COMARCH

2010 ANNUAL REPORT

Comarch Software und Beratung AG in figures

Group (IFRS/IAS – Value in €million)	Group 2010	Group 2009	Group 2008
Sales and Revenues	**36.9**	**38.9**	**56.6**
Sales and Revenues per Business Unit			
Standard Software	16.7	17.6	20.5
Consulting	12.5	13.7	17.5
System Integration	7.7	7.5	18.6
EBITDA	-1.7	-2.4	3.8
EBIT	-7.1	-7.1	-2.7
EBT	-7.1	-7.2	-2.9
Net profit	-7.0	-5.8	-4.6
Result per Share (in €)	-1.08	-0.89	-0.93
Balance Sheet Total	20.4	24.3	35.6
Capital and Reserves	4.7	11.7	17.5 1
Investments	2.0	1.8	3.2
Depreciation	5.4	4.8	6.4
Cashflow	0.7	2.4	5.1
Personnel/Staff Costs	22.8	23.0	26.1
Employees – yearly Average	331	387	417

Contents

Comarch Software und Beratung AG profile

Comarch Software und Beratung AG (former SoftM Software und Beratung AG), with headquarters in Munich, is a leading provider of IT solutions to small and medium-sized enterprises. By means of its complete IT solutions, Comarch Software und Beratung AG helps SMEs to optimize their business processes and gain that all-important competitive edge. The company was founded in 1973 and today has a team of over 300 employees serving about 3,000 customers in 13 locations throughout Germany, Austria and Switzerland.

The company has been listed on the Frankfurt Stock Exchange since July 1998. Since November 2008, majority shareholder has been Comarch S.A., based in Kracow, Poland. Comarch S.A, the parent company, is a global IT business solutions provider with more than 3,500 employees in 16 countries worldwide. Founded in 1993 and listed on the Warsaw stock exchange the enterprise pursues a strategy of long-term growth based on self-developed software products. In addition to modern software, Comarch's portfolio also includes extensive consulting and integration services as well as IT infrastructure solutions and hosting services. Comarch is active in the target markets telecommunications, trade, finances, public administration, IT infrastructure and SMEs as a provider of software and consulting, integration and programming services. Comarch Software und Beratung AG is integrated in the Comarch Group as a provider of IT solutions for small and medium-sized businesses as well as IT infrastructure.

Comarch Software und Beratung AG is active in three business fields:

- The business unit standard software which comprises the development, sale and implementation of integrated commercial standard software.
- The consulting business unit which offers services for introduction and support of the customer's software products.
- System integration, which offers products and services for IT infrastructure

STANDARD SOFTWARE BUSINESS UNIT

The product portfolio in the standard software business unit includes ERP software to support the entire value chain of SMEs (sales, customer relationship management, purchasing, inventory management & logistics, production, accounting and controlling) as well as solutions for electronic data interchange (EDI) and document management (DMS/ECM).

The fastest-growing product line is Comarch Semiramis. This ERP software, which is completely developed in Java, was designed to be used on the internet (enterprise resource planning = commercial business software). The special features of Comarch Semiramis are as follows: a zero administration client, all of its functions are accessed via internet browser; its simple, award-winning, intuitive design ensures high user acceptance and productivity; and the fact that users are able to work together via the internet beyond office and company boundaries improves supply chain efficiency. With over 350 customer installations, Comarch Semiramis occupies a leading position among the new generation of ERP systems.

Furthermore, the proven ERP solution Comarch SoftM Suite which focuses on a few select target markets – platform: IBM System i; industries: food manufacturers and trade. Customers can rely on a secured release policy which allows long-lasting use of the product. They can also take advantage of the opportunity offered by Comarch Semiramis to change to the open Java world at any time they choose.

The ERP system Comarch Altum is a flexible solution for SMEs that are especially focused on the trade and services industry. The compact software standard version already has a broad range of applications and meets numerous requirements that would normally require additional solutions.

Comarch has been focusing on accounting solutions for many years. For this reason Comarch also provides separate stand-alone systems for theses areas of application besides ERP solutions that include integrated financial applications. The solution Comarch Semiramis Accounting is available as a platform independent system. Furthermore, the accounting systems Comarch SoftM Suite Financials, Comarch DKS and Comarch Schilling, which are compatible with the server system IBM i, will be offered.

A modern solution for EDI, the communication between businesses, named ECOD is integrated in the own ERP systems as well as InfoStore ECM, a solution for document management und enterprise content management.

Comarch's business software solutions are provided 'on premise', with software installations at the customer's site and also 'as a service', following the on demand or cloud computing model.

The software solutions are directly marketed as well as indirectly via sales partners. Recently, the partner network for Comarch Semiramis has been extended. In addition to distribution and implementation of standard software, a growing number of partners also offers industry specific solutions that they have developed on the basis of Semiramis, for example for the textile and clothing industry, for suppliers, especially in the automotive industry, or the furniture industry.

CONSULTING BUSINESS UNIT

Via a decentralized organization with 13 sites in Germany, Austria and Switzerland, Comarch provides corresponding services (consulting, adaptation programming, data migration, etc.) in the consulting sector to introduce the products to the customer. The consultants enact application studies in the run-up of software implementation and support the customers with the adaptation of software as well as release changes. Training and support are further services of the consulting sector.

SYSTEM INTEGRATION BUSINESS UNIT

The system integration business unit is a full service provider with a cross-platform product range for the whole spectrum of IT infrastructure – from server and storage systems, peripherals, networks, and system-oriented software to DMS/ECM systems. The product range includes virtualization and server consolidation solutions, backup solution, high availability solutions and security solutions. Comarch System Integration therefore embodies the desired general infrastructure expertise that SMEs are looking for.

As full service provider, Comarch takes full responsibility for the customer's IT infrastructure, from conception and planning to installation and support. Comarch has been IBM's business partner for several years and, as its Premier Business Partner, has the highest IBM partner status.

Management and Supervisory Board

MANAGEMENT BOARD

Professor Janusz Filipiak
Chairman
(effective November, 2010)

Ludwig Ametsbichler
Finance and Controlling

Piotr Piatosa
Sales Director north

SUPERVISORY BOARD

Konrad Taranski
Chairman

Katharina Bania
Vice Chairman
(effective December, 2010)

Prof. Dr. Hans Zangl
(effective June, 2010)

Supervisory Board Report

Dear shareholders,

2010 was the second complete financial year with the Comarch Group, Poland, as majority shareholder of Comarch Software und Beratung AG. Comarch S.A., headquartered in Krakow/Poland, owns 80.89% of the equity of Comarch Software und Beratung AG via its subsidiary Comarch AG, Dresden.

2010 was another year of close cooperation, characterized by the enhancing of synergies with the Comarch Group, Krakow. Comarch Software und Beratung AG adopted a number of its parent company's products into its sales range. Various business processes were standardized and optimized.

The new accounting package synchronizing with Comarch Semiramis was implemented by pilot customers at the end of 2010. With regard to both the ERP product Comarch Semiramis and the new Semiramis accounting package, significant human resources and cost-effective development capacities were made available by Comarch in Poland.

The renaming of the company from SoftM Software und Beratung AG to Comarch Software und Beratung AG is designed to reflect the close bond with the Comarch Group in Krakow. The subsidiaries of Comarch Software und Beratung AG as well as the products of Comarch Software und Beratung AG and its subsidiaries had already been renamed Comarch in 2009.

During financial year 2010 the Supervisory Board was closely involved with Comarch's economic and financial development, strategy, and planning. During the reporting period it exercised its advisory and supervisory duties, as defined by law and in the articles of incorporation, with great care. It regularly advised the Management Board on the running of the company and monitored its business management during the year. The Supervisory Board was involved in every significant decision affecting the company.

The Management Board provided the Supervisory Board with regular, timely and comprehensive information. In four of the total of six meetings of the Supervisory Board in financial year 2010 the Management Board reported to the Supervisory Board on strategy and planning, the economic and financial development of the company, and, most importantly, significant business events. In addition, members of the Supervisory Board were also kept informed about the current business outlook and key business transactions through regular one-to-one discussions with members of the Management Board. The Supervisory Board gave its agreement to all the matters placed before it as requiring approval under the rules of procedure relating to the Supervisory Board and Management Board. Due to its small size, the Supervisory Board did not form any subcommittees during financial year 2010.

MEETINGS OF THE SUPERVISORY BOARD, MAIN FOCUS OF ADVICE AND SUPERVISION

The difficult business situation called for particularly intensive work by the Supervisory Board in 2010. A total of seven meetings of the Supervisory Board took place during financial year 2010, four of which took the form of teleconferences. Decisions were taken by means of circular resolution. All members of the Supervisory Board took part in each of the meetings held during financial year 2010.

The March 2010 meeting focused on the 2009 financial statements of Comarch Software und Beratung AG as well as the consolidated financial statements for that year plus the joint 2009 management report of Comarch Software und Beratung AG and the group. This meeting was attended by the auditor of the annual financial statements, who reported on key aspects of the audit. The agenda and draft resolutions for the 2010 Annual General Meeting were also discussed at this session. The Supervisory Board subsequently approved the final draft resolutions for the Annual General Meeting regarding changes to the company's articles of incorporation at the beginning of May 2010. These changes concerned the renaming of the company from SoftM Software und Beratung AG to Comarch Software und Beratung AG and amendments to the articles in order to bring them into line with the Act Implementing the Shareholders' Rights Directive (ARUG) which entered into force on 01.09.2009. At the inaugural meeting in June 2010 of the Supervisory Board newly voted in at the AGM on 17.06.2010, Prof. Janusz Filipiak was elected Chairman. The meetings held in August and November 2010 focused on the economic and financial development, strategy, and planning of the company as well as product development and product-related business development. Following Prof. Janusz Filipiak's move from the Supervisory Board to the Management Board, Mr. Konrad Taranski was elected Chairman of the Supervisory Board at the December 2010 meeting.

PERSONNEL

With the closing of the Ordinary AGM on 17.06.2010, the period of office of Supervisory Board members Dr. Hannes Merten, Prof. Janusz Filipiak, and Konrad Taranski also ended in accordance with the rules on rotation. Dr. Hannes Merten decided not stand for re-election to the Supervisory Board. We would like to thank Dr. Merten for the hard work he has performed to the benefit of the company in a number of management roles since the founding of the company in 1973, ultimately as Chairman of the Supervisory Board. Prof. Filipiak and Prof. Taranski were re-elected as members of the Supervisory Board at the AGM of 17.06.2010. They are joined by the newly elected Dr. Hans Zangl, who holds a professorship in business management. Dr. Zangl was able to demonstrate the required degree of independence under § 100 para. 5 of the German Stock Corporation Act (AktG) as well as an appropriate level of technical knowledge. On 24.11.2010, Prof. Filipiak, who had been elected Chairman of the Supervisory Board at its inaugural meeting in June 2010, resigned with immediate effect as a member of the Supervisory Board, having been appointed CEO of the company as of 25.11.2010. With effect from 06.12.2010, Ms. Katharina Bania was duly appointed to the Supervisory Board in his place and Mr. Taranski was elected Chairman at the December 2010 meeting. The Supervisory Board would like to thank Prof. Filipiak for his committed work as a member of the board. In addition to his position as Chairman of the Supervisory Board of Comarch Software und Beratung AG, Mr. Taranski is also a member of the Management Board of Comarch S.A., Krakow/Poland and of the Supervisory Board of Comarch AG, Dresden. Ms. Bania is also CEO of Comarch AG, Dresden.

CORPORATE GOVERNANCE

The Supervisory Board has taken into account the amendments to the German Corporate Governance Code of May 2010. In accordance with § 161 German Stock Corporation Code (AktG), the Supervisory Board and Management Board have each, in December 2010 and January 2011 respectively, made an updated declaration of conformity, and made this continuously available to shareholders on the Comarch website. Further information on corporate governance can be found in the corporate government report included in the 2010 Annual Report.

AUDITING OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The auditors Akanthus GmbH have audited the annual accounts of Comarch Software und Beratung AG (in accordance with HGB), the consolidated accounts (in accordance with IFRS), and the annual report of Comarch Software und Beratung AG and given an unqualified audit opinion. The Comarch Software und Beratung AG and consolidated financial statements, annual report and audit report have been made available to the members of the Supervisory Board, reviewed by them, and discussed in detail with the Management Board and auditors at the balance sheet meeting on 22 March 2011. There were no objections. The Supervisory Board approved the accounts drawn up by the Management Board on 22 March 2011, which are hereby adopted.

AUDITING OF THE REPORT OF THE MANAGEMENT BOARD REGARDING RELATIONS WITH AFFILIATED COMPANIES

Comarch S.A., Krakow, has been majority shareholder in the equity capital of Comarch Software und Beratung AG, via its subsidiary Comarch AG, Dresden, since 18.11.2008 and is therefore the controlling company of Comarch Software und Beratung AG under § 312 German Stock Corporation Act (AktG). Under § 5 AktG, the Management Board of Comarch Software und Beratung AG is required to draw up a subordinate status report regarding the company's relations with affiliated companies. The report for the 2010 financial year contains the following closing declaration: "The company received fair consideration in all transactions listed in the report on relations with affiliated companies. Pursuant to § 312 para. 3 Stock Corporation Act (AktG), it has neither undertaken nor refrained from undertaking any other measures. This assessment is based on the circumstances known to us at the time of our reporting obligation."

The auditors have audited the report and given the following unqualified opinion: "Following the mandatory audit and assessment carried out by us, we confirm

1. that the information in the report is correct, and
2. that the payments made by the company for transactions listed in the report were not inappropriately high."

The report of the Management Board and the audit report of the auditors have been made available to the Supervisory Board. After carrying out its own review of the subsidiary status report, the Supervisory Board has not found any grounds for complaint and agrees with the opinion of the auditors.

The Supervisory Board would like to thank the Management Board and the staff for the work they have performed and their considerable personal commitment during the 2010 financial year.

Munich, 22 March 2011

Chairman of the Supervisory Board

Konrad Taranski

Management Board Report
and Consolidated Management Report for Comarch Software und Beratung AG

BUSINESS AND OPERATING CONDITIONS

For Comarch, 2010 was once again a year of restructuring and strategic reorientation. The DASD program (decentralization of organization, lean administration, sales-driven organization, development increase) for the reduction of costs, slimming down of structures, market-focused orientation and expansion of software development which was initiated in the middle of 2009 was systematically pursued. Although Germany seems to have come through the economic crisis, and gross domestic product has risen strongly, problems remain in the small and medium-sized sector that constitutes Comarch's target market. Many customers and interested parties are finding it difficult to finance ambitious software projects. Projects that have already been started are being suspended due to a lack of finance.

Comarch Software und Beratung AG had high exceptional restructuring charges while on the other hand once more increasing its investment in product development. Within a period of less than two years it has therefore succeeded, with the help of the additional development capacity of its parent company, in developing a complete and fully integrated accounting package for its Comarch Semiramis ERP software. This development is extremely important in enabling the company to offer the market a comprehensive solution. This means that as of 2011, Comarch is able to supply and implement a modern, completely standardized ERP solution. Furthermore it will also be possible to market the new software to parties interested exclusively in accounting solutions.

As a result of its integration into the Comarch Group, Comarch Software und Beratung AG has also succeeded in coping financially during this difficult year. While the EBITDA for financial year 2010 was negative overall, a more balanced position was achieved during the fourth quarter.

The parent company Comarch S.A. of Krakow/Poland is an international provider of IT solutions for business process optimization and customer relationship management. Founded in 1993, the Group has become established throughout the world and now has around 3,500 employees at over 30 sites in 16 countries. In 2010 the Comarch Group achieved group revenues of approx. 190 million euros and net group earnings of approx. 10.8 million euros. The company is a provider of software, consulting, integration, and programming services aimed at the following target markets: telecommunications, retail, banking and insurance, public administration, IT infrastructure, and SMEs (small and medium-sized enterprises). As a provider of IT services for the SME sector, Comarch Software und Beratung AG offers an ideal fit with the Comarch Group.

Its three business units Standard Software, Consulting, and System Integration developed in different ways during the financial year.

Comarch Software und Beratung AG's business unit Standard Software (business software for enterprise resource planning and financials) develops and distributes modern business software for small and medium-sized enterprises.

With its ERPII software Comarch Semiramis, incorporating the newly developed accounting package, Comarch offers a modern software solution that has already won a number of awards for its technical and ergonomic excellence. Comarch Semiramis was developed entirely within the object-oriented Java programming language and is capable of running on standard server operating systems Microsoft Windows, Linux, and IBM as well as databases Oracle, Microsoft SQL Server and IBM DB2/400. In addition to the tried and tested ERP solution Comarch SoftM Suite, which is available exclusively for the server platform IBM System i and is aimed at the trade and retail sector and food industry, Comarch also offers a platform-neutral ERPII software that has been designed as a cross-industry solution to meet the requirements of a number of different sectors.

Comarch Semiramis is distributed both directly, via the company's own sales team, and indirectly via an outstanding network of sales partners. Comarch also offers these sales partners the opportunity to develop and market their own sector-specific solutions based on Comarch Semiramis. The positioning of Comarch Semiramis as a platform for partner products is supported by modern software technology in the form of an add-on infrastructure. This enables Comarch to open up additional sectors for its Comarch Semiramis product and thus to continuously expand its range of applications.

In addition to ERP solutions with the integrated finance applications, Comarch also markets the finance applications separately as stand-alone accounting solutions. Its range also includes the accounting solutions Comarch DKS and Comarch Schilling, which are capable of running on the server operating system IBM i. As a complementary product to both the ERP solutions and finance applications, Comarch also offers the document management system InfoStore.

Through its business unit Consulting, Comarch Software und Beratung AG provides decentralized services (consulting, adaptation programming, data transfer etc.) aimed at assisting the customer with the implementation of its products. Prior to the software implementation phase, the consultants carry out implementation studies and support the customer with implementation and adaptation of the software as well as new software releases. Other services include training and support.

Through its business unit System Integration, Comarch Software und Beratung AG distributes products and solutions for the running and upgrading of IT infrastructure. Within this area, Comarch sees itself as a full-service provider with comprehensive expertise in the field of server and storage systems, network technologies, security and high-availability solutions, virtualization solutions and system-oriented software. The main supplier in this field is IBM, although Comarch also distributes the products of numerous other renowned manufacturers.

REVENUE AND EARNINGS

As a result of the disposal of its groupware business at the end of 2009, Comarch's business unit Standard Software saw its sales revenue fall to €16.7m (previous year: €17.6m). Revenue from the groupware business amounted to approx. €0.9m in 2009.

Consulting revenue declined by €1.2m to €12.5m (previous year: €13.7m). This fall is explained for the most part by the disposal of the groupware division and the sale of group companies during the course of 2009. Between the middle of 2009 and the end of 2010 this business unit made use of opportunities for short-time working.

The third business unit, System Integration, recorded a modest increase in revenue of approximately 3% to €7.7m (previous year: €7.5m).

Overall, the group Comarch Software und Beratung AG saw its revenues fall by €2.0m to €36.9m in financial year 2010.

While still negative, the group's operating result before tax, interest and depreciation (EBITDA under the IFRS) improved relative to the previous year by €0.7m to €-1.7m (previous year: €-2.4m). The group's EBT showed a loss of €-7.1m (previous year: €-7.2m). These figures include one-off non-cash bookkeeping losses due to a goodwill amortization of €2.9m (previous year: €2.1m). The result was also adversely affected to the tune of approx. €0.5m by special factors such as restructuring measures involving a reduction in staff numbers.

The cost-saving program and efficiency drive implemented over the last two years have had a positive impact but have not yet been able to turn the operating loss around.

The result after tax was €-7.0m (previous year: €-5.8m). In the previous year, deferred taxes for the brought forward loss of €1.4m were postcapitalized at the level of the existing deferred tax liability. In 2010 deferred tax assets were once again limited to the level of deferred tax liabilities with the result that this had no impact on earnings. Actual tax on earnings paid amounted to €14,000. The System Integration segment produced a positive EBT of €0.3m while the EBT of the Software and Consulting segment was €-7.4m.

Net earnings per share were €-1.09 (previous year: €-0.89) with an average of 6,480,000 shares (previous year 6,480,000) in circulation.

The individual accounts for Comarch Software und Beratung AG under HGB show a net loss for the year of €6.2m (previous year: €-12.0). Due to the negative taxable income there were no periodic income tax charges for the financial year 2010. In order to offset the net loss for the year, the existing capital reserves and retained earnings were released in full, in accordance with HGB. This still resulted in a balance sheet loss of €2.0m (previous year: €0.0). The total book equity capital of Comarch Software und Beratung AG fell from €10.7m to €4.5m.

FINANCIAL POSITION

Despite the negative consolidated result, Comarch still managed to achieve a positive operating cash flow of €0.7m (previous year: €2.4). Contributory factors included on the one hand a significant reduction in working capital and on the other the non-cash write-downs that at €5.4m were relatively high (previous year: €4.8) due to their unscheduled component.

With regard to investment, the accounts show a negative overall balance of €2.0m (previous year: €1.8m). Expenditure on fixed assets totaled €0.2m (previous year: €0.2m) while investment in intangibles (capitalized development costs and acquired rights) amounted to €1.9m (previous year: €1.6m).

In terms of finance, contrary developments could be observed. On the one hand, the group received inflows of €3.7m from the uptake of new financing loans. On the other hand, the repayment of financing loans totaled €2.3m (previous year: €5.6m), including

the repayment of the short-term sales financing for the hardware business (€0.3m). The loans attract variable rates of interest, currently approx. 3%.

€1.5m of the existing overdraft facility of €1.7m as at the year end has been employed. Cash and cash equivalents were €0.5m as at the balance sheet date compared to €0.4m the previous year. Cash and cash equivalents to the value of €0.4m have been pledged as security for guarantee credit.

The loans of €1.6m (previous year: €1.5m) showing in the group accounts include the short-term credits. These include a short-term bank loan and the loan for sales financing in the System Integration division. In addition, the parent company Comarch AG, Dresden, has granted short-term loans amounting to €2.1m. These are included in the liabilities toward affiliated companies. This brings the loan portfolio to €3.7m as of 31.12.2010.

For the financing of company vehicles and larger IT facilities, leasing is used as a financing instrument.

NET ASSETS

Financial year 2010 has resulted in changes to the balance sheet ratios. Due to low business volumes and the reduced book value of goodwill following unscheduled write-downs, the balance sheet total has fallen to €20.4m (previous year: €24.3m). As a result of the annual loss, equity capital has fallen to just €4.7m (previous year: €11.7m) while the equity ratio has fallen from 48.2% to 23.0% on the basis of the balance sheet total. In addition to equity capital, the group also has €1.9m (previous year: €1.8m) of loan capital available (including €1.5m in deferred tax liabilities). Long-term capital is therefore €6.6m compared to €13.5m the previous year.

Long-term net assets stood at €13.7m (previous year: €17.0m). As a proportion of total assets, this represents a reduction from 70.1% to 67.1%. Coverage of long-term assets by long-term capital was therefore just 48% (previous year: 79%).

SHARES AND SHARE PRICE PERFORMANCE

The Comarch Software und Beratung AG share price moved sideways during 2010. Listed on the Xetra trading platform at €1.80 at the end of 2009, they rose to €2.50 in the middle of the year (30.06.2010) before closing 2010 at €1.75. On 11 March 2011 the Xetra share price was €2.00.

BASIS OF CONSOLIDATION, ACQUISITIONS

The basis of consolidation changed during 2010 as a result of two intra-group mergers. Comarch Solutions GmbH and Comarch Systemintegration GmbH were merged into Comarch Software und Beratung AG in 2010. The 30% stake in KEK Anwendungssysteme GmbH was sold at the beginning of 2010.

No companies were acquired by Comarch Software und Beratung AG during financial year 2010. There are currently no plans to acquire other companies or products.

RESEARCH AND DEVELOPMENT

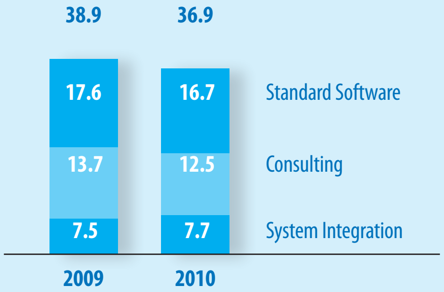
Development expenditure was further increased in financial year 2010. The nearshoring concept was continued in 2010. In conjunction with the group parent Comarch S.A., this involved establishing another team of developers in Poland in order to develop additional functionalities and modules for the product Comarch Semiramis (including the accounting package).

Research and development activities focused mainly on new and further development of the Java product lines.

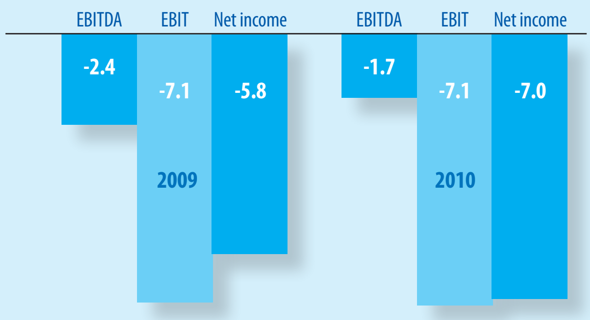
The major development project ISAR (Integrated Semiramis Accounting & Reporting) for the creation of an accounting solution integrated fully into Semiramis was carried forward in 2010 with the commitment of considerable resources. The new development, comprising applications for financial and asset accounting as well as cost accounting and controlling, entered the beta testing phase in autumn 2010 and was installed on the systems of various pilot customers in the fourth quarter of 2010. These pilot implementations of the software satisfied expectations fully and consequently the new Comarch Semiramis accounting package was launched—at industry trade fair CeBIT—in February 2011.

Release 5 of the ERPII system Comarch Semiramis was released for sale at the end of March 2010. Most importantly, this release includes a number of technical and ergonomic improvements. Thus a new add-on infrastructure was created for the easy integration of additional applications and the user interface was updated. The new accounting solution has also been realized on the basis of the new add-on infrastructure. As a result, the accounting package can be developed independently of the ERP core system. New releases of the accounting package (e.g. taking into consideration frequent accounting

Group sales by business units (in € million)



Group income development (in € million)



updates due to statutory changes) can be developed and supplied independently of the release cycle of the ERP system. This add-on infrastructure also forms the technical basis for the new Comarch Semiramis "App-Center". Customers can use this internet portal to learn about new functionalities, upgrades and frameworks and initiate the next steps in the implementation of the solutions. New apps have been made available for the managing of customer and supplier contracts and specific apps made available for the service and maintenance segment. Furthermore a business intelligence tool developed by group parent Comarch S.A. has also been integrated into the Comarch Semiramis product. New developments in the forthcoming Release 5.1 include CRM dashboards, which can be used to create tailored overviews for customers and suppliers. Here, information from the ERP and Business Intelligence applications as well as the internet can be displayed in condensed form.

Key developments for the IBM System i platform product line include the following.

Within the Comarch SoftM ERP product suite, new business intelligence cockpits have been realized for the sales and purchasing modules together with new multisite functionalities that allow several companies within the same group structure to work together. Under the name "Comarch SoftM Suite Office Plus" new add-on components, e.g. for posting in Excel and financial planning have been made available. The maintenance module has been completely revised.

New BI cockpits have been developed for the Comarch Schilling accounting software and functionalities expanded in the area of SEPA direct debits and automatic accruals and deferrals.

The Comarch DKS accounting solution has been given a new-look GUI and provided with additional options for data output in Excel. There is also a function for reclaiming input tax in Austria. New BI cockpits have also been developed for Comarch DKS.

Developers working on the TOPAS HR software focused on implementing new electronic processes. These include new changes to the ELENA electronic salary statements, automated responses for compulsory sickness and pension insurance schemes, and automated reimbursement procedures in accordance with the law on the settlement of employer contributions linked to continued remuneration.

Following the release in April 2010 of completely new client applications for the InfoStore ECM document management system developed by the Comarch Swiss AG subsidiary based in Buchs (Switzerland), developers have been working in conjunction with group parent Comarch S.A. to make the system platform-independent. InfoStore ECM is now available for use on IBM System i as well as on the Microsoft Windows and Linux server platforms. Furthermore a new workflow module has been integrated for comfortable process design and configuration, the browser functionalities have been upgraded, and new apps have been developed for smartphones such as the Apple iPhone.

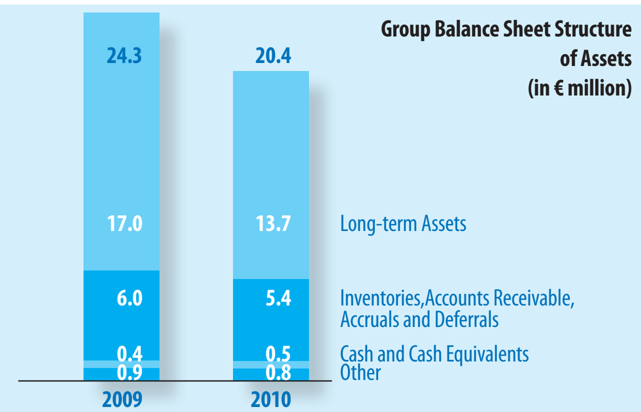
The scope of R&D activities continued to increase relative to the previous year with expenditure rising by approx. 10% to €10.7m (previous year: €9.7m). Under IFRS regulations, a proportion of the Comarch Semiramis development costs, amounting to €1.9m (previous year: €1.45m), were capitalized. No capitalization of development costs was undertaken in the individual financial statements. As of the balance sheet date, the book value of the capitalized proprietary development costs for standard software was €4.9m (previous year: €4.0m). This relates exclusively to the product Comarch Semiramis.

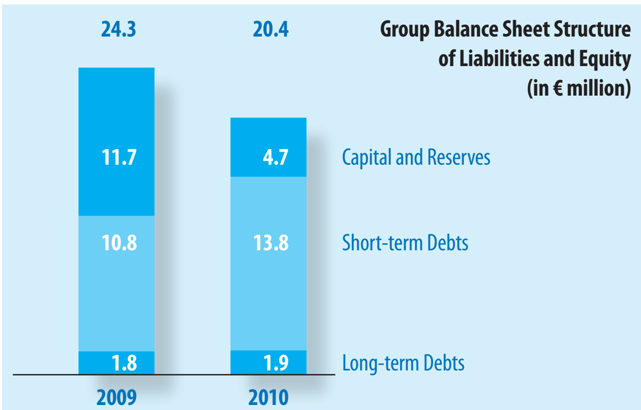
PERSONNEL

As of 31.12.2010, the Comarch Group had 318 employees (previous year: 339) including freelancers. The average for the year was 331 (previous year: 387). As a result of the staff cuts, the number of employees has fallen significantly.

The staff payment system operated by Comarch varies from unit to unit. Consulting staff receive a fixed salary plus a variable bonus based on specific quantitative reference values. Field sales staff receive a basic salary plus variable commission depending on license sales/contribution margin achieved. Software developers also receive a fixed salary plus a variable component that is dependent upon development targets. Administrative staff are remunerated mainly by means of a fixed salary.

Furthermore, certain members of staff including the members of the Management Board receive additional benefits in the form of company pension provision by means of direct insurance/provident fund and other fringe benefits.





With one exception, members of the Management Board receive a variable component on top of their fixed salary. This variable component is dependent partly on group results and partly on the meeting of individual targets. No pension commitments have been made.

RISK REPORT—OPPORTUNITIES AND RISKS FOR FUTURE DEVELOPMENT

The merger with Comarch S.A., Poland, has opened up new growth opportunities for the reporting entity.

Within the area of Standard Software, integration into the Comarch Group, Poland, has accelerated the further development and marketing of the product line Comarch Semiramis. Through this parent company, which has numerous branches and sales partners, above all in eastern Europe, Comarch is able to tap into an important target market for innovative products. In addition to its own staff, since 2009 Comarch Software und Beratung AG has had access to the highly qualified software developers of its parent company in Poland, thereby significantly increasing the speed of development of its own products. Since the end of 2009, Comarch's range has also included parent company products, enabling it to provide its customers with an even wider range of services.

The risks affecting Comarch can be categorized as follows:

Economic risks and market risks

- Significant deterioration in economic conditions. In the event of the difficult macroeconomic situation continuing over the long term, there could be a reduction in the general readiness to invest, adversely affecting the sale and implementation of Comarch products and postponing investment plans. A faltering or weak economic performance could therefore have a negative impact on the revenue and earnings of the group Comarch Software und Beratung AG.
- The software industry is still undergoing a consolidation phase as a result of which competition has increased and will continue to do so. It is possible that competitors could succeed in winning market share from Comarch.
- Comarch generates a significant proportion of its sales revenue from maintenance contracts with existing customers. If these customers decided to terminate their maintenance contracts and at the same time not to conclude any new license or service contracts, this could have a negative impact on Comarch's earnings.
- System Integration revenues are influenced to a considerable extent by the terms and conditions of the hardware manufacturers. Significant changes to these terms and conditions could have a negative impact on the sales revenue and gross margin of this segment.

Product risks

- Despite extensive planning and testing, there is always a possibility that new software products and new releases might contain undetected errors. For this reason, the company makes every effort, in close cooperation with the customer, to remedy any defects that come to light following delivery. Nevertheless, there can be no guarantee that defects can always be resolved to the satisfaction of the customer. For this reason customers could claim reimbursement of sums paid as well as damages, exchange of the software product or other concessions. In the event of legal disputes, purchase or service agreements could be interpreted by the court as contracts for the supply of services. Incidents of this kind could adversely affect Comarch's earnings and reputation.
- The planning of new software products is based on extensive experience within the group of development and projects relating to similar products (Comarch SoftM Suite, Comarch Schilling, Comarch DKS). However, the possibility of technical problems arising during the development phase, of products failing to be completed on schedule, and of products only becoming marketable after a delay cannot be completely ruled out. Because product development involves a certain amount of collaboration with developers based abroad, there is some risk of the implementation of development targets being adversely affected. These product risks have been reduced by the successful completion of the Comarch Semiramis accounting package.

Project risks

- Software implementation activities are subject to numerous risks that are partly beyond Comarch's control. Such projects are often dependent on the availability of customer-side resources. Project risks could result in delays to system implementations and/or increased project costs. Demands for compensation and damage to Comarch's image cannot be ruled out.

Staff risks

- Key members of staff quitting Comarch Software und Beratung AG without any suitable replacement being found could have an adverse affect on business. Comarch faces stiff competition in the recruitment of highly qualified employees in the IT sector. No guarantee can therefore be given that it will continue to be able to retain its all-important top performers. In the near future, Comarch is therefore planning to initiate a collaboration with universities as a means of obtaining staff.

Legal and compliance risks

- In the field of software development, legal risks can arise with regard to copyright. We have therefore ensured by means of service/development contracts with external partners that all rights are retained by Comarch.

Financial risks

- For various reasons it is difficult to predict the proceeds from services and software licenses and also, most importantly, System Integration revenue streams. This is explained, for example, by the relatively long sales cycles, delays in the installation of software products or servers and budget changes on the part of the customer. However, since Comarch's outgoings remain relatively constant over the short term, the delay or failure to materialize of anticipated sales revenues can lead to significant periodic fluctuations in the operating result, thereby creating cash flow problems.
- Fluctuations and reductions in the licensing business impact on future service and maintenance revenues, which as a rule follow the licensing revenue at a certain remove. Any reduction in revenues from software licenses relative to the previous year and cancellations of software maintenance contracts can therefore have a negative impact on the group's total sales and earnings.
- The development capacity is currently very high, entailing temporarily increased fixed staff costs in the short term. On the other hand, revenue growth from software products is difficult to predict and subject to market risk.
- Comarch operates without credit loss insurance. In the area of System Integration in particular, this can result in bad debt losses despite the widespread use of leasing companies and supply subject to payment on delivery.
- Due to the presence of a subsidiary in Switzerland, an appreciable volume of business and expenditure is transacted in Swiss francs. Relatively strong exchange rate fluctuations can result in currency losses. However, Comarch remains of the view that the associated currency risks are manageable. Comarch has therefore chosen not to hedge these currency risks by means of derivatives. As a result of currency fluctuations in connection with the euro crisis, exchange rate differences have given rise to appreciable costs during financial year 2010.
- The significant loss for the year and shortfalls against budget in combination with the negative operating result before interest and depreciation have resulted in a greater utilization of funds, with the result that Comarch's borrowing requirement has risen relative to the previous year. This in turn creates higher liquidity risks for the future. As a result of its integration into the financial system of the Comarch Group, Poland, Comarch Software und Beratung AG can safely assume that until further notice, and certainly for the next 18 months (from balance sheet date) this situation does not pose any risk to its continued existence. Concrete financing commitments are currently in place for a period of 15 months. At the beginning of each year, Comarch Software und Beratung AG receives an inflow of maintenance revenues amounting to several million euros, thereby ensuring that it is able to finance itself for the first six months of a given financial year. We currently assume that in order to secure its continuation, Comarch Software und Beratung AG will be dependent on its parent company even beyond the period of the existing financing commitment.
- With respect to the loss for the financial year 2010, the capital reserves and retained earnings were no longer sufficient to cover the loss in full. A proportion of the share capital has thus been consumed by losses. Further losses could result in the disappearance of as much as half the share capital with the consequence that under the German Stock Corporation Act (AktG) an extraordinary general meeting would need to be called.
- Further information on the management of the financial risks as well as on price change risk, default risk, and liquidity risk with relation to financial instruments can be found in the Group Appendix (text—figure 24). It has not been included here for the sake of avoiding repetition.

The risks listed above place considerable demands on Comarch's risk management and require the necessary financial resources to be kept on stand-by. Getting these processes under control is the main priority of Comarch's risk management. In order to meet these difficult challenges, the controlling function has been refined. A new planning and reporting system incorporating monthly forecasts has been brought into operation.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM PURSUANT TO § 289 PARA. 5 AND § 315 PARA. 2 NO. 5 GERMAN COMMERCIAL CODE (HGB)

The improvement of the internal control system represents an important ongoing internal task. In addition to systematic risk analysis, this task also covers the implementation of early indicators enabling risks to be detected at an early stage so that the appropriate countermeasures can be taken.

The internal control system of the group Comarch Software und Beratung AG incorporates all the principles, procedures, and measures for the ensuring of security, effectiveness, profitability, accounting compliance, and guaranteeing adherence to the relevant statutory regulations. The system encompasses all the internal control and monitoring systems. In particular, the Management Board has entrusted the controlling, accounting/finance, and HR functions with the responsibility of performing this task. The monitoring system comprises measures both integrated into and independent of processes. IT-supported controls as well as manual controls (such as the four eyes principle) are employed. The Supervisory Board entrusts the auditors with different tasks each year in order to test the control system. In addition to strategic risk management (including the protection of assets and protection against damage by means of insurance), risk management as part of the internal control system also encompasses the early detection of risks and the early detection of risks posing a threat to the continuation of the Group (under § 91 para. 2 German Stock Corporation Act, [AktG]).

All accountable events are recorded using the Group's own software. For the group's financial statement, data from the internal systems is read into an external standard consolidation tool. From this the consolidated accounts with capital, asset and debt consolidation as well as cost and earnings consolidation are then produced and documented. The transferring of the individual annual accounts into the group accounts is regularly monitored by the auditors of the group financial statements.

Specific risks relating to group accounting can arise, e.g. as a result of unusual or complex transactions, in particular relating to time-critical year-end procedures. Non-routine business activities are also subject to latent risk. In the evaluation of assets, a process undertaken by various members of staff, risks can arise as a result of individual assessment.

Regular checking and monitoring ensures that accountable events are reported in timely fashion and recorded and also handled in accordance with the guidelines of the internal control system. Accounting procedures including drawing up the balance sheet in accordance with IFRS are regulated by the accounting code.

The internal control system facilitates the comprehensive recording and evaluation of the relevant factors. However, it is impossible to rule out the possibility of problems due to defective controls, personal decision-making leeway, willful misconduct, and other circumstances.

DISCLOSURES PURSUANT TO § 289 PARA. 4 AND § 315 PARA. 4 GERMAN COMMERCIAL CODE (HGB)

The subscribed capital of Comarch Software und Beratung AG is €6,480,000. The equity capital comprises 6,480,000 individual bearer shares. There is no preference stock. One share has an arithmetical value of €1.00 of equity capital. The endowment of the stock with rights and obligations is governed by the relevant regulations of the German Stock Corporation Act (AktG). There are no restrictions on voting rights or the transfer of shares other than the relevant provisions of AktG. The new shares resulting from the increase in capital recorded in the register of companies on 18.11.2008 have not been admitted for trading on a stock exchange and to date no stock exchange listing has been applied for. Only the legal voting restrictions apply. No shareholder or group of shareholders has any special rights. The company's employees or subsidiaries have no equity participation of a kind that would enable rights of control to be exerted by the employees. As the company's shares are bearer shares, the company holds no detailed information on its free-float shareholders or therefore on any private share ownership by employees.

The rules pertaining to the appointment and removal of members of the Management Board and amendments to the articles of association are governed by the corresponding regulations in the Stock Corporation Act (§ 84 AktG and § 179 AktG). In accordance with § 7 of the articles, the number of members of the Management Board is to be determined by the Supervisory Board. In accordance with § 13 of the articles, the Supervisory Board is empowered to make changes affecting wording alone.

Further to the authorizing of the Management Board at the Annual General Meeting of 19.06.2008 to increase the company's equity capital with the approval of the Supervisory Board, while fundamentally granting subscription rights, once or a number of times on or before 18.06.2013, subject to a limit of €2,400,000.00 against cash or contributions in kind through the issue of new shares made out to the bearer (Authorized Capital 2008), the remaining capital authorized in 2008 is €990,000. No further authorization currently exists allowing the Management Board to utilize the approved capital. The Annual General Meeting has at the same time authorized the Management Board to exclude subscription rights under certain conditions and with the approval of the Supervisory Board.

The Annual General Meeting of 19.06.2008 authorized the Management Board to issue, on or before 18.06.2013, with the approval of the Supervisory Board, once or a number of times, convertible and/or warrant bonds (or a combination of these instruments, referred to jointly here "bonds") with or without restrictions on term to maturity, registered or made out to the bearer and subject to a limit of €10,000,000.00 and to grant the bearers/creditors of the bonds rights of conversion/option on a total of €2,490,000.00 shares in Comarch Software und Beratung AG made out to the bearer with a proportionate share in the equity capital up to a total of €2.490.000,00 in accordance with the terms and conditions of the convertible/warrant bonds. With regard to the issue of these bonds, shareholders are to enjoy statutory subscription rights as a matter of principle. The Annual General Meeting has at the same time authorized the Management Board to exclude subscription rights under certain conditions and with the approval of the Supervisory Board. To this end the equity capital is conditionally increased by up to €2,490,000.00 through the issue of a maximum of €2,490,000.00 new bearer shares (Conditional Capital 2008). To date the Management Board has not made use of this authorization.

Further details regarding the aforementioned authorizations can be found in the authorization resolution of the Annual General Meeting of 19.06.2008 and § 5 para. 1 (Authorized Capital 2008) and § 5 para. 2 (Conditional Capital 2008) of the company's articles of incorporation.

The Management Board is not currently authorized to acquire the company's own shares.

As of the balance sheet date (31.12.2010), Comarch S.A., Krakow, Poland, indirectly held 80.89% of the voting rights of Comarch Software und Beratung AG. In accordance with § 22 section 1 para. 1 no. 1 of the German Securities Trading Act (WpHG), these voting rights were attributable in full to Comarch S.A. via Comarch AG, Dresden, Germany. As of the balance sheet date (31.12.2010), Comarch AG, Dresden, Germany, held 80.89% of the voting rights of Comarch Software und Beratung AG. As of 31.12.2010, there were no other stakes in the equity capital of Comarch Software und Beratung AG conferring more than 10% of voting rights.

CORPORATE GOVERNANCE REPORT AND DECLARATION

Declaration of compliance with the German Corporate Governance Code pursuant to § 161 German Stock Corporation Act (AktG)

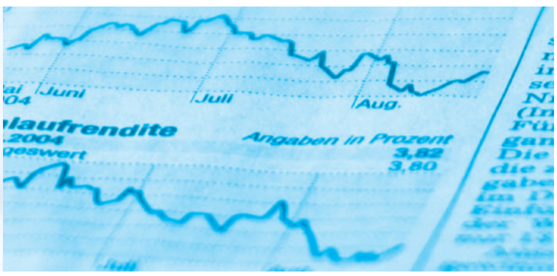
Comarch Software und Beratung AG supports the goal of promoting the trust of shareholders, customers, staff, and the public in the management and supervision of German listed corporations through a Corporate Governance Code. Last year corporate governance continued to enjoy its usual high status at Comarch. For Comarch, corporate governance is a requirement that extends to all areas of the company. The object of company policy is transparent reporting and corporate management in the interests of the shareholders. In December 2010 the Management Board and Supervisory Board made the following declaration of compliance

In accordance with § 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of Comarch Software und Beratung AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official part of the electronic Bundesanzeiger (Federal Gazette) on 04.07.2003 in the version of 18.06.2009 to 01.07.2010, and from 02.07.2010 the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the electronic Bundesanzeiger on 02.07.2010 in the version of 26.05.2010 have been complied with since the declaration of compliance made on 22.12.2009 and will continue to be complied with and that any recommendations that have not or will not be implemented will be disclosed.

This declaration—along with explanations—has been made continuously available to shareholders on the website www.comarch.de and is renewed annually.

Shareholders and Annual General Meeting

By exercising their voting rights, shareholders decide on the fundamental matters affecting Comarch Software und Beratung AG. Shareholders can exercise their voting rights at the Annual General Meeting in person, through a representative of their choice or through a company-appointed proxy bound to vote in accordance with instructions. The items on the agenda and a statement of the conditions of registration and attendance and a description of shareholders' rights are given on the invitation to the AGM. All documents and information relating to the AGM are also available on the Comarch website www.comarch.de. The AGM decides on all matters put before it, in particular the ratification of the Management Board and Supervisory Board, the election of the auditor,



amendments to the articles of incorporation and changes in the capital structure. After the AGM, Comarch Software und Beratung AG will publish the numbers present and voting results on the internet. Comarch Software und Beratung AG provides its shareholders four times a year, in line with a fixed financial calendar, with reports on the company's assets, financial position, and earnings position. The members of the Management Board inform shareholders, analysts and the public of quarterly, six-monthly and annual results on a regular basis.

Working method of the Management Board

The Management Board performs the executive and operational duties on its own responsibility. In particular, the Management Board is responsible for the strategic orientation and internal control and risk management system of the group. This system is being continually developed and adjusted to meet the needs of the changing operating environment. Details can be found in the risk report, which also includes the report on the accounts-related internal control and risk management system required by the German Accounting Law Modernization Act (BilMog). The members of the Management Board bear joint responsibility for the entire company management. Notwithstanding this joint responsibility of the Management Board members, each individual member also acts on his or her own responsibility within his or her allocated department. The Management Board decides collectively on all matters of key importance. The division of responsibilities and cooperation between members of the Management Board are regulated by rules of procedure and an executive organization chart. The executive organization chart assigns the various departments to members of the Management Board. The Chairman of the Management Board (CEO) is responsible for leading and coordinating the Management Board. Management Board meetings take place at regular intervals. Where nothing else is prescribed by law, Management Board decisions are taken with a simple majority vote. Where the number of votes is equal, the CEO has the casting vote.

Working method of the Supervisory Board

The Supervisory Board consists of three members. Due to the small number of Supervisory Board members, no subcommittees have been formed. This small size allows for effective working by the whole board without further measures being necessary. The Supervisory Board monitors and advises the Management Board in the conduct of its business. It appoints and dismisses the members of the Management Board, reviews and approves the Management Board remuneration system and sets the overall remuneration level. It is involved in all decisions of fundamental importance to Comarch. The Supervisory Board has adopted a set of rules of procedure. The Chairman of the Supervisory Board coordinates the work of the board, chairs its meetings, and acts on its behalf externally. The Supervisory Board holds at least two meetings per calendar six months. The Supervisory Board has a quorum when all three of its members take part in the passing of a resolution. Where no other majority is prescribed by law, it takes decisions with a majority of its members. Details of the activities of the Supervisory Board during the reporting year are given in the report of the Supervisory Board.

When re-electing the Supervisory Board at the 2010 AGM, account was taken of the requirement under § 100 para. 5 German Stock Corporation Act (AktG) for the Supervisory Board to include one independent member with expert knowledge in the field of accounting.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Management Board and Supervisory Board work closely, frankly and openly together for the benefit of the company. Their common goal is to secure and sustainably increase company value. The Management Board reports to the Supervisory Board regularly, punctually, and in detail on all issues of corporate strategy, planning, business development, financial and earnings position of relevance to the company as a whole as well as on specific business risks and opportunities. The Management Board's rules of procedure include a catalogue of transactions for which it requires the approval of the Supervisory Board. There were no conflicts of interest concerning Management Board or Supervisory Board members requiring disclosure to the Supervisory Board.

Directors' dealings and Management Board and Supervisory Board shareholdings

In accordance with § 15 a of the Securities Trading Act (WpHG), members of the Management Board and Supervisory Board of Comarch Software und Beratung AG as well as certain employees with management responsibility and persons closely associated with them are required to disclose any transactions made by them concerning the shares of Comarch Software und Beratung AG or related financial instruments of Comarch AG. However, there is no duty of disclosure where the total value of transactions conducted by one of the aforementioned persons is less than €5,000 in a given calendar year. In accordance with company rules and German law, the following transactions were disclosed during the period 01.01.2010 to 31.12.2010:

Trading day	Name/position	Financial instrument/ WKN/ISIN	Place	Type of transaction	No. of units	Currency/ price	Volume of business
11.03.2010	Dr. Hannes Merten/ Supervisory Board	Share/ DE0007249104	off-exchange	Sale	216.626	€1.60	€346,601.60
11.03.2010	Monika Merten/ Wife of Dr. Hannes Merten, Supervisory Board	Share/ DE0007249104	off-exchange	Sale	38.000	€1.60	€ 60,800.00

Under section 6.6 of the German Corporate Governance Code, the ownership of shares in the company or related financial instruments by Management Board or Supervisory Board members are to be disclosed where these directly or indirectly exceed 1% of the shares issued by the company. If the entire holdings of all the members of the Management Board and Supervisory Board exceed 1% of the shares issued by the company, this are to be reported separately according to Management Board and Supervisory Board.

As of the balance sheet date the following shares representing more than 1% indirectly of the shares issued by the company were held by individual members of the Management Board or Supervisory Board:

CEO Prof. Janusz Filipiak (500,158 units)

Furthermore, with regard to the shareholdings of all Management Board and Supervisory Board members amounting individually to less than 1% of the shares issued by the company, as of the balance sheet date 8.58% of the issued stock was held by the general management.

Share option programs and similar security-based incentive schemes

There are currently no programs or systems of this kind in operation.

ACCOUNTING PRACTICES

The firm of auditors Akanthus GmbH was chosen at the Annual General Meeting of Comarch Software und Beratung AG on 17 June 2010 to audit the annual accounts and carry out a review of any interim financial reports pursuant to §§ 37 w, 37 y Securities Trading Act (WpHG). The accounting practices used by Comarch Software und Beratung AG follow HGB (individual annual financial statement of Comarch Software und Beratung AG) and IFRS (consolidated financial statement) as they are to be applied within the EU. Responsibility for the individual and consolidated financial statements lies with the Management Board. The individual and consolidated financial statements are assessed/ approved by the Supervisory Board.

REMUNERATION REPORT

Remuneration of the Management Board

The Supervisory Board is responsible for the structure of the remuneration system and for the remuneration of individual members of the Management Board. The Supervisory Board reviews and decides on the remuneration structure on a regular basis. With regard to new contracts to be concluded in future, the current remuneration system is to be revised with respect to the Act on the Appropriateness of Management Board Remuneration (VorstAG).

At the AGM of 26 June 2006 it was decided to make use of an option contained in the Management Remuneration Disclosure Act (VorstOG) allowing companies to refrain from disclosing Management Board remuneration by named individual.

The level of remuneration received by members of the Comarch Software und Beratung AG Management Board is based on the size of the company, its economic and financial position, and the level and structure of Management Board remuneration at comparable companies. Remuneration levels also take into account factors such as sphere of responsibility, experience, and contribution of the Management Board member to the success of the company.

One member of the company's Management Board receives no remuneration for his services as a member of the board of Comarch Software und Beratung AG as this activity is part of his responsibilities as a member of the Management Board of Comarch S.A., Krakow/Poland, the group parent company (double management board mandate).

The remuneration agreed with the other members of the management Board (with one exception, where no variable remuneration is paid) is based on the system described below. Remuneration is in part results-related and consists of two components: a fixed component in the form of a fixed monthly salary plus benefits in kind and a variable component agreed annually with the Supervisory Board which is results-based and/or based on individual targets according on the sphere of responsibility of the Management

Board members. In financial year 2010 the management as a whole (including members of the Management Board who have left office) received €445,000 in fixed remuneration and €65,000 in variable remuneration. No pension commitments were made to Management Board members.

Two members of the Management Board are entitled to receive their monthly salary for a further six months in the event of the non-renewal of their employment contract without cause. One of them left the Management Board during the first quarter of 2011.

In the event of a "change of control", which comes into effect under the applicable agreements where a shareholder announces a stake of more than 50% in Comarch Software und Beratung AG, two members of the Management Board have special termination rights with a period of notice of four weeks to the end of the month under their contracts. This special termination right does not apply to stakes in Comarch AG, Dresden, or any company affiliated to it. In the event of this special termination right being exercised by a member of the Management Board, the company is required to pay the management board remuneration to the individual in question for a period of nine months—subject to a maximum corresponding to the remainder of the agreed period of office under the relevant employment contract. One Management Board member to whom this applies left office in the first quarter of 2011.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was set at the AGM and is governed by § of the articles of incorporation. The remuneration of the Supervisory Board is based on the duties and responsibilities of the board members as well as on the size and economic success of the company.

The fixed remuneration per Supervisory Board member is €5,000 p.a. In addition, each member receives a variable remuneration of 0.25% of the EBT of the group Comarch Software und Beratung AG. The Chairman of the Supervisory Board receives twice this amount. The total Supervisory Board remuneration for financial year 2010 was € 20,000. No variable remuneration was paid during the year.

SUPPLEMENTARY REPORT

A new version of the corporate governance declaration was published on the internet on 12.1.2011.

Ralf Gärtner left the Management Board at the end of January and has also left the company.

The new Semiramis accounting package was released for sale in February 2011.

OUTLOOK

According to various market forecasts (trade association Bitkom March 2011, PAC January 2011), the German IT market is set to grow by over 4% in 2011. Due to the continuing financing difficulties facing small and medium-sized enterprises and taking into account the group's business development in 2009/2010, moderate revenue growth has been forecast for the Comarch Software und Beratung AG in 2011 and 2012. The Management Board of Comarch Software und Beratung AG is counting on a significant reduction in the consolidated losses but does not yet anticipate a positive group result. A positive result before tax (EBT) is expected for the Hardware segment and a negative EBT for the Software and Consulting segment. Positive results are anticipated for these two segments as well as the group as a whole in financial year 2012. With respect to the existing financing risks and financial dependency on parent company Comarch S.A., please see further details in the risk report.

SUBSIDIARY STATUS REPORT

Closing statement of the Management Board on relations with affiliated enterprises: "The company received fair consideration in all transactions listed in the report on relations with affiliated enterprises. Pursuant to § 312 para. 3 Stock Corporation Act (AktG), it has neither undertaken nor refrained from undertaking any other measures. This assessment is based on the circumstances known to us at the time of our reporting obligation."

Munich, 11 March 2011

Comarch Software und Beratung AG

The Management Board

Prof. Janusz Filipiak

Ludwig Ametsbichler

Piotr Piatosa

Group Financial Statement

Group Balance Sheet

ASSETS	Annex	December 31, 2010 €	December 31, 2009 €
Short-term assets			
Cash and cash equivalents	(1)	543,584.58	410,486.49
Accounts receivable from sales and services	(2)	5,423,585.15	5,965,747.47
Securities	(3)	0.00	37,053.46
Inventory	(4)	106,908.65	170,453.44
Accounts receivable from associated companies	(5)	212,320.98	136,960.65
Other accounts receivable and assets	(6)	249,281.04	405,908.18
Accrued and deffered items	(7)	126,929.55	122,524.23
Sonstige Finanzanlagen Other financial assets	(10)	43,200.00	0.00
Total short-term assets		**6,705,809.95**	**7,249,133.92**
Long-term assets			
Intangible assets acquired through payment	(8)	1,104,821.38	2,268,138.06
Capital development costs	(8)	4,869,200.00	4,017,800.00
Goodwill	(8)	5,600,000.00	8,480,687.08
Fixed assets	(9)	340,160.06	449,023.38
Shares in associated companies	(10)	0.00	44,936.08
Other investment	(10)	21,600.00	0.00
Other accounts receivable and assets	(6)	153,761.60	202,184.73
Deferred taxes	(11)	1,570,936.00	1,566,396.00
Total long-term assets		**13,660,479.04**	**17,029,165.33**
Total assets		**20,366,288.99**	**24,278,299.25**

LIABILITIES

	Annex	December 31, 2010 €	December 31, 2009 €
Short-term liabilities			
Loans	(12)	1,557,499.29	1,500,273.48
Liabilities from sale and services	(13)	1,895,959.54	2,321,711.94
Liabilities to associated companies	(14)	3,441,000.81	1,530,232.88
Received advanced payments	(15)	97,000.00	45,356.00
Tax provisions	(16)	546.41	199.72
Other provisions	(17)	6,030,593.66	4,725,667.53
Other short-term liabilities	(18)	754,569.98	617,742.32
Accrued and deferred items	(19)	20,913.06	8,959.56
Total short-term liabilities		**13,798,082.75**	**10,750,143.43**
Long-term liabilites			
Other provisions	(17)	312,024,96	270,235.65
Provisions for deferred taxes	(20)	1,570,936,00	1,566,396.00
Total long-term liabilities		**1,882,960,96**	**1,836,631.65**
Equity capital			
Subscribed capital of Comarch Software und Beratung AG	(21)	6,480,000.00	6,480,000.00
Capital surplus	(21)	0.00	1,414,489.21
Balance sheet loos (previous year: profit)	(21)	-1,861,244.98	3,790,531.60
Reserve for foreign currency conversion	(21)	66,490.26	6,503.36
Total equity capital		**4,685,245.28**	**11,691,524.17**
Total liabilities		**20,366,288.99**	**24,278,299.25**

Group Income Statement

	Annex	December 31, 2010 €	December 31, 2009 €
Net sales	(25)	36,867,057.14	38,894,876.01
Other revenues	(26)	1,065,685.82	1,319,617.84
Changes in work in progress	(27)	-9,260.73	27,468.09
Capitalized costs of self-constructed assets (development costs)	(28)	1,890,000.00	1,450,000.00
Costs of purchased materials	(29)	-6,352,817.49	-6,865,997.48
Costs of purchased services	(30)	-4,344,627.42	-4,610,590.16
Personnel costs	(31)	-22,796,019.85	-23,000,630.43
Depreciation of fixed assets and intangible assets	(32)	-5,366,183.62	-4,754,373.20
Other operating costs	(33)	-8,051,246.06	-9,577,246.31
Operating result (EBIT)		**-7,097,412.21**	**-7,116,875.64**
Net interest income	(34)	45,324.51	-27,025.73
Interest and income from equity participation	(35)	0.00	-9,435.25
Result before tax on earnings (EBT)		**-7,052,087.70**	**-7,153,336.62**
Tax on earnings	(36)	-14,178.09	1,410,005.36
Consolidated net result		**-7,066,265.79**	**-5,743,331.26**
Changes in balancing item from currency conversion of foreign subsidiaries		59,986.90	-27,410.12
Group result		**-7,006,278.89**	**-5,770,741.38**
Result per share (€)		-1.08	-0.89

Group Cash Flow Statement

		December 31, 2010 k€	December 31, 2009 k€
=	**Consolidated interest in net income/loss**	**-7,066,265.79**	**-5,743,331.26**
+/-	Depreciation/revaluation of long-term assets	5,366,182.63	4,754,373.20
-/+	Profit resulting from sale of consolidated companies	0.00	12,235.09
-/+	Profit/loss resulting from disposal of fixed assets	-3,453.70	8,055.20
+/-	Increase/decrease in provisions	1,351,602.13	-2,121,633.36
-/+	Increase/decrease in inventories,receivables from goods and services,as well as other assets not attributable too investment or financing	670,852.19	5,154,718.26
+/-	Increase/decrease in liabilities,claims for goods and services,as well as other liabilities not attributable too investment or financing	380,183.01	345,603.79
+/-	Other expenditures and revenues not effecting payments/income	40,765.15	-15,453.10
=	**Operative cash flow**	**739,865.62**	**2,394,567.82**
+	Net cash inflow from fixed asset disposal	16,726.85	114,545.81
+	Income from loans	27,853.00	0.00
-	Expenditure for fixed asset development	-159,738.27	-170,891.95
-	Expenditure for intagible asset investment	-1,916,485.02	-1,595,174.12
+	Income from disposal of sale of consolidated companies or other busines units	0.00	73,717.77
-	Less disposed funds	0.00	-136,442.01
-	Expenditures for acquisition of consolidated companies or other business units	0.00	-100,000.00
+	Net cash inflow from disposals of associated companies	50,000.00	29,787.23
=	**Cash flow from investment activity**	**-1,981,643.44**	**-1,784,457.27**
+	Income from capital investment	0.00	607,237.95
-	Expenditure for loans	3,664,985.13	2,035,637.58
-	Expenditure for loan liquidation	-2,302,501.64	-5,559,800.11
=	**Cash flow from investment activity**	**1,362,483.49**	**-2,916,924.58**
	Changes in capital funds affecting payment	**120,705.67**	**-2,306,814.03**
+/-	Valuation changes in funds due to currencies or consolidated group changes	12,392.42	-5,013.79
+	Funds at the beginning of period	410,486.49	2,722,314.31
=	**Funds at the end of period**	**543,584.58**	**410,486.49**

Group Segment Report

as at December 31, 2010

(1. Figures in Segments)	**Software/ Consulting** 2010 m €	**System integration** 2010 m €	**Group** 2010 m €	**Software/ Consulting** 2009 m €	**System integration** 2009 m €	**Group** 2009 m €
Revenues total	29,2	7,7		31,4	7,5	
Revenues (external)	**29,2**	**7,7**	**36,9**	**31,4**	**7,5**	**38,9**
Capitalized own work	1,9	0,0	1,9	1,5	0,0	1,5
Other operating income (intersegmental)	0,0	0,0		0,3	0,3	
Other operating income	1,0	0,0	1,0	1,0	0,3	1,3
Income	**32,1**	**7,7**	**39,8**	**33,8**	**7,8**	**41,6**
Expenses	**39,5**	**7,4**	**46,9**	**38,0**	**10,8**	**48,8**
EBIT	**-7,4**	**0,3**	**-7,1**	**-4,2**	**-3,0**	**-7,2**
Financial result			0,0			
EBT			**-7,1**			**-7,2**
Taxes on income or other taxes			0,0			1,4
Consolidated net income / loss (before balancing item from currency conversion)			**-7,1**			**-5,8**
Segment assets	16,4	1,9	18,3	19,7	2,5	22,2
Participation in investments	0,0	0,0	0,0	0,0	0,0	0,0
Non-allocated assets			2,1			2,0
Assets (total)			**20,4**			**24,2**
Segment debts	14,5	1,2	15,7	10,8	1,7	17,8
Debts (total)			**15,7**			**18,2**
Investments	2,0	0,1	2,1	1,8	0	1,8
Depreciation	5,4	0	5,4	2,9	1,9	4,8
- of which extraordinary	2,9	0		0,3	1,8	

(1. Figures geographical)	**Domestic** 2010 m €	**Foreign** 2010 m €	**Group** 2010 m €	**Domestic** 2009 m €	**Foreign** 2009 m €	**Group** 2009 m €
External revenues from sales by location	30,2	6,7	36,9	32,4	6,5	38,9
Intangible and fixed assets	19,1	1,3	20,4	15,2	0,1	15,3

Group Capital and Reserves Statement

in €	Share capital	Total capital surplus	Group earned equity	Adjust-ments for currency conversion	Equity as to Group balance sheet	Own shares not desig-nated for redemption	Group capital and reserves
Dec. 31, 2008	**6.480.000,00**	**13.567.019,88**	**-2.618.667,81**	**33.913,48**	**17.462.265,55**	**0,00**	**17.462.265,55**
Paid dividends	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Capital transactionwith owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Group annual result	0,00	0,00	-5.743.331,26	0,00	-5.743.331,26	0,00	-5.743.331,26
Changes not affecting income	0,00	0,00	0,00	-27.410,12	-27.410,12	0,00	-27.410,12
Group total result	0,00	0,00	-5.743.331,26	-27.410,12	-5.770.741,38	0,00	-5.770.741,38
Additions/withdrawals to balance sheet profit	0,00	-12.152.530,67	12.152.530,67	0,00	0,00	0,00	0,00
Dec. 31, 2009	**6.480.000,00**	**1.414.489,21**	**3.790.531,60**	**6.503,36**	**11.691.524,17**	**0,00**	**11.691.524,17**
Paid dividends	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Capital transactionwith owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Group annual result	0,00	0,00	-7.066.265,79	0,00	-7.066.265,79	0,00	-7.066.265,79
Changes not affecting income	0,00	0,00	0,00	59.986,90	59.986,90	0,00	59.986,90
Group total result	0,00	0,00	-7.066.265,79	59.986,90	-7.006.278,89	0,00	-7.006.278,89
Additions/withdrawals to balance sheet profit	0,00	-1.414.489,21	1.414.489,21	0,00	0,00	0,00	0,00
Dec. 31, 2010	**6.480.000,00**	**0,00**	**-1.861.244,98**	**66.490,26**	**4.685.245,28**	**0,00**	**4.685.245,28**

Group Annex for Business Year 2010
Notes to the consolidated accounts for the fiscal year

A. **BASIC PRINCIPLES**

B. **IMPLICATIONS OF NEW ACCOUNTING STANDARDS**

C. **BASIS OF CONSOLIDATION AND PRINCIPLES OF CONSOLIDATION**

D. **ACCOUNTING AND EVALUATION PRINCIPLES**

E. **CURRENCY CONVERSION**

F. **NOTES TO THE BALANCE SHEETS**

G. **NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**

H. **NOTES TO THE CASH FLOW STATEMENT**

I. **NOTES TO THE SEGMENT REPORTING**

A. BASIC PRINCIPLES

The consolidated financial statement is compiled pursuant to §315a of the Commercial Code in accordance with the provisions of the International Financial Reporting Standards (IFRS) in force on the reporting date. In addition to the IFRS accounting standards of the IASB, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in force on the balance sheet date had to be observed. The IFRS and IFRIC definitions replace the IAS (International Accounting Standards) and SIC (Standing Interpretations Committee) designations used until 2002. For standards which were issued up until 2002, the previous designations are still applicable.

Comarch Software und Beratung AG with registered office at Messerschmittstraße 4, 80992 Munich is included in the consolidated final statement of Comarch S.A., Cracow, Poland. Comarch Software und Beratung AG prepare for the group a subgroup financial statement by reason of the (compulsory) listing.

The mandatory statement required by § 161 of the Stock Corporation Act to the German Corporate Governance Code has been issued and has been made accessible to the shareholders on the Comarch Software und Beratung AG homepage (under www.Comarch.de section Investor Relations).

Standardized accounting and evaluation principles form the basis of the annual financial statements of the companies included in the consolidated financial statement. Valuations, which are based on tax regulations, are not carried over into the consolidated financial statement. The balance sheet date of the consolidated financial statement (31 December 2010) is the same as the balance sheet date of all the companies included in the consolidated financial statement.

The consolidated financial statement was compiled in Euro. The supplementary figures in the appendix are entered mainly in thousand €.

The profit and loss account was compiled according to the total cost method and complies with the requirements of IAS 1 (2007). The profit and loss account is shown as a distinct partial statement up until the annual operating balance. In the annex to this is a second partial statement a statement of income and accumulated income and expense, beginning with the annual operating balance taking into account the components of other results.

Pursuant to IAS1.60 ff., information shown in the balance distinguishes between long term and short term assets and debts. Assets are regarded as short term, when a payment can be expected within one year. Liabilities and provisions are regarded as short term, where they mature within one year. Receivables and liabilities from deliveries and services as well as inventories are generally shown under the short term entries. Deferred tax assets and liabilities are generally regarded as long term.

In the profit and loss account and in the balance single entries are combined for greater clarity; the entries are itemized in the appendix.

The consolidated financial statement will be released for publication on 22 March 2011 by the Board of Directors.

Amendments to the accounting and valuation principles and to the information disclosed are noted in the appendix. The previous year's figures are adjusted accordingly.

Preparation of the consolidated financial statements requires management to make estimates and assumptions to a limited extent that affect the amount and presentation of balanced assets and liabilities, income and expenses, and contingent liabilities. The actual values may deviate from the estimates.

The following German subsidiary companies of Comarch Software und Beratung AG which are included as part of full consolidation in the consolidated financial statement satisfy the provisions of § 264 Para 3 of the Commercial Code and are therefore exempt from the reporting, inspection and disclosure requirements provided in that clause. The exemption was only claimed as regards the preparation of an appendix and, if applicable, of a situation report and the disclosure requirements:

- Comarch Schilling GmbH, Bremen

B. IMPLICATIONS OF NEW ACCOUNTING STANDARDS.

The consolidated financial statement for the year 2010 was compiled in accordance with the following revised accounting standards. Applying the new accounting standards and interpretations in the first year did not have significant effects on the assets, financial and earnings position and on the earnings per share.

In January 2008 the IASB published the Revised IFRS 3 (Business Combinations) und IAS 27 (Consolidated and Separate Financial Statements) Standards, which passed into EU law in June 2009. The significant amendments to IFRS 3 deal with the accounting of minority interests, the assessment of the shares previously held in successive acquisition of businesses at the time of obtaining the control and the recognition of incidental acquisition costs affecting net income. The amendment to IAS 27 encompasses regulations for consolidation and handling of changes in holdings.

An amendment to IAS 39 (Financial Instruments: Recognition and Measurement) was issued by the IASB in July 2008. This clarifies which part of a financial instrument is to be qualified as a hedged item. The core theme of this clause is unilateral protection against risks through options and the hedging of inflation risk.

In April 2009 as part of the annual "Improvements" Projects the IASB issued the second collection of minor amendments, the "Improvements to IFRSs". The amendments can be seen principally as editorial fine-tuning to previously existing standards. The amendments will have no major effect on the assets, financial and earnings position.

Companies that receive services and goods as part of share based payments are obliged to draw up an account balance for these based on the amendments to the IFRS 2 issued in June 2009. This is independent of whether the company itself or another allied company satisfies the relevant obligation. This is also independent of whether the obligation is satisfied in equity instruments or in cash. In the course of the revision the IFRIC 8 (Scope of IFRS 2) and IFRIC 11 (IRFS 2 – Group und Treasury Share Transactions) regulations in IFRS 2 have been retained.

IFRIC 17 (Distributions of Non-cash Assets to Owners) was issued in November. The interpretation stipulates that, when an obligation for dividends in kind is to be shown as a liability, a property dividend is to be rated at the fair value of the issued assets and that the balance between the book value of the surplus assets and the book value of the dividend liability is to be recorded.

The following IFRS and IFRIC have already been issued but are not yet obligatory.

In October 2009 IAS32 was amended to the effect that subscription rights, warrants and options on a fixed number of own shares are to be shown against a fixed amount in a currency other than the functional currency of the issuer as equity instruments, provided that these are granted proportionately to all share holders of the same class. The amended standard applies to the fiscal years, which begin after 1 February 2010. This regulation will have no significant effect on the presentation of the assets, financial and earnings position and the profit per share.

The revisions to IAS 24 of November 2009 simplify the reporting requirements of companies, in which the State holds an interest (State-Controlled Entities). Moreover, the definition of related parties has been radically revised. The amended standard applies to financial years, which begin after 1 January 2011. Comarch Software und Beratung AG is assuming that the revisions will have no significant effect on the assets, financial and earnings position.

In November 2009 the IASB issued IFRS 9 (Financial Instruments), for categorising and assessing financial assets. This is the first of a three-part plan for the complete revision of accounting of financial instruments. In future financial instruments will be classified in two categories, instead of the previous three. Further amendments will principally serve to simplify the system. The issue represents the conclusion of the termination of the first of three phases of the plan for the complete revision of the accounting of financial instruments. IFRS 9 should come into force for financial years, which begin after the 01.01.2013. This has not yet passed into European law. Comarch Software und Beratung AG is currently investigating how the amendments will affect future presentation of the assets, financial and earnings position.

In July 2006 the IASB had launched the so-called Annual Improvements Process (AIP) Plan, requiring drafting corrections and other minor but necessary amendments to the IRFS to be collated and issued annually. In May 2010 the third collection of minor amendments, the "Improvements to IFRS" was issued. The amendments include editorial fine-tuning, and begin after 1 July 2010 or 1 January 2011. Comarch Software und Beratung AG is assuming that the revisions will have no significant effect on the assets, financial and earnings position.

The amendments to the IFRS 7 (Financial Instruments: Disclosures) were issued by the IASB in October 2010. The amendments cover additional liabilities for tax for financial assets not debalanced or not completely debalanced with regard to the correlation between these assets and related liabilities. Furthermore information on assigned and debalanced assets is to be collated for type and risk arising from the continuing commitment. The amendments are to be applied for the financial year beginning from 1 July 2011. This has not yet passed into European law. Comarch Software und Beratung AG is assuming that the revisions will have no significant effect on the assets, financial and earnings position.

The IASB issued amendments to IAS 12 (Income Taxes) in December 2010. Thereafter it will be assumed for the assessment of deferred taxes, that the book value of an asset is realized thru sale and not thru use. Furthermore, SIC21 was included in IAS12 and consequently SIC 21 was withdrawn. The amendments are to be applied for the financial year beginning from 01.01.2012. Comarch Software und Beratung AG is currently investigating how the amendments will affect future presentation of the assets, financial and earnings position.

IRRIC 19 was issued in November 2009 and relates to complete or partial repayment of financial liabilities by the issue of equity instruments. IFRIC 19 is to be applied for financial years which begin on or after 1 July 2010. Earlier application is permitted. This has not yet passed into European law. Comarch Software und Beratung AG is assuming that the revisions will have no significant effect on the assets, financial and earnings position.

In November 2009 a further amendment to IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Transaction) was issued. This amendment allows companies, which have to satisfy minimum funding requirements and make advance payments on these, to show the use of these advance payments as an asset. The amendment is mandatory for financial years which begin on or after 1 January2011. Earlier application is permitted. This has not yet passed into European law. Comarch Software und Beratung AG is assuming that the revisions will have no significant effect on the assets, financial and earnings position.

C. BASIS OF CONSOLIDATION AND PRINCIPLES OF CONSOLIDATION

FULLY CONSOLIDATED COMPANIES

Pursuant to the principles of full consolidation the following companies are included:

Company	Country of the head office	Capital ownership percentage in %
Comarch Software und Beratung AG (Group leadership in the subgroup financial statements)	Germany	
Comarch Solutions GmbH, Vienna	Austria	100.00
Comarch Schilling GmbH	Germany	100.00
SoftM France s.a.r.l.	France	100.00
Comarch Swiss AG	Switzerland	100.00

The reduction in the number of consolidated companies in 2010 can be traced back to intra-group restructuring. Up to 1 January 2010 the following mergers have taken place:

- Merger of Comarch Solutions GmbH, Munich with Comarch Software und Beratung AG
- Merger of Comarch Systemintegration GmbH, Munich with Comarch Software und Beratung AG

ASSOCIATED COMPANIES

KEK Anwendungssysteme GmbH, a company which had previously been recognized as an associated company under equity method principles, was sold in the fiscal year 2010. Its stake holdings until that date were as follows:

Company	Share holders	Share holding
KEK Anwendungssysteme GmbH	Comarch Software und Beratung AG, Munich	30.00 %

ACQUISITIONS AND CONSOLIDATION OF FUNDS

Consolidation of funds was effected pursuant to IFRS 3 in accordance with the Purchase Method. In this method the acquisition costs of the shares acquired with the (proportionately) newly assessed equity of the subsidiary company were cleared at the purchase date. Assets and debts are assessed by this method at their current value. With successive acquisitions of shares the initial consolidation for each shares acquisition is performed separately at the current purchase date.

Remaining active differences from the consolidation of funds are shown in the consolidated balance sheet as goodwill. Pursuant to IFRS 3 the goodwill is no longer systematically written off, but is subject to an annual impairment test.

DISINVESTMENTS

On 1 July 2009 all the shares in Comarch Polska Sp.zo.o. were sold. Furthermore on 31 August 2009 the shares in Comarch Czech Republic s.r.o. were purchased. The deconsolidation took place at the disposal date.

In 2009 the deconsolidations have led to profits of 74 thousand € in total and at the disposal date have the following effect on the assets and earning position.

Assets sold./.Debts 2009	**K€**
Stock of payment instruments	136
Fixed assets	1
Inventories	0
Receivables	58
Provisions	-38
Liabilities	-72
Deferred items	1
Assets sold./. Debts	86
Purchase price received	74
Sales loss	**12**

The sales have no significant tax consequences. In 2010 there were no sales of fully consolidated units.

EQUITY CONSOLIDATION

The shares in associated companies were balanced by the Equity Method. Holding companies, in which a company included in the consolidated financial statement exercises directly or indirectly by reason of shareholdings of between 20 % and 50 % exercises a significant influence on the operating activities of the holding company, are regarded as associated companies. In accounting by the equity method the acquisition costs of the holding are reduced annually by the changes in equity corresponding to the holdings in holding companies. The balances in the first time consolidation using the equity method from the initial consolidation are dealt with in accordance with the basic principles for full consolidation. In subsequent years this has resulted in successful subsequent consolidations, which are contained in the profit and loss account under the heading, "Impacts on profit from equity holdings"

Pursuant to the principles of IAS 36 (Impairment of Asset) the book values of the holding must be subject to an impairment test at least once annually. Details for performing this impairment test can be discovered from the notes to the goodwill. Where the equity book value has to be reduced as a result of an impairment test, these unforeseen write-offs are included in the results from equity holdings.

The accounting and valuation principles of the associated companies largely correspond to the methods used throughout the group.

An interim profits consolidation is unnecessary because it produces little useful information.

As soon as significant influence over the associated company is lost, e.g. by sale, the equity method is put in place. Success from the deconsolidation is calculated as the difference between the proceeds from the sale and the equity value at the time of the sale. This is shown under other operating income or expenses. In September 2009 the 49% holdings in d.velop Schweiz AG were sold. In February 2010 the 30% holdings in KEK Anwendungssysteme GmbH, Munich were sold, with the result that the group shows no further equity holdings on the reporting date.

CONSOLIDATION OF INCOME AND EXPENSES

Consolidation of income and expenses leads to the offsetting of mutually settled remuneration e.g. license fee/royalty payments and consulting revenue, so that the sales revenue had to be allocated with the material input and the other operating expenses. By reason of the income and expenses consolidation with linked companies, only the income and expenses that result from business transactions with "outsiders", are shown in the group profit and loss account. In this respect associated companies are also deemed outsiders.

Dividends from the subsidiary companies had to be consolidated with the corresponding dividend claims. Intra-group profit transfers (loss assumption in previous year also) were likewise eliminated.

DEBT CONSOLIDATION

As part of debt consolidation existing receivables and liabilities were netted.

INTERIM PROFIT ELIMINATION

Where profits and losses had arisen from transactions between consolidated companies, these were eliminated.

D. ACCOUNTING AND EVALUATION PRINCIPLES

The point of departure for the compilation of the consolidated balance sheet was compiling the annual financial statements in accordance with commercial law principles of the companies included on 31 December 2010.

The individual company statements were adjusted, where required, for the purposes of group accounting to accounting standards in accordance with IFRS.

The material basic principles of accounting in conformity with IFRS were observed in the accounting and valuation in the consolidated financial statement. Particular care was taken to observe the accruals principle and the going concern principle in compiling the consolidated financial statement, by fixed-term financial commitments by the parent group. In the notes in the risk reporting management report the following points are mentioned. The principles of intelligibility, completeness, materiality, comparability were observed and approached with due commercial care. Foreseeable risks and losses that have arisen up to the reporting date, were taken into consideration, even where information only became available in the period between the reporting date and the day on which the annual accounts were drawn up. Profits were only taken into consideration, where they had been realized or were regarded as sufficiently realizable.

Where assets represented future commercial use in the form of direct or indirect cash flows, they were estimated. Where current liabilities towards third parties exist, debts and provisions were carried.

The reporting date principle and the individual assessment principle were taken as a basis in the inclusion and valuation of assets and debts.

SALES REVENUE

Sales revenue was realized after deduction of tax and sales reductions at the time of the transfer of risk or on provision of services. The prerequisite for revenue reporting is that it can be assumed with adequate probability that economic benefits accruing from the market transaction will flow. Deposits which have been agreed under contract for services yet to be rendered are carried up to the date of the provision of services as "advances on sales contracts". In this case realization of the sale occurs only once the services have been provided. Customer financing for future services in the accounting period (in particular maintenance revenues) are marked down in the reporting period under deferred income.

Realization of sales of project contracts for software implementation, for which contract-for-work legislation was stipulated, is entered pursuant to IAS 11 according to their degree of completion. The degree of completion is calculated according to the service provided. On 31 December 2010 two projects had to be accounted using this method.

FINANCIAL ASSETS

The financial assets are composed of issued loans and receivables, acquired debt instruments and cash or cash equivalents. The securities shown were sold in the previous year. Derivative financial instruments are currently not in use in the Comarch Group.

Accounting and valuation of the financial assets are entered pursuant to IAS 39 (Financial Instruments: Recognition and Measurement). According to this financial assets are estimated in the consolidated balance sheet, where the Comarch Group is entitled to a contractual right, to receive payment instruments or other financial assets from a third party. Financial instruments are initially balanced at fair value less transaction costs. Non-interest bearing and low interest bearing receivables are initially balanced with the cash value of the anticipated cash flows. The follow-up valuation is entered according to the assignment of the financial assets to the following categories:

- Financial assets assessed as affecting net income at fair value include the financial assets held for trading purposes. The Comarch Group had one security in its portfolio that was assigned to this category. Changes to the fair value due to an adjustment on the stock market price on the balance sheet date affect net income. The security was sold in 2010.
- Loans and receivables are non-derivative financial assets, which are not quoted in an active market. Loans are rated with the amortized costs. Cash and cash equivalents, accounts receivable trade, receivables from affiliated companies, other investments, as well as financial assets and loans contained in the other receivables and other assets.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed term, beyond which they cannot be held. These are rated with the amortized costs and shown under other receivables and other assets. The Comarch Group currently has no relevant assets in its portfolio.
- Available-for-sale financial assets include those non-derivative financial assets, which are not assigned to one of the previously listed categories. Until 2008 this was in particular an equity, which was shown in the other investments. The Comarch Group currently has no relevant assets in its portfolio.

If evidence exists in the financial assets in the three categories above for depreciation, there is an inspection to see whether there should be depreciation in the book value. If this should prove to be the case, an allowance equal to the difference is undertaken. When the reasons for the previous unforeseen write-offs cease to exist, appropriate write-ups are undertaken. Only in the case of equity available for sale will no write-ups be undertaken. Financial assets are debalanced, where the contractual rights to payments from the financial assets no longer exist of the financial assets are transferred with all principal opportunities and risks.

ACTIVATION OF BORROWING COSTS

In the fiscal year 2010 it was not necessary to activate borrowing costs connected to the purchase and production of qualifying assets.

INVENTORIES

In accordance with IAS 2 (Inventories), assets that are held for sale in the normal course of business are shown under inventories. Commodities shown under inventories are rated at the purchase price or at the current value, it is lower. Work in progress is shown alongside commodities. Work in progress means customer-specific orders for the development and/or installation of customized or standard software that have not been processed and delivered on the balance sheet date. Valuation is carried out on the production costs incurred. Production costs include the proportionate share of the necessary material and production overheads in addition to the direct costs. Administration costs are included, where they can be classified as production costs.

Retained guarantees are not agreed in longer term contracts.

OTHER RECEIVABLES AND LIABILITIES, ACCRUALS AND DEFERRALS

Delimitations, advance payments, and non-financial assets and liabilities are balanced with the amortized costs. They are liquidated linearly or according to the provision of services. Accrual and deferral items are liquidated in the accounting period.

INTANGIBLE ASSETS

Purchased software is rated in accordance with commercial law principles with acquisition costs, less regular depreciation. In linear write-off of support software and computer application programs an average useful life of 3 years was taken as a basis and a useful life of up to 5 years for acquired license programs that directly serve revenue generation.

Development costs for customizable software are depreciated to their estimated residual value, where they satisfy the provisions of IAS 38 (identifiability, power of disposition, future economic benefits). This is the case, where the expenses are used for the creation of new software functions and where there is sufficient certainty about economic benefits. Conversely, expenses for basic research and maintenance of existing functions are treated as current expenses. Capitalized development costs are written off over a period of 3 to 5 years.

Pursuant to the principles of IAS 36 intangible assets are submitted at least once per year to an impairment test. (Please refer to the Goodwill section).

GOODWILL

Goodwill from company mergers is shown as "goodwill". Goodwill from consolidation of funds is also included under this entry. Pursuant to accounting standard IFRS 3 goodwill from company mergers as from 2005 is no longer systematically written off. Write offs of goodwill accrued up to 31 December 2004 was cleared on 1 January 2005 with the historical acquisition costs. The calculated goodwill was appropriated to individual cash-generating units within the Group. The assessment of the strategic business units is adjusted to the new group organization and defined on the basis of business processes. A particularly important distinction is made between product development centers and the regional direct sales and project areas. Alongside this the system integration is managed as an independent business unit. Pursuant to the principles in IAS 36 (Impairment of Assets) goodwill must be subjected to an impairment test at least once annually. For this the book values of the "Cash Generating Units" are compared with the recoverable amount from the cash-generating unit (net disposal proceeds or recoverable amount). A write-off of goodwill must be undertaken, if the recoverable amount falls below the book value. A possible remaining residual amount reduces the other assets of the respective strategic business units. The allowance is shown in the profit and loss account under the write-offs of property.

The recoverable amount is calculated as a cash value of future cash flows from ongoing use and at the end of the use by the cash-generating unit. The payments forecast is based on the current group planning and reviews a period of 3 years, and in the process assumptions are made, in particular about sales volume and prices as well as costs. The cash flows estimated during the planning period take no account of growth rates.

The capital costs are calculated as a weighted average of the equity capital costs and borrowing costs. The equity capital costs are based on the Capital Asset Pricing Model. The borrowing costs are calculated from the company's long-term financing conditions. Both factors are derived from capital market information and rely on assumptions and estimates about market-specific capital costs. The interest rate used for discounting of the payment figures is 7.0 % (previous year 8.3 %). This corresponds to a pre-tax rate of approximately 9.1 % (previous year 10.9 %).

In the fiscal year 2010 unforeseen write-offs of goodwill of 2,881 thousand € were necessary (previous year 2,055 thousand €).

PROPERTY

The valuation of property assets is calculated from the acquisition costs less foreseen write-offs. Unforeseen write-offs are not issued in the fiscal year. Generally the linear method is used for foreseen write-off, taking a useful life of three to five years as the basis.

When property is sold, shut down or scrapped, the profit or loss is shown as the difference between the net profit on sales and the residual book value under other income or expenses.

No use has yet been made of the possibility provided by IFRS to revalue the property.

SHARES IN ASSOCIATED COMPANIES

Shares in associated companies were balanced by the equity method and rated (cf. note to the principles of consolidation). In 2010 the remaining equity holding was sold.

TAX

The taxes levied individually on the taxable profits and also the change in deferred taxes are shown as income tax. The actual income tax is included in the amount of the estimated tax chargeable.

Deferred tax is calculated pursuant to IAS 12 (Income Taxes). Deferred tax is calculated on periodic differences between the valuations of assets and debts in the commercial and tax balance sheets, from consolidation procedures and also on realizable tax loss carry-forwards. Calculations are based on the individual tax rate of the different companies, where those companies are foreign subsidiaries.

Active deferred taxes on temporary differences and tax loss carryforwards are capitalized insofar as it is probable that an actual use of the tax loss carryforwards are sufficiently secure or insofar as passive deferred taxes in sufficient amount are precluded Calculations are based on the expected enacted tax rate at the time for realization. This procedure observes the approved regulations in force on the balance sheet date. Deferred tax assets and liability are netted, only if tax is levied by the same tax authority. Changes to active and passive deferred taxes caused by amendments to tax rates are included as affecting net income. The intrinsic value of the active deferred taxes is judged on the basis of forecasts from the individual companies about the future income position.

OTHER PROVISIONS

Other provisions are estimated for commitments arising from past events, whose due date for payment and/or amounts of debt are unknown. Valuation is entered as the amount, which according to the best possible estimate is required to satisfy the commitment. If provisions of a short-term character are given (due date for payment within one year) discounting is not undertaken.

The delimitations of other provisions and "accrued debts" as defined in IAS 37.11b are entered in accordance with the procedure in previous years giving the benefit of the doubt of a presentation under provisions, in order to guarantee comparability with the previous year's financial statements.

FINANCIAL LIABILITIES

Financial liabilities consist of non-derivative liabilities and the fair values of derivative financial instruments. Comarch currently has no derivative financial instruments in operation.

Non-derivative liabilities are estimated in the consolidated balance sheet, whenever the group has a contractual duty to assign payment instruments or other financial assets to a third party. The initial inclusion of a non-derivative liability is entered at the fair value of the consideration received or at the value of the payment instruments received less possible incurred transaction costs. The follow-up valuation is entered for liabilities to amortized costs by applying the effective interest method.

Financial liabilities are debalanced, whenever liabilities are paid, canceled or have expired.

E. CURRENCY CONVERSION

In the individual financial statements of the companies within the group all receivables and liabilities are rated with the exchange rate on the balance sheet date in one currency, which does not represent the functional currency. The differences in exchange rate from the valuation of the financial statements of foreign subsidiaries are included in income.

The annual financial statements of foreign companies within the group outside the Euro Zone are converted into Euro pursuant to IAS 21 using the functional currency concept. The Swiss subsidiary, Comarch Swiss AG was one example which had to be incorporated into the consolidated financial statement. There, the local currency (CHF) was considered the functional currency, because the company conducts its business independently in financial, commercial and organizational respects.

Assets and debts of foreign subsidiaries (with foreign currencies) were therefore converted at the exchange rate on the balance sheet date, while expenses and income were converted at the annual average exchange rate. Equity stocks are converted at historical rates at the time of their access from the perspective of the group.

The differences ensuing from the conversion at closing rates are shown separately in equity as "deferred items for foreign currency conversion. In equity currency conversion differences included during the group membership are liquidated affecting net income by removing allied companies from the basis of consolidation. In 2009 the allied companies Comarch Czech Republic und Comarch Poland were sold. The currency differences were liquidated affecting net income. In 2010 on balance expenses from conversion differences reached 326 thousand € (previous year 57 thousand €).

The exchange rates of the **Swiss Franc** against the Euro were as follows:

Exchange rate on the reporting date was as follows:		
Fixed date rate:	1 €	= 1.2811 CHF (previous year 1.5021)
Average exchange rate:	1 €	= 1.3823 CHF (previous year 1.5099)

F. NOTES TO THE BALANCE SHEETS

(1) CASH AND CASH EQUIVALENTS

in K€	Dec. 31, 2010	Dec. 31, 2009
Cash on hand		5
Credit with credit institutions	541	405
	544	410
- cash and cash equivalents in blocked accounts	385	259

The cash in hand and credit with credit institutions amounted to 544 thousand € (previous year 410 thousand €).

ACCOUNTS RECEIVABLE TRADE

The accounts receivable trade on the 31 December 2010 amounted to 5,424 thousand € (previous year 5,966 thousand €).

Required allowances are calculated according to the probable risk of failure and are considered to be 378 thousand € (previous year 1,518 thousand €). The reduction in allowances to 1,140 thousand €in total is composed of advances balanced as expenses (219 thousand €) less dissolutions and claims/deductions (1,413 thousand €) and changes in currency exchange rates (54 thousand €). The receivables are payable up to a small proportion in the amount of 29 thousand € within one year.

In the accounts receivable trade receivables from production contracts to the amount of 0 thousand € (previous year 156 thousand €) have been included.

The receivables show the following age structure:

Due date Dec. 31, 2010 Due to Amount in K€	up to 3 months	up to 6 months	up to 1 year	more than 1 year	Dec. 31, 2010
Receivables	5,090	344	179	29	5,642
Deditors with credit balance					160
less Write-downs					-378
Balance					**5,424**

Due date Dec. 31, 2010 Due to Amount in K€	up to 3 months	up to 6 months	up to 1 year	more than 1 year	Dec. 31, 2010
Receivables	6,040	114	375	887	7,416
Deditors with credit balance					68
abzgl. Wertberichtigungen					-1,518
Balance					**5,966**

(3) SECURITIES

Under this entry quoted shares were shown in the previous year that was held for trading purposes and rates at the fair value of 37 thousand €. The securities were sold in 2010 at a profit of 1 thousand €.

(4) INVENTORIES

The stock of inventories consists of:

in K€	Dec. 31, 2010	Dec. 31, 2009
Commodities	79	133
Uncompleted services	28	37
Payments in advance	0	0
Balance	**107**	**170**

In the valuation of inventories of stocks on hand (commodities) no impairment losses arose. The stock fully adjusted in the previous year in the system integration segment (22 thousand €) were no longer included or rated in 2010.

(5) RECEIVABLES FROM AFFILIATED COMPANIES

Receivables against affiliated companies totaling 212 thousand € (previous year 137 thousand €) relate to fully implemented accounts receivable trade.

(6) OTHER RECEIVABLES AND OTHER ASSETS

They are shown as follows right on top:

in K€	Dec. 31, 2010	Dec. 31, 2009
Tax rebates	208	398
Rebates and claims	0	0
Loans	7	15
Claims on associated companies	0	94
Creditors with debit balance	20	4
Other	168	97
	403	**608**

Tax refund claims relate principally to corporate tax credit and value added tax/VAT.

In the previous year a loan of K€ 94 was shown in the receivables against associated companies. In 2010 this loan was paid in part and reclassified into other investments.

Claims from bonus agreements to the amount of K€ 119 (previous year K€ 0) are included under other assets. Input tax claims, which arise in law only after the balance sheet date for subsequent years to the amount of K€ 1 (previous year K€ 8) are also included.

(7) DEFERRED EXPENSES AND ACCRUED INCOME

It is expected that accrued and deferred items will be drawn on in 2011 to the amount of 127 thousand € (previous year 122 thousand €). They relate to delimitation of expenses.

(8) INTANGIBLE ASSETS

Intangible assets developed/matured/improved during/in the financial year as follows:

in K€	Purchased intangible assets	Capitalized development costs	Goodwill	Total
Gross figures as at 01.01.2010	14.560	10,399	11,226	36,185
Changes in exchange rate	5	0	0	5
Change in basis of consolidation	0	0	0	0
Investments	27	1,890	0	1,917
Disposals	0	0	0	0
Gross figures 12.31.2010	14.592	12,289	11,226	38,107
Write-offs 01.01.2010	12,292	6.382	2.745	21,419
Changes in exchange rates	5	0	0	5
Change in basis of consolidation	0	0	0	0
Write-offs 2010	1,190	1,039	2,881	5,110
Disposals write-offs	0	0	0	0
Write-offs 12.31.2010	13.487	7.421	5,626	26,534
Book values 12.31.2010	1.105	4.868	5,600	11,574
Book values 12.31.2009	2,268	4,017	8,481	14,767

Application software purchased for the purpose of acquiring license and consulting revenues formed the main entries under **purchased intangible assets**. A limited useful life was assumed for this software. Writing-off was undertaken as planned/systematically and using the linear method by assuming between 3 and 5 years of useful life.

Book values in the amount of 1,032 thousand € (previous year 2,157 thousand €) for the rights purchased in the "Semiramis" software are included in purchased intangible assets. The remaining useful life is 11 months.

The Comarch Group has incurred expenses for software development in the amount of 10.7 million € in the fiscal year 2010 (previous year 9.7 Million. €). 1,890 thousand € of this was capitalized (previous year 1,450 thousand €). The valuation of the **capitalized development costs** is entered on the basis of cost -effectively calculated hourly rates for development engineers employed by the company. In the financial year 2010 approx. 45,000 development hours (previous year 27,200 hours) were capitalized with a cost rate of approx. €42.00/hour (previous year €53.30/hour). This is composed of the cost rate for intra-Group hours spent of €56.75 and an hourly rate for development services purchased from the parent group of €23.00 The capitalized amounts in the respective year for customized standard software products is written off linearly starting from the time of the use of the assets on the market over a term of 3 years for old products and 5 years for new products and once completely written off they are shown as items disposals.

Write-offs have been made to the amount of development costs capitalized in the fiscal year 2010 of 1,890 thousand € (previous year 1,450 thousand €) compared with capitalized development costs in previous years of 1,039 thousand € (previous year 784 thousand €).

Since capitalization of development costs leads to differences between the taxable income and the results in accordance with IFRS and the difference is temporary due to the duty to write off the capitalized software, the difference had to be taken into account in the calculation of the amount of deferred taxes.

The entry **"Goodwill"** results from company mergers, in which goodwill both from consolidation of funds and also from company mergers in the form of asset deals were included.

The goodwill from the following cash-generating business units is detailed below:

Cash-generating business	**Goodwill in K€**
Software development	1,400
Solutions (regional sales and consultancy)	4,200
System integration	0
	5,600

By reason of the requirement in IAS 36 to undertake impairment tests, unforeseen write-offs of goodwill to the amount of 2,881 thousand € were conducted in the fiscal year 2010 (previous year 2,055 thousand €), of which 2,473 thousand € was written off in the software development sector and 408 thousand € in the solutions, sector. In the previous year the unforeseen write-offs principally affected the system integration sector.

(9) PROPERTY

Property assets have developed as follows:

in K€	**Technical plant and machines**	**Other plant, operating and business schäftsaus- equipment**	**Total**
Gross values 01.01.2010	3.154	1.487	4.641
Currency rate changes	30	17	47
Investments	132	27	159
Disposals	35	-83	-118
Gross values Dec 31, 2010	**3.281**	**1.448**	**4.729**
Write-offs 01.01.2010	2.937	1.255	4.192
Currency rate changes	26	15	41
Write-offs 2009	169	88	257
Disposals	-35	-66	-101
Write-offfs Dec 31, 2010	**3.097**	**1.292**	**4.389**
Net values Dec 31, 2010	**184**	**156**	**340**
Net values Dec 31, 2009	**217**	**232**	**449**

With respect to property assets there were no restrictions on the right of disposal by reason of third party rights.

(10) SHARES IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

Investments developed as follows:

in K€	Associated Companies	Other finanial assets	Total
Net values 01.01.2010	45	0	45
Transfers	0	65	65
Write-offs	0	0	0
Disposal	-45	0	-45
Net values Dec 31, 2010	**0**	**65**	**65**
Net values Dec 31, 2009	**45**	**0**	**45**

The shares recorded under "at equity" in the previous year in an associated company (30 % stake in a capital company) was sold in the fiscal year 2010 at a profit of 5 thousand €. The previous year's balance/difference between the share in net worth of the associated company and the equity book value totaled 90 thousand € and resulted from the acquisition of goodwill.

The following table shows a summary of aggregated totals from the balance sheet and profit and loss account of the associated company. No further presentation was issued in the fiscal year 2010. The prior year figures included an associated company, was sold during the reporting period:

in K€	Dec 31, 2009
Long-term assets	3
Short-term assets	198
Long-term debts	65
Short-term debts	287
Equity	-150
SoftM share in the equity	-45
Revenue	986
Annual result	-31

A loan of 64,800 € was shown under other investments. The loan was repayable at 5 % p. a. interest, by monthly repayments of 4 thousand €.

(11) DEFERRED TAXES

Under other tangible assets deferred taxes **from as yet** unused tax loss carryforwards with a volume of 1,299 thousand € were capitalized. Of these 14 thousand € are allocated to foreign companies within the group (previous year thousand €) and 1,285 thousand € (previous year 1,506 thousand €) to the Comarch Software und Beratung AG consolidation group. These are capitalized, independently of the utilization of losses, where respective passive deferred taxes conflict. Due to the uncertainty of expected future returns the capitalization of loss carryforwards was entered only as the amount of the existing passive deferred taxes. In this respect the capitalized loss carryforwards in the Comarch Software und Beratung consolidation group were reduced to 221 thousand € in the course of a devaluation.

Moreover capitalized deferred taxes had to be created for **timing differences** between commercial and tax balances to the amount of **37 thousand €** (previous year 46 thousand €) and also for timing differences from tax deductible **write-offs of goodwill in individual balances** (235 thousand €, previous year deferred taxes -192 thousand €). The **total** of capitalized deferred tax assets was approximately **1,571 thousand €** (previous year 1,566 thousand €).

(12) LOANS

The financial liabilities are composed as follows:

in K€	Total	thereof due up to one year	2 up to 5 years	over 5 years
Loans	0	0	0	0
Short-term financial credits	1,557	1,557	0	0
	1,557	**1,557**	0	0

The loans/credit were/was secured as follows:

in K€	Blanket	Security	Hypo-assignment	Total
Loans	0	0	0	0
Short-term financial credits	0	0	385	385
Value Dec 31, 2010	**0**	**0**	**385**	**385**
Value Dec 31, 2009	**2,426**	**108**	**259**	**2,793**

It was possible to pay off in full the loan taken out for the purchase of Semiramis in 2009 to the amount of 2,500 thousand €. The weighted average interest was 6.3% in 2009.

The **short-term financial loans** concern overdrafts of 1,502 thousand € (previous year 1,233 thousand €) and loans of 55 thousand € (previous year 267 thousand €) with the IBM-Kreditbank for the preliminary financing of customer receivables in the system integration segment. The interest rate for the overdraft was 2.57 % (previous year 2.5 %). The collateral was arranged by bank guarantee at the request/instigation of Comarch S.A., Cracow. The IBM-Kreditbank has granted credit interest-free for 45days and from the 46th to 75th days the interest is 5.0 % points above base rate. Furthermore the Comarch S.A., Cracow, Poland parent group collateralized the IBM credits with a guarantee under which the group is precluded from entering into any further blanket assignments.

The securities relate to the short-term financial credits, after the full repayment of the loan.

(13) ACCOUNTS PAYABLE TRADE

Accounts payable trade amounted to 1,886 thousand € in liabilities to third parties (previous year 2,312 thousand €) and were collateralized in the amount of 550 thousand € by the assignment of claims. There are no liabilities outstanding against associated companies (previous year 26 thousand €).

(14) LIABILITIES TOWARDS AFFILIATED COMPANIES

Of the 3,441 thousand € (previous year 1,530 thousand €) of liabilities towards affiliated companies, K€1,333 thousand € (previous year 728 thousand €) comprise accounts payable trade, which predominantly does not apply to Comarch S. A. Furthermore short-term loans in the amount of 2,107 thousand € (incl. interest, previous year 802 thousand €) were granted by Comarch AG, Dresden. The interest rate of the loans is variable and for the year 2010 amounted on average to 3.18 %. The loans were paid off in full at the start of 2011. For the period until the end of March 2012 Comarch S.A., Cracow has a new financing commitment.

(15) ADVANCES

The advances in the amount of 97 thousand € (Previous year 45 thousand €) relate to turnover not yet realized.

(16) PROVISIONS FOR TAX

The provisions for (actual) tax are retained as required by commercial law from the individual financial statements in the group. In 2010 because of the loss situation it was not possible to create provisions for actual income tax.

In Germany there are taxable entities in the subsidiary companies, so that income tax is payable by the parent company, Comarch Software und Beratung AG A negative tax result has been realized in the consolidation group; Provisions have not been created and released.

For the foreign subsidiaries provisions had to be created in 2010 for foreign income tax in the amount of K€ 1 thousand € (previous year K€ 0 thousand €).

The provisions have been developed as follows:

in K€	**Status Jan 1, 2010**	**Change in currency**	**Use**	**Liquidation**	**Supply**	**Change in corporate group**	**Status Dec 31, 2010**
Tax		0	0	0	0	1	350

(17) OTHER PROVISIONS

In particular the following development occurred:

in K€	**Status Jan 1, 2010**	**Group restructuring**	**Currency rate change**	**Use**	**Liquidation**	**Supply**	**Status Dec 31, 2010**
Staff	3,092	0	28	-2,649	-217	3,997	4,251
Contributions outstanding	99	0	0	-85	-2	64	76
Invoices	551	0	-1	-501	-45	412	416
long-term production orders	0	0	0	0	0	415	415
Closure	233	0	-2	-196	-14	152	173
Space costs	204	0	-2	-5	-15	174	356
Proceedings costs	140	0	0	-69	-32	99	138
Warranty	586	0	5	-374	-40	127	304
Other	90	0	0	-76	-14	214	214
	4.995	**0**	**28**	**-3.955**	**-379**	**5.654**	**6.343**

The provisions for staff 4,251 thousand € relate inter alia to holiday and overtime provisions, redundancy payment obligations and also and premiums and royalties.

The provisions for outstanding purchase invoices (416 thousand €) relate to supplier invoices and commission invoices not yet received, against which turnover already realized in the financial year is committed. There was a requirement for provisions of 415 thousand €from long-term production contracts. 173 thousand € were to be set aside for costs related to the annual financial statements (internal and external annual financial statements and testing costs, tax return costs, annual shareholders' meeting). The provisions for room costs (356 thousand €) relate to expenses for renaturation and renovation obligations. Provisions for legal costs (138 thousand €) had to be created for internal costs as well as lawyers' fees and court costs of current proceedings;

Provisions for defects liability (304 thousand € were created for cost-free improvements from projects which are already settled and other defects liability obligations for the year 2010. Calculations were based on past experience by including a percentage related to the guaranteed sales revenue from the past business year The rates amounted to 1 % or in part 0.5 % in licensing and consulting revenue and 0.25 % in hardware revenue. Provisions for individual warranties were also created.

Legal risks:

Comarch Software und Beratung AG and its subsidiary companies are subject to legal risks. These include in particular risks from claims for damages from customers and cross actions by customers from active legal proceedings in connection with the enforcement of customer claims by Comarch Software und Beratung AG and its subsidiary companies.

In three legal actions customers have brought claims or counterclaims for damages and/or refund of remuneration paid by the customer in connection with consultancy projects. In a further project a customer has asserted an out-of-court claim against Comarch Software und Beratung AG. Comarch Software und Beratung AG is convinced that it has good arguments against the claims asserted. Provision has been made for anticipated defense costs. For one of the above mentioned legal actions provision in addition to the anticipated defense costs has been made for the possibility of an unfavorable outcome of the proceedings.

(18) OTHER LIABILITIES

The other liabilities are categorized as right on top:

in K€	Dec 31, 2010	Dec 31, 2009
Liabilities for staff	56	29
Liabilities for tax	445	397
Liabilities for Social Security contributions	62	50
Other	192	142
	755	**618**

Liabilities from tax include in addition to the amounts for which the companies within the Group are chargeable, those taxes, which will be paid out for the account of third parties (e.g. income tax).

Other liabilities include liabilities to customers of 160 thousand € (previous year 74 thousand €).

(19) DEFERRED INCOME

Deferred income entries of 21 thousand € (previous year 9 thousand €) are liquidated in 2011 affecting earnings.

(20) PROVISIONS FOR DEFERRED TAXES

Provisions for deferred taxes had to be made for differences between taxable income of the companies within the group and the group net income. The provision increased by 5 thousand € to 1,571 thousand € in the reporting period

Since the differences have evened out over time, taxation provisions for timing differences must now be created, in order to guarantee a delimitation of the tax expenditure on an accrual basis.

One reason for the differences is the capitalization of the **development costs** for custom standard software. In the reporting period an increase in book value of 874 thousand € and a tax expenditure of 272 thousand €were generated. The holdings of deferred taxes for development costs amounted to 1,553 thousand € (previous year 1,282 thousand €).

Furthermore 10 thousand € (previous year 8 thousand €) for temporary differences from the debt consolidation and 7 thousand € (previous year 84 thousand €) from partial profit realization effects had to be carried forward as liabilities The differences existing in the previous year from tax deductible **write-offs of goodwill in individual account balances** (193 thousand €) were liquidated or inverted and were shown as deferred taxes. Furthermore there were temporary differences pursuant to IAS 12.39 in the amount of 1 thousand € (previous year 7 thousand €), for which for purposes of simplification no deferred taxes were estimated.

Deferred taxes with no effect on profit and loss from currency differences were recorded in the amount of 0.5 thousand € (previous year 0.1 thousand €). The difference of 0.4 thousand € was shown in other results.

(21) EQUITY

The equity or group statement of shareholders' equity included the entries "Subscribed capital", "Capital reserves", "Accumulated loss (previous year Accumulated profit)" and "Adjustment items from foreign currency conversion". The designation "net profits/ net losses" used for the first time in 2009 corresponds to the "earned group equity" as recommended in the German Accounting Standard DRS 7. The equity of the company on 31 December 2010 amounted to 4.7 million € (previous year 11.7 million €).

The most important targets for **Financial Management** include the security and sustained growth of the company's value as well securing the liquidity and credit-worthiness of the group. Definite growth in profitability and cash flow is also necessary. The **capital management** includes the equity and the warranted loan capital and is based on the ratings of the banks granting credit. The loans guaranteed by the parent group were also considered. Equity was increased in 2008 to aid capital increase and log-term financing of investments. After deduction of transaction costs this brought resources of 4.9 million € into the group. The poor financial performance in fiscal years 2009 and 2010 completely consumed the reserves of financial resources and diminished the capital to a large extent. The Comarch Software und Beratung AG Group is not subject to any statutory capital requirements.

The subscribed capital consists of 6,480,000 shares. In November 2008 the company' **subscribed capital** was increased from € 4,980,000.00 by € 1,500,000.00 to €6,480,000.00 by the issue of 1,500,000 new shares to registered shareholders. The value of one share is estimated as € 1.00. This concerns exclusively common shares stock. No request was made for the new shares to be listed. In 2010 there were no changes in subscribed capital.

By a resolution at the Annual Meeting of 19 June 2008 with a time limit of 18 June 2013 the increase of the share capital one or more times up to a maximum amount of 2,490 by the issue of new registered shares to existing shareholders against contributions in cash or in kind was resolved (**share capital 2008**). The Board is authorized, with the agreement of the Supervisory Board to decide the further details of the capital increase from the 2008 authorized capital, in particular the further content of the rights of the shares and the terms of issue. The Board made use of this authorization on 13 November.2008 and decided a capital increase in the amount of 1,500 thousand €. This was approved by the Supervisory Board on 13 November.2008 and carried out (cf. Notes to subscribed capital). Authorized capital 2008 amounted to 990 thousand € after the partial use for the capital increase performed on 31 December 2008 and remained unchanged on 31 December 2010.

Furthermore the Board is authorized, up until 18 June 2013 with the agreement of the Supervisory Board to **issue convertible bonds and/or bonds with warrants with limited or unlimited maturity period** in the maximum amount of 10,000 thousand € and to grant the holders/owners or creditors of bonds conversion or exercise rights up to 2,490 thousand € on shares registered to the holders/owners of Comarch Software und Beratung AG with a proportionate amount of the share capital of up to 2,490 thousand € in accordance with the respective bond or warrant conditions. A **contingent capital** in the amount of 2,490 thousand € was created for this purpose. The contingent capital is only increased to the extent that the owners and creditors make use of issued convertible bonds and exercise rights or fulfill their obligation to exercise conversion rights or option rights. Up until 31 December 2010 no convertible bonds or bonds with warrants had been issued.

The Board is authorized, up until 14 June 2010 with the agreement of the Supervisory Board to issue **profit-sharing rights** in accordance with the resolution of the Annual Meeting and with the conditions for profit-sharing rights stipulated by the Board of Management and approved by the Supervisory Board. The profit sharing rights may continue for up to 15 years. The total nominal amount of the subscribed profit-sharing rights must not exceed 12,000 thousand €. The profit-sharing rights issued by reason of this authority must not include any Comarch Software und Beratung AG convertible bonds and exercise rights. The subscription rights of the shareholders are excluded on the profit-sharing rights. In the fiscal year 2010 no use was made of this authorization.

The **capital reserve** amounted to 1,414 thousand € on 31 December 2009. In the last fiscal year the reported group net loss with capital reserves was cleared in full (previous year settlement in the amount of 12,152 thousand €), so that there was no further capital reserve on 31 December 2010.

The **consolidated balance sheet loss (previous year profit)** on 31 December 2010 in the amount of -1,861 thousand € (previous year balance sheet profit 3,790 thousand €) includes the accumulated full-year results of the companies included in the group ("balance sheet profit or loss", "profit or loss balance carried forward"), where the results were not distributed. The balance sheet loss was reduced by withdrawals from the capital reserve. The withdrawals from the capital reserve were entered in the Comarch Software und Beratung AG annual financial statements analog to the balance sheet loss.

In the annual financial statements of Comarch Software und Beratung AG there was also a balance sheet loss (2,007 thousand € so that on 31 December 2010 there were no amounts available for distribution.

Comments are made on the further composition and development of individual items of the equity in the "Consolidated statement of change to shareholders' equity" appendix.

(22) RELATED PARTIES

In the course of its operational business Comarch Group deals with commodities and services of many business partners.

These include associated companies and Comarch S.A., Cracow and its subsidiary c ompanies outside the basis of consolidation of the Comarch Group.

The following table gives an overview of the range of transactions with the entities and persons mentioned:

in K€	2010	2009
Sales revenue and other income		
Affiliated companies	112	104
– proceeds from sales from the sale of a consolidated company therefrom K€ 0 (previous year K€ 69)		
Associated companies		
– proceeds from sales from the sale of an associated company K€ 50 (previous year K€ 32)	50	57
Purchase of goods and services		
Affiliated companies	1,615	722
– Development services therefrom K€ 1,118 (previous year K€ 680)		
Associated companies	0	293
Companies not included	0	0
Members of the Supervisory Board	0	0

On the balance sheet dates there existed the following material receivables against and liabilities towards related entities or persons:

in K€	2010	2009
Receivables against related persons		
Affiliated companies	212	137
Associated companies	0	94
Liabilities towards related parties		
Affiliated companies	3,441	1,530
– Unsecured loans therefrom: K€ 2,107 (previous year K€ 802).		
– Accounts payable trade therefrom K€ 1,334 (Previous year K€ 728)		
Associated companies	0	26
Members of the Supervisory Board	0	0

(23) OTHER FINANCIAL OBLIGATIONS AND CONTINGENT LIABILITIES

The other thousand € financial obligations from rental and lease relationships amount annually to K€ 1,018 (previous year K€ 1,310 thousand €). Finance leasing concerns mainly motor vehicles and data-processing systems. Annual obligations from these amount to K€ 434 thousand € (previous year K€ 786 thousand €). The leasing contracts usually have a minimum duration of 2 to 4 years, as a general rule provide no binding purchase option in favor of the lessee and can basically be categorized as operating leasing.

The financial obligations from leasing relationships are given below, differentiated according to period:

in K€	up to one year	longer than one year and up to five years	longer than five years
Obligations from operating leasing	435	258	0

There are no contingent liabilities at the balance sheet date.

(24) REPORTING OF FINANCIAL INSTRUMENTS

Management of financial risks

The Comarch Group transacts its operative business predominantly in Germany or in the Euro Zone. Additionally it has business activities in Switzerland as well as business relationships with the parent group, Comarch S.A., Cracow. To a certain extent this produces currency risks. Derivative financial instruments are not used to reduce financial risks.

A more detailed account of risks and risk management is given below:

Credit risk

There is a credit risk for the Comarch Group to the effect, that the valuation of the receivables could be affected, if the business partners either do not discharge or do not discharge to the full amount their obligations. The maximum credit risk therefore includes the total amount of receivables.

To minimize the credit risks in the system integration segment contracts have been operated by intermediary leasing companies, thus shifting the credit risk or credit assessment to the leasing company. In both segments there is also stringent management of receivables and monitoring of receivables owing for effective management of credit risks. Basically credit limits are applied for all customers. In 2010 the total credit risks were reduced. The requirement for allowances was accordingly adjusted.

In accounts receivable trade risk concentrates in transactions with sales partners in indirect sales and with key account customers. The risk is met during the project phase by proportional payments.

Liquidity risks.

The liquidity risk of not being able to satisfy existing or future payment commitments due to lack of disposable payment instruments is centrally managed in the Comarch Software Group. To ensure solvency at all times liquid funds are held in readiness in order to be able to satisfy all payment commitments on schedule. The finance and liquidity requirements are discharged/mitigated by financial planning, in which the financial requirement is structurally higher at the end of the year due to the maintenance revenue actually received at the beginning of the year. Moreover reserves are set aside for unplanned additional expenditures and deficiency in receipts. Liquidity is principally set aside in the form of day and fixed-term deposits. The injection of equity at the end of the financial year 2008 considerably improved financial strength Due to the adverse company performance in 2009 and 2010, and also the redemption payments holdings in cash and cash equivalents was reduced in 2009, so that at the end of the financial year 2009 short-term financial credits were again drawn on. Debt capital requirement had increased by 2.3 million to 3.7 million at 31 December 2010. For the period until the end of March 2012 Comarch S.A., Cracow gave a financing commitment.

Market risk

The market risk is the risk that the fair value or future value of a financial instrument will fluctuate due to changes in market prices. Market risk includes price risk, currency risk and interest rate risk.

Price risk

In the Comarch Software und Beratung AG group there are few price risks in the financial instruments. Price risks occur predominantly in the other loans or in the previous year for securities, which according to amount are rated as not significant.

Currency risk

Currency risks occur in particular where receivables, liabilities, liquid assets and planned transactions are conducted or arise in a currency other than the local currency.

These is very often the case in Comarch Software und Beratung AG, insofar as the Swiss companies within the Group handle their business in the local currency and over time this leads to large currency fluctuations. Moreover in 2010 there was an increase in transactions with the parent company in the currency unit, the Szloty, so that there were also in this regard foreign exchange gains and losses.

Interest rate risk

An interest rate risk, i.e. a change in value of a financial instrument (Fair Value Risk) or the future payments from a financial instrument (Cash flow Risk) due to changes in the market interest rate exists predominantly in assets and debts over one year old. Since there was a limited availability of long-term financial assets in fiscal year 2010, there were few interest rate risks to be identified in assets of the Comarch group at that time.

The group set aside its liquid assets and liquidity reserves almost exclusively in the area of variable-interest short-term financial instruments, which were not subject to any noticeable price fluctuations.

The other financial assets amounted mainly to an originated loan in the amount of 65 thousand € (previous year 93 thousand €) to a formerly associated company, which is secured by mortgages and personal securities of the principal shareholder The interest rate risks are classified as insignificant.

In the area of outside financing the group had already paid off in full the investment loan in 2009. (cf. Note 10). At the reporting date short-term financing loans at favorable conditions were taken up. These were declared or secured by related parties outside the basis of consolidation. The loans from the short-term sales financing are interest-free for the first 45 days and therefore de facto carry no interest rate risk at all.

Accounting of financial instruments.

The holding in original financial instruments can be seen from the balance sheet and the explanatory notes. Financial instruments are – pursuant to IAS 39 – included in the "held for trading", "holding until final maturity", "loans and receivables" and "available for sale". For further information on accounting of financial instruments please see Point D.

Since at that time no derivative financial instruments were mobilized, no further comment need be made.

The following table shows the book values of individual financial assets and liabilities for each individual category of financial instruments and liabilities and carries these over to the relevant balance sheet items Due to the predominantly short-term nature of cash and cash equivalents, accounts payable trade, receivables from affiliated companies as well as other receivables and liabilities and other assets and liabilities the book values vary only slightly from the fair value on the balance sheet date. There is, therefore, no need to show the current values.

The interest income (72 thousand €, previous year 70 thousand €) was almost exclusively redeemed for loans and receivables. The interest payable (27 thousand €, previous year 97 thousand €) was provided for borrowed financial loans. The expenses for depreciation of receivables are shown in Note 2.

The securities were estimated in the previous year at the fair value. In 2009 a capital gain of 6 thousand € was achieved. In financial year 2010 the securities were sold at capital gains of 1 thousand €.

	valued at amortized costs	non-financial assets		valued at amortized costs	non-financial assets	
in K€	Book value Dec 31, 2010	Book value	Book value in balance	Book value Dec 31, 2009	Book value	Book value in balance
Cash and cash equivalents						
Advances and receivables	544		544	410		410
Trade accounts receivable						
Advances and receivables	5,424		5,424	5,966		5,966
Securities						
*valued at fair value	0		0	37	*)	37
Advances to affiliated companies						
Advances and receivables	212		212	137		137
other advances and other assets			403			608
Advances and receivables	154		154	202		202
Non-financial assets		249	249		406	406
Other ficancial assets						
Advances and receivables	65		65	0		0
Financial assets	6,399			6,752		
advances and receivables	6,399		6,399	6,715		6,715
Loans						
valued at amortized costs	1,557		1,557	1,500		1,500
Liabilities from advances and receivables						
valued at amortized costs	1,896		1,896	2,321		2,321
Liabilities from advances and receivables						
valued at amortized costs	3,441		3,441	1,530		1,530
Payments received						
valued at amortized costs	97		45	45		45
Other liabilities			755			617
valued at amortized costs	250		250	171		171
Non-financial liabilities		505	505		446	446
Total finacial liabilities	7,241			5,567		
valued at amortized costs	7,241		7,189	5,567		5,567

*) all assets with the exception of the securities entered here were valued at amortized costs

G. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

(25) SALES REVENUE

The sales revenue has reduced from 38,895 thousand € to 36,867 thousand €.

Depending on turnover category, there was the following sales revenues development accrual

in K€	Dec 31, 2010	Dec 31, 2009
Licenses and maintenance	16,711	17,638
Services	13,020	14,776
Trade in hardware	6,953	6,228
Other	183	253
	36,867	**38,895**

The turnover includes revenue from long-term contract manufacturing in the amount of 790 thousand € (previous year 1,343 thousand €). Contract costs of 1,179 thousand € (previous year 1,156 thousand €) are set against the contract revenue. Losses totaling -389 thousand € (Profits 187 thousand €) were realized in the financial year. Advances in the amount of 499 thousand € (Previous year 1,993 thousand €) in connection with long-term production contracts were earned.

(26) OTHER INCOME

Other income (1,066 thousand €; previous year 1,319 thousand €) includes revenue, which does not result from the actual field of operations, such as e.g. insurance recoveries, profits from the sale of fixed assets, income from the dissolution of provisions, income from exchange rate differences etc. Moreover, other income includes rebates from suppliers that cannot be directly assigned to goods purchased and therefore cannot be deducted from the material costs. Also excluded is income from the sale of associated companies of 5 thousand € (Previous year 629 thousand €).

(27) INVENTORY CHANGES ON WORK IN PROGRESS

The inventory in work in progress in the balance sheet item, "Inventories" has reduced as compared with the previous year from 37 thousand € to 28 thousand €, so that a change of inventory of -9 thousand € was shown.

(28) OTHER CAPITALIZED SERVICES

The other capitalized services relate exclusively to capitalized development costs. The activation amount of 1,890 thousand € was K€ 440 thousand € above the previous year's amount of 1,450 thousand €. Write-offs on development costs of 1,039 thousand € (Previous year 784 thousand €) capitalized in previous years, which are included under the item, "Write-offs on property and intangible assets", were set off against the capitalized amount of 1,890 thousand €.

(29) EXPENSES FOR PURCHASED GOODS

Expenses for purchased goods predominantly relate to purchase of hardware. The costs for the acquisition of traded software products are also shown. Quantity-dependent rebates and discounts for acquired goods are set off directly against costs, where they are assignable on an accrual basis.

in K€	Dec 31, 2010	Dec 31, 2009
Hardware	5,365	5,058
Software and maintenance of hardware	948	1,733
Other	40	75
	6,353	**6,866**

(30) EXPENSES FOR PURCHASED GOODS

The third party services acquired by the group relate to software development and customer advisory services.

in K€	Dec. 31, 2010	31,12,2009
Customer advisory services	2,564	3,300
Development (incl. development for customers)	1,781	1,310
	4,345	**4,610**

(31) STAFF EXPENSES

Staff expenses were reduced during the financial year to 22,796 thousand € (Previous year 23,000 thousand €). Staff expenses include expenses for wages and salaries in the amount of 19,551 thousand € (Previous year 19,596 thousand €) as well as Social Security contributions and health care expenses of 3,245 thousand € (Previous year 3,404 thousand €), of which 190 thousand € (Previous year 192 thousand €) comprised defined contribution pension plan expenses. Expenses in the amount of 694 thousand € (Previous year 834 thousand €) were effected for gratuities (incl. committees).

The number of employees pursuant to § 314 Commercial Code amounted to 304 staff (previous year 348).

(32) WRITE-OFFS OF PROPERTY AND INTANGIBLE ASSETS

The write-offs rose by 612 thousand € to 5,366 thousand € in the reporting period. These comprised exceptional depreciation in the amount of 2,881 thousand € on the goodwill.

The composition of write-off amounts are detailed in Notes 8 and 9 on fixed and intangible assets.

(33) OTHER OPERATING EXPENSES

Other operating expenses can be classified as follows:

in K€	Dec 31, 2010	Dec 31, 2009
Space costs	1,628	1,761
Operating costs	1,870	2,045
Administration costs	1,216	1,810
Distribution costs	2,664	2,707
Other	673	1,254
	8,051	**9,577**

Write-offs and allowances on receivables in the amount of 132 thousand € (Previous year 955 thousand €) are listed under the entry "other". The net value correction cost is estimated after balancing with dissolution of allowances (shown under other income) at 54 thousand € (Previous year 843 thousand €).

(34) INTEREST RESULT

The interest payable relates predominantly to short-term financial credits. The interest payable for the previous year includes payment for loans inclusive of fees in the amount of 81 thousand €.

in K€	Dec 31, 2010	Dec 31, 2009
Income from interest	72	70
Expenditure on interest	-27	-97
	45	**-27**

(35) EFFECT ON RESULTS FROM EQUITY STAKES

The existing equity stake was sold in 2010 at a price of 50 thousand € and a profit of 5thousand €. In the course of the previous year the annual loss from equity stakes, which was not applicable to the group amounted to – 9 thousand €.

(36) INCOME TAX

Taxes paid or owed on revenue and income in the individual countries as well as deferred taxes are shown as **income tax**.

In Germany corporate income tax rate (incl. the solidarity surcharge) for the year 2010 at the rate of 15.8 % (Previous year 15.8 %) was taken into account. As regards the trade tax there was an average weighted domestic/German tax rate of 31.9 % (previous year 31.9 %) for the Comarch Software und Beratung AG group.

The actual expenditure on income tax amounted to 14 thousand € (Previous year 5). This also included a deferred tax benefit of K€ 0.4 (Previous year tax benefit of 1,415 thousand €). The total tax benefit in the financial year amounted to K€ 14 (Previous year tax benefit of 1,410 thousand €). Actual expenditure for income tax in previous years amounted to 13 thousand € (previous year refunds of 4 thousand €).

There were no expenses and income due to changes in tax rates.

The deferred taxes result from differences in the following items:

in K€	Capitalized deferred taxes 2010	Passive deferred taxes 2010	Capitalized deferred taxes 2009	Passive deferred taxes 2009
Fixed assets	235	1,553	0	1,474
Capitalized loss Carryforwards	1,299	0	1,520	0
Advances	0	7	0	84
Equity	0	1	0	0
Provisions	37	0	46	0
Liabilities	0	10	0	8
	1,571	**1,571**	**1,566**	**1,566**

The realization of non-balanced tax loss carryforwards from the previous year lead in 2010 to a reduction in taxes paid or owed in the amount of 9 thousand € (Previous year 53 thousand €).

Deferred taxes are only set off against tax loss carryforwards, if the realization of the deferred taxes is guaranteed with sufficient certainty/security. This concerned the group member company Comarch Swiss in Switzerland (14 thousand €). Moreover, on 31 December 2010 existing deferred taxes were estimated as 1,285 thousand € for the loss carryforwards in the Comarch Software und Beratung AG consolidation group (Previous year 1,505 thousand €). Further loss carryforwards (without time limitations) to the corporate tax in the amount of 10,504 thousand € (Previous year 8,035 thousand €) as well as for trade tax of 10,140 thousand € (Previous year 7,319 thousand €), for which no deferred taxes were capitalized.

The tax expenditure (14 thousand €) in financial year 2010 was 2,264 thousand € higher than the anticipated tax benefit of 2,250 thousand €, which would affect the pre-tax profit of the group when a weighted anticipated composite rate was applied.

This composite rate is calculated from the anticipated tax rates of the individual companies in the group and in 2010 was in the range of 31.9 (Previous year %31.9%). The reasons for the difference between anticipated and actual tax expenditure are shown in the following reconciliation:

in K€	2010	2009
Result of profits before tax	-7,052	-7,153
Anticipated tax benefit: 31,9 % (previous year 31,9 %)	-2,250	-2,282
Difference from foreign tax rates	-10	0
Domestic changes and differences in tax and currency	-3	0
Tax-free sales profits	-2	-41
Permanent differences	20	98
Effects of tax on:		
Writing off goodwill	343	267
Equity account balancing for associated companies	0	3
Non-capitalization of loss carryforwards	1,691	602
Use of non-balanced loss carryforwards and unlimited period taxes	3	-57
Writing off loss carryforwards	222	0
Actual tax expenditure (previous year tax benefit	**14**	**-1,410**
Actual rate of tax in %	-0.2	19.7

By reason of the German corporate tax credit system up to the year 2000 corporate tax credits of 151 thousand € still existed, and annually 1/10 of the total amount has been paid out annually since 2008 - independent of distribution of profits. Receivables were calculated with the cash value of the receivable by the application of a discount rate of 4% at 135 thousand € (Previous year K€ 151 thousand €) and capitalized under other receivables.

(37) EARNINGS PER SHARE

In terms of the net loss of 7,066 thousand € there is an earning per share of -1.09 thousand € in round figures (Previous year € -0.89 thousand €). In the fiscal year 2010 there was a total of 6,480,000 shares from which to calculate the earnings per share.

The diluted earnings per share relates to the undiluted earnings per share, since no dilutive effects have been given. The authorized capital of 990 thousand € and the contingent capital of 2,490 thousand € can produce dilutive effects in the future.

(38) NOTES ON THE REMUNERATION OF THE BOARD OF MANAGEMENT AND SHARE HOLDINGS

The total remuneration of the Board of Management of Comarch Software und Beratung AG amounted in the financial year 2010 to 511 thousand € (Previous year 1,017 thousand €), the remuneration of the Supervisory Board amounted to 20 thousand € (Previous year 12 thousand €). The total remuneration of the Board of Management includes performance-based remuneration in the amount of 65 thousand € (Previous year 134 thousand €), that of the Supervisory Board K€ 0 (Previous year 0 thousand €) Gratuities in the amount of 440 thousand € were paid to Board members who have left. Furthermore, Provisions for gratuities for Board members who have left were created in the amount of 45 thousand €. In accordance with a resolution of the Annual Meeting, no individualized information on remuneration of the Board of Management has been included. The Board of Management of Comarch SoftM Software und Beratung AG consisted in 2010 of four members. Mr. Jens Göbel left the Board of Management of Comarch SoftM Software und Beratung AG with effect from 30 September 2010. With effect from 25 November 2010 Professor Janusz Filipiak took over the Presidency of the Board of Management of Comarch Software und Beratung AG from Mr. Piotr Piatosa. Further notes on the remuneration of the Board of Management are contained in the Group Management Report.

At the balance sheet date a current member of the Board of Management holds indirectly at any one time more than 1 % of the share capital.

Member of the Board of Management	Share holdings in detail	Share holdings in detail
	Dec 31, 2010	Dec 31, 2009
Prof. Janusz Filipiak	500,158	no information

(39) AUDITOR'S FEES

The following fees have been included in the fiscal year 2010 for the services of the group's auditors, Akanthus GmbH Wirtschaftsprüfungsgesellschaft, Munich:

in K€	2010	2009
Final audit services	77	120
Other audit services	3	11
Tax consultancy services	19	34
Other services	16	15
	115	**180**

The fees for auditing include in particular fees for the group final audit as well as the inspection of the annual financial statements of Comarch Software und Beratung AG and its German subsidiary companies.

(40) DISCLOSURES PURSUANT TO § 21 OF THE SECURITIES TRADING ACT

In the fiscal years 2009 and 2010 there were the following exceedences and shortfalls in voting rights on the share capital of Comarch Software und Beratung AG:

Shareholder	Date of change in voting rights	Voting rights above/below threshold Amount	%
Comarch Software und Beratung AG, Munich	18.11.2008	176.011	2,72
Universal-Investment-GmbH, Frankfurt am Main	27.01.2009	210.200	3,24
Universal-Investment-GmbH, Frankfurt am Main	28.01.2009	200	0,003
Don Bosco Stiftung, Munich	09.02.2009	0	0,00
Comarch S.A., Polen / Comarch AG, Dresden	09.02.2009	5.241.777	80,89
Dr. Hannes Merten, Munich	16.04.2010	0	0
Vintage Investment / Prof. Filipiak / Kancelaria Radcow Prawnych Oles & Rodzynkiewicz Spolka Komandytowa	19.04.2010	500.158	7,72

The following disclosures were made to the company:

January 13, 2009

Comarch Software und Beratung AG, Munich disclosed that its share in own shares in Comarch Software und Beratung AG on 18 November 2008 had fallen below the threshold of 3 % and on that date amounted to 2.72 % (176,011 shares).

February 02, 2009

Universal-Investment-GmbH, Frankfurt am Main disclosed that on 27 January 2009 its share of voting rights had fallen below the threshold of 5 % of the voting rights and now amounted to 3.24 % (210,200 voting rights)

Universal-Investment-GmbH, Frankfurt am Main disclosed that on 28 January 2009 its share of voting rights had fallen below the threshold of 3 % of the voting rights and now amounted to 0.003 % (200 voting rights).

February 11, 2009

Comarch S.A., Cracow, Poland disclosed that its share of voting rights in Comarch Software und Beratung AG on 09 February 2009 had exceeded the threshold of 75% and on that date amounted to 80.89 % (5,241,777 voting rights) 80.89% of the voting rights must be assigned by Comarch S.A., Cracow, Poland to Comarch AG, Dresden.

Comarch AG, Dresden disclosed that its share of the voting rights in Comarch Software und Beratung AG on 09 February 2009 had exceeded the threshold of 75 % and on that date amounted to 80.89 % (5,241,777 voting rights).

The Don Bosco Stiftung, Munich disclosed that its share of the voting rights in Comarch Software und Beratung AG on 09 February 2009 had fallen below the threshold of 3 % and on that date amounted to 0.00 % (0 voting rights).

April 20, 2010

Dr. Hannes Merten, Germany disclosed pursuant to § 21 Para. 1 of the German Securities Trading Act that his share of voting rights in Comarch Software und Beratung AG, Munich, Germany on 16 June 2010 had fallen below the threshold of 3 % of the voting rights and on that date amounted to 0.00 % (0 voting rights).

May 18, 2010

Vintage Investment Holdings S.A. Luxembourg, Grand Duchy of Luxembourg disclosed that its share of the voting rights in Comarch Software und Beratung AG, Munich, Germany on 19 April 2010 had exceeded the thresholds of 3 % and 5 % and on that date amounted to 7.72 % of the voting rights (500,158 voting rights).

Prof. Janusz Filipiak, Poland disclosed that his share of the voting rights in Comarch Software und Beratung AG, Munich, Germany on 19 April 2010 had exceeded the thresholds of 3 % and 5 % and on that date amounted to 7.72 % of the voting rights (500,158 voting rights).

This 7.72 % must be assigned to Prof. Janusz Filipiak (500,158 voting rights).

The following shareholders, whose share of the voting rights in Comarch Software und Beratung AG amounted to 3 % or more, are to assign voting rights to Prof. Janusz Filipiak:

Vintage Investment Holdings S.A.

Kancelaria Radcow Prawnych Oles & Rodzynkiewicz Spolka Komandytowa, Cracow, Poland disclosed that its share of the voting rights in Comarch Software und Beratung AG, Munich, Germany on 19 April 2010 has exceeded the thresholds of 3 % and 5 % and on this date amounts to 7.72 % of the voting rights (500,158 voting rights).

This 7.72 % of the voting rights (500,158 voting rights) are to be assigned to Kancelaria Prawnych Oles & Rodzyniewicz Spolka Komandytowa.

The following shareholders, whose share of the voting rights in Comarch Software und Beratung AG amounted to 3 % or more, are to assign voting rights to Kancelaria Prawnych Oles & Rodzyniewicz Spolka Komandytowa:

Vintage Investment Holdings S.A.

H. NOTES TO THE CASH FLOW STATEMENT

The group cash flow statement was drawn up in accordance with IAS 7 according to the indirect method, i.e. the net cash flow from ongoing operating activities were calculated from the group net income, by increasing this to non-cash-effective expenditure and reducing it to non-cash-effective income.

The cash flow statement was drawn up according to the "Top-down Theory". The base for showing the cash flows thus creates the consolidated financial statement consisting of the consolidated balance sheet and consolidated income statement and not the cash flow statement of the individual companies within the group.

The following balance entries were included in the cash funds

1) Cash in hand
2) short-term credit with credit institutions (current account holdings, deposits payable on demand, fixed-term deposits)

During the reporting period account was taken of cash in hand and credit with credit institutions in cash funds. The short-term securities available for sale were not included in the cash funds, as they were sold in 2010. With respect to the holdings in cash or cash equivalents there were on the balance sheet date restrictions on disposal from the hypothecation of an account to protect loans granted in the amount of 385 thousand € (Previous year 259 thousand €).

Since a portion of the holdings in cash and cash equivalents are in currencies other than the Euro, that part of the inflow of funds which has arisen from the change in the conversion rates is shown separately, since no cash flows occur where currency-related growth is not realized.

In the operational cash flow for 2010 actually received interest in the amount of 72 thousand € in round figures (previous year 71 thousand €) as well as interest paid in the amount of 22 thousand € in round figures (previous year 147 thousand €).

The income tax actually received in 2010 amounted to 51 thousand € (in the previous year expended income taxes: 305 thousand €)

Due to the sale of the associated company in 2010 there was no need to show equity income (Previous year -9 thousand €) in the other non-cash expenses and income. The loans, amounting to 93 thousand €, granted to the associated company which was sold were paid up to 65 thousand € in fiscal year 2010. In the previous year 92 thousand € was actually received for goods and services and payments for purchased goods and services in the amount of 369 thousand € were paid out.

I. NOTES TO THE SEGMENT REPORTING

The segment reporting relating to the Comarch Software und Beratung AG group conforms to the specifications in IFRS 8. In accordance with the "Management Approach" inclusion, the classification of the segmental and regional delimitation and the selection of key figures to be shown is supervised by the internal control and reporting systems.

The resource allocation and valuation of the profitability of both segments is controlled in the Comarch group at Board level. Segmental and regional delimitation and the selection of the key figures to be shown occur in agreement with the internal control and reporting systems ("Management Approach"). The financial plan is organized at group level.

The Comarch group is controlled by strategic business units or Business Centers, which are grouped according to the type of products and services as well as by region and the commercial characteristics of the business into reportable segments.

At 31 December 2010 the Comarch group consisted of two segments. The segments included the following activates:

Segment	**Activity**
Software and consultancy	Development and sales of standard business management software (ERP) and customer care for the duration of use of the software
System integration	Sales of products (server and storage systems, network technologies) and solutions (system-related software, virtualization solutions, security and high availability solutions) for the operation and development of complete IT infra-structures as a "Full Service"

The segment data are calculated as follows:

- Where inter-segmental sales are affected, the valuation is carried out on the basis of the costs incurred.
- The restructuring expenses amounting to 0.7 million € incurred due to the reorganization measures are, in their entirety, not applicable to the software and consultancy segment.
- The EBIT serves internally as performance indicator for the individual segment. It relates to the operating earnings of the profit and loss account.

In fiscal year 2010 and in the previous year 10 % of sales revenue was the maximum custom from any customer.

Affirmation of Legal Representatives

We affirm that to the best of our belief and knowledge, that in accordance with the applied accounting principles, the Group consolidated accounts give a true and fair picture of the assets, finances and profitability of the Group and that the Group management report is so depicted that a true and fair picture of the Group Result and situation is given and that the fundamental risks and opportunities of the projected development of the Group are depicted.

Munich, March 22, 2011

Comarch Software und Beratung AG

The Management Board

Prof. Janusz Filipiak

Ludwig Ametsbichler

Piotr Piatosa

Audit Certificate of the Auditor

We audited the Group's Consolidated Financial Statements preparedby the Comarch Software und Beratung AG consisting of balance sheet, profit and loss statement,cash flow statement, annex, as well as Group Management Board report for the business year January 1 – Dec 31, 2010 under inclusion of the accountancy and Management Board Report of the Comarch Software und Beratung AG. The compilation of the Consolidated Group report and the Management Board Report were done utilizing the IFRS as it is applied in the EU, and it is the responsibility of the Board of Management of the Company to assure that the accounting and the presentation of the Annual Financial Statement and Management Board Report are in accordance with IFRS statutes and the supplementary provisions of the GCC § 315 a para.1 regarding commercial law. Our responsibility is to evaluate the Annual Financial Statement and the Group Management Report, taking into consideration the accountancy on the basis of the conducted audit.

We undertook the Group audit in accordance with § 317 GCC of the German Auditing Regulations while at the same time taking the German principles for an orderly audit from the Institute of Certified Accountants (IDW) into account. This requires that we plan and conduct the audit in line with applicable accounting regulations so that any errors or violations of the principles of proper accountancy rules and the picture conveyed of the financial statements, financial status and result by the Management Board Report can be recognized with a great degree of certainty. Knowledge of the business and its legal and economic environment as well as possible errors were taken into account when determining the audit procedure. Within the frameworkof the audit, the effectiveness of the internal accounting control systems, as well as evidence for the values shown in the Annual Financial Statement and Management Board Report were evaluated overwhelmingly on the basis of random checks. The audit includes an evaluation of the Consolidated Financial Statement of the companies included in therein, the limiting of the Consolidated Group, the applied balance sheet principles and the fundamental assessments made by the Management Board, as well as the appraisal of the overall Annual Financial Statement and Management Board Report. We believe that our audit supplies a sufficiently secure basis for our assessment.

Our Audit has not led to any objections.

Due to the knowledge gained by means of the audit,it is our opinion that the Annual Financial Statement is in compliance with The IFRS as it is to be applied in the EU and the supplementary, applicable commercial law regulations as per § 315a para.1 and conveys, in regard to these regulations, a true and accurate picture of the actual conditions concerning the financial statements, financial status and the results of the Company. The Management Board Report is consistent with the Annual Financial Statement and, altogether, conveys a true picture of the status of the Company and factually represents the opportunities and risks of its future development.

Dutifully we point out, that in order to secure its continuation, the group Comarch Software und Beratung AG in a medium-term perspective is dependent on continued financing by the parent company, Comarch S.A., Cracow. Up to the middle of the year 2012 the group's solvency is secured by the given financing commitment of the parent company, as described in the management report.

Munich, March 15, 2011

Akanthus GmbH
Accountancy Firm

Susanne Renn	Klaus Loibl
Certified Auditor	Certified Auditor

Financial Calendar 2011

QUARTERLY REPORT PER MARCH 31, 2011	MAY 18, 2011
GENERAL MEETING 2011	JUNE 8, 2011 MUNICH
QUARTERLY REPORT PER JUNE 30, 2011	AUGUST 12, 2011
QUARTERLY REPORT PER SEPTEMBER 30, 2011	NOVEMBER 18, 2011
ANNUAL REPORT 2011	APRIL 2012

Contact Person Investor Relations

Friedrich Koopmann
Comarch Software und Beratung AG
Messerschmittstr. 4
D-80992 Munich
Tel.: +49 (89) 143 29-11 99
Fax: +49 (89) 143 29-1114
ir@comarch.com

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Comarch Software und Beratung AG

Messerschmittstr. 4 · D-80992 Munich
Phone +49 (89)-14 329-0 · Telefax +49 (89)-14 329-1114
friedrich.koopmann@comarch.com · www.comarch.de

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