

***Directors' Report on the Operations of the  
Softbank Group and Rules Governing the  
Preparation of the Consolidated Annual  
Financial Statements  
for 2004***

***SA-RS 2004***

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## Introduction

The consolidated annual financial statements were prepared in accordance with the provisions of the amended Polish Accountancy Act of September 29th 1994 (consolidated text: Dz.U. of 2002, No. 76, item 694, as amended) and related secondary legislation, Regulation of the Minister of Finance on detailed rules governing preparation of financial statements of related undertakings by entities other than banks and insurance companies, dated December 12th 2001 (Dz.U. of 2001, No. 152, item 1729), Regulation of the Polish Council of Ministers on detailed requirements for issue prospectuses and summary issue prospectuses, dated August 11th 2004 (Dz.U. of 2004, No. 186, item 1921), Regulation of the Polish Council of Ministers on current and interim reports to be disclosed by issuers of securities, dated October 16th 2001 (Dz.U. of 2001, No. 139, item 1569, as amended), and Regulation of the Minister of Finance on special rules governing recognition, valuation methods, scope of disclosure, and manner of presentation for financial instruments, dated December 12th 2001 (Dz.U. of 2001, No. 149, item 1674, as amended).

In 2004, the Group did not change its accounting policies, and did not make any corrections of fundamental errors. The applicable accounting policies are presented in the introduction to the consolidated financial statements.

The Directors' Report on the Issuer's operation and rules governing the preparation of the consolidated annual financial statements were prepared in accordance with Par. 65.1, Par. 65.2, Par. 65.3, Par. 64.6 and Par. 64.7 of the Regulation of the Polish Council of Ministers on current and interim reports to be disclosed by issuers of securities, dated October 16th 2001 (as amended).

## Key Economic and Financial Data

In 2004, the Softbank Group reported a net profit of PLN 29,369 thousand, a balance-sheet total of PLN 536,779 thousand, and a net decrease in cash of PLN 3,992 thousand.

### Financial Results

In 2004, the Softbank Group generated PLN 490,695 thousand in sales revenue, representing a PLN 146,017 thousand (42.36%) increase on the previous year. The high growth followed from higher sales of Softbank SA. In the period under review, Softbank SA' revenue rose by PLN 133,856 thousand (i.e. by 50.9%), to reach PLN 396,829 thousand.

In 2004, the Group's costs of sales increased by 32.64%, whereas its sales revenue rose by 42.36%. This pushed the Group's gross sales margin up to 24.58%, relative to 19.04% in 2003. Gross profit on sales recorded by the Group in 2004 was reduced by the selling costs and general and administrative expenses of PLN 68,517 thousand. The Softbank Group's 2004 operating profit amounted to PLN 45,832 thousand, representing a 723.72% increase on 2003. The Group's net profit rose by 1,230.10%, and reached PLN 29,369 thousand.

#### Key consolidated financial data of the Softbank Group

<i>[PLN '000]</i>	<i>2003</i>	<i>2004</i>	<i>change</i>
<i>Sales revenue</i>	344,678	490,695	42.36%
<i>Gross profit on sales</i>	65,641	120,593	83.72%
<i>Operating profit /(loss)</i>	5,564	45,832	723.72%
<i>Net profit /(loss)</i>	2,208	29,369	1,230.10%

The sectors with the greatest share in the Group's sales, in line with the adopted strategy, were banking and public administration (in aggregate 92.23%). Revenue on sales to the banking sector rose by PLN 72,049 thousand and reached PLN 298,631 thousand. Relative to 2003, this sector's share in the Group's sales fell to 60.86%, due to high growth of sales to the public administration sector (70.38%). The public sector accounted for 31.71% of 2004 sales.

**Softbank Group's sales structure by sector**

<i>[PLN '000]</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>	<i>2004</i>
<b><i>Banking and finance</i></b>	226,582	298,631	65.74%	60.86%
<b><i>Public administration</i></b>	91,314	155,579	26.49%	31.71%
<b><i>Other sectors</i></b>	26,783	36,485	7.77%	7.43%
<b><i>TOTAL</i></b>	344,678	490,695	100%	100%

The bulk of consolidated revenue of the Group (80.8% – before consolidation eliminations) was generated by Softbank SA. In 2004, the Company generated PLN 396,829 thousand in sales revenue, representing a 50.9% increase compared with the previous year.

**Non-consolidated financial results of Softbank SA**

<i>[PLN '000]</i>	<i>2003</i>	<i>2004.</i>	<i>change</i>
<b><i>Sales revenue, including:</i></b>	262,973	396,829	50.90%
<i>banking and finance</i>	172,238	239,974	39.33%
<i>public administration</i>	83,430	151,338	81.40%
<i>other sectors</i>	7,305	5,517	(24.48)%
<b><i>Gross profit on sales</i></b>	38,212	90,623	137.16%
<b><i>Operating profit /(loss)</i></b>	13,737	44,953	227.24%
<b><i>Net profit /(loss)</i></b>	(4,570)	26,517	-

The Company was able to improve its revenue by PLN 133,856 thousand by executing large contracts for undertakings from the public administration and banking sectors.

In 2004, Softbank SA's revenue on sales to the banking sector amounted to PLN 239,974 thousand, up by PLN 67,736 thousand relative to same period in the previous year. One of the reasons for increased sales to this sector was the fact that in 2004 the Company executed new contracts, which the Executive Board reported in the current reports.

Furthermore, in 2004 Softbank SA continued the development of the Integrated IT Sytem (ZSI) for PKO BP SA, under an implementation contract executed in August 2003. The revenue earned in 2003 in connection with the implementation was marginal, whereas in 2004 it amounted to PLN 36.6m. Moreover, in 2004 Softbank SA continued to generate sales revenue on maintenance services provided to PKO BP SA in relation to systems implemented in earlier periods (i.e. ZORBA, CEZAR, and NetBANK).

In 2004, Softbank SA's revenue on sales to the public administration sector totalled PLN 151,338 thousand. The Company was able to achieve such high sales figures primarily thanks to revenue realised on a few material contracts. An important source of revenue on sales to the public administration sector was the implementation of the IT system for the Central Register of Vehicles and Drivers (CEPiK), commenced in the fourth quarter of 2003. The value of revenue generated on the contract has been rising as a natural consequence of progress in the development of the CEPiK system.

Moreover, in 2004 Softbank SA performed the contract for implementation of the Central System for Personalisation of Vehicle Registration Cards (CPDR), launched in October 1st 2004.

The Company also completed work under the contract concluded with Polska Wytwórnia Papierów Wartościowych SA, which is responsible for the printing of the new vehicle registration cards. In April 2004, Softbank SA and PWPW SA executed a contract, valued at PLN 27.7m, for the delivery of computer hardware and software, provision of training services, installation of computer networks and provision of maintenance services.

In August 2004, the Company and the Social Security Authority (ZUS) executed a contract worth PLN 19,711 thousand for the supply of the infrastructure of multi-processor servers along with the disc array. Performance of

the contract was completed in 2004.

In addition, in 2004 Softbank SA, performed contracts concluded with other major customers from the public administration sector, including the Agency for Restructuring and Modernisation of Agriculture, State Police Headquarters, Institute of Meteorology and Water Management, and Supreme Chamber of Audit.

### **Explanation of Differences between the Financial Data Presented in SA QSr4/2004 and SA-RS 2004 Reports**

The Q4 2004 report contained preliminary financial data of the Softbank Group for 2004. This report presents complete financial data of the Group for 2004, and includes all significant events subsequent to the publication of the quarterly financial statements and the final estimates made by the Executive Boards of the Group companies regarding provisions, asset valuations and future financial projections.

The table below presents the differences in the value of main items of the consolidated profit and loss account as presented in the report for the four quarters of 2004 and in this annual report.

<i><b>Selected financial data</b></i>	<i><b>SA-QSrIV-2004</b></i>	<i><b>SA-R 2004</b></i>	<i><b>DIFFERENCE</b></i>
<i><b>Net sales revenue</b></i>	488,027	490,695	2,668
<i><b>Profit (loss) on sales</b></i>	53,762	52,076	(1,686)
<i><b>Operating profit (loss)</b></i>	46,446	45,832	(614)
<i><b>Profit (loss) before tax</b></i>	24,823	23,500	(1,323)
<i><b>Net profit (loss)</b></i>	30,484	29,369	(1,115)

1. The increase in sales revenue was due to:
  - a. Changes in the estimated valuations of the implementation contracts valued with the percentage-of-completion method, whereby the contracts' revenues and costs are booked on the basis of the work progress,
  - b. Changes in the valuation of other IT contracts,
  - c. Disclosure of adjustments to revenue invoices for 2004 which were issued in 2005.
2. The decrease in profit on sales was due to:
  - a. Changes in the estimated valuations of the implementation contracts valued with the percentage-of-completion method, whereby the contracts' revenues and costs are booked on the basis of the work progress,
  - b. Disclosure of additional expenses related to the Group's operating activities,
  - c. Reclassification of a portion of provisions related to operating activities from other operating expenses to costs by type,
  - d. Posting of additional costs related to the reporting period,
  - e. Reduction of sales revenue.
3. The decrease in operating profit was due to:
  - a. Reduction of profit on sales,
  - b. Posting of additional costs related to the reporting period.
4. The decrease in profit before tax was due to:
  - a. Changes in the valuation of financial instruments:
    - i. Executed forward contracts,
    - ii. Embedded financial derivatives.
  - b. Change in the method applied in the valuation of the investment in COMP Rzeszów SA shares,
  - c. Creation of additional provisions for financial liabilities.
5. The decrease in net profit was due to:
  - a. Increase in a deferred tax asset resulting from the above adjustments.

## Equity

As at December 31st 2004, the Softbank Group's equity amounted to PLN 157,521 thousand. The share capital of Softbank SA amounted to PLN 20,950,512, and was divided into 20,950,512 ordinary shares with a par value of PLN 1 per share.

To the best of Softbank SA's knowledge, as at December 31st 2004 the following shareholders held at least 5% of the total vote at the General Shareholders Meeting of Softbank SA:

<i>Shareholder</i>	<i>Shares and votes held at GM</i>	<i>% of share capital and total vote at GM</i>
<b>Prokom Software SA</b>	5,238,000	25.002 %
<b>Nihonswi AG</b>	2,042,910	9.750 %
<b>Zbigniew Opach</b>	1,880,432	8.980 %
<b>PZU SA Group</b>	1,320,155	6.301 %

The table below presents the equity structure in particular periods.

<i>(PLN '000)</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>	<i>Dec 31 2004</i>
<b>Share capital</b>	20,614	20,951	20,951
<i>including capital increase registered on January 2nd 2003</i>	3,200	0	0
<b>Reserve funds and capital reserves</b>	261,766	104,533	106,322
<i>including capital increase registered on January 2nd 2003</i>	28,000	0	0
<b>Revaluation capital reserve</b>	78	78	78
<b>Retained profit</b>	(1,321)	(419)	0
<b>Net profit/(loss)</b>	(155,174)	2,208	29,369
<b>Unregistered capital increase</b>	801	801	801
<b>TOTAL EQUITY</b>	314,459	128,152	157,521

On April 6th 2005, the Executive Board of Softbank SA convened an Annual General Shareholders Meeting for May 6th 2005, whose agenda included:

- adoption of a resolution on an increase in the Company's share capital by way of an issue of Series T shares with the Company existing shareholders' pre-emptive rights waived,
- adoption of a resolution on an increase in the Company's share capital by way of an issue of Series U shares, with the pre-emptive rights record date set at June 6th 2005,
- adoption of a resolution on the introduction of Series T and Series U shares to public trading.

The Executive Board of Softbank SA expects that a total of 8,369,295 shares will be issued as part of the share issue described above. The proceeds of the issue are estimated at PLN 190m.

## Non-Current Assets

As at December 31st 2004, the Group's non-current assets accounted for 35.99% of the balance-sheet total. This ratio did not change compared with the previous periods, despite a significant increase in non-current assets and a substantial growth in current assets. Non-current assets comprised: intangible assets – 3.10% of non-current assets (including mostly acquired patents, permits, licenses and computer software), goodwill of subordinated undertakings – 11.78% (with Epsilio SA's goodwill representing 97.18% of the amount), property, plant and equipment – 13.75% (including mostly the value of buildings and plant and equipment), long-term receivables – 4.97% (under performance bonds and security deposits), non-current investments – 50.19% (resulting from an investment in COMP Rzeszów SA shares and the non-current portion of the contracts for purchase/sale of foreign currencies), and non-current prepayments and accrued income – 16.22% of non-current assets (almost entirely deferred tax assets).

## Current Assets

As at December 31st 2004, the Group's current assets accounted for 64.01% of total assets. Current assets included: current receivables – 54.11 %, current investments – 28.39%, current prepayments and accrued income – 11.78%, and inventories representing 5.71% of current assets.

Current financial assets included mainly cash and corporate bonds, which represented an alternative way of investing free funds offering yields higher than standard bank deposits. The corporate bonds served partially as a security for guarantees issued by banks. As at December 31st 2004, the Group's current assets included the current portion of the forward contracts for purchase/sale of foreign currencies.

## Debt and Liquidity

As at the end of December 2004, the Softbank Group maintained adequate current liquidity. The Group's liabilities and provisions for liabilities accounted for 70.00% of the balance-sheet total and 238.54% of the equity. The high levels of the above ratios were mainly due to the significant value of trade payables, which were largely offset by trade receivables, and the valuation of financial derivatives embedded in trade contracts.

The Group's liabilities included current and non-current items. Current liabilities represented 67.62% of total liabilities and provisions for liabilities, non-current liabilities – 20.33%, provisions – 3.42%, and accruals and deferred income – 8.63% of total liabilities and provisions for liabilities.

Current liabilities included mainly:

- items related to operating activities, i.e. settlements with suppliers,
- liabilities under contracted loans,
- current liabilities resulting from valuation of financial derivatives embedded in trade contracts,
- amount paid for Epsilio SA shares,
- other.

Non-current liabilities comprised:

- non-current liabilities resulting from valuation of financial derivatives embedded in trade contracts,
- liabilities under financed lease agreements.

Provisions for liabilities included costs whose amounts or payment dates were not certain, classified as costs related to the current period or previous periods.

As at December 31st 2004, accruals and deferred income comprised:

- accrued expenses, which included provisions for costs directly related to operating activities, whose basis and maturity dates were known, including amounts due under salaries and wages for 2004 and paid in 2005,
- deferred income, which included revenue on maintenance services settled over time as the services were provided.

As at the end of 2004, the financial leverage ratio amounted to 0.53 and was higher compared with the end of 2003 and 2002, which was directly attributable to the loan contracted to finance the purchase of COMP Rzeszów SA shares, and short-term debt related to the day-to-day operations.

The table below presents the liquidity ratios of the Softbank Group.

<i>(PLN '000)</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>	<i>Dec 31 2004</i>
<b><i>Current ratio</i><sup>1</sup></b>	<i>1.59</i>	<i>1.83</i>	<i>1.35</i>
<b><i>Financial leverage</i><sup>2</sup></b>	<i>0.06</i>	<i>0.03</i>	<i>0.53</i>
<b><i>% share of liabilities and provisions for liabilities in balance-sheet total</i></b>	<i>55.97%</i>	<i>46.28%</i>	<i>70.00%</i>

<sup>1</sup> Current ratio: current assets to current liabilities.

<sup>2</sup> Financial leverage: total liabilities under loans, borrowings, securities in issue, etc. to equity.



## Major Items of the Cash-Flow Statement

<i>(PLN '000)</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>	<i>Dec 31 2004</i>
<b>Cash flows from operating activities</b>	76,518	4,853	(21,933)
<b>Cash flows from investing activities</b>	11,891	(27,694)	(58,886)
<b>Cash flows from financing activities</b>	(74,465)	(8,524)	76,827

In 2004, the Group recorded negative cash flows from operating and investing activities, while the net financing cash flow resulted in an increase in cash.

Negative cash flows from operating activities were directly attributable to the performance of large implementation contracts, which generate cash payments much later than costs and revenues related to such contracts are posted in the profit and loss account. Negative cash flows from investing activities were primarily related to the purchase of COMP Rzeszów SA shares and investments of free cash in short-term securities. The positive balance of cash flows from financing activities was recorded as a result of contracting short-term loans (used, *inter alia*, to finance the purchase of COMP Rzeszów SA shares) and issuing short-term securities.

## Return on Equity and Book Value of Shares

As at December 31st 2004, ROE (return on equity: net profit to equity) was positive and amounted to 0.19. Because in 2004 the Group recorded a high net profit, its ROE is much higher relative to the previous years. As at December 31st 2004, the Group's net book value per share was PLN 7.52.

Return on equity is presented in the table below.

<i>(PLN '000)</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>	<i>Dec 31 2004</i>
<b>Company's net book value (PLN '000)</b>	126,564	128,152	157,521
<i>including capital increase registered on January 2nd 2003</i>	32,000	0	0
<b>Number of ordinary shares</b>	20,613,992	20,950,512	20,950,512
<i>including capital increase registered on January 2nd 2003</i>	3,200,000	0	0
<b>Net book value per share (PLN)</b>	6.14	6.12	7.52
<b>Earnings per ordinary share (PLN)</b>	(7.53)	0.11	1.40

## Profitability

All profitability ratios of the Group improved in 2004. The values of the ratios were significantly higher compared with 2003, which was directly attributable to the higher results disclosed in the profit and loss account.

<i>(PLN '000)</i>	<i>Dec 31 2002</i>	<i>Dec 31 2003</i>	<i>Dec 31 2004</i>
<b>Net sales margin</b>	0.02	0.03	0.11
<b>Operating margin</b>	-0.08	0.02	0.09
<b>Net margin</b>	-0.44	0.01	0.06

## Description of Key Off-Balance-Sheet Items – Titles, Entities Concerned and Values

Total value of the quantified off-balance-sheet liabilities stood at PLN 16,337 thousand as at the end of 2004. Sureties and guarantees comprised 96.96% of the liabilities and were issued to the benefit of related undertakings so as to guarantee liabilities assumed by these companies. The other liabilities amounted to 3.04% and were related, amongst others, to operating lease agreements for property, plant and equipment, amounting to PLN 496 thousand.

On August 10th 2001, Planetia SA filed a suit for payment of PLN 1m against Softbank SA. The court proceedings are pending before the Regional Court of Warsaw.

On October 16th 2002, Softbank SA filed a counterclaim concerning payment of PLN 587 thousand (the principal – PLN 493 thousand, statutory interest until the date of payment plus compensation for lost profits – PLN 94 thousand) by Planetia SA in connection with lost profits.

On March 16th 2005 the Regional Court of Warsaw announced its decision whereby it dismissed the action brought by Planetia SA in its entirety and granted the counterclaim filed by Softbank SA. Planetia SA's attorneys announced the company's intention to lodge an appeal against the ruling.

Given Planetia SA's poor financial standing, which has continued since 2001, it is unlikely that the amounts in question can be effectively enforced.

Therefore, on March 23rd 2004, Softbank SA filed an action against Planetia SA's shareholders for payment of PLN 545 thousand. The proceedings are pending before the District Court of Warsaw, III Civil Division. The action was brought jointly and severally against the shareholders obliged to return the amount paid by Softbank SA for Planetia SA shares under a put option in the event of Planetia SA's failure to return the payment.

As at the date of these financial statements' approval, the date of the hearing had not been specified yet. As the case is closely related to the cases described above, it is more likely that the hearing's date will be set earlier.

In view of the opinions of the lawyers handling the cases described above, the Company's Executive Board understands that the risk of unfavourable ruling in the cases in question is low; therefore no relevant provisions were set up.

On December 28th 2004, Softbank SA filed a complaint against the decision of the Director of the Tax Chamber of Warsaw (decision No. PD-4218-170/04/IJ), upholding the decision of the Director of the Tax Supervisory Authority of Katowice (decision No. KP1-730/22/045/3815/020887) dated October 26th 2004, which stated that the Company was liable as a tax remitter and established the 1999 tax liability under flat-rate corporate income tax payable by legal persons with registered offices or executive board outside Poland at PLN 71 thousand. The complaint was filed in due time, and the date of the hearing was set for May 10th 2005.

On April 4th 2005, Softbank SA received two decisions issued by the Director of the Tax Chamber (decisions Nos. PD-4218-171/04/IJ and PD-4218-171/04/IJ dated March 30th 2005), which upheld the decisions issued by the Director of the Tax Supervisory Authority of Katowice (decisions Nos. KP1-730/23/045/3815/020887 and KP1-730/24/045/3815/020887 dated October 26th 2004), which stated that the Company was liable as a tax remitter and established the 2000 and 2002 tax liabilities under flat-rate corporate income tax payable by legal persons with registered office or executive board outside Poland at PLN 156 thousand and PLN 1,558 thousand, respectively. Currently, Softbank SA is drafting complaints against these decisions, which will be lodged within the statutory timeframe.

All the amounts mentioned in the decisions described above (plus the accrued interest) were paid by the Company on January 6th 2003. However, the Company believes that the tax liabilities were assessed unduly and will seek to recover the amounts paid. The total value of the amounts the Company will seek to recover is PLN 10,440 thousand, including the interest due.

In connection with the bankruptcy of Apexim SA declared on February 17th 2003, on April 4th 2003, Epsilio SA submitted a claim to the bankruptcy estate in respect of Apexim SA's debt totalling PLN 7,001 thousand.

By virtue of the decision dated September 29th 2003, the District Court for the Capital City of Warsaw established the list of claims, but it refused to grant the full amount of the claim submitted by Epsilio SA. Epsilio SA lodged an objection against this ruling.

The Court held its first sitting on May 19th 2004. As for now, three more sittings were held, the last of which took place on January 11th 2005.

In the process letter dated August 10th 2004, Apexim SA's bankruptcy administrator acknowledged Epsilio SA's claims totalling PLN 6,211 thousand and additionally stated that the adjusted balance of settlements between

Epsilio SA and Apexim SA amounted to PLN 2,477 thousand, and was due to Apexim SA's bankruptcy estate from Epsilio SA.

At the next hearing held on October 27th 2004, the opinion of the Court Expert was presented concerning the settlements between the companies. Epsilio SA raised objections against this opinion.

On October 14th and December 16th 2004, Epsilio SA filed further claims to Apexim SA's bankruptcy estate, amounting to PLN 1,795 thousand and 368 thousand, respectively.

On January 19th 2005, having reconsidered the case, the District Court ruled that the value of claim filed by Epsilio SA is lower than the value of the claims receivable by Apexim SA's bankruptcy estate, and, based on its findings, dismissed the company's objection. As set forth in the statement of reasons for the decision, the Court acknowledged the full amount of the claim of 7,001 thousand filed by Epsilio SA, but referring to the provisions of Art. 54 of the Polish Bankruptcy Law, the Court questioned the effectiveness of the legal action executed between Epsilio SA and Apexim SA (Annex No. 2 of November 29th 2002), which reduced the amount of Apexim SA's claim towards Epsilio SA. Consequently, in the Court's opinion, Epsilio SA "is the debtor of the bankrupt Apexim SA and its debt stands at PLN 488 thousand, net, with the proviso that Epsilio SA was unable to effectively settle a VAT amount of PLN 368 thousand, and therefore the value of the bankrupt Apexim SA's claim is in fact higher than the net figure indicated above."

On January 25th 2005, the Company appealed against this ruling to the Regional Court of Warsaw.

Notwithstanding the pending proceedings, on February 9th 2004 Apexim SA's Bankruptcy Administrator filed with the District Court of Warsaw a claim against Epsilio SA for payment of PLN 10,775 thousand plus statutory interest. The Bankruptcy Administrator justified the claim by referring to the invalidity of Annex No. 1 of September 30th 2002 and Annex No. 2 of November 29th 2002 to the Agreement of March 28th 2002, which were concluded between Apexim SA and Epsilio SA. In response to the claim, Epsilio SA raised an objection pointing to lack of the court's jurisdiction over the case, and filed a request to reject the claim. By virtue of the decision dated June 28th 2004, the Court rejected the Apexim SA's Bankruptcy Administrator's claim. The decision is final.

As follows from the Court's decision issued on January 19th 2005, the value of the claim due to Apexim SA's bankruptcy estate from Epsilio SA amounts to PLN 7,489 thousand plus the applicable VAT in the amount of PLN 368 thousand.

As the final result of the proceedings regarding the objection against the decision on the refusal to recognise the claim is not known yet, and it is not possible to reliably determine the value of the liability, the Company's Executive Board decided not to remove the liability of PLN 5,257 thousand from the consolidated balance sheet towards Apexim, and at the same time disclose the Company's accounts receivable of PLN 8,796 thousand. The accounts receivable comprise the following items:

- purchased debt of Apexim – PLN 4,585 thousand,
- loan advanced – PLN 4,091 thousand,
- trade receivables – PLN 120 thousand.

A valuation allowance of PLN 7,918 thousand was made for these accounts receivable, including a valuation allowance for the advanced loan amounting to PLN 4,091 thousand.

### ***Description of Material Placements and Equity Investments in the Group***

In 2004, Softbank SA invested surplus cash in bank deposits, treasury bills and corporate bonds. In its decisions to purchase commercial paper, the Company focused on the safety of the investment. The majority of the investments in commercial paper comprised high-investment-grade bonds guaranteed by the Parent Undertaking. In addition to safety, another criterion taken into account by the Company was liquidity. Investments in treasury bills or bonds were made for one or two months, and involved amounts to the order of a dozen million złoty. Funds which the Company could not invest for longer-term, were placed in term deposits bearing interest negotiated with the bank.

The acquisition of shares in Comp Rzeszów SA was the Company's main equity investment in 2004. Softbank SA also invested in its Group companies. It enlarged its equity interest in Sawan Grupa Softbank SA and increased the share capital of Mediabank SA by converting, among others, the company's debt towards the Softbank SA. The

objective of these investments was to increase Softbank SA's influence over the companies' management and to provide funds for their development.

### ***Description of Material Risks and Threats***

The improved economic conditions in 2004 and the return of the Polish economy onto a path of quick growth did not translate directly into higher investments (including IT spending). Nonetheless, the market saw a gradual increase in capex on IT, especially in the sectors which have traditionally reported the greatest demand for information technology, namely: financial services and banking as well as large enterprises. In addition, inflow of funds, such as EU structural funds, also stimulated the propensity to invest, particularly in the public administration sector. However, the large projects – the Central Register of Vehicles and Drivers (CEPiK) and the Integrated Audit and Control System (IACS) – were accompanied by only a small number of other significant IT investments. We are still awaiting the actual launch of IT projects connected with the off-set programme. Public administration institutions, facing the threat of a budget crisis, tended to limit tenders, and organised only those which concerned implementations necessitated by Poland's entry into the EU. No Group company was directly engaged in the execution of those projects, but it was clear that delays in the launch of the off-set programme have eliminated a growth driver which the entire Polish IT industry had looked forward to. Last year also saw a partial replacement of hardware due to the end of its life cycle. The replacements concerned, mainly the machines purchased in connection with the Y2K problem.

The Group's customers, both from the financial institutions market and from the manufacturing and services sectors, continued to concentrate on small or mid-sized IT projects, bringing measurable, especially financial benefits, evidenced by a positive ROI or rapid cost-cutting.

The following factors may be detrimental to the market position of the Group companies:

- Corporate and global solutions are replacing and marginalising those provided by local suppliers;
- Decision-making relating to IT investments is being transferred to foreign head offices of companies and banks;
- Since Poland's accession to the EU, domestic companies are no longer afforded preference in public tenders;
- Companies do not perceive the implementation of IT systems as an element of their competitive edge;
- Polish companies have limited funds for capital expenditure and are less likely to invest in new technologies;
- Competition in the SME sector is growing, as leaders on the market of large corporate solutions are addressing their offerings also to SMEs;
- There are delays in tenders for IT infrastructure for public administration and in off-set projects;
- In the banking sector, the Central Banking Supervision Authority (GINB) has adopted a restrictive interpretation of the Banking Law's provisions concerning outsourcing;
- Fluctuations in exchange rates (particularly of the U.S. dollar and the euro).

### ***Products, Goods for Resale and Services. Key Markets***

In 2004, the Group's sales structure was similar to that of the previous year. The largest percentage share of sales revenue was generated on the provision of services (42.3%). Hardware sales accounted for 35.0% of the Group's total 2004 sales, and licences took a 22.3% share.

**Softbank Group's sales structure (%), by revenue source**

<i>[%]</i>	<i>2003</i>	<i>2004</i>
<i>Own services</i>	<i>30.0%</i>	<i>30.2%</i>
<i>Contracted services</i>	<i>12.0%</i>	<i>12.1%</i>
<i>Own licences</i>	<i>6.3%</i>	<i>6.1%</i>
<i>Third-party licences</i>	<i>16.3%</i>	<i>16.2%</i>
<i>Hardware</i>	<i>35.0%</i>	<i>35.0%</i>

<b>Other</b>	0.4%	0.4%
<b>TOTAL</b>	100.0%	100.0%

The Softbank Group's market encompasses, beyond the financial services sector comprising banks and insurance institutions, central government's public administration units and production companies. In 2004, the Group continued to successfully participate in large projects for public administration and central government units – as the main supplier of CEPIK for the Ministry of Internal Affairs and Administration and by providing hardware and software to the Agency for Restructuring and Modernisation of Agriculture (ARiMR). In executing trade contracts under for the provision of hardware, the Group relies on HP and IBM products as well as infrastructure components from such vendors as CISCO and 3COM. These components comprise an important supplement to the Group's offering of applications from BEA, Microsoft, Oracle, Novadigm, Fermat and others. The Group has focused its efforts on marketing IT solutions, projects and services, which are often sold together with hardware. To note, IT services represent, particularly for Softbank Serwis Sp. z o.o., an important source of revenue.

Beyond the partnerships established with global partners and market leaders, to use their products as components of the provided solutions, we have also been developing propriety applications for niche market segments as well as systems designed specifically for customers from the SME sector. In an effort to obtain EU financing available for SME sector projects, Softbank Serwis Sp. z o.o. secured the required accreditation from the Polish Agency for Enterprise Development (PARP) in the "Innovations and Technologies for Enterprise Development" Programme.

The Group has worked to steadily develop the partnerships established with providers of applications and system software, including IBM, Oracle, Microsoft, BEA, and Fermat. In the near future, we would like our cooperation to concentrate on infrastructure-related solutions, such as: management of network and IT resources, mass memory systems, outsourcing services and services supporting uninterrupted operations of data centres. In addition, we would like to work together with our partners to create analytical business intelligence applications to support decision-making processes, in particular solutions for effective management of banking risk and adjustment of banking operations to the rules and regulations of the New Basel Capital Accord (Basel II).

There are no formal or informal capital links between the Group companies and any of the aforementioned proprietors of applications, tools and hardware that the Group markets as part of its solutions.

### ***Important Events with a Material Bearing on the Group's Operations and Financial Performance in the Financial Year and Thereafter***

In 2004, a number of steps were taken to reconcile the role and position of the Softbank Group within the structure of the Prokom Group. As the organisational structure of our Group was put in order, we identified areas of cooperation which have the potential to generate the greatest synergies.

An important task on which the Group focused in the past year was the implementation of the Integrated IT System (ZSI) for PKO BP SA, which beyond system construction also included its operation and work to modify the legacy systems. In this project, Softbank SA has harnessed a variety of analytical, business, technical and programming expertise sourced from the resources of the entire Group. The ZSI is to be fully implemented within three years as of the agreement date; the necessary work has been divided into 21 stages whose execution has been spread out over the period. Softbank SA has an estimated USD 84,350 thousand share in the agreement and will be paid pro rata to the work executed and accepted. In 2004, the scope of work to be performed under the agreement was additionally enlarged through the relevant annexes.

Another large project which necessitated the use of the Group's resources is the implementation of the Central Register of Vehicles and Drivers (CEPIK). Under the agreement with the Ministry of Internal Affairs and Administration, the system is to be completed by December 31st 2005 and Softbank SA is to provide system maintenance until December 31st 2009. For the work performed under the agreement, the Ministry will pay a total of PLN 219.9m in monthly instalments, from April 1st 2004 to December 31st 2009.

Both contracts provided the Group with sizeable revenue in 2004 and will be a source of stable revenue in the future.

## Employment at the Softbank Group

On December 31st 2004, the Softbank Group had 955 employees, that is 95 persons (9% of total workforce) less than as at the end of 2003. Except Softbank SA, the workforce of every company in the Group was downsized (by 159 employees in total). The drop was largely an outcome of the restructuring processes carried out at subsidiary undertakings. Meanwhile, Softbank SA had to enlarge its workforce by 64 in the year primarily due to the commencement in 2004 of the main phase of the two material contracts: CEPiK system implementation at the Ministry of Internal Affairs and Administration and ZSI implementation at PKO BP SA. Most of the new staff are programmers.

### Group workforce, by company

	as at Dec 31 2003	as at Dec 31 2004
<b>Softbank Group</b>	<b>1,050</b>	<b>955</b>
Softbank SA	315	379
bezpieczeństwo.pl Sp. z o.o	12	0
Epsilio SA	249	202
AWiM Mediabank SA	57	26
Net Power SA	0	0
ZUI Novum Sp. z o.o.	38	35
Sawan Grupa Softbank SA	119	90
Softbank Serwis Sp. z o.o.	260	223

As at the end of 2004, the Group's employment structure was, by and large, the same as in December 2003. In line with our business profile, programmers comprise the bulk of the Group's employees (71%). Approximately 16% of the workforce staffs departments engaged in activities auxiliary to our core business, namely accounting and finances, logistics and human resources. Employees of AWiM Mediabank SA, which owns Radio PiN, comprise 3% of the Group's workforce.

### Group's employment structure

	as at Dec 31 2003		as at Dec 31 2004	
	full-time equivalent	%	full-time equivalent	%
Programmers	712	68%	682	71%
Sales and marketing staff	70	7%	76	8%
Administration and finance staff	189	18%	153	16%
Management	22	2%	18	2%
Radio PiN	57	5%	26	3%
<b>TOTAL</b>	<b>1 050</b>	<b>100%</b>	<b>955</b>	<b>100%</b>

## Description of and Reasons for Changes in the Group's Organisational Structure

In 2004, the organisational structure of the Softbank SA was altered to align it with the project implementation system which governs contract execution; Softbank SA's scope of responsibilities and resources were put in order as we better defined their market and business areas. In step with the organisational changes, we began to mould the Group in accordance with the adopted strategy. Softbank SA increased its equity interest in Sawan Grupa Softbank SA, in order to secure better business synergies and control over the company's operations. Also, as provided in the adopted strategy, we took steps to form a venue through which the Group will be active in the co-operative banking sector, by acquiring an equity interest in Comp Rzeszów SA and through acquisition of shares in Epsilio SA from Softbank SA. Softbank SA also sold its equity interests in Zeto Rodan Sp. z o.o. and Saba Grupa Softbank SA.

In addition, 2004 saw the integration of several of the Group's internal processes relating to administration and finances. At present, work is underway to ensure cooperation in the other areas of operations, i.e. sales, production and marketing. We took all these steps to provide the Group with uniform functioning and to support the processes underlying strategic decision making.

## **Key Events Reported by the Group in 2004**

On **January 6th 2004**, Softbank SA and Softbank Serwis Sp. z o. o., the Issuer's wholly-owned subsidiary, executed a subcontracting agreement whereby Softbank Serwis Sp. z o. o. is to develop, assist in the implementation and operate the infrastructure of the Central Register of Vehicles and Drivers (CEPiK). The subcontractor is to receive PLN 8,855 thousand, VAT exclusive, as consideration for the work performed. The consideration will be paid in a phased manner, after Softbank SA's bank account is credited with successive payments due from the Customer, i.e. the Ministry of Internal Affairs and Administration.

On **January 15th 2004**, Softbank SA and Agency for Restructuring and Modernisation of Agriculture of Warsaw executed an agreement whereby the Company is to deliver and install hardware (servers and mass storage) together with software for the purposes of development of the infrastructure of Integrated Management and Control System. The agreement is to be performed within eight weeks as from the execution date, and it provides for contractual penalties of 0.02% of the total remuneration, VAT exclusive, for each day of delay. The value of the agreement, VAT exclusive, is PLN 18,913 thousand.

On **January 16th 2004**, the Supervisory Board of Softbank SA appointed Messrs Przemysław Borzestowski and Przemysław Sęczkowski as members of the Company's Executive Board.

On **February 27th 2004**, Softbank SA and GNA societate anonime holding, with registered offices in Luxembourg, executed an agreement on disposal by the Issuer's of the entire block of shares in Saba Grupa Softbank SA, the Issuer's wholly-owned subsidiary with registered offices in Bydgoszcz, for PLN 10.5 thousand (ten thousand and five hundred złoty). There are no links between the Issuer and the Buyer. The assets being disposed of are deemed material as the transaction involves over 20% of the share capital of the Issuer's subsidiary undertaking. At the same time, the Executive Board reports that on September 29th 2003, Saba Grupa Softbank SA was acquired by Epsilio SA of Łódź, the Issuer's wholly-owned subsidiary undertaking (see Current Report of October 1st 2003).

On **March 1st 2004**, Mr Aleksander Lesz, President of the Executive Board, submitted to the Chairman of the Supervisory Board of Softbank SA his resignation.

On **March 1st 2004**, due to Mr Lesz's resignation, the Supervisory Board of Softbank SA appointed Mr Krzysztof Korba for the position of President of the Executive Board of Softbank SA.

Mr Korba, aged 59, graduated from Warsaw University of Technology. He began his professional career at Nuclear Power Information Centre where he was Head of Nuclear Power IT Systems Division in 1969–1973. In 1973–1974 he occupied the position of a Systems Analyst-IT Systems Designer at ZETO-ZOWAR. In 1974–1980 he worked as a Chief Specialist at the PESEL Government Information Centre, and afterwards, in 1980–1981, he was reemployed at ZETO-ZOWAR as a Department Manager. In 1981–1983, as a Deputy Director of IT Department at the Social Security Authority (ZUS) he was responsible for the development of data base of old-age pensioners and disability pensioners, and for the launch of a system supporting generation of payment orders. In 1983–1993 he worked for ICL Poland/International Computers Ltd., first as a Sales Director, and afterwards as a Regional Director whose responsibilities included sales, customer service, and business development, mainly in Central and Northern Poland. In 1993–1995, he held the position of the President of the Executive Board of Bull Polska. Since 1995 he has been President of the Executive Board/ Chief Executive Officer of Unisys Polska. Mr Korba is not engaged in any activities competitive to the Issuer's business. He is not entered in the Register of Insolvent Debtors.

On **April 1st 2004**, the Executive Board of Softbank SA reported that on March 31st 2004, Softbank SA ["the Issuer"] and bezpieczeństwo.pl Sp. z o.o. ["the Seller"], the Issuer's wholly-owned subsidiary, executed an agreement on the sale of business ["the Agreement"] whereby the Issuer acquired the business understood as the tangible and intangible assets comprising the Seller's entire business, as defined in Art. 55.1 of the Polish Civil Code, excluding the Seller's company name. The selling price of the business stands at PLN 35 thousand, and was set on the basis of a valuation prepared by an independent expert. The acquisition was financed with the Issuer's internally generated funds, and was effected as of March 31st 2004. The assets disposed of were used by the Seller for conducting its business activities consisting in the provision of IT services.

On **April 7th 2004**, Softbank SA and Rodan Investments Sp. z o.o. of Warsaw executed an agreement on the disposal of the Issuer's entire block of shares in Centrum Informatyki ZETO-RODAN Sp. z o.o. of Warsaw, the Issuer's subsidiary undertaking, for PLN 650 thousand (six hundred and fifty thousand złoty). There are no links

between the Issuer and the Buyer. The assets being disposed of were deemed material, because the transaction involved over 20% of the share capital of the Issuer's subsidiary undertaking.

On **April 14th**, Softbank SA and Polska Wytwórnia Papierów Wartościowych SA (Polish Securities Printing Works), registered office at ul. Sanguski 1, Warsaw, executed an agreement on the delivery of hardware, software, provision of training services, installation of computer networks, as well as provision of maintenance services. The value of the agreement, VAT exclusive, is PLN 27.7m, and the term for its performance is 20 weeks as from the date on which the agreement enters into force. The agreement is subject to the following conditions precedent: 1) Ministry of Internal Affairs and Administration, and Ministry of Infrastructure enters into agreement on cooperation at development and operation of IT systems; 2) the Supervisory Board and the General Shareholders Meeting of Polish Securities Printing Works approve the implementation of the system and the purchase of infrastructure and services related to the implementation of Central System for Personalisation of Vehicle Registration Cards and to the establishment of a performance bond in the form of a bank guarantee; 3) Polish Securities Printing Works and the Ministry of Infrastructure execute an Annex to the agreement on the production of centrally personalised vehicle registration cards. If the conditions precedent are not fulfilled by April 30th 2004, the parties may withdraw from the agreement. 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 such an item. The agreement is deemed significant as its value exceeds 10% of the Issuer's equity.

On **April 22nd 2004**, Softbank SA executed an Annex to the subcontracting agreement of January 6th 2004 with Softbank Serwis Sp. z o. o. (the Issuer's wholly-owned subsidiary undertaking). Under the Annex, the agreement was amended in such a manner that the subcontractor is to receive the final consideration for all the work performed in the amount of PLN 15,204 thousand, VAT exclusive, (which represents an increase by PLN 6,349 thousand). 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 aimed at optimisation of the Issuer's resources. As disclosed in the Current Report of January 2004, the consideration will be paid in a phased manner, after Softbank SA's bank account is credited with successive payments due from the Customer, i.e. the Ministry of Internal Affairs and Administration.

On **April 29th 2004**, Softbank SA and Mr Mariusz Gąsowski executed an agreement whereby Softbank SA is to acquire 3,000 Series A registered shares in Sawan Grupa Softbank SA, with a par value of PLN 11.00 per share, conferring in aggregate the right to 12.05% of the total vote at the general Shareholders Meeting, for the aggregate amount of PLN 1,300 thousand. The shares were acquired in two tranches:

- on May 6th 2004, Softbank SA acquired 2,040 shares, which on aggregate confers the right to 8.19% of the total vote at the General Shareholders Meeting;
- on July 29th 2004, Softbank SA acquired 960 shares, which on aggregate confers the right to 3.86% of the total vote at the General Shareholders Meeting.

On **May 17th 2004**, the Company was notified of the fulfillment, on May 14th 2004, of all (hereinafter referred to) terms of the agreement executed on April 14th 2004, (amended by Annexes of April 29th 2004 and of May 14th 2004) with Polska Wytwórnia Papierów Wartościowych SA (Polish Securities Printing Works) on the delivery of hardware, software, provision of training services, installation of computer networks, as well as provision of maintenance services. The value of the agreement, VAT exclusive, is PLN 27.7m, and the term for its performance is 20 weeks as from the date on which the agreement enters into force, i.e. as from May 14th 2004.

On **June 28th 2004**, the Company and PKO BP SA executed an Annex to the agreement of October 27th 2003. The Annex, whose value is EUR 852.8 thousand, VAT exclusive, amends the original agreement so that it covers the sale of the software licence, together with implementation and maintenance services. The term for the performance of the Annex is four weeks.

On **June 29th 2004**, the Company obtained information that on June 14th 2004 the court registered the increase of the share capital of Agencja Wydawnicza i Marketingowa Mediabank SA, the Issuer's subsidiary undertaking. Currently, the share capital of AWiM Mediabank SA amounts to PLN 10,015 thousand. The Issuer holds 100,150 shares representing 100% of the share capital of AWiM Mediabank SA, conferring the right to 200,300 votes at the General Shareholders Meeting, and representing 100% of the total vote.

At 2 pm on **June 30th 2004**, the General Shareholders Meeting of the Company was opened at the Company's registered office at ul. 17 Stycznia 72a, Warsaw, Poland. At the General Shareholders Meeting, the following resolutions were adopted:



1. Resolution on approval of the 2003 financial statements, including the balance sheet, profit and loss account, cash-flow statement and supplementary notes;
2. Resolution on approval of the 2003 consolidated financial statements of the Softbank Group, including the consolidated balance sheet, consolidated profit and loss account, consolidated cash-flow statement and supplementary notes;
3. Resolution on coverage of the 2003 net loss;
4. Resolution on approval of the 2003 Directors' Report;
5. Resolution on approval of the 2003 Supervisory Board's Report;
6. Resolution on approving performance of duties by the President of the Company's Executive Board in 2003;
7. Resolution on approving performance of duties by members of the Company's Executive Board in 2003;
8. Resolution on approving performance of duties by members of the Company's Supervisory Board in 2003;
9. Resolution on amendments to the Company's Articles of Associations:  
Previously, Par. 13.2 and 13.3.1 of the Articles of Association read as follows:  
"2. The Supervisory Board shall be composed of three (3) members.  
3. Appointment of members to the Supervisory Board is performed as follows:  
1) each shareholder that at the General Shareholders Meeting exercises the voting rights under the Company shares representing over 25% of the votes under all the shares issued by the Company has the right to appoint two (2) members of the Supervisory Board, with the proviso that if two or more such shareholders are present at the General Shareholders Meeting, each of them may separately appoint one (1) member to the Supervisory Board"  
The amended Par. 13.3 and 13.3.1 of the Articles of Association reads as follows:  
"2. The Supervisory Board shall be composed of five (5) members.  
3. Appointment of members to the Supervisory Board is performed as follows:  
1) each shareholder that at the General Shareholders Meeting exercises the voting rights under the Company shares representing over 25% of the votes under all the shares issued by the Company has the right to appoint three (3) members of the Supervisory Board, with the proviso that if two or more such shareholders are present at the General Shareholders Meeting, each of them may separately appoint one (1) member to the Supervisory Board"
10. Resolution on authorising the Supervisory Board to prepare a uniform text of the Company's Articles of Association.

On **June 30th 2004**, the Company signed an annex to the loan agreement of September 11th with Bank Przemysłowo-Handlowy PBK SA, whereby the loan maturity date was extended to June 29th 2005. The agreement is deemed material as the loan amount (PLN 30,000 thousand) exceeds 10% of the Company's equity.

On **July 23rd 2004**, the Supervisory Board of Softbank SA adopted a resolution on re-appointment of Ernst & Young Audit Sp. z o.o. as the chartered auditor to audit the 2004 financial statements of the Company and its Group. Ernst & Young Audit Sp. z o.o., registered office at ul. Emilii Plater 53, Warsaw, Poland, is entered in the register of entities qualified to audit financial statements under Reg. No. 130. The relevant agreement between the parties was to be concluded for a period necessary to perform the audit. Ernst & Young is one of the world's leading audit and consultancy firms.

On **July 23rd 2004**, the Supervisory Board removed Mr Jarosław Ogorzałek from the Company's Executive Board. The Company terminated the employment contract concluded with Mr Ogorzałek and is to pay him PLN 2,068 thousand or offer him 73,857 Company shares at their par value within 90 days following receipt of a relevant request.

On **July 29th 2004**, the powers of proxy granted to Mr Roman Perkowski by the Executive Board was revoked.

On **August 11th 2004**, the Company and the Social Security Authority (ZUS), registered office at ul. Czerniakowska 16, Warsaw, Poland, concluded an agreement on delivery of multi-processor server infrastructure and disc matrix. The total value of the agreement amounts to PLN 19,711 thousand. The delivery date falls within eight weeks from the agreement date. The delivered hardware carries a 36-month guarantee.

On **September 7th 2004**, the Company concluded an agreement, whereby it agreed to acquire 495,000 shares offered by COMP Rzeszów and Mr Adam Góral in the COMP Rzeszów public offering, which was launched on September 8th 2004. The price for the shares acquired by Softbank SA was determined on the basis of the orders

placed during the bookbuilding process (i.e. between September 8th and September 10th 2004). The price fell within the price range set at PLN 85–PLN 94 per share. Furthermore, Softbank SA declared to acquire additional shares offered in the bookbuilding process. The Company wished to acquire 20% – 23% of COMP Rzeszów shares.

Additionally, upon the acquisition of COMP Rzeszów shares by Softbank SA, a cooperation agreement between the two companies, dated September 6th 2004, became effective. The agreement defines the rules governing cooperation between Softbank SA and COMP Rzeszów SA on IT projects in the banking sector. The cooperation will also help expand the companies' offerings for this sector. With the synergy effects produced, the companies will mutually benefit from their know-how and experience as well as their finest resources relating to executed projects.

On **September 9th 2004**, at the General Shareholders Meeting convened on September 3rd 2004 and reconvened after an interval, the following persons were appointed to the Supervisory Board:

1. Ryszard Krauze
2. Maciej Grelowski
3. Stanisław Janiszewski
4. Alicja Kornasiewicz
5. Piotr Mondalski

On **September 15th 2004**, the Company concluded a loan agreement ("Agreement") with Bank BPH SA of Kraków. Under the agreement, the Company was granted an investment loan of PLN 50,000 thousand to co-finance the purchase of shares in COMP Rzeszów IPO. The loan bears interest at 1M WIBOR plus the Bank's margin. The loan will be available until June 2005. Additionally, on September 15th 2004, the Company and Bank BPH signed an annex to the loan agreement of September 11th 2003 (see Current Report No. 41/2003), whereby the available loan amount was limited to PLN 10,000 thousand.

On **September 17th 2004**, the Company concluded an employment contract with a member of the Executive Board of Softbank SA, whereby the member is entitled to acquire 73,857 ordinary bearer shares in Softbank SA at the price which equals the par value, i.e. PLN 1 per share. The Company is to arrange for the Executive Board Member to acquire the shares by December 31st 2004, otherwise the Executive Board Member may demand a contractual penalty of PLN 2,068 thousand.

On **October 18th 2004**, 450,000 ordinary bearer shares of COMP Rzeszów SA, with a par value of PLN 0.10 per share, were registered in the investment account of Softbank SA. Following the registration, Softbank SA holds 605,000 COMP Rzeszów shares, representing 17.54% of the share capital and votes at its General Shareholders Meeting.

Softbank SA purchased COMP Rzeszów shares in the public offering launched on September 8th 2004. The shares were acquired at the issue price of PLN 94 per share, i.e. the aggregate price of PLN 56,870 thousand. The acquisition was financed with Softbank SA's own funds and a bank loan.

On **October 18th 2004**, Softbank SA and COMP Rzeszów SA, registered office in Rzeszów, signed a letter of intent. The signatories of the letter intend to reach an agreement concerning the sale of 892,500 shares in Epsilio SA of Łódź, representing 100% of its share capital, by Softbank SA to COMP Rzeszów SA. The Executive Board of Softbank SA believes that the combination of COMP Rzeszów SA's and Epsilio SA's know-how, resources and experience will foster further dynamic growth of both companies and improvement of profitability thanks to product and sales synergies.

On **October 19th 2004**, the Executive Board of Softbank SA reported completion of work on the Company's strategy for 2004–2006. Softbank SA intends to provide IT services to customers on the financial services market, with particular focus on the banking industry, and public administration sectors.

The Softbank Group plans to specialise and develop its offering in the following business and technology areas:

1. Development and implementation of applications and systems for financial institutions, based on data warehouse technologies, business intelligence, knowledge and information management, including risk management systems;
2. Implementation of transaction applications for retail, corporate and wholesale banking;

3. Implementation of technologically advanced applications for integration of applications, management of security and resources;

4. Execution of specific, one-off projects involving software development and integration for public administration customers;

Softbank SA plans to address its offering to banks and financial institutions as well as public administration bodies in Poland and other countries of Central and Eastern Europe, and this objective governs the activities related to marketing, sales, production and investments. Softbank SA intends to specialise in complex integration projects. In practice it means transition from transactional systems to integration and management systems.

The objectives that underlie the Company's mission and vision include reduction of operating expenses and maximisation of benefits for customers following from optimisation of their business processes. Unlike the previous strategy, assuming market diversification, Softbank SA's current strategy focuses on selected markets which offer the opportunity to gain competitive advantage drawing on the Company's best knowledge and experience. Softbank SA's strategy aims at increasing the firm value by regaining the leading position on the banking market and winning the position of a major player in the public administration sector. In order to achieve high competitiveness and business effectiveness, the key areas of operations will be integrated at the level of Softbank SA.

In practice, such a strategy means that the Softbank Group intends to win a 12-percent share in the Polish market of IT products and services for the banking sector by 2006, and in the same year earn revenue of PLN 360m from this sector, with a 28% gross margin. In 2006, the Group plans to earn revenue of PLN 150m on cooperation with customers in the public administration sector, with a 10% gross margin. The Softbank Group projects that its 2006 net sales revenue will amount to PLN 550m, with a 12% EBITDA margin.

The basis for the projections and their underlying assumptions are contained in the Strategy for 2004–2006 described above. The performance of the planned objectives will be monitored and assessed by the Company after the end of each financial year, based on an analysis of sales revenue and expenses. From the beginning of the first quarter of 2006, the projections will be monitored and assessed by the Company at the end of each quarter.

On **October 21st 2004**, Softbank SA and the Supreme Chamber of Audit executed a PLN 4.5m agreement on delivery and implementation of an Electronic Document Circulation System. The system will be implemented at the Head Office of the Supreme Chamber of Audit and its 16 branches in Poland. The Electronic Document Circulation System is based on the software of Meridio, a reputable American company. Softbank SA is also to arrange relevant training focused on the system operation, and will provide maintenance services.

On **October 29th 2004**, in connection with the tax inspection carried out in 2002–2004 by a tax inspector of the Tax Supervisory Authority of Katowice (described in detail in Annual Report No. SA-R 2003 and Quarterly Report No. SA QSr 1/2004), the Tax Supervisory Authority issued a decision on Softbank SA's VAT tax liability and corporate tax liability for 1998–2001. Total tax liabilities plus default interest was PLN 1.7m. On November 4th 2004, the Company paid its tax liabilities plus due interest. Given the above, in the third quarter of 2004, Softbank SA released the PLN 2.9m provision for the tax liabilities referred to above, which had a positive effect on the Company's operating result.

On **November 18th 2004**, the Executive Board of Softbank SA reported that within the past 12 months the Issuer and PKO BP SA executed agreements totalling PLN 57.2m, which were not disclosed in separate Current Reports.

The agreement of the greatest value (PLN 44.9m) was executed on November 18th 2004. The agreement provides for development of hardware configuration for the purposes of operation of the ZORBA 3000 system. The agreement provides for delivery and implementation of systems software, delivery and installation of HP and IBM hardware (mainly servers and disc matrixes) and provision of additional services related to the implementation of the system. The infrastructure was to be delivered by the end of 2004, and the software installed by the end of the first half of 2005. The agreement also provides for three years' maintenance of hardware and systems software.

The agreement provides for contractual penalties of up to 20% of the agreement's value (VAT exclusive). The Bank is entitled to seek compensation in excess of the value of the contractual penalties under laws of general application. Softbank SA's total liability is limited to the value of the agreement. The value of the agreements is deemed significant as it exceeds 10% of the Issuer's equity.

On **November 22nd 2004**, the Executive Board of Softbank SA received an Annex to a significant agreement executed with ING Bank Śląski SA on October 24th 2001. The agreement provides for the programme of issue of

zero-coupon bonds of up to PLN 100,000 thousand. Due to the expiry of the three-year programme, Softbank SA executed an annex extending the programme for an unspecified period. Other terms of the agreement, which are described in Current Report No. 83/2001 of October 24th 2001 and in Current Report No. 85/2001 of October 25th 2001, remained unchanged. The agreement is deemed significant as the value of the bonds issued exceeds 10% of the Softbank SA's equity.

On **November 30th 2004**, the Executive Board of Softbank SA reported that within the past 12 months the Company and PKO BP SA executed agreements totalling PLN 48.2m, which were not disclosed in separate Current Reports.

The Annex to the agreement with PKO BP SA of October 27th 2003 is of the greatest value (EUR 8.3m); the Annex was executed on November 30th 2004 (Current Report No. 54/2003). The Annex provides for the sale of licence for IBM software, its delivery, installation, and maintenance until December 31st 2007.

The agreement provides for contractual penalties of up to 10% of the agreement's value (VAT exclusive). The Bank is entitled to seek compensation in excess of the value of the contractual penalties under laws of general application. Softbank SA's total liability is limited to the value of the agreement. The value of the agreements is deemed significant as it exceeds 10% of the Issuer's equity.

On **November 30th 2004**, the Company and Face Technologies (PTY) Ltd. of the Republic of South Africa executed an Annex (hereinafter referred to as the "Annex") to the agreement of October 28th 2003 (hereinafter referred to as the "Agreement") published in the Current Report No. 57/2003.

The Annex is deemed significant as its value exceeds 10% of Softbank SA's equity. Under the Annex, the consideration for Face Technologies (PTY) Ltd. was reduced by EUR 8.0m. Pursuant to the Annex, the consideration for Face Technologies (PTY) Ltd. is EUR 4.0m. Within the past 12 months, the Company and Face Technologies (PTY) Ltd. executed in aggregate two Annexes to the Agreement. Under the Annexes, the consideration for Face Technologies (PTY) Ltd. was reduced in aggregate by EUR 12.2m.

Softbank SA assumed part of the liabilities which, under the Agreement, pertained to Face Technologies (PTY) Ltd. Softbank SA assumed the responsibility for the provision of services related to the licence for database software (Oracle) and tool software (Rational Rose), training and systems maintenance services as well as some of adaptation and development work.

On **December 17th 2004**, PKO BP SA (hereinafter referred to as the "Bank"), Accenture Sp. z o.o., Alnova Technologies Corporation S.L., Softbank SA (hereinafter referred to as the "Consortium") executed an Annex to the agreement of August 18th 2003, which was reported by the Executive Board on August 18th 2003 by way of Current Report No. 33/2003.

The Agreement provides for development, delivery, and implementation of the Integrated IT System software (ZSI) at PKO BP SA, as well as the provision of additional services related to the execution of the above project. Under the Annex, the functionality of the delivered software was extended. A decision on the extension of work follows from the Bank's growing needs related to its business and its plans for expansion and upgrading transaction operations and product offer.

Under the Annex, the Consortium's consideration for the implementation of the ZSI software is to be increased by USD 71.2m. The consideration will be paid in 2004–2007, as the work progresses; the implementation of ZSI is to be completed in April 2007. Under the Annex, annual consideration for the maintenance of the system is to increase by USD 2.9m (after the pilot run) to reach USD 7.8m (after the final acceptance of ZSI). Pursuant to the Annex, consideration for Softbank SA will increase by USD 29m (implementation), and, annually, by USD 2.3m for the maintenance (after the pilot run) to reach USD 6.2m (after the final acceptance of ZSI).

The Consortium is obliged, within six months as of the execution of the Annex, to increase the amount of the bank guarantee safeguarding appropriate and timely execution of the project, by USD 5.7m, or to deliver to the Bank a relevant additional bank guarantee. In the event of the Consortium's failure to comply with the said obligation, the Bank has the right to withhold all payments for the Consortium, arising under the Agreement, until the above obligation is complied with. The Consortium is obliged to maintain bank guarantee(s) at least until the lapse of the 18th month as from the final acceptance of ZSI.

Provisions of the Agreement on the delivery and implementation of ZSI, related to contractual penalties and terms of withdrawal from the agreement, will be effective also with respect to the tasks arising under the performance of the Annex.

Contractual penalties provided for in the agreement are determined as percentage of the Agreement value (from 12% to 15%, 20% of the Consortium's consideration for the tasks which were to be performed after the date of

withdrawal from the agreement (in the event of such withdrawal), or 50% of consideration for maintenance services) or in quantitative terms (from USD 1 thousand to USD 15,000 thousand).

In most cases, the payment of contractual penalties does not exclude the parties' right to seek compensation under laws of general application. However, the parties' total liability to damages for non-performance or undue performance of the Agreement is limited to the value of the losses actually suffered, and on no account shall it exceed, contractual penalties included, USD 60m; as far as maintenance services are concerned, the scope of the said liability ranges from 20% to 100% of the annual fees for the provision of such services.

If the work performed by the Consortium does not meet the requirements of the acceptance, the Bank shall be entitled to withdraw from the part of the Agreement under which the work was unduly performed (the termination shall not affect the licence and the maintenance, including maintenance under the terms of the guarantee), or from the entire Agreement if an error of a specific category is revealed and if such an error is not removed within three or six months (depending on the category). Furthermore, the Bank shall have the right to withdraw from the part of the Agreement covering the tasks which have not been performed, without disclosing any reasons for doing so, until the date on which mass implementation is completed, upon payment of compensation for loss of contract of 20% of the supplier's consideration for the tasks which were to be performed after the withdrawal date. The parties agree that the Bank shall not have the right to withdraw from the Agreement, except as provided for therein. The Consortium shall have the right to withdraw from the part of the Agreement covering the tasks which have not been performed if the Bank is in delay with the payment of fees of at least 5% of the consideration for the implementation, and for at least 60 days as from the date on which the Bank was called by the Consortium to pay such fees. The payment of contractual penalties does not exclude the parties' right to seek compensation under laws of general application.

On **December 20th 2004**, Softbank SA and COMP Rzeszów SA executed an agreement for the sale of the Issuer's entire block of shares in Epsilio SA, representing 100% of Epsilio SA's share capital. In consequence, both parties' intentions described in Softbank SA's current report concerning the signed Letter of Intent, dated October 19th 2004 (Current Report No. 53/2004) were effected.

The selling price of the shares is PLN 24,500 thousand. As at September 30th 2004, the book value of the sold assets was PLN 27,807 thousand, as disclosed in Softbank SA's accounting books. The payment will be made in two instalments. The first instalment, representing 51% of the price, that is PLN 12,495 thousand, falls due on December 30th 2004, and the other instalment, representing 49% of the price, that is PLN 12,005 thousand, falls due on December 16th 2005. The other instalment is secured with a registered pledge on 176,471 shares of COMP Rzeszów SA, representing 5.12% of the share capital and the same percentage of votes at the General Shareholders Meeting. The pledge on the shares is established under a separate agreement by Mr Adam Góral for the benefit of Softbank SA.

Epsilio SA specialises in bank telecommunications and operates mainly in the cooperative banking sector. The company's credentials include implementation of a central banking system at Bank Gospodarki Żywnościowej SA maintaining 2.8m accounts. Following three quarters of 2004, Epsilio SA's sales revenue was PLN 20,993 thousand, and its net profit – PLN 4,115 thousand.

COMP Rzeszów SA specialises in development and implementation of IT systems for the financial sector. Since its inception, COMP Rzeszów SA has provided services to the cooperative banking sector, in which it holds an over 30% share. COMP Rzeszów SA provides services to over 40% of small and medium-sized banks throughout Poland. Following three quarters of 2004, COMP Rzeszów SA's sales revenue was PLN 67.5m, and its net profit – PLN 8.2m.

The disposal of Epsilio SA to COMP Rzeszów SA will help to combine the know-how, resources and experience of both companies in terms of providing IT solutions to the cooperative banking sector. In addition, the cost and product synergies will help Epsilio SA reduce its operating expenses.

Softbank SA holds 605,000 shares in COMP Rzeszów SA, representing 17.54% of the share capital and total vote at the General Shareholders Meeting. One of the Members of Softbank SA Executive Board holds the position of Vice-Chairman of the Supervisory Board of COMP Rzeszów SA. The share purchase agreement is deemed significant as the value of the assets being sold exceeds 10% of Softbank SA's equity.

On **December 30th 2004**, an Extraordinary General Shareholders Meeting was held at Softbank SA's registered offices. The Meeting adopted one resolution concerning the principles applied in the preparation of the Company's financial statements. In connection with the coming into force as of January 1st 2005 of the provisions of Art. 45.1a-1c of the Polish Accountancy Act of September 29th 1994, the Extraordinary General Shareholders Meeting resolved that the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards, commencing with the statements for the financial year starting on January 1st 2005. The

resolution becomes effective on the date of coming into force of the provisions of Art. 45 1a-1c of the Polish Accountancy Act of September 29th 1994.

### ***Key Events Reported by the Group Subsequent to the Balance-Sheet Date***

On **January 7th 2005**, the Executive Board of Softbank SA was notified that the registered pledge on the shares of Epsilio SA of Łódź was cancelled. The pledge was created on September 30th 2003 (Current Report No. 48/2003) under a loan agreement between Softbank SA and ING Bank Śląski SA. The pledge was created on 892,500 shares of Epsilio SA, with a par value of PLN 1 per share, representing in total 100% of the entire number of shares held by this entity, and conferring the right to 100% of the total vote at the General Shareholders Meeting. The pledged assets are deemed assets of significant value, as the pledge was established on over 20% of the share capital of the Issuer's subsidiary undertaking.

On December 20th 2004, Softbank SA and COMP Rzeszów SA executed an agreement for the sale of the Issuer's entire block of shares in Epsilio SA, representing 100% of Epsilio SA's share capital. This transaction was described in detail in Current Report No. 61/2004.

On **January 13th 2005**, the Company signed an annex to a loan agreement with Bank BPH SA of Kraków, dated September 11th 2003 (Current Report No. 41/2003), which extends the possibility to use the loan advanced on that date to up to PLN 30,000 thousand. The loan bears interest a 1M WIBOR plus the Bank's margin. The loan will be available until June 29th 2005. The agreement is deemed significant, as its value exceeds 10% of Softbank SA's equity.

On **January 27th 2005**, the Company concluded agreements on the acquisition from three natural persons of the aggregate number of 7,000 shares in Sawan Grupa Softbank SA of Kraków, with a par value of PLN 11 per share, for the total amount of PLN 3,491.5 thousand. The acquired shares represent 28.12% of the share capital and the total vote at the General Shareholders Meeting of Sawan Grupa Softbank SA, on which grounds they may be deemed assets of significant value.

The payment of PLN 1,791.5 thousand will be made in cash and will be financed with the Company's own funds, and the payment of PLN 1,700 thousand will be executed through the transfer upon the seller of the perpetual usufruct right to real estate held by Sawan Grupa Softbank SA, or in cash, at the discretion of Softbank SA. The settlement will be made by way of transfer from Softbank SA to Sawan Grupa Softbank SA.

Following the transaction, Softbank SA will hold 24,895 shares, with a total par value of PLN 273.8 thousand, representing 100% of the share capital and conferring the right to 100% of the total vote at the General Shareholders Meeting of Sawan Grupa Softbank SA.

There are no links between Softbank SA, its managing or supervising personnel, and the parties selling the shares, referred to in Par. 2.1.30 of the Regulation of the Polish Council of Ministers on the Warsaw Stock Exchange. As at January 26th 2005, the book value of Sawan Grupa Softbank SA was PLN 10,630 thousand, as disclosed in Softbank SA's accounting books. The value of the acquired shares will be entered in the accounting books of Softbank SA at their acquisition price.

On **March 24th 2005**, the Company signed an annex to the agreement with Bank PKO BP SA of October 27th 2003 (Current Report No. 54/2003), amounting to PLN 67.4m. The agreement provides for the delivery, installation, maintenance and upgrade of the tool software supporting development and operation of the systems used by the Bank. The agreement provides for contractual penalties of up to 10% of the agreement's value (VAT exclusive). The Bank is entitled to seek compensation in excess of the value of the contractual penalties under laws of general application. Softbank SA's total liability is limited to the value of the agreement.

Over the last 12 months, the Company executed agreements with Bank PKO SA amounting to the aggregate value of PLN 79.4m, which it has not announced in current reports, as the agreements did not qualify as significant agreements. The value of the concluded agreements is deemed significant as it exceeds 10% of the Company's equity.

On **April 6th 2005**, the Company's Executive Board announced that the General Shareholders Meeting was to be held on May 6th 2005 at 10 am at the Company's registered offices at ul. 17 Stycznia 72a, Warsaw, Poland, and published the following draft resolutions:

1. Adoption of a resolution approving the 2004 financial statements, including the balance sheet, profit and loss account, cash-flow statement, and supplementary notes.
2. Adoption of a resolution approving the 2004 consolidated financial statements of the Softbank Group, including the consolidated balance sheet, consolidated profit and loss account, consolidated cash-flow statement, and supplementary notes.
3. Adoption of a resolution concerning distribution of the 2004 profit.
4. Adoption of a resolution approving the Directors' Report on the Company's Activities in 2004.
5. Adoption of a resolution approving the Supervisory Board's Report on its activities for 2004.
6. Adoption of a resolution approving performance of duties by the President of the Company's Executive Board in 2004.
7. Adoption of a resolution approving performance of duties by the members of the Company's Executive Board in 2004.
8. Adoption of a resolution approving performance of duties by Members of the Company's Supervisory Board in 2004.
9. Adoption of a resolution approving the increase in the Company's share capital through the issue of Series T shares with the existing Shareholders' pre-emptive rights waived.
10. Adoption of a resolution approving the increase in the Company's share capital through the issue of Series U shares, with June 6th 2005 as the date on which the Shareholders may acquire the shares.

Simultaneously, the Executive Board of Softbank SA announced that the key objectives of the share issue provided for in the said agenda of the General Shareholders Meeting include planned transactions of acquisition of shares, equity interests and other assets, which are to be financed with the financial resources obtained in connection with the increase in the share capital, or with non-cash contributions intended to cover the increased share capital. It is the intention of the Executive Board of Softbank SA to issue 8,369,295 shares as part of the share issue referred to above. The estimated proceeds from the issue are to amount to PLN 190m.

### ***Explanation of Differences between the Financial Results Disclosed in SA-RS 2004 Report and Previously Published Forecasts***

The Issuer did not publish any forecasts for the 2004 consolidated and non-consolidated financial results.

### ***Changes in Organisational or Capital Links, as well as Main Equity Investments and the Manner of Their Financing***

As at December 31st 2004, Softbank SA held shares or equity interests in the following business entities:

<i>No.</i>	<i>Subsidiary and associated undertakings</i>	<i>% of the share capital held</i>
1.	<i>Softbank Serwis Sp. z o.o.</i>	<i>100.0 %</i>
2.	<i>bezpieczeństwo.pl Sp. z o.o. (*)</i>	<i>100.0 %</i>
3.	<i>Epsilio SA</i>	<i>100.0 %</i>
4.	<i>Mediabank SA</i>	<i>100.0 %</i>
5.	<i>Sawan Grupa Softbank SA (**)</i>	<i>71.88 %</i>
6.	<i>Zakład Usług informatycznych NOVUM Sp. z o.o.</i>	<i>51.0 %</i>
7.	<i>NetPower SA</i>	<i>49.0 %</i>

<i>No.</i>	<i>Other undertakings</i>	<i>% of the share capital held</i>
1.	<i>Comp Rzeszów SA</i>	<i>17.54%</i>

(\*) On April 1st 2004, the Executive Board of Softbank SA reported that on March 31st 2004, Softbank SA and bezpieczeństwo.pl Sp. z o.o., the Issuer's wholly-owned subsidiary, executed an agreement on the sale of business whereby the Issuer acquired the business understood as the tangible and intangible assets comprising the Seller's entire business, as defined in Art. 55.1 of the Polish Civil Code, excluding the Seller's company name. The selling

price of the business stands at PLN 35 thousand, and was set on the basis of a valuation prepared by an independent expert.

On **April 7th 2004**, Softbank SA and Rodan Investments Sp. z o.o. of Warsaw executed an agreement for the sale of Softbank SA's entire block of shares in Zeto Rodan Sp. z o.o. of Warsaw.

On **June 29th 2004**, Softbank SA was notified that on June 14th 2004 the court registered an increase in the share capital of Agencja Wydawnicza i Marketingowa Mediabank SA, the Issuer's subsidiary undertaking. The Issuer holds all the shares in Agencja Wydawnicza i Marketingowa Mediabank SA, representing 100% of the company's share capital and conferring the right to 100% of the total vote at the General Shareholders Meeting.

On **September 7th 2004**, Softbank SA executed an agreement whereby it undertook to acquire the total of 495,000 (four hundred and ninety-five thousand) shares offered by COMP Rzeszów SA (COMP Rzeszów) and Mr Adam Góral as part of a public offering of Comp Rzeszów SA shares to be launched on September 8th 2004. On October 18th 2004, Softbank SA was notified of the registration in the Company's investment account of 450,000 ordinary bearer shares of COMP Rzeszów SA, with a par value of PLN 0.10 per share. Following the registration, Softbank SA holds 605,000 COMP Rzeszów SA shares, representing 17.54% of the share capital and the same percentage of votes at its General Shareholders Meeting. Softbank SA purchased shares of COMP Rzeszów SA in a public offering launched on September 8th 2004.

On **December 20th 2004**, Softbank SA and COMP Rzeszów SA executed an agreement for disposal of the Issuer's entire block of shares in Epsilio SA, representing 100% of Epsilio SA's share capital.

(\*\*) On **January 27th 2005**, the Company concluded agreements for the acquisition from three natural persons of the aggregate number of 7,000 shares in Sawan Grupa Softbank SA of Kraków, with a par value of PLN 11 per share, for the total amount of PLN 3,491.5 thousand. The acquired shares represent 28.12% of the share capital and the total vote at the General Shareholders Meeting of Sawan Grupa Softbank SA. In performance of the transaction, Softbank SA became the holder of 100% of shares in Sawan Grupa Softbank SA.

The acquisition was financed with the Company's own funds and bank loans.

### ***Characteristics of the Group's Policy on Development Management***

The Softbank Group intends to provide IT services to customers on the financial services market, with particular focus on the banking and public administration sectors. The Group's areas of specialisation are business and technology, including: development and implementation of applications and systems for financial institutions, based on data warehouse technology; business intelligence; knowledge and information management; implementation of transaction applications for retail, corporate, and wholesale banking; implementation of technologically advanced application integration systems; management of security and resources; execution of specific, one-off IT projects for public administration customers. In terms of knowledge and competence development, the Group will continue to focus primarily on furthering its expertise in the areas and technologies listed above.

Accounting and financial records of companies in the Softbank Group were supported by various specialised IT systems, including Oracle, IFS, and Symfonia. In addition, some companies procured services of specialised accounting firms and agencies.

### ***Related-Party Transactions***

On **January 6th 2004**, Softbank SA and Softbank Serwis Sp. z o. o., the Issuer's wholly-owned subsidiary, executed a subcontracting agreement under which Softbank Serwis Sp. z o. o. is to develop, assist in the implementation and operate the infrastructure of the Central Register of Vehicles and Drivers (CEPiK). The subcontractor is to receive PLN 8,855 thousand, VAT exclusive, as consideration for the work performed. The consideration will be paid in a phased manner, after Softbank SA's bank account is credited with successive payments due from the Customer, i.e. the Ministry of Internal Affairs and Administration.

On **April 22nd 2004**, Softbank SA executed an Annex to the subcontracting agreement of January 6th 2004 with Softbank Serwis Sp. z o. o. (the Issuer's wholly-owned subsidiary undertaking). Under the Annex, the agreement



was amended in such a manner that the subcontractor is to receive the final consideration for all the work performed in the amount of PLN 15,204 thousand, VAT exclusive, (which represents an increase by PLN 6,349 thousand). 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 aimed at optimisation of the Issuer's resources. As disclosed in the Current Report of January 2004, the consideration will be paid in a phased manner, after Softbank SA's bank account is credited with successive payments due from the Customer, i.e. the Ministry of Internal Affairs and Administration.

On **June 29th 2004**, the Company obtained information aware that on June 14th 2004 the court registered the increase of the share capital of Agencja Wydawnicza i Marketingowa Mediabank SA, the Issuer's subsidiary undertaking. Currently, the share capital of AWiM Mediabank SA amounts to PLN 10,015 thousand. The Issuer holds 100,150 shares representing 100% of the share capital of AWiM Mediabank SA, conferring the right to 200,300 votes at the General Shareholders Meeting, and representing 100% of the total vote.

When executing implementation projects on the IT services market in 2004, the Softbank Group concluded a number of transactions with undertakings in the Prokom Group SA. The table below sets forth values of purchases and sales under transactions with these companies.

<i>No.</i>	<i>Undertaking</i>	<i>Softbank Group's sales to the Prokom Group member (PLN '000, VAT exclusive)</i>	<i>Softbank Group's purchases from the Prokom Group member (PLN '000, VAT exclusive)</i>
1.	Prokom Software SA	1,955	117,856
2.	Safe Computing Sp. z o.o.	0	220
3.	OptiX Polska Sp. z o.o.	0	608
4.	COMP SA (*)	0	6,996
5.	Incenti SA	10	0
6.	KOMA SA	24	0
7.	Postdata SA	1	0

(\*) Data on turnover with Comp SA for the period from December 23rd 2004 to December 31st 2004.

The majority of transactions between Softbank SA and the subsidiaries within the Softbank Group were related to joint execution of implementation or IT projects. A small percentage, however, involved transactions executed for the Group's internal purposes. The table below presents values of transactions with the Softbank Group's undertakings.

<i>No.</i>	<i>Undertaking</i>	<i>Softbank SA's sales to the Group member (PLN '000, VAT exclusive)</i>	<i>Softbank SA's purchases from the Group member (PLN '000, VAT exclusive)</i>
1.	AWiM Mediabank SA	5	31
2.	bezpieczeństwo.pl Sp. z o.o.	0	0
3.	Bielpolsoft Joint Venture	0	0
4.	Epsilio SA	139	192
5.	NetPower SA	4	0
6.	SAWAN Grupa Softbank SA	4	1,167
7.	SABA Grupa Softbank S.A (*)	0	0
8.	Softbank Serwis Sp. z o.o.	930	24,212

9.	Zakład Usług Informatycznych „NOVUM” Sp. z o.o.	0	273
10.	Zeto-Rodan Sp. z o.o.(**)	0	0

(\*)Data on turnover with Saba Grupa Softbank SA for the period from January 1st 2004 to February 28th 2004, i.e. until the date when Softbank SA disposed of all its shares in the company.

(\*\*)Data on turnover with Zeto Radan Spółka z o.o. for the period from January 1st 2004 to March 31st 2004, i.e. until the date when Softbank SA disposed of all its shares in the company.

## Credit, Loan, Surety and Guarantee Agreements

### Bank Guarantees and Letters of Credit

As part of its operations, the Softbank Group uses bank guarantee and letter-of-credit facilities as a security for transactions with various organisations, companies and administrative institutions.

As at December 31st 2004, the following bank guarantees were issued at the request of Softbank SA by banks with whom Softbank SA holds bank accounts:

<b>Beneficiary</b>	<b>Amount and currency</b>	<b>Maturity date</b>	<b>Type of guarantee</b>
<b>Wiśniowy Developments E Sp. z o.o.</b>	USD 186 thousand	May 17th 2007	Payment guarantee
<b>IBM World Trade Corporation, USA</b>	USD 400 thousand	July 14th 2003	Payment guarantee
<b>P.P.U.P. Poczta Polska, Centralny Zarząd Poczty Polskiej</b>	PLN 208.9 thousand	March 16th 2005	Securing claims over the guarantee period
<b>P.P.U.P. Poczta Polska, Centralny Zarząd Poczty Polskiej</b>	PLN 57.6 thousand	May 26th 2005	Securing claims over the guarantee period
<b>Fundusz Współpracy foundation</b>	EUR 1.3 thousand	April 14th 2005	Performance bond
<b>Fundusz Współpracy foundation</b>	EUR 1.2 thousand	April 4th 2005	Performance bond
<b>Fundusz Współpracy foundation</b>	EUR 7.5 thousand	March 28th 2005	Performance bond
<b>Fundusz Współpracy foundation</b>	EUR 1.6 thousand	April 4th 2005	Performance bond
<b>Ministry of Finance</b>	PLN 16 thousand	February 13th 2005	Performance bond
<b>State Police Headquarters</b>	PLN 88.5 thousand	March 24th 2005	Securing claims over the guarantee period
<b>Miejskie Przedsiębiorstwo Komunikacyjne SA</b>	PLN 211.7 thousand	January 3rd 2006	Performance bond
<b>Agency for Restructuring and Modernisation of Agriculture</b>	PLN 203.8 thousand	February 10th 2006	Performance bond and to secure claims under statutory warranty and guarantee
<b>Social Security Authority (ZUS)</b>	PLN 797.1 thousand	February 22nd 2006	Performance bond
<b>Prokom Software SA</b>	PLN 98 thousand	February 28th 2005	Performance bond and to secure claims under statutory warranty and guarantee
<b>Agency for Restructuring and Modernisation of Agriculture</b>	PLN 207.7 thousand	April 9th 2007	Performance bond and to secure claims under statutory warranty and guarantee
<b>Spółka Poczty Fundusz Leasingom Sp. z o.o.</b>	PLN 23.8 thousand	March 12th 2007	Performance bond and to secure claims under statutory warranty and guarantee
<b>Telekomunikacja Polska SA</b>	PLN 131.5 thousand	August 13th 2007	Performance bond
<b>the Bielsko Biala Municipality</b>	PLN 51.2 thousand	January 5th 2006	Performance bond and to secure claims under statutory warranty and guarantee
<b>Hewlett-Packard Polska Sp. z o.o.</b>	PLN 1,000 thousand	July 31st 2007	Performance bond
<b>Agency for Restructuring and Modernisation of Agriculture</b>	PLN 73.7 thousand	July 4th 2005	Performance bond and to secure claims under statutory warranty and guarantee
<b>Fundusz Współpracy (fund)</b>	PLN 11.6 thousand	December 28th 2004	Tender deposit
<b>Agency for Restructuring and Modernisation of Agriculture</b>	PLN 71.2 thousand	July 31st 2005	Performance bond and to secure claims under statutory warranty and guarantee

<b>Beneficiary</b>	<b>Amount and currency</b>	<b>Maturity date</b>	<b>Type of guarantee</b>
<b>Social Security Authority (ZUS)</b>	PLN 1,202.3 thousand	October 20th 2007	Performance bond and to secure claims under statutory warranty and guarantee
<b>Institute of Meteorology and Water Management</b>	EUR 10.2 thousand	February 28th 2005	Return of prepayment
<b>Institute of Meteorology and Water Management</b>	PLN 328 thousand	February 28th 2005	Return of prepayment
<b>Institute of Meteorology and Water Management</b>	EUR 10.2 thousand	February 28th 2007	Performance bond
<b>Institute of Meteorology and Water Management</b>	PLN 328 thousand	February 28th 2007	Performance bond
<b>Bank Gospodarki Żywnościowej SA</b>	PLN 10 thousand	February 28th 2005	Tender deposit
<b>Powszechna Kasa Oszczędności Bank Polski SA</b>	PLN 1,000 thousand	January 17th 2005	Tender deposit
<b>State Police Headquarters</b>	PLN 300 thousand	February 28th 2005	Tender deposit
<b>State Police Headquarters</b>	PLN 400 thousand	February 28th 2005	Tender deposit
<b>Face Technologies (PTY) LTD</b>	EUR 4,000 thousand	November 30th 2005	To secure claims

On August 5th 2004, Softbank SA extended the agreement with TUIR Warta SA for issuing contractual insurance guarantees. As at December 31st 2004, the insurance company which provides services to Softbank SA issued the following insurance guarantees at the Company's request:

<b>Beneficiary</b>	<b>Amount and currency</b>	<b>Maturity date</b>	<b>Type of guarantee</b>
<b>State Police Headquarters</b>	PLN 300 thousand	January 8th 2005	Tender deposit
<b>State Police Headquarters</b>	PLN 400 thousand	January 8th 2005	Tender deposit
<b>State Police Headquarters</b>	PLN 50 thousand	January 8th 2005	Tender deposit
<b>Supreme Chamber of Audit (NIK)</b>	PLN 452.3 thousand	December 14th 2006	Performance bond
<b>State Police Headquarters</b>	PLN 539 thousand	December 31st 2004	Tender deposit
<b>State Police Chief</b>	PLN 86.7 thousand	January 23rd 2005	Performance bond

As part of its operations, the Softbank Serwis Sp. z o.o. uses bank guarantee and letter-of-credit facilities as a security for transactions with various organisations, companies and administrative institutions.

As at December 31st 2004, the following bank guarantees were issued at the request of Softbank Serwis Sp. z o.o. by banks with whom the company holds bank accounts:

<b>Beneficiary</b>	<b>Value (in currency)</b>	<b>Exchange rate as at Dec 31 2004</b>	<b>Value (PLN '000)</b>	<b>Maturity date</b>	<b>Type of guarantee</b>
<b>Pracownicza Spółdzielnia Mieszkaniowa SOBIESKI</b>	PLN 41.1 thousand	1	PLN 41,1 thousand	March 30th 2005	Performance bond
<b>Górnośląskie Przedsiębiorstwo Wodociągów Zarząd Inwestycji w Katowicach</b>	PLN 176.2 thousand	1	PLN 176,2 thousand	January 15th 2005	Performance bond
<b>IBM Polska Sp. z o.o.</b>	PLN 39 thousand	1	PLN 39 thousand	April 30th 2008	Performance bond
<b>PKN ORLEN SA</b>	PLN 50 thousand	1	PLN 50 thousand	February 13th 2005	Security
<b>PPU Energetyka Sp. z o.o.</b>	15,2 thousand EUR	4.0790	EUR 62.2 thousand	March 31st 2007	Security for lease agreement

## Sureties and Guarantees

As at December 31st 2004, the balance of sureties granted by Softbank SA was as follows:

- Surety for AWiM Mediabank SA's liabilities under an agreement for a PLN 1,200 thousand investment loan. The amount outstanding under the loan was PLN 300 thousand as at December 31st 2004;
- Surety for Sawan Grupa Softbank SA's liabilities under the agreement of November 26th 2003, concerning the lease of office space, 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. The estimated value of the surety was PLN 4,999 thousand as at December 31st 2004;
- Surety for Softbank Serwis Sp. z o.o.'s liabilities under the agreement of February 26th 2004, concerning the construction of a structural network, concluded between Softbank Serwis Sp. z o.o. and Tyco Sp. z o.o. The estimated value of the surety was PLN 7,342 thousand as at December 31st 2004.

As at December 31st 2004, the balance of guarantees granted by Softbank SA was as follows:

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

## Loans, Borrowings and Debt Securities

In 2004, the agreement between Softbank SA and ING Bank Śląski SA concerning the programme for issue of promissory notes/commercial paper continued. As at December 31st 2004, the liabilities under issued commercial paper stood at PLN 64,000 thousand (par value).

The issues have the following maturities:

<i>Series</i>	<i>Par value</i>	<i>Maturity date</i>
<i>N</i>	<i>PLN 4,000 thousand</i>	<i>January 10th 2005</i>
<i>O</i>	<i>PLN 12,000 thousand</i>	<i>January 10th 2005</i>
<i>R</i>	<i>PLN 12,500 thousand</i>	<i>February 10th 2005</i>
<i>B</i>	<i>PLN 15,000 thousand</i>	<i>February 24th 2005</i>
<i>I</i>	<i>PLN 3,000 thousand</i>	<i>February 24th 2005</i>
<i>P</i>	<i>PLN 1,500 thousand</i>	<i>March 9th 2005</i>
<i>K</i>	<i>PLN 5,000 thousand</i>	<i>April 20th 2005</i>
<i>G</i>	<i>PLN 7,000 thousand</i>	<i>September 9th 2005</i>
<i>L</i>	<i>PLN 4,000 thousand</i>	<i>December 6th 2005</i>

The proceeds from these issues were intended to finance the Company's core activities.

On **June 30th 2004**, Softbank SA and PKO BP SA executed an annex to the loan agreement dated September 13th 2002, concerning a current-account loan of up to PLN 5,000 thousand, effective until June 30th 2005. As at the balance-sheet date, Softbank SA's liability under the agreement amounted to PLN 0.

In 2004, the agreement between Softbank SA and ING Bank Śląski SA dated February 13th 2001, concerning the current-account loan of up to PLN 10,000 thousand, continued. As at the balance-sheet date, the credit line had not been used.

On **December 16th 2004**, Softbank SA and ING Bank Śląski executed an agreement terminating the loan agreement dated September 30th 2003. Softbank SA had settled all liabilities under the agreement.

On **September 15th 2004**, Softbank SA and Bank BPH SA executed an annex to the loan agreement dated September 11th, which reduced the loan's principal to PLN 10,000 thousand. As at December 31st 2004, Softbank SA's liabilities under the agreement stood at PLN 0.

Pursuant to the agreement dated September 15th 2004, which was executed by and between Softbank SA and Bank BPH SA, the Company was granted an investment loan of PLN 50,000 thousand. The loan was made available until June 14th 2005. As at the balance-sheet date, the liability under the loan agreement stood at PLN 36,870 thousand.

On **October 29th 2004**, Softbank SA and Raiffeisen Bank Polska SA executed an annex to the loan agreement dated April 30th 2004, concerning the use of the current-account loan of up to PLN 10,000 thousand until October 28th 2005. As at December 31st 2004, the credit line had not been used.

On **September 9th 2004**, Softbank Serwis Sp. z o.o. and Bank Millennium SA of Warsaw executed a current-account loan agreement of up to PLN 2,100 thousand. The loan was secured with tangible assets, a blank promissory note, a security mortgage on land real estate and a blocked deposit. The agreement was executed with a view to financing current activities on a short-time basis. As at December 31st 2004, the liability under the loan stood at PLN 0 thousand. The loan shall be finally repaid by September 10th 2005.

On **September 2nd 2003**, Softbank Serwis Sp. z o.o. and Bank Millennium SA of Warsaw executed a stand-by loan agreement with a view to financing, *inter alia*, payments under realised guarantees, commission on the used portion of the loan and commission on advanced guarantees up to PLN 200 thousand. The loan was secured with a blank promissory note with guarantee, representation on submission to enforcement and irrevocable powers of attorney to the bank account. On August 13th 2004, the agreement was amended by way of an annex under which the loan amount was increased to up to PLN 300 thousand; on October 22nd 2004, a similar change was introduced, as a result of which the loan amount was increased to up to PLN 800 thousand. As at December 31st 2004, the liability under the loan amounted to PLN 0 thousand. The loan is to be finally repaid by January 31st 2006.

On **December 17th 2002**, AWiM Mediabank SA and BRE Bank SA executed a PLN 900 thousand loan agreement. The loan is secured with tangible assets worth PLN 232 thousand and a surety issued by Softbank SA up to the amount of PLN 1,023 thousand. The loan was contracted with a view to financing launch of media-related activities. As at December 31st 2004, the liability under the loan amounted to PLN 300 thousand. The loan shall be finally repaid by December 31st 2005.

On **September 28th 2000**, Sawan Grupa Softbank SA and Bank BPH SA executed a current-account loan agreement of up to PLN 2,000 thousand. The agreement was extended by way of annexes dated September 12th 2003 and October 12th 2004. The loan is secured with tangible assets, a blank promissory note, a security mortgage on land real estate, a blocked deposit and a guarantee issued by Softbank SA. The agreement was executed with a view to financing current activities on a short-time basis. As at December 31st 2004, the liability under the loan stood at PLN 1,805 thousand. The loan was made available until June 30th 2005.

On **October 31st 2001**, Sawan Grupa Softbank SA and Bank BPH SA of Kraków executed a current-account loan agreement of up to PLN 300 thousand. The agreement was extended by way of annexes dated October 31st 2003 and October 26th 2004. The loan is secured with a blank promissory note, assignment of claims, powers of attorney to the bank account kept with BPH SA and a guarantee issued by Softbank SA. The agreement was executed with a view to financing current activities on a short-time basis. As at December 31st 2004, the liability under the loan stood at PLN 0 thousand. The loan shall be finally repaid by June 30th 2005.

On **October 8th 1999**, Epsilio SA and Polish Agency for Enterprise Development (PARP) executed a PLN 700 thousand loan agreement. The loan was secured with a blank promissory note and a pledge over accounts receivable. The agreement was executed with a view to financing an implementation undertaking. The loan shall be repaid by September 30th 2004. The last instalment was repaid on September 16th 2004. As at December 31st 2004, the Company had no liabilities under the loan.

## Loan Agreements

Loans advanced by Softbank SA as at December 31st 2004:

On **July 27th 2004**, Softbank SA advanced a PLN 1,045 thousand loan to AWiM Mediabank SA. The loan bears interest at 3M WIBOR plus 2.5 percentage points *p.a.* The repayment date is July 27th 2005.

On **October 14th 2004**, Softbank SA advanced a PLN 1,000 thousand loan to AWiM Mediabank SA. The loan bears interest at 3M WIBOR plus 2.5 percentage points *p.a.* The repayment date is April 14th 2006.

As at the balance-sheet date, the aggregate amount of loans advanced to AWiM Mediabank SA was covered with a valuation allowance.

On **August 30th 2004**, Softbank SA advanced a PLN 1,000 thousand loan to Sawan Grupa Softbank SA. The loan bears interest at 3M WIBOR plus 2.5 percentage points *p.a.* The loan is to be repaid by August 31st 2005. As at the balance-sheet date, the liabilities of Sawan Grupa Softbank SA under the said agreement were PLN 807 thousand.

As at December 31st 2004, Softbank SA's receivables under the loans advanced were PLN 2,899 thousand, including interest on the loans advanced in the amount of PLN 54 thousand.

### ***Assessment of the Group's Current and Future Financial Situation and Financial Resources Management***

In 2004, the Group met its trade and investment liabilities in a timely manner. Softbank SA maintains credit lines with various banks and issues debt securities which are being acquired by various investors. Thanks to this policy, the Company diversifies its fund raising portfolio. Debt securities are issued for increasingly longer periods. The Group's undertakings sought to fulfil their liabilities using operating cash flow, supported by external funds such as short-term current account credit lines, loans and borrowings, and contributions to equity.

The Group invested its free funds in low-risk securities of high liquidity (underwritten by the bank or parent undertaking), or bank deposits.

Given the high currency fluctuations and the long-term trade contracts in foreign currency, the Company hedges the expected cash flow related to both sales and purchases. Softbank's active policy in this area helps minimise the adverse effects of the foreign currency fluctuations on the Company's results.

### ***Use of Issue Proceeds from May 1998 to December 2004***

All the issue proceeds were used prior to the reporting period.

### ***Assessment of Feasibility of Planned Investments, Including Equity Investments, in the Light of the Funds Available to the Group, Taking into Account Possible Changes in the Structure of Financing of the Investment Activities***

The Group's investments were planned in such a way as to enable their execution without any adverse effect on the Group companies current financial liquidity. In the case of investment projects requiring more funds related to long-term execution of the current and future contracts, investments in acquisitions and product development, the financing will come from external sources, such as loans, borrowings, debt securities and share issue proceeds.

The Group's capital investments planned for 2005 should amount to PLN 204m.

### ***Softbank Group on the IT Market***

The Softbank Group is one of Poland's leading IT businesses providing integrated solutions for the financial and banking sectors. With their extensive experience, insights into business customers' needs, teams of experienced professionals, and technology, the Group companies are well positioned to participate in the key IT projects in the financial and banking sectors. The future market position of the Group will be shaped by the internal factors related to restructuring, rearrangement of its expertise, product and service portfolio, cooperation within the Prokom Group as well as such external market conditions as trends on the IT market in Poland and among key customers, including transformations driven by the EU enlargement.

In 2004, the Polish banking sector showed a rapidly growing interest in banking risk management solutions and preparation for implementation of the international accountancy standards under the New Capital Accord of the Basel Committee. In 2004, the Softbank Group closely and actively cooperated with Fermat of France, a leading provider of risk management systems in Europe. One of the Group's competitive strengths is its know-how and experience gathered during the implementation for BZ WBK SA as well as the experience gained by Sawan Grupa Softbank SA in the course of developing the data warehouse and reporting systems. They enable combination of

the applications provided by Fermat into the Integrated Risk Management Platform. The Group intends to be a key supplier of these systems.

The Group's key development areas include participation in large IT projects, offering integrated solutions, particularly solutions based on application integration, design and supply of information management systems (data warehouses and business intelligence solutions), including the applications for banking risk analyses, development of safety systems and applications for electronic access channels falling within the category of e-banking, or particularly m-banking. In this respect, the companies have unique experience and know-how, which will be expanded in the future.

### ***External and Internal Factors Material for the Group's Development. Development Prospects to the End of 2005, Including Elements of the Company's Market Strategy***

The key external factor for the Polish economy is Poland's accession to the European Union. In terms of computerisation, particularly in the public administration sector, Poland considerably lags behind the EU. The situation looks much brighter in the financial and banking sectors, where the gap is narrower. IT expenditure per employee in Polish companies represents ca. one-fifth of the figure for developed countries. On average, leading Polish companies spend ca. 0.5% of their sales revenue on IT development, whereas in Europe, the average is 2.5%. Upon the EU enlargement, the IT market is expected to expand dynamically, particularly in the public administration, where the backwardness both in terms of infrastructure and applications is evident, but also in telecommunications, public utilities sector or export. Poland's entrance to the EU may accelerate the consolidation processes also among IT companies so that they can operate on the regional market, and given the off-shore outsourcing used in Europe, the Polish IT companies will also have to face the competitors from India.

The major trends and processes on the banking market, which is the key customer for the Softbank Group, include:

- acceleration of the consolidation processes (mergers and acquisitions) in banks, and shifting of decision-making processes outside of Poland,
- necessity to perform adjustment processes in the area of banking risk management, as required by the Basel Committee II,
- stronger information needs following from improved management efficiency,
- modest growth of outsourcing,
- integration of traditional and electronic forms of distribution of banking products.

With respect to internal factors, the stabilisation – in the long run – of the Softbank Group's position was driven mainly by winning a long-term contract for computerisation of PKO BP SA (August 2003), execution of the long-term project CEPIK (Central Register of Vehicles and Drivers), and other large projects in the insurance and public administration sectors together with Prokom Software SA.

At its Group companies, Softbank launched certain processes to enhance the Group's competitive edge, increase the management efficiency and improve cost control. The Group is also rearranging and expanding its offering. New products to be added will be developed using own resources and drawing on the Group's experience, but will also be taken over from other companies with niche products or promising customers, or may be developed in cooperation with companies comprising the Prokom Software Group or through business alliances with foreign software makers.

Additionally, the Softbank Group plans to progress technologically through application of such CASE tools as data modelling, testing and infrastructure management/administration.

### ***Softbank Group's Achievements and Development Prospects in 2004***

In 2004, **Softbank Serwis Sp. z o.o.** focused primarily on performance of contracts on hardware supplies and maintenance, IT/communications services, data processing, and outsourcing of IT systems. The company's key customer is Softbank SA. Softbank Serwis is a subcontractor in major projects, such as CEPIK or CPDR, executed by Softbank SA. The company also sought to attract small and medium-sized companies, by offering them its own business management support systems.

**Sawan Grupa Softbank SA** concentrated on business intelligence products, systems and services. In addition to operation in the banking sector, the company worked on attracting customers from other areas. Its plans and development prospects provide primarily for performance of new contracts on supply of ready products, as well as for use of the company's resources and know-how at the execution of large projects for the Softbank Group's customers.

**Epsilio SA** of Łódź focused on performing its contractual obligations consisting in development and implementation of its own systems and solutions for the banking sector. The company sold its key products, namely Eurobank On-line and Comnet-Bank, and services to e.g. Bank Gospodarki Żywnościowej SA, Wschodni Bank Cukrownictwa, BGK SA, BS Wschowa, GBS Gorzów Wielkopolski or GBS Barlinek. The company's customers included also a significant number of co-operative banks and several small and medium-sized companies.

**Zakład Usług Informatycznych NOVUM Sp. z o.o.** continued to focus on operating and expanding NOVUM BANK, its system for co-operative banks. The company was expanding and upgrading its e-banking and support systems on an on-going basis. It also launched installations for e-banking, card handling and ATM products.

The offering of **Zeto-Rodan Sp. z o.o.** in 2004 included chiefly sale of solutions based on SIDOMA, the company's own product. The company offers IT solutions to companies involved in stock-exchange and brokerage activities. Its major customers included Raiffeisen Bank Polska SA, Societe Generale SA, Kredyt Bank SA, BRE BANK, ING Securities SA, Internetowy Dom Maklerski SA, CA IB Securities SA and HSBC Securities Polska SA. On April 7th 2004, Softbank SA concluded an agreement providing for sale of its entire interest in Zeto Rodan Sp. z o.o. to Rodan Investments Sp. z o.o.

Performing its contractual obligations, in the first three months of 2004, **bezpieczeństwo.pl** continued developing and implementing IT systems to support and coordinate the operations of emergency services in Otwock, Częstochowa, Golub-Dobrzyń, Bydgoszcz, Mława, Oleśnica and Chełm. On March 31st 2004, Softbank SA and bezpieczeństwo.pl concluded a purchase agreement, whereby Softbank acquired the enterprise, including all of its tangible and intangible assets.

The Softbank Group's offering covers also the services rendered by **AWiM Mediabank SA**, publisher of the *Bank*, *Finansista* and *Nowoczesny Bank Spółdzielczy* magazines and owner of Radio PiN (102 FM), a radio station specialising in business. In 2004, the company continued to build and strengthen the station's position and adjust the programming content to the expectations of the target audience.

The Group's plans and development prospects provide in the first place for following the strategy announced by Softbank SA in 2004. The Group will be involved in restructuring activities, which will include reorganisation and integration aimed at enhancing the operating efficiency in particular business areas and markets. The comprehensive offering of the Group will be extended and strengthened to improve the Group's competitiveness, also abroad.

### ***Changes in the Management Practices of the Company and Its Group***

In the period under review, the Group introduced certain changes to its operational management practices. It implemented some tools to improve the effectiveness of monitoring in finance and management accounting and project supervision and execution. Softbank SA monitors the operations and performance of the Group companies through the Ownership Supervision Department and imposes a uniform layout for the current reports and forecasts. With respect to pursuance of the strategy, Softbank SA exercises supervision over the Group companies through its representatives on the companies' supervisory boards.



## Management and Supervisory Staff of Group Companies as at December 31st 2004

<b>Group Companies</b>	<b>Supervisory Board</b>	<b>Executive Board</b>
<b>Softbank Serwis Sp. z o.o.</b>	Przemysław Borzestowski Marek Olekszyk Jarosław Adamski Adam Dąbkowski	Andrzej Torebko Aleksandra Grześkowiak Ewa Preston Andrzej Dec Michał Szczęśniak
<b>NOVUM Sp. z o.o.</b>	Zbigniew Wierzbicki Elżbieta Żukowska Marek Olekszyk	Małgorzata Wojtak Grzegorz Józefiak Przemysław Balewski Zbigniew Forenc
<b>Sawan Grupa Softbank SA</b>	Marek Olekszyk Beata Dymek Mariusz Darecki Leszek Kotulski Jarosław Adamski	Elwira Ostrowska-Graczyk Mariusz Gąsowski Rafał Kozłowski
<b>bezpieczeństwo.pl Sp. z o.o.</b>	-	Adam Dąbkowski
<b>Mediabank SA</b>	Krzysztof Korba Piotr Jeleński Andrzej Grzelec	Adam Dunalewicz Emil Marat Dariusz Grzywaczewski
<b>Epsilio SA</b>	Przemysław Borzestowski Tadeusz Noskowski Zbigniew Wierzbicki Jarosław Adamski	Krzysztof Jagielski Małgorzata Wojtak
<b>NetPower SA</b>	Venkatraman Subbarao Hera Siu Jianbing Duan Olekszyk Marek Kinga Guzek	Jarosław Adamski Michał Kostrow

Composition of the Supervisory Board of Softbank SA as at December 31st 2004 was as follows:

Ryszard Krauze	–	Chairman of the Supervisory Board
Stanisław Janiszewski	–	Member of the Supervisory Board
Alicja Kornasiewicz	–	Member of the Supervisory Board
Maciej Grelowski	–	Member of the Supervisory Board
Piotr Mondalski	–	Member of the Supervisory Board

The composition of the Executive Board of Softbank SA as at December 31st 2004 was as follows:

Krzysztof Korba	-	President of the Executive Board
Piotr Jeleński	-	Member of the Executive Board
Przemysław Borzestowski	-	Member of the Executive Board
Przemysław Sęczkowski	-	Member of the Executive Board
Robert Smulkowski	-	Member of the Executive Board

## Remuneration for the Group's Management and Supervisory Staff

Remuneration for 2004, including distributions from profit, paid and payable to the persons managing the Softbank Group in 2004 amounted to PLN 20,435 thousand; remuneration, including distributions from profit, paid to the Softbank Group's supervisory staff amounted to PLN 561 thousand. Total remuneration stood at

PLN 20,996 thousand.

Remuneration, including distributions from profit, paid to subsidiary and associated undertakings' supervisory and management staff who were also employees of the Company, amounted to PLN 189 thousand.

**Remuneration for the Company's management and supervisory staff for 2004:**

**Executive Board Members:**

1. Krzysztof Korba	-	PLN 3,200 thousand,
2. Piotr Jeleński	-	PLN 682 thousand,
3. Robert Smułkowski	-	PLN 3,394 thousand,
4. Przemysław Borzestowski	-	PLN 1,040 thousand,
5. Przemysław Sęczkowski	-	PLN 1,036 thousand.

**Executive Board Members removed from office in 2004:**

6. Jarosław Ogorzałek	-	PLN 4,348 thousand,
7. Aleksander Lesz	-	PLN 1,195 thousand,
8. Adam Dąbkowski	-	PLN 12 thousand.

**Supervisory Board Members:**

1. Ryszard Krauze	-	does not receive any remuneration,
2. Stanisław Janiszewski	-	PLN 67 thousand,
3. Alicja Kornasiewicz	-	PLN 67 thousand,
4. Maciej Grelowski	-	PLN 22 thousand,
5. Piotr Mondalski	-	PLN 22 thousand.

***Outstanding Loans Granted to the Group's Management and Supervisory Staff***

Outstanding advance payments, credits, loans, guarantees, sureties, or other agreements giving rise to an obligation to perform for the benefit of the Issuer's subsidiary undertakings, granted by subsidiary undertakings to the management and supervisory staff, their spouses, kin or relatives in the first or second degree, adoptee or adoptive parent, or other persons to whom members of management or supervisory staff are personally related stand at PLN 0 thousand.

***Shares in Softbank SA Held by the Company's Management or Supervisory Staff as at December 31st 2004***

According to the Company's information, the number and par value of all Softbank shares held by the management and supervisory staff as at December 31st 2004 were as follows:

<b><i>Supervisory Board Members</i></b>	<b><i>Number of shares</i></b>
Ryszard Krauze	0
Stanisław Janiszewski	1,600
Alicja Kornasiewicz	0
Maciej Grelowski	0
Piotr Mondalski	2,500

**Executive Board Members**

Krzysztof Korba	0
Piotr Jeleński	0
Robert Smulkowski	1,500
Przemysław Borzestowski	0
Przemysław Sęczkowski	0

**Company's Shareholder Structure as at December 31st 2004**

As at December 31st 2004, the share capital of Softbank SA is PLN 20,950,512 and is divided into 20,950,512 shares with a par value of PLN 1 per share, each of which carries one vote at the General Shareholders Meeting.

As at December 31st 2004, shareholders in Softbank SA holding at least 5% of the total vote were as follows:

<i>Shareholder</i>	<i>Number of shares and votes at the General Shareholders Meeting</i>	<i>% of the share capital and the total vote at the General Shareholders Meeting</i>
<b>Prokom Software SA</b>	5,238,000	25.002%
<b>Nihonswi AG</b>	2,042,910	9.750%
<b>Zbigniew Opach</b>	1,880,432	8.980%
<b>Grupa PZU SA</b>	1,320,155	6.301%

**Agreements and Events with a Bearing on the Number of Shares Held by Existing Shareholders**

**Aleksander Lesz**

On **January 7th 2004**, Mr Aleksander Lesz disposed of 110,000 (one hundred and ten thousand) shares in Softbank SA at the average price of PLN 26.87 per share.

On **January 15th 2004**, Mr Lesz disposed of 374,547 shares in Softbank SA, which represents 1.79% of the Issuer's share capital and confers the right to 1.79% of the total vote at the general Shareholders Meeting. Following the transaction, Mr Lesz currently holds 848,843 shares in Softbank SA, which represents 4.05% of the share capital and confers the right to 4.05% of the total vote at the General Shareholders Meeting; prior to the transaction, Mr Lesz held 1,223,390 shares in Softbank SA conferring the right to 5.84% of the total vote at the General Shareholders Meeting. The shares were acquired by Designated Entity within the meaning of the Shareholders Agreement of October 24th 2002, i.e. CA IB Fund Management SA.

On **February 6th 2004**, Mr Lesz, President of the Executive Board of Softbank SA, pursuant to the Shareholders Agreement of October 24th 2002 (amended by Annexes of September 1st 2003 and of November 28th 2003) sold to Prokom Software SA, registered office at Al. Jerozolimskie 67/79, Warsaw, 450,223 shares in Softbank SA, which represents 2.15% of the Issuer's share capital and confers the right to 2.15% of the total vote at the General Shareholders Meeting. The average price for the shares acquired and disposed of within the term of the Agreement was PLN 13. Following the transaction, Mr Lesz holds 398,620 shares in Softbank SA, which represents 1.90% of the share capital and confers the right to 1.90% of the total vote at the General Shareholders Meeting.

The transaction executed on February 6th 2004 is the last transaction executed between the Parties under the Shareholders Agreement of October 24th 2002.

**Prokom Software SA**

On **January 15th 2004**, Prokom Software SA appointed CA IB Fund Management SA as the Designated Entity, within the meaning of the Shareholders Agreement, to acquire 848,843 shares (1.79% of the total number of shares), as part of the Sales Offering, (pursuant to the Shareholders Agreement of October 24th 2002).

On **February 6th 2004**, Prokom Software SA acquired from Mr Lesz 450,223 shares in Softbank SA, which represents 2.15% of the Issuer's share capital and confers the right to 2.15% of the total vote at the General Shareholders Meeting. Following the transaction, Prokom Software SA holds 5,237,600 shares in Softbank SA, which represents 24.99% of the share capital and confers the right to 24.99% of the total vote at the General Shareholders Meeting. Prior to the transaction, Prokom Software SA held 4,787,377 shares.

On **March 20th 2004**, the Executive Board of Softbank SA obtained information that on March 29th 2004 Prokom Software SA of Warsaw acquired on March 26th 2004 400 ordinary bearer shares in Softbank SA, as a result of which it currently holds 5,238,000 shares in Softbank SA, which represents 25.002% of the Issuer's share capital and confers the right to 25.002% of the total vote at the General Shareholders Meeting of Softbank SA.

### ***NIHONSWI AG***

On **January 30th 2004**, the Executive Board of Softbank obtained information that from December 9th 2003 to January 26th 2004, NIHONSWI AG, registered office at Brandschenkestrasse 178, CH-8027 Zurich, disposed of, in total, 525,509 shares in Softbank SA, which represents 2.51% of the share capital and confers the right to 2.51% of the total vote at the General Shareholders Meeting of Softbank SA. Following the transaction, NIHONSWI AG holds 2,292,910 shares in Softbank SA, which represents 10.94% of the share capital and confers the right to 10.94% of the total vote at the General Shareholders Meeting.

On **March 29th 2004**, the Executive Board of Softbank SA reports that it obtained information that from March 19th to March 25th 2004, NIHONSWI AG, registered office at Buolterlistrasse 53, CH-8052 Hergiswil, disposed of, in total, 250,000 shares in Softbank SA, which represents 1.2% of the share capital and confers the right to 1.2% of the total vote at the General Shareholders Meeting of Softbank SA. Following the transaction, NIHONSWI AG holds 2,042,910 shares in Softbank SA, which represents 9.8% of the share capital and confers the right to 9.8% of the total vote at the General Shareholders Meeting.

### ***Zbigniew Opach***

On **February 5th 2004**, Mr Zbigniew Opach notified the Company that as at February 5th 2004 he holds 1,880,432 shares in Softbank SA, which represents 8.98% of the share capital and confers the right to exercise 8.98% of the total vote at the General Shareholders Meeting of the Issuer.

### ***PZU Group***

On **September 3rd 2004**, at the Extraordinary General Shareholders Meeting of Softbank SA, PZU Group registered 1,320,155 shares in Softbank SA, which represents 6.3% of the share capital and confers the right to 6.3% of the total vote at the General Shareholders Meeting.

### **Planned Issue of Company Shares**

On **April 6th 2005**, the Executive Board of Softbank SA convened an Annual General Shareholders Meeting for May 6th 2005, in order to:

- adopt a resolution on increasing the Company's share capital through the issue of Series T Shares, with the Company Shareholders' pre-emptive right being waived,
- adopt a resolution on increasing the Company's share capital through the issue of Series U Shares, setting the record date for the Company Shareholders' pre-emptive right for June 6th 2005,
- adopt a resolution on introducing Series T and Series U Shares to public trading.

The Executive Board of Softbank SA plans that as part of the issue referred to above, 8,369,295 share are to be issued. The estimated proceeds from the issue are to be PLN 190m.

<b>Signatures of all Executive Board Members</b>			
April 20th 2005	Krzysztof Korba	President of the Executive Board	
date	first name and surname	position	signature
April 20th 2005	Robert Smułkowski	Member of the Executive Board	
date	first name and surname	position	signature
April 20th 2005	Piotr Jeleński	Member of the Executive Board	
date	first name and surname	position	signature
April 20th 2005	Przemysław Borzestowski	Member of the Executive Board	
date	first name and surname	position	signature
April 20th 2005	Przemysław Sęczkowski	Member of the Executive Board	
date	first name and surname	position	signature