

## **Comarch S.A. Supervisory Board Report 2013**

In 2013, there were the following were members of the Supervisory Board:

- Elżbieta Filipiak – Chairman,
- Maciej Brzeziński – Vice-Chairman,
- Danuta Drobniak – Member,
- Wojciech Kucharzyk – Member,
- Anna Ławrynowicz – Member,
- Anna Pruska – Member from the 26<sup>th</sup> of June, 2013,
- Tadeusz Syryjczyk – Member till the 26<sup>th</sup> of June, 2013.

In accordance with the written declarations submitted by the members of the Supervisory Board of Comarch S.A. to the Management Board of Comarch S.A. 3 (three) of the 6 (six) members of the Supervisory Board fulfil the criteria for independence from the company and from entities closely linked to the company.

The Supervisory Board sat six times in 2013: 11<sup>th</sup> of February, 2013, 11<sup>th</sup> of March, 27<sup>th</sup> of May, 26<sup>th</sup> of August, 18<sup>th</sup> of November and 23<sup>rd</sup> of December, and passed resolutions in correspondence (written) mode on 5<sup>th</sup> of July, 2013. Additionally, the Audit Committee sat on 27<sup>th</sup> of May, 2013.

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

- a) monitoring and analysis of the financial condition and organisation at the company and Capital Group,
- b) assessments of the Management Board's progress in implementing the company's strategy,
- c) risk analysis and assessment for the company's operations,
- d) formal-legal issues,
- e) drawing up a list of key employees and the coefficients of the individual options within the scope of the management stock option programme for key employees 2014.

The Supervisory Board's detailed scope of activities and the resolutions considered in 2013 are set out in detail in the records from its sittings, which are to be found at the company's headquarters in Krakow.

In connection with principle no. 3, point 1 of the Best Practice for Supervisory Board Members arising from the third part of the 'Code of Best Practice for WSE Listed Companies', with the resolution 10/5/2013 of the 27<sup>th</sup> of May, 2013 the Supervisory Board of Comarch S.A. recorded a positive verdict with respect to the draft resolutions of the Annual General Shareholders' Meeting which took place on the 26<sup>th</sup> of June, 2013.

In line with point no. 1, 6) of the 'Best Practice for Management Boards of Listed Companies' arising from the second part of the 'Code of Best Practice for WSE Listed Companies', Comarch S.A.'s 'Supervisory Board Report regarding 2012' was published. It included information on the work of its committees and an assessment of the company's situation with regard to an appraisal of the internal controlling and risk management systems vital to the company.

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

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

It is the opinion of the Supervisory Board that the entity authorised to audit and review the financial statements of Comarch S.A. and the Comarch Capital Group was selected within the terms of the prevailing law, and that the statutory auditors conducting them met the conditions required for expressing an unbiased and independent opinion in compliance with Polish law. In 2013 Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. was the entity authorised to audit and review the financial statements of the company. The resolution of the Supervisory Board regarding selection of an auditor to provide auditing services for Comarch's financial statements for 2013 and 2014 was concluded on the 5<sup>th</sup> of July, 2013.

All members of the Supervisory Board are members of the Audit Committee. According to information possessed by the company, three members of the Audit Committee fulfil independency conditions and at least one of them is qualified in accountancy and financial review.

Tasks of the Audit Committee were, in particular:

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

5) The Audit Committee made recommendations to the Supervisory Board or to an alternate supervisory organisation in relation to the entity entitled to audit financial statements.

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

**Annex no. 2 to Resolution no. 7/5/2014  
Comarch S.A. Supervisory Board**

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

The Supervisory Board delivered a positive opinion concerning the financial results of Comarch S.A. in 2013 and the current financial standing of the company. In the previous year, revenue from sales decreased by 4.4% and amounted to 637.7 million PLN. The company achieved very favourable financial results in sales of its own products and services. The operating profit of the company amounted to 51.3 million PLN, and net profit reached 45.6 million PLN.

The Supervisory Board delivered a positive opinion concerning the growth strategy based on expansion abroad and development of proprietary products executed by the company in 2013. Despite the fact that in 2013, export sales diminished slightly (a decrease of 2.7%), they were still one of the main reasons for Comarch S.A.'s growth. Their share maintained the previous year's level (28.7% compared to 28.2%). The Comarch brand is renowned both domestically and internationally due to technologically advanced IT systems and high quality services. It is the opinion of the Supervisory Board that the dynamic development of the subsidiaries of Comarch S.A., especially those operating in Western Europe and North America, was the most significant achievement in 2013. In relation to acquiring new contracts on the market of North America, Comarch S.A. founded Comarch Chile SpA, new subsidiary in Santiago, Chile. The Supervisory Board delivered a positive opinion concerning the growth of sales in the public sector in Poland, after several years of decreasing revenue in this sector.

The Supervisory Board considers it of great benefit to secure the company against fluctuations across specific sectors of the economy and regions of the world by maintaining sectoral and geographical revenue diversification. It is the opinion of the Supervisory Board that continuous investment in the infrastructure and the intensification of marketing operations are significant for strengthening the company's market position as a global provider of IT products and services facing changes in models of sales of IT solutions (dynamic development of cloud computing). The Supervisory Board would like to point out that it is vital to the long-term growth of Comarch S.A. to maintain investment in human capital, in the most advanced technology, in innovative products and the steady development of production resources in Krakow, the Polish regional centres and at the competence centres abroad. In 2013, expenditure on research and development exceeded 10% of the company's sales revenue, which has been financed both by proactively seeking out European funds and from the Comarch S.A.'s own resources. Hiring high qualified IT specialists is a key factor in executing an increased number of contracts, and in the further development of the company. It is the opinion of the Supervisory Board that the company has no problems hiring the appropriate number of qualified employees (within 2013, Comarch S.A. employed over 386 new employees, especially IT specialists), however the situation on the labour market will have a crucial meaning for the company's situation within the following periods.

The Supervisory Board delivered a positive opinion concerning the investment executed by the Company in 2013. After conclusion in the fourth quarter of an agreement with the consortium of Łęgprzem sp. z o.o., ZSK sp. z o.o. and Graphbud sp. z o.o., the company began the fifth construction stage of an investment in the Krakow Special Economic Zone construction of a new production and office building, including data centre, as well as road and technical infrastructure. The planned completion date of this investment is the second quarter of 2015.

In 2013, the Supervisory Board also conducted continuous analyses of risk areas connected with the company's operations as well as assessing the way these risks were being managed by the Management Board.

The most significant operational risks in 2013 were identified as follows:

- a) Risk associated with R&D (creating new proprietary software products);
- b) Risk associated with failing to fulfil the terms of contracts and the resulting necessity to pay contractual penalties, and of the use by customers of the guarantees of satisfactory contract performance given them;
- c) Risk involved in correctly assessing how much time is required for long-term contracts;
- d) Risk presented by the political and legal environment connected with export contracts;
- e) Risk encountered when assessing the financial standing of foreign customers (limits to monitoring and checking);
- f) The tax risk of operating in a Special Economic Zone and that generated by the unstable tax and legal environment in Poland;
- g) The risk that internal control and management procedures will not function well when the scale of the company's operations are expanding rapidly;
- h) The risk that growing competition between IT companies will reduce margins;
- i) Pressure to increase salaries and remuneration in the IT sector and an increased competition on the labour market;
- j) The international economic situation, taking into particular consideration the situation on financial markets that effects levels of demand for products and IT services;
- k) High level of investment expenditure designated for the development of production sources in Poland (material investment) and for expansion on foreign markets (capital investment).

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

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

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

**Annex no. 3 to Resolution no. 7/5/2014  
Comarch S.A. Supervisory Board**

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

The Supervisory Board delivered a positive opinion concerning the financial results of the Comarch Group in 2013 and its current financial standing. In the previous year, revenue from sales of the Comarch Group increased by 6.2% and amounted to 939 million PLN. The Group achieved very favourable financial results in sales of its own products and services. In 2013, the operating profit of the Group amounted to 34.4 million PLN, and net profit attributable to the shareholders of the parent company reached 25.1 million PLN.

The Supervisory Board delivered a positive opinion concerning the Group's growth strategy based on expansion abroad and development of proprietary products executed by the company in 2013. In 2013, export sales grew by 7.6% and were the main reason for Comarch Group's growth. The Comarch brand is renowned both domestically and internationally due to technologically advanced IT systems portfolio, efficient implementation of IT systems all over the world and high quality services.

It is the opinion of the Supervisory Board that acquiring IT contracts on the European market in the finance and banking sector, and in the trade and services sector, were significant achievements for the Group in 2012. The Supervisory Board delivered a positive opinion concerning the growth of sales in the public sector in Poland, after several years of decreasing revenue in this sector. It is the opinion of the Supervisory Board that the dynamic development of the subsidiaries of the Comarch Group, especially those operating in Western Europe and North America, was the most significant achievement in 2013. In relation to acquiring new contracts on the market of North America, Comarch Chile SpA, new subsidiary in Santiago, Chile, was founded. The Supervisory Board delivered a positive opinion concerning the growth of sales in the public sector in Poland, after several years of decreasing revenue in this sector.

The Supervisory Board considers it of great benefit to secure the Group's against fluctuations across specific sectors of the economy and regions of the world by maintaining sectoral and geographical revenue diversification. It is the opinion of the Supervisory Board that continuous investment in the infrastructure and the intensification of marketing operations are significant for strengthening the Comarch's market position as a global provider of IT products and services facing changes in models of sales of IT solutions (dynamic development of cloud computing). The Supervisory Board delivered a positive opinion concerning an increase in the Comarch Group's activity diversification through intense investment in the Medicine sector, which within the following years should become grounds for further development of the Comarch Group.

It is the opinion of the Supervisory Board that it is vital to the long-term growth of the Comarch Group to maintain investment in human capital, in the most advanced technology, in innovative products and the steady development of production resources in Krakow, the Polish regional centres and at the competence centres abroad. In 2013,

expenditure on research and development exceeded 11% of sales revenue, which has been financed both by proactively seeking out European funds and from the Comarch's own resources. Hiring high qualified IT specialists is a key factor in executing an increased number of contracts, and in the further development of the Group. Within 2013, Comarch Group employed over 463 new employees, especially IT specialists. It is the opinion of the Supervisory Board that the Group has no problems hiring the appropriate number of qualified employees, however the situation on the labour market will have a crucial meaning for the company's situation within the following periods.

The Supervisory Board delivered a positive opinion concerning the investment conducted by Comarch Group in 2013: beginning of construction of a new production and office building, including data centre in the Krakow Special Economic Zone, and beginning of design works related to a new office building in Łódź which supplements Comarch centre in this city, Following the completion of these investments, Comarch Group will be equipped with high quality workspace enabling seamless execution of IT projects.

In 2013, the Supervisory Board also conducted continuous analyses of risk areas connected with the Group's operations as well as assessing the way these risks were being managed by the Management Board.

The most significant operational risks in 2013 were identified as follows:

- a) The risk associated with R&D (creating new proprietary software products);
- b) The risk associated with failing to fulfil the terms of contracts and the resulting necessity to pay contractual penalties, and of the use by customers of the guarantees of satisfactory contract performance given them;
- c) The risk involved in correctly assessing how much time is required for long-term contracts;
- d) The risk presented by the political and legal environment connected with export contracts;
- e) The risk encountered when assessing the financial standing of foreign customers (limits to monitoring and checking);
- f) The tax risk of operating in a Special Economic Zone and that generated by the unstable tax and legal environment in Poland;
- g) The risk that internal control and management procedures will not function well when the scale of the company's operations are expanding rapidly;
- h) The risk that growing competition between IT companies will reduce margins;
- i) Pressure to increase salaries and remuneration in the IT sector and an increased competition on the labour market;
- j) The international economic situation, taking into particular consideration the situation on financial markets that effects levels of demand for products and IT services;
- k) High level of investment expenditure designated for the development of production sources in Poland (material investment) and for expansion on foreign markets (capital investment);
- l) The risk of inefficient restructuring of the entities acquired in the previous years.

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

- a) Credit risk of Comarch's contractors;
- b) Interest rate fluctuations which affect the price of costs of bank credits;

- c) Fluctuations in exchange rate levels, especially EUR/PLN and USD/PLN, and which effect profitability of export sales;
- d) Financial liquidity risk and the increased expectations of customers within the scope of financing IT projects by IT providers, related to broadening the sales of products and cloud computing services.

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