

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
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2 Goodwill – analysis of loss in value

<p>In accordance with the IFRS regulations, the Group is required to conduct an annual goodwill impairment test.</p> <p>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.</p> <p>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").</p> <p>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.</p> <p>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.</p>	<p>As part of the examination procedures, in particular:</p> <ul style="list-style-type: none"> - 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.
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3 Risk related to production in progress

<p>Production in progress are capitalized costs connected with creating new or upgrading existing software.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>As part of the audit of the financial statement of the Company:</p> <ol style="list-style-type: none"> 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: <ul style="list-style-type: none"> - 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.
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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