches of the MFA in the whole world.

Utilities division

PSE S.A. "Service of SIRE Systems" - the System is used directly to support PSE S.A. in fulfilling the obligations of the electricity Transmission System Operator, and therefore requires the maintenance of applications in business software layer of the highest quality. On 16 April 2014 Sygnity concluded the agreement for the provision of maintenance services for the software of the Electricity Market Information System (SIRE). It is the result of several months of preparations for the tender and submission of the best offer on the market and effective measures relating to the preparation for the start of the contract. The agreement allows for the maintenance of competence necessary from the point of view of the provision of development work in the field of SIRE system, which in the context of the changes associated with the introduction of a new model of energy market makes it possible to obtain a number of new orders.
The Company's strategy and factors relevant to further development

One of the key objectives of Sygnity’s development strategy for 2013-2015 was, *inter alia*, to achieve profitability at all levels of profit and loss account from the financial year 2013 and to develop a predictable revenue structure and cost structure comparable with the best national and regional European companies in the IT sector. These assumptions are implemented consistently by the Company.

In the coming year, the Management Board intends to continue the plan to improve margins, while focusing on strengthening revenue to the levels defined in the 3-year strategic plan for the Company.

In the area of improving the margins, as announced, Sygnity implements important projects which will largely improve, among others, business processes in project management, administrative processes. Implementation of projects has been adapted to Sygnity's profile and structure of costs. The company’s HR policy has been radically changed. The system of management through objectives has been implemented and the commission system - as the first element of the incentive scheme. These activities will continue. Their goal is to further strengthen and modernise the organisational structure and management systems.

Cyclic and open dialogue with the capital market, especially with regard to the Company's financial results, will continue. The Board believes that this is an essential element of an effective information policy aimed at investors and shareholders, as well as other groups of stakeholders, including employees, customers and the media.

Financial results and published forecasts

The Company did not publish forecasts of results for the completed reporting period.
Part III
Organizational structure
PART III.
Organizational structure

1. Related parties

Information on related parties is included in the explanatory notes to the financial statements.

2. Shareholders

As of 31 March 2014, the share capital of Sygnity S.A. was divided into 11,886,242 shares with a nominal value of PLN 1 each, and amounted to 15,082, taking into account the hyperinflationary revaluation in previous years.

Each share entities to one vote at the General Meeting of Shareholders and equal participation in the share capital of the Company. There are no restrictions on the transfer of ownership of securities. There are no securities carrying special rights of control in relation to the Company.

In accordance with the Articles of Association of the Company, no shareholder of the Company, in conjunction with its subsidiaries or parent companies, within the meaning of the Act of 29 July 2005 on public offering and conditions governing the introduction of financial instruments to organised trading and on public companies, as well as in association with other entities, in agreement with which it purchased the shares, as well as in conjunction with other entities referred to in Article 87(1) and (2) of the said act, can exercise the voting rights of more than 20% of the total number of shares of the company at the General Meeting of the Company. Votes cast at the General Meeting in violation of this restriction shall be deemed not to have been cast. The envisaged restriction does not apply to shareholders who, at the day of voting, hold more than 51% of the total number of shares of the Company and who previously made a tender offer for all the shares of the Company in the manner specified in the Act on public offering and conditions governing the introduction of financial instruments to organised trading and on public companies.

To the best knowledge of the Management Board of Sygnity S.A., the structure of shareholders holding directly or indirectly - through subsidiaries - at least 5% of voting rights of the Company was as follows:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>% of votes</th>
<th>Number of shares</th>
<th>% of votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A.</td>
<td>1 188 623</td>
<td>10.00</td>
<td>1 484 127</td>
<td>12.49</td>
</tr>
<tr>
<td>Quercus Towarzystwo Funduszy Inwestycyjnych S.A.</td>
<td>1 074 660</td>
<td>9.04</td>
<td>682 766</td>
<td>5.74</td>
</tr>
<tr>
<td>PKO BP Bankowy Otwarty Fundusz Emerytalny</td>
<td>688 000</td>
<td>5.79</td>
<td>926 710</td>
<td>7.80</td>
</tr>
<tr>
<td>ING Otwarty Fundusz Emerytalny</td>
<td>610 000</td>
<td>5.13</td>
<td>613 097</td>
<td>5.16</td>
</tr>
<tr>
<td>Other (^\text{1})</td>
<td>8 324 959</td>
<td>70.04</td>
<td>8 179 542</td>
<td>68.81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11 886 242</strong></td>
<td><strong>100.00</strong></td>
<td><strong>11 886 242</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Source: Data on the basis of the list of shareholders of the Company holding at the Annual General Meeting on 31 March 2014 at least 5% of the total number of votes.

\(^\text{1}\) Including 297,996 shares purchased by Sygnity S.A. for the purposes of the incentive scheme

At the date of this report, the Company did not have any information about contracts which may result in future changes in the proportion of shares held by existing shareholders.
Shares of Sygnity S.A. held by managers and supervisors:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares as of 31.03.2014</th>
<th>Number of shares as of 30.09.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ryszard Wojnowski</td>
<td>364 305</td>
<td>364 305</td>
</tr>
<tr>
<td>Tomasz Sielicki</td>
<td>249 374</td>
<td>265 374</td>
</tr>
<tr>
<td>Janusz R. Guy</td>
<td>137 273</td>
<td>137 273</td>
</tr>
<tr>
<td>Jacek Kseń</td>
<td>not applicable</td>
<td>4 550</td>
</tr>
<tr>
<td>Krzysztof Ducal</td>
<td>5 000</td>
<td>5 000</td>
</tr>
<tr>
<td>Dariusz Śliwowski</td>
<td>2 193</td>
<td>800</td>
</tr>
</tbody>
</table>

3 General Meeting

The General Meeting, as the body of the Company, operates on the basis of existing legislation (in particular the Commercial Companies Code), the Articles of Association of the Company and the Bylaws of the General Meeting.

According to the Articles of Association of the Company, the competence of the Meeting (in addition to other matters specified by law) include in particular:

a) examination and approval of the reports of the Management Board, financial statement for the previous financial year,
b) acknowledgement of the fulfilment of duties by the Supervisory Board and the Management Board,
c) adoption of resolutions on the distribution of profit or covering of loss,
d) establishing and dissolving special funds,
e) determining the remuneration of the members of the Supervisory Board,
f) change of Company's operations,
g) amendment of the Statute of the Company,
h) increasing or decreasing the Company’s share capital,
i) merger and liquidation of the Company,
j) issuance of bonds, including convertible bonds,
k) appointment of liquidators,
l) all decisions relating to damages caused during the formation of the Company or its management or supervision,
m) consideration of cases brought by the Supervisory Board, the Management Board and the shareholders,
n) appointing and dismissing members of the Supervisory Board.

The General Meeting shall be convened in accordance with the provisions of the Commercial Companies Code and the Articles of Association of the Company. Due to the fact that the Company is a public company, the shareholders holding bearer shares can participate in the General Meeting and exercise their voting rights. Members of the Board are required to participate in the meetings of the General Meeting. Supervisory Board members should be present at meetings of the General Meeting, if the meeting is to address financial affairs of the Company.

Resolutions of the General Meeting shall be passed by a simple majority of votes cast by the shareholders present at the General Meeting in accordance with the principles set out in the Statute and the Commercial Companies Code. Each share gives the right to one vote at the General Meeting.

[figures in PLN thousand, unless otherwise stated]
Sygnity S.A.
Report of the Management Board on Company’s operations for the 6 months ended on 31 March 2014

In the case referred to in Article 397 of the Commercial Companies Code, the resolution to dissolve the Company requires a majority of three fourths of the votes cast.

The acquisition and disposal of real property or interest in real property does not require a resolution of the General Meeting referred to in Article 393(4) of the Commercial Companies Code. In this case, it is only required to obtain the consent of the Supervisory Board expressed in the form of a resolution adopted by a majority of three fourths of votes of the Supervisory Board members present at the meeting, in the presence of at least half of the members of the Supervisory Board.

The Statute of the Company does not contain provisions different from the provisions of the Commercial Companies Code regarding amendments to the Statute of the Company.

In the period from 1 October 2013 to 31 March 2014, the General Meeting of Sygnity was held at the headquarters of the Company on the following dates:

- On 31 March 2014 as the Annual General Meeting of Sygnity S.A.

4 Management Board

The Management Board of the Company at the date of this report was as follows:

- Janusz R. Guy - President of the Board
- Wiesław Strąk - Vice-President of the Management Board, Financial Director
- Krzysztof Ducal - Vice-President of the Management Board, Sales Director
- Dariusz Śliwowski - Vice-President of the Management Board, Sales Director
- Bogdan Zborowski - Vice-President of the Management Board, Sales Director
- Magdalena Bargieł - Vice-President of the Management Board, Human Resources Director

On 2 October 2013, the position of the Vice-President of the Management Board, Human Resources Director, was assumed by Magdalena Bargieł.

All changes in the composition of the Board are made public by the Company through current reports. The CVs of the members of the Board are available on the Company’s website and are constantly updated.

The Board is the executive body of the Company and represents it externally. The Management Board performs the functions provided for in the Commercial Companies Code, the Statute of the Company and the Regulations of the Board.

The Management Board, guided by the interests of the Company, determines the strategy and the main objectives of the Company and is responsible for the implementation and realisation. The Management Board ensures transparency and efficiency of the Company’s management system and conduct of its business in accordance with the law and good practice. Members of the Board should be loyal to the Company and refrain from actions that could lead only to fulfilment of one’s own material benefits.

If the Management Board consists of many people, performance of legal actions and making declarations on behalf of the Company require two members of the Board or one member of the Board together with a proxy.

(figures in PLN thousand, unless otherwise stated)
The term of office of the Management Board is a shared term and lasts three years.

The Management Board of Sygnity consists of no more than nine persons, including the President of the Management Board. The Supervisory Board appoints the President of the Management Board on its own initiative and then, at the request of the President of the Board, the remaining members of the Management Board. Powers of the President of the Management Board in the context of the Management Board may be specified by the Supervisory Board.

The Supervisory Board may dismiss a member of the Management Board or the whole Management Board before the expiration of the term.

In the case of dismissal of a member of the Management Board by the General Meeting, the adoption of the resolution requires a simple majority of votes cast, and not less than 20% of the total number of shares of the Company must vote for the resolution.

The Management Board shall adopt resolutions by a simple majority of votes. In the case of equality of votes, the adoption or dismissal of the resolution is decided by the vote of the President.

Adoption of a resolution by the Management Board may take place:

- by direct voting at the meeting;
- by voting using means of direct communication at a distance, in particular by means of telephone, audiovisual or electronic communications;
- in writing (by circulation) outside a meeting of the Management Board, provided all members of the Management Board have been notified of the content of a draft resolution.

The Statute of the Company does not provide for specific powers of the members of the Management Board, in particular the right to take a decision on the issue or redemption of shares.

5 Supervisory Board

On 31 March 2014 the Annual General Meeting of Sygnity S.A. elected the Supervisory Board for another term of office, in the composition, which did not change as of the date of this report and was as follows:

- Tomasz Sielicki - President of the Supervisory Board
- Kristof Zorde - Vice-President of the Supervisory Board
- Piotr Rymaszewski - Member of the Supervisory Board
- Piotr Skrzyński - Member of the Supervisory Board
- Ryszard Wojnowski - Member of the Supervisory Board

On 31 March 2014, Jacek Kseń was not appointed for another term of office as a Member of the Supervisory Board, and the General Meeting of Sygnity S.A. appointed Kristof Zorde to the Supervisory Board.

All changes in the composition of the Supervisory Board are made public by the Company through current reports. The CVs of the members of the Supervisory Board are available on the Company's website and are constantly updated. The Supervisory Board exercises supervision and control over the Company. The term of office of the Supervisory Board is a shared term and lasts three years.

The Supervisory Board consists of not less than five and not more than nine members appointed and dismissed by the General Meeting.

[figures in PLN thousand, unless otherwise stated]
The Supervisory Board selects, from among its members, the Chairman of the Supervisory Board and his Deputy. Chairman of the Supervisory Board convenes and chairs the meetings of the Board and directs its work. In the event of inability to perform the function or absence of the Chairman, his duties shall be performed by Deputy Chairman.
In addition to the matters submitted to the Supervisory Board under provisions of the Commercial Companies Code and the Articles of Association, the special powers of the Supervisory Board, in accordance with the Articles of Association of the Company, include:

- appointing, suspending and dismissing members of the Management Board or;
- delegating its member or members to perform the duties of the Management Board in the event of dismissal or suspension of the entire Management Board or in case the Management Board cannot perform its duties for other reasons;
- giving consent to the Company's participation in transactions, where the other parties are:
  - shareholders who hold more than 10% (ten percent) of the shares of the Company,
  - members of the Management Board,
  - members of the Supervisory Board.
- determining the remuneration of the members of the Management Board;
- giving consent to (i) acquisition or disposal of stocks or shares in other companies, as far as stocks or shares represent at least 50% of the share capital or 50% of the total number of votes at the general assembly of such company or the transaction or book value of acquired or disposed of stocks or shares is greater than or equal to PLN 1,000,000 (one million), (ii) acquisition or disposal of an organised part of the enterprise, (iii) entering into partnership agreements;
- approving the annual budget;
- approving the purchase and sale of real property or interest in real property (pursuant to the provisions of Article 20(4) of the Statute of the Company);
- approving the conclusion with the underwriter of agreement referred to in Article 433(3) of the Commercial Companies Code, pursuant to the provisions of Article 20(5) of the Statute of the Company;
- granting consent for the conclusion by the Company or a subsidiary of a significant agreement with a member of the Supervisory Board or the Management Board and with and entities associated with them.

The Supervisory Board operates based on the Regulations adopted by it, which specifies the mode of operation of the Supervisory Board. The Supervisory Board performs its tasks and powers by passing resolutions at meetings and through control and advisory activities. The Supervisory Board shall meet not less than once per quarter.

The Supervisory Board adopts resolutions by a simple majority of votes of Board members present at the meeting, in the presence of at least half of the members of the Supervisory Board and all members have been invited, with the following exceptions:

a) the agenda of the Supervisory Board cannot be supplemented during the meeting to which it relates. This requirement does not apply to a situation:
   - when all members of the Supervisory Board are present and all agree to supplement the agenda,
   - when taking certain actions by the supervisory board is necessary to protect the company against damage,
   - in the case of a resolution whose purpose is to assess whether there is a conflict of interest between a member of the Supervisory Board and the Company.

b) the acquisition and disposal of real property or interest in real property does not require a resolution of the General Meeting referred to in Article 393(4) of the Commercial Companies Code. In this case, it is only required to obtain the consent of the Supervisory Board expressed in the form of a resolution adopted by a majority of three fourths of votes of the Supervisory Board members present at the meeting, in the presence of at least half of the members of the Supervisory Board.

c) the conclusion with the underwriter of agreement referred to in Article 433(3) of the Commercial Companies Code does not require a resolution of the General Meeting. In this case, it is only required to obtain the consent of the Supervisory Board expressed in the form of a resolution adopted by a majority of three fourths of votes of the Supervisory Board members present at the meeting, in the presence of at least half of the members of the Supervisory Board.

In the period from 1 October 2013 to 31 March 2014, the Supervisory Board held meetings on the following dates:

6 Audit Committee

The Audit Committee shall comprise at least three members, including at least one with qualifications and experience in accounting and finance. In justified cases, the Audit Committee has the right to be assisted by experts in order to make a proper assessment of the financial statements. The tasks of the Audit Committee include:

- ensuring the reliability of financial reporting, including the independent audit,
- reviewing the Company's financial statements and submitting opinions to the Board,
- reviewing transactions with related parties,
- recommending an auditor to the Supervisory Board together with justification.

On 20 July 2011, the Supervisory Board resolved to entrust tasks of the Audit Committee to the Supervisory Board.

7 Compensation Committee

The Compensation Committee consists of at least three members. The tasks of the Compensation Committee include in particular:

- planning the remunerations for management board members;
- adjustment of the remuneration of management board members to the long-term interests of the Company and the Company's financial results.

On 20 July 2011, the Supervisory Board resolved to entrust tasks of the Compensation Committee to the Supervisory Board.

8 Costs of salaries and fringe benefits for performing functions in the Company

<table>
<thead>
<tr>
<th>Management Board of Sygnity S.A.</th>
<th>01.10.2013 - 31.03.2014</th>
<th>01.10.2012 - 31.03.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Janusz R. Guy</td>
<td>958</td>
<td>641</td>
</tr>
<tr>
<td>Wiesław Strąk</td>
<td>575</td>
<td>147</td>
</tr>
<tr>
<td>Dariusz Śliwicki</td>
<td>488</td>
<td>-</td>
</tr>
<tr>
<td>Bogdan Zborowski</td>
<td>478</td>
<td>118</td>
</tr>
<tr>
<td>Krzysztof Ducal</td>
<td>462</td>
<td>298</td>
</tr>
<tr>
<td>Magdalena Bargiel</td>
<td>273</td>
<td>-</td>
</tr>
<tr>
<td>Magdalena Taczanowska</td>
<td>184</td>
<td>422</td>
</tr>
<tr>
<td>Arkadiusz Lew-Kiedrowski</td>
<td>79</td>
<td>515</td>
</tr>
<tr>
<td>Norbert Biedrzycki</td>
<td>-</td>
<td>821</td>
</tr>
<tr>
<td>Ilona Weiss</td>
<td>-</td>
<td>62</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisory Board of Sygnity S.A.</th>
<th>01.10.2013 - 31.03.2014</th>
<th>01.10.2012 - 31.03.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacek Kserń</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Tomasz Sielicki</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Piotr Rymaszewski</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Piotr Skrzyński</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Ryszard Wojnowski</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

[figures in PLN thousand, unless otherwise stated]
Employee share schemes

Scheme of 2001

On 25 October 2001, the Extraordinary General Meeting of ComputerLand S.A. (the legal predecessor of the Company) adopted a resolution setting out policy on share options for the governing bodies and key employees of the Company and its subsidiaries for 2002-2005. The basic principles of the scheme referred to in the said resolution and the assumptions used to determine the fair value of the scheme are presented in Note 30 of the consolidated financial statements for the financial year ended on 31 December 2010.

In the 6 months ended on 31 March 2014 and in the financial year 2013, there has been no granting of any options, no options have been exercised. In these periods, the evaluation of the fair value of options had no impact on the items in the profit and loss account. The number of active options and their expiry dates are presented below (the exercise price at the grant date, the values may be changed in accordance with the rules of the adopted scheme):

<table>
<thead>
<tr>
<th>Grant date</th>
<th>Expiry date</th>
<th>Series, issue</th>
<th>Exercise price</th>
<th>31.03.2014</th>
<th>30.09.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March 2004</td>
<td>31 December 2013</td>
<td>T</td>
<td>90.39</td>
<td>-</td>
<td>127 150</td>
</tr>
<tr>
<td>31 March 2005</td>
<td>31 December 2014</td>
<td>U</td>
<td>109.20</td>
<td>137 000</td>
<td>137 000</td>
</tr>
</tbody>
</table>

| Total | 137 000 | 264 150 |

Scheme of 2011

On 30 June 2011, the Annual General Meeting of Company's Shareholders adopted a resolution on the establishment of the Company's Incentive Scheme for 2011-2013. The basic principles of the scheme referred to in the above-mentioned resolution (Current Report 47/2011) are presented in Note 27 of the consolidated financial statements for the financial year ended on 30 September 2013.

In the financial year 2013, the Company made a write-off in the amount of 1,014 of the measured value of the second tranche of the incentive scheme (for 2012), due to the failure to generate the net profit assumed in the scheme.

According to the decision of the Management Board of 11 December 2012 (Current report 46/2012), the implementation of the last part of the incentive scheme for 2013 was abandoned.

In the period of 6 months ended on 31 March 2014 and in the financial year 2013, no share options were granted and no share options were exercised.

In the event of non-exercise of an option, the resulting entitlement expires on 31 December 2016.

[figures in PLN thousand, unless otherwise stated]
Scheme of 2013

On 10 January 2013, the Annual General Meeting of Company’s Shareholders adopted a resolution on the establishment of the Company’s Incentive Scheme for the financial year 2012/2013. The basic principles of the scheme referred to in the above-mentioned resolution (Current Report 3/2013) include:

a. Participation in the Share Option Plan is restricted to members of the Management Board;
b. The maximum number of shares in the scheme may not exceed 150,000 shares of the Company;
c. Entitled Persons will be able to exercise Share Options, provided that the Company demonstrates in the consolidated financial statements of the Company’s Capital Group prepared for the financial year and approved by the General Meeting of Shareholders, minimum net profit in the amount of 15,000;
d. Net profit shall be calculated without taking into account the financial effects of events unrelated to the normal operations of the Company;
e. The share price in the option scheme will be equal to 15 PLN (not in thousands);
f. The Supervisory Board oversees the implementation of this scheme and is directly responsible for granting rights;
g. The complete implementation of the Plan shall be conditioned by the acquisition by the Company of up to 150,000 own shares, under the terms and conditions set out in Resolution No. 24 of the Annual General Meeting of 10 January 2013;
h. In the event of non-exercise of an option, the resulting entitlement expires on 30 September 2016.

In accordance with the resolution of the Supervisory Board of 27 March 2013, a list of persons covered by the Incentive Scheme was made. The Supervisory Board has also split the Options among persons participating in the Incentive Scheme.

The Company recognized all costs of the above scheme in the total amount of 1,041 until 31 January 2014, i.e. to the date of acquiring the right to exercise options.

On 19 May 2014, the Supervisory Board of Sygnity S.A. granted share options to Members of the Management Board of Sygnity under the Incentive Scheme for the financial year ended on 30 September 2013.

9 System of internal control of reporting

The Management Board is responsible for the internal control system of the Company and its effective functioning in the process of preparing the financial statements.

The Office of Financial Reporting and Controlling is responsible for the preparation of periodic reports. This department is subordinate to the Vice-President, Chief Financial Officer, who shall exercise direct supervision and control over the process of preparing the reports. The final verification and approval of the reports is done by the Management Board.

Reports shall be based on the applicable law, in accordance with International Financial Reporting Standards. The annual and interim financial statements are subject to independent audit and review by the entity authorised to audit financial statements.

The tasks of the Audit Committee include, among others, ensuring the reliability of financial reporting, including the independent audit, reviewing the Company’s financial statements and the presenting opinions to the Supervisory Board. The results of review of financial statements are presented to the members of the Audit Committee, who analyse them together with the auditor of the Company. Then, the results of this analysis are discussed during the meeting of the Supervisory Board. In justified cases, the Audit Committee has the right to be assisted by experts in order to make a proper assessment of the financial statements.

[figures in PLN thousand, unless otherwise stated]
Part IV

Description of risk factors
PART IV.
Description of risk factors

1 Risks related to operating activities

Risks associated with dependence on suppliers of critical solutions
The specific nature of Sygnity operations consists in close collaboration with global large corporations that make up the key IT solutions, software and hardware. Since the beginning of the market for IT systems integration in Poland, the vast majority of global corporations built their presence in Poland in partnership with local providers of IT services. In such an arrangement, the local partners support the process of implementation of IT systems for customers and the provision of additional services in the field of service, training, development and software updates. There is a risk that key suppliers will reformulate their strategies in the field of cooperation with local partners and will seek to strengthen cooperation with only one selected partner or they will begin offering services involving implementations of their products. This phenomenon may have an adverse effect on the Company’s revenues and its financial results.

Risks of supplying customers with applications and systems of critical importance for their business
A significant part of all projects involve implementation of applications that regulate or even enable the realisation of important processes in Sygnity’s customers, and hence determine their proper functioning. There is a risk that in the event of a malfunction of applications installed by the Company in customers’ enterprises, the customers may incur financial losses. As a result of such situations, customers may attempt to enforce compensation from the Company. In the opinion of the Management Board, in most cases, the agreements concluded by the Company reduce the risk of such claims by limiting the liability to damages resulting from product errors and excluding liability for damages resulting from use of the product. Moreover, the mere fact of raising a claim, and customer’s dissatisfaction, may have a negative impact on the public image of the Company.

Risks associated with dependence on large public and private contracts
A large part of the Company’s revenue is generated from projects won in tenders organised by institutions and public companies and large private companies. In many of these tenders, the starting bidders are top players on the Polish IT market, which significantly increases competition. The result of this situation is the risk of failure of the Company in some of these tenders and in the absence of an alternative - a negative impact on financial results.

Risk of loss of key employees
The main factor in the success of the Company are its employees, therefore the Company’s further development is directly related to the ability of keeping, training and motivating current employees and hiring new ones. Significant demand for specialists in the ICT sector and the activities of companies with a similar profile may lead to departure of key personnel and hinder the recruitment of new employees. This phenomenon may have a negative impact on providing customers with sufficient quality and scope of services and increase in revenues and profits of the Company in the future.

(figures in PLN thousand, unless otherwise stated)
Risk associated with development of new products
A characteristic feature of Sygnity's industry is very rapid development of applied IT technologies and solutions, and therefore a relatively short life cycle of products and services offered. Sygnity offers both its own products, as well as uses global applications offered by international companies, which means that the changes in the market must entail changes in own products and continuous training in the products of other companies.

There is a risk that, despite the continuous adaptation of the offer, the Company may not be able to offer solutions that will best meet the expectations of customers. Such a situation may affect the Company’s financial results. In addition, the emergence of new solutions can cause that unattractive products in Sygnity’s portfolio may not provide the proceeds expected at their creation and development.

2 Risks associated with the environment

Risk associated with the macroeconomic situation
The development of information technology services industry is closely correlated with the general economic situation of the country. The size of Sygnity’s revenues and expenses is dependent on GDP growth in Poland and the rate of development of industry and services sector, the restructuring of companies and the public sector, privatization processes, inflation and changes in exchange rates relative to the PLN, in particular of the U.S. dollar, which is Company's basic currency in foreign contracts.

Any deterioration in the economic situation in the country caused by the effects of the crisis, worsening inflation processes or rapidly changing PLN exchange rate relative to other currencies may adversely affect the size of the Company's sales revenue and financial results.

Risk of changes in legislation
Changes in law or different interpretations of law are a threat to Sygnity's business. Changes in law, in particular the tax provisions, labour law and social security law, commercial law (including company law and law governing the functioning of the capital market), law concerning the activities in ICT may lead to negative effects on the activities of Sygnity.

Risk related to the tax system
Polish tax system is characterized by frequent changes in regulations, many of them are not defined clearly enough and lack unambiguous interpretation. Interpretations of tax regulations are subject to frequent changes, and both the practice of the tax authorities and judicial decisions in the field of taxation are not uniform. Due to the divergent interpretations of tax regulations, in the case of the Polish company there is a greater risk than in the case of the company operating in a more stable tax system that the company's operations and their inclusion in the tax statements and tax returns are found to be inconsistent with applicable tax laws.

One aspect of insufficient precision of tax laws is the lack of formal procedures providing for the final verification of the correct calculation of tax liabilities for the period. Tax returns and the amount of the actual payments of taxes can be controlled by the tax authorities for five years from the end of the year, which was the deadline for tax payment. In case the tax authorities adopt a different interpretation of tax legislation than the one expected by Sygnity, this could have a material adverse effect on the business, financial condition, results and prospects of the Company.
Risk of competition

The Company operates in the IT services market, which is characterized by very rapid growth and at the same time a high level of competitiveness. Among the Company’s competitors may be major Polish integrators, multinational companies in the IT industry, global and national consulting companies offering deployment of IT solutions.

The Board believes that the continued high attractiveness of the Polish IT market will cause further aggravation of competition. In particular, one should expect even stronger attempts to enter the Polish market from foreign global integrators and IT service providers. In addition, the processes of consolidation in the sector will result in an even greater strengthening of the biggest players in the market.

There is a risk that the intensification of the activities of the competition may result in the need to offer more favourable terms to customers, which may be associated with the need for the involvement of additional working capital and a decrease in margins, adversely affecting the financial position of Sygnity. In addition, the strengthening of companies competing with the Company may contribute to the weakening of Sygnity’s market position.

Foreign exchange risk

There is a short-term and medium-term foreign currency risk in currency pairs USD/PLN, EUR/PLN, on the revenue side and the cost side. In the reporting period, Sygnity used mainly forward and spot transactions to protect its receivables and liabilities.

3 Claims and disputes

During the reporting period there were no pending proceedings before the court, the competent arbitration authority or the public administration authority, relating to liabilities or receivables of Sygnity or its subsidiaries, the value of which was at least 10% of its equity.
Part V

Statements of the Management Board
PART V.
Statements of the Management Board

1 Statement on the reporting principles

The Management Board of Sygnity S.A. confirms that to the best knowledge, the financial statements and comparative information have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position and profit or loss of the Company.

The Management Board of Sygnity S.A. confirms that to the best knowledge, this report presents a true picture of the development and achievements of the Company, including a description of identified hazards and risks.

2 Statement on appointment of an entity for audit

The Management Board of Sygnity S.A. declares that the entity authorised to audit financial statements of the Company has been selected in accordance with the law and that the entity and the statutory auditors who reviewed the interim financial statements comply with the conditions for expressing an impartial and independent opinion on the audited financial statements, in accordance with applicable regulations and professional standards.

3 Statement on corporate governance


Best Practices of WSE Listed Companies are publicly available on the website: http://www.corp-gov.gpw.pl/. The Management Board of Sygnity S.A. declares that during the period covered by this report and the date of its publication, the Company applied most of the principles of corporate governance and that it did not depart from the use of any of the applicable rules of corporate governance. Reporting disclosures set out in these regulations are presented in Parts II, III and IV of the Report of the Management Board on the activities of the Company for the period ended on 30.09.2013.

[figures in PLN thousand, unless otherwise stated]
Report of the Management Board on Company’s operations for the 6 months ended on 31 March 2014

[figures in PLN thousand, unless otherwise stated]