

FINANCIAL SUPERVISION AUTHORITY**CONSOLIDATED ANNUAL REPORT RS 2017**

year
(pursuant to §82 sec.2 of the Regulation in relation to current and periodical reports)
for issuers of securities managing production, construction, trade and services activities

for financial year 2017 from 2017-01-01 to 2017-12-31
including consolidated annual financial statement according to International Financial Reporting Standards (IFRS)
in currency PLN
date of publication 2018-04-27

COMARCH SA	
(full name of an issuer)	
COMARCH	Information Technology (IT)
(abbreviated name of issuer)	(sector according to WSE classification)
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BDO Sp. z o.o.

(An auditor entitled to audit financial statements)

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EURO	
	2017	2016	2017	2016
I. Net revenues from sales of products, goods and materials	1,102,520	1,112,813	259,740	254,317
II. Profit (loss) on operating activities	35,774	116,893	8,428	26,714
III. Gross profit (loss)	64,559	104,777	15,209	23,945
IV. Net profit (loss)	42,036	73,034	9,903	16,691
V. Cash flows from operating activities	62,915	93,974	14,822	21,476
VI. Cash flows from investing activities	-116,191	-112,341	-27,373	-25,674
VII. Cash flows from financing activities	39,443	27,567	9,292	6,300
VIII. Total net cash flows	-13,833	9,200	-3,259	2,103
IX. Total assets	1,501,915	1,444,875	360,094	326,599
X. Liabilities and provisions for liabilities	622,883	582,811	149,340	131,738
XI. Non-current liabilities	237,668	196,921	56,982	34,513
XII. Current liabilities	385,215	385,890	92,358	87,226
XIII. Equity	879,032	862,064	210,754	194,861
XIV. Share capital	8,133	8,133	1,950	1,838
XV. Number of shares	8,133,349	8,133,349	8,133,349	8,133,349
XVI. Earnings (losses) per single share (PLN/EURO)	5.17	8.98	1.22	2.05
XVII. Diluted earnings (losses) per single share (PLN/EURO)	5.17	8.98	1.22	2.05
XVIII. Book value per single share (PLN/EURO)	108.08	105.99	25.91	23.96
XIX. Diluted book value per single share (PLN/EURO)	108.08	105.99	25.91	23.96

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: 4.2447;
 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.

ANNUAL REPORT INCLUDES:

File	Description
Report.pdf	Report of an Auditor entitled to Audit Financial Statements- attachment no. 1
Letter of the President of The Management Board.pdf	Letter of the President of The Management Board- attachment no. 2
Consolidated Financial Statement.pdf	Consolidated Financial Statement- attachment no. 3
Report of the Management Board.pdf	Report of the Management Board- attachment no. 4
The Management Board's statement regarding the independent auditor.pdf	The Management Board's statement regarding the independent auditor- attachment no. 5
The Management Board's statement regarding the reliability of the financial statement.pdf	The Management Board's statement regarding the reliability of the financial statement- attachment no. 6
Report regarding Corporate Governance Principles.pdf	Report regarding Corporate Governance Principles- attachment no. 7

SIGNATURES OF ALL MEMBERS OF THE BOARD

Date	Name and surname	Position	Signature
2018-04-27	Janusz Filipiak	President of the Management Board	
2018-04-27	Marcin Dąbrowski	Vice-President of the Management Board	
2018-04-27	Paweł Prokop	Vice-President of the Management Board	
2018-04-27	Andrzej Przewięźlikowski	Vice-President of the Management Board	
2018-04-27	Zbigniew Rymarczyk	Vice-President of the Management Board	
2018-04-27	Konrad Tarański	Vice-President of the Management Board	
2018-04-27	Marcin Warwas	Vice-president of the Management Board	

SIGNATURE OF PERSON CHARGED WITH CARRYING ON ACCOUNT BOOKS

Date	Name and surname	Position	Signature
2018-04-27	Maria Smolińska	Head Accountant	

COMARCH CAPITAL GROUP
Aleja Jana Pawła II 39a
31-864 KRAKÓW

**THE REPORT FROM THE AUDIT OF
THE FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR 2017**

REPORT OF AN EXPERT AUDITOR OF THE ANNUAL AUDIT OF THE ANNUAL SEPARATE FINANCIAL STATEMENT for the General Meeting and the Supervisory Board of COMARCH S.A.

We have audited the attached annual consolidated financial statement of COMARCH Capital group ("Capital Group") with a registered office at Krakow, al. Jana Pawła II 39a, which consists of: consolidated balance sheet prepared as at 31st of December, 2017, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1st of January to 31st of December, 2017, and additional information including the introduction and additional information and explanations ("financial statement").

Responsibility of the Management Board and the Supervisory Board of the Company for the consolidated financial statement

The Management Board of the Parent Company is responsible for the preparation of the annual consolidated financial statements and for its reliable presentation in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable laws. The Management Board of the Parent Company is also responsible for internal control, which it considers necessary to prepare the annual consolidated financial statements without significant distortion caused by fraud or error.

In accordance with the provisions of the Accounting Act, the Management Board of the Company and members of the Company's Supervisory Board are obliged to ensure that the consolidated financial statement meet the requirements provided for in the Accounting Act.

Responsibility of the Expert Auditor

Our task was to express an opinion on whether the consolidated financial statement present a reliable and clear picture of the property and financial situation as well as the Comarch Group's financial result

in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and accepted accounting principles (policy).

We conducted the audit of the financial statement in accordance with the provisions of:

- 1) the Act of 11th of May, 2017 on expert auditors, auditing companies and public supervision (Journal of Laws from 2017, pos. 1,089) ("Act on expert auditors"),
- 2) National Standards on Auditing in the wording of International Standards of Research adopted by resolution No. 2783/52/2015 of the National Council of Expert Auditors of 10th of February, 2015, with subsequent changes, in connection with Resolution No. 2041/37a/2018 of 5th of March, 2018, on national professional standards,
- 3) Regulation of the European Parliament and of the Council (EU) No. 537/2014 of 16th of April, 2014 on detailed requirements regarding statutory audits of financial statements of public-interest entities, repealing Commission Decision 2005/909/WE (Official Journal of EU L 158 of 27th of May, 2014, p. 77 and Official Journal of EU UE L 170 of 11th of June, 2014, p. 66) ("Regulation 537/2014").

These regulations require compliance with ethical requirements as well as planning and conducting audit in such a way as to obtain reasonable assurance that the financial statement do not contain significant distortion.

The purpose of the audit is to obtain reasonable assurance that the consolidated financial statement as a whole have been prepared on the basis of properly maintained accounting books and do not contain material distortions caused by fraud or error, and issue an independent auditor's report containing our opinion. Sufficient confidence is a high level of certainty, but it does not guarantee that the test carried out in accordance with the above-mentioned standards will always detect the existing significant distortion. Distortions may arise as a result of fraud or error and are considered material if it can reasonably be expected that, individually or in aggregate, they could influence users' business decisions made on the basis of this annual consolidated financial statement. The risk of not recognizing a significant misstatement due to fraud is higher than the risk of not recognizing a material misstatement due to an error, as it may involve collusion, falsification, intentional omissions, misleading or circumventing internal control and may affect every area of law and regulation, not just this directly affecting the consolidated financial statement.

The purpose of the audit was to carry out procedures for obtaining audit evidence of amounts and disclosures in the consolidated financial statement. The selection of audit procedures depends on the expert auditor's judgment, including the assessment of the risk of material misstatement of the annual consolidated financial statement due to fraud or error. Assessing this risk, the expert auditor shall take into account the internal control in respect of the preparation and reliable presentation of the annual consolidated financial statement by the entity, in order to design appropriate audit procedures in the circumstances, and not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting principles (policy) adopted, the reasonableness of accounting estimates set by the Management Board of the Company, as well as evaluating the overall presentation of the annual consolidated financial statement.

The scope of the audit does not include assurance as to the future profitability of the audited Capital Group nor the effectiveness or efficiency of conducting the Group's affairs by the Management Board of Parent Company currently or in the future.

We believe that the audit evidence we obtained is a sufficient and appropriate basis for us to express an opinion from the study. The opinion is consistent with the additional report for the Audit Committee issued on the date of this audit report.

Independence

During the audit, the key expert auditor and audit firm remained independent of the entity in accordance with the provisions of the Act on Expert Auditors, Regulation 537/2014 and the rules of professional ethics adopted by the resolutions of the National Council of Statutory Auditors.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited by art. 136 of the Act on certified auditors and art. 5 para. 1 of Regulation 537/2014.

Choosing an auditing company

We have been selected to audit the entity's financial statement with a resolution of the Supervisory Board of the Company No. 11/05/2017 of 29th of May 2017. We audit the financial statement of the Company for the first time since the fiscal year ended at 31st of December, 2017.

The most significant types of risk

During conducting the audit, we identified the most significant risks of significant distortion described below, including those caused by fraud, and we have developed appropriate audit procedures for these types of risks. In cases where we considered it appropriate to understand the identified risk and the auditing procedures performed by the auditor, we also included key observations related to these types of risk.

The risk of significant distortion

Procedures carried out in answers to the identified risk

- 1 Risk of distortion of the financial result due to the recognition of revenues in accordance with the degree of advance of long-term contracts not completed as at the balance sheet date

Sales revenues for the year ended at 31st of December, 2017, amounted to PLN 1,102,520 thousand.

An important part of the revenues realized by the Group were revenues from the implementation of IT implementation contracts, which are recognized by the Group in accordance with the guidelines of IAS 18 "Revenues" taking into account the guidelines of IAS 11 "Long-term contracts". For settlement of implementation contracts, the Company adopts the method of percentage deduction of costs and revenues.

The issue was considered a key area of risk due to the significance of revenues from the sale of implementation services and the complex nature of the valuation process, including the balance sheet based on significant estimates of the Management Board regarding:

- determination of the budgeted execution cost, and its updating during the service, and
- correct allocation of costs to the relevant project, the appropriate period, and what can have a significant impact on the value of recognized revenue in the period.

Details of the accounting policy applied by the Company in the field of recognition Revenue was disclosed in note 2.2 of the additional information to the consolidated financial statement.

As part of the audit of the financial statement of the Comarch Group we reviewed the adopted accounting policy in the recognition and recognition of sales revenues in terms of compliance with the provisions of the Act about accounting.

In particular, we have carried out procedures aimed at understanding and evaluating internal controls that the Company has implemented in relation to the valuation of long-term contracts.

During the audit, we also carried out the following procedures related to the identified risk:

- we have assessed how the budgets used to calculate revenues are analysed and updated, and finally accepted;
- we have agreed actual data from the books up to the last day of the audited period with updated figures in the budgets as at the valuation date;
- we have analysed the coherence of budget structures through mutual comparisons and arrangements for real subcontracts;
- we have carried out an analysis of the mathematical correctness of the calculation of all long-term contracts in terms of their mutual coherence and the assessment of the occurrence of the risk of creating a provision for loss on the contract;
- in the case of contracts performed over a period longer than one year, a comparison of the budget of revenues and costs in these periods and an assessment of the selected change in

the budget amount with the source documentation, and an explanation of changes in the value of the assumed margin on the contract;

- for contracts with a high degree of cost involvement, obtaining information on the progress of works;
- for a selected contract sample (including the largest contracts), performing detailed procedures to compare data from the spreadsheet with data from contracts with the customer.

The risk of significant distortion

Procedures carried out in answers to the identified risk

2 Goodwill – analysis of loss in value

In accordance with the IFRS regulations, the Group is required to conduct an annual goodwill impairment test.

The test for impairment was a key issue of the audit due to the obligation of the Company's Management Board to annually test for impairment. The company values subject to tests amount to PLN 42,197,000. PLN, which constitute 2.8% of the balance sheet total and are significant for the financial statements.

The goodwill impairment test is based on significant assumptions and estimates prepared by the Management Board, such as the Group's strategy, future revenues, costs and cash flows, and the weighted average cost of capital ("WACC").

As a result, the future implementation of these assumptions depends on expectations in relation to future market and economic conditions, thus being exposed to significant risk of distortion.

The applied accounting policy regarding the goodwill of subsidiaries was disclosed by the Company in the notes to the consolidated financial statements in note 2.1.5. Additional information is included in the note of additional information No. 3.5.

As part of the examination procedures, in particular:

- we have made a critical assessment of the impairment test process and assessed the identification of the cash-generating unit, as well as the review of the impairment test,
- we have analysed the key assumptions of the test;
- we tested the test for its mathematical correctness;
- we have verified the applied discount rates;
- we assessed the Company's analysis of the sensitivity of the test to the key input factors of the model;
- we assessed the correctness and completeness of required disclosures in the financial statements.

3 Risk related to production in progress

Production in progress are capitalized costs connected with creating new or upgrading existing software.

The value of production in progress as at 31st of December, 2017, amounted to PLN 87,838 thousand and constitutes 5.8% of the balance sheet total.

In accordance with the accounting policy, capitalized costs should be recognized as a component of total income in the period not longer than 36 months from the date of their payment in the form of either the cost of sale or the write-down.

We treat in connection with the above and the assumptions adopted by the Company's Management Board regarding the possibility of future use of production in progress as a key area of the study.

In this area, we identify the risk associated with not including capitalized costs required by the accounting policy in the required period and capitalization of costs connected with software that may not generate economic benefits.

The applied accounting policy regarding the capitalization of production in progress costs has been disclosed by the Company in the additional information to the consolidated financial statement in note 2.1.6. Additional information can be found in note 3.11 of the additional information to the consolidated financial statement.

As part of the audit of the financial statement of the Company:

1. we have verified the accounting policy regarding the recognition and settlement of production in progress;
2. we have obtained a list of items treated as production in progress, with periods of bearing the capitalized costs;
3. we have assessed the correctness of applying the adopted accounting principles in the scope of:
 - recognizing capitalized costs in other total income in connection with obtaining revenues from the sale of software;
 - recognizing capitalized costs in other total income if the software is in the development phase;
4. we have obtained clarifications from the Management Board regarding factors causing delays in the settlement of individual items, as well as plans and prospects for the settlement of these items in the future;
5. Irrespective of the operations mentioned above, in the absence of sales or insignificant sales, licenses related to the work in progress, evaluation for significant production items in the course of the ability to generate economic benefits.

Opinion

In our opinion, attached annual consolidated financial statement:

- a) presents a reliable and clear picture of the property and financial situation of the Group as at 31st of December, 2017, and its financial result for the financial year from 1st of January to 31st of December, 2017, in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and the adopted accounting principles (policy),
- b) agrees on the form and content with the requirements of the Regulation of the Minister of Finance of 19th of February, 2009, on current and periodic information provided by issuers of securities and conditions for recognizing information required by law of a non-member country

as equivalent ("Regulation" – Journal of Laws from 2014, pos. 133, with subsequent changes) and other applicable laws and provisions of the Company's Articles of Association.

Report on other legal and regulatory requirements

Opinion on the report of activities

Our opinion on the annual consolidated financial statements does not include the report of activities of the Group.

The Management Board of the Company and members of the Supervisory Board are responsible for preparing a report of activities in accordance with the law.

Our duty was, in connection with the audit of the annual consolidated financial statements, to read the contents of the report of activities of the capital group and issue an opinion on whether the report on activities was prepared in accordance with the law and that it is consistent with the information contained in the annual consolidated financial statement. It was also our duty to make a declaration whether in the light of our knowledge of the Capital Group and its environment obtained during the audit of the annual consolidated financial statement, we identified significant distortions in the report of activities and indicate what each such significant distortion is all about.

In our opinion, the report of activities of the Capital Group was prepared in accordance with the provisions of law regulations and is consistent with the information contained in the annual consolidated financial statement. In addition, we declare that in the light of knowledge about the Capital Group and its environment obtained during the audit of the annual consolidated financial statement, we have not identified significant distortions in the report of activities.

Opinion on the report regarding corporate principles

The Management Board of the Company and members of the Supervisory Board are responsible for preparing a report regarding corporate governance in accordance with the law.

In connection with the audit of the consolidated financial statement, our duty was getting acquainted with the report regarding corporate principles constituting a separate part of the activity report.

In our opinion, in the report regarding corporate governance, the Company has included the information specified in paragraph 91, para. 5 point 4, letter a, b, g, j, k and l of the Regulation of the Minister of Finance of 19th of February, 2009 on current and periodic information provided by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent (Journal of Laws from 2014, pos. 133, with subsequent changes). Information provided in paragraph 91, para. 5 point 4, letter c-f, h and i of the Regulation contained in the report regarding corporate governance are in accordance with the applicable regulations and information contained in the financial statement.

Information on making a statement about non-financial information

In accordance with the requirements of the Act on expert auditors, we would like to inform you that the Company has made a statement on non-financial information referred to in art. 49b par. 1 of the Accounting Act as a separate part of the report on operations.

We have not performed any assurance work regarding a statement on non-financial information and we do not give any assurance about it.

Kraków, 27th of April, 2018

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa

**Entity entered on the list of audit firms kept by the National Council of Expert Auditors
under reference number 3355**

Key Expert Auditor:

Marcin Krupa

Expert Auditor

Reference number 11142

Acting on behalf of BDO Sp. z o.o. .:

Dr. André Helin

Chairman of the Management Board

Expert Auditor

Reference number 90004



COMARCH CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR 2017

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**Financial Statement Prepared Compliant
with International Financial Reporting Standards**

Kraków, 27th of April, 2018

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COMARCH CAPITAL GROUP CONSOLIDATED FINANCIAL STATEMENT FOR 12 MONTHS ENDED 31 DECEMBER 2017

I. Consolidated Balance Sheet

ASSETS	Note	31 December 2017	31 December 2016
NON-CURRENT ASSETS			
Property, plant and equipment	3.3	556,838	501,111
Investment real estates	3.4	15,357	15,626
Goodwill	3.5	42,197	40,735
Other intangible assets	3.6	63,319	61,343
Non-current prepayments	3.7	3,321	1,118
Investments in associates	3.8	11,233	14,395
Other assets at fair value	3.9a	2,904	492
Other investments		112	106
Deferred income tax assets	3.10	31,237	35,007
Other non-current receivables		5,392	3,914
		731,910	673,847
CURRENT ASSETS			
Inventories	3.11	114,967	76,555
Trade and other receivables	3.12	392,153	406,721
Current income tax receivables		2,222	5,210
Long-term contracts receivables	3.13	40,349	39,960
Available-for-sale financial assets	3.14	-	-
Other financial assets at fair value – derivative financial instruments	3.9a	8,516	1,149
Interest and shares		-	1
Cash and cash equivalents	3.16	207,937	235,834
		766,144	765,430
Assets qualified for sale		3,861	5,598
TOTAL ASSETS		1,501,915	1,444,875

EQUITY AND LIABILITIES	Note	31 December 2017	31 December 2016
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	3.17	8,133	8,133
Other capitals	3.18	143,041	143,041
Exchange differences		4,169	18,524
Net profit for the current period		42,036	73,034
Retained earnings		665,525	604,691
		862,904	847,423
Minority interest		16,128	14,641
Total equity		879,032	862,064
LIABILITIES			
Non-current liabilities			
Credits and loans	3.19	185,596	146,331
Other liabilities		6,928	5,278
Financial assets at fair value – derivative financial instruments	3.9b	736	2,537
Other financial liabilities	3.20	446	631
Provision for deferred income tax	3.10	43,962	42,144
Provisions for other liabilities and charges	3.21		-
		237,668	196,921
Current liabilities			
Trade and other payables	3.22	177,320	154,493
Current income tax liabilities		4,942	16,800
Long-term contracts liabilities	3.13	30,754	40,044
Credits and loans	3.19	39,111	28,469
Financial assets at fair value – derivative financial instruments	3.9b	509	2,350
Other financial liabilities	3.20	165	6,530
Provisions for other liabilities and charges	3.21	132,414	137,204
		385,215	385,890
Total liabilities		622,883	582,811
TOTAL EQUITY AND LIABILITIES		1,501,915	1,444,875

II. Consolidated Income Statement

	Note	12 months ended 31 December 2017	12 months ended 31 December 2016
Revenue	3.25	1,102,520	1,112,813
Cost of sales	3.26	(832,750)	(764,600)
Gross profit		269,770	348,213
Other operating income	3.27	17,673	39,063
Sales and marketing costs		(134,529)	(131,330)
Administrative expenses		(98,076)	(102,066)
Other operating expenses	3.28	(19,064)	(36,987)
Operating profit		35,774	116,893
Finance revenue/(costs)-net	3.29	31,867	(3,809)
Share of profit/(loss) of associates		(3,082)	(8,307)
Profit before income tax		64,559	104,777
Income tax expense	3.30	(21,038)	(29,054)
Net profit for the period		43,521	75,723
including:			
Net profit attributable to the Parent Company's shareholders (in PLN per share)		42,036	73,034
<i>Net profit attributable to the interests not entitled to control</i>		<i>1,485</i>	<i>2,689</i>
		43,521	75,723
Earnings per share for profit attributable to the equity holders of the company during the period (expressed in PLN per share)			
– basic	3.32	5.17	8.98
– diluted	3.32	5.17	8.98

III. Total Income Consolidated Statement

	12 months ended 31 December 2017	12 months ended 31 December 2016
Net profit for the period	43,521	75,723
Other total income	(14,353)	12,015
Currency translation differences from currency translation in related parties	(14,353)	12,015
Other total income	(14,353)	12,015
Sum of total income for the period	29,168	87,738
Attributable to the company's shareholders	27,681	85,049
Attributable to the minority	1,487	2,689

Other total income comprises items, which may be transferred to income statement in the following years.

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
	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 the company's share capital	-	(5,185)	-	-	-	(1,070)	(6,255)
Dividend paid	-	-	-	-	-	-	-
Result of subsidiaries for general partners outside the Group	-	-	-	-	-	-	-
Capital from valuation of the managerial option	-	-	-	-	-	-	-
Currency translation differences ⁽¹⁾	-	-	12,015	-	-	-	12,015
Profit for the period ⁽²⁾	-	-	-	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	-	-
Changes in the ownership structure	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(12,200)	-	(12,200)
Result of subsidiaries for general partners outside the Group	-	-	-	-	-	-	-
Capital from valuation of the managerial option	-	-	-	-	-	-	-
Currency translation differences ⁽¹⁾	-	-	(14,355)	-	-	2	(14,353)
Profit for the period ⁽²⁾	-	-	-	42,036	-	1,485	43,521
Total income recognised in equity ⁽¹⁺²⁾	-	-	(14,355)	42,036	-	1,487	29,168
Balance at 31 December 2017	8,133	143,041	4,169	42,036	665,525	16,128	879,032

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

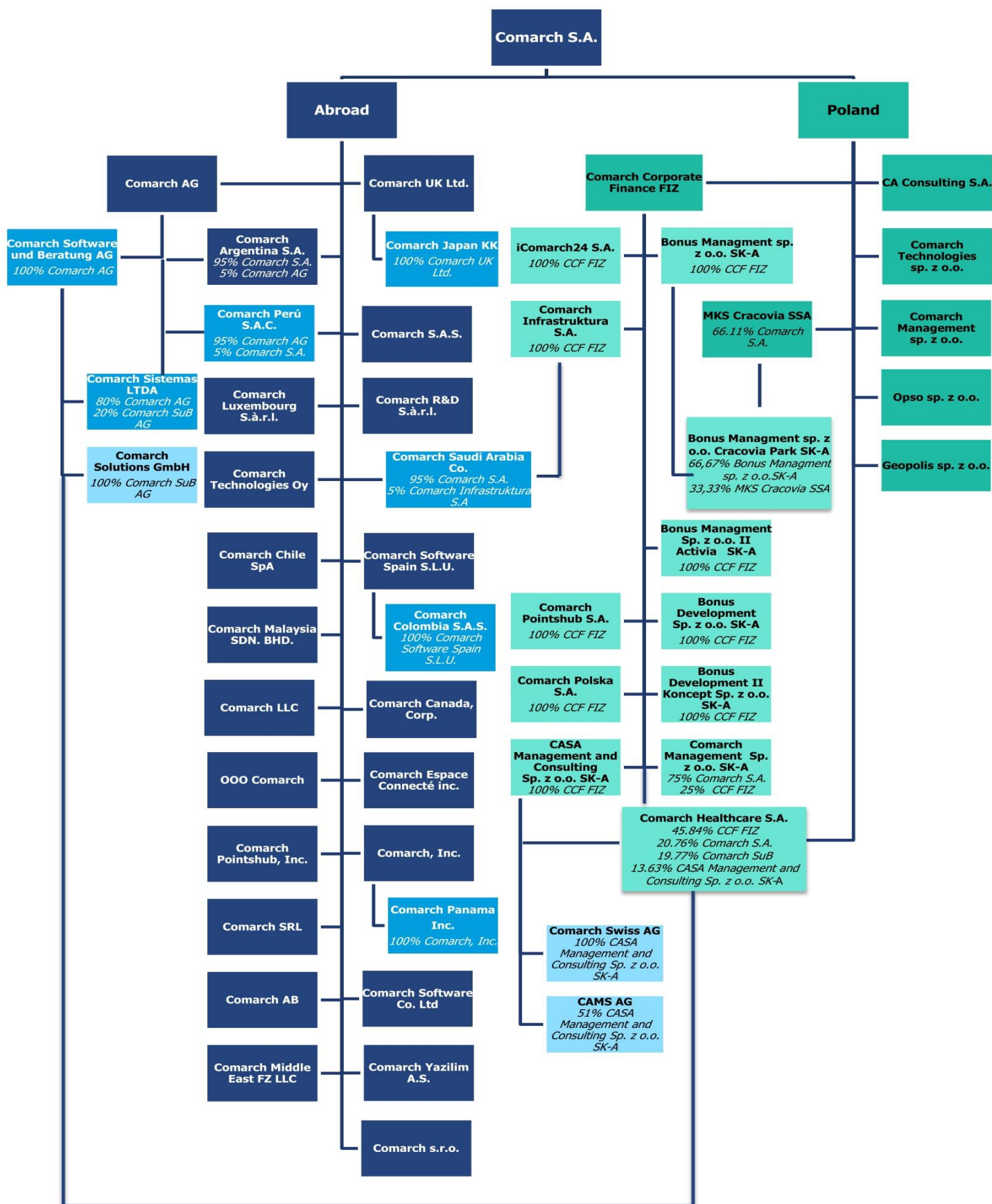
	12 months ended 31 December 2017	12 months ended 31 December 2016
Cash flows from operating activities		
Net profit	43,521	75,723
Total adjustments	38,778	38,983
Share in net gains (losses) of related parties valued using the equity method of accounting	3,082	8,307
Depreciation	64,309	63,008
Exchange gains (losses)	(1,221)	822
Interest and profit-sharing (dividends)	3,712	(2,029)
Profit (loss) on investing activities	(4,264)	(6,950)
Change in inventories	(34,802)	(19,346)
Change in receivables	(26,267)	10,298
Change in liabilities and provisions excluding credits and loans	33,946	(15,127)
Other adjustments	283	-
Net profit less total adjustments	82,299	114,706
Income tax paid	(19,384)	(20,732)
Net cash from operating activities	62,915	93,974
Cash flows from investing activities		
Purchases of property, plant and equipment	(121,530)	(104,450)
Proceeds from sale of property, plant and equipment	12,643	4,147
Purchases of intangible assets	(18,971)	(19,322)
Proceeds from disposal of investment in real estates, intangible assets	9,407	11,157
Expenses for acquisition of financial assets	(6,310)	(7,856)
Expenses for investment in real estates	(2,130)	(6,097)
Granted loans	(4,624)	(60)
Paid loans	2,090	6,591
Interest	267	531
Purchases of financial assets	13,082	3,043
Other expenses on financial assets	-	-
Other investment proceeds	48	75
Other investment expenses	(163)	(100)
Net cash used in investing activities	(116,191)	(112,341)
Cash flows from financing activities		
Payment in relation to shares issue	-	-
Proceeds from credits and loans	89,869	63,235
Repayments of credits and loans	(33,359)	(31,417)
Interest on the loan	(3,088)	(2,505)
Proceeds from repaid loans	-	114
Proceeds from interest on loans	2,630	14
Other financial liabilities (loans granted)	(5,000)	(1,350)
Dividend and expenses due to profit sharing but other than those to owners	(12,200)	-
Payments of liabilities in relation to finance lease agreements	(175)	(210)
Other financial proceeds	1,330	16
Other financial expenses	(564)	(330)
Net cash used in financing activities	39,443	27,567
Net change in cash, cash equivalents and bank overdrafts	(13,833)	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	207,925	235,825
- including limited disposal	3,737	10,873

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 a 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. Organisational Structure of Comarch Group



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

On the 31st of December, 2017, associates of the Parent Company are:

- SoInteractive S.A. with its registered office in Krakow in Poland (16.10% votes held by CCF FIZ, 11.27% votes held by Bonus Management sp. z o.o. II Activia SKA).
- 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. acquire IT contracts in domestic markets, mostly in Public sector, and execute them in their entirety or in part;
- Comarch Technologies sp. z o.o. is responsible for the development of technologies related to the design and production of electronic devices and software;
- CA Consulting S.A. specialises in data communications relating to the provision of connections for the own needs of the Comarch Group, as well as the provision of IT and consulting services for the own needs of the Comarch S.A. and for Comarch's contractors;
- 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 and Bonus Management sp. z o.o. II Activia SK-A, 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. SKA and Bonus Development sp. z o.o. II Koncept SKA 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 Infrastruktura24 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;

- Geopolis sp. z o.o. implements integrated GIS system in public administration entities;
- 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 sports, wellness and recreation;
- Opso sp. z o.o. provides catering services;
- Spółka Comarch s.r.o. is currently not operating.

1.3. Changes in Ownership and Organisational Structure in 2017

On the 19th March, 2017, a company Comarch Saudi Arabia Co. headquartered in Riyadh, was registered. The share capital of the company amounts to SAR 1 million and consists of 1,000 shares with a nominal value of SAR 1,000 each. Comarch S.A. owns a 95% of shares, while Comarch Infrastruktura S.A. owns 5% of shares of Comarch Saudi Arabia Co.

On the 27th of March, 2017, the Extraordinary General Meeting of Comarch Healthcare S.A. has adopted a resolution about the increase in the share capital by PLN 2,000 thousand, i.e. from PLN 8,114.806 thousand to PLN 10,114.806 thousand. Comarch Software und Beratung AG acquired in its entirety a new share issue, i.e. 2 million shares with a nominal value of PLN 1.00 and an issue price of PLN 10.00 per share. On the 24th of July, 2017, a mentioned share capital increase was registered in the National Court.

On 3rd of April, 2017 Comarch S.A. acquired 100% of shares of Geopolis sp. z o.o., acquired the whole copyrights to the ERGO software which belongs to the Geopolis sp. z o.o. and committed itself to recapitalization of Geopolis sp. z o.o. by PLN 4 million, what took place in April. The total value of the transactions amounted to PLN 8.05 million. Geopolis sp. z o.o. supports informatization in public administration units by creating and implementing integrated registers and records of a spatial nature, systems for managing of state surveying and cartographic resource database as well as geoportals. Acquiring of Geopolis sp. z o.o. will allow Comarch Group to expand the product portfolio dedicated to the public sector. Comarch S.A. announced details in current reports no. [RB-2-2017](#) ([RB-2-2017ENG](#)) dated the 17th of March, 2017, no. [RB-4-2017](#) ([RB-4-2017ENG](#)) dated the 31st of March, 2017 and no. [RB-5-2017](#) ([RB-5-2017ENG](#)) dated the 4th of April, 2017. On the 10th of April, 2017, the Extraordinary General Shareholders Meeting of Geopolis Sp. z o.o. adopted a resolution on the increase of share capital from PLN 50,000 to PLN 450,000 through the issue of 800 new interests with a nominal value of PLN 500 each. New interests were acquired in full by Comarch S.A., the only shareholder of Geopolis Sp. z o.o. On the 31st of August, 2017, the capital increase was registered. The share capital consists of 900 shares and is worth PLN 450,000.

On the 5th of July, 2017, Comarch S.A. paid EUR 600,000 by way of an increase in the share capital in Comarch Software Spain S.L.U.

On the 7th of July, 2017, a company Comarch Japan KK headquartered in Tokyo was registered. The share capital of the company amounts to JPY 5 million and consists of 100 shares with a nominal value of JPY 50,000 each. Comarch UK owns a 100% of shares and votes.

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.

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

On the 22nd of March, 2018, the Extraordinary General Shareholders Meeting of Comarch Healthcare S.A. adopted a resolution on the increase of share capital from PLN 10,114,806 to PLN 12,114,806 through the issue of 2,000,000 new interests with a nominal value of PLN 1.00 each. New interests were acquired and paid in full by Comarch Software und Beratung AG. Until the date of publication of this report the capital increase has not been registered.

2. Description of the Applied Accounting Principles

This consolidated financial statement for the 12 months ended the 31st of December, 2016 was prepared pursuant to the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and interpretations published by the Committee for Interpretation of International Financial Reporting, as approved by the European Union.

This financial statement was prepared pursuant to the historical cost principle with the exception of those items that are appraised in another way pursuant to these principles.

Preparation of the statement pursuant to IFRS requires a number of estimates to be done and the application of individual judgement. Note 2.5 presents those areas of the financial statement, which require significant estimates or for which significant judgement is required.

The financial statement was prepared with the assumption of the continuation of commercial activities by the Comarch Group in the foreseeable future. According to Parent Company's management, there are no circumstances suggesting any threat to the continuation of activities.

The Comarch Group prepares its income statement in the calculation version, whereas the cash flow statement is prepared according to the indirect method.

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:

	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% votes held by Comarch AG, 20% votes 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	100.00% held by Comarch AG *)
Comarch Solutions GmbH	subsidiary	full	100.00% 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	100.00% 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 Japan KK	subsidiary	full	100% held by Comarch UK
Comarch UK Ltd.	subsidiary	full	100%
Comarch Chile SpA	subsidiary	full	100%
Comarch Software Spain S.L.U.	subsidiary	full	100%
Comarch Colombia S.A.S.	subsidiary	full	100% held by Comarch Software Spain S.L.U.
Comarch Yazilim A.S.	subsidiary	full	100%
Comarch SRL	subsidiary	full	100%
Comarch Malaysia SDN. BHD.	subsidiary	full	100%
Comarch s.r.o.	subsidiary	full	100%
Comarch Pointshub Inc.	subsidiary	full	100%
Comarch AB	subsidiary	full	100%
Comarch Argentina S.A.	subsidiary	full	95% held by Comarch S.A., 5% held by Comarch AG
Comarch 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% in total number of investment certificates
Comarch Management sp. z o.o. SKA	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. SKA to be redeemed
Bonus Management sp. z o.o. SKA	subsidiary	full	100.00% held by CCF FIZ
Bonus MANAGEMENT sp. z o.o. Cracovia Park SK-A	Bonus Management sp. z o.o. SKA	subsidiary	50% held by Bonus Management sp. z o.o. SK-A, 50% held by MKS Cracovia SSA
Bonus Development sp. z o.o. SKA	subsidiary	full	100% held by CCF FIZ

Bonus Management sp. z o.o. II Activia SKA	subsidiary	full	100% held by CCF FIZ
Bonus Development sp. z o.o. II Koncept SKA	subsidiary	full	100% held by CCF FIZ
Comarch Healthcare S.A.	subsidiary	full	45.84% held by CCF FIZ, 20.76% held by Comarch S.A., 19.77% held by Comarch Software und Beratung AG, 13.63% held by CASA Management and Consulting sp. z o.o. SKA
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	100.00%
MKS Cracovia SSA	subsidiary	full	66.11%

2.1. Methods of Valuation of Assets and Liabilities and the Determination of Financial Results

2.1.1. Segment Information

In the Comarch Group, the 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:

- the sale 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 with real estate investment, (hereinafter referred to as the "Investment segment"),
- activity in relation to medical services and software production, as well as medical equipment for medicine sector (hereinafter referred to as the "Medical 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.

On account of geographical distribution of activities, Comarch Group distinguishes the following market segments: Poland, DACH Region (Germany, Austria, and Switzerland), Other countries. Sport Segment,

Investment Segment and Medical Segment carry out their activities exclusively in Poland. Due to the fact that only the IT Segment operates outside of the country and at the same time incurred in the IT segment costs are largely common to export and domestic sales, it is not intentionally to set the result separately for export and domestic activities.

Comarch Group's sales is highly diversified and is not dependent on a single customer. In 2017, the share of none of the contractor exceeded 10% of the sales of 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 company expects sales revenue to be similar to those in 2017.

2.1.2. Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities), over which Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of companies and the individual parts of the activity are accounted for with the purchase method. The cost of merging companies is evaluated in the aggregated fair value of the assets transferred, born or acquired and capital instruments issued by the Group in return for taking control over the acquired entity. Acquisition-related costs are recognised in profit or loss as incurred.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. All other changes are recognised in accordance with the respective IFRS regulations. Changes in the fair value of the contingent consideration that qualify as equity transactions are not recognised.

Identifiable assets, liabilities and contingent liabilities of the acquiree meeting the requirements of recognition in accordance with the IFRS 3 "Merging economic entities" is recognized at fair value as at the day of acquisition, except exclusions in accordance with the IFRS 3.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss.

Goodwill arising on an acquisition of a business is recognised in assets and initially carried at cost, assumed exceed the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. If, after reassessment, the share of the Group in net of the acquisition-date amounts of the identifiable assets, liabilities and contingent liabilities of the acquiree, assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss.

Transactions, settlements and unrealised gains on transactions between parties in the Group are eliminated. Unrealised gains are also eliminated, unless a transaction gives evidence for impairment of assets. Accounting principles applied by subsidiaries have been changed everywhere it has been necessary to ensure compliance with accounting principles applied by the Group.

b) Associates

Associates are all entities over which the Group has significant influence but not control; this generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised as costs. The Group's investment in associates includes goodwill identified on acquisition

The Group's share of the post-acquisition profits or losses of its associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) Principles for the Presentation of the Comarch SuB Group within the Financial Statement

Comarch Software und Beratung AG is the parent company for the companies of the Comarch SuB Group and from 2013 has not prepared independently the consolidated financial statement, including data from Comarch Software und Beratung AG and its subsidiaries. Comarch S.A. is the Parent Company of the Comarch Group and prepares directly the consolidated financial statement, including data from Comarch S.A. and all other subsidiaries (including Comarch SuB and its subsidiaries).

2.1.3. Foreign Currency Translation

a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Polish zlotys (PLN), which is the Parent Company's functional and presentation currency.

b) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale assets, are included in the available-for-sale reserve in equity.

c) Group Companies

The results and financial position of all group entities (none of which operates in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate of the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of the transactions); and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of credits and loans and other currency instruments designated as hedges of such

investments, are included in shareholder equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

EURO rates used to financial data

NBP average exchange rates

at 31.12.2017	4.1709
at 31.12.2016	4.4240

NBP arithmetic average exchange rates as at the end of every month

for the period 1.01 - 31.12.2017	4.2447
for the period 1.01 - 31.12.2016	4.3757

Selected currency rates used to financial data

NBP average exchange rates for USD

at 31.12.2017	3.4813
at 31.12.2016	4.1793

NBP average exchange rates for CHF

at 31.12.2017	3.5672
at 31.12.2016	4.1173

NBP average exchange rates for GBP

at 31.12.2017	4.7001
at 31.12.2016	5.1445

NBP average exchange rates for DKK

at 31.12.2017	0.5602
at 31.12.2016	0.5951

NBP average exchange rates for CAD

at 31.12.2017	2.7765
at 31.12.2016	3.0995

2.1.4. Investment

a) Financial Assets and Liabilities at Fair Value through Profit or Loss

This category comprises two subcategories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of sale in the short term or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges. This type of derivative is classified separately in 'Derivative financial instruments' in the balance sheet. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months from the balance sheet.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. These arise when the Group gives cash, goods or services directly to the debtor, without the intention of introducing its receivables into trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and

other receivables in the balance sheet.

c) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

d) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are no longer recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets available-for-sale and financial assets carried at fair value, through profit or loss are initially recognised at fair value. Loans, receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains – net, in the period in which they arise. Unrealised gains or losses arising from changes in the fair value of the non-monetary securities classified as 'available-for-sale' are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (or if a security is unlisted), the Group establishes fair value by using valuation techniques. These comprise the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis and models (commonly regarded as correct) of the valuation of derivative instruments based on input data from the active market.

The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each balance sheet date. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.1.5. Non-Current Assets

a) Intangible Assets

Intangible assets are recorded at their acquisition prices less the current redemption as well as possible write-offs due to permanent loss in value. The Group carries out depreciation write-offs using the straight-line method. The following depreciation rates have been adopted:

■ computer software	30%
■ licences	30%
■ copyrights	30%
■ other rights	10-20%

Adopted depreciation rates are related to the estimated useful life of intangible assets, excluding the players' cards (MKS Cracovia SSA), which are depreciated within the period of the agreement signed with a given player.

In the case of intangible assets that were acquired for a particular project, the depreciation period is established as the duration of the project.

The right of perpetual usufruct of land relating to MKS Cracovia SSA is classified as an intangible asset with an undefined useful life, therefore it is not depreciated. Lands that MKS Cracovia SSA holds in perpetual usufruct are not depreciated, because of an undefined useful life, since the company expects that the perpetual usufruct rights will be renewed without any major costs, as it is not obliged to meet any conditions, upon which the extension of these rights depends.

In Poland, perpetual usufruct is considered synonymous to ownership, as opposed to a lease after which a user releases land. The company does not expect to incur any major costs for the renewal of perpetual usufruct rights as the co-owner of MKS Cracovia SSA is the City of Krakow. The city supports sports activities, including those of MKS Cracovia SSA through initiatives that include:

- refinancing sports infrastructure;
- redeeming real estate taxes;
- providing fees for perpetual usufruct.

The right of perpetual usufruct of land relating to the Parent Company is depreciated for a defined useful life, which depends on the time of acquisition and amounts from 84 till 99 years. The average depreciation rate equals 1.2%.

Intangible assets purchased as a result of the acquisition of the A-MEA Informatik AG (currently Comarch Swiss AG) are comprised of the value of the company's relationships with customers. These assets were presented in fair value in the Comarch Group's balance sheet. The Group performs by way of the linear method depreciation write-offs of intangible assets purchased as a result of the acquisition of the A-MEA Informatik AG. It was assumed the depreciation period is equal to the predicted period of economic benefit from the company's relationships with customers, i.e. 60 months. The depreciation settlement was completed in 2016.

Intangible assets purchased as a result of the acquisition of the ESAProjekt sp. z o.o. (currently Comarch Healthcare S.A.) are comprised of property rights for the software: Optimed, OptiNFZKom, BaKS, Carber, SDK, Repos. These assets were presented in fair value in the Comarch Group's balance sheet. The Group performs by way of the linear method depreciation write-offs of intangible assets purchased as a result of the acquisition of the ESAProjekt sp. o.o. It was assumed the depreciation period is equal to the predicted period of economic benefit from the software sales, i.e. 60 months. The depreciation settlement was completed in 2016.

b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill recognised separately is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carriage of an amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

c) Property, Plant and Equipment

Property, Plant and Equipment in Use

Property, plant and equipment in use were valued according to acquisition prices or production costs less current redemption and possible write-offs due to losses in value. The adopted depreciation rates correspond to the economic utility of property, plant and equipment in use.

The following detailed principles of depreciation of property, plant and equipment in use have been adopted by the company: assets are depreciated with the straight-line method with application of depreciation rates corresponding with periods of their economic utility. In most cases, depreciation rates are: 2.5% (for buildings), 30% (for machines and devices) and 20% (for furniture, equipment and other

assets). In case of property, plant and equipment in use acquired in order to be used in a specific project, the depreciation period is set as equal to the project duration.

Property, Plant and Equipment under Construction

Property, plant and equipment under construction are valued according to the acquisition price less any possible write-offs due to permanent loss in value. The company applies the rule that interests on investment credit, in the period when the investment is realised, are recognised as property, plant and equipment under construction. Interests on investment credit decrease the annual result within finance costs, after non-current asset, financed by credit, was brought to use.

Improvements in Third Party Property, Plant and Equipment Assets

Improvements in third party property, plant and equipment are valued according to the acquisition price less any current redemptions and possible write-offs due to loss in value.

d) Leases

The Group uses leased vehicles and computer hardware. As, according to the agreements made, practically all risks and benefits resulting from the title of ownership of the subject matter leased have been transferred, these are classified as finance leases. They have been classified as assets and liabilities in the amounts equal to the minimum leasing fees set forth as at the date of lease initiation. Leasing fees are divided into finance costs and reductions of the unpaid balance of liabilities. The interest part of finance costs is charged to the income statement throughout the lease term so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period. The means used on lease principles are subject to depreciation within a shorter period of time of either the asset's useful life or the lease term.

e) Non-Current Prepayments

Non-current prepayments refer to the non-current part of prepayments costs.

f) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.1.6. Current Assets

a) Inventories, Products in Progress and Finished Goods

Production in progress given in the statement refers to software produced by the Group and allocated for multiple sales. Production in progress is valued according to direct technical production costs.

Application software produced by the Group and allocated for multiple sales is valued in the period when it benefits, no longer than 36 months from an initial sale, in the amount of surplus of software production costs over net revenues obtained from sales of these products within the following 36 months. Software production costs, not written off after this period of time, increase other operational costs.

Expenditures incurred for software production, in the amount of 50% to 100% of the invoiced sale in the above time period of sales, are written off into its own costs, provided that the 50% rate is the basic rate. If the company is aware of limits to sales capacity at an earlier point, it immediately performs a write-off revaluating production in progress in the amount of expenses in reference to which there is a probability that they will not be recovered, or does a one-time write-off of the entirety of unsettled expenses (depending on the degree of risk valuation) into its own cost of sales.

The register of materials and finished goods is managed at current purchase prices. Expenses are appraised according to the FIFO principle. Finished goods are appraised according to actual purchase prices, no higher than net selling prices.

b) Receivables

Receivables are recognised initially at fair value and subsequently according to adjusted acquisition prices (at amortised cost).

Receivables are recognised as current or non-current receivables depending on maturity (depending on whether this is less than or over 12 months from the balance sheet date).

In order to make their value real, receivables are decreased by write-offs revaluating bad debts. Write-offs due to loss in value correspond with the difference between balance sheet value and the current value of actual cash flows from the given item of assets. Due to the specific nature of activities (limited scope of receivables from mass contractors), appropriate updating of write-offs is carried out by way of a detailed identification of receivables and an assessment of risk of the inflow of funds resulting from contractual and business conditions.

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at banks, bank deposit payable on demand, liquid current securities and other current investment with high liquidity.

d) Settlement of Long-Term Contracts

Costs related to long-term contracts are given when they occur. The result in contracts is determined according to the progress of work if a reliable determination of such is possible. If it is not possible to determine the results in contracts, revenues are recognised uniquely up to the amount of a contract's costs incurred, which are probable to recover. The progress of work is measured based on the value of costs incurred by the balance sheet date divided by the total estimated costs due to contracts, expressed as a percentage. If it is probable that the total costs due to an agreement exceed total revenues, the anticipated loss is recognised immediately.

In assets, the Group presents 'Long-term contracts receivables' for cases where there is a surplus in incurred costs and recognised profits due to long-term contracts over the value of invoiced sales for contractors. Otherwise, when there is a surplus of the invoiced sales to contractors over the value of incurred costs and recognised profits due to long-term contracts, the Group presents an item in the liabilities called 'Long-term contracts liabilities'. The above surpluses are determined for each contract separately and are presented separately without balancing particular items.

e) Assets Designated for Sales

Assets and groups for disposal are classified as designated for sales if their balance sheet values will be recovered more as a result of sales transactions than in the result of their further usage. This condition is considered to be met only when a sale transaction is very probable to perform and an assets' item or a group for disposal are available for immediate sales in their present shape. An assets' item may be classified as designated for sales when the company's management is going to make a transaction within one year from change of classification.

Assets and groups for disposal classified as designated for sales are evaluated at lower of two values: initial balance sheet value or fair value less transaction costs.

2.1.7. Equity

Equity includes:

- a) the share capital of the Parent Company presented at nominal value,
- b) other capitals established:
 - from profit-sharing,
 - from surpluses of shares sold above their nominal value (premium share)

- from the valuation of managerial options,
- c) retained profit resulting from adjustments resulting from changes to accounting principles and from the results achieved by the entities of the Group, which were not transferred to other capitals,
- d) currency exchange differences.

2.1.8. Employee Benefits

a) Share-Based Plans

By 2014, the Parent Company had a share-based reward scheme. The fair value of employee services received in exchange for every grant of options increases costs. The total amount to be spent over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Vesting conditions were included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revised its estimates of the number of options that are expected to vest. It recognised the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received when the option is exercised, i.e. proceeds from comprising shares (less transaction costs related directly to option exercising) were credited to share capital (nominal value) and the share premium is credited to supplementary capital.

2.1.9. Liabilities and Provisions for Liabilities

a) Trade Liabilities and Other Liabilities

Initially trade and other liabilities are recognised at their fair value and at the balance sheet date they are recognised at adjusted acquisition prices (depreciated cost). Liabilities, depending on maturity (up to or over 12 months from the balance sheet date) are recorded as current or non-current items.

b) Financial Liabilities

At the time of initial recognition, financial liabilities are valued at fair value, increased (in case of an item of liabilities not qualified as valued at fair value by the financial result) by transaction costs. After the initial recognition, the unit appraises financial liabilities according to depreciated costs using the effective interest method, with the exception of derivative instruments, which are valued at fair value. Financial liabilities set as items being hedged are subject to appraisal pursuant to hedge accounting principles.

c) Provisions for Liabilities

Provisions for restructuring costs, guarantee repairs, legal claims and for other events (especially for leaves and rewards), which result in the Group's current obligation from past events, are recognised if:

- The Group has current legal or customary liabilities resulting from past events;
- There is a high probability that expending Group funds may be necessary to settle these liabilities, and
- Their value has been reliably assessed.

Restructuring provisions mostly comprise employee severance payments. These provisions are not recognised in reference to future operational losses.

If there are a number of similar liabilities, the probability of the necessity for expending funds for settlement is assessed for the whole group of similar liabilities. The provision is recognised even if the probability of expending funds in reference to one item within the group of liabilities is small.

The provisions are appraised at the current value of costs assessed according to the best knowledge of company management. Incurring such costs is necessary in order to settle the current liability at the balance sheet date. The discount rate applied for determining current value reflects the current market assessment of the time value of money and impairments relating to a given liability.

2.1.10. Deferred Income Tax

The general principle, pursuant to IAS12, is applied. It states that due to temporary differences between the presented value of assets and liabilities as well as their tax value and tax loss it will be possible to deduct in the future, a provision is established and deferred income tax assets are defined.

Deferred income tax assets are defined in the amount that it is anticipated will have to be deducted from income tax in the future in reference to negative temporary differences and due to income tax relief in connection with activities in Special Economic Zone, which shall result in the future in reducing the amount of the basis of taxation and the deductible tax loss defined using the precautionary principle. In relation to the above-mentioned principle, assets are recognised only for one year with the assumption that the basis for their recognition is average income acquired from activities in the special economic zone over three years (including the year for which the financial statement is prepared).

Deferred income tax liabilities are established in the amount of income tax payable in the future in reference to positive temporary differences, which would result in increasing the basis of taxation in the future.

Deferred income tax is established using fiscal rates (and regulations) which are legally binding at the balance sheet date, which according to expectations shall be in force at the moment of realisation of relevant deferred income tax assets or settlement of deferred income tax liability.

The difference between deferred income tax liabilities and deferred income tax assets at the end and at the beginning of the reporting period affects the financial results. In addition, liabilities and assets due to deferred income tax related to operations settled with equity are referred into shareholders' equity.

2.2. Recognition of Revenues and Costs

The Comarch Group's operations mostly consist of producing software for multiple sales and implementing IT integration contracts. As part of its integration contracts, Comarch offers the implementation of IT turnkey systems consisting of (own and third party) software and/or computer hardware and/or services such as:

- implementation services,
- installation services,
- guarantee and post-guarantee services,
- technical assistance services,
- software customisation services,
- sharing IT service solutions in the Cloud model,
- other IT and non-IT services necessary for system implementation.

In determining the total revenues from contracts, the following items are taken into account:

- revenues from proprietary software (irrespective of form, i.e. licences, property rights, etc.),
- revenues from services specified in the previous point.

Unit managers may decide to include estimated revenues that are highly probable to be realised into the total revenues from a contract (e.g. during the implementation of the contract, project modifications are carried out for technical reasons and it is justified to assume with some probability that the ordering party will accept the modifications and that there will be revenues flowing from them).

When integration contracts under which software is allocated for multiple sales are Comarch property, the revenues and costs related to this software and the revenues and costs related to the other part of the integration contract are recognised separately.

Several integration contracts are combined and recognised as one contract, if:

- the agreements are executed at the same time or sequentially one after another and the precise separation of the costs of their execution is impossible, or

- the agreements are so closely inter-related that they are actually parts of a single project and share a single profit margin for the entire project.

Revenues from other services (e.g. technical services, technical assistance) are recognised equally during the term of an agreement/service provision. Revenues from hardware sales and the sale of other finished goods are recognised in accordance with agreed delivery terms.

Revenues from sales of other services, products, finished goods and property items comprise sums of fair values from due invoiced revenues taking into account discounts and rebates without commodity and services taxes.

Sales costs include marketing costs and the costs of order acquisition by sales centres (departments) in the Comarch Group.

General costs consist of the costs of the Comarch Group functioning as a whole and include administrative expenses and the costs of departments that operate for the general needs of the Group.

Exchange rate differences related to receivables are presented in 'Revenues from sales' and those related to liabilities are presented in 'Cost of sales.'

Subsidies

The Group receives subsidies for the financing of R&D projects within the framework of European Union aid programmes. These subsidies are systematically recognised as revenue in particular periods so as to ensure that they are adequate to incurred costs, which should be compensated by subsidies respectively to the reason of their settlement. These subsidies diminish the respective direct costs, which are presented in the cost of sales just after they are compensated with subsidies.

a) Other Operational Revenues and Costs

Other operational revenues and costs comprise revenues and costs not directly related to the regular activities of the units and mostly include: the result of the sale of property, plant and equipment and intangibles, subsidies, established provisions and the consequences of asset revaluation.

b) Financial Revenues and Costs

Financial revenues and costs mostly include: revenues and costs due to interest, those from the result achieved due to exchange rate differences in financial activities, those from disposal of financial assets and those arising as the consequences of the investment revaluation.

Interest charges due to investment credit are recognised in finance costs beginning from the moment when asset finance with the credit was completed for use.

2.3. Financial Risk Management

2.3.1. Credit Risk

The Group establishes the financial credibility of potential clients before signing contracts for the supply of IT systems and adjusts the conditions of each contract to the potential risk depending on its assessment of the financial standing of the client. Concentration of credit risk is limited due to diversification of the Group's sales to a significant number of customers in different branch of economy, in different world's regions.

2.3.2. Risk of Change in Interest Rest

The company is exposed to the risk of changes in interest rates related to cash and cash equivalents and long-term investment credits to finance the construction of new production buildings in the Special Economic Zone in Krakow. These are credits at variable interest rates based on the WIBOR and LIBOR index. The Parent Company has been hedging this interest rate risk using IRS contracts, but also still monitors market situation in this scope. The influence of interest rate changes on the amount of interest

on credit paid is partly compensated for by a change in the amount of interest received on cash and cash equivalents.

An analysis of the sensitivity of the Group's financial results to interest rate risk carried out in accordance with IFRS 7 principles indicates that if, on the balance sheet date, the interest rates had been 50 base points higher/lower, net profit for 2017 would have been PLN 2.7 million higher/lower given that the other variables remained constant. This would largely have been the result of higher/lower revenue arising from interest received on cash and cash equivalents. Conducting an analogous analysis as at the 31st of December, 2016, indicates that if interest rates had been 50 base points higher/lower net profit for 2016 would have been PLN 305 thousand higher/lower, given that the other variables remained constant. An analysis of the sensitivity of the Group's financial results to interest rate risk was carried out using a simplified method that assumes that the rates' increases and decreases close at the same amount.

2.3.3. Risk of Fluctuation in the Exchange Rates

The company is exposed to foreign exchange risk in relation to export sales and sales denominated in foreign currencies, especially in relation to foreign exchange of EUR/PLN, USD/PLN, GBP/PLN, CAD/PLN, BRL/PLN, CHF/EUR and RUB/PLN. At the same time, part of the Parent Company's costs is also expressed in or related to exchange rates for foreign currencies. In individual cases, the company hedges future payments with forward contracts, and it tries to use natural hedging through adjusting structures of assets, liabilities and equity denominated in foreign currencies (for example through a change in currency investment loans).

The balance sheet value of assets and financial liabilities of the Group denominated in foreign currencies is related to receivables and liabilities due to deliveries and services as well as cash as at the balance sheet date. These values were presented in note [3.15](#).

An analysis of the Group's sensitivity to exchange rate fluctuation risk conducted in accordance with IFRS 7 indicated that if the actual exchange rate in relation to the balance sheet exchange rate valuation for the EUR, USD, GBP and BRL had risen/fallen by 5% with all other variables remaining constant, the Group's net result for the 12 months ended 31st of December, 2017, would have been PLN 4,925 thousand higher/lower. This is made up of an increase/decrease of PLN 2,651 thousand from financial assets and liabilities expressed in EUR, an increase/decrease of PLN 36,530 thousand from financial assets and liabilities expressed in USD, an increase/decrease of PLN 512 thousand from financial assets and liabilities expressed in GBP and an increase/decrease of PLN 534 thousand from financial assets and liabilities expressed in BRL. Assets and financial liabilities expressed in foreign currencies have only a slight share in currency structure of assets and liabilities.

If the exchange rate in relation to the balance sheet exchange date for currencies the (EUR, USD, GBP, CAD, CHF, CNY, RUB, UAH, CLP, TRY, BRL, MYR, SEK, SGD, AED, ALLARS, COP and PEN) had risen/fallen by 10% with all other variables remaining constant, the Group's net result resulting from long-term contracts for the 12 months ended 31st of December, 2017, would have been PLN 7,579 thousand higher / PLN 7,345 thousand lower. The assessment above of the effect of exchange rate risk on the financial result was calculated using a symmetrical method that assumes that the rates' increases and decreases close at the same amount.

2.3.4. Financial Liquidity Risk

The Group has a liquidity risk management system to manage its short, medium and long-term funds. The fundamental financial liquidity risk arises because the majority of costs incurred by the Group are fixed, while revenue from sales, as is typical for a services company, fluctuates. The Group manages liquidity risk by holding the appropriate amount of working capital, by holding reserve credit lines in the current account, by constantly monitoring the forecasted and actual cash flows and by analysing the maturity profiles of financial assets and liabilities.

Information on dates of contractual maturity of financial liabilities is presented in note [3.15](#).

2.4. Accounting of Derivative Financial Instruments and Hedging Activities

Derivative financial instruments designated as 'hedging instruments' according to IAS 39, qualified as fair value hedging, are recognised at fair value and changes in their valuation refer to the results of financial operations.

Derivative financial instruments designated as 'hedging instruments' according to IAS 39, qualified as cash flow hedging are recognised at fair value and change to their valuation refers to:

- capital from the revaluation of prices (in the part constituting effective hedging),
- the results of financial operations (in the part not constituting effective hedging).

Derivative financial instruments designated as 'non-hedging instruments' according to IAS 39 are valued at fair value and changes in their valuation refers to the results of financial operations.

2.5. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including anticipations of future events that are believed to be reasonable under given circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

2.5.1. Estimation of the Periods of Economic Utility of Intangible Assets and Property, Plant and Equipment in Use

a) Intangible assets

The following depreciation rates have been adopted:

- | | |
|---------------------|--------|
| ■ computer software | 30% |
| ■ licences | 30% |
| ■ copyrights | 30% |
| ■ other rights | 10-20% |

In the case of intangible assets that were acquired for a particular project, the depreciation period is established as the duration of the project.

For depreciation write-offs of intangible assets purchased as a result of the acquisitions, it was assumed the depreciation period is equal to the predicted period of economic benefit from the software sales, i.e. 60 months.

b) Property, Plant and Equipment in Use

Assets are depreciated with the straight-line method with application of depreciation rates corresponding with periods of their economic utility. In most cases, depreciation rates are: 2.5% (for buildings), 30% (for machines and devices) and 20% (for furniture, equipment and other assets). In case of property, plant and equipment in use acquired in order to be used in a specific project, the depreciation period is set as equal to the project duration.

2.5.2. Estimation of the total costs of the execution of projects related to the appraisal of long-term contracts, pursuant to IAS 11

Pursuant to the accounting principles adopted by the company, the company determines the degree of progress for long-term contracts by way of determining the ratio of currently incurred costs for a given project to the total estimated project costs. Due to the long-term nature of projects under way and their complex structure, as well as the possibility of unexpected difficulties related to their execution it may happen that the actual total costs for project execution differ from the estimates made for specific balance sheet dates. Changes in estimates of total project execution costs could result in the definition of project progress at the balance sheet date and consequently recognised revenues, in different amounts.

2.5.3. Estimation related to the determination and recognition of deferred income tax assets, pursuant to IAS 12

As the company operates in the Special Economic Zone and enjoys investment allowances as a result, the Parent Company determines the value of deferred income tax assets on the basis of forecasts relating to the shape of the tax-exempt income and the period, in which such income may be noted. Due to high business fluctuations in the IT industry (in which the Parent Company is active) it is possible that the actual results and tax-exempt income may differ from the Parent Company's anticipations. In relation to the above-mentioned principle, assets are recognised only for one year with the assumption that the basis for their recognition is average income acquired from activities in the special economic zone over three years (including the year for which the financial statement is prepared).

2.5.4. Estimation of possible costs related to current court proceedings against the company, pursuant to IAS 37

At the balance sheet date, the Group is the plaintiff and the defendant in a number of court proceedings. Preparing the financial statement, the Group always assesses the opportunities and risks related to court proceedings and, in accordance with the results of such analyses, establishes provisions for potential losses. However, there is always a risk that the courts will pronounce verdicts different from the expectations of the companies and the established provisions will be insufficient or excessive in comparison with the actual results of the proceedings.

2.5.5. Estimation due to carrying out yearly test on loss in the goodwill according to IFRS 3 and IAS 36

At the end of every fiscal year the Group carries out tests on losses in the goodwill according to accounting rules contained in note [3.5](#). The Group considers IT Segment as a cash generating unit thereby doesn't allocate the goodwill to particular companies of the Group. The recoverable amount of cash generating unit was determined on the basis of calculations of its fair value. These calculations require to the use of estimates related to cash flow in the IT segment in the following financial year and an anticipated development of the IT market in Poland and regions where the Group is active in the following years. Due to a high fluctuation in the economic situation of the IT branch, where the Group operates, it is possible that real cash flow will differ from the one estimated by the Group.

2.5.6. Fair value assessment of intangible assets purchased as a result of the acquisitions

As at the acquisition date Comarch SuB Group, ESAProjekt sp. z o.o. and Amea Informatik AG (currently Comarch Swiss AG, after the merger of both companies in 2013) the assessment of the fair value of

assets held by these companies, was done based on the useful value valuation model with the discounted cash flow method (DCF). The discount rate applied in the assessment of the current value of the predicted cash flow is based on a weighted average capital cost (WACC). Particular items of WACC were estimated on a basis of market data on risk-free interest rate (profitability of treasury bills), beta factor, data on the structure of debt/capital and the expected value of premium for risk.

2.6. New Standards and IFRIC Interpretations

This consolidated financial statement was prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the European Union.

Accounting principles (policy) applied when preparing the consolidated financial statement for 2017 are coherent with the principles applied when preparing the consolidated financial statement for 2016, providing changes described below. The same rules were adopted for the current and comparable periods, unless a standard or an interpretation assumed only prospective application.

Issued and amended standards and interpretations applied in 2017 for the first time

The following amended standards issued by the International Accounting Standards Board and approved by the European Union ("EU") were effective from 1st of January, 2017:

- **Amendments to IAS 7: Disclosure Initiative** – published on 29th of January, 2016, and is effective for annual periods beginning on or after 1st of January, 2017. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities by additional disclosures of changes in balance sheet valuation of liabilities arising from financing activities.
- **Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses** - published on 19th of January, 2016, and is effective for annual periods beginning on or after 1st of January, 2017. Their purpose is to clarify the requirements for accounting deferred tax assets relating to debt financial instruments measured at fair value.
- **Amendments to various standards adopted within the frame of annual improvements process to IFRS (Annual Improvements period 2014-2016)**

On the 8th of December, 2016, a slight improvements have been made to the following 3 standards, as a result of the review of IFRS:

- **IFRS 1 "First-time Adoption of International Financial Reporting Standards"** – deleted a few short-term exemptions, because they have now served their intended purpose,
- **IFRS 12 "Disclosure of Interests in Other Entities"** - specified the disclosure requirements in the standard regarding to interests, regardless of they are classified as held for sale, paid as a dividend or discontinued operation,
- **IFRS 28 "Investments in Associates and Joint Ventures"** – regarding to the moments, in which an investment entities (i.e. venture capital) can decide about the election to measure at fair value method of valuation of interests in associates or joint venture (not equity method).

They apply for annual periods beginning on or after 1st of January, 2018 (exception of amendments to IFRS 12, which are effective for annual periods beginning on or after 1st of January, 2017).

According to the Parent Company's calculations, changes to the accounting standards mentioned above would not have any significant impact on the Group's financial statement for 2017.

Standards and Interpretations published by IASB and approved by the EU, but not yet effective

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:

- **IRFS 9 "Financial Instruments"** - approved by the EU on 22nd of November, 2016 (effective for annual periods beginning on or after 1st of January, 2018),
- **IRFS 15 „ Revenue from Contracts with Customers”** and subsequent changes **to IRFS 15 „Date of entry into force IRFS 15”** - approved by the EU on 22nd of September, 2016 (effective for annual periods beginning on or after 1st of January, 2016),
- **IFRS 16 "Leasing"** – published on the 13th of January, 2016, and is effective for annual periods beginning on or after 1st of January, 2019, with earlier adoption permitted (if IFRS 15 has also been applied),
- **Amendments to IFRS 2 "Share-based Payments"** - published on 20th of June, 2016, and is effective for annual periods beginning on or after 1st of January, 2018. The purpose of amendments to the standard was classification and measurement of share-based payment transactions.
- **Amendments to IFRS 4 "Insurance Contracts"** - Application of IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Instruments" was published on 12th of September, 2016, and is effective for annual periods beginning on or after 1st of January, 2018.
- **Amendments to IAS 40 Transfer of investment properties** – published on 8th of December, 2016, and is effective for annual periods beginning on or after 1st of January, 2018.

The Group has not decided to apply these standards and interpretations earlier. The Group will apply them from the 1st of January, 2018.

The Management Board of the Parent Company anticipates that application of IFRS 9 will not, in the future, impact the amounts and recognitions presented in the consolidated financial statement of the Capital Group.

The Management Board of the Parent Company anticipates that application of IFRS 15 and IFRS 16 will, in the future, impact the amounts and recognitions presented in the consolidated financial statement of the Capital Group. The Management Board of the Parent Company is estimating the impact of the implementation of IFRS 15 on equity attributable to the Company's shareholders as at the 31st of December, 2017. According to current estimates (in accordance with paragraph C.3.b of Annex C to IFRS 15 "Revenue from contracts with customers", a retrospective approach with the effect of the first use effect on the first day of the first application) covering contracts opened as at 31 December 2017, the adjustment will amount to approximately minus PLN 17-27 million and will affect the result of 2017 in the amount of approximately plus PLN 23-33 million PLN and the result from previous years in the amount of approximately minus 45-55 million PLN. Detailed data regarding the impact of the implementation of IFRS 15 on equity attributable to the Company's shareholders as at the 31st of December, 2017 will be published in the consolidated financial statements of the Comarch Group for the first quarter of 2018. There is currently still no possibility of providing reliable estimates of the impact of IFRS 16 on the financial statement.

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

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 27th of April, 2018, (the effective dates mentioned below are related to full versions of standards):

- **IFRS 14 "Deferred Balances from Regulated Activity"** (effective for annual periods beginning on or after 1st of January, 2016) - European Commission has decided not to initiate the process of approving this provisional standard for use within the EU until the final version of IFRS 14,
- **IFRS 17 "Insurance Contract"** – published on the 18th of May, 2017,
- **Amendments to IFRS 10 and IAS 28: Sale or transfer of assets between an investor and an associate or a joint venture** was published on the 11th of September, 2014 (the adoption of the change has been halted),
- **IFRIC 22 "Transactions in foreign currencies and advanced payments"** – published on the 8th of December, 2016,
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – published on the 7th of June, 2017,
- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**, published on the 12th of October, 2017,
- **Amendments to IFRS 28: Long-term Interests in Associates and Joint Ventures**, published on the 12th of October, 2017,
- **Amendments to various standards adopted within the frame of annual improvements process to IFRS "Annual Improvements (period 2015-2017)"** - adopted within the frame of annual improvements process to IFRS, published on the 12th of December, 2017,
- **Amendments to IAS 19: Change, limitation and settlement of the program**, published on the 7th of February, 2018.

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.

3. Notes to the Consolidated Financial Statement

3.1. Approving the Financial Statement for 2016

The consolidated financial statement for the year 2016 was approved on the 27th of June, 2017, by the General Meeting of Shareholders of Comarch S.A. On the 17th of July, 2017, in accordance with the law, it was submitted to the National Court Register.

3.2. Segment Information

In the Comarch Group, the 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:

- the sale of IT systems and related services, including production of software for medicine sector and sales of IT hardware (hereinafter referred to as the "IT segment"),
- professional sports activity conducted by MKS Cracovia SSA (hereinafter referred to as the "Sport segment"),
- investment activity on capital market and real estate market (hereinafter referred to as the "Investment segment"),
- activities related to medical services (hereinafter referred to as the "Medical segment").

The IT segment has a dominant share in revenue from sales, results and assets. Due to the specific nature of the business, the IT segment is presented with the spin-off of the DACH market (Germany, Austria, Switzerland), the Polish market and other markets. Due to the geographical breakdown of activities, Comarch Group has defined the following market segments: Poland, DACH Region (Germany, Austria and Switzerland) and Other countries. Segments: Sport, Investment and Medical 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, defining separate results for export and domestic activities is not deliberate. Comarch Group's sales is highly diversified and is not dependent on a single customer. In 2017, the share of none of the contractor exceeded 10% of the sales of Comarch Group.

Over 2017, Comarch Group's 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. In the company's opinion, over 2018, Group's revenue structure will be similar to that observed in 2017.

12 months ended 31 December 2016	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Elimination	Total
	Poland	DACH	Other					
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>	<i>90,653</i>	<i>85,111</i>	<i>100,856</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>276,620</i>
<i>To customers in Finance and Banking sector</i>	<i>135,256</i>	<i>11,920</i>	<i>16,635</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>163,811</i>
<i>To customers in Trade and services sector</i>	<i>57,190</i>	<i>10,407</i>	<i>115,717</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>183,314</i>
<i>To customers in Industry & Utilities</i>	<i>104,238</i>	<i>22,082</i>	<i>19,780</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>146,100</i>
<i>To customers in Public sector</i>	<i>59,935</i>	<i>7,767</i>	<i>5,154</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>72,856</i>
<i>To customers in small and medium enterprises sector</i>	<i>116,566</i>	<i>111,223</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>227,789</i>
<i>To customers in Medicine sector</i>	<i>4,626</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>8,558</i>	<i>-</i>	<i>13,184</i>
<i>To other customers</i>	<i>2,515</i>	<i>4</i>	<i>17</i>	<i>359</i>	<i>26,244</i>	<i>-</i>	<i>-</i>	<i>29,139</i>
<i>other operating revenue</i>	<i>9,755</i>	<i>6,874</i>	<i>11,792</i>	<i>754</i>	<i>9,888</i>	<i>-</i>	<i>-</i>	<i>39,063</i>
<i>finance revenue</i>	<i>(2,706)</i>	<i>(647)</i>	<i>(215)</i>	<i>536</i>	<i>350</i>	<i>(1,127)</i>	<i>-</i>	<i>(3,809)</i>
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>	<i>36,245</i>	<i>26,006</i>	<i>10,558</i>	<i>(1,353)</i>	<i>5,305</i>	<i>(3,727)</i>	<i>-</i>	<i>73,034</i>
<i>result attributable to minority interest</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(30)</i>	<i>2,719</i>	<i>-</i>	<i>-</i>	<i>2,689</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, 2016, as well as investment expenditures and depreciation for 12 months ended the 31st of December, 2016:

31 December 2016 / 12 months ended 31 December 2016

	IT Segment			Investment Segment	Sport Segment	Medicine Segment	Total
	Poland	DACH	Other				
Assets	739,710	234,874	261,398	147,510	54,487	6,896	1,444,875
Liabilities	378,071	72,414	70,103	39,156	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	Elimination	Total
	Poland	DACH	Other					
Revenues per segment- sales to external clients including:	568,980	271,233	262,508	4,111	32,845	12,383	-	1,152,060
Revenues from sales:	540,414	268,067	259,577	626	23,485	10,351	-	1,102,520
<i>To customers in Telecommunication, Media, IT sector</i>	<i>89,256</i>	<i>75,704</i>	<i>93,241</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>258,201</i>
<i>To customers in Finance and Banking sector</i>	<i>130,836</i>	<i>38,990</i>	<i>16,458</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>186,284</i>
<i>To customers in Trade and services sector</i>	<i>43,131</i>	<i>17,000</i>	<i>114,190</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>174,321</i>
<i>To customers in Industry & Utilities</i>	<i>80,440</i>	<i>29,462</i>	<i>31,970</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>141,872</i>
<i>To customers in Public sector</i>	<i>52,492</i>	<i>7,139</i>	<i>3,699</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>63,330</i>
<i>To customers in small and medium enterprises sector</i>	<i>136,024</i>	<i>99,771</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>235,795</i>
<i>To customers in Medicine sector</i>	<i>5,667</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10,351</i>	<i>-</i>	<i>16,018</i>
<i>To other customers</i>	<i>2,568</i>	<i>1</i>	<i>19</i>	<i>626</i>	<i>23,485</i>	<i>-</i>	<i>-</i>	<i>26,699</i>
<i>other operating revenue</i>	<i>406</i>	<i>3,385</i>	<i>2,630</i>	<i>801</i>	<i>9,707</i>	<i>744</i>	<i>-</i>	<i>17,673</i>
<i>finance revenue</i>	<i>28,160</i>	<i>(219)</i>	<i>301</i>	<i>2,684</i>	<i>(347)</i>	<i>1,288</i>	<i>-</i>	<i>31,867</i>
Revenues per segment - sales to other segments	264,930	40,133	30,350	6,936	8,904	2,066	(353,319)	-
Revenues per segment - total	833,910	311,366	292,858	11,047	41,749	14,449	(353,319)	1,152,060
Costs per segment relating to sales to external clients	531,903	248,263	255,284	5,765	28,593	14,611	-	1,084,419
Costs per segment relating to sales to other segments	264,930	40,133	30,350	6,936	8,904	2,066	(353,319)	-
Costs per segment - total	796,833	288,396	285,634	12,701	37,497	16,677	(353,319)	1,084,419
Current taxes	(2,644)	(4,905)	(7,453)	(259)	(189)	-	-	(15,450)
Assets for the tax due to investment allowances and other tax relief	(3,164)	(917)	(1,645)	(3)	141	-	-	(5,588)
Share of segment in the result of parties valued using the equity method of accounting	(125)	-	(2,957)	-	-	-	-	(3,082)
Net result	31,144	17,148	(4,831)	(1,916)	4,204	(2,228)	-	43,521
<i>including:</i>								
<i>result attributable to shareholders of the Parent Company</i>	<i>31,144</i>	<i>17,148</i>	<i>(4,831)</i>	<i>(1,929)</i>	<i>2,732</i>	<i>(2,228)</i>	<i>-</i>	<i>42,036</i>
<i>result attributable to minority interest</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>13</i>	<i>1,472</i>	<i>-</i>	<i>-</i>	<i>1,485</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 for 12 months ended the 31st of December, 2017:

31 December 2017 / 12 months ended 31 December 2017

	IT Segment			Investment Segment	Sport Segment	Medicine Segment Poland	Total DACH
	Poland	DACH	Other				
Assets	835,658	202,412	257,751	140,235	60,139	5,720	1,501,915
Liabilities	415,443	56,436	92,713	34,764	20,420	3,107	622,883
Investment expenditures	98,227	16,157	26,384	6,555	6,233	172	153,728
Depreciation	40,237	12,411	28,30	1,863	4,122	2,846	64,309

The following tables present a geographical structure of revenues from sales, assets and investment expenditures.

Revenues from basic sales - activities location

	12 months ended 31 December 2017	%	12 months ended 31 December 2016	%
Poland	574,876	52.1	606,140	54.5
DACH	268,067	24.3	248,514	22.3
Other countries	259,577	23.6	258,159	23.2
Total	1,102,520	100.0	1,112,813	100.0

Assets – activities location

	12 months ended 31 December 2017	%	12 months ended 31 December 2016	%
Poland	1,041,727	69.3	948,603	65.7
DACH	202,412	13.5	234,874	16.2
Other countries	257,776	17.2	261,398	18.1
Total	1,501,915	100.0	1,444,875	100.0

Investments expenditures - activities location

	12 months ended 31 December 2017	%	12 months ended 31 December 2016	%
Poland	111,187	72.4	107,234	77.8
DACH	16,157	10.5	12,366	9.0
Other countries	26,384	17.1	18,285	13.2
TOTAL	153,728	100.0	137,885	100.0

3.3. Property, Plant and Equipment

	Lands and buildings	Means of transport and machinery	Furniture, fittings and equipment	Total
At 1 January 2016				
Cost or valuation (gross)	373,365	300,668	49,937	723,970
Depreciation	(54,831)	(212,584)	(33,989)	(301,404)
Net book value	318,534	88,084	15,948	422,566
Year ended 31 December 2016				
Opening net book value	318,534	88,084	15,948	422,566
Additions	81,708	47,159	4,665	133,532
Disposals	(5,108)	(1,526)	(414)	(7,048)
Depreciation	(8,143)	(32,373)	(7,423)	(47,939)
Closing net book value	386,991	101,344	12,776	501,111
At 31 December 2016				
Cost or valuation (gross)	449,965	346,301	54,188	850,454
Depreciation	(62,974)	(244,957)	(41,412)	(349,343)
Net book value	386,991	101,344	12,776	501,111
Opening balance after the change in presentation				
Year ended 31 December 2017				
Opening net book value	386,991	101,344	12,776	501,111
Additions	75,167	48,326	6,883	130,376
Disposals	(19,006)	(5,623)	(225)	(24,854)
Depreciation	(9,319)	(33,810)	(6,666)	(49,795)
Closing net book value	433,833	110,237	12,768	556,838
At 31 December 2017				
Cost or valuation (gross)	506,126	389,004	60,846	955,976
Depreciation	(72,293)	(278,767)	(48,078)	(399,138)
Net book value	433,833	110,237	12,768	556,838

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.

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.

On the 16th of June, 2015, an agreement on the building investment in Łódź was made between Bonus Development spółka z ograniczoną odpowiedzialnością S.K.A., a subsidiary of Comarch S.A. and Skanska S.A. The subject of the agreement is the construction of office building together with the rebuilding and change of usage of the adjacent former factory building, located in Łódź, 76/78 Jaracza Street including traffic and technical infrastructure and the supply of building materials and machinery. The total space of the building will be 9,906.20 m². The net value of the agreement amounts to PLN 37,883 thousand. The investment was completed in the first quarter of 2017.

The office building that was purchased by Comarch S.A.S. in Lille is the new office of the company. On the 15th of March, 2016, Comarch S.A.S., a subsidiary of Comarch S.A. signed an agreement with SNC-LAVALIN S.A.S., for the realization of the construction investment in Lille, France. The subject of the contract is the alteration of the warehouse building at 17 Rue Paul Langevin in Lezennes in the data 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.

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

As at the 31st of December, 2017, bank loans are secured on land and buildings for the value of PLN 412,714 thousand (ordinary mortgages, real estate mortgages in BGŻ BNP Paribas Bank Polska S.A., BZ WBK S.A., Pekao S.A., PKO BP S.A. and Bank Handlowy w Warszawie S.A.) and other property, plant and equipment in use in the amount of PLN 39,668 thousand (registered pledges in favour of banks:

Pekao S.A. and DNB Bank Polska S.A). The balance sheet value of property, plant and equipment in use, on which financial liabilities are secured, amounts to PLN 287,155 thousand.

	2017	2016
Amount of interest on credits capitalised on investments in non-current assets	938	192

Investment expenditures on property, plant and equipment under construction are recognised in the net balance sheet value of property, plant and equipment:

	31 December 2017	31 December 2016
Buildings	109,314	86,789
Equipment	1,237	12,486
Other	9	8
Total	110,560	99,283

Depreciation write-offs were presented in the income statement. They increase the costs of sold products, goods and materials in the amount of PLN 33,048 thousand (PLN 32,180 thousand in 2016), costs of sales in the amount of PLN 1,260 thousand (PLN 1,294 thousand in 2016), general and administrative expenses in the amount of PLN 3,206 thousand (PLN 3,031 thousand in 2016) and social activities expenses in the amount of PLN 12,280 thousand (PLN 11,434 thousand in 2016).

Assets in finance leasing

As at the 31st of December, 2017, the Group had liabilities due to a finance lease.

	31 December 2017	31 December 2016
Net equity	611	819
Interest	-	4

The Group has no due lease payments.

	31 December 2017	31 December 2016
Net equity	-	-
Interest	-	-

3.4. Investment Real Estates

	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 developed properties located in Krakow used for lease to the entities outside Group, land plots located in Krakow purchased in order to construct buildings dedicated for lease to the entities outside Group, as well as a real estate located in Kostrzyn leased to the entities outside Group.

3.5. 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 31 st of December, 2012)	8,413	8,413
Geopolis sp. z o.o.	1,462	
Total	42,197	40,735

3.5.1. Acquisition of Subsidiaries

	Core Activities	Acquisition Date	(%) of Purchased Shares	Acquisition Cost
2008				
Comarch Software und Beratung AG	IT	2008-11-18	50.15%	44,685
2009				
Comarch Software und Beratung AG	IT	2009-02-09	30.74%	31,901
2012				
Comarch Software und Beratung AG	IT	2012-10-19	5%	3,777
A-MEA Informatik AG	IT	2012-01-30	100%	5,717
A-MEA Informatik AG		2012-02-27	-	2,578
ESAProjekt sp. z o.o.	IT	2012-04-27	100%	12,200
2016				
Comarch Software und Beratung AG	IT	2016-12-12	2.68%	6,375
2017				
Geopolis sp. z o.o.	IT	2017-04-03	100%	4,000

3.5.2. Test for Goodwill Impairment

On the 31st of December, 2017, the Comarch Group conducted a test for loss in value regarding goodwill in relation to acquisition of Comarch Software und Beratung AG and it did not show any loss in value. The assessment of the fair value of a cash generating unit was done based on the useful value valuation model with the discounted cash flow method (DCF). The predicted cash flow for particular Comarch SuB product lines are based on sales results in 2016, the Comarch SuB Group budget for 2018, and the forecast for 2018-2022, development estimates of the German market within the upcoming years and assuming a constant growth rate of 0.5% from 2023. The discount rate applied in the assessment of the current value of the predicted cash flow is based on a weighted average cost of capital (WACC). Particular items of WACC were estimated on a basis of market data on risk-free interest rate (profitability of treasury bills), beta factor, data on the structure of debt/capital and the expected value of premium for risk. The weighted average cost of capital applied in the model amounted to 6.34%.

On the 31st of December, 2017, the Comarch Group conducted also tests for loss in value regarding goodwill in relation to acquisitions of Comarch Swiss (d. A-MEA Informatik AG) and they did not show any loss in value.

The Group considers IT Segment, comprising companies in the Comarch Group before acquisition of the Comarch Software und Beratung Group, as one cash generating unit thereby doesn't allocate the goodwill, that was worth PLN 3,284 thousand and recognised in relation to purchases of shares in Comarch Kraków S.A., CDN Comarch S.A., Comarch Inc. and Comarch AG, to particular companies of the Group. A test for loss in value in reference to the goodwill that was run on the 31st of December, 2017, did not show any loss in value. The recoverable amount of cash generating unit was determined on the basis of calculations of its fair value. The Management Board of the Parent Company conducted also the analysis of the P/E index for companies in the IT sector registered with the Warsaw Stock Exchange and assessed on this basis the estimated market value of the IT Segment in the Comarch Group as at the 31st of December, 2017. P/E index for IT sector companies listed on the Warsaw Stock Exchange, conducting business activities similar to Comarch S.A., was taken for analysis and amounted to 33.7. It was not adjusted to the needs of the test. The above analyses did not show any loss in value in reference to the goodwill.

3.6. Other Intangible Assets

	Cost of completed development works	Right of perpetual usufruct	Trademarks, licences and software	Other	Total
At 31 December 2015					
Cost (gross)	4,536	39,940	165,879	28,316	238,671
Accumulated amortisation and impairment	(2,401)	(1,090)	(144,291)	(24,415)	(172,197)
Net book value	2,135	38,850	21,588	3,901	66,474
Year ended 31 December 2016					
Opening net book value	2,135	38,850	21,588	3,901	66,474
Additions	140	-	3,340	8,150	11,630
Disposals	(1,418)	-	(36)	(238)	(1,692)
Amortisation charge	(215)	(93)	(10,740)	(4,021)	(15,069)
Closing net book value	642	38,757	14,152	7,792	61,343
At 31 December 2016					
Cost (gross)	3,258	39,940	169,183	36,228	248,609
Accumulated amortisation and impairment	(2,616)	(1,183)	(155,031)	(28,436)	(187,266)
Net book value	642	38,757	14,152	7,792	61,343
Year ended 31 December 2017					
Opening net book value	642	38,757	14,152	7,792	61,343
Additions	-	648	11,524	5,925	18,097
Disposals	-	-	(30)	(1,577)	(1,607)
Amortisation charge	(307)	(93)	(10,291)	(3,823)	(14,514)
Closing net book value	335	39,312	15,355	8,317	63,319
At 31 December 2017					
Cost (gross)	3,258	40,588	180,677	40,576	265,099
Accumulated amortisation and impairment	(2,923)	(1,276)	(165,322)	(32,259)	(201,780)
Net book value	335	39,312	15,355	8,317	63,319

The Group presented costs for research and development works directly in costs, with no previous activation, in the amount of PLN 6,336 thousand.

I. Other intangibles include valuation of assets related to players' cards in MKS Cracovia in the amount of PLN 8,350 thousand. All other items of the intangible assets were acquired.

Amortization charges in the income statement have been reported in the positions: the amount of PLN 12,816 thousand is included in the cost of production (PLN 13,680 thousand in 2016), the rest is presented in general and administrative costs in the amount of PLN 1,147 thousand (PLN 943 thousand in 2016) and selling costs in the amount of PLN 551 thousand (PLN 446 thousand in 2016).

The perpetual usufruct right for land related to MKS Cracovia SSA that is worth PLN 31,650 thousand is considered as 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 major costs in renewal of perpetual usufruct right in the context of the previous activities of the co-owner of the Club that is the City of Krakow. The city supports sport activities, including MKS Cracovia SSA, by the way of, among others:

- additional financing of sport infrastructure
- redemption of real estate tax
- contributing fees for perpetual usufruct in non-cash contribution

The right of perpetual usufruct of land relating to the Parent Company is depreciated for a defined useful life, which depends on the time of acquisition and amounts from 84 till 99 years. The average depreciation rate equals 1.2%.

II. Impairment test for the right of perpetual usufruct as at 31st of December, 2017.

As at the 31st of December, 2017, an analysis was performed on changes in prices of real estate properties in Krakow in 2017. Based on articles and reports of industry portals (among others Bankier.pl) it was found that in 2017 the average price of land in Krakow had an upward trend. On this basis it was established that in 2017, there was no impairment of the right of perpetual usufruct of land owned by the Comarch Group.

3.7. Non-Current Prepayments

	12 months ended 31 December 2017	12 months ended 31 December 2016
Opening balance	1,118	819
Changes due to:		
- settlement and transfer to non-current prepayments	2,203	299
Closing balance	3,321	1,118

3.8. Investment in Associates

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

At 1 January 2016	23,177
Share in profit of Sointeractive S.A.	46
Acquiring shares and share in profit of Metrum Capital S.A.	(208)
Grant a loan to SoInteractive S.A.	(527)
Acquiring shares 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 and share in profit of Metrum Capital S.A.	(14)
Grant a loan to SoInteractive S.A.	(80)
Acquiring shares and share in profit of Thanks Again LLC	<u>(2,957)</u>

At 31 December 2017 **11,233**

	Country of incorporation	Assets	Liabilities	% shares held
At 31 December 2016				
SoInteractive S.A.	Poland	5,329	3,687	42.98
At 31 December 2017				
SoInteractive S.A.	Poland	4,536	3,991	42.98

	Country of incorporation	Revenue	Profit /(Loss)	% shares held
12 months ended 31 December 2016				
SoInteractive S.A.	Poland	10,100	191	42.98
12 months ended 31 December 2017				
SoInteractive S.A.	Poland	9,971	(1,112)	42.98

	Country of incorporation	Assets	Liabilities	% shares held
At 31 December 2016				
Metrum Capital S.A.	Poland	53	20	64.29
At 31 December 2017				
Metrum Capital S.A.	Poland	7	3	64.29

	Country of incorporation	Revenue	Profit /(Loss)	% shares held
12 months ended 31 December 2016				
Metrum Capital S.A.	Poland	207	(187)	64.29

12 months ended 31 December 2017 Metrum Capital S.A.	Poland	45	(29)	64.29
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	Country of incorporation	Assets	Liabilities	% shares held
At 31 December 2016 Thanks Again LLC	USA	10,828	17,392	42.50
At 31 December 2017 Thanks Again LLC	USA	5,518	14,440	42.50

	Country of incorporation	Revenue	Profit / (Loss)	% shares held	Country of incorporation
12 months ended 31 December 2016 Thanks Again LLC	USA		5,228	(13,880)	42.50
12 months ended 31 December 2017 Thanks Again LLC	USA		8,118	(3,425)	42.50

As at the 31st of December, 2017, investments in associates includes stocks and shares acquired by CCF FIZ and Bonus Management sp. z o.o. II Activia SKA in SoInteractive S.A. (42.98% of shares, 27.37% of votes at the AGM), shares in Metrum Capital S.A. (Comarch S.A. acquired 21.43% of shares, i.e. 15.79% of votes at the AGM, and CAMS AG acquired 42.86% of shares, i.e. 31.58% of votes at the AGM, with 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 current financial result for 2015, 2016 and 2017, as well as update of the value of shares) and loans granted to SoInteractive S.A. by Comarch S.A. in the amount of PLN 130 thousand.

3.9. 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>	8,516	1,149
<i>Non-current portion</i>	2,904	492

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>	509	2,350
<i>Non-current portion</i>	736	2,537

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. 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 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 BGŻ 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 investment credit taken on May 2016, from Bank Handlowy 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 investment credit taken on May 2016, from Bank Handlowy 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 minus PLN 37 thousand.

On the 27th of November, 2017, Bonus Development Sp. z o.o. SKA concluded a transaction on change of IRS for investment credit taken on the 29th of June, 2015, from Bank Pekao S.A. 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.

After the Balance Sheet Date

None present.

3.10. Deferred Income Tax

	31 December 2017	31 December 2016
Deferred income tax assets		
Beginning of year:	35,007	33,432
<i>charged to financial result</i>	<i>35,007</i>	<i>33,432</i>
Movement on deferred income tax account charged to financial result		
recognition of an asset due to tax loss in Comarch SuB	501	3,990
dissolution of an asset due to tax loss for the previous years in Comarch SuB and Comarch AG	(1,806)	-
recognition of an asset due to tax loss in Comarch Technologies sp. z o.o.		49
dissolution of an asset due to tax loss in Comarch Technologies sp. z o.o.	(40)	(31)
recognition of an asset due to tax loss in other foreign companies	3	149
recognition of an asset due to tax loss in other polish companies	463	-
dissolution of an asset due to tax loss in other polish companies	(315)	-
recognition of an asset due to tax relief of the Parent Company due to activities in Special Economic Zone	8,863	9,936
dissolution of an asset due to tax relief of the Parent Company due to activities in Special Economic Zone	(9,936)	(10,441)
recognition of an asset due to temporary differences related to costs (depreciation, costs of research works)	4,556	6,782
dissolution of an asset due to temporary differences related to costs (depreciation, costs of research works)	(6,059)	(8,859)
End of year	31,237	35,007
<i>charged to financial result</i>	<i>31,237</i>	<i>35,007</i>

Deferred income tax assets

	Tax loss asset	Provisions for costs, revaluating write-offs	Asset due to tax relief related to income tax (SEZ)	Total
At 1 January 2016	6,820	16,171	10,441	33,432
<i>charged to financial result</i>	<i>6,820</i>	<i>16,171</i>	<i>10,441</i>	<i>33,432</i>
(Charged)/ credited to the result for 2016	4,157	(2,077)	(505)	1,575
At 31 December 2016	10,977	14,094	9,936	35,007
(Charged)/ credited to the result for 2017	(1,194)	(1,503)	(1,073)	(3,770)
At 31 December 2017	9,783	12,591	8,863	31,237
<i>charged to financial result</i>	<i>9,783</i>	<i>12,591</i>	<i>8,863</i>	<i>31,237</i>

Asset due to tax loss	31 December 2017
Comarch Software (CSuB)- Germany	9,670
Cracovia SSA	73
Comarch Technologies Sp. z o.o.	40
TOTAL	9,783

The tax loss asset was created in amounts recoverable in accordance with applicable tax regulations.

Deferred tax provision	31 December 2017	31 December 2016
Deferred tax provision		
Beginning of year:	42,144	37,619
<i>charged to equity</i>	<i>5,430</i>	<i>5,430</i>
<i>charged to financial result</i>	<i>36,714</i>	<i>31,839</i>
<i>provisions due to acquisition of Comarch SuB</i>	-	-
<i>provisions due to acquisition of A-MEA Informatik AG and ESAProjekt sp. z o.o.</i>	-	<i>350</i>
Movement on deferred tax liabilities charged to financial result		
dissolution of a provision due to valuation of deposits of CCF FIZ	(445)	(1,349)
dissolution of a provision due to depreciation of ESAProjekt sp. z o.o. fair value valuation	-	(236)
dissolution of a provision due to depreciation of A-MEA Informatik AG fair value valuation	-	(114)
recognition of a provision due to temporary differences related to depreciation, currency differences and interest	4,921	10,792
dissolution of a provision due to temporary differences related to depreciation, currency differences and interest	(2,658)	(4,568)
End of the period	43,962	42,144
<i>charged to equity</i>	<i>5,430</i>	<i>5,430</i>
<i>charged to financial result</i>	<i>38,532</i>	<i>36,714</i>
<i>provision due to acquisition of A-MEA Informatik AG and ESAProjekt sp. z o.o.</i>	-	-

Deferred income tax provision

	Provision due to valuation of CCF FIZ	Provision due to valuation of Comarch SuB through fair value	Depreciation	Provisions (exchange differences, interest)	Provisions due to fair value valuation of MKS Cracovia SSA's assets	Provisions due to fair value valuation of A-MEA Informatik AG and ESAProjekt Sp. z o.o.	Total
At 1 January 2016	24,174	-	1,129	6,536	5,430	350	37,619
(Charged)/ credited to the result for 2016	1,349	-	(1,077)	(5,147)	-	-	4,525
At 31 December 2016	22,825	-	2,206	11,683	5,430	-	42,144
<i>charged to financial result</i>	<i>22,825</i>	-	<i>2,206</i>	<i>11,683</i>	-	-	<i>36,714</i>
<i>charged to equity</i>	-	-	-	-	<i>5,430</i>	-	<i>5,430</i>
(Charged)/ credited to the result for 2017	(445)	-	(2,197)	4,460	-	-	1,818
At 31 December 2017	22,380	-	9	16,143	5,430	-	43,962
<i>charged to financial result</i>	<i>22,380</i>	-	<i>9</i>	<i>16,143</i>	-	-	<i>38,532</i>
<i>charged to equity</i>	-	-	-	-	<i>5,430</i>	-	<i>5,430</i>

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

- obtained in 1999, with a period of validity until the 31st of December, 2017;
- obtained in 2007, originally with the validity period until 31st of December, 2017, currently its validity term has not been specified in accordance with the decision of the Ministry of Development and Finance of 18th of October, 2017;
- obtained in 2013, 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 special economic zones in Poland until 2026;
- obtained in February 2016, its validity term has not been specified;
- 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. In the second quarter of 2016, company used in total investment relief under the permit obtained in 1999. Limit of the unused investment relief under the permit obtained in 2007 amounted approx. PLN 17,037 thousand at the 31st of December, 2017 (after discounting at the permit date). Limit of the unused investment relief under the permit obtained in 2013 amounted approx. PLN 28,929

thousand at the 31st of December, 2017 (after discounting at the permit date). Limit of the unused investment relief in respect of the authorization obtained in March, 2016, related to investment in office building SSE7 in Krakow, as at the 31st of December, 2017, (discounted as at the permit date), is about PLN 20,320 thousand. Value of tax relief will change because of the fact, that investment has not been completed.

Deferred income tax assets are defined in the amount that it is anticipated will have to be deducted from income tax in the future in reference to negative temporary differences and due to income tax relief in connection with activities in Special Economic Zone, which shall result in the future in reducing the amount of the basis of taxation and the deductible tax loss defined using the precautionary principle. In relation to the above-mentioned principle, assets are recognised only for one year with the assumption that the basis for their recognition is average income acquired from activities in the special economic zone over five years (including the year for which the financial statement is prepared).

During 2017, an asset due to activities in SEZ created as at the 31st of December, 2016, has been resolved in the amount of PLN 9,936 thousand (caused a decrease in the financial result). At the same time, an asset in the amount of PLN 8,863 thousand was created, which will be realized successively (as write-offs diminishing net profit of the Group) in proportion to the generation of tax income by Comarch S.A. achieved on exempt activities over 2018. At the same time, in accordance with IAS 12, the company will regularly verify the valuation of the recognized asset considering the possibilities of its realization and recognition for further periods. It should be noted that the recognition of asset does not affect the cash flows neither of the Parent Company, nor in the Group (both the recognition of assets, as well as its implementation). This operation has only an accrual nature and results from applying the International Financial Reporting Standards for preparation of the consolidated financial statements of Comarch Group.

Over 2017, the Group made in part a settlement of deferred tax asset related to temporary differences created on the 31st of December, 2016, in the amount of PLN 6,059 thousand and a deferred tax asset related to temporary differences was created in the amount of PLN 4,556 thousand and also recognition and dissolution of an asset due to tax loss in the amount of minus PLN 1,194 thousand. The total effect of the above-mentioned operations on the net result of 2017 amounted to minus PLN 3,770 thousand.

Due to valuation of net assets of CCF FIZ, in 2017, the Group dissolved in part a deferred tax provision, which was recognised in the previous years and was worth PLN 445 thousand. At the same time, a deferred tax provision due to temporary differences was recognised in the amount of PLN 4,921 thousand and dissolved in the amount of PLN 2,658 thousand. The total effect of the all above-mentioned operations on the net result of 2017 was minus PLN 1,818 thousand.

In total, changes in deferred tax resulted in a decrease in result of PLN 5,588 thousand.

In relation to MKS Cracovia SSA and Comarch Healthcare S.A., despite of the fact that the tax loss existed, a deferred tax asset was not created due to the lack of possibility to make the reliable estimates of the income tax possible to achieve in the coming years.

3.11. Inventories

	31 December 2017	31 December 2016
Raw materials	1,273	815
Work in progress	87,838	69,850
Goods	25,078	5,326
Finished goods	150	38
Advances due to finished goods	628	526
Total	114,967	76,555

The cost of inventories included in 'Costs of products, goods and materials sold' amounted to PLN 333,918 thousand (12 months ended the 31st of December, 2016), PLN 305,867 thousand (12 months ended the 31st of December, 2016).

In 2017, Comarch Group created write-downs of the value of goods and materials in the amount of PLN 21 thousand. Comarch Group resolved write-downs in the amount of PLN 5 thousand created in previous years.

3.12. Trade and Other Receivables

	31 December 2017	31 December 2016
Trade receivables – net	347,254	366,275
<i>Trade receivables- gross</i>	376,110	393,968
<i>Write-off revaluating receivables</i>	(28,856)	(27,693)
Other receivables	19,687	23,617
Short-term prepayments	13,593	11,946
Other prepayments	452	1,835
Loans	7,541	1,027
Receivables from related parties	3,626	2,021
<i>Receivables from related parties- gross</i>	6,511	5,092
<i>Write-off revaluating receivables</i>	(2,885)	(3,071)
Total	392,153	406,721
Current portion	392,153	406,721

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. As at the 31st of December, 2017, the Group recognised a write-off due to loss in value of its trade receivables that was worth PLN 6,394 thousand and resolved previously created write-offs in the amount of PLN 4,222 thousand due to the settlement of debts. These operations were included respectively in other operating income and expenses in the profit and loss account.

3.13. Long-term Contracts

	12 months ended 31 December 2017	12 months ended 31 December 2016
revenues from completed contracts recognised in the reporting period	83,811	79,850
revenues from not completed contracts recognised in the reporting period	159,079	192,200
revenues from not completed contracts recognised in the reporting period - an effect of settlement pursuant to IAS 11	9,680	(6,348)
Revenues due to long-term contracts recognised in the reporting period	252,570	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 recognised results corresponds to revenues. At the end of the reporting period, long-term contracts were valued in accordance with the degree of work progress.

Changes in settlements due to long-term contracts recognised 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	562,982	635,811
Issued invoices	(553,387)	(635,895)
	9,595	(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
Change	7,520	(13,868)	(6,349)
Value at 31 December 2016	39,960	(40,044)	(84)
Change	389	9,290	9,679
Value at 31 December 2017	40,349	(30,754)	(9,595)

3.14. Available-for-Sale Financial Assets

In the period of 12 months ended 31st of December, 2017, and in the comparable period, the Comarch Group did not have any available-for-sale financial assets.

3.15. Categories and Classes of Financial Instruments

Assets and financial liabilities are presented by categories (according to IAS 39) as follows:

	31 December 2017	31 December 2016
Financial assets		
At fair value through the income statement (note 3.9)	11,420	1,149
Own receivables (including cash and cash equivalents)	607,704	651,679
Available-for sale financial assets (note 3.14)		-
Total	619,124	652,828
Financial liabilities		
At fair value through the income statement	1,245	11,213
Financial liabilities	611	835
Other financial liabilities	408,955	334,571
Financial guarantees contracts	-	-
Total	410,811	346,619

The following classes of financial instruments are presented within particular categories of instruments:

	31 December 2017	31 December 2016
Own receivables and cash and cash equivalents		
Receivables from related parties (note 3.12)	3,626	2,021
Receivables from related parties - non-current	-	-
Receivables from other entities - current (note 3.12)	390,749	409,910
Receivables from other entities - non-current	5,392	3,914
Cash and cash equivalents (note 3.16)	207,937	235,834
Total	607,704	651,679
Financial liabilities		
Liabilities due to credits (note 3.19)	224,707	174,800
Liabilities to related parties (note 3.22)	1,323	3,087
Liabilities to other entities - current (note 3.22)	175,997	151,406
Liabilities to other entities – non-current	6,928	5,278
At fair value through the income statement (3.9)	1,245	4,887
Liabilities due to acquisition of shares	-	6,326
Liabilities due to finance lease	611	823
Other financial liabilities	-	12
Total	410,811	346,619

Currency structure of financial liabilities and assets are presented as follows:

	Financial assets		Financial liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Currency - PLN	172,114	203 531	95,699	129,213
Currency - EUR	231,607	271,707	284,627	181,720
Currency - USD	145,911	88,476	15,314	15,787
Currency - GBP	12,253	16,561	2,016	2,583
Currency - UAH	1,505	4,476	97	103
Currency - AED	8,366	8,846	4,118	27
Currency - RUB	10,582	9,177	654	1,968
Currency - CHF	6,265	7,373	755	1,182
Currency - CAD	3,512	4,287	561	538
Currency - BRL	12,612	30,814	1,925	6,310
Currencies - other	14,397	8,072	5,045	7,188
Total	619,124	653,320	410,811	346,619

As at the 31st of December, 2016, maturity periods of particular classes of own receivables (trade receivables and cash equivalents) are presented as follows:

	1 year or less	1-2 years	2-5 years	Over 5 years	Total
Receivables from related parties	2,021	-	-	-	2,021
Receivables from related parties – non-current	-	-	-	-	-
Receivables from other parties - current	409,858	52	-	-	409,910
Receivables from other parties – non-current	-	3,844	70	-	3,914
Cash and cash equivalent (note 3.16)	235,834	-	-	-	235,834
Total	647,713	3,896	70	-	651,679

As at the 31st of December, 2017, maturity periods of particular classes of own receivables (trade receivables and cash equivalents) are presented as follows:

	1 year or less	1-2 years	2-5 years	Over 5 years	Total
Receivables from related parties	3,626	-	-	-	3,626
Receivables from related parties – non-current	-	-	-	-	-
Receivables from other parties - current	390,171	251	6	321	390,749
Receivables from other parties – non-current	-	3,248	2,137	7	5,392
Cash and cash equivalent (note 3.16)	207,937	-	-	-	207,937
Total	601,734	3,499	2,143	328	607,704

As at the 31st of December, 2016, maturity periods of particular classes of financial liabilities are presented as follows:

	1 year or less	1-2 years	2-5 years	Over 5 years	Total
Liabilities due to credits (note 3.19)	28,469	31,148	68,592	46,591	174,800
Liabilities to related parties	3,087	-	-	-	3,087
Liabilities to other entities - current	150,006	598	103	699	151,406
Liabilities to other entities – non-current	-	5,195	-	83	5,278
Derivative financial instruments	2 350	2 537	-	-	4 887
Liabilities due to finance lease	155	158	473	37	823
Liabilities due to the purchase of shares	6 326	-	-	-	6 326
Other financial liabilities	12	-	-	-	12
Total	190 405	39 636	69 168	47 410	346 619

As at the 31st of December, 2017, maturity periods of particular classes of financial liabilities are presented as follows:

	1 year or less	1-2 years	2-5 years	Over 5 years	Total
Liabilities due to credits (note 3.19)	39,111	33,701	84,664	67,231	224,707
Liabilities to related parties	1,323	-	-	-	1,323
Liabilities to other entities - current	175,541	311	-	145	175,997
Liabilities to other entities – non-current	688	3,870	2,287	83	6,928
Derivative financial instruments	510	735	-	-	1,245
Liabilities due to finance lease	165	152	294	-	611
Liabilities due to the purchase of shares	-	-	-	-	-
Other financial liabilities	-	-	-	-	-
Total	217,338	38,769	87,245	67,459	410,811

The Group has adopted the following methods of valuation for particular classes of financial instruments:

Own receivables	Valuation method
Receivables from related parties (note 3.12)	according to the adjusted acquisition price
Receivables from other entities – current (note 3.12)	according to the adjusted acquisition price
Receivables from other entities – non-current	according to the adjusted acquisition price
Cash and cash equivalents (note 3.16)	at the fair value
Receivables from related parties (note 3.12)	according to the adjusted acquisition price
Receivables from other entities – current (note 3.12)	according to the adjusted acquisition price
Financial liabilities	Valuation method
Liabilities due to credits (note 3.19)	according to the adjusted acquisition price
Liabilities to related parties (note 3.22)	according to the adjusted acquisition price
Liabilities to other entities - current (note 3.22)	according to the adjusted acquisition price
Liabilities to other entities – non- current	according to the adjusted acquisition price
Liabilities due to finance lease (note 3.20)	according to the adjusted acquisition price
Liabilities due to credits (note 3.19)	according to the adjusted acquisition price

3.16. Cash and Cash Equivalents

	31 December 2017	31 December 2016
Cash in hand, cash at bank accounts	200,684	228,311
Current bank deposit	7,241	7,514
Total cash	207,925	235,825
Due interest on bank deposit	12	9
Total cash and cash equivalents	207,937	235,834

In 2017, effective interest rates for short-term bank deposits were 1.572% for PLN, 2.595% for CLP, 8.234% for RUB and 9.770% for BRL. The average maturity period for these deposits was 9.26 day for PLN, 10.77 days for CLP, 47.00 day for RUB and 24 day for BRL. For the needs of the cash flow, cash and cash equivalents include cash in hand and deposits. Credit in the current account is included in financial operations.

	31 December 2017	31 December 2016
Cash with limited disposal rights		
security deposits set by companies in the Comarch Group in relation to concluded rental contracts and bank guarantees	318	871
funds received for implementation of projects co-financed with a subsidy	1,086	1,087
cash in a separate bank account of the consortium	-	6,104
cash in a separate bank account of the Social Services and Residential Fund	774	825
cash to secure credit lines	1,551	1,645
other	8	341
Total	3,737	10,873

3.17. 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:

- 864,800 series A registered preference shares,
- 75,200 series A ordinary bearer shares,
- 883,600 series B registered preference shares,
- 56,400 series B ordinary bearer shares,
- 3,008,000 series C ordinary bearer shares,
- 1,200,000 series D ordinary bearer shares,
- 638,600 series E ordinary bearer shares,
- 125,787 series G ordinary bearer shares,
- 102,708 series G3 ordinary bearer shares,
- 563,675 series H ordinary bearer shares,
- 441,826 series I2 ordinary bearer shares,
- 91,041 series J2 ordinary bearer shares,
- 73,953 series K3 ordinary bearer shares,
- 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:

- disposal for the benefit of persons who were shareholders of the company on 18 March 1998,
- disposal for the benefit of descendants of a disposer,
- 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 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.

3.17.1. Information about Shareholders Holding Directly or Indirectly by Subsidiary Entities at least 5% of the Total Number of Votes at the General Meeting of Comarch S.A., at the Date of Preparing the Financial Report

As at the date of the report's preparation:

- Janusz Filipiak held 1,997,027 shares (24.55% of the company's share capital), which gave him 5,569,027 votes at the AGM and constituted 36.82% of all votes at the AGM;
- Elżbieta Filipiak held 1,323,461 shares (16.27% of the company's share capital), which gave her 4,707,461 votes at the AGM and constituted 31.12% of all votes at the AGM;
- MetLife Open Pension Fund managed by MetLife PTE S.A. held 841,097 shares (10.34% of the company's share capital), which gave it 841,097 votes at the AGM and constituted 5.56% of all votes at the AGM.

3.17.2. Changes in Share Capital in 2017

None present.

3.17.3. Managerial Option Program for Members of the Management Board

None present.

3.17.4. Changes in Share Capital after the Balance Sheet Date

On the 12th of March, 2018, the Management Board of Comarch S.A. received from Paweł Prokop, a person acting as a managing person, a notification of transactions referred to in Article 19 par. 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 dated the 16th of April, 2014, on market abuse. This transaction concerned a disposal on the 8th of March, 2018, of 7,539 ordinary bearer shares on regulated market at the weighted average price of PLN 145.50 per 1 share. The value of the transaction amounted to PLN 1,096,924.50.

The Company announced details in current report no. [RB-5-2018](#) and [RB-5-2018/K](#) (ENG: [RB-5-2018](#) and [RB-5-2018/K](#)) dated the 12th of March, 2018.

3.18. Other Capitals

3.18.1. Parent Company Shareholders' Capitals

	Capital from change in ownership structure	Capital from valuation of the managerial option	Investment capital and capital for covering the budget commitments	Supplementary capital from premium share	TOTAL
At 31 December 2016	(5,185)	25,140	745	122,341	143,041
At 1 January 2017	(5,185)	25,140	745	122,341	143,041
Change in Ownership Structure	-	-	-	-	-
At 31 December 2017	(5,185)	25,140	745	122,341	143,041

On the 27th of June, 2017, the General Meeting adopted resolution no. 9 on division of net profit for the fiscal year 1.01.2016 - 31.12.2016. The General Meeting of Shareholders decided, that the net profit for the fiscal year 1.01.2016 - 31.12.2016 in the amount of PLN 45,588,464.11 will be divided as follows:

1. 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 at the 31st of July, 2017, will get the dividend in the amount of PLN 1.50 per one share. The dividend will be allocated to 8,133,349 shares.
2. 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.

Dividend was paid at the 11th of August, 2017.

The Management Board of Comarch S.A. until the date of publication of this report, made no decision regarding the proposal to distribute profit for 2017.

In 2017, no dividend payments for 2016 were made to entities outside the Group.

3.18.2. Capitals Attributable to Interests not Entitled to Control

At 31 December 2015	13,022
At 1 January 2016	13,022
Dividend paid	-
Results of subsidiaries for general partners outside the Group	-
MKS Cracovia SSA share in profit	2,719
Comarch SuB and CAMS AG share in profit	(30)
Change in Comarch SuB share in profit	(1,070)
At 31 December 2016	14,641
At 1 January 2017	14,641
Dividend paid	-
Results of subsidiaries for general partners outside the Group	-
MKS Cracovia SSA share in profit	1,472
Comarch SuB and CAMS AG share in profit	13
Currency differences due to valuation	2
At 31 December 2017	16,128

We present data of subsidiary MKS Cracovia SSA. In the other subsidiaries, interests not entitled to control are insignificant.

Name of company: MKS Cracovia SSA,
 Main country of company's activities and country of registration: Poland,
 Proportion of shares held by interests not entitled to control: 33.89%,
 Proportion of votes held by interests not entitled to control, if differs from the proportion of held Shares: 33.89%,
 Financial result attributable to subsidiary's minority interest, during the reporting period: PLN 1,472 thousand.
 Total subsidiary's minority interest as at the end of the reporting period: PLN 16,128 thousand

Condensed financial information about subsidiary Cracovia SSA

The following tables present a summary of financial data of a significant subsidiary, which holds interests not entitling to control. The below mentioned amounts constitute amounts from financial statements prepared pursuant to the IFRS (adjusted by the Group):

MKS Cracovia SSA	31 December 2017	31 December 2016
Current assets	10,069	7,896
Non-current assets	57,933	52,752
Current liabilities	(12,903)	(9,622)
Non-current liabilities	(7,906)	(8,178)

MKS Cracovia SSA	12 months ended 31 December 2017	12 months ended 31 December 2016
Revenue	32,389	35,026
Profit (loss) from continued activities	4,343	8,024
Profit (loss) from discontinued activities (after tax)	-	-
Net profit (loss) for the period	4,343	8,024
Other total income for the period	-	-
Total income for the period	4,343	8,024

3.19. Credits and Loans

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

3.19.1. Nonrevolving 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 (4,802 as at the 31 st of December, 2016)	EUR	17,444 (21,244 as at the 31 st of December, 2016)	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 SSES in Krakow - refinancing	4,126	EUR	1,977 (2,493 as at the 31 st of December, 2016)	EUR	8,246 (11,028 as at the 31 st of December, 2016)	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 (3,899 as at the 31 st of December, 2016)	EUR	12,280 (17,249 as at the 31 st of December, 2016)	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 (11,519 as at the 31 st of December, 2016)	EUR	41,098 (50,960 as at the 31 st of December, 2016)	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 (0 as at the 31 st of December, 2016)	EUR	47,075 (0 as at the 31 st of December, 2016)	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 (2,365 as at the 31 st of December, 2016)	EUR	10,461 (10,465 as at the 31 st of December, 2016)	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 (0 as at the 31 st of December, 2016)	EUR	8,885 (0 as at the 31 st of December, 2016)	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 Centre iMed24 in Krakow	15,889	PLN			2,459 (4,540 as at the 31 st of December, 2016)	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 (1,862 as at the 31 st of December, 2016)	EUR	2,589 (8,238 as at the 31 st of December, 2016)	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 (8,172 as at the 31 st of December, 2016)	EUR	33,545 (36,155 as at the 31 st of December, 2016)	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 centre in Lille in France	8,000	EUR	6,734 (1,001 as at the 31 st of December, 2016)	EUR	28,085 (4,429 as at the 31 st of December, 2016)	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 (10,415 as at the 31 st of December, 2016)	PLN	fixed	1 st of March, 2022	-

The value of liabilities due to bank credits and loans was recognised 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. 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's bank credits to interest rate risk arises from investment credits (at variable interest rates). Group optimises interest by continuously monitoring its interest rate structure and appropriately adjusting the basic interest rate of its credits.

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
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
In Polish currency	12,484	14,935
In EUR (equivalence in PLN)	212,223	159,865
	224,707	174,800

The effective interest rates at the balance sheet date

	31 December 2017	31 December 2016
Bank credits	1.64%	1,62%
Loans	3.66%	3,61%

3.19.2. Revolving Credits and Loans

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 (0 as at the 31 st of December, 2016)	PLN	0 (0 as at the 31 st of December, 2016)	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 (160 as at the 31 st of December, 2016)	EUR	3,018 (708 as at the 31 st of December, 2016)	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
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	31 December 2017	31 December 2016
Current credit lines granted, expiring within one year, including:	55,422	45,751
– used at the balance sheet date	3,018	708
– available at the balance sheet date	52,404	45,043

3.19.3. Changes in Credit and Loans

	Opening balance 2016	Cash flow	Increase	Non-monetary changes		Closing balance 2017
				Exchange rate differences	Changes in fair value	
Current and non-current credits or loans	174,800	56,510	-	(6,603)	-	224,707
Lease	835	(224)	-	-	-	611
Liabilities from financial activities	175,623	56,298	-	(6,603)	-	225,318

3.20. Other Financial Liabilities

	31 December 2017	31 December 2016
Liabilities due to finance lease	611	823
<i>Current portion</i>	165	192
<i>Non-current portion</i>	446	631
Liabilities due to dividend	-	-
<i>Current portion</i>	-	-
<i>Non-current portion</i>	-	-
Liabilities due to payment for shares	-	6,326
<i>Current portion</i>	-	6,326
<i>Non-current portion</i>	-	-
Total	611	7,149

Liabilities due to finance lease of the Comarch Group, except for lease agreements between companies in the Group, comprise liabilities of Comarch Healthcare S.A. and MKS Cracovia SSA, subsidiaries of Comarch S.A., due to finance lease of cars. As at the 31st of December, 2017, value of these liabilities amounts to PLN 611 thousand.

3.21. Provisions for Other Liabilities and Charges

Non-current	Provisions for contractual penalties	Provisions for costs of court proceedings	Provisions for taxes	Provisions for other costs	Total
At 1 January 2017	-	-	-	-	-
Recognised in the consolidated income statement:	-	-	-	-	-
- Additional provisions	-	-	-	-	-
- Provisions used during year and transferred to current provisions	-	-	-	-	-
At 31 December 2017	-	-	-	-	-

Current	Costs related to the current period, which will be incurred in future	Provisions for contracts costs	Provisions for contractual penalties	Provisions for leaves	Provisions for cash rewards	Total
At 1 January 2017	4,380	13,407	20,776	26,751	71,890	137,204
Recognised in the consolidated income statement:	(453)	348	(1,119)	2,222	(5,788)	(4,790)
- Additional provisions	20,506	24,109	4,909	19,608	81,407	150,539
- Provisions used during year	(20,959)	(23,761)	(6,028)	(17,386)	(87,195)	(155,329)
At 31 December 2017	3,927	13,755	19,657	28,973	66,102	132,414

All provisions were calculated based on credible estimate as of the balance sheet date. Costs of the current period refer to provisions established for costs on account of audits of financial statements, archive and other administrative costs, as well as VISA cards' settlements. Provisions for costs of contracts refer to recognition of the forecast losses in contracts.

Analysis of total provisions:

	31 December 2017	31 December 2016
Non-current	-	-
Current	132,414	137,204

3.22. Trade and Other Payables

	31 December 2017	31 December 2016
Trade payables	75,071	56,218
Advances received due to services	986	264
Liabilities to related parties	1,323	3,087
Liabilities due to social insurance and other tax charges	38,906	41,909
Investments liabilities	11,542	23,148
Proceeds from future periods	21,176	25,496
Other payables	26,472	2,605
Special funds (Social Services Fund and Residential Fund)	1,844	1,766
Total	177,320	154,493

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

3.23. 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 37,671 thousand, whereas it was PLN 48,740 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 19 thousand, whereas it was 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 1,734 thousand, whereas it was EUR 815 thousand, i.e. PLN 3,474 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 71 thousand, whereas it was EUR 16 thousand, i.e. PLN 68 thousand on the 31st of December, 2016.

Comarch S.A. granted 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 SAS valid till the 4th of March, 2017), Comarch Argentina S.A. (valid for an indefinite period) and Comarch R&D S.à r.l. (valid for an indefinite period).

Granted credit lines for financing of current activities (guarantees, letters of credit)

	31 December 2017	31 December 2016
Credit lines*	190,450	173,902
	190,450	173,902

(*) they comprise credit lines at current account that are described in [3.19](#).

The Comarch Group is the defendant in legal proceedings, in which the potential total amount of third party claims is PLN 51,394 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 41,367 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.

3.24. Liabilities due to Finance Lease

	1 year or less	5 years or less	Total
Liabilities due to lease agreements for usage places	21,718	45,097	66,815
Liabilities due to lease agreements for equipment and means of transport	1,407	955	2,362
Total	23,125	46,052	69,177

Liabilities due to lease agreements for usage places comprise Group's liabilities related to leases of office spaces and company flats. Agreements including the given expiration date were directly recorded to the liabilities due 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 1,606 thousand as at the 31st of December, 2016).

3.25. Revenues from Sales

	12 months ended 31 December 2017	12 months ended 31 December 2016
Revenues from sales of products and services		
Revenues from sales of IT services	815,402	809,444
Revenues from sales of proprietary software and licences	152,584	178,092
Revenues from sales of finished goods	1,371	3,674
Revenues from sales of medical services	10,868	8,544
Revenues from other sales	54,145	41,556
Total	1,034,370	1,041,310
Revenues from sales of goods and materials		
Revenues from sales of hardware	10,096	9,038
Revenues from third party software and licences	13,475	21,086
Revenues from other sales	44,579	41,379
Total	68,150	71,503
Total revenues from sales	1,102,520	1,112,813

3.26. Costs of Products, Services, Goods and Materials Sold

I/1 Costs by types	12 months ended 31 December 2017	12 months ended 31 December 2016
Depreciation of property, plant and equipment in use and intangible assets	64,309	63,008
Costs of social benefits	685,108	654,684
Change in products and work in progress	(29,660)	(47,202)
Consumption of raw materials and auxiliary materials	23,640	25,263
Third party services	186,932	129,125
Taxes and charges	12,312	9,795
Other costs	56,248	87,644
Costs of products sold, services, marketing and distribution as well as administrative costs, including:	998,889	922,317
- manufacturing costs	765,947	689,075
- costs of sales	134,529	131,330
- general costs	98,076	102,066
- exchange differences on liabilities	337	(154)

I/2 Costs of goods and materials sold	60,130	66,831
I/3 Costs of work execution within the framework of union projects	6,336	8,848
I/4 Total costs of products sold, services, marketing, administrative, goods, materials and work execution within the framework of union projects	1,065,355	997,996
II. Costs of social benefits	12 months ended 31 December 2017	12 months ended 31 December 2016
Remuneration	581,127	558,718
Social insurance	90,690	83,685
Social Services Fund	2,032	2,988
Training	3,907	2,965
Health and Safety at Work	1,166	1,008
Other	6,186	5,320
Total	685,108	654,684

3.27. Other Operating Revenues

Other operating revenues and profits	12 months ended 31 December 2017	12 months ended 31 December 2016
Recovered communication damages	85	179
Outdated liabilities	-	-
Dissolving write-offs revaluating receivables	4,222	23,092
Received contractual penalties	-	70
Earnings on disposal on non-financial non-current assets	10,841	10,444
Refund of VAT	-	-
Subsidies	38	494
Other	2,487	4,784
Total	17,673	39,063

3.28. Other Operating Costs

Other operating costs and losses	12 months ended 31 December 2017	12 months ended 31 December 2016
Write-off that revaluates assets (impairment)	303	(15)
Membership fees	732	661
Donations	1,733	68
Loss on non-current assets disposal and decommissioning	5,145	367
Write-off that revaluates receivables	6,394	31,275
Compensation	295	234
Other	4,462	4,397
Total	19,064	36,987

3.29. Finance Costs – Net

Other operating income and profits	12 months ended 31 December 2017	12 months ended 31 December 2016
Interest expense, including:	(2,976)	(2,470)
- <i>Interest on borrowings</i>	(2,889)	(2,072)
- <i>Other</i>	(87)	(398)
Gains on bank deposits	1,730	2,244
Gains on disposal of securities	-	-
Gains/(losses) on disposal of financial assets	13,048	1,445
Net gains/(losses) on exchange differences (note 3.29)	6,849	(3,796)
Fair value valuation of financial instruments and investment	13,255	(822)
Other, including:	(39)	(410)
- <i>compensation and financial penalties</i>	-	-
- <i>other</i>	(39)	(410)
Total	31,867	(3,809)

3.30. Income Tax

	12 months ended 31 December 2017	12 months ended 31 December 2016
Current tax	15,450	26,105
Deferred tax	5,588	2,949
Total	21,038	29,054

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	12 months ended 31 December 2017	12 months ended 31 December 2016
Consolidated gross profit before tax	64,559	104,777
Differences between gross profit and basis of taxation:		
- Consolidation adjustments	3,149	(2,500)
- Exclusions of losses in consolidated companies	50,798	40,710
Sum of gross profits in consolidated entities (nominal basis of taxation with the assumption of correspondence of balance sheet profit with the basis of taxation)	118,506	142,987
Tax calculated with the nominal rate on gross profit	28,405	32,144
Nominal tax rate	23.97%	22.48%
Permanent and temporary differences between gross profit and the actual basis of taxation, including:		
- <i>Utilisation of previously recognised tax losses</i>	(23,009)	(28,284)
- <i>Differences between basis of taxation and gross profit</i>	(6,878)	38,097
- <i>Income not subject to tax (due to activities in SEZ)</i>	(15,057)	(40,458)
- <i>Income not subject to tax (shareholders are tax payers)</i>	-	-
- <i>Other - income not subject to tax</i>	(3,436)	(1,829)
Taxable base from income tax	70,126	110,513
<i>Tax calculated at tax rate for the Group</i>	<i>15,450</i>	<i>26,105</i>
Effective tax rate	13.04%	18.26%

Tax authorities of the Parent Company country of origin can run inspections for books of account and tax settlements within 5 years since the end of the year, in which tax returns were filed and can charge additional tax on the Group along with penalties and interest. In the opinion of the Management Board of the Parent Company, there are no circumstances indicating possibility of arising significant liabilities on this account.

3.31. Net Foreign Exchange (Losses) / Gains

The exchange differences (charged)/credited to the income statement are included as follows:

	12 months ended 31 December 2017	12 months ended 31 December 2016
Revenues from sales	(18,968)	6,640
Costs of products, goods and materials sold	(337)	155
Finance costs-net	6,849	(3,796)
Total	(12,456)	2,999

3.32. 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	42,036	73,034
Weighted average number of shares in issue (thousands)	8,133,349	8,133
Basic earnings per share (PLN)	5.17	8.98
Diluted number of shares (thousands)	8,133,349	8,133
Diluted earnings per share (PLN)	5.17	8.98

Basic earnings per share in the column "12 months ended 31 December 2017" is calculated by dividing the net profit attributable to shareholders of the company 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 profit attributable to shareholders of the company 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 the company 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. 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 the company 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 (according to IAS 33).

3.33. Related-Party Transactions

3.33.1. 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:

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

3.33.2. Purchases 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
	13,439	9,418
Total	13,627	11,099

Price for services and goods is usually negotiated with related entities using one of the above methods. In the reporting period, there were no significant transactions with related entities other than those listed above.

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

	12 months ended 31 December 2017	12 months ended 31 December 2016
Receivables from related parties		
SoInteractive S.A.	775	586
Thanks Again LLC	3,937	907
	4,712	1,493
Payables to related parties		
SoInteractive S.A.	1,322	2,829
Thanks Again LLC	1	-
	1,323	2,829

3.33.4. 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 paid 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	11,099
Sales to associates	1,868	6,363
Loans and interest on loans paid by associates	-	128
Loans and interest on loans granted to associates	828	9

* Position includes loans in the amount of PLN 2,000 thousand granted to Chairman of the Supervisory Board of Comarch S.A. by Bonus Management sp. o.o. II Activia SK-A. At the publication date loans have been fully repaid.

3.34. Value of Remuneration of the Managing and Supervising Persons in 2017 and 2016

Remuneration of members of the Management Board of Comarch S.A. in 2017 were PLN 22,659,151.86 in total. Remuneration of members of the Management Board of Comarch S.A. in 2017 paid by subsidiaries and associates were PLN 7,479,706.91 in total. Remuneration of members of the Management Board of Comarch S.A. in 2016 were PLN 20,628,467.46. Remuneration of members of the Management Board of Comarch S.A. in 2016 paid by subsidiaries and associates were PLN 6,895,848.93.

Remunerations presented in this note include remunerations actually paid in 2017 (including bonuses for the previous periods covered by provisions as at 31st of December, 2016). Remunerations do not include unpaid bonuses for the year 2017 (covered by provisions as at 31st of December, 2017).

2016 (in PLN)

	Comarch S.A.'s Management Board	Paid by Comarch S.A.	Paid by subsidiaries and associates	Total
1	Janusz Filipiak	6,396,044.48	5,238,114.78	11,634,159.26
2	Marcin Dąbrowski	1,448,838.14	315,048.60	1,763,886.74
3	Paweł Prokop	659,476.77	158,988.48	818,465.25
4	Andrzej Przewięźlikowski	973,319.72	377,842.45	1,351,162.17
5	Zbigniew Rymarczyk	1,373,210.95	311,070.75	1,684,281.70
6	Konrad Tarański	732,174.13	329,471.09	1,061,645.22
7	Marcin Warwas	2,149,554.34	165,312.78	2,314,867.12
	Total	13,732,618.53	6,895,848.93	20,628,467.46

	Comarch S.A.'s Supervisory Board	Paid by Comarch S.A.	Paid by subsidiaries and associates	Total
1	Elżbieta Filipiak	261,661.96	1,051,894.78	1,313,556.74
2	Maciej Brzeziński	65,361.74	0.00	65,361.74
3	Robert Bednarski	65,000.00	0.00	65,000.00
4	Danuta Drobniak	65,000.00	0.00	65,000.00
5	Wojciech Kucharzyk	65,000.00	0.00	65,000.00
6	Anna Ławrynowicz	65,199.54	0.00	65,199.54
7	Anna Pruska	65,000.00	402,076.82	467,076.82
	Total	652,223.24	1,453,971.60	2,106,194.84

Comarch S.A.'s Management Board		Paid from the Comarch S.A.'s net profit as a dividend
1	Janusz Filipiak	-
2	Piotr Piątosa	-
3	Paweł Prokop	-
4	Piotr Reichert	-
5	Zbigniew Rymarczyk	-
6	Konrad Tarański	-
7	Marcin Warwas	-
Total		-

Point [3.17.3](#) of this financial statement describes the Managerial Option Program.

2017 (in PLN)

	Comarch S.A.'s Management Board	Paid by Comarch S.A.	Paid by subsidiaries and associates	Total
1	Janusz Filipiak	7,484,267.84	6,106,408.37	13,590,676.21
2	Marcin Dąbrowski	1,673,139.29	288,125.36	1,961,264.65
3	Paweł Prokop	342,748.57	145,792.90	488,541.47
4	Andrzej Przewięźlikowski	642,963.28	152,854.30	795,817.58
5	Zbigniew Rymarczyk	1,679,465.18	313,257.10	1,992,722.28
6	Konrad Tarański	620,662.66	321,365.40	942,028.06
7	Marcin Warwas	2,736,198.13	151,903.48	2,888,101.61
	Total	15,179,444.95	7,479,706.91	22,659,151.86

	Comarch S.A.'s Supervisory Board	Paid by Comarch S.A.	Paid by subsidiaries and associates	Total
1	Elżbieta Filipiak	220,000.00	985,147.93	1,205,147.93
2	Maciej Brzeziński	55,425.11	0.00	55,425.11
3	Robert Bednarski	55,540.23	0.00	55,540.23
4	Danuta Drobniak	55,000.00	0.00	55,000.00
5	Wojciech Kucharzyk	55,000.00	0.00	55,000.00
6	Anna Ławrynowicz	55,014.73	0.00	55,014.73
7	Anna Pruska	55,000.00	385,371.75	440,371.75
	Total	550,980.07	1,370,519.68	1,921,499.75

Comarch S.A.'s Management Board		Paid from the Comarch S.A.'s net profit as a dividend
1	Janusz Filipiak	2,995,540.50
2	Marcin Dąbrowski	0.00
3	Paweł Prokop	56,308.50
4	Andrzej Przewięźlikowski	0.00
5	Zbigniew Rymarczyk	49,300.50
6	Konrad Tarański	15,912.00
7	Marcin Warwas	15,912.00
Total		3,132,973.50

Point [3.17.3](#) of this financial statement describes the Managerial Option Program.

3.35. Information About Shareholders and Shares Held by Members of the Management Board and the Board of Supervisors

3.35.1. Information about Shareholders Holding Directly or Indirectly by Subsidiary Entities at least 5% of the Total Number of Votes at the General Meeting of Comarch S.A., at the Date of Preparing the Financial Report

- Janusz Filipiak held 1,997,027 shares (24.55% of the company's share capital), which gave him 5,569,027 votes at the AGM and constituted 36.82% of all votes at the AGM;
- Elżbieta Filipiak held 1,323,461 shares (16.27% of the company's share capital), which gave her 4,707,461 votes at the AGM and constituted 31.12% of all votes at the AGM.
- MetLife Open Pension Fund managed by MetLife PTE S.A. held 841,097 shares (10.34% of the company's share capital), which gave it 841,097 votes at the AGM and constituted 5.56% of all votes at the AGM.

3.35.2. Changes in Holdings of Comarch S.A. Shares by Managing and Supervising Persons between the 1st of March, 2018 and the 27th of April, 2018

The following table presents the ownership of Comarch S.A. shares by management and supervisors as at the date on which the quarterly consolidated report for the fourth quarter of 2017, i.e. the 1st of March, 2018, and on the 27th of April, 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 27 April 2018	
		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	30,000	0,45
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

*) On the 12th of February, 2018, the Management Board of Comarch S.A. received from Paweł Prokop, a person acting as a managing person, a notification of transactions referred to in Article 19 par. 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 dated the 16th of April, 2014, on market abuse. This transaction concerned a disposal on the 8th of March, 2018, of 7,539 ordinary bearer shares on regulated market at the weighted average price of PLN 145.50 per 1 share. The value of the transaction amounted to PLN 1,096,924.50. The Company announced details in current report no. [RB-5-2018](#) and [RB-5-2018/K](#), ENG: [RB-5-2018](#) and [RB-5-2018/K](#), dated the 12th of March, 2018.

***) Transactions below the limit of EUR 5,000.

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

3.36.1. Deferred Income Tax Asset and Provisions

Over 2017, the Company dissolved an asset due to activities in the SEZ that was presented on the 31st of December, 2016, and worth PLN 9,936 thousand (this operation caused a decrease in net result). At the same time, the Parent Company recognised an asset in the amount of PLN 8,863 thousand. This asset will be gradually (as a write-offs decreasing the Group's net profit) resolved in proportion to achieved income, due to activities in SEZ in this period of time.

During 2017, the Group settled in part a deferred tax asset related to temporary differences, that was presented on the 31st of December, 2016, and worth PLN 6,059 thousand, as well as an asset due to temporary differences was recognised in the amount of PLN 4,556 thousand. An asset due to tax loss was recognised and dissolved in the amount of minus PLN 1,194 thousand. The total effect of the above-mentioned operations on the net result of 2017 was minus PLN 3,770 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 445 thousand. At the same time, a deferred tax provision due to temporary differences was recognised in the amount of PLN 4,921 and dissolved in the amount of PLN 2,658 thousand. The total effect of the all above-mentioned operations on the net result of 2017 was minus PLN 1,818 thousand.

Total changes in deferred tax resulted in a decrease in net profit by PLN 5,588 thousand.

3.36.2. Valuation of Currency Translation Differences

Realised exchange differences and balance sheet valuation of exchange differences on receivables and liabilities as of the 31st of December, 2017, decreased revenue and operating result of the Comarch Group by PLN 19,305 thousand (while for 2016 increased by PLN 6,795 thousand). Other exchange differences increased by PLN 6,849 thousand Comarch's result (while for 2016 decreased by PLN 3,796 thousand). Total currency translation differences resulted in a decrease of PLN 12,456 thousand in the Comarch Group's net result for 2017 (while for 2016 increased by PLN 2,999 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 12,037 thousand (plus PLN 3,789 thousand in 2016).

3.36.3. Write-off Revaluating Receivables

As at the 31st of December, 2017, the Group recognized an impairment loss of trade receivables in the amount of PLN 6,394 thousand and reversed previously created write-offs in the amount of PLN 4,222 thousand due to the settlement of debts. These operations were included respectively in other operating income and expenses in the profit and loss account.

3.37. Events after the Balance Sheet Date

3.37.1. Dates of Periodical Financial Reports in 2018

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

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

- 1) Q4 2017 - on 1st of March, 2018;
- 2) Q1 2018 - on 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 16th of November, 2018.

ANNUAL AND HALF-YEAR REPORTS:

- 1) Annual report for 2017 - on 27th of April, 2018;
- 2) Consolidated annual report for 2017 - on 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 31st of August, 2018.

3.37.2. 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](#).

3.37.3. 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 (SSE7) and in relation to the current report no. [RB-20-2017](#), ENG: [RB-20-2017](#) dated the 30th of October, 2017, on signing an amendment to the above-mentioned contract, 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, they signed an amendment to the above-mentioned contract 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.

3.37.4. Signing the Agreement for Support, Operation and Maintenance Services for Comprehensive IT System for ZUS

In relation to the current report no. [RB-17-2017](#), ENG: [RB-17-2017](#) dated the 12th of September, 2017, on opening the offers presented 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) and in relation to the current report no. [RB-21-2017](#), ENG: [RB-21-2017](#) dated the 14th of November, 2017, on the announcement of results of this tender, Comarch S.A.'s Management Board hereby informed that on the 2nd of March, 2018, the consortium of Comarch Polska S.A. with its registered office in Krakow and Comarch S.A. with its registered office in Krakow (hereinafter referred to as the "Consortium") signed the agreement with Zakład Ubezpieczeń Społecznych w Warszawie (hereinafter referred to as the "ZUS") on support, operation and maintenance services for Comprehensive IT System for ZUS (hereinafter referred to as the "Agreement"). Subject of this Agreement is providing the maintenance, integration and additional services by Consortium for KSI ZUS IT system within the scope and terms specified in the Agreement. The total amount of the remuneration due to Consortium shall not exceed the gross amount of PLN 242,033,004.00. Time for execution of this Agreement is 48 months, however it begins from the day of starting the services, that is not later than within 12 months from the date of concluding the Agreement, after previous written declaration by the Consortium about readiness to take over maintenance services and after signing by the parties the protocol of handing over the services, unless otherwise agreed in writing. The Agreement expires also at the moment of exhausting the limit of gross remuneration due to Consortium. The Company announced details in current report no. [RB-4-2018](#), ENG: [RB-4-2018](#) dated the 2nd of March, 2018.

3.37.5. Notification of Transactions Received Under Article 19 of the MAR

On the 12th of February, 2018, The Management Board of Comarch S.A. received from a person acting as a managing person a notification of transactions referred to in Article 19 par. 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 dated the 16th of April, 2014, on market abuse. Paweł Prokop, the Vice-president of the Management Board of Comarch S.A. informed about a disposal on the 8th of March, 2018, of 7,539 ordinary bearer shares on regulated market at the price of

PLN 145.50 per 1 share. The Company announced details in current report no. [RB-5-2018](#) and [RB-5-2018/K](#), ENG: [RB-5-2018](#) and [RB-5-2018/K](#), dated the 12th of March, 2018.

3.37.6. Conclusion of a Settlement with The Agency for Restructuring and Modernisation of Agriculture

Referring to current report no. [RB-14-2014](#), ENG: [RB-14-2014](#), dated the 19th of May, 2014 (regarding receipt of an accounting note from the Agency for Restructuring and Modernization of Agriculture (hereinafter referred to as the "ARMA") covering a contractual penalty in the amount of PLN 32,455,497.28 (in words: thirty two million four hundred fifty-five thousand four hundred ninety-seven zlotys 28/100) in connection with the implementation by Comarch S.A. of the agreement of the 29th of April, 2013 (hereinafter referred to as the "OFSA Agreement") and current report no. [RB-4-2015](#), ENG [RB-4-2015](#) of the 15th of January, 2015 informing on the delivery to Comarch S.A. on the 14th of January, 2015 lawsuit to pay PLN 34,493,717.28 (thirty-four million four hundred ninety-three thousand seven hundred seventeen zlotys and 28/100) - brought against Comarch S.A. by ARMA to the Regional Court in Warsaw The Third Civil Department - for contractual penalties calculated by ARMA, the Management Board of Comarch S.A. informed in the current report no. [RB-6-2018](#), ENG: [RB-6-2018](#), that on the 23rd of April, 2018, a settlement was reached between Comarch S.A. and ARMA before a court mediator. As part of this settlement - making mutual concessions - the Parties agreed that the contractual penalties due to ARMA due to improper performance by Comarch S.A. OFSA Agreement amount to PLN 3,478,473.60 (in words: three million four hundred seventy eight thousand four hundred seventy three zlotys and 60/100) and that they will be settled with due Comarch S.A. from ARMA compensation, the amount of which, as part of mutual concessions, was set at PLN 1,478,098.24 (in words: one million four hundred seventy eight thousand ninety eight zlotys and 24/100) - due to lost profits resulting from ARMA's failure to conclude contracts with consortium of Comarch S.A. and Comarch Polska S.A. for "Maintenance and development of the IT Information System of the Agency - SIA (ZSZiK, IACSplus, GIS, SIZ, PZSIPplus, PA)" (hereinafter referred to as the "SIA Agreement") - as a result of concluding this agreement with another contractor. As a result of the settlement, the total value of the contractual penalty to be paid by Comarch S.A. will amount to PLN 2,000,375,36 (in words: two million three hundred seventy five zlotys and 36/100), which is in the reserve established by Comarch S.A. in 2014 in the amount of PLN 2,276,882.40 (in words: two million two hundred seventy six thousand eight hundred eighty two and 40/100). At the same time, as part of the aforementioned settlement, ARMA has waived further claims for contractual penalties related to the performance of the OFSA Agreement, and Comarch S.A. waived all further claims related to the failure to sign the SIA Agreement.

The Management Board of Comarch S.A. informed that he has taken action to approve the above-mentioned settlement by the competent court.

3.37.7. Forward Contracts Concluded after the Balance Sheet Date

Between the 1st of January, 2018 and the 27th of April, 2018, the Comarch Group concluded forward contracts for the sales of EUR 4,000 thousand and USD 2,000 thousand. The total net value of open forward contracts as of the 27th of April, 2018, amounted to EUR 20,477 thousand and USD 5,615 thousand. The open forward contracts as of the 27th of April, 2018, were valued at plus PLN 7,837 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 companies of Comarch Group, in which the remuneration is set in a foreign currency.

3.37.8. Transaction on change of IRS

None present.

3.38. 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 51,394 thousand. Provisions for part of these claims were presented in the balance sheet as of the 31st of December, 2017, and are worth PLN 11,307 thousand. They include provisions for claims recognised 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 41,367 thousand. Provisions for part of these claims were presented in the balance sheet as of the 31st of December, 2017, and are worth PLN 0 thousand. They include provisions for claims recognised in 2017 and worth PLN 0 thousand. 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.

3.39. Equity Management

The main goal in the Group's equity management is maintenance of a secure debt structure and keeping debt ratios compliant with credit agreements concluded by the Group. The Group is able to manage its equity structure depending on changes of economic conditions through taking or repayment of loans, new shares issue or payment of dividend. In 2017, the Group did not change its goals or equity management politics.

The Group monitors its equity balance quarterly, mostly by analysis of solvency ratio, which is calculated by dividing equity by total assets.

	31 December 2017	31 December 2016
Equity	879,032	862,064
Total assets	1,501,915	1,444,875
Solvency ratio	58.53%	59.66%

Over 2017, solvency ratio remained at a similar level compared to that in 2016. It remained at a very secure level which ensures the potential possibility of increasing debt significantly (by acquiring external financing) if needed.

Over 2017, all companies in the Group adhered to the credit agreements' conditions. The Management Board of Parent Company finds no risk of their violation.

27th of April, 2018

SIGNATURES OF MANAGEMENT BOARD MEMBERS

NAME AND SURNAME	POSITION	SIGNATURE
Janusz Filipiak	President of the Management Board	
Marcin Dąbrowski	Vice-president of the Management Board	
Paweł Prokop	Vice-president of the Management Board	
Andrzej Przewięźlikowski	Vice-president of the Management Board	
Zbigniew Rymarczyk	Vice-president of the Management Board	
Konrad Tarański	Vice-president of the Management Board	
Marcin Warwas	Vice-president of the Management Board	

SIGNATURE OF PERSON CHARGED WITH CARRYING ON ACCOUNT BOOKS

NAME AND SURNAME	POSITION	SIGNATURE
Maria Smolińska	Head Accountant	

Comarch S.A.

Al. Jana Pawła II 39a

31-864 Kraków



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www.comarch.com/investors

Prezes Zarządu: Prof. Janusz Filipiak
Wiceprezysi Zarządu: Marcin Dąbrowski, Paweł Prokop, Andrzej Przewięźlikowski,
Zbigniew Rymarczyk, Konrad Tarański, Marcin Warwas



Krakow, 27th of April, 2018

Dear Shareholders,

On behalf of the Management Board of Comarch I am pleased to present the report on the activities of Comarch Group. The Group has achieved development and financial goals established for the year 2017, despite of difficult market conditions and despite of increased operating costs. In the past year, the revenues from sales remained at the similar level to that achieved in 2016 and amounted to PLN 1,102.5 million. Operating profit amounted to PLN 35.8 million, while net profit was PLN 42 million. The Group's EBIT margin amounted to 3.2%, while the net margin to 3.8%.

In 2017, the Comarch Group's expansion on development of new and improvement of existing IT products increased. Expenditure on research and development has now exceeded 16.3% of sales revenue, which has been financed mostly from Comarch's own resources. The Comarch Group intensively developed a new generation of loyalty systems and ERP systems, solutions related to the Smart City. The Group also continued R&D works in the field of IT solutions for medical industry (Telemedicine, including project "The City of Health" and HIS systems) and related to the development of proprietary solutions in the fields of hardware and services based thereon (Internet of Things). The Group also continued to improve the other products offered. In 2017, the Group focused on development of service-oriented IT solutions – Comarch is one of the market leaders in this field. In 2017, a private, unified and flexible computing cloud with the highest security standards of Comarch Enterprise Cloud Platform (IaaS and PaaS) was launched based on the Comarch Data Center infrastructure. Thanks to this solution, Comarch clients will be able to benefit from sharing IT infrastructure costs, increase efficiency, full control over their resources while optimizing the reliability of access to corporate data and maximizing the flexibility of their IT solutions. In connection with this project, the Group expanded its infrastructure, during the last year the investment in modern Comarch Data Center in Lille in France was completed.

Investment in human capital is an essential element for the further development of the Group. At the end of 2017, the Comarch Group hired 5,541 employees worldwide and it is the largest employer among IT companies in Poland. The annual student internship program has brought particularly positive results, thanks to which the Comarch Group is perceived as one of the first choice employers on the domestic labor market in the IT industry. Thanks to the completion of subsequent infrastructural investments such as the construction of office buildings in Kraków and Łódź, the Group could significantly increase the quality of offered workplaces in the past year.

With a wide and comprehensive range of modern IT solutions and high quality services, Comarch is now regarded as one of the top software producers on the international markets. The Group is able to successfully acquire and implement the largest IT contracts, an example of which is the choice in the past year of Comarch for the contractor to provide support services, operation and maintenance of the Comprehensive Information System ZUS, that is The Polish Social Insurance Institution). In 2017, the Group successfully continued its growth strategy based on the diversification of its operations between various industry segments, development of its own products and their sale on the global market. The Management Board of Comarch emphasizes that the Group has been incurring significant expenditures in the development and maintenance of the global sales network (Global Business Center) for several years, thanks to which international brand recognition and Comarch offer are growing, which effectively supports offering the Group's solutions in new markets. In the previous year, the Group established new subsidiaries: Comarch Japan KK with its registered office in Tokyo and Comarch Saudi Arabia Co. with its registered office in Riyadh, as well as the acquired company Geopolis sp. z o.o., producer of GIS systems with its registered office in Toruń. Further equity investments are planned for 2018 both on the domestic and foreign markets.

The Group's Management Board shall make every effort to successfully implement the mission of selling Polish engineers' innovative technological ideas around the world. In addition to its core business, Comarch pursues a policy of corporate social responsibility and engages in activities for the protection and reconstruction of national heritage, actively supports non-governmental organizations and charity activities, is a patron of culture, art and sport. In 2017, Comarch became a co-founder of new organs and a project to revitalize the musical space at the St. Mary's Church in Krakow.

Comarch S.A. is in a perfect starting position to strengthen its market position in the following years as a global provider of IT solutions and thus achieve an increase in value for shareholders, customers, employees and the entire socio-economic environment.

Professor Janusz Filipiak
President of the Management Board Comarch S.A.

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Comarch Spółka Akcyjna z siedzibą w Krakowie, Aleja Jana Pawła II 39a, zarejestrowana w Krajowym Rejestrze Sądowym prowadzonym przez Sąd Rejonowy dla Krakowa-Śródmieścia w Krakowie XI Wydział Gospodarczy Krajowego Rejestru Sądowego pod numerem KRS 0000057567. Wysokość kapitału zakładowego Spółki wynosi 8.133.349,00 zł. Kapitał zakładowy wpłacony w całości. NIP: 677-00-65-406

COMARCH



**REPORT OF
COMARCH S.A.'s MANAGEMENT BOARD
REGARDING THE ACTIVITIES OF
THE CAPITAL GROUP
IN 2017**

Krakow, 27th of April, 2018

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**PLN 35.8
million of
operating
profit**

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

**PLN 1,103
million of
sales
revenue**

**Over
5,500
professionals
employed**

**52
subsidiaries
worldwide**

**PLN 1.5 billion
of Comarch S.A.
capitalisation
on WSE
(31.12.2017)**

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

1. Information about Company

1.1. Shareholding Structure, Managing and Supervising Entities

1.1.1. Shareholders Holding at Least 5% of the Total Number of Votes at the General Meeting of Comarch S.A.

Comarch S.A.'s share capital consists of 8,133,349 shares at total nominal value of PLN 8,133,349. According to the information possessed by Comarch S.A., as at 31st of December, 2017, shareholders holding at least 5% of votes at the Company's AGM are Janusz Filipiak, Elżbieta Filipiak and MetLife OFE.

Shareholders	Number of shares	% of share capital	Number of votes at the Company's AGM	% of votes at the Company's AGM
Janusz Filipiak	1,997,027	24.55	5,569,027	36.82
Elżbieta Filipiak	1,323,461	16.27	4,707,461	31.12
Other members of the Company's Management Board	91,622	1.13	129,222	0.85
MetLife OFE	841,097	10.34	841,097	5.56
Other shareholders	3,880,142	47.71	3,880,142	25.65
Total	8,133,349	100.00	15,126,949	100.00

AS AT 27TH OF APRIL, 2018

Shareholders	Number of shares	% of share capital	Number of votes at the Company's AGM	% of votes at the Company's AGM
Janusz Filipiak	1,997,027	24.55	5,569,027	36.82
Elżbieta Filipiak	1,323,461	16.27	4,707,461	31.12
Other members of the Company's Management Board*	84,146	1.04	121,746	0.80
MetLife OFE	841,097	10.34	841,097	5.56
Other shareholders	3,887,618	47.80	3,887,618	25.70
Total	8,133,349	100.00	15,126,949	100.00

*) On the 12th of February, 2018, the Management Board of Comarch S.A. received from Paweł Prokop, a person acting as a managing person, a notification of transactions referred to in Article 19 par. 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 dated the 16th of April, 2014, on market abuse. This transaction concerned a disposal on the 8th of March, 2018, of 7,539 ordinary bearer shares on regulated market at the weighted average price of PLN 145.50 per 1 share. The value of the transaction amounted to PLN 1,096,924.50. The Company announced details in current report no. [RB-5-2018](#) and [RB-5-2018/K](#), ENG: [RB-5-2018](#) and [RB-5-2018/K](#), dated the 12th of March, 2018.

***) Transaction below the limit of EUR 5,000.

1.1.2. Comarch S.A.'s Board of Supervisors and Management Board

a) Members of Comarch S.A.'s Board of Supervisors as at 31st of December, 2017:

Name and surname	Position	Comarch S.A. Number of shares / nominal value in PLN	Metrum Capital S.A. Number of shares / nominal value in PLN
Elżbieta Filipiak	Chairman of the Supervisory Board	1,323,461/ PLN 1,323,461	-
Maciej Brzeziński	Vice-Chairman of the Supervisory Board	-	-
Danuta Drobniak	Member of the Supervisory Board	-	-
Wojciech Kucharzyk	Member of the Supervisory Board	-	-
Anna Ławrynowicz	Member of the Supervisory Board	-	-
Robert Bednarski	Member of the Supervisory Board	-	-
Anna Pruska	Member of the Supervisory Board	-	50,000 / PLN 50,000

AS AT 27TH OF APRIL, 2018

Without changes.

b) Members of Comarch S.A.'s Management Board as at 31st of December, 2017:

Name and surname	Position	Number of Comarch S.A. shares	Nominal value in PLN
Janusz Filipiak	President of the Management Board	1,997,027	PLN 1,997,027
Marcin Dąbrowski	Vice-President of the Management Board	-	-
Paweł Prokop	Vice-President of the Management Board	37,539	PLN 37,539
Andrzej Przewięźlikowski	Vice-President of the Management Board	-	-
Zbigniew Rymarczyk	Vice-President of the Management Board	32,867	PLN 32,867
Konrad Tarański	Vice-President of the Management Board	10,608	PLN 10,608
Marcin Warwas	Vice-President of the Management Board	10,608	PLN 10,608

AS AT 27TH OF APRIL, 2018

Name and surname	Position	Number of Comarch S.A. shares	Nominal value in PLN
Janusz Filipiak	President of the Management Board	1,997,027	PLN 1,997,027
Marcin Dąbrowski	Vice-President of the Management Board	-	-
Paweł Prokop	Vice-President of the Management Board	30,000*	PLN 30,000
Andrzej Przewięźlikowski	Vice-President of the Management Board	-	-
Zbigniew Rymarczyk	Vice-President of the Management Board	32,930**	PLN 32,930
Konrad Tarański	Vice-President of the Management Board	10,608	PLN 10,608
Marcin Warwas	Vice-President of the Management Board	10,608	PLN 10,608

*) On the 12th of February, 2018, the Management Board of Comarch S.A. received from Paweł Prokop, a person acting as a managing person, a notification of transactions referred to in Article 19 par. 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 dated the 16th of April, 2014, on market abuse. This transaction concerned a disposal on the 8th of March, 2018, of 7,539 ordinary bearer shares on regulated market at the weighted average price of PLN 145.50 per 1 share. The value of the transaction amounted to PLN 1,096,924.50. The Company announced details in current report no. [RB-5-2018](#) and [RB-5-2018/K](#), ENG: [RB-5-2018](#) and [RB-5-2018/K](#), dated the 12th of March, 2018.

***) Transaction below the limit of EUR 5,000.

Michał Bajcar, Dariusz Duralek, Anna Kleszcz, Maria Smolińska, Iwona Kasprzyk and Dorota Klentak-Łyzwa are the Company's proxies.

c) Contracts that May Result in Future Changes in Holdings of Shareholders or Bondholders

None present.

d) Agreements between the Issuer and the Managing Persons, which Plan for Compensation in Case of Resignation or Discharge from the Occupied Post without a Substantial Reason, or when Their Dismissing or Discharge are Caused by Merger through Takeover

None present.

e) Value of Paid, Due or Potentially Due Remuneration, Awards or Benefits, including those Resulting from Managerial or Bonus Programmes based on Issuer's Equity, Separately for Each of the Managing and Supervising Persons in the Parent Company

Information is included in notes 3.17.3 and 3.34 of the consolidated financial statement.

f) The Liability under the Pensions or similar Benefits for Former Managers, Supervisors or Former Members of Administrative Bodies and the Liabilities that are incurred in relations to such Pensions

None present.

2. Basic Economics and Financial Values

2.1. Selected Financial Data

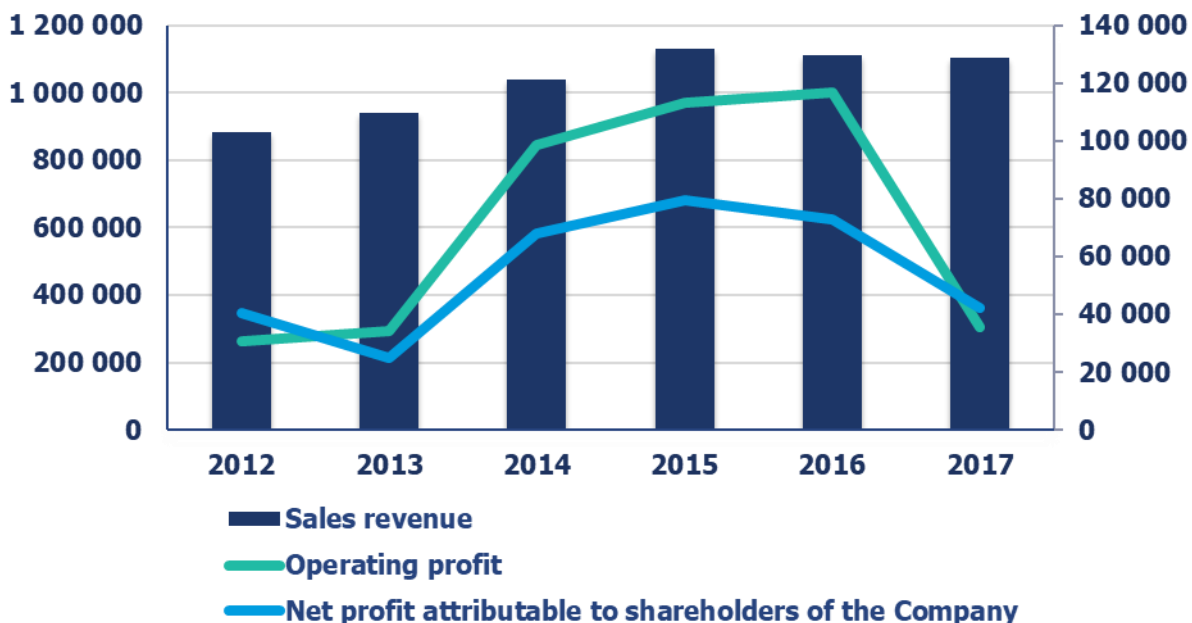
	2017	2016	2015	2014	2013
Revenues from sales	1,102,520	1,112,813	1,131,580	1,038,351	938,976
Revenues from sales of proprietary IT solutions	1,024,804	1,041,133	994,152	910,216	763,928
Operating profit	35,774	116,893	113,028	98,529	34,446
EBITDA*	100,083	179,901	166,511	152,909	98,941
Profit before income tax	64,559	104,777	108,129	92,577	36,724
Net profit attributable to the Parent Company's shareholders	42,036	73,034	79,651	67,894	25,077
Profit per share	5.17	8.98	9.80	8.37	3.11
Assets	1,501,915	1,444,875	1,304,828	1,216,555	1,142,301
Equity	879,032	862,064	780,581	700,693	637,711

* Operating profit + Depreciation

In 2017, Comarch Group's sales revenue was lower by PLN 10.3 million i.e. 0.9% compared to the previous year. Operating profit amounted to PLN 35.8 million and decreased by 69.4% compared to that achieved in 2016, while net profit attributable to the Parent Company's shareholders in 2017 was lower by 42.4% and reached the value of PLN 42.0 million.

EBIT margin reached 3.2% (in previous year amounted to 10.5%), net margin reached 3.8% (6.6% in 2016).

As at the end of 2017, the value of Comarch Group's assets increased by PLN 57.0 million, i.e. 3.9% compared to the previous year. Equity grew by PLN 17.0 million over 2017 and in large measure due to the net profit gained in 2016.



2.2. Employment and Production Capacity of the Group

As at 31st of December, 2017, in Comarch S.A. there were 4,303 employees compared to 4,276 persons as at 31st of December, 2016, and in the Comarch Group number of employees reached 5,541 persons compared to 5,490 persons as at the 31st of December, 2016.

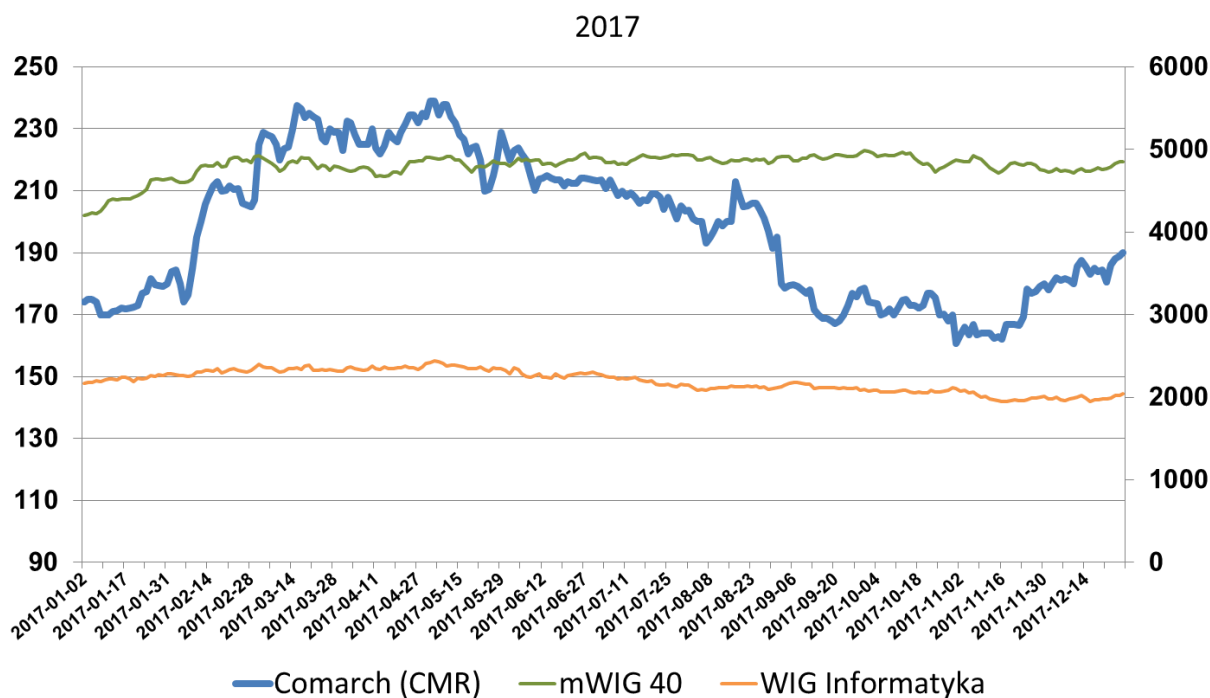
Average employment in the Comarch Group, from 2014 to 2017 is presented in tables below:

Average number of employees:	2017	2016	2015	2014
full-time	4,393	4,323	4,066	3,439
co-workers	1,245	1,276	1,238	1,037
Total	5,638	5,599	5,304	4,476

Average number of employees:	2017	2016	2015	2014
production employees and technical consultants	4,369	4,342	4,104	3,438
marketing and sales	293	336	339	287
management and administrative employees	458	434	427	376
other	518	487	434	375
Total	5,638	5,599	5,304	4,476

Most of production by Comarch consists in production of company's own, versatile software products and in production of computer software on the basis of customer orders. The basic factor limiting the production capacity is human resources. As the company makes active investments in new products and technologies, it strives to provide appropriately wide range of competencies for all its employees. The company flexibly manages teams of employees through continuous optimisation of placements for current commercial projects and internal R&D projects (developing new products and updating the existing ones, which are not directly connected to contractual requirements), using proprietary IT solutions for this target. In effect, there are almost no unused resources. The Group diversifies the risk of limitations in availability of human resources by conducting business in 15 branches located in urban centres in Poland. As at 31st of December, 2017, 3,168 employees were employed in Krakow, 1,780 in other cities in Poland and 593 abroad.

2.3. Comarch S.A. Stock Price Performance



Period	The highest	The lowest
I quarter of 2017	237.50	169.80
II quarter of 2017	239.00	210.00
III quarter of 2017	213.50	167.00
IV quarter of 2017	190.00	160.60

In 2017, the closing rate of Comarch S.A. shares between the 2nd of January, 2017, and 29th of December, 2017, increased by 9.2% from PLN 174.00 to PLN 190.00. During the year, the maximum closing rate amounted to PLN 239.00.

<i>Data in PLN</i>	12 months ended 31 December 2017 / 31 December 2017	12 months ended 31 December 2016 / 31 December 2016
Closing rate as of 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
Ratios for consolidated data		
P/E at the balance sheet date	36.75	19.38
P/BV at the balance sheet date	1.79	1.67
P/S at the balance sheet date	1.40	1.27

3. Products and Services Offered by Comarch in 2017

Comarch is a producer of innovative IT systems for key sectors of economy: telecommunications, finance and banking, public administration, medical, as well as large, small and medium-sized companies. A wide range of the Comarch offer includes ERP-class and financial and accounting systems, CRM systems and loyalty software, sales support, electronic document exchange, electronic banking, teleinformatic network management and billing systems, Business Intelligence, security and protection of data, electronic devices and many other solutions. Apart from providing innovative IT solutions to its customers, Comarch is focused on professional customer service and on providing consulting, advisory and integration services as a uniform package, with which our customers can take full advantage of the possibilities offered by modern IT systems.

3.1. Telecommunications Sector

Since 1993 Comarch has specialist telecoms unit providing IT solutions to some of the biggest telecoms brands in the world, including Telefónica, Deutsche Telekom, Vodafone, KPN and Orange.

It builds technology solutions to meet the key requirements of telecoms companies, namely to: increase revenue; grow business efficiency; simplify systems; cut costs; enhance the customer experience; and build new services and shorten their time to market.

Comarch's OSS and BSS solutions have been consistently listed on Gartner's Magic Quadrant report. It has also been recognised for its work in the telecoms industry by other analysts, including Forrester, Informa and Frost & Sullivan.

IOT ECOSYSTEM

Comarch IoT Connectivity Management enables mobile operators to provide managed connectivity in multi-national, multi-level and multi-operator environments. The system is a M2M/IoT connectivity management platform that helps launch IoT offers for vertical industries such as automotive, consumer electronics, retail, energy & utilities, finance & banking, healthcare, manufacturing, public services, security, and transport & logistics.

Comarch IoT Analytics Platform module focuses on delivering measurable business value, using intelligent big data processing and real-time data analytics for M2M/IoT business purposes. It provides thorough information about the way in which customers are using your IoT products. Additionally, it handles some issues related to quality of service (QoS) within operations, by helping discover which device (or type of device) generates issues, revealing data patterns and trends, and providing reports and analyses of anomalies.

Comarch IoT Billing is tailored to the needs of your IoT operations. It enables to charge not only for connectivity, but also for IoT devices, vertical applications and bundled services. IoT customers are looking for the well suited offer answering their businesses in the most appropriate way. System supports all kinds of multileveled business relations (B2B, B2B2C, B2B2B).

SALES & CUSTOMER MANAGEMENT

Comarch Customer Management helps communication service providers sell more services, get closer to their customers and significantly reduce customer churn. This flexible solution enables telecoms companies to benefit from a single customer view and gain a deeper understanding of their customer base, which translates into increased revenues and optimized customer service costs. By offering a seamless customer experience and providing a reliable 360-degree customer view, the solution also helps strengthen customer loyalty.

Comarch Self Care is a web self-service tool enabling communications service providers to provide their end customers with a convenient online self-management portal, where they can access and edit their profile data and service subscription information, without any help from a call centre agent. Comarch Self Care, integrated with major social media platforms, provides customers with telecom specific services around the clock and plays a crucial role in the Comarch Omni-Experience.

Comarch Sales Channel Management optimizes sales force efforts and helps service providers increase sales. The highly efficient Comarch Commission & Incentive module enables the implementation of innovative strategies and optimization of sales force compensation plans. Pre-integrated with the Comarch BSS suite, the tablet-based Comarch External Sales Mobile App lets your sales representatives check the most up to date customer data from any location at any time, verify service availability, and register new contracts. Comarch Logistics Management allows the verification, control and automation of replenishment of stock levels for selling points.

BILLING & CHARGING

Comarch Convergent Billing System is a key module within the Comarch BSS suite, pre-integrated with other modules (e.g. Comarch Product Catalogue, Comarch BSS Mediation). Comarch CBS allows real-time charging for any service type and facilitates the development of new business models in cooperation with partners – a key element in elevating business in the digital world. This high capacity, flexible and scalable service-agnostic management system can be used by service providers to monetize services ranging from traditional telecommunications, through MVNO and M2M, to modern digital services. Comarch BSS tools are also featured in Gartner Magic Quadrant for Integrated Revenue and Customer Management.

Comarch InterPartner Billing allows service and content providers to exchange billing data and invoices and share revenue or cost information with partners. The system also facilitates the management of relations with domestic and international business partners, and supports various business models which include revenue sharing, wholesale and roaming services. The Comarch platform is easily scalable, ready to support today's newest services, and open to business evolution. The system can process high volumes of any kind of services (voice, data, messaging, content and others) within any kind of agreement, including bilateral, hubbing, revenue sharing, roaming, MVNO and content-based. The Partner Management functionality supports the management of relationships with partners and suppliers, and can automate most tasks required for cooperating with them.

BSS TAILORED TO YOUR NEEDS

Comarch B2B Solution focuses on critical problems related to B2B relationships, such as providing distinct selling strategies to companies of varied size (small, medium-size and multi-national corporations – MNC's), delivering and supporting large numbers of customized products and services, managing service level agreements (SLA's) and handling of complex fulfilment processes. This solution also supports multiple billing scenarios such as split billing or billing on behalf.

Comarch Smart BSS is an all in one, compact BSS solution perfectly tailored to the needs of tier-2 and tier-3 telecoms companies, including Internet, cable and satellite TV providers, and MVNOs, thanks to fast deployment and low costs. The highly customizable system allows the management of all payment types, both pre-paid and post-paid, and the smooth creation of new product offers and specifications through the product catalogue engine, which directly reduces time to market. The system speeds up generating PIN codes and scratch cards, and makes managing them more efficient. The integrated CRM module helps collect info on clients and enhances the customer experience, with the additional benefit of preventing churn. Comarch Smart BSS comes with a user-friendly, personalized self-care portal and a built-in messaging functionality to simplify communication between companies and customers.

Comarch MVNO & MVNE Solutions are tailored to MVNO (Mobile Virtual Network Operators) and MVNE (Mobile Virtual Service Enablers) business models. Offering cost-effective services that are often aimed at niche customer segments can become an additional source of revenue for your company, and Comarch solutions can help you easily manage relations with customers and business partners, the portfolio of offered services, and revenues. An end to end Comarch Solution for MVNEs is aimed at companies delivering services to MVNO operators. The solution performs tasks related strictly to telecommunications (e.g. integration with an MNO (Mobile Network Operator) network, product catalogue, CRM, SelfCare, managing a network of partners, and convergent billing), as well as those related to ERP.

FUTURE-PROOF OPERATIONS

Comarch NFV/SDN Solution leads to network virtualization, reduces OPEX / CAPEX, and unleashes innovation in the service and application domain, resulting in better network monetization.

Comarch Self-Organizing Network (SON) solution enables the automation of network failure management and optimization of network processes, thus operators may not only reduce OPEX, but also shorten the time to market for new technologies and network services.

Comarch SON Integration Box - is a solution responsible mainly for integrating centralized SON (self-organizing network) tools with the existing OSS environment. As a central hub for the exchange of various types of data, it aggregates SON plans and dispatches them to different tools. It also provides physical network information to SON. Data is gathered from multiple external sources and pre-processed for SON usage.

Comarch Customer-Centric OSS enables the transformation of an OSS environment so that it reflects true customer needs. It thus enables switching the telecom operator's perspective from network resources to customer experience.

INTAGRATED ASSURANCE

Comarch Customer Experience Management provides information on service quality by providing an insight into customer perception of services. This also brings the additional benefit of proactive-ness, deriving from the ability to monitor the network and predict the impact of network faults on customer services.

Comarch Service Quality Management (SQM) transforms traditional network-centric performance management into customer-centric telco service quality management. The insight into customers' perceptions of service quality enables the prioritization of network performance management based on the forecast influence on customer experience. Comarch SQM enables you to become proactive in managing service quality by preventing customers from experiencing service problems, thanks to trend analyses and prediction capabilities.

Comarch Service Assurance transforms traditional network-centric fault management into an assurance solution focused on customer service. The main purpose of the system is to enhance customer service proactiveness capabilities. This is possible because the system allows the early detection of network problems and the ability to predict and calculate customer service impact based on the service models from service catalogue and inventory systems. The solution is capable of monitoring digital services based on complex value chains, and of aggregating information from partners' systems and converged networks, including IT infrastructure, and fixed, mobile and cable access domains.

Comarch OSS/BSS Data Analytics processes data gathered from the telecommunications network (which is the key customer touchpoint for CSPs) in real time, combines it with information from external systems (Performance Management, Fault Management, Network Inventory, CRM, etc.) and aggregates it. By correlating data from all these sources, Comarch OSS/BSS Data Analytics can produce a comprehensive real-time analysis, providing an invaluable insight into the customers' perception of the services. Based on the aggregated data, the tool suggests specific actions that can be also carried out automatically. Comarch OSS/BSS Data Analytics effectively helps telecoms companies improve their overall Net Promoter Score (NPS) or Customer Satisfaction (CSAT), as it takes into account the real customer experience when using a given service provided by the network.

RESOURCE PLANNING & INVENTORY

Comarch Network Inventory Management stores complete information about network resources management and presents live, historical and planning states of telecommunications/IT networks.

Comarch Network Planning enables the Operator to manage telecom network planning, design and optimization processes comprehensively and efficiently. Process orchestrated planning is a future-proof way of making network investments, where the business value of the investment becomes more and more important in response to developing telecom opportunities. The solution simplifies the full use of your resources and adapts to changing demand in near real time.

Comarch Auto-discovery & Reconciliation - provides a complete, comprehensive and up to date insight into the multi-vendor, multi-domain network, enabling effective network management. The system supports reconciliation of RAN, transport, core, access and IT domains, and thanks to integration with Network Inventory provides one, comprehensive and integrated view of the live state of the network.

Comarch Configuration Management enables service providers to automate network provisioning for all network domains, such as RAN, transmission, core and access. It is fully integrated with Inventory Planning & Design, which allows the planning and configuration loop to be closed and automates the whole end to end fulfilment process. Thanks to the reconciliation capability, configuration of the network is performed on the most up to date and accurate data from the live network.

Comarch Network Consolidation for M&A helps telecoms efficiently organize and streamline network planning and consolidation processes in merger and acquisition (M&A) projects. The solution is built of various components from Comarch's next generation OSS portfolio. The core modules of the solution include Resource & Network Inventory, Planning Framework (with Radio, Transport and Core technology packs), Geographical Information System (GIS), Mediation, Reporting, and Business Process Management. The Pairing and Rating engine, used for automatic benchmarking and site selection, has been developed specifically for this solution and extends the capabilities of network inventory planning.

SERVICE DESIGN & FULFILLMENT

Comarch Product Catalogue is a single platform for managing telecom product catalogues and life cycles, thus simplifying the IT architecture and accelerating the launch of new products. As a central source of product and offer information, it ensures rapid new product and offer deployment, additionally accelerating the publication of content in sales channels without extra configuration of IT systems. Based on increased service reusability and automation, Comarch Product Catalogue enables marketing and product managers to build new services quickly and speed up their market launch. The system also allows partners' products and services to be incorporated smoothly into the product catalogue. The system allows product offers and specifications to be processed digitally, and product relationships for stand-alone and bundle offers to be defined. You can also create target customer pro-files with location data and other parameters. The Comarch Product Catalogue is pre-integrated with other Comarch products, such as Customer Management, SelfCare and the Convergent Billing System.

Comarch Omnichannel Order Management is a fully automated, end to end fulfilment solution operating from customer order capture through service, network provisioning and activation to customer billing. This fully catalogue-driven and highly configurable tool allows the introduction of new offers or bundles in a matter of days instead of months, as is currently often the case for many telecom operators. This is achieved by system architecture built around a pre-integrated central product catalogue and service catalogue, which serve as a single product definition database.

Comarch Service Fulfilment supports the complete telecom service fulfilment process, by creating the customer's service, modelling it and then orchestrating network operations. It helps CSPs automate telecom service fulfilment and delivery, and reduce time to market thanks to the catalogue-driven fulfilment concept.

The solution assumes building services from pre-defined components managed in the service catalogue, thus enabling CSPs to reduce time to market for new offers and maintain a high level of innovation of their product portfolio. Thanks to catalogue-driven orchestration, NGSF enables the quick introduction of traditional and digital services delivered in sophisticated value chains. The fulfilment process is realized on top of existing technological silos, which allows for step by step transformation programs without the need for huge up-front investments.

Comarch Field Service Management (FSM) is a comprehensive Workforce Management solution for scheduling, staffing, managing, and supporting the workforce in the field, which results in significantly increased efficiency of operations. Thanks to this tool, customer and network operations can utilize the available resources more efficiently and improve the team's coordination. The system selects the most suitable resources for each task, considering all aspects and bearing in mind KPIs according to the company's business model. Comarch FSM addresses the needs of field workforce managers,

allowing them to manage resources, tasks, time and knowledge effortlessly. Full mobility support for all on-site activities allows the time needed for task execution to be shortened, work quality to be improved, and changes to be performed in real time.

Comarch Service Inventory enables management of the network from the service perspective. The system can be pre-integrated with Comarch Service Catalogue to describe the services according to the TMF SID model (Customer Facing Services (CFS) and Resource Facing Services (RFS)). When integrated with Product Inventory (through the north-bound interface) and with Network Inventory (through the south-bound interface), telecom Service Inventory provides an end to end view of the network, services and products.

PROFESSIONAL SERVICES

Business Consulting is a service that helps telecoms optimize and automate their business processes and increase their efficiency in OSS and BSS areas, by eliminating multi-vendor and cross-organization redundancy and by rethinking IT architectures and configurations.

Managed Services offer telecom operators the opportunity to outsource system and/or process management, enabling them to optimize the delivery of services to customers and increase their availability, while decreasing the workload and business costs without compromising process quality or business/technology independence.

BSS/OSS Transformations – as a software vendor and a business partner for global telecoms companies we understand the nature and complexity of telecom transformation projects. Based on our experience we have developed a complete offer of products and services to support local and multi-country transformation projects in OSS and BSS domains.

End to End Project Delivery adds extra value on top of delivering a system to a customer, and encompasses the following services: requirement analysis and solution design, training, implementation and integration, as well as maintenance and support.

3.2. Finance, Banking and Insurance Sector

Finance, Banking and Insurance Sector for over 20 years, has been creating and implementing state-of-the-art IT solutions and services in financial institutions on the banking, insurance and capital markets. Our customer portfolio includes companies in over 30 countries. These include, among others: Raiffeisen, ING, TMB Bank, Alior Bank, Pekao, AXA, Allianz, UniCredit.

PRODUCTS

Comarch Corporate Banking is an omnichannel platform designed for the specific needs of large and medium-sized companies, and offered to banks providing services to such companies. It's a transactional banking system, a financial management tool, and a solution to facilitate handling of bulk payments – all rolled up into one. It also supports corporates in managing accounts of different types, buying currencies, making local and international payments, or consolidating balances across the world.

Comarch Wealth Management is an integrated, multi-module platform dedicated to retail, affluent and private banking client segments. The system supports different recipients: relationship managers - in advisory and financial planning processes, end-clients – in self-driven robo-advisory processes and bank-client communication with the use of newest technologies, wealth managers - in discretionary portfolio management in line with regulations and investment mandates, and analysts - in running performance and risk calculations to assess client portfolio efficiency.

Comarch Loan Origination enables more efficient control of credit risk and allows for a significant reduction of time needed to grant a loan. The system automates the work of client advisors managing the credit-granting process at its every stage. It allows banks to optimize the most vital elements of credit management: loan simulation, application verification, analysis of customer financial situation (including database checks), decision making and fund disbursement.

Comarch Digital Insurance is, on one hand, a system dedicated to insurance agents, brokers or intermediaries. It helps them not only advise on and sell insurance products but also provide post-sales

support, manage their tasks and monitor own business performance. On the other hand, Comarch Digital Insurance allows individual customers to smoothly purchase a policy online and manage their insurance product portfolio.

Comarch Identity and Access Management (IAM) is a solution that allows full control over the access to company's applications, VPNs and workstations. It comes with world-class methods for identity lifecycle, authentication, authorization and accountability. Its modular architecture makes it easy to adapt to specific types of organizations across hierarchies and geographies.

Comarch tPro ECC is an innovative USB token for digital signature. The token is driverless, OS-agnostic and browser-independent thanks to a connectivity mechanism that is unique in the market. Furthermore, the presence of a built-in button that the user has to press and release in order to authorize transactions makes tPro ECC an extremely effective device in countering remote attacks.

Comarch tPro Mobile is a mobile solution for strong customer authentication and transaction authorization based on two factors: what the user has – a mobile phone with an app; and what the user knows – a PIN or pattern. The application also supports biometry on mobile devices with a fingerprint scanner.

3.3. ERP Sector

Comarch ERP Altum - The first intelligent ERP platform which comprehensively supports all key business processes in medium and large trading and service companies and in store chains. It is also intended for holdings. The solution is adjusted to the Polish and foreign markets. The system is also available in a service model (SaaS).

Comarch ERP XL - The most popular ERP system in Poland – it is used by more than 5,000 enterprises from different industries, 400 new customers per year decide to implement it to manage main business processes. The solution fulfils specific requirements of manufacturing, trading and service enterprises. The system is also available in a service model (SaaS).

Comarch ERP Optima - An application for micro, small and medium enterprises which offers sales management, management, accounting services and personnel and payroll management. Along with an additional Accountant Office module and iKsięgowość24 Accountant Office Social portal, Comarch ERP Optima is a tool for managing and advertising the accountant offices and tax counselling offices. The application is also available in a service model (SaaS).

Comarch ERP XT - An innovative application for on-line invoicing, managing a warehouse and simplified accountancy, it is available through an internet browser or application downloaded from Windows Store or mobile apps on Android or iOS platform. A solution dedicated to micro and small enterprises on Polish French and German market. Its main advantages are the ease of use, a complete process automation, a possibility to integrate it with an accountant office, Wszystko.pl portal, Comarch e-Shop and Comarch BI Point. The application is only available in a service model (SaaS).

Comarch Retail - An independent system for managing a retail sale with whole omnichannel model. Enables a company to manage a retail store chain efficiently and comprehensively, starting from its main office through back-office to the point of sale (POS).

Comarch Mobile - a solution dedicated to management staff as well as mobile employees, e.g. sales representatives, service technicians or sales assistants, who carry out their tasks outside the office using a smartphone or tablet. The package includes: **Comarch Mobile Management, Comarch Mobile Sales, Comarch Mobile Monitoring, Comarch Mobile mPOS, Comarch Mobile Service and Comarch Mobile Shopping**. Individual applications from the Comarch Mobile package enable management of mobile employees and the sales they have achieved, monitoring the effects of work and the current location of employees on the map and routes registered by them. It enables efficient execution of vanselling transactions and preselling directly during the client's visit, as well as registration of offers and purchase orders from suppliers, e.g. during trade fairs. Comarch Mobile also enables the execution of service orders, e.g. during inspections, assembly or repair of devices.

Comarch WMS - A solution which enables companies to manage a High Bay Warehouse. The package includes: **Comarch WMS Management** and **Comarch WMS Warehouse**. Comarch WMS Management is a tool for the warehouse manager, used to control warehouse operations and manage the flow of goods within its structure. Comarch WMS Warehouse facilitates the implementation of operations by employees directly in the warehouse, using data collectors working online.

Comarch Business Intelligence - Based on data warehouse technology system, which is dedicated to large and medium-sized enterprises as well as international corporations. The solution supports decision-making processes and reporting tasks. It offers support to the following industries: financial and insurance institutions, FMCG, service and production.

Comarch BI Point - Comarch's own, web-based reporting tool which allows to create and view interactive reports and dashboards, directed mainly to analysts, controllers and managers. Responsiveness of the application allows to use it also on mobile devices. Through an intuitive interface and many forms of data visualization, it ensures user friendliness. The tool is used in every type and size of enterprises - the ability to share reports with other users from different geographic locations and operating systems, ensures its flexibility and universalism.

Comarch IBARD - An easy to use, multifunctional tool for, amongst others, automatic backup, file synchronization between devices and team work on documents. Comarch IBARD service allows users to have constant access to company data from any device and place 24/7. A huge advantage of the application is the high level of security of the stored data: double encoding and their storage in a certified Comarch Data Centre in Poland. Comarch IBARD is available in four languages (Polish, English, German and French). It can be sold in Whitelabel model.

iKsięgowość24 - Accountancy and bookkeeping services for enterprises, provided by more than 1,000 accountant offices which use Comarch ERP Optima.

Comarch B2B - a B2B platform enables, among others, ordering goods via the Internet. A logged-in contractor has access to the history of his orders, payments, complaints, preview of the status of service orders and production orders. The application works with Comarch ERP XL and Comarch ERP Altum.

Comarch e-Shop - A software for an internet shop for small and medium companies fully integrated with the Comarch ERP management systems, price comparison applications, Allegro and Wszystko.pl auction websites, and also with on-line payment services.

Wszystko.pl - A trading platform (operating so far in www.iMall24.pl domain), it enables a company to sale directly on the Internet from the invoicing and warehouse system used by enterprises. Every company that has purchased the Comarch ERP management software can sell its products via this application.

Comarch ERP e-Pracownik - Application to manage, among others, working time and holiday leaves, cooperating with the personnel and payroll module in Comarch ERP Optima, Comarch ERP XL and Comarch ERP Altum. The application can be used on your computer, laptop, tablet and smartphone. The program dynamically adapts to the screen size of the device where it is displayed. It can be installed on the user's local computer or as a service model in the Comarch cloud (SaaS).

Comarch ERP Inwentaryzacja - Is used to make inventory records using a smartphone. Using the camera built into the smartphone allows you to scan barcodes of goods and enter their quantity or count them automatically for the user.

Comarch TNA (Time and Attendance) is an innovative system for tracking and monitoring working time based on the cooperation of an original mobile application with **Comarch TNA Gateway** devices. The solution can function as a stand-alone system or cooperate with other Comarch systems. It is also easily integrated with third party solutions.

The Systems of Comarch Software und Beratung AG belong to a range of ERP systems as well as financial and accounting systems designed for small and medium-sized enterprises in the German-speaking market:

- **Comarch ERP Enterprise** - ERP system of the new generation intended for active companies operating on the international markets and using the Internet. Possesses an ergonomic user interface, built-in WorkFlow module and is optimised to best reflect business processes and organisation structure. The system is also available in a service model (SaaS).
- **Comarch Financials Enterprise** - financial and accounting system of the new generation, developed as the complement of Comarch ERP Enterprise system, enabling complete financial management of modern enterprises. The system is also available in a service model (SaaS).
- **Comarch ERP Suite** - classic ERP system, offering proven, tailored to the specificity of the industry, functional solutions for a wide range of users.
- **Comarch Financials Suite** - comprehensive, certified financial and accounting system with controlling and electronic archiving of documents modules at its disposal, enabling work in an international environment, taking into account different accounting standards (US GAAP, IFRS).
- **Comarch Financials Schilling** - classic financial and accounting system.
- **Comarch Financials DKS** - financial and accounting system developed for customers in the Austrian market, possessing also the controlling and HR modules.
- **Comarch HR** - HR and employee settlement system dedicated to support work time management and recruitment processes.
- **Comarch ECM** - system for electronic archiving and document management, enabling companies to implement a fully electronic documents circulation.
- **Comarch eBilanz** - system designed for the electronic transmission of financial statements to the bodies of state administration in Germany; the application works with various accounting and financial systems.
- **Comarch eRechnung** - system designed for servicing electronic invoices in Germany in accordance with applicable regulations; the application works with Comarch's German financial and accounting systems.

3.4. Public Sector

Comarch specialises in designing, implementing and integrating modern IT systems for public administration and companies and institutions from the public sector. Comarch is also experienced in developing comprehensive turnkey solutions and creating network hardware infrastructure. In view of the changes taking place in Polish public administration, Comarch has developed a series of e-government solutions. They are designed to meet specific needs of public sector entities. Comarch solutions are designed and developed according to the latest international standards and are implemented by the best specialists. The most important solutions implemented in public sector are:

Comarch ERGO

System supporting realisation of public tasks connected with land management. It enables to run over 60 registers and records in the area of geodesy and cartography, real estate management, spatial planning, road infrastructure management, construction, environmental protection, agricultural and forest land protection, protection of historical monuments and geo-portals. The system has modular construction that enables exchange of information between local government units and cooperating units, their faculties and employees. Comarch ERGO is a comprehensive solution allowing launch of the Spatial Economy SSC electronic platform.

Comarch EZD

It supports the electronic (and paper) flow of documents in companies and institutions (industry-specific versions have been developed for particular entities).

Comarch e-Office

Comarch e-Office is a platform of online public services with a set of modules that allow local public administration bodies to execute tasks set by the legislator. Intuitive tools allow for independent management of the application, and ensure support for content creation and publication. Comarch e-Office includes the following modules, among others: Digital Office, Public Information Newsletter, Information Portal, and Internet.

Comarch ERP Egeria

This ERP class Integrated IT System supports organization management and decision-making processes. It features a high configuration capacity and flexibility, which allows it to be adjusted to the individual needs of each client. The system is offered to different types of companies and institutions (government and local level administration, utilities, health care, etc.).

Comarch Security Platform

Comarch Security Platform is solution merging elements of both physical security and cybersecurity. It's an innovative Physical Security Information Management system supporting security of objects and protected areas. Our solution integrates multiple security systems such as anti-theft alarms, CCTV, fire alarms and access control system, allowing users to manage all the security measures throughout one central security system. Additional components regarding image analysis, data correlation and predefined action procedures allows for automation of work, increasing security of protected area or building. Information analysis modules allows for detection and prevention of physical (terrorism, demonstrations) and cyber (hackers, botnets) threats.

Comarch Smart City Platform

Comarch Smart City Platform is a comprehensive solution dedicated to cities and urban matters. The platform centre - Comarch Smart City Engine combines all platform elements with the existing municipal systems and infrastructure (including Internet of Things). The Platform is composed of: Comarch Partners Market, mobile applications, dedicated Comarch City Portal, Comarch Developers Platform and Comarch Smart City Console.

Comarch Smart Parking

Comarch Smart Parking is a complex solution that allows efficient management of the car park areas. Our system provides car park operators and managers with tools that facilitate their daily work like detection of free parking spaces in real time using Intelligent Video Analytics functionality or a sensor network, support for both outdoor and indoor car parks, Park&Ride, municipal or private or generating operational and managerial reports, statistics concerning occupancy and car parks.

Comarch eRecording

Comarch eRecording is a comprehensive and coherent solution, which combines the convenience of classic audio/video recorders with sound systems and a dedicated application to control the process of audio / video registration. The system allows for recording meetings or public appearances together with related metadata and comments, which guarantees efficient search for a recording during the playback.

Comarch Video Terminal

Comarch Video Terminal is a client of video conference that supports popular connection standards and audio-visual transmission. It is also a suitable complement for Comarch eRecording, as it provides point-to-point connection, as well compilation of multi-party calls based on the standards and infrastructure of video conferencing bridges of leading suppliers.

3.5. Services Sector

In the Services Sector, Comarch designs, implements and integrates innovative IT solutions for loyalty programs, marketing campaign management, employee motivation management, electronic data interchange and business information, manages documents and their flow within the company and sales process management using support systems and mobile applications. The offer also includes a comprehensive range of IT infrastructure management for services companies.

Services Sector implements projects on five continents in 35 countries. Among our clients are BP Global, Carlsberg, Heathrow Airport, Accor Hotels, JetBlue Airways, Metro Group, OMV, Diageo (producer of such brands as Johnnie Walker, Smirnoff and Baileys), Red Bull, Leroy Merlin, Unilever, BIC, Nivea and Tesco.

Comarch CRM&Marketing

The offer is addressed to large enterprises. It involves a comprehensive set of IT services that helps build and manage loyalty programs, create customer relations, automate marketing processes and increase profits. Furthermore, we develop tools for Big Data analysis and gamification-based systems for building engagement, increasing profits and strengthening the relationships between clients, partners and the brand.

Available solutions:

Comarch Loyalty Management for Retail – a loyalty program management system that supports B2C and B2B operators enabling the launch of multiple programs on a single platform and support for all areas (customer registration, profile management, promotions based on different currencies, communication with users, rewarding with gifts and special offers).

Comarch Loyalty Management Travel Edition – a platform dedicated for transport and tourist companies, (especially airlines) that supports loyalty programs for all carrier types, both for individual customers (Frequent Flyer Programs) and in the B2B model. The system supports the creation of rules for calculating points and defining rewards and privileges.

Comarch Campaign Management – simplifies the integration and automation of marketing activities in order to accelerate campaign launches and increase revenues. The tool enables multi-channel communication with clients, gives better insight into costs and marketing budget, and allows campaign results to be measured via reports.

Comarch Customer Engagement – a solution that manages the engagement and loyalty of clients, and enables the definition of diverse tasks (educational, social and entertainment) for which users are awarded with badges, higher level or ranking position.

Comarch Business Intelligence – supports companies that want to build loyalty strategies through in-depth analysis of a large amount of collected data and provide a detailed picture of purchase patterns, shopping cart values, campaign effectiveness and statistics related to the program.

Comarch Social Mining – an application extending the scope of the loyalty program for social media: based on defined criteria and data sources, it allows social media to be monitored, additional behavioural data based on users' profiles to be obtained, personalized communication to be defined and customers to be rewarded.

Loyalty Consulting – services that create complete, innovative programs, attract clients, increase profits and build a stronger bond between the client and the brand (developing the strategy and program concepts, rewarding methods, marketing communication, developing procedures and analysis of IT requirements).

Creative Services – creative services based on measurable strategies, advanced solutions and unconventional thinking: engagement strategies, engaging mechanisms, unique graphic designs (mobile application, www, TV spots, leaflets and posters), managing the engagement program.

Management Services - support in all processes: program organization, creation and selection of marketing service providers, management of relations with strategic partners, current application administration, performance reporting, detection and prevention of fraud, communication management, etc.

Customer Analytics - collecting, cleaning and auditing customer data, improving and maintaining data quality and analysis, creating customer segmentation models, analysing migrations and customer activation strategies, forecasting and scoring models, analysing database marketing and customer satisfaction.

Comarch Enterprise Engagement Platform - a solution for managing motivation, involvement of employees and business partners. The system allows the definition and engaging tasks (in social media, education, sales and entertainment), for which program members are awarded with badges, a higher level or better ranking position.

Comarch Location Based Services – innovational technological platform that enables a highly personalized marketing communication directed through mobile application channels towards people, clients, inhabitants or passengers at certain locations. The solution uses geo-localization and micro-localization and sends notifications through native iOS or Android applications. The platform contains a navigational module which enables the user to find their way in a building, which is helpful in large facilities such as shopping malls, hospitals and government offices. The platform is integrated with beacons produced by Comarch and the micro-localization is defined by Bluetooth.

The system has been adapted to the new EU regulation on personal data protection (GDPR). An important element is launching and expanding a distributed architecture, based on central integration and local system instances. Work in the field of multi-program support and redesign of Contact Centre, Member Portal and mobile application interfaces are in progress. Recently, a modern Comarch Location Based Services technology platform has been created, integrated with Comarch beacons that facilitate micro-location of the user via Bluetooth.

Comarch e-Invoicing

The Comarch e-Invoicing portfolio enables automation of sales processes and the supply chain. A comprehensive approach to communication with global partners, covering the electronic exchange of product, retail, logistic and financial data, brings business benefits. In addition, the solutions allow more efficient document management and automation of business processes within the company. Apart from EDI (Electronic Data Interchange) and ECM (Electronic Content Management) solutions, we offer SFA mobile and web solutions (Sales Force Automation) designed to support and optimize sales-related processes.

Comarch e-Invoicing offers the following solutions:

B2B Network – a platform for secure and fast exchange of electronic documents between companies from around the world, regardless of the industry in which they operate. In addition, integration with mobile sales solutions and comprehensive reporting tools guarantee rapid access to reliable business data.

Master Data Management – a central product catalogue that allows you to manage product data with multiple clients using a single solution. Comarch Master Data Management is a certified GDSN catalogue that ensures rapid synchronization of product data with partners around the world.

e-Invoicing – a solution that ensures automation of the invoicing process in accordance with legal regulations. Multi-channel support allows the processing and validation of data in various formats, as well as archiving (for both sales and cost invoices).

AP/AR Automation – an innovative solution that provides full control over the entire invoice management process (Accounts Payable/Accounts Receivable). It allows you to reduce the workload associated with manual data processing, speed up the document acceptance process and ensure rapid access to data at every stage of the process.

Procure-to-Pay – a solution that comprehensively supports choosing a supplier of goods/services, contract management, placing orders, e-invoicing and managing and settling transactions within the company. It provides effective cooperation with suppliers and between individual departments in the organization.

The integration of EDI and MDM class solutions is in progress, which ensures a significant improvement in the quality of transaction data (for example orders or invoices) and logistics. Comarch plans to create a global solution for mass e-invoice projects that ensure compliance with local legal conditions and support dedicated customer processes, including the acceptance of invoices within enterprises. Due to the inclusion of SFA products in the B2B Network area, it is planned to develop towards the integration of selected systems, in order to use the synergy of individual applications and gain a competitive advantage over other e-Invoicing solution providers.

Comarch ICT

Comarch ICT solutions allow control of the IT infrastructure of enterprises in telecommunications, outsourcing and data centre sectors, based on global standards and technology partnerships with IT market leaders data security.

Comarch Data Centre Solutions

Comarch Data Centre – advanced technological centres with high availability and Tier III and Tier IV architecture. They are an alternative for clients having to possess their own IT infrastructure resources. Comarch S.A. owns four Data Centres and partners with 11 others around the world. Services are provided in the following models:

- **IaaS (Infrastructure as a Service)** – renting IT infrastructure (specific number of servers, computing power or disk space) depending on the company's current needs.
- **PaaS (Platform as a Service)** – a full hardware and system platform with a complete set of accompanying services necessary to support the client's application along with management, administration and 24/7 monitoring.
- **SaaS (Software as a Service)** – the most comprehensive solution, including the delivery of Comarch applications along with the necessary server infrastructure, PaaS hosting and additional services.

Comarch Enterprise Cloud Platform – a unified and flexible cloud infrastructure with the highest security standards. The platform contains a wide range of tools supporting applications, built on the basis of micro-services. The cloud solution provided by Comarch was created to help solve problems associated with the lack of computing power, allowing capacity to be adjusted to meet the real level of demand for IT resources. The solution allows clients to reap all the benefits of the cloud, such as lower IT costs, increased efficiency and full control over existing IT resources, while optimizing the reliability of corporate data and maximizing flexibility. All this in a secure IT environment located in the Comarch Data Centre.

Disaster Recovery Centre – an optional service for all the above-mentioned solutions. It includes a backup data processing centre for critical systems. The service is offered in PaaS or SaaS models, ensuring data replication between two centres and the activation of the backup environment in the event of failure of the primary location.

IT Services Solutions

Due to dynamic changes in the IT infrastructure market, an experienced technology partner is important for business growth. Placing your company's IT environment in the hands of Comarch's engineers and analysts guarantees required system availability and the continuity of services customized to your needs.

Comarch IT Services - continuous and comprehensive IT services ranging from full support for the end user (Service Desk and job support), through LAN/WAN network administration, server and security infrastructure, to IT process management, according to good practices of the ITIL library.

Comarch IT Integration - services that adapt the client's IT environment to new business and technical requirements. We support clients from the analysis and design stage of the new IT platform, through the supply of appropriate devices and software, to the implementation phase.

Comarch Business Continuity - services that ensure a high level of system availability, minimize the effects of failures and disasters and guarantee a quick return to the "before failure" state. In addition, we offer audits in various IT areas.

Comarch Network Managed Services - solutions designed to create and maintain data transmission networks (including WAN/LAN/WLAN). CNMS is a comprehensive product for the construction or modernization of existing transmission networks, the management and administration of these networks, and their security.

Comarch Network Operations Centre – a Single Contact Point, providing technical support in IT infrastructure and business applications for all types of enterprises and institutions. Clients gain

knowledge about the current availability and performance of individual components of their IT infrastructure, operating systems, or operating platform.

IT Risk & Security Management Solutions

Managed IT Security Services - an effective and high-quality solution addressed to companies seeking strategic partners who undertake comprehensive IT security management as part of outsourcing. Monitoring and analysis of security events, penetration tests and sensitivity scans are just a few examples of managed services. Comarch adapts the services it provides to meet business and operational demands, and helps clients to comply with IT management procedures and regulatory requirements in their country, handle corporate risk management, and implement industry standards.

IT Security Auditing & Compliance - services related to evaluation, processing and compliance with all security standards at regional and international levels. Regular data security audits can detect a potential threat and prevent it early enough to neutralize the risk. We provide a wide range of services related to conducting a detailed audit of IT security, customized to the market needs and customer expectations.

IT Security Integration & Support - we offer a full range of IT integration and support services, from network security solutions to SIEM (Security Information and Event Management) systems. Thanks to a team of qualified network engineers and security specialists, and many years of security management experience, we are able to provide solutions tailored to our clients' needs.

In 2017, a private computing cloud Comarch Enterprise Cloud Platform (IaaS and PaaS) was launched at the CDC in Krakow. The solution consists of three layers: hardware (based on x86, SDS - Software Defined Storage and omni-path 100Gbe), application (for sharing resources, based on OpenStack open source cloud solution software - IaaS) and container (up to building applications based on microservice, implemented by OpenShift software - PaaS). The next step will be the expansion of the platform with new functionalities, as well as launching the platform in DC centres in Lille, Dresden and Chicago.

3.6. Comarch e-Health

The Comarch Group provides solutions dedicated to the health market, among other things, IT systems for hospitals, software products for radiology and medical record management in medical institutions, cities, and regions. Comarch Healthcare is also a supplier of innovative Remote Medical Care solutions that use its own software, equipment, and medical infrastructure.

MEDICAL INSTITUTIONS MANAGEMENT SOFTWARE

OPTIMED NXT

It is an innovative IT system designed for managing hospitals, allowing for the organisation of healthcare during the patient's stay in hospital wards and clinics – from the moment of registration till the discharge. The system may also be used on mobile devices such as tablets, which provides doctors with access to information about a patient right at the bedside.

OPTIMED24

It is an intuitive software for managing health clinics and doctor's offices. Dedicated to all outpatient facilities, regardless of their structure and services provided. The solution supports i.e. keeping electronic medical records, handling patient visits, issuing prescriptions and referrals. Optimed24 is a functional management tool for healthcare facility managers.

COMARCH ERP

It is a system for supporting the management of administrative part of the hospital. It enables control and guidance of the implementation of complex processes connected with supply, management of own assets of the institution, its maintenance and development, as well as with employment, current support and professional development of a wide range of specialists.

COMARCH BUSINESS INTELLIGENCE

This broad portfolio of tools for analysing data generated by the medical facility. The solution allows to make multidimensional analyses of the whole process carried out by the operator. The system offers a number of ready-made desktops of information dedicated to specific groups of employees and management.

SOFTWARE SUPPORTING THE MANAGEMENT OF MEDICAL RECORDS

COMARCH EDM (ELECTRONIC MEDICAL RECORDS)

It is a system used to manage e-records in all types of medical entities, as well as at regional level. Central access to documents originating from various systems enables efficient collection and processing of medical data. The solution allows for the exchange of information between the institutions, which accelerates the process of diagnosis and helps to avoid redundant research.

COMARCH CONCIERGE

It is a multi-channel communication platform for patients, providing continuity of medical care. The solution facilitates the exchange of information between the medical facility, doctor and patient. It allows the patient to remotely register on a visit to a specialist, ordering prescriptions, access to results of medical examinations and even consult a doctor without leaving home.

COMARCH MEDNOTE

It is a modern application for managing doctor's office. It organizes medical records, provides the necessary information concerning the patient and minimizes the time needed for paperwork. The system allows, among others, easy dispensing of prescriptions, referrals and other medical documents.

CITY OF HEALTH

"City of Health" is a service-IT platform, consisting of a set of mutually interconnected applications and IT systems. The service addressed to regions and cities is an effective tool for implementing regional health policy. The concept of "City of Health" focuses on residents as recipients and clients of provided health care services. It is the result of Comarch's practical experience in implementing regional platforms in the country:

- Wielkopolskie e-Zdrowie
- Regionalny System Informacji Medycznej
- Podlaski System Informacji e-Zdrowie
- E-Zdrowie dla Mazowsza
- Małopolski System Informacji Medycznej

REMOTE MEDICAL CARE

Remote Medical Care is the form of the provision of telemedicine services, which allows for constant monitoring of the patient's condition, and performing preventive and control examinations outside the hospital. The following way of providing medical care is possible through the use of portable medical devices recording specified life parameters. Results of the examination are transmitted automatically to the Centre for the Remote Medical Care, and analysed. If any irregularities, medical personnel remotely contact patient's with a doctor or specialist, and in case of danger to life or health - calls an ambulance.

REMOTE CARDIAC CARE

Remote cardiac care facilitates detection of cardiological problems, including tachycardia and bradycardia, ventricular tachycardia, ventricular fibrillation, ventricular flagellation, atrial fibrillation, atrial flagellation, and ineffective stimulation by a pacemaker. It is used both for in-patients, and to monitor the health status of patients rehabilitated at home.

REMOTE OBSTETRIC CARE

Remote Obstetric Care facilitates non-invasive CTG at a patient's home. After the test, results are sent to a Remote Medical Care Centre and assessed by a gynaecologist or midwife. CTG provides a comprehensive monitoring of fetal heartbeat and uterine contractions from home in the third trimester.

REMOTE ELDERLY CARE

Remote Elderly Care can be used for consultation with an attending physician, physiotherapist, dietician, psychologist, or specialist, about a senior's health status and mental state. Tests may be performed by the patient or their carer, or healthcare personnel. Depending on the results, the patient's doctor may contact them remotely, initiate a home visit, or call an ambulance. Tests can be performed at home (for a single patient) and in residential care units or facilities for many patients (services for patient groups).

REMOTE MEDICAL CENTRE

The Remote Medical Centre enables the provision of medical services at a distance. The solution does not replace traditional health care but is complementary to it and allows to broaden the range of health services offered without the need to employ additional medical staff. The implementation of cost-effective telemedicine solutions improves work performance, enabling the handling of more patients at the same time. Thanks to the use of teleinformation tools, allowing continuous monitoring of health status and performing preventive and control examinations at home, the Remote Clinic increases the effectiveness of treatment and the sense of safety of their patients by providing them with constant contact with qualified medical staff. In addition to fast and secure access to electronic medical records, the doctor has the opportunity to conduct a teleconsultation with the patient, as well as remote medical consultation with another specialist, from anywhere and at a convenient time, so you do not waste time and money on commuting. Services offered in this way are a perfect complement to therapy, especially for patients who require constant specialist medical supervision or long-term care.

E-CARE PLATFORM

Implementation of Remote Medical Care services is possible thanks to the Comarch e-Care platform, which allows continuous monitoring of patients' health status remotely. The platform enables the collection and processing of medical data and data collected from measuring devices that control specific vital signs. It also supports medical staff in the implementation of established procedures.

ELEMENTS OF E-CARE PLATFORM

TELEMEDIC EQUIPMENT

- Personal patient devices that directly transmit data to the Center of Remote Medical Care: portable heart rate recorders (e.g. Comarch PMA, SXT Cardiodial or alarm devices (e.g. Life Button))
- Medical Hub class devices and software, integrating with third-party sensors and medical devices and mediating data transmission to the Remote Medical Care Centre: stationary devices with advanced logic (e.g. HMA), simple transmission hubs (e.g. docking NoMed devices) and mobile applications (e.g.: Comarch mHMA). Examples of integrated devices: pulse oximeter, glucometer, spirometer, blood pressure meter, weight, thermometer. Other diagnostic devices (e.g. KTG, Breas Vivo respirator).

E-CARE APPLICATION WITH WEB INTERFACE

e-Care application with Web Interface can be used for consultation with an attending physician, physiotherapist, dietician, psychologist, or specialist, about a senior's health status and mental state. Tests may be performed by the patient or their carer, or healthcare personnel. Depending on the results, the patient's doctor may contact them remotely, initiate a home visit, or call an ambulance. Tests can be performed at home (for a single patient) and in residential care units or facilities for many patients (services for patient groups).

REMOTE MEDICAL CARE CENTRE

The Remote Medical Care Centre with healthcare personnel monitoring patient health status is the key component of the remote medical care system.

- Gathers qualified healthcare personnel, such as paramedics, midwives, various specialist doctors, dieticians, and physiotherapists.
- Monitors a patient's health status all day, including holidays.
- Intervenes if anomalies in terms of individually specified parameters are detected (for example, norm exceeded or alert value reached) and at the patient's request (for example, when the Life Button is used).
- Uses medical procedures that facilitate faster and more adequate intervention.

Comarch Helathcare S.A. has implemented a certified ISO 13485 system for the quality management of medical devices. The Comarch e-Care platform is a class IIa medical device certified for Directive 93/42/EEC.

iMed24 HEALTHCARE CENTRE

IMed24 Healthcare Centre as Comarch Healthcare S.A.'s healthcare centre this is naturally an environment for the development of solutions dedicated to this sector. iMed24 was the first healthcare centre in Małopolska to offer Remote Medical Care (more than 3,500 patients). The facility has about 100 doctors who work in more than 30 specialist out-patient clinics.

COMARCH TECHNOLOGIES

PRODUCTS

INTERNET OF THINGS

Comarch IoT Platform is a flexible cloud-based platform to manage smart and mobile devices. The platform enables configuration, management and monitoring of the communication between devices in network. It results in an increase in efficiency of process management and a decrease in both operating and of used resources.

Comarch Smart Lighting provides the ecosystem that facilitates fast implementation of fully flexible and scalable smart lighting solution for cities as well as municipal and enterprise buildings. It can be easily integrated with existing infrastructure or extended by 3rd party systems and it always remains a platform for further extensions.

Comarch Smart Manufacturing – Comarch Smart Manufacturing - is a solution based on the Comarch IoT Platform, which allows for quick configuration and management of intelligent lighting in the city, public buildings or in industry. The solution also uses a Smart Lighting module that allows you to transform your existing lighting infrastructure into an intelligent system.

Comarch Asset Tracking – is a solution based on the Comarch IoT Platform, allowing you to locate devices, things inside buildings. The system from the hardware side is based on Comarch devices and radio modules.

Comarch Modul BLE – a certified radio module for Bluetooth Low Energy technology (BLE) with a Comarch software stack, in the form of a PCB for use in various applications, among others IoT, as the BLE interface.

Comarch Radio Module – a certified wireless module in mesh technology (MESH) operating on the 2.4 GHz band, based on IEEE 802.15.4. Module in the form of a PCB to use in a variety of applications including IoT, as a radio interface.

Comarch Smartt Lighting Module (CSL) – a certified module for wireless lamp control, among others made in LED technology. Using various Comarch radio modules as a transport layer. The product is available in several functional variants with different radio interfaces.

Comarch beacon is a small transmitter that broadcasts a continuous signal via Bluetooth Low Energy. The device, through a dedicated mobile application, allows to connect individually with a customer using such its functionalities as: contextual messaging, communication in real time, indoors and outdoors.

Comarch IoT Hub acts as a bridge between connected devices and Comarch IoT Platform. It enables secure and reliable short distance communication, distributed control and remote device management through a single device. The support of leading connectivity protocols provides interoperability and creates new possibilities for business to offer smart services.

SHORT SERIES MANUFACTURING

Comarch Production Line offers an innovative and sophisticated product line that allows for rapid short series manufacturing. Aiming at supporting clients in a whole prototyping process, we provide services in the areas of industrial design, prototyping, software development and integration finalized in extensive quality assurances.

An innovative production line that allows short-run production of consumer electronics prototypes in a very short period of time, with particular emphasis on the quality of products and services provided. The IoT Plant production hall was created for the needs of electronics assembly, i.e. EMS services, it functions as part of the Integrated Management System Comarch S.A.

Comarch IoT Lab is a place where we build functional prototypes which follow the highest industry standards in safety, security and user experience. Our rapid prototyping technology process includes industrial design, 3D modelling, HW&SW prototyping, final product assembly, along with thorough testing and quality control.

MOBILITY

Application development is a service consisting in the designing of mobile applications according to the customer's requirements, while using knowledge and experience within security of the network and logistics, as well intuitiveness of the application when in contact with a customer.

User Experience Consulting consists in a comprehensive behaviour and users' profiles survey carried out in order to design intuitive and end-user friendly applications.

Quality control and testing is a complex planning and managing the testing process of mobile applications.

CERTIFICATION

Certification tools enable effective management of device and application certification processes. Additionally, they allow for verification of compliance with folded standards and provide continuous support to organizations during the evolution of the standards.

EMBEDDED SYSTEMS

Comarch offers visionary system and product solutions within embedded systems. Experience gained during performance of international projects related to consumer electronics, and automobile, medical, finance and banking industries guarantees conformity of the offered solutions with the current trends and the industry standards.

OUTSOURCING

Outsourcing delivered by Comarch is provided within outsourcing of processes, R&D, systems and know-how (human resources). Cooperation with Comarch enables limitation of costs, time and risk of the conducted projects.

3.7. Sports Activity

MKS Cracovia SSA operates sports activity by participating in professional leagues and competitions in several sports, the most important are football and ice hockey. The purpose of the company is to promote Comarch brand. It is a part of the marketing strategy of Comarch Group, the aim of which is to create the image of Comarch as a first-choice integrator for large and medium-sized companies in Poland.

Revenues from sports activity of MKS Cracovia SSA include revenues on account of advertising and other services as well as revenues from the sale of tickets to sports events organized by the company.

4. Position of the Group in the IT Market and Information about Markets and Sources of Supply

Due to the type of IT systems offered by Comarch, medium-size and large companies (who are the largest clients of advanced IT solutions all over the world) constitute the main group of clients. Majority of company's products are addressed to specific groups of customers, while IT services are of universal nature and are offered to all groups of customers. The Comarch's offer is dedicated to both Polish and foreign customers. Since many years, the Company's strategy is based on the sale of an increasing number of products on international markets, especially in Western Europe, South and North America and Asia. Sale in the Company is highly diversified, with no dependency on one major client. In 2017, the share of sale to none of the customer exceeded 10% of the Comarch Group sales.

Due to the specific nature of the industry, in which Comarch manages its operations, international concerns, which are producers of computer systems and programmer's tools, Polish branches and representatives of such concerns, as well as Polish distributing companies and subcontractors for systems, have to be considered sources of supply. In 2017, share of none of the product provider exceeded 10% of the value of Comarch sales.

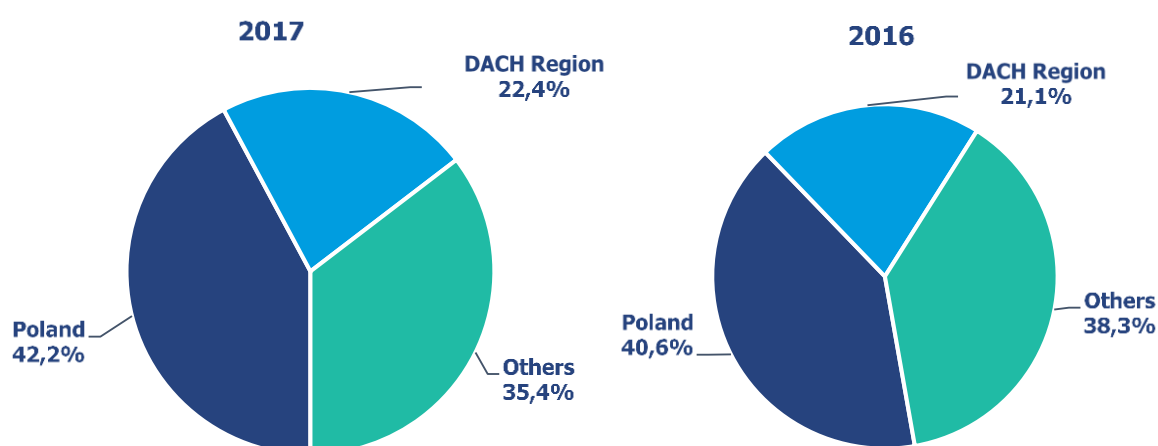
5. Sales Structure

5.1. Revenues from Sales- Geographical Structure (in thousands of PLN)

	2017	%	2016	%	2015	%
Domestic	465,076	42.2	451,680	40.6	554,058	49.0
Export	637,444	57.8	661,133	59.4	577,522	51.0
Total	1,102,520	100.0	1,112,813	100.0	1,131,580	100.0

In 2017, the Group's export sales decreased by PLN 23.7 million PLN, i.e. 3.6%. Domestic sales increased by PLN 13.4 million PLN, i.e. by 3.0%.

Geographical sales structure (by markets' localization):



	2017	%	2016	%	2015	%
Poland	465,076	42.2	451,680	40.6	554,058	49.0
DACH	247,100	22.4	235,241	21.1	267,097	23.6
Remaining countries	390,344	35.4	425,892	38.3	310,425	27.4
Total	1,102,520	100.0	1,112,813	100.0	1,131,580	100.0

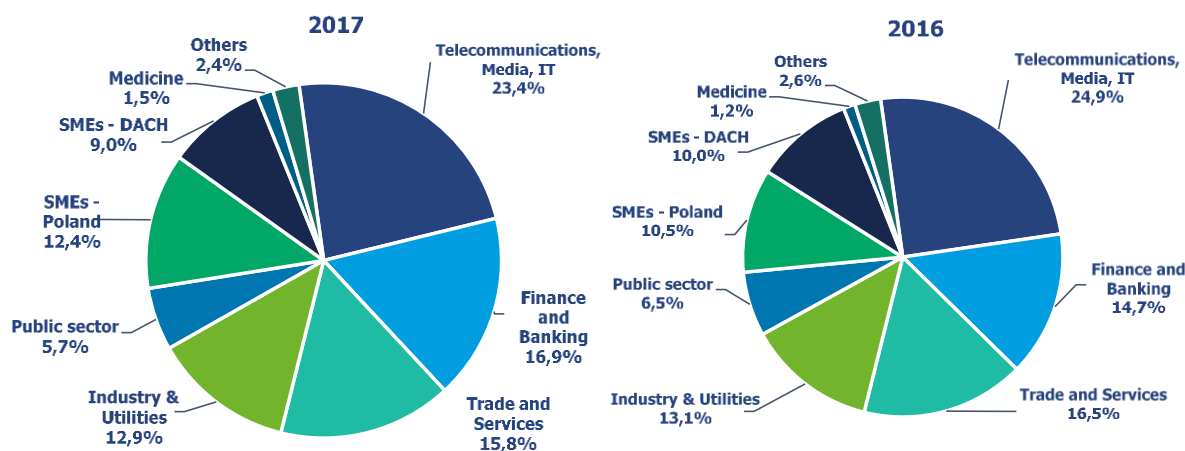
In 2017, the Group's sales in DACH region increased by PLN 11.9 million, i.e. 5.0% compared to the previous year and its share in total Group's sales amounted to 22.4%. Other foreign sales diminished by PLN 35.5 million PLN, which is a decrease of 8.3%. Share of other foreign sales in total Group's sales decreased from 38.3% in 2016 to 35.4% in 2017.

5.2. Revenues from Sales – Market Structure (in thousands of PLN)

	2017	%	2016	%	2015	%
Telecommunication, Media, IT	258,201	23.4	276,620	24.9	313,284	27.7
Finance and Banking	186,284	16.9	163,811	14.7	151,122	13.4
Trade and Services	174,321	15.8	183,314	16.5	159,032	14.0
Industry & Utilities	141,872	12.9	146,100	13.1	112,805	10.0
Public Sector	63,330	5.7	72,856	6.5	114,240	10.1
Small and Medium Enterprises – Poland	136,024	12.4	116,566	10.5	106,600	9.4
Small and Medium Enterprises – DACH	99,771	9.0	111,223	10.0	102,547	9.1
Medical Sector	16,018	1.5	13,184	1.2	49,940	4.4
Others	26,699	2.4	29,139	2.6	22,010	1.9
Total	1,102,520	100.0	1,112,813	100.0	1,131,580	100.0

Within 2017, there was a significant increase in sales to customers from the SMEs Poland sector (by PLN 19.5 million, i.e. 16.7%). In case of SMEs customers in the DACH region, the revenues decreased by PLN 11.5 million, i.e. 10.3% in relation to the level of the previous year, mainly as a result of a strengthening of PLN against EUR. There was a dynamic increase in revenue from sales to customers from the Finance and Banking sector, they bought products and services with a value higher by PLN 22.5 million (i.e. 13.7%) than achieved in the corresponding period of the previous year. The share of this sector in total revenues amounted to 16.9%. Drop of revenue was recorded in case of customers in the Trade and Services sector (by PLN 9.0 million, i.e. 4.9% - the share of this sector in total revenues decreased to 15.8%), but also in case of customers in the Industry & Utilities sector, which revenues decreased by PLN 4.2 million, i.e. 2.9% and accounted for 12.9% of the total sales. Revenues from sales of the Comarch Group to customers in the TMT sector amounted to PLN 258.2 million, which represents a decrease of PLN 18.4 million (i.e. 6.7%) due to decrease in export sales. Their share in total sales was 23.4%, therefore the TMT sector remains the largest sector in terms of sales revenue. In 2017, there was a further drop of sales to customers from the Public sector, that is of PLN 9.5 million, i.e. 13.1%, which is associated with a reduction of purchases by customers in this sector. The Public sector was responsible for 5.7% of the Group's revenues in the reporting period. The value of sales to customers in the Medical sector within 12 months of 2017 amounted to PLN 16.0 million, which means

an increase of PLN 2.8 million, i.e. 21.5%. A decrease in other sales (of PLN 2.4 million, i.e. 8.4%) is the result of the decreased sales revenue from sports activities.

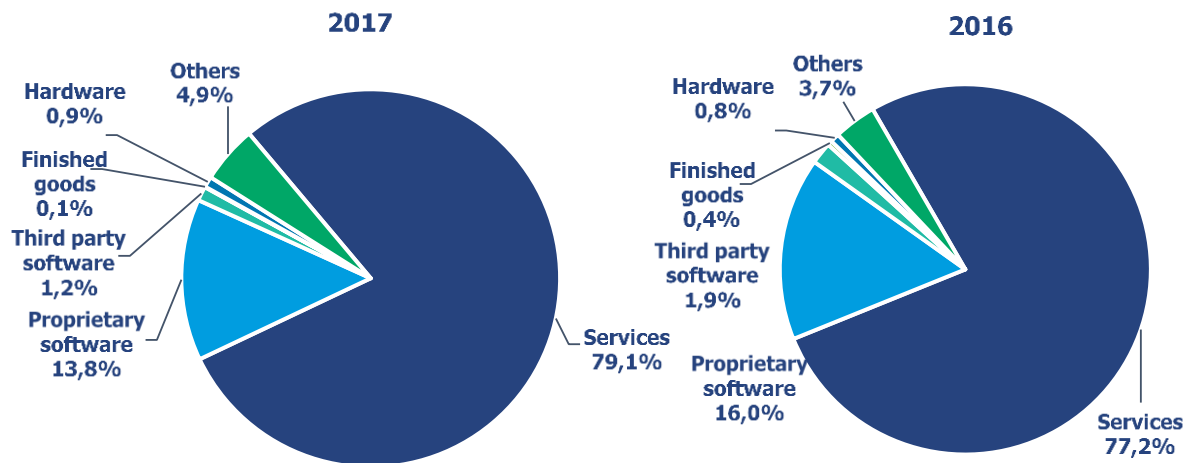


In particular quarters of 2017 the market sales structure maintained the stable level.

5.3. Revenues from Sales – Products Structure (in thousands of PLN)

	2017	%	2016	%	2015	%
Services	871,415	79.1	859,367	77.2	800,062	70.7
Proprietary Software	152,585	13.8	178,092	16.0	182,286	16.1
Third party Software	13,475	1.2	21,086	1.9	64,989	5.7
Finished goods	804	0.1	3,674	0.4	11,804	1.1
Hardware	10,096	0.9	9,038	0.8	39,723	3.5
Others	54,145	4.9	41,556	3.7	32,716	2.9
Total	1,102,520	100.0	1,112,813	100.0	1,131,580	100.0

Over 12 months of 2017, the Group's total sales of services and proprietary software diminished by PLN 13 million, i.e. 1.3%. This is primarily a consequence of a decrease in sales of proprietary software (a decrease of PLN 25.5 million, i.e. 14.3%). Sales of services increased by PLN 12.5 million, i.e. 1.5%. Total share of sales of services and proprietary software in total sales amounted to 92.9%. Total sales of third-party software and computer hardware decreased by PLN 6.6 million, i.e. 21.8%, and they amounted to PLN 23.6 million, which constitutes 2.1% in total sales. This is the result of the reduced deliveries of hardware and third-party software to customers in the domestic market. Within 2017, sales of finished goods decreased by PLN 3.1 million, i.e. 79.4% compared to the same period in 2016, due to the significant reduction of supplies of proprietary goods to customers in the Public sector. Other sales grew by PLN 12.6 million, i.e. 30.3%, due to the increased revenues from medical activities, among others. Within 2017, products sales structure was characterized by continuous increase in sales of services. This is related to the ongoing transformation into the business model of services in sales of IT solutions, among others.



Over 2017, the products sales structure maintained the stable level.

6. Factors Essential for Development of the Comarch Group

6.1. Internal Factors

- a) Steady increase in export sales and significance of foreign sales;
- b) Position and reputation of the Comarch Group affecting the nature of clients acquired;
- c) Commercial operations of Comarch Group in the special economic zone in Krakow;
- d) Significant share of standard (repetitive) products offered for sale, which means:
 - lower costs, especially variable costs related to a single contract,
 - the possibility of significant increase in profitability of a single contract with simultaneous reduction in charges for clients (license fees),
 - broader and more diversified circle of clients, which means a broader scale of activities,
- e) Attractive training policy and attractive work conditions offered for employees of the Company;
- f) Increasing awareness of the Comarch brand among prospective clients by promotion managed through marketing campaigns, including sports marketing (MKS Cracovia SSA);
- g) Necessity of continuous investment in human resources to maintain the Company's competitive edge in following years;
- h) High levels of investment expenditure designated for research and development activity and development of new products and IT services;
- i) High level of investment expenditure designated for the development of production sources in Poland (material investment) and for expansion on foreign markets (capital investment).

6.2. External Factors

- a) Enhanced requirements from clients for IT systems. There is an increase in demand for large, complex IT systems dedicated for specific users. This gives advantage to large IT companies such as Comarch S.A., which offer a number of different technologies and products and which are able to provide technologically advanced solutions;
- b) Increased significance of mobile technologies broadly used in IT solutions for all groups of customers;

- c) Change in business models in many branches as well as change in business strategies of many companies related to technological progress and economic growth, which shape the demand for new IT systems, broadening software sales in the cloud computing model means an increase in capital and resources requirements for IT companies;
- d) An access of Polish companies to resources from structural funds related to Polish membership in European Union that will be dedicated in part to develop IT systems and finance research and development works;
- e) Growing competition, causing decrease in achieved margins; competition between IT companies;
- f) Continued pressure on increase in remuneration in IT sector; number of graduates from technical universities having IT skills decreases;
- g) Growing competition on the local labour market in IT sector in Krakow and other locations where the Company conducts its business;
- h) The international economic situation, taking into particular consideration the situation on financial markets that effects levels of demand for products and IT services;
- i) Exchange rate levels fluctuations, especially EUR/PLN, USD/PLN, GBP/PLN, CAD/PLN, CHF/EUR, BRL/PLN and RUB/PLN, which affect the profitability of export sales;
- j) The international economic situation, in particular in Europe, which influences the demand for IT products and services on this market, as well as the financial credibility of the customers in this region;
- k) The international political situation, including increasing risk of terrorist attacks in places of project management complicates their implementation.

7. Other Significant Factors, including Risks and Threats

The Group is exposed to the following main types of financial risk:

7.1. Credit Risk

The Parent Company establishes the financial credibility of potential clients before signing contracts for the supply of IT systems and adjusts the conditions of each contract to the potential risk depending on its assessment of the financial standing of the client. Concentration of credit risk is limited due to diversification of the Comarch's sales to a significant number of customers in different branch of economy, in different world's regions.

7.2. Risk of Change in Interest Rates

The Comarch Group is exposed to the risk of changes in interest rates related to cash and cash equivalents, as well as long-term investment credits to finance the construction of new production buildings in the Special Economic Zone in Krakow. These are credits at variable interest rates based on the WIBOR and EURIBOR index. The group has been hedging this interest rate risk using IRS contracts and it continuously monitors market situation in this scope. The influence of interest rate changes on the amount of interest on credit paid is partly compensated for by a change in the amount of interest received on cash and cash equivalents.

Financial analysis of the Group's financial result sensitivity to the risk of changes in interest rates is included in notes 2.3.2. of the consolidated financial statement.

7.3. Risk of Fluctuation in the Exchange Rates

The Comarch Group is exposed to foreign exchange risk in relation to export sales and sales denominated in foreign currencies, especially in relation to foreign exchange of EUR/PLN, GBP/PLN,

USD/PLN, BRL/PLN and CAD/PLN. At the same time, part of the Group's costs are also expressed in, or related to exchange rates for foreign currencies. In individual cases, the Parent Company hedges future payments with forward contracts, as well as tries to use natural hedging through adjusting structures of assets, liabilities and equity denominated in foreign currencies (for example through a change of credit's currency from PLN to EUR performed lately). The balance sheet value of assets and financial liabilities of the Group denominated in foreign currencies is related to receivables and liabilities due to deliveries and services as well as cash as at the balance sheet date.

Financial analysis of the Group's financial result sensitivity to exchange rate fluctuation risk is included in notes 2.3.3. of the consolidated financial statement.

7.4. Financial Liquidity Risk

The Comarch Group has a liquidity risk management system to manage its short, medium and long-term funds. The fundamental financial liquidity risk arises because the majority of costs incurred by the Comarch Group are fixed, while revenue from sales, as is typical for a services company, fluctuates. The Comarch Group manages liquidity risk by holding the appropriate amount of working capital, by holding reserve credit lines in the current account, by constantly monitoring the forecasted and actual cash flows and by analysing the maturity profiles of financial assets and liabilities.

8. Perspectives of Development in the Group and Anticipated Financial Situation in 2018

In 2017, the demand for IT services and IT products remained stable, with changes in its structure. The company observed an increase in demand for solutions for the SME and financial-banking sector as well as a drop in demand for IT solutions for clients from the public and telecommunications sectors. The Company's order backlog now ensures full use of its production capacity in several subsequent periods. Economic and political situation in Poland and abroad, as well as the situation on the labour market will still have a detrimental impact on situation on the financial results achieved by the Comarch Group in 2018. Thanks to consistently executed strategy of positioning itself on the market as a technological and product-based Company, Comarch's offer is very well diversified. Customer base is constantly expanding and a considerable part of them are international companies, what allows to continue the development of the Company. Dynamically developing activity of Comarch in international markets additionally increases sales volume and enhance the image of Comarch among international corporations, thus strengthening the competitive position of Comarch. It also means the need to make numerous capital investment abroad Poland (principally through the establishment of foreign subsidiaries). Execution of Comarch strategy largely depends on macroeconomic conditions, beyond the Group, especially on the level of IT investments by medium-size and large companies in Poland and abroad and on the fact that competition in the IT sector and labour market becomes more and more fierce. At the same time, effective management of operational risks is the necessary condition for execution of the strategy. An opportunity for the Group is its high innovativeness and growth in demand for delivery of IT solutions in a service model - Comarch Group thanks to the wide range of its own products, owned infrastructure and human and capital resources can flexibly adapt to business models expected by customers.

The most important risks related to the Group's operations are:

- risks related to R&D work (developing proprietary software products);
- risks related to implementation of long-term contracts;
- risks related to failure to meet contract terms and conditions and contractors taking advantage of the provided performance guarantees;
- risk of foreign legal and political environment related to execution of export contracts;
- the credit risk related to the sale with deferred payment, and frequently with a long period of execution of contracts;
- risk of employees rotation, and risk of a lack of possibility to hire the appropriate number of qualified employees, the risk of increased labour costs;

- the risk of fluctuations in exchange rates and interest rates;
- risks related to international terrorism, impeding the posting of employees in business travel in some regions of the world.

The Group does not expect any significant changes in its financial situation or in terms of the risks associated with its activities.

9. Financial Analysis

Balance Sheet	31 December 2017	%	31 December 2016	%	Change	Change %
ASSETS						
Non-current assets						
Property, plant and equipment	556,838	37,1	501,111	34.7	55,727	11.1
Investment real estates	15,357	1,0	15,626	1.1	(269)	(1.7)
Goodwill	42,197	2,8	40,735	2.8	1,462	3.6
Other intangible assets	63,319	4,2	61,343	4.2	1,976	3.2
Non-current prepayments	3,321	0,2	1,118	0.1	2,203	197.0
Investment in associates	11,233	0,7	14,395	1.0	(3,162)	(22.0)
Other assets at fair value	2,904	0,2	492	0.0	2,412	490.2
Other investment	112	0,0	106	0.0	6	5.7
Deferred income tax assets	31,237	2,1	35,007	2.4	(3,770)	(10.8)
Other receivables	5,392	0,4	3,914	0.3	1,478	37.8
	731,910	48,7	673,847	46.6	58,063	8.6
Current assets						
Inventories	114,967	7,7	76,555	5.3	38,412	50.2
Trade and other receivables	392,153	26,1	406,721	28.1	(14,568)	(3.6)
Current income tax receivables	2,222	0,1	5,210	0.4	(2,988)	(57.4)
Long-term contracts receivables	40,349	2,7	39,960	2.8	389	1.0
Available-for-sale financial assets	-	-	-	-	-	-
Other financial assets at fair value – derivative financial instruments	8,516	0,6	1,149	0.1	7,367	641.2
Stock or shares	-	-	1	0.0	(1)	(100.0)
Cash and cash equivalents	207,937	13,8	235,834	16.3	(27,897)	(11.8)
	766,144	51,0	765,430	53.0	714	0.1
Available-for-sale financial assets	3,861	0,3	5,598	0.4	(1,737)	(31.0)
Total assets	1,501,915	100,0	1,444,875	100.0	57,040	3.9

As of the end of 2017, the value of Comarch Group's assets increased by PLN 57.0 million, i.e. 3.9%. Non-current assets increased by PLN 58.1 million, i.e. 8.6% compared to the previous year, mostly as a consequence of an increase in property, plant and equipment from PLN 501.1 million to PLN 556.8 million (an increase of 11.1% compared to the previous year), as a result of the Group's infrastructure investments. The share of particular items of non-current assets in the total structure of assets remained at a similar level to that in 2016. The value of current assets remained at a similar level to that in the previous year. The most increase was observed in value of products and products in progress in inventories – of PLN 37.7 million, i.e. 50.2%. There was also a decrease in cash and cash equivalents (a decrease of PLN 27.9 million, i.e. 11.8%). The share of derivative financial instruments in total structure of assets increased by PLN 7.4 million, i.e. 641.2% compared to the previous year.

EQUITY	31 December 2017	%	31 December 2016	%	Change	Change %
Capital attributable to the company's shareholders						
Share capital	8,133	0.5	8,133	0.6	0	0.0
Other capital	143,041	9.5	143,041	9.9	0	0.0
Exchange differences	4,169	0.3	18,524	1.3	(14,355)	(77.5)
Net profit for the current period	42,036	2.8	73,034	5.1	(30,998)	(42.4)
Retained earnings	665,525	44.3	604,691	41.9	60,834	10.1
	862,904	57.5	847,423	58.7	15,481	1.8
Minority interest	16,128	1.1	14,641	1.0	1,487	10.2
Total	879,032	58.5	862,064	59.7	16,968	2.0
LIABILITIES						
Non-current liabilities						
Credit and loans	185,596	12.4	146,331	10.1	39,265	26.8
Other liabilities	6,928	0.5	5,278	0.4	1,650	31.3
Financial liabilities at fair value – derivative financial instruments	736	0.0	2,537	0.2	(1,801)	(71.0)
Other financial liabilities	446	0.0	631	0.0	(185)	(29.3)
Deferred income tax liabilities	43,962	2.9	42,144	2.9	1,818	4.3
	237,668	15.8	196,921	13.6	40,747	20.7
Current liabilities						
Trade and other liabilities	177,320	11.8	154,493	10.7	22,827	14.8
Current income tax liabilities	4,942	0.3	16,800	1.2	(11,858)	(70.6)
Long-term contracts liabilities	30,754	2.0	40,044	2.8	(9,290)	(23.2)
Credit and loans	39,111	2.6	28,469	2.0	10,642	37.4
Financial liabilities at fair value – derivative financial instruments	509	0.0	2,350	0.2	(1,841)	(78.3)
Other financial liabilities	165	0.0	6,530	0.5	(6,365)	(97.5)
Provisions for other liabilities and charges	132,414	8.8	137,204	9.5	(4,790)	(3.5)
	385,215	25.6	385,890	26.7	(675)	(0.2)
Total liabilities and charges	622,883	41.5	582,811	40.3	40,072	6.9
Total equity and liabilities	1,501,915	100.0	1,444,875	100.0	57,040	3.9

In 2017, the share structure of equity and liabilities did not change significantly. Equity grew in 2017 by 2.0%. There was a slight increase in the minority interest (PLN 16.1 million compared to PLN 14.6 million in 2016). The share of equity in total equity and liabilities maintained a similar level (58.5% in 2017 compared to 59.7% in 2016). Total liabilities and charges constituted 41.5% in total equity and liabilities compared to 40.3% in the previous year. Their value increased by PLN 40.1 million, i.e. 6.9%, compared to that in the previous year, mostly as a consequence of significant changes in the value of credits and loans (long-term credits and loans increased by PLN 39.3 million, i.e. 26.8%, short-term credits and loans increased by PLN 10.6 million, i.e. 37.4%) and trade and other liabilities (an increase of PLN 22.8 million, i.e. 14.8%). At the same time, the most significant decreases were in current income tax liabilities (from PLN 16.8 million to PLN 4.9 million, i.e. by 70.6%), long-term contracts liabilities (a decrease from PLN 40.0 million to PLN 30.8 million, i.e. by 23.2%), other financial liabilities (which decreased by PLN 6.4 million, i.e. 97.5%) and provisions for other liabilities and charges (a decrease of PLN 4.8 million, i.e. 3.5%).

Debt analysis	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Debt ratio	15.0%	12.1%	10.6%	11.7%	11.5%
Debt/equity ratio	26.0%	20.6%	17.9%	20.7%	21.0%

Debt ratios increased as a result of intensive investment in real estates, mortgage credit and loans. The Group is financed with internal means (58.5%) and with external means (41.5%).

	2017	%	2016	%	Change	Change %
Revenue	1,102,520	100.0	1,112,813	100.0	(10,293)	(0.9)
Cost of sales	(832,750)	(75.5)	(764,600)	(68.7)	(68,150)	8.9
Gross profit	269,770	24.5	348,213	31.3	(78,443)	(22.5)
Other operating income	17,673	1.6	39,063	3.5	(21,390)	(54.8)
Sales and marketing costs	(134,529)	(12.2)	(131,330)	(11.8)	(3,199)	2.4
Administrative expenses	(98,076)	(8.9)	(102,066)	(9.2)	3,990	(3.9)
Other operating expenses	(19,064)	(1.7)	(36,987)	(3.3)	17,923	(48.5)
Operating profit	35,774	3.2	116,893	10.5	(81,119)	(69.4)
Finance revenue -net	31,867	2.9	(3,809)	(0.3)	35,676	(936.6)
Share of profit / (loss) of associates	(3,082)	(0.3)	(8,307)	(0.7)	5,225	(62.9)
Profit before income tax	64,559	5.9	104,777	9.4	(40,218)	(38.4)
Income tax expense	(21,038)	(1.9)	(29,054)	(2.6)	8,016	(27.6)
Net profit for the period	43,521	3.9	75,723	6.8	(32,202)	(42.5)
Attributable to:						
Shareholders of the Parent Company	42,036	3.8	73,034	6.6	(30,998)	(42.4)
<i>Interests not entitled to control</i>	<i>1,485</i>	<i>0.1</i>	<i>2,689</i>	<i>0.2</i>	<i>(1,204)</i>	<i>(44.8)</i>

In 2017, the Comarch Group's sales revenue was lower by PLN 10.3 million, i.e. 0.9% year on year. The operating profit reached PLN 35.8 million and decreased by 69.4% compared to 2016. In 2017, the net profit attributable to the Parent Company's shareholders decreased by 42.4% and amounted to PLN 42.0 million.

Profitability analysis	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Margin on sales	24.5%	31.3%	30.1%	29.6%	22.4%
EBIT margin	3.2%	10.5%	10.0%	9.5%	3.7%
Gross margin	5.9%	9.4%	9.6%	8.9%	3.9%
Net margin	3.8%	6.6%	7.0%	6.5%	2.7%

In 2017, Comarch Group's activity was profitable. The margin on sales and the EBIT margin decreased to the levels of 24.5% and 3.2%, respectively. The gross margin and the net margin reached values of 5.9% and 3.8%, respectively. Despite of insignificant decreases, profitability ratios remained at the satisfactory levels.

The following factors had a major impact on the financial results:

- decrease in sales of proprietary software of PLN 25.5 million, i.e. 14.3%. 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 19.3 million (while in 2016, they increased it by PLN 6.8 million),
- positive result on financial activities in the amount of PLN 31.9 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 5.6 million.

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

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

- 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.

Liquidity analysis	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Current ratio	2.0	2.0	1.9	1.9	1.8
Quick ratio	1.6	1.7	1.7	1.6	1.5
Cash to current liabilities ratio	0.5	0.6	0.6	0.7	0.5

In 2017, the Comarch Group had very good financial liquidity. In the Management Board's opinion, Comarch Group has no problems with meeting contracted financial liabilities on time. Temporarily free funds are invested by the Group in safe financial instruments such as bank deposits and shares in financial investment funds.

Turnover analysis	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
Current assets turnover ratio	1.4	1.5	1.6	1.6	1.5
Receivable turnover ratio (days)	129	133	125	115	140
Inventories turnover ratio (days)	688	412	140	131	109
Liabilities turnover ratio (days)	197	189	173	177	185

Liabilities turnover excluding liabilities due to investment credit ratio (days)	132	142	134	142	147
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Turnover ratios confirm the effective use of Comarch Group's funds. In 2017, the inventories turnover ratio significantly increased as a result of a high level of rough products and products in progress as at the end of December, 2017. Other ratios maintained level similar to those in the previous years.

Methods of Calculation of Financial Ratios

Debt Ratios

$$\text{Debt Ratio} = \frac{\text{Credits and Loans}}{\text{Total Assets}}$$

$$\text{Debt/Equity Ratio} = \frac{\text{Credits and Loans}}{\text{Equity attributable to Shareholders}}$$

Profitability Ratios

$$\text{Return on Sales} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

$$\text{EBIT Margin} = \frac{\text{Operating profit}}{\text{Revenue}}$$

$$\text{Gross Margin} = \frac{\text{Profit before Income Tax}}{\text{Revenue}}$$

$$\text{Return on Sales (profit attributable to shareholders)} = \frac{\text{Net Profit attributable to Shareholders}}{\text{Revenue}}$$

Liquidity Ratios

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Trade and Other Receivables} + \text{Cash and Cash Equivalents} + \text{Available-for-Sale Assets}}{\text{Current Liabilities}}$$

$$\text{Cash to Current Liabilities Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$$

Turnover Analysis

$$\text{Current Assets Turnover Ratio} = \frac{\text{Revenue}}{\text{Current Assets}}$$

$$\text{Receivables Turnover Ratio} = \frac{(\text{Trade and Other Receivables} + \text{Current Income Tax Receivables}) * 360}{\text{Revenue}}$$

$$\text{Inventories Turnover Ratio (days)} = \frac{\text{Inventories} * 360}{\text{Costs of Sold Goods and Materials}}$$

$$\text{Liabilities Turnover Ratio(days)} = \frac{(\text{Liabilities} - \text{Liabilities due to Long-term Contracts}) * 360}{\text{Sales and Marketing Costs} + \text{Administrative Expenses} + \text{Other Operating Expenses} + \text{Costs of Sold Products, Services, Goods and Materials}}$$

$$\begin{aligned} &\text{Liabilities Turnover Ratio} \\ &\text{excluding} \\ &\text{Liabilities due to} \\ &\text{Bonds and Investment Credit (days)} \end{aligned} = \frac{(\text{Liabilities} - \text{Credits and Loans}) * 360}{\text{Sales and Marketing Costs} + \text{Administrative Expenses} + \text{Other Operating Expenses} + \text{Costs of Sold Products, Services, Goods and Materials}}$$

10. Credits, Loans, Suretyships, Guarantees and Significant Off- Balance Sheet Items

10.1. Non-Revolving Credits

As at the 31st of December, 2017, the Group had liabilities due to credits and loans in the amount of PLN 211,658 thousand.

In 2017, all covenants under the loan agreements concluded by companies in the Comarch Group were met. The Parent Company's Management Board expects no problems in meeting them in the future.

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 (4,802 as at the 31 st of December, 2016)	EUR	17,444 (21,244 as at the 31 st of December, 2016)	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 (2,493 as at the 31 st of December, 2016)	EUR	8,246 (11,028 as at the 31 st of December, 2016)	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 (3,899 as at the 31 st of December, 2016)	EUR	12,280 (17,249 as at the 31 st of December, 2016)	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 (11,519 as at the 31 st of December, 2016)	EUR	41,098 (50,960 as at the 31 st of December, 2016)	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 (0 as at the 31 st of December, 2016)	EUR	47,075 (0 as at the 31 st of December, 2016)	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 (2,365 as at the 31 st of December, 2016)	EUR	10,461 (10,465 as at the 31 st of December, 2016)	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 (0 as at the 31 st of December, 2016)	EUR	8,885 (0 as at the 31 st of December, 2016)	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 Centre iMed24 in Krakow	15,889	PLN			2,459 (4,540 as at the 31 st of December, 2016)	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 (1,862 as at the 31 st of December, 2016)	EUR	2,589 (8,238 as at the 31 st of December, 2016)	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 (8,172 as at the 31 st of December, 2016)	EUR	33,545 (36,155 as at the 31 st of December, 2016)	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 centre in Lille in France	8,000	EUR	6,734 (1,001 as at the 31 st of December, 2016)	EUR	28,085 (4,429 as at the 31 st of December, 2016)	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
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10.2. Revolving credits

As at the 31st of December, 2017, the Group had liabilities due to current credit lines in the amount of PLN 55,422 thousand, (used at the balance sheet date in the amount of PLN 3,018 thousand).

In 2017, all covenants under the loan agreements concluded by companies in the Comarch Group were met. The Parent Company's Management Board expects no problems in meeting them in the future.

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 (0 as at the 31 st of December, 2016)	PLN	0 (0 as at the 31 st of December, 2016)	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 (160 as at the 31 st of December, 2016)	EUR	3,018 (708 as at the 31 st of December, 2016)	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

10.3. Loans

10.3.1. Loans Taken by Companies in the Comarch Group

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	IBM Global Financing Polska Sp. z o.o.	delivery of IBM hardware in relation to an IT project performed by the Comarch Group	12,980	PLN			9,983 (10,415 as at the 31 st of December, 2016)	PLN	fixed	01.03.2022	None

10.3.2. Loans Granted to Members of the Management Board and Members of the Supervisory Board

During the reporting period, Bonus Management sp. o.o. II Activia SK-A. granted to Chairman of the Supervisory Board of Comarch S.A. loans in the amount of PLN 2,000 thousand. Before the publication date loans have been fully repaid. As at the 31st of December, 2017, there are no unpaid loans as well as granted by companies of Comarch Group guarantees and sureties to members of the management and supervisory bodies and their related parties.

10.3.3. Loans Granted to Employees of Comarch Group

None present.

10.4. Suretyships

- 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.
- 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.
- 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.
- 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.

- 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.
- 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.
- Due to granting a subsidy to Comarch AG, a subsidiary of Comarch S.A., for construction of an infrastructure in Dresden from Sachsischse AufbauBank, Comarch S.A. took on a debt in the event of a liability of Comarch AG to return the granted means. Maximum liability of Comarch S.A. in relation to taking the debt shall not exceed EUR 263 thousand increased by interest for the period from the granting of the subsidy to its return. Taking the debt is valid till the 30th of August, 2018.
- 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.
- 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.
- 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.
- 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.
- 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.
- Due to conclusion of a contract for fuel cards service signed by Comarch Healthcare S.A., a subsidiary of Comarch S.A., Comarch S.A. granted a surety for the benefit of an operator of fuel cards in order to guarantee the fulfilment of any obligations resulting from this contract by Comarch Healthcare S.A. After the entry into force of the amendment to the agreement, the total amount of granted surety is PLN 100 thousand and is valid till the 31st of May, 2018.
- 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 at the 31st of December, 2017.

- 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.
- 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 surety has been renewed, the total amount of granted surety is PLN 50 thousand and is valid till the 31st of May, 2018.
- 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.
- 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 for a period of 5 years.
- 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.
- 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 PLN 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.
- 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.
- 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 has been renewed and was granted up to the amount of PLN 10 thousand and is valid till the 14th of September, 2019.
- 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.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- Due to conclusion of a contract by Comarch SAS, a subsidiary of Comarch S.A., the contract for implementation of Comarch Loyalty Management service, a surety for liabilities of Comarch SAS was granted to the amount of EUR 2,414 thousand and is valid for the duration of the contract.
- 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.
- 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.
- 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.

The above list of suretyships includes items that the Company does not treat as contingent liabilities.

10.5. Bank Guarantees

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 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 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 (PLN 1,634 thousand), whereas it was EUR 392 thousand (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 (PLN 67 thousand), whereas it was EUR 16 thousand (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. granted letters of comfort for its subsidiaries: Comarch Healthcare S.A. (valid till the 30th of June, 2019), Comarch Malaysia SDN. BHD. (valid till the 31st of December, 2018 and without time limit), Comarch Argentina S.A. without time limit and Comarch R&D S.à r.l. without time limit.

11. The Most Important Events in 2017 and after the Balance-Sheet Date

11.1. Contracts Significant for Issuers' Activities

The most important contracts signed in 2017 are:

11.1.1. Acquisition of Shares in Geopolis Sp. z o.o.

On the 17th of March, 2017, the Management Board of Comarch S.A. announced about signing the letters of intent with Geopolis sp. z o.o. and it's shareholders aimed at setting conditions to carry out the following transactions:

- Comarch S.A. acquired 100% of shares in Geopolis sp. z o.o.,
- Comarch S.A. acquired the whole copyrights to the ERGO software which belonged to the Geopolis sp. z o.o.,
- Comarch S.A. agreed to the recapitalize of Geopolis sp. z o.o.

The above-mentioned transactions will be carried out once the relevant conditions set out in the letters of intent have been fulfilled and the agreement on others terms has been reached until 31st of March, 2017. On the 31st of March, 2017, the Company informed that the parties agreed to postpone the deadline for fulfilment of the conditions to 3rd April, 2017. On the 3rd of April, 2017, the conditions set out in letters of intent have been fulfilled and mentioned transactions were realized.

The total value of the transactions amounts to PLN 8.05 million.

Geopolis sp. z o.o. supports informatization in public administration units by creating and implementing integrated registers and records of a spatial nature, systems for managing of state surveying and cartographic resource database as well as geoportals. Acquiring of Geopolis sp. z o.o. will allow Comarch Group to expand the product portfolio dedicated to the public sector.

Comarch S.A. announced details in current reports no. [RB-2-2017](#) (ENG: [RB-2-2017](#)) dated the 17th of March, 2017, no. [RB-4-2017](#) (ENG: [RB-4-2017](#)) dated the 31st of March, 2017 and no. [RB-5-2017](#) (ENG: [RB-5-2017](#)) dated the 4th of April, 2017.

11.1.2. 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.

11.1.3. Limited Offering for "Providing Support, Operation and Maintenance Services for Comprehensive IT System for ZUS"

Comarch S.A.'s Management Board informed, that on the 12th of September, 2017, offers presented 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 opened. Thus, the Comarch S.A. presented the most advantageous offer by price. The total value of the offer presented by the Company amounted to PLN 242,033,004 gross. The Company announced details in current report no. [RB-17-2017](#), ENG: [RB-17-2017](#) dated the 12th of September, 2017.

Comarch S.A.'s Management Board informed in the current report [RB-21-2017](#), ENG: [RB-21-2017](#) dated the 14th of November, 2017, that on the 14th of November, 2017, the results of limited offering for "Providing Support, Operation and Maintenance Services for Comprehensive IT System for ZUS", organized by the Social Insurance Institution in Warsaw. The Issuer's offer of the total gross value of PLN 242,033,004 was scored the most points and was selected as the most advantageous one.

11.1.4. 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 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.

AFTER THE BALANCE SHEET DATE

11.1.5. 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, and the current report no. [RB-20-2017](#), ENG: [RB-20-2017](#) dated the 30th of October, 2017, on signing the amendment to the above-mentioned contract, the Management Board of Comarch S.A. informed 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 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.

11.1.6. Signing the Agreement for Support, Operation and Maintenance Services for Comprehensive IT System for ZUS

Comarch S.A.'s Management Board informed in current report no. [RB-4-2018](#), ENG: [RB-4-2018](#), dated 2nd of March, 2018 about signing on 2nd of March, 2018 by a consortium of Comarch Polska S.A. with its headquarters in Krakow and Comarch S.A. with its registered office in Krakow (hereinafter: "Consortium") with Zakład Ubezpieczeń Społecznych (The Polish Social Insurance Institution) with its registered office in Warsaw (hereinafter "ZUS") contracts for the providing support, operation and maintenance services for comprehensive IT system for ZUS (hereinafter: "the Agreement"). The subject matter of the Agreement is the provision by the Consortium to ZUS of maintenance, servicing and additional services for the KSI ZUS system and acting as an integrator of the ZSI Social Insurance Institution to the extent and under the terms of the Agreement. The total remuneration due to the Consortium for the implementation of the subject of the Agreement will not exceed gross amount of PLN 242,033,004.00 (in words: PLN two hundred forty two million thirty three thousand four 00/100), including: net amount of 196,774,800, PLN (in words: PLN one hundred ninety six million seven hundred seventy four thousand eight hundred and 00/100) and value added tax (VAT) at a rate of 23% of PLN 45,258,204.00 (in words: forty five million two hundred fifty eight thousand two hundred four 00/100). The term of execution of the subject of the Agreement is 48 months, however, it starts from the day of commencement of service provision, i.e. not later than within 12 months from the date of conclusion of the Agreement, after prior notification by the Consortium in writing of readiness to take over maintenance services and signing by both parties to the maintenance service transfer protocol, unless the parties agree otherwise in writing. The contract expires also when the limit of gross remuneration due to the Consortium has been exhausted.

11.2. Other

11.2.1. Request of Bank Pekao S.A. for PLN 100 million from CA Consulting S.A. Due to Improper Performance of an Agreement

The Management Board of Comarch S.A. announced on 23rd of March, 2017 that, CA Consulting S.A., a subsidiary of Comarch S.A., received the request for payment from Bank Pekao S.A. In the issued letter, the Bank called on CA Consulting S.A. to pay the amount of PLN 100 million resulting from improper performance of the Comprehensive Comarch Internet Banking Agreement (CIB) of 23rd of December, 2005. According to the Bank's letter the improper performance of the Agreement consists in the failure to meet by CA Consulting S.A. the parameters defined in SLA.

In the opinion of the Issuer the request directed to CA Consulting S.A. has neither justification nor grounds in the provisions of the Agreement of 2005. According to the Issuer, exceeding the parameters of the SLA results from the reasons attributable to the Bank which are beyond the control of CA Consulting S.A., including in particular the fact that the volume of transactions processed by the System repeatedly exceeded the project assumptions set out in the Agreement, as well as the lack of sufficient Bank investment in the modernization of the infrastructure, necessary for the functioning of the CIB System over the last nine years. The large part of currently existing infrastructure comes from 2008 and it has the same computing power as at that time, which is currently not enough for proper operation of the System. CA Consulting S.A. has repeatedly informed the Bank about this fact, including in writing, informing about necessity of revitalization and modernization work aimed at increasing initial performance benchmarks, as well as performing works adjusting the System to the number of processed transactions, among others in the letter of January 2017 from the Management Board of Comarch S.A. to the Management Board of Pekao S.A., as well as from the Management Board of CA Consulting S.A. to the managers of Pekao S.A.

In accordance with the provisions of the Agreement, total liability limit of CA Consulting S.A. in any given calendar year will not exceed 100% of the remuneration due to services specified in the Agreement and received by CA Consulting S.A. in the given calendar year. The amount of request exceeds several dozen times the above mention limit and is not justified in any way in the letter.

Comarch S.A. announces that CA Consulting S.A rejected the bank claim in its entirety as unfounded. The Company also informs that the Comarch Group still provides services under the Agreement concluded with the Bank.

According to the Management Board of Comarch S.A. this situation will not have significant impact on the operations and financial standing of the Comarch Group.

The Company announced details in the current report no. [RB-3-2017](#), ENG: [RB-3-2017](#) dated the 23rd of March, 2017.

11.2.2. 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.

AFTER THE BALANCE SHEET DATE

11.2.3. Amendment to the agreement with Bank Pekao S.A for providing Comprehensive Comarch Internet Banking (CIB)

Comarch S.A.’s Management Board informed in the current report no. [RB-2-2018](#), ENG: [RB-2-2018](#), dated 5th of January, 2018, in reference to the current report no. [RB-3-2017](#), ENG: [RB-3-2017](#), dated 24th of March, 2017 on receiving a signed amendment to the agreement for Comprehensive Comarch Internet Banking (CIB) (banking corporate) concluded with Bank Pekao S.A. and CA Consulting S.A., a subsidiary of Comarch S.A., on 23rd of December, 2005 (hereinafter: "Agreement"). As part of the amendment, a new scope and date of the service provision was established. The parties also stated

that they have no claims against each other arising from non-performance or improper performance of the above-mentioned Agreements, which means no claim by Bank Pekao S.A. to CA Consulting S.A., about which Comarch S.A.'s Management Board informed in the current report no. [RB-3-2017](#), ENG: [RB-3-2017](#).

11.2.4. Conclusion of a settlement with the Agency for Restructuring and Modernization of Agriculture (ARMA)

With reference to current report no. [RB-14-2014](#), ENG: [RB-14-2014](#), dated 19th of May, 2014 (regarding receiving an accounting note from the Agency for Restructuring and Modernization of Agriculture (hereinafter: "ARMA") covering a contractual penalty in the amount of PLN 32,455,497.28 (in words: thirty two million four hundred fifty-five thousand four hundred ninety-seven 28/100) in connection with the implementation by Comarch S.A. of the agreement of 29th of April, 2013 ("OFSA Agreement") and current report no. [RB-4-2015](#), ENG: [RB-4-2015](#), dated 15th of January, 2015, informing about the delivery of a claim to Comarch S.A. on 14th of January, 2015 for the payment of PLN 34,493,717.28 (in words: thirty-four million four hundred ninety-three thousand seven hundred seventeen 28/100) - brought against Comarch S.A. by ARMA to the District Court in Warsaw, 3rd Civil Department - for contractual penalties charged by ARMA. Comarch S.A.'s Management Board informed in the current report no. [RB-6-2018](#), ENG: [RB-6-2018](#), about the settlement between Comarch S.A. and ARMA in front of the court mediator. As part of this settlement - making mutual concessions - the Parties agreed that the contractual penalties due to ARMA due to improper performance by Comarch S.A. OFSA agreements amount to PLN 3,478,473.60 (in words: three million four hundred seventy eight thousand four hundred seventy three 60/100) and that they will be settled with due Comarch S.A. from ARMA compensation, the amount of which, as part of mutual concessions, was set at PLN 1,478,098.24 (in words: one million four hundred seventy eight thousand ninety eight 24/100) - due to lost profits resulting from ARMA's failure to consortium from Comarch S.A. and Comarch Polska S.A. contracts for "Maintenance and development of the IT Information System of the Agency - SIA (ZSZiK, IACSplus, GIS, SIZ, PZSIPplus, PA)" ("the SIA Agreement") - as a result of concluding this agreement with another contractor. As a result of the settlement, the total value of the contractual penalty to be paid by Comarch S.A. will amount to PLN 2,000,375,36 (in words: two million three hundred and seventy five 36/100), which is in the reserve established by Comarch S.A. in 2014 in the amount of PLN 2,276,882.40 (in words: two million two hundred seventy six thousand eight hundred and eighty two 40/100). At the same time, as part of the settlement, ARMA waived further claims arising from contractual penalties related to the performance of the OFSA Agreement, and Comarch S.A. waived all further claims related to the failure to sign the SIA Agreement. Comarch S.A.'s Management Board informs that he has taken action to approve the above-mentioned settlement by the competent court.

12. Major Domestic and Foreign Investment (Securities, Financial Instruments, Intangible Assets and Real Estate), including Capital Investment Made outside the Group of Related Parties, as well as a Description of their Financing, as well as an Appraisal of Ability for Executing Investment Plans, Including Capital Investment Compared to the Amount of Resources Owned

The Group does not restrict its interest to the territory of Poland alone. With products featuring international competitive edge, Comarch will consistently aim at increase in international sales, especially in Western Europe. The sales will be executed directly to the final client (through Comarch S.A. or another Company from the Comarch Group) or through partner companies.

Within the following years, the Comarch Group will continue investment projects which will enable further expansion of the Company to new commercial areas and new markets. They will be financed with the means accorded by the companies at the Comarch Group, but also with bank credits.

12.1. Capital Investments

All capital investments was described in point [20.2.](#)

12.2. Real Estates

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.

On the 16th of June, 2015, an agreement on the building investment in Łódź was made between Bonus Development spółka z ograniczoną odpowiedzialnością S.K.A., a subsidiary of Comarch S.A. and Skanska S.A. The subject of the agreement is the construction of office building together with the rebuilding and change of usage of the adjacent former factory building, located in Łódź, 76/78 Jaracza Street including traffic and technical infrastructure and the supply of building materials and machinery. The total space of the building will be 9,906.20 m². The net value of the agreement amounts to PLN 37,883 thousand. The investment was completed in the first quarter of 2017.

The office building that was purchased by Comarch S.A.S. in Lille is the new office of the company. On the 15th of March, 2016, Comarch S.A.S., a subsidiary of Comarch S.A. signed an agreement with SNC-LAVALIN S.A.S., for the realization of the construction investment in Lille, France. The subject of the contract is the alteration of the warehouse building at 17 Rue Paul Langevin in Lezennes in the data 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.

In 2017, there were no purchases of land properties.

13. Activities in Special Economic Zone

On the 22nd of March, 1999, Comarch S.A. obtained a permit for conducting activity in the Special Economic Zone in Krakow ("SEZ"). According to the regulation of the Council of Ministers of the 14th of October, 1997 on establishment of a Special Economic Zone in Krakow (Journal of Laws No. 135, item 912 and changes to this act), the entities, which invested in the Krakow special economic zone at least EUR 2 million, were granted the tax allowances applicable for the income tax from legal entities from the income obtained from the activity specified in the permit. As a result of Poland joining the European Union, an Act was passed on the 2nd of October, 2003, that changed the act on special economic zones and certain other acts (Journal of Laws No. 188 Item 1840) that changed the conditions for tax exemptions for entities operating in special economic zones. This means a change in the current method of granting tax relief (public aid) from unlimited relief to relief that is limited in value and depends on the value of investments made. In the case of Comarch S.A., the maximum value of public aid cannot exceed 75% of the value of investment expenditures, which the company has incurred since obtaining the permit, i.e. from the 22nd of March, 1999, to the 31st of December, 2006. Comarch S.A. approached

the Minister of the Economy in order to change the terms and conditions of its permit. On the 1st of July, 2004, it received a decision from the Minister of the Economy dated the 24th of June, 2004, on the topic of changes to the terms and conditions of the permit (those mentioned above and those compliant with the act). At the same time, the period of time for which the permit for Comarch S.A. was issued was extended to the 31st of December, 2017, in the changed permit.

Comarch S.A. holds total five permits for operating in the Krakow Special Economic Zone:

- obtained in 1999, with a period of validity until the 31st of December, 2017;
- obtained in 2007, originally with the validity period until 31st of December, 2017, currently its validity term has not been specified in accordance with the decision of the Ministry of Development and Finance of 18th of October, 2017;
- obtained in 2013, its validity term has not been specified;
- obtained in February 2016, its validity term has not been specified;
- 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 special economic zones in Poland until 2026.

The investment relief in respect of the permit obtained in 1999 was fully used. Limit of the unused investment relief in respect of the authorization obtained in 2007 as at the 31st of December, 2017, (discounted as at the permit date), is PLN 17,037 thousand. Limit of the unused investment relief in respect of the authorization obtained in 2013 as at the 31st of December, 2017, (discounted as at the permit date), is about PLN 28,929 thousand. Limit of the unused investment relief in respect of the authorization obtained in March, 2016, related to investment in office building SSE7 in Krakow, as at the 31st of December, 2017, (discounted as at the permit date), is about PLN 20,320 thousand. Value of tax relief will change because of the fact, that investment has not been completed.

Deferred income tax assets are defined in the amount that it is anticipated will have to be deducted from income tax in the future in reference to negative temporary differences and due to income tax relief in connection with activities in Special Economic Zone, which shall result in the future in reducing the amount of the basis of taxation and the deductible tax loss defined using the precautionary principle. In relation to the above-mentioned principle, assets are recognised only for one year with the assumption that the basis for their recognition is average income acquired from activities in the special economic zone over five years (including the year for which the financial statement is prepared).

14. Resolutions of the AGM and the Board of Supervisors

14.1. Corporate Governance Principles

Pursuant to the detailed principle number II.Z.11 included in the second part of the "Best Practice for GPW Listed Companies 2016", Comarch S.A.'s Management Board announced in EBI current report no. [EBI-2-2017](#), ENG: [EBI-2-2017](#), that on the 29th of May, 2017, Supervisory Board of Comarch S.A. passed the resolution no. 10/5/2017 in which projects of the resolutions at the AGM, to be held on the 27th of June, 2017, are given positive opinions.

Pursuant to the detailed principle number II.Z.10 included in the second part of the "Best Practice for GPW Listed Companies 2016", Comarch S.A.'s Management Board conveyed in EBI current report no. [EBI-1-2017](#), ENG: [EBI-1-2017](#), the report on the activities of the Supervisory Board of Comarch S.A., an assessment of the Company's situation in 2016 including assessment of the Company's internal system control and risk management in the Company, an assessment of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles, as well as the report on the sponsorship or charity activities carry out of the Company.

14.2. Annual General Meeting – 27th of June, 2017

a) Convention of the AGM, Agenda of the Meeting and Information on Participation in the Company's General Meeting

On the 27th of May, 2017, pursuant to article 395, 399 § 1, article 402 with index 1 and 402 with index 2 of the Code of Commercial Companies and Partnerships, and pursuant to article 14 of the Company's Statute, the Management Board of Comarch S.A. convened the Annual General Shareholders' Meeting of Comarch S.A., to be held at 11:00 o'clock on the 27th of June, 2017, at ul. Prof. Michała Życzkowskiego 23 in Krakow, Poland. Agenda of the meeting and projects of resolutions to be presented on AGM, and their grounds, were also published on that day. Pursuant to art. 402 with index 2 of the Code of Commercial Companies and Partnerships, the Company's Management Board has presented information on participation in the Company's General Meeting, including:

- Shareholder's right to demand the inclusion of specific issues in the agenda of the nearest General Meeting,
- A shareholder's right to introduce projects of resolutions,
- Method of exercising the right to vote by proxy,
- The possibility and the method of participating in the General Meeting using means of electronic communication,
- The method of giving one's opinion during the General Meeting using means of electronic communication,
- The method of exercising a voting right in by correspondence or by using means of electronic communication,
- Date of registration for participation in the General Meeting: 30th of May, 2016,
- Information about the right to participate in the General Meeting,
- List of shareholders,
- Access to documentation,
- The Company's website and e-mail address.

The Company announced details in current report no. [RB-10-2017](#), ENG: [RB-10-2017](#), dated the 29th of May, 2017.

b) Content of the Resolutions Passed at the AGM

The AGM passed the resolutions related to:

- election of Chairman of the General Meeting;
- removing from the agenda of the meeting the point regarding the election of the Returns Committee;
- passing the agenda of the meeting;
- approving the Company's financial statement for the fiscal year 1.01.2016 - 31.12.2016;
- approving the report of the Management Board regarding the activities of the Company in 2016;
- approving the financial statement of the Capital Group for the fiscal year 1.01.2016 - 31.12.2016;
- approving the report of the Management Board of Comarch S.A. regarding the activities of the Capital Group in 2016;
- approving the activity report of the Company's Board of Supervisors for the fiscal year 2016, including assessment of the Company's situation;
- distribution of the Company's net profit for the fiscal year 1.01.2016 - 31.12.2016;
- acknowledging the fulfilment of duties by the members of the Management Board and the Supervisory Board in the fiscal year 1.01.2016 - 31.12.2016;
- changes in the Rules for the Supervisory Board of Comarch S.A.;
- changes in the Company's Statute. On the 27th of June, 2017 General Meeting of Comarch S.A. changes the Company's Articles of Association by adding a new letter d) 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 the 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 full content of the resolutions was published on in the current report no. [RB-13-2017](#), ENG: [RB-13-2017](#) dated the 27th of June, 2017.

c) Resolution of the AGM Regarding Dividend for 2016

The General Shareholder's Meeting passed the resolution no. 9, related to distribution of the net profit earned in the fiscal year 1 January 2016 - 31 December 2016. The General Shareholder's Meeting decided that net profit in the amount of PLN 45,588,464.11 will be divided as follows:

1. 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 at the 31st of July, 2017, will get the dividend in the amount of PLN 1.50 per one share. The dividend will be allocated to 8,133,349 shares.
2. 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.

Dividend was paid at the 11th of August, 2017.

The Company announced details in current report [RB-14-2017](#) (ENG: [RB-14-2017](#)) dated the 27th of June, 2017.

On the 8th of May, 2017, in 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. as was presented above. 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.

d) The List of Shareholders Participating the Annual General Shareholders Meeting

Accordingly, to the list of shareholders participating the Annual General Meeting of Comarch S.A. on the 27th of June, 2017, Elżbieta Filipiak and Janusz Filipiak held at least 5% of the total number of votes represented at this Meeting:

- Janusz Filipiak – 893,000 shares which gave 4,465,000 votes at the AGM, which constituted 47.98% of the all votes at this AGM and which constituted 29.52% of the total number of votes;
- Elżbieta Filipiak – 846,000 shares which gave 4,230,000 votes at the AGM, which constituted 45.45% of the all votes at this AGM and which constituted 27.96% of the total number of votes.

The total number of votes from all issued Comarch S.A. shares is 15,126,949. Shareholders participating the Annual General Shareholders Meeting of Comarch S.A. on the 27th of June, 2017, held shares giving 9,306,334 votes, which constituted 61.52% of the total number of votes. The Company announced details in current report no. [RB-15-2017](#), ENG: [RB-15-2017](#) dated the 27th of June, 2017.

15. Operations on Comarch S.A. Shares

15.1. Purchase/Disposal Transactions on Comarch S.A. Shares

None present.

AFTER THE BALANCE SHEET DATE

On the 12th of February, 2018, the Management Board of Comarch S.A. received from a person acting as a managing person, a notification of transactions referred to in Article 19 par. 1 of the Regulation of the European Parliament and the EU Council No. 596/2014 dated the 16th of April, 2014, on market abuse. This transaction concerned a disposal on the 8th of March, 2018, of 7,539 ordinary bearer shares on regulated market at the weighted average price of PLN 145.50 per 1 share. The value of the transaction amounted to PLN 1,096,924.50.

The Company announced details in current report no. [RB-5-2018](#) and [RB-5-2018/K](#), ENG: [RB-5-2018](#) and [RB-5-2018/K](#), dated the 12th of March, 2018.

15.2. Managerial Option Program for Members of the Management Board

None present.

16. Transactions on Shares of Subsidiaries and Associates of Comarch S.A.

None present except for those mentioned in point [20.3](#) of the statement.

AFTER THE BALANCE SHEET DATE

None present except for those mentioned in point [20.4](#) of the statement.

17. Other Events in 2017 and after the Balance Sheet Date

17.1. Dates of Periodical Financial Reports in 2017

Pursuant to § 103 sec. 1 of 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, with current report no. [RB-1-2017](#), ENG: [RB-1-2017](#) dated the 5th of January, 2017, Comarch S.A.'s Management Board presented terms of periodical financial reports in 2017.

17.2. Correction of Basic Financial Data in the Report of the Auditor from the Audit of the Financial Statement of Comarch S.A. for 2016

On the 8th of May, 2017, in current report no. [RB-7-2017](#) (ENG: [RB-7-2017](#)) The Management Board of Comarch S.A. published corrected annual report of Comarch S.A. for 2016.

Editorial errors are corrected regarding to basic financial data in the report of the auditor from the audit of the financial statement of Comarch SA for 2016:

1. Table entitled 'Basic data from the balance sheet date' (part 2, page 8 of the report from the audit).

Inventories- it was: 43,274, it should be: 43,273;

Total assets- it was: 1,162,522, it should be: 1,162,245;

Current liabilities (including: current provisions for liabilities and accruals)-it was: 246,222, it should be: 245,310;

Current liabilities due to deliveries and services-it was: 16,595; it should be: 53,915;

Liabilities and provisions for liabilities- it was: 391,415, it should be: 390,503.

2. 'Information on Audited Financial Statement' (part 3, page 9 of the Report from the audit).

It was:

The audited financial statement was prepared as at 31st of December, 2016 and includes:

- introduction to the financial statement,
- balance sheet as at 31st of December, 2016, with total assets and total equity and liabilities amounting to PLN 1,162,522,003.55,
- income statement for the period from 1st of January, 2016 to 31st of December, 2016, with net profit for the year amounting to PLN 44,953,007.89,
- changes in equity for the period from 1st of January, 2016 to 31st of December, 2016, presenting an increase in equity in the amount of PLN 39,201,703.72,
- cash flow statement for the period from 1st of January, 2016 to 31st of December, 2016, presenting a decrease in cash in the amount of PLN 16,602,272.10,
- additional information and commentary.

It should be:

The audited financial statement was prepared as at 31st of December, 2016 and includes:

- introduction to the financial statement,
- balance sheet as at 31st of December, 2016, with total assets and total equity and liabilities amounting to PLN 1,162,245 thousand,
- income statement for the period from 1st of January, 2016 to 31st of December, 2016, with net profit for the year amounting to PLN 45,588 thousand,
- changes in equity for the period from 1st of January, 2016 to 31st of December, 2016, presenting an increase in equity in the amount of PLN 39,837 thousand,
- cash flow statement for the period from 1st of January, 2016 to 31st of December, 2016, presenting a decrease in cash in the amount of PLN 16,640 thousand,
- additional information and commentary.

17.3. The impact of Changes in Exchange Rates on Results of the Comarch Group in the first quarter of 2017

On the 16th of May, 2017, in current report [RB-9-2017](#) (ENG: [RB-9-2017](#)) The Management Board of Comarch S.A. announced, that events of unusual nature, i.e. exchange rate differences and valuation of financial instruments based on the exchange rate will have a significant impact on the results of the Comarch Group in the first quarter of 2017. Exchange rate differences was a result of a strengthening of the Polish zloty against the main currencies (especially EUR and USD) between the 31st of December, 2016 and the 31st of March, 2017.

17.4. Correction of Data in the Financial Statement of Comarch S.A. for 2016

On the 16th of June, 2017, in current report no. [RB-12-2017](#) (ENG: [RB-12-2017](#)) The Management Board of Comarch S.A. published corrected annual report of Comarch S.A. for 2016. Editorial errors are corrected in notes: Note 3d INTEREST OR SHARES IN RELATED UNITS and note 3e INTEREST OR SHARES IN RELATED PARTIES. The Company announced details in erratum attached to the report.

AFTER THE BALANCE SHEET DATE

17.5. Dates of Periodical Financial Reports in 2018

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

- Q4 2017 - on 1st of March, 2018
- Q1 2018 - on 18th of May, 2018
- Q3 2018 - on 16th of November, 2018

- Consolidated half-year report which include condensed consolidated financial statement and condensed financial statement for the first half of 2018 - on 31st of August, 2018
- Annual report for 2017 - on 27th of April, 2018
- Consolidated annual report for 2017 - on 27th of April, 2018

17.6. Forward Contracts Concluded after the Balance Sheet Date

Between the 1st of January, 2018 and the 27th of April, 2018, the Comarch Group concluded forward contracts for the sales of EUR 4,000 thousand and USD 2,000 thousand. The total net value of open forward contracts as of the 27th of April, 2018, amounted to EUR 20,477 thousand and USD 5,516 thousand. The open forward contracts as of the 27th of April, 2018, were valued at plus PLN 7,837 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 companies of Comarch Group, in which the remuneration is set in a foreign currency.

18. Characteristic of Policy of the Development Direction in the Comarch Group

The strategic development directions in the Comarch Group are:

- development of international sales, especially focusing on mature markets in Western Europe (in particular in the DACH region) and both Americas,
- constant development of its own technologically advanced products, high expenses for R&D,
- development of products and IT services for medicine,
- development of sales of IT products and services as cloud computing,
- diversification of an offer through sales of products and services to customers in many economic sectors,
- continuation of development works within IT solutions for e-Health sector which should become one of the main sources of customers for the Comarch Group in the future,
- strict cooperation with global customers in international markets,
- constant investment in human resources,
- development of a modern production base in Poland and abroad.

19. Achievements within Research and Development

Globalisation of world economy, as well as liberalisation of trade, result in disappearance of barriers for companies and their products. The IT market becomes an open and global market where prices and quality of available products are continuously compared against each other. Along with increase in the presence of foreign capital in Poland, even IT companies conducting operations solely in the Polish market must offer competitive products from the point of view of the global market. Comarch, since the very beginning of its operations, has had reputation of a technological Company developing and successfully selling products competitive internationally. Therefore, the main strategic objectives of the Company are still development of new competitive products to enable further development of Comarch and, as a result, increasing its value. Maintaining dynamics of sales requires expenditures for development of products as well as their proper promotion and marketing. This applies to both modifications of already existing products and technologies as well as developing new products.

The present policy of Comarch assumes running research and development work related to implementation of new products and standardisation of products from the very beginning of their preparation for the client. Thus, even in cases when a product was developed for the needs of a particular client, a part or whole of software / code may be then used for preparation of a standard product. This results in higher profitability of particular contracts and expansion of the client base.

Expenses for research and development works amounted to PLN 179.3 million, thus reached 16.3% of revenue in 2017. Comarch allocated their internal funds as well as acquired actively European funds.

Comarch S.A.

In 2017, as part of Measure 1.1 of the **Intelligent Development Operational Program 2014-2020** co-financed by the European Regional Development Fund, a contract was signed for co-financing the project "Production of technology" IoT Mesh "and supporting tools".

Under the **Operational Programme Intelligent Development** Measure 1.1 "R&D projects of enterprises", Sub-Measure 1.1.2 "R&D works for the production of pilot/demonstration plant", the "City of health" project was implemented.

Whereas under the Measure 2.1 Support for investment of R&D infrastructure of enterprises, it was implemented the project: "Research and development facility for Internet of Things".



Fundusze Europejskie
Inteligentny Rozwój

Unia Europejska
Europejski Fundusz
Rozwoju Regionalnego



Comarch Healthcare S.A.

In 2017, within the Strategic program of scientific research and development "Prevention and treatment of civilization diseases" - STRATEGMED II, an agreement was signed for subsidizing the project "Non-invasive monitoring for early detection of atrial fibrillation (AF)" - NOMED-AF.

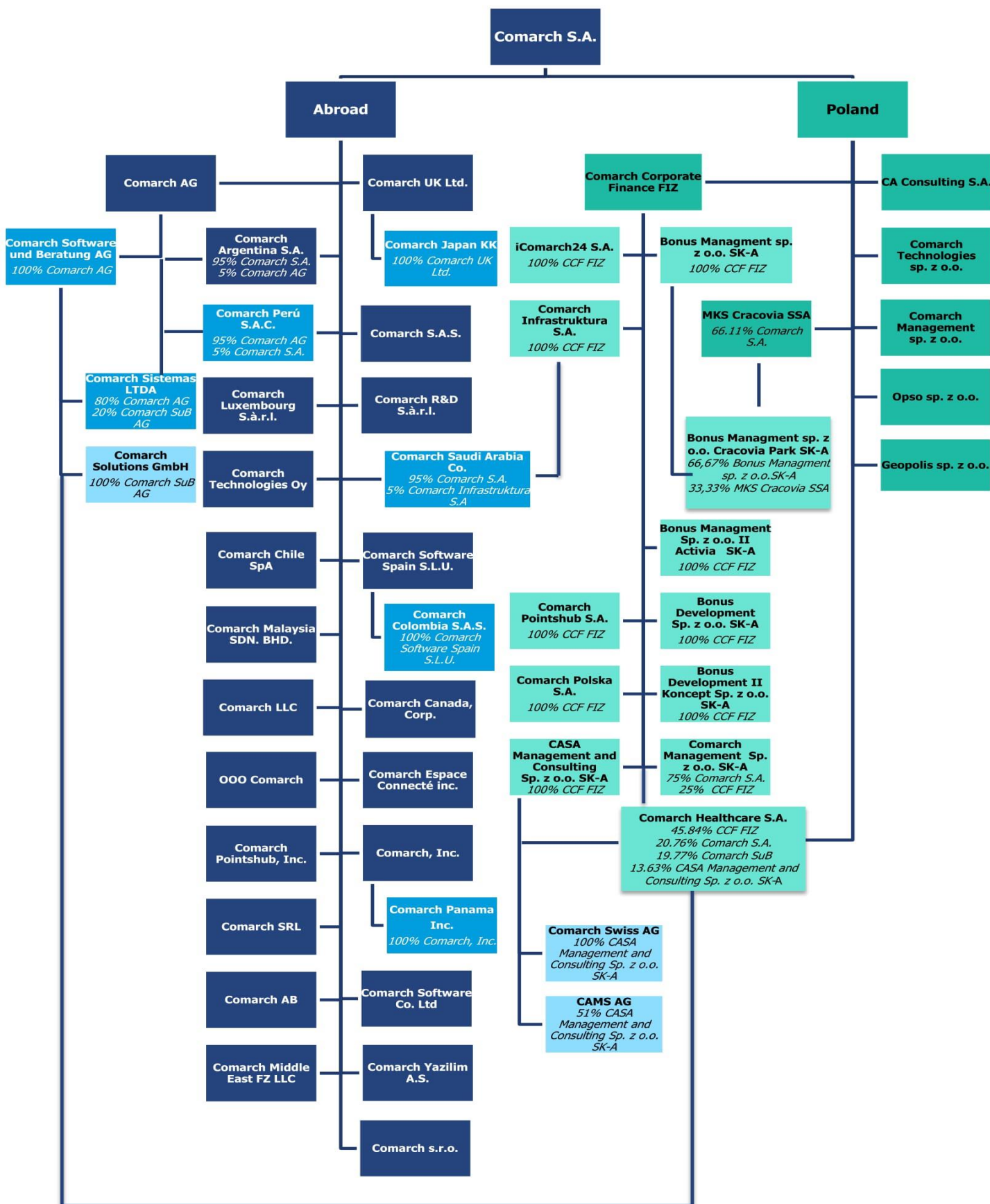


Within the Program of Applied Research the implementation of the project "Research on spatial navigation methods in endoscopic diagnosis of peripheral lung nodule" was continued, in which Comarch Healthcare S.A. is a partner.



20. Capital Affiliations of the Issuer

20.1. Capital Structure of the Comarch Group



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

20.2. Characteristics of Companies in the Comarch Group

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 a 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, XI 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.

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 market, mostly in public sector and executes them in their entirety or in part;
- Comarch Technologies sp. z o.o. is responsible for developing technologies related to design and production of electronic devices and related software;
- CA Consulting S.A. specialises in data communications relating to the provision of connections for the own needs of the Comarch Group, as well as the provision of IT and consulting services for the own needs of the Comarch S.A. and for Comarch's contractor;
- Comarch Corporate Finance Fundusz Inwestycyjny Zamknięty conducts 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. manufactures and sells software related to medicine, medical devices, and provides medical and diagnostics services, as well as manufactures and delivers comprehensive IT solutions for medical 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;
- Geopolis sp. z o.o. implements integrated GIS systems in public administration units;
- 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, wellness and recreation;

- Opso sp. z o.o. provides catering services;
- Comarch s.r.o. is currently not operating.

PARENT COMPANY

Company: **Comarch Spółka Akcyjna COMARCH**
Address: 31-864 Kraków, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 350527377
NIP (Polish Identification Tax Number): 677-00-65-406

The Parent Company - shares of the company are admitted to trading in the Warsaw Stock Exchange and are held, according to the knowledge of the company as at the date of preparation of this report, by Janusz Filipiak (32.88% of shares), Elżbieta Filipiak (10.40% of shares), members of the Management Board (1.13%).

The company has branches in Krakow, Warsaw, Poznań, Gdańsk, Wrocław, Katowice, Gliwice, Rzeszów, Bielsko-Biała, Białystok, Łódź, Lublin, Tarnów, Kielce and Tirana (Albania).

SUBSIDIARIES

Company: **Comarch AG COMARCH**
Address: Chemnitzer Str. 59b, 01187 Dresden, Germany
VAT ID: DE 206 522075

The company's share capital is EUR 15,000,000.00. It consists of 15,000,000 ordinary bearers' shares of nominal value of EUR 1 each, held by Comarch S.A. Total number of votes resulting from Comarch AG shares amounts to 15,000,000. Comarch S.A. holds 100% shares and votes at the company's general annual meeting. The company's business is the sale and implementation of IT solutions Comarch on the DACH market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch AG is Comarch S.A.'s subsidiary.

Company: **Comarch Software und Beratung AG (Comarch SuB) COMARCH**
Address: Riesstr. 16, 80992 Munich, Germany
VAT ID: DE129457436

Comarch AG holds 6,213,072 shares of Comarch SuB, which constitute 100% of the company's share capital. This gives 6,213,072, i.e. 100% share of the total votes at the company's annual general meeting. The company is active on the IT market, mostly in Germany and Austria, offering its products and services to three business segments: ERP, finance and integration of systems for medium sized enterprises. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch SuB is Comarch S.A.'s subsidiary (through Comarch AG).

Company: **Comarch Solutions GmbH COMARCH**
Address: Innsbruck - Müllerstr. 1, 6020 Innsbruck, Austria
VAT ID: ATU46234800

The company's share capital is EUR 50,000.00. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Solutions GmbH is Comarch S.A.'s subsidiary (through Comarch Software und Beratung AG).

Company: **Comarch SAS COMARCH**
Address: 17 rue Paul Langevin, 59260 Lezennes, France
VAT ID: FR 20500252606

Comarch S.A. holds 100% of Comarch SAS shares, that constitute 100% of the share capital and 100% of votes at the meeting of shareholders. The share capital of Comarch SAS amounts to EUR 3,308,429. On 10th of December, 2015, the share capital was lowered to cover losses from previous years and at

the same time share capital was increased to the amount of EUR 3,308,429. On the 10th of December, 2015, the company sold its shares of Comarch R&D SARL to Comarch S.A. The company's business is the sale and implementation of Comarch IT solutions in the French-speaking market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch SAS is a subsidiary of Comarch S.A.

Company: **Comarch R&D S.à r.l. COMARCH**
Address: 100A, allée Saint Exupéry, 38330 Montbonnot-Saint Martin, France
VAT ID: FR 69507984557

From the 10th of December, 2015, Comarch S.A. holds 100% of shares in Comarch R&D SARL, representing 100% of the share capital and 100% votes at the shareholders meeting. The share capital of Comarch R&D S.à r.l. amounts to EUR 7,500 and consists of 750 shares of nominal value of EUR 10 each. The business of Comarch R&D S.à r.l. is sales and implementation of Comarch IT solutions in the French-speaking market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch R&D S.à r.l. is a subsidiary of Comarch S.A.

Company: **Comarch Luxembourg S.à r.l. COMARCH**
Address: Route d'Arlon 23,
L-8008 Strassen, Grand Duchy of Luxembourg
VAT ID: LU24700126

Comarch S.A. holds 100% shares of Comarch Luxembourg S.à r.l., that constitute 100% of the share capital and 100% of votes at the meeting of shareholders. The share capital of Comarch Luxembourg S.à r.l. amounts to EUR 500,000 and consists of 500,000 shares of nominal value of EUR 1 each. Total number of votes at the company's general meeting amounts to 500,000. The subject matter of activities of Comarch Luxembourg S.à r.l. is sales and implementation of IT systems in Benelux countries. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Luxembourg S.à r.l. is Comarch S.A.'s subsidiary.

Company: **Comarch, Inc. COMARCH**
Address: 10 W. 35th St. 9450 W. Bryn Mawr Ave
Suite 325 Rosemont, IL 60018
VAT ID: 52-2207301

The company sells Comarch software and services in the markets of both Americas. The company's share capital is USD 40,000. Comarch S.A. holds 100% of interest in the company's share capital and 100% shares in votes at the AGM of the company. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch, Inc. is Comarch S.A.'s subsidiary.

Company: **Comarch Pointshub, Inc. COMARCH**
Address: 10 W. 35th St. 9450 W. Bryn Mawr Ave
Suite 325, Rosemont, IL 60018
VAT ID: 47-4563861

The subject matter of activities of Comarch Pointshub, Inc. are investment activities on capital and IT market. The company's share capital is USD 8,500,000. Comarch S.A. holds 100% of interest in the company's share capital and 100% shares in votes at the AGM of the company. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch, Pointshub, Inc. is Comarch S.A.'s subsidiary.

Company: **Comarch Panama, Inc. COMARCH**
Address: Calle 52 Este, Obarrio
Edificio P.H. Plaza Ejecutiva
Piso 3, Oficina 307
Panama City, Panamá
Telephone/fax: +507 263 25 69

VAT ID: RUC 698712-1-468218 DV95

The company's share capital is USD 360,000 and is divided into 360,000 shares of nominal value of USD 1 each. The company sells and implements Comarch IT systems in the Central and Southern America market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Panama, Inc. is Comarch S.A.'s subsidiary (through Comarch, Inc.).

Company: **Comarch Sistemas LTDA COMARCH**
Address: Avenida Roque Petroni Junior n° 1.089
Vila Gertrudes, Sao Paulo, Brasil
VAT ID: 20.035.102/0001-50

The company's share capital is BRL 1,000,000 and is divided into 1,000,000 shares of nominal value of BRL 1 each. Comarch AG holds 80% of Comarch Sistemas LTDA shares that constitute 80% of the share capital and 80% of votes at the meeting of shareholders and Comarch Software und Beratung AG holds remaining 20% of Comarch Sistemas LTDA shares. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Sistemas LTDA is Comarch S.A.'s subsidiary (through Comarch Software und Beratung AG).

Company: **Comarch Canada, Corp. COMARCH**
Address: 1155 blvd Rene-Levesque Ouest
Suite 2500, Montreal, QC H3B 2K4 Canada
VAT ID: GST/HST 81055 8403 RT0001

The company's share capital is CAD 50,000 and is divided into 50,000 shares of nominal value of CAD 1 each. Comarch S.A. holds 100% of shares and votes of the company. The company sells and implements Comarch IT systems in Canada. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Canada, Corp. is Comarch S.A.'s subsidiary.

Company: **Comarch Espace Connecté, Inc.**
Address: 1155 Boul. Rene-Levesque O. Suite 2500,
Montreal QC H3B 2K4
VAT ID: 1222643674 IC 0001

The company's share capital is CAD 400,000 and is divided into 400,000 registered shares of nominal value of CAD 1 each. The sole shareholder of Comarch Espace Connecté Inc. is Comarch S.A. Currently, the company does not operate.

Company: **Comarch Middle East FZ-LLC COMARCH**
Address: PO. Box 500824 Dubai, United Arab Emirates
Register no.: 19879

The company's share capital is AED 200,000 and is divided into 200 shares of AED 1,000 each (as at the 31st of December, 2017, AED 1 is worth PLN 0,9591). Comarch S.A. acquired all the shares for cash at nominal value. The company sells and implements Comarch products in the Middle East and supports IT systems delivered to clients. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Middle-East FZ-LLC is Comarch S.A.'s subsidiary.

Company: **Comarch Malaysia SDN. BHD. COMARCH**
Address: B-3A-06 Block B West, PJ8 Service Suites
No 23 Jalan Barat, Seksyen 8, 46050 Petaling Jaya
Register no.: 1138689-D
VAT ID: 000638922752

The company's share capital is MYR 500,000. Comarch S.A. owns 100% share in the share capital, which entitle to 100% votes at the AGM. The company's business is the sale and implementation of Comarch IT solutions in the Asian market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Malaysia SDN.BHD. is Comarch S.A.'s subsidiary.

Company: **Comarch Software Spain S.L.U. COMARCH**
Address: Calle Caléndula, 93, Miniparc III Edificio E, Alcobendas 28109, Madrid,
VAT ID: B87128849

The company's share capital is EUR 1,100,000 and is divided into 110,000 shares of nominal value of EUR 10 each. Comarch S.A. holds 100% of shares in the company's share capital and 100% votes at the AGM of the company. The company's business is the sale and implementation of Comarch IT solutions in the Spanish-speaking markets. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Software Spain S.L.U. is Comarch S.A.'s subsidiary.

Company: **Comarch Yazilim A.S. COMARCH**
Address: Matbuat Sok. Durukan Apt. No:17/6 Esentepe, Şişli/ Stambul, Turkey
VAT ID: 2110683747

The company's share capital is TRY 600,000 (1 TRY amounts to PLN 0.9235 as of the 29th of December, 2017) and is divided into 600,000 shares of nominal value of TRY 1 each. The sole shareholder of the company is Comarch S.A. The company's business is the sale and implementation of Comarch IT solutions in the Turkish market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Yazilim A.S. is Comarch S.A.'s subsidiary.

Company: **Comarch S.R.L. COMARCH**
Address: Piazza Quattro Novembre 7, 20124 - Milan (MI), Italy
VAT ID: 08967390967

The company's share capital is EUR 1,753,386,50. Comarch S.A. holds 100% of the company's shares. The company's business is the sale and implementation of Comarch IT solutions in the Italian market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch S.R.L. is Comarch S.A.'s subsidiary.

Company: **Comarch LLC COMARCH**
Address: 18/7 Kutuzova Str., 01133 Kiev, Ukraine
VAT ID: 329182826556

The company's share capital is UAH 20,500 (as at the 31st of December, 2017, UAH 1 amounts to PLN 0.1236). Comarch S.A. holds 100% of the company's shares that entitle to 100% votes. The registered company is a one-person limited liability company. It sells and implements Comarch products in Ukraine and supports IT systems delivered to clients. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch LLC is Comarch S.A.'s subsidiary.

Company: **OOO Comarch COMARCH**
Address: Bakhrushina 32/1 115054 Moscow, Russia
VAT ID: INN/KPP 7704545099/770401001

The company's share capital is worth RUB 1,200,000 and it corresponds to 1 share at nominal value of RUB 1,200,000 (as at the 31st of December, 2017, RUB 1 amounts to PLN 0.0604). The company's share capital was paid in total in cash. The company sells and implements Comarch products in Russia and supports IT systems delivered to clients. Pursuant to the Act on Accounting dated the 29th of September, 1994, OOO Comarch is Comarch S.A.'s subsidiary.

Company: **Comarch Software (Shanghai) Co. Ltd. COMARCH**
Address: Room 3610-2, Block 11, No.3855 Shangnan Road Pudong New Area, Shanghai, China
VAT ID: 310115690128967

The company's share capital is worth USD 200,000 and Comarch S.A. holds it in total. The company resumed operating activities in 2017. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Software (Shanghai) Co. Ltd. is Comarch S.A.'s subsidiary.

Company: **Comarch Technologies Oy COMARCH**
Address: Tekniikantie 14
02150 Espoo, Finland
VAT ID: FI23730145

The company's share capital is worth EUR 50,000 and is divided into 50,000 shares of nominal value of EUR 1. Total number of votes resulting from all company's shares amounts to 50,000. Comarch S.A. holds 100% of the company's shares that entitle to 100% votes. The company's business is the sale and implementation of Comarch IT solutions in the Finnish market. Pursuant to the Act on Accounting dated 29th of September, 1994, Comarch Technologies Oy is Comarch S.A.'s subsidiary.

Company: **Comarch UK Ltd. COMARCH**
Address: 201 Great Portland Street, London, W1W 5AB, Great Britain
VAT ID: GB 133 0821 52

The company's share capital is GBP 50,000. Comarch S.A. holds 100% of the company's shares that entitle to 100% votes. The company's business is the sale and implementation of Comarch IT solutions in the British market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch UK is Comarch S.A.'s subsidiary.

Company: **Comarch Chile SpA COMARCH**
Address: Apoquindo N° 3650, piso 12 Santiago, Chile
VAT ID:

The company's share capital is CLP 161 million (as at the 31st of December, 2017, CLP 1 amounts to PLN 0.5663). Comarch S.A. holds 100% of the company's shares that entitle to 100% votes. The company's business is the sale and implementation of Comarch IT solutions in the South American market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Chile SpA is Comarch S.A.'s subsidiary.

Company: **Comarch AB COMARCH**
Address: C/o Bobowski, Flygfältsgatan 1, 128 30 Skarpnäck, Sweden
VAT ID: SE559018956801

The company's share capital is SEK 50,000 (as at the 29th of December, 2017, SEK 1 amounts to PLN 0.4243). Comarch S.A. holds 100% of the company's shares that entitle to 100% votes. The company's business is the sale and implementation of Comarch IT solutions in the Swedish market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch AB is Comarch S.A.'s subsidiary.

Company: **Comarch Argentina S.A. COMARCH**
Address: Suipacha 1380, 2° Floor, Buenos Aires, Argentina
CUIT: 30-71425465-7

The company's share capital is ARS 3,298,195 (as at the 31st of December, 2017, ARS 1 amounts to PLN 0.1926). Comarch S.A. holds 95% of the company's shares that entitle to 95% votes and Comarch

AG holds remaining 5% of Comarch Argentina S.A. shares. The company's business is the sale and implementation of Comarch IT solutions in the Argentinean market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Argentina S.A. is Comarch S.A.'s subsidiary.

Company: **Comarch s.r.o. COMARCH**
Address: Sumbalova 1a 841 04 Bratislava, Slovakia

The company's share capital is EUR 149,372.63. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch s.r.o. is Comarch S.A.'s subsidiary. Currently, the company does not operate.

Company: **Comarch Swiss AG COMARCH**
Address: Luzern Mühlemattstraße 8, 6004 Luzern, Switzerland
VAT ID: 472274

The company's share capital is CHF 300,000 and is divided into 300 registered shares of nominal value of CHF 1,000 each. They entitle to 300 votes at the general meeting. 100% of the company's shares were held by Casa Management and Consulting sp. z o.o. SKA. The company sells the Comarch Group's products in Switzerland. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Swiss AG is Comarch S.A.'s subsidiary (through CCF FIZ and CASA Management and Consulting sp. z o.o. SKA).

Company: **CAMS AG COMARCH**
Address: Luzern Mühlemattstraße 8, 6004 Luzern, Switzerland
VAT ID: CHE-273.360.056

The company's share capital is CHF 100,000 and is divided into 1,000 registered shares of nominal value of CHF 100 each. They entitle to 1,000 votes at the general meeting. 51% of the company's shares were held by Casa Management and Consulting sp. z o.o. SKA. Pursuant to the Act on Accounting dated the 29th of September, 1994, CAMS AG is Comarch S.A.'s subsidiary (through CCF FIZ and CASA Management and Consulting sp. z o.o. SKA).

Company: **Comarch Colombia SAS COMARCH**
Address: Calle 72 NO 10-07 Of 603 Bogota D.C.
Bogota, Colombia
VAT ID: NIT 900967807-1

The company's share capital is COP 182,000,000. The company sells and implements Comarch IT systems in the Central and Southern America market. Comarch Software Spain S.L.U. holds 100% of the company's shares that entitle to 100% votes. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Argentina S.A. is Comarch Colombia SAS subsidiary (through Comarch Software Spain S.L.U.).

Company: **Comarch Peru SAC. COMARCH**
Address: Av. Republica de Panama,
3420 Urb. Limatambo Dpto.,
1701 Lima-Lima- San Isidro
VAT ID: 20601740924

The company's share capital is PEN 165,000 of which PEN 8 250 was paid by Comarch S.A. and the other PEN 156 750 by Comarch AG. The company sells and implements Comarch IT systems in the Central and Southern America market. Comarch Software Spain S.L.U. holds 100% of the company's shares that entitle to 100% votes. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Argentina S.A. is Comarch Colombia SAS subsidiary (through Comarch Software Spain S.L.U.).

Company: **Comarch Saudi Arabia Co. COMARCH**
Address: 1st Floor, The Plaza Complex, Olaya Street, Olaya, P.O. Box 84421,
Riyadh 11671, Kingdom of Saudi Arabia
License No.: 210380472112

The company's share capital is SAR 1,000,000. Comarch S.A. holds 95% of Comarch Saudi Arabia Co. shares and Comarch Infrastruktura S.A. holds remaining 5% of Comarch Saudi Arabia Co. shares. The company sells and implements Comarch IT systems in Kingdom of Saudi Arabia. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Saudi Arabia Co. is Comarch S.A.'s subsidiary.

Company: **Comarch Japan KK COMARCH**
Address: Ark Mori Bldg. 12-32, Akasaka 1-Chome, Minato-Ku, Tokyo

The company's share capital is JPY 5,000,000. Comarch UK Ltd holds 100% of Comarch Japan KK shares. The company sells and implements Comarch IT systems in Japan. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Japan KK is Comarch S.A.'s subsidiary (through Comarch UK Ltd).

Company: **Comarch Technologies sp. z o.o. COMARCH**
Address: **(Polish law limited liability Technologies company)**
31-864 Krakow,
Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 300075359
NIP (Polish Identification Tax Number): 2090000305

The company's share capital is PLN 50,000 and is divided into 500 shares of PLN 100 each. They entitle to 500 votes at the company's annual general meeting. Comarch S.A. holds 100% shares which entitle to 100% votes at the company's annual general meeting. Comarch Technologies sp. o.o. is engaged in the development of secure solutions for end-to-end hardware and software for B2B customers. The basis for development is the experience gained in the field of prototyping, production and quality control of solutions in the area of consumer electronics and industries like automotive, medical and finance & banking. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Technologies sp. z o.o. is Comarch S.A.'s subsidiary.

Company: **CA Consulting S.A. CA CONSULTING**
(joint stock company)
Address: Al. Jerozolimskie 81, 02-001 Warsaw
Regon (Polish National Official Register of Business Entities): 356846563
NIP (Polish Identification Tax Number): 678-29-24-039

The company's share capital is PLN 1,050,000 and is divided into 5,250 shares at nominal value of PLN 200 each that give 5,250 votes. Comarch S.A. holds 100% of CA Consulting S.A. shares entitling to 100% votes at the AGM of the company. CA Consulting S.A. specialises in data communications relating to the provision of connections for the own needs of the Comarch Group, as well as the provision of IT and consulting services for Comarch's contractor. Pursuant to the Act on Accounting dated 29th of September, 1994, CA Consulting S.A. is Comarch S.A.'s subsidiary.

Company: **Comarch Management spółka z o. o. COMARCH**
(Polish law limited liability company)
Address: 31-864 Kraków, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120560832
NIP (Polish Identification Tax Number): 675-13-76-192

The share capital of Comarch Management sp. z o.o. amounts to PLN 300,000 and consists of 3,000 shares of nominal value of PLN 100 each. They entitle to 3,000 votes. Comarch S.A. holds 100% of

Comarch Management sp. z o.o. shares entitling to 100% of votes at the shareholders' meeting of the company. The subject matter of activities of Comarch Management sp. z o.o. are investment activities on capital and IT market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Management sp. z o.o. is Comarch S.A.'s subsidiary.

Company: **Comarch Corporate Finance Fundusz Inwestycyjny Zamknięty (CCF FIZ) (closed investment fund)**
Address: 31-038 Krakow, ul. Księcia Józefa 186
Regon (Polish National Official Register of Business Entities): 120576141
NIP (Polish Identification Tax Number): 106-00-01-334

Comarch S.A. holds four investment certificates of the fund, acquired within the frame of issuance of series A certificates for the issue price of PLN 250,000 each. The total purchase price of the acquired 4,000 investment certificates amounted to PLN 1,000,000. They constitute 100% of investment certificates issued by the fund and entitle to 100% of votes at meeting of the fund's investors. Comarch S.A. purchased the above-mentioned investment certificates from its own resources. CCF FIZ conducts an investment activity in the scope of new technologies and Internet services that are not Comarch S.A.'s basic activities.

Company: **Comarch Management spółka z o. o. Spółka Komandytowo-Akcyjna (limited joint-stock partnership) COMARCH**
Address: 31-864 Kraków, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120578542
NIP (Polish Identification Tax Number): 675-13-76-542

The share capital of Comarch Management sp. z o. o. SKA amounts to PLN 170,110. CCF FIZ holds 8.82% of shares entitling to 25% of votes, Comarch S.A. holds 26.45% of shares entitling to 75% of votes and 64.73% of shares were purchased by Comarch Management sp. z o.o. SKA for redemption. Shares purchased by Comarch Management spółka z o.o. SKA for redemption doesn't give any votes. The company conducts investment activity on capital market and activities related to IT. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Management sp. z o.o. SK-A is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Bonus Management sp. z o.o. Spółka Komandytowo-Akcyjna (limited joint-stock partnership) COMARCH**
Address: 31-008 Kraków, ul. Rynek Główny 15
Regon (Polish National Official Register of Business Entities): 120641766
NIP (Polish Identification Tax Number): 676-23-69-528

The company's share capital is PLN 2,879,400 and is divided into 2,876,400 shares of nominal value of PLN 1. CCF FIZ holds 100% of the company's shares which give 100% of votes. The company conducts investment activity on capital market and activities related to IT. Pursuant to the Act on Accounting dated the 29th of September, 1994, Bonus Management sp. z o.o. SKA is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Bonus Management sp. z o.o. II Activia Spółka Komandytowo-Akcyjna (limited joint-stock partnership) COMARCH**
Address: 31-008 Krakow, ul. Rynek Główny 15
Regon (Polish National Official Register of Business Entities): 121358009
NIP (Polish Identification Tax Number): 6762430883

The company's share capital is PLN 1,555,200 and is divided into 1,555,200 shares of nominal value of PLN 1. CCF FIZ holds 100% of the company's shares which give 100% of votes. The company conducts investment activity on capital market and activities related to IT. Pursuant to the Act on Accounting dated the 29th of September, 1994, Bonus Management sp. z o.o. II Activia SK-A is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Bonus Management sp. z o.o. Cracovia Park Spółka Komandytowo-Akcyjna (limited joint-stock partnership)**
COMARCH
Address: 31-008 Krakow, ul. Rynek Główny 15
Regon (Polish National Official Register of Business Entities): 123092610
NIP (Polish Identification Tax Number): 676-24-75-383

With the notarial deed of the 25th of March, 2014, Bonus Management sp. z o.o. Cracovia Park spółka komandytowo-akcyjna was established. Its share capital amounts to PLN 800,000 and is divided into 800,000 shares with nominal value of PLN 1 each. Bonus Management spółka z ograniczoną odpowiedzialnością SKA holds 50% of the share capital (66.67% of votes at the company's AGM) and MKS Cracovia SSA holds 50% of the share capital (33.33% of votes at the company's AGM). Bonus Management sp. z o. o. Cracovia Park SKA conducts investment activities in real estates and related to sports and recreation. Pursuant to the Act on Accounting dated the 29th of September, 1994, Bonus Management sp. z o.o. Cracovia Park SKA is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Bonus Development sp. z o.o. Spółka Komandytowo-Akcyjna (limited joint-stock partnership) COMARCH**
Address: 31-008 Krakow, ul. Rynek Główny 15
Regon (Polish National Official Register of Business Entities): 120637434
NIP (Polish Identification Tax Number): 676-23-68-121

The company's share capital is PLN 5,640,000 and is divided into 5,640,000 shares of nominal value of PLN 1. 50,000 preference series A shares entitle to 100,000 votes and 5,590,000 ordinary shares give 5,590,000 votes. CCF FIZ holds 100% of the company's shares entitling to 100% votes. Bonus Development sp. z o. o. SKA conducts real estate development activities and real estate management in Comarch Group. Pursuant to the Act on Accounting dated the 29th of September, 1994, Bonus Development sp. z o. o. SKA is Comarch S.A.'s subsidiary (through CCF FIZ).


Company: **Bonus Development sp. z o.o. II Koncept Spółka Komandytowo-Akcyjna (limited joint-stock partnership) COMARCH**
Address: 31-008 Krakow, ul. Rynek Główny 15
Regon (Polish National Official Register of Business Entities): 121376250
NIP (Polish Identification Tax Number): 6762432161

The company's share capital is PLN 101,263 and is divided into 101,263 shares of nominal value of PLN 1. CCF FIZ holds 100% of the company's shares entitling to 100% votes. Bonus Development sp. z o. o. II Koncept SK-A acts real estate development activities and real estate management in Comarch Group. Pursuant to the Act on Accounting dated the 29th of September, 1994, Bonus Development sp. z o. o. SK-A is Comarch S.A.'s subsidiary (through CCF FIZ).


Company: **Comarch Healthcare S.A. COMARCH Healthcare (joint stock company)**
Address: 31-864 Krakow, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120652221
NIP (Polish Identification Tax Number): 675-13-82-502

Comarch Healthcare S.A. was created from the merger of iMed24 S.A. and ESAProjekt sp. o.o. (registration in the National Court on the 1st of July, 2015). The company's share capital is PLN 10,114,806 and is divided into 10,114,806 shares of nominal value of PLN 1. These shares entitles to a total of 10,114,806 votes at the general meeting of shareholders. CCF FIZ holds 45.83% of the company's shares (45.83% of votes), Comarch S.A. holds 20.76% of the company's shares (20.76% of votes), Comarch Software und Beratung AG holds 19.77% of the company's shares (19.77% of votes) and CASA Management and Consulting sp. z o.o. SKA holds 13.63% of shares (13.63% of votes). The

company is one of the leading Polish manufacturers and suppliers of comprehensive solutions for the health sector, conducts IT projects related to telemedicine, as well as owns the Medical Centre iMed24. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Healthcare S.A. is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Comarch Polska S.A.** 
(joint stock company)
Address: 31-864 Krakow, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120705696
NIP (Polish Identification Tax Number): 675-13-87-586

The company's share capital is PLN 500,000 and is divided into 5,000 shares of nominal value of PLN 100, entitling to 5,000 votes at the AGM. CCF FIZ holds 100% of the company's shares (100% of votes). Comarch Polska S.A. sells IT systems for public sector customers. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Polska S.A. is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Comarch Pointshub S.A.** 
(joint stock company)
Address: 31-864 Krakow, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120792583
NIP (Polish Identification Tax Number): 675-14-02-274

The company's share capital is PLN 750,000 and is divided into 7,500 shares of nominal value of PLN 100, entitling to 7,500 votes at the AGM. CCF FIZ holds 100% of the company's shares (100% of votes). Comarch Pointshub S.A. produces and implements new generation loyalty. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Pointshub S.A. is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Comarch Infrastruktura S.A. (joint stock company)** 
Address: 31-864 Krakow, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120807830
NIP (Polish Identification Tax Number): 675-14-03-084

The company's share capital is PLN 575,000 and is divided into 5,750 shares of nominal value of PLN 100, entitling to 5,750 votes. CCF FIZ holds 100% of the company's shares (100% of votes). Comarch Infrastruktura S.A. offers outsourcing of IT services. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Infrastruktura S.A. is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **iComarch24 S.A. (joint stock company)** 
Address: 31-864 Krakow, Aleja Jana Pawła II 39 a
Regon (Polish National Official Register of Business Entities): 120871348
NIP (Polish Identification Tax Number): 6751410687

The company's share capital is PLN 500,000 and is divided into 5,000 shares of nominal value of PLN 100, entitling to 5,000 votes. CCF FIZ holds 100% of the company's shares (100% of votes). The company provides accounting services for domestic subsidiaries of Comarch Group as well as manufactures and sells financial and accounting software in the Cloud model for small and medium-sized enterprises. Pursuant to the Act on Accounting dated the 29th of September, 1994, iComarch24 S.A. is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **CASA Management and Consulting sp. z o.o. Spółka Komandytowo-Akcyjna (limited joint-stock partnership)**

Address: ul. Szarskiego 18, 30-698 Krakow

Regon (Polish National Official Register of Business Entities): 121040023

NIP (Polish Identification Tax Number): 6793020643

The company's share capital is PLN 3,114,000 and is divided into 31,140 shares of nominal value of PLN 100, entitling to 31,140 votes. CCF FIZ holds 100% of the company's shares (100% of votes). CASA Management and Consulting sp. z o.o. SK-A conducts investment activity on capital market. Pursuant to the Act on Accounting dated the 29th of September, 1994, CASA Management and Consulting sp. z o.o. SKA is Comarch S.A.'s subsidiary (through CCF FIZ).

Company: **Geopolis Sp. z o.o.** 
(Polish law limited liability company)

Address: ul. Włocławska 167, 87-100 Toruń
Regon (Polish National Official Register of Business Entities): 146720793
NIP (Polish Identification Tax Number): 524-276-02-89

The company's share capital is PLN 50,000. Comarch S.A. holds 100% of Geopolis sp. z o.o. Geopolis sp. z o.o. supports informatization in public administration units by creating and implementing integrated registers and records of a spatial nature, systems for managing of state surveying and cartographic resource database as well as geoportals. Pursuant to the Act on Accounting dated the 29th of September, 1994, Comarch Saudi Arabia Co. is Comarch S.A.'s subsidiary.

Company: **Opso sp. z o.o.**
(Polish law limited liability company)

Address: 31-864 Krakow, ul. prof. Michała Życzkowskiego 23
Regon (Polish National Official Register of Business Entities): 122485307
NIP (Polish Identification Tax Number): 675-147-11-92

The share capital of Opso sp. z o.o. amounts to PLN 205,000 and consists of 100 shares at nominal value of PLN 2,050 each, entitling to 100 votes. Comarch S.A. holds 100% of Opso sp. z o.o. shares entitling to 100% votes at the AGM of the company. Opso sp. z o.o. provides catering services. Pursuant to the Act on Accounting dated 29th of September, 1994, Opso sp. z o.o. is Comarch S.A.'s subsidiary.



shares
Opso

Company: **Miejski Klub Sportowy Cracovia Sportowa Spółka Akcyjna**
(Polish city sports club)

Address: 30-111 Krakow, ul. Kałuży 1
Regon (Polish National Official Register of Business Entities): 351553230
NIP (Polish Identification Tax Number): 677-20-79-476



The share capital of MKS Cracovia SSA is 21,840,100 PLN and is divided into 218,401 shares. Comarch S.A. holds 144,381 shares and 144,381 votes at the AGM of MKS Cracovia SSA that constitute 66.11% of the company's share capital. The company conducts sports activities. Pursuant to the Act on Accounting dated the 29th of September, 1994, MKS Cracovia SSA is Comarch S.A.'s subsidiary.

ASSOCIATES


Company: **SoInteractive S.A.**  sointeractive
(joint stock company)

Address: 31-864 Krakow, ul. Prof. Michała Życzkowskiego 29 a
Regon (Polish National Official Register of Business Entities): 120629191
NIP (Polish Identification Tax Number): 676-23-66-843

The company's share capital is PLN 791,000 and is divided into 7,910 shares of nominal value of PLN 100, entitling to 12,420 votes. CCF FIZ holds 25.28% of the company's shares, which give 16.1% of votes. Bonus Management sp. z o.o. II Activia SKA holds 17.7% of the company's shares, which give 11.27% of votes. The Company's business is to create gamification solutions B2C, B2B and B2E and mechanisms of games and the Internet of Things. Pursuant to the Act on Accounting dated the 29th of September, 1994, SoInteractive S.A. is Comarch S.A.'s associate.

Company: **Metrum Capital S.A. (Volatech Capital Advisors S.A.)
(joint stock company)**
Address: ul. Kałuży 1, 30-111 Krakow
Regon (Polish National Official Register of Business Entities): 0000502255
NIP (Polish Identification Tax Number): 6772380164

The company's share capital is PLN 700,000. Comarch S.A. holds 21.43% of the share capital (15.79% of votes at the company's AGM) and CAMS AG holds 42.86% of the share capital (31.58% of votes at the company's AGM). The Company's business is the production IT software that supports investments in the capital market. Pursuant to the Act on Accounting dated the 29th of September, 1994, Metrum Capital S.A. is Comarch S.A.'s associate (directly and through CCF FIZ).

Company: **Thanks Again LLC** 
Address: 1015 Tyrone Road, Suite 820, Tyrone, GA 30290
Regon (Polish National Official Register of Business Entities): 120629191
NIP (Polish Identification Tax Number): 676-23-66-843

Comarch S.A. holds 42.5% of Thanks Again LLC shares (42.5% of votes). Thanks Again LLC is an operator of loyalty systems for airports in North America. Pursuant to the Act on Accounting dated the 29th of September, 1994, Thanks Again LLC is Comarch S.A.'s associate (through Comarch Pointshub Inc.).

20.3. Changes in Ownership and Organisational Structure in 2017

On the 19th March, 2017, a company Comarch Saudi Arabia Co. headquartered in Riyadh, was registered. The share capital of the company amounts to SAR 1 million and consists of 1,000 shares with a nominal value of SAR 1,000 each. Comarch S.A. owns a 95% of shares, while Comarch Infrastruktura S.A. owns 5% of shares of Comarch Saudi Arabia Co.

On the 27th of March, 2017, the Extraordinary General Meeting of Comarch Healthcare S.A. has adopted a resolution about the increase of the share capital by PLN 2,000 thousand, i.e. from PLN 8,114.806 thousand to PLN 10,114.806 thousand. Comarch Software und Beratung AG acquired in its entirety a new share issue, i.e. 2 million shares with a nominal value of PLN 1.00 and an issue price of PLN 10.00 per share. On the 24th of July, 2017, a mentioned share capital increase was registered in the National Court.

On 3rd of April, 2017 Comarch S.A. acquired 100% of shares of Geopolis sp. z o.o., acquired the whole copyrights to the ERGO software which belongs to the Geopolis sp. z o.o. and committed itself to recapitalization of Geopolis sp. z o.o. by PLN 4 million, what took place in April. The total value of the transactions amounted to PLN 8.05 million. Geopolis sp. z o.o. supports informatization in public administration units by creating and implementing integrated registers and records of a spatial nature, systems for managing of state surveying and cartographic resource database as well as geoportals. Acquiring of Geopolis sp. z o.o. will allow Comarch Group to expand the product portfolio dedicated to the public sector. Comarch S.A. announced details in current reports no. [RB-2-2017](#) (ENG: [RB-2-2017](#)) dated the 17th of March, 2017, no. [RB-4-2017](#) (ENG: [RB-4-2017](#)) dated the 31st of March, 2017 and no. [RB-5-2017](#) (ENG: [RB-5-2017](#)) dated the 4th of April, 2017. On the 10th of April, 2017, the Extraordinary

General Shareholders Meeting of Geopolis Sp. z o.o. adopted a resolution on the increase of share capital from PLN 50,000 to PLN 450,000 through the issue of 800 new interests with a nominal value of PLN 500 each. New interests were acquired in full by Comarch S.A., the only shareholder of Geopolis Sp. z o.o.. On the 31st of August, 2017, the capital increase was registered. The share capital consists of 900 shares and is worth PLN 450,000.

On the 5th of July, 2017, Comarch S.A. paid EUR 600,000 by way of an increase in the share capital in Comarch Software Spain S.L.U.

On the 7th of July, 2017, a company Comarch Japan KK headquartered in Tokyo was registered. The share capital of the company amounts to JPY 5 million and consists of 100 shares with a nominal value of JPY 50,000 each. Comarch UK owns a 100% of shares and votes.

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.

20.4. Changes in Ownership and Organisational Structure in Comarch Group after the Balance Sheet Date

On the 22nd of March, 2018, the Extraordinary General Shareholders Meeting of Comarch Healthcare S.A. has adopted a resolution about the increase of the share capital by PLN 2,000 thousand, i.e. from PLN 10,114,806 to PLN 12,114,806. Comarch Software und Beratung AG acquired in its entirety a new share issue, i.e. 2 million shares with a nominal value of PLN 1.00 and an issue price of PLN 10.00 per share. Until the date of publication of this report the capital increase has not been registered.

21. Non-Financial Data Report

On 27th of April, 2018, the Company has published on the website www.comarch.pl Consolidated Non-Financial Data Report for 2017.

22. Transactions Concluded by the Issuer or its Subsidiary with Related Parties on Terms Different from Market Conditions

None present.

23. Commentary on Differences between Financial Results Presented in Annual Report and Results Forecast for the Given Year Published Before

The Group has not published the results forecast for 2017.

24. Factors and Events of Unusual Nature that Affect the Issuer Activities and the Achieved Results, as well as Their Appraisal

24.1. Deferred Income Tax Asset

During 2017, an asset due to activities in SEZ created as at the 31st of December, 2016, has been resolved in the amount of PLN 9,936 thousand (caused a decrease in the financial result). At the same time, an asset in the amount of PLN 8,863 thousand was created, which will be realized successively (as write-offs diminishing net profit of the Group) in proportion to the generation of tax income by Comarch S.A. achieved on exempt activities over 2018.

Over 2017, the Group made in part a settlement of deferred tax asset related to temporary differences created on the 31st of December, 2016, in the amount of PLN 6,059 thousand and a deferred tax asset related to temporary differences was created in the amount of PLN 4,556 thousand and also recognition and dissolution of an asset due to tax loss in the amount of minus PLN 1,194 thousand. The total effect of the above-mentioned operations on the net result of 2017 amounted to minus PLN 3,770 thousand.

Due to valuation of net assets of CCF FIZ, in 2017, the Group dissolved in part a deferred tax provision, which was recognised in the previous years and was worth PLN 445 thousand. At the same time, a deferred tax provision due to temporary differences was recognised in the amount of PLN 4,921 thousand and dissolved in the amount of PLN 2,658 thousand. The total effect of the all above-mentioned operations on the net result of 2017 was minus PLN 1,818 thousand.

In total, changes in deferred tax resulted in a decrease in result of PLN 5,588 thousand.

24.2. Valuation of Currency Translation Differences

Realised exchange differences and balance sheet valuation of exchange differences on receivables and liabilities as of the 31st of December, 2017, decreased revenue and operating result of the Comarch Group by PLN 19,305 thousand (while for 2016 increased by PLN 6,795 thousand). Other exchange differences increased by PLN 6,849 thousand Comarch's result (while for 2016 decreased by PLN 3,796 thousand). Total currency translation differences resulted in a decrease of PLN 12,456 thousand in the Comarch Group's net result for 2017 (while for 2016 increased by PLN 2,999 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 12,037 thousand (plus PLN 3,789 thousand in 2016).

24.3. Write-off Revaluating Receivables

As at the 31st of December, 2017, the Group recognized an impairment loss of trade receivables in the amount of PLN 6,394 thousand and reversed previously created write-offs in the amount of PLN 4,222 thousand due to the settlement of debts. These operations were included respectively in other operating income and expenses in the profit and loss account.

25. Changes in Methods of Company Management and Its Capital Group Management

None present.

26. Description of the Main Capital Deposits or the Main Capital Investments Made within the Comarch Group in the Given Year

They were described in point [12](#).

27. Data Referring to the Agreement Signed with the Entity Entitled to Audit Financial Statements

On the 29th of May, 2017, the Management Board of Comarch S.A. informed that, pursuant to art. 19 sec. 2 point 5) of the company's articles of association, the Supervisory Board selected BDO Sp. z o.o. with its registered office in Warsaw at ul. Postępu 12 (KRS 0000293339) to audit the financial statements and approved of the conclusion of the Agreement between Comarch S.A. and BDO Sp. z o.o., in dealing with:

- a) review of Comarch S.A. financial statement and the consolidated financial statement of the Comarch Group as of the 30th of June, 2017,
- b) audit of Comarch S.A. annual financial statement and the annual consolidated financial statement of the Comarch Group as of the 31st of December, 2017,
- c) review of Comarch S.A. financial statement and the consolidated financial statement of the Comarch Group as of the 30th of June, 2018,
- d) audit of Comarch S.A. annual financial statement and the annual consolidated financial statement of the Comarch Group as of the 31st of December, 2018.

The Company announced details in current report no. [RB-11-2017](#), ENG: [RB-11-2017](#), dated the 29th of May, 2017.

The total net remuneration due on account of reviewing the above-mentioned financial statements was as follows:

No	Types of services	Remuneration (net value)- paid	Remuneration (net value)- due
2017			
BDO Spółka z ograniczoną odpowiedzialnością			
1.	Obligatory audit of annual financial statements for 2017	40,000.00	60,000.00
2.	Review of half-year financial statement for H1 2017 and agreed additional costs related to consolidation process	50,000.00	-
3.	Other services for Comarch S.A.	-	-
4.	Audit of annual financial statements of CA Consulting S.A., Comarch Polska S.A., Comarch Healthcare S.A., Comarch Technologies Sp. z o.o., Comarch Management Sp. z o.o S.K.A., Comarch Infrastruktura S.A., iComarch24 S.A., MKS Cracovia SSA, Comarch Pointshub S.A. for 2017	14,800.00	40,200
BDO Accountants Burg. CVBA			
1.	Other services for Comarch AG Belgian Branch	9,550.00	-
2016			
BDO Spółka z ograniczoną odpowiedzialnością			
1.	Other services for Comarch S.A.	2,150.00	-
2.	Audit of annual financial statements of CA Consulting S.A., Comarch Management Sp. z	54,000.00	-

o.o S.K.A., Comarch Infrastruktura S.A.,
iComarch24 S.A., MKS Cracovia SSA for 2016

BDO Accountants Burg. CVBA

1. Other services for Comarch AG Belgian Branch	1,125.00	-
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Deloitte Polska Spółka z ograniczoną odpowiedzialnością sp. k.

1. Obligatory audit of annual financial statements for 2016	135,000.00	-
2. Review of half-year financial statement for H1 2016 and agreed additional costs related to consolidation process	80,000.00	-
3. Other services for Comarch S.A.	8,000.00	-
4. Other services for other entities in Comarch Group	15,000.00	-

28. Systems that Control Employees Shares Programmes

None present.

29. Description of Company's policy in the field of business sponsorship and charity

Socially responsible business is, in an appreciable extent, based on activities for the benefit of the local community. Comarch Capital Group from the beginning of its activity has been widely involved in social activities, propagating the idea of creating a broad social platform, on the grounds of which sport and the latest IT technologies are promoted. Activities that promote a healthy lifestyle and environmental protection, help animals, as well as involvement in culture and supporting initiatives of local communities are also important.

COMARCH FOR CULTURE

Cooperation of Comarch S.A. and the St. Mary's church in Kraków under the project of revitalizing the musical space in the church.

Comarch S.A. has also made a significant donation for the renovation of organs in the St. Mary's church in Kraków and will be a co-founder of the new instrument and the entire project of revitalizing the musical space in the church.

*- Comarch is increasingly implementing the policy of corporate social responsibility and is involved in activities for the protection and reconstruction of national heritage. We are a company from Krakow and we want this city to develop as a meeting place for lovers of broadly understood culture from around the world. That is why for several years we have been supporting organ music concerts in the St. Mary's Church, which gather crowds of music lovers. The basilica is the heart and symbol of Krakow, and the bugle call played from the St. Mary's tower is heard every day by residents from all over Poland and beyond. It's time that the sound of the organs would sound with perfection due to this place - says **prof. Janusz Filipiak, founder and president of Comarch S.A.***

Another year in a row Comarch S.A. sponsored an event which became a part of Krakow's cultural calendar - the concert of Last Night of the Proms, and also another edition of the St. Mary's Organ Festival. The Krakow company has sponsored this musical event from the very beginning of its existence.

COMARCH CARES GRANT COMPETITION

Two editions of the #ComarchCares grant competition were held in 2017. Teams of employees of Comarch S.A. together with the selected institution could submit competition projects supporting local communities and contributing to solving problems in such areas as: new technologies, ecology and animal protection, culture, education, sport, addiction prevention, activities for the disabled, children and youth socially excluded, seniors. Last year, four projects received grants in the amount of PLN 2,500.

CHRISTMAS COLLECTIONS FOR LOCAL COMMUNITIES

In 2017, as in 2016, employees from Polish Comarch companies in branches throughout Poland joined the organization of holiday collections for people in need.

HELP FOR ANIMALS

During annual charity campaigns, employees of Polish Comarch Capital Group companies also remember about homeless animals. In 2017, were held once again, in the headquarters of the company in Krakow and several branches in Poland, material collections for shelters or foundations to help quadrupeds. In 2017, 11 institutions throughout Poland received support.

WE MADE KRAKÓW GREEN

250 seedlings of yews were planted by Comarch S.A. employees together with their families in the Florianka Garden in the Planty Park in Krakow. The campaign organized together with the Municipal Greenery Management will be continued in the future.

PULARIZATION OF SCIENCE

From the beginning of its activity, Comarch Capital Group has been actively cooperating with schools, universities and other educational institutions. In individual branches, employees create initiatives that involve spending time on students at dedicated courses or occasional meetings.

The company continues the program to start a career in the IT industry for students. In 2017 the 15th edition of the summer internship for students of IT and related fields was held. In addition, Comarch S.A., for the third time, joined the organization of the Małopolska Noc Naukowców.

SPORT AND HEALTHY LIFESTYLE

The Polish companies of the Comarch Capital Group have been involved in the promotion of sport among young people and residents of the Małopolska province for almost 25 years, mainly through the sponsorship of the Cracovia Sport Club by Comarch S.A. It also promotes a healthy and active lifestyle among its employees.

In Poland, Comarch encourages employees to come by bicycle to work, providing bicycle infrastructure and occasional bicycle-related activities. During the annual "Bicycle Breakfast" event, employees who came to work by bicycle on that day received a healthy snack. During the annual, large outdoor event for company employees and their families, sports competitions are organized. Many sporting events are also accompanied by sports activities. The Comarch Capital Group also encourages its employees to participate in outdoor sports events. Income from many of them is transferred for social purposes.

In 2017, the employees of the Comarch Capital Group companies in Poland participated in several running events in Poland, as well as volleyball and football competitions. Once again they tried their strength during Dragon Boat training.

In the summer of 2017, employees of the Comarch Capital Group companies in Poland have been able to face the training challenges of the ComarchONrun cross-country races, the ComarchONbike and ComarchONmove cycling competition for the third time.

The Comarch Recreation Centre is at the disposal of employees of the Comarch Capital Group companies in Krakow and their families.

30. Significant Legal, Arbitration or Administrative Proceedings

30.1. Proceedings Related to Liabilities or Receivables of the Issuer or a Subsidiary, which Value Constitutes at least 10% of Equities

None present.

30.2. Two or More Proceedings Related to Liabilities or Receivables of Issuer's or a Subsidiary, which Total Value Constitutes at least 10% of Equities and the Issuer's Opinion on the Matter

The Comarch Group is the defendant in legal proceedings, in which the potential total amount of third party claims is PLN 51,394 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 2,127 thousand. 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.

Kraków, 27th of April, 2018

Name and surname	Position	Signature
Janusz Filipiak	President of the Management Board	
Marcin Dąbrowski	Vice-President of the Management Board	
Paweł Prokop	Vice-President of the Management Board	
Andrzej Przewięźlikowski	Vice-President of the Management Board	
Zbigniew Rymarczyk	Vice-President of the Management Board	
Konrad Tarański	Vice-President of the Management Board	
Marcin Warwas	Vice-President of the Management Board	

Comarch S.A.

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The Management Board's statement regarding the independent auditor

The Management Board of Comarch S.A. states that the entity entitled to audit financial statements, that audited the annual consolidated financial statement for the year 2017 was selected compliant with the law and that the entity and expert auditors who audited this statement perform under conditions to provide an unbiased and independent opinion on the audited annual consolidated financial statement, compliant with the binding law and professional standards.

Kraków, 27th April, 2018

NAME AND SURNAME	POSITION	SIGNATURE
Janusz Filipiak	President of the Management Board	
Marcin Dąbrowski	Vice-President of the Management Board	
Paweł Prokop	Vice-President of the Management Board	
Andrzej Przewięźlikowski	Vice-President of the Management Board	
Zbigniew Rymarczyk	Vice-President of the Management Board	
Konrad Tarański	Vice-President of the Management Board	
Marcin Warwas	Vice-President of the Management Board	

The Management Board's statement regarding the reliability of the financial statement

The Management Board of Comarch S.A. states that to the best of our knowledge, the annual consolidated financial statement for the year 2017 and comparable data are prepared compliant with binding accounting principles and present the true, fair and clear financial standing of the issuer and its financial results. Furthermore, the annual report regarding the issuer's activities truly describes the development image and achievements as well as the issuer's situation including basic threats and risk.

Kraków, 27th of April, 2018

Name and surname	Position	Signature
Janusz Filipiak	President of the Management Board	
Marcin Dąbrowski	Vice-President of the Management Board	
Paweł Prokop	Vice-President of the Management Board	
Andrzej Przewięźlikowski	Vice-President of the Management Board	
Zbigniew Rymarczyk	Vice-President of the Management Board	
Konrad Tarański	Vice-President of the Management Board	
Marcin Warwas	Vice-President of the Management Board	

REPORT OF COMARCH S.A.'s MANAGEMENT BOARD REGARDING THE ACCEPTANCE OF CORPORATE GOVERNANCE PRINCIPLES IN 2017

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Statement of the Management Board of Comarch S.A. on the application in the Company of corporate governance rules in accordance with § 91 section 5 point 4 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.

1. Corporate Governance Principles that Apply to an Issuer

Comarch S.A., a company listed on the Warsaw Stock Exchange, was in 2017 a subject to the corporate governance principles set out in the document "Best Practices of WSE Listed Companies 2016" (Annex to Resolution of the WSE Council No 26/1413/2015 of the 13th October 2015). The rules are available on the website https://www.gpw.pl/pub/GPW/files/PDF/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf (https://www.gpw.pl/pub/GPW/o-nas/DPSN2016_EN.pdf) which is the official website of the Warsaw Stock Exchange devoted to these issues.

The Best Practices include six sections:

- Disclosure Policy, Investor Communications,
- Management Board, Supervisory Board,
- Internal Systems and Functions,
- General Meeting, Shareholder Relations,
- Conflict of Interest, Related Party Transactions,
- Remuneration.

Pursuant to § 29, section 5 of the Rules of the Warsaw Stock Exchange, the Management Board of Comarch S.A. presented declaration of the Management Board regarding the acceptance of the corporate governance principles in the Company in 2016 as attachment to the annual statement published on 28th of April, 2017.

Additionally, on 29th of April, 2016, the Management Board of Comarch S.A. presented statement of the Company's compliance with the corporate governance recommendations and principles contained in the Best Practices of WSE Listed Companies 2016 which is available at <http://www.comarch.pl/relacje-inwestorskie/lad-korporacyjny/> (<http://www.comarch.com/investors/corporate-governance/>).

2. Recommendations for Corporate Governance Principles not Implemented by the Issuer along with an Explanation of the Circumstances and Reasons surrounding the Decision not to Implement a Particular Principle

a) Recommendations for Best Practices of Listed Companies

IV.R.2. f justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) real-life broadcast of the general meeting,*
- 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting,*
- 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.*

The principle is not applied in full by the Company. A shareholder may participate in a General Meeting and exercise voting right personally or by proxy. Power of attorney to participate in the General Meeting

and to exercise a voting right should be granted in writing or in electronic form. Power of attorney in electronic form does not require safe electronic signature verified with the valid classified certificate. The Company does not provide the possibility of voting by correspondence, voting using means of electronic communication or participating in the General Meeting using means of electronic communication, however enables on-line broadcasts of General Meetings over the Internet real-time bilateral communication. Due to the current shareholding structure (relatively little dispersed ownership), in the Company's opinion, currently there is no reason to implement voting by correspondence using means of electronic communication.

b) Detailed Principles for Best Practices of Listed Companies

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system,*
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group,*
- 3) information about non-financial remuneration components due to each management board member and key manager,*
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence,*
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.*

In terms of disclosures of remuneration the Company applies generally applicable laws. The Company complies with the principle VI.Z.4 partially. Comarch SA has a remuneration policy which defines the form, structure and level of remuneration of the Company's employees, including members of Management and Supervisory Boards. The remuneration of the members of the Management Board is determined by the Supervisory Board on the basis of qualifications, experience and responsibilities of a Board member. Remunerations of the Management Board members include variable components, the amount of which depends on the financial performance and the degree of implementation of goals designated by the Supervisory Board. The remuneration of the Management Board members is paid by the Company and the subsidiaries, depending on the degree of involvement in the operations of individual subsidiaries. Remuneration of the Supervisory Board members is determined by General Meeting of Shareholders and it does not contain variable components. The Company presents in annual reports the amount of total remuneration of Management Board members (without division into fixed and variable components) and the Supervisory Board members, in division for paid by the Company and jointly by the other Group entities.

3. Shareholders Holding Directly or Indirectly Significant Shares in Votes at the General Shareholders Meeting as at 27th of April, 2018

Shareholders	Number of shares	% of share capital	Number of votes at the Company's AGM	% of votes at the Company's AGM
Janusz Filipiak	1,997,027	24.55	5,569,027	36.82
Elżbieta Filipiak	1,323,461	16.27	4,707,461	31.12
Other members of the Board	84,146	1.04	121,746	0.80
MetLife OFE	841,097	10.34	841,097	5.56
Other shareholders	3,887,618	47.80	3,887,618	25.70
Total	8,133,349	100.00	15,126,949	100.00

4. Owners of Securities Entitling them to Special Control Rights as well as a Description of these Rights

Janusz Filipiak, President of the Management Board, holds 893,000 registered share preference votes (1:5). These entitle him to 4,465,000 votes at the company's general shareholders' meeting. Elżbieta Filipiak, Chairman of the Supervisory Board, holds 846,000 registered share preference votes (1:5). These entitle her to 4,230,000 votes at the Company's general shareholders' meeting. Paweł Prokop, Vice-President of the Management Board, holds 9,400 registered share preference votes (1:5). These entitle him to 47,000 votes at the Company's general shareholders' meeting.

5. All Restrictions Relating to Execution of Voting Rights, i.e. Restriction of Voting Rights through Holding a Particular Share or Number of Votes, Time Restrictions regarding Voting Rights or Records according to which, in Collaboration with the Company, Capital Rights Related to Securities are Separated from Securities Holdings

None present.

6. All Restrictions Regarding Transferring the Holding Rights of an Issuer's Securities

According to art. 8 point 7 of Comarch S.A.'s Articles of Association

„7. Disposing registered shares requires consent of the Management Board provided in writing. In case of refusal of disposing, the Management, within 2 months of filing with the Company of the intention of assigning shares, appoints the purchaser and price of shares. Price of shares may not be lower than average stock exchange price from the three recent months preceding the month of filing, provided that shares of the Company are in stock exchange trading. Otherwise, price of shares may not be lower than the book value per share as of the last balance sheet date. Price is due within one month of the date of resolution of the Management indicating the purchaser of shares.”

7. Principles for the Appointing and Dismissing of Management and their Rights, notably the Right for Decision Making on Shares Issue or Buyout

a) Principles for Appointing and Dismissing

According to the Articles of Association of the Company, the Management Board of the Company consists of 2 to 8 persons appointed and dismissed by the Annual General Meeting. Members of the Management Board are appointed for the common term of office of three years. The AGM defines salaries for the Management Board, provided that this competency may be passed on in part or in entirety to the Supervisory Board. The Supervisory Board suspends on important reasons, selected or all members of the Management Board in their duties and delegating members of the Supervisory Board for the period not longer than 3 months for temporary execution of activities of those members of the Management Board who have been dismissed, who resigned or who cannot execute their duties on other reasons.

b) Rights according to art. 9, 20 - 22 of the Comarch S.A.'s Articles of Association and the Commercial Companies Code

- The Management Board may appoint proxies.
- President of the Management Board single-handedly or two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorised for making statements on behalf of the Company and representing the Company in Court and off Court.
- In agreements between the Company and members of the Management Board and in disputes with them, the Company is represented by the Supervisory Board or by a proxy appointed with a resolution of the General Meeting. The Supervisory Board may authorise, by way of a resolution, one or more members of the Supervisory Board to perform such legal actions.
- The Management Board defines internal organisation of the Company.
- According to art. 445 and 446 of the Commercial Companies Code, the General Meeting passes a resolution on amendments to the statutes, providing for the authorisation for the management board to increase the share capital within the limits of the authorised capital. According to art. 9 sec. point 5 of the Comarch S.A.'s Articles of Association, within the target capital, the Management Board of the Company may issue shares only in conversion for cash contributions and may not issue preferential shares or allocate personal rights for the shareholder, referred to in Article 354 of the Code of Trade Companies. In the scope of all the issues related to increasing the share capital within the target capital, in particular on excluding or limiting collection right and determining the issue price, obtaining consent of the Supervisory Board is required

8. Description of Principles for Changes in Articles of Association

A General shareholders' Meeting may pass a resolution regarding changes in articles of association, including an increase or a decrease in share capital, and a resolution on a significant change in the Company's subject matter.

9. Description of Operating Principles for General Meetings and Their Essential Rights and Shareholders' Rights as well as Modality, in particular Principles resulting from Rules for General Shareholders' Meeting if such Rules were passed, unless these Information Results from Law

1. Annual General Shareholders' Meetings may be ordinary or extraordinary.
2. An ordinary General Meeting of the Management Board shall be called no later than the end of June each year.

3. General meetings shall be called in accordance with the Polish Commercial Companies Code, the Company's Articles of Association and with the Rules for General Shareholders' Meeting dated the 28th of June, 2010.
4. Meetings shall take place at the Company's headquarters.
5. At least two members of the Company's Management Board and at least two members of its Supervisory Board should take part in the Annual General Shareholders' Meeting.
6. If the subject of debate is to concern the financial affairs of the Company an auditor shall be present.
7. Representatives of the media may attend the General Shareholders' Meeting as observers.
8. Only persons who are Company's shareholders 16 (sixteen) days prior the date of the General Meeting are entitled to participate in the General Meeting.
9. Shareholders who are physical persons may take part in the Annual General Shareholders' Meeting as well as exercise their right to vote themselves or via a proxy.
10. Shareholders who are not physical persons may take part in the Annual General Shareholders' Meeting as well as exercise their right to vote via a person empowered to submit a declaration of intent in their name, or via a proxy.
11. The chairman of the Annual General Shareholders' Meeting conducts debates, takes decisions in matters of the agenda and procedure, and is authorized to interpret the present rules.
12. The duties of the chairman of the Annual General Shareholders' Meeting include:
 - Ensuring that debates are conducted in accordance with the agenda and procedure as stipulated,
 - Directing the debate: deciding who shall speak and in what order,
 - Receiving proposed and draft resolutions and opening them to debate and
 - Organizing and conducting the voting.
13. The Annual General Shareholders' Meeting shall choose a three-person returns committee from the candidates notified by the chairman. The returns committee shall ensure that each vote is correctly conducted, supervise the practical aspects of the vote and check, confirm and declare the results. Where the Annual General Shareholders' Meeting is attended by a small number of shareholders a returns committee shall not be selected unless a shareholder or proxy submits a request for a returns committee to be selected. Where a returns committee is not selected its functions shall be performed by the chairman of the Annual General Shareholders' Meeting.
14. The Annual General Shareholders' Meeting shall take decisions in the form of resolutions adopted by open voting except:
 - Voting on an issue of selecting or deselecting members of bodies of the Company, or liquidators,
 - Motions to prosecute members of bodies of the Company or liquidators,
 - In personal matters,
 - At the request of at least one shareholder,
 - In other circumstances stipulated in the regulations currently binding.
15. Shareholders shall notify the chairman of the Annual General Shareholders' Meeting of their candidates for membership of the Supervisory Board in writing or verbally.
16. Proposals for Supervisory Board candidates should be supported in detail with particular emphasis placed on the candidate's education, qualifications and professional experience.
17. Before a resolution is adopted on the composition of the Supervisory Board the General Shareholders' Meeting shall vote on a resolution to determine the number of members the Supervisory Board is to have.
18. The Company may organise the General Meeting in such a way as to enable shareholders to participate at the General Meeting using means of electronic communication.

10. Membership, Changes in Membership during Last Financial Year and Rules of Operations of the Company's Managing and Supervising Persons as well as Their Committees

a) Members of the Comarch S.A.'s Supervisory Board as at 31st of December, 2017:

Name and Surname	Position
Elżbieta Filipiak	Chairman of the Supervisory Board
Maciej Brzeziński	Vice-Chairman of the Supervisory Board
Robert Bednarski	Member of the Supervisory Board
Danuta Drobniak	Member of the Supervisory Board
Wojciech Kucharzyk	Member of the Supervisory Board
Anna Ławrynowicz	Member of the Supervisory Board
Anna Pruska	Member of the Supervisory Board

The Supervisory Board shall undertake constant supervision of all areas of the Company's operations. The Supervisory Board shall operate according to the regulations of the Polish Commercial Companies Code, the Company's Articles of Association, the Corporate Governance Principles in force at the Company and the Rules for the Supervisory Board dated the 30th of June, 2003 approved at the Annual General Shareholders' Meeting (and amendments). The detailed operations of the Supervisory Board were presented in the above-mentioned documents.

b) The most important rules included in the Rules for the Supervisory Board are:

1. The Supervisory Board shall contain three to seven people chosen by the Annual General Shareholders' Meeting. The Meeting shall, by a resolution, specify the number of members of the Supervisory Board before voting commences to select candidates for that Board.
2. Supervisory Board members shall be appointed for a common term of office lasting three years.
3. Members of the Supervisory Board shall perform their rights and duties directly and in person. Any member of the Supervisory Board may be dismissed before their term of office has been completed. Members of the Supervisory Board may be re-elected.
4. General Shareholders' Meeting shall appoint from among members of the Supervisory Board the Chairperson, the Vice Chairperson, and also the Secretary of the Supervisory Board, as needed.
5. The chairman of the Supervisory Board:
 - convenes meetings of the Supervisory Board;
 - conducts meetings of the Supervisory Board
 - opens debates at the Annual General Shareholders' Meeting.
6. When the chairman is absent his place shall be taken by the vice-chairman of the Supervisory Board.
7. The Supervisory Board may select supervisory committees from amongst its members for specific sectors of the Company's operations. In particular, this shall concern an auditing committee.
8. These committees may sit separately and may vote on resolutions. These may concern the findings of inspections and audits concerning the way the company operates.
9. Meetings of the Supervisory Board shall be convened by the chairman of the Supervisory Board. The Management Board or another member of the Supervisory Board may demand that the chairman convene a meeting of the Supervisory Board. This demand should be accompanied by a proposed agenda. The chairman of the Supervisory Board shall convene a meeting within two weeks

of receiving the demand. If the meeting is not convened in accordance with the procedure stipulated above, the petitioner may himself call the meeting.

10. The agenda of meetings of the Supervisory Board shall be stipulated by the convener and, along with any relevant materials, be sent to members of the Supervisory Board three (3) days before the planned date of the meeting unless circumstances arise to justify shortening this period.
11. The agenda of meetings of the Supervisory Board may only be changed or supplemented.
12. Meetings of the Supervisory Board should be convened at least four times in each financial year.
13. Resolutions of the Supervisory Board shall be adopted by a majority of the votes present. Where there is a tie the chairman shall have the deciding vote.
14. A resolution of the Supervisory Board shall be valid where all its members have been invited and where more than half the members of the Supervisory Board, including the chairman or vice-chairman of the Supervisory Board, are present.
15. Provided all members of the Supervisory Board express their written agreement to this, resolutions of the Supervisory Board may be adopted by written ballot without a meeting being convened.
16. Meetings of the Supervisory Board may also be conducted using resources for remote communication, such as the telephone, facsimile machines, electronic mail and teleconferencing, by using the Internet in another manner and by the use of other telecommunications resources.
17. Members of the Supervisory Board may take part in voting on resolutions of the Supervisory Board by voting in writing via another member of the Supervisory Board.
18. The mode of voting on resolutions by the Supervisory Board specified above is not acceptable in the matters set out in art. 388 paragraph 4 of the Polish Commercial Companies Code. These are:
 - The selection of the chairman and vice-chairman of the Supervisory Board;
 - The appointment and dismissal of a member of the Management Board;
 - The suspension of a member of the Management Board.
19. Members of the Management Board may take part in meetings of the Supervisory Board. The Management Board shall be informed of all dates and agendas of meetings of the Supervisory Board.
20. The Supervisory Board may invite members of the Management Board to take part in a meeting.
21. At each of its meetings the Supervisory Board shall be informed by the Company of the current individual and consolidated financial results of the Company and of significant matters concerning the Company's operations. Where this is justified by the Company's situation, this shall include the risk associated with operations and ways to manage this risk.
22. Members of the Management Board shall not take part in those sections of meetings of the Supervisory Board which concern the dismissal, scope of responsibility, or pay and conditions of Management Board members.
23. Meetings of the Supervisory Board shall be minuted. The minutes should include the agenda for debate, the name and surname of all the Supervisory Board members present and the results of the votes on resolutions.
24. The Supervisory Board shall undertake constant supervision of all areas of the Company's operations.
25. The specific competences of the Supervisory Board are as follows:
 - Assessing the Company's annual financial statement and the consolidated financial statement of the Comarch capital group;
 - Assessing the Management Board's reports on the Company's operations and on the Comarch capital group and, in addition, assessing the Management Board's conclusions on distributing profits and covering losses;

- Submitting a written report containing the information required by points above of the present section;
 - Scrutinizing the work of the Management Board in effecting resolutions adopted at the Annual General Shareholders' Meeting;
 - Selecting statutory auditors for the financial statements of the Company and of the Comarch capital group. The Supervisory Board may adopt a resolution to apply stricter criteria for the statutory auditor's independence than are demanded by the legal regulations;
 - Appointing and dismissing members of the Management Board, stipulating the compensation attracted by performing the function of member of the Management Board, suspending – for substantial reasons – individual members, or all members, of the Management Board, designating members of the Supervisory Board to temporarily perform the functions of members of the Management Board, or suspending the Management Board itself;
 - Giving consent to increase share capital within the context of authorized capital;
 - Giving consent to acquire and dispose of real estate or shares in real estate;
 - Giving consent to the members of the Company's Management Board on the management boards or supervisory boards of companies from outside the Comarch Capital Group;
 - Giving consent to the conclusion by the Company of a significant agreement with a shareholder holding at least 5% of the total number of votes in the Company or a related entity; Giving consent to conclude an agreement with an issue underwriter in accordance with the provisions set out in art. 433 paragraph 3 of the Polish Commercial Companies Code;
 - Exercising, in respect of members of the Management Board and on behalf of the Company, rights and privileges arising from an employment relationship;
 - Approving the Company's growth strategy;
 - Expressing its opinion on draft resolutions for the Annual General Shareholders' Meeting sent to it by the Management Board and shareholders.
26. Once every year the Supervisory Board must adopt a resolution in the matter of its assessment of the Company's situation, the Supervisory Board's report on its activities, assessment of the Company's compliance with information obligations regarding the corporate governance principles, assessment of the rationality of the Company's policy in the area of sponsorship, charity or other similar activities. These documents shall be passed on to the Annual General Shareholders' Meeting.
27. To aid it in performing its function, the Supervisory Board has the right to see all the Company's documents and may demand reports and explanations from the Executive Board and from Company's employees. The Supervisory Board may also conduct a review of the state of the Company's assets.
28. The Supervisory Board operates as a collective body but may, however, delegate its individual members to particular supervisory activities.
29. Members of the Supervisory Board should hold the interests of the Company as their highest priority. A member of the Supervisory Board should avoid undertaking professional or non-professional activity that could lead to a conflict of interests or adversely affect his reputation as a member of the company's governing body, and should he disclose a conflict of interest immediately.
30. Members of the Supervisory Board shall be bound to inform other members of the Supervisory Board of any conflict of interest arising and, following this, not take place in the debate concerning the matter that is subject to a conflict of interest. Where it is uncertain whether a conflict of interest has arisen, the Supervisory Board shall vote on a resolution to resolve this uncertainty.
31. Members of the Supervisory Board shall keep secret all information they acquire in the course of their duties concerning the Company's activities and the activities of companies within the Comarch Capital Group.
32. Within fourteen days of their selection a member of the Supervisory Board shall make a written submission of any economical, familial or other involvements with a shareholder holding five per

cent or more of the votes at the Annual General Shareholders' Meeting. The Management Board shall inform the Supervisory Board in writing at that board's next meeting of any case where any entity acquires five per cent or more of the votes at the Annual General Shareholders' Meeting. Where information of this nature is passed to them, the members of the Supervisory Board shall submit – within fourteen days of the sitting of the Supervisory Board at which they were informed – written information concerning any conflict of interest arising. Should the involvements referred to in the present section change, members of the Supervisory Board are obliged – without summoning the Company to meet – to provide details of these changes within fourteen days.

33. Members of the Supervisory Board delegated to long-term, individual supervisory duties may not, unless the Company gives permission, involve themselves in competing business interests or participate in the business of a competitor Company as a partner or associate, or as a member of a body of a joint-stock Company. Further, they may not participate in the business of a competitor Company in a different legal personality as a member of a Company body. Additionally, members of the Supervisory Board are forbidden to participate in a competitor capital group where they hold ten per cent or more of the shares or participation rights, or where they enjoy the right to appoint at least one member of the Management Board.
34. Permission for members of the Supervisory Board delegated to long-term, individual supervisory duties to pursue competing commercial interests shall be granted according to a decision of the Supervisory Board.
35. A member of the Supervisory Board may not accept benefits that could affect impartiality and objectivity in making decisions or may adversely affect the assessment of the independence of his opinions and courts.
36. If a member of the Supervisory Board finds that a decision of the Supervisory Board is contrary to the interests of the Company, he may request that his opinion be included in the minutes of the meeting of the Supervisory Board.
37. Duties of members of the Supervisory Board
 - Members of the Supervisory Board are obliged to draw up a list of persons closely associated with them and to deliver it to the Company immediately, no later than within 7 days.
 - Members of the Supervisory Board and persons closely associated with them are obliged to provide the Company and the Polish Financial Supervision Authority with information on each transaction concluded for their own account in relation to Company's shares or debt instruments or to derivative instruments or other related financial instruments - if the value of this transaction or the sum of transaction values exceeds € 5,000. The obligation to notify transactions applies to each subsequent transaction when the total amount of EUR 5,000 is reached during one calendar year. The threshold of 5,000 euros is calculated by adding without offsetting the position of all transactions. Members of the Supervisory Board are obliged to provide information about transactions immediately, but no later than within two business days after the transaction date. Members of the Supervisory Board are obliged to notify persons closely related to their obligations under the above content and to keep a copy of this notification. In the case of the appearance of new people closely related, a member of the Supervisory Board is obliged to notify them in writing about the obligations arising from the above content and sanctions for violation of these obligations, as well as to keep a copy of this notification. A declaration signed by a person closely related should be forwarded to the Company immediately, but no later than within 7 days.
 - Members of the Supervisory Board delegated to long-term supervisory tasks shall submit a monthly, written report detailing their activities to the Supervisory Board.
 - Members of the Supervisory Board should not resign their positions in mid-term where this would make it impossible for the Supervisory Board to function or where, especially, this would delay the adoption of vital resolutions.
 - Members of the Supervisory Board shall receive compensation according to terms stipulated by the Annual General Shareholders' Meeting.

- Two members of the Supervisory Board shall participate in the debates at the Annual General Shareholders' Meeting. Members of the Supervisory Board shall themselves select these delegates to represent the Board at the Annual General Shareholders' Meeting.
- Members of the Supervisory Board should make all efforts to participate in Supervisory Board meetings.
- Members delegated to long-term, individual supervisory tasks have the right to participate in meetings of the Management Board.

38. The compensation for members of the Supervisory Board delegated to long-term, individual supervisory tasks shall be stipulated by the Supervisory Board.

39. The Company shall cover the costs of the Supervisory Board's operation.

40. The Supervisory Board shall use the Company's office space, equipment and material.

41. The Company's Management Board shall provide the Supervisory Board with administrative and technical support.

c) Committees

In 2017, the Audit Committee (equivalent of the Audit Committee within the meaning of Annex I to the European Commission Recommendation of the 15th of February, 2005 concerning executive directors (...)), consisted of Danuta Drobniak - Chairman of the Audit Committee, Elżbieta Filipiak- Member of the Audit Committee and Robert Bednarski- Member of the Audit Committee. According to the information available to the Company, two members of the Audit Committee fulfilled the conditions for independence and at least one of them had qualifications in accounting or auditing.

On 27th of November, 2017, by Resolution no. 2/11/2017, the Audit Committee of Comarch S.A. adopted the Regulations of the Audit Committee of the Supervisory Board of Comarch S.A.

d) The most important rules included in the Regulations of the Audit Committee of the Supervisory Board of Comarch S.A.:

1. The Audit Committee consists of at least three members, including the Chairman of the Audit Committee, appointed or removed by the Supervisory Board for the term of its term from among the members of the Supervisory Board.
2. Most members of the Audit Committee, including the Chairman, are independent of the Company, i.e. they meet the independence criteria.
3. At least one member of the Audit Committee possesses knowledge and skills in accounting or auditing.
4. At least one member of the Audit Committee possesses knowledge and skills in the field in which Comarch S.A. operates. or individual members in specific areas have the knowledge and skills in this industry.
5. The Committee performs its functions jointly.
6. The Committee's meetings shall be held at the registered office of the Company or other place indicated by the person convening the meeting.
7. The Chairman of the Audit Committee may invite to the meetings of the Audit Committee other members of the Supervisory Board, members of the Management Board and employees of the Company, a certified auditor and other persons whose participation in the Committee's meetings considers important from the point of view of the Committee's tasks.
8. The Committee shall meet as often as it is necessary for the effective performance of its tasks, but not less frequently than four times in a financial year.
9. Every member of the Audit Committee, as well as members of the Supervisory Board and the Management Board, has the right to bring matters to Committee meetings.

10. A resolution of the Audit Committee is validly adopted if all its members have been invited to the Audit Committee meeting and at least half of the members of the Audit Committee participate in the meeting.
11. Resolutions of the Audit Committee are adopted by a majority of votes of present. In the case of an equal number of votes, the Chairman's vote is decisive.
12. Minutes of meetings of the Audit Committee together with conclusions and recommendations of the Audit Committee are submitted to the Supervisory Board as well as to the Management Board of the Company.
13. Task and rights of the Audit Committee:
 - monitoring the financial reporting process;;
 - submitting recommendations aimed at ensuring the reliability of the financial reporting process in the Company;
 - monitoring the performance of auditing activities;
 - informing the Supervisory Board about the results of the audit;
 - assessing the independence of the certified auditor and consenting to the provision of permitted non-audit services in the Company;
 - developing a policy of selecting an audit firm to conduct the audit;
 - development of a policy by the audit firm conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
 - determination of the procedure for the selection of an audit firm by the Company;
 - presenting recommendations to the Supervisory Board regarding the selection of an audit firm;
 - examining the issues that give rise to resignation from the services of the external auditor and issuing recommendations on the required activities;
 - monitoring the effectiveness of internal control systems and risk management systems as well as internal audit;
 - the Committee has the right to investigate every matter in its area of responsibility.
14. Once every six months before the date of approving annual and semi-annual reports, the Committee prepares and presents to the Supervisory Board a report on its activities.
15. A member of the Audit Committee should make every effort to participate in the meetings of the Audit Committee.

As at 31st of December, 2017, the Supervisory Board of Comarch S.A. did not set up a nomination committee and a remuneration committee.

e) Members of Comarch S.A.'s Management Board as at 31st December , 2017:

Name and surname	Position
Janusz Filipiak	President of the Management Board
Marcin Dąbrowski	Vice-President of the Management Board
Paweł Prokop	Vice-President of the Management Board
Andrzej Przewięźlikowski	Vice-President of the Management Board
Zbigniew Rymarczyk	Vice-President of the Management Board
Konrad Tarański	Vice-President of the Management Board
Marcin Warwas	Vice-President of the Management Board

The Management Board leads the affairs of the Company and operates according to the provisions of the Polish Commercial Companies Code, the Company's Articles of Association, resolutions of the

Supervisory Board, resolutions of the Annual General Shareholders' Meeting, the Rules for the Management Board dated the 15th of September, 2017, and to the generally binding legal regulations. The detailed operations of the Management Board were presented in the above-mentioned documents.

f) The most important rules included in the Rules for the Management Board are:

1. The Management Board performs its functions jointly and takes resolutions at meetings of the Management Board and in the manner stipulated below.
2. Meetings of the Management Board shall be held at least once every month. In 2017, all meetings of the Management Board were held on the Company's premises at the Special Economic Zone in Krakow, at the address ul. Prof. Michała Życzkowskiego 23.
3. A meeting of the Management Board shall be called by the President of the Management Board or, in his absence, a member of the Management Board acting as the President of the Management Board.
4. Where all members of the Management Board are present at a meeting of the Management Board, a meeting of the Management Board may be called informally.
5. The President of the Management Board or, in his absence, the person acting as President of the Management Board, may call a meeting of the Management Board at the request of any member of that Board and with the agenda specified by the member making the request. Meetings of the Management Board called in this way shall, however, not be restricted exclusively to this agenda and may consider other items placed on the agenda.
6. Meetings of the Management Board shall be chaired by the President of the Management Board, a person acting as the President of the Management Board or a person nominated by the President of the Management Board.
7. The Management Board shall take decisions in the form of resolutions adopted by open vote.
8. The chairman shall order a secret vote where even one member of the Management Board taking part in the meeting requests this.
9. Resolutions shall be adopted by an absolute majority of votes.
10. A resolution adopted at a meeting of the Management Board is valid only where at least four members of the Management Board, including the President of the Management Board or the person acting as the President of the Management Board, are present.
11. The Management Board may adopt a resolution outside meetings of the Management Board in the following ways:
 - By written vote – in this case each member of the Management Board votes in writing and gives this to the President of the Management Board or to the person acting as President of the Management Board;
 - By written vote – each member of the Management Board signs the contents of the resolution and gives this to the President of the Management Board or to the person acting as the President of the Management Board;
 - voting using telecommunications means in the form of fax, e-mail, Internet or other means of distance communication.
 - Votes cast in the manner set forth above shall be recorded in the book of resolutions and appended to the minutes of the meeting of the Management Board.
 - Where adopted in the manner set out in the third indent, a resolution shall require the votes of all members of the Management Board to be valid.
12. Non-members of the Management Board may be invited to attend its meetings.
13. All meetings of the Management Board require that minutes be taken. These should include at least:
 - The date and place of the meeting.
 - The agenda of the meeting.

- The names and surnames of the members of the Management Board present at the meeting.
 - The names and surnames of people invited to the meeting of the Management Board and present at the meeting.
 - The exact content of resolutions.
 - The number of votes cast for and against resolutions including the number of abstentions.
 - The subjects discussed.
 - A written record of dissenting opinions expressed.
 - The signatures of the members of the Management Board present at the meeting.
14. The minutes of Management Board meetings shall be kept in the Minutes Book. The Minutes Book shall be maintained by the CEO secretariat.
 15. The minutes of Management Board meetings shall be drawn up immediately by CEO secretariat.
 16. Performing functions in the Management Board of the Company is the main area of professional activity of a member of the Management Board. Additional professional activity of a member of the Management Board can't lead to such a commitment of time and effort to negatively affect the proper performance of the function performed in the Company. In particular, a member of the Management Board should not be a member of bodies of other entities, if the time devoted to the performance of functions in other entities prevents him from diligently performing his duties in the Company.
 17. In the case of resignation or inability to perform activities by a member of the Supervisory Board, the Management Board of the Company immediately takes appropriate actions to supplement or change the composition of the Supervisory Board.
 18. The Management Board of the Company is responsible for the implementation and maintenance of the effective internal control systems, risk management, compliance and internal audit functions.
 19. The Management Board of the Company presents to the Supervisory Board at least once a year its own assessment of the effectiveness of the systems and functions with the relevant report.
 20. A member of the Management Board of the Company should avoid undertaking professional or non-professional activity that could lead to a conflict of interest or adversely affect his reputation as a member of the Company's body. A member of the Management Board in the case of a direct or indirect conflict of interests of the Company with the interests of a member of the Management Board is obliged to notify the Supervisory Board of the Company about the conflict.
 21. A member of the Management Board can't accept benefits that could affect impartiality and objectivity in making decisions, or negatively affect the assessment of the independence of his opinions and courts.
 22. If a member of the Management Board decides that the Management Board's decision conflicts with the Company's interests, he may request that his position on the subject be included in the minutes of the Management Board meeting.
 23. Where there is a direct or indirect conflict between the interests of a member of the Management Board and those of the Company, that member shall inform the Company's Supervisory Board that this is the case.
 24. Two members of the Management Board shall participate in the debates of the Annual General Shareholders' Meeting. Members of the Management Board shall themselves decide on which of their number should represent them at the Annual General Shareholders' Meeting.

11. A Description of the Basic Features of the Internal Control and Risk Management Systems the Issuer Uses and How These Relate to the Process of Preparing the Financial Statements

The Company's Management Board is responsible for the Company's accounting in accordance with the Act on Accounting of 29th of September, 1994 (consolidated text, Journal of Laws from 2016, pos. 1,047 with subsequent changes) and compliant with the Regulation issued by the Minister of Finance on 19th of February, 2009 concerning current and periodical information pertaining to companies traded 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 (consolidated text, Journal of Laws from 2014, pos. 133 with subsequent changes).

The audited consolidated financial statements are prepared in all significant aspects compliant with the International Financial Reporting Standards, as approved by the European Union. When specifying the scope and methods of consolidation, as well as the relations of dependency, IFRS principles were applied. Consolidation of the Capital Group's financial statement in relation to the subsidiaries was conducted using the full method by summing all the appropriate items from the dominant unit and the consolidated subsidiaries' financial statements in the full amount. In relation to the associates the equity method was applied. The value of the share of the dominant unit in the associate was adjusted in the interest of the dominant unit by the increase in the associate's equity occurring within the consolidating period.

When preparing financial statements and consolidated financial statements internal control and risk management at Comarch S.A. are effected in accordance with the Company's internal procedures for drawing up and approving financial statements. In accordance with the Act on Accounting of 29th of September, 1994, the Company maintains documents describing the accounting principles it has adopted. These include, but are not limited to, information on the methods for valuing assets, for valuing equity and liabilities, for determining the financial result, for maintaining the accounting ledgers and for the protection and security of data and sets of data.

Both financial statements and consolidated financial statements are prepared jointly by people working in the accountancy, the capital market, the control and the finance departments under the supervision of the Head Accountant and Chief Financial Officer. Financial statements and consolidated financial statements are audited, and half-year financial statements are reviewed by an independent expert auditor elected by the Company's Supervisory Board.