

Dear Ladies and Gentlemen:

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 vBank Internet banking system, contracts for implementing the ORLANDO-EFOS system at Pension Funds and Investment Funds, and numerous contracts for the EGERIA Enterprise Resource Planning 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.

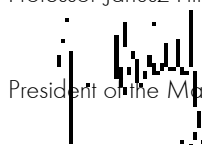
ComArch S.A. is perceived as a technology leader on the Polish IT market. This is an effect of constant product development and investments in new technologies. We are aware of the dynamic growth of the Internet which revolutionized the way business is conducted. In response to this development we made several investments in the Internet sector: we developed the ComArch Virtual World family of products including the vBank 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.

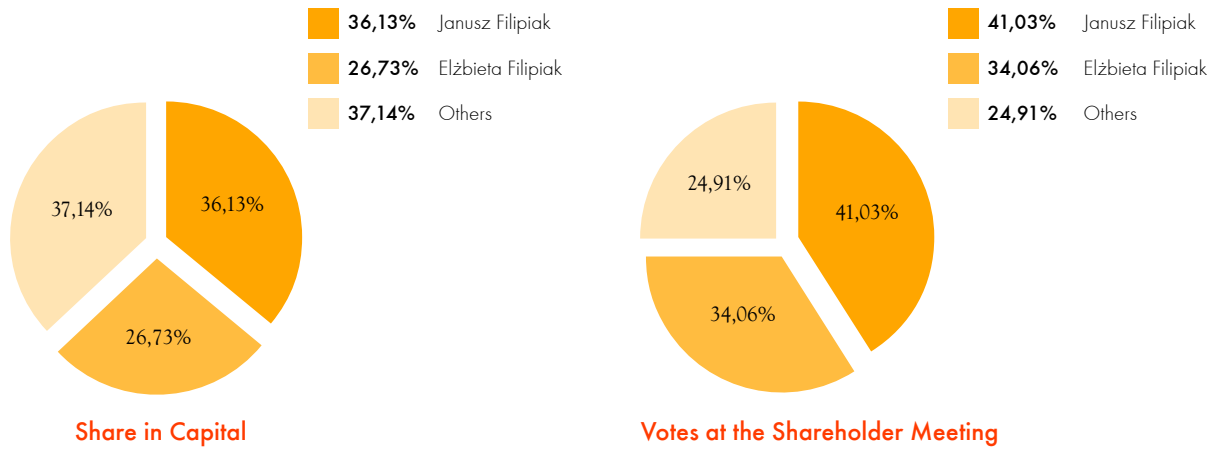
Sincerely,
Professor Janusz Filipiak

President of the Management Board

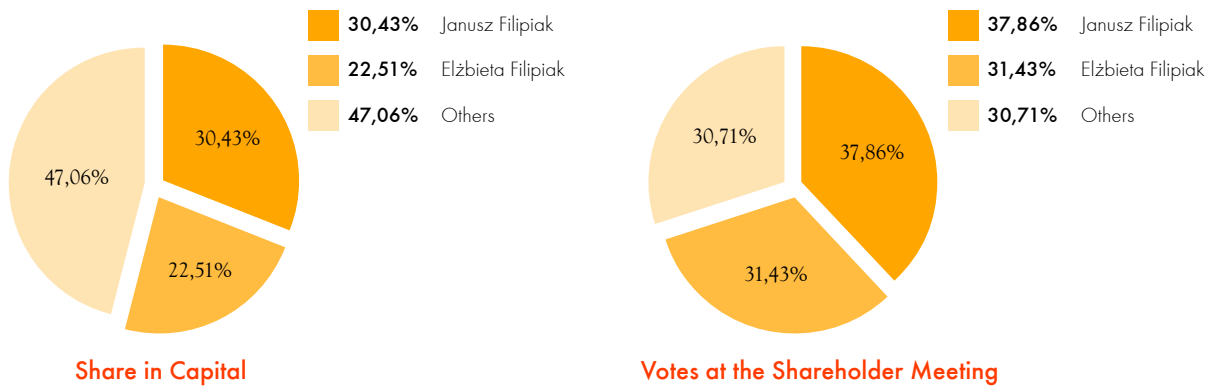


SHAREHOLDER STRUCTURE

The Shareholder Structure as of December 31, 1999



The Shareholder Structure After the E and F Series Share Issue



FINANCIAL STATEMENTS

BALANCE SHEET

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
Book value per share (in PLN) - diluted	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 (excluding loans and bank credits)	23 070	2 248
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	2 669	1 361
- due to foreign currency exchange differences	-	-
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 (policies)	-	-
b) corrections of material errors	-	-
I.a. Shareholders' Equity at beginning of period (opening balance), after restatement to comparative data	2 611	9 333
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 comparative data	1 418	7 603
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

* - the amount 7 603 includes: undistributed profit for XI-XII 97: 705
undistributed profit for I-XII 98: 6 898

In thousands of PLN



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