COMARCH SA QSr 1/2005

☐ Adjusted

THE POLISH SECURITIES AND EXCHANGE COMMISSION

Consolidated Quarterly Report QSr 1/2005

(Pursuant to Article 93 Para 2 and Article 94 Para 1 of the Ordinance of the Council of Ministers
Of 21 March 2005 – Dz. U. No. 49, Item 463.)
(For issuers of securities managing production, construction, trade or services activities.)

For the 1 quarter of the accounting year 2005 covering the period from 01 January 2005 to 31 March 2005.
Including the abbreviated consolidated financial statement pursuant to International Financial Reporting Standards (MSSF)
In currency: PLN
And the abbreviated financial statement pursuant to International Financial Reporting Standards (MSSF) In currency: PLN
Submitted on: 16 May 2005

COMARCH SA
(Full name of the issuer)

COMARCH SA	**Telecommunications and IT**
(Abbreviated name of the issuer)	(Sector according to the Warsaw Stock Exchange classification)
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(NIP)	(REGON)

SELECTED FINANCIAL DETAILS	in PLN thou.		in EUR thou.	
	1 Q cumulated / 2005 period from 1 Jan 2005 to 31 Mar 2005	1 Q cumulated / 2004 period from 1 Jan 2004 to 31 Mar 2004	1 Q cumulated / 2005 period from 1 Jan 2005 to 31 Mar 2005	1 Q cumulated / 2004 period from 1 Jan 2004 to 31 Mar 2004
I. Net proceeds from sales of products, merchandise and materials	74,021	66,384	18,435	13,848
II. Profit (loss) on operational activities	1,531	4,450	381	928
III. Profit (loss) before taxation	1,084	3,907	270	815
IV. Net profit per Company shareholders	1,259	3,620	314	755
V. Net cash flows on operational activities	(11,049)	2,873	(2,752)	599
VI. Net cash flows on investment activities	(12,616)	(21,806)	(3,142)	(4,549)
VII. Net cash flows on financial activities	7,333	(239)	1,826	(50)
VIII. Total net cash flows	(16,332)	(19,172)	(4,067)	(3,999)
IX. Number of shares (in pcs.)	6,852,387	6,726,600	6,852,387	6,726,600
X. Profit (loss) per one regular stock (in PLN / EUR)	0.18	0.54	0.04	0.11
XI. Diluted profit (loss) per one regular stock (in PLN / EUR)	0.18	0.53	0.04	0.11
Details related to the abbreviated financial statement				
XII. Net proceeds from sales of products, merchandise and materials	79,922	37,227	19,904	7,766
XIII. Profit (loss) on operational activities	2,569	2,565	640	535
XIV. Profit (loss) before taxation	2,005	2,194	499	458
XV. Net profit (loss)	2,005	2,194	499	458
XVI. Net cash flows on operational activities	(12,926)	1,981	(3,219)	413
XVII. Net cash flows on investment activities	(12,344)	(16,139)	(3,074)	(3,367)
XVIII. Net cash flows on financial activities	7,327	81	1,825	17
XIX. Total net cash flows	(17,993)	(13,989)	(4,481)	(2,918)
XX. Number of shares (in pcs.)	6,852,387	6,726,600	6,852,387	6,726,600
XXI. Profit (loss) per one regular stock (in PLN / EUR)	0.29	0.33	0.07	0.07
XXII. Diluted profit (loss) per one regular stock (in PLN / EUR)	0.29	0.32	0.07	0.07

Euro exchange rates used for calculation of the selected financial details:

Arithmetical average of NBP average exchange rates as of the end of each month for the period 01 January 2005 to 31 March 2005 – 4.0153

Arithmetical average of NBP average exchange rates as of the end of each month for the period 01 January 2004 to 31 March 2004 – 4.7938

The report should be submitted to the Polish Securities and Exchange Commission, to the Warsaw Stock Exchange S.A. and to the information agency pursuant to the regulations of the law.

REPORT CONTENTS

File	Description
QSr_1_2005_COMARCH_S.A.pdf	Expanded consolidated quarterly report

SIGNATURES OF PERSONS REPRESENTING THE COMPANY

Date	First and last name	Post / Function
16 May 2005	Rafał Chwast	Deputy President, the Management Board
16 May 2005	Paweł Prokop	Deputy President, the Management Board

Exchange rates for euro used for calculation of selected financial data:
Arithmetical average of average NBP exchange rates as of the end of every month
for the period from 1 Jan 2005 to 31 March 2005 ....4.0153
Arithmetical average of average NBP exchange rates as of the end of every month
for the period from 1 Jan 2004 to 31 March 2004 ....4.7938

The Polish Securities and Exchange Commission

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1. Consolidated financial statement for I Quarter 2005

1.1. Consolidated balance sheet

	Note	As of 31 March 2005	As of 31 December 2004
ASSETS			
Fixed assets			
Tangible fixed assets		79,922	74,800
Goodwill		3,466	3,466
Intangibles		39,524	39,162
Investments in affiliated units	3.2	8,272	3,891
Assets on account of deferred income tax		1,473	1,489
Financial receivables		369	425
		133,026	123,233
Current assets			
Inventory	3.3	15,878	14,991
Receivables on account of deliveries and services and other receivables	3.4	74,985	81,420
Due proceeds on account of long-term contracts		27,392	22,824
Financial receivables		349	
Other financial assets appraised by fair value settled in the profit and loss account		130	2,000
Cash and equivalents		12,384	28,566
		131,118	149,791
Total assets		**264,144**	**273,024**
TOTAL EQUITY			
Total equity for Company shareholders			
Initial capital	3.5	6,852	6,852
Other capitals		118,277	118,547
Exchange rate differences	29	114	
Net profit for the current period		1,054	
Undivided financial result		(6,260)	(6,465)
		119,952	119,048
Minority shares		13,642	13,847
Total equity		**133,594**	**132,895**
OBLIGATIONS			
Long-term obligations			
Credits and loans	3.8	14626	8149
Obligations on account of deferred income tax		5,610	5,602
Obligations on account of convertible bonds	3.8	38,807	38,472
Provisions for other obligations and charges			100
		59,043	52,323
Short-term obligations			
Obligations on account of deliveries and services and other obligations	3.6	47,999	56,830
Invoiced proceeds related to long-term contracts		6,122	4,847
Obligations on account of convertible bonds	3.8	1,499	781
Credits and loans	3.8	1,531	958
Derivative financial instruments		269	
Provisions for other obligations and charges		14,087	24,390
		71,507	87,806
Total obligations		**130,550**	**140,129**
Total liabilities		**264,144**	**273,024**

1.2. Consolidated profit and loss account

	Note	I Q 2005	I Q 2004
Proceeds from sales		74,021	66,384
Costs of sold products, merchandise and materials		(59,148)	(48,142)
Gross profit		**14,873**	**18,242**
Other operational proceeds		67	349
Costs of sale and marketing		(7,292)	(7,761)
General and administrative costs		(5,700)	(6,057)
Other operational costs		(417)	(323)
Operational profit		**1,531**	**4,450**
Net financial costs		(576)	(368)
Share in profits of affiliated units		129	(175)
Profit before taxation		**1,084**	**3,907**
Income tax	3.10	30	506
Net profit for the period		1,054	3,401
Including:			
Net profit for Company shareholders		**1,259**	**3,620**
Net profit for minority shareholders		(205)	(219)
		1,054	3,401
Profit for the period for Company shareholders per share (expressed in PLN per one share)			
– basic	3.11	0.18	0.54
– diluted	3.11	0.18	0.53

1.3. Consolidated summary of changes in total equity

	For Company shareholders						
	Initial capital	Reserve capital	Fair value and other capitals	Exchange rate differences	Undivided financial result	Minority shares	Total equity
As of 1 January 2004	**6,727**	**96,714**	**9,967**	**(89)**	**(9,025)**	**18,732**	**123,026**
Exchange rate differences				(178)			(178)
Net proceeds / (costs) given directly in total equity			225		(526)		(301)
Profit for the period					3,620	(219)	3,401
Given total proceeds and profits for the period			225		3094	(219)	3,100
As of 31 March 2004	**6,727**	**96,714**	**10,192**	**(267)**	**(5,931)**	**18,513**	**125,948**
As of 1 January 2005	**6,852**	**96,714**	**21,833**	**114**	**(6,465)**	**13,847**	**132,895**
Profits (losses) on account of fair value, after taxation:			(270)				(270)
– collateral of cashflows			(270)				(270)
Exchange rate differences				(85)			(85)
Profit for the period					1,259	(205)	1,954
Given total proceeds and profits for the period			(270)	(85)	1,259	(205)	699
As of 31 March 2005	**6,852**	**96,714**	**21,563**	**29**	**(5,206)**	**13,642**	**133,594**

1.4. Consolidated cashflow statement

	I quarter 2005	I quarter 2004
Cash proceeds from operational activities		
Net profit (loss)	1,054	3,401
Total adjustments	(12,103)	1,246
Share in net (profits) losses subsidiary units appraised with the ownership rights method	(129)	175
Depreciation, including:	2,576	2,310,
(Profits) losses on account of exchange rate differences	265	136
Interest and shares in profits (dividend)		(14)
(Profit) loss from investment activities	118	(13)
Change in inventory	880	(1,401)
Change in receivables	3,153	33,087
Change in obligations and provisions, with the exception of loans and credits	(17,206)	(33,034)
Net profit less total adjustments	(11,049)	4,647
Income tax paid		(1,774)
Net cash from operational activities	(11,049)	2,873
Cash flows from investment activities		
Acquisition of an affiliated unit	(4,250)	(203)
Acquisition of tangible fixed assets	(9,571)	(6,971)
Proceeds from sale of tangible fixed assets	31	16
Acquisition of intangibles	(726)	(31)
Acquisition of financial assets available for sale	(500)	(69,617)
Proceeds from sale of financial assets available for sale	2,400	55,000
Net cash from investment activities	(12,616)	(21,806)
Cash flows from financial activities		
Proceeds on account of contracted credits and loans	7,662	154
Payment back of credits and loans	(329)	(393)
Net cash (used in) / from financial activities	7,333	(239)
Increase in net cash and credits in bank accounts	**(16,332)**	**(19,172)**
Cash and credits in bank accounts as of the beginning of the period	28,745	45,164
Positive (negative) exchange differences in cash and credits in bank accounts	28	
Cash and credits in bank accounts as of the end of the period	**12,385**	**25,992**

2. Transformation notes for the consolidated financial statement according to MSSF

2.1 The basic information

(1) Re-classification of land perpetual usufruct right from tangible fixed assets to intangibles.

The way of giving land perpetual usufruct right in MSSF is not unanimously specified and opinions in this respect differ. The Company in the statement prepared according to MSSF gives land perpetual usufruct right as "intangibles."

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

MSR 38 prohibits capitalisation of costs related to establishing or expanding activities, ordering their giving in the result of the period or pursuant to Interpretation SIC 17, in case when they are directly related to acquisition of capital, directly in the capitals. Pursuant to Article 36 Para 2b of the Accounting Act, costs of issuing shares related to expansion of activities of a joint stock company up to the amount of surplus in the issue value above the nominal value of shares are deducted from the supplementary capital. However, in the temporary period, the not redeemed part of the above costs given previously in the intangibles, was given in accruals and was settled with the result of the current ego period.

(3) Negative goodwill

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

(4) Presentation of the capital of minority shareholders

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

(5) Positive goodwill

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

(6) Settlement of the result of acquisition of a new issue of MKS Cracovia SSA shares in July 2004 with the capital

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

2.2 Conciliation between the currently applied accounting principles and MSSF

The following are figure conciliations resulting from transformation of financial statements prepared according to the Polish Accounting Principles (PZR) to the requirements of the International Financial Reporting Statements (MSSF). In the beginning, a general effect of conciliation is given on the total equity as of 01 January 2004, 31 March 2004 and 31 December 2004. Then, the detailed analysis is given of the effect of conciliation on:

– Total equity as of 1 January 2004 (Note 2.2.1)

- Total equity as of 31 March 2004 (Note 2.2.2)
- Total equity as of 31 December 2004 (Note 2.2.3)
- Net profit for the I quarter 2004 (Note 2.2.4)
- Net profit for 2004 (Note 2.2.5)

Combined summary of changes in the consolidated total equity

	1 January 2004	Note	31 March 2004	Note	31 December 2004	Note
Total equity according to previously applied standards	**103,631**	**1**	**106,561**	**2**	**117,713**	**3**
Capital of minority shareholders	18,732	1	18,513	2	13,847	3
Result of the period		1		2		3
Undivided profit	663	1	757	2	1,335	3
Exchange rate differences		1	117	2		3
Total adjustments	19,395	1	19,387	2	15,182	3
Total equity according to MSSF	**123,026**	**1**	**125,948**	**2**	**132,895**	**3**

2.2.1. Conciliation of total equity as of 1 January 2004

	Note	Previously applied accounting principles	Consequences of transformation to MSSF	MSSF
ASSETS				
Fixed assets				
Tangible fixed assets	a	91,244	(32,566)	58,678
Goodwill		3,466		3,466
Intangibles	a	3,220	32,566	35,786
Investments in affiliated units		4,724		4,724
Investments in other companies		2		2
Other investments	b	200	(189)	11
Assets on account of deferred income tax		1,571		1,571
Financial receivables		545		545
		104,972	(189)	104,783
Current assets				
Inventory		11,738		11738
Receivables on account of deliveries and services and other	b	96,062	(1,100)	94,962
Due proceeds on account of long-term contracts		9,876		9,876
Financial receivables		351		351
Cash and their equivalents		45,105		45,105
		163,132	(1,100)	162,032
Total assets		268,104	(1,289)	266,815
TOTAL EQUITY				
Total equity for Company shareholders				
Initial capital		6,727		6,727
Other capitals		106,681		106,681
Exchange rate differences		(89)		(89)
Undivided financial result and other capitals	c	(9,688)	663	(9,025)
Minority shares	c		18,732	18,732
Total equity		**103,631**	**19,395**	**123,026**
Negative goodwill	c	1,952	(1,952)	
Minority shares	**c**	**18,732**	**(18,732)**	
		124,315	(1,289)	123,026
OBLIGATIONS				
Long-term obligations				
Credits and loans		1,238		1,238
Obligations on account of deferred income tax		5,920		5,920
Obligations on account of convertible bonds on account of issuing securities		42,292		42,292
Provisions for other obligations and charges		98		98
		49,548		49,548
Short-term obligations				
Obligations on account of deliveries and services and other obligations		63,871		62,576
Invoiced proceeds related to long-term contracts		13,553		13,553
Obligations on account of current income tax				1,295
Obligations on account of convertible bonds		752		752
Credits and loans		610		610
Provisions for other obligations and charges		15,455		15,455
		94,241		94,241
Total obligations		**143,789**		**143,789**
Total liabilities		**268,104**	**(1,289)**	**266,815**

Assets:	
a) Transfer of land perpetual usufruct right from tangible fixed assets to intangibles (1):	
Tangible fixed assets	(32,566)
Intangibles	32,566
b)	
Posting out unsettled costs of company expansion (2)	(1,289)
Total assets	**(1,289)**
Liabilities:	
c)	
Total equity	
Posting out unsettled negative goodwill related to acquisition of MKS Cracovia SSA shares (3)	1,952
Posting out unsettled costs of company expansion (2)	(1,289)
Transfer of minority shareholders capitals to total equity (4)	18,732
Total equity	**19,395**
Settlement of negative goodwill (3)	(1,952)
Capital of minority shareholders (4)	(18,732)
Total liabilities	**(1,289)**

2.2.2. Conciliation of total equity as of 31 March 2004

	Note	Previously applied accounting principles	Consequences of transformation to MSSF	MSSF
ASSETS				
Fixed assets				
Tangible fixed assets	d	96,418	(32,566)	63,852
Goodwill		3,160	306	3,466
Intangibles	d	3,212	23,566	35,778
Investments in affiliated units		4,548		4,548
Other investments		206		206
Assets on account of deferred income tax		1,975		1,975
Financial receivables		350		350
		109,869	306	110,175
Current assets				
Inventory		12,091		12,091
Receivables on account of deliveries and services and other receivables		57,613	(1,004)	56,609
Due proceeds on account of long-term contracts		11,166		11,166
Financial assets available for sale		14,713		14,713
Financial receivables		345		345
Cash and their equivalents		26,297		26,297
		122,225	(1,004)	121,221
Total assets		**232,094**	**(698)**	**231,396**
TOTAL EQUITY				
Total equity for Company shareholders				
Initial capital		6,727		6,727
Other capitals		106,906		106,906
Exchange rate differences	f	(384)	117	(267)
Undivided financial result and other capitals	f	(6,688)	757	(5,931)
Minority shares	f		18,513	18,513
Total equity		**106,561**	**19,387**	**125,948**
Negative goodwill	f	1,952	(1,952)	
Minority shares	**f**	**18,513**	**(18,513)**	
		127,026	(1,078)	125,948
OBLIGATIONS				
Long-term obligations				
Credits and loans		930		930
Obligations on account of deferred income tax		5,863		5,863
Obligations on account of promissory notes		42,657		42,657
Provisions for other obligations and charges	f	451	380	831
		49,901	380	50,281
Short-term obligations				
Trading obligations and other obligations		30,429		30,373
Invoiced proceeds related to long-term contracts		9,170		9,170
Obligations on account of current income tax				56
Obligations on account of issuing bonds		1,538		1,538
Credits and loans		385		385
Provisions for other obligations and charges		13,645		13,645
		55,167		55,167
Total obligations		**105,068**		**105,448**
Total liabilities		**232,094**		**231,396**

Assets:	
d) Transfer of land perpetual usufruct right from tangible fixed assets to intangibles (1):	
Tangible fixed assets	(32,566)
Intangibles	32,566
)	
Adjustment of positive goodwill depreciation (5)	306
Posting out unsettled costs of company expansion (2)	(1,004)
Total assets	**(698)**
Liabilities:	
f)	
Total equity	
Adjustment of capital on account of exchange rate differences on long-term loans granted to subsidiary companies, which constitute part of net investment in subsidiary units	117
Adjustment of the result on exchange rate differences on long-term loans granted to companies, which constitute part of net investment in subsidiary units	(117)
Adjustment of the result with the provision for future costs related to MKS Cracovia SSA (3)	(563)
Adjustment of the result with unsettled costs of company expansion (2)	286
Adjustment in reference to change in the result in minority shareholders	488
Total (1)	**94**
Settlement of negative goodwill with the capital (3)	1,952
Posting out unsettled costs of company expansion (2)	(1,289)
Total (2)	**663**
Total (1) and (2)	**757**
Result of minority shareholders in total equity (4)	18,513
Total equity	**19,387**
Posting out negative goodwill (3)	(1,952)
Adjustment of minority shares (4)	(18,513)
Posting out provision for future costs related to MKS Cracovia SSA (3)	563
Adjustment of minority shareholders capitals settlement	(183)
Total liabilities	**(698)**

2.2.3. Conciliation of total equity as of 31 December 2004

	Note	Previously applied accounting principles	Consequences of transformation to MSSF	MSSF
ASSETS				
Fixed assets				
Tangible fixed assets	g	111,554	(36,754)	74,800
Goodwill	h	2,257	1,209	3,466
Intangibles	g	2,408	36,754	39,162
Investments in affiliated units		3,891		3,891
Other investments		425		425
Assets on account of deferred income tax		1,489		1,489
		122,024	1,209	123,233
Current assets				
Inventory		14,991		14,991
Receivables on account of deliveries and services and other receivables		81,020		81,020
Receivables on account of current income tax		400		400
Due proceeds on account of long-term contracts		22,824		22,824
Other financial assets according to fair value settled with the profit and loss account		2,000		2,000
Cash and their equivalents	h	28,745	(189)	28,556
		149,980		149,791
Total assets		**272,004**		**273,024**
TOTAL EQUITY				
Total equity for Company shareholders				
Initial capital		6,852		6,852
Other capitals		118,547		118,547
Exchange rate differences		114		114
Undivided financial result and other capitals	i	(7,800)	1,335	(6,465)
Minority shares	i		13,847	13,847
Total equity		**117,713**	**15,182**	**132,895**
Negative goodwill	i	315	(315)	
Minority shares	**i**	**13,847**	**(13,847)**	
		131,875	1,020	132,895
OBLIGATIONS				
Long-term obligations				
Credits and loans		8,149		8,149
Obligations on account of deferred income tax		5,602		5,602
Obligations on account of bond issuing		38,472		38,472
Provisions for other obligations		100		100
		52,323		52,323
Short-term obligations				
Trading obligations and other obligations		56,830		56,830
Invoiced proceeds related to long-term contracts		4,847		4,847
Obligations on account of issuing bonds		781		781
Credits and loans		958		958
Provisions for other obligations		24,390		24,390
		87,806		87,806
Total obligations		**140,129**		**140,129**
Total liabilities		**272,004**	**1,020**	**273,024**

Assets:	
g) Transfer of land perpetual usufruct right from tangible fixed assets to intangibles (1):	
Tangible fixed assets	(36,754)
Intangibles	36,754
h)	
Adjustment of positive goodwill depreciation (5)	1,209
Posting out unsettled costs of company expansion (2)	(189)
Total assets	**1,020**

Liabilities:	
f)	
Total equity	
Settlement of the result of acquisition of the new issue shares of MKS Cracovia SSA in July 2004 with the capital (6)	2,980
Posting out positive goodwill for 2004 (5)	1,209
Posting out negative goodwill arising in 2003 and settled in 2004 (3)	(1,778)
Posting out costs of company expansion settled in 2004 (2)	1,099
Posting out the result of acquisition of the new issue shares of MKS Cracovia SSA in July 2004 given in the profit for 2004 (6)	(2,980)
Settlement of negative goodwill as of 1 January 2004 with the capital (3)	1,952
Posting out negative goodwill from 2004 (3)	142
Including in the capital unsettled costs of company expansion (2)	1,289
Total	**1,335**
Including minority shareholders in total equity (4)	13,847
Total equity	**15,040**
Adjustment of negative goodwill settlement (3)	(315)
Minority shareholders capital (4)	(13,847)
Total liabilities	**1,020**

2.2.4. Conciliation of profit or loss for I quarter 2004

	Note	Previously applied accounting principles	Consequences of transformation to MSSF	MSSF
Proceeds from sales		66,384		66,384
Costs of sold products, merchandise and materials	j	(47,579)	(563)	(48,142)
Gross profit		**18,805**	**(563)**	**18,242**
Other operational proceeds		349		349
Costs of sale and marketing		(7,761)		(7,761)
General and administrative costs	j	(6,343)	286	(6,057)
Other operational costs		(323)		(323)
Operational profit (loss)		4,727	(277)	4,450
Net financial costs	j	(251)	(117)	(368)
Goodwill write-off	j	(305),	305	
Share in profits of affiliated units			(175)	(175)
Profit before taxation		**4,171**		**3,907**
Income tax		(506)		(506)
Share in profits of affiliated units		(175)	175	
Minority profit / loss	j	(183)	183	
Net profit on regular activities		**3,307**		**3,401**
Net profit for the period	**j**	**3,307**	**94**	**3,401**
Including for:				
Shareholders of the dominant unit				3,620,
Minority shareholders				(219)

j) Adjustments affecting net result	
Dissolution of the provision established for future costs in reference to acquisition of MKS Cracovia SSA shares (3)	-563
Adjustment of unsettled costs of company expansion (2)	+286
Adjustment of the result of exchange rate differences on long-term loans granted to companies, constituting part of net investment in subsidiary units	-117
Adjustment of the positive goodwill write-off (5)	+305
Adjustment of the result of minority shareholders	+183
Adjustment of the total net profit	94

2.2.5. Conciliation of profit or loss for 2004

	Note	Previously applied accounting principles	Consequences of transformation to MSSF	MSSF
Proceeds from sales		330,229		330,229
Costs of sold products, merchandise and materials	j	254,860		254,860
Gross profit		75,369		75,369
Other operational proceeds	k	3,403	(1,779)	1,624
Costs of sale and marketing		29,974		29,974
General and administrative costs	k	27,300	(1,100)	26,200
Other operational costs		2,854		2,854
Operational profit (loss)		18,644	(679)	17,965
Net financial costs	k	3,396	2,980	6,376
Goodwill write-off	k	(1,210)	1,210	
Share in profits of affiliated units	l		(832)	(832)
Profit before taxation		14,038	(3,281)	10,757
Income tax		(560)		(560)
Share in profits of affiliated units	l	(832)	832	
Minority profit / loss	k	1,606	(1,606)	
Net profit on regular activities		14,252		10,197
Net profit for the period	**k**	14,252	(4,055)	10,197
Including for:				
Shareholders of the dominant unit				11,803
Minority shareholders				(1,606)

j) Adjustments affecting net result

Adjustment of settlements of negative goodwill in reference to MKS Cracovia SSA (3)	–1,779
Adjustment of unsettled costs of company expansion (2)	+1,100
Adjustment of the result of ComArch S.A. assuming the new issue of MKS Cracovia SSA shares in July 2004 (6)	–2,980
Adjustment of settlement of positive goodwill arising at acquisition of shares of subsidiary companies (5)	1,210
Adjustment of the result of minority shareholders (6)	–1,606
Adjustment of the total net profit	(832)

3. Notes to the consolidated financial statement

3.1. Reporting by segments in I Quarter 2005 according to MSSF

For the ComArch capital group, the basic type of reporting by segments is reporting according to industry segments. The units of the ComArch Capital Group covered by the consolidation conduct the following types of activities: sale of IT systems (called hereafter the "IT segment") and sport activities (called hereafter the "sport segment") conducted by MKS Cracovia SSA. Additionally, as a separate segment of "Internet and -commerce," activities of the Interia.pl S.A. and Netbrokers sp. z o.o. companies is given, these companies being appraised in the consolidated statement with the ownership rights method. Detailed data about segments are given below. The IT segment has the dominant share in proceeds from sale, results and assets. Detailed data related to the segments are given below.

Item	IT Segment	Sport Segment	"Internet and -commerce" Segment	Adjustments	Total
Proceeds of the segment – Sale to external clients	73,039	1,694			74,733
Proceeds of the segment – sale to other segments		1,406		(1,406)	
Total proceeds of the segment *	73,039	3,100		(1,406)	74,733
Costs of the segment related to sale to external clients	71,881	1,927			134,537
Costs of the segment related to sale to other segments		1,406		(1,406)	
Total costs of the segment *	71,881	3,333		(1,406)	73,808
Share of the segment in the result of units appraised with the ownership rights method			129		129
Net result	1,158	(233)	129		1054
Including:					
The result for shareholders of the dominant unit	1,245	(115)	129		1,259
The result for minority shareholders	(87)	(118)			(205)

* The items include proceeds and costs from all types, which could be directly allocated to particular segments.

Due to geographical breaking down of the activities, the ComArch Group defines the following market segments: Poland, Europe, America, and Other countries. The "Sport" and "Internet and -commerce" segments conduct activities solely in the territory of Poland. Total proceeds by geographical segments are given below.

Proceeds from sale by geographical segments in I Quarter 2005.

Domestic	60,206
Europe	10,619
America	1,960
Other countries	1,236
Total*	74,021

* This item covers solely proceeds from sale, without proceeds from other types of activities.

Due to the fact that only the IT segment conducts activities outside of the country and at the same time costs incurred in the IT segment are largely common for export and domestic sale, determining the result is not purposeful separately for export and domestic activities.

3.2 Investments in affiliated units

These items refer to shares in two companies: INTERIA.PL SA and NetBrokers Sp. z o.o., appraised with the ownership rights method.

As of 1 January 2004	**4,727**
Share in result for I Quarter 2004	179
As of 31 March 2004	**4,548**
As of 1 January 2005	**3,893**
Increase in net assets on account of acquisition of shares of the INTERIA.PL company	1,928
Share in the result for I Quarter 2005	128
Other changes in capital: determination of goodwill in reference to assuming INTERIA.PL shares of the new issue	2,322
As of 31 March 2005	**8,272**
Including:	
INTERIA.PL S.A.	6,970
NetBrokers Sp. z o.o.	1,302

Name	**Country of registration**	**Assets**	**Obligations**	**Shares in the capital (%)**
As of 31 Dec 2004				
INTERIA.PL SA	Poland	12,505	5,376	37.50
NetBrokers Sp. z o.o.	Poland	3,489	517	40.00
		15,994	5,893	
As of 31 March 2005				
INTERIA.PL SA	Poland	16,793	5,472	41.05
NetBrokers Sp. z o.o.	Poland	4,454	1,318	40.00
		21,247	6,790	

		Proceeds	**Profit / (loss)**	**Shares in the capital (%)**
As of 31 March 2004				
INTERIA.PL SA	Poland	4,858	(746)	37.50
NetBrokers Sp. z o.o.	Poland	3,174	261	40.00
		8,032	(485)	
As of 31 March 2005				
INTERIA.PL SA	Poland	6,939	110	41.05
NetBrokers Sp. z o.o.	Poland	9,209	209	40.00
		16,148	319	

As a result of assuming INTERIA.PL shares of a new issue, the share of ComArch SA in the capital of this company increased from 37.5002% to 41.0542%, i.e. by 3.554%. In reference to the above, goodwill was determined in the following way:

Net assets for the shares owned by CASA:

Prior to the issue	2,720
After the issue	4,648
Increase in net assets	1,928
Share acquisition price	4,250
Goodwill	2,322

3.3. Inventory

	31 March 2005	31 December 2004
Consumption of materials and raw materials	482	719
Production in progress	10,392	7,994
Merchandise	5,004	6,278
	15,878	14,991

3.4. Receivables on account of deliveries and services and other receivables

	31 March 2005	31 December 2004
Receivables on account of deliveries and services	67,866	75,223
Less write-off updating the value of receivables	(1,057)	(1,057)
Net receivables on account of deliveries and services	66,809	74,166
Other receivables	5,225	2,737
Prepayments and accruals	2,951	4,416
Receivables from related entities (Note)		101
	74,985	81,420

3.5. Initial capital

	Number of shares (pcs.)	Regular shares	Own shares	Total
As of 1 January 2004	6,726,600	6,726,600		6,726,600
As of 31 March 2004	6,726,600	6,726,600		6,726,600
Series G shares issue	125,787	125,787		125,787
As of 31 December 2004	6,852,387	6,852,387		6,852,387
As of 31 March 2005	6,852,387	6,852,387		6,852,387

As of 31 March 2005, the shareholders owning directly or indirectly through subsidiary entities at least 5% of the total number of votes in the general assembly of ComArch SA is the married couple of Elżbieta and Janusz Filipiak. Elżbieta and Janusz Filipiak have 3,092,685 shares in total, which give 9,672,685 votes in the GA, which constitutes 69.48% of all votes in the GA.

The Supervisory Board of the Company passed Resolution No 1/3/2005 on 23 March 2005 on execution of the programme of managerial option due for President of the Company Management on the basis of Resolution No 6 of the Extraordinary General Assembly of Shareholders of ComArch SA of 21 December 2001. Pursuant to Article 1 Para 3 of this Resolution, the option for 2004 is calculated in the amount of 5% of the increase in Company capitalisation, between the average capitalisation of December 2003 and the average capitalisation of December 2004. The increase in capitalisation in this period was PLN 140,587,330.11, therefore the value of the option is PLN 7,029,366.51. At the same time, the Board decided that in order to execute the option 102,708 regular bearer's shares in Series G3 should be issued at the issue price equal to the nominal value, i.e. at PLN 1 each. The Supervisory Board obliged the Management to pass within 30 days a resolution on issuing shares in Series G3 on the above conditions and expressed consent for excluding subscription rights due for the current shareholders in reference to the objectives of the programme. The Management of ComArch SA informs that the issue of shares in Series G3 shall be conducted on principles of the target capital pursuant to Article 9 Para 3 of the Company Bylaws.

3.6. Obligations on account of deliveries and services and other obligations and provisions for obligations and charges

	31 March 2005	31 December 2004
Obligations on account of deliveries and services	34 052	40 604
Obligations to related entities (Note)		201
Obligations on account of social insurance and other charges	13 947	16 025
Deferred costs	14 087	24 390
	62 086	81 220

3.7. Long-term contracts

	I Quarter 2005
Proceeds on account of long-term contracts given in the reporting period	21,623
a) Proceeds from completed contracts given in the reporting period	(28)
b) Proceeds from incomplete contracts given in the reporting period	21,651

Due to the fact that the Company applies the principle of determining the degree of work progress in proportion to the share of incurred costs in the entire costs of the contract, the sum of the incurred costs and results given corresponds to the proceeds. As of the end of the reporting period, long-term contracts were appraised in accordance with the degree of work progress. Change in settlements on account of long-term contracts given in assets and liabilities between 31 December 2004 and 31 March 2005 was PLN 5,861 thou.

3.8 Credits, loans, financial obligations

	31 March 2005	31 December 2004
Long-term		
Bank credits	13 942	7 465
Loans	684	684
Convertible bonds	38 807	38 472
	53 433	46 621
Short-term		
Credit in current account	123	52
Loans with collaterals	228	513
Bank credits	1 180	393
Convertible bonds	1 499	781
Financial instruments	269	
	3 299	1 739
Total credits, loans and financial obligations	**56 732**	**48 360**

Convertible bonds

On 12 April 2002, ComArch SA issued 4,000 5-year bonds convertible into shares. Conversion price is PLN 57.10, or each bond may be converted into 175 shares of the Company. Issue price was set at the level of 100.3%, and interest for the bonds is 7.5% per annum. If bonds cannot be converted into shares, on 12 April 2007 an additional coupon shall be paid in the amount of 21.84% of the nominal value of bonds. On 14 July 2004, the company acquired 486 own bonds in Series A convertible into Series H shares. Purchase of the above bonds was completed in order to redeem them. On 14 July 2004, the Management passed a resolution on redeeming 486 bonds in Series A convertible into Series H shares issued by ComArch SA. After redemption, the number of bonds Series A convertible into Series H shares issued by ComArch SA is 3,514. Obligation on account of the issued bonds was given in the books at the adjusted acquisition price.

Investment credit

ComArch SA takes advantage of the investment credit in Fortis Bank Polska SA with the office in Warsaw for financing construction of a new production and office building in the Special Economic Zone in Krakow. The credit amount is 85% of the investment value, up to PLN 20m. The credit period is 10 years, with the interest based on variable rate. The credit should be used by 30 June 2005. The collateral for the credit is composed of a blank promissory note, mortgage on plots of land where the building is to be erected and assignment of the insurance policy for the building. Obligations on account of the credit were appraised according to the adjusted acquisition price.

Derivative instruments

The Company had forward contracts concluded in order to provide collateral for future cashflows by way of limiting the effect of changes in cashflows related to probable planned transactions on the financial result, these changes resulting from the risk of change in exchange rates. As of 31 March 2005, the above forward contracts were appraised according to the fair value method and changes in their appraisal were referred to the capital from appraisal updating.

Charging credits of the Group with the risk of interest rate refers to the investment credit and is as follows:

	< 6 months	6-12 months	1-5 years	> 5 years	Total
As of 31 March 2005					
Investment credit	393	787	6,029	7,913	15,122
	393	787	6,029	7,913	15,122

The structure of credit, loan and long-term financial obligations maturity is as follows:

	31 March 2005	31 December 2004
1 – 2 years	1,507	753
2 – 5 years	44,013	41,416
> 5 years	7,913	4,452
	53,433	46,621

Effective interest rates as of the balance sheet date were as follows:

	31 March 2005				31 December 2004			
	PLN	USD	Euro	Other	PLN	USD	Euro	Other
Bank credits	7.08%	–	–	–	7.10%	–	–	–
Convertible bonds	11%	–	–	–	11%	–	–	–

The currency structure of the balance sheet value of credits, loans and financial obligations of the Group is as follows:

	31 March 2005	31 December 2004
PLN	53,433	46,621
Total	53,433	46,621

The Group has the following, unused allocated credit limits:

	31 March 2005	31 December 2004
Variable interest rate		
– Expiring within one year	10,492	22,465
Total	10,492	22,465

3.9. Conditional obligations

As of 31 March 2005, the value of guarantees and letters of credit issued by banks to the order of ComArch S.A. in reference to the completed agreements and participation in tender proceedings was PLN 26,318 thou. As of 31 March 2005, the value of ComArch S.A. warranties for obligations of the Interia.pl S.A. company on account of leasing agreements was PLN 1,499 thou.

ComArch SA is a party sued in court proceedings, in which the prospective combined amount of claims from third parties is PLN 438 thou. According to the Management, based on opinions of legal advisors, there are no circumstances suggesting arising of any significant obligations on this account, thus there are no provisions for the amount of respective claims given in the financial statement.

ComArch SA is in the course of execution of the investment in the territory of the special economic zone in Krakow in the form of a complex of new buildings with the area of ca. 8,000 m^2, aimed at expanding production capacity of the Group. Value of the investment is about PLN 25m, and its completion is planned at the end of II Quarter 2005. Conditional obligations of ComArch on account of the agreement for execution of the above investment as of 31 March 2005 were ca. PLN 3.5m.

3.10. Income tax

In reference to Poland joining the European Union, the Act was passed on 2 October 2003 on amending the Act on Special Economic Zones and Some Acts (Dz.U. No 188 Item 1840), which changed conditions for tax exemptions for entities operating in special economic zones. Pursuant to the provision of Article 6 Para 1 of the Act, such entities appeal for changing conditions of their permit in order to adjust it to the principles in force in the European Union for providing public aid. Pursuant to the provision of Article 5 Para 2 Clause 1 b), Para 2, and Para 3 of the Act, the maximum amount of public aid for entities which conduct activities in a special economic zone on the basis of a permit issued before 1 January 2000 may not exceed 75% of the value of investments incurred in the period from the date of obtaining the permit to 31 Dec 2006, and the total amount of public aid obtained since 1 January 2001 is taken into account in determining the maximum amount of public aid. It means a change in the current functioning of tax relief (public aid) from relief unlimited in value to relief limited in value and dependent on the value of investments made. In case of ComArch SA, the maximum value of public aid may not exceed 75% of the value of investment expenditures, which ComArch SA has incurred / will incur in the period from obtaining the permit, i.e. 22 March 1999, to 31 December 2006. ComArch SA has applied to the Minister of Economy for changing conditions of the permit and on 1 July 2004 received a decision of the Minister of Economy of 24 June 2004 referring to the change in conditions of the permit for the above and compliant with the Act. At the same time, the period for which the permit was issued for ComArch S.A. was extended by 31 December 2017 in the amended permit. It means extension of the period during which ComArch SA may use the limit of public aid due on account of the investments incurred in the special economic zone. The Company determined temporary differences on account of income tax. Calculation of the Company gives an asset on account of deferred income tax in the amount of PLN 3,141 thou. Due to the fact that the Company conducts both taxed and tax-exempt activities, and temporary differences in income tax may be executed in both taxed and tax-exempt activities, as well as due to the fact that the final determination within which activities (taxed or tax-exempt) such temporary differences are realised, is done on the basis of the annual settlement of income tax, after the end of the year. Therefore, with a view on the above, the Company does not recognise temporary differences on account of income tax in the financial statement. Pursuant to MSR12, the investment relief remaining for use as of 31 March 2005 constitutes an asset on account of deferred income tax in the amount of PLN 16,697 thou. Due to the fact that this relief may be used only in correspondence with tax income achieved on account of tax-exempt activities, and as of the date of preparing the statement in the scope in which the company is capable of foreseeing income shaping on account of tax-exempt activities, with the premise of applying the principle of safe appraisal in the scope of recognising assets on account of deferred income tax, and due to the fact that the Company has not achieved tax income on account of tax-exempt activities in I Quarter 2005, the Company has not recognised assets on account of deferred income tax on account the investment relief in the financial statement. At the same time, the Company shall regularly verify the possibility of execution of assets on account of income tax and if there are any premises for recognising the above asset, it shall be recognised in the financial statement.

3.11. Profit per share

Basic	**I Quarter 2005**	**I Quarter 2004**
Net profit for the period for Company shareholders	1,259	3,620
Average weighted number of regular shares (in thou.)	6,852	6,727
Profit per regular share (in PLN)	0.18	0.54

The basic net profit per 1 share in the "I Quarter 2005" column was calculated as net consolidated profit for ComArch SA shareholders achieved in the period from 1 January 2005 to 31 March 2005 divided by the average weighted number of shares in the period from 1 January 2005 to 31 March 2005, where the number of days is the weight. Net profit per 1 share in the "I Quarter 2004" column was calculated as net consolidated profit for ComArch SA shareholders achieved in the period from 1 January 2004 to 31 March 2004 divided by the average weighted number of shares in the period from 1 January 2004 to 31 March 2004, where the number of days is the weight.

Diluted	**I Quarter 2005**	**I Quarter 2004**
Net profit for the period for Company shareholders	1,259	3,620
Average weighted number of regular shares (in thou.)	6,852	6,727
Dilution (pcs.)	102	123
Average weighted diluted number of regular shares (pcs.)	6,954	6,850
Diluted profit per regular share (in PLN)	0.18	0.53

The basic net profit per 1 share in the "I Quarter 2005" column was calculated as net consolidated profit for ComArch SA shareholders achieved in the period from 1 January 2005 to 31 March 2005 divided by the average weighted number of shares in the period from 1 January 2005 to 31 March 2005, where the number of days is the weight. Net profit per 1 share in the "I Quarter 2004" column was calculated as net consolidated profit for ComArch SA shareholders achieved in the period from 1 January 2004 to 31 March 2004 divided by the average weighted number of shares in the period from 1 January 2004 to 31 March 2004, where the number of days is the weight.

Diluted net profit per 1 share in the “I Quarter 2005" column was calculated as net consolidated profit for ComArch SA shareholders achieved in the period from 1 January 2005 to 31 March 2005 divided by the average weighted diluted number of shares for the period from 1 January 2005 to 31 March 2005 calculated according to MSR 33. Diluted net profit per 1 share in the “I Quarter 2004" column was calculated net consolidated profit for ComArch SA shareholders achieved in the period from 1 January 2004 to 31 March 2004 divided by the average weighted diluted number of shares for the period from 1 January 2004 to 31 March 2004 calculated according to MSR 33. In ComArch S.A., shares in Series G issued in 2004 and 2005 within execution of the managerial option due for President of the Company Management are the diluting shares.

Pursuant to MSR 33, regular shares should be treated as diluting in calculation of diluted profit per share when and only when their conversion into regular shares would reduce net profit. Analysis of conditions for the convertible bonds issued by the Company leads to the conclusion that in 2004 and 2005, if bonds were converted into shares (which means at the same time reducing financial costs on account of interest), the diluted profit per share would increase, and thus, pursuant to MSR 33, such shares are not regarded as diluting.

4. Additional notes

4.1. Information about shareholders and shares owned by managing and supervising persons

a) Shareholders owning directly or indirectly by way of subsidiary entities at least 5% of the total number of votes in the general assembly of ComArch SA, as of the date of preparing the quarterly report.

As of 16 May 2005, the shareholders owning directly or indirectly by way of subsidiary entities at least 5% of the total number of votes in the general assembly of ComArch SA are the married couple of Elżbieta and Janusz Filipiak. Elżbieta and Janusz Filipiak have the total of 3,092,685 shares, which give 9,672,685 votes in the GA, which constitutes 69.48% of all votes in the GA.

b) Change in the owned shares of ComArch SA by managing and supervising persons from ComArch SA in the period from 01 March 2005 to 16 May 2005.

The following table presents ownership of ComArch SA shares by managing and supervising persons as of the date of publishing the consolidated quarterly report for IV Quarter 2004, i.e. 01 March 2005 and 16 May 2005, pursuant to the information owned by the Company. On 17 March 2005, the Company was informed that a Member of the Management acquired 370 regular bearer's shares of ComArch SA at the average price of PLN 62 within the recent 12 months.

Managing and supervising persons	Function	As of 16 May 2005		As of 01 March 2005	
		Shares (pcs.)	Share in votes in the GA (%)	Shares (pcs.)	Share in votes in the GA (%)
Elżbieta and Janusz Filipiak	Chairwoman of the Supervisory Board and President of the Management	3,092,685	69.48%	3,092,685	69.48%
Tomasz Maciantowicz	Deputy President of the Management	197,134	4.12%	197,134	4.12%
Paweł Prokop	Deputy President of the Management	24,440	0.45%	24,440	0.45%
Paweł Przewięźlikowski	Deputy President of the Management	24,440	0.45%	24,440	0.45%
Rafał Chwast	Deputy President of the Management	6,566	0.05%	6,566	0.05%
Zbigniew Rymarczyk	Member of the Management	370	0.00%	250	0.00%
Number of the issued shares		**6,852,387**	**100,00%**	**6,852,387**	**6,852,387**

4.2. Factors and events of unusual nature, with significant effect on the achieved financial result

Not present.

4.3. Events after the balance sheet date

On 4 April 2005, ComArch SA obtained a notice from the District Court for Krakow Podgórze in Krakow, IV Department for Land and Mortgage Registers of 30 March 2005 on establishing mortgage for the benefit of Fortis Bank Polska SA on perpetual usufruct of the real estate property, in which construction of the new production and office building in the Special Economic Zone in Krakow is executed. Mortgage has been established in reference to the investment credit reported by the Company in the current report No 47/2004. The entry refers to the contractual regular mortgage for the value of PLN 20m and to the contractual deposit mortgage on interest on the granted credit and other costs in the amount of PLN 4,788 thou. The registration value of the assets on which mortgage was established in the books of account of the Company as of 28 February 2005 was PLN 16.2m. According to the best knowledge of the Company, Fortis Bank Polska SA and persons managing Fortis Bank Polska SA are not related to ComArch SA and persons managing or supervising ComArch SA. The total equity of the Company has been adopted as the criterion for assets of significant value.

The Company informed that in reference to execution of the programme for the managerial option due for President of the Company Management on the basis of Resolution No 6 of EGA of 21 December 2001 and in reference to Resolution of the Supervisory Board of the Company of 23 March 2005 obliging the Management to pass a resolution on issue of shares in Series G3, about which the Company reported in the current report No 9/2005, the Management of ComArch SA passed Resolution No 1 on 11 April 2005 on increasing the initial capital by way of a public issue of 102,708 regular bearer's shares in Series G3 at the nominal value of PLN 1 and on amending the Company Bylaws. The issue of shares in Series G3 shall occur with excluding the subscription rights for the current Company shareholders. The issue price is PLN 1. The shares in Series G3 shall be covered solely with cash and shall participate in dividend beginning with payments from profit to be allocated for division for the accounting year 2005, that is from 1 January 2005. The issue of shares in Series G3 shall be conducted by way of a private subscription referred to in Article 431 Section 2 Para 1 of the Code of Trading Companies conducted under conditions of public trading, while the shares in Series G3 shall be introduced to trading in the Warsaw Stock Exchange. All the shares in Series G3 shall be offered for the President of the Company. The agreement for assuming the shares in Series G3 shall be concluded by 30 October 2005. In reference to increasing the initial capital of the Company, Article 7 Para 1 of the Company Bylaws is now worded as follows: "1. The initial capital of the Company is not more than PLN 7,655,095 (say: seven million six hundred fifty five thousand and ninety five Polish Zloty) and is divided into not more than 7,655,095 (say: seven million six hundred and fifty five thousand ninety five) shares, including: 1,767,200 (one million seven hundred sixty seven thousand two hundred) registered preferential shares at the nominal value of PLN 1.00 each and not more than 5,887,895 (five million eight hundred and eighty seven thousand eight hundred and ninety five) regular bearer's shares at the nominal value of PLN 1.00 each, including: 1) 883,600 registered preferential shares in Series A, 2) 56,400 regular bearer's shares in Series A, 3) 883,600 registered preferential shares in Series B, 4) 56,400 regular bearer's shares in Series B, 5) 3,008,000 regular bearer's shares in Series C, 6) 1,200,000 regular bearer's shares in Series D, 7) 638,600 regular bearer's shares in Series, 8) 125,787 regular bearer's shares in Series G, 9) 102,708 regular bearer's shares in Series G3, 10) not more than 700,000 regular bearer's shares in Series H."

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

4.4. Position of the Management in reference to executing the previously published forecasts

The Management did not give any forecast for results for 2005.

4.5. Significant proceedings in court, a body appropriate for arbitration proceedings or a body of public administration

In the I Quarter 2005, companies of the Group did not initiate any legal actions and were not sued in proceedings meeting the criteria set forth in Article 98 Para 6 Clauses 5a) and 5b) of the Ordinance of the Council of Ministers of 21 March 2005 on current and periodical information submitted by issuers of securities.

ComArch SA is a party sued in court proceedings in which the prospective combined amount of claims by third parties is PLN 438 thou. According to the Management, based on opinions of legal advisors, there are no circumstances suggesting arising of significant obligations on this account, therefore provisions for the amount of prospective claims were not given in the financial statement.

4.6. Information about transactions with related entities, whose total value exceeds 500,000 EUR since the beginning of the year (apart from typical and routine transactions)

Not present.

4.7. Information about warranties and guarantees provided by the Company and the subsidiary entity

In the I Quarter 2005, ComArch SA and an entity subsidiary to it did not provide any warranties and guarantees referred to in Article 98 Para 6 Clause 7 of the Ordinance of the Council of Ministers of 21 March 2005 on current and periodical information submitted by issuers of securities.

4.8. Other information significant for assessment of personnel, equity and financial situation, financial result and their changes and information which is significant for assessment of the possibility of execution of obligations by the issuer

Not present.

5. Information about structure and activities of the Group

The basic subject matter of activities of the ComArch Group, in which the company of ComArch SA with the office in Krakow, Al. Jana Pawła II 39 A is the dominant unit, includes production, trading and services activities in the field of IT and telecommunications, PKD 72.20. The registration court for ComArch S.A. is the District Court for Krakow Śródmieście in Krakow, the XI Department for Commercial Issues of the national Court Register. KRS number: 0000057567. The ComArch SA Company owns the dominant share in the Group in view of the achieved proceeds, value of assets and number and volume of executed contracts. The shares of the ComArch S.A. company are admitted to exchange trading in the Warsaw Stock Exchange. Duration of the dominant unit is not limited.

The structure of activities of the ComArch Group is as follows: the dominant entity acquires majority of contracts, largely executing them, with companies of ComArch Global, ComArch Software, ComArch Middle East FZ-LCC, Comarch Sp. z o.o. (Ukraine), ComArch Panama, Inc., OOO ComArch acquiring contracts in foreign markets and executing them in entirety or in part. The ComArch s.r.o. Company deals with producing software to the order of the ComArch Group. Interia.pl is a web portal providing services in information, communication, searching and services for web communities. ComArch Services Sp. z o.o. conducts tele-IT activities consisting in providing tele-IT connections for own needs of the ComArch Group and executed by ComArch contracts. NetBrokers Sp. z o.o. operates in the -commerce sector, offering to its clients the virtual market of commodities, the information platform functioning in the Internet. MKS Cracovia SSA is a sport joint stock company.

On 31 March 2005, the following entities formed the composition of the ComArch Group (in parentheses: share of votes for ComArch SA):

- ComArch Spółka Akcyjna with the office in Krakow,
- ComArch Global, Inc. with the office in Washington (90.00%),
- ComArch Software AG with the office in Frankfurt am Main (100.00%),
- ComArch Middle East FZ-LCC with the office in Dubai (100.00%),
- ComArch Sp. z o.o. with the office in Kiev (100.00%),
- ComArch s.r.o. with the office in Sliač, Slovakia (100.00%),
- ComArch Panama, Inc. with the office in Panama (100.00% subsidiary to ComArch Global, Inc.),
- OOO ComArch with the office in Moscow (100.00%),
- ComArch Services Sp. z o.o. with the office in Krakow (99.90%),
- INTERIA.PL SA with the office in Krakow (*49.95%),
- NetBrokers Sp. z o.o. with the office in Krakow (40.00%),
- MKS Cracovia SSA with the office in Krakow (49.15%).

* As a result of assuming the new issue of INTERIA.PL shares in March 2005, the ComArch SA company owned temporarily more than 50% of votes in the GA, however, due to the regulations concerning the right for public trading in securities, the company could not enforce its voting rights with the owned shares until disposal of shares so as not to reach the 50% votes threshold in the GA. On 12 May, the ComArch SA company disposed 1 share in Interia.pl and at the same time Interia.pl cancelled preferences for some registered shares owned by ComArch S.A., and as of 12 May the ComArch S.A. company owned 49.95% of votes in the GA. Throughout the time, the Interia.pl company was thus an affiliated company towards ComArch S.A.

In the first quarter 2004, the following changes in the Group structure occurred:

a) On 26 January 2005, the OOO ComArch company was registered with the office in Moscow. OOO ComArch is a company in 100% subsidiary to ComArch SA. The initial capital of the Company is RUB 1.2m and is divided into 1,200,000 shares at the nominal value of RUB 1 each (1 RUB is about PLN 0.11). The total number of votes resulting from all the issued shares is 1,200,000. The initial capital was paid in entirety with cash. The Company deals with sale of ComArch products in Russia and with partial support for IT systems provided for clients.

b) On 18 March 2005, the Management of ComArch SA was informed by Dom Maklerski POLONIA NET SA, offering shares in Series F of the Interia.pl SA company in public trading in securities, about allocating 425,000 shares in the Interia.pl SA. company for the ComArch SA company. The issue price of the allocated shares is PLN 10 per one share. Interia.pl SA is a company affiliated to ComArch SA. Value of the transaction is PLN 4,250 thou.

6. Description of the applied accounting principles

This consolidated financial statement was prepared for the first quarter 2005. It was prepared pursuant to the International Accounting Standards, the International Standards or Financial Reporting and interpretations issued no their basis. In particular, this quarterly financial statement was prepared pursuant to MSR 34 (mid-year reporting), as well as pursuant to MSSF 1 (the first application of International Standards for Financial Reporting). This statement was prepared pursuant to all accounting standards in force at the time of its preparation, although it cannot be stated with certainty that MSRs in force on this day shall be identical with those to be in force on 31 December 2005, i.e. on the last day of the year, for which the first annual statement pursuant to MSR is prepared.

Accounting principles adopted by the Group presented below were applied to all periods covered by this financial statement, with the exception of those areas in which they were applied beginning with the day of entering MSSF, i.e. 01 January 2004, within the optional exemptions and obligatory exceptions set forth in MSSF 1.

The Group enjoyed the following optional exemptions from the obligation of retrospective application of some MSRs in the first financial statement prepared according to MSSF (pursuant to MSSF 1, Para 1):

1) Merging commercial units

   The Group took advantage of this exemption and did not transform connections between commercial units, which were in place before the date of adopting MSSF, i.e. before 1 January 2004.

2) Assuming fair value or re-assesment as the basis for depreciation of fixed assets as of the date of adopting MSSF.

   The Group did not take advantage of this exemption.

3) Employee allowances.

   The Group did not take advantage of this exemption.

4) Cumulated differences on account of calculation into a foreign currency.

   The Group did not take advantage of this exemption.

5) Complex financial instruments.

   The Group did not take advantage of this exemption.

6) Defining the financial instruments presented earlier.

   The Group did not take advantage of this exemption.

7) Re-classification of assets and financial obligations as of the date of adopting MSR 32 and 39.

   The Group did not take advantage of this exemption.

8) Transactions of payment in the form of own shares.

   Transactions of payment in the form of own shares present in the Group were established before 7 November 2002 and pursuant to MSSF 2 they are not recognised in the financial statement prepared according to MSSF.

9) Insurance agreement.

   There are no insurance agreements in the Group.

10) Obligations on account of withdrawing tangible fixed assets from operational use included in acquisition price or cost of generation.

   There are no obligations of this type in the Group.

The Group followed obligatory exceptions related to retrospective application of some MSSFs set forth in MSSF 1 (pursuant to MSSF 1, Para 26):

1) Removing financial assets and obligations from the balance sheet.

   In the period covered by the statement there were no transactions, which would result in adjustments in reference to application of MSR 32 and MSR 39.

2) Accounting of collateral.

   In the period covered by the statement there were no transactions, which would result in adjustments in reference to application accounting of collateral.

3) Assets classified as allocated for sale and discontinued activities.

   In the period covered by the statement there were no assets classified as allocated for sale and discontinued activities.

4) Book estimates.

   In the period covered by the statement there was no need to change estimates so that they are adjusted to MSSF requirements.

The consolidated financial statements of the ComArch Group which were prepared before 31 December 2004 were prepared pursuant to the Polish Accounting Principles (PZR) and differ in some areas from the statements which would be prepared pursuant to MSSF. The Group executed reconciliation of the balance sheet, of the profit and loss account and of the summary of changes in total equity between the statements prepared pursuant to PZR and the statements prepared pursuant to MSSF. Notes 2.2.1-2.2.5 present the detailed reconciliation and explanation of the differences.

These financial statements were prepared pursuant to the principle of historical cost with the exception of these items, which are appraised in another way pursuant to these principles.

Preparation of the statement pursuant to MSSF requires a number of estimates to be done and application of own judgement. Note 6.3.2 presents these areas of the financial statement which require significant estimates or for which significant judgement is required.

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

The ComArch Group prepares the profit and loss account in the calculative version, whereas the cashflow statement is prepared with the indirect method.

This statement was prepared on 16 May 2005.

The consolidated financial statement of the ComArch Group for the I Quarter 2005 covers statements of the following companies:

	Relationship	Consolidation method	Share of ComArch SA in the initial capital
ComArch SA	Dominant unit	Full	
ComArch Software AG	Subsidiary unit	Full	100.00%
ComArch Global, Inc.	Subsidiary unit	Full	90.00%
ComArch Middle East FZ-LCC	Subsidiary unit	Full	100.00%
ComArch Sp. z o.o. (Ukraine)	Subsidiary unit	Full	100.00%
ComArch s.r.o.	Subsidiary unit	Full	100.00%
ComArch Panama, Inc.	Subsidiary unit	Full	90.00%
OOO ComArch	Subsidiary unit	Full	100.00%
ComArch Services Sp. z o.o.	Subsidiary unit	Full	99.90%
Interia.pl SA	Affiliated unit	Ownership rights	37.50%
NetBrokers Sp. z o.o.	Affiliated unit	Ownership rights	40.00%
MKS Cracovia SSA	Subsidiary unit *	Full	49.15%

6.1 Principles for appraisal of assets and liabilities and determining the financial result

6.1.1. Reporting concerning segments

The industry segment means a group of assets and activities committed to providing products and services which are subject to risks and returns on the incurred investment expenditures other than in other industry segments. The geographical segment provides products or services in a certain economic milieu, which is subject to risks and returns other than in case of segments functioning in other economic milieus. The Group chose reporting according to industry segments as the basic segment.

6.1.2 Consolidation

a) Subsidiary units

Subsidiary units are any units (including special units) in reference to which the Group has the capacity of managing their financial and operational policies, which is usually related to owning majority of the total number of votes in the deciding bodies. In the assessment, whether the Group controls the given unit, existence and effect of prospective voting rights, which at the given time may be realised or converted, are taken into account. Subsidiary units are subject to full consolidation starting with the date of taking control over them by the Group. Consolidation ends on the cessation of the control.

Taking over subsidiary units by the Group is settled with the acquisition method. The cost of taking over is determined as fair value of the provided assets, issued capital instruments and contracted obligations or taken over as of the exchange date, increased by the costs directly related to taking over. Identifiable assets acquired and obligations and conditional obligations taken over within the merging of commercial units are appraised initially according to their fair value as of the date of taking over, irrespective of the values of minority shares, if any. Surplus of taking over cost over the fair value of the Group share in identifiable taken over net assets is included as goodwill. If taking over cost is lower from fair value of net assets of the taken over subsidiary unit, the difference is given directly in the profit and loss account. Transactions, settlements and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also subject to elimination unless the transaction provides proofs for loss in value by the provided asset item. The accounting principles applied by the subsidiary unit were changed where necessary to ensure compliance with accounting principles applied by the Group.

b) Affiliated units

Affiliated units are all units on which the Group exert significant effect, but which are not controlled by it, which is usually associated with owning 20 to 50% of the total number of votes in the deciding bodies. Investments in affiliated units are settled with the ownership rights method and are initially given according to the cost. Investment of the Group in affiliated units covers goodwill defined on acquisition.

The share of the Group in the financial result of affiliated units starting with the acquisition date is given in the profit and loss account, while its share in changes in other capitals starting with the acquisition date are given in other capitals. The balance sheet value of investments is adjusted with the total change since the acquisition date. When the share of the Group in losses of an affiliated unit is equal to or higher than the share of the Group in this affiliated unit, covering possible other receivables without collaterals, the Group stops including further losses, unless it takes over the obligation or made payment on behalf of the given affiliated unit.

Unrealised profits in transactions between the Group and its affiliated units are eliminated in proportion to the share of the Group in affiliated units. Unrealised losses are also eliminated unless the transaction provides proofs for existence of loss in value of the submitted item of assets. Accounting principles applied by the affiliated unit were, where necessary, changed to ensure compliance with the accounting principles used by the Group.

6.1.3. Appraisal of items expressed in foreign currencies

a) Functional currency and presentation currency

Items given in financial statements of particular units of the Group are appraised in the currency of the basic economic milieu in which the given unit conducts its activities (the “functional currency”). The consolidated financial statement is presented in Polish Zloty (PLN), which is the functional currency and the currency of presentation in the dominant unit.

b) Transactions and balance values expressed in foreign currencies

Transactions expressed in foreign currencies are calculated into the functional currency according to the exchange rate in force on the date of the transaction. Exchange rate profits and losses on account of settlement of these transactions and the balance sheet appraisal of financial assets and obligations expressed in foreign currencies are given in the profit and loss account unless they are referred to the total equity, when they qualify to be recognised as cashflow collateral and collateral for shares in net assets.

Exchange rate differences on account of non-cash items such as capital instruments appraised according to fair value in correspondence with the profit and loss account are given within profits and losses on account of changes in fair value. Exchange rate differences on account of such non-cash items as capital instruments classified into financial assets available for sale are taken into account in capital from appraisal at fair value.

c) Companies within the Group

The result and financial standing of all units of the Group (none of which conducts activities under hyperinflation conditions) whose functional currencies are different from the presentation currency are calculated at presentation currency as follows:

(i) Assets and obligations in each presented balance sheet are calculated according to the closing rate in force on the balance sheet day,

(ii) Proceeds and costs in each profit and loss account are calculated according to average exchange rates (unless the average exchange rate constitutes satisfactory approximation of the cumulated effect of exchange rates as of the transaction date, when proceeds and costs are calculated according to exchange rates as of the transaction date), and all the resulting exchange rate differences are given as a separate item in the total equity.

In consolidation, exchange rate differences on account of calculating net investments in foreign units and credits, loans and other currency instruments set as collateral for such investments are given in the total equity. For sale of a unit managing activities abroad, such exchange rate differences are given in the profit and loss account as part of profit or losses from sales.

Goodwill and adjustments to the fair value level, which arise in acquisition of a foreign unit, are regarded as assets and obligations of a foreign unit and are calculated according to the closing rate.

6.1.4. Investments

a) Financial assets and obligations given at fair value, with profits or losses settled by the profit and loss account

This category includes two sub-categories: financial assets allocated for trading and financial assets allocated at the time of their initial including for appraisal according to fair value, with profits or losses given in the profit and loss account. An item of financial assets is included in this category if it was acquired first of all for sale in a short time or if it was included in this category by the Management. Derivative instruments are also included into “allocated for trading” if they were not allocated for collateral. This type of instruments is given separately in the balance sheet in the items “Derivative financial instruments.” Assets in this category are included in current assets if they are allocated for trading or their realisation is expected within 12 months of the balance sheet date.

b) Loans and receivables

Loans and receivables are financial assets with defined or definable payments not included in derivative instruments, not registered in the active market. These arise when the Group gives cash, merchandise or services directly to the debtor, without the intention of introducing its receivables into trading. They are included in current assets if their maturity period does not exceed 12 months of the balance sheet date. Loans and receivables with maturity period exceeding 12 months of the balance sheet date are included in fixed assets. Loans and receivables are included in the receivables on account of deliveries and services and other receivables given in the balance sheet.

c) Investments maintained until maturity date

Investments maintained until maturity date are financial assets with defined or definable payments and a defined maturity date, not included in derivative instruments, which the Management of the Group intends to maintain and is capable of maintaining until maturity date.

d) Financial assets available for sale

Financial assets available for sale are financial instruments allocated to this category or not included in any other category, not included in derivative instruments. These are included in fixed assets if the Management does not intend to dispose of the investment within 12 months of the balance sheet date.

Transactions of purchase and sale of investments are given as of the date of the transaction, the date, when the Group undertakes to purchase or sell the given asset item. Investments are given initially at fair value increased, in case of items of assets not qualified as appraised at fair value by the financial result, by transaction costs. Investments are excluded from books of account when the rights to obtain cashflows on their account have expired or were assigned and the Group has transferred basically the entire risk and all benefits on account of their ownership.

Financial assets available for sale and financial assets given according to fair value, with profits or losses given in the profit and loss account, are given after the initial inclusion at fair value. Loans and receivables and investments maintained until maturity date are given according to the adjusted acquisition price (depreciated cost) with the effective interest rate method. Realised and unrealised profits and losses on account of changes in fair value of financial assets given according to fair value, with profits or losses settled in correspondence with the profit and loss account, are given in the profit and loss account in the period in which they have originated. Unrealised profits and losses on account of changes in fair value of non-cash securities included in "available for sale" are given in the total equity. In case of selling securities included in "available for sale" or loss of their value, the total current adjustments up to the level of the current fair value are given in the profit and loss account as profits and losses in investment securities.

Fair value of registered investments results from their current purchase price. If the market for the given item of financial assets is not active (and also in reference to unregistered securities), the Group determines fair value with appraisal techniques. They cover using recently conducted transactions on standard market rules, reference to other instruments which are basically identical, analysis of discounted cashflows and commonly regarded as correct models of appraisal of derivative instruments based on input data from the active market.

The Group performs the assessment on each balance sheet date, whether there are objective proofs that an item of financial assets or a group of financial assets lost value. In reference to capital securities included in "available for sale," significant or prolonged loss in fair value of the given security below its cost is taken into account in determining whether securities lost value. If such proofs appear in case of financial assets available for sale, the total current losses (defined as difference between acquisition price and the current fair value less possible losses on account of the loss in value given earlier in the profit and loss account) are excluded from the total equity and are given in the profit and loss account. Losses on account of loss in value given earlier in the profit and loss account on account of capital instruments are not subject to reversing in correspondence with the profit and loss account.

6.1.5. Fixed assets

a) Intangibles

Intangibles are given in the register according to acquisition prices less the current redemption and, possibly, write-offs on account of permanent loss in value. The Group makes depreciation write-offs with the linear method. The following depreciation rates have been adopted:

- computer software 30%
- licenses 30%
- copyright 30%
- other rights 10-20%

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

The land perpetual usufruct is regarded as an item of intangibles with unspecified period of use.

b) Goodwill

Goodwill constitutes surplus of the taking over cost over fair value of the share of the Group in identifiable net assets of the taken over subsidiary / affiliated unit as of the date of the taking over. Goodwill from taking over subsidiary units is given within intangibles. Goodwill from taking over affiliated units is given within investments in affiliated units. Goodwill is annually tested for loss in value and is given in the balance sheet according to the cost less cumulated write-offs on account of possible loss in value. Profits and losses from disposal of a unit take into account balance sheet value of goodwill related to the sold unit.

In order to conduct a test for the possible loss in value, goodwill is allocated into centres generating cash.

c) Tangible fixed assets

Fixed assets

These were appraised according to acquisition prices or costs of generation less current redemption and possible write-offs on account of permanent loss in value. The adopted depreciation rates correspond with economic usability of fixed assets.

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

Assets are depreciated with the linear method with application of depreciation rates corresponding with periods of their economic usability. In most cases, depreciation rates are: 30% (for group IV according to the Polish Classification of Fixed Asset Types, called hereafter PKRST) and 20% (for groups VII and VIII according to PKRST). In case of fixed assets acquired in order to be used in a specific project, the depreciation period is set as equal to the project duration.

Fixed assets under construction

Fixed assets under construction are appraised according to acquisition price less possible write-offs on account of permanent loss in value.

Improvements in third party fixed assets

Improvements in third party fixed assets are appraised according to acquisition price less current redemption and possible write-offs on account of permanent loss in value.

d) Loss in asset value

Assets with unlimited period of use are not subject to depreciation but are annually tested for possible loss in value. Assets subject to depreciation are analysed for loss in value whenever an event or change in circumstances indicate possibility of not realising their balance sheet value. The loss on account of loss in value is given in the amount by which the balance sheet value of the given item of assets exceeds its reconstruction value. Reconstruction value is the higher from fair value less costs of sale and fair value. For the needs of analysis for loss in value, assets are grouped at the lowest level in reference to which there are separately identifiable cash flows (centres generating cash).

6.1.6. Current assets

a) Inventory, products in progress and merchandise

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

Applications produced by the Group and allocated for repeated sales is appraised in the period of bringing about economic benefits by them, not longer than 36 months since opening sale, in the amount of surplus of generation costs over net proceeds obtained from sales of these products within the following 36 months. Costs of generation not written off after this period of time increase other operational costs. depending on the nature of the produced software and assessment of its possible sales, appropriate principles are applied for writing off into own costs the expenditures incurred for generation from 50% to 100% of the invoiced amount in the above period of sale, provided that 50% is used as the basic rate. If the company knew earlier about limiting the selling capacity, it immediately makes a write-off updating value of production in progress in the amount of the expenditures in reference to which there is probability of not regaining, or makes a one-time write-off of the entire unsettled expenditures (depending on the degree of risk assessment) in own cost of sales.

Merchandise is appraised according to actual purchase prices, not higher than net selling prices.

b) Receivables

As of the date of their origination, these are given in the books according to fair value, and according to adjusted acquisition price (depreciated cost) in subsequent periods. Receivables, depending on their maturity date (up to 12 months of the balance sheet date or more than 12 months of the balance sheet date) are given as short-term or long-term items. In order to make their value real, write-offs updating value of bad receivables were made for receivables. Write-offs on account of loss in value correspond with the difference between the balance sheet value and current value of actual cashflows from the given item of assets.

c) Cash and their equivalents

This category includes cash at hand and in bank accounts and liquid short-term securities.

d) Settlement of long-term contracts

Costs related to long-term contracts are given at the time of their incurrence. The result in contracts is determined according to the progress of work if reliable determination of it is possible. The progress is measured based on the ratio of costs incurred by the balance sheet date to the total estimated costs on account of contracts, expressed in per cents. If it is probable that total costs on account of an agreement exceed total proceeds, the expected loss is posted immediately.

The Group gives in the assets an item of “Due proceeds on account of long-term contracts” in case when there is surplus in incurred costs and posted profits on account of long-term contracts over the value of invoiced sales for contractors. Otherwise, when there is surplus of the invoiced sales to contractors over the value of incurred costs and posted profits on account of long-term contracts, the Group presents an item in obligations called “Obligations on account of invoiced proceeds from long-term contracts.” The above surpluses are determined for each contract separately and are presented separately without balancing particular items.

6.1.7. Total equity

Total equity includes, among others:

- The initial capital of the dominant unit given at the nominal value,
- The supplementary capital established from allocation of profit with principles and limits observed as specified in the Code of Trading Companies and from surplus of sale of shares above their nominal value,
- The capital from updating the appraisal as a result of appraisal of the capital part of long-term obligations on account of the issued own bonds and redemption of a part of own bonds convertible into shares, as well as from consequences of the appraisal of shares owned by ComArch SA in foreign currencies,
- Other reserve capitals established from division of profit allocated for investment and other objectives specified in the bylaws are appraised according to the nominal price,
- The undivided profit resulting from adjustments on account of changes in accounting principles in 2002 in reference to the amendment of the Accounting Act and adjustments related to the change in principles for recognising in-built derivative instruments. The undivided profit includes also results for the period from January to August 2004 for companies merging with ComArch SA,
- The capital from the merger.

6.1.8 Obligations and provisions for obligations

a) Trade obligations and other obligations

They are given in the books as of the origination date according to the value of adjusted nominal acquisition price (depreciated cost), and in the due amount as of the balance sheet date. Obligations, depending on maturity (up to 12 months of the balance sheet date or more than 12 months of the balance sheet date) are given as short-term or long-term items.

b) Financial obligations

At the time of the initial posting of financial obligations they are appraised at fair value, increased (in case of an item of obligations not qualified as appraised at fair value by the financial result) by transaction costs. After the initial posting, the unit appraises financial obligations according to the depreciated cost with application of the effective interest rate method, with the exception of derivative instruments, appraised at fair value. Financial obligations set as items with collateral are subject to appraisal pursuant to accounting principles of providing collateral.

c) Provisions for obligations

These cover possible costs and obligations related to the given reporting period, whose exact amount is not known as yet, including, among others, provisions for guarantee repairs.

6.2. Recognising proceeds and costs

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

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

The way of recording proceeds on account of integration contracts by the Group was described in “Settlement of long-term contracts.”

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

- Proceeds from own software (irrespective of the form of availability, that is licences, property rights, etc.),
- Proceeds from services referred to above.

The unit manager may make a decision on including the estimated proceeds for which probability is high that they shall be realised into total proceeds from a contract (e.g. during execution of the contract, project modification is done for technical reasons and probability is justified that the ordering party accepts the modification and the amount of proceeds resulting from this modification). For integration contracts, under which software allocated for repeated sales by the ComArch Group is supplied, proceeds and costs related to this software and proceeds and costs related to the other part of the integration contract are given separately in the books.

Various integration contracts are combined and recorded in the books as one contract, if:

- The agreements are realised at the same time or in continuity and precise differentiating costs of their execution is impossible, or
- The agreements are so closely inter-related that they are actually parts of a single project with the profit margin common for the entire project.

Proceeds from sales of other services, products, merchandise and other property items include sums of fair value from due invoiced proceeds, with account for discounts and rebates, without value added tax.

Costs of sale include costs of marketing and costs of acquisition of new orders by centres (departments) of sale in the ComArch Group.

General costs include costs of the ComArch Group functioning as a whole and include in particular costs of management and costs of departments operating for general needs of the Group.

a) Other operational proceeds and costs

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

b) Financial proceeds and costs

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

As a general rule, it is assumed, pursuant to MSR12, that in reference to temporary differences between the value of assets and liabilities given in the books of account, and their tax value and the tax loss possible for deduction in the future, a provision is established and assets are determined on account of deferred income tax. Assets on account of deferred income tax are determined in the amount foreseen to be deducted from income tax in the future, in reference to negative temporary differences which will cause reduction of the taxable amount in the future for calculation of income tax and deductible tax loss, defined with the safe calculation principle observed. The provision on account of deferred income tax is established in the amount of income tax payable in the future, in reference to positive temporary differences, that is differences that will cause increase the taxable amount for calculation of income tax in the future. The amount of the provision and assets on account of deferred income tax are determined with rates of income tax in force in the year when tax obligation originated. The difference between the provision and assets on account of deferred tax as of the end and as of the beginning of the reporting period affect the financial result, and the provision and assets on account of deferred income tax related to operations settled with the total equity are also referenced to the total equity.

6.3. Managing financial risk

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

1. The risk of contractors' insolvency. The Company analyses financial credibility of prospective clients before concluding agreements for delivery of IT systems and adjusts conditions of each agreement to the prospective risk depending on assessment of the financial standing;
2. The risk of changing interest rates. The Company is exposed to the risk of changes in interest rates in reference to the concluded long-term investment credit allocated for financing a new production building in the Special Economic Zone in Krakow. This credit has interest based on variable interest rate based on the WIBOR index. The Company has not established any collateral for risk of interest rate in this area;
3. The risk of changing currency exchange rates. In reference to export sales or sales denominated in foreign currencies, the Company is exposed to currency exchange risk. At the same time, part of the company costs is also expressed in or related to exchange rates for foreign currencies. In individual cases, the company provides collateral for future payments with forward contracts.

6.3.1 Accounting of derivative financial instruments and activities in collaterals

Derivative instruments constituting an instrument of collateral, which are collateral for fair value, are appraised at fair value, and the change in the appraisal is referenced to the result on financial operations.

Derivative instruments constituting an instrument of collateral, which are collateral for cashflows, are appraised at fair value, and the change in the appraisal is referenced to: a) the capital from updating the appraisal (in the part constituting effective collateral), b) the result from financial operations (in the part not constituting effective collateral).

Derivative instruments not constituting an instrument of collateral are appraised at fair value, and the change in the appraisal is referenced to the result from financial operations.

6.3.2. Important estimates and assumptions

Estimates and judgements are continuously verified. They result from current experience and other factors, including forecasts events which seem justified in the given situation.

The Group makes estimates and accepts assumptions for the future. The obtained accounting estimates by definition shall rarely correspond with the actual results. Estimates and assumptions, which bear significant risk of the necessary introduction of major adjustments in the balance sheet value of assets and obligations during the following accounting year, are given below.

a) Estimates of the total costs of execution of projects related to appraisal of long-term contracts, pursuant to MSR 11,

b) Estimates related to determining and recognising assets on account of deferred income tax, pursuant to MSR 12,

c) Estimates of possible costs related to the current court proceedings against the company, pursuant to MSR 37.

7. Description of significant achievements and failures and factors and events significantly affecting the achieved financial result of the ComArch Group in the I Quarter 2005 and factors which shall have effect on the achieved results in the perspective of at least one future quarter.

In the I Quarter 2005, the ComArch Group achieved proceeds from sales higher by 11.5% than in the I quarter of the previous year. Their value was PLN 74,021 thou. The order portfolio for the current year is at present above PLN 200m, about 20% higher than in the same period of the last year. ComArch continues to dynamically expand in international markets. The share of export sale is maintained at a high 20% level, with diversified client base from Europe, America and Near East.

Net profit for shareholders of the Group, after 3 months of 2005, was PLN 1,259 thou., which means a drop against the I Quarter 2004, when it was PLN 3,401 thou. The worse result came from higher costs of sold products, merchandise and materials, which found unfavourable reflection in the obtained margin. It is a consequence of mostly the significant increase in employment in the Group in the last several months. It is related to costs of developing ComArch presence in international markets, as well as to the conducted research and development work aimed at increasing international competitiveness of ComArch. At present, the ComArch Group employs ca. 1,550 persons, or over four hundred employees more than last year. The Company Management is certain that due to positive perspectives for the ComArch Group (the portfolio order value is higher by 20% against the same period of last year), the increase of employment shall be fully consumed in further periods by the increasing proceeds of the Group.

Analysing the results for the first quarter, attention shall be paid to the fact that there is a large comparison base with exceptionally good results for the first quarter 2004. Analysing financial data of ComArch in a longer period of time, one can see that the results in the first quarter of the given year were usually significantly lower than the results in other quarters.

High dynamics of the increase in proceeds and a large portfolio of orders and increasing international sales allow maintaining optimism for further results of the Group. The results of the Group in future quarters shall depend first of all on maintaining positive trends in economy, financial standing of medium-size and large companies (which constitute the major client base of the Group) and shaping of currency exchange rates.

The detailed structure of proceeds of the Group and the level of contracts were given in the following tables:

ComArch Group				
	I Quarter 2005	%	I Quarter 2004	%
Telecommunications	21,587	29.2%	19,939	30.0%
Finances and Banking	10,789	14.6%	11,460	17.3%
Services, Trade	21,449	29.0%	14,228	21.4%
Industry	4,547	6.1%	4,860	7.3%
Public sector	13,951	18.8%	14,710	22.2%
Other	1,698	2.3%	1,187	1.8%
TOTAL	74,021	100.0%	66,384	100.0%
Domestic	60,206	81.3%	53,455	80.5%
International	13,815	18.7%	12,929	19.5%
TOTAL	74,021	100.0%	66,384	100.0%

ComArch Group			
	As of 30 April 2005	As of 30 April 2004	Change
Portfolio of orders for the current year	203,704	169,340	20.3%
Including export contracts	47,318	47,351	–0.1%
Share of international contracts	23.2%	28.0%	

The following events of significance for current activities of the ComArch Group occurred in the I quarter 2005:

On 26 January 2005, the OOO ComArch company with the office in Moscow was registered. OOO ComArch is a company in 100% subsidiary to ComArch SA. The initial capital of the Company is RUB 1.2m and is divided into 1,200,000 shares of the nominal value of 1 RUB each (1 RUB is about 0.11 PLN). The total number of votes resulting from all the issued shares is 1,200,000. The initial capital was paid in entirety with cash. The Company deals with sale of ComArch products in Russia and with partial support of IT systems delivered to clients.

On 18 March 2005, the Management of ComArch SA was informed by Dom Maklerski POLONIA NET SA, offering shares in Series F of the Interia.pl SA company in public trading, of allocating 425,000 shares of the Interia.pl S.A. company shares for ComArch SA. The issue price of the allocated shares is PLN 10 per share. Interia.pl SA is a company affiliated to ComArch SA. Value of the transaction was PLN 4,250 thou.

The Management of ComArch SA informed that on 23 March 2005 it obtained a signed change to the agreement for an investment credit with Fortis Bank Polska SA with the office in Warsaw for financing construction of a new production and office building in the Special Economic Zone in Krakow, of which the Company informed in the current report No 47/2004. The change consists in extending for 3 months the period of credit usage. At present, funds from credit may be initiated by 30 June 2005. Value of the credit agreement is PLN 20m.

The Supervisory Board of the Company passed Resolution No 1/3/2005 on 23 March 2005 on execution of the managerial option programme due for President of the Company Management on the basis of Resolution No 6 of the Extraordinary General Assembly of ComArch SA Shareholders of 21 December 2001. Pursuant to Article 1 Para 3 of this Resolution, the option for 2004 is calculated in the amount of 5% of the increase in capitalisation of the Company between the average capitalisation of December 2003 and the average capitalisation of December 2004. The increase in capitalisation in this period was PLN 140,587,330.11, so the value of the option is PLN 7,029,366.51. At the same time, the Board decided that in order to execute this option, 102,708 regular bearer's shares in Series G3 shall be issued at the issue price equal to the nominal value, i.e. at PLN 1 each. The Supervisory Board obliged the Management to pass a resolution within 30 days on issuing shares in Series G3 on the above conditions and expressed consent for excluding subscription rights due for the current shareholders in reference to the objectives of the programme. The Management of ComArch SA informs that the issue of shares in Series G3 shall be conducted on principles of the target capital pursuant to Article 9 Para 3 of the Company Bylaws.

On 29 March 2005, Robert Chwastek filed resignation of the performed function of Member, the ComArch S.A. Management. Mr. Robert Chwastek gave personal reasons as causes of filing this resignation.

8. The abbreviated quarterly financial statement of ComArch SA

8.1. Balance sheet

	Note	As of 31 Mar 2005	As of 31 Dec 2004
ASSETS			
Fixed assets			
Tangible fixed assets		78 918	74 036
Intangibles		7 879	7 517
Investments in affiliated units		15 256	11 006
Investments in other units		23 226	23 007
Financial receivables		320	380
		125 599	115 946
Current assets			
Inventory		15 297	14 184
Financial dues		768	736
Trading dues and other		75 600	77 095
Dues on account of long-term contracts		25 377	20 631
Other financial assets at fair value settled with the profit and loss account		130	2000
Cash and equivalent		3 555	21 502
		120 727	136 337
Total assets		**246 329**	**252 094**
Total equity			
Total equity per shareholders of the Company			
Initial capital		6 852	6 852
Other capitals		111 313	111 399
Net profit for the current period		2 005	
Undivided financial result		10 202	10 202
Minority share			
Total equity		130 372	128 453
Obligations			
Long-term obligations			
Credits and loans		13 942	7 465
Obligations on account of bonds		38 807	38 472
		52 749	45 937
Short-term obligations			
Trading obligations and other		56 796	71 055
Obligations on account of bonds		1 499	781
Credits and loans		1 303	445
Provisions and other obligations		3 610	5 423
		63 208	77 704
Total obligations		115 957	123 641
Total liabilities		246 329	252 094

8.2. Profit and loss account

	I Quarter 2005	I Quarter 2004
Proceeds from sales	79,922	37,227
Costs of sold products, merchandise and materials	(54,933)	(22,833),
Gross profit	**14,264**	**14,394**
Other operational proceeds	65	123
Costs of sale and marketing	(6,621)	(6,298)
General and administrative costs	(4,693)	(5,403)
Other operational costs	(446)	(251),
Operational profit	**2,569**	**2,565**
Net financial costs	(564)	(371)
Profit before taxation	**2,005**	**2,194,**
Net profit for the period	**2,005**	**2,194,**
Profit per share for the period (expressed in PLN per one share)		
– Basic	0.29	0.33
– Diluted	0.29	0.32

8.3. Summary of changes in total equity

	For Company shareholders						
	Initial capital	Reserve capital	Fair value and other capitals	Exchange rate differences	Undivided financial result	Minority shares	Total equity
As of 1 January 2004	**6,727**	**96,714**	**11,408**		**11,243**		**126,092**
Profit for the period					2,194		2,194
Given total proceeds and profits for the period					2,194		2,194
As of 31 March 2004	**6,727**	**96,714**	**11,408**		**13,437**		**128,286**
As of 1 January 2005	**6,852**	**96,714**	**14,685**		**10,202**		**128,453**
Profits (losses) on account of fair value, after taxation:			(270)				(270)
– collateral of cashflows			(270)				(270)
Net proceeds (costs) given directly in total equity			184				184
Profit for the period					2,005		2,005
Given total proceeds and profits for the period			(86)		2,005		1,919
As of 31 March 2005	**6,852**	**96,714**	**14,599**		**12,207**		**130,372**

8.4. Cashflow statement

	I quarter 2005	I quarter 2004
Cash proceeds from operational activities		
Net profit (loss)	2,005	2,194
Total adjustments	(14,981)	(125)
Depreciation, including:	2,435	1,385
(Profit) loss from investment activities	110	
Change in inventory	(1,112)	(1,519)
Change in receivables	1,058	29,771
Change in obligations and provisions, with the exception of loans and credits	(17,447)	(29,762)
Net profit less total adjustments	(12,976)	2,069
Interest paid		
Income tax paid		
Net cash from operational activities	(12,926)	1,981
Cash flows from investment activities		
Acquisition of an affiliated unit	(4,250)	(203)

Acquisition of tangible fixed assets	(9,313)	(5,927)
Proceeds from sale of tangible fixed assets	72	
Acquisition of intangibles	(726)	(231)
Acquisition of financial assets available for sale	(500)	
Proceeds from sale of financial assets available for sale		55,000
Acquisition of short-term securities		(69,615)
Loans granted to related units	(119)	
Payment of loans received from related units	92	4,837
Net cash from investment activities	(12,344)	(16,139)
Increase in net cash and credits in bank accounts	**(17,993)**	**(13,989)**
Cash and credits in bank accounts as of the beginning of the period	21,502	30,487
Positive (negative) exchange differences in cash and credits in bank accounts	46	
Cash and credits in bank accounts as of the end of the period	**3,555**	**16,498**