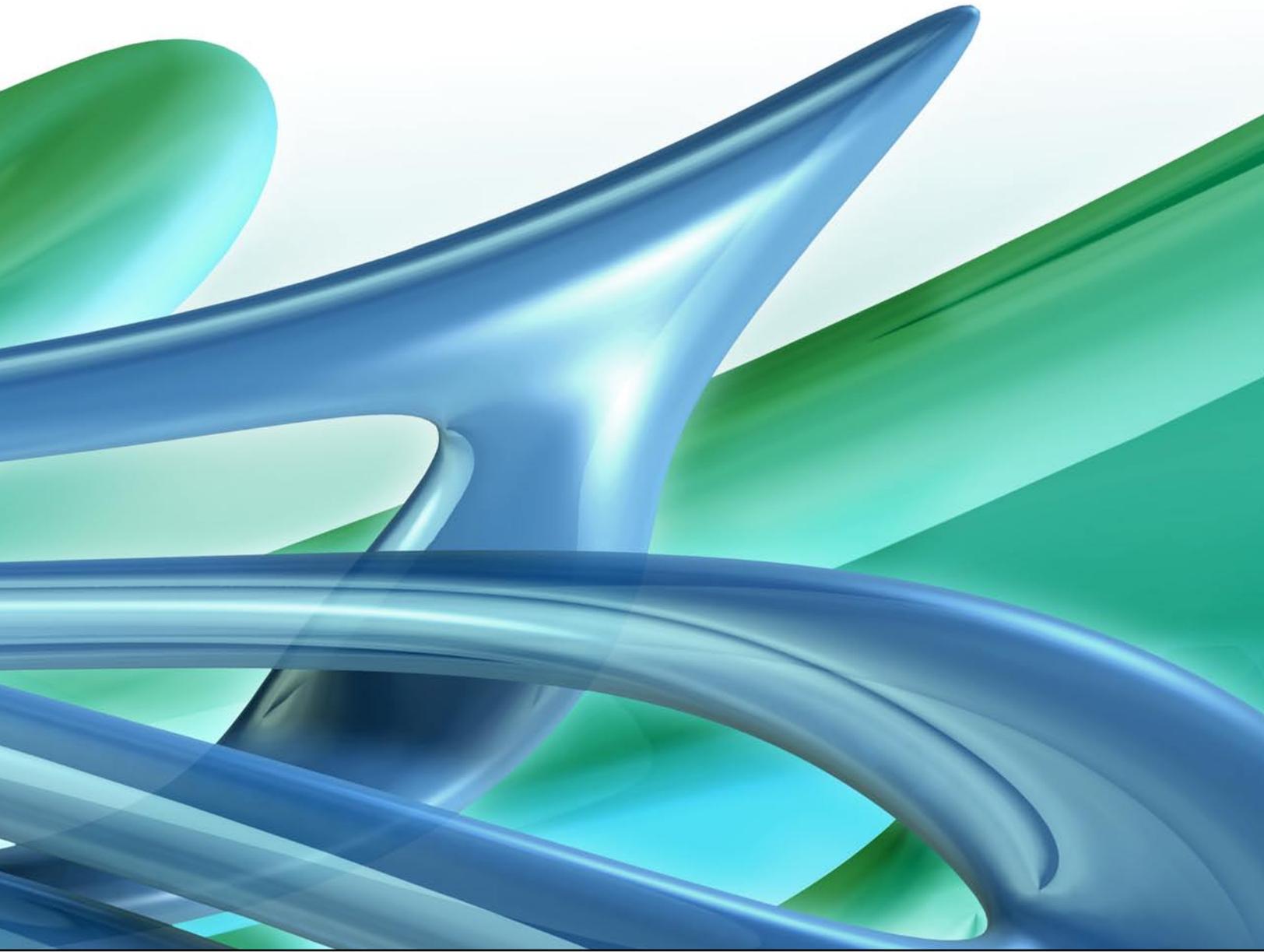


2003 ANNUAL REPORT



COMARCH

2003 ANNUAL REPORT

COMARCH

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ComArch – 2003 Annual Report

THE COMARCH SA MANAGEMENT BOARD IS PLEASED TO PRESENT the 2003 Annual Report. The past year was another, very successful period in the Company's history. ComArch managed to show impressive financial results during a period of a reviving, although still weak economy. Compared to the previous year, revenues increased over 30% to 256,6 million PLN along with 110% net income growth (9,3 million PLN).

Efforts continued, throughout 2003, to ensure stable Company development and growth. Constant investments in the development of domestic and international sales channels, continuous focus on quality and a strong dedication to customer satisfaction translated into an increasing number of contracts and a growing customer base. ComArch products have gained international recognition, allowing the Company to become a leading Polish software exporter.

In 2004, the Company's Management plans to continue growth by strengthening ComArch's position on the domestic market as one of the key Polish integrators and by consistently expanding international sales.

Key Financial Figures* (thousands of PLN)

	2003	2002
Sales revenue	256 643	195 065
Operating income	15 374	9 153
Net income	9 297	4 403
Total assets	268 104	216 161
Total liabilities	143 789	94 266
Long-term liabilities	43 529	40 905
Current liabilities	64 620	42 346
Total equity	103 631	119 157
Share capital	6 727	7 228
Shares outstanding	6 726 600	7 228 000
Earnings per common share – EPS (PLN)	1,35	0,61
Book value per share (PLN)	15,41	16,48

* Financial figures per the audited consolidated financial statement



Letter to Shareholders

Kraków, 3 June 2004

DEAR SHAREHOLDERS: THE YEAR 2003 WAS A SUCCESSFUL PERIOD FOR THE COMARCH GROUP. During the year, ComArch managed to show revenue growth exceeding thirty percent over 2002 levels. Further, operating income and net income in 2003 increased by over sixty percent and over one hundred percent respectively. Profitability ratios were on the rise as return on equity grew to 10% and earnings per share increased over one hundred twenty percent to 1,35 PLN. Strong financial results have been shown during a period of an improving, although still weak domestic and world economy. Significant income was earned despite the Groups dynamic growth, which considerably increases costs.

As in previous years, Management focused its efforts on ensuring the Group's future growth perspectives. The expansion of domestic and foreign sales channels has been considered as one of the key growth factors. In 2003, the ComArch Group opened a new branch in Wrocław and an office in Moscow, as preparations were being made to open locations in Helsinki, Dubai and Kiev.

In order to ensure support for growing sales and to maintain our reputation as a Company selling solutions and services of the highest quality, series of action were taken to ensure growth opportunities for the production capacities of the Company. These include hiring the best specialists and the consistent implementation and monitoring of quality control and production management procedures.

Thanks to their excellent reputation, members of the ComArch Group do not face problems in generating new business. Growth barriers are mainly set by the limitations in the availability of qualified workforce on the market and the ability to efficiently integrate new employees within the organizational structure while maintaining high productivity and a strong organizational culture in the area of technology and corporate management.

Due to Poland's accession to the European Union, the ComArch Management Board is ready for changes in the business environment and increased competition on the market. Given the new conditions, we strive to become the IT company of choice in Poland, offering global quality and competitive prices. We work hard to reach the maximum number of clients, ranging from large corporations to small and medium enterprises, with our products.

In order to reach our goals we have acquired shares of the Cracovia SSA sports club. Positive aspects of promoting the ComArch brand through the established Cracovia name can already be seen. The perception of ComArch in the eyes of existing and potential clients has changed significantly, what has also been reflected in the media.

We are certain that the hard work of the past will pay off for ComArch through dynamic growth in 2004.

Sincerely,

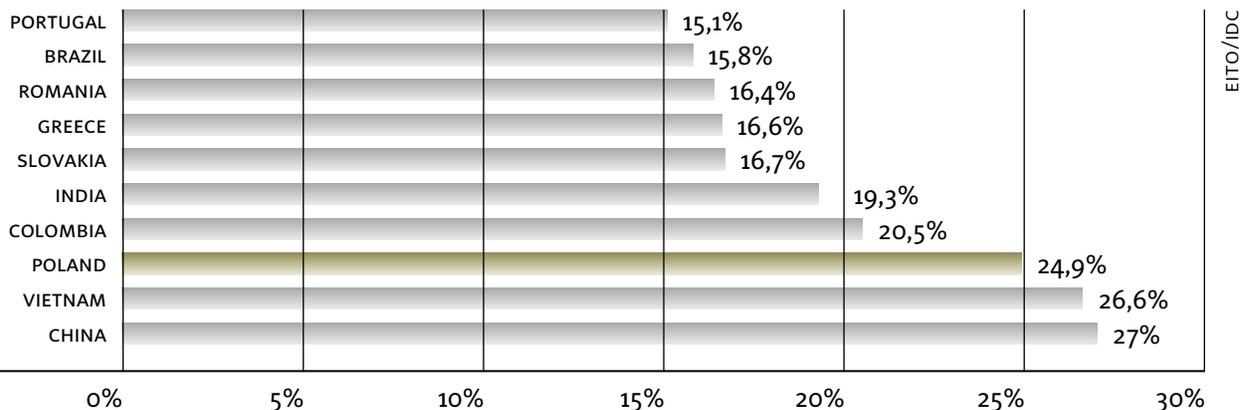


Professor Janusz Filipiak
ComArch SA Chairman & CEO

The Polish IT Market

THE POLISH IT MARKET IS ONE OF THE FASTEST GROWING IT MARKETS IN THE WORLD. In terms of compounded annual growth (1993-2001), Poland is first in Europe and third worldwide.

IT market compounded annual growth (1993-2001)



In 2003, the Polish IT market was valued at approximately 3,5 billion USD. According to the COMPUTERWORLD TOP 200 report*, throughout 2003 the IT market grew at a rate of 11%, which significantly exceeds the GDP growth rate. According to the report, the market will grow throughout 2004, to a value of 4 billion USD.

Poland's membership in the European Union is a significant growth opportunity for the Polish IT market. It is forecasted that participation in the common market will stimulate the Polish economy what in turn will translate into increased IT spending on the part of Polish companies. Equally important is the planned increase in IT spending by the public sector, which is working to meet EU standards. In spite of the considerable growth of the market in the 1990s, the Polish IT market still lags behind Western Europe. Poland spends approximately 1,75% of its GDP on IT, compared to an average of 2,7% for EU members and 2,5% for new Members of the Common Market. Significant growth should come from the area of small and medium contracts, which are the primary focus for the Company, as the largest companies operating in Poland (including banks and telecommunications operators) are already spending amounts comparable with their Western competitors.

Few Polish IT companies are engaged in export sales. International sales enable market participants to overcome the limitations created by the relatively small Polish IT market, diversify risk and provide a mechanism to organically overcome growth barriers in various product market segments. ComArch's position among leading exporters is a definite strength, especially in areas where the significant penetration of ComArch on the domestic market limits significant revenue growth opportunities.

* COMPUTERWORLD TOP 200 for 2003

1993

ComArch Ltd. is established.
Employment: **4 people.**

1994

ComArch Ltd. is converted into
a Public Limited Company.
Employment: **9 people.**
The first major contract with
Polish Telecommunications.

10 YEARS OF COMARCH 10 YEARS OF COMARCH



Company Profile

COMARCH IS A KNOWLEDGE BASED COMPANY WITH ACADEMIC ROOTS. The Company successfully combines scientific knowledge in developing and implementing cutting-edge technologies with operational and organizational excellence.

ComArch is an independent, global software vendor and system integrator, providing innovative solutions to Polish and international Clients. On the Polish market, ComArch operates as a system integrator, offering IT solutions to large and medium clients. By providing cutting-edge products, the Company helps clients gain a competitive advantage. In the Small and Medium Enterprise sector, ComArch works closely with 650 authorized partners, with access to over 40 000 potential clients. In international markets, ComArch operates as a software house. The Company's IT systems have been implemented and operate at numerous clients on four continents.

ComArch offers a diversified product mix, which includes products and services for dynamically growing sectors of the economy such as: telecommunications; finance, banking & insurance; services, commerce & industry and public administration. The Small and Medium Enterprise (SME) sector is also an important market for ComArch. Thanks to innovative solutions, ComArch has been able to strengthen its competitive position not only in Poland, but also abroad. Through subsidiaries and business partners, the Company is present in the Americas, Europe and the Middle East.

ComArch SA is a stable publicly held corporation, listed on the main market of the Warsaw Stock Exchange.

1995

Employment: **33 people** – average age of employees does not exceed 25.

The company establishes its first branches outside Kraków – Warsaw and Olsztyn.

1996

Employment: **52 people.**

The ComArch Group is created along with the HTS IT Center.

10 YEARS OF COMARCH 10 YEARS OF COMARCH



Strategy

Competitive Advantage through Investments in Knowledge

ComArch is a knowledge-based company. Thanks to constant investments in intellectual capital, the Company is able to offer internally-developed, world-class IT solutions. Knowledge and experience are relayed throughout the global network of ComArch subsidiaries, what stimulates innovativeness and provides clients with value-added solutions. The Company's philosophy is to shape the market through constant innovation rather than to merely react to trends. The latest technologies used in ComArch's solutions are complemented by a thorough understanding of the targeted sectors and a drive to develop world-class IT systems. Such a philosophy helps ComArch win Clients not just contracts.

Emphasis on Dynamic Growth

The growth of the World and domestic IT market (additionally stimulated by Poland's accession to the European Union) provides the Company with tremendous growth potential. Given this opportunity, ComArch is aiming at increasing market share on the domestic and international markets through enhancing sales channels and attracting new clients. The Company plans for dynamic revenue growth over a 3-4 year horizon, with profitability levels comparable to 2003 figures.

Employees are the key asset enabling dynamic growth. The ComArch Group employs over 1200 highly qualified and experienced professionals. Throughout 2003, the Company increased employment by 336 employees.

Proprietary Solutions to Dynamically Growing Sectors

Company growth is based on cutting-edge proprietary IT systems aimed at clients operating in dynamically growing sectors such as: telecommunications; finance, banking & insurance; services, commerce & industry; the public sector and the dynamically growing small and medium enterprises sector (SME). The majority of ComArch solutions have been developed in-house, what makes them easily adaptable to local requirements and individual customer needs.

The high quality of ComArch's solutions is made possible through consistently followed quality control and production procedures. The ISO 9001 Quality Control System, compliant with the PN ISO 9001:2000 standard has been implemented in the ComArch Capital Group and ensures constant production and implementation process optimization as well as product adaptability to changing market trends and client needs.

Long-term Relations with Clients

ComArch is loyal towards its Clients. All Clients receive comprehensive support during and after the product implementation phase. ComArch provides maintenance and support services and consultants are always available to answer client questions. That is one of the reasons why ComArch is a trusted partner on the IT market.

1997

Employment: **149 people.**

ComArch opens a location in Bielsko-Biała.

1998

Employment: **256 people.**

ComArch becomes the first Polish Certified Partner of Oracle.

The first implementation of the TYTAN – billing and fulfillment suite.

ComArch is recognized as the Most Dynamic Partner of Sun Microsystems in Poland.

10 YEARS OF COMARCH 10 YEARS OF COMARCH



Plans for 2004

COMARCH PLANS DYNAMIC REVENUE AND PROFITABILITY GROWTH IN 2004, accomplished by strengthening the Company's position on the domestic market and through continued dynamic international expansion.

Strengthening the Position as a Key Integrator on the Domestic Market

Throughout 2004, ComArch plans to consistently increase its market share by attracting new clients. To achieve this ambitious goal, the sales network has been expanded through the addition of branches in Wrocław and Katowice. This brings the Company even closer to existing and potential clients and increases the Company's attractiveness as one of the best employers for IT professionals.

To meet the demands of an increasing customer base and a growing volume of business, the ComArch Group plans to increase employment by 150-200 persons in 2004. To accommodate growth, the Company will begin construction work on a new 25 million PLN Software Development Center in the Kraków Special Economic Zone. The production facility with an area of 8 thousand square meters will be completed in the first quarter of 2005. Due to the fact that the building is located in the Special Economic Zone, the Company will be able to regain up to 75% of the investment's value in the form of tax deductions.

Further Development of International Operations

In 2003, ComArch continued dynamic revenue growth from international sales. It is ComArch's goal to become a large global corporation. The pursued strategy helps the Company put this ambitious plan into life. As one of the few Polish IT companies, ComArch's solutions are appreciated in global markets, where the Company operates as a software house providing world class IT solutions. In 2003, ComArch's solutions have been implemented for new Clients, such as O₂ (Germany), the Department of Information Services of the State of Washington (USA) and UMC (Ukraine). International sales are being dynamically expanded with the assistance of foreign locations in Miami (USA), Frankfurt am Main (Germany), Helsinki (Finland), Dubai (United Arab Emirates), Moscow (Russia) and Kiev (Ukraine). In 2004 ComArch plans to open new locations in Brussels and Paris.

ComArch specialists work on numerous projects in the Americas, Europe and the Middle East. The followed strategy translated into a 135% growth rate in export sales compared to year 2002 levels. International sales grew from 15,8 million PLN in 2002 to 37,11 million PLN in 2003. Currently, international sales generate 14,5% of total Group revenues. In 2004, ComArch plans to increase this share to 20%. This will be made possible by strengthening ComArch's position in the United States and Western Europe through a growing number of contracts. Additionally, the Company plans to introduce products already established in Poland into international markets.

International Acceptance and Recognition

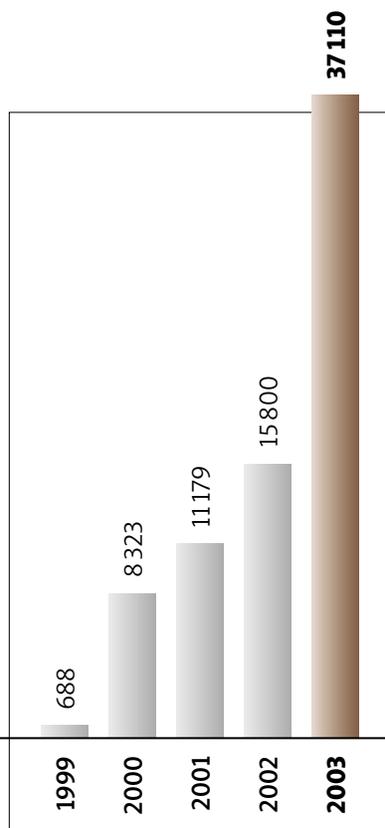
In addition to nominations in prior years (such as BEST PRODUCT and BEST IP BILLING PRODUCT at Tele Strategies Billing World 2001 in Orlando, USA, MOST INNOVATIVE BILLING PRODUCT at Billing Systems 2001, Excellence Awards Finalist at Billing World 2002 in Baltimore USA in the Operational Excellence category) ComArch was awarded additional international awards, including: runner up in the Most Innovative Product category at Billing Systems 2004 in London and a nomination to the Excellence Award in the Best Product category for ComArch's InterPartner Billing at OSS & Billing World 2004 in Washington DC (USA). ComArch's growing reputation on the international market resulted in the Company's being mentioned in the OSS/BSS industry reports published by such prestigious research houses as IDC and Gartner.

In Poland the CDN OPT!MA ERP system for small and medium enterprises was awarded the NOW POLAND emblem.

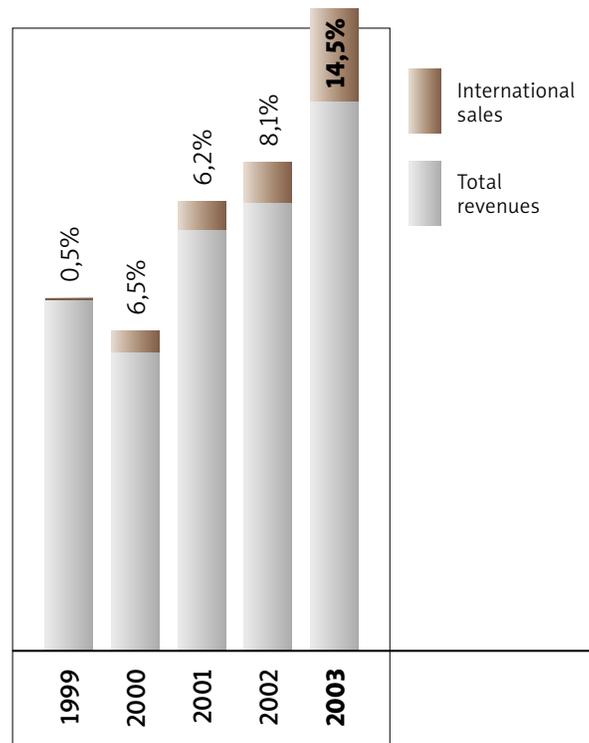
ComArch and the European Union

Competitiveness in the European Union is a natural consequence of ComArch's international strategy. ComArch is fully prepared to function in the structures of the new, united Europe. The Company actively participates in EU research programs such as the 6 Framework Programme, eContent and commercial EU bids. As a Company emphasizing innovation, ComArch plans to finance research and development projects using Structural Funds of the European Union.

International sales
(thousands of PLN)



International sales as percentage of total revenues (in %)

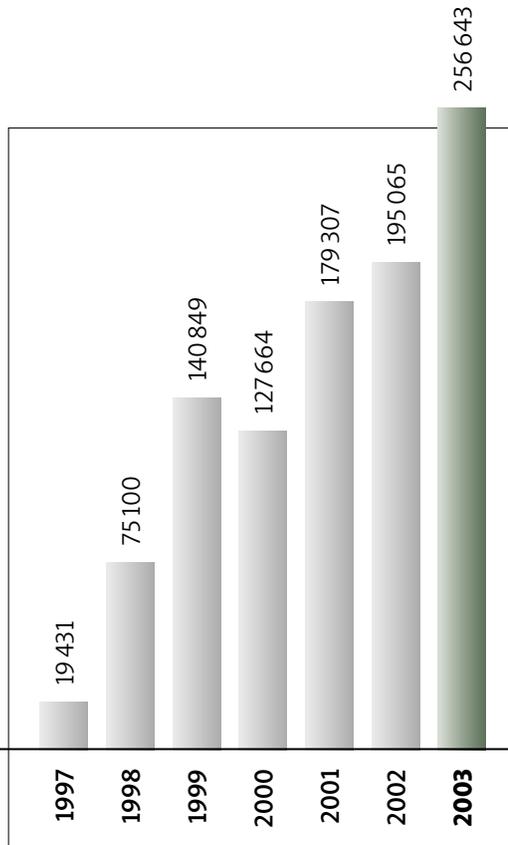


Financial Results

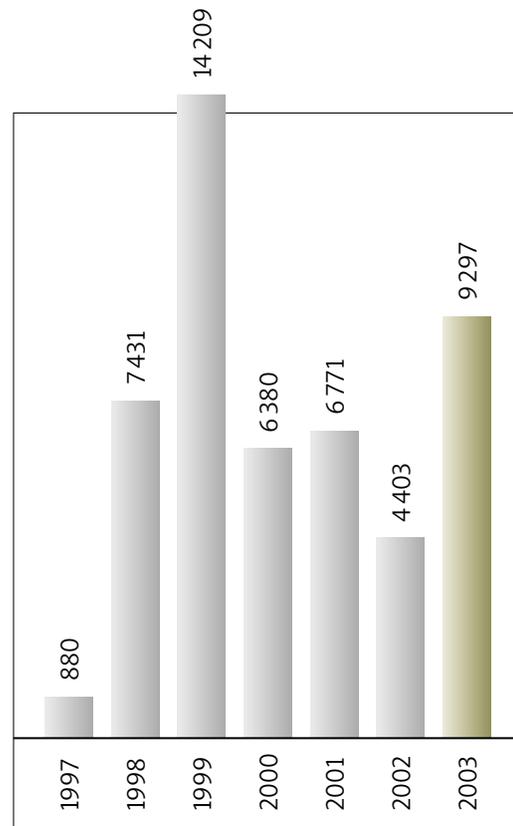
THE RAPID DEVELOPMENT OF THE IT MARKET IS DRIVEN BY TECHNOLOGICAL PROGRESS. Understanding the specificities of this market, ComArch constantly invests in product development, the sales network and production capacity. These actions translate into growing revenues and an increasing client base. This is proven by a 26,2% compounded average growth rate in revenues from 2000-2003.

In 2003 the ComArch Group earned revenues of 256 643 thousand PLN, what is a 31,6% increase over 2002 figures. Compared to 2002, net income grew 110% to 9,3 million PLN.

Revenues (thousands of PLN)



Net income (thousands of PLN)



1999

Employment: **589 people.**

ComArch shares debut on the Warsaw Stock Exchange.

ComArch acquires its first office building at os. Teatralne 9a.

Investment in the Special Economic Zone in Kraków.

ComArch opens locations in Poznań and Gdańsk.

ComArch opens a subsidiary in the US.

ComArch creates the first publicly held Polish Internet portal INTERIA.PL together with private radio station RMF FM.

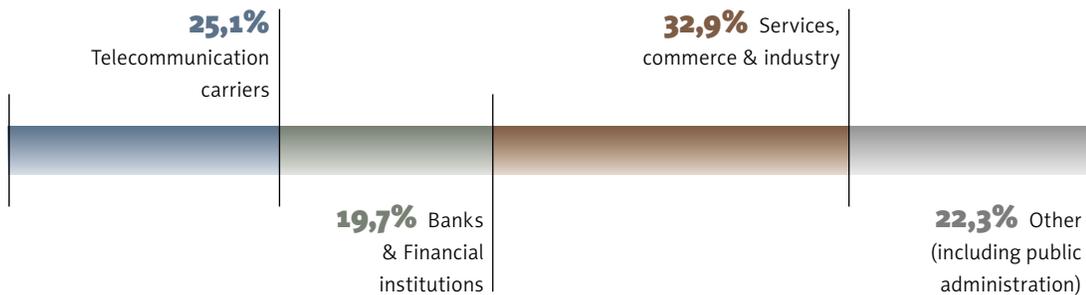
10 YEARS OF COMARCH 10 YEARS OF COMARCH



Sales Revenue by Customer Type

ComArch offers a diversified product mix aimed at a wide variety of customers in growing sectors such as telecommunications, banking & finance, services & commerce and the public sector. Such a strategy ensures stable growth and limits business risk associated with focusing on only one sector. In 2003, revenues were evenly distributed among all sectors, starting a very positive trend.

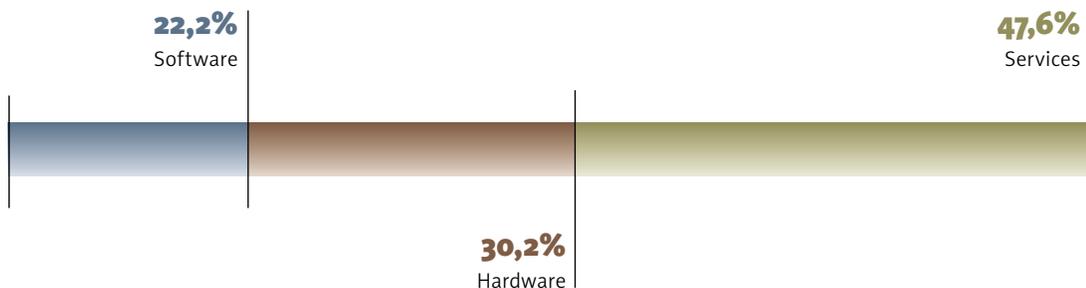
2003 Sales by Customer Type



Sales Revenue by Product

The sales revenue by product breakdown reflects positive trends already observed in prior years. The share of hardware in total revenue remains low. Such a trend is proof of the Company's technological advancement. Thanks to the high share of services and software (69,8%) the revenue structure has exhibited high value added.

2003 Sales by Product



2000

Employment: **604 people.**

ComArch shares debut on the free market of the Warsaw Stock Exchange.

ComArch acquires CDN SA.

ComArch establishes a location in Germany.

ComArch is granted the Pioneer of Technology award at the World Economic Forum in Davos.

ComArch is awarded the *Golden Bull* award for the best stock exchange debut in 1999.

ComArch receives the award of the President of the Republic of Poland in the Best Polish Company category.

10 YEARS OF COMARCH 10 YEARS OF COMARCH



Sales Revenue by Customer Type (thousands of PLN)

	2003		2002	
Telecommunications operators	64 273	25,1%	74 222	38,0%
Banks & Financial Institutions	50 546	19,7%	25 577	13,1%
Services, commerce & industry	84 500	32,9%	49 428	25,3%
Others (including the Public Sector)	57 324	22,3%	45 838	23,6%
Total	256 643	100,0%	195 065	100,0%

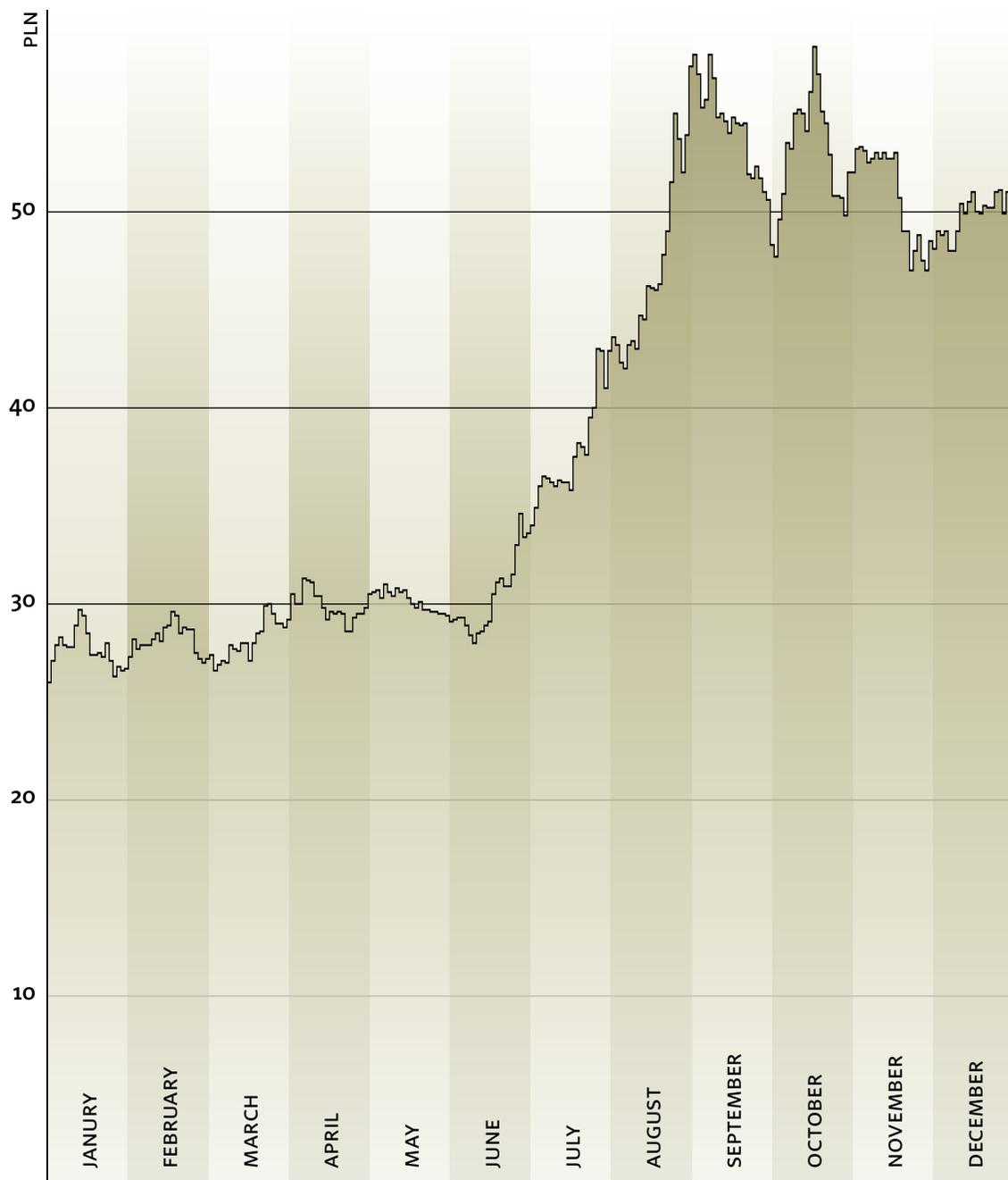
Sales Revenue by Product (thousands of PLN)

	2003		2002	
Services	122 219	47,6%	108 548	55,6%
Software	56 825	22,2%	32 844	16,8%
Hardware	77 599	30,2%	53 673	27,6%
Total	256 643	100,0%	195 065	100,0%

Geographic Revenue Structure (thousands of PLN)

	2003		2002	
Domestic	219 533	85,5%	179 265	91,9%
International	37 110	14,5%	15 800	8,1%
Total	256 643	100,0%	195 065	100,0%

ComArch SA Share Price (2003)



2003

Main Products

ComArch's offer is aimed at enterprises, which are the main buyers of advanced IT systems. The product mix includes software; implementation, training & maintenance services, as well as computer and network hardware.

The key ComArch products include:

Telecommunications

- :: Billing, Assurance and Fulfillment solutions – TYTAN
- :: Network & Service Management – InsightNet

Finance & Banking, Insurance

- :: Comprehensive service support and management of the operations of financial institutions – ORALNDO platform
- :: Integrated solution for insurance companies – SUBREA
- :: Integrated solution for leasing companies – EGERIA-LEASING
- :: Financial services over the Internet – vIBank

CRM Systems and e-Document Management Systems

- :: CRM and Sales Force Automation solutions – AURUM platform
- :: Loyalty systems and marketing support – AURUM LoyaltyCare
- :: Outsourcing – ECOD
- :: Data Warehouses and Business Intelligence

Professional Services

- :: Hardware and network infrastructure
- :: Security and data protection
- :: Knowledge and information management
- :: Corporate network management

Systems for the Utilities Sector

- :: Comprehensive offer for utilities companies – ERP, TYTAN Utilities, AURUM Energy, ORLANDO-ENERGY, Internet Customer Service Office, Distribution Information System)

ERP Systems and Financial Applications

- :: Solutions for small and medium enterprises (CDN OPT!MA, CDN KLASYKA)
- :: ERP systems (EGERIA, CDN XL)

“Turn Key” Systems

- :: Custom designed systems developed to meet specific client requirements – including systems for the public administration sector

2001

Employment: **766 people.**

ComArch opens its first office building in Warsaw at Puławska street.

2002

Employment: **825 people.**

ComArch issues its first convertible bonds.

The first sponsorship agreement with MKS Cracovia, the oldest football club in Poland.

10 YEARS OF COMARCH 10 YEARS OF COMARCH



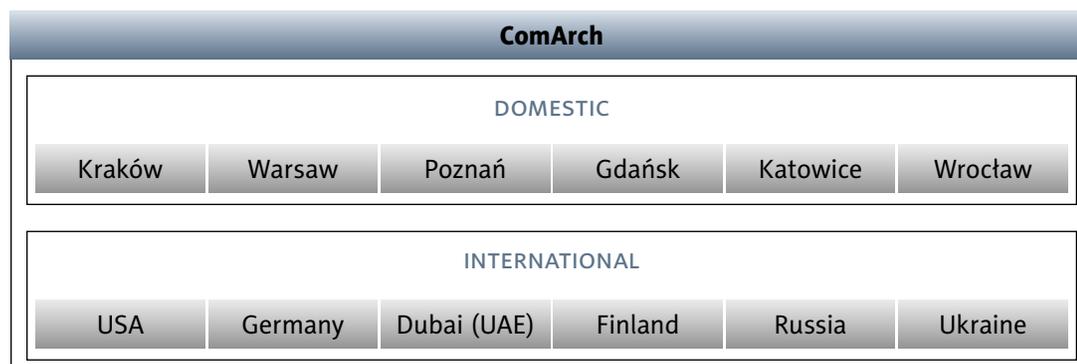
Organizational Structure

The ComArch Group

In addition to entities with their core business in IT solutions and services, the ComArch Group includes: INTERIA.PL – the third largest Polish horizontal Internet portal and NetBrokers – an electronic commodity exchange platform for companies operating in the food and agricultural sectors.

In order to enhance the ComArch brand name and to reach a greater number of potential clients, ComArch acquired 28,4% of MKS Cracovia SSA, in 2003. MKS Cracovia is one of the oldest and most recognized football clubs in Poland.

ComArch Group Organizational Structure



2003

Employment: **1104 people.**

ComArch opens its Moscow location.

The Wrocław location is created.

The R&D Center for new technologies and programming tool development is created.

Contract with Department of Information Services of the State of Washington in the USA.

10 YEARS OF COMARCH 10 YEARS OF COMARCH



COMARCH SA MANAGEMENT BOARD



Chris
Debou

Rafał
Chwast

Professor
Janusz Filipiak

Robert
Chwastek

Paweł
Przewięźlikowski

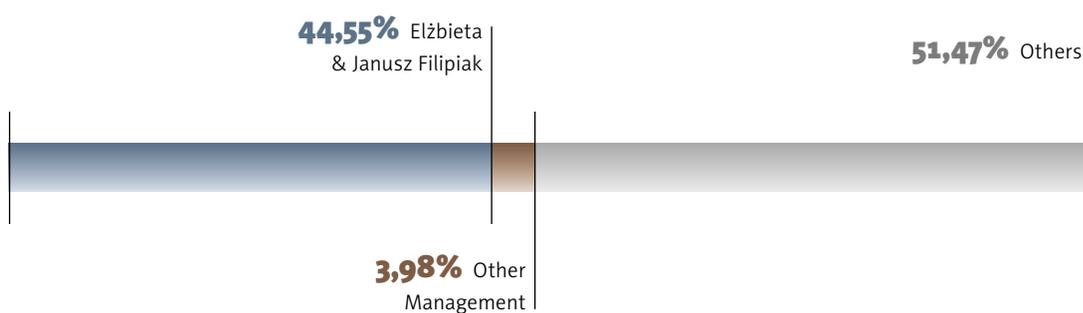
Tomasz
Maciantowicz

Paweł
Prokop

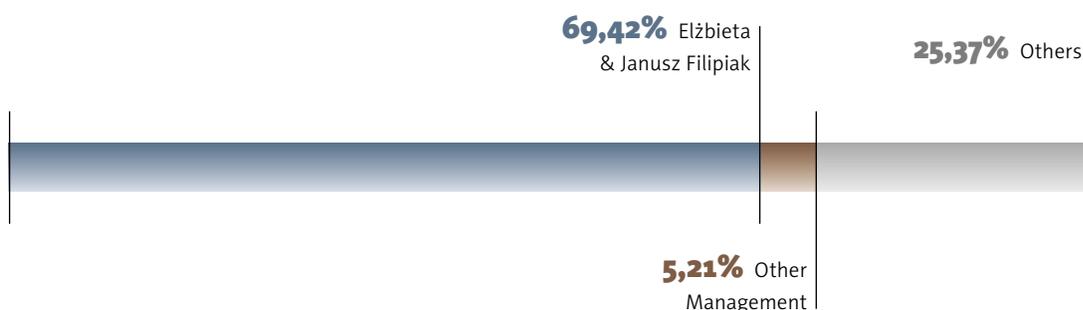
Shareholder Structure

As of 31.12.2003

Share in capital



Share in votes



The Management Board

Janusz Filipiak – Chairman & CEO

Rafał Chwast – Vice President, CFO

Tomasz Maciantowicz – Vice President, Finance, Banking & Insurance Sector

Paweł Prokop – Vice President, Public & Local Administration Sector

Paweł Przewięźlikowski – Vice President, Services, Commerce & Industry

Robert Chwastek – Member of the Board, CTO

Christophe Debou – Member of the Board, Telecommunications Sector

Financial Statements

Auditors' Opinion

For the ComArch SA Shareholders and Supervisory Board

We have audited the financial statements of the ComArch SA Capital Group (referred to as the "Group") prepared by ComArch SA (referred to as the "Parent Company") seated in Kraków, Al. Jana Pawła II 39a, including:

- a** introduction;
- b** The consolidated balance sheet prepared as of 31 December 2003, with assets and liabilities and equity of 268104 thousand PLN;
- c** The consolidated income statement for the period from 01 January to 31 December 2003, with net income in the amount of 9 297 thousand PLN;
- d** The consolidated statement of Shareholders' equity for the period from 01 January to 31 December 2003 indicating a decrease in equity of 15 526 thousand PLN;
- e** The consolidated cash flow statement for the period from 01 January to 31 December 2003 indicating a net cash inflow of 22 401 thousand PLN;
- f** Additional information (notes).

The Management Board of the Parent Company is responsible for preparing the consolidated financial statement and report on Group operations in compliance with relevant regulations. Our responsibility is to issue an opinion on the financial statements based on the conducted audit.

We have conducted the audit in compliance with all regulations of the Republic of Poland:

- a** Regulations set forth in chapter 7 of the Accounting Act dated 29 September 1994 (*Accounting Act* – uniform text, 2002 Legal Journal No. 76, pos. 694 as amended);
- b** Accounting standards issued by the National Association of Chartered Accountants.

The audit was planned and conducted in such a way as to obtain satisfactory certainty that the audited financial statement does not contain material errors and omissions. The audit is based on tests of sample data of accounting documents, entries, values, and information

presented in the consolidated financial report. The audit also included an analysis of adopted accounting principles, estimations done by the Management Board, and the form of the financial statement. We feel that the audit is sufficient to issue an opinion.

Information included in the report on operations for the period from 01 January to 31 December 2002 complies with regulations set forth in the Ordinance of the Council of Ministers dated 16 October 2001 on the type, scope and form of periodical and current information and the submission dates followed by issuers of publicly traded securities (2001 Legal Journal No. 139, pos.1569 as amended) and are consistent with the information included in the audited consolidated financial report.

In our opinion, the financial statement in all aspects:

- a** has been prepared based on properly maintained consolidation documentation and continuously used accounting principles consistent with Polish regulations set forth in the Accounting Act and the Ordinance of the Council of Ministers of 12 December 2001 on the detailed guidelines for preparing financial reports for affiliates by entities other than banks and insurance companies (Legal Journal No.152 pos.1729) and the regulations set forth in the Ordinance of the Council of Ministers of October 16 2001 on the type, scope and form of periodical and current information and the submission dates followed by issuers of publicly traded securities (2001 Legal Journal No.139, pos.1569) and the Ordinance of the Council of Ministers of 16 October 2001 on detailed requirements regarding a Prospectus and Prospectus Summary (2001 Legal Journal No.139, pos.1568 as amended).
- b** is consistent with legal regulations followed by the Group;
- c** clearly and fairly presents all material information relevant to the assessment of the Group's financial position for 31 December 2003 and the profitability and financial results for the period from 01 January 2003 to 31 December 2003.

On behalf of **PricewaterhouseCoopers Sp. z o.o.**:

Elżbieta Kobryń
Management Board Member
Chartered Accountant
No. 5092/4571

The Company has a Charter to audit
financial statements No.144

Kraków, 03 June 2004

Consolidated Balance Sheet (thousands of PLN)

As of year end	2003	2002
ASSETS		
I. Fixed assets	104 972	72 710
1. Intangible assets	3 220	4 341
2. Value of affiliated companies	3 466	2 950
3. Tangible fixed assets	91 244	55 713
4. Long-term receivables	215	
4.2. From other entities	215	
5. Long-term investments	5 056	6 952
5.3. Long-term financial assets	5 056	6 952
a) in affiliates	4 726	6 615
shares in affiliates valued using the ownership rights method	4 724	6 201
shares in non-consolidated subsidiaries and affiliates	2	414
b) in other entities	330	337
6. Long-term deferrals	1 771	2 754
6.1. Deferred income taxes	1 570	1 443
6.2. Other deferrals	201	1 311
II. Current assets	163 132	143 451
1. Inventories	11 738	9 258
2. Accounts receivable	88 897	65 174
2.1. From affiliates	117	93
2.2. From other entities	88 780	65 081
3. Short-term investments	45 465	58 431
3.1. Short-term financial assets	45 465	58 431
b) in other entities	351	34 771
c) cash and cash equivalents	45 114	23 660
4. Short-term deferrals	17 032	10 588
Total Assets	268 104	216 161

Consolidated Balance Sheet (thousands of PLN) cont.

As of year end	2003	2002
SHAREHOLDERS' EQUITY AND LIABILITIES		
I. Equity	103 631	119 157
1. Share capital	6 727	7 228
4. Reserve capital	96 714	96 714
5. Revaluation capital	282	282
6. Other reserves	9 685	24 560
7. Exchange differences from converting affiliates	-89	394
a) positive exchange differences		394
b) negative exchange differences	-89	
8. Retained earnings (loss)	-18 985	-14 424
9. Net income (loss)	9 297	4 403
II. Minority capital	18 732	2 738
III. Negative value of consolidated entities	1 952	
IV. Liabilities and reserves	143 789	94 266
1. Reserves	6 018	353
1.1. Deferred income tax reserve	5 920	353
1.3. Other reserves	98	
b) short-term	98	
2. Long-term liabilities	43 529	40 905
2.2. To other entities	43 529	40 905
3. Short-term liabilities	64 620	42 346
3.1. To affiliates	164	645
3.2. to other entities	63 363	41 701
3.3. Special funds	1 093	952
4. Accrued expenses and deferred revenues	29 622	10 662
4.2. Other accrued expenses and deferred revenues	29 622	10 662
b) short-term	29 622	10 662
Total equity and liabilities	268 104	216 161
Book value	103 631	119 157
Total number of shares	6 726 600	7 228 000
Book value per share (in PLN)	15,41	16,48
Diluted number of shares	6 852 387	
Diluted book value per share (in PLN)	15,12	

Off-balance sheet Liabilities (thousands of PLN)

As of year end	2003	2002
2. Contingent liabilities	23 381	24 171
2.2. To other companies	23 381	24 171
granted guarantees	23 381	24 171
Total off-balance-sheet liabilities	23 381	24 171

Consolidated Income Statement (thousands of PLN)

For the year	2003	2002
I. Net sales revenue	256 643	195 065
from affiliates	439	530
1. Net sales of products	140 036	113 214
2. Net sales of merchandise and materials	116 607	81 851
II. Cost of goods sold	189 664	142 715
from affiliates	341	574
1. Cost of products sold	82 667	71 625
2. Cost of merchandise and material sold	106 997	71 090
III. Gross margin (I-II)	66 979	52 350
IV. Selling expenses	29 971	19 868
V. General and administrative expenses	21 419	22 607
VI. Income (loss) on sales (III-IV-V)	15 589	9 875
VII. Other operating income	1 240	1 185
2. Subsidies	12	126
3. Other operating income	1 228	1 059
VIII. Other operating expenses	1 455	1 907
1. Loss on sale of non-financial fixed assets	150	15
2. Revaluation of non-financial assets	172	176
3. Other operating expenses	1 133	1 716
IX. Operating income (loss) (VI+VII-VIII)	15 374	9 153
X. Financial income	2 931	5 125
2. Interest, including	1 300	3 376
3. Income from sale of investments	1 589	1 141
5. Other	42	608
XI. Financial expenses	7 221	5 041
1. Interest, including	4 613	3 422
2. Loss on sale of investments	40	192
4. Other	2 568	1 427
XIII. Income (loss) on business activities (IX+X-XI+/-XII)	11 084	9 237
XV. Deduction of value of affiliates	1 012	762
XVI. Deduction of negative value from consolidation	2 542	
XVII. Income (loss) before taxes (XIII+/-XIV-XV+XVI)	12 614	8 475
XVIII. Corporate income tax	1 783	63
a) current	1 766	974
b) deferred	17	-911
XIX. Mandatory income deductions (loss increases)		6
XX. Share in income (loss) of entities consolidated using the ownership rights method	-1 688	-3 506
XXI. Minority (income) loss	154	-497
XXII. Net income (loss) (XVII-XVIII-XIX+/-XX+/-XXI)	9 297	4 403
Net Income (loss) (annualized)	9 297	4 403
Weighted average number of common shares	6 875 602	7 228 000
Earnings (loss) per common share (in PLN)	1,35	0,61
Diluted weighted average number of common shares	6 998 162	
Diluted earnings (loss) per common share (in PLN)	1,33	

Consolidated Statement Of Cash Flows (thousands of PLN)

For the year	2003	2002
A. Net Cash Flows – Operating Activities (I+/-II)		
I. Net income (loss)	9 297	4 403
II. Total adjustments	19 483	7 789
1. Minority loss	-154	497
2. Share in (income) loss of affiliates consolidated using the ownership rights method	1 688	3 506
3. Depreciation and amortization	8 928	9 696
deductions of value of affiliated entities or negative value of affiliated entities	-1 708	762
4. (Income) loss due to exchange differences	461	200
5. Interest and dividends	3 007	1 335
6. (Gain) loss on investing activities	-1 399	-972
7. Changes in other reserves	227	1 222
8. Change in inventories	-2 472	-492
9. Change in receivables	-22 453	-23 607
10. Change in current liabilities (excluding loans and bank credits)	21 354	17 832
11. Change in deferrals and accruals	13 272	-618
12. Other adjustments	-2 976	-810
III. Net cash flows from operating activities (I+/-II)	28 780	12 192
B. Net Cash Flows – Investing Activities (I-II)		
I. Inflows	79 518	67 189
1. Sales of intangible assets	159	192
3. From financial assets:	79 339	66 997
b) in other entities	79 339	66 997
sale of financial assets	79 339	66 997
4. Other investment inflows	20	
II. Outflows	-58 066	-109 917
1. Purchases of intangible assets	-11 629	-8 849
3. Acquisition of financial fixed assets:	-46 437	-101 048
a) in affiliates	-4 540	-694
acquisition of financial assets	-4 540	-694
b) in other entities	-41 897	-100 354
sale of financial assets	-41 897	-100 354
5. Other investment outflows		-20
III. Net cash flows from investing activities (I-II)	21 452	-42 728

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Consolidated Statement Of Cash Flows (thousands of PLN) cont.

	Continued from previous page	
For the year	2003	2002
C. Net Cash Flows – Financing Activities		
I. Inflows	768	40 164
1. Net inflows from convertible bond issue		40 120
2. Loans	768	44
II. Outflows	-28 599	-1 590
1. Net proceeds from convertible bond issue	-20 643	
2. Loans	-4 036	
4. Repayment of loans	-859	-57
7. Payment of liabilities from financial leases	-33	-24
8. Interest	-3 022	-1 507
9. Other financial outflows	-6	-2
III. Net cash flows from financing activities	-27 831	38 574
D. Total Net Cash Flows (A.III+/-B.III+/-C.III)	22 401	8 038
E. Change In Balance-Sheet: Cash and Cash Equivalents	22 401	8 038
F. Cash And Cash Equivalents – Beginning Of Period	22 172	14 134
Fa. Cash And Cash Equivalents Of MKS Cracovia as Of Acquisition Date	531	
G. Cash And Cash Equivalents – End Of Period (F+/-D)	45 104	22 172
with limited disposition	435	

Consolidated Statement Of Shareholders' Equity (thousands of PLN)

For the year	2003	2002
I. Shareholders' equity at beginning of period (opening balance)	119 157	117 471
a) Changes in accounting regulations		654
new regulations in valuing long term contracts		478
assets and reserves for deferred income taxes		176
I.a. Share capital at beginning of period after restating to comparative data	119 157	118 125
1. Share capital at beginning of period	7 228	7 228
1.1. Changes in share capital	-501	
b) reductions (due to)	501	
retirement of shares	501	
1.2. Share capital at end of period	6 727	7 228
a) increases (due to)	-20 643	
acquisition for the purpose of retirement	-20 643	
b) reductions (due to)	20 643	
retirement of shares	20 643	
4. Reserve capital at beginning of period	96 714	103 982
4.1. Changes in reserve capital		-7 268
b) decreases (due to)		7 268
reduction of reserve capital – convertible bond issue costs		1 268
transfer to reserve capital		6 000
4.2. Reserve capital at end of period	96 714	96 714
5. Revaluation capital at beginning of period	282	
5.1. Changes in revaluation capital		282
a) increases (due to)		282
capital from bond valuation		282
5.2. Revaluation capital at end of period	282	282
6. Other reserve capitals at beginning of period	24 560	7 642
6.1. Changes in other reserve capitals	-14 875	16 918
a) increases (due to)	5 734	17 146
ComArch SA 2001 and 2002 income distribution	5 734	10 479
transfers from reserve capital		6 000
income tax refund		667
b) decreases (due to)	20 609	228
repayment of tax liabilities		228
settlement of share retirement costs	467	
retirement of shares	20 142	
6.2. Other reserve capitals at end of period	9 685	24 560

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Consolidated Statement Of Shareholders' Equity (thousands of PLN) cont.

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For the year	2003	2002
7a. Exchange differences at beginning of period	394	
7b. Exchange differences at end of period	-89	394
8.4. Loss for prior years at beginning of period	10 021	1 382
a) changes in accounting regulations		-654
8.5. Loss for prior years after restating to comparative data	10 021	728
a) increases (due to)	9 830	13 696
ComArch SA income distribution (dividend payment)	4 036	
transfer of prior period losses of acquired companies		665
acquisition of other capitals of acquired companies		27
share in prior period losses of ComArch Software AG		1 484
amortization of ComArch Software AG for 2001		513
corrections in intangible assets		499
ComArch SA income distribution for the pervious year (transfer to reserve capital)	5 734	10 479
amortization of ComArch Global for 2001		29
amortization of NetBrokers for 2002	60	
b) decreases (due to)	866	
share in NetBroker financial results for prior years	100	
conversion of financial statements of foreign subsidiaries for prior years	660	
share in minority losses of ComArch Global for 2002	106	
8.6. Loss for prior years at end of period	18 985	14 424
8.7. Income (loss) for prior years at end of period	-18 985	-14 424
9. Net income	9 297	4 403
a) net income	9 297	4 403
II. Shareholders' Equity at end of period (closing balance)	103 631	119 157
III. Shareholders' Equity after the proposed income distribution (loss coverage)	103 631	115 121

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