

PROKOM SOFTWARE S.A.

**LONG-FORM AUDITORS' REPORT
SUPPLEMENTING THE INDEPENDENT AUDITOR'S OPINION
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

I. GENERAL NOTES

1. Background

During the period from 1 January till 27 May 1997 the Company was operating as Prokom International Sp. z o.o. On 28 May 1997 the change of legal form took place from limited company into public company with the simultaneous change of its name for PROKOM SOFTWARE S.A. (hereinafter the Company), which was incorporated by a Notarial Deed by Notary Izabela Miklas in Warsaw on 14 May 1997.

The address of the Company's registered office is Warsaw, Aleje Jerozolimskie Str. 65/79.

The Company was entered into the entrepreneur's register of the National Court Register entry No. KRS 0000041559 on 8 August 2003.

The Company has NIP number 522-002-00-65 granted on 13 January 1998 and the REGON statistical 012642522 granted on 4 July 2000.

The Company is the holding company of the Prokom Software S.A. capital group. Details of transactions with affiliated entities and the list of companies in which the Company holds at least 20% of shares in the share capital or in the total number of votes in the company's governing body are included in Note 7 and 24 of the Notes to the audited financial statements for the year ended 31 December 2005.

Principal activities of the Company are:

- computer hardware advisory as well as the sales of products including computer hardware;
- software advisory;
- data processing;
- data base involved activities.

As at 31 December 2005, the Company's issued share capital amounted to 14,185 thousand zlotys. Equity as at that date amounted to 827.595 thousand zlotys.

As at 5 May 2006, the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
Ryszard Krauze	1,564,698	1,749,498	1,565	11.26%
Prokom Investments S.A	1,420,776	1,716,456	1,421	10.23%
Other shareholders	10,905,356	11,166,540	10,905	78.51%
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Total	13,890,830	14,632,494	13,891	100%

There were no movements in the share capital in the reporting period.

As at 5 May 2006, the Company's Management Board was composed of:

Ryszard Krauze	President
Tadeusz Dyrga	Vice-President
Piotr Mondalski	Vice-President
Jaroslaw Chudziak	Vice-President
Dariusz Górka	Vice-President
Krzysztof Kardas	Member
Maciej Wantke	Member
Grzegorz Maciag	Member

On 31 May 2005, Jacek Duch resigned as Board Member. On 31 August 2005, Beata Stelmach, Tadeusz Kij and Krzysztof Wilski completed their term of office as Board Members. On the same day, Grzegorz Maciag was appointed as Board Member.

On 26 December 2005, Marek Mondalski completed his term of office as Board Member following the expiry of his individual term of office.

2. Financial Statements

On 24 December 2004 the General Shareholders' Meeting decided on preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

2.1. Auditors' opinion and audit of financial statements

Ernst & Young Audit Sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit Sp. z o.o. was appointed by the Management Board on 30 June 2005 to audit the Company's financial statements.

Ernst & Young Audit Sp. z o.o. and the certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 66, clause 2 and 3 of the Accounting Act dated 29 September 1994 (uniform text: Journal of Laws of 2002, No. 76 with subsequent amendments – 'the Accounting Act').

Under the contract executed on 20 September 2005 with the Company's Management Board, we have audited the financial statements for the year ended 31 December 2005.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified opinion dated 5 May 2006, stating the following:

“To the Supervisory Board of Prokom Software S.A.

1. We have audited the attached financial statements for the year ended 31 December 2005 of Prokom Software S.A. (‘the Company’) located in Warsaw at Aleje Jerozolimskie 65/79, containing:

- the balance sheet as at 31 December 2005 with total assets amounting to 1,352,477 thousand zlotys,
- the profit and loss account for the period from 1 January 2005 to 31 December 2005 with a net profit amounting to 68,316 thousand zlotys,
- the statement of changes in shareholders' equity for the period from 1 January 2005 to 31 December 2005 with a net increase in shareholders' equity amounting to 64,843 thousand zlotys,
- the cash flow statement for the period from 1 January 2005 to 31 December 2005 with a net cash inflow amounting to 5,398 thousand zlotys and
- the additional notes and explanations (‘the attached financial statements’).

2. The truth and fairness¹ of the attached financial statements and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. Our responsibility was to audit the attached financial statements and to express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair² and whether the accounting records that form the basis for their preparation are, in all material respects properly maintained.

3. We conducted our audit of the attached financial statements in accordance with:

- International Standards on Auditing,
- and the following regulations being in force in Poland:
 - chapter 7 of the Accounting Act, dated 29 September 1994 (‘the Accounting Act’),
 - the auditing standards issued by the National Chamber of Auditors,

in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.

4. In our opinion, the attached financial statements, in all material respects:

¹ Translation of the following expression in Polish: “*prawidlowosc, rzetelnosc i jasnosc*”

² Translation of the following expression in Polish: “*prawidlowe, rzetelne i jasne*”

- present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2005 to 31 December 2005, as well as its financial position³ as at 31 December 2005;
 - have been prepared correctly, i.e. in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
 - are, in respect of the form and content, in accordance with (i) legal regulations governing the preparation of financial statements and (ii) the Company's articles of association.
5. We have read the 'Directors' Report for the period from 1 January 2005 to 31 December 2005 and the rules of preparation of annual statements ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law No. 209, item 1744)."

We conducted the audit of the Company's financial statements during the period from 9 January 2006 to 13 January 2006 and from 6 March 2006 to 5 May 2006. We were present in the place where the Company's books of account are kept from 9 January 2006 to 13 January 2006, from 6 March 2006 to 31 March 2006 and from 14 April 2006 to 5 May 2006.

2.2. Representations provided and data availability

The Management Board confirmed its responsibility for the truth and fairness⁴ of the financial statements and stated that it had provided us with all financial information, accounting records and other required documents as well as all necessary explanations. The Management Board also provided a letter of representations dated 5 May 2006, confirming that:

- the information included in the books of account was complete,
- all contingent liabilities had been disclosed in the financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the financial statements,

and confirmed that the information provided to us was true and fair to the best of the Management Board's knowledge and belief, and included all events that could have had an effect on the financial statements.

2.3. Financial statements for prior financial year

The Company's financial statements for the year ended 31 December 2004 were audited by Lukasz Zalicki, Certified Auditor number 9542/7118, acting on behalf of Ernst & Young Audit Sp. z o.o, number 130. The certified auditor issued a qualified opinion an impact on the comparative financial data for the year ended 31 December 2003 of valuation of a purchase option for Softbank S.A. shares as of 31 December 2003 based on the method of valuation which was diverse from the methods used to value those kind of options, and including

³ Translation of the following expression in Polish: "*sytuacja majątkowa i finansowa*"

⁴ Translation of the following expression in Polish: "*prawidłowość, rzetelność, i jasność*"

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emphasis of matter that financial result and the net assets of the Capital Group Prokom Software S.A. will differ significantly from the financial statements of the Company.

The Company's financial statements for the year ended 31 December 2004 were approved by the General Shareholders' Meeting on 30 June 2006. On 29 July 2006 the General Shareholders Meeting made a resolution to appropriate the 2004 net profit as follows:

Dividends for the shareholders	3,472,707.50
Reserve capital	31,198,383.25

	34,671,090.75
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The financial statements for the financial year ended 31 December 2004, together with the auditors' opinion, a copy of the resolution approving the financial statements, a copy of the resolution on the appropriation of profit and the Directors' Report, were filed on 18 August 2005 with the National Court Register.

The introduction to the financial statements, the balance sheet as at 31 December 2004, the profit and loss account, statement of changes in equity and cash flow statement for the year ended 31 December 2004, together with the auditors' opinion, a copy of the resolution approving the financial statements and a copy of the resolution on the appropriation of profit were published in Monitor Polski B No. 407, Pos. 2356 on 31 March 2006.

The closing balances as at 31 December 2004 were correctly brought forward in the accounts as the opening balances at 1 January 2005.

3. Analytical Review

3.1. Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2004 - 2005. The ratios were calculated on the basis of financial information included in the financial statements for the _ month period year ended 31 December 2005. The selected financial information and data for 2003 were not presented as the Company has changed in 2005 the accounting policies to International Financial Reporting Standards as adopted by the EU and the comparable data for earlier periods are not available.

	2005	2004
Total assets	1,352,477	1,451,880
Shareholders' equity	827,595	762,752
Net profit/ loss	68,316	34,304
Return on assets (%)	5.1%	2.4%
<hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Net profit/loss x 100</div> <div style="width: 60%;"></div> </div> <hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Total assets</div> <div style="width: 60%;"></div> </div>		
Return on equity (%)	9.0%	4.8%
<hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Net profit/loss x 100</div> <div style="width: 60%;"></div> </div> <hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Shareholders' equity at the beginning of the period</div> <div style="width: 60%;"></div> </div>		
Profit margin (%)	8.8%	4.4%
<hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Net profit/ loss x 100</div> <div style="width: 60%;"></div> </div> <hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Sales of finished goods and goods for resale</div> <div style="width: 60%;"></div> </div>		
Liquidity I	1.44	1.73
<hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Current assets</div> <div style="width: 60%;"></div> </div> <hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Short-term creditors</div> <div style="width: 60%;"></div> </div>		
Liquidity III	0.07	0.06
<hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Cash and cash equivalents</div> <div style="width: 60%;"></div> </div> <hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Short-term creditors</div> <div style="width: 60%;"></div> </div>		
Debtors days	89	100
<hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Trade debtors x 365</div> <div style="width: 60%;"></div> </div> <hr/> <div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; width: 40%;">Sales of finished goods, goods for resale and raw materials</div> <div style="width: 60%;"></div> </div>		

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	2005	2004
Creditors days	69	86
Trade creditors x 365		
Costs of finished goods, goods for resale and raw materials sold		
Inventory days	2	2
Inventory x 365		
Costs of finished goods, goods for resale and raw materials sold		
Stability of financing (%)	77.2%	78.9%
(Equity + long-term provisions and liabilities) x 100		
Total liabilities, provisions and equity		
Debt ratio (%)	38.8%	47.5%
(Total liabilities and provisions) x 100		
Total assets		
Rate of inflation:		
Yearly average	2.1%	3.5%
December to December	0.7%	4.4%

3.2. Comments

The following trends may be observed based on the above financial ratios:

- Return on assets ratio increased in comparison to 2004 from the level of 2.4% to the level of 5.1%, return on equity ratio raised from 4.8% to 9% and profit margin increased from the level of 4.4% to the level of 8.8%.
- Liquidity I ratio decreased from the level of 1.73 to the level of 1.44 and liquidity III ratio remained almost unchanged in comparison to 31 December 2004.
- Debtors and creditors days are shorter (respectively by 11 and 17 days) in comparison to the year 2004. Inventory days remained at the same low level (2 days).
- Stability of financing remained almost unchanged in comparison to 31 December 2004.
- Debt ratio decreased from the level of 47.5% as of 31 December 2004 to the level of 38.8% as of 31 December 2005.

3.3. Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2005 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In note 1.3 of the additional notes and explanations to the audited financial statements for the year ended 31 December 2005, the Management Board has stated that the financial statements were prepared on the assumption that the Company will continue as a going concern for a period of at least twelve months subsequent to 31 December 2005 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Accounting System

The Company's accounts are kept using the FKX computer system at the Company's head office in Gdynia. The Company has up-to-date documentation, as required under Article 10 of the Accounting Act, including a chart of accounts approved by the Company's Management Board.

During our audit no material irregularities were noted in the books of account which could have a material effect on the audited financial statements and which were not subsequently adjusted. These would include matters related to:

- the reasonableness and consistency of the applied accounting policies;
- the reliability of the accounting records, the absence of errors in the accounting records and the trail of entries in the accounting records;
- whether business transactions are supported by documents;
- the correctness of opening balances based on approved prior year figures;
- consistency between the accounting entries, the underlying documentation and the financial statements;
- fulfilment of the requirements for safeguarding accounting documents and storing accounting records and financial statements.

2. Assets, Liabilities and Equity, Profit and Loss Account

Details of the Company's assets, liabilities and equity and profit and loss account are presented in the audited financial statements for the year ended 31 December 2005.

Verification of assets, liabilities and equity was performed in accordance with the Accounting Act. Any differences were adjusted in the books of account for the year 2005.

3. Notes to the Financial Statements

The additional notes and explanations to the financial statements for the year ended 31 December 2005 (jointly 'notes to the financial statements') were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

4. Directors' Report

We have read the Directors' report on the Company's activities in the period from 1 January 2005 to 31 December 2005 and the basis for preparation of annual financial statements ('Directors' Report') and concluded that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with the relevant provisions of the Decree of the Minister of Finance of 19 October 2005, on current and periodic information published by issuers of securities (Journal of Law No. 209, item 1744).

5. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.

6. Work of Experts

During our audit we have taken into account the results of the work of the following independent experts:

- CA IB Corporate Finance (in the area of valuation of shares)
- ALFA JET Consulting (in the area of real estate valuation).

on behalf of
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Warsaw, 5 May 2006