

SECURITIES AND EXCHANGE COMMISSION**Form SA-Q1/2004**

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

In compliance with par 57 sec 1 pt 1 of the Ordinance of the Council of Ministers dated 16 October 2001

Legal Journal No. 139 pos. 1569 and year 2002 No. 31, pos. 280

The Management of **COMARCH SA**

Issues the report for the I quarter 2004

Date: 2004-05-04

(submitted)

FINANCIAL HIGHLIGHTS	Thousands of PLN		Thousands of EUR	
	1 quarter to date/ 2004 from 2004- 01-01 to 2004- 02-31	1 quarter to date/ 2003 from 2003- 01-01 to 2003- 02-31	1 quarter to date/ 2004 from 2004- 01-01 to 2004- 02-31	1 quarter to date/ 2003 from 2003- 01-01 to 2003- 02-31
I. Net sales revenues	37 227	25 292	7 766	5 955
II. Operating income (loss)	2 279	1 710	475	403
III. Income (loss) before taxes	2 025	3 675	422	865
IV. Net income (loss)	2 025	3 230	422	760
V. Net cash flows from operating activities	2 069	5 038	432	1 186
VI. Net cash flows from investing activities	-16 138	-8 321	-3 366	-1 959
VII. Net cash flows from financing activities	81	64	17	15
VIII. Total net cash flows	-13 988	-3 219	-2 918	-758
IX. Total Assets	207 069	209 665	43 635	47 595
X. Liabilities and reserves	77 724	67 674	16 378	15 362
XI. Long term liabilities	42 657	39 838	8 989	9 043
XII. Current liabilities	24 474	19 893	5 157	4 516
XIII. Shareholders' Equity	129 345	141 991	27 256	32 233
XIV. Share capital	6 727	7 228	1 418	1 641
XV. Number of shares	6 726 600	7 228 000	6 726 600	7 228 000
XVI. Earnings (loss) per common share (in PLN/EUR)	0,3	0,45	0,06	0,11
XVII. Diluted earnings (loss) per common share in PLN/EUR)	0,3		0,06	
XVIII. Book value per share (in PLN/EUR)	19,23	19,64	4,05	4,46
XIX. Diluted book value per share (in PLN/EUR)	18,88		3,98	
XX. Dividend declared or paid (in PLN/EUR)		0,6		0,14

BALANCE SHEET

(thousands of PLN)	As of 2004-03-31 end of quarter/ 2004	As of 2003-12-31 end of prev quarter/ 2003	As of 2003-03-31 end of quarter/ 2003	As of 2002-12-31 end of prev quarter/ 2002
Assets				
I. Fixed assets	110 179	102 820	97 519	96 553
1. Intangible assets	1 696	2 025	2 934	3 291
2. Tangible fixed assets	38 646	34 026	32 784	32 986
4. long-term investments	69 837	66 580	59 514	58 397
4.3. Long-term financial assets	69 837	66 580	59 514	58 397
a) in affiliates	69 558	66 250	59 206	58 060
b) in other entities	279	330	308	337
5. Long-term deferrals		189	2 287	1 879
5.1 Deferred income taxes			144	590
5.2 Other deferrals		189	2 143	1 289
II. Current assets	96 890	131 003	112 146	128 836
1. Inventories	9 958	8 439	7 347	6 604
2. Accounts receivable	34 877	64 780	27 066	54 175

2.1. from affiliates	7 043	12 106	1 185	2 059
2.2 fro other entities	27 834	52 674	25 881	52 116
3. Short-term investments	38 476	45 311	65 525	58 594
3.1 Short-term financial assets	38 476	45 311	65 525	58 594
a) in affiliates	6 288	13 960	6 425	4 157
b) in other entities	15 058	350	41 844	34 771
c) cash and cash equivalents	17 130	31 001	17 256	19 666
4. Short-term deferrals	13 579	12 473	12 208	9 463
Total Assets	207 069	233 823	209 665	225 389
Equity and Liabilities				
I. Equity	129 345	127 319	141 991	138 761
1. Share capital	6 727	6 727	7 228	7 228
4. Reserve capital	96 714	96 714	96 714	96 714
5 Revaluation capital	1 723	1 723	282	282
6. Other reserves	9 685	9 685	24 560	24 560
7. Retained earnings (loss)	12 471	207	9 977	207
8. Net income (loss)	2 025	12 263	3 230	9 770
II. Liabilities and reserves	77 724	106 504	67 674	86 628
1. Reserves			1 348	
1.3. Other reserves			1 348	
a) long-term			1 348	
2. Long-term liabilities	42 657	42 290	39 838	40 843
2.2 To affiliates	42 657	42 290	39 838	40 843
3. Short –term liabilities	24 474	44 425	19 893	36 939
3.1 To affiliates	4 288	2 271	3 128	3 261
3.2 to other entities	19 130	41 257	15 800	32 825
3.3 Special funds	1 056	897	965	853
4 Accrued expenses and deferred revenues	10 593	19 789	6 595	8 846
4.2 Other accrued expenses and deferred revenues	10 593	19 789	6 595	8 846
b) short-term	10 593	19 789	6 595	8 846
Total equity and liabilities	207 069	233 823	209 665	225 389

Book value	129 345	127 319	141 991	138 761
Number of shares	6 726 600	6 726 600	7 228 000	7 228 000
Book value per share (PLN)	19,23	18,93	19,64	19,2
Diluted number of shares	6 852 387	6 852 387		
Diluted book value per share (PLN)	18,88	18,58		

OFF BALANCE SHEET LIABILITIES

	As of 2004-03-31 end of quarter/ 2004	As of 2003-12-31 end of prev quarter/ 2003	As of 2003-03-31 end of quarter/ 2003	As of 2002-12-31 end of prev quarter/ 2002
Off-balance sheet Liabilities				
2. Contingent liabilities	19 646	23 287	35 434	25 191
2.1. to affiliated companies			1 094	1 038
- granted guarantees			1 094	1 038
2.2. To other companies	19 646	23 287	34 340	24 153
- granted guarantees	19 646	23 287	34 340	24 153
Total off-balance-sheet liabilities	19 646	23 287	35 434	25 191

INCOME STATEMENT

	1 quarter/ 2004 from 2004-01-01 to 2004-03-31	1 quarter/ 2003 from 2003-01-01 to 2003-03-31
I. Net sales revenue	37 227	25 292
-from affiliates	1 415	843
1. Net sales of products	22 264	22 374
2. Net sales of merchandise and materials	14 963	2 918
II. Cost of goods sold	28 473	18 361
-from affiliates	1 415	816
1. Cost of products sold	14 134	15 810
2. Cost of merchandise and material sold	14 339	2 551
III. Gross margin (I-II)	8 754	6 931
IV. Selling expenses	2 764	2 053
V. General and administrative expenses	3 583	3 019
VI. Income (loss) on sales (III-IV-V)	2 407	1 859
VII. Other operating income	123	65
2. subsidies	42	
3. Other operating income	81	65
VIII. Other operating expenses	251	214
1. Loss on sale of non-financial fixed assets	58	
3. Other operating expenses	193	214
IX. Operating income (loss) (VI+VII-VIII)	2 279	1 710
X. Financial income	1 388	3 131
2. Interest, including	394	985
-from affiliates	55	
3. Income from sale of investments	98	66
4. Revaluation of investments		1 650
5. Other	896	430
XI. Financial expenses	1 642	1 166
1. Interest, including	1 153	1 082
4. Other	489	84
XII. Income (loss) on business activities (IX+X -XI)	2 025	3 675
XIV. Income (loss) before taxes (XII+/-XIII)	2 025	3 675
XV. Corporate income tax		445
b)deferred		445
XVIII. Net income (loss) (XIV-XV-XVI+/-XVII)	2 025	3 230
Net Income (loss) (annualized)	11 058	12 164
Weighted average number of common shares	6 751 899	7 228 000
Earnings (loss) per common share (in PLN)	1,64	1,68
Diluted weighted average number of common shares	6 874 862	
Diluted earnings (loss) per common share (in PLN)	1,61	

STATEMENT OF SHAREHOLDER'S EQUITY

	1 quarter/ 2004 from 2004-01-01 to 2004-03-31	1 quarter/ 2003 from 2003-01-01 to 2003-03-31
I. Shareholders' equity at beginning of period (opening balance)	127 319	138 761
I.a. Share capital at beginning of period after restating to comparative data	127 319	138 791
1. Share capital at beginning of period	6 727	7 228
1.2 Share capital at end of period	6 727	7 228
4. Reserve capital at beginning of period	96 714	96 714
4.2. Reserve capital at end of period	96 714	96 714
5. Revaluation capital at beginning of period	1 723	282
5.2. Revaluation capital at end of period	1 723	282
6. Other reserve capitals at beginning of period	9 685	24 560
6.2 Other reserve capitals at end of period	9 685	24 560
7. Prior years' net income (loss) at beginning of period	12 471	207
7.1 Prior years' net income (loss) at beginning of period	12 471	
7.2. Prior years' net income (loss) at beginning of period, after restatement to comparative data	12 471	207
a) increases (due to)		9 770
-non distributed income for 2002		9 770
7.3 Prior year's income at end of period	12 471	9 977
8. Net income	2 025	3 230
a) Net income	2 025	3 230
II. Shareholders' Equity at end of period (closing balance)	129 345	141 991
III. Shareholders equity after the proposed income distribution (loss coverage)	129 345	141 991

STATEMENT OF CASH FLOWS

	1 quarter/ 2004 from 2004-01-01 to 2004-03-31	1 quarter/ 2003 from 2003-01-01 to 2003-03-31
I. Net income (loss)	2 025	3 230
II. Total adjustments	44	1 808
2. Depreciation and amortization	1 385	1 712
4. Interest and dividends	-55	
5. (Gain) loss on investing activities	-40	-1 524
6. Changes in other reserves		344
7. Change in inventories	-1 519	-743
8. Change in receivables	29 771	25 845
9. Change in current liabilities (excluding loans and bank credits)	-19 387	-16 258
10. Change in deferrals and accruals	-10 111	-5 404
11. Other adjustments		-2 164
III. Net cash flows from operating activities (I+/-II)	2 069	5 038
I. Inflows	59 837	7 174
1. Sale of intangible assets and tangible fixed assets		60
3. From financial assets:	59 837	7 114
a) in subsidiaries	4 837	
-repayment of long-term loans	4 837	
b) in other entities	55 000	7 114
-sale of financial assets	55 000	
- dividends		7 114

II. Outflows	-75 976	-15 495
1. Purchases of intangible assets and fixed financial assets	-6 158	-2 197
3. Acquisition of financial fixed assets:	-69 818	-13 298
a) in affiliates	-203	-1 021
-purchase of financial assets	-203	-257
- long-term loans granted		-764
b) in other entities	-69 615	-12 277
-purchase of financial assets	-69 615	-11 987
-granted long term loans		-290
III. Net cash flows from investing activities (I-II)	-16 139	-8 321
I. Inflows	209	299
2. Loans	154	299
4. Other financial inflows	55	
II. Outflows	-128	-235
4. Repayment of loans	-128	-44
6. Due to other financial obligations		-191
III. Net cash flows from financing activities	81	64
D. TOTAL NET CASH FLOWS (A.III+/-B.III+/-C.III)	-13 989	-3 219
E. CHANGE IN BALANCE-SHEET: CASH AND CASH EQUIVALENTS	-13 989	-3 219
F. CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	30 487	18 034
G. CASH AND CASH EQUIVALENTS - END OF PERIOD (F+/- D)	16 498	14 815

1. Principles Followed When Preparing Financial Statements and Reporting Methods Used

The financial statements were created based on accounting records maintained according to the Accounting Act, of 11 November 2000 . The data was prepared based on asset, liability, and equity reporting principles and on principles regulating the measuring of net financial results as of the balance sheet date. A detailed description can be found in the semi-annual report SA-R 2003.

2. Information on Corrections Due to Reserves and Revaluations of Assets

a) Revaluation deductions for assets.

In the I quarter 2004 the Company made no revaluation deductions for assets.

b) Corrections due to reserves for the temporary difference for income taxes and resulting changes in deferrals.

In the I quarter 2004 no assets and reserves due to deferred income taxes were established because the income from operations in the Special Economic Zone was higher than the income on taxable operations. As a result, the Company pays no income taxes.

c) Other reserves

In the I q 2004 the Company made no reserves.

3. Information About EUR Exchange Rates

a) EURO exchange rates used to convert financial data.

- average NBP exchange rate as of 31-03-2004	4,7455
- average NBP exchange rate as of 31-03-2003	4,4052

- mean (arithmetic) exchange rate for the period 1.01-31.03.2004 4,7938
- mean (arithmetic) exchange rate for the period 1.01-31.03.2003 4,2474

In the *Selected Financial Data* table, points I-VIII and XVI - XVII are valued according to the arithmetic mean exchange rate announced by NBP, for the last day of the month. Points IX – XIV and XVIII – XX are based on the NBP rate for the end of the period.

4. Shareholder Information

a) Shareholders holding directly, or indirectly at least 5% of votes at the ComArch Shareholder Meeting as of the date of the quarterly report.

As of 04 May 2004, the following shareholders held either directly, or indirectly through subsidiaries, at least 5% of votes at the ComArch Shareholder Meeting: Elżbieta and Janusz Filipiak hold a total of 2.996.898 shares what gives them 9.576.898 votes at the Shareholder Meeting, constituting 69,42 % of votes at the Shareholder Meeting.

b) Changes in the share holdings among Management Board Officers and Board of Directors Members for the period from 16.02.2004 to 04.05.2004.

The table below presents the holdings of Management Board and Board of Directors members of ComArch S.A as of the date of the quarterly report for the I quarter 2004, i.e. 16.02.2004 and on 04.05.2004 based on the information held by the Company.

Managerial and Directorial Officers	Position	As of 04.05.2004		As of 16.02.2004	
		Shares	Votes at Shareholder Meeting (%)	Shares	Votes at Shareholder Meeting (%)
Elżbieta and Janusz Filipiak	Chairperson of the Supervisory Board and Chairman and CEO	2.996.898	69,42%	3.061.898	69,42%
Tomasz Maciantowicz	Vice President	212.134	4,26%	212.134	4,26%
Paweł Prokop	Vice President	24.440	0,45%	24.440	0,45%
Paweł Przewięźlikowski	Vice President	24.440	0,45%	24.440	0,43%
Rafał Chwast	Vice President	6.566	0,05%	6.566	0,05%
Issued shares		6.726.600	100,00%	6.726.600	100,00%

5. Factors Having a Major Impact on ComArch I Quarter 2004 Financial Results and Factors Impacting Future Performance

The I quarter 2004 was a very good period for the Company. Positive signals regarding economic growth and Poland's accession to the European Union encouraged many companies to begin new IT projects. As a company with a broad product mix and a solid reputation, ComArch benefited from this period of growth. Equally optimistic signals could be seen in international markets, especially in Europe and the Middle East, where members of the ComArch Group signed several significant contracts and additional are being negotiated.

In the I quarter, revenues were 37 227 thousand PLN and were 47% higher than revenues in the same period last year. Operating income was 2 279 thousand PLN what is a 33% increase to the analogous period last year. Operating margin in the first quarter of 2003 was 6% and given the almost fifty percent revenue growth should be considered high.

First quarter net income was 2.025 thousand PLN and was 1 205 thousand PLN lower compared to the same period last year. Although, nominally net income is lower it should be noted that last year's net income was impacted by a one time dissolution of reserves for Interia.pl (1 650 thousand PLN).

The ComArch Group posted equally strong financial figures for the first quarter. Taking into account the high backlog level for the current year, it can be concluded that ComArch made a significant step towards revenue and income growth planned for 2004.

Future period income of the Company will be impacted to a large degree by positive trends in the economy, increased investment levels and the financial standing of medium and large enterprises, which are the Company's main clients.

The following significant events took place in the I quarter of 2004:

On 01.03.2004 subsidiaries ComArch Internet Ventures SA and CDN SA seated in Kraków informed about three decisions issued by the Regional Court for Kraków Centre i Kraków.

Based on the first resolution CDN SA share capital was increased from 102 000 PLN to 250 000 PLN through the issue of 169 000 D series shares with the par value of 1 PLN and the concurrent retirement of 28 141 A series shares and 26 859 B series shares (i.e. shares held by CDN SA founders).

Based on the second decision CDN SA was acquired by ComArch Internet Ventures SA through the acquisition of all assets and the name ComArch Internet Ventures SA was changed to CDN SA.

Based on the third decision, the acquired company (CDN SA) was removed from the Court Register. After the acquisition, the share capital of ComArch Internet Ventures (currently CDN SA) has not changed and remains 12 840 000 PLN and is divided into 12 840 registered privileged shares with 5 votes per share at the Shareholder Meeting, with a par value of 1 000 PLN. ComArch SA currently holds 100% of votes at the Company's Shareholder Meeting. The total number of votes is 64 200.

On 29 March 2004, the Company's Supervisory Board passed resolution 2/3/2004 on implementing the managerial options program for the Chairman and CEO subject to the resolution of the Special Shareholder Meeting of 21 December 2001. According to par. 1 pt. 3 of the resolution, the option is calculated as 5% of the increase in the Company's capitalization between the average capitalization of December 2002 and the average capitalization of 2003. The increase in capitalization during this period was 122 994 538,00 PLN, therefore, the value of the option is 6 149 726,90 PLN. The Board decided that in order to carry out the program, 125 787 common bearer G series shares will be issued at a par value of 1 PLN.

The Supervisory Board obliged the Management Board. To pass a resolution regarding the issue of G series shares on the terms above within 30 days. Preemptive rights have been excluded. The issue of G series shares will be conducted in accordance to principles governing target capita subject to art 9 pt 3 of the Statute.

6. Extraordinary Events Impacting Financial results

No extraordinary events took place in the I quarter of 2004.

7. Events after the Balance Sheet Date

As a supplement to the annual report date 05 April 2004, according to par. 22a pt 3 of the Rules of the WSE, the ComArch SA Management Board submitted a statement about obeying corporate governance principles. ComArch SA declared that it will accept all corporate governance principles except principle No. 20 regarding the composition of the Supervisory Board.

On 16 April 2004 the ComArch SA Management Board was informed about the registration of ComArch Middle East FZ-LLC seated in Dubai, which is a ComArch SA subsidiary. Share capital is 200 thousand AED and is divided into 200 shares with a par value of 1 thousand AED each (1AED = 1,08 PLN). ComArch SA acquired all shares at par value (paid in cash). The total number of votes is 200. The Company will be involved in selling ComArch products in the Middle East and will offer partial support to local clients.

On 26.04.2004 the ComArch SA Management Board informed that as a result of the Securities Exchange Commission allowing ComArch to exceed 50% of votes at the Interia.pl shareholder meeting and:

- a) the recent situation on the Polish Internet portal market and its constant growth,
 - b) positive development of the situation of Interia.pl leading to the Company's earning positive financial results
- ComArch SA feels that it would be beneficial for Interia.pl to offer new products and services based on broadband technology (including UMTS).

Intrial.pl plans to introduce pilots of new products and services and provided that they meet a warm reception in the market, ComArch will propose a new share issue at the Shareholder Meeting aimed at financing the new projects. ComArch SA is prepared to acquire a large portion of this new issue and can, therefore, exceed 50% of votes.

Due to the implementation of the management option program for the Chairman and CEO (Resolution No 6 of the Special Shareholder Meeting of 21 Dec 2001 and the Resolution of the Supervisory Board of 29 March 2004 obliging the Management Board to pass a resolution regarding G series shares (press release RB 3/2004) the ComArch SA Management Board passed resolution No. 1 on 26 April 2004 on increasing the share capital through the public issue of 125 787 common bearer G series shares with a par value of 1 PLN each and changes to the Company Statute.

G series shares will be issued with no preemptive rights. The issue price is 1 PLN. G series shares will be acquired for cash and will be eligible for dividends starting with income that will be distributed for 2004, i.e. 01.01.2004.

G series shares will be issued through a private placement, mentioned in art. 431 par 2, pt 1 of the Commercial Code conducted under conditions of public trade. G series shares will be introduced for trading on the Warsaw Stock Exchange. All G series shares will be offered to the Chairman and CEO. The agreement governing the acquisition of shares will be executed no later than 30 October 2004.

In association with an increase in the Company's share capital art. 7 sec 1 of the Corporate Statute will be worded as follows:

"1. Share capital of the Company is no more than 7 552.387 PLN (seven million five hundred fifty two thousand three hundred eighty seven PLN) and is divided into no more than 7 552.387 PLN (seven million five hundred fifty two thousand three hundred eighty seven) shares, including 1 767 200 (one million seven hundred sixty seven two hundred) registered privileged shares with par value of 1 PLN and no more than 5 785 187 (five million seven hundred eight five thousand one hundred eighty seven) common bearer shares with par value of 1 PLN each, including:

- 1) 883 600 registered privileged A series shares
- 2) 56 400 common bearer A series shares
- 3) 883 600 registered privileged B series shares
- 4) 56 400 common bearer B series shares
- 5) 3 008 000 common bearer C series shares
- 6) 1 200 000 common bearer D series shares
- 7) 638 600 common bearer E series shares
- 8) 125 787 common bearer G series shares
- 9) no more than 700 000 common bearer H series shares"

8. Management's Position Regarding the Previously Released Financial Forecasts

The Management Board did not issue a forecast for 2004.

9. Significant Proceedings before Courts, Arbitration Organs or Public Administration Bodies.

In the I quarter of 2004 the Company had not filed any lawsuits nor were there any lawsuit filed against the Company in a proceeding meeting the criteria set forth in par 61 sec 4 pt 7a and 7b of the Ordinance of the Council of Ministers dated 16 October 2001 (Legal Journal No. 139 pos. 1569).

10. Transactions with Affiliates Exceeding 500 000 EUR (except typical and routine transactions)

None

11. Information about Guarantees granted by the Company or Subsidiaries

In the I quarter ComArch nor its subsidiaries made no guarantees as set forth in par 61 sec 4 pt 9) of the Ordinance of the Council of Ministers dated 16 October 2001 (Legal Journal No. 139 pos. 1569).

12. Significant Information for Judging the Employment, Financial Situation and their Changes; Information Relevant to Judging the Company's Ability to Meet Obligations

None.

Signatures

Date	Name	Position	Signature
2004-05-04	Rafał Chwast	Vice President	
2004-05-04	Paweł Prokop	Vice President	