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Management Board Comments to Financial Report for Q1 2006

In Q2 2006, the Group noted improvement in sales compared to the analogous period of last year (19.5% increase). The Group generated income on the level of PLN 182 M, operating profit on the level of PLN 4.6 M, and net loss in the amount of PLN 935 thousand. The Company expects that the second half of the year will, like last year, bring improvement in the generated profit.

The results achieved were influenced by higher than usual expenses of servicing and buyout of convertible bonds and expenses related to a project run together with an international advisory company, and aimed mainly at increasing the efficiency of the whole ComputerLand Group. In Q1 2006, the expenses related to servicing and buyout of convertible bonds amounted to over PLN 5.4 M. The expenses of the project run together with an international advisory company in Q1 amounted to a few million PLN.

<table>
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<tr>
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<th>Q1 2005</th>
<th>Q1 2006</th>
<th>Changes</th>
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<tbody>
<tr>
<td>Income</td>
<td>152,762</td>
<td>182,493</td>
<td>19.5%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>8,023</td>
<td>4,665</td>
<td>(41.9%)</td>
</tr>
<tr>
<td>Net profit / (loss)</td>
<td>3,436</td>
<td>(935)</td>
<td>-</td>
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Q1 - Effectiveness Improvement Project

In the first quarter of this year ComputerLand carried out intensive work in cooperation with an international advisory company, which resulted in launching a project aimed at increasing the efficiency and profit of the whole Group. The program was initiated in April this year. The Company expects that thanks to implementation of the project it will increase its gross profit by PLN 50 M within 24 months. The changes introduced in a systematic way will allow the Company to increases its competitiveness, and will facilitate implementation of the development strategy for the whole Group. The Company intends to achieve, thanks to the project, operating profitability on the level of minimum 8% in 2-3 year’s time (in 2005, it amounted to 5%). The project is to be implemented until end 2007.

The new CL project concerns changes in 4 areas: sales, project organization, software development and implementation, as well as procurement. One of its main elements is the focus on the most profitable projects. The Company wants to focus on the Customers with the greatest sales prospects, limiting the offer and sales processes in less attractive areas. These decisions will allow the Company to limit the headcount in Sales Departments by 20%, with a simultaneous increase in the number of projects won.

In addition to the above in the sales area, the Company will increase utilization of the consultants’ working time from the present 68% to 79% with a simultaneous increase in the productivity by 15% in the development and implementation area. Centralization of service, hardware and software purchases will allow the Company to limit the number of suppliers, which will bring savings through utilization of the economies of scale across the whole ComputerLand Group.

Changes in the Company’s structure – joining of the industrial, utilities and chemical sectors

In the first quarter of 2006, the Company appointed a new, strong industrial sector, which was established as a result of joining three sectors which had been operating independently until that time: industrial, utilities and chemical ones. The main aims of this change in ComputerLand’s structure is to achieve an increased focus of the sales departments on selected Customer groups, to maintain a clear product policy, and to decrease the geographical distance between the whole organization and the Customers. The person heading the new industrial sector is Leszek Tomica, commercial proxy and head of the utilities sector up to now.

Unique references in the public sector – labor and welfare market
For years, the ComputerLand Group has run nationwide IT projects which help public institutions implement their unemployment and social welfare policies. In the first quarter the Company has provided the institutions forms that market with new solutions.

On the order of Ministry of Labour and Welfare, ComputerLand delivered new applications for Employment Bureaus - Electronic Document Flow Obieg PSZ.eDOK and an Internet Form package PSZ.eFORM. The Internet forms and the new system enabling electronic document flow in Public Employment Agencies will make life easier not only for clerks, but for all of employers and job-seekers. Thanks to these solutions, the poviat-level Employment Bureaus will be able to switch to a completely new customer service mode. The Internet Forms PSZ.eFORM are a practical implementation of the electronic office concept. They enable online submission over Internet of applications and forms both by job-seekers and employers. The delivered application will make it possible, among others, to independently verify the scope of benefits that the unemployed is eligible for, and then send the filled-in registration card to the competent office.

In cooperation with the self-government authorities of Siemianowice Śląskie, ComputerLand launched in the town an Self-Government Electronic Information Platform (SEIP), a solution enabling providing faster and cheaper service to the persons who apply for social welfare benefits and family benefits. By collecting in a single place the data previously dispersed among various institutions and IT systems, SEIP improves the effectiveness and efficiency of Customer service in the Social Welfare Centre, Poviat Employment Bureau and Family Benefits Division. The main task of the platform is to provide on-line information on the individuals making use of welfare collected by the individual administration entities to the authorized bodies. Thanks to SEIP, an interested institution can immediately inspect selected information on the individual Beneficiaries, their status, and the help granted. Thanks to increased efficiency and automatic verification, the commune has gained the possibility to exercise management and carry out a more efficient policy in those areas. It is estimated that SEIP will bring the Poviat Employment Bureau in Siemianowice Śląskie savings at the level of PLN 100,000 per year. Nationwide implementation of the platform could bring savings at the level of a few million Polish zlotys.

New outsourcing contracts

According to the IDG publishers’ TOP 200 ranking for 2004, ComputerLand is the largest provider of outsourcing services in Poland. The Company has been developing competencies in this area for years, which results in new references and projects.

The first quarter 2006 saw completion of ComputerLand S.A.’s acquisition of 99% shares in ELPOINFORMATYKA Sp. z o.o. from Elektrownia (Power Plant) Polaniec (Electrabel Group). ELPOINFORMATYKA Sp. z o.o. provides comprehensive IT services for Elektrownia Polaniec S.A. and its subsidiaries in the outsourcing model. The scope of services includes maintenance of financial and accounting systems, HR and payroll servicing, user support, as well as maintenance and upgrades of computerized work stands (desktop outsourcing). In December 2005 ELPOINFORMATYKA Sp. z o.o. signed an annex for service provision until 2010 to its contract with Elektrownia Polaniec S.A. The income expected under this annex will amount to PLN 24 M gross.

In the first quarter the Group signed several new outsourcing contracts too, among others with Wyborowa S.A. The subject matter of the latter contract is ensuring continuous operation of IT systems in that company. For Wyborowa S.A., this is yet another step towards optimization of the company’s
operation, according to the strategy of long-term, dynamic development. Cooperation with ComputerLand speeds up centralization and standardization of the corporate management processes, ensures access to the service provider’s leading edge solutions, expertise and extensive infrastructure, and allows the company to limit its own outlays on IT development. The contract has been concluded for a 5-year period, and its value exceeds PLN 5 M.

ComputerLand also signed a contract with Rabobank Polska S.A. for operation of a Disaster Recovery Center, ensuring continuous performance of the bank’s basic function in case of a disaster or a serious failure of the system. In the past the bank used to maintain this type of center on its own. The contract with CL will provide the bank with access to a decisively more advanced technology, and will enable it to make use of the highest standard security measures. ComputerLand will operate the Rabobank’s Disaster Recovery Center for 2 years.

The Company also signed an outsourcing contract with the Institute for Environmental Protection, which performs the tasks of the National Administrator of the Emission Rights Trade System. The subject matter of the contract is outsourcing of an IT system – National Register of Emission Rights.

Robust health care sector

For years ComputerLand has been a leader in the health care market. Since 1999 the Company has provided services to regional “Krankenkasse” administrative units of the public health care. Since 2003, i.e. since establishment of that institution, the Company has been servicing the National Health Fund (NFZ). Within the Company there is an almost one hundred strong team of specialists dealing with services for the health care sector. Besides the NFZ, ComputerLand provides services for public and private benefit providers in the health care market. The Company’s solutions work in a few hundred hospitals and over ten thousand health care centers. The Company has also implemented an author’s START project in Silesia, which makes use of a chip card for benefit authorization. At present, START is a component of the IT system of the Silesian Voivodship Division of the NFZ. ComputerLand is intensively investing in new solutions for that sector and consultants competences.

On April 18, 2006, the Company has concluded with the National Health Fund a contract for provision of maintenance services for the IT Support System for National Health Fund Activity. The contract value until end 2006 is PLN 13,4 M gross. The subject matter of the latter contract is provision of the maintenance services for the IT Support System for NFZ Activity, including: Software maintenance, consulting and advisory services for the Software, as well as author’s supervision and ongoing maintenance of the Software. The IT System of ComputerLand’s authorship supports work at the NFZ Head Office as well as in 8 (of the 16 existing) Voivodship Divisions of the NFZ, a public institution and a payer having at its disposal a budget of over PLN 30 billion per year. In the part which supports recording of benefits and settling of contracts on the benefits providers’ side, the system operates at the premises of over 18 thousand customers.

Description of factors which can influence financial results of the Group in the next quarter.

The financial results which the Group can achieve in Q2 2006 will be influenced by the expenses related to the implemented project on efficiency increase for the whole Group. Additionally, the Company expects the impact of the traditional seasonal pattern of Customer orders which can be observed in the marker during that period.