

PROKOM SOFTWARE S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2001

Report of Independent Accountants

To the Management Board of Directors and Shareholders of Prokom Software S.A.

We have reviewed the accompanying condensed consolidated balance sheets of Prokom Software S.A. (the Company) as at 30 June 2001 and the condensed consolidated statements of operations, of consolidated changes in shareholders' equity and of consolidated cash flows for the six month periods ended 30 June 2001 and 2000, prepared in accordance with International Accounting Standards and on the basis set out in Note 1 to the financial statements, expressed in Polish Złoty (PLN). These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with International Standards on Auditing and Related Services applicable to such reviews. A review consists principally of applying analytical procedures to financial data and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with International Standards on Auditing, the objective of which is an expression of opinion regarding financial statements taken as a whole. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial information in order for it to have been prepared in accordance with International Accounting Standards.

We previously audited in accordance with International Standards on Auditing, the consolidated balance sheet of the Company as at 31 December 2000 and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows for the year then ended, not presented herein, as prepared in accordance with International Accounting Standards. In our report dated 15 May 2001, we expressed an unqualified opinion on these consolidated financial statements. In our opinion, the information set forth in the condensed balance sheet as of 31 December, 2000, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers Sp. z o.o.
Warsaw, Poland
30 October 2001

Prokom Software SA

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR 6 MONTHS PERIODS ENDED 30 JUNE 2001 AND 2000**

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This report contains 12 consecutively numbered pages, from page 1 to 12.

The accompanying Financial Statements have been approved by the Board of Directors of Prokom Software SA on 26 October 2001.

On behalf of the Board of Directors:

Bogdan Bartkowski
Member of the Board of Directors

Krzysztof Wilski
Vice President

Prokom Software S.A.
Condensed Consolidated Balance Sheets
(Expressed in Polish Złoty (PLN), all amounts in thousands)

	Note	30 June 2001	31 December 2000
ASSETS			
CURRENT ASSETS			
Cash at bank and in hand		21,611	37,541
Held for trading investments		39,131	33,177
Related parties	3		
Held to maturity investments		309,154	226,989
Other		59,759	66,187
		368,913	293,176
Accounts receivable			
Trade		139,363	259,104
Other		9,526	22,214
		148,889	281,318
Inventories		54,902	65,470
Prepaid expenses		9,170	13,497
TOTAL CURRENT ASSETS		642,616	724,179
LONG TERM RECEIVABLES		10,159	10,998
RELATED PARTIES	3	9,720	9,720
DEFERRED TAX		9,444	6,151
AVAILABLE FOR SALE INVESTMENTS		69,771	109,220
INTEREST IN ASSOCIATED UNDERTAKINGS		16,337	31,258
GOODWILL ON CONSOLIDATION		7,986	7,780
INTANGIBLE FIXED ASSETS, NET		13,695	17,114
TANGIBLE FIXED ASSETS, NET		45,843	50,142
TOTAL ASSETS		825,571	966,562
LIABILITIES			
CURRENT LIABILITIES			
Short term borrowings	4	279,348	272,707
Accounts payable and accruals			
Trade		50,792	178,290
Government		15,581	29,183
Employees		1,100	1,202
Accruals and other		21,511	14,811
Deferred income		4,513	5,812
TOTAL CURRENT LIABILITIES		372,845	502,005
LONG TERM LIABILITIES		122	122
MINORITY INTEREST		8,667	10,572
SHAREHOLDERS' EQUITY			
Share capital		13,756	13,081
Share premium		195,348	195,348
Retained earnings		234,833	245,434
TOTAL SHAREHOLDERS' EQUITY		443,937	453,863
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		825,571	966,562

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Condensed Consolidated Statements of Operations
(Expressed in Polish Złoty (PLN), all amounts in thousands)

	6 months ended 30 June 2001	6 months ended 30 June 2000
REVENUES	456,028	383,974
COST OF SALES	(309,002)	(277,831)
GROSS MARGIN	147,026	106,143
SELLING COSTS	(15,440)	(10,238)
GENERAL AND ADMINISTRATIVE EXPENCES	(70,111)	(48,453)
OTHER OPERATING INCOME/(EXPENSES), NET	13,999	(3,550)
OPERATING PROFIT	75,474	43,902
FINANCIAL (EXPENSES), NET	(67,293)	17,312
SHARE OF RESULTS OF ASSOCIATES	(13,177)	(2,944)
(LOSS) / PROFIT BEFORE INCOME TAXES	(4,996)	58,270
CORPORATE INCOME TAXES	(18,842)	(20,824)
MINORITY INTEREST	5,079	(189)
NET (LOSS) / PROFIT	(18,759)	37,257
BASIC EARNINGS PER SHARE (in PLN):	(1.42)	2.91
DILUTED EARNINGS PER SHARE	(1.42)	2.84
(in PLN):		

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Polish Zloty (PLN), all amounts in thousands)

	Note	Number of shares (not in thousands)	Share Capital	Share Premium	Retained earnings	Total Shareholders Equity
Balance at 1 January 2000		12,787,264	13,081	195,348	196,816	405,245
Net Profit for the 6 months ended 30 June 2000		-	-	-	37,257	37,257
Dividend declared		-	-	-	(19,050)	(19,050)
Balance at 30 June 2000		12,787,264	13,081	195,348	215,023	423,452
	Note	Number of shares (not in thousands)	Share Capital	Share Premium	Retained earnings	Total Shareholders Equity
Balance at 1 January 2001		12,787,264	13,081	195,348	245,434	453,863
Effect of adopting IAS 39 at 1 January 2001	5	-	-	-	4,774	4,774
Share issue series D		674,736	675	-	-	675
Net (Loss) for the 6 months ended 30 June 2001		-	-	-	(18,759)	(18,759)
Including consolidation of subsidiaries not consolidated previously (previously not material and accounted for as investments until 1 January 2001)		-	-	-	3,384	3,384
Balance at 30 June 2001		13,462,000	13,756	195,348	234,833	443,937

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Prokom Software S.A.
Condensed Consolidated Statements of Cash Flow
(Expressed in Polish Złoty (PLN), all amounts in thousands)

	Six months ended 30 June 2001	Six months ended 30 June 2000
Net cash flow from operating activities:		
Net (loss) / profit before taxation	(4,996)	58,270
Adjustments to reconcile net profit to net cash generated by operating activities		
Depreciation and amortization	24,983	19,040
Loss on associated undertakings	13,177	2,944
Changes in working capital	18,671	(34,375)
Interest expense	14,738	454
Investment loss/(income)	47,856	(17,766)
Net cash generated by operating activities	114,429	28,567
Interest paid	(14,217)	(454)
Tax paid	(30,823)	(14,134)
Net cash from operating activities	69,389	13,979
Cash flow used in investing activities:		
Purchase of short term securities, net of sales	(19,687)	3,405
Purchase of tangible fixed assets	(9,635)	(12,391)
Purchase of intangible fixed assets	(4,333)	(4,323)
Purchase of investments	(20,157)	(1,508)
Purchases of shares in associated undertaking	-	(36,093)
Repayments/(contribution) to real estate project with related party	-	(6,428)
Loans (given)/repaid, net	1,280	(4,621)
Guarantee payment repaid	12,584	-
Interest received	2,880	2,423
Net cash used in investing activities	(37,068)	(59,536)
Cash flow from financing activities:		
Share issue	762	-
Increase/(decrease) in short term borrowings	6,120	46,715
Receipts/(payments) for short term securities from related parties	(70,903)	(71,412)
Interest received from loans and commercial papers to related parties	15,770	1,647
Receipts/(payments) on related party loans and other receivables	-	(4,963)
Net cash provided by/(used in) financing activities	(48,251)	(28,013)
Net change in cash and cash equivalents	(15,930)	(73,570)
Cash and cash equivalents at the beginning of the period	37,541	80,780
Cash and cash equivalents at the end of the period	21,611	7,210

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

1. Basis of preparation of the interim financial statements

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000.

These consolidated interim financial statements should be read in conjunction with the 2000 financial statements.

Costs that arise unevenly during the financial year are anticipated or deferred in the interim financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

Certain prior period amounts have been reclassified to conform to the current period presentation.

At January 1, 2001 the Company adopted IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). The effects of adopting this standard are summarized in the condensed consolidated statements of changes in shareholder’s equity.

Upon adoption of IAS 39, the Company classified its financial assets into the following categories: trading investments, held-to-maturity investments, available-for sale investments and loans and receivables originated by the enterprise, if applicable. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, unless they mature in less than twelve months from the balance sheet date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Financial assets that are created by the Company by providing money, goods, or services directly to a debtor, other than those that are originated with the intent to be sold immediately or in the short term, are classified as loans and receivables originated by the enterprise and included in long term assets. Management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading investments are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortized cost using the effective yield method. Realized and unrealized gains and losses arising from changes in the fair value of trading investments are included in the statement of operations in the period in which they arise.

Long term receivable is recognized initially at the consideration given. In subsequent periods, receivables are stated at amortized cost using the effective yield method; any difference between the consideration and the redemption value is recognized in the income statement over the period of the receivables.

Long term debt is recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. The method of recognizing the resulting gain or loss is dependent on the

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

nature of the item being hedged. On the date a derivative contract is entered into, the Company designates such derivative as either (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge), or (3) a hedge of a net investment in a foreign entity, if applicable.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. During the six month period ended June 30, 2001 the Company did not hold any such derivatives.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized, when the committed or forecasted transaction ultimately is recognized in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company did not have any derivative financial instruments and hedging activities as at 30 June 2001.

Fair value estimation

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

2. Significant events occurring in the 6 months ended 30 June 2001

- (i) On 12 March 2001, the Company acquired an 8.13% interest in Ster-Projekt S.A., a software system integrator, for a consideration of 20,252.
- (ii) On 18 May 2001 Prokom Software SA and Telekomunikacja Polska SA signed the foundation act of incorporation of Incenti SA. The share capital of Incenti SA amounts to 50,000 and is divided into 5,000,000 ordinary shares at the value of PLN 10 per share. Prokom Software SA acquired 2,450,000 A series shares, which constitutes 49% of the share capital and 49% of votes at the General Shareholders Meeting. TP S.A acquired the remaining 51% of shares. The main area of activity of Incenti SA is to operate Data Centres as well as providing application software services.
- (iii) As a result of negotiations conducted with the shareholders of Wirtualna Polska S.A. (including Prokom Internet S.A.), regarding TP S.A.'s investment in Wirtualna Polska, on May 21, 2001 TP S.A. intends to obtain 50% plus one share in Wirtualna Polska through the purchase of newly issued shares of Wirtualna Polska and acquisition of existing shares. The arrangements agreed upon will constitute a basis for final negotiations and the detailed, binding terms of the transaction.
- (iv) The Ordinary General Shareholders Meeting of Prokom Software SA on 29 June 2001 passed the resolution to retain the whole net profit generated in 2000 as retained earnings.
- (v) The Company made donations of 3,942 during the 6 months ended 30 June 2001 for religious, health protection and charitable purposes. The cost of the donations is recorded as other operating expenses.
- (vi) Changes in short term borrowings in the six months period ended 30 June 2001 are shown below:

Changes in short term borrowings and commercial papers issued by Prokom Software S.A.

	6 months 30 June 2001	6 months 30 June 2000
1 January	272,707	-
Commercial papers issued	525,457	46,343
Other short term borrowings obtained	-	-
Interest on commercial papers accrued	9,701	93
Interest other short term borrowings accrued	4,861	-
Commercial papers repaid (including interest)	(501,000)	-
Other short term borrowings (Including interest)	(32,378)	-
30 June	279,348	46,436

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

3. Related party transactions

a. Related party receivables

	30 June 2001	31 December 2000
Amounts due from Prokom Investments S.A.	376,517	292,372
Trade receivables from related parties	638	5,122
Other balances with non-consolidated subsidiaries	1,478	5,402
	378,633	302,896
Less long term portion	(9,720)	(9,720)
	368,913	293,176

Prokom Investments S.A. is a shareholder of the Company, in which Mr Ryszard Krauze, the chairman of the management board and a major shareholder of the Company, has a controlling interest.

Amounts due from Prokom Investments S.A.:

	30 June 2001	31 December 2000
Prokom Investments S.A. commercial papers (i)	309,154	226,989
Amounts due arising from the partial sale of interest in real estate project (ii)	30,595	30,595
Funding for joint real estate projects (ii)	9,720	9,720
Advance for lease of office space (iii)	19,796	19,680
Other receivables (iv)	7,252	5,388
	376,517	292,372
Less long term (ii)	(9,720)	(9,720)
	366,797	282,652

(i) The commercial papers issued by Prokom Investments S.A. bear interest at market rates.

Changes in commercial papers issued by Prokom Investments S.A.

	6 months 30 June 2001	6 months 30 June 2000
1 January	226,989	13,168
Commercial papers purchased	198,693	79,199
Interest accrued	22,572	4,003
Commercial papers redeemed plus accrued interest paid	(139,100)	(5,000)
30 June	309,154	91,370

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

3. Related party transactions (cont.)

In addition, the Company purchased the following commercial papers from Prokom Investments S.A. after 30 June 2001:

On 4 July 2001 for consideration of 15,825, interest of 17.00%, redemption date 27 June 2002;
On 11 July 2001 for consideration of 22,924, interest of 17.00%, redemption date 4 July 2002;
On 19 July 2001 for consideration of 6,672, interest of 17.00%, redemption date 12 July 2002;
On 20 July 2001 for consideration of 10,697, interest of 17.00%, redemption date 12 July 2002;
On 1 August 2001 for consideration of 13,224, interest of 16.50%, redemption date 26 July 2002;
On 30 August 2001 for consideration of 21,741, interest of 16.00%, redemption date 23 August 2002;
On 10 September 2001 for consideration of 5,620, interest of 15.75%, redemption date 3 September 2002;
On 28 September 2001 for consideration of 31,861, interest of 15.00%, redemption date 20 September 2002;
On 28 September 2001 for consideration of 4,739, interest of 15.00%, redemption date 1 October 2001;
On 3 October 2001 for consideration of 10,710, interest of 15.00%, redemption date 7 December 2001;
On 11 October 2001 for consideration of 6,056, interest of 15.00%, redemption date 7 December 2001;
On 20 October 2001 for consideration of 7,059, interest of 15.00%, redemption date 7 December 2001;
On 26 October 2001 for consideration of 35,330, interest of 14.50%, redemption date 11 November 2001

Up to 26 October 2001 the Company redeemed commercial papers issued before 30 June 2001 by Prokom Investments S.A. as follows:

Net value of redeemed commercial papers at purchase price	175,270
Value of commercial papers redeemed at nominal value	197,100
Total interest on redeemed commercial papers received after 30 June 2001	21,830

As at 26 October 2001, the total amount of receivables from Prokom Investments S.A. in relation to commercial papers not yet redeemed is 317,067 including accrued interest.

- (ii) Until 29 December 2000 the Company was providing funding for a real estate project undertaken by Prokom Investments S.A. As at 29 December 2000, the total amount invested in this project by the Company was 33,558. As at 29 December 2000, the Company sold to Prokom Investments part of its interest in this project with a carrying value of 23,838 for 30,595. The profit on this transaction of 6,757 was recognised as other operating income in the year ended 31 December 2000. The amount of 30,595 due from Prokom Investments was still outstanding as at the 30 June 2001. The management of the Company expects to receive settlement of this amount during the following 12 months. The remaining amount due of 9,720 does not bear interest and has no fixed repayment date, it is therefore regarded as long term in nature. The return to the Company on this advance will be based on the performance of the underlying real estate project in proportion to the amounts contributed by each party.
- (iii) In July 1999, the Company signed an agreement with Prokom Investments to lease office space from 1 April 2000 for 10 years. The Company advanced 19,797 to Prokom Investments as a guarantee payment in respect of the lease contract.
- (iv) Other receivables include loans to companies which are not related parties but where the repayment of the loans was guaranteed by Prokom Investments S.A. During the year ended 31 December 2000 these loans were ceded to Prokom Investment S.A. The remaining balance comprises mainly prepayments for the Idea Prokom Open tennis tournament sponsored by the Company.

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

3. Related party transactions (cont.)

b. Financial income from related parties

	6 months 30 June 2001	6 months 30 June 2000
Prokom Investments S.A.	22,572	4,363
Nihonsvi AG	-	81
Other	102	278
	<u>22,674</u>	<u>4,722</u>

Financial income from Prokom Investments S.A. comprise:

	6 months 30 June 2001	6 months 30 June 2000
Interest from commercial papers (see point 3 a (i))	22,572	4,003
Interest on other long term loans (see point 3 a (iv))	-	360
	<u>22,572</u>	<u>4,363</u>

c. Services purchased from related parties

	6 months 30 June 2001	6 months 30 June 2000
Prokom Investments S.A.	4,729	4,477
Baltway S.A.	-	2,769
Optix Polska Sp. z o.o.	-	2,309
Other	12	64
	<u>4,741</u>	<u>9,619</u>

The services purchased from Prokom Investments S.A. comprise:

	6 months 30 June 2001	6 months 30 June 2000
Rental costs of aircraft	-	3,540
Rental of cars	439	319
Rental of office space	4,061	353
Other	229	265
	<u>4,729</u>	<u>4,477</u>

Until November 2000 the Company rented an aircraft from Prokom Investments S.A. including insurance cost.

Due to the increased activity of Optix Polska Sp. z o.o. – a subsidiary of the Company – the management decided to consolidate the financial statements of this subsidiary starting from 2001. In previous years the financial statements of Optix Polska Sp. z o.o were not consolidated, as these were considered immaterial.

In June 1998, the Company signed an agreement with Baltway S.A., a company controlled by Prokom Investments S.A., to lease office space. On 12 December 2000 Baltway S.A. contributed owned office buildings in-kind to the capital of Prokom Investment S.A. From 2001 the Company has been leasing this office space from Prokom Investment S.A.

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

3. Related party transactions (cont.)

d. Future lease commitments

The future minimum lease payments under non-cancellable operating leases (with related parties) are as follows:

	30 June 2001	31 December 2000
Amounts falling due:		
In less than 1 year	14,833	11,899
After 1 year and not later than 5 years	42,876	41,112
Later than 5 years	32,546	35,262
	<u>90,255</u>	<u>88,273</u>

The future minimum lease payments include the future lease commitments for rental of office space from Prokom Investments. The increase in lease commitments were caused by higher office space rented and increase in charge rates applied by the new owner of one of the rented building.

4. Short term borrowings

	30 June 2001	31 December 2000
Bank loans (i)	146,446	173,745
Issued commercial papers (ii)	132,902	98,744
Other	-	218
	<u>279,348</u>	<u>272,707</u>
(i) Bank loans comprise:		
Bank loan from Bank Austria Creditanstalt AG	108,732	124,055
Bank overdraft from Raiffeisen Bank Polska SA	25,899	35,954
Bank overdraft from BRE Bank SA	11,546	13,736
Other	269	-
	<u>146,446</u>	<u>173,745</u>

(i). Bank loan from Bank Austria Creditanstalt AG is denominated in EURO (EURO 32,185 as at 30 June 2001). Annual interest rate is one month WIBOR plus 0.91%.

Bank overdraft from Raiffeisen Bank Polska SA is denominated in PLN (maximum overdraft 48,000) and has an annual interest rate of one week WIBOR plus 0.85%.

Bank overdraft from BRE Bank SA is denominated in PLN (maximum overdraft 15,000) and has an annual interest rate of one month EURIBOR plus 0.70%.

(ii). Commercial Papers issued by the Company in the first half of 2001 bear an annual interest rate of 17.01% - 17.75%. These Commercial Papers are short term in nature. The nominal value of commercial papers issued by the Company as at 30 June 2001 is 135,000.

The accompanying notes are an integral part of these financial statements

Prokom Software S.A.
Notes to condensed consolidated financial statements
(Expressed in Polish Złoty (PLN), all amounts in thousands)

5. Financial Instruments

The Group adopted IAS 39 at 1 January 2001. The impact on shareholders equity and on various balance sheet captions at 1 January 2001 is shown below. In accordance with IAS 39, the comparative financial statements for the year ended 31 December 2000 are not restated.

	Fair value and other reserves	Retained earnings	Total
Held for trading investments remeasured to fair value	-	5,923	5,923
Remeasurement of part of assets and liabilities for changes in fair value attributable to the hedged risk	-	667	667
Remeasurement of long term loans and receivables originated by the enterprise to amortised cost	-	(1,816)	(1,816)
	<u>-</u>	<u>4,774</u>	<u>4,774</u>

6. Subsequent events

- (i). The Company signed a contract with Prokom Investments SA regarding the sponsorship of the "Idea Prokom Open" tennis competition for a consideration of 9,500.
- (ii). During the period 13 June 2001 through 31 July 2001 members of the management board of the Company acquired 517.777 shares of series D.
- (iii). On 30 August 2001 the Company signed an appendix to the loan agreement with Raiffaisen Bank Polska S.A. (refer to note 4) postponing the date of the scheduled loan repayment from August 2001 to 30 August 2002.
- (iv). On 17 September 2001 the Shareholders decided to issue 20 000 bearer bonds series A convertible to ordinary bearer shares series E. Each bond has nominal a value of 10. The total value of bonds to be issued will be 200,000.
- (v). In September 2001 the Company signed a further contract with Telekomunikacja Polska SA to provide services for a consideration of 24,700.
- (vi). In October 2001 the Company signed a further contract with Zakład Ubezpieczeń Społecznych (ZUS) to provide services for a consideration of 125,700.
- (vii). In October 2001 the Company signed a further contract with Postdata SA to provide services for a consideration of 70,000.
- (viii). On 26 October 2001 the Company signed an agreement with TP Internet Sp. z o.o. to sell 227,657 shares (7.64% of the share capital) of Wirtualna Polska SA for consideration of 11,030.
- (ix). The Company provided guarantees to TP Internet Sp. z o.o. for a maximum amount 8,000 as surety for the loans given by the TP Internet Sp. z o.o. to Wirtualna Polska SA.

The accompanying notes are an integral part of these financial statements