

FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report Qsr 4 / 2016

quarter / year

(pursuant to §82 sec.2 and §83 sec. 1 of the Regulation issued by the Minister of Finance on 19 Feb. 2009 - Journal of Laws No. 2014 Item 133 as amended)
for issuers of securities managing production, construction, trade or services activities

for 4 quarter of financial year 2016	from 2016-01-01 to 2016-12-31
including consolidated financial statement according to	International Financial Reporting Standards (IFRS)
in currency	PLN
and summary of financial statement according to	Act on Accounting (Journal of Laws 2016.1047)
in currency	PLN
date of publication	2017-03-01

COMARCH SA	
(full name of an issuer)	
COMARCH	Information Technology (IT)
(abbreviated name of issuer)	(sector according to WSE classification)
31-864	Kraków
(postal code)	(city)
Al. Jana Pawła II	39A
(street)	(number)
012 646 10 00	012 646 11 00
(telephone number)	(fax number)
ir@comarch.pl	www.comarch.pl
(e-mail)	(www)
677-00-65-406	350527377
(NIP)	(REGON)

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EURO	
	Q1-Q4 2016	2015	Q1-Q4 2016	2015
DATA RELATED TO THE CONSOLIDATED FINANCIAL STATEMENT				
I. Revenues from sales	1,112,492	1,131,580	254,243	270,402
II. Operating profit (loss)	115,086	113,028	26,301	27,009
III. Profit before income tax	106,759	108,129	24,398	25,839
IV. Net profit attributable to shareholders of parent company	72,312	79,651	16,526	19,033
V. Net cash flows from operating activities	90,520	117,015	20,687	27,962
VI. Net cash flows from investing activities	-109,074	-121,156	-24,927	-28,951
VII. Net cash flows from financing activities	27,565	-6,053	6,300	-1,446
VIII. Change in net cash flows	9,011	-10,192	2,059	-2,435
IX. Number of shares	8,133,349	8,133,349	8,133,349	8,133,349
X. Earnings (losses) per single share (PLN/EURO)	8.89	9.8	2.03	2.34
XI. Diluted earnings (losses) per single share (PLN/EURO)	8.89	9.8	2.03	2.34
DATA RELATED TO THE FINANCIAL STATEMENT				
XII. Net revenues from sales of products, goods and materials	749,379	749,556	171,259	179,114
XIII. Profit (loss) on operating activities	77,968	83,377	17,818	19,924
XIV. Gross profit (loss)	56,187	66,719	12,841	15,943
XV. Net profit (loss)	44,953	57,683	10,273	13,784
XVI. Net cash flows from operating activities	35,751	89,766	8,170	21,450
XVII. Net cash flows from investing activities	-54,110	-102,175	-12,366	-24,416
XVIII. Net cash flows from financing activities	1,719	-4,075	393	-974
XIX. Total net cash flow	-16,640	-16,484	-3,803	-3,939
XX. Number of shares	8,133,349	8,133,349	8,133,349	8,133,349

XXI. Earnings (losses) per single share (PLN/EURO)	5.53	7.09	1.26	1.69
XXII. Diluted earnings (losses) per single share (PLN/EURO)	5.53	7.09	1.26	1.69
EQUITIES				
XXIII. Equity attributable to shareholders (consolidated)	846,289	767,559	191,295	180,115
XXIV. Equity (parent company)	771,107	731,905	174,301	171,748

Euro exchange rates used for calculation of the selected financial data:

- arithmetical average of NBP average exchange rates as of the end of each month for the period 01.01.2016 to 31.12.2016: 4.3757;

- arithmetical average of NBP average exchange rates as of the end of each month for the period 01.01.2015 to 31.12.2015: 4.1848;

The balance sheet items were presented based on NBP average exchange rates as of the end of the period:

- 31.12.2016: 4.4240;

- 31.12.2015: 4.2615.

Values of equities (positions XXIII, XXIV) were presented as at the end of the current year and as at the end of the previous year.

When presenting selected financial data from the quarterly financial statement, it should be properly described.

Selected financial data from the consolidated balance sheet (consolidated statement regarding the financial situation) or from the balance sheet respectively (statement regarding the financial situation) is presented as of the end of the current quarter and as of the end of the previous year, and this should be properly described.

This report should be presented to the Financial Supervision Authority, the Warsaw Stock Exchange and press agency pursuant to the law.

REPORT INCLUDES:

File	Description
QSr 4 2016.pdf	QSr 4 2016

SIGNATURES

Date	Name and surname	Position	Signature
2017-03-01	Konrad Tarański	Vice-president of the Management Board	
2017-03-01	Maria Smolińska	Proxy	



**COMARCH CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD FROM 1ST OF JANUARY
2016 TO 31ST OF DECEMBER 2016**

**Statement in accordance with
the International Financial Reporting Standards**

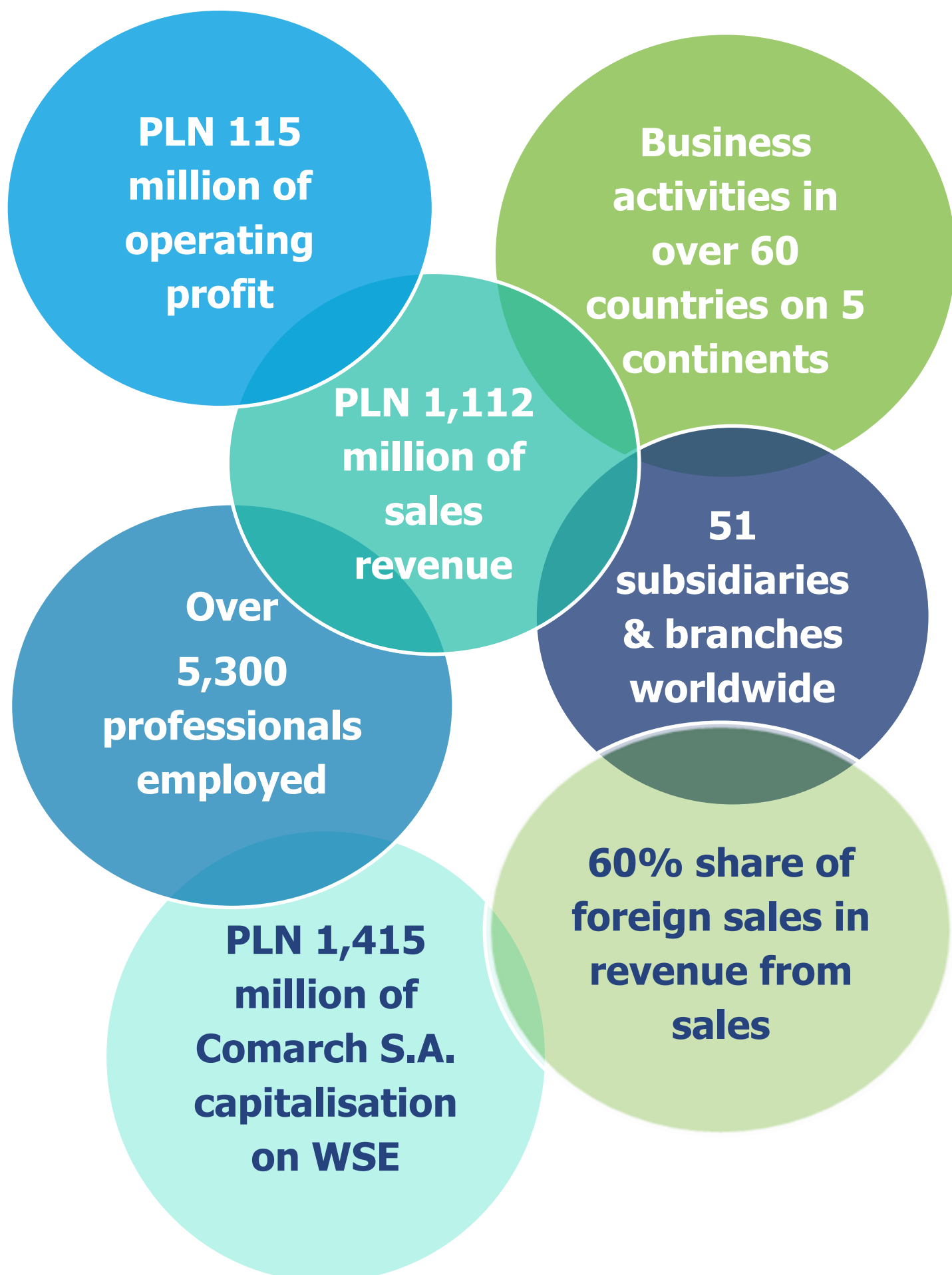
Krakow, 1st of March 2017

Table of contents

COMARCH GROUP CONSOLIDATED FINANCIAL STATEMENT FOR 12 MONTHS 2016	6
I. Consolidated Balance Sheet	6
II. Consolidated Income Statement	8
III. Total Income Consolidated Statement	9
IV. Consolidated Statement of Changes in Shareholders' Equity	10
V. Consolidated Cash Flow Statement	11
VI. Supplementary information	12
1. Information about Group Structure and Activities	12
1.1. Organizational Structure of Comarch Group	13
1.2. Activities Structure in the Comarch Group	14
1.3. Changes in Ownership and Organisational Structure in Q4 2016	15
1.4. Changes in Ownership and Organisational Structure after the Balance Sheet Date	15
2. Description of the Applied Accounting Principles	15
3. Notes to the Consolidated Financial Statement	20
3.1. Segment Information	20
3.2. Property, Plant and Equipment	25
3.3. Investment Real Estate	26
3.4. Goodwill	26
3.5. Other Intangible Assets	27
3.6. Investment in Associates	27
3.7. Derivative Financial Instruments	28
3.8. Deferred Income Tax	29
3.9. Inventories	31
3.10. Trade and Other Receivables	31
3.11. Long-term Contracts	32
3.12. Available-for-Sale Financial Assets	33
3.13. Share Capital	33
3.14. Credits and Loans	34
3.15. Other Financial Liabilities	38
3.16. Provisions for Other Liabilities and Charges	39
3.17. Trade and Other Payables	39
3.18. Liabilities due to Operating Lease	39
3.19. Contingent Liabilities	40
3.20. Managerial Option Program for Members of the Management Board and Other Key Employees	41
3.21. Related-Party Transactions	41
3.22. Earnings per Share	43
4. Additional Notes	44
4.1. Information About Shareholders Holding at least 5% of the Total Number of Votes at Comarch S.A. General Meeting and Shares Held by Members of the Management Board and the Board of Supervisors	44
4.2. Factors and Events of Unusual Nature with Significant Effects on the Achieved Financial Results	45
4.3. Other events in Q4 2016	46
4.4. Events after the Balance Sheet Date Not Included in the Financial Statement	46
4.5. The Management Board's Position on the Execution of Previously-Published Forecasts for the Current Year, in the Bright of Results Presented in the Quarterly Report	47
4.6. Significant Legal, Arbitration or Administrative Proceedings	47
4.7. Information about Transactions with Related Parties on Terms Different from Market Conditions	47

4.8. Information about Suretyships, as well as Guarantees Provided by the Issuer and Its Subsidiaries	47
4.9. Other Information Significant for the Assessment of Means and Employees, Financial Rating, Financial Results and Their Changes and Information Significant for the Assessment of the Possibility of the Execution of Obligations by the Issuer	50
5. Significant Achievements and Failures as well as Factors and Events with Considerable Impact on the Financial Results of the Comarch Group in the Fourth Quarter of 2016 and Factors Which Will Substantially Impact Results Over the Course of at least the Next Quarter	50
5.1. Revenues and Financial Results	50
5.2. Sales Structure	52
5.3. Comarch S.A. Stock Price Performance	57
5.4. Events in the Fourth Quarter of 2016 that Greatly Impacted the Current Activities of the Comarch Group	58
5.5. Events after the Balance Sheet Date that Greatly Impacted the Current Activities of the Comarch Group	58
QUARTERLY SUMMARY OF COMARCH S.A. FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF 2016	59
I. Balance Sheet	59
II. Income Statement	61
III. Changes in Equity	62
IV. Cash Flow Statement	63
V. Additional Information and Commentary	65
1. Adopted Accounting Policies	65
2. Information about Significant Changes in Estimated Values, Including Information about Corrections due to Provisions, Provision and Deferred Income Tax Assets Mentioned in the Act on Accounting and about Write-Offs that Revaluated Asset Items	65
3. Selected Notes to the Summary Financial Statement	66
3.1. Non-current Financial Assets	66
3.2. Changes in Non-current Financial Assets (Types)	66
3.3. Current Financial Assets	67
4. A Brief Description of Significant Achievements or Failures of the Issuer during the Period Covered by the Report, Including a List of the Most Significant Events Related to Such Achievements or Failures	68
5. Factors and Events of Unusual Nature with Significant Effects on the Achieved Financial Results	68
6. Discussion of Seasonality of the Issuer's Business in the Period Presented	68
7. Information about Write-Offs that Revaluated Inventories at the Net Realizable Value and Reversal Referred to Them	68
8. Information about Revaluating Write-Offs in Relation to Impairment of Financial Assets, Property, Plant and Equipment, Intangible Assets or Other Assets and about Reversal Referred to Them	68
9. Information about Creation, Increasing, Using and Dissolution of Provisions	69
10. Information about Provisions and Assets in Reference to Deferred Income Tax	69
11. Information about Significant Transactions of Purchase and Sale of Property, Plant and Equipment	69
12. Information about Liability in Relation to Purchase of Property, Plant and Equipment	70
13. Information about Significant Settlements in Reference to Court Proceedings	70
14. Corrections of Mistakes from the Previous Periods	70
15. Information in Relation to Changes in Economic Situation and Conditions for Operation, which Have a Significant Effect on Fair Value of an Entity's Financial Assets and Financial Liabilities Regardless of whether the Assets and the Liabilities Are Recognized in Fair Value or in Adjusted Purchase Price (Depreciated Cost)	70
16. Information about Unpaid Credits or Loans, as well as Breach of Significant Provisions of the Credit or Loan Agreements which Were Not Subject to Corrective Measures as of the Reporting Period	70

17. Information about One or More Transactions Concluded by the Issuer or Its Subsidiary with Related Parties, if Individually or in Total are Significant and Concluded on Terms Different from Market Conditions	70
18. In Case of Financial Instruments Valuated in Fair Value – Information about Changes in Method of Its Establishment	70
19. Information Related to Changes in Classification of Financial Assets as a Result of Changes in Their Purpose or Using of These Assets	70
20. Information on any Issue, Repurchase or Repayment of Debt and Equity Securities	70
21. Information on any Dividend Paid Out or Declared, Including Its Total and per Share Value, Separately for Ordinary and Preference Shares	71
22. Events that Occurred after the Date of Condensed Quarterly Financial Statement, which Are Not Included in the Financial Statement but May Significantly Affect the Future Performance of the Issuer	71
23. Information on any Changes in Contingent Liabilities or Contingent Assets which Have Occurred since the End of the Last Financial Year	71
24. Other Information with Significant Effects on the Financial Condition Assessment and the Achieved Financial Results of the Issuer	71



COMARCH GROUP CONSOLIDATED FINANCIAL STATEMENT FOR 12 MONTHS 2016

I. Consolidated Balance Sheet

ASSETS	Note	At 31 December 2016	At 31 December 2015
NON-CURRENT ASSETS			
Property, plant and equipment	3.2	497,911	422,566
Investment real estates	3.3	15,636	17,063
Goodwill	3.4	40,735	40,735
Other intangible assets	3.5	61,286	66,474
Non-current prepayments		1,867	819
Investments in associates	3.6	14,395	23,177
Other assets at fair value – derivative financial instruments	3.7a	492	79
Other investments		106	106
Deferred income tax assets	3.8	33,253	33,432
Other receivables		4,676	1,548
		670,357	605,999
CURRENT ASSETS			
Inventories	3.9	76,291	51,413
Trade and other receivables	3.10	405,716	385,375
Current income tax receivables		4,200	7,143
Long-term contracts receivables	3.11	39,918	32,440
Available-for-sale financial assets	3.12	-	-
Other financial assets at fair value – derivative financial instruments	3.7a	1,149	664
Interest and shares		1	1
Cash and cash equivalents		235,674	221,793
		762,949	698,829
Assets available-for-sale		5,588	-
TOTAL ASSETS		1,438,894	1,304,828

TOAL EQUITY AND LIABILITIES	Note	At 31 December 2016	At 31 December 2015
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	3.13	8,133	8,133
Other capitals		143,041	148,226
Exchange differences		18,112	6,509
Net profit (loss) for the current period		72,312	79,651
Retained earnings		604,691	525,040
		846,289	767,559
Minority interest		14,701	13,022
TOTAL EQUITY		860,990	780,581
LIABILITIES			
Non-current liabilities			
Credit and loans	3.14	146,331	113,540
Other liabilities		4,007	83
Financial liabilities at fair value – derivative financial instruments	3.7b	2,537	1,411
Other financial liabilities	3.15	631	33
Provision for deferred income tax	3.8	43,413	37,619
Provisions for other liabilities and charges	3.16	-	-
		196,919	152,686
Current liabilities			
Trade and other payables	3.17	148,898	150,898
Current income tax liabilities		15,070	13,010
Long-term contracts liabilities	3.11	40,355	26,176
Credit and loans	3.14	28,469	24,152
Financial liabilities at fair value – derivative financial instruments	3.7b	2,350	1,639
Other financial liabilities	3.15	6,518	7,939
Provisions for other liabilities and charges	3.16	139,325	147,747
		380,985	371,561
TOTAL LIABILITIES		577,904	524,247
TOTAL EQUITY AND LIABILITIES		1,438,894	1,304,828

II. Consolidated Income Statement

	Note	Q4 2016	12 months ended 31 December 2016	Q4 2015	12 months ended 31 December 2015
Revenue		372,102	1,112,492	402,724	1,131,580
Cost of sales		(224,262)	(767,075)	(264,967)	(791,442)
Gross profit		147,840	345,417	137,757	340,138
Other operating income		8,310	43,848	14,606	20,849
Sales and marketing costs		(39,313)	(130,648)	(42,141)	(129,520)
Administrative expenses		(39,119)	(101,461)	(29,449)	(93,246)
Other operating expenses		(8,327)	(42,070)	(16,550)	(25,193)
Operating profit		69,391	115,086	64,223	113,028
Finance revenue - net		(5,288)	(20)	(597)	(1,650)
Share of profit / (loss) of associates		(1,693)	(8,307)	(2,378)	(3,249)
Profit before income tax		62,410	106,759	61,248	108,129
Income tax expense		(12,040)	(31,698)	(17,483)	(27,859)
Net profit for the period		50,370	75,061	43,765	80,270
Attributable to:					
Shareholders of the parent company		51,275	72,312	43,467	79,651
<i>Interests not entitled to control</i>		<i>(905)</i>	<i>2,749</i>	<i>298</i>	<i>619</i>
		50,370	75,061	43,765	80,270
Earnings per share for profit attributable to the shareholders of the parent company during the period (expressed in PLN per share)					
– basic	<u>3.22</u>		8.89		9.80
– diluted	<u>3.22</u>		8.89		9.80

III. Total Income Consolidated Statement

	Q4 2016	12 months ended 31 December 2016	Q4 2015	12 months ended 31 December 2015
Net profit / (loss) for the period	50,370	75,061	43,765	80,270
Other total income				
Exchange differences from recalculation of subsidiaries	8,687	11,603	875	(390)
Total other total income	8,687	11,603	875	(390)
Sum of total income for the period	59,057	86,664	44,640	79,880
Attributable to the parent company shareholders	59,962	83,915	44,337	79,243
Attributable to the interests not entitled to control	(905)	2,749	303	637

IV. Consolidated Statement of Changes in Shareholders' Equity

	Attributable to the shareholders of the parent company					Capitals attributable to interests not entitled to control	Total equity
	Share capital	Other capitals	Exchange differences	Net profit for the current period	Retained earnings		
Balance at 1 January 2015	8,125	148,226	6,917	67,894	457,146	12,385	700,693
Transferring result for 2014	-	-	-	(67,894)	67,894	-	-
Increase in share capital	8	-	-	-	-	-	8
Dividend paid	-	-	-	-	-	-	-
Profit of subsidiaries dedicated to general partners outside Group	-	-	-	-	-	-	-
Capital from valuation of the managerial option	-	-	-	-	-	-	-
Currency translation differences ⁽¹⁾	-	-	(408)	-	-	18	(390)
Profit (loss) for the period ⁽²⁾	-	-	-	79,651	-	619	80,270
Total income recognised in equity ⁽¹⁺²⁾	-	-	(408)	79,651	-	637	79,880
Balance at 31 December 2015	8,133	148,226	6,509	79,651	525,040	13,022	780,581
Balance at 1 January 2016	8,133	148,226	6,509	79,651	525,040	13,022	780,581
Transferring result for 2015	-	-	-	(79,651)	79,651	-	-
Change in ownership structure	-	(5,185)	-	-	-	(1,070)	(6,255)
Dividend paid	-	-	-	-	-	-	-
Profit of subsidiaries dedicated to general partners outside Group	-	-	-	-	-	-	-
Capital from valuation of the managerial option	-	-	-	-	-	-	-
Currency translation differences ⁽¹⁾	-	-	11,603	-	-	-	11,603
Profit (loss) for the period ⁽²⁾	-	-	-	72,312	-	2,749	75,061
Total income recognised in equity ⁽¹⁺²⁾	-	-	11,603	72,312	-	2,749	86,664
Balance at 31 December 2016	8,133	143,041	18,112	72,312	604,691	14,701	860,990

Within four quarters of 2016 no dividend payments have been made to entities outside the Group.

V. Consolidated Cash Flow Statement

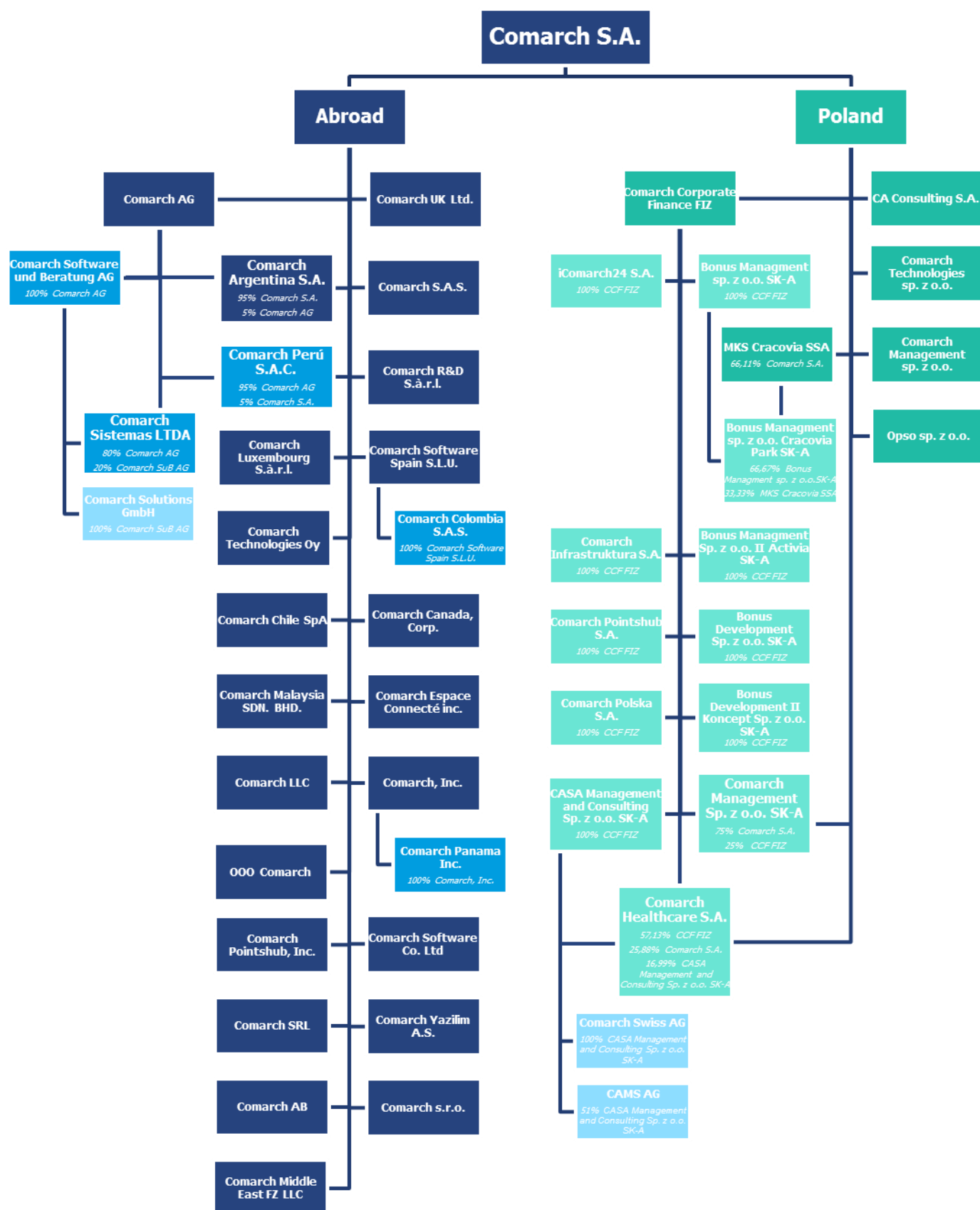
	12 months ended 31 December 2016	12 months ended 31 December 2015
Cash flows from operating activities		
Net profit	75,061	80,270
Total adjustments	35,010	55,554
Share in profits (losses) of subsidiaries valued using the equity method	8,307	3,249
Depreciation	62,967	53,483
Profit (loss) from foreign exchange differences	(162)	1,510
Interest and profit sharing (dividends)	(1,483)	1,838
Profit (loss) on investing activities	(7,494)	5,731
Change in inventories	(19,083)	3,997
Change in receivables	11,191	(51,423)
Change in liabilities and provisions excluding credits and loans	(19,233)	36,289
Other adjustments	-	880
Net profit less total adjustments	110,071	135,824
Income tax paid	(19,551)	(18,809)
Net cash generated (used) in operating activities	90,520	117,015
Cash flows from investing activities		
Purchases of property, plant and equipment	(101,237)	(71,834)
Proceeds from sale of property, plant and equipment	4,147	854
Purchases of intangible assets	(19,268)	(20,926)
Proceeds from disposal of investment in real estate and intangible assets	11,157	17
Expenses for purchase of financial assets	(7,856)	(23,359)
Expenses for investment in real estates	(6,097)	(1,294)
Granted loans	(60)	(15,640)
Paid loans	6,591	14,511
Interest	531	627
Other proceeds from financial assets	3,043	-
Other expenses for financial assets	-	(2,611)
Other investment proceeds	75	1
Other investment expenses	(100)	(1,500)
Net cash generated (used) in investing activities	(109,074)	(121,154)
Cash flows from financing activities		
Proceeds from issuance of the shares	-	8
Proceeds from credits and loans	63,235	16,395
Repayments of credits and loans	(31,417)	(19,859)
Interest on credit	(2,505)	(2,391)
Proceeds from paid loans	114	490
Proceeds from interest on loans	14	-
Other financial liabilities	(1,350)	(500)
Expenses due to profit sharing but other than those to owners	-	(362)
Payment of liabilities under finance lease agreements	(210)	-
Other financial proceeds	16	274
Other financial expenses	(332)	(108)
Net cash generated (used) in financing activities	27,565	(6,053)
Net change in cash, cash equivalents and bank overdrafts	9,011	(10,192)
Cash, cash equivalents and bank overdrafts at beginning of the period	221,781	232,436
Positive (negative) exchange differences in cash and bank overdrafts	4,872	(463)
Cash, cash equivalents and bank overdrafts at end of the period	235,664	221,781
- including limited disposal	10,863	4,924

VI. Supplementary information

1. Information about Group Structure and Activities

The basic activities of the Comarch Group (the "Group"), in which Comarch S.A. with its registered office in Krakow at Al. Jana Pawła II 39 A is the parent company, include activity related to software, PKD 62.01.Z. The registration court for Comarch S.A. is the District Court for Krakow Śródmieście in Krakow, The Eleventh Economic Division of the National Court Register. The company's KRS number is 0000057567. Comarch S.A. holds the dominant share in Group regarding realised revenues, value of assets and number and volume of executed contracts. Comarch S.A. shares are admitted to public trading on the Warsaw Stock Exchange. The duration of the parent company is not limited.

1.1. Organizational Structure of Comarch Group



■ 100% Comarch S.A., unless otherwise indicated.

On the 31st of December, 2016, associates of the parent company were:

- SoInteractive S.A. with its registered office in Krakow in Poland (16.10% votes held by CCF FIZ, 11.27% held by Bonus Management sp. z o.o. Activia SK-A),
- Metrum Capital S.A. (15.79% votes held by Comarch S.A., 31.58% votes held by CAMS AG),
- Thanks Again LLC with its registered office in Tyrone, GA, USA (42.5% votes held by Comarch Pointshub, Inc.).

The associated companies are not consolidated. Shares are valued with equity method.

1.2. Activities Structure in the Comarch Group

The structure of activities of the Comarch Group is as follows:

- The parent company Comarch S.A. acquires the majority of contracts and in large part executes them;
- Comarch AG, Comarch S.A.S., Comarch R&D S.à r.l., Comarch Luxembourg S.à r.l., Comarch Inc., Comarch Panama Inc., Comarch Canada, Corp., Comarch Middle East FZ-LLC, Comarch LLC, OOO Comarch, Comarch Technologies Oy, Comarch UK Ltd., Comarch Chile SpA, Comarch Sistemas LTDA, Comarch Software Spain S.L.U., Comarch Yazilim A.S., Comarch SRL, Comarch Espace Connecté Inc., Comarch Malaysia SDN. BHD., Comarch AB, Comarch Argentina S.A., Comarch Colombia S.A.S., Comarch Peru S.A.C. and Comarch Software (Shanghai) Co. Ltd. acquire IT contracts in foreign markets and execute them in their entirety or in part;
- Comarch Software und Beratung AG is an important provider of ERP and an integrator of IT solutions in Germany. Activities of Comarch Solutions GmbH are identical as activities of Comarch Software und Beratung AG;
- Comarch Swiss AG sells and implements Comarch IT solutions, especially ERP and ECM on the Swiss market;
- Comarch Polska S.A. acquires IT contracts in domestic markets and executes them in their entirety or in part;
- Comarch Technologies sp. z o.o. is responsible for the development of technologies related to the design and production of electronic devices and software;
- CA Consulting S.A. specialises in data communications relating to the provision of connections for the own needs of the Comarch Group, as well as the provision of IT and consulting services for the own needs of the Comarch S.A. and for Comarch's contractor;
- Purpose of the Comarch Corporate Finance Fundusz Inwestycyjny Zamknięty is investment activity, through its subsidiaries, in the scope of new technologies and services, as well as investment activities on capital market;
- Comarch Management sp. z o.o., Comarch Management sp. z o.o. SK-A, CASA Management and Consulting sp. z o.o. SK-A, CAMS AG, Bonus Management sp. z o.o. SK-A, Bonus Management sp. z o.o. II Activia SK-A, and Comarch Pointshub, Inc. conduct investment activities on capital market and activities related to IT;
- The subject matter of activities of Bonus Development sp. z o.o. SK-A and Bonus Development sp. z o.o. II Koncept SK-A are activities related to real estates;
- Comarch Healthcare S.A. produces and sells IT software related to medicine, provides medical and diagnostic services, as well as produces and provides complex IT solutions for medicine sector;
- Comarch Pointshub S.A. produces and implements loyalty software for the customers in small and medium sized enterprises;
- Comarch Infrastruktura S.A. (formerly Infrasturktura24 S.A.) offers services related to Data Centre and IT services outsourcing;
- iComarch24 S.A. conducts IT projects related to e-accounting and e-trading, as well as provides accounting services for domestic subsidiaries in the Comarch Group;
- MKS Cracovia SSA is a sport joint stock company;
- "Bonus MANAGEMENT spółka z ograniczoną odpowiedzialnością" Cracovia Park SK-A conducts investment activities related to sport;
- Opso sp. z o.o. provides catering services;
- Comarch s.r.o. is currently not operating.

1.3. Changes in Ownership and Organisational Structure in Q4 2016

On the 18th of October, 2016, there was a breakdown of investment certificates of Comarch Corporate Finance Closed Investment Fund (CCF FIZ) in a ratio of 1:1,000 and thereby 1 investment certificate of the Fund before the split will correspond to 1,000 investment certificates after the split. After this operation, Comarch S.A. owned 4,000 investment certificates, instead of previous 4, which represented 100% of investment certificates in CCF FIZ. On the 22nd of December, 2016, within the allocation of CCF FIZ investment certificates from the new issue of Series B, Comarch S.A. acquired 17 CCF FIZ investment certificates Series B at the issue price of PLN 29,607 per one certificate, i.e. at total issue price of PLN 503,319. As a result of the allocation and acquisition of certificates Series B, as of the 31st of December, 2016, Comarch S.A. holds in total 4,017 CCF FIZ investment certificates, representing 100% of the total number of certificates.

On the 9th of November, 2016, an increase in share capital of Comarch Healthcare S.A. was registered in KRS to the amount of PLN 8,114,806. As a result of the above operation, the shareholders of Comarch Healthcare S.A. at the date of this report are CCF FIZ (57.13% of the share capital), Comarch S.A. (25.88% of the share capital) and CASA Management and Consulting sp. o.o. SK-A (16.99% of the share capital).

On the 12th of December, 2016, Comarch AG purchased 166,719 shares of Comarch Software und Beratung AG from the entity outside the Group. As a result of the above transaction, Comarch AG owns 100% of Comarch Software und Beratung AG.

On the 14th of December, 2016, a company Comarch Perú S.A.C headquartered in Lima, Peru was registered. The share capital of the company amounts to PEN 165,000 (i.e. PLN 203,115 at the date of registration) and consists of 165,000 shares with a nominal value of PEN 1 each. Comarch AG holds a 95% of shares, while Comarch S.A. holds 5% of shares of Comarch Perú S.A.C.

On the 21st of December, 2016, there was an increase in share capital of Comarch Argentina S.A. from the amount of ARS 100,000 to ARS 3,298,195, i.e. ARS 3,198,195 (i.e. PLN 856,157 at the exchange rate as of the 21st of December, 2016) through the issue of 3,198,195 common, nominative, non-endorsable shares with a nominal value of ARS 1 for one share. Issued shares were acquired by existing shareholders of Comarch Argentina S.A., i.e. Comarch S.A. acquired 3,038,285 shares, while Comarch AG acquired 159,910 shares. As a result of the capital increase the percentage shareholding structure of Comarch Argentina S.A. has not changed - Comarch S.A. holds 3,133,285 shares (95% of the share capital), while Comarch AG holds 164,910 shares (5% of the share capital). Until the date of publication of this report the capital increase has not been registered.

1.4. Changes in Ownership and Organisational Structure after the Balance Sheet Date

None present.

2. Description of the Applied Accounting Principles

This unaudited Condensed Interim Consolidated Financial Statement of Group for the twelve months ended the 31st of December, 2016, and comparable data (the "Interim Consolidated Financial Statement") are prepared in accordance with International Accounting Standard ("IAS") 34 and with all accounting standards applicable to interim financial reporting adopted by the European Union, issued and effective as at the date of preparing the Condensed Interim Consolidated Financial Statement.

This Interim Consolidated Financial Statement for the twelve months ended the 31st of December, 2016, does not include all information and disclosures that are obligatory in annual financial statements, therefore should be read in conjunction with the audited Comarch Capital Group IFRS Consolidated Financial Statement for the year ended the 31st of December, 2015 ("the IFRS Consolidated Financial Statement").

The scope of the accounting principles and calculation methods applied in the Interim Consolidated Financial Statement for the twelve months ended the 31st of December, 2016, does not differ from the

accounting principles described in the audited Comarch Capital Group IFRS Consolidated Financial Statement for the year ended the 31st of December, 2015 (notes 2 and 3 of the Consolidated Financial Statement of the Comarch Group for the year ended the 31st of December, 2015).

The Interim Consolidated Financial Statement for the twelve months ended the 31st of December, 2016, includes the consolidated balance sheet, consolidated income statement, total income consolidated statement, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and selected explanatory notes.

Costs that arise unevenly during the year are anticipated or deferred in the interim financial statement, only if it would also be appropriate to anticipate or defer such costs at the end of the year.

This Interim Consolidated Financial Statement for the twelve months ended the 31st of December, 2016, is prepared in thousands of Polish zloty ("PLN") and was authorised for issuance by the Management Board on the 1st of March, 2017.

Standards and interpretations applied in 2016 for the first time

The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and approved for use in the EU enter into force for the first time in 2016:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for the acquisition of shares in joint operations - approved by the EU on the 24th of November, 2015 (effective for annual periods beginning on or after the 1st of January, 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - The initiative in relation to disclosures - approved by the EU on the 18th of December, 2015 (effective for annual periods beginning on or after the 1st of January, 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - approved by the EU on the 2nd of December, 2015 (effective for annual periods beginning on or after the 1st of January, 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants - approved by the EU on the 23rd of November, 2015 (effective for annual periods beginning on or after the 1st of January, 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - approved by the EU on the 17th of December, 2014 (effective for annual periods beginning on or after the 1st of February, 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity method in the separate financial statements - approved by the EU on the 18th of December, 2015 (effective for annual periods beginning on or after the 1st of January, 2016),
- **Amendments to various standards "Improvements to IFRS (period 2010-2012)"** – adopted within the frame of annual improvements process to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38). The purpose of these annual improvements is to resolve inconsistencies and clarify guidance or wording - approved by the EU on the 17th of December, 2014 (effective for annual periods beginning on or after the 1st of February, 2015),
- **Amendments to various standards "Annual Improvements (period 2012-2014)"** – adopted within the frame of annual improvements process to IFRS (IFRS 5, IFRS 7, IAS 19, and IAS 34). The purpose of these annual improvements is to resolve inconsistencies and clarify guidance or wording - approved by the EU on the 15th of December, 2015 (effective for annual periods beginning on or after the 1st of January, 2016).

The above mentioned standards, interpretations and amendments to standards did not have a material effect on the Company's accounting policy and Group's financial report for 2016.

Standards and Interpretations adopted by IASB but not yet approved by the UE

The scope of the IFRS approved by the European Union does not differ significantly from the regulations of the International Accounting Standards Board, excluding the below-mentioned standards, changes

to standards and the interpretations which were not applied by the EU as at the 31st of December, 2016, (the effective dates mentioned below are related to full versions of standards):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after the 1st of January, 2018),
- **IFRS 14 „Regulatory Deferral Accounts"** (effective for annual periods beginning on or after the 1st of January, 2016) - The European Commission has decided not to initiate the process of approval of this temporary standard for use in the EU until a final version of IFRS 14,
- **IFRS 15 "Revenue from Contracts with Customers"** and subsequent changes (effective for annual periods beginning on or after the 1st of January, 2018),
- **IFRS 16 "Leasing"** (effective for annual periods beginning on or after the 1st of January, 2019),
- **Amendments to IFRS 2 "Payments based on shares"** - Classification and measurement of share-based payment (effective for annual periods beginning on or after the 1st of January, 2018), the amendment has been added on the 20th of June, 2016,
- **Amendments to IFRS 10 "Consolidated Financial Statement", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in associates and joint ventures"** – investments units: use of the exemption from consolidation (effective for annual periods beginning on or after the 1st of January, 2016),
- **Amendments to IFRS 10 "Consolidated Financial Statement" and IAS 28 "Investments in associates and joint ventures"** – sales or contribution of assets between the investor and the associate or joint venture and the subsequent changes (date of entry into force of amendments has been postponed until the end of the research on the equity method),
- **Amendments to IAS 7 "Statement of cash flows"** - The initiative in relation to disclosures (effective for annual periods beginning on or after the 1st of January, 2017),
- **Amendments to IAS 12 "Income tax"** - Recognition of deferred income tax on unrealized losses (effective for annual periods beginning on or after the 1st of January, 2017).

The Management Board of Comarch S.A. anticipates that the application of IFRS 15 and IFRS 16 may have a future impact on the amounts and disclosures presented in the consolidated financial statements of the Group. However there is no opportunity to present reliable estimates on the impact of IFRS 15 or IFRS 16 until the Group did not carry out a detailed analysis in this respect. According to the parent Company's estimates, the other aforementioned standards, interpretations and amendments to standards would not have a material impact on the financial statements, if would be applied as at the balance sheet date.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities have not been adopted by the EU.

According to the parent Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"**, would not have significant impact on the financial statements, if applied as at the balance sheet date.

The consolidated financial statement of the Comarch Group for the 12 months ended the 31st of December, 2016, comprises the financial statements of the following companies:

Company name	Relationship	Consolidation method	% held by Comarch S.A. in a subsidiary's share capital
Comarch S.A.	Parent company	Full	
Comarch AG	Subsidiary	Full	100%
Comarch Sistemas LTDA	Subsidiary	Full	80% held by Comarch AG, 20% held by Comarch Software und Beratung AG

Comarch Peru S.A.C.	Subsidiary	Full	95% held by Comarch AG, 5% held by Comarch S.A.
Comarch Software und Beratung AG	Subsidiary	Full	100% held by Comarch AG
Comarch Solutions GmbH	Subsidiary	Full	100% held by Comarch Software und Beratung AG
Comarch S.A.S.	Subsidiary	Full	100%
Comarch R&D S.à r.l.	Subsidiary	Full	100%
Comarch Luxembourg S.à r.l.	Subsidiary	Full	100%
Comarch Inc.	Subsidiary	Full	100%
Comarch Panama Inc.	Subsidiary	Full	100% held by Comarch Inc.
Comarch Canada, Corp.	Subsidiary	Full	100%
Comarch Espace Connecté Inc.	Subsidiary	Full	100%
Comarch Middle East FZ-LLC	Subsidiary	Full	100%
Comarch LLC	Subsidiary	Full	100%
OOO Comarch	Subsidiary	Full	100%
Comarch Software (Shanghai) Co. Ltd.	Subsidiary	Full	100%
Comarch Technologies Oy	Subsidiary	Full	100%
Comarch UK Ltd.	Subsidiary	Full	100%
Comarch Chile SpA	Subsidiary	Full	100%
Comarch Software Spain S.L.U.	Subsidiary	Full	100%
Comarch Colombia S.A.S.	Subsidiary	Full	100% held by Comarch Software Spain S.L.U.
Comarch Yazilim A.S.	Subsidiary	Full	100%
Comarch SRL	Subsidiary	Full	100%

Comarch Malaysia SDN. BHD.	Subsidiary	Full	100%
Comarch s.r.o.	Subsidiary	Full	100%
Comarch Pointshub, Inc.	Subsidiary	Full	100%
Comarch AB	Subsidiary	Full	100%
Comarch Argentina S.A.	Subsidiary	Full	95% held by Comarch S.A., 5% held by Comarch AG
Comarch Technologies sp. z o.o.	Subsidiary	Full	100%
CA Consulting S.A.	Subsidiary	Full	100%
Comarch Management sp. z o.o.	Subsidiary	Full	100%
Comarch Corporate Finance Fundusz Inwestycyjny Zamknięty	Subsidiary	Full	100% of total number of investment certificates
Comarch Management sp. z o.o. SK-A	Subsidiary	Full	26.45% held by Comarch S.A., 8.82% held by CCF FIZ, 64.73% purchased by Comarch Management sp. z o.o. SK-A to be redeemed
Bonus Management sp. z o.o. SK-A	Subsidiary	Full	100% held by CCF FIZ
Bonus MANAGEMENT sp. z o.o. Cracovia Park SK-A	Subsidiary	Full	50% held by Bonus Management sp. z o.o. SK-A, 50% held by MKS Cracovia SSA
Bonus Development sp. z o.o. SK-A	Subsidiary	Full	100% held by CCF FIZ
Bonus Management sp. z o.o. II Activia SK-A	Subsidiary	Full	100% held by CCF FIZ
Bonus Development sp. z o.o. II Koncept SK-A	Subsidiary	Full	100% held by CCF FIZ
Comarch Healthcare S.A.	Subsidiary	Full	57.13% held by CCF FIZ, 25.88% held by CASA,

			16.99% held by CASA Management and Consulting sp. z o.o. SK-A
Comarch Polska S.A.	Subsidiary	Full	100% held by CCF FIZ
Comarch Pointshub S.A.	Subsidiary	Full	100% held by CCF FIZ
Comarch Infrastruktura S.A.	Subsidiary	Full	100% held by CCF FIZ
iComarch24 S.A.	Subsidiary	Full	100% held by CCF FIZ
CASA Management and Consulting sp. z o.o. SK-A	Subsidiary	Full	100% held by CCF FIZ
Comarch Swiss AG	Subsidiary	Full	100% held by CASA Management and Consulting sp. z o.o. SK-A
CAMS AG	Subsidiary	Full	51% held by CASA Management and Consulting sp. z o.o. SK-A
Opso sp. z o.o.	Subsidiary	Full	100%
MKS Cracovia SSA	Subsidiary	Full	66.11%

3. Notes to the Consolidated Financial Statement

3.1. Segment Information

In the Comarch Group, business segments are basic type of operating segments, and geographical segments are the supplementary type of operating segments. The operations of Comarch's subsidiary units comprise the following types of activities:

- sales of IT systems and services, as well as sales of IT hardware (hereinafter referred to as the "IT Segment"),
- professional sports (hereinafter referred to as the "Sport Segment"; MKS Cracovia SSA),
- investment activity on capital market and activity in relation to real estate investment, (hereinafter referred to as the "Investment Segment"),
- activity in relation to medical services (hereinafter referred to as the "Medicine Segment").

IT Segment has a dominant share in sales revenues, profits and assets. IT Segment is divided into the DACH (Germany, Austria and Switzerland) market, Polish market and other markets according to the specific character of the activity in the segment.

Due to the geographical business division, the Comarch Group defines the following market segments: Poland, DACH region (Germany, Austria, Switzerland) and other countries. The Sport Segment, Medicine Segment and Investment Segment operate exclusively on Polish territory. Due to the fact that only the IT Segment operates abroad and, at the same time, costs incurred in the IT segment are largely common for export and domestic sales, it is pointless to define separate results for export and domestic activities.

The Group's sales is highly diversified and there is no dependency on a single customer. Within 12 months of 2016 the share of none of the customer exceeded 10% of total sales of the Comarch Group.

Over 2016, Comarch Group revenue structure was as follows: 22% of annual sales were achieved in the first quarter, 25% in the second quarter, 20% in the third quarter and 33% in the fourth quarter. Over 2017, the Group expects the distribution of sales revenue similar to that of 2016.

12 months ended 31 December 2015	IT Segment			Investment Segment	Sport Segment	Medicine Segment **	Elimina- tions	Total
	Polish market	DACH market	Other markets					
Revenues per segment- sales to external clients	668,507	275,472	176,974	2,065	21,136	6,625	-	1,150,779
<i>including:</i>								
Revenues from sales	662,840	264,943	176,485	344	19,648	7,320	-	1,131,580
<i>To customers in Telecommunication, Media, IT sector</i>	<i>124,883</i>	<i>117,987</i>	<i>70,414</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>313,284</i>
<i>To customers in Finance and Banking sector</i>	<i>123,283</i>	<i>13,836</i>	<i>14,003</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>151,122</i>
<i>To customers in Trade and services sector</i>	<i>64,244</i>	<i>9,991</i>	<i>84,797</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>159,032</i>
<i>To customers in Industry&Utilities</i>	<i>89,149</i>	<i>18,109</i>	<i>5,547</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>112,805</i>
<i>To customers in Public sector</i>	<i>110,062</i>	<i>2,473</i>	<i>1,705</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>114,240</i>
<i>To customers in small and medium enterprises sector</i>	<i>106,600</i>	<i>102,547</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>209,147</i>
<i>To customers in Medicine sector</i>	<i>42,620</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7,320</i>	<i>-</i>	<i>49,940</i>
<i>To other customers</i>	<i>1,999</i>	<i>-</i>	<i>19</i>	<i>344</i>	<i>19,648</i>	<i>-</i>	<i>-</i>	<i>22,010</i>
<i>Other operating revenue</i>	<i>6,165</i>	<i>12,597</i>	<i>629</i>	<i>214</i>	<i>1,016</i>	<i>228</i>	<i>-</i>	<i>20,849</i>
<i>Finance revenue</i>	<i>(498)</i>	<i>(2,068)</i>	<i>(140)</i>	<i>1,507</i>	<i>472</i>	<i>(923)</i>	<i>-</i>	<i>(1,650)</i>
Revenues per segment - sales to other segments	273,195	31,137	34,249	3,061	8,814	1,509	(351,965)	-
Revenues per segment - total*	941,702	306,609	211,223	5,126	29,950	8,134	(351,965)	1,150,779
Costs per segment relating to sales to external clients	590,141	222,563	191,339	2,980	21,105	11,273	-	1,039,401
Costs per segment relating to sales to other segments	273,195	31,137	34,249	3,061	8,814	1,509	(351,965)	-
Costs per segment - total*	863,336	253,700	225,588	6,041	29,919	12,782	(351,965)	1,039,401
Current taxes	(10,555)	(11,504)	(6,965)	(337)				(29,361)
Assets for the tax due to investment allowances and other tax relief	2,706	(2,925)	1129	313	279	-	-	1,502
Share of segment in the result of parties valuated using the equity method of accounting	227	-	(3,476)	-	-	-	-	(3,249)

Net result	70,744	38,480	(23,677)	(939)	310	(4,648)	-	80,270
including:								
Result attributable to shareholders of the parent company	70,744	37,952	(23,677)	(925)	205	(4,648)	-	79,651
Result attributable to minority interest	-	528	-	(14)	105	-	-	619

*) Items comprise revenues and costs of all types, which can be directly allocated to particular segments

**) Please note, that the "Medicine Segment" has been reclassified in the Q1-Q4 2015 report. Currently the "Medicine Segment" presents the results of business related to providing medical services by iMed24 Medical Center. Activities related to software production and providing services for the customers in the "Medicine Segment" is presented in the IT segment.

Sales between specific segments are calculated based on market conditions.

The following table presents the assets and liabilities of particular segments as at the 31st of December, 2015, as well as investment expenditures and depreciation in during 12 months of 2015:

31 December 2015 / 12 months ended 31 December 2015

	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Total
	Poland	DACH region	Other countries				
Assets	701,639	243,805	184,009	121,750	44,072	9,553	1,304,828
Liabilities	383,953	79,446	39,327	7,112	14,345	64	524,247
Investment expenditures	57,857	10,459	32,118	34,825	1,905	-	137,164
Depreciation	35,353	11,656	1,490	713	1,051	3,220	53,483

12 months ended 31 December 2016	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Elimina- tions	Total
	Polish market	DACH market	Other markets					
Revenues per segment- sales to external clients	625,171	212,396	273,260	1,583	36,491	7,419	-	1,156,320
<i>including:</i>								
Revenues from sales	613,273	206,146	257,883	360	26,272	8,558	-	1,112,492
<i>To customers in Telecommunication, Media, IT sector</i>	116,582	58,986	100,744	-	-	-	-	276,312
<i>To customers in Finance and Banking sector</i>	139,012	8,182	16,618	-	-	-	-	163,812
<i>To customers in Trade and services sector</i>	60,483	7,217	115,596	-	-	-	-	183,296
<i>To customers in Industry&Utilities</i>	111,148	15,168	19,759	-	-	-	-	146,075
<i>To customers in Public sector</i>	62,340	5,367	5,149	-	-	-	-	72,856
<i>To customers in small and medium enterprises sector</i>	116,566	111,223	-	-	-	-	-	227,789
<i>To customers in Medicine sector</i>	4,626	-	-	-	-	8,558	-	13,184
<i>To other customers</i>	2,516	3	17	360	26,272	-	-	29,168
<i>Other operating revenue</i>	14,604	6,882	11,788	687	9,887	-	-	43,848
<i>Finance revenue</i>	(2,706)	(632)	3,589	536	332	(1,139)	-	(20)
Revenues per segment - sales to other segments	249,628	42,459	33,232	2,820	8,782	1,745	(338,666)	-
Revenues per segment - total*	874,799	254,855	306,492	4,403	45,273	9,164	(338,666)	1,156,320
Costs per segment relating to sales to external clients	579,897	180,576	239,935	2,938	26,750	11,158	-	1,041,254
Costs per segment relating to sales to other segments	249,628	42,459	33,232	2,820	8,782	1,745	(338,666)	-
Costs per segment - total*	829,525	223,035	273,167	5,758	35,532	12,903	(338,666)	1,041,254
Current taxes	(10,898)	(3,301)	(11,439)	(87)	-	-	-	(25,725)
Assets for the tax due to investment allowances and other tax relief	4	(2,138)	(2,314)	15	(1,540)	-	-	(5,973)
Share of segment in the result of parties valuated using the equity method of accounting	(162)	-	(8,145)	-	-	-	-	(8,307)
Net result	34,218	26,381	11,427	(1,427)	8,201	(3,739)	-	75,061
<i>including:</i>								
<i>Result attributable to shareholders of the parent company</i>	34,218	26,381	11,427	(1,397)	5,422	(3,739)	-	72,312
<i>Result attributable to minority interest</i>	-	-	-	(30)	2,779	-	-	2,749

*) Items comprise revenues and costs of all types, which can be directly allocated to particular segments

Sales between specific segments are calculated based on market conditions.

Share of business segments in Assets and Liabilities and Investment Expenditures

The following table presents the assets and liabilities of particular segments as at the 31st of December, 2016, as well as investment expenditures and depreciation in during 12 months of 2016:

31 December 2016 / 12 months ended 31 December 2016

	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Total
	Poland	DACH region	Other countries				
Assets	739,521	233,054	259,089	145,752	54,582	6,896	1,438,894
Liabilities	379,549	70,208	67,720	37,441	17,585	5,401	577,904
Investment expenditures	52,703	12,366	16,852	43,647	9,001	49	134,618
Depreciation	38,208	15,838	2,916	811	2,342	2,852	62,967

The following table presents the allocation of revenues from sales, assets and total investment expenditures into geographical segments:

Revenues from basic sales - activities location

	12 months ended 31 December 2016		%	12 months ended 31 December 2015		%
Poland		606,354	54.5		690,152	61.0
DACH region		248,256	22.3		264,943	23.4
Other countries		257,882	23.2		176,485	15.6
Total		1,112,492	100.0		1,131,580	100.0

Assets – activities location

	31 December 2016		%	31 December 2015		%
Poland		946,751	65.8		876,925	67.2
DACH region		233,054	16.2		243,805	18.7
Other countries		259,089	18.0		184,098	14.1
Total		1,438,894	100.0		1,304,828	100.0

Investment expenditures – activities location

	31 December 2016	%	31 December 2015	%
Poland	105,400	78.3	94,587	69.0
DACH region	12,366	9.2	10,459	7.6
Other countries	16,852	12.5	32,118	23.4
Total	134,618	100.0	137,164	100.0

3.2. Property, Plant and Equipment

	31 December 2016	31 December 2015
Lands and buildings	300,201	293,642
Means of transport and machinery	88,865	85,288
Property, plant and equipment under construction	95,995	27,597
Others	12,771	15,938
Advance money for property, plant and equipment under construction	79	101
Total	497,911	422,566

Property, plant and equipment comprise mostly real estates and machinery owned by Comarch Group. As at the 31st of December, 2016, the Group's property are six office buildings in the Special Economic Zone in Krakow ("SEZ") at 56,760 square metres of the total space, two office buildings in Warsaw at 2,582 square metres of the total space and office and storage buildings in Łódź, one office and storage building in Lille, and an office building and data centre in Dresden. The Group owns also lands in the Special Economic Zone in Krakow at approx. 2.13 ha of the total area. As at the 31st of December, 2016, property, plant and equipment under construction comprise mostly expenditures related to an investments in the Special Economic Zone in Krakow, involving the construction of an office building SSE7, extension of the production hall in SSE6, redevelopment of former factory building and the construction of an adjacent office building in Łódź and expenditures related to modernization works of the storage building in Lille and adapting it to the function of the data center.

In Comarch Healthcare S.A. began to conduct the diagnostic and medical activity (Medical Center iMed24) in the first quarter of 2012 and commenced use of the diagnostic and medical equipment purchased in 2011. As at the 31st of December, 2016, the book value of this equipment amounted to PLN 5,871 thousand.

On the 16th of June, 2015 an agreement on the building investment in Łódź was made between Bonus Development spółka z ograniczoną odpowiedzialnością S.K.A., a subsidiary of Comarch S.A. and Skanska S.A. The subject of the agreement is the construction of office building together with the rebuilding and change of usage of the adjacent former factory building, located in Łódź, 76/78 Jaracza Street including traffic and technical infrastructure and the supply of building materials and machinery. The total space of the building will be 9,906.20 m². The net value of the agreement amounts to PLN 37,883 thou. The

investment was completed in the first quarter of 2017. Capital expenditures incurred in connection with the above mentioned agreement until the 31st of December, 2016, amounted to PLN 35,418 thousand.

The office building that was purchased by Comarch S.A.S. in Lille is the new office of the company. On the 15th of March, 2016, Comarch S.A.S., a subsidiary of Comarch S.A. signed an agreement with SNC-LAVALIN S.A.S., for the realization of the construction investment in Lille, France. The subject of the contract is the alteration of the warehouse building at 17 Rue Paul Langevin in Lezennes in the data center. The value of this agreement amounts to EUR 7,500 thousand net, i.e. PLN 32,118 thousand (exchange rate as of the date of signing the agreement). Investment expenditures incurred in connection with the above-mentioned agreement until the 31st of December, 2016, amounted to EUR 1,384 thousand, i.e. PLN 6,122 thousand at the exchange rate at the 31st of December, 2016. The planned completion date of this investment is the second quarter of 2017. The investment is financed by a long-term bank credit.

On the 18th of March, 2016, Comarch SA concluded two contracts with Budimex S.A.:

- On implementation of the sixth stage of the investment in the Special Economic Zone in Krakow (SSE7). The subject of the contract is construction of an office building with road and technical infrastructure and a delivery of necessary materials and equipment. The total area of the building will be 27,736 m². The contract value is PLN 69,704 thousand net. Capital expenditures incurred in connection with the above mentioned contract until the 31st of December, 2016, amounted to PLN 12,054 thousand. Anticipated completion date is the third quarter of 2017.
- On reconstruction of the SSE6 building (Studio 1) in the Special Economic Zone in Krakow. The subject of the contract is the reconstruction of the building from the warehouse to production purpose with road and technical infrastructure and the delivery of necessary materials and equipment. The contract value is PLN 4,350 thousand net. Capital expenditures incurred in connection with the above mentioned contract until the 31st of December, 2016, amounted to PLN 4,348 thousand. Reconstruction of Studio 1 was completed in the fourth quarter of 2016.

The total value of contracts signed with the Budimex S.A. amounted to PLN 74,054 thousand net.

In the fourth quarter of 2016, there were no purchases of land properties.

3.3. Investment Real Estate

	31 December 2016	31 December 2015
Lands	2,875	9,815
Buildings	12,761	7,248
Total	15,636	17,063

As at the 31st of December, 2016, investment real estate comprise plots developed, placed in Krakow and used for lease to the entities outside Group and lands located in Krakow, purchased in order to construct buildings dedicated for lease to the entities outside Group, as well as a real estate located in Kostrzyn leased to the entities outside Group.

3.4. Goodwill

Goodwill comprises Company's value established at purchases of shares in the following companies:

	31 December 2016	31 December 2015
Comarch Kraków	99	99
CDN Comarch	1,227	1,227

Comarch AG	1,900	1,900
Comarch, Inc.	58	58
Comarch Software und Beratung AG	29,038	29,038
Comarch Swiss AG (A-MEA Informatik AG till the 31 st of December, 2012)	8,413	8,413
Razem	40,735	40,735

A test for loss in value regarding goodwill was run as at the 31st of December, 2016, according to the methodology used and described in details in the annual financial statements for 2015. There was no loss in value.

3.5. Other Intangible Assets

	31 December 2016	31 December 2015
Costs of finished development works	642	2,135
Perpetual usufruct right	38,756	38,850
Licences and software	14,919	21,588
Other	6,969	3,901
Total	61,286	66,474

Other intangibles include valuation of assets, classified as intangible assets, related to the right to use MKS Cracovia SSA players' cards in the amount of PLN 6,969 thousand.

In the reporting period, there was no necessity to upgrade the assets classified as intangible assets associated with the acquisition of A-MEA Informatik AG.

The perpetual usufruct right for land related to MKS Cracovia SSA that is worth PLN 31,650 thousand is considered the intangible asset with unspecified period of use and is not depreciated. The Company expects renewal of perpetual usufruct right which will occur without incurring any major costs, as the Company is not obliged to meet any conditions, which would decide about extension of this right. The Company does not expect incurring any major costs when renewal of perpetual usufruct right, having in mind current activities of the co-owner of the sports club, i.e. Krakow commune.

3.6. Investment in Associates

As at the 31st of December, 2016, the Group had shares in associates.

At 1 January 2015	567
Share in profit of Sointeractive S.A.	(103)
Acquiring shares in and share in profit of Metrum Capital S.A.	156
Granting a loan to SoInteractive S.A.	737
Acquiring shares in and share in profit of Thanks Again LLC	21,820
At 31 December 2015	23,177

At 1 January 2016	23,177
Share in profit of Sointeractive S.A.	46
Acquiring shares in and share in profit of Metrum Capital S.A.	(208)
Repayment of loan by SoInteractive S.A.	(528)
Acquiring shares in and share in profit of Thanks Again LLC	(8,092)
At 31 December 2016	14,395

As at the 31st of December, 2016, investment in associates includes interest and shares of SoInteractive S.A. acquired by CCF FIZ and Bonus Management sp. z o.o. II Activia SK-A. They constitute 42.98% of shares in the company (27.37% of votes), shares of Metrum Capital S.A. in which Comarch S.A. holds 21.43% of share capital (15.79% of votes) and CAMS AG holds 42.86% of share capital (31.58% of votes) with the total value of PLN 458 thousand, shares in Thanks Again LLC (Comarch Pointshub, Inc. acquired 42.50% of shares, i.e. 42.50% of votes at the AGM, with total value of PLN 13 727 thousand - the nominal value of acquired shares PLN 30,831 thousand reduced by participation in 2015 and 2016 financial result and update of the value of shares), as well as loans granted to SoInteractive S.A. by Comarch Infrastruktura S.A. and Comarch S.A. in the amount of PLN 210 thousand.

3.7. Derivative Financial Instruments

a) Assets

	31 December 2016	31 December 2015
Forward foreign exchange contracts – held-for-trading	1,641	743
Transaction on change of IRS	-	-
	1,641	743
<i>Current portion</i>	<i>1,149</i>	<i>664</i>
<i>Non-current portion</i>	<i>492</i>	<i>79</i>

b) Liabilities

	31 December 2016	31 December 2015
Forward foreign exchange contracts – held-for-trading	3,038	1,840
Transaction on change of IRS	1,849	1,210
	4,887	3,050
<i>Current portion</i>	<i>2,350</i>	<i>1,639</i>
<i>Non-current portion</i>	<i>2,537</i>	<i>1,411</i>

Group held forward contracts to reduce the effect of changes in cash flows on financial result, where cash flows are related to the planned transactions and changes are the result of foreign exchange risk, and to secure cash flows on account of an investment credit granted in Euro. As at the 31st of December, 2016, the above-mentioned instruments were valued at fair value according to market price and changes in

valuation were referred into the results from financial operations. Total net value of forward contracts that were open as at the 31st of December, 2016, amounted to EUR 43,840 thousand, USD 21,300 thousand and GBP 300 thousand. After the balance sheet date, the Comarch Group concluded forward contracts for sales of RUB 36,000 thousand.

On the 24th of October, 2013, Comarch S.A. concluded a transaction on change of IRS for investment credit taken on the 30th of September, 2013, from Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw. As a consequence of the concluded transaction, variable EURIBOR1M rate was changed into a fixed interest rate. The hedging transaction was concluded for the period of 5 years, i.e. till the 31st of October, 2018. As at the 31st of December, 2016, valuation of the IRS transaction amounted to minus PLN 200 thousand.

On the 27th of June, 2014, Comarch S.A. concluded a transaction on change of IRS for nonrevolving credit taken on the 4th of January, 2013, from Bank Zachodni WBK S.A. (formerly Kredyt Bank S.A.) with its registered office in Wrocław. As a consequence of the concluded transaction, variable EURIBOR1M rate was changed into a fixed interest rate. The hedging transaction was concluded for the period of 5 years, i.e. till the 28th of June, 2019. As at the 31st of December, 2016, valuation of IRS transaction amounted to minus PLN 206 thousand.

On the 9th of July, 2014, Comarch S.A. concluded a transaction on change of IRS for investment credit taken in June 2006 from BNP Paribas Bank Polska S.A. (formerly Fortis Bank Polska S.A.) with its registered office in Warsaw, for financing of the third construction stage of production and office buildings in the Special Economic Zone in Krakow. As a consequence of the concluded transaction, variable EURIBOR1M rate was changed into a fixed interest rate. The hedging transaction was concluded for the period of 10 years, i.e. till the 29th of July, 2024. As at the 31st of December, 2016, valuation of the IRS transaction amounted to minus PLN 773 thousand.

On the 23rd of October, 2015, Comarch S.A. concluded a transaction on change of IRS for investment credit taken on the 4th of December, 2013, from Bank Pekao S.A. with its registered office in Warsaw. As a consequence of the concluded transaction, variable EURIBOR1M rate was changed into a fixed interest rate. The hedging transaction was concluded for the period of 8 years, i.e. till the 30th of November, 2023. As at the 31st of December, 2016, valuation of the IRS transaction amounted to minus PLN 670 thousand.

After balance sheet date

On the 20th of February, 2017, Comarch S.A. concluded a transaction on change of IRS for a long-term credit granted in May 2016 by the Bank Handlowy w Warszawie. As a consequence of the concluded transaction variable EURIBOR1M rate was changed into a fixed interest rate. The hedging transaction was concluded till the 30th of September, 2019.

On the 20th of February, 2017, Comarch S.A. concluded a transaction on change of IRS for an investment credit granted in May 2016 by the Bank Handlowy w Warszawie. As a consequence of the concluded transaction variable EURIBOR1M rate was changed into a fixed interest rate. The hedging transaction was concluded till the 29th of February, 2028.

3.8. Deferred Income Tax

	31 December 2016	31 December 2015
Deferred income tax assets		
Temporary differences	13,572	16,171
Asset due to a tax loss	9,745	6,820
Asset due to activities in Special Economic Zone ("SEZ")	9,936	10,441
Total	33,253	33,432
<i>Charged to financial result</i>	<i>33,253</i>	<i>33,432</i>

In the four quarters of 2016, the Group settled in part an asset due to activities in the SEZ that was worth PLN 10,441 thousand and established as at the 31st of December, 2015. At the same time the Group created an asset of the same type in the amount of PLN 9,936 thousand. This asset will be gradually dissolved within 2017 in proportion to the generated tax-exempt income in this period.

Comarch S.A. has five permits to operate in the Special Economic Zone in Krakow:

- a) obtained in 1999, with a period of validity until the 31st of December, 2017;
- b) obtained in 2007, with a period of validity until the 31st of December 2017;
- c) obtained in 2013, its validity term has not been specified;
- d) obtained in February 2016, its validity term has not been specified;
- e) obtained in March 2016, its validity term has not been specified.

The Company also notes that on the 23rd of July, 2013, The Council of Ministers adopted a regulation extending the term of functioning of special economic zones in Poland to 2026.

Pursuant to IAS 12, unused tax relief as at the 31st of December, 2016, constitutes a deferred income tax asset. In the second quarter of 2016 an investment relief due to the permit obtained in 1999 was fully utilized. Limit of the unused investment tax relief under the permit obtained in 2007 amounted to approx. PLN 19,540 thousand as at the 31st of December, 2016 (after discounting at the permit date). Limit of the unused investment tax relief under the permit obtained in 2013 amounted to approx. PLN 29,000 thousand as at the 31st of December, 2016 (after discounting at the permit date).

In the four quarters of 2016, the Group settled in part a deferred tax asset related to temporary differences that was established on the 31st of December, 2015, and worth PLN 8,827 thousand, as well as an asset due to temporary differences was recognized in the amount of PLN 6,228 thousand. An asset due to tax loss was recognized in the amount of PLN 2,925 thousand. The total effect of the above-mentioned operations on the net result of the reporting period was minus PLN 179 thousand.

	31 December 2016	31 December 2015
Provision for deferred income tax		
Temporary differences	15,159	7,665
Provision due to fair value valuation of assets recognised as a result of acquisition of the Comarch SuB, ESAProjekt sp. z o.o. and A-MEA Informatik AG and due to valuation of MKS Cracovia SSA's real estates	5,430	5,780
Provision due to valuation of certificates in CCF FIZ	22,824	24,174
Total	43,413	37,619
<i>Charged to equity</i>	<i>5,430</i>	<i>5,430</i>
<i>Charged to financial result</i>	<i>37,983</i>	<i>31,839</i>
<i>Provision due to acquisition of A-MEA Informatik AG and ESAProjekt sp. z o.o.</i>	<i>-</i>	<i>350</i>

Due to valuation of net assets of CCF FIZ in 2016, the Group dissolved in part a deferred tax provision, which was recognised in the previous years and was worth PLN 1,350 thousand. At the same time, a deferred tax provision due to temporary differences was recognised in the amount of PLN 12,061 thousand and dissolved in the amount of PLN 4,567 thousand. In 2016 the Group dissolved a provision due to acquisition of A-MEA Informatik AG (currently Comarch Swiss AG) and ESAProjekt sp. z o.o. (currently Comarch Healthcare S.A.), which was worth PLN 350 thousand. The total effect of the all above-mentioned operations on the net result of 12 months of 2016 was minus PLN 5,794 thousand. Total changes in the deferred income tax resulted in a decrease in result of PLN 5,973 thousand.

In relation to MKS Cracovia SSA and Comarch Healthcare S.A., despite of the fact that the tax loss existed, a deferred tax asset was not created due to the lack of possibility to make the reliable estimates of the income tax allowing the use of existing tax loss from previous years.

3.9. Inventories

	31 December 2016	31 December 2015
Raw materials	815	1,108
Work in progress	69,657	44,817
Goods	5,299	5,021
Finished products	29	76
Advance due to finished products	491	391
Total	76,291	51,413

The cost of inventories included in 'Costs of products, goods and materials sold' in the income statement amounted to PLN 307,617 thousand (12 months ended the 31st of December, 2016), PLN 343 037 thousand (12 months ended the 31st of December, 2015).

Over four quarters of 2016, Comarch Group created write-offs that revaluated goods, materials and finished products in the amount of PLN 33 thousand. The Company resolved write-offs in the amount of PLN 23 thousand, which had been created in the previous years.

3.10. Trade and Other Receivables

	31 December 2016	31 December 2015
Trade receivables - net	368,467	344,466
<i>Trade receivables</i>	<i>396,153</i>	<i>368,343</i>
<i>Write-off revaluating receivables</i>	<i>(27,686)</i>	<i>(23,877)</i>
Other receivables	21,303	23,594
Short-term prepayments	11,790	10,453
Other prepayments	1,108	2,687
Loans	1,027	2,712
Trade receivables and other receivables from related parties - net	2,021	1,463
<i>Trade receivables and other receivables from related parties</i>	<i>5,092</i>	<i>1,463</i>
<i>Write-off revaluating receivables</i>	<i>(3,071)</i>	-
Total	405,716	385,375
<i>Current portion</i>	<i>405,716</i>	<i>385,375</i>

The fair value of trade and other receivables is close to their balance sheet value presented above. There is no concentration of credit risk with respect to trade receivables as Group has a large number of customers. Over 12 months of 2016, the Group recognised a write-off due to loss in value of its trade receivables that was worth PLN 36,216 thousand and dissolved previously created write-offs worth PLN 28,187 thousand in relation to payment of debts. These operations were presented in the income statement in other operating costs and revenues, respectively.

3.11. Long-term Contracts

	12 months ended 31 December 2016	12 months ended 31 December 2015
Revenues from completed contracts recognized in the reporting period	79,850	115,210
Revenues from contracts not completed recognized in the reporting period	192,199	138,602
Revenues from contracts not completed recognized in the reporting period- an effect of settlement pursuant to IAS 11	(6,701)	1,666
Revenues due to long-term contracts recognized in the reporting period	265,348	255,478

Due to the fact that the company applies the rule of determining the degree of work progress in proportion to the share of incurred costs in the entire costs of a contract, the sum of incurred costs and recognised results corresponds to revenues.

At the end of the reporting period, long-term contracts were valued in accordance with the degree of work progress. Changes in settlements due to long-term contracts recognized in assets and liabilities between the 31st of December, 2015, and the 31st of December, 2016, are presented below:

	31 December 2016	31 December 2015
Long-term contracts revenues included to the balance sheet date - determined according to the progress of work	635,459	564,120
Issued invoices	(635,896)	(557,856)
Total	(437)	6,264

	Long-term contracts receivables	Long-term contracts liabilities	Net
Revenues from long-term contracts included in the reporting period			
Value at 1 January 2015	53,105	(48,507)	4,598
Value at 31 December 2015	32,440	(26,176)	6,264
Change	(20,665)	22,331	1,666
Value at 1 January 2016	32,440	(26,176)	6,264
Value at 31 December 2016	39,918	(40,355)	(437)
Change	7,478	(14,179)	(6,701)

3.12. Available-for-Sale Financial Assets

Within the 12 months of 2016, as well as in the comparative period, the Group had no financial assets available for sale.

3.13. Share Capital

	Number of shares	Ordinary and preference shares	Own shares	Total
At 1 January 2015	8,125,590	8,125,590	-	8,125,590
<i>14 May 2015 - registration of an increase in the company's share capital</i>	<i>7,759</i>	<i>7,759</i>	<i>-</i>	<i>7,759</i>
At 31 December 2015	8,133,349	8,133,349	-	8,133,349
At 31 December 2016	8,133,349	8,133,349	-	8,133,349

The nominal value of one share is PLN 1.

The share capital of Comarch S.A. consists of:

- 1) 864,800 series A registered preference shares,
- 2) 75,200 series A ordinary bearer shares,
- 3) 883,600 series B registered preference shares,
- 4) 56,400 series B ordinary bearer shares,
- 5) 3,008,000 series C ordinary bearer shares,
- 6) 1,200,000 series D ordinary bearer shares,
- 7) 638,600 series E ordinary bearer shares,
- 8) 125,787 series G ordinary bearer shares,
- 9) 102,708 series G3 ordinary bearer shares,
- 10) 563,675 series H ordinary bearer shares,
- 11) 441,826 series I2 ordinary bearer shares,
- 12) 91,041 series J2 ordinary bearer shares,
- 13) 73,953 series K3 ordinary bearer shares,
- 14) 7,759 series L1 ordinary bearer shares.

Registered shares in series A and B are preferential and each such share corresponds with 5 votes at the General Meeting. The conversion of registered shares into bearer shares is allowed. In case of that registered shares are converted into bearer shares, they lose all preferences. In case that registered preferential shares are disposed their specific voting rights at the General Meeting expire, however their specific voting rights at the General Meeting do not expire in case of:

- a) disposal for the benefit of persons who were shareholders of the company on the 18th of March, 1998,
- b) disposal for the benefit of descendants of a disposer,
- c) conveying property of a registered share as a result of succession.

The written consent of the Management Board is required to dispose of registered shares. The sale of shares without the permission of the Management Board is possible on the condition that it is stated in Comarch S.A.'s statute. Every ordinary bearer share entitles its holder to one vote at the AGM. The conversion of bearer shares into registered shares is not permitted.

3.13.1. Changes in Share Capital in Q4 2016

None present, except as noted in point [4.1.2](#) of this report.

3.13.2. Changes in Share Capital after the Balance Sheet Date

None present.

3.14. Credits and Loans

	31 December 2016	31 December 2015
Non-current		
Non-revolving credits	137,814	113,540
Revolving credits	-	-
Loans	8,517	-
	146,331	113,540
Current		
Non-revolving credits	25,863	24,152
Revolving credits	708	-
Loans	1,898	-
	28,469	24,152
Total credits and loans	174,800	137,692

The value of liabilities due to bank credits and loans was recognized in the amount of depreciated cost that was determined using the effective interest rate. The fair value of liabilities due to credits and loans does not differ significantly from the balance sheet value.

In the four quarters of 2016 the value of drawdown non-revolving credits and loans granted to entities outside the Group amounted to PLN 62,435 thousand, the value of paid principal instalments of non-revolving bank credits and loans from entities outside the Group amounted to PLN 31,396 thousand.

Within reporting period, there were neither overdue payments nor interest payments on credits and loans. Comarch did not breach of any provisions of the credit or loan agreements that could entitle the creditor to claim earlier repayment of the credit or loan.

The exposure of Group bank credits to interest rate changes	6 months or less	6-12 months	1-5 years	Over 5 years	Total
At 31 December 2015					
Credits and loans	12,712	11,782	77,825	35,865	138,184
Interest	(342)	-	(150)	-	(492)
Total	12,370	11,782	77,675	35,865	137,692
At 31 December 2016					
Credits and loans	13,585	15,515	99,740	46,591	175,431
Interest	(631)	-	-	-	(631)
Total	12,954	15,515	99,740	46,591	174,800

The maturity of non-current bank credits, loans and financial liabilities	31 December 2016	31 December 2015
Between 1 and 2 years	31,148	23,755
Between 2 and 5 years	68,592	53,920
Over 5 years	46,591	35,865
	146,331	113,540

Currency structure of the balance sheet values of credits, loans and financial liabilities	31 December 2016	31 December 2015
In Polish currency (PLN)	14,935	6,785
In EUR (equivalence in PLN)	159,865	130,907
	174,800	137,692

Effective interest rates at the balance sheet date	31 December 2016	31 December 2015
Bank credits	1.62%	1.73%
Loans	3.61%	-

3.14.1. Long-term Bank Credits

Comarch S.A. credit lines:

- a) An investment credit from BGŻ BNP Paribas Bank Polska S.A. with its registered office in Warsaw, for the financing of the third construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts of PLN 44,000 thousand. The crediting period may last a maximum of 16 years, i.e. until 2024. This credit has a variable interest rate. It was taken out by the 30th of September, 2008. A promissory note, the mortgage on land and the building insurance policy are security for this credit. On the 5th of October, 2011, the company revaluated the remaining credit to be paid into euro. As at the 31st of December, 2016, the value of the credit to be repaid amounted to EUR 4,802 thousand, i.e. PLN 21,244 thousand (EUR 5,422 thousand, i.e. PLN 23,104 thousand as at the 31st of December, 2015).
- b) An investment credit from Powszechna Kasa Oszczędności Bank Polski S.A. with its registered office in Warsaw, for the refinancing of the investment credit acquired in DnB NORD Bank Polska S.A. for financing of the fourth construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts to EUR 4,126 thousand. The crediting period may last 8 years, i.e. till 2021. This credit has a variable interest rate. The real estate mortgage and cession of rights in the building insurance policy are security for this credit. The loan was drawdown on the 1st of October, 2013. As at the 31st of December, 2016, the value of the credit to be repaid amounted to EUR 2,493 thousand, i.e. PLN 11,028 thousand (EUR 2,966 thousand, i.e. PLN 12,638 thousand as at the 31st of December, 2015).
- c) A nonrevolving operating credit from BZ WBK Bank S.A. with its registered office in Wrocław acquired in the first quarter of 2013, for financing of company's current operations. The credit amounts to EUR 7,400 thousand. The crediting period may last 8 years, and its maturity date is the 31st of December, 2020. This credit has a variable interest rate. The real estate mortgage located in SEZ and cession of rights in the insurance policy are security for this credit. As at the 31st of December, 2016, the value of the credit to be repaid amounted to EUR 3,899 thousand, i.e. PLN 17,249 thousand (EUR 4,774 thousand, i.e. PLN 20,345 thousand as at the 31st of December, 2015).
- d) An investment credit agreement with bank Polska Kasa Opieki Spółka Akcyjna with its registered office in Warsaw, for financing and refinancing of not more than 90% of net costs of an investment related to construction of office building SSE6 and data centre in the Special Economic Zone in Krakow. The credit amounts to PLN 56,000 thousand, i.e. EUR 13,323 thousand as at the date of the agreement. The crediting period: 10 years, repayment will be made not later than on the 4th of December, 2023. Loan was granted in EUR and it has a variable interest rate. Power of attorney to manage Comarch S.A. bank accounts in the Bank, declaration of submission to enforcement, the real estate mortgage established on real estate on which the investment is implemented, cession of rights in the building insurance policy, cession of rights in the bank guarantee for contract good performance and for warranty obligations and warranty are security for this credit. The loan was fully paid out until the 30th of September, 2015. As at the 31st of December, 2016, the value of the credit to be

repaid amounted to EUR 11,519 thousand, i.e. PLN 50,960 thousand (EUR 13,184 thousand, i.e. PLN 56,185 thousand as at the 31st of December, 2015).

- e) An investment credit agreement with Bank Handlowy w Warszawie S.A. with its registered office in Warsaw, for financing and refinancing of not more than 75% of net costs of an investment related to construction of office building SSE7 in the Special Economic Zone in Krakow. The credit amounts to EUR 13,333 thousand, i.e. PLN 58,144 thousand as at the date of the agreement. The crediting period: 12 years and lasts until the 15th of May, 2028. The credit was granted in EUR and has a variable interest rate. The credit disbursement should take place within 24 months from the date of signing the agreement, i.e. until the 16th of May, 2016. Securities for this credit are: contractual mortgage established on real estate on which the investment is implemented, declaration of submission to enforcement, power of attorney to manage Comarch S.A. bank accounts in Bank Handlowy w Warszawie S.A. and cession of rights in the building SSE7 insurance contract, concluded after completion of the investment. As at the 31st of December, 2016, the credit has not been run.
- f) A non-revolving long-term credit in Bank Handlowy w Warszawie S.A. with its registered office in Warsaw for financing current operations. The credit amounts to EUR 2,508 thousand, i.e. PLN 10,938 thousand at the date of the agreement. The crediting period is 43 months and lasts until the 16th of December, 2019. The credit was granted in EUR, the interest rate of the credit is based on a variable rate. The credit disbursement should take place within 24 months from the date of signing the agreement, i.e. until the 16th of May, 2018. Securities for this credit are: declaration of submission to enforcement and power of attorney to manage Comarch S.A. bank accounts in Bank Handlowy w Warszawie S.A. As at the 31st of December, 2016, the value of launched credit amounted to EUR 2,365 thousand, i.e. PLN 10,465 thousand.
- g) An investment credit agreement with DNB Bank Polska Spółka Akcyjna with its registered office in Warsaw, for financing and refinancing up to 100% of investment expenditures related to the purchase of technical devices, which are the equipment of IoT laboratory (Internet of Things) located in building SSE6 in Special Economic Zone in Krakow. The credit amounts to EUR 2,531 thousand, i.e. PLN 10,854 thousand as at the date of the agreement. The crediting period lasts until the 30th of December, 2023. The credit was granted in EUR and has a variable interest rate. The credit should be used until the 28th of February, 2017. Securities for this credit are: registered pledge on devices which are the subject of financing to the amount of 150% of the credit, cession of rights under the insurance contract of devices, a declaration of submission to enforcement by Comarch S.A. and a power of attorney to manage Comarch S.A. bank accounts in DNB Bank Poland SA. As at the 31st of December, 2016, the credit has not been run.

Other companies in the Comarch Group have the following long-term credits:

- h) In the third quarter of 2011, Comarch Healthcare S.A. acquired an investment loan from Bank Pekao S.A. with its registered office in Warsaw for financing of purchase of medical equipment and facilities in relation with implementation of project NZOZ Centrum Medyczne iMed24 (medical centre) in Krakow. The credit amounts to PLN 15,889 thousand and as at the 31st of December, 2011, and it was used in total. The crediting period lasts 7 years, i.e. until 2018. This credit has a variable interest rate. The registered pledge on the financed property, plant and equipment in use, cession of rights in the property, plant and equipment in use insurance policy and surety granted by Comarch S.A. are security for this credit. As at the 31st of December, 2016, the value of the credit to be repaid amounted to PLN 4,540 thousand (PLN 6,809 thousand as at the 31st of December, 2015).
- i) In the second quarter of 2013, Comarch AG acquired investment loan from BGŻ BNP Paribas Bank Polska S.A. with its registered office in Warsaw for financing of construction of an office and production building, including data center in Dresden. The credit amounts to EUR 6,000 thousand, and its crediting period is until 2018. The loan was drawdown on the 25th of July, 2013. This credit has a variable interest rate. Surety granted by Comarch S.A., a mortgage and cession of rights in the insurance policy are security of this credit. As at the 31st of December, 2016, the value of the credit to be repaid amounted to EUR 1,862 thousand, i.e. PLN 8,238 thousand (EUR 3,103 thousand, i.e. PLN 13,225 thousand as at 31st of December, 2015).

- j) In second quarter of 2015, Bonus Development Sp. z o.o. SK-A took out a construction and investment credit in bank Polska Kasa Opieki Spółka Akcyjna ("PEKAO S.A.") with its registered office in Warsaw, for financing and refinancing of not more than 90% of net costs of an investment related to reconstruction of the former factory building and the construction of an adjacent office building in Łódź. The credit is granted in EUR and amounts up to PLN 38,800 thousand, which on the day of signing the agreement was equivalent to EUR 9,262 thousand. The crediting period is 15 years, until the 28th of June, 2030. The interest rate of the credit is based on a variable rate. The loan is secured by the conventional mortgage on the property, on which construction works are being implemented, a statement of submission to enforcement, power of attorney to accounts maintained in bank PEKAO S.A., cession of rights in the bank guarantee for contract good performance and for warranty obligations, cession of rights in the insurance policies, cession of rights under the lease agreement concluded between the borrower and Comarch S.A., and a surety granted by Comarch S.A. together with a declaration of submission to execution and power of attorney to accounts of Comarch S.A. conducted by PEKAO S.A. The credit should be taken out by the 28th of June, 2017. As at the 31st of December, 2016, the value of drawn loan was EUR 8,172 thousand, i.e. PLN 36,155 thousand (EUR 1,161 thousand, i.e. PLN 4,946 thousand as at 31st of December, 2015).
- k) In the first quarter of 2016, Comarch S.A.S., a subsidiary of Comarch S.A. and Comarch S.A. (as a co-borrower), signed an investment credit agreement with bank BGŻ BNP Paribas S.A. with its registered office in Warsaw, for financing and refinancing of 100% of net costs of an investment related to construction of data center in Lille, France, but no more than 83.5% of the total net costs of the whole investment. The credit amounts to EUR 8,000 thousand, i.e. PLN 34,164 thousand (exchange rate as of the date of signing the agreement). The crediting period lasts until the 18th of September, 2023, the interest rate of the credit is based on a variable rate. The credit should be taken out by the 18th of September, 2017. The credit is secured by: the conventional mortgage established on the second place on the property belonging to Comarch S.A. located at ul. prof. Michała Życzkowskiego 23, Cracow (the SSEIV building), a statement of Comarch S.A. of submission to enforcement, power of attorney to accounts of Comarch S.A. maintained in bank BGŻ BNP Paribas S.A., cession of rights in the insurance policy of SSEIV building. On the 24th of August, 2016, Comarch S.A. received a notice from the District Court for Krakow-Podgórze, the Fourth Division of the Land and Mortgage Register, dated the 22nd of July, 2016, on registration of a mortgage described in point a) above. There is no relation between Comarch S.A.S., Comarch S.A., its managing or supervising persons and BGŻ BNP Paribas S.A. As at the 31st of December, 2016, the value of drawn loan was EUR 1,101 thousand, i.e. PLN 4,429 thousand.

3.14.2. Loans from unrelated parties

In the third quarter of 2016, Comarch S.A. signed a loan agreement with IBM Polska sp. z o.o. for financing of delivery of IBM hardware in relation to an IT project performed by the Comarch Group. The loan amounts to PLN 12,980 thousand. The loan will reach its maturity date in September, 2021. As at the 31st of December, 2016, the value of capital outstanding was PLN 10,415 thousand.

3.14.3. Current credit lines

In the Comarch Group, Comarch S.A. - the parent company - has the following credit limits in current account:

- a) Credit limit in current account in bank Alior Bank Spółka Akcyjna (formerly BPH S.A.) with its registered office in Krakow in the amount of PLN 10,000 thousand. It can be used by the 31st of October, 2017. A blank promissory note and an authorization to manage Comarch S.A.'s accounts in Alior Bank Spółka Akcyjna (formerly BPH S.A.) are security for this credit. As at the 31st of December, 2016, the credit was not used, as well as at the 31st of December, 2015.
- b) Credit limit in current account in bank Pekao S.A. with its registered office in Warsaw in the amount of PLN 30,000 thousand. It can be used by the 30st of June, 2018. An authorization to manage Comarch S.A.'s accounts in bank Pekao S.A. and a declaration of submission to enforcement are security for this credit. As at the 31st of December, 2016, the credit was not used, as well as at the 31st of December, 2015.

In the first quarter of 2016, Comarch S.A.S., a subsidiary of Comarch S.A., and Comarch S.A. (as a co-borrower), signed a revolving credit agreement with bank BGŻ BNP Paribas S.A. with its registered office in Warsaw, for financing of current business activity. The credit amounts to EUR 1,300 thousand, i.e. PLN 5,552 thousand (exchange rate as of the date of signing the agreement). The crediting period lasts until the 18th of November, 2017, the interest rate of the loan is based on a variable rate. The loan is secured by a statement of Comarch S.A. of submission to enforcement and a power of attorney to accounts of Comarch S.A. maintained by bank BGŻ BNP Paribas S.A. As at the 31st of December, 2016, the value of launched credit was EUR 160 thousand, i.e. PLN 708 thousand.

	31 December 2016	31 December 2015
Credit lines in the current account and revolving credits, including:	45,751	44,033
Used at the balance sheet date	708	-
Available at the balance sheet date	45,043	44,033

3.15. Other Financial Liabilities

	31 December 2016	31 December 2015
Liabilities due to finance lease	823	170
<i>Current portion</i>	192	137
<i>Non-current portion</i>	631	33
Liabilities due to dividend	-	-
<i>Current portion</i>	-	-
<i>Non-current portion</i>	-	-
Liabilities for fees for acquired shares	6,326	7,802
<i>Current portion</i>	6,326	7,802
<i>Non-current portion</i>	-	-
Total	7,149	7,972

Liabilities due to the Comarch Group's finance lease (excluding lease agreements between the companies in the Group) comprise liabilities of Comarch Healthcare S.A. and MKS Cracovia SSA, a subsidiaries of Comarch S.A., due to finance lease agreements for cars. As at the 31st of December, 2016, value of these liabilities amounted to PLN 823 thousand. The amount of PLN 6,326 thousand concerns the obligation of Comarch AG arising from the redemption of 2.68% of the share capital of Comarch Software und Beratung AG from an entity outside the Comarch Group. The obligation was settled in January 2017.

3.16. Provisions for Other Liabilities and Charges

	Costs related to current period that will be incurred in future	Provisions for costs of contracts	Provisions for contractual penalties and other claims	Provisions for leaves	Provisions for premiums	Total
Current						
At 1 January 2016	4,630	21,692	16,214	22,378	82,833	147,747
Change:	296	(9,262)	6,651	4,411	(10,518)	(8,422)
<i>Provisions created</i>	<i>16,686</i>	<i>19,275</i>	<i>10,169</i>	<i>21,256</i>	<i>86,302</i>	<i>153,688</i>
<i>Provisions used and dissolved</i>	<i>(16,390)</i>	<i>(28,537)</i>	<i>(3,518)</i>	<i>(16,845)</i>	<i>(96,820)</i>	<i>(162,110)</i>
At 31 December 2016	4,926	12,430	22,865	26,789	72,315	139,325

All provisions were calculated based on credible estimate as of the balance sheet date.

3.17. Trade and Other Payables

	31 December 2016	31 December 2015
Trade payables	56,916	64,665
Advance payments received due to services	264	6,467
Trade payables and other liabilities to related parties	3,087	2,073
Liabilities due to social insurance and other tax charges	39,756	46,771
Investments liabilities	16,432	3,832
Revenues from the future periods	25,632	20,527
Other payables	5,043	4,959
Special funds (Social Services Fund and Residential Fund)	1,768	1,604
Total	148,898	150,898

The fair value of trade and other payables is close to the balance sheet value presented above.

3.18. Liabilities due to Operating Lease

	Up to 1 year	Up to 5 years	Total
At 31 December 2015			
Liabilities due to lease of usable space	19,165	41,804	60,969
Liabilities due to lease agreements for electronic equipment and means of transport	1,038	568	1,606
Total	20,203	42,372	62,575

At 31 December 2016

Liabilities due to lease of usable space	22,814	52,070	74,884
Liabilities due to lease agreements for electronic equipment and means of transport	1,539	1,797	3,336
Total	24,353	53,867	78,220

Presented above, liabilities due to lease agreements for usage places comprise Group's liabilities, including those between Comarch Group's companies and related to leases of office spaces and company flats. Agreements including the given expiration date were directly recorded to the liabilities within 1 year or less, or within 5 years or less, respectively. However, most of the agreements have been concluded for an indefinite period, therefore the amounts of the liabilities were established by multiplying the amount of monthly rent by 12 months (column: 1 year or less) or by 60 months (column: 5 years or less).

As at the 31st of December, 2016, Comarch Group had contractual liabilities due to operating lease (means of transport and electronic equipment) in the amount of PLN 3,374 thousand (PLN 1,606 thousand as at the 31st of December, 2015).

3.19. Contingent Liabilities

On the 31st of December, 2016, the value of bank guarantees and letters of credit issued by banks on order from Comarch S.A. in reference to executed agreements and participation in tender proceedings was PLN 37,671 thousand, whereas it was PLN 48,740 on the 31st of December, 2015.

On the 31st of December, 2016, the value of bank guarantees issued by banks on order from Comarch Polska S.A. in reference to executed agreements and participation in tender proceedings was PLN 19 thousand, whereas it was also PLN 19 thousand on the 31st of December, 2015.

On the 31st of December, 2016, the value of bank guarantees issued by banks on order from Comarch Software und Beratung Group was EUR 392 thousand, i.e. PLN 1,734 thousand, whereas it was EUR 815 thousand, i.e. PLN 3,474 thousand on the 31st of December, 2015.

On the 31st of December, 2016, the value of bank guarantees issued by banks on order from Comarch AG was EUR 16 thousand, i.e. PLN 71 thousand, whereas it was EUR 16 thousand, i.e. PLN 68 thousand on the 31st of December, 2015.

Comarch S.A. declared a possibility to grant a financial support ("letters of comfort") for its subsidiaries: MKS Cracovia SSA (valid till the 31st of December, 2017) and Comarch Healthcare S.A. (valid till the 31st of December, 2018), Comarch Malaysia SDN. BHD. (valid till the 31st of December, 2017), Comarch SAS (valid till the 4th of March, 2017).

	31 December 2016	31 December 2015
Granted credit lines for financing of current activities (guarantees, letters of credit, credit lines in current account)		
Credit lines*	173,902	159,876
	173,902	159,876

* they comprise credit lines at current account that are described in point [3.14.3](#)

The Comarch Group is the defendant in legal proceedings, in which the potential total amount of third party claims is PLN 68,104 thousand. Provisions for part of these claims were presented in the balance sheet as at the 31st of December, 2016 and are worth PLN 9,972 thousand. They include provisions for claims recognized in 2016 and worth PLN 1,347 thousand. The Comarch Group is the party to the matters in disputes, but not legal proceedings in which the potential total amount of third party claims is PLN

14,041 thousand. There are no provisions for part of these claims presented in the balance sheet as at the 31st of December, 2016. In the opinion of the Management Boards in the entities of the Comarch Group and based on the opinions of legal advisors, there are no circumstances suggesting the necessity to create provisions for the rest of the claims in legal proceedings or matters in disputes but not legal proceedings.

Due to legal proceedings in 2016 the Comarch Group created write-offs that revalue receivables in the amount of PLN 5,516 thousand. Due to the matters in disputes, in 2016 the Comarch Group didn't create write-offs that revalue receivables.

3.20. Managerial Option Program for Members of the Management Board and Other Key Employees

None present.

3.21. Related-Party Transactions

3.21.1. Revenues from Sales of Goods and Services

	12 months ended 31 December 2016	12 months ended 31 December 2015
Revenues from sales of goods		
SoInteractive S.A.	-	-
Thanks Again LLC	-	-
	-	-
Revenues from sales of services		
SoInteractive S.A.	816	269
Thanks Again LLC	5,547	5,903
	6,363	6,172
	6,363	6,172

Price for services is determined depending on the type of transaction, according to one of three methods:

- 1) comparable market price,
- 2) cost - plus basis (margin from 2% to 3% for goods, 5% for services),
- 3) margin on sales of services (from 10% to 40%).

3.21.2. Purchase of Goods and Services

	12 months ended 31 December 2016	12 months ended 31 December 2015
Purchases of goods		
SoInteractive S.A.	1,681	1,050
Thanks Again LLC	-	-
	1,681	1,050
Purchases of services		
SoInteractive S.A.		
<i>Included in generation costs</i>	5,401	4,398
<i>Included in other costs</i>	2,702	2,792
	8,103	7,190

Thanks Again LLC		
<i>Included in generation costs</i>	1,315	-
<i>Included in other costs</i>	-	-
	1,315	-
Total	11,099	8,240

3.21.3. Balance of Settlements as of the Balance Sheet Date Resulting from the Sale/Purchase of Goods /Services

	31 December 2016	31 December 2015
Receivables from related parties		
SoInteractive S.A.	586	233
Thanks Again LLC	907	1,120
	1,493	1,353
Payables from related parties		
SoInteractive S.A.	2,829	2,073
Thanks Again LLC	-	-
	2,829	2,073

3.21.4. Transactions with Associates and Personally Related Entities

	12 months ended 31 December 2016	12 months ended 31 December 2015
Purchases from personally related entities	2,848	2 133
Sales to personally related entities	126	114
Loans and interest on loans repaid by personally related entities	6,864	14 594
Loans and interest on loans granted to personally related entities	1,350	15 130*
Purchases from associates	9,418	8 240
Sales to associates	6,363	6 172
Loans and interest on loans repaid by associates	128	330
Loans and interest on loans granted to associates	9	737

* The item contains a loan in the amount of PLN 3,700 thousand granted to the Chairman of the Supervisory Board of Comarch S.A. by Bonus Management sp. z o.o SK-A. Until the publication of the report, this loan was fully repaid.

3.21.5. Balances of Settlements with Personally Related Entities at Balance Sheet Date

	31 December 2016	31 December 2015
Trade receivables from personally related parties	10	7
Loans receivables from personally related parties	605	5,970
Trade payables to personally related parties	477	436
Liabilities due to loans from personally related parties	-	-

3.22. Earnings per Share

	12 months ended 31 December 2016	12 months ended 31 December 2015
Net profit for the period attributable to equity holders of the Company	72,312	79,651
Weighted average number of shares in issue	8,131	8,131
Basic earnings per share (PLN)	8.89	9.80
Diluted number of shares	8,131	8,131
Diluted earnings per share (PLN)	8.89	9.80

Basic earnings per share in the column "12 months ended 31 December 2016" is calculated by dividing the net consolidated profit attributable to shareholders of Comarch S.A. for the period from the 1st of January, 2016, to the 31st of December, 2016, by the weighted average number of shares in issue between the 1st of January, 2016, to the 31st of December, 2016, where the number of days is the weight. Basic earnings per share in the column "12 months ended 31 December 2015" is calculated by dividing the net consolidated profit attributable to shareholders of Comarch S.A. for the period from the 1st of January, 2015, to the 31st of December, 2015, by the weighted average number of shares in issue between the 1st of January, 2015, to the 31st of December, 2015, where the number of days is the weight.

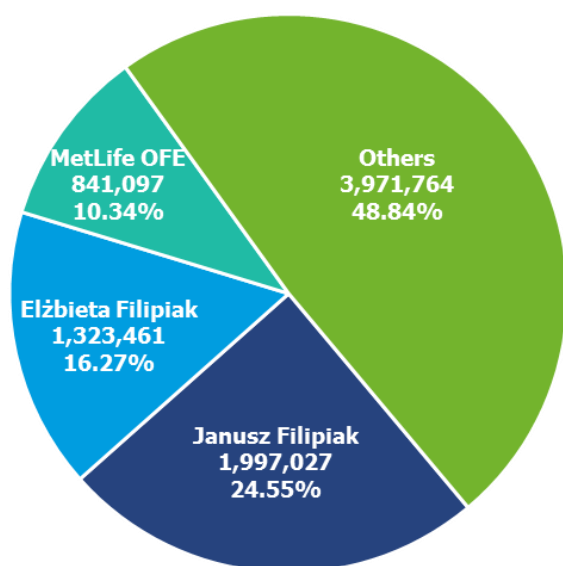
Diluted earnings per share in the column "12 months ended 31 December 2016" is calculated by dividing the net consolidated profit attributable to shareholders of Comarch S.A. for the period from the 1st of January, 2016, to the 31st of December, 2016, by the sum of the weighted average number of shares in issue between the 1st of January, 2016, to the 31st of December, 2016, where the number of days is the weight and diluted number of shares pursuant to IAS 33. Diluted earnings per share in the column "12 months ended 31 December 2015" is calculated by dividing the net consolidated profit attributable to shareholders of Comarch S.A. for the period from the 1st of January, 2015, to the 31st of December, 2015, by the sum of the weighted average number of shares in issue between the 1st of January, 2015, to the 31st of December, 2015, where the number of days is the weight and diluted number of shares pursuant to IAS 33.

4. Additional Notes

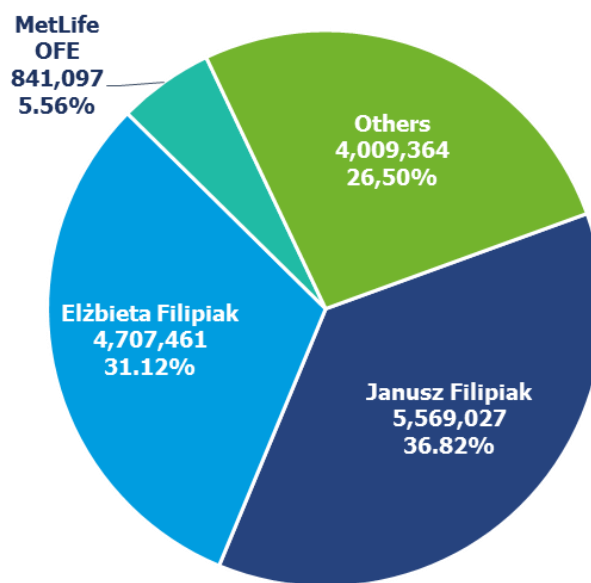
4.1. Information About Shareholders Holding at least 5% of the Total Number of Votes at Comarch S.A. General Meeting and Shares Held by Members of the Management Board and the Board of Supervisors

4.1.1. Shareholders who Directly or Indirectly through Subsidiary Entities Hold at least 5% of the Total Number of Votes at Comarch S.A. General Meeting as at 1 March 2016

Shareholders by number of shares



Shareholders by number of votes



4.1.2. Change in the Total Number of Votes at Comarch S.A.

None present.

4.1.3. Changes in Significant Holdings of Comarch S.A. Shares between 14 November 2016 and 1 March 2017

Entity	At 1 March 2017				At 14 November 2016			
	Shares	% in share capital	Number of votes	% in votes	Shares	% in share capital	Number of votes	% in votes
Janusz Filipiak	1,997,027	24.55%	5,569,027	36.82	1,997,027	24.55%	5,569,027	36.82
Elżbieta Filipiak	1,323,461	16.27%	4,707,461	31.12	1,323,461	16.27%	4,707,461	31.12
MetLife OFE	841,097	10.34%	841,097	5.56	841,097	10.34%	841,097	5.56

4.1.4. Changes in Holdings of Comarch S.A. Shares by Managing and Supervising Persons between 14 November 2016 and 1 March 2017

The following table presents the ownership of Comarch S.A. shares by management and supervisors as at the date on which the consolidated report for Q3 2016 was published, i.e. on the 14th of November, 2016, and on the 1st of March, 2017, pursuant to the information possessed by the Company.

Members of the Management Board and the Board of Supervisors	Position	At 1 March 2017		At 14 November 2016	
		Shares	% in votes	Shares	% in votes
Janusz Filipiak	President of the Management Board	1,997,027	36.82	1,997,027	36.82
Elżbieta Filipiak	Chairman of the Board of Supervisors	1,323,461	31.12	1,323,461	31.12
Marcin Dąbrowski	Vice-President of the Management Board	-	-	-	-
Paweł Prokop	Vice-President of the Management Board	37,539	0.50	37,539	0.50
Andrzej Przewięźlikowski	Vice-President of the Management Board	-	-	-	-
Zbigniew Rymarczyk	Vice-President of the Management Board	32,867	0.22	32,867	0.22
Konrad Tarański	Vice-President of the Management Board	10,608	0.07	10,608	0.07
Marcin Warwas	Vice-President of the Management Board	10,608	0.07	10,608	0.07
Number of issued shares		8,133,349	100.00	8,133,349	100.00

4.2. Factors and Events of Unusual Nature with Significant Effects on the Achieved Financial Results

4.2.1. Deferred Income Tax Assets and Provisions

Over four quarters of 2016, the Group settled in part deferred tax assets in the amount of PLN 19,268 thousand and created the deferred tax assets in the amount of PLN 19,089 thousand.

Over four quarters of 2016, the Group dissolved in part provisions for deferred tax in the amount of PLN 6,267 thousand and created deferred tax provisions in the amount of PLN 12,061 thousand.

Total changes in deferred tax resulted in a decrease in net profit by PLN 5,973 thousand. Details are described in point [3.8](#).

4.2.2. Valuation of Currency Exchange Rate Differences

The impact of changes in exchange rates on revenue and results of the Comarch Group in 12 months of 2016 was considerable. Realized foreign exchange rate differences and balance sheet valuation of exchange rates on receivables and liabilities as at the 31st of December, 2016, increased revenue and operating profit of Comarch Group by PLN 2,893 thousand (while in 12 months of 2015 increased by PLN 1,590 thousand). Exchange rate differences from other activities increased the result of Comarch Group in 12 months of 2016 by PLN 14 thousand (while in 12 months of 2015 increased by PLN 418 thousand). The total effect of exchange rate differences on the net result of the Comarch Group in 12 months of 2016 amounted to plus PLN 2,907 thousand (plus PLN 2,008 thousand in 12 months of 2015).

4.2.3. Changes in sales structure

Within the four quarters of 2016, Comarch Group recorded a change in a structure of sales by reduction in sales of third-party solutions and focus on sales of proprietary software solutions. As a result, total sales revenues decreased by PLN 19.1 million, i.e. 1.7%, revenues from proprietary solutions increased by PLN 47.0 million, i.e. 4.7%, while revenue from sales of third-party solutions fell down by PLN 75.1 million PLN, i.e. by 71.7%.

Within the four quarters of 2016, there has been a significant decline in sales in the domestic market (by PLN 102.4 million, i.e. 18.5%), due to the reduction of sales to customers in the public sector (36.2%) and the medical sector (73.6%). Revenues from foreign sales increased by PLN 83.3 million (i.e. 14.4%). As a result, the share of foreign sales in total sales increased from 51.0% to 59.4%.

4.3. Other events in Q4 2016

None present.

4.4. Events after the Balance Sheet Date Not Included in the Financial Statement

4.4.1. Dates of Periodical Financial Reports in 2017

On the 5th of January, 2017, in current report [RB-1-2017](#), Comarch S.A.'s Management Board set dates of periodical financial reports in 2017.

Consolidated quarterly reports which include condensed consolidated financial statements and condensed financial statements:

- 1) Q4 2016 - on the 1st of March, 2017;
- 2) Q1 2017 – on the 22nd of May, 2017;
- 3) Q2 2017 - Pursuant to §101 sec. 2 of the Regulation issued by the Minister of Finance on the 19th of February, 2009 concerning current and periodical information pertaining to companies traded on the stock exchange and on the conditions for recognizing the equivalence of information required by legal regulations binding in a country which is not a member state, Comarch S.A. will not publish quarterly report for the second quarter of 2017;
- 4) Q3 2017 – on the 17th of November, 2017;
- 5) Annual report for 2016 – on the 28th of April, 2017;
- 6) Consolidated annual report for 2016 - on the 28th of April, 2017;
- 7) Consolidated half-year report which includes condensed consolidated financial statement and condensed financial statement for the first half of 2017 - on the 31st of August, 2017.

4.4.2. Forward Contracts Concluded after the Balance Sheet Date

Between the 1st of January, 2017, and the 1st of March, 2017, Comarch S.A. concluded forward contracts for sales of RUB 36,000 thousand. The total net value of open forward contracts as of the 1st of March, 2017, amounted to EUR 38,540 thousand, USD 19,300 thousand, GBP 200 thousand and RUB 27,000 thousand. The open forward contracts as of the 1st of March, 2017, were valued at PLN 8,973 thousand. The contracts will be settled within 33 months from the balance sheet date. All forward contracts have been concluded in order to limit the influence of currency exchange rates on the financial results related to the contracts carried out by Comarch S.A., in which the remuneration is set in a foreign currency, as well as to protect the cash flows from the running credit granted in EUR.

4.5. The Management Board's Position on the Execution of Previously-Published Forecasts for the Current Year, in the Bright of Results Presented in the Quarterly Report

The Management Board did not forecast any results neither for fourth quarter 2016, nor for full year 2016.

4.6. Significant Legal, Arbitration or Administrative Proceedings

None present.

4.7. Information about Transactions with Related Parties on Terms Different from Market Conditions

None present.

4.8. Information about Suretyships, as well as Guarantees Provided by the Issuer and Its Subsidiaries

- a) Due to conclusion in August, 2010, of a contract with a customer by Comarch AG, a subsidiary of Comarch S.A., Comarch S.A. has granted a surety for the customer. This surety has been provided for the duration of the contract and guarantees the satisfactory fulfilment of any obligations resulting from the contract by Comarch AG. The value of the guarantee equals the value of the contract, i.e. approximately EUR 53,666 thousand. The financial conditions, that the surety was provided on, do not differ from the market conditions.
- b) Due to conclusion of a contract for implementation, hosting and maintenance of loyalty system, signed by Comarch Inc., a subsidiary of Comarch S.A., on the 28th of April, 2011, Comarch S.A. granted a surety for obligations of Comarch Inc. The value of the surety amounts to USD 3,000 thousand and it is valid for the whole term of the contract.
- c) Due to conclusion of a contract for sales of licences and implementation of Comarch Network & Service Inventory, Comarch Next Generation Service Assurance and Comarch OSS Mediations, as well as sales of licences for Comarch SLA Management, signed by Comarch AG, a subsidiary of Comarch S.A., on the 11th of August, 2011, Comarch S.A. granted a surety for the benefit of a customer in order to guarantee the fulfilment of any obligations resulting from the contract by Comarch AG. The value of the surety equals value of obligations resulting from the contract, i.e. EUR 5,495 thousand.
- d) Due to Bank Pekao S.A. granting an investment loan in the amount of PLN 15,889 thousand to Comarch Healthcare S.A., a Comarch S.A. subsidiary, on the 1st of September, 2011, Comarch S.A. granted a surety in order to guarantee the fulfilment of any obligations resulting from the contract. The value of the surety equals PLN 23,833 thousand and is valid until the 31st of December, 2021.
- e) Due to conclusion of a contract for implementation and maintenance of BSS system by Comarch UK, a subsidiary of Comarch S.A., Comarch S.A. granted a surety for obligations of Comarch UK. The surety was granted up to the amount of liabilities of Comarch UK resulting from the aforementioned agreement, i.e. to the amount of GBP 808 thousand and in addition GBP 86 thousand annually for SLA, and it is valid for the whole term of the agreement.
- f) Due to conclusion of a contract for implementation of Next Generation Performance Management Solution, signed by Comarch AG, a subsidiary of Comarch S.A., Comarch S.A. granted a surety for the benefit of a customer in order to guarantee the fulfilment of any obligations resulting from the contract by Comarch AG. The value of the surety equals value of a maximum of EUR 3,682 thousand and is valid for the whole term of the contract.
- g) Due to conclusion of a contract for implementation of Planning and Inventory Application (PIA), signed by Comarch AG, a subsidiary of Comarch S.A., Comarch S.A. signed a letter of comfort upon

which it ensures proper contract performance by Comarch AG. The letter of comfort is valid for 24 months from contract completion. Contract's value amounts to EUR 3,505 thousand.

- h) Due to granting a subsidy to Comarch AG, a subsidiary of Comarch S.A., for construction of an infrastructure in Dresden from Sachsischse AufbauBank, Comarch S.A. took on a debt in the event of a liability of Comarch AG to return the granted means. Maximum liability of Comarch S.A. in relation to taking the debt shall not exceed EUR 263 thousand increased by interest for the period from the granting of the subsidy to its return. Taking the debt is valid till the 30th of August, 2018.
- i) Due to conclusion of an investment credit agreement between Comarch AG, a subsidiary of Comarch S.A., with BGŻ BNP Paribas Bank Polska S.A., resulting in granting the financing in the amount of EUR 6,000 thousand, on the 15th of May, 2013 Comarch S.A. granted a surety for obligations of Comarch AG resulting from the agreement. The surety was granted up to the amount of EUR 9,000 thousand and is valid till the 15th of May, 2020.
- j) Due to conclusion of a contract for implementation of Comarch Loyalty Management, signed by Comarch UK, a subsidiary of Comarch S.A., Comarch S.A. granted a surety for the benefit of a customer for obligations of Comarch UK. The surety was granted up to the maximum amount of GBP 2,351 thousand and is valid for the whole term of the contract.
- k) Due to conclusion of a contract for implementation and licence of Comarch Loyalty Management, as well as services related to data centre and Support & Maintenance, signed by Comarch SAS, a subsidiary of Comarch S.A., Comarch S.A. granted a surety for obligations of Comarch SAS resulting from this project. The surety was granted up to the maximum amount of the signed agreements, i.e. EUR 2,807 thousand and is valid till the end of this project.
- l) Due to conclusion of an agreement signed by branch of Comarch AG in Belgium with a customer, Comarch S.A. granted a surety for liabilities of Comarch AG resulting from this project. The surety was granted up to the amount of the agreement, i.e. EUR 236 thousand and is valid till the termination of the project.
- m) Due to conclusion of a contract for purchase of licences, maintenance and support, signed by Comarch UK, a subsidiary of Comarch S.A., Comarch S.A. granted a surety for future obligations of Comarch UK resulting from this project. The surety was granted up to the amount of GBP 11,244 thousand and is valid for 12 years after the contract completion.
- n) Due to conclusion of a contract for fuel cards service signed by Comarch Healthcare S.A., a subsidiary of Comarch S.A., Comarch S.A. granted a surety for the benefit of an operator of fuel cards in order to guarantee the fulfilment of any obligations resulting from this contract by Comarch Healthcare S.A. After the entry into force of the amendment to the agreement in 2015, the total amount of granted surety is PLN 100 thousand and is valid till the 31st of May, 2017.
- o) Due to conclusion of a contract for SLA services, signed by branch of Comarch S.A. in Albany, Comarch S.A. granted a surety for the liabilities of the branch resulting from the project. The surety was granted up to the amount of the signed agreement, i.e. approximately EUR 10 thousand monthly and is valid till the termination of the contract.
- p) Due to conclusion of a contract for implementation of Comarch ECM, maintenance and SaaS, signed by Comarch SAS, a subsidiary of Comarch S.A., Comarch S.A. granted a surety for the liabilities of Comarch SAS, resulting from the project. The surety was granted up to the amount of EUR 838 thousand and is valid till the termination of the contract.
- q) Due to conclusion of a contract for fuel cards service signed by CA Consulting S.A., a subsidiary of Comarch S.A., Comarch S.A. granted a surety for the benefit of an operator of fuel cards in order to guarantee the fulfilment of any obligations resulting from this contract by CA Consulting S.A. The total amount of granted surety is PLN 50 thousand and is valid till the 31st of May, 2017.
- r) Due to conclusion of a framework agreement signed by branch of Comarch AG in Belgium with a customer, Comarch S.A. granted a surety for liabilities of Comarch AG. The surety was granted up to the amount of the agreement, i.e. EUR 3,241 thousand and is valid till the termination of the project.

- s) Due to conclusion of a contract for implementation of Comarch Loyalty Management For Airlines, Comarch Smart Analytics and Comarch Customer Engagement Platform-Gamification, as well as the maintenance and management of the system by Comarch Middle East FZ-LLC, a subsidiary of Comarch S.A., Comarch S.A. granted a surety („Parent Guarantee”) for the liabilities of Comarch Middle East FZ-LLC resulting from this project. The surety was granted up to the amount of the signed agreement, i.e. USD 5,000 thousand and is valid 5 years.
- t) Due to conclusion of a contract for implementation of Comarch Customer Engagement Platform by Comarch Middle East FZ-LLC, a subsidiary of Comarch S.A., Comarch S.A. granted a surety („Parent Guarantee”) for the liabilities of Comarch Middle East FZ-LLC resulting from this project. The contract was concluded for five years. The surety is valid until fulfilment by Comarch Middle East FZ-LLC of all obligations under the contract and has been granted up to a maximum liability of the contract, i.e. USD 10,000 thousand.
- u) Due to conclusion of a contract for investment credit by Bonus Development sp. z o.o. SK-A, a subsidiary of Comarch S.A., with Bank Pekao S.A. under which the bank grants Bonus Development sp. o.o. SK-A funding in the amount of EUR 38,800 thousand (EUR 9,262 thousand on the date of signing the agreement) and due to the conclusion of the agreement on treasury transactions related to securing exchange rate risk and interest rate of above mentioned credit, Comarch S.A. granted a sureties for the liabilities of Bonus Development sp z o.o. SK-A resulting from these contracts. Sureties are valid until repayment of all obligations under the credit agreement, the maturity date is on the 28th of June, 2030.
- v) Due to conclusion of a contract by Comarch Chile SpA, a subsidiary of Comarch S.A., for IT Out-Tasking Services, Comarch S.A. granted a surety for liabilities of Comarch Chile SpA resulting from this contract. The surety was granted up to the amount of EUR 200 thousand and is valid till the termination of the project, i.e. the 30th of August, 2018.
- w) Due to conclusion of a contract by Comarch Polska S.A., a subsidiary of Comarch S.A., for service of fuel cards, Comarch S.A. granted a surety for the benefit of an operator of fuel cards for liabilities of Comarch Polska S.A. resulting from this contract. The surety was granted up to the amount of PLN 10 thousand and is valid till the 15th of September, 2015. The surety has been renewed and is valid until the 14th of September, 2017.
- x) Due to conclusion of a contract by Comarch AB, a subsidiary of Comarch S.A., for implementation and service of Loyalty Management Solutions, Comarch S.A. granted a surety for liabilities of Comarch AB. The surety is valid until fulfilment of all obligations under the contract by Comarch AB and was granted up to the amount of SEK 39,747 thousand.
- y) Due to conclusion of a contract by Comarch AB, a subsidiary of Comarch S.A., for implementation and service of Master Services Agreement, Comarch S.A. granted a surety for Comarch AB. The surety was granted up to the amount of PLN 3,827 thousand and is valid till the termination of the contract.
- z) Due to conclusion of a contract by Comarch UK, a subsidiary of Comarch S.A., for implementation and service of Comarch Loyalty Management, Comarch Campaign Management, Comarch Social Mining and Comarch Smart Analytics, Comarch S.A. granted a surety for Comarch UK. The surety was granted up to the amount of GBP 3,318 thousand and is valid till the termination of the contract.
- aa) Due to conclusion of a contract by Comarch Inc., a subsidiary of Comarch S.A., for implementation and service of Comarch Loyalty Management, Comarch S.A. granted a surety for Comarch Inc. The surety was granted up to the amount of USD 420 thousand and is expired due to termination of the contract.
- bb) Due to conclusion of a contract by Comarch Healthcare S.A., a subsidiary of Comarch S.A., the contract for service of payment cards, a surety for Comarch Healthcare S.A. was granted to the amount of PLN 450 thousand and is valid for the duration of the contract.

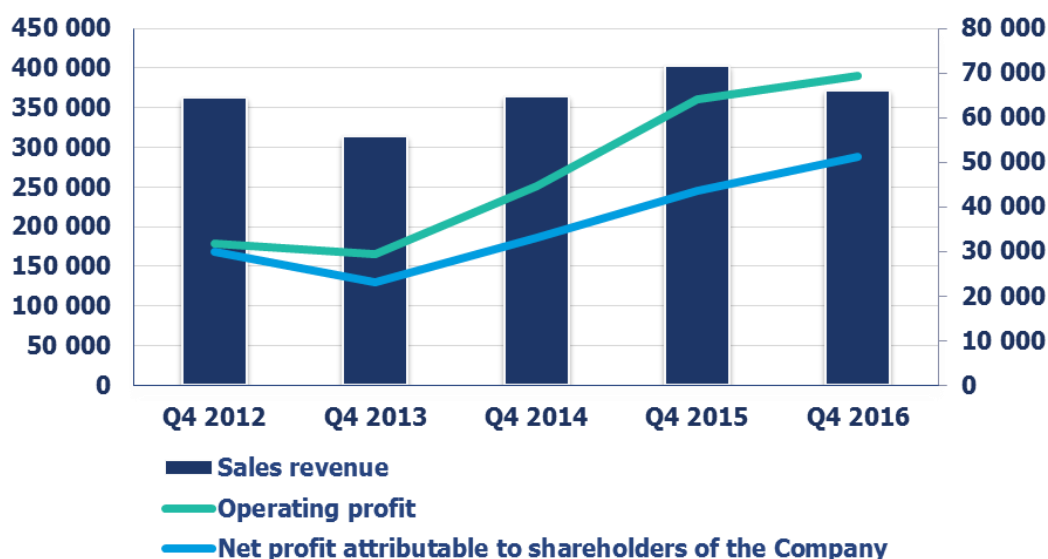
- cc) Due to conclusion of a contract by Comarch UK, a subsidiary of Comarch S.A., the contract for service of payment cards, a surety for Comarch UK was granted to the amount of PLN 330 thousand and is valid for the duration of the contract.
- dd) Due to conclusion of a contract by Comarch Software und Beratung AG, a subsidiary of Comarch S.A., the contract for implementation and service of Telco BSS and Telco OSS, a surety for Comarch Software und Beratung AG was granted to the amount of EUR 9,570 thousand and is valid for the duration of the contract.
- ee) Due to conclusion of by Thanks Again LLC, an associate of Comarch S.A., an agreement to rent office with a client, a surety for Thanks Again LLC was granted to the amount of USD 544 thousand and is valid for the duration of the contract.
- ff) Due to conclusion of a contract by Comarch SAS, a subsidiary of Comarch S.A., the contract for implementation of Comarch Loyalty Management service, a surety for liabilities of Comarch SAS was granted to the amount of EUR 2,414 thousand and is valid for the duration of the contract.

4.9. Other Information Significant for the Assessment of Means and Employees, Financial Rating, Financial Results and Their Changes and Information Significant for the Assessment of the Possibility of the Execution of Obligations by the Issuer

None present.

5. Significant Achievements and Failures as well as Factors and Events with Considerable Impact on the Financial Results of the Comarch Group in the Fourth Quarter of 2016 and Factors Which Will Substantially Impact Results Over the Course of at least the Next Quarter

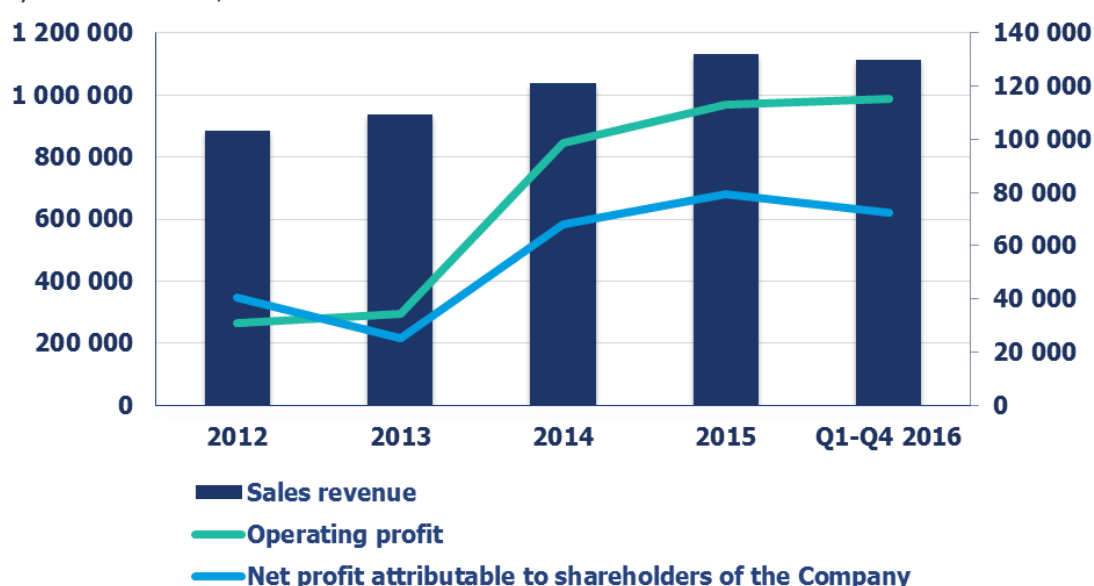
5.1. Revenues and Financial Results



In the fourth quarter of 2016, the Comarch Group generated sales revenue in the amount of PLN 372.1 million. They were lower by PLN 30.6 million, i.e. 7.6% than those achieved in the fourth quarter of 2015. Operating result amounted to PLN 69.4 million and was higher by PLN 5.2 million, i.e. 8.0% than in Q4 2015. Net result attributable to the shareholders of the parent company was PLN +51.3 million and was higher by PLN 7.8 million, i.e. 18.0% compared to the fourth quarter of 2015. The EBIT margin was +18.6% and net margin amounted to +13.8%.

The financial results achieved in the fourth quarter of 2016 were affected by, among other things:

- decrease in revenues from sale of third-party solutions. Revenues from sale of third-party software fell by PLN 10.9 million, i.e. 56.4%, while sales of third-party hardware fell by PLN 18.0 million, i.e. 90.1%, which resulted in a decrease in the Group's revenue in the current period;
- significant decline in revenues from domestic sales (by PLN 58.9 million, i.e. 28.4%), partially covered by the dynamic growth of foreign sales (an increase of PLN 28.3 million, i.e. 14.5%);
- high profitability of core business activity, especially in the sale of services, affecting on an increase in gross margin of PLN 10.1 million;
- occurrence of positive exchange rate differences on receivables and payables related to a significant weakening of PLN against foreign currencies in late December 2016 that increased the operating result of the fourth quarter by PLN 3 million;
- negative result on financial activities in the amount of PLN 5.3 million, achieved mainly as a result of balance sheet valuation of the fair value of financial instruments hedging the exchange rate risk of the Group;
- change in the value of deferred tax assets and liabilities, which resulted in a reduction in net profit by PLN 4.7 million;



Within four quarters of 2016, the Comarch Group generated sales revenue in the amount of PLN 1,112 million. They were lower by PLN 19.1 million, i.e. 1.7% than in the similar period of 2015. Operating result amounted to PLN 115.1 million and was higher by PLN 2.1 million, i.e. 1.8% than within four quarters of 2015. Net result attributable to the shareholders of the parent company was PLN 72.3 million and decreased by PLN 7.3 million compared to the previous year. The EBIT margin was +10.3% and net margin amounted to +6.5%. During the described period, the Comarch Group generated EBITDA in the amount of PLN 178.1 million, i.e. higher by PLN 11.5 million than in the similar period of the previous year.

The level of EBIT margin and net margin over four quarters of 2016 were satisfactory, comparable to those in the previous year. The financial results achieved in the four quarters of 2016 were affected by, among other things:

- change in sales structure consisting in even greater focus on the sale of proprietary Comarch software solutions and limiting sales of third-party solutions. As a result, total sales revenue decreased by PLN 19.1 million, i.e. 1.7%, while revenue from sales of proprietary solutions increased (services and proprietary software) by PLN 54.4 million, i.e. 5.5%, while revenue from sales of third-party solutions decreased by PLN 75.1 million, i.e. by 71.7%;
- high growth of revenue from sales of services and proprietary software to customers in the trade and services industry;

- c) significant decline in revenue from sales to customers in the public sector (by 36.2%) and the medical sector (by 73.6%), which was caused by the slowdown in the settlement of public tenders;
- d) significant decrease in sales of proprietary finished products - in 2016 it fell by 62.7% compared to the corresponding period of 2015, due to significantly reduced supplies of proprietary products to customers in the public sector;
- e) consideration of an associate - Thanks Again, LLC - in the financial results under the equity method resulted in a decrease in the net result of the Group Comarch by PLN 8.3 million;
- f) high value of current income tax from legal entities, mainly related to the profitable activity of foreign subsidiaries in countries with high levels of CIT taxation - it caused a decrease in net profit by PLN 25.7 million;
- g) revenues from other operating activities of MKS Cracovia SSA in the amount of PLN 9.9 million, achieved mainly due to the disposal of non-financial fixed assets in the third quarter of 2016;

Costs associated with software development in the field of e-Health, telemedicine devices and new generation loyalty solutions (e.g. in cooperation with Thanks Again, LLC) will have in subsequent periods a significant impact on the increase in operating expenses and a decrease in the current financial result of the Comarch Group, while they will contribute in the future to increase of revenues generated in these business areas.

In 2016, employment level in the Comarch Group increased by 5.3%. As at the 31st of December, 2016, the Comarch Group (excluding MKS Cracovia SSA) hired 5,304 persons, i.e. 267 persons more than as at the 31st of December, 2015. It is related to the successful completion of the summer program of internships for students and undertaking permanent cooperation with its members.

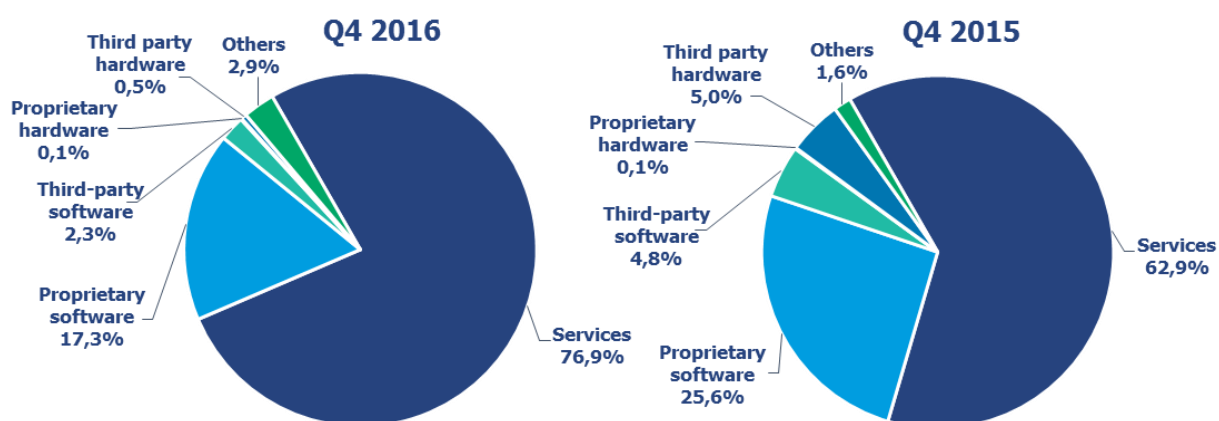
The financial results achieved on the Group's core activity, confirm the effectiveness of Group's strategy – a strategy that is based on:

- a) sales of IT solutions, most of which are developed in-house;
- b) sales development on international markets, especially in Western Europe and both Americas;
- c) stable improvement of operational performance through the ongoing improvement of procedures and cost rationalization;
- d) development of new technologies and business areas, especially in the medicine sector and Internet of Things (IoT);
- e) growing share in sales of IT in services model.

Comarch Group looks for new markets (for example in South America and Asia), continues investment in new IT products and services, as well as develops its IT infrastructure. Very good financial standing of the Comarch Group ensures safety of its activities during the unsteady macroeconomic situation both in Poland and worldwide. Group is aware of incurring high costs for development of new products and activities on foreign markets in order to further enhancement of Group's future competitive edge.

5.2. Sales Structure

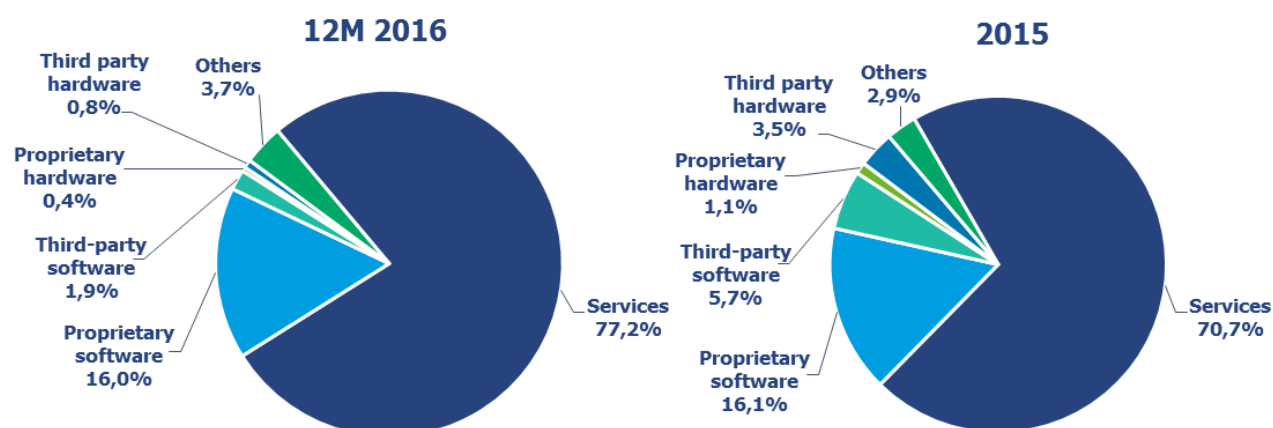
Products Sales Structure



In the fourth quarter of 2016, Group's sales of proprietary software was much lower than a year before – it fell by PLN 39.1 million, i.e. 37.8% - mainly due to the conclusion in Q4 2016 fewer new contracts for the sale of license than in the previous year, especially in the telecommunications sector on the South American market and in the trade and services sector of Western Europe market. The sales of services increased by PLN 33.2 million, i.e. 13.1%, due to completion of a significant number of projects in Q4 2016. A significant decrease occurred in the case of sales of third-party solutions: revenue from sales of third-party software fell by PLN 10.9 million, i.e. 56.4%, while third-party hardware by PLN 18.0 million, i.e. by 90.1%. This is consistent with a trend observed throughout 2016 and in line with the Group's strategy of focusing on the sale of proprietary Comarch solutions. Sale of proprietary finished products remained at a low level, the same as in Q4 2015. In Q4 2016 other sales increased by PLN 4.4 million, i.e. by 68.7%, as a result of increased revenues from medical and sports activities.

Products sales structure	Q4 2016	%	Q4 2015	%	Change in PLN	Change in %
Services	286,366	76.9%	253,190	62.9%	33,176	13.1%
Proprietary software	64,257	17.3%	103,314	25.6%	-39,057	-37.8%
Third-party software	8,446	2.3%	19,379	4.8%	-10,933	-56.4%
Proprietary hardware	214	0.1%	407	0.1%	-193	-47.4%
Third party hardware	1,989	0.5%	20,015	5.0%	-18,026	-90.1%
Others	10,830	2.9%	6,419	1.6%	4,411	68.7%
Total	372,102	100.0%	402,724	100.0%	-30,622	-7.6%

Over 12 months of 2016, Group's total sales of services and proprietary software grew by PLN 54.4 million, i.e. 5.5%). This is primarily a consequence of an increase in sales of services (an increase of PLN 58.5 million, i.e. 7.3%) sales of proprietary software decreased by PLN 4.1 million, i.e. 2.3%. Total share of sales of services and proprietary software in total sales amounted to 93.2%, which is a record result for the Group. Total sales of third-party software and computer hardware decreased by PLN 75.1 million, i.e. 71.7%, and they amounted to PLN 29.6 million, which constitutes 2.7% in total sales. This is the result of reduced deliveries of third-party software to customers in the domestic market.

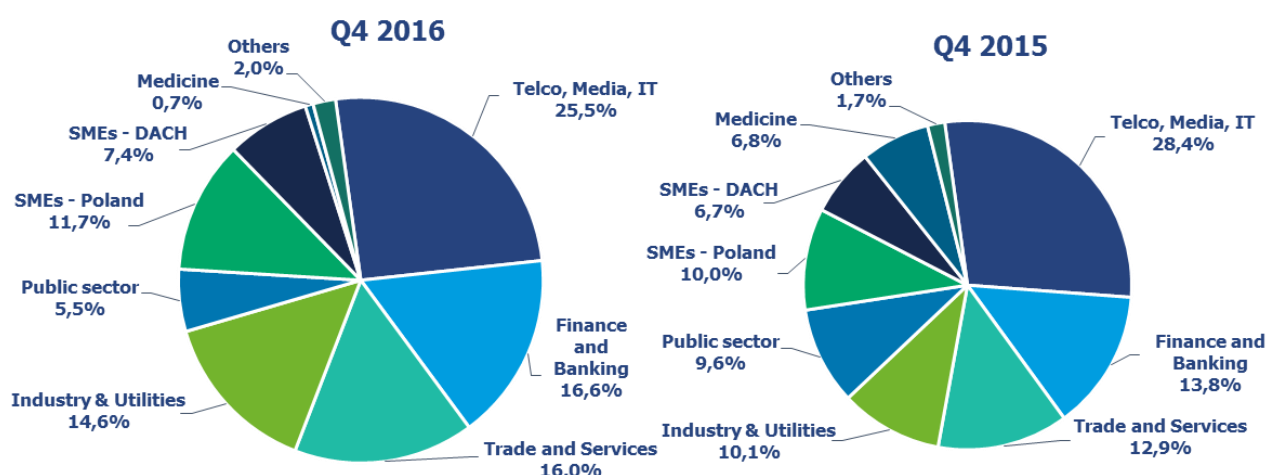


Within quarters of 2016, sales of finished goods decreased by PLN 7.4 million, i.e. 62.7% compared to the same period in 2015, due to the significant reduction of supplies of proprietary products to customers in the public sector. Other sales grew by PLN 9.0 million, i.e. 27.4%, due to increased revenues from medical and sports activities. Within 12 months 2016, products sales structure was characterized by continuous increase in sales of proprietary solutions. This is related, among others, to the ongoing changes into business model of services in sales of IT solutions.

Products sales structure	Q1-Q4 2016	%	2015	%	Change in PLN	Change in %
Services	858,597	77.2%	800,062	70.7%	58,535	7.3%
Proprietary software	178,158	16.0%	182,286	16.1%	-4,128	-2.3%
Third-party software	21,127	1.9%	64,989	5.7%	-43,862	-67.5%
Proprietary hardware	4,408	0.4%	11,804	1.1%	-7,396	-62.7%
Third party hardware	8,518	0.8%	39,723	3.5%	-31,205	-78.6%
Others	41,684	3.7%	32,716	2.9%	8,968	27.4%
Total	1,112,492	100.0%	1,131,580	100.0%	-19,088	-1.7%

Market Sales Structure

In Q4 2016 revenues from sales of the Comarch Group to customers in the TMT sector amounted to PLN 94.8 million, which represents a decrease of PLN 19.6 million (i.e. 17.2%) compared to Q4 2015, which is mainly due to reduced sales of services to customers in DACH region. Customers in finance and banking sector bought products and services worth PLN 61.9 million, i.e. more about PLN 6.2 million (+11.2%) to that achieved in the corresponding period of the previous year.

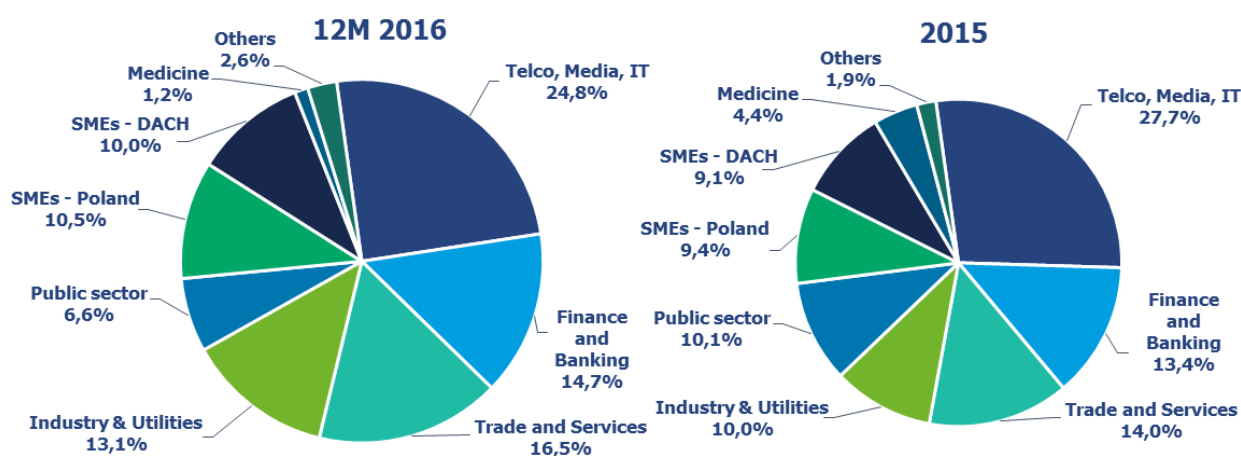


Sales to customers in the trade and services sector increased by PLN 7.6 million, i.e. 14.6%, and in case of customers in the industrial sector increased by PLN 13.7 million, i.e. 33.5% compared to Q4 2015 - in both cases it is due to increased sales of loyalty solutions and EDI to foreign customers in this sector.

Market sales structure	Q4 2016	%	Q4 2015	%	Change in PLN	Change in %
Telecommunications, Media, IT	94,829	25.5%	114,473	28.4%	-19,644	-17.2%
Finance and Banking	61,875	16.6%	55,651	13.8%	6,224	11.2%
Trade and Services	59,647	16.0%	52,041	12.9%	7,606	14.6%
Industry & Utilities	54,410	14.6%	40,751	10.1%	13,659	33.5%
Public sector	20,430	5.5%	38,552	9.6%	-18,122	-47.0%
Small and Medium-Sized Enterprises - Poland	43,594	11.7%	40,179	10.0%	3,415	8.5%
Small and Medium-Sized Enterprises - DACH	27,544	7.4%	26,886	6.7%	658	2.4%
Medicine	2,555	0.7%	27,439	6.8%	-24,884	-90.7%
Others	7,218	2.0%	6,752	1.7%	466	6.9%
Total	372,102	100.0%	402,724	100.0%	-30,622	-7.6%

In the fourth quarter of 2016 there was a further decrease in revenue from sales to customers in public and medical sectors (respectively 47.0% and 90.7%), which is the result of stagnation in the public procurement market observed throughout 2016. There was a stable development in sales to customers in the small and medium-sized enterprises in Poland and in the DACH region. The increase in sales amounted to PLN 3.4 million (i.e. 8.5%) and PLN 0.7 million (i.e. 2.4%) respectively.

Within 12 months of 2016 there has been a relevant drop in sales (by PLN 41.4 million, i.e. 36.2%) to customers in the public sector, which is associated with a reduction of purchases by customers in this sector, due to transition restrictions in access to EU funding, but also reduced supplies of proprietary finished products of the Group. The public sector was responsible for 6.6% of Group revenues in the reporting period. Revenues from sales of the Comarch Group to customers in the TMT sector amounted to PLN 276.3 million, which represents a decrease of PLN 37.0 million (i.e. 11.8%) in relation to the comparative period, due to decrease in the number of supplies of third-party software on the domestic market and revenues from sales of proprietary solutions to customers in the DACH region. Their share in total sales was 24.8%, therefore the TMT sector remains the largest sector in terms of sales revenue. Customers in finance and banking sector bought products and services with a value higher by PLN 12.7 million (i.e. 4.8%) than achieved in the corresponding period of the previous year. The share of this sector in total revenues amounted to 14.7%. Strong revenue growth was recorded in case of customers in the trade and services sector (by PLN 24.3 million, i.e. 15.3% - the share of this sector in total revenues increased to 16.5%), but also in case of customers in industry&utilities sector, which revenues grew by PLN 33.3 million, i.e. 29.5% and accounted for 13.1% of total sales. This is a result of significant sales achievements in these segments in international markets in terms of loyalty solutions and EDI. There was a stable development in sales to customers in the small and medium-sized enterprises in Poland (PLN 10.0 million, i.e. 9.3%). In case of MSP customers in the DACH region the revenues increased by PLN 8.7 million, i.e. 8.5% in relation to the level of the previous year. The value of sales to customers in the medical sector within 12 months of 2016 amounted to PLN 13.2 million, which means a decrease by PLN 36.8 million, i.e. 73.6%. It is the result of a smaller number of the projects related to computerization of health professionals, particularly regional projects of IT-development of hospitals. An increase in other sales (PLN 7.2 million, i.e. 32.5%) is the result of increased sales revenue from sports activities.



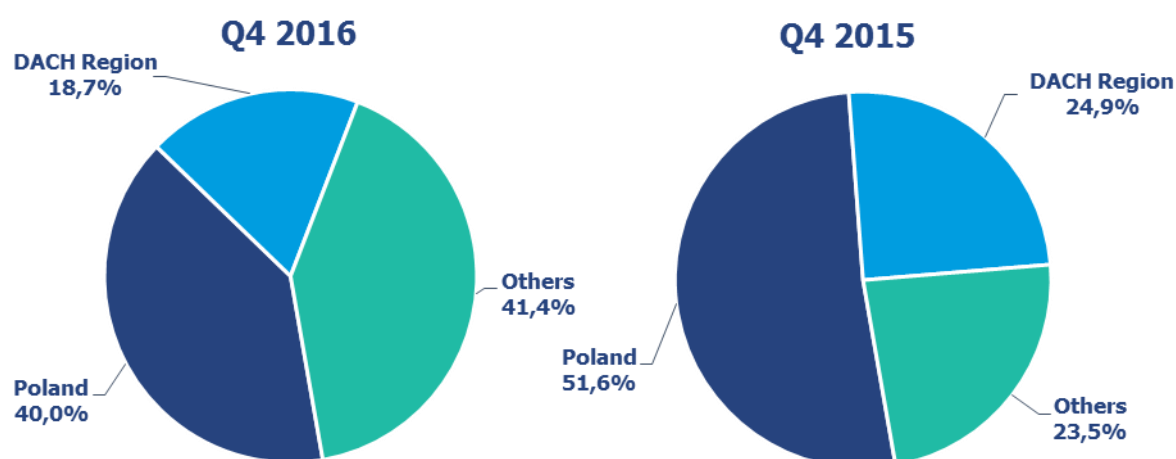
Regardless of periodic fluctuations in individual sectors of the economy, due to a wide customer portfolio and maintaining the diversification of revenue sources and offer, the Comarch Group has secured the opportunity to sustain stable business development.

Market sales structure	Q1-Q4 2016	%	2015	%	Change in PLN	Change in %
Telecommunications, Media, IT	276,312	24.8%	313,284	27.7%	-36,972	-11.8%
Finance and Banking	163,812	14.7%	151,122	13.4%	12,690	8.4%
Trade and Services	183,296	16.5%	159,032	14.0%	24,264	15.3%
Industry & Utilities	146,075	13.1%	112,805	10.0%	33,270	29.5%
Public sector	72,856	6.6%	114,240	10.1%	-41,384	-36.2%
Small and Medium-Sized Enterprises - Poland	116,566	10.5%	106,600	9.4%	9,966	9.3%
Small and Medium-Sized Enterprises - DACH	111,223	10.0%	102,547	9.1%	8,676	8.5%
Medicine	13,184	1.2%	49,940	4.4%	-36,756	-73.6%
Others	29,168	2.6%	22,010	1.9%	7,158	32.5%
Total	1,112,492	100.0%	1,131,580	100.0%	-19,088	-1.7%

Geographical sales structure (customers)

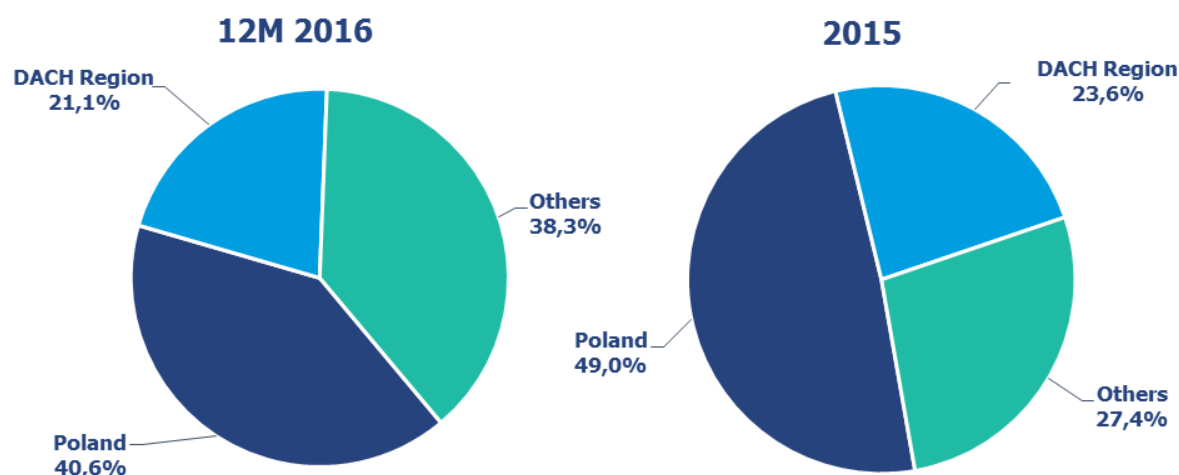
Geographical sales structure	Q4 2016	%	Q4 2015	%	Change in PLN	Change in %
Domestic (Poland)	148,791	40.0%	207,678	51.6%	-58,887	-28.4%
Export	223,311	60.0%	195,046	48.4%	28,265	14.5%
Total	372,102	100.0%	402,724	100.0%	-30,622	-7.6%

In the fourth quarter of 2016, Group's export sales amounted to PLN 223.3 million and increased by PLN 28.3 million, i.e. 14.5% compared to those in Q4 2015. Domestic sales decreased by PLN 58.9 million, i.e. 28.4% compared to Q4 2015.

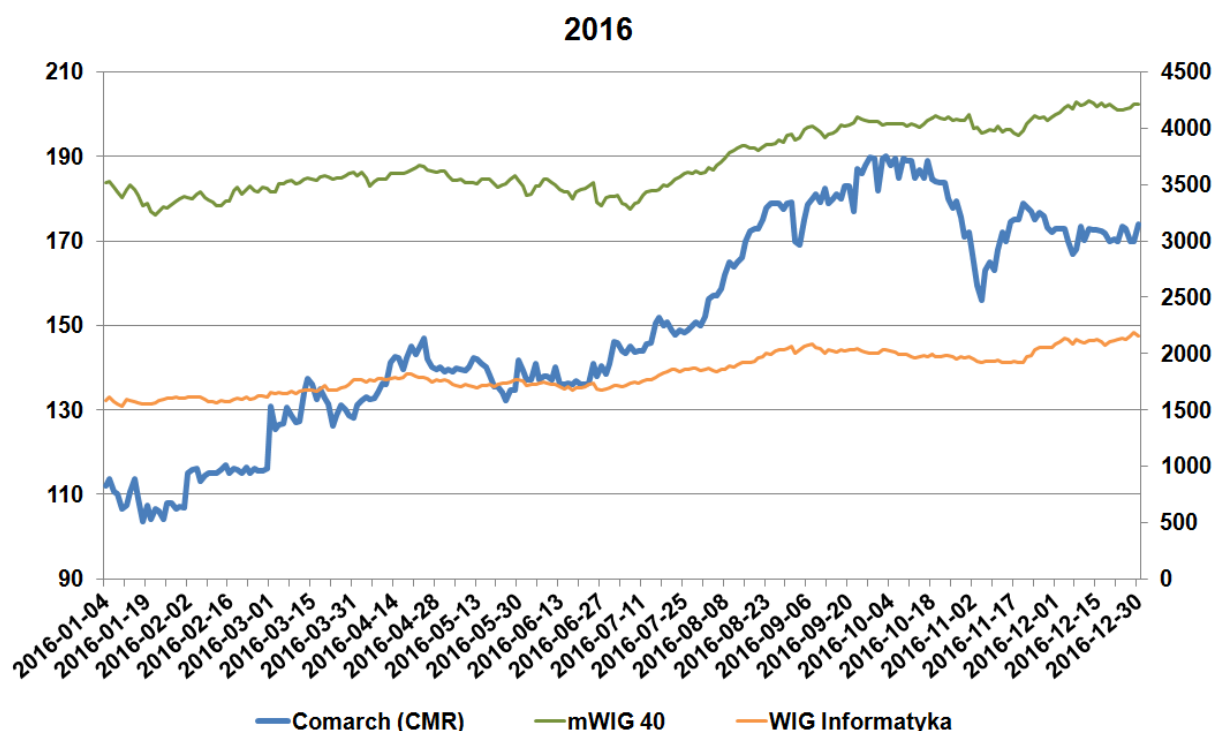


Within 12 months of 2016, Group's export sales grew dynamically contrary to its domestic sales. Export sales amounted to PLN 660.8 million and were higher by PLN 83.3 million, i.e. 14.4% compared to those in the previous year. Domestic sales dropped by PLN 102.4 million, i.e. 18.5%. As a consequence, share of export sales in total sales grew from 51.0% to 59.4% in a reporting period.

Geographical sales structure	Q1-Q4 2016	%	2015	%	Change in PLN	Change in %
Domestic (Poland)	451,704	40.6%	554,058	49.0%	-102,354	-18.5%
Export	660,788	59.4%	577,522	51.0%	83,266	14.4%
Total	1,112,492	100.0%	1,131,580	100.0%	-19,088	-1.7%



5.3. Comarch S.A. Stock Price Performance



On the 31st of December, 2016, the closing rate of Comarch S.A. shares in the Warsaw Stock Exchange amounted to PLN 174.00 and increased by 52.6% compared to PLN 114.05 on the 31st of December, 2015. Group's results and Comarch S.A. stock price in the next quarters will depend in large part on the

development of sales of Comarch proprietary products and services, shaped by economic and political conditions on the Polish and the European markets and on the financial situation of medium-sized and large enterprises (which constitute the Group's clients base). Currency exchange rates (EUR/PLN, USD/PLN, GBP/PLN, BRL/PLN) and the rate of increase in the remuneration of IT employees will also have significant impact on Group's results and Comarch S.A. stock price.

	12 months ended 31 December 2016 / 31 December 2016	12 months ended 31 December 2015 / 31 December 2015
Closing price at the balance sheet date	174.00	114.05
Average price during the reporting period	149.82	123.47
MIN price during the reporting period	103.70	103.20
MAX price during the reporting period	190.00	142.00
Average volume during the reporting period	6,314	4,796
Capitalization at the balance sheet date	1,415,202,726	927,608,453
<i>Ratios for unconsolidated data</i>		
P/E at the balance sheet date	31.46	16.09
P/BV at the balance sheet date	1.84	1.27
P/S at the balance sheet date	1.89	1.24
<i>Ratios for consolidated data</i>		
P/E at the balance sheet date	19.57	11.64
P/BV at the balance sheet date	1.67	1.21
P/S at the balance sheet date	1.27	0.82

5.4. Events in the Fourth Quarter of 2016 that Greatly Impacted the Current Activities of the Comarch Group

None present.

5.5. Events after the Balance Sheet Date that Greatly Impacted the Current Activities of the Comarch Group

None present.

QUARTERLY SUMMARY OF COMARCH S.A. FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF 2016

I. Balance Sheet

ASSETS	31 December 2016	30 September 2016	31 December 2015
I. NON-CURRENT ASSETS	702,049	691,319	689,344
1. Intangible assets	8,453	8,517	10,469
2. Property, plant and equipment	296,478	280,985	258,116
3. Non-current investments	389,515	394,090	412,612
3.1. Non-current financial assets	361,299	365,504	382,917
a) in related parties	360,447	363,205	382,358
b) in other entities in which the Company holds equity interests	360	390	480
c) in other entities	492	1,909	79
3.2 Real estates	28,173	28,543	29,652
3.3 Other non-current investment	43	43	43
4. Non-current prepayments	7,603	7,727	8,147
4.1 Deferred income tax assets	6,510	6,100	7,348
4.2 Other accruals	1,093	1,627	799
II. CURRENT ASSETS	460,473	370,203	427,964
1. Inventories	43,054	42,897	27,746
2. Current receivables	324,641	229,067	291,780
2.1 from related parties	181,040	125,468	148,358
2.2 from other entities in which the Company holds equity interests	587	466	233
2.3 from other entities	143,014	103,133	143,189
3. Current investments	55,488	48,178	71,127
3.1 Current financial assets	55,488	48,178	71,127
a) in related parties	351	241	-
b) in other entities in which the Company holds equity interests	204	172	110
c) in other entities	1,150	2,352	632
- interest and shares	1	1	1
- granted loans	-	-	-
- other current financial assets	1,149	2,351	631
d) cash and cash equivalents	53,783	45,413	70,385
4. Short-term prepayments	37,290	50,061	37,311
TOTAL ASSETS	1,162,522	1,061,522	1,117,308

EQUITY AND LIABILITIES	31 December 2016	30 September 2016	31 December 2015
I. EQUITY	771,107	749,018	731,905
1. Share capital	8,133	8,133	8,133
2. Supplementary capital	619,975	619,975	562,292
3. Revaluation reserve	97,301	95,091	103,052
4. Other reserve capitals	745	745	745
5. Previous years' profit (loss)	-	-	-
6. Net profit (loss)	44,953	25,074	57,683
II. LIABILITIES AND PROVISIONS FOR LIABILITIES	391,415	312,504	385,403
1. Provisions for liabilities	126,189	97,932	140,669
1.1 Provision for deferred income tax	23,830	23,681	25,412
1.2 Other provisions	102,359	74,251	115,257
a) current	102,359	74,251	115,257
2. Non-current liabilities	121,363	115,765	101,209
2.1 to related parties	16,520	17,456	3,530
2.2 to other entities in which the Company holds equity interests	-	-	-
2.3 to other entities	104,843	98,309	97,679
3. Current liabilities	125,060	85,226	131,535
3.1 to related parties	20,211	20,310	20,996
3.2 to other entities in which the Company holds equity interests	2,108	1,523	1,932
3.3 to other entities	101,174	61,411	107,152
3.4 Special funds	1,567	1,982	1,455
4. Accruals	18,803	13,581	11,990
4.1 Other accruals	18,803	13,581	11,990
a) current	18,803	13,581	11,990
TOTAL EQUITY AND LIABILITIES	1,162,522	1,061,522	1,117,308
Book value	771,107	749,018	731,905
Number of shares	8,133,349	8,133,349	8,133,349
Book value per single share (PLN)	94.81	92.09	89.99
Diluted number of shares	8,133,349	8,133,349	8,133,349
Diluted book value per single share (PLN)	94.81	92.09	89.99

II. Income Statement

For period 01.01 – 31.12.2016 and 01.01 – 31.12.2015	Q4 2016	12 months ended 31 December 2016	Q4 2015	12 months ended 31 December 2015
I. Net revenues from sales of products, goods and materials, including:	249,644	749,379	254,917	749,556
- revenues from related parties	94,679	227,122	106,340	234,825
1. Net revenues from sales of products	226,595	690,686	224,788	659,888
2. Net revenues from sales of goods and materials	23,049	58,693	30,129	89,668
II. Costs of products, goods and materials sold, including:	161,063	530,444	174,462	524,252
- to related parties	8,959	29,349	9,817	32,542
1. Manufacturing cost of products sold	138,969	476,120	147,223	440,435
2. Value of products, goods and materials sold	22,094	54,324	27,239	83,817
III. Gross profit (loss) on sales	88,581	218,935	80,455	225,304
IV. Costs of sales	22,610	66,857	31,360	76,706
V. Administrative expenses	25,102	56,247	22,402	53,663
VI. Profit (loss) on sales	40,869	95,831	26,693	94,935
VII. Other operating revenues	427	1,307	172	2,148
1. Profit on disposal of non-financial non-current assets	149	345	61	389
2. Other operating revenues	278	962	111	1,759
VIII. Other operating costs	6,488	19,170	(1,284)	13,706
1. Loss on disposal of non-financial non-current assets	-	-	-	-
2. Cost of works financed in part with subsidies	1,862	9,481	2,151	9,596
3. Revaluation of non-financial assets	3	9	-	-
4. Other operating costs	4,623	9,680	(3,435)	4,110
IX. Profit (loss) on operating activities	34,808	77,968	28,149	83,377
X. Financial revenues	(514)	6,388	1,786	7,620
1. Interest, including:	112	910	246	1,514
- from related parties	82	694	207	791
2. Dividends and share in profits	-	542	-	1,378
- from related parties	-	542	-	1,378
3. Profit on disposal of investment	(186)	1,383	-	-
4. Revaluation of financial assets	(3,876)	117	-	-
5. Other	3,436	3,436	1,540	4,728
XI. Finance costs	7,653	28,169	21,224	24,278
1. Interest	882	2,391	505	1,533
- from related parties	176	338	27	110
2. Revaluation of investments	7,843	25,335	19,485	19,705
3. Loss on disposal of investments	-	-	1,086	2,611
4. Other	(1,072)	443	148	429
XII. Profit (loss) on business activities	26,641	56,187	8,711	66,719
XIII. Gross profit (loss)	26,641	56,187	8,711	66,719
XIV. Income tax	6,762	11,234	5,108	9,036
XV. Net profit (loss)	19,879	44,953	3,603	57,683

	12 month ended 31 December 2016	12 months ended 31 December 2015
Net profit (loss) (annualised)	44,953	57,683
Weighted average number of shares 01.01.2016 – 31.12.2016	8,133,349	8,130,522
Earnings (losses) per single share (PLN)	5.53	7.09
Diluted weighted average number of shares 01.01.2016 – 31.12.2016	8,133,349	8,130,522
Diluted earnings (losses) per single share (PLN)	5.53	7.09

III. Changes in Equity

	Q4 2016	12 months ended 31 December 2016	Q4 2015	12 months ended 31 December 2015
I. Opening balance of equity	731,905	731,905	722,366	677,089
a) changes to adopted accounting principles (policies)	-	-	-	-
I. a. Opening balance of equity after adjustments	731,905	731,905	722,366	677,089
1. Opening balance of share capital	8,133	8,133	8,133	8,125
1.1 Changes in share capital	-	-	-	8
a) increases (due to)	-	-	-	8
- shares issue	-	-	-	8
1.2 Closing balance of share capital	8,133	8,133	8,133	8,133
2. Opening balance of supplementary capital	619,975	562,292	562,292	521,244
2.1 Changes in supplementary capital	-	57,683	-	41,048
a) increases (due to)	-	57,683	-	41,048
- profit-sharing for the previous years	-	57,683	-	41,048
2.2 Closing balance of supplementary capital	619,975	619,975	562,292	562,292
3. Opening balance of revaluation reserve	95,091	103,052	97,115	105,926
3.1 Changes in revaluation reserve	2,210	(5,751)	5,937	(2,874)
a) increases (due to)	(518)	1,349	(1,392)	674
- provision for deferred income tax due to certificates valuation	(518)	1,349	(1,392)	674
b) decreases (due to)	2,728	(7,100)	7,329	3,548
- balance sheet valuation of investment certificates	2,728	(7,100)	7,329	3,548
3.2 Closing balance of revaluation reserve	97,301	97,301	103,052	103,052
4. Opening balance of capital from merger	-	-	-	-
4.1 Closing balance of capital from merger	-	-	-	-
5. Opening balance of other reserve capitals	745	745	745	745
5.1 Closing balance of other reserve capitals	745	745	745	745
6. Opening balance of previous years' profit	-	57,683	-	41,049
a) changes to adopted accounting principles (policies)	-	-	-	-

6.1 Opening balance of previous years' profit after adjustments	-	57,683	-	41,049
a) decreases (due to)	-	57,683	-	41,049
- transferring the result from the previous years to capital	-	57,683	-	41,049
6.2 Closing balance of previous years' profit	-	-	-	-
7. Result for Q1-Q3 2016 (opening balance)	25,074	-	54,080	-
7.1 Net result for the period	19,879	44,953	3,603	57,683
7.2. Net result	44,953	44,953	57,683	57,683
II. Closing balance of equity	771,107	771,107	731,905	731,905
III. Equity including proposed profit-sharing (loss coverage)	771,107	771,107	731,905	731,905

IV. Cash Flow Statement

For period 01.01 – 31.12.2016 and 01.01 – 31.12.2015	Q4 2016	12 months ended 31 December 2016	Q4 2015	12 months ended 31 December 2015
A. Cash flows from operating activities				
I. Net profit (loss)	19,879	44,953	3,603	57,683
II. Total adjustments	(977)	(9,202)	77,113	32,083
1. Depreciation	8,525	35,301	8,954	31,504
2. Exchange gains (losses)	40	5	56	59
3. Interest and profit sharing (dividends)	528	1,060	176	(4)
4. (Profit) loss on investing activities	3,993	20,748	19,336	19,277
5. Change in provisions	27,739	(13,131)	53,813	11,664
6. Change in inventories	(157)	(15,307)	1,110	(6,900)
7. Change in receivables	(92,127)	(32,297)	(68,928)	(26,562)
8. Change in current liabilities, excluding credits and loans	32,365	(12,959)	40,738	5,618
9. Change in prepayments and accruals	18,117	7,378	21,858	(2,573)
10. Other adjustments	-	-	-	-
III. Net cash used in operating activities (I+/-II) – indirect method	18,902	35,751	80,716	89,766
B. Cash flows from investing activities				
I. Inflows	11,872	55,824	1,998	23,352
1. Disposal of property, plant and equipment and intangible assets	89	1,426	539	1,415
2. From financial assets, including:	11,783	54,398	1,459	21,937
a) in related parties	11,969	53,015	1,459	21,937
- repaid loans	2,732	26,013	1,179	20,039
- repaid interest on loans	297	1,671	280	520
- received loans	8,940	24,789	-	-
- received dividends	-	542	-	1,378

b) in other entities	(186)	1,383	-	-
- other proceeds from financial assets	(186)	1,383	-	-
3. Other investment proceeds	-	-	-	-
II. Outflows	(27,153)	(109,934)	(37,590)	(125,527)
1. Purchase of property, plant and equipment and intangible assets	(12,581)	(53,553)	(9,845)	(53,124)
2. Expenses for investment in real estates	-	(5)	(16)	(16)
3. For financial assets, including:	(14,572)	(56,376)	(27,729)	(72,387)
a) in related parties	(14,572)	(56,376)	(26,612)	(69,745)
- purchase of financial assets	(1,365)	(30,039)	(25,126)	(41,660)
- granted non-current loans	(3,083)	(14,230)	(1,486)	(28,085)
- repayment of loans from related parties	(9,853)	(11,579)	-	-
- repayment of interest on loans	(271)	(528)	-	-
b) in other entities	-	-	(1,117)	(2,642)
4. Other investment expenses	-	-	-	-
III. Net cash used in investing activities (I-II)	(15,281)	(54,110)	(35,592)	(102,175)
C. Cash flows from financing activities				
I. Inflows	9,577	27,644	76	11,967
1. Credits and loans	9,577	27,607	-	11,442
2. Net proceeds from shares issue	-	-	-	8
3. Repaid loans	-	30	69	491
4. Interest received on paid loans	-	7	7	26
5. Other financial inflows	-	-	-	-
II. Outflows	(4,769)	(25,925)	(4,013)	(16,042)
1. Dividends and other payments to owners	-	-	-	-
2. Expenses due to profit sharing but other than those to owners	-	-	-	(362)
3. Repayment of loans and credits	(4,214)	(23,715)	(3,550)	(13,260)
4. Interest	(555)	(2,210)	(463)	(1,920)
5. Granted loans	-	-	-	(500)
6. Other financial expenses	-	-	-	-
III. Net cash (used in)/generated from financing activities (I-II)	4,808	1,719	(3,937)	(4,075)
D. TOTAL net cash flow (A.III+/-B.III+/-C.III)	8,429	(16,640)	41,187	(16,484)
E. Balance sheet change in cash and cash equivalents, including:	8,370	(16,602)	41,135	(16,513)
- change in cash and cash equivalents due to exchange differences	(59)	38	(52)	(29)
F. Cash and cash equivalents opening balance	45,411	70,383	29,248	86,896
H. Closing balance of cash and cash equivalents (F+/-E), including:	53,781	53,781	70,383	70,383
- limited disposal	3,814	7,706	2,868	2,464

V. Additional Information and Commentary

1. Adopted Accounting Policies

This financial statement was prepared according to the Act passed on the 29th of September, 1994, on Accounting (unified text - Journal of Laws, 2016, pos. 1,047 and subsequent changes) and the requirements specified in the Regulation issued by the Minister of Finance on the 19th of February, 2009, concerning current and periodical information pertaining to companies listed on the stock exchange, as well as conditions for recognizing the equivalence of information required by legal regulations binding in a country which is not a member state (unified text - Journal of Laws, 2014, pos. 133 and subsequent changes).

A complete description of the adopted accounting principles was presented in the last annual financial statement, i.e. for the period from the 1st of January, 2015, until the 31st of December, 2015. If this financial statement for the 12 months ended the 31st of December, 2016, was prepared according to IFRS, the financial results would amount to PLN 44,356 thousand.

Earnings according to Act on Accounting	44,953
Depreciation of perpetual usufruct	(93)
Assets due to activity in the SEZ	(504)
Profit according to IFRS	44,356

2. Information about Significant Changes in Estimated Values, Including Information about Corrections due to Provisions, Provision and Deferred Income Tax Assets Mentioned in the Act on Accounting and about Write-Offs that Revaluated Asset Items

Over four quarters of 2016, Comarch S.A. created write-offs that revaluated goods, materials and finished products in the amount of PLN 33 thousand. The Company dissolved write-offs in the amount of PLN 23 thousand, which had been created in the previous years.

No hedges were made on inventories owned by the Company.

As at the 31st of December, 2016, in relation with payments of receivables, Comarch S.A. dissolved revaluating write-offs worth PLN 14,442 thousand and recognized write-offs worth PLN 15,710 thousand that revaluated bad debts. As at the 31st of December, 2016, Comarch S.A. created write-off for impairment of long-term financial assets (shares, stock) in the amount of PLN 24,456 thousand.

Due to the fact that the Company is taxed according to general principles and enjoys tax-exempt status, temporary differences in the tax yield may be realized within both of these activities. At the same time, the final determination within which of these activities (taxed or tax-exempt) the temporary differences will be realized is established on the basis of the annual settlement of income tax, after the end of the fiscal year. In 2016 an asset due to temporary differences in income tax worth PLN 1,608 thousand was recognized. A tax asset worth PLN 2,446 thousand and recognized as at the 31st of December, 2015, was dissolved in part. A provision for deferred income tax due to temporary differences was not recognized, but a provision in the amount of PLN 233 thousand was dissolved. The total effect of these operations on the result of 2016 was minus PLN 605 thousand.

Provision for deferred income tax related to valuation of investment certificates in CCF FIZ was diminished by PLN 1,349 thousand. This provision as well as valuation of certificates are settled with revaluation reserve.

3. Selected Notes to the Summary Financial Statement

3.1. Non-current Financial Assets

	31 December 2016	30 September 2016	31 December 2015
a) in subsidiaries and correlated parties	360,447	363,205	382,688
- interest or shares	230,228	236,043	230,402
- loans granted	8,552	8,589	23,052
- other securities	121,688	118,457	128,284
- other non-current financial assets, including:	(21)	116	950
- interest on granted loans	(21)	116	950
b) in other entities in which the Company holds equity interests	360	390	150
- interest or shares	150	150	150
- loans granted	210	240	-
c) in other entities	492	1,909	79
Total	361,299	365,504	382,917

3.2. Changes in Non-current Financial Assets (Types)

	Q4 2016	12 months ended 31 December 2016	Q4 2015	12 months ended 31 December 2015
a) Opening balance	365,504	382,917	379,581	345,891
- interests or shares	236,193	230,552	235,919	199,594
- loans granted	8,829	23,052	21,086	13,956
- other securities	118,457	128,284	120,955	131,833
- other non-current assets, including interest on granted loans	116	950	1,621	508
- others	1,909	79	-	-
b) increases (due to)	(3,122)	33,487	15,741	79,721
- purchases of shares in related parties	1,149	24,282	14,118	50,663
- loans granted to related parties	504	504	-	-
- loans granted to other entities	-	4,798	1,444	26,965
- due interest to non-current loans	-	-	30	390
- balance sheet valuation of non-current loans	51	638	76	670
- balance sheet and adjusted valuation of interest on loans	322	333	46	181
- valuation of forward contracts	5	35	(17)	-
- dissolution of write-offs on loans	(1,417)	413	44	79
- dissolution of write-offs on interest on loans	(3,848)	2,372	-	565
c) decreases (due to)	112	112	-	208
- repayment of related entities' loans	1,083	55,105	12,405	42,695

- repayment of other entities' loans in which the Company holds equity interest	2,733	19,664	59	18,919
- repayment of related parties' interest on loans	-	30	60	60
- change in the nature of loans on short-term (related entities)	297	1,673	122	362
- change in the nature of loans on short-term (other entities in which the Company holds equity interests)	-	241	-	-
- valuation of participation units in CCF FIZ	-	60	-	-
- revaluation of shares	(2,727)	7,100	(7,329)	3,549
- redemption of loans in related parties	6,964	24,456	19,485	19,705
- redemption of interest on loans in related parties	-	664	-	-
- balance sheet and adjusted valuation of interest on loans	2	14	-	-
- balance sheet valuation of loans and exchange differences realised in relation to repaid loans and from the balance sheet valuation	-	-	(2)	26
- creating revaluation write-offs on loans to related parties	(6,192)	1,134	(26)	-
- creating revaluation write-offs on interest on loans to related parties	6	69	36	74
d) Closing balance	361,299	361,299	382,917	382,917

3.3. Current Financial Assets

	31 December 2016	30 September 2016	31 December 2015
a) in related parties	351	241	-
- loans granted	322	241	-
- other financial assets	29	-	-
b) in other entities in which the Company holds equity interests	204	172	110
- loans granted	200	170	110
- other financial assets	4	2	-
c) in other entities	1,150	2,352	632
- loans granted	-	-	-
- interest or shares	1	1	1
- other current financial assets, including:	1,149	2,351	631
- forward contracts	1,149	2,351	631
d) cash and cash equivalents	53,783	45,413	70,385
- cash in hand and at banks	53,781	45,411	70,383
- other monetary assets	2	2	2
Total	55,488	48,178	71,127

4. A Brief Description of Significant Achievements or Failures of the Issuer during the Period Covered by the Report, Including a List of the Most Significant Events Related to Such Achievements or Failures

During the first four quarters of 2016, Comarch S.A. reached very favorable financial results. Revenue from sales were at the similar level as compared to the previous year (PLN 749.4 million compared to PLN 749.6 thousand in 2015). Net sales of products constituted 92.2% of total Company's sales and were higher by PLN 30.8 million, i.e. 4.7% more compared to those in 2015. In the four quarters of 2016, the Company's operating profit amounted to PLN 78.0 million and net profit was PLN 45.0 million. EBIT margin amounted to 10.4% and net margin was 6.0%.

In the fourth quarter of 2016, Comarch S.A. reached revenue in the amount of PLN 249.6 million, i.e. an decrease of 2.1% compared to the similar period in 2015. Net sales of products constituted 90.8% of total sales of the Company and were higher by PLN 1.8 million than in the similar period of 2015. The Company's operating profit achieved in Q4 2016 amounted to PLN 34.8 million, and net profit was PLN 19.9 million. EBIT margin was 13.9% and net margin was 8.0%.

5. Factors and Events of Unusual Nature with Significant Effects on the Achieved Financial Results

None were present, except for the ones described in [point 2](#) of the financial statement.

6. Discussion of Seasonality of the Issuer's Business in the Period Presented

Over 2016, Comarch Group revenue structure was as follows: 22% of annual sales were achieved in the first quarter, 24% in the second quarter, 21% in the third quarter and 33% in the fourth quarter. Over 2017, the Company expects the distribution of sales revenue similar to that of 2016.

7. Information about Write-Offs that Revaluated Inventories at the Net Realizable Value and Reversal Referred to Them

Over four quarters of 2016, Comarch S.A. created write-offs that revaluated goods and materials and finished products in the amount of PLN 33 thousand. The Company resolved write-offs in the amount of PLN 23 thousand, which had been created in the previous years.

8. Information about Revaluating Write-Offs in Relation to Impairment of Financial Assets, Property, Plant and Equipment, Intangible Assets or Other Assets and about Reversal Referred to Them

Revaluating write-offs in relation to impairment of	Financial assets	Property, plant and equipment	Intangible assets	Other assets	Total
At 1 January 2015	37,933	2,914	-	-	40,847
Change:	19,706	(39)	-	-	19,667
- creation	19,706	-	-	-	19,706
- dissolution	-	(39)	-	-	(39)
At 31 December 2015	57,639	2,875	-	-	60,514
At 1 January 2016	57,639	2,875	-	-	60,514
Change:	24,456	(2,875)	-	-	21,581
- creation	24,456	-	-	-	24,456
- dissolution	-	(2,875)	-	-	(2,875)
At 31 December 2016	82,095	-	-	-	82,095

9. Information about Creation, Increasing, Using and Dissolution of Provisions

Current	Provisions for contracts costs	Provisions for contractual penalties and other claims	Provisions for leaves	Provisions for cash rewards	Total
At 1 January 2015	18,610	8,694	14,593	61,711	103,608
Change:	(936)	570	1,609	10,406	11,649
- creation	13,928	3,203	10,010	85,485	112,626
- dissolution	(14,864)	(2,633)	(8,401)	(75,079)	(100,977)
At 31 December 2015	17,674	9,264	16,202	72,117	115,257
At 1 January 2016	17,674	9,264	16,202	72,117	115,257
Change:	(6,859)	244	2,271	(8,554)	(12,898)
- creation	6,912	418	12,465	74,812	94,607
- dissolution	(13,771)	(174)	(10,194)	(83,366)	(107,505)
At 31 December 2016	10,815	9,508	18,473	63,563	102,359

All provisions were calculated based on credible estimate as of the balance sheet date.

10. Information about Provisions and Assets in Reference to Deferred Income Tax

	Asset due to deferred income tax	Provision due to deferred income tax
At 1 January 2015	6,733	26,071
Creation in Q1-Q4 2015	1,094	73
Dissolution in Q1-Q4 2015	(479)	(732)
At 31 December 2015	7,348	25,412
At 1 January 2016	7,348	25,412
Creation in Q1-Q4 2016	1,608	-
Dissolution in Q1-Q4 2016	(2,446)	(1,582)
At 31 December 2016	6,510	23,830

11. Information about Significant Transactions of Purchase and Sale of Property, Plant and Equipment

During the reporting period, Comarch S.A. purchased computer hardware for the amount of PLN 28,256 thousand, land for the amount of PLN 3,756 thousand and intangible assets for the amount of PLN 2,674 thousand. The Company also incurred expenditures for the construction of an office building in the amount of PLN 13,531 thousand, construction of production hall in the amount of PLN 4,560 thousand and IoT laboratory in the amount of PLN 10,495 thousand.

In 2016, revenue from sales of property, plant and equipment amounted to PLN 791 thousand.

12. Information about Liability in Relation to Purchase of Property, Plant and Equipment

As at the of 31st of December, 2016, Comarch S.A. holds an investment liabilities amounted to PLN 14,056 thousand related to the construction of an office building SSE7 and production hall in Krakow, liability due to purchase of computer hardware in the amount of PLN 2,039 thousand and liability due to purchase of intangible assets in the amount of PLN 581 thousand.

Comarch S.A. also has liability due to acquisition of shares in the increased capital in its subsidiary, Comarch Pointshub Inc., in the amount of PLN 3,720 thousand. Settlement of this obligation is provided for the 31st of December, 2017.

13. Information about Significant Settlements in Reference to Court Proceedings

None present.

14. Corrections of Mistakes from the Previous Periods

None present.

15. Information in Relation to Changes in Economic Situation and Conditions for Operation, which Have a Significant Effect on Fair Value of an Entity's Financial Assets and Financial Liabilities Regardless of whether the Assets and the Liabilities Are Recognized in Fair Value or in Adjusted Purchase Price (Depreciated Cost)

None present.

16. Information about Unpaid Credits or Loans, as well as Breach of Significant Provisions of the Credit or Loan Agreements which Were Not Subject to Corrective Measures as of the Reporting Period

None present.

17. Information about One or More Transactions Concluded by the Issuer or Its Subsidiary with Related Parties, if Individually or in Total are Significant and Concluded on Terms Different from Market Conditions

None present.

18. In Case of Financial Instruments Valuated in Fair Value – Information about Changes in Method of Its Establishment

None present.

19. Information Related to Changes in Classification of Financial Assets as a Result of Changes in Their Purpose or Using of These Assets

None present.

20. Information on any Issue, Repurchase or Repayment of Debt and Equity Securities

None present.

21. Information on any Dividend Paid Out or Declared, Including Its Total and per Share Value, Separately for Ordinary and Preference Shares

None present.

22. Events that Occurred after the Date of Condensed Quarterly Financial Statement, which Are Not Included in the Financial Statement but May Significantly Affect the Future Performance of the Issuer

None present.

23. Information on any Changes in Contingent Liabilities or Contingent Assets which Have Occurred since the End of the Last Financial Year

On the 31st of December, 2016, the value of bank guarantees and letters of credit issued by banks on order from Comarch S.A. in reference to executed agreements and participation in tender proceedings was PLN 37,671 thousand, whereas it was PLN 48,740 thousand on the 31st of December, 2015.

Comarch S.A. is the defendant in legal proceedings in which the potential total amount of third party claims is PLN 61,224 thousand. Provisions for part of these claims were presented in the balance sheet as of the 31st of December, 2016 and are worth PLN 7,769 thousand (while provisions for claims relating to the court proceedings created in 2016 amounted to PLN 369 thousand). Comarch S.A. is the party to the matters in disputes but not legal proceedings, in which the potential total amount of third party claims is PLN 13,400 thousand. Above mentioned third parties claims, due to the low probability of execution, were not covered by provisions as at the 31st of December, 2016.

24. Other Information with Significant Effects on the Financial Condition Assessment and the Achieved Financial Results of the Issuer

None were present, except for the ones described in [point 2](#) of the financial statement.

Comarch S.A.

Al. Jana Pawła II 39a

31-864 Krakow



ir@comarch.com



+48 (12) 687 78 22

www.comarch.com/investors/