



**Management Board Report on the operations of
the Quantum software S.A. Capital Group for the period
from 1 January to 31 December 2019**

Kraków, on 20 April 2020

Basic principles adopted in the preparation of the consolidated financial statement

The consolidated financial statement of the Quantum software S.A. Capital Group for 2019 was 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. This consolidated financial statement of the Quantum software S.A. Capital Group was prepared pursuant to Article 45 of the Accounting Act.

Data included in the report were prepared in line with the principles for valuation of assets and liabilities and valuation of the net financial result specified at the balance sheet date, in line with the materiality principle. The consolidated financial statement for 2019 was prepared on the continuity assumption concerning the operations of the Capital Group.

The consolidated financial statements for 2019 have been prepared in Polish zloty.

Accounting records are kept at the historical cost. The company did not make any adjustments that would reflect the influence of inflation on the individual items of the balance sheet and the profit and loss account. The company prepares the profit and loss account in the multiple-step variant. The cash flow statement is prepared based on the indirect method.

This Management Board's report on the operations of the Quantum software Capital Group covers the period from 1 January to 31 December 2019.

The annual Consolidated Report of the Quantum Capital Group for the reporting period from 01/01/2019 to 31/12/2019 comprises:

- the Group's consolidated financial statement for the reporting period from 01/01/2019 to 31/12/2019 and at 31/12/2019 prepared pursuant to the International Accounting Standards, including: the consolidated statement of financial condition, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statement.
- Comparative financial data to the financial statement for the reporting period from 01/01/2018 to 31/12/2018 and at 31/12/2018,

- The Management Board's Report on the operations of the Capital Group for the period from 01/01/2019 to 31/12/2019 including the Management Board's Declaration on the application of the corporate governance rules in Quantum software S.A. in 2019,
- Letters of the President of the Management Board pursuant to Art. 70(1)(1) of the Directive of the Minister of Finance of 29 March 2018 on current and periodic information to be submitted by Issuers of securities and conditions for considering as equivalent information required under the law of a non-member state
- Declaration and Information of the Management Board pursuant to Art. 71(1)(6) and (7) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state.
- Declarations and Assessments of the Supervisory Board pursuant to Art. 71(1)(8) and (12) of the Directive of the Minister of Finance of 29 March 2018 on current and periodic information to be submitted by Issuers of securities and conditions for considering as equivalent information required under the law of a non-member state.
- Report on the audit of the annual consolidated financial statement.

Signatures of the Management Board Members

**Person responsible for keeping
accounting books**

Tomasz Hatala

Chief Accountant - Monika Kuś

Bogusław Ożóg

Marek Jędra

Tomasz Mnich

1. General information

The parent company of the Capital Group is Quantum software S.A. with its registered office in Kraków at ul. Walerego Sławka 3A. The Company was entered in the Register of Businesses of the National Court Register Kraków – Śródmieście, 11th Commercial Division on 30 October 2002 under the KRS number 0000136768. Polish Classification of Activities (PKD) no. 62.01 Z - Software activities. 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.

Statistical id. no.	(REGON) 351243328
Tax identification number (NIP):	677-17-53-870
National Court Register (KRS):	0000136768
Share capital fully paid up	PLN 657,435.00

Management Board:

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

Supervisory Board:

Chair of the Supervisory Board	Leopold Kutyla
Deputy Chair 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

The consolidated financial statement was prepared with the assumption that member companies of Quantum software S.A. Capital Group would continue their operations in the foreseeable future.

As at 31/12/2019, the Capital Group includes the following subsidiaries of Quantum software S.A. (the Group's organisational structure):

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

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

2. Company 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
Initial capital: USD 76,200, fully paid up

3. Company 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
Initial capital: RUB 1,200,000.00, fully paid up

4. Company name: Quantum I- Services sp. z o.o. – subsidiary

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

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

Registered Office: Kraków
Address: Walerego Sławka 3a
National Court Register (KRS): 0000297249
Shareholders: 100% of interests held by Quantum I - Services sp. z o.o.
Initial capital: PLN 6,000.00, fully paid up

6. Company 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.
Initial capital: BRL 340,000.00, fully paid up

7. Company name: Quantum Qguar sp. z o.o. – subsidiary

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

8. Company name: Qcadoo Limited sp. z o.o. – subsidiary

Registered Office: Kraków
Address: Walerego Sławka 3A
National Court Register (KRS): 0000344950
Shareholders: 100% of interests held by Quantum Qguar sp. z o.o.
Initial capital: PLN 885,000, fully paid up

2. Consolidated financial results of the Capital Group in 2019

The alternative performance measures (APM ratios) were applied in order to submit the comprehensive presentation of the Quantum software S.A. Capital Group's financial situation. According to the Company, they provide essential information about the Quantum software S.A. Group's financial situation, operating effectiveness, profitability and cash flows.

The alternative performance measures applied by the Company should be analysed only as an additional tool, not replacing financial information presented in the Group's consolidated financial statement. These data should be considered together with this statement.

The Company presents selected APM ratios as it is of the opinion that they are sources of additional (apart from data presented in financial statements) valuable information about the financial and operating situation as well as facilitate the analysis and assessment of financial results achieved by the Company over individual reporting periods (2018 and 2019). The Company presents these specific alternative measures of results as they constitute standard measures and indicators commonly used in financial analysis. The selection of alternative measures of results was preceded by the analysis of their usefulness for investors that, thanks to them, receive useful information about the Capital Group's financial situation, cash flows and financial effectiveness, and, according to the Company, allows the optimum assessment of its financial results.

Following the guidelines of ESMA “Alternative measures of results” – 05/10/2015 ESMA/2015/1415pl - the indicators presented in the table were calculated pursuant to the following formulas:

- a) sale profitability – net profit to sales revenue
- b) asset profitability – net profit to assets at the end of the reporting period
- c) equity profitability – ratio of net profit to do equity at the end of reporting period
- d) current liquidity ratio – current assets to the balance sheet value of short-term liabilities
- e) quick liquidity ratio – current assets less stock to the balance sheet value of short-term liabilities.

Selected consolidated financial figures from the Capital Group's profit and loss account

Detailed list	2019 (in PLN '000)	2018 (in PLN '000)
Net revenue from sales	33,149	29,503
Net revenue from sales of products	26,657	22,869
Net revenue from sales of goods and materials	6,492	6,634
Sales profit/loss	3,555	2,312
EBIT profit/loss	2,978	2,545
Operating profit/loss + EBITDA depreciation	3,607	3,228
Gross profit/loss	3,009	2,176
Net profit/loss	2,822	1,578
Equity capital	12,799	12,231
Liabilities and provisions	5,906	5,242
Including long-term liabilities	906	809
Return on sales – ROS	8.5%	5.3%
Return on assets – ROA	15.1%	9.0%
Return on equity – ROE	22%	13%
Current liquidity ratio	3.2	3.6
Quick liquidity ratio	3.2	3.6

3. Description of the Capital Group's financial situation and more important events which have had significant impact on the Capital Group's operations and financial results in 2019 or whose impact is possible in the subsequent years.

In 2019, the Quantum Capital Group recorded revenue in the amount of PLN 33,149 thousand, which means increase by 12% compared to the previous year's revenue. The earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to PLN 3,607 thousand, i.e. increase by almost 12%.

The Group's net profit amounted to PLN 2,822 thousand, compared to PLN 1,578 thousand in 2018.

The improvement of the final results was affected by a very favourable environment in the sector of the Group's activity in 2019, which is subject to change due to the risk factors described below.

4. The description of the structure of assets, equity and liabilities of the consolidated balance sheet, including from the perspective of the Capital Group's liquidity

	PLN	PLN
	2019	2018
ASSETS		
Fixed assets	2,625	2,694
Property, Plant and Equipment	2,029	1,776
Goodwill of subsidiaries	-	530
Intangible assets	37	48
Investments in equity-accounted associates	-	4
Financial assets available for sale	-	-
Long-term receivables	332	299
Long-term investments	-	-
Real properties	-	-
Long-term financial assets	-	-
Long-term prepayments and accruals	-	-
Deferred income tax assets	218	150
Current assets	16,080	14,479
Stocks	53	54
Short-term receivables	5,333	5,348
Other short-term receivables and prepayments	938	898
Short-term investments:	169	94
Cash	5,742	4,836
Total Assets	18,705	17,473
Equity capital	12,799	12,232
Share capital	657	657
Contingent capital	-	-
Called-up share capital (negative figure)	-	-
Equity shares (negative figure)	-	-13
Supplementary capital	-	74
Revaluation reserve	-	-
Retained profit (loss)	947	1,834

Differences resulting from translation of financial statements	63	-12
Liabilities and provisions for liabilities	5,906	5,242
Long-term liabilities	906	809
Short-term liabilities	5,000	4,433
<u>Total liabilities</u>	<u>18,705</u>	<u>17,473</u>

Current assets are the largest part of total assets. They account for approx. 86% of total assets and liabilities. In the assets structure, the main item is short-term receivables (approx. 33% of the items' value). In fixed assets, the item with the highest value were property, plant and equipment (77%). In equity and liabilities, the main item is equity, accounting for nearly 68% of the balance sheet total. The share of short-term debt amounted to 27% at the end of 2019. The share of debt in the financing of the group's assets is at a safe level.

5. Material events in the Capital Group during the financial year

➤ **New customers acquired in Poland and abroad:**

- INTEGER.PL SA
- WSB University in Poznań
- Swiss Rotors Sp. z o.o.
- Mega-Tech Andrzej Tyszka, Piotr Tyszka s.c.
- SMA Magnetics Sp. z o.o.
- EXORIGO-UPOS Sp. z o.o. (Quantum Qguar)
- P. W. TECHSAM Woch sp. j. (Quantum Qguar)
- Paul Schockemoehle Logistics Polska sp. z o.o. (Quantum Qguar)
- UAB MV GROUP Logistics (Quantum Qguar)
- Wipasz SA (Quantum Qguar)
- TB Properties sp. z o.o. (Quantum Qguar)
- Ejko Sp. z o.o. sp. k. (customer in EFL leasing) (Quantum Qguar)
- CHSPM Logistik sp. z o. o. (Quantum International Ukraine)
- AST Swetotehnyka sp. z o.o. (Quantum International Ukraine)
- UKSNAB private joint stock company (Quantum International Ukraine)

➤ **New implementations at existing customers:**

- Tip Topol Sp. z o.o.
- Dino Polska S.A. (Quantum Qguar)
- Neuca SA (Quantum Qguar)
- Schrader Internationale Logistic sp. z o.o. (Quantum Qguar)
- Intersnack Poland sp. z o.o. (Quantum Qguar)

- Tubądzin Management Group sp. z o.o. (Quantum Qguar)
- Arhelan sp. z o.o. Spółka komandytowa (Quantum Qguar)
- Logwin Polska sp. z o.o. (Quantum Qguar)
- Żabka Polska SA (Quantum Qguar)
- BLogistik GmbH (Quantum Qguar)
- Pepco Poland sp. z o.o. (Quantum Qguar)
- Mueller Fabryka Świec SA (Quantum Qguar)
- DSV Road sp. z o.o. (Quantum Qguar)
- Frigo Logistics sp. z o.o. (Quantum Qguar)
- Epicentr K sp. z o.o. (Quantum International Ukraine)

6. Changes in the volume and type of equity

No such changes occurred.

7. Information on core products

The Group's core business is the development of computer software supporting logistics and manufacturing processes as well as the implementation of complete IT systems, including third party software and equipment, in companies operating such processes. The Group companies operate mainly in a niche segment, providing technically advanced and high-quality solutions to demanding customers. The Issuer has operated in Poland since 1997. With international experience gained by the founders since 1991, know-how in the area of IT and logistics, and a reliable team of specialists, Quantum Group has been able to take a leading position as a manufacturer of warehouse and distribution software to support the supply chain in Central and Eastern Europe.

The Group's flagship product is the QGUAR system, with over 200 implementations, mainly in Poland, but also in Germany, France, the United Kingdom, Romania, Slovakia, the Czech Republic, Hungary, Ukraine, Russia, Belarus and the USA. The QGUAR system is a combination of SCM (Supply Chain Management) class software or SCE (Supply Chain Execution), to be more precise. The system's functionality allows for optimising warehousing, distribution and manufacturing logistics, combined with purchasing and sales processes. The system's implementation is usually an important organisational change in the business and requires several months' work of a team of specialists. Since the Qguar system is grouped into modules, this allows for managing selected links of the integrated supply chain or managing the logistics processes comprehensively.

The Company offers the following products:

- Qguar Warehouse Management System Professional – Qguar WMS PRO

- Qguar Warehouse Management System Easyway – Qguar WMS EASYWAY
- Qguar Yard Management System – Qguar YMS
- Qguar Manufacturing Execution System – Qguar MES
- Qguar Transport Management System – Qguar TMS

As well as more important auxiliary modules:

- Qguar APS – Advanced Planning System (production planning)
- Qguar VPM – Voice Picking technology
- Qguar 4WEB – Application for remote access to the system (via the Internet)
- Qguar DS - Dock Scheduling
- Qguar RPS – management of returnable packaging

Expansion to foreign markets translates into the necessity to create new language versions of the QGUAR system. At present, the language versions available are Polish, English, German, Spanish, Portuguese, Hungarian, Italian, Russian and Romanian. The said expansion also contributes to the introduction of changes and upgrades in existing systems.

In addition to their own software, the Group companies sell complementary services as well as third party software and equipment.

The process of implementing the Qguar system involves the following stages and types of services:

- project (also known as Technical Implementation Specification)
- configuration and individual extensions
- installation
- training
- implementation
- post-implementation assistance
- Service

8. Sales markets and supplies

The Quantum software Capital Group concentrates its business operations mainly in Poland and Europe. The second most important company after the Polish market is Quantum International Sp. z o.o., the subsidiary with its registered office in Kiev (Ukraine).

Sales figures – product structure

	2019	% share	2018	% share
Own licences (Qguar) and services	26,253	79.2%	22,236	75%
Goods	6,492	19.6%	6,635	22%
other	404	1.2%	632	2%
Total sales	33,149	100%	29,503	100%

Data in PLN '000

Sales by markets

	2019	% share	2018	% share
Domestic	27,645	83.4%	25,028	84.8%
Abroad	5,504	16.6%	4,475	15.2%
Total	33,149	100%	29,503	100%

Data in PLN '000

The main customers for the Group's products and services are as follows:

- distribution centres which ensure comprehensive distribution of merchandise, i.e. they fully control all economic and logistics stages, such as supply, transport to the warehouse, storage, sales, shipment to sales outlets and settlement of the whole process,

- warehouses providing outsourced logistics services, thus acting as an external warehouse of a production or trade company and relieving such company from the need to manage its goods,
- businesses offering comprehensive shipment and transport services,
- manufacturing companies for which it is possible to handle the whole macro-logistics process or to facilitate the existing system by the extension of the IT infrastructure.

The above grouping is reflected in the structure of the Parent Company's existing customers, such as:

- trade and manufacturing companies,
- manufacturing companies (foods and industrial articles),
- logistics service companies.

9. Information on significant events that occurred after the balance sheet date and not included in the financial statements

In the first quarter of 2020, Poland and practically the whole world were affected by the COVID-19 pandemic. The Management Board of the Issuer and the Management Boards of Quantum Group companies implemented recommendations concerning safety, health and hygiene recommended by the Polish Chief Sanitary Inspectorate and other state institutions.

This situation creates a high risk, but its impact on the results of the Issuer and the Group's companies is very difficult to predict at the moment. The impact will depend on the situation of individual customers, but also on other decisive factors whose effect is difficult to predict currently, e.g. the duration of the epidemic, administrative restrictions, restrictions imposed on entrepreneurs and volatility of exchange rates.

10. Research and development achievements

Given the nature of its business, the Group constantly conducts IT research in areas such as equipment, system software, utility software and database software. The purpose of this activity is

to select and enhance the offered solutions and technologies used for manufacturing own products. Similarly, it is necessary for the software created to incur continuous development expenditure, which enrich and correct its functionalities on the basis of experience gained and world trends observed in such types of solutions. For example, such works on heuristic modelling are performed continually in order to optimise route planning (Qguar TMS) or to optimise production process planning (Qguar APS).

11. Employment structure in Quantum software S.A. and in the Capital Group

As at 31 December 2019, Quantum software S.A.'s employment was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Management Board	4	4
White-collar employees/Administration	0	0
Blue-collar employees	0	0

The Group's employment in the year ended on 31 December 2019 was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Management Board of the parent company	4	4
Management Boards of the Group companies (*)	15	15
White-collar employees/Administration	144	131
Blue-collar employees	0	0

(*) The members of the management boards of the Group companies also include members of the parent company's Management Board.

12. Contingent liabilities

In 2019, the Capital Group did not have any contingent liabilities.

13. Description of material risk factors and threats

Risks related with the COVID-19 epidemic

In the first quarter of 2020, Poland and practically the whole world were affected by the COVID-19 pandemic.

The activity of the Issuer and the companies of the Quantum Group is diversified with regard to industry sectors. The significant share of the food and pharmaceutical industries and the related distributors is a stabilising factor for fixed income. However, it is important to take into account the significant decrease in the income of the entities operating in other industries and, consequently, the risk of suspending or seriously limiting projects and works for such customers, as well as the risk of their payment problems. The impact of this on the results of the Issuer and the Group's companies is very difficult to predict at the moment. The impact will depend on the situation of individual customers, but also on other decisive factors whose effect is difficult to predict currently, e.g. the duration and range of the epidemic, administrative restrictions, restrictions imposed on entrepreneurs and volatility of exchange rates.

The Issuer's Management Board and Management Boards of the subsidiaries monitor the development of the situation in Poland and in the respective countries of their operation and work intensively to adapt to dynamic operating conditions.

Macroeconomic risk

The Group's financial situation depends on the macroeconomic situation in Poland and in the countries where the subsidiaries operate. The financial results achieved by the Company directly and indirectly depend on 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 tasks planned by the Group companies. The economic growth translates into the revenue of companies operating in particular regions and industries. Consequently, they adjust their capital expenditure, including development expenditure, through the improvement or purchase of computer hardware and appropriate software. The companies from the Quantum Group, as providers of IT systems, may directly experience the consequences of changes in 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 sector

The value of the entire IT market comprises the sale of hardware, software and services. Each of these segments may develop faster or slower. The analyses of the IT hardware and service market show growth trends. The small saturation of Polish companies with modern technologies creates a fertile ground for the development of companies whose activities' focus is similar to that of the Quantum Group companies. However, this market is very sensitive to economic conjuncture fluctuations. At the time of an economic downturn, companies restrict their investment policies, including IT expenditure. Decreased demand for computer software leads to lower sales, which differ substantially from the forecasts. In such a case, the demand for the Group companies' products may decrease, which will result in the drop of sales revenue. Technological changes and frequent launches of new IT services are closely related to this sector. The product life cycle is short, while the expenditure on the product development is high. Consequently, the expenditure incurred for the product 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 monitoring of market needs performed by the company's own employees is aimed at the reduction of this risk. In addition, the cooperation between Quantum Group companies 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 at the phase of a dynamic growth. This situation attracts new providers of IT services that, 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 Group companies 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 level of computerisation is far from average European levels cause that many global companies providing similar services are interested in conducting business operations in Poland and neighbouring countries. The Quantum Group does not have any

influence on its competitors' activities and products, but it has the potential to maintain its market position thanks to its experience.

Risk of foreign operations

The sales of Quantum Group's companies are made mainly in Poland. However, these companies also conduct marketing activities and make contracts with entities operating in other countries. Approximately 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 committed itself 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 carry out export transactions in foreign currencies (mainly in EUR). Changes in the foreign exchange rate in relation to the Polish zloty may result in worse-than-expected results. Foreign exchange rate variations affect the financial result through:

- changes in the value of export sales and costs expressed in PLN,
- realised foreign exchange differences occurring between the date of sales or purchase, and the date of payment of receivables or liabilities,
- unrealised foreign exchange differences from the valuation of settlements as at 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 resulting from 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, contractors 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 Quantum Group companies 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. 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. Decrease in the contract value, higher costs of contract performance compared to the expectations, contract termination or potential financial claims from the customer may have an adverse impact on the current financial situation of the Group entities. These risks are mitigated through international experience, proprietary, standard product base and an experienced team of professionals.

Implementation risk

As a supplier of complex IT systems implemented over the course of several months, the group is under the pressure caused by increasing customer's requirements and the demand to maintain the budget. Sometimes it is necessary to change the assumptions or to reduce the remuneration. Current economic processes are becoming more complex. Therefore, without the required know-how it is easy to implement a system that is not optimal for the customer, which may result in the damage to the Company's reputation and the necessity to perform modifications. Furthermore, customers often regard IT system suppliers as business consultants and require greater economic efficiency after the installation of IT solutions. There is a risk that, without proper analyses, such requirements may not be satisfied. Implementation effectiveness is one of the Group's goals. Implementation departments have multi-level implementation methods, reducing the probability of analytical errors.

Risk of delays in the development of new products

Qguar, as an SCE class system, 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 the

integrity of data processing. The competition and customers' requirements are constantly growing. As a result, there is a risk of the introduction of new products meeting current demands of customers later than the competitors and winning the market by other suppliers, which would cause a decrease in 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 sector, 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. As a consequence, this may lead to a decrease in sales revenue and generated profit. The Quantum Group's companies take steps to minimise this risk through constant development of our managers, to increase regularly, where possible, the number of highly qualified employees and to fund R&D works.

HR risk

As the IT market grows, our competitors are increasingly interested in capable and highly qualified personnel. IT companies, whose key production factor is staff, 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 in salaries and, in consequence, to lower returns on business activity. The Group's companies attempt to create attractive working conditions for its employees and use incentive-based remuneration methods.

Risk related to the seasonality and irregularity of revenue

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 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 Group companies 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. Generally, revenue from individual entities occasionally and rarely exceeds 10% of total revenue of individual companies. The Russian and Brazilian operations are the exceptions, but their share in total revenues of the Group is insignificant.

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

Frequent changes of legal provisions in Poland are also a threat to the Group's activity. Changes include tax regulations and interpretations, trade regulations and provisions of the labour law. Frequent changes in the regulations may have a negative impact on current operations, result in the cost increase and affect the financial results. Uncertainty about future changes obstructs the assessment of future events and the strategic decision making process. Entry 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's companies monitor draft amendments to the regulations on a regular basis and make business decisions in consideration of the planned changes.

Investment risk

Major capital expenditure, in accordance with the adopted strategy, is related to introducing new products to new markets. It is an opportunity for development, but also means additional risks.

These are particularly connected with the operations of Quantum's subsidiaries in other countries. This risk is particularly high on the eastern markets (Russia, Ukraine and Belarus) and on the markets of Latin America, and is related to a business culture different from the European one as well as high costs of ongoing supervision.

14. Information about organisational or equity relations between the Company and other entities

Quantum software S.A. – the parent company of the Group, after setting up Quantum Qguar Sp. z o.o., at present it carries out mainly holding activities;

Quantum East Sp. z o.o. – a subsidiary of the Group, in which Quantum Qguar sp. z o. o. holds 63.74 % of shares - of holding nature. Full consolidation method.

Quantum International Sp. z o.o. (Ukraine) – a subsidiary of the Group in which Quantum East Sp. z o.o. holds 100% of shares – the activity consists in selling and implementing IT solutions provided by Quantum software SA in Russian-speaking countries. Full consolidation method.

Quantum International Sp. z o.o. (Russia) – a subsidiary of the Group; Quantum East Sp. z o.o. holds 99% of its 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. – a subsidiary of the Group, in which Quantum Qguar sp. z o.o. holds 100% of interests – the company's business focus consists in selling licences, hardware and IT services not directly related to Quantum software S.A.'s own products (i.e. the Qguar series at present). 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 the Quantum's offer to the market of the Federative Republic of Brazil.

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

Qcadoo Limited sp. z o.o. – the Group's subsidiary, in which Quantum Qguar sp. z o.o. holds 100% of interests – the Company creates and delivers SaaS-type software that supports production management.

15. 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 Group's Companies did not invest in real properties and securities in the presented period.

On the other hand, Quantum Software S.A. and Quantum Qguar Sp. z o.o.'s units in Generali Korona Dochodowy investment funds may be included in financial instruments. They are described in the financial statements at the item on cash.

16. Information about taken out and terminated loans and borrowings

In 2019, the parent entity and its subsidiaries did not undertake the above mentioned liabilities.

17. Information about borrowings granted in the given financial year, with particular emphasis on borrowings granted to the issuer's related entities, including at least their amount, type, interest rate, currency and maturities, as well as on warranties and guarantees granted

LOANS GRANTED								
Long-term	Amount of the loan capital	Interest rate	Repayment date	Balance as at		Interest accrued from the beginning of the financial year to		Security
				31/12/2019	31/12/2018	31/12/2019	31/12/2018	
Loans granted to affiliates								
Quantum Assets sp. z o.o.	-	-	-	-	46	-	3	No security
Loans granted to other entities								
Other entities	38	Fixed (9%)	-	-	104	3	8	No security
Employees	8	Fixed (7%)	-	9	37	1	4	No security
TOTAL:				9	187	4	15	

LOANS GRANTED

Short-term	Amount of the loan	Interest rate	Repayment date	Balance as at		Interest accrued from the beginning of the financial year to		Security
				31/12/2019	31/12/2018	31/12/2019	31/12/2018	
Loans granted to other entities								
Other entities	30	Fixed (7%)	-	-	-	-	-	-
Tomasz Hatala – member of the parent company's management board	103	Fixed (7%)	-	118	-	16	-	No security
Employees	50	Fixed (7%)	-	51	94	4	3	No security
TOTAL:				169	94	20	3	

➤ 2019:

Loans granted to other entities:

- I. Long-term loans granted to other parties – balance as at 31 December 2019: PLN 0.00
- II. Short-term loans granted to other entities – balance as at 31 December 2019: PLN 0.00.

Loans granted to employees:

- I. Long-term loans granted to employees – balance as at 31 December 2019: PLN 9,015.53.
- II. Short-term loans granted to employees – balance as at 31 December 2019: PLN 50,732.88.

Loan granted to a member of the Management Board of the parent company by a subsidiary:

- I. Short-term loan – balance as at 31 December 2019: PLN 118,311.63.

➤ **2018:**

Loans granted to other entities:

- I. Long-term loans granted to other parties – balance as at 31 December 2018: PLN 103,795,63.
- II. Short-term loans granted to other entities – balance as at 31 December 2018: PLN 0.00.

Loans granted to employees:

- I. Long-term loans granted to employees – balance as at 31 December 2018: PLN 37,610.78.
- II. Short-term loans granted to employees – balance as at 31 December 2018: PLN 94,357.68.

Loan granted to the parent company – Quantum Assets by a subsidiary:

- I. Long-term loan – balance as at 31 December 2018: PLN 45,730.39.

Loan granted to a member of the Management Board of the parent company by a subsidiary:

- I. Short-term loan – balance as at 31 December 2018: PLN 0.00.

18. Description of the use by the Issuer of inflows from security issues

In 2019, no securities were issued by the Issuer.

19. Assessment of the management of financial resources

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

The financial costs in 2019 amounted to PLN 196 thousand and financial revenue amounted to PLN 227 thousand.

20. Assessment of the possibilities to perform investment projects, including capital investments, compared to the funds held, taking into account possible changes in the financing structure of such operations

The funds held will allow for the implementation of the investment plans for 2020.

21. Information about contracts significant for the capital group's operations, including contracts known to the group, made between the shareholders: insurance, partnership and cooperation agreements

In 2019, no such agreements were concluded.

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

In 2019, there were no factors and unusual events affecting the results of the Group's operations.

23. Internal and external factors significant to the Company's growth

The factors which will affect the development of the Quantum Group in the next year may be divided into external/independent from and internal/dependent on the Group's entities.

External factors include:

- the impact of SARS-CoV-2 on the situation of the company's and subsidiaries' customers, including the duration and extent of the epidemic, administrative constraints, restrictions imposed on entrepreneurs and the volatility of exchange rates;
- economic growth and growth in investments by businesses in Poland,
- situation in the European Union (risks posed by e.g. Brexit, the ECB's policy),
- crisis in Ukraine, Belarus and Russia, 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,
- access of Polish companies to structural funds which, to a certain extent, will be intended for the development of IT systems and for financing R&D works,
- concentrated competitor activity in the Group's main business area.

Internal factors include:

- effective organisational solutions that adjust the working conditions to the situation concerning COVID-19 epidemic;
- punctual completion of works in the scope of the contracts whose implementation was started in the previous year in accordance with the budgeted expenditure and contractual terms,
- effective HR policy eliminating the risk of turnover of qualified and competent employees, while maintaining the Company's profitability (payroll is the main cost item),
- effectiveness of marketing efforts in acquiring new contracts,
- success of capital investments.

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 look for state-of-the-art logistics and production solutions. With their own software as a starting point, the

companies seek to deliver comprehensive solutions to these customers. Plans for the future focus on improving the QGUAR system and on expanding the offer and operations.

24. Adopted development strategy and operations undertaken within its implementation in the period covered by the report together with the description of the perspectives of the Capital Group's operation development at least in the next financial year. Directions of the Capital Group's development

The Quantum Group's strategy is based on:

- its competences 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 renowned companies.

Strategic growth directions:

1. Expanding the proprietary Qguar software package by further SCM modules,
2. Expanding the offer by:
 - the implementation of third party software that requires competences and experience in logistics or is complementary to the Qguar system,
 - the full range of services involving the integration of logistics systems (consulting, computer hardware, peripherals and software for all layers),
3. Further geographic expansion and strengthening of the position of leading software producer for broadly-defined logistics in Central and Eastern Europe.

The Group plans to implement these objectives through organic growth and through probable capital expenditure, acquisitions and mergers. Expanding the Qguar package by further modules is the most natural mechanism for developing the Group's offer. The systematic increase in the 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 technology.
- rise in labour costs increasing the demand for the application of solutions from the automation field in connection with information technology.

Quantum Group companies can use their experience and market position to implement third party applications, which may be complementary to their own products. For many years, the Group's companies have been developing the integration activities in the scope of comprehensive 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, the computerisation concerns bookkeeping, and at the later stage the computerisation becomes critical for the supply chain management. This creates an opportunity for the Group's development as a supplier of comprehensive SCM class IT systems for businesses in which 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. 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 effective competition with 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 any barriers for multinational businesses. The "cross-border nature" is one of the basic characteristics of logistics processes.

25. Implementation of 2019 forecast

The Group did not publish any performance forecasts for the period.

26. Changes in basic management principles

In 2019, there were no changes in the basic management principles in the Group.

27. Information about entering by the Issuer or its subsidiary into transactions with related entities.

Information about transactions entered into by the Issuer or its subsidiaries with related entities was described in the QS SA Capital Group's consolidated annual financial statement in note no. 28.

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 parent company's Management Board and Supervisory Board

Amount of remuneration of the Parent Company's Management Board Members and their remunerations for holding functions in subsidiaries:

Last and first name	total remuneration for the period 01/01/2019 – 31/12/2019 in PLN
Hatala Tomasz	302,030.00
Ożóg Bogusław	192,158.00
Jędra Marek	258,030.00
Mnich Tomasz	210,273.00

Amount of remuneration of Supervisory Board Members

Last and first name	total remuneration for the period 01/01/2019 – 31/12/2019 in PLN
Kutyła Leopold	6,000.00
Polończyk Tomasz	39,543.00
Gaertner Henryk	4,000.00
Marcin Buczkowski	4,000.00
Andrzej Ruciński	6,000.00

29. 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 657,435.00 and is divided into 1,314,870 shares (750,000 series A registered shares and 564,870 series B, C and D ordinary bearer shares), with a nominal value of PLN 0.50 each.

The initial capital of the subsidiary Quantum East Sp. z o.o. amounts to PLN 282,500 thousand and is divided into 5,650 interests with a nominal value of PLN 50.00 each, of which Quantum Qguar sp. z o.o. holds (63.74%) 3,601 interests with a value of PLN 180,050.

The initial capital of Quantum International Sp. z o.o. (Ukraine), the subsidiary, is USD 76,200, Quantum East holds 100 % of the company's interests.

The initial capital of Quantum International Sp. z o.o. (Russia) amounts to RUB 1,200,000.00. Quantum East holds 99% of interests (1,188,000 shares).

The initial capital of the subsidiary Quantum I-Services Sp. z o.o. amounts to PLN 1,500,000.00 and is divided into 1,500 interests with a nominal value of PLN 1,000.00 each. Quantum Qguar sp. z o.o. holds 100% of that company's interests.

The initial capital of Quantum Mobile Solutions Sp. z o.o. amounts to PLN 6,000 and is divided into 120 interests with a nominal value of PLN 50.00 each. Quantum I- Services sp. z o.o. holds 120 (100%) of that company's interests.

The initial capital of Quantum Brasil Engenharia em Software Ltda amounts to BRL 340,000.00 and is divided into 340,000 interests with a nominal value of BRL 1 each. Quantum Qguar sp. z o.o. holds 289,000 (85%) interests.

The initial capital of Quantum Qguar sp. z o.o. amounts to PLN 4,000,000 and is divided into 80,000 interests with a nominal value of PLN 50.00 each. 80,000 (100%) interests are held by Quantum software S.A.

The initial capital of Qcadoo Limited System sp. z o.o. is PLN 885,000.00 and is divided into 8850 interests with a nominal value of PLN 100.00 each. Quantum Qguar sp. z o.o. holds 8850 (100%) interests.

The list of shares in Quantum software S.A. held by persons managing and supervising the Issuer as at 31 December 2019 and 20 April 2020, i.e. at the publication date of this statement, is presented in the form of the following table:

Management Board	Number of shares	Total nominal value of shares
Tomasz Hatala	41,714	PLN 20,857.00
Bogusław Ożóg	32,371	PLN 16,185.50
Marek Jędra	10,327	PLN 5,163.50
Tomasz Mnich	5,342	PLN 2,671.00
Supervisory Board	Number of shares	Total nominal value of shares
Tomasz Polończyk	9,873	PLN 4,936.50
Henryk Gaertner	954	PLN 4.77.00

Moreover, the persons listed above and one Member of the Supervisory Board hold interests in the parent entity towards the Company, i.e. in Quantum Assets sp. z o.o.:

Management Board	Number of interests in the parent entity	Total nominal value of interests
Tomasz Hatala	3,825	PLN 1,912,500.00
Bogusław Ożóg	1,137	PLN 568,500.00
Marek Jędra	639	PLN 319,500.00
Tomasz Mnich	505	PLN 252,500.00

Supervisory Board	Number of interests in the parent entity	Total nominal value of interests
Tomasz Polończyk	727	PLN 363,500.00
Henryk Gaertner	950	PLN 475,000.00

To the knowledge of the Management Board of the Parent Company, none of the managing or supervising persons holds interests in the subsidiaries of Quantum software S.A.

30. 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.

To the knowledge of the Company, as at 31 December 2019 and as at 20 April 2020, i.e. the publication date of this report, Minvesta sp. z o.o., with its registered office in Kraków, holds 675,421 series A registered preference shares, which account for a total of 51.37% of the Company's share capital and are vested with 1,350,842 votes at the Company's General Meeting, representing 67.87% of the total number of votes, and holds 277,491 bearer shares, which account for a total of 21.10% of share in the Company's share capital and are vested with 277,491 votes at the Company's General Meeting, representing 13.44% of share in the total number of votes.

31. Information about contracts known to the Issuer (including contracts made after the balance sheet date) that may result in future changes in the proportion of shares held by the existing shareholders and bondholders

As at the date of the submission of this report, the Issuer does not know about such contracts.

33. Contracts with an audit company concerning the performance of audit of financial statements

By way of a resolution of 26 June 2018, the Supervisory Board of Quantum software S.A. selected

an audit company 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 01 January 2019 to 31 December 2019.

➤ 2019 Agreements:

On 15 July 2018, Quantum software S.A. made with PRO AUDYT sp. z o.o. with its registered office in Poznań a contract 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 2019, the authorised auditing company will receive net remuneration in the total amount of PLN 11,000.00.

On 15 July 2018, the Company made with PRO AUDYT sp. z o.o., with its registered office in Poznań, a contract for the audit of the separate and consolidated financial statements of the Quantum software S.A. Capital Group for 2019.

For the audit of the separate and consolidated financial statements for 2019, the authorised entity will receive a total net fee of PLN 20,000.00.

On 15 July 2018, the subsidiary Quantum Qguar sp. z o.o. signed a contract with PRO AUDYT sp. z o.o. with its registered office in Poznań, for reviewing the interim separate financial statement and auditing the financial statement for 2019. For the review, the authorised auditing entity received a net remuneration of PLN 9,000.00. For the audit, the authorised auditing entity received a net remuneration of PLN 16,000.00.

➤ 2018 Agreements:

On 15 July 2018, Quantum software S.A. made with PRO AUDYT sp. z o.o. with its registered office in Poznań a contract 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 2018, the authorised auditing company will receive net remuneration in the total amount of PLN 11,000.00.

On 15 July 2018, the Company made with PRO AUDYT sp. z o.o., with its registered office in Poznań, a contract for the audit of the separate and consolidated financial statements of the Quantum software S.A. Capital Group for 2018.

For the audit of the separate and consolidated financial statements for 2018, the authorised entity will receive a total net fee of PLN 20,000.00.

On 15 July 2018, the subsidiary Quantum Qguar sp. z o.o. signed a contract with PRO AUDYT sp. z o.o. with its registered office in Poznań, for reviewing the interim separate financial statement and auditing the financial statement for 2018. For the review, the authorised auditing entity received a net remuneration of PLN 9,000.00. For the audit, the authorised auditing entity received a net remuneration of PLN 16,000.00.

34. Information about the application of the corporate governance rules

The Management Board of Quantum software S.A. publishes this statement on the Company's application of the corporate governance rules from the following set: "GOOD PRACTICES OF COMPANIES LISTED ON THE WSE 2016" in 2019.

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

The set of the corporate governance rules applied by Quantum software S.A. is the set of the corporate governance rules under the name of "Good Practices of Companies Listed on The WSE 2016" (hereinafter referred to as "Good Practices 2016"), constituting an appendix to Resolution no. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (Gielda Papierów Wartościowych w Warszawie S.A.) of 13 October 2015 (https://www.gpw.pl/dobre_praktyki_spolek_regulacje). Good Practices 2016 entered into effect as of 1 January 2016.

On the basis of Art. 29(3) of the Regulations of the Warsaw Stock Exchange S.A. the Company publishes the required reports on lack of the continuing application or incidental violation of the detailed corporate governance rule with the indication which of the rules is not applied and why it is not applied.

II. Indication of 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 uses every effort to apply the corporate governance rules specified in the above mentioned document, trying at each stage of its functioning to implement all recommendations and rules concerning best practice of listed companies and 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 carry out any sponsorship, charity or similar operations,
- 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,
- in the scope of 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 competences. 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 Good Practices 2016. With respect to the rules included in Part IV of Good Practices for which the comply or explain approach is adopted:

- The Company does not fully apply rule IV.R.2, as – as a matter of fact – the Company broadcasts the General Shareholders' Meetings, but the Company's corporate documents (Articles of Association 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, the implementation of this rule involves technical and legal hazards which may affect correct and uninterrupted session of 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 on different markets) or 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 in 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 29 March 2018 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 statement is 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 statement 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 Articles of Association. This is another level of control exercised by an independent body, ensuring that the information presented in the separate and consolidated financial statement 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 Good Practices 2016, Chapter II.

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

To the knowledge of the Company, as at 31 December 2019 and as at 20 April 2020, i.e. the publication date of this report, Minvesta sp. z o.o., with its registered office in Kraków, holds 675,421 series A registered preference shares, which account for a total of 51.37% of the Company's share capital and are vested with 1,350,842 votes at the Company's General Meeting, representing 67.87% of the total number of votes, and holds 277,491 bearer shares, which account for a total of 21.10% of share in the Company's share capital and are vested with 277,491 votes at the Company's General Meeting, representing 13.44% of share in 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 ordinary bearer shares and are not limited in their selling.

Holders of the Company's series A registered shares with special control rights in the Company as at the publication date of this report:

Shareholder	Number of series A shares and their share in the share capital	Number of votes at the GSM from series A shares and their share in the total number of votes
MINVESTA sp. z o.o.	675,421 (51.37 %)	1,350,842 (65.42 %)
Tomasz Hatała	28,181 (2.14 %)	56,362 (2.73 %)
Bogusław Ożóg	19,150 (1.46 %)	38,300 (1.85 %)
Marek Jędra	6,384 (0.49 %)	12,768 (0.62 %)
Robert Dykacz	11,832 (0.90 %)	23,664 (1.15 %)
Tomasz Mnich	2,648 (0.20 %)	5,296 (0.26 %)
Tomasz Polończyk	6,384 (0.49 %)	12,768 (0.62 %)
Total number of the company's series A shares and votes vested with them	750,000 (57.03 %)	1,500,000 (72.64%)

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 any restrictions on their transfer.

VIII. Description of rules for amending the Issuer's Articles of Association

In order to amend the Issuer's Articles of Association, a resolution of the General Meeting passed with a $\frac{3}{4}$ majority of votes and an entry into the register of businesses 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 statement 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 Articles of Association in the manner specified therein,
- 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 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.

According to Art. XIII of the Articles of Association, the share capital of the Company can be raised by issuing new shares. The Articles of Association 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 General Meeting proceeds in accordance with applicable laws, including the Commercial Companies Code and the Act on Trading in Financial Instruments (Dz.U.09.13.69), the Articles of Association and the Rules of Procedure of the General Meeting, as amended on 18 May 2010 by way of Resolution No. 25 of the Annual General 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 Kraków 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 statement 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 Articles of Association, the resolutions are passed by an ordinary majority of votes. According to the Articles of Association, 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). The individuals authorised under registered shares and temporary certificates as well as pledges and users 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 therein in the last financial year and description of the operations of the company's management and supervisory bodies, and of their committees.

As at 31/12/2019, the Management Board was composed of:

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

On 09 April 2019, 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 Articles of Association in the manner specified therein,
- 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 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 at 31/12/2019, the Supervisory Board was composed of:

Chair of the Supervisory Board	Leopold Kutyla
Deputy Chair 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

In 2019, there were no changes in the composition of the Supervisory Board.

Principles of operation 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 Articles of Association. 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 statement.

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. Written votes may not be cast in respect of matters put on the agenda during 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 at 31/12/2019, the Supervisory Board's Audit Committee was composed of:

Chair of the Committee	Marcin Buczkowski
Member of the Committee	Tomasz Polończyk
Member of the Committee	Andrzej Ruciński

Rules of procedure 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 public oversight, which operates on the basis of Resolution no. 21 of the Ordinary General Meeting of Quantum software S.A. of 17 May 2012.

The members of the Audit Committee, i.e. Marcin Buczkowski and Andrzej Ruciński, meet the independence requirements set out in Art. 129 of the Statutory Auditors Act. Both Mr Marcin Buczkowski and Mr Andrzej Ruciński have the know-how in the scope of accounting and auditing financial statements, gained in the course of their long-term professional activities. In addition, the Chair of the Audit Committee took part in training on business accounting, taking into account in particular aspects of financial reporting and valuations of companies.

Another Member of the Audit Committee, i.e. Tomasz Polończyk, has knowledge and skills in the scope of the sector in which the Issuer operates. His professional education and many years of professional experience at managerial positions allow the statement that he is an expert in the scope of IT solutions applied in computing.

In particular, the Audit Committee is responsible for:

a) monitoring:

- of financial reporting process,

- the effectiveness of internal control systems, risk management and internal audit systems, including in the scope of financial reporting,
 - the performance of financial review services, in particular the performance by the audit firm of the audit, taking into account all conclusions and findings of the Audit Committee resulting from the inspection performed at the audit firm;
- b) controlling and monitoring of the independence of the statutory auditor and the audit firm, particularly in the case when the audit firm provides a public-interest entity with services other than audits;
- c) submitting the information to the supervisory board or other supervisory or controlling body of the public-interest entity about the audit results and the explanation the way in which this audit contributed to the reliability of the financial reporting in the public-interest entity and the role of the audit committee in the audit process;
- d) carrying out the assessment of the independence of the statutory auditor and expressing consent to the provision thereby of permitted non-audit services in the public-interest entity;
- e) developing a policy for the selection of an audit firm to carry out the audit;
- f) developing a policy for the provision of permitted non-audit services by the audit firm carrying out the audit, by affiliates of the audit firm and by a member of the audit firm's network;
- g) setting out a 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 the public-interest entity.

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 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.

In 2019, the Audit Committee held three sessions, i.e. on 9 April, 21 August and 18 November.

The Audit Committee analysed the offers submitted by audit companies and recommended several of them to the Supervisory Board. On the basis of these recommendations, the Supervisory Board selected PRO AUDYT sp. z o.o. The selection of PRO AUDYT sp. z o.o. was made pursuant to the Company's policy and procedure for the selection of an audit firm which is to carry out audits of financial statements, and on the basis of the Audit Committee's recommendation.

The main assumptions of the above-mentioned policy and procedure include:

- the selection is made after the performance of operations aimed at ensuring the selection of an independent and unbiased audit firm, the verification of the audit firms' knowledge of the IT sector, in which the Capital Group's Companies operate;
- in the course of the audit the following issues are examined:
 - the possibility to ensure the provision of the required scope of services within deadlines determined by the Company;
 - professional qualifications and experience of individuals directly assigned to the audit carried out;
 - price proposed by the entity authorised to audit.

Furthermore, the Company complies with provisions connected with the rotation of the audit firm and the key statutory auditor as well as obligatory grace periods.

PRO AUDYT sp. z o.o. and the members of the team performing the audit fulfilled the requirement to prepare an unbiased and independent report on the audit of the Company's annual statutory reports.

The Company complies with the prohibition to have non-audit services provided by the audit firm carrying out the audit, entities related thereto and a member of the audit firm's network, except for services from the list of permitted services defined in the Statutory Auditors Act. In 2019, PRO AUDYT sp. z o.o. did not provide permitted non-audit services to the Issuer.

Kraków, on 20/04/2020

President of the Management Board Tomasz Hatala

Vice-President of the Management Board Bogusław Ozóg

Vice-President of the Management Board Marek Jędra

Member of the Management Board Tomasz Mnich

**Declaration of the Management Board
on the compliance of the annual consolidated financial statement and the Management
Board's report on the operations
of the Quantum software S.A. Capital Group**

We, the undersigned, declare that to the best of our knowledge, the annual consolidated financial statement of Quantum software S.A. for the financial year 2019 and comparative data were presented in compliance with the applicable accounting principles and they reflect in a true, reliable and transparent manner the assets and financial situation of the Quantum software Capital Group and its financial result.

We also represent that the Management Board's Report on the operations of Quantum software Capital Group for the financial year 2019 provides a true reflection of the Company's development, achievements and standing, including the description of basic threats and risks.

Kraków, on 20/04/2020

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

Information of the Management Board

Quantum software S.A

on the selection of an audit firm to carry out the audit of the annual consolidated financial statement for the financial year 2019

On the basis of the Quantum software S.A. Supervisory Board, the Management Board informs that:

- a) the audit firm carrying out the audit of the annual consolidated financial statement for the financial year 2019 was selected pursuant to the provisions, including selection rules and the audit firm selection procedure applicable in the Company,
- b) the audit firm and the members of the team carrying out the audit fulfilled the conditions concerning the preparation of an unbiased and independent report on the audit of the annual consolidated financial statement, pursuant to applicable provisions, standards of practising the profession and principles of professional ethics,
- c) The Company and the audit firm comply with applicable provisions connected with the rotation of the audit firm and the key statutory auditor as well as obligatory grace periods,
- d) The Company has implemented the policy of the audit firm selection and the policy of the provision to the issuer by the audit firm, entity related thereto or a member of the audit firm's network of additional non-audit services, including services exempted conditionally from the prohibition of being provided by the audit firm.

Kraków, on 20/04/2020

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, on 17 April 2020

**Report of the operations of the Supervisory Board of Quantum software S.A.
for FY 2019, including an assessment of the Supervisory Board's work**

I. The composition of the Supervisory Board in FY 2019 was as follows:

1. Leopold Kutyla – Chair of the Supervisory Board
2. Tomasz Polończyk – Deputy Chair of the Supervisory Board
3. Henryk Gaertner – Member of the Supervisory Board
4. Andrzej Ruciński – Member of the Supervisory Board
5. Marcin Buczyłkowski – 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:

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

In 2019, the Supervisory Board of Quantum software S.A., based in Kraków, held three sessions (on 9 April, 21 August and 18 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 2019:

- it assessed the Company's and the Capital Group's management reports and financial statement for FY 2018.
- recommended to allocate a part of the profit in the amount of PLN 1,500,000 (PLN one million five hundred thousand, 00/100) for the payment of dividend and the remaining amount of profit, i.e. PLN 680,369.75 (PLN six hundred and eighty thousand three hundred and sixty-nine, 75/100) to the supplementary capital;
- it recommended granting discharge to the members of the Management Board in respect of their performance of duties in 2018;
- it examined and expressed its opinion on the Company's financial results after the first two months of 2019.

- it examined and expressed its opinion on the Company's financial results after the consecutive quarters of 2019.

The Issuer's Supervisory Board is composed of the minimum number of members required by the law. An audit committee was selected within the Supervisory Board. It includes the following members of the Supervisory Board:

1. Marcin Buczkowski (Chair of the 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.

With its basic composition, the supervisory Board is able to perform duties related to audit. With its basic composition, the supervisory Board is able to perform duties related to audit.

Pursuant to Article 382(3) of the Commercial Companies Code, the Supervisory Board assessed:

1. the Company's financial statement for 2019,
2. the Management Board's Report on the Company's operations for the period 01/01/2019 - 31/12/2019;
3. The Management Board's report on the Capital Group's operations for the period 01/01/2019 – 31/12/2019;
4. the Capital Group's consolidated financial statement for 2019.

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

1. the Management Board's report on the Company's operations for the period 01/01/2019 - 31/12/2019.
2. the Company's financial statement for 2019.
3. The Management Board's report on the Capital Group's operations for the period 01/01/2019 – 31/12/2019;
4. the Capital Group's consolidated financial statement for 2019.

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 statement is also formally reviewed and assessed 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 17 April 2020.

*Leopold Kutyla
Chair of the Supervisory Board*