



**Management Report of
Quantum software S.A. for the period
from 1 January to 31 December 2016**

Krakow, 20 April 2017

Basic principles of preparing financial statements

The consolidated financial statements of Quantum software S.A. for 2016 have been prepared in accordance with IAS and comply with the International Financial Reporting Standards (IFRS) approved by the European Union, including the standards and interpretations published or adopted by the International Accounting Standards Board and by the standing Interpretations Committee of the IASB. The financial statements of Quantum software S.A. have been prepared pursuant to Article 55 section 6a of the Accounting Act.

This management report of Quantum software S.A. covers the period from 1 January to 31 December 2016.

The annual report of Quantum software S.A. for the reporting period from 01.01.2016 to 31.12.2016 includes the following:

- the Issuer's financial statements for the reporting period from 01.01.2016 to 31.12.2016 and as of 31.12.2016, prepared in accordance with the International Accounting Standards, including: statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements,
- comparative financial data for the financial statements as of 31.12.2016 and for the 12-month period ended on 31.12.2015,
- Management Report of the Issuer for the period from 01.01.2016 to 31.12.2016,
- Statement of the Management Board pursuant to paragraph 91 section 1 items 5) and 6) of the Ordinance of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state.

Management Board Members:

**Person responsible for
book-keeping:**

Tomasz Hatala

Monika Kuś, Chief Accountant

Bogusław Ożóg

Marek Jędra

Tomasz Mnich

Summary of information included in the management report of Quantum software S.A. for 2016:

1. Company's Management Report for 2016.
2. Statement of the Management Board of Quantum software S.A. on the application of corporate governance in 2016.
3. Supervisory Board Report for 2016.

1. General information

Quantum software Spółka Akcyjna; 30-633 Krakow, ul. Walerego Sławka 3A. Quantum software S.A. was entered into the Register of Entrepreneurs of the National Court Register Krakow – Śródmieście, 11th Commercial Department, on 30 October 2002, under KRS No. 0000136768; PKD 62.01Z (Polish Classification of Activities) “Software business”. As of 25 July 2014, in connection with the transfer of business operations to the subsidiary Quantum Qguar sp. z o.o., the Issuer’s core business consists mainly in acting as a holding company. According to the statute, the Company was established for an indefinite period of time.

Statistical identification number	(REGON) 351243328
Tax ID (NIP): 677-17-53-870	
National Court Register (KRS):	0000136768
Share capital fully paid up:	PLN 740,378.50

Management Board:

President of the Management Board	Tomasz Hatala
Vice-President of the Management Board	Bogusław Ożóg
Vice-President of the Management Board	Marek Jędra
Member of the Management Board	Tomasz Mních

Supervisory Board:

Chairman of the Supervisory Board	Leopold Kutyla
Vice-Chairman of the Supervisory Board	Tomasz Polończyk
Member of the Supervisory Board	Henryk Gaertner
Member of the Supervisory Board	Marcin Buczkowski
Member of the Supervisory Board	Andrzej Ruciński

As of 31.12.2016, the company is a parent to the following entities:

1. Company's name: Quantum East Sp. z o.o. – subsidiary

Registered office: Krakow
Address: Walerego Sławka 3a
National Court Register (KRS): 0000294284
Shareholders: 63.74% of interests held by Quantum Qguar sp. z o.o.
Share capital: PLN 282,500.00, fully paid

2. Company's name: Quantum International Sp. z .o.o. – subsidiary in Ukraine

Registered office: Kiev
Address: Jaroslavskij pereulok 7/9, office 40
certificate no. 100107724
Shareholders: 100% of interests held by Quantum East
Share capital: USD 76,200, fully paid

3. Company's name: Quantum International Sp. z .o.o. – subsidiary in Russia

Registered office: Moscow
Address: Letnikovskaja 10, building no. 11
certificate no. 1117746038035
Shareholders: 99% of interests held by Quantum East
Share capital: 1,200,000.00 roubles, fully paid

4. Company's name: Quantum I - Services Sp. z o.o. – subsidiary

Registered office: Krakow
Address: Walerego Sławka 3A
National Court Register (KRS): 0000331050
Shareholders: 100% of interests held by Quantum Qguar sp. z o.o.
Share capital: PLN 1,500,000.00, fully paid with a contribution in kind

5. Company's name: Edisonda Sp. z o.o. – subsidiary

Registered office: Krakow
Address: Walerego Sławka 3A
National Court Register (KRS): 0000335987
Shareholders: 59.20% of interests held by Quantum software S.A.
Share capital: PLN 190,000.00, fully paid

6. Company's name: Quantum Mobile Solutions Sp. z o.o. – subsidiary

Registered office: Krakow
Address: Walerego Sławka 3a
National Court Register (KRS): 0000297249
Shareholders: 100% of interests held by Quantum I - Services Sp. z o.o.
Share capital: PLN 6,000.00, fully paid

7. Company's name: Quantum Brasil Engenharia Em Software Ltda- ME. – subsidiary

Registered office: Brasilia/DF
Address: Condomínio Jardim Botânico, Etapa 01, quadra 02. Rua 01
lote 112 – loja 12, Lago Sul - Brasilia - DF - CEP 71.680-
362
Register: 11.795.637/0001-38 and NIRE No. 53201627870
Shareholders: 85% of interests held by Quantum Qguar sp. z o.o.
Share capital: BRL 340,000.00, fully paid

8. Company's name: EQ System East – associate

Registered office: Krakow
Address: Walerego Slawka 3A
National Court Register (KRS): 0000486510
Shareholders: 48% of interests held by Quantum software S.A.
Share capital: PLN 53,500.00, fully paid

9. Company's name: Quantum Qguar sp. z o.o. – subsidiary

Registered office: Krakow
Address: Walerego Slawka 3A
National Court Register (KRS): 0000516717
Shareholders: 100% of interests held by Quantum software S.A.
Share capital: PLN 3,995,000.00, paid for with a contribution in kind and
PLN 5,000.00 paid for with a contribution in cash

2. Issuer's 2016 financial results

Selected financial figures from the Issuer's profit and loss account

Item	2016 (PLN '000)	2015 (PLN '000)
Net sales revenue	1,157	814
Net revenue from sale of products	1,127	797
Net revenue from sale of goods and materials	30	16
Sales profit	658	-333
Operating profit/loss (EBIT)	150	-328
Operating profit + depreciation/amortisation (EBITDA)	150	-328
Gross profit/loss	2,146	-359
Net profit/loss	2,167	-336
Equity	12,252	10,085
Liabilities and provisions	305	257
Including long-term liabilities	1	0
Return on sales (ROS)	1.87%	-0.41%
Return on assets (ROA)	0.17%	-0.03%
Return on equity (ROE)	0.18%	-0.03%
Current liquidity ratio	8	1.7
Quick liquidity ratio	8	1.7

The ratios presented in the table have been calculated according to the following formulas:

- a) Return on sales: net profit to sales revenue
- b) Return on assets: net profit to assets at the end of the reporting period
- c) Return on equity: net profit to equity at the end of the reporting period
- d) Current liquidity ratio: current assets to carrying value of short-term liabilities
- e) Quick liquidity ratio: current assets less inventory to carrying value of short-term liabilities

3. Description of the Issuer's financial situation

In 2016, Quantum software S.A. recorded sales revenues in the amount of PLN 1,157 thousand and a net profit amounting to PLN 2,167 thousand. The improvement in profitability is mainly due to the financial revenues of the subsidiaries Quantum Qguar Sp. z o.o and Edisonda Sp. z o.o.

4. Information on the Issuer's operations in 2016

The Issuer's operations in 2016 involved the function of a holding company for subsidiaries and handling contracts for Qguar software with Ponetex sp. z o.o.'s and Neuca S.A.'s clients, which are performed by the subsidiary Quantum Qguar sp. z o.o.

5. Changes in the volume and type of equity

In 2016, the Issuer did not make any changes in the volume and type of equity.

6. Information on core products

The company's main function is to act as a holding company for Quantum Group, although the company remains a general contractor for two clients who are served by the subsidiary Quantum Qguar sp. z o.o., acting as a subcontractor. The Group companies' activities are described in the consolidated statements.

7. Sales markets and supplies

In addition to its holding function, the Issuer is a general contractor for two domestic entities, with the subsidiary Quantum Qguar sp. z o.o. acting as a subcontractor.

8. Information on material events after the balance sheet date, not recognised in the financial statements

Item 32 describes in detail all material events after the balance sheet date.

9. Research and development achievements

Two development projects in the area of supply chain management have been conducted since 2008. These projects were approved for financing from the EU funds as part of the Operational Programme: Innovative Economy 2007-2013, measure 1.4-4.1 Support for R&D work and for the implementation of the outcome of such work. The projects were completed by the end of 2010. At present, the company does not pursue any R&D operations.

10. Employment structure in Quantum software S.A.

As of 31 December 2016, Quantum software S.A.'s employment structure was as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Management Board	4	4
White-collar workers/Administration	0	0
Blue-collar workers	0	0

11. Contingent liabilities

In 2016, Quantum software S.A. did not have any contingent liabilities.

12. Description of material risks and threats, and indication of the Issuer's exposure to such risks and threats

As a holding company, the Issuer is currently exposed to risks related to the operations of its subsidiaries and associates. Quantum Qguar sp. z o.o. is currently the largest subsidiary. However, the risks and threats are also found in other operations related to the IT business.

Macroeconomic risk

The Issuer's financial situation depends on the macroeconomic situation in Poland and in the countries where the subsidiaries operate. The financial result achieved by the Company directly and indirectly depends on, among others: the GDP growth dynamics, inflation, national monetary and tax policy, business investments, household income and consumer demand. All of the aforesaid factors as well as the direction and level of changes influence the fulfilment of the tasks planned by the Issuer's subsidiaries. The economic growth translates into the revenue of companies operating in particular regions and industries. Consequently, they adjust their capital expenditures, including development, through improvement or purchase of computer hardware and appropriate software. The companies from Quantum Group, as IT systems providers, may directly experience the consequences of changed budgets allocated by companies for computerisation.

Risk of slowdown in the growth of particular segments in the IT sector in Poland related to technological changes in the industry

The value of the entire IT market comprises hardware, software and services. Each of these segments may develop faster or slower. The analyses of the IT hardware and services market show growth trends. The low saturation of Polish companies with modern technologies creates a fertile ground for the growth of companies whose focus is similar to that of the Issuer's companies. However, it must be noted that this market is very sensitive to changes of the economic situation. At the time of an economic downturn, companies restrict their investment policies, including IT expenditures. Decreased demand for computer software leads to lower sales, which differ substantially from the forecasts. In such a case, the demand for the Group's products may decrease, leading to decreased sales revenue. Technological changes and frequent launches of new IT services are closely related to this sector. The product lifecycle is short, while the expenditures on product development are high. Consequently, the incurred expenditures may not be covered by the sales revenue. Therefore, there is a risk that the decision to develop a particular product will be based on incorrect assumptions which do not satisfy current market needs and a risk that the product development cycle, i.e. software design, development and the test phase, may be longer than expected, and the respective market segment will already have been conquered by competitors. The market requirements are monitored by the company's own employees to reduce this risk. In addition, the cooperation between the Issuer's subsidiaries and

computer hardware and software suppliers allows for ongoing monitoring of technological changes and innovations on the market.

Risk of increased competition

The IT market is currently in the phase of a dynamic growth. This situation attracts new providers of IT services, who, attracted by high profits, increase the number of entities operating on the market. As a result, new companies offer products diversified in terms of price, functionality or advancement. This directly leads to a more competitive market environment, and the Issuer's subsidiaries may be required to make higher expenditures on growth and advertising, and to reduce the current margin. Furthermore, the high absorption capacity of the Polish and neighbouring markets and the fact that the progress of computerisation is far from average European levels lead to many global companies that provide similar services becoming interested in doing business in Poland and neighbouring countries. Quantum Group does not have any influence on its competitors' activities and products. However, it has the potential to maintain its market position thanks to its experience.

Risk of foreign operations

The sales of the Issuer's subsidiaries are mainly in Poland. However, the companies also pursue marketing activities and conclude contracts with entities operating in other countries. Approx. 20% of the Group's sales revenue is generated abroad. While the business environment in the European Union is stable, the Group also operates in other countries with a less stable economic and legal environment. Many non-EU countries have had economic difficulties due to falling prices of raw materials. Most notably, the Group was involved in operations in Ukraine, Russia and Brazil, whose economies are experiencing a crisis.

Another important consideration is that a potential continued strengthening of the Polish currency will negatively affect the export volume and profitability.

Foreign exchange risk

The Group companies conclude export transactions in foreign currencies (mainly in EUR). Changing foreign currency to PLN exchange rates may result in worse-than-expected results. Foreign exchange rate variations influence the financial result through the following:

- changes in the value of export sales and costs expressed in PLN,
- realised foreign exchange gains/losses occurring between the date of sales or purchase and the date of payment of receivables or liabilities,
- unrealised foreign exchange gains/losses from the measurement of settlements as of the balance sheet date.

Commercial transactions in foreign currencies on account of export are part of the Group's normal course of operations. Consequently, future cash flows on this account are exposed to changes in value due to foreign exchange fluctuations. The level of compensation between foreign currency revenue and costs has become difficult to predict.

Considering the difficult situation in Ukraine, Belarus and Russia, counterparties exert considerable pressure on the Group's companies operating in those markets to make contracts independent from the rising FX rates. As a result, the FX risk is even higher.

Risk of contracts performed

The core business of the Issuer's subsidiaries does not involve selling large numbers of easily installed programmes but carrying out large individual implementation projects with a high level of complexity that usually require several months' work of a team of specialists. For example, the system implemented in a particular company must monitor very complex logistics processes and integrate them with the operations of all company departments in real time. There is a risk that the company's process and information flow may be modelled inaccurately, the risk of extended duration of the planned tasks and the risk of changes in the scope of works over the originally agreed plan. A decrease in the contract value, higher-than-expected costs of contract performance, contract termination or potential financial claims from the customer may have a detrimental impact on the current financial situation of the Group companies. The above risks are minimised thanks to the company's international experience, a proprietary standard base product and an experienced team of specialists.

Implementation risk

As a supplier of complex IT systems implemented over the course of several months, the group is under the pressure to satisfy customer requirements and stay within the planned budget. Sometimes it is necessary to change the assumptions or reduce the remuneration. At present, economic processes are becoming more complex. Therefore, without the required know-how it is

easy to implement a system that is sub-optimal for the customer, which may harm the contractor's reputation as repairs may be required. Furthermore, customers often regard IT system suppliers as business consultants and require greater economic efficiency after installing IT solutions. There is a risk that, without proper analyses, such requirements may not be satisfied. Implementation effectiveness is one of the goals of the Issuer's subsidiaries. Implementation departments have multi-level implementation methods, reducing the probability of analytical errors.

Risk of delays in the development of new products

Qguar, the leading product of the Issuer's subsidiaries, is an SCE class system that offers comprehensive logistics solutions and satisfies the requirements of the customer and their environment. As a supplier of IT systems, the Issuer and its subsidiaries must constantly expand their offer, introduce new functionalities and ensure data integrity. The competition and clients' requirements are constantly growing. As a result, there is a threat that new products that satisfy current requirements of the customers are introduced later than the products of our competitors, who may win the market earlier, leading to decreased sales revenue.

To prevent this, Quantum Group companies continue their R&D work which, on the one hand, aims at improving our products and their quality, and on the other hand, introduces new and competitive solutions.

Risk of short product life cycle

Given the scale of innovation and the pace at which new products are introduced in the IT industry, the existing products must be adjusted to changing hardware platforms and new products must be introduced. In the absence of sufficient technological base and well-qualified staff, there may be delays in updates and in the introduction of new products, making our offer less attractive as a result. This may lead to a decrease of sales revenue, and, in consequence, a decrease of the generated profit. Quantum Group companies take steps to minimise this risk through constant development of our managers, regularly increasing, where possible, the number of highly qualified employees and by funding R&D works.

HR risk

As the IT market grows, so does the interest of our competitors in capable and highly qualified personnel. IT companies, for whom staff is the key production factor, are at risk of losing their key specialists. Companies constantly monitor the labour market, while the employees themselves are active as well. This situation leads to an increase of salaries and, in consequence, to lower returns on business activity. The Group companies attempt to create attractive working conditions for its employees, and uses incentive-based remuneration methods.

Risk related to the seasonality and irregularity of revenue

The typical seasonal nature of the IT business, where maximum sales are recorded in Q4 of a calendar year and is related to the end of the financial year and system upgrades, affects Quantum Group companies only to a small extent. Sales fluctuations between quarters are more connected with customer investment cycles than seasonality.

Risk of overdependence on key suppliers

In its operations, Quantum software S.A. and its subsidiaries use equipment and software from external suppliers. Losing one of key suppliers may result in the interruption of supplies. The Issuer's subsidiaries minimise this risk by maintaining good relationships with strategic partners. An additional factor reducing the risk is collaboration with multiple suppliers, wherever possible.

Risk of overdependence on key customers

This risk affects all companies of Quantum Group. In general, revenues generated from individual partners rarely exceed 10% of the companies' overall revenues, with the exception of our Russian and Brazilian companies, but they only have a small share in the Group's total revenues.

Risk related to changing legal regulations and instability of the tax system

Frequent changes in legislation in Poland are also a threat to the business of the Issuer's subsidiaries. The changes involve, among other things, tax regulations and interpretations, trade

regulations and provisions of the labour law. Frequent changes in the regulations may have a negative impact on the current operation, they may raise the costs and affect the financial performance. Uncertainty about future changes obstructs the assessment of future events and the strategic decision making process. Coming into force of new law regulations may involve interpretation ambiguities, inconsistent decisions of the courts or unfavourable interpretations adopted by public administration (and tax) authorities. The Group companies monitor draft amendments to the regulations on a regular basis and makes business decisions in consideration of the planned changes.

Investment risk

Major capital expenditures, in accordance with the adopted strategy, are related to introducing new products to new markets. It is an opportunity for development, but also generates additional risks. These are particularly connected with the activity of Quantum's subsidiaries in other countries. This risk is particularly pronounced in the eastern markets (Russia, Ukraine and Belarus) and in the markets of Latin America, and is related to a business culture that is distinct from the European one as well as the high costs of regular supervision.

13. Information on organisational or equity relations between the Company and other entities

Quantum software S.A. – the Group's parent company. After the incorporation of Quantum Qguar Sp. z o.o., it mainly acts as a holding company.

Quantum East Sp. z o. o. – the Group's subsidiary, in which Quantum Qguar sp. z o.o. holds 63.74% of interests (a holding company). Full consolidation method.

Quantum International Sp. z o.o. (Ukraine) – the Group's subsidiary, in which Quantum East Sp. z o.o. holds 100% of interests. Its business consists in the sales and implementation of Quantum software S.A.'s IT solutions in Russian-speaking countries. Full consolidation method.

Quantum International Sp. z o.o. (Russia) – the Group's subsidiary, in which Quantum East Sp. z o.o. holds 99% of interests. The Company was established to focus on sales and implementation of IT solutions offered by Quantum software S.A. in Russia.

Quantum I - Services Sp. z o.o. – the Group’s subsidiary, in which Quantum Qguar sp. z o.o. holds 100% of interests. Its business consists in the sale of licences, hardware and IT services that are not directly related to Quantum software S.A.’s own products (at present, the Qguar series). Full consolidation method.

Edisonda Sp. z o.o. – the Group’s subsidiary, in which Quantum software S.A. holds 59.20% of interests. The company was established to focus on interaction design and research into the communicative effectiveness of websites (or other electronic media) and use the research findings for commercial purposes. Full consolidation method.

Quantum Mobile Solutions Sp. z o.o. – the Group’s subsidiary, in which Quantum I - Services Sp. z o.o. holds 100% of interests. The business focus of the company consists in the development and sales of IT solutions for mobile devices.

Quantum Brasil Engenharia em Software Ltda- ME. – the Group’s subsidiary, in which Quantum Qguar sp. z o.o. holds 85% of interests. The purpose of the company is to introduce Quantum offer to the Federative Republic of Brazil.

EQ System East Sp. z o.o. – the Group’s associate, in which Quantum Software S.A. holds 48% of interests. The purpose of the company is to introduce a system for the automatic planning of manufacturing processes to the Eastern European market (Russia, Ukraine and Belarus).

Quantum Qguar sp. z o.o. – the Group’s subsidiary, in which Quantum Software S.A. holds 100% of interests. The company develops and implements IT systems.

14. Information on the Company's major domestic and foreign investments (securities, financial instruments, intangible assets and real property)

Apart from the investments described in other sections, the Company did not invest in real property, securities and other financial instruments in the presented period. The balance sheet item “intangible assets” is largely made up of expenditures on the expansion of the proprietary software package Qguar, which was one of the main objectives of the IPO in 2007.

15. Information on loans raised, borrowing agreements, and on guarantees and sureties granted

In 2016, the Issuer did not raise any loans, and it did not grant any borrowings, guarantees and sureties.

16. Information on borrowings granted during the financial year, with particular emphasis on borrowings granted to the issuer's related parties, including at least the amount, type, interest rate, currency and maturities, and on sureties and guarantees granted

In the financial year in question, the Issuer did not grant any borrowings.

17. Description of the use of issue proceeds by the Issuer

In 2016, no securities were issued.

18. Assessment of the management of financial resources

The Management Board assesses the Issuer's financial situation as good. The financial ratios do not indicate any threats to the Company's ability to fulfil its obligations. The Company finances its operations mainly through equity and trade liabilities.

19. Feasibility of investment plans, including capital expenditures, compared to the funds held, taking into consideration possible changes in the structure of financing of such operations

The funds held will allow for the implementation of the investment plans for 2017.

20. Assessment of factors and unusual events affecting the business result for the period

There were no such factors and events.

21. Description of external and internal factors vital for the company's development and business growth perspectives, considering the elements of the marketing strategy

The factors which will affect the growth of Quantum Group in the next year include external and internal factors as well as factors dependent on and independent from the Group companies.

External factors include:

- economic growth and growth in investments by businesses in Poland,
- situation in the European Union (e.g. refugee crisis, Brexit and the ECB's policy),
- Ukrainian and Russian crisis, and its effect on sales in other countries of the Commonwealth of Independent States,
- economic situation in Brazil and other Latin American countries,
- companies' decisions on budgets for IT expenditures,
- access of Polish companies to structural funds, which, to a certain extent, will be used for the development of IT systems and for financing R&D,
- concentrated competitor activity in the main business area of the Issuer's subsidiaries.

Internal factors include:

- punctual completion of works specified in the contracts whose implementation started in the previous year in accordance with the budgeted expenditure and contractual terms,
- effective HR policy so as to eliminate the risk of turnover of qualified and skilled employees, while maintaining profitability (payroll is the main cost item),
- success of marketing efforts in acquiring new contracts,
- success of capital expenditures.

Quantum Qguar (and its subsidiaries), which is the largest entity in Quantum software S.A.'s holding, concentrates on developing and implementing IT systems for businesses which need state-of-the-art logistics solutions. With their own software as a starting point, the companies seek to deliver comprehensive solutions to their customers. Plans for the future involve improving the QGUAR system as well as expanding the offer and operations.

Quantum Group's strategy is based on the following:

- know-how required to develop and implement SCM (Supply Chain Management) systems, which involves IT as well as logistics, automation, goods identification techniques and enterprise management,
- long-term international experience gained from work for many renowned European companies.

Strategic growth directions:

1. Expanding the proprietary Qguar software package by further SCM modules

2. Expanding the offer:

- implementing third party software that requires know-how and experience in logistics or that is complementary to Qguar
- full range of services involving the integration of logistics systems (consulting, computer hardware, peripherals and software for all layers)

3. Continued geographical expansion and consolidation of the leading position as a software developer for the logistics industry in CEE

The Group plans to implement these objectives through organic growth as well as capital expenditures and possible mergers and acquisitions. Expanding the Qguar package by further modules is the most natural mechanism for developing the Group's offer. The continued increase in demand for this type of software results from the following factors:

- higher requirements of businesses in terms of optimising the supply chain and reducing logistics costs,
- higher demand for logistics services,
- rapid technological development and lower prices of equipment for identifying goods (barcodes and RFID),
- development of mobile data processing technologies.

The Issuer's subsidiaries can use their experience and market position to implement third party applications, which may be complementary to their own products. Form many years, the Group companies have developed the integration of full systems for the logistics industry. In addition to implementing a bare utility application, the following topics are addressed:

- process design,
- ICT infrastructure,
- equipment (including industrial automation),

- operating and database software.

For many businesses in the early growth stage, computerisation involves bookkeeping, which is later followed by supply chain management. This creates an opportunity for the Group to provide complete SCM class IT systems for businesses where efficient logistics processes are of key importance.

The QGUAR package has an established position as the leading warehouse and distribution application on the Polish market. With nine language versions used in Western and Eastern Europe, it is a solid base for growing export. In spite of the long-term crisis and stagnation, CEE is a promising market due to the expected economic growth, which results from the disproportions compared to western European markets. As experience has shown, this market's specific nature allows for effective competition against the providers of IT solutions from western countries. It is important that the offered products are established on the international market (multiple languages) and do not create a barrier for multinationals. The trans-border nature is one of the basic characteristics of logistics processes.

22. Performance of 2016 forecast

The Issuer did not publish any forecasts in 2016.

23. Changes in basic management principles

In 2016, there were no changes in the basic management principles in the Company.

24. Description of proceedings pending before court, competent arbitration authority or public administration authority

No such events occurred.

25. Information on transactions with related parties concluded by the issuer or its subsidiaries, where the value of such transactions (total value of all transactions concluded from the beginning of the financial year) exceeds the PLN equivalent of EUR 500,000:

No such events occurred.

26. Changes in the composition of managerial and supervisory bodies

No such changes occurred in 2016.

27. Information on material transactions concluded by the issuer or its subsidiary with related parties on terms other than market terms, including amounts and information explaining the nature of such transactions

No such events occurred.

28. Remunerations, bonuses and benefits, including under incentive or bonus schemes based on the company's capital, paid or due to the members of the Company's Management Board and Supervisory Board, and information on the remuneration of the members of the Management Board and the Supervisory Board of Quantum software S.A. for functions held in the corporate bodies of subsidiaries

Remuneration of the Members of the Management Board for the period 01.01.2016-31.12.2016

Full name	Total remuneration for the period 01.01.2016-31.12.2016 in PLN
Hatala Tomasz	59,400.00
Ozóg Bogusław	61,600.00
Jędra Marek	61,600.00
Mnich Tomasz	59,400.00

Remuneration of the Members of the Supervisory Board for the period 01.01.2016-31.12.2016

Full name	Total remuneration for the period 01.01.2016-31.12.2016 in PLN
Kutyła Leopold	4,000.00
Polończyk Tomasz	6,000.00
Gaertner Henryk	0.00
Marcin Buczkowski	6,000.00
Andrzej Ruciński	6,000.00

29. Agreements concluded between the issuer and managerial staff, providing for a compensation if such persons resign or are dismissed from their position without a valid reason or if they are recalled or dismissed as a result of a merger of the issuer by acquisition

None.

30. For capital companies: total number and nominal value of all shares (interests) of the issuer as well as shares and interests in the issuer's related parties held by the issuer's managerial and supervisory staff (separately for each person):

The Company's share capital amounts to PLN 740,378.50 and is divided into 1,480,757 shares (750,000 series A registered shares, and 730,757 series B, C and D ordinary bearer shares, with a nominal value of PLN 0.50 each).

Managerial and supervisory staff holding the shares of Quantum software S.A.

Management Board	31 December 2016
Tomasz Hatala	36,200
Bogusław Ozóg	31,924
Marek Jędra	8,200
Tomasz Mnich	3,400
Supervisory Board	31 December 2016
Tomasz Polończyk	8,193

In addition, the above-mentioned persons and Mr Henryk Gaertner (Member of the Supervisory Board) hold interests in the Company's parent. According to the knowledge of the Company's Management Board, no member of the managerial or supervisory staff holds shares in the subsidiaries of Quantum software S.A.

31. Shareholders holding, directly or indirectly through their subsidiaries, at least 5 % of the overall number of votes at the issuer's general meeting, including the number of shares held by such entities, their percentage share in the share capital, the number of resulting votes and their percentage share in the overall number of votes at the general meeting

According to knowledge available to the Company, as of 20 April 2017, which is the publication date of the annual report, Minvesta sp. z o.o., with its registered office in Krakow, holds 675,421 series A registered preference shares, which account for a total of 45.61% of the Company's share capital and are vested with 1,350,842 votes at the Company's General Meeting, representing 60.56% of the total number of votes, and holds 222,979 of the Company's series B bearer shares,

which account for a total of 15.06% of the Company's share capital and are vested with 222,979 votes at the Company's General Meeting, representing 9.99% of the total number of votes.

32. Information on agreements known to the Issuer (including agreements concluded after the balance sheet date) that may change the proportion of shares held by the existing shareholders and bondholders

Between 19 December 2016 and 20 January 2017, the brokerage firm BDM S.A. announced a tender offer for the repurchase of Quantum software S.A.'s equity shares. As a result of the announcement, the parent Minvesta sp. z o.o. acquired 54,512 of the Issuer's equity shares. The announcement followed the shareholders' Agreement of 24 November 2016, which the Issuer disclosed in its current report no. 13/2016.

As a result of the tender offer, Minvesta sp. z o.o., the company's leading shareholder, demanded that the Extraordinary General Meeting of Quantum software S.A. be convened and that the agenda include a resolution on cancelling the dematerialisation of all of the Company's shares and on withdrawing them from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A.

The Extraordinary General Meeting was held on 16 February 2017, but was suspended and resumed on 16 March 2017. During the meeting, the above-mentioned resolution was not adopted and the dematerialisation of Quantum software S.A.'s shares was not cancelled.

33. Agreements with an entity authorised to audit financial statements

By way of a resolution of 20 July 2016, the Supervisory Board of Quantum software S.A. selected an authorised entity to review the interim separate financial statements and the interim consolidated financial statements, as well as to audit the separate and consolidated financial statements for the period from 1 January 2016 to 31 December 2016.

➤ 2015 Agreements:

On 14 July 2015, Quantum software S.A. and WBS Audyt sp. z o.o., with its registered office in Warsaw, concluded an agreement for the review of the interim separate and consolidated financial statements of Quantum software S.A.'s Capital Group. For the review of the interim separate and consolidated financial statements for 2015, the authorised auditing company will receive net remuneration in the total amount of PLN 8,000.

On 20 November 2015, the Company and WBS Audyt sp. z o.o., with its registered office in Warsaw, concluded an agreement for the audit of the separate and consolidated financial statements of Quantum software S.A.'s Capital Group for 2015.

For the audit of the separate and consolidated financial statements for 2015, the authorised auditing company will receive net remuneration in the total amount of PLN 14,000.

➤ 2016 Agreements:

On 6 June 2016, Quantum software S.A. and WBS Audyt sp. z o.o., with its registered office in Warsaw, concluded an agreement for the review of the interim separate and consolidated financial statements of Quantum software S.A.'s Capital Group. For the review of the interim separate and consolidated financial statements for 2016, the authorised auditing company will receive net remuneration in the total amount of PLN 8,000.

On 6 June 2016, the Company and WBS Audyt sp. z o.o., with its registered office in Warsaw, concluded an agreement for the audit of the separate and consolidated financial statements of Quantum software S.A.'s Capital Group for 2016.

For the audit of the separate and consolidated financial statements for 2016, the authorised auditing company will receive net remuneration in the total amount of PLN 14,000.

34. Information on the application of corporate governance rules

The company prepared a separate document published in the annual report.

Krakow, 20 April 2017

President of the Management Board Tomasz Hatala

Vice-President of the Management Board Bogusław Ożóg

Vice-President of the Management Board Marek Jędra

Member of the Management Board Tomasz Mnich

STATEMENT

The Management Board of Quantum software S.A. declares that, to the best of their knowledge, the annual financial statements and comparative data were prepared in compliance with the accounting principles in force and that they present a true, accurate and fair view of Quantum software S.A.'s economic and financial standing, and its financial result, and that the annual management report presents a true overview of the development and achievements of Quantum software S.A. and its situation, including basic risks and exposures.

Krakow, 20 April 2017

President of the Management Board	Tomasz Hatala
Vice-President of the Management Board	Bogusław Ożóg
Vice-President of the Management Board	Marek Jedra
Member of the Management Board	Tomasz Mnich

STATEMENT

The Management Board of Quantum software S.A. declares that the entity authorised to audit financial statements which audited the annual separate financial statements was selected in compliance with legal regulations, and that the said entity and the statutory auditors auditing the statements complied with the conditions required to produce an impartial and independent audit report in compliance with the applicable national legislation.

Krakow, 20 April 2017

President of the Management Board	Tomasz Hatala
Vice-President of the Management Board	Bogusław Ożóg
Vice-President of the Management Board	Marek Jędra
Member of the Management Board	Tomasz Mnich

Statement on the application of corporate governance rules by Quantum software S.A. in 2016

The Management Board of Quantum software S.A. publishes this statement on the Company's application of the corporate governance rules "BEST PRACTICE FOR GPW LISTED COMPANIES" in the period from 01.01.2016 to the submission date of the annual report for 2016.

I. Corporate governance rules adopted by Quantum software S.A.

Quantum software S.A. applies the corporate governance rules "Best Practice for GPW Listed Companies" (Best Practice), adopted on 4 July 2007 by the Supervisory Board of GPW, as amended, and published on the website of Gielda Papierów Wartościowych w Warszawie S.A.: http://www.corpgov.gpw.pl/lad_corp.asp

As of 1 January 2016, a new set of corporate governance rules came into force: Best Practice for GPW Listed Companies 2016, annexed to Resolution No. 26/1413/2015 of the Supervisory Board of Gielda Papierów Wartościowych w Warszawie S.A. of 13 October 2015 (https://www.gpw.pl/dobre_praktyki_spolek_regulacje). Based on § 29 section 3 of the Rules of Gielda Papierów Wartościowych w Warszawie S.A., the Company publishes the required reports on abandoning the rules altogether or on incidentally violating certain detailed corporate governance rules, including the reasons for abandoning such rules.

The Company's statement includes the indication of the application of Best Practice for GPW Listed Companies, as effective from 1 January 2016, by the submission date of this statement.

II. Information on the extent to which Quantum software S.A. abandoned the application of the above-mentioned provisions, specification of such provisions and explanation for not applying them

The Company has taken steps to apply the corporate governance rules specified in the above-mentioned document and it has made efforts to implement all recommendations of the Code of Best Practice for WSE Listed Companies and the guidelines for management boards, supervisory boards and shareholders.

The Company complies with the general recommendations of Part I. With respect to the detailed rules

- Rule I.R.2 does not apply to the Company because it does not pursue any sponsorship, charity or similar activity.
- Rule I.Z.1.10 applies to companies which have decided to publish forecasts. The Company has not decided to publish its financial forecasts and any information on their performance, and as a result, such information is not published on the Company's website.
- With regard to rule I.Z.1.15, the Company would like to explain that the members of its Supervisory Board and Management Board are appointed by the General Meeting and the Supervisory Board respectively, considering the candidates' qualifications, experience and skills. Gender and age are not taken into consideration when appointing the members of the Company's bodies. The Company's bodies believe that this approach ensures that the most suitable candidates are appointed for managerial and supervisory functions.

In principle, the Company complies with all of the remaining rules and recommendations in Parts II, III, IV, V and VI of Best Practice, effective as of 1 January 2016. With respect to the rules of Part IV of Best Practice applicable to the Company in 2016, for which the *comply or explain* approach is adopted:

- The Company does not fully comply with rule IV.R.2. Although it broadcasts the GSM, the Company's corporate documents (Statute and Rules of the General Meeting) do not provide for the possibility to participate, take the floor and exercise the voting right at the General Meeting using means of electronic communication. In the Company's opinion, complying with that rule involves technical and legal hazards which may affect correct and uninterrupted session of the General Meetings as well as the genuine, reliable and secure transmission of information in real time.
- Rule IV.R.3 does not apply to the Company because the securities issued by the Company are not traded in different countries (or in different markets) and in different legal systems.

With respect to the rules in Part VI:

- Rule VI.R.3 does not apply to the Company because there is no remuneration committee as part of the Company's Supervisory Board.
- The Company does not apply rule VI.Z.4. The Company does not disclose information on the remuneration system in its management report because the management report includes

information on the remuneration of the Members of its Management Board and Supervisory Board required under the applicable laws.

III. Main characteristics of the company's internal control and risk management systems applicable to the process of preparing financial statements and consolidated financial statements

The Management Board is responsible for the internal audit system in the Company and its effectiveness in the process of compiling financial statements and interim reports, prepared and published in accordance with the principles included in the Ordinance of the Minister of Finance of 19 February 2009 on current and interim information to be submitted by issuers of securities and conditions for considering as equivalent information required under the law of a non-member state

The process of preparing the financial data for statutory reporting is automated and based on Quantum's consolidated financial and accounting system. The preparation of the data in the source systems is subject to formalised operational and approval procedures, which define the individual responsibilities. The Management Board and senior management supervise the individual areas of activity, processes and products. Key personnel are responsible for the creation, implementation, operation and monitoring of an effective and efficient internal control system as well as for identifying and monitoring any risks borne.

One of the main controls in the process of preparing the Company's financial statements is the verification by independent statutory auditors. The statutory auditor is appointed from among independent entities which ensure a high standard of services and impartiality. The statutory auditor is appointed by the Company's Supervisory Board. In particular, the statutory auditor's tasks include: reviewing semi-annual separate and consolidated financial statements, and auditing annual separate and consolidated financial statements. The statutory auditor's independence is of fundamental importance for ensuring a correct audit of the accounting books.

The financial statements are also formally reviewed and assessed by the company's supervisory body (Supervisory Board). Pursuant to article 4a of the Accounting Act of 29 September 1994, the Supervisory Board is responsible for ensuring that the financial statements and the management report satisfy the legal requirements. To fulfil this obligation, the Supervisory Board uses the competences provided for by the law and by the Company's statute. This is another level

of control exercised by an independent body, ensuring that the information presented in the separate and consolidated financial statements is true and fair.

The Audit Committee, appointed from among the members of the Company's Supervisory Board, supervises the Company's financial reporting process. The Audit Committee supervises the financial reporting process to ensure the balance, transparency and integrity of the financial disclosures. The Audit Committee is composed of five members of the Supervisory Board, two of whom meet the independence criteria specified in the Code of Best Practice for WSE Listed Companies, Chapter III section 6.

In the opinion of the Supervisory Board, the internal control system is suitable for the extent and profile of the risk associated with the Company's business, and material risks to Quantum's operations are managed adequately and effectively.

IV. Shareholders who, directly or indirectly, hold substantial stakes of shares, the number of shares held by such parties, their percentage share in the share capital, the number of votes resulting from the shares and their percentage share in the overall number of votes at the general meeting

According to knowledge available to the Company, as of 20 April 2017, which is the publication date of the annual report, Minvesta sp. z o.o., with its registered office in Krakow, holds 675,421 series A registered preference shares, which account for a total of 45.61% of the Company's share capital and are vested with 1,350,842 votes at the Company's General Meeting, representing 60.56% of the total number of votes, and holds 222,979 of the Company's series B bearer shares, which account for a total of 15.06% of the Company's share capital and are vested with 222,979 votes at the Company's General Meeting, representing 9.99% of the total number of votes.

V. Identification of holders of all securities with special control rights and a description of these rights

The Company holds series A registered preference shares that are not admitted to trading on the regulated market. The series A registered shares are preference shares, i.e. one share is vested with two votes at the Company's general meeting. The series B, C and D shares are freely transferrable ordinary bearer shares.

Holders of the company's series A registered shares with special control rights in the company as of the publication date of the annual report:

Shareholder	Number and structure of series A shares	Number and structure of votes at the GSM vested with series A shares
MINVESTA sp. z o.o.	675,421 (90.05 %)	1,350,842 (90.05 %)
Tomasz Hatała	28,181 (3.76 %)	56,362 (3.76 %)
Bogusław Ożóg	19,150 (2.56%)	38,300 (2.56%)
Marek Jędra	6,384 (0.85 %)	12,768 (0.85 %)
Robert Dykacz	11,832 (1.58 %)	23,664 (1.58 %)
Tomasz Mnich	2,648 (0.35%)	5,296 (0.35%)
Tomasz Polończyk	6,384 (0.85 %)	12,768 (0.85 %)
Total number of the company's series A shares and votes vested with them	750,000 (100 %)	1,500,000 (100%)

VI. All restrictions regarding the exercise of the right to vote, such as restricted right to vote by holders of a given share or number of votes, temporary restrictions on the right to vote or provisions under which, in consultation with the company, capital rights linked to securities are separated from the holding of securities

The Issuer did not issue any shares with the above restrictions.

VII. Identification of all restrictions on the transfer of ownership title to the issuer's securities

The Issuer did not issue any securities with restrictions on the transfer of the ownership title to such securities.

VIII. Description of rules for amending the Issuer's statute

In order to amend the statute, a resolution of the general meeting passed with a $\frac{3}{4}$ majority of votes and an entry into the register of entrepreneurs are required.

IX. Description of principles regulating the appointment and dismissal of managerial staff and their rights, in particular, the right to decide on the issue or purchase of shares

The President and other members of the Management Board are appointed and dismissed by the Supervisory Board. The term of office of the Management Board lasts three years. The Management Board is composed of 1-5 members. The number of the members is determined by the Supervisory Board. The members of the Management Board are appointed for a joint term of office. The mandates of the members of the Management Board expire as of the date of the General Meeting. An approval of the financial statements for the last full financial year in which the member of the Management Board held their function is required. The Company's Management Board manages the Company, and represents it before court and in other matters. Declarations of intent on behalf of the Company must be made by two members of the Management Board acting jointly.

The Management Board's responsibilities include all matters which are not restricted to the competence of the General Meeting and the Supervisory Board.

The decisions of the Management Board are made in the form of resolutions passed by an absolute majority of votes. The resolutions of the Management Board are passed by way of an open ballot. The procedures of the Management Board, which define in particular the matters that require resolutions, are specified in the Rules adopted by the Supervisory Board. The Management Board prepares and maintains documentation of the Company's organisational activities. In particular, the Management Board:

- performs all registrations required under the applicable laws,
- publishes information required by the law and the Company's Statute in the manner specified in the law and the Statute,
- convenes the General Shareholders' Meetings and maintains documentation of the convention and the course of the meetings,
- maintains a share register,
- keeps the minutes of the Supervisory Board,
- provides the Supervisory Board and the General Shareholders' Meeting with detailed information regarding the Company,
- prepares the Company's management report for the previous financial year,
- prepares a draft distribution of profit or coverage of loss for the financial year,

- determines and announces the dividend payment date,
- maintains the Rules of the Management Board, and other rules.

The members of the Management Board participate in every General Meeting and answer any questions asked during the meeting. In addition, the members of the Management Board who are invited to a meeting of the Supervisory Board by the Chairman of the Supervisory Board participate in the meeting and have the right to take the floor on matters listed in the agenda.

Any decisions on the issue or buyout of the Company's shares are made by the Company's General Meeting.

Pursuant to Article XIII of the Statute, the Company's share capital can be increased through the issue of new shares. The Statute authorises the Management Board to determine the issue price. Newly issued shares can be registered shares and bearer shares, and can be paid for in cash or by way of a contribution in kind. The shares are indivisible. The Management Board is authorised to issue the shares in multiple-share certificates. The shares bear the Company's seal and the Management Board's signature. The Management Board's signature can be reproduced mechanically. In the case of joint ownership of shares, the joint owners exercise their rights through either owner or through an authorised joint representative.

X. Procedures of the General Meeting, its main rights and the description of the shareholders' rights and the exercise of these rights, in particular the principles resulting from the rules of the general meeting (if such rules have been adopted), unless such information is directly required under the law

The Company's General Meeting acts according to the applicable law, including the provisions of the Commercial Companies Code, the Act on trading in financial instruments (J.L. 09.13.69), the Company's Statute and the Rules of the General Meeting, as amended on 18 May 2010 by Resolution 25 of the Ordinary General Shareholders' Meeting.

The Ordinary General Meeting is convened by the Management Board, and it is held by 30 June of each calendar year. The Extraordinary General Meeting is convened by the Management Board on its own initiative, at the request of the Supervisory Board or at the request of the shareholders representing at least 1/20 of the share capital. The General Meetings are held in Krakow or in Warsaw. The information about the convention of the GSM is published in a current report and in an announcement on the Company's website. The announcement must be made at least twenty-six days prior to the date of the general meeting. The announcement on the

general meeting of a public company must include at least the information referred to in Article 402² of the Commercial Companies Code.

The following matters require a resolution of the General Meeting:

1. examining and approving of the Company's financial statements, and management report for the previous year,
2. specifying the rules for remunerating members of the Supervisory Board,
3. approving the rules of the General Meeting and the Supervisory Board,
4. appointing liquidators when necessary,
5. deciding on whether to exclude all or a portion of profits from distribution,
6. appointing and dismissing the Supervisory Board.

The GSM passes resolutions on matters which fall within its responsibilities, in particular those specified in the Commercial Companies code, the GSM rules and the Statute. Subject to the situations specified in the Commercial Companies Code and in the Statute, the resolutions are passed by an ordinary majority of votes. According to the Statute, the resolution on abandoning an item on the agenda at the shareholders' request, is passed by the GSM by a 75% majority of votes, after obtaining approval from all present shareholders who requested the examination of such item. The GSM's resolutions are included in the minutes prepared by a civil law notary. The GSM's resolutions are subject to claims before court according to the procedures and terms specified in the Commercial Companies Code.

The shareholders have the right to participate in the General Meeting and exercise the right to vote vested with the registered shares in person or through attorneys. The power of attorney to participate in the general meeting and exercise the right to vote must be granted in writing or in electronic form. A power of attorney granted in electronic form does not require a secure electronic signature verified by a valid qualified certificate. The representatives of shareholders who are legal persons must have valid excerpts from the respective commercial register or the National Court Register, listing the persons authorised to represent such entities, or bear a power of attorney signed by the persons listed in the excerpt. The power of attorney authorising to participate in the general meeting and to exercise the right to vote granted in electronic form must be sent to the e-mail address for investor contact on the Company's website, not later than

2 days prior to the respective general meeting. Every series A registered share of the Company is vested with two votes at the General Meeting, while series B, C and D shares are ordinary bearer shares, with each share vested with one vote at the General Meeting. The right to participate in the general meeting of a public company is reserved for persons who are listed as the company's shareholders sixteen days prior to the date of the general meeting (record date). Individuals authorised under registered shares and temporary certificates as well as pledgees and usufructuaries with the right to vote are entitled to participate in the general meeting of a public company if they are entered into the share register as of the record date. The bearer shares in document form are vested with the right to participate in the general meeting of a public company if the share documents are submitted to the company not later than on the record date and are not withdrawn by that date. In place of the shares, a statement issued as the proof of depositing the shares with a civil law notary, a bank or an investment company with registered office or branch in the territory of the European Union or a country that is a party to the EEA Agreement can be submitted, as specified in the announcement of the convocation of the general meeting. The statement must include the number of share documents and confirm that the share documents will not be withdrawn by the record date.

Each shareholder has the right to demand the copies of requests regarding the issues on the agenda of the upcoming General Meeting. Such a demand must be submitted to the Company's Management Board. The copies of the requests must be issued not later than one week prior to the General Meeting.

Immediately after the Chairman of the General Meeting has been appointed, an attendance list of the persons participating in the General Meeting must be prepared, including the number of the Company's shares held by every participant and the number of votes vested with the shares. The Chairman is obliged to sign the list and make it available for peruse during the session of the General Meeting. Pursuant to Article 410 § 2, at the request of shareholders holding 1/10 of the share capital represented at the General Meeting, the attendance list must be checked by a committee appointed for this purpose.

According to the Company's Statute, the shareholders have the right to participate in the annual profit which the General Shareholders' Meeting has earmarked for distribution. The Management Board is authorised to make an advance payment to the shareholders on the expected dividend at the end of the financial year, provided that the Company has sufficient funds available. The interim dividend must be approved by the Supervisory Board.

XI Composition and changes in the last financial year and description of the operation of the company's management and supervisory bodies, and of their committees

As of 31.12.2016, the Management Board was composed of:

President of the Management Board	Tomasz Hatala
Vice-President of the Management Board	Bogusław Ożóg
Vice-President of the Management Board	Marek Jędra
Member of the Management Board	Tomasz Mnich

On 16 March 2016, the members of the Management Board were appointed for a three-year term of office.

The detailed tasks of the Company's Management Board are described in the Rules of the Management Board, which are adopted by the Management Board and approved by the Supervisory Board.

Operating procedures of the Management Board

Declarations of intent on behalf of the Company must be made by two members of the Management Board acting jointly.

The Management Board's responsibilities include all matters which are not restricted to the competence of the General Meeting and the Supervisory Board.

The decisions of the Management Board are made in the form of resolutions passed by an absolute majority of votes. The resolutions of the Management Board are passed by way of an open ballot. The procedures of the Management Board, which define in particular the matters that require resolutions, are specified in the Rules adopted by the Supervisory Board. The Management Board prepares and maintains documentation of the Company's organisational activities. In particular, the Management Board:

- performs all registrations required under the applicable laws,
- publishes information required by the law and the Company's Statute in the manner specified in the law and the Statute,
- convenes the General Shareholders' Meetings and maintains documentation of the convention and the course of the meetings,

- maintains a share register,
- keeps the minutes of the Supervisory Board,
- provides the Supervisory Board and the General Shareholders' Meeting with detailed information regarding the Company,
- prepares the Company's management report for the previous financial year,
- prepares a draft distribution of profit or coverage of loss for the financial year,
- determines and announces the dividend payment date,
- maintains the Rules of the Management Board, and other rules.

As of 31.12.2016, the Supervisory Board was composed of:

Chairman of the Supervisory Board	Leopold Kutyla
Vice-Chairman of the Supervisory Board	Tomasz Polończyk
Member of the Supervisory Board	Henryk Gaertner
Member of the Supervisory Board	Andrzej Ruciński
Member of the Supervisory Board	Marcin Buczkowski

Operating procedures of the Supervisory Board

The Supervisory Board acts based on the adopted Rules of the Supervisory Board of Quantum software S.A. and the Company's Statute. The Supervisory Board is composed of five to nine members appointed by the General Meeting. The terms of office of the Supervisory Board lasts 3 years. If the mandate of the Chairman or the Member of the Supervisory Board expires before the end of the term of office, a new Chairman or Member is appointed in their place only for the remaining term of office of the other members of the Supervisory Board. At least two members of the Supervisory Board must meet the independence criteria.

The responsibilities of the Supervisory Board include:

- examining the annual financial statements and the Company's management report, and making proposals on the distribution of profit or the coverage of loss,
- submitting a written report to the General Meeting, regarding the results of the activity referred to in item 1 before,

- approving the purchase and sale of real property, perpetual usufruct title or interest in real property,
- approving the purchase of interests or shares in other businesses, acquisitions and incorporation of new businesses,
- allowing Members of the Management Board to become involved in competitive activity or a competitor company as a shareholder or as a member of its corporate bodies,
- examining other issues raised by the General Meeting,
- approving the granting of proxy by the Management Board,
- at the request of the Management Board, appointing a statutory auditor for auditing the Company's annual financial statements.

The meetings of the Supervisory Board are convened by the Chairperson at their own initiative or at the request of another member of the Supervisory Board or at the request of the Management Board. The Supervisory Board adopts its resolutions by an absolute majority of votes. The Supervisory Board may not pass a resolution regarding matters that are not on the agenda, unless all members of the Supervisory Board are present and nobody raises an objection. The Members of the Supervisory Board may participate in passing the Supervisory Board's resolutions through voting in writing via another Member of the Supervisory Board. It is not possible to vote in writing on matters included in the agenda at the meeting of the Supervisory Board. The Supervisory Board's resolutions may be passed without holding a meeting, by written ballot or using telecommunication equipment. A resolution is valid if all members of the Supervisory Board have been notified about the content of the draft resolution.

As of 31.12.2016, the Supervisory Board's Audit Committee was composed of:

Chairman of the Committee	Leopold Kutyla
Member of the Committee	Tomasz Polończyk
Member of the Committee	Henryk Gaertner
Member of the Committee	Andrzej Ruciński
Member of the Committee	Marcin Buczkowski

Operating procedures of the Supervisory Board's Audit Committee

The Supervisory Board's Audit Committee, according to the Act of 7 May 2009 on statutory auditors and their professional association, entities authorised to audit financial statements and on public supervision, acts based on Resolution 21 of the Ordinary General Meeting of Quantum software S.A. of 17 May 2012, and monitors the following:

- 1) financial reporting process,
- 2) the efficiency of the systems for internal control, internal audit and risk management,
- 3) financial auditing activities,
- 4) independence of the statutory auditor and the entity authorised to audit financial statements.

The Audit Committee is composed of five members of the Company's Supervisory Board, at least one of whom meets the independence criteria, as stipulated by Article 56 section 3 items 1, 3 and 5 of the Act, and is qualified in accounting or financial auditing. The Audit Committee is a standing committee of the Supervisory Board. In an open ballot, the Supervisory Board appoints one of the Members of the Audit Committee as the Chairman. The Supervisory Board may at any time dismiss the Chairman of the Audit Committee, leave them within the Committee and appoint another Chairman. The Members of the Committee hold their functions for the term of office of the Supervisory Board. The Supervisory Board may, at any time, dismiss the individual Members of the Audit Committee before the expiry of a Supervisory Board member's mandate. Dismissing a member from the Committee is not tantamount to dismissing them from the Supervisory Board. The mandate of each member of the Committee expires as of the expiry of a Supervisory Board member's mandate.

The Audit Committee acts based on the applicable law, including the Act of 7 May 2009 on statutory auditors and their professional association, entities authorised to audit financial statements and on public supervision (Journal of Laws of 2009, no. 77, item 64).

The Audit Committee holds sessions when required, but the sessions are held at least before the Company's publication on WSE of the annual, semi-annual and two quarterly financial statements (for the first and third quarter).

The sessions of the Audit Committee are convened by the Chairman on the Chairman's own initiative or at the request of a member of the Audit Committee. At the request of a member of the Audit Committee or on the Chairman's own initiative, the Chairman of the Audit Committee

may invite persons from outside the Audit Committee to participate in the sessions, in particular persons with specialist expertise, as well as members of the Management Board and the Company's employees in order to provide detailed explanations or express opinion on the subject of the session. Such persons must leave the session of the Committee when the issues discussed concern them directly and at the request of a member of the Audit Committee. The Chairman of the Audit Committee directs the Committee's work. The Chairman also supervises the preparation of the agenda, the distribution of documents and the preparation of minutes from the committee's sessions.

Krakow, 20.04.2017

President of the Management Board	Tomasz Hatala
Vice-President of the Management Board	Bogusław Ożóg
Vice-President of the Management Board	Marek Jędra
Member of the Management Board	Tomasz Mnich

Krakow, 19 April 2017

**Report of the Supervisory Board of Quantum software S.A.
for FY 2016, including an assessment of the Supervisory Board's work**

I. The composition of the Supervisory Board in FY 2016 was as follows:

1. Leopold Kutyla – Chairman of the Supervisory Board
2. Tomasz Polończyk – Vice-Chairman of the Supervisory Board
3. Henryk Gaertner – Member of the Supervisory Board
4. Andrzej Ruciński – Member of the Supervisory Board
5. Marcin Buczkowski – Member of the Supervisory Board

II. The operating rules and procedures of the Supervisory Board of Quantum software S.A.

are regulated by the provisions on public capital companies and the following:

- Statute of Quantum software S.A.
- Rules of the Supervisory Board of Quantum software S.A.
- Corporate governance rules

In 2016, the Supervisory Board of Quantum software S.A., based in Krakow, held three sessions (on 16 March, 19 August and 22 November) at the Company's registered office. During the sessions, the Members of the Supervisory Board were present in a number allowing for the adoption of resolutions. The average turnout was 4 (four) out of 5 (five) Supervisory Board members.

The Supervisory Board constantly supervised the Company's operations. In particular, supervision and monitoring included the following:

- monitoring and analysing the Company's financial situation, and assessment,
- analysing interim financial statements,
- reading the Management Board's interim information concerning the Company's current and planned operations,
- formal and legal business related to the Supervisory Board's activity.

As part of the performance of its tasks, the Supervisory Board passed the following resolutions in 2016:

- It assessed the Company's and the Capital Group's management reports and financial statements for FY 2015.
- It recommended that the loss in the amount of PLN 335,802.39 (three hundred thirty-five thousand eight hundred two zloty 39/100) be fully covered from the Company's supplementary capital.
- It acknowledged the fulfilment of duties by the members of the Management Board in 2015.

- It examined and expressed its opinion on the Company's financial results after the first two months of 2016.
- It examined and expressed its opinion on the Company's financial results after the consecutive quarters of 2016.
- It passed a resolution on appointing an entity authorised to audit the Company's and the Capital Group's financial statements for 2016.

The Issuer's Supervisory Board is composed of the minimum number of members required by the law. The Supervisory Board includes an audit committee whose members and chairman sit in the Supervisory Board.

The Supervisory Board fulfils the independence criterion because 3 out of 5 of its members are not related to a shareholder holding at least 5% of total votes at the Company's general meeting.

In its basic composition, the Supervisory Board is capable of correctly fulfilling the obligations related to auditing the Company's business.

Pursuant to Article 382 paragraph 3 of the Commercial Companies Code, the Supervisory Board assessed the following:

1. the Company's financial statements for 2016,
2. the Company's Management Report for the period 01.01.2016 - 31.12.2016,
3. the Capital Group's Management Report for the period 01.01.2016 - 31.12.2016,
4. the Capital Group's consolidated financial statements for 2016.

Considering the above, the Supervisory Board requests the Ordinary General Meeting of Quantum software S.A. to approve the following:

1. the Company's management report for the period 01.01.2016 - 31.12.2016,
2. the Company's financial statements for 2016,
3. the Capital Group's Management Report for the period 01.01.2016 - 31.12.2016,
4. the Capital Group's consolidated financial statements for 2016.

III. Assessment of the work of the Supervisory Board of Quantum software S.A., the internal control system and the system for managing the Company's material risks

The Supervisory Board has positively evaluated its activity in terms of correct functioning of the internal control system and the system for managing the Company's material risks, which, in the opinion of the Supervisory Board, served to ensure correct financial information in the interim statements and reports. In the opinion of the Supervisory Board, the internal control system is suitable for the extent and profile of the risk associated with the Company's business, and material risks to Quantum's operations are managed adequately and effectively.

The process of preparing the financial data for statutory reporting is automated and based on Quantum's consolidated financial and accounting system. The preparation of the data in the source systems is subject to formalised operational and approval procedures, which define the individual responsibilities. The Management Board and senior management supervise the individual areas of activity, processes and products. Key personnel are responsible for the creation, implementation, operation and monitoring of an effective and efficient internal control system as well as for

identifying and monitoring any risks borne. The financial statements are also formally reviewed and approved by the company's supervisory body (Supervisory Board).

IV. Assessment of the Company's fulfilment of its disclosure obligations with respect to applying corporate governance

The Supervisory Board expresses a positive opinion on the Company's fulfilment of its disclosure obligations with respect to applying corporate governance. As a standard, in its annual reports, the Company includes the Management Board's statement of compliance with corporate governance rules, taking account of any changes of those rules and any rules which do not apply to or are not applied by the Company. Irrespective of the above, the Company submitted a statement using the EBI system.

This report was adopted by the Supervisory Board in the form of a resolution on 19 April 2017.

Leopold Kutyla
Chairman of the Supervisory Board