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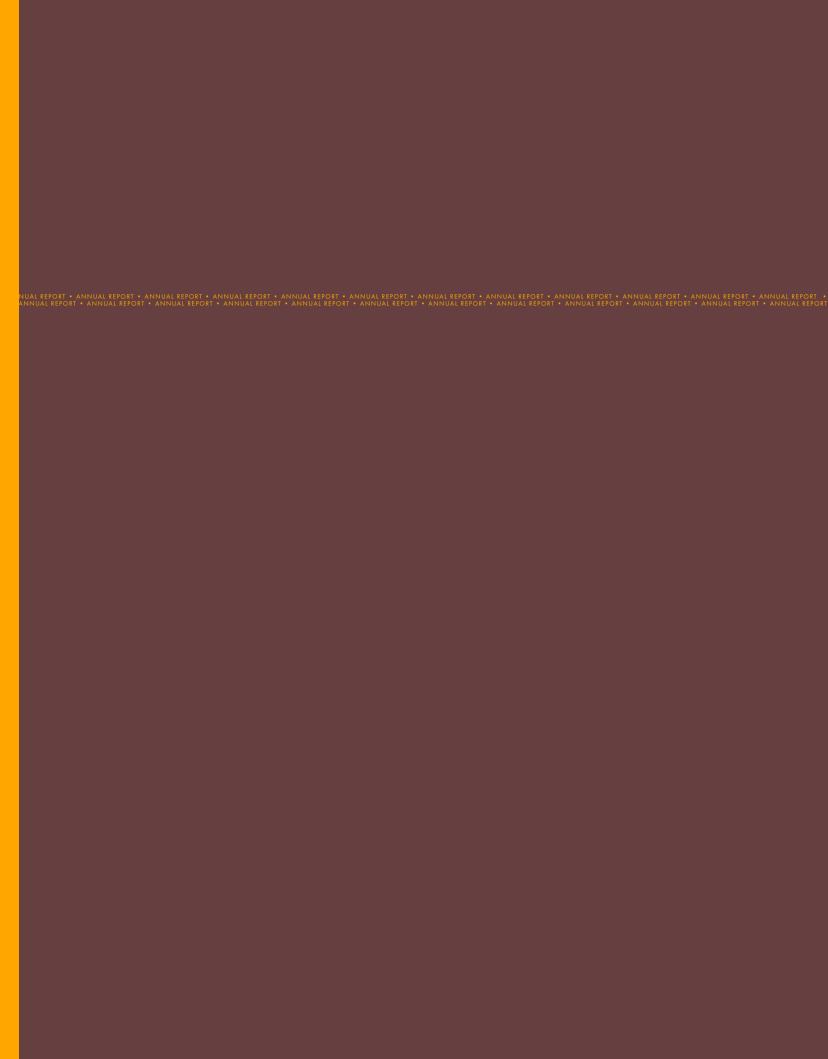
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THE 1999 COMARCH S.A. ANNUAL REPORT

The Management Board of ComArch S.A. is pleased to introduce the 1999 Annual Report. The year was highly successful for ComArch in terms of development, growth and profitability. Compared to 1998, sales revenue increased by 121% to 140.8 million PLN and net income rose by 87% to 14.2 million PLN. This was caused by very strong sales of both new and established products and services. ComArch was very successful

in selling the EFOS system to Polish Pension Funds (70% market share), systems to telecommunication companies (TYTAN), the vlBank Internet banking application, and many others. Also, key long term strategic decisions were made in 1999 ensuring ComArch's future growth and development. ComArch continued on the road to internationalization as the company opened foreign offices in Washington D.C. (USA) and Frankfurt am Main (Germany). In February 1999, ComArch went public and the Company's shares debuted on the Warsaw Stock Exchange in May 1999. A new equity issue, completed in early 2000, allowed the Company to move to the main market of the Warsaw Stock Exchange.



On behalf of the Management Board, I have the pleasure to present the 1999 Annual Report. Last year was extremely successful for our Company. ComArch continued its dynamic growth and development initiated in 1998. We enjoyed numerous market successes and signed several significant contracts, which include: contracts for implementing the TYTAN billing system for telecommunications operators, contracts with brokerage houses for the vIBank Internet banking system, contracts for implementing the ORLANDO-EFOS system at Pension Funds and Investment Funds, and numerous contracts for the EGERIA Enterprise Resource Planing system. Our clients include the largest Polish and Multinational companies such as Telekomunikacja Polska, Lucent Technologies, Procter and Gamble, Citibank and many others. Our market success translated into strong revenue growth from 63.7 million PLN to 140.8 million PLN and net income growth from 7.58 million PLN to 14.2 million PLN. It is worth noting that 15% of revenues were generated by implementing Internet systems.

Going public and the debut of ComArch S.A. securities on the Warsaw Stock Exchange was a notable last year event for ComArch. The Initial Public Offering was a great success and since their debut, the shares have followed a growth trend. ComArch's image as a public enterprise further established our position among Clients, Partners, and Investors and contributed to the Company's financial stability. As a result, ComArch S.A. can continue to strengthen its position on the IT market.

ComArch S.A. is perceived as a technology leader on the Polish IT market. This is an effect of constant product development and investments in new technologies. We are aware of the dynamic growth of the Internet which revolutionized the way business is conducted. In response to this development we made several investments in the Internet sector: we developed the ComArch Virtual World family of products including the vIBank and vShop systems and we are actively developing application homing services and business-to-business services. In partnership with the RMF FM Group, we are operating the Interia.pl portal in the business-to-customer sector. In spite of the portal's recent debut on the market it has already managed to gain a strong market position.

To further fund our growth and future investments aimed at increasing the value of the Company, a new successful equity issue took place. Shares have also been offered to key employees as part of a management motivational program. The goal of the program is to tie compensation of middle level managers with creating value for shareholders. The growth of ComArch is not only based on capital. In order to undertake increasingly larger projects we have increased employment throughout 1999. Employees are a key asset for an IT Company. As a result, ComArch strives to hire and retain the best specialists and to create very attractive working conditions.

Looking at last year's achievements and opportunities ahead, we are very optimistic when looking at the future.

Sincerely,

Professor Janusz Filipiak

President of the Management Board



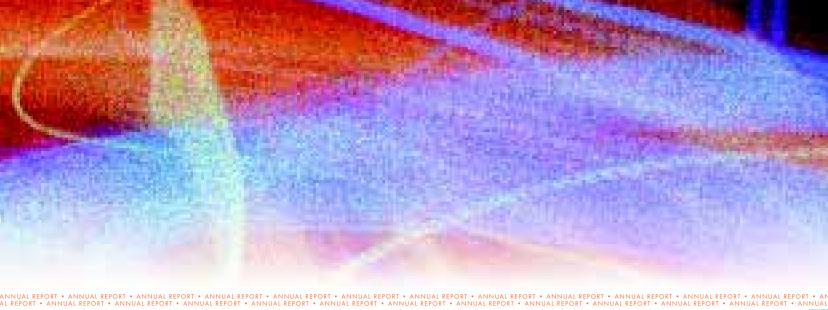
COMPANY PROFILE

COMARCH is a dynamically growing Polish information technology company, concentrating its operations on software development and IT system integration. By providing state-of the art information technology systems and services, we help our Clients gain a competitive advantage and meet their strategic goals. The Company has diversified operations and offers its services and products to a wide variety of companies in growing sectors such as telecommunications, finance and banking, and the public sector. In these sectors we enjoy a leading position and can successfully compete with both domestic and international companies. We are intensively

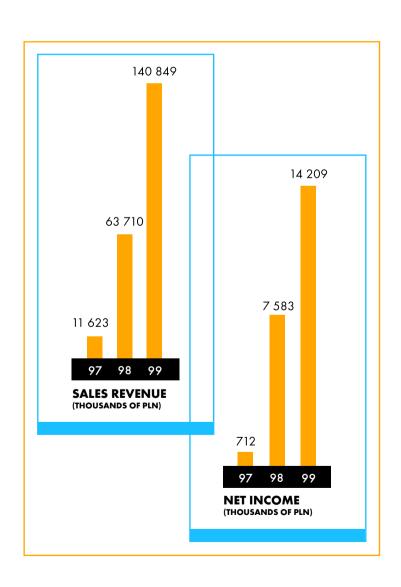
developing Internet technologies in the business-to-business, business-to-customer and application homing areas. We employ highly qualified specialists and conduct business nationwide. We operate as a capital group where ComArch S.A. is the parent company and the nationwide subsidiaries operate as subcontractors. Such a structure allows us to fully optimize our operations and gives us easy access to clients nationwide. We have branches and subsidiaries in Cracow, Warsaw, Poznań, Gdańsk, Olsztyn, Kielce, Bielsko-Biała as well as internationally in Washington D.C. (USA) and Frankfurt am Main (Germany).

ComArch is a publicly traded company listed on the main market of the Warsaw Stock Exchange.



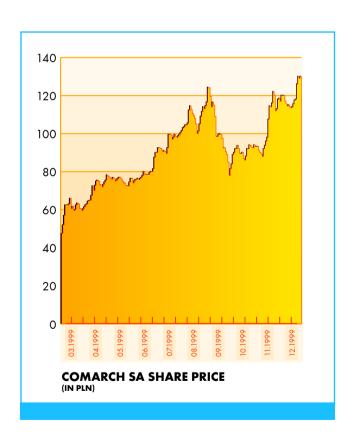


FINANCIAL RESULTS





SHARE PRICE





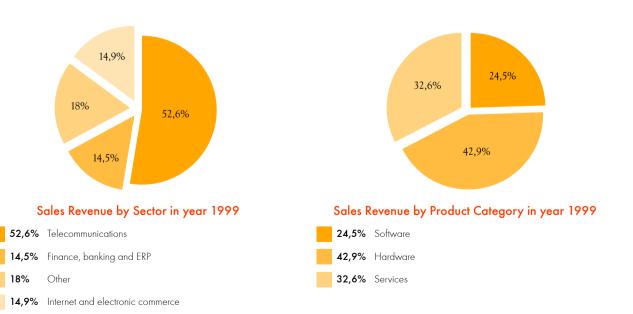
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SALES REVENUE BY SECTOR

We recognize the importance of a diversified product and service mix. To ensure stable growth and manage risk, ComArch offers its products and services to a wide variety of customers in various growing sectors: telecommunications, finance and banking, the service sector, the public sector and general industry. Our product mix includes numerous e-commerce and Internet applications. Such a strategy allows us to fully use our potential and contribute to the success of a diverse body of companies.

SALES REVENUE BY PRODUCT CATEGORY

Although dynamically growing, the Polish IT market remains in its early development stage. Hardware constitutes about 60% of revenues in the sector. However, ComArch is one of the few firms which has a much more value added orientation, as software and services, the two most profitable groups, generate over 56% of revenues. This is indication of the advanced nature of our business and puts us on par with our Western peers.





Geographical Revenue Structure (thousands of PLN)*

	1998**		1999	
Domestic	63 077	99,0%	140 161	99,5%
Export	633	1,0%	688	0,5%
Total Sales Revenue	63 710	100,0%	140 849	100,0%

Revenue Structure by Sector (thousands of PLN)*

	1998**		1999	
Telecommunications	24 609	38,6%	74 157	52,6%
Internet and electronic commerce	6 657	10,4%	20 980	14,9%
Finance, banking and ERP	17 406	27,3%	20 373	14,5%
Other	15 039	23,6%	25 339	18,0%
Total	63 710	100,0%	140 849	100,0%

Revenue Structure by Product Category (thousands of PLN)*

	199	1998**		99
Services	16 143	25,3%	45 956	32,6%
Software	13 776	21,6%	34 511	24,5%
Hardware	33 791	53,0%	60 382	42,9%
Total	63 710	100,0%	140 849	100,0%

^{*} The average PLN to US \$ exchange rate for 1999 as quoted by the National Bank of Poland (NBP)was 3.9675 PLN/ US\$. The average PLN to US \$ exchange rate for December 31, 1999 as quoted by the National Bank of Poland (NBP)was 4.1483 PLN/ US

^{**} the data covers a 14 month period as the previous financial year of ComArch S.A. lasted from Nov. 1, 1997 to Dec. 31, 1998



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A YEAR IN REVIEW

THE YEAR 1999 marked another milestone in the Company's history as ComArch became a publicly traded company and its shares debuted on the Warsaw Stock Exchange after a very successful February 1999 Initial Public Offering. Shares were issued at 23.5 PLN and debuted on the WSE in May at 75.50 PLN (221% growth). Since, their debut the share price has been consistently rising providing Shareholders with excellent returns. Going public increased the transparency and financial stability of the Company and increased the confidence of investors and prospective customers deciding on choosing an IT system supplier. In early 2000, ComArch successfully completed a new equity issue ensuring funding for our further development and moving

us to the main market of the WSE.



Investments in new products and technologies continued to translate into rising revenues. ComArch enjoys a leading position among IT companies in the telecommunications sector as virtually all telecommunications companies operating in Poland (both fixed line and mobile) are ComArch's customers. ComArch's position in the finance and banking sector is equally strong. The Company's 1999 sales of IT systems for pension funds are virtually unchallenged, as 70% of all funds operating in Poland use ComArch's system. ComArch enjoys an established position in the market for systems designed for leasing companies. ComArch's EGERIA Leasing system is used



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by the major Polish leasing companies and is being successfully exported. ComArch offers complete Internet solutions. The Internet and e-commerce division is the fastest growing sector of the Company, as revenues generated by the sector are forecasted to grow from 15% in 1999 to 25% in 2000.

In 1999, ComArch received permission to operate in the Special Economic Zone in Cracow and will commence operations in the zone at the beginning of the second quarter of 2000. Due to investments in the Zone, the Company's income generated from zone activities will be exempt from corporate income taxes until 2006. From 2006 to 2009 the Company will enjoy a 50% exemption from Corporate income taxes generated from zone operations.

AWARDS Our strategy and the recognition ComArch enjoys, contributed to our winning numerous awards both domestically and internationally:

- World Economic Forum in Davos, Switzerland: "Technology Pioneer"
- Fair Play Company: National Chamber of Commerce
- "Bull and Bear Award": awarded by the Newspaper of the Stock Exchange "Parkiet"
- Best IT Company: Puls Biznesu ranking
- Gold Medal Intertelecom '99 (Tytan System)
- Golden Processor: Company and Manager of the Year
- Golden Antenna for Tytan awarded by Świat Telekomunikacji

Financial Highlights (thousands of PLN)

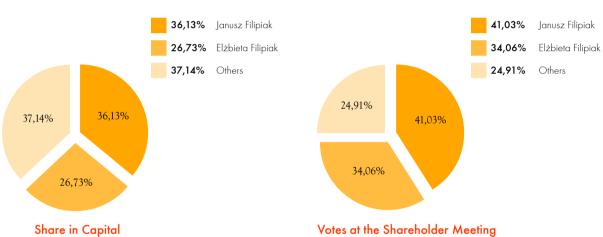
	1997	1998	1999
Net sales revenues	11 623	63 710	140 849
Operating income	1 437	12 733	24 112
Income before taxes	1 369	13 017	24 282
Net income	712	7 583	14 209
Earnings per common share (PLN)*	0.23	2.49	4.67

^{*} Based on 3 044 000 shares as of Dec. 31, 1999

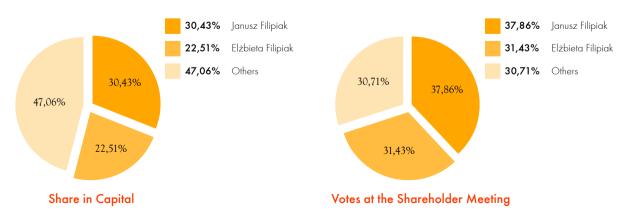


SHAREHOLDER STRUCTURE

The Shareholder Structure as of December 31, 1999



The Shareholder Structure After the E and F Series Share Issue





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THE MANAGEMENT BOARD

Rafał Chwast Vice President Chief Financial Officer

Janusz Filipiak President of the Management Board

Tomasz Maciantowicz Vice President













Paweł Przewięźlikowski Vice President



Aleksander Waszkielewicz Management Board Member



STRATEGY

COMARCH'S GROWTH

is based on proprietary state-of-the-art software systems. Our philosophy is to shape the market rather than just react to the present needs of clients. ComArch products are technologically advanced and can successfully compete with products made by leading international companies.



Most systems offered by the Company are developed in-house. The key systems such as vIBank, ORLANDO, EGERIA, TYTAN and many others have been developed internally. Since ComArch is the owner of the rights, it is capable of delivering standardized systems which can be easily modified according to the Client's needs. Such a solution provides more value to the Client which receives a state-of-the-art solution directly from the manufacturer. For ComArch, a larger portion of standardized products in the sales mix means lower costs

compared with one time contracts, a possibility to increase per contract margins (while at the same time decreasing the financial burden of the client ~ licensing fees), and ensures a wider and more diversified customer base.



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ComArch's growth has strong foundations in the Internet as we offer complete Internet solutions. In the Business-to-Business sector, ComArch offers complete Integration services providing complex solutions to business Clients. In the Business-to-Customer segment ComArch recently introduced the Interia.pl Internet portal which is a joint effort with RMF FM, the largest Polish private radio station. The goal of Interia.pl is to become the leading horizontal portal on the Polish market.

ComArch aims at maintaining its position as a producer and integrator of complex information systems and at further growth and expansion. The company constantly invests in infrastructure, technology, new employees, and professional marketing and advertising. All these factors combined, allowed ComArch to establish a strong market position in the Polish IT sector.



GROWTH PERSPECTIVES AND PLANNED INVESTMENTS

To ensure further growth and profitability and to maintain our technological superiority and leadership position in the IT market we constantly invest in new technologies and products.

INVESTMENTS IN THE INTERNET

The Internet has revolutionized the way business is conducted. To enable our Clients to take advantage of the Internet, ComArch invests in the development of the Interia.pl portal and in ASP (Application Service Provider) operations aimed at enabling users to gain access to applications on-line,

for a fee. In 2000, we plan to increase our capital engagement in both endeavors and to make investments into the development of business-to-business services.





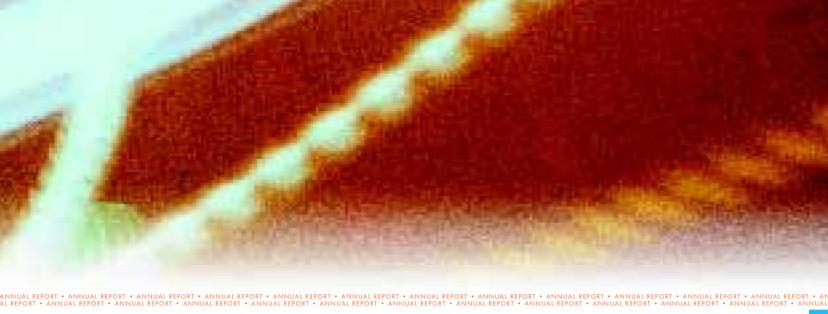
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INVESTMENTS IN NEW PRO-DUCTS AND TECHNOLOGIES A strategic goal of the investments and

outlays for new product development is to ensure the future growth of the company and to increase its value. In order to sustain dynamic growth and to increase efficiency, further outlays for product development and product marketing must be made. This pertains to established products and technologies (vIBank, ORLANDO, EFOS, EGERIA, EGERIA Leasing, network security systems, information interchange systems, document management systems) and to new systems (Customer Relationship Management, Wireless Application Protocol products, vShop).

INVESTMENTS IN INTERNAL Recognizing the growing demands INFRASTRUCTURE

of clients, ComArch invests in quality control, technical sales support and implementation departments. The investments will increase Customer satisfaction and will allow us to provide even more value to our Clients.



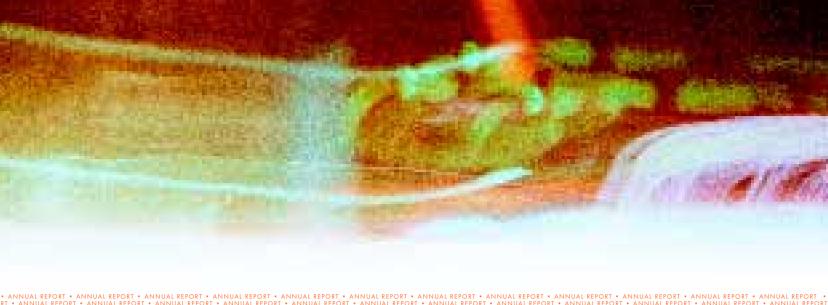
EMPLOYEES

THE SECRET of ComArch's success are its people: dynamic and creative employees understanding the strategic importance of information in today's world and dedicated to making IT solutions more effective, efficient and manageable. Employees are elemental to the growth of an IT company. In order to satisfy customers and undertake increasingly larger products, ComArch is

hiring more and more IT and telecommunication specialists. The Management Board is aware of the importance of an effective human resource policy and strives to offer its employees excellent working conditions (financial and non-financial). Employees participate in language courses as well as training courses in negotiation skills, technology, management, and organization skills. The Company also

offers athletic and social events and team building exercises. Recently, a housing loan program was also implemented. ComArch recruits the best university graduates. The majority of ComArch employees are IT specialists including system analysts, programmers, and hardware specialists.





MAIN PRODUCTS AND MARKETS

ComArch's **OFFER** includes software, computer and network hardware, as well as implementation, training and outsourcing services. The company uses proprietary products (proprietary software) as well as solutions supplied by its business partners.

ComArch implements custom designed IT systems ("Turn Key" systems) as well as ready standardized systems which can be quickly implemented and modified to meet a customer's needs. Our main products include:







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- Systems for telecommunication operators (the TYTAN billing and customer care system, network inventory management systems, outsourcing services). Systems for the finance and banking sector (pension and investment funds ORLANDO-EFOS, debt securities ORLANDO, insurance industry SUBREA, leasing companies EGERIA LEASING, enterprise resource planning EGERIA)
- Network and electronic communication systems (ComArch Virtual World systems, Electronic Data Interchange, Safety and Security systems, document management systems)
- Custom designed systems made to a specific customer order ("Turn Key" systems)
 aimed at various customers

FINANCIAL STATEMENTS

BALANCE SHEET

Book value per share (in PLN) - diluted

ASSETS	31.12.1998	31.12.1999
I. Fixed assets	2 757	30 094
1. Intangible assets	365	2 359
2. Tangible fixed assets	1 937	24 879
3. Financial fixed assets	436	2 856
4. Long-term receivables	19	
II. Current assets	37 922	47 021
1. Inventories	4 083	5 244
2. Accounts Receivable	30 154	36 731
3. Treasury Stock	-	
4. Short-term marketable securities		
5. Cash and cash equivalents	3 685	5 046
III. Deferred expenses and income taxes	83	672
1. Deferred income taxes	-	
2. Deferred expenses and other deferred assets	83	672
Total Assets	40 762	77 787
SHAREHOLDERS' EQUITY AND LIABILITIES		
I. Shareholders' Equity	9 333	36 246
1. Share capital	1 222	6 088
2. Share capital owed (negative value)		
3. Reserve capital	427	15 823
4. Revaluation reserve capital	2	2
5. Other reserve capitals	79	124
6. Foreign currency translation adjustments on Company's foreign operations		
7. Prior years' retained earnings (accumulated loss)	705	
8. Net Income (loss)	6 898	14 209
II. Reserves	1 113	
1. Reserves for income taxes		
2. Other reserves	1 113	
III. Liabilities	30 121	36 296
1. Long-term liabilities		-
2. Current liabilities	30 121	36 296
IV. Accrued expenses and deferred revenue	195	5 245
Total Shareholders' Equity and Liabilities	40 762	77 787
Book value	9 333	36 246
Total number of shares	2 444 000	3 044 000
Book value per share (in PLN) - basic	3,82	11,91
Expected number of shares	3 044 000	3 614 000
Expected notified of strategy	3 077 000	3 017 000

3,07

10,03

INCOME STATEMENT

	I - XII 1998	I – XII 1999
I. Net sales revenues	60 483	140 849
1. Net sales of products	23 362	57 327
2. Net sales of merchandise and raw materials	37 121	83 522
II. Cost of sales	42 923	108 764
1. Cost of products sold	17 210	48 438
2. Cost of merchandise and raw materials sold	25 713	60 326
III. Gross profit (loss) on sales (I-II)	17 560	32 085
IV. Selling expenses	,	-
V. General administrative expenses	4 557	8 057
VI. Selling income (loss) (III-IV-V)	13 003	24 028
VII. Other operating income	270	1 478
VIII. Other operating expenses	1 630	1 394
IX. Operating income (loss) (VI+VII-VIII)	11 643	24 112
X. Income on shares in other companies	37	119
XI. Income on other financial fixed assets		
XII. Other financial income	448	1 793
XIII. Financial expenses	205	1 736
XIV. Profit (loss) on operating activities (IX+X+XI+XII-XIII)	11 923	24 288
XV. Extraordinary items (XV.1 XV.2.)	(7)	(6)
1. Extraordinary gains	,	59
2. Extraordinary losses	7	65
XVI. Income (loss) before taxes	11 916	24 282
XVII. Corporate income tax	5 018	10 073
XVIII. Other obligatory profit decreases (loss increases)		
XIX. Net income (loss)	6 898	14 209
Net Income (loss) for 12 months	6 898	14 209
Weighted average number of common shares	2 444 000	3 044 000
Earnings (loss) per common share (in PLN) - basic	2,82	4,67
Expected weighted average number of common shares	3 044 000	3 614 000
Earnings (loss) per common share (in PLN) - diluted	2,27	3,93

STATEMENT OF CASH FLOWS

	I - XII 1998	I - XII 1999
A. NET CASH FLOWS	3 912	12 203
OPERATING ACTIVITIES (I+/-II)- indirect method *)		
I. Net income (loss)	6 898	14 209
II. Total adjustments	(2 986)	(2 006)
1. Depreciation and amortization	1 315	2 529
2. (Gain) loss on foreign currency exchange differences		158
3. Interest and dividends	(266)	(687)
4. (Gain) loss on investing activities	(31)	(38)
5. Changes in other reserves	1 070	(797)
6. Corporate income tax as disclosed in the Income Statement	5 018	10 073
7. Corporate income tax paid	(1 857)	(11 689)
8. Change in inventories	(3 522)	(1 162)
9. Change in receivables	(27 998)	(6 803)
10. Change in current liabilities	23 070	2 248
(excluding loans and bank credits)		
11. Change in deferred and accrued expenses	223	4 451
12. Change in deferred income	(18)	11
13. Other adjustments	-	(300)
B. NET CASH FLOWS	(2 915)	(22 181)
INVESTING ACTIVITIES (I-II)		, , ,
I. Cash provided by investing activities	292	16 541
1. Sales of intangible assets	-	
2. Sales of tangible fixed assets	255	287
3. Disposal of financial fixed assets:	-	250
- securities of subsidiaries		-
- securities of associated companies		250
- securities of the parent company		
4. Disposal of current marketable securities		8 655
5. Long-term loans collected		-
6. Dividends received	37	119
7. Interest received		-
8 . Change in investment payables and receivables		7 227
9 . Other income		3
II. Cash used in investing activities	(2 623)	(38 722)
1. Purchases of intangible assets	(293)	(2 328)
2. Purchases of tangible fixed assets	(2 114)	(25 528)
3. Acquisition of financial fixed assets:	(216)	(2 634)
- securities of subsidiary companies		(2 634)
- securities of associated companies		
- securities of the parent company	-	-

STATEMENT OF CASH FLOWS (cont.)

	I - XII 1998	I - XII 1999
4. Acquisition of treasury stock		
5. Acquisition of marketable securities	-	(8 076)
6. Long-term loans granted	-	
7. Other expenses	,	(156)
C. NET CASH FLOWS - FINANCING ACTIVITIES (I-II)	1 672	11 339
I. Cash provided by financing activities	1 886	14 104
1. Long-term bank credits and loans contracted	•	-
2. Issuance of bonds or other long-term notes payable	-	
3. Current bank credits and loans contracted	1 631	1
4. Bonds or other short-term commercial paper issued	•	-
5. Proceeds from stock issuance	•	14 100
6. Additional paid-in capital	•	-
7. Other income	255	3
II. Cash used in financing activities	(214)	(2 765)
1. Payments of long-term bank credits and loans	•	-
2. Bonds and other long-term notes payable purchased		
3. Payments of current bank credits and loans	•	(1 631)
4. Short- term bonds or other commercial paper purchased		
5. Stock issue expenses		
6. Own shares retired		
7. Dividends and other payments to shareholders	(175)	(1 096)
8. Management and Supervisory Board remuneration from net profit		
9. Charitable contributions		-
10. Financial lease payments	-	
11. Interest paid	(26)	(14)
12. Other expenses	(13)	(24)
D. TOTAL NET CASH FLOWS (A+/-B+/-C)	2 669	1 361
E. CHANGE IN BALANCE-SHEET: CASH AND CASH EQUIVALENTS - due to foreign currency exchange differences	2 669	1 361
F. CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	1 016	3 685
G. CASH AND CASH EQUIVALENTS - END OF PERIOD (F+/- D)	3 685	5 046

STATEMENT OF SHAREHOLDERS' EQUITY

	I - XII 1998	I - XII 1999
I. Shareholders' Equity at beginning of period (opening balance)	2 611	9 333
a) changes in accepted accounting principles (polices)		
b) corrections of material errors	-	-
I.a. Shareholders' Equity at beginning of period (opening balance), after	2 611	9 333
restatement to comparative data		
1. share capital at beginning of period	520	1 222
1.1. Changes in share capital	702	4 866
a) additions, due to:	702	4 866
- stock issuance	•	300
- profit distribution for previous year	537	
-from reserve capital	165	4 566
b) reductions, of which:	•	
- retirement	•	
1.2. share capital at end of period	1 222	6 088
2. Unpaid share capital at beginning of period		
2.1. Change in unpaid share capital		
a) addition		
b) deduction		
2.2. share capital owed at end of period		
3. Reserve capital at beginning of period	182	427
3.1. Changes in reserve capital	245	
a) additions, due to:	245	21 102
- additional paid-in capital from issuance of shares	•	13 800
- distribution of profit (by law)	•	100
- distribution of profit (in excess of value required by law)	•	7 202
- transfer of reserve capital	245	
b) reductions, of which:	•	5 706
- transfer to reserves for income taxes	•	1 140
- increase in share capital	•	4 566
3.2. Reserve capital at end of period	427	15 823
4. Revaluation capital at beginning of period	2	2
4.1. Changes in revaluation capital	•	
a) additions, due to:	•	
b) reductions, due to:	-	
- sale or disposal of tangible fixed assets		-
4.2. Revaluation capital at end of period	2	2
5. Other reserve capital at beginning of period	489	79
5.1. Changes in other reserve capital	-	45
a) additions, of which:		1 140
- last year's profit distribution	-	-
- transfers from reserve capital	-	1 140

STATEMENT OF SHAREHOLDERS' EQUITY (cont.)

	I - XII 1998	I - XII 1999
b) reductions, due to:	410	1 095
- shifts to share capital	165	-
- shifts to reserve capital	245	-
- taxes due to shifting reserve capital to share capital	•	1 095
5.2. Other reserve capital at end of period	79	124
6. Foreign currency translation adjustments on Company's foreign operations		
7. Prior years' retained earnings or accumulated loss at beginning of period	1 418	* 7 603
7.1. Prior years' retained earnings at beginning of period	1 418	7 603
a) restatement for changes in accepted accounting principles (policy)b) corrections of material faults	-	
7.2. Prior years' retained earnings at beginning of period, after restatement to	1 418	7 603
comparative data		
a) additions, of which:	•	-
- distribution of profit	•	-
b) reductions, of which:	713	7 603
- shifts to reserve capital	-	7 302
- shifts to share capital	537	
- taxes due to shifting profit from reserve capital to share capital	176	
- deductions for the housing loan fund	-	301
7.3. Prior years' retained earnings at end of period	705	
7.4. Prior years' accumulated loss at beginning of period	-	
a) changes in accepted accounting principles (policy)	-	
b) corrections of material errors	-	
7.5. Prior years' accumulated loss at beginning of period, after restatement to	,	
comparative data		
a) additions, due to:	-	
- shifts of losses to be covered	-	
b) reductions, due to:	-	•
- profit distribution	-	
7.6. Prior years' accumulated loss at end of period	-	
7.7. Prior years' retained earnings or accumulated loss at end of period	705	
8. Net income (loss)	6 898	14 209
a) net income	6 898	14 209
b) net loss	-	-
II. Shareholders' Equity at end of period (closing balance)	9 333	36 246

 $[\]star$ – the amount 7 603 includes:

undistributed profit for XI-XII 97: 705 undistributed profit for I-XII 98: 6 898



ComArch S.A.

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