

## **Comarch S.A. Supervisory Board Report 2011**

In 2011, there were the following were members of the Supervisory Board:

- Elżbieta Filipiak – Chairman,
- Maciej Brzeziński – Vice-Chairman,
- Maciej Czapiewski – Member till the 29<sup>th</sup> of June, 2011,
- Danuta Drobniak – Member since the 29<sup>th</sup> of June, 2011,
- Wojciech Kucharzyk – Member,
- Anna Ławrynowicz – Member,
- Tadeusz Syryjczyk – Member.

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. four of the 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 five times in 2011: 7<sup>th</sup> of March, 9<sup>th</sup> of May, 18<sup>th</sup> of May, 5<sup>th</sup> of September and 19<sup>th</sup> of December. In addition, the Supervisory Board passed resolutions in correspondence (written) mode on 19<sup>th</sup> of July. Additionally, the Audit Committee sat on 9<sup>th</sup> of May, 2011 and 18<sup>th</sup> of May, 2011.

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

- a) monitoring and analysis of the financial situation 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 2012.

The Supervisory Board's detailed scope of activities and the resolutions considered in 2011 are set out in detail in the minutes from its sittings, which are to be found at the company's headquarters in Krakow.

In connection with principle no. 1 of the Best Practice for Supervisory Board Members arising from the third part of the 'Code of Best Practice for WSE Listed Companies', resolution 10/5/2011 of the 18<sup>th</sup> of May, 2011 the Supervisory Board of Comarch S.A. recorded a positive verdict with respect to the draft resolution of the Annual General Shareholders' Meeting which took place on the 29<sup>th</sup> of June, 2011.

Comarch S.A.'s Annual General Meeting dated the 29<sup>th</sup> of June, 2011, passed resolutions related dismissal of Mr Maciej Czapiewski and appointment of a new member of the Board of Supervisors, Ms Danuta Drobniak.

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 2010' was published. It

included information on the work of its committees, the 2010 Supervisory Board work appraisal 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. (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. 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. (the Comarch Group).

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 entities authorised to audit and review the financial statements of Comarch S.A. and the Comarch Capital Group were 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 2011 Deloitte Audyt Sp. z o.o. was the entity authorised to audit and review the financial statements of the company. The agreement with Deloitte Audyt Sp. z o.o. to provide auditing services for Comarch's financial statements for 2011 and 2012 was concluded on the 19<sup>th</sup> of July, 2011.

All members of the Supervisory Board are members of the Audit Committee. According to information possessed by the company, four 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 are, 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 make 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 may request or demand the participation of additional people in its sittings, such as experts or members of the Management Board.

**Annex no. 2 to Resolution no. 9/5/2012  
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 2011 and the current financial situation of the company. In 2011, revenue from sales of Comarch S.A. increased by 1.5% and amounted to 567.7 million PLN and net margin was 9.5%. The operating profit of Comarch S.A. amounted to 53.7 million PLN, and net profit reached 55.2 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 2011. In 2011, export sales grew by 29.1% and were the main reason for Comarch Group's growth. The Comarch brand is renowned both domestically and internationally and is associated with technologically advanced IT systems, high quality services and a professional customer-focused approach. It is the opinion of the Supervisory Board that acquiring IT contracts on the European market, not only with customers in the telecommunication sector, but also in the finance and banking sector, and in the trade and services sector, were significant achievements for the company and the Group in 2011.

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 term execution of the infrastructure investment and the intensification of marketing operations in the Western Europe, especially within the DACH region (Germany, Austria and Switzerland) are significant for strengthening the company's market position as a global provider of IT products and services for international corporations.

It is the opinion of the Supervisory Board 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 Kraków, the Polish regional centres and at the competence centres abroad. In 2011, expenditure on research and development has now exceeded 11% of sales revenue, which has been financed both by proactively seeking out European funds and from the company'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 2011, Comarch SA employed over 70 hundred 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 completed by the Company in 2011: works on the fifth office and production building in the Special Economic Zone. Following the completion of these investments, Comarch S.A.

will be equipped with high quality workspace enabling seamless execution of IT projects.

In 2011 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 2011 were identified as follows:

- a) risk associated with R&D (creating and developing 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;
- 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. 9/5/2012  
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 2011 and its current financial situation. In 2011, revenue from sales of Comarch Group increased by 3.2% and amounted to 785.7 million PLN and net margin was 4.9%. The operating profit of the Group amounted to 38.8 million PLN, and net profit attributable the shareholders reached 36.3 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 2011. In 2011, export sales grew by 14.8% and were the main reason for Comarch Group's growth. The Comarch brand is renowned both domestically and internationally and is associated with technologically advanced IT systems, high quality services and a professional customer-focused approach. It is the opinion of the Supervisory Board that acquiring IT contracts on the European market, not only with customers in the telecommunication sector, but also in the finance and banking sector, and in the trade and services sector, were significant achievements for the Group in 2011.

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 term execution of the infrastructure investment and the intensification of marketing operations in the Western Europe, especially within the DACH region (Germany, Austria and Switzerland) are significant for strengthening the company's market position as a global provider of IT products and services for international corporations. The Supervisory Board delivered a positive opinion concerning an increase in the Comarch Group's activity diversification through intense investment in 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 2011, expenditure on research and development has now exceeded 13% of sales revenue, which has been financed both by proactively seeking out European funds and from the company'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. 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 2011: completion of works on the fifth office and production building in the Special Economic Zone, completion of works on Comarch branch in Łódź and the continuation of the construction of new offices and Data Centre in Dresden. Following the completion of these investments, Comarch Group will be equipped with high quality workspace enabling seamless execution of IT projects.

In 2011 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 2011 were identified as follows:

- a) The risk associated with R&D (creating and developing 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;
- 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 acquired Comarch Software und Beratung Group affecting profitability of the Comarch Group's activity.

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.