

SECURITY AND EXCHANGE COMMISSION**Form SA-QS4/2004**

(for issuers of securities in production, construction, commerce and services)

In compliance with par 57 sec 1 pt 1 of the Ordinance of the Council of Ministers dated 16 October 2001
Legal Journal No. 139 pos.1569 and year 2002 No. 31 pos. 280The management of **COMARCH S.A.**

Issues the consolidated report for the IV quarter 2004

Date: 2005-03-01 submitted

FINANCIAL HIGHLIGHTS

	Thousands of PLN		Thousands of EUR	
	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
I. Net revenues from sale of products, goods and materials	329 991	257 751	73 036	57 955
II. Operating income (loss)	18 151	16 482	4 017	3 706
III. Gross income (loss)	13 795	12 012	3 053	2 701
IV. Net income (loss)	14 086	8 695	3 118	1 955
V. Net cash flows from operating activities	12 649	28 780	2 800	6 471
VI. Net cash flows from investing activities	-27 068	21 452	-5 991	4 823
VII. Net cash flows from investing activities	-1 132	-27 831	-251	-6 258
VIII. Total net cash flows	-15 551	22 401	-3 442	5 037
IX. Total assets	271 316	266 089	66 515	56 411
X. Liabilities and reserves	139 232	141 684	34 134	30 037
XI. Long-term liabilities	39 156	43 529	9 599	9 228
XII. Short-term liabilities	65 098	64 620	15 959	13 699
XIII. Shareholders' equity	117 790	103 721	28 877	21 989
XIV. Share capital	6 852	6 727	1 680	1 426
XV. Number of shares	6 852 387	6 726 600	6 852 387	6 726 600
XVI. Earnings (loss) per ordinary share (PLN/ EUR)	2,07	1,26	0,46	0,28
XVII. Diluted earnings (loss) per ordinary share (PLN/EUR)	2,04	1,24	0,45	0,28
XVIII. Book value per share (PLN/EUR)	17,19	15,42	4,21	3,27
XIX. Diluted book value per share (PLN/EUR)	16,94	15,14	4,15	3,21

BALANCE SHEET

	As of 2004-12-31 end of quarter/2004	As end of 2004-09-30 end of prev quarter 2004	As of 2003-12-31 end of quarter/2003	As end of 2003-09-30 end of prev quarter 2003
ASSETS				
I. Fixed assets	121 184	120 503	104 972	73 325
1. Intangible fixed assets, including:	2 636	2 693	3 220	3 079
-goodwill				
2. Goodwill of associates	2 424	2 700	3 466	2 285

	As of 2004-12-31 end of quarter/2004	As end of 2004-09-30 end of prev quarter 2004	As of 2003-12-31 end of quarter/2003	As end of 2003-09-30 end of prev quarter 2003
3. Tangible fixed assets	110 284	109 290	91 244	56 369
4. Long-term accounts receivable		0	215	
4.1. Other entities			215	
5. Long-term investments	4 358	4 165	5 056	8 241
5.1. Long-term financial assets	4 315	4 165	5 056	8 241
a) related entities, including:	3 936	3 951	4 726	8 010
-investments in associates based on equity method	3 934	3 949	4 724	4 540
-investments in unconsolidated subsidiaries and co- subsidiaries	2	2	2	3 470
-other entities	380	214	330	231
5.2. Other long-term investments	43			
6. Long-term deferred expenses	1 482	1 655	1 771	3 351
6.1. Deferred tax assets	1 482	1 655	1 570	1 764
6.2. Other deferred expenses			201	1 587
II. Current assets	150 132	108 726	161 117	112 690
1. Inventories	14 802	13 825	11 738	14 542
2. Short-term accounts receivable	76 876	47 929	88 897	45 775
2.1. Related entities	91	111	117	81
2.2. Other entities	76 785	47 818	88 780	45 694
3. Short-term investments	31 357	14 062	45 465	31 107
3.1. Short-term financial assets	31 357	14 062	45 465	31 107
a) other entities	2 339	248	351	19 382
b) cash and cash equivalents	29 018	13 814	45 114	11 725
4. Short-term deferred expenses	27 097	32 910	15 017	21 266
Total assets	271 316	229 229	266 089	186 015
LIABILITIES				
I. Shareholders' equity	117 790	111 582	103 721	93 641
1. Share capital	6 852	6 852	6 727	7 228
2. Entity's own shares (negative value)				-20 643
3. Reserve capital	96 714	96 714	96 714	96 714
4. Revaluation reserve	-12	-12	403	282
5. Other reserve capital	21 948	21 948	9 685	29 827
6. Foreign exchange differences resulting from translations related to associates	130	87	-89	-557
a) positive foreign exchange differences	130	87		
b) negative foreign exchange differences			-89	-557
7. Retained income (loss) brought forward	-22 048	-22 018	-18 414	-19 051
8. Net income (loss)	14 086	8 011	8 695	-159
9. Settlement of capital from merger	120			
II. Minority interests	14 120	14 434	18 732	2 748
III. Negative goodwill of associates	174	783	1 952	
IV. Liabilities and reserves	139 232	102 430	141 684	89 626
1. Liability reserves	5 602	5 771	6 018	2 435
1.1. Deferred income tax reserve	5 602	5 589	5 920	388
1.2. Other reserves		182	98	2 047
a) long-term				2 047
b) short-term		182	98	
2. Long-term liabilities	39 156	38 806	43 529	39 838

	As of 2004-12-31 end of quarter/2004	As end of 2004-09-30 end of prev quarter 2004	As of 2003-12-31 end of quarter/2003	As end of 2003-09-30 end of prev quarter 2003
2.1. Related entities	684			
2.2. Other entities	38 472	38 806	43 529	39 838
3. Short-term liabilities	65 098	33 578	64 620	40 942
3.1. Related entities	191	157	164	206
3.2. Other entities	63 661	32 093	63 363	39 613
3.3. Special funds	1 246	1 328	1 093	1 123
4. Accrued liabilities	29 376	24 275	27 517	6 411
4.1. Other accrued liabilities	29 376	24 275	27 517	6 411
a) short-term	29 376	24 275	27 517	6 411
Total liabilities	271 316	229 229	266 089	186 015
Book value	117 790	111 582	103 721	93 641
Number of shares	6 852 387	6 852 387	6 726 600	6 726 600
Book value per share (PLN)	17,19	16,28	15,42	13,92
Diluted number of shares	6 955 095	6 934 304	6 852 387	
Diluted book value per share (PLN)	16,94	16,09	15,14	

OFF BALANCE SHEET LIABILITIES

	As of 2004-12-31 end of quarter/2004	As end of 2004-09-30 end of prev quarter 2004	As of 2003-12-31 end of quarter/2003	As end of 2003-09-30 end of prev quarter 2003
1. Contingent liabilities	29 070	24 554	23 381	41 002
1.1. Related entities:	1 499	1 499		
-guarantees issued	1 499	1 499		
1.2. Other entities:	27 571	23 055	23 381	41 002
-guarantees issued	27 571	23 055	23 381	41 002
Total off-balance sheet items	29 070	24 554	23 381	41 002

INCOME STATEMENT

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
I. Net revenues from sale of products, goods and materials, including:	104 165	329 991	124 033	257 751
-related entities	198	477	112	439
1. Net revenues from sale of products	67 565	187 305	51 500	141 144
2. Net revenues from sale of goods and materials	36 600	142 686	72 533	116 607
II. Cost of products, goods and materials sold, including:	77 861	255 351	90 654	189 664
-related entities	369	1 258	138	341
1. Manufacturing cost of products sold	41 358	122 509	23 684	82 667
2. Value of goods and materials sold	36 503	132 842	66 970	106 997
III. Gross income (loss) on sales	26 304	74 640	33 379	68 087
IV. Cost of sales	10 249	29 876	14 315	29 971
V. Administration expenses	8 318	27 379	7 183	21 419
VI. Income (loss) on sales	7 737	17 385	11 881	16 697

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
VII. Other operating revenues	939	3 411	984	1 240
1. Income from disposal of non-financial fixed assets	-18	46		
2. Subsidies			12	12
3. Other operating revenues	957	3 365	972	1 228
VIII. Other operating expenses	1 426	2 645	577	1 455
1. Loss on disposal of non-financial fixed assets			52	150
2. Revaluation of non-financial assets		43	111	172
3. Other operating expenses	1 426	2 602	414	1 133
IX. Operating income (loss)	7 250	18 151	12 288	16 482
X. Financial revenues	-789	4 441	458	2 931
1. Interest, including:	224	999	-373	1 300
2. Income from disposal of investments		422	903	1 589
3. Revaluation of investments		256		
4. Other	-1 013	2 764	-72	42
XI. Financial expenses	136	7 587	4 839	8 931
1. Interest, including:	994	4 992	1 295	4 613
-related entities		123		
2. Loss on disposal of investments			40	40
3. Other	-858	2 595	3 504	4 278
XII. Income (loss) on ordinary activities	6 325	15 005	7 907	10 482
XIII. Charge of goodwill of associates	277	1 210	347	1 012
XIV. Charge of negative goodwill of associates			-2 542	-2 542
XV. Gross income (loss)	6 048	13 795	10 102	12 012
XVI. Corporate income tax	271	561	1 501	1 783
a) current	84	790	2 051	1 766
b) deferred	187	-229	-550	17
XVII. Share of net income (loss) of associates based on equity method	-15	-790	-28	-1 688
VIII. Minority income (loss)	313	1 642	281	154
XIX. Net income (loss)	6 075	14 086	8 854	8 695
Annualised net income (loss)		14 086		8 695
Weighted average number of ordinary shares		6 793 961		6 875 602
Earnings (loss) per ordinary share (PLN)		2,07		1,26
Diluted weighted average number of ordinary shares		6 894 918		6 998 162
Diluted earnings (loss) per ordinary share (PLN)		2,04		1,24

STATEMENT OF SHAREHOLDER'S EQUITY

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
I. Shareholders' equity at the beginning of period (opening balance sheet)	111 582	103 631	93 641	119 157
a) changes in accounting policies	-30	-30	571	571
I.a. Shareholders' equity at the beginning of period (opening balance sheet), following reconciliation with comparative data	111 552	103 601	94 212	119 728

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
1. Share capital at the beginning of period	6 852	6 727	7 228	7 228
1.1. Changes in share capital		125	-501	-501
a) increase:		125		
-shares issued		125		
b) decrease:			501	501
-shares redeemed			501	501
1.2. Share capital at the end of period	6 852	6 852	6 727	6 727
2. Amounts due in respect of share capital at the beginning of period		-125		
2.1. Changes in amounts due in respect of share capital		125		
a) increase:		125		
-paid-up shares		125		
b) decrease:		125		
-covering of capital increase				
3. Entity's own shares at the beginning of period			-20 643	
a) increase:				-20 643
-acquired for redemption				-20 643
b) decrease:			20 643	20 643
-redemption of entity's own shares			20 643	20 643
4. Reserve capital at the beginning of period	96 714	96 714	96 714	96 714
4.1. Reserve capital at the end of period	96 714	96 714	96 714	96 714
5. Revaluation reserve at the beginning of period	-12	282	282	282
6. Changes in accounting policies	121	121	121	121
6.1. Changes in revaluation reserve	295	295	121	121
a) decrease:	295	295		
-revaluation	295	295		
6.2. Revaluation reserve at the end of period	108	108	403	403
7. Other reserve capital at the beginning of period	21 948	9 685	24 560	24 560
7.1. Changes in other reserve capital		12 263		-14 875
a) increase:		12 263		5 734
-distribution of ComArch SA income for 2002 and 2003		12 263		5 734
b) decrease:			20 142	20 609
-settlement of share redemption costs				467
-share redemption			20 142	20 142
7.2. Other reserve capital at the end of period	21 948	21 948	9 806	9 806
8. Foreign exchange differences resulting from translations related to associates				
8.a. Foreign exchange differences at the beginning of period	87	-89	-557	394
9.b. Foreign exchange differences at the end of period	130	130	-102	-89
10. Retained earnings (loss) brought forward at the beginning of period		8 695		
10.1. Retained earnings at the beginning of period		8 695		
10.2. Retained earnings at the beginning of period, following reconciliation with comparative data		8 695		
a) decrease:		8 695		
-settlement of 2003 result		8 695		
10.3. Retained loss at the beginning of period	22 018	18 985	19 051	10 021

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
a) changes in accounting policies	30	-571	-571	-571
10.4. Retained loss at the beginning of period, following reconciliation with comparative data	22 048	18 414	18 480	9 450
a) increase:		12 330		9 830
-distribution of ComArch SA income for previous year (dividend payment)				4 036
-distribution of ComArch SA income for previous year (allocation to reserve capital)		12 263		5 734
-correction of Software result for previous years		67		
-amortisation of NetBrokers goodwill for 2002				60
b) decrease:		8 695		866
c) settlement of 2003 consolidated result		8 695		
d) share of NetBrokers result for previous years				100
e) translation of figures in financial statements of foreign subsidiaries relating to previous years				660
f) share of loss of ComArch Global minority interests for 2002				106
10.5. Retained loss at the end of period	22 048	22 048	18 414	18 414
10.6. Retained earnings (loss) brought forward at the end of period			-18 414	-18 414
10.7. Net result for the quarter	8 011		-159	
11. Net result	6 075	14 086	8 854	8 695
a) net income	6 075	14 086	8 854	8 695
II. Shareholders' equity at the end of period (closing balance sheet)	117 790	117 790	103 721	103 721
III. Shareholders' equity following proposed distribution of income (coverage of loss)			103 721	103 721

STATEMENT OF CASH FLOWS

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
A. Net cash flows from operating activities				
I. Net income (loss)	6 075	14 086	8 854	8 695
II. Total corrections	11 171	-1 437	13 234	20 085
1. Minority income (loss)	-314	-4 623	-282	-154
2. Share of net (income) loss of associates based on equity method	15	790	28	1 688
3. Depreciation and amortisation, including:	2 240	9 188	653	8 928
-charges of goodwill or negative goodwill of associates	879	1 210	-2 373	-1 708
4. (Income) loss on foreign exchange differences	-1 091	-1 927	348	461
5. Interest and income sharing (dividends)	1 324	2 824	1 515	3 007
6. (Income) loss on investing activities	74	-141	650	-1 399
7. Changes in reserves	-1 349	-650	-878	227
8. Changes in inventories	-1 329	-3 740	2 847	-2 472
9. Changes in accounts receivable	-28 766	-2 052	-47 331	-22 453
10. Changes in short-term liabilities, excluding loans	28 060	7 546	27 343	21 354

	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31	4 quarters to date/2004 from 2004-01-01 to 2004-12-31	4 quarters to date/2003 from 2003-01-01 to 2003-12-31
11. Changes in deferred expenses and accrued liabilities	12 206	-8 609	31 027	13 874
12. Other corrections	101	-43	-2 686	-2 976
III. Net cash flows from operating activities (I+/-II) - indirect method	17 246	12 649	22 088	28 780
B. Cash flows from investing activities				
I. Cash inflows	-121	104 479	42 439	79 518
1. Disposal of intangible and tangible fixed assets	-121	475	31	159
2. Financial assets, including:		104 004	42 388	79 339
a) related entities			-942	
-other inflows from financial assets			-942	
b) other entities		104 004	43 330	79 339
-disposal of financial assets		104 004	43 330	79 339
3. Other inflows from investments			20	20
II. Cash outflows	-7 074	-131 547	-29 169	-58 066
1. Acquisition of intangible and tangible fixed assets	-5 235	-25 922	-3 701	-11 629
2. Real property investments and investments in intangible fixed assets				
a) financial assets, including:	-1 830	-105 582	-25 468	-46 437
-related entities	168		-496	-4 540
-acquisition of financial assets	168		-1 484	-4 540
-long-term loans extended			988	
b) other entities	-1 998	-105 582	-24 972	-41 897
-acquisition of financial assets	-1 998	-105 582	-24 972	-41 897
3. Other outflows from investments	-9	-43		
III. Net cash flows from investing activities (I-II)	-7 195	-27 068	13 270	21 452
C. Cash flows from financing activities				
I. Cash inflows	7 737	12 704	374	768
1. Net inflows from share issues and other capital instruments as well as additional payments to capital		126		
2. Loans	7 940	12 409	383	768
3. Other financial inflows	-203	169	-9	
II. Cash outflows	-2 047	-13 836	-1 942	-28 599
1. Acquisition of entity's own shares				-20 643
2. Dividends and other payments to shareholders				-4 036
3. Repayments of loans	-829	-4 934	-516	-859
4. Redemption of debt securities		-5 905		
5. Other financial liabilities			25	
6. Payment of liabilities under finance lease contracts		-62	-33	-33
7. Interest	-1 322	-2 914	-1 416	-3 022
8. Other financial outflows	104	-21	-2	-6
III. Net cash flows from financing activities	5 690	-1 132	-1 568	-27 831
D. Total net cash flows (A.III+/-B.III+/-C.III)	15 742	-15 551	33 790	22 401
E. Balance sheet change in cash, including:	15 742	-15 551	33 790	22 401
F. Cash at the beginning of period	13 812	45 105	10 783	22 172
G. Cash of MKS Cracovia SSA on acquisition			531	531
H. Cash at the end of period (F+/- D)	29 554	29 554	45 104	45 104

COMMENTARY

1. Capital Group Structure

The ComArch Group comprises the holding company that obtains and substantially implements most of the contracts and is a manufacturer and integrator of finance and accounting systems as well as ERP systems, and the member companies that carry out various business activities. ComArch Global, ComArch Software, ComArch Middle East FZ-LCC, Comarch Sp. z o.o. (Ukraine), ComArch Panama, Inc., OOO ComArch seek contracts on international markets and perform them in whole or in part. ComArch s.r.o. manufactures software for the ComArch Group. Interia.pl is a portal site providing information, communications, search and other Internet community services. ComArch Services Sp. z o.o. (former CIV Sp. z o.o.) provides telecommunication solutions for the ComArch Group member companies and for clients under contracts executed by ComArch. NetBrokers Sp. z o.o. is an active e-commerce player offering its clients the virtual goods market – an information platform on the Internet. MKS Cracovia SSA is a sports joint stock company.

As at 31 December 2004, the ComArch Group comprised the following entities (in brackets percentage of votes exercised at the general shareholders' meeting by ComArch SA):

- ComArch Spółka Akcyjna based in Krakow,
- ComArch Global, Inc. based in Washington (90.00%),
- ComArch Software AG based in Frankfurt am Main (100.00%),
- ComArch Middle East FZ-LCC based in Dubai (100.00%),
- ComArch Sp. z o.o. based in Kiev (100.00%),
- ComArch s.r.o. based in Sliač, the Slovak Republic (100.00%),
- ComArch Panama, Inc. based in Panama (a 100.00% subsidiary of ComArch Global, Inc.)
- ComArch Services Sp. based in Krakow (99.90%),
- Interia.pl SA based in Krakow (49.87%),
- NetBrokers Sp z o.o. based in Krakow (40.00%),
- MKS Cracovia SSA based in Krakow (49.15%).

After the balance sheet date, OOO ComArch based in Moscow, with 100% shares held by ComArch SA, was registered.

ComArch SA has the predominant share of the Group revenues, asset value, as well as the number and size of contracts executed.

The consolidated financial statements for Q4 2004 comprise the financial statements of ComArch SA, ComArch Global Inc., ComArch Software AG, ComArch Middle East FZ-LCC, ComArch Sp. z o.o. (Ukraine), ComArch s.r.o., ComArch Panama, Inc., ComArch Services Sp. z o.o. and MKS Cracovia SSA. With respect to Interia.pl SA and NetBrokers Sp. z o. the equity method was followed, the other companies were fully consolidated.

2. Changes in Capital Group Structure

On 22 November 2004, ComArch Panama, Inc. was registered in the public register of the city of Panama. ComArch Panama, Inc. is a 100% subsidiary of ComArch Global, Inc. The company share capital amounts to USD 10,000 and is divided into 10,000 shares of the nominal value of USD 1 each. The total number of votes resulting from all issued shares amounts to 10,000. The share capital was fully paid up in cash. The company manufactures and sells IT systems on the Central and South American markets.

Events after the balance sheet date:

On 26 January 2005, OOO ComArch based in Moscow was registered. OOO ComArch is a 100% subsidiary of ComArch SA. The company share capital amounts to Rub 1,200,000 and is divided into 1,200,000 shares of the nominal value of Rub 1 each (1 Rub 1 is ca. 0.11 PLN). The total number of votes resulting from all issued shares amounts to 1,200,000. The share capital will be fully paid up in cash. The company sells ComArch products in Russia and provides partial support for the IT systems supplied to clients.

3. Principles of Consolidation and Valuation Methods

The following companies were consolidated for 4 quarters 2004:

	Type of relationship	Consolidation method	ComArch S.A. share in capital
ComArch SA	holding company	full	
ComArch Software AG	subsidiary undertaking	full	100.00 %
ComArch Global, Inc.	subsidiary undertaking	full	90.00 %
ComArch Middle East FZ-LCC	subsidiary undertaking	full	100.00 %
ComArch Sp. z o.o. (Ukraine)	subsidiary undertaking	full	100.00 %
ComArch s.r.o.	subsidiary undertaking	full	100.00 %
ComArch Panama, Inc.	subsidiary undertaking	full	90.00 %
ComArch Services Sp. z o.o.	subsidiary undertaking	full	99.90 %
Interia.pl SA	associated undertaking	equity method	37.50%
NetBrokers Sp. z o.o.	associated undertaking	equity method	40.00%
MKS Cracovia SSA	subsidiary undertaking *	full	49.15%
and for the period from January to August 2004 companies acquired by ComArch SA:			
ComArch Krakow SA		full	100.00 %
CDN-ComArch SA		full	100.00 %

*) MKS Cracovia SSA is a subsidiary of ComArch SA pursuant to the provisions of Art. 3.37.d) of the Accounting Act.

The financial statements were prepared on the basis of books of account maintained in accordance with the Accounting Act of 9 September 2000.

The data were provided based on the principles of asset and liability valuation and the principles of net financial result measurement current as at the balance sheet date.

Uniform accounting policies were followed for the whole Group when preparing individual balance sheets.

4. Information on Reserve Adjustments and Revaluation of Assets

a) Revaluation of assets

ComArch SA:

In Q4 2004, revaluation of assets stood at PLN 57,000.

The ComArch Group:

In Q4 2004, no revaluation of assets was performed.

b) Adjustments to reserves for the temporary timing differences relating to the recognition of revenues and expenses in different periods for accounting and taxation purposes and the resulting changes in deferred expenses

ComArch SA:

In Q4 2004 no deferred tax asset and reserve or other reserves were determined, as the projected income from the activities carried out in the Special Economic Zone will be higher than the result on taxable activities, so the company is not likely to pay corporate income tax.

The ComArch Group:

In Q4 2004, deferred tax assets and reserves were established. Deferred tax assets decreased by PLN 382,000, while deferred tax reserves were up by PLN 13,000.

c) Other reserves

No other reserves were created in Q4 2004.

5. Changes in Accounting Policies

In connection with the amendments to the Finance Minister Regulation dated 12 December 2001 concerning detailed principles of recognition, valuation, disclosure and presentation of financial instruments (Dz. U. [Official Journal] No. 149 of 2001, item 1674 and No. 31 of 2004, item 266) and in order to comply with the requirements set out in the Regulation, the company changed the principles of recognising embedded derivatives effective as of 2004. At the same time, to ensure the comparability of the 2004 and 2003 information, the company made changes in the presentation of the 2003 data relative to the data included in the SA-RS 2003 Report. The amended Regulation defines situations in which embedded derivatives are not recognised. In accordance with Art. 10.1a.5)c) of the Regulation, the embedded derivative is not recognised when the contract currency is a currency commonly used on the domestic market for contracts relating to the supply of specific goods and services.

2003 Consolidated Financial Highlights of ComArch

Balance Sheet	2003 Data Based on SA-RS 2003 Report	Data Transformation (Changes in Accounting Policies)	2003 Data after Transformation
ASSETS	31 December 2003	Correction	31 December 2003 after correction
Fixed assets	104,972		104,972
Current assets	163,132	-2,015	161,117
including:			
short-term deferred expenses	17,032	2,015	15,017
Balance sheet total	268,104	-2,015	268,104

Balance Sheet	31 December 2003	Correction	31 December 2003 after correction
LIABILITIES	31 December 2003	Correction	31 December 2003 after correction
Shareholders' equity	103,631	90	103,721
including:			
Share capital	6,727		
Reserve capital	96,714		
Revaluation reserve	282	121	403
Other reserve capital	9,685		9,685
Foreign exchange differences resulting from translations	-89		
Loss brought forward from previous years	-18,985	571	-18,414
Net income	9,297	-602	8,695
Minority interests	18,732		18,732
Negative goodwill	1,952		1,952
Liabilities and reserves	143,789	-2,105	141,684
including:			
accrued liabilities	29,622	-2,105	27,517
Balance sheet total	268,104	-2,015	268,104

Income Statement	31 December 2003	Correction	31 December 2003 after correction
Net revenues from sale of products	256,643	1,108	257,751
Gross income from sale	66,979	1,108	68,087
Operating income	15,374	1,108	16,482
Financial revenues	2,931		2,931
Financial expenses	7,221	1,710	8,931
Gross income from sale	12,614	-602	12,012
Net income	9,297	-602	8,695

The effects of 2003 data transformation were reflected in the information for Q4 2003 and therefore the data differ from those presented in the SA-QS 4/2003 Report.

6 Differences between Polish Accounting Policies and International Financial Reporting Standards

In compliance with the requirements set out in Art. 18.2 of the Regulation of the Council of Ministers dated 11 August 2004 concerning detailed conditions to be fulfilled by a prospectus and a mini-prospectus, the reconciliation of the net financial result and shareholders' equity (net assets) resulting from the financial statements prepared in accordance with accounting regulations current in Poland with the figures that would result from the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), taking account of the differences that have been identified and quantified so far, is presented below. In addition, material differences between accounting policies applied when preparing the quarterly financial statements and the policies that would be followed while preparing the financial statements in accordance with IFRS are described.

The reconciliation was made only to meet the above-mentioned requirements and it relates to the differences identified and quantified as at 31 December 2004, to the date hereof.

In accordance with the regulations to be observed by public companies in the European Union, such companies shall be required to prepare the first full consolidated financial statements in accordance with IFRS for the financial year starting on 1 January 2005. As at 31 December 2004, the company did not prepare the full consolidated financial statements in accordance with IFRS, only the balance sheet and the income statement.

When making the reconciliation presented below, the company Management Board used the best of their knowledge of the anticipated standards and interpretations, events and circumstances, accounting policies to be followed when preparing the first full consolidated financial statements of the company in accordance with IFRS as at and for the year ended 31 December 2005. While preparing data according to IFRS, provisions of IFRS 1 were applied, although such provisions may be applied only to prepare the first full consolidated financial statements in accordance with IFRS.

Each and any differences described below were reconciled based on the Management Board's best knowledge of the anticipated IFRS provisions as well as current events and circumstances; all these factors may change. Therefore, until the company has prepared its first full consolidated financial statements in accordance with IFRS and has finally set the date for transition to IFRS within the meaning of IFRS 1, the data presented below may be subject to change.

As the reconciliation was made for the first time, no comparative data are provided.

Specification of differences:

a) Costs of incorporation and development of a joint stock company

IAS 38 prohibits the capitalisation of costs of incorporation or development; such costs are to be recognised in the income statement for the period or, in accordance with SIC Interpretation 17, in the event such costs are directly connected with the raising of capital, they should be charged to capital. In accordance with Art. 36.2b of the Accounting Act, the share issue costs related to the development of business activity of a joint stock company decrease the reserve capital to the extent that the issue value is in excess of the nominal value of shares.

However, in the transitory period, the part of costs previously disclosed under intangible fixed assets that have not been written off yet are disclosed under deferred expenses and recognised in the income statement for the current period.

In the financial statements prepared in accordance with Polish accounting regulations:

Unrecognised costs of incorporation and development as at 31 December 2004	PLN 189,000
Costs of incorporation and development recognised in income statement for 4 quarters 2004	PLN 1,099,000

b) Goodwill

In accordance with the Accounting Act, goodwill on acquisition of interests is subject to amortisation. According to IFRS 3, goodwill is disclosed as an asset that is not amortised. It is tested for impairment on a regular basis.

In the financial statements prepared in accordance with Polish accounting regulations:

Amortisation of goodwill recognised in income statement for 4 quarters 2004	PLN 1,211,000
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c) Negative goodwill

According to IFRS 3, negative goodwill on acquisition of interests is recognised in the income statement at acquisition date. In accordance with the Accounting Act, the part of negative goodwill on acquisition of MKS Cracovia SSA is recognised to the extent of future, reasonably estimated costs in the period in which such costs are actually incurred.

In the financial statements prepared in accordance with Polish accounting regulations:

Negative goodwill as at 31 December 2004	PLN 174,000
Amortisation of negative goodwill recognised in income statement for Q4 2004	PLN 1,179,000

d) Business activity conducted in the Special Economic Zone

In addition to the identified and quantified differences between the financial statements prepared in accordance with the Polish accounting regulations and IFRS described above, the company is in the process of analysing the presentation in the financial statements prepared in accordance with IFRS of the effects of replacing the unlimited corporate tax relief with the limited tax relief that depends on the value of investments made, in connection with business activity carried out by ComArch SA in the Special Economic Zone. Therefore, the figures presented below may be subject to change, once the analysis has been completed.

Collective specification of differences compared to IFRS identified and quantified as at 31 December 2004, to the date hereof:

Description	Shareholders' Equity as at 31 December 2004	Net Result for 4 Quarters 2004
In accordance with Polish accounting policies	117,790	14,086
Differences	1,196	531
including:		
a) costs of development of a joint stock company	- 189	1,099
b) goodwill	1,211	1,211
c) negative goodwill	174	1,779
Shareholders' equity and net result, taking account of above described differences identified and quantified so far	118,986	14,617

7. Information on EURO Exchange Rates

Euro exchange rates for the currency translation of financial data.

Average NBP rate of 31 December 2004: 1 EUR = 4.0790 PLN

Average NBP rate of 31 December 2003: 1 EUR = 4.7170 PLN

Arithmetic average of average NBP rates at the end of month from 1 January to 31 December 2004: 1 EUR = 4.5182 PLN

Arithmetic average of average NBP rates at the end of month from 1 January to 31 December 2003: 1 EUR = 4.4474 PLN

In the table *Financial Highlights*, items I - VIII and XVI-XVII are valued at the arithmetic average of the NBP rates ruling on the last day of each month in the period concerned, while items IX-XIV and XVIII-XX are valued at the NBP rate ruling as at the end of period.

8. Information on Shareholders and Shares Held by Persons Managing and Supervising Company Operations

a) Shareholders that exercise at least 5% of the total number of votes at the general shareholders' meeting of ComArch SA, either directly or indirectly through subsidiaries, as at the date hereof.

As at 1 March 2005, the shareholders that exercise at least 5% of the total number of votes at the general shareholders' meeting of ComArch SA, either directly or indirectly through subsidiaries, are Elżbieta and Janusz Filipiak, a married couple, who hold a total of 3,092,685 shares representing 9,672,685 votes at the AGM, i.e. 69.48% of all votes at the AGM.

b) Changes in shareholdings of persons managing and supervising the operations of ComArch SA over the period from 15 November 2004 to 1 March 2005.

The table below shows shareholdings of persons managing and supervising the operations of ComArch SA as at the date of publishing the consolidated financial statements for Q3 2004, i.e. 15 November 2004, and as at 1 March 2005, according to the company's best knowledge. On 25 January 2005, the Chairman of the Company Supervisory Board sold 30,000 ordinary bearer shares of ComArch SA at PLN 68. On 25 January 2005, the member of the Management Board of ComArch SA purchased 142 ordinary bearer shares of the company.

Persons Managing and Supervising Company Operations	Function	As at 1 March 2005		As at 15 November 2004	
		Number of Shares	Votes at AGM (%)	Number of Shares	Votes at AGM (%)
Elżbieta and Janusz Filipiak	Chairman of the Supervisory Board and President of the Management Board	3,092,685	69.48%	3,122,685	69.70%
Tomasz Maciantowicz	Vice President of the Management Board	197,134	4.12%	197,134	4.12%
Paweł Prokop	Vice President of the Management Board	24,440	0.45%	24,440	0.45%
Paweł Przewięźlikowski	Vice President of the Management Board	24,440	0.45%	24,440	0.45%
Rafał Chwast	Vice President of the Management Board	6,566	0.05%	6,566	0.05%
Zbigniew Rymarczyk	Member of the Management Board	250	0.00%	108	0.00%
Number of shares issued		6,852,387	100.00%	6,852,387	100.00%

9. Presentation of Significant Achievements and Failures; Factors and Events that Materially Affected Q4 2004 Financial Result of the ComArch Group; Factors Likely to Affect Performance at least in Next Quarter

The ComArch Group closed the year 2004 with record sales revenues of PLN 329,991,000 that represents a 28% growth on 2003. The Group maintained dynamic growth of income, continuing a winning streak of the previous quarters. The consolidated net income of the ComArch Group in 2004 reached a record level at PLN 14,086,000, showing more than 60% increase against the previous year. The consolidated net earnings per share amounted to PLN 2.07, while the diluted net earnings per share were PLN 2.04; the earnings increased by 63.9% and 64.4% respectively compared to 2003 (2003: PLN 1.26 and PLN 1.24).

Net profitability in 12 months of 2004 was 4.3% (a 3.4% growth compared to the corresponding period in the previous year). Operating profitability reached 5.5% and should be considered as high, given nearly 30% increase in the Group's revenues and growth in the number of staff by more than 400. As at 31 December 2004, the company employed a staff of over 1,500 (excluding the staff of Interia.pl; Netbrokers and MKS Cracovia).

The ComArch Group managed to achieve such excellent financial results thanks to very favourable trends on the domestic IT market and a continued consistent expansion to international markets. International sales for 4 quarters 2004 accounted for 20.8% of the total sales against 14.5% in the corresponding period in 2003, and reached the highest level in the company history both in absolute and percentage terms.

The table below shows the Group's detailed revenues mix:

The ComArch Group				
	Q1- 4 2004	%	Q1-4 2003	%
Services	144,714	43.9%	120,267	46.9%
Software	109,104	33.0%	56,825	22.1%
Hardware	71,222	21.6%	77,599	30.2%
Other	4,951	1.5%	1,952	0.8%
TOTAL	329,991	100.0%	*256,643	100.0%
	Q1- 4 2004	%	Q1-4 2003	%
Telecommunications	91,811	27.8%	64,273	25.0%
Finance and Banking	58,206	17.7%	50,546	19.7%
Services, trade	65,802	19.9%	68,959	26.9%
Industry	25,394	7.7%	13,589	5.3%
Public sector	83,553	25.3%	57,324	22.3%
Other	5,225	1.6%	1,952	0.8%
TOTAL	329,991	100.0%	*256,643	100.0%
	Q1- 4 2004	%	Q1-4 2003	%
Domestic market	261,389	79.2%	219,533	85.5%
International markets	68,602	20.8%	37,110	14.5%
TOTAL	329,991	100.0%	*256,643	100.0%

* - Value of revenues according to the SA-RS 2003 Report, i.e. before data transformation described in section 5 hereof.

Value of contracts signed in 2004 was 36.5% higher than in 2003, and the current year contracted revenues are 22.7% up on the previous year.

The ComArch Group			
	Jan – Dec 2004	Jan – Dec 2003	Change
Contracts signed	368,453	269,922	36.5%
including international markets	74,617	62,909	18.6%
	As at	As at	Change
	28 Feb 2005	28 Feb 2004	
Current year contracted revenues	153,837	125,426	22.7%
including international markets	37,902	34,510	9.8%

In 2004, the telecommunications sector (a 27.8% share of sales) and the public sector (a 25.3% share of sales) were of the greatest importance to the Group. However, none of the client sectors gained a significant advantage in the sales revenues mix, which means that the Group development is safe and well-balanced. A marked shift was made in product sales mix; value of software grew considerably, while hardware sales decreased in importance.

Dynamic growth in revenues and income, a considerable order book and increasing international sales volume make the Management Board look to the future with optimism. The Group's results in next quarters will primarily depend on continued favourable trends in the economy, increased level of investments, as well as the financial standing of medium-sized and large enterprises that are the company's major clients.

Q4 2004 saw the following events that had a significant effect on current operations of the ComArch Group:

ComArch received an award for the *Network Company of the Decade* and was voted the Best Integrator in the poll organised on the occasion of a jubilee of *NetWorld* trade magazine. ComArch was nominated by the editorial staff and was declared the winner by the readers. *NetWorld* is published by IDG and it is considered to be one of the leading publications addressed to computer specialists and heads of IT departments in Poland.

During the 14th Economic Forum in Krynica, ComArch was granted an award for the *2003 New Economy Company of Central and Eastern Europe*. This award is presented to a company that has shown innovation, reliability and professionalism in its approach to clients in a given year.

ComArch signed a cooperation agreement with Lvov Technical University with the aim of establishing a software manufacturing centre in Lvov. To implement the project, ComArch will employ graduates of the IT Department of Lvov Technical University. The parties to the agreement will cooperate in creating programs, training and scientific research.

The agreement was signed by Prof. Janusz Filipiak, President of the Management Board of ComArch and Prof. Juriij Rudawskij, Vice-Chancellor of Lvov Technical University, in the presence of Mr Janusz Sepioł, Małopolska Province Chairman and Mr Oleksandr Sendega, Head of Lvov Regional State Administration.

On 25 October 2004, ComArch SA signed an investment loan agreement with Fortis Bank Polska S.A. based in Warsaw to finance the construction of a new production and office building in the Special Economic Zone in Krakow. The loan covers 85% of the project value, a maximum of PLN 20,000,000. The loan term is 10 years and the interest is calculated at a variable interest rate. The loan is to be utilised by 31 March 2005. The loan is secured by a blank bill of exchange, mortgage established on building lots on which the building is to be constructed and the assignment of rights under the building insurance policy.

Pursuant to Art. 10 of the Rules of Electronic Information Transfer System (EITS) constituting Appendix No. 1 to Regulation No. 18/2004 of the Director General of the Securities and Exchange Office dated 22 October 2004, the Management Board of ComArch SA informed that as of 28 December 2004, in accordance with the regulations relating to the public trading in securities, the company had been delivering current and periodic reports via the Electronic Information Transfer System (EITS).

At the request of the company, under Resolution No. 466/2004, the Warsaw Stock Exchange Board admitted to trading on the Main Market 125,787 series G ordinary bearer shares of ComArch SA of the nominal value of PLN 1 each. The Resolution came into effect on 29 December 2004.

10. Unusual Factors and Events that Materially Affected Financial Performance

None.

11. Post-Balance Sheet Events

On 26 January 2005, OOO ComArch based in Moscow was registered. OOO ComArch is a 100% subsidiary of ComArch SA. The company share capital amounts to Rub 1,200,000 and is divided into 1,200,000 shares of the nominal value of Rub 1 each (1 Rub is ca. 0.11 PLN). The total number of votes resulting from all issued shares amounts to 1,200,000. The share capital will be fully paid up in cash. The company sells ComArch products in Russia and provides partial support for the IT systems supplied to clients.

The Management Board of ComArch SA set the following dates for delivering periodic reports in 2005.

Extended quarterly consolidated financial statements:

for the period: delivery date:

Q4 2004 1 March 2005

Q1 2005 16 May 2005

Q2 2005 16 August 2005

Q3 2005 14 November 2005

Semi-annual and annual financial statements:

2004 financial statements 5 April 2005

2004 consolidated financial statements 3 June 2005

H1 2005 extended semi-annual consolidated financial statements 30 September 2005

12. Management Board's Position on Implementation of Previously Published Forecasts

The Management Board did not present any forecasts for 2005 results.

13. Significant Proceedings Pending before Court, Arbitration Tribunal or Public Administration Authorities

In Q4 2004, the Group member companies did not take any legal actions and no proceedings were instigated against them that would meet the criteria defined in Art. 61.4.7a) and 7b) of the Regulation of the Council of Ministers dated 16 October 2001 (Dz. U. [Official Journal No. 139, item 1569]).

14. Information on Transactions with Related Entities, the Total Value of Which Exceeds EUR 500,000 (Excluding Usual and Routine Transactions)

None.

15. Information on Guarantees Issued by Company or its Subsidiary

In Q4 2004, neither ComArch SA nor any of its subsidiaries issued guarantees referred to in Art. 61.4.9) of the Regulation of the Council of Ministers dated 16 October 2001 (Dz. U. [Official Journal] No. 139, item 1569).

16. Other Information Material to Assessment of Staff Situation, Financial Standing and Performance, Changes to Situation; Information Relevant to Evaluation of Issuer's Capability to Meet its Obligations

In connection with the management programme adopted by the Extraordinary General Meeting of Shareholders held on 21 December 2001, the company informs that the President of the Management Board of ComArch SA has the right to a share option valued by the Management Board at PLN 7,029,367, i.e. 5% of PLN 140,587,330

that represents an increase in the company capitalisation in 2004. The amount of capitalisation increase will be finally determined by the Company Supervisory Board. As at the date hereof, the Supervisory Board has not specified the figure yet and has not taken a decision on the share number and issue price. According to the Management Board's calculations, if the share issue price is assumed at PLN 1, there should be 102,708 new issue shares.