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, Dz. U. No. 31, item 280 of March 29th 2002 and Dz. U. No. 220, item 2169 of December 9th 2003), the Executive Board of Softbank SA releases the following **supplementary information to the extended consolidated quarterly report SA–QSr2'2004.**

In the second quarter of 2004, the Softbank Group recorded net sales revenue of PLN 87,724 thousand. Sales revenue rose by 81.53% in comparison with the second quarter of 2003. The Group's excellent performance was attributable to the execution of large IT contracts − some of which had been concluded in 2003 and some, with significant added value, have been executed this year.

In Q2 2004, the Group reported an improvement in sales and operating results as compared with Q1 2004 and the analogous period of 2003.

Despite its good performance as measured by the stronger sales and enhanced operating result, the Softbank Group incurred a PLN 4,848 thousand net loss in Q2 2004 − the negative effect of valuation of the financial instruments provided for in the implementation contracts.

1/ **Changes in the Company's Accounting Policies**

In 2004, the Group has not made any changes in its accounting policies.

The Softbank Group made a significant number of changes in 2003, whose main focus was 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. To ensure comparability, analogous items as at June 30th 2003, totalling PLN 11,512 thousand, and as at March 31st 2003, totalling PLN 679 thousand, were disclosed under provisions in the consolidated comparable data.

b) Pursuant to the Directive of the Minister of Finance of February 23rd 2004 amending the Directive of December 12th 2001 on detailed rules governing the recognition, valuation, scope of disclosure and manner of presentation of financial instruments, and upon an analysis of the relevant provisions of the International Financial Reporting Standards, in particular IFRS 32 and IFRS 39 (amended in 2003), Softbank decided not to valuate as at December 31st 2003 the derivatives embedded in lease agreements in the form of indexation of charges to USD or EUR exchange rates. The decision followed from the fact that long-term lease agreements in Poland customarily provide for such indexation of charges.

   Upon the above change, the Group's H1 2003 financial income, net result, and balance-sheet total all decreased by PLN 3,221 thousand.

c) As at December 31st 2003, the Group changed the method of valuation of assets and liabilities denominated 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 in the H1 2003 financial statements:

- H1 2003 net financial result is lower by PLN 382 thousand,
    (i) H1 2003 financial expenses are higher by PLN 441 thousand – currency-translation differences,
    (ii) H1 2003 other operating income is higher by PLN 59 thousand – reversal of revaluation adjustment on accounts receivable increased by currency-translation differences,

d) 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., whereby 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 met. 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 on 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 32.7 thousand, 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 16.4 thousand.

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 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 delivery of the convertible bonds, and such valuation will be disclosed in the accounting books as at the date when the entitled persons acquire the rights. Because the entitled 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 failed to achieve 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.

Apart from the above, there were no other material issues which would affect the comparability of the financial data in 2004.

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

- In the two quarters of 2004 EUR 1 = PLN 4.7311
  (The rate is the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the first six months of 2004.)

- In the two quarters of 2003 EUR 1= PLN 4.3110
  (The rate is the arithmetic mean of mid exchange rates quoted by the National Bank of Poland for the first six months of 2003.)

- As at June 30th 2004 EUR 1 = PLN 4.5422

- As at June 30th 2003 EUR 1 = PLN 4.4570

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

Despite the long-observed strong seasonality in the IT industry, in the second quarter of 2004 the IT market picked up, which translated into materially stronger than a year earlier sales of the Group and a clear improvement in its gross sales margin which rose to 30%. The closing of subsequent two stages of two large contract concluded in 2003 (Integrated IT System at PKO BP SA and Central Register of Vehicles and Drivers (CEPiK) at the Ministry of Internal Affairs and Administration), as well as other contract concluded in 2004 (including a project worth over PLN 27m to build a system for Polska Wytwórnia Papierów Warościowych SA; another worth PLN 4m to build a system supporting press distribution for RUCH SA, and annexes to maintenance contracts with PKO BP SA) meant that despite the creation of a sizeable restructuring provision, the Group recorded a Q2 2004 consolidated operating profit of PLN 3m. However, the costs of restructuring and the negative impact of the valuation of financial instruments embedded in the concluded implementation contracts led the Group and the Parent Undertaking, despite the two-fold rise in revenue and the excellent gross sales margin (30%), to incur net losses in the second quarter – PLN 5m (Softbank Group) and PLN 10m (Softbank SA).

In the second quarter, efforts to optimise the coordination of the Group's functional areas continued. In the long-term, these will lead to savings in the Group's operating expenses, and will help improve profitability of all its subsidiaries. As part and parcel of the consistently-pursued consolidation and reorganisation, product resource optimisation necessitated disposal of Zeto-Rodan Sp. z o.o.

Employment

As at June 30th 2004, the Softbank Group employed 985 persons, including 347 employees of the Parent Undertaking.

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

In the second quarter of 2004, the performance of the Softbank Group was better than in the first quarter of 2004, and the analogous period of 2003.

The key factors which had a bearing on the Q2 2004 financial result were:

- Restructuring provision: -PLN 6.5m,
- Discount of the amount provided to the Ministry of Internal Affairs and Administration as a performance bond: -PLN 1.9m,
- Consolidation goodwill write-offs: -PLN 1.7m (including goodwill write-off on Epsilio SA: -PLN 1.6m),
- Loss incurred by Mediabank SA: -PLN 1.4m,
- Creation of provisions for employee benefits: -PLN 0.8m,
- Release of provisions for Siemens' claims against Epsilio SA: +PLN 0.9m,
- Sale of Zeto-Rodan Sp. z o.o.: +PLN 0.6m,
- Increase in deferred tax assets: +PLN 0.5m,
- Revaluation write-offs on accounts receivable: -PLN 0.2m,
- Valuation of financial instruments:
    - (i) embedded in implementation contracts: -PLN 7.8m,
    - (ii) under concluded forward contracts: -PLN 3.3m,

Key Events in Q2 2004

April 7th 2004 – Softbank SA and Rodan Investments Sp. z o.o. of Warsaw executed an agreement for the sale of all the shares held by Softbank SA in Centrum Informatyki ZETO-RODAN Sp. z o.o. of Warsaw, Poland, a subsidiary undertaking of the Company, at the price of PLN 650,000 (six hundred and fifty thousand złoty).

April 14th 2004 – Softbank SA and Polska Wytwórnia Papierów Wartościowych SA (PWPW), registered office at ul. Sanguszki 1, Warsaw, Poland, executed an agreement for the delivery of computer hardware and software, provision of training services, installation of computer networks and provision of maintenance services. The agreement is valued at PLN 27.7m (VAT exclusive) and is to be performed within 20 weeks as of its effective date. The agreement will come into effect under the following conditions precedent: 1) the Ministry of Internal Affairs and Administration and the Ministry of Infrastructure enter into an agreement on cooperation in the development and operation of data transmission systems; 2) the Supervisory Board and the General Shareholders Meeting of PWPW approve the implementation of the system and the purchase of infrastructure and services connected with the implementation of the Central System for Personalisation of Vehicle Registration Cards (Centralna Personalizacja Dowodów Rejestracyjnych) as well as the establishment of a security for the agreement in the form of a bank guarantee; 3) PWPW concludes with the Ministry of Infrastructure an annex to the agreement concerning the production of centrally personalised registration documents. If the conditions precedent are not fulfilled by April 30th 2004, the parties have the right to withdraw from the agreement. The agreement provides for contractual penalties, the amount of which for each uncompleted element of the subject matter of the agreement may not exceed 25% of the consideration due for such an element.

April 22nd 2004 – the Company and Softbank Serwis Sp. z o. o. (a wholly-owned subsidiary of the Company) executed an annex to the subcontractor agreement of January 6th 2004. The annex amends the agreement so that the subcontractor's final consideration for all the work performed will amount to PLN 15,204,209.58, VAT exclusive, which represents an increase of PLN 6,349,131.52. The annex was executed because certain work previously planned to be performed by Softbank SA was transferred to the subcontractor, which will allow the Company to optimise its resources. As was specified in the current report published in January of this year, the contractual remuneration will be paid in instalments, each time upon crediting Softbank SA's bank account with the successive amounts of the consideration due to the Company from the customer, that is the Ministry of Internal Affairs and Administration.

April 29th 2004 – Softbank concluded an agreement with Mariusz Gąsowski, whereby Softbank acquired 3,000 Series A registered shares of SAWAN Grupa Softbank SA, with par value of PLN 11 per share conferring the rights to 12.0% of the total vote at the General Shareholders Meeting, for an aggregate price of PLN 1,300,000.00. The agreement was performed in two tranches:

- on May 6th 2004, Softbank acquired 2,040 shares conferring the rights to 8.19% of the total vote at the GM;
- on July 29th 2004, Softbank acquired 960 shares conferring the rights to 3.89% of the vote at the GM.

May 17th 2004 – the Company was informed of the fulfilment of all the conditions precedent (as listed below) of the agreement of April 14th 2004 with Polska Wytwórnia Papierów Wartościowych SA (PWPW) for the delivery of computer hardware and software, provision of training services, installation of computer networks and provision of maintenance services. The agreement is valued at PLN 27.7m (VAT exclusive) and is to be performed within 20 weeks as of its effective date, i.e. May 14th 2004.

June 28th 2004 – the Company and PKO BP SA executed an annex to the agreement of October 27th 2003. The annex, valued at EUR 852,800 (approx. PLN 3.8m, VAT exclusive), extends the initial scope of the agreement to include sale of a software license together with the implementation and maintenance services. The provisions of the annex are to be performed within four weeks.

June 29th 2004 – Softbank SA was informed of the registration by the court, on June 14th 2004, of the share capital increase at Agencja Wydawnicza i Marketingowa Mediabank SA, a subsidiary undertaking of the Company. Currently, the share capital of AWiM Mediabank SA amounts to PLN 10,015,000. The Company holds 100,150 shares, representing 100% of the share capital of AWiM Mediabank SA and conferring the rights to 200,300 votes at the General Shareholders Meeting, that is 100% of the total vote.

June 29th 2004 General Shareholders Meeting adopted the following:

1. Resolution concerning: approval of the financial statements, including the balance sheet, profit and loss account, cash-flow statement and notes to the 2003 financial statements.
2. Resolution concerning: approval of the 2003 consolidated financial statements of the Softbank Group, including the consolidated balance sheet, consolidated profit and loss account, consolidated cash-flow statement, and notes to the financial statements.
3. Resolution concerning: coverage of the 2003 net loss.

4. Resolution concerning: approval of the Directors' Report on the Company's activities in 2003
5. Resolution concerning: approval of the Supervisory Board's report on its activities in 2003
6. Resolution concerning: granting of approval to the President of the Company's Executive Board for the performance of his duties in 2003
7. Resolution concerning: granting of approval to the Members of the Company's Executive Board for the performance of their duties in 2003
8. Resolution concerning: granting of approval to the Members
9. Resolution concerning: amendments to the Articles of Association of Softbank SA

   Current text of par.13.2 and 13.3.1):

   "2. The Supervisory Board shall be composed of three (3) members.

   3. The Supervisory Board shall be appointed in the following manner: 1) any shareholder exercising rights to vote at a General Shareholders Meeting, conferred by the Company shares representing more than 25% of all shares issued by the Company, shall have the right to appoint two (2) members of the Supervisory Board, provided that if two or more such shareholders are present at the General Shareholders Meeting, each of them shall have the right to individually appoint one (1) member of the Supervisory Board"

   Proposed text of par.13.2 and 13.3.1):

   "2. The Supervisory Board shall be composed of five (5) members.

   3. The Supervisory Board shall be appointed in the following manner: 1) any shareholder exercising rights to vote at a General Shareholders Meeting, conferred by the Company shares representing more than 25% of all shares issued by the Company, shall have the right to appoint three (3) members of the Supervisory Board, provided that if two or more such shareholders are present at the General Shareholders Meeting, each of them shall have the right to individually appoint one (1) member of the Supervisory Board"
10. Resolution concerning: authorisation of the Supervisory Board of Softbank SA to draw up the consolidated text of the Company's Articles of Association.

June 30th 2004 – the Company signed an annex to the loan agreement of September 11th 2003 with Bank Przemysłowo-Handlowy PBK SA. The annex amends the agreement so that the date of the full repayment of the loan is moved to June 29th 2005. The agreement is considered material as the loan amount (PLN 30m) exceeds 10% of the Company's shareholders' equity.

Events Subsequent to June 30th 2004 Which may Materially Affect the Future Performance of the Softbank Group

July 23rd 2004 – the Supervisory Board of Softbank SA adopted a resolution on selection of an auditor to audit the Company's and the Group's 2004 financial statements. The existing auditor, Ernst and Young Audit Sp. z o.o., registered office at ul. Emilii Plater 53 in Warsaw, was reappointed. The firm is entered into the list of entities qualified to audit financial statements under entry No. 130. The parties will conclude an appropriate agreement for the period necessary to perform the audit. Ernst and Young Audit is a world leading audit and advisory company.

July 23rd 2004 – the Supervisory Board of Softbank SA removed Mr Jarosław Ogorzałek from his position of a member of the Executive Board. The Company terminated Mr Ogorzałek's employment agreement. The Company is obliged to make a cash payment of PLN 2,067,997 to Mr Ogorzałek or to offer him 73,857 Company shares at par value within 90 days as from the date the Company receives a relevant request.

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, August 10th 2004, and any changes in the ownership structure of major holdings of Softbank shares after the publication of the previous quarterly report on May 10th 2004.

Shareholders holding at least 5% of the total vote at the General Shareholders Meeting as at **August 10th 2004**:

25.002%	Prokom Software SA (5,238,000 shares and the right to the same number of votes at the General Shareholders Meeting)
9.750%	Nihonswi AG (2,042,910 shares and the right to the same number of votes at the General Shareholders Meeting)
8.980%	Zbigniew Opach (1,880,432 shares and the right to the same number of votes at the General Shareholders Meeting)
5.970%	PZU Group (1,250,155 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:

PZU Group increased its shareholding by 177,165 shares.

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 May 11th 2004	as at August 10th 2004
Supervisory Board		
Stanisław Janiszewski	1,000	1,600 (no change)
Ryszard Krauze	0	0 (no change)
Alicja Kornasiewicz	0	0 (no change)
Executive Board		
Krzysztof Korba	0	0 (no change)
Piotr Jeleński	0	0 (no change)

Jarosław Ogorzałek*	7,720	-
Robert Smułkowski	1,500	1,500 (no change)
Przemysław Borzestowski	0	0 (no change)
Przemysław Sęczkowski	0	0 (no change)

** On July 23rd 2004 the Supervisory Board removed Mr Ogorzałek from the Executive Board.*

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 second 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.

April 22nd 2004 – Softbank executed an annex to the subcontracting agreement of January 6th 2004 with Softbank Serwis Sp. z o. o., a wholly-owned subsidiary of Softbank. 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 to the subcontractor. The change will help optimise the management of Softbank resources.

Transactions between the Softbank Group and the Prokom Group over the last six months, i.e. from January 1st 2004 to June 30th 2004, including:
– Purchases from the Prokom Group totalling PLN 35,717 thousand, the largest transaction being the order for hardware of February 18th 2004, in the amount of PLN 11,716 thousand,
– Sales to the Prokom Group totalling PLN 756 thousand.

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 second 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

1. Inspection by the Supervision Authority

In connection with inspections by the Tax Supervision Authority carried out at Softbank in 2002-2004 (described in SA-R 2003 Annual Report and the SA-QSr1'2004 Quarterly Report), as at the date of this Report the situation has remained unchanged – the Company still waits for the Tax Supervision Authority of Katowice to issue a decision, and the position of the Executive Board has not changed.

2. Restructuring

As part of the implementation of the new 2004-2006 strategy, a decision was made to internally restructure and reorganise Softbank. This led to a change in the existing organisational structure of Softbank. Under the new structure, mid-management positions were made redundant and the Company introduced a new concept for coordinating the Company's functional areas. As a result, the composition of the Executive Board and the Company's management staff was changed, which should reduce operating expenses in the mid-term.

As a consequence, the Q2 2004 general and administrative expenses came to include a restructuring provision of PLN 6.5m comprising:

- Compensation for termination of employment contract and other liabilities (contractual penalty for shares not allotted) paid to a Member of the Executive Board – Mr Jarosław Ogorzałek (PLN 4.2m),
- Severance pays and remuneration (related to notice periods provided for in employment contracts) for nine members of the Company's management staff (PLN 2.3m).