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annual report

**2004**

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annual report

2004

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## LEADING CENTRAL AND EASTERN EUROPEAN COMPANY

Comarch is a knowledge-based enterprise. The company is an international integrator and developer of innovative IT systems for telecommunications, finance and banking, public sector, industry, trade, and services. It specializes in billing and network management, CRM, and ERP systems, electronic communication, Business Intelligence, and data and information management. Comarch also offers IT outsourcing and consulting services. The company's offer includes both off-the-shelf products and turn-key IT systems designed and developed for individual customers. Comarch originated 10 years ago from academic environment and since then it has grown into a global network of partners and subsidiaries, employing over 1500 highly experienced specialists in the USA, Middle East, and Europe.

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## DEAR COMARCH SHAREHOLDERS,

**W**e will remember the year 2004 as a successful period for our company. It was a year of very hard work, which brought the strengthening of Comarch's position in the target markets and numerous contracts. These have led to the extraordinary 30% growth of revenues which reached a record level of PLN 330 mln. These results confirm our vision and strategy of building the company, as very effective and positively welcomed by shareholders as well as by customers and employees.

Comarch has gained the status of a reliable provider of advanced IT systems, and in an honest and upstanding competition the company has shown that it is possible to maintain fast organic growth based on technologies and business solutions developed in-house. Our business model proves successful not only on the Polish market, but also results in visibly increasing international sales.



**Professor Janusz Filipiak**

President and CEO  
Comarch SA

In 2004, while operating on four continents and in twenty countries, we increased export revenues by 85%. The increase of foreign sales, which accounted for 20% of all revenues, became not only an incontestable source of the organisation's growth, but also one of the most important strategic goals for Comarch.

The year 2004 was a period of heavy expansion for Comarch. We set up new foreign branches, invested significantly in software development infrastructure, as well as in the development of new products and technologies.

I would like to thank everyone with whom we have business or partner relationships: our shareholders and investors for their support, customers for their trust, and employees for their commitment and skills. These, combined together, enabled us to achieve our business goals in the year 2004. We have strong foundations to believe that the coming years will be equally successful and rewarding.

With kind regards

A handwritten signature in black ink, appearing to read 'J. Filipiak'. The signature is stylized and fluid.

Professor Janusz Filipiak



Comarch Headquarters, Krakow

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## 2004 WAS A SUCCESSFUL YEAR FOR COMARCH

### OPERATIONALLY

Leading position on the IT market in Central and Eastern Europe.

OSS/BSS offer, considered one of the best in the world. The biggest Polish provider of ERP systems.

The most specialised IT company in Poland. One of the highest ratios of R&D expenditures to revenues.

Geographical expansion. Presence in twenty countries on four continents.

New software development centres in Eastern Europe and New Software production infrastructure built in Krakow.

### FINANCIALLY

Outstanding 30% growth in revenues. Continuous organic development.

Export sales increase by 85%.

Record high net profit, growing by 63.3% in proportion to the year 2003.

EPS increase by 64.8%.

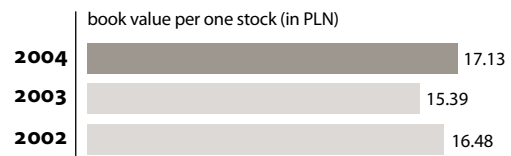
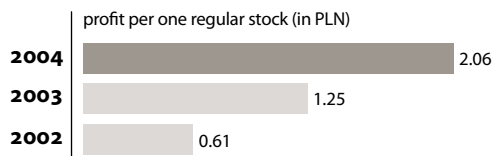
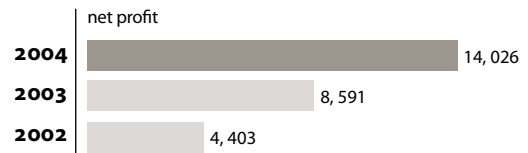
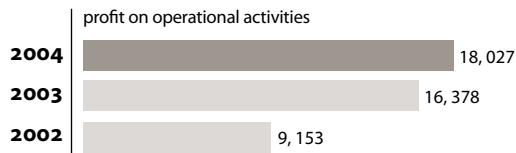
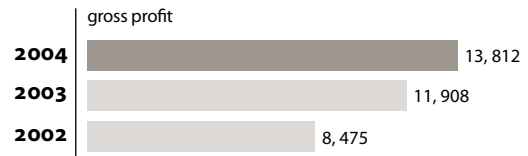
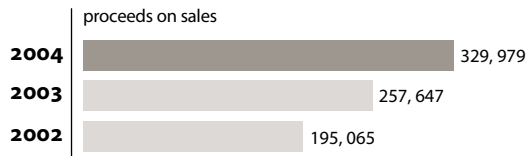
Increase of recent contracts value by 36.5%.



## Selected Financial Details

### Consolidated financial data

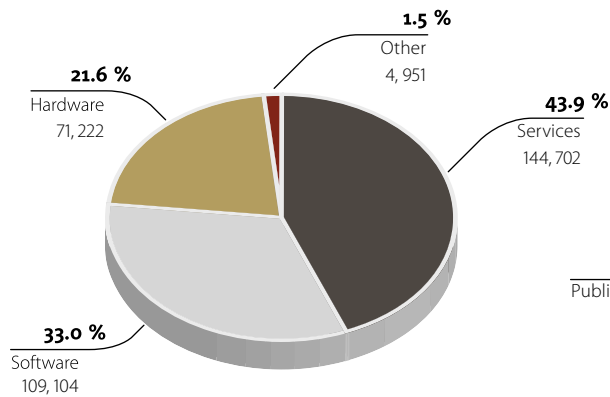
(PLN thou.)



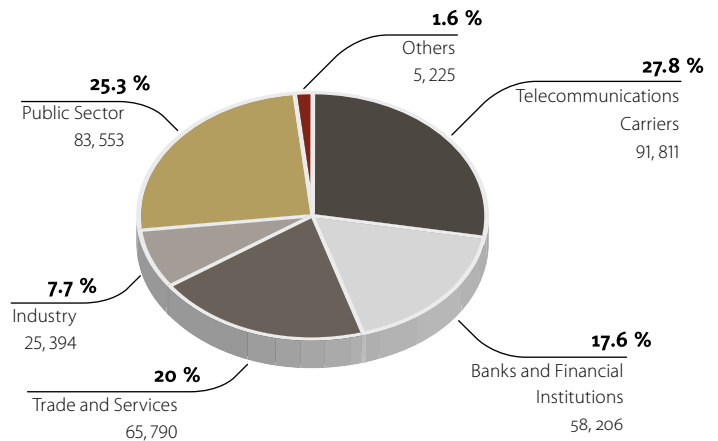
### Net proceeds from sales in 2004

(PLN thou.)

#### sales structure by type



#### sales structure by recipients



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## COMARCH STRATEGY

### **I. Ensuring profitability and balanced growth of 20% per year**

**M**aximising profits is Comarch's ultimate goal, pursued when making strategic decisions regarding the company's operations and development. To date, Comarch has maintained positive financial results and is continuously increasing proceeds from sales. Heavy investments in IT on the global and Polish markets, stimulated by Poland's accession to the EU, enable the dynamic growth of the company. In this scenario Comarch aims at increasing its share in Polish and global IT markets through developing its sales network and acquiring new customers. Comarch aims at a dynamic revenue growth in the next 3-4 years, maintaining profit margins level as in 2004.

Comarch works for achieving positive financial results and generating a revenue growth of 20% per year. For this purpose the company plans to control operational costs, increase the share of services and international sales in the revenues, and continue to take advantage of the competitive cost structure and new technologies to effectively compete with global players.

Comarch's key resource are its staff. The company employs over 1500 top-level experts with impressive professional experience. In 2004 alone, the Comarch Capital Group employed 400 additional people.

### **2. Increasing the company's potential, creating new competence centres**

**G**rowing labour costs on the Polish market, increasing competition among IT employers, and a strategy of commitment to research and development forced the company to seek new sources of knowledge and highly qualified ICT professionals. Comarch decided to set up new international competence centres, that will provide resources required to keep the forecasted pace of development. The first centres were set up in Lvov, Ukraine, and in Bratislava, Slovakia, to compensate for the growing labour costs in Poland, another one – in Dresden, to provide access to the newest technologies and stimulate innovation within the company. This will facilitate knowledge exchange between branches in the East and West of Europe and increase Comarch's competitiveness.

Competence centre in Dresden has been opened in June 2005. Until 2007 it is to employ around 90 IT specialists and IT- and business consultants. The operations of Dresden Competence Centre will include product management, development of new solutions, Research & Development, and vertical consulting, while the centres in Lvov and Bratislava will focus on software development.

## COMARCH EMPLOYS THE BEST POLISH PROFESSIONALS



### 3. Strengthening presence on the foreign markets

Unsufficient demand for some of the company's products on the Polish market, especially the ones dedicated for telecommunications sector, forced Comarch to seek customers and growth opportunities on the international markets.

Given the company's offer, particularly attractive target markets include Central and Eastern Europe, Middle East, North and Central America. They are intended to remain strategic geographic areas for the company's operations in a long term.

On the foreign markets, Comarch is slowly directing its offer to the same verticals as in Poland. Following the telecommunications market, where the company has achieved spectacular success, an expansion is planned for public sector, finance and banking, industry, trade, and services sectors. The expansion is a gradual process due to the characteristics of the dedicated systems – most of them have to undergo a localization procedure with respect to legal regulations and language.

This expansion will be supported by a network of subsidiaries and affiliates already operating in multiple geographical regions. Particular role in this context is played by the Brussels branch, the tasks of which exceed the standard support for commercial activities, and include lobbying for the company's presence on the European Union markets. This is intended to support Comarch activities while competing for prestigious contracts for the European Commission Directorates or NATO agencies.

In order to strengthen its positioning on international markets, Comarch is leading an active partnership campaign in order to ensure a better access and understanding of the local markets. Comarch aims to increase the level of sales coming from partner channels. Partners will also provide support in the process of establishing contacts with prospective customers.

Additionally, Comarch has started, and is committed to continue the development of global partnerships with recognized technology providers, such as HP, IBM, Sun, Oracle or Cisco. Thanks to this kind of partnerships Comarch will be able to deliver IT solutions to every part of the world, especially in case of big projects, at the same time strengthening its competitive position.

### 4. Diversification of production and target markets

Bearing in mind the possible negative changes in the business environment, which may affect Comarch revenues, the company is committed to realizing the strategy of extensive diversification of production and target markets. Such an approach enables the maintenance of a stable level of revenues, especially in the scenario of a lower market demand for IT systems and solutions in specific economy segments.

Actions planned to be undertaken in this context include:

- ✦ acquiring alternative sources of revenues in the telecommunications sector by extending the offer with modules dedicated for cable TV providers,
- ✦ leveraging the potential of Small and Medium Enterprises sector by developing a network of partners selling solutions dedicated for SMEs,
- ✦ directing the offer to small and medium-size financial, banking, and insurance enterprises, in order to take advantage of the absence of large IT systems integrators in this market segment,
- ✦ developing outsourcing services, especially in terms of the company's potential for providing them, and shifting from infrastructure outsourcing (at present accounting for 80% of all outsourcing revenues) to outsourcing services for software development, IT projects management and quality assurance, both for domestic and international customers,
- ✦ going global with the offer for all sectors, supported with a significant amount of experience and a leading position on the domestic IT market, together with readiness to learn the peculiarities of local markets from partners and customers.

## COMARCH STAFF

THINK GLOBALLY





## 5. Research and Development (R&D)

Comarch is a knowledge-based company, with a broad experience in designing and developing specialised software and IT solutions for key sectors of the economy.

Comarch's impressive capability for continuous innovations is based on many years of experience, human resources development and investing approximately 15% of revenues into Research and Development every year.

The company focuses its efforts on promoting knowledge and sharing it with the global community of customers, partners, research centres, and universities. It launches new R&D programmes and develops its own IT network. The company's philosophy assumes that knowledge sharing is a win/win strategy, which benefits all the parties involved.

(EUR)	2000	2001	2002	2003	2004
Proceeds on sales	31,725,000	47,953,000	50,408,000	57,932,000	73,033,000
R&D Investment	4,442,974	6,113,873	5,620,893	6,224,700	9,708,000
R&D % of Revenues	14%	15%	14%	15%	12%

### Selected R&D Programmes and Initiatives

#### University Research Programmes

Comarch's policy has always assumed a close cooperation with the best technical universities, both in Poland and abroad. The company, originating from the best Polish technical university – The University of Technology and Science in Krakow, from its inception gives a priority to R&D projects run in cooperation with prestigious educational institutions. Comarch is committed and has contributed a lot to the cooperation between the worlds of business and academia. Currently, Comarch runs numerous research programmes together with the leading Polish universities, Lvov University of Technology (Ukraine) and Montevideo University of Technology (Uruguay), as well as the Technical University in Dresden.

#### European Research Programmes

Comarch acquires funds for some of its R&D programmes from the European Structural Funds, such as the Sector Operational Programme, initiated to improve the competitiveness of enterprises.

The company also takes part in the Sixth Framework Programme, developing Technologies for the Information Society. Within this scheme Comarch is involved in three projects:

- ✦ ECOLEAD: solutions for virtual organisations,
- ✦ WearIT@work: mobile solutions,
- ✦ ASK-IT: IT solutions for handicapped people.

## IT SYSTEMS MEAN MORE THAN TRUST



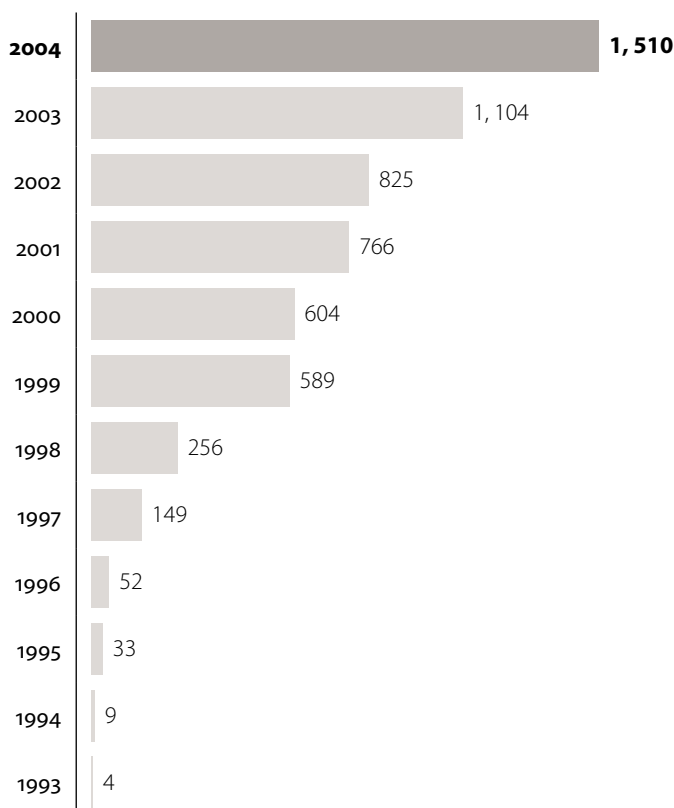
## 6. Staff development – improving the company's attractiveness for the employees

As an answer to growing competition on the IT labour market, the company undertakes a number of initiatives aimed at improving its attractiveness for the existing as well as prospective employees.

In this context, it is the Management Board's goal for the coming years to increase the role of new employees in creating and realizing the vision of Comarch as a global IT company. This is going to be achieved through new initiative, the annual Young Leaders Forum, as well as continuous realization of the idea of a Corporate University, which identifies promising talents and defines their role in a dynamically developing environment. The Forum is to have primarily a motivational function. Involving new employees in the company's matters, creating an opportunity to shape its actions and future will have a significant, positive impact on staff loyalty and their integration with the company's goals.

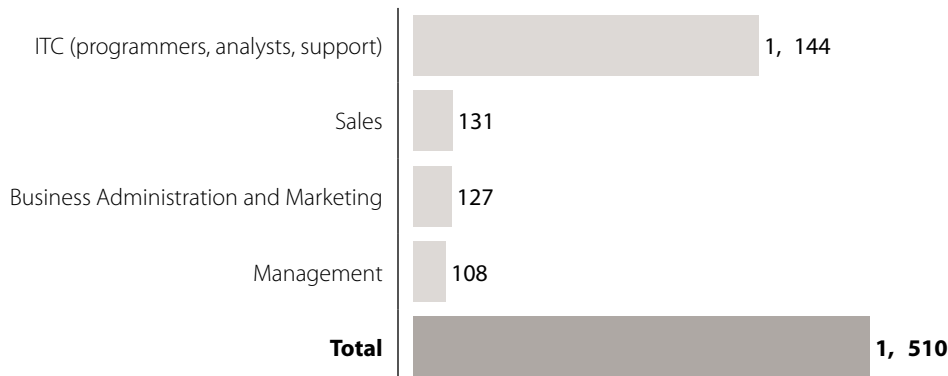
Every year Comarch offers summer internships in its Krakow headquarters. This program is directed to IT students and business majors. The internships last three to six months, during which students work in software development and consulting centres. Over 200 Polish and foreign students participate in the internship program every year. Afterwards many of them are offered a permanent job.

### Employment in Comarch



At present the Capital Group employs over 1,500 highly qualified and experienced specialists. New employees are acquired mainly from the best Polish technical universities and foreign universities. Technical staff in Comarch includes leading Polish IT experts. By the end of 2004 the employment structure in Comarch appeared as follows:

### Comarch employment structure





## NEW SOFTWARE DEVELOPMENT CENTRE IN KRAKOW SPECIAL ECONOMIC ZONE



### 7. New initiatives – investment in infrastructure

Last year Comarch started the construction of a new software development centre in the Technology Park in the Special Economic Zone in Krakow. The first phase of the project, worth PLN 25 mln, was closed in May 2005 – the new building, with an office space of 8000 square metres, has accommodated 400 people. In total 1.3 thousand employees are going to work in the new complex of buildings, including 200 new employees. The complex will contain software development centres for telecommunications, finance and banking, public administration, consulting and sales support centers, as well as one of the biggest Data Centers in Poland. The advantages behind the investment include office rental savings, improved organizational efficiency, and tax relieves due to operations in the Special Economic Zone.

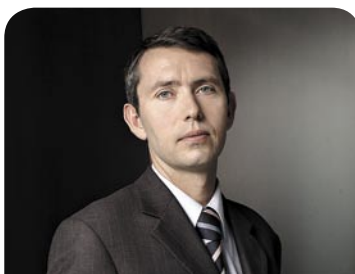


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COMARCH VERTICAL MARKETS

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## TELECOMMUNICATIONS



**C**omarch Telecommunications Business Unit offers a comprehensive range of Business Support Systems and Operations Support Systems. Geographically, we are active in Europe, Middle East, Africa and the Americas. Our target group is composed of all kinds of companies delivering telecommunications and communications services (fixed line and mobile carriers, Internet Solution Providers, cable TV operators, etc.). Regarding the competition, Comarch stands up to the largest European and US companies and in 2004 the company was considered to be one of the most important new players on this market.

### **Christophe Debou**

Member of the  
Management Board  
Comarch SA

Convergence of fixed and mobile operators and joining different kinds of services are the current market trends. We believe that in a short time these processes will become

the next source of contracts and growth of proceeds from the sale of our systems.

Our plans for the year 2005 assume continuous expansion in regions, in which we are already present. We will further focus on delivering our systems to the largest operators (Tier I), leveraging to-date successes and references from international operators. Our products are being continuously developed, we are also working on new product lines that would serve new business processes appearing in the businesses of the telecommunications operators.

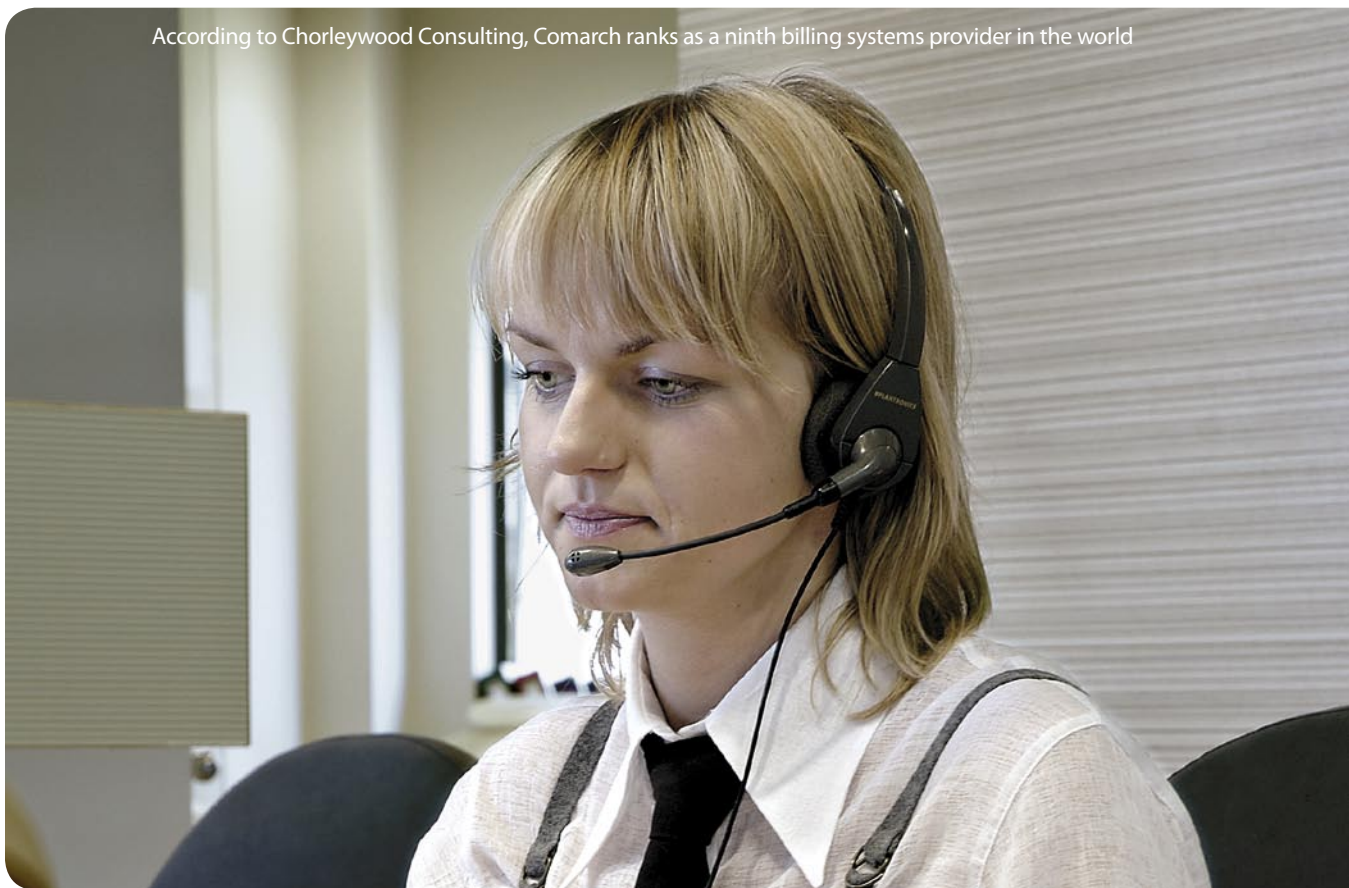


## Telecommunications

The most advanced technological expertise

- ✦ Two complex and integrated OSS/BSS platforms:  
Comarch TYTAN and Comarch InsightNet cover all areas of a telecommunications operator's activities.
- ✦ Comarch OSS/BSS software has been chosen by telecommunications operators in over 20 countries in the world.
- ✦ Comarch is a member of prestigious organisations for OSS/BSS providers (TeleManagement Forum, GSM Association).
- ✦ Comarch's systems for telecommunications are regularly mentioned in industry analyst reports provided by the most renowned research companies like Gartner and IDC.

According to Chorleywood Consulting, Comarch ranks as a ninth billing systems provider in the world



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## FINANCE AND BANKING



**T**he year 2004 brought many strategic projects and the strengthening of our position in the Finance, Banking and Insurance market in Poland and in Eastern Europe. We perceive the market's focus on risk management issues (vide credit and leasing risk assessment) and automation of financial products sales processes (electronic banking and CRM systems). In the latter context Comarch signed important contracts for the implementation of vIBank – an internet banking platform, and AURUM CreditCare system.

As a result of the consolidation processes in the leasing companies sector, on the market remained only large enterprises. Those invested in new IT infrastructure giving way to acquisition of new customers by Comarch, (e.g. Citi Leasing, Raiffeisen Leasing). At the same time we have broadened our offer with front-office systems for leasing sales, systems for management of financing sources or controlling modules. We can see a great potential of cooperation with international leasing enterprises in Central and Eastern Europe.

A revival is visible also in the insurance sector which resulted in clinching deals with leading insur-

**Tomasz Maciantowicz**  
Vice President  
Comarch SA

ance companies in Poland such as TU Uniq and TU Filar. These companies have chosen Comarch's integrated insurance system SUBREA. Requests for information and proposals regarding integrated insurance systems were received also from many other companies. We are slowly attempting to launch this type of systems on the international markets.

The market undergoes some significant changes regarding the management and organizational structure of investment funds and asset management institutions. In this scenario a strategy of delivering end-to-end solutions for financial groups proves very effective. Comarch's ORLANDO Platform is at the moment the leading accounting and asset management solution on the Polish market. We intend to provide the ORLANDO platform with new modules, including analytical modules, for example enabling risk assessment and management efficiency assessment. In 2004 we signed the first international contracts in this field. Year 2005 should bring new international contracts – primarily in Russia, and in other, Central European countries.

### **Financial institutions**

We are trusted by the biggest Polish and International Banks

- ✦ Comarch designed own software Comarch ORLANDO for asset management as well as securities valuation and trading.
- ✦ Comarch EGERIA Leasing is the example of a mature IT system, maintaining the services of leasing companies.
- ✦ A complex IT support for insurance companies both in terms of property and life insurance is provided by Comarch SUBREA.
- ✦ Credit sales and service system – Comarch AURUM.
- ✦ Internet systems and electronic banking – Comarch vIBank.



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## INDUSTRY, TRADE AND SERVICES



**I**n 2004 for the first time Comarch directed its offer for the Industry, Trade and Services sector to the foreign markets.

Thanks to a joint undertaking with Korus Konsulting we have gained the position of the largest provider of e-commerce services in Russia. Similar investment projects have been initiated in Ukraine, Turkey, and Romania.

Our customers are offered new products such as CRM and loyalty systems, and new services such as the outsourcing of paper documents processing, that complements electronic documents processing. The first customers to be provided with these new services were Ahold and Philips.

### **Paweł Przewięźlikowski**

Vice President  
Comarch SA

Also a number of contracts with new customers has been signed for the delivery of enterprise management systems and data warehouses.

We have created new business centres in Katowice and Bratislava.

The most important direction of development in the year 2005 will be the selling of the newly developed Comarch AURUM LoyaltyCare System in Western Europe. The sales will be forced both by Comarch and in cooperation with other IT systems integrators. The increase in the sales of workflow systems is also going to be visible. In addition we plan a further expansion with Comarch's ECOD Operator services in other countries of Central and Eastern Europe.



## Industry, Trade and Services

Specialized solutions for business

Comarch's offer for the Industry, Trade and Services sector consists of expert IT systems supporting all areas of enterprise operations.

- + Customer Relationship Management systems:  
mobile sales support – ECOD Agent,  
and loyalty systems – AURUM LoyaltyCare.
- + Electronic communications system – Comarch ECOD,  
with over 3000 customers in Poland and Russia.
- + Business Intelligence systems and data warehouses.
- + Integrated ERP II systems for enterprise management  
– CDN EGERIA.



According to a ComputerWorld Top 200 report,  
Comarch is one of the biggest IT providers for a trade sector in Poland

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## PUBLIC ADMINISTRATION



Polish public sector in 2004 was dominated by projects connected to the adjustment of the Polish administration to operations within the EU structures. Public administration and private companies faced up to the new situation and changes and as a result on May 1, 2004, we were all well prepared for functioning in the new circumstances.

As for the year 2005, the public sector will be determined by two trends: further implemen-

### **Paweł Prokop**

Vice President  
Comarch SA

tation of systems allowing us to adjust to the EU legal system and growing demand for IT solutions coming from the local government administration.

Comarch is going to participate actively in both of these processes, leveraging its experience and high competencies together with well developed network of partners and branches to enable an effective cooperation with customers on the whole market.

## Public Administration

Driving the growth of the Information Society

- + Comarch is the leading provider of IT solutions for the public sector. Basing on Comarch EGERIA system, the company creates complex and advanced management systems for ministries, local governments and governmental agendas.
- + Comarch designed, developed and implemented an innovative e-Government system covering the south of Poland.
- + Comarch provides IT systems for the public sector in Poland and in Central and Eastern Europe (Czech Republic and Serbia).



Comarch has implemented its systems in most of Polish ministries and government agencies, and wins contracts for public administration in other countries

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## SMALL AND MEDIUM ENTERPRISES



**I**n 2004 the Polish ERP market grew by 25.3% in comparison to 2003, reaching a volume of USD 135.53 mln. The market's structure has changed – a number of players decreased thanks to mergers and acquisitions. The dynamic growth of the ERP market is fuelled mainly due to Poland's accession to the EU, as a result of which Polish enterprises gained access to financial support from EU structural funds to invest in IT solutions. 2004 was undoubtedly the best year in history for Comarch's ERP division (former CDN company). Thanks to a 50% growth in sales to the MSE market, Comarch became the largest Polish ERP systems provider. An IDC report classifies Comarch on

### **Zbigniew Rymarczyk**

Member of the  
Management Board  
Comarch SA

the fourth place, with 6.3% market share (3.6% in year 2003).

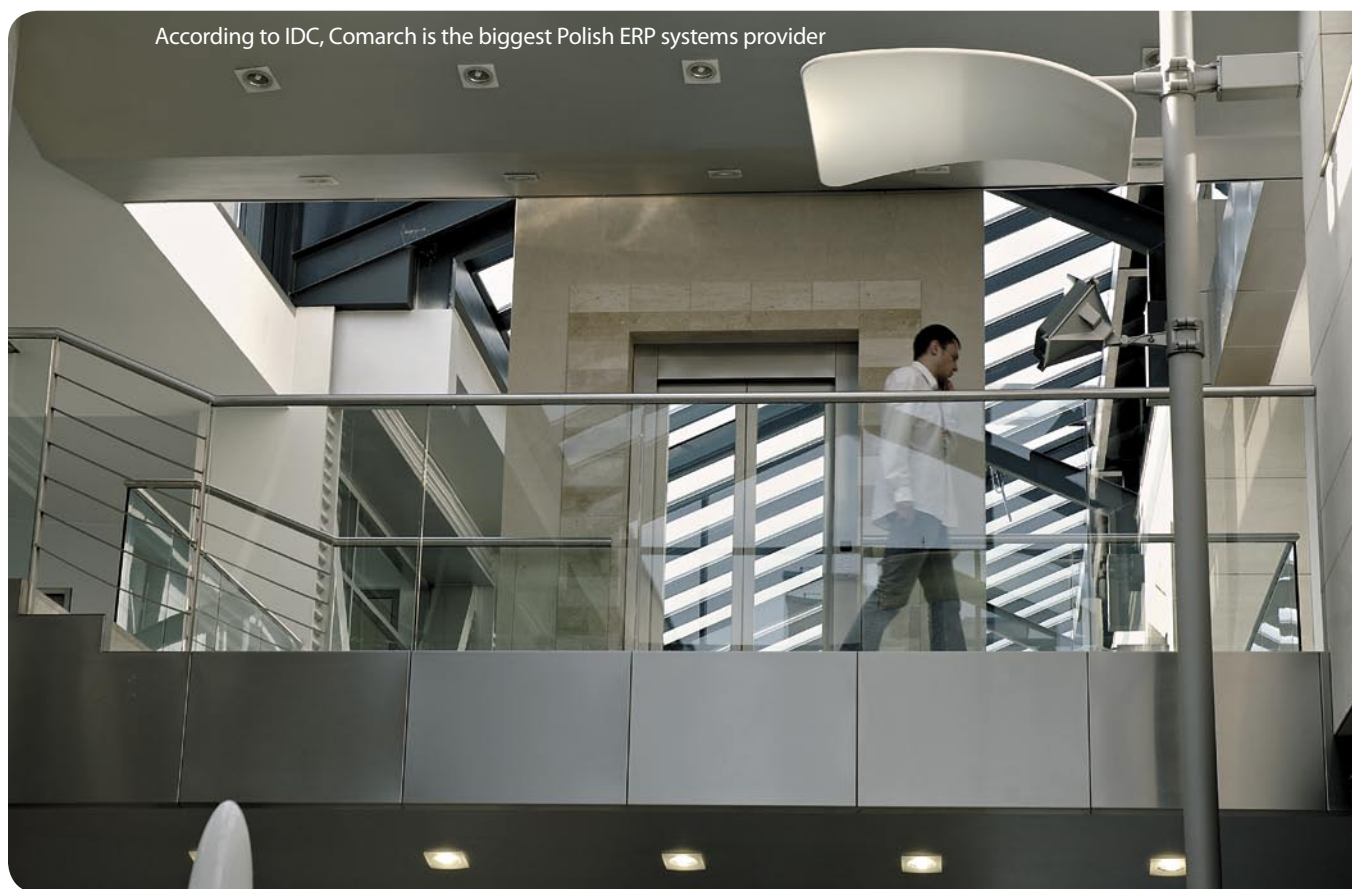
In 2005 we expect a further growth in sales and intend to increase our share in the Polish ERP

market focusing on precise product positioning, investing in new technologies, and developing cooperation with a Polish network of partners. In July 2005 we are going to launch the English and Ukrainian versions of CDN XL on foreign markets, initially in the Ukraine. Moreover, we intend to prepare localized versions for Slovak and German markets by the end of this year. We expect first international contracts to be signed in 2005.

### **Small and Medium Enterprises**

The fastest growing provider of ERP systems in Poland

- + Comarch CDN OPTIMA, CDN Klasyka, and CDN XL software packages for small and medium enterprises have been offered for over 10 years now. Today the systems are used by 40 thousand companies in Poland.
- + CDN systems are the most popular ERP systems in Poland.



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## ORGANISATIONAL STRUCTURE

### Organisational structure of the Comarch Group

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POLAND	KRAKOW
	WARSAW
	POZNAN
	GDANSK
	KATOWICE
	WROCLAW
OTHER COUNTRIES	USA
	Germany
	Finland
	Belgium
	France
	Slovakia
	Ukraine
	Russia
	UAE
	Panama
MKS Cracovia SSA	49,15%
Interia.pl SA	49,87%
NetBrokers Sp. z o.o.	40%






## Supervisory Board – Comarch SA

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Elżbieta Filipiak	Chairman
Krzysztof Zieliński	Vice Chairman
Maciej Brzeziński	Member of the Board
Anna Ławrynowicz	Member of the Board
Wojciech Kucharzyk	Member of the Board

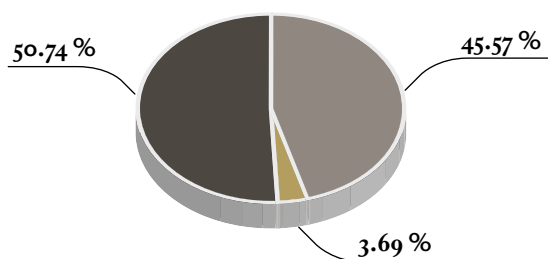
## Shareholders Structure

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	Elżbieta and Janusz Filipiak
	Other Members of the Management Board
	Others

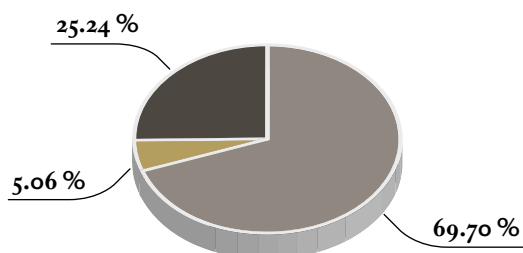
% of shares

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% of votes

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## MANAGEMENT BOARD

<b>Janusz Filipiak</b>	President and CEO
<b>Rafał Chwast</b>	Vice President
<b>Tomasz Maciantowicz</b>	Vice President
<b>Paweł Prokop</b>	Vice President
<b>Paweł Przewięźlikowski</b>	Vice President
<b>Christophe Debou</b>	Member of the Board
<b>Zbigniew Rymarczyk</b>	Member of the Board





From the left: Rafał Chwast, Paweł Prokop, Tomasz Maciantowicz, Paweł Przewięźlikowski, Christophe Debou, Janusz Filipiak, Zbigniew Rymarczyk





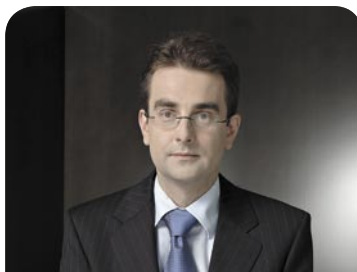
COMARCH

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## FINANCIAL STATEMENT

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## FINANCIAL RESULTS



The year 2004 was a very successful period for our company. The Comarch Group achieved record proceeds from sales amounting to PLN 329.98 mln, which is 28% higher than in 2003 and 69% higher than in 2002. The profit on operational activity grew by 10% in comparison to the year 2003, gross profit – by 16%, and net profit – by 63%. The profit on operational activities is twice as high, and net profit – three times higher than in 2002. Consolidated profit per one regular stock reached a level of PLN 2.06, which means a 65% increase in relation to the year 2003, and a 23% increase in relation to 2002. The ROE index grew from 8% to 12%, which is an impressive result, given the Group's dynamic development.

### **Rafał Chwast**

Vice President  
and Financial Director  
Comarch SA

Due to the Group's broad product offer and presence on multiple markets, the number of customers has significantly grown. In order to minimize credit risk emerging from this situation, the

Group analyses financial credibility of prospective customers and adjusts each contract accordingly to the potential risk.

On 31 December 2004, the closing rate for Comarch's shares listed on the Warsaw Stock Exchange was PLN 71.50. In 2003 the last closing rate for Comarch shares was PLN 51.30. This means that in 2004 the shares of Comarch yielded a remarkable return rate of 39%.

Comarch shares yield a steady return rate





## Consolidated financial data

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

## Geographical structure of sales

(PLN thou.)	<b>2004</b>	<b>% 2004</b>	<b>2003</b>	<b>% 2003</b>
Domestic	<b>261,377</b>	79.2%	220,537	85.6%
Export	<b>68,602</b>	20.8%	37,110	14.4%
Proceeds on sales	<b>329,979</b>	100.0%	257,647	100.0%

## Structure of sales by recipients

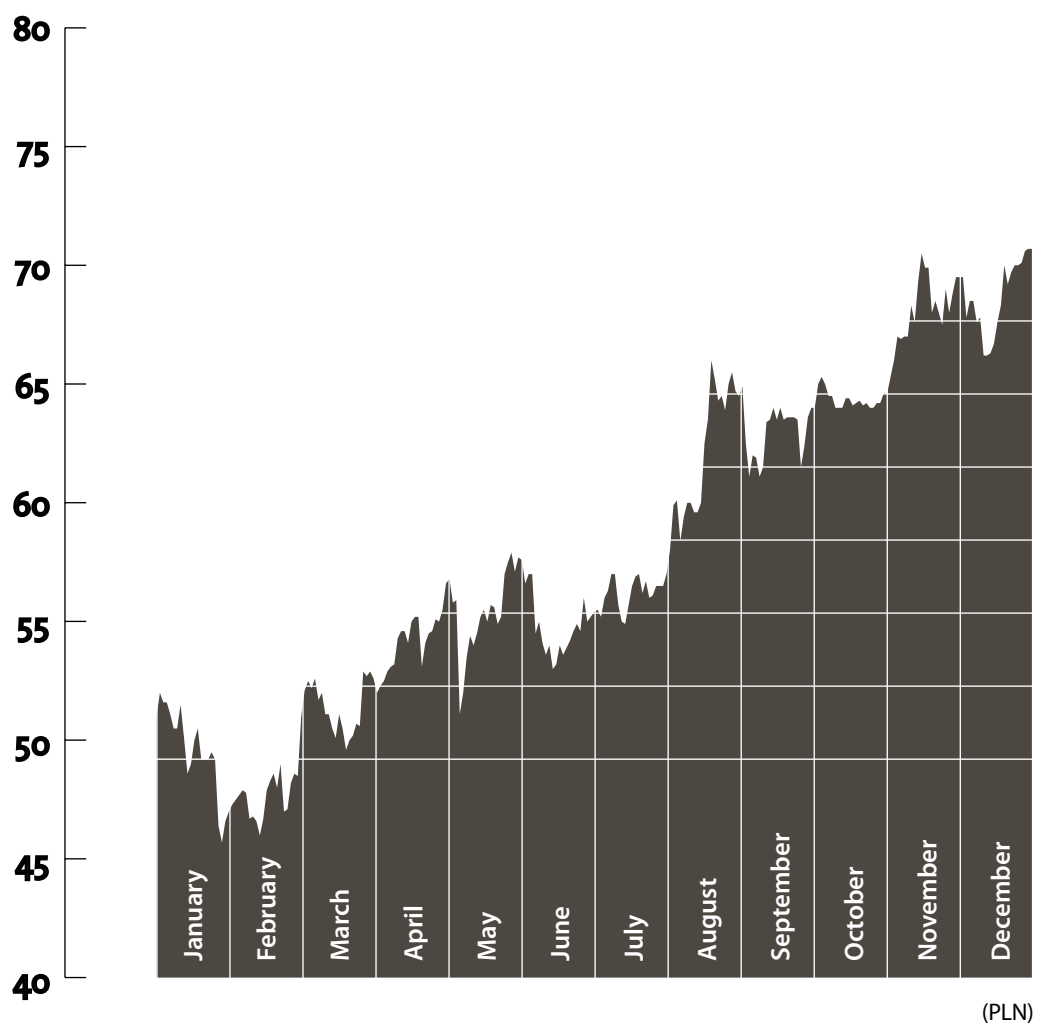
(PLN thou.)	<b>2004</b>	<b>% 2004</b>	<b>2003</b>	<b>% 2003</b>
Telecommunications operators	<b>91,811</b>	27.8%	64,273	24.9%
Banks and financial institutions	<b>58,206</b>	17.6%	50,546	19.6%
Services and trade	<b>65,790</b>	20.0%	68,959	26.8%
Industry	<b>25,394</b>	7.7%	13,589	5.3%
Public sector	<b>83,553</b>	25.3%	57,324	22.3%
Other	<b>5,225</b>	1.6%	2,956	1.1%
Proceeds on sales	<b>329,979</b>	100.0%	257,647	100.0%

## Sales structure by type

(PLN thou.)	<b>2004</b>	<b>% 2004</b>	<b>2003</b>	<b>% 2003</b>
Services	<b>144,702</b>	43.9%	121,271	47.1%
Software	<b>109,104</b>	33.0%	56,825	22.0%
Hardware	<b>71,222</b>	21.6%	77,599	30.1%
Other	<b>4,951</b>	1.5%	1,952	0.8%
Proceeds on sales	<b>329,979</b>	100.0%	257,647	100.0%

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## Rate for Comarch SA Shares in 2004



## Consolidated balance sheet

As of 31 December 2004 (PLN thou.)

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

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←	2004	2003
<b>LIABILITIES</b>		
<b>I. Own capital</b>	<b>117,391</b>	<b>103,497</b>
1. Initial capital	6,852	6,727
2. Supplementary capital	96,714	96,714
3. Capital from appraisal updating	-12	282
4. Other reserve capitals	21,948	9,685
5. Change rate differences from calculation of subsidiary units	-52	-89
a) negative exchange rate differences	-52	-89
6. Profit (loss) from previous periods	-22,085	-18,413
7. Net profit (loss)	14,026	8,591
<b>II. Minority capitals</b>	<b>14,013</b>	<b>18,732</b>
<b>III. Negative goodwill of subsidiary units</b>	<b>110</b>	<b>1,952</b>
<b>IV. Obligations and provisions for obligations</b>	<b>140,474</b>	<b>141,804</b>
1. Provisions for obligations	5,701	6,018
1.1. Provision on account of deferred income tax	5,601	5,920
1.2. Other provisions	100	98
a) short-term	100	98
2. Long-term obligations	46,621	43,529
2.1. To other units	46,621	43,529
3. Short-term obligations	57,975	64,620
3.1. To affiliated units	201	164
3.2. To other units	56,529	63,363
3.3. Special funds	1,245	1,093
4. Deferred costs	30,177	27,637
4.1 Other deferred costs	30,177	27,637
a) Short-term	30,177	27,637
<b>Total liabilities</b>	<b>271,988</b>	<b>265,985</b>
Book value	117,391	103,497
Number of stock (in pcs.)	6,852,387	6,726,600
Book value per one stock (in PLN)	17.13	15.39
Diluted number of stock (in pcs.)	6,955,095	6,852,387
Diluted book value per one stock (in PLN)	16.88	15.10

## Consolidated profit and loss account

For accounting year from 1 January to 31 December 2004 ( PLN thou.)

	2004	2003
<b>I. Net proceeds from sales of products, goods and materials, including:</b>	<b>329,979</b>	<b>257,647</b>
– from affiliated units	477	439
1. Net proceeds from sales of products	187,034	141,040
2. Net proceeds from sales of goods and materials	142,945	116,607
<b>II. Costs of sold products, goods and materials, including:</b>	<b>254,860</b>	<b>189,664</b>
– to affiliated units	1,258	341
1. Cost of generation of sold products	121,982	82,667
2. Value of sold goods and materials	132,878	106,997
<b>III. Gross profit (loss) on sales</b>	<b>75,119</b>	<b>67,983</b>
<b>IV. Costs of sales</b>	<b>30,233</b>	<b>29,971</b>
<b>V. Overheads</b>	<b>27,402</b>	<b>21,419</b>
<b>VI. Profit (loss) on sales</b>	<b>17,484</b>	<b>16,593</b>
<b>VII. Other operational proceeds</b>	<b>3,467</b>	<b>1,240</b>
1. Profit from disposal of non-financial fixed assets	46	
2. Subsidies		12
3. Other operational proceeds	3,421	1,228
<b>VIII. Other operational costs</b>	<b>2,924</b>	<b>1,455</b>
1. Loss on disposal of non-financial fixed assets		150
2. Updating value of non-financial assets	83	172
3. Other operational costs	2,841	1,133
<b>IX. Profit (loss) on operational activities</b>	<b>18,027</b>	<b>16,378</b>
<b>X. Financial proceeds</b>	<b>4,443</b>	<b>2,931</b>
1. Interest, including:	1,000	1,300
– Profit from disposal of investments	422	1,589
– Other	3,021	42

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	2004	2003
<b>XI. Financial costs</b>	<b>7,589</b>	<b>8,931</b>
1. Interest, including:	4,993	4,613
– Loss on disposal of investments		40
– Other	2,596	4,278
<b>XII. Profit (loss) on commercial activities</b>	<b>14,881</b>	<b>10,378</b>
<b>XIII. Write-off of goodwill of subsidiary units</b>	<b>1,210</b>	<b>1,012</b>
<b>XIV. Write-off of negative goodwill of subsidiary units</b>	<b>141</b>	<b>2,542</b>
<b>XV. Gross profit (loss)</b>	<b>13,812</b>	<b>11,908</b>
<b>XVI. Income tax</b>	<b>560</b>	<b>1,783</b>
a) current part	796	1,766
b) deferred part	-236	17
<b>XVII. Share in net profits (losses) of subsidiary units appraised with the ownership rights method</b>	<b>-833</b>	<b>-1,688</b>
<b>XVIII. Minority profits (losses)</b>	<b>1,607</b>	<b>154</b>
<b>XIX. Net profit (loss)</b>	<b>14,026</b>	<b>8,591</b>
Net profit (loss) (annualised)	14,026	8,591
Average weighted number of regular stock (in pcs.)	6,793,961	6,875,602
Profit (loss) per one regular stock (in PLN)	2.06	1.25
Average weighted diluted number of regular stock (in pcs.)	6,894,918	6,998,162
Diluted profit (loss) per one regular stock (in PLN)	2.03	1.23

## Summary of changes in consolidated own capital

For accounting year from 1 January to 31 December 2004 ( PLN thou.)

	2004	2003
<b>I. Own capital as of the beginning of the period (OB)</b>	<b>103,631</b>	<b>119,157</b>
a) changes in the adopted accounting principles (policy)	-134	572
<b>I.a. Own capital as of the beginning of the period, after conciliation with comparable data</b>	<b>103,497</b>	<b>119,729</b>
1. Initial capital as of the beginning of the period	6,727	7,228
1.1. Changes in the initial capital	125	-501
a) increase (on account of)	125	
– stock issue (release of share)	125	
b) Reduction (on account of)		501
– stock (shares) redemption		501
1.2. Initial capital as of the end of the period	6,852	6,727
a) Increase (on account of)		-20,643
– acquisition of own stock for redemption		-20,643
b) Reduction (on account of)		20,643
– own stock redemption		20,643
2. Supplementary capital as of the beginning of the period	96,714	96,714
2.1. Supplementary capital as of the end of the period	96,714	96,714
3. Capital from appraisal updating as of the beginning of the period	282	282
3.1. Changes in capital from appraisal updating	-294	
a) Reduction (on account of)	294	
– reduction in capital related to buying out bonds	294	
3.2. Capital from appraisal updating as of the end of the period	-12	282
4. Other reserve capitals as of the beginning of the period	9,685	24,560
4.1. Changes in other reserve capitals	12,263	-14,875
a) Increase (on account of)	12,263	5,734
– 2003, 2002 profit distribution	12,263	5,734
b) Reduction (on account of)		20,609
– settlement of costs related to redemption of stock		467
– stock redemption		20,142
4.2. Other reserve capitals as of the end of the period	21,948	9,685
5. Exchange rate differences from calculation of subsidiary units as of the beginning of the period	-89	394

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←	2004	2003
6. Exchange rate differences from calculation of subsidiary units as of the end of the period	-52	-89
7. Profit (loss) from previous periods as of the beginning of the period	9,297	
7.1. Profit from previous periods as of the beginning of the period	9,297	
a) Changes in the adopted accounting principles (policy)	-706	
7.2. Profit from previous periods as of the beginning of the period after conciliation to comparable data	8,591	
a) Reduction (on account of)	8,591	
– Settlement of the 2003 result	8,591	
7.3. Loss from previous periods as of the beginning of the period	18,985	10,021
a) Changes in the adopted accounting principles (policy)	572	572
7.4. Loss from previous periods as of the beginning of the period after conciliation to comparable data	18,413	9,449
a) Increase (on account of)	12,263	9,830
– settlement of Comarch SA result for 2003	12,263	
– allocation of profit of Comarch SA result for 2002 (payment of dividend)		4,036
– allocation of profit of Comarch SA result for 2002 (carrying over for reserve capital)		5,734
– depreciation of goodwill for NetBrokers for 2002		60
b) Reduction (on account of)	8,591	866
– settlement of the consolidated result for 2003	8,591	
– share in the result of NetBrokers for previous years		100
– calculation of financial statements of international subsidiary units related to previous periods		660
– share in the loss of minority capitals Comarch Global for 2002		106
7.5. Loss from previous periods as of the end of the period	22,085	18,413
7.6. Profit (loss) from previous periods as of the end of the period	-22,085	-18,413
8. Net result	14,026	8,591
a) Net profit	14,026	8,591
<b>II. Own capital as of the end of the period (CB)</b>	<b>117,391</b>	<b>103,497</b>

## Consolidated cashflow statement

For accounting year from 1 January to 31 December 2004 ( PLN thou.)

	2004	2003
<b>A. Cash flows on operational activities</b>		
<b>I. Net profit (loss)</b>	<b>14,026</b>	<b>8,591</b>
<b>II. Total adjustments</b>	<b>-1,492</b>	<b>20,189</b>
1. Minority profits (losses)	-1,607	-154
2. Share in net profits (losses) of subsidiary units appraised with the ownership rights method	833	1,688
3. Depreciation, including:	8,971	8,928
– write-offs of goodwill of subsidiary units or negative goodwill of subsidiary units	-632	-1,708
4. (Profits) losses on account of exchange rate differences	-1,688	461
5. Interest and shares in profits (dividend)	4,621	3,007
6. (Profit) loss on investment activities	-141	-1,399
7. Change in the state of provisions	-317	227
8. Change in the state of inventory	-3,253	-2,472
9. Change in the state of receivables	11,964	-22,453
10. Change in the state of short-term obligations, excluding loans and credits	-10,717	21,354
11. Change in the state of accruals	-9,336	13,978
12. Other adjustments	-822	-2,976
<b>III. Net cash flows on operational activities (I+/-II) – indirect method</b>	<b>12,534</b>	<b>28,780</b>
<b>B. Cash flows on investment activities</b>		
<b>I. Proceeds</b>	<b>104,479</b>	<b>79,518</b>
1. Disposal of intangibles and tangible fixed assets	475	159
2. From financial assets, including:	104,004	79,339
a) In other units	104,004	79,339
– disposal of financial assets	104,004	79,339
3. Other investment proceeds		20

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	2004	2003
<b>II. Expenses</b>	<b>-131,518</b>	<b>-58,066</b>
1. Acquisition of intangibles and tangible fixed assets	-25,936	-11,629
2. For financial assets, including:	-105,582	-46,437
a) In affiliated units		-4,540
– acquisition of financial assets		-4,540
b) In other units	-105,582	-41,897
– acquisition of financial assets	-105,582	-41,897
<b>III. Net cash flows on investment activities (I-II)</b>	<b>-27,039</b>	<b>21,452</b>
<b>C. Cash flows on financial activities</b>		
<b>I. Proceeds</b>	<b>12,776</b>	<b>768</b>
1. Net proceeds from stock issue (release of share) and other capital instruments and additional payments to capital	125	
2. Credits and loans	12,482	768
3. Other financial proceeds	169	
<b>II. Expenses</b>	<b>-14,392</b>	<b>-28,599</b>
1. Acquisition of own stock (shares)		-20,643
2. Dividend and other payments for owners		-4,036
3. Payments of credits and loans	-5,489	-859
4. Buying out debt securities	-5,905	
5. Payment of obligations on account of financial leasing agreements	-63	-33
6. Interest	-2,914	-3,022
7. Other financial expenses	-21	-6
<b>III. Net cash flows on financial activities (I-II)</b>	<b>-1,616</b>	<b>-27,831</b>
<b>D. Total net cash flows (A.III+/-B.III+/-C.III)</b>	<b>-16,121</b>	<b>22,401</b>
<b>E. Balance sheet change in cash, including:</b>	<b>-16,359</b>	<b>22,401</b>
– change in cash on account of exchange rate differences	-238	
<b>F. Cash as of the beginning of the period</b>	<b>45,104</b>	<b>22,172</b>
<b>G. Cash of MKS Cracovia SSA at acquisition</b>		<b>531</b>
<b>H. Cash as of the end of the period (F+/- D), including:</b>	<b>28,745</b>	<b>45,104</b>
– with limited disposal capacity	404	435

# OPINION OF AN INDEPENDENT EXPERT AUDITOR

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

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

- (a) the introduction;
- (b) the consolidated balance sheet prepared as of 31 December 2004, which in assets and liabilities gives the sum of PLN 271,988 thou.;
- (c) the consolidated profit and loss account for accounting year from 1 January to 31 December 2004, presenting net profit in the amount of PLN 14,026 thou.;
- (d) the summary of changes in consolidated own capital for accounting year from 1 January to 31 December 2004, presenting increase in own capital by the amount of PLN 13,760 thou.;
- (e) the consolidated cashflow statement for accounting year from 1 January to 31 December 2004, presenting net cash outflows in the amount of PLN 16,121 thou.;
- (f) the supplementary information and explanations.

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

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

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

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

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

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

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

Reporting no reservations, we indicate that, as Point 6 of the introduction to the consolidated financial statement states ("Differences between Polish Accounting Principles and International Standards for Financial Reporting"); the data given there were prepared by the Management of the Dominant Unit based on its best knowledge in the scope of accounting principles and interpretation of international standards of financial reporting (MSSF) and circumstances which shall be applied in preparation of the first complete consolidated financial statement pursuant to MSSF as of 31 December 2005. It cannot be excluded that the agreement presented in Point 6 of the introduction can be adjusted.

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



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



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

**Warsaw, 2 June 2005**

## Comarch

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