


ANNUAL REPORT 2005





Creating an innovative and dynamic company rejuvenates me. It takes a lot more than just R&D to be original and stay on the cutting edge. Innovation runs in our blood as we strive every step of the way to break away from the conventional thinking mode. We are proud to work for the best in business.

PROFESSOR JANUSZ FILIPIAK,
COMARCH SA FOUNDER AND CEO

DEAR SHAREHOLDERS,

2005 was a very prosperous year for Comarch. The hard work that we've been putting in over the years has once again resulted in the strengthening of Comarch's position on the Polish market and expansion of the company's business activities abroad. Taking responsibility for our clients' success is our guiding principle that drives us to win the ever increasing number of contracts. Thanks to this approach, we achieved record sales revenues in 2005, up from the previous year by 35 % and reaching almost PLN 450 mln.

Comarch's continual growth is organic and a source of greater security and satisfaction for our stakeholders. A meticulously planned business strategy as well as market intuitions are the two key factors behind the effective implementation of Comarch's growth plan.


The company's reputation as a sound and reliable provider of innovative IT systems for all market sectors is the result of our continued efforts to invest in intellectual capital as well as R&D programs. We invest more into research and development than any other Polish company. The innovation, knowledge and business acumen acquired in the process provide Comarch with a competitive edge on the Polish as well as international markets.

In 2005, over 1800 Comarch employees worked on projects for several thousand clients in 20 countries on four continents, gaining an increasing amount of references and experience and thus contributing to the further expansion

of the company's venture capital. Our business activities abroad constitute the most important aspect of Comarch's strategy and we are now beginning to reap the benefits of our concerted efforts in this area, reflected by our increasingly substantial contracts and clients. We are already one of the top global IT providers for the telecommunications sector and we have successfully launched our ERP system on the German market. Our system for customer loyalty management is our next world-class product aimed at the international market.

I would like to express my sincere gratitude to Comarch's clients, partners and stakeholders. In particular, I would like to thank Comarch's shareholders and investors for their support, our clients for their trust and Comarch's employees for their hard work and talent, all of which enabled us to achieve the company targets for 2005. Thanks to these combined efforts, we have every reason to believe that the coming years will be equally as successful. On its part, the company Management Board will make every effort to ensure Comarch remains an innovative, creative and effective market player.

Yours sincerely,
Professor Janusz Filipiak



Comarch SA Founder and CEO

INNOVATIVE TECHNOLOGIES TO SUPPORT BUSINESS GROWTH

Comarch is a leading East-Central European provider of IT business solutions to support and enhance the business activities of growing companies. The unique nature of Comarch's academic roots has helped the company achieve the leading position on the Polish market as the largest IT integrator and the only Polish IT company operating on a large scale and achieving success on the global market. The extensive knowledge of Comarch's specialists together with the knowledge accumulated through our unparalleled R&D investments is conveyed to our clients in the integrated IT systems created for representatives of the key market sectors of telecommunications, finance, public administration and large as well as small and medium-sized enterprises.

Since its inception 15 years ago, the company, with its current staff levels of almost 2000 highly skilled specialists working on projects spanning four continents around the world, has specialized in the creation and development of systems in the areas of ERP, CRM, sales support, electronic data interchange and knowledge management, which are supported by comprehensive and professional services as well as advanced R&D activity. It is thanks to the unique blend of knowledge and innovation amassed in our solutions that we are proud to include not only forty-five thousand companies in Poland, but also some of the largest companies around the world on our list of clients.

VITAL FACTS

Financial Operations

A significant improvement in financial results:

- A 35 % increase in revenues
- A 66 % increase in operating profit
- A 140 % increase in net profit

The operating profitability margin increased from 4.9 % in 2004 to 6 % in 2005

A high share of exports (15.1 %) in revenues

Excellent results of subsidiary companies – profit made by the Interia.pl internet portal, a 24.8 % revenue increase for NetBrokers

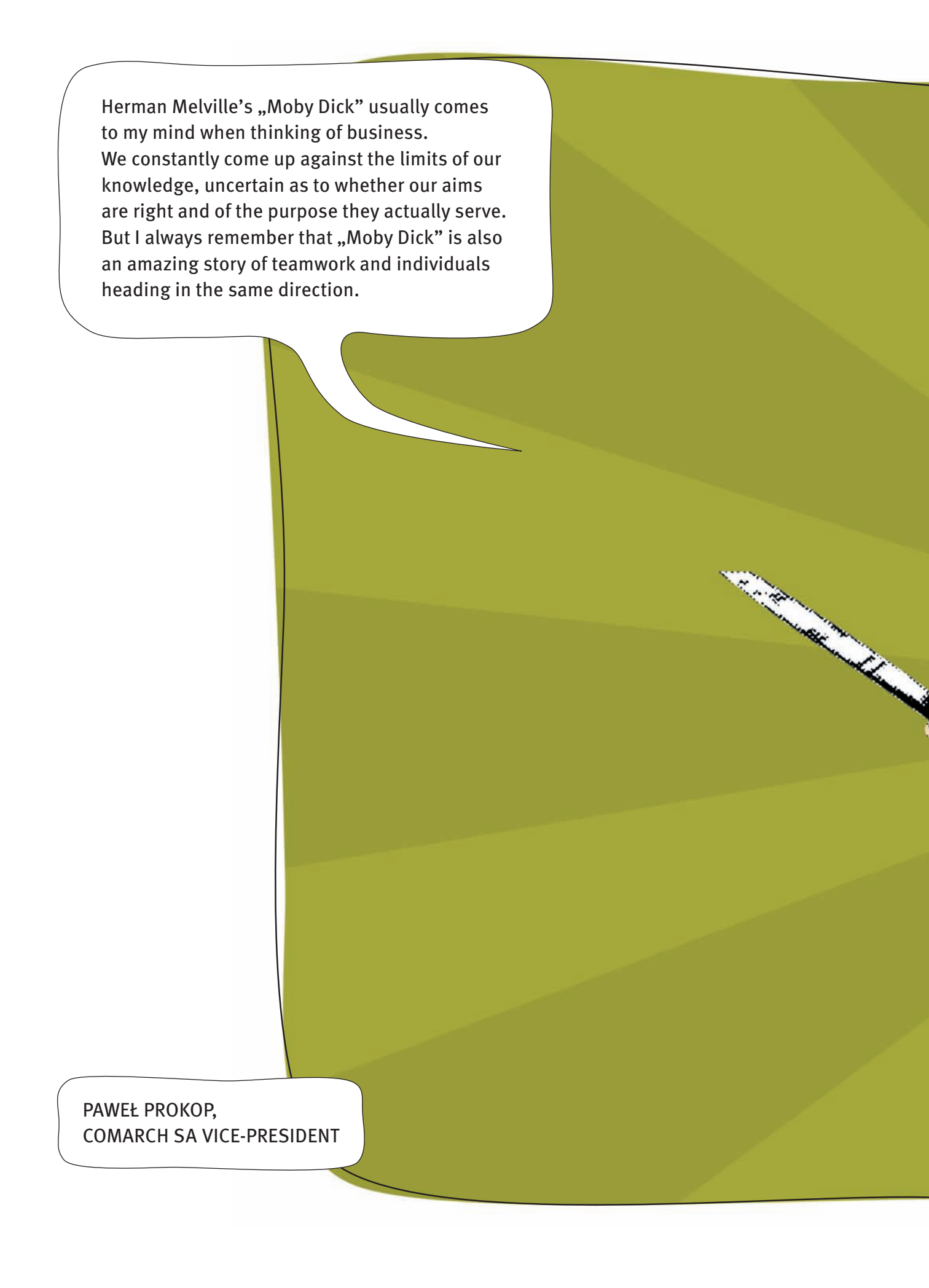
Operational Activity

In 2005 Comarch SA joined the ranks of the top global IT providers, reaching a leading position in East and Central Europe

Most highly specialized Polish IT company

Effective entry onto the German market

Strengthening position on American markets. Dominant position on Central European markets

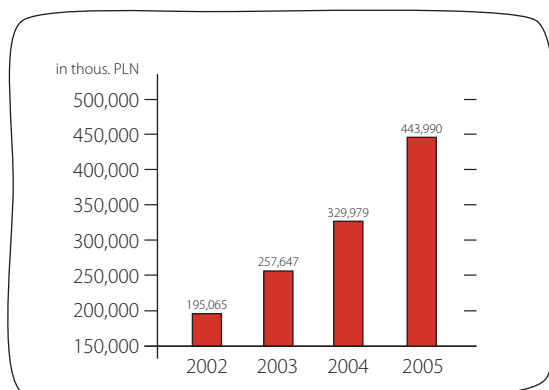


Herman Melville's „Moby Dick” usually comes to my mind when thinking of business. We constantly come up against the limits of our knowledge, uncertain as to whether our aims are right and of the purpose they actually serve. But I always remember that „Moby Dick” is also an amazing story of teamwork and individuals heading in the same direction.

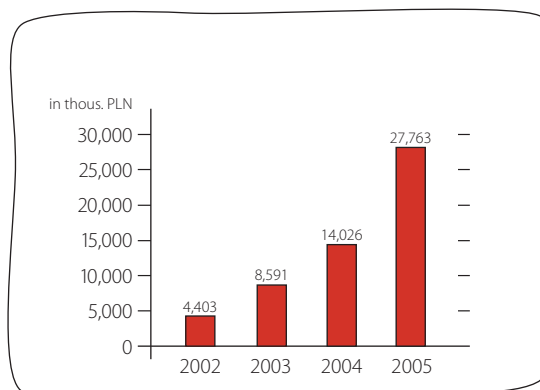
PAWEŁ PROKOP,
COMARCH SA VICE-PRESIDENT



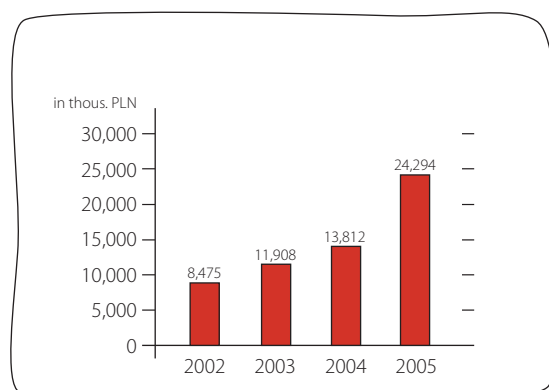
SELECTED FINANCIAL DETAILS



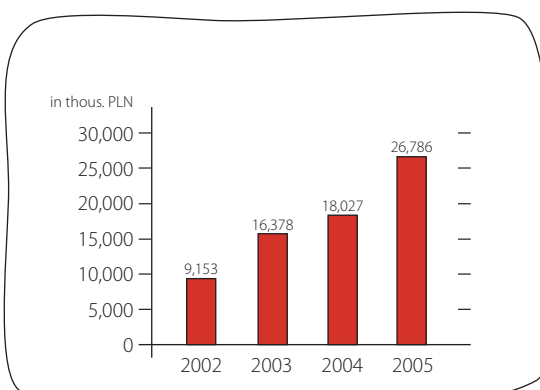
Sales revenues 2002–2005



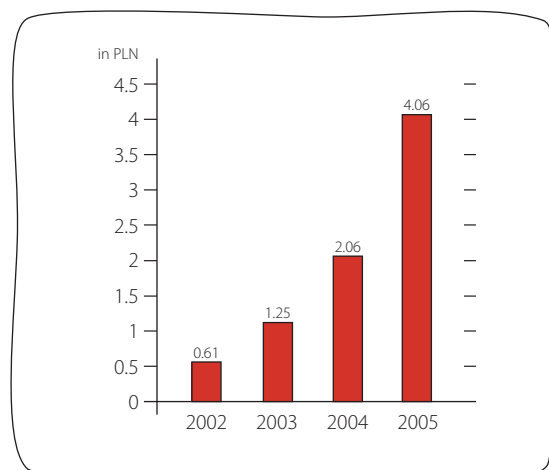
Net profit 2002–2005



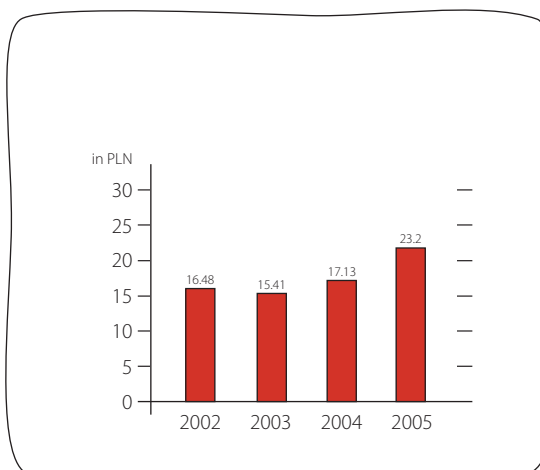
Gross profit 2002–2005



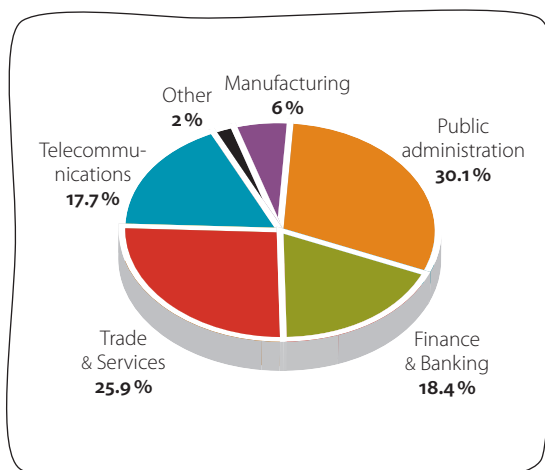
Operating profit 2002–2005



Profit per share 2002–2005

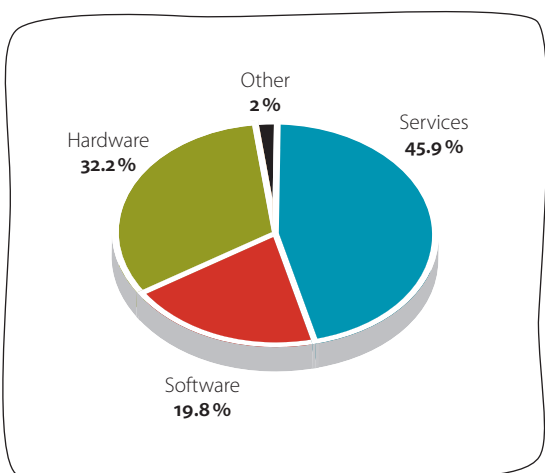


Book value per share 2002–2005



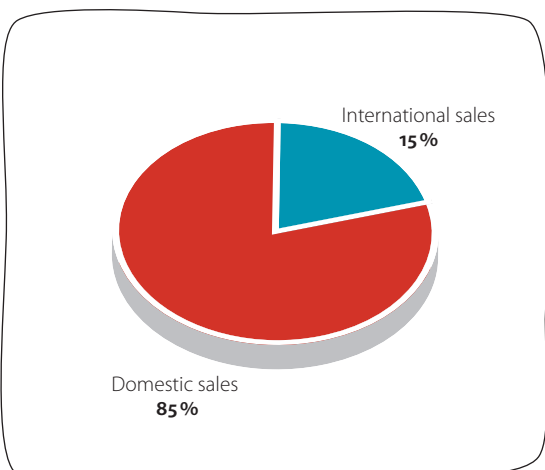
Revenues according to sector

An increase was recorded in 2005 against the 2004 results in the revenue share of the Finance & Banking, Trade & Services, as well as Public Administration sectors. Revenues from the Telecommunications sector remained at a high level and constituted 17.7 % of total revenues. A slight drop occurred in the revenue share of the Manufacturing sector.



Revenues structure according to type


The sale of services accounted for the largest share of the company's revenues in 2005 (45.9 %). Hardware sales accounted for the second largest portion of sales revenues at 32.2 %. Revenues from software sales constituted 19.8 % of total revenues.



Sales structure for 2005

The sales structure for 2005 consisted of 85 % of sales revenues derived from domestic market sales and 15 % from international market sales (these figures were 80 % and 20 % respectively for 2004).





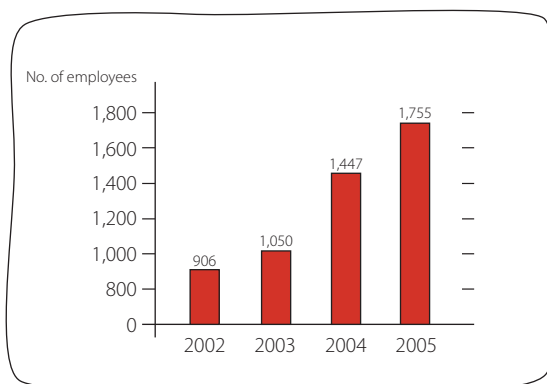
With every passing year, the IT industry is becoming more competitive. There is no end to this race and all that matters is the endurance of its players. The marketplace is a real battlefield where ultimately only those united by an unrelenting pursuit of success can come out on top. We know it's possible to lose a battle but win the war.

ZBIGNIEW RYMARCZYK,
COMARCH SA VICE-PRESIDENT

STRATEGY

1. Delivery of comprehensive IT business solutions

In recent times, the trend has been for the largest global integrators of IT systems to forge strategic partnerships with the leading IT system providers in order to offer comprehensive solutions and their seamless integration with existent business processes as in-house rather than external solutions. On the other hand, many software houses have been developing broad consulting practices around their applications. Since the very beginning, Comarch has taken the initiative by providing world-class packaged applications as well as professional services to ensure maximum benefits for our clients in their daily business operations. In consequence, we have been able to achieve a remarkably strong position as a provider of comprehensive IT solutions.



No. of employees 2002–2005

2. People as knowledge, talent and total commitment to client needs

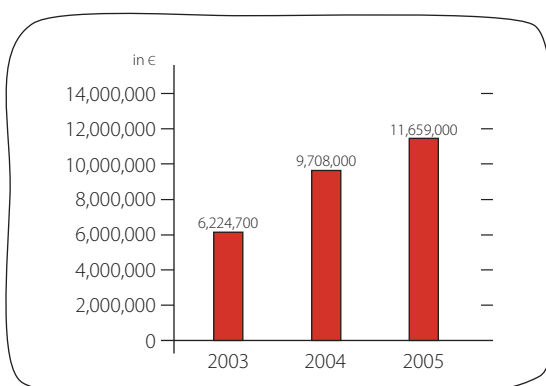
Comarch employs almost 2000 highly skilled staff. These are qualified specialists from an array of fields that include not just IT but also finance and consulting professionals who possess expert market knowledge. In response to the growing competition on the labor market, we strive to provide our employees with the best working conditions as well as opportunities for professional development. In 2005, the Comarch Information and Communication Technology Institute was formed where the best Comarch specialists share the knowledge gained during the implementation of IT projects around the world with all those interested in acquiring this know-how. The ICT Institute is also attended by Comarch employees interested in furthering their own expertise.

Comarch's internship programs are immensely popular and students are also able to benefit from Comarch's rich offer that encompasses cooperation with higher education institutions from Poland, Germany, Slovakia and Ukraine. In 2005, several hundred students from Poland, Germany, Ukraine and the US were offered internships at Comarch. The best interns are offered the option of writing their PhD thesis based on the projects and tasks performed at Comarch as well as employment opportunities during or following the completion of their studies.

3. Innovation based on R&D and strategic client relationships

Investment in R&D holds great significance for Comarch as a knowledge-based company with strong academic roots. In conjunction with Comarch's dominant position on the Polish market, R&D enables Comarch to compete with the best IT companies on the international arena.

The appropriate use and development of human capital is made possible thanks to Comarch's unparalleled level of investment in R&D, which constitutes approximately 15 % of Comarch's revenues on an annual basis. This is almost thirty times higher than the Polish R&D investment average. Comarch invested almost € 12 mln in research and development last year.



R&D expenditure 2003–2005

The company focuses its efforts on promoting knowledge and sharing it with a global community of clients, partners, research centers and universities. The participation of a continually growing number of stakeholders is encouraged in the new R&D and education programs being launched by Comarch. Special programs and initiatives are prepared for clients, who play a particularly important role in this process as the gained know-how is directly reflected in the business solutions offered by Comarch.

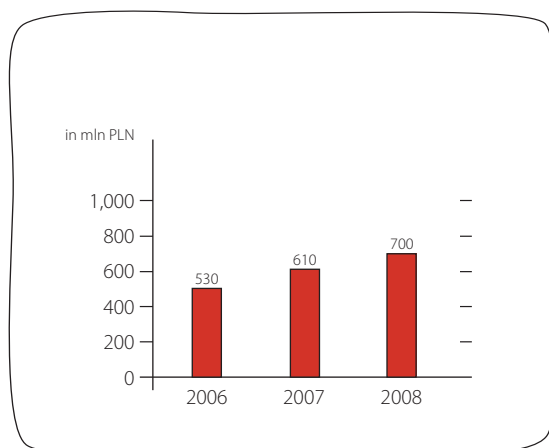
4. Development of infrastructure and new building complexes

In June 2005, Comarch completed the first stage of its software factory construction that encompasses three office buildings and a technical building together with all the necessary technical and communication infrastructure. At the same time, work commenced on the construction of four other buildings as the second stage of the software factory construction project. A modern software factory will be completed by the end of 2006 and will provide a workplace for an additional several hundred engineers. The second investment stage will amount to PLN 30 mln. The third construction stage will be completed in 2008 and will mark the completion of the entire investment project in the Special Economic Zone in Krakow. The end product will be one of the largest software development complexes in Central Europe. Comarch is one of only a handful of global IT companies with an international strategy of software development.

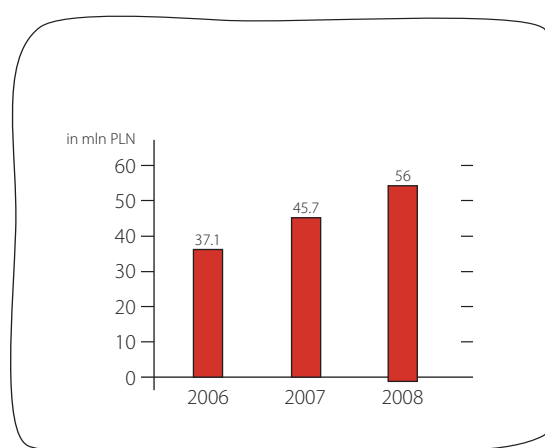
5. Stable and sustainable growth over the years

Comarch is continuing to successfully implement its strategy of stable, organic and sustainable growth at the level of 20 % per annum. The effectiveness of this strategy is confirmed by the strong results achieved year after year. One of the most important factors for the near future will be an increase of company profitability to 8 %, as set out in the plan for 2006–2008. The increase in profitability in 2006 will be attained through an expansion of the company's existing offices abroad as opening of new offices is not foreseen.

Other factors that will also be instrumental in increasing the company's profitability include: the creation of competence centers, a reduction in production costs owing to improved productivity, better project planning, funding from the EU, an increase in the sale of licenses and high-margin contracts, and also the sale of licenses through domestic and international partners. The Management Board's priorities for 2006–2008 will continue to be based on: strengthening Comarch's position internationally, improving operating profitability and company productivity as well as expanding the current and new generation suite of products.



Forecasted increase in revenues for 2006–2008*



Operating profit for 2006–2008*

* This data is not a forecast as defined by Art 5, Pt 25 of the Regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information provided by issuers of securities.

COMARCH & THE IT MARKET

IN 2005, COMARCH JOINED
THE RANKS OF THE LEADING
IT SOLUTION PROVIDERS FOR
THE TELECOMMUNICATIONS
SECTOR.



TELECOMMUNICATIONS

Comarch's suite of products for the telecommunications sector includes a full range of integrated BSS and OSS solutions. This ensures Comarch's business presence on the key European and American markets as well as the emerging Middle-Eastern and African markets. Comarch's clients are in effect all companies providing communication and telecommunication services, including traditional fixed and mobile operators, virtual operators as well as cable TV networks. The quality of Comarch's offer ensures that we are able to successfully compete with the largest software providers in Europe and around the world and that we are increasingly gaining the reputation of a significant global player winning major contracts.

In accordance with last year's forecasts, the convergence of fixed and mobile operators, the merger of various service types and the expansion of virtual operator activities are becoming key

sources of new contracts and increases in sales revenues. In 2005, Comarch gained the position of a significant player on the MVNO/MVNE market, negotiating and winning contracts around the world. It is likely that the number of contracts will rise substantially in the future as Comarch acquires even greater experience and more references. The company has already prepared a special offer for this branch of the telecommunications sector.

Our plans for 2006 assume continuous expansion of business activity abroad, particularly on Western European markets and the key German and American markets. This task should be facilitated by the clients and contracts already acquired by Comarch as well as our continued efforts to expand and improve our business product suite in line with the dynamics of the market that telecommunication operators cater to.

COMARCH IS ONE OF
THE THREE TOP POLISH
PROVIDERS OF IT
SOLUTIONS FOR THE
FINANCE & BANKING
SECTOR.



FINANCE & BANKING

According to figures from IDC Poland, the Finance & Banking sector invested US\$ 830 mln in IT in 2005. Comarch was able to gain a significant portion of this amount and increase the portfolio of our clients thanks to the implementation projects performed for the largest financial institutions in Poland. Our position was also strengthened thanks to a number of prestigious prizes awarded to our clients in the category of IT systems.

The main issues for the Finance & Banking sector in 2005 were: risk management, sales force automation and customer relationship management. We were able to win new contracts as a result of well-prepared offers that were already suited to the needs of this sector and our revenues constituted a 140 % increase on the previous year.

The year 2006 will see a continuation in the development of our flagship solutions for the Finance & Banking sector. The value of these solutions has already been confirmed by numerous client references. It is thanks to the implementation of Comarch's electronic banking system

that Bank BPH, as the first Polish bank ever, became a prizewinner at the prestigious European Technology Awards 2005, beating in the processes English, Scottish and German competitors.

In 2005 Comarch strengthened its position on the domestic market by clinching successive deals with numerous top companies. The trend of winning international contracts commenced in 2004 was continued and strengthened in 2005. One of our major successes was the acquisition of important clients in Russia as well as other Eastern European countries, which is the outcome of our enduring efforts to intensify our business operations on international markets.

We expect that the consistent implementation of our growth strategy will soon translate into a visible boost in the number of implementation projects of various Finance & Banking products in several countries, particularly in Central and Eastern Europe. Our offer and market position provide very good prospects to further strengthen our position as a provider of IT solutions for the Finance & Banking sector in Poland as well as abroad.

NO OTHER COMPANY KNOWS
THE INS AND OUTS OF BUSINESS
PROCESSES AS WELL AS
COMARCH. OUR SOFTWARE
PRODUCTS ARE A REPOSITORY
OF ALL OUR BUSINESS PROCESS
KNOWLEDGE.



MANUFACTURING, TRADE & SERVICES

The year 2005 was a time of strengthening Comarch's position in the Manufacturing, Trade & Services sector not only on the Polish market but internationally. Apart from acquiring new important clients and one of the largest contracts in the energy sector, we also continued our strategy of entering foreign markets. Following our success of reaching the position of the top e-commerce service operator in Russia in 2004, we instigated similar investments in Ukraine, Turkey, Romania and Hungary. Thanks to our experience and client references, we were able to win successive contracts in Russia and Ukraine in the complete outsourcing model. All these business operations were supported by the newly opened company offices in Katowice and Bratislava.

In line with our forecasts from the previous year, the sale of Comarch's loyalty system in Western Europe played a key aspect in the growth strategy of the company. This objective was met when

one of the most important contracts in the sector and maybe even the history of the Polish IT industry was signed. The contract value could reach even € 20 mln and is particularly impressive considering that Comarch beat the largest players on the international arena to secure the deal. This is confirmation that Comarch has indeed joined the ranks of world leaders in the provision of advanced IT solutions.

The year 2005 also saw a surge in the sale of electronic data interchange and knowledge & workflow management systems. Just within a few months, the ECOD platform gained over 1000 new clients in Russia and over 6000 in Central and Eastern Europe.

By basing our business operations in the Manufacturing, Trade & Services sector on several products geared towards various markets, we are confident in assuming further dynamic revenue growth in this sector in 2006.

THE EXPERIENCE AND
CLIENT TRUST GAINED
ON THE POLISH MARKET
INCREASE COMARCH'S
COMPETITIVENESS
ABROAD.



PUBLIC ADMINISTRATION

The main trends in the public administration sector in 2005 concerned large projects aimed at the modernization of the central and local government administration as well as the development of infrastructure in the education system. Comarch has been actively involved in these projects for some time, on the one hand drawing on our experience and skills in this area and on the other, on the strength of our network of offices and partners throughout Poland.

Despite the suspension of many important decisions due to the presidential and parliamentary elections taking place in Poland in 2005, Comarch was still able to win new contracts and strengthen its market position. In the past twelve months, the most significant contracts were signed with the Polish Ministry of National Education. For Comarch, these contracts constituted confirmation of the high quality of our products and work.

In 2006, Comarch will endeavor to convert the experience and references gained in Poland into a more active presence in other Central and Eastern European countries. Comarch's competitive edge stems from the magnitude of our applied solutions in Poland. Their success has been proven in a country with a population reaching almost 40 mln and as such, implementation in smaller Central and Southern European countries should theoretically be an easier task. The wide-ranging product suite, experience and competitive advantage place Comarch in a very good position to beat local competition in the race to win government tenders and contracts. As far as competition with multinational corporations is concerned, the key factor will be our more in-depth understanding of the problems and needs of public administration in this part of the world. Comarch will utilize its competitive edge to become the largest and most professional provider of IT systems for the public administration sector in East-Central and Southern Europe.

COMARCH IS THE LARGEST
POLISH DEVELOPER OF
ERP SYSTEMS AND THE
ONLY POLISH IT COMPANY
SUCCESSFULLY COMPETING
ON MARKETS ABROAD.



SMALL & MEDIUM-SIZED ENTERPRISES

In 2005, the Polish ERP market was at last able to benefit from the economic boom that began in the previous year. Thanks to the dynamic growth in domestic and foreign business, the number of contracts and implementation projects increased substantially. Comarch was able to take advantage of this boom by offering our clients advanced ERP systems and related services. The company prospered due to the continued economic boom resulting from Poland's accession to the European Union, making use of EU structural funds for investment purposes as well as taking advantage of the increasing number of Polish companies starting business operations abroad needing the right software.

Last year was the best year for Comarch's ERP sector in history. Our sales revenues amounted to almost PLN 55 mln, which meant that our dynamic growth from 2004 was maintained. These results ensured that Comarch became the top Polish provider of ERP solutions. According to IDC Poland, Comarch moved up to the third top position on the Polish market, in a ranking that took into account global corporations.

The company also recorded a considerable increase in the number of new clients, the main indicator of Comarch's marketplace position. Comarch gained the most new clients on the market and our list of clients has now exceeded 45 000 companies in Poland alone.

The aim of the company for 2006 is the continued growth in sales revenues and our share on the Polish ERP market, which will be attained through a well thought-out plan of product positioning, investment in new technologies and continued strengthening of business relations with our network of partners throughout Poland. This strategy will enable the company to solidify its position as the largest Polish ERP system provider with an ever-growing list of clients. Investment and dynamic activity on foreign markets will also help Comarch to become the number one provider in Poland and also a significant player on foreign markets in the area of ERP systems. This process has already been put into motion by making Comarch's CDN XL system available in English, Ukrainian and Slovakian language versions and also by entering the largest European market – the German market. We expect that 2006 will be the year when the investments we have made over the past years will yield the envisaged results.

COMARCH AND THE IT MARKET IN POLAND

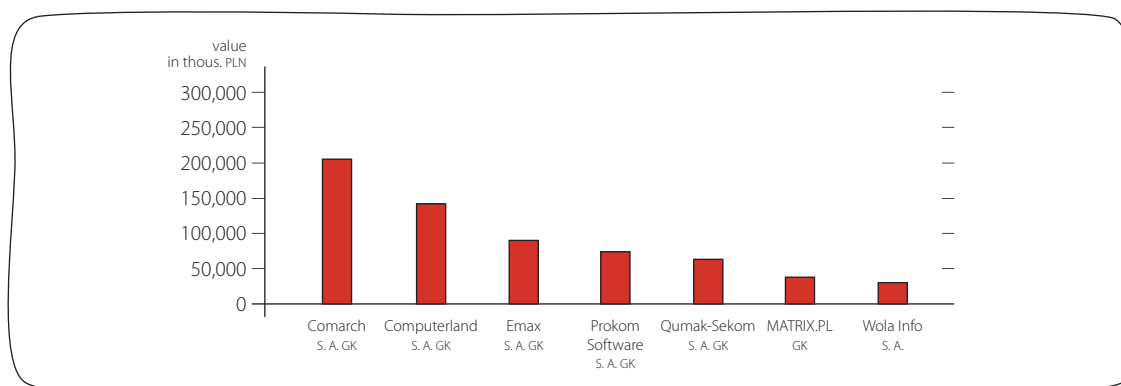
In 2005, the Polish IT market grew by 30 % and according to IDC Poland reached the value of US\$ 5.35 bn. Comarch took full advantage of all the related opportunities, which is reflected in the impressive rise in company revenues of 35 %. Our business activities abroad once again constituted a significant part of total revenues. Particularly against the backdrop of our direct competition, the dynamics of Comarch's revenues rise led to the description of Comarch as the 'Powerhouse from Krakow' in the prestigious 'Computerworld TOP 200' report. The simultaneous increase in revenues and the highest rate of employment amongst our competition also required the refinement of Comarch's corporate governance methods. This was met with success, as reflected in the company's rising operating-profitability margin.

According to IDC and PRM analysts, software development is the most profitable line of business on the market. Comarch is making the most of this statement by adding the provision of services to software development. Thanks

to these factors, the company has been consistently strengthening its market position and increasing revenues over the years.

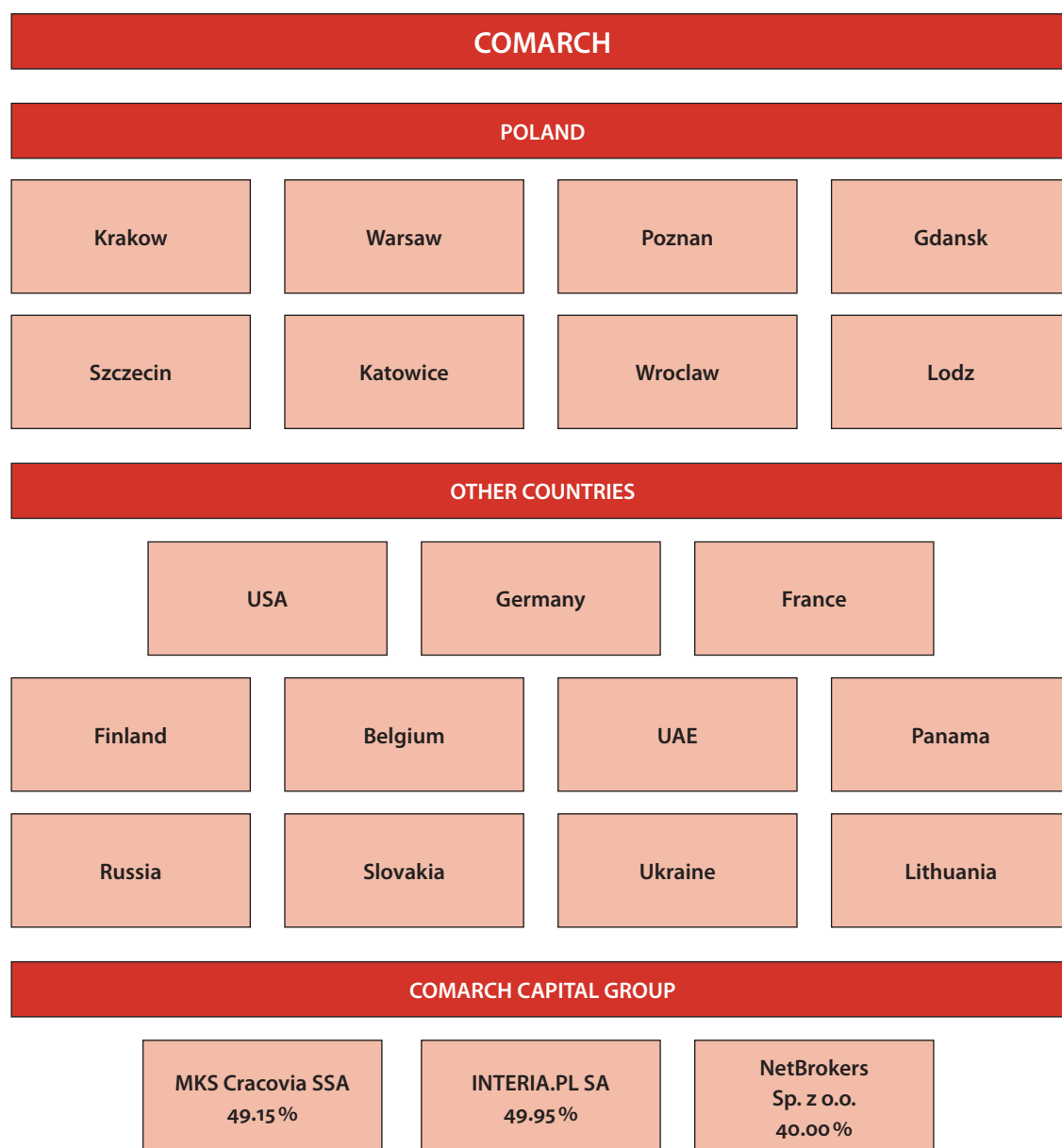
Over the past few years, a lot of attention was drawn to the availability of EU structural funds to the Polish economy. In reality, structural funds only began to acquire their real value in 2005 when Polish businesses learned to use them more effectively. Therefore, the coming years are first and foremost a time of investment. A portfolio of over 45 000 clients in Poland alone allows Comarch to continue this trend to expand further.

The company achieved the position of top Polish ERP system provider and was also counted amongst the elite after taking into account global corporations. Thanks to an extensive and highly specialist suite of products, Comarch once again proved itself to be an outstanding Polish exporter, in the vanguard of the Polish IT industry and the only Polish company selling its own ERP systems abroad.

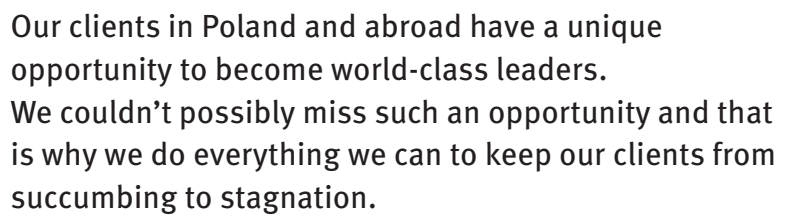


Providers of IT Services in 2005 – revenues from service integration
(on the basis of the 2005 "Computerworld TOP 200" report)

COMPANY ORGANIZATIONAL STRUCTURE







Our clients in Poland and abroad have a unique opportunity to become world-class leaders. We couldn't possibly miss such an opportunity and that is why we do everything we can to keep our clients from succumbing to stagnation.



PAWEŁ PRZEWIĘŹLIKOWSKI,
COMARCH SA VICE-PRESIDENT

CORPORATE GOVERNANCE

1. Introduction

Each year Comarch SA meets an increasing number of standards in the area of corporate governance as we strive to achieve greater credibility and transparency in accordance with OECD recommendations and in particular, the „Best practices in public companies” report published by the Warsaw Stock Exchange. The Management Board together with the Supervisory Board make constant efforts to improve the company’s corporate governance policy, efforts which are already bringing effects in terms of implementing Comarch’s strategy of dynamic growth through increasing the added value for shareholders as reflected in the rising price of Comarch shares. This section provides information about how Comarch’s image is shaped in terms of best cor-

porate practices while deepening the trust of our stakeholders. We are fully aware that a good corporate structure contributes to the creation and maintenance of a competitive edge over our competition, particularly in the context of our business presence on several more developed and more demanding foreign markets. In line with standards set by such organizations as the OECD and the World Bank, we strive to provide our current as well as future domestic and foreign investors with a wide range of information about the activities of the company’s governing bodies and the information policy amongst others. It is for these reasons that we are recognized in the various rankings concerning corporate governance performed by the Polish Forum for Corporate Governance and the Polish Institute of Directors.

2. Structure of Comarch's governing bodies

Comarch's Management Board membership as of 31.12.2005:

1. Janusz Filipiak – President and CEO
2. Rafał Chwast – Vice President
3. Tomasz Maciantowicz – Vice President
4. Paweł Prokop – Vice President
5. Paweł Przewięźlikowski – Vice President
6. Zbigniew Rymarczyk – Member of the Board
7. Christophe Debou – Member of the Board

Comarch's Supervisory Board membership as of 31.12.2005:

1. Elżbieta Filipiak – Chairperson
2. Krzysztof Zieliński – Vice Chairperson
3. Maciej Brzeziński – Member of the Supervisory Board
4. Anna Ławrynowicz – Member of the Supervisory Board
5. Wojciech Kucharzyk – Member of the Supervisory Board

3. The Management Board statement concerning corporate governance rules

The company's annual report was released to the public on 5 April 2005 and included the current statement of the Comarch Management Board concerning corporate governance rules, in accordance with Art 27 of the Warsaw Stock Exchange Rules. The company declares that it does not observe three of the Best corporate governance rules, which are particularly controversial and difficult to implement for the entire market. These are as follows (according to statistics provided by the Warsaw Stock Exchange this information is current as of 06.02.2006):

- A. Best Practices of General Meetings, rule 14 (48 companies do not observe this rule)
- B. Best Practices of Supervisory Boards, rule 20 (186 companies do not observe this rule)
- C. Best Practices of Supervisory Boards, rule 28 (168 companies do not observe this rule)

4. Comarch SA in Corporate Governance rankings

4.1 Ratings of publicly-traded companies performed by the Polish Institute of Directors and the Institutional Investor Chapters

For three years now Comarch SA has been included in ratings carried out by the Polish Institute of Directors in conjunction with the Institutional Investor Chapters. The investors that assess corporate governance practices in companies represent approximately 80 % of the Polish finance market assets (investment fund institutions and life insurance companies) and we are pleased to be able to capture their interest and inspire their confidence.

Companies are assessed in terms of the implementation of the following rules: company ownership structure (transparency of the ownership structure, owner influence and concentration), annual general meetings and shareholder and stakeholder relations (information ensuring equal treatment of shareholders at AGMs, AGM voting and other procedures, owner rights), financial transparency and information availability (quality and content of information made available by the company, adherence to deadlines and access to information, independence and auditor's status), supervisory board structure and processes (supervisory board structure and members, supervisory board role and effectiveness, role and functioning of independent supervisory board members, management board remuneration).

The company attained improved ratings in comparison to the previous year, in the following areas:

1. Auditor independence and status,
2. Supervisory board structure and membership,
3. Supervisory board role and effectiveness,
4. Management board remuneration.

4.2 Rankings performed by the Polish Forum for Corporate Governance

Comarch SA was awarded the high B grade in the ranking performed by the Polish Forum for Corporate Governance, which confirmed the immense effort made to win the confidence of investors. This was an improvement from the previous year ranking by an entire category. The ranking concluded that corporate governance risk is lower in companies which apply legal provisions made in appropriate company documents that adequately secure the interests of external shareholders. This is due to the fact that better mechanisms limit the risk for investors plus stakeholders and are conducive to better corporate governance.

4.3 Results of the Polish Forum for Corporate Governance survey amongst ten of the biggest institutional investors conducted by the „Rzeczpospolita” newspaper

Comarch SA was placed in the middle ranks of the surveyed companies, gaining a rating in the „4-6” category. These ratings were given a 30 % weight in the overall ranking performed by the Polish Forum for Corporate Governance.

Within the scope of the conducted survey, respondents from the group of institutional investors rated corporate governance practices on a scale of 1 to 10 in the areas of:

- Communication between the company and shareholders, transparency and availability of information about the company and its management,
- Respect of external (minority) shareholders' interests, including transaction practices with affiliate entities, audit credibility, AGM proceedings,
- Supervisory board independence and ability to secure the interests of all shareholders.

5. Corporate Governance at www.comarch.com

In accordance with implementing the strategy of greater transparency and meeting the standards set out in the „Best practices in public companies” report (rule 46), the following information is available on Comarch's website:

1. The company statute,
2. The Management Board statement concerning corporate governance,
3. Management Board rules,
4. Supervisory Board rules,
5. Annual General Meeting rules.

FINANCIAL STATEMENT

Comarch's genetic code differs from that of other IT companies by about 1%. This is a massive difference in nature, which in the business world means that we can provide our clients as well as shareholders with unique value.

RAFAŁ CHWAST,
COMARCH SA VICE-PRESIDENT AND CFO





FINANCIAL STATEMENT

Geographical structure of sales revenues (in thous. PLN)

	12 months 2005	12 months 2004
Poland	377 002	261 377
Europe	41 181	54 735
United States	14 428	9 497
Other countries	11 379	2 748
Total	443 990	328 357

Total assets (in thous. PLN)

	31 December 2005	31 December 2004
Poland	332 667	256 232
Europe	7 375	10 004
United States	3 844	5 306
Other countries	2 961	1 367
Total	346 847	272 909

Investment expenditure (in thous. PLN)

	12 months 2005	12 months 2004
Poland	40 786	29 424
Europe	310	129
United States	375	60
Other countries	7	47
Total	41 478	29 660

Profit per share

	12 months 2005	12 months 2004
Net profit for shareholders (in thous. PLN)	28 052	11 372
Average weighted number of ordinary shares (in thous.)	6 910	6 794
Profit per ordinary share (in PLN)	4.06	1.67
Diluted profit per ordinary share (in PLN)	4.06	1.67

I. CONSOLIDATED BALANCE SHEET

Assets (in thous. PLN)

	Note	31 December 2005	31 December 2004
Fixed assets			
Tangible fixed assets	4.2	90 848	74 801
Goodwill	4.3	3 284	3 284
Other intangibles	4.4	35 024	34 058
Long-term accruals	4.5	6 885	5 004
Investments in affiliated units	4.6	9 444	4 075
Other investments		121	43
Assets on account of deferred income tax	4.19	7 272	1 489
Other receivables		138	380
		153 016	123 134
Current assets			
Inventory	4.7	26 115	14 991
Trade and other receivables	4.10	93 003	80 013
Receivables on account of current income tax		–	400
Due Revenues on account of long-term contracts	4.15	25 521	23 626
Financial assets available for sale	4.8	–	2 000
Other financial assets appraised at fair value derivatives	4.9	225	–
Cash and equivalents	4.11	48 967	28 745
		193 831	149 775
Total assets		346 847	272 909

Equity (in thous. PLN)

	Note	31 December 2005	31 December 2004
Shareholders' equity			
Initial capital	4.12	6 955	6 852
Other capitals	4.13	128 731	118 650
Exchange rate differences		(663)	(52)
Net profit for the current period		28 052	11 372
Undivided financial result		(16 056)	(18 400)
		147 019	118 422
Minority shares	4.13	14 353	14 013
Total equity		161 372	132 435

Obligations (in thous. PLN)

	Note	31 December 2005	31 December 2004
Long-term obligations			
Credits and loans	4.16	17 300	8 149
Obligations on account of deferred income tax	4.19	5 649	5 601
Obligations on account of convertible bonds	4.17	39 849	38 472
Provisions for other obligations and charges		38	100
		62 836	52 322
Short-term obligations			
Trade obligations and other obligations	4.14	99 991	76 146
Obligations on account of current income tax		1 488	–
Obligations on account of long-term contracts	4.15	14 335	7 172
Obligations on account of convertible bonds	4.17	1 097	781
Credits and loans	4.16	2 880	958
Provisions for other obligations and charges	4.20	2 848	3 095
		122 639	88 152
Total obligations		185 475	140 474
Equity and obligations in total		346 847	272 909

II. CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in thous. PLN)

	Note	12 months 2005	12 months 2004
Revenues from sales	4.21	443 990	328 357
Expenses of sold products, services, merchandise and materials	4.22	(353 952)	(254 724)
Gross profit		90 038	73 633
Other operating revenues	4.23	845	1 441
Sales and marketing expenses	4.22	(33 560)	(33 022)
Overhead expenses	4.22	(26 463)	(23 670)
Other operating expenses	4.24	(3 504)	(2 242)
Operating profit		27 356	16 140
Net financial expenses	4.25	(4 181)	(4 982)
Share in profits / (losses) of affiliated units	4.6	1 119	(833)
Profit before taxation		24 294	10 325
Income tax	4.26	3 469	(560)
Net profit for the period		27 763	9 765
Including :			
Net profit for company shareholders		28 052	11 372
Net loss for minority shareholders		(289)	(1 607)
		27 763	9 765
Profit per share for Company shareholders for the period (in PLN per share)			
– Basic	4.28	4.06	1.67
– Diluted		4.06	1.67

III. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thous. PLN)

	For Company shareholders					Minority shares	Total equity
	Initial	Other capital	Exchange rate differences	Net profit for the current period	Undivided financial result		
As of 1 January 2004	6 727	106 681	(89)	–	(9 259)	18 732	122 792
Allocation of result for 2003	–	12 263	–	–	(12 263)	–	–
Increase in equity	125	–	–	–	–	–	125
Reduction of equity in reference to buying out bonds	–	(294)	–	–	–	–	294
Adjustments in equity in reference to change in ownership structure in MKS Cracovia SSA	–	–	–	–	3 122	(3 122)	–
Net revenues / (expenses) directly given in equity	–	–	–	–	–	10	10
Profit for the period	–	–	–	11 372	–	(1 607)	9 765
Exchange rate differences	–	–	37	–	–	–	37
Sum of revenues given in capitals (1–4)	–	–	37	11 372	3 122	(4 719)	9 812
As of 31 December 2004	6 852	118 650	(52)	11 372	(18 400)	14 013	132 435



(in thous. PLN)

	For Company shareholders					Minority shares	Total equity
	Initial	Other capital	Exchange rate differences	Net profit for the current period	Undivided financial result		
As of 1 January 2005	6 852	118 650	(52)	–	(7 028)	14 013	132 435
Increase in equity	103	–	–	–	–	–	103
Equity from appraisal of the managerial option	–	1682	–	–	–	–	1682
Allocation of result for 2004	–	8 399	–	–	(8 399)	–	–
Increase of Comarch share in the Global subsidiary to 100 %	–	–	–	–	(629)	629	–
Profit for the period	–	–	–	28 052	–	(289)	27 763
Exchange rate differences	–	–	(611)	–	–	–	(611)
Sum of Revenues in equity (1-3)	–	–	(611)	28 052	(629)	340	27 152
As of 31 December 2005	6 955	128 731	(663)	28 052	(16 056)	14 353	161 372

IV. CONSOLIDATED CASH FLOW STATEMENT

(in thous. PLN)

	12 months 2005	12 months 2004
Incoming cash on operating activities		
Net profit	27 763	9 765
Total adjustments	21 693	4 999
Share in net (profits) losses of subsidiary units appraised with the ownership rights method	(1 119)	833
Depreciation	11 264	9 744
(Profits) losses on account of exchange rate differences	297	(1 688)
Interest and share in profits (dividends)	2 750	4 621
(Profit) loss on investment activities	(158)	(141)
Change in inventory	(11 127)	(3 253)
Change in receivables	(18 131)	2 628
Change in obligations and provisions, except for loans and credits	37 917	(7 745)
Net profit less total adjustments	49 456	14 764
Paid income tax	(753)	(2 230)
Net cash on operating activities	48 703	12 534
Cash flows on investment activities		
Acquisition of an affiliated unit	(4 283)	–
Acquisition of tangible fixed assets	(32 765)	(25 204)
Incoming cash on sale of tangible fixed assets	1 050	475
Acquisition of intangibles	(2 150)	(732)
Acquisition of financial assets available for sale	(1 578)	(105 582)
Incoming cash on sale of financial assets available for sale	3 548	104 004
Net cash on investment activities	(36 178)	(27 039)



(in thous. PLN)

	12 months 2005	12 months 2004
Cashflows on financial activities		
Payment on account of capital issue	103	125
Incoming cash on account of contracted credits and loans	33 186	12 482
Repayment of credits and loans	(22 337)	(5 489)
Redemption of debt securities	–	(5 905)
Interest on bonds	(2 641)	(2 914)
Other interest	(703)	–
Other expenses	–	(84)
Other financial results	–	169
Net cash (used in) / from financial activities	7 608	(1 616)
Change in net cash	20 133	(16 121)
Cash as of the beginning of the period	28 745	45 104
Positive (negative) exchange rate differences in cash	89	(238)
Cash as of the end of the period	48 967	28 745

INDEPENDENT AUDITOR'S REPORT

for the General Assembly of Shareholders and the Supervisory Board of Comarch SA

We have audited the enclosed consolidated financial statement of the Comarch SA Capital Group (called hereafter the „Group”), in which Comarch SA is the dominant unit (called hereafter the „Dominant Unit”) with headquarters in Krakow on al. Jana Pawła II 39a, including:

- (a) The consolidated balance sheet prepared as of 31 December 2005, which shows the amount of PLN 346,847 thousand in assets, equity and obligations;
- (b) The consolidated profit and loss account for the financial year from 1 January to 31 December 2005, which shows the net profit amount of PLN 27,763 thousand;
- (c) The consolidated statement of changes in equity for the financial year from 1 January to 31 December 2005, which shows an increase in the total equity of PLN 28,937 thousand;
- (d) The consolidated cash flow statement for the financial year from 1 January to 31 December 2005, which shows a net incoming cash of PLN 20,133 thousand;
- (e) The supplementary information on the adopted accounting principles and other explanatory information.

The Management Board of the Dominant Unit is responsible for preparation of the consolidated financial statement as well as a report on the Group's performance, in accordance with the governing regulations. Our responsibility was to express an opinion about the consolidated financial statement on the basis of the performed audit.

The audit was performed pursuant to the following regulations in force in the territory of the Republic of Poland:

- (a) Provisions of chapter 7 of the Accounting Act of 29 September 1994 („Act:” Dz.U. 2002, No. 76 Item 694 as amended);
- (b) The professional standards for auditors issued by the National Chamber of Statutory Auditors in Poland.

The audit was planned and conducted so as to have sufficient certainty that the consolidated financial statement does not include any significant errors and omissions. The audit's scope concerned verification of documents confirming amounts and information given in the consolidated financial statement, which was performed on the basis of a select sample. The audit also included appraisal of the accounting principles applied by the Group and significant evaluations performed in the preparation of the consolidated financial statement, as well as a general assessment of its presentation. We believe that the audit constituted sufficient basis for the expression of our opinion.

INDEPENDENT AUDITOR'S REPORT

for the General Assembly of Shareholders and the Supervisory Board of Comarch SA
(continued)

The information included in the report on the Group's performance takes into consideration decisions of the Regulation issued by the Minister of Finance on 19 October 2005 on current and periodical information provided by issuers of securities and complies with the information included in the audited consolidated financial statement.

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

- (a) has been prepared on the basis of properly managed consolidation documentation;
- (b) is compliant in form and content with the legal regulations binding for the Group;
- (c) clearly and reliably presents the equity and financial situation of the Group as of 31 December 2005 and the financial result for the financial year from 1 January to 31 December 2005 in accordance with the International Financial Reporting Standards adopted by the European Union.

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



Mirosław Szmigielski
Management Board Member
Registered Auditor
License No. 90045/7397
Warsaw, 5 June 2006



The Company entered in the list of entities
Authorized for auditing financial statements
under Item 144

Comarch SA

Al. Jana Pawla II 39 A

31-864 Krakow

tel.: +48 12 64 61 000

fax: +48 12 64 61 100

www.comarch.pl • www.comarch.com • www.comarch.de • www.comarch.ru

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