

COMARCH SA

SA-RS 2004

 Adjusted**THE POLISH SECURITIES AND EXCHANGE COMMISSION****Consolidated Annual Report SA-RS 2004**

(Pursuant to Article 93 Para 2 of the Ordinance of the Council of Ministers of 21 March 2005 – Dz. U. No. 49, Item 463.)
(For issuers of securities managing production, construction, trade or services activities.)

For accounting year 2004 covering the period from 01 January 2004 to 31 December 2004
And for the previous accounting year 2003, covering the period from 01 January 2003 to 31 December 2003.
Submitted on: 03 June 2005

COMARCH SA (Full name of the issuer)	
COMARCH SA (Abbreviated name of the issuer)	Telecommunications and IT (Sector according to the Warsaw Stock Exchange classification)
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PricewaterhouseCoopers Sp. z o.o.

(The entity authorised for auditing.)

The consolidated annual report includes:

<input checked="" type="checkbox"/>	The opinion and report of the entity authorised for auditing financial statements from auditing the annual financial statement
<input checked="" type="checkbox"/>	Letter from the President, the Management Board
<input checked="" type="checkbox"/>	Annual financial statement
<input checked="" type="checkbox"/>	Introduction
<input checked="" type="checkbox"/>	Balance sheet
<input checked="" type="checkbox"/>	Profit and loss account
<input checked="" type="checkbox"/>	Summary of changes in own capital
<input checked="" type="checkbox"/>	Cashflow statement
<input checked="" type="checkbox"/>	Supplementary information and explanations
<input checked="" type="checkbox"/>	Report of the Management Board (a report on the activities of the issuer)
<input type="checkbox"/>	Annual financial statement according to MSR/US GAAP in case of an issuer who is a leasing company along with
<input type="checkbox"/>	Opinion on the audited annual financial statement (Article 59 Para 2 of the above Ordinance)

SELECTED FINANCIAL DETAILS	in PLN thou.		in EUR thou.	
	2004	2003	2004	2003
I. Net proceeds from sales of products, goods and materials	329,979	257,647	73,033	57,932
II. Profit (loss) on operational activities	18,027	16,387	3,990	3,683
III. Gross profit (loss)	13,812	11,908	3,057	2,678
IV. Net profit (loss)	14,026	8,591	3,104	1,932
V. Net cash flows on operational activities	12,534	28,780	2,774	6,471
VI. Net cash flows on investment activities	-27,039	21,452	-5,984	4,823
VII. Net cash flows on financial activities	-1,616	-27,831	-358	-6,258
VIII. Total net cash flows	-16,121	22,401	-3,568	5,037
IX. Total assets	271,988	265,985	66,680	56,389
X. Obligations and provisions for obligations	140,474	141,804	34,438	30,062
XI. Long-term obligations	46,621	43,529	11,430	9,228
XII. Short-term obligations	57,975	64,620	14,213	13,699
XIII. Own capital	117,391	103,497	28,779	21,941
XIV. Initial capital	6,852	6,727	1,680	1,426
XV. Number of stock (in pcs.)	6,852,387	6,726,600	6,852,387	6,726,600
XVI. Profit (loss) per one regular stock (in PLN / EUR)	2.06	1.25	0.46	0.28
XVII. Diluted profit (loss) per one regular stock (in PLN / EUR)	2.03	1.23	0.45	0.28
XVIII. Book value per one stock (in PLN / EUR)	17.13	15.39	4.20	3.26
XIX. Diluted book value per one stock (in PLN / EUR)	16.88	15.10	4.14	3.20

OPINION OF THE ENTITY AUTHORISED FOR AUDITING FINANCIAL STATEMENTS OF THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENT

File	Description
opinia bieglego rewidenta SARS_2004.pdf	Opinion of an independent expert auditor – Appendix No. 1

REPORT OF THE ENTITY AUTHORISED FOR AUDITING FINANCIAL STATEMENTS FROM AUDITING THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

File	Description
raport bieglego rewidenta SARS_2004.pdf	The report supplementing the opinion from auditing the financial statement – Appendix No. 2

LETTER OF THE PRESIDENT, THE MANAGEMENT BOARD

File	Description
pismo do shareholders SARS_2004.pdf	The letter of the President, the Management Board – Appendix No. 3

THE ANNUAL CONSOLIDATED FINANCIAL STATEMENT

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENT

File	Description
wprowadzenie SARS 2004.pdf	Introduction to the financial statement – Appendix No. 4

CONSOLIDATED BALANCE SHEET

	Notes	in PLN thou.	
		2004	2003
ASSETS			
1. Fixed assets		122,024	104,972
1. Intangibles, including:	1	2,408	3,220
2. Goodwill of subsidiary units	2	2,256	3,466
3. Tangible fixed assets	3	111,555	91,244
4. Long-term receivables	4 9		215
4.1. From other units			215
5. Long-term investments	5	4,316	5,056
5.1. Long-term financial assets		4,273	5,056
a) In affiliated units, including:		3,893	4,726
– Shares or stock in subsidiary units appraised with the ownership rights method		3,891	4,724
– Shares or stock in affiliated and co-affiliated units not covered by the consolidation		2	2
b) In other units		380	330
5.2. Other long-term investments		43	
6. Long-term accruals	6	1,489	1,771
6.1. Assets on account of deferred income tax		1,489	1,570
6.2. Other accruals			201
II. Current assets		149,964	161,013
1. Inventory	7	14,991	11,738
2. Short-term dues	8 9	76,787	88,897
2.1. From affiliated units		101	117
2.2. From other units		76,686	88,780
3. Short-term investments	10	31,115	45,465
3.1. Short-term financial assets		31,115	45,465
a) In other units		2,370	351
b) Cash and other cash assets		28,745	45,114
4. Short-term accruals	11	27,071	14,913
Total assets		271,988	265,985

LIABILITIES

I. Own capital		117,391	103,497
1. Initial capital	12	6,852	6,727
2. Supplementary capital	13	96,714	96,714
3. Capital from appraisal updating	14	-12	282
4. Other reserve capitals	15	21,948	9,685
5. Exchange rate differences from calculation of subsidiary units		-52	-89
a) Negative exchange rate differences		-52	-89
6. Profit (loss) from previous periods		-22,085	-18,413
7. Net profit (loss)		14,026	8,591
II. Minority capitals	16	14,013	18,732
III. Negative goodwill of subsidiary units	17	110	1,952
IV. Obligations and provisions for obligations		140,474	141,804
1. Provisions for obligations	18	5,701	6,018
1.1. Provision on account of deferred income tax		5,601	5,920
1.2. Other provisions		100	98
a) Short-term		100	98
2. Long-term obligations	19	46,621	43,529
2.1. To other units		46,621	43,529
3. Short-term obligations	20	57,975	64,620
3.1. To affiliated units		201	164
3.2. To other units		56,529	63,363
3.3. Special funds		1,245	1,093
4. Deferred costs	21	30,177	27,637
4.1. Other deferred costs		30,177	27,637
a) Short-term		30,177	27,637
Total liabilities		271,988	265,985

Book value		117,391	103,497
Number of stock (in pcs.)		6,852,387	6,726,600
Book value per one stock (in PLN)	22	17.13	15.39
Diluted number of stock (in pcs.)		6,955,095	6,852,387
Diluted book value per one stock (in PLN)	22	16.88	15.10

NOMINAL ITEMS

	Note	in PLN thou.	
		2004	2003
1. Conditional obligations	23	27 608	23 381
1.1. For affiliated units (on account of)		1 499	
– Provided guarantees and pledges		1 499	
1.2. For other units (on account of)		26 109	23 381
– Provided guarantees and pledges		26 109	23 381
Total nominal items		27 608	23 381

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	in PLN thou.	
		2004	2003
I. Net proceeds from sales of products, goods and materials, including:		329,979	257,647
– From affiliated units		477	439
1. Net proceeds from sales of products	24	187,034	141,040
2. Net proceeds from sales of goods and materials	25	142,945	116,607
II. Costs of sold products, goods and materials, including:		254,860	189,664
– To affiliated units		1,258	341
1. Cost of generation of sold products	26	121,982	82,667
2. Value of sold goods and materials		132,878	106,997
III. Gross profit (loss) on sales		75,119	67,983
IV. Costs of sales	26	30,233	29,971
V. Overheads	26	27,402	21,419

VI. Profit (loss) on sales		17,484	16,593
VII. Other operational proceeds		3,467	1,240
1. Profit from disposal of non-financial fixed assets		46	
2. Subsidies			12
3. Other operational proceeds	27	3,421	1,228
VIII. Other operational costs		2,924	1,455
1. Loss on disposal of non-financial fixed assets			150
2. Updating value of non-financial assets		83	172
3. Other operational costs	28	2,841	1,133
IX. Profit (loss) on operational activities		18,027	16,378
X. Financial proceeds	29	4,443	2,931
1. Interest, including:		1,000	1,300
2. Profit from disposal of investments		422	1,589
3. Other		3,021	42
XI. Financial costs	30	7,589	8,931
1. Interest, including:		4,993	4,613
2. Loss on disposal of investments			40
3. Other		2,596	4,278
XII. Profit (loss) on commercial activities		14,881	10,378
XIII. Write-off of goodwill of subsidiary units		1,210	1,012
XIV. Write-off of negative goodwill of subsidiary units		141	2,542
XV. Gross profit (loss)		13,812	11,908
XVI. Income tax	31	560	1,783
a) Current part		796	1,766
b) Deferred part		-236	17
XVII. Share in net profits (losses) of subsidiary units appraised with the ownership rights method		-833	-1,688
XVIII. Minority profits (losses)		1,607	154
XIX. Net profit (loss)	32	14,026	8,591
Net profit (loss) (annualised)		14,026	8,591
Average weighted number of regular stock (in pcs.)		6,793,961	6,875,602
Profit (loss) per one regular stock (in PLN)	33	2.06	1.25
Average weighted diluted number of regular stock (in pcs.)		6,894,918	6,998,162
Diluted profit (loss) per one regular stock (in PLN)	33	2.03	1.23

SUMMARY OF CHANGES IN CONSOLIDATED OWN CAPITAL

	in PLN thou.	
	2004	2003
I. Own capital as of the beginning of the period (OB)	103,631	119,157
a) Changes in the adopted accounting principles (policy)	-134	572
I.a. Own capital as of the beginning of the period, after conciliation with comparable data	103,497	119,729
1. Initial capital as of the beginning of the period	6,727	7,228
1.1. Changes in the initial capital	125	-501
a) Increase (on account of)	125	
- Stock issue (release of share)	125	
b) Reduction (on account of)		501
- Stock (shares) redemption		501
1.2. Initial capital as of the end of the period	6,852	6,727
a) Increase (on account of)		-20,643
- Acquisition of own stock for redemption		-20,643
b) Reduction (on account of)		20,643
- Own stock redemption		20,643
2. Supplementary capital as of the beginning of the period	96,714	96,714
2.1. Supplementary capital as of the end of the period	96,714	96,714
3. Capital from appraisal updating as of the beginning of the period	282	282
3.1. Changes in capital from appraisal updating	-294	
a) Reduction (on account of)	294	
- Reduction in capital related to buying out bonds	294	
3.2. Capital from appraisal updating as of the end of the period	-12	282
4. Other reserve capitals as of the beginning of the period	9,685	24,560
4.1. Changes in other reserve capitals	12,263	-14,875
a) Increase (on account of)	12,263	5,734
- 2003, 2002 profit distribution	12,263	5,734
b) Reduction (on account of)		20,609
- Settlement of costs related to redemption of stock		467
- Stock redemption		20,142
4.2. Other reserve capitals as of the end of the period	21,948	9,685
5. Exchange rate differences from calculation of subsidiary units as of the beginning of the period	-89	394
6. Exchange rate differences from calculation of subsidiary units as of the end of the period	-52	-89
7. Profit (loss) from previous periods as of the beginning of the period	9,297	
7.1. Profit from previous periods as of the beginning of the period	9,297	
a) Changes in the adopted accounting principles (policy)	-706	
7.2. Profit from previous periods as of the beginning of the period after conciliation to comparable data	8,591	
a) Reduction (on account of)	8,591	
- Settlement of the 2003 result	8,591	
7.3. Loss from previous periods as of the beginning of the period	18,985	10,021
a) Changes in the adopted accounting principles (policy)	572	572
7.4. Loss from previous periods as of the beginning of the period after conciliation to comparable data	18,413	9,449
a) Increase (on account of)	12,263	9,830
- Settlement of ComArch SA result for 2003	12,23	
- Allocation of profit of ComArch SA result for 2002 (payment of dividend)		4,036
- Allocation of profit of ComArch SA result for 2002 (carrying over for reserve capital)		5,734
- Depreciation of goodwill for Net Brokers for 2002		60
b) Reduction (on account of)	8,591	866
- Settlement of the consolidated result for 2003	8,591	
- Share in the result of NetBrokers for previous years		100
- Calculation of financial statements of international subsidiary units related to previous periods		660
- Share in the loss of minority capitals ComArch Global for 2002		106
7.5. Loss from previous periods as of the end of the period	22,085	18,413
7.6. Profit (loss) from previous periods as of the end of the period	-22,085	-18,413
8. Net result	14,026	8,591
a) Net profit	14,026	8,591
II. Own capital as of the end of the period (CB)	117,391	103,497

CONSOLIDATED CASHFLOW STATEMENT

	in PLN thou.	
	2004	2003
A. Cash flows on operational activities		
I. Net profit (loss)	14,026	8,591
II. Total adjustments	-1,492	20,189
1. Minority profits (losses)	-1,607	-154
2. Share in net profits (losses) of subsidiary units appraised with the ownership rights method	833	1,688
3. Depreciation, including:	8,971	8,928
– Write-offs of goodwill of subsidiary units or negative goodwill of subsidiary units	-632	-1,708
4. (Profits) losses on account of exchange rate differences	-1,688	461
5. Interest and shares in profits (dividend)	4,621	3,007
6. (Profit) loss on investment activities	-141	-1,399
7. Change in the state of provisions	-317	227
8. Change in the state of inventory	-3,253	-2,472
9. Change in the state of receivables	11,964	-22,453
10. Change in the state of short-term obligations, excluding loans and credits	-10,717	21,354
11. Change in the state of accruals	-9,336	13,978
12. Other adjustments	-822	-2,976
III. Net cash flows on operational activities (I+/-II) - indirect method	12,534	28,780
B. Cash flows on investment activities		
I. Proceeds	104,479	79,518
1. Disposal of intangibles and tangible fixed assets	475	159
2. From financial assets, including:	104,004	79,339
a) In other units	104,004	79,339
- Disposal of financial assets	104,004	79,339
3. Other investment proceeds		20
II. Expenses	-131,518	-58,066
1. Acquisition of intangibles and tangible fixed assets	-25,936	-11,629
2. For financial assets, including:	-105,582	-46,437
a) In affiliated units		-4,540
- Acquisition of financial assets		-4,540
b) In other units	-105,582	-41,897
- Acquisition of financial assets	-105,582	-41,897
III. Net cash flows on investment activities (I-II)	-27,039	21,452
C. Cash flows on financial activities		
I. Proceeds	12,776	768
1. Net proceeds from stock issue (release of share) and other capital instruments and additional payments to capital	125	
2. Credits and loans	12,482	768
3. Other financial proceeds	169	
II. Expenses	-14,392	-28,599
1. Acquisition of own stock (shares)		-20,643
2. Dividend and other payments for owners		-4,036
3. Payments of credits and loans	-5,489	-859
4. Buying out debt securities	-5,905	
5. Payment of obligations on account of financial leasing agreements	-63	-33
6. Interest	-2,914	-3,022
7. Other financial expenses	-21	-6
III. Net cash flows on financial activities (I-II)	-1,616	-27,831
D. Total net cash flows (A.III+/-B.III+/-C.III)	-16,121	22,401
E. Balance sheet change in cash, including:	-16,359	22,401
- Change in cash on account of exchange rate differences	-238	
F. Cash as of the beginning of the period	45,104	22,172
G. Cash of MKS Cracovia SSA at acquisition		531
H. Cash as of the end of the period (F+/-D), including:	28,745	45,104
- With limited disposal capacity	404	435

SUPPLEMENTARY INFORMATION AND EXPLANATIONS

A. EXPLANATION NOTES

EXPLANATION NOTES FOR THE CONSOLIDATED BALANCE SHEET

Note 1 a

INTANGIBLES	in PLN thou.	
	2004	2003
a) Costs of completed development work	290	701
b) licenses, patents and similar values, including:	1,569	1,845
- Computer software	581	952
c) Other intangibles	549	674
Total intangibles	2,408	3,220

Note 1b

CHANGES IN THE VALUE OF INTANGIBLES (ACCORDING TO TYPE GROUPS)							
in PLN thou.							
	a	b	c		d	e	Total intangibles
	Costs of completed development work	Goodwill	Licenses, patents and similar values, including:	Computer software	Other intangibles	Prepayments for intangibles	
a) Gross value of intangibles as of the beginning of the period	2,057		6,498	2,528	1,233		9,788
b) Increase (on account of)			1,393	109	-320		1,073
- Purchase			926	109	147		1,073
- Re-classification			467		-467		
- Liquidation							
c) Gross value of intangibles as of the end of the period	2,057		7,891	2,637	913		10,861
d) Accumulated depreciation (amortisation) as of the beginning of the period	1,356		4,653	1,576	559		6,568
e) Change in value of amortisation for the period on account of	411		1,669	480	-195		1,885
- Planned depreciation	411		1,241	480	323		1,975
- Re-classification			428		-428		
- Additional depreciation (liquidation)					-90		-90
f) Accumulated depreciation (amortisation) as of the end of the period	1,767		6,322	2,056	364		8,453
g) Net value of intangibles as of the end of the period	290		1,569	581	549		2,408

Note 1 c

INTANGIBLES (OWNERSHIP STRUCTURE)	in PLN thou.	
	2004	2003
a) Own	2,408	3,220
Total intangibles	2,408	3,220

Note 2 a

GOODWILL OF SUBORDINATED UNITS	in PLN thou.	
	2004	2003
a) Goodwill – subsidiary units	2,135	3,285
b) Goodwill – affiliated units	121	181
Total goodwill of subordinated units	2,256	3,466

Note 2 b

CHANGE IN GOODWILL – SUBSIDIARY UNITS	in PLN thou.	
	2004	2003
a) Gross goodwill as of the beginning of the period	14,583	13,296
b) Increase (on account of)		1,287
Goodwill arising at acquisition of shares in subsidiary and affiliated companies		
– Goodwill of CDN-ComArch arising at acquisition of shares / increase of shares from 60% to 100%		1,287
c) Gross goodwill as of the end of the period	14,583	14,583
d) Goodwill write-off as of the beginning of the period	11,298	10,346
e) Goodwill write-off for the period (on account of)	1,150	952
– Depreciation for 2004/2003	1,150	952
f) Goodwill write-off as of the end of the period	12,448	11,298
g) Net goodwill as of the end of the period	2,135	3,285

ComArch Krakow

a) Gross value as of the beginning of the period	460
b) Increase (on account of)	–
c) Gross value as of the end of the period	460
d) Goodwill write-off from consolidation as of the beginning of the period	360
e) Goodwill write-off for the period Jan – Dec 2004	100
f) Goodwill write-off as of the end of the period	460
g) Net value as of the end of the period	–

CDN-ComArch

a) Gross value as of the beginning of the period	10,160
b) Increase (on account of)	–
c) Gross value as of the end of the period	10,160
d) Goodwill write-off from consolidation as of the beginning of the period	8,933
e) Goodwill write-off for the period Jan – Dec 2004	258
f) Goodwill write-off as of the end of the period	9,191
g) Net value as of the end of the period	969

ComArch Software

a) Gross value as of the beginning of the period	3,814
b) Increase (on account of)	–
c) Gross value as of the end of the period	3,814
d) Goodwill write-off from consolidation as of the beginning of the period	1,914
e) Goodwill write-off for the period Jan – Dec 2004	763
f) Goodwill write-off as of the end of the period	2,677
g) Net value as of the end of the period	1,137

ComArch Global

a) Gross value as of the beginning of the period	149
b) Increase (on account of)	–
c) Gross value as of the end of the period	149
d) Goodwill write-off from consolidation as of the beginning of the period	91
e) Goodwill write-off for the period Jan – Dec 2004	29
f) Goodwill write-off as of the end of the period	120
g) Net value as of the end of the period	29

CHANGE IN GOODWILL – AFFILIATED UNITS	in PLN thou.	
	2004	2003
a) Gross goodwill as of the beginning of the period	9,508	9,207
b) Increase (on account of)		301
– Appraisal of NetBrokers Sp. z o.o. with the ownership rights method		301
c) Gross goodwill as of the end of the period	9,508	9,508
d) Goodwill write-off as of the beginning of the period	9,327	9,207
e) Goodwill write-off for the period (on account of)	60	120
Depreciation for 2004		
– NetBrokers Sp. z o.o. goodwill write-off settled with the result from previous periods		60
– NetBrokers Sp. z o.o. goodwill write-off settled with the current result	60	60
f) Goodwill write-off as of the end of the period	9,387	9,327
g) Net goodwill as of the end of the period	121	181

NetBrokers

a) Gross value as of the beginning of the period	301
b) Increase (on account of)	–
c) Gross value as of the end of the period	301
d) Goodwill write-off from consolidation as of the beginning of the period	120
e) Goodwill write-off for the period Jan – Dec 2004	60
f) Goodwill write-off as of the end of the period	180
g) Net value as of the end of the period	121

INTERIA.PL

a) Gross value as of the beginning of the period	9,207
b) Increase (on account of)	–
c) Gross value as of the end of the period	9,207
d) Goodwill write-off from consolidation as of the beginning of the period	9,207
e) Goodwill write-off for the period Jan – Dec 2004	–
f) Goodwill write-off as of the end of the period	9,207
g) Net value as of the end of the period	–

Note 3 a

TANGIBLE FIXED ASSETS	in PLN thou.	
	2004	2003
a) Fixed assets, including:	98,812	90,738
- Land (including perpetual usufruct rights)	38,843	34,116
- Buildings, premises and objects of civil and water engineering	42,607	42,810
- Technical equipment and machines	11,650	8,628
- Means of transport	4,563	4,143
- Other fixed assets	1,149	1,041
b) Fixed assets under construction	12,743	306
c) Prepayments against fixed assets under construction		200
Total tangible fixed assets	111,555	91,244

Note 3b

CHANGES IN FIXED ASSETS (ACCORDING TO TYPE GROUPS)
in PLN thou.

	– land (including perpetual usufruct rights)	– buildings, premises and objects of civil and water engineering	– technical equipment and machines	– means of transport	– other fixed	Total fixed assets
a) Gross value of fixed assets as of the beginning of the period	34,275	48,455	22,995	6,613	2,821	115,159
b) Increase (on account of)	4,727	1,099	7,914	1,890	485	16,115
– Purchase	4,727	1,099	7,914	1,890	485	16,115
c) Reduction (on account of)		27	257	471	9	764
– Sale		27	224	415	9	675
– Liquidation			33	56		89
d) Gross value of fixed assets as of the end of the period	39,002	49,527	30,562	8,032	3,297	130,510
e) Accumulated depreciation (amortisation) as of the beginning of the period	159	5,645	14,367	2,470	1,780	24,421
f) Change in value of amortisation for the period on account of		1,275	4,635	999	368	7,227
– Planned depreciation		1,283	4,665	1,303	377	7,628
– Reduction on account of sale and liquidation		–8	–30	–304	–9	–351
g) Accumulated depreciation (amortisation) as of the end of the period	159	6,920	19,002	3,469	2,148	31,698
h) Net value of fixed assets as of the end of the period	38,843	42,607	11,650	4,563	1,149	98,812

Note 3 c

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	in PLN thou.	
	2004	2003
a) Own	98,394	90,738
b) Used on the basis of an agreement of rental, lease or another agreement, including an agreement of leasing, including:	418	
– Leasing	418	
Total balance sheet fixed assets	98,812	90,738

Note 3 d

FIXED ASSETS PRESENTED IN NOMINAL ITEMS	in PLN thou.	
	2004	2003
Used on the basis of an agreement of rental, lease or another agreement, including an agreement of leasing, including:	883	1,512
– Trucks used in leasing	883	1,512
Total fixed assets presented in nominal items	883	1,512

Note 4 a

LONG-TERM RECEIVABLES	in PLN thou.	
	2004	2003
a) From other units (on account of)		215
– Receivables on account of land exchange		215
Net long-term receivables		215
Gross long-term receivables		215

Note 4 b

CHANGE IN LONG-TERM RECEIVABLES (BY TITLES)	in PLN thou.	
	2004	2003
a) Increase (on account of)		215
– Receivables on account of land exchange		215
b) As of the end of the period		215

Note 4 c

LONG-TERM RECEIVABLES (CURRENCY STRUCTURE)	Unit	Currency	in PLN thou.	
			2004	2003
a) In the Polish currency				215
b1. In currency				
–				
Total long-term receivables				215

Note 5 a

CHANGE IN LONG-TERM FINANCIAL ASSETS (BY TYPE GROUPS)	in PLN thou.	
	2004	2003
a) As of the beginning of the period	5,056	6,952
- Shares and stock	4,726	6,615
– Loans	330	337
b) Increase (on account of)	730	459
– NetBrokers stock acquisition		85
– Updating value of NetBrokers shares (the ownership rights method)	450	269
– Granting loans	280	105
c) Reduction (on account of)	1,513	2,355
– Updating value of the Interia.pl company (the ownership rights method)	1,283	2,243
– Re-classification into long-term loans	230	
– Payment of loans		112
d) As of the end of the period	4,273	5,056
- Shares and stock	3,893	4,726
– Loans	380	330

Note 5 c

SHARES OR STOCK IN SUBORDINATE UNITS												
Item	in PLN thou.											
	a	b	c	d	e	f	g	h	i	j	k	l
	name (company) of the unit, including legal form	office	subject matter of the company	nature of affiliation (subsidiary unit, co- subsidiary unit, affiliated unit, including direct and indirect relationships)	the applied method of consolidation / appraisal with the ownership rights method, or indication that the unit is not subject to consolidation / appraisal with the method of ownership rights	date of assuming control / co-control / obtaining major share	value of shares /stock by acquisition price	adjustments updating value (total)	balance sheet value of shares /stock	percentage of initial capital owned	share in total number of votes in general assembly	indication of basis for control / co-control / major share different than the one specified under clauses j) or k)
1.	NetBrokers Sp. z o.o.	Krakow	Intermediation in trading in the goods market, Internet activities	affiliated	ownership rights method	29.06.2000	497	719	1,216	40.00	40.00	
2.	Interia.pl SA	Krakow	Managing media and trade activities over the Internet (electronic commerce) and providing all services with the Internet network	affiliated	ownership rights method	13.08.1999	10,510	-7,835	2,675	37.50	49.87	
3.	Fideltronik-ComArch Sp. z o.o.*	Krakow	Sales and development of network computers and Web TV sets	affiliated	not consolidated	25.11.1998	2		2	50.00	50.00	

* The company did not commence its activities

Note 5 d

SHARES OR STOCK IN SUBSIDIARY UNITS – contd.																		
Item	in PLN thou.																	
	a	m							n			o			p	r	s	t
	unit name	own capital of the unit, including:							obligations and provisions for obligations, including:			receivables, including:			assets, total	proceeds on sales	value of shares / stock in the unit unpaid by the issuer	dividend from units received or due for the last accounting year
		- initial capital	- due payments into the initial capital (negative value)	- supplementary capital	other own capital, including:				Long-term obligations	Short-term obligations	- long-term receivables	- short-term dues						
profit (loss) from previous periods					Net profit (loss)													
1.	Interia.pl SA	7,132	6,569		41,625	-41,062	-37,641	-3,421	5,376	850	4,180	3,943		3,943	12,508	26,434		
2.	NetBrokers Sp. z o.o.	2,972	750		1,096	1,126		1,126	517		517	1,712		1,712	3,489	32,963		
3.	Fideltronik-ComArch Sp. z o.o. *																	

* The company did not commence its activities, financial details irrelevant

Note 5 e

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			3,893	4,726
b1. In currency				
–				
Securities, shares and other long-term financial assets, total			3,893	4,726

Note 5 f

SECURITIES, SHARES AND OTHER LONG-TERM FINANCIAL ASSETS (BY DISPOSABILITY)	in PLN thou.	
	2004	2003
c1) ...		
c2) ...		
c1) ...		
c2) ...		
A. With unlimited disposability, not registered in the regulated market (balance sheet value)	3,893	4,726
a. Stock (balance sheet value):	2,675	3,958
– Adjustments updating value (for the period)	–1,283	–2,243
– Value as of the beginning of the period	3,958	6,201
– Value at acquisition price	10,510	10,510
b. Other – by type groups (balance sheet value):	1,218	768
– Adjustments updating value (for the period)	450	269
– Value as of the beginning of the period	768	414
– Value at acquisition price	499	499
c1) ...		
c2) ...		
c1) ...		
c2) ...		
Value by acquisition price, total	11,009	11,009
Value as of the beginning of the period, total	4,726	6,615
Adjustments updating value (for the period), total	–833	–1,974
Balance sheet value, total	3,893	4,726

Note 5 g

GRANTED LONG-TERM LOANS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			380	330
b1. In currency				
–				
Securities, shares and other long-term financial assets, total			380	330

Note 5 h

OTHER LONG-TERM INVESTMENTS (BY TYPE)	in PLN thou.	
	2004	2003
- Art	43	
Other long-term investments, total	43	

Note 5 i

CHANGE IN OTHER LONG-TERM INVESTMENTS (BY TYPE GROUPS)	in PLN thou.	
	2004	2003
a) Increase (on account of)	43	
- Purchase of art	43	
b) As of the end of the period	43	

Note 5 j

OTHER LONG-TERM INVESTMENTS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			43	
b1. In currency				
-				
Other long-term investments, total			43	

Note 6a

CHANGE IN ASSETS ON ACCOUNT OF DEFERRED INCOME TAX	in PLN thou.	
	2004	2003
1. Assets on account of deferred income tax as of the beginning of the period, including:	1,570	1,442
- Referred to the financial result	1,570	1,442
2. Increase	244	745
a) Referring to the financial result of the period in reference to negative temporary differences (on account of)	244	688
- Asset on account of appraisal of the stock of Interia.pl*	244	426
- Exchange rate differences		22
- Depreciation		32
- Provision for updating costs and write-offs		208
b) Referring to the financial result of the period in reference to tax loss (on account of)		57
3. Reduction	325	617
a) Referring to the financial result of the period in reference to negative temporary differences (on account of)	325	584
- Tax costs (mostly: dissolution of provisions and updating write-offs)	325	195
- Depreciation		40
- Exchange rate differences		3
- Appraisal of the asset on account of appraising stock of the Interia.pl company (change in the opening balance sheet on account of change in tax rate)*		346
b) Referring to the financial result of the period in reference to tax loss (on account of)		33
4. Assets on account of deferred income tax as of the end of the period, total, including:	1,489	1,570
a) Referring to the financial result	1,489	1,570

* Determining change in the asset on account of income tax as of 31 Dec 2004 in reference to updating value of stock of Interia.pl: $1,283 \times 19\% = 244$

In reference to Poland joining the European Union, the Law was passed of 2 October 2003 on amending the Special Economic Zone Law and Some Laws (Dz.U. No. 188, Item 1840), which changed conditions for tax exemptions for entities operating in special economic zones. Pursuant to the provision of Article 6 Para 1 of the Law, such entities may appeal for changing conditions of the permit in order to adjust it to the principles of providing public aid in force in the European Union. Pursuant to the provision of Article 5 Para 2 Clause 1b), Clause 2, Clause 3 of the Law, the maximum public aid for entities which manage operations in a special

economic zone on the basis of the permit issued before 1 January 2000, may not exceed 75% of the investment value incurred in the period from the date of obtaining the permit to 31 December 2006, provided that the total public aid obtained from 1 January 2001 is taken into consideration for determining the maximum public aid. It means a change in the current functioning of tax relief (public aid), from relieves with unlimited value to relieves with limited value and dependent on the value of investments made. That is, in the case of ComArch SA, the maximum value of public aid shall not exceed 75% of the value of investment expenditures which ComArch SA has incurred / will incur in the period from obtaining the permit, i.e. 22 March 1999, to 31 December 2006.

ComArch SA approached the Minister of Economy for changing the conditions of the permit and on 1 July 2004 received a decision of the Minister of Economy of 24 June 2004 referring to a change in the conditions of the permit into the above stated and compliant with the law. At the same time, in the changed permit, the period for which the permit for ComArch SA was issued has been extended to 31 December 2017. It means extension of the period in which ComArch SA may use the limit of public aid to which it is entitled on account of the investments incurred in the Special Economic Zone. According to the calculations of the company, the investment relief remaining as of 31 December 2004 is PLN13,300 thou.

The ComArch SA has additionally determined temporary differences on account of income tax. The calculation of the company gives an asset on account of deferred income tax in the amount of PLN 2,169 thou. As the company manages both activities taxed and tax-exempt, and temporary differences in income tax may appear in both taxed and tax-exempt activities, as well as because of the fact that the final determination as to in which of the activities (taxed or tax-exempt) temporary differences were realised, is made on the basis of annual settlement of income tax, after the end of the year, therefore with the above taken into consideration, the company does not give temporary differences on account of income tax in its financial statement.

Other companies

Other companies create assets and provisions on account of deferred income tax with the safe appraisal principle maintained. Assets on account of deferred income tax on account of unsettled tax losses in companies of the group are as follows:

- a) ComArch Software AG – 3,606,
- b) ComArch Global Inc. – 2,064.

Due to the fact that this asset may be used only in reference to tax income and as of the date of preparing the consolidated financial statement for the year 2004, with no sufficient certainty as for the credibility of reliable assessment of the possibility of settling this asset in the future, in the time span in which the Group is capable of providing reliable forecasts for tax income shaping in particular companies, with the premise of applying the safe appraisal principle in the scope of recognising the assets on account of deferred income tax, the Group has not included in its financial statement an asset on account of deferred income tax on account of unsettled tax losses. At the same time, the Group shall regularly review the possibilities for realising the asset on account of income tax and in any situation when premises appear for recognising the above asset, it shall be recognised in the financial statement.

Note 6 b

OTHER ACCRUALS	in PLN thou.	
	2004	2003
a) Other accruals, including:		201
- Non-redeemed part of costs of company expansion		189
- Other		11
Other accruals, total		201

Note 7 a

INVENTORY	in PLN thou.	
	2004	2003
a) Materials	719	84
b) Semi-finished products and products in progress	7,994	7,321
c) Finished products		401
d) Goods	6,278	3,687
e) Prepayments against deliveries		245
Inventory, total	14,991	11,738

Note 8 a

SHORT-TERM RECEIVABLES	in PLN thou.
------------------------	--------------

	2004	2003
a) From affiliated units	101	117
- On account of deliveries and services, with payment period of:	101	117
- Up to 12 months	101	117
b) Receivables from other units	76,686	88,780
- On account of deliveries and services, with payment period of:	74,238	86,746
- Up to 12 months	74,159	86,032
- More than 12 months	79	714
- On account of taxes, subsidies, customs, social and health insurance and other benefits	1,501	532
- Other	947	1,496
- Litigated		6
Net short-term receivables, total	76,787	88,897
c) Write-offs updating value of receivables	1,057	981
Gross short-term receivables, total	77,844	89,878

Note 8 b

SHORT-TERM RECEIVABLES FROM RELATED UNITS	in PLN thou.	
	2004	2003
a) On account of deliveries and services, including:	101	117
- From affiliated units	101	117
Net short-term receivables from related units, total	101	117
Gross short-term receivables from related units, total	101	117

Note 8 c

CHANGE IN WRITE-OFFS UPDATING VALUE OF SHORT-TERM RECEIVABLES	in PLN thou.	
	2004	2003
As of the beginning of the period	981	857
a) Increase (on account of)	551	399
- Establishing a provisions for uncertain receivables	551	399
b) Reduction (on account of)	475	275
- Payment of receivables covered with previous provisions	55	68
- Writing off receivables	291	53
- Dissolution of write-offs	129	81
- Dissolution of write-offs for cash shortage		68
- Other		5
Write-offs updating value of short-term receivables as of the end of the period	1,057	981

Note 8 d

GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			49,842	74,717
b) In foreign currencies (by currencies and after calculation into PLN)			28,002	15,161
b1. In currency	in thou.	EUR	3,302	2,915
After calculation into PLN thou.			13,466	13,707
b2. In currency	in thou.	USD	3,616	376
After calculation into PLN thou.			10,871	1,454

Other currencies in PLN thou.			3,665	
Short-term receivables, total			77,844	89,878

Note 8 e

(GROSS) RECEIVABLES ON ACCOUNT OF DELIVERIES AND SERVICES, WITH PAYMENT PERIOD FROM THE BALANCE SHEET DATE:	in PLN thou.	
	2004	2003
a) Less than 1 month	46,354	51,430
b) More than 1 month and less than 3 months	10,530	10,680
c) More than 3 months and less than 6 months	345	695
d) More than 6 months and less than 1 year	557	803
e) More than 1 year	263	714
f) Time-barred receivables	17,347	23,505
(Gross) receivables on account of deliveries and services, total	75,396	87,817
g) Write-offs updating value of receivables on account of deliveries and services	1,057	954
(Net) receivables on account of deliveries and services, total	74,339	86,863

With the regular course of sales, receivables listed in items a) to e) are related.

Payment deadline is one of integral financial elements of the ComArch Group offer. Thus, the Group applies different payment deadlines depending on agreement type and contractor. In particular, long payment deadlines result from using by public institutions of the so-called guarantee deposits settled after completion of a contract (i.e. withholding part of payment of each invoice until the contract is completely executed).

Note 8 f

(GROSS) TIME-BARRED RECEIVABLES ON ACCOUNT OF DELIVERIES AND SERVICES – BY RECEIVABLES UNPAID IN THEIR PAYMENT PERIOD	in PLN thou.	
	2004	2003
a) Less than 1 month	7,834	20,229
b) More than 1 month and less than 3 months	118	1,250
c) More than 3 months and less than 6 months	5,079	514
d) More than 6 months and less than 1 year	2,657	766
e) More than 1 year	1,659	746
(Gross) time-barred total receivables on account of deliveries and services	17,347	23,505
f) Time-barred write-offs updating value of receivables on account of deliveries and services	1,057	954
(Net) time-barred total receivables on account of deliveries and services	16,290	22,551

Note 9 a

Disputable and time-barred receivables (broken down by titles) as of 31 December 2004:

a) Disputable receivables: covered by updating write-offs	
b) Time-barred gross receivables	17,347
Including:	
- On account of deliveries of goods and services	17,374
Time-barred receivables on which updating write-offs were not made	15,840
Time-barred receivables covered by updating write-offs	1,507
Litigated receivables - covered by updating write-offs	

File	Description

Note 10 a

SHORT-TERM FINANCIAL ASSETS	in PLN thou.

	2004	2003
a) In other units	2,370	351
- Other short-term financial assets (by type)	2,000	
- Participation units in trust funds	2,000	
- Loans granted	370	351
b) Cash and other cash assets	28,745	45,114
- Cash at hand and in bank accounts	28,745	45,104
- Other cash assets		10
Short-term financial assets, total	31,115	45,465

Note 10 b

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			2,000	
b1. In currency				
-				
Securities, shares and other short-term financial assets, total			2,000	

Note 10 c

SECURITIES, SHARES AND OTHER SHORT-TERM FINANCIAL ASSETS (BY DISPOSABILITY)	in PLN thou.	
	2004	2003
c1) ...		
c2) ...		
c1) ...		
c2) ...		
A. With unlimited disposability, not registered in the controlled market (balance sheet value)	2,000	
a. Other, according to type groups (balance sheet value):	2,000	
c1) Participation units in trust funds	2,000	
- Market value	2,000	
- Value by acquisition price	2,000	
c2) ...		
c1) ...		
c2) ...		
Value by acquisition price, total	2,000	
Balance sheet value, total	2,000	

Note 10 d

GRANTED SHORT-TERM LOANS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			370	351
b1. In currency				
-				
Other currencies in PLN thou.				
Granted short-term loans, total			370	351

Note 10 e

CASH AND OTHER CASH ASSETS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			13,148	31,636
b) In foreign currencies (by currencies and after calculation into PLN)			15,597	13,478
b1. In currency	thou.	EUR	2,660	2,507
After calculation into PLN thou.			10,850	11,751
b2. In currency	thou.	USD	1,369	460
After calculation into PLN thou.			4,096	1,714
Other currencies in PLN thou.			651	13
Cash and other cash assets, total			28,745	45,114

Note 11 a

SHORT-TERM ACCRUALS	in PLN thou.	
	2004	2003
a) Deferred costs, including:	2,845	3,061
- Costs of organisation and expansion of the joint stock company	189	1,100
- Costs related to of sales in future	1,628	1,155
- Property and traffic insurance	506	581
- Other	522	225
b) Other accruals, including:	24,226	11,852
- Accruals on account of determining proceeds related to long-term contracts	23,628	10,006
- Financial leasing		64
- Deliveries without invoices	311	1,642
- Proceeds accruals	239	
- Other	48	140
Short-term accruals, total	27,071	14,913

Note 12 a

INITIAL CAPITAL (STRUCTURE)								
in PLN thou.								
Series / issue	Stock type	Stock privilege type	Type of limitation of rights to stock	Number of stock	Value of series / issue by nominal value	Capital coverage	Registration date	Right to dividend (from)
A	registered preferential	vote 5:1	unlimited	883,600	883,600	company transformation	20 Dec 1994	20 Dec 1994
A	regular bearer's		unlimited	56,400	56,400	company transformation	20 Dec 1994	20 Dec 1994
B	registered preferential	vote 5:1	unlimited	883,600	883,600	cash	24 Mar 1995	20 Dec 1994
B	regular bearer's		unlimited	56,400	56,400	cash	24 Mar 1995	20 Dec 1994
C	regular bearer's		unlimited	3,008,000	3,008,000	cash	20 Jun 1997	01 Nov 1996
D	regular bearer's		unlimited	1,200,000	1,200,000	cash	01 Mar 1999	01 Nov 1997
E	regular bearer's		unlimited	638,600	638,600	cash	08 Mar 2000	01 Jan 1999
G	regular bearer's		unlimited	125,787	125,787	cash	29 Jun 2004	01 Jan 2004
Number of stock, total				6,852,387				
Initial capital, total					6,852,387			
Nominal value of one stock (w PLN)			1.00					

As of 31 December 2004, the married couple of Elżbieta and Janusz Filipiak is the shareholder directly or indirectly through subsidiary entities owning at least 5% of the total number of votes in the ComArch SA general assembly. Elżbieta and Janusz Filipiak own the total of 3,122,685 shares, with 9,702,685 votes in the GAS, which is 69.70% of all votes in the GAS.

On 25 January 2005, Chairwoman of the Supervisory Board sold 30,000 regular bearer's shares of ComArch SA at PLN 68.

Execution of the manager option program due for the President, the Management Board, for 2003:

The Supervisory Board of the company on 29 March 2004 passed Resolution on execution of the manager option programme due for the President, the Management Board of the company on the basis of Resolution No. 6 of the Extraordinary General Assembly of Shareholders ComArch SA of 21 December 2001. Pursuant to Article 1 Clause 3 of this resolution, the option for 2003 was calculated in the amount of 5% of the increase in company capitalisation, between the average capitalisation of December 2002 and the average capitalisation of December 2003. Increase in capitalisation in this period was PLN 122,994,538.00, that is the option value was PLN 6,149,726.90. At the same time, the Board decided that in order to execute the option, 125,787 regular bearer's shares of series G shall be issued at issue price equal to nominal value, i.e. at PLN 1 each.

The ComArch SA Management, authorised by the Supervisory Board, passed Resolution No. 1 on 26 April 2004 on increasing the initial capital by way of a public issue of 125,787 regular bearer's shares of series G at nominal value of PLN 1 and on change in the company Bylaws. The issue of series G shares excluded the collection right for current shareholders of the company. The issue price was PLN1. The shares were covered solely with cash and shall participate in dividend starting with payments from profit to be allocated for distribution for the accounting year 2004, that is beginning with 1 January 2004.

The series G shares issue was conducted by way of private subscription referred to in Article 431 Para 2 Clause 1 of the Code of Trade Companies managed under conditions of public trading, while series G shares will be introduced into trading in the Warsaw Stock Exchange. All series G shares were offered to the President of the company.

Subscription to series G shares was conducted in 17 and 18 June 2004. On 17 June 2004, allocation of the shares was executed.

District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register issued a decision on 29 June 2004, by virtue of which registration was completed for 125,787 regular bearer's series G shares of the company. The said registration resulted in change in wording of the current Article 7 Para 1 of the Bylaws. The initial capital of the company after registration is PLN 6,852,387. The total number of votes for all the stock is 13,921,187.

Execution of the manager option program due for the President, the Management Board of the company for 2004:

The Supervisory Board of the company passed Resolution No. 1/3/2005 on 23 March 2005 on execution of the manager option program due for the President, the Management Board of the company on the basis of Resolution No. 6 of the Extraordinary General Assembly of ComArch SA Shareholders of 21 December 2001. Pursuant to Article 1 Clause 3 of this resolution, the option for 2004 is calculated in the amount of 5% increase in company capitalisation, between the average capitalisation of December 2003 and the average capitalisation of December 2004. Increase in capitalisation in this the period was PLN140,587,330.11, and option value is PLN7,029,366.51. At the same time, the Board decided that in order to execute the option, 102,708 regular bearer's series G3 shares shall be issued at issue price equal to nominal value, i.e. at PLN1 each. The Supervisory Board obliged the Management to pass a resolution within 30 days on issue of series G3 shares at the above conditions and expressed consent in reference to objectives of the program to exclude the collection right due for the current shareholders. The ComArch SA Management informs that issue of series G shares shall be conducted on principles of the target capital pursuant to Article 9 Para 3 of the Bylaws of the company.

ComArch SA Management, authorised by the Supervisory Board, passed Resolution No. 1 on 11 April 2005 on increasing the initial capital by way of a public issue of 102,708 of regular bearer's series G3 stock at the nominal value of PLN1 and on changing the company's Bylaws. The G3 series stock issue shall exclude the collection rights for the current company shareholders. The issue price was PLN1. The G3 series stock were covered solely in cash and shall participate in the dividend, beginning with payments on profit to be allocated for distribution for the year 2005, i.e. since 1 January 2005. The G3 series stock issue shall be conducted by way of a private subscription referred to in Article 431 Para 2 Clause 1 of the Code of Trade Companies conducted in public trading, while the G3 series stock shall be introduced into trading in the Warsaw Stock Exchange. All the G3 series stock shall be offered for the company President. The agreement for assuming the G3 series stock shall be concluded by 30 October 2005.

Note 13 a

SUPPLEMENTARY CAPITAL	in PLN thou.	
	2004	2003
a) From sales of stock above nominal value	84,448	84,448
b) Statutory	2,409	2,409
c) Established pursuant to the bylaws / contract above the statutory (minimum) value	9,857	9,857
Supplementary capital, total	96,714	96,714

Note 14 a

CAPITAL FROM APPRAISAL UPDATING	in PLN thou.	
	2004	2003
a) Other (by type)	-12	282
- The capital part of bonds convertible into shares	282	282
- Settlement of buying out bonds	-294	
Capital from appraisal updating, total	-12	282

Note 15 a

OTHER RESERVE CAPITALS (BY TARGET ALLOCATION)	in PLN thou.	
	2004	2003
- The investment capital	79	79
- The capital from profit distribution	21,203	8,940
- The reserve capital for covering tax obligations	666	666
Other reserve capitals, total	21,948	9,685

Note 16 a

CHANGE IN MINORITY CAPITALS	in PLN thou.	
	2004	2003
As of the beginning of the period	18,732	2,738
a) Increase (on account of)	177	19,445
- Acquisition of MKS Cracovia SSA		19,445
- Exchange rate differences from calculation of foreign companies referring to minority shareholders	166	
- Adjustment of capital settlement of ComArch Global	11	
b) Reduction on account of	4,896	3,451
- Share in the result for the years 2004/2003 of minority shareholders	1,607	154
- Reduction of the minority capital in MKS Cracovia SSA – reduction of share by 20.75%	3,289	
- Reduction of the minority capital in CDN S.A. – increase of the share to 100%		3,297
Minority capitals as of the end of the period	14,013	18,732

Note 17 a

NEGATIVE GOODWILL OF SUBORDINATE UNITS	in PLN thou.	
	2004	2003
a) Negative goodwill – subsidiary units	110	1,952
Negative goodwill of units, total	110	1,952

Note 17 b

CHANGE IN NEGATIVE GOODWILL – SUBORDINATE UNITS	in PLN thou.	
	2004	2003
a) Gross negative goodwill as of the beginning of the period	4,672	
b) Increase (on account of)	141	4,672
– Negative goodwill arising at acquisition of shares in MKS Cracovia SSA	141	4,672
c) Gross negative goodwill as of the end of the period	4,813	4,672
d) Negative goodwill write-off as of the beginning of the period	2,720	
e) Negative goodwill write-off for the period (on account of)	1,983	2,720
f) One-time write-off related to acquisition of shares in MKS Cracovia SSA	141	2,542
– Write-off related to settlement of future costs in MKS Cracovia SSA	1,842	178
g) Negative goodwill write-off as of the end of the period	4,703	2,720
h) Net negative goodwill as of the end of the period	110	1,952

As of 29 September 2003, negative goodwill was determined at the amount of PLN4,672 thou. as a difference between share acquisition price in MKS Cracovia SSA and ComArch SA share in net assets of MKS Cracovia SSA.

The amount of PLN2,898 thou. was settled with the result for the year 2003, and negative goodwill for the amount of PLN1,952 thou. remained for settlement in future periods.

In 2004, settlement of negative goodwill was made in the amount of PLN1,842 thou., in correspondence with the part of costs incurred for maintenance of a football team after promotion to the first league due for the ComArch Group.

Note 18 a

CHANGE IN THE PROVISION ON ACCOUNT OF DEFERRED INCOME TAX	in PLN thou.	
	2004	2003
1. Provision on account of deferred income tax as of the beginning of the period, including:	5,920	353
a) Referred to the financial result	334	197
b) Referred to own capital	5,586	
2. Increase	360	5,587
a) Referred to the financial result of the period on account of positive temporary differences (on account of)	360	157
– Surplus of tax depreciation over balance sheet depreciation	98	61
– Establishing a provision in reference to appraisal of shares in NetBrokers	86	86
– Other temporary differences	176	10
b) Referred to own capital in reference to positive temporary differences (on account of)		5,430
– Establishing a provision in reference to appraisal of fair value of the MKS Cracovia SSA equity		5,430
3. Reduction	679	20
a) Referred to the financial result of the period in reference to positive temporary differences (on account of)	679	20
– Provision settlement	489	
– Depreciation		16
– Other	190	4
4. Provision on account of deferred income tax as of the end of the period, total	5,601	5,920
a) Referred to the financial result	15	334
b) Referred to own capital	5,586	5,586

In reference to Poland joining the European Union, the Law was passed of 2 October 2003 on amending the

Special Economic Zone Law and Some Laws (Dz.U. No. 188, Item 1840), which changed conditions for tax exemptions for entities operating in special economic zones. Pursuant to the provision of Article 6 Para 1 of the Law, such entities may appeal for changing conditions of the permit in order to adjust it to the principles of providing public aid in force in the European Union. Pursuant to the provision of Article 5 Para 2 Clause 1b), Clause 2, Clause 3 of the Law, the maximum public aid for entities which manage operations in a special economic zone on the basis of the permit issued before 1 January 2000, may not exceed 75% of the investment value incurred in the period from the date of obtaining the permit to 31 December 2006, provided that the total public aid obtained from 1 January 2001 is taken into consideration for determining the maximum public aid. It means a change in the current functioning of tax relief (public aid), from relief with unlimited value to relief with limited value and dependent on the value of investments made. That is, in the case of ComArch SA, the maximum value of public aid shall not exceed 75% of the value of investment expenditures which ComArch SA has incurred / will incur in the period from obtaining the permit, i.e. 22 March 1999, to 31 December 2006.

ComArch SA approached the Minister of Economy for changing the conditions of the permit and on 1 July 2004 received a decision of the Minister of Economy of 24 June 2004 referring to the change in the conditions of the permit into the above stated and compliant with the law. At the same time, in the changed permit, the period for which the permit for ComArch SA was issued has been extended to 31 December 2017. It means extension of the period in which ComArch SA may use the limit of public aid to which it is entitled on account of the investments incurred in the Special Economic Zone.

The ComArch SA has determined temporary differences on account of income tax. The calculation of the company gives an asset on account of deferred income tax in the amount of PLN 2,169 thou.

As the company manages both activities taxed and tax-exempt, and temporary differences in income tax may appear in both taxed and tax-exempt activities, as well as because of the fact that the final determination as to in which of the activities (taxed or tax-exempt) temporary differences were realised, is made on the basis of annual settlement of income tax, after the end of the year, therefore with the above taken into consideration, the company does not give temporary differences on account of income tax in its financial statement.

The company, in its financial statement, has not given an asset on account of deferred income tax on account of the investment relief. At the same time, the company shall regularly review the possibilities for realising the asset on account of income tax and in any situation when premises appear for recognising the above asset, it shall be recognised in the financial statement.

Other companies covered by the consolidation create assets and provisions on account of temporary positive and negative differences between the tax value of assets and liabilities and their book value.

Determination of the provision has also been made in reference to the appraisal according to the share ownership rights method for NetBrokers Sp. z o.o. (the provision value on this account as of 31 December 2004 is PLN172,000).

Note 18 b

CHANGE IN OTHER SHORT-TERM PROVISIONS (BY TITLES)	in PLN thou.	
	2004	2003
a) As of the beginning of the period	98	
b) Increase (on account of)	100	98
– Establishing a provision for payment of damages	100	98
c) Dissolution (on account of)	98	
– Payment of salaries covered by the provision	98	
d) As of the end of the period	100	98

Note 19 a

LONG-TERM OBLIGATIONS	in PLN thou.	
	2004	2003
a) To other units	46,621	43,529
– On account of issuing debt securities (bonds convertible into stock)	38,472	42,290
– Other financial obligations, including:	8,149	
– A long-term investment credit, ComArch SA	7,465	
– A loan for MKS Cracovia SSA from the city of Krakow	684	1,209
– Financial leasing agreements		30
Long-term obligations, total	46,621	43,529

Note 19 b

LONG-TERM OBLIGATIONS WITH PAYMENT PERIOD FROM THE BALANCE SHEET DATE OF	in PLN thou.	
	2004	2003
a) More than 1 year and less than 3 years	40,970	30
b) More than 3 years and less than 5 years	1,507	43,499
c) More than 5 years	4,144	
Long-term obligations, total	46,621	43,529

Note 19 c

LONG-TERM OBLIGATIONS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			46,621	43,529
b1. In currency				
–				
Long-term obligations, total			46,621	43,529

Note 19 d

LONG-TERM OBLIGATIONS ON ACCOUNT OF CREDITS AND LOANS													
in PLN thou.													
Name (company) of the unit, including legal form	Office	credit / loan amount according to the agreement				remaining due credit / loan amount				Interest terms	Payment deadline	Collateral	Other
		in PLN thou.	in currency	unit	currency	in PLN thou.	in currency	unit	currency				
Fortis Bank Polska SA	Warsaw	20,000				7,465				variable rate	10 years	a blank bill of exchange, mortgage, assignment of the policy	
City of Krakow	Krakow	1,500				600				fixed rate 0.75%	2007	the perpetual usufruct right to the real estate property	The last instalment increased by the amount of the product of capital by the GUS inflation index from the years 2002-2006

Note 19 e

LONG-TERM OBLIGATIONS ON ACCOUNT OF THE ISSUED DEBT FINANCIAL INSTRUMENTS							
in PLN thou.							
Debt financial instruments by type	Nominal value	Interest terms	Buying out deadline	Guarantees / collateral	Additional rights	Quoted at	Other
Bonds convertible into shares	40,000	7.5% p.a., payable in half-year periods and 21.84% payable at buying out bonds not converted into shares	12 Apr 2007	no collateral	possible conversion into ComArch SA stock in the ratio 175 stock per 1 bond, possible earlier buying out	Warsaw Stock Exchange	

Note 20 a

SHORT-TERM OBLIGATIONS	in PLN thou.	
	2004	2003
a) To affiliated units	201	164
- On account of deliveries and services, with due payment period of:	201	164
- Up to 12 months	201	164
b) To other units	56,529	63,363
- Credits and loans, including:	958	610
- On account of issue of debt securities	781	
- Other financial obligations, including:		1,217
- On account of issuing debt securities		752
- On account of appraisal of fair value of derivative instruments		242
- On account of appraisal of fair value of built-in derivative instruments		190
- On account of leasing		33
- On account of deliveries and services, with due payment period of:	34,004	45,446
- Up to 12 months	34,004	45,136
- Over 12 months		310
- Prepayments received for deliveries	6,601	1,872
- On account of taxes, customs, insurance and other benefits	9,016	11,040
- On account of salaries	64	607
- Other (by titles)	5,105	2,571
- Investment obligations	3,959	1,224
- Obligations on account of subsidies	223	563
- Obligations to employees	111	
- Settlements on account of leasing	812	
- Other		784
c) Special funds (by titles)	1,245	1,093
- Company Fund for Social Benefits and Company Fund for Residential Housing Loans	1,245	1,093
Short-term obligations, total	57,975	64,620

Note 20 b

SHORT-TERM OBLIGATIONS (CURRENCY STRUCTURE)	unit	currency	in PLN thou.	
			2004	2003
a) In the Polish currency			44,598	53,191
b) In foreign currencies (by currencies and after calculation into PLN)			13,377	11,429
b1. In currency	in thou.	USD	903	1,429
After calculation into PLN thou.			2,691	5,373
b2. In currency	in thou.	EUR	2,211	1,281
After calculation into PLN thou.			9,023	6,046
b3. In currency UAH	in thou.		2,434	
After calculation into PLN thou.			1,373	
Other currencies in PLN thou.			290	10
Short-term obligations, total			57,975	64,620

Note 20 c

SHORT-TERM OBLIGATIONS ON ACCOUNT OF CREDITS AND LOANS													
in PLN thou.													
Name (company) of the unit	Office	Credit / loan amount according to an agreement				Remaining credit / loan amount				Interest terms	Payment deadline	Collateral	Other
		in PLN thou.	currency	unit	currency	in PLN thou.	in currency	unit	currency				
Fortis Bank Polska SA	Warsaw			in thou.		393							
City of Krakow	Krakow	1,500				619				0.75%	2005	The perpetual usufruct right to the real estate property	The last instalment increased by the amount of the product of capital by the GUS inflation index from the years 2002-2006

Note 20 d

SHORT-TERM OBLIGATIONS ON ACCOUNT OF ISSUED DEBT FINANCIAL INSTRUMENTS						
in PLN thou.						
Debt financial instruments by type	Nominal value	Interest terms	Buying out deadline	Guarantees / collateral	Additional rights	Other
Bonds convertible into stock	40,000	7.5% p.a., payable in half-year periods and 21.84% payable at buying out bonds not converted into shares	April 2005	No collateral	Possible conversion into ComArch SA shares at the ratio 175 shares per 1 bond, possible earlier buying out	

The amount of PLN781 thou. given in the statement applies to current interest on bonds calculated for the period from 12 Oct 2004 to 31 Dec 2004.
Interest due for the period to 12 Oct 2004 was paid.

Note 21 a

OTHER ACCRUALS	in PLN thou.	
	2004	2003
a) Deferred costs	23,924	17,340
- Short-term (by titles)	23,924	17,340
- Provisions for holiday leaves	4,947	3,163
- Costs related to the current period, which will be incurred in future	14,139	11,186
- Provisions for contract costs	2,604	2,258
- Costs without invoices	2,234	
- Other		733
b) Accrued settlements	6,253	10,297
- Short-term (by titles)	6,253	10,297
- Accrued settlements on account of long-term contracts	5,762	9,325
- Unearned income	231	
- Other	260	972
Other accruals, total	30,177	27,637

Note 22 a

Book value per 1 stock in column "2004" was calculated as book value (own capitals) divided by the number of shares as of 31 December 2004. Book value per 1 stock in column "2003" was calculated as book value (own capitals) divided by the number of stock as of 31 December 2003.

Diluted book value per 1 stock in column "2004" was calculated as book value as on 31 December 2004 divided by the number of stock as of 31 December 2004 increased by the hypothetical issue of 102,708 shares, which may be issued pursuant to the manager option program due for the President, the Management Board of the company.

In reference to the manager program passed by the Extraordinary General Assembly of Shareholders on 21 December 2001, the option for purchase of company stock is due for the President, the Management Board of ComArch SA, whose value according to calculations of the Management is PLN7,029,367, i.e. 5% of the amount of PLN140,587,330, which is the value of increase in the company capitalisation in 2004. The final determination of the amount of increase in capitalisation value remains with the Supervisory Board of the company. As of today, the Supervisory Board has not specified this amount and has not made a decision on the number and issue price of the issued stock. According to Management calculations, if the issue price for stock is PLN1, the new issue should include 102,708 stock.

Diluted book value per 1 share in column "2003" was calculated as book value of the company as of 31 December 2003 and the number of stock issued as of 31 December 2003, increased by the issue of 125,787 series G shares.

Pursuant to MSR 33, in calculation of diluted profit per 1 stock (diluted book value per 1 stock), regular stock should be regarded as diluting only when their conversion into regular stock would reduce net profit (book value). Analysis of terms and conditions for convertible bonds issued by the company concludes that for 2004, if bonds were converted into stock (which means at the same time reduction of financial costs on account of interest), diluted profit (book value) per stock would increase, thus the stock are not regarded as diluting pursuant to MSR 33.

File	Description

EXPLANATION NOTES TO NOMINAL ITEMS

Note 23 a

CONDITIONAL OBLIGATIONS FOR RELATED UNITS (ON ACCOUNT OF)	in PLN thou.	
	2004	2003
a) Provided guarantees and pledges, including:	1,499	
- For affiliated units	1,499	
Conditional obligations for related units, total	1,499	

EXPLANATION NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Note 24 a

NET PROCEEDS FROM SALES OF PRODUCTS (MATERIAL STRUCTURE – TYPES OF ACTIVITIES)	in PLN thou.	
	2004	2003
- Sales of IT services	133,128	107,310
- Including: from related units	477	36
- Sales of licenses and own software	47,011	27,955
- Including: from related units		
- Sales of finished goods		
- Other sales	6,895	5,775
- Including: from affiliated units		362
Net proceeds from sales of products, total	187,034	141,040
- Including: from affiliated units	477	398

Note 24 b

NET PROCEEDS FROM SALES OF PRODUCTS (TERRITORIAL STRUCTURE)	in PLN thou.	
	2004	2003
a) Country	133,038	114,412
- Including: from affiliated units	477	398
b) Export	53,996	26,628
Net proceeds from sales of products, total	187,034	141,040
- Including: from affiliated units	477	398

Note 25 a

NET PROCEEDS FROM SALES OF GOODS AND MATERIALS (MATERIAL STRUCTURE - TYPES OF ACTIVITIES)	in PLN thou.	
	2004	2003
- Computer hardware	74,890	67,821
- Including: from affiliated units		35
- Software and foreign licenses	52,634	28,870
- Including: from affiliated units		
- Other	15,421	19,916
- Including: from affiliated units		6
Net proceeds from sales of goods and materials, total	142,945	116,607
- Including: from affiliated units		41

Note 25 b

NET PROCEEDS FROM SALES OF GOODS AND MATERIALS (TERRITORIAL STRUCTURE)	in PLN thou.	
	2004	2003
a) Country	128,339	106,125
- Including: from affiliated units		41
Including: from affiliated units		
Including: from affiliated units		
b) Export	14,606	10,482
- Including: from affiliated units		
Including: from affiliated units		
Net proceeds from sales of goods and materials, total	142,945	116,607
- Including: from affiliated units		41

Note 26 a

COSTS BY TYPE	in PLN thou.	
	2004	2003
a) Depreciation	9,603	10,636
b) Consumption of materials and energy	6,320	6,961
c) Outsourced services	48,176	22,124
d) Taxes and fees	1,821	1,671
e) Salaries	87,139	64,086
f) Social insurance and other benefits	14,291	11,084
g) Other type costs (on account of)	20,936	16,293
Costs by type, total	188,286	132,855
Change in inventory, products and accruals	-8,669	1,202
Costs of sales (negative value)	-30,233	-29,971
Overheads (negative value)	-27,402	-21,419
Cost of generation of sold products	121,982	82,667

Note 27 a

OTHER OPERATIONAL PROCEEDS	in PLN thou.	
	2004	2003
a) Dissolved provisions (on account of)	184	149
- For receivables	184	149
b) Other, including:	3,237	1,079
- Received traffic damages	158	385
- Time-barred obligations	126	73
- Received contractual indemnities, damages	107	
- Write-off of the negative value of the MKS Cracovia SSA company	1,843	178
- Refunding tax by the revenue office		140
- Received donations		15
- Other	1,003	288
Other operational proceeds, total	3,421	1,228

Note 28 a

OTHER OPERATIONAL COSTS	in PLN thou.	
	2004	2003
a) Other, including:	2,841	1,133
- Membership fees	179	164
- Donations	278	200
- Penalties paid	241	
- Write-off updating receivables	551	399
- Costs of work financed with subsidies	498	11
- Other	1,094	359
Other operational costs, total	2,841	1,133

Note 29 a

FINANCIAL PROCEEDS ON ACCOUNT OF INTEREST	in PLN thou.	
	2004	2003
a) Other interest	1,000	1,300
- From other units	1,000	1,300
Including:		
- On deposits and contractors	1,000	1,300
Financial proceeds on account of interest, total	1,000	1,300

Note 29 b

OTHER FINANCIAL PROCEEDS	in PLN thou.	
	2004	2003
a) Other, including:	3,021	42
- Proceeds on account of acquisition of MKS Cracovia SSA stock	2,981	
- Forward transactions		41
- Other	40	1
Other financial proceeds, total	3,021	42

Note 30 a

FINANCIAL COSTS ON ACCOUNT OF INTEREST	in PLN thou.	
	2004	2003
a) On credits and loans	146	
- For other units	146	
b) Other interest	4,847	4,613
- For other units	4,847	4,613
Including:		
- Interest on issued own bonds	4,475	
- Budget interest	45	
- Other	327	
Financial costs on account of interest, total	4,993	4,613

Note 30 b

OTHER FINANCIAL COSTS	in PLN thou.	
	2004	2003
a) Negative exchange rate differences, including:	2,053	3,036
- Executed	146	2,819
- Not executed	1,907	217
b) Other, including:	543	1,242
- Commission on guarantees	469	589
- Result in foreign currency transactions	66	432
- Other	8	221
Other financial costs, total	2,596	4,278

Note 31 a

CURRENT INCOME TAX	in PLN thou.	
	2004	2003
1. Gross profit (loss) (consolidated)	13,812	12,614
2. Consolidation adjustments	-6,409	-1,791
3. Exclusions of losses in consolidated companies	5,594	6,447
4. Sum of gross profits of consolidated units	12,997	17,270
5. Differences between gross profit (loss) and taxable income for income tax (by titles)	-8,985	-10,727
– Permanent	4,148	625
– Temporary	3,690	14,016
- Income exempt on account of activities run in a Special Economic Zone	-16,823	-25,368
6. Taxable amount for income tax	4,012	6,543
7. Income tax at the rate of 19%	658	
8. Income tax at the rate of 25%	138	
9. Income tax at the rate of 27%		1,766
10. Current income tax given (presented) in the tax return for the period, including:	796	1,766
– Given in the profit and loss account	796	1,783
11. Income tax given in the profit and loss account	560	1,783
Including:		
– Current tax	796	1,766
– Deferred tax	-236	17

The company manages its activities in a Special Economic Zone, and because of the fact that the income on activities subject to exemption is higher than the result on taxed activities, ComArch SA did not pay income tax in 2004.

The differences between income tax given in the profit and loss account and the tax determined on the taxable amount:

- a) Deduction on account of the investment relief and the investment bonus – n/a;
- b) Donations subject to deduction from income – n/a;
- c) Income exempt on account of activities in a Special Economic Zone – PLN16,823 thou.;
- d) In 2004, change in provisions for deferred income tax was done, which affected the financial result, including on account of appraisal according to the share ownership rights method of NetBrokers Sp. z o.o.;
- e) The Group established an asset on account of the write-off updating the value of stock of Interia.pl – as of 31 December 2004 was: PLN1,489 thou.;
- f) Writing off accruals on account of deferred income tax – n/a (see: f));
- g) Information on income tax on the result on extraordinary operations – n/a.

Note 31 b

DEFERRED INCOME TAX GIVEN IN THE PROFIT AND LOSS ACCOUNT:	in PLN thou.	
	2004	2003
- Reduction (increase) on account of arising and inversion of temporary differences		11
– Increase		432
– Adjustment of the asset opening balance on account of the Interia.pl SA company appraisal (change in tax rates)		346
– Increase on account of the NetBrokers Sp. z o.o. company appraisal	86	86
– Reduction (increase) on account of writing off assets on account of deferred income tax or lack of possibility of using the provision for deferred income tax	-78	
- Other elements of deferred tax (by titles)		-426

Tax increase on account of inverting non-temporary differences related to appraisal of the NetBrokers Sp. z o.o. stock		
– Reduction on account of share in the loss of Interia.pl SA for 2004/2003	–244	–426
Deferred income tax, total	–236	17

Note 31 c

TOTAL DEFERRED TAX	in PLN thou.	
	2004	2003
- Given in the result	–236	17

Note 32 a

NET PROFIT (LOSS)	in PLN thou.	
	2004	2003
a) Net profit (loss) of the dominant unit	8,399	11,661
b) Net profit (loss) of subsidiary units	–1,713	–3,400
c) Net profit (loss) of affiliated units	–833	–1,688
d) Consolidation adjustments	8,173	2,018
Net profit (loss)	14,026	8,591

Note 33 a

Net profit per 1 stock in column "2004" was calculated as net profit achieved in the period 1 January 2004 – 31 December 2004 divided by the average weighted number of stock in the period 1 January 2004 – 31 December 2004, where the number of days is the weight. Net profit per 1 stock in column "2003" was calculated as net profit achieved in the period 1 January 2003 – 31 December 2003 divided by the average weighted number of stock in the period 1 January 2003 – 31 December 2003, where the number of days is the weight.

Diluted net profit per 1 stock in column "2004" was calculated as net profit achieved in the period 1 January 2004 – 31 December 2004 divided by the average weighted of the diluted number of stock in the period 1 January 2004 – 31 December 2004 calculated according to MSR 33. Diluted net profit per 1 stock in column "2003" was calculated as net profit achieved in the period 1 January 2003 – 31 December 2003 divided by the average weighted of the diluted number of stock for the period 1 January 2003 – 31 December 2003 calculated according to MSR 33.

Pursuant to MSR 33, in calculation of diluted profit per 1 stock (diluted book value per 1 stock), regular stock should be regarded as diluting only when their conversion into regular stock would reduce net profit (book value). Analysis of terms and conditions for convertible bonds issued by the company concludes that for 2004, if bonds were converted into stock (which means at the same time reduction of financial costs on account of interest), diluted profit (book value) per stock would increase, so the stock are not regarded as diluting pursuant to MSR 33.

File	Description

EXPLANATION NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

File	Description
noty_objasniajace_do_rachunku_przeplywow_SARS_2004.pdf	Explanation notes to the cashflow statement – Appendix No. 5

CASH FLOWS ON OPERATIONAL ACTIVITIES (INDIRECT METHOD)	in PLN thou.	
	2004	2003

REPORTING BY INDUSTRY AND TERRITORY SEGMENTS

File	Description
segmenty_dzialalnosci_SARS_2004.pdf	Types of activity segments – Appendix No. 6

B. ADDITIONAL EXPLANATION NOTES

File	Description
dotatkowe noty objaśniające SARS_2004.pdf	Additional explanation notes – Appendix No. 7

SIGNATURES

SIGNATURES OF ALL MANAGEMENT MEMBERS			
Date	First and last name	Post / Function	Signature
02 June 2005	Janusz Filipiak	President, the Management Board	
02 June 2005	Rafał Chwast	Deputy President, the Management Board	
02 June 2005	Tomasz Maciantowicz	Deputy President, the Management Board	
02 June 2005	Paweł Prokop	Deputy President, the Management Board	
02 June 2005	Paweł Przewięźlikowski	Deputy President, the Management Board	
02 June 2005	Christophe Debou	Member, the Management	
02 June 2005	Zbigniew Rymarczyk	Member, the Management	

SIGNATURE OF THE PERSON ENTRUSTED WITH MANAGING BOOKS OF ACCOUNT			
Date	First and last name	Post / Function	Signature
02 June 2005	Maria Smolińska	Chief Accountant	

REPORT OF THE MANAGEMENT BOARD (REPORT ON ACTIVITIES OF THE ISSUER'S CAPITAL GROUP)

File	Description
sprawozdanie zarządu SARS_2004.pdf	Report of the Management Board – Appendix No. 8

In this report, the following notes have not been filed in:

2. Change in goodwill – co-subsiary units.
4. Change in write-offs updating value of long-term receivables.
5. Change in real estate properties (according to type groups), change in the state of intangibles (according to type groups), shares or stock in other units.
10. Other short-term investments (by type), other short-term investments (currency structure).
12. Updating write-offs.
14. Own stock (share), stock (shares) of the issuer which are owned by subsidiary units.
18. Write-offs from net profit during the accounting year (on account of).
20. Change in negative goodwill – co-subsiary units, change in negative goodwill – affiliated units.
21. Change in the long-term provision for old age pension and similar allowances (by titles), change in the short-term provision for old age pension and similar allowances (by titles), change in other long-term provisions (by title).
24. Change in negative goodwill.
26. Conditional receivables from affiliated units (on account of)
32. Financial proceeds on account of dividend and shares in profits.
34. Profit (loss) on sales of entirety or part of shares in subsidiary units.
35. Extraordinary profits.
36. Extraordinary losses.
37. Income tax given in the profit and loss account related to.
38. Other obligatory reductions in profit (increase in losses), on account of.

Opinion of an independent expert auditor

PricewaterhouseCoopers Sp. z o.o.

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For the General Assembly of Shareholders and the Supervisory Board of ComArch S.A.

We have audited the attached consolidated financial statement of the ComArch S.A. Capital Group (called hereafter the 'Group'), prepared by the ComArch S.A. company (called hereafter the 'Dominant Unit') with the office in Krakow, Al. Jana Pawła II 39a, including:

- (a) The introduction;
- (b) The consolidated balance sheet prepared as of 31 December 2004, which in assets and liabilities gives the sum of PLN271,988 thou.;
- (c) The consolidated profit and loss account for accounting year from 1 January to 31 December 2004, presenting net profit in the amount of PLN14,026 thou.;
- (d) The summary of changes in consolidated own capital for accounting year from 1 January to 31 December 2004, presenting increase in own capital by the amount of PLN13,760 thou.;
- (e) The consolidated cashflow statement for accounting year from 1 January to 31 December 2004, presenting net cash outflows in the amount of PLN16,121 thou.;
- (f) The supplementary information and explanations.

Preparing the consolidated financial statement and the statement on Group activities compliant with regulations in force is the responsibility of the Management of the Dominant Unit. Our responsibility was to express, on the basis of the conducted audit, an opinion about the consolidated financial statement.

We have conducted the audit pursuant to the following regulations in force in the territory of the Republic of Poland:

- (a) Regulations of Chapter 7 of the Accounting Act of 29 September 1994 (the "Act," the unified text in Dz.U. 2002, Vol. 76 Item 694 as amended);
- (b) Standards for executing the profession of expert auditor, issued by the National Board for Expert Auditors in Poland.

The audit was planned and conducted so as to obtain satisfactory assurance that the consolidated financial statement is free of material errors and omissions. The audit included, inter alia, verification, on the basis of a random set, of proofs confirming amounts and information given in the consolidated financial statement. The audit included also assessment of accounting principles used by the Group and significant estimates made in preparation of the consolidated financial statement, as well as general assessment of its presentation. We believe that our audit provides a satisfactory basis for our opinion.

Information given in the statement of activities of the Group for accounting year from 1 January to 31 December 2004 take into account regulations of the Ordinance of the Council of Ministers of 16 October 2001 on current and periodical information submitted by issuers of securities (Dz.U. 2001, Vol. 139, Item 1569 as amended) and are compliant with information given in the audited consolidated financial statement.

In our opinion, the attached consolidated financial statement in all its significant aspects:

- (a) Has been prepared on the basis of properly managed consolidation documentation and pursuant to accounting principles used in a consistent manner, which are in force in the territory of the Republic of Poland, specified in the Act, the Ordinance of the Minister of Finances of 12 December 2001 on detailed principles for preparing by units other than banks and insurance companies of a financial statement for affiliated units (Dz.U. No. 152 Item 1729) and with regulations taken into account which are included in the Ordinance of the Council of Ministers of 16 October 2001 on current and periodical information submitted by issuers of securities and in the Ordinance of the Council of Ministers of 11 August 2004 on detailed conditions which should be met by any issuing prospectus and by any prospectus summary (Dz.U. 2004, Vol. 186, Item 1921);
- (b) Is consistent in form and content with regulations of the law binding the Group;
- (c) Gives a true and fair view on the equity and financial situation of the Group as of 31 December 2004 and on the financial result for accounting year from 1 January to 31 December 2004.

Reporting no reservations, we indicate that, as Point 6 of the introduction to the consolidated financial statement states ("Differences between Polish Accounting Principles and International Standards for Financial Reporting"); the data given there were prepared by the Management of the Dominant Unit based on its best knowledge in the scope of accounting principles and interpretation of international standards for financial reporting (MSSF) and

circumstances which shall be applied in preparation of the first complete consolidated financial statement pursuant to MSSF as of 31 December 2005. It cannot be excluded that the agreement presented in Point 6 of the introduction can be adjusted.

Acting on behalf of PricewaterhouseCoopers Sp. z o.o. and auditing:

Mirosław Szmigielski
Member, the Management
Expert Auditor
Registration No. 90045/7397

The company entered in the list of entities authorised
for auditing financial statements under item 144

Warsaw, 2 June 2005

ComArch S.A. Capital Group

The report supplementing the opinion on auditing the consolidated financial statement for accounting year from 1 January to 31 December 2004

The report supplementing the opinion from auditing the consolidated financial statement

For the General Assembly of Shareholders and the Supervisory Board of ComArch S.A.

This report has been prepared in reference to auditing the consolidated financial statement of the ComArch S.A. Capital Group (called hereafter the 'Group'), prepared by the ComArch S.A. company (called hereafter the 'Dominant Unit') with the office in Krakow, Al. Jana Pawła II 39a. The audit covered the consolidated financial statement, including:

- (g) The introduction;
- (h) The consolidated balance sheet prepared as of 31 December 2004, which in assets and liabilities gives the sum of PLN271,988 thou.;
- (i) The consolidated profit and loss account for accounting year from 1 January to 31 December 2004, presenting net profit in the amount of PLN14,026 thou.;
- (j) The summary of changes in consolidated own capital for accounting year from 1 January to 31 December 2004, presenting increase in own capital by the amount of PLN13,760 thou.;
- (k) The consolidated cashflow statement for accounting year from 1 January to 31 December 2004, presenting net cash outflows in the amount of PLN16,121 thou.;
- (l) The supplementary information and explanations.

The consolidated financial statement was signed by the Management of the Dominant Unit on 2 June 2005. The report shall be read out along with the opinion of the independent expert auditor for the General Assembly of Shareholders and the Supervisory Board of ComArch S.A. of 2 June 2005, referring to the above described consolidated financial statement. The opinion on the consolidated financial statement expresses a general conclusion resulting from the conducted audit. This conclusion does not constitute a sum of assessments of results from auditing particular items or issues of the consolidated statement, but assumes giving appropriate significance (weight) to particular factors, taking into account the effect of the facts found out on true and fair expression of the consolidated financial statement.

The report has 14 consecutive numbered pages and consists of the following parts:

	Page
I. General Characteristics of the Group	2
II. Information Related to the Conducted Audit	5
III. Characteristics of Results and Financial Situation of the Group	6
IV. Characteristics of Selected Items of the Consolidated Financial Statement	8
V. Conclusions of the Independent Expert Auditor	14

Acting on behalf of PricewaterhouseCoopers Sp. z o.o. and auditing:

Mirosław Szmigielski
Member, the Management
Expert Auditor
Registration No. 90045/7397

The company entered in the list of entities authorised
for auditing financial statements under item 144

Warsaw, 2 June 2005

I. General Characteristics of the Group

- (a) ComArch S.A. – the Dominant Unit – started activities in 1991 as a limited liability company on the basis of the deed of establishment of 9 May 1991.

On 30 November 1994, the Assembly of Partners of ComArch Sp. z o.o. passed Resolution No. 2/94 on transforming the company into a joint stock company. District Court for Krakow Srodmiescie, Department VI for Commercial and Registration Issues, with the decision of 20 December 1994 entered ComArch S.A. into the commercial register.

On 30 October 2001, District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register, entered the Dominant Unit into the Register of Entrepreneurs under item KRS 0000057567.

- (b) For the purpose of settlements on account of taxes, on 1 August 2000 the Dominant Unit was allocated NIP 677-00-65-406. For statistical purposes, on 14 July 2000 the unit received REGON 350527377.
- (c) The initial capital of the Dominant Unit as of 31 December 2004 was PLN 6,852,387 and consisted of 6,852,387 shares with the nominal value of PLN 1 each.
- (d) In the audited period, the subject matter of activities were:
- Activities in the scope of tele-IT and IT;
 - Producing subassemblies and software, computer hardware and networks, telecommunications and other IT hardware;
 - Technical and scientific counselling in the scope of hardware, systems, computer and telecommunications networks;
 - Intermediation in the scope of purchase and installation of hardware, systems, computer and telecommunications networks;
 - Organisation of promotion for hardware, systems and computer and telecommunications networks and organisation of training in this scope;
 - Commercial activities, production, construction, trade and services in the scope of IT and telecommunications;
 - Research and development work;
 - Sport activities.

- (e) In the accounting year, the following persons were members of the Company Management:

- | | |
|--------------------------|---|
| • Janusz Filipiak | President, the Management Board |
| • Rafał Chwast | Deputy President, the Management Board |
| • Tomasz Maciantowicz | Deputy President, the Management Board |
| • Paweł Prokop | Deputy President, the Management Board |
| • Paweł Przewięźlikowski | Deputy President, the Management Board |
| • Robert Chwastek | Member, the Management |
| • Christophe Debou | Member, the Management |
| • Zbigniew Rymarczyk | Member, the Management since 18 June 2004 |

On 29 March 2005, Robert Chwastek resigned the function of Member, the Management.

(f) As of 31 December 2004, the following units formed the ComArch S.A. Capital Group:

Unit name	Nature of capital relationship (ownership percentage)	Consolidation method	Entity auditing the financial statement	Opinion type	Balance sheet date of the financial statement
ComArch S.A.	Dominant Unit	full	PricewaterhouseCoopers Sp. z o.o.	no reservations	31 December 2004
ComArch Krakow S.A. (by the merger date)	subsidiary company (100%)	full	Biuro Biegłych Rewidentów REW-BI Sp. z o.o.	no reservations	31 August 2004*
CDN-ComArch S.A. (by the merger date)	subsidiary company (100%)	full	A.M. Jesiołowscy – Finanse Sp. z o.o.	no reservations	31 August 2004*
ComArch s.r.o. (Slovakia)	subsidiary company (100%)	full	the company is not subject to auditing	n/a	31 December 2004
ComArch Middle East FZ-LLC (UAE)	subsidiary company (100%)	full	the company is not subject to auditing	n/a	31 December 2004
ComArch Sp. z o.o. (Ukraine)	subsidiary company (100%)	full	the company is not subject to auditing	n/a	31 December 2004
ComArch Services Sp. z o.o.	subsidiary company (100%)	full	the company is not subject to auditing	n/a	31 December 2004
ComArch Software A.G. (Germany)	subsidiary company (100%)	full	the company is not subject to auditing	n/a	31 December 2004
ComArch Global, Inc. (USA)	subsidiary company (90%)	full	the company is not subject to auditing	n/a	31 December 2004
MKS Cracovia SSA	subsidiary company (49.15%)	full	A.M. Jesiołowscy – Finanse Sp. z o.o.	no reservations	30 June 2004**
ComArch Panama Inc. (Panama)	2 nd degree subsidiary company (90%)	not consolidated***	the company is not subject to auditing	n/a	31 December 2004

* Until the merger date with the Dominant Unit, ComArch Krakow S.A. and CDN-ComArch S.A. prepared separate financial statements. The whole equity of the companies taken over was transferred into the Dominant Unit.

** Accounting year of MKS Cracovia SSA ended on 30 June 2004. As of 31 December 2004, MKS Cracovia SSA secured preparation of financial data allowing taking this unit into a consolidated financial statement.

*** The initial capital paid after the balance sheet date.

- (g) The Dominant Unit, ComArch S.A., is operating in the “Krakowski Park Technologiczny” Special Economic Zone (“SSE”). ComArch, on 1 July 2004, received a decision from the Minister of Economy concerning change in conditions of permit for managing activities in the SSE based on changes made in the act regulating principles of taking advantage of allowances in the SSE. The previous allowance was unlimited in value and only time-restricted, now it was transformed into an allowance limited in value and dependent on value of the completed investments. In case of ComArch S.A., the maximum value of public aid may not exceed 75% of the value of investment expenditures, which ComArch S.A. has incurred / will incur in the period from obtaining the permit, i.e. from 22 March 1999, to 31 December 2006. 2017 is the last year, in which the Company may use up the obtained allowance.

II. Information Related to the Conducted Audit

- (a) PricewaterhouseCoopers Sp. z o.o. was appointed the expert auditor of the Company with Resolution No. 13/6/2003 of the Supervisory Board of 23 June 2003 on the basis of Article 19 Para 2 Clause e) of the Bylaws of the Dominant Unit.
- (b) PricewaterhouseCoopers Sp. z o.o. and an expert auditor managing the audit are independent of the units forming the Group in the meaning of Article 66 Para 2 of the Accounting Act.
- (c) Auditing was conducted on the basis of an agreement made on 27 June 2003 in the period of:
- Preliminary audit from 13 September to 24 September 2004
 - Final audit from 16 May to 2 June 2005

III. Characteristics of Results and Financial Situation of the Group

The following comments are made based on the knowledge obtained during auditing the financial statement.

ComArch S.A. is the Dominant Unit in the Group, which consisted of seven subsidiary companies consolidated with the full method as of the end of the audited year: ComArch Software A.G., ComArch Global, Inc., ComArch s.r.o., ComArch Middle East FZ-LLC, ComArch Sp. z o.o. (Ukraine), ComArch Services Sp. z o.o., MKS Cracovia SSA.

Two affiliated companies were appraised in the consolidated financial statement with the ownership rights method (Interia.PI S.A. and NetBrokers Sp. z o.o.).

In the year preceding the audited year, the Group consisted of six subsidiary units consolidated with the full method. During the audited year, companies of CDN S.A. and ComArch Internet Ventures S.A. merged and transformed into CDN-ComArch S.A., which subsequently, along with ComArch Krakow S.A., merged with the Dominant Unit (the company taking over). At the same time, new subsidiary companies were established: ComArch s.r.o., ComArch Middle East FZ-LLC, ComArch Sp. z o.o. (Ukraine) and ComArch Services Sp. z o.o. In the preceding year, affiliated companies – Interia. PI S.A. and NetBrokers Sp. z o.o. – were also appraised with the ownership rights method.

In the audited period, the following phenomena significantly affected the financial result and the equity and financial situation of the Group:

The basic activity of the Group in the current period was sales of computer hardware and IT services. During the audited period, proceeds from sales amounted to PLN329,979 thou., increased by PLN72,332 thou. (28.1%) against proceeds obtained in the preceding year. These proceeds were obtained mostly from sales of: IT services (PLN133,378 thou.), computer hardware (PLN74,890 thou.) and own and foreign licenses (PLN86,171 thou.).

The domestic market remained the basic market, where 79% of sales were completed. The share of export sales in total proceeds increased by 7% against the preceding period.

Operational costs incurred in 2004 amounted to PLN312,495 thou. and were higher than in the previous year by PLN71,441 thou. (29.6%). In the structure of costs, value of sold goods and materials takes the largest share (PLN132,878 thou., i.e. 42.5%). Against the previous year, these costs are higher by PLN25,881 thou. (i.e. 24.2%), which, in view of proceeds from sales of goods and materials by PLN26.338 thou., resulted in decrease in margin on sales of goods and materials by 2%.

Salaries along with allowances for the benefit of employees formed the most significant item in type costs in the audited period (53.9% of these costs) and amounted to PLN101,430 thou., increasing by PLN26,260 thou. against the preceding period, mostly due to the higher average annual employment in the capital group.

The result on financial activities in 2004 was negative and amounted to PLN3,146 thou. (in 2003, the Group incurred loss, as well, in the amount of PLN6,000 thou.). Interest costs in the total amount of PLN4,993 thou. and surplus of negative exchange rate differences over positive ones in the amount of PLN2,053 thou. were partly compensated with settlement into financial proceeds of the surplus of taken over assets over acquisition price as a result of assuming the stock of the new MKS Cracovia SSA stock issue in the amount of PLN2,981 thou.

The goodwill write-off of subsidiary units in the period of 12 months to 31 December 2004 was PLN1,210 thou. In the preceding year, this write-off was PLN1,012 thou.

As of the end of the accounting year, assets of the Group amounted to PLN271,988 thou. During the year, the balance sheet sum increased by PLN6,003 thou., i.e. by 2.3%. The structure of the assets did not change

significantly.

Consolidated own capitals increased by PLN13,894 thou., mostly from achieving the positive result in the year 2004 in the amount of PLN14,026 thou. Minority capitals were reduced by the amount of PLN4,719 thou., and short-term obligations reduced by the amount of PLN6,645 thou. with the simultaneous increase in long-term debts (by PLN3,092 thou.).

Due to the change in the Ordinance of the Minister of Finances of 12 December 2001 becoming effective in 2004, on detailed principles for recognising, appraisal methods, the scope of disclosure and the method of presenting financial instruments, in order to adjust to the requirements of the Ordinance, the Group, starting with 2004, does not recognise the built-in derivative instrument in agreements expressed in a foreign currency in which agreements are commonly made in the domestic market for deliveries of specific goods and services.

The Group has thus changed principles of accounting, at the same time making the 2003 data comparable. As a result of transforming the 2003 data, the net profit for this years was reduced by PLN706 thou. and the profit from previous periods as of 31 December 2002 was increased by the amount of PLN572 thou. (the total previous periods result as of 31 December 2003 was reduced by PLN134 thou.). The detailed description of adjustments is included in the Supplementary Information and Explanations to the financial statement.

IV. Characteristics of Selected Items of the Consolidated Financial Statement

CONSOLIDATED BALANCE SHEET as of 31 December 2004

	Note	31 Dec 2004 PLN thou.	31 Dec 2003 PLN thou.	Change PLN thou.	Change %	31 Dec 2004 Structure (%)	31 Dec 2003 Structure (%)
ASSETS							
Fixed assets							
Intangibles		2,408	3,220	(812)	(25.2)	0.9	1.2
Goodwill of subsidiary units	1	2,256	3,466	(1,210)	(34.9)	0.8	1.3
Tangible fixed assets		111,555	91,244	20,311	22.3	41.0	34.3
Long-term receivables		–	215	(215)	(100.0)	–	0.1
Long-term investments		4,316	5,056	(740)	(4.6)	1.6	1.9
Long-term accruals		1,489	1,771	(282)	(15.9)	0.5	0.7
		<u>122,024</u>	<u>104,972</u>	<u>17,052</u>	<u>16.2</u>	<u>44.8</u>	<u>39.5</u>
Current assets							
Inventory		14,991	11,738	3,253	27.7	5.5	4.4
Short-term dues		76,787	88,897	(12,110)	(13.6)	28.3	33.4
Short-term investments		31,115	45,465	(14,350)	(31.6)	11.4	17.1
Short-term accruals		27,071	14,913	12,158	81.5	10.0	5.6
		<u>149,964</u>	<u>161,013</u>	<u>(11,049)</u>	<u>(6.9)</u>	<u>55.2</u>	<u>60.5</u>
Total assets		<u>271,988</u>	<u>265,985</u>	<u>6,003</u>	<u>2.3</u>	<u>100.0</u>	<u>100.0</u>
LIABILITIES							
Own capital							
Initial capital	5	6,852	6,727	125	1.9	2.5	2.5
Supplementary capital	2	96,714	96,714	–	–	35.6	36.4
Capital from appraisal updating		(12)	282	(294)	(104.3)	–	0.1
Other reserve capitals		21,948	9,685	12,263	126.6	8.1	3.6
Exchange rate differences from re-calculation		(52)	(89)	37	(41.6)	–	–
Loss from previous periods		(22,085)	(18,413)	(3,672)	19.9	(8.1)	(6.9)
Net profit	4	14,026	8,591	5,435	63.3	5.2	3.2
		<u>117,391</u>	<u>103,497</u>	<u>13,894</u>	<u>13.4</u>	<u>43.3</u>	<u>38.9</u>
Minority capital	3	14,013	18,732	(4,719)	(25.2)	5.2	7.0
Negative goodwill of subsidiary units		110	1,952	(1,842)	(94.4)	–	0.7
Obligations and provisions for obligations							
Provisions for obligations		5,701	6,018	(317)	(5.3)	2.1	2.3
Long-term obligations		46,621	43,529	3,092	7.1	17.1	16.4
Short-term obligations		57,975	64,620	(6,645)	(10.3)	21.2	24.3
Deferred costs		30,177	27,637	2,540	9.2	11.1	10.4
		<u>140,474</u>	<u>141,804</u>	<u>(1,330)</u>	<u>(0.9)</u>	<u>51.5</u>	<u>53.4</u>
Total liabilities		<u>271,988</u>	<u>265,985</u>	<u>6,003</u>	<u>2.3</u>	<u>100.0</u>	<u>100.0</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For accounting year from 1 January to 31 December 2004

	2004 PLN thou.	2003 PLN thou.	Change PLN thou.	Change %	2004 Structure (%)	2003 Structure (%)
Net proceeds from sales of products, goods and materials	329,979	257,647	72,332	28.1	100.0	100.0
Costs of sold products, goods and materials	(254,860)	(189,664)	(65,196)	34.4	(77.2)	(73.6)
Gross profit on sales	75,119	67,983	7,136	10.5	22.8	26.4
Costs of sales	(30,233)	(29,971)	(262)	0.9	(9.2)	(11.6)
Overheads	(27,402)	(21,419)	(5,983)	27.9	(8.3)	8.3
Profit on sales	17,484	16,593	891	5.4	5.3	6.5
Other operational proceeds	3,467	1,240	2,227	179.6	1.1	0.5
Other operational costs	(2,924)	(1,455)	(1,469)	101.0	(0.9)	(0.6)
Profit on operational activities	18,027	16,378	1,649	10.1	5.5	6.4
Financial proceeds	4,443	2,931	1,512	51.6	1.4	1.1
Financial costs	(7,589)	(8,931)	1,342	(15.0)	(2.3)	(3.5)
Gross profit on commercial activities	14,881	10,378	4,503	43.4	4.6	4.0
Goodwill write-off	(1,210)	(1,012)	(198)	19.6	(0.3)	(0.4)
Negative goodwill write-off	141	2,542	(2,401)	(94.5)	–	1.0
Gross profit	13,812	11,908	1,904	16.0	4.3	4.6
Income tax	(560)	(1,783)	1,223	(68.6)	(0.2)	(0.7)
Loss on share in subordinate units	(833)	(1,688)	855	(50.7)	(0.3)	(0.7)
Minority losses	1,607	154	1,453	943.5	0.5	0.1
Net profit	14,026	8,591	5,435	63.3	4.3	3.3

Presentation of the equity and financial situation and the financial result of the Group

The following indexes feature commercial operations of the Group, its financial result for the accounting year and its equity and financial situation as of the balance sheet date against previous periods:

	2004	2003	2002
Activity indexes			
- Receivables rotation	76 days	90 days	86 days
- Inventory rotation	19 days	20 days	24 days
Profitability indexes			
- Profitability of net sales	4%	3%	2%
- Profitability of gross sales	5%	6%	5%
- General profitability of capital	13%	8%	4%
Debt indexes			
- Debt ratio	57%	61%	45%
- Rotation of obligations	48 days	57 days	44 days
	31 Dec 2004	31 Dec 2003	31 Dec 2002
Liquidity indexes			
- Liquidity index I	1.7	1.7	2.7
- Liquidity index II	1.5	1.6	2.5

1. Goodwill of subordinate units

Goodwill of subordinate units reduced during the year by PLN1,210 thou. (from PLN3,466 thou. as of the end of the previous year to PLN2,256 thou. as of the end of the current accounting year), as a result of the annual depreciation write-off.

2. Initial capital of the Dominant Unit

In the audited year, the initial capital was increased by the amount of PLN125,000 by way of an issue of 125,787 Series G stock with the nominal value and the issue price of PLN1 each, as a result of the execution of the manager option for the Management President for the year 2003.

As of 31 December 2004, shareholders of the Company with at least 5% votes in the General Assembly were:

Shareholder's name	Number of stock owned	Nominal value of owned stock	% of owned votes
Elżbieta and Janusz Filipiak	3,122,685	3,122,685	69.70%

3. Minority capital

Minority capital as of 31 December 2004 was reduced against the end of the previous accounting year by PLN4,719 thou. (from PLN18,732 thou. to PLN14,013 thou.), mostly as a result of increasing the Group participation in MKS Cracovia SSA. This capital comes from the share of minority shareholders in the following companies:

	31 December 2004 PLN thou.	31 December 2003 PLN thou.
MKS Cracovia SSA	14,561	19,237
ComArch Global Inc.	(548)	(509)
ComArch Krakow S.A.	–	3
ComArch Internet Ventures S.A.	–	1
TOTAL	14,013	18,732

4. Conciliation of the net financial result of consolidated companies with the consolidated net result of the Group

	12 months to 2004 PLN thou.
(a) Net profit ComArch S.A.	8,339
Net profit of subordinate (consolidated) entities	3,591
Net loss of subordinate (consolidated) entities	(5,304)
Total net profit according to financial statements	6,686
(b) Elimination of profits on in-house sales of fixed assets	(21)
(c) Depreciation adjustment	234
(d) Goodwill write-off	(1,210)
(e) Negative goodwill write-off	141
(f) Share in results of affiliated companies	(833)
(g) Share of minority shareholders in losses of subordinate companies	1,607
(h) Surplus of taken over assets over acquisition price as a result of assuming stock from the new issue of MKS Cracovia SSA	2,981
(i) Settlement of the negative part of goodwill arising from acquisition of MKS Cracovia SSA in proportion to actual incurred costs	1,842
(j) Adjustment on account of settlement of long-term contracts for the Group	1,306
(k) Other consolidation adjustments	1,293
Net profit of the Capital Group	14,026

5. Conciliation of net assets of consolidated companies with the consolidated net assets of the Group

	31 December 2004 PLN thou.
(a) Net assets – ComArch SA	128,642

Net assets of subordinate (consolidated) entities	23,829
Total net assets	<u>152,471</u>
(b) Adjustments (see b-k above)	7,340
(c) Elimination of the basic capitals of subordinate companies	(15,685)
(d) Elimination of other capitals of companies	<u>(26,735)</u>
Consolidated net assets	<u><u>117,391</u></u>

V. Findings of the independent expert auditor

- (a) The Management of the Dominant Unit presented the requested information, explanations and statements during the audit and submitted a statement of complete inclusion of data in the books of account and in the consolidation documentation and about disclosing all conditional obligations, as well as informed about significant events which occurred after the balance sheet date before the date of filing the statement.
- (b) The scope of the audit was not limited.
- (c) The consolidation documentation was complete and correct, and the method of its storage ensured proper protection.
- (d) In all significant aspects, the accounting principles adopted in the Group and giving data were compliant with the Accounting Act. Changes in the applied accounting principles and methods and their consequences were properly given in supplementary information and explanations.
- (e) Calculation of goodwill from the consolidation and of the negative goodwill from the consolidation and the method of writing it off into the consolidated profit and loss account were compliant with the Accounting Act in all significant aspects.
- (f) In all significant aspects, consolidation of capitals and determining the minority capital were properly executed.
- (g) Exclusion of mutual settlements (receivables and obligations) and in-house trading (proceeds and costs) of units covered by the consolidation were executed in compliance with the Accounting Law in all significant aspects.
- (h) Exclusion of results not realised by units covered by the consolidation, included in the value of assets and on account of dividend, were executed in compliance with the Accounting Law in all significant aspects.
- (i) Introduction and supplementary information and explanations present all significant information referred to in the Ordinance of the Minister of Finances of 12 December 2001 on detailed principles for preparing financial statements for affiliated units by units other than banks and insurance companies and in the Ordinance of the Council of Ministers of 11 August 2004 in detailed conditions to be met by the prospectus and an prospectus abstract so that it is complete and proper.
- (j) The report on the activities of the Group takes into account the issues required by the Ordinance of the Council of Ministers of 16 October 2001 on current and periodical information submitted by issuers of securities. Financial information included in it correspond with the information presented in the financial statement.
- (k) The consolidated financial statement for the preceding year was audited by PricewaterhouseCoopers Sp. z o.o. The expert auditor issued an opinion without any reservations.
- (l) The consolidated financial statement of the Group for the accounting year from 01 January to 31 December 2003 was approved of by the Resolution No. 7 of the General Assembly of Shareholders of the Dominant Unit on 30 June 2004 and was submitted in the National Court Register in Krakow on 21 July 2004 and published in Monitor Polski „B” No. 189/2005.

Krakow, 2.06.2005

Dear Shareholders,

The year 2004 ended for the ComArch Group with record proceeds from sales and net profit. Almost 30% increase in proceeds and over 50% increase in net profit best reflect achievements of ComArch in the last year. The fact is of special importance that this increase is in entirety an organic one.

At the time of globalisation of economy, the key factor deciding about market position and results achieved is competitiveness of the offered products. The ComArch brand, after several years of expansion abroad, is better and better recognised in the world, not only in neighbouring countries of Central Europe, but also in Western Europe, both Americas and in the Near East. ComArch systems serve clients in over twenty countries in four continents. Simultaneously with extending the client base, volume of contracts concluded increases and client type changes, with the most significant global companies appearing among them.

ComArch is not only focused on current financial results being at satisfying level, but also all the time systematically builds long-term competitiveness. An important element of this process is finding and employing the best graduates of Polish higher schools. In 2004, the Group increased by over four hundred employees. All the time, R&D work is conducted, financed both from own means and from the obtained European funds. Although it encumbers financial results in a short-term span, in the perspective of several years these expenses will flourish with stronger position of ComArch among IT companies.

ComArch, enjoying tax allowances on account of activities in the Special Economic Zone in Krakow, commenced in 2004 construction of a new production building for the needs of the conducted IT activities. When it is completed, which is planned for the second quarter of 2005, over four hundred employees will be relocated from the now rented premises into a new, own location. With this, not only should work effectiveness increase, but also expenses incurred for renting premises should be cut down. The Company has plans for commencing construction of another building, as the now built one will not have enough space for all ComArch employees in Krakow.

Dynamic development of the Group and superb financial results do not hide the risk related to development rate for the Management of the Company. The Management is aware of it and fully controls the risk of dynamic increase. On parallel to efforts related to winning new clients and producing new products, the Management continuously improves the existing management procedures, so as they correspond with the Group scale and structure.

Professor Janusz Filipiak

President, the Management Board

ComArch SA

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENT SA-RS 2004 COMARCH SA

- 1) The basic subject matter of activities of the Dominant Entity, ComArch SA, with the office in Krakow, Al. Jana Pawła II 39 A, is: production, trade and services activities in the scope of IT and telecommunications – PKD 72.20. Court designation: District Court for Krakow – Srodmiemie in Krakow, Department XI for Commercial Issues of the National Court Register. KRS file: 0000057567.

Duration of the Company is not limited.

The basic subject matter of activities of other companies of the ComArch Capital Group is IT (ComArch Global, Inc., ComArch Software AG, ComArch Middle East FZ-LLC, ComArch Sp. z o.o. (Ukraine), ComArch s.r.o., ComArch Panama, Inc. – PKD 72.20, ComArch Services Sp. z o.o. – PKD 74.14). The subject matter of activities of affiliated companies – INTERIA.PL SA – PKD 72.60, NetBrokers Sp. z o.o. – PKD 62.20C.

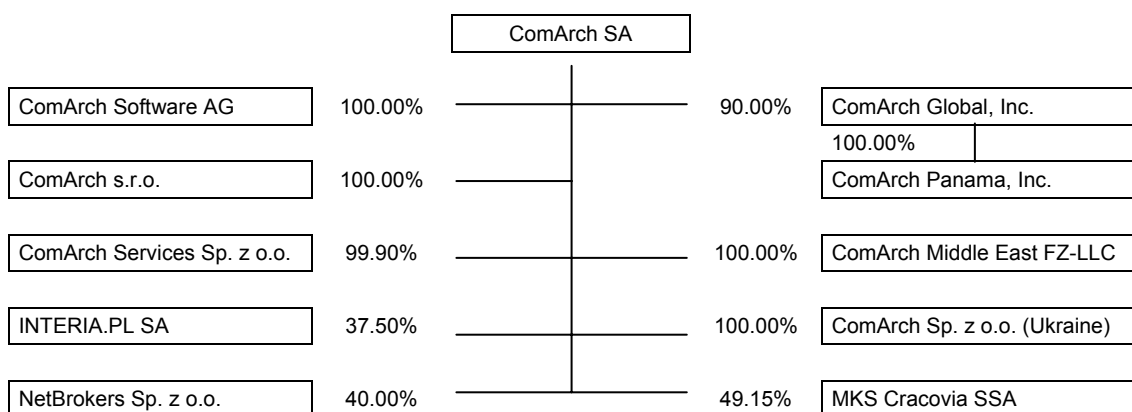
In the tables of the report:

- The previous period means the period of 01.01.2003 -31 December 2003 and includes 12 months,
- The current period means the period of 01.01.2004 - 31 December 2004 and includes 12 months.

The consolidated financial statement has been prepared with the premise of continuing commercial operations by Companies of the Capital Group in the foreseeable future. According to the Managements of the Capital Group, there are no circumstances indicating any threats to continuing operations.

Duration of the Companies is not limited.

Units related to the dominant unit, ComArch SA, as of 31 December 2004



* The chart presents percentage of shares of the dominant unit in particular related units.

On 31 December 2004, the following persons composed the Supervisory Board of ComArch SA:

- Elżbieta Filipiak - Chairwoman of the Board,
- Krzysztof Zieliński – Deputy Chairman of the Board,
- Maciej Brzeziński – Member of the Board,
- Anna Ławrynowicz – Member of the Board,
- Wojciech Kucharzyk – Member of the Board.

On 31 December 2004, the following persons were in the Management of ComArch SA:

- Janusz Filipiak - President, the Management Board,
- Rafał Chwast - Deputy President, the Management Board,
- Tomasz Maciantowicz - Deputy President, the Management Board,
- Paweł Prokop - Deputy President, the Management Board,
- Paweł Przewięźlikowski - Deputy President, the Management Board,
- Robert Chwastek - Member, the Management,
- Christophe Debou - Member, the Management,
- Zbigniew Rymarczyk - Member, the Management.

On 29.03.2005, Robert Chwastek filed resignation from the performed function of Member of the Management in ComArch SA. Mr. Robert Chwastek reported personal issues as reasons for this resignation.

Consolidation for the year 2004 covered the following companies:

	Relationship	Consolidation method	Share of ComArch SA in the initial capital
ComArch S.A.	dominant unit	full	
ComArch Krakow S.A. (before merger)	subsidiary unit	full	100%
CDN-ComArch S.A. (before merger)	subsidiary unit	full	100%
ComArch Software AG	subsidiary unit	full	100%
ComArch Global, Inc.	subsidiary unit	full	90%
ComArch s.r.o.	subsidiary unit	full	100%
ComArch Middle East FZ-LLC	subsidiary unit	full	100%
ComArch Sp. z o.o. (Ukraine)	subsidiary unit	full	100%
ComArch Services Sp. z o.o.	subsidiary unit	full	99.90%
MKS Cracovia SSA	subsidiary unit*	full	49.15%

*) The MKS Cracovia SSA company is subsidiary to ComArch S.A. on the basis of Article 3 Para 37 Clause d of the Accounting Act.

	Office	Registration Court	Register No.
ComArch S.A.	Krakow	District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the NCR	0000057567
ComArch Krakow S.A.	Krakow	District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the NCR	0000016330
CDN-ComArch S.A.	Krakow	District Court for Krakow Srodmiescie in Krakow	0000037947
ComArch Software AG	Frankfurt am Main	Handelsregister Amtsgericht, Frankfurt am Main	HRB48858
ComArch Global, Inc.	Miami, FL	Department of State, the State of Florida	P02000099861
ComArch Panama, Inc.	Panama	The Public Register of the City of Panama	468218
ComArch s.r.o.	Bratislava	Registration Court	36056715
ComArch Middle East FZ-LLC	Dubai	The Registrar of Companies of the Dubai Technology, Electronic Commerce & Media Free Zone	19879
ComArch Sp. z o.o.	Kiev	The unified state register of entrepreneurs and organisations in Ukraine managed by State Administration for the District of Pechersk in Kiev	32918282
ComArch Services Sp. z o.o.	Krakow	District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the NCR	0000210295
MKS Cracovia SSA	Krakow	District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the NCR	0000048937

The subject matter of operations

ComArch S.A.	– production, trade and service activities in IT
ComArch Krakow S.A.	– production, trade and service activities in IT
CDN-ComArch S.A.	– production, trade and service activities in IT
ComArch Software AG	– sales of IT systems, the European market

ComArch Global, Inc.	– sales of IT systems, the American market
ComArch Panama, Inc.	– sales and production of IT systems, the Central and Southern American market
ComArch s.r.o.	– software production
ComArch Middle East FZ-LLC	– sales of IT systems, the Near East market
ComArch Sp. z o.o.	– sales of IT systems, the Ukrainian market
ComArch Services Sp. z o.o.	– production, trade and service activities in IT
MKS Cracovia SSA	– sport activities

The consolidated statement for the year 2004 covers the statements of: ComArch S.A., ComArch Krakow S.A., CDN-ComArch S.A., ComArch Software AG, ComArch Global, Inc., ComArch s.r.o., ComArch Middle East FZ-LLC, ComArch Sp. z o.o. (Ukraine), ComArch Services Sp. z o.o. and MKS Cracovia SSA. These companies were consolidated with the full method. It is noteworthy that consolidation was for the first time applied in 2004 for the companies of: ComArch s.r.o., ComArch Middle East FZ-LLC, ComArch Sp. z o.o. (Ukraine) and ComArch Services Sp. z o.o., established and registered in 2004. Shares in the Interia.pl SA company and in NetBrokers Sp. z o.o. were appraised with the ownership rights method. ComArch Panama, Inc. (the 2nd degree subsidiary unit) was not included in consolidation, with the initial capital transferred after the balance sheet date.

MERGER OF COMPANIES

The District Court for Krakow – Srodmiemie in Krakow, Department XI for Commercial Issues of the National Court Register, on 31 August 2004 issued a decision on entering the merger of ComArch S.A. and ComArch Krakow S.A. companies and the merger of ComArch S.A. and CDN-ComArch S.A. companies into the National Court Register. 31 August 2004 was the date of the merger. The merger was settled with the acquisition method. The detailed information is given in the additional explanation note.

2) Change in the adopted accounting principles

In reference to amendment in the Ordinance of the Minister of Finances of 12.12.2001 becoming effective in 2004 on detailed principles of recognition, methods of appraisal, scope of disclosing and method of presentation of financial instruments (Dz. U. 2001 Vol. 149, Item 1674 and 2004 Vol. 31 Item 266) and in order to adjust to the requirements of the Ordinance, the Group made changes in principles of recognition of built-in derivative instruments starting with 2004.

At the same time, to ensure comparability of data 2004 and 2003, the Group made changes in presentation of data for 2003 against the data given in the report SA-RS 2003. The amended Ordinance defines situations, in which built-in derivative instruments are not recognised. Pursuant to Para 10 Clause 1a 5c) of the Ordinance, built-in derivative instruments are not recognised in the situation when an agreement made is in currency, in which in the domestic market agreements are commonly made for delivery of specific goods and services.

Summary and explanation of differences is given in the supplementary explanation note.

3) The opinion issued by an entity authorised for auditing financial statements of ComArch SA Group for 2003 did not have any reservations.

4) Principles of appraisal of assets and liabilities and measuring financial result.

The financial statement was prepared pursuant to the Accounting Act and the Ordinance on prospectus and the Ordinance on periodical reports.

I. Fixed assets

A) Intangibles

Intangibles are given in the register by acquisition price with their amortisation taken into consideration. The Group makes depreciation write-offs with the linear method. The following depreciation rates are assumed:

- Computer software: 30%
- Licenses: 30%
- Copyright: 30%
- Other rights: 10-20%

The adopted depreciation rates correspond with economic usability of intangibles. In case of intangibles acquired in order to be used in a specific project, the depreciation period is determined as the period of project duration.

B) Goodwill and negative goodwill

Pursuant to Article 60 Para 5 of the Act, with the consolidation executed with the full method, for determining bases for appraising net assets at fair values and settling goodwill or negative goodwill, respective principles are applied which are set forth in Article 28 Para 5 and in Article 44b Paras 4, 11 and 12.

Pursuant to Article 44b Para 10, the unit makes depreciation write-offs from the goodwill in the period of not more than 5 years and includes them in the profit and loss account in the 'Goodwill write-off of

subordinate units' item.

Pursuant to Article 44b Para 11 Clause 2, negative goodwill in the amount exceeding fair value of fixed assets, with exclusion of long-term financial assets registered in controlled markets, is included in proceeds as of the merger date, provided that pursuant to Article 44b Para 12 negative goodwill is written off into other operational proceeds up to the amount in which it refers to the reliably assessed future losses and costs determined by the company taking over as of the merger date, which, however, do not constitute an obligation referred to in Para 2. This write-off is made in the reporting period in which losses and costs affect the financial result. If these losses and costs were not incurred in the previously forecast reporting periods, negative goodwill referring to them is written off in the way set forth in Para 11.

C) Tangible fixed assets

C1. Own fixed assets

These were appraised according to acquisition price or costs of generation increased with financing costs after deducting depreciation write-offs in proportion to the period of their use and write-offs on account of permanent loss of value.

The detailed principles of depreciation fixed assets adopted by the Company are as follows:

The means are depreciated with the linear method with application of depreciation rates corresponding with the period of their economic usability. In particular, depreciation rates are: 30% (group IV) and 20% (groups VII and VIII). In case of fixed assets acquired in order to be used in a specific project, the depreciation period is determined as the period of project duration.

Land and perpetual usufruct rights are not subject to depreciation.

In 2004, changes in estimate of periods of usability of computer hardware were made, which resulted in changing depreciation rates from 60% to 30%. Newly acquired low-price fixed assets, beginning with 1 January 2004, are subject to linear depreciation in the way corresponding with the period of their economic usability.

C2. Fixed assets under construction: appraised by purchase price less write-offs on account of permanent loss of value.

C3. Improvements in foreign fixed assets are appraised by acquisition price with reduction by depreciation taken into consideration. These apply to buildings and construction objects and are depreciated with the linear method in the period of their economic use.

C4. Fixed assets used on the basis of leasing agreements made after 01 January 2002 are included in the Group's fixed assets if conditions are met resulting from Article 3 Para 4 of the Accounting Act and they are appraised by fair value determined as of the starting date of the agreement or as of reception of the leasing object into use, or at the current value of minimum leasing fees, if it is lower from fair value.

D) Long-term investments

D1. Long-term financial assets

As of the balance sheet date, financial assets are presented in the financial statement as a long-term item, if the period of their further owning exceeds 12 months from the balance sheet date.

Shares are appraised in the books of account as of their acquisition or origination date at acquisition price, and as of balance sheet date according to acquisition price with write-offs deducted on account of permanent loss of value. In case of permanent loss of value, the updating write-off is made not later than as of the balance sheet date.

II. Current assets

A) Inventory, products in progress and goods

Production in progress given in the statement refers to software produced by the ComArch Group and allocated for repeated sales. Production in progress is appraised at technical direct costs of generation.

Applications software produced by the ComArch Group and allocated for repeated sales is appraised in the period of providing economic benefits, not longer than 36 months, beginning with the sales date, in the amount of surplus of costs of their generation over net proceeds obtained from sales of these products within another 36 months. Costs of generation not written off after this period increase other operational costs.

Depending on the nature of the produced software and assessment of the possibility of its sale, the principle is used of writing off into own costs the expenditures incurred for its generation in the amount of 50% to 100% invoiced in the above period of sales, provided that the rate of 50% is used as the basic one. If the company has earlier information about limiting the possibility of further sales, it immediately makes the write-off updating value of production in progress in the amount of expenditures, in reference to which the probability occurs of not regaining them, or makes a one-time write-off of the entirety of unsettled expenditures (depending on the degree of risk assessment) into own cost of sales.

Goods are appraised according to the actual purchase price, not higher from net sales price.

B) Receivables

As of the date of origination, they are given in the books at nominal value and as of the balance sheet date

– in the payable amount.

Receivables on account of deliveries and services are included in short-term receivables.

Other receivables, depending on due payment date (up to or more than 12 months) beginning with the balance sheet date are given as short- or long-term.

In order to make value of receivables real, they are reduced by write-offs updating value of questionable receivables.

Receivables in foreign currencies are appraised as of the balance sheet date at the NBP average exchange rate. Exchange rate differences realised and resulting from the balance sheet appraisal are referenced after compensation into proceeds or financial costs, respectively.

C) Short-term financial assets

Assets given in the statement include mostly cash assets and loans granted to other units.

Cash assets include cash at hand and in bank accounts and interest on financial assets calculated by notes.

Cash in national currency is appraised in nominal value, while cash in foreign currencies is appraised at NBP average exchange rates.

D) Deferred costs.

Deferred costs settle expenses incurred in advance, but related to future reporting periods. Settlement of costs longer than 12 months starting with the balance sheet date are regarded as a long-term item.

Accrued settlements include also surplus of sales in long-term contracts made according to Article 34 a Para 1 and Para 2 Clause 2 of the Accounting Act over value of sales invoiced to contractors.

III. Own capital

Own capital includes, among others:

- The initial capital of the dominant unit presented at nominal value,
- The supplementary capital established from profit distribution with the principles and limits specified in the Code of Trade Companies and from the surplus of sales of stock above their nominal value,
- The capital from appraisal updating as a result of appraisal of the capital part of long-term obligations on account of the issued own bonds and amortisation of the part of own bonds convertible into shares,
- Other reserve capitals established from profit distribution and allocated for investment objectives and other set forth in the bylaws, appraised at nominal price,
- Undivided profit resulting from results achieved by the Group, adjustments on account of changes in accounting principles in 2002 in reference to amendment of the Accounting Act and adjustments related to changes in principles for recognising built-in derivative instruments.

IV. Obligations and provisions for obligations

A) Obligations

As of the origination date, they are given in the books at nominal value, and in the payable amount as of the balance sheet date.

Obligations on account of deliveries and services are regarded as short-term items, while other obligations, depending on the period of payment (up to or over 12 months from the balance sheet date) – as short- or long-term items. Obligations in foreign currencies are appraised as of the balance sheet date at average NBP exchange rates. Obligation on account of issue of own bonds convertible into shares is appraised as of the balance sheet date at depreciated cost.

B) Special funds include in entirety the Company's Fund for Social Benefits and the Residential Housing Fund established from profit distribution for years 1998 and 1999.

C) Deferred costs and accruals in proceeds

Deferred costs include probable costs related to the audited accounting period, whose exact value is not yet known, including provisions for costs of contract completion, which find no coverage in proceeds.

Accruals in proceeds include also surplus of sales invoiced to contractors over the value of proceeds from sales in long-term contracts determined according to Article 34 a Para 1 and Para 2 Clause 2 of the Accounting Act.

V. Appraisal of balance sheet assets and liabilities expressed in foreign currencies and principles for determining exchange rate differences:

A) During the accounting year

1. Operations related to sales and purchase of currencies and payment of receivables and obligations at purchase exchange rate or sales of currencies used by banks, whose services ComArch SA companies use.

2. Other operations at the average NBP exchange rate, provided that import purchases requiring customs clearance and export sales of goods are appraised according to exchange rates set forth in proofs of

customs clearance.

B) As of the balance sheet date

1. Items of assets and liabilities with exclusion of shares in subordinate units appraised with the ownership rights method, at average exchange rates for currencies as determined by NBP for the given day.
2. Exchange rate differences related to long-term investments are settled against the capital from appraisal updating or financial proceeds and costs, respectively (pursuant to Article 35 Paras 2 and 4 of the Act).
3. Exchange rate differences related to other assets and liabilities and arising in payment of receivables and obligations are included in financial proceeds or costs, respectively.

Realised exchange rate differences related to receivables and obligations are determined on the current basis, while not realised exchange rate differences related to receivables and obligations and cash in bank accounts are appraised as of the end of each quarter (with the principle of significance).

VI. Financial instruments

Derivative instruments constituting a protection instrument in the meaning of Articles 27-30 of the Ordinance, which are securing fair value are appraised at fair value, and change in appraisal is referenced to the result on financial operations.

Derivative instruments constituting a protection instrument in the meaning of Articles 27-30 of the Ordinance, which are securing cash flows are appraised at fair value, and the change in appraisal is referenced:

- a) To the capital from appraisal updating (in the part constituting effective collateral),
- b) To the result from financial operations (in the part not constituting effective collateral).

Derivative instruments not constituting a protection instrument in the meaning of Articles 27-30 of the Ordinance are appraised at fair value, and the change in appraisal is referenced to the result on financial operations.

VII. Financial result

The ComArch Group prepares the profit and loss account in the calculation version with the principle of coherence of proceeds and costs.

The activities conducted by the ComArch Group mostly consists in producing software for repeated sales and for execution of IT integration contracts. Within integration contracts, ComArch offers execution of turn-key IT systems consisting of: software (own and third-party) and/or computer hardware and/or providing services such as:

- Implementation services,
- Installation services,
- Guarantee and post-guarantee services,
- Technical assistance services,
- Software customisation (adjusting) services,
- Other IT and non-IT services necessary for execution of the system.

Integration contracts executed by the Group are given in the books pursuant to Article 34 a-d of the Act, with the degree of contract progression is measured with share of costs incurred against total costs of services.

The following items are taken into account for determining the total proceeds from the contract:

- Proceeds from own software (irrespective of its form of delivery, that is: licenses, equity rights, etc.),
- Proceeds from services referred to in the previous paragraph.

Unit manager may make a decision on including the estimated proceeds in total proceeds from the contract, for which probability is high that they will be executed (e.g. in execution of a contract, for technical reasons, project is modified and there is justified probability that the ordering party will accept the modification and amount of proceeds resulting from this modification).

For integration contracts, within which software by the ComArch Group allocated for repeated sales is delivered, proceeds and costs related to this software and proceeds and costs related to the remaining part of the integration contract are given in the books separately.

Different integration contracts are combined and given in the books as one contract, if:

- a) Agreements are executed at the same time or in time continuity and precise separation of costs of their execution is impossible, or
- b) Agreements are so closely inter-related that in reality they are one part of a single project with a profit margin for the project.

A. Proceeds are given according to the note principle.

Proceeds from execution of unfinished long-term services (contracts) are determined in proportion to commitment of services pursuant to Article 34a Para 2 Clause 1.

Proceeds from sales of other services, products, goods and other items of equity include sums of due invoiced proceeds expressed in actual sales prices with discounts and rebates taken into consideration, without VAT tax.

Proceeds from sport activities of MKS Cracovia SSA include sums of due proceeds on account of advertising and other services, as well as proceeds obtained from sales of tickets for sport events organised by the Company.

In the "Proceeds from sales of products, goods and materials from affiliated units" item, in the profit and loss account, the Group presents proceeds from sales of products, goods and materials for the benefit of affiliated units, which are not covered by the consolidation with the full method.

B. Costs include:

1. In reference to long-term contracts – all expenditures incurred in the given period for execution of contracts are appraised at cost of generation.
2. In reference to other services, goods and other items of equity - value of sold (invoiced) products, goods and other items appraised at cost of generation or at acquisition prices.
3. All the incurred overhead costs and costs of sales in the given period.

In the item "Costs of sold products, goods and materials from affiliated units," in the profit and loss account, the Group presents value of products, goods and materials purchased from affiliated units not covered by consolidation, excluding those, which are included in overheads, sales or other operational costs.

Costs of sales include costs of marketing and costs of acquiring new orders by the ComArch Group sales centres (sections).

Overheads include costs of the Group functioning as an entirety and include in particular costs of management and costs of sections operating for the needs of the Group.

C. Other proceeds and operational costs

These include proceeds and costs not related directly to regular activities of the units and include mostly: result on sales of tangible fixed assets and intangibles, donations, established provisions, consequences of asset value updating.

D. Proceeds and financial costs

These include mostly proceeds and costs on account of interest, result achieved on account of exchange rate differences, from disposal of financial assets, consequences of updating value of investments.

The financial result is determined pursuant to Article 42 of the Accounting Act.

In reference to temporary differences between the value of assets and liabilities given in the books of account and their tax value and taxable loss deductible in future, provision is established and assets are determined on account of deferred income tax.

Assets on account of deferred income tax are determined in the amount foreseen to be deducted in future from income tax, in reference to negative temporary differences, which will result in the future reduction of the taxable income for income tax and deductible tax loss, determined with the principle of safe appraisal.

Provision on account of deferred income tax is established in the amount of income tax required to be paid in the future in reference to positive temporary differences, that is differences which will increase the taxable amount for the future income tax.

Amount of the provision and assets on account of deferred income tax is determined with income tax rates in force in the year when the tax obligation occurs.

The difference between provisions and assets on account of deferred tax as of the end and as of the beginning of the reporting period affects the financial result, with provisions and assets on account of deferred income tax related to operations settled with own capital, referring also to own capital.

ComArch SA on 01 July 2004 received the decision of the Minister of Economy of 24 June 2004 concerning changes in the conditions of the permit for managing activities in the SSE into the conditions set forth in the Act on Amending the Act on Special Economic Zones and Some Other Acts of 02 October 2003 (Dz. U. Vol. 188 Item 1840). Pursuant to the provision of Article 5 Para 2 Clause 1 b), Clause 2 and Clause 3 of the Act, the maximum amount of public aid for entities managing activities in Special Economic Zones on the basis of the permit issued before 1 January 2000 may not exceed 75% of the value of investments incurred in the period from the day of obtaining the permit to 31 December 2006, provided that the total amount of public aid obtained from 1 January 2001 is taken into account in determination of the maximum amount of public aid. It means a change in the current method of functioning of tax allowance on account of corporate income tax, from the allowance unlimited in value into an allowance limited in value and dependent on the value of investments made. In case of ComArch SA, the maximum value of public aid may not exceed 75% of the value of investment expenditures which ComArch SA has incurred / will incur in the period from obtaining the permit, i.e. from 22 March 1999, to 31 December 2006.

Exemption on account of income tax is included within this limit.

The cashflow statement is prepared with the indirect method.

Methods of consolidation and appraisal of shares

Data of subordinate units are consolidated with the method of full consolidation.

Shares in affiliated units are given in the consolidated financial statement of the capital group with the ownership rights method.

The method of full consolidation

With consolidation with the full method, particular items in appropriate financial statements of the Dominant Unit and of subsidiary units are subject to summing up in full value. After summing up, exclusions and other adjustments are done in compliance with the Act.

The following are subject to exclusion:

- The value of shares owned by the Dominant Unit and other units covered by the consolidation in subordinate units, expressed at acquisition price, with the part of net assets of subordinate units, appraised at fair value, which corresponds to the share of the Dominant Unit and other units of the Capital Group covered by the consolidation in subordinate units, as of the date of initiating enforcement of control over them;
- The effect of mutual transactions between units covered by the consolidation.

Shares in own capital of subordinate units owned by persons or units other than those covered by the consolidation are given in a separate item in liabilities in the consolidated balance sheet, after own capitals as minority capitals.

The method of ownership rights

With the method of ownership rights, the "Shares in subordinate units appraised with the ownership method rights" item is selected out in fixed assets of the consolidated balance sheet, giving shares at their acquisition prices adjusted by the difference between prices of acquiring shares and the value of shares in own capital of these units.

5) Principles for calculation of Polish Zloty into Euro.

EURO exchange rates used for calculation of financial data:

The average NBP exchange rate of 31 December 2004.....	4,0790
The average NBP exchange rate of 31 December 2003	4,7170
The arithmetical average of NBP exchange rates as of the end of each month for the period 1.01-31 December 2004	4,5182
The arithmetical average of NBP exchange rates as of the end of each month for the period 1.01-31 December 2003	4,4474
Minimum NBP exchange rate in the period 1.01-31 December 2004	4,0518
Minimum NBP exchange rate in the period 1.01-31 December 2003	3,9773
Maximum NBP exchange rate in the period 1.01-31 December 2004	4,9149
Maximum NBP exchange rate in the period 1.01-31 December 2003	4,7170

The table "Selected financial details," points I-VIII and XVI-XVII give appraisals by the arithmetical average of exchange rates published by NBP, in force as of the last day of each month in the given period, while points IX-XIV and XVIII-XX give details according to the NBP rate in force as of the end of the period.

6) Differences between Polish Principles of Accounting and the International Standards for Financial Reporting.

Pursuant to the requirements of Article 18 Para 2 of the Ordinance of the Council of Ministers of 11 August 2004 on detailed conditions to be met by the prospectus and by the prospectus abstract, the following is the conciliation of the net financial result and own capitals (net assets) resulting from the financial statement prepared in accordance with accounting regulations in force in Poland, and the data which would result from the financial statement prepared in accordance with the International Standards for Financial Reporting (MSSF), after taking into account the identified and quantified differences. Moreover, the description of significant differences is given between the adopted accounting principles applied for preparation of the quarterly report and accounting principles which would have been applied if the statement was prepared pursuant to MSSF.

This conciliation of the data is prepared solely to meet this obligation and applies to differences, identified and quantified as of 31 December 2004, by the date of preparation of this statement.

Pursuant to the regulations for public companies in the European Union, such companies will have the obligation of preparation of the first full consolidated financial statement pursuant to MSSF for the accounting year beginning on 1 January 2005. As of 31 December 2004, the Company did not prepare the full consolidated financial statement compliant with MSSF, but only a balance sheet and a profit and loss

account.

Preparing this conciliation, the Management of the Company used its best knowledge on the expected standards and interpretations, facts and circumstances, accounting principles, which would be applied in preparation of its first full consolidated statement pursuant to MSSF as of 31 December 2005. In preparation of the data according to MSSF, MSSF 1 regulations were applied, although regulations of this standard may be used only in preparation of the first full financial statement compliant with MSSF.

Although this conciliation is prepared on the basis of the best knowledge of the Management about the expected MSSF regulations and the current facts and circumstances, all the above factors may be subject to change. Therefore, until the Company prepares its first full financial statement compliant with MSSF and finally determines the date of transition into MSSF in the meaning of MSSF No. 1, changing the data presented below cannot be excluded.

As this conciliation is prepared for the first time, comparable data are not given.

Specification of differences:

a) Costs of organisation and expansion of a joint stock company

MSR 38 bans capitalisation of costs related to opening or expanding activities, ordering inclusion of them in the result of the period or in case when they are directly related to acquiring capital, directly into capitals. Pursuant to Article 36 Para 2b of the Accounting Act, costs of stock issue related to expansion of activities of a joint stock company up to surplus amount of value of the issue above the nominal value of shares reduce the supplementary capital. However, in the temporary period, the non-redeemed part of the above costs previously given in intangibles, is given in accruals and is settled with the result of the current period.

In the financial statement prepared pursuant to the accounting regulations in force in Poland:

The value of unsettled costs of company expansion and organisation as of 31 Dec 2004 PLN189 thou.
Costs of company expansion and organisation settled with the 2004 result PLN1,100 thou.

b) Positive goodwill

Pursuant to the Accounting Act, positive goodwill determined at acquisition of shares is subject to depreciation. According to MSSF 3, positive goodwill is given as an asset item which is not subject to depreciation. Positive goodwill is subject to regular verification for permanent loss of value.

In the financial statement prepared pursuant to accounting regulations in force in Poland:

Depreciation of goodwill settled with the 2004 result PLN1,210 thou.

c) Negative goodwill

According to MSSF 3, negative goodwill arising in acquisition is settled with the result at the time of the transaction. Pursuant to the Accounting Act, the part of negative goodwill arising in acquisition of MKS Cracovia SSA up to the amount of future, reliably estimated costs is settled in the period of actual incurring of these costs.

In the financial statement prepared pursuant to accounting regulations in force in Poland:

Negative goodwill as of 31 December 2004 PLN110 thou.
Depreciation of negative goodwill settled with the 2004 result PLN1,983 thou.

d) Perpetual usufruct rights

The method of including perpetual usufruct rights for land is not unanimous in MSSF and opinions on this issue are divergent. The Group, preparing the statements according to MSSF, gives perpetual usufruct rights as "intangibles."

Item	According to the Accounting Act	According to MSSF
Tangible fixed assets	111,554	74,800
Intangibles	2,408	39,162

In reference to Poland joining the European Union, the Law was passed of 2 October 2003 on amending the Special Economic Zone Law and Some Laws (Dz.U. No. 188, Item 1840), which changed conditions for tax exemptions for entities operating in special economic zones. Pursuant to the provision of Article 6 Para 1 of the Law, such entities may appeal for changing conditions of the permit in order to adjust it to the principles of providing public aid in force in the European Union. Pursuant to the provision of Article 5 Para 2 Clause 1b), Clause 2, Clause 3 of the Law, the maximum public aid for entities which manage operations in a special economic zone on the basis of the permit issued before 1 January 2000, may not exceed 75% of the investment value incurred in the period from the date of obtaining the permit to 31 December 2006, provided that the total public aid obtained from 1 January 2001 is taken into consideration for determining the maximum public aid. It means a change in the current functioning of tax relief (public aid), from relief with unlimited value to relief with limited value and dependent on the value of investments made. That is, in the case of ComArch SA, the maximum value of public aid shall not exceed 75% of the value of investment expenditures which ComArch SA has incurred / will incur in the period from obtaining the permit, i.e. 22 March 1999, to 31 December 2006.

ComArch SA approached the Minister of Economy for changing the conditions of the permit and on 1 July

2004 received a decision of the Minister of Economy of 24 June 2004 referring to the change in the conditions of the permit into the above stated and compliant with the law. At the same time, in the changed permit, the period for which the permit for ComArch SA was issued has been extended to 31 December 2017. It means extension of the period in which ComArch SA may use the limit of public aid to which it is entitled on account of the investments incurred in the Special Economic Zone.

Pursuant to MSR12, the investment relief remaining for use as of 31 December 2004 constitutes an asset on account of deferred income tax in the amount of PLN13,300 thou. Due to the fact that the relief may be used only in reference to tax income obtained on account of tax-exempt operations,

and according to the situation as of the date of preparing the consolidated financial statement for 2004, with no satisfactory certainty as for reliable assessment of the possibility of settling this asset in the future, in the time span in which the company is capable of reliably foresee shaping of income on account of tax-exempt operations, with the assumption of applying the safe appraisal principle in recognising assets on account of deferred income tax, the ComArch S.A. company did not give the asset on account of deferred income tax on account of the investment relief in the financial statement. At the same time, the Company shall regularly review the possibility of realising the asset on account of income tax and when premises appear for recognising this asset, it shall be given in the financial statement.

f) Presentation of capital of minority shareholders

Pursuant to MSSF, the capital of minority shareholders constitutes part of Group capitals and is given in the "Own capital" item.

g) Settlement of the acquisition result of the new MKS Cracovia SSA stock issue in July 2004 with the capital

In Q3 2004, ComArch SA assumed 40,000 new D Series stock issue of the MKS Cracovia SSA company and additionally acquired 1,549 stock of the Company, as a result of which the ComArch SA share in the MKS Cracovia SSA capital increased to 49.15%. Pursuant to Article 60 Para 4 of the Accounting Act, in case of change of the share in capital of the subordinate unit as a result of assuming stock of a new issue of the subordinate unit, the surplus of fair value of assets per share in the subordinate unit over acquisition price of this share constitutes financial proceeds. MSSF does not directly regulate transactions of assuming shares between entities within one capital group. However, due to the fact that, pursuant to MSSF, capitals of minority shareholders are included in own capitals of the Group, and with a view on the fact that capital transactions between shareholders of the Group should not affect the financial result, profit obtained in this transaction was settled with capitals in the statement prepared according to MSSF.

The summary of differences against MSSF, identified and quantified as of 31 December 2004 by the date of preparing this statement:

Item	Own capital as of 31 December 2004	Net result for 2004
According to Polish accounting principles	117,391	14,026
Including:		
a) Costs of expanding a joint stock company	- 189	1,100
b) Positive goodwill	1,210	1,210
c) Negative goodwill	110	- 1,983
d) Adjustment of the result of assuming the new MKS Cracovia SSA stock issue in July 2004 by ComArch SA	-	- 2,981
e) Adjustment by the result of minority shareholders		- 1,607
f) Capital of minority shareholders	14,013	-
Own capital and net result after including the identified and quantified differences described above	132,535	9,765
Including, per:		
- Shareholders of the dominant unit	118,522	11,372
- Minority shareholders	14,013	-1,607

EXPLANATION NOTES TO THE CASHFLOW STATEMENT TO THE REPORT SA-RS 2004 COMARCH SA

Note 34.

STRUCTURE OF CASH (CURRENT YEAR)

	31 December 2004	31 December 2003	Change
1	2	3	4 = 3 - 2
Cash at hand and in bank accounts	45,104	28,745	-16,359
Total	45,104	28,745	-16,359
- Including exchange rate differences	37	-201	-238

Note 35.

SPECIFICATION OF SETTLEMENTS OF SELECTED ITEMS OF THE CASHFLOW STATEMENT (CURRENT YEAR)

Operational activities

Item A 3 Depreciation

Depreciation of intangibles	1,975
Depreciation of tangible fixed assets	7,628
Total:	9,603

Item A II 5.

Interest on own bonds	4,475
Interest on loans and credits	146
Total:	4,621

Item A II 6.

Proceeds from sales of tangible fixed assets	- 329
Cost of sold fixed assets	294
Result on sales of securities	- 422
Other	57
Costs of buying out bonds	259
Total:	- 141

Item A II 9

Change in receivables	12,110
Investment receivables paid	- 146
Total:	11,964

Item A II 10.

Change in short-term obligations, except for loans, credits and other financial obligations	- 6,993
Change in investment obligations	- 3,724
Total:	-10,717

Item A II 11.

Change in short- and long-term accruals	- 11,876
Change in deferred costs	2,540
Total:	- 9,336

Investment activities

Proceeds	
Item B I 1.	
Proceeds from sales of tangible fixed assets	329
Receivables paid	146
	475
Total:	475
Expenses	
Item B II 1.	
Acquisition of intangibles and tangible fixed assets	- 29,660
Payment of investment obligations	3,724
	- 25,936
Total:	- 25,936

Note 36.

Units of the ComArch Capital Group covered by consolidation manage the following types of activities: sales of IT systems (hereafter called as "IT segment") and sport activities (hereafter called the "sport segment"), managed by MKS Cracovia SSA. Additionally, as a separate segment, "Internet and e-commerce," activities of the Interia.pl SA and NetBrokers Sp. z o.o. are presented, these companies being appraised in the consolidated statement with the ownership rights method. Detailed data of the segments are given below. The dominant share in proceeds from sales, results and assets is in the IT segment. Detailed data on segments are given below.

Description	IT segment	Sport segment	"Internet and e-commerce" segment	Adjustments	Total
Segment proceeds – sales to external clients	326,583	4,951			331,534
Segment proceeds – sales to other segments		4,513		-4,513	
Segment proceeds total*	326,583	9,464		-4,513	331,534
Segment costs related to sales to external clients	311,418	7,636			319,054
Segment costs related to sales to other segments		4,513		-4,513	
Segment costs total*	311,418	12,149		-4,513	319,054
Share of the segment in the result of units appraised with the ownership rights method			-833		-833
Share in the result of minority capital	215	1,392			1,607
Share of the segment in goodwill write-off	-1,010	1,842	-60		772
Net result	14,370	549	-893		14,026
Total assets	230,608	37,388	3,992		271,988
Liabilities of the segment	219,988	37,815	172		257,975
– Including minority capital					14,013
Total liabilities					271,988
Investment expenditures	28,632	1,028			29,660
Depreciation	9,212	391			9,603

* – The items include, respectively, proceeds and costs on all types of activities (operational, other operational, and financial) which directly may be allocated to particular segments.

Due to the geographical distribution of the operations, the ComArch Group differentiates the following market segments: Poland, Europe, America, Other countries. Segments "Sport" and "Internet and e-commerce" manage operations only in the area of Poland. The distribution of total proceeds by geographical segments is given below.

Net proceeds on sales of products, goods and materials by geographical segments in 2004:

Domestic	261,377
Europe	56,060

America	9,727
Other countries	2,815
Total**	<u>329,979</u>

** – The items do not include other operational and financial activities.

Due to the fact that only the IT segment manages operations abroad and at the same time costs incurred in the IT are largely common for export and domestic sales, the same assets are related to both types of sales. Therefore, selecting out balance sheet items or determining the result separately for export and domestic operations is not purposeful.

ADDITIONAL EXPLANATION NOTES TO THE REPORT SA-RS 2004

Note 37.

FINANCIAL INSTRUMENTS

a. Changes in financial instruments by category

Changes in particular categories of financial assets (excluding cash and other cash assets) in the period from 01.01.2004 to 31 December 2004 were as follows:

Changes in financial instruments by category	Financial assets allocated for trading	Financial assets maintained until payment date	Loans granted and own receivables	Financial obligations
1 January 2004	60		681	43,474
+ increase	105,582		271	10,669
- reduction	103,642		202	5,783
31 December 2004	2,000		750	48,360
Balance sheet				
Long-term financial assets				
In affiliated units				
In other units			380	
Short-term financial assets				
In affiliated units				
In other units	2,000		370	
Short-term financial obligations				
To affiliated units				
To in other units				1,739
Long-term financial obligations				
To affiliated units				
To other units				46,621

Current financial assets

This refers to the acquired units of participation in cash investment funds. Units of participation in cash investment funds are appraised according to fair value, i.e. pursuant to the daily appraisal of value of net assets into units of participation made by the association of investment funds.

Loans granted and own receivables

Loans granted are appraised according to the nominal value of increased by note calculated interest based on interest rate resulting from the agreement.

Financial obligations

On 12.04.2002, ComArch SA issued 4,000 5-year bonds convertible into shares. Conversion price is PLN 57.10, that is each bond may be converted into 175 shares of the Company. The issue price was set at the level of 100.3%, and the bond interest rate is 7.5% pa. In case conversion of bonds into shares cannot be effected, on 12 April 2007 additional coupon shall be paid in the amount of 21.84% of the nominal value of bonds. Obligation on account of the issued bonds is given in the books according to adjusted acquisition price. In the obligations, payable interest on own bonds is also given in the amount of PLN 4,254 thou. (including short-term obligations of PLN 781 thou.).

ComArch SA acquired 486 own bonds of series A convertible into shares series H on 14.07.2004. Purchase of the above bonds was done for redemption.

On 14 July 2004, the Management passed a resolution on depreciation of 486 bonds series A convertible into shares series H, issued by ComArch SA. After depreciation, the number of bonds series A convertible into shares series H issued by ComArch SA is 3,514.

Obligations refer also to the investment credit and a loan of the MKS Cracovia SSA subordinate unit.

b. Interest on financial obligations

	Executed	Not executed with due payment date				Interest
		less than 3 months	3-12 months	more than 12 months	total	
Interest on financial obligations allocated for trading	–	–	–	–	–	–
Interest on other short-term financial obligations	–	–	–	–	–	–
Interest on long-term financial obligations	2,914	–	781	1,416	2,197	5,111
Total	2,914		781	1,416	2,197	5,111

c. Interest on granted loans and debt financial instruments

	Executed	Not executed with due payment date				Interest
		less than 3 months	3-12 months	more than 12 months	total	
Interest on loans granted	–	–	–	–	–	–
Interest on debt financial instruments	422	–	–	–	–	422
Total	422	–	–	–	–	422

Note 38.

CONDITIONAL OBLIGATIONS

As of 31 December 2004, in reference to the executed agreements and participation in tenders, banks issued to the order of the ComArch Group bank guarantees and letters of credit for the value of PLN26,109 thou.

As of 31 December 2004, ComArch SA pledged for obligations of Interia.pl SA on account of leasing agreements for the amount of PLN1,499 thou.

The ComArch Group is the sued party in court proceedings in which the total prospective amount of claims from third parties is PLN2,213 thou. According to the Management, based on opinions of legal advisors, there are no circumstances indicating origination of significant obligations on this account, thus provisions for the amount of prospective claims were not included in the financial statement.

ComArch SA enjoys the investment credit in Fortis Bank Polska SA with the office in Warsaw for financing construction of a new production and office building in the Special Economic Zone in Krakow. Collateral for the credit consists in a blank bill of exchange, mortgage in plots where the building is to be erected and assignment of insurance policy for the building. Apart from this, ComArch enjoys the limit for bank guarantees in Bank Handlowy, with collateral consisting in mortgage in the real estate property located in os. Teatralne in Krakow.

Note 39.

PROCEEDS AND COSTS OF DISCONTINUED ACTIVITIES - NOT APPLICABLE

Note 40.

PLANNED INVESTMENT EXPENDITURES

The most important investment intentions in this year include the new investment in the area of the special economic zone in Krakow in the form of a complex of new buildings with the area of ca. 8,000 m² in order to expand the production capacity of the Group by the value of ca. PLN25m. Completion of this construction is planned for the end of the second quarter of 2005.

Note 41.

PROCEEDS OF COMPANIES COVERED BY CONSOLIDATION ON ACCOUNT OF SALES OF GOODS AND SERVICES IN 2004 FOR OTHER UNITS IN THE CAPITAL GROUP (in PLN thou.)

Interia.pl	332
<u>Net Brokers</u>	<u>145</u>
TOTAL	477

Trade receivables from affiliated units in companies covered by the consolidation as of 31 December 2004 are:

Interia.pl	39
<u>Net Brokers</u>	<u>62</u>
TOTAL	101

Note 42.

PURCHASES OF COMPANIES COVERED BY CONSOLIDATION FROM OTHER UNITS IN THE CAPITAL GROUP IN 2004 (basic goods and services)

Interia.pl	1,258
<u>Net Brokers</u>	<u>—</u>
TOTAL	1,258

Trade obligations of companies covered by consolidation to affiliated units as of 31 December 2004 are:

Interia.pl	201
<u>Net Brokers</u>	<u>—</u>
TOTAL	201

Note 43.

AVERAGE EMPLOYMENT IN THE COMARCH GROUP (CURRENT PERIOD)

Employees:	2004	2003
- Full-time	1,238	953
- Affiliated	209	97
Total	1,447	1,050

Full-time employees:	2004	2003
- Direct production	574	397
- Indirect production and sales	415	321
- Management and administration	249	235
Total	1,238	953

The following table present employment in MKS Cracovia SSA:

Employees:	2004
- Full-time	33
- Affiliated	68
Total	99

Full-time employees:	2004
- Workers	20
- Management and administration	13
Total	33

Note 44.

SALARIES OF MANAGING AND SUPERVISING PERSONS (CURRENT PERIOD) IN PLN

Management, ComArch SA

Item	Paid by ComArch S.A.	Paid by subsidiary and affiliated units	Sum
1 Zbigniew Rymarczyk	123,569.27	125,299.11	248,868.38
2 Tomasz Maciantowicz	295,188.70	0.00	295,188.70
3 Christophe Debou	295,167.36	45,204.60	340,371.96
4 Rafał Chwast	347,446.64	0.00	347,446.64
5 Robert Chwastek	585,529.08	0.00	585,529.08
6 Paweł Prokop	812,837.34	0.00	812,837.34
7 Paweł Przewięźlikowski	1,131,768.04	0.00	1,131,768.04
8 Janusz Filipiak	2,967,223.54	31,537.98	2,998,761.52
Management total	6,558,729.97	202,041.69	6,760,771.66

Supervisory Board

Item	Paid by ComArch S.A.	Paid by subsidiary and affiliated units	Sum
1 Tadeusz Włudyka	15,000.00	0.00	15,000.00
2 Marian Noga	15,000.00	0.00	15,000.00
3 Wojciech Kucharzyk	15,125.00	0.00	15,125.00
4 Anna Ławrynowicz	15,125.00	0.00	15,125.00
5 Maciej Brzeziński	30,000.00	0.00	30,000.00
6 Krzysztof Zieliński	31,000.00	0.00	31,000.00
7 Elżbieta Filipiak	300,000.00	0.00	300,000.00

Supervisory Board total	421,250.00	0.00	421,250.00
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As of 31 December 2004, there are no unpaid prepayments, credits, loans as well as guarantees and pledges granted by ComArch SA and subordinate units for Members of the Management, of the Supervisory Board and their spouses, relatives and relations by affinity up to the second degree.

Pursuant to execution of the manager option programme due for the President, the Management Board of the Company, 125,787 regular bearer's series G shares were issued in 2004 at the issue price equal to nominal value, i.e. at PLN1 each. Subscription to series G shares was conducted on 17 and 18 June 2004. District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register issued a decision on registration of series G shares on 29 June 2004. The ComArch SA shares closing rate on that day was PLN56.50, which means that the difference between market value of shares allocated for the President of the Company and value of their acquisition was PLN6,981,179.

The Supervisory Board of the Company passed Resolution No. 1/3/2005 on 23 March 2005 on execution of the manager option programme allocated for the President, the Management Board of the Company on the basis of Resolution No. 6 of the Extraordinary General Assembly of Shareholders of ComArch SA of 21 December 2001. Pursuant to Article 1 Clause 3 of this resolution, the option for 2004 is calculated in the amount of 5% of the increase in capitalisation of the Company, between the average capitalisation of December 2003 and the average capitalisation of December 2004. Increase in capitalisation in this period was PLN140,587,330.11, so the option value is PLN7,029,366.51. At the same time, the Board decided that in order to execute the option, 102,708 regular bearer's series G3 shares shall be issued at issue price equal to nominal value, i.e. at PLN1 each. The Supervisory Board obliged the Management to pass a resolution within 30 days on issue of series G3 shares with the above conditions and expressed consent in reference to the objectives of the programme to exclude the collection right due for the current shareholders. The Management of ComArch SA informs that the series G shares issue will be conducted on principles of the target capital pursuant to Article 9 Para 3 of the Bylaws of the Company.

The ComArch SA shares closing rate on 04.04.2005 was PLN57.50, which means that the difference between market value of the shares allocated to the President of the Company and their issue price was PLN5,803,002.

Salaries and other incomes of members of managements of companies subordinate to ComArch S.A. paid by companies of the ComArch Group in 2004 were as follows (in PLN thou., without salaries of members of the Management and of the Supervisory Board of ComArch S.A.):

ComArch Global, Inc.	303
ComArch Software AG	324
ComArch Middle East FZ-LLC	–
ComArch Sp. z o.o.	16
ComArch s.r.o.	10
ComArch Panama, Inc.	13
ComArch Krakow S.A. (before merger)	431
CDN-ComArch S.A. (before merger)	601
ComArch Services Sp. z o.o.	–
MKS Cracovia SSA	751
Fideltronik-ComArch SA	–

Salaries and other incomes of members of supervisory boards of companies subordinate to ComArch S.A. paid by companies of the ComArch Group in 2004 were as follows (in PLN thou., without salaries of members of the Management and of the Supervisory Board of ComArch S.A.):

ComArch Global, Inc.	–
ComArch Software AG	–
ComArch Middle East FZ-LLC	–
ComArch Sp. z o.o.	–
ComArch s.r.o.	94
ComArch Panama, Inc.	–
ComArch Krakow S.A. (before merger)	195
CDN-ComArch S.A. (before merger)	–
ComArch Services Sp. z o.o.	–
MKS Cracovia SSA	–
Fideltronik-ComArch SA	–

Note 45.

SIGNIFICANT EVENTS RELATED TO PREVIOUS PERIODS – NOT APPLICABLE

Note 46.

EVENTS AFTER THE BALANCE SHEET DATE

On 26.01.2005, the company of OOO ComArch was registered with the office in Moscow. OOO ComArch is a company in 100% subsidiary to ComArch SA. The initial capital of the Company is RUB1.2m and is divided into 1,200,000 shares of the nominal value of RUB1 each (1 RUB equals about 0.11 PLN). The total number of votes from all the issued shares is 1,200,000. The initial capital will be paid in entirety with cash. The Company deals with sales of ComArch products in Russia and partial support for the IT systems delivered to clients.

On 18.03.2005, the Management of ComArch SA was informed by Dom Maklerski POLONIA NET SA, offering series F shares of Interia.pl SA in public trading of securities, about allocation of 425,000 shares of Interia.pl SA for the ComArch SA company. The issue price of the allocated shares is PLN10 per share. Interia.pl SA is an affiliated company to ComArch SA. Transaction value: PLN4,250,000.

On 23.03.2005, ComArch SA received a signed change to the agreement of investment credit from Fortis Bank Polska SA with the office in Warsaw for financing construction of a new production and office building in the Special Economic Zone in Krakow, about which the Company informed a in the current report No. 47/2004. The change consists in extending the period of credit use by 3 months. At present, cash within the credit may be initiated by 30.06.2005. Agreement value: PLN20m.

The Supervisory Board of the Company passed Resolution No. 1/3/2005 on 23 March 2005 on execution of the manager option programme due for the President, the Management Board of the Company, on the basis of Resolution No. 6 of the Extraordinary General Assembly of Shareholders, ComArch SA, of 21 December 2001. Pursuant to Article 1 Clause 3 of this resolution, the 2004 option is calculated in the amount of 5% of increase in Company capitalisation between the average capitalisation of December 2003 and the average capitalisation of December 2004. Increase in capitalisation in this period was PLN140,587,330.11, that is the option value is PLN7,029,366.51. At the same time, the Board decided that in order to execute the option, 102,708 regular bearer's series G3 shares shall be issued at issue price equal to nominal value, i.e. at PLN1 each. The Supervisory Board obliged the Management to pass a resolution within 30 days on issue of series G3 shares at the above conditions and expressed consent for exclusion of the collection right due for the current shareholders in reference to the programme objectives. The ComArch SA Management informs that the series G shares issue will be conducted on the principles of the target capital pursuant to Article 9 Para 3 of the Bylaws of the Company.

On 29.03.2005, Robert Chwastek filed resignation of the performed function of Member, the Management, ComArch SA. Mr. Robert Chwastek gave personal reasons as causes of resignation.

On 04 April 2005 ComArch SA received a note from the District Court for Krakow Podgórze in Krakow, the IV Department of the Land and Mortgage Register of 30 March 2005 on establishing mortgage for the benefit of Fortis Bank Polska SA on perpetual usufruct rights to the real estate property in which construction is executed of a new production and office building in the Special Economic Zone in Krakow. The mortgage was established in reference to the investment credit about which the Company informed in the current report No. 47/2004. The entry refers to contractual regular mortgage at the value of PLN20m and to the contractual deposit mortgage for interest on the provided credit and other costs in the amount of PLN4,788 thou. The registration value of assets in which mortgage is established in the books of account of the Company as of 28.02.2005 was PLN16.2m. To the knowledge of the Company, Fortis Bank Polska SA and persons managing Fortis Bank Polska SA are not related to ComArch SA and to persons managing or supervising ComArch SA. Value of own capitals of the Company was adopted as a criterion for high-value assets.

In reference to execution of the manager option program due for the President of the Company Management on the basis of Resolution No. 6 of the EGAS of 21 December 2001 and in reference to the Resolution of the Supervisory Board of the Company of 23 March 2005 obliging the Management to pass the resolution on issuing G3 Series shares, of which the Company informed in the current report No. 9/2005, the Management of ComArch SA passed Resolution No. 1 on 11 April 2005 on increasing the initial capital by way of a public issue of 102,708 regular bearer's shares in Series G3 at the nominal value of PLN1 and an amending the Company Bylaws.

The issue of G3 Series shares shall exclude the collection right for current shareholders of the Company. The issue price is PLN1. The G3 Series shares will be covered only with cash and will participate in the dividend beginning with payments from profit to be allocated for distribution for the accounting year 2005, that is as of 1 January 2005.

The issue of G3 Series shares shall be executed by way of a private subscription referred to in Article 431 Para 2 Clause 1 of the Code of Trade Companies, run under public trading conditions, while G3 Series shares will be released from trading in the Warsaw Stock Exchange. All shares of the G3 Series will be offered for the President of the Company.

The agreement on assuming the G3 Series shares shall be concluded by 30 October 2005.

Due to the increase in the initial capital of the Company, Article 7 Para 1 of the Company Bylaws receives the following wording:

"1. The initial capital of the Company is not more than PLN7,655,095 (say: seven million six hundred and fifty five thousand ninety five Zloty) divided into not more than 7,655,095 (say: seven million six hundred and fifty five

thousand ninety five) shares, including:

1,767,200 (one million seven hundred and sixty seven thousand two hundred) registered privileged shares for the nominal value of PLN1.00 each and not more than 5,887,895 (five million eight hundred and eighty seven thousand eight hundred and ninety five) regular bearer's shares for the nominal value of PLN1.00 each, including:

- 1) 883,600 registered privileged shares in Series A,
- 2) 56,400 regular bearer's shares in Series A,
- 3) 883,600 registered privileged shares in Series B,
- 4) 56,400 regular bearer's shares in Series B,
- 5) 3,008,000 regular bearer's shares in Series C,
- 6) 1,200,000 regular bearer's shares in Series D,
- 7) 638,600 regular bearer's shares in Series E,
- 8) 125,787 regular bearer's shares in Series G,
- 9) 102,708 regular bearer's shares in Series G3,
- 10) Not more than 700,000 regular bearer's shares in Series H."

On 12 May 2005, the Management of INTERIA.PL SA amended rights in 305,119 registered privileged shares of the INTERIA.PL SA company to the motion of shareholders. By virtue of the above resolution, 195,556 registered privileged shares of the INTERIA.PL SA company in Series C shares owned by ComArch SA were converted into regular bearer's shares. At the same time, on 12 May 2005 ComArch SA disposed of 1 regular bearer's share of the INTERIA.PL SA company. After the above amendment of rights on shares and disposing the share, ComArch SA has 2,888,369 shares of the INTERIA.PL SA company, which is 41.05% of the initial capital of the Company and 11,959,625 votes, which is 49.95% of the total number of votes in GAS.

Note 47.

MERGER OF COMPANIES

District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register on 31.08.2004 issued a decision on entering merger of the companies ComArch SA and ComArch Krakow SA and merger of the companies ComArch SA and CDN-ComArch SA in the National Court Register. 31.08.2004 is the merger date. The merger was settled with the acquisition method. Acquisition price, constituting the value of shares owned in both companies, was PLN41,673 thou., and the net value of assets taken over as of the merger date was PLN36,153 thou.

The merger of the said Companies was in both cases conducted on the basis of the provision of Article 492 Para 1 Clause 1) in reference to Article 515 Para 1 of the Code of Trade Companies. The said companies merged in the mode set forth in Article 492 Para 1 Clause 1) of the Code of Trade Companies, i.e. in the mode of merging by taking over. The entire equity of taken over companies, i.e. ComArch Krakow SA and CDN-ComArch SA, was assigned to the taking over company, i.e. ComArch SA.

The taking over company, ComArch Spółka Akcyjna with the office in Krakow is registered in the Register of Entrepreneurs managed by the District Court for Krakow – Srodmiescie in Krakow, Department XI for Commercial; Issues of the National Court Register under item KRS 0000057567. The basic subject matter of ComArch SA activities is activities in the scope of IT – PKD 72.

The taken over company of ComArch Krakow SA Spółka Akcyjna with the office in Krakow was registered in the Register of Entrepreneurs managed by the District Court for Krakow - Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register under item KRS 0000016330. The basic subject matter of ComArch Krakow S.A. activities was activities in the scope of IT – PKD 72. ComArch Krakow SA as of the merger date was a company subsidiary in 100% to ComArch SA.

The taken over company of CDN-ComArch SA Spółka Akcyjna with the office in Krakow, was registered in the Register of Entrepreneurs managed by the District Court for Krakow – Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register under item KRS 0000037947. The basic subject matter of CDN-ComArch SA activities was activities in the scope of IT - PKD 72. CDN-ComArch SA as of the merger date was a company subsidiary in 100% to ComArch SA.

Note 48.

CHANGES IN THE ADOPTED ACCOUNTING PRINCIPLES

In reference to the amendment in the Ordinance of the Minister of Finances of 12.12.2001 becoming effective in 2004 on detailed principles of recognition, methods of appraisal, scope of disclosing and method of presentation of financial instruments (Dz. U. 2001 Vol. 149 Item 1674 and 2004 Vol. 31 Item 266) and in order to adjust to requirements of the Ordinance, the Group made the changes in principles for recognition of built-in derivative instruments starting with 2004. At the same time, to ensure comparability of data for 2004 and 2003, the Group made changes in presentation of data for 2003 against the data included in the report SA-RS 2003. The amended Ordinance defines a situation in which built-in derivative instruments are not recognised. Pursuant to Para 10 Clause 1a 5c) of the Ordinance, built-in derivative instruments are not recognised in a situation when the

agreement is made in currency, in which agreements for delivery of specific goods and services are commonly made in the domestic market.

Balance sheet	Data for 2003 according to report SA-RS 2003	Transforming data (change in the adopted accounting principles)	Data for 2003 after transformation
ASSETS	31 December 2003	Adjustment	31 December 2003 adjusted
Fixed assets	104,972		104,972
Current assets	163,132	-2,119	161,013
Including			
Short-term accruals	17,032	-2,119	14,913
Balance sheet sum	268,104	-2,119	265,985

Balance sheet	31 December 2003	Adjustment	31 December 2003 adjusted
LIABILITIES	31 December 2003	Adjustment	31 December 2003 adjusted
Own capital	103,631	-134	103,947
Including			
Initial capital	6,727		6,727
Supplementary capital	96,714		96,714
Capital from appraisal updating	282		282
Other reserve capitals	9,685		9,685
Loss from previous periods	-18,985	572	-18,413
Net profit	9,297	-706	8,591
Obligations and provisions	143,789	-1,985	141,804
Including			
Deferred costs	29,622	-1,985	27,637
Balance sheet sum	268,104	-2,119	265,985

Profit and loss account	31 December 2003	Adjustment	31 December 2003 adjusted
Proceeds from sales	256,643	1,004	257,647
Net proceeds from sales of products	140,036	1,004	141,040
Gross profit from sales	66,979	1,004	67,983
Profit from sales	15,589	1,004	16,593
Profit on operational activities	15,374	1,004	16,378
Financial proceeds	2,931		2,931
Financial costs	7,221	1,710	8,931
Gross profit	12,614	-706	11,908
Net profit	9,297	-706	8,591

COMARCH IT SYSTEMS
REPORT OF THE MANAGEMENT BOARD

COMARCH SA
FROM THE ACTIVITIES OF THE CAPITAL GROUP
IN 2004

Krakow, 02 June 2005

TABLE OF CONTENTS

1. THE BASIC INFORMATION ABOUT THE CAPITAL GROUP

1.1. Selected financial data

Consolidated financial data

	2004	2003	2002
Proceeds on sales	329,979	257,647	195,065
Operational profit	18,027	16,378	9,153
Gross profit	13,812	11,908	8,475
Net profit	14,026	8,591	4,403
Profit per stock	2.06	1.25	0.61
Assets	271,988	265,985	216,161
Book value	117,391	103,497	119,157
Book value per stock	17.13	15.39	16.48

In 2004, the Group achieved record proceeds from sales in the amount of PLN329.98m, which means increase by 28% against 2003 and by 69% against 2002. Operational profit against 2003 increased by 10%, gross profit – by 16%, and net profit by as much as 63%. Against 2002, the operational profit is almost twice as high and net profit is over 3 times higher. As of the end of 2004, assets and book value of the Group were also higher than a year before.

Consolidated profit per 1 share achieved the level of PLN2.06, which means increase by 65% against 2003 and 238% against 2002. Book value per 1 share increased by 11% and 4%, respectively.

Stock Exchange rate of the dominant company: ComArch SA

Period	Highest	Lowest
I quarter of 2004	54.00	45.70
II quarter of 2004	58.70	51.10
III quarter of 2004	69.00	54.90
IV quarter of 2004	72.00	64.0

On 31 December 2004, the closing rate for ComArch SA shares in the Warsaw Stock Exchange was PLN 71.50. In 2003, the last closing rate for ComArch S.A. shares was PLN 51.30. It means that in 2004, shares of ComArch brought about return rate of 39%.

1.2. Organisational structure and characteristics of the ComArch Group

Organisational structure of the ComArch Group

ComArch					
Domestic					
Krakow	Warsaw	Poznań	Gdańsk	Katowice	Wroclaw
International					
USA	Germany	Finland	Belgium	France	
Slovakia	Ukraine	Russia	Dubai	Panama	

MKS Cracovia SSA	INTERIA.PL SA	NetBrokers Sp. z o.o.
48.09%	49.87%	40%

On 31 December 2004, the dominant entity, ComArch SA, had shares in the following companies (in parentheses: share of votes for ComArch SA):

- ComArch Global, Inc. with the office in Washington (90.00%),
- ComArch Software AG with the office in Frankfurt am Main (100.00%),
- ComArch Middle East FZ-LCC with the office in Dubai (100.00%),
- ComArch Sp. z o.o. with the office in Kiev (100.00%),
- ComArch s.r.o. with the office in Sliach, Slovakia (100.00%),
- ComArch Panama, Inc. with the office in Panama (100.00% subsidiary to ComArch Global, Inc.)
- ComArch Services Sp. z o.o. with the office in Krakow (99.90%),
- Interia.pl SA with the office in Krakow (49.87%),
- NetBrokers Sp. z o.o. with the office in Krakow (40.00%),
- MKS Cracovia SSA with the office in Krakow (49.15%),
- Fideltronik-ComArch with the office in Krakow (50.00%).

Changes in the organisational structure in 2004

Merger of ComArch Internet Ventures S.A. and CDN-ComArch S.A.

On 01.03.2004, subsidiary companies ComArch Internet Ventures SA and CDN SA with offices in Krakow informed about three decisions made on 27.02.2004 by the District Court for Krakow Srodmiescie in Krakow.

By virtue of the first decision, increasing the initial capital of the Company CDN SA was made from the amount of PLN 102,000 to the amount of PLN 250,000 by issuing 169,000 series D shares at the nominal value of PLN 1 and with simultaneous amortisation of 28,141 series A shares and 26,859 series B shares, i.e. own stock owned by CDN SA.

By virtue of the second decision, the CDN SA company was taken over by the ComArch Internet Ventures SA company by way of taking over the entire equity and changing the firm under which the ComArch Internet Ventures SA company is operating into CDN Spółka Akcyjna.

By virtue of the third decision, the CDN SA company (i.e. the one taken over) was deleted from the National Court Register.

After the above taking over, the ComArch Internet Ventures SA company changed name to CDN-ComArch Spółka Akcyjna. The initial capital was not changed and was PLN12,840,000, divided into 12,840 registered preferential (for vote) shares (5 votes in the GAS) of the nominal value of PLN 1,000 each. ComArch SA had 99.99% of the votes in the GAS of the Company. The total number of votes resulting from all the issued shares was 64,200.

Merger of ComArch S.A., CDN-ComArch S.A. and ComArch Krakow S.A. companies

On 30 April 2004, the ComArch SA Management passed a resolution on merger of the ComArch SA company with its subsidiary companies: ComArch Krakow SA and CDN-ComArch SA, in which ComArch SA had 99.99% capital on that day. The ComArch SA consolidated report for previous accounting years included financial details of both companies which were taken over. Equity of subsidiary companies of CDN-ComArch SA and ComArch Krakow SA was in entirety represented by the stock of ComArch SA in the companies being taken over. In reference to this issue, the merger was completed without increasing capital of the ComArch SA taking over company and no stock was allocated of the taking over company of ComArch SA. The bylaws of ComArch SA were not changed in reference to the said merger.

The District Court for Krakow Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register on 31.08.2004 issued a decision on entering the merger of ComArch SA and ComArch Krakow SA and the merger of ComArch SA and CDN-ComArch SA in the National Court Register. 31.08.2004 was the merger date.

The merger of the said Companies was in both cases conducted on the basis of provisions of Article 492 Para 1 Clause 1) in reference to Article 515 Para 1 of the Code of Trade Companies. The said companies merged in the mode set forth in Article 492 Para 1 Clause 1) of the Code of Trade Companies, i.e. in the mode of merging by taking over. The entire equity of the taken over companies, i.e. ComArch Krakow SA and CDN-ComArch SA, was assigned to the dominant company, i.e. ComArch SA.

The dominant company of ComArch Spółka Akcyjna with the office in Krakow is registered in the Register of Entrepreneurs managed by the District Court for Krakow - Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register, under item KRS 0000057567. The basic subject matter of ComArch SA activities are the activities in the scope of IT - PKD 72.

The taken over company of ComArch Krakow Spółka Akcyjna with the office in Krakow was registered in the Register of Entrepreneurs managed by the District Court for Krakow - Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register, under item KRS 0000016330. The basic subject matter of ComArch Krakow S.A. activities was activity in the scope of IT - PKD 72. ComArch Krakow SA as of the merger date was 100% subsidiary to ComArch SA.

The taken over company of CDN-ComArch Spółka Akcyjna with the office in Krakow was registered in the Register of Entrepreneurs managed by the District Court for Krakow - Srodmiescie in Krakow, Department XI for Commercial Issues of the National Court Register, under item KRS 0000037947. The basic subject matter of

CDN-ComArch SA activities was activity in the scope of IT - PKD 72. CDN-ComArch SA as of the merger date was 100% subsidiary company to ComArch SA.

Taking over companies subsidiary, CDN-ComArch SA and ComArch Krakow SA, by ComArch SA was aimed at increasing operational performance of the ComArch Group, by way of eliminating inadequacies of functioning as separate companies, increasing synergy of operation by selling specific sales people of the complete ComArch Group offer and reducing costs related to functioning of particular companies as separate legal entities. Taking over by ComArch SA of subsidiary companies: CDN-ComArch SA and ComArch Krakow SA, allowed better organisational use of human resources and equity of taken over companies and increasing potential of the dominant company.

Increasing the initial capital of MKS Cracovia SA

On 27.05.2004, the ComArch SA Management informed about the intention of participation in increasing the MKS Cracovia SSA initial capital by assuming stock of a new issue for the value of PLN4m. MKS Cracovia SSA intended to obtain means from Union funds for expansion of the sports and recreation infrastructure in land in the club's perpetual usufruct. Funds from the issue will be used by MKS Cracovia SSA for preparation of this investments and applications for additional financing from the European Fund for Regional Development under the Task 1.4 of the Integrated Operational Program of Regional Development. After passing the issue by the MKS Cracovia SSA GAS, participation of ComArch SA in the capital and votes of MKS Cracovia SSA increased to 48.09%. At the same time, the ComArch SA Management informed that in the current calendar year, companies of the ComArch capital group intended to allocate not more than 1.5% of consolidated proceeds of the Group (i.e. about PLN 4.5m) for promotional and marketing activities managed through MKS Cracovia SSA.

The District Court for Krakow Srodmiescie on 19.07.2004 issued a decision on registration of increase in the initial capital of MKS Cracovia SSA by PLN 4m. As a result of this increase, ComArch SA assumed for cash 40,000 of registered regular series D shares at issue price equal to the nominal value of PLN 100 per share. After the above increase, the initial capital of MKS Cracovia SSA is PLN 14,557,000 and is divided into 145,570 shares. The initial capital is composed of 70,570 series A shares, 5,000 series B shares, 30,000 series C shares and 40,000 series D shares. The total number of votes resulting from all the issued shares is 145,570. After the above registration, ComArch SA had 70,001 shares and votes in the MKS Cracovia SSA GAS, which is 48.09% share in the initial capital of the Company.

In the III quarter of 2004, ComArch SA acquired from one of shareholders in Cracovia SSA 1,549 shares of the Company, as a result of which the ComArch SA share in the capital of Cracovia SSA increased to 49.15%.

Registration of the ComArch Middle East FZ-LLC company

The company ComArch Middle East FZ-LLC with the office in Dubai, registered in April 2004, is a subsidiary company to ComArch S.A.. The initial capital of the company is AED200,000 divided into 200 shares of AED1,000 each (1 AED is about 1.08 PLN). ComArch SA assumed all shares for cash at nominal value. The total number of votes resulting from all the issued shares is 200. The company shall deal with sales of ComArch products in Near East and in partial support for the IT systems delivered to clients.

Registration of the ComArch company in Ukraine

On 1 June 2004, a limited liability company "ComArch" was registered with the office in Kiev, Ukraine, this company being 100% subsidiary to ComArch SA. The initial capital of the company was covered with cash, which is UAH 20,500 (1 UAH is about 0.72 PLN). The registered company is a one-person limited liability company. The company shall deal with sales of ComArch Group products in Ukraine, with partial support for IT systems delivered to clients.

Registration of the CIV sp. z o.o. company

On 18.06.2004, the District Court for Krakow Srodmiescie registered the company of CIV Sp. z o.o. with the office in Krakow, which was a subsidiary to ComArch S.A. The initial capital of the company is PLN50,000 and is divided into 1,000 shares of PLN50 each. ComArch SA assumed 999 shares for cash at nominal value. The total number of votes resulting from of all the issued shares is 1,000. CIV Sp. z o.o. shall manage operations in tele-IT services, consisting in supplying tele-IT connections for own needs of the ComArch Group companies and for contracts executed by ComArch.

Registration of the ComArch company in Slovakia

On 31 August 2004, changes in shareholders in a limited liability company MHTRADE s.r.o. with the office in Sliač, Slovakia, were registered in court, and changes of the firm to ComArch s.r.o. The initial capital of ComArch s.r.o. is SKK 200,000 (1 SKK is about 0.1105 PLN). ComArch SA acquired 1 share constituting 100% capital of the Company from 2 individuals for the amount of SKK 175,400. ComArch s.r.o. deals with production of software to the order of the ComArch Group.

Registration of the ComArch Panama company

On 22.11.2004, the ComArch Panama, Inc. company was registered in the public register for the city of Panama. ComArch Panama, Inc. is a 100% subsidiary to ComArch Global, Inc. The initial capital of the Company is USD10,000 and is divided into 10,000 shares with the nominal value of USD1 each. The total number of votes resulting from all the issued shares is 10,000. The initial capital was paid in entirety with cash. The Company deals with sales and production of systems IT in the Central and South American markets.

Characteristics of the Group companies

The firm of the Company: **ComArch Spółka Akcyjna**
 The address of the Company: 31-864 Krakow, Aleja Jana Pawła II 39 a
 Phone: (12) 646 10 00
 Fax: (12) 646 11 00
 Regon: 350527377
 NIP identification number: 677-00-65-406

The dominant company, with the shares of the company allowed for trading in the Warsaw Stock Exchange and are owned by Janusz and Elżbieta Filipiak (45.57%), members of the Management, ComArch S.A. (3.69%) and other shareholders (50.74%). The company has branches in Krakow, Warsaw, Poznań, Gdańsk, Wrocław and Katowice.

On 31.08.2004, the District Court for Krakow - Srodmiescie in Krakow, the XI Department for Commercial Issues of the National Court Register, issued a decision on entering the mergers of ComArch SA and ComArch Krakow S.A. and of ComArch S.A. and CDN-ComArch S.A. in the National Court Register. 31.08.2004 was the date of the merger.

The firm of the Company: **ComArch Global, Inc.**
 The address of the Company: 1160 NW 159th Drive, Miami, FL 33169
 Phone: (1) 305 329 3900
 Fax: (1) 305 329 3905
 Document No. P02000099861

On 31 December 2004, ComArch SA had 90% shares in ComArch Global, Inc. In 2004, there were no changes in the capital structure of the Company. Pursuant to the Accounting Act of 29.09.1994, ComArch Global, Inc. is a subsidiary to ComArch SA.

The firm of the Company: **ComArch Software AG**
 The address of the Company: Grüneburgweg 58 – 62, D-60322 Frankfurt am Main
 Phone: +49 (0) 69 5 90 24 - 0
 Fax: +49 (0) 69 5 90 24 - 590
 HRB 48858

On 31 December 2004, the initial capital of ComArch Software AG was EUR 58,380.00. The initial capital was composed of 11,676 registered shares of the nominal value of EUR 5 each. The total number of votes resulting from all the issued shares was 11,676. ComArch SA has 100% share in the capital and votes in the GAS of the Company. In 2004 there were no changes in the capital structure of ComArch Software. Pursuant to the Accounting Act of 29.09.1994, ComArch Software AG is a subsidiary to ComArch SA.

The firm of the Company: **ComArch Middle East FZ-LCC**
 The address of the Company: PO. Box 500398 Dubai, UAE
 Phone: +971 4 3913262
 Fax: +971 4 3918668
 Register No. 19879

The company was registered in April 2004. The initial capital of the company is AED200,000 divided into 200 shares of AED1,000 each (1 AED is about 1.08 PLN). ComArch SA assumed all shares for cash at nominal value. The total number of votes resulting from all the issued shares is 200. Pursuant to the Accounting Act of 29.09.1994, ComArch Middle-East FZ-LLC is a subsidiary to ComArch SA.

The firm of the Company: **ComArch Sp. z o.o.**
 The address of the Company: 01601 Kiev, 42-44 Shovkovychna Str.
 Phone: +(380)44 490 12 30
 Fax: +(380)44 490 12 00
 Register No. 32918282

On 1 June 2004, a limited liability company "ComArch" was registered with the office in Kiev, Ukraine, this company being 100% subsidiary to ComArch SA. The initial capital of the company was covered with cash, which is UAH 20,500 (1 UAH is about 0.72 PLN). The registered company is a one-person limited liability company. Pursuant to the Accounting Act of 29.09.1994, ComArch Sp. z o.o. is a subsidiary to ComArch SA.

The firm of the Company: **ComArch s.r.o.**
 The address of the Company: 821 05 Bratislava, Kladnianska 34
 Phone: +(421) 2 436 37 234
 Fax: +(421) 2 436 37 236
 Regon: 36056715
 NIP identification number: SK2020070558

On 31 August 2004, changes in shareholders in a limited liability company MHTRADE s.r.o. with the office in Sliač, Slovakia, were registered in court, and changes of the firm to ComArch s.r.o. The initial capital of ComArch s.r.o. is SKK 200,000 (1 SKK is about 0.1105 PLN). ComArch SA acquired 1 share constituting 100% capital of the Company from 2 individuals for the amount of SKK 175,400. ComArch s.r.o. deals with production of software to the order of the ComArch Group. Pursuant to the Accounting Act of 29.09.1994, ComArch s.r.o. is a subsidiary to ComArch SA.

The firm of the Company: **ComArch Panama, Inc.**
 The address of the Company: Distrito Panama, Corregimiento de San Francisco, Calle Winston Churchill, Paitilla, Edificio Mar Del Sur, Apartamento No.6
 Registration No. 468218

On 22.11.2004, the ComArch Panama, Inc. company was registered in the public register for the city of Panama. ComArch Panama, Inc. is a 100% subsidiary to ComArch Global, Inc. The initial capital of the Company is USD10,000 and is divided into 10,000 shares with the nominal value of USD1 each. The total number of votes resulting from all the issued shares is 10,000. The initial capital was paid in entirety with cash. The Company deals with sales and production of systems IT in the Central and South American markets. Pursuant to the Accounting Act of 29.09.1994, ComArch Panama, Inc. is a subsidiary to ComArch SA.

The firm of the Company: ComArch Services Sp. z o.o.
 The address of the Company: 31-946 Krakow, ul. Teatralne 9a
 Phone: (12) 646 18 00
 Fax: (12) 646 18 50
 Regon: 356846563
 NIP identification number: 678-29-24-039

On 18.06.2004, the District Court for Krakow Srodmiescie registered the company of CIV Sp. z o.o. (now: ComArch Services Sp. z o.o.) with the office in Krakow. The initial capital of the company is PLN50,000 and is divided into 1,000 shares of PLN50 each. ComArch SA assumed 999 shares for cash at nominal value. The total number of votes resulting from of all the issued shares is 1,000. Pursuant to the Accounting Act of 29.09.1994, CIV Sp. z o.o. is a subsidiary to ComArch SA.

The firm of the Company: **INTERIA.PL Spółka Akcyjna**
 The address of the Company: 30-081 Krakow, ul. Królewska 57
 Phone: (12) 646 27 00
 Fax: (12) 646 27 10
 Regon: 357054315
 NIP identification number: 677-21-18-727

On 31 December 2004, the initial capital of the Company was PLN 6,568,950 and was divided into 6,568,950 shares of the nominal value of PLN 1 each. ComArch SA had 2,463,370 shares of the Company at nominal value of PLN 1 each, which was 49.87% of votes in the General Assembly and 37.50% of shares in the initial capital of the Company. In 2004, there were no changes in the capital structure of the Company. Pursuant to the Accounting Act of 29.09.1994, INTERIA.PL SA is a company affiliated with ComArch SA.

The firm of the Company: **NetBrokers Sp. z o.o.**
 The address of the Company: 31-946 Krakow, os. Teatralne 9a
 Phone: (12) 646 18 68
 Fax: (12) 646 18 70
 Regon: 357140291
 NIP identification number: 679-26-07-441

On 31 December 2004, the initial capital of the Company was PLN 750,000 and was divided into 750 shares of the nominal value of PLN 1,000 each. ComArch SA had 300 shares, which constituted 40.0% of the initial capital of the Company. In 2004, there were no changes in the capital structure of the Company. Pursuant to the Accounting Act of 29.09.1994, NetBrokers Sp. z o.o. is a company affiliated with ComArch SA.

The firm of the Company: **Miejski Klub Sportowy Cracovia Sportowa Spółka Akcyjna**
 The address of the Company: 30-111 Krakow, ul. Kałuży 1
 Phone: (12) 292 91 00
 Fax: (12) 292 91 03
 Regon: 351553230
 NIP identification number: 677-20-79-476

On 31 December 2003, ComArch SA had 30,000 registered regular shares of the value of PLN 100 each for the total value of PLN 3,000,000. The initial capital of MKS Cracovia SSA was PLN 10,557,000 and was divided into 105,570 shares. The shares covered by ComArch SA constituted 28.4% of the initial capital of MKS Cracovia SSA and give the same number of votes in the General Assembly of the Company. In 2004, ComArch S.A. acquired 1 share of the Company from a private person.

The District Court for Krakow Srodmiescie on 19.07.2004 issued a decision on registration in crease in the initial capital of MKS Cracovia SSA by PLN 4m. As a result of this increase, ComArch SA assumed 40,000 registered regular series D shares for cash at issue price equal to the nominal value in the amount of PLN 100 per share. After the above increasing, the initial capital of MKS Cracovia SSA is PLN 14,557,000 and is divided into 145,570 shares. The initial capital is made up of 70,570 series A shares, 5,000 series B shares, 30,000 series C shares and 40,000 series D shares. The total number of votes resulting from all the issued shares is 145,570. ComArch SA has 7,001 shares and votes in the GAS MKS Cracovia SSA, which is 48.09% of the share in the initial capital of the Company.

Pursuant to Article 3 Clause 37 d) of the Accounting Act, due to the fact that majority of members of the Supervisory Board of MKS Cracovia SSA is appointed by ComArch S.A., MKS Cracovia SSA is a subsidiary to ComArch SA.

The firm of the Company: **Fideltronik-ComArch Spółka z ograniczoną odpowiedzialnością**
 The company did not start its operations

The initial capital of the Company is PLN 4,000.00 and is divided into 40 equal and indivisible shares of PLN 100 each. ComArch SA has 20 shares for the total value of PLN 2,000.00, which is 50% of the initial capital and the same number of votes in the Assembly of Partners. In 2004 there were no changes in the structure of the initial capital of the Company. Pursuant to the Accounting Act of 29.09.1994, Fideltronik-ComArch Sp. z o.o. is a company affiliated with ComArch SA. The Company did not start its activities.

1.3. Shareholders, managing and supervising entities

Shareholders of the dominant company, ComArch SA

Pursuant to the information provided by the Company as of 31 December 2004, Elżbieta and Janusz Filipiak were shareholders with more than 5% of votes in the GAS of ComArch SA.

Shareholders	Number of shares	% of shares	% of votes
Elżbieta and Janusz Filipiak	3,122,685	45.57%	69.70%
Other Management members	252,830	3.69%	5.06%
Other shareholders	3,476,872	50.74%	25.24%
Total	6,852,387	100.00%	100.00%

The Supervisory Board of the dominant company, ComArch SA

The ComArch Supervisory Board composition as of 31 December 2004:

First and last name	Function
Elżbieta Filipiak	Chairwoman of the Board
Krzysztof Zieliński	Deputy Chairman of the Board
Maciej Brzeziński	Member of the of the Board
Anna Ławrynowicz	Member of the of the Board
Wojciech Kucharzyk	Member of the of the Board

On 30.06.2004, the General Assembly appointed the new composition of the Supervisory Board. New members of the Board became: Ms. Anna Ławrynowicz and Mr. Wojciech Kucharzyk, replacing members of the Board, Mr. Mr. Marian Noga and Tadeusz Włudyk. According to the knowledge of the Company, only Chairwoman of the Board, Ms. Elżbieta Filipiak, from among members of the Supervisory Board, owns shares of the Company.

The Management of the dominant company, ComArch SA

Composition of the ComArch Management as of 31 December 2004:

First and last name	Function
Janusz Filipiak	President, the Management Board
Rafał Chwast	Deputy President, the Management Board
Tomasz Maciantowicz	Deputy President, the Management Board
Paweł Prokop	Deputy President, the Management Board
Paweł Przewięźlikowski	Deputy President, the Management Board
Robert Chwastek	Member, the Management
Christophe Debou	Member, the Management
Zbigniew Rymarczyk	Member, the Management

In the meeting on 14.06.2004, the Supervisory Board of ComArch SA appointed as of 18.06.2004 the Management of the Company for the new term of office. From among all the appointed members of the Management, ComArch SA, Zbigniew Rymarczyk was appointed for the first time. As of 31 December 2004, Janusz Filipiak along with Elżbieta Filipiak owned 3,122,685 shares of ComArch SA, Rafał Chwast owned 6,566 shares, Tomasz Maciantowicz owned 197,134 shares, Paweł Prokop owned 24,440 shares, Paweł Przewięźlikowski owned 24,440 shares and Zbigniew Rymarczyk owned 250 shares.

Proxies for the Company are: Jowita Gmytryk, Katarzyna Maurer, Tomasz Matysik, Tomasz Nakonieczny and Dariusz Durałek.

On 29.03.2005, Robert Chwastek filed resignation of the performed function of member, the Management of ComArch SA. Mr. Robert Chwastek gave personal issues as reasons for resignation.

1.4. Employment

On 31 December 2004, the Group employed 1,686 persons against 1,217 persons on 31 December 2003 (without employment in MKS Cracovia SSA). Such significant increase in employment resulted mostly from systematic employment in 2004 of IT specialists and implementation specialists, graduates of higher schools in the age of 25-30, in order to increase production capacity in reference to the fast increasing number of projects.

The following tables give the employment structure w companies covered by the consolidation, except for MKS Cracovia SSA, whose nature of operations differs significantly from other companies in the ComArch Group:

The number of persons employed:	2004	2003
- Full-time	1,238	953
- Affiliates	209	97
Total	1,447	1,050

Full-time employees:	2004	2003
- Direct production	574	397
- Indirect production and sales	415	321
- Management and administration	249	235
Total	1,238	953

The following tables present employment in MKS Cracovia SSA:

Employees:	2004
- Full-time	33
- Affiliated	68
Total	99

Full-time employees:	2004
- Workers	20
- Management and administration	13
Total	33

2. COMMERCIAL OPERATIONS

2.1. Products and services offered by the Group in 2004

ComArch addresses its offer to middle-size and large companies, which are the most significant recipients of advanced IT systems. The ComArch offer includes software, computer and network hardware and implementation, training and operational use services. The Company has its own products (proprietary software), as well as solutions from partner companies. ComArch prepares software for the specific order of the client, and it also has a number of ready-made systems, which may be immediately implemented with the client or adjusted to its needs.

The basic products and services offered by the Group include:

Systems for telecommunications operators

ComArch systems for telecommunications have several dozen excellent recommendations world-wide and form the basis for the company's export strategy. Regularly received awards in world fair events and industry conferences prove superior quality of the systems. The most important include nominations to the Billing Awards in the "Most Innovative Billing Product" category in the Billing Systems 2001 fair in London, nominations in two categories, the "Best New Product" and "IP Services Billing" in the Billing World fair in Orlando, USA. Implementation of the InsightNet platform with the largest Polish mobile operator, Era, was awarded in the OSS Operational Excellence category in the Billing World fair, in the USA. In 2004, the TYTAN InterPartner Billing system was awarded by the prestigious Billing World 2004 magazine and by OSS Today Magazine in the "Best New Product" category, ranking second in the Billing Systems fair in London in the contest for the best new product. ComArch, with TYTAN and InsightNet products is member of the most prestigious organisations for suppliers of OSS/BSS systems, TeleManagement Forum and GSM Association. Information about these systems are regularly posted in industry reports of the most important analytical companies such as IDC or Gartner

The leading ComArch products for the telecommunications sector are platforms: TYTAN Billing & Customer Care for settlements with telecommunications operators and the InsightNet platform for managing telecommunications services and infrastructure. The TYTAN and InsightNet products belong to one of the most important groups of IT products of the OSS & BSS type (Operations Support Systems & Business Support Systems). With a variety of operation areas, in which modules from TYTAN and InsightNet platforms operate, building solutions is possible, which are capable of meeting the most refined needs of clients.

TYTAN Billing & Customer Care: the system for subscriber handling and settlements

The complete set of modules in the TYTAN platform allows supporting all areas of activities run by operators of stationary and mobile telephones, providers of Web services, content providers, as well as intelligent networks or cable television. Modules of the TYTAN platform, which may be implemented as a comprehensive solution or as separate elements, allow settlements for subscribers for their using telecommunications services, invoice generation, detecting abuses and significantly improve customer service quality. The system is adjusted to serving a mass customer with specific groups of subscribers taken into consideration and to serving business customers. TYTAN is a universal system, which allows defining complete websites with development of services offered to recipients by the operator. TYTAN supports all types of services based on GPRS, ISDN and services of the new generation of EGDE and UMTS. TYTAN obtained performance certificates in international test centres in the United Kingdom, Switzerland and Germany, in the latest hardware platforms by HP and SUN. Components of the TYTAN platform co-operate with the latest INTEL servers.

The most important modules included in the TYTAN platform are Billing System, Customer Care, Revenue Sharing, Web Care, Interconnect Billing, Mediation Device, Mobile Portal, 3ARTS, and Data Processing Server.

The latest module in the TYTAN platform is the system used for inter-operator and partnership settlements TYTAN InterPartner Billing, which enables settlement of services, in delivery of which many companies, suppliers of content, advertisements and other websites participate. The latest solution, which came about based on the TYTAN platform and InsightNet is the Solution for Revenue Assurance, which enables operators to liquidate uncontrolled outflows of cash from external and internal abuses, errors in tariff structure or defects.

The system for managing tele-IT networks: InsightNet Network Management

ComArch since the very beginning of its existence deals also with execution of systems for registering resources in telecommunications networks and systems for managing telecommunications networks. The basic system in this area is the InsightNet platform, that is the system for managing telecommunications and IT infrastructure. InsightNet, like TYTAN, is built around modules. The product is first of all dedicated for telecommunications companies, but is also often used for managing networks in other companies, such as power plants or corporations with wide-area tele-IT networks. Designed pursuant to the latest trends in the scope of managing networks, the InsightNet platform enables managing defects appearing in Customer's networks, and then efficient managing of problem solution. With ILOG visualisation solutions used in the system, its users have access to the network image available in special graphic consoles. Other modules of the system are responsible for managing configuration of Customer's networks, as well as for designing and activating telecommunications services. With their use, network resources may be optimally allocated, while new services are implemented in the shortest time possible. The system allows also defining and monitoring of SLA agreements, by which Clients may optimise profits executed on their basis. The InsightNet platform is also dedicated for managing network load, managing network efficiency and managing technical staff. InsightNet allows faster reaction to changing situation in the market and fast response to new customer needs, which in turn enables major increase in profits.

The most important modules in the InsightNet platform include Fault Management, Fraud Detection, Configuration Management, Performance Management, Service Level Agreement, Service Monitoring, Inventory Management, Service Provisioning, Trouble Ticketing, and Workforce Management.

The latest module in the InsightNet platform is the Service Management module, with which telecommunications operators are able to control and manage services provided for customers, as well as effectively and fast run new services, thus gaining advantage over competition. Recently, ComArch started the End-2-End Monitoring system in the InsightNet platform, which enables mobile operators to monitor quality of services directly from the level of the subscriber's mobile phone.

Systems for the financial sector

ComArch has a broad offer for companies in the financial and bank sector. The most important products for this group of customers are: the ORLANDO systems family, the SUBREA system and the AURUM CREDITS system.

ORLANDO is a family of specialised systems responsible for managing a financial institution in the scope related to trading in securities. The ORLANDO platform includes six systems responsible for managing different market segments:

ORLANDO-PORTFEL is a system supporting all activities in the scope of managing assets by companies dealing with asset management, banks, including mortgage banks, brokerage offices, investment funds, old age pension funds, insurance companies, corporate investors and other.

ORLANDO-DEPOZYTARIUSZ is a financial and accounting application used in executing the function of depository for a fund by a bank. It is dedicated for trust departments in banks and institutions providing trust services.

ORLANDO-EFOS, which is a specialised application for fund book-keeping, comprehensively supports activities related to managing books of account and appraising funds. This system is also aimed at meeting reporting requirements to central and supervision institutions, which are imposed by the law on investment and old age pension funds and on life insurance companies.

ORLANDO-PAPIERY KOMERCYJNE is dedicated for financial institutions dealing with issuing securities and trading in securities in primary and secondary markets. This system may be implemented in all banks managing operations related to securities not registered in the controlled market.

ORLANDO-POWIERNIK and ORLANDO-PAPIERY SKARBOWE are used for managing securities allowed for public trading, i.e. for securities deposited in KDPW and NBP, respectively.

The ORLANDO family system has almost 50 implementations in Poland.

The **SUBREA** System is a comprehensive IT solution supporting insurance institutions. The modular design of the system allows implementation of the complete solution or integration its particular components with systems used in insurance companies. It has a friendly user interface and a capacity of generating various reports

The **AURUM CREDITS** platform is a solution for financial institutions granting credits and loans, fitted with modules for generating products, management of processes, rating, scoring, analysis of data and reporting. Processes of sales and credits are supported by branches, over the Internet, through a call centre and through credit intermediaries. The Aurum Credits System is compliant with Basel-2 standards.

CRM systems and systems for document management

The AURUM System is a comprehensive CRM package, used for managing customer and trade partner relationships, allowing maximum use of the potential of Internet networks in daily business operations. It is composed of several modules: Aurum PartnerCare, Aurum CustomerCare, Aurum AgentCare, Aurum DataCare, Aurum CRM. They may work completely independent of each other. Aurum PartnerCare facilitates co-operation between the company central office and a local network of sales (own branches, trade partners, dealers, agents, etc.). PartnerCare handles sales, execution of orders, logistics processes, providing trade information for partners (price lists, inventory states, marketing information). It allows major increase in quality of services for partners at simultaneous reduction of costs. Aurum CustomerCare allows sales of products over the Internet to end clients, comprehensive after-sales services and providing information. Depending on customer needs and importance of provided information, CustomerCare ensures collateral appropriate for risk. Aurum AgentCare supports work of employees, trade representatives working locally. AgentCare ensures immediate access to trade information (price lists, promotions, inventory states, current state of settlements with contractors), allows reception of orders, issuing invoices. AgentCare allows possibility of collecting and sending important information from networks of sales to the central office: own and competitive prices, information about marketing actions, data featuring sales and distribution networks. Aurum DataCare based on the EDI standard supports exchange of information with large trade networks (super- and hypermarkets) and logistic companies. It allows exchange of any documents in electronic form directly between applications of partners (price lists, orders, invoices, warehouse documents, etc.). ComArch also has a centre of outsourcing EDI solutions, called "ECOD: Electronic Centre for Document Services."

Aurum CRM is a central module for collecting and analysing information obtained through PartnerCare, CustomerCare, AgentCare, DataCare. With flexibility of applied tools, each authorised user may gain access to current information concerning sales and marketing.

The viBank System (Aurum Customer Care) is a system of electronic banking, with which clients in banks, broker's offices and insurance companies may use services of these institutions on-line over the Internet network. The system is already a success in the market, which is proved with several contracts signed for its implementation. The viBank System is at present the most advanced system in the Polish market.

Within the Document Managing System, the Company provides comprehensive services in the scope of designing systems for data archiving, organisation of work and managing information in a company. Since 1996, ComArch has been co-operating with the US-based FileNET corporation, the world leader in the scope of imaging and workflow products.

The FileNET platform for managing business documents includes the following product lines:

- Electronic storage of document images – Document Imaging,
- Managing workflow – WorkFlow – software used for managing flow of tasks, is a solution allowing complete automation of business processes,
- Managing sets of document stored in electronic format – Document Management – this technology ensures possibility of creating efficient exchange of and control over electronic information.

Professional Services

The "ComArch Professional Services" (CPS) offer concentrates in ComArch competencies related to broadly understood advanced IT services and tele-IT security. It came about as a response to ever increasing market demand for this type of services and as a result of current experience of ComArch in this field. Execution of many programming and integration projects allowed collection of unique experience and building an exceptional team of people, which was additionally confirmed with certificates and authorisations from leading suppliers of IT solutions.

Within CPS, the following groups of services are offered: designing and implementing software, integration and managing systems, maintenance and outsourcing, services related to tele-IT security.

Competencies related to software refer to both database back-office systems, front-office systems using any communication channels (Intranet, Internet, WAP, call centre, etc.), integration of corporate solutions based on middleware, data warehouses or IT system migrations.

Centres responsible for integration specialise in projects combining products from many suppliers, execute turn-key projects requiring use of technologically advanced elements. Within its offer, they implement comprehensive solutions for ISP, ASP or call centre enterprises. Some of a very broad portfolio of services are: building intranet systems, adjusting client-server applications for use in thin client environment, integration of voice and data transmission in networks (VoIP - Voice over IP), implementing video conferencing systems, systems based on Infomats (the so-called Web kiosks), systems for registration of phone calls, GPS systems, to radio trunking systems.

Solutions which gain more and more popularity are those supporting IT management. They include elements responsible for managing resources and infrastructure, as well as for business level management. Managing resources and infrastructure includes managing networks, servers, personal computers or databases. Business management is understood as managing applications, problems (Help Desk, managing changes), support for decision-making processes or direct managing business processes. ComArch has special experience in this scope.

Another group of services within CPS refers to tele-IT infrastructure. ComArch undertakes installations, configuration, maintenance and servicing networks, servers, database and mass storage systems. In these fields outsourcing services are also provided. ComArch can maintain systems of customers working in their locations or in ComArch data centres. In the latter case, it means collocation of servers used for making ComArch resources available for the needs of customer's business applications. Any outsourcing contracts are of SLA (Service Level Agreement) agreements nature.

Services in the scope of tele-IT security include services in the scope of designing and construction of solutions used for securing tele-IT systems against unauthorised access and consequences of events of fate, with special attention to transmission of information in computer networks. These services are basic factor of success in offering products enabling electronic trading. The basic element of security systems are the access control system and the legalisation system. Their basic task is identification and confirmation of identity of persons using secured systems and protection of data send over networks in order to prevent overhearing. A broad scope of services offered by ComArch has to be emphasised, starting with analysis of using IT systems aimed at indication and assessment of prospective risks, creation of the so-called "security policy," to integration of services and implementation, to full assistance and maintenance.

Another class of offered solutions are installations allowing completely safe connection of corporate networks with public networks for data transmission, in particular with the Internet. Appropriate architecture of connections and use of the so-called firewalls guarantee comfort in using wide-area networks and at the same time provide security measures against breaching in from the outside. Additionally, ComArch offers cryptographic security of electronic mail and a solution allowing use of digital signature, used to sign document in electronic format.

The most important product in this area is the proprietary system for managing security: Protector. It is a solution allowing definition and centralisation of breaching security policy and immediate, automatic reaction to such events.

The CPS offer is not industry-specific, but is addressed to all customers. The reference list includes the telecommunications, banking and financial, services and public sectors.

Systems for public use companies

ComArch addresses a comprehensive offer of solutions and IT tools to companies of public use (power, heat, gas and water and sewerage) to support and enhance all strategic business processes in practice.

In the area of business management, these are systems supporting company management (ERP), systems for financial and operational controlling, as well as data warehouses, that is tools supporting analysis and making decisions.

Among business solutions supporting activities related to utility trading, we suggest the most modern and universal platform for recipient settlements: Egeria Utilities. Apart from the basic functionality, this system includes, among others, modules dedicated to customer services and document flow. Apart from billing, the ComArch Group offers a set of tools for modern trading, which are a response to rapid evolution of the market. These are, among others: Aurum Energia (wholesale trading in energy with electronic channels), Orlando Energia (managing risk in designing purchase and sales portfolios), the Internet Office for Customer Services (serving customers over electronic channels) or forecasting demand for energy and power supply temperature. These tools may be regarded as modules of the billing system or as independent systems. Systems for managing relationships with customers (CRM) and Call Centre top the offer in the scope of trading.

For the critical area of operation in distribution companies, which is undoubtedly operational use of distribution networks, we offer an SID solution: the System of Information about Distribution, which is the first integrated system in Poland for comprehensive support for processes related to utility distribution. It is based on the concept of the Geographical Information Systems (GIS). This software enables managing a complete register of networks, registration of irregularities and failures, generating repair orders, collecting, storage, updating and providing data describing the distribution network, planning investments concerning networks and services for the process of recipient connection.

One has also mention infrastructural solutions supporting operation of a company in the time of common IT culture. These are, first of all, systems for archiving invoices, document flow and register of correspondence. These systems replace paper documents with electronic ones, which are easier for searching and archiving operations. Other solutions in this group are systems supporting the IT section in a company, such as Help Desk, or systems for managing tele-IT infrastructure and security.

Financial and accounting systems and ERP systems

ComArch offers a complete range of financial and accounting systems, from solutions for small and medium-size companies (CDN Optima, CDN Klasyka) to ERP-class systems such as CDN XL and CDN Egeria. With expanded functionalities, such systems ensure full support for and automation of business processes in a company. They enable on-line/off-line work for multi-branch businesses who often have complex document flow. This software perfectly support work of sales representatives, vansellers and points of retail sales and company branches, allowing use of modern forms of electronic trading with co-operation with EDI systems. It is also possible to rent the system, i.e. to use it in the ASP model (Application Service Provision).

According to the IDC report on the Polish ERP market in 2003, ComArch has 16% share in the market of newly signed contracts for delivery of ERP systems.

Solutions supporting management have been developed for over 10 years and are now used by more than 40,000 companies all over Poland. ComArch branches and more than 650 authorised ComArch Partners sell them throughout the country.

CDN family ComArch products are marked with the Teraz Polska logo

CDN Egeria is a Polish ERP-class system supporting management, allocated for large and medium-size production companies, public administration, public use sector (distribution of heat, water) and financial sector (banks, leasing companies, etc.). The system functionality includes: Finances and Book-keeping, Controlling, HR, Production, Logistics / Forwarding. Expansion is possible with dedicated and industry modules to ensure adjusting to individual needs of the Customer. The system is also available over the Internet in the ASP model in the CDN Online platform.

CDN XL is a multi-module integrated ERP-class system addressed to dynamically developing companies applying the best customer service standards. This solution is dedicated for medium-size and large trade / distribution, service and production companies with one or more branches (the unique solution: CDN XL in the company headquarters, CDN OPTIMA in branches, representative offices and shops). The system is also available over the Internet in the ASP model in the CDN Online platform.

CDN OPTIMA is a modern integrated system for managing a company. Apart from services for sales, managing book-keeping, tax and ZUS calculation, it enables presentation of the complete image of operational and financial activities of the company. The system is addressed to small and medium-size companies without branches and to accounting offices. The system is also available over the Internet in the ASP model in the CDN Online platform.

CDN Klasyka is a perfect solution of low hardware requirements (DOS) for companies of any size, from a Social Insurance Company to small, single-person trade, services and production companies and accounting offices.

CDN Online

ComArch provides its financial and accounting software and ERP systems over the Internet. This is a perfect solution for multi-branch companies and accounting offices. With CDN Online, accounting offices may easily provide access to data to its clients. Several hundred clients already use services of CDN Online.

ComArch Business Intelligence (Data Warehouse) is an IT system made of many elements, collecting data from other (source) IT systems, ordering, integrating and composing collected data for their presentation in a clear and logical way to end users of the system, in the form of updated reports, analyses and summaries.

Turn-key systems

Additionally, facing expectations of customers with specific requirements, not met by standard products, ComArch offers systems created on the basis of singular customer orders, the so-called turn-key systems. In creating such systems, knowledge of many various software and hardware technologies is required, which gives advantage to companies like ComArch, which may be proud with their broad knowledge and experience in many areas of IT technologies. usually, systems executed for public institutions sector are systems created for individual, single orders.

Web services – Interia.pl

Interia.pl is a web portal providing the following services:

- a) Information services consisting in delivering news and information in the following topical services: facts, sport, business and economy, entertainment, new technologies, automotive industry, tourism, woman, games, weather, TV;
- b) Communications services with email and virtual card (e-card) systems;
- c) Search services consisting in allowing the user to browse through Internet resources, i.e. a search engine (Polish and AltaVista), a web catalogue, service search engines, business databases (TeleAdreson), Encyklopedia Internautica, job services;
- d) Services for Web communities: new methods of communication provided by the Web, resulting in establishing the so-called Web communities, i.e. CZATeria, Hyde Park, Miasto WWW.

Platform for e-trade – NetBrokers

The NetBrokers Web Trading is the largest platform addressed to companies in the agriculture and food market in Poland. The NetBrokers platform is a professional business tool. With it, clients may easily and quickly present their current offer to a broad circle of trade partners, with t possibility of making contacts with companies operating in the same industry, with complete information about the situation in the agriculture and food industry all in one website.

NetBrokers is a rich collection of offers of purchase and sales of agricultural and food products. Every day, the program presents over 2,000 current offers of purchase and sales. At present, over 1,970 businesses takes advantage of the program, representing, among others, meat, crop and fruit and vegetable industries. The value of all goods included in the table varies from 180 to 220 million Zloty, 75% of which are sale offers, and 25% – purchase offers.

Sport activities

MKS Cracovia SSA manages sport activities along with participation in professional leagues and tournaments in several disciplines, the most important of which are football and ice hockey. Investment in the company is aimed at promoting the ComArch brand. It is an element of marketing strategy of the ComArch Group, aimed at creating the ComArch image as the first-choice integrator for large and medium-size companies in Poland.

Proceeds from sport activities of MKS Cracovia SSA include sums of due proceeds on account of advertising and other services as well as proceeds from sale of tickets to sport events organised by the Company.

2.2. Position of the Company in the IT market and major recipients and suppliers

ComArch operates in the market of IT services. The Polish IT market is scattered, which means that share of particular companies active in the market is low. The share of ComArch in the IT market is ca. 1.9%. Dynamics of ComArch growth for the period of several recent years was higher than that of the entire market, which makes it one of its leaders. According to TOP 200 Computerworld Report for 2003, ComArch SA is the fourth largest IT systems integrator in Poland and is ranked 10 in Poland for value of proceeds from IT services. As regards proceeds from export, ComArch SA ranked 7 among domestic companies. Both at present and in near future, most of proceeds will come from the domestic market, however, intensification of foreign activities results in consistent increase in proceeds from sales of products and services into the Near East, Western and Eastern Europe and the US markets.

Due to the type of IT systems offered by the company, the major group of recipients are middle-size and large companies, which are the most significant recipients of advanced IT solutions all over the world. Majority of Group products are addressed to this group of recipients (e.g. the ORLANDO system for banks, funds; the TYTAN system for telecommunications operators), while IT services have universal nature and are offered to any group of recipients. Sales of the Group is strongly diversified and there is no dependency on one major recipient. In 2004, share of none of the recipients exceeded 10% of ComArch SA sales. Sale of the Group is highly diversified, without depending on one recipient. In 2004, share of no recipient exceeded 10% of the Group sale.

Due to the specific nature of the industry, in which ComArch is active, international concerns should be considered sources of supplies, which are producers of computer systems and programming tools, with Polish branches and representative offices of these concerns and Polish distribution companies as system sub-contractors. In 2004, one supplier (NTT System – PLN 25,143 thou.) provided products and goods, which exceeded 10% of proceeds from sales of ComArch SA. In 2004, no one of suppliers provided products or services which would exceed 10% of proceeds from sales of the Group.

Geographical structure of sales

	2004	% 2004	2003	% 2003
Domestic	261 377	79,2%	220 537	85,6%
Export	68 602	20,8%	37 110	14,4%
Proceeds from sales (PLN thou.)	329 979	100,0%	257 647	100,0%

In 2004, proceeds from sales of the Company increased by 28%. Against previous year, geographical structure of the proceeds changed. The Company systematically executes strategy of increasing export sales, which constituted 20.8% of all proceeds in 2004.

Structure of sales by recipients

	2004	% 2004	2003	% 2003
Telecommunications operators	91 811	27,8%	64 273	24,9%
Banks and financial institutions	58 206	17,6%	50 546	19,6%
Services and trade	65 790	20,0%	68 959	26,8%
Industry	25 394	7,7%	13 589	5,3%
Public sector	83 553	25,3%	57 324	22,3%
Other	5 225	1,6%	2 956	1,1%
Proceeds from sales (PLN thou.)	329 979	100,0%	257 647	100,0%

Analysis of sales structure by recipients of the Group indicates the maintained balance between particular groups of recipients, which makes it safe. The most important sector in 2004 was the telecommunications sector. The share in sales at 27.8% is attributed by the Group mostly to export sales. In domestic trade, the most important sector for sales volume was the public sector (share: 25.3%). Sales for financial institutions and in the sector of service and trade companies lost a little. In turn, sales to industrial companies was almost doubled.

Sales structure by type

	2004	% 2004	2003	% 2003
Services	144 702	43,9%	121 271	47,1%
Software	109 104	33,0%	56 825	22,0%
Hardware	71 222	21,6%	77 599	30,1%
Other	4 951	1,5%	1 952	0,8%
Proceeds from sales (PLN thou.)	329 979	100,0%	257 647	100,0%

Sales of services is the most significant part of proceeds from sales of the Group. However, the ratio between sales of services and software is more and more balanced. Definitely, sales of hardware is least significant, whose share in the structure of projects completed is decreasing.

2.3. The most important contracts signed in 2004

The most important agreements signed by ComArch in 2004 include:

BPH

Within the last 12 months, ComArch SA along with subsidiary companies signed an agreement with Bank Przemysłowo-Handlowy PBK SA with the office in Krakow for the total value of ca. PLN 13.4m. The highest value agreement (PLN 4.8m) is the agreement of 09.04.2003 for delivery and implementation of the system supporting Bank's business operations.

Phare

ComArch SA signed an agreement with the Foundation "Fundusz Współpracy" the Financing and Contracting Unit, for designing and implementation of an IT System for Supporting Revenue Control for the Ministry of Finances. Agreement value is EUR 1,525,000.

ComArch SA signed also an agreement with the Czech Financing and Contracting Unit for execution of an IT project for the Czech Trade Inspection financed from PHARE aid funds, which will enhance supervision and security of trade market in the Czech Republic. The IT system implemented by ComArch will be based on a specialised database and will allow traditional and mobile communication between the headquarters, regional

branches and local employees of the inspectorate. This is the first export agreement of ComArch signed with any European public administration.

Tesco

The subsidiary company, ComArch Krakow SA, concluded an agreement with Tesco Polska Sp. z o.o. with the office in Krakow. The subject matter of the agreement of the value of PLN 7.5m is designing, implementation and servicing a WAN network for the most significant trade network in Poland: TESCO. Under this agreement, ComArch will supply and configure equipment functioning in networks of this type and shall provide services of optimisation and consulting in the scope of implementing new technologies and services.

MENIS

The consortium of companies ComArch SA and ComArch Krakow SA signed two agreements with the Minister of National Education and Sport with the office in Warsaw. The subject matter of these agreements was delivery to schools, installation and integration of Internet rooms and connecting them to the existing Internet network in the provinces: wielkopolskie and zachodniopomorskie (the first agreement), śląskie and opolskie (the second agreement). The total value of all agreements made with the Minister of National Education and Sport since publication of the last report on agreements with MENiS, i.e. from 01.10.2003, was ca. PLN 16.6m. The highest value agreement was the one of 16.06.2004 for delivery of installations to schools and integration of computer rooms and connecting them to the existing Internet network in the provinces: wielkopolskie and zachodniopomorskie. Agreement value was ca. PLN 6.6m.

2.4. Production capacity of the Group

Most of the production by ComArch consists in producing computer software to the order and creating own, universal software products. The basic factor limiting production capacity are human resources. The company flexibly manages teams of employees by way of continuous optimisation of post filling in current commercial projects (with contracts signed) and in the conducted internal projects (creating new products and updating existing ones, not related directly to contract requirements).

As the Company actively invests in new products and technologies and does its best for employees to have appropriately broad scope of competencies, no resources remain unused.

2.5. Operations in the Special Economic Zone

The ComArch SA Management in the current report No. 28/2004 informed about change in the permit for activities in the Special Economic Zone.

ComArch SA obtained the permit for managing activities in the Special Economic Zone in Krakow on 22 March 1999. Pursuant to the ordinance of the Council of Ministers of 14 October 1997 on establishing the Special Economic Zone in Krakow (Dz. U. Vol. 135, Item 912 as amended), entities, which invested in the Krakow Special Economic Zone at least Euro 2m, were granted the following tax allowances:

- a) In the period of the first 6 years of activities in the zone, income from such activities was free of income tax,
- b) After this period, but not later than to the date set forth in the permit, half of the achieved income was free of income tax.

The allowance refers to corporate income tax on income obtained from activities set forth in the permit.

In reference to Poland joining the European Union, the Act of 2 October 2003 was passed on Amending the Act on Special Economic Zones and Some Other Acts (Dz. U. Vol. 188, Item 1840), which changed conditions for tax exemptions for entities operating in special economic zones. Pursuant to the decision in Article 6 Para 1 of the Act, these entities may apply for changing conditions of their permits in order to adjust to the rules of providing public aid in force in the European Union.

Pursuant to provisions in Article 5 Para 2 Clause 1 b), Clause 2 and Clause 3 of the Act, the maximum amount of public aid for entities managing activities in Special Economic Zones on the basis of a permit issued before 1 January 2000 may not exceed 75% of the value of investments incurred in the period from the date of obtaining the permit by 31 December 2006, provided that the total amount of public aid obtained from 1 January 2001 is taken into account in determining the maximum amount of public aid. This means change in the current method of tax allowances (public aid) functioning, from allowances unlimited in value into allowances limited in value and dependent on value of investments completed. In case of ComArch SA, the maximum value of public aid may not thus exceed 75% of the value of investment expenditures, which ComArch SA has incurred / will incur in the period from obtaining the permit, i.e. from 22 March 1999, to 31 December 2006.

ComArch SA applied to the Minister of Economy for changes in the conditions of the permit and on 1 July 2004 received a decision by the Minister of Economy of 24 June 2004 concerning changes in the conditions of the permit into those set forth above and compliant with the Act. At the same time, in the amended permit, the period was extended to 31 December 2017 for which the permit for ComArch SA was issued. It means extension of the period, when ComArch SA may use the limit of public aid, due on account of investments incurred in the Special Economic Zone.

2.6. Received awards and commendations

ComArch was awarded the prize of "Sieciowa firma 10-lecia" (Network Company of the Decade) and was ranked first in the "Integrator" category organised for anniversary of the NetWorld magazine. Choices were made by the magazine editors, while readers decided about the winner. NetWorld is issued by IDG and is regarded as one of the most important publications for IT specialists and managers of IT sections in Poland.

During the XIV Economic Forum in Krynica, ComArch was awarded the prize of "New Economy Company in Central and East Europe 2003," which is given to a company, which showed innovativeness, credibility and professional approach to clients in the given period.

3. FINANCIAL SITUATION OF THE COMARCH GROUP IN 2004

3.2. Financial analysis of the Group

Assets

	2004	%	2003	%	2004/2003	%
I. Fixed assets	122,024	44.8%	104,972	39.5%	17,052	16.2%
1. Intangibles	2,408	0.9%	3,220	1.2%	-812	-25.2%
2. Goodwill of subordinate companies	2,256	0.8%	3,466	1.3%	-1,210	-34.9%
3. Tangible fixed assets	111,555	41.0%	91,244	34.3%	20,311	22.3%
4. Long-term receivables		0.0%	215	0.1%	-215	-100.0%
5. Long-term investments	4,316	1.6%	5,056	1.9%	-740	-14.6%
6. Long-term accruals	1,489	0.5%	1,771	0.7%	-282	-15.9%
II. Current assets	149,964	55.2%	161,013	60.5%	-11,049	-6.9%
1. Inventory	14,991	5.5%	11,738	4.4%	3,253	27.7%
2. Short-term dues	76,787	28.3%	88,897	33.4%	-12,110	-13.6%
3. Short-term investments	31,115	11.4%	45,465	17.1%	-14,350	-31.6%
4. Short-term accruals	27,071	10.0%	14,913	5.6%	12,158	81.5%
Total assets	271,988	100.0%	265,985	100.0%	6,003	2.3%

Value of Company assets as of the end of 2004 was PLN 271,988 thou. and was higher by PLN 6,003 thou., i.e. 2.3%, than the year before. Fixed assets increased by 16.2%, while current assets decreased by 6.9%. Increase in fixed assets resulted from ComArch SA investments in land and buildings in the Special Economic Zone in Krakow and in Warsaw. Therefore, a major increase was noted in tangible fixed assets in the fixed assets structure. The share of other fixed assets in the total structure of assets slightly decreased.

Decrease of value of current assets results from expenses related to the executed investments in fixed assets. From among items in these assets, percentage increase was found in inventory, this increase being at the level of the increase in proceeds in Group sales, and short-term dues increased significantly, which is mostly due to settlements made within long-term contracts.

Against the previous year, the level of short-term receivables decreased significantly (mostly in trade), even despite significant increase in proceeds in sales. Thus, the Group had no major problems in collecting the dues. Decrease in value of short-term investments results from lower level of free cash owned by the Group, which was a result of investments made in real estate properties. The level of short-term investments remains, however, at a high level.

Indicators of effectiveness of asset use	2004	2003
Current assets rotation (times)	2.2	1.6
Rotation of receivables (days)	84	125
Rotation of inventory (days)	17	18
Rotation of obligations (days)	120	162
Rotation of obligations without obligations on account of bonds and long-terms credits (days)	67	97

In reference to the previous year, significant improvement in effectiveness of equity use occurred, with definitely better indicators of rotation of receivables and obligations. The Group improved the process of collecting receivables as well as much faster paid its obligations, both long- and short-term ones. The inventory rotation indicator remains at a very low level.

Liabilities

	2004	%	2003	%	2004/2003	%
I. Own capital	117 391	43,3%	103 497	38,9%	13 894	13,4%
1. Initial capital	6 852	2,5%	6 727	2,5%	125	1,9%
2. Supplementary capital	96 714	35,6%	96 714	36,4%	0	0,0%
3. Capital from appraisal updating	-12	0,0%	282	0,1%	-294	-104,3%
4. Other reserve capitals	21 948	8,1%	9 685	3,6%	12 263	126,6%
5. Exchange rate differences from calculation in subordinate units	-52	0,0%	-89	0,0%	37	-41,6%
6. Profit (loss) from previous periods	-22 085	-8,1%	-18 413	-6,9%	-3 672	19,9%
7. Net profit (loss)	14 026	5,2%	8 591	3,2%	5 435	63,3%
II. Minority capitals	14 013	5,2%	18 732	7,0%	-4 719	-25,2%
III. Negative value of subordinate units	110	0,0%	1 952	0,7%	-1 842	-94,4%
IV. Obligations and provisions for obligations	140 474	51,5%	141 804	53,3%	-1 330	-0,9%
1. Provisions for obligations	5 701	2,1%	6 018	2,3%	-317	-5,3%
2. Long-term obligations	46 621	17,1%	43 529	16,4%	3 092	7,1%
3. Short-term obligations	57 975	21,2%	64 620	24,3%	-6 645	-10,3%
4. Deferred costs	30 177	11,1%	27 637	10,4%	2 540	9,2%
Total liabilities	271 988	100,0%	265 985	100,0%	6 003	2,3%

Book value of the ComArch Group within the last 12 months increased by PLN13,894 thou., i.e. by 13.4%. This increase results mostly from the net profit generated in 2004, in the amount of PLN14,026 thou. and from increase in other reserve capitals, which comes from transferring into this capital of ComArch S.A. profit from 2003. In turn, increase in loss from previous periods (PLN -3,672 thou.) in other companies of the Group, mostly abroad, had the most impact on reducing the value of own capital. Significant decrease in minority capitals is also noteworthy, mostly in reference to increasing share of ComArch SA in MKS Cracovia SSA. Obligations and provisions for obligations, which dropped by 0.9%, had lower share against the previous year in the structure of liabilities. This is due to the decrease in the level of trade obligations, while long-term obligations increased due to contracting the investment credit for construction of the new office building in the Special Economic Zone.

Indicators of financing assets

	2004	2003
Debt index	51.6%	53.3%
Index of own capital debt	119.7%	137.0%

Debt indexes against 2003 were significantly improved, which is a result of both a major increase in own capitals and in reduction of obligations. It is noteworthy that the Group improved its debt indexes despite the increased level of long-term obligations related to investments made.

Profit and loss account

	2004	%	2003	%	2004/2003	%
I. Net proceeds from sales of products, goods and materials	329,979	100.0%	257,647	100.0%	72,332	28.1%
II. Costs of sold products, goods and materials	254,860	77.2%	189,664	73.6%	65,196	34.4%
III. Gross profit (loss) from sales (I-II)	75,119	22.8%	67,983	26.4%	7,136	10.5%
IV. Costs of sales	30,233	9.2%	29,971	11.6%	262	0.9%
V. Overheads	27,402	8.3%	21,419	8.3%	5,983	27.9%
VI. Profit (loss) on sales (III-IV-V)	17,484	5.3%	16,593	6.5%	891	5.4%
VII. Other operational proceeds	3,467	1.1%	1,240	0.5%	2,227	179.6%
VIII. Other operational costs	2,924	0.9%	1,455	0.6%	1,469	101.0%
IX. Profit (loss) on operational activities (VI+VII-VIII)	18,027	5.5%	16,378	6.4%	1,649	10.1%
X. Financial proceeds	4,443	1.4%	2,931	1.1%	1,512	51.6%
XI. Financial costs	7,589	2.3%	8,931	3.5%	-1,342	-15.0%
XII. Profit (loss) on commercial activities (IX+X-XI)	14,881	4.6%	10,378	4.0%	4,503	43.4%
XIII. Goodwill write-off of subordinate units	1,210	0.3%	1,012	0.4%	198	19.6%
XIV. Negative goodwill write-off of subordinate units	141	0.0%	2,542	1.0%	-2,401	-94.5%
XV. Gross profit (loss) (XII-XIII+XIV)	13,812	4.3%	11,908	4.6%	1,904	16.0%
XVI. Income tax	560	0.2%	1,783	0.7%	-1,223	-68.6%
XVII. Share in profits (losses) of subordinate units appraised with the ownership rights method	-833	-0.3%	-1,688	-0.7%	855	-50.7%
XVIII. Minority profits (losses)	1,607	0.5%	154	0.1%	1,453	943.5%
XIX. Net profit (loss) (XV-XVI+XVII+XVIII)	14,026	4.3%	8,591	3.3%	5,435	63.3%

Continuing good business situation in Polish economy makes companies willingly execute new IT projects. The ComArch Group with its solid position in the market benefited in 2004 from this enlivening, which was translated into value of executed contracts and achieved financial results.

In 2004, proceeds from sales were higher by 28.1% than in the same period of the previous year.

The Group showed significant improvement in every level of the profit and loss account. Gross profit on sales (margin on sales) was higher by 10.5%, profit on operational activities was higher by 10.1%, gross profit – by 16.0%, and net profit – by as much as 63.3%. Net profit in 2004 was PLN14,026 thou.

Analysis of profitability

	2004	2003
Margin on sales	22.8%	26.4%
Profitability of sales on operational activities	5.5%	6.4%
Profitability of gross sales	4.2%	4.6%
Profitability of net sales	4.3%	3.3%
Profitability of ROA assets	5.4%	3.3%
Profitability of ROE own capital	13.6%	9.1%

The Group maintained good profitability indexes despite significantly higher costs of operation, related to high employment increase. Profitability at the net level was improved due to good financial results and effective use of tax relief related to operations in the Special Economic Zone. Indexes of profitability on assets and own capital were also significantly improved.

Financial liquidity

Liquidity indexes	2004	2003
Current liquidity	1.70	1.75
Quick liquidity	1.22	1.46
Improved liquidity	0.35	0.49

Despite major investment expenses in a new production centre in the Special Economic Zone, liquidity indexes were only slightly decreased, remaining at a safe level. This was because of better use of current assets (increase in the index from 1.6 to 2.2) and better collection of dues (the index decreased from 125 days to 84 days).

Explanation of differences between financial results given in the annual report and forecasts of results published earlier for the given year

The Group did not publish result forecasts for 2004.

Assessment of factors and unusual events affecting result on activities

In 2004, ComArch SA assumed 40,000 of new series D shares in MKS Cracovia SSA and additionally acquired 1,549 shares of the Company, as a result of which share of ComArch SA in the MKS Cracovia SSA capital increased to 49.15%. Pursuant to Article 60 Para 4 of the Accounting Act, in case of changes in the share in the capital of a subsidiary unit as a result of assuming shares of a new issue of the subsidiary unit, surplus of fair value assets for the share in the subsidiary over acquisition price of these shares constitutes financial proceeds. One-time effect of this operation on the 2004 results was PLN 2,980 thou.

Changes in the basic principles for managing the issuer company and its capital group

None.

Transactions with related entities

Transactions with related entities, whose value in 2003 exceeded EUR 500,000 were transactions of purchase of goods and services from ComArch Krakow SA for the amount of PLN 14,500 thou. (before the merger) and from ComArch Services Sp. z o.o. for the amount of PLN 2,552 thou. as well as transactions of sales of goods and services to ComArch Global, Inc. for the amount of PLN 4,573 thou. and ComArch Software AG for the amount of PLN 3,694 thou. These are mostly transactions within subcontracting of IT and tele-IT work under contracts executed by particular companies of the ComArch Group.

3.2. Financial obligations**Bank guarantees**

To the order of the ComArch Group, bank guarantees and letters of credit were issued for the total amount of PLN 26,109 thou. as of 31 December 2004.

Pledges

As of 31 December 2004, ComArch SA pledged for the company Interia.pl obligations on account of leasing agreements for the amount of PLN 1,499 thou.

Credits

As of 31 December 2004, ComArch SA companies had obligations on account of credits in the amount of PLN 7,878 thou.

In 2004, ComArch signed an agreement for limiting claims to the amount of PLN 30m with Raiffeisen Bank Polska SA with the office in Warsaw. ComArch SA may use the claims limit in the form of performance bank guarantees, for tenders, payments, refunding prepayments and letters of credit related to executed contracts and in the form of credit in the current account up to the amount of PLN 10m.

In 2004, ComArch SA signed an agreement for the investment credit with Fortis Bank Polska SA with the office in Warsaw for financing construction of a new production and office building in the Special Economic Zone in Krakow. Credit amount is 85% of the investment value, up to the maximum of PLN 20m. The crediting period is 10 years, with interest rate based on variable rates. Credit should be used before 30.06.2005. Collateral for the credit is made of a blank bill of exchange, mortgage in plots in which the building will be erected and assignment of the insurance policy for the building.

Bonds

On 12.04.2002, ComArch SA issued 4,000 5-year bonds convertible into shares. Conversion price is PLN 57.10, that is each bond may be converted into 175 shares of the Company. The issue price was set at the level of 100.3%, and percentage of bonds is 7.5% pa. In case of not executing conversion of the bonds into shares, on 12 April 2007 an additional coupon shall be paid in the amount of 21.84% of the nominal value of bonds.

On 14 July 2004, the Management passed a resolution on depreciation of 486 series A bonds convertible into series H shares, issued by ComArch SA. After depreciation, the number of series A bonds convertible into series H shares issued by ComArch SA bonds is 3,514.

3.3. Loans granted

Loans

As of 31 December 2004, value of unpaid residential housing loans provided for ComArch SA employees was PLN 750 thou. Their due payment dates are in the years 2006-2007.

As of 31 December 2004, the following companies of the Capital Group had debt to ComArch SA on account of the provided loans: ComArch Software AG (PLN 2,896 thou.), ComArch Global (PLN 2,392 thou.), ComArch Middle-East (PLN 278 thou.) and ComArch Ukraine (PLN 90 thou.). Their due payment dates are in the years 2006-2007.

As of 31 December 2004, the MKS Cracovia SSA company had debt on account of a loan from the City of Krakow in the amount of PLN1,219 thou.

Loans granted to management and supervision persons

As of 31 December 2004 there are no unpaid loans as well as guarantees and pledges granted by ComArch SA for Members of the Management, of the Supervisory Board and their relatives.

3.4. Financial risk

The Group is exposed to the following major types of financial risk:

Risk of contractor insolvency

Due to the broad product offer of the Group and presence in many markets, the circle of recipients was significantly expanded in comparison with previous periods. To minimise the related increase in credit risk, the Group analyses financial credibility of prospective customers before making agreements for delivery of IT systems and adjusts conditions for each agreement and prospective risk depending on assessment of financial standing.

Risk of changes in interest rates

The Group is exposed to the risk of change in percentage rates for the concluded long-term investment credit allocated for financing the new production building in the Special Economic Zone in Krakow. Credit interest is calculated according to variable interest rate based on WIBOR. The Company did not secure the interest rate risk in this area due to percentage reference rates dropping down since the time of signing the credit agreement.

Risk of changes in currency exchange rates

Due to export sales or sales denominated in foreign currencies, the Group is exposed to exchange rate risk. At the same time, part of company's costs is also expressed as or related to foreign currency rates. The Group manages continuous monitoring of the currency standing of the company and, in singular cases, the Group secures future payments with forward contracts.

4. PERSPECTIVES OF DEVELOPMENT

4.1. Characteristics of factors significant for development of the Group

Internal factors:

- a) Increase in export sales,
- b) Company's position and fame, affecting the nature of acquired customers;
- c) Activities of ComArch SA in the Special Economic Zone in Krakow;
- d) major share of standard (repeated) products in sales, that is:
 - Lower costs, in particular variable costs related to a single contract,
 - Possibility of major increase in unit profitability of a contract with simultaneous reduction of customer charges (license fees),
 - Broader and more diversified clientele, which means larger scale of activities;
- e) Attractive training policy and attractive conditions of work offered to Group employees;
- f) Increase in recognition of the ComArch brand among prospective customers, by way of promotion through the MKS Cracovia SSA company.

External factors:

- a) Increase in requirements set forth for IT systems by customers. Increasing demand for large, complex IT systems dedicated for particular users. This favours larger IT companies, like ComArch, which offer a number of different technologies and products and are capable of delivering solutions advanced technologically;
- b) Development of Internet banking and spreading the Internet as a new channel of distribution for financial products;
- c) Change in business models in many industries and change in business strategies in many companies due to joining the European Union, which increases demand for new IT systems;
- d) Spreading the Internet as a method of communication and a medium for making commercial transactions, resulting in increased hazard of "breaking in" to IT systems, which stimulates demand for security services for IT systems;
- e) Poland joining the European Union resulting in the necessity of modifying a number of systems, especially in public institutions. It will be related to allocation of major funds from both the State budget and the Union aid funds;
- f) Increasing competition, affecting reduction of achieved margins; competition between IT companies apparent in fighting for new orders as well as fighting for the best employees.

4.2. Development perspectives for the Group

Increase of the IT market in Poland and increase of the economic growth rate in Poland and world-wide should positively affect development of ComArch, as well as financial results achieved by the company. Consistently executed strategy of positioning in the market as a technological and product-based company brings about results in the form of customer base increased every year, major portion of whom are international companies. In the context of Poland integrating with the European Union, it has to be expected that more and more foreign companies will initiate activities in Poland, thus increasing the circle of prospective customers for IT systems. At the same time, activities of ComArch in international markets should additionally increase volume of sales and strengthen image of ComArch with international corporations, contributing to strengthening competitive position of ComArch in Poland.

Execution of the ComArch Group strategy highly depends on macroeconomic conditions independent of the Company, in particular on the level of IT investments in medium-size and large companies, domestic and foreign, and on the increasing competition in the IT sector. At the same time, effective managing of operational risks is becoming the necessary condition to execute the strategy. The most important operational risks related to Company activities include:

- a) Risk related to R&D work (producing own software products);
- b) Risk related to assessing time consumption of long-term contracts;
- c) Risk related to not meeting conditions of agreements and contractors using the prepared performance guarantee;
- d) Risk of foreign legal and political milieu related to execution of export contracts;
- e) Risk of smaller possibility (difficulties) of verifying and monitoring financial standing of foreign contractors.

4.3. Investment plans

Globalisation of world economy and trade liberalisation make barriers for companies and their products fade away. The IT market is becoming an open and global market, with continuous comparison of prices and quality of available products. Along with increase in foreign capital in Poland, even IT companies active solely in the Polish market must offer products competitive from the viewpoint of the global market. ComArch, since the very beginning of its operations, has the reputation of a technological company generating and successfully selling products which are internationally competitive.

Therefore, designing new, competitive products still remains the major strategic objective of the Company, which will allow ensuring further growth of ComArch, thus increasing its value. Maintaining dynamics of sales requires expenditures for development of products and proper promotion and marketing. This refers to both modifications of the existing products and technologies and to designing new products.

The current policy of ComArch assumes managing research and development work related to implementation of new products and standardisation of products since the very beginning of their preparation for the customer. With this, even if the product was prepared for the needs of a specific customer, part or entirety of the software / code may be used for preparation of a standard product. The result is higher profitability of particular contracts and expansion of the customer base.

ComArch does not limit the area of its interest only to the territory of Poland. With products competitive internationally, ComArch will consistently strive to increase value of international sales. Sales will be effected both directly to end customer (or to ComArch SA or any other company of the ComArch Group) or by partner companies.

The most important investment plans in the current year include the new investment in the area of the Special Economic Zone in Krakow in the form of a complex of new buildings with the area of ca. 8,000 m² in order to expand production capacity of the Group by the value of about PLN 25m. Completion of the construction of the first building is planned for the II quarter of 2005. This investment is financed from a long-term bank credit. According to the Management, there are no risks of not completing the investment for the lack of financial means.

5. COMARCH IN THE STOCK EXCHANGE

5.1. Resolutions of the Supervisory Board and of the GAS

Resolutions of the Supervisory Board

The Supervisory Board of the Company passed Resolution No. 2/3/2004 on 29 March 2004 on execution of the manager option programme due for the President, the Management Board of the Company on the basis of Resolution No. 6 of the Extraordinary General Assembly of Shareholders of ComArch SA of 21 December 2001. Pursuant to Article 1 Clause 3 of this resolution, the option for 2003 is calculated in the amount of 5% increase in Company capitalisation, between the average capitalisation of December 2002 and the average capitalisation of December 2003. Increase in capitalisation in this period was PLN 122,994,538.00, that is the value of option is PLN 6,149,726.90. At the same time, the Board decided that in order to execute the option, 125,787 regular bearer's series G shares shall be issued at issue price equal to nominal value, i.e. at PLN 1 each.

The Supervisory Board obliged the Management to pass a resolution within 30 days on issuing series G shares at the above conditions and expressed consent in reference to the objectives of the programme to exclude collection right due for the current shareholders. The issue of series G shares shall be conducted on the principle of target capital pursuant to Article 9 Para 3 of the Bylaws of the Company.

In the meeting on 14.06.2004, the Supervisory Board of the Company appointed as of 18.06.2004 the following persons:

Mr. Janusz Filipiak to the post of President, the Management Board of the ComArch SA Company,
 Mr. Rafał Chwast to the post of Deputy President, the Management Board of the ComArch SA Company,
 Mr. Tomasz Maciantowicz to the post of Deputy President, the Management Board of the ComArch SA Company,
 Mr. Paweł Prokop to the post of Deputy President, the Management Board of the ComArch SA Company,
 Mr. Paweł Przewięźlikowski to the post of Deputy President, the Management Board of the ComArch SA Company,
 Mr. Robert Chwastek to the post of Member of the Management of the ComArch SA Company,
 Mr. Christophe Debou to the post of Member of the Management of the ComArch SA Company,
 Mr. Zbigniew Rymarczyk to the post of Member of the Management of the ComArch SA Company.

The Resolution of the Supervisory Board on appointing the Management of the Company results from the fact that appointments of members in the ComArch SA Management in reference to their term of office expire on 17.06.2004.

From among of all appointed members of the ComArch SA Management, Zbigniew Rymarczyk was appointed for the first time. Others (Janusz Filipiak, Rafał Chwast, Tomasz Maciantowicz, Paweł Prokop, Paweł Przewięźlikowski, Robert Chwastek, Christophe Debou) performed functions in the current Management of ComArch SA.

The ComArch S.A. Management in the current report No. 15/2004 released for the public information about activities of the Supervisory Board of ComArch SA in 2003, including assessment of the situation of the Company in 2003 pursuant to the rule No. 18 of the corporate order, resulting from "Good practices in public companies."

In reference to rule No. 2 of "Good practices in public companies," the current report No. 20/2004 of the ComArch SA Management presented Resolution No. 15/6/2004 of the Supervisory Board of ComArch SA on positive opinion on the resolution in the General Assembly of Shareholders on 30 June 2004.

Resolutions of the GAS

The General Assembly of Shareholders passed resolutions on 30.06.2004 in the following issues, among others:

- Approving of the financial statement and of the consolidated financial statement of the Company for accounting year 1.01.2003 - 31 December 2003,
- Approving of the statement of the Management from activities of the Company and from activities of the ComArch Capital Group for accounting year 1.01.2003 - 31 December 2003,
- Approving of the statement of the Supervisory Board of activities for accounting year 1.01.2003 - 31 December 2003 and auditing the financial statement and the consolidated financial statement of the Company and the statement of the Management on activities of the Company and on activities of the ComArch Capital Group for accounting year 1.01.2003 - 31 December 2003,
- Net profit distribution of ComArch SA for accounting year 1.01.2003 - 31 December 2003, which was allocated in entirety into the reserve capital,
- Acknowledging fulfilment of duties by members of the Management and of the Supervisory Board in the accounting year 1.01.2003-31 December 2003,
- Merger of ComArch SA with ComArch Krakow SA and with CDN - ComArch SA,
- Appointing the following persons to the Supervisory Board of ComArch SA: Elżbieta Filipiak (chairwoman), Krzysztof Zieliński (deputy chairman), Maciej Brzeziński (member), Anna Ławrynowicz (member), Wojciech Kucharzyk (member),
- Changes in the Bylaws of the Company.

5.2. Operations in shares and bonds of the dominant company, ComArch SA

Issue of shares in Series G

In reference to execution of the manager option programme due for the President, the Management Board of the Company on the basis of Resolution No. 6 EGAS of 21 December 2001 and in reference to Resolution of the Supervisory Board of the Company of 29 March 2004 obliging the Management to pass a resolution on using series G shares, of which the Company informed in the current report No. 3/2004, the Management ComArch SA passed Resolution No. 1 on 26 April 2004 on increasing the initial capital by way of a public issue of 125,787 regular bearer's series G shares of the nominal value of PLN 1 and on changes in the Bylaws of the Company. Issue of series G shares excluded the collection right of the current shareholders of the Company. The issue price was PLN 1. Series G shares were covered solely with cash and shall participate in dividend starting with payments from profit to be allocated for distribution for accounting year 2004, that is from 1 January 2004.

Issue of series G shares was conducted by way of private subscription, referred to in Article 431 Para 2 Clause 1 of the Code of Trade Companies run under public trading conditions, and series G shares will be introduced to trading in the Warsaw Stock Exchange. All series G shares will be offered for the President of the Company.

Resolution No. 327/04 of 27 July 2004 of the Management of the National Security Deposit SA, after investigating the motion of the Company decided to accept for the National Security Deposit 125,787 regular bearer's series G shares of the company of ComArch SA at the nominal value of PLN 1 each and allocated code PLCOMAR00087 to them.

The ComArch SA Management filed an application for releasing into trading in the primary market of the Warsaw Stock Exchange of 125,787 regular bearer's series G shares at the nominal value of PLN 1 each. The date of releasing the above shares for stock exchange trading proposed by ComArch SA is 17.08.2004.

With Resolution No. 366/04 of 13 August 2004, the Management of the National Security Deposit SA refused assimilation of 125,787 ComArch SA shares allocated code PLCOMAR00087 with 4,959,400 Company shares allocated code PLCOMAR00012 on 17.08.2004. The reason for assimilation refusal is lack of a document confirming uniform status of the above shares in public trading of securities, i.e. a resolution of the Management of the Warsaw Stock Exchange SA in the issue of releasing series G shares into stock exchange trading.

With Resolution No. 466/2004, the Management of the Warsaw Stock Exchange SA, on 22 December 2004, to the motion of the Company, allowed 125,787 regular bearer's series G shares of the company of ComArch SA for stock exchange trading in the primary market, at the nominal value of PLN 1 each. The resolution became effective on 29 December 2004.

Buying out and redemption of own bonds

On 30.06.2004, the ComArch SA Management informed that it intended to acquire 1,100 series A bonds for redemption of the nominal value of PLN 10,000.00 each, convertible into series H shares. After depreciation, the expected number of series A bonds convertible into series H shares will be 2,900.

On the basis of Article 25 of the Bonds Act of 29 June 1995 (Dz. U. 2001, Vol. 120, Item 1300 as amended), ComArch SA acquired 486 own series A bonds convertible into series H shares on 14.07.2004. Purchase of the above bonds was made for redemption. The average acquisition unit price (without the broker's commission) was 121.50% of the nominal fee increased by due interest since the beginning of the current interest period until the time of acquisition of bonds by ComArch SA.

On 14 July 2004, the Management passed a resolution on depreciation of 486 series A bonds convertible into series H shares, issued by ComArch SA. After depreciation, the number of series A bonds convertible into series H shares issued by ComArch SA is 3,514.

The Management of the National Security Deposit SA, with Resolution No. 349/04 of 4 August 2004, after investigating the application of the Company in reference to redemption of 486 ComArch SA bonds, decided that 3,514 bonds are allocated code PLCOMAR00079.

5.3. Other information related to stock exchange trading

Principles of corporate order

In supplement to the annual report released for the public on 5 April 2004, pursuant to Article 22a Para 3 of the Regulations of the Stock Exchange, the Management of ComArch SA submitted the current statement on observing corporate order. The ComArch SA company declared observation of all principles of the corporate order except for principle No. 20 on the composition of the Supervisory Board.

Consent to exceeding 50% of votes in the Interia.pl GAS

On 26.04.2004, the Management of ComArch SA informed that due to the Committee of the Stock Exchange giving consent to exceeding 50% of votes in the Interia.pl GAS and in reference to:

- a) The situation existing in recent months in the market of portals in Poland and continuous and significant increase of this market,
- b) The positive development of situation in Interia.pl, leading to achieving positive result by the Company,

ComArch SA believes that offering new products and services based on broadband technology (including UMTS) would be positive for the Interia.pl company.

Introduction of the ESPI system

Pursuant to Article 10 of the Regulations of Using Electronic System for Delivery of Information (ESPI), constituting Appendix No. 1 to the Ordinance No. 18/2004 of the General Director of the Office of Commission of Securities and Stock Exchange of 22 October 2004, the ComArch SA Management informed that from 28 December 2004 the Company has been delivering current and periodical reports with the Electronic System for Delivery of Information (ESPI) on the basis of regulations on public trading in securities.

Krakow, 02 June 2005

Janusz Filipiak
President, the Management Board

Rafał Chwast
Deputy President, the Management Board

Paweł Prokop
Deputy President, the Management Board

Tomasz Maciantowicz
Deputy President, the Management Board

Paweł Przewięźlikowski
Deputy President, the Management Board

Christophe Debou
Member, the Management

Zbigniew Rymarczyk
Member, the Management