SOFTBANK SPÓŁKA AKCYJNA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

FOR THE FIRST QUARTER OF 2005

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP FOR THE FIRST QUARTER OF 2005

Table of contents Page

These financial statements comprise 60 pages numbered from 1 to 60.

These condensed consolidated financial statements were approved by the Executive Board of Softbank SA on May 13th 2005.

For and on behalf of the Executive Board:

Krzysztof Korba
President of the Executive Board

All figures in PLN '000

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP FOR THE FIRST QUARTER OF 2005

FINANCIAL HIGHLIGHTS

		PLN '000		EUR '000	
		Three months ended Mar 31 2005	Three months ended Mar 31 2004	Three months ended Mar 31 2005	Three months ended Mar 31 2004
I.	Sales revenue	96,631	74,880	24,066	15,620
II.	Operating profit	4,462	152	1,111	32
III.	Pre-tax profit	5,638	3,405	1,404	710
IV.	Profit for reporting period, including	5,016	3,047	1,249	636
	- profit attributable to the shareholders of the Parent Undertaking	**4,712**	**3,029**	**1,174**	**632**
V.	Net cash provided by/ (used in) operations	(16,350)	(29,824)	(4,072)	(6,221)
VI.	Net cash provided by/ (used in) investing activities	2,457	(23,372)	612	(4,875)
VII.	Net cash provided by/ (used in) financing activities	526	5,256	131	1,096
VIII.	Balance of cash and cash equivalents at end of period	33,977	4,175	8,462	871
IX.	Earnings (loss) per ordinary share (PLN / EUR)	0.21	0.13	0.05	0.03
X.	Diluted earnings (loss) per ordinary share (PLN / EUR)	0.21	0.13	0.05	0.03

The financial highlights disclosed in these financial statements were translated into the euro in the following way:

- items of the profit and loss account and cash-flow statement were translated at the arithmetic mean of mid exchange rates published by the National Bank of Poland and in effect on the last day of each month in a given quarter. The average rates were as follows:
  - for the period from January 1st to March 31st 2005: EUR 1 = PLN 4.0153
  - for the period from January 1st to March 31st 2004: EUR 1 = PLN 4.7938

All figures in PLN '000

GENERAL INFORMATION

SOFTBANK SA, registered office at ul. 17 Stycznia 72a, Warsaw, Poland, is the Parent Undertaking (the "Parent Undertaking", the "Company") of the Softbank Group (the "Softbank Group" the "Group").

The Company was established on January 18th 1989 as a limited liability company, and under Notarial Deed of August 31st 1993 was transformed into, and since than has been operating as, a joint-stock company with registered office at ul. 17 Stycznia 72a, Warsaw, Poland. The Company is entered in the Register of Entrepreneurs of the National Court Register under entry No. KRS 33391. Earlier, the Company had been entered into the Commercial Register maintained by the District Court of the Capital City of Warsaw, Commercial Court, XVI Commercial and Registration Division, under entry No. RHB 17220.

Since 1998, the Parent Undertaking's shares have been listed on the main market of the Warsaw Stock Exchange.

Softbank SA's business includes software and hardware consultancy and supply.

According to the Polish Classification of Business Activities, the Parent Undertaking's core business is "software consultancy and supply" (PKD-7220). This category includes analysing, developing and programming ready-to-use IT systems. According to the classification adopted by the Warsaw Stock Exchange (the "WSE"), the Parent Undertaking's business is classified as "information technology". Most of other undertakings of the Group conduct similar activities, with the exception of AWiM Mediabank SA, whose business includes: radio activities, public relations, promotional and publishing services. Publishing is currently being discontinued.

In addition to comprehensive IT services, the Group also sells goods, including computer hardware. These activities are to a large extent connected with the provision of software services.

The financial statements include a description of the Softbank Group's core business by segments.

In 2005, the Group has for the first time applied the International Financial Reporting Standards in preparing the condensed financial statements for the current and comparable periods. Note 17 includes the description of basic differences between the data disclosed in previous years in accordance with the Polish Accountancy Act of September 29th 1994 (consolidated text, Dz.U. of 2002, No. 76, item 694, as amended), and the data disclosed in accordance with International Financial Reporting Standards adopted as of January 1st 2005.

These condensed consolidated financial statements were prepared on the going-concern basis. During the financial period there were no circumstances which would indicate that there is a threat to the Company and its subordinated undertakings continuing as a going concern in the foreseeable future.

The condensed consolidated financial statements for the three months ended March 31st 2005 were prepared in accordance with the assumptions of the IAS 34 – "Interim Financial Reporting". The accounting policy applied in preparing these statements is presented in the Notes to Condensed Consolidated Financial Statements.

All figures in PLN '000

GENERAL INFORMATION (continued)

Composition of the Executive Board and Supervisory Board

As at March 31st 2005, the Company's Executive Board was composed of the following persons:

First name and surname	Title	In office
Krzysztof Korba	President of the Executive Board	January 1st – March 31st 2005
Robert Smułkowski	Member of the Executive Board	January 1st – March 31st 2005
Piotr Jeleński	Member of the Executive Board	January 1st – March 31st 2005
Przemysław Borzestowski	Member of the Executive Board	January 1st – March 31st 2005
Przemysław Sęczkowski	Member of the Executive Board	January 1st – March 31st 2005

As at March 31st 2005, the Company's Supervisory Board was composed of the following persons:

First name and surname	Title	In office
Ryszard Krauze	Chairman of the Supervisory Board	January 1st – March 31st 2005
Alicja Kornasiewicz	Member of the Supervisory Board	January 1st – March 31st 2005
Stanisław Janiszewski	Member of the Supervisory Board	January 1st – March 31st 2005
Maciej Grelowski	Member of the Supervisory Board	January 1st – March 31st 2005
Piotr Mondalski	Member of the Supervisory Board	January 1st – March 31st 2005

Major Shareholders and Significant Changes in the Ownership of Significant Blocks of Shares

The table below sets forth the shareholders who directly or through their subsidiary undertakings hold 5% or more of total vote at the General Shareholders Meeting of Softbank SA.

Major shareholders in Softbank SA according to the data available as at May 13th 2005

Shareholder	Number of shares and votes at GM	% share in share capital and total vote at GM
Prokom Software SA	5,238,000	25.002%
Nihonswi AG	2,042,910	9.750%
Zbigniew Opach	1,880,432	8.980%
Grupa PZU SA	1,320,155	6.301%

Compared with the previous reporting period, the number and structure of shareholders holding 5% or more of shares have not changed.

Currently, the share capital of Softbank SA amounts to PLN 20,950,512 and is divided into 20,950,512 ordinary shares with a par value of PLN 1 per share.

All figures in PLN '000

GENERAL INFORMATION (continued)

Changes in the numbers of Softbank SA shares and stock options held by the Company's managing and supervisory staff

Supervisory Board	as at Feb 28 2005	Number of shares as at May 13 2005
Ryszard Krauze	0	0 (no change)
Stanisław Janiszewski	1,600	1,600 (no change)
Alicja Kornasiewicz	0	0 (no change)
Maciej Grelowski	0	0 (no change)
Piotr Mondalski	2,500	2,500 (no change)

Executive Board	as at Feb 28 2005	Number of shares as at May 13 2005
Krzysztof Korba	0	0 (no change)
Piotr Jeleński	0	0 (no change)
Robert Smułkowski	1,500	1,500 (no change)
Przemysław Borzestowski	0	0 (no change)
Przemysław Sęczkowski	0	0 (no change)

PERFORMANCE OF THE SOFTBANK GROUP

The Softbank Group recorded good financial results for Q1 2005. The Group's sales revenue stood at PLN 96,631 thousand in Q1 2005, that is PLN 21,751 thousand (or 29.0%) more than in Q1 2004. The Group owes its high growth dynamics mostly to the increased sales of the Parent Undertaking. Softbank SA's sales revenue increased by 32.8%, to PLN 79,280 thousand in the period under analysis.

The Softbank Group's operating profit amounted to PLN 4,462 thousand in Q1 2005 and was almost 30 times higher than in Q1 2004. The PLN 4,310 thousand increase in operating profit is attributable primarily to the larger sales volume. Despite the gross margin being lower by 2.3 percentage points, the Group recorded a PLN 2,035 thousand increase in gross profit. Another factor contributing to the higher operating profit was the reduction of selling costs and general and administrative expenses by PLN 2,016 thousand.

Thanks to hedging against currency risk, the weakening of the Polish złoty had only insignificant effect on the Softbank Group's results. The Group's net profit was close to the operating profit and stood at PLN 4,712 thousand (up by 55.5%).

The first quarter of 2005 saw significant improvement in the Softbank Group's profitability ratios. The Group's operating margin increased by 4.4 percentage points, to 4.6%, while net margin reached 4.9%.

Consolidated financial results of the Softbank Group	**Three months ended Mar 31 2005 (unaudited)**	**Three months ended Mar 31 2004 (unaudited)**	**Change**
	PLN '000	**PLN '000**	(%)
Sales revenue	96,631	74,880	29.0%
Gross profit on sales	16,649	14,614	13.9%
Operating profit	4,462	152	2,835.5%
Net profit	4,712	3,029	55.5%

Basic profitability ratios of the Softbank Group [%]	**Three months ended Mar 31 2005 (unaudited)**	**Three months ended Mar 31 2004 (unaudited)**
	PLN '000	**PLN '000**
Gross sales margin	17.2%	19.5%
Operating margin	4.6%	0.2%
Net margin	4.9%	4.0%

These financial statements include a detailed description of all material factors with a bearing on the financial results recorded in Q1 2005 by Softbank SA and the Group companies.

In Q1 2005, the Group's revenue on sales of products and services stood at PLN 35,710 thousand, while revenue on sales of goods for resale and materials was PLN 60,921 thousand. The Group's gross profit on sales was higher by PLN 2,035 thousand than in Q1 2004 and amounted to PLN 16,649 thousand. In Q1 2005, financial income stood at PLN 6,750 thousand and financial expenses at PLN 5,394 thousand. The Softbank Group's net profit for Q1 2005 was PLN 4,712 thousand.

Key non-recurring factors with a bearing on the result on core business:

- Creation of a provision for additional expenses connected with implementation contracts decreased the result on core business by PLN (3,686) thousand.

Key factors with a bearing on the operating profit/ (loss):

- Reversed/(made) valuation allowance for receivables increased operating profit/ (loss) by PLN 210 thousand.

Key factors with a bearing on the profit/ (loss) on financing activities:

- Consolidated gain on the sale of Epsilio SA shares increased financial income by PLN 2,189 thousand,
- Excess of foreign exchange losses over foreign exchange gains decreased the profit/ (loss) on financing activities by PLN (931) thousand,
- Valuation of embedded derivatives decreased the profit/ (loss) on financing activities by PLN (2,064) thousand,
- Partial realisation of forward contracts contributed PLN (1,390) thousand the profit/ (loss) on financing activities.

Key factors with a bearing on the net profit:

- Decrease in assets, following the set-off against the deferred tax liability, reduced net profit by PLN (468) thousand,

PLANNED SHARE CAPITAL INCREASE

The Executive Board of Softbank SA recommended to the Company's General Shareholders Meeting that the Company's share capital should be increased through the issue of: 1,763,810 series U1 shares, 1,367,854 series U2 shares and 3,491,752 series T shares. The Company intends to issue a total of 6,623,416 shares. Series U1 and U2 shares would be acquired for non-cash contributions, in the form of shares in KOMA SA of Katowice in exchange for series U1 shares, and in the form of shares in INCENTI SA of Warsaw in exchange for series U2 shares. Proceeds from the issue of series T shares are to be applied towards the purchase of shares in Gladstone Consulting Limited of Cyprus, and the purchase of at least 2.5% of the share capital of COMP Rzeszów SA (currently, Softbank SA holds 17.5% of its shares).

The planned acquisitions would be executed in line with the Company's strategy published in 2004 and providing for focusing the Company's business on providing services to the banking and public administration sectors. The key objectives pursued by the Company as part of its strategy include enhancement of the Group's expertise in the area of providing services to customers from these sectors, with a simultaneous improvement of operating profitability and continued restructuring of the Softbank Group.

KOMA SA

Softbank SA intends to acquire 100% of shares in KOMA SA in exchange for non-cash contributions. Prokom Software SA is the majority shareholder in KOMA SA, with a 75% share in KOMA SA's share capital. 100% of KOMA SA shares were valued at PLN 49.0m. The DCF method and comparable multiples method were used in the valuation. The financial forecasts used in the valuation do not account for the synergy effects expected following the inclusion of KOMA SA in the Softbank Group.

The Executive Board of Softbank SA intends to merge KOMA SA with Softbank Serwis Sp. z o.o., wholly-owned by Softbank SA. Both companies represent the same line of business: computer hardware maintenance. By merging the operations of these two undertakings, the Executive Board hopes to achieve synergies, including reduced costs and increased operational efficiency. The extended geographical coverage and enhanced service portfolio would put the companies in a materially improved position in competing for the largest maintenance projects in Poland. The merged companies would be the maintenance centre for the whole Prokom Software Group. Following the acquisition of KOMA SA, the Softbank Group would expand its expertise and commercial offering by providing mobile solutions for trade and transport companies, as well as systems supporting human resources management. KOMA SA's proprietary systems, including KOMA HR and e-HR, are among the leading products on the Polish market in terms of the total number of employees handled (following the completion of implementations currently underway, KOMA SA's HR systems will handle a total of over 126 thousand employees).

INCENTI SA

Softbank SA intends to acquire 100% of shares in INCENTI SA in exchange for non-cash contributions. INCENTI SA's sole shareholder is currently Prokom Software SA. 100% of INCENTI SA shares accepted as non-cash contributions were valued at PLN 38.0m. The valuation was based on the DCF method. The financial forecasts used in the valuation do not account for the synergy effects expected following the inclusion of INCENTI SA in the Softbank Group.

INCENTI SA would complement Softbank SA's offering and expertise in the area of IT outsourcing, e-learning and development data centres. INCENTI SA's expertise and experience, as well its team of uniquely qualified employees enable the company to handle the full execution cycle for outsourcing contracts. Fine credentials help the company to win new customers. INCENTI SA's experience and, most importantly, knowledge of the Polish IT market and procedures for carrying out outsourcing projects, have enabled the company to optimise its product portfolio and costs. INCENTI SA operates its own Data Centre and is thus able to execute large projects on a standalone basis, at no additional cost related to the use of external resources. The company intends to develop potential necessary to provide advanced outsourcing services which may soon become a product enjoying high demand from the financial sector. Based on Softbank SA's and INCENTI SA's expertise, the companies are planning to develop a card outsourcing centre and strengthen INCENTI SA's position as the outsourcing centre of the Prokom Group.

For the purposes of determining the number of shares to be delivered in exchange for non-cash contributions in the form of KOMA SA and INCENTI SA shares, the issue price of Softbank SA series U1 and U2 Shares has been set at PLN 27.80 per share.

GLADSTONE CONSULTING LTD.

Softbank SA intends to acquire 51% of shares in Gladstone Consulting Limited ("Gladstone") for a price not higher than PLN 31m. Gladstone was established in 1999 by Mr Donal Bailey, and the company's core business includes professional consultancy services for financial institutions in the area of IT systems. Gladstone employs an international team of consultants with long-standing experience in the provision of IT consultancy services for the banking sector, including for such customers as Pekao SA, UniCredito Italiano, Bank of the West, Citigroup, Wells Fargo Bank, Tower Group UK, Tower Group USA, and Money Express Sp. z o.o. According to the information obtained by Softbank SA, in 2005 Gladstone expects to earn revenue of USD 6.5m and a net profit of USD 2.7m. For 2006, sales revenue is forecast at USD 7.2m and net profit at USD 3.3m. In 2006, thanks to the cooperation with Softbank SA, Gladstone intends to procure additional orders with a total value of PLN 12m.

Softbank SA intends to use Gladstone's extensive consultancy expertise and experience in order to increase sales of consultancy services to Softbank SA's customers and to intensify the Company's cooperation with foreign banks, shareholders in Polish banks.

COMP RZESZÓW SA

Softbank SA intends to increase its equity interest in COMP Rzeszów SA from the current 17.5% to at least 20% of the share capital. An equity interest of 20% would enable Softbank SA to consolidate financial results of COMP Rzeszów SA with the equity method, that is at the net profit (loss) level. The consolidation would improve the Softbank Group's financial performance, as COMP Rzeszów SA has been reporting very good results. In 2004, the COMP Rzeszów Group generated a net profit of PLN 14.4m (49% higher than in 2003).

Since 1991, COMP Rzeszów SA has been active in the development and implementation of proprietary software solutions for banks and enterprises. The company ranks second among the Polish producers of software for the banking sector (according to Teleinfo500), and owes this position to many years of work, high quality of services, and the experience gathered in the course of cooperation with Polish and western banks. In cooperation with Asset Soft, the largest software producer in Slovakia, COMP Rzeszów SA plans to build a Software Centre for Central and Eastern Europe. Since September 2004, COMP Rzeszów SA has been listed on the Warsaw Stock Exchange.

Resolutions concerning the share capital increase in Softbank SA will be put to vote at the General Shareholders Meeting commenced on May 6th 2005 and to be continued on May 17th 2005.

All figures in PLN '000

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT SOFTBANK GROUP

	Note Supplementary Information	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Operating activities			
Sales revenue		**96,631**	**74,880**
Revenue on sales of products and services	1	35,710	31,440
Revenue on sales of goods for resale and materials	1	60,921	43,440
Cost of sales		**(79,982)**	**(60,266)**
Cost of products and services sold (-)	2	(26,813)	(22,393)
Cost of goods for resale and materials sold (-)	2	(53 169)	(37,873)
Gross profit (loss) on sales		**16,649**	**14,614**
Selling costs (-)	2	(3,143)	(3,174)
General and administrative expenses (-)	2	(9,310)	(11,295)
Net profit (loss) on sales		**4,196**	**145**
Other operating income		530	508
Other operating expenses (-)		(264)	(501)
Operating profit (loss)		**4,462**	**152**
Amortisation of goodwill		0	(1,922)
Other activities			
Financial income	3	6,570	5,964
Financial expenses (-)	3	(5,394)	(789)
Pre-tax profit (loss)		**5,638**	**3,405**
Corporate income tax (current and deferred)		592	358
Net profit (loss)		**5,046**	**3,047**
Discontinued operations			
Loss for period on discontinued operations	4	(30)	0
Profit for reporting period		**5,016**	**3,047**
Attributable to:		**5,016**	**3,047**
Shareholders of the Parent Undertaking		4,712	3,029
Minority interests		*304*	*18*
Consolidated earnings per share attributable to the Shareholders of Softbank SA (in PLN)			
basic and diluted earnings per share, based on consolidated net profit for the reporting period, attributable to Shareholders of Softbank SA		0.21	0.13

All figures in PLN '000

CONDENSED CONSOLIDATED BALANCE SHEET
SOFTBANK GROUP

	Note Supplementary Information	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
ASSETS			
Non-current assets		**210,415**	**228,567**
Property, plant and equipment		27,897	29,187
Investment property		1,662	1,666
Intangible assets		5,826	5,989
Consolidation goodwill		2,490	22,751
Non-current financial assets available for sale	5	68,105	65,945
Non-current financial assets carried at fair value	5	30,118	29,291
Non-current receivables		54,715	54,840
Non-current deferred tax assets		12,166	10,497
Non-current prepayments and accrued income		7,436	8,401
Current assets		**246,631**	**301,097**
Deferred tax assets		8,740	21,827
Inventory		20,762	9,139
Prepayments and accrued income		10,449	10,641
Trade receivables		65,631	120,427
Other receivables		68,582	42,259
Financial assets held to maturity	5	6,933	15,072
Financial assets carried at fair value	5	31,540	34,369
Cash and short-term deposits		33,977	47,344
Non-current assets classified as held for sale	4	17	19
TOTAL ASSETS		**457,046**	**529,664**

CONDENSED CONSOLIDATED BALANCE SHEET SOFTBANK GROUP (continued)

BALANCE SHEET EQUITY ADN LIABILITIES	Note Supplementary Information	Mar 31 2005 (unaudited data) PLN '000	Mar 31 2004 (unaudited data) PLN '000
Equity (attributable to the shareholders of the Parent Undertaking)		**143,397**	**136,517**
Share capital		22,491	22,491
Share premium		148,576	148,576
Unrealised net profit		10,588	8,428
Capital reserves		(3,837)	(3,837)
Retained earnings/ (deficit)		(39,141)	(37,260)
Profit/loss for reporting period		4,712	(1,881)
Translation adjustments		8	0
Minority interests		2,315	3,497
Total equity		**145,712**	**140,014**
Non-current liabilities		**92,422**	**86,671**
Non-current provisions		355	355
Non-current financial liabilities	5	78,463	76,397
Non-current deferred income		8,783	9,919
Other non-current liabilities		4,821	0
Current liabilities		**218,912**	**302,979**
Current portion of interest-bearing bank loans, borrowings and debt securities	5	84,241	84,075
Trade payables		61,784	124,854
Liabilities towards the state budget		4,072	10,707
Financial liabilities	5	13,351	14 378
Other liabilities		33,651	42,519
Provisions		3,905	8,022
Accrued expenses		7,794	8,632
Deferred income		10,005	9,724
Liabilities directly related to non-current assets classified as held for sale	4	109	68
TOTAL LIABILITIES		**311,334**	**389,650**
TOTAL EQUITY AND LIABILITIES		**457,046**	**529,664**

CONDENSED STATEMENT OF CHANGES IN EQUITY
SOFTBANK GROUP

for three months ended March 31 2005 and twelve months of 2004

	Share capital	*Share premium*	*Unrealised net profit*	*Other capital reserves*	*Translation adjustments*	*Retained earnings/ (deficit)*	*Total*	*Minority interests)*	*Total equity*
	PLN '000	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*
As at Jan 1 2004	**22,491**	**148,576**	**0**	**(3,837)**	**0**	**(37,260)**	**129,970**	**3,497**	**133,467**
Net gain on financial assets available for sale	0	0	8,428	0	0	**0**	**8,428**	0	**8,428**
Loss for 12 months ended Dec 31 2004						(1,881)	**(1,881)**	0	**(1,881)**
As at Dec 31 2004	**22,491**	**148,576**	**8,428**	**(3,837)**	**0**	**(39,141)**	**136,517**	**3,497**	**140,014**
As at Jan 1 2005	**22,491**	**148,576**	**8,428**	**(3,837)**	**0**	**(39,141)**	**136,517**	**3,497**	**140,014**
Net gain on financial assets available for sale	0	0	2,160	0	8	**0**	**2,168**	0	**2,168**
Profit for 3 months ended Mar 31 2005						4,712	**4,712**	304	**5,016**
Acquisition of shares in Sawan Grupa Softbank SA	0	0	0	0	0	**0**	**0**	**(1,486)**	**(1,486)**
As at Mar 31 2005	**22,491**	**148,576**	**10,588**	**(3,837)**	**8**	**(34,429)**	**143,397**	**2,315**	**145,712**

All figures in PLN '000

CONSENSED CONSOLIDATED CASH-FLOW STATEMENT SOFTBANK GROUP

	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Operating cash flows		
Pre-tax profit	5,608	3,405
Adjustments:	**(19,698)**	**(33,038)**
Depreciation and amortisation	2,319	2,895
Change in inventory	(1,126)	(2,343)
Change in receivables	38,388	14,541
Change in liabilities	(57,078)	(43,547)
Change in accruals and deferrals	(536)	(891)
Change in provisions	(4,117)	336
Interest expense	2,382	139
Interest income	(150)	0
Foreign exchange gains (losses)	2,008	(5,000)
Profit (loss) on investment activities	(1,915)	(873)
Other	127	1,705
Net cash generated by operations	**(14,090)**	**(29,633)**
Interest paid	(2,058)	(145)
Income tax paid	(202)	(46)
Net cash from operations	**(16,350)**	**(29,824)**
Investing cash flow		
Disposal of property, plant and equipment	47	17
Disposal of financial assets held to maturity	6,437	(21,287)
Sale of financial assets held for trading	109	0
Acquisition of property, plant and equipment	(1,576)	(1,742)
Acquisition of intangible assets	(654)	(360)
Acquisition of financial assets held for trading	(3,000)	0
Acquisition of subsidiary undertakings, net of cash acquired	(981)	0
Interest received	133	0
Other	552	0
Cash provided by forward transactions	1,390	0
Net cash used in investing activities	**2,457**	**(23,372)**
Financing cash flow		
Issue of shares	0	0
Repayment of financed lease liabilities	(49)	(71)
Incurred loans and borrowings	1,892	7,646
Repayment of loans and borrowings	(1,280)	(2,137)
Other	(37)	(182)
Net cash provided by/ (used in) financing activities	**526**	**5,256**
Change in cash and cash equivalents	(13,367)	(47,940)
Cash and cash equivalents as at January 1	47,344	52,115
Cash and cash equivalents at end of period	**33,977**	**4,175**

All figures in PLN '000

INFORMATION ON BUSINESS SEGMENTS SOFTBANK GROUP

For current period – three months ended Mar 31 2005 and as at March 31st 2005	*Continued operations*			*Discontinued operations*	*Total operations*
	Implementation Projects	*Media*	*Total*	*Publishing*	
	PLN '000	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*
Revenues for period January 1st to March 31st 2005					
External sales	98,475	1,060	**99,535**	93	**99,628**
Intersegment sales	(2,903)	(1)	**(2,904)**		**(2,904)**
Total segment's revenue	**95,572**	**1,059**	**96,631**	**93**	**96,724**
Result					
Segment's result	4,952	(756)	**4,196**	(30)	**4,166**
Profit (loss) before tax and financial expenses and income	5,203	(741)	**4,462**	(30)	**4,432**
Net financial expenses and income	1,232	(56)	**1,176**		**1,176**
Profit (loss) before tax and minority interests	6,435	(797)	**5,638**	(30)	**5,608**
Income tax (tax expense)	592	0	**592**		**592**
Net profit for financial year	5,843	(797)	**5,046**	(30)	**5,016**
as at March 31st 2005 Assets and equity and liabilities					
Segment's assets	455,304	1725	**457,029**	17	**457,046**
Segment's equity and liabilities	455,525	1412	**456,937**	109	**457,046**
Other information on the segment For period January 1st to Mar 31st 2005					
Capital expenditure	**(2,230)**	**0**	**(2,230)**	**0**	**(2,230)**
Depreciation and valuation allowance for non-current assets	**(2,247)**	**(72)**	**(2,319)**	**0**	**(2,319)**

All figures in PLN '000

INFORMATION ON BUSINESS SEGMENTS SOFTBANK GROUP (continued)

For previous period – three moths ended December 31st 2004 and as at December 31st 2004	Continued operations			Discontinued operations	Total operations
	Implementation Projects	*Media*	*Total*	*Publishing*	
	PLN '000	*PLN '000*	*PLN '000*	*PLN '000*	*PLN '000*
Revenues					
For period January 1st to March 31st 2004					
External sales	79,680	903	**80,583**	0	**80,583**
Intersegment sales	(5,703)	0	**(5,703)**	0	**(5,703)**
Total segment's revenue	**73,977**	**903**	**74,880**	**0**	**74,880**
Result					
Segment's result	1,378	(1,233)	**145**	0	**145**
Profit (loss) before tax and financial expenses and income	1,362	(1,210)	**152**	0	**152**
Net financial expenses and income	5,211	(36)	**5,175**	0	**5,175**
Profit (loss) before tax and minority interests	4,651	(1,246)	**3,405**	0	**3,405**
Income tax (tax expense)	358	0	**358**	0	**358**
Net profit for financial year	**4,293**	**(1,246)**	**3,047**	**0**	**3,047**
as at December 31st 2004					
Assets and equity and liabilities					
Segment's assets	528,027	1,637	**529,664**	0	**529,664**
Segment's equity and liabilities	530,141	(477)	**529,664**	0	**529,664**
Other information on the segment					
for the period January 1st to March 31st 2004					
Capital expenditure	**(2,102)**	**0**	**(2,102)**	**0**	**(2,102)**
Depreciation and valuation allowance for non-current assets	**(2,823)**	**(72)**	**(2,895)**	**0**	**(2,895)**

In the current reporting period and in the corresponding period of the previous year, the Softbank Group generated 99.99% of its sales revenue on the Polish market, with exports accounting for only a marginal part of the Group's turnover. Therefore, there is no need to present the division of the Group's activities by geographical regions.

An industry segment is a separate area of business within which the Company distributes its products and provides its services, or groups of related products or services, and which is characterised by different degree of risk and different rates of return on capital expenditure than those inherent for other industry segments. The products and services are classified as related products and services based on their type.

The Group's activities by industry segment are as follows:

IT consulting services and provision of software and hardware:

- software provided under own or other companies' licences,
- implementation of own products and third-party software,
- maintenance of own and third-party software and hardware,
- third-party hardware.

Advisory, publishing and media services:

- graphic design, printing, etc.,
- management of a radio station.

The Softbank Group classifies its activities into specific industry sectors based on their type.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

MATERIAL ACCOUNTING POLICIES

Legal Basis for the Preparation of Consolidated Financial Statements

The consolidated quarterly financial statements were prepared for the period January 1st – March 31st 2005, and the comparable financial data cover the period January 1st – March 31st 2004, and the balance-sheet data were prepared as at December 31st 2004.

In the preparation of its condensed consolidated financial statements the Group applied the International Financial Reporting Standards for the current and comparable reporting periods.

The condensed consolidated financial statements were prepared in accordance with the historical cost principle, except for derivative financial instruments, financial assets available for sale valued at their fair value, and some property, plant and equipment which were marked to fair value as at January 1st 2004.

The currency of the consolidated financial statements is the Polish złoty (PLN), and all the figures are stated in thousands of złotys (PLN '000), unless stated otherwise.

The consolidated financial statements were prepared based on the assumption that the Parent Undertaking and all other undertakings of the Softbank Group would continue as going concerns in the foreseeable future. During the reporting period, there occurred no circumstances which would indicate a threat to the Group's going concern.

The Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. Therefore, the provisions of IFRS 1 were applied to valuation of tangible assets which were marked to their fair value as at January 1st 2004. The derivative instruments were reclassified as at the date of transition to IFRS. The Company also revalued (discounted) its receivables and payables with deferred maturities. Other changes resulting from first-time adoption of IFRS are described in Section 17 of the Notes to these financial statements.

Changes in Applied Accounting Policies

In 2005, the Company began to prepare its non-consolidated and consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). These statements are the first Company's financial statements prepared in line with IFRS. The key policies adopted by the Group are presented below.

Consolidation Methods

The consolidated financial statements include the financial statements of the Parent Undertaking, Softbank SA, and the financial statements of its subsidiary undertakings prepared as at specified balance-sheet date (end of quarter, half of the year, end of the year).

Subsidiaries are undertakings in which the Group holds the right to more than 50% of the total vote at the general shareholders meeting or in the case of which the operational and financial policies may be controlled by the Group in another way. Whether the Group exercises control over other undertakings is determined on the basis of the right to vote and influence of the potential votes that the Parent Undertaking may cast at general shareholders meetings of other undertakings.

The financial statements of subsidiary undertakings are prepared for the same reporting period as that covered by the financial statements of the Parent Undertaking, using uniform accounting policies. Should the need arise, the accounting policies of subsidiary undertakings are modified in order to ensure their consistency with the accounting policies adopted by the Group. Adjustments are made in order to reconcile any divergent accounting policies.

The subsidiary undertakings are subject to consolidation from the moment the Group assumes control over them to the moment the control ceases. If the Group loses control over a subsidiary undertaking, the consolidated financial statements include the results for that part of the year covered by the financial statements in which the Group still held such control.

The acquisition of subsidiary undertakings is accounted for using the acquisition method. The acquisition cost includes the fair value of acquired assets, the shares issued or liabilities contracted as at the date of acquisition, and the costs directly related to the transaction. The excess of the acquisition cost over the fair value of the acquired assets of a subsidiary undertaking is recognised as goodwill.

All balances and transactions between the Group's undertakings, including unrealised profits from intra-group transactions, were completely eliminated in the course of the consolidation.

Investments in Associated Undertakings

The Group's investments in associated undertakings are disclosed using the equity method. Associated undertakings are undertakings over which the Group exercises a considerable influence and which are neither subsidiary undertakings nor joint ventures. The financial statements of associated undertakings are the basis for valuation of the Group's shares using the equity method. The balance-sheet dates of associated undertakings and of the Group are the same and all the Group's undertakings apply uniform accounting policies.

The investments in associated undertakings are disclosed in the balance sheet at their acquisition cost, increased by subsequent changes in the Group's share in the net assets of these undertakings, less impairment losses. The profit and loss account reflects the share in profit (loss) of associated undertakings. In the case of a change recognised directly in the equity of associated undertakings, the Group recognises its share in any such change and discloses it in the statement of changes in equity, as appropriate.

Pursuant to the equity method, the Group's share in the profit (loss) of associated undertakings after the acquisition date is disclosed in the profit and loss account, and the Group's share in provisions of associated undertakings after the acquisition date is disclosed in provisions. The acquisition cost is adjusted for the cumulative changes which occur after the acquisition date. Associated undertakings are undertakings in which the Group holds the right to 20-50% of the total vote at the general shareholders meeting and over which the Group exercises a considerable influence, but not control. Unrealised gains/losses on transactions between the Group and its associated undertakings are subject to consolidation eliminations up to the amount of the Group's share in associated undertakings. Unrealised losses are also eliminated, unless the transaction entails an impairment of value of the transferred assets. The investment in an associated undertaking includes goodwill created at the acquisition (less amortisation). When the Group's share in losses incurred by its associated undertaking equals or exceeds the value of the investment, the Group does not recognise any further losses, unless it has contracted liabilities or made payments to the benefit of this associated undertaking.

Goodwill

Goodwill is the excess of the acquisition cost over the fair value of the Group's share in identifiable net assets of a subsidiary/associated undertaking as at the acquisition date. The goodwill relating to subsidiary undertakings is disclosed as a separate non-current asset in the balance sheet, while the goodwill relating to associated undertakings is disclosed in the balance sheet under investments in associated undertakings.

As at each balance-sheet date, the Group tests the goodwill for value impairment. If any evidence of such impairment is found, the Group searches for possible ways for recovery of goodwill as at the balance-sheet date. If the balance-sheet value exceeds the recoverable goodwill, a relevant write-off is made. Impairment losses are disclosed under other operating expenses.

Disposal of Subsidiary and Associated Undertakings

Gain/(loss) on disposal of a subsidiary and/or associated undertaking includes net goodwill relating to the given undertaking.

Any gains/(losses) resulting from dilution of share in subsidiary and associated undertakings are disclosed in the profit and loss account for the period in which the disposal took place.

Participation in Joint Ventures

The Group's share in a joint venture is disclosed using the proportional consolidation method, whereby the pro-rata share in the assets, equity, liabilities, income and expenses of the joint venture is aggregated, line by line, with the corresponding items in the consolidated financial statements.

Translation of Items Denominated in Foreign Currencies

The functional currency (measurement currency) and the reporting currency of the Parent Undertaking, Softbank SA, and its subsidiary undertakings in Poland is the Polish złoty (PLN). The transactions denominated in foreign currencies are initially disclosed at the exchange rate of the functional currency effective as at the transaction date. Cash assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency effective as at the balance-sheet date. All foreign exchange gains and losses are disclosed in the consolidated profit and loss account, except for foreign exchange differences on the loans contracted in foreign currencies as collateral for net investments in a foreign entity.

All figures in PLN '000

The foreign exchange gains and losses are disclosed directly in equity until disposal of the net investment, whereupon they are transferred to the consolidated profit and loss account. The tax charges and allowances attributable to foreign exchange gains and losses on these loans are also disclosed in the equity. Non-cash items valued at their historic cost in foreign currency are translated at the exchange rate effective as at the date of the initial transaction. Non-cash items valued at fair value in a foreign currency are translated at the exchange rate effective as at the date of determining the fair value.

The functional currency of the co-subsidiary undertaking, SOFT Technologies Sp. z o.o., is tenge (the currency of Kazakhstan). As at the balance-sheet date, the assets and liabilities of this foreign co-subsidiary undertaking are translated into the reporting currency of the Softbank Group at the exchange rate effective as at the balance-sheet date, and the items of its profit and loss account are translated at the average weighted exchange rate for a given financial period. The foreign exchange gains and losses resulting from such a restatement are posted as a separate item directly under equity. Upon disposal of a foreign undertaking, the accumulated deferred foreign exchange gains or losses disclosed under equity are transferred to the profit and loss account.

Property, Plant and Equipment

Plant and equipment is disclosed at acquisition or production cost, increased by additional subsequent costs, if any, and decreased by cumulative depreciation charges and impairment losses, if any. In accordance with IFRS 1, the Company valued some items of the property, plant and equipment at their fair value as at January 1st 2004 less cumulative depreciation.

The costs incurred after the assets are placed in service, including repair, maintenance or operation costs, affect the profit/(loss) for the reporting period in which they are incurred. If it is possible to prove that the costs resulted in an increase in future economic benefits connected with the possession of an asset over the value of benefits initially expected, the initial value of the asset is increased accordingly.

Property. plant and equipment are depreciated on a straight-line basis over a period corresponding to their estimated useful economic lives:

Property, plant and equipment	Depreciation rate	Depreciation period
Buildings and structures	2.5%-3.5%	29-40 years
Plant and equipment	5.0%-30.0%	20-3.3 years
Vehicles	20.0%	5 years
Computers	30.0%	3.3 years
Investments in third-party assets	10.0%	10 years

The Company uses depreciation rates specified in the tax regulations only if they correspond with the estimated useful economic life of a given asset. The Company regularly verifies the applied useful economic lives and the depreciation rates and makes the relevant adjustments through depreciation charges in the following periods.

Upon the occurrence of events or changes which indicate that the balance-sheet value of plant and equipment may be irrecoverable, the Company tests the assets value impairment. If there is evidence of an impairment of value of an asset with a balance-sheet value greater than its estimated recoverable value, then the balance-sheet value of the asset or of the relevant cash-generating unit is reduced to the recoverable value. The recoverable value of plant and equipment is equal to the higher of the net selling price or the value-in-use. To calculate the value-in-use, the Company estimates future cash flows and discounts them to their present value using a gross discount rate which reflects current market estimates of the time value of money and of the risk related to a given asset. If an asset does not generate sufficient cash flows independently, then the recoverable value is calculated at the level of the cash-generating unit to which the asset belongs. Impairment losses are charged to the profit and loss account under the cost of sale.

Repair and overhaul costs are disclosed in the profit and loss account for the reporting period in which they are incurred.

A item of property, plant and equipment may be derecognised from the balance sheet if it is sold or if the Company does not expect to realise any economic benefits from using it in the future. Gains and losses on disposal of property, plant and equipment are calculated by comparing the amount of proceeds from disposal of the asset to its current book value, and are disclosed under operating profit/(loss). Gains or losses on derecognition of an asset from the balance sheet (calculated as the difference between net proceeds from disposal and the balance-sheet value of the asset) are disclosed in the profit and loss account for the reporting period in which the asset was derecognised.

Borrowing Costs

Borrowing costs are expensed at the moment they are incurred, as prescribed in IAS 23.

Investment Property

Initially, investment property is disclosed at acquisition cost (including the transaction costs). Following the initial disclosure, the property is depreciated with the straight-line method and it is regularly tested for any impairment of value.

Investment property is derecognised from the balance sheet if it is sold or if it is permanently withdrawn from use, and the Company does not expect to realise any economic benefits from its sale. Gains or losses on derecognition of property from the balance sheet are disclosed in the profit and loss account for the reporting period in which the property was derecognised.

Goodwill

Initially, goodwill acquired upon the acquisition of a business is disclosed at acquisition cost (excess of the cost of the merger of business undertakings over the share of the acquiring undertaking in the net fair value of identifiable assets, liabilities and contingent liabilities). Following the initial disclosure, goodwill is disclosed at acquisition cost less cumulative impairment losses, if any. Goodwill acquired under transactions executed after March 31st 2004 is not subject to amortisation; and goodwill already disclosed in the balance sheet is not subject to amortisation after January 1st 2005. Goodwill is tested for value impairment once a year or more often – if any events or changes occur which indicate that the balance-sheet value of the goodwill may have been impaired.

As at the date of assuming control, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergies resulting from the merger. The Company calculates any impairment of value by estimating recoverable value of the cash-generating unit relevant to a given part of goodwill. If the recoverable value of a cash-generating unit is lower than its balance-sheet value, the Company recognises impairment losses. If goodwill comprises a part of a cash-generating unit and the Company sells a part of the business of the cash-generating unit, the goodwill connected with the sold business is included in the balance-sheet value of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill sold in such circumstances is valued using the relative value of the sold business and the value of the retained part of the cash-generating unit.

Intangible Assets

Acquired separately or through merger of business undertakings

Intangible assets acquired in separate transactions are capitalised at acquisition cost. Intangible assets acquired as part of the acquisition of a business undertaking are capitalised at fair value as at the date of assuming control. Following the initial disclosure, intangible assets acquired through a merger are valued using the historical cost. The Company assesses the useful economic lives of intangible assets and classifies them as either definite or indefinite.

Except for R&D work, intangible assets produced by the Company with own means, are not disclosed under assets, and the expenditure incurred to produce them is charged to the profit and loss account for the reporting period in which they were incurred.

Intangible assets are tested each year for any impairment of value at the level of an individual asset or an individual cash-generating unit. The estimated useful economic lives are also subject to annual review and if necessary are adjusted beginning from the next financial year. If there is evidence of an impairment of value of an asset with a balance-sheet value greater than its estimated recoverable value (calculated as the higher of the net selling price or value-in-use), them the value of the asset is reduced to the recoverable value. To calculate impairment of value, assets are classified at the lowest level for which separate cash flows can be identified.

Research and Development Expense

Research and development expense is charged against the profit and loss account at the moment it is incurred. Expenditure incurred for R&D work performed as part of one project is transferred to a subsequent period if the Company determines that it will be able to recover it in the future. Expenses relating to finished R&D work preformed for own needs, incurred before the Company implements the new solutions, are disclosed under intangible assets if the following conditions are met:

- The product or production technology is strictly defined and the related research and development expense can be reliably estimated;
- Technical usefulness of a product or technology has been determined and appropriately documented, and on that basis the Company made the decision to produce the product or apply the technology;
- Expenses relating to finished R&D work will be covered – according to the Company's projections – with revenue generated on sales of the products or the application of the technology.

Any R&D expense which does not comply with the above criteria is charged against the profit and loss account.

Following the initial disclosure, research and development expenses are valued using the historical cost model, under which assets are disclosed at acquisition cost less cumulative amortisation charges and all impairment losses. Any expenses transferred to a subsequent period are amortised over the estimated period of revenue generation by a given project. Research and development expenses are amortised for no more than five years.

Research and development expenses are tested for any impairment of value – once a year for assets yet to be placed in service, or – more than once a year if there is evidence of an impairment of value in the reporting period as a result of which the Company may be unable to recover an asset's balance-sheet value.

Standard amortisation rates applied for intangible assets:

Asset	Amortisation rate	Amortisation period
Research and development expense	20.0%-33.0%	5–3 years
Software	33.0%	3 years
Patents and licenses	20.0%	5 years
Other	20.0%	5 years

Gains or losses on derecognition of an intangible asset from the balance sheet (calculated as the difference between the net proceed from disposal and the balance-sheet value of the asset) are disclosed in the profit and loss account at the moment the asset is derecognised.

Recoverable Value of Non-Current Assets

As at each balance-sheet date, the Group tests its assets for permanent impairment of value. If such evidence exists, the Group performs a formal estimation of the recoverable value. If the balance-sheet value of an asset is higher than its recoverable value, an impairment loss is recognised and a valuation allowance is made adjusting the asset's value to its recoverable value. The recoverable value is the higher of the fair value of an asset or a cash-generating unit, less costs related to its sale, or the value-in-use determined for the individual assets, if a given asset generates cash flows which are highly independent from those generated by other assets or asset categories.

Investments

All investments are initially disclosed at acquisition cost, representing the fair value of the price paid, including transaction costs.

Following the initial disclosure, investments classified as marketable assets (carried at fair value) and assets available for sale are valued at fair value. Gains or losses on marketable investments are disclosed as income. Gains or losses on investments available for sale are disclosed as a separate item of equity until the time of sale, derecognition or other disposal of an investment, or until an impairment loss is recognised, whereupon the total gains or losses previously disclosed under equity are transferred to the profit and loss account.

Financial assets other than derivatives, with fixed or identifiable payments and fixed maturities are classified as assets held to maturity, if the Group wants and is able to hold them to their maturity. Investments intended to be held for an indefinite period are not classified as assets held to maturity.

Other non-current investments which are to be held to their maturity (e.g. bonds) are valued at amortised acquisition cost, using the effective interest rate. The amortised acquisition cost includes the discount or premium obtained at the acquisition of an investment, written off over the period of its life to maturity. In the case of investments valued at amortised acquisition cost, gains or losses on such investments are posted as income when the investment is derecognised from the balance sheet or an impairment loss is recognised, or when depreciation/amortisation charges are made.

The fair value of an investment traded on active financial markets is determined with reference to the closing purchase prices quoted on a market on the balance sheet date. The fair value of an investment for which no quoted price exists is determined with reference to the current market value of another instrument with substantially the same characteristics or based on the expected cash flows on the investment's underlying asset.

All standardised transactions of purchase and sale of financial assets are disclosed on the transaction date, i.e. on the date on which the Group agrees to purchase an asset. Standardised transactions of purchase or sale of financial assets are purchase or sale transactions in which the date of delivery of assets to the other party is generally specified by regulations or the market's commercial practice.

Inventory

Inventory is valued at the lower of the acquisition or production cost and the net realisable value.

The net realisable value is the estimated net selling price which can be obtained in the ordinary course of business, less any cost related to the adaptation of the asset for sale, and estimated expenses needed to execute the sale transaction.

Long-Term IT Contracts

Revenue on performance of a service under a contract which is substantially advanced as at the balance-sheet date but not completed is determined as at the balance-sheet date using the percentage-of-completion method, provided that the amount of revenue can be reliably estimated. The progress is measured by the proportion of the costs incurred between the contract execution date and the revenue determination date to the estimated total costs of the service provision or the proportion of the performed work in relation to the total work required.

If the progress of an unfinished service cannot be reliably determined as at the balance-sheet date, the revenue is disclosed at the amount of costs incurred in a given reporting period, but not higher than the costs which are likely to be covered by the principal in the future.

If the total costs related to the performance of an contract are likely to exceed the total revenue to be obtained under the contract, the expected loss is posted as costs of the period in which the loss is revealed.

The costs of performance of an unfinished service include costs incurred between the date of conclusion of a relevant contract and the balance-sheet date. The costs of provision of a service incurred before the contract execution date and related to the performance of the contract are disclosed as assets, provided that such costs are likely to be covered by payments made by the principal in the future.

If the percentage ratio of the incurred costs, less any anticipated losses, exceeds the percentage ratio of the invoiced sales, a provision for sales related to the above difference is disclosed in assets under other receivables.

If the percentage ratio of the invoiced sales exceeds the percentage ratio of the incurred costs, less any anticipated losses, the future revenue related to the above difference is disclosed under other liabilities.

Trade and Other Receivables

Trade receivables are valued and disclosed at amounts initially invoiced, including provisions for uncollectible receivables. Provisions for doubtful receivables are estimated when collection of full amount of a receivable, under the original terms and conditions, is no longer probable. The amount of provision represents the difference between carrying value and recoverable value equalling present value of expected cash flows, discounted with at interest rates applicable to similar debtors. Uncollectible receivables are charged to losses when recognised as unrecoverable accounts.

Cash and Cash Equivalents, Restricted Cash

Cash and short-term deposits disclosed in the balance sheet comprise cash in hand and cash at banks, as well as short-term deposits with original maturity of up to three months and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the consolidated cash-flow statement comprises the cash and cash equivalents. For the purposes of the cash-flow statement, the Group decided not to disclose overdraft facilities and restricted cash under the cash balance. Restricted cash is disclosed as a separate item in the balance sheet.

Interest-Bearing Loans and Borrowings

All loans and borrowings are initially disclosed at acquisition cost equal to fair value of funds received, less cost of obtaining a loan.

Following initial disclosure, interest-bearing loans and borrowings are valued at amortised acquisition cost, using the effective interest rate method. Amortised acquisition cost includes cost of obtaining a loan as well as discounts or premiums obtained at settlement of the liability.

The difference between funds received (less cost of obtaining a loan) and the outstanding amount is charged to the profit and loss account over the loan's term. Gains or losses are charged to the profit and loss account upon removal of the liability from the balance sheet or recognition of value impairment, and as a result of amortisation charges. All service costs related to loans and borrowings are charged to profit and loss accounts of the relevant periods.

Foreign Currency Transactions

Transactions denominated in foreign currencies are settled at mid-exchange rates quoted for particular currencies by the central bank as at transaction dates, unless customs documents specify other exchange rates. As at the balance sheet date, the Group values assets and equity and liabilities at the mid-exchange rate quoted for a given currency by the National Bank of Poland as at that date.

Net foreign exchange losses on valuation of transactions denominated in one currency as at the balance-sheet date are carried as financial expenses, while net foreign exchange gains are posted as financial income.

Provisions

Provisions are created when the Group has a liability (legal or following from commercial practice) resulting from past events and when it is probable that the discharge of this liability would cause an outflow of funds representing economic benefits, and the amount of the liability may be reliably estimated. If the Group anticipates that cost covered by provisions will be reimbursed, e.g. under an insurance agreement, reimbursement of such funds is disclosed as a separate item of assets, but only when such reimbursement is practically certain to occur; cost related to a given provision is disclosed in the profit and loss account, less any received reimbursements.

The Group recognises provisions for agreements giving rise to liabilities, if unavoidable cost of the discharge of such liabilities exceeds the value of benefits to be obtained.

If the effect of time value of money is significant, the amount of provisions is determined by discounting projected future cash flows to present value at gross discount rates reflecting the current market estimates of the time value of money and risks, if any, related to a given liability. If the discount method is applied, an increase in provisions as a result of lapse of time is disclosed as cost of external funding.

Retirement and Other Post-Employment Benefits and Provisions for Holidays in Arrears

The Group creates provisions for present value of future liabilities under retirement severance pays. According to the company remuneration schemes, employees are entitled to one-off retirement severance pays upon retirement. The amount of a severance pay depends on the length of service and the average monthly remuneration. The Group also creates provisions for holidays in arrears which relate to the periods preceding the balance-sheet date and will be used in the future. The amount of payment depends on the average monthly remuneration and the number of days of holidays in arrears to which an employee is entitled as at the balance-sheet date. The Group recognises cost of retirement severance pays and holidays in arrears on an accrual basis, based on estimated values.

Revenue

The accounting policies relating to recognition of revenue on long-term IT contracts are described earlier in these notes. Revenue is disclosed at the value of the Group's probable economic benefits connected with a given transaction, and if the revenue amount may be reliably estimated. For revenue recognition the following criteria are also used.

Revenue on sales of goods for resale and products

Revenue is disclosed if significant risk of and benefits from the ownership rights to goods for resale and products have been transferred to the purchaser, and revenue amount may be reliably estimated. Thus revenue on sales of computer hardware is disclosed at the time of delivery thereof to the customer if the sale of computer hardware is not connected with the provision of implementation services. Where implementation services are involved, the percentage-of-completion method is used. Revenue on sales of computer software licenses is recognised on a pro-rata basis, over the term of underlying agreements.

Revenue on provision of services

Revenue on provision of implementation services is disclosed on the percentage-of-completion basis. Revenue on performance of an unfinished service covered by a contract, completed to a material extent as at the balance-sheet date, is determined as at that date with the percentage-of-completion method if the revenue amount may be reliably estimated. The percentage of completion is measured as the share of cost and expenditure incurred from the date of contract to the date of revenue recognition in the estimated total cost of service provision. If the contract revenue cannot be reliably estimated, revenue on that contract is disclosed only up to amount of incurred costs which the Group expects to recover. Revenue on licence fees is recognised on an accrual basis.

Interest

Interest income is recognised on an accrual basis (with the effective interest rate method, which is the rate precisely discounting future cash inflow over the estimated useful economic life of financial instruments) up to net carrying value of a given financial asset.

Dividend

Dividend is recognised as at the dividend record date.

Operating Expenses

The Group undertakings recognise cost with the single-step and multi-step methods. Cost of sales includes cost of goods for resale sold and cost of services sold. Selling costs include trade expenses. General and administrative expenses include cost of managing the Company and its administrative expenses.

Corporate Income Tax

For the purposes of financial reporting, deferred tax liability estimated with the balance-sheet liability method in relation to all positive timing differences existing as at the balance-sheet date between tax value of assets and liabilities and their carrying value as disclosed in the financial statements.
Deferred tax liabilities are disclosed in relation to all highly probable positive timing differences.

Deferred tax assets are disclosed in relation to all negative timing differences, unused deferred tax assets and unused tax loss carryforwards at the probable amount of taxable income which would enable these differences, assets and losses to be used.

Carrying value of deferred tax assets is reviewed as at each balance-sheet date and is reduced proportionately to the lower probability of achieving taxable income sufficient for a partial or full use of deferred tax asset.

Deferred tax assets and liabilities are recognised with the use of tax rates which are expected to be applicable in the period when such deferred tax assets are to be used or liabilities paid, based on tax rates (and tax legislation) effective or enacted as at the balance-sheet date.

Income tax relating to items directly disclosed under equity is disclosed under equity rather than in the profit and loss account.

Revenue, cost and expenditure, as well as assets are disclosed net of VAT, unless:

- VAT paid at the time of purchase of goods for resale and services is not recoverable from tax authorities; if this is the case, VAT is disclosed as part of asset acquisition cost or part of cost item, respectively; and
- Receivable and payables are disclosed inclusive of VAT.

Net value of VAT recoverable from or payable to tax authorities is disclosed in the balance sheet under receivables or payables, respectively.

Deletion of Financial Instrument from the Balance Sheet

A financial instrument is deleted from the balance sheet when the Group loses control over contractual rights comprising a given financial instrument, which as a rule occurs if the instrument is sold or entire cash flow ascribed to this instrument has been transferred to an unrelated third party.

Financial Derivatives

Group's operations are exposed to various financial risks, including the risk of volatility of market prices of debt and equity instruments, currency risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and is designed to minimise potential adverse effects of the financial risks on the Group's profit/(loss). The Group uses financial derivatives within certain pre-defined limits, including currency forward contracts, in order to minimise the financial risk.

Financial derivatives are originally recognised at acquisition cost, to be later valued at fair value. Changes in fair value of financial derivatives are immediately charged to the profit and loss account, as the Group does not use instruments classified as hedging accounting under IAS 39. Derivatives are presented in the balance sheet as marketable assets or marketable liabilities.

Fair value of derivatives traded on regulated markets and securities available for sale are determined based on market listings thereof as at the balance-sheet date. Fair value of currency forward contracts are determined with use of market forward exchange rates as at the balance-sheet date.

To estimate fair value of derivatives not traded on regulated markets and other financial instruments, the Group applies different methods and assumptions, based on market conditions prevailing as at each balance-sheet date. As a rule, market and dealers quotations for given or similar instruments are used. Other techniques, such as option valuation models or the DCF method are used to determine fair value of other instruments.

For the purposes of disclosure in the financial statements, fair value of financial liabilities is estimated by discounting expected contractual cash flows at interest rates available to the Group for similar financial instruments.

Imbedded financial derivatives are separated from underlying contracts and recognised as financial derivatives if each of the following conditions is met:

- Neither the economic nature of the imbedded instrument nor the related risks are strictly connected with the nature of the underlying contract and its related risks;
- A separate instrument with the features of the imbedded instrument satisfies the definition of a financial derivative,
- A hybrid (combined) financial instrument is not valued at fair value whose changes are carried as income or expense in the reporting period.

Imbedded financial derivatives are recognised in a manner similar to other financial instruments not classified as hedging instruments.

Fair value of currency forward contracts is determined based on current forward exchange rates for contracts with similar maturities. Fair value of interest rate swaps is determined based on market value of similar instruments.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

1. Sales revenue

Revenue on sales of products and services	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Software and own licences	14,648	16,674
Maintenance	12,976	6,560
Consultancy	3,012	1,204
Other services	5,074	7,002
Total	**35,710**	**31,440**

Revenue on sales of goods for resale, materials and services	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Hardware	7,551	28,109
Software and licences	38,318	11,362
Maintenance	10,294	3,748
Consultancy	2,931	64
Other services	1,827	157
Total	**60,921**	**43,440**

The sales of licences and third-party software had the largest share in the Group's sales revenue in Q1 2005 (39.6%). The high sales of third-party licences are attributable to the execution of a significant contract with PKO BP, concerning the delivery, installation, and upgrade of tool software supporting the development and operation of the bank's systems. IT services were another source of high sales revenue. The large share of software and services sales in the Group's revenue had a positive impact on the margin for the first quarter.

The sales of hardware accounted only for 7.8% of the Group's sales in Q1 2005. This is largely an outcome of sales seasonality in the IT sector. Hardware deliveries are the largest in the fourth quarter in connection with the year-end spending of funds allocated for IT investments. Exceptionally high portion of the Group's sales revenue generated by the sales of hardware in the first quarter of the previous year was due to the execution of the contract with the Agency for Restructuring and Modernisation of Agriculture, concerning the delivery of hardware and software to develop the infrastructure of the Integrated Management and Control System.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

1. Sales revenue

Softbank Group sales by sector	Three months ended Mar 31 2005 (unaudited)	Three months ended Mar 31 2004 (unaudited)	*change*
	PLN ‘000	PLN ‘000	%
Banking and finance	79,142	44,669	77.2%
Public administration	8,565	26,421	-67.6%
Other sectors	8,924	3,790	135.5%
TOTAL	**96,631**	**74,880**	**29.0%**

Softbank Group sales by sector (%)	Three months ended Mar 31 2005 (unaudited)	Three months ended Mar 31 2004 (unaudited)
	%	%
Banking and finance	81.9%	59.7%
Public administration	8.9%	35.3%
Other sectors	9.2%	5.0%
TOTAL	**100.0%**	**100.0%**

In Q1 2005, the Softbank Group generated sales revenue of PLN 9,631 thousand. In line with the Group’s strategy, the banking and finance sectors accounted for the largest share in the Group’s sales. Revenue generated from sales to the banking sector rose by 77.2% – to PLN 79,142 thousand. The share of this sector in the Group’s sales increased to 81.9% compared with the first quarter of 2004. The growth of the Group’s sales to the banking sector is partly attributable to Softbank SA’s higher revenue from sales to PKO BP.

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

2. Operating expenses

Operating expenses (by type)	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Cost of goods for resale and materials sold (-)	(53,169)	(37,873)
Raw materials and energy used (-)	(1,795)	(2,061)
Contracted services (-)	(6,341)	(7,283)
Salaries and wages (-)	(20,354)	(19,613)
Employee benefits (-)	(3,782)	(3,869)
Depreciation and amortisation (-)	(2,319)	(2,895)
Taxes and charges (-)	(243)	(423)
Business trips (-)	(567)	(612)
Other (-)	(4,132)	(1,135)
Total	**(92,702)**	**(75,764)**
Change in inventories, work in progress and prepayments and accrued income	(267)	(846)
Cost of products for own needs (-)	0	(183)
Selling costs (-)	(3,143)	(3,174)
General and administrative expenses (-)	(9,310)	(11,295)
Cost of products sold (-)	(26,813)	(22,393)
Total	**(39,533)**	**(37,891)**

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

3. Financial income and expenses

Financial income	**Three months ended Mar 31 2005 (unaudited) PLN '000**	**Three months ended Mar 31 2004 (unaudited) PLN '000**
Interest income on loans advanced, debt securities and bank deposits	376	763
Other interest income	1,693	134
Foreign exchange gains	143	12
Gains on disposal of shares in Epsilio SA	2,189	0
Gains on changes in the value of equity investments	46	9
Bank interest receivable	11	0
Other financial income	632	7
Total financial income (at historical value)	**5,090**	**925**
Gains on change in fair value of currency derivatives	90	5,039
Gains on exercise of currency derivatives	1,390	0
Total financial income	**6,570**	**5,964**

Financial expenses	**Three months ended Mar 31 2005 (unaudited) PLN '000**	**Three months ended Mar 31 2004 (unaudited) PLN '000**
Interest expense on bank loans and current account loans (-)	(847)	(65)
Other interest expenses (-)	(392)	(189)
Interest on short-term commercial paper (-)	(719)	0
Bank fees and commissions (-)	(6)	(8)
Foreign exchange losses (-)	(1,074)	(447)
Losses on sale of equity investments	0	(13)
Losses on decrease in value of equity investment	(109)	(8)
Cost of financed lease and lease agreements with purchase option (-)	(7)	(13)
Other financial expenses (-)	(86)	(46)
Total financial expenses (at historical cost)	**(3,240)**	**(789)**
Losses on changes in fair value of currency derivatives (-)	(2,154)	0
Total financial expenses	**(5,394)**	**(789)**

In the reporting period, the Parent Undertaking of the Softbank Group finalised the sale of 100% of shares in Epsilio SA, in performance of the share purchase agreement executed in December 2004. The selling price of shares in Epsilio SA was set at PLN 24,500 thousand, and the payment was divided in two instalments. The first instalment of PLN 12,450 thousand was paid in 2004; the other will be paid in December 2005. The present (discounted) value of the payment for the shares in Epsilio SA stood at PLN 23,798 thousand. The net value of the company's assets sold was PLN (1,202) thousand, and the net value of goodwill arising upon acquisition of the company as at the date of its sale by Softbank SA, i.e. February 28th 2005, amounted to PLN 22,109 thousand. The result on this transaction increased the Group's financial income in Q1 2005 by PLN 2,189 thousand. Upon disposal of shares in Epsilio SA, Softbank SA reported a loss of PLN (702) thousand in the non-consolidated financial statements.

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

4. Discontinued operations

Consolidated profit and loss account	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Income	93	0
Expenses	(123)	0
Gross profit (loss)	(30)	0
Pre-tax profit (loss)	(30)	0
Pre-tax profit (loss) on discontinued activities	(30)	0
Net profit (loss) attributable to discontinued activities	**(30)**	**0**

Consolidated balance sheet	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
Property, plant and equipment	0	4
Trade receivables	17	15
Long-term assets classified as held for sale	**17**	**19**
Trade payables	36	17
Other liabilities	73	51
Liabilities directly related to long-term assets classified as held for sale	**109**	**68**
Net liabilities attributable to discontinued activities	92	49

Consolidated cash flow statement	Three months ended Mar 31 2005 (unaudited) PLN '000	Three months ended Mar 31 2004 (unaudited) PLN '000
Operating activities	(30)	0
Net operating cash inflow (outflow)	**(30)**	**0**

In the second quarter of 2004, the management of the Group decided to discontinue publishing activities conducted by Mediabank SA, by executing relevant agreement on the sale of titles and other rights related to the publishing of magazines. However, the Group did not receive any payment for the assets and consequently the transaction was cancelled. Currently, the management of the Softbank Group are actively searching for a buyer for these assets.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

5. Financial Instruments

a. Non-Current Financial Assets Available for Sale

	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
In unrelated undertakings		
Shares in COMP Rzeszów SA	68,105	65,945

In 2004, the Group's Parent Undertaking acquired 605 thousand shares in Comp Rzeszów SA, conferring the right to 17.54% of votes at the General Shareholders Meeting and to the same percentage of the share capital. This share does not give the Parent Undertaking the status of a major investor in Comp Rzeszów SA, therefore this company is not considered a related undertaking.
The shares of Comp Rzeszów SA are listed on the Warsaw Stock Exchange and are valued at fair value. The difference between their acquisition cost and present value is disclosed directly under equity. In 2004, the acquisition cost of the abovementioned assets was PLN 57,518 thousand, and their fair value as at March 31st 2005 amounted to PLN 68,105 thousand, and as at December 31st 2004 – to PLN 65,945 thousand. The classification of this investment follows from the plan to increase the equity interest in the company, which would enable Softbank SA to become the company's major investor.

b. Short-Term Financial Assets Held to Maturity

	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
In unrelated undertakings		
Bonds	6,933	15,072

Short-term corporate bonds and state treasury bonds of high liquidity were an alternative for keeping free cash in bank deposits. As at March 31st 2005, all the bonds served as security for guarantees (performance bonds and tender guarantee deposits) issued by the bank maintaining the Parent Undertaking's account. As at December 31st 2004, the bonds served as security for bank guarantees of up to PLN 8,500 thousand. The bonds are carried at amortised cost.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

c. Current and Non-Current Financial Assets Carried at Fair Value

Non-current	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
Forward contracts for purchase of EUR and USD	30,118	29,291
Current		
Forward contracts for purchase of EUR and USD	31,074	33,794
Shares in Invar Biuro&Systems SA	466	575
Total	**31,540**	**34,369**

As at March 31st 2005, the Group's Parent Undertaking concluded several forward transactions for the purchase and sale of foreign currencies – the euro and U.S. dollars. These instruments are carried at their fair value as at each balance-sheet date. As at March 31st 2005, the above assets were valued at PLN 61,192 thousand, which increased the financial costs by PLN 1,892 thousand. As at December 31st 2004, the forward transactions were valued at PLN 63,085 thousand. As at March 31st 2004, the Group did not hold any forward transactions.

d. Current and Non-Current Financial Liabilities

Non-current financial liabilities	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
Financial instruments embedded in trade contracts	78,463	76,212
Agreements on financed lease of non-current assets	0	185
Total	**78,463**	**76,397**

Current financial liabilities	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
Financial instruments embedded in trade contracts	13,351	14,121
Agreements on financed lease of non-current assets	0	257
Total	**13,351**	**14,378**

All figures in PLN '000

Notes to Condensed Consolidated Financial Statements of the Softbank Group

e. Short-Term Interest-Bearing Bank Loans and Securities Issued

Current account loans:	*Effective Interest Rate %*	*Maturity*	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
ING Bank Śląski – up to PLN 0 thousand (2004: PLN 10,000 thousand)	1M WIBOR + margin	Dec 16 2004	0	0
ING Bank Śląski – up to PLN 10,000 thousand (2004: PLN 10,000 thousand)	1M WIBOR + margin	not specified	0	0
BPH SA – up to PLN 30,000 thousand (2004: PLN 10,000 thousand)	1M WIBOR + margin	Jun 29 2005	145	0
PKO BP SA – up to PLN 5,000 thousand (2004: PLN 5,000 thousand)	1M WIBOR + margin	Jun 30 2005	0	0
Raiffeisen Bank Polska SA – up to PLN 10,000 thousand (2004: PLN 10,000 thousand)	TN WIBOR + margin	Oct 28 2005	0	0
BPH SA –up to PLN 300 thousand (2004: PLN 300 thousand)	1M WIBOR + margin	Jun 30 2005	0	0
Bank Millennium SA – up to PLN 2,100 thousand (2004: PLN 2,100 thousand)	1M WIBOR + margin	Sep 9 2005	0	0
Bank Millennium SA – up to PLN 800 thousand (2004: PLN 800 thousand)	1M WIBOR + margin	Jan 31 2006	0	0
Total:			**145**	**0**

As at March 31st 2005, the Group held credit facilities in current accounts, under which the available financing amounted to approx. PLN 68m. As at the end of the reporting period, the Group used PLN 145 thousand, and as at the end of the previous year it did not use this type of financing source.

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

e. Short-Term Interest-Bearing Bank Loans and Securities Issued (continued)

Debt securities:	*Effective interest rate %*	*Maturity date*	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
Bonds	5.52%	May 20 2004		
Bonds	7.00%	Jan 10 2005	0	3,992
Bonds	6.90%	Jan 10 2005	0	11,977
Bonds	6.95%	Feb 10 2005	0	12,400
Bonds	7.00%	Mar 9 2005	0	1,480
Bonds	6.80%	Apr 11 2005	8,981	0
Bonds	7.75%	Apr 20 2005	4,978	4,883
Bonds	6.70%	Jun 6 2005	9,381	0
Bonds	6.60%	Jul 20 2005	1,959	0
Bonds	8.23%	Sep 9 2005	6,745	6,613
Bonds	7.79%	Dec 6 2005	3,792	3,722
Bonds	7.45%	Feb 1 2006	4,697	0
Bonds	6.60%	Mar 20 2006	4,690	0
Total:			**45,223**	**45,067**

Other loans:	*Effective interest rate %*	*Maturity date*	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
BPH SA – up to PLN 50,000 thousand (in 2004: PLN 50,000 thousand)	1M WIBOR + margin	Jun 14 2005	36,870	36,870
BRE Bank SA – up to PLN 900 thousand (in 2004: PLN 900 thousand)	1M WIBOR + margin	Dec 31 2005	225	300
BPH SA – up to PLN 2,000 thousand (in 2004: PLN 2,000 thousand)	1M WIBOR + margin	Jun 30 2005	1,745	1,805
TOTAL			**38,840**	**38,975**

As at March 31st 2005, the Softbank Group's debt stood at PLN 84,208 thousand, slightly above the level as at December 31st 2004 (PLN 84,042 thousand). Both in the reporting period and in 2004, the margin realised by the Softbank Group's lenders ranged from 1% to 3%.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

6. Transactions with Related Undertakings

Undertaking	*Softbank Group's sales to related undertakings in three months ended*		*Softbank Group's purchases from related undertakings in three months ended*		*Softbank Group's receivables as at*		*Softbank Group's liabilities as at*	
	Mar 31 2005	**Mar 31 2004**	**Mar 31 2005**	**Mar 31 2004**	**Mar 31 2 005**	**Mar 31 2004**	**Mar 31 2005**	**Mar 31 2004**
	PLN '000	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**
Transactions with associated undertakings								
NetPower SA	*1*	*4*	*0*	*0*	*1*	*4*	*0*	*0*
Transactions with Parent Undertaking								
Prokom Software SA	*269*	*107*	*1,104*	*21,113*	*321*	*1,055*	*1,402*	*54,524*
Transactions with subsidiary undertakings of Prokom Software SA								
Telmax SA	*105*	*0*	*0*	*0*	*129*	*0*	*0*	*0*
Optix Polska Sp. z o.o.	*0*	*0*	*0*	*0*	*0*	*0*	*10*	*10*
Koma SA	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*1*
Incenti SA	*0*	*4*	*0*	*0*	*0*	*0*	*0*	*0*
Transactions with associated undertakings of Prokom Software SA								
Comp SA	*0*	*0*	*468*	*0*	*0*	*0*	*11,254*	*12,273*
Postdata SA	*1*				*1*	*1*		
Total transactions with related undertakings	**376**	**115**	**1,572**	**21,113**	**452**	**1,060**	**12,666**	**66,808**

These transactions with related undertakings were executed at arm's length as part of the business activities of the Softbank Group's companies as defined in their respective articles of association.

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

7. Related Undertakings (continued)

Subsidiary undertakings	*Country of registered office*	*% share in total vote at GM as at*		*% of share capital held as at*	
		Mar 31 2005	**Dec 31 2004**	**Mar 31 2005**	**Dec 31 2004**
bezpieczeństwo.pl Sp. z o.o.	Poland	100%	100%	100%	100%
Bielpolsoft j.v.	Belarus	85%	85%	85%	85%
AWiM Mediabank SA	Poland	100%	100%	100%	100%
Epsilio SA	Poland	0%	100%	0%	100%
ZUI Novum Sp. z o.o.	Poland	51%	51%	51%	51%
Sawan Grupa Softbank SA	Poland	100%	72%	100%	72%
Softbank Serwis Sp. z o.o.	Poland	100%	100%	100%	100%
Associated undertakings					
NetPower SA	Poland	49%	49%	49%	49%
Co-subsidiary undertakings					
Soft Technologies Sp. z o.o.	Kazakhstan	45%	0%	45%	0%

In the reporting period, the Group's Parent Undertaking disposed of all shares in Epsilio SA, as described in more detail in Section 3 of the Notes to these financial statements.

In Q1 2005, Softbank Serwis Sp. z o.o. and certain Kazakh entities established Soft Technologies Sp. z o.o. (a limited liability company under Kazakh law). Softbank Serwis acquired 45% of shares in that company and 45% of the total vote at its General Shareholders Meeting, in exchange for a cash contribution of PLN 300 thousand. Softbank Serwis is also obliged to make a non-cash contribution in the form of intellectual property rights to software with a total value of PLN 435 thousand. As at March 31st 2005, Softbank Serwis Sp. z o.o. was the only shareholder in Soft Technologies Sp. z o.o. who paid for the acquired shares. The other shareholders are to make non-cash contributions in the form of intellectual property rights in Q2 2005.

In Q1 2005, the Group's Parent Undertaking acquired 28.12% of shares in Sawan Grupa Softbank SA, thus becoming the sole shareholder of that company, with 100% of shares and total vote at the General Shareholders Meeting. The par value of the acquired shares totalled PLN 3,492 thousand, and their present (discounted) value as at the acquisition date stood at PLN 3,332 thousand. PLN 830 thousand of the acquisition price was paid in Q1 2005. Of the balance of PLN 2,662 thousand, PLN 1,700 thousand is to be paid in October 2005 and PLN 962 thousand in November 2005.
The fair value of the acquired net assets of Sawan Grupa Softbank SA stood at PLN 1,484 thousand. Following the transaction, the Softbank Group recognised goodwill of PLN 1,848 thousand.

Financial Results of the Softbank Group Companies in Q1 2005

The consolidated financial results of the Softbank Group in Q1 2005 comprise the results of the Parent Undertaking and the consolidated companies. The consolidated financial statements for Q1 2005 included the financial results of eight companies. The financial highlights of the companies consolidated in the Q1 2005 financial statements and a description of the key factors with a bearing on their financial results are presented below.

7. Related Undertakings (continued)

Key financial data of undertakings included in the Q1 2005 consolidated financial statements*

All figures in PLN '000

Company % of share capital/total vote	Core business	Sales revenue [PLN '000]		Net profit/(loss) [PLN '000]	
		Three months ended Mar 31 2005	Three months ended Mar 31 2004	Three months ended Mar 31 2005	Three months ended Mar 31 2004
Softbank SA Parent Undertaking www.softbank.pl	Provision of complex IT solutions primarily to the financial and public administration sectors	79,280	59,689	8,036	9,282
bezpieczeństwo.pl Sp. z o.o. 100/100	Building and implementation of IT systems supporting and coordinating the activities of rescue services	0	292	-5	-466
Epsilio SA www.epsilio.pl	Creation and implementation of IT solutions in the banking sector, including cooperative banking	2,563	7,613	-236	1,656
AWiM Mediabank SA 100/100 www.mediabank.pl	Publishing and marketing, operation of a radio station (Radio PiN 102 FM).	1,060	903	-810	-1,247
NetPower SA 49/49	Provision of corporate IT applications and solutions	0	0	-30	-31
ZUI Novum Sp. z o.o. 51/51 www.novum.pl	Creation of banking applications and provision of comprehensive IT systems for cooperative banks	2,927	3,682	281	174
Sawan Grupa Softbank SA 100/100 www.sawan.com.pl	Provision of IT solutions for management (i.e. data warehouses, reporting systems, CRM systems).	3,313	2,373	356	-190
Softbank Serwis Sp. z o.o. 100/100 www.softbankserwis.pl	Maintenance of software and hardware supplied by the Group, services based on IT systems outsourcing	12,292	10,287	- 141	-47

**) Before consolidation eliminations.*

The equity interests are presented as at March 31st 2005.

In Q1 2005, Softbank SA sold 100% shares in Epsilio SA to COMP Rzeszów SA. Epsilio SA's results were consolidated with the Group's results until February 28th 2005. The Q1 2005 data disclosed for Epsilio SA covers the period January 1st – February 28th 2005.

Two Group companies – bezpieczeństwo.pl Sp. z o.o. and NetPower SA – do not conduct any operating activities.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

7. Related Undertakings (continued)

Softbank SA

Softbank SA generated the bulk of the Group's consolidated sales revenue (82.0% – before consolidation eliminations). In Q1 2005, Softbank SA posted revenue of PLN 79,280 thousand, representing a 32.8% improvement on Q1 2004.

Non-consolidated financial results of Softbank SA	Three months ended Mar 31 2005	Three months ended Mar 31 2004	Change
	PLN '000	PLN '000	(%)
Sales revenue, including:	79,280	59 689	32,8%
banking and finance	69,517	31,590	120.1%
public administration	8,704	27,521	-68.4%
Gross profit on sales	16,452	11,216	46.7%
Operating profit	9,898	4,201	135.6%
Net profit	8,036	9,282	-13.4%

In Q1 2005, Softbank SA's sales revenue in the banking sector amounted to PLN 69,517 thousand, and was higher by PLN 37,927 thousand than in Q1 2004. The higher sales in this sector are partly attributable to the performance of the contract concluded with Bank PKO BP SA on March 24th 2005. The contract, worth PLN 67,400 thousand, concerns the delivery, installation, maintenance and upgrade of tool software supporting the development and operation of the bank's systems.

In addition, in Q1 2005, Softbank SA continued to work on the Integrated IT System (ZSI) for PKO BP SA. The Company concluded an agreement on the system implementation in August 2003. The revenue realised on the implementation in Q1 2004 was marginal, while in Q1 2005 it amounted to PLN 14.2m. This factor also contributed to the significant increase in Softbank SA's revenue on sales to the banking sector in Q1 2005.

In the public administration sector, Softbank SA generated sales revenue of PLN 8,704 thousand in Q1 2005. The low sales figures compared with the previous year are attributable to the high base, that is exceptionally high sales to the sector in Q1 2004, when the Company performed the infrastructure delivery contract for the Agency for Restructuring and Modernisation of Agriculture, worth PLN 18,938 thousand.

The bulk of the Q1 2005 sales revenue generated by Softbank SA in the public administration sector comprise revenue on implementation of an IT system at the Central Register of Vehicles and Drivers (CEPiK). In Q1 2005, the Company executed the next phase of the project comprising the development of a portal for the CEPiK system and integration of the system with external institutions.

In addition, in Q1 2005 Softbank SA continued the performance of smaller contracts concluded with customers from the public sector, including the Social Security Authority (ZUS), Supreme Chamber of Control (NIK), and State Police Headquarters.

Softbank SA's operating profit improved sizeably in Q1 2005. The Company's operating margin rose from 7.0% to 12.5%. The high profitability followed from the performance by the Company of high value added contracts, including primarily contracts for the provision of IT services and, to a lesser degree, supply of hardware. Contracts executed in the banking and public administration sectors concerned chiefly maintenance, implementation, consultancy and supply.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

7. Related Undertakings (continued)

In Q1 2005, revenue on sales of services accounted for 45.8% of Softbank SA's total sales revenue, while sales of hardware generated only 6.1% of the total.

Softbank Serwis Sp. z o.o.

In Q1 2005, Softbank Serwis Sp. z o.o. posted a 19.5% growth in sales revenue. Most of the revenue (60.7%) was generated on sales to the trade and services sector, as part of the execution of a contract concerning the provision of data communication services and supply of data communication infrastructure for the *Złote Tarasy* Commercial Centre. In Q1 2005, the company primarily executed contracts concerning maintenance, data communication and data processing services. Services provided directly by Softbank Serwis Sp. z o.o. generated 63.7% of the sales revenue posted by the company in Q1 2005.

Sawan Grupa Softbank SA

In Q1 2005, Sawan Grupa Softbank SA saw its sales revenue rise by 39.6% to PLN 3,313 thousand. The company's key customers were from the banking sector (i.e. PKO BP SA, Kredyt Bank SA, Pekao SA, Fortis Bank SA) and accounted for 94.0% of the company's total sales revenue. The company's operating margin in Q1 2005 stood at 14.3% as its efforts to concentrate on selling Business Intelligence services paid off. Services provided directly by Sawan Grupa Softbank SA accounted for 88.1% of Q1 2005 sales revenue.

Epsilio SA

In Q1 2005, Epsilio SA implemented proprietary products and IT solutions mainly for customers from the banking sector, i.e. BGŻ SA and cooperative banks. The company targets its offering also at small and medium-sized companies. In the quarter, Softbank SA sold a 100% equity interest in Epsilio SA to COMP Rzeszów SA. The company's results for January–February 2005 were consolidated.

ZUI Novum Sp. z o.o.

In Q1 2005, the sales revenue of ZUI Novum SP. z o.o. fell by 20.5% while its operating profit soared by 63.6%. In the quarter, the company offered solutions, goods and services related to comprehensive IT services for the cooperative banking sector. The Company also expanded its offering by adding new elements to its proprietary solutions provided to cooperative banks. The higher profitability posted in Q1 2005 results from negotiated lower fees for third-party licenses sold in addition to Novum's proprietary solutions.

AWiM Mediabank SA

In Q1 2005, AWiM Media SA posted a 17.4% increase in its sales revenue – to PLN 1,060 thousand. The company concentrates its activities on the operation of the radio station Radio PiN 102 FM. In the quarter, the station reported a rise in its listenership and revenue on air time sales. In Q1 2005, Radio PiN had a market share of 2.09%, up from 1.07% in the corresponding period of the previous year (listenership research by Radio Truck, Warsaw, population aged 15+).

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

7. Related Undertakings (continued)

Off-Balance-Sheet Commitments and Liabilities Concerning Related Undertakings

Sureties granted by Softbank SA as at March 31st 2005:
- Surety for AWiM Mediabank SA's liabilities under an agreement for an investment loan of PLN 1,200 thousand. The amount outstanding under the loan was PLN 225 thousand as at March 31st 2005 and PLN 300 thousand as at December 31st 2004;
- Surety for Softbank Serwis Sp. z o.o.'s liabilities under the agreement of February 26th 2004, concerning the construction of a structural network, concluded between Softbank Serwis Sp. z o.o. and Tyco Sp. z o.o. The estimated value of the surety was PLN 7,351 thousand as at March 31st 2005 and PLN 7,342 thousand as at December 31st 2004.

Guarantees granted by Softbank SA as at March 31st 2005:
- Guarantee to secure repayment of a revolving working-capital loan of up to PLN 2,000 thousand, advanced by Bank BPH SA to Sawan Grupa Softbank SA. The amount outstanding under the loan was PLN 1,745 thousand as at March 31st 2005 and PLN 1,805 thousand as at December 31st 2004;
- Guarantee to secure repayment of a current-account loan of up to PLN 300,000, advanced by Bank BPH SA to Sawan Grupa Softbank SA. The amount outstanding under the loan as at March 31st 2005 and December 31st 2004 was PLN 0 thousand.

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

8. Employment

Average Group workforce in the reporting period:

	Mar 31 2005	Dec 31 2004
Executive Board of the Parent Undertaking	5	5
Executive Board of Group companies	12	19
Management staff	37	40
Production divisions	416	567
Maintenance divisions	130	117
Sales divisions	65	76
Administration divisions	120	167
Total	**785**	**991**

Softbank Group workforce as at	Mar 31 2005	Dec 31 2004
Softbank SA	406	338
Bezpieczeństwo.pl Sp. z o.o	0	11
Epsilio SA	-	232
AWiM Mediabank SA	21	27
Net Power SA	0	0
ZUI Novum Sp. z o.o.	35	38
Sawan Grupa Softbank SA	89	108
Softbank Serwis Sp. z o.o.	221	253
Total	**772**	**1,007**

As at March 31st 2005, the Softbank Group had 772 employees. The Group's workforce shrank by 235 from its size as at the end of Q1 2004. The sizeable reduction is attributable to the sale by Softbank SA of an equity interest in Epsilio SA, which employed 192 persons as at the end of Q1 2005. Net of this factor, the Group's workforce as at March 31st 2005 counts 43 employees less.

Save for the headcount at the Parent Undertaking, staff numbers fell in all of the Group companies (by 303 employees in aggregate). The restructuring processes carried out in 2004 at subsidiary undertakings is the main reason for the smaller workforce numbers. Meanwhile, Softbank SA had to employ 68 new employees in connection with the commencement, as of 2004, of the main phases of execution of two significant contracts: implementation of the IT system at the Central Register of Vehicles and Drivers (CEPiK) and implementation of the Comprehensive IT System (ZSI) at PKO BP SA. Most of the newly-hired staff are IT specialists.

All figures in PLN '000

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

9. Off-Balance Sheet Commitments and Liabilities towards Other Undertakings

In its commercial activities, the Group uses bank guarantees and letters of credit, as well as contract performance insurance as security in business transactions with various organisations, companies and administration entities. As at March 31st 2005, the contingent liabilities stood at PLN 9,361 thousand, while as at December 31st 2004 – at PLN 27,217 thousand.

As at March 31st 2005 and December 31st 2004, the Group was also party to a number of lease, tenancy or similar contracts, providing for the following future liabilities:

Liabilities under lease of space	**Mar 31 2005 (unaudited)**	**Dec 31 2004 (unaudited)**
Up to 1 year	4,366	4,205
From 1 to 3 years	5,786	6,122
Over 5 years	4,751	4,852
Total	**14,903**	**15,179**

Liabilities under operating lease of non-current assets	**Mar 31 2005 (unaudited)**	**Dec 31 2004 (unaudited)**
Up to 1 year	1,091	1,391
From 1 to 3 years	858	394
Over 5 years	174	-
Total	**2,123**	**1,785**

Information on Pending Proceedings Concerning Liabilities or Debts of Softbank SA or Its Subsidiary Undertakings

Within the period under discussion, no proceedings were instituted or pending before any court, arbitration authority, or public administration authority, concerning any liabilities or debts of Softbank SA or its subsidiary undertakings, whose aggregate value would equal or exceed 10% of the Company's equity.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

10. Remuneration Paid or Due to the Members of the Executive Boards and Supervisory Boards of the Parent Undertaking and the Group's Related Undertakings

	Three months ended Mar 31 2005	Twelve months ended Dec 31 2004
	PLN '000	PLN '000
Executive Board	3,209	14,907
Supervisory Board	68	178
Executive Board – subsidiary and associated undertakings	1,157	5,528
Supervisory Board – subsidiary and associated undertakings	52	383
Total	**4,486**	**20,996**

The remuneration paid to the members of Softbank SA's Supervisory Board who were also members of the Executive Board of Prokom Software SA amounted to PLN 17 thousand in Q1 2005.

11. Capital Expenditure

In Q1 2005, the Group incurred capital expenditure of PLN 3,212 thousand. The capital expenditure planned to be made until the end of 2005 amounts to PLN 163m.

12. Opinion on Feasibility of Meeting the 2005 Financial Forecasts Published by the Executive Board

The Executive Board of Softbank SA has published no financial forecasts for 2005.

13. Factors which in the Executive Board's Opinion May Affect the Group's Performance in the Next or Subsequent Quarters

In the opinion of the Executive Board of Softbank SA, thanks to the Group's current financial standing, its production potential, and market position there exist no threats to continued growth of the Group in 2005. However, there are numerous factors, both internal and external, which will directly or indirectly affect the Group's performance in the next quarters.

The external factors with a bearing on the future performance of the Softbank Group include the development of the economic situation in Poland, increased demand for IT solutions from the banking and public administration sectors, competition from other IT sector players, and exchange rate movements (principally of the US dollar and euro).

The internal factors of significance for the future performance of the Softbank Group include the progress of execution of the executed contracts, outcome of contract tenders and negotiations in the IT sector, as well as restructuring processes at Softbank SA and the Group companies.

Currently, the value of the Softbank Group's order portfolio for the coming years amounts to PLN 1,003.6m. The value of orders to be executed in 2005 is estimated by the Executive Board at approximately PLN 268.2m, assuming that the current schedules for settlement of long-term contracts are not changed.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

14. Significant Events in the Reporting Period

Financing Activity

In Q1 2005, as in previous periods, the Softbank Group's operations were financed both with internally generated funds and with external debt financing. Softbank SA invested free cash in highly secure (guaranteed by a bank or the parent company) and highly liquid securities, as well as in bank time deposits.

The Group's own funds, external financing and trade receivables enabled the Group to pay its trade and investment liabilities in a timely manner.

As at March 31st 2005, Softbank SA's financial liabilities stood at PLN 190.5m, including loans and borrowings of PLN 37.0m, as well as short-term commercial notes of PLN 64.5m (including the notes acquired by the subsidiary undertaking Softbank Serwis Sp. z o.o. for PLN 18m). The liabilities of PLN 89.0m arose from the valuation of long-term contracts with embedded financial instruments.

- On January 13th 2005 the Company signed with bank BPH S.A. seated in Krakow an annex to the loan agreement of September 11th 2003. The annex extends the loan up to PLN 30m. The repayment of the loan is until June 29th 2005. The agreement is considered material as the loan amount exceeds 10% of the Company's shareholders' equity.

Investing Activity

- The Executive Board of Softbank S.A. hereby reports that on January 7th 2005 the Company was notified of the cancellation of a registered pledge on Epsilio S.A. shares seated in Lodz. The registered pledge was created on September 30th 2003 pursuant to a loan agreement between Softbank S.A. and ING Bank Slaski S.A. The pledge was created on 892,500 Epsilio S.A. shares, with a par value of PLN 1 per share, representing 100% of the company's shares and 100% of the total vote at the General Shareholders' Meeting. The pledged assets are deemed material as they represent over 20% of the share capital of the subsidiary undertaking.

  On December 20th 2004 Softbank S.A. and COMP Rzeszow S.A. executed an agreement for the sale of all the shares held by Softbank S.A. in Epsilio S.A., representing 100% of its share capital. Details of this transaction was described in public message 61/2004 (December 21, 2004).

- On January 27th 2005 Softbank S.A. signed purchase agreements concerning 7000 shares of the nominal value of 11 PLN per share in Sawan Grupa Softbank S.A. seated in Krakow (Sawan), for the total price of PLN 3.5m. The purchased shares constitute 28,12% in the share capital and votes at Sawan General Meeting, which defines them as "assets of substantial value". After the transaction Softbank S.A. will possess 24895 Sawan shares which constitutes 100% in the share capital and votes at Sawan General Meeting.

  According to paragraph 2.1.30 of the Decree of the Ministries Committee, there are no connections between Softbank S.A. or its Management Board or its Supervisory Board and the sellers of Sawan shares. The purchased shares will be paid for with Company's own resources and existing credit lines and will be classified as long-term capital investment. The value of purchased shares will be registered in the books of Softbank S.A. at purchase price. The book value of Sawan shares at January 26, 2005 amounted to PLN 10.6m.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

14. Significant Events in the Reporting Period (continued)

Operating Activity

- On November 30th 2004 the Company signed an annex with Face Technologies (PTY) Ltd. seated in the Republic of South Africa ("Annex") to the Agreement dated October 28th 2003 ("Agreement") published in the Public Message No. RB 57/2003.

  The Annex is considered material, as its value exceeds 10% of shareholders' equity of Softbank SA. The Annex reduced Face Technologies (PTY) Ltd. remuneration by EUR 8.0m. At present, according to The Annex, Face Technologies (PTY) Ltd. remuneration amounts to EUR 4.0m. In the past 12 months the Company has signed with Face Technologies (PTY) Ltd. two annexes regarding to the Agreement. It reduced Face Technologies (PTY) Ltd. remuneration by EUR 12.2m.

  Softbank S.A. has overtaken a part of the responsibilities that, according to the Agreement, were Face Technologies (PTY) Ltd. obligation. Softbank S.A. has taken over the services concerning the supply of licenses of data base application (Oracle) and tool application (Rational Rose), training services and system maintenance, as well as part of adaptation and development activities.

- On March 24th 2005 the Company and Bank PKO BP SA executed an annex to the agreement of October 27th 2003 (RB 54/2003) for PLN 67.4m. The agreement provides for the delivery, installation, maintenance, and upgrade of software tools supporting development and functioning of the systems used by the Bank.

  The agreement provides for contractual penalties of up to 10% of the net value of the agreement. The Bank may seek compensation in excess of contractual penalties on general terms. Softbank SA's total liability under the agreement is limited to the agreement value.

  The Executive Board of Softbank SA also reports that during the last 12 months the Company concluded with Bank PKO BP SA agreements for the total amount of PLN 79.4m. The fact has not been reported in the Company's current reports, as none of the agreements met the significance criterion. At present, the total value of the agreements is deemed significant since it exceeds 10% of the Company's shareholders' equity.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

15. Significant Events after the Balance-Sheet Date

Investing Activity

- On May 11th 2005 Softbank SA and Mr Donald C. Bailey ("Seller") signed a Letter of Intent ("Letter") regarding the acquisition of shares in Gladstone Consulting Limited based in Cyprus ("Gladstone").

  Pursuant to the Letter, Softbank SA was granted, up until July 31st 2005, the exclusive right to enter into negotiations with the Seller on the acquisition of shares in Gladstone, concerning in particular the structure and the financial terms of the transaction. Softbank SA intends to acquire 51% of shares in Gladstone at the maximum price of PLN 31m. The transaction is to be financed with the proceeds from the issue of Series T ordinary shares.

  The core business of Gladstone, established in 1999 by Mr Donald Bailey, comprises professional consulting services in the area of IT solutions for financial institutions. Gladstone employees form a multinational team of consultants with many years of experience in the provision of IT consulting services for banking sector companies, including Pekao SA, UniCredito Italiano, Bank of the West, Citigroup, Wells Fargo Bank, Tower Group UK, Tower Group USA, or Money Express Sp. z o.o. According to information obtained by Softbank SA, Gladstone anticipates revenue of USD 6.5m and a net profit of USD 2.7m in 2005. The sales revenue and the net profit forecast for 2006 are USD 7.2m and USD 3.3m, respectively. Moreover, in 2006 Gladstone plans to secure additional orders for the total amount of PLN 12m, as part of its cooperation with Softbank SA.

  Softbank SA intends to draw on the extensive consulting expertise and know-how of Gladstone to enhance the sale of its consulting services and to intensify its cooperation with foreign banks holding shares in Polish banking institutions.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

15. Significant Events after the Balance-Sheet Date (continued)

Except for the events specified above, in Q1 2005 or in the period from the balance-sheet date to the date of the Q1 2005 financial statements, no events occurred which might be material for the assessment of the personnel, economic or financial standing or results of the Softbank Group or changes of any of the above, or which could materially affect the Softbank Group's future performance.

16. Significant Events Relating to Past Years

In the past years there occurred no significant events which would not be disclosed in the financial statements for the three months ended March 31st 2005.

Notes to the Condensed Consolidated Financial Statements of the Softbank Group

17. Effect of the Application of IFRS on the Comparable Data Presented in the Condensed Consolidated Financial Statements

The table below sets forth the effect of individual differences between the previously applied (until the end of 2004) Polish Accounting Standards (PAS) and the International Financial Reporting Standards (IFRS) adopted as of January 1st 2005 on the consolidated equity as at December 31st 2004 and consolidated net profit for the three months ended March 31st 2004.

	Dec 31 2004 (unaudited) PLN '000
Consolidated equity according to PAS	**157,521**
Non-current assets at fair value	2,630
Transfer of capitalised cost of issue to equity	(442)
Determination of fair value of revenue and costs and their valuation at amortised cost	(7,634)
Estimated provision for results on IT contracts, arising on disclosure of revenue and costs at fair value	(15,528)
Depreciation of investment property	(40)
Transfer to equity of minority interests following adjustments after adoption of IFRS	3,497
Other adjustments	10
Consolidated equity according to IFRS	**140,014**

	Three months ended Mar 31 2004 (unaudited) PLN '000
Consolidated net profit according to PAS	**2,937**
Valuation of non-current assets at fair value	(19)
Transfer of issue cost write-off to equity	63
Determination of fair value of revenue and costs and their valuation at amortised cost	51
Depreciation of investment property	(5)
Transfer to equity of minority interests following adjustments after adoption of IFRS	18
Other adjustments	2
Consolidated net profit according to IFRS	**3,047**

SOFTBANK S.A.

SOFTBANK SPÓŁKA AKCYJNA

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

FOR THE FIRST QUARTER OF 2005

FINANCIAL HIGHLIGHTS FROM NON-CONSOLIDATED FINANCIAL STATEMENTS OF SOFTBANK SA

FINANCIAL HIGHLIGHTS OF SOFTBANK SA

	FINANCIAL HIGHLIGHTS	PLN '000		EUR '000	
		Three months ended Mar 31 2005	Three months ended Mar 31 2004	Three months ended Mar 31 2005	Three months ended Mar 31 2004
I.	Sales revenue	79,280	59,689	19,744	12,451
II.	Operating profit	9,898	4,201	2,465	876
III.	Pre-tax profit	8,036	9,274	2,001	1,935
IV.	Profit for reporting period	8,036	9,282	2,001	1,936
V.	Net cash provided by/(used in) operations	(14,368)	(24,784)	(3,578)	(5,170)
VI.	Net cash provided by/(used in) investing activities	5,415	(22,924)	1,349	(4,782)
VII.	Net cash provided by/(used in) financing activities	147	26,107	37	5,446
VIII.	Balance of cash and cash equivalents at end of period	26,299	2,030	6,550	423
IX.	Earnings (loss) per ordinary share (PLN / EUR)	0.36	0.36	0.09	0.08
X.	Diluted earnings (loss) per ordinary share (PLN / EUR)	0.36	0.36	0.09	0.08

The financial highlights disclosed in these financial statements were translated into the euro in the following way:

- items of the profit and loss account and cash-flow statement were translated at the arithmetic mean of mid exchange rates published by the National Bank of Poland and in effect on the last day of each month in a given quarter. The average rates were as follows:
  - for the period from January 1st to March 31st 2005: EUR 1 = PLN 4.0153
  - for the period from January 1st to March 31st 2004: EUR 1 = PLN 4.7938

All figures in PLN '000

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

CONDENSED PROFIT AND LOSS ACCOUNT OF SOFTBANK SA

	Three months ended Mar 31 2005 PLN '000	Three months ended Mar 31 2004 PLN '000
Operating activities		
Sales revenue	**79,280**	**59,689**
Revenue on sales of products and services	22,197	15,255
Revenue on sales of goods for resale and materials	57,083	44,434
		,
Cost of sales	**(62,828)**	**(48,473)**
Cost of products and services sold (0)	(12,215)	(9,590)
Cost of goods for resale and materials sold (0)	(50,613)	(38,883)
Gross profit on sales	**16,452**	**11,216**
Selling costs (0)	(1,407)	(1,606)
General and administrative expenses (0)	(5,325)	(5,425)
Net profit/loss on sales	**9,720**	**4,185**
Other operating income	260	357
Other operating expenses (0)	(82)	(341)
Operating profit	**9,898**	**4,201**
Other activities		
Financial income	4,140	5,901
Financial expenses (0)	(6,002)	(828)
Pre-tax profit	**8,036**	**9,274**
Corporate income tax (current and deferred)	0	(8)
Profit for reporting period	**8,036**	**9,282**

Net earnings per share (PLN):		
net earnings and diluted net earnings per share for reporting period	0.36	0.36

All figures in PLN '000

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

BALANCE SHEET OF SOFTBANK SA

	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
ASSETS		
Non-current assets	**243,767**	**237,080,**
Property, plant and equipment	15,252	14,736
Intangible assets	4,423	4,428
Shares and equity interests held in subordinated undertakings	52,720	48,441
Non-current financial assets available for sale	68,105	65,945
Non-current financial assets carried at fair value	30,118	29,291
Non-current receivables	54,648	54,750
Non-current deferred tax assets	10,497	10,497
Non-current prepayments and accrued income	8,004	8,992
Current assets	**222,511**	**282,259**
Deferred tax assets	8,511	8,511
Shares and equity interests held in subordinated undertakings	0	24,500
Inventory	18,598	17,370
Prepayments and accrued income	10,482	9,331
Trade receivables	54,302	99,902
Other receivables	65,643	38,972
Financial assets held to maturity	7,135	14,199
Short-term financial assets carried at fair value	31,541	34,369
Cash and short-term deposits	26,299	35,105
TOTAL ASSETS	**466,278**	**519,339**

All figures in PLN '000

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

BALANCE SHEET OF SOFTBANK SA (continued)

	Mar 31 2005 (unaudited) PLN '000	Dec 31 2004 (unaudited) PLN '000
EQUITY AND LIABILITIES		
Equity (attributable to the shareholders of the Parent Undertaking)	**153 723**	**143 527**
Share capital	22,491	22,491
Share premium	148,576	148,576
Unrealised net profit	10,588	8,428
Capital reserves	(3,837)	(3,837)
Retained earnings/ (deficit)	(32,131)	(27,413)
Profit (loss) for reporting period	8,036	(4,718)
Total equity	**153,723**	**143,527**
Non-current liabilities	**91,695**	**85,703**
Non-current provisions	102	102
Non-current financial liabilities	78,463	76,212
Non-current deferred income	8,309	9,389
Other non-current liabilities	4,821	0
Current liabilities	**220,860**	**290,109**
Current portion of interest-bearing bank loans, borrowings and debt securities	100,088	99,796
Trade payables	58,627	114,365
Liabilities towards the state budget	1,994	6,737
Financial liabilities	11,991	12,818
Other liabilities	28,271	35,435
Provisions	3,872	5,112
Accrued expenses	6,485	6,292
Deferred income	9,532	9,554
TOTAL LIABILITIES	**312,555**	**375,812**
TOTAL EQUITY AND LIABILITIES	**466,278**	**519,339**

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

CONDENSED STATEMENT OF CHANGES IN EQUITY OF SOFTBANK SA

for three months ended Mar 31 2005
and twelve months of 2004

STATEMENT OF CHANGES IN EQUITY	*Share capital*	*Share premium*	*Unrealised net profit*	*Other capital reserves*
	PLN '000	*PLN '000*	*PLN '000*	*PLN '000*
As at January 1st 2004	**22,491**	**148,576**	**0**	**(3,837**
Net gain on financial assets available for sale	0	0	8,428,	[illegible]
Loss for 12 months ended December 31st 2004				
As at December 31st 2004	**22,491**	**148,576**	**8,428**	**(3,837**
As at January 1st 2005	**22,491**	**148,576**	**8,428**	**(3,837**
Net gain on financial assets available for sale	0	0	2,160	[illegible]
Profit for three months ended March 31st 2005				
As at March 31st 2005	**22,491**	**148,576**	**10,588**	**(3,837**

All figures in PLN '000

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

CONDENSED CASH-FLOW STATEMENT OF SOFTBANK SA

	Three months ended Mar 31 2005 (unaudited data) PLN '000	Three months ended Mar 31 2004 (unaudited data) PLN '000
Operating cash flow		
Pre-tax profit	8,036	9,274
Adjustments:	**(20,353)**	**(34,014)**
Depreciation and amortisation	1,342	1,272
Change in inventory	(1,228)	(2,510)
Change in receivables	28,579	14,234
Change in liabilities	(51,001)	(36,569)
Change in accruals and deferrals	(1,072)	(5,922)
Change in provisions	(1,240)	1,041
Interest expense	2,343	0
Interest income	(176)	100
Foreign exchange gains (losses)	1,805	(5,007)
Profit (loss) on investment activities	295	(653)
Other	0	
Net cash provided by operations	**(12,317)**	**(24,740)**
Interest paid	(2,051)	(44)
Net cash from operations	**(14,368)**	**(24,784)**
Investing cash flow		
Disposal of property, plant and equipment	0	6
Disposal of financial assets held to maturity	6,437	0
Sale of financial assets held for trading	109	0
Acquisition of property, plant and equipment	(1,378)	(947)
Acquisition of intangible assets	(595)	(140)
Acquisition of financial assets held to maturity	0	(20,187)
Acquisition of subsidiary undertakings, net of cash acquired	(1,381)	0
Loans repaid	600	0
Loans advanced	(500)	(1,656)
Interest received	134	0
Other	599	0
Cash provided by forward transactions	1,390	0
Net cash used in investing activities	**5,415**	**(22,924)**
Financing cash flow		
Incurred loans and borrowings	147	0
Repayment of loans and borrowings	0	26,107
Net cash provided by/ (used in) financing activities	**147**	**26,107**
Net increase in cash and cash equivalents	(8,806)	(21,601)
Net translation adjustments	0	
Cash and cash equivalents as at January 1st	35,105	23,631
Cash and cash equivalents at end of period	**26,299**	**2,030**

All figures in PLN '000

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

1. Transactions with Related Undertakings

Undertaking	Softbank's sales to related undertakings in three months ended		Softbank's purchases from related undertakings in three months ended		Softbank's receivables as at		Softbank's liabilities as at	
	Mar 31 2005	**Mar 31 2004**	**Mar 31 2005**	**Mar 31 2004**	**Mar 31 2005**	**Dec 31 2004**	**Mar 31 2005**	**Dec 31 2004**
Transactions with subsidiary undertakings								
Epsilio SA	*0*	*0*	*62*	*95*	*0*	*81*	*0*	*25*
Mediabank SA	*18*	*0*	*1*	*13*	*22*	*0*	*0*	*3*
ZUI Novum Sp. z o.o.	*0*	*0*	*0*	*114*	*0*	*0*	*0*	*0*
Sawan Grupa Softbank SA	*28*	*0*	*703*		*20*	*2*	*458*	*38*
Softbank Serwis Sp. z o.o.	*192*	*315*	*2,133*	*5,215*	*308*	*75*	*1,478*	*4,546*
Transactions with associated undertakings								
NetPower SA	*1*	*0*	*0*	*0*	*1*	*4*	*0*	*0*
Transactions with Prokom Software SA								
Prokom Software SA	*220*	*86*	*1,095*	*21,113*	*262*	*1,055*	*1,392*	*45,942*
Transactions with subsidiary undertakings of Prokom Software SA								
Telmax SA	*105*	*0*	*0*	*0*	*129*	*0*	*0*	*0*
Optix Polska Sp. z o.o.	*0*	*0*	*0*	*0*	*0*	*0*	*10*	*10*
Koma SA	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*1*
Transactions with associated undertakings of Prokom Software SA								
Comp SA	*0*	*0*	*468*	*0*	*0*	*0*	*11,254*	*12,273*
Total transactions	**564**	**401**	**4,462**	**26,550**	**742**	**1,217**	**14,592**	**62,838**

These transactions with related undertakings were executed at arm's length as part of the business activities of the Softbank Group's companies as defined in their respective articles of association.

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SPÓŁKA AKCYJNA

2. Transactions with Related Undertakings (continued)

In January 2005, Softbank SA advanced a short-term loan of PLN 500 thousand to Mediabank SA, and in March 2005 it increased the company's share capital by PLN 3,639 thousand. The share capital increase was paid up by swapping the loans granted to the company in 2004 and 2005 (PLN 2,639 thousand, including interest) for equity. Subsequently, in March 2005, a cash contribution of PLN 400 thousand was made, and the remaining PLN 600 thousand is to be paid up by the end of August 2005.

In the reporting period, Softbank SA finalised the sale of 100% of shares in Epsilio SA, in performance of the share purchase agreement executed in December 2004. The selling price of shares in Epsilio SA was set at PLN 24,500 thousand, and the payment was divided in two instalments. The first instalment of PLN 12,450 thousand was paid in 2004; the other will be paid in December 2005. The present (discounted) value of the payment for the shares in Epsilio SA stood at PLN 23,798 thousand. The net book value of the sold shares was PLN 24,500 thousand. Upon disposal of shares in Epsilio SA, Softbank SA reported a loss of PLN (702) thousand in the non-consolidated financial statements.

In Q1 2005, Softbank SA acquired 28.12% of shares in Sawan Grupa Softbank SA, thus becoming the sole shareholder of that company, with 100% of shares and total vote at the General Shareholders Meeting. The par value of the acquired shares totalled PLN 3,492 thousand, and their present (discounted) value as at the acquisition date stood at PLN 3,332 thousand. PLN 830 thousand of the acquisition price was paid in Q1 2005. Of the balance of PLN 2,662 thousand, PLN 1,700 thousand is to be paid in October 2005 and PLN 962 thousand in November 2005. As at March 31st 2005, the net book value of the investment in 100% of Sawan shares stood at PLN 12,257 thousand.

Off-Balance-Sheet Commitments and Liabilities Concerning Related Undertakings

Sureties granted by Softbank SA as at March 31st 2005:
- Surety for AWiM Mediabank SA's liabilities under an agreement for an investment loan of PLN 1,200 thousand. The amount outstanding under the loan was PLN 225 thousand as at March 31st 2005 and PLN 300 thousand as at December 31st 2004;
- Surety for Softbank Serwis Sp. z o.o.'s liabilities under the agreement of February 26th 2004, concerning the construction of a structural network, concluded between Softbank Serwis Sp. z o.o. and Tyco Sp. z o.o. The estimated value of the surety was PLN 7,351 thousand as at March 31st 2005 and PLN 7,342 thousand as at December 31st 2004.

Guarantees granted by Softbank SA as at March 31st 2005:
- Guarantee to secure repayment of a revolving working-capital loan of up to PLN 2,000 thousand, advanced by Bank BPH SA to Sawan Grupa Softbank SA. The amount outstanding under the loan was PLN 1,745 thousand as at March 31st 2005 and PLN 1,805 thousand as at December 31st 2004;
- Guarantee to secure repayment of a current-account loan of up to PLN 300,000, advanced by Bank BPH SA to Sawan Grupa Softbank SA. The amount outstanding under the loan as at March 31st 2005 and December 31st 2004 was PLN 0 thousand.

All figures in PLN '000

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

2. Transactions with Related Undertakings (continued)

Other off-balance-sheet commitments and liabilities for the benefit of related undertakings	Mar 31 2005 (unaudited data)	Dec 31 2004 (unaudited data)
Commitment to advance a loan to Mediabank SA	40	40
Commitment to advance a loan to Sawan Grupa Softbank SA	900	300
Commitment to make a contribution as part of share capital increase at Mediabank SA	600	-
TOTAL	**1,540**	**340**

3. Off-Balance-Sheet Commitments and Liabilities towards Unrelated Undertakings

In its commercial activities, Softbank SA uses bank guarantees and letters of credit, as well as contract performance insurance as security in business transactions with various organisations, companies and administration entities. As at March 31st 2005, the potential contingent liabilities stood at PLN 8,804 thousand, while as at December 31st 2004 – at PLN 26,849 thousand.

As at March 31st 2005 and December 31st 2004, Softbank SA was also party to a number of lease, tenancy and similar contracts providing for the following future liabilities:

Liabilities under lease of space	Mar 31 2005 (unaudited data)	Dec 31 2004 (unaudited data)
Up to 1 year	2,300	2,191
From 1 to 3 years	3,004	3,340
Over 5 years	47	98
Total	**5,351**	**5,629**

Liabilities under operating lease of non-current assets	Mar 31 2005 (unaudited data)	Dec 31 2004 (unaudited data)
Up to 1 year	593	322
From 1 to 3 years	671	174
Over 5 years	174	-
Total	**1,438**	**496**

FINANCIAL HIGHLIGHTS FROM THE FINANCIAL STATEMENTS OF SOFTBANK SA

8. Remuneration Paid or Due to Members of the Executive Board or Supervisory Board of Softbank SA

	Three months ended Mar 31 2005 PLN '000	Twelve months ended Dec 31 2004 PLN '000
Executive Board	3,209	14,907
Supervisory Board	68	178
Total	**3,277**	**15,085**

The remuneration paid to the members of Softbank SA's Supervisory Board who were also members of the Executive Board of Prokom Software SA amounted to PLN 17 thousand in Q1 2005.

9. Capital Expenditure

The capital expenditure incurred by the Company in Q1 2005 stood at PLN 3,855 thousand and is planned to amount to PLN 170m by the end of 2005.

10. Effect of the Application of IFRS on the Comparable Data Presented in the Non-Consolidated Financial Statements

The table below sets forth the effect of individual differences between the previously applied (until the end of 2004) Polish Accounting Standards (PAS) and the International Financial Reporting Standards (IFRS) adopted as of January 1st 2005 on equity as at December 31st 2004 and net profit for the three months ended March 31st 2004.

	Dec 31 2004 (unaudited data) PLN '000
Equity according to PAS	**164,501**
Non-current assets at fair value	2,630
Transfer of capitalised cost of issue to equity	(442)
Determination of fair value of revenue and costs and their valuation at amortised cost	(7,634)
Estimated provision for results on IT contracts, arising on disclosure of revenue and costs at fair value	(15,528)
Equity according to IFRS	**143,527**

	Three-month period ended Mar 31 2004 PLN '000
Net profit according to PAS	**9,187**
Fair value of non-current assets	(19)
Transfer of issue cost write-off to equity	63
Determination of fair value of revenue and costs and their valuation at amortised cost	51
Net profit according to IFRS	**9,282**