

**SECURITIES AND EXCHANGE COMMISSION****Form SA-QS1/2004**

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

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

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

The Management of **COMARCH SA**

Issues the consolidate report for the I quarter 2004

Date: 2004-05-17

(submitted)

<b>FINANCIAL HIGHLIGHTS</b>	Thousands of PLN		Thousands of EUR	
	1 quarter to date/ 2004 from 2004- 01-01 to 2003- 03-31	1 quarter to date/ 2003 from 2003- 01-01 to 2003- 03-31	1 quarter to date/ 2004 from 2004- 01-01 to 2003- 03-31	1 quarter to date/ 2003 from 2003- 01-01 to 2003- 03-31
I. Net sales revenues	66 384	36 246	13 848	8 534
II. Operating income (loss)	4 727	2 209	986	520
III. Income (loss) before taxes	4 171	2 322	870	547
IV. Net income (loss)	3 307	154	690	36
V. Net cash flows from operating activities	2 873	6 292	599	1 481
VI. Net cash flows from investing activities	-21 806	-7 963	-4 549	-1 875
VII. Net cash flows from financing activities	-239	17	-50	4
VIII. Total net cash flows	-19 172	-1 654	-3 999	-389
IX. Total Assets	232 094	195 219	48 908	44 316
X. Liabilities and reserves	111 489	73 204	23 494	16 618
XI. Long term liabilities	43 587	39 894	9 185	9 056
XII. Current liabilities	32 352	23 221	6 817	5 271
XIII. Shareholders' Equity	106 561	118 691	22 455	26 943
XIV. Share capital	6 727	7 228	1 418	1 641
XV. Number of shares	6 726 600	7 228 000	6 726 600	7 228 000
XVI. Earnings (loss) per common share (in PLN/EURO)	0,49	0,02	0,1	0
XVII. Diluted earnings (loss ) per common share in PLN/EUR)	0,48		0,1	
XVIII. Book value per share (in PLN/EURO)	15,84	16,42	3,34	3,73
XIX. Diluted book value per share (in PLN/EUR)	15,55		3,28	
XX. Dividend declared or paid (in PLN/EUR)		0,6		0,14

**BALANCE SHEET**

(thousands of PLN)	As of 2004-03-31 end of quarter/ 2004	As of 2003-12-31 end of prev quarter/ 2003	As of 2003-03-31 end of quarter/ 2003	As of 2002-12-31 end of prev quarter/ 2002
<b>Assets</b>				
<b>I. Fixed assets</b>	109 869	105 315	71 198	73 848
1. Intangible assets	3 212	3 219	3 825	4 341
2. Value of affiliated companies	3 160	3 466	2 728	2 950
3. Tangible fixed assets	96 418	91 252	55 347	55 713
4. Long-term receivables	62	215		
4.2 From other units	62	215		
5. Long-term investments	5 033	5 061	6 721	6 952
5.3. Long-term financial assets	5 033	5 061	6 721	6 952
a) in affiliates	4 754	4 731	6 413	6 615
-shares in affiliates valued using the ownership rights method	4 548	4 729	5 742	6 201
- shares in non-consolidated entities	206	2	671	414
b) in other entities	279	330	308	337

6. Long-term deferrals	1 984	2 102	2 577	3 892
6.1 Deferred income taxes	1 975	1 900	414	1 443
6.2 Other deferrals	9	202	2 163	2 449
II. Current assets	122 225	161 550	124 021	142 313
1. Inventories	12 091	11 753	9 165	9 258
2. Accounts receivable	51 284	89 195	36 375	65 174
2.1. from affiliates	220	119	186	93
2.2 from other entities	51 064	89 076	36 189	65 081
3. Short-term investments	41 355	45 271	64 933	58 431
3.1 Short-term financial assets	41 355	45 271	64 933	58 431
a) in affiliates			290	
b) in other entities	15 058	351	41 916	34 771
c) cash and cash equivalents	26 297	44 920	22 727	23 660
4. Short-term deferrals	17 495	15 331	13 548	9 450
Total Assets	232 094	266 865	195 219	216 161
SHAREHOLDERS' EQUITY AND LIABILITIES				
I. Equity	106 561	103 588	118 691	119 157
1. Share capital	6 727	6 727	7 228	7 228
4. Reserve capital	96 714	96 714	96 714	96 714
5 Revaluation capital	282	282	282	282
6. Other reserves	9 910	9 685	24 560	24 560
7. Exchange differences from converting affiliates	-384	-102	476	394
a) positive exchange differences			476	394
b) negative currency differences	-384	-102		
8. Retained earnings (loss)	-9 995	-18 985	-10 723	-14 424
9. Net income (loss)	3 307	9 267	154	4 403
II. Minority capital	14 044	13 786	3 324	2 738
IV. Liabilities and reserves	111 489	149 491	73 204	94 266
1. Reserves	12 175	12 671	1 740	1 358
1.1 Deferred income tax reserve	5 863	5 796	391	353
1.3. Other reserves	6 312	6 875	1 349	1 005
a) long-term	4 375	4 375	1 349	1 005
b) short term	1 937	2 500		
2. Long-term liabilities	43 587	43 475	39 894	39 900
2.1 To affiliates		1 209	2	
2.2 To other entities	43 587	42 266	39 892	39 900
3. Short –term liabilities	32 352	65 783	23 221	42 346
3.1 To affiliates	687	164	622	645
3.2 to other entities	30 230	64 527	21 502	40 749
3.3 Special funds	1 435	1 092	1 097	952
4 Accrued expenses and deferred revenues	23 375	27 562	8 349	10 662
4.2 Other accrued expenses and deferred revenues	23 375	27 562	8 349	10 662
b) short-term	23 375	27 562	8 349	10 662
Total equity and liabilities	232 094	266 865	195 219	216 161
Book value	106 561	103 588	118 691	119 157
Number of shares	6 726 600	6 726 600	7 228 000	7 228 000
Book value per share (PLN)	15,84	15,4	16,42	16,48
Diluted number of shares	6 852 387	6 852 387		
Diluted book value per share (PLN)	15,55	15,12		

**OFF BALANCE SHEET LIABILITIES**

	As of 2004-03-31 end of quarter/ 2004	As of 2003-12-31 end of prev quarter/ 2003	As of 2003-03-31 end of quarter/ 2003	As of 2002-12-31 end of prev quarter/ 2002
Off-balance sheet Liabilities				
2. Contingent liabilities	21 847	20 612	34 358	24 171
2.2. To other companies	21 847	20 612	34 358	24 171
-granted guarantees	21 847	20 612	34 358	24 171
Total off-balance sheet liabilities	21 847	20 612	34 358	24 171

**INCOME STATEMENT**

	1 quarter/ 2004 from 2004-01-01 to 2004-03-31	1 quarter/ 2003 from 2003-01-01 to 2003-03-31
I. Net sales revenue	66 384	36 246
-from affiliates	99	
1. Net sales of products	42 296	32 211
2. Net sales of merchandise and materials	24 088	4 035
II. Cost of goods sold	47 580	24 827
-from affiliates	288	
1. Cost of products sold	24 209	20 746
2. Cost of merchandise and material sold	23 371	4 081
III. Gross margin (I-II)	18 804	11 419
IV. Selling expenses	7 761	4 329
V. General and administrative expenses	6 342	4 714
VI. Income (loss) on sales (III-IV-V)	4 701	2 376
VII. Other operating income	349	138
1. Income of sale of non-financial fixed assets	11	1
2. Subsidies	42	
3. Other operating income	296	137
VIII. Other operating expenses	323	305
1. Loss on sale of non-financial fixed assets	66	17
2. revaluation of non-financial assets	6	5
3. Other operating expenses	251	283
IX. Operating income (loss) (VI+VII-VIII)	4 727	2 209
X. Financial income	1 444	1 546
1. Dividends	360	
-from affiliates	360	
2. Interest, including		1 014
3. Income from sale of investments	98	66
5. Other	986	466
XI. Financial expenses	1 695	1 212
1. Interest, including	1 158	1 117
2. Loss on sale of investments		95
4. Other	537	
XIII. Income (loss) on business activities (IX+X-XI+/-XII)	4 476	2 543
XV. Deduction of value of affiliates	305	221
XVII. Income (loss) before taxes (XIII+/-XIV-XV+XVI)	4 171	2 322
XVIII. Corporate income tax	506	1 122
a)current	535	630
b)deferred	-29	492
XX. Share in income (loss) of entities consolidated using the ownership rights method	-175	-459
XXI. Minority (income) loss	-183	-587
XXII. Net income (loss) (XVII-XVIII-XIX+/-XX+/-XXI)	3 307	154

Net Income (loss) (annualized)	12 420	4 373
Weighted average number of common shares	6 751 899	7 228 000
Earnings (loss) per common share (in PLN)	1,84	0,61
Diluted weighted average number of common shares	6 874 862	
Diluted earnings (loss) per common share (in PLN)	1,81	

**STATEMENT OF SHAREHOLDER'S EQUITY**

	1 quarter/ 2004 from 2004-01-01 to 2004-03-31	1 quarter/ 2003 from 2003-01-01 to 2003-03-31
I. Shareholders' equity at beginning of period (opening balance)	103 588	120 030
-correction for ComArch Global, Inc. (previously not consolidated)		-1 254
I.a. Share capital at beginning of period after restating to comparative data	103 588	118 776
1. Share capital at beginning of period	6 727	7 228
1.2 Share capital at end of period	6 727	7 228
4. Reserve capital at beginning of period	96 714	96 714
4.2. Reserve capital at end of period	96 714	96 714
5. Revaluation capital at beginning of period	282	282
5.2. Revaluation capital at end of period	828	282
6. Other reserve capitals at beginning of period	9 685	24 560
6.1 Changes in other reserve capitals	225	
a) increases due to	225	
-capital from merger of subsidiaries	225	
6.2 Other reserve capitals at end of period	9 910	24 560
7a. Exchange differences from affiliated entities at beginning of period	-102	315
7b. Exchange differences from affiliated entities at end of period	-384	476
8.1 Retained earnings	9 267	5 326
b) corrections for ComArch Global, Inc. not consolidated in previous years		-1 254
8.2 Retained earnings at beginning of period after restating to comparative data	9 267	4 072
b) decreases due to	-9 267	
-decrease in losses of previous years	-9 267	
8.4 Retained earnings at beginning of period	18 985	-14 395
a) changes in accounting regulations		-29
8.5 Retained earnings at beginning of period after restating to comparative data	18 985	-14 424
a) increases due to	277	
-change in minority shareholder capital	277	
-transfer of 2002 losses of consolidated entities		-4 658
- transfer of 2002 income of consolidated entities		11 757
b) decreases due to	9 267	
- 2003 consolidated income	9 267	
-2002 exclusions for net income		-2 847
-share in income of minority capital		-551
8.6 Retained earnings at end of period	9 995	-10 723
9. Net income	3 307	154
a) net income	3 307	154
II. Equity capital at end of period	106 561	118 691

**STATEMENT OF CASH FLOWS**

	1 quarter/ 2004 from 2004-01-01 to 2004-03-31	1 quarter/ 2003 from 2003-01- 01 to 2003-03- 31
I. Net income (loss)	3 307	154
II. Total adjustments	-434	6 138
1. Minority loss	183	587
2. Share in (income) loss of affiliates consolidated using the ownership rights method	175	459
3. Depreciation and amortization	2 615	2 862
-deductions of value of affiliated entities or negative value of affiliated entities	305	221
4. (Income) loss due to exchange differences	136	39
5. Interest and dividends	-14	2
6. (Gain) loss on investing activities	-13	-112
7. Changes in other reserves	-464	308
8. Change in inventories	-1 401	143
9. Change in receivables	33 087	31 567
10. Change in current liabilities (excluding loans and bank credits)	-27 527	-21 772
11. Change in deferrals and accruals	-7 211	-5 528
12. Other adjustments		-2 417
III. Net cash flows from operating activities (I+/-II)	2 873	6 292
I. Inflows	55 016	7 204
1. Sales of intangible assets	16	90
3. From financial assets:	55 000	7 114
b) in other entities	55 000	7 114
-sale of financial assets	55 000	7 114
II. Outflows	-76 822	-15 167
1. Purchases of intangible assets	-7 002	-2 835
2. Investments in real estate and intangible assets		-4
3. Acquisition of financial fixed assets:	-69 818	-12 328
a) in affiliates	-203	
-acquisition of financial assets	-203	
b) in other entities	-69 615	-12 328
-acquisition of financial assets	-69 615	-12 038
- long term loans granted		-290
5. Other investment outflows	-2	
III. Net cash flows from investing activities (I-II)	-21 806	-7 963
I. Inflows	154	299
2. Loans		299
3. Issue of debt securities	154	
II. Outflows	-393	-282
4. Repayment of loans	-373	-44
6. Due to other financial obligations		-191
7. Payment of liabilities from financial leases	-17	-8
8. Interest		-38
9. Other financial outflows	-3	-1
III. Net cash flows from financing activities	-239	17
D. TOTAL NET CASH FLOWS (A.III+/-B.III+/-C.III)	-19 172	-1 654
E. CHANGE IN BALANCE-SHEET: CASH AND CASH EQUIVALENTS	-19 172	-1 654
F. CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	45 164	22 177
G. CASH AND CASH EQUIVALENTS - END OF PERIOD (F+/- D)	25 992	20 523

## COMMENTARY

### 1. Capital Group Structure

The ComArch Capital Group has the following structure: the parent company generates the majority of contracts and to a large extent realizes them. ComArch Kraków operates as a subcontractor in the area of implementation and software development for part of a particular contract. ComArch Global, ComArch Software, ComArch Middle East FZ-LLC generate contracts in international markets and realize them fully or partially. Interia.pl is an Internet portal providing IT services, communication services, search capabilities and services for the Internet community. ComArch Internet Ventures is involved in providing IT services aimed at providing Internet connections for the ComArch companies and for projects implemented by ComArch. CDN SA is a software developer of financial accounting software and ERP systems. NetBrokers Sp. z o.o. offers e-commerce services such as a virtual commodity exchange in the Internet.

As of 31.03.2003 the following entities were part of the Capital Group (shares of ComArch SA)

- ComArch SA in Krakow
- ComArch Kraków SA in Kraków (99,99%)
- ComArch Global, Inc. in Miami (90,00%)
- ComArch Software AG in Frankfurt am MA in (100,00%)
- Interia.pl SA in Kraków (49,87%)
- CDN-ComArch SA seated in Kraków (99,99%)
- NetBrokers Sp. z o.o. in Kraków (37,33%)
- MKS Cracovia SSA in Kraków (28,4%)

ComArch Middle East FZ-LLC seated in Dubai (100%) was established after the balance sheet date

ComArch SA has a dominant share in the Capital Group in regards to revenues, assets and the number and magnitude of contracts.

The consolidated financial statement for the I quarter 2004 includes: ComArch SA, ComArch Kraków SA, CDN ComArch SA, MKS Cracovia SSA, ComArch Software AG and ComArch Global, Inc. Shares in Interia.pl and NetBrokers Sp. z o.o. were valued using the ownership rights method. Other entities were consolidated using the full method.

### 2. Changes in the Structure of the Capital Group

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

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

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

Based on the third decision, the acquired company (CDN SA) was removed from the Court Register. After the acquisition, the share capital of ComArch Internet Ventures (currently CDN SA) has not changed and remains 12 840 000 PLN and is divided into 12 840 registered privileged shares with 5 votes per share at the Shareholder Meeting, with a par value of 1 000 PLN. ComArch SA currently holds 99,99%% of votes at the Company's Shareholder Meeting. The total number of votes is 64 200.

### 3. Principles Followed When Preparing Financial Statements and Reporting Methods Used

The following entities were consolidated during the I quarter 2004:

	Type of affiliation	Consolidation method	ComArch SA share in capital
ComArch SA	Parent company	Full	
ComArch Kraków SA	Subsidiary	Full	99,99%
ComArch Software AG	Subsidiary	Full	100,00%
ComArch Global, Inc.	Subsidiary	Full	9000%
CDN ComArch	Subsidiary	Full	99,99%
Interia.pl SA	Affiliate	Ownership rights	37,50%
NetBrokers Sp. z o.o.	Affiliate	Ownership rights	40,00%
MKS Cracovia SSA	Subsidiary*	Full	28,40%

\*MKS Cracovia SSA is a ComArch SA subsidiary subject to Art 3, pt 37 sec. d) of the Accounting Act

The financial statements were created based on accounting records maintained according to the Accounting Act, of 9.11.2000 . The data was prepared based on asset, liability, and equity reporting principles and on principles regulating the measuring of net financial results as of the balance sheet date.

Generally accepted accounting principles were followed when preparing the non-consolidated balance sheets of consolidated entities within the Capital Group.

Balance sheet data as of 31.12.2003 contained in this report are changed compared to the analogous data presented in the report for the IV quarter 2003. The changes mostly regard corrections made as a result of the audit of ComArch SA statements for 2003.

Specification of changed positions:

Position	Data in SA-QS 4/2003 for 31.12.203	Data in SA-QS 1/2004 for 31.12.203
Assets		
4. Short term deferrals	5 455	15 331
Equity and liabilities		
1.3 Other reserves	9 274	6 875
2. Long term liabilities	41 076	43 475
4. Long term accruals	17 686	27 562
Balance sheet total	256 989	266 865

### 4. Information on Corrections Due to Reserves and Revaluations of Assets

a) Revaluation deductions for assets.

In I quarter 2004 the Company made revaluation deductions for assets for a total of 93 thousand PLN.

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

In the I quarter 2004 no assets and reserves due to deferred income taxes were established because the income from operations in the Special Economic Zone was higher than the income on taxable operations. As a result, the Company pays no income taxes. Other entities of the Group established deferred income tax reserves (increase of 67 thousand PLN).

c) Other reserves

In the I q 2004 the Company made no reserves.

### 3. Information About EUR Exchange Rates

a) EURO exchange rates used to convert financial data.

- average NBP exchange rate as of 31-03-2004	4,7455
- average NBP exchange rate as of 31-03-2003	4,4052
- mean (arithmetic) exchange rate for the period 1.01-31.03.2004	4,7938
- mean (arithmetic) exchange rate for the period 1.01-31.03.2003	4,2474

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

### 4. Shareholder Information

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

As of 17 May 2004, the following shareholders held either directly, or indirectly through subsidiaries, at least 5% of votes at the ComArch Shareholder Meeting: Elżbieta and Janusz Filipiak hold a total of 2.996.898 shares what gives them 9.576.898 votes at the Shareholder Meeting, constituting 69,42 % of votes at the Shareholder Meeting.

b) Changes in the share holdings among Management Board Officers and Board of Directors Members for the period from 01.03.2004 to 17.05.2004.

The table below presents the holdings of Management Board and Board of Directors members of ComArch S.A as of the date of the quarterly report for the I quarter 2004, i.e. 01.03.2004 and on 17.05.2004 based on the information held by the Company.

Managerial and Directorial Officers	Position	As of 17.05.2004		As of 01.03.2004	
		Shares	Votes at Shareholder Meeting (%)	Shares	Votes at Shareholder Meeting (%)
Elżbieta and Janusz Filipiak	Chairperson of the Supervisory Board and Chairman and CEO	2.996.898	69,42%	2.996.898	67,44%
Tomasz Maciantowicz	Vice President	212.134	4,26%	212.134	4,11%
Paweł Prokop	Vice President	24.440	0,45%	24.440	0,45%
Paweł Przewięźlikowski	Vice President	24.440	0,45%	24.440	0,45%
Rafał Chwast	Vice President	6.566	0,05%	6.566	0,05%
<b>Issued shares</b>		<b>6.726.600</b>	<b>100,00%</b>	<b>6.726.600</b>	<b>100,00%</b>

### 5. Factors Having a Major Impact on ComArch IV Quarter 2003 Financial Results and Factors Impacting Future Performance

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

In the I quarter, revenues were 66 384 thousand PLN and were 83% higher than revenues in the same period last year. Operating income was 4 727 thousand PLN what is a 114% increase to the analogous period last year.



Operating margin in the first quarter of 2003 was over 7% and given the over 80 percent revenue growth should be considered high.

First quarter net income was 3 307 thousand PLN and was 21-fold higher compared to the same period last year. Taking into account the high backlog level for the current year, it can be concluded that ComArch made a significant step towards revenue and income growth planned for 2004.

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

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

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

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

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

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

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

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

## **8. Extraordinary Events Impacting Financial results**

Due to the acquisition of 28,4% of MKS Cracovia SSA shares, starting with the IV quarter ComArch consolidates MKS Cracovia. A one time impact of this operation in the IV quarter 2003 is 2.542 thousand PLN (deduction of negative value of subsidiaries)

## **9. Events after the Balance Sheet Date**

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

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

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

- a) the recent situation on the Polish Internet portal market and its constant growth,
- b) positive development of the situation of Interia.pl leading to the Company's earning positive financial results

ComArch SA feels that it would be beneficial for Interia.pl to offer new products and services based on broadband technology (including UMTS).

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

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

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

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

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

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

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

On 30.04.2004 the ComArch SA Management Board passed a resolution on the merger of ComArch SA with subsidiaries ComArch Kraków SA and CDN-ComArch SA, in which the Company holds a 99,99% stake. The consolidated report for previous years contained the financial statements of the merged entities. Assets of CDN ComArch SA and ComArch Kraków SA is fully covered by shares held by ComArch SA in the merged entities. As a result, the merger will take place without a capital increase of ComArch SA and will remain unchanged.

The goal of the merger is to increase the operational efficiency of the Group by eliminating the drawbacks resulting from operating as separate entities, increasing synergies by allowing sales personnel of the entire group to sell the full range of products and cost reductions arising from the subsidiaries operating as separate entities. The acquisition of CDN ComArch SA and ComArch Kraków SA will increase operational efficiency by putting human capital and assets to a more effective use. It is the intention of the Management Board for the merger to take place in the III quarter 2004.

## **10. Management's Position Regarding the Previously Released Financial Forecasts**

The Management Board did not issue a forecast for 2004.

## **11. Significant Proceedings before Courts, Arbitration Organs or Public Administration Bodies.**

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

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

None

**13. Information about Guarantees granted by the Company or Subsidiaries**

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

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

None.

**Signatures**

Date	Name	Position	Signature
2004-05-17	Rafał Chwast	Vice President	
2004-05-17	Paweł Prokop	Vice President	