

Comarch S.A. Supervisory Board Report 2018

In 2018, there were the following members of the Supervisory Board:

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

The Supervisory Board sat 5 times in 2018 (5th of March, 21st of May, 25th of June, 10th of September, 26th of November). Additionally, the Audit Committee sat on 23rd of April, 24th of August, 26th of November.

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

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

The Supervisory Board's detailed scope of activities and the resolution considered in 2018 are set out in detail in the records from its sittings, which are to be found at the Company's headquarters in Krakow.

In connection with detailed principle no. II.Z.11. arising from the second part of the "Best Practice for GPW Listed Companies 2016", with the resolution 10/05/2018 of the 21st of May, 2018 the Supervisory Board of Comarch S.A. recorded a positive verdict with respect to the draft resolutions of the Annual General Shareholders' Meeting which took place on the 27th of June, 2018.

In line with detailed principle no. II.Z.1.14 arising from the first part of the "Best Practice for GPW Listed Companies 2016", Comarch S.A.'s 'Supervisory Board Report and Company's Assessment regarding 2017' was published at www.comarch.pl (English version at www.comarch.com). It included information on the work of its committees and an assessment of the company's situation with regard to an appraisal of the internal controlling and risk management systems vital to the company. The Supervisory Board assessed if there are relationships or circumstances, that may influence on the independence of a particular member of the Supervisory Board and the Supervisory

Board decided, that at least two members of the Supervisory Board meets the independence criteria set out in the detailed principle number II.Z.4 of the “Best Practice for GPW Listed Companies 2016”.

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

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

In 2018, BDO Sp. z o.o. Sp. k. (formerly BDO Sp. z o.o.) was the entity authorized to audit and review the financial statements of the company. The resolution of the Supervisory Board regarding selection of an auditor to provide auditing services for Comarch S.A.’s financial statements for 2017 and 2018 was concluded on the 29th of May, 2017. It is the opinion of the Supervisory Board that the entity authorized to audit and review the financial statements of Comarch S.A. and the Comarch Capital Group was selected within the terms of the prevailing law, and that the statutory auditors conducting them met the conditions required for expressing an unbiased and independent opinion in compliance with Polish law.

According to the Supervisory Board, the composition and diversity of the competence of the members of the Supervisory Board allow to effective and proper supervision of all areas of the company’s operations. The members of Supervisory Board are diverse both in terms of gender, age and education. They all have the knowledge and skills backed by years of professional experience. At least two members of the Supervisory Board meets the independence criteria set out in the detailed principle number II.Z.4 of the “Best Practice for GPW Listed Companies 2016”.

The Supervisory Board of Comarch S.A. assesses its work in 2018 as effective. Members of the Board fulfilled their duties with commitment, participating in most cases, at full strength in its meetings.

The Audit Committee (the equivalent of the Audit Committee within the meaning of Annex I to the Commission Recommendation of 15th of February, 2005 related to the non-executive directors (...)) operates in accordance with the Regulations of the Audit Committee of the Supervisory Board of Comarch S.A. adopted on 27th of November, 2017 with Resolution No. 2/11/2017 of the Audit Committee of Comarch S.A. and approved by the Supervisory Board. From 1st of January, 2018 to 31st of December, 2018, the Audit Committee consisted of: Danuta Drobniak as Chairman of the Audit Committee, Elżbieta Filipiak as a member of the Audit Committee and Robert Bednarski as a member of the Audit Committee. According to information possessed by the Company, two members of the Audit Committee fulfil independency conditions (Mrs. Danuta Drobniak and Mr. Robert Bednarski). Mrs. Danuta Drobniak (statutory auditor no. 9578 in register) and Mr. Robert Bednarski (work experience, including on the positions of the Director of the Finance Management Office at PKN ORLEN S.A., a member of the Management Board and Chief Financial Officer of Basell Orlen Polyolefins, Vice President of the Management Board for Economic and Financial Issues at Boryszew S.A., a member of ACCA since 2005) have knowledge and skills in the field of accounting or auditing of financial statements. The knowledge of the IT industry is possessed by Mrs. Elżbieta Filipiak (AGH graduate, one of the founders of Comarch S.A.) and Mr. Robert Bednarski (professional experience, among others a member of the Management Board of Ciech S.A., in which he was responsible for Finance and IT).

In 2018, the Audit Committee held 3 meetings and in particular dealt with:

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

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

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

In the opinion of the Supervisory Board, the Company in 2018 correctly fulfilled the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities.

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

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

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

Comarch S.A. for years takes a number of pro-social activities, among others, by active supporting the sport, taking patronage of cultural events, supporting the education and development of science and engaging in helping the neediest. The Supervisory Board assesses positively conducted by Comarch S.A. policy on sponsorship and charitable activities, realized among others by:

- continuation of cooperation with the St. Mary's church in Kraków under the project of revitalizing the musical space in the church and organization of the St. Mary's Organ Festival,
- Sponsoring the concert of Last Night of the Proms,
- Organization of subsequent editions of a grant competition known as #ComarchCares, in which groups of Comarch employees together with selected institution could submit projects supporting a local communities and contributing to solving the problems in areas such as: new technologies, ecology and animal protection, culture, education, sport, addiction prevention, activities for people with disabilities, marginalized children and young people, seniors,
- Graduation Project - an overview of the best diploma thesis for people from the Visegrád Group countries,
- Supporting the initiatives of the employees of Comarch the purpose of which is helping the sick and the poor,
- organization of tree planting action: employees of Comarch SA and their families planted 200 hornbeams and aesculus trees at Planty Park in Krakow,
- Supporting the 100th anniversary of the University of Science and Technology in Krakow,
- popularization of knowledge about ERP systems among universities and vocational schools with economic profiles through lending Comarch ERP systems in educational versions, ERP meetings and seminars for lecturers and students, vocational trips, trainings for teachers in the field of Comarch ERP systems, dedicated exercise books for economic schools, with a view to professional examinations for an economist technician,
- promoting healthy and active lifestyle among employees by encouraging employees to come by bicycle to work, providing bicycle infrastructure (dedicated parking spaces for bicycles, locker rooms, mobile workshops, service campaigns), support for employees participation in sports competitions, running events, organization of ComarchONrun running company races, ComarchONbike cycling races and ComarchONmove.

In the opinion of the Supervisory Board, the active operations taken by the Company in this respect are reasonable, benefit to society, and have a positive impact on the image of the Company.

**Annex no. 2 to Resolution no. 07/05/2019
of Comarch S.A. Supervisory Board**

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

The Supervisory Board delivered a positive opinion concerning the financial results of the Comarch S.A. in 2018 and its current financial standing. In 2018, the Company significantly increased the scale of its operations and improved its profitability. Revenue from sales increased by 27.9%, i.e. PLN 210.6 million compared to 2017, and reached PLN 966.1 million. Operating profit amounted to PLN 89.4 million, while net profit PLN 49.6 million. Operating profitability in 2018 amounted to 9.3%, while net profitability was 5.1%.

The Supervisory Board delivered a positive opinion to continue, in 2018, investment in new IT products and improvement of current products. Expenditures on research and development exceeded 15.1% of the Company's sales revenue, the Company allocated mainly its own funds. The Company intensively developed a new generation of loyalty systems and ERP systems, as well as activities in the field of IT solutions for medicine and the Internet of Things (Internet of Things). The Company also continued to improve the other products offered. In the past year, the Company put special emphasis on the development of sales of IT solutions in the service model - Comarch is one of the market leaders in this field. Comarch S.A. intensively develops a private cloud computing Comarch Enterprise Cloud Platform (IaaS and PaaS) with the highest security standards, based on the infrastructure of Comarch Data Centre. Thanks to this solution, Comarch products can be offered in an optimal way for customers, providing benefits from sharing IT infrastructure costs, increased efficiency, reliability and maximum flexibility. The Supervisory Board points out that investments in human capital remain the key element for the further development of the Company. At the end of 2018, the Company employed 4,679 people in Krakow and other national branches, thus being the largest Polish employer among IT companies. As every year, the student internship program has brought positive results, thanks to which Comarch S.A. is perceived as one of the first-choice employers in the domestic labour market in the IT industry.

The Supervisory Board considers it appropriate to continue to implement a growth strategy, based on diversification of activities between IT sectors, development and disposal on the global market of proprietary products. With a wide and comprehensive range of modern IT solutions and high-quality services, Comarch S.A. is now regarded as a first of the leading providers of IT products in Poland and one of the top software producer at the international markets. The Company is able to successfully acquire and implement the largest IT contracts. The Supervisory Board confirmed a rightness of setting up a new subsidiaries. Significant expenditures incurred in the development and maintenance of the global sales network for several years, have contributed to the growth of the international brand recognition and Comarch offer, which effectively supports offering the Company's solutions in new markets. Last year, Comarch S.A. established new subsidiaries - Comarch Mexico S.A. de S.V. with its registered office in Mexico, Comarch Yuhan Hoesa (Comarch Ltd.) with its registered office in Seoul and Comarch BV with its

registered office in Rotterdam. In 2018, Comarch (Thailand) Limited with its registered office in Bangkok has started its operating activity. For 2019, the Company plans to continue its expansion, both on the domestic market and on foreign markets.

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

In 2018, the Supervisory Board also conducted continuous analyses of risk areas connected with the Company's operations as well as assessing the way these risks were being managed by the Management Board.

The most significant operational risks in 2018 were identified as follows:

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

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

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

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

The Supervisory Board particularly appreciates the consistent implementation of the Company's mission of selling Polish engineers' innovative technical concept worldwide. The Supervisory Board also draws attention to the fact that beyond business activities, Comarch S.A. also conducts pro-social activities, supports non-governmental organizations and charities events, is a patron of culture, arts and sports. In 2018, Comarch S.A. continued to support the construction of new organs and the project of revitalizing the musical space at St. Mary's Basilica in Krakow.

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

The Supervisory Board delivered a positive opinion concerning the financial results of the Comarch Group in 2018 and its current financial standing. In 2018, the Group significantly increased the scale of its operations and improved its profitability. Revenue from sales increased by 21.7%, i.e. PLN 244.5 million compared to 2017, and reached PLN 1,370 million. Operating profit amounted to PLN 87.5 million, while net profit PLN 30.6 million. Operating profitability in 2018 amounted to 6.4%, compared to 5.2% in the previous year.

The Supervisory Board positively assesses investments in new products and improvement of existing IT products made by the Comarch Group in 2018. Expenditures on research and development has now exceeded 13.2% of sales revenue, they were financed mainly from own funds. The Group was intensively developing a new generation of loyalty, telecommunications and ERP systems, as well as, in the field of IT solutions for medicine and the Internet of Things (Internet of Things). The Group also continued to improve the other products offered. In the past year, the Group put special emphasis on the development of sales of IT solutions in the service model - Comarch is one of the market leaders in this field. Comarch Group intensely develops a private cloud computing Comarch Enterprise Cloud Platform (IaaS and PaaS) with the highest security standards, based on the infrastructure of Comarch Data Centre. Thanks to this solution, Comarch products can be offered in an optimal way for customers, providing benefits from sharing IT infrastructure costs, increased efficiency, reliability and maximum flexibility. The Supervisory Board points out that investments in human capital remain the key element for the further development of the Company. At the end of 2018, the Group employed over 6,000 people in Poland and abroad. As every year, the student internship program has brought positive results, thanks to which the Comarch Group is perceived as one of the first-choice employers in the domestic labour market in the IT industry.

The Supervisory Board considers it appropriate to continue to implement a growth strategy, based on diversification of activities between IT sectors, development and disposal on the global market of proprietary products. With a wide and comprehensive range of modern IT solutions and high-quality services, Comarch is now regarded as one of the top software producers on the international markets. The Group is able to successfully acquire and implement the largest IT contracts. In 2018, the Group successfully continued its growth strategy based on the diversification of its operations between various industry segments, the development of its own products and their sales on international markets. The Management Board emphasizes that the Group, by investing in subsidiaries for several years, incurs significant expenditures in expanding and maintaining the global sales network, thanks to which, international recognition of the Comarch brand and offer increases, which effectively supports the sales of the Group's solutions in new markets. In the previous year, the Group included new subsidiaries -

Comarch Mexico S.A. de S.V. with its registered office in Mexico, Comarch Yuhan Hoesa (Comarch Ltd.) with its registered office in Seoul and Comarch BV with its registered office in Rotterdam. In 2018, Comarch (Thailand) Limited with its registered office in Bangkok has started its operating activity. For 2019, the Group plans to continue its expansion, both on the domestic market and on foreign markets.

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In 2018, the Supervisory Board also conducted continuous analyses of risk areas connected with the Group's operations as well as assessing the way these risks were being managed by the Management Board.

The most significant operational risks in 2018 were identified as follows:

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

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

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

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

The Supervisory Board particularly appreciates the consistent implementation of the Group's mission of selling Polish engineers' innovative technical concept worldwide. The Supervisory Board also draws attention to the fact that beyond business activities, Comarch Group also conducts pro-social activities, supports non-governmental organizations and charities events, is a patron of culture, arts and sports – also outside

Poland. In 2018, Comarch Group continued to support the construction of new organs and the project of revitalizing the musical space at St. Mary's Basilica in Krakow.