

OPINION OF AN INDEPENDENT AUDITOR

To the Annual General Meeting of Shareholders and the Board of Supervisors of ComArch S.A.

We carried out the audit of the attached financial statement of ComArch S.A. (hereinafter referred to as the "company") with its registered seat in Krakow, at al. Jana Pawła II 39A, including:

- (a) introduction to the financial statement;
- (b) balance sheet as at 31 December 2005, with total assets and total equity and liabilities amounting to 328,188 thousand PLN;
- (c) income statement for the period from 1 January 2005 to 31 December 2005, with the net profit for the year amounting to 29,088 thousand PLN;
- (d) changes in equity for the period from 1 January 2005 to 31 December 2005, presenting the increase in equity in the amount of 29,132 thousand PLN;
- (e) cash flow statement for the period from 1 January 2005 to 31 December 2005, presenting the increase in cash in the amount of 19,598 thousand PLN;
- (f) additional information and commentary.

The Management Board of the company is responsible for the preparation of the financial statement. Our task was auditing this financial statement and presenting our opinion.

The auditing was conducted according to the following, binding in Poland, regulations:

- (a) chapter 7 of the Act on Accounting dated 29 September 1994 (Journal of Laws 2002, No. 76, pos. 694 as amended);
- (b) standards for performance of the expert auditor profession, issued by the National Board of Expert Auditors in Poland.

The audit was planned and carried out so as to have sufficient certainty that the financial statement does not include significant errors and omissions. That audit included, in particular, verification, largely on the basis of the sample, proofs and accounting records confirming amounts and information presented in the financial statement. The audit included also assessment of the accounting principles applied by the company and significant assessments made at the preparation of the financial statement as well as the general assessment of the financial statement's presentation. We believe our audit constituted sufficient basis for expressing our opinion.

OPINION OF AN INDEPENDENT AUDITOR

To the Annual General Meeting of Shareholders and the Board of Supervisors of ComArch S.A. -continuation

The information that is included in the report regarding the company's activities in 2005 comply with regulations of the Regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information pertaining to companies traded on the stock exchange („Regulation” – Journal of Laws 2005, No. 209, pos. 1744) and are compliant with information included in the financial statement.

In our opinion, the audited financial statement for the financial year 2005 was prepared in all significant aspects:

- (a) on the basis of accounting books carried on correctly;
- (b) compliant in form and content with the law, including regulations of the Act on Accounting and the company's statute;
- (c) presents a true and fair view on the equity and financial situation of the company as at 31 December 2005 and on the financial result for financial year from 1 January to 31 December 2005 according to the accounting principles binding in Poland and the accounting principles specified in Act on Accounting.

Acting on behalf of PricewaterhouseCoopers Sp. z o.o. and conducting the audit:

Mirosław Szmigielski
Member of the Management Board
Expert auditor
Registration no. 90045/7397

entity entitled to audit the financial
statements registered in the list of entities
entitled under item no. 144

Warsaw, 4 April 2006

Krakow, 4 April 2006

Dear Shareholders,

The ComArch Group achieved record revenue from sales in 2005 and very high net profit. Increase in sales by over 30 % and increase in net profit by over 100 % are the best indicators of what ComArch achieved last year. The fact is of special emphasis that this increase is entirely organic. At the same time, the ComArch Group significantly improved operational profitability from the level of 4.8 % to 6 % and return on equity from 8.6 % to 17 %.

In the times of globalisation, competitiveness of the offered products is the key factor deciding about market position and the achieved results. The ComArch brand, after several years of international expansion, is gradually better recognised in the world, not only in the neighbouring Central European countries, but also in Western Europe, both Americas and in the Near East. ComArch systems support clients in over twenty countries in four continents. Along with expansion of the client base, volume of contracts grows and client types change, with the largest world companies appearing among them.

ComArch is not only focused on achieving the best possible current financial results, but is all the time systematically investing in long-term development. Finding and employing the best graduates from Polish academic centres is an important element of this process. In 2005, the Group increased employment by over three hundred employees. R&D work is continued all the time, financed from both own means and the acquired European funds. These expenses are a certain burden on short-term financial results, yet in the perspective of several years they will give effects in a stronger market position for ComArch among international companies in the IT field.

Enjoying tax holidays on account of activities in the Special Economic Zone in Krakow, ComArch initiated construction of a new production building for its IT needs in the end of 2004. The building was commissioned in the second quarter of 2005 and completely filled with employees within several months. Therefore, in the end of the pervious year, the company decided to erect another building. Its completion is planned for the end of 2006.

The Board of Directors of ComArch S.A. is aware of risks related to dynamic growth of the company. In parallel to efforts related to acquiring new clients and developing new products, management procedures are continuously enhanced so as to correspond with size and structure of the Group.

Professor Janusz Filipiak
President of the Management Board
ComArch S.A.

INTRODUCTION TO THE COMARCH S.A.'S FINANCIAL STATEMENT SA-R 2005

1) The basic activities of the ComArch Group (the "Group"), in which ComArch S.A. with its registered seat in Krakow at Al. Jana Pawła II 39 A is the dominant unit, include production, trade and services in the fields of IT and telecommunications, PKD 72.20. The registration court for ComArch S.A. is the District Court for Krakow Śródmieście in Krakow, XI Economic Division of the National Court Register. The company's KRS number is 0000057567.

The duration of the dominant unit is not limited.

In the tables of this statement:

- the previous period means period 01 January 2004 - 31 December 2004 and refers to 12 months,
- current period means period 01 January 2005 – 31 December 2005 and refers to 12 months.

As at 31 December 2005, members of ComArch S.A.'s Board of Supervisors were:

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

As at 31 December 2005, members of ComArch S.A.'s Management Board were:

- Janusz Filipiak - President of the Management Board,
- Rafał Chwast - Vice-President of the Management Board,
- Tomasz Maciantowicz - Vice-President of the Management Board,
- Paweł Prokop - Vice-President of the Management Board,
- Paweł Przewięźlikowski - Vice-President of the Management Board,
- Christophe Debou – Member of the Management Board,
- Zbigniew Rymarczyk - Member of the Management Board.

On 23 January 2006, Mr. Christophe Debou submitted his resignation from the position of ComArch S.A. Management Board Member. Mr. Debou declared personal reasons as the reasons of his resignation.

ComArch S.A. is the dominant unit and it prepares the consolidated financial statements according to IFRS.

The company's Management Board indicates that comparability of data for 2005 against previous year is limited, as on 31 August 2004 ComArch S.A. took over the companies of ComArch Kraków S.A. and CDN-ComArch S.A. In reference to the fact, that financial data of ComArch S.A. for 2004 include financial data of the taken over companies only for the period September-December 2004, comparison with data of the company for previous years may lead to false conclusions. Consolidated data are much more adequate to analyse annual results of ComArch.

The financial statement was prepared with the assumption of the continuation of commercial activities by the ComArch Group in the foreseeable future. According to company management, there are no circumstances suggesting any threat to the continuation of activities.

2) There were no reservations in the opinion of an auditor entitled to audit financial statements of ComArch S.A. for 2004.

3) Principles of valuation of assets and liabilities and measure of financial result.

This financial statement was prepared according to the Act passed on 29 September 1994 on Accounting and the Regulation issued by the Minister of Finance on 18 October 2005 concerning information presented in financial statements and consolidated financial statements, required in a prospectus for issuers with its registered seat in Poland, to whom Polish accounting principles are proper ones, and the Regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information pertaining to companies traded on the stock exchange.

I. Non-Current Assets

A/ Intangible Assets

Intangible assets are recorded at their acquisition prices with reference to the current redemption. The Group carries out depreciation write-offs using the straight-line method. The following depreciation rates have been adopted:

- computer software 30 %
- licences 30 %
- copyrights 30 %
- other rights 10-20 %

Adopted depreciation rates are related to the estimated useful life of intangible assets. In the case of intangible assets that were acquired for a particular project, the depreciation period is established as the duration of the project.

B/ Property, Plant and Equipment

B1. Proprietary property, plant and equipment in use

Proprietary property, plant and equipment in use were valued according to acquisition prices or production costs less depreciation write-offs in proportion to their useful life and write-offs due to permanent losses in value.

The following detailed principles of depreciation of proprietary property, plant and equipment in use have been adopted by the company: assets are depreciated with the straight-line method with application of depreciation rates corresponding with periods of their economic utility. In most cases, depreciation rates are: 2.5 % (for group number I), 30 % (for group number IV) and 20 % (for groups number VII and VIII). In case of proprietary property, plant and equipment in use that were acquired in order to be used in a specific project, the depreciation period is set as equal to the project duration.

Lands and the right of perpetual usufruct of land are not depreciated.

B2. Proprietary property, plant and equipment under construction are valued according to acquisition prices less write-offs due to permanent losses in value.

B3. Improvements in third party's proprietary property, plant and equipment are valued according to the acquisition price less depreciation. They are related to buildings and structures and depreciated with the straight-line method corresponding with periods of their economic utility.

B4. Proprietary property, plant and equipment, which are used according to the lease agreements concluded after 1 January 2002, are classified as company's non-current assets if conditions resulting from art. 3. sec. 4 of the Act on Accountancy are met and they are valued at fair value established as at the date of the beginning of the agreement or as at reception of the lease object into use, or at the current value of minimum lease fees, if it is lower than the fair value.

C/ Non-Current Investments

C1. Non-current financial assets

As at the balance sheet date, financial assets are classified as non-current in the financial statement if the estimated period of their further owning exceeds 12 months from the balance sheet date. Shares are recognised at the acquisition or originate date according to acquisition price, and at the balance sheet date according to acquisition price less write-offs due to permanent loss in value. When permanent loss in value appear, the revaluation of write-offs is carried out no later than at the balance sheet date.

Loans are valued according to value of depreciated cost using effective interest rate. In case of lack of differences that are significant for valuation, loans are classified at nominal value plus accrued interest based on interest rate resulting from contracts.

II. Current Assets

A/ Inventories, Products in Progress and Finished Goods

Production in progress given in the statement refers to software produced by the Group and allocated for multiple sales. Production in progress is valued according to direct technical production costs.

Application software produced by the Group and allocated for multiple sales is valued in the period when it benefits, no longer than 36 months from an initial sale, in the amount of surplus of software production costs over net revenues obtained from sales of these products within the following 36 months. Software production costs, not written off after this period of time, increase other operational costs.

Depending on the nature of the produced software and the assessment of its possible sales, expenditures incurred for software production, in the amount of 50 % to 100 % of the invoiced sale in the above time period of sales, are written off into its own costs, provided that the 50 % rate is the basic rate. If the company is aware of limits to sales capacity at an earlier point, it immediately performs a write-off revaluating production in progress in the amount of expenses in reference to which there is a probability that they will not be recovered, or does a one-time write-off of the entirety of unsettled expenses (depending on the degree of risk valuation) into its own cost of sales.

Finished goods are appraised according to actual purchase prices, no higher than net selling prices.

B/ Receivables

Receivables are recognised initially at nominal value and as at the balance sheet date in the amount of required payment. Receivables due to deliveries and services are classified as current receivables. Other receivables are recognised as current or non-current receivables depending on maturity (depending on whether this is less than or over 12 months from the balance sheet date). In order to make their value real, receivables are decreased by write-offs revaluating bad debts. Receivables in foreign currencies were valued as at the balance sheet date at NBP average exchange rates. The realised and resulting from balance valuation exchange differences are classified as revenues and financial costs respectively, after they were compensated.

C/ Current Financial Assets

Assets recognised in the financial statement consist mostly of monetary assets and loans to other entities.

Monetary assets consist of cash in hand, cash at banks and accrued interest on financial assets.

Cash in domestic currency was valued at nominal value, while cash in foreign currencies was valued at NBP average exchange rates.

D/ Current and Non-current Prepayments of Costs

Expenses incurred in advance, but related to future reporting periods are settled by prepayments of costs. Prepayments of costs that last longer than 12 months starting with the balance sheet date are regarded as a non-current item.

Prepayments include also surplus of sales in long-term contracts made according to article 34a, section 1 and section 2, point 2 of the Act on Accounting over value of sales invoiced to contractors.

III. Equity

Equity includes:

- share capital of the company presented at nominal value,
- supplementary capital from profit-sharing in compliance with principles and limitations specified in the Commercial Companies Code and from surpluses of shares sold above their nominal value,
- revaluation reserve from valuation of capital part of non-current liability due to bond issue and redemption of some convertible bonds, and also effects of valuation of shares in foreign currencies held by ComArch S.A,
- other reserve capitals from profit-sharing intended for investment targets and other specified in statute – valued at nominal value,
- retained profit from adjustments due to changes in accounting principles in 2002 resulting from amendments to the Act on Accounting and adjustments due to changes to the rules of recognising of built-in derivatives. Retained profit comprise also results for the periods I-VIII 2004 of companies which consolidated with ComArch S.A. in 2004, capital from merger

IV. Liabilities and Provisions for Liabilities

A/ Liabilities

At the time of initial recognition, financial liabilities are valued at nominal value and as at the balance sheet date, in the amount of required payment. Liabilities due to deliveries and services are classified as current liabilities. Other liabilities are recognised as current or non-current receivables depending on maturity (depending on whether this is less than or over 12 months from the balance sheet date). Liabilities in foreign currencies were valued as at the balance sheet date at NBP average exchange rates. Liability due to issuance of bonds convertible to shares is valued as at the balance sheet date at depreciated cost.

B/ Special Funds consist of Social Services Fund and Residential Fund that was created from profit-sharing for 1998 and 1999

C/ Accruals

Accruals of costs include possible future liabilities, but related to the current reporting period. In particular, they are related to provisions for additional costs of contracts completion that are expected to incur and that exceed the amount of possible to achieve revenues. Accruals of revenues include also surplus of sales invoiced to contractors over the value of proceeds from sales in long-term contracts determined according to article 34a, section 1 and section 2, point 2 of the Act on Accounting.

V. Valuation of Assets and Equity and Liabilities Presented in Foreign Currencies and Principles of Determining Exchange Differences

A/ Within Reporting Year

1. Operations related to sales and purchase of currencies and payment of receivables and liabilities at purchase exchange rate or sales of currencies used by banks, whose services ComArch S.A. uses,
2. Other operations at the average NBP exchange rate, provided that import purchases requiring customs clearance and export sales of finished goods are appraised according to exchange rates set forth in proofs of customs clearance.

B/ As at Balance Sheet Date

1. Items of assets and equity and liabilities are valued at binding NBP average exchange rates.
2. Exchange differences related to non-current investment are accounted for adequately with revaluation reserve or revenues and financial costs (according to art. 35 sec. 2 and 4 of the Act).
3. Exchange differences related to the other assets and equity and liabilities and those arising on payment of receivables and liabilities are classified to revenues and financial costs, respectively.
Realised exchange differences, related to receivables and liabilities, are determined up to date, while unrealised exchange differences, related to receivables and liabilities and cash at banks are valued at the end of the quarter.

VI. Financial Instruments

Derivative financial instruments designated as 'hedging instruments' according to §27-30 of the Regulation issued by Ministry of Finance on 12 December 2001 concerning detailed classification rules, valuation methods, scope of disclosure and presentation method of financial instruments, qualified as fair value hedging, are valued at fair value and change in their valuation refers to the result from financial operations.

Derivative financial instruments designated as 'hedging instruments' according to §27-30 of the Regulation issued by Ministry of Finance on 12 December 2001 concerning detailed classification rules, valuation methods, scope of disclosure and presentation method of financial instruments, qualified as cash flow hedging, are valued at fair value change in their valuation refers to:

- a) the revaluation reserve (in the part that constitutes the effective hedging),
- b) the result from financial operations (in part that doesn't constitute the effective hedging).

Derivative financial instruments designated as 'non-hedging instruments' according to §27-30 of the Regulation issued by Ministry of Finance on 12 December 2001 concerning detailed classification rules, valuation methods, scope of disclosure and presentation method of financial instruments, are valued at fair value and change in their valuation refers to the result from financial operations.

VII. Financial Result

ComArch S.A. prepares its income statement in calculation version in compliance with matching principle revenues and costs. ComArch S.A.'s operations mostly consist of producing software for multiple sales and implementing IT integration contracts. As part of its integration contracts, ComArch offers the implementation of IT turnkey systems consisting of (own and third party) software and/or computer hardware and/or services such as:

- implementation services,
- installation services,
- guarantee and post-guarantee services,
- technical assistance services,
- software customisation services,
- other IT and non-IT services necessary for system implementation.

Integration contracts realised by ComArch S.A. are classified according to article 34 a-d of the Act, whereas degree of progress for contract is determined by share of incurred costs compared to total costs of service execution.

In determining the total revenues from contracts, the following items are taken into account:

- revenues from proprietary software (irrespective of form, i.e. licences, property rights, etc.),
- revenues from services

Unit managers may decide to include estimated revenues that are highly probable to be realised into the total revenues from a contract (e.g. during the implementation of the contract, project modifications are carried out for technical reasons and it is justified to assume with some probability that the ordering party will accept the modifications and that there will be revenues flowing from them). When integration contracts under which software is allocated for multiple sales are ComArch property, the revenues and costs related to this software and the revenues and costs related to the other part of the integration contract are recognised separately.

Several integration contracts are combined and recognised as one contract, if:

- a) the agreements are executed at the same time or sequentially one after another and the precise separation of the costs of their execution is impossible, or
- b) the agreements are so closely inter-related that they are actually parts of a single project and share a single profit margin for the entire project.

A. Revenues are classified according to accrual basis.

Revenues from uncompleted non-current services (contracts) are classified in proportion to the level of service according to article 34 a, section 2, point 1.

Revenues from sales of other services, products, finished goods and other item of assets are recognised at the moment of delivery of products, finished goods and other items of assets, if the entity transferred significant risk and benefits resulting from their ownership or at the moment of executing the service. Sales are presented in net value, i.e. without commodity and services taxes and taking into account all discounts.

B. Costs consist of:

1. Relating to long-term contracts, total expenditures incurred in the period, on execution of contracts that were valued at production costs.
2. Relating to other services, finished goods and other assets – value of sold (invoiced) products, finished goods and other items valued at production cost or acquisition price.
3. Total administrative costs and cost of sales incurred in the period.

In the item "Costs of sold products, finished goods and materials from related parties" in the income statement the company presents the value of products, finished goods and materials purchased from related parties excluding these included in administrative costs, cost of sales and other operating costs.

Costs of sales consist of marketing costs and the costs of order acquisition by sales centres (departments) in the ComArch S.A.

General costs consist of the costs of the ComArch S.A. functioning as a whole and include administrative expenses and the costs of departments that operate for the general needs of the company.

C. Other revenues and operating costs

These consist of revenues and costs not related directly to the ordinary activities of entities and comprise mostly: result from sale of property, plant and equipment and intangible assets, subsidies, provisions created, effects of revaluation of assets and result from research and development financed by union.

D. Revenues and financial costs

Revenues and financial costs consist of revenues and costs due to interest, result from exchange differences, from disposal of financial assets and effects of investment revaluation.

E. Deferred income tax

Due to temporary differences between the presented value of assets and liabilities as well as their tax value and tax loss it will possible to deduct in the future, a provision is established and deferred income tax assets are defined.

Deferred income tax assets are defined in the amount that it is anticipated will have to be deducted from income tax in the future in reference to negative temporary differences which shall result in the future in reducing the amount of the basis of taxation and the deductible tax loss defined using the precautionary principle.

Deferred income tax provisions are established in the amount of income tax payable in the future in reference to positive temporary differences, which would result in increasing the basis of taxation in the future.

Provisions and assets due to deferred income tax are established fiscal rates which are legally binding in the tax point year.

The difference between deferred income tax provisions and deferred income tax assets at the end and at the beginning of the reporting period affects the financial results. In addition, provisions and assets due to deferred income tax related to operations settled with equity are referred into equity.

On 1 July 2004, ComArch S.A. received a decision from the Minister of the Economy dated 24 June 2004 that changed the conditions for tax exemptions for entities operating in special economic zones to conditions included in the act that was passed on 2 October 2003 on changing the act on special economic zones and certain other acts (Journal of Laws No. 188 Item 1840). Pursuant to article 5, section 2, point 1, lit. b), point 2, point 3 of the act, the maximum amount of public aid for entities, which operate in a special economic zone on the basis of a permit issued before 1 January 2000, cannot exceed 75 % of the value of investments incurred in the period from the date of obtaining the permit until 31 December 2006, provided that in determining the maximum amount of public aid, the total amount of public aid obtained since 1 January 2001 is taken into consideration. This means a change in the current method of granting tax relief (public aid) from unlimited relief to relief that is limited in value and depends on the value of investments made. In the case of ComArch S.A., the maximum value of public aid will not exceed 75 % of the value of investment expenditures, which the company has incurred/shall incur since obtaining the permit, i.e. 22 March 1999, until 31 December 2006. Tax exempt due to income tax is included in this limit. Additional information on methods of recognition of a deferred income asset and tax exempt due to operations in Special Economic Zone are included in Note 4a of additional information and commentary to this financial statement.

Financial result is determined according to article 42 of the Act on Accounting dated 29 September 1994 r. Cash flow statement is prepared using the indirect method.

4) Principles of Conversion PLN to EURO

EURO rates used to financial data:

NBP average exchange rates as at 31.12.2005 -	3.8598
NBP average exchange rates as at 31.12.2004 -	4.0790
NBP arithmetic average exchange rates as at the end of every month for the period 1.01 - 31.12.2005 -	4.0233
NBP arithmetic average exchange rates as at the end of every month for the period 1.01 - 31.12.2004 -	4.5182
NBP minimum rate between 1.01 - 31.12.2005 -	3.8223
NBP minimum rate between 1.01 - 31.12.2004 -	4.0518
NBP maximum rate between 1.01 - 31.12.2005 -	4.2756
NBP maximum rate between 1.01 - 31.12.2004 -	4.9149

In the table "Selected financial data" points I-VIII and XVI-XVII are valued at NBP arithmetic average exchange rates as at the end of every months in the period, while points IX-XIV and XVIII-XX at NBP rate binding at the end of the period.

5) Differences between Polish Accounting Principles and International Financial Reporting Standards

Differences:

a) Costs of Organizing and Expanding a Joint-Stock Company

IAS 38 prohibits the capitalisation of costs connected with establishing or expanding operations, and requires them to be presented in the financial statement for the period in question or, following SIC 17, when they are directly linked to capital acquisition, attributed directly to equity. In accordance with article 36, section 2b of the Act on Accounting the costs of a share issue to expand a joint stock company's operations reduces the supplementary capital by the difference between the nominal value and the issue value. However, during the transition period the part of the above costs not yet amortised that previously figured in intangible assets is shown in prepayments and is accounted for in the financial statement for the current period.

In financial statements drawn up in accordance with the act on accounting binding in Poland the value of the costs of expanding and organizing the company accounted for in the financial statement for 2005 amounts to 0.19 million PLN. As at the balance sheet date, the value of prepayments concerning the above-mentioned costs amounted to 0 (zero) PLN.

b) The Right of Perpetual Usufruct of Land

In IFRS, the method of presentation of the right of perpetual usufruct of land is not defined explicitly. There are different opinions in that case. ComArch S.A. as the dominant unit prepares consolidated financial statement according to IFRS and presents the right of perpetual usufruct of land as non-current prepayments settled in time. According to Act on Accounting the law of perpetual usufruct of land is presented as "lands" in property, plant and equipment and is not depreciated.

c) Operating in Special Economic Zone (SEZ).

As a result of Poland joining the European Union, there was a change within terms of income tax from legal persons from unlimited relief to relief that is limited in value and depends on the value of investments made. Pursuant to IAS 12, unused tax relief as at 31 December 2005 constitutes a deferred income tax asset. As at 31 December 2005, the company recognised the asset that is worth 4.75 million PLN in consolidated financial statement according to IFRS.

d) Managerial Option Programme

On 30 June 2005, the Annual General Meeting of Shareholders passed a resolution on the managerial options programme for members of the Management Board and the company's Key Employees. According to IFRS 2 the company is under an obligation to calculate option's value and afterwards recognise it the income statement as cost beginning from the date of execution till the date of extinction.

As at 30 June 2005, the company determined option's value. An estimated effect of recognition of option's costs on income statement in the second half of 2005 amounts to 1.682 million PLN.

In the financial statement prepared according to the Act on Accounting dated 29 September 1994 managerial option programme is recognised in the income statement.

e) Differences compared to IFRS

Item	Equity as at 31 December 2005	Net result for 2005
Corrections according to the Polish accounting principles:	157,774	29,088
a) costs of company's expansion	-	189
b) presentation of managerial option	-	-1,682*
c) an asset due to tax exemption in the SEZ	4,750	4,750
d) depreciation due to the right of perpetual usufruct of lands	-165	-65
e) exchange differences from non-current loans granted to subsidiaries	-	-88*
Equity and net result after adjusting above-mentioned differences:	162,359	32,192
Change	4,585	3,104

*) These items have an affect on the amount of result from the current year, however at the same time they are settled with equity.

corrected

POLISH SECURITIES AND EXCHANGE COMMISSION

ANNUAL REPORT SA-R 2005

(pursuant to §86 sec.1., pt.3 of the Regulation issued by the Minister of Finance on 19 October 2005- Journal of Laws No. 209 Item 1744)
(for issuers of securities managing production, construction, trade and services activities)

For financial year 2005 from 2005-01-01 to 2005-12-31
And for the previous year 2004 from 2004-01-01 to 2004-12-31

Date of publication: 2006-04-05

COMARCH SA <small>(full name of an issuer)</small>	
COMARCH <small>(abbreviated name of issuer)</small>	INFORMATION TECHNOLOGY (IT) <small>(sector according to WSE classification)</small>
31-864 <small>(postal code)</small>	Kraków <small>(city)</small>
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(An auditor entitled to audit financial statements)

Annual report includes:

- Opinion and Report of an Auditor regarding the Annual Financial Statement
- The Management Board's Statement regarding the Reliability of Financial Statement
- The Management Board's Statement regarding the Auditor Independence
- Letter of the President of the Management Board
- Annual Financial Statement
 - Introduction
 - Balance Sheet
 - Income Statement
 - Changes in Equity
 - Cash Flow Statement
 - Additional Information and Commentaries
- Report of the Management Board (Report regarding the Activities of Issuer)

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EURO	
	2005	2004	2005	2004
I. Net revenues from the sale of products, goods and materials	425,223	249,831	105,690	55,294
II. Profit (loss) on operating activities	34,565	14,921	8,591	3,302
III. Gross profit (loss)	30,085	8,589	7,478	1,901
IV. Net profit (loss)	29,088	8,399	7,230	1,859
V. Cash flows from operating activities	45,766	11,637	11,375	2,576
VI. Cash flows from investing activities	-34,443	-19,566	-8,561	-4,330
VII. Cash flows from financing activities	8,275	-819	2,057	-181
VIII. Total net cash flows	19,598	-8,748	4,871	-1,936
IX. Total assets	328,188	252,283	85,027	61,849
X. Liabilities and provisions for liabilities	170,414	123,641	44,151	30,312
XI. Non-current liabilities	56,849	45,937	14,728	11,262
XII. Current liabilities	74,900	53,735	19,405	13,174
XIII. Equity	157,774	128,642	40,876	31,538
XIV. Share capital	6,955	6,852	1,802	1,680
XV. Number of shares	6,955,095	6,852,387	6,955,095	6,852,387
XVI. Earnings (losses) per single share (PLN/EURO)	4.21	1.24	1.05	0.27
XVII. Diluted earnings (losses) per single share (PLN/EURO)	4.21	1.22	1.05	0.27
XVIII. Book value per single share (PLN/EURO)	22.68	18.77	5.88	4.60
XIX. Diluted book value per single share (PLN/EURO)	22.68	18.5	5.88	4.54

OPINION OF AN AUDITOR ENTITLED TO AUDIT FINANCIAL STATEMENTS ON ANNUAL FINANCIAL STATEMENT

File	Description
Opinion of an Auditor.pdf	Opinion of an Auditor -Appendix No. 1

REPORT OF AN AUDITOR ENTITLED TO AUDIT FINANCIAL STATEMENTS ON ANNUAL FINANCIAL STATEMENT

File	Description
Report of an Auditor.pdf	Report of an Auditor -Appendix No. 2

THE MANAGEMENT BOARD'S STATEMENT REGARDING THE RELIABILITY OF FINANCIAL STATEMENT

File	Description
The Management Board's Statement regarding the Reliability of Financial Statement.pdf	The Management Board's Statement regarding the Reliability of Financial Statement -Appendix No. 3

THE MANAGEMENT BOARD'S STATEMENT REGARDING AUDITOR INDEPENDENCY

File	Description
The Management Board's Statement regarding Auditor Independence.pdf	The Management Board's Statement regarding Auditor Independence - Appendix No. 4

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

File	Description
Letter of the President of the Management Board.pdf	Letter of the President of the Management Board-Appendix No. 5

ANNUAL FINANCIAL STATEMENT**BALANCE SHEET**

	Notes	thousands of PLN	
		2005	2004
ASSETS			
I. Non-current assets		139,450	115,946
1. Intangible assets, including:	1	2,484	1,873
2. Property, plant and equipment	2	97,049	79,680
3. Non-current investment	3	38,471	34,393
3.1 Non-current financial assets		38,428	34,350
a) in related parties		38,290	33,970
b) in other entities		138	380
3.2 Other non-current investment		43	43
4. Long-term accruals	4	1,446	
4.1 Deferred income tax assets		1,197	
4.2 Other accruals		249	
II. Current assets		188,738	136,337
1. Inventories	5	25,893	14,185

2. Current receivables	6 7	94,152	74,100
2.1 from related parties		12,858	8,123
2.2 from other entities		81,294	65,977
3. Current investment		42,764	24,242
3.1 Current financial assets	8	42,764	24,242
a) in related parties		1,133	368
b) in other entities		476	2,370
c) cash and cash equivalents		41,155	21,504
4. Short-term accruals	9	25,929	23,810
Total assets		328,188	252,283
EQUITY AND LIABILITIES			
I. Equity		157,774	128,642
1. Share capital	10	6,955	6,852
2. Capital from merger settlement		-7,334	-7,334
3. Supplementary capital	11	105,113	96,714
4. Revaluation reserve	12	12	71
5. Other reserve capitals	13	21,948	21,948
6. Previous years' profit (loss)		1,992	1,992
7. Net profit (loss)		29,088	8,399
II. Liabilities and provisions for liabilities		170,414	123,641
1. Provisions for liabilities	14		100
1.1 Other provisions			100
a) current			100
2. Non-current liabilities	15	56,849	45,937
2.1 to related parties		56,849	45,937
3. Current liabilities	16	74,900	53,735
3.1 to related parties		1,460	982
3.2 to other entities		72,388	51,532
3.3 special funds		1,052	1,221
4. Accruals	17	38,665	23,869
4.1 Other accruals		38,665	23,869
a) current		38,665	23,869
Total equity and liabilities		328,188	252,283

Book value		157,774	128,642
Number of shares		6,955,095	6,852,387
Book value per single share (PLN)	18	22.68	18.77
Diluted number of shares		6,955,095	6,955,095
Diluted book value per single share (PLN)	18	22.68	18.50

OFF-BALANCE SHEET ITEMS

	Notes	thousands of PLN	
		2005	2004
1. Contingent liabilities	19	555	27,608
1.1 To related parties (due to)		555	1,499
-bank guarantees and suretyships		555	1,499
1.2 To other entities (due to)		35,718	26,109
-bank guarantees and suretyships		35,718	26,109
Total off-balance sheet items		36,273	27,608

INCOME STATEMENT

	Notes	thousands of PLN	
		2005	2004
I. Net revenues from the sale of products, goods and materials, including:		425,223	249,831
-revenues from related parties		14,536	12,380
1. Net revenues from the sale of products	20	223,081	139,188
2. Net revenues from the sale of goods and materials	21	202,142	110,643
II. Costs of products, goods and materials sold, including:		333,413	195,028
-to related parties		11,822	20,496
1. Manufacturing cost of products sold	22	146,099	90,270
2. Value of products, goods and materials sold		187,314	104,758
III. Gross profit on sales		91,810	54,803
IV. Costs of sales	22	30,803	18,363
V. Administrative costs	22	23,479	20,321
VI. Profit (loss) on sales		37,528	16,119
VII. Other operating revenues		1,330	933
1. Gain on disposal of non-financial non-current assets		207	45
2. Other operating revenues	23	1,123	888
VIII. Other operating costs		4,293	2,131
1. Revaluation of non-financial assets		243	62
2. Other operating costs	24	4,050	2,069
IX. Profit (loss) on operating activities		34,565	14,921
X. Financial revenues	25	1,807	1,474
1. Interest, including:		787	1,052
-from related parties		208	357
2. Gain on disposal of investment		40	422
3. Other		980	
XI. Finance costs	26	6,287	7,806
1. Interest, including:		5,138	4,789
2. Revaluation of investment		415	57
3. Other		734	2,960
XII. Profit (loss) on business activities		30,085	8,589
XIII. Gross profit (loss)		30,085	8,589
XIV. Income tax	27	997	190
a) current		2,194	
b) deferred		-1,197	190
XV. Net profit (loss)		29,088	8,399
Net profit (loss) (annualised)		29,088	8,399
Weighted average number of shares		6,910,354	6,793,961
Earnings (losses) per single share (PLN)	29	4.21	1.24
Diluted weighted average number of shares		6,910,354	6,894,918
Diluted earnings (losses) per single share (PLN)	29	4.21	1.22

CHANGES IN EQUITY

	thousands of PLN	
	2 005	2 004
I. Opening balance of equity (BO)	128,642	127,319
a) changes to adopted accounting principles (policies)		-30
I. a. Opening balance of equity after adjustments	128,642	127,289
1. Opening balance of share capital	6,852	6,727

1.1. Changes in share capital	103	125
a) increases (due to)	103	125
-share issue	103	125
1.2. Closing balance of share capital	6,955	6,852
2. Opening balance of supplementary capital	96,714	96,714
2.1. Changes in supplementary capital	8,399	
a) increases (due to)	8,399	
-profit-sharing for the year 2004	8,399	
2.2. Closing balance of supplementary capital	105,113	96,714
3. Opening balance of revaluation reserve	71	1,723
3.1. Changes in revaluation reserve	-59	-1,652
a) decreases (due to)	59	1,652
-valuation of shares at the balance sheet date	59	1,357
-negative capital related to redemption of bonds		295
3.2. Closing balance of revaluation reserve	12	71
4. Opening balance of capital from merger	-7,334	
-decreases (due to)		-7,334
-capital from merger of ComArch S.A., ComArch Kraków, CDN-ComArch S.A.		-7,334
4.1. Closing balance of capital from merger	-7,334	-7,334
5. Opening balance of other reserve capitals	21,948	9,685
5.1. Changes in other reserve capitals		12,263
a) increases (due to)		12,263
-profit-sharing for the year 2003/2004		12,263
5.2. Closing balance of other reserve capitals	21,948	21,948
6. Opening balance of previous years' profit (loss)	10,391	12,470
6.1. Opening balance of previous years' profit	10,391	12,470
a) changes to adopted accounting principles (policies)		-30
6.2. Opening balance of previous years' profit after adjustments	10 391	12,440
a) increases (due to)		1,815
-taking over the result for 8 months of 2004 of companies included in merger		1,815
b) decreases (due to)	8,399	12,263
-transferring the result for the year 2003 and 2002 to reserve fund		12,263
-transferring the result for the year 2004 to supplementary capital	8 399	
6.3. Closing balance of previous years' profit	1,992	1,992
6.4. Closing balance of previous years' profit (loss)	1,992	1,992
7. Net result	29,088	8,399
a) net profit	29,088	8,399
II. Closing balance of equity	157,774	128,642
III. Equity including proposed profit-sharing (loss coverage)	157,774	128,642

CASH FLOW STATEMENT

	thousands of PLN	
	2005	2004
A. Cash flows from operating activities		
I. Net profit (loss)	29,088	8,399
II. Total adjustments	16,678	3,238
1. Depreciation	10,596	6,925
2. Exchange gains (losses)	-265	238
3. Interest and shares in profits (dividends)	2,514	2,821
4. Profit (loss) on investing activities	228	-151
5. Change in provisions	-100	100

6. Change in inventories	-11,709	-3 424
7. Change in receivables	-19,874	4 494
8. Change in current liabilities, excluding credits and loans	24 036	-1,409
9. Change in accruals	11,232	-6 307
10. Other adjustments	20	-49
III. Net cash used in operating activities (I+/-II)-indirect method	45,766	11,637
B. Cash flows from investing activities		
I. Inflows	5,419	112,524
1. Disposal of property, plant and equipment and intangible assets	1 093	376
2. From financial assets, including:	4,326	112,148
a) in related parties	785	8,144
-repayment of granted non-current loans	785	6,340
-funds taken over from merger		1,804
b) in other entities	3,541	104,004
-disposal of financial assets	3,541	104,004
II. Outflows	-39,862	-132,090
1. Purchase of property, plant and equipment and intangible assets	-32 231	-20,512
2. For financial assets, including:	-7,631	-111,578
a) in related parties	-6,131	-5,996
-purchase of financial assets	-4,480	-4,955
-granted non-current loans	-1,651	-1,041
b) in other entities	-1,500	-105,582
-purchase of financial assets	-1,500	-105,582
III. Net cash used in investing activities (I-II)	-34,443	-19,566
C. Cash flows from financing activities		
I. Inflows	33,344	12,598
1. Inflows from share issue	103	125
2. Loans and credits	33,119	12,380
3. Other inflows	122	93
II. Outflows	-25,069	-13,417
1. Repayment of loans and credits	-21,730	-4,598
2. Redemption of bonds		-5,905
3. Interest	-3,339	-2,914
III. Net cash (used in)/generated from financing activities (I-II)	8 275	-819
D. Total net cash flows (A.III+/-B.III+/-C.III)	19,598	-8,748
E. Balance sheet change in cash and cash equivalents, including:	19 638	-8,986
-change in cash and cash equivalents due to exchange differences	-40	238
F. Cash and cash equivalents opening balance	21,502	30,487
G. Closing balance of cash and equivalents (F+/-E), including:	41 140	21,501
-limited disposal		404

ADDITIONAL INFORMATION AND COMMENTARY

**A. COMMENTARY NOTES
BALANCE SHEET COMMENTARY NOTES
Note 1 a**

INTANGIBLE ASSETS	thousands of PLN	
	2005	2004
a) costs of completed development work		290
b) licences, patents and similar items, including:	2,474	1,573
-computer software	354	549
c) other intangible assets	10	10
Total intangible assets	2 484	1 873

Note 1 b

CHANGES IN INTANGIBLE ASSETS (BY TYPES)							
thousands of PLN							
	a	b	c		d	e	Total intangible assets
	costs of completed development work	goodwill	licences, patents and similar items, including	-computer software	other intangible assets	advances for intangible assets	
a) opening balance of gross value of intangible assets	2,057		8,898	2,312	112		11,067
b) increases (due to)			2,150	318			2,150
-purchase			2,150	318			2,150
c) decreases (due to)			4				4
-decommissioning			4				4
d) closing balance of gross value of intangible assets	2,057		11,044	2,630	112		13,213
e) opening balance of accumulated depreciation (amortisation)	1,767		7,325	1,763	102		9,194
f) depreciation for the period (due to)	290		1,246	513			1,535
-increases	290		1,246	513			1,536
-decreases			1				1
g) closing balance of accumulated depreciation (amortisation)	2,057		8,570	2,276	102		10,729
h) closing balance of net value of intangible assets			2,474	354	10		2,484

Note 1 c

INTANGIBLE ASSETS (PROPRIETARY STRUCTURE)	thousands of PLN	
	2005	2004
a) proprietary	2,484	1,873
Total intangible assets	2,484	1,873

Note 2 a

PROPERTY, PLANT AND EQUIPMENT	thousands of PLN	
	2005	2004
a) property, plant and equipment in use, including:	93,507	67,208
-lands (including right of perpetual usufruct of land)	8,940	7,245
-buildings, premises and water and civil engineering structures	62,376	43,190
-technical equipment and machines	17,158	11,468
-means of transport	4,037	4,488
-other property, plant and equipment	996	817
b) property, plant and equipment under construction	2,142	12,472
c) advances for property, plant and equipment	1,400	
Total property, plant and equipment	97,049	79,680

Note 2 b

CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN USE (BY TYPES)						
thousands of PLN						
	- lands (including right of perpetual usufruct of land)	- buildings, premises and water and civil engineering structures	- technical equipment and machines	- means of transport	- other non-current assets	Total non-current assets in use
a) opening balance of gross value of property, plant and equipment in use	7,392	48,643	30,547	7,891	3,046	97,519
b) increases (due to)	1,695	20,751	11,897	1,153	590	36,086
-purchase	1,695	20,751	11,897	1,153	590	36,086
c) decreases (due to)			732	1,518	148	2,398
-decommissioning			460	446	98	1,004
-sales			272	1,072	50	1,394
d) closing balance of gross value of property, plant and equipment in use	9,087	69,394	41,712	7,526	3,488	131,207
e) opening balance of accumulated depreciation (amortisation)	147	5,453	19,079	3,403	2,229	30,311
f) depreciation for the period (due to)		1,565	5,475	86	263	7,389
-increases		1,565	5,978	1,177	339	9,060
-decreases (decommissioning)			415	443	45	903
-decreases (sales)			88	648	31	768
g) closing balance of accumulated depreciation (amortisation)	147	7,018	24,554	3,489	2,492	37,700
h) closing balance of net value of property, plant and equipment in use	8,940	62,376	17,158	4,037	996	93,507

Balance sheet value of lands in perpetual usufruct is worth 6,799 thousand PLN, including acquired ones: 6,799 thousand PLN.

Note 2 c

BALANCE SHEET PROPERTY, PLANT AND EQUIPMENT IN USE (PROPRIETARY STRUCTURE)	thousands of PLN	
	2005	2004
a) proprietary	93,343	66,790
b) used on the basis of an agreement of rental, lease or another agreement, including a lease agreement, including:	164	418
Total balance sheet property, plant and equipment in use	93,507	67,208

Note 2 d

OFF BALANCE SHEET PROPERTY, PLANT AND EQUIPMENT IN USE	thousands of PLN	
	2005	2004
used on the basis of an agreement of rental, lease or another agreement, including a lease agreement, including:		883
-value of leasehold cars		883
Total off balance sheet property, plant and equipment in use		883

Note 3 a

NON-CURRENT FINANCIAL ASSETS	thousands of PLN	
	2005	2004
a) in subsidiaries	23,031	22,962
-interest or shares	16,864	17,109
-granted loans	5,586	5,288
-other non-current financial assets (by types)	581	565
-interest due to non-current loans	581	565
b) in associates	15,259	11,008
-interest or shares	15,259	11,008
c) in other entities	138	380
-granted loans	138	380
Total non-current financial assets	38,428	34,350

Note 3 b

CHANGES IN NON-CURRENT FINANCIAL ASSETS (BY TYPES)	thousands of PLN	
	2005	2004
a) opening balance	34,350	66,580
Interest and shares		
b) opening balance	28,117	66,250
c) increases (due to)	4,480	4,955
-purchase of shares in subsidiaries	230	4,955
-purchase of shares in associates	4,250	
d) decreases (due to)	474	43,088
-decreases in shares due to merger		41,675
-balance sheet valuation of shares	474	1,413
e) closing balance	32,123	28,117
Non-current loans and other non-current assets in subsidiaries		
f) opening balance	5,853	5,853
g) increases (due to)	1130	5288

-reclassification to non-current loans to ComArch Software and ComArch Global		565
-balance sheet valuation	386	
-loans grant	728	
-interest due to non-current loans	16	
-decreases (due to)	816	
-repayment of loans	816	
h) closing balance	6,167	5,853
Other loans		
i) opening balance	380	330
j) increases (due to)	63	280
-loans granted to other entities	63	280
k) decreases (due to)	305	230
-reclassification to current financial assets	305	230
l) closing balance	138	380
m) Closing balance	38,428	34,350

Note 3 c

INTEREST OR SHARES IN RELATED UNITS												
thousands of PLN												
	a	b	c	D	e	f	g	h	i	j	k	l
	name of entity (company) including legal form	seat	activities	nature of relationship (subsidiary, correlate or associate, including direct and indirect relationship)	the applied method of consolidation / equity method valuation or indication that an entity is not subject to consolidation/ valued by equity method	date of control / co-control accession / obtaining major share	value of interest / shares by acquisition price	revaluating corrections (total)	balance sheet value of interest / shares	% of share capital held	share in total number of votes at AGM	indication of basis for control / co control / major share different than the one specified under clauses j) or k)
1.	ComArch Global, Inc.	Miami in Florida	Sales of software and services in US market	subsidiary	consolidated	24.06.1999	139	24	163	100	100	
2.	ComArch Software AG	Dresden	Sales of software and services in European market	subsidiary	consolidated	13.09.1999	8 949	-406	8,543	100	100	
3.	ComArch Middle East FZ-LCC	Dubai	Sales of IT systems in the Near East and support of delivered IT systems	subsidiary	consolidated	08.04.2004	203	-17	186	100	100	
4.	ComArch s.r.o.	Bratislava	Production of software	subsidiary	consolidated	31.08.2004	494	-30	464	100	100	
5.	ComArch Sp. z. o.o. (Ukraine)	Kiev	Sales of IT systems in Ukraine and support of delivered IT systems	subsidiary	consolidated	01.06.2004	34	-1	33	100	100	
6.	ComArch Panama, Inc.	Panama	Sales and production of IT systems in Central and Southern America market	second degree subsidiary (subsidiary of ComArch Global, Inc.)	consolidated	22.11.2004	33		33	100	100	subsidiary of ComArch Global, Inc.(100%)

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7.	UAB ComArch	Vilnius	Sales of IT systems in Lithuania and support of delivered IT systems	subsidiary	consolidated		83	-13	70	100	100	
8.	OOO ComArch	Moscow	Sales of IT systems in Russia and support of delivered IT systems	subsidiary	consolidated		147	-5	142	100	100	
9.	ComArch Services Sp. z o.o *	Krakow	Delivering of connections and outsourcing services	subsidiary	consolidated	18.06.2004	53		53	99.9	99.9	
10.	Interia.pl SA **	Krakow	Media activities and electronic commerce and all services related to Internet	associate	equity method	13.08.1999	14,760		14,760	41.05	49.95	
11.	NetBrokers Sp. z o.o.	Krakow	Intermediary in trading in the goods market, Internet activities	associate	equity method	29.06.2000	497		497	40	40	
12.	MKS Cracovia SSA	Krakow	Activities in the scope of physical education and sport	subsidiary	consolidated	29.09.2003	7,209		7,209	49.15	49.15	Company is a subsidiary of ComArch S.A. due to Art 3 pt 37, sec. d) of the Act on Accounting
13.	Fidletronik- ComArch Sp. z o.o.	Krakow	Sales and development of network computers and WEB TV sets	associate	not consolidated	25.11.1998	2		2	50	50	

*) formerly CIV Sp. z o.o.

**) On 19 January 2006, ComArch S.A. sold 350,000 INTERIA.PL S.A. shares thus as at the date of preparation of the report ComArch S.A. holds 2,538,369 INTERIA.PL S.A. shares (36.08 % of the company's share capital), which give 11,609,625 votes at the Annual General Meeting and constitute 48.48 % of the total number of votes. As a result of the above-mentioned operation book profit was achieved that was worth 6,300 thousand PLN.

Note 3 d

INTEREST OR SHARES IN RELATED PARTIES																		
thousands of PLN																		
a		m							n			o			p	r	s	t
name of entity		equity, including:							liabilities and provisions for liabilities			receivables of entity, including:			assets, including:	revenues from sales	value of interest/shares in entity unpaid by issuer	dividends from entity received or due for the financial year
			-share capital	- due payments on share capital (negative value)	- supplementary capital	-other equity, including:				-non-current liabilities	- current liabilities		-non-current receivables	- current receivables				
profit (loss) from the previous years	net profit (loss)																	
1.	ComArch Global, Inc.	-9,742	154			-9,896	-7,244	-3,523	14,048	3,093	10,955	1,590		1,590	4,306	9,426		
2.	ComArch Software AG	-1,589	222		8,125	-9,936	-8,816	-671	6,969	2,535	4,434	722		722	5,380	10,673		
3.	Comarch Middle East FZ-LCC	725	200			525	483	124	2,237	102	2,135	2,578		2,578	2,962	2,877		
4.	ComArch s.r.o.	553	487			66	-4	101	145		145	507		507	698	1,349		
5.	ComArch Sp. z o.o.	44	15			29	411	-414	376		376	236		236	420	599		
6.	ComArch Panama, Inc.	-552	31			-583		-622	1,372		1,372	412		412	820	1,484		
7.	UAB ComArch	89	80			9		13	883	7	876	786		786	972	869		
8.	OOO ComArch	-15	140			-155		-141	504	492	12	83		83	489			
9.	Comarch Services Sp.z o.o	199	50		29	120		120	576	6	570	729		729	775	11,240		
10.	INTERIA.PL S.A.	13,382	7,035		45,251	38,904	-41,062	2,158	5,756	1,223	4,533	6,067		6,067	19,138	39,733		
11.	NetBrokers Sp. z o.o.	3,775	750		2,106	920	-123	1,042	1,077	9	1,068	4,188		4,188	4,852	41,128		
12.	MKS Cracovia SSA	5,306	14,557		11	-9,262	-9,081	-181	3,951	324	3,627	1,301		1,301	9,257	13,650		
13.	ComArch-Fideltronik Sp. z o.o.*																	

Note 3 e

SECURITIES, SHARES AND OTHER NON-CURRENT FINANCIAL ASSETS (BY CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			22,521	18,271
b) in foreign currencies (by currencies and after conversion to PLN)			10,183	10,411
b1. in currency	in thou.	USD	178	172
after conversion to thousands of PLN			580	484
b2. in currency	in thou.	EUR	2,277	2,285
after conversion to thousands of PLN			8,790	9,449
other currencies in thousands of PLN			813	478
Total securities, shares and other non-current financial assets			32,704	28,682

Note 3 f

SECURITIES, SHARES AND OTHER NON-CURRENT FINANCIAL ASSETS (BY DISPOSAL)	thousands of PLN	
	2005	2004
A. Total interest /shares/	32,123	28,117
a. shares (balance sheet value) – admitted do public trading	14,760	10,510
revaluating corrections for the period		
-opening balance value	10,510	10,510
-value according to the acquisition price	14,760	10,510
b. shares (balance sheet value)-others	16,102	16,381
-revaluating corrections for the period	-398	-1,413
-decrease in interest due to merger		-41,675
-opening balance value	16,381	54,514
-value according to the acquisition price	16,500	16,352
c. shares in limited companies	1,261	1,226
-revaluating corrections for the period	-49	
-opening balance value	1,226	1,226
-value according to the acquisition price	1,310	1,226
d. others-interest from non-current loans (balance sheet value)	581	565
-opening balance value	565	0
Total value according to the acquisition price	33,151	28,653
Total opening balance value	28,682	66,250
Total revaluating corrections for the period	-447	-40,262
Total balance sheet value	32,704	28,682

Note 3 g

GRANTED NON-CURRENT LOANS (BY CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			138	380
b) in foreign currencies (by currencies and after conversion to PLN)			5,586	5,288
b1. in currency	in thou.	EUR	560	710
after conversion to thousands of PLN			2,161	2,896
b2. in currency	in thou.	USD	1,050	800
after conversion to thousands of PLN			3,425	2,392
Total non-current loans			5,724	5,668

Note 3 h

OTHER NON-CURRENT INVESTMENTS (BY TYPES)	thousands of PLN	
	2005	2004
-works of art.	43	43
Total other non-current investments	43	43

Note 3 i

CHANGES IN OTHER NON-CURRENT INVESTMENTS (BY TYPES)	thousands of PLN	
	2005	2004
a) opening balance	43	0
b) increases (due to)		43
-purchase of works of art.		43
c) closing balance	43	43

Note 3 j

OTHER NON-CURRENT INVESTMENT (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			43	43
Total other non-current investment			43	43

Note 4 a

CHANGE IN DEFERRED INCOME TAX ASSETS	thousands of PLN	
	2005	2004
1. Opening balance of deferred income tax assets	0	0
2. Increases	1,197	200
a) Taking over of deferred income tax asset that was established in CDN-Comarch SA		200
-asset due to tax loss possible to settle	1,197	
3. Decreases		200
a) referred into the financial result of the period due to negative temporary differences (due to)		200
-inability of settlement of an asset in ComArch S.A. due to tax exemption because of Special Economic Zone activities		200
4. Closing balance of deferred income tax assets, including:	1,197	
a) referred into the financial result	1,197	

I. Tax exempt due to activities in Special Economic Zone.
As a result of Poland joining the European Union, an act was passed on 2 October 2003 that changed the act on special economic zones and certain other acts (Journal of Laws No. 188 Item 1840) that changed the conditions for tax exemptions for entities operating in special economic zones. Pursuant to art. 6, sec. 1 of this act, these entities may apply for changes to the terms and conditions of their permits in order to adjust them to the principles for granting public aid in force in the European Union. Pursuant to art. 5 sec. 2 pt. 1 lit. b), pt. 2, pt. 3 of the act, the maximum amount of public aid for entities, which operate in a special economic zone on the basis of a permit issued before 1 January 2000, cannot exceed 75 % of the value of investments incurred in the period from the date of obtaining the permit until 31 December 2006, provided that in determining the maximum amount of public aid, the total amount of public aid obtained since 1 January 2001 is taken into consideration. This means a

change in the current method of granting tax relief (public aid) from unlimited relief to relief that is limited in value and depends on the value of investments made. In the case of ComArch S.A., the maximum value of public aid will not exceed 75 % of the value of investment expenditures, which the company has incurred/shall incur since obtaining the permit, i.e. 22 March 1999, until 31 December 2006.

The costs of investments and the amount of aid are subject to discounting pursuant to Par. 9 of the Regulation of the Ministry from 14 September 2004 on the Krakow Special Economic Zone (Journal of Laws 220 Item 2232) with wording changed pursuant to Par. 1 of the Regulation of the Ministry from 8 February 2005 that changed the Ordinance on the Krakow Special Economic Zone (Journal of Laws No. 32 Item 270) and with Par. 2 of the latter Ordinance taken into consideration.

The limit of the unused investment relief as at 31 December 2005, discounted as at the permit date, is 20 963 thousand PLN.

The company established temporary differences in tax income and valued a deferred income tax asset resulting from the above-mentioned differences that was worth 4.84 million PLN.

Due to the fact that the company is taxed according to general principles and enjoys tax-exempt status, temporary differences in the tax yield may be realised within both of these activities. At the same time, the final determination within which of these activities (taxed or tax-exempt) the temporary differences will be realised on the basis of the annual settlement of income tax, after the end of the fiscal year.

Due to the above-mentioned fact and using the precautionary principle, as at 31 December 2005, the company recognised value of a deferred income tax asset in the amount of 1.197 million PLN. It was determined with an amount of tax loss that, according to the company, maybe be settled in 2006 due to recognition of profit on taxed activities (profit on operating activities). The effect of recognition of the above-mentioned asset on the fourth quarter's as well as 2005's result was plus 1,197 million PLN.

Note 4 b

OTHER ACCRUALS	thousands of PLN	
	2005	2004
a) prepayments of costs, including:	249	
-non-current costs of the future periods	249	

Note 5 a

INVENTORIES	thousands of PLN	
	2005	2004
a) materials	777	718
b) rough products and products in progress	13,068	7,764
c) finished goods	11,688	5,703
d) advances for deliveries	360	
Total inventories	25,893	14,185

Due to loss in value write-offs that revalue inventories were done. As at 31 December 2005, value of write-offs that are recognised in the inventories for 2005 amounts to 0.334 million PLN.

Note 6 a

CURRENT RECEIVABLES	thousands of PLN	
	2005	2004
a) from related parties	12,858	8,123
-due to deliveries and services with payment period of:	12,858	8,108
-up to 12 months	12,858	8,108
-other		15

b) from other entities	81,294	65,977
-due to deliveries and services with payment period of:	80,731	64,798
-up to 12 months	80,731	64,798
-due to taxes, subsidies, customs, social and health insurance and other benefits	1	404
-other	562	775
Total net current receivables	94,152	74,100
c) write-offs revaluating receivables	2,631	1,057
Total gross current receivables	96,783	75,157

Note 6 b

CURRENT RECEIVABLES FROM RELATED PARTIES	thousands of PLN	
	2005	2004
a) due to deliveries and services, including:	12,858	8,108
-from subsidiaries	12,831	8,007
-from associates	27	101
b) other, including:		15
-from subsidiaries		15
Total net current receivables from related parties	12,858	8,123
c) write-offs revaluating receivables from related parties	550	
Total gross current receivables from related parties	13,408	8,123

Note 6 c

CHANGE IN WRITE-OFFS THAT REVALUATE CURRENT RECEIVABLES	thousands of PLN	
	2005	2004
Opening balance	1,057	537
a) increases (due to)	2,479	1,017
-write-offs taken over from merger		466
-establishing write-offs for bad debts	2,479	551
b) decreases (due to)	905	497
-dissolution of provisions		15
-dissolution of provisions - paid receivables	770	
-dissolution of provisions - listing of outdated receivables	68	
-dissolution of provisions - other	67	
-decommissioning of writ - offs (payment of receivables)		156
-listing of outdated receivables		326
Closing balance of write - offs that revalue current receivables	2,631	1,057

Note 6 d

GROSS CURRENT RECEIVABLES (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			71,275	56,380
b) in foreign currencies (by currencies and after conversion to PLN)			25,508	18,777
b1. in currency	in thou.	EUR	3,277	2,543
after conversion to thousands of PLN			12,627	10,268
b2. in currency	in thou.	USD	3,805	2,663

after conversion to thousands of PLN			12,637	8,069
b3. in currency	in thou.	CHF	72	165
after conversion to thousands of PLN			178	436
b4. in currency	in thou.	GBP	12	
after conversion to thousands of PLN			66	
other currencies in thousands of PLN				4
Total current receivables			96,783	75,157

Note 6 e

GROSS RECEIVABLES DUE TO DELIVERIES AND SERVICES, WITH PAYMENT PERIOD OF THE BALNCE SHEET DATE:	thousands of PLN	
	2005	2004
a) less than 1 month	58,642	38,506
b) over 1 month and less than 3 months	2,463	18,537
c) over 3 month and less than 6 months	279	345
d) over 6 months and less than 1 year	47	557
e) over 1 year	41	185
f) outdated receivables	34,695	15,833
Total gross receivables due to deliveries and services	96,167	73,963
g) write-offs that revalue receivables due to deliveries and services	2 578	1,057
Total net receivables due to deliveries and services	93,589	72,906

With the regular course of sales, receivables listed in items a) to e) are related. Payment deadline is one of integral elements of the financial offer of the ComArch Group. 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 6 f

GROSS RECEIVABLES DUE TO DELIVERIES AND SERVICES, OUTDATED, BY RECEIVABLES OUTSTANDING IN THE PERIOD:	thousands of PLN	
	2005	2004
a) less than 1 month	17,520	7 511
b) over 1 month and less than 3 months	7,179	85
c) over 3 month and less than 6 months	3,068	3,963
d) over 6 months and less than 1 year	3,484	2,656
e) over 1 year	3,444	1,618
Total gross receivables due to deliveries and services, outdated	34 695	15,833
-write-offs that revalue receivables due to deliveries and services, outdated	2,578	1,057
Total net receivables due to deliveries and services, outdated	32,117	14,776

Note 7 a

Contested debts and outdated receivables (by titles) as at 31 December 2005:	
a) contested debts – comprised by revaluating write-offs	
b) gross outdated receivables:	34,695 thousand PLN:
- due to deliveries of finished goods and services:	34,695 thousand PLN.
Outdated receivables on which revaluating write-offs were made:	32,117 thousand PLN.
Outdated receivables comprised by revaluating write-offs:	2,578 thousand PLN.
Receivables that are prosecuted – comprised by revaluating write-offs	

Contested debts and outdated receivables (by titles) as at 31 December 2004:	
a) contested debts – comprised by revaluating write-offs	
b) outdated gross receivables:	15,833 thousand PLN:
- due to deliveries of finished goods and services:	15,833 thousand PLN
Outdated receivables on which revaluating write-offs were made:	14,776 thousand PLN.
Outdated receivables comprised by revaluating write-offs:	1,057 thousand PLN.
Receivables that are prosecuted – comprised by revaluating write-offs	

Note 8 a

CURRENT FINANCIAL ASSETS	thousands of PLN	
	2005	2004
a) in subsidiaries	1,133	368
-granted loans	1,133	368
b) in other parties	476	2,370
-granted loans	252	370
-other current financial assets (by types)	224	2,000
c) cash and cash equivalents	41,155	21,504
-cash in hand and at banks	41,140	21,501
-other monetary assets	15	3
Total current financial assets	42,764	24,242

Note 8 b

SECURITIES, SHARES AND OTHER CURRENT FINANCIAL ASSETS (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency				2,000
b) in foreign currencies (by currencies and after conversion to PLN)			224	
b1. in currency	in thou.	EUR	227	
b1. in currency	in thou.	USD	-3	
after conversion to thousands PLN				
Total securities, shares and other current financial assets			224	2,000

Note 8 c

SECURITIES, SHARES AND OTHER CURRENT FINANCIAL ASSETS (BY DISPOSAL)	thousands of PLN	
	2005	2004
With unlimited disposability, not registered on regulated market (balance sheet value)	224	2,000
a) other-by types (balance sheet value):	224	2,000
-market value	224	2,000
-value by acquisition price	224	2,000
Total balance sheet value	224	2,000

Note 8 d

GRANTED CURRENT LOANS (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			404	370
b) in foreign currencies (by currencies and after conversion to PLN)			981	368
b1. in currency	in thou.	USD	283	123
after conversion to thousands of PLN			923	368
b2. in currency	in thou.	EUR	15	
after conversion to thousands of PLN			58	
other currencies in thousands of PLN				
Total granted current loans			1,385	738

Note 8 e

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			33,959	11,772
b) in foreign currencies (by currencies and after conversion to PLN)			7,196	9,732
b1. in currency	in thou.	EUR	1,674	1,818
after conversion to thousands of PLN			6,460	7,415
b2. in currency	in thou.	USD	107	773
after conversion to thousands of PLN			351	2,313
b3. in currency	in thou.	GBP	1	
after conversion to thousands of PLN			4	
b4. in currency	in thou.	CHF	153	
after conversion to thousands of PLN			380	
other currencies in thousands of PLN			1	4
Total cash and cash equivalents			41,155	21,504

Note 9 a

CURRENT PREPAYMENTS	thousands of PLN	
	2005	2004
a) current prepayments of costs, including:	2,462	2,785
-costs of organisation and expansion of the joint stock company		189
-costs related to the future sales	1,939	1,628
-property and motor insurance	433	489
-other	90	479
b) other accruals, including:	23,467	21,025
-accruals due to establishment of revenues from long-term contracts	22,705	20,631
-revenues not invoiced as at the balance sheet date	653	239
-not invoiced deliveries	96	145
-other	13	10
Total current accruals	25,929	23,810

Note 10 a

SHARE CAPITAL (STRUCTURE)								
in thousands of PLN								
Series /issue	Type of shares	Type of shares preference	Type of limitation of rights to shares	Number of shares	Value of series/ issue by nominal value	Capital covering	Registration date	Right to dividend (from)
A	Registered preference	vote 5:1	not limited	883,600	883,600	transformation of limited company	1994-12-20	1994-12-20
A	ordinary bearer shares		not limited	56,400	56,400	transformation of limited company	1994-12-20	1994-12-20
B	Registered preference	vote 5:1	not limited	883,600	883,600	cash	1995-03-24	1994-12-20
B	ordinary bearer shares		not limited	56,400	56,400	cash	1995-03-24	1994-12-20
C	ordinary bearer shares		not limited	3,008,000	3,008,000	cash	1997-06-20	1996-11-01
D	ordinary bearer shares		not limited	1,200,000	1,200,000	cash	1999-03-01	1997-11-01
E	ordinary bearer shares		not limited	638,600	638,600	cash	2000-03-08	1999-01-01
G	ordinary bearer shares		not limited	125,787	125,787	cash	2004-06-29	2004-01-01
G3	ordinary bearer shares		not limited	102,708	102,708	cash	2005-06-23	2005-01-01
Total number of shares				6,955,095				
Total share capital					6,955,095			
Nominal value of one share (PLN)		1.00						

I. As at 31 December 2005 shareholders holding directly or indirectly by subsidiary entities at least 5 % of the total number of votes in the general meeting of ComArch S.A. were:

1. Elżbieta and Janusz Filipiak.

Elżbieta and Janusz Filipiak held 3,289,393 shares which gave 10,245,393 votes at the AGM and constituted 73.06 % of all votes at the AGM. On 27 January 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares between 20-25 January 2006 at between 66 PLN to 67.10 PLN per shares. On 3 February 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares 71 PLN per single share. These transactions took place on the market regulated through the Warsaw Stock Exchange. Consequently as a the date of report preparation Elżbieta and Janusz Filipiak held 3,239,393 shares, which gave them 10,195,393

votes at the AGM and constituted 72.70 % of all votes at the AGM.

2. Customers of BZ WBK AIB Asset Management S.A.

As result of purchase of ComArch S.A. shares, which was settled on 4 July 2005, clients of BZ WBK AIB Asset Management S.A. held 885,815 ComArch S.A. shares which constituted 12.74 % of the company's share capital. This gave 885,815 or 6.32 % of the total votes at ComArch S.A.'s annual general meeting. As result of purchase of ComArch S.A. shares, which was settled on 6 February 2006, clients of BZ WBK AIB Asset Management S.A. held 1,417,770 ComArch S.A. shares which constituted 20.38 % of the company's share capital. This gave 1,417,770 or 10.11 % of the total votes at ComArch S.A.'s annual general meeting.

3. Investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

As result of purchase of ComArch S.A. shares by Arka BZ WBK Balanced Open Investment Fund which was settled on 28 July 2005, investment funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. held 708,629 ComArch S.A. shares which constituted 10.19 % of the company's share capital. This gave 708,629 or 5.05 % of the total votes at ComArch S.A.'s annual general meeting.

At the same time ComArch S.A. de notes that the shares purchased by clients of BZ WBK AIB Asset Management S.A. comprise shares held by investment funds manager by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

II. In relation to an execution of the Managerial Option Programme dedicated to the company's President of the Management Board, basing on a resolution no. 6 passed by Extraordinary Annual General Meeting on 21 December 2001 and according to a resolution of the Board of Supervisors passed on 23 May 2005 that obliged the Management Board to pass a resolution on series G3 shares issue (the company announced details in current report no. 9/2005), on 11 April 2005, ComArch S.A.'s Management Board passed a resolution no. 1 on increase in share capital by way of issue of 102,708 ordinary bearer series G3 shares of nominal value of 1 PLN and changes in the company's statute. Issue of series G3 shares was carried excluding stock rights of the current company's shareholders. Issue price was 1 PLN. Series G3 shares were covered with cash and will participate dividend beginning from 1 January 2005. Issue of series G3 shares was carried by way of private subscription mentioned in art. 431 § 2 pt 1 of the Commercial Companies Code that is realised in public trading while series G3 shares will be introduced into trading at the Warsaw Stock Exchange. These shares were offered to the company's President of the Management Board. Due to increase in the company's share capital art. 7 sec. 1 of the company's Statute is worded as follows: "The company's share capital comes to not more than 7,655,095.00 PLN (in words: seven million six hundred fifty-five thousand ninety-five) and is divided into 7,655,095.00 (in words: seven million six hundred fifty-five thousand ninety-five) shares, including: 1,767,200 (one million seven hundred sixty-seven thousand two hundred) registered preference shares of nominal value of 1.00 PLN every share and not more than 5,887,895 (five million eight hundred eighty-seven thousand eight hundred ninety-five) ordinary bearer shares of nominal value of 1.00 PLN every share, including:

- 1) 883,600 series A registered preference shares,
- 2) 56,400 series A ordinary bearer shares,
- 3) 883,600 series B registered preference shares,
- 4) 56,400 series B ordinary bearer shares,
- 5) 3,008,000 series C ordinary bearer shares,
- 6) 1,200,000 series D ordinary bearer shares,
- 7) 638,600 series E ordinary bearer shares,
- 8) 125,787 series G ordinary bearer shares,
- 9) 102,708 series G3 ordinary bearer shares,
- 10) not more than 700,000 series H ordinary bearer shares".

Subscription of series G3 shares was held between 7 and 8 June 2005. On 8 June 2005 series G3 were allocated. On 24 June 2005 the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register of changes in the Company's Statute registered 102,708 ordinary bearer series G3 shares. In consequence art. 7 sec. 1 of the company's Statute changed. After this registration share capital of the company amounts to 6,955,095 PLN. Total number of votes is: 14,023,895.

The Management Board of the National Deposit for Securities decided to register 102,708 ordinary bearer G3 shares of nominal value of 1.00 PLN each and mark them with the code PLCOMAR000103 on 24 March 2006.

III On 30 June 2005, the Annual General Meeting of Shareholders passed Resolution no. 51 on the

managerial options programme for members of the Management Board and the company's Key Employees (17 persons in total). The objective of the programme is to additionally motivate members of the Management Board and Key Employees by options on ComArch shares (hereinafter referred to as the "Option") dependent on increases in the value of the company and its net profit. The program will be executed through offers of newly-issued shares in the company in 2006, 2007 and 2008 to members of the Management Board and Key Employees. The value of the Option is to be at all times equivalent to the difference between the average closing price of the company's shares as of December of each year of the execution of the programme (beginning with 2005) and the issue price of shares offered to members of the Management Board and Key Employees. The basis for the calculation of the value of the Option shall be increases in company capitalisation, calculated as follows:

- For 2006 it will be the difference between the average capitalisation of the company in December 2005 and the average capitalisation of the company in December 2004; this will be calculated using the average closing price of ComArch shares in December 2004 as 69.53 PLN;
- For 2007 it will be the difference between the average capitalisation of the company in December 2006 and its average capitalisation in December 2005;
- For 2008 it will be the difference between the average capitalisation of the company in December 2007 and its average capitalisation in December 2006, where the average capitalisation is the number of shares multiplied by the average closing price for shares of the company in December of a given year.

The Option shall be defined in each successive year of the program separately for each entitled individual as set forth in Resolution no. 51 of the AGM. The total value of the option will be 9.2 % of the increase in capitalisation in the periods set forth in Clauses a), b) and c) (for options No. 1, No. 2 and No. 3, respectively).

Pursuant to the Act on Accounting dated 29 September 1994, managerial option programme is not recognised in income statement. This option will be recognised as cost in income statement in consolidated financial statement according to IFRS. Detailed rules of valuation and influence of the option on financial results of the ComArch Group will be presented in the consolidated statement as well.

V Estimated changes in share capital within the limits of conditional capital.

On 12 April 2002 ComArch S.A. issued 4,000 five-year convertible bonds. The conversion price is 57.10 PLN, and every bond may be converted into 175 shares. The issue price was set at 100.3 % and the interest on the bonds amounted to 7.5 % annually. 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 company acquired 486 own series A bonds convertible into series H shares. The mentioned-above shares were purchased to be redeemed. On 14 July 2004, the Management Board passed a resolution on redemption of series A bonds convertible into series H shares. ComArch S.A. was an issuer of these bonds. After redemption, the number of series A bonds convertible into series H shares issued by ComArch S.A. bonds was 3,514. Liability due to issued bonds is presented according to adjusted acquisition price. Effective interest rate that was used to valuation amounts to 11 %. As at 31 December 2005, fair value of the liability amounts to 42.49 million PLN.

Between 22 February and 8 March 2007 ComArch received statements on conversion of 3,103 ordinary convertible bonds issued by the company. The total nominal value of bonds to be converted into shares amounted to 31,030,000 PLN. For series A convertible bonds, covered by submitted conversion statements, 543,025 series H ordinary bearer shares will be issued. 411 series A convertible bonds were not converted into series H shares.

In relation to the fact that on 28 February 2006 the average closing price of ComArch S.A. shares on the Warsaw Stock Exchange over the past 31 quotations had been higher than the conversion price by 30.7 %, and according to pt 8.3.1 of the Conditions of Bond Issue that constitute an attachment to the company's Management Board resolution dated 09 April 2002 concerning issue of the company's bonds on the basis of the Annual General Meeting resolution dated 27 February 2002 (published in Chapter 10, point 4 of the Conversion of Bonds to Series H shares Prospectus), on 28 February 2006 called for anticipated redemption of bonds by Bondholders. Bonds will be redeemed within 30 days from the date of second call for price calculated according to pt 8.3.4 of the above-mentioned Conditions of Bond Issue.

On 20 March 2007, the Management Board of the National Depository for Securities with the

resolution no. 128/06 decided to register 543,025 ordinary bearer series H ComArch S.A. shares of nominal value of 1.00 PLN each and mark them with the code PLCOMAR00095.

The Management Board of the Warsaw Stock Exchange with a resolution no. 80/2006 dated 27 March 2006 declared that pursuant to § 19 sec. 1 and 2 of the Rules of the WSE 543,025 ordinary bearer series H shares are admitted to trading. Their nominal value is 1 PLN and they are marked by the National Deposit for Securities with the code „PLCOMAR00095”. Pursuant to § 37 sec. 2 of the Rules of the WSE decided to introduce the above-mentioned shares to trading.

The Management Board of the National Depository for Securities with the resolution no. 145/06 dated 28 March 2006 decided to assimilate 543,025 company's shares on 31 March 2006 (series H shares) with 5,085,187 company's shares that are already marked with the code PLCOMAR00012. NDS announced that beginning from 31 March 2006 5,628,212 company's shares will be marked with the code PLCOMAR00012.

On 31 March 2006, the company received a decision of the Operations Department of the National Depository for Securities that conversion of 118 ComArch SA series A bonds to series H ordinary bearer shares was settled on 31 March 2006. In consequence there are:

a) 20,650 ComArch S.A. series H ordinary shares valued at 1 PLN each, marked with the code PLCOMAR00095;

b) 293 ComArch S.A. series A convertible bonds valued at 10,000 PLN each, marked with the code PLCOMAR00079.

Note 11 a

SUPPLEMENTARY CAPITAL	thousands of PLN	
	2005	2004
a) from sales of shares above par	84,448	84,448
b) created according to the law	2,409	2,409
c) created according to the statute/agreement, above the (minimal) value that is required by law		
Total supplementary capital	105,113	96,714

Note 12 a

REVALUATION RESERVE	thousands of PLN	
	2005	2004
a) exchange differences due to conversion of shares in foreign currencies	24	83
b) other (by types)	-12	-12
-capital part of convertible bonds	282	282
-negative capital that arose at redemption of bonds	-294	-294
Total revaluation reserve	12	71

Note 13 a

OTHER RESERVE CAPITALS (BY PURPOSES)	thousands of PLN	
	2005	2004
-investment capital	79	79
-capital from profit-sharing	21,203	21,203
-supplementary capital for covering the tax liabilities	666	666
Total reserve capitals	21,948	21,948

Note 14 a

CHANGES IN PROVISION DUE TO DEFERRED INCOME TAX	thousands of PLN
--	------------------

	2005	2004
1. Opening balance of provision due to deferred income tax	0	0
2. Increases		11
a) taking over provision that was created in CDN-ComArch SA (merger)		11
3. Decreases		11
a) referred into the financial result of the period due to positive temporary differences (due to)		11

Additional information: note 4a

Note 14 b

CHANGES IN OTHER CURRENT PROVISIONS (BY TITLES)	thousands of PLN	
	2005	2004
a) opening balance	100	
b) increases (due to)		100
- creating of a provision due to an agreement		100
c) dissolution (due to)	100	
-payment of an amount due to an agreement	100	
d) closing balance		100

Note 15 a

NON-CURRENT LIABILITIES	thousands of PLN	
	2005	2004
a) to other entities	56,849	45,937
-credits and loans	17,000	7,465
-due to issue of debt securities	39,849	38,472
Total non-current liabilities	56,849	45,937

Note 15 b

NON-CURRENT LIABILITIES WITH PAYMENT PERIOD (FROM THE BALANCE SHEET DATE)	thousands of PLN	
	2005	2004
a) over 1 year up to 3 years	45,849	38,472
b) over 3 years up to 5 years	4,000	
c) over 5 years	7,000	7,465
Total non-current liabilities	56,849	45,937

Note 15 c

NON-CURRENT LIABILITIES (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency	in thou.	PLN	56,849	45,937
Total non-current liabilities	in thou.	PLN	56,849	45,937

Note 15 d

NON-CURRENT LIABILITIES (DUE TO CREDITS AND LOANS)													
thousands of PLN													
Name of entity (company) including legal form	Seat	Value of credit / loan according to a contract				Value of credit / loans to be paid				Interest rate	Maturity date	Hedges	Other
		in thousands of PLN	in currency	unit	currency	in thousands of PLN	in currency	unit	currency				
Fortis Bank S.A.	Warsaw	20,000				19,000				WIBOR1M+0, 95%	05-04-2015	promissory note , mortgage on land	related to SSE building

At the balance sheet date long-term part of credit to be paid is worth 17 million PLN.

Note 15 e

NON-CURRENT LIABILITIES DUE TO ISSUED DEBT FINANCIAL INSTRUMENTS							
thousands of PLN							
Debt financial instruments (by types)	Nominal value	Interest rate	Maturity date	Guarantees / hedges	Additional rights	Market	Other
Convertible bonds	35,140	7.5% per year, payable in half-year periods and 21.84% payable in the term of redemption of the bonds not changed into shares	12-04-2007	Not hedged	Bondholders have the right to change bonds into shares	Warsaw Stock Exchange	

Note 16 a

CURRENT LIABILITIES	thousands of PLN	
	2005	2004
a) to subsidiaries	1,418	779
-due to deliveries and services with payment period of:	1,418	779
-up to 12 months	1,418	779
b) to associates	42	203
-due to deliveries and services with payment period of:	42	203
-up to 12 months	42	203
c) to other entities	72,388	51,532
-credits and loans, including:	2,299	445
-long-term period of payment	2,000	
-other financial liabilities	1,097	781
-due to issue of debt securities	1,097	781
-due to deliveries and services with payment period of:	61,288	30,852
-up to 12 months	61,288	30,852
-advances for received deliveries	1,511	6,295
-due to taxes, customs, insurance and other benefits	3,808	8,357
-due to remuneration		16
-other (by titles)	2,385	4,786
-investment liabilities	736	3,959
-liabilities due to subsidies		223
-liabilities to employees	443	109
-due to lease	270	487
-other	936	8
d) special funds (by types)	1,052	1,221
-Social Services Fund and Residential Fund	1,052	1,221
Total current liabilities	74,900	53,735

Note 16 b

CURRENT LIABILITIES (CURRENCY STRUCTURE)	unit	currency	thousands of PLN	
			2005	2004
a) in polish currency			66,260	42,408
b) in foreign currencies (by currencies and after conversion to PLN)			8,640	11,327
b1. in currency	in thou.	EUR	1,169	2,093
after conversion to thousands of PLN			4,513	8,713
b2. in currency	in thou.	USD	1,118	804
after conversion to thousands of PLN			3,644	2,397
b3. in currency	in thou.	SKK	4,712	
after conversion to thousands of PLN			481	
other currencies in thousands of PLN			2	217
Total current liabilities			74,900	53,735

Note 16 c

CURRENT LIABILITIES DUE TO CREDITS AND LOANS													
thousands of PLN													
Name of entity (company) including legal form	Seat	Value of credit / loan according to a contract				Value of credit / loans to be paid				Interest rate	Maturity date	Hedges	Other
		in thousands of PLN	in currency	unit	currency	in thousands of PLN	in currency	unit	currency				
Fortis Bank S.A.	Warsaw	20 000				19,000				WIBOR 1M+0,9 5%	05-04-2015	promissory note , mortgage on land	related to SSE building

At the balance sheet date short-term part of credit to be paid is worth 2 million PLN.

Note 16 d

CURRENT LIABILITIES DUE TO ISSUED DEBT FINANCIAL INSTRUMENTS								
thousands of PLN								
Debt financial instruments (by types)	Nominal value	Interest rate			Maturity date	Guarantees / hedges	Additional rights	Other
Convertible bonds	35,140	7.5% per year, payable in half-year periods and 21.84% payable in the term of redemption of the bonds not changed into shares			12-04-2007	Not hedged	Possibility of Bond conversion into ComArch S.A. shares in proportion: 175 shares per 1 bond, possibility of earlier redemption	

An amount of 1,097 million PLN presented in the statement refers to current interests on bonds calculated for the period from 12 October 2005 to 31 December 2005. Due interests for the period till 12 October were paid.

Note 17 a

OTHER ACCRUALS	thousands of PLN	
	2005	2004
a) accruals of costs	25,805	18,055
-current (by titles)	25,805	18,055
-provisions for leave	5,231	4,179
-costs related to the current period that will be incurred in future	18,236	10,849
-provisions for costs for contracts	2,338	924
-not invoiced costs		2,103
b) accruals of revenues	1,731	391
-current (by titles)	1,731	391
-granted subsidies	1,731	391
c) accruals due to long-term contracts	11,129	5,423
Total other accruals	38,665	23,869

Note 18 a

Book value per single share in column "2005" is equal to book value (equity) divided by number of shares as at 31 December 2005. Book value per single share in column "2004" is equal to book value (equity) divided by number of shares as at 31 December 2004.

Diluted book value per single share in column "2005" is equal to book value (equity) divided by number of shares as at 31 December 2005. Diluted book value per single share in column "2004" is equal to book value (equity) divided by the sum of shares as at 31 December 2006 and number of shares issued as at 31 December 2004 increased by 102,708 series G shares that were issued according to managerial option programme established for President of the Management Board.

Pursuant to IAS 33, in calculation of diluted profit per single share (diluted book value per single share) ordinary shares should be regarded as diluting if and only if their conversion to ordinary shares would reduce net profit (book value). Analysis of company convertible bonds' details comes to conclusion that in 2005 if bonds had been converted into shares (a decrease in costs due to interests), diluted profit per share (book value) would have increased, therefore these shares are not considered diluting according to IAS 33.

File	Description

OFF-BALANCE ITEMS COMMENTARY NOTES

Note 19 a

CONTINGENT LIABILITIES TO RELATED PARTIES (DUE TO)	thousands of PLN	
	2005	2004
a) granted bank guarantees and suretyships	555	1,499
-to associates	555	1,499
Total contingent liabilities to related parties	555	1,499

INCOME STATEMENT COMMENTARY NOTES

Note 20 a

NET REVENUES FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2005	2004
-sales of IT services	134,491	94,208
-including: from related parties	767	1,944
-sales of proprietary software and licences	81,474	40,577
-including: from related parties	13,506	8,642
- sales of finished goods	6,934	2,395
-other sales	182	2,008
-including: from related parties	125	704
Total net revenues from the sale of products	223,081	139,188
-including: from related parties	14,398	11,290

Note 20 b

NET REVENUES FROM THE SALE OF PRODUCTS (GEOGRAPHIC STRUCTURE)	thousands of PLN	
	2005	2004
a) domestic	170,312	106,350
-including: from related parties	32	1,158
b) export	52,769	32,838
-including: from related parties	14,366	10,132
Total net revenues from the sale of products	223,081	139,188
-including: from related parties	14,398	11,290

Note 21 a

NET REVENUES FROM SALES OF PRODUCTS (MATERIAL STRUCTURE-TYPES OF ACTIVITIES)	thousands of PLN	
	2005	2004
-computer hardware	141,727	65,194
-including: from related parties	86	739
-proprietary software and licences	46,259	38,245
-including: from related parties	3	201
-other	14,156	7,204
-including: from related parties	49	150
Total net revenues from the sale of goods and materials	202,142	110,643
-including: from related parties	138	1,090

Note 21 b

NET REVENUES FROM THE SALE OF GOODS AND MATERIALS (GEOGRAPHIC STRUCTURE)	thousands of PLN	
	2005	2004
a) domestic	200,784	109,208
-including: from related parties		977
b) export	1,358	1,435
-including: from related parties	138	113
Total net revenues from the sale of goods and materials	202,142	110,643
-including: from related parties	138	1,090

Note 22 a

COSTS BY TYPES	thousands of PLN	
	2005	2004
a) depreciation	10,596	6,925
b) consumption of materials and energy	5,792	2,719
c) third party services	52,827	44,817
d) taxes and charges	2,041	768
e) remuneration	97,387	54,400
f) social insurance and other benefits	16,357	8,142
g) other (by types)	13,395	7,974
Total costs by types	198,395	125,745
Change in inventories, products and prepayments	1,986	3,209
Costs of sales (negative value)	-30,803	-18,363
Administrative costs (negative value)	-23,479	-20,321
Manufacturing cost of products sold	146,099	90,270

Note 23 a

OTHER OPERATING REVENUES	thousands of PLN	
	2005	2004
a) provision dissolution (due to)	850	156
-dissolution of revaluating write-offs -payment	770	156
-dissolution of write-offs –listing of receivables	68	
-to write-offs that reevaluate materials and finished goods	12	
b) other, including:	273	732
-recovered communication damages	1	55
-outdated liabilities		126
-received bonus	13	55
-refund of VAT that was paid abroad	114	282
-received contractual penalties	4	39
-refunded legal expenses	23	
-other	118	175
Total operating revenues	1,123	888

Note 24 a

OTHER OPERATING COSTS	thousands of PLN	
	2005	2004
a) other, including:	4,050	2,069
-membership fees	150	179
-donations	123	231
-paid penalties	285	181
-costs of works that are financed with subsidies	836	498
-write-off that reevaluates receivables	2,479	551
-other	177	429
Total operating costs	4,050	2,069

Note 25 a

FINANCING REVENUES DUE TO INTEREST	thousands of PLN	
	2005	2004
a) due to granted loans	208	357
-from related parties, including:	208	357
-from subsidiaries	208	357
b) other interest	579	695
-from other parties	579	695
Total financing revenues due to interest	787	1,052

Note 25 b

OTHER FINANCING REVENUES	thousands of PLN	
	2005	2004
a) positive exchange differences	869	
-executed	631	
-not executed	238	
b) other, including:	111	
Total financing revenues	980	

Note 26 a

FINANCING COSTS DUE TO INTEREST	thousands of PLN	
	2005	2004
a) other interest	5,138	4,789
-for other parties	5,138	4,789
Total financing costs due to interest	5,138	4,789

Note 26 b

OTHER FINANCING COSTS	thousands of PLN	
	2005	2004
a) negative exchange differences		2,292
-executed		-405
-not executed		2,697
b) other, including:	734	668
-commissions on guarantees	596	420
-result on forward transactions		66
-loans valuation	55	
-other	83	182
Total other financing costs	734	2,960

Note 27 a

CURRENT INCOME TAX	thousands of PLN	
	2005	2004
1. Gross profit (loss)	30,085	8 589
2. Permanent differences between gross profit (loss) and basis of taxation for income tax	2 757	4,162
3. Temporary differences between gross profit (loss) and basis of taxation for income tax	20,940	4,072
4. Other differences between gross profit (loss) and basis of taxation for income tax, including:	-42,234	-16,823
-income exempt due to activities in Special Economic Zone	-30,384	-16,823
-deducting loss from previous years	-11,850	
5. Basis of taxation for income tax	11,548	
6. Income tax at the rate of 19 %	2,194	
Income tax recognised in income statement	997	190
-recognised in tax declaration	2,194	
-deferred	-1,197	190

Tax authorities are entitled to carry out the control of account books and tax accounts during 5 years beginning from the end of the year when tax declaration was made. They are also entitled to charge company to additional tax amount, penalties and interests. In Management Board's opinion there are no circumstances that indicate a possibility of arising significant liabilities on account of that fact.

Note 27 b

DEFERRED INCOME TAX RECOGNISED IN INCOME STATEMENT:	thousands of PLN	
	2005	2004
-increase due to taking over from CDN-ComArch SA		190
-recognising an asset due to loss to be deducted	1,197	
Total deferred income tax	1,197	190

Note 28 a

On 30 June 2005, Annual General Meeting decided that net profit for the period from 1 January 2004 to 31 December 2004 in amount of 8,399,088.83 PLN is allocated in entirety for the supplementary capital. ComArch S.A.'s Management Board has not made a decision until publication date of this report concerning a proposed profit-sharing for 2005.

File	Description

Note 29 a

Net profit per single share in column "2005" is equal to net profit for the period from 1 January 2005 to 31 December 2005 divided by weighted average number of shares between 1 January 2005 and 31 December 2005, where number of days is the weight. Net profit per single share in column "2004" is equal to net profit for the period from 1 January 2004 to 31 December 2004 divided by weighted average number of shares between 1 January 2004 and 31 December 2004, where number of days is the weight. Diluted net profit per single share in column "2005" is equal to net profit for the period from 1 January 2005 to 31 December 2005 divided by weighted average number of shares between 1 January 2005 and 31 December 2005 that was calculated according to IAS 33. Diluted net profit per

single share in column "2004" is equal to net profit for the period from 1 January 2004 to 31 December 2004 divided by weighted average number of shares between 1 January 2004 and 31 December 2004 that was calculated according to IAS 33. Pursuant to IAS 33, in calculation of diluted profit per single share (diluted book value per single share) ordinary shares should be regarded as diluting if and only if their conversion to ordinary shares would reduce net profit (book value). Analysis of company convertible bonds' details comes to conclusion that in 2005 if bonds had been converted into shares (a decrease in finance costs due to interests), diluted profit per share (book value) would have increased, therefore these shares are not considered diluting according to IAS 33.

File	Description

CASH FLOW COMMENTARY NOTES

File	Description
Cash flow commentary notes.pdf	Cash flow commentary notes-Appendix no. 6

B. ADDITIONAL COMMENTARY NOTES

File	Description
Additional commentary notes.pdf	Additional commentary notes-Appendix no. 7

SIGNATURES

SIGNATURES OF ALL MEMBERS OF THE BOARD			
Date	Name and surname	Position	Signature
2006-04-04	Janusz Filipiak	President of the Management Board	
2006-04-04	Rafał Chwast	Vice-president of the Management Board	
2006-04-04	Tomasz Maciantowicz	Vice-president of the Management Board	
2006-04-04	Paweł Prokop	Vice-president of the Management Board	
2006-04-04	Paweł Przewięźlikowski	Vice-president of the Management Board	
2006-04-04	Zbigniew Rymarczyk	Vice-president of the Management Board	

SIGNATURE OF PERSON CHARGED WITH CARRYING ON ACCOUNT BOOKS			
Date	Name and surname	Position	Signature
2006-04-04	Maria Smolińska	Head Accountant	

REPORT OF THE MANAGEMENT BOARD (REPORT REGARDING THE ACTIVITIES OF ISSUER)

File	Description
Report of the Management Board.pdf	Report of the Management Board-Appendix no. 8

In this report, the following notes have not been filed in:
 Non-current receivables, Change in non-current receivables (by titles), Change in write-offs revaluating non-current receivables, Non-current receivables (currency structure)

Change in real estates (by types), Change in intangibles (by types), Interest or shares in related units that are valued by equity method, including:, Change in goodwill-subsiidiaries, Change in goodwill-co subsidiaries, Change in goodwill-associates, Change in negative goodwill-subsiidiaries, Change in negative goodwill- co subsidiaries, Change in negative goodwill-associates, Interest or shares in other entities

Other current investment (by types), Other current investment (currency structure)

Revaluating write-offs

Proprietary shares (interest), Shares (interest) of issuer that are propriety of related parties

Write-offs from net profit during financial year (due to)

Change in non-current provision for retirement pension and similar (due to), Change in current provision for retirement pension and similar (due to), Change in other non-current provisions (due to)

Change in negative goodwill

Contingent receivables from related entities (due to)

Financial revenues from dividends and shares in profits

Profit (loss) on sales of entirety or part of shares of related parties

Extraordinary profits

Extraordinary losses

Total amount of deferred tax, Income tax recognised in income statement related

Other obligatory decreases in profit (increases in losses), due to:

Share in net profits (losses) of related parties that are valued by equity method, including:

CASH FLOW COMMENTARY NOTES, SA-R 2005 COMARCH S.A. ANNUAL REPORT

Note 29.

CASH STRUCTURE (CURRENT YEAR)

	31.12.2004	31.12.2005	Change
1	2	3	1=3-2
Cash in hand	173	343	170
Cash in banks	21,329	40,797	19,468
Total	21,501	41,140	19,639
-including currency differences	-201	-161	40

Note 30.

CALCULATION DETAILS OF SELECTED ITEMS IN CASH FLOW STATEMENT (CURRENT YEAR)

Operating activities

Item A II 1. Depreciation	
Depreciation of intangible assets	1,536
Depreciation of property, plant and equipment	9,060
Total:	10,596

Item A II 3.	
Paid-out interest on property bonds	2,636
Received interest on loans	-122
	2,514

Item A II 4.	
Revenues from sales of property, plant and equipment	-1,137
Cost of sold and decommissioned property, plant and equipment in use	931
Inflow due to sale of securities	-40
Revaluation of shares	474
Total:	228

Item A II 7.

Change in receivables	-20,700
Investment receivables paid	44
Change in loans	782
Total:	-19,874

Item A II 8.

Change in current liabilities excluding loans, credits and other financial liabilities	20,689
Change in investment liabilities	3,347
Total:	24,036

Item A II 9.

balance sheet

Change in prepayments	-3,565
Change in accruals	14,797

Total:	11,232

Investment activities

Inflows

Pos. B I 1. Revenues from sales of property, plant and equipment	1,137
Receivables paid	-44

Total	1,093

Outflows

Item B II 1. Purchase of intangible assets and property, plant and equipment	-28,884
Payment of investment liabilities	-3,347

Total	-32,231

ADDITIONAL COMMENTARY NOTES SA-R 2005 COMARCH S.A. ANNUAL REPORT

Note 31.

FINANCIAL INSTRUMENTS

a. Changes in Financial Instruments (by categories)

Changes in particular categories of financial assets (excluding cash and cash equivalents) from 1 January 2004 to 31 December 2004 were as follows:

Change in financial instruments by categories	Financial assets held for trading	Held to maturity financial assets	Granted loans and proprietary receivables	Financial liabilities
1 January 2004	60		14,640	43,474
+ <i>increases</i>	105,582		489	9,419
- <i>decreases</i>	103,642		8,723	5,783
30 December 2004	2,000		6,406	47,110
Balance sheet approach				
Non-current financial assets				
<i>in related parties</i>			5,288	
<i>in other entities</i>			380	
Current financial assets				
<i>in related parties</i>			368	
<i>in other entities</i>	2,000		370	
Current financial liabilities				
<i>to related parties</i>				1,174
<i>to other entities</i>				
Non-current financial liabilities				
<i>to related parties</i>				
<i>to other entities</i>				45,937

Changes in particular categories of financial assets (excluding cash and cash equivalents) from January 2005 to 31 December 2005 were as follows:

Change in financial instruments by categories	Financial assets held for trading	Held to maturity financial assets	Granted loans and proprietary receivables	Financial liabilities
1 January 2005	2,000		6,406	47,110
+ increases	1,500		1,906	15,771
- decreases	3,500		1,203	2,636
31 December 2005	0		7,109	60,245
Balance sheet approach				
Non-current financial assets				
<i>in related parties</i>			5,586	
<i>in other entities</i>			138	
Current financial assets				
<i>in related parties</i>			1,132	
<i>in other entities</i>			252	
Current financial liabilities				
<i>to related parties</i>				
<i>to other entities</i>				3,396
Non-current financial liabilities				
<i>to related parties</i>				
<i>to other entities</i>				56,849

Financial assets held for trading

This refers to the acquired shares in cash investment funds. Shares in cash investment funds are appraised according to fair value, i.e. pursuant to the daily appraisal of value of net assets into shares made by the association of investment funds. Total held and acquired in 2005 shares were disposed in 2005.

Granted loans and proprietary receivables

Granted loans are appraised according to depreciated costs using the effective interest method. When there are no differences significant for valuation, they are recognised according to nominal value accrued interest using interest rate resultant from contracts.

Financial liabilities

On 12 April 2002 ComArch S.A. issued 4,000 five-year convertible bonds. The conversion price was 57.10 PLN, and every bond could have been converted into 175 shares. The issue price was set at 100.3 % and the interest on the bonds amounted to 7.5 % annually. 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. Liabilities due to bonds were presented according to adjusted acquisition price. Due interest on proprietary bonds in the amount of 3.89 million PLN were also presented in liabilities (including current liabilities in the amount of 1.097 million PLN). An effective interest rate applied in valuation of the liability is 11 %. As at 31 December 2005, the fair value of the liability amounted to 42.49 million PLN.

On 14 July 2004, the company acquired 486 own series A bonds convertible into series H shares. The mentioned-above shares were purchased to be redeemed. On 14 July 2004, the Management Board passed a resolution on redemption of series A bonds convertible into series H shares. ComArch S.A. was an issuer of these bonds. After redemption, the number of series A bonds convertible into series H shares issued by ComArch S.A. bonds was 3,514. Information on any events related to bonds after the balance sheet date were presented in note no. 41.

Liabilities are related also to investment credit.

b. Interest on Financial Liabilities for 2005

	Executed	Not executed with maturity			Total	Interest up to 3 months
		up to 3 months	3-12 months	over 12 months		
Interest on financial liabilities held for trading	-	-	-	-	-	-
Interest on other current financial liabilities	-	-	-	-	-	-
Interest on non-current financial liabilities	3,789	-	1,097	2,793	3,890	7,679
Total	3,789	-	1,097	2,793	3 890	7,679

c. Interest on Granted Loans and Debts for 2005

	Executed	Not executed with maturity			Total	Interest
		up to 3 months	3-12 months	over 12 months		
Interest on granted loans	122	-	14	581	595	717
Interest on debts	-	-	-	-	-	-
Total	122	-	14	581	595	717

Note 32.

CONTINGENT LIABILITIES

On 31 December 2005, the value of bank guarantee and letters of credit issued by banks on order from ComArch S.A. in reference to executed agreements and participation in tender proceedings was 35.72 million PLN.

On 31 December 2005, the value of ComArch S.A. suretyships for the debts of Interia.pl S.A. from lease agreements amounted to 0.555 million PLN.

ComArch S.A. is the defendant in legal proceedings, in which the potential total amount of third party claims is 0.121 million PLN. In the opinion of the Management Board and based on the opinions of legal advisors, there are no circumstances suggesting the appearance of significant obligations on this account and, as a result, provisions for the amount of potential claims were not recognised in the financial statement.

ComArch S.A. is credited by Fortis Bank Polska S.A. with its registered seat in Warsaw. The investment credit is dedicated for financing of the new construction stage of production and office buildings in the Special Economic Zone in Krakow. A promissory note, the mortgage on land and the building insurance policy are security for this credit. Additionally, ComArch is credited by Bank Handlowy. This is credit limit for bank guarantees. Mortgage on land and the building located at Teatralne in Krakow is security for this credit.

Note 33.

REVENUES AND COSTS FROM DISCARDED ACTIVITIES – NOT CONCERN

Note 34.

PLANNED INVESTMENT EXPENDITURES

Due to contract signed with Budostal-2 S.A., the most important investment expenditures are execution of the third construction stage of production and office buildings in the Special Economic Zone in Krakow at 14,000 square meters of the total space. Value of the agreement amounts to 29.6 million PLN. Completion of this investment is planned on 30 December 2006.

Note 35.

COMARCH S.A.'s REVENUES FROM SALES OF FINISHED GOODS AND SERVICES TO OTHER ENTITIES OF THE GROUP (thousands of PLN)

	2005	2004
UAB ComArch	767	-
ComArch Sp. z o.o. (Ukraine)	28	273
ComArch Panama, Inc.	677	-
ComArch Global, Inc.	5,604	4,573
ComArch Software AG	4,657	3,694
ComArch Middle East FZ-LCC	1,798	1,561
ComArch s.r.o.	38	112
OOO ComArch	20	-
ComArch Services Sp. z o.o.	53	2
Interia.pl S.A.	784	119
NetBrokers Sp. z o.o.	85	105
MKS Cracovia SSA	25	124
ComArch Kraków S.A.	-	1,114
<u>CDN-ComArch S.A.</u>	-	<u>703</u>
Total	14,536	12,380

ComArch S.A.'s trade receivables from subsidiaries and associates are:

	31 December 2005	31 December 2004
UAB ComArch	114	-
ComArch Sp. z o.o. (Ukraine)	158	275
ComArch Panama, Inc.	575	-
ComArch Global, Inc.	8,216	5,759
ComArch Software AG	1,846	1,376
ComArch Middle East FZ-LCC	1,906	468
ComArch s.r.o.	9	-
OOO ComArch	-	-
ComArch Services Sp. z o.o.	6	2
Interia.pl S.A.	13	38
Net Brokers Sp. z o.o.	14	62
<u>MKS Cracovia SSA</u>	<u>1</u>	<u>143</u>
Total	12,858	8,123

Note 36.

COMARCH S.A.'s PURCHASES FROM OTHER ENTITIES OF THE GROUP (finished goods and services)

	2005	2004
UAB ComArch	-	-
ComArch Sp. z o.o. (Ukraine)	-	26
ComArch Panama, Inc.	69	-
ComArch Global, Inc.	18	9
ComArch Software AG	2	5
ComArch Middle East FZ-LCC	-	-
ComArch s.r.o.	727	219
OOO ComArch	-	-
ComArch Services Sp. z.o.o.	10,067	2,552
Interia.pl S.A.	932	1,233
MKS Cracovia SSA	7	-
ComArch Kraków S.A.	-	14,500
<u>CDN-ComArch S.A.</u>	<u>-</u>	<u>1,952</u>
Total	11,822	20,496

ComArch S.A.'s trade liabilities to subsidiaries and associates are:

	31 December 2005	31 December 2004
ComArch Services Sp. z.o.o.	232	121
ComArch Software AG	3	6
ComArch Global, Inc.	148	8
ComArch s.r.o.	481	217
Interia.pl	42	203
<u>MKS Cracovia</u>	<u>554</u>	<u>427</u>
Total	1,460	982

Note 37.

SHARES VALUATION USING EQUITY METHOD

ComArch S.A. values shares in subsidiaries and associates according to their acquisition prices. If these shares were valued by equity method, an effect of valuation on 2005 result would amount to minus 3.14 million PLN.

Comparison of valuation according to acquisition price and equity method as at 31 December 2005:

-according to acquisition price: 32.12 million PLN,

-according to equity method: 11.19 million PLN.

Difference is: -20.93 million PLN.

Note 38.

AN AVERAGE EMPLOYMENT IN COMARCH S.A.

2005				2004			
Employees:		Full-time employees:		Employees:		Full-time employees:	
- full-time	1,353	- directly production employees	596	- full-time	874	- directly production employees	425
- co-workers	279	- indirectly production employees and sales	471	- co-workers	171	- indirectly production employees and sales	260
		- management and administrative employees	286			- management and administrative employees	189
Total	1,632	Total	1,353	Total	1,045	Total	874

Note 39.

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

ComArch S.A.'s Management Board

	Paid by ComArch S.A.	Paid by subsidiaries and associates	Total
1 Chwast Rafał	732,055.29	0.00	732,055.29
2 Chwastek Robert	260,379.53	0.00	260,379.53
3 Debou Christophe	327,927.76	149,586.29	477,514.05
4 Filipiak Janusz	2,759,383.25	0.00	2,759,383.25
5 Maciantowicz Tomasz	148,292.40	0.00	148,292.40
6 Prokop Paweł	374,023.36	0.00	374,023.36
7 Przewięźlikowski Paweł	1,378,552.80	0.00	1,378,552.80
8 Rymarczyk Zbigniew	802,000.41	0.00	802,000.41
Total	6,782,614.80	149,586.29	6,932,201.09

ComArch S.A.'s Board of Supervisors

	Paid by ComArch S.A.	Paid by subsidiaries and associates	Total
1 Filipiak Elżbieta	303,117.07	0.00	303,117.07
2 Brzeziński Maciej	30,000.00	0.00	30,000.00
3 Zieliński Krzysztof	30,000.00	0.00	30,000.00
4 Ławrynowicz Anna	30,000.00	0.00	30,000.00
5 Kucharzyk Wojciech	30,000.00	0.00	30,000.00
Total	423,117.07	0.00	423,117.07

On 29 March 2005, Mr. Robert Chwastek member of the ComArch S.A.'s Management Board submitted his resignation because of the personal reasons.

On 23 January 2006, Mr. Christophe Debou, member of the ComArch S.A.'s Management Board submitted his resignation.

As at 31 December 2005, there are no unpaid loans nor guarantees, nor suretyships to members of the Management or Supervisors Board or their relatives.

On 23 March 2005, the company's Board of Supervisors, basing on a resolution no. 6 of the Extraordinary General Annual Meeting dated 21 December 2001, passed a resolution no. 1/3/2005 on execution of the managerial option programme dedicated to the company's President of the Management Board. Pursuant to § 1 pt. 3 of this resolution, option for the year of 2004 is valued in the amount of 5% of an increase in the company's capitalisation between average capitalisation in December 2003 and average capitalisation in December 2004. The increase was 140,587,330.11 PLN, i.e. option's value amounts to 7,029,366.51 PLN. In 2005, 102,708 ordinary bearer series G3 shares of nominal value of 1 PLN were issued to execute option. The shares' subscription was held between 7 and 8 June 2005. On 24 June 2005, Court for Kraków-Śródmieście, XI Economic Division of the National Court Register registered series G3 shares. Closing price of ComArch S.A. shares was 54.8 PLN, therefore a difference between market value of shares for the company's President of the Management Board and their acquisition price was 5,525,690 PLN.

Note 40.

SIGNIFICANT EVENTS RELATED TO THE PREVIOUS YEARS - none present

Note 41.

EVENTS AFTER BALANCE SHEET DATE

On 19 January 2006, as a result of disposal of 350,000 INTERIA.PL shares by ComArch S.A., ComArch S.A. holds 2,538,369 shares of INTERIA.PL S.A., which constitute 36.08 % of company's share capital. These shares give ComArch S.A. 11,609,625 votes at the General Meeting, which constitutes 48.48 % of the total number of votes. The company achieved on the above-mentioned transaction a balance sheet yield in the amount of 6.3 million PLN.

On 25 January, the Management Board of the Warsaw Stock Exchange with a resolution no. 31/2006 decided to introduce 125,787 ordinary bearer series G ComArch S.A. shares to trading on 2 February 2006. They are marked with the code PLCOMAR00087 in the National Deposit for Securities. The introduction was held on condition that on 2 February 2006 the National Deposit for Securities assimilate the above-mentioned shares with shares already in trading and marked with the code PLCOMAR00012.

On 27 January 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares between 20-25 January 2006 at between 66 PLN to 67.10 PLN per share.

On 3 February 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares 71 PLN per single share. These transactions took place on the market regulated through the Warsaw Stock Exchange.

As a result of a share purchase completed on 6 February 2006, customers of BZ WBK AIB Asset Management S.A. became holders of over 10 % of the total number of votes at the ComArch S.A. AGM. On 6 February 2006, customers of BZ WBK AIB Asset Management S.A. held 1,417,770 company's shares, which constituted 20.38 % of the company's share capital. This gave them 1,417,770 or 10.11 % of the total number of votes at the ComArch S.A. annual general meeting.

Between 22 February and 8 March 2006 ComArch received statements on conversion of 3,103 ordinary convertible bonds issued by the company. The total nominal value of bonds to be converted into shares amounted to 31,030,000 PLN. For series A convertible bonds, covered by submitted conversion statements, 543,025 series H ordinary bearer shares will be issued. 411 series A convertible bonds were not converted into series H shares.

In relation to the fact that on 28 February 2006 the average closing price of ComArch S.A. shares on the Warsaw Stock Exchange over the past 31 quotations had been higher than the conversion price by 30.7 %, and according to pt 8.3.1 of the Conditions of Bond Issue that constitute an attachment to the company's Management Board resolution dated 09 April 2002 concerning issue of the company's bonds on the basis of the Annual General Meeting resolution dated 27 February 2002 (published in Chapter 10, point 4 of the Conversion of Bonds to Series H shares Prospectus), on 28 February 2006 and 7 March 2006 called for anticipated redemption of bonds by Bondholders. Bonds will be redeemed within 30 days from the date of second call for price calculated according to pt 8.3.4 of the above-mentioned Conditions of Bond Issue.

On 20 March 2007, the Management Board of the National Depository for Securities decided to register 543,025 ordinary bearer series H ComArch S.A. shares of nominal value of 1.00 PLN each and mark them with the code PLCOMAR00095.

The Management Board of the Warsaw Stock Exchange with a resolution no. 80/2006 dated 27 March 2006 declared that pursuant to § 19 sec. 1 and 2 of the Rules of the WSE 543,025 ordinary bearer series H shares are admitted to trading. Their nominal value is 1 PLN and they are marked by the National Deposit for Securities with the code „PLCOMAR00095”. Pursuant to § 37 sec. 2 of the Rules of the WSE decided to introduce the above-mentioned shares to trading.

The Management Board of the National Depository for Securities with the resolution no. 145/06 dated 28 March 2006 decided to assimilate 543,025 company's shares on 31 March 2006 (series H shares) with 5,085,187 company's shares that are already marked with the code PLCOMAR00012. NDS announced that beginning from 31 March 2006 5,628,212 company's shares will be marked with the code PLCOMAR00012.

On 31 March 2006, the Operations Department of the National Depository for Securities has cleared the conversion of 118 ComArch SA series A bonds to series H ordinary bearer shares. As a result, as at the date of the report's preparation, there are:

- a) 20,650 ComArch S.A. series H ordinary shares valued at 1 PLN each, marked with the code PLCOMAR00095;
- b) 293 ComArch S.A. series A convertible bonds valued at 10,000 PLN each, marked with the code PLCOMAR00079.

With a resolution no. 88/2006 dated 03 April 2006 the Management Board of the Warsaw Stock Exchange suspended and excluded from stock exchange trade of 293 ComArch S.A. series A bonds. These bonds are suspended as of 4 April 2006 on the basis of § 30, sec. 1, pt 1) of the Warsaw Stock Exchange Regulations. On the basis of § 110, sec. 1 of the Stock Exchange Regulations and § 5, Chapter VI of the Detailed Exchange Trading Rules, the Management Board of the Warsaw Stock Exchange decided that:

- a) broker orders for ComArch S.A. series A shares will not be accepted as of 04 April 2006,
- b) any broker orders for ComArch S.A. series A shares that have not been executed by 03 April 2006 (inclusive) will lose their validity.

On the basis of § 31, sec. 2, pt 3) of the Exchange Regulations, the Management Board of the Warsaw Stock Exchange decided to exclude from trade ComArch SA series A bonds as of the close of 06 April 2006. This decision was predicated on ComArch S.A.'s request lodged on 31 March 2006 to suspend and exclude from stock exchange trade series A bonds due to the imminent anticipated redemption of the Company's series A bonds.

The Management Board of the National Deposit for Securities decided to register 102,708 ordinary bearer G3 shares of nominal value of 1.00 PLN each and mark them with the code PLCOMAR000103 on 24 March 2006.

On 28 March 2006 an investment credit agreement with Kredyt Bank S.A. with its registered seat in Warsaw was signed. It is for the financing of the second construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts to 85 % of the investment value up to a maximum of 26,823,970 PLN. The crediting period may last a maximum of 16 years at a variable interest rate and should be taken out by 31 March 2007. A promissory note, the mortgage on land and the building insurance policy are security for this credit. Information about the commencement of investment works as well as the signature of agreement with the general contractor was given in current report no. 41/2005.

Note 42.

CHANGES IN APPLIED ACCOUNTING PRINCIPLES

In 2005 the company did not make any significant changes in accounting principles in comparison to the previous year.

REPORT
OF COMARCH S.A.'s MANAGEMENT BOARD
REGARDING
THE ACTIVITIES OF THE COMPANY IN 2005

Krakow, 04 April 2006

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1. General Information about the Company

Nam of the company: ComArch Spółka Akcyjna
Address of the company: 31-864 Kraków, Aleja Jana Pawła II 39 A
Telephone: (12) 646 10 00
Fax: (12) 646 11 00
Regon: 350527377
Tax identification number (NIP): 677-00-65-406

1.1. Shareholders Holding at least 5 % of the Total Number of Votes at the General Meeting of ComArch S.A.

ComArch S.A.'s share capital consists of 6,955,095 shares at total nominal value of 6,955,095 PLN. According to the information possessed by ComArch S.A., as at 31 December 2005, shareholders holding at least 5 % of votes at the company's AGM are Elżbieta and Janusz Filipiak and customers of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

Shareholders	Number of shares	% of share capital	Number of votes at the company's AGM	% of votes at the company's AGM
Elżbieta and Janusz Filipiak	3,289,393*	47.29 %	10,245,393	73.06 %
Other members of the Management Board	147,947	2.13 %	223,147	1.59 %
Clients of BZ WBK AIB Asset Management S.A.	885,815**	12.74 %	885,815	6.32 %
<i>including: BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna</i>	708,629	10.19 %	708,629	5.05 %
Other shareholders	2,631,940	37.84 %	2,669,540	19.03 %
Total	6,955,095	100.00 %	14,023,895	100.00 %

*) On 27 January 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares between 20-25 January 2006 at between 66 PLN to 67.10 PLN per share. On 3 February 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares 71 PLN per single share. These transactions took place on the market regulated through the Warsaw Stock Exchange. Consequently as at the date of report preparation Elżbieta and Janusz Filipiak held 3,239,393 shares, which gave them 10,195,393 votes at the AGM and constituted 72.70 % of all votes at the AGM.

**) As result of a share purchase completed on 6 February 2006, customers of BZ WBK AIB Asset Management S.A. became holders of over 10 % of the total number of votes at the ComArch S.A. AGM. On 6 February 2006, customers of BZ WBK AIB Asset Management S.A. held 1,417,770 company's shares, which constituted 20.38 % of the company's share capital. This gave them 1,417,770 or 10.11 % of the total number of votes at the ComArch S.A. annual general meeting.

1.2. Board of Supervisors

Members of the ComArch S.A.' Board of Supervisors as at 31 December 2005:

Name and surname	Position
Elżbieta Filipiak	Chairman of the Board of Supervisors
Krzysztof Zieliński	Vice-Chairman of the Board of Supervisors
Maciej Brzeziński	Member of the Board of Supervisors
Anna Ławrynowicz	Member of the Board of Supervisors
Wojciech Kucharzyk	Member of the Board of Supervisors

According to the company's information only Chairman of the Board of Supervisors Mrs. Elżbieta Filipiak holds the company's shares. On 31 December 2005, Mrs. Filipiak held 869,749 shares, which constituted 12.51 % of the company's share capital. They gave 4,065,749 votes at the annual general meeting, that constituted 28.99 % of the total number of votes at ComArch S.A.'s annual general meeting.

1.3. Management Board

A) Members of the ComArch S.A.'s Management Board as at 31 December 2005:

Name and surname	Position
Janusz Filipiak	President of the Management Board
Rafał Chwast	Vice-President of the Management Board
Tomasz Maciantowicz	Vice-President of the Management Board
Paweł Prokop	Vice-President of the Management Board
Paweł Przewięźlikowski	Vice-President of the Management Board
Zbigniew Rymarczyk	Vice-President of the Management Board
Christophe Debou	Member of the Management Board

Company's proxies are: Jowita Gmytryk, Katarzyna Maurer, Tomasz Matysik, Tomasz Nakonieczny and Dariusz Durałek.

As at 31 December 2005, Janusz and Elżbieta Filipiak held 3,289,393 shares of ComArch S.A., Rafał Chwast held 6,566 shares, Tomasz Maciantowicz held 92,131 shares, Paweł Prokop held 24,440 shares, Paweł Przewięźlikowski held 24,440 shares and Zbigniew Rymarczyk held 370 shares.

B) Principles for Appointing and Dismissing

According to the Statute of the company, the Management Board of the company consists of 2 to 8 persons appointed and dismissed by the Supervisory Board. Members of the Management Board are appointed for the common term of office of three years. The Supervisory Board defines salaries for the Management Board as well as suspends in activities, on important reasons, particular or all members of the Management Board and delegates members of the Supervisory Board for temporary execution of the activities of members of the Management Board.

C) Rights

-The Management Board may appoint proxies.

- President of the Management Board single-handedly or two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorised for making statements on behalf of the company and representing the company in Court and off Court.

- In agreements between the company and members of the Management Board and in disputes with them, the company is represented by the Supervisory Board or by a proxy appointed with a resolution of the General Meeting. The Supervisory Board may authorise, by way of a resolution, one or more members of the Supervisory Board to perform such legal actions.

- The Management Board defines internal organisation of the company.

- The right to make decisions on issuing or buying out shares is granted to the Management Board on the basis of an authorisation by the General Meeting of Shareholders.

D) Agreements between the Issuer and the Managing Persons, which Plan for Compensation in Case of Resignation or Discharge from the Occupied Post

None present.

E) Value of Remuneration, Awards or Benefits Separately for Each of the Managing and Supervising Persons in the Dominant Unit

ComArch S.A.'s Management Board

		Paid by ComArch S.A.	Paid by subsidiaries and associates	Total
1	Chwast Rafał	732,055.29	0.00	732,055.29
2	Chwastek Robert	260,379.53	0.00	260,379.53
3	Debou Christophe	327,927.76	149,586.29	477,514.05
4	Filipiak Janusz	2,759,383.25	0.00	2,759,383.25
5	Maciantowicz Tomasz	148,292.40	0.00	148,292.40
6	Prokop Paweł	374,023.36	0.00	374,023.36
7	Przewięźlikowski Paweł	1,378,552.80	0.00	1,378,552.80
8	Rymarczyk Zbigniew	802,000.41	0.00	802,000.41
	Total	6,782,614.80	149,586.29	6,932,201.09

ComArch S.A.'s Board of Supervisors

		Paid by ComArch S.A.	Paid by subsidiaries and associates	Total
1	Filipiak Elżbieta	303,117.07	0.00	303,117.07
2	Brzeziński Maciej	30,000.00	0.00	30,000.00
3	Zieliński Krzysztof	30,000.00	0.00	30,000.00
4	Ławrynowicz Anna	30,000.00	0.00	30,000.00
5	Kucharzyk Wojciech	30,000.00	0.00	30,000.00
	Total	423,117.07	0.00	423,117.07

On 29 March 2005, Robert Chwastek submitted his resignation from the position of ComArch S.A. Management Board Member because of personal reasons.

On 23 January 2006, Mr. Christophe Debou submitted his resignation from the position of ComArch S.A. Management Board Member.

F) Managerial Option Programme

On 30 June 2005, the Annual General Meeting of Shareholders passed Resolution no. 51 on the managerial options programme for members of the Management Board and the company's Key Employees. The theoretical option's value per particular member of the Management Board in 2005 is included in the table below:

Name and surname	Theoretical option's value (in thousands of PLN)
Janusz Filipiak	914
Rafał Chwast	73
Tomasz Maciantowicz	73
Paweł Prokop	73
Paweł Przewięźlikowski	73
Zbigniew Rymarczyk	73
Total	1,279

More details are presented in point 5.4 A.

2. Basic Economics and Financial Values

2.1. Selected Financial Data

	2005	2004	2003
Revenues from sales	425,223	249,831	185,056
Operating profit	34,565	14,921	15,878
Net profit	29,088	8,399	11,661
Profit per share	4.21	1.24	1.69
Assets	328,188	252,283	231,808
Book value	157,774	128,642	127,289
Book value per share	22.68	18.77	18.92

Financial results in 2005 may be considered undoubtedly as very good. Revenues from sales amounted to 425 million PLN and were higher by 70 % than in 2004. At the same time, operating profit increased significantly (by 132 % compared to 2004) up to the amount of 34.6 million PLN (from 14.9 million PLN in 2004). Net profit reached a record level of 29 million PLN and was higher by 246 % than in 2004. There are noteworthy improvements to profitability of the company, both EBIT (8.12 % in 2005 compared to 5.97 % in 2004). Profit per one single share amounted to 4.21 PLN, i.e. an increase of 239 %, from 1.24 PLN in 2004.

Comparability of data for 2005 against previous year is limited, as on 31 August 2004 ComArch S.A. took over the companies of ComArch Kraków S.A. and CDN-ComArch S.A. In reference to the fact, that financial data of ComArch S.A. for 2004 include financial data of the taken over companies only for the period September-December 2004, comparison with data of the company for previous years may lead to false conclusions. Consolidated data are much more adequate to analyse annual results of ComArch.

2.2. Employment

As at 31 December 2005 in ComArch S.A. there were 1,755 employees compared to 1,510 persons as at 31 December 2004. Average employment ComArch S.A. in 2005 is presented in tables below:

Number of employees:	2005	2004
- full-time	1,353	874
- co-workers	279	171
Total	1,632	1,045

Full-time employees:	2005	2004
- directly production employees	596	425
- indirectly production employees and sales	471	260
- management and administrative employees	286	189
Total	1,353	874

2.3. ComArch S.A. Stock Price Performance

Period	The highest	The lowest
Q1 2005	71.00	57.00
Q2 2005	59.40	51.80
Q3 2005	62.00	55.00
Q4 2005	65.90	57.30

On 31 December 2005, closing rate of ComArch S.A. shares at Warsaw Stock Exchange reached 64.1 PLN. In 2004 the closing rate of ComArch S.A. shares was 71.50 PLN.

3. Financial Analysis

	2005	%	2004	%	2005/2004	%
I. Non-current assets	139,450	42.5 %	115,946	46.0 %	23,504	20.3 %
1. Intangible assets	2,484	0.8 %	1,873	0.8 %	611	32.6 %
2. Property, plant and equipment	97,049	29.6 %	79,680	31.6 %	17,369	21.8 %
3. Non-current receivables	-	0.0 %	-	0.0 %	-	0.0 %
4. Long-term investment	38,471	11.7 %	34,393	13.6 %	4,078	11.9 %
5. Non-current prepayments	1,446	0.4 %	-	0.0 %	1,446	100.0 %
II. Current assets	188,738	57.5 %	136,337	54.0 %	52,401	38.4 %
1. Inventories	25,893	7.9 %	14,185	5.6 %	11,708	82.5 %
2. Current receivables	94,152	28.7 %	74,100	29.4 %	20,052	27.1 %
3. Short-term investment	42,764	13.0 %	24,242	9.6 %	18,522	76.4 %
4. Current prepayments	25,929	7.9 %	23,810	9.4 %	2,119	8.9 %
Total assets	328,188	100.0 %	252,283	100.0 %	75,905	30.1 %

As at the end of 2005, the value of the company's assets was 328.19 million PLN and was higher by 75.91 million PLN, i.e. 30 % compared to the previous year. Non-current assets increased by 20 % and current assets by 38 %. A reason of the increase of non-current assets is the new investment of ComArch S.A. in new buildings in the Special Economic Zone in Krakow. The share of particular items of non-current assets in the total structure of assets has increased slightly or remained at the similar level.

Current assets increased mainly due to an increase in the inventories. The increase in inventories is an effect of the seasonal increase in orders for hardware and software in the fourth quarter of 2005, yet their share in assets remains at the same level. Current receivables increased by 20.05 million PLN; however the increase is significantly lower than increase in total revenues of the company. Significant increase in prepayments results mainly from settlements made within the framework of long-term contracts.

	2005	%	2004	%	2005/2004	%
I. Equity	157,774	48.1 %	128,642	51.0 %	29,132	22.6 %
1. Share capital	6,955	2.1 %	6,852	2.7 %	103	1.5 %
2. Due payments on share capital (negative value)	-	0.0 %	-	0.0 %	-	0.0 %
3. Proprietary shares (negative value)	-	0.0 %	-	0.0 %	-	0.0 %
4. Supplementary capital	105,113	32.0 %	96,714	38.4 %	8,399	8.7 %
5. Revaluation reserve	12	0.0 %	71	0.0 %	-59	-83.1 %
6. Other reserve capitals	21,948	6.7 %	21,948	8.7 %	-	0.0 %
7. Exchange differences due to consolidation process	-	0.0 %	-	0.0 %	-	0.0 %
8. Previous years' profit (loss)	1,992	0.6 %	1,992	0.8 %	-	0.0 %
9. Net profit (loss)	29,088	8.9 %	8,399	3.3 %	20,689	246.3 %
10. Capital from merger settlement	-7,334	-2.2 %	-7,334	-2.9 %	-	0.0 %
II. Liabilities and provisions for liabilities	170,414	51.9 %	123,641	49.0 %	46,773	37.8 %
1. Provisions for liabilities	-	0.0 %	100	0.0 %	-100	-100.0 %
2. Non-current liabilities	56,849	17.3 %	45,937	18.2 %	10,912	23.8 %
3. Current liabilities	74,900	22.8 %	53,735	21.3 %	21,165	39.4 %
4. Accruals	38,665	11.8 %	23,869	9.5 %	14,796	62.0 %
Total equity and liabilities	328,188	100.0 %	252,283	100.0 %	75,905	30.1 %

Significant increase in equity results from profit-sharing for 2004 as well as net profit for 2005. The share of particular items of total equity and liabilities in the total structure of equity and liabilities has not changed significantly compared to the previous year. Liabilities and provisions for liabilities constitute 52 % of the total equity and liabilities. The increase in current liabilities is a consequence of a seasonal increase in trade liabilities in the fourth quarter of 2005. Non-current liabilities increased due to investment credit for construction of an office and production building in the Special Economic Zone. Structure of liabilities is similar to that in 2004 and increase behaviour is much lower than costs of products, finished goods and materials sold. Significant rise in accruals is resultant from an increase presented in long-term contracts.

	2005	%	2004	%	2005/2004	%
I. Net revenues form sales of products, finished goods and materials	425,223	100.0 %	249,831	100.0 %	175,392	70.2 %
II. Cost of products, finished goods and materials sold	333,413	78.4 %	195,028	78.1 %	138,385	71.0 %
III. Gross profit (loss) from sales (I-II)	91,810	21.6 %	54,803	21.9 %	37,007	67.5 %
IV. Costs of sales	30,803	7.2 %	18,363	7.3 %	12,440	67.7 %
V. Administrative costs	23,479	5.5 %	20,321	8.1 %	3,158	15.5 %
VI. Profit (loss) on sales (III-IV-V)	37,528	8.8 %	16,119	6.5 %	21,409	132.8 %
VII. Other operating revenues	1,330	0.3 %	933	0.4 %	397	42.6 %
VIII. Other operating costs	4,293	1.0 %	2,131	0.9 %	2,162	101.5 %
IX. Profit (loss) on operating activities (VI+VII-VIII)	34,565	8.1 %	14,921	6.0 %	19,644	131.7 %
X. Financial revenues	1,807	0.4 %	1,474	0.6 %	333	22.6 %
XI. Finance costs	6,287	1.5 %	7,806	3.1 %	-1,519	-19.5 %
XII. Profit (loss) on business activities (IX+X-XI)	30,085	7.1 %	8,589	3.4 %	21,496	250.3 %
XIII. Extraordinary profit	-	0.0 %	-	0.0 %	-	0.0 %
XIV. Gross profit (loss) (XII-XIII)	30,085	7.1 %	8,589	3.4 %	21,496	250.3 %
XV. Income tax	997	0.2 %	190	0.1 %	807	424.7 %
XVI. Other obligatory decreases in profit (increases in loss)	-	0.00 %	-	0.0 %	-	0.0 %
XVII. Net profit (loss) (XIV-XV-XVI)	29,088	6.8 %	8,399	3.4 %	20,689	246.3 %

In 2005, ComArch S.A. reached very good and the best in its history financial results. This is a consequence of sustaining economic prosperity in Poland, an expansion to foreign markets and growth of the company's activities effectiveness. These financial results confirm the effectiveness of the Group's strategy and the competitive edge currently possessed by the Group. In 2005, revenue from sales was higher by 70 % than in the same period of the previous year. Operating profit increased by 131.7 %

to 34.57 million PLN compared to 2004 and net profit was 29.09 million PLN, i.e. an increase of 246.3 %. There are noteworthy improvements in profitability both EBIT and net margin.

	2005	2004
Liquidity analysis:		
Current ratio	1.66	1.76
Quick ratio	1.21	1.27
Cash to current liabilities ratio	0.38	0.31
Turnover analysis:		
Current assets turnover ratio	2.25	1.83
Receivables turnover ratio (days)	80	107
Inventories turnover ratio (days)	24	22
Liabilities turnover ratio (days)	122	154
Liabilities turnover excluding liabilities due to bonds and non-current credits ratio (days)	70	83
Debt analysis:		
Debt ratio	51.9 %	49.0 %
Debt/equity ratio	108.0 %	96.1 %
Profitability analysis:		
Margin on sales	21.6 %	21.9 %
EBIT margin	8.1 %	6.0 %
Gross margin	7.1 %	3.4 %
Net margin	6.8 %	3.4 %
Return on assets (ROA)	9.7 %	3.4 %
Return on equity (ROE)	22.6 %	7.0 %

The liquidity analysis shows a mild deterioration compared to the last year. This is connected with the investment-driven need for cash and the necessity to finance greater goods turnover in the last quarter of 2005. Nevertheless, the liquidity indicators remain at a good level. Turnover ratios suggest the company was using its resources more quickly and effectively in 2005 than in the previous year. Only the inventory turnover ratio showed a slight increase. The company's indebtedness was at a higher level than the previous year owing to the long-term, ten-year investment in the Kraków SSE (Special Economic Zone), which the company is financing with a bank credit. The company raises half its finance itself and half from external sources. In the opinion of the Management Board, the company does not have a problem in meeting its financial obligations. For a temporary period the company is investing its free resources in secure instruments such as bank deposits, treasury securities and money investment funds. Operating profit in 2005 showed a significant improvement at 8.1 % - very high considering the company's revenue and employment growth. The remaining profitability indicators were much healthier than the previous year demonstrating that the company is significantly more effective.

4. Financial Risk

The company is exposed to the following main types of financial risk:

1. Risk of contractor insolvency. The company analyses financial credibility of prospective clients before concluding agreements for delivery of IT systems and depending on rating of financial standing it separately adjusts terms and conditions of each agreement to the prospective risk.
2. Risk of change in interest rates. The company is exposed to the risk of change in interest rates as a result of the long-term investment credit allocated for financing of the new production building in the Special Economic Zone in Krakow. The credit interest is based on variable rates based on the WIBOR rate. The company did not hedge the risk of interest rate in this area.
3. Risk of fluctuation in the exchange rates. Because of export sales or sales denominated in foreign currencies, the company is exposed to the risk related to fluctuations in exchange rates. At the same time, part of company costs is also expressed or related to the exchange rate of foreign currencies. In individual cases company hedges future payments with forward contracts.

5. The Most Important Events in 2005

5.1. Contracts Significant for Issuers' Activities

The most important contracts that were signed in 2005 are:

A) Agreement with a global energy concern

The Management Board of ComArch S.A. informed about the signing of a framework agreement with a leading global energy supplier for the construction, implementation, integration and maintenance of a global loyalty system based on the ComArch AURUM Loyalty Care solution. As part of the agreement, which could be worth up to 20 million EURO depending on the number of countries, ComArch will implement its system in geographic regions of greatest importance to the client.

Within the framework of the agreement, on 14 October 2005 ComArch S.A. signed agreements with subsidiaries of the concern regarding implementation of the system in a Western-European country, with the total value of 4.126 million EURO (in words: four million one hundred twenty-six thousand euro). The system will be hosted in Poland, in ComArch's data centres. Negotiations are currently being conducted with representatives from other concern subsidiaries around the world. The agreement value is 16.232 million PLN.

B) Agreements with the Ministry of National Education (MNE)

On 30 September 2005, ComArch S.A. signed an agreement with the Ministry of National Education for the supply, installation and integration of computer labs in five Polish administrative regions: the lubelskie, pomorskie, zachodniopomorskie, kujawsko-pomorskie and warmińsko-mazurskie regions. The agreement is worth 54.573 million PLN (in words: fifty four million five hundred seventy three thousand Polish zloty) gross.

In fulfilling the agreement, ComArch will supply hardware to 648 primary and secondary schools and 405 post-secondary schools. This will include 1,053 servers, 1,053 laptops, 14,175 PCs, 1,458 scanners, 1,458 network printers and 1,053 video-projectors. The total amount of agreements signed with the MNE over the past 12 months is 56.979 million PLN gross.

On 28 October 2005, the ComArch S.A. together with the Polish Foundation of Computer Education (Ogólnopolska Fundacja Edukacji Komputerowej) (hereinafter referred to as the "Consortium") signed an agreement with the MNE for the supply, installation and integration of all elements of multimedia information internet centres (MIIC) in school libraries, regional pedagogical libraries and branches of regional pedagogical libraries throughout Poland. The agreement is worth 19.473 million PLN. In meeting its agreement obligations, the consortium will supply MIICs to 1124 schools, 49 regional pedagogical libraries as well as 273 branches of regional pedagogical libraries.

5.2. Investment

A) OOO ComArch registration in Moscow

On 26 January 2005, a company- OOO ComArch S.A. with its registered seat in Moscow as a wholly owned subsidiary of ComArch S.A. was registered. The share capital is 1.2 million RUB and is divided into 1,200,000 shares of nominal value of 1 RUB each (1 RUB = 0.11 PLN). The total number of votes is 1,200,000. The company will be responsible for selling ComArch products in Russia and partial support of IT systems delivered to clients.

B) UAB ComArch registration in Lithuania

On 7 October 2005 a limited liability company - UAB 'ComArch' with its registered seat in Vilnius, Lithuania as a wholly-owned ComArch S.A.'s subsidiary was registered. The company's share capital was covered in cash in the amount of 70,000 LTL (1 LTL is valued at approximately 1.12 PLN). The share capital is divided into 700 shares, valued at 100 LTL each. The total number of shares is 700. The company will provide sale and support of IT systems to customers.

C) Construction of a complex of buildings in the Special Economic Zone in Cracow

In the first half of 2005, ComArch S.A. was given the use of the first investment stage office buildings. In the fourth quarter of 2005, ComArch got a permit for building of the second and third investment stage. On 30 December 2005, ComArch S.A. received an agreement signed by Budostal-2 SA with headquarters in Cracow for the completion of the 2nd investment stage in the Special Economic Zone in Cracow, which entails construction of a complex of buildings to be used for IT system production works. The subject of the agreement is the construction of an office building measuring 14,000 square metres as well as technical infrastructure. The agreement is worth 29.596 million PLN. The investment project is scheduled for completion by 30 December 2006.

5.3. Resolutions of the AGM and the Board of Supervisors

In current report no. 22/2005, the Management Board of ComArch S.A. announced 2004 activities' report of ComArch S.A.'s Board of Supervisors including assessment of the company's situation in 2004 according to the rule number 18 of the Corporate Governance Principles.

Pursuant to the rule number 2 of the Corporate Governance Principles, in current report no. 23/2005, ComArch S.A.'s Management Board announced ComArch S.A.'s Board of Supervisors resolution no. 14/6/2005, in which projects of the resolutions at the AGM, to be held on 30 June 2005, were given positive opinion.

The General Shareholders' Meeting passed the resolutions concerning the following matters:

- A) approving the company's financial statement and consolidated financial statement for the fiscal year 1.01.2004 - 31.12.2004,
- B) approving the report of the Management Board regarding the activities of the company and the ComArch Group for the fiscal year 1.01.2004 - 31.12.2004,
- C) approving the activity report of the company's Board of Supervisors for the fiscal year 1.01.2004 - 31.12.2004 and audit the company's financial statement and audit of the report of the Management Board regarding company's activities in 2004,
- D) approving the report of the company's Supervisory Board regarding the audit of the consolidated financial statement of the Capital Group and the report of the Management Board regarding the activities of the Capital Group in 2004,
- E) distribution of the company's profit for the fiscal year 1.01.2004 - 31.12.2004 that was transferred to supplementary capital in total,
- F) acknowledging the fulfilment of duties by the members of the Management Board and the Board of Supervisors in the fiscal year 1.01.2004 - 31.12.2004,
- G) changes in principles of remuneration for members of the ComArch S.A.'s Management Board,
- H) changes in the company's Statute,
- I) approving the financial statements of ComArch Kraków S.A. and CDN - ComArch S.A. and the report regarding the activities of the ComArch Kraków S.A. and CDN - ComArch S.A. for the fiscal year 1.01.2004 - 31.12.2004,
- J) acknowledging the fulfilment of duties by the members of the Management Board and the Board of Supervisors of ComArch Kraków S.A. and CDN - ComArch S.A. in the fiscal year 1.01.2004 - 31.12.2004.

5.4 Transactions on Shares and Bonds of ComArch S.A.

On 16 September 2005, the company's Management Board Vice-President sold 5,000 ordinary ComArch S.A. shares at the Warsaw Stock Exchange, valued at 59.60 PLN each.

Between 23 and 30 September 2005, the company's Management Board Vice-President sold 5,151 ordinary ComArch S.A. shares at the Warsaw Stock Exchange, valued from 62 to 62.20 PLN each.

On 20 October 2005, an agreement was signed for the sale of 94,000 ComArch registered preference shares. In consequence Mr. Janusz Filipiak and Mrs. Elżbieta Filipiak acquired 47,000 series A shares and 47,000 series B shares from Mr. Tomasz Maciantowicz, valued at 60 PLN per share. The total value of the transaction is 5,640,000 PLN. The transaction did not take place on the regulated market due to the fact that ComArch's registered shares are not publicly traded or quoted on the stock exchange. Concurrently, ComArch S.A. informs that on the basis of art.8 sec.5 of the company's Statute, with resolution no. 2/16/2005 from 3 October 2005, the Management Board of ComArch S.A. consented for Mr. Tomasz Maciantowicz to sell 94,000 preference shares to Mr. and Mrs. Filipiak. This will not alter the number of votes held by Mr and Mrs Filipiak due to their status as company shareholders on 18 March 1998.

A) Managerial Option Programme

On 30 June 2005, the Annual General Meeting of Shareholders passed Resolution no. 51 on the managerial options programme for members of the Management Board and the company's Key Employees (17 persons in total). The objective of the programme is to additionally motivate members of the Management Board and Key Employees by options on ComArch shares (hereinafter referred to as the "Option") dependent on increases in the value of the company and its net profit. The program will be executed through offers of newly-issued shares in the company in 2006, 2007 and 2008 to members of the Management Board and Key Employees. The value of the Option is to be at all times equivalent to the difference between the average closing price of the company's shares as of December of each year of the execution of the programme (beginning with 2005) and the issue price of shares offered to members of the Management Board and Key Employees. The basis for the calculation of the value of the Option shall be increases in company capitalisation, calculated as follows:

- For 2006 it will be the difference between the average capitalisation of the company in December 2005 and the average capitalisation of the company in December 2004; this will be calculated using the average closing price of ComArch shares in December 2004 as 69.53 PLN;
- For 2007 it will be the difference between the average capitalisation of the company in December 2006 and its average capitalisation in December 2005;
- For 2008 it will be the difference between the average capitalisation of the company in December 2007 and its average capitalisation in December 2006, where the average capitalisation is the number of shares multiplied by the average closing price for shares of the company in December of a given year.

The Option shall be defined in each successive year of the program separately for each entitled individual as set forth in Resolution no. 51 of the AGM. The total value of the option will be 9.2 % of the increase in capitalisation in the periods set forth in Clauses a), b) and c) (for options No. 1, No. 2 and No. 3, respectively).

Pursuant to the Act on Accounting dated 29 September 1994, managerial option programme is not presented in income statement. This option is presented as cost in income statement in the consolidated financial statement according to IFRS. Details of valuation and option's effect on the ComArch Group's financial results are presented also in the consolidated financial statement.

B) Managerial Option Programme

On 23 March 2005, the company's Board of Supervisors passed a resolution no. 1/3/2005 on execution of the Managerial Option Programme dedicated to the company's President of the Management Board, basing on a resolution no. 6 passed by Extraordinary Annual General Meeting on 21 December 2001. According to § 1 pt 3 of this resolution an option for 2004 will be 5 % of the increase in the company's capitalisation between the average capitalisation of the company in December 2003 and the average capitalisation of the company in December 2004. The increase of the capitalisation in the above-mentioned period was 140,587,330.11 PLN, i.e. option's value was 7,029,366.51 PLN. At the same time, the Board of Supervisors declared that 102,708 ordinary bearer series G3 shares of nominal value of 1 PLN will be issued.

On 11 April 2005, on authority of the Board of Supervisors, ComArch S.A.'s Management Board passed a resolution no. 1 on increase in share capital by way of issue of 102,708 ordinary bearer series G3 shares of nominal value of 1 PLN and changes in the company's statute. Issue of series G3 shares was carried excluding stock rights of the current company's shareholders. Issue price was 1 PLN. Series G3 shares were covered with cash and will participate dividend beginning from 1 January 2005. Issue of series G3 shares was carried by way of private subscription mentioned in art. 431 § 2 pt 1 of the Commercial Companies Code that is realised in public trading while series G3 shares will be introduced into trading at the Warsaw Stock Exchange. These shares were offered to the company's President of the Management Board. Subscription of series G3 shares was held between 7 and 8 June 2005. On 8 June 2005 series G3 were allocated.

On 24 June 2005 the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register of changes in the Company's Statute registered 102,708 ordinary bearer series G3 shares. In consequence art. 7 sec. 1 of the company's Statute changed. After this registration share capital of the company amounts to 6,955,095 PLN. Total number of votes amounts to: 14,023,895.

C) After the Balance-Sheet Date - Shares Transactions

On 25 January, the Management Board of the Warsaw Stock Exchange with a resolution no. 31/2006 decided to introduce 125,787 ordinary bearer series G ComArch S.A. shares to trading on 2 February 2006. They are marked with the code PLCOMAR00087 in the National Deposit for Securities. The introduction was held on condition that on 2 February 2006 the National Deposit for Securities assimilate the above-mentioned shares with shares already in trading and marked with the code PLCOMAR00012.

On 27 January 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares between 20-25 January 2006 at between 66 PLN to 67.10 PLN per share. On 3 February 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares 71 PLN per single share. These transactions took place on the market regulated through the Warsaw Stock Exchange. In consequence as the day of report Elżbieta and Janusz Filipiak held 3,239,393 shares that entitled to 10,195,393 votes at the AGM (72.70 % in total number of votes at the AGM).

As a result of a share purchase completed on 6 February 2006, customers of BZ WBK AIB Asset Management S.A. held 1,417,770 company's shares, which constituted 20.38 % of the company's share capital. This gave them 1,417,770 or 10.11 % of the total number of votes at the ComArch S.A. annual general meeting.

The shares purchased by clients of BZ WBK AIB Asset Management S.A. comprise shares held by investments funds managed by BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

The Management Board of the National Deposit for Securities decided to register 102,708 ordinary series G3 shares of nominal value of 1 PLN on 24 March 2006 and marked them with the code PLCOMAR000103.

D) After the Balance Sheet Date – Bonds Transactions

Between 22 February and 8 March 2006 ComArch S.A. received statements on conversion of 3,103 ordinary convertible bonds issued by the company. The total nominal value of bonds to be converted into shares amounted to 31,030,000 PLN. For series A convertible bonds, covered by submitted conversion statements, 543,025 series H ordinary bearer shares were issued. 411 bonds were not converted into shares. After the conversion, the company's share capital will include:

- 1) 883,600 registered preference series A shares,
- 2) 56,400 ordinary bearer series A shares,
- 3) 883,600 registered preference series B shares,
- 4) 56,400 ordinary bearer series B shares,
- 5) 3,008,000 ordinary bearer series C shares,
- 6) 1,200,000 ordinary bearer series D shares,
- 7) 638,600 ordinary bearer series E shares,
- 8) 125,787 ordinary bearer series G shares,
- 9) 102,708 ordinary bearer series G3 shares and
- 10) 543,025 ordinary bearer series H shares.

After change the company's share capital will amount to 7,498,120 PLN and will be divided into 7,498,120 shares that entitle to 14,566,920 votes at the company's general meeting. Series H shares covered by submitted conversion statements will constitute 7.24 % of the company's share capital and entitle to 3.73 % of the votes at the AGM of the company. 411 bonds were not converted into shares.

In relation to the fact that on 28 February 2006 the average closing price of ComArch S.A. shares on the Warsaw Stock Exchange over the past 31 quotations had been higher than the conversion price by 30.7 %, and according to pt 8.3.1 of the Conditions of Bond Issue that constitute an attachment to the company's Management Board resolution dated 09 April 2002 concerning issue of the company's bonds on the basis of the Annual General Meeting resolution dated 27 February 2002 (published in Chapter 10, point 4 of the Conversion of Bonds to Series H shares Prospectus), on 28 February 2006 and 7 March 2006 called for anticipated redemption of bonds by Bondholders. Bonds will be redeemed within 30 days from the date of second call for price calculated according to pt 8.3.4 of the above-mentioned Conditions of Bond Issue.

On 20 March 2007, the Management Board of the National Depository for Securities decided to register 543,025 ordinary bearer series H ComArch S.A. shares of nominal value of 1.00 PLN each and mark them with the code PLCOMAR000095. The shares were issued within the conditional increase in share capital and after conversion 3,103 series A convertible bonds.

As at 20 March 2006, there are:

- a) 543,025 ComArch S.A. series H ordinary shares valued at 1 PLN each, marked with the code PLCOMAR000095
- b) 411 ComArch S.A. series A convertible bonds valued at 10,000 PLN each, marked with the code PLCOMAR000079.

The Management Board of the Warsaw Stock Exchange with a resolution no. 80/2006 dated 27 March 2006 declared that pursuant to § 19 sec. 1 and 2 of the Rules of the WSE 543,025 ordinary bearer series H shares are admitted to trading. Their nominal value is 1 PLN and they are marked by the National Deposit for Securities with the code „PLCOMAR000095”. Pursuant to § 37 sec. 2 of the Rules of the WSE decided to introduce the above-mentioned shares to trading on 31 March 2006.

The Management Board of the National Depository for Securities with the resolution no. 145/06 dated 28 March 2006 decided to assimilate 543,025 company's shares on 31 March 2006 (series H shares) with 5,085,187 company's shares that are already marked with the code PLCOMAR000012. NDS announced that beginning from 31 March 2006 5,628,212 company's shares will be marked with the code PLCOMAR000012.

On 31 March 2006, the Operations Department of the National Depository for Securities has cleared the conversion of 118 ComArch SA series A bonds to series H ordinary bearer shares. As a result, as at the date of the report's preparation, there are:

- a) 20,650 ComArch S.A. series H ordinary shares valued at 1 PLN each, marked with the code PLCOMAR000095;
- b) 293 ComArch S.A. series A convertible bonds valued at 10,000 PLN each, marked with the code PLCOMAR000079.

With a resolution no. 88/2006 dated 03 April 2006 the Management Board of the Warsaw Stock Exchange suspended and excluded from stock exchange trade of 293 ComArch S.A. series A bonds. These bonds are suspended as of 4 April 2006 on the basis of § 30, sec. 1, pt 1) of the Warsaw Stock Exchange Regulations. On the basis of § 110, sec. 1 of the Stock Exchange Regulations and § 5, Chapter VI of the Detailed Exchange Trading Rules, the Management Board of the Warsaw Stock Exchange decided that:

- a) broker orders for ComArch S.A. series A shares will not be accepted as of 04 April 2006,

b) any broker orders for ComArch S.A. series A shares that have not been executed by 03 April 2006 (inclusive) will lose their validity.

On the basis of § 31, sec. 2, pt 3) of the Exchange Regulations, the Management Board of the Warsaw Stock Exchange decided to exclude from trade ComArch SA series A bonds as of the close of 06 April 2006. This decision was predicated on ComArch S.A.'s request lodged on 31 March 2006 to suspend and exclude from stock exchange trade series A bonds due to the imminent anticipated redemption of the Company's series A bonds.

5.5. Transactions on Subsidiaries' Shares

A) INERIA.PL Shares Assigned

On 21 March 2005 ComArch S.A.'s Management Board was informed by POLONIA NET S.A. Brokerage House, offering series F INERIA.PL S.A. shares in public offering, about assigning 425,000 INERIA.PL S.A. shares to ComArch S.A. Issue price of shares assigned was 10 PLN per share. Value of the transaction was 4,250,000 PLN.

B) Disposal and Change of Rights from INERIA.PL S.A. Shares Held by ComArch S.A.

On 12 May 2005, the Management Board of INERIA.PL S.A. changed rights from 305,119 registered preference INERIA.PL S.A. shares upon application of shareholders. Upon the above-mentioned resolution, 195,556 registered preference series C INERIA.PL S.A. shares held by ComArch S.A. were changed into ordinary bearer shares.

At the same time, on 12 May 2005, ComArch S.A. disposed 1 ordinary bearer INERIA.PL S.A. share. Due to the above-mentioned change of rights and disposal of share, ComArch S.A. held 2,888,369 INERIA.PL S.A. shares that constituted 41.05 % in the share capital of the company and 11,959,625 votes that constituted 49.95 % in the total number of votes at the AGM of INERIA.PL S.A.

C) After the Balance-Sheet Date – Disposal of INERIA.PL S.A. Shares

On 19 January 2006, ComArch S.A. disposed 350,000 (in words: three hundred fifty thousand) INERIA.PL S.A. shares. In consequence ComArch S.A. holds 2,538,369 INERIA.PL S.A. shares that constitute 36.08 % in the company's share capital. They give 11,609,625 votes at the Annual General Meeting that constitute 48.48 % in the total number of votes.

5.6. Others

On 4 April 2005, ComArch S.A. received a notice from the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register dated 30 March 2005 on setting a mortgage in favour of Fortis Bank Polska S.A. due to perpetual usufruct of a property located the Special Economic Zone in Krakow. The mortgage was set due to an investment credit about which the company informed in current report no. 47/2004 and it refers to a mortgage worth 20 million PLN and a maximum mortgage worth 4.79 million PLN. As at 31 December 2005, an evidence value of assets that backed construction mortgage was 23.4 million PLN.

6. Products and Services Offered by ComArch in 2005

ComArch is a producer of innovative IT systems for key sectors of economy: telecommunications, finances, public administration, large companies and the sector of small and medium-sized companies. A wide range of the ComArch offer includes ERP-class and financial and accounting systems, CRM systems and loyalty software, sales support and electronic document exchange systems, knowledge management, Business Intelligence, security and protection of data and many other solutions. Apart from providing innovative IT solutions to its customers, ComArch is focused on professional customer service and on providing consulting, advisory and integration services as a uniform package, with which our customers can take full advantage of the possibilities offered by modern IT systems.

PRODUCTS

6.1. Solutions for the Telecommunications sector

ComArch BSS Suite is an innovative, modular billing platform supporting all areas related to settlements and customer services, as well as broadly understood suppliers and recipients of telecommunications services. Its task is to execute business objectives of the operator and preparing him for introduction of new-generation services. A comprehensive set of modules allows management of business in all telecommunications markets: stationary telephone networks, mobile telephone networks, Internet services, cable

TV or contents providers. ComArch BSS Suite features flexible, scalable and open architecture which supports the complete billing process. The system, based on the latest technologies, is a very effective and reliable one, which can be integrated with other systems. ComArch BSS Suite received certificates of performance on Sun and HP platforms in international testing centres in the United Kingdom, Switzerland and Germany. With it, operators can handle the most difficult challenges, such as inter-operator billing, implementation of new-generation services or convergent billing.

ComArch OSS Suite is a complex platform for network and telecommunications services management. It enables operators to increase reliability and quality of their infrastructure and services. The platform is compliant with the NGOSS standard and consists of modules, which can be tailored to individual needs of the operator in order to increase return on investment (ROI) and operational costs. The platform supports all OSS areas. It has been built with modern technologies (J2EE, Corba and RMI), with the communication bus based on XML and SOAP, allowing perfect integration with other IT systems (e.g. BSS, OSS, CRM) and efficient flow of information between particular systems.

6.2. Solutions for the Finance and Banking Sector

ComArch Internet Retail Banking provides 24/7 access to services offered by the bank to retail customers and „micro“ companies over the Internet, WAP, SMS and other distribution channels. Due to excellent integration with various central systems, it is a versatile, complete, efficient and safe supplement of the IT bank environment. The ComArch Internet Banking Platform offers solutions for providing financial services through self-service channels, meeting high requirements of banks, brokerages, associations of investment funds and other financial institutions. It is also an integration platform, combining services and products offered by a financial institution or by an entire financial group into one solution.

ComArch Internet Corporate Banking is an innovative IT banking system specialised in services for corporate customers. It was created from the scratch and implemented for the first time in 2003 with all needs of medium-sized and large companies in mind. It is optimised for mass processing of payments, allocation of roles in a company, support of communication between the customer and the advisor appointed by the bank, as well as the highest security level available.

ComArch Credit Process Management is an application suite supporting service of credit processes in all clients segments: corporate clients, medium and small enterprises and retail clients. The modular design of this system enables selection of an optimum set of functionalities and support for the most important processes related to management of any credit products for any customer segment: product design, simulations, preparing an application, support for the decision-making process, preparing an agreement, activation of funds, hedging management, monitoring of active agreements, settlements of transactions, management of the sales network and calculation of commission, as well as vindication from unreliable customers.

The corporate version of the **ComArch Credit Process Management** system is its extension with additional tools, specific for this segment of customers, such as the rating engine, the index analysis module or the extended module of hedges management. As with CRM solutions, emphasis has been put on flexibility of the decision-making mechanism in designing the system supporting the crediting process for large companies, and the proposals generated automatically do not restrict the process management policy in the degree characteristic for the retail segment.

ComArch CRM Sales Management is an integrated application of the new generation front-end type. It ensures complex management of the relations with customers, from the moment of the acquisition action to the initiation of the sales programmes (cross- and up-selling) to the current operational services within the whole range of the product offer.

The system includes functionality for the front-office employees (the Salesman Application) providing direct customer services, and for middle- and back-office employees (the Branch Director Application, the Central Application), responsible for management of the sales process.

ComArch CRM Campaign Management is a system supporting the entire cycle of marketing campaign management: from planning to tests, execution and modification to tests of performance. The system allows reaching the target group of customers of a precisely defined profile, at a proper time, with appropriate information, and through an appropriate communication channel. The possibility of integration of mass Above The Line (ATL) campaigns and direct Below The Line (BTL) campaigns is a unique solution, allowing achievement of the synergy effect between the two types of activities and winning savings on costs of reaching the customer.

ComArch CRM Corporate is a system, which provides a complex support for work of people directly engaged in creation and maintenance of relations with the customers of the bank (relationship manager, adviser, assistant). It offers a similar range of functionalities as ComArch CRM Sales Management, with a full coverage of features specific for services provided for the corporate customer. Unlike the solution designed for the retail segment, emphasis has been put here not on the standardisation of procedures and processes, but on collecting comprehensive information about the customer, the industry of his activity and other factors essential for the relationship with the customer.

ComArch Internet Investments, as an independent system or a functional supplement for ComArch Internet Banking, ensures access to investment financial services through the Internet and other electronic channels of distribution (e.g. WAP, SMS and call centre) for customers of brokerages, trustees, Investment Fund Associations, Open Pension funds and other institutions operating in the capital market. This system, developed continuously since 1998, offers the widest functionality available in the market in the scope of access to the brokerage account, TFI registers and specialised investment products.

ComArch Portfolio is an application designed for investment portfolios management and assets management. Wide range of potential users of this system includes: persons managing investment funds, pension funds, asset management companies, commercial and investment banks as well as assurance companies. The system registers all operations that may influence on investment portfolio (orders, transactions, deposits, financial operations, operations on securities, rights from securities and others).

ComArch Depository is dedicated to repository banks that perform functions of a depository of assets of investment, pension and insurance funds. It is responsible for duties of the depository that result from the law as well as contracts with particular clients of the bank.

ComArch Custody is an application designed for banks dealing with trading in securities. The system allows registering and quantitative as well as financial settlements of transactions with securities in NDS S.A. and foreign deposit and settlement chambers.

ComArch Risk Management automates risk control processes aimed at limitation (restriction) of the impact of fluctuation of risk factors on the elements of commercial operations. It also enables identification of the possibility of using the observed fluctuations in investments.

6.3. Universal Solutions for Businesses

ComArch CRM Campaign Management is a system supporting the entire cycle of marketing campaign management: from planning to tests, execution and modification to tests of performance. The system allows reaching the target group of customers of a precisely defined profile, at a proper time, with appropriate information, and through an appropriate communication channel.

ComArch CRM Sales Management ensures complex management of relations with customers from the acquisition action to activation of the sales programmes (cross- and up-selling), building loyalty programmes, to termination the co-operation. The system includes functionalities for both salespeople who provide direct customer services (the Salesman Application) as well as back-office employees, responsible for management of the sales process (the Central Application: preparing information for salespeople, preparing the pricing policy, building sales plans, monitoring sales and analysing reports with results, etc.).

ComArch Loyalty Management is an advanced set of business applications with broad functionalities, designed for both simple and advanced loyalty programmes. The system features flexibility, an ergonomical user interface and ease of operation. Scalable architecture guarantees customising the loyalty program development to the pace of company's growth.

ComArch Commission is a commission system designed for institutions which use extended networks of agents, brokers and intermediaries in their businesses. The system enables integration of all data related to sales networks, commission policy for all distribution channels and settlements with sales network units in one place. Additionally, collecting all sales data in one system allows better control over sales and optimising incentive systems.

ComArch Debt Management is a system facilitating notice and vindication processes. It enables centralised management of all processes and vindication cases with attention paid to the specific nature of the process and products, in the context of which it is used. All contacts with the debtor and other entities in the case are registered and the system reminds users about deadlines of tasks to be performed, such as telephone notice calls or replying to correspondence.

ComArch Document & Workflow Management is an environment supporting management of document and information flow in the office. Implementation of this system increases efficiency of the office, especially in the scope of organisation of work, access to information and all types of documents.

ComArch Content Management System is a system for management of portal content and structure. It offers a set of tools enabling remote website updating and management.

ComArch Learning Management System is a management platform for electronic trainings in an organisation.

ComArch Business Intelligence is a modern IT solution based on the data warehouse technology. Its basic role is to provide well-organised and easy-to-understand information supporting the decision-making process at various levels of company

management. ComArch Business Intelligence enables selection and application of different analysis areas, depending on user's needs, e.g. sales, finances, controlling and others.

ECOD Agent is a complex solution of the Sales Force Automation (SFA) type that ensures a communications support for sales team which is based on mobile devices such like palmtops. The solution was designed to maximise effectiveness of sales. It is offered in two versions, for a producer and for a warehouse.

ECOD Operator is a complex solution of the EDI (Electronic Document Interchange) type that enables an automatic communication and trade documents, for example orders, invoices, sales reports in form of an e-document that is compliant with general standards. Due to variety of persons cooperating in the market, ECOD Operator is offered in three versions that are adapter to specific requirements of customers.

ComArch Security Management allows creation, development and management of the security policy for all networks and devices used in any location and architecture. Apart from this solution, ComArch has a broad range of products; including authentication and authorisation, public key infrastructure, as well as management of security and content.

CDN system is a complete line of ERP systems for all types of businesses.

- The CDN Egeria Integrated Management System is a modern Polish system of the ERP II class, supporting company management features. The system offers a balanced functionality, including all essential areas of business activity. It is a universal tool guaranteeing stable development of any company, flexible enough to satisfy diverse needs.
- **CDN XL** is a multi-module, fully integrated IT system of the ERP class, dedicated for medium size and large trade, manufacturing and service companies.
- **CDN OPT!MA** is a program for management, handling sales, accounting, HR and salary departments. The program supports business management and it is a perfect working tool for an accounting office. The unique feature is the possibility of leasing the program over the Internet via the ASP - CDN Online platform.
- **CDN Klasyka** is a coherent and complete offer for small and medium-size trade, service and manufacturing companies. It consists of +10 programs supporting management and accounting, all working in the DOS environment.

6.4. Solutions for Public Administration

Electronic services platform built on the basis of the e-Urzad application and portal solutions is a solution dedicated specifically for institutions with extensive and frequent interactions with a large number of external users (applicants, members of local communities or Customers). Wrota Regionalne is one of the most widely known implementations of the electronic services platform.

e-urząd portal application is a product dedicated mainly for customers from the public sector. The product meets the requirement of contacting offices and citizens in a simpler and more flexible way, through the introduction of electronic exchange of documents, shortening time for handling specific cases, and reducing the necessity for the applicants to appear in the office.

ERP-class systems customised to specific needs of the public sector, extended with modules, which take into consideration specific needs of administration. The standard version of the offered solution includes budget accounting (including RB documents in printable and electronic versions), managing the unit's budget, calculation of salaries according to detailed regulations for budget entities.

ComArch offer for Public Administration in the scope of management of documents and group work includes systems built around the **ComArch Document & Workflow Management platform**. It is an environment supporting management of document and information flow in the office. Implementation of this system increases efficiency of the office, especially in the scope of organisation of work, access to information and all types of documents.

Business Intelligence support constitutes data warehouses, reporting and analyses, these solutions being definitely proven with clients, who manage large volumes of data, have many systems or regional locations. We offer complex performance of the BI project starting from the business analysis, to designing and construction of data warehouses and ETL procedures, to selection, supply, integration and implementation of data access tools as well as preparing reports, analyses and statistics, including data mining.

SERVICES

The strategic area of ComArch activity consists in taking advantage of the experience and knowledge of company's employees by providing a full range of IT services: from consulting, to implementation of individual solutions, to outsourcing. The services provided by ComArch form an important and effective way of applying competence of the employees of the company. Execution of numerous programming and integration projects allowed the company to gather unique experience and create a unique team of people. This experience is proven with numerous certificates and authorisations of leading suppliers of IT solutions. The broad range of ComArch IT services is provided in a highly competent and reliable way. The most important services provided by ComArch include:

- Business Process Management
- Integration of IT Systems and implementation projects
- Turnkey projects
- IT Outsourcing (Outsourcing Infrastructures and Body Leasing)
- IT Services
- Data Security and Protection
- Consulting and Training

7. Position of the Group in the IT market and information about markets and sources of supply

Due to the type of IT systems offered by the Company, medium-size and large companies (who are the largest clients of advanced IT solutions all over the world) constitute the main group of clients. Majority of company's products are addressed to specific groups of customers (e.g. the ORLANDO system for banks, funds; the TYTAN system for telecommunication operators), while IT services are of universal nature and are offered to all groups of customers. Sale in the Group is highly diversified, with no dependency on one major client. In 2005, the share of Ministry of National Education exceeded 10 % of the sale in ComArch S.A.'s sales and amounted to 74.05 million PLN.

Due to the specific nature of the industry, in which ComArch manages its operations, international concerns, which are producers of computer systems and programmers tools, Polish branches and representatives of such concerns, as well as Polish distributing companies and subcontractors for systems, have to be considered sources of supply. In 2006, Ogólnopolska Fundacja Edukacji Komputerowej S.A and Microsoft Ireland provided products and merchandise at the value exceeding 10% of ComArch S.A. proceeds on sale, i.e. 65.1 million PLN and 62.71 million PLN respectively.

8. Sales Structure

8.1 Revenues from Sales- Geographical Structure (in thousands of PLN)

	2005	% 2005	2004	% 2004
Domestic	371,096	87.27%	215,558	86.3 %
Export	54,127	12.73%	34,273	13.7 %
Revenues from sales	425,223	100.00 %	249,831	100.0 %

In 2005, revenues from company's sales increased by 70 % and export sales increased by 58 % compared to the previous year and still constitute 13 % of the total revenues in 2005.

8.2. Revenues from sales – market structure (in thousands of PLN)

	2005	% 2005	2004	% 2004
Telecommunication	62,311	14.7 %	49,696	19.9 %
Finance and Banking	86,585	20.4 %	50,191	20.0 %
Trade and services	105,851	24.8 %	58,854	23.6 %
Industry & Utilities	27,064	6.4 %	15,892	6.4 %
Public sector	143,104	33.6 %	75,027	30.0 %
Others	308	0.1 %	171	0.1 %
Revenues from sales	425,223	100 %	249,831	100.0 %

Analysis of sales market structure indicates balanced level of particular groups of customers in total sales of the company. Share of sales to public sector amounts to 30 % in total revenues from sales. It results especially from high level of orders for hardware from public institutions in 2005.

8.3. Revenues from sales – products structure (in thousands of PLN)

	2005	% 2005	2004	% 2004
Services	198,803	46.7 %	103,420	41.4 %
Software	84,857	20.0 %	81,216	32.5 %
Hardware	141,563	33.3 %	65 195	26.1 %
Revenues from sales	425,223	100 %	249,831	100.0 %

Sales of services constitute the greatest and a permanently growing part of the company's revenues but within the successive years, proportion between services sales and software sales become even. In 2005, sales of computer hardware were higher than average due to the significant computer deliveries to the National Education Ministry.

9. Production capacity of the Group

Most of production by ComArch consists in production of computer software on the basis of customer orders and in production of company's own, versatile software products. The basic factor limiting the production capacity is human resources. The company flexibly manages teams of employees through continuous optimising of filling of posts in current commercial projects (for which contracts are signed) and internal projects (developing new products and updating the existing ones, not directly connected to contractual requirements).

As the company makes active investments in new products and technologies, and it strives to provide appropriately wide range of competencies for all its employees, there are no resources that are unused.

10. Factors Essential for Development of the Capital Group

Internal Factors

- a) increase in export sales,
- b) position and reputation of the company affecting the nature of clients acquired;
- c) commercial operations of ComArch S.A. in the special economic zone in Krakow;
- d) significant share of standard (repetitive) products offered for sale, which means:
 - lower costs, especially variable costs related to a single contract,
 - the possibility of significant increase in profitability of a single contract with simultaneous reduction in charges for clients (license fees),
 - broader and more diversified circle of clients, which means a broader scale of activities;
- e) attractive training policy and attractive work conditions offered for employees of the Group;
- f) increasing awareness of the ComArch brand among prospective clients by promotion managed through MKS Cracovia SSA

External Factors

- a) enhanced requirements from clients for IT systems. There is an increase in demand for large, complex IT systems dedicated for specific users. This gives advantage to large IT companies such as ComArch, which offer a number of different technologies and products and which are able to provide technologically advanced solutions;
- b) development of Internet banking and more frequent usage of the Internet as a new distribution channel for financial products;
- c) change in business models in many branches as well as change in business strategies of many companies related to joining the European Union, which increases demand for new IT systems;
- d) more common use of the Internet as a method of communication and a medium for trade transactions, with increased risk of hacking IT systems, thus stimulating 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. This will be related to allocation of major funds from both the State budget and European Union aid funds;
- f) Growing competition, causing decrease in achieved margins; competition between IT companies, expressed in fighting for new orders and best employees.

11. Perspectives of development in the company

Growth of the IT market in Poland, as well as increase of the pace of economic development in this country and all over the world, should positively affect development of ComArch and, likewise, financial results achieved by the Company. Consistently executed strategy of positioning in the market as a technological and product company brings results in the form of the client base growing annually; most of these being international companies. In the context of Poland's integration with the European Union, it

should be expected that more and more international companies will start their commercial operations in Poland, thus broadening the circle of prospective clients for IT systems. At the same time, activity of ComArch in international markets should additionally increase sales volume and enhance the image of ComArch among international corporations, thus strengthening the competitive position of ComArch in Poland.

Execution of ComArch S.A. strategy largely depends on macroeconomic conditions, beyond the company, especially on the level of IT investments in medium-size and large companies in Poland and abroad and on the fact that competition in the IT sector becomes more and more fierce. At the same time, effective management of operational risks is the necessary condition for execution of the strategy. The most important operational risks connected with the operations of the company are:

- a) risks related to R&D work (developing proprietary software products);
- b) risks related to assessment of time requirements for long-term contracts;
- c) risks related to failure to observe contract terms and conditions and contractors taking advantage of the provided performance guarantees;
- d) risk of foreign legal and political environment related to execution of export contracts;
- e) risk of decreased possibility (difficulty) of controlling and monitoring financial standing of foreign contractors.

12. Investment

Globalisation of world economy, as well as liberalisation of trade, result in disappearance of barriers for companies and their products. The IT market becomes an open and global market where prices and quality of available products are continuously compared against each other. Along with increase in the presence of foreign capital in Poland, even IT companies conducting operations solely in the Polish market must offer competitive products from the point of view of the global market. ComArch, since the very beginning of its operations, has had reputation of a technological company developing and successfully selling products competitive internationally.

Therefore, the main strategic objectives of the company are still development of new competitive products to enable further development of ComArch and, as a result, increasing its value. Maintaining dynamics of sales requires expenditures for development of products as well as their proper promotion and marketing. This applies to both modifications of already existing products and technologies as well as developing new products.

The present policy of ComArch assumes running research and development work related to implementation of new products and standardisation of products from the very beginning of their preparation for the client. Thus, even in cases when a product was developed for the needs of a particular client, a part or whole of software / code may be then used for preparation of a standard product. This results in higher profitability of particular contracts and expansion of the client base.

ComArch does not restrict its interest to the territory of Poland alone. With products featuring international competitive edge, ComArch will consistently aim at increase in international sales. The sales will be executed directly to the final client (through ComArch S.A. or another company from the ComArch Group) or through partner companies.

Within the current year, the most important investment plan is realisation of the second construction stage of investment in the Special Economic zone in Krakow. It refers to the construction of an office building measuring 14,000 square metres as well as technical infrastructure. The investment project is scheduled for completion by 30 December 2006. The investment is credited with non-current investment credit. In the opinion of the Management Board, there is no financial threat to continue this investment.

13. Capital Affiliations

On 31 December 2005, the following entities formed the ComArch Group (in parentheses, the share of votes held by ComArch S.A.):

- ComArch Global, Inc. with its registered seat in Miami (100.00 %),
- ComArch Software AG with its registered seat in Dresden (100.00 %),
- ComArch Middle East FZ-LCC with its registered seat in Dubai (100.00 %),
- ComArch Sp. z o.o. with its registered seat in Kiev (100.00 %),
- ComArch s.r.o. with its registered seat in Bratislava, Slovakia (100.00 %),
- ComArch Panama, Inc. with its registered seat in Panama (100.00 % subsidiary of ComArch, Inc.),
- OOO ComArch with its registered seat in Moscow (100.00 %),
- UAB ComArch with its registered seat in Vilnius, Lithuania (100.00 %),
- ComArch Services S.A. with its registered seat in Krakow (99.90 %),
- Interia.pl S.A. with its registered seat in Krakow (49.95 %),
- NetBrokers Sp. z o.o. with its registered seat in Krakow (40.00 %)
- MKS Cracovia SSA with its registered seat in Krakow (49.15 %),
- Fideltronik-ComArch with its registered seat in Krakow (50.15 %),

ComArch, Inc.

ComArch Global, Inc. sells ComArch software and services in US market. Pursuant to the Act on Accounting dated 29 September 1994, ComArch, Inc. is ComArch S.A.'s subsidiary.

ComArch Software AG

The company's share capital is 58,380.00 EURO. It consists of 11,676 registered shares of nominal value of 5 EURO each. ComArch S.A. holds 100 % of interest in the company's share capital and 100 % shares in votes at the AGM of the company. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Software AG is ComArch S.A.'s subsidiary.

ComArch Middle-East FZ-LCC

The company's share capital is 200,000 AED and is divided into 200 shares of 1,000 AED each (1 AED is worth circa 1.08 PLN). ComArch S.A. purchased for cash all the shares at nominal value. The company sales ComArch products in the Near East and partially supports IT systems delivered to clients. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Middle-East FZ-LCC is ComArch S.A.'s subsidiary.

ComArch Sp. z o.o.

The company's share capital is 20,500 UAH (1 UAH is worth circa 0.72 PLN). The registered company is a one-person limited liability company. It sales ComArch products in Ukraine and partially support IT systems delivered to clients. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Sp. z o.o. is ComArch S.A.'s subsidiary.

ComArch s.r.o.

The company's share capital is 200,000 SKK (1 SKK is worth circa 0.1105 PLN). ComArch s.r.o. produces software on order for the ComArch Group. Pursuant to the Act on Accounting dated 29 September 1994, ComArch s.r.o. is ComArch S.A.'s subsidiary.

ComArch Panama, Inc.

The company's share capital is 10,000 USD and is divided into 10,000 shares of nominal value of 1 USD each. The company sells and produces IT systems in Central and Southern America market. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Panama, Inc. is ComArch S.A.'s subsidiary.

OOO ComArch

On 26 January 2005, OOO ComArch was registered in Moscow. It is a subsidiary of ComArch S.A. The company's share capital is worth 1.2 million RUB and is divided into 1,200,000 shares of nominal value of 1 RUB each (1 RUB is worth circa 0.11 PLN). The total number of votes resulting from all issued shares is 1, 200,000. The company's share capital will be paid in total in cash. The company will be selling ComArch products in Russia and partially support IT systems delivered to clients. Pursuant to the Act on Accounting dated 29 September 1994, OOO ComArch is ComArch S.A.'s subsidiary.

UAB „ComArch”

On 7 October 2005, UAB „ComArch” was registered in Vilnius in Lithuania. It is a limited liability company that is subsidiary of ComArch S.A. The company's share capital was covered with cash and is 70,000 LTL (1 LTL is worth circa 1.12 PLN). The company's share capital is divided into 700 shares of 100 LTL each. The total number of votes resulting from all shares is 700. The company will be selling and support IT systems delivered to clients. Pursuant to the Act on Accounting dated 29 September 1994, UAB ComArch is ComArch S.A.'s subsidiary.

ComArch Services S.A. (former CIV Sp. z o.o.)

The company's share capital is 50,000 PLN and is divided into 1,000 shares of nominal value of 50 PLN. ComArch S.A. purchased with cash 999 shares for the nominal value. The company operates in telecommunication sector, delivers connections for own needs, other entities of the Group and for contracts executed by ComArch and also provides outsourcing services. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Services S.A. is ComArch S.A.'s subsidiary.

Interia.pl Spółka Akcyjna

The company's share capital is 7,035,499 PLN and is divided into 7,035,499 shares of nominal value of 1 PLN each. On 31 December 2005, ComArch S.A. held 2,888,369 shares of the company of nominal value of 1 PLN each that constituted 49.95 % of votes at the Annual General Meeting or 41.05 % of shares in the company's share capital. Pursuant to the Act on Accounting dated 29 September 1994, INTERIA.PL S.A. is an associate of ComArch S.A.

NetBrokers Sp. z o.o.

The company's share capital is 750,000 PLN and is divided into 750 shares of nominal value of 1,000 PLN each. ComArch S.A. holds 300 shares that constitute 40 % in the company's share capital. Pursuant to the Act on Accounting dated 29 September 1994, NetBrokers Sp. z o.o. is an associate of ComArch S.A.

MKS Cracovia SSA

The share capital of MKS Cracovia SSA is 14,557,000 PLN and is divided into 145,570 shares. ComArch S.A. holds 70,001 shares or votes at the AGM of MKS Cracovia SSA that constitute 49.15 % of the company's share capital. According to article 3, point 37 d) of the Act on Accounting and due to the fact that most of members of the Supervisory Board of MKS Cracovia SSA is chosen by ComArch S.A., MKS Cracovia SSA is ComArch S.A.'s subsidiary.

Fidletronik-ComArch, a limited liability company

The company's share capital is 4,000.00 PLN and is divided into 40 equal and undivided shares of 100 PLN each. ComArch S.A. holds 20 shares of total nominal value of 2,000.00 PLN that constitute 50 % of share capital and 50 % of votes at the General Meeting. Pursuant to the Act on Accounting dated 29 September 1994 Fidletronik-ComArch Sp. z o.o. is an associate of ComArch S.A. The company did not start to operate.

14. Transactions with Related Parties

Transactions with related parties, whose value exceeded 500,000 EURO in 2005, are transactions of purchase of goods and services from ComArch Services S.A. for the amount of 11.14 million PLN, from MKS Cracovia SSA for the amount of 5.5 million PLN as well as ComArch Global Inc. for the amount of 5.6 million PLN and ComArch Software AG for the amount of 4.66 million PLN. These are mainly transactions within subcontracting IT and tele-IT works under contracts executed by particular companies in the ComArch Group.

15. Credits, Loans, Suretyships, Bank Guarantees

15.1. Bank Guarantees

On 31 December 2005, the value of bank guarantee and letters of credit issued by banks on order from ComArch S.A. in reference to executed agreements and participation in tender proceedings was 35.72 million PLN.

15.2. Suretyships

On 31 December 2005 the value of ComArch S.A. suretyships for the debts of Interia.pl S.A. from lease agreements amounted to 0.555 million PLN.

15.3. Credits

As at 31 December 2005, ComArch S.A. had liabilities due to credits in the amount of 19 million PLN.

A) Fortis Bank Polska S.A. with its registered seat in Warsaw

ComArch S.A. benefits from an investment credit from Fortis Bank Polska S.A. with its registered seat in Warsaw in amount of 20 million PLN for the financing of the first construction stage of production and office buildings in the Special Economic Zone in Krakow. Money means from the credit were started up beginning from 30 June 2005. Value of the credit agreement amounts to 20 million PLN.

On 31 May 2005, ComArch S.A. received a signed multipurpose investment credit agreement with Fortis Bank S.A. Within the scope of the agreement, Fortis Bank S.A. extended the credit up to 20 million PLN. The crediting period may last 1 year. A promissory note is a security for this credit. ComArch S.A. may use this credit with performance, tender, payment and advance-back guarantees as well as letter of credit due to executed contracts. Value of the credit agreement amounts to 20 million PLN.

On 7 December 2005, ComArch S.A. received a signed multipurpose investment credit agreement with Fortis Bank S.A. Within the scope of the agreement, Fortis Bank S.A. extended the credit up to 44 million PLN beginning from the date of signing of this annex till 30 December 2005. On 31 December 2005, value of the credit line was decreased to 24 million PLN. Within the scope of the above-mentioned credit line ComArch S.A. would be enabled to use the amount of 20 million PLN exclusively as renewable credit in the current account that should have been paid before 30 December 2005. At the same time, an additional security was set, i.e. transfer of receivables in relation to the two contracts realised by ComArch S.A., together with interest, commissions and fees, up to the amount of the renewable credit. The company informed about the contract in current report no. 16/2005.

B) Bank BPH S.A. with its registered seat in Krakow

On 7 June 2005, ComArch received a signed multipurpose multicurrency investment credit agreement with Bank BPH S.A. Within the scope of the agreement, Bank BPH extended the credit up to 26,401,216 PLN for financing of the current activities of the company. The crediting period may last till 28 April 2006, and a promissory note is a security for this credit. ComArch S.A. may use this credit with performance, tender, payment and advance-back guarantees as well as letter of credit due to executed contracts, and credit in the current account.

15.4. Loans

As at 31 December 2005, the value of unpaid home loans granted to employees of ComArch S.A. was 0.389 million PLN. Maturity dates for them come in the years 2006-2007.

As at 31 December 2005, the following companies of the Capital Group were indebted towards ComArch S.A. for loans granted: ComArch Software AG (2.16 million PLN), ComArch Global, Inc. (2.84 million PLN), ComArch Middle-East FZ-LLC (0.303 million PLN), ComArch Sp. z o.o. (Ukraine) (0.13 million PLN), ComArch Panama, Inc. (0.49 million PLN), OOO ComArch (0.49 million PLN), UAB ComArch (0.06 million PLN) and MKS Cracovia SSA (0.25 million PLN). Maturity dates for their payment come in the years 2006-2007.

16. Commentary on Differences between Financial Results Presented in Annual Report and Results Forecast for the Given Year Published Before

The company has not published the results forecast for 2005.

17. Factors and Events of Unusual Nature that Affect the Achieved Results

None present.

18. Changes in Methods of Company Management and Its Capital Group Management

None present.

19. Loans Granted to members of the Management Board and members of the Supervisory Board

As at 31 December 2005, there are no unpaid loans as well as there are no guarantees nor suretyships granted by ComArch S.A. to members of the Management Board and members of the Supervisory Board and their relatives.

20. Data Referring to the Agreement Signed with the Entity Entitled to Audit Financial Statements

20.1. Resolution of the Supervisory Board of ComArch S.A.

On 22 June 2005, the Supervisory Board of ComArch S.A. selected PricewaterhouseCoopers Sp. z o.o. to audit and to review the financial statements and the consolidated financial statements of ComArch S.A.

PricewaterhouseCoopers Sp. z o.o. having its registered seat in Warsaw at Al. Armii Ludowej 14, 00-638 Warsaw, is registered at number 144 in the list of entities entitled to audit financial statements. PricewaterhouseCoopers Sp. z o.o. offered its services to ComArch S.A. in the past within the scope of audit and review of financial statement for 1999-2004 and preparation of the part of prospectus. ComArch S.A.'s Board of Supervisors selected auditor pursuant to article 19, section 2, point e) of the company's Statute and pursuant to the operative regulations and professional standards. Agreement with PricewaterhouseCoopers Sp. z o.o. was concluded for one-year period and applies to audit and review of the financial statement and consolidated financial statements of ComArch S.A. for the year of 2005.

20.2. Total Remuneration

In 2005, the total remuneration resulting from the agreement with the entity entitled for auditing financial statements, due on account of auditing and reviewing the financial statement, was 230,000 PLN. The above mentioned amount covers contractual remuneration, which is due for half-year review and auditing the annual statement and auditing the consolidated statement for 2005. The remuneration for auditing the annual statement and auditing the consolidated statement was paid in 2005; the remaining part of the remuneration will be paid in 2006.

The total amount of the remuneration for the same scope of works in 2004 amounted to 159,000 PLN.

21. Systems that Control Employees Shares Programmes

None present.

Krakow, 04 April 2006

Janusz Filipiak President of the Management Board	Rafał Chwast Vice-President of the Management Board	Paweł Prokop Vice-President of the Management Board
Tomasz Maciantowicz Vice-President of the Management Board	Paweł Przewięźlikowski Vice-President of the Management Board	Zbigniew Rymarczyk Vice-President of the Management Board

ComArch S.A.

**THE REPORT SUPPLEMENTING THE OPINION FROM THE AUDIT
OF THE FINANCIAL STATEMENT FOR THE FINANCIAL YEAR 2005**

The Report Supplementing the Opinion from the Audit of the Financial Statement

To the Shareholders of the Annual General Meeting and Board of Supervisors of ComArch S.A.

The report was carried out due to auditing the financial statement of ComArch S.A. (hereinafter referred to as the „company”) with its registered seat in Krakow, at Aleja Jana Pawła II 39a, including:

- (a) introduction to the financial statement;
- (b) balance sheet as at 31 December 2005, with total assets and total equity and liabilities amounting to 328,188 thousand PLN;
- (c) income statement for the period from 1 January 2005 to 31 December 2005, with the net profit for the year amounting to 29,088 thousand PLN;
- (d) changes in equity for the period from 1 January 2005 to 31 December 2005, presenting the increase in equity in the amount of 29,132 thousand PLN;
- (e) cash flow statement for the period from 1 January 2005 to 31 December 2005, presenting the increase in cash in the amount of 19,598 thousand PLN;
- (f) additional information and commentary.

The consolidated financial statement was signed by the Management Board of the company and Main Accountant on 4 April 2007. The report should be read along with the opinion of an independent expert auditor for the General Meeting of Shareholders and the Supervisory Board of ComArch S.A. of 4 April 2006 related to the above described financial statement. The opinion about the financial statement expresses a general conclusion resulting from the conducted audit. This conclusion does not constitute a sum of assessments of the results from auditing particular items of the statement or issue, but assumes providing specific weight (significance) to particular findings, taking into consideration the effect of the facts found on reliability and properness of the financial statement.

The report includes 16 numbered pages and consists of the following parts:

	Page
I. General characteristics of the company	2
II. Information on the Conducted Audit	4
III. Characteristics of Results and Financial Situation of the Group	5
IV. Characteristics of Selected Items of the Financial Statement	7
V. Conclusion of the Independent Expert Auditor	15

Acting on behalf of PricewaterhouseCoopers Sp. z o.o. and conducting the audit:

Mirosław Szmigielski
Member of the Management Board
Expert auditor
Registration no. 90045/7397

entity entitled to audit the financial
statements registered in the list of entities
entitled under item no. 144

Warsaw, 4 April 2006

I. General characteristics of the company

- (a) Beginning from 1991 the company was operating in the form of limited liability company pursuant to the deed of incorporation dated 9 May 1991.

On 30 November 1994, the Shareholders' Meeting of ComArch Sp. z o.o. passed a resolution no. 2/94 on transformation into joint stock company.

On 30 October 2001, the District Court for Kraków-Śródmieście, Economic Division of the National Court Register in Krakow registered the company under the KRS no. 0000057567.

- (b) The company's Tax Identification Number is 677-00-65-406.
The Statistical Office registered the company at REGON no. 350527377.
- (c) As at 31 December 2006, the company's share amounted to 6,955,095 PLN and was divided into 6,955,095 shares of nominal value of 1 PLN each.

- (d) In the audited period the subject matter of the company's activities were:

- activities within the scope of tele-IT and IT;
- producing sub-assemblies and software, computer hardware and network, telecommunications and other IT equipment;
- technical and scientific advising in the scope of computer and telecommunications;
- hardware, systems and networks;
- intermediation in the scope of purchase and installation of computer and telecommunications hardware, systems, networks;
- commercial activities, production, construction, trade and services in the scope of IT and telecommunications;
- research and development works.

- (e) In the accounting period, the following were members of the Management Board of the company:

- | | |
|--------------------------|--|
| • Janusz Filipiak | President of the Management Board |
| • Rafał Chwast | Vice-President of the Management Board |
| • Tomasz Maciantowicz | Vice-President of the Management Board |
| • Paweł Prokop | Vice-President of the Management Board |
| • Paweł Przewięźlikowski | Vice-President of the Management Board |
| • Robert Chwastek | Member of the Management Board till 29 March 2005. |
| • Christophe Debou | Member of the Management Board |
| • Zbigniew Rymarczyk | Member of the Management Board |

On 23 January 2006, Christophe Debou resigned of performing the function of Member of the Management Board.

Report Supplementing the Opinion from the Audit of the Financial Statement for the Financial Year 2005

(f) As at 31 December 2005, the following units were related to the company:

ComArch Global, Inc. (USA)	-	subsidiary
ComArch Software A.G. (Germany)	-	subsidiary
ComArch Middle East FZ-LCC (Z.E.A)	-	subsidiary
ComArch s.r.o. (Slovakia)	-	subsidiary
ComArch Sp. z o.o. (Ukraine)	-	subsidiary
UAB ComArch (Lithuania)	-	subsidiary
OOO ComArch (Russia)	-	subsidiary
ComArch Services Sp. z o.o.	-	subsidiary
MKS Cracovia SSA	-	subsidiary
ComArch Panama, Inc. (Panama)	-	subsidiary of the second degree
Interia.PL S.A.	-	associate
NetBrokers Sp. z o.o.	-	associate
Fidletronik-ComArch Sp. z o.o.	-	associate

ComArch S.A. operates in the Special Economic Zone "Krakowski Park Technologiczny" (hereinafter referred to as the "SEZ"). ComArch S.A., on 1 July 2004, received the decision from the Minister of Economy concerning change in the conditions of permit for activities in the SEZ based on the changes introduced in the act regulating principles of enjoying benefits in the SEZ: the previous permit without value limits, only limited in time, was transformed into a permit limited in value and dependent on the value of the executed investments. In case of ComArch S.A., the maximum value of public support cannot exceed 75 % of the value of investment expenditures, which ComArch S.A. incurred / will incur in the period of time since obtaining the permit, i.e. 22 March 1999, to 31 December 2006. 2017 is the last year, in which ComArch S.A. can take advantage of the obtained permit.

(g) The company is obliged to prepare the consolidated financial statement of the Capital Group where is the dominant unit. Compliant with the law, the consolidated financial statement will be prepared pursuant to the International Financial Reporting Standards, as approved by the European Union. The financial statement should be read along with the consolidated financial statement to get a better view on financial situation and results of the company as dominant unit.

II. Information on the Conducted Audit

- (a) PricewaterhouseCoopers Sp. z o.o. was selected the expert auditor for the company with resolution No. 16/VI/2005 of the Supervisory Board of 22 June 2005 on the basis of Art. 19 sec. 2 pt e) of the company's statute.
- (b) PricewaterhouseCoopers Sp. z o.o. and the Expert Auditor conducting the audit are independent of the company the meaning of Art. 66 sec. 2 of the Act. on Accounting PricewaterhouseCoopers Sp. z o.o.
- (c) The audit was conducted on the basis of the agreement made on 25 June 2005 in the following periods of time:
 - Preliminary audit 5 to 30 September and 12 to 16 December 2005
 - Final audit 6 March 4 April 2006

III. Characteristics of Results and Financial Situation of the Group

The financial statement does not take into consideration the effect of inflation. The general index of changes in the level of prices for goods and consumer services (from December to December) was 0.7 % in the audited year (2004: 4.4%).

In the audited period, the following events had significant effect on the financial result and on the equity and financial situation of the company:

Comparability of data for 2005 against previous year and at the same time information value of financial ratios is limited, as on 31 August 2004 ComArch S.A. took over the companies of ComArch Kraków S.A. and CDN-ComArch S.A. In reference to the fact, income statements for the period from 1 September 2004 till the end of year 2004 and for 2005 include financial data of the merged companies.

The basic activity of the company in the current accounting period, as in previous periods, was sale of IT services and computer hardware. During the audited period, total revenue from sale were 425,223 thousand PLN, i.e. and were higher by 35 % against revenue obtained in the previous year. These revenues were mostly achieved by the company on sale of IT services, in the amount of 134,491 thousand PLN (94,208 thousand in the previous year), proprietary licences and software in the amount of 81,474 thousand PLN (40,577 thousand in the previous year), as well as on sale of merchandise and materials in the amount of 202,142 thousand PLN (in the previous year: 110,643 thousand PLN). Total revenue from sale of merchandise and materials increased by 91,499 thousand PLN (i.e. by 83 %) and included mostly sale of computer hardware (141,727 thousand PLN) and foreign software and licences (46,259 thousand PLN). The increase of the share of revenue from sale of computer hardware in total revenues from 26 % to 33 % was related to execution of major contracts for delivery of computer hardware.

The basic market for products and merchandise was still the domestic market, in which 87 % of the total revenue from sale and 76 % of the revenue from products sold were executed. Export sale was 54,127 thousand PLN (an increase of 58 %), including 14,536 thousand PLN to the foreign related units.

In the audited year, the company executed the gross margin on sale at the level close to the previous year, i.e. 22 %, measured with the ration of gross profit on sale to sale. The obtained margin on sale of products was 35 %, similarly to the previous year, whereas margin on sale of merchandise was 7 % (5 % in the previous year). In absolute numbers, the significant increase in revenue from sale together with the similar level of gross margin on sale contributed to the increase in gross profit by 37,007 thousand PLN, i.e. by 68 % against the previous year. Despite higher costs of sale and administrative costs against the comparable period (in total by the amount of 15,598 thousand PLN, i.e. by 40%), profit on sales was at the level of 37,528 thousand PLN, i.e. it was higher by 21,409 thousand PLN compared to the previous year.

In the structure of costs, apart from the value of sold merchandise and materials, the top item was costs of employee benefits, amounting in the audited period to PLN 113,744 thou. They increased compared to the previous year was by 51,202 thousand PLN, i.e. 82 %, mostly resulting from the increase of the average employment against the previous year (from 1,045 to 1,632); bonus on account of the achieved results of sales and execution of new agreements also contributed to this increase.

III. Characteristics of Results and Financial Situation of the Group (continuation)

Profitability on net sales was at the level of 7 % and was higher by 4 % than in the previous year (in absolute value an increase in net profit from 8,399 thousand PLN to 29,088 thousand PLN). The above changes resulted from the described increases in revenues and profit on sales. In addition, similarly as in the previous year, the company incurred costs of outside financing in form of bonds convertible into bonds and investment credit; interest related to these liabilities were the most significant part of finance costs (5,138 thousand PLN and 4,789 thousand PLN in the audited and previous year respectively). Other net operating revenues and costs gave loss in the amount of 2,963 thousand PLN, i.e. it was higher by 1,765 thousand PLN than in the previous year. It was a result of costs of write-offs revaluating receivables that were higher by 1,928 thousand PLN compared to the previous year.

As of the end of the accounting year, the assets of the company were 328,188 thousand PLN. During the year, the balance sheet sum increased by 75,905 thousand PLN, i.e. by 30 %. In the structure of assets, major changes resulted from the increase in the balance of property, plant and equipment (of 17,369 thousand PLN), the increase in the level of current receivables (of 20,052 thousand PLN) and the increase in short-term investment (of 18,522 thousand PLN). These increases were financed mostly with the net profit in the amount of 29,088 thousand PLN, the increase in current liabilities of 21,165 thousand PLN and non-current liabilities of 10,912 thousand PLN.

Debt rate increased from the level of 49 % as at the end of the previous year to 52 % as at the end of the current year. Liabilities turnover ratio improved; average cycle of liabilities turnover shortened from 50 days in 2004 to 42 days in the audited year, mostly as a result of activities enlargement measured with revenues and costs on operating activities. Payment situation of the company measured with financial liquidity ratios got worse slightly; liquidity ratio I was 1.7 (1.8 as at the end of the previous year), liquidity ratio II was 1.4 (1.6).

As presented in additional information and commentary to the financial statement, the company operates in the special Economic Zone in Krakow thereby effective rates of income tax for the audited period (3 %) and the previous year (2 %) are lower than rates specified in act on income tax from legal entity. In the financial statement prepared according to the principles specified in the Act on Accounting, the company does not recognise an asset due to tax benefit resulting from activities in the Special Economic Zone in Krakow.

In the audited year, the General Meeting of Shareholders passed the programme of managerial options for members of the Management Board and key employees. Also, in the audited year, shares in series G3 were issued by way of private subscription, offered to President of the Management Board in reference to execution of the managerial option. Detailed information about the programme of managerial options is given in Note 10a of the additional information and commentary to the financial statement. In the financial statement prepared according to the Act on Accounting, the company does not included costs of the programme of managerial options in the income statement.

After the balance sheet date, there were significant events related to conversion of bonds convertible into the company's shares, as given in Note 41 of the additional information and commentary to the financial statement.

IV. Characteristics of Selected Items of the Financial Statement

BALANCE SHEET AS AT 31 DECEMBER 2005

	Commentary	31.12.2005 thousand PLN	31.12.2004 thousand PLN	Change thousand PLN	Change (%)	31.12.2005 Structure (%)	31.12.2004 Structure (%)
ASSETS							
Non-current assets							
Intangible assets		2,484	1,873	611	32.6	0.8	0.8
Property, plant and equipment	1	97,049	79,680	17,369	21.8	29.6	31.6
Long-term investment	2	38,471	34,393	4,078	11.9	11.7	13.6
Non-current prepayments	11	1,446	-	1,446	-	0.4	-
		139,450	115,946	23,504	20.3	42.5	46.0
Current assets							
Inventories	3	25,893	14,185	11,708	82.5	7.9	5.6
Current receivables	4	94,152	74,100	20,052	27.1	28.7	29.4
Short-term investment	5	42,764	24,242	18,522	76.4	13.0	9.6
Current prepayments	11	25,929	23,810	2,119	8.9	7.9	9.4
		188,738	136,337	52,401	38.4	57.5	54.0
Total assets		328,188	252,283	75,905	30.1	100.0	100.0

IV. Characteristics of Selected Items of the Financial Statement (continuation)

BALANCE SHEET AS AT 31 DECEMBER 2005 (continuation)

	Commentary	31.12.2005 thousand PLN	31.12.2004 thousand PLN	Change thousand PLN	Change (%)	31.12.2005 Structure (%)	31.12.2004 Structure (%)
EQUITY AND LIABILITIES							
Equity	6						
Share capital	7	6,955	6,852	103	1.5	2.1	2.7
Supplementary capital		105,113	96,714	8,399	8.7	32.0	38.4
Revaluation reserve		12	71	(59)	(83.1)	-	-
Other reserve capital		21,948	21,948	-	-	6.7	8.7
Capital due to merger		(7,334)	(7,334)	-	-	(2.2)	(2.9)
Previous years' profit		1,992	1,992	-	-	0.6	0.8
Net profit	8	29,088	8,399	20,689	246.3	8.9	3.3
		157,774	128,642	29,132	22.6	48.1	51.0
Liabilities and provisions for liabilities							
Provisions for liabilities		-	100	(100)	(100.0)	-	-
Non-current liabilities	9	56,849	45,937	10,912	23.8	17.3	18.2
Current liabilities	10	74,900	53,735	21,165	39.4	22.8	21.3
Accruals	11	38,665	23,869	14,796	62.0	11.8	9.5
		170,414	123,641	46,773	37.8	51.9	49.0
Total equity and liabilities		328,188	252,283	75,905	30.1	100.0	100.0

IV. Characteristics of Selected Items of the Financial Statement (continuation)

INCOME STATEMENT

For the period 1 January to 31 December 2005

	2005 thousand PLN	2004 thousand PLN	Change thousand PLN	Change (%)	2005 Structure (%)	2004 Structure (%)
Net revenues form sales of products, finished goods and materials	425,223	249,831	175,392	70.2	100.0	100.0
Cost of products, finished goods and materials sold	(333,413)	(195,028)	(138,385)	71.0	(78.4)	(78.1)
Gross profit from sales	91,810	54,803	37,007	67.5	21.6	21.9
Costs of sales	(30,803)	(18,363)	(12,440)	67.7	(7.3)	(7.3)
Administrative costs	(23,479)	(20,321)	(3,158)	15.5	(5.5)	(8.1)
Profit on sales	37,528	16,119	21,409	132.8	8.8	6.5
Other operating revenues	1,330	933	397	42.6	0.3	0.4
Other operating costs	(4,293)	(2,131)	(2,162)	101.5	(1.0)	(0.9)
Profit on operating activities	34,565	14,921	19,644	131.7	8.1	6.0
Financial revenues	1,807	1,474	333	22.6	0.4	0.6
Financial costs	(6,287)	(7,806)	1,519	(19.5)	(1.5)	(3.1)
Gross profit	30,085	8,589	21,496	250.3	7.0	3.5
Income tax	(997)	(190)	(807)	424.7	(0.2)	(0.1)
Net profit	29,088	8,399	20,689	246.3	6.8	3.4

IV. Characteristics of Selected Items of the Financial Statement (continuation)

Selected ratios that characterise the equity and financial situation as well as financial result of the company.

The following ratios characterize the company's commercial activities, financial result as well as the equity and financial situation as at the balance sheet date compared to the previous periods:

	2005	2004	2003
Activity ratios			
- receivables turnover	59 days	87 days	100 days
- inventories turnover	22 days	21 days	19 days
Profitability ratios			
- gross margin on sales	22%	22%	22%
- profitability on gross sales	9%	6%	9%
- profitability on net sales	7%	3%	6%
- general profitability on equity	20%	7%	9%
Debt ratios			
- debt rate	52%	49%	45%
- liabilities turnover	42 days	50 days	63 days
Other ratios			
- income tax effective rate	3%	2%	5%
	31.12.2005	31.12.2004	31.12.2003
Liquidity ratios			
- liquidity ratio I	1.7	1.8	2.1
- liquidity ratio II	1.4	1.6	1.9

IV. Characteristics of Selected Items of the Financial Statement (continuation)**1. Property, Plant and Equipment**

In the audited year, net value of property, plant and equipment increased by 17,369 thousand PLN, i.e. 22 %. Increases referred mostly to buildings in the Special Economic Zone (an increase of 20,752 thousand PLN), as well as technical equipment and machines (an increase of 11,897 thousand PLN in gross value), including computer hardware. At the same time, depreciation write-offs were recognised in the total amount of 9,060 thousand PLN.

2. Non-Current Investment

Value of long-term investments as at the end of the audited year was 38,471 thousand PLN. The balance includes mostly shares in subsidiaries in the amount of 16,864 thousand PLN and in associates in the amount of 15,259 thousand PLN (as at the end of the previous year were respectively: 17,109 thousand PLN and 11,008 thousand PLN) along with non-current loans in the amount of 6,305 thousand PLN (6,233 in the previous year). Loans in the amount of 5,586 thousand PLN with interest charged but not paid in the amount of 581 thousand PLN were granted to subsidiaries. Against the previous year, it means increase of long-term investments of 4,078 thousand PLN that results mostly from purchase of shares in associate Interia.pl S.A. in the amount of 4,250 thousand PLN

3. Inventories

As the end of the audited period, inventories were 25,893 thousand PLN and included mostly products in progress in the amount of 13,068 thousand PLN and merchandises in the amount of 11,688 thousand PLN. The increase in inventories of 11,708 thousand PLN compared to the previous year, i.e. of 83 % arose from purchases related to execution of significant contracts on delivery of computer hardware (an increase in merchandises of 5,985 thousand PLN), as well as expenditures incurred on development of proprietary software (an increase in work in progress of 5,304 thousand PLN).

As at the end of financial year, value of inventories with decreased usability was 334 thousand PLN. They were covered in total with revaluating write-off.

4. Current Receivables

Current receivables include mostly receivables on account of deliveries and services in the amount of 93,589 thousand PLN that constituted 99 % of the total current receivables (as at the end of the previous year 72,906 thousand PLN, i.e. 98 % in the total current receivables). The increase of 70 % of the revenues from sales resulted in value of current receivables (an increase of 20,052 thousand PLN) as well as receivables turnover ratio (a decrease from 87 to 59 days).

IV. Characteristics of Selected Items of the Financial Statement (continuation)

5. Short-Term Investment

As at the balance sheet date, short-term investment included mostly granted loans in the amount of 1,385 thousand PLN, including 1,133 thousand PLN to subsidiaries as well as money in hand and banks in the amount of 41,140 thousand PLN. The increase in short-term investment compared to the previous year, especially in the value of money means of 19,639 thousand PLN, is related to the higher profitability achieved in the audited period along with cash flows on operating activities that amounted to 45,766 thousand PLN (11,637 thousand PLN in the previous year).

6. Equity

	31.12.2004	Profit distribution	Result on the current year	Increase in capital	Other	31.12.2005
	thousand PLN	thousand PLN	thousand PLN	thousand PLN	thousand PLN	thousand PLN
Share capital	6,852	-	-	103	-	6,955
Supplementary capital	96,714	8,399	-	-	-	105,113
Revaluation reserve	71	-	-	-	(59)	12
Other reserve capitals	21,948	-	-	-	-	21,948
Capital due to merger	(7,334)	-	-	-	-	(7,334)
Previous' years profit	1,992	-	-	-	-	1,992
Net profit	8,399	(8,399)	29,088	-	-	29,088
Total	128,642					157,774

On 11 April 2005, ComArch S.A.'s Management Board passed a resolution no. 1 on increase in share capital by way of issue of 102,708 ordinary bearer series G3 shares of nominal value of 1 PLN. Issue of series G3 shares was carried by way of private subscription. These shares were offered to the company's President of the Management Board due to execution of the managerial option programme that was presented in note 10a of additional information and commentary to the financial statement.

IV. Characteristics of Selected Items of the Financial Statement (continuation)**7. Share Capital – Shareholders' Structure**

According to the information included in the financial statement, as at 31 December 3005 shareholders holding at least 5 % votes at the General Meeting were:

Shareholders	Number of share held	Nominal value of shares	% of held shares (votes)
Elżbieta and Janusz Filipiak	3,289,393	3,289,393	47.3%; (73.06%)
Customers of BZ WBK AIB Asset Management S.A., including BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.	885,815	885,815	12.7%; (6.32%)

8. Net Financial Result

Net profit for the audited period was 29,088 thousand PLN. Pursuant to the information in the financial statement, the Management Board until the date of signing the financial statement did not make the decision concerning proposal for distribution of profit for the year 2005.

Pursuant to the Resolution of the General Meeting of Shareholders dated 30 June 2005, profit for the previous year was allocated for supplementary capital.

9. Non-Current Liabilities

The balance of non-current liabilities as at 31 December 2005 was 56,849 thousand PLN and included liability due to investment credit in the amount of 17,000 thousand PLN and liability due to issued bond convertible into shares in the amount of 39,849 thousand PLN. The increase of balance of non-current liabilities of 10,912 thousand PLN compared to the previous year was related to increase in long-term credits of 9,535 thousand PLN as a result of succeeding instalments dedicated to financing of investment in production and office building in the Special Economic Zone in Krakow.

After the balance sheet date there were significant events related to bonds convertible into the company's shares that was presented in note 41 of additional information and commentary.

IV. Characteristics of Selected Items of the Financial Statement (continuation)**10. Current Liabilities**

As at the end of the audited year, current liabilities included mostly liabilities due to deliveries and services (62,748 thousand PLN, i.e. 84 % of current liabilities), current liabilities due to credits and issue of debt securities (in total 3,396 thousand PLN, i.e. 5 % of current liabilities) and due to taxes, customs and social securities (3,808 thousand PLN, i.e. 5 % of current liabilities). The increase in current liabilities of 21,165 thousand PLN, i.e. 39 %, compared to the previous year resulted mostly from the increase in operating activities of the company and significant purchases of merchandises in the last quarter of the audited year that have an effect on increase in liabilities due to deliveries and services.

11. Prepayments and Accruals

As at the end of the audited period, prepayments included mostly surplus in revenues recognised basing on the degree of work progress over invoiced revenues in the amount of 22,705 thousand PLN (20,631 as at the end of the previous year). As at 31 December 2005, the company recognised a deferred income tax asset in the amount of 1,197 thousand PLN that was described broader in note 4a of the additional information and commentary to the financial statement.

As at the end of the audited period, accruals included mostly surplus in revenues invoiced on account of contracts execution over revenues recognised basing on their progress in the amount of 11,129 thousand PLN. Costs related to the current period constituted other significant part of accruals; and they will be incurred in the future (especially costs of bonus) in the amount of 18,236 thousand PLN. Costs of unused leaves in the amount of 5,231 thousand PLN and provisions for costs of not executed contracts in the amount of 2,338 thousand PLN are also significant part of accruals.

12. Securities on Equity Set in favour of Third Parties

According to the information included in additional information and commentary to the financial statement, securities on the company's equity set in favour of banks on account of investment credit and bank guarantees were related to the company's mortgages located in Krakow. In the opinion of the company's Management Board, the company has the right to freely dispose equity's items that are object of security.

V. Conclusion of the Independent Expert Auditor

- (a) The Management Board of the company presented during the audit the requested information, explanations and statements and submitted a statement about complete inclusion of data in the books of account and detailing all conditional obligations, as well as informed about significant events, which occurred after the balance sheet date before the date of submitting the statement.
- (b) The scope of the audit was not limited.
- (c) The company had current documentation, approved of by the Management Board, describing accounting principles (policy). The accounting principles adopted by the company were adjusted to its needs and ensured selection from accounting of all significant events for assessment of the equity and financial situation and the financial result of the company, with the precautionary principle maintained. Principles of accounting that were applied in the previous year have been continued.
- (d) The closing balance sheet as at the end of the previous accounting year was, in all significant aspects, properly entered in the books of account as the opening balance sheet for the current period.
- (e) We have assessed proper functioning of the book-keeping system. Our assessment covered, in particular:
 - Proper documentation of commercial operations,
 - Fair, error-free and verification of books of account, including also those managed with a computer,
 - The applied methods of ensuring security of access to data and their processing system with a computer,
 - Protection of accounting documentation, books of account and financial statements.

This assessment, combined with auditing credibility of particular items in the financial statement, forms the basis for expressing the total, complete and unreserved opinion on fair and reliable nature of the statement. Our audit was not to express a comprehensive opinion on functioning of the above stated system.

- (f) Introduction and additional information and commentary present all significant information specified in the Regulation issued by the Minister of Finance on 18 October 2005 concerning the scope of information presented in financial statements and consolidated financial statements, prospectus for issuers with their registered seats in Poland, to whom polish accounting principles are adequate.
 - (g) Report regarding the company's activities present information specified in the Regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information pertaining to companies traded on the stock exchange. Financial information included in it corresponds with information presented in the financial statement.
 - (h) Stock-taking of assets, and equity and liabilities was conducted and settled pursuant to the Accounting Act, and its results were given in the books of account for the audited year.
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V. Stwierdzenia niezależnego biegłego rewidenta (cd.)

- (i) During the audit, no significant violation of the law was found out, nor any significant violation of the Statute, which would affect the financial statement.
 - (j) The financial statement for the previous year was audited by PricewaterhouseCoopers Sp. z o.o. The expert auditor issued an opinion without any qualifications.
 - (k) The financial statement of the company for the accounting year from 1 January to 31 December 2004 was approved of with Resolution No. 4 of the General Meeting of Shareholders of 30 June 2005 and filed in the National Court Register in Krakow on 13 July 2005 and published in Monitor Polski B No. on 15 December 2005.
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