

Comarch S.A. Supervisory Board Report 2016

In 2016, there were the following members of the Supervisory Board:

- Elżbieta Filipiak – Chairman,
- Maciej Brzeziński – Vice-Chairman,
- Danuta Drobniak – Member,
- Wojciech Kucharzyk - Member,
- Anna Ławrynowicz - Member,
- Anna Pruska – Member,
- Robert Bednarski - Member.

The Supervisory Board sat 6 times in 2016 (21st of March, 15th of April, 16th of May, 20th of June, 30th of September, 5th of December). Additionally, the Audit Committee sat on 19th of December, 2016.

The major subjects addressed by the Supervisory Board at the sittings were:

- a) monitoring and analysis of the financial condition and organization at the company and Comarch Group,
- b) assessment of the Management Board's progress in implementing the company's strategy,
- c) assignation of business purposes for members of the Management Board and assessment of their implementation,
- d) acquaintance with activities of the selected business sectors at the company and Group,
- e) risk analysis and assessment for the company's and Group's operations,
- f) supervision of the internal system control in the Company and Group,
- g) formal-legal issues,
- h) assessment and approving the financial statements of the Company and Group,
- i) making decision on the purchase of real estate by the Company.

The Supervisory Board's detailed scope of activities and the resolution considered in 2016 are set out in detail in the records from its sittings, which are to be found at the company's headquarters in Krakow.

In connection with detailed principle no. II.Z.11. arising from the second part of the 'Code of Best Practice for WSE Listed Companies', with the resolution 10/5/2016 of the 16th of May, 2016 the Supervisory Board of Comarch S.A. recorded a positive verdict with respect to the draft resolutions of the Annual General Shareholders' Meeting which took place on the 15th of June, 2016.

In line with detailed principle no. II.Z.1.14 arising from the first part of the 'Code of Best Practice for WSE Listed Companies', Comarch S.A.'s 'Supervisory Board Report and Company's Assessment regarding 2015' was published at www.comarch.pl (English version at www.comarch.com). It included information on the work of its committees and an assessment of the company's situation with regard to an appraisal of the internal controlling and risk management systems vital to the company. Members of the

Supervisory Board make a written declaration of the independence, The Supervisory Board assessed if there are relationships or circumstances, that may influence on the independence of a particular member of the Supervisory Board and the Supervisory Board decided, that at least two members of the Supervisory Board meets the independence criteria set out in the detailed principle number II.Z.4 of the “Best Practice for GPW Listed Companies 2016”.

With reference to the scope of the report, the Supervisory Board monitored the current performance of the company and, gave its expert opinion concerning Comarch S.A.'s planned operations and those already in progress. In particular, the Supervisory Board reviewed the quarterly, six-monthly and annual (consolidated) financial statements of Comarch S.A. and the Comarch Group. With the publication of each of the financial reports there followed a sitting of the Supervisory Board. At these meetings the Board analyzed the scope, rectitude, correctness and transparency of the data (including the financial data) presented by the company. The Supervisory Board learned in detail of financial situation of the particular company's business sectors. In this respect, the company's Management Board and authorized employees provided the Supervisory Board with access to documents and other information sources, prepared the necessary presentations for the Supervisory Board and were forthcoming with essential explanations and clarifications regarding the company's financial situation, activities undertaken by the company. The Supervisory Board had a meeting with representatives of the entity entitled to audit and review the (consolidated) financial statements of Comarch S.A. and the Comarch Capital Group. The Supervisory Board learned of the company's organizational structure and made a recommendation in relation to its improvement. The Supervisory Board learned also of the investment realized by the company and made a recommendation in relation to them, additionally give its opinion on the purchase of real estate by the Company. The Supervisory Board changed also composition of the Audit Committee, to adapt it to current constraints of corporate governance principles for GPW Listed Companies, with particular emphasize the independence criteria.

It is the opinion of the Supervisory Board that the accounting methods adopted by the company and the Capital Group have been applied in accordance with the provisions of the law. It is the opinion of the Supervisory Board that cooperation with the Management Board of Comarch S.A. has been entirely successful and the Management Board has presented the necessary information correctly, clearly and with rectitude.

In 2015, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. was the entity authorized to audit and review the financial statements of the company. The resolution of the Supervisory Board regarding selection of an auditor to provide auditing services for Comarch S.A.'s financial statements for 2015 and 2016 was concluded on the 26th of June, 2015. It is the opinion of the Supervisory Board that the entity authorized to audit and review the financial statements of Comarch S.A. and the Comarch Capital Group was selected within the terms of the prevailing law, and that the statutory auditors conducting them met the conditions required for expressing an unbiased and independent opinion in compliance with Polish law.

According to the Supervisory Board, the composition and diversity of the competence of the members of the Supervisory Board allow to effective and proper supervision of all

areas of the company's operations. The members of Supervisory Board are diverse both in terms of gender, age and education. They all have the knowledge and skills backed by years of professional experience. At least two members of the Supervisory Board meets the independence criteria set out in the detailed principle number II.Z.4 of the "Best Practice for GPW Listed Companies 2017".

The Supervisory Board of Comarch S.A. assesses its work in 2016 as effective. Members of the Board fulfilled their duties with commitment, participating in most cases, at full strength in its meetings.

From 1st of January, 2016 to 15th of April, 2016, the Audit Committee (the equivalent of the Audit Committee within the meaning of Annex I to the Commission Recommendation of 15 February 2005 related to the no-executive directors (...)), consisted of: Elżbieta Filipiak - Chairman of the Audit Committee, Danuta Drobniak - Member the Audit Committee and Anna Pruska - Member of the Audit Committee. According to the information possessed by the Company one member of the Audit Committee fulfilled independency conditions and one of them had qualifications in accountancy and financial audit. On 15th of April, 2016 Supervisory Board appointed a new Audit Committee, which consists of: Danuta Drobniak as Chairman of the Audit Committee, Elżbieta Filipiak as a member of the Audit Committee and Robert Bednarski as a member of the Audit Committee. According to information possessed by the Company, two members of the Audit Committee fulfil independency conditions, including the Chairman and at least one of them has qualifications in accountancy or financial audit.

In 2016, tasks of the Audit Committee were, in particular:

- 1) Monitoring the process of financial reporting;
- 2) Monitoring the effectiveness of internal control systems, internal audits and risk management;
- 3) Monitoring financial reviews;
- 4) Monitoring the independency of the export auditor and the entity entitled to audit financial statements;

With regard to the powers of the Committee, the Committee requested or demanded the participation of additional people in its sittings, such as members of the Management Board or auditors.

The assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles

In the opinion of the Supervisory Board, the Company in 2016 correctly fulfilled the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities.

Since January 2016, the Company has been following the rules of corporate governance which were adopted on 13th of October 2015 by the Council of the Warsaw Stock Exchange in its resolution No. 26/1413/2015 on the adoption of a new code of corporate governance principles entitled „Dobre Praktyki Spółek Notowanych na GPW 2016” (Best Practice for GPW Listed Companies 2016). Comarch S.A. has published a report on its implementation of the principles and recommendations resulting from the new code of corporate

governance principles and has posted the relevant information on the Company's website. According to the published report, the Company does not apply the Recommendation number IV.R.2 and detailed principle number VI.Z.4.

The assessment of the rationality of the Company's policy referred to sponsorship and charity

Comarch S.A. for years takes a number of pro-social activities, among others, by active supporting the sport, taking patronage of cultural events, supporting the education and development of science and engaging in helping the most needy.

Sport

The Company most actively supports the sport. It promotes both the development of sport and active lifestyle among its employees. Comarch S.A. is the main, titular sponsor of the oldest sports club in Poland - MKS Cracovia SSA and Swiss football club Zug 98.

Education and science

The Company is committed to the popularization of knowledge on the latest IT technologies by sponsoring conferences and sector meetings. For years, the Company actively cooperates with schools, universities and other educational institutions. Employees support various projects, competitions, workshops and scientific conferences by sharing their knowledge. For many years the Company has been organizing summer student internship program for several hundred IT students of great interest.

Cultural patronage

Comarch S.A. sponsors a many cultural events, such as Last Night of the Proms concert, organ concert in St. Mary's Basilica and, in the last year, also Nowa Huta Alternative Festival and the benefit concert for Bohdan Smoleń. These events were significant in Krakow.

Charitable activities

The Company annually supports the initiatives of the employees of Comarch the purpose of which is helping the sick and the poor, among others by organizing collections of property.

Comarch S.A. systematically makes donations of cash and in the form of computer equipment to selected charities organizations, organizations promoting physical culture and health, educational institutions and religious purposes.

In 2016, there have been 2 editions of a grant competition known as #ComarchCares: spring and autumn, in which groups of Comarch employees together with selected institution could submit projects supporting a local communities and contributing to solving the problems in areas such as:

- new technologies,
- ecology and animal protection,
- culture,
- education,
- sport,
- addiction prevention,

- activities for people with disabilities, marginalized children and young people, seniors.

The Supervisory Board assesses positively conducted by Comarch S.A. policy on sponsorship and charitable activities. In the opinion of the Supervisory Board, the active operations taken by the Company in this respect are reasonable, benefit to society, and have a positive impact on the image of the Company.

**Annex no. 2 to Resolution no. 07/05/2017
of Comarch S.A. Supervisory Board**

**Assessment of the Company's Situation
with Regard to an Appraisal of the Internal Controlling and Risk Management
Systems Vital to the Company, Compliance and Internal Audit Function**

The Supervisory Board delivered a positive opinion concerning the financial results of the Comarch Group in 2016 and its current financial standing. Despite of difficult market conditions in a particular business segment (public sector and medical sector) and increased operating costs, Company achieved its development and financial purposes for 2016. In the previous year, revenue from sales maintained a similar level compared to 2015 (decrease of PLN 0.3 million) and amounted to PLN 749.2 million. The operating profit of the company amounted to PLN 78.8 million and was lower by 5.4% compared to the previous year, while the net profit in 2016 was lower by 21.0% compared to 2015. In 2016, the EBIT margin reached +10.5%, while net margin amounted to +6.1%. Despite insignificant decreases, EBIT margin and net margin were satisfying.

The Supervisory Board delivered a positive opinion to continue, in 2016, investment in new IT products and improvement of current products. Expenditures on research and development exceeded 17% of the company's sales revenue, the company allocated own and the UE funds. The company developed intensively the new generation of loyalty systems, containing among others personalized based on location content, gamification, advanced analysis of big data and Smart City solutions. The company continued also R&D works in the field of IT solutions for medical industry (Telemedicine, including the most important project "The City of Health", Teleradiology) and related to the development of proprietary solutions in the fields of: hardware and services based thereon (Internet of Things). In the opinion of the Supervisory Board the investment in human capital is an essential element for the further development of the Group. The past year was very successful in this regard – the Group has created approximately 300 new work places. The annual student internship program was particularly successful – Comarch is one of the employers of a first choice in the domestic labor market in the IT industry. It is the opinion of the Supervisory Board that the company has no problems hiring the appropriate number of qualified employees, however the more and more difficult situation on the labor market will have an influence on the company's situation in the following periods.

The Supervisory Board considers it appropriate to continue to implement a growth strategy, based on diversification of activities between IT sectors, development and disposal on the global market of proprietary products. Owing to this, Comarch S.A. offers wide and comprehensive variety of new IT solutions and is second largest software producer in Poland and one of the leading providers of IT solutions in domestic and international markets, as a result of high quality service standards. In connection with a dynamic development export activities, The Supervisory Board confirmed a rightness of setting up a new subsidiaries - Comarch Colombia S.A.S. with registered office in Columbia and Comarch Peru S.A.C. with registered office in Peru.

The Supervisory Board delivered a positive opinion of realization in 2016 another infrastructure investments: building a research laboratory and production facilities dedicated to the business of the *Internet of Things*, and commencement an investment in another office building in Krakow (SSE7). These investments are necessary to handle the further intensive development of the Company.

The Supervisory Board, through the Audit Committee, monitors the effectiveness of the internal controlling and risk management systems, compliance and internal audit function. Once a year, a representative of the Management Board presents a description and assessment of effectiveness of the Internal Controlling to the Audit Committee. The Audit Committee assessed the effectiveness of the internal controlling and didn't identify a need for organizational separating the internal auditing.

In 2016, the Supervisory Board also conducted continuous analyses of risk areas connected with the company's operations as well as assessing the way these risks were being managed by the Management Board.

The most significant operational risks in 2016 were identified as follows:

- a) Risk associated with R&D (creating new proprietary software products);
- b) The risk associated with long-term contracts;
- c) Risk associated with failing to fulfil the terms of contracts and the resulting necessity to pay contractual penalties, and of the use by customers of the guarantees of satisfactory contract performance given them;
- d) Risk presented by the political and legal environment connected with export contracts;
- e) Credit risk associated with disposal with deferred payment term and long-term execution of contracts;
- f) Risk of staff fluctuation, the risk of a lack of opportunities to employing the sufficient number of qualified employees, the risk of increased labor costs;
- g) Risk of fluctuations in exchange rates and interest rates;
- h) Risks related to international terrorism, hindering the delegating of workers in corporate travel in some parts of the world.

With regard to financial risk, the Supervisory Board detects the following threats:

- a) Credit risk of Comarch's contractors;
- b) Interest rate fluctuations which affect the price of costs of bank credits;
- c) Fluctuations in exchange rate levels, especially EUR/PLN, USD/PLN, GBP/PLN, EUR/USD and BRL/PLN which effect profitability of export sales;
- d) Financial liquidity risk and the increased expectations of customers within the scope of financing IT projects by IT providers, related to broadening the sales of products and cloud computing services.

The Supervisory Board considers the Management Board competent to correctly identify the company's operational risks and manage them effectively. The financial statements present a true and accurate account of the Company's situation.

The Supervisory Board particularly appreciates the consistent implementation of the Company's mission of selling Polish engineers' innovative technical concept worldwide. The Supervisory Board also draws attention to the fact that beyond business activities,

Comarch S.A. also conducts pro-social activities, supports non-governmental organizations and charities events, is a patron of culture, arts and sports.

**Annex no. 3 to Resolution no. 07/05/2017
of Comarch S.A. Supervisory Board**

**Assessment of the Comarch Group's Situation
with Regard to an Appraisal of the Internal Controlling and Risk Management
Systems, Compliance and Internal Audit Function**

Despite of difficult market conditions in some business segments (public and medical sector) and increased operating costs, the Comarch Group achieved its development and financial purposes for 2016. In the previous year, revenue from sales of the Comarch Group were insignificantly lower compared to the previous year (a decrease of PLN 18.8 million, i.e. 1.7%) and amounted to PLN 1,131.0 million, but it should be emphasized that the revenue from sales of proprietary products increased by PLN 47 million, i.e. 4.7%. The operating profit reached PLN 116.9 million and was higher by 3.4% compared to the previous year, while net profit in 2016 amounted to PLN 75.7 million and was lower by 5.7% than in the previous year. The Supervisory Board emphasized, that the Group's profitability reached satisfactory value again: EBIT margin in 2016 amounted to +10.5% and net margin amounted to +6.6%.

The Supervisory Board positively assesses investments in new products and improvement of existing IT products made by the Comarch Group in 2016. Expenditure on research and development has now exceeded 15% of sales revenue, which has been financed both from Comarch's own resources and by proactively seeking out European funds. The Comarch Group intensively developed new generation of loyalty systems including personalized content based on location of a user, gamification, advanced big data analysis and solutions related to the Smart City and the Smart Airport, among others. The company continued also R&D works in the field of IT solutions for medical industry (Telemedicine, including the most important project "The City of Health", Teleradiology) and related to the development of proprietary solutions in the fields of: hardware and services based thereon (Internet of Things). The Group focused on development of service-oriented IT solutions – Comarch is one of the market leaders in this field. Investment in human capital is an essential element for the further development of the Group. The past year was very successful in this regard – the Group has created approximately 300 new work places. The annual student internship program was particularly successful – Comarch is one of the employers of a first choice in the domestic labor market in the IT industry.

It is the opinion of the Supervisory Board that the company has no problems hiring the appropriate number of qualified employees, however the more and more difficult situation on the labor market will have an influence on the company's situation in the following periods.

The Supervisory Board considers it appropriate to continue to implement a growth strategy, based on diversification of activities between IT sectors, development and disposal on the global market of proprietary products. Owing to this, Comarch Group offers wide and comprehensive variety of new IT solutions and is second largest software producer in Poland and one of the leading providers of IT solutions in domestic and international markets, as a result of high quality service standards. In connection with a dynamic development of export activities, the Supervisory Board confirmed a rightness

of setting up a new subsidiaries - Comarch Colombia S.A.S. with registered in Columbia and Comarch Peru S.A.C. with registered in Peru.

The Supervisory Board delivered a positive opinion of realization in 2016 another infrastructure investments: building a research laboratory and production facilities dedicated to the business of the *Internet of Things*, modern office building in Lodz, an investment in another office building in Krakow (SSE7) and Comarch Data Center w Lille in France. These investments are necessary to handle the further intensive development of the Company.

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