ADDITIONAL INFORMATION TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT

For the period of 1 January 2012 – 30 June 2012

a. Principles applied for the preparation of the consolidated financial statement

i. Basic information

The consolidated financial statement for the period of 1 January 2012 – 30 June 2012 has been prepared in accordance with the International Financial Reporting Standards (the condensed financial statement has been prepared in line with the provisions of IAS 34). The financial statement hereof shall also meet the requirements set forth in the Regulation of the Minister of Finance on current and periodic information to be published by the issuers of securities.

The data have been prepared with consideration of the principles of assets and liabilities valuation and net financial result measurement determined as at balance sheet day, that is as at 30 June 2012.

The accepted accounting principles have been applied in a continuous manner to each period presented in the statement hereof. Consolidation of financial statements for the period of 1 January 2012 – 30 June 2012 was executed in accordance the full method with application of the required consolidation adjustments.

The consolidated financial statement has been prepared in Polish zlotys (PLN) rounded to the nearest thousand (PLN thousand).

The Capital Group prepares a profit and loss account by function of expense.

ii. Description of applied accounting principles

LSI Software Capital Group is composed of:

- LSI Software S.A. – dominant entity,
- Softech LLC - subsidiary,
- LMS Online LLC – subsidiary

Related entities are those with regard to which the Group has the right to manage their financial and operational policy through capital and personal links. Softech LLC and LMS Online being subsidiaries, are subject to consolidation under the full method as of the date of acquisition of control over them by LSI Software S.A. Cessation of consolidation under the full method shall be effective as of the day on which the control ceases.

The cost of acquisition is measured as the fair value of acquired assets, issued equity instruments and liabilities incurred or assumed at the date of exchange, increased by costs directly attributable to the acquisition. Excess of the cost of acquisition over the fair value of a share in the identifiable net assets acquired is recognized as goodwill. The impairment of goodwill shall be recognized in the Group's costs. If the acquisition cost is lower than the fair value of the acquired net assets (goodwill), the difference is recognized directly in a profit and loss account.

Transactions, balances and unrealized gains / losses on transactions between group entities are eliminated with the assumption of the principle of materiality. The accounting principles applied by the Group's entities are standardized with respect to overlapping activities. Cases of differences in accounting principles applied in particular entities under consolidation are eliminated through consolidation adjustments aimed at unifying the principles of valuation of assets and liabilities and determination of the financial result.

a. Principles applied for the preparation of the financial statement

Fixed tangible assets

Fixed tangible assets include buildings and structures, including leasehold improvements, machinery and devices, computer equipment, vehicles and other fixed assets. Buildings and structures (with the exception of leasehold improvements) after initial recognition at fair value are reported at purchase price equal to the deemed cost, less depreciation.

Fixed tangible assets are recognized at the historical purchase price or manufacturing cost less depreciation. In the Group's opinion the balance sheet value of tangible fixed assets does not differ considerably from the fair value.

Subsequent expenditures are taken into account at the carrying value (balance sheet value) of particular asset or are recognised as a separate asset in the case of significant differences in periods of useful economic life of the separate parts of an asset. Any other expenditures for repairs and maintenance are recognized in the profit and loss account.

Fixed assets are redeemed on a straight-line basis as from the month of their operational readiness in the period corresponding to the estimated period of their useful economic life, excluding the residual value.

Intangible assets

Intangible assets include acquired property rights used by the entity and the development costs. Other intangible assets are valued at historical purchase price less depreciation, because in the Company's opinion their carrying value (balance sheet value) does not differ considerably from the fair value. Intangible assets are depreciated on a straight-line basis in the period of estimated useful economic life while the residual value is negligible. The Group does not hold intangible assets with an indefinite useful life.

Leasing

Finance leases are capitalized at the inception of the lease at the fair value of the leased property or at an amount equal to the present value of the minimum lease payments, if such value is lower than fair value. Subsequent valuation shall be carried out at the present value of future minimum lease payments.

Depreciation of leased asset shall be carried out as from the month of their readiness for use, over the lease period or estimated useful life whichever is appropriate for assessing the period of its useful economic life.

a. Principles applied for the preparation of the financial statement

Investments

In the unconsolidated financial statement of a dominant entity, the shares in subsidiaries shall be recognized at purchase price adjusted for impairment losses on assets.

Exchange rate differences

Domestic cash shall be recognized at nominal value. Cash items in foreign currency are translated with the use of the closing rate. Non-cash items valued at historical cost expressed in foreign currency are translated using the exchange rate applied on the transaction day while non-cash items valued at fair value expressed in foreign currency are translated using the exchange rates prevailing on the date for which the fair value was determined.

Incentive Programme

Not applicable

Inventory – Commercial goods

Commercial goods are received into the warehouse at the purchase price. The inventory issue valuation shall be performed with the use of 'first in-first out' principle, which is consistent with the requirements of accounting policy. Inventory at the year end are valued at purchase prices and verified through physical counting.

Receivables

Valuation of receivables as at the balance sheet day shall be carried out at the fair value of the payment less write-offs. Write-offs shall also be established with regard to overdue debts and not overdue debts with a significant probability to become bad - at the amount of reliably estimated write-off. Mentioned write-offs are recognized in other operating costs or in financial costs, depending on the types of business transactions, as a result of which this write-offs arose.

Prepayments and accrued income

Particularly include:

- property insurances,
- deferred income tax assets,
- other costs regarding the subsequent reporting periods (subscriptions, prepayments etc.)

Equity

The share capital of the Group is the share capital of LSI Software S.A. and shall be recognized in nominal value. Supplementary capital is created from the surplus value of the shares above their nominal value. Supplementary capital is created from the surplus of the issue value of the shares above their nominal value.

Previous years' profit (loss)

Result of previous years includes profit / gains (not covered losses) from previous years adjusted for possible effects of fundamental errors, the value of the revaluation of assets (including deferred tax) and capitals.

Provisions for liabilities

Provisions are recognized when with regard to the Group's entities, the obligation (legal or customary) arising from past events have been imposed, and when it is probable that the fulfilment of this obligation will require the outflow of funds which are linked to the economic benefits and when it is possible to reliably estimate the amount of this provision. In case where the time value of money is significant (employee benefits), the amount of reserve is determined by discounting expected future cash flows to present value with the use of a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability. Provisions for employee benefits (retirement gratuity and jubilee awards) are recognized in operating costs. Other reserves are recognized in other operating expenses or financial costs, depending on the circumstances under which the liability occurred.

a. Principles applied for the preparation of the financial statement

Liabilities

Liabilities (excluding financial liabilities) are valued as at the balance sheet day at fair value of the payment due. Finance lease liabilities are determined in the present value of future minimum lease payments.

Revenues

Revenues are inflows of economic benefits for a given period (less applicable taxes) which arose during the performance of ordinary business activities of the Group and which result in an increase in equity, being other increase than a capital increase resulting from payments done by the shareholders.

Sales of goods and products

The amount of revenues resulting from the transactions shall be determined according to fair value of the payment with consideration of discounts and cash discount. Revenues are recognized when significant risks and benefits arising from the ownership of the goods and products were transferred to the purchaser and when the amount of revenue can be measured reliably.

Provision of services

Revenues from transactions as at the balance sheet date are recognized on the basis of the degree of completion of the transaction.

Costs

Cost Accounting is carried out by function. Cost of goods, services and materials sold shall include costs directly associated with them, and a reasonable part of indirect costs (excluding trade within the group).

Costs are settled on a monthly basis.

Moreover, the Group's financial result shall depend on:

- other operating income and costs indirectly associated with the activity of entities in scope of: profits and losses on disposal of non-financial fixed assets, revaluation of non-financial assets, creation and termination of provisions for future risks, penalties and damages, donations , etc.
- financial revenues and costs due to: dividends, interests, exchange rate differences not associated with business operations, revaluation of investments, profits and losses on investments

Tax burdens

Gross financial result is adjusted by:

- current liabilities following from legal persons' income tax,
- deferred income tax assets and reserves.

Deferred income tax is created with regard to the temporary differences between the value of assets and liabilities recognized in the books of account, and their tax value possible to be deducted in future.

Deferred tax assets are established with the consideration of the prudence principle that is without taking into account the assets in respect of which there is a low probability of execution. No later than as at the balance sheet date, deferred income tax assets and reserves included in the books of account are verified. Deferred income tax assets are recognized in the long-term prepayments while deferred income tax provisions in provisions for liabilities. Deferred income tax assets and reserves regarding the settlement of capital items are recognized in the result of a current period.

Cash flow

The Group prepares a cash flow statement according to the indirect method.

a. Principles applied for the preparation of the financial statement

Profit per share

Profit per share is calculated by dividing net profit for the period attributable to the shareholders of a dominant by weighted average number of issued ordinary shares.

	01-06.2011	01-06.2012
Profit (loss) per share (in PLN)	0,21	0,29

Diluted profit per share

Profit per share is calculated by dividing net profit for the period attributable to the shareholders of a dominant by weighted average number of issued ordinary shares adjusted for dilutive effect of all potential ordinary shares.

	01-06.2011	01-06.2012
Diluted profit (loss) per share (in PLN)	0,21	0,29

b. Other information required

i. Information on significant changes of estimated values

In particular, there were no changes in the applied accounting rules (policies) or with regard to the rules for determining the value of assets and liabilities and measurement of financial result as well as there were no significant changes of estimated values.

ii. Description of significant achievements or failures which occurred in the period with the indication of the most important events regarding these achievements or failures

The Issuer and its Group, recroded an increase of EBITDA (from the level of PLN 1 922 thousand for the first half of 2011 to PLN 2 141 thousand for the first half of 2012). The sales revenues are being increased in a systematic way. Sales revenues increased by 12% as compared to the corresponding period last year and amount to PLN 12 333 thousand.

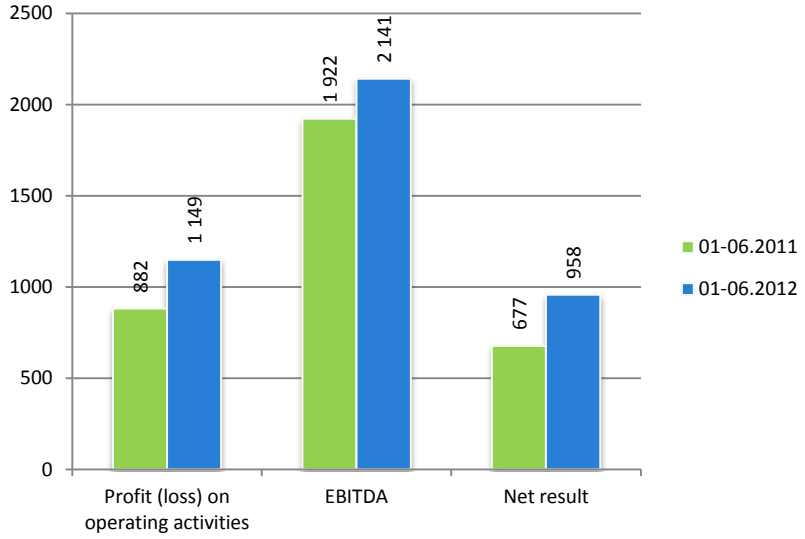
Net profit of the Capital Group for the first half of **2012 amounts to PLN 958 thousand which is a 40%-increase** as compared to the net profit for the first half of 2011 and accounts for 85% of net profit for the whole 2011.

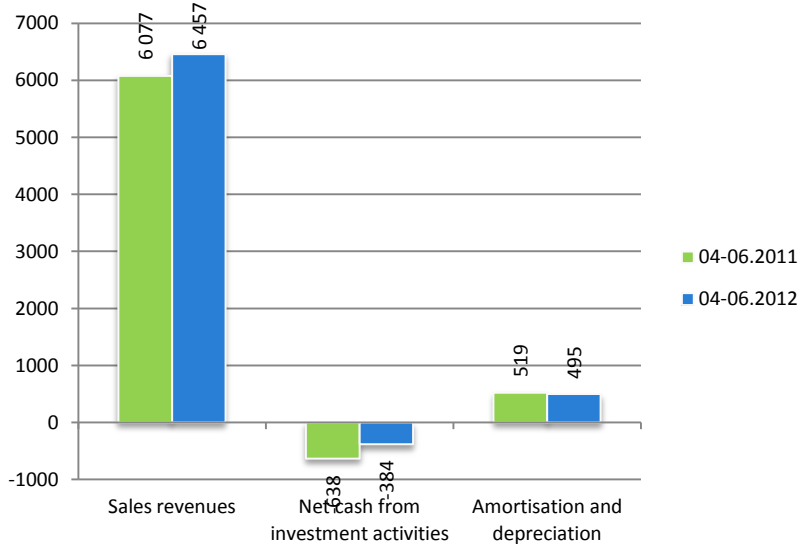
Additional information significant for the assessment of financial condition:

- decrease of amortisation and depreciation from the level of PLN 1 040 thousnad for the first half of 2011 to PLN 992 thousand for the first half of 2012 was recorded;

-Remaining high level of cash flows from operating activities (change from the level of PLN 1 869 thousnad for the first half of 2011 to PLN 2 008 thousand for the first half of 2012).

Furthermore, the inflows from financing and investment activities decreased significantly.





Large Scale Innovations

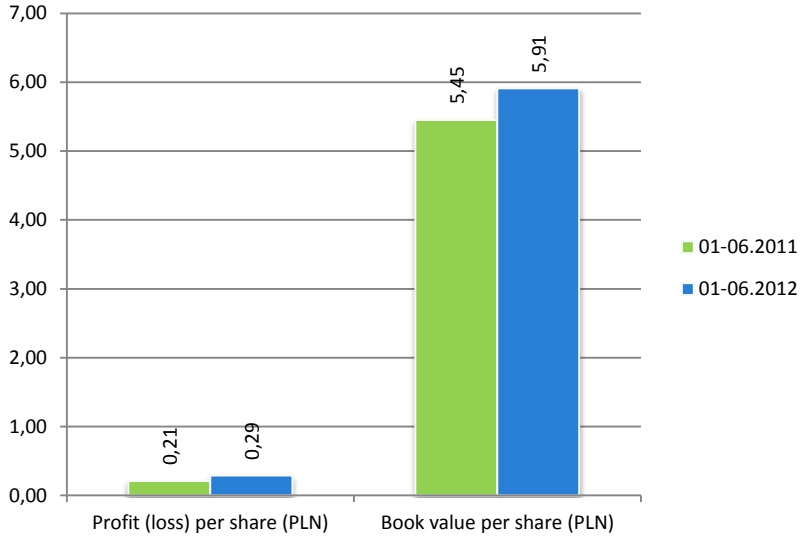
b. Other information required

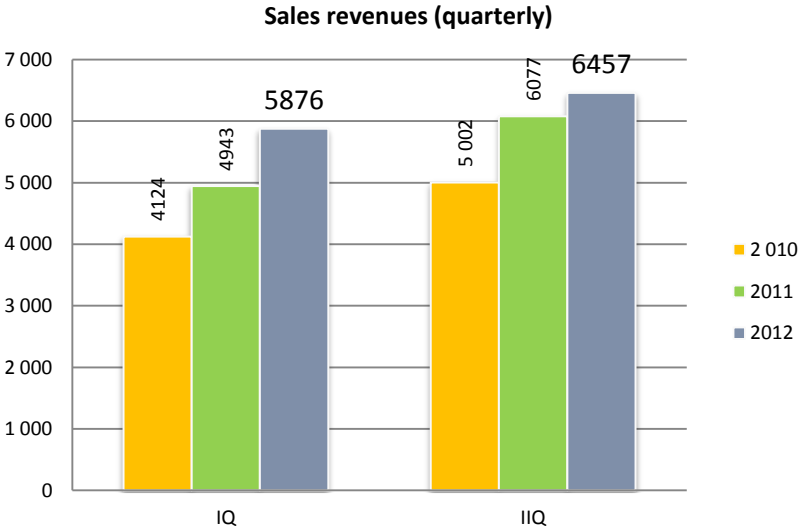
iii. Conclusion of significant agreements

In the reporting period, only agreements of lower value or with smaller contractors were concluded.

iv. Description of factors and events, particularly those of unusual nature, affecting the assets, liabilities, equity, net financial result or cash flow

In the opinion of the Management Board, no factors and events, particularly of unusual nature, occured in the first half of 2012.





b. Other information required

v. Explanations regarding the seasonality and periodicity of the Capital Group's business activities

Business activities of the Capital Group shall not be of seasonal or periodical nature.

vi. Information regarding the issue, redemption and repayment of debt and equity securities

Until 30 June 2012 there were no redemptions and repayments of debt or equity securities.

vii. Information regarding the dividend paid (declared)

In the reporting period the dividend was not paid to the shareholders nor such payment of dividend was declared.

viii. Events which occurred after balance sheet day

There were no significant events after balance sheet day which may affect the financial position of the Capital Group.

ix. Conditional liabilities and assets (including their changes)

Not applicable.

x. Description of the issuer's capital group with the indication of entities under consolidation

The composition of LSI Software Capital Group shall be as follows:

- LSI Software S.A., as a dominant entity,
- Softech LLC., as a subsidiary (LSI Software S.A. holds 100% of this company's shares),
- Horeca Online LLC, as a subsidiary (LSI Software S.A. holds 70% of this company's shares while Softech Ltd. owns the remaining 30%; as of 16 July 2012 – business name change to LMS Online LLC).
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b. Other information required

Unconsolidated financial statements of Capital Group's entities shall be prepared on the basis of Accounting Act and adjusted to the requirements of the consolidated financial statement hereof. The consolidated financial statement shall be prepared in accordance with IFRS/IAS.

xi. **Results of changes to the structure of the company, including mergers, acquisitions or disposal of the issuer's group undertakings, long-term investment, demergers, restructuring and discontinued operations**

Such changes did not occur in the reporting period.

xii. The Management Board's position on the feasibility of achieving the results stated in the financial forecasts published earlier for a given year in view of the financial results presented in the quarterly report in relation to the projected results

The Management Board of LSI Software S.A. did not publish the forecasts for the year 2012.

xiii. The shareholders holding directly or indirectly (through subsidiary undertakings) 5% or more of the total vote at the issuer's general meeting of shareholders as at the date of the report

As at 20 August 2012.

	Number of shares	% of share capital at GM	Number of votes	% of votes at GM
Grzegorz Siewiera	1 071 591	32.86%	5 255 591	70.59%

b. Other information required

xiv. Statement of changes in the number of the issuer's shares or rights to such shares (options) held by the issuer's managing or supervisory persons as at the date of the report

As at 20 August 2012

Members of the Management / Supervisory Board	Number of shares held	Nominal value of shares (PLN)
Grzegorz Siewiera (President of the Management Board)	1 071 591	1 071 591
Paweł Tarnowski (Vice-President of the Management Board)	302 680	302 680
Jerzy Łochowski (Member of the Management Board)	6 770	6 770
Krzysztof Wolski (Chairman of the Supervisory Board)	131 768	131 768
Paweł Podgórny (Member of the Supervisory Board)	104 815	104 815

xv. Information on any proceedings concerning the issuer's or its subsidiary undertaking's liabilities or claims which value represents 10% or more of the issuer's equity

Any proceedings concerning issuer's or its subsidiary undertakings' liabilities or claims which aggregate value represents at least 10% of the issuer's equity, were not pending in the reporting period.

xvi. Information on any one or more transactions concluded by the issuer or its subsidiary undertaking with related entities, if the value of such transactions exceeds the zloty equivalent of EUR 500 000, unless they are typical or routine transactions concluded on market conditions

In 2012, the dominant company and its subsidiaries did not conclude with related entities transactions which value exceeds the zloty equivalent of EUR 500 000 and which were not typical and routine transactions concluded on market conditions between related entities and whose nature and conditions did not follow from the day-to-day operations of the Issuer or its subsidiary undertakings.

b. Other information required

xvii. Information on sureties for loans or guarantees issued by the issuer or its subsidiary undertaking

In 2013, both the dominant company and its subsidiaries did not issue any sureties for loans or guarantees whose total value represents 10% or more of the dominant company's equity.

xviii. Any factors which in the issuer's opinion will affect its result in a period covering at least the next quarter

LSI Software Capital Group expects that the year 2012 will bring further sustainable development of the Issuer and its Capital Group. An agreement concluded on 17 July 2012 with Przedsiębiorstwo Budowlano-Usługowe „Budopol" S.A. with its registered office in Bydgoszcz shall have a positive impact on the activities and development of the Issuer. The contract covers the comprehensive implementation of 'Positive' ESKOK system, 'Positive' hotel system together with other teletechnical installations in a modern hotel-water and sport complex in Wałbrzych. Value of the agreement exceeds the amount of PLN 2 000 000 net. Agreement completion date – September 2012.

The Group continues to focus on selling its own software and services associated with the sales of software (implementation, maintenance) in the hospitality (catering, hotels, sports centres, SPA) and retail markets (retail stores, chains) and to a lesser degree on the ERP-class software. However, it should be mentioned here that the process of the development of the authorial (dedicated) software for clients which now constitutes an important diversification for the Issuer's portfolio, enjoys the growing interest.

The Issuer continues the work on new versions of products, and incurs expenditures for new solutions supplementing already offered product lines. The Group's offer has been enriched by subsequent innovative solutions, such as, among others, POSitive ESOK - a comprehensive system for handling pools facilities and innovative ticketing system that contributes to a significant shortening of time and facilitating guests servicing.

b. Other information required

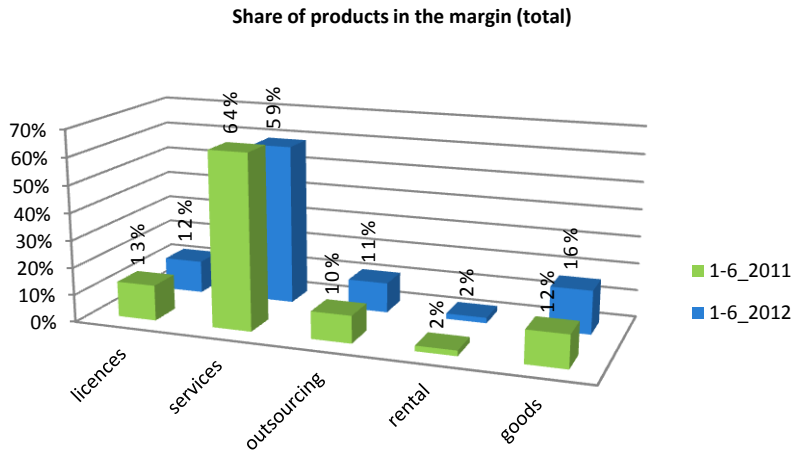
xix. Business segments

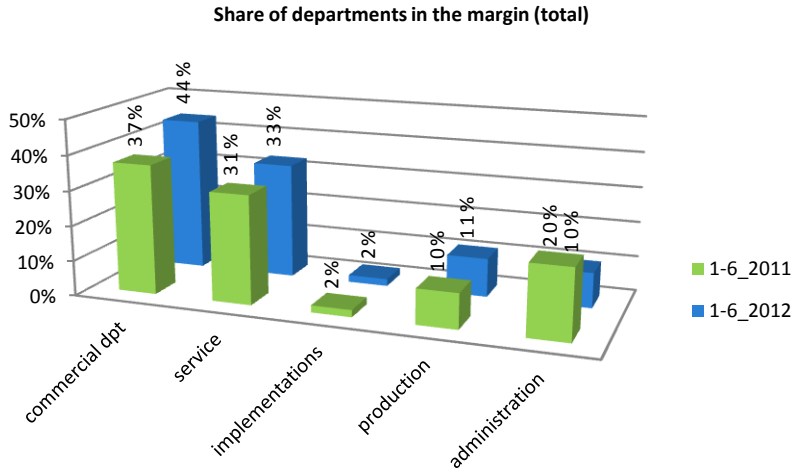
LSI Software carries out the profit margin analysis (calculated according to internal methodology) by product and by structure. Enclosed charts present the share of particular departments or products in the generated margin calculated as 100% (for comparable periods).

The Company does not prepare the income statement for separate departments or products for the needs of business segments analysis. Such analysis has not been implemented, because individual departments carry out their tasks with the use of common resources, and it is pointless (artificial) to assign them costs on the separate basis. A similar situation applies to products which are distributed with the use of the same channels and resources.

The preparation of the income statements described above would result in additional costs and commitment of resources which would not be reflected in the value of the information received.

Market structure	6_2011	6_2012
retail	14%	15%
hospitality	35%	43%
outsourcing	13%	15%
other	38%	27%





b. Other information required

xx. Information on the acquisition / disposal of fixed assets

	January – June 2011	January – June 2012
Repayment of loans granted	0	96
Loans granted	0	0
Inflows from the disposal of fixed assets	54	382
Expenditures for the purchase of fixed assets	904	911

xxi. Information on valuation allowances for assets

Valuation allowances for receivables	01-06.2011	01-06.2012
LSI	221	272
Softech	80	241

Valuation allowances for inventory	01-06.2011	01-06.2012
LSI	39	0
Softech	0	0

xxii. Information on mutual transactions within the Group

	01-06.2011	01-06.2012
Exclusion of receivables	97	316
Exclusion of other settlements	140	53
Exclusion of liabilities	237	369
Exclusion of revenues from sales of products	399	242
Exclusion of revenues from sales of goods and materials	588	919
Exclusion of revenues other operating revenues		

a. Principles applied for the preparation of the unconsolidated financial statement

The presented unconsolidated financial statement of LSI Software S.A. for the period of 1 January 2012 – 30 June 2012 has been prepared in accordance with the provisions of an Accounting Act of 29 September 1994 as amended.

In particular, there were no changes in the applicable accounting principles (policy). Mentioned principles do not differ significantly from the valuation rules set out for the Group. The rules for determining the value of assets and liabilities as well as financial result did not change.

The most significant differences shall regard:

- depreciation records maintained for tax purposes, which does not take into account the residual value of fixed assets and is being carried out in the period regulated by separate provisions,
- presentation of supplementary capital with consideration of accumulated profits and agio,
- recognition of already started development works in accrued expense rather than in intangible assets,
- adjusting the structure of financial statements to the IFRS standard.

The Management Board did not state the occurrence of other events or operations which had not been already disclosed in the part regarding the condensed consolidated financial statement and which would require a separate disclosure and could have a significant impact on the assessment of assets, liabilities and equity, financial result or cash flow of LSI Software S.A.

Approval of the information disclosed

The Management Board
of the Company / Capital Group

- Grzegorz Siewiera
- Paweł Tarnowski
- Jerzy Łochowski

Łódź, 20 August 2012