



Management Report
for Quantum software S.A. for the period
from 1 January 2017 to 31 December 2017

Kraków 20 April 2018

Basic rules adopted in preparation of the financial statements

These consolidated financial statements of Quantum software S.A. for 2017 have been prepared in line with the IAS and the International Financial Reporting Standards (IFRS) approved by the European Union, which include standards and interpretations published or adopted by the International Accounting Standards Board and the Standing Interpretation Committee at the IASB. The basis for the preparation of these financial statements of Quantum software S.A. is Article 55 para. 6a of the Accounting Act.

This Management Report for Quantum software S.A. covers the period from 1 January 2017 to 31 December 2017.

The annual report of Quantum software S.A. for the reporting period between 01.01.2017 and 31.12.2017 comprises:

- The Issuer's financial statements for the reporting period between 01.01.2017 and 31.12.2017 and as at 31.12.2017, prepared in line with the International Accounting Standards, including: the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes to the financial statements.
- Comparative financials to the financial statements as at 31.12.2017 and for the period of 12 months ended on 31.12.2016;
- The Issuer's Management Report for the period between 01.01.2017 and 31.12.2017;
- Statements of the Management Board in line with Article 91 para. 1 item 5) and 6) of the Regulation 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.

Members of the Management Board:

Tomasz Hatala

Bogusław Ożóg

Marek Jędra

Tomasz Mnich

Person responsible for bookkeeping:

Chief Accountant – Monika Kuś

Summary of information included in the Management Report for Quantum software S.A. for 2017:

1. The Management Report on the Company activities for 2017.
2. The statement of the Management Board on the observance of corporate governance rules at Quantum software S.A. in 2017.
3. Reports on the Supervisory Board's activity for 2017.

1. Basic information

Quantum software Spółka Akcyjna; 30-633 Kraków, ul. Walerego Sławka 3A. Quantum software S.A. was entered into the Register of Businesses of the National Court Register (KRS) Kraków – Śródmieście (Kraków City Centre), XI Economic Division on 30 October 2002 under no. 0000136768; PKD 62.01Z. – “software activities”. Starting from 25 July 2014, in connection with the transfer of the enterprise to a subsidiary, Quantum Qguar sp. z o.o., the Issuer's core business consists mainly in acting as a holding company. According to the Statutes, the duration of the Company is unlimited.

Statistical identification number (REGON):	351243328
Tax ID (NIP):	677-17-53-870
National Court Register (KRS):	0000136768
Share capital:	657,435.00 PLN, fully paid up

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 Mnich

Supervisory Board:

Chairman of the Supervisory Board	Leopold Kutyla
Deputy 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 at 31.12.2017, the Company is a parent for the following entities:

1. Business name: Quantum East Sp. z o.o. – a subsidiary

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

2. Business name: Quantum International Sp. z o.o. – a subsidiary in Ukraine

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

3. Business name: Quantum International Sp. z o.o. – a subsidiary in Russia

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

4. Business name: Quantum I- Services Sp. z o.o. – a subsidiary

Registered office: Kraków
Address: Walerego Sławka 3a
National Court Register (KRS): 0000331050
Shareholders: 100% of shares are held by Quantum Qguar sp.
z o.o.
Founding capital: 1,500,000.00, fully covered by in-kind contribution

5. Business name: Quantum Mobile Solutions Sp. z o.o. – a subsidiary

Registered office: Kraków
Address: Walerego Sławka 3a
National Court Register (KRS): 0000297249
Shareholders: 100% of shares are held by Quantum I- Services
Sp. z o.o.
Share capital: 6000.00 PLN, fully paid up

6. Business name: Quantum Brasil Engenharia Em Software Ltda-ME. – a 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 shares are held by Quantum Qguar sp.
z o.o.

Share capital: 340,000.00 BRL, fully paid up

7. Business name: Quantum Qguar sp. z o.o. – a subsidiary

Registered office: Kraków
Address: Walerego Sławka 3A
National Court Register (KRS): 0000516717
Shareholders: 100% of shares held by Quantum software S.A.
Share capital: 3,995,000.00 PLN covered by in-kind contribution
and 5,000.00 PLN covered by in-cash contribution

8. Business name: Qcadoo Limited sp. z o.o. – a subsidiary

Registered office: Kraków
Address: Walerego Sławka 3A
National Court Register (KRS): 0000344950
Shareholders: 94% of shares are held by Quantum Qguar sp.
z o.o.
Share capital: 5000.00 PLN, fully paid up

2. Financial performance of the Issuer in 2017

Financial highlights in the Issuer's income statement

Details	2017 (in '000 PLN)	2016 (in '000 PLN)
Net sales	1 088	1 157
Net sales of products	1 074	1 127
Net sales of goods and materials	14	30
Profit on sales	672	658
Operating profit/loss (EBIT)	-30	150
Operating profit + amortisation/depreciation (EBITDA)	-30	150
Gross profit/loss	3 256	2 146
Net profit/loss	2 931	2 167
Equity	12 087	12 252
Liabilities and reserves	214	305
Of which long-term liabilities	2	1
Return On Sales – ROS	2.69%	1.87%
Return On Assets – ROA	0.23%	0.17%
Return On Equity – ROE	0.24%	0.18%
Current ratio	12	8
Quick ratio	12	8

Tabulated ratios have been calculated according to the following formulas:

- return on sales – net profit to sales revenues
- return on assets – net profit to assets as at the end of the reporting period
- return on equity – net profit to equity as at the end of the reporting period
- current ratio – current assets to the carrying amount of short-term liabilities
- quick ratio – current assets less inventories to the carrying amount of short-term liabilities

3. Financial situation of the Issuer

In 2017 Quantum software S.A. recorded income from sales of 1,088,000 PLN and the net profit of 2,931,000 PLN. The profit amount stems primarily from financial income, i.e. the sales of a subsidiary, Edisona, and from dividend paid by subsidiaries: Quantum Qguar sp. z o.o and Edisona sp. z o.o.

4. Information on the Issuer's activities in 2017

In 2017 the Issuer's business was limited to acting as a holding company for its subsidiaries and the service of Qguar software contracts with the customers: Axell Logistics Sp. z o.o. (formerly: Ponetex sp. z o.o.) and Neuca S.A. – the contracts that are actually performed by a subsidiary, Quantum Qguar sp. z o.o.

5. Changes in equity in terms of amounts and types

In 2017, pursuant to resolution No. 5 of the Extraordinary General Meeting of Shareholders of 16 March 2017, 165,887 treasury shares were redeemed, which had been purchased based on the authorisation included in resolution No. 19 of the Ordinary General Meeting of Shareholders of 25 June 2015.

On 6 October 2017 the District Court for Kraków – Śródmieście (Kraków City Centre) in Kraków, XI Economic Division of the National Court Register (KRS) registered a decrease in the Company share capital. As a result, the current share capital amounts to 657,435.00 PLN.

6. Information on basic products

The Company's core business consists mainly in acting as a holding company in the Quantum Group, although it also acts as a general contractor for two customers that are actually served by a daughter company: Quantum Qguar sp. z o.o. acting as a subcontractor. The activities of the Group member companies are described in the consolidated statements.

7. Downstream and upstream markets

Apart from acting as a holding company, the Issuer's market activities are related to its function of a general contractor for two domestic entities, for which Quantum Qguar sp. z o.o. is a subcontractor.

8. Information on important events that occurred after the balance sheet date and were not included in the financial statements.

There have been no events of an untypical nature after the balance sheet date not included in the financial statements.

9. Major research and development achievements.

At the moment, the entity is not involved in any R&D activities.

10. Employment structure at Quantum software S.A.

The employment at Quantum software S.A. as at 31 December 2017 was as follows:

	Year ended on 31 December 2017	Year ended on 31 December 2016
Management Board	4	4
White collars/Administration	0	0
Blue collars	0	0

11. Contingent liabilities

In 2017, Quantum software S.A. had no contingent liabilities.

12. Description of significant risk factors and threats, and to what extent the Issuer is exposed to them

As a holding company, the Issuer is currently exposed to risks inherent in the operations of its subsidiaries and associates. Currently Quantum Qguar Sp. z o.o is the largest subsidiary. However, risks and threats described here apply also to other operations that fall within the IT sector.

Risk related to the macro-economic situation

The financial situation of the Issuer depends on the Polish macroeconomic situation and the countries in which subsidiaries operate. The Company's financial result is directly and indirectly dependent on, among others: the GDP growth dynamics, inflation, monetary and tax policy of the state, level of business investments, level of household income and consumer demand. All the aforesaid factors as well as the direction and level of changes influence the fulfilment of tasks assumed by the Issuer's subsidiaries. The economic growth translates into revenues of companies operating in particular regions and industries. Consequently, they adjust their capital expenditure, including on the development, through improvement or purchase of computer hardware and appropriate software. The Quantum Group entities, as IT systems providers, may be directly exposed to the consequences of changes in the budgets allocated by companies to computerisation.

Risk of slowdown in individual segments of the IT sector in Poland related to technological developments in the industry

The value of the entire IT market consists of sales of hardware, software and services. Each of these segments may develop with higher or lower dynamics. Market analyses of the hardware and IT services market point to the upward trend in this respect. As Polish businesses are characterised by low technology saturation, it provides a fertile ground for the development of companies whose business profile is similar to that of the Issuer. However, it should be borne in mind that this market is very sensitive to economic fluctuations. During times of weak economic conditions, businesses put a curb on their investment, including IT expenditure. Lower demand for computer software will be tantamount to lower sales results, differing significantly from those planned. In that case, the demand for the Group's products may decrease, which will contribute to the lower sales income. Technological developments and frequent innovations on the IT services market are inherent in this sector. The product has a short life cycle, while expenditure on its development is high. Therefore, it might happen that the expenditure on the product may not be covered by the sales proceeds. There is thus a risk that the decision to develop a specific product will be based on wrong premises and as such will not satisfy the current market needs. There is also a risk that product development (design stage), building and testing processes will take longer than expected, so by the time they are completed, the market segment will have been captured by competitors. Monitoring the market needs by the Company's own employees is to mitigate such risk. In addition,

the partnership of the Issuer's subsidiaries with suppliers of computer hardware and software makes it possible to keep track of emerging market developments and technological innovations.

Risk of increased competition

The information technology market is undergoing dynamic development. Such a situation acts as a magnet for new IT service providers which – attracted by large profits – enter the market as new players. As a result, there are still new entities appearing, offering products that differ widely in terms of price, scope of application or technological advancement. This translates directly into the increased market competition and the Issuer's subsidiaries may have to incur greater expenditure on development and advertising as well as reduce their current margins. In addition, large capacity of the Polish and neighbouring markets and the fact that the level of computerisation is different from the average values in other European countries attract many global companies providing similar services to start in Poland or the neighbouring countries. The Quantum Group has no control over competitors' activities and products but is able to maintain its market position due to its experience.

Risk related to operations abroad

Sales of the Issuer's subsidiaries are mostly domestic sales. However, the companies are also involved in marketing activities and conclude contracts with entities operating in other countries. Approximately 20% of the Group's sales income comes from export sales. While the business environment in the European Union is relatively 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 economic health is quite poor.

Another important consideration is that continued strengthening (if any) of the Polish currency will negatively affect the export volume and profitability.

Risk related to the exchange rate

The Group companies' export transactions are concluded in foreign currencies (mainly EUR). Changes in currency exchange rates towards PLN may entail results being lower than expected. Foreign exchange rates' fluctuations influence the financial result through:

- changes in the value of export sales and costs expressed in PLN;
- realisation of foreign exchange differences that may occur between the date of sales or purchase and the date of payment of receivables or liabilities;
- non-realisation of foreign exchange differences from the measurement of settlements as at the balance sheet date.

Commercial export transactions in foreign currencies are part of the Group companies' ordinary business. Consequently, future cash flows on this account are exposed to changes in value due to foreign exchange rates' fluctuations. The level of compensation between foreign currency income 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 of convertible currencies. Thus, the currency risk is even greater.

Risk of currently implemented contracts

The core activity of the Issuer's subsidiaries is not about selling large quantities of easy-to-install computer programmes but rather about completing relatively large individual implementation projects with a high degree of complexity, usually requiring several months of an expert team's work. For example, the system implemented at a specific enterprise must ensure real-time control over often complex logistic processes and integrate them with operations of all business departments within the enterprise. In such circumstances, we deal with several risks: of incorrect mapping of processes and information flow in the enterprise; of protraction of planned activities and of changing the scope of work in relation to the originally agreed plan. Reducing the original amount of the contract, higher than planned costs of implementation, termination of the contract or possible customer claims for money may all adversely affect the current financial situation of the Group entities. These risks are mitigated through experience, a proprietary and standard base product and an experienced team of professionals.

Implementation risk

A supplier of complex IT systems which are implemented for several months is under pressure caused by increasing customer requirements and demand to maintain the planned budget. Sometimes it is necessary to change the assumptions or lower the remuneration. Currently, economic processes are becoming more complex; therefore, with no relevant knowledge, it is very easy to implement a system in a way that is not optimal for the customer, which may result in a fall of the contractor's reputation and a necessity to introduce some modifications to the system concerned. Furthermore, customers want to treat IT system suppliers as business advisors and require growth of economic effectiveness once the IT solutions are installed. 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 a multi-level implementation methodology, whereby the possibility of analytical errors is reduced.

Risk of potential delays in preparing new products

A leading product in the Issuer's group of subsidiaries, i.e. an SCE-class system, Qguar offers comprehensive solutions in logistics, satisfying numerous requirements of customers and their environment. As IT system suppliers, the Issuer and its subsidiaries must constantly seek to extend their offer, introduce new functionalities and ensure the integrity of any data processed. The competition and customers' demands are constantly growing. As a result, there is a threat of introducing new products that satisfy current demands of the customers later than the competitors and winning the market by other suppliers, which would cause a decrease in sales revenue.

To prevent this, the Quantum Group companies are constantly carrying out research and development works that, on the one hand, aim at improving our products and their quality, and on the other hand, at introducing new, competitive solutions.

Risk of the short lifecycle of a product

Innovation and the pace at which novelties are launched in the IT industry make it necessary to systematically update the existing products and adjust them to ever-changing hardware platforms, but also introducing new items to the product portfolio. Lack of the sufficient technological base and highly qualified staff may result in delays in updates and in introducing new products, which in effect may compromise the attractiveness of our offer. This may lead to a decrease in sales revenues, and, in consequence, a decrease in the profit earned. The Quantum Group companies

seek to mitigate this risk through a constant development of their managers, successively increasing, if possible, the number of highly qualified employees and funding research and development works.

HR risk

As the IT market is growing, our competitors are more and more interested in soliciting efficient, highly qualified personnel. IT companies, which take high qualified staff as their priority in production, are in danger of losing their key specialists. Companies constantly scan the labour market, whilst the employees themselves are active as well. Such a situation leads to an increase in salaries and wages and gives rise to the risk of lower economic returns. The Group companies seek to provide attractive working conditions for their employees and to have attractive incentive systems in place.

Risk attributable to revenue seasonality and irregularity

The typical seasonal nature of the IT business, where maximum turnover is 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. Turnover fluctuations between year quarters are connected with customer investment cycles rather than with seasonality.

Risk of overdependence on key suppliers

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

Risk of overdependence on key customers

The risk is incurred by all the Quantum Group companies. Generally speaking, income from individual entities occasionally and rarely exceeds 10% of total income of individual companies. The Russian and Brazilian operations are the exceptions, but their share in total income of the entire Group is insignificant.

Risk attributable to regulatory changes and the tax system instability

Frequent changes in Polish law are another threat to the business of the Issuer's subsidiaries. The changes refer to, inter alia, tax regulations and interpretations, trade regulations and provisions of labour law. Frequent changes in regulations may have a negative impact on current operations, raise costs, and also affect financial results. Uncertainty about future changes obstructs the evaluation of future events and strategic decision making process. Coming into force of new legal regulations may entail interpretation ambiguities, inconsistent decisions of the courts or unfavourable interpretations adopted by public administration (and tax) authorities. The Group companies monitor draft amendments on an ongoing basis and make business decisions taking the planned changes into account.

Investment risk

Significant capital expenditure, in accordance with the assumed strategy, is often related to introducing partially new products to new markets. It is an opportunity for development, but also a source of additional risks. They primarily affect Quantum subsidiaries operating in other countries. The major risk location are the eastern (Russia, Ukraine, Belarus) and the Latin American markets. This is associated with a different than European business culture and high costs of ongoing monitoring.

13. Information on organisational or capital links of the Company with other entities

Quantum software S.A. – the Group's parent, following an establishment of Quantum Qguar Sp. z o.o. is now involved mainly in holding operations.

Quantum East Sp. z o.o. – the Group's subsidiary, in which Quantum Qguar sp. z o.o. holds 63.74% of shares, has a holding nature. 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 shares, focuses on sales and implementation of IT solutions that are offered by Quantum software S.A. 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 shares, was established to sell and implement IT solutions that are offered by Quantum software S.A. within the territory of Russia.

Quantum I- Services Sp. z o.o. – the Group's subsidiary, in which Quantum Qguar sp. z o.o. holds 100% of shares, focuses on sales of licences, hardware and IT services that are not directly related to Quantum software S.A. own products (at the moment: the Qguar series). 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 shares, focuses on 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 shares, has the objective to introduce the offer of Quantum to the market of the Federative Republic of Brazil.

Quantum Qguar sp. z o.o. – the Group's subsidiary, in which Quantum Software S.A. holds 100% of shares, is involved in the development and implementation of IT systems.

Qcadoo Limited sp. z o.o. – the Group's subsidiary, in which Quantum Qguar sp. z o.o. holds 94% of shares, focuses on the development and delivery of SaaS solutions to support the production management.

14. Information on main domestic and foreign investments of the Company (securities, financial instruments, intangible assets and real estate).

In 2017 the Issuer did not invest in real estate or securities, but it purchased units in an open-end money market fund (details to be found in the financial statements).

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

In 2017 the Issuer did not take out any loans, or grant borrowings, guarantees or sureties.

16. Information on borrowings granted in the financial year, particularly borrowings granted to the Issuer's related parties, including their amounts, types and interest rates, currency and maturity dates as well as sureties and guaranties granted

In the financial year, the Issuer granted a borrowing to its related party, Quantum Brasil Engenharia em Software Ltda- ME to the amount of 50,000 EUR. This is a long-term borrowing with the interest rate of 2% p.a.

17. Description of the Issuer's use of funds coming from the issue

No issues of securities took place in 2017.

18. Evaluation of financial resources management

In the opinion of the Management Board, the Issuer's financial standing is good. Financial ratios do not indicate any threats to the Company's ability to meet its obligations. The Company's primary sources of financing are equity and income from holding operations.

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

The Company's financial resources will be enough to complete investments planned for 2018.

20. Evaluation of atypical factors and events affecting the profit/loss in the period.

- On 15 September 2017, pursuant to the agreement concluded between the Issuer and Grant Thornton Frąckowiak sp. z o.o. sp.k. with its registered office in Poznań, shares were sold in the Issuer's subsidiary, i.e. EDISONDA sp. z o.o. with its registered office in Kraków. The Issuer sold its entire interest in the company, i.e. 1124 shares with the total par value of 112,400.00 PLN. The parties to the agreement agreed on the selling price of 2,091,068.00 PLN.
- On 11 December 2017 the Issuer sold its interest in the Company operating under the business name of EQ System East sp. z o.o. with its registered office in Kraków. The Issuer sold to the buyer its entire interest in the company, i.e. 48 shares for the total price of 16,464.00 PLN, i.e. 343.00 PLN per share. As a result of the transaction, the Issuer no longer has interest in the company.

21. Description of external and internal factors that are important for development of the enterprise and prospects for future development, taking into account elements of market strategy

Among factors that will influence the development of the Quantum Group in the next year, we should name external/independent factors and internal factors that the Group entities can actually control.

External factors include:

- the rate of economic growth and company investments in Poland;
- the situation in the European Union;
- 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 expenditure;
- availability of structural funds to Polish companies, as they will be partially allocated to the development of IT systems and R&D financing;
- concentrated competitor activity in the Issuer's main business area.

Internal factors include:

- prompt completion of works specified in the contracts whose implementation started in the previous year in accordance with budgeted expenditure and contractual terms;
- an effective HR policy so as to eliminate the risk of turnover by qualified and skilled employees, while ensuring its profitability (wages and salaries are the major cost item);
- success of marketing efforts in acquiring new contracts;
- success of capital investments.

The largest entity in the holding of Quantum software S.A., Quantum Qguar (and its subsidiaries) is a company focusing on the creation and implementation of IT systems for businesses that look for innovative solutions in the sphere of logistics. Treating own software as a starting point, the companies try to provide such customers with comprehensive solutions. Future plans centre around improving the Company's own product – the QGUAR system – as well as extending its portfolio and scale of operations.

The Quantum Group founds its strategy on:

- skills required for creation and implementation of SCM (Supply Chain Management) systems, not only in the field of IT but also in logistics, automatics, merchandise identification technology and business management;
- many years of international experience in working for renowned companies in many European countries.

Strategic development scenarios:

1. Developing of the own software suite, Qguar with new SCM modules;
2. Extending the portfolio by:
 - implementations of third-party software that requires skills and experience in logistics or is complementary to the Qguar system;
 - full range of services related to integration of logistics systems (consulting, hardware, peripherals and software in all layers).
3. Continuation of geographical expansion and strengthening the position of a leading software manufacturer for broadly defined logistics in Central and Eastern Europe.

The Group plans to achieve these objectives by organic growth, capital investments, acquisitions and mergers (if any). Developing the Qguar suite with new modules is the most natural way for development of the Group's portfolio. Systematic increase in the demand for this type of software results from the following factors:

- increased requirements of the companies as regards optimisation of supply chain and reduction of logistics costs;
- increased demand for logistics services;
- rapid development of technology and falling prices of merchandise identification equipment (bar codes, RFID);
- development of mobile data processing technologies.

The experience and market position of the Issuer's subsidiaries may be used to implement third-party applications, which can make a perfect supplement to own product portfolio. For many years now, the Group companies have been expanding its integration-oriented activities as regards complete systems for logistics. It is not only about implementation of the application programme as such but about issues related to:

- process design;
- data communication infrastructure;
- devices (including industrial automation);
- operating and database software.

For many companies at an early stage of development, computerization is first implemented in the accounting and only then it becomes critical for the supply chain management. This creates development opportunities for the Group to become a supplier of the complete SCM-class computer systems for businesses, where efficient logistics is key.

The QGUAR suite is a well-established leader in the field of warehouse and distribution applications in the Polish market. Used in the countries of Eastern and Western Europe in nine language versions, it provides a good springboard for intensifying exports. In spite of an extended stagnation, Central and Eastern Europe continues to be a promising market because of its expected economic growth resulting from disproportion between CEE and the related Western European markets. Past experience shows that this market is so specific that it is possible to effectively compete there with suppliers of IT solutions from Western countries. It is important here to offer products that have been tried and tested on the international market (multilingual products) and as

such are not a barrier to multinational enterprises because “multinationality” is in fact one of the fundamental characteristics of logistics processes.

22. Fulfilment of the profit forecast for 2018

In 2017, no forecasts were published by the Issuer.

23. Changes in the basic management principles

In 2017, there were no changes in the management principles of the Company’s enterprise.

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

No such events occurred.

25. Information concerning a single or multiple transactions concluded by the Issuer or its subsidiary with related parties, if the value of such transactions (total value of all transactions concluded in the period since the beginning of the financial year) exceeds the Polish zloty equivalent of EUR 500,000:

No such events occurred.

26. Changes in the composition of managing or supervisory bodies

No such changes took place in 2017.

27. Information on the conclusion by the Issuer or its subsidiary of material transactions with related parties other than arm's length transactions; amounts of such transactions and information describing their nature.

No such events occurred.

28. Remunerations, rewards and benefits, including under incentive or bonus schemes based on equity, paid or due to Members of the Management and Supervisory Boards and information on remunerations of Members of the Management and Supervisory Boards of Quantum software S.A. relative to positions in the authorities of subsidiaries.

Remunerations of Members of the Management Board between 01.01.2017 and 31.12.2017

Full name	Total remuneration for the period between 01.01.2017 and 31.12.2017 in PLN
Tomasz Hatala	61 600.00
Bogusław Ożóg	61 600.00
Marek Jędra	61 600.00
Tomasz Mnich	61 600.00

Remunerations of Members of the Supervisory Board between 01.01.2017 and 31.12.2017

Full name	Total remuneration for the period between 01.01.2017 and 31.12.2017 in PLN
Leopold Kutyla	6 000.00
Tomasz Polończyk	6 000.00
Henryk Gaertner	6 000.00
Marcin Buczkowski	6 000.00
Andrzej Ruciński	6 000.00

29. All agreements concluded between the Issuer and managers, 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 the Issuer's merger by acquisition

Not applicable.

30. In the case of associations of capital: total number and par value of

all stocks (shares) of the Issuer and stocks and shares in the Issuer's related parties held by managers and supervisors of the Issuer (for each person separately):

The Company's share capital amounts to 657,435.00 PLN and is divided into 1,314,870 shares (750,000 registered shares of A series and 564,870 ordinary bearer shares of B, C and D series) with a par value of 0.50 PLN each.

List of managers and supervisors holding shares in Quantum software S.A.

Management Board	31 December 2017
Tomasz Hatala	36 200
Bogusław Ożóg	31 924
Marek Jędra	8 200
Tomasz Mnich	3 400
Supervisory Board	31 December 2017
Tomasz Polończyk	8 193

Also, the persons listed above and Mr Henryk Gaertner (Member of the Supervisory Board) hold shares in the Company's parent. To the knowledge of the Management Board of the Company, no managers or supervisors hold shares in the subsidiaries of Quantum software S.A.

31. Shareholders holding, directly or indirectly through their subsidiaries, at least 5% of the total 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 total votes at the general meeting.

To the knowledge of the Company, as at 20 April 2018, the day of publication of the annual report, Minvesta Sp. z o.o. with its registered office in Kraków holds 675,421 A series registered multiple-vote shares, which constitute a total of 51.37% of the Company's share capital and carry 1,350,842 votes at the General Meeting, which constitutes 67.87% of the total number of votes, and holds 277,491 B series bearer shares, which constitute a total of 21.10% of the Company's share capital and carry 277,491 votes at the General Meeting, which constitutes 13.94% of the total number of votes.

32. Information on agreements known to the Issuer (including those concluded after the balance sheet date) that may change the proportion of interest held by the current shareholders and bondholders in the future.

As at the date of submission of this report, the Issuer is not aware of any such agreements.

33. Agreements with an entity authorised to audit financial statements

By way of a resolution of 6 September 2017, 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 2017 to 31 December 2017.

➤ Agreements in 2017:

On 7 September 2017, 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 the Quantum software S.A. Capital Group. For the review of the interim separate and consolidated financial statements for 2017, the authorised auditing company will receive the total net remuneration of 8000 PLN.

On 19 February 2018, the Company and WBS Audyt Sp. z o.o. with its registered office in Warsaw concluded an agreement to audit the separate and consolidated financial statements of the Quantum software S.A. Capital Group for 2017.

For the audit of the separate and consolidated financial statements for 2017, the authorised auditing company will receive the total net remuneration of 14,000 PLN.

➤ Agreements in 2016:

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 the Quantum software S.A. Capital Group. For the review of the interim separate and consolidated financial statements for 2016, the authorised auditing company will receive the total net remuneration of 8000 PLN.

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 the Quantum software S.A. Capital Group for 2016.

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

34. Information on compliance with the rules of corporate governance

There is a separate document on the subject prepared by the company and published in the annual report.

Kraków, 20 April 2018

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 its knowledge, the annual financial statements and comparative information were prepared in line with the applicable accounting principles and provide a true, reliable and fair view of Quantum software S.A.'s financial position, assets and its profit/loss, while the annual management report provides a true reflection of Quantum software S.A.'s development, achievements and standing, including major threats and risks.

Kraków, 20 April 2018

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 the entity authorised to audit financial statements, auditing the separate annual financial statements of the Company, has been selected in line with the law, and that the entity and its auditors responsible for the audit met the criteria necessary to provide an unbiased and impartial opinion, in line with the applicable provisions of the national law.

Kraków, 20 April 2018

President of the Management Board	Tomasz Hatała
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 compliance with the rules of corporate governance by Quantum software S.A. for 2017

The Management Board of Quantum software S.A. hereby communicates to the public a statement on compliance with the rules of corporate governance from the “BEST PRACTICE OF WSE

LISTED COMPANIES” in the period between 01-01-2017 and the date of submission of the annual report for 2017.

I. Indication of a set of corporate governance rules adopted by Quantum software S.A.

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

As of 1 January 2016, the new rules of corporate governance came into force, namely: “Best Practice of WSE Listed Companies 2016” (further: the “Best Practice 2016”), constituting an annex 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). Pursuant to § 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 specific rules and the reasons for abandoning such rules.

The Company’s statement includes the indication of compliance with the Best Practice of WSE Listed Companies, as effective from 1 January 2017, by the submission date of this statement.

II. The extent to which Quantum software S.A. has departed from the aforementioned provisions, indication of these provisions and reasons for the departure.

The Company makes every effort to apply the rules of corporate governance set out in the above-mentioned document by seeking, at each stage of its operations, to follow all the recommendations for best practices for Listed Companies and recommendations addressed to the management boards, supervisory boards and shareholders.

The Company complies with the general recommendations of Part I. With respect to the detailed rules, it should be mentioned that:

- 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 or 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 authorities. The Company's governing bodies believe that this approach allows for the selection of the most appropriate individuals to perform management and supervisory functions.

In principle, the Company complies with all of the remaining rules and recommendations included in Part II, III, IV, V and VI of the Best Practice, effective as of 1 January 2016. With respect to the rules included in Part IV of the Best Practice applicable to the Company in 2017, to which the “comply or explain” requirement applies:

- The Company does not fully comply with rule IV.R.2. Although it broadcasts the GMS sessions, the Company’s corporate documents (Statutes and the Rules and Regulations of the General Meeting) do not provide for a possibility to participate, take the floor and exercise the voting right at the General Meeting using the means of electronic communication. In the Company's opinion, complying with that rule involves technical and legal hazards which may affect correct and uninterrupted sessions 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 included in Part VI, it should be mentioned that:

- Rule VI.R.3 does not apply to the Company because there is no remuneration committee at the Supervisory Board of the Company;
- 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. Description of basic characteristics of the Company's internal control and risk management systems in relation to the process of preparing financial statements and consolidated financial statements.

The Management Board is responsible for the Company's internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the Regulation 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 financial information for statutory reporting is automated and based on the consolidated financial and bookkeeping system – Quantum. Preparation of data in source systems is subject to formal operational and acceptance procedures, which define the responsibilities of individuals. The Management Board and top executives oversee various business areas, processes and products. The key people are responsible for creation, implementation, operation and monitoring of the effective and efficient internal control system as well as identification and control of risk.

Verification carried out by independent auditors is one of the basic elements of control in the process of preparing the Company's financial statements. An auditor is selected from among independent entities to ensure a high standard of services and independence. An auditor is selected by the Company's Supervisory Board. An auditor is in particular responsible for reviewing half-yearly separate and consolidated financial statements and auditing annual separate and consolidated financial statements. The auditor's independence is fundamental to ensure that the books of accounts are accurately examined.

In addition, the financial statements are subject to a formal review and approval by the supervisory body, i.e. the Supervisory Board. Pursuant to Article 4a of the Accounting Act of 29 September 1994, the Supervisory Board is obliged to ensure that the financial statements and the management report meet the requirements set out by law. In order to perform this obligation, the Supervisory Board exercises the powers vested in it under the law and the Statutes. This is another level of control exercised by an independent body to ensure the accuracy and reliability of information presented in the separate and consolidated financial statements.

The Audit Committee established as part of the Supervisory Board is the body that exercises supervision over the financial reporting process in the Company. The Audit Committee oversees

the financial reporting process in order to ensure sustainability, transparency and integrity of financial information. The Audit Committee consists of five members of the Supervisory Board, two of whom must meet the independence criteria set out in Chapter III, paragraph 6 of the Best Practices of WSE Listed Companies.

In the opinion of the Supervisory Board, the internal control system is adapted to the level and profile of risk involved in the Company's operations. At the same time the management of risk significant for Quantum operations is carried out in an adequate and effective manner.

IV. Shareholders who, directly or indirectly, hold substantial stakes of shares, number of shares held by such entities, their percentage share in the share capital, number of votes attached to such shares and their percentage share in the total votes at the general meeting.

To the knowledge of the Company, as at 20 April 2018, the day of publication of the annual report, Minvesta Sp. z o.o. with its registered office in Kraków holds 675,421 A series registered multiple-vote shares, which constitute a total of 51.37% of the Company's share capital and carry 1,350,842 votes at the General Meeting, which constitutes 67.87% of the total number of votes, and holds 277,491 B series bearer shares, which constitute a total of 21.10% of the Company's share capital and carry 277,491 votes at the General Meeting, which constitutes 13.94% of the total number of votes.

V. Holders of any securities granting special control rights and description of such rights.

The Company holds multiple-vote registered shares of A series that are not admitted to the regulated market. The privilege under A-series registered shares consists in attachment of two votes at the General Meeting of Shareholders to one share. B-, C- and D-series shares are equity bearer shares and no restrictions apply to their disposal.

Holders of A-series registered shares granting special control rights over the Company as at the date of publication of the annual report:

Shareholder	Number of A-series shares and their share in the share capital	Number of votes at the General Meeting of Shareholders under A-series shares and their share in total votes
“MINVESTA” sp. z o.o.	675 421 (50.00%)	1 350 842 (67.87%)
Tomasz Hatala	28 181 (2.14%)	56 362 (2.83%)
Bogusław Ożóg	19 150 (1.46%)	38 300 (1.92%)
Marek Jędra	6 384 (0.48%)	12 768 (0.64%)
Robert Dykacz	11 832 (0.90%)	23 664 (1.19%)
Tomasz Mnich	2 648 (0.20%)	5 296 (0.27%)
Tomasz Polończyk	6 384 (0.49%)	12 768 (0.64%)
Total number of A-series shares and votes attached to such shares	750 000 (57.04%)	1 500 000 (75.37%)

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

The Issuer did not issue any shares with such restrictions.

VII. All restrictions on the transfer of title to the Issuer’s securities.

The Issuer did not issue any shares with restrictions on transfer.

VIII. Description of rules applicable to amendments to the Issuer's Statutes

Any amendment to the Statutes requires a resolution of the General Meeting adopted by a majority of $\frac{3}{4}$ of votes and an entry into the register of businesses.

IX. Description of rules governing appointments and dismissals of managers and their rights, in particular, the right to decide on the issue or purchase of shares

The President of the Management Board and other Members of the Management Board are appointed and dismissed by the Supervisory Board for the period of three years. The Management Board is composed of 1 to 5 Members, and the actual number is determined by the Supervisory Board. Members of the Management Board are appointed for a joint term of office. Mandates of Members of the Management Board expire on the day when the General Meeting is held. The condition is the approval of the financial statements for the last full financial year when the Member sat on the Management Board. The Management Board manages the Company and represents it in courts and elsewhere. Making declarations of will on behalf of the Company requires joint action of two Members of the Management Board.

Powers of the Management Board include all issues that are not reserved for the General Meeting or the Supervisory Board.

Decisions of the Management Board are in the form of resolutions adopted by an absolute majority of votes. Resolutions of the Management Board are adopted by open ballot. The rules of procedure of the Management Board defining, in particular, the type of issues that require its resolution will be defined by the Rules and Regulations adopted by the Supervisory Board. The Management Board prepares and keeps the records of the Company's organisational activities, in particular:

- carries out all activities related to registration stemming from applicable laws;
- publishes announcements required by law and the Company's Statutes in a manner specified therein;
- convenes General Meetings of Shareholders and keeps the records related to their convening and course;
- keeps the shareholders' register;
- maintains the minutes of the Supervisory Board;

- provides the Supervisory Board and the General Meeting of Shareholders with exhaustive explanations concerning the Company;
- prepares the Management Report for the previous financial year;
- prepares a proposal for the distribution of profit or coverage of loss for a given financial year;
- establishes and announces the dividend payment day;
- keeps the Rules and Regulations of the Management Board and other rules and regulations.

Members of the Management Board participate in any General Meeting and give substantive answers to questions posed at such General Meeting. In addition, Members of the Management Board invited to the meeting of the Supervisory Board by the Chairman of the Supervisory Board participate in the meeting and are entitled to speak on the issues tabled on the agenda.

Decisions regarding the issuance or redemption of shares of the Company fall within the scope of powers of the General Meeting.

Pursuant to Article XIII of the Statutes, the Company's share capital may be increased by issues of new shares. The Company's Statutes authorises the Management Board to determine the issue price. Shares in new issues may be registered or bearer shares and may be covered in cash or in kind. Shares are indivisible. The Management Board is authorised to issue shares as multiple-share certificates. Shares will bear the Company's stamp and the Management Board's signature. The Management Board's signature may be reproduced in facsimile. If a right originates to co-ownership of shares, co-owners exercise their rights through one of them or their duly authorised joint representative.

X. Rules of procedure of the General Meeting and its major powers and description of shareholder's rights and how they are exercised, in particular, the principles stemming from the Rules and Regulations of the General Meeting (if adopted) insofar as relevant information cannot be inferred directly from law.

The General Meeting of the Company acts pursuant to the applicable legal regulations, including the Code of Commercial Companies, and the Act on Trading in Financial Instruments (J. of Laws 09.13.69), the Company Statutes and the Rules and Regulations of the General Meeting amended on 18 May 2010 by resolution No. 25 of the Ordinary General Meeting of Shareholders.

The Ordinary General Meeting is convened by the Management Board and held by 30 June of each calendar year. The Extraordinary General Meeting is convened by the Management Board upon its own initiative or upon a motion of the Supervisory Board or shareholders representing at least 1/20 of the share capital. General Meetings are held either in Kraków or in Warsaw. Information on convening of the General Meeting of Shareholders is published as a current report and as a message on the Company's website. The notice should be made at least twenty-six days before the date of the General Meeting. The notice on the general meeting of a public company should include at least the information specified in Article 402² of the Code of Commercial Companies.

The following issues require a resolution of the General Meeting:

1. review and approval of financial statements and Management Reports for the previous year;
2. determining wage regulations for Members of the Supervisory Board;
3. approval of the Rules and Regulations of the General Meeting and the Supervisory Board;
4. appointment of liquidators (if any);
5. exclusion of profit, in whole or in part, from distribution (if any);
6. appointment and dismissal of the Supervisory Board.

The General Meeting of Shareholders adopts resolutions on issues reserved to its authority, in particular, by the provisions of the Code of Commercial Companies, Rules and Regulations of the General Meeting of Shareholders and the Statutes. Unless it is specified otherwise in the Code of Commercial Companies and the Statutes, resolutions are adopted by a simple majority of votes. Pursuant to the Statutes, a resolution on abandonment of discussion of any item in the agenda upon a motion of shareholders is adopted by the General Meeting of Shareholders by a 75% majority of votes and following the consent of all the shareholders present who have submitted such motion. Resolutions of the General Meeting of Shareholders are minuted by a civil law notary. Resolutions of the General Meeting of Shareholders may be appealed against in court in the procedure and on the conditions specified in the Code of Commercial Companies.

Shareholders may participate in the General Meeting and exercise their voting rights under registered shares in person or through attorneys. A power of attorney authorising the holder to participate in the general meeting and exercise the right to vote must be in writing or in an electronic format. An electronic power of attorney does not require a safe electronic signature verified with

the use of a valid qualified certificate. Representatives of shareholders being legal persons should dispose of valid extracts from a relevant commercial register or the National Court Register (KRS) where authorised representatives of such entities are named, or hold a power of attorney signed by the persons named in the extract. An electronic power of attorney authorising the holder to participate in the general meeting and exercise the right to vote should be sent to the investor contact e-mail address indicated on the Company's website not later than 2 days before the session of the general meeting that the holder is authorised to participate in under such POA. Each registered share of A series gives the holder two votes at the General Meeting, whereas B-, C- and D-series shares are equity bearer shares giving the holder one vote at the General Meeting. The right to participate in a general meeting of a public company is vested in persons that have been the company shareholders sixteen days before the date of the general meeting (general meeting registration date). Persons authorised under registered shares and provisional share certificates as well as pledgees and users with the right to vote have the right to participate in a general meeting of a public company if they have been entered in the shareholders' register on the day when they register to participate in the general meeting. Bearer shares in a form of the document give the holder the right to participate in a general meeting of a public company, if such documents are filed with the company not later than on the day of registration to participate in the general meeting and not reclaimed by the end of that day. Optionally, it is possible to submit, instead of shares, a certificate confirming that the shares have been filed with a civil law notary, bank or an investment company having their registered office or branch within the territory of the European Union or a state party to the Agreement on the European Economic Area, as indicated in the general meeting convening notice. The certificate should state numbers of share documents and confirm that such share documents will not be given out before the end of the day of registration for the general meeting.

Each shareholder has the right to demand copies of motions regarding issues included in the agenda of the upcoming General Meeting. Such request should be submitted to the Management Board. Copies of motions should be given not later than a week before the General Meeting.

As soon as the Chairman of the General Meeting is elected, the attendance list should be compiled, specifying the names of participants in the General Meeting, their shareholdings and votes attached thereto. The Chairman is obliged to sign the list and make it available for inspection during the General Meeting's session. Pursuant to Article 410 § 2, upon a motion of shareholders holding 1/10 of the share capital represented at the General Meeting, the attendance list should be verified by a specifically appointed committee.

Pursuant to the Company's Statutes, shareholders are entitled to their share in the annual profit allocated for distribution by the General Meeting of Shareholders. The Management Board is authorised to pay an advance to shareholders in respect of a future dividend at the end of the financial year, provided that the Company disposes of sufficient funds. Payment of such advance requires the consent of the Supervisory Board.

XI. Composition of managing and supervisory authorities of the Company and their committees, changes in their composition in the last financial year and description of their rules of procedure.

As at 31.12.2017, the composition of the Management Board was as follows:

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

Members of the Management Board were appointed for a three-year term of office on 16 March 2016.

Detailed tasks of the Company's Management Board are defined in the Rules and Regulations of the Management Board adopted by the Management Board and approved by the Supervisory Board.

Rules of procedure of the Management Board

Making declarations of will on behalf of the Company requires joint action of two Members of the Management Board.

Powers of the Management Board include all issues that are not reserved for the General Meeting or the Supervisory Board.

Decisions of the Management Board are in the form of resolutions adopted by an absolute majority of votes. Resolutions of the Management Board are adopted by open ballot. The rules of procedure of the Management Board defining, in particular, the type of issues that require its resolution will be defined by the Rules and Regulations adopted by the Supervisory Board. The Management Board prepares and keeps the records of the Company's organisational activities, in particular:

- carries out all activities related to registration stemming from applicable laws;
- publishes announcements required by law and the Company's Statutes in a manner specified therein;
- convenes General Meetings of Shareholders and keeps the records related to their convening and course;
- keeps the shareholders' register;
- maintains the minutes of the Supervisory Board;
- provides the Supervisory Board and the General Meeting of Shareholders with exhaustive explanations concerning the Company;
- prepares the Management Report for the previous financial year;
- prepares a proposal for the distribution of profit or coverage of loss for a given financial year;
- establishes and announces the dividend payment day;
- keeps the Rules and Regulations of the Management Board and other rules and regulations.

As at 31.12.2017, the composition of the Supervisory Board was as follows:

Chairman of the Supervisory Board	Leopold Kutyla
Deputy 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

Rules of procedure of the Supervisory Board

The Supervisory Board acts based on the Rules and Regulations of the Supervisory Board of Quantum software S.A. and the Statutes of the Company. The Supervisory Board comprises five to nine Members elected by the General Meeting. The Supervisory Board is appointed for a 3-year term of office. If a mandate of the Chairman or Member of the Supervisory Board expires before the expiry of the term of office, a new Chairman or Member of the Board is elected for their position only until the expiry of the term of the remaining Members of the Supervisory Board. At least two Members of the Supervisory Board should meet the independence criterion.

Powers of the Supervisory Board include:

- evaluation of annual financial statements and the Management Report as well as proposals concerning the distribution of profit or coverage of loss;
- submission to the General Meeting of a written report on the result of the activities referred to in item 1 above;
- authorisation of purchase and sales of real estate, perpetual usufruct or interest in real estate;
- authorisation of acquisition of shares or stocks in other enterprises, acquisitions and establishment of other business entities;
- allowing Members of the Management Board to take up competitive businesses or participate in a competitive company as a partner or a member of authorities;
- reviewing other issues submitted by the General Meeting;
- granting approval for the Management Board's appointment of commercial representation;
- selection, upon a motion of the Management Board, of an auditor to audit the Company's annual financial statements.

Meetings of the Board are convened by the Chairman on his/her own initiative or upon a motion of another Member of the Supervisory Board or upon a motion of the Management Board. The Supervisory Board adopts resolutions by an absolute majority of votes. No resolutions can be adopted by the Supervisory Board on issues that are not included in the agenda, unless all Members of the Supervisory Board are present and provided that none of them raises an objection. Members of the Supervisory Board may participate in adopting of the Supervisory Board's resolutions by written ballot, acting through another Member of the Supervisory Board. Casting written votes cannot be applied to the issues that have been introduced to the agenda during the meeting of the Supervisory Board. Resolutions of the Supervisory Board may also be adopted without holding of a meeting, by written procedure or using means of direct remote communication. A resolution is valid, provided that the content of the draft resolution has been communicated to all Members of the Supervisory Board.

As at 31.12.2017, the composition of the Audit Committee of the Supervisory Board was as follows:

Chairman of the Committee

Marcin Buczkowski

Member of the Committee

Tomasz Polończyk

Member of the Committee

Andrzej Ruciński

Rules of procedure of the Audit Committee of the Supervisory Board

The Audit Committee is part of the Supervisory Board in accordance with the Act of 7 May 2009 on Statutory Auditors and their Professional Association, Entities Authorised to Audit Financial Statements and Public Supervision, which operates on the basis of resolution No. 21 of the Ordinary General Meeting of Quantum software S.A. of 17 May 2012.

1. In particular, the Audit Committee is responsible for:
 - a) monitoring:
 - the financial reporting process;
 - the effectiveness of internal control systems and risk management systems, as well as internal audit, including in the field of financial reporting;
 - the performance of auditing activities, in particular conducting an audit by the audit firm, taking into account all motions and findings of the Audit Oversight Committee as resulting from audits carried out in the audit firm;
 - b) controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the audit firm performs the services other than the audit to a public-interest entity;
 - c) informing the supervisory board or other supervisory or control authority of a public-interest entity about the audit results and providing explanations how the audit has contributed to the reliability of financial reporting in the public interest entity, and what the role of the audit committee in the audit process was;
 - d) assessing the independence of the statutory auditor and approving the provision by that auditor of permitted non-audit services in a public-interest entity;
 - e) developing a policy for selecting an audit firm to conduct the audit;
 - f) developing a policy for the provision of permitted non-audit services by the audit firm conducting the audit, the entities related to this audit firm and by a member of the audit firm's network;
 - g) determining the procedure for the selection of an audit firm by a public-interest entity;
 - h) submitting recommendations aimed at ensuring the reliability of the financial reporting process in a public-interest entity.

The Audit Committee consists of three members of the Supervisory Board, two of whom, including the chairman, must meet the independence criteria set out in Article 129 para. of the Act on Statutory Auditors, and at least one member of the Audit Committee must have knowledge and skills in the field of accounting or auditing financial statements.

The Audit Committee is a standing committee of the Supervisory Board. One of the designated Members of the Supervisory Board is appointed by the Supervisory Board appoints, in an open ballot, as the Chairman of the Audit Committee. The Supervisory Board may at any time dismiss a Member of the Audit Committee from the function of the Chairman (and permit them to serve as a Member of the Audit Committee) and appoint another Member of the Audit Committee as the Chairman. Members of the Audit Committee serve throughout the term of office of the Supervisory Board. The Supervisory Board may at any time dismiss any Member of the Audit Committee before the expiry of the mandate of that Supervisory Board Member. Such a dismissal is not tantamount to a dismissal of the Member from the Supervisory Board. The mandate of the Committee Member expires with the expiry of the mandate of the Supervisory Board Member.

The Audit Committee meetings are held as required, except that they must be held at least before the annual, half-yearly and two quarterly financial statements of the Company for the first and for the third quarter are published on the Warsaw Stock Exchange.

Meetings of the Audit Committee are convened by its Chairman on his/her own initiative or upon a motion of another Member of the Audit Committee. At the request of any Member of the Audit Committee or on their own initiative, the Chairman of the Audit Committee may invite to the meetings any person other than the Audit Committee Members, in particular those having the required expertise, as well as Members of the Management Board and employees of the Company in order to provide detailed explanations or give an opinion on the issues discussed at the meeting. Such an invitee should leave the meeting of the Committee for such time when any matter directly relating to them is discussed, an also at the request of any Member of the Audit Committee. The activities of the Committee are directed by the Chairman of the Audit Committee. The Chairman is also responsible for monitoring the process of drafting of the agenda, distribution of documents and preparation of minutes of the meetings of the Committee.

Kraków, 20.04.2018

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

Kraków, 11 April 2018

**Report of the Supervisory Board of Quantum software S.A.
for the financial year 2017 with evaluation of the Supervisory Board's activities**

I. The composition of the Supervisory Board in the financial year 2017 was as follows:

1. Leopold Kutyla – Chairman of the Supervisory Board
2. Tomasz Polończyk – Deputy 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. Rules and manner of procedure of the Supervisory Board of Quantum software S.A. are governed by the applicable legal regulations on public associations of capital and:

- Statutes of Quantum software S.A.
- Rules and Regulations of the Supervisory Board of Quantum software S.A.
- Rules of corporate governance.

In 2017 the Supervisory Board of Quantum software S.A. in Kraków held three meetings (on 19 April, 6 September and 8 December) at the Company's registered office. The meetings were attended by individual Members of the Supervisory Board constituting a quorum sufficient to adopt resolutions; the average turnout at the meeting was 4 (four) out of 5 (five) Members of the Board.

The Supervisory Board exercised continuous supervision over the Company's operations. Supervision and control activities included in particular:

- monitoring, analysis and evaluation of the Company's financial position;
- analysis of interim financial statements;
- getting acquainted with interim information from the Management Board on the current and planned operations of the Company;
- formal and legal issues related to the Supervisory Board's activities.

As part of its activities, in 2017 the Supervisory Board adopted the following resolutions:

- on evaluation of the Management Report for the Company and the Capital Group and the financial statements of the Company and the Capital Group for the financial year 2016;
- recommending the allocation of profit of 2,166,647.38 PLN [two million and one hundred and sixty-six thousand and six hundred and forty-seven zloty and thirty-eight groszy] to dividend;
- recommending the acknowledgement of the fulfilment of duties by Members of the Management Board in 2017;

- reviewing and giving positive opinion on the Company's financial performance after the first two months of 2017;
- reviewing and giving positive opinion on the Company's financial performance after subsequent quarters of 2017;
- on appointing an entity authorised to review the financial statements of the Company and the Capital Group for 2017.

The Issuer's Supervisory Board is composed of the minimum number of members required by law. The following Audit Committee has been appointed from among the Supervisory Board members:

1. Marcin Buczkowski (Chairman of the Audit Committee)
2. Tomasz Polończyk
3. Andrzej Ruciński

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. The Supervisory Board in its basic composition is capable to correctly fulfil obligations relating to audit of the Company's affairs.

Pursuant to Article 382 para. 3 of the Code of Commercial Companies, the Supervisory Board has evaluated the following:

1. the financial statements of the Company for 2017;
2. the Management Report for the Company for the period between 01.01.2017 and 31.12.2017;
3. the Management Report for the Capital Group for the period between 01.01.2017 and 31.12.2017;
4. the consolidated financial statements of the Capital Group for 2017.

With a view to the foregoing, the Supervisory Board requests that the Ordinary General Meeting of Quantum software S.A. adopt:

1. the Management Report for the Company for the period between 01.01.2017 and 31.12.2017;
2. the financial statements of the Company for 2017;
3. the Management Report for the Capital Group for the period between 01.01.2017 and 31.12.2017;
4. the consolidated financial statements of the Capital Group for 2017.

III. Evaluation of activities of the Supervisory Board of Quantum software S.A. and of the internal control system and the system for management of risk significant for the Company.

The Supervisory Board gave a positive opinion on its own activities in terms of correct operation of the internal control system and the system for management of risk significant for the Company. In the opinion of the Supervisory Board, both of them ensured correctness of financials included in the interim statements and reports. In the opinion of the Supervisory Board, the internal control system is adapted to the level and profile of risk involved in the Company's operations. At the same time the management of risk significant for Quantum operations is carried out in an adequate and effective manner.

The process of preparing financial information for statutory reporting is automated and based on the consolidated financial and bookkeeping system – Quantum. Preparation of data in source systems is subject to formal operational and acceptance procedures, which define the responsibilities of individuals. The Management Board and top executives oversee various business areas, processes and products. The key people are responsible for creation, implementation, operation and monitoring of the effective and efficient internal control system as well as identification and control of risk. In addition, financial statements are subject to formal review and approval by the supervisory body, i.e. the Supervisory Board.

IV. Assessment of the Company’s fulfilment of its disclosure obligations with respect to compliance with the rules of corporate governance

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

These statements were approved by the Supervisory Board by way of a resolution on 11 April 2018.

Leopold Kutyla
Chairman of the Supervisory Board