

***Directors' Report on the Activities of
Softbank SA and the Rules Applied in the
Preparation of the 2003 Financial Statements
SA-R 2003***

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Introduction

The annual financial statements were prepared in compliance with the provisions of the Polish Accountancy Act of September 29th 1994, as amended by virtue of the amendments of November 9th 2001 and December 12th 2003 (effective as of January 15th 2004, with a possibility of their application to the 2003 financial statements) and complementary secondary legislation issued under the Act, the Directive of the Minister of Finance, dated December 12th 2001, on detailed rules governing preparation of consolidated financial statements by entities other than banks and insurance companies, the Directive of the Polish Council of Ministers, dated October 16th 2001, on detailed requirements for issue prospectuses, abbreviated issue prospectuses, information memoranda, and abbreviated information memoranda, as well as the Directive of the Polish Council of Ministers, dated October 16th 2001, on the type, form and scope of current and periodic reports by issuers of securities, as amended by virtue of the amendments which include accounting standards for undertakings having their registered offices or the head office of their Executive Board in the territory of the Republic of Poland.

- a) At the beginning of 2003, Softbank SA resolved to change the presentation of cost and expenditure in the profit and loss account. The change consists in the separation of selling costs for 2003 in the amount of PLN 7,070K. In the previous years, these costs had been presented under cost of products sold and general and administrative expenses. The change was introduced to present a more accurate view of the operating expenses incurred by the Company. In order to ensure comparability of the data for 2002, the amount PLN 9,240K relating to the 2002 selling costs was separated from the cost of products sold and general and administrative expenses and disclosed as selling costs.
- b) In 2003, the Company disclosed provisions for certain or highly probable liabilities under other provisions. In order to maintain comparability, analogous items as at December 31st 2002, totalling PLN 10,440K were disclosed under other provisions in the consolidated comparable data.
- c) In the first half of 2003, the Company performed the valuation of financial derivatives embedded in the concluded administration agreements (including lease agreements) and other agreements. In the balance sheet as at December 31st 2002, the results of valuation of the embedded financial derivatives were not disclosed due to their immaterial effect on the reported results. Accordingly, this change did not require adjustment to the comparable data.

As at December 31st 2003, based on the Directive of the Minister of Finance dated February 23rd 2004, amending the Directive on detailed rules governing the recognition, methods of valuation, scope of disclosure and presentation of financial instruments, dated December 12th 2001, as well as on the basis of relevant provisions of the International Financial Reporting Standards, including in particular IAS 32 and IAS 39 (as amended in 2003), the Company decided not to value financial derivatives embedded in lease agreements in the form of indexation of lease rents with the US dollar or euro exchange rate. This decision is justified by the fact that long-term lease agreements concluded in Poland customarily provide for the indexation with the US dollar or euro floating exchange rate.

Following the valuation of financial derivatives embedded in agreements other than lease agreements as at December 31st 2003, the Company disclosed financial assets totalling PLN 1,647K (including PLN 1,602K in fixed assets and PLN 45K in current assets) and financial liabilities totalling PLN 5,129K (including PLN 3,509K in long-term liabilities and PLN 1,620K in short-term liabilities). The net loss for year ended December 31st 2003 reflects the negative effect of the valuation of embedded financial derivatives in the amount of PLN 3,482K.

- d) As at December 31st 2003, the Company 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 Act, 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 accordingly reflected in the 2003 opening balance sheet and resulted in the following changes relative to the comparable data:
 - 2002 net financial result is higher by PLN 382K,
 - 2002 financial income is higher by PLN 441K – currency-translation differences,
 - 2002 other operating expenses are higher by PLN 59K – revaluation adjustment on accounts receivable increased by currency-translation differences,
 - Short-term liabilities as at December 31st 2002 are lower by PLN 372K,
 - Cash as at December 31st 2002 is higher by PLN 10K,
 - The balance-sheet total as at December 31st 2002 is higher by PLN 10K.

- e) In 2003, the Company 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 estimated reliably. 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.
- As presented in Notes 10 and 21B of the Notes to the attached financial statements, the Company settled the contracts underway as at December 31st 2003 in line with the described newly adopted policies. Accordingly, when compared with the previously applied policies, the Company reduced its 2003 net invoiced revenue by PLN 2,778K and recognised 2003 non-invoiced revenue in the amount of PLN 177K. The net effect of the valuation of the contracts underway as at December 31st 2003 amounted to PLN (2,601K).
- The Company also estimated settlement of contracts as at December 31st 2002, and found the amount of the resultant adjustment insignificant relative to the Company's non-consolidated financial statements.
- f) The Company's 2002 comparable data 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". The changes introduced are described in detail in Section 18 of the Supplementary Notes to the financial statements.
- g) 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 delivered 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 Company 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 Company should have disclosed the purchase price of the shares based on the fair value of the assets delivered in exchange for them rather than based 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 difference between the fair value and the acquisition cost, 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 cost should be disclosed for the first time in the 2002 financial statements. Therefore, the Company decided to adjust the 2003 opening balance sheet.

The table below sets forth differences between fair value and acquisition cost.

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

The Company adjusted the financial statements for year ended December 31st 2002; however, the above adjustment had no impact on the net asset value 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.

The Directors' Report on the activities of Softbank SA and the rules for preparation of annual financial statements were prepared in accordance with Par. 62.1.1, 62.1.2, 61.2.4, 64.6 and 64.7 of the Directive of the Council of Ministers.

Discussion of Economic and Financial Highlights

In 2003, Softbank SA recorded a net loss of PLN 4,570,500.91. As at December 31st 2003, the Company's balance-sheet total stood at PLN 220,808,536.14 and the cash-flow statement for the period from January 1st to December 31st 2003 showed a net decrease of PLN 31,850,583.63.

Financial Results

In 2003, Softbank SA generated sales revenue lower than in the previous years. However, the Company's results for the year were significantly better than in 2002. The lower sales revenue is directly attributable to the policy of abandoning insignificant low-margin contracts and focusing on large customers from the banking and public administration sectors.

The 2003 operating result was positive and amounted to PLN 13,737K, despite the creation of several material provisions and making revaluation write-offs on assets, as described in the financial statements. The Company's results on the other activities were negative, which followed directly from:

- investment in the radio broadcasting activity through the company AWiM Mediabank (Radio PIN 102 FM),
- sale of Zeto-Rodan Sp. z o.o. at a loss,
- acquisition of the enterprise of bezpieczeństwo.pl Sp. z o.o.
- provision for tax risks which may result from the inspection by the Tax Supervisory Authority underway at Softbank SA.

The Company's unsatisfactory results are also attributable to the preparations to the performance of the following newly concluded contracts:

- In the banking sector – contract with Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. The contract provides for the licensing, implementation and maintenance of an Integrated IT System (IITS). When implemented, the system will rank among state-of-the-art banking IT systems comprising multi-channel architecture, and the scope of implementation covers all of the Bank's products and all of its branches and agencies. As provided for in the contract schedule, the implementation itself will take three years starting from the contract date, while the maintenance contract has been concluded for an unspecified period.
- In the public administration sector – contract with the Ministry of Internal Affairs and Administration. The contract provides for the construction, implementation, maintenance and further development of the IT system of Centralna Ewidencja Pojazdów i Kierowców (CEPiK – Central Register of Vehicles and Drivers). The system's construction is to be completed by December 31st 2005 and Softbank SA is to provide maintenance services for the system until December 31st 2009.

These contracts as well as certain other agreements of smaller significance concluded by the Company in 2003 will provide a stable source of revenue in the years to come and enable the Company to maintain its financial liquidity at a sound level.

SOFTBANK SA' FINANCIAL HIGHLIGHTS

<i>(PLN '000)</i>	<i>Dec 31 2001</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>
<i>Net sales revenue</i>	407,486	280,421	262,973
<i>Profit on sales</i>	17,068	21,132	12,826
<i>Operating profit/loss</i>	17,780	(20,903)	13,737
<i>Net profit/loss</i>	11,835	(183,343)	(4,570)

In line with the requirements of the Polish Accountancy Act, in order to maintain comparability, the data for previous years was restated in connection with the introduction of the amended Accountancy Act and adoption of new accounting policies by the Group.

Explanation of Differences in the Presentation of Financial Data contained in Reports SA-QSr4/2003 and SA-R 2003

The SA-QSr4/2003 quarterly report covering the four quarters of 2003 presented the Company's preliminary financial data for 2003. This Report presents the Company's complete financial data reflecting, primarily, all material events which took place following the publication of the SA-QSr4/2003 report and the final estimates of the Company's Executive Board

concerning provisions, valuation of assets and financial forecasts.

The table below sets forth the differences between the data disclosed in the SA-QSr4/2003 quarterly report and that disclosed in this Annual Report, concerning the key items of the profit and loss account.

<i>Financial highlights (PLN '000)</i>	<i>SA-QSr4/2003</i>	<i>SA-R 2003</i>	<i>Difference</i>
<i>Net sales revenue</i>	265,286	262,973	(2,313)
<i>Profit on sales</i>	14,767	12,826	(1,941)
<i>Operating profit</i>	18,224	13,737	(4,487)
<i>Pre-tax loss</i>	(4,514)	(13,392)	(8,878)
<i>Net loss</i>	(6,085)	(4,570)	1,515

1. The decrease in sales revenue is attributable to:
 - a. adjustment to the transaction with Saba Grupa Softbank SA – income on termination of a licence agreement was reclassified from sales revenue to other operating income,
 - b. more conservative valuation of service contracts,
 - c. change in the manner of presentation of sales revenue under warranty repairs.
2. The lower profit on sales is attributable to:
 - a. addition to costs relating to the reporting period,
 - b. lower sales revenue.
3. The decrease in the operating profit is attributable to:
 - a. addition to costs relating to the reporting period,
 - b. lower sales revenue,
 - c. full review of stocks,
 - d. creation of a provision for tax risks which may result from the inspection by the Tax Supervisory Authority underway at Softbank SA,
 - e. creation of other provisions for future costs and expenses.
4. The lower pre-tax result is attributable to:
 - a. addition to costs relating to the reporting period,
 - b. lower sales revenue,
 - c. creation of provisions for future costs and expenses,
 - d. creation of additional revaluation write-offs on the following investments:
 - i. in Zeto-Rodan Sp. z o.o. in connection with the disposal of this company,
 - ii. in Eruces, Inc. due to lower than expected financial results.
5. The increase in the net result is attributable to:
 - a. change in the Executive Board's estimates concerning the possibility of realising the 2002 and 2003 tax losses (possibility of recording high tax gains in the future). This decision was based on a detailed analysis of the Company's future profits, principally under the agreements signed already for 2004-2006.

Shareholders' Equity

As at December 31st 2003, the shareholders' equity of Softbank SA stood at PLN 137,984K.

According to the Company's most recent data, as at December 31st 2003, the following shareholders held shares conferring the right to at least 5% of the total vote at the General Shareholders Meeting of Softbank SA:

<i>Shareholder</i>	<i>Number of shares held</i>	<i>% share in the share capital</i>	<i>Number of votes at GM</i>	<i>% share in the total vote at GM</i>
<i>Prokom Software SA</i>	4,787,377	22.85%	4,787,377	22.85%
<i>Nihonswi AG</i>	2,818,419	13.45%	2,818,419	13.45%
<i>Aleksander Lesz</i>	1,333,390	6.36%	1,333,390	6.36%
<i>Zbigniew Opach</i>	1,283,242	6.13%	1,283,242	6.13%

In the reporting period, the court registered two increases in the share capital of Softbank SA.

Date	Registration	Number of shares before increase	Number of shares after increase	Basis
January 2nd 2003	Court registration of a share capital increase connected with the conversion of bonds	17,413,992	20,613,992	Public issue of 3,200 bonds (with a par value of PLN 10,000 per bond) convertible into 3,200,000 series S shares, all acquired by Nihonswi AG
October 28th 2003	Court registration of a share capital increase connected with the conversion of bonds	20,613,992	20,950,512	Management stock options acquired by three members of the Executive Board – 33,652 bonds (with a par value of PLN 10 per bond) convertible into 336,520 series O shares

The share capital of the Company amounts to PLN 20,950,512 and is divided into 20,950,512 shares, with a par value of PLN 1 per share. The total number of votes conferred by all the outstanding shares is 20,950,512.

The table below sets forth the shareholders' equity structure in 2001, 2002 and 2003.

(PLN '000)	Dec 31 2001	Dec 31 2002	Dec 31 2003
Share capital	17,414	17,414	20,951
Reserve funds and capital reserve	267,002	290,463	121,143
Revaluation capital reserve	82	78	78
Unregistered capital	-	32,801	801
(Accumulated loss)/retained profit brought forward	(2,617)	(14,239)	(419)
Net (loss) profit	11,835	(183,343)	(4,570)
TOTAL SHAREHOLDERS' EQUITY	293,716	143,174	137,984

The Company's 2002 comparable data 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."

Fixed Assets

As at December 31st 2003, the Company's fixed assets accounted for 51.23 % of the balance-sheet total. The share of fixed assets in total assets increased compared with the previous periods as a result of a relative decrease in the value of current assets. Fixed assets comprised: intangible fixed assets, representing 5.70% of fixed assets (comprising mainly acquired patents, permits, licenses and computer software), intangible fixed assets, representing 11.08% of fixed assets (comprising mainly buildings and plant and equipment), long-term investments, representing 69.58% of fixed assets, and long-term prepayments and accrued income, accounting for 13.63% of fixed assets (comprising almost exclusively deferred tax assets).

The table below sets forth the main indicators of fixed assets' efficiency.

(PLN '000)	Dec 31 2001	Dec 31 2002	Dec 31 2003
Return on assets¹	0.09	(1.99)	(0.04)
Equity financing of assets	2.32	1.56	1.22

¹ Return on fixed assets: net profit to assets.

Current Assets

As at December 31st 2003, the Company's current assets represented 48.77 % of total assets. Current assets comprised: short-term accounts receivable (66.01 % of current assets), short-term investments (28.48 % of current assets), short-term prepayments and accrued income (2.23 % of current assets), and stocks (3.28 % of current assets). Short-term financial assets comprised chiefly corporate bonds, which were an alternative way of investing free funds, generating yields higher than those offered by standard bank deposits. The corporate bonds served partially as a security for the issued bank guarantees.

Debt and Liquidity

As at the end of December 2003, Softbank SA maintained good current liquidity. The Company's liabilities and provisions for liabilities accounted for 37.51 % of the balance-sheet total and 60.03% of the shareholders' equity. As at the balance-sheet date, the ratio of the Company's short-term liabilities to shareholders' equity was lower by 15.81% relative to the end of 2002, as the Company used own funds to finance its operations.

The Company's liabilities consisted almost entirely of short-term items, which accounted for over 79.64 % of liabilities and provisions for liabilities. Short-term liabilities comprised mainly trade creditors maturing within less than twelve months and provisions for future costs.

It should be emphasised that the financial leverage ratio in 2003 was 0.00, which was the ratio's lowest value in the last three years. The Company was able to achieve such a level of financial leverage as it used own funds to finance its operations.

The table below sets forth the liquidity ratios of Softbank SA.

(PLN '000)	Dec 31 2001	Dec 31 2002	Dec 31 2003
Current ratio ¹	1.89	1.61	1.65
Financial leverage ²	0.17	0.03	0.00
% share of liabilities and provisions for liabilities in balance-sheet total	40.55 %	48.55 %	37.51 %

¹ Current ratio: current assets to short-term liabilities.

² Financial leverage: total liabilities under bank loans, borrowings, securities in issue, etc. to shareholders' equity.

Key Items of the Cash-Flow Statement

(PLN '000)	Dec 31 2001	Dec 31 2002	Dec 31 2003
Operating cash flow	(59,269)	86,297	4,537
Investing cash flow	12,291	1,699	(31,659)
Financing cash flow	70,618	(70,363)	(4,729)

In 2003, the Company recorded significantly lower operating cash flow, mainly due to the settlement of a withholding tax liability. The investing cash flow was negative due to the acquisition of Epsilio SA (formerly Wonlok SA) and the financing of the operations of the Group companies by advancing loans and making contributions to their equity. The negative financing cash flow resulted from the repayment of the debts previously incurred by the Company.

Return on Equity and Book Value of Shares

As at December 31st 2003, ROE (return on equity: net profit to shareholders' equity) was (0,03), which represented a significant improvement relative to 2002. However, ROE is negative due to the loss incurred in 2003. As at December 31st 2003, the Company's net book value per share was PLN 6.59. The table below presents the return on equity ratios.

	Dec 31 2001	Dec 31 2002	Dec 31 2003
Company's net book value (PLN '000)	293,716	143,174	137,984
including share capital increase registered on Jan 2 2003	-	32,000	-
Number of ordinary shares	17,413,992	20,613,992	20,950,512
including share capital increase registered on Jan 2 2003	-	3,200,000	-
Net book value per share (PLN)	16.87	6.95	6.59
Net earnings per ordinary share (PLN)	0.68	(8.89)	(0.22)

Profitability

In 2003, the Company achieved a significant improvement in the profitability of its operations, which is reflected in higher profitability ratios. However, the gross and net margins remain negative and the improvement in the efficiency of the

Company's operations resulted in an increase in the operating margin to 5.22. Maintaining this trend in the future will enable the Company to achieve positive gross and net margins.

The table below sets forth the Company's profitability ratios.

	<i>Dec 31 2001</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>
<i>Sales margin</i>	4.2	7.5	4.9
<i>Operating margin</i>	4.4	(7.5)	5.2
<i>Net margin</i>	2.9	(65.4)	(1.7)

Description of Material Off-Balance-Sheet Items

As at the end of 2003, the total value of off-balance-sheet liabilities and commitments was PLN 9,620K. Guarantees and sureties accounted for 82.74 % of the off-balance-sheet items and were issued to provide guarantees for the liabilities contracted by the related undertakings. Other liabilities accounted for 17.26% of off-balance-sheet liabilities and commitments and resulted from lease agreements for tangible and intangible fixed assets, totalling PLN 1,614K. The obligation to make additional contributions to the equity of the related undertakings represented a marginal portion of off-balance-sheet liabilities and commitments.

At present, Softbank SA 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 Company 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.

By the date of this Report, the Company had not received any decision of the Tax Supervision Authority. As a result, the figures disclosed in the financial statements may change at a later date, following their final determination by the tax supervision authorities.

In the opinion of the Company's Executive Board, some findings of the inspection by the Tax Supervision Authority give rise to contingent liabilities. 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 the available information and given the current stage of the proceedings, the Company was unable to reliably estimate the contingent liabilities described above.

Court proceedings instigated by Planetia SA against Softbank SA on August 10th 2001, for the payment of PLN 1m, are pending before the Regional Court in Warsaw. The last hearing took place on March 31st 2004 and next is scheduled for June 2nd 2004.

On October 16th 2002, Softbank SA brought a counterclaim for the payment by Planetia SA of PLN 587K (principal of PLN 493K plus statutory interest until the payment date and compensation for lost profits – PLN 94K) on account of lost profits. As at the date of this Report, the case was pending. In order to secure the claim resulting from the aforementioned counterclaim, on March 23rd 2004, Softbank SA filed a request for temporary injunction securing the principal amount of the claim, i.e. PLN 493K. As at the date of this Report, the request had not been considered.

Due to the unsatisfactory financial standing of Planetia SA, which has continued since 2001, it is rather unlikely that the security, if the court approves the request, will be enforceable.

In connection with the above, on March 23rd 2004 Softbank SA filed an action against the shareholders of Planetia SA for the payment of PLN 545K at the Regional Court of Warsaw, III Civil Division. The action is pending against Planetia SA's

shareholders as joint and several debtors, obliged to return the amount paid by Softbank SA. for the shares of Planetia SA under a put option if Planetia SA fails to pay the amount. As at the date the Report was approved, the date of the hearing was not set. Additionally, due to the fact that this case is closely related to the other cases discussed above, it may be suspended until the action brought by Planetia SA is resolved.

In view of the opinions of lawyers handling the aforementioned court cases, the Company's Executive Board considers that there is little possibility of the said cases being resolved to the detriment of the Company.

Main Placements and Equity Investments of Softbank SA

In 2003, Softbank SA invested its financial surpluses in bank deposits, treasury bills and corporate bonds. Only highly secure commercial papers were purchased. In most cases they were bonds with a high investment rating, guaranteed by the parent undertaking of a given company. In addition to security, another factor taken into consideration while selecting bonds for purchase was their liquidity. The Company usually invested several million zloty in bonds and treasury bills for the period of one or two months. The funds in the bank accounts which could not be invested by the Company for longer periods were placed in bank deposits, bearing an interest rate negotiated with the bank.

Softbank SA's chief equity investments were primarily in the Group companies, and included share capital increases and conversion of advanced loans into the equity of the related undertakings. The investments were made in such companies as AWiM Mediabank SA, bezpieczeństwo.pl, Saba Grupa Softbank SA. The investments were in most cases allocated, pursuant to the executed investment agreements, to the development of the Group companies and strengthening of their market position. The largest equity investment in 2003 was the agreement of July 3rd 2003, concerning the purchase of shares in Wonlok SA (now Epsilio SA). The purchase of Epsilio SA follows from Softbank SA's strategy assuming the strengthening of its position and further expansion on the banking IT market.

Significant Risk Factors and Threats

The gradual recovery of the Polish economy in 2003 has yet to translate into a substantial increase in IT expenditure. Both the industrial and the financial services sectors have demonstrated significant caution with respect to investing in business applications or in any major development of infrastructure and equipment. Also the public administration bodies, acting under the pressure generated by the budget crisis, tended to announce tenders only for the systems necessary for the purposes of Poland's EU accession. The IT projects related to the offset programme were not commenced either. Even though the Company was not directly associated with such projects, the delay in the implementation of the offset programme eliminated one of the development incentives much anticipated by the entire Polish IT industry.

On the markets of key importance for the Company, i.e. banking and finance, customers pursued their policy of focusing on simple IT projects resulting in quick cost reduction or improved sales. The Company followed the intense discussion in the banking sector concerning the proposed changes to the Polish Banking Law with respect to outsourcing. The outcome of such changes would be of material importance for the direction of the further development of outsourcing services and the Company's plans in this respect.

The factors which may adversely affect Softbank SA's market position include:

- replacement of solutions offered by local providers with in-house solutions or their marginalisation,
- transfer of decision-making processes related to IT investments to foreign headquarters,
- change in the partnership policies of global corporations with which the Company cooperates in the area of hardware and software,
- abolishing the preference for Polish undertakings in public tenders following Poland's accession to the EU,
- insufficient emphasis on the implementation of IT systems as elements contributing to the competitive advantage of enterprises.

Products, Goods for Resale and Services - Sales and Supplies

Net sales by groups of products, goods for resale and services as at December 31st 2003:

SALES REVENUE	Sales in 2003 (PLN '000)	Sales in 2002 (PLN '000)	Share in total sales in 2003 (%)	Share in total sales in 2002 (%)
<i>Own services</i>	43,871	37,646	16.68%	13.42%
<i>Contracted services</i>	41,690	54,918	15.85%	19.58%
<i>Own licences</i>	13,315	15,006	5.06%	5.35%
<i>Third-party licences</i>	52,285	52,708	19.88%	18.80%
<i>Equipment</i>	111,812	120,143	42.53%	42.85%
TOTAL SALES	262,973	280,421	100.00%	100.00%

In 2003, 99.9% of sales revenue was generated on the Polish market. Exports represented only a marginal part of sales and were related to partnership programmes with chief suppliers. In 2003, the group of customers for Softbank SA's IT solutions continued to be diversified. PKO BP SA remained one of the main customers purchasing products, goods for resale and services of Softbank SA (solutions provided to PKO BP SA represented 50.45% of total sales). Other major customers included the Agency for Restructuring and Modernisation of Agriculture (ARiMR, 21.05%), Pekao SA (8.40%) and the Ministry of Internal Affairs and Administration (6.16%).

Softbank SA's principal customers are financial sector institutions, primarily banks. In 2003, the Company was successful in sales to the public administration and central authorities, winning a prestigious contract with the Ministry of Internal Affairs and Administration for the development of the Central Register of Vehicles and Drivers (CEPIK), and supplying ARiMR with hardware and software.

The most significant portion of the Company's revenue was generated in connection with the projects executed for PKO BP SA with respect to:

- provision of ongoing maintenance services for and development of the ZORBA and CESAR systems and other banking applications,
- creation of a development environment for the purposes of the Integrated IT System (ZSI).

As a provider of products and services for banks with foreign ownership, Softbank generates a material part of its revenue selling the products of its partners – global corporations such as IBM, HP, SUN, CISCO, Oracle, Microsoft and BEA. The importance of these relationships is reflected by the Company's constant investment in the training of its resources, which enables it to achieve appropriate partner statuses. Such a policy placed Softbank SA (as in the previous years) in the group of companies nominated as 2003 Partner of the Year - Top Sales in two categories:

- IBM Software
- IBM eServer zSeries.

Softbank SA's cooperation with providers of applications or system software, such as IBM, Oracle, Microsoft or BEA developed in a balanced manner. The Company expects that in the years to come its cooperation with the partners will focus not only on equipment and operating system platform, but also on state-of-the-art infrastructure solutions. In addition to its own services and solutions, the Company also offers solutions of specialist software companies, including ACL, Computer Associates, FERMAT, FISERV, Face Technology, Hyperion, Meridio.

Softbank SA constantly monitors market changes with respect to the IT resources and network management, mass memory system supplies, enterprise application integration and Internet technologies, perceiving these products as an opportunity to expand its portfolio and acquire new services and expertise. For this reason the Company commenced cooperation with such companies as Pivotal, RedDot and expanded its relationship with Novadigm. Focusing its attention and resources on winning the two most important public tenders in 2003, i.e. for the provision of the Integrated IT System for PKO BP SA and for the Central Register of Vehicles and Drivers (CEPIK), the Company limited its involvement in the restructuring of its product portfolio.

None of the above companies, owning application solutions, tools or computer hardware, has any formal or informal capital links with Softbank SA.

Major Events Which Had a Significant Bearing on the Activities and Financial Performance of Softbank SA in the Reporting Period or Which May Have a Significant Bearing in the Future Years

The lack of large orders and the efforts aimed at winning new contracts contributed to higher selling costs. Simultaneously, in view of its planned engagement in certain projects, the Company maintained its resources at a level enabling it to launch large and complex undertakings.

One of the key projects for the Company was the significant involvement in the most important tender of 2003, concerning the development of the Integrated IT System for PKO BP SA. After almost two and a half years of preparations, in the third quarter of 2002 PKO BP SA, Softbank SA's strategic customer, decided to reopen the tender for the central IT system. In June 2003, PKO BP SA invited the consortium of Softbank, Accenture and Alnova to further negotiations. The contract was signed in August 2003. The implementation of the system should be completed within three years from the contract date. The work to be executed under the contract was divided into 21 stages spread over time. The Company's share in the revenue under the contract is estimated at approx. USD 80m (equivalent of ca. PLN 310m). The payments will be made pro rata to the amount of work performed and accepted.

Another key project engaging the Company's resources in 2003 was the tender announced by the Ministry of Internal Affairs and Administration for the development of the Central Register of Vehicles and Drivers. The tender was awarded in October. The contract with the Ministry of Internal Affairs and Administration provides for the completion of the system by December 31st 2005 and provision of maintenance services by Softbank SA until December 31st 2009. The Ministry of Internal Affairs and Administration will make payments for the performed work in monthly instalments from April 1st 2004 to December 31st 2009.

The share of the two contracts in the 2003 revenue is insubstantial, but their execution will be a source of stable revenue for the Company in the years to come.

In February 2003, following the winning of a public tender, the Company signed an agreement with the Social Security Authority for maintenance services relating to the BEA software. The agreement, with aggregate value of PLN 21.7m (VAT exclusive), will be performed proportionately over three years.

As part of the process of streamlining the Group's structure, Softbank SA sold the unprofitable investments at non-IT companies:

- In February 2003, the whole equity interest held by Softbank SA at FinFin SA, subsidiary undertaking, was sold for USD 225K;
- In April 2003, the whole equity interest held by Softbank SA at Centrum Rozwiązań Menedżerskich SA, subsidiary undertaking, was sold for PLN 850K.

In the process of building its position in the sector of cooperative banks, on July 3rd 2003 the Company purchased (through the intermediation of CA IB Securities SA) with own funds, pursuant to previously concluded purchase agreements with NFI Hetman SA (agreements of December 13th 2002 and May 2003), shares in Wonlok SA, registered offices in Łódź. Softbank SA came to hold 100% of Wonlok's share capital and 100 % of votes at the General Shareholders Meeting. In the third quarter of 2003, Softbank SA consolidated Wonlok SA and Saba Grupa Softbank SA, establishing an enterprise under the name of Epsilio SA. Epsilio's objectives include winning a dominant position in the sector of cooperative banks, and development the Eurobank On-Line banking transaction system, to be distributed in Poland and abroad.

Description of Changes in Softbank SA's Organisation and the Causes of the Changes

In 2003, Softbank SA continued the processes which are to determine its future functioning in certain segments of the IT market, including the cooperative banking segment. Some changes in its organisation pertained to the launch and closing of the restructuring of certain resources constituting the non-IT activities of the Group. These comprised the sale of FinFin SA, Instytut Analiz Społecznych i Ekonomicznych SA, CRM SA, as well as consolidation of the activities of Epsilio SA (purchased in mid-2003) and Saba Grupa Softbank SA into one undertaking – Epsilio SA. Other changes were made with a view to increasing Softbank SA's interests in the share capital and total vote at the General Shareholders Meetings of certain subsidiaries, resulting in more influence on the management of and better control over the Group members' activities.

Key Events Reported by the Company in 2003

January 3, 2003 - On an initiative of the Executive Board, an internal tax audit was performed at the Company. As a result, on January 3rd 2003, the Chief Accountant at Softbank SA submitted - in accordance with the active repentance clause - a notification on the Company not withholding a flat-rate income tax from tax payers residing outside of Poland on account of the acquisition of copyrights and licenses in 1998-2002 to the Tax Office competent to the Company's registered offices. Despite the fact that the Executive Board had material doubts concerning any fiscal obligation on part of the Company under the abovementioned title, it decided to submit the said notification in order to avoid any possible charges which may arise in the future. A favourable ruling in an analogous case by the Supreme Administrative Court - determining that a tax payer is not obliged to withhold this tax - serves to reaffirm the Executive Board's doubts. Thus, it is possible that the relevant amount of tax liability paid to date by Softbank SA could be reimbursed and the Company shall promptly take all the steps provided for under law to this effect. A tax liability that may become outstanding under this title has been estimated at PLN 6,646,274 plus interest in the amount of PLN 3,794,158. The Company paid the sum of these amounts to the competent Tax Office.

January 6, 2003 - On 6 January 2003, Nihonswi AG, seated in CH-8027 Zurich, Brandschenkestrasse 178, sent a notification about acquisition of 3,200,000 S series shares of Softbank SA, as the result of conversion of 3,200 E series convertible bonds. Following the conclusion of the abovementioned transaction, the shareholder, Nihonswi AG, holds 3,200,000 Softbank SA shares, which constitutes 15.52% of the Company's share capital. The aforementioned number of shares confers the right to 3,200,00 votes at the General Shareholders Meeting, which is 15.52% of the total number of votes. Prior to acquiring this stock, NIHONSWI AG did not own any Softbank shares and it does not plan to acquire any additional interests in Softbank in the next year.

January 8, 2003 - Softbank was notified that on January 2nd 2003 the court registered an increase in the share capital of the Company. Currently, the share capital of Softbank SA stands at PLN 20,613,992 and is represented by 20,613,992 ordinary shares with a par value of PLN 1 per share. The total number of issued shares entitle to 20,613,992 votes.

January 31, 2003 - On January 31st 2003 the Company and Ster-Projekt SA signed an agreement worth PLN 28,159,639 for purchase of IT hardware for the purpose of the contract with one of the Softbank's customers.

February 7, 2003 - As the result of the won tender the Company signed an agreement with Zakład Ubezpieczeń Społecznych (ZUS) for the maintenance service of the BEA software. The contract worth PLN 21,780,000 will be executed proportionally within the period of 3 years. The agreement includes a number of penalties for delays in rendering of the service.

February 7, 2003 - On February 5th, 2003 the Company and Mr. Maurycy Kuhn and Mr. Jarosław Augustyniak on one side (Sellers) and a domestic entity on the other side (Purchaser) signed an agreement for disposal of the whole stake hold by Sellers in FinFin SA, a subsidiary of the Company, for USD 250,000 out of which amount USD 225,000 will be paid to Softbank SA. The subjects of the agreement are not related to each other in any way.

February 21, 2003 - On February 20, 2003 the Company on one side and two entities being private individuals on the other side (Purchasers) signed an agreement for disposal of the whole stake hold by the Company in Instytut Analiz Społecznych i Ekonomicznych SA, a 100% subsidiary of the Company, for PLN 100,000. The subjects of the agreement are not related to each other in any way.

March 31, 2003 - The Company was informed that Aleksander Lesz on 28 March 2002 received a representation confirming Prokom Software SA's acceptance of the sale offer concerning a block of Softbank shares under the Shareholders Agreement of October 24th 2002. The planned sale of Mr Lesz's 1,442,979 shares (6.99% of the total number of Softbank shares and capital) is to be executed on April 10th, 2003 through a block transaction at a price of PLN 13 per share. Prokom Software also informed Aleksander Lesz, that the right to accept a part of the sale offer concerning 618,419 shares (3% of the total number of Softbank shares and capital) is granted to NIHONSWI AG, seated in Zurich, 178 Brandschenkestrasse which acts as the Appointed Entity in the meaning of the Shareholders Agreement. At the same time NIHONSWI AG currently holding 3,200,000 shares of the company (representing 15.52% of the Company capital and entitling to 15.52% votes at the general meeting of shareholders) informed the Company that within next 12 months it intends to increase its stake in Softbank to the maximum of 21% of capital and 21% of the votes at the general meeting.

On **10 April 2003**, Prokom Software SA, seated in Warsaw, 67/79 Jerozolimskie Ave concluded the transaction (see message of 9 Dec. 2002) with Aleksander Lesz for the purchase of 1,442,979 shares constituting 6.99% of the share capital of Softbank SA.

On **17 April 2003**, NIHONSWI AG, seated in Zurich, 178 Brandschenkestrasse concluded the transaction with Aleksander Lesz for the purchase of 618,419 shares constituting 3% of the share capital of Softbank SA.

On **April 17th 2003**, Softbank SA on one part and Piotr Kotelnicki (the Purchaser) and Centrum Rozwiązań Menedżerskich SA (CRM SA) on the other part signed an agreement for the sale of all shares in Centrum Rozwiązań Menedżerskich SA (Softbank SA's subsidiary undertaking) held by Softbank SA, that is 500,000 registered shares with a par value of PLN 1 per share, conferring the rights to 51.02% of the total vote at the General Shareholders Meeting. The total price of the transaction was PLN 850,000. This amount is to be paid by May 12th 2003. If the payment is not made by this date, Softbank SA will have a right to renounce the agreement.

On **May 16th 2003**, Softbank SA, CA IB Securities SA and NFI "Hetman" SA executed an annex to the agreement signed on 12 December 2003 for the purchase of material assets (shares in Wonlok SA). The annex stipulates that the date of transaction be extended to July 31st 2003.

On **June 3rd 2003** Softbank has recovered receivables arising under previous contracts with Ementor Denmark A/S. The receivables were subject to litigation and as a result Softbank received the amount of 937,396 euro. (ca. PLN 4.1 m)

On **June 27th 2003** General Meeting of Shareholders of Softbank SA adopted the following:

1. Resolution approving the financial statements for the year 2002 including the balance sheet, profit and loss account, cash-flow statement, and additional information.
2. Resolution approving the consolidated financial statements of the Softbank Group for the year 2002 including the consolidated balance sheet, consolidated profit and loss account, consolidated cash-flow statement, and additional information.
3. Resolution regarding the coverage of the net-loss for the year 2002.
4. Resolution approving the Company's Executive Board report on operations in the year 2002.
5. Resolution approving the Company's Supervisory Board report on operations in the year 2002.
6. Resolution confirming that the President of the Executive Board fulfilled his duties and responsibilities during the year 2002.
7. Resolution confirming that the members of the Company's Executive Board fulfilled their duties and responsibilities during the year 2002.
8. Resolution confirming that the members of the Company's Supervisory Board fulfilled their duties and responsibilities during the year 2002.
9. Resolution approving amendments to the Softbank's General Shareholders Meeting By-laws.
10. Resolution regarding preparation of a uniform text in the Softbank's General Shareholders Meeting By-laws.
11. Resolution regarding the rules of Corporate Governance according to the guidelines of the Warsaw Stock Exchange.

On **June 30th 2003**, the Company published a complete declaration of compliance with the rules of Corporate Governance according to the Regulations of Warsaw Stock Exchange.

On **1 July, 2003** Softbank's Executive Board was officially notified by PKO Bank Polski SA about the completion of evaluation process of the bids in the tender for the Integrated Central System as the result of which the consortium of Accenture/Alnova/Softbank qualified for the future negotiations.

On **July 3rd 2003**, in accordance with the previous current reports (of December 13th 2002 and of May 16th 2003), the Company finalised the acquisition - from NFI Hetman SA, through CA IB Securities SA - of 892,500 bearer shares of Wonlok SA, registered offices in Łódź, Poland, representing in aggregate 100% of the share capital of the company, and conferring the rights to 100% of votes at the General Shareholders Meeting. The total transaction price, i.e. PLN 27,646,185.58, consists of: the purchase price of PLN 25,707,990.70, and additional amount of PLN 800,000, and PLN 1,138,194.88 of interest. Softbank purchased the assets for cash from internally generated funds. Softbank and its managing and supervisory staff are in no way related to NFI Hetman SA and its managing staff. The acquired assets are deemed assets of significant value since the transaction concerns more than 20% of the target's equity. Wonlok SA is an IT company operating in the banking sector, including cooperative banking. The balance-sheet total of Wonlok SA as at December 31st 2002 was PLN 10.4m, and its 2002 sales revenue amounted to PLN 20m.

On **July 22nd 2003**, Softbank executed a general agreement with the Commercial Bank Dialog-Optim Ltd., registered offices in Moscow. The agreement provides for the terms of cooperation aiming at computerisation of the bank, particularly an implementation of an integrated IT system. The implementation is to include: preparation of system analysis and design; development of an internal asset management, transaction policy and information systems; development of a telecommunications network and other auxiliary systems. The computerisation will be carried out in three stages: Stage I - analysis and creation of system design; Stage II - delivery, installation and implementation of the system at the central branch and one sub-branch of that central branch; Stage III - roll-out in all branches and sub-branches (currently more than 70 outlets in the Russian Federation). The value of work in Stages I and II will amount to USD 2.5m (ca. PLN 9.8m), and the work is scheduled to be completed in the third quarter of 2004. Detailed terms of agreement performance, as well as the terms of

execution of Stage III, are to be provided for in appropriate specific agreements. The system offered by Softbank under the agreement is EUROBANK On-Line. Softbank is liable on the general terms for non-performance or undue performance of the general agreement or any of the specific agreements, and the liability is limited to 5% of the value of each specific agreement. The agreement is insured by KUKI (Korporacja Ubezpieczeń Kredytów Eksportowych SA - Export Credit Insurance Corporation).

On **August 11th 2003**, the Supervisory Board adopted a resolution on the appointment of the auditor of the Company's semi-annual and annual consolidated and non-consolidated financial statements. The Supervisory Board appointed and Young Audit Sp. z o.o. with registered offices in Warsaw at ul. Emilii Plater 53. This firm is entered in the register of entities qualified to audit financial statements, under entry No. 130. Ernst and Young Audit belongs to the group of the top world-know auditing-consulting corporations. The decision to appoint a new entity results from the corporate governance observance declaration made by Softbank SA on June 30th 2003, specifically from the rule no. 42 which reads: "In order to ensure proper impartiality of opinion, the company should change the export auditor at least once every five years." Between 1993 and 2002 Softbank's books were edited by PricewaterhouseCoopers Sp. z o.o.

On **August 18th 2003**, an agreement was concluded by Powszechna Kasa Oszczędności Bank Polski SA [PKO BP SA] (the "Bank") and Softbank, Accenture Sp. z o.o., Alnova Technologies Corporation (the "Consortium"), providing for an implementation of the Integrated IT System ("ZSI") at the Bank. The Agreement is deemed material since its value exceeds 10% of the Softbank's equity. The subject of the Agreement includes in particular the grant of a licence and the implementation and maintenance of the ZSI. According to the Agreement, the implementation should be completed within three years from the Agreement execution date. The work in this area has been divided into 21 stages spread over time. The ZSI will be one of the most modern banking systems of a multi-channel architecture. The scope of implementation is to cover all products, branches and representative offices of the Bank. The Agreement was concluded for an unspecified period. The consideration to the Consortium for the software licence and implementation is USD 114.4m, VAT exclusive (equivalent to ca. PLN 443m). Starting from the pilot implementation completion, the consideration for maintenance will be between USD 8.3m and 11m annually, VAT exclusive (equivalent to ca. PLN 32m to 43m). Softbank's share in the Agreement is estimated at ca. USD 80m (equivalent to ca. PLN 310m). The payments will be made proportionately to the extent of performed and accepted work. The total liability of the Consortium under the Agreement is limited to USD 60m (equivalent to ca. PLN 232m). In case the agreement is terminated in whole or in part by the Bank, the maximum amount of contractual penalties will be USD 15m (equivalent to ca. PLN 58m), respectively. The total amount of contractual penalties in respect of the maintenance services is capped at USD 11m (equivalent to ca. PLN 43m).

On **September 10th 2003**, pursuant to Art. 362.1.2 of the Polish Companies Act and the provisions of the Agreement concluded on December 6th 2001 with Mr Aleksander Lesz, Softbank Serwis Sp. z o.o., a wholly-owned subsidiary undertaking of Softbank and a trustee under the incentive scheme (options for Softbank shares) purchased, with its internally generated funds, 862,250 Softbank shares with a par value of PLN 1 per share, representing 4.18% of the share capital of Softbank, and conferring to the rights to the same percentage of votes at the General Shareholders Meeting of Softbank, for a price of PLN 31.40 per share, in order to offer them to the members of the management staff eligible under the incentive scheme (see the current report RB 39/2003 of September 11th 2003). Since the offer was not accepted by the persons eligible under the incentive scheme, Softbank Serwis Sp. z o.o. took steps to close the incentive scheme and sold 862,250 shares (4.18% of the share capital) of Softbank at a price of PLN 28 per share on September 10th 2003. The closure of the scheme will bring benefit of freeing the blocked funds in the amount of more than PLN 22m and will have a positive bearing on the result of the Softbank Group. The shares subject to transaction are deemed assets of significant value as their total value exceeds 10% of Softbank's equity.

On **September 11th 2003**, in performance of the decision of Bank Przemysłowo-Handlowy PBK SA of June 2003, the Company executed a loan agreement (the "Agreement"). The Agreement provides for the terms of a PLN 30,000,000 (thirty million zloty) working capital loan. The loan is to finance the current business activities of the Company. Depending on the manner of drawing, the interest rate on the loan is:

- for revolving loan: 1M, 3M, 6M WIBOR plus Bank's margin,
- - for current account loan: 1M WIBOR plus Bank's margin.

The loan matures on June 30th 2004. The Agreement is deemed material since its value exceeds 10% of Softbank's equity.

On **September 16th 2003** Extraordinary General Shareholders Meeting of "SOFTBANK" SA adopted the Resolution No. 1 of the Subject: Amendment to Resolution No. 9 of the Ordinary General Shareholders Meeting dated June 24th 1999, as amended by Resolution No. 4 of the Extraordinary General Shareholders Meeting dated April 4th 2000 and Resolution No. 6 of the Ordinary General Shareholders Meeting dated August 9th 2000.

October 1st 2004 - Wolnok SA (new name: Epsilio SA) (the Buyer), a wholly-owned subsidiary undertaking of Softbank SA, and SABA Grupa Softbank SA (the Seller), Softbank's another wholly-owned subsidiary undertaking, on September 29th 2003 concluded an agreement on the sale of enterprise (the Agreement). Under the Agreement, the Buyer acquires the enterprise operating under the name of SABA Grupa Softbank, registered offices in Bydgoszcz, Poland, representing a group of tangible and intangible fixed assets, including all elements comprising an enterprise within the meaning of Art. 55[1] of the Polish Civil Code, excluding the company name and an interest in the land perpetual usufruct right. The selling price of the enterprise - PLN 100,000 - was determined based on a valuation prepared by an independent expert. The Buyer will purchase the enterprise for cash from its own resources. The acquisition is effective as of October 1st 2003. The sold assets were used by the Seller in its business activity consisting in the provision of IT services, including in particular IT services for the cooperative banking sector. As an IT company whose customers also include cooperative banks, Wolnok (Epsilio - currently in the process of registration), purchased the enterprise with the intention to continue provision of the services to this sector. As at June 30th 2003, the value of the Seller's assets as disclosed in Softbank's accounting books stood at PLN 0. Both the Seller and the Buyer are Softbank's related undertakings through the participation of Softbank's representatives in the companies' governing bodies.

October 27th 2003 - Softbank SA signed a contract with PKO BP SA, for delivery and installation of computer software and hardware and provision of related maintenance services. The total value of the contract (approx. PLN 54.5m, VAT exclusive) comprises the aggregate of amounts expressed in three currencies: PLN 2,722,743, EUR 5,516,226 and USD 6,682,154. The contract provides for contractual penalties of up to 10% of its value (VAT exclusive). The bank has the right to seek compensation in excess of the contractual penalties on the terms provided for in the Polish Civil Code. Softbank's total liability is limited to the value of the contract. The total value of the agreements concluded with PKO BP over the last 12 months that were not separately disclosed amounted to PLN 66 m and is deemed significant as it exceeds 10% of Softbank's equity.

October 28th 2003 - In relation to the communiqué of October 3rd 2003 on the qualification of Softbank's bid in the tender procedure, Softbank concluded an agreement with Ministry of Internal Affairs and Administration (MSWiA) for the procurement and implementation as well as maintenance and development of the Central Register of Vehicles and Drivers (CEPiK) information system. The net value of the contract amounts to PLN 188.8m - equivalent of USD 48m (USD 58.5m incl. VAT). According to the Agreement, the implementation should be completed by December 31st 2005 and parallel to it Softbank will be providing maintenance of the system till December 31st 2009. The Ministry will be making payments for the performed works in monthly installments between April 1st 2004 and December 31st 2009. The contractual penalties on Softbank's part are limited to the amount of the agreement. The Agreement is deemed material since its value exceeds 10% of the Softbank's equity.

October 28th 2003 - The Company was notified that on October 28th 2003 the Court registered an increase in the share capital of Softbank. The capital increase was effected by way of conversion of 33,652 Series B bonds into 336,520 Series O shares. Currently, there are no outstanding bonds convertible into Series O shares.

October 28th 2003 - Softbank SA concluded a contract with Face Technologies (PTY) Ltd. of the Republic of South Africa, for the purchase of IT solutions, including services, training, software and licences. The contract will be performed until December 31st 2009. The value of the contract was deemed material as it falls within the range of 40%-75% of Softbank equity.

November 6th 2003 - Upon registration of the capital increase, three members of Softbank's Executive Board acquired 100,000, 100,000 and 136,520 Series O ordinary shares in Softbank, with a par value of PLN 1 per share, created through the conversion of 10,000, 10,000 and 13,652 Series B bonds, respectively, on the terms defined in the issue prospectus of September 4th 2000, in performance of the Extraordinary General Shareholders Meeting's Resolution No. 1 on the management stock option scheme, dated September 16th 2003.

December 4th 2003 - Softbank SA has signed a sub-contracting agreement with Comp SA of Warsaw for the procurement of the Security Sub-system for the Central Register of Vehicles and Drivers (CEPiK). The contract will be executed according to the schedule of the works on the CEPiK system (see the disclosure of 28 October 2003). The net value of the contract amounts to PLN 35.7 m.

December 10th 2003 - Softbank SA signed an annex to the agreement with PKO BP SA of 19th December 2001 for the sale of Microsoft software within the frame of the Microsoft Enterprise project. The value of the annex amounts to USD 6,363,652 (ca. PLN 24.1 m). The payments will be invoiced semi-annually and will be made within the period of three years.

Key Events Reported by the Company after the Balance-Sheet Date

January 6th 2004 - Softbank SA signed with Softbank Serwis Sp. z o. o., a wholly-owned subsidiary, a sub-contracting agreement for the procurement of works, implementation assistance and servicing of the infrastructure of CEPiK system (Central Registry of Vehicles and Drivers). The contract's value amounts to PLN 8,8 m. Payments will be made in installments upon the receipt of payments from Softbank's client - Ministry of Internal Affairs and Administration.

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.

March 1st 2004 Mr Aleksander Lesz, CEO and President of the Executive Board, tendered his resignation from office.

March 1st 2004 - in relation to the resignation of Mr Aleksander Lesz, the Supervisory Board of Softbank SA appointed on March 1st Mr Krzysztof Kobra as the new CEO and President of the Executive Board.

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).

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 zloty).

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.

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.

Explanation of Differences between the Financial Results Disclosed in SA-R 2003 and the Forecast Results Published Earlier

The Issuer did not publish any forecasts of 2003 results.

Changes in Organisational and Equity Links. Major Equity Investments and Their Financing

As at December 31st 2003 Softbank SA held equity interests in the following undertakings:

No.	Name of subsidiary/associated undertaking	Parent undertaking's stake
1.	Softbank Serwis Sp. z o.o.	100 %
2.	bezpieczeństwo.pl Sp. z o.o.(**)	100 %
3.	Epsilio SA	100 %
4.	AWiM Mediabank S.A.	100 %
5.	SABA Grupa Softbank SA(*)	100 %
6.	SAWAN Grupa Softbank S.A(****).	59.8 %
7.	Zeto-Rodan Sp. z o.o. (***)	51.0 %
8.	Zakład Usług Informatycznych NOVUM Sp. z o.o.	51.0 %
9.	NetPower SA	49.0 %

February 5th 2003 - Softbank SA signed an agreement on the sale of its entire equity interest in FinFin SA, its subsidiary undertaking, for USD 250K (approx. PLN 960K).

February 20th 2003 - Softbank SA signed an agreement on the sale of its entire equity interest in Instytut Analiz Społecznych i Ekonomicznych SA, its subsidiary undertaking, for PLN 100K.

February 28th 2003 - Softbank SA signed an agreement on the purchase from a private individual of a 12.49% equity interest in Saba Grupa Softbank SA, its subsidiary undertaking. Following the transaction, Softbank SA came to hold 87.5 % of the share capital of Saba Grupa Softbank SA.

April 17th 2003 - Softbank SA signed an agreement on the sale of its entire equity interest in Centrum Rozwiązań Menedżerskich SA, its subsidiary undertaking, for PLN 850K.

July 3rd 2003 – pursuant to the agreement of December 12th 2003 Softbank SA purchased (through the intermediation of CA IB Securities SA) 100% shares in Wonlok SA, registered offices in Łódź, from NFI Hetman SA. The total price of the transaction was PLN 27.6m. Softbank SA purchased the shares for cash (own funds). Wonlok SA has been a member of the Softbank Group since June 30th 2003, the date on which Softbank SA gained full control over it.

August 29th 2003 - Softbank SA purchased 12.5% of shares in Saba Grupa Softbank SA, thus acquiring 100 % of the total vote at the undertaking's General Shareholders Meeting and the same percentage of its share capital.

(*) **February 27th 2004** - an agreement was signed between Softbank SA and GNA société anonyme, registered offices in Luxembourg, concerning the sale of Softbank SA's entire equity interest in Saba Grupa Softbank SA, registered offices in Bydgoszcz, Softbank SA's wholly-owned subsidiary undertaking.

(**) **March 31st 2004** - on the basis of an enterprise purchase agreement Softbank SA purchased the business of bezpieczeństwo.pl Sp. z o.o., its wholly-owned subsidiary undertaking, in the form of its tangible and intangible assets comprising the enterprise within the meaning of Art. 55[1] of the Polish Civil Code, with the exception of the company name. The purchase price was PLN 35K and was determined based on a valuation prepared by an independent expert.

(***) **April 7th 2004** - Softbank SA and Rodan Investments Sp. z o.o., registered offices in Warsaw, signed an agreement for the sale by Softbank SA of its entire equity interest in Zeto Rodan Sp. z o.o., registered offices in Warsaw.

(****) As at the balance-sheet date Softbank SA held an option to purchase 1,744 Sawan shares, representing 41.17% of the total vote at Sawan's General Shareholders Meeting and the same percentage of its share capital. According to Sawan's Articles of Association, the appointment and removal of members of its Executive Board requires a majority of 2/3 of the total vote at the General Shareholders' Meeting.

January 31st 2004 saw the expiry of the agreement concerning the option to purchase 1,744 shares of Sawan, representing 41.17% of the total vote at Sawan's General Shareholders Meeting and the same percentage of its share capital. Thus, Softbank SA formally lost the right to become a holder of Sawan's shares giving formal control over the undertaking. Softbank SA is currently conducting negotiations with a view to gaining formal control over the undertaking.

Transactions with Related Undertakings

The Company did not execute any transactions with Nihonswi AG in 2003.

Most of the transactions between the subsidiary undertakings and Softbank SA concerned joint implementation or IT projects. Only a small fraction of the transactions were executed for the Group's own needs. The volume of the transactions within the Softbank Group is presented in the table below.

No.	Company	Softbank SA's net sales to Group companies (PLN '000)	Softbank SA's net purchases from Group companies (PLN '000)
1.	Softbank Serwis Sp. z o.o.	604	12,845
2.	bezpieczeństwo.pl Sp. z o.o.	172	-
3.	FinFin SA (*)	59	-
5.	Bielpolsoft Joint Venture	-	-
6.	AWiM Mediabank SA	1	425
7.	Zeto-Rodan Sp. z o.o.	-	-
8.	CRM SA (**)	-	-
9.	Zakład Usług Informatycznych NOVUM Sp. z o.o.	-	492
10.	SAWAN Grupa Softbank SA	-	-
11.	SABA Grupa Softbank SA	-	-
12.	NetPower SA (****)	-60	5
13.	Instytut Analiz Społecznych i Ekonomicznych SA (***)	-	-
14.	Epsilio SA	96	21

(*) The transactions with FinFin SA are disclosed for the period from January 1st to February 5th 2003, i.e. the date of the sale by Softbank SA of its entire shareholding in the company.

(**) Transactions with CRM SA are disclosed for the period from January 1st to April 30th 2003, i.e. the date of the sale by Softbank SA of its entire shareholding in the company.

(***) The transactions with IASiE are disclosed for the period from January 1st to February 20th 2003, i.e. the date of the sale by Softbank SA of its entire

shareholding in the company.

(***) In the first half of 2003, Softbank SA issued a correcting invoice for 2001 to NetPower SA.

In carrying out its implementation projects on the IT services market in 2003, Softbank SA executed a series of transactions with the Prokom Group companies. The table below sets forth the value of Softbank SA's sales to and purchases from these undertakings.

<i>No.</i>	<i>Company</i>	<i>Softbank SA's net sales (PLN '000)</i>	<i>Softbank SA's net purchases (PLN '000)</i>
1.	Prokom Software SA	366	14,374
2.	Combidata Poland Sp. z o.o.	-	5

Loans, Borrowings, Sureties and Guarantees

Bank Guarantees and Letters of Credit

In its commercial activities, Softbank SA uses bank guarantees and letters of credit as forms of security in commercial transactions with various organisations, companies and administration bodies.

As at December 31st 2003, the bank managing Softbank SA's current account issued the following bank guarantees at the Company's request:

<i>Beneficiary</i>	<i>Guarantee amount and currency</i>	<i>Expiry date</i>	<i>Type of guarantee</i>
<i>Wiśniowy Developments E Sp. z o.o.</i>	<i>USD 186,096.00</i>	<i>May 17th 2007</i>	<i>Payment guarantee</i>
<i>IBM World Trade Corporation, USA</i>	<i>USD 400,000.00</i>	<i>July 14th 2003</i>	<i>Payment guarantee</i>
<i>Polish Post</i>	<i>PLN 66,923.82</i>	<i>April 18th 2004</i>	<i>Performance bond</i>
<i>Bank Gospodarki Żywnościowej SA</i>	<i>PLN 16,576.80</i>	<i>November 12th 2004</i>	<i>Performance bond</i>
<i>Ministry of Education</i>	<i>PLN 155,420.00</i>	<i>November 8th 2004</i>	<i>Performance bond</i>
<i>Ministry of Education</i>	<i>PLN 139,700.00</i>	<i>November 8th 2004</i>	<i>Performance bond</i>
<i>Polish Post, Central Head Office</i>	<i>PLN 208,934.67</i>	<i>March 16th 2005</i>	<i>Guarantee securing claims arising during the guarantee term</i>
<i>Polish Post, Central Head Office</i>	<i>PLN 57,594.35</i>	<i>May 26th 2005</i>	<i>Guarantee securing claims arising during the guarantee term</i>
<i>Fundacja "Fundusz Współpracy" (Foundation Cooperation Fund)</i>	<i>EUR 1,312.60</i>	<i>April 14th 2005</i>	<i>Performance bond</i>
<i>Fundacja "Fundusz Współpracy"</i>	<i>EUR 1,229.26</i>	<i>April 4th 2005</i>	<i>Performance bond</i>
<i>Fundacja "Fundusz Współpracy"</i>	<i>EUR 7,452.42</i>	<i>March 28th 2005</i>	<i>Performance bond</i>
<i>Fundacja "Fundusz Współpracy"</i>	<i>EUR 1,551.25</i>	<i>April 4th 2005</i>	<i>Performance bond</i>
<i>Ministry of Finance</i>	<i>PLN 16,000.00</i>	<i>February 13th 2005</i>	<i>Performance bond</i>

Beneficiary	Guarantee amount and currency	Expiry date	Type of guarantee
<i>State Police Headquarters</i>	<i>PLN 88,522.26</i>	<i>March 24th 2005</i>	<i>Guarantee securing claims arising during the guarantee term</i>
<i>Miejskie Przedsiębiorstwo Komunikacyjne SA</i>	<i>PLN 211,657.78</i>	<i>January 3rd 2006</i>	<i>Performance bond</i>
<i>Agency for Restructuring and Modernisation of Agriculture</i>	<i>PLN 203,821.55</i>	<i>February 10th 2006</i>	<i>Performance bond and guarantee securing claims under statutory guarantee or warranty</i>
<i>Social Security Authority (ZUS)</i>	<i>PLN 797,148.00</i>	<i>February 22nd 2006</i>	<i>Performance bond</i>
<i>Prokom Software SA</i>	<i>PLN 98,000.00</i>	<i>February 28th 2005</i>	<i>Performance bond and guarantee securing claims under guarantee</i>
<i>Bank Gospodarki Żywnościowej SA</i>	<i>PLN 10,000.00</i>	<i>March 12th 2004</i>	<i>Tender deposit</i>
<i>Bank PKO BP SA, Logistics and Investment Department</i>	<i>PLN 650,000.00</i>	<i>February 11th 2004</i>	<i>Tender deposit</i>
<i>Powszechny Zakład Ubezpieczeń SA</i>	<i>PLN 600,000.00</i>	<i>February 16th 2004</i>	<i>Tender deposit</i>
<i>Foundation Cooperation Fund, Central Finance and Contracts Unit</i>	<i>PLN 64,845.20</i>	<i>June 7th 2004</i>	<i>Tender deposit</i>
<i>Foundation Cooperation Fund, Central Finance and Contracts Unit</i>	<i>PLN 22,500.00</i>	<i>June 14th 2004</i>	<i>Tender deposit</i>
<i>Agency for Restructuring and Modernisation of Agriculture</i>	<i>PLN 150,000.00</i>	<i>February 5th 2004</i>	<i>Tender deposit</i>
<i>Bank PKO BP SA, Logistics and Investment Department</i>	<i>PLN 60,000.00</i>	<i>April 5th 2004</i>	<i>Tender deposit</i>

On August 20th 2003, Softbank SA extended the agreement with TUiR Warta SA for issuing contract insurance guarantees. As at December 31st 2003, the insurer cooperating with Softbank SA issued the following insurance guarantees at the Company's request:

Beneficiary	Guarantee amount and currency	Expiry date	Type of guarantee
<i>Polish Post, Central Head Office</i>	<i>PLN 565,000.00</i>	<i>February 3rd 2004</i>	<i>Tender deposit</i>
<i>Polish Post, Central Head Office</i>	<i>PLN 44,000.00</i>	<i>February 3rd 2004</i>	<i>Tender deposit</i>
<i>Polish Post, Central Head Office</i>	<i>PLN 72,000.00</i>	<i>February 3rd 2004</i>	<i>Tender deposit</i>
<i>Polish Post, Central Head Office</i>	<i>PLN 21,000.00</i>	<i>February 3rd 2004</i>	<i>Tender deposit</i>
<i>Polish Post, Central Head Office</i>	<i>PLN 185,000.00</i>	<i>February 3rd 2004</i>	<i>Tender deposit</i>
<i>Ministry of Finance, Financial Information Department</i>	<i>PLN 100,000.00</i>	<i>January 8th 2004</i>	<i>Tender deposit</i>
<i>Agency for Restructuring and Modernisation of Agriculture</i>	<i>PLN 300,000.00</i>	<i>January 30th 2004</i>	<i>Tender deposit</i>

<i>Miejskie Przedsiębiorstwo Komunikacyjne Sp. z o.o.</i>	<i>PLN 46,000.00</i>	<i>February 26th 2004</i>	<i>Tender deposit</i>
<i>Ministry of Finance, IT Systems Department</i>	<i>PLN 200,000.00</i>	<i>March 6th 2004</i>	<i>Tender deposit</i>

Sureties

As at December 31st 2003, the sureties granted by Softbank SA were as follows:

- Surety granted to AWiM Mediabank SA securing a PLN 1,200K investment loan. As at December 31st 2003, the outstanding amount of this investment loan stood at PLN 600K;
- Surety granted in connection with the office space lease agreement of November 26th 2003, concluded between Sawan Grupa Softbank SA and KBP-1 Sp. z o.o. The surety was signed by Sawan Grupa Softbank SA, KBP-1 Sp. z o.o. and Softbank SA. As at December 31st 2003, the estimated value of surety stood at 6,760K.

Loans, Borrowings and Debt Securities Issues

On January 6th 2003, following the conversion of 3,200 series E convertible bonds issued by Softbank SA, NIHONSWI AG, registered offices at Brandschenkestrasse 178, CH-8027 Zurich, Switzerland, acquired 3,200,000 Series S Shares of the Company, representing 15.52% of Softbank SA's share capital and 3,200,000 votes (15.52%) of the total vote at the Company's General Shareholders Meeting. Prior to this acquisition, NIHONSWI AG had held no shares in the Company.

March 31st 2003 saw the expiry of the agreement with ING Bank Śląski SA for a credit line supporting the debt securities issue programme with an aggregate value of PLN 10,000K.

On September 25th 2003, Softbank SA and PKO BP SA signed an annex to the loan agreement of September 13th 2002, whereby the current account loan limit was raised to PLN 7,000K. As at December 31st 2003, Softbank SA's liability under the agreement stood at PLN 0.

In 2003, Softbank SA maintained the agreement signed on February 13th 2001 with ING Bank Śląski SA for a current account loan of up to PLN 10,000K. As at the balance-sheet date, the credit line had not been used.

On September 30th 2003, Softbank SA concluded with ING Bank Śląski SA an loan agreement for up to PLN 10,000K. As at December 31st 2003, Softbank SA's liability under the agreement stood at PLN 0.

On December 3rd 2003, Softbank SA and Bank Przemysłowo-Handlowy BPK SA signed an annex to the loan agreement of September 11th 2003, whereby the loan limit was raised to PLN 30,000K. As at December 31st 2003, Softbank SA's liability under the agreement stood at PLN 0.

Loans Granted by Softbank SA

As at December 31st 2003, the status of loans granted by Softbank SA was as follows:

Under a safekeeping agreement of December 27th 2000, the Company delivered PLN 300K to bezpieczeństwo.pl Sp. z o.o. Under the agreement, which does not provide for any interest, the amount delivered will be returned within three days as from the return request date.

Under the agreement of February 20th 2002, the Company advanced a loan of PLN 1,000K to bezpieczeństwo.pl Sp. z o.o. The interest rate on the loan is WIBOR plus 2.5pp per annum. The loan repayment date is December 31st 2003.

Under the agreement of October 10th 2002, Softbank SA advanced a loan of PLN 80K to bezpieczeństwo.pl Sp. z o.o. The interest rate on the loan is WIBOR plus 2.5pp per annum. The loan repayment date is December 31st 2003.

Under the agreement of November 13th 2002, Softbank SA advanced a loan of PLN 80K to bezpieczeństwo.pl Sp. z o.o. The interest rate on the loan is WIBOR plus 2.5pp per annum. The loan repayment date is December 31st 2003.

Under the agreement of December 4th 2002, Softbank SA advanced a loan of PLN 80K to *bezpieczeństwo.pl Sp. z o.o.* The interest rate on the loan is WIBOR plus 2.5pp per annum. The loan repayment date is December 31st 2003.

Under the agreement of June 18th 2003, Softbank SA advanced a loan of PLN 650K to *bezpieczeństwo.pl Sp. z o.o.* The interest rate on the loan is 3M WIBOR plus 2.5pp per annum. The loan repayment date is December 31st 2003.

Under the agreement of October 29th 2003, Softbank SA advanced a loan of PLN 65K to *bezpieczeństwo.pl Sp. z o.o.* The interest rate on the loan is 6M WIBOR plus 2.5pp per annum. The loan repayment date is November 30th 2003.

As at December 31st 2003, the Company's accounts receivable under loans advanced to *bezpieczeństwo.pl Sp. z o.o.* totalled PLN 2,332K, including the loan of PLN 715K advanced in 2003. The total of PLN 2,332K comprises the principal amounts (PLN 1,955K) and interest (PLN 368K).

On April 6th 2001, the Company advanced a three-year loan of PLN 401K to CA IB Financial Advisers SA. The loan bears interest at a variable rate ranging from 14% to 18%. The loan was designed to finance the programme of convertible bonds for Softbank SA's management; the programme was arranged by CA IB Financial Advisers SA. As at December 31st 2003, the account receivable under the loan amounted to PLN 51K.

Assessment of Softbank SA's Current and Future Financial Standing – Management of Financial Resources

In 2003, the Company repaid its trade creditors and investment-related liabilities in a timely manner. Where the repayment of a liability in a foreign currency was necessary, the Company sought to minimise foreign exchange differences by obtaining the best bid rate possible for a given foreign currency. The Company also used futures contracts to hedge against foreign exchange differences.

Softbank SA invested its free cash in low-risk highly liquid securities or bank deposits, which enabled the Company to maintain high liquidity.

To finance its current and long-term capital expenditure, the Company maintained access to external capital provided by banks. Given the Company's expansion and the acquisition of new contracts, Softbank SA plans to intensify cooperation with its lending banks in 2004 in order to finance the required working capital.

Use of Issue Proceeds from May 1998 to December 2003

On December 5th 2002, Softbank SA issued for public trading 3,200 Series E bonds convertible into shares. All the bonds were acquired by NIHONSWI AG, registered offices at Brandschenkestrasse 178, CH-8027 Zurich, Switzerland. On December 6th 2002, a statement on the conversion of the Series E convertible bonds into 3,200,000 Series S shares was issued. The proceeds from the issue of convertible bonds amounted to PLN 32,000K. After deduction of the costs of issue, amounting to PLN 957K, the final amount of the issue proceeds was PLN 31,043K. The proceeds from the issue of convertible bonds in 2003 were used towards debt restructuring and investments in the development of the Softbank Group. Debt restructuring was commenced, and to a large extent completed, in 2002. The key investment as part of the Group's development was the acquisition of Epsilio SA (formerly Wonlok SA), which was finalised on July 3rd 2003. This acquisition was another milestone in the expansion into the banking sector thanks to winning a new major customer – BGŻ SA.

All the proceeds from the issues which preceded the issue of Series E bonds were used before the period covered by this Report.

Assessment of Feasibility of Investment Projects, Including Equity Investments, Against the Available Funds, with Alternative Financing Options

In view of the market situation, the planned general investment projects are conservative. A limited investment expenditure is planned in connection with the obligations towards the subsidiary undertakings. Inclusive of the replacement expenditure at

the Company, it should not to exceed a total of ten to twenty million zloty. The Company will not encounter any difficulties carrying out these plans with its own funds. Nevertheless, Softbank SA's new strategy which assumes strengthening of the Company's position in the banking sector through expansion of its product portfolio and improvement of its expertise, may to a certain extent involve raising additional sources of funding or modification of the financing structure.

Softbank SA in the IT Sector

Softbank SA is one of the leaders among the Polish IT companies specialising in integration solutions for the banking sector. The market position of Softbank SA, weakened in the years 2001–2002, improved last year, mostly due to the winning of a prestigious contract for the supply of the Integrated IT System for PKO BP SA. The future market position of the Company will depend both on internal factors related to the rebuilding of the products and services portfolio and co-operation within the Prokom Group, and external factors, comprising the trends observed in the Polish IT market and the key customer market, as well as Poland's accession to the European Union.

In 2003, the Polish banking sector showed a considerably higher interest in risk management solutions and in implementation of international accounting standards and other regulations of Basel II. In 2003, Softbank SA initiated close co-operation with Fermat, a leading European supplier of risk management systems. The skills and experience gained by the Company during the implementation of a project for BZ WBK SA, and the experience gained by Sawan Grupa Softbank SA (a subsidiary of Softbank SA) during the construction of a data warehouse and reporting systems, constitute important factors in the Company's battle for market share. They form a basis for combining applications supplied by Fermat into an Integrated Risk Management Platform. The Company intends to play a significant role among the suppliers of such systems on the domestic market.

Internal and External Factors with a Bearing on the Development of Softbank SA, and Expansion Prospects by the End of 2004 in the Light of Softbank SA's Market Strategy

The most significant external factor which has an impact on the Polish economy is the country's accession to the European Union. It is estimated that Poland is delayed by several years in applying information technology. IT expenditure per one employee at Polish companies is approximately five times lower compared with highly developed countries. The average IT expenditure of Polish leading companies constitutes approximately 0.5% of their revenue, while the European average is 2.5%. Following Poland's accession to the European Union, the IT market is expected to expand with high dynamics in such sectors as telecommunications, services, machine-building industry, and administration. The accession may also accelerate consolidation processes within the IT companies sector, facilitating their operation in regional markets. Additionally, if Europe is determined to apply the offshore outsourcing model, Polish IT companies will face competition from the Indian market.

In the banking sector, which is of key importance to the Company, the following trends and processes are considered most significant:

- formation of strategic alliances with insurance companies to compile a cross-selling offering (for example, in Poland an equity merger between PKO BP SA and PZU SA is discussed),
- increased dynamics of mergers and acquisitions, transfer of management processes to headquarters located outside Poland,
- increased information needs in connection with improvement in management efficiency,
- preparations to implement new regulations based on Basel II recommendations,
- integration of traditional and electronic channels of distribution of banking products and services.

The most significant internal factor with a bearing on the Company's development is the winning of a long-term contract for the computerisation of PKO BP SA. Another significant contract was concluded with the Ministry of Internal Affairs and Administration, concerning the development of the National Register of Vehicles and Drivers. Softbank SA's participation – in cooperation with Prokom Software SA – in the execution of other large projects for the insurance and public administration sectors will also be a key driver of the Company's development. The Company also expects other projects to be launched in the banking sector, in particular in the area of information management.

Softbank SA will proceed with the restructuring of the Softbank Group with a view to determining the role of individual companies of the Softbank Group and defining its position within the Prokom Software Group. The undertakings controlled

by the Company have been undergoing changes intended to improve the Group's competitive advantage, enhance the its management effectiveness and cost control. In pursuance of this strategy, the Company consolidated Saba Grupa Softbank SA and Wonlok SA, thus establishing Epsilio SA, a major provider of services for the cooperative banking sector.

The Company also continued its work on the restructuring and expansion of its offering. New products will be added as a result of the development of in-house solutions on the basis of the Group's present product and services offering, acquisitions of providers of interesting niche products or companies which have attractive customer bases, cooperation with the Prokom Group companies, and entering into partnerships with foreign software manufacturers. The Company also intends to continue its technological development through a wider application of CASE tools, such as data modelling, testing and infrastructure management tools.

Changes in the Management of the Company

In the reporting period, there were no material changes in the manner in which the Company was managed.

Softbank SA's Governing Bodies

As at December 31st 2003, Softbank SA's Supervisory Board was composed of the following members:

Ryszard Krauze	– Chairman
Stanisław Janiszewski	– Member
Alicja Kornasiewicz	– Member

As at December 31st 2003, Softbank SA's Executive Board was composed of the following members:

Aleksander Lesz	– President
Adam Dąbkowski	– Member
Piotr Jeleński	– Member
Jarosław Ogorzałek	– Member
Robert Smułkowski	– Member

January 16th 2004 – Mr Adam Dąbkowski, Member of the Executive Board, resigned from office.

January 16th 2004 – the Supervisory Board of Softbank SA appointed Przemysław Borzestowski and Przemysław Sęczkowski as Executive Board members, effective as of January 16th 2004.

March 1st 2004 – Mr Aleksander Lesz tendered his resignation from the position of the President of the Executive Board to the Chairman of the Supervisory Board. At the meeting of March 1st 2004, in connection with Mr Aleksander Lesz's resignation, the Supervisory Board of Softbank SA appointed Mr Krzysztof Korba as President of the Executive Board of Softbank SA.

Remuneration for the Governing Bodies of Softbank SA

The remuneration, including distributions from profit, paid to the Company's Executive Board in 2003 amounted to PLN 3,606K, while the Supervisory Board members received no remuneration. The total remuneration paid to the Company's governing bodies amounted to PLN 3,606K.

The remuneration, including distributions from profit, paid to the members of the Supervisory Boards of subsidiary and associated undertakings, who are also the Company employees, amounted to PLN 85K.

On September 16th 2003, the Extraordinary General Shareholders Meeting adopted a resolution on the resumption of the incentive scheme for the management staff terminated pursuant to a resolution by the Supervisory Board of March 27th 2002. On November 7th 2003, three members of the Company's Executive Board acquired 336,520 ordinary Series O shares

in Softbank SA with a par value of PLN 1 per share, following the conversion of 33,652 Series B convertible bonds on the terms provided for in the issue prospectus of September 4th 2000.

Pursuant to the Polish Accountancy Act and the accounting policies applied by the Company, the above transaction was correctly settled as a share capital increase and recognised in the books, as at the date of the bonds issue, as a liability and then, upon the court registration, as the share capital with the par value at which the persons eligible under the scheme acquired the convertible bonds.

In accordance with the International Financial Reporting Standard No. 2 published in 2003, whose provisions will be binding with respect to the financial statements for the periods beginning after January 1st 2005, but whose application to financial statements for earlier periods is permitted, the transaction should be recognised at fair value.

This means that in line with the International Financial Reporting Standard No. 2 referred to above, the difference between the market value of the acquired shares and the acquisition cost should be recognised as an additional remuneration (general administrative expenses) of the persons acquiring shares at a preferential price.

For the purposes of establishing the difference between the fair value and the acquisition cost, the date of valuation is the date of the decision on allotting the convertible bonds; for the accounting purposes, this valuation is recognised as at the date of acquiring the rights by the eligible persons.

If the Company had applied the International Financial Reporting Standard No. 2, the transaction concerning the allotment of 33,652 convertible bonds to three members of the Executive Board on September 16th 2003 would have increased the general administrative expenses for the year ended December 31st 2003 by PLN 9,423K; it would also result in the recognition of PLN 9,423K under the share premium account. This adjustment would not have had a bearing on the Company's net assets as at December 31st 2003, but its net result for the year ended December 31st 2003 would have been lower by PLN 9,423K.

The table below sets forth the differences between the fair value and the acquisition price.

<i>Item</i>	<i>Number of shares</i>	<i>PLN</i>	<i>Value (PLN)</i>
<i>Acquisition price</i>	336,520	1.00	336,520
<i>Market price</i>	336,520	29.00	9,759,080
<i>Adjustment</i>	-	(28.00)	(9,422,560)

Outstanding Amounts of Loans to the Company's Governing Bodies

The value of outstanding advances, loans, borrowings, guaranties, sureties or other agreements under which Softbank SA would be entitled to any performances by the members of the Company's executive or supervisory bodies and their spouses, relatives, relatives in law to the second degree, relatives by adoption or any other persons with whom the members of the Company's executive or supervisory bodies would be personally related, amounts to PLN 0.

Softbank SA Shares Held by Members of the Company's Governing Bodies as at December 31st 2003

The table below sets forth the number and par value of all Softbank SA shares held by members of its governing bodies as at December 31st 2003, based on the information available to the Company:

	<i>Number of shares</i>	<i>Par value (PLN)</i>
<i>Supervisory Board</i>		
<i>Stanisław Janiszewski</i>	1,600	1,600
<i>Ryszard Krauze</i>	0	0
<i>Alicja Kornasiewicz</i>	0	0

Executive Board

Aleksander Lesz ***	1,333,390	1,333,390
Piotr Jeleński	0	0
Adam Dąbkowski*	0	0
Jarosław Ogorzałek	107,720	107,720
Robert Smulkowski	101,500	101,500
Krzysztof Korba****	-	-
Przemysław Borzestowski**	-	-
Przemysław Sęczkowski**	-	-

* Resigned from membership in the Executive Board as of January 16th 2004

** Appointed by the Supervisory Board to serve as member of the Executive Board as of January 16th 2004

*** Resigned from serving as President of the Executive Board as of March 1st 2004

**** Appointed by the Supervisory Board to serve as President of the Executive Board as of March 1st 2004.

Shareholding Structure as at December 31st 2003

As at December 31st 2003, the share capital of Softbank SA amounted to PLN 20,950,512 and was divided into 20,950,512 shares with a par value of PLN 1 per share, each conferring the right to one vote at the General Shareholders Meeting.

The table below sets forth shareholders with the right to at least 5% of the total vote at the General Shareholders Meeting as at December 31st 2003:

Shareholder	Number of shares	% of share capital held	Number of votes	% of total vote at GM
Prokom Software SA	4,787,377	22.85 %	4,787,377	22.85 %
Nihonswi AG	2,818,419	13.45 %	2,818,419	13.45 %
Aleksander Lesz	1,333,390	6.36 %	1,333,390	6.36 %
Zbigniew Opach	1,283,242	6.13 %	1,283,242	6.13 %

Agreements and Events Changing the Number of Shares held by Existing Shareholders

Increase of Share Capital of the Parent Undertaking

In the reporting period, the court registered two share capital increases at Softbank SA.

Date	Registration	Number of shares before increase	Number of shares after increase	Basis
January 2nd 2003	Court registration of a share capital increase connected with the conversion of bonds	17,413,992	20,613,992	Public issue of 3,200 bonds (with a par value of PLN 10,000 per bond) convertible into 3,200,000 series S shares, all acquired by Nihonswi AG
October 28th 2003	Court registration of a share capital increase connected with the conversion of bonds	20,613,992	20,950,512	Management stock options acquired by three members of the Executive Board – 33,652 bonds (with a par value of PLN 10 per bond) convertible into 336,520 series O shares

Changes in the Number of Shares held by the Existing Shareholders in 2003 and in 2004 up to the Date of the Financial Statements

Aleksander Lesz

April 10th 2003 - Prokom Software SA, registered offices at Al. Jerozolimskie 67/79, Warsaw, acquired 1,442,979 Softbank SA shares from Mr Lesz, representing 6.99% of the Company's share capital and conferring the right to 6.99% of the total vote at its General Shareholders Meeting.

April 17th 2003 – Nihonswi AG, as the Proposed Buyer, acquired 618,419 Softbank SA shares from Mr Lesz, representing 3.00% of the Company's share capital and conferring the right to 3.00% of the total vote at its General Shareholders Meeting.

August 26th 2003 – Mr Lesz sold 742,000 Softbank SA shares, representing 3.60% of the Company's share capital and conferring the right to 3.60% of the total vote at its General Shareholders Meeting. Following the transaction, Mr Lesz owns 1,196,870 Softbank SA shares, representing 5.81% of its share capital and conferring the right to 5.81% of the total vote at its General Shareholders Meeting. Before the transaction, Mr Lesz held 1,938,870 Softbank SA shares conferring the right to 9.41% of the total vote at the General Shareholders Meeting. The shares were acquired by CA IB Fund Management SA as the Proposed Buyer within the meaning of the Shareholders Agreement of October 24th 2002.

September 1st 2003 - Prokom Software SA and Mr Lesz executed an annex to the Shareholders Agreement of October 24th 2002, amending the provisions thereof by waiving Mr Lesz's right to a share premium on Softbank SA shares sold by him while the number of shares subject to the **put option** decreased by 372,000 shares which will remain the exclusive property of Mr Lesz.

November 6th 2003 – upon registration of the share capital increase, Mr Lesz acquired 136,520 ordinary Series O shares of Softbank SA with a par value of PLN 1 per share, created upon the conversion of 13,652 convertible Series B bonds on the terms and conditions defined in the Issue Prospectus of September 4th 2000 and in performance of Resolution No. 1 of the Extraordinary General Shareholders Meeting of September 16th 2003 concerning the Management Stock Option Scheme.

November 28th 2003 – Prokom Software SA and Mr Lesz executed an annex to the Shareholders Agreement of October 24th 2002, which amended the provisions thereof by extending until February 6th 2004 the period within which Prokom Software SA has the right to purchase Softbank SA shares offered for sale by Mr Lesz (call option).

January 7th 2004 – Mr Lesz sold 110,000 (one hundred and ten thousand) Softbank SA shares at an average price of PLN 26.87 per share.

January 15th 2004 – Mr Lesz sold 374,547 Softbank SA shares representing 1.79% of the Company's share capital and conferring the right to 1.79% of the total vote at the General Shareholders Meeting. Following the transaction, Mr Lesz owns 848,843 Softbank SA shares representing 4.05% of the Company's share capital and conferring the right to 4.05% of the total vote at the General Shareholders Meeting. Before the transaction, he held 1,223,390 Softbank SA shares conferring the right to 5.84% of the total vote at the General Shareholders Meeting. The shares were acquired by CA IB Fund Management SA as the Proposed Buyer within the meaning of the Shareholders Agreement of October 24th 2002.

February 6th 2004 – Aleksander Lesz, President of the Executive Board of Softbank SA, pursuant to the provisions of the Shareholders Agreement of October 24th 2002 (annexed on September 1st 2003 and November 28th 2003) sold to Prokom Software SA, registered offices at Al. Jerozolimskie 67/79, Warsaw, 450,223 Softbank SA shares representing 2.15% of its share capital and conferring the right to 2.15% of the total vote at its General Shareholders Meeting. All transactions during the term of the Shareholders Agreement were executed at the average price of PLN 13 per share. Following the transaction, Mr Lesz holds 398,620 Softbank SA shares representing 1.90% of its share capital and conferring the right to 1.90% of the total vote at its General Shareholders Meeting.

The transaction of February 6th 2004 was the last transaction executed pursuant to the Shareholders Agreement of October 24th 2002 between the parties thereto.

At present, the Company's share capital amounts to PLN 20,950,512 and is divided into 20,950,512 ordinary shares with a par value of PLN 1 per share.

Prokom Software SA

April 10th 2003 - Prokom Software SA purchased from Aleksander Lesz 1,442,979 shares in Softbank SA and in the aggregate holds 4,787,377 Softbank SA shares, representing 23.22 % of its share capital and conferring the right to the same percentage of the total vote at its General Shareholders Meeting.

March 28th 2003 - in accordance with the Shareholders Agreement of October 24th 2002, Prokom Software SA designated Nihonswi AG, registered offices at Brandschenkestrasse 178, CH-8027 Zurich, Switzerland, as the Proposed Buyer, within the meaning of the Shareholders Agreement, of a portion of the shares offered for sale (618,419 shares, representing 3% of the total number of Softbank SA shares).

August 26th 2003 - in accordance with the Shareholders Agreement of October 24th 2002, Prokom Software SA designated CA IB Fund Management SA as the Proposed Buyer, within the meaning of the Shareholders Agreement, of a portion of the shares offered for sale (742,000 shares, representing 3.6% of the total number of Softbank SA shares).

January 15th 2004 - in accordance with the Shareholders Agreement of October 24th 2002, Prokom Software SA designated CA IB Fund Management SA as the Proposed Buyer, within the meaning of the Shareholders Agreement, of a portion of the shares offered for sale (848,843 shares, representing 1.79% of the total number of Softbank SA shares).

February 6th 2004 - Prokom Software SA purchased from Mr Aleksander Lesz 450,223 shares in Softbank SA, representing 2.15 % of Softbank SA's share capital and conferring the right to the same percentage of the total vote at its General Shareholders Meeting. Following the transaction, Prokom Software SA holds 5,237,600 shares of Softbank SA, representing 24.99% of its share capital and conferring the right to the same percentage of the total vote at the General Shareholders Meeting. Before the transaction Prokom Software SA held 4,787,377 Softbank SA shares.

March 29th 2004 – the Executive Board of Softbank SA was notified that on March 26th 2004 Prokom Software SA, registered offices in Warsaw, purchased 400 ordinary bearer shares of Softbank SA, and thus became the holder of 5,238,000 Softbank SA shares, representing 25.002% of its share capital and conferring the right to the same percentage of the total vote at the General Shareholders Meeting of Softbank SA.

NIHONSWI AG

October 9th 2003 - NIHONSWI AG, registered offices at Brandschenkestrasse 178, CH-8027 Zurich, Switzerland, disposed of 1,000,000 of Softbank SA shares, representing 4.85 % of its share capital and the same percentage of the total vote at the General Shareholders Meeting of Softbank SA. Following the transaction, NIHONSWI AG holds 2,818,419 Softbank SA shares, representing 13.67% of its share capital and conferring the right to the same percentage of the total vote at its General Shareholders Meeting. Prior to the transaction, it held 3,818,419 Softbank SA shares, conferring the right to 18.52% of the total vote at the General Shareholders Meeting.

January 30th 2004 - the Executive Board of Softbank SA was notified that in the period from December 9th 2003 to January 26th 2004 NIHONSWI AG, registered offices at Brandschenkestrasse 178, CH-8027 Zurich, Switzerland, disposed of the total of 525,509 Softbank SA shares, representing 2.51 % of its share capital and conferring the right to 2.51 % of the total vote at its General Shareholders Meeting. Following the transaction, NIHONSWI AG holds 2,292,910 Softbank SA shares, representing 10.94 % of its share capital and conferring the right to 10.94% of the total vote at its General Shareholders Meeting.

March 29th 2004 - the Executive Board of Softbank SA was notified that in the period from March 19th to March 25th 2004 NIHONSWI AG, registered offices at Buolterlistrasse 53, CH-8052 Hergiswil, disposed of the total of 250,000 Softbank SA shares, representing 1.2 % of the share capital and conferring the right to 1.2 % of the total vote at the General Shareholders Meeting of Softbank SA. As a result of the transaction, NIHONSWI AG holds 2,042,910 Softbank SA shares, representing 9.8 % of its share capital and conferring the right to 9.8 % of the total vote at its General Shareholders Meeting.

Zbigniew Opach

February 5th 2004 - Zbigniew Opach notified the Company that as at February 5th 2004 he held 1,880,432 Softbank SA shares, representing 8.98% of the share capital and the same percentage of the total vote at the General Shareholders Meeting of Softbank SA.

Signatures of all Executive Board Members

date	name	title	signature
April 29th 2004	Krzysztof Korba	President	
April 29th 2004	Jarosław Ogorzałek	Member	
April 29th 2004	Robert Smułkowski	Member	
April 29th 2004	Piotr Jeleński	Member	
April 29th 2004	Przemysław Borzestowski	Member	
April 29th 2004	Przemysław Sęczkowski	Member	