

Introduction

Pursuant to Par. 61.7 of the Directive of the Polish Council of Ministers dated October 16th 2001, as amended (Dz. U. No. 139, item 1569 of December 10th 2001 and Dz. U. No. 31, item 280 of March 29th 2002), the Executive Board of Softbank SA releases the following **supplementary information to the expanded consolidated quarterly report SA-QSr1'2004.**

In the first quarter of 2004, the Softbank Group recorded net sales revenue of PLN 74,821K. Sales revenue fell significantly in comparison with the first quarter of 2003, which was due mainly to the Group's focusing its sales on high-margin contracts and the postponement of execution of orders. The Group's net financial result for the first quarter of 2004 was 2,937K, which was a significant improvement on the corresponding period of 2003.

1/ Changes in the Company's Accounting Policies

In 2004, the Group did not make any changes in its accounting policies.

However, a significant number of changes were made in 2003, which were mainly intended to present a clearer view of the Company to the readers of the financial statements. In addition, the comparable data was adjusted in connection with the fundamental errors identified in the financial statements for the previous years.

- a) In 2003, the Group for the first time disclosed provisions for certain or highly probable liabilities. In order to maintain comparability, analogous items as at December 31st 2002, totalling PLN 10,440K, and as at March 31st 2003, totalling PLN 679K, were disclosed under provisions in the consolidated comparable data.
- b) As at December 31st 2003, the Group changed the method of valuation of assets and liabilities expressed in foreign currencies. Such a possibility was introduced by the Amendment to the Polish Companies Act and certain other acts, dated December 12th 2003, in effect as of January 15th 2004, with a possibility of its application to the 2003 financial statements. In accordance with this rule, the individual items of assets and liabilities were valued as at the balance-sheet date at the mid exchange rates quoted by the National Bank of Poland, in effect at that date for the given currency. The change in the accounting policies was reflected in the 2003 opening balance sheet, accordingly, and resulted in the following changes relative to the comparable data:
 - a. 2002 net financial result is higher by PLN 382K,
 - b. 2002 financial income is higher by PLN 441K – currency-translation differences,
 - c. 2002 other operating expenses are higher by PLN 59K – revaluation adjustment on accounts receivable increased by currency-translation differences,
 - d. Short-term liabilities as at December 31st 2002 are lower by PLN 372K,
 - e. Cash as at December 31st 2002 is higher by PLN 10K,
 - f. The balance-sheet total as at December 31st 2002 is higher by PLN 10K.
- c) In 2003, the Group changed the accounting policies for recognition of revenue under contracts for implementation of IT systems, excluding maintenance, by adopting the

percentage-of-completion method. Under this method, revenue is recognised pro rata to the progress of service provision as at the balance-sheet date, provided that the progress can be reliably estimated. If it is impossible to make a reliable estimate of the effects of a transaction involving the provision of services, the revenue on provision of services is recognised only up to the amount of costs incurred on the provision of a service. Revenue on maintenance services is recognised on a straight-line basis in the period for which the relevant agreement was executed.

The Group also estimated settlement of contracts as at December 31st 2002, and found the amount of the resultant adjustment insignificant relative to the consolidated financial statements.

- d) The 2002 comparable data of the Group was restated to correct a fundamental error of PLN 32,000K, resulting from the disclosure in the balance sheet as at December 31st 2002 of unregistered share capital under “liability under unregistered share capital increase”.
- e) On July 3rd 2000, Softbank SA concluded agreements for the purchase of shares in Multinet SA, Pik-Net Sp. z o.o. and Polbox Sp. z o.o., under which the Company agreed to implement an incentive scheme for the management personnel of the companies. The incentive scheme provided for the delivery of 32,748 bonds convertible into shares and was contingent on the achievement of specific performance targets by the companies. The targets were not achieved. Consequently, the convertible bonds were not and will not be allotted to the members of the management personnel of Multinet SA, Pik-Net Sp. z o.o. and Polbox Sp. z o.o. Therefore, in line with the share purchase agreements, half of the convertible bonds, or 16,374 bonds, will be delivered at the last day of the incentive scheme (at the end of 2005) to the entities selling the companies.

The Group disclosed the transaction in the accounting books at the time when the bonds convertible into the Company shares were issued, as a liability of PLN 32.7K, representing the par value of the shares. As a result of the failure to meet the performance targets by the acquired companies the liability was reduced to PLN 16.4K.

Pursuant to the Polish Accountancy Act of September 29th 1994, in 2002 the Group should have disclosed the purchase price of the shares based on the fair value of the assets delivered in exchange for them rather than on their par value. Consequently, due to the disposal of the shares in 2002, the increase in their purchase price resulted in higher loss on sales.

For the purposes of the determination of the fair value of the convertible bonds which are to be delivered at the end of 2005, the valuation date will be the date of the decision on the delivery of the convertible bonds, and such valuation will be disclosed in the accounting books as at the date when the eligible persons acquire the rights. Because the eligible persons (selling the shares) acquired the rights to subscribe for 16,374 bonds convertible into the Company shares at the time when the Executive Board of Softbank SA adopted a resolution stating that the acquired companies had not achieved the specific performance targets, the difference between the fair value and the acquisition price should be disclosed for the first time in the 2002 financial statements. Therefore, the Group decided to adjust the 2003 opening balance sheet.

The differences between the fair value and the par value are presented in the table below:

	Number of shares	PLN	Value
Par value	16,374	1.0	16,374
Fair value	16,374	49.9	817,063
Adjustment	-	(48.9)	(800,689)

The Group adjusted the 2002 consolidated comparable data; however, the above adjustment had no impact on the value of net assets as disclosed in the financial statements for the years under review.

Apart from the above, there were no other material issues which would affect the comparability of the financial data.

2/ Average Euro Exchange Rate Used to Calculate the Value of Selected Items

- In the first quarters of 2004 EUR 1 = PLN 4.7938
(The rate is the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the first three months of 2004)
- In the first quarters of 2003 EUR 1 = PLN 4.2474
(The rate is the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the first three months of 2003)
- As at March 31st 2004 EUR 1 = PLN 4.7455
- As at March 31st 2003 EUR 1 = PLN 4.4052

Brief Description of Significant Achievements or Failures of the Group in the First Quarter of 2004

With the first signs of economic upturn in the IT sector, the performance of the Softbank Group in the first quarter of 2004 was better than in the corresponding period of 2003. The significant drop in sales revenue, following mainly from the Group's focus on high-margin contracts and postponed execution of orders, translated into markedly higher sales margin. However, due to the unsatisfactory performance of subsidiary undertakings, it was impossible to reach high net financial results. Despite the lower revenue (which in 2003 was driven by a large PLN 56m low-margin contract for the Agency for Restructuring and Modernisation of Agriculture), the Parent Undertaking substantially increased its operating and net margins (by several times in comparison with Q1 2003).

The Group continued the internal restructuring and consolidation, which led to sale of further subsidiary undertakings, namely Zeto-Rodan Sp. z o.o. and Saba Grupa Softbank SA, and a takeover of the resources of bezpieczenstwo.pl purchased by Softbank SA. The Group completed the negotiations which increased the share of the Parent Undertaking in the equity of Sawan Grupa Softbank SA and resulted in a takeover of control over the company. In 2004, the Group will continue to finance the operations of AWiM Mediabank SA, a media

company. The costs of all the actions mentioned above will have a bearing on the consolidated financial results in subsequent periods.

Similarly to previous years, the Executive Board of the Parent Undertaking expects to see major differences between the figures for the Group's revenues in particular quarters, due to the seasonal changes in the IT industry. The highest revenues are expected at the close of the year.

Key Events in Q1 2004

January 15th 2004 - Softbank SA and the Agency for Restructuring and Modernisation of Agriculture of Warsaw executed an agreement on delivery and installation of computer hardware (servers and mass memories), along with the software necessary to develop the Integrated Management and Control System. The agreement is to be performed within eight weeks of its execution date and provides for contractual penalties of 0.02% of the total remuneration (VAT exclusive) for each day of delay. The net value of the agreement is PLN 18,912,643.

January 16th 2004 - Mr Adam Dąbkowski, Member of the Executive Board, tendered his resignation from office. At the meeting held on January 16th 2004, the Supervisory Board of Softbank SA appointed Mr Przemysław Borzestowski and Mr Przemysław Sęczkowski as Members of the Executive Board as of January 16th 2004.

January 26th 2004 – Softbank SA was notified that on January 13th 2004 the court registered an increase in the share capital of Agencja Wydawnicza i Marketingowa Mediabank SA, Softbank's subsidiary undertaking. Currently, the share capital of AWiM Mediabank SA is PLN 8,715,000. Softbank holds 87,150 shares, representing 100% of the share capital of AWiM Mediabank SA, conferring the rights to 174,300 votes at the General Shareholders Meeting and representing 100% of the total vote.

February 5th 2004 - Softbank SA was notified that on January 21st 2004 the Court registered an increase in the share capital of Zeto-Rodan Sp. z o. o., Softbank's subsidiary undertaking. Currently, the share capital of Zeto-Rodan Sp. z o. o. is PLN 200,000. Softbank holds 204 shares, representing 51% of the share capital of Zeto-Rodan Sp. z o. o., conferring the rights to 204 votes at the General Shareholders Meeting and representing 51% of the total vote.

February 27th 2004 - Softbank SA and societe anonyme holding seated in Luxembourg signed an agreement for the sale of all shares in SABA Grupa Softbank SA seated in Bydgoszcz (Softbank SA's 100% owned subsidiary) held by Softbank SA. The total price of the transaction was PLN 10,500. There are no links between Softbank SA and the Purchaser. The assets being disposed are deemed material, because the transaction relates to over 20% of the share capital of Softbank SA's subsidiary undertaking. At the same time, the Executive Board would like to remind that the whole business of SABA Grupa Softbank SA was acquired by Epsilio SA seated in Łódź (Softbank SA's 100% owned subsidiary) on September 29th 2003.

March 1st 2004 – Mr Aleksander Lesz, President of the Executive Board, submitted to the Chairman of the Supervisory Board of Softbank SA his resignation from the position. At the

same time, as of March 1st 2004, the Supervisory Board of Softbank SA appointed Mr Krzysztof Korba as President of the Executive Board of Softbank SA.

Krzysztof Korba, 59, graduated from the Warsaw University of Technology. He commenced his professional career as the head of the IT Systems for Nuclear Power at Ośrodek Informacji o Energii Jądrowej (Nuclear Power Information Centre) from 1969 to 1973. In 1973–1974, he worked for ZETO-ZOWAR as a System Analyst and IT Systems Designer. In 1974–1980, he occupied the position of Senior Specialist at Rządowe Centrum Informatyczne PESEL (PESEL Government Information Centre), and then – from 1980 to 1981 – he was a head of division at ZETO-ZOWAR again. From 1981 to 1983, as a Deputy Director of the IT Department at the Social Security Authority, he was responsible for developing a database of old-age and disability pensioners, and launching the system supporting generation of payment orders. In 1983–1993, he worked for ICL Poland/International Computers Ltd., first as a Sales Director and then as a Regional Director responsible for sales, customer service and business development in central and northern Poland. In 1993–1995, he held the position of President of the Executive Board of Bull Polska. Since 1995, he has been President of the Executive Board/Chief Executive Officer at Unisys Polska. Krzysztof Korba does not conduct any activity competitive to the Company. He is not entered into the Register of Insolvent Debtors.

March 25th 2004 – within the past twelve months, the Company concluded agreements with PKO BP SA, whose aggregate value amounted to PLN 13.7m. The agreements were not reported on in separate current reports. The largest agreement, with a value of PLN 4.1m, was signed on January 22nd 2004 in the form of an annex to the agreement dated October 27th 2003 on installation and maintenance of computer software and hardware. The agreement provides for contractual penalties of up to 10% of the agreement's value (VAT exclusive). PKO BP SA is entitled to seek damages under the Polish Civil Code in excess of the contractual penalties. Softbank's total liability is limited to the value of the agreement. The aggregate value of the agreements concluded with PKO BP within the last twelve months was deemed material as it exceeds 10% of the Company's total equity.

March 31st 2004 – Softbank SA and Bezpieczeństwo.pl Sp. z o.o. (the "Seller), a wholly-owned subsidiary of the Issuer, concluded an agreement on the sale of business. Under the agreement, the Issuer acquired the business, i.e. the tangible and intangible assets comprising the Seller's business within the meaning of Art. 55.1 of the Polish Civil Code, with the exception of the Seller's company name. The selling price was PLN 35,000 and was determined based on a valuation prepared by an independent expert. The purchase was financed with Softbank SA internally generated funds. The business was acquired as of March 31st 2004. The sold assets had been used by the Seller for conducting its business activities (provision of IT services).

Description of Factors and Events, in Particular of Non-Recurring Nature, with Material Bearing on the Financial Performance

In the first quarter of 2004, the performance of the Softbank Group was better than in the fourth quarter of 2003, and also significantly better relative to the analogous period of 2003.

The key factors which had a bearing on the Q1 2004 financial result were as follows:

- Consolidation goodwill write-offs – PLN 1.9m, including:
 - Goodwill write-off on Epsilio SA – PLN 1.6m.

- Loss incurred by Mediabank SA – PLN 1.2m
- Valuation of financial instruments embedded in the implementation agreements – + PLN 5m

Events Subsequent to March 31st 2004 Which may Materially Affect the Future Performance of the Softbank Group

April 7th 2004 – Softbank SA and Rodan Investments Sp. z o.o. of Warsaw, signed an agreement for the sale of Softbank SA's block of shares in Centrum Informatyki ZETO-RODAN Sp. z o.o. of Warsaw, a subsidiary of the Company. The shares were sold for PLN 650,000 (six hundred and fifty thousand złoty).

April 14th 2004 – Softbank SA and Polska Wytwórnia Papierów Wartościowych SA (PWPW), registered offices at ul. Sanguszki 1, Warsaw, Poland, entered into an agreement for the delivery of hardware and software, provision of training and maintenance services and installation of IT networks. The value of the agreement, VAT exclusive, is PLN 27.7m, and the term for its performance expires upon the lapse of 20 weeks as of its effective date. The agreement is subject to the following conditions precedent: 1) the Ministry of Internal Affairs and Administration and the Ministry of Infrastructure enter into a cooperation agreement for the development and operation of telecommunications and IT systems; 2) the Supervisory Board and the General Shareholders Meeting of PWPW agree to the implementation of the system and purchase of the infrastructure and services related to the implementation of the Central System for Personalisation of Vehicle Registration Cards, and to establishing a performance bond in the form of a bank guarantee; 3) PWPW and the Ministry of Infrastructure execute an annex to the agreement on the production of centrally personalised vehicle registration cards. Should the conditions precedent not be fulfilled by April 30th 2004, the parties may terminate the agreement (under an annex of April 30th 2004, this deadline was extended to May 15th 2004). The agreement provides for contractual penalties, whose value in relation to any agreed item which has not been executed in due time may not exceed 25% of the fees for a given item.

The Softbank Executive Board's position on the feasibility of meeting the targets of the 2004 financial forecasts published earlier, in light of the results presented in this report.

The Company did not publish any non-consolidated or consolidated financial forecasts.

Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total vote at the General Shareholders Meeting of Softbank, as at the date of the quarterly report, May 11th 2004, and any changes in the ownership structure of major holdings of Softbank shares after the publication of the previous quarterly report on February 23rd 2004.

Shareholders holding at least 5% of the total vote at the General Shareholders Meeting as at **May 11th 2004**:

25.002%	Prokom Software SA (5,238,000 shares and the right to the same number of votes at the General Shareholders Meeting)
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9.75%	Nihonswi AG (2,042,910 shares and the right to the same number of votes at the General Shareholders Meeting)
8.98%	Zbigniew Opach (1,880,432 shares and the right to the same number of votes at the General Shareholders Meeting)
5.12%	PZU Group (1,072,990 shares and the right to the same number of votes at the General Shareholders Meeting)

The number and structure of shareholders holding at least 5% of the shares has changed in relation to the previous reporting period as follows:

March 29th 2004 – the Executive Board of Softbank SA was notified that from March 19th 2004 to March 25th 2004 NIHONSWI AG, registered offices at Buolterlistrasse 53, CH-8052 Hergiswil, Switzerland, disposed of a total of 250,000 Softbank shares, representing 1.2% of the share capital and conferring the rights to 1.2% of the total vote at the General Shareholders Meeting of Softbank SA. Following the transaction, NIHONSWI AG holds 2,042,910 Softbank SA shares, accounting for 9.75% of the share capital and conferring the rights to 9.75% of the total vote at the General Shareholders Meeting.

March 29th 2004 – the Company was notified that Prokom Software SA, registered offices in Warsaw, Poland, acquired on March 26th 2004 400 ordinary bearer shares in Softbank, following which it holds 5,238,000 Softbank shares representing 25.002% of the Company's share capital and conferring the rights to 25.002% of the total vote at the General Shareholders Meeting of Softbank SA.

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

Changes in the Number of Softbank Shares or Rights to the Softbank Shares (Options) Held by the Managing and Supervisory Staff of Softbank, According to the Information Available to the Company

	As at Feb 23 2004	As at May 11 2004
Supervisory Board		
Stanisław Janiszewski	1,600	1,600 (no change)
Ryszard Krauze	0	0 (no change)
Alicja Kornasiewicz	0	0 (no change)
Executive Board		
Krzysztof Korba***	-	0
Aleksander Lesz**	398,620	-
Piotr Jeleński	0	0 (no change)
Jarosław Ogorzałek	7,720	7,720 (no change)
Robert Smułkowski	1,500	1,500 (no change)
Przemysław Borzestowski*	0	0 (no change)
Przemysław Sęczkowski*	0	0 (no change)

*Appointed to the Executive Board by the Supervisory Board on January 16th 2004.

**Tendered his resignation from the office of Board President on March 1st 2004.

***Appointed to the Executive Board by the Supervisory Board on March 1st 2004.

Information on any court or administrative proceedings or claims lodged by the Company or its subsidiary, whereby the combined value of litigation represents at least

10% of Softbank equity, including details on the main subject of such proceedings and their total value, as well as those concerning major proceedings related to liabilities and debts, including the subject of litigation, disputed amounts, date on which the proceedings were instigated, and the parties thereto.

No such proceedings are pending in the first quarter of 2004.

Information on the conclusion, by Softbank or its subsidiary undertakings, of one or many transactions with related entities, if the transaction value (total value of all transactions concluded since the commencement of the accounting year) exceeds the PLN equivalent of EUR 500,000, provided that the transactions are not typical or routine and are concluded at arms length within the Capital Group and that their nature, as well as their terms and conditions, arise from the current operations conducted by Softbank or its subsidiary; including the total value of transactions and the discussion of the agreement of the largest value.

January 6th 2004 –Softbank SA and Softbank Serwis Sp. z o. o., a wholly-owned subsidiary of Softbank SA, entered into a subcontracting agreement under which Softbank Serwis Sp. z o.o. is to develop, assist in the implementation and operate the infrastructure of the Central Register of Vehicles and Drivers. The subcontractor is to receive net consideration in the amount of PLN 8,855,077.48. The consideration will be paid in a phased manner, after Softbank SA's bank account is credited with successive payments from the Customer, i.e. the Ministry of Internal Affairs and Administration.

April 22nd 2004 – the Parent Undertaking executed an annex to the subcontracting agreement of January 6th 2004 with Softbank Serwis Sp. z o. o., a wholly-owned subsidiary of Softbank SA. Under the annex, the agreement was amended so that the sub-contractor would receive consideration for all work performed in the final amount of PLN 15,204,209.58 (VAT exclusive), which represents an increase of PLN 6,349,131.52 in relation to the originally agreed consideration. The annex was executed in connection with the transfer of some of the tasks previously planned to be executed by Softbank SA to the subcontractor, which is designed to optimise the management of Softbank SA's resources.

Transactions between the Softbank Group and the Prokom Group companies over the last 12 months, i.e. from April 1st 2003 to March 31st 2004, including:

- Purchases from the Prokom Group companies totalling PLN 35,409K, the largest transaction being the order for hardware of February 18th 2004 in the amount of PLN 11,716K,
- Sales to the Prokom Group companies totalling PLN 812K.

Information on the granting by Softbank or its subsidiary undertakings of suretyships for a loan or credit, or the granting of a guarantee – jointly to one entity or its subsidiary, if the total amount of the existing suretyships or guarantees represents at least 10% of Softbank equity.

No such events occurred in the first quarter of 2004.

Other Information Which, in the Company's Opinion, is Material to the Assessment of Softbank's Human Resources, Assets, Financial Standing and Financial Performance

At present, Softbank SA (the Parent Undertaking) is subject to an inspection by an inspector of the Tax Supervision Authority of Katowice, acting under authorisation No. 29/W-4/W.K./2002/K of June 20th 2002, and authorisation No. 29/W-4/W.K./2002/K of July 1st 2002, issued by the Chief Tax Inspector. The inspection includes the examination of the fairness of declared tax bases and the correctness of calculation and payment of the corporate income tax for the period January 1st 1998 – December 31st 2001 and the VAT for the period January 1st 1999 – December 31st 2001. On March 22nd 2004, Softbank SA received a report from the tax inspection prepared by the Tax Supervision inspector. The report contains only a description of the facts established in the course of the inspection procedures carried out at Softbank SA without a legal opinion thereon. On April 5th 2004, the Parent Undertaking notified the Tax Supervision Authority of Katowice of its explanations and comments to the report, including reservations as to the lack of a legal opinion in the report. On April 15th 2004, the inspector of the Tax Supervision Authority of Katowice addressed the Company's explanations and comments on the report in his reply, in which the Company was notified of the completion of the inspection by the Tax Supervision Authority inspector, and that further tax inspection activities, including supplementing and collecting full evidence with a view to reaching a conclusion on the inspection, will be continued in accordance with the provisions of Art. 24.2 of the Act on Tax Inspection and Art. 291.4 of the Tax Legislation. As at the date of this Report, Softbank SA has not received the decision of the Tax Supervision Authority. Based on the analysis of independent tax advisors, the Company's Executive Board is of the opinion that in the light of the Group's strong arguments, it is rather unlikely that the decision or result of the proceedings may be negative. Based on its information and given the current stage of the proceedings, the Company has been unable to reliably estimate the contingent liabilities described above.