

FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report Qsr 4 / 2017

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. 33 Item 259)
for issuers of securities managing production, construction, trade or services activities

for <u>4</u> quarter of financial year <u>2017</u>	from <u>2017-01-01 to 2017-12-31</u>
including consolidated financial statement according to	<u>International Financial Reporting Standards (IFRS)</u>
in currency	<u>PLN</u>
and summary of financial statement according to	<u>Act on Accounting (Journal of Laws 13.47.330)</u>
in currency	<u>PLN</u>
date of publication	<u>2018-03-01</u>

COMARCH SA	
(full name of an issuer)	
COMARCH	Information Technology (IT)
(abbreviated name of issuer)	(sector according to WSE classification)
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SELECTED FINANCIAL DATA	thousands of PLN		thousands of EURO	
	Q1-Q4 2017	Q1-Q4 2016	Q1-Q4 2017	Q1-Q4 2016
DATA RELATED TO THE CONSOLIDATED FINANCIAL STATEMENT				
I. Revenues from sales	1,101,588	1,112,813	259,521	254,317
II. Operating profit (loss)	34,466	116,893	8,120	26,714
III. Profit before income tax	63,157	104,777	14,879	23,945
IV. Net profit attributable to shareholders of parent company	43,087	73,034	10,151	16,691
V. Net cash flows from operating activities	63,367	93,974	14,928	21,476
VI. Net cash flows from investing activities	-116,605	-112,341	-27,471	-25,674
VII. Net cash flows from financing activities	39,443	27,567	9,292	6,300
VIII. Change in net cash flows	-13,795	9,200	-3,250	2,103
IX. Number of shares	8,133,349	8,133,349	8,133,349	8,133,349
X. Earnings (losses) per single share (PLN/EURO)	5.30	8.98	1.25	2.05
XI. Diluted earnings (losses) per single share (PLN/EURO)	5.30	8.98	1.25	2.05
DATA RELATED TO THE FINANCIAL STATEMENT				
XII. Net revenues from sales of products, goods and materials	755,996	749,213	178,104	171,221
XIII. Profit (loss) on operating activities	42,462	78,834	10,004	18,016
XIV. Gross profit (loss)	49,164	56,546	11,582	12,923
XV. Net profit (loss)	43,873	45,588	10,336	10,418
XVI. Net cash flows from operating activities	47,413	35,822	11,170	8,187
XVII. Net cash flows from investing activities	-87,846	-54,181	-20,695	-12,382
XVIII. Net cash flows from financing activities	35,473	1,719	8,357	393
XIX. Total net cash flow	-4,960	-16,640	-1,169	-3,803
XX. Number of shares	8,133,349	8,133,349	8,133,349	8,133,349
XXI. Earnings (losses) per single share (PLN/EURO)	5.39	5.61	1.27	1.28

XXII. Diluted earnings (losses) per single share (PLN/EURO)	5.39	5.61	1.27	1.28
EQUITIES	31.12.2017	31.12.2016		
XXIII. Equity attributable to shareholders (consolidated)	864,256	847,423	207,211	191,551
XXIV. Equity (parent company)	801,519	771,742	192,169	174,444

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 01.01.2017 to 31.12.2017: 4.2477;
- 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;

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

- 31.12.2017: 4.1709;
- 31.12.2016: 4.4240.

Values of equities (positions XXIII, XXIV) were presented as at the end of four quarters 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_2017.pdf	Qsr 4 2017

SIGNATURES

Date	Name and surname	Position	Signature
2018-03-01	Konrad Tarański	Vice-President of the Management Board	
2018-03-01	Maria Smolińska	Proxy	



**COMARCH CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD
FROM 1ST OF JANUARY 2017
TO 31ST OF DECEMBER 2017**

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

Krakow, 1st of March 2018

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**PLN 98.6
million of
EBITDA**

**Business
activities in
over 60
countries on 6
continents**

**PLN 1,102
million of
sales
revenue**

**52
subsidiaries
worldwide**

**Over
5,500
professionals
employed**

**58% share of
foreign sales in
revenue from
sales**

**PLN 1.5
billion of
Comarch S.A.
capitalisation
on WSE**

COMARCH GROUP CONSOLIDATED FINANCIAL STATEMENT FOR 12 MONTHS 2017

I. Consolidated Balance Sheet

ASSETS	Note	At 31 December 2017	At 31 December 2016
NON-CURRENT ASSETS			
Property, plant and equipment	3.2	554,827	501,111
Investment real estates	3.3	15,357	15,626
Goodwill	3.4	42,197	40,735
Other intangible assets	3.5	63,599	61,343
Non-current prepayments		3,243	1,118
Investments in associates	3.6	11,233	14,395
Other assets at fair value – derivative financial instruments	3.7a	2,904	492
Other investments		112	106
Deferred income tax assets	3.8	34,226	35,007
Other receivables		5,350	3,914
		733,048	673,847
CURRENT ASSETS			
Inventories	3.9	114,149	76,555
Trade and other receivables	3.10	393,066	406,721
Current income tax receivables		2,035	5,210
Long-term contracts receivables	3.11	40,473	39,960
Available-for-sale financial assets	3.12	-	-
Other financial assets at fair value – derivative financial instruments	3.7a	8,516	1,149
Interest and shares		-	1
Cash and cash equivalents		207,975	235,834
		766,214	765,430
Assets available-for-sale		3,861	5,598
TOTAL ASSETS		1,503,123	1,444,875

TOTAL EQUITY AND LIABILITIES	Note	At 31 December 2017	At 31 December 2016
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	3.13	8,133	8,133
Other capitals		143,041	143,041
Exchange differences		4,470	18,524
Net profit for the current period		43,087	73,034
Retained earnings		665,525	604,691
		864,256	847,423
Minority interest		16,165	14,641
TOTAL EQUITY		880,421	862,064
LIABILITIES			
Non-current liabilities			
Credit and loans	3.14	185,596	146,331
Other liabilities		6,928	5,278
Financial liabilities at fair value – derivative financial instruments	3.7b	736	2,537
Other financial liabilities	3.15	446	631
Provision for deferred income tax	3.8	43,782	42,144
Provisions for other liabilities and charges	3.16	-	-
		237,488	196,921
Current liabilities			
Trade and other payables	3.17	172,838	154,493
Current income tax liabilities		5,452	16,800
Long-term contracts liabilities	3.11	30,799	40,044
Credit and loans	3.14	39,111	28,469
Financial liabilities at fair value – derivative financial instruments	3.7b	509	2,350
Other financial liabilities	3.15	165	6,530
Provisions for other liabilities and charges	3.16	136,340	137,204
		385,214	385,890
TOTAL LIABILITIES		622,702	582,811
TOTAL EQUITY AND LIABILITIES		1,503,123	1,444,875

II. Consolidated Income Statement

	Note	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
Revenue		350,019	1,101,588	372,423	1,112,813
Cost of sales		(230,277)	(833,423)	(221,787)	(764,600)
Gross profit		119,742	268,165	150,636	348,213
Other operating income		(5)	17,493	3,525	39,063
Sales and marketing costs		(43,320)	(133,717)	(39,995)	(131,330)
Administrative expenses		(31,534)	(98,206)	(39,724)	(102,066)
Other operating expenses		(13,270)	(19,269)	(3,244)	(36,987)
Operating profit		31,613	34,466	71,198	116,893
Finance revenue - net		11,503	31,773	(9,077)	(3,809)
Share of profit / (loss) of associates		(622)	(3,082)	(1,693)	(8,307)
Profit before income tax		42,494	63,157	60,428	104,777
Income tax expense		(7,321)	(18,549)	(9,396)	(29,054)
Net profit for the period		35,173	44,608	51,032	75,723
Attributable to:					
<i>Shareholders of the parent company</i>		<i>35,858</i>	<i>43,087</i>	<i>51,997</i>	<i>73,034</i>
<i>Interests not entitled to control</i>		<i>(685)</i>	<i>1,521</i>	<i>(965)</i>	<i>2,689</i>
		35,173	44,608	51,032	75,723
Earnings per share for profit attributable to the shareholders of the parent company during the period (expressed in PLN per share)					
- basic	3.22		5.30		8.89
- diluted	3.22		5.30		8.89

III. Total Income Consolidated Statement

	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
Net profit for the period	35,173	44,608	51,032	75,723
Other total income				
Exchange differences from recalculation of subsidiaries	(5,957)	(14,051)	9,099	12,015
Total other total income	(5,957)	(14,051)	9,099	12,015
Sum of total income for the period	29,216	30,557	60,131	87,738
Attributable to the parent company shareholders	29,899	29,033	61,096	85,049
Attributable to the interests not entitled to control	(683)	1,524	(965)	2,689

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 2016	8,133	148,226	6,509	79,651	525,040	13,022	780,581
Transferring result for 2015	-	-	-	(79,651)	79,651	-	-
Increase in share capital	-	(5,185)	-	-	-	(1,070)	(6,255)
Dividend paid	-	-	-	-	-	-	-
Profit of subsidiaries dedicated to general partners outside Group	-	-	-	-	-	-	-
Capital from valuation of the managerial option	-	-	-	-	-	-	-
<i>Currency translation differences⁽¹⁾</i>	-	-	12,015	-	-	-	12,015
<i>Profit (loss) for the period⁽²⁾</i>	-	-	-	73,034	-	2,689	75,723
Total income recognised in equity ⁽¹⁺²⁾	-	-	12,015	73,034	-	2,689	87,738
Balance at 31 December 2016	8,133	143,041	18,524	73,034	604,691	14,641	862,064
Balance at 1 January 2017	8,133	143,041	18,524	73,034	604,691	14,641	862,064
Transferring result for 2016	-	-	-	(73,034)	73,034	-	-
Change in ownership structure	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(12,200)	-	(12,200)
Profit of subsidiaries dedicated to general partners outside Group	-	-	-	-	-	-	-
Capital from valuation of the managerial option	-	-	-	-	-	-	-
<i>Currency translation differences⁽¹⁾</i>	-	-	(14,054)	-	-	3	(14,051)
<i>Profit (loss) for the period⁽²⁾</i>	-	-	-	43,087	-	1,521	44,608
Total income recognised in equity ⁽¹⁺²⁾	-	-	(14,054)	43,087	-	1,524	30,557
Balance at 31 December 2017	8,133	143,041	4,470	43,087	665,525	16,165	880,421

Dividend in total amount of PLN 12,200 thousand was paid by the parent company to its shareholders on originally scheduled day, i.e. on the 11th of August, 2017.

V. Consolidated Cash Flow Statement

	12 months ended 31 December 2017	12 months ended 31 December 2016
Cash flows from operating activities		
Net profit	44,608	75,723
Total adjustments	38,142	38,983
Share in profits (losses) of subsidiaries valued using the equity method	3,082	8,307
Depreciation	64,158	63,008
Profit (loss) from foreign exchange differences	(1,340)	822
Interest and profit sharing (dividends)	3,734	(2,029)
Profit (loss) on investing activities	(4,032)	(6,950)
Change in inventories	(33,959)	(19,346)
Change in receivables	(29,791)	10,298
Change in liabilities and provisions excluding credits and loans	36,293	(15,127)
Other adjustments	(3)	-
Net profit less total adjustments	82,750	114,706
Income tax paid	(19,383)	(20,732)
Net cash generated (used) in operating activities	63,367	93,974
Cash flows from investing activities		
Purchases of property, plant and equipment	(123,867)	(104,450)
Proceeds from sale of property, plant and equipment	12,635	4,147
Purchases of intangible assets	(17,053)	(19,322)
Proceeds from disposal of investment in real estate and intangible assets	9,407	11,157
Expenses for purchase of financial assets	(6,310)	(7,856)
Proceeds from sale of financial assets	13,082	3,043
Expenses for investment in real estates	(2,118)	(6,097)
Granted loans	(4,624)	(60)
Paid loans	2,090	6,591
Interest	267	531
Other expenses for financial assets	1	-
Other investment proceeds	47	75
Other investment expenses	(162)	(100)
Net cash generated (used) in investing activities	(116,605)	(112,341)
Cash flows from financing activities		
Dividends and other payments to owners	(12,200)	-
Proceeds from credits and loans	89,869	63,235
Repayments of credits and loans	(33,359)	(31,417)
Interest on credit	(3,088)	(2,505)
Proceeds from paid loans	-	114
Proceeds from interest on loans	2,630	14
Granted loans	(5,000)	(1,350)
Payment of liabilities under finance lease agreements	(175)	(210)
Other financial proceeds	1,330	16
Other interest and financial expenses	(564)	(330)
Net cash generated (used) in financing activities	39,443	27,567
Net change in cash, cash equivalents and bank overdrafts	(13,795)	9,200
Cash, cash equivalents and bank overdrafts at beginning of the period	235,825	221,781

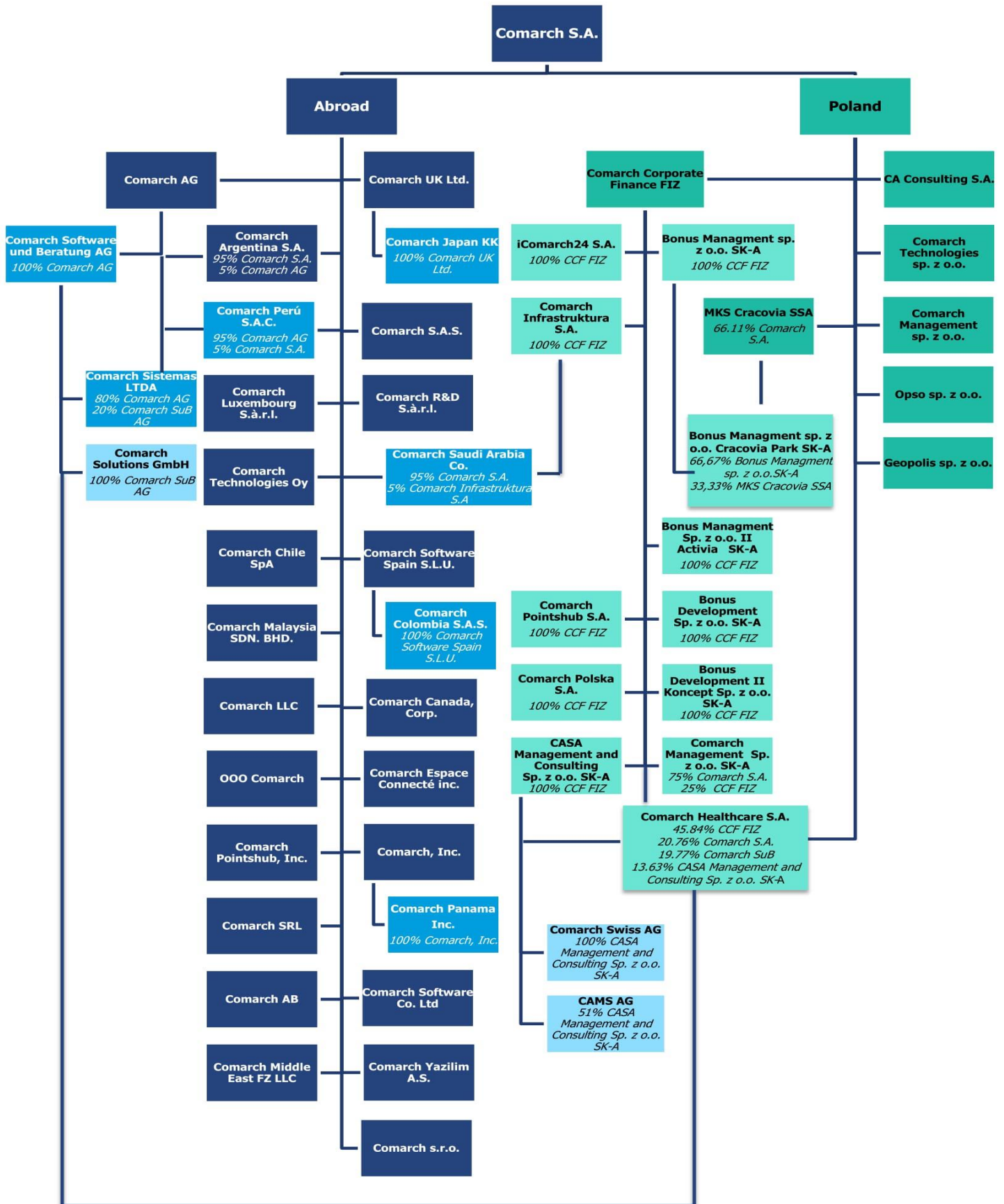
Positive (negative) exchange differences in cash and bank overdrafts	(14,067)	4,844
Cash, cash equivalents and bank overdrafts at end of the period	207,963	235,825
<i>- including limited disposal</i>	<i>3,737</i>	<i>10,873</i>

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, 2017, 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., Comarch Japan KK, Comarch Saudi Arabia Co. 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. specializes in data communications relating to 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;
- The subject matter of activities of Comarch Pointshub S.A. are activities related to Smart City;
- 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 conducts sports activities and promotes physical education;
- "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 2017

On the 10th of October, 2017, a share capital increase of Comarch Argentina S.A. from the amount to ARS 100,000 to ARS 3,298,195 was registered.

On the 18th of October, 2017, the Extraordinary General Shareholders Meeting of Comarch Management Sp. z o.o. adopted a resolution on the increase of share capital from PLN 300,000 to PLN 400,000 through the issue of 1,000 new interests with a nominal value of PLN 100 each. New interests were acquired and paid in full by Comarch S.A. Until the date of publication of this report the capital increase has not been registered.

On the 27th of October, 2017, Comarch SRL has adopted a resolution about the increase of the share capital to the amount of EUR 900,000. The increase of share capital in amount of EUR 200,000 was paid by Comarch S.A., the only shareholder of the company. The surplus of shares sold above their nominal value in the amount of EUR 853,386.50 was allocated to covering the losses of Comarch SRL for the previous years. 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, 2017, 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, 2017, 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, 2016 ("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, 2017, 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, 2016 (notes 2 and 3 of the Consolidated Financial Statement of the Comarch Group for the year ended the 31st of December, 2016).

The Interim Consolidated Financial Statement for the twelve months ended the 31st of December, 2017, 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, 2017, is prepared in thousands of Polish zloty ("PLN") and was authorized for issuance by the Management Board on the 1st of March, 2018.

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 10 "Consolidated Financial Statement", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment entities: application of the exemption of the consolidation - approved by EU on 22nd of September, 2016 (effective for annual periods beginning on or after 1st of January, 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 any material effect on the Group's financial report for 2016 and Q1-Q4 2017.

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

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRS 9 "Financial Instruments"** - approved by the UE on 22nd of November, 2016 (effective for annual periods beginning on or after the 1st of January, 2018),
- **IFRS 15 „Revenue from Contracts with Customers”** and subsequent changes **to IFRS 15 „Date of entry into force IFRS 15”** - approved by the UE on 22nd of September, 2016 (effective for annual periods beginning on or after 1st of January, 2016).

New 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 1st of March, 2018, (the effective dates mentioned below are related to full versions of standards):

- **FRS 14 „Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 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 16 "Leasing"** (effective for annual periods beginning on or after 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),
- **Amendments to IFRS 4 "Insurance Contracts"** - Application of IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Instruments" (effective for annual periods beginning on or after 1st of January, 2018 or for the period of first-time application of IFRS 9 "Financial Instruments"),

- **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 IFRS 15 "Revenue from Contracts with Customers"** – Clarification to IFRS 15 "Revenue from Customer Contracts" (effective for annual periods beginning on or after 1st of January, 2018),
- **Amendments to IAS 7 "Statement of cash flows"** - The initiative in relation to disclosures (effective for annual periods beginning on or after 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 1st of January, 2017),
- **Amendments to IAS 40 "Investment Estates"** - Transfer of investment properties (effective for annual periods beginning on or after 1st of January, 2018),
- **Amendments to various standards "Improvements to IFRS (period 2014-2016)"** – adopted within the frame of annual improvements process to IFRS (IFRS 1, IFRS 12 and IFRS 28). The purpose of these annual improvements is to resolve inconsistencies and clarify guidance or wording (amendments to IFRS 12 effective for annual periods beginning on or after 1st of January, 2017, amendments to IFRS 1 and IFRS 28 effective for annual periods beginning on or 1st of January, 2018),
- **Interpretation of IFRIC 22 "Transactions in foreign currencies and advanced payments"** (effective for annual periods beginning on or after 1st of January, 2018).

The Management Board of the company anticipates that application of IFRS 15 and IFRS 16 may, in the future, impact the amounts and recognitions presented in the consolidated financial statement of the Capital Group. The parent company is on the analysis of influence of amendments to these IFRS on the financial statement. But 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.

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 significantly impact 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, 2017, 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 Japan KK	Subsidiary	Full	100% held by Comarch UK Ltd.
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 Saudi Arabia Co.	Subsidiary	Full	95% held by Comarch S.A., 5% held by Comarch Infrastruktura S.A.
Comarch Technologies sp. z o.o.	Subsidiary	Full	100%
CA Consulting S.A.	Subsidiary	Full	100%
Geopolis sp. z o.o.	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 2017 the share of none of the customer exceeded 10% of total sales of the Comarch Group.

Over 2017, Comarch Group revenue structure was as follows: 22% of annual sales were achieved in the first quarter, 22% in the second quarter, 24% in the third quarter and 32% in the fourth quarter. Over 2018, the Group expects the distribution of sales revenue similar to that of 2017.

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	578,028	254,741	269,736	1,649	36,482	7,431		1,148,067
<i>including:</i>								
Revenues from sales	570,979	248,514	258,159	359	26,244	8,558	-	1,112,813
<i>To customers in Telecommunication, Media, IT sector</i>	90,653	85,111	100,856	-	-	-	-	276,620
<i>To customers in Finance and Banking sector</i>	135,256	11,920	16,635	-	-	-	-	163,811
<i>To customers in Trade and services sector</i>	57,190	10,407	115,717	-	-	-	-	183,314
<i>To customers in Industry&Utilities</i>	104,238	22,082	19,780	-	-	-	-	146,100
<i>To customers in Public sector</i>	59,935	7,767	5,154	-	-	-	-	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>	2,515	4	17	359	26,244	-	-	29,139
<i>Other operating revenue</i>	9,755	6,874	11,792	754	9,888	-	-	39,063
<i>Finance revenue</i>	(2,706)	(647)	(215)	536	350	(1,127)	-	(3,809)
Revenues per segment - sales to other segments	250,041	42,460	33,232	2,821	8,781	1,745	(339,080)	-
Revenues per segment - total*	828,069	297,201	302,968	4,470	45,263	9,176	(339,080)	1,148,067
Costs per segment relating to sales to external clients	528,574	223,983	241,348	3,004	26,917	11,157	-	1,034,983
Costs per segment relating to sales to other segments	252,365	43,626	29,742	2,820	8,781	1,746	(339,080)	-
Costs per segment - total*	780,939	267,609	271,090	5,824	35,698	12,903	(339,080)	1,034,983
Current taxes	(10,623)	(2,700)	(12,698)	(84)	-	-	-	(26,105)
Assets for the tax due to investment allowances and other tax relief	(100)	(886)	(477)	55	(1,541)	-	-	(2,949)
Share of segment in the result of parties valued using the equity method of accounting	(162)	-	(8,145)	-	-	-	-	(8,307)
Net result	36,245	26,006	10,558	(1,383)	8,024	(3,727)	-	75,723
<i>including:</i>								
<i>Result attributable to shareholders of the parent company</i>	36,245	26,006	10,558	(1,353)	5,305	(3,727)	-	73,034
<i>Result attributable to minority interest</i>	-	-	-	(30)	2,719	-	-	2,689

*) 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.

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	739,710	234,874	261,398	145,510	54,487	6,896	1,444,875
Liabilities	378,071	72,414	70,103	37,156	17,666	5,401	582,811
Investment expenditures	52,777	12,366	18,285	45,407	9,001	49	137,885
Depreciation	38,208	15,838	2,957	811	2,342	2,852	63,008

12 months ended 31 December 2017	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Elimina- tions	Total
	Polish market	DACH market	Other markets					
Revenues per segment- sales to external clients	568,344	271,122	262,289	4,050	33,159	11,890	-	1,150,854
<i>including:</i>								
Revenues from sales	539,932	267,471	259,775	574	23,485	10,351	-	1,101,588
<i>To customers in Telecommunication, Media, IT sector</i>	<i>89,311</i>	<i>75,441</i>	<i>93,263</i>	-	-	-	-	<i>258,015</i>
<i>To customers in Finance and Banking sector</i>	<i>130,389</i>	<i>38,850</i>	<i>16,454</i>	-	-	-	-	<i>185,693</i>
<i>To customers in Trade and services sector</i>	<i>43,025</i>	<i>16,939</i>	<i>114,369</i>	-	-	-	-	<i>174,333</i>
<i>To customers in Industry&Utilities</i>	<i>80,470</i>	<i>29,359</i>	<i>31,970</i>	-	-	-	-	<i>141,799</i>
<i>To customers in Public sector</i>	<i>52,504</i>	<i>7,113</i>	<i>3,700</i>	-	-	-	-	<i>63,317</i>
<i>To customers in small and medium enterprises sector</i>	<i>135,959</i>	<i>99,768</i>	-	-	-	-	-	<i>235,727</i>
<i>To customers in Medicine sector</i>	<i>5,664</i>	-	-	-	-	<i>10,351</i>	-	<i>16,015</i>
<i>To other customers</i>	<i>2,610</i>	<i>1</i>	<i>19</i>	<i>574</i>	<i>23,485</i>	-	-	<i>26,689</i>
<i>Other operating revenue</i>	<i>406</i>	<i>3,389</i>	<i>2,465</i>	<i>792</i>	<i>9,705</i>	<i>736</i>	-	<i>17,493</i>
<i>Finance revenue</i>	<i>28,006</i>	<i>262</i>	<i>49</i>	<i>2,684</i>	<i>(31)</i>	<i>803</i>	-	<i>31,773</i>
Revenues per segment - sales to other segments	265,485	40,133	30,350	6,936	8,904	2,066	(353,874)	-
Revenues per segment - total*	833,829	311,255	292,639	10,986	42,063	13,956	(353,874)	1,150,854
Costs per segment relating to sales to external clients	531,324	249,428	254,945	5,813	28,494	14,611	-	1,084,615
Costs per segment relating to sales to other segments	265,485	40,133	30,350	6,936	8,904	2,066	(353,874)	-
Costs per segment - total*	796,809	289,561	285,295	12,749	37,398	16,677	(353,874)	1,084,615
Current taxes	(2,998)	(4,912)	(7,492)	(387)	(341)	-	-	(16,130)
Assets for the tax due to investment allowances and other tax relief	(3,228)	1,886	(1,213)	(3)	139	-	-	(2,419)
Share of segment in the result of parties valuated using the equity method of accounting	(125)	-	(2,957)	-	-	-	-	(3,082)
Net result	30,669	18,668	(4,318)	(2,153)	4,463	(2,721)	-	44,608
<i>including:</i>								
<i>Result attributable to shareholders of the parent company</i>	<i>30,669</i>	<i>18,668</i>	<i>(4,318)</i>	<i>(2,162)</i>	<i>2,951</i>	<i>(2,721)</i>	-	<i>43,087</i>
<i>Result attributable to minority interest</i>	-	-	-	<i>9</i>	<i>1,512</i>	-	-	<i>1,521</i>

*) 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, 2017, as well as investment expenditures and depreciation in during 12 months of 2017:

31 December 2017 / 12 months ended 31 December 2017

	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Total
	Poland	DACH region	Other countries				
Assets	834,069	204,949	258,192	140,024	60,171	5,718	1,503,123
Liabilities	413,733	57,936	92,798	34,795	20,333	3,107	622,702
Investment expenditures	98,649	16,157	26,384	6,542	6,230	172	154,134
Depreciation	40,239	12,411	2,807	1,736	4,119	2,846	64,158

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 2017		%	12 months ended 31 December 2016		%
Poland		572,342	52.1	606,140	54.5	
DACH region		269,471	24.3	248,514	22.3	
Other countries		259,775	23.6	258,159	23.2	
Total		1,101,588	100.0	1,112,813	100.0	

Assets – activities location

	31 December 2017		%	31 December 2016		%
Poland		1,039,956	69.2	948,603	65.7	
DACH region		204,949	13.6	234,874	16.2	
Other countries		258,218	17.2	261,398	18.1	
Total		1,503,123	100.0	1,444,875	100.0	

Investment expenditures – activities location

	31 December 2017	%	31 December 2016	%
Poland	111,593	72.4	107,234	77.8
DACH region	16,157	10.5	12,366	9.0
Other countries	26,384	17.1	18,285	13.2
Total	154,134	100.0	137,885	100.0

3.2. Property, Plant and Equipment

	31 December 2017	31 December 2016
Lands and buildings	325,458	300,202
Means of transport and machinery	108,427	88,859
Property, plant and equipment under construction	108,466	99,204
Others	12,297	12,767
Advance money for property, plant and equipment under construction	179	79
Total	554,827	501,111

Property, plant and equipment comprise mostly real estates and machinery owned by Comarch Group. As at the 31st of December, 2017, 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 buildings in Łódź (including office building at 9,906.20 square metres of the total space, opened for use in 2017), 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, 2017, 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 (an amount of PLN 66,689 thousand), expenditures related to purchased but did put into use hardware and expenditures related to modernization works of the storage building in Lille and adapting it to the function of the data centre.

In Comarch Healthcare S.A. began to conduct the diagnostic and medical activity (Medical Centre 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, 2017, the book value of this equipment amounted to PLN 3,220 thousand.

The office building that was purchased by Comarch SAS 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 centre. The value of this agreement amounts to EUR 7,553 thousand net, i.e. PLN 31,503 thousand (exchange rate at the 31st of December, 2017). Investment expenditures incurred in connection with

the above-mentioned agreement until the 31st of December, 2017, amounted to EUR 7,223 thousand, i.e. PLN 30,126 thousand, at the exchange rate at the 31st of December, 2017. The investment is financed by a long-term bank credit.

On the basis of an agreement made between Comarch S.A. and Budimex S.A. on the 18th of March, 2016, the Group completed the sixth stage of the investment in the Special Economic Zone in Krakow (SSE7). The subject of the contract was construction of an office building with road and technical infrastructure and a delivery of necessary materials and equipment. The total area of the building is 27,736 m². On the 30th of October, 2017, amendments to the aforementioned agreement were signed (current report no. [RB-20-2017](#), ENG: [RB-20-2017](#)), where completion date was extended to 31st of December, 2017. Works covered by the initial scope of the agreement were performed until the 31st of December, 2017, and on the 25th of January, 2018, an amendment to the above-mentioned contract was signed (current report no. [RB-3-2018](#), ENG: [RB-3-2018](#)), which established additional works to be performed by the Contractor in relation to the SSE7 building. As a consequence, the contract value was increased by PLN 2,721,000 up to PLN 69,999 thousand and planned completion date of the works comprised by the amendment has been extended to the 30th of June, 2018. Investment expenditures incurred in connection with the above-mentioned agreement until the 31st of December, 2017, amounted to PLN 65,673 thousand.

In the fourth quarter of 2017, there were no purchases of land properties.

3.3. Investment Real Estate

	31 December 2017	31 December 2016
Lands	2,875	2,875
Buildings	12,482	12,751
Total	15,357	15,626

As at the 31st of December, 2017, 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 Kostrzyń 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 2017	31 December 2016
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
Geopolis sp. z o.o.	1,462	-
Razem	42,197	40,735

A test for loss in value regarding goodwill was run as at the 31st of December, 2017, according to the methodology used and described in details in the annual financial statements for 2016. There was no loss in value.

3.5. Other Intangible Assets

	31 December 2017	31 December 2016
Costs of finished development works	335	642
Perpetual usufruct right	39,312	38,757
Licences and software	15,315	14,152
Other	8,637	7,792
Advance money for intangible assets	-	-
Total	63,599	61,343

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 8,637 thousand.

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, 2017, the Group had shares in associates.

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.	(527)
Acquiring shares in and share in profit of Thanks Again LLC	(8,093)
At 31 December 2016	14,395
At 1 January 2017	14,395
Share in profit of Sointeractive S.A.	(111)
Acquiring shares in and share in profit of Metrum Capital S.A.	(14)
Repayment of loan by SoInteractive S.A.	(80)
Acquiring shares in and share in profit of Thanks Again LLC	(2,957)
At 31 December 2017	11,233

As at the 31st of December, 2017, 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 333 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 10,770 thousand - the nominal value of acquired shares PLN 30,831 thousand reduced by participation in 2015, 2016 and 2017 financial result and update of the value of shares), as well as loans granted to SoInteractive S.A. by Comarch S.A. in the amount of PLN 130 thousand.

3.7. Derivative Financial Instruments

a) Assets

	31 December 2017	31 December 2016
Forward foreign exchange contracts – held-for-trading	11,316	1,641
Transaction on change of IRS	104	-
	11,420	1,641
<i>Current portion</i>	<i>8,516</i>	<i>1,149</i>
<i>Non-current portion</i>	<i>2,904</i>	<i>492</i>

b) Liabilities

	31 December 2017	31 December 2016
Forward foreign exchange contracts – held-for-trading	426	3,038
Transaction on change of IRS	819	1,849
	1,245	4,887
<i>Current portion</i>	<i>509</i>	<i>2,350</i>
<i>Non-current portion</i>	<i>736</i>	<i>2,537</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, 2017, 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, 2017, amounted to EUR 22,477 thousand and USD 7,385 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, 2017, valuation of the IRS transaction amounted to minus PLN 83 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. 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, 2017, valuation of IRS transaction amounted to minus PLN 93 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. 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, 2017, valuation of the IRS transaction amounted to minus PLN 421 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, 2017, valuation of the IRS transaction amounted to minus PLN 215 thousand.

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 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 till the 30th of September, 2019. As at the 31st of December, 2017, valuation of the IRS transaction amounted to minus PLN 7 thousand.

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 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 till the 29th of February, 2028. As at the 31st of December, 2017, valuation of the IRS transaction amounted to PLN 37 thousand.

On the 27th of November, 2017, Bonus Development Sp. z o.o. SKA concluded a transaction on change of IRS for an investment credit taken on the 29th of June, 2015, 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 till the 31st of May, 2030. As at the 31st of December, 2017, valuation of the IRS transaction amounted to PLN 67 thousand.

3.8. Deferred Income Tax

	31 December 2017	31 December 2016
Deferred income tax assets		
Temporary differences	13,137	14,094
Asset due to a tax loss	12,226	10,977
Asset due to activities in Special Economic Zone ("SEZ")	8,863	9,936
Total	34,226	35,007
<i>Charged to financial result</i>	<i>34,226</i>	<i>35,007</i>

In 2017, the Group settled an asset due to activities in the SEZ that was worth PLN 9,936 thousand and established as at the 31st of December, 2016. At the same time, the Group created an asset of the same type in the amount of PLN 8,863 thousand. This asset will be gradually dissolved within 2018 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, at first with a period of validity until the 31st of December, 2017, at present, pursuant to the Decision of the 18th of October, 2017, of the Ministry of Development and Finance, its validity term has not been specified;

- 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, 2017, constitutes a deferred income tax asset. 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 17,037 thousand as at the 31st of December, 2017 (after discounting at the permit date). Limit of the unused investment tax relief under the permit obtained in 2013 amounted to approx. PLN 28,929 thousand as at the 31st of December, 2017 (after discounting at the permit date). Limit of the unused investment tax relief under the permit obtained in March 2016, regarding investment in the office building SSE7 in Cracow, amounted to approx. PLN 20,320 thousand as at the 31st of December, 2017 (after discounting at the permit date). As this investment has not been finished yet, the limit of the investment tax relief will be changed.

In 2017, the Group settled in part a deferred tax asset related to temporary differences that was established on the 31st of December, 2016, and worth PLN 6,013 thousand, as well as an asset due to temporary differences was recognized in the amount of PLN 5,056 thousand. An asset due to tax loss was recognized and settled in the amount of PLN 1,249 thousand. The total effect of the above-mentioned operations on the net result of the reporting period was minus PLN 781 thousand.

	31 December 2017	31 December 2016
Provision for deferred income tax		
Temporary differences	15,973	13,889
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	5,430
Provision due to valuation of certificates in CCF FIZ	22,379	22,825
Total	43,782	42,144
<i>Charged to equity</i>	<i>5,430</i>	<i>5,430</i>
<i>Charged to financial result</i>	<i>38,352</i>	<i>36,714</i>

Due to valuation of net assets of CCF FIZ in 2017, the Group dissolved in part a deferred tax provision, which was recognized in the previous years in the amount of PLN 446 thousand. At the same time, a deferred tax provision due to temporary differences was recognized in the amount of PLN 5,211 thousand and dissolved in the amount of PLN 3,127 thousand. The total effect of the above-mentioned operations on the net result of 2017 was minus PLN 1,638 thousand.

Total changes in the deferred income tax resulted in a decrease in result of PLN 2,419 thousand.

In relation to 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. In relation to MKS Cracovia S.A., due to the fact of existence of taxable profit, within the current tax settlements, limit of tax losses from the previous years, attributable to the reporting period, was used. However, there was no asset recognised here due to the lack of possibility to make the reliable estimates whether it would be possible to use in the future the remaining part of the limit of the tax loss from previous years.

3.9. Inventories

	31 December 2017	31 December 2016
Raw materials	1,273	815
Work in progress	87,033	69,850
Goods	25,039	5,326
Finished products	150	38
Advance due to finished products	654	526
Total	114,149	76,555

The cost of inventories included in 'Costs of products, goods and materials sold' in the income statement amounted to PLN 312,346 thousand (12 months ended the 31st of December, 2017), PLN 305,867 thousand (12 months ended the 31st of December, 2016).

Over four quarters of 2017, Comarch Group created write-offs that revaluated goods, materials and finished products in the amount of PLN 21 thousand. The Company resolved write-offs in the amount of PLN 5 thousand, which had been created in the previous years.

3.10. Trade and Other Receivables

	31 December 2017	31 December 2016
Trade receivables - net	347,939	366,275
<i>Trade receivables</i>	<i>376,962</i>	<i>393,968</i>
<i>Write-off revaluating receivables</i>	<i>(29,023)</i>	<i>(27,693)</i>
Other receivables	19,095	23,617
Short-term prepayments	14,413	11,946
Other prepayments	452	1,835
Loans	7,541	1,027
Trade receivables and other receivables from related parties - net	3,626	2,021
<i>Trade receivables and other receivables from related parties</i>	<i>6,512</i>	<i>5,092</i>
<i>Write-off revaluating receivables</i>	<i>(2,886)</i>	<i>(3,071)</i>
Total	393,066	406,721
<i>Current portion</i>	<i>393,066</i>	<i>406,721</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 2017, the Group recognised a write-off due to loss in value of its trade receivables that was worth PLN 6,382 thousand and dissolved previously created write-offs worth PLN 4,042 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 2017	12 months ended 31 December 2016
Revenues from completed contracts recognized in the reporting period	82,181	79,850
Revenues from contracts not completed recognized in the reporting period	150,523	192,200
Revenues from contracts not completed recognized in the reporting period- an effect of settlement pursuant to IAS 11	9,758	(6,348)
Revenues due to long-term contracts recognized in the reporting period	242,462	265,702

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 recognized results corresponds to revenues.

At the end of the reporting period, long-term contracts were evaluated 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, 2016, and the 31st of December, 2017, are presented below:

	31 December 2017	31 December 2016
Long-term contracts revenues included to the balance sheet date - determined according to the progress of work	563,455	635,811
Issued invoices	(553,781)	(635,895)
Total	9,674	(84)

	Long-term contracts receivables	Long-term contracts liabilities	Net
Revenues from long-term contracts included in the reporting period			
Value at 1 January 2016	32,440	(26,176)	6,264
Value at 31 December 2016	39,960	(40,044)	(84)
Change	7,520	(13,868)	(6,348)
Value at 1 January 2017	39,960	(40,044)	(84)
Value at 31 December 2017	40,473	(30,799)	9,674
Change	513	9,245	9,758

3.12. Available-for-Sale Financial Assets

Within the 12 months of 2017, 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 2016	8,133,349	8,133,349	-	8,133,349
At 31 December 2016	8,133,349	8,133,349	-	8,133,349
At 31 December 2017	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.

On the 27th of June, 2017, General Shareholders Meeting of Comarch S.A. changed the company's articles of association by adding a new letter d) in In art. 8 sec. 4:

„d) disposal for the benefit of a legal person or non-corporate organizational unit of Polish or foreign law, including in particular, for the benefit of quasi-corporate unit of Polish or foreign law ("Structure") controlled, within the meaning of art. 8 sec 5 of the company's articles of association, only by a shareholder who contributes (disposes) registered preference shares to the Structure ("Contributing Shareholder") or (jointly) controlled only by the Contributing Shareholder's relatives in the ascending and descending line, siblings or spouse, or (jointly) controlled by some or all of the persons mentioned above ("Related Person or Related Persons") and the Contributing Shareholder jointly ("Controlled Structure") and disposal by the one Controlled Structure of the registered preference shares for the benefit of the other Controlled Structure." (current report no. [RB-13-2017](#), ENG: [RB-13-2017](#) dated at 27th of June, 2017). On the 23th of August, 2017, changes in the company's articles of association were registered in the National Court (current report no. [RB-16-2017](#), ENG: [RB-16-2017](#) dated at 31st of August, 2017).

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 2017

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 2017	31 December 2016
Non-current		
Non-revolving credits	177,920	137,814
Revolving credits	-	-
Loans	7,676	8,517
	185,596	146,331
Current		
Non-revolving credits	33,739	25,863
Revolving credits	3,018	708
Loans	2,354	1,898
	39,111	28,469
Total credits and loans	224,707	174,800

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 2017, the value of drawdown credits and loans granted from entities outside the Group amounted to PLN 89,869 thousand (including non-revolving credits and loans amounted to PLN 86,532 thousand and revolving credits and loans amounted to PLN 3,337 thousand), the value of paid principal instalments of bank credits and loans from entities outside the Group amounted to PLN 33,359 thousand (including non-revolving credits and loans amounted to PLN 32,372 thousand and revolving credits and loans amounted to PLN 987 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 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

At 31 December 2017

Credits and loans	18,636	20,969	118,365	67,231	225,201
Interest	(494)	-	-	-	(494)
Total	18,142	20,969	118,365	67,231	224,707

The maturity of non-current bank credits, loans and financial liabilities	31 December 2017	31 December 2016
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Between 1 and 2 years	33,701	31,148
Between 2 and 5 years	84,664	68,592
Over 5 years	67,231	46,591
	185,596	146,331

Currency structure of the balance sheet values of credits, loans and financial liabilities	31 December 2017	31 December 2016
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In Polish currency (PLN)	12,484	14,935
In EUR (equivalence in PLN)	212,223	159,865
	224,707	174,800

Effective interest rates at the balance sheet date	31 December 2017	31 December 2016
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Bank credits	1.64%	1.62%
Loans	3.66%	3.61%

3.14.1. Non-Revolving Credits

The companies of the Comarch Group use the following non-revolving credits and loans:

Company of Comarch Group	Financial Institution	Purpose	Total amount of credit/loan		Amount to be paid				Interest conditions	Repayment date	Securities
			Value	Currency	Value	Currency	Value	PLN			
Comarch SA	BGŻ BNP Paribas Bank Polska S.A.	office buildings SSE4 in Krakow	44,000	PLN	4,182	EUR	17,444	PLN	EURIBOR1M + bank margin IRS till the 29 th of July, 2024	29 th of July, 2024	The real estate mortgage, cession of rights in the insurance policy, the promissory note and declaration of submission to enforcement
Comarch SA	Powszechna Kasa Oszczędności Bank Polski S.A.	office buildings SSE5 in Krakow - refinancing	4,126	EUR	1,977	EUR	8,246	PLN	EURIBOR1M + bank margin IRS till the 31 st of October, 2018	29 th of September, 2021	The real estate mortgage, cession of rights in the insurance policy, declaration of submission to enforcement
Comarch SA	Bank Zachodni WBK S.A.	nonrevolving operating credit	7,400	EUR	2,944	EUR	12,280	PLN	EURIBOR1M + bank margin IRS till the 28 th of June, 2019	31 st of December, 2020	The real estate mortgage, cession of rights in the insurance policy, declaration of

												submission to enforcement
Comarch SA	Bank Polska Kasa Opieki S.A.	office buildings SSE6 in Krakow	13,323	EUR	9,854	EUR	41,098	PLN	EURIBOR1M + bank margin IRS till the 30 th of November, 2023	30 th of november, 2023	The real estate mortgage, cession of rights in the building insurance policy, cession of rights in the bank guarantee for contract good performance and for warranty obligations, power of attorney to manage Comarch S.A.'s bank accounts in the Bank Polska Kasa Opieki S.A., declaration of submission to enforcement	
Comarch SA	Bank Handlowy w Warszawie S.A.	office buildings SSE7 in Krakow	13,333	EUR	11,286	EUR	47,075	PLN	EURIBOR1M + bank margin IRS till the 29 th of February, 2028	15 th of May, 2028	The real estate mortgage, cession of rights in the building insurance policy, power of attorney to manage Comarch S.A.'s bank accounts in the Bank Handlowy w Warszawie S.A., declaration of submission to enforcement	
Comarch SA	Bank Handlowy w Warszawie S.A.	Nonrevolving, long-term credit	2,508	EUR	2,508	EUR	10,461	PLN	EURIBOR1M + bank margin IRS till the 30 th of September, 2019	16 th of December, 2019	Power of attorney to manage Comarch S.A.'s bank accounts in the Bank Handlowy w Warszawie S.A., declaration of submission to enforcement	
Comarch SA	DNB Bank Polska S.A.	Non-current assets - equipment of Internet of Things laboratory in Krakow	2,531	EUR	2,130	EUR	8,885	PLN	EURIBOR1M + bank margin	30 th of December, 2023	Registered pledge on devices which are the subject of financing, cession of rights under the insurance contract of devices, power of attorney to manage Comarch S.A. bank accounts in DNB Bank Polska S.A., declaration of submission to enforcement	

Comarch Healthcare SA	Bank Polska Kasa Opieki S.A.	Non-current assets - medical equipment for Medical Center iMed24 in Krakow	15,889	PLN			2,459	PLN	WIBOR1M + bank margin	31 st of December, 2018	Registered pledge on devices which are the subject of financing, cession of rights under the insurance contract of devices, surety granted by Comarch S.A., power of attorney to manage Comarch Healthcare S.A. and Comarch S.A. bank accounts in the Bank Polska Kasa Opieki S.A., declaration of submission to enforcement
Comarch AG	BGŻ BNP Paribas Bank Polska S.A.	Office building in Dresden - refinancing	6,000	EUR	621	EUR	2,589	PLN	EURIBOR3M + bank margin	15 th of May, 2018	The mortgage and cession of rights in the office building in Dresden insurance policy, Surety granted by Comarch S.A., Comarch S.A. declaration of submission to enforcement
Bonus Development Sp. z o.o. SK-A	Bank Polska Kasa Opieki S.A.	Office building in Lodz	9,262	EUR	8,043	EUR	33,545	PLN	EURIBOR1M + bank margin	31 st of May, 2030	The mortgage on the office building in Lodz, power of attorney to manage Bonus Development Sp. z o.o. SK-A bank accounts in the Bank Polska Kasa Opieki S.A., Bonus Development Sp. z o.o. SK-A declaration of submission to enforcement, cession of rights in the building insurance policy cession of rights in the bank guarantee for contract good performance and for warranty obligations, cession of rights under the lease agreement concluded between the borrower and Comarch S.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.

Comarch S.A.S, Comarch S.A.	BGŻ BNP Paribas Bank Polska S.A	Data center in Lille in France	8,000	EUR	6,734	EUR	28,085	PLN	EURIBOR3M + bank margin	18 th of September, 2023	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
Comarch SA	IBM Global Financing Polska Sp. z o.o.	Delivery of IT equipment related to IT project realized by the Comarch Group	12,980	PLN			9,983	PLN	fixed	1 st of March, 2022	-

3.14.2. Current Credit Lines

The companies of the Comarch Group have the following credit limits in current account:

Company of Comarch Group	Financial Institution	Purpose	Total amount of credit/loan		Amount remained to payment				Interest conditions	Repayment date	Securities
			Value	Currency	Value	Currency	Value	PLN			
Comarch SA	Powszechna Kasa Oszczędności Bank Polski S.A.	Financing operating activities	20,000	PLN	0	PLN	0	PLN	WIBOR1M + bank margin	12 th of December, 2018	An authorization to manage Comarch S.A.'s accounts in bank Powszechna Kasa Oszczędności Bank Polski S.A. and a declaration of submission to enforcement
Comarch SA	Bank Polska Kasa Opieki S.A.	Financing operating activities	30,000	PLN	0	PLN	0	PLN	WIBOR1M + bank margin	30 th of June, 2018	An authorization to manage Comarch S.A.'s accounts in bank Pekao S.A. and a declaration of submission to enforcement
Comarch S.A.S, Comarch S.A.	BGŻ BNP Paribas Bank Polska S.A	Financing operating activities	1,300	EUR	724	EUR	3,018	PLN	EURIBOR1M + bank margin	28 th of February, 2018	An authorisation to manage Comarch S.A.'s accounts in bank BGŻ BNP Paribas S.A. and a declaration of submission to enforcement

	31 December 2017	31 December 2016
Credit lines in the current account and revolving credits, including:	55,422	45,751
Used at the balance sheet date	3,018	708
Available at the balance sheet date	52,404	45,043

3.15. Other Financial Liabilities

	31 December 2017	31 December 2016
Liabilities due to finance lease	611	835
<i>Current portion</i>	165	204
<i>Non-current portion</i>	446	631
Liabilities due to dividend	-	-
<i>Current portion</i>	-	-
<i>Non-current portion</i>	-	-
Liabilities for fees for acquired shares	-	6,326
<i>Current portion</i>	-	6,326
<i>Non-current portion</i>	-	-
Total	611	7,161

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, 2017, value of these liabilities amounted to PLN 611 thousand.

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:	(250)	(8,285)	4,562	4,373	(10,943)	(10,543)
<i>Provisions created</i>	17,284	19,435	9,690	21,238	88,895	156,542
<i>Provisions used and dissolved</i>	(17,534)	(27,720)	(5,128)	(16,865)	(99,838)	(167,085)
At 31 December 2016	4,380	13,407	20,776	26,751	71,890	137,204
Current						
At 1 January 2017	4,380	13,407	20,776	26,751	71,890	137,204
Change:	1,164	1,615	(353)	2,498	(5,788)	(864)
<i>Provisions created</i>	20,116	21,090	4,945	19,491	81,407	147,049
<i>Provisions used and dissolved</i>	(18,952)	(19,475)	(5,298)	(16,993)	(87,195)	(147,913)
At 31 December 2017	5,544	15,022	20,423	29,249	66,102	136,340

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

3.17. Trade and Other Payables

	31 December 2017	31 December 2016
Trade payables	72,684	56,218
Advance payments received due to services	986	264
Trade payables and other liabilities to related parties	1,323	3,087
Liabilities due to social insurance and other tax charges	39,049	41,909
Investments liabilities	9,217	13,148
Revenues from the future periods	21,477	25,496
Other payables	26,244	2,605
Special funds (Social Services Fund and Residential Fund)	1,858	1,766
Total	172,838	154,493

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 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
At 31 December 2017			
Liabilities due to lease of usable space	21,718	45,097	66,815
Liabilities due to lease agreements for electronic equipment and means of transport	1,407	955	2,362
Total	23,125	46,052	69,177

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, 2017, Comarch Group had contractual liabilities due to operating lease (means of transport and electronic equipment) in the amount of PLN 2,362 thousand (PLN 3,336 thousand as at the 31st of December, 2016).

3.19. Contingent Liabilities

On the 31st of December, 2017, 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 65,876 thousand, whereas it was PLN 37,671 thousand on the 31st of December, 2016.

On the 31st of December, 2017, 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 0 thousand, whereas it was also PLN 19 thousand on the 31st of December, 2016.

On the 31st of December, 2017, the value of bank guarantees issued by banks on order from Comarch Software und Beratung Group was EUR 392 thousand, i.e. PLN 1,634 thousand, whereas it was EUR 392 thousand, i.e. PLN 1,734 thousand on the 31st of December, 2016.

On the 31st of December, 2017, the value of bank guarantees issued by banks on order from Comarch AG was EUR 16 thousand, i.e. PLN 67 thousand, whereas it was EUR 16 thousand, i.e. PLN 71 thousand on the 31st of December, 2016.

On the 31st of December, 2017, the value of bank guarantees issued by banks on order from Geopolis sp. z o.o. was PLN 82 thousand.

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), Comarch Healthcare S.A. (valid till the 31st of December, 2018), Comarch Malaysia SDN. BHD. (valid till the 31st of December, 2017 and for an indefinite period), Comarch Argentina S.A. (valid for an indefinite period) and Comarch R&D S.à r.l. (valid for an indefinite period).

	31 December 2017	31 December 2016
Granted credit lines for financing of current activities (guarantees, letters of credit, credit lines in current account)		
Credit lines*	190,450	173,902
	190,450	173,902

* they comprise credit lines at current account that are described in point [3.14.2](#)

The Comarch Group is the defendant in legal proceedings, in which the potential total amount of third party claims is PLN 85,604 thousand. Provisions for part of these claims were presented in the balance sheet as at the 31st of December, 2017 and are worth PLN 11,307 thousand. They include provisions for claims recognized in 2017 and worth PLN 2,214 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 41,260 thousand. There are no provisions for part of these claims presented in the balance sheet as at the 31st of December, 2017. There were no provisions created in 2017 for these claims. 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 2017 the Comarch Group created write-offs that revalue receivables in the amount of PLN 397 thousand. Due to the matters in disputes, in 2017 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 2017	12 months ended 31 December 2016
Revenues from sales of goods		
SoInteractive S.A.	-	-
Thanks Again LLC	-	-
	-	-
Revenues from sales of services		
SoInteractive S.A.	791	816
Thanks Again LLC	1,075	5,547
Metrum Capital S.A.	2	-
	1,868	6,363
	1,868	6,363

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 2017	12 months ended 31 December 2016
Purchases of goods		
SoInteractive S.A.	188	1,681
Thanks Again LLC	-	-
	188	1,681
Purchases of services		
SoInteractive S.A.		
<i>Included in generation costs</i>	4,894	5,401
<i>Included in other costs</i>	3,455	2,702
	8,349	8,103
Thanks Again LLC		
<i>Included in generation costs</i>	5,090	1,315
<i>Included in other costs</i>	-	-
	5,090	1,315
Total	13,627	11,099

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

	31 December 2017	31 December 2016
Receivables from related parties		
SoInteractive S.A.	775	586
Thanks Again LLC	3,937	907
	4,712	1,493
Payables from related parties		
SoInteractive S.A.	1,322	2,829
Thanks Again LLC	1	-
	1,323	2,829

3.21.4. Transactions with Associates and Personally Related Entities

	12 months ended 31 December 2017	12 months ended 31 December 2016
Purchases from personally related entities	2,921	2,848
Sales to personally related entities	191	126
Loans and interest on loans repaid by personally related entities	2,104	6,864
Loans and interest on loans granted to personally related entities	8,480*	1,350
Purchases from associates	13,439	9,418
Sales to associates	1,868	6,363
Loans and interest on loans repaid by associates	-	128
Loans and interest on loans granted to associates	828	9

* The item contains a loan in the amount of PLN 2,000 thousand granted to the Chairman of the Supervisory Board of Comarch S.A. by Bonus Management sp. z o.o II Activia 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 2017	31 December 2016
Trade receivables from personally related parties	15	10
Loans receivables from personally related parties	7,012	605
Trade payables to personally related parties	792	477
Liabilities due to loans from personally related parties	-	-

3.22. Earnings per Share

	12 months ended 31 December 2017	12 months ended 31 December 2016
Net profit for the period attributable to equity holders of the Company	43,087	73,034
Weighted average number of shares in issue	8,133,349	8,133,349
Basic earnings per share (PLN)	5.30	8.89
Diluted number of shares	8,133,349	8,133,349
Diluted earnings per share (PLN)	5.30	8.89

Basic earnings per share in the column "12 months ended 31 December 2017" is calculated by dividing the net consolidated profit attributable to shareholders of Comarch S.A. for the period from the 1st of January, 2017, to the 31st of December, 2017, by the weighted average number of shares in issue between the 1st of January, 2017, to the 31st of December, 2017, where the number of days is the weight. 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.

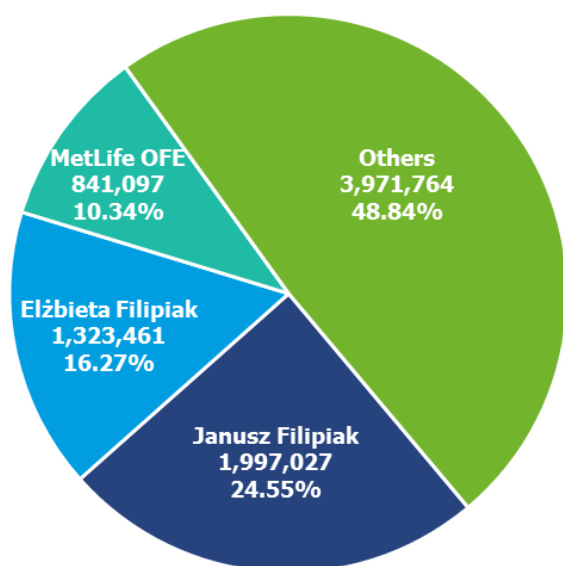
Diluted earnings per share in the column "12 months ended 31 December 2017" is calculated by dividing the net consolidated profit attributable to shareholders of Comarch S.A. for the period from the 1st of January, 2017, to the 31st of December, 2017, by the sum of the weighted average number of shares in issue between the 1st of January, 2017, to the 31st of December, 2017, 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 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.

4. Additional Notes

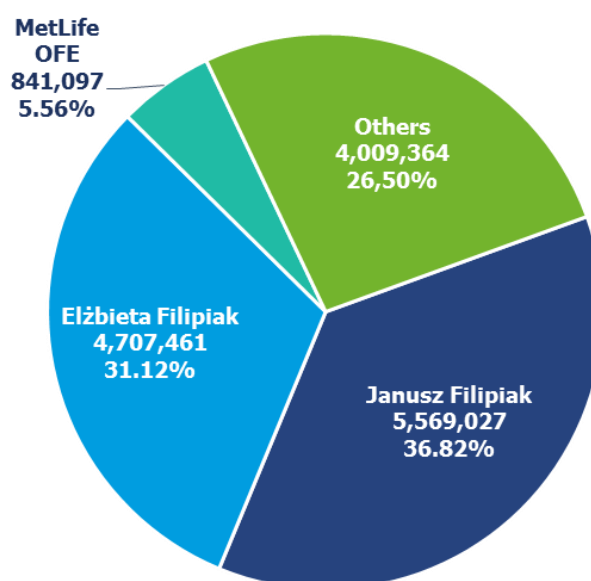
4.1. Information About Shareholders Holding at least 5% of the Total Number of Votes at Comarch S.A. General Meeting and Shares Held by Members of the Management Board and the Board of Supervisors

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 2018

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 17 November 2017 and 1 March 2018

Entity	At 1 March 2018				At 17 November 2017			
	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 17 November 2017 and 1 March 2018

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 2017 was published, i.e. on the 17th of November, 2017, and on the 1st of March, 2018, pursuant to the information possessed by the Company.

Members of the Management Board and the Board of Supervisors	Position	At 1 March 2018		At 17 November 2017	
		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	0	0.00	0	0.00
Paweł Prokop	Vice-President of the Management Board	37,539	0.50	37,539	0.50
Andrzej Przewięźlikowski	Vice-President of the Management Board	0	0.00	0	0.00
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 2017, the Group settled in part deferred tax assets due to temporary differences in the amount of PLN 6,013 thousand and created the deferred tax assets due to temporary differences in the amount of PLN 5,056 thousand. An asset due to tax loss was recognized and settled in the amount of PLN 1,249 thousand. An asset due to activities in the SEZ established as at 31st of December, 2016, was dissolved in the amount of PLN 9,936 thousand. At the same time the Group created an asset of the same type in the amount of PLN 8,863 thousand (planned income from activities in SEZ in 2018). This asset will be gradually dissolved within 2018 in proportion to the generated tax-exempt income in this period.

The total effect of the above-mentioned operations on the net result of the reporting period was minus PLN 781 thousand.

Due to valuation of net assets of CCF FIZ, in 2017, the Group decreased a deferred tax provision, which was recognised in the previous years and was worth PLN 446 thousand. At the same time, a deferred tax provision due to temporary differences was recognised in the amount of PLN 5,211 and dissolved in the amount of PLN 3,127 thousand. The total effect of the all above-mentioned operations on the net result of 2017 was minus PLN 1,638 thousand.

Total changes in deferred tax resulted in a decrease in net profit by PLN 2,419 thousand.

Details are described in point [3.8](#).

4.2.2. Valuation of Currency Exchange Rate Differences and Financial Instruments Based on Exchange Rates

Realized foreign exchange rate differences and balance sheet valuation of exchange rates on receivables and liabilities as at the 31st of December, 2017, decreased revenue and operating profit of Comarch Group by PLN 19,429 thousand (while in 12 months of 2016 increased by PLN 6,795 thousand). Exchange rate differences from other activities increased the result of Comarch Group by PLN 6,628 thousand (while in 12 months of 2016 decreased by PLN 3,796 thousand). The valuation of financial instruments and realized transactions (mostly forward contracts), as well as provision for deferred income tax in reference to the valuation of the financial instruments increased the Group's net result by PLN 24,493 thousand (while in 2016 increased by PLN 790 thousand). The total effect of exchange rate differences and valuation and realization of derivative financial instruments on the net result of the Comarch Group in 12 months of 2017 amounted to plus PLN 11,692 thousand (plus PLN 3,789 thousand in 2016).

4.3. Other events in Q4 2017

4.3.1. Debit Note from Tauron Dystrybucja S.A.

The Management Board of Comarch S.A. announced in the current report no. [RB-19-2017](#), ENG: [RB-19-2017](#), that on the 24th of October, 2017, Comarch S.A. as the Leader of the Consortium including: Comarch S.A., Apator Rector sp. z o.o., Tukaj Mapping Central Europe sp. z o.o. and Eurosystem S.A. (the „Consortium”) received debit note issued by Tauron Dystrybucja S.A. (the “Tauron”) requesting payment of PLN 30,246,071.61 by the Consortium's members. In accordance with its content, the subjective debit note was issued by Tauron in reference to contractual penalties for delay in performance of the agreement dated the 15th of June, 2012, on delivery and implementation of the IT system enabling the management of network assets in Tauron, concluded between Tauron and Consortium (the “Agreement”).

Comarch S.A. announced that, according to the regulations binding within the Consortium, each member of the Consortium is responsible for the proper performance of their tasks and responsibilities, bearing the relevant liability for the contractual penalties.

The amount of contractual penalty indicated in the debit note consists of:

- a) contractual penalty in the amount of PLN 22,149,507.94 for the delay in delivery of the passporting system, where the individual members of the Consortium were responsible for the performance in respect of their obligations under the Agreement,
- b) contractual penalty in the amount of PLN 2,469,063.87 for the delay in delivery of Stage 2 of the Agreement, where Apator Rector sp. z o.o. is responsible for the performance,
- c) contractual penalty in the amount of PLN 5,627,499.80 for the delay in delivery of Stage 3 of the Agreement, where Apator Rector sp. z o.o. is responsible for the performance,

In the opinion of Comarch S.A., contractual penalty in amount of PLN 22,149,507.94, which was charged for the delay in delivery of the passporting system, is completely groundless both the basics and the amount, in particular due to the lack of a contractual basis for the charge. The other above-mentioned penalties should also be considered as unreasonable, in particular due to the Tauron's failure to take account of circumstances which affect timeliness of the implementation of the Agreement and are attributable to Tauron.

Comarch S.A. announced that will take the necessary legal steps to confirm that there is no obligation to pay the penalties resulting from the debit note issued by Tauron. At the same time, given the circumstances described, in the opinion of the Management Board, there is currently no need to create the provision for potential claims arising from the contractual penalties specified in the debit note.

4.3.2. Amendment to the Contract with Budimex S.A. for the Realization of the Sixth Construction Stage of the Investment in the Special Economic Zone in Krakow (SSE7)

In relation to the current report no. [RB-3-2016](#), ENG: [RB-3-2016](#) dated the 18th of March, 2016, on signing the contract with Budimex S.A. for the realization of the sixth construction stage of the investment in the Special Economic Zone in Krakow, the Management Board of Comarch S.A. announced in the current report no. [RB-20-2017](#), ENG: [RB-20-2017](#), that on the 30th of October, 2017, they signed amendment to the above-mentioned contract. As a consequence, the planned completion date of this investment has been extended to the 31st of December, 2017.

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

4.4.1. Dates of Periodical Financial Reports in 2018

On the 2nd of January, 2018, in the current report no. [RB-1-2018](#), ENG: [RB-1-2018](#), Comarch S.A.'s Management Board set dates of periodical financial reports in 2018.

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

- 1) Q4 2017 - on the 1st of March, 2018;
- 2) Q1 2018 – on the 18th of May, 2018;
- 3) Q2 2018 - 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 2018;
- 4) Q3 2018 – on the 16th of November, 2018.

HALF-YEAR AND ANNUAL REPORTS:

- 1) Annual report for 2017 – on the 27th of April, 2018;
- 2) Consolidated annual report for 2017 - on the 27th of April, 2018;
- 3) Consolidated half-year report which includes condensed consolidated financial statement and condensed financial statement for the first half of 2018 - on the 31st of August, 2018.

4.4.2. Amendment to the Contract with Budimex S.A. for the Realization of the Sixth Construction Stage of the Investment in the Special Economic Zone in Krakow (SSE7)

In relation to the current report no. [RB-3-2016](#), ENG: [RB-3-2016](#) dated the 18th of March, 2016, on signing the contract with Budimex S.A. for the realization of the sixth construction stage of the investment in the Special Economic Zone in Krakow (SEZ7) and the current report no. [RB-20-2017](#), ENG: [RB-20-2017](#) dated the 30th of October, 2017, on signing the amendments to the above-mentioned agreement, the Management Board of Comarch S.A. announced in the current report no. [RB-3-2018](#), ENG: [RB-3-2018](#), that works covered by the initial scope of the agreement were performed until the 31st of December, 2017, and on the 25th of January, 2018, an amendment to the above-mentioned contract was signed, which established additional works to be performed by the Contractor in relation to the SSE7 building. As a consequence, the contract value was increased by PLN 2,721,000 and planned completion date of the works comprised by the amendment has been extended to the 30th of June, 2018.

4.4.3. Forward Contracts Concluded after the Balance Sheet Date

Between the 1st of January, 2018, and the 1st of March, 2018, Comarch S.A. has not concluded new forward contracts. The total net value of open forward contracts as of the 1st of March, 2018, amounted to EUR 18,577 thousand, USD 2,915 thousand. The open forward contracts as of the 1st of March, 2018, were valued at PLN 9,702 thousand. The contracts will be settled within 25 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.

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 2017, nor for full year 2017.

4.6. Significant Legal, Arbitration or Administrative Proceedings

The Comarch Group is the defendant in legal proceedings, in which the potential total amount of third party claims is PLN 85,604 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 41,260 thousand. Details are described in point [3.19](#).

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 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.
- b) 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.
- c) 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.
- d) 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.

- e) 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.
- f) 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.
- g) Due to granting a subsidy to Comarch AG, a subsidiary of Comarch S.A., for construction of an infrastructure in Dresden from Sachsische 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.
- h) 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.
- i) 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.
- j) 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.
- k) 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.
- l) 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.
- m) 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. The surety has been renewed, the total amount of granted surety is PLN 100 thousand and is valid till the 31st of May, 2018.
- n) 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 expired on the 31st of December, 2017.
- o) 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.

- p) 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. The surety has been renewed and is valid till the 31st of May, 2018.
- q) 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.
- r) 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.
- s) 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.
- t) 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.
- u) 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.
- v) 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. The surety has been renewed and is valid until the 14th of September, 2019.
- w) 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.
- x) 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.
- y) 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.

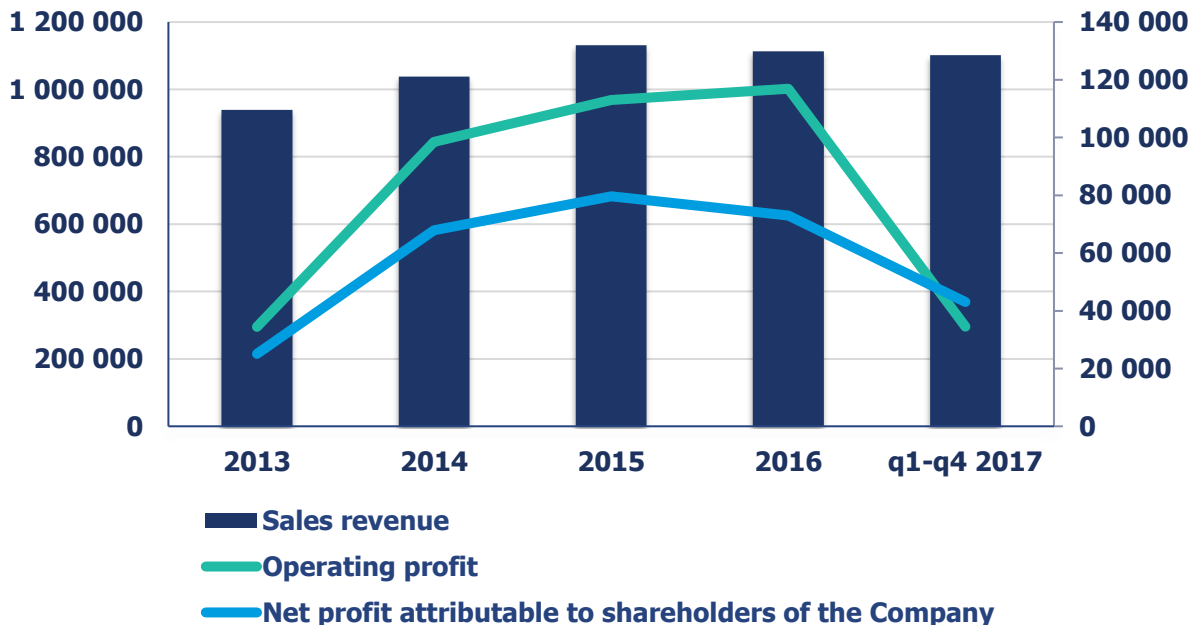
- z) Due to conclusion of a contract by Comarch Healthcare S.A., a subsidiary of Comarch S.A., the contract for service of payment cards, a surety for Comarch Healthcare S.A. was granted to the amount of PLN 450 thousand and is valid for the duration of the contract.
- aa) Due to conclusion of a contract 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.
- bb) 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 11,524 thousand and is valid for the duration of the contract.
- cc) 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.
- dd) Due to conclusion of a contract by Comarch S.A.S., a subsidiary of Comarch S.A., the contract for implementation of Comarch Loyalty Management service, a surety for liabilities of Comarch S.A.S. was granted to the amount of EUR 2,414 thousand and is valid for the duration of the contract.
- ee) Due to conclusion of a contract by Comarch S.A.S., a subsidiary of Comarch S.A., the contract for implementation of Comarch Retail, Comarch Mobile Sale and Comarch POS, a surety for liabilities of Comarch S.A.S. was granted to the amount of EUR 1,444 thousand and is valid for the duration of the contract.
- ff) Due to granting the credit line for Geopolis Sp. z o.o., a surety for liabilities of Geopolis sp. z o.o. was granted to the amount of PLN 160 thousand and expired on the 31st of December, 2017.
- gg) Due to conclusion of a contract by Comarch S.A.S., a subsidiary of Comarch S.A., the contract for implementation of Comarch Loyalty Management service, a surety for liabilities of Comarch S.A.S. was granted to the amount of USD 10,710 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 2017 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 2017, the Comarch Group generated sales revenue in the amount of PLN 350 million. They were lower by PLN 22.4 million, i.e. 6% than those achieved in the fourth quarter of 2016. Operating profit amounted to PLN 31.6 million and was lower by PLN 39.6 million than in Q4 2016. Net result attributable to the shareholders of the parent company was PLN 35.9 million and was lower by PLN 16.1 million compared to the fourth quarter of 2016. The EBIT margin was +9% and net margin amounted to +10.2%.

Within four quarters of 2017, the Comarch Group generated sales revenue in the amount of PLN 1,101.6 million. They were lower by PLN 11.2 million, i.e. 1% than those achieved in 2016. Operating result amounted to PLN 34.5 million and was lower by PLN 82.4 million than within four quarters of 2016. Net result attributable to the shareholders of the parent company was PLN 43.1 million and decreased by PLN 29.9 million compared to the previous year. The EBIT margin was +3.1% and net margin amounted to +3.9%. During the described period, the Comarch Group generated EBITDA in the amount of PLN 98.6 million, i.e. lower by PLN 81.3 million than in the similar period of the previous year.

The sales revenue achieved in the fourth quarter of 2016, as well as profitability ratios were significantly higher than those achieved in the previous quarters of 2017. However, they were lower than those achieved in Q4 2016. It was affected by, among other things:

- significant decrease in revenue from export sales (of PLN 26.5 million, i.e. 11.8%) compared to that achieved in Q4 2016, mainly due to a decrease in revenue from sales in the TMT sector outside Europe, which resulted in a decrease in gross profit from PLN 150.6 million in Q4 2016 to PLN 119.7 million in Q4 2017,
- negative effect of result from other operating activities: in Q4 2017, it was minus PLN 13.3 million, while in Q4 2016 it was plus PLN 0.3 million (it was related to, among other things, creation of provisions for bad debts, making of donations and revaluation of non-current assets),

- occurrence of realised negative exchange rate differences and from the balance sheet valuation of receivables and liabilities, that decreased operating result in the described period by PLN 7.4 million (while in Q4 2016, they increased it by PLN 1.9 million),
- positive result from financing activities in the amount of PLN 11.5 million, achieved mostly due to a change in the balance sheet valuation of financial instruments hedging the Group's exchange rate risk, resulted from strengthening PLN versus EUR in Q4 2017 (in Q4 2016 result from financing activities was negative and amounted to minus PLN 9.1 million),
- slight improvement in the public procurement market, however revenue from sales to customers in the Public and Medicine sectors remained at a low level,
- relatively high level of current income tax (PLN 7.3 million), resulting from profitable activities in some foreign subsidiaries,
- increase in operating costs, as a consequence of salary pressure in IT sector – in Q4 2017, the fund of basic salaries increased approx. by 6% compared to Q4 2016,
- change in the value of deferred tax assets and provisions, which resulted in a reduction in net profit of PLN 0.5 million.

During the 4 quarters of 2017, revenue from sales was lower by 1% compared to that achieved in the previous year, as well as EBIT margin and net margin were decreased. It was the result of, among other things:

- decrease in sales of proprietary software of PLN 25.6 million, i.e. 14.4%. This is the result of current projects situation and growth in demand for delivery of IT solutions in a services model,
- occurrence of realised negative exchange rate differences and the balance sheet valuation of receivables and liabilities, related to a significant strengthening of PLN against foreign currencies, that decreased the operating result in the described period by PLN 19.4 million (while in 2016, they increased it by PLN 6.8 million),
- positive result on financial activities in the amount of PLN 31.8 million, achieved mainly as a result of the balance sheet valuation of the financial instruments hedging the Group's exchange rate risk and credits and loans, as well as positive result on the closed transactions (in 2016, this result amounted to minus PLN 3.8 million),
- continued stagnation in the public procurement market, which resulted in the low level of revenue from sales to customers in the Public and Medicine sectors in 2017,
- decrease in revenue from sales to customers in the TMT sector and the Small and Medium-Sized Enterprises sector in DACH region,
- increase in operating costs, as a consequence of salary pressure in IT sector – during the 12 months of 2017, the fund of basic salaries increased approx. by 6.6% compared to the corresponding period in 2016,
- change in the value of deferred tax assets and provisions, which resulted in a reduction in net profit of PLN 2.4 million.

Situation in the public procurement market and costs associated with software development in the field of e-Health, telemedicine devices and new generation of loyalty solutions, as well as fast growing cost of labour will have a significant impact on the financial result of the Comarch Group in subsequent periods.

In 2017, employment level in the Comarch Group increased by 0.8%, mainly due to carrying out a summer internship program for students. As at the 31st of December, 2017, the Comarch Group hired 5,542 persons, i.e. 45 persons more than as at the 31st of December, 2016.

The 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. Despite the weaker financial result in 2017, financial standing of the Comarch Group is still very good and ensures safety of its activities during the unsteady macroeconomic situation both in Poland and worldwide. The Group is aware of incurring high costs for development of new products and activities on new foreign markets in order to further enhancement of the Group's future competitive edge.

In subsequent periods the Comarch Group intends to continue strategy assuming:

- sales of IT solutions, most of which are developed in-house,

- sales development on international markets, especially in Western Europe, Asia and both Americas,
- stable improvement of operational performance through the ongoing improvement of procedures and cost rationalization,
- development of new technologies and business areas, especially in the Medicine sector and Internet of Things (IoT),
- growing share in sales of IT in services model,
- significant investment in human capital.

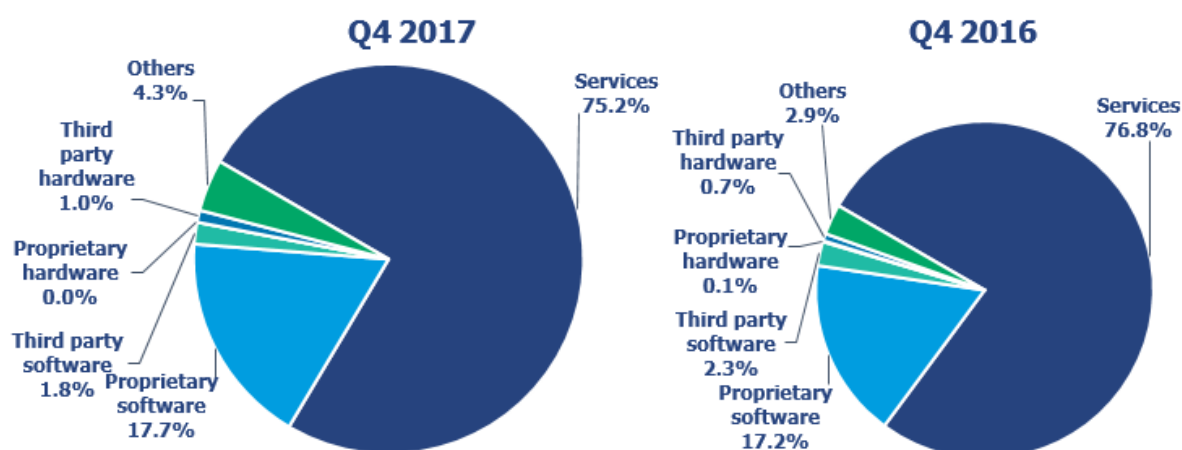
5.2. Sales Structure

Products Sales Structure (in thousands of PLN)

In the fourth quarter of 2017, Group's products sales structure was changed significantly compared to this presented in Q4 2016.

Products sales structure	Q4 2017	%	Q4 2016	%	Change in PLN	Change in %
Services	263,089	75.2	286,402	76.8	-23,313	-8.1
Proprietary software	61,943	17.7	64,191	17.2	-2,248	-3.5
Third-party software	6,161	1.8	8,405	2.3	-2,244	-26.7
Proprietary hardware	142	0.0	214	0.1	-72	-33.6
Third party hardware	3,483	1.0	2,509	0.7	974	38.8
Others	15,201	4.3	10,702	2.9	4,499	42.0
Total	350,019	100.0	372,423	100.0	-22,404	-6.0

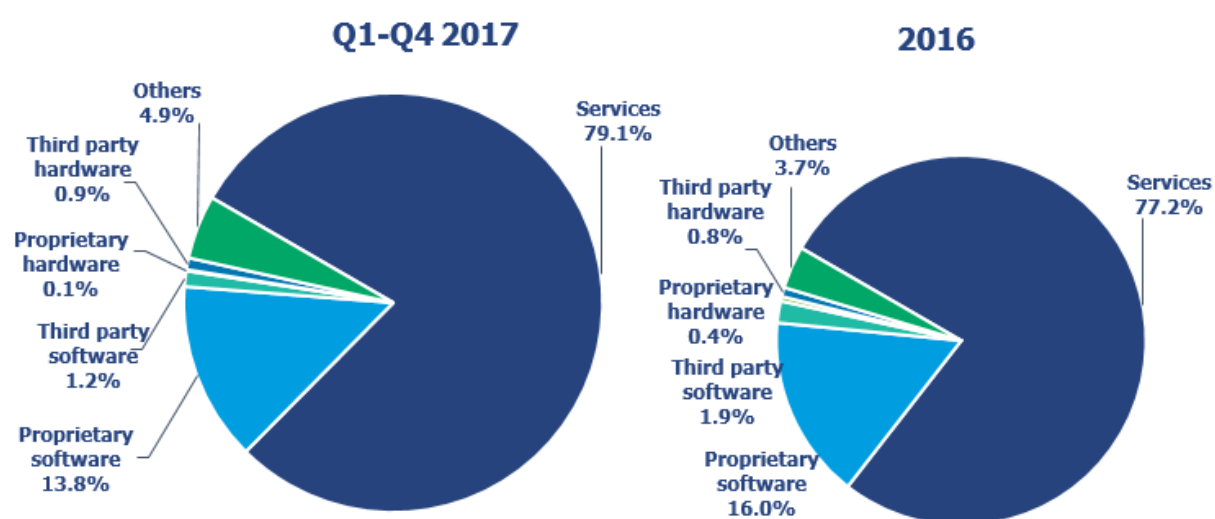
Group's sales of services were lower than a year before – it fell by PLN 23.3 million, i.e. 8.1%. The sales of proprietary software decreased by PLN 2.2 million, i.e. 3.5%, compared to that achieved in Q4 2016. A significant decrease occurred in the case of sales of third-party software (it fell by PLN 2.2 million, i.e. 26.7%). In Q4 2017, other sales increased significantly by PLN 4.5 million, i.e. by 42%, as a consequence of delivery of goods (rewards) as part of comprehensive operator service for maintenance of loyalty systems.



Over 12 months of 2017, Group's sales of proprietary software amounted to PLN 152.4 million, and were lower by PLN 25.6 million, i.e. 14.4%, compared to corresponding period in 2016.

Products sales structure	Q1-Q4 2017	%	2016	%	Change in PLN	Change in %
Services	870,666	79.1	859,367	77.2	11,299	1.3
Proprietary software	152,447	13.8	178,092	16.0	-25,645	-14.4
Third-party software	13,462	1.2	21,086	1.9	-7,624	-36.2
Proprietary hardware	802	0.1	3,674	0.4	-2,872	-78.2
Third party hardware	10,088	0.9	9,038	0.8	1,050	11.6
Others	54,123	4.9	41,556	3.7	12,567	30.2
Total	1,101,588	100.0	1,112,813	100.0	-11,225	-1.0

Sales of services increased by PLN 11.3 million, i.e. 1.3%. Sales of proprietary hardware decreased by PLN 2.9 million, i.e. 78.2% and had a low value approx. PLN 0.8 million. Sales of third-party solutions remained at a low level, this is consistent with a trend observed in the previous periods and in line with the Group's strategy of focusing on the sale of proprietary Comarch solutions. Revenue from sales of third-party software decreased by PLN 7.6 million, i.e. 36.2%, while sales of third-party hardware increased by PLN 1.1 million, i.e. 11.6%. Other sales increased by PLN 12.6 million, i.e. 30.2%, as a consequence of, among other things, a commencement of delivery of goods (rewards) as part of comprehensive operator service for maintenance of loyalty systems.

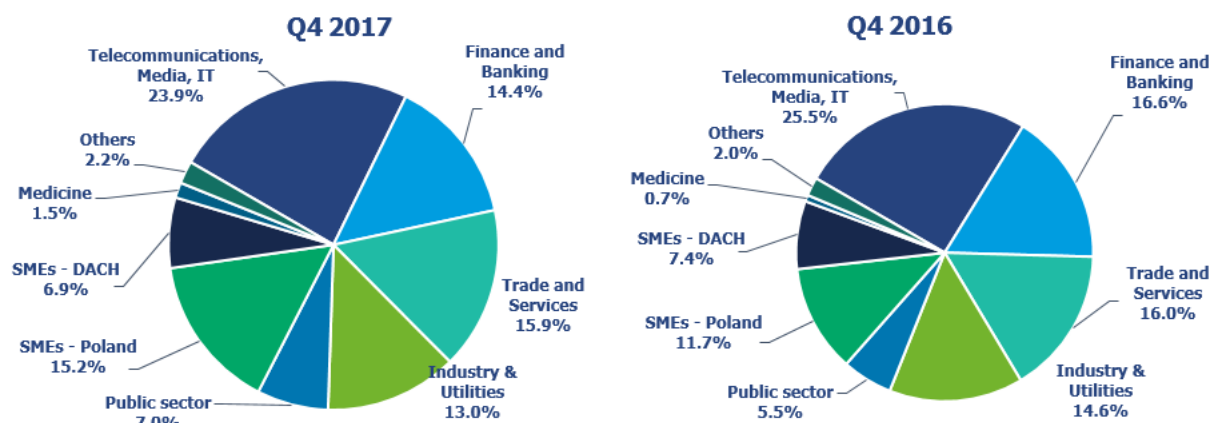


Market Sales Structure

In Q4 2017, revenues from sales of the Comarch Group to customers in the TMT sector amounted to PLN 83.8 million, which represents a decrease of PLN 11.4 million (i.e. 12%) compared to Q4 2016, which is mainly due to reduced sales of services to customers from countries outside Europe.

Market sales structure	Q4 2017	%	Q4 2016	%	Change in PLN	Change in %
Telecommunications, Media, IT	83,751	23.9	95,137	25.5	-11,386	-12.0
Finance and Banking	50,441	14.4	61,874	16.6	-11,433	-18.5
Trade and Services	55,561	15.9	59,665	16.0	-4,104	-6.9
Industry & Utilities	45,519	13.0	54,435	14.6	-8,916	-16.4
Public sector	24,536	7.0	20,430	5.5	4,106	20.1
Small and Medium-Sized Enterprises - Poland	53,035	15.2	43,594	11.7	9,441	21.7
Small and Medium-Sized Enterprises - DACH	24,132	6.9	27,544	7.4	-3,412	-12.4
Medicine	5,233	1.5	2,555	0.7	2,678	104.8
Others	7,811	2.2	7,189	2.0	622	8.7
Total	350,019	100.0	372,423	100.0	-22,404	-6.0

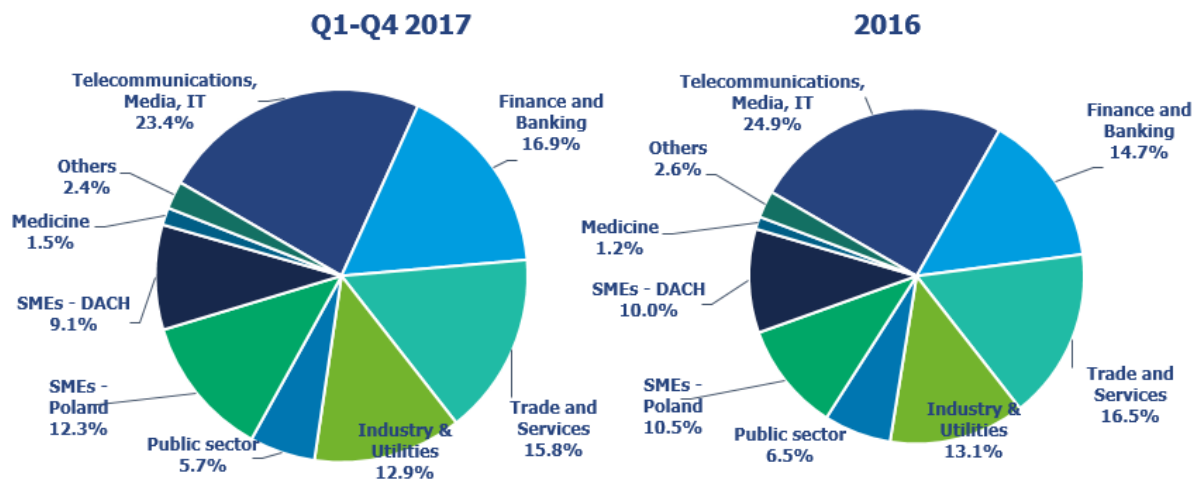
In Q4 2017, customers in the Finance and Banking sector bought products and services worth PLN 50.4 million, i.e. less about PLN 11.4 million (-18.5%) to that achieved in the corresponding period of the previous year. It was a result of a significant decrease in revenue from domestic market compared to that achieved in Q4 2016. There was a significant increase in sales to customers in the Small and Medium-sized Enterprises in Poland (by PLN 9.4 million, i.e. 21.7%). Sales to customers in the Small and Medium-sized Enterprises in DACH region decreased by PLN 3.4 million, i.e. 12.4%, which is mainly the result of strengthening PLN versus EUR in Q4 2017. Revenue from sales to customers in the Trade and Services sector decreased by PLN 4.1 million, i.e. 6.9%, and in case of customers in the Industrial sector decreased by PLN 8.9 million, i.e. 16.4% compared to Q4 2016. In the fourth quarter of 2017, there was a some improvement of situation in the public procurement market, revenue from sales increased by PLN 4.1 million, i.e. 20.1%. There was also an increase in sales to customers in the Medicine sector (of PLN 2.7 million, i.e. 104.8%). Revenue from sales to other customers increased by PLN 0.6 million, i.e. 8.7%.



During the 12 months of 2017, the Comarch Group's revenue from sales to customers from the TMT sector amounted to PLN 258 million, which represents a decrease of PLN 18.6 million, i.e. 6.7% compared to that achieved in 2016.

Market sales structure	Q1-Q4 2017	%	2016	%	Change in PLN	Change in %
Telecommunications, Media, IT	258,015	23.4	276,620	24.9	-18,605	-6.7
Finance and Banking	185,693	16.9	163,811	14.7	21,882	13.4
Trade and Services	174,333	15.8	183,314	16.5	-8,981	-4.9
Industry & Utilities	141,799	12.9	146,100	13.1	-4,301	-2.9
Public sector	63,317	5.7	72,856	6.5	-9,539	-13.1
Small and Medium-Sized Enterprises - Poland	135,959	12.3	116,566	10.5	19,393	16.6
Small and Medium-Sized Enterprises - DACH	99,768	9.1	111,223	10.0	-11,455	-10.3
Medicine	16,015	1.5	13,184	1.2	2,831	21.5
Others	26,689	2.4	29,139	2.6	-2,450	-8.4
Total	1,101,588	100.0	1,112,813	100.0	-11,225	-1.0

This is due to decreased sales of services to customers in the Western Europe, which were mainly covered by an increase in sales in countries outside Europe. Customers in the Finance and Banking sector bought products and services worth PLN 185.7 million, i.e. more about PLN 21.9 million (+13.4%) to that achieved in the corresponding period of the previous year, as a consequence of new contracts acquired on international markets. There were decreases in sales to customers in the Industry and Utilities sector (of PLN 4.3 million, i.e. 2.9%) and sales to customers in the Trade and Services sector (of PLN 9 million, i.e. 4.9%).



Despite of the some improvement of situation in Q4 2017, there was continuous stagnation in the public procurement market in 2017. Revenue from sales to customers in the Public sector was lower by PLN 9.5 million, i.e. 13.1%. Revenue from sales to customers in the Medicine sector increased by PLN 2.8 million, i.e. 21.5%.

There was a significant improvement of sales to customers in the Small and Medium-sized Enterprises in Poland, due to a good result of sales of ERP solutions, as well as products and services related to them. An increase in this sector amounted to PLN 19.4 million, i.e. 16.6%. There was a decrease in

sales to customers in the Small and Medium-sized Enterprises in DACH region (of PLN 11.5 million, i.e. 10.3%). It was a temporary effect, which was a result of the other projects situation in the current year, and strengthening of the Polish zloty in 2017. Revenue from sales to other customers decreased by PLN 2.5 million, i.e. 8.4%.

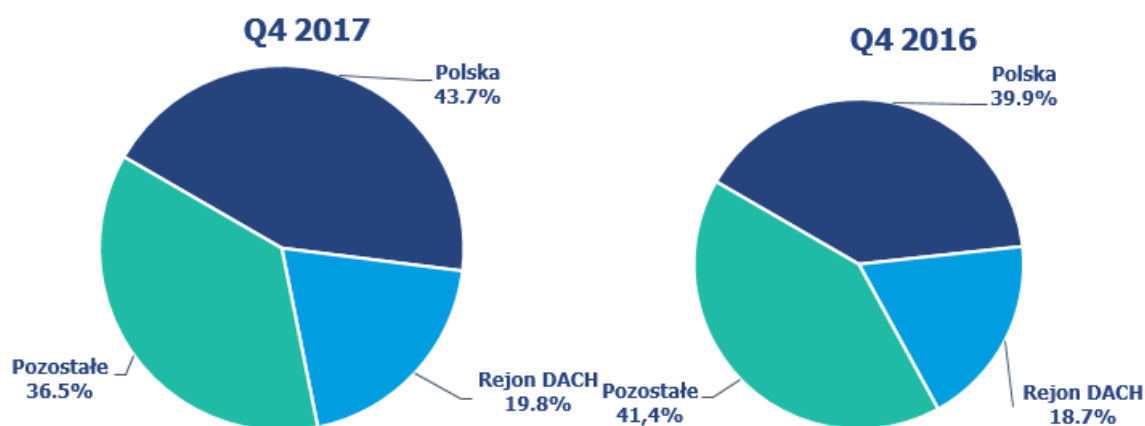
Business situation in the 12 months of 2017 confirms, that maintaining the diversification of revenue sources and offer, the Comarch Group has secured the opportunity to sustain stable business development.

Geographical sales structure (customers)

In the fourth quarter of 2017, the Group's export sales amounted to PLN 197.2 million and decreased by PLN 26.5 million, i.e. 11.8% compared to those in Q4 2016, which is mainly due to the decreased sales to customers in the TMT sector on the markets outside Europe and the strengthening PLN versus EUR and USD in Q4 2017.

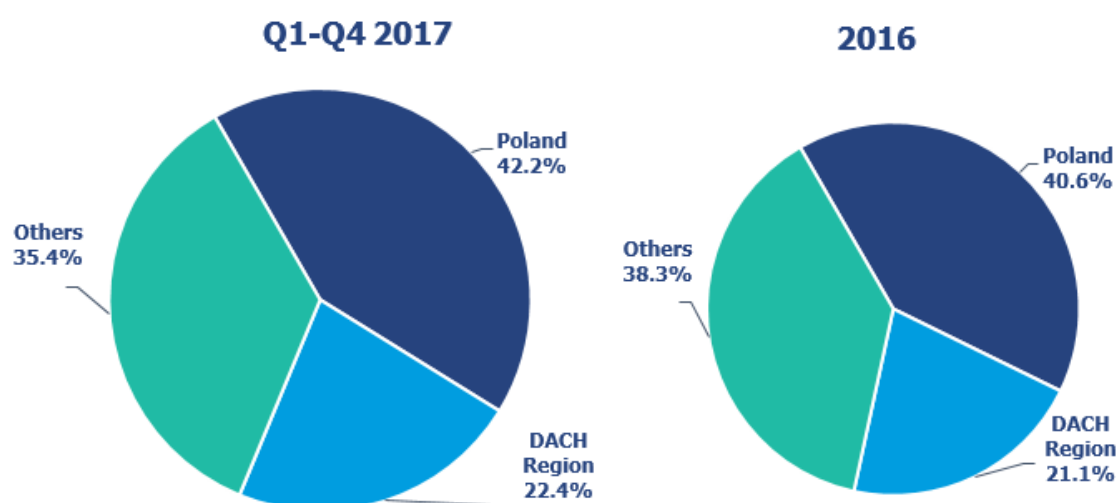
Geographical sales structure	Q4 2017	%	Q4 2016	%	Change in PLN	Change in %
Domestic (Poland)	152,815	43.7	148,767	39.9	4,048	2.7
Export	197,204	56.3	223,656	60.1	-26,452	-11.8
Total	350,019	100.0	372,423	100.0	-22,404	-6.0

Domestic sales increased by PLN 4 million, i.e. 2.7% compared to Q4 2016. Share of export sales in total Group's sales amounted to 56.3% in Q4 2017.

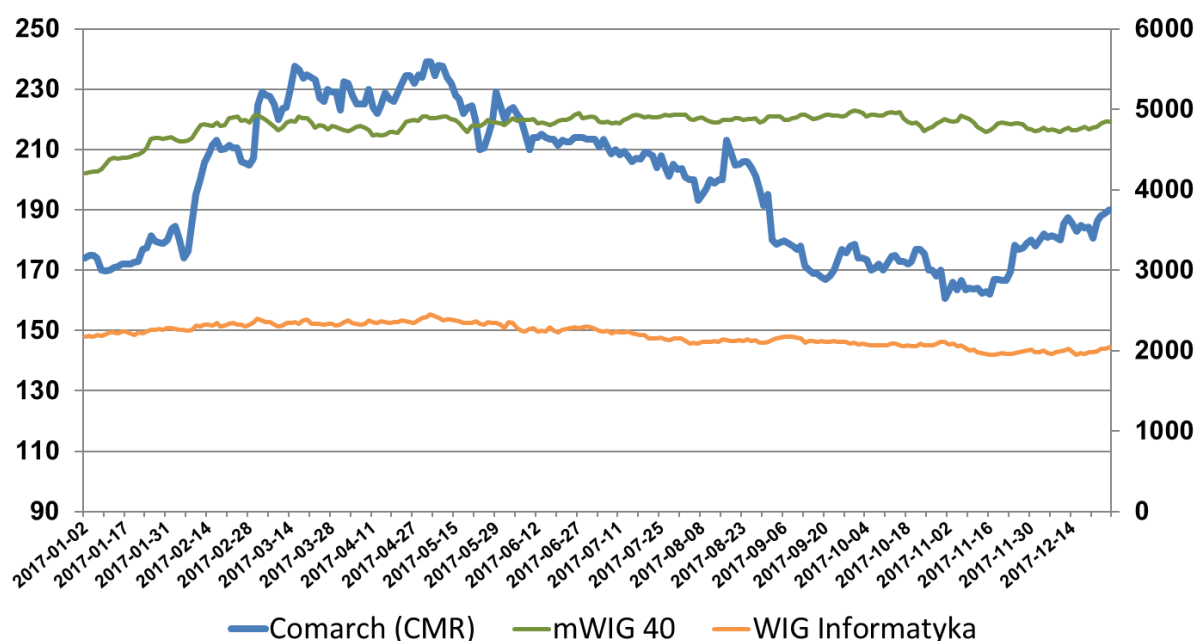


Geographical sales structure	Q1-Q4 2017	%	2016	%	Change in PLN	Change in %
Domestic (Poland)	464,403	42.2	451,680	40.6	12,723	2.8
Export	637,185	57.8	661,133	59.4	-23,948	-3.6
Total	1,101,588	100.0	1,112,813	100.0	-11,225	-1.0

In 2017, Group's export sales slightly decreased, mainly as a consequence of a decrease in export sales achieved in the fourth quarter of 2017. Within 12 months of 2017, export sales amounted to PLN 637.2 million and were lower by PLN 23.9 million, i.e. 3.6% compared to those in the previous year. Domestic sales increased by PLN 12.7 million, i.e. 2.8%, compared to that achieved in the corresponding period of 2016, as a result of the increase in sales to customers in the SMEs sector. In 2017, share of export sales in total sales amounted to 57.8%.



5.3. Comarch S.A. Stock Price Performance



On the 31st of December, 2017, the closing rate of Comarch S.A. shares in the Warsaw Stock Exchange amounted to PLN 190 and increased by 9% compared to PLN 174.00 on the 31st of December, 2016. 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 and 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 2017 / 31 December 2017	12 months ended 31 December 2016 / 31 December 2016
Closing price at the balance sheet date	190.00	174.00
Average price during the reporting period	198.17	149.82
MIN price during the reporting period	160.60	103.70
MAX price during the reporting period	239.00	190.00
Average volume during the reporting period	4,592	6,314
Capitalization at the balance sheet date	1,545,336,310	1,415,202,726
<i>Ratios for unconsolidated data</i>		
P/E at the balance sheet date	35.22	31.04
P/BV at the balance sheet date	1.93	1.83
P/S at the balance sheet date	2.04	1.89
<i>Ratios for consolidated data</i>		
P/E at the balance sheet date	35.87	19.38
P/BV at the balance sheet date	1.79	1.67
P/S at the balance sheet date	1.40	1.27

5.4. Events in the Fourth Quarter of 2017 that Greatly Impacted the Current Activities of the Comarch Group

5.4.1. Signing the Agreement on "Delivery and Implementation of the System for Digital Registration of Court Proceedings in Common Courts"

The Management Board of Comarch S.A. informed in the current report no. [RB-18-2017](#), ENG: [RB-18-2017](#) dated the 20th of October, 2017, that as a result of resolution of public procurement procedure on the 20th of October, 2017, the Consortium of Comarch Polska S.A. (a subsidiary of Comarch S.A.) as a Leader of the Consortium and MAXTO Sp. z o.o. S.K.A. as a Member of the Consortium (the "Consortium") signed the agreement with the Treasury represented by the Minister of Justice on delivery and implementation of the system for digital registration of court proceedings in common courts (the "Agreement"). The delivery, installation, configuration, implementation and launch of the system will be completed not later than by 31st of August, 2018, while services and technical support will be carried out for 48 months from the first day of the full month after signing by the Ministry of Justice the final protocol without reservation. The maximum remuneration payable the Consortium for the performance of the Agreement shall not exceed PLN 137,805,711.72 gross.

5.4.2. Announcement of the Tender Results in the Limited Offering for "Providing Support, Operation and Maintenance Services for Comprehensive IT System for ZUS"

The Comarch S.A.'s Management Board informed in the current report no. [RB-21-2017](#), ENG: [RB-21-2017](#), dated the 14th of November, 2017, that on the 14th of November, 2017, tender results in the limited offering for "Providing Support, Operation and Maintenance Services for Comprehensive IT System for ZUS", organized by Zakład Ubezpieczeń Społecznych w Warszawie (the Polish Social Insurance Institution in Warsaw; ZUS), were announced. The Issuer's offer with total value of 242,033,004 gross received the most points and was chosen as the most advantageous.

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

5.5.1. Amendment to the Agreement with Bank Pekao S.A. for Comprehensive Operating Service of Comarch Internet Banking System

The Management Board of Comarch S.A. informed in the current report no. [RB-2-2018](#), ENG: [RB-2-2018](#) dated the 5th of January, 2018, in relation to the current report no. [RB-3-2017](#), ENG: [RB-3-2017](#) dated the 24th of March, 2017, that received the signed amendment to the agreement with Bank Pekao S.A. for Comprehensive Operating Service of Comarch Internet Banking System (CIB) signed with Bank Pekao S.A. by CA Consulting S.A., a subsidiary of Comarch S.A. on 23rd of December, 2005 (hereinafter referred to as "the Agreement"). Under the signed amendment, a new scope and date of performance was established. As well as the Parties represented that they have no claims against each other arising out of non-performance or improper performance of the above-mentioned Agreement. It means that there is no claim of Bank Pekao S.A. against CA Consulting S.A. about which the Management Board of Comarch S.A. announced in the current report no. [RB-3-2017](#), ENG: [RB-3-2017](#).

QUARTERLY SUMMARY OF COMARCH S.A. FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF 2017

I. Balance Sheet

ASSETS	31 December 2017	30 September 2017	31 December 2016
I. NON-CURRENT ASSETS	757,239	753,707	701,603
1. Intangible assets	14,625	12,910	8,506
2. Property, plant and equipment	344,497	334,274	296,496
3. Non-current investments	389,110	396,664	388,998
3.1. Non-current financial assets	362,288	369,522	360,783
a) in related parties	359,171	366,471	359,931
b) in other entities in which the Company holds equity interests	280	427	360
c) in other entities	2,837	2,624	492
3.2 Real estates	26,780	27,099	28,172
3.3 Other non-current investment	43	43	43
4. Non-current prepayments	9,007	9,859	7,603
4.1 Deferred income tax assets	5,816	6,027	6,510
4.2 Other accruals	3,191	3,832	1,093
II. CURRENT ASSETS	493,731	415,627	460,642
1. Inventories	76,947	60,616	43,273
2. Current receivables	315,558	246,495	324,572
2.1 from related parties	187,234	134,966	181,062
2.2 from other entities in which the Company holds equity interests	560	408	587
2.3 from other entities	127,764	111,121	142,923
3. Current investments	57,670	61,389	55,488
3.1 Current financial assets	57,670	61,389	55,488
a) in related parties	322	334	351
b) in other entities in which the Company holds equity interests	303	140	204
c) in other entities	8,516	7,146	1,150
- interest and shares	-	-	1
- granted loans	-	-	-
- other current financial assets	8,516	7,146	1,149
d) cash and cash equivalents	48,529	53,769	53,783
4. Short-term prepayments	43,556	47,127	37,309
TOTAL ASSETS	1,250,970	1,169,334	1,162,245

EQUITY AND LIABILITIES	31 December 2017	30 September 2017	31 December 2016
I. EQUITY	801,519	777,548	771,742
1. Share capital	8,133	8,133	8,133
2. Supplementary capital	653,363	653,363	619,975
3. Revaluation reserve	95,405	100,744	97,301
4. Other reserve capitals	745	745	745
5. Previous years' profit (loss)	-	-	-
6. Net profit (loss)	43,873	14,563	45,588
II. LIABILITIES AND PROVISIONS FOR LIABILITIES	449,451	391,786	390,503
1. Provisions for liabilities	124,135	94,437	124,646
1.1 Provision for deferred income tax	25,255	26,206	23,830
1.2 Other provisions	98,880	68,231	100,816
a) current	98,880	68,231	100,816
2. Non-current liabilities	154,761	148,699	121,363
2.1 to related parties	22,472	19,759	16,520
2.2 to other entities in which the Company holds equity interests	-	-	-
2.3 to other entities	132,289	128,940	104,843
3. Current liabilities	151,352	132,316	126,800
3.1 to related parties	26,905	37,126	20,214
3.2 to other entities in which the Company holds equity interests	894	593	2,108
3.3 to other entities	121,940	92,379	102,914
3.4 Special funds	1,613	2,218	1,564
4. Accruals	19,203	16,334	17,694
4.1 Other accruals	19,203	16,334	17,694
a) current	19,203	16,334	17,694
TOTAL EQUITY AND LIABILITIES	1,250,970	1,169,334	1,162,245
Book value	801,519	777,548	771,742
Number of shares	8,133,349	8,133,349	8,133,349
Book value per single share (PLN)	98.55	95.60	94.89
Diluted number of shares	8,133,349	8,133,349	8,133,349
Diluted book value per single share (PLN)	98.55	95.60	94.89

II. Income Statement

For period 01.01 – 31.12.2017 and 01.01 – 31.12.2016	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
I. Net revenues from sales of products, goods and materials, including:	247,727	755,996	249,478	749,213
- revenues from related parties	98,411	249,371	94,701	227,144
1. Net revenues from sales of products	237,768	714,254	226,429	690,520
2. Net revenues from sales of goods and materials	9,959	41,742	23,049	58,693
II. Costs of products, goods and materials sold, including:	164,426	578,053	160,604	529,985
- to related parties	7,874	32,887	8,962	29,352
1. Manufacturing cost of products sold	155,860	540,703	138,501	475,652
2. Value of products, goods and materials sold	8,566	37,350	22,103	54,333
III. Gross profit (loss) on sales	83,301	177,943	88,874	219,228
IV. Costs of sales	26,216	71,732	22,755	67,002
V. Administrative expenses	20,869	53,892	24,574	55,719
VI. Profit (loss) on sales	36,216	52,319	41,545	96,507
VII. Other operating revenues	(700)	1,278	438	1,318
1. Profit on disposal of non-financial non-current assets	172	442	149	345
2. Other operating revenues	(872)	836	289	973
VIII. Other operating costs	3,901	11,135	6,309	18,991
1. Loss on disposal of non-financial non-current assets	-	-	-	-
2. Cost of works financed in part with subsidies	687	5,285	(7,619)	-
3. Revaluation of non-financial assets	-	-	(6)	-
4. Other operating costs	3,214	5,850	13,934	18,991
IX. Profit (loss) on operating activities	31,615	42,462	35,674	78,834
X. Financial revenues	6,486	26,972	(504)	6,398
1. Interest, including:	112	451	112	910
- from related parties	30	176	82	694
2. Dividends and share in profits	-	107	-	542
- from related parties	-	107	-	542
3. Profit (loss) on disposal of investment	4,697	13,082	(186)	1,383
4. Revaluation of financial assets	(31)	(57)	(3,876)	117
5. Other	1,708	13,389	3,446	3,446
XI. Finance costs	7,161	20,270	8,170	28,686
1. Interest	631	2,795	882	2,391
- from related parties	198	736	176	338
2. Revaluation of investments	4,575	4,575	8,360	25,852
3. Other	1,955	12,900	(1,072)	443
XII. Profit (loss) on business activities	30,940	49,164	27,000	56,546
XIII. Gross profit (loss)	30,940	49,164	27,000	56,546
XIV. Income tax	1,630	5,291	6,486	10,958
XV. Net profit (loss)	29,310	43,873	20,514	45,588

	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
Net profit (loss) (annualised)		43,873		45,588
Weighted average number of shares 01.01.2017 – 31.12.2017		8,133,349		8,133,349
Earnings (losses) per single share (PLN)		5.39		5.61
Diluted weighted average number of shares 01.01.2017 – 31.12.2017		8,133,349		8,133,349
Diluted earnings (losses) per single share (PLN)		5.39		5.61

III. Changes in Equity

	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
I. Opening balance of equity	777,548	771,742	749,018	731,905
a) changes to adopted accounting principles (policies)	-	-	-	-
I. a. Opening balance of equity after adjustments	777,548	771,742	749,018	731,905
1. Opening balance of share capital	8,133	8,133	8,133	8,133
1.1 Changes in share capital	-	-	-	-
a) increases (due to)	-	-	-	-
- shares issue	-	-	-	-
1.2 Closing balance of share capital	8,133	8,133	8,133	8,133
2. Opening balance of supplementary capital	653,363	619,975	619,975	562,292
2.1 Changes in supplementary capital	-	33,388	-	57,683
a) increases (due to)	-	33,388	-	57,683
- profit-sharing for the previous years	-	33,388	-	57,683
2.2 Closing balance of supplementary capital	653,363	653,363	619,975	619,975
3. Opening balance of revaluation reserve	100,744	97,301	95,091	103,052
3.1 Changes in revaluation reserve	(5,339)	(1,896)	2,210	(5,751)
a) increases (due to)	(3,804)	446	(518)	1,349
- provision for deferred income tax due to certificates valuation	446	446	(518)	1,349
- balance sheet valuation of investment certificates	(4,250)	-	-	-
b) decreases (due to)	1,535	2,342	(2,728)	7,100
- balance sheet valuation of investment certificates	2,342	2,342	(2,728)	7,100
- provision for deferred income tax due to certificates valuation	(807)	-	-	-
3.2 Closing balance of revaluation reserve	95,405	95,405	97,301	97,301
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	-	45,588	-	57,683
a) changes to adopted accounting principles (policies)	-	-	-	-
6.1 Opening balance of previous years' profit after adjustments	-	45,588	-	57,683
a) decreases (due to)	-	45,588	-	57,683

- transferring the result from the previous years to capital	-	33,388	-	57,683
- payment of dividend	-	12,200	-	-
6.2 Closing balance of previous years' profit	-	-	-	-
7. Result for Q1–Q3 2017 (opening balance)	14,563	-	25 074	-
7.1 Net result for the period	29,310	43 ,873	20 514	45,588
7.2. Net result	43,873	43,873	45,588	45,588
II. Closing balance of equity	801,519	801,519	771,742	771,742
III. Equity including proposed profit-sharing (loss coverage)	801,519	801,519	771,742	771,742

IV. Cash Flow Statement

For period 01.01 – 31.12.2016 and 01.01 – 31.12.2015	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
A. Cash flows from operating activities				
I. Net profit (loss)	29,310	43,873	20,514	45,588
II. Total adjustments	(16,183)	3,540	(1,541)	(9,766)
1. Depreciation	9,765	38,053	8,525	35,301
2. Exchange gains (losses)	597	243	40	5
3. Interest and profit sharing (dividends)	1,263	2,917	(14)	518
4. (Profit) loss on investing activities	4,436	4,166	5,052	21,807
5. Change in provisions	30,951	(66)	26,196	(14,674)
6. Change in inventories	(16,824)	(33,674)	(376)	(15,526)
7. Change in receivables	(74,495)	(12,714)	(92,058)	(32,228)
8. Change in current liabilities, excluding credits and loans	23,563	16,276	34,105	(11,219)
9. Change in prepayments and accruals	1,772	(11,661)	16,989	6,250
10. Change in deferred income	2,789	-	-	-
11. Other adjustments	-	-	-	-
III. Net cash used in operating activities (I+/-II) – indirect method	13,127	47,413	18,973	35,822
I. Inflows	(12,058)	22,006	11,872	55,824
1. Disposal of property, plant and equipment and intangible assets	839	2,759	89	1,426
2. From financial assets, including:	(12,897)	19,247	11,783	54,398
a) in related parties	(17,593)	6,165	11,969	53,015
- repaid loans	505	5,886	2,732	26,013
- repaid interest on loans	172	172	297	1,671
- received loans	(18,127)	-	8,940	24,789
- received interest	(143)	-	-	-
- received dividends	-	107	-	542
b) in other entities	4,696	13,082	(186)	1,383
- other proceeds from financial assets	4,696	13,082	(186)	1,383
3. Other investment proceeds	-	-	-	-
II. Outflows	(23,320)	(109,852)	(27,224)	(110,005)
1. Purchase of property, plant and equipment and intangible assets	(21,848)	(96,956)	(12,653)	(53,625)
2. Expenses for investment in real estates	-	-	-	(5)
3. For financial assets, including:	(1,472)	(12,896)	(14,571)	(56,375)
a) in related parties	(1,472)	(12,896)	(14,571)	(56,375)
- purchase of financial assets	(4,570)	(12,129)	(1,364)	(30,038)

- granted non-current loans	-	(767)	(3,083)	(14,230)
- repayment of loans from related parties	3,048	-	(9,853)	(11,579)
- repayment of interest on loans	50	-	(271)	(528)
b) in other entities	-	-	-	-
4. Other investment expenses	-	-	-	-
III. Net cash used in investing activities (I-II)	(35,378)	(87,846)	(15,352)	(54,181)
C. Cash flows from financing activities				
I. Inflows	51,865	98,874	9,577	27,644
1. Credits and loans	49,643	96,244	9,577	27,607
2. Net proceeds from shares issue	-	-	-	-
3. Repaid loans	-	-	-	30
4. Interest received on paid loans	-	-	-	7
5. Other financial inflows	2,222	2,630	-	-
II. Outflows	(34,233)	(63,401)	(4,769)	(25,925)
1. Dividends and other payments to owners	815	(12,200)	-	-
2. Repayment of loans and credits	(33,707)	(48,005)	(4,214)	(23,715)
3. Interest	(1,341)	(3,196)	(555)	(2,210)
4. Granted loans	-	-	-	-
5. Other financial expenses	-	-	-	-
III. Net cash (used in)/generated from financing activities (I-II)	17,632	35,473	4,808	1,719
D. TOTAL net cash flow (A.III+/- B.III+/-C.III)	(4,619)	(4,960)	8,429	(16,640)
E. Balance sheet change in cash and cash equivalents, including:	(5,248)	(5,261)	8,370	(16,602)
- change in cash and cash equivalents due to exchange differences	(629)	(301)	(59)	38
F. Cash and cash equivalents opening balance	53,768	53,781	45,411	70,383
H. Closing balance of cash and cash equivalents (F+/- E), including:	48,520	48,520	53,781	53,781
- limited disposal	186	1,686	3,814	7,706

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, 2016, until the 31st of December, 2016. If this

financial statement for the 12 months ended the 31st of December, 2017, was prepared according to IFRS, the financial results would amount to PLN 42,708 thousand.

Earnings according to Act on Accounting	43,873
Depreciation of perpetual usufruct	(93)
Assets due to activity in the SEZ	(1,072)
Profit according to IFRS	42,708

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 2017, Comarch S.A. created write-offs that revaluated goods, materials and finished products in the amount of PLN 5 thousand. The Company dissolved write-offs in the amount of PLN 5 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, 2017, in relation with payments of receivables, Comarch S.A. dissolved revaluating write-offs worth PLN 3,035 thousand and recognized write-offs worth PLN 3,287 thousand that revaluated bad debts. As at the 31st of December, 2017, Comarch S.A. created write-off for impairment of long-term financial assets (shares, stock) in the amount of PLN 4,608 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 2017 an asset due to temporary differences in income tax worth PLN 744 thousand was recognized. A tax asset worth PLN 1,438 thousand and recognized as at the 31st of December, 2016, was dissolved in part. A provision for deferred income tax due to temporary differences worth 1,921 PLN thousand was recognized, but a provision in the amount of PLN 50 thousand was dissolved. The total effect of these operations on the result of 2017 was minus PLN 2,565 thousand.

Provision for deferred income tax related to valuation of investment certificates in CCF FIZ was decreased by PLN 446 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 2017	30 September 2017	31 December 2016
a) in subsidiaries and correlated parties	359,171	366,471	359,931
- interest or shares	236,611	236,801	229,711
- loans granted	3,242	3,754	8,553
- other securities	119,347	125,939	121,688
- other non-current financial assets, including:	(29)	(23)	(21)
- interest on granted loans	(29)	(23)	(21)
b) in other entities in which the Company holds equity interests	280	427	360
- interest or shares	150	150	150
- loans granted	130	270	210

- other non-current financial asset, including	-	7	-
- interest on granted loans	-	7	-
c) in other entities	2,837	2,624	492
- other non-current financial assets (types)	2,837	2,624	492
- Forward contracts	2,837	2,624	492
Total	362,288	369,522	360,783

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

	Q4 2017	12 months ended 31 December 2017	Q4 2016	12 months ended 31 December 2016
a) Opening balance	369,522	360,783	365,504	382,917
- interests or shares	236,951	229,861	236,193	230,552
- loans granted	4,030	8,763	8,829	23,052
- other securities	125,939	121,688	118,457	128,284
- other non-current assets, including interest on granted loans	(22)	(21)	116	950
- others	2,624	492	1,909	79
b) increases (due to)	(5)	14,605	(3,122)	33,487
- purchases of shares in related parties	4,569	12,129	1,150	24,283
- purchase of investment certificates	-	-	504	504
- loans granted to related parties	(421)	-	-	4,798
- change in the nature of loans on short-term (other entities in which the Company holds equity interests)	(140)	-	-	-
- due interest to non-current loans	25	131	51	638
- balance sheet valuation of non- current loans	-	-	323	334
- balance sheet and adjusted valuation of interest on loans	-	-	5	35
- valuation of forward contracts	213	2,345	(1,417)	413
- balance sheet valuation of investment certificates	(4,251)	-	-	-
- dissolution of write-offs on loans in related parties	-	-	(3,848)	2,372
- dissolution of write-offs on interest on loans	-	-	112	112
c) decreases (due to)	7,229	13,100	1,601	55,623
- repayment of related entities' loans	80	5,120	2,733	19,664
- repayment of other entities' loans in which the Company holds equity interest	80	80	-	30
- repayment of related parties' interest on loans	27	109	297	1,673
- change in the nature of loans on short-term (related entities)	(80)	-	(30)	211

- change in the nature of loans on short-term (other entities in which the Company holds equity interests)	-	-	30	90
- valuation of participation units in CCF FIZ	2,341	2,341	(2,727)	7,100
- revaluation of shares	4,608	4,608	7,482	24,974
- balance sheet valuation of shares	151	621	-	-
- redemption of loans in related parties	-	-	-	664
- redemption of interest on loans in related parties	-	-	2	14
- capitalization of interests	54	54	-	-
- balance sheet and adjusted valuation of interest on loans	6	10	-	-
- balance sheet valuation of loans and exchange differences realized in relation to repaid loans and from the balance sheet valuation	(17)	191	-	-
- creating revaluation write-offs on loans to related parties	28	-	(6,192)	1,134
- creating revaluation write-offs on interest on loans to related parties	(49)	(34)	6	69
d) Closing balance	362,288	362,288	360,783	360,783

3.3. Current Financial Assets

	31 December 2017	30 September 2017	31 December 2016
a) in related parties	322	334	351
- loans granted	322	321	322
- other financial assets	-	13	29
b) in other entities in which the Company holds equity interests	303	140	204
- loans granted	280	140	200
- other financial assets	23	-	4
c) in other entities	8,516	7,146	1,150
- loans granted	-	-	-
- interest or shares	-	-	1
- other current financial assets, including:	8,516	7,146	1,149
- forward contracts	8,516	7,146	1,149
d) cash and cash equivalents	48,529	53,769	53,783
- cash in hand and at banks	48,520	53,768	53,781
- other monetary assets	9	1	2
Total	57,670	61,389	55,488

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 four quarters of 2017, Comarch S.A. reached revenue from sales in the amount of PLN 756 million, what constitutes an increase of 0.9% compared to that achieved in the analogous period in the previous year. Net sales of products constituted 94.5% of total Company's sales and were higher by PLN 23.7 million compared to that in 2016. In the four quarters of 2017, the Company's operating profit amounted to PLN 42.5 million and net profit was PLN 43.9 million. EBIT margin amounted to 5.6% and net margin was 5.8%.

In the fourth quarter of 2017, Comarch S.A. reached revenue from sales in the amount of PLN 247.7 million, which was a similar value to that achieved in Q4 2016 (amount of PLN 249.5 million). Net sales of products constituted 96% of total sales of the Company and were higher by PLN 11.3 million than in the similar period of 2016. The Company's operating profit achieved in Q4 2017 amounted to PLN 31.6 million, and net profit was PLN 29.3 million. EBIT margin was 12.8% and net margin was 11.8%.

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

Except for the ones described in [point 2](#) of the financial statement, foreign exchange rate differences and financial instruments based on exchange rates had an impact on the financial result. Realized foreign exchange rate differences and balance sheet valuation of exchange rates on receivables and liabilities as at the 31st of December, 2017, decreased revenue and operating profit of Comarch S.A. by PLN 16,406 thousand (while during the corresponding period in 2016 increased by PLN 5,541 thousand). Exchange rate differences from other activities increased the result of Comarch S.A. by PLN 3,879 thousand (while during the corresponding period in 2016 decreased by PLN 2,095 thousand). The valuation of financial instruments and realised transactions (mostly forward contracts), as well as provision for deferred income tax in reference to the valuation of the financial instruments, increased Comarch S.A.'s net result by PLN 24,457 thousand (while in the corresponding period of 2016 they increased it by PLN 671 thousand). The total effect of exchange rate differences and valuation and realization of derivative financial instruments on the net result of Comarch S.A. in 2017 amounted to plus PLN 11,930 thousand (plus PLN 4,117 thousand in 2016).

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

Over 2017, Comarch Group revenue structure was as follows: 23% of annual sales were achieved in the first quarter, 23% in the second quarter, 21% in the third quarter and 33% in the fourth quarter. Over 2018, the Company expects the distribution of sales revenue similar to that of 2017.

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

Over four quarters of 2017, Comarch S.A. created write-offs that revaluated goods and materials and finished products in the amount of PLN 5 thousand. The Company dissolved write-offs in the amount of PLN 5 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 2016	57,639	2,875	-	-	60,514
Change:	24,973	(2,875)	-	-	22,098
- creation	24,973	-	-	-	24,973
- dissolution	-	(2,875)	-	-	(2,875)
At 31 December 2016	82,612	-	-	-	82,612
At 1 January 2017	82,612	-	-	-	82,612
Change:	4,608	-	-	-	4,608
- creation	4,608	-	-	-	4,608
- dissolution	-	-	-	-	-
At 31 December 2017	87,220	-	-	-	87,220

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 2016	17,674	9,264	16,202	72,117	115,257
Change:	(5,384)	244	2,271	(11,572)	(14,441)
- creation	7,634	418	12,465	74,812	95,329
- dissolution	(13,018)	(174)	(10,194)	(86,384)	(109,770)
At 31 December 2016	12,290	9,508	18,473	60,545	100,816
At 1 January 2017	12,290	9,508	18,473	60,545	100,816
Change:	(1,099)	452	2,353	(3,642)	(1,936)
- creation	10,410	1,148	13,326	69,551	94,435
- dissolution	(11,509)	(696)	(10,973)	(73,193)	(96,371)
At 31 December 2017	11,191	9,960	20,826	56,903	98,880

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 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
At 1 January 2017	6,510	23,830
Creation in Q1-Q4 2017	744	1,921
Dissolution in Q1-Q4 2017	(1,438)	(496)
At 31 December 2017	5,816	25,255

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 39,872 thousand, technical devices and equipment related to them for the amount of PLN 5,588 thousand and intangible assets for the amount of PLN 11,236 thousand. The Company also incurred expenditures for the construction of an office building in the amount of PLN 51,880 thousand.

As at the of 31st of December, 2017, revenue from sales of property, plant and equipment amounted to PLN 3,601 thousand.

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

As at the of 31st of December, 2017, Comarch S.A. holds an investment liabilities amounted to PLN 6,304 thousand related to the construction of an office building SSE7, liability due to purchase of computer hardware in the amount of PLN 900 thousand, liability due to purchase of cars in the amount of PLN 760 thousand and liability due to purchase of intangible assets in the amount of PLN 2,489 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 3,098 thousand. Settlement of this obligation is provided for the 31st of December, 2018.

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

On the 8th of May, 2017, in the current report no. [RB-6-2017](#), ENG: [RB-6-2017](#) The Management Board of Comarch S.A. announced, that they shall recommend to the company's General Shareholders' Meeting the following distribution of the net profit of PLN 45,588,464.11 achieved by Comarch S.A. in 2016:

a) PLN 12,200,023.50 (twelve million two hundred thousand twenty-three zlotys and 50/100) will be paid as dividend. Persons who will be the company's shareholders on the dividend's day will get the dividend in the amount of PLN 1.50 per one share. The dividend will be allocated to 8,133,349 shares.

b) The remaining part of the net profit in the amount of PLN 33,388,440.61 (thirty-three million three hundred eighty-eight thousand four hundred forty zlotys and 61/100) will be passed to supplementary capital.

On the 15th of May, 2017, the Supervisory Board of Comarch S.A. gave a positive opinion (current report no. [RB-8-2017](#), ENG: [RB-8-2017](#) of the 15th of May, 2017) on recommendation of the Management Board of Comarch S.A. regarding distribution of the net profit for 2016.

On the 27th of June, 2017, company's General Shareholders' Meeting adopted the resolution no. 9 related to distribution of the net profit for a period from 1st of January, 2016 to 31st of December, 2016, according to the details above ([RB-14-2017](#), ENG: [RB-14-2017](#) of the 27th of June, 2017). The dividend was paid at the 11th of August, 2017.

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

On the 14th of November, 2017, in the current report no. [RB-21-2017](#), ENG: [RB-21-2017](#), The Management Board of Comarch S.A. announced, that on the 14th of November, 2017, tender results in the limited offering for "Providing Support, Operation and Maintenance Services for Comprehensive IT System for ZUS", organized by Zakład Ubezpieczeń Społecznych w Warszawie (The Polish Social Insurance Institution in Warsaw; ZUS), were announced. The Issuer's offer with total value of 242,033,004 gross received the most points and was chosen as the most advantageous.

The Issuer will inform about the contract conclusion with the separate current report. Comarch S.A.'s Management Board recognized this information as an inside information due to its potential influence for the financial and economic situation of the Company.

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, 2017, 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 65,876 thousand, whereas it was PLN 37,671 thousand on the 31st of December, 2016.

Comarch S.A. is the defendant in legal proceedings in which the potential total amount of third party claims is PLN 76,256 thousand. Provisions for part of these claims were presented in the balance sheet as of the 31st of December, 2017 and are worth PLN 9,080 thousand (while provisions for claims relating to the court proceedings created in 2017 amounted to PLN 1,141 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 30,246 thousand. In the opinion of the Comarch S.A. Management Boards 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.

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.

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