OPINION OF AN INDEPENDENT AUDITOR

To the Shareholders and the Board of Supervisors of ComArch S.A.

We have conducted an audit of the ComArch Capital Group's consolidated financial report that appears above. The capital group's dominant entity is ComArch S.A. with its registered seat at Al. Jana Pawła II 39A, Kraków. We audited:

- consolidated balance sheet as at 31 December 2006, with total assets, total equity and liabilities amounting to 461.559 million PLN;

- consolidated income statement for the period from 1 January 2006 to 31 December 2006, with the net profit for the year amounting to 52.987 million PLN;

- changes in consolidated equity for the period from 1 January 2006 to 31 December 2006 showing an increase in the value of equity to the sum of 95.611 million PLN;

- consolidated cash flow statement for the period from 1 January 2006 to 31 December 2006 showing an increase in cash and cash equivalents to the sum of 14.257 million PLN;

- additional information and annotations.

The Management Board of the dominant unit takes responsibility for drawing up the financial report mentioned above. Our task was to investigate and then to express our opinion concerning the reliability, correctness and clarity of this consolidated report.

The consolidated financial report for the previous financial year to 31 December 2005 was examined by a different statutory auditor who, on 5 June 2006 expressed the opinion that this report was in order. Our opinion concerns only the consolidated financial report for the financial year ended 31 December 2006.

The consolidated financial report was prepared in full with respect to the ten subsidiaries and by the equity method with respect to the single associated entity. The financial reports of three subsidiaries were subject to an audit by other entities authorized to conduct audits of financial reports. We received the financial statements of the three subsidiaries and single associate mentioned above, as well as the conclusions concerning the audited financial reports. It is our opinion that the audit of the consolidated financial report with respect to data concerning these entities is based on the opinions of statutory auditors qualified and authorized to conduct an audit. The data from the subsidiaries' financial reports, for which we relied entirely on the opinions of other statutory auditors, represent 7 % of the consolidated assets, and 10 % of the consolidated revenue from sales, before adjustments made in consolidation.

The audit of the consolidated financial report was prepared and conducted according to:

- provisions of chapter seven of the Act of 29 September 1994 on Accounting (Journal of Laws 2002, no. 76, item 694 with amendments);

- standards for performance of the expert auditor profession, issued by the National Board of Expert Auditors in Poland;

so as to have sufficient certainty that the consolidated financial statement does not include significant errors. That audit included, in particular, verification, largely on the basis of the sample, proofs and accounting records confirming amounts and information presented in the consolidated financial statement.
The audit included also assessment of the accounting principles applied by the company's management board and significant assessments as well as the general assessment of the consolidated financial statement's presentation.

We are convinced that the audit we carried out ensures sufficient grounds for expressing our opinion.

In our opinion, basing on results of the audit and other expert auditors' opinions, the audited consolidated financial statement for the financial year 2006 was prepared in all significant aspects compliant with the International Financial Reporting Standards, as approved by the European Union. This financial statement presents a true and fair view on the equity and financial situation of the Capital Group as at 31 December 2006 and on the financial result for financial year from 1 January to 31 December 2006.

The report regarding the activities of the Capital Group in 2006 is complete in the sense of art. 49 sec. 2 of the Act on Accounting and the Regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information pertaining to companies traded on the stock exchange and included information come directly from the audited financial statement and are compliant with it.

....
Radosław Kuboszek
Expert auditor
Registration no. 90029/6847

....
persons representing the company

....
entity entitled to audit the financial statements registered in the list of entities entitled under item no. 73 (the list of KRBR)

Warsaw, 1 June 2007

THE REPORT SUPPLEMENTING THE OPINION
FROM THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE FINANCIAL YEAR 2006

I. GENERAL INFORMATION

1. General Characteristics of the Company

The dominant unit of the Capital Group operates under the company name of ComArch Spółka Akcyjna. The city of Krakow, Al. Jana Pawła II 39 A is the seat of the company.

The company operates in the form of a joint stock company, formed with a notarial deed on 30 November 1994 by notary, Maria Kwiecińska-Stybel in Krakow (Repertory No. A 5209/94).
Pursuant to the notice dated 20 December 1994, the company was registered in division B, at number RHB 3218 of a commercial register of the District Court for Kraków-Śródmieście, Economic Division of the National Court Register in Krakow. Currently, the company is registered at no. KRS 0000057567 in the register of business entities of the District Court for Kraków-Śródmieście, Economic Division of the National Court Register in Krakow.

The company's Tax Identification Number is 677-00-65-406 and was given by the Tax Office, Kraków-Sródmieście in Krakow on 1 August 2000.
On 14 July 2000, the Statistical Office registered the company at REGON no. 350527377.

The company operates compliant with the provisions of the Commercial Companies Code.

It also operates complaint with the permit on business activities in the Special Economic Zone in Krakow.

According to the company's statute, the subject matter of the company's activities is:
- advisement within the scope of computer hardware,
- software editing activities,
- other activities within the scope of software,
- data processing,
- database activities,
- maintenance and service of office and accounting devices, and of computer hardware,
- other activities related to informatics,
- wholesale of computers, peripheral devices and software,
- wholesale of electronic elements,
- retail of computers and telecommunication hardware,
- retail undertaken through mail-order houses ,
- production of computers and other data processing hardware,
- production of radio, tele-IT and telecommunication hardware and devices,
- production of systems to run industrial processes,
- reproduction of computer data carriers,
- stationery telephony and telegraphy,
- mobile telephony,
- data transmission,
- radio communication,
- other telecommunication activities,
- research and development work within the scope of technical sciences,
- research and development work within the scope of mathematics and physical sciences as well as astronomy,
- financial leasing services,
- rental of machines, office devices and computer hardware,

- rental of real estate properties on its own account,
- the purchase and sales of real estate properties on its own account,
- intermediation within the scope of real estate properties' dealing,
- continual education of adults and other forms of education,
- road transport of items by motor vehicle,
- warehousing and storage of items in other storage facilities.

During the audited period, the company operates within IT business.

As at 31 December, the company's share capital accounted for 7,518,770.00 PLN and was divided into 5,751,570 ordinary shares of nominal value of 1 PLN each and 1,767,200 registered shares of nominal value of 1.00 PLN each. Registered shares are preferential for voting so that 5 votes in the General Meeting correspond with each share. As at 31 December 2006, shareholders holding, directly or indirectly by subsidiary entities, at least 5 % of the total number of votes in the general meeting of ComArch S.A. are:
- E. and J. Filipiak – 43.08% in the company's share capital (69.89 of votes at the AGM),
- customers of BZ WBK AIB Asset Management S.A. – 23.53 % in the company's share capital (12.13% of the votes at the AGM).

Within the financial year there were the following changes in the company's share capital:

- conversion of the bonds convertible into series H shares in the amount of 563,675.00 PLN.

- registration in the National Deposit for Securities and introduction into trading of series H of nominal value of 563,675 PLN.

All changes in the company's share capital within the year were described correctly in the consolidated financial statement of the ComArch Group in note 3.12.2.

After the balance sheet date there were the following changes in the company's share capital:
- issue of 441,826 ordinary bearer shares within the framework of execution of the Managerial Option Programme; an increase in the share capital was registered in KRS on 20 April 2007.

All changes in the company's share capital after the balance sheet date were described correctly in the consolidated financial statement of the ComArch Group in note 3.12.4.

As at 31 December 2006, the company's equity was 256,983 thousand PLN, including capital attributable to the shareholders of the company was 242,403 thousand PLN.

The financial year of the company is the calendar year.

At the date of this report, the members of the Management Board are:

- Janusz Filipiak – President of the Management Board,
- Rafał Chwast – Vice-President of the Management Board,
- Paweł Prokop – Vice-President of the Management Board,
- Paweł Przewiezlikowski – Vice-President of the Management Board,
- Zbigniew Rymarczyk – Vice-President of the Management Board,
- Piotr Piatosa – Vice-President of the Management Board.

During the audited period, the following changes in the membership of the company's Management Board occurred:

- on 23 January 2006, Mr. Christophe Debou submitted his resignation from the position of ComArch S.A. Management Board Member,

- on 11 May 2006, Mr. Tomasz Maciantowicz, Vice-President of ComArch S.A.'s Management Board submitted his resignation without stating reasons.

The above-mentioned changes were registered in the correct court register.

As at 31 December 2006, the ComArch Capital Group consists of the following entities:

• the dominant unit – ComArch S.A. and
• the subsidiaries:
- ComArch, Inc. – a subsidiary in 100 %,
- ComArch Software AG – a subsidiary in 100 %,
- ComArch Middle East FZ-LCC – a subsidiary in 100 %,
- ComArch s.r.o – a subsidiary in 100 %,
- ComArch Sp. z o.o. – a subsidiary in 100 %,
- ComArch Panama, Inc. – a subsidiary of the second degree in 100%,
- UAB ComArch – a subsidiary in 100 %,
- OOO ComArch – a subsidiary in 100 %,
- CA Services S.A. – a subsidiary in 99.90 %,
- MKS Cracovia SSA – a subsidiary in 49.15 %,

• the associated units:
- Interia.pl S.A. – an associate in 48.48 %.

The consolidated financial statement as at 31 December 2006 comprises the following companies:

a) the dominant unit – ComArch S.A.
The audit of the consolidated financial statement of the dominant unit was carried out for the financial period from 1 January 2006 to 31 December 2006. Our opinion dated 4 April 2007 included no objections and

b) companies consolidated with the full method:

Name and seat of the company	**% in the share capital**	**An auditing entity and type of the opinion**	**Date of the opinion**
ComArch, Inc. Miami	100 %	was not subject to audit	n/a
ComArch Software, Dresden		Alexander Enders – an expert auditor, opinion without objections	8 May 2007
ComArch Middle East FZ-LCC, Dubai	100 %	was not subject to audit	n/a
ComArch s.r.o, Bratyslava	100 %	was not subject to audit	n/a
ComArch Sp. z o.o, Kiev	100 %	was not subject to audit	n/a
ComArch Panama, Inc	100 %	was not subject to audit	n/a
UAB ComArch, Vilnius	100 %	was not subject to audit	n/a
OOO ComArch, Moscow	100 %	was not subject to audit	n/a
CA Services S.A., Krakow	100 %	Audit Office FK - Bad Sp. z o.o., opinion without objections	12 March 2007
MKS Cracovia SSA	49.15%	Polinvest – Audit Sp. z o.o., opinion without objections	29 March 2007

c) companies consolidated with the equity method:

Name and seat of the company	% in the share capital	An auditing entity and type of the opinion	Date of the opinion
INTERIA.PL S.A.	36.08 %	Deloitte Audyt Sp. z o.o.	6 April 2007

2. Information regarding the Financial Statement from the Previous Financial Year

Beginning from 1 January 2005 the consolidated financial statements of the Capital Group are prepared pursuant to the International Financial Reporting Standards as approved by the European Union

For the year 2005, the closing balance of the Capital Group's net activities was 27,763 thousand PLN. The Capital Group's consolidated financial statement for the financial year of 2005 was audited by an expert auditor. An audit was carried out by PricewaterhouseCoopers Sp. z o.o., the entitled auditor. There were no reservations in the opinion of an expert auditor dated 5 June 2006.

The Annual General Meeting that approved the financial statement for the financial year of 2005 was held on 22 June 2006.

On 28 June 2006, in compliance with the law, the consolidated financial statement for the financial year of 2005 was delivered to the National Court Register and on 3 January 2007, it was delivered for publishing in Monitor Polski B.

3. Data that Identifies an Entitled Entity and an Expert Auditor Carrying Out an Audit on behalf of the Entity

The audit of the consolidated financial statement was carried out according to a contract dated 17 July 2006, concluded between ComArch S.A. and Deloitte Audyt Sp. z o.o. with its registered seat in Warsaw at ul. Piękna 18. Deloitte Audyt Sp. z o.o. is registered under item no. 73 in the list of entities entitled to audit financial statements (the list of National Council of Auditors). On behalf of the entity entitled to audit financial statements, the audit was carried out under the supervision of the auditor Radosław Kuboszek (register no. 90029/6847) at the dominant unit's seat from 7 May 2007 to 1 June 2007.

On 19 June 2006, according to the authorisation that is included in art. 19 sec. 2 of the dominant unit's statute, the Board of Supervisors selected the entitled auditor.

Deloitte Audyt Sp. z o.o. and auditor Radosław Kuboszek confirm that they are entitled to audit financial statements and perform the conditions specified in art. 66 sec. 2 and 3 of the Act on Accounting, to provide a fair and independent opinion regarding the consolidated financial statement of the Capital Group.

4. Data Availability and Statements of the Entity's Management

There were no limitations within the audit.

During the audit, all demanded documents and data were made available to the entitled entity and expert auditor, as well, comprehensive information and explanations were also granted. That was, among other things, confirmed by a written statement from the company's Management Board dated 1 June 2007.

5. Equity and Financial Situation of the Capital Group

Below is the basic data from the income statement and financial ratios describing the Capital Group's financial result, its equity and financial situation compared to parallel data for the previous years.

Basic data from income statement (in thousands of PLN)	2006	2005
Revenues from sales	491,550	443,990
Costs from operating activities	445,999	416,634
Finance costs	6,431	(4,181)
Share in profits/losses of associates	2,590	1,119
Income tax	(1,585)	(3,469)
Net profit (loss)	52,987	27,763

Profitability ratios	2006	2005
- sales margin	9%	6%
- net margin	11%	6%
- return on equity	26%	21%
Efficiency ratios:		
- assets turnover ratio	1.06	1.28
- receivables turnover ratio (days)	90	71
- liabilities turnover ratio (days)	93	77
- inventories turnover ratio (days)	19	18
Liquidity/net working capital		
- debt rate	44%	53%
- degree of covering assets with equity	56%	47%
- net working capital (in thousands of PLN)	110,401	71,192
- liquidity ratio	1.75	1.58
- cash to current liabilities ratio	1.62	1.37

An analysis of the above amounts and ratios indicates the following tendencies in 2006:
- increase in sales profitability and equity,
- decrease in assets turnover ratio, decrease in receivables and liabilities turnover,
- decrease in debt rate and increase in covering assets with equity,
- increase in liquidity ratios.

II. DETAILED INFORMATION

1. Information on Audited Consolidated Financial Statement

The audited consolidated financial statement was prepared as at 31 December 2006 and includes:
- consolidated balance sheet as at 31 December 2006, with total assets and total equity and liabilities amounting to 461,559 thousand PLN,
- consolidated income statement for the period from 1 January 2006 to 31 December 2006, with net profit for the year amounting to 52,987 thousand PLN,
- changes in consolidated equity for the period from 1 January 2006 to 31 December 2006, presenting an increase in equity in the amount of 95.611 thousand PLN,
- consolidated cash flow statement for the period from 1 January 2006 to 31 December 2006, presenting an increase in cash in the amount of 14.257 thousand PLN,
- additional information and commentary.

The structure of assets, equity and liabilities, and items that create the financial result is presented in the financial statement.

The audit covered the period from January 1 to 31 December 2006 and consisted mostly of:
– auditing the correctness and reliability of the consolidated financial statement prepared by the Management Board of the dominant unit,
– auditing the consolidating documentation,
– assessing the correctness of the methods and procedures applied during consolidation,
– reviewing the opinions and reports from the audit of the consolidated subsidiaries and associates prepared by other expert auditors.

The audit of the consolidated financial statement was carried out in compliance with the law and with the statutory auditor’s professional code of conduct issued by the National Council of Statutory Auditors.

2. Consolidating Documentation

The dominant unit presented the following consolidating documentation:

1) financial statements of the related entities, including:
    a) primary (original) financial statements of the related entities,
    b) financial statements of the related entities prepared according to mandatory accounting regulations,
2) all corrections and eliminations made during consolidation that are necessary to prepare the consolidated financial statement,
3) goodwill impairment test.

Principles of preparing the consolidated financial statements

This consolidated financial statement for the 12 months ended 31 December 2006 was prepared pursuant to the International Financial Reporting Standards (IFRS) as approved by the European Union.

Specification of the Capital Group’s entities

When specifying the scope and methods of consolidation, as well as the relations of dependency, IFRS principles were applied.

Financial year

This consolidated financial statement for the 12 months ended 31 December 2006 was prepared as at the same balance sheet date and for the same financial year as the financial statement of the dominant unit – ComArch S.A. Financial statements for the consolidated subsidiaries and associates were prepared as at the same balance sheet date as the dominant unit. The financial year of the consolidated subsidiaries and associates ended on 31 December 2006.

Consolidation method

Consolidation of the Capital Group’s financial statement in relation to the subsidiaries was conducted using the full method by summing all the appropriate items from the dominant unit and the consolidated subsidiaries’ financial statements in the full amount.

After summing; corrections and consolidating eliminations were made, which include:
- acquisition value of shares held by the dominant unit in the subsidiaries and that part of the subsidiaries’ net assets corresponding to the share of the dominant unit in the property of these entities,
- mutual receivables and liabilities of the consolidated entities,
- significant revenue and costs related to operations between consolidated entities.

In relation to the associates the equity method was applied. The value of the share of the dominant unit in the associate was adjusted in the interest of the dominant unit by the increase in the associate's equity occurring within the consolidating period.

4. Completeness and Correctness in the Preparation of the Additional Information and Commentary and the Report Regarding the Activities of the Capital Group

The dominant unit confirmed that it had been appropriate to use a principle of business continuation when preparing the financial statement. Methods of assets, liabilities and equity valuation, the establishment of financial result and the method of consolidated financial statement preparation were completely and correctly described in additional information and commentary in the consolidated financial statement.

The dominant unit prepared additional information and commentary in tabular notes related to the particular items of the balance sheet, income statement and descriptions compliant with the IFRS regulations.
Commentary notes to the items: property, plant and equipment, intangible assets, investment, liabilities and provisions for liabilities correctly present increases and decreases as well as the reasons for these changes during the financial year.

Restriction in possibility of administration of the particular assets that are presented in the balance sheet was presented due to hedges made in the interest of creditors.

The dominant unit presented correctly particular items of assets, equity and liabilities, income statement, changes in consolidated equity, consolidated cash flow statement as well as additional notes, information and commentary that are the integral part. They clearly present all information that is compliant with requirements specified in the IFRS.

The Management Board prepared and attached the report regarding the activities of the Capital Group in 2006 to the financial statement. This report contains information that is required by art. 49 sec. 2 of the Accounting Act and the regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information pertaining to companies traded on the stock exchange. We've audited this report concerning the presented information that has a direct source in the audited financial statement.

5. Final Information and Arrangements

<u>The Management Board's declarations</u>

Deloitte Audyt Sp. z o.o. and an expert auditor received a written statement from the dominant unit's Management Board, which states that the Capital Group complies with the law.

....
Radosław Kuboszek
Expert auditor
Registration no. 90029/6847

....
persons representing the company

....
entity entitled to audit the financial statements registered in the list of entities entitled under item no. 73 (the list of KRBR)

Warszaw, 1 June 2007

COMARCH

RS

□ corrected

FINANCIAL SUPERVISION AUTHORITY

CONSOLIDATED ANNUAL REPORT RS 2006

year

(pursuant to &86 sec.2 of the Regulation issued by the Minister of Finance on 19 October 2005 - Journal of Laws No. 209 Item 1744)
for issuers of securities managing production, construction, trade and services activities

for financial year 2006 from	2006-01-01 to 2006-12-31
including consolidated annual financial statement according to	International Financial Reporting Standards (IFRS)
in currency	PLN
date of publication	2007-06-01

COMARCH SA
(full name of an issuer)

COMARCH (abbreviated name of issuer)	**Information Technology (IT)** (sector according to WSE classification)
31-864 (postal code)	**Kraków** (city)
Al. Jana Pawła II (street)	**39A** (number)
012 646 10 00 (telephone number)	**012 646 11 00** (fax)
investor@comarch.pl (e-mail)	**www.comarch.pl** (www)
677-00-65-406 (NIP)	**350527377** (REGON)

Deloitte Audyt Sp. z o.o.
(An auditor entitled to audit financial statements)

SELECTED FINANCIAL DATA	thousands of PLN		thousands of EURO	
	2006	2005	2006	2005
I. Net revenues from sales of products, goods and materials	491 550	443 990	126 068	110 355
II. Profit (loss) on operating activities	45 551	27 356	11 682	6 799
III. Gross profit (loss)	54 572	24 294	13 996	6 038
IV. Net profit (loss)	52 987	27 763	13 590	6 901
V. Cash flows from operating activities	30 092	48 703	7 718	12 105
VI. Cash flows from investing activities	-45 263	-36 178	-11 609	-8 992
VII. Cash flows from financing activities	29 428	7 608	7 547	1 891
VIII. Total net cash flows	14 257	20 133	3 656	5 004
IX. Total assets	461 559	346 847	120 474	89 861
X. Liabilities and provisions for liabilities	204 576	185 475	53 397	48 053
XI. Non-current liabilities	58 008	62 836	15 141	16 280
XII. Current liabilities	146 568	122 639	38 256	31 773
XIII. Equity	256 983	161 372	67 076	41 808
XIV. Share capital	7 519	6 955	1 963	1 802
XV. Number of shares	7 518 770	6 955 095	7 518 770	6 955 095
XVI. Earnings (losses) per single share (PLN/EURO)	7,13	4,06	1,83	1,01
XVII. Diluted earnings (losses) per single share (PLN/EURO)	6,73	4,06	1,73	1,01
XVIII. Book value per single share (PLN/EURO)	34,18	23,20	8,92	6,01
XIX. Diluted book value per single share (PLN/EURO)	32,80	23,20	8,56	6,01

Euro exchange rates used for calculation of the selected financial data: - arithmetical average of NBP average exchange rates as of the end of each month for the period 01.01.2006 to 31.12.2006 – 3.8991; - arithmetical average of NBP average exchange rates as of the end of each month for the period 01.01.2005 to 31.12.2005 – 4.0233; The balance sheet items were presented based on NBP average exchange rates as of the end of the period: - 31.12.2006: 3.8312; - 31.12.2005: 3.8598.

ANNUAL REPORT INCLUDES:

File	Description
Opinion of an Auditor.pdf	Opinion of an Auditor entitled to Audit Financial Statements – attachment no. 1
Report of an Auditor.pdf	Report of an Auditor entitled to Audit Financial Statements
Letter of the President of The Management Board.pdf	Letter of the President of The Management Board
Consolidated Financial Statement.pdf	Consolidated Financial Statement
Report of the Management Board.pdf	Report of the Management Board
The Management Board's statement regarding the independent auditor.pdf	The Management Board's statement regarding the independent auditor
The Management Board's statement regarding the reliability of the financial statement.pdf	The Management Board's statement regarding the reliability of the financial statement

SIGNATURES			
SIGNATURES OF ALL MEMBERS OF THE BOARD			
Date	Name and surname	Position	Signature
2007-06-01	Janusz Filipiak	President of the Management Board	
2007-06-01	Rafał Chwast	Vice-president of the Management Board	
2007-06-01	Piotr Piątosa	Vice-president of the Management Board	
2007-06-01	Paweł Prokop	Vice-president of the Management Board	
2007-06-01	Paweł Przewięźlikowski	Vice-president of the Management Board	
2007-06-01	Zbigniew Rymarczyk	Vice-president of the Management Board	

SIGNATURE OF PERSON CHARGED WITH CARRYING ON ACCOUNT BOOKS			
Date	Name and surname	Position	Signature
2007-06-01	Maria Smolińska	Head Accountant	

Krakow, 1st of June 2007

Dear Shareholders,

The year of 2006 was yet another successful year for the ComArch Group. The Group achieved the highest revenues from sales in its history and a record net profit. Revenues from sales increased by 11 % and accounted for 491.5 million PLN while net profit increased by over 88 % to 52.7 million PLN. At the same time, the ComArch Group significantly improved EBIT margin from the level of 6.2 % to 9.3% with return on equity increasing from 19.1 % to 21.8 %. Profit per share increased by 76 % from 4.06 PLN in 2005 to 7.13 PLN in 2006. Very favorable financial results achieved by the Group have led to the increase in the price of ComArch shares of almost 200 %.

A growth strategy based on proprietary products, which has been realised for several years, is the key factor contributing to the Group's market position and achieved results. The ComArch brand, after several years of international expansion, is steadily gaining worldwide recognition and is associated with technologically advanced IT systems and a modern customer focused approach. ComArch systems serve customers in various branches in over 20 countries, not only in Central Europe but also in Western Europe, both Americas and the Near East. The prognosis for the future is good with contracts signed in 2006 with such companies as Auchan and T-Mobile. It proves the growing interest of global customers in ComArch solutions.

To ensure long-term development, the ComArch Group continually invests in human resources and high-tech and innovative products. In 2006, the Group increased employment by over six hundred employees, comprised mainly of the best graduates of Polish academic centres across Poland. R&D work remains a continual process, financed from both our own funds as well as acquired European funds. In our opinion, in the scope of several years, these expenses will result in a stronger market position for ComArch among international companies in the IT field.

Bearing in mind the dynamic development of its activities, ComArch constantly develops production resources. In 2006, a third production and office building in the Special Economic Zone in Krakow was completed. At the beginning of 2007, several hundred ComArch employees reported there to new work spaces. Operations related to the completion of the next building continue. Completion of this investment is planned for the end of 2007. The company's new domestic branches in Warsaw, Poznań, Wrocław, Katowice, Gdańsk, Łódź and Szczecin as well as foreign centres in Dresden, Chicago and Panama are also developing dynamically.

The Management Board of ComArch S.A. exert themselves to ensure that the dynamic growth of the company goes together with an increase in activity effectiveness and the achieved results create a stable increase in the company's goodwill.

Professor Janusz Filipiak
President of the Management Board
ComArch SA

All amounts are expressed in thousands of PLN unless otherwise indicated

I. Consolidated Balance Sheet

	Note	At 31 December 2006	At 31 December 2005
ASSETS			
Non-current assets			
Property, plant and equipment	3.2	138,765	90,848
Goodwill	3.3	3,284	3,284
Intangible assets	3.4	36,035	35,024
Non-current prepayments	3.5	8,118	6,885
Investments in associates	3.6	7,289	9,444
Other investments		102	121
Deferred income tax assets	3.19	10,994	7,272
Other receivables		3	138
		204,590	**153,016**
Current assets			
Inventories	3.7	20,136	26,115
Trade and other receivables	3.10	149,950	93,003
Current income tax receivables		-	-
Long-term contracts receivables	3.15	23,926	25,521
Available-for-sale financial assets	3.8	-	-
Other financial assets at fair value – derivative financial instruments	3.9	167	225
Cash and cash equivalents	3.11	62,790	48,967
		256,969	**193,831**
TOTAL ASSETS		**461,559**	**346,847**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	3.12	7,519	6,955
Other capitals	3.13	127,795	86,861
Exchange differences		463	(663)
Net profit for the current period		52,760	28,052
Retained earnings		53,866	25,814
		242,403	**147,019**
Minority interest	3.13	14,580	14,353
Total equity		**256,983**	**161,372**
LIABILITIES			
Non-current liabilities			
Credit and loans	3.16	51,471	17,300
Deferred income tax liabilities	3.19	6,309	5,649
Convertible bonds liabilities	3.17	-	39,849
Provisions for other liabilities and charges		228	38
		58,008	**62,836**
Current liabilities			
Trade and other payables	3.14	127,714	99,991
Current income tax liabilities		3,424	1,488
Long-term contracts liabilities	3.15	9,744	14,335
Convertible bonds liabilities	3.17	-	1,097
Credit and loans	3.16	3,033	2,880
Provisions for other liabilities and charges	3.20	2,653	2,848
		146,568	**122,639**
Total liabilities		**204,576**	**185,475**
TOTAL EQUITY AND LIABILITIES		**461,559**	**346,847**

All amounts are expressed in thousands of PLN unless otherwise indicated

II. Consolidated Income Statement

	Note	12 months ended 31 December 2006	12 months ended 31 December 2005
Revenue	3.21	**491,550**	**443,990**
Cost of sales	3.22	(370,844)	(353,952)
Gross profit		**120,706**	**90,038**
Other operating income	3.23	1,010	845
Sales and marketing costs	3.22	(39,189)	(33,560)
Administrative expenses	3.22	(32,965)	(26,463)
Other operating expenses	3.24	(4,011)	(3,504)
Operating profit		**45,551**	**27,356**
Finance costs-net	3.25	6,431	(4,181)
Share of profit/(loss) of associates	3.6	2,590	1,119
Profit before income tax		**54,572**	**24,294**
Income tax expense	3.26	(1,585)	3,469
Net profit for the period		**52,987**	**27,763**
Attributable to:			
Equity holders of the company		**52,760**	**28,052**
Minority interest		227	(289)
		52,987	27,763
Earnings per share for profit attributable to the equity holders of the company during the period (expressed in PLN per share)			
– basic	3.28	7.13	4.06
– diluted		6.73	4.06

All amounts are expressed in thousands of PLN unless otherwise indicated

III. Consolidated Statement of Changes in Shareholders' Equity

	Attributable to equity holders					Minority interest	Total equity
	Share capital	Other capitals	Exchange differences	Net profit for the current period	Retained earnings		
Balance at 1 January 2005	6,852	85,179	(52)	-	26,443	14,013	132,435
Increase in capital	103	-	-	-	-	-	103
Capital from valuation of the managerial option	-	1,682	-	-	-	-	1,682
Increase (up to 100 %) in ComArch's shares in ComArch, Inc.[1]	-	-	-	-	(629)	629	-
Profit for the period[2]	-	-	-	28,052	-	(289)	27,763
Currency translation differences [3]	-	-	(611)	-	-	-	(611)
Total income recognised in equity (1-3)	-	-	(611)	28,052	(629)	340	27,152
Balance at 31 December 2005	**6,955**	**86,861**	**(663)**	**28,052**	**25,814**	**14,353**	**161,372**
Balance at 1 January 2006	6,955	86,861	(663)	-	53,866	14,353	161,372
Increase in capital	564	-	-	-	-	-	564
Increase in capital due to the conversion of convertible bonds	-	37,895	-	-	-	-	37,895
Capital from valuation of the managerial option	-	3,027	-	-	-	-	3,027
Correction of capital from revaluation of shares	-	12	-	-	-	-	12
Currency translation differences (1)	-	-	1,126	-	-	-	1,126
Profit for the period (2)	-	-	-	52,760	-	227	52,987
Total income recognised in equity (1-2)	-	-	1,126	52,760	-	227	54,113
Balance at 31 December 2006	**7,519**	**127,795**	**463**	**52,760**	**53,866**	**14,580**	**256,983**

There was a change in presentation of equities in the financial statement as at 31 December 2006. Profits achieved by the dominant unit during previous years that were presented in other capitals, are presented in retained profit. Comparable data for the year 2005 are presented in the similar way.

All amounts are expressed in thousands of PLN unless otherwise indicated

IV. Consolidated Cash Flow Statement

	12 months ended 31 December 2006	12 months ended 31 December 2005
Cash flows from operating activities		
Net profit	52,987	27,763
Total adjustments	(20,206)	21,693
Share in net (gains) losses of related parties valued using the equity method of accounting	(2,590)	(1,119)
Depreciation	12,740	11,264
Exchange gains (losses)	94	297
Interest and profit-sharing (dividends)	1,979	2,750
(Profit) loss on investing activities	(7,459)	(158)
Change in inventories	5,974	(11,127)
Change in receivables	(59,688)	(18,131)
Change in liabilities and provisions excluding credits and loans	28,744	37,917
Net profit less total adjustments	32,781	49,456
Income tax paid	(2,689)	(753)
Net cash used in operating activities	**30,092**	**48,703**
Cash flows from investing activities		
Acquisition of associates	-	(4,283)
Proceeds from sale of associates	12,232	-
Purchases of property, plant and equipment	(57,323)	(32,765)
Proceeds from sale of property, plant and equipment	473	1,050
Purchases of intangible assets	(689)	(2,150)
Purchases of available-for-sale financial assets	(3,000)	(1,578)
Proceeds from sales of available-for-sale financial assets	3,044	3,548
Net cash used in investing activities	**(45,263)**	**(36,178)**
Cash flows from financing activities		
Proceeds from equity issue	-	103
Proceeds from credits and loans	37,079	33,186
Repayments of credits and loans	(2,718)	(22,337)
Redemption of debt securities	(2,930)	-
Bond interest	(453)	(2,641)
Bank interest	(1,273)	(703)
Other expenses	(330)	-
Other financial proceeds	53	-
Net cash (used in)/generated from financing activities	**29,428**	**7,608**
Net change in cash, cash equivalents and bank overdrafts	**14,257**	**20,133**
Cash, cash equivalents and bank overdrafts at beginning of the period	48,967	28,745
Positive (negative) exchange differences in cash and bank overdrafts	(434)	89
Cash, cash equivalents and bank overdrafts at end of the period	**62,790**	**48,967**

V. Supplementary Information

1. Information about Group Structure and Activities

The basic activities of the ComArch Group (the "Group"), in which ComArch S.A. with its registered seat in Krakow at Al. Jana Pawla II 39 A is the dominant unit, include production, trade and services in the fields of IT and telecommunications, PKD 72.22.Z. The registration court for ComArch S.A. is the District Court for Krakow Sródmiescie in Krakow, XI Economic Division of the National Court Register. The company's KRS number is 0000057567. ComArch S.A. holds the dominant share in the Group regarding realised revenues, value of assets and number and volume of executed contracts. ComArch S.A. shares are admitted to public trading on the Warsaw Stock Exchange. The duration of the dominant unit is not limited.

On 31 December 2006, the following entities formed the ComArch Group (in parentheses, the share of votes held by ComArch S.A.):

- ComArch Spólka Akcyjna with its registered seat in Krakow,
- ComArch, Inc.* with its registered seat in Chicago (100.00 %),
- ComArch Software AG with its registered seat in Dresden (100.00 %),
- ComArch Middle East FZ-LCC with its registered seat in Dubai (100.00 %),
- ComArch Sp. z o.o. with its registered seat in Kiev (100.00 %),
- ComArch s.r.o. with its registered seat in Bratislava, Slovakia (100.00 %),
- ComArch Panama, Inc. with its registered seat in Panama (100.00 % subsidiary of ComArch, Inc.),
- OOO ComArch with its registered seat in Moscow (100.00 %),
- UAB ComArch with its registered seat in Vilnius, Lithuania (100.00 %),
- CA Services S.A.** with its registered seat in Krakow (99.90 %),
- MKS Cracovia SSA with its registered seat in Krakow (***49.15 %).

*) On 19 September 2006, ComArch Global, Inc. changed its name to ComArch, Inc.
**) On 25 September 2006, pursuant to a notice of the District Court for Krakow Sródmiescie in Krakow, XI Economic Division of the National Court Register, name of ComArch Services S.A was changed to CA Services S.A.
***) MKS Cracovia SSA is ComArch S.A.'s subsidiary according to IAS 27 pt 13.

The dominant unit's associate is:

- INTERIA.PL S.A. with its registered seat in Krakow (48.48 %).

On 11 December 2006 it was signed an agreement on sale of shares between ComArch S.A. and Polski Koncern Miesny S.A. ComArch S.A. sold 300 shares at nominal value of PLN 1 000 per each share. They constitute 40 % of share capital of NETBROKERS Sp. z o.o. with its registered seat in Krakow. As a result of this transaction, ComArch S.A. doesn't hold any of NETBROKERS Sp. z o.o. shares.

The structure of activities of the ComArch Group is as follows: the dominant entity acquires the majority of contracts and in large part executes them. ComArch Inc., ComArch Software AG, ComArch Middle East FZ-LCC, ComArch Sp. z o.o. (Ukraine), ComArch Panama, Inc., OOO ComArch, UAB ComArch acquire contracts in foreign markets and execute them in their entirety or in part. ComArch s.r.o. produces software on order for the ComArch Group. CA Services S.A. specialises in data communications relating to the provision of connections for the own needs of the ComArch Group and for contracts executed by ComArch, as well as the provision of outsourcing services. MKS Cracovia SSA is a sport joint stock company.
The structure of activities of associate is as follows: Interia.pl is a web portal that provides information, communication and search services to web communities.

2. Description of the Applied Accounting Principles

This consolidated financial statement for the 12 months ended 31 December 2006 was prepared pursuant to the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and interpretations published by the Committee for Interpretation of International Financial Reporting, as approved by the European Union.

This financial statement was prepared pursuant to the historical cost principle with the exception of those items that are appraised in another way pursuant to these principles.

Preparation of the statement pursuant to IFRS requires a number of estimates to be done and the application of individual judgement. Note 2.3.2 presents those areas of the financial statement, which require significant estimates or for which significant judgement is required.

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

All amounts are expressed in thousands of PLN unless otherwise indicated

SUPPLEMENTARY INFORMATION

The ComArch Group prepares its income statement in the calculation version, whereas the cash flow statement is prepared according to the indirect method.

The consolidated financial statement of the ComArch Group for the 12 months ended 31 December 2006 comprises the financial statements of the following companies:

	Relationship	Consolidation method	% interest held by ComArch S.A. in subsidiary's share capital
ComArch S.A.	dominant unit	full	
ComArch Software AG	subsidiary	full	100.00 %
ComArch, Inc.	subsidiary	full	100.00 %
ComArch Middle East FZ-LCC	subsidiary	full	100.00 %
ComArch Sp. z o.o. (Ukraine)	subsidiary	full	100.00 %
ComArch s.r.o.	subsidiary	full	100.00 %
ComArch Panama, Inc.	subsidiary	full	100.00 %
OOO ComArch	subsidiary	full	100.00 %
UAB ComArch	subsidiary	full	100.00 %
CA Services S.A.	subsidiary	full	99.90 %
MKS Cracovia SSA	subsidiary	full	49.15 %

*) MKS Cracovia SSA is ComArch S.A.'s subsidiary according to IAS 27 pt 13d.

2.1 Methods of Valuation of Assets and Liabilities and the Determination of Financial Results

2.1.1 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The Group has chosen to report using business segment as a basic segment. The basic segments are IT and sport.

2.1.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities), over which Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired this difference is recognised directly in the income statement.

Transactions, settlements and unrealised gains on transactions among the Group's entities are eliminated. Unrealised losses are also eliminated, unless the transactions provide evidence for a loss in the value of a provided asset. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Associates

Associates are all entities over which the Group has significant influence but not control; this generally accompanies a shareholding of between 20 % and 50 % of the voting rights.
Investments in associates are accounted for by the equity method of accounting and are initially recognised as costs. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of the post-acquisition profits or losses of its associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in other reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.1.3 Foreign Currency Translation

a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Polish zlotys (PLN), which is the company's functional and presentation currency.

b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale assets, are included in the available-for-sale reserve in equity.

c) Group Companies

The results and financial position of all group entities (none of which operates in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
(i) assets and liabilities for each balance sheet presented are translated at the closing rate of the date of the balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of the transactions); and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of credits and loans and other currency instruments designated as hedges of such investments, are included in shareholder equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.1.4 Investment

a) Financial Assets and Liabilities at Fair Value through Profit or Loss

This category comprises two subcategories: financial assets held for trading, and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of sale in the short term or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges. This type of derivative is classified separately in 'Derivative financial instruments' in the balance sheet. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months from the balance sheet.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. These arise when the Group gives cash, goods or services directly to the debtor, without the intention of introducing its receivables into trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

c) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

d) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are no longer recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets available-for-sale and financial assets carried at fair value, through profit or loss are initially recognised at fair value. Loans, receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains – net, in the period in which they arise. Unrealised gains or losses arising from changes in the fair value of the non monetary securities classified as 'available-for-sale' are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (or if a security is unlisted), the Group establishes fair value by using valuation techniques. These comprise the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis and models (commonly regarded as correct) of the valuation of derivative instruments based on input data from the active market.

The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each balance sheet date. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.1.5 Non-Current Assets

a) Intangible Assets

Intangible assets are recorded at their acquisition prices less the current redemption as well as possible write-offs due to permanent loss in value. The Group carries out depreciation write-offs using the straight-line method. The following depreciation rates have been adopted:

- computer software 30 %
- licences 30 %
- copyrights 30 %
- other rights 10-20 %

Adopted depreciation rates are related to the estimated useful life of intangible assets. In the case of intangible assets that were acquired for a particular project, the depreciation period is established as the duration of the project. The right of perpetual usufruct of land relating to SSA Cracovia is classified as an intangible asset with an undefined useful life, therefore it is not depreciated. Lands that MKS Cracovia SSA holds in perpetual usufruct are not depreciated, because of an undefined useful life, since the company expects that the perpetual usufruct rights will be renewed without any major costs, as it is not obliged to meet any conditions, upon which the extension of these rights depends.
In Poland, perpetual usufruct is considered synonymous to ownership, as opposed to a lease after which a user releases land. The company does not expect to incur any major costs for the renewal of perpetual usufruct rights as the co-owner of MKS Cracovia SSA is the City of Krakow. The city supports sports activities, including those of SSA Cracovia through initiatives that include:

- refinancing sports infrastructure
- redeeming real estate taxes
- providing fees for perpetual usufruct

b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill recognised separately is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carriage of an amount of goodwill relating to the entity sold.
Goodwill is allocated to cash-generating units for the purpose of impairment testing.

c) Property, Plant and Equipment

Property, Plant and Equipment in Use
Property, plant and equipment in use were valuated according to acquisition prices or production costs less current redemption and possible write-offs due to losses in value. The adopted depreciation rates correspond to the economic utility of property, plant and equipment in use. The following detailed principles of depreciation of property,

plant and equipment in use have been adopted by the company: assets are depreciated with the straight-line method with application of depreciation rates corresponding with periods of their economic utility. In most cases, depreciation rates are: 2.5 % (for group number I), 30 % (for group number IV) and 20 % (for groups no. VII and VIII). In case of property, plant and equipment in use acquired in order to be used in a specific project, the depreciation period is set as equal to the project duration.

Property, Plant and Equipment under Construction
Property, plant and equipment under construction are valuated according to the acquisition price less any possible write-offs due to permanent loss in value. The company applies the rule that interests on investment credit, in the period when the investment is realised, are recognised as property, plant and equipment under construction. Interests on investment credit decrease the annual result within finance costs, after non-current asset, financed by credit, was brought to use.

Improvements in Third Party Property, Plant and Equipment Assets
Improvements in third party property, plant and equipment are valuated according to the acquisition price less any current redemptions and possible write-offs due to loss in value.

d) Leases

The Group uses leased vehicles. As, according to the agreements made, practically all risks and benefits resulting from the title of ownership of the subject matter leased have been transferred, these are classified as finance leases. They have been classified as assets and liabilities in the amounts equal to the minimum leasing fees set forth as at the date of lease initiation. Leasing fees are divided into liabilities (reductions of the unpaid balance of liabilities) and finance charges. The interest part of finance costs is charged to the income statement throughout the lease term so as to obtain a constant periodic interest rate on the remaining balance of the liability for each period. The means used on lease principles are subject to depreciation within a shorter period of time of either the asset's useful life or the lease term.

e) Non-Current Prepayments

Non-current prepayments refer to the perpetual usufruct rights for land used by the ComArch S.A. dominant unit. It has a defined useful life, therefore it is depreciated. The depreciation period is 85 years, which means that it is calculated at a rate of 1.2 %.

f) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.1.6 Current Assets

a) Inventories, Products in Progress and Finished Goods

Production in progress given in the statement refers to software produced by the Group and allocated for multiple sales. Production in progress is valuated according to direct technical production costs.

Application software produced by the Group and allocated for multiple sales is valuated in the period when it benefits, no longer than 36 months from an initial sale, in the amount of surplus of software production costs over net revenues obtained from sales of these products within the following 36 months. Software production costs, not written off after this period of time, increase other operational costs.
Depending on the nature of the produced software and the assessment of its possible sales, expenditures incurred for software production, in the amount of 50 % to 100 % of the invoiced sale in the above time period of sales, are written off into its own costs, provided that the 50 % rate is the basic rate. If the company is aware of limits to sales capacity at an earlier point, it immediately performs a write-off revaluating production in progress in the amount of expenses in reference to which there is a probability that they will not be recovered, or does a one-time write-off of the entirety of unsettled expenses (depending on the degree of risk valuation) into its own cost of sales.

The register of materials and finished goods is managed at current purchase prices. Expenses are appraised according to the FIFO principle. Finished goods are appraised according to actual purchase prices, no higher than net selling prices.

b) Receivables

Receivables are recognised initially at fair value and subsequently according to adjusted acquisition prices (at amortised cost). Receivables are recognised as current or non-current receivables depending on maturity (depending on whether this is less than or over 12 months from the balance sheet date).
In order to make their value real, receivables are decreased by write-offs revaluating bad debts. Write-offs due to loss in value correspond with the difference between balance sheet value and the current value of actual cash flows from the given item of assets. Due to the specific nature of activities (limited scope of receivables from mass contractors), appropriate updating of write-offs is carried out by way of a detailed identification of receivables and an assessment

of risk of the inflow of funds resulting from contractual and business conditions.

c) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at banks, bank deposit payable on demand, liquid current securities and other current investment with high liquidity.

d) Settlement of Long-Term Contracts

Costs related to long-term contracts are given when they occur. The result in contracts is determined according to the progress of work if a reliable determination of such is possible. The progress of work is measured based on the value of costs incurred by the balance sheet date divided by the total estimated costs due to contracts, expressed as a percentage. If it is probable that the total costs due to an agreement exceed total revenues, the anticipated loss is recognised immediately.

In assets, the Group presents 'Long-term contracts receivables' for cases where there is a surplus in incurred costs and recognised profits due to long-term contracts over the value of invoiced sales for contractors. Otherwise, when there is a surplus of the invoiced sales to contractors over the value of incurred costs and recognised profits due to long-term contracts, the Group presents an item in the liabilities called 'Long-term contracts liabilities'. The above surpluses are determined for each contract separately and are presented separately without balancing particular items.

2.1.7. Equity

Equity includes:
a) the share capital of the dominant unit presented at nominal value,
b) other capitals established:
  - from the valuation of managerial options,
  - from surpluses of shares sold above their nominal value (premium share),
  - from the bonds conversion into shares,
  - from reserve capital for covering the budget commitments,

c) retained profit resulting from adjustments resulting from changes to accounting principles and from the results achieved by the entities of the Group,
d) net profit for the current year

2.1.8 Employee Benefits

a) Share-Based Plans

The Group has a share-based reward scheme. The fair value of employee services received in exchange for every grant of options increases costs. The total amount to be spent over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.
The proceeds received when the option is exercised, i.e. proceeds from comprising shares (less transaction costs related directly to option exercising) are credited to share capital (nominal value) and the share premium is credited to supplementary capital.

2.1.9 Liabilities and Provisions for Liabilities

a) Trade Liabilities and Other Liabilities

Initially trade and other liabilities are recognised at their fair value and at the balance sheet date they are recognised at adjusted acquisition prices (depreciated cost). Liabilities, depending on maturity (up to or over 12 months from the balance sheet date) are recorded as current or non-current items.

b) Financial Liabilities

At the time of initial recognition, financial liabilities are valuated at fair value, increased (in case of an item of liabilities not qualified as valuated at fair value by the financial result) by transaction costs. After the initial recognition, the unit appraises financial liabilities according to depreciated costs using the effective interest method, with the exception of derivative instruments, which are valuated at fair value. Financial liabilities set as items being hedged are subject to appraisal pursuant to hedge accounting principles.

c) Provisions for Liabilities

Provisions for restructuring costs, guarantee repairs and legal claims are recognised if:
- The Group has current legal or customary liabilities resulting from past events;
- There is a high probability that expending Group funds may be necessary to settle these liabilities, and
- Their value has been reliably assessed.

Restructuring provisions mostly comprise employee severance payments. These provisions are not recognised in reference to future operational losses. If there are a number of similar liabilities, the probability of the necessity for expending funds for settlement is assessed for the whole group of similar liabilities. The provision is recognised even if the probability of expending funds in reference to one item within the group of liabilities is small.

The provisions are appraised at the current value of costs assessed according to the best knowledge of company management. Incurring such costs is necessary in order to settle the current liability at the balance sheet date. The discount rate applied for determining current value reflects the current market assessment of the time value of money and impairments relating to a given liability.

2.1.10 Deferred Income Tax

The general principle, pursuant to IAS12, is applied. It states that due to temporary differences between the presented value of assets and liabilities as well as their tax value and tax loss it will possible to deduct in the future, a provision is established and deferred income tax assets are defined.
Deferred income tax assets are defined in the amount that it is anticipated will have to be deducted from income tax in the future in reference to negative temporary differences which shall result in the future in reducing the amount of the basis of taxation and the deductible tax loss defined using the precautionary principle.
Deferred income tax liabilities are established in the amount of income tax payable in the future in reference to positive temporary differences, which would result in increasing the basis of taxation in the future.
Deferred income tax is established using fiscal rates (and regulations) which are legally binding at the balance sheet date, which according to expectations shall be in force at the moment of realisation of relevant deferred income tax assets or settlement of deferred income tax liability.
The difference between deferred income tax liabilities and deferred income tax assets at the end and at the beginning of the reporting period affects the financial results. In addition, liabilities and assets due to deferred income tax related to operations settled with equity are referred into shareholders' equity.

2.2 Recognition of Revenues and Costs

The ComArch Group's operations mostly consist of producing software for multiple sales and implementing IT integration contracts. As part of its integration contracts, ComArch offers the implementation of IT turnkey systems consisting of (own and third party) software and/or computer hardware and/or services such as:
- implementation services,
- installation services,
- guarantee and post-guarantee services,
- technical assistance services,
- software customisation services,
- other IT and non-IT services necessary for system implementation.

In determining the total revenues from contracts, the following items are taken into account:
- revenues from proprietary software (irrespective of form, i.e. licences, property rights, etc.),
- revenues from services

Unit managers may decide to include estimated revenues that are highly probable to be realised into the total revenues from a contract (e.g. during the implementation of the contract, project modifications are carried out for technical reasons and it is justified to assume with some probability that the ordering party will accept the modifications and that there will be revenues flowing from them).
When integration contracts under which software is allocated for multiple sales are ComArch property, the revenues and costs related to this software and the revenues and costs related to the other part of the integration contract are recognised separately.
Several integration contracts are combined and recognised as one contract, if:
- the agreements are executed at the same time or sequentially one after another and the precise separation of the costs of their execution is impossible, or
- the agreements are so closely inter-related that they are actually parts of a single project and share a single profit margin for the entire project.

Revenues from other services (e.g. technical services, technical assistance) are recognised equally during the term of an agreement/service provision. Revenues from hardware sales and the sale of other finished goods are recognised in accordance with agreed delivery terms.
Revenues from sales of other services, products, finished goods and property items comprise sums of fair values from due invoiced revenues taking into account discounts and rebates without commodity and services taxes.

Sales costs include marketing costs and the costs of order acquisition by sales centres (departments) in the ComArch Group.
General costs consist of the costs of the ComArch Group functioning as a whole and include administrative expenses and the costs of departments that operate for the general needs of the Group. Exchange rate differences related to receivables are presented in 'Revenues from sales' and those related to liabilities are presented in 'Cost of sales.'

Subsidies
The Groups receives subsidies for the financing of R&D projects within the framework of European Union aid programmes. These subsidies are systematically recognised as revenue in particular periods so as to ensure that they are adequate to incurred costs, which should be compensated by subsidies respectively to the reason of their settlement. These subsidies diminish the respective direct costs, which are presented in the cost of sales just after they are compensated with subsidies.

SUPPLEMENTARY INFORMATION

a) Other Operational Revenues and Costs

Other operational revenues and costs comprise revenues and costs not directly related to the regular activities of the units and mostly include: the result of the sale of property, plant and equipment and intangibles, subsidies, established provisions and the consequences of asset revaluation.

b) Financial Revenues and Costs

Financial revenues and costs mostly include: revenues and costs due to interest, those from the result achieved due to exchange rate differences in financial activities, those from disposal of financial assets and those arising as the consequences of the investment revaluation.
Interest charges due to investment credit are recognised in finance costs beginning from the moment when asset finance with the credit was completed for use.

2.3 Financial Risk Management

The company's activities expose it to a variety of financial risks:

1. The risk of contractor insolvency. The company establishes the financial credibility of potential clients before signing contracts for the supply of IT systems and adjusts the conditions of each contract to the potential risk depending on its assessment of the financial standing of the client;

2. Interest rate risk. The company is exposed to the risk of changes in interest rates related to long-term investment credits to finance the construction of new production buildings in the Special Economic Zone in Krakow. These are credits at variable interest rates based on the WIBOR index. The company has not been hedging this interest rate risk;

3. Foreign exchange risk. The company is exposed to foreign exchange risk in relation to export sales and sales denominated in foreign currencies. At the same time, part of the company's costs is also expressed in or related to exchange rates for foreign currencies. In individual cases, the company hedges future payments with forward contracts and currency options.

2.3.1 Accounting for Derivative Financial Instruments and Hedging Activities

As at 31 December 2006, the Group does not apply hedge accounting according to IAS 39, therefore derivative financial instruments designated as 'hedging instruments' according to IAS 39, qualified as fair value hedging and cash flow hedging, are valuated at fair value and changes in their valuation refer to the results of financial operations.

Derivative financial instruments designated as 'non-hedging instruments' according to IAS 39 are valuated at fair value and changes in their valuation refers to the results of financial operations.

2.3.2 Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including anticipations of future events that are believed to be reasonable under given circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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

Pursuant to the accounting principles adopted by the company, the company determines the degree of progress for long-term contracts by way of determining the ratio of currently incurred costs for a given project to the total estimated project costs. Due to the long-term nature of projects under way and their complex structure, as well as the possibility of unexpected difficulties related to their execution it may happen that the actual total costs for project execution differ from the estimates made for specific balance sheet dates. Changes in estimates of total project execution costs could result in the definition of project progress at the balance sheet date and consequently recognised revenues, in different amounts.

b) Estimations related to the determination and recognition of deferred income tax assets, pursuant to IAS 12,

As the company operates in the Special Economic Zone and enjoys investment allowances as a result, the dominant unit determines the value of deferred income tax assets on the basis of forecasts relating to the shape of the tax-exempt income and the period, in which such income may be noted. Due to high business fluctuations in the IT industry (in which the dominant unit is active) it is possible that the actual results and tax-exempt income may differ from the dominant unit's anticipations.

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

At the balance sheet date, the Group is the plaintiff and the defendant in a number of court proceedings. Preparing the financial statement, the Group always assesses the opportunities and risks related to court proceedings and, in accordance with the results of such analyses, establishes provisions for potential losses. However, there is always a risk that the courts will pronounce verdicts different from the expectations of the companies and the established provisions will be insufficient or excessive in comparison with the actual results of the proceedings.

d) Estimation due to carrying out yearly test on loss in the goodwill according to IFRS3 and IAS 36

At the end of every fiscal year the Group carries out tests on losses in the goodwill according to accounting rules contained in note 2.1.5. b). The Group considers IT Segment as a cash generating unit thereby doesn't allocate the goodwill to particular companies of the Group. The recoverable amount of cash generating unit was determined on the basis of calculations of its fair value. The Management Board of the dominant unit ran also the analysis of the P/E index for companies in the IT sector registered with the Warsaw Stock Exchange and assessed on this basis the estimated market value of the IT Segment in the ComArch Group.

2.4 New Standards and IFRIC Interpretations

When preparing this financial statement the company did not apply the following standards that will be mandatory for accounting periods beginning in 2007:

- *IFRS 7 Financial instruments: Disclosure;* this standard extends the scope of disclosures related to the financial instruments that are mandatory pursuant to IAS 32 and replaces the disclosure requirements of IAS 30.
- *Changes to IAS 1 Presentation of financial statements* (capital disclosure); the changes incorporate additional disclosure. This concerns, among other things, the scope of the entity's purposes, policy related to equity management, how far the entity's activities comply with the specific requirements related to equity, and the possible consequences of non-compliance.

It is the view of the Group's Management Board that a number of newly-published accounting standards to become mandatory for accounting periods beginning on or after 1 January 2007 will not have any significant impact on the financial statement and financial situation of the Group.

This consolidated financial statement was prepared pursuant to the International Financial Reporting Standards (IFRS), as approved by the European Union. The IFRS, as approved by the European Union, do not differ significantly from the regulations approved by the International Accounting Standards Committee; excluding the standards mentioned below that, as at 31 December 2006 had not yet been approved to be applied:

- *IFRS 8 Operating Segments, (an effective date: 1 January 2009),*
- *IFRIC 10 Interim Financial Reporting and Impairment, (an effective date: 1 November 2006)*
- *IFRIC 11 Group and Treasury Share Transactions, (an effective date: 1 March 2007)*
- *IFRIC 12 Service Concession Arrangements, (an effective date: 1 January 2008).*

It is the view of the Management Board that these standards, interpretations, and changes to standards would have no significant effect on the financial statement if they were applied as at the balance sheet date. At the same time, the Management Board considered proposals concerning hedge accounting of assets and financial liabilities portfolios, which have not yet been adopted by the European Union. It is the view of the Management Board that implementing hedge accounting of assets and financial liabilities portfolios according to *IAS 39 Financial Instruments: recognition and measurement* would have had no significant impact on the financial statement, if it had been approved by the EU and had been in effect as at the balance sheet date.

All amounts are expressed in thousands of PLN unless otherwise indicated

SUPPLEMENTARY INFORMATION

3. Notes to the Consolidated Financial Statement

3.1 Segment Information

3.1.1 12 Months Ended 31 December 2005

The Group has chosen to report using business segment as base segment. The operations of ComArch's subsidiary units comprise the following types of activities: the sale of IT systems (hereinafter referred to as the "IT segment") and professional sports (hereinafter referred to as the "sport segment"; MKS Cracovia SSA). The IT segment has a dominant share in sales revenues, profits and assets.

Detailed data related to the segments are presented below:

Item	IT Segment	Sport Segment	Eliminations	TOTAL
Revenues per segment- sales to external clients	435,839	8,151	-	443,990
Including:				
Revenues from sales	435,839	8,151	-	443,990
Other operational revenues	1,330	353	-	1,683
Revenues per segment - sales to other segments	-	5,499	(5,499)	-
Revenues per segment - total*	437,169	14,003	(5,499)	445,673
Costs per segment relating to sales to external clients	413,596	8,902	-	422,498
Costs per segment relating to sales to other segments	-	5499	(5,499)	-
Costs per segment - total*	413,596	14,401	(5,499)	422,498
Current taxes	(2,267)	-	-	(2,267)
Assets for the tax due to investment allowances and other tax relief	5,736	-	-	5,736
Share of segment in the result of parties valuated using the equity method of accounting	1,119	-	-	1,119
Net result	28,161	(398)	-	27,763

*) Items comprise revenues and costs of all types, which can be directly allocated to particular segments.

Sales between specific segments are calculated based on market conditions.

Share of business segments in Assets and Liabilities and Investment Expenditures

The following table presents the assets and liabilities of particular segments as at 31 December 2005 as well as investment expenditures and depreciation for 12 months ended 31 December 2005 are as follows:

	IT Segment	Sport Segment	Total
Assets	309,010	37,837	346,847
Liabilities	181,330	4,145	185,475
Investment expenditures	39,358	2,120	41,478
Depreciation	10,727	537	11,264

3.1.2 12 Months Ended 31 December 2006

Item	IT Segment	Sport Segment	Eliminations	TOTAL
Revenues per segment- sales to external clients	490,179	8,812	-	498,991
Including:				
Revenues from sales	482,900	8,650	-	491,550
Other revenues /operational and financial/	7,279	162	-	7,441
Revenues per segment - sales to other segments	-	5,957	(5,957)	-
Revenues per segment - total*	490,179	14,769	(5,957)	498,991
Costs per segment relating to sales to external clients	438,642	8,367	-	447,009
Costs per segment relating to sales to other segments	-	5,957	(5,957)	-
Costs per segment - total*	438,642	14,324	(5,957)	447,009
Current taxes	(4,643)	-	-	(4,643)
Assets for the tax due to investment allowances and other tax relief	3058	-	-	3,058
Share of segment in the result of parties valuated using the equity method of accounting	2,590	-	-	2,590
Net result	52,542	445	-	52,987
including:				
result attributable to shareholders of the dominant unit	52,542	218	-	52,760
result attributable to minority interest	-	227	-	227

*) items comprise revenues and costs of all types, which can be directly allocated to particular segments.

All amounts are expressed in thousands of PLN unless otherwise indicated

SUPPLEMENTARY INFORMATION

Share of business segments in Assets and Liabilities and Investment Expenditures

The following table presents the assets and liabilities of particular segments as at 31 December 2006 as well as investment expenditures and depreciation for 12 months ended 31 December 2006 are as follows:

	IT Segment	Sport Segment	Total
Assets	420,667	40,892	461,559
Liabilities	192,954	11,622	204,576
Investment expenditures	58,552	2,460	61,012
Depreciation	12,035	705	12,740

Due to the geographical distribution of its activities, the ComArch Group has defined the following market segments: Poland, Europe, the Americas, and other countries. The ‘Sport’ segment operates solely within the territory of Poland.

Due to the fact that only the IT segment operates abroad and at the same time the costs incurred in the IT segment are largely common for export and domestic sales, defining separate results for export and domestic activ ities is futile.

Sales between specific segments are calculated based on market conditions.

The following table presents the allocation of revenues from sales, assets and total investment expenditures into geographical segments:

Revenues from basic sales by market location

	12 months ended 31 December 2006	12 months ended 31 December 2005
Poland	395,048	377,002
Europe	67,298	41,181
The Americas	25,483	14,428
Others	3,721	11,379
TOTAL	**491,550**	**443,990**

Assets – activities location

	31 December 2006	31 December 2005
Poland	432,308	332,667
Europe	14,645	7,375
The Americas	10,235	3,844
Others	4,371	2,961
TOTAL	**461,559**	**346,847**

Investments expenditures - activities location

	12 months ended 31 December 2006	12 months ended 31 December 2005
Poland	59,511	40,786
Europe	918	310
The Americas	516	375
Others	67	7
TOTAL	**61,012**	**41,478**

All amounts are expressed in thousands of PLN unless otherwise indicated

3.2 Property, Plant and Equipment

	Lands and buildings	Means of transport and machinery	Furniture, fittings and equipment	Total
At 1 January 2005				
Cost or valuation	64,421	38,781	3,297	106,499
Accumulated depreciation	(7,079)	(22,471)	(2,148)	(31,698)
Net book amount	57,342	16,310	1,149	74,801
Year ended 31 December 2005				
Opening net book amount	57,342	16,310	1,149	74,801
Additions	11,430	13,539	1,250	26,219
Disposals	(12)	(212)	(550)	(774)
Depreciation charge	(1,556)	(7,367)	(475)	(9,398)
Closing net book amount	67,204	22,270	1,374	90,848
At 31 December 2005				
Cost or valuation	75,839	52,108	3,997	131,944
Accumulated depreciation	(8,635)	(29,838)	(2,623)	(41,096)
Net book amount	67,204	22,270	1,374	90,848
Year ended 31 December 2006				
Opening net book amount	67,204	22,270	1,374	90,848
Additions	42,834	16,010	675	59,519
Disposals	(120)	(478)	(56)	(654)
Depreciation charge	(1,865)	(8,583)	(500)	(10,948)
Closing net book amount	108,053	29,219	1,493	138,765
At 31 December 2006				
Cost or valuation	118,553	67,640	4,616	190,809
Accumulated depreciation	(10,500)	(38,421)	(3,123)	(52,044)
Net book amount	108,053	29,219	1,493	138,765

Bank borrowings are secured on land and buildings for the value of 92.68 million PLN (ordinary mortgages and real estate mortgages in Fortis Bank Polska S.A. and Kredyt Bank S.A. securing an existing or future claim).

	2006	2005
Amount of interest on credits capitalised on investments in non-current assets	548	1,137

Investment expenditures on property, plant and equipment under construction are recognised in the net balance sheet value of property, plant and equipment:

	31 December 2006	31 December 2005
Buildings	42,091	2,519
Equipment	1,463	136

Depreciation write-offs were presented in the income statement. They increase the costs of sold products, goods and materials in the amount of 8.62 million PLN (9.11 million PLN in 2005), costs of sales in the amount of 0.59 million PLN (0.58 million PLN in 2005) and administrative expenses 1.74 million PLN (1.57 million PLN in 2005).

Assets in finance leasing

The Group possesses cars and routers that are used on finance leases basis. Value of these assets, presented in the financial statement, is as follows:

Gross value	1.24 million PLN
Accumulated depreciation	0.42 million PLN
Net value	0.82 million PLN

The contracts were concluded for a period of three years. As at 31 December 2006, value of liabilities due to leases amounts to 0.48 million PLN.

All amounts are expressed in thousands of PLN unless otherwise indicated

In books depreciation is presented in the amount of 0.21 million PLN as well as interest in the amount of 0.01 million PLN are recognised in finance costs. Net amount of leasing fees for the year 2006 (net equity + interest) amounts to 0.22 million PLN, including:

Net equity	0.21 million PLN
Interest	0.012 million PLN

The amount of due leasing fees amounts to 0.48 million PLN, including:

Interest	0.035 million PLN
Net equity	0.45 million PLN

3.3 Goodwill

Goodwill comprises company's value established at purchases of shares in the following companies:

	31 December 2006
ComArch Kraków	99
CDN ComArch	1,227
ComArch Software AG	1,900
ComArch, Inc.	58
Total	**3,284**

In 2006 goodwill did not decreased. The Group considers IT Segment as a cash generating unit thereby doesn't allocate the goodwill to particular companies of the Group. As at 31 December 2006, the Group ran a test for loss in value in reference to the goodwill. The test did not show any loss in value. The recoverable amount of cash generating unit was determined on the basis of calculations of its fair value. The Management Board of the dominant unit ran also the analysis of the P/E index for companies in the IT sector registered with the Warsaw Stock Exchange and assessed on this basis the estimated market value of the IT Segment in the ComArch Group as at 31 December 2006. The above analyses did not show any loss in value in reference to the goodwill.

3.4 Other Intangible Assets

	Cost of completed development works	Right of perpetual usufruct	Trademarks, licences and software	Other	Total
At 1 January 2005					
Cost (gross)	2,057	31,650	7,891	913	42,511
Accumulated amortisation and impairment	(1,767)	-	(6,322)	(364)	(8,453)
Net book amount	290	31,650	1,569	549	34,058
Year ended 31 December 2005					
Opening net book amount	290	31,650	1,569	549	34,058
Disposals	-	-	2,165	670	2,835
Additions	-	-	(3)	-	(3)
Amortisation charge	(290)	-	(1,269)	(307)	(1,866)
Closing net book amount	-	31,650	2,462	912	35,024
At 31 December 2005					
Cost (gross)	2,057	31,650	10,053	1,583	45,343
Accumulated amortisation and impairment	(2,057)	-	(7,591)	(671)	(10,319)
Net book amount	-	31,650	2,462	912	35,024
Year ended 31 December 2006					
Opening net book amount	-	31,650	2,462	912	35,024
Additions	-	-	2,612	155	2,767
Disposals	-	-	(1)	(55)	(56)
Amortisation charge	-	-	(1,215)	(485)	(1,700)
Closing net book amount	-	31,650	3,858	527	36,035
At 31 December 2006					
Cost (gross)	2,057	31,650	12,664	1,683	48,054
Accumulated amortisation and impairment	(2,057)	-	(8,806)	(1,156)	(12,019)
Net book value	-	31,650	3,858	527	36,035

All amounts are expressed in thousands of PLN unless otherwise indicated

SUPPLEMENTARY INFORMATION

I. Other intangibles include activated costs related to the Cracovia trademark in the amount of 0.2 million PLN as well as the right to use the players' image in the amount of 0.33 million PLN. The costs of completed R&D work were run in the Group's own scope. All other items of the intangible assets were acquired.
The general amount of depreciation is given in the income statement, whereas 0.96 million PLN is given in the generation costs and the remaining part is presented in the administrative expenses.

The perpetual usufruct right for land related to SSA Cracovia that is worth 31.65 million PLN is considered the intangible asset with unspecified period of use and is not depreciated. Land of the company of MKS Cracovia SSA in perpetual usufruct is not subject to depreciation, as it is of unspecified period of use due to the fact that the company expects renewal of perpetual usufruct right which will occur without incurring any major costs, as the company is not obliged to meet any conditions, which would decide about extension of this right.

The company does not expect incurring major costs in renewal of perpetual usufruct right in the context of the previous activities of the co-owner of the Club that is the City of Krakow. The city supports sport activities, including SSA Cracovia, by way of, among others:
– additional financing of sport infrastructure
– accumulated depreciation of real estate tax
– contributing fees for perpetual usufruct in non-cash contribution

II. Impairment test for the right of perpetual usufruct as at 31 December 2006

As at 31 December 2006, analysis was performed on changes in prices of real estate properties in Krakow in 2006, based on articles and reports published by "Krajowy Rynek Nieruchomosci" (www.krn.pl), "Krakowski Serwis Mieszkaniowy" (www.dominium.pl) and „Instytut Analiz Monitor Rynku Nieruchomosci" (www.mrn.pl) from which it follows that average price of land in Krakow in 2006 increased by 20 - 40%. It was determined on this basis that no loss occurred in the value of perpetual usufruct right to land owned by ComArch S.A. in 2006.

3.5 Non-current Prepayments

	12 months ended 31 December 2006	12 months ended 31 December 2005
Opening balance	6,885	5,004
Changes due to:		
- purchase of the right of perpetual usufruct	1,490	1,631
- accumulated depreciation of the right of perpetual usufruct	(89)	-
- non-current prepayments of costs	(168)	250
Closing balance	**8,118**	**6,885**

3.6 Investment in Associates

Investment in associates refers to share in Interia.pl S.A and NetBrokers Sp. z o.o. valuated using the equity method of accounting.

At 1 January 2005	4,075
Increase in net assets due to the acquisition of INTERIA.PL S.A. shares	1,928
Other equity changes – determination of goodwill due to coming into the possession new INTERIA.PL S.A. shares	2,322
Share in profit for the year ended 31 December 2005	1,119
At 31 December 2005	**9,444**
At 1 January 2006	**9,444**
Share in profit for 2006	2,590
Other changes related to disposing of INTERIA.PL S.A. shares	-2,574
Other changes related to disposing of NetBrokers Sp. z o.o. shares	-2,171
At 31 December 2006	**7,289**
Including:	-
INTERIA.PL S.A.	7,289
NetBrokers Sp. z o.o.	-

	Country of incorporation	Assets	Liabilities	% shares held
At 31 December 2005				
INTERIA.PL S.A.	Poland	19,095	5,754	41.05
NetBrokers Sp. z o.o.	Poland	4,851	1,371	40.00
		23,946	**7,125**	
At 31 December 2006				
INTERIA.PL S.A.	Poland	27,289	8,222	36.08
NetBrokers Sp. Z o.o.	Poland	-	-	-
		27,289	**8,222**	

		Revenues	Profit /(Loss)	% shares held
12 months ended 31 December 2005				
INTERIA.PL S.A.	Poland	39,711	2,117	41.05
NetBrokers Sp. z o.o.	Poland	41,102	1,053	40.00
		80,813	**3,170**	
12 months ended 31 December 2006				
INTERIA.PL S.A.	Poland	53,008	5,849	36.08
NetBrokers Sp. z o.o.	Poland	-	-	-
		53,008	**5,849**	

As at 31 December 2006 the fair value of INTERIA.PL shares held by ComArch S.A. based on average stock exchange prices from the three months preceding the date of the preparation of this statement is 165.44 million PLN. On 29 December 2006, the closing price of INTERIA.PL shares was 63.5 PLN. On this day, the value of INTERIA.PL S.A. shares held by ComArch S.A. was 161.19 million PLN.
On 19 January 2006, as a result of disposal of 350,000 INTERIA.PL shares by ComArch S.A., ComArch S.A. holds 2,538,369 shares of INTERIA.PL S.A., which constitute 36.08 % of company's share capital. These shares give ComArch S.A. 11,609,625 votes at the General Meeting, which constitutes 48.48 % of the total number of votes.

On 19 January 2006, ComArch S.A. disposed 350,000 INTERIA.PL S.A. shares. After this transaction the company holds 2,538,369 INTERIA.PL S.A. shares, which constitute 36.08 % of share capital. They give 11,609,625 votes at the Annual General Meeting that constitute 48.48 % of the total number of votes. The above-mentioned transaction's result on ComArch S.A.'s balance sheet income amounted to 6.28 million PLN and gross balance sheet income of the Group achieved on the above-mentioned transaction is higher and amounts to 7.23 million PLN.

On 11 December 2006, it was signed an agreement on sale of shares between ComArch S.A. and Polski Koncern Miesny Duda S.A. ComArch S.A. sold 300 shares at nominal value of 1,000 PLN per each share. They constituted 40 % of share capital of NETBROKERS Sp. z o.o. with its registered seat in Krakow. As a result of this transaction, ComArch S.A. doesn't hold any of NETBROKERS Sp. z o.o. shares. The shares mentioned above were sold for 2,430,000 PLN. The above-mentioned transaction's result on the dominant unit's net profit shall amount to 1.93 million PLN and on the Group's net profit shall amount to 0.38 million PLN.

3.7 Inventories

	31 December 2006	31 December 2005
Raw materials	880	777
Work in progress	11,831	13,121
Finished goods	7,369	11,787
Advance due to finished goods	56	430
	20,136	**26,115**

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to 290.86 million PLN (12 months ended 31 December 2006) and 153.87 million PLN (12 months ended 31 December 2005).
The Group reversed a write-off worth 0.055 million PLN that revaluated inventories and was performed in 2005. The write-off was classified as an item in 'Other operating costs'. In 2006 the write-off was performed that revaluated finished goods and was worth 1.32 million PLN. No hedging was performed in inventories owned by the company.
On the basis of the current trend in reference to the settlement of production in progress, the Group estimates that after 12 months from the balance sheet date approximately 3.9 million PLN shall remain unsettled. Other inventories will be settled in their entirety within 12 months.

All amounts are expressed in thousands of PLN unless otherwise indicated

3.8 Available-For-Sale Financial Assets

	12 months ended 31 December 2006	12 months ended 31 December 2005
At the beginning of the year	-	2,000
Additions	3,000	1,507
Disposal	(3,000)	(3,507)
At the end of the year	**-**	**-**
Current portion	-	-

In the periods related to this statement, no write-offs due to loss in value of available-for-sale financial assets were performed. In 2006 these transactions were related to the shares in money trust funds.

3.9 Derivative Financial Instruments

	31 December 2006		31 December 2005	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Forward foreign exchange contracts – held-for-trading	261	94	227	2
Total	**261**	**94**	**227**	**2**
Current portion	*261*	*94*	*227*	*2*

Derivative financial instruments are classified in the financial statement as an asset of 167,000 PLN. Profits and losses due to the valuation of forward contracts and currency options as at 31 December 2006 are recognised in the income statement. They will be exercised within the period of 12 months from balance sheet date.
The Group has used forward contracts to reduce the effect of changes in cash flows on financial result, where cash flows are related to the planned transactions and changes are the result of foreign exchange risk. As at 31 December 2006, the above-mentioned instruments were valuated at fair value according to market price and changes in valuation were referred into the results from financial operations. As at 31 December 2006, the total value of forward contracts was 820,000 EURO.

3.10 Trade and Other Receivables

	31 December 2006	31 December 2005
Trade receivables	144,417	88,906
Write-off revaluating receivables	(3,343)	(2,795)
Trade receivables - net	141,074	86,111
Other receivables	1,945	3,080
Short-term prepayments	2,847	2,704
Prepayments of revenues	3,855	759
Loans	206	322
Receivables from related parties	23	27
	149,950	**93,003**
Current portion	*149,950*	*93,003*

The fair value of trade and other receivables is close to the balance sheet value presented above.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of internationally dispersed customers. The Group has recognised a write-off due to loss in value of its trade receivables that was worth 3.34 million PLN (12 months ended 31 December 2006) and 2.8 million PLN (12 months ended 31 December 2005). The cost of this write-off was recognised in the other operating costs in the income statement.

3.11 Cash and Cash Equivalents

	31 December 2006	31 December 2005
Cash in hand, cash at banks	18,914	13,660
Current bank deposit	43,876	35,307
Total cash and cash equivalents	**62,790**	**48,967**

In 2006 an effective interest rate for short-term bank deposits was 3.6268 %, 3.0500 % for euro and 5.1013 % for usd.
The average maturity period for these deposits was 1.55 day.

For the needs of the cash flow, cash and cash equivalents include cash in hand, deposits and equivalent. Credit in the current account is included in financial operations.
The company has no cash with limited disposal rights.

All amounts are expressed in thousands of PLN unless otherwise indicated

3.12 Share Capital

	Number of shares	Ordinary shares	Own shares	Total
At 1 January 2005	6,852,387	6,852,387	-	6,852,387
Series G3 share issue	102,708	102,708	-	102,708
A 31 December 2005	6,955,095	6,955,095	-	6,955,095
Registration of series H shares in the National Depository for Securities	563,675	563,675	-	563,675
At 31 December 2006	**7,518,770**	**7,518,770**	-	**7,518,770**

The nominal value of one share is 1 PLN.

The share capital of ComA rch S.A. consists of:
1) 883,600 series A registered preference shares,
2) 56,400 series A ordinary bearer shares,
3) 883,600 series B registered preference shares,
4) 56,400 series B ordinary bearer shares,
5) 3,008,000 series C ordinary bearer shares,
6) 1,200,000 series D ordinary bearer shares,
7) 638,600 series E ordinary bearer shares,
8) 125,787 series G ordinary bearer shares,
9) 102,708 series G3 ordinary bearer shares,
10) 563,675 series H ordinary bearer shares.

Registered shares in series A and B are preferential and each such share corresponds with 5 votes at the General Meeting. The conversion of registered shares into bearer shares is allowed. In case of that registered shares are converted into bearer shares, they lose all preferences. In case that registered preferential shares are disposed of for the benefit of persons who were not shareholders of the company on 18 March 1998, their specific voting rights at the General Meeting expire. The written consent of the Management Board is required to dispose of registered shares. The sale of shares without the permission of the Management Board is possible on the condition that is stated in ComArch S.A.'s statute.
Every ordinary bearer share entitles its holder to one vote at the AGM. The conversion of bearer shares into registered shares is not permitted.

3.12.1 Information about Shareholders Holding Directly or Indirectly by Subsidiary Entities at least 5 % of the Total Number of Votes at the General Meeting of ComArch S.A., at the Date of Preparing the Financial Report.

- Elzbieta and Janusz Filipiak held 3,498,803 shares), which gave them 10,454,803 votes at the AGM and constituted 69.56 % of all votes at the AGM (43.95 % of the company's share capital).

- According to information on the day of the report, customers of BZ WBK AIB Asset Management S.A. held 1,513,179 shares (19.01 % of the company's share capital), which gave them 1,513,179 votes at the AGM and constituted 10.07 % of all votes at the AGM.

3.12.2 Changes in Share Capital in 2006

a) Introduction of Series G Shares to Trading

On 25 January 2006, the Management Board of the Warsaw Stock Exchange decided to introduce to trading 125,787 ordinary bearer series G ComArch S.A. shares on 2 February 2006. In the National Depository for Securities these shares were marked with the code PLCOMAR00087. The National Depository for Securities decided to assimilate the mentioned-above shares with company's shares (marked with the code PLCOMAR00012) on 2 February 2006 and in consequence they were introduced to trading.

b) Disposal of ComArch S.A. Shares

On 27 January 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares between 20-25 January 2006 at between 66 PLN to 67.10 PLN per share. These transactions took place on the market regulated through the Warsaw Stock Exchange.

On 3 February 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares 71 PLN per single share. These transactions took place on the market regulated through the Warsaw Stock Exchange.

c) Purchase of ComArch S.A. Shares

On 7 February 2006, BZ WBK AIB Asset Management S.A., with its registered seat in Poznan, announced that as result of a share purchase completed on 6 February 2006, customers of BZ WBK AIB Asset Management S.A. became holders of over 10 % of the total number of votes at the ComArch S.A. AGM.
As a result of a share purchase completed on 6 February 2006, customers of BZ WBK AIB Asset Management S.A. held 1,417,770 company's shares, which constituted 20.38 % of the company's share capital. This gave them 1,417,770 or 10.11 % of the total number of votes at the ComArch S.A. annual general meeting.

BZ WBK AIB Asset Management S.A., with its registered seat in Poznan, announced that as result of a share purchase completed on 2 August 2006, customers of BZ WBK AIB Asset Management S.A. have increased their participation in total number of votes at the ComArch S.A. AGM by over 2 %. BZ WBK holds over 10 % of the total number of votes at the ComArch S.A. AGM.
On 2 August 2006, there were 1,769,070 ComArch S.A. shares in the managed securities accounts of BZ WBK AIB Asset Management S.A. customers, which amounted to 23.53 % of the company's share capital. This gave them 1,769,070 or 12.13 % of the total votes at the ComArch S.A. annual general meeting.
At the same time, BZ WBK AIB Asset Management S.A. announced that BZ WBK AIB Towarzystwo Funduszy Inwesty cyjnych Spólka Akcyjna authorised BZ WBK AIB Asset Management S.A. to manage its investment portfolios of investment funds. This notice also takes into account ComArch S.A. shares that are held by its funds.

d) Conversion of Convertible Series A Bonds into Ordinary Bearer Series H Shares

Between 22 February and 24 March 2007 ComArch received statements on conversion of 3,221 ordinary convertible bonds issued by the company. The total nominal value of bonds to be converted into shares amounted to 32,210,000 PLN. For series A convertible bonds, covered by submitted conversion statements, 563,675 series H ordinary bearer shares were issued. Bonds, which were not submitted by conversion statements, were extinguished on 6 April 2006 by the company. There are more details in point 3.17 of this statement.

e) Registration in the National Depository for Securities and Introduction to Trading of Series H Shares

On 20 March 2007, the Management Board of the National Depository for Securities decided to register 543,025 ordinary bearer series H ComArch S.A. shares of nominal value of 1.00 PLN each and mark them with the code PLCOMAR00095.
Due to the fact that the Management Board of the National Depository for Securities decided to assimilate 543,025 company's shares, marked with the code PLCOMAR00095, with 5,085,187 company's shares , marked with the code PLCOMAR00012, on 31 March 2006, the Management Board of the Warsaw Stock Exchange S.A. introduced the above-mentioned shares to trading on 31 March 2006.

Due to the fact that the Management Board of the National Depository for Securities decided to assimilate 20,650 company's shares, marked with the code PLCOMAR00095, with 5,730,920 company's shares, marked with the code PLCOMAR00012, on 26 April 2006, the Management Board of the Warsaw Stock Exchange S.A. introduced the above-mentioned shares to trading on 26 April 2006.

f) Registration in the National Depository for Securities and Introduction to Trading of Ordinary Bearer Series G3 Shares

On 24 March 2006, the Management Board of the National Depository for Securities registered 102,708 ordinary bearer series G3 ComArch S.A. shares of nominal value of 100 PLN each and marked them with the code PLCOMAR000103.
The Management Board of Warsaw Stock Exchange, with the resolution no. 91/2006 dated 4 April 2006 constated that according to & 19, section 1 and 2 of the WSE Regulations, 102,708 ordinary bearer series G3 ComArch S.A. shares are admitted to trading and according to & 37, section 2 of the WSE Regulations, decided to introduce to trading the above-mentioned ComArch S.A. shares beginning from 12 April 2006. This resolution came into force after the Management Board of the National Depository for Securities, with the resolution no. 166/06 had decided to assimilate on 12 April 2006 the above-mentioned, marked with the code PLCOMAR00103, shares with marked with the code PLCOMAR00012 company's shares.

3.12.3 Managerial Option Program for Members of the Management Board and Other Key Employees

On 30 June 2005, the Annual General Meeting of Shareholders passed Resolution no. 51 on the managerial options programme for members of the Management Board and the company's Key Employees (17 persons in total). The objective of the programme is to additionally motivate members of the Management Board and Key Employees by options on ComArch shares (hereinafter referred to as the "Option") dependent on increases in the value of the company and its net profit. The program will be executed through offers of newly-issued shares in the company in 2006, 2007 and 2008 to members of the Management Board and Key Employees. The value of the Option is to be at all times equivalent to the difference between the average closing price of the company's shares as of December of each year of the execution of the programme (beginning with 2005) and the issue price of shares offered to members of the Management Board and Key Employees. The basis for the calculation of the value of the Option shall be increases in company capitalisation, calculated as follows:

? For 2006 it will be the difference between the average capitalisation of the company in December 2005 and the average capitalisation of the company in December 2004; this will be calculated using the average closing price of ComArch shares in December 2004 as 69.53 PLN;
? For 2007 it will be the difference between the average capitalisation of the company in December 2006 and its average capitalisation in December 2005;

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- For 2008 it will be the difference between the average capitalisation of the company in December 2007 and its average capitalisation in December 2006, where the average capitalisation is the number of shares multiplied by the average closing price for shares of the company in December of a given year.

The Option shall be defined in each successive year of the program separately for each entitled individual as set forth in Resolution no. 51 of the AGM. The total value of the option was 9.4 % of the increase in capitalisation in the periods set forth in Clauses a), b) and c) (for options No. 1, No. 2 and No. 3, respectively) at the beginning. As at 31 December 2006 and after the application of changes to the program (pursuant to the resolution of the AGM passed on 22 June 2006 and according to changes to the list of program participants that took place in the third quarter of 2006) the value of the Option amounted to 8.2 % of the increase in capitalisation.

Pursuant to IFRS2, the company is obliged to calculate the value of the Option and classify it as a cost in the income statement in the Option period, i.e. from its issue date until its expiry date. Beginning with the third quarter of 2005, the company classifies the value of particular Options in its income statement. The company notes that despite the fact that the value of the Option decreases the net profit of the company and of the Group, this operation does not affect the value of cash flows. Moreover, the economic cost of the Option shall be classified in the income statement through its inclusion in the "diluted net profit" of newly issued shares for the participants of the programme. Despite the fact that the IFRS2 standard was officially adopted by the European Union to companies listed on the stock exchange in the preparation of consolidated statements, many experts point out its controversial nature – in their opinion, placing the cost of the Option in the income statement results in the double inclusion of the effect of the Option programme (once by result and second by dilution).

Pursuant to requirements of IFRS2, the valuation of the Option was carried out as at the date of the resolution on the option programme, i.e. as at 30 June 2005. The Monte Carlo simulation technique was used to valuate the Option. It was combined with the process of discounting non-negative financial flows related to the options calculated on the basis of the MAX () function. Apart from the assumptions resulting from the nature of the Option program described above, the following additional assumptions were adopted for the needs of the valuation:

- 4.6 % risk-free rate (the interest rate on 52-week treasury bills);
- 0 % dividend rate (the dividend rate in the period forecast as at the date of the passage of the programme);
- 17 % anticipated volatility (anticipated volatility based on historical volatility from the last 200 quotations prior to the date of the passage of the program on the basis of the average price of shares from opening and closing prices).

Initially, the determined total value of Options amounted to 6.20 million PLN including:
a) Option No. 1, i.e. the option due to increases in capitalisation in 2005: 0.044 million PLN;
b) Option No. 2, i.e. the option due to increases in capitalisation in 2006: 3.05 million PLN;
c) Option No. 3, i.e. the option due to increases in capitalisation in 2007: 3.1 million PLN.
As at 31 December 2006, after changes to the program were applied (pursuant to the resolution of the AGM passed on 22 June 2006 and according to changes to the list of program participants that took place in the third quarter of 2006) the value of the Option amounts to 5.82 million PLN.

As at 31 December 2006 the value of the Option for the Management of the Board and Key Employees amounts to:
a) The value of the option for the Management Board: 82.93 %, i.e. 4.83 million PLN
b) The value of the option for Key Employees: 17.07 %, i.e. 0.99 million PLN
The value of the Option recognised in the income statement for the first three quarters of 2006 amounted to 2.3 million PLN. The estimated effect of the recognition of the costs of the Option on the income statement in successive periods is as follows: 0.73 million PLN in Q4 of 2006 and 1.11 million PLN in 2007.

Pursuant to the conditions of the program, the company has determined that:
a) The average capitalisation of ComArch S.A. as of December 2004 was 476.5 million PLN
b) The average capitalisation of ComArch S.A. as of December 2005 was 441.7 million PLN
c) The average capitalisation of ComArch S.A. as of December 2006 was 1,539.7 million PLN.
The difference between the average capitalisation in December 2005 and the average capitalisation in December 2004 is negative, which means that the basic condition of the programme has not been met. As a result, shares for members of the Management Board and Key Employees weren't issued in 2006.

Basing on the Company's quotations on Warsaw Stock Exchange, the Board of Supervisors agreed an increase in the Company's cap of 1,098,010,607.08 PLN as at 31 December 2006. The Board of Supervisors agreed an option's value in the amount of 8.2 % of the increase in cap, i.e. 90,036,869.78. On 12 February 2007, the Company's Board of Supervisors passed a resolution concerning execution of managerial option programme and declared that 441,834 series I2 shares will be issued, of nominal value of 1 PLN and issue price of 1 PLN.
On 14 March 2007, the company's Board of Supervisors passed a resolution changing a resolution no. 1/2/2007 dated 12 February 2007 on execution of managerial option programme. In relation to this resolution, 441,826 series I2 ordinary bearer shares was issued, of nominal value of 1 PLN and issue price of 1 PLN. Subscription of series I2 shares was held between 16 and 23 March 2007. Details were presented in point 3.12.4

3.12.4 After the Balance Sheet Date

A) Transactions of Disposal and Purchase of ComArch S.A. Shares

On 11 January 2007, Vice-President of ComArch S.A.'s Management Board sold 150 ordinary bearer shares of ComArch S.A. for 201 PLN each.

On 17 January 2007, a member of the Board of Supervisors sold 10, 000 ordinary bearer shares of ComArch S.A. for 222 PLN each, i.e. for 2,220,000 PLN. The above-mentioned transaction was concluded on regulated market-Warsaw Stock Exchange.

On 22 May 2007, BZ WBK AIB Asset Management S.A. having its registered seat in Poznan, informed that, as result of disposal of the shares, which was settled on 17 May 2007, clients of BZ WBK AIB Asset Management S.A. have decreased by over 2 % their participation in total number of votes at ComArch S.A.'s annual general meeting. They held over 10 % of total number of votes at ComArch S.A.'s annual general meeting up to the present (Company informed about BZ WBK AIB Asset Management S.A.'s share of 12.13 % in total number of votes at ComArch S.A.'s annual general meeting in current report 46/2006). On 17 May 2007, there were 1,513,179 ComArch S.A. shares in the managed securities accounts of BZ WBK AIB Asset Management S.A. clients, which constituted 19.01 % of the Company's share capital. This gave 1,513,179 or 10.07 % of the total votes at ComArch S.A.'s annual general meeting.
At the same time, BZ WBK AIB Asset Management S.A. informed that BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spólka Akcyjna authorised BZ WBK AIB Asset Management S.A. to manage investment portfolios of investment funds, whose body Towarzystwo is. With relation to authorisation mentioned above, this notice ought to take into account ComArch S.A. shares, which are held by funds. The company announced details in the current report no. 14/2007.

B) Subscription for Series I2 Shares

Subscription for series I2 shares began on 16 March 2007, and was completed on 23 March 2007. The shares were allocated on 26 March 2007. 441,826 shares were taken up by subscription. Subscriptions were made on 441,826 shares and 441,826 shares were allocated. An acquisition price of I2 shares was 1.00 PLN per every share. 13 persons subscribed for I2 shares and shares were allocated to 13 persons. The company did not enter into agreement on subissue. A value of subscription, i.e. number of offered shares multiplied by issue price was 441,826 PLN. Total issue costs amounted to 16,331.90 PLN, including:
- costs of an offering: 14,150.00 PLN,
- civil law activities tax : 2,181.90 PLN.

Issue costs will be settled into finance costs. An average cost of subscription for series I2 shares per one share amounted to 0.04 PLN.

C) Registration of an Increase in the Share Capital and Changes in the Statute of ComArch S.A.

On 20 April 2007, the District Court for Kraków-Sródmiescie, XI Economic Division of the National Court Register registered an increase in ComArch S.A.'s share capital to the amount of 7,960,596 PLN. After this increase company's share capital is divided into 7,960,596 shares. It corresponds to 15,029,396 votes at the company's AGM.

On 20 April 2007, the District Court for Kraków-Sródmiescie, XI Economic Division of the National Court Register registered changes in the company's Statute.
Pursuant to the above-said notice article 7 section 1 of the Company's Statute is worded as follows:
"The Company's share capital comes to 7,960,596.00 PLN (in words: seven million nine hundred sixty thousand five hundred ninety-six PLN) and is divided into 7,960,596.00 (in words: seven million nine hundred sixty thousand five hundred ninety-six) shares, including: 1,767,200 (one million seven hundred sixty seven thousand two hundred) registered preference shares of nominal value of 1.00 PLN every share and 6,193,396 (six million one hundred ninety-three thousand three hundred ninety-six) ordinary bearer shares of nominal value of 1.00 PLN every share, including:
1) 883,600 series A registered preference shares,
2) 56,400 series A ordinary bearer shares,
3) 883,600 series B registered preference shares,
4) 56,400 series B ordinary bearer shares,
5) 3,008,000 series C ordinary bearer shares,
6) 1,200,000 series D ordinary bearer shares,
7) 638,600 series E ordinary bearer shares,
8) 125,787 series G ordinary bearer shares,
9) 102,708 series G3 ordinary bearer shares,
10) 563,675 series H ordinary bearer shares,
11) 441,826 series I2 ordinary bearer shares."

D) Registration and Introduction to Trading of Series I2 Shares

On 21 May 2007, the Management Board of the National Deposit for Securities decided to register 441,826 ordinary bearer series I2 ComArch S.A. shares of nominal value of 1 PLN each and mark them with the code PLCOMAR00012, providing that these shares will be introduced to trading on regulated market where other ComArch S.A. shares were introduced. The company announced details in the current report no. 13/2007.

With the resolution dated 28 May 2007, the Management Board of the Warsaw Stock Exchange decided that pursuant to &19, sec. 1 and 2 of the Rules of the Warsaw Stock Exchange, 441,826 ordinary bearer series I2

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ComArch S.A. shares of nominal value of 1 PLN each are admitted to trading. Pursuant to &38 sec. 1 of the Rules of the Warsaw Stock Exchange, the Management Board of the Warsaw Stock Exchange decided that the above-mentioned shares will be introduced to trading on 31 May 2007, providing that they will be registered in the National Deposit for Securities and marked with the code "PLCOMAR00012" on 31 May 2007.

On 30 May 2007, ComArch S.A. received an announcement of the National Deposit for Securities (NDS) dated 29 May 2007 related to the registration of series I2 shares according to a resolution of NDS dated 21 May 2007. Operating department announced that on 31 May 2007, 441,826 series I2 ComArch S.A. shares with the ISIN code PLCOMAR00012 were registered. After registration total number of ComArch S.A. securities will amount to 6,193,396.

3.13 Other Capitals

I. Capital of the company's shareholders

	Convertible bonds -capital component	Capital from valuation of the managerial option	Investment capital and capital for covering the budget commitments	Supplementary capital from premium share	Total
Balance at 1 January 2005	(12)	-	745	84,446	85,179
Managerial option valuation	-	1,682	-	-	1,682
Balance at 31 December 2005	**(12)**	**1,682**	**745**	**84,446**	**86,861**
Balance at 1 January 2006	(12)	1,682	745	84,446	86,861
Capital due to the conversion of convertible bonds into shares	-	-	-	37,895	37,895
Capital correction due to actualisation of shares conversion	12	-	-	-	12
Managerial option valuation	-	3,027	-	-	3,027
Balance at 31 December 2006	**-**	**4,709**	**745**	**122,341**	**127,795**

There was a change in presentation of equities in the financial statement as at 31 December 2006. Profits achieved by the dominant unit during previous years that were presented in other capitals, are presented in retained profit. Comparable data for the year 2005 are presented in the similar way. There was no dividend paid for the year 2005.

II. Minority capital

	Total
Minority capital	
As at 1 January 2005	14,013
Share of the minority shareholders in the result for 2005	(289)
Decrease in capital of ComArch Global, Inc. (assuming 100 % shares by ComArch S.A.)	629
As at 31 December 2005	**14,353**
As at 1 January 2006	14,353
Share of the minority shareholders in the result for 2006 (Cracovia)	227
As at 31 December 2006	**14,580**

3.14 Trade and Other Payables

	31 December 2006	31 December 2005
Trade payables	64,609	64,909
Financial liabilities	-	-
Advances received due to services	6,599	1,839
Liabilities to related parties	225	42
Liabilities due to social insurance and other tax charges	14,380	2,138
Investments liabilities	4,229	736
Subsidies received	1,479	2,206
Provision for leave	7,037	5,406
Reserve on c osts relating to the current period, to be incurred in the future	25,673	19,163
Other payables	2,257	2,472
Special funds (Social Services Fund and Residential Fund)	1,226	1,080
Total liabilities	**127,714**	**99,991**

The fair value of trade and other payables is close to the balance sheet value presented above.

All amounts are expressed in thousands of PLN unless otherwise indicated

3.15 Long-term Contracts

	12 months ended 31 December 2006	12 months ended 31 December 2005
Revenues due to long-term contracts recognised in the reporting period	**123,155**	**107,652**
a) revenues from completed contracts recognised in the reporting period	47,058	24,196
b) revenues from contracts not completed recognised in the reporting period	76,097	83,456

Due to the fact that the Group applies the rule of determining the degree of work progress in proportion to the share of incurred costs in the entire costs of a contract, the sum of incurred costs and recognised results corresponds to revenues.
At the end of the reporting period, long-term contracts were valuated in accordance with the degree of work progress. Changes in settlements due to long-term contracts recognised in assets and liabilities between 31 December 2005 and 31 December 2006 amounted to 2.996 million PLN.

3.16 Credits and loans

	31 December 2006	31 December 2005
Non-current		
Bank credits	51,471	17,000
Loans	-	300
	51,471	**17,300**
Current		
Bank overdraft	-	275
Loans	592	581
Bank credits	2,441	2,024
	3,033	**2,880**
Total credit and loans	**54,504**	**20,180**

Investments credits

ComArch S.A. credit lines:

a) An investment credit from Fortis Bank Polska S.A. with its registered seat in Warsaw in amount of 20 million PLN for the financing of the first construction stage of production and office buildings in the Special Economic Zone in Krakow. The crediting period may last a maximum of 10 years, i.e. until 2015. This credit has a variable interest rate. As at 31 December 2006, the value of the credit to be repaid amounted to 17 million PLN (as at 31 December 2005 it amounted to 19 million PLN). A promissory note, the mortgage on land and the building insurance policy are security for this credit.

b) An investment credit from Kredyt Bank S.A. with its registered seat in Warsaw, for the financing of the second construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts to 80 % of the investment value up to a maximum of 26.82 million PLN. The crediting period may last a maximum of 16 years at a variable interest rate. A promissory note, the mortgage on land and the building insurance policy are security for this credit. As at 31 December 2006, this credit was drawn in total.

c) An investment credit from Fortis Bank Polska S.A. with its registered seat in Warsaw, for the financing of the third construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts to 85 % of the investment value up to a maximum of 30,000,000 PLN. The crediting period may last a maximum of 16 years at a variable interest rate and should be taken out by 28 September 2007. A promissory note, the mortgage on land and the building insurance policy are security for this credit. As at 31 December 2006, the value of drawn credit amounted to 10.1 million PLN.

The value of liabilities due to bank credits was recognised in the amount of depreciated cost that was determined using the effective interest. The fair value of liabilities due to credits and loans does not differ significantly from the balance sheet value.

The exposure of the Group's bank credits to interest rate risk arises from investment credits (at variable interest rates). Due to decreasing interest rates in Poland and decreasing liabilities due to interest payments the Group has not hedged the risk of interest rate changes. The Group optimises interest by continuously monitoring its interest rate structure and appropriately adjusting the basic interest rate of its credits.

All amounts are expressed in thousands of PLN unless otherwise indicated

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The exposure of Group bank credits to interest rate changes:

		Capital to be repaid in the period			
	Amount of bank credits at 31 December 2006	6 months or less	6-12 months	1-5 years	Over 5 years
Investments credits	53,898	1,178	1,337	17,719	33,664
Interest	14	14	-	-	-
	53,912	**1,192**	**1,337**	**17,719**	**33,664**

The maturity of non-current bank credits, loans and financial liabilities:

	31 December 2006	31 December 2005
Between 1 and 2 years	4,142	2,300
Between 2 and 5 years	13,577	6,000
Over 5 years	33,752	9,000
	51,471	**17,300**

The effective interest rates at the balance sheet date:

	31 December 2006 PLN	31 December 2005 PLN
Bank credits	5.34 %	6.61 %
Loans	2.95 %	2.95 %

Currency structure of balance sheet values of credits, loans and financial liabilities:

	31 December 2006	31 December 2005
In Polish currency	54,504	20,180
	54,504	**20,180**

Current credit lines (available, undrawn at the balance sheet date)**:**

At variable interest:	31 December 2006	31 December 2005
– expiring within one year	10,000	10,000
	10,000	**10,000**

3.17 Convertible Bonds

On 12 April 2002 ComArch S.A. issued 4,000 five-year convertible bonds. The conversion price was 57.10 PLN, and every bond could have been converted into 175 shares. The issue price was set at 100.3 % and the interest on the bonds amounted to 7.5 % annually. In case of not executing conversion of the bonds into shares, on 12 April 2007 an additional coupon shall be paid in the amount of 21.84 % of the nominal value of bonds. On 14 July 2004, the company acquired 486 own series A bonds convertible into series H shares. The mentioned-above shares were purchased to be redeemed. On 14 July 2004, the Management Board passed a resolution on redemption of series A bonds convertible into series H shares. ComArch S.A. was an issuer of these bonds. After redemption, the number of series A bonds convertible into series H shares issued by ComArch S.A. bonds was 3,514. Liability due to issued bonds was presented in books according to the adjusted acquisition price. An effective interest rate that was used at liability valuation amounts to 11 %. As at 31 December 2005, the fair value of liability was 42.49 million PLN.
Between 22 February and 24 March 2007 ComArch received statements on conversion of 3,221 ordinary convertible bonds issued by the company. The total nominal value of bonds to be converted into shares amounted to 32,210,000 PLN. For series A convertible bonds, covered by submitted conversion statements, 563,675 series H ordinary bearer shares were issued. 293 series A convertible bonds were not converted into series H shares.
In relation to the fact that on 28 February 2006 the average closing price of ComArch S.A. shares on the Warsaw Stock Exchange over the past 31 quotations had been higher than the conversion price by 30.7 %, and according to pt 8.3.1 of the Conditions of Bond Issue that constitute an attachment to the company's Management Board resolution dated 09 April 2002 concerning issue of the company's bonds on the basis of the Annual General Meeting resolution dated 27 February 2002 (published in Chapter 10, point 4 of the Conversion of Bonds to Series H shares Prospectus), on 28 February 2006 and 7 March 2006 ComArch S.A. called for anticipated redemption of bonds by Bondholders.
Bonds, which were not submitted by conversion statements, were extinguished on 6 April 2006 by the company before their expiry date at a price calculated according to pt. 8.3.4 of the Terms and Conditions for Bond Issue and were then redeemed by the company.

	31 December 2006	31 December 2005
Non-current		
Convertible bonds	-	39,849
	-	**39,849**

All amounts are expressed in thousands of PLN unless otherwise indicated

SUPPLEMENTARY INFORMATION

Current		
Convertible bonds	-	1,097
	-	**1,097**
Total convertible bonds	**-**	**40,946**

Long term maturity structure of convertible bonds was as follows:

	31 December 2006	31 December 2005
1-2 years	-	39,849
2-5 years	-	-
	-	**39,849**

3.18 Contingent Liabilities

On 31 December 2006, the value of bank guarantee and letters of credit issued by banks on order from ComArch S.A. in reference to executed agreements and participation in tender proceedings was 32.02 million PLN, whereas it was 35.72 million on 31 December 2005.
On 31 December 2006 the value of ComArch S.A. suretyships for the debts of Interia.pl S.A. from lease agreements amounted to 0.094 million PLN (compared to 0.56 million PLN on 31 December 2005).

The ComArch Group is the defendant in legal proceedings, in which the potential total amount of third party claims is 2.23 million PLN. In the opinion of the Management Board and based on the opinions of legal advisors, there are no circumstances suggesting the appearance of significant obligations on this account and, as a result, provisions for the amount of potential claims were not recognised in the financial statement.

As at 31 December 2006, the Group had contractual liabilities for investment purchases due to contracts for the second and the third construction stage of an investment in Special Economic Zone (the company announced details in current reports no. 41/2005 and 42/2006. The Group has also concluded a contingent preliminary contract for purchase of 3.5 ha of lands which are located in Krakow Special Economic Zone. The net value of this contract is 18.79 million PLN. This contract is subject to the following conditions:
a) minister competent for Treasury issues will permit to the Tadeusz Kosciuszko Politechnika Krakowska to dispose of these lands to the Group,
b) city of Krakow, that manages in Special Economic Zone „Krakowski Park Technologiczny", a company Centrum Zaawansowanych Technologii - Kraków Spólka z ograniczona odpowiedzialnoscia with its registered seat in Krakow, will not pre-empt.
The Group has concluded this preliminary contract to purchase a land in the Special Economic Zone that will enable the Group to build other production and office buildings in the future after there are no available surfaces in the buildings that it owns and builds at the moment.

As at 31 December 2006, the Group did not have any contractual obligations due to operational leasing agreements.

All amounts are expressed in thousands of PLN unless otherwise indicated

3.19 Deferred Income Tax

	31 December 2006	31 December 2005
Deferred income tax assets		
Beginning of year :	**7,272**	**1,489**
- charged to financial result	7,272	1,489
Movement on deferred income tax account charged to financial result		
- recognition of an asset due to tax loss from the previous years	-	1,197
- dissolution of an asset due to tax loss from the previous years	(1,197)	-
- recognition of an asset due to tax relief of the dominant unit due to activities in Special Economic Zone	6,814	4,750
- dissolution of an asset due to tax relief of the dominant unit due to activities in Special Economic Zone	(4,750)	-
- dissolution/recognition of an asset due to valuation of INTERIA.PL S.A. shares	(568)	(166)
- recognition/dissolution of an asset due to temporary differences related to costs (depreciation, currency differences, costs of research works)	2,435	2
- recognition of an asset for a possible to settle tax loss of ComArch Software AG	988	-
End of year	**10,994**	**7,272**
- charged to financial result	10,994	7,272
Deferred tax liabilities		
Beginning of year :	**5,649**	**5,601**
- charged to equity	5,430	5,430
- charged to financial result	219	171
Movement on deferred tax liabilities charged to financial result		
- recognition liability due to valuation of NetBrokers shares	-	48
- liability due to temporary differences related to costs	879	-
- dissolution of provision for deferred income tax related to NetBrokers	(219)	-
End of the period	**6,309**	**5,649**
- charged to equity	5,430	5,430
- charged to financial result	879	219

Deferred income tax asset

	Tax loss asset	Depreciation	Provisions for costs , revaluating write-offs	Asset due to valuation of Interia.pl	Asset due to tax relief related to income tax (SEZ)	Total
At 1 January 2005	**-**	**-**	**-**	**1,489**	**-**	**1,489**
-charged to financial result	-	-	-	*1,489*	-	*1,489*
(Charged)/credited to the result for 2005	1,197	-	2	(166)	4,750	5,783
At 31 December 2005	**1,197**	**-**	**2**	**1,323**	**4,750**	**7,272**
(Charged)/credited to the result for 2006	(209)	-	2,435	(568)	2,064	3,722
At 31 December 2006	**988**	**-**	**2,437**	**755**	**6,814**	**10,994**
-charged to financial result	*988*	-	*2,437*	*755*	*6,814*	*10,994*

Deferred income tax liability

	Depreciation	Provisions	Provisions due to valuation of NetBrokers	Provisions due to valuation of fair value of Cracovia's assets	Total
At 1 January 2005	**-**	**-**	**171**	**5,430**	**5,601**
Charged/(credited) to the result for 2005	-	-	48	-	48
At 31 December 2005	**-**	**-**	**219**	**5,430**	**5,649**
-charged to financial result	-	-	*219*	-	*219*
-charged to equity	-	-	-	*5,430*	*5,430*
Charged/(credited) to the result for 2006	879	-	(219)	-	660
At 31 December 2006	**879**	**-**	**-**	**5,430**	**6,309**
-charged to financial result	*879*	-	-	-	*879*
-charged to equity	-	-	-	*5,430*	*5,430*

All amounts are expressed in thousands of PLN unless otherwise indicated

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As a result of Poland joining the European Union, an act was passed on 2 October 2003 that changed the act on special economic zones and certain other acts (Journal of Laws No. 188 Item 1840) that changed the conditions for tax exemptions for entities operating in special economic zones. Pursuant to the article 6, section 1 of this act, these entities may apply for changes to the terms and conditions of their permits in order to adjust them to the principles for granting public aid in force in the European Union. Pursuant to the article 5 section 2 pt. 1 lit. b), pt. 2, pt. 3 of the act, the maximum amount of public aid for entities, which operate in a special economic zone on the basis of a permit issued before 1 January 2000, cannot exceed 75 % of the value of investments incurred in the period from the date of obtaining the permit until 31 December 2006, provided that in determining the maximum amount of public aid, the total amount of public aid obtained since 1 January 2001 is taken into consideration. This means a change in the current method of granting tax relief (public aid) from unlimited relief to relief that is limited in value and depends on the value of investments made. In the case of ComArch S.A., the maximum value of public aid will not exceed 75 % of the value of investment expenditures, which the company has incurred/shall incur since obtaining the permit, i.e. 22 March 1999, until 31 December 2006.

The costs of investments and the amount of aid are subject to discounting pursuant to Par. 9 of the Regulation of the Ministry from 14 September 2004 on the Krakow Special Economic Zone (Journal of Laws 220 Item 2232) with wording changed pursuant to Par. 1 of the Regulation of the Ministry from 8 February 2005 that changed the Ordinance on the Krakow Special Economic Zone (Journal of Laws No. 32 Item 270) and with Par. 2 of the latter Ordinance taken into consideration.

ComArch S.A. approached the Minister of the Economy in order to change the terms and conditions of its permit. On 1 July 2004, it received a decision from the Minister of the Economy dated 24 June 2004 on the topic of changes to the terms and conditions of the permit (those mentioned above and those compliant with the act). The updated permit extended the period in which ComArch S.A. is entitled to use public aid for investments incurred in the special economic zone until 31 December 2017.

Pursuant to IAS 12, unused tax relief as at 31 December 2006 constitutes a deferred income tax asset. The limit of the unused investment relief as at 31 December 2006, discounted as at the permit date, is 32.78 million PLN.

1) In the consolidated financial statement, prepared as at 31 December 2006, the dominant unit presents a deferred income tax asset due to investment benefit in the Special Economic Zone (hereinafter an “Asset”), that is worth 6.81 million PLN. As In 2006, the dominant unit used (realised) 4.75 million PLN. At the same time, it made a periodical verification of Asset’s value, thereon, as at 31 December 2006, it recognised additionally a deferred income tax asset due to activities in Special Economic Zone that was worth 6.81 million PLN. As a result of the above-mentioned operation, the effect of the change in Asset on the whole year 2006 result was plus 2.06 million PLN (dissolving of Asset that was recognised as at 31 December 2005 that was worth 4.75 million PLN and recognition of Asset as at 31 December 2006 that was worth 6.81 million PLN). As at 31 December 2006, value of Asset was determined on the basis of forecasts relating to the shape of the tax-exempt income due to tax-exempt activities till the end of 2007. This Asset will be realized successively (as write-offs diminishing net profit of the Group) in proportion to the generation of tax-exempt income of ComArch. At the same time, pursuant to IAS12, the company will regularly verify the valuation of Asset considering possibilities of its realisation and further recognition. At the same time, the company signalizes that recognition of Asset does not have any influence on cash flow in the company an in the Group (both recognition and realization of Asset). This operation is based on accrual basis and is a result of the fact that the Group applies IFRS when prepares consolidated financial statements of the Group.

2) As at 31 December 2006, the dominant unit recognised a value of deferred income tax asset that was worth 2.43 million PLN and a value of provisions for deferred income tax that was worth 0.88 million PLN. According to the company, it is possible that this value will be settled in 2007 as a result of possibility of achieving a profit on taxed activities. At the same time, in 2006, the company dissolved a deferred income tax asset worth 1.2 million PLN. A total effect of these operations on the result of the Group in 2006 was plus 0.35 million PLN.
A total effect of the operations mentioned in the point 1 and 2 on the result of 2006 was plus 2.42 million PLN.

3.20 Provisions for Other Liabilities and Charges

	Costs related to the current period, which will be incurred in future	Provisions for contracts costs	Other provisions	Total
At 1 January 2006	**146**	**2,484**	**218**	**2,848**
Recognised in the consolidated income statement:				
– Additional provisions	74	2,494	-	2,568
Provisions used during year	(146)	(2,399)	(218)	(2,763)
At 31 December 2006	**74**	**2,579**	**-**	**2,653**

Analysis of total provisions :

	31 December 2006	31 December 2005
Current	2,653	2,848

All provisions were calculated based on credible estimate as of the balance sheet date. They are expected to be executed within 12 months of the balance sheet date. Costs of the current period refer to provisions established for costs on account of unsettled prepayments. Other provisions refer to the provision for probable payments of severance benefits for former employees. In 2006 severance payments were paid off. Provisions for costs of contracts refer to recognition of the forecast losses in contracts.

All amounts are expressed in thousands of PLN unless otherwise indicated

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3.21 Revenues from Sales

	12 months ended 31 December 2006	12 months ended 31 December 2005
Revenues from sales of products and services		
Revenues from sales of IT services	156,177	136,100
Revenues from sales of proprietary software and licences	129,583	76,069
Revenues from other sales	24,700	10,829
Total	**310,460**	**222,998**
Revenues from sales of goods and materials		
Revenues from sales of hardware	89,957	136,611
Revenues from third party software and licences	70,186	58,847
Revenues from other sales	20,947	25,534
Total	**181,090**	**220,992**
Total revenues from sales	**491,550**	**443,990**

3.22 Costs of products, services, goods and materials sold

I/1 Costs by types	12 months ended 31 December 2006	12 months ended 31 December 2005
Depreciation of property, plant and equipment in use and intangible assets	12,740	11,264
Costs of social benefits	167,223	124,694
Change in products and work in progress	(4,638)	2,775
Consumption of raw materials and auxiliary materials	6,761	7,421
Third party services	63,495	41,338
Taxes and charges	2,892	2,406
Other costs	20,017	16,874
Costs of products sold, services, marketing and distribution as well as administrative costs, including:	**268,490**	**206,772**
- manufacturing costs	196,440	146,644
- costs of sales	39,189	33,560
- general costs	32,965	26,463
- exchange differences on liabilities	(104)	105
I/2 Costs of goods and materials sold	**167,283**	**206,732**
I/3 Costs of work execution within the framework of union projects	**7,225**	**471**
I/4 Total costs of products sold, services, marketing, administrative, goods, materials and work execution within the framework of union projects	**442,998**	**413,975**

II. Costs of social benefits	12 months ended 31 December 2006	12 months ended 31 December 2005
Remuneration	143,069	106,714
Social insurance	20,696	16,149
Social Services Fund	595	466
Training	1,011	439
Health and Safety at Work	5	-
Other	1,847	926
Total	**167,223**	**124,694**

3.23 Other Operating Revenues

Other operating revenues and profits	12 months ended 31 December 2006	12 months ended 31 December 2005
Recovered communication damages	33	-
Outdated liabilities	29	119
Received contractual penalties	306	-
Earnings on disposal on non-financial non-current assets	10	177
Refund of VAT	56	114
Other	576	435
Total	**1,010**	**845**

All amounts are expressed in thousands of PLN unless otherwise indicated

3.24 Other Operating Costs

Other operating costs and looses	12 months ended 31 December 2006	12 months ended 31 December 2005
Write-off that revaluates assets (impairment)	45	276
Membership fees	129	150
Donations	203	176
Loss on disposal and non-current assets decommissioning	83	7
Write-off that revaluates receivables	1,583	2,120
Contractual penalties	1,030	-
Other	938	775
Total	**4,011**	**3,504**

3.25 Finance costs – net

	12 months ended 31 December 2006	12 months ended 31 December 2005
Interest expense:		
convertible bonds	(907)	(4,329)
Interest on borrowings	(37)	(23)
Other	(1,112)	(508)
Gains on bank deposits	659	350
Gains on disposal of securities	42	40
Net gains/(looses) on exchange differences (note 3.27)	148	348
Fair value valuation of financial instruments and investment	-	186
Gains on disposal of financial assets	7,468	-
Other	170	(245)
compensation and financial penalties	-	(47)
costs related to bonds issue	-	(60)
Other	170	(138)
Total	**6,431**	**(4,181)**

3.26 Income Tax

	12 months ended 31 December 2006	12 months ended 31 December 2005
Current tax	4,643	2,266
Deferred tax	(3,058)	(5,735)
Total	**1,585**	**(3,469)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	12 months ended 31 December 2006	12 months ended 31 December 2005
Consolidated gross profit before tax	54,572	24,294
Tax calculated with the nominal rate on gross profit	10,365	4,615
Differences between gross profit and basis of taxation:		
Consolidation adjustments	(824)	1,543
Exclusions of losses in consolidated companies	809	4,659
Sum of gross profits in consolidated entities (nominal basis of taxation with the assumption of correspondence of balance sheet profit with the basis of taxation)	54,557	30,496
Permanent and temporary differences between gross profit and the actual basis of taxation, including:	(25,843)	(18,570)
Utilisation of previously unrecognised tax losses	(15,680)	(11,850)
Differences between basis of taxation and gross profit	32,756	23,693
Income not subject to tax (due to activities in SEZ)	(42,822)	(30,384)
Other	(97)	(29)
Taxable base from income tax	**28,714**	**11,926**
Tax calculated at tax rate for the Group	4,643	2,266
Effective tax rate	8.5 %	9.6 %

The applicable tax rate was 16 % in 2006 and resulted from the average tax rates for the consolidated entities. The applicable tax rate was 19 % in 2005 and resulted mostly from the rate used in the country of the dominant unit. Tax authorities can run inspections for books of account and tax settlements within 5 years of the end of the year, in which tax returns were filed and can charge additional tax on the Group along with penalties and interest. In the opinion of the Management Board of the dominant unit, there are no circumstances indicating possibility of arising significant obligations on this account.

All amounts are expressed in thousands of PLN unless otherwise indicated

3.27 Net Foreign Exchange (looses) /gains

The exchange differences (charged)/credited to the income statement are included as follows:

	12 months ended 31 December 2006	12 months ended 31 December 2005
Revenues from sales	(2,752)	539
Costs of products, goods and materials sold	104	(105)
Finance costs-net	148	348
Total	**(2,500)**	**782**

3.28 Earnings per Share

	12 months ended 31 December 2006	12 months ended 31 December 2005
Net profit for the period attributable to equity holders of the Group	52,760	28,052
Weighted average number of shares in issue (thousands)	7,396	6,910
Basic earnings per share (PLN)	**7.13**	**4.06**
Diluted number of shares (thousands)	7,835	6,910
Diluted earnings per share (PLN)	**6.73**	**4.06**

Basic earnings per share in the column '12 months ended 31 December 2006' is calculated by dividing the net profit attributable to equity holders of ComArch S.A. for the period from 1 January 2006 to 31 December 2006 by the weighted average number of shares in issue between 1 January 2006 and 31 December 2006, where the number of days is the weight. Basic earnings per share in the column '12 months ended 31 December 2005' is calculated by dividing the net profit attributable to equity holders of the company for the period from 1 January 2005 to 31 December 2005 by the weighted average number of shares in issue between 1 January 2005 and 31 December 2005, where the number of days is the weight.
Diluted earnings per share in the column '12 months ended 31 December 2006' is calculated by dividing the net consolidated profit attributable to equity holders of ComArch S.A. for the period from 1 January 2006 to 31 December 2006 by the sum of weighted average number of shares in issue between 1 January 2006 and 31 December 2006, where the number of days is the weight, and number of shares resulting from the potential execution of the managerial option for 2006 according to terms of the option programme (pt 3.7.3).

3.29 Related-party Transactions

3.29.1 Revenues from sales of goods and services

	12 months ended 31 December 2006	12 months ended 31 December 2005
Revenues from sales of goods:		
INTERIA.PL	-	325
NetBrokers	-	12
Revenues from sales of services:		
INTERIA.PL	788	459
NetBrokers	65	73
	853	**869**

Price for services is determined depending on the type of transaction, according to one of three methods:
1) comparable market price,
2) cost- plus basis (margin from 2 to 3 % for goods, 5 % for services)
3) margin on sales of services (from 10 % to 40 %)

3.29.2 Purchases of Goods and Services

	12 months ended 31 December 2006	12 months ended 31 December 2005
Purchases of goods:		
Associate INTERIA.PL	783	610
Purchase of services:		
Associate INTERIA.PL	178	322
	961	**932**

Price for services and goods is usually negotiated with related entities using one of the above methods. In the reporting period, there were no significant transactions with related entities other than those listed above.

All amounts are expressed in thousands of PLN unless otherwise indicated

3.29.3 Balance of Settlements as of the Balance Sheet Date Resulting from the Sale/Purchase of Goods /Services

	12 months ended 31 December 2006	12 months ended 31 December 2005
Receivables from related parties		
NetBrokers	2	14
INTERIA.PL	21	13
	23	**27**
Payables to related parties		
INTERIA.PL	225	42
	225	**42**

3.29.4 Value of Remuneration of the Managing and Supervising Persons in 2006 and in 2005

Remuneration of members of the Management Board of ComArch S.A. in 2006 were 9,387,573.34 PLN. Remuneration of members of the Management Board of ComArch SA in 2006 paid by subsidiaries and associates were 16,660.93 PLN. Remuneration of members of the Supervisory Board in ComArch S.A. in 2006 were 420,000 PLN. Subsidiaries and associates paid no remuneration to members of the Supervisory Board of ComArch S.A. in 2006.

The year 2005 (in PLN)

ComArch S.A.'s Management Board

		Paid by ComArch S.A.	Paid by subsidiaries and associates	**Total**
1	Janusz Filipiak	2,759,383.25	0.00	2,759,383.25
2	Rafal Chwast	732,055.29	0.00	732,055.29
3	Robert Chwastek	260,379.53	0.00	260,379.53
4	Christophe Debou	327,927.76	149,586.29	477,514.05
5	Tomasz Maciantowicz	148,292.40	0.00	148,292.40
6	Pawel Prokop	374,023.36	0.00	374,023.36
7	Pawel Przewiezlikowski	1,378,552.80	0.00	1,378,552.80
8	Zbigniew Rymarczyk	802,000.41	0.00	802,000.41
9	**Total Management Board**	**6,782,614.80**	**149,586.29**	**6,932,201.09**

ComArch S.A.'s Board of Supervisors

		Paid by ComArch S.A.	Paid by subsidiaries and associates	**Total**
1	Elzbieta Filipiak	303,117.07	0.00	303,117.07
2	Krzysztof Zielinski	30,000.00	0.00	30,000.00
3	Maciej Brzezinski	30,000.00	0.00	30,000.00
4	Wojciech Kucharzyk	30,000.00	0.00	30,000.00
5	Anna Lawrynowicz	30,000.00	0.00	30,000.00
	Total Board of Supervisors	**423,117.07**	**0.00**	**423,117.07**

The year 2006 (in PLN)

ComArch S.A.'s Management Board

		Paid by ComArch S.A.	Paid by subsidiaries and associates	**Total**
1	Janusz Filipiak	4,760,925.77	0	4,760,925.77
2	Rafal Chwast	1,048,272.93	0	1,048,272.93
3	Christophe Debou *	51,545.32	16,660.93	68,206.25
4	Tomasz Maciantowicz **	41,750.07	0	41,750.07
5	Piotr Piatosa ***	396,971.59	0	396,971.59
6	Pawel Prokop	774,054.26	0	774,054.26
7	Pawel Przewiezlikowski	1,586,718.13	0	1,586,718.13
8	Zbigniew Rymarczyk	727,335.27	0	727,335.27
	Total Management Board	**9,387,573.34**	**16,660.93**	**9,404,234.27**

All amounts are expressed in thousands of PLN unless otherwise indicated

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ComArch S.A.'s Board of Supervisors

		Paid by ComArch S.A.	Paid by subsidiaries and associates	**Total**
1	Elzbieta Filipiak	300,000.00	0	300,000.00
2	Zielinski Krzysztof	30,000.00	0	30,000.00
3	Maciej Brzezinski	30,000.00	0	30,000.00
4	Kucharzyk Wojciech	30,000.00	0	30,000.00
5	Lawrynowicz Anna	30,000.00	0	30,000.00
	Total Board of Supervisors	**420,000.00**	0	**420,000.00**

*) On 23 January 2006, Mr. Christophe Debou submitted his resignation from the position of ComArch S.A. Management Board Member. The company announced details in current report no. 1/2006.
**) On 11 May 2006, Mr. Tomasz Maciantowicz, Vice-President of ComArch S.A.'s Management Board submitted his resignation. The company announced details in current report no. 30/2006.
***) On 22 June 2006 Mr. Piotr Piatosa was appointed Vice President of the Management Board of ComArch S.A. at the Ordinary General Meeting. The company announced details in current report no. 39/2006.

As at 31 December 2006, there are no unpaid loans as well as guarantees and suretyships granted by ComArch S.A. and its subsidiaries for the benefit of members of the Management Board, the Supervisory Board and their relatives.

On 30 June 2005 a managerial option programme was passed and it is described in note 3.12.3. An option's value is 5.82 million PLN, including 82.93 % for members of the Management Board, i.e. 4.82 million PLN. An option's cost is recognised in the income statement within July 2005 - December 2007.

3.30 Information About Shareholders and Shares Held by Members of the Management Board and the Board of Supervisors

3.30.1 Shareholders who Directly or Indirectly through Subsidiary Entities Hold at least 5 % of the Total Number of Votes at the ComArch S.A. General Meeting as at the Date of Preparing the Consolidated Financial Statement

As at 4 June 2007 the shareholders who directly or indirectly through subsidiary entities hold at least 5 % of the total number of votes at ComArch S.A. general meeting are:

- Elzbieta and Janusz Filipiak held 3,498,803 shares, which gave them 10,454,803 votes at the AGM and constituted 69.56 % of all votes at the AGM (43.95 % of the company's share capital).

- Customers of BZ WBK AIB Asset Management S.A. held 1,513,179 shares, which gave them 1,513,179 votes at the AGM and constituted 10.07 % of all votes at the AGM (19.01 % of the company's share capital).

3.30.2 Changes in Holdings of ComArch S.A. Shares by Management and Supervisors between 15 May 2007 and 1 June 2007

The following table presents the ownership of ComArch SA shares by management and supervisors as at the date on which the consolidated quarterly report for the first quarter of 2007 was published, i.e. 15 May 2007 and on 1 June 2007, pursuant to the information possessed by the company.

Members of the Management Board and the Board of Supervisors	Position	**As at 1 June 2007**		**As at 15 May 2007**	
		Shares	Share of votes at the AGM (%)	Shares	Share of votes at the AGM (%)
Elzbieta and Janusz Filipiak	Chairman of the Board of Supervisors and President of the Management Board	3,498,803	69.56 %	3,498,803	69,56 %
Rafal Chwast	Vice-President of the Management Board	28,118	0.19 %	28,118	0,19 %
Piotr Piatosa	Vice-President of the Management Board	10,776	0.07 %	10,776	0,07 %
Pawel Prokop	Vice-President of the Management Board	45,992	0.56 %	45,992	0,56 %
Pawel Przewiezlikowski	Vice-President of the Management Board	45,992	0.56 %	45,992	0,56 %
Zbigniew Rymarczyk	Chairman of the Board of Supervisors and President of the Management Board	21,772	0.14 %	21,772	0,14 %
Number of shares issued		**7 960 596**	**100 %**	**7,960,596**	**100 %**

3.31 Factors and Events of Unusual Nature with Significant Effects on the Achieved Financial Results

In the consolidated financial statement, prepared as at 31 December 2006, the company presents a deferred income tax asset due to investment benefit in the Special Economic Zone (hereinafter an "Asset"), that is worth 6.81 million PLN. As at previous balance sheet date, i.e. 30 September 2006, Asset was worth 0.15 million PLN and in the fourth quarter, the company used (realised) 0.15 million PLN. At the same time, the company made a periodical verification of Asset's value, thereon, as at 31 December 2006, it recognised additionally a deferred income tax asset due to activities in Special Economic Zone that was worth 6.81 million PLN. As a result of the above-mentioned operation, the effect of the change in Asset on the fourth quarter of 2006 result was plus 6.67 million PLN and on the whole year 2006 result was plus 2.06 million PLN (dissolving of Asset that was recognised as at 31 December 2005 that was worth 4.75 million PLN and recognition of Asset as at 31 December 2006 that was worth 6.81 million PLN). As at 31 December 2006, value of Asset was determined on the basis of forecasts relating to the shape of the tax-exempt income due to tax-exempt activities till the end of 2007. This Asset will be realized successively (as write-offs diminishing net profit of the Group) in proportion to the generation of tax-exempt income of ComArch. At the same time, pursuant to IAS12, the company will regularly verify the valuation of Asset considering possibilities of its realisation and further recognition. At the same time, the company signalizes that recognition of Asset does not have any influence on cash flow in the company an in the Group (both recognition and realization of Asset). This operation is based on accrual basis and is a result of the fact that the Group applies IFRS when prepares consolidated financial statements of the Group.

In 2006, there were disposals of shares of INTERIA PL and NETBROKERS.
On 19 January 2006, ComArch S.A. disposed 350,000 INTERIA.PL S.A. shares. After this transaction the company holds 2,538,369 INTERIA.PL S.A. shares, which constitute 36.08 % of share capital. They give 11,609,625 votes at the Annual General Meeting that constitute 48.48 % of the total number of votes. On the above-mentioned transaction the Group achieved gross income in the amount of 7.23 million PLN.
On 11 December 2006, it was signed an agreement on sale of shares between ComArch S.A. and Polski Koncern Miesny Duda S.A. ComArch S.A. sold 300 shares at nominal value of 1,000 PLN per each share. They constituted 40 % of share capital of NETBROKERS Sp. z o.o. with its registered seat in Krakow. As a result of this transaction, ComArch S.A. doesn't hold any of NETBROKERS Sp. z o.o. shares. The shares mentioned above were sold for 2,430,000 PLN. The above-mentioned transaction's result on the dominant unit's net profit shall amount to 1.93 million PLN and on the Group's net profit shall amount to 0.38 million PLN.

3.32 Events After the Balance Sheet Date

3.21.1 Transactions of disposal and purchase of issuer's shares

On 11 January 2007 Vice-President of ComArch S.A.'s Management Board sold 150 ordinary bearer shares of ComArch S.A. for 201 PLN each.

On 17 January 2007 member of the Board of Supervisors sold 10 000 ordinary bearer shares of ComArch S.A. for 222 PLN each, i.e. 2,220,000 PLN (two million two hundred twenty thousand). The above-mentioned transaction was concluded on regulated market-Warsaw Stock Exchange.

On 22 May 2007, BZ WBK AIB Asset Management S.A. having its registered seat in Poznan, informed that, as result of disposal of the shares, which was settled on 17 May 2007, clients of BZ WBK AIB Asset Management S.A. have decreased by over 2 % their participation in total number of votes at ComArch S.A.'s annual general meeting. They held over 10 % of total number of votes at ComArch S.A.'s annual general meeting up to the present (Company informed about BZ WBK AIB Asset Management S.A.'s share of 12.13 % in total number of votes at ComArch S.A.'s annual general meeting in current report 46/2006). On 17 May 2007, there were 1,513,179 ComArch S.A. shares in the managed securities accounts of BZ WBK AIB Asset Management S.A. clients, which constituted 19.01 % of the Company's share capital. This gave 1,513,179 or 10.07 % of the total votes at ComArch S.A.'s annual general meeting.
At the same time, BZ WBK AIB Asset Management S.A. informed that BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spólka Akcyjna authorised BZ WBK AIB Asset Management S.A. to manage investment portfolios of investment funds, whose body Towarzystwo is. With relation to authorisation mentioned above, this notice ought to take into account ComArch S.A. shares, which are held by funds.

3.32.2 Annex to an Agreement on Multipurpose Credit

On 6 April 2007, the dominant unit signed with Bank BPH an annex no. 2 to an Agreement on multipurpose and multicurrency credit line dated 3 June 2005. It increases credit limit by 14 million PLN up to 38 million PLN. It means that within credit limit the Company may use a maximum amount of 38 million PLN. The company announced details in the current report no. 7/2007.

3.32.3 The List of Current reports and Financial Statements made public in 2006

On 13 April 2007, the Management Board of ComArch S.A. presented the list of ComArch S.A.'s current reports and financial statements made public in 2006. The originals of these documents are located at the Company's headquarters - al. Jana Pawla II 39a, Krakow, Poland. They are also available at http://www.comarch.com/en/Invest+in+Comarch/Financial/

3.32.4 Increase in Share Capital

On 23 April 2007, ComArch S.A. was informed that on 20 April 2007, the District Court for Kraków-Sródmiescie, XI Economic Division of the National Court Register registered an increase in ComArch S.A.'s share capital to the amount of 7,960,596 PLN. After this increase company's share capital is divided into 7,960,596 shares. It corresponds to 15,029,396 votes at the company's AGM.

3.32.5 Changes in Statute

On 23 April 2007, ComArch S.A. was informed that on 20 April 2007, the District Court for Kraków-Sródmiescie, XI Economic Division of the National Court Register registered changes in the company's Statute.
Pursuant to the above-said notice article 7 section 1 of the Company's Statute is worded as follows:
"The Company's share capital comes to 7,960,596.00 PLN (in words: seven million nine hundred sixty thousand five hundred ninety-six PLN) and is divided into 7,960,596.00 (in words: seven million nine hundred sixty thousand five hundred ninety-six) shares, including: 1,767,200 (one million seven hundred sixty seven thousand two hundred) registered preference shares of nominal value of 1.00 PLN every share and 6,193,396 (six million one hundred ninety-three thousand three hundred ninety-six) ordinary bearer shares of nominal value of 1.00 PLN every share, including:
1) 883,600 series A registered preference shares,
2) 56,400 series A ordinary bearer shares,
3) 883,600 series B registered preference shares,
4) 56,400 series B ordinary bearer shares,
5) 3,008,000 series C ordinary bearer shares,
6) 1,200,000 series D ordinary bearer shares,
7) 638,600 series E ordinary bearer shares,
8) 125,787 series G ordinary bearer shares,
9) 102,708 series G3 ordinary bearer shares,
10) 563,675 series H ordinary bearer shares,
11) 441,826 series I2 ordinary bearer shares."

3.32.6 Agreement with Ministry of National Education

On 30 April 2007, an agreement between ComArch and the Ministry of National Education (MNE) was signed. This contract is for the delivery, installation and network connection of 961 computer labs in primary schools, junior high schools, post-junior high schools and post-secondary schools located in the area of the second Region that includes the provinces: Malopolskie and Podkarpackie. The net value of this agreement amounts to 41,577,276 PLN. The contract will be carried out during a 70 day period beginning from the date of the contract signing, guaranteeing service will be provided during a 36 month period beginning from the delivery date.

3.32.7 Contracts with Ogólnopolska Fundacja Edukacji Komputerowej (OFEK)

On 30 April 2007, a contract with OFEK was signed with a net value of 33,031,809.29 PLN and on 9 May 2007 with net value of 16,398,680.50 PLN. As a result, the total value of contracts signed between ComArch and OFEK during the last 12 months exceeds 10 % of ComArch's equity and in total fulfil the significant agreement criterion. The contract with the highest value is the above-mentioned agreement dated 30 April 2007. Within the framework of this agreement, OFEK will deliver hardware, build the network, install computer labs and connect them to the existing network as well as integrate all elements. The net contract value is 33,031,809.29 PLN. The contract will be executed during a 67 day period of time beginning from the date of signing the contract, warranty service will be provided for a minimal period of 36 months beginning from the delivery date. The total value of contracts signed with OFEK during the last 12 months is circa 64 million PLN.

3.32.8 A Call, through Mediation of the Brokerage House POLONIA NET S.A., for the Subscription for the Sale of Registered Preference Shares Issued by INTERIA.PL S.A.

On 17 April, ComArch S.A. called for sale of 390,000 registered preference INTERIA.PL S.A. shares which give 1,950,000 votes at the annual general meeting of the company. They were offered for 64.15 PLN each. Subscriptions for the sale of shares were taken beginning from 26 April 2007 until 10 May 2007. There were no subscriptions for the sales of these shares so ComArch did not purchase any INTERIA.PL S.A. shares.

3.32.9 Registration and Introduction to Trading of Series I2 Shares

On 21 May 2007, the Management Board of the National Deposit for Securities decided to register 441,826 ordinary bearer series I2 ComArch S.A. shares of nominal value of 1 PLN each and mark them with the code PLCOMAR00012, providing that these shares will be introduced to trading on regulated market where other ComArch S.A. shares were introduced. The company announced details in the current report no. 13/2007.

With the resolution dated 28 May 2007, the Management Board of the Warsaw Stock Exchange decided that pursuant to &19, sec. 1 and 2 of the Rules of the Warsaw Stock Exchange, 441,826 ordinary bearer series I2 ComArch S.A. shares of nominal value of 1 PLN each are admitted to trading. Pursuant to &38 sec. 1 of the Rules of the Warsaw Stock Exchange, the Management Board of the Warsaw Stock Exchange decided that the above-mentioned shares will be introduced to trading on 31 May 2007, providing that they will be registered in the National Deposit for Securities and marked with the code "PLCOMAR00012" on 31 May 2007.

SUPPLEMENTARY INFORMATION

On 30 May 2007, ComArch S.A. received an announcement of the National Deposit for Securities (NDS) dated 29 May 2007 related to the registration of series I2 shares according to a resolution of NDS dated 21 May 2007. Operating department announced that on 31 May 2007, 441,826 series I2 ComArch S.A. shares with the ISIN code PLCOMAR00012 were registered. After registration total number of ComArch S.A. securities will amount to 6,193,396.

3.33 Significant Legal, Arbitration or Administrative Proceedings

In the year 2006, the Group's parties did not sue and were not sued in proceedings which fulfil the criterion specified in § 91 Act 6 pt 7a) and 7b) of the Regulation issued by the Minister of Finance on 19 October 2005 concerning current and periodical information pertaining to companies listed on the stock exchange.

The ComArch Group is the defendant in legal proceedings, in which the total amount of third party claims is 2.23 million PLN. In the opinion of the Management Board and based on the opinions of legal advisors, there are no circumstances suggesting the appearance of significant obligations on this account and, as a result, provisions for the amount of potential claims were not recognised in the financial statement.

COMARCH
INFORMATION TECHNOLOGY

REPORT
OF COMARCH S.A.'s MANAGEMENT BOARD
REGARDING
THE ACTIVITIES OF THE CAPITAL GROUP IN 2006

Krakow, 1 June 2007

1. GENERAL INFORMATION ABOUT THE CAPITAL GROUP

1.1 Selected Financial Data

1.1.1 Consolidated financial data

	2006	2005	2004
Revenues from sales	491,550	443,990	328,357
Operating profit	45,551	27,356	16,140
Profit before income tax	54,572	24,294	10,325
Net profit attributable to shareholders of the company	52,760	28,052	11,372
Profit per share	7.13	4.06	1.67
Assets	461,559	346,847	272,909
Book value	256,983	161,372	132,435

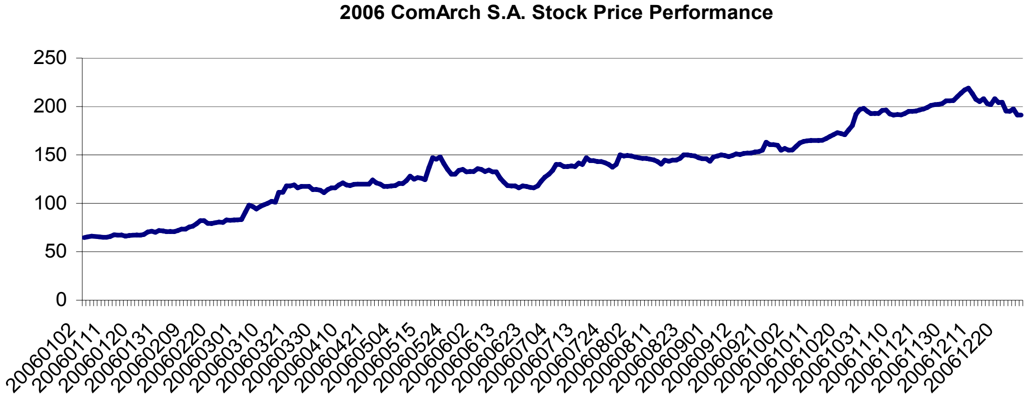
The Group achieved the best financial results in its history and a record net profit. Revenues from sales increased by 10,7 % and accounted for 491.6 million PLN while operating profit increased by 66.5 % to 45.6 million PLN. Net profit increased almost twice (by 88.1 %) to 52.8 million PLN. Profit per share increased from 4.06 PLN in 2005 to 7.13 PLN in 2006. At the same time, EBIT margin increased from the level of 6.2 % to 9.3 % and net margin increased from 6.3 % 10.7 %. It is important to note that improvements to profitability of the Group came about with significant growth in employment and increase in remuneration in IT sector. As at the end of December, the ComArch Group had 2,464 employees, which is an increase in 607 employees over the beginning of the year (excluding persons that are employed in MKS Cracovia SSA).

In 2006, the value of the ComArch Group's assets increased by 33.1 % to 461.6 million PLN. Assets increased evenly, i.e. non-current assets increased by 33.7 % and current assets by 32.6 %. A reason of the increase of non-current assets are mainly expenses incurred in property, plant and equipment, including especially investment in new office buildings in the Special Economic Zone in Krakow within second and third construction stage of investment. Current assets increased mainly (by 63.14 million PLN compared to 2005) due to an increase in the trade receivables and cash equivalents. The liabilities side shows the effect of a significant increase in 2006 in equity resulting from high net profit attributable to shareholders (52.76 million PLN) and an increase of other capital (by 40.93 million PLN) resulting from bonds conversion. Structure of non-current liabilities has changed due to bonds conversion in the first quarter of 2007 and a significant increase in liabilities due to bank credits for financing of office-buildings in the Special Economic Zone.

Backlog for the current year	**As at 30 April 2007**	**As at 30 April 2006**	**Change**
Revenues contracted for the current year	408,496	305,438	33.7 %
Including export contracts	82,533	66,837	23.5 %
% of export contracts	*20.2,%*	*21.9,%*	
including services and proprietary software	282,769	231,282	22.3 %
% of services and proprietary software	*69.2 %*	*75.7 %*	

At the end of April 2007, backlog for the current year was at a level of 408.5 million PLN and was up by almost 34 % from the same period in the previous year. The share of export contracts in the revenues from sales has remained at a constant level of about 20 %. A decrease in the share of sales of licences and proprietary software has resulted from the contract for the delivery of hardware to schools concluded on 30 April 2007 (the contract with MEN for 41.5 million PLN). After excluding this contract from the backlog, an increase would be 20.1 %, the share of export contracts would amount to 22.5 %, and the share of services and proprietary software would amount to 77.1 % of the total backlog. The significant increase in backlog compared to the previous year confirms the capability of the ComArch Group's development in the period to come. At the same time, the company's Management Board denotes that maintenance of operating profitability at the current level is one of the most important priorities of the Group in the current year and within next years.

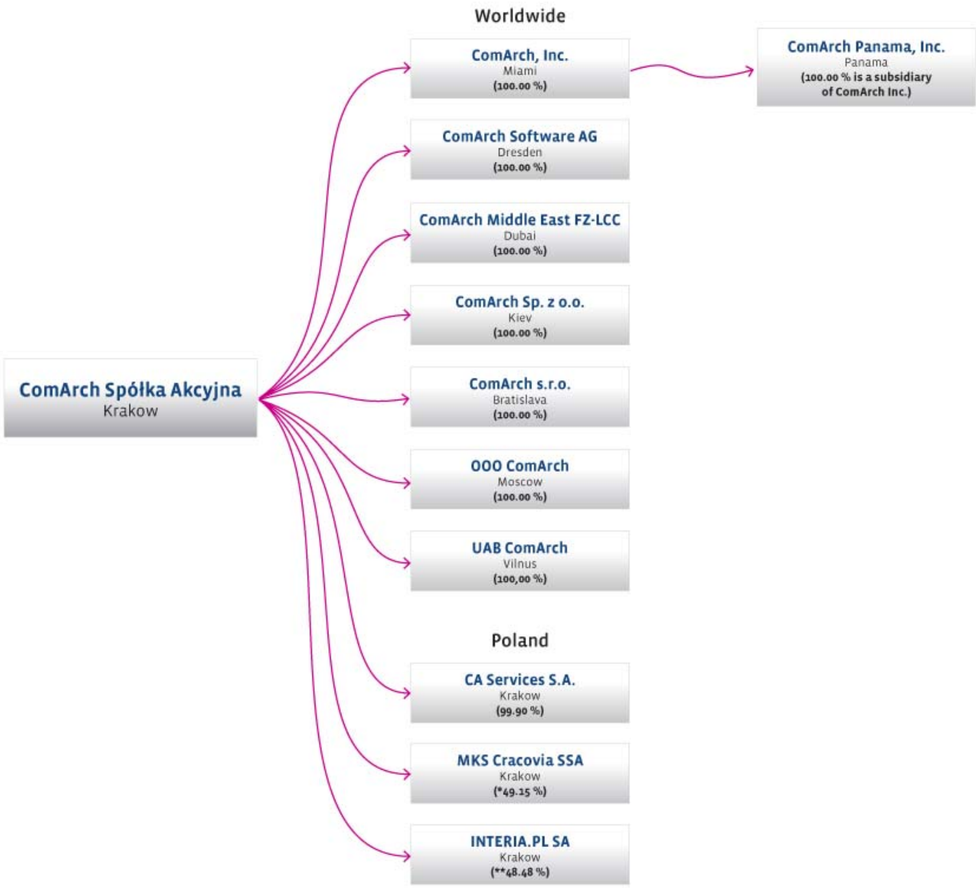
1.1.2 ComArch S.A. Stock Price Performance (in PLN)



Period	The highest	The lowest
I quarter of 2006	119	64,6
II quarter of 2006	148	114
III quarter of 2006	163	134
IV quarter of 2006	219	155,1

On 29 December 2006, closing rate of ComArch S.A. shares at Warsaw Stock Exchange reached 191 PLN. That is an increase of almost 198 % compared to the last closing rate of ComArch S.A. shares in 2005 that was 64.10 PLN. Profit per share increased from 4.06 PLN in 2005 to 7.13 PLN in 2006.

1.2 Organisational Structure and Characteristics of the Group's Entities



(in parentheses, the share of votes held by ComArch S.A.):
*) MKS Cracovia SSA is ComArch S.A.'s subsidiary according to IAS 27 pt 13.
**) Pursuant to the Act on Accounting dated 29 September 1994, INTERIA.PL S.A. is an associate of ComArch S.A.

The basic activities of the ComArch Group (the "Group"), in which ComArch S.A. with its registered seat in Krakow at Al. Jana Pawła II 39 A is the dominant unit, include production, trade and services in the fields of IT and telecommunications, PKD 72.22.Z. The registration court for ComArch S.A. is the District Court for Krakow Śródmieście in Krakow, XI Economic Division of the National Court Register. The company's KRS number is 0000057567. ComArch S.A. holds the dominant share in the Group regarding realised revenues, value of assets and number and volume of executed contracts. ComArch S.A. shares are admitted to public trading on the Warsaw Stock Exchange. The duration of the dominant unit is not limited.

The structure of activities of the ComArch Group is as follows: the dominant entity acquires the majority of contracts and in large part executes them. ComArch Inc., ComArch Software AG, ComArch Middle East FZ-LCC, ComArch Sp. z o.o. (Ukraine), ComArch Panama, Inc., OOO ComArch, UAB ComArch acquire contracts in foreign markets and execute them in their entirety or in part. ComArch s.r.o. produces software on order for the ComArch Group.

CA Services S.A. specialises in data communications relating to the provision of connections for the own needs of the ComArch Group and for contracts executed by ComArch, as well as the provision of outsourcing services. MKS Cracovia SSA is a sport joint stock company.

Interia.pl is a web portal that provides information, communication and search services to web communities.

1.3 Shareholding Structure, Managing and Supervising Entities

1.3.1 Shareholders Holding at least 5 % of the Total Number of Votes at the General Meeting of the Dominant Unit

ComArch S.A.'s share capital consists of 7,518,770 shares at total nominal value of 7,518,770 PLN. According to the information possessed by ComArch S.A., as at 31 December 2006, shareholders holding at least 5 % of votes at the company's AGM are Elżbieta and Janusz Filipiak and customers of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. (JSC)

Shareholders	Number of shares	% of share capital	Number of votes at the company's AGM	% of votes at the company's AGM
Elżbieta and Janusz Filipiak	3,239,393*	43.08 %	10,195,393	69.89 %
Other members of the Management Board	55,816**	0.74 %	131,016	0.90 %
Customers of BZ WBK AIB Asset Management S.A.	1,769,070***	23.53 %	1,769,070	12.13 %
Other shareholders	2,454,491	32.65 %	2,492,091	17.08 %
Total	7,518,770****	100.00 %	14,587,570	100.00 %

*) On 17 January 2007, member of the Board of Supervisors sold 10.000 ordinary bearer shares of ComArch S.A. for 222 PLN each, i.e. for 2.220.000 (two million two hundred twenty thousand) PLN. The mentioned above transaction was concluded on regulated market-Warsaw Stock Exchange.
**) On 11 January 2007, Vice-President of ComArch S.A.'s Management Board sold 150 ordinary bearer shares of ComArch S.A. for 201 PLN each.
***) On 22 May 2007, BZ WBK AIB Asset Management S.A. having its registered seat in Poznań, informed that, as result of disposal of the shares, which was settled on 17 May 2007, clients of BZ WBK AIB Asset Management S.A. decreased by over 2 % their participation in total number of votes at ComArch S.A.'s annual general meeting. They held over 10 % of total number of votes at ComArch S.A.'s annual general meeting up to the present.
On 17 May 2007, there were 1,513,179 ComArch S.A. shares in the managed securities accounts of BZ WBK AIB Asset Management S.A. clients, which constituted 19.01 % of the company's share capital. This gave 1,513,179 or 10.07 % of the total votes at ComArch S.A.'s annual general meeting.
At the same time, BZ WBK AIB Asset Management S.A. informed that pursuant to art. 46, sec. 1, pt 1) of the Act on investment funds dated 27 May 2004 (Journal of Laws No. 146, pos. 1546, and subsequent changes), BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna (JSC) authorised BZ WBK AIB Asset Management S.A. to manage investment portfolios of investment funds, whose body Towarzystwo is. With relation to authorisation mentioned above, this notice ought to take into account ComArch S.A. shares, which are held by funds.
****) Due to an execution of managerial option programme as of 30 June 2005, on 14 March 2007, the company's Board of Supervisors passed a resolution on issue of 441,826 ordinary bearer series I2 shares of nominal value of 1 PLN and issue price of 1 PLN. On 20 April 2007, the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register registered increase in the company's share capital to the amount of 7,960,596 PLN. After registration the company's share capital is divided into 7,960,596 shares. They entitle to 15,029,396 votes at the AGM of the company.

1.3.2 Registered Shares of the Dominant Unit with Voting Rights

Registered shares in Series A and B have voting rights in the way that each share entitles to 5 votes at the Annual General Meeting of ComArch S.A. The married couple of Elżbieta and Janusz Filipiak together holds 855,400 registered preference shares in Series A with 4,277,000 votes in the AGM of the company and together holds 883,600 registered preference shares in Series B with 4,418,000 votes in the AGM of the company. Vice-president of the Management Board, Paweł Prokop, and Vice-president of the Management Board, Paweł Przewięźlikowski, hold 9,400 registered preference shares in series A each, with the rights to 47,000 votes in the AGM of the company.
Conversion of the registered shares of the company into bearer shares is allowed. In case of conversion of registered shares into bearer shares, they lose all rights. Conversion of bearer shares into registered shares is not allowed.
Conversion of the registered shares into bearer shares is performed by the Management Board on request of a shareholder who has such shares. Registered shares are subject to conversion into

bearer shares following the principles in force in the public trading in securities.
In case of disposal of registered preference shares for the benefit of persons who are not shareholders of the company, all the related special rights as regards voting in the AGM expire as of 18 March 1998.
Disposal of registered shares requires consent of the Board of Directors provided in writing.

1.3.3 ComArch S.A.'s Board of Supervisors and Management Board

A) Members of ComArch S.A.'s Board of Supervisors and Management Board as at 31 December 2006:

ComArch S.A.'s Board of Supervisors

Name and surname	Position
Elżbieta Filipiak	Chairman of the Board of Supervisors
Krzysztof Zieliński	Vice-Chairman of the Board of Supervisors
Maciej Brzeziński	Member of the Board of Supervisors
Anna Ławrynowicz	Member of the Board of Supervisors
Wojciech Kucharzyk	Member of the Board of Supervisors

ComArch S.A.'s Management Board

Name and surname	Position
Janusz Filipiak	President of the Management Board
Rafał Chwast	Vice-President of the Management Board
Piotr Piątosa	Vice-President of the Management Board
Paweł Prokop	Vice-President of the Management Board
Paweł Przewięźlikowski	Vice-President of the Management Board
Zbigniew Rymarczyk	Vice-President of the Management Board

As at 31 December 2006, Jowita Gmytryk, Katarzyna Maurer, Tomasz Matysik, Tomasz Nakonieczny and Dariusz Durałek are the company's proxies.

AFTER THE BALANCE SHEET DATE

On 20 April 2007, Court registered appointment of Urszula Ulanik to a post of proxy.

B) Shares of issuer held by members of the Management Board and Supervisory Board of ComArch S.A.

According to the company's information only Chairman of the Board of Supervisors Mrs. Elżbieta Filipiak holds the company's shares. On 31 December 2006, Mrs. Filipiak held 819,749 shares, which constituted 10.90 % of the company's share capital. They gave 4,015,749 votes at the annual general meeting, that constituted 27.53 % of the total number of votes at ComArch S.A.'s annual general meeting.
As at 31 December 2006, Janusz and Elżbieta Filipiak held 3,239,393 shares of ComArch S.A., Rafał Chwast held 6,566 shares, Paweł Prokop held 24,440 shares, Paweł Przewięźlikowski held 24,440 shares and Zbigniew Rymarczyk held 370 shares.

AFTER THE BALANCE SHEET DATE

As at the date of preparation of the report, Janusz and Elżbieta Filipiak held 3,498,803 ComArch S.A. shares, Rafał Chwast – 28,118 shares, Piotr Piątosa – 10,776 shares, Paweł Prokop – 45,992 shares, Paweł Przewięźlikowski – 45,992 shares and Zbigniew Rymarczyk – 21,772 shares. This is a result of disposal of ComArch S.A. shares by a member of the Management Board of ComArch S.A. and due to issue of 441,826 series I2 shares in the second quarter of 2007.

C) Principles for Appointing and Dismissing

According to the Statute of the company, the Management Board of the company consists of 2 to 8 persons appointed and dismissed by the Supervisory Board. Members of the Management Board are appointed for the common term of office of three years. The Supervisory Board defines salaries for the Management Board as well as suspends in activities, on important reasons, particular or all members of the Management Board and delegates members of the Supervisory Board for temporary execution of the activities of members of the Management Board.

D) Right of the Management Board

- The Management Board may appoint proxies.
- President of the Management Board single-handedly or two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy are authorised for making statements on behalf of the company and representing the company in Court and off Court.
- In agreements between the company and members of the Management Board and in disputes with them, the company is represented by the Supervisory Board or by a proxy appointed with a resolution of the General Meeting. The Supervisory Board may authorise, by way of a resolution, one or more members of the Supervisory Board to perform such legal actions.
- The Management Board defines internal organisation of the company.
- The right to make decisions on issuing or buying out shares is granted to the Management Board on the basis of an authorisation by the General Meeting of Shareholders.

E) Agreements between the Issuer and the Managing Persons, which Plan for Compensation in Case of Resignation or Discharge from the Occupied Post

None present.

F) Value of Remuneration, Awards or Benefits Separately for Each of the Managing and Supervising Persons in the Dominant Unit

ComArch S.A.'s Management Board

		Paid by ComArch S.A.	Paid by subsidiaries and associates	**Total**
1	Chwast Rafał	1,048,272.93	0	1,048,272.93
2	Debou Christophe*	51,545.32	16,660.93	68,206.25
3	Filipiak Janusz	4,760,925.77	0	4,760,925.77
4	Maciantowicz Tomasz**	41,750.07	0	41,750.07
5	Piątosa Piotr***	396,971.59	0	396,971.59
6	Prokop Paweł	774,054.26	0	774,054.26
7	Przewięźlikowski Paweł	1,586,718.13	0	1,586,718.13
8	Rymarczyk Zbigniew	727,335.27	0	727,335.27
	Management Board (total)	**9,387,573.34**	**16,660.93**	**9,404,234.27**

ComArch S.A.'s Board of Supervisors

		Paid by ComArch S.A.	Paid by subsidiaries and associates	**Total**
1	Filipiak Elżbieta	300,000.00	0	300,000.00
2	Brzeziński Maciej	30,000.00	0	30,000.00
3	Zieliński Krzysztof	30,000.00	0	30,000.00
4	Ławrynowicz Anna	30,000.00	0	30,000.00
5	Kucharzyk Wojciech	30,000.00	0	30,000.00
	Board of Supervisors (total)	**420,000.00**	0	**420,000.00**

*) On 23 January 2006, Mr. Christophe Debou submitted his resignation from the position of ComArch S.A. Management Board Member. The company announced details in current report no. 1/2006.
**) On 11 May 2006, Mr. Tomasz Maciantowicz, Vice-President of ComArch S.A.'s Management Board submitted his resignation. The company announced details in current report no. 30/2006.
***) On 22 June 2006 Mr. Piotr Piątosa was appointed Vice President of the Management Board of ComArch S.A. at the Ordinary General Meeting. The company announced details in current report no. 39/2006.

G) Principles and Regulations for Remunerating Managing and Supervising Persons

According to the article 15 point 10) of the ComArch S.A.'s Statute, competencies of the General Meeting include defining principles and regulations for remunerating members of the Management Board provided that this competency may be passed on in part or in entirely to the Supervisory Board. Before 29 August 2004, this competency remained with the Supervisory Board.
At present, the resolution of the Supervisory Board of 20 August 2004 and the resolution No. 52 of the General Meeting of 30 June 2005 are binding in the scope of defining principles for salary for members of the Management Board.

H) Managerial Option Programme

On 30 June 2005, the Annual General Meeting of Shareholders passed Resolution no. 51 on the managerial options programme for members of the Management Board and the company's Key Employees. The theoretical option's value per particular member of the Management Board in 2006 is included in the table below:

Name and surname	Theoretical option's value (in thousands of PLN)
Janusz Filipiak	1,846
Rafał Chwast	148
Piotr Piątosa	74
Paweł Prokop	148
Paweł Przewięźlikowski	148
Zbigniew Rymarczyk	148
TOTAL	2,512

More details are presented in point 5.3.

1.4 Employment

As at 31 December 2006 in ComArch S.A. there were 2,335 employees compared to 1,755 persons as at 31 December 2005 and in ComArch Group number of employees reached 2,464 persons compared to 1,857 persons as at 31 December 2005 (excluding employees of MKS Cracovia SSA due to different type of activity).

An average employment in the ComArch Group in 2006 and 2005 is presented in tables below (excluding employees of MKS Cracovia SSA):

Average number of employees:	2006	2005
- full-time	1,785	1,408
- co-workers	398	284
Total	**2,183**	**1,692**

Employees	2006	2005
- production employees and technological consultants	1,680	1,278
- sales and marketing	257	209
- administration	246	205
Total	**2,183**	**1,692**

An average employment in MKS Cracovia SSA within 2005 and 2006 was as follows:

Average number of employees:	2006	2005
- full-time	28	31
- co-workers	68	66
Total	**96**	**97**

1.4.1 Systems that Control Employees Shares Programmes

None present.

2. ECONOMIC ACTIVITIES

2.1 Products and Services Offered by ComArch in 2006

ComArch is a producer of innovative IT systems for key sectors of economy: telecommunications, finances, public administration, large companies and the sector of small and medium-sized companies. A wide range of the ComArch offer includes ERP-class and financial and accounting systems, CRM systems and loyalty software, sales support and electronic document exchange systems, knowledge management, Business Intelligence, security and protection of data and many other solutions. Apart from providing innovative IT solutions to its customers, ComArch is focused on professional customer service and on providing consulting, advisory and integration services as a uniform package, with which our customers can take full advantage of the possibilities offered by modern IT systems.

PRODUCTS

2.1.1 Solutions for the Telecommunications sector

ComArch BSS Suite is an innovative, modular billing platform supporting all areas related to settlements and customer services, as well as broadly understood suppliers and recipients of telecommunications services. Its task is to execute business objectives of the operator and preparing him for introduction of new-generation services. A comprehensive set of modules allows management of business in all telecommunications markets: stationary telephone networks, mobile telephone networks, Internet services, cable TV or contents providers. ComArch BSS Suite features flexible, scalable and open architecture which supports the complete billing process. The system, based on the latest technologies, is a very effective and reliable one, which can be integrated with other systems. ComArch BSS Suite received certificates of performance on Sun and HP platforms in international testing centres in the United Kingdom, Switzerland and Germany. With it, operators can handle the most difficult challenges, such as inter-operator billing, implementation of new-generation services or convergent billing.

ComArch OSS Suite is a complex platform for network and telecommunications services management. It enables operators to increase reliability and quality of their infrastructure and services. The platform is compliant with the NGOSS standard and consists of modules, which can be tailored to individual needs of the operator in order to increase return on investment (ROI) and operational costs. The platform supports all OSS areas. It has been built with modern technologies (J2EE, CORBA and RMI), with the communication bus based on XML and SOAP, allowing perfect integration with other IT systems (e.g. BSS, OSS, CRM) and efficient flow of information between particular systems.

ComArch offers solutions to the telecommunication sector that link the company's easily integrated systems with the considerable business experience of its consultants. The offered solutions are capable of being implemented in different configurations as well as being combined with third-party products. ComArch solutions and projects are designed to fulfil the demands of each specific client.

- Preconfigured billing and subscriber service for MVNOs/MVNEs
- Management of service quality for MVNOs/MVNEs
- TriplePlay services management
- Process-Driven Inventory Management

2.1.2 Solutions for the Finance and Banking Sector

ComArch Internet Retail Banking provides 24/7 access to services offered by the bank to retail customers and „micro" companies over the Internet, WAP, SMS and other distribution channels. Due to excellent integration with various central systems, it is a versatile, complete, efficient and safe supplement of the IT bank environment. The ComArch Internet Banking Platform offers solutions for providing financial services through self-service channels, meeting high requirements of banks, brokerages, associations of investment funds and other financial institutions. It is also an integration platform, combining services and products offered by a financial institution or by an entire financial group into one solution.

ComArch Internet Corporate Banking is an innovative IT banking system specialised in services for corporate customers. It was created from the scratch and implemented for the first time in 2003 with all needs of medium-sized and large companies in mind. It is optimised for mass processing of payments, allocation of roles in a company, support of communication between the customer and the advisor appointed by the bank, as well as the highest security level available.

ComArch Internet Investments, as an independent system or a functional supplement for ComArch Internet Banking, ensures access to investment financial services through the Internet and other electronic channels of distribution (e.g. WAP, SMS and call centre) for customers of brokerages, trustees, Investment Fund Associations, Open Pension funds and other institutions operating in the capital market. This system, developed continuously since 1998, offers the widest functionality available in the market in the scope of access to the brokerage account, TFI registers and specialised investment products.

ComArch Credit Process Management is an application suite supporting service of credit processes in all clients segments: corporate clients, medium and small enterprises and retail clients. The modular design of this system enables selection of an optimum set of functionalities and support for the most important processes related to management of any credit products for any customer segment: product design, simulations, preparing an application, support for the decision-making process, preparing an agreement, activation of funds, hedging management, monitoring of active agreements, settlements of transactions, management of the sales network and calculation of commission, as well as vindication from unreliable customers.

The corporate version of the **ComArch Credit Process Management** system is its extension with additional tools, specific for this segment of customers, such as the rating engine, the index analysis module or the extended module of hedges management. As with CRM solutions, emphasis has been put on flexibility of the decision-making mechanism in designing the system supporting the crediting process for large companies, and the proposals generated automatically do not restrict the process management policy in the degree characteristic for the retail segment.

ComArch CRM Sales Management is an integrated application of the new generation front-end type. It ensures complex management of the relations with customers, from the moment of the acquisition action to the initiation of the sales programmes (cross- and up-selling) to the current operational services within the whole range of the product offer.
The system includes functionality for the front-office employees (the Salesman Application) providing direct customer services, and for middle- and back-office employees (the Branch Director Application, the Central Application), responsible for management of the sales process.

ComArch CRM Campaign Management is a system supporting the entire cycle of marketing campaign management: from planning to tests, execution and modification to tests of performance. The system allows reaching the target group of customers of a precisely defined profile, at a proper time, with appropriate information, and through an appropriate communication channel. The possibility of integration of mass Above The Line (ATL) campaigns and direct Below The Line (BTL) campaigns is a unique solution, allowing achievement of the synergy effect between the two types of activities and winning savings on costs of reaching the customer.

ComArch CRM Corporate is a system, which provides a complex support for work of people directly engaged in creation and maintenance of relations with the customers of the bank (relationship manager, adviser, assistant). It offers a similar range of functionalities as ComArch CRM Sales Management, with a full coverage of features specific for services provided for the corporate customer. Unlike the solution designed for the retail segment, emphasis has been put here not on the standardisation of procedures and processes, but on collecting comprehensive information about the customer, the industry of his activity and other factors essential for the relationship with the customer.

ComArch Factoring is a complex solution servicing debt financing transactions, allowing for both electronic and paper invoices. This solution features high flexibility in modelling of the client service process. It enables the introduction of data related to the factorer, debtor and the definition of a financing program.

ComArch Asset Management is addressed to asset management companies, trust banks, investment, pension or insurance funds and other institutions that conduct investment activities and manage portfolios.

ComArch Custody is an application designed for banks dealing with trading in securities. The system allows registering and quantitative as well as financial settlements of transactions with securities in NDS S.A. and foreign deposit and settlement chambers.

ComArch Risk Management is a management system for risks related to investment and credit portfolios. It automates risk control processes aimed at limitation (restriction) of the impact of fluctuation of risk factors on the elements of commercial operations. It also enables identification of the possibility of using the observed fluctuations in investments.

ComArch Commission is a commission system designed for institutions which use extended networks of agents, brokers and intermediaries in their businesses. The system enables integration of all data related to sales networks, commission policy for all distribution channels and settlements with sales network units in one place. Additionally, collecting all sales data in one system allows better control over sales and optimising incentive systems.

ComArch Debt Management is a system facilitating notice and vindication processes. It enables centralised management of all processes and vindication cases with attention paid to the specific nature of the process and products, in the context of which it is used. All contacts with the debtor and other entities in the case are registered and the system reminds users about deadlines of tasks to be performed, such as telephone notice calls or replying to correspondence.

ComArch Insurance – Complex solutions supporting the basic business processes of insurance companies, dedicated to both property insurance companies and life insurance companies.

2.1.3 Universal Solutions for Businesses

ComArch CRM Campaign Management is a system supporting the entire cycle of marketing campaign management: from planning to tests, execution and modification to tests of performance. The system allows reaching the target group of customers of a precisely defined profile, at a proper time, with appropriate information, and through an appropriate communication channel.

ComArch CRM Sales Management ensures complex management of relations with customers from the acquisition action to activation of the sales programmes (cross- and up-selling), building loyalty programmes, to termination the co-operation. The system includes functionalities for both salespeople who provide direct customer services (the Salesman Application) as well as back-office employees, responsible for management of the sales process (the Central Application: preparing information for salespeople, preparing the pricing policy, building sales plans, monitoring sales and analysing reports with results, etc.).

ComArch Loyalty Management is an advanced set of business applications with broad functionalities, designed for both simple and advanced loyalty programmes. The system features flexibility, an ergonomical user interface and ease of operation. Scalable architecture guarantees customising the loyalty program development to the pace of company's growth.

ComArch Document Management System is a system supporting management of document and information flow in the company. The system is aimed at improving efficiency of the company especially in the scope of work organisation and access to information and documents.

ComArch Content Management System is a system for management of portal content and structure. It offers a set of tools enabling remote website updating and management.

ComArch Business Intelligence is a modern IT solution based on the data warehouse technology. Its basic role is to provide well-organised and easy-to-understand information supporting the decision-making process at various levels of company management. ComArch Business Intelligence enables selection and application of different analysis areas, depending on user's needs, e.g. sales, finances, controlling and others.

ECOD is a complex solution of the EDI (Electronic Document Interchange) type and sales support. In the scope of sales channel management ComArch offers ECOD systems: Agent, Operator, Archive, Distribution, Data Share, Factoring, Delivery, DMS, Organizer, and Loyalty.

ComArch Security Management allows creation, development and management of the security policy for all networks and devices used in any location and architecture. Apart from this solution, ComArch has a broad range of products; including authentication and authorisation, public key infrastructure, as well as management of security and content.

CDN system is a complete line of ERP systems for all types of businesses.

- The CDN Egeria Integrated Management System is a modern Polish system of the ERP II class, supporting company management features. The system offers a balanced functionality, including all essential areas of business activity. It is a universal tool guaranteeing stable development of any company, flexible enough to satisfy diverse needs.
- **CDN XL** is a multi-module, fully integrated IT system of the ERP class, dedicated for medium size and large trade, manufacturing and service companies.
- **CDN OPT!MA** is a program for management, handling sales, accounting, HR and salary departments. The program supports business management and it is a perfect working tool for an accounting office. The unique feature is the possibility of leasing the program over the Internet via the ASP - CDN Online platform.
- CDN Klasyka is a coherent and complete offer for small and medium-size trade, service and manufacturing companies. It consists of +10 programs supporting management and accounting, all working in the DOS environment.

2.1.4 Solutions for Public Administration

Electronic services platform built on the basis of the e-Urzad application and portal solutions is a solution dedicated specifically for institutions with extensive and frequent interactions with a large number of external users (applicants, members of local communities or Customers). Wrota Regionalne is one of the most widely known implementations of the electronic services platform.

e-urzad portal application is a product dedicated mainly for customers from the public sector. The product meets the requirement of contacting offices and citizens in a simpler and more flexible way, through the introduction of electronic exchange of documents, shortening time for handling specific cases, and reducing the necessity for the applicants to appear in the office.

ERP-class systems customised to specific needs of the public sector, extended with modules, which take into consideration specific needs of administration. The standard version of the offered solution includes budget accounting (including RB documents in printable and electronic versions), managing the unit's budget, calculation of salaries according to detailed regulations for budget entities.

ComArch offer for Public Administration in the scope of management of documents and group work includes systems built around the **ComArch Document & Workflow Management platform**. It is an environment supporting management of document and information flow in the office. Implementation of this system increases efficiency of the office, especially in the scope of organisation of work, access to information and all types of documents.

Business Intelligence support constitutes data warehouses, reporting and analyses, these solutions being definitely proven with clients, who manage large volumes of data, have many systems or regional locations. We offer complex performance of the BI project starting from the business analysis, to designing and construction of data warehouses and ETL procedures, to selection, supply, integration and implementation of data access tools as well as preparing reports, analyses and statistics, including data mining.

ComArch Education – education management support. An integrated system supporting the work of educational departments, and their dependant educational agencies, related to the collection of data of pupils' learning processes, creation of organizational charts and finance, personnel and remuneration management. It uses the Internet as the medium of communication between participants of the teaching/learning process.

SERVICES

The strategic area of ComArch activity consists in taking advantage of the experience and knowledge of company's employees by providing a full range of IT services: from consulting, to implementation of individual solutions, to outsourcing. The services provided by ComArch form an important and effective way of applying competence of the employees of the company. Execution of numerous programming and integration projects allowed the company to gather unique experience and create a unique team of people. This experience is proven with numerous certificates and authorisations of leading suppliers of IT solutions. The broad range of ComArch IT services is provided in a highly competent and reliable way. The most important services provided by ComArch include:

- Business Process Management
- Integration of IT Systems and implementation projects
- Turnkey projects
- IT Outsourcing (Outsourcing Infrastructures and Body Leasing)
- IT Services
- Data Security and Protection
- Consulting and Training

2.1.5 Services Dedicated to All Group of Customers

The strategic area of ComArch activities consists of taking advantage of the experience and knowledge of company's employees by providing a full range of IT services: from consulting to implementation of individual solutions, to outsourcing. The services provided by ComArch form an important and effective way of applying competence of the company's employees. Execution of numerous programming and integration projects allowed the company to gather unique experience and create unique team of people. This experience is proven with numerous certificates and authorisations of leading suppliers of IT solutions. The broad range of ComArch IT services is provided in a highly competent and reliable way. The most important services provided by ComArch are:

- Business Process Management
- Integration of IT systems and implementation projects
- Turnkey projects
- IT Outsourcing (Outsourcing Infrastructures and Body Leasing)
- IT services
- Data Security and Protection
- Consulting and Training

Internet portal – INTERIA.PL S.A.

INTERIA.PL S.A. was established in August 1999 as the joint undertaking of the Polish market's leading IT company, ComArch S.A., and the biggest Polish radio station, RMF FM. In 2001 the company made its debut on the Warsaw Stock Exchange (INT).

Today, INTERIA.PL is the leading player on the Polish market for new generation media with extensive media experience and a unique knowledge of Internet technology. The company's Internet portal, www.interia.pl, makes a wide range of top quality services available to individual Internet users. These include news, multimedia, Internet television and radio, and Internet-community enabling.

INTERIA.PL, with its modern marketing and promotional solutions, leads the Polish advertising market. The biggest Polish companies from all sectors, as well as the dynamically growing small and medium enterprise market, use INTERIA.PL's advertising services.

The company also offers a wide variety of technology for business, which is developed from the most contemporary Internet solutions used every day on the www.interia.pl portal.

Sports activity

MKS Cracovia SSA carries out sport activity by participating in professional league and contests in several sport disciplines, with football and ice hockey being the key ones. The objective of investing in the company is promotion of ComArch brand. It is an element of marketing strategy of the ComArch Group, aimed at creating image of ComArch as the first-choice integrator for large and medium-seized enterprises in Poland.
Revenues from sport activity of MKS Cracovia SSA include revenues on account of advertising services and other services, as well as revenues from tickets for sport events organised by the company.

2.2 Position of the Group in the IT market and information about markets and sources of supply

Due to the type of IT systems offered by the company, medium-sized and large companies (who are the largest clients of advanced IT solutions all over the world) constitute the main group of clients. Majority of company's products are addressed to specific groups of customers, while IT services are of universal nature and are offered to all groups of customers. Sale in the Group is highly diversified, with no dependency on one major client. In 2006, the share of none of the customer exceeded 10 % of the sale in ComArch S.A.'s sales.
Due to the specific nature of the industry, in which ComArch manages its operations, international concerns, which are producers of computer systems and programmers tools, Polish branches and representatives of such concerns, as well as Polish distributing companies and subcontractors for systems, have to be considered sources of supply. In 2006, no supplier provided products and merchandise at the value exceeding 10% of ComArch S.A. proceeds on sale.

2.2.1 Revenues from Sales- Geographical Structure

	12 months ended 31 December 2006	%	12 months ended 31 December 2005	%	12 months ended 31 December 2004	%
Domestic (Poland)	395,048	80.4 %	377,002	84.9 %	261,377	79.6 %
Export	96,502	19.6 %	66,988	15.1 %	66,980	20.4 %
Revenues from sales	**491,550**	**100.0 %**	**443,990**	**100.0 %**	**328,357**	**100.0 %**

In 2006 revenue from sales at ComArch rose by 10.7 % compared to the previous year. In 2006 the growth in export sales, at 29.5 million PLN, was greater than the increase in domestic sales, which were worth 18 million PLN. The share of export sales in overall revenues was 19.6 % in 2006 against 15.1 % in the previous year, which confirms the growing significance of this segment for the Group's development. Export sales are concentrated mainly in Europe (70 % of income from export against 61 % in 2005), and in both the Americas (26 % of income from exports in 2006 against 22 % in 2005). Compared to 2005, the significance of sales to remaining parts of the world has declined (4 % of overall foreign sales against 17 % in 2005). This is related to the reducing of the ComArch Group's activities in the Middle East.

Geographical sales structure:

	12 months ended 31 December 2006	12 months ended 31 December 2005	12 months ended 31 December 2004
Domestic (Poland)	395,048	377,002	261,377
Europe	67,298	41,181	54,735
North and South America	25,483	14,428	9,497
Other	3,721	11,379	2,748
TOTAL	**491,550**	**443,990**	**328,357**

2.2.2 Revenues from Sales – Market Structure

	12 months ended 31 December 2006	%	12 months ended 31 December 2005	%
Telecommunication, Media, IT	123,541	25.1 %	83,589	18.8 %
Finance and Banking	115,139	23.4 %	80,700	18.2 %
Trade and Services	65,854	13.4 %	70,421	15.9 %
Industry & Utilities	51,055	10.4 %	32,552	7.3 %
Public Sector	83,122	16.9 %	133,331	30.0 %
Small and Medium-seized Enterprises	40,581	8.3 %	34,318	7.7 %
Other	12,258	2.5 %	9,079	2.1 %
TOTAL	**491,550**	**100.0 %**	**443,990**	**100.0 %**

In 2006 there was a substantial growth in sales to the telecommunications sector with its share of overall sales rising from 18.8 % in 2005 to 25.1 % in 2006. There was also a significant growth in sales to the finance and banking sector with its overall share of sales rising from 18.2 % in 2005 to 23.4 % in 2006. The increase in sales to the telecommunications sector is mainly the result of increased demand for ComArch solutions on the international market. The fall in sales to the public sector in 2006 (of 50.21 million PLN from 30 % in the total sales to 16.9 in the total sales) was caused by the lack of sizeable computer hardware orders for schools. The share of the remaining market sectors in sales income remained at levels similar to 2005, but with a small rise in sales to the Industry and Utilities sector, which came at the cost of the Trade and Services sector. The share of sales in the Small and Medium Enterprise sector remained at a similar level to the previous year (8.3 % compared to 7.7 %). For a period of a few years now the sales share of particular sectors has shown little variation. Significant changes in this area are caused by the temporary increases or decreases in sales of hardware that are involved in public sector orders.

2.2.3 Revenues from Sales – Products Structure

ComArch Group	12 months ended 31 2006	%	12 months of 2005	%
Services	246,767	50.2 %	203,750	45.9 %
Proprietary Software	71,208	14.5 %	41,842	9.4 %
Third-party Software	70,223	14.3 %	46,259	10.4 %
Hardware	90,821	18.5 %	143,144	32.2 %
Other	12,531	2.5 %	8,995	2.1 %
TOTAL	491,550	100.0 %	443,990	100.0 %

In 2006 there was a substantial rise in sales of ComArch's proprietary services and licences and they amounted to 72.38 million PLN in total, which represents growth against the overall sales structure from 55.3 % to 64.7 %. This is a very positive tendency, because sales of proprietary products and services mean that EBIT margin can be substantially increased.
At the same time, in view of the absence in 2006 of tenders for supplying computer hardware to schools, there was a fall in hardware sales and a subsequent decline in this factor's share in the overall sales structure.

2.3 The Most Important Contracts Signed in 2006

The most important contracts that were signed in 2006 are:

2.3.1 Agreement with a USA government agency

In the first quarter of 2007, ComArch S.A.'s subsidiary ComArch Global Inc. having its registered seat in Miami has signed an agreement with a USA federal government agency for the purchase of ComArch Operations Support System - a network infrastructure management system, together with software maintenance and consulting services. The agreement is valued at 1 million USD. According to the agreement, the client is entitled to purchase additional services valued at approximately 1.5 million USD over the next 4 years. This is yet another agreement signed with a USA government agency. ComArch's IT solutions will be implemented in each of the American states.

2.3.2 A Contract with Polkomtel S.A. for Implementation of Billing System

On 27 April 2006, a contract was signed between ComArch S.A. and Polkomtel S.A. for implementation of the ComArch InterPartner Billing system. The system will enable and support the provision of billing services between Polkomtel S.A. and its business partners, namely: MVNOs and Service Providers and ESP. The agreement is valued at 12.4 million PLN, with a completion date of May 2007. The company announced details in current report no. 28/2006.

2.3.3 An Agreement with Ministry of National Education on Support, Installation and Integration of Internet Centres of Multimedia Information in the School Libraries

On 30 June 2006 a contract was signed by consortium of ComArch S.A. and Ogólnopolska Fundacja Edukacji Komputerowej (hereinafter referred to as the "Consortium") with Ministry of National Education (hereinafter referred to as the "MEN"). The object of the agreement is support, installation and integration of Internet Centres of Multimedia Information in (hereinafter referred to as the "ICIM") in the school libraries located in the area of the III rd Region. According to the agreement, the Consortium shall supply and install computer equipment with software in 1,334 school libraries located in 5 provinces: lubelskie, podlaskie, pomorskie, świętokrzyskie and warmińsko-mazurskie. The net value of this agreement amounts to 19,062,856 PLN. The company announced details in current report no. 43/2006.

2.3.4 The Agreement between Auchan Telecom, Subsidiary to Auchan, and ComArch Software AG, Subsidiary to ComArch S.A., on Delivery of the Billing System

ComArch S.A.'s subsidiary ComArch Software AG, having its registered seat in Dresden, signed on 28 September 2006 an agreement with Auchan Telecom, subsidiary to Auchan, having its registered seat in Lille in France, on implementation of Auchan management information system. Auchan Telecom is a new mobile phone operator, which will be launched by French hypermarket chain. The agreement amounts to 3.4 million Euro. ComArch's IT solution for MVNO is ready for quick launch, pre-configured system composed of billing system modules. The contract value may increase in relation to potential branch out of Auchan Telecom in other countries in which company runs the business.
Auchan has over 360 hypermarkets and 635 supermarkets in the world. It is present in France, Italy, Spain, Portugal, Poland, Hungary, Russia, Luxemburg, China, Taiwan and in Morocco.

2.3.5 An Agreement with PKO BP on Delivery of Microsoft Licences

On 18 October 2006 ComArch S.A. received signed agreement with Powszechna Kasa Oszczędności Bank Polski on delivery of Microsoft licences and on related services. The agreement amounts to 8,002,113.78 EURO.

2.3.6 An Agreement with Budostal-2 S.A. on Execution of the Third Construction Stage of Investment in the Special Economic Zone in Krakow

On 28 June 2006 ComArch S.A. signed an agreement with Budostal-2 S.A. seated in Krakow, on realization of the third construction stage of investment in the Special Economic Zone in Krakow. The subject of the contract is construction of the production and office building, at eleven thousand square metres of the total space, including technical infrastructure. The scope of the agreement shall include construction of the building without completion and equipment. The value of this agreement amounts to 16.47 million PLN and the planned completion date of this investment is 30 December 2006.

2.3.7 A Credit Agreement with Kredyt Bank S.A.

On 28 March 2006, ComArch S.A. signed with Kredyt Bank S.A. with its registered seat in Warsaw an agreement, on investment credit on financing the second construction stage of production and office buildings in the Special Economic Zone in Krakow. There are more details in point 3.5.3 of this statement.

2.3.8 A Credit Agreement with Fortis Bank Polska S.A.

On 9 June 2006, the company obtained signed investment credit agreement with Fortis Bank Polska S.A. having its registered seat in Warsaw on financing of the third construction stage of production and office buildings in the Special Economic Zone in Krakow. There are more details in point 3.5.3 of this statement.

AFTER THE BALANCE SHEET DATE

2.3.9 Agreement with Ministry of National Education

On 30 April 2007, an agreement between ComArch and the Ministry of National Education was signed. This contract is for the delivery, installation and network connection of 961 computer labs in primary schools, junior high schools, post-junior high schools and post-secondary schools located in the area of the second Region that includes the provinces: Małopolskie and Podkarpackie. The net value of this agreement amounts to 41,577,276 PLN. The contract will be carried out during a 70 day period beginning from the date of the contract signing, guaranteeing service will be provided during a 36 month period beginning from the delivery date.

2.3.10 Contracts with Ogólnopolska Fundacja Edukacji Komputerowej (OFEK)

On 30 April 2007, a contract with OFEK was signed with a net value of 33,031,809.29 PLN and on 9 May 2007 with net value of 16,398,680.50 PLN. Within contracts signed between ComArch and OFEK during the last 12 months a contract with the highest value is the above-mentioned agreement dated 30 April 2007. Within the framework of this agreement, OFEK will deliver hardware, build the network, install computer labs and connect them to the existing network as well as integrate all elements. The net contract value is 33,031,809.29 PLN. The contract will be executed during a 67 day period of time beginning from the date of signing the contract, warranty service will be provided for a minimal period of 36 months beginning from the delivery date. The total value of contracts signed with OFEK during the last 12 months is circa 64 million PLN.

2.3.11 Annex to an Agreement on Multipurpose Credit

On 6 April 2007, the dominant unit signed with Bank BPH an annex no. 2 to an Agreement on multipurpose and multicurrency credit line dated 3 June 2005. It increases credit limit by 14 million PLN up to 38 million PLN. It means that within credit limit the company may use a maximum amount of 38 million PLN. The total amount of the contracts signed with Bank BPH S.A. within the last 12 months amounts to circa 32.87 million PLN.

2.4 Production Capacity of the Group

Most of production by ComArch consists in production of computer software on the basis of customer orders and in production of company's own, versatile software products. The basic factor limiting the production capacity is human resources. The company flexibly manages teams of employees through continuous optimising of filling of posts in current commercial projects (for which contracts are signed) and internal projects (developing new products and updating the existing ones, not directly connected to contractual requirements).
As the company makes active investments in new products and technologies, and it strives to provide appropriately wide range of competencies for all its employees, there are no resources that are unused.

2.5 Activity in the Special Economic Zone

On 22 March 1999, ComArch S.A. obtained a permit for conducting activity in the Special Economic Zone in Krakow. According to the regulation of the Council of Ministers of 14 October 1997 on establishment of a Special Economic Zone in Krakow (Journal of Laws No. 135, item 912 and changes to this act), the entities, which invested in the Krakow special economic zone at least 2 million Euro, were granted the following tax allowances:
a) During the first 6 years of commercial operations in the zone, the income from such activity is free from income tax
b) After this period of time, but not later than until the date specified in the permit, half of the income obtained is free from income tax.
The allowance was applicable for the income tax from legal entities from the income obtained from the activity specified in the permit.

In reference to Poland joining the European Union, an Act was passed of 2 October 2003 on changing the act on special economic zones and some other acts (Journal of Laws No. 188 Item 1840), which changed the conditions for tax allowance for entities acting in special economic zones. Pursuant to the provision of Article 6 section 1 of the Act, these entities may apply for changing the terms and conditions of the permit in order to adjust it to the principles for granting public aid in force in the European Union. Pursuant to the provision of Article 5 Section 2 Point 1 b), Point 2, Point 3 of the Act, the maximum amount of public aid for entities, which manage operations in a special economic zone on the basis of a permit issued before 1 January 2000, cannot exceed 75 % of the value of investments incurred in the period from the date of obtaining the permit to 31 December 2006, provided that in determining the maximum amount of public aid, the total amount of public aid obtained since 1 January 2001 is taken into consideration. It means a change in the current method of functioning of tax allowance (public aid), from unlimited by value into limited by value and dependent on the value of investments made. In case of ComArch SA, the maximum value of public aid shall not exceed 75 % of the value of investment expenditures, which the company has incurred / shall incur in the period since obtaining the permit, i.e. 22 March 1999, till 31 December 2006.
The costs of investments and the amount of aid are subject to discounting pursuant to Par. 9 of the Regulation of the Ministry from 14 September 2004 on the Krakow Special Economic Zone (Journal of Laws 220 Item 2232) with wording changed pursuant to Par. 1 of the Regulation of the Ministry from 8 February 2005 that changed the Ordinance on the Krakow Special Economic Zone (Journal of Laws No. 32 Item 270) and with Par. 2 of the latter Ordinance taken into consideration.

ComArch S.A. applied to the Minister of Economy for change in the conditions of the permit and on 1 July 2004 it obtained the decision of the Minister of Economy of 24 June 2004 on change in the conditions of the permit to those specified above and compliant with the Act. At the same time, the period of time for which the permit for ComArch S.A. was issued was extended to 31 December 2017 in the changed permit. This means extension of the period of time in which ComArch S.A. will be able to use the public aid limit, which it is entitled to use for the investments incurred in the special economic zone.

Pursuant to IAS 12, unused tax relief as at 31 December 2006 constitutes a deferred income tax asset. The limit of the unused investment relief as at 31 December 2006, discounted as at the permit date, is 32.78 million PLN.

3. FINANCIAL SITUATION OF THE CAPITAL GROUP IN 2006

3.1 Financial Analysis

Balance Sheet

ASSETS	31 December 2006	%	31 December 2005	w %	Change in PLN	Change in %
Non-current assets						
Property, plant and equipment	138,765	30.1 %	90,848	26.2 %	47,917	52.7 %
Goodwill	3,284	0.7 %	3,284	0.9 %	0	0.0 %
Intangible assets	36,035	7.8 %	35,024	10.1 %	1,011	2.9 %
Non-current prepayments	8,118	1.7 %	6,885	2.0 %	1,233	17.9 %
Investment in associates	7,289	1.6 %	9,444	2.7 %	-2,155	-22.8 %
Other investment	102	0.0 %	121	0.0 %	-19	-15.7 %
Deferred income tax assets	10,994	2.4 %	7,272	2.1 %	3,722	51.2 %
Other receivables	3	0.0 %	138	0.0 %	-135	-97.8 %
	204,590	**44.3 %**	**153,016**	**44.1 %**	**51,574**	**33.7 %**
Current assets						
Inventories	20,136	4.4 %	26,115	7.5 %	-5,979	-22.9 %
Trade and other receivables	149,950	32.5 %	93,003	26.8 %	56,947	61.2 %
Current income tax receivables	0	0.0 %	0	0.0 %	0	0.0 %
Long-term contracts receivables	23,926	5.2 %	25,521	7.4 %	-1,595	-6.2 %
Available-for-sale financial assets	0	0.0 %	0	0.0 %	0	0.0 %
Other financial assets at fair value – derivative financial instruments	167	0.0 %	225	0.1 %	-58	-25.8 %
Cash and cash equivalents	62,790	13.6 %	48,967	14.1 %	13,823	28.2 %
	256,969	**55.7 %**	**193,831**	**55.9 %**	**63,138**	**32.6 %**
Total assets	**461,559**	**100.0 %**	**346,847**	**100.0 %**	**114,712**	**33.1 %**

The value of the ComArch Group's assets rose compared to 2005 by 33.1 % to 461.6 million PLN. The rises seen in 2006 in non-current assets, at 33.7 %, and in current assets, at 32.6 %, were very similar, which meant that a similar assets structure to that of 2005 was maintained. The growth in non-current assets is largely the result of increased expenditure in property, plant and equipment (an increase of 47.92 million PLN), especially in two new office buildings in the Kraków Special Economic Zone as part of stages II and III of the planned investment strategy. The building that was part of stage II was completed for use in February 2007 and completion of stage III is planned for the end of this year. The sale of a part of the INTERIA.PL shares meant that the investment value of some of its associates fell by 2.16 million PLN. The growth in the level of current assets in 2006 by 63.14 million PLN compared to 2005 was in large measure the result of changes in the levels of trade receivables as well as in cash and cash equivalents. The level of current receivables rose by 56.95 million PLN, i.e. 61.2 %, and was the result of high sales in the last months of 2006 and the high level of trade receivables as at 31 December 2006. Cash and cash equivalents rose by 13.82 million PLN, which confirms the Group's healthy liquidity. The level of the remaining current assets categories remains stable.

EQUITY	31 December 2006	w %	31 December 2005	w %	Change in PLN	Change in %
Capital and reserves attributable to the company's equity holders						
Share capital	7,519	1.6 %	6,955	2.0 %	564	8.1 %
Other capitals	127,795	27.7 %	86,861	25.0 %	40,934	47.1 %
Exchange differences	463	0.1 %	-663	-0.2 %	1,126	-169.8 %
Net profit for the current period	52,760	11.4 %	28,052	8.1 %	24,708	88.1 %
Retained earnings	53,866	11.7 %	25,814	7.5 %	28,052	108.7 %
	242,403	**52.5 %**	**147,019**	**42.4 %**	**95,384**	**64.9 %**
Minority interest	14,580	3.2 %	14,353	4.1 %	227	1.6 %
	256,983	**55.7 %**	**161,372**	**46.5 %**	**95,611**	**59.2 %**
LIABILITIES						
Non-current liabilities						
Credit and loans	51,471	11.1 %	17,300	5.0 %	34,171	197.5 %
Deferred income tax liabilities	6,309	1.4 %	5,649	1.6 %	660	11.7 %
Liabilities due to convertible bonds	0	0.0 %	39,849	11.5 %	-39,849	-100.0 %
Provisions for other liabilities and charges	228	0.0 %	38	0.0 %	190	500.0 %
	58,008	**12.5 %**	**62,836**	**18.1 %**	**-4,828**	**-7.7 %**
Current liabilities						
Trade and other payables	127,714	27.7 %	99,991	28.8 %	27,723	27.7 %
Current income tax liabilities	3,424	0.7 %	1,488	0.4 %	1,936	100.0 %
Long-term contracts liabilities	9,744	2.1 %	14,335	4.1 %	-4,591	-32.0 %
Liabilities due to convertible bonds	0	0.0 %	1,097	0.3 %	-1,097	-100.0 %
Credit and loans	3,033	0.7 %	2,880	0.8 %	153	5.3 %
Provisions for other liabilities and charges	2,653	0.6 %	2,848	0.8 %	-195	-6.8 %
	146,568	**31.8 %**	**122,639**	**35.4 %**	**23,929**	**19.5 %**
Total liabilities	**204,576**	**44.3 %**	**185,475**	**53.5 %**	**19,101**	**10.3 %**
Total equity and liabilities	**461,559**	**100.0 %**	**346,847**	**100.0%**	**114,712**	**33.1%**

In 2006 total assets at ComArch Group rose by 114.71 million PLN, i.e. 33.1 %. The liabilities side shows the effect of a significant increase in 2006 in equity by 95.38 million PLN, or 59.2 %, compared to the previous year. This was caused by the high net profit of 52.76 million PLN attributable to shareholders generated in the financial year, as well as the growth of 40.93 million PLN in other capitals that was the result of converting ComArch S.A. bonds into shares.
Liabilities, which grew by 19.10 million PLN, 10.3 %, increased at a significantly lower rate than capitals, and this led to a change in the structure of liabilities which are now at 44.3 % compared to 53.5 % the previous year. The level of non-current liabilities fell slightly by 4.83 million PLN, 7.7 %, and their structure changed. After the conversion of bonds into shares that took place in the first quarter of 2006 the ComArch Group no longer possessed liabilities from this source (a fall of 39.85 million PLN), however the level of liabilities from bank loans grew by 34.17 million PLN, which was needed to finance office-building in the Kraków Special Economic Zone.

Current liabilities grew by 23.93 million PLN, i.e. 19.5 %, and this was mainly due to an increase in trade liabilities related to the significant increase in sales of computer hardware and software that took place in the fourth quarter of 2006.

When compared with the slight change in financial liabilities, the considerable increase in equity, and in the balance-sheet total described above, mean that the debt ratios showed a marked improvement compared to 2005.

Debt analysis	**31 December 2006**	**31 December 2005**	**31 December 2004**
Debt ratio	11.81 %	17.62 %	17.70 %
Debt/equity ratio	22.48 %	41.58 %	40.80 %

Consolidated income statement	**12 months ended 31 December 2006**	**%**	**12 months ended 31 December 2005**	**%**	**Change in PLN**	**Change in %**
Revenue	**491,550**	**100.0 %**	**443,990**	**100.0 %**	**47,560**	**10.7 %**
Cost of sales	-370,844	-75.4 %	-353,952	-79.7 %	-16,892	4.8 %
Gross profit	**120,706**	**24.6 %**	**90,038**	**20.3 %**	**30,668**	**34.1 %**
Other operating income	1,010	0.2 %	845	0.2 %	165	19.5 %
Sales and marketing costs	-39,189	-8.0 %	-33,560	-7.6 %	-5,629	16.8 %
Administrative expenses	-32,965	-6.7 %	-26,463	-6.0 %	-6,502	24.6 %
Other operating expenses	-4,011	-0.8 %	-3,504	-0.8 %	-507	14.5 %
Operating profit	**45,551**	**9.3 %**	**27,356**	**6.2 %**	**18,195**	**66.5 %**
Finance costs-net	6,431	1.3 %	-4,181	-0.9 %	10,612	-253.8 %
Share of profit/(loss) of associates	2,590	0.5 %	1,119	0.3 %	1,471	131.5 %
Profit before income tax	**54,572**	**11.1 %**	**24,294**	**5.5 %**	**30,278**	**124.6 %**
Income tax expense	-1,585	-0.3 %	3,469	0.8 %	-5,054	-145.7 %
Net profit for the period	**52,987**	**10.8 %**	**27,763**	**6.3 %**	**25,224**	**90.9 %**
Including:						
Net profit attributable to equity holders of the company	**52,760**	**10.7 %**	**28,052**	**6.3 %**	**24,708**	**88.1 %**
Minority interest	227	0.0 %	-289	-0.1 %	516	-178.5 %

In 2006 the ComArch Group achieved record revenue from sales, at 491.55 million PLN, which was 10.7 % up on 2005. Operating profit compared to the previous year grew by 66.5 % to 45.55 million PLN, while net profit attributable to shareholders of the Group was 52.76 million PLN, i.e. it increased by 88.1 % compared to the previous year. It is particularly worth emphasizing that the significant increases in revenues and profits have been accompanied by a growth in EBIT margin, which rose from 6.16 % in 2005 to 9.27 % in 2006, and in net margin, which rose from 6.32 % in 2005 to 10.73 % in 2006. The return on equity achieved by the Group is also in excellent shape at 21.77 % compared to 19.08 % in 2005. Profit per share rose from 4.06 PLN in 2005 to 7.13 PLN in 2006 – a rise of 76 %.

Profitability analysis:	**31 December 2006**	**31 December 2005**	**31 December 2004**
Margin on sales	24.56 %	20.28 %	22.42 %
EBIT margin	9.27 %	6.16 %	4.92 %
Gross margin	11.10 %	5.47 %	3.14 %
Net margin	10.73 %	6.32 %	3.46 %

One of the most important priorities for the Group in 2006 was to improve operating profitability. That this has been achieved alongside growth in employment at the group to 2,464 people (excluding MKS Cracovia SSA) is a source of great satisfaction to the Management Board.

Financial liquidity and turnover ratios

Liquidity analysis:	**31 December 2006**	**31 December 2005**	**31 December 2004**
Current ratio	1.75	1.58	2.59
Quick ratio	1.45	1.16	1.26
Cash to current liabilities ratio	0.43	0.40	0.33

Turnover analysis:	**31 December 2006**	**31 December 2005**	**31 December 2004**
Current assets turnover ratio	1.91	2.29	2.19
Receivables turnover ratio (days)	110	75	88
Inventories turnover ratio (days)	43	45	41
Liabilities turnover ratio (days)	157	148	153
Liabilities turnover excluding liabilities due to bonds and investment credit ratio (days)	121	107	106

The analysis shows that financial liquidity has improved in all categories compared to the last year and this is the result of healthy operating profitability and effective management of working capital. For a long time now the liquidity ratios have remained at a very good level, which demonstrates the stable financial position of the Group.
In the opinion of the Management Board the company will not have a problem in meeting its financial obligations. For a temporary period the company will invest its free resources in secure instruments such as bank deposit, treasury securities and money investment funds.
The receivables turnover ratio shows a longer receivables turnover cycle of 110 days in 2006 compared to 75 days in 2005. This is the result of the significantly higher state of receivables on 31 December 2006 compared to the same date in 2005. The inventory turnover ratio has remained at the previous level. The liabilities turnover cycle extended from 148 to 157 days, and this partly compensated for the negative effect involved in the extension of the receivables cycle.

3.2 Explanation of Differences between Financial Results Given in the Annual Report and Forecasts of Results for the Given Year Published Earlier

The Group did not publish forecasts of results for 2006.

3.3 Changes in the Basic Rules of Management of the Issuer's Company and Its Capital Group

None present.

3.4 Transactions with Related Parties

Transactions with related parties, whose value exceeded 500,000 EURO in 2006, are transactions of purchase of goods and services from CA Services S.A. for the amount of 11.93 million PLN, from MKS Cracovia SSA for the amount of 5.96 million PLN and from ComArch Software AG for the amount of 2.93 million PLN, as well as transactions of sale of goods and services for ComArch, Inc. for the amount of 9.38 million PLN, for ComArch Software AG for the amount of 9.18 million PLN, for UAB ComArch for the amount of 2.22 million PLN and for ComArch Middle East FZ-LCC for the amount of 2.12 million PLN. In the case of MKS Cracovia SSA these are mainly transactions of purchasing advertising services and in other cases mainly transactions within subcontracting IT and tele-IT works under contracts executed by particular companies in the ComArch Group.

3.5 Financial Liabilities

3.5.1 Bank Guarantees

On 31 December 2006, the value of bank guarantee and letters of credit issued by banks on order from ComArch S.A. in reference to executed agreements and participation in tender proceedings was 32.02 million PLN.

3.5.2 Suretyships

On 31 December 2006 the value of ComArch S.A. suretyships for the debts of Interia.pl S.A. from lease agreements amounted to 0.094 million PLN.

3.5.3 Credits

As at 31 December 2006, ComArch S.A. had liabilities due to credits in the amount of 53.91 million PLN.

ComArch S.A. credit lines:

A) An investment credit from Fortis Bank Polska S.A. with its registered seat in Warsaw in amount of 20 million PLN for the financing of the first construction stage of production and office buildings in the Special Economic Zone in Krakow. The crediting period may last 10 years, i.e. until 2015. This credit has a variable interest rate. As at 31 December 2006, the value of the credit to be repaid amounted to 17 million PLN (compared to 19 million PLN as at 31 December 2005). A promissory note, the mortgage on land and the building insurance policy are security for this credit.

B) An investment credit from Kredyt Bank S.A. with its registered seat in Warsaw, for the financing of the second construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts to 80 % of investment value up to a maximum of 26.82 PLN. The crediting period may last a maximum of 16 years at a variable interest rate. A promissory note, the mortgage on land and the building insurance policy are security for this credit. As at 31 December 2006, this credit was drawn in total, i.e. 26.82 PLN.

As at 8 November 2006, the mortgages securing the investment credit referred to above are established on assets now valued at 22.2 million PLN. As this exceeds 10% of the company's equity the assets may be regarded as being of significant value. The company announced that in current report no. 49/2006.

C) An investment credit from Fortis Bank Polska S.A. with its registered seat in Warsaw, for the financing of the third construction stage of production and office buildings in the Special Economic Zone in Krakow. The credit amounts to 85 % of the investment value up to a maximum of 30,000,000 PLN. The crediting period may last a maximum of 16 years at a variable interest rate and should be taken out by 28 September 2007. A promissory note, the mortgage on land and the building insurance policy are security for this credit. As at 31 December 2006, the value of drawn credit amounted to 10.07 million PLN.

3.5.4 Bonds Convertible into Shares

On 12 April 2002 ComArch S.A. issued 4,000 five-year convertible bonds. The conversion price was 57.10 PLN, and every bond could have been converted into 175 shares. The issue price was set at 100.3 % and the interest on the bonds amounted to 7.5 % annually. In case of not executing conversion of the bonds into shares, on 12 April 2007 an additional coupon shall be paid in the amount of 21.84 % of the nominal value of bonds.

On 14 July 2004, the company acquired 486 own series A bonds convertible into series H shares. The mentioned-above shares were purchased to be redeemed. On 14 July 2004, the Management Board passed a resolution on redemption of series A bonds convertible into series H shares. ComArch S.A. was in issuer of these bonds. After redemption, the number of series A bonds convertible into series H shares issued by ComArch S.A. bonds was 3,514.

In relation to the fact that on 28 February 2006 the average closing price of ComArch S.A. shares on the Warsaw Stock Exchange over the past 31 quotations had been higher than the conversion price by 30.7 %, and according to pt 8.3.1 of the Conditions of Bond Issue that constitute an attachment to the company's Management Board resolution dated 09 April 2002 concerning issue of the company's bonds on the basis of the Annual General Meeting resolution dated 27 February 2002 (published in Chapter 10, point 4 of the Conversion of Bonds to Series H shares Prospectus), ComArch S.A. called twice for anticipated redemption of bonds by Bondholders.
Bonds, which were not submitted by conversion statements, were redeemed by the company on 6 April 2006 by the company before their expiry date at a price calculated according to pt. 8.3.4 of the Terms and Conditions for Bond Issue.

3.6 Loans Granted

3.6.1 Loans

As at 31 December 2006, the value of unpaid home loans granted to employees of ComArch S.A. was 0.111 million PLN. Maturity dates for them come in the years 2007-2008.
As at 31 December 2006, the following companies of the Capital Group were indebted towards ComArch S.A. for loans granted: ComArch Software AG (2.15 million PLN), ComArch Global, Inc. (2.53million PLN), ComArch Sp. z o.o. (Ukraine) (0.12 million PLN), ComArch Panama, Inc. (1.02 million PLN), OOO ComArch (0.44 million PLN) and MKS Cracovia SSA (1.25 million PLN). Maturity dates for their payment come in the years 2007-2008.

3.6.2 Loans Granted to Managing and Supervising Persons

As at 31 December 2006, there are no unpaid loans as well as guarantees and suretyships granted by ComArch S.A. for the benefit of members of the Management Board, the Supervisory Board and their relatives.

3.7 Financial Risk

The company is exposed to the following main types of financial risk:

3.7.1 Risk of Contractor Insolvency

Due to the broad product offer of the Group and presence in many markets, the circle of clients extended considerably in comparison with previous years. In order to minimise increase of the credit risk related to this situation, the Group analyses financial credibility of prospective clients before concluding agreements for delivery of IT systems and depending on rating of financial standing it separately adjusts terms and conditions of each agreement to the prospective risk.

3.7.2 Risk of Change in Interest Rates.

The Group is exposed to the risk of change in interest rates as a result of the long-term investment credit allocated for financing of the new production building in the Special Economic Zone in Krakow. The credit interest is based on variable rates based on the WIBOR rate. The company did not hedge the risk of interest rate in this area due to stable Reference Rate.

3.7.3 Risk of Fluctuation in the Exchange Rates

Because of export sales or sales denominated in foreign currencies, the Group is exposed to the risk related to fluctuations in exchange rates. At the same time, part of company costs is also expressed or related to the exchange rate of foreign currencies. In individual cases the Group hedges future payments with forward contracts.

4. PERSPECTIVES FOR DEVELOPMENT

4.1 Factors essential for development of the Capital Group

4.1.1 Internal factors

a) Increase in export sales;
b) Position and reputation of the company affecting the nature of clients acquired;
c) Commercial operations of ComArch S.A. in the special economic zone in Krakow;
d) Significant share of standard (repetitive) products offered for sale, which means:
- lower costs, especially variable costs related to a single contract,
- the possibility of significant increase in profitability of a single contract with simultaneous reduction in charges for clients (licence fees),
- broader and more diversified circle of clients, which means a broader scale of activities;
e) attractive training policy and attractive work conditions offered for employees of the Group;
f) Increasing awareness of the ComArch brand among prospective clients by promotion managed through the MKS Cracovia SSA company

4.1.2 External factors

a) Enhanced requirements from clients for IT systems. There is an increase in demand for large, complex IT systems dedicated for specific users. This gives advantage to large IT companies such as ComArch, which offer a number of different technologies and products and which are able to provide technologically advanced solutions;
b) Development of Internet banking and more frequent usage of the Internet as a new distribution channel for financial products;
c) Change in business models in many branches as well as change in business strategies of many companies related to joining the European Union, which increases demand for new IT systems;
e) In relation to Poland membership in European Union, access of Polish companies to structural funds that will be allocated in part for development of IT systems or financing of R&D works;
f) Growing competition, causing decrease in achieved margins; competition between IT companies, expressed in fighting for new orders and best employees.

4.2 Perspectives for Growth and Development of the Group in 2007

The growth in the IT market in Poland, as well as the overall economic growth in the Polish and world markets, should have a positive effect on ComArch's growth and development, and on the financial results it achieves. The pursuit of a consistent and resolute strategy to position itself on the market as a technology and product-oriented company is bringing results in an annually expanding client base with a high proportion of international companies. As European Union integration proceeds, more and more foreign companies will begin to operate in Poland and the range of potential IT system clients will expand. In the same way, ComArch's activities on foreign markets should further increase sales and enhance its image among international corporations. This, in turn, will strengthen the company's competitive position on the Polish market.
Execution of ComArch S.A. strategy largely depends on macroeconomic conditions, beyond the company, especially on the level of IT investments in medium-size and large companies in Poland and abroad and on the fact that competition in the IT sector becomes more and more fierce. At the same time, effective management of operational risks is the necessary condition for execution of the strategy. The most important operational risks connected with the operations of the company are:
a) Risks related to R&D work (developing proprietary software products);
b) Risks related to assessment of time requirements for long-term contracts;
c) Risks related to failure to observe contract terms and conditions and contractors taking advantage of the provided performance guarantees;
d) Risk of foreign legal and political environment related to execution of export contracts;
e) Risk of decreased possibility (difficulty) of controlling and monitoring financial standing of foreign contractors.

4.3 Investment Plans

The globalization of the economy and the liberalization of trade mean that barriers for companies and their products are falling. The IT market is now an open, global forum where product price and quality are continuously compared. Along with the increased presence of foreign capital in Poland, even IT companies operating solely on the domestic market must offer products that are competitive in global terms. Right from the beginning, ComArch has enjoyed a reputation for generating innovative technical solutions and selling competitive products successfully on the international market.

This is why the company's aim remains to develop new and competitive products that will ensure its further growth and development and increase its value. Maintaining healthy sales dynamics requires expenditure on product development as well as on their effective promotion and marketing. This concerns both the modification of existing products and technologies as well as creating and designing new products.
ComArch's present policy entails research and development work directed to implementing and standardizing products from the first moment they are being prepared for clients. This means that even if a product has been designed for a specific customer, the whole or a part of this software or code may then be used to produce a standard product. The effect of this is that individual contracts are more profitable and the client base expands.

ComArch does not restrict its interest to the territory of Poland alone. With products featuring international competitive edge, ComArch will consistently aim at increase in international sales. The sales will be executed directly to the final client (through ComArch S.A. or another company from the ComArch Group) or through partner companies.

The most important investment plans for 2007 will be:

a) Continuing the third stage of the Kraków Special Economic Zone investment with a service/office building of 11,445 square metres with accompanying technical infrastructure. The value of the work planned for 2007 amounts to 42 million PLN and it is due to be completed by 30 December 2007.
b) A plan to purchase three hectares of land in the Kraków Special Economic Zone at a net price of 18.78 million PLN, where the company can build further production/office buildings when the possibilities of the present buildings are exhausted.

   The Group has concluded a contingent preliminary contract for purchase of the above-mentioned lands providing the city of Krakow, which manages in the Special Economic Zone „Krakowski Park Technologiczny", a company Centrum Zaawansowanych Technologii - Kraków Spółka z ograniczoną odpowiedzialnością with its registered seat in Krakow, will not pre-empt.

In the opinion of the Management Board, there is no risk to the planned investment and funds for their financing are assured.

5. COMARCH IN THE STOCK EXCHANGE

5.1 Resolutions of the AGM and the Board of Supervisors

5.1.1 Resolutions of the Board of Supervisors

A) „Corporate Governance Principles"

Pursuant to the rule number 2 of the Corporate Governance Principles, in current report no. 35/2006, ComArch S.A.'s Management Board announced ComArch S.A.'s Board of Supervisors resolution no. 9/6/2006 dated 19 June 2006, in which projects of the resolutions at the AGM, to be held on 22 June 2006, are given positive opinion.

In current report no. 36/2006, the Management Board of ComArch S.A. announced 2005 activities' report of ComArch S.A.'s Board of Supervisors including assessment of the company's situation in 2005 according to the rule number 18 of the Corporate Governance Principles.

B) Selection of the Entity Entitled to Audit and to Review the Financial Statements of ComArch S.A.

On 19 June 2006, the Supervisory Board of ComArch S.A selected Deloitte Audyt Sp. z o. o. to audit and to review the financial statements and the consolidated financial statements of ComArch S.A.
Deloitte Audyt Sp. z o. o. having its registered seat in Warsaw at ul. Piękna 18, is registered at number 73 in the list of entities entitled to audit financial statements. Deloitte Audyt Sp. z o. o. didn't offer its services to ComArch S.A. in the past. ComArch S.A.'s Board of Supervisors selected auditor pursuant to article 19, section 2, point e) of the company's Statute and pursuant to the operative regulations and professional standards. Agreement with Deloitte Audyt Sp. z o. o. was concluded on 17 July 2006 for two-year period and applies to:
a) Review of the consolidated financial statement of ComArch S.A. for first 6 months of 2006;
b) Review of the consolidated financial statement of ComArch S.A. for first 6 months of 2007;
c) Audit of the annual financial statement of ComArch S.A. and the annual consolidated financial statement of the company for 2006;
d) Audit of the annual financial statement of ComArch S.A. and the annual consolidated financial statement of the company for 2007.

5.1.2 The Annual General Meeting on 22 June 2006

The General Shareholders' Meeting passed the resolutions concerning the following matters:
- approving the company's financial statement and consolidated financial statement for the fiscal year 1.01.2005 - 31.12.2005,
- approving the report of the Management Board regarding the activities of the company and of the ComArch Group in for the fiscal year 1.01.2005 - 31.12.2005,
- approving the activity report of the company's Board of Supervisors for the fiscal year 1.01.2005 - 31.12.2005 and audit of the company's financial statement and audit of the report of the Management Board regarding company's activities in 2005,
- approving the report of the company's Supervisors Board of the audit of the consolidated financial statement of the Capital Group and of the report of the Management Board regarding the activities of the Capital Group in 2005,
- distribution of the company's profit for the fiscal year 1.01.2005 - 31.12.2005 and it was destined to supplementary capital in total,
- acknowledging the fulfilment of duties by the members of the Management Board and the Board of Supervisors in the fiscal year 1.01.2005 - 31.12.2005,
- changes in the list of persons of the company's Management Board. Mr. Piątosa was appointed Vice President of the Management Board of ComArch S.A.
- changes in the company's Statute. On 30 June 2006 the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register registered changes in the company's Statute resolved by the General Meeting on 22 June 2006. The company announced details in current report no. 45/2006.

5.2 Operations on Shares and Bonds of the Capital Group

5.2.1 Introduction of Series G Ordinary Bearer Shares to Trading

Due to the fact that on 2 February 2007 the National Deposit for Securities assimilated 125,787 ordinary bearer ComArch S.A. shares with ComArch S.A. shares already in trading, on 2 February 2006 the Management Board of the Warsaw Stock Exchange introduced to trading the above-mentioned shares. The company announced details in current report no. 2/2006.

5.2.2 Registration in the Depository for Securities and Introduction to Trading of Ordinary Bearer Series G3 Shares

On 24 March 2006, the Management Board of the National Depository for Securities registered 102,708 ordinary bearer series G3 ComArch S.A. shares of nominal value of 1.00 PLN each and marked them with the code PLCOMAR000103.
The Management Board of the National Depository for Securities decided to assimilate 102,708 series G3 shares of ComArch S.A. (marked with the code PLCOMAR00103) with 5,628,212 company's shares (marked with the code PLCOMAR00012) on 12 April 2006. In consequence, the Management Board of Warsaw Stock Exchange introduced to trading the above mentioned company's shares beginning from 12 April 2006. The company announced details in current reports no. 21/2006 and 24/2006.

5.2.3 Disposal of Shares of the Dominant Unit

On 27 January 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares between 20-25 January 2006 for the price from 66 PLN to 67.10 PLN per share. On 3 February 2006, ComArch S.A. received an information that a member of ComArch S.A.'s Supervisory Board sold 25,000 company's ordinary bearer shares 71 PLN per single share. These transactions took place on the market regulated through the Warsaw Stock Exchange. The company announced details in current reports no. 3/2006 and 5/2006.

5.2.4 Purchase of Shares of the Dominant Unit

As a result of a share purchase completed on 6 February 2006, customers of BZ WBK AIB Asset Management S.A. held 1,417,770 company's shares, which constituted 20.38 % of the company's share capital. This gave them 1,417,770 or 10.11 % of the total number of votes at the ComArch S.A. annual general meeting. Shares purchase by customers of BZ WBK AIB Asset Management S.A. comprises also shares held by investment funds managed by of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A.

BZ WBK AIB Asset Management S.A., with its registered seat in Poznań, announced that as result of a share purchase completed on 2 August 2006, customers of BZ WBK AIB Asset Management S.A. have increased their participation in total number of votes at the ComArch S.A. AGM by over 2 %. BZ WBK holds over 10 % of the total number of votes at the ComArch S.A. AGM.
Prior this share increase, customers of BZ WBK AIB Asset Management S.A. held 1,762,231 of the company's shares, which amounted to 23.44 % of the company's share capital. This gave them 1,762,231 or 12.08 % of the total number of votes at the ComArch S.A. annual general meeting.
On 2 August 2006, there were 1,769,070 ComArch S.A. shares in the managed securities accounts of BZ WBK AIB Asset Management S.A. customers, which amounted to 23.53 % of the company's share capital. This gave them 1,769,070 or 12.13% of the total votes at the ComArch S.A. annual general meeting.
At the same time, BZ WBK AIB Asset Management S.A. announced that BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna (JSC) authorised BZ WBK AIB Asset Management S.A. to manage its investment portfolios of investment funds. This notice also takes into account ComArch S.A. shares that are held by its funds.

5.2.5 Bonds Convertible into Shares

Between 22 February and 24 March 2007 ComArch received statements on conversion of 3,221 ordinary convertible bonds issued by the company. For series A convertible bonds, covered by submitted conversion statements, 563,675 series H ordinary bearer shares were issued. The company announced details in current reports no. 8/2006, 9/2006, 11/2006, 13/2006 and 19/2006.

In relation to the fact that on 28 February 2006 the average closing price of ComArch S.A. shares on the Warsaw Stock Exchange over the past 31 quotations had been higher than the conversion price by 30.7 %, and according to pt 8.3.1 of the Conditions of Bond Issue that constitute an attachment to the company's Management Board resolution dated 09 April 2002 concerning issue of the company's bonds on the basis of the Annual General Meeting resolution dated 27 February 2002 (published in Chapter 10, point 4 of the Conversion of Bonds to Series H shares Prospectus), ComArch S.A. called twice for anticipated redemption of bonds by Bondholders. The company announced details in current reports no. 10/2006 and 12/2006.

On 20 March 2006, the Management Board of the National Deposit for Securities registered 543,025 ordinary bearer series H ComArch S.A. shares of nominal value of 1.00 PLN each and marked them with the code PLCOMAR00095. The company announced details in current report no. 14/2006.

Due to the fact that on 31 March 2006, the Management Board of the National Deposit for Securities assimilated 543,025, marked with the code PLCOMAR00095 (series H), company's shares with 5,085,187, marked with the code PLCOMAR00012, company's shares, the Management Board of the Warsaw Stock Exchange introduced the above-mentioned shares to trading. The company announced details in current reports no. 16/2006 and 18/2006.

On 31 March 2007 ComArch S.A. received information that the National Depository for Securities has cleared the conversion of 118 ComArch S.A. series A bonds to series H ordinary bearer shares. The company announced details in current report no. 19/2006.

The Management Board of the Warsaw Stock Exchange has decided to suspend and exclude from trading 293 ComArch S.A. series A bonds beginning from 4 April 2006. The Management Board of the Warsaw Stock Exchange decided that:
a) broker orders for ComArch S.A. series A shares will not be accepted beginning from 4 April 2006;
b) any broker orders for ComArch S.A. series A shares that have not been executed by 3 April 2006 (inclusive) will lose their validity
The Management Board of the Warsaw Stock Exchange decided to exclude from trading ComArch SA series A bonds as of the close of 6 April 2006. This decision was predicated on ComArch S.A.'s request lodged on 31 March 2006 to suspend and exclude from stock exchange trade series A bonds due to the imminent anticipated redemption of the company's series A bonds. The company announced details in current report no. 20/2006.

On 6 April 2006, ComArch S.A. redeemed 293 series A bonds convertible into shares. The anticipated redemption of these bonds was performed according to the terms described in point 8.3 of Terms of Bonds Issue. The company called for anticipated redemption of bonds by Bondholders in current reports no. 10/2006 and 12/2006.

Due to the fact that, on 26 April 2006, the Management Board of the National Depository for Securities (NDS) assimilated 20,650 shares of the company, marked with the code PLCOMAR00095 (series H shares) with 5,730,920 shares of the company, marked with the code PLCOMAR00012, the Management Board of the Warsaw Stock Exchange introduced to trading the above-mentioned ComArch S.A. shares. The company announced details in current report no. 25/2006 and 26/2006.

On 16 May 2007, the District Court for Krakow Śródmieście in Krakow, XI Economic Division of the National Court Register registered a n increase in ComArch S.A.'s share capital to the amount of 7,518,770 PLN. After this increase it consists of 7,518,770 shares that entitle to 14,587,570 votes at the AGM of the dominant unit. The company announced details in current report no. 31/2006.

On 14 July 2006, ComArch S.A. received a decision of the District Court for Krakow Śródmieście in Krakow, XI Economic Division of the National Court Register dated 30 June 2006 related to the registration of changes in the company's statute passed with the resolution of the AGM on 22 June 2006. The company announced details in current report no. 45/2006.

5.2.6 Disposal of INTERIA.PL S.A. Shares

On 19 January 2006, ComArch S.A. disposed 350,000 INTERIA.PL S.A. shares. After this transaction the company holds 2,538,369 INTERIA.PL S.A. shares, which constitute 36.08 % of share capital. They give 11,609,625 votes at the Annual General Meeting that constitute 48.48 % of the total number of votes. The above-mentioned transaction's result on ComArch S.A.'s net profit shall amount to 6.28 million PLN.

5.2.7 Disposal of NetBrokers Sp. z o.o. shares

On 11 December 2006, it was signed an agreement on sale of shares between ComArch S.A. and Polski Koncern Mięsny DUDA S.A. ComArch S.A. sold 300 shares at nominal value of 1,000 PLN per each share. They constituted 40 % of share capital of NETBROKERS Sp. z o.o. with its registered seat in Krakow. As a result of this transaction, ComArch S.A. doesn't hold any of NETBROKERS Sp. z o.o. shares. The shares mentioned above were sold for 2,430,000 PLN. The above-mentioned transaction's result on ComArch S.A.'s net profit shall amount to 1.6 million PLN and on ComArch S.A.'s consolidated net profit shall amount to 0.3 million PLN. The company announced details in current report no. 50/2006.

AFTER THE BALANCE SHEET

5.2.8 Disposal of Issuers' Shares

On 11 January 2007 Vice-President of ComArch S.A.'s Management Board sold 150 ordinary bearer shares of ComArch S.A. for 201 PLN each.

On 17 January 2007, a member of the Board of Supervisors sold 10,000 (in words: ten thousand) ordinary bearer shares of ComArch S.A. for 222 PLN each, i.e. for 2,220,000 PLN. The above-mentioned transaction was concluded on regulated market-Warsaw Stock Exchange.

On 22 May 2007, BZ WBK AIB Asset Management S.A. having its registered seat in Poznań, informed that, as result of disposal of the shares, which was settled on 17 May 2007, clients of BZ WBK AIB Asset Management S.A. decreased by over 2 % their participation in total number of votes at ComArch S.A.'s annual general meeting. They held over 10 % of total number of votes at ComArch S.A.'s annual general meeting up to the present On 17 May 2007, there were 1,513,179 ComArch S.A. shares in the managed securities accounts of BZ WBK AIB Asset Management S.A. clients, which constituted 19.01 % of the company's share capital. This gave 1,513,179 or 10.07 % of the total votes at ComArch S.A.'s annual general meeting.
At the same time, BZ WBK AIB Asset Management S.A. informed that BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna (JSC) authorised BZ WBK AIB Asset Management S.A. to manage investment portfolios of investment funds, whose body Towarzystwo is (hereinafter referred to as the "Funds"). With relation to authorisation mentioned above, this notice ought to take into account ComArch S.A. shares, which are held by funds. The company announced details in current report no. 14/2007.

5.2.9 Subscription for Series I2 Shares

Subscription for series I2 shares began on 16 March 2007, and was completed on 23 March 2007. The shares were allocated on 26 March 2007. 441,826 shares were taken up by subscription. Subscriptions were made on 441,826 shares and 441,826 shares were allocated. An acquisition price of I2 shares was 1.00 PLN per every share. 13 persons subscribed for I2 shares and shares were allocated to 13 persons. The company did not enter into agreement on subissue. A value of subscription, i.e. number of offered shares multiplied by issue price was 441,826 PLN. Total issue costs amounted to 16,331.90 PLN, including:
- costs of an offering: 14,150.00 PLN,
- civil law activities tax: 2,181.90 PLN.
Issue costs will be settled into finance costs. An average cost of subscription for series I2 shares per one share amounted to 0.04 PLN.

5.2.10 Registration by the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register of an Increase in Share Capital

On 23 April 2007, the Management Board of ComArch S.A. received an information that on 20 April 2007, the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register registered an increase in ComArch S.A.'s share capital to the amount of 7,960,596 PLN. After this increase company's share capital is divided into 7,960,596 shares. It corresponds to 15,029,396 votes at the company's AGM.

5.2.11 Registration by the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register of Changes in the Company's Statute

On 23 April 2007, ComArch S.A. received a notice concerning registration on 20 April 2007 by the District Court for Kraków-Śródmieście, XI Economic Division of the National Court Register of changes in the company's Statute.
Pursuant to the above-said notice article 7 section 1 of the company's Statute is worded as follows:
"The company's share capital comes to 7,960,596.00 PLN (in words: seven million nine hundred sixty thousand five hundred ninety-six) and is divided into 7,960,596.00 (in words: seven million nine hundred sixty thousand five hundred ninety-six) shares, including: 1,767,200 (one million seven hundred sixty seven thousand two hundred) registered preference shares of nominal value of 1.00 PLN every share and 6,193,396 (six million one hundred ninety-three thousand three hundred ninety-six) ordinary bearer shares of nominal value of 1.00 PLN every share, including:
1) 883,600 series A registered preference shares,
2) 56,400 series A ordinary bearer shares,
3) 883,600 series B registered preference shares,
4) 56,400 series B ordinary bearer shares,
5) 3,008,000 series C ordinary bearer shares,
6) 1,200,000 series D ordinary bearer shares,
7) 638,600 series E ordinary bearer shares,
8) 125,787 series G ordinary bearer shares,
9) 102,708 series G3 ordinary bearer shares,
10) 563,675 series H ordinary bearer shares,
11) 441,826 series I2 ordinary bearer shares"

5.2.9 Registration and Introduction to Trading of Series I2 Shares

On 21 May 2007, the Management Board of the National Deposit for Securities decided to register 441,826 ordinary bearer ComArch S.A. shares registration of series I2 shares of nominal value of 1 PLN and mark them with the code PLCOMAR00012, providing that these shares will be introduced to trading on regulated market where other ComArch S.A. shares were introduced. The company announced details in current report no. 13/2007.

With the resolution dated 28 May 2007, the Management Board of the Warsaw Stock Exchange decided that pursuant to &19, sec. 1 and 2 of the Rules of the Warsaw Stock Exchange 441,826 ordinary bearer series I2 ComArch S.A. shares of nominal value of 1 PLN each are admitted to trading. Pursuant to &38 sec. 1 of the Rules of the Warsaw Stock Exchange, the Management Board of the Warsaw Stock Exchange decided that the above-mentioned shares will be introduced to trading on 31 May 2007, providing that they will be registered in the National Deposit for Securities and marked with the code "PLCOMAR00012" on 31 May 2007.

On 30 May 2007, ComArch S.A. received a decision of the Operating department of the National Deposit for Securities (NDS) dated 29 May 2007 related to registration of series I2 shares according to a resolution of the NDS's Board dated 21 May 2007. Operating department announced that on 31 May 2007, 441,826 series I2 ComArch S.A. shares with the ISIN code PLCOMAR00012 will be registered. After registration total number of ComArch S.A. securities will amount to 6,193,396.

5.3 Managerial Option Programme

5.3.1 Rules

On 30 June 2005, the Annual General Meeting of Shareholders passed Resolution no. 51 on the managerial options programme for members of the Management Board and the company's Key Employees (17 persons in total). The objective of the programme is to additionally motivate members of the Management Board and Key Employees by options on ComArch shares (hereinafter referred to as the "Option") dependent on increases in the value of the company and its net profit. The program will be executed through offers of newly-issued shares in the company in 2006, 2007 and 2008 to members of the Management Board and Key Employees. The value of the Option is to be at all times equivalent to the difference between the average closing price of the company's shares as of December of each year of the execution of the programme (beginning with 2005) and the issue price of shares offered to members of the Management Board and Key Employees. The basis for the calculation of the value of the Option shall be increases in company capitalisation, calculated as follows:

- For 2006 it will be the difference between the average capitalisation of the company in December 2005 and the average capitalisation of the company in December 2004; this will be calculated using the average closing price of ComArch shares in December 2004 as 69.53 PLN;
- For 2007 it will be the difference between the average capitalisation of the company in December 2006 and its average capitalisation in December 2005;
- For 2008 it will be the difference between the average capitalisation of the company in December 2007 and its average capitalisation in December 2006, where the average capitalisation is the number of shares multiplied by the average closing price for shares of the company in December of a given year.

The Option shall be defined in each successive year of the program separately for each entitled individual as set forth in Resolution no. 51 of the AGM. The total value of the option was 9.4 % of the increase in capitalisation in the periods set forth in Clauses a), b) and c) (for options No. 1, No. 2 and No. 3, respectively) at the beginning. As at 30 September 2006 and after the application of changes to the program (pursuant to the resolution of the AGM passed on 22 June 2006 and according to changes to the list of program participants that took place in the third quarter of 2006) the value of the Option amounted to 8.2 % of the increase in capitalisation.

Pursuant to IFRS2, the company is obliged to calculate the value of the Option and classify it as a cost in the income statement in the Option period, i.e. from its issue date until its expiry date. Beginning with the third quarter of 2005, the company classifies the value of particular Options in its income statement. The company notes that despite the fact that the value of the Option decreases the net profit of the company and of the Group, this operation does not affect the value of cash flows. Moreover, the economic cost of the Option shall be classified in the income statement through its inclusion in the "diluted net profit" of newly issued shares for the participants of the programme. Despite the fact that the IFRS2 standard was officially adopted by the European Union to companies listed on the stock exchange in the preparation of consolidated statements, many experts point out its controversial nature – in their opinion, placing the cost of the Option in the income statement results in the double inclusion of the effect of the Option programme (once by result and second by dilution).

Pursuant to requirements of IFRS2, the valuation of the Option was carried out as at the date of the resolution on the option programme, i.e. as at 30 June 2005. The Monte Carlo simulation technique was used to valuate the Option. It was combined with the process of discounting non-negative financial flows related to the options calculated on the basis of the MAX () function. Apart from the assumptions resulting from the nature of the Option program described above, the following additional assumptions were adopted for the needs of the valuation:
- 4.6 % risk-free rate (the interest rate on 52-week treasury bills);
- 0 % dividend rate (the dividend rate in the period forecast as at the date of the passage of the programme);

- 17 % anticipated volatility (anticipated volatility based on historical volatility from the last 200 quotations prior to the date of the passage of the program on the basis of the average price of shares from opening and closing prices).

Initially, the determined total value of Options amounted to 6.20 million PLN including:
a) Option No. 1, i.e. the option due to increases in capitalisation in 2005: 0.044 million PLN;
b) Option No. 2, i.e. the option due to increases in capitalisation in 2006: 3.05 million PLN;
c) Option No. 3, i.e. the option due to increases in capitalisation in 2007: 3.1 million PLN.
As at 31 December 2006, after changes to the program were applied (pursuant to the resolution of the AGM passed on 22 June 2006 and according to changes to the list of program participants that took place in the third quarter of 2006) the value of the Option amounts to 5.82 million PLN.

As at 31 December 2006 the value of the Option for the Management of the Board and Key Employees amounts to:
a) The value of the option for the Management Board: 82.93 %, i.e. 4.82 million PLN
b) The value of the option for Key Employees: 17.07 %, i.e. 0.99 million PLN
The value of the Option recognised in the income statement for the four quarters of 2006 amounted to 3.03 million PLN. The estimated effect of the recognition of the costs of the Option on the income statement in successive periods is as follows: 1.11 million PLN in 2007.

5.3.2 Execution of the Programme

Pursuant to the conditions of the program, the company has determined that:
a) The average capitalisation of ComArch S.A. as of December 2004 was 476.5 million PLN,
b) The average capitalisation of ComArch S.A. as of December 2005 was 441.7 million PLN,
c) The average capitalisation of ComArch S.A. as of December 2006 was 1,539.7 million PLN.

The difference between the average capitalisation in December 2005 and the average capitalisation in December 2004 is negative, which means that the basic condition of the programme has not been met. As a result, shares for members of the Management Board and Key Employees were not issued in 2006.

Basing on the company's quotations on Warsaw Stock Exchange, the Board of Supervisors agreed an increase in the company's cap of 1,098,010,607.08 PLN as at 31 December 2006. The Board of Supervisors agreed an option's value in the amount of 8.2 % of the increase in cap, i.e. 90,036,869.78. On 12 February 2007, the company's Board of Supervisors passed a resolution concerning execution of managerial option programme and declared that 441,834 series I2 shares will be issued, of nominal value of 1 PLN and issue price of 1 PLN.
On 14 March 2007, the company's Board of Supervisors passed a resolution changing a resolution no. 1/2/2007 dated 12 February 2007 on execution of managerial option programme. In relation to the decision of the Board of Supervisors that fractional parts of the shares' numbers are eliminated, 441,826 series I2 ordinary bearer shares will be issued, of nominal value of 1 PLN and issue price of 1 PLN. These fractional parts of the shares' numbers result from applying the assumptions that are established in a resolution no. 51 of the Ordinary General Meeting dated 30 June 2005 concerning passing the managerial option programme for members of the Board and key employees.

5.4 Data Referring to the Agreement Signed with the Entity Entitled to Auditing Financial Statements

5.4.1 Resolution of the Supervisory Board of ComArch S.A.

On 19 June 2006, the Supervisory Board of ComArch S.A selected Deloitte Audyt Sp. z o. o. to audit and to review the financial statements and the consolidated financial statements of ComArch S.A.
Deloitte Audyt Sp. z o. o. having its registered seat in Warsaw at ul. Piękna 18, is registered at number 73 in the list of entities entitled to audit financial statements. Deloitte Audyt Sp. z o. o. didn't offer its services to ComArch S.A. in the past. ComArch S.A.'s Board of Supervisors selected auditor pursuant to article 19, section 2, point e) of the company's Statute and pursuant to the operative regulations and professional standards. Agreement with Deloitte Audyt Sp. z o. o. was concluded on 17 July 2006 for two-year period and applies to:
a) Review of the consolidated financial statement of ComArch S.A. for first 6 months of 2006;

b) Review of the consolidated financial statement of ComArch S.A. for first 6 months of 2007;
c) Audit of the annual financial statement of ComArch S.A. and the annual consolidated financial statement of the company for 2006;
d) Audit of the annual financial statement of ComArch S.A. and the annual consolidated financial statement of the company for 2007.

5.4.2 Total Remuneration

In 2006, the total remuneration resulting from the agreement with the entity entitled for auditing financial statements, due on account of auditing and reviewing the financial statement, was 185,000 PLN. The above mentioned amount covers contractual remuneration, which is due for half-year review and auditing the annual statement and auditing the consolidated statement for 2006. The remuneration for review of half-year statement was paid in 2006; the remaining part of the remuneration will be paid in 2007.
In 2005, the total remuneration resulting from the agreement with the entity entitled for auditing financial statements, due on account auditing and review of financial statements was 230,000 PLN. The remuneration for review of unit financial statement and consolidated financial statement was paid in 2005; the remaining part of remuneration was paid in 2006.

5.5 Other Information Related to Stock Exchange Trading

5.5.1 The List of Shareholders Participating the Annual General Shareholders Meeting (2006)

According to the list of shareholders participated the Annual General Shareholders Meeting of ComArch S.A. on 22 June 2006, two persons held at least 5 % of the total number of votes represented at this Meeting:
1. Janusz Filipiak-846,000 registered preference shares which give 4,230,000 votes at the AGM, which constituted 46.44 % of the all votes at this AGM and which constitute 29.00 % of the total number of votes;
2. Elżbieta Filipiak-799,000 registered preference shares which give 3,995,000 votes at the AGM, which constituted 43.86 % of the all votes at this AGM and which constitute 27.39 % of the total number of votes;
3. Married couple of Elżbieta and Janusz Filipiak-94,000 registered preference shares which give 470,000 votes at the AGM, which constituted 5.16 % of the all votes at this AGM and which constitute 3.22 % of the total number of votes;
The total number of votes from all issued ComArch S.A. shares is 14,587,570. Shareholders who participated the Annual General Shareholders Meeting of ComArch S.A. on 22 June 2006 held shares giving 9,108,144 votes.

5.5.2 List of Current and Periodical Reports

On 13 April 2007, the Management Bard of ComArch S.A. presented the list of current and periodical reports that were published in 2006. The originals of these documents are located at the company's headquarters - al. Jana Pawla II 39a, Krakow, Poland. They are also available at
http://www.comarch.com/en/Invest+in+Comarch/Financial/

5.5.3 Declaration Regarding the Acceptance of the Corporate Governance Principles

Declaration of ComArch S.A. regarding the acceptance of the corporate governance principles in the company was published as an addendum to the annual financial statement of ComArch S.A which was made public on 5 April 2006. The scope of the implementation of the "Best Practices in Public Companies" in ComArch S.A. hasn't change.
According to the rule no. 48 of the „Best Practices in Public Companies 2005", the dominant unit published current declaration of the Management Board regarding the acceptance of the corporate governance principles in the company as the attachment to the annual report for the year 2006.

Krakow, 1 June 2007

Janusz Filipiak President of the Management Board	**Rafał Chwast** Vice-President of the Management Board	**Piotr Piątosa** Vice-President of the Management Board
Paweł Prokop Vice-President of the Management Board	**Paweł Przewięźlikowski** Vice-President of the Management Board	**Zbigniew Rymarczyk** Vice-President of the Management Board

6. Amendment to the Report of the Management Board

6.1 Characteristics of Companies in the Group

Company: **ComArch Spółka Akcyjna (JSC)**

Address: 31-864 Krakow, Aleja Jana Pawła II 39 a
Telephone: (12) 646 10 00
Fax: (12) 646 11 00
Regon: 350527377
NIP: 677-00-65-406

The dominant unit - shares of the company are admitted to trading in the Warsaw Stock Exchange and are held, according to the knowledge of the company as at the date of preparation of this report, by Janusz and Elżbieta Filipiak (43.95 % of shares), members of the Management Board (1.92 %), BZ WBK AIB Asset Management S.A. (19.01 %) including shares of BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna (JSC).
The company has branches in Krakow, Warsaw, Poznań, Gdańsk, Wrocław, Katowice, Bielsko-Biała, Łódź, Szczecin and Lublin.

Company: **ComArch, Inc.**

Address: 1160 NW 159th Drive, Miami, FL 33169, USA
Telephone: +1 305 329 0010
Fax: +1 305 329 0015
No. of document: P02000099861

As at 31 December 2006, ComArch S.A. held 100 % of shares in ComArch, Inc. In 2006 there were no changes in capital structure of ComArch, Inc. Pursuant to the Act on Accounting dated 29 September 1994, ComArch, Inc. is ComArch S.A.'s subsidiary.

Company: **ComArch Software AG**

Address: Chemnitzer Str. 50, 01187 Dresden, Germany
Telephone: +49 351 438 97 00
Fax: +49 351 438 97 10
HRB: 48858

As at 31 December 2006, the share capital of ComArch Software AG was 58,380.00 EURO. It consists of 11,676 registered shares of nominal value of 5 EURO each. The total number of votes resulting from all the issued shares is 11,676. ComArch S.A. holds 100 % shares in the share capital and votes at the AGM of the company. In 2006 there were no changes in capital structure of ComArch Software AG. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Software AG is ComArch S.A.'s subsidiary.

Company: **ComArch Middle East FZ-LCC**

Address: PO. Box 500398 Dubai, UAE
Telephone: +971 4 3913262
Fax: +971 4 3918668
Register number: 19879

As at 31 December 2006, the share capital of the company was 200,000 AED and was divided into 200 shares at 1,000 AED each (1 AED is about 0.7689 PLN). ComArch S.A. was the sole shareholder of the company. The total number of votes resulting from all the issued shares is 200. In 2006 there were no changes in capital structure of the company. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Middle East FZ-LCC is ComArch S.A.'s subsidiary.

Company: **ComArch Sp. z o.o.**

Address: 18/7 Kutuzova Str., 01133 Kijów, Ukraine
Telephone: +(380) 44 492 28 42
Fax: +(380) 44 492 28 43
Register number: 32918282

As at 31 December 2006, the limited liability company 'ComArch' with its registered seat in Kiev n Ukraine was 100 % subsidiary to ComArch S.A. The share capital of the company was 20,500 UAH. The registered company is a one-person limited liability company. In 2006 there were no changes in capital structure of the company. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Sp. z o.o. is ComArch S.A.'s subsidiary.

Company: **ComArch s.r.o.**

Address: Kladnianska 34, 821 05 Bratislawa, Slovakia
Telephone: +(421) 2 48210400
Fax: +(421) 2 48210401
Regon: 36056715
NIP: SK2020070558

As at 31 December 2006, ComArch S.A. was the sole shareholder of the company. The share capital of ComArch s.r.o. is 200,000 SKK. In 2006 there were no changes in capital structure of the company. Pursuant to the Act on Accounting dated 29 September 1994, ComArch s.r.o. is ComArch S.A.'s subsidiary.

Company: **ComArch Panama, Inc.**

Address: Calle 50 y 54 Este, Ed. Frontenac, Panama City, Panama
Telephone: +507 263 25 69
Fax: +507 263 25 69
Register number: 468218

As at 31 December 2006, ComArch S.A. was the sole shareholder of the company. The share capital of the company was 10,000 USD and was divided into 10,000 shares of nominal value of 1 USD each. The total number of votes resulting from all the issued shares is 10,000. In 2006 there were no changes in capital structure of the company. Pursuant to the Act on Accounting dated 29 September 1994, ComArch Panama, Inc. is ComArch S.A.'s subsidiary.

Company:	**UAB ComArch**
Address:	Naugarduko 57, LT-03202 Vilnius, Lithuania
Telephone:	+ 370 52 33 79 95
Register number:	300150316

As at 31 December 2006, ComArch S.A. was the sole shareholder of the company. The share capital was 70,000 LTL (1 LTL is about 1.1096 PLN) and is divided into 700 shares of 100 LTL each. The total number of votes resulting from all the issued shares is 700. The company deals with sale and support for IT systems supplied to clients. In 2006 there were no changes in capital structure of the company. Pursuant to the Act on Accounting dated 29 September 1994, UAB ComArch is ComArch S.A.'s subsidiary.

Company:	**OOO ComArch**
Address:	Prechistensky Pereulok 14 building 1, 119034 Moscow, Russia
Telephone:	+7495 783 36 71 +7495 783 36 72 +7495 783 36 73
Register number:	OKPO75603466

As at 31 December 2006, OOO ComArch was 100 % subsidiary to ComArch S.A. The share capital was 1.2 million RUB and is divided into 1,200,000 shares of nominal value of 1 RUB each (1 RUB is about 0.1105 PLN). The company deals with sale of ComArch products in Russia and partial support for IT systems supplied to clients. In 2006 there were no changes in capital structure of the company. Pursuant to the Act on Accounting dated 29 September 1994, OOO ComArch is ComArch S.A.'s subsidiary.

Company:	**CA Services S.A. (JSC)**
Address:	31-946 Kraków, os. Teatralne 9a
Telephone:	(12) 646 18 00
Fax:	(12) 646 18 50
Regon:	356846563
NIP:	678-29-24-039

As at 31 December 2006, share capital of CA Services S.A. was 1,050,000 PLN and was divided into 5,250 shares of nominal value of 200 PLN each that correspond to 5,250 votes. Pursuant to the Act on Accounting dated 29 September 1994, CA Services S.A. is ComArch S.A.'s subsidiary.

Company:	**INTERIA.PL Spółka Akcyjna (JSC)**
Address:	30-081 Kraków, ul. Królewska 57
Telephone:	(12) 646 27 00
Fax:	(12) 646 27 10
Regon:	357054315
NIP:	677-21-18-727

On 19 January 2006, ComArch S.A. sold 350,000 shares of INTERIA.PL S.A. company as a result of which as the date of preparation of this report, ComArch S.A. held 2,538,369 shares of INTERIA.PL S.A., which constitute 36.08 % of the share capital of the company. These shares give right to exercise 11,609,625 votes in the General Meeting, which constitute 48.48 % of the total number of votes.

On 17 April 2007, ComArch S.A. called for sale of 390,000 registered preference INTERIA.PL S.A. shares which give 1,950,000 votes at the annual general meeting of the company. They were offered for 64.15 PLN each. Subscriptions for the sale of shares were taken beginning from 26 April 2007 until 10 May 2007. There were no subscriptions for the sales of these shares so ComArch did not purchase any INTERIA.PL S.A. shares.

Company:	**Miejski Klub Sportowy Cracovia Sportowa Spółka Akcyjna (JSC)**
Address:	30-111 Kraków, ul. Kałuży 1
Telephone:	(12) 292 91 00
Fax:	(12) 292 91 03
Regon:	351553230
NIP:	677-20-79-476

As at 31 December 2006, share capital of MKS Cracovia SSA was 14,557,000 PLN and was divided into 145,570 shares. The share capital consists of 70,570 shares in series A, 5,000 shares in series B, 30,000 shares in series C and 40,000 shares in series D. The total number of votes resulting from all the issued shares is 145,570. ComArch S.A. holds 71,550 shares and votes at the MKS Cracovia SSA AGM, which constitute 49.15 % of the share in the share capital of the company. In 2006 there were no changes in capital structure of the company. Pursuant to the Article 3 point 37 sec. d) of the Accounting Act, due to the fact that majority of members of the Supervisory Board of MKS Cracovia SSA is appointed by ComArch S.A., MKS Cracovia SSA is a subsidiary of ComArch S.A.

Company:	**Fideltronik-ComArch** Limited Liability Company The company did not start its activities

The share capital of the company is PLN 4,000.00 and is divided into 40 equal and indivisible shares of 100 PLN each. ComArch S.A. holds 20 shares of the total value of 2,000.00 PLN, which constitutes 50 % of the share capital and the same number of votes in the Assembly of Partners. In 2006 there were no changes in capital structure of the company. Pursuant to the Accounting Act of 29 September 1994, Fideltronik-ComArch Sp. z o.o. is an associate of ComArch S.A. The company did not start its activities.

6.2 Change in the Organisational Structure in 2006

A) ComArch Global, Inc. change its name to ComArch, Inc. on 19 September 2006

B) On 28 April 2007, the District Court for Krakow-Sródmiescie, XI Economic Division of the National Court Register transformed ComArch Services Sp. z.o.o (Ltd) into ComArch Services S.A. The company's share capital amounts to 1.5 mln PLN and is divided into 5,250 shares with nominal value of 200 PLN each, giving a total of 5250 votes. On 25 September 2006, the District Court for Krakow-Sródmiescie, XI Economic Division of the National Court Register registered change in the name ComArch Services S.A. to CA Services S.A.

C) On 11 December 2006 it was signed an agreement on sale of shares between ComArch S.A. and Polski Koncern Mięsny DUDA S.A. (JSC). ComArch S.A. sold 300 shares at nominal value of 1,000 PLN per each share. They constitute 40 % of share capital of NETBROKERS Sp. z o.o. with its registered seat in Krakow. As a result of this transaction, ComArch S.A. doesn't hold any of NETBROKERS Sp. z o.o. shares.

D) In 2006, ComArch S.A. established new branches in Łódź, Szczecin and Lublin.

6.3 Methods of Calculation of Financial Ratios

Debt analysis

$$\text{Debt/Equity ratio} = \frac{\text{liabilities due to convertible bonds} + \text{credits and loans}}{\text{equity attributable to shareholders}}$$

$$\text{Debt/Equity ratio} = \frac{\text{liabilities due to convertible bonds} + \text{credits and loans}}{\text{equity attributable to shareholders}}$$

Profitability analysis

$$\text{Return on Equity} = \frac{\text{Net Profit attributable to Shareholders}}{\text{Equity attributable to Shareholders}}$$

$$\text{Return on Sales} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

$$\text{Gross Margin} = \frac{\text{Profit before Income Tax}}{\text{Revenue from Sales}}$$

$$\text{Net Margin} = \frac{\text{Net Profit attributable to Shareholders}}{\text{Revenue from Sales}}$$

Liquidity analysis

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Trade and Other Receivables} + \text{Cash and Cash Equivalents} + \text{Available for Sale Financial Assets}}{\text{Current Liabilities}}$$

$$\text{Cash to Current Liabilities Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$$

Turnover analysis

$$\text{Current Assets Turnover Ratio} = \frac{\text{Revenue from Sales}}{\text{Current Assets}}$$

$$\text{Receivable Turnover Ratio (Days)} = \frac{(\text{Trade and Other Receivable}) * 360}{\text{Revenue from Sales}}$$

$$\text{Inventories Turnover Ratio (Days)} = \frac{\text{Inventories} * 360}{\text{Costs of Sold Goods and Materials}}$$

$$\text{Liabilities Turnover Ratio (Days)} = \frac{(\text{Liabilities} + -\text{Long}-\text{term Contracts Liabilities}) * 360}{\text{Sales and Marketing Costs} + \text{Administrative Expenses} + \text{Other Operating Expenses} + \text{Cost of Sales})}$$

$$\text{Liabilities Turnover excluding Liabilities due to Bonds and Investment Credit Ratio (Days)} = \frac{(\text{Liabilities due to Convertible Bonds} + \text{Credit and Loans}) * 360}{\text{Sales and Marketing Costs} + \text{Administrative Expenses} + \text{Other Operating Expenses} + \text{Cost of Sales})}$$

The Management Board's statement regarding the independent auditor

The Management Board of ComArch S.A. states that the entity entitled to audit financial statements, that audited the annual consolidated financial statement for the year 2006 was selected compliant with the law and that the entity and expert auditors who audited this statement perform under conditions to provide an unbiased and independent opinion, compliant with the national law.

Krakow, 1 June 2007

Janusz Filipiak President of the Management Board	**Rafał Chwast** Vice-President of the Management Board	**Piotr Piątosa** Vice-President of the Management Board
Paweł Prokop Vice-President of the Management Board	**Paweł Przewięźlikowski** Vice-President of the Management Board	**Zbigniew Rymarczyk** Vice-President of the Management Board

The Management Board's statement regarding the reliability of the financial statement

The Management Board of ComArch S.A. states that to the best of our knowledge, the annual consolidated financial statement for the year 2006 and comparable data are prepared compliant with binding accounting principles and present the true, fair and clear financial standing of the Group and its financial results. Furthermore, the annual report regarding the Group's activities truly describes the development image and achievements as well as the Group's situation including basic threats and risk.

Krakow, 1 June 2007

Janusz Filipiak President of the Management Board	**Rafał Chwast** Vice-President of the Management Board	**Piotr Piątosa** Vice-President of the Management Board
Paweł Prokop Vice-President of the Management Board	**Paweł Przewięźlikowski** Vice-President of the Management Board	**Zbigniew Rymarczyk** Vice-President of the Management Board