

Notes
to the consolidated financial statement
for Q2 FY05

1. Description of the Capital Group of LPP

LPP Capital Group (CG) comprises:

- LPP S.A. - the holding company,
- 19 subsidiary domestic companies, and
- 7 subsidiary foreign companies.

Detailed list of companies comprising the CG is presented in the below table.

no.	Company name	Registered office	Date of control take-over
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	M&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	AKME Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	P&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
6.	SL&DP Sp. z o.o.	Gdańsk, Poland	26.09.2001
7.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
8.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
9.	PL&GM Sp. z o.o.	Gdańsk, Poland	26.09.2001
10.	GM&PL Sp. z o.o.	Gdańsk, Poland	26.09.2001
11.	AMA Sp. z o.o.	Gdańsk, Poland	28.05.2002
12.	LIMA Sp. z o.o.	Gdańsk, Poland	22.07.2002
13.	LUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
14.	KAMA Sp. z o.o.	Gdańsk, Poland	29.10.2002
15.	KUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
16.	AMUL Sp. z o.o.	Gdańsk, Poland	29.10.2002
17.	AMUK Sp. z o.o.	Gdańsk, Poland	15.05.2003
18.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
19.	MM&MR Sp. z o.o.	Gdańsk, Poland	09.03.2005
20.	LPP Retail Estonia OU	Talin, Estonia	29.04.2002
21.	LPP Czech Republic s.r.o.	Prague, the Czech Republic	16.09.2002
22.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
23.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
24.	UAB LPP	Vilnius, Lithuania	27.01.2003
25.	LPP Ukraina	Przemyślany, Ukraine	23.07.2003
26.	Re Trading Zamknięta Spółka Akcyjna	Moscow, Russia	12.02.2004

LPP S.A. holds direct control in its subsidiaries – 100% share in capital and 100% of the total number of votes held.

The financial statement of LPP S.A. Capital Group covering the period between 1 January and 30 June 2005 includes individual results of LPP S.A. and results of consolidated companies listed below:

- LPP Retail Estonia OU;
- LPP Czech Republic s.r.o.;
- LPP Hungary Kft;
- LPP Retail Latvia Ltd;
- UAB LPP;
- LPP Ukraina AT;

- ZAO Re Trading

Domestic subsidiaries of LPP S.A. were not included in the consolidated statement as the data are irrelevant, which is in conformance with the relevance principle included in MSR 1.

The fact that financial statements of these companies are not consolidated has no negative impact on reliable presentation of the CG's state of assets, finance and financial results.

LPP S.A., as a holding company, is involved in the design and distribution of clothing in Poland and in Central and Eastern Europe. The companies of the Capital Group subject to consolidation are entities involved in the distribution of goods under the Reserved brand outside Poland. Clothing is basically the sole product sold by the CG companies.

CG companies' basic offer is supplemented by such goods sold as shoes, bags and clothing accessories.

Designs of clothing are prepared in the design office located at LPP S.A.'s registered office in Gdańsk, and then passed on to the purchasing department to start the production in co-operation with production sites in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai.

The Capital Group also generates minor revenues from the sales of services (these are only the revenues of the holding company - mainly know-how services concerning management of brand outlets by domestic contractors and lease of transport vehicles).

19 domestic subsidiaries deals in lease of premises in which Cropp Town and Reserved outlets are located.

2. Accounting principles employed for the preparation of the financial statement; information on changes in accounting principles employed.

2.1. Declaration of compliance with IFRS

This consolidated financial statement has been prepared in line with the International Financial Reporting Standards (IFRS) approved by the European Union, which cover standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Standards Interpretation Committee.

The quarterly report for Q2 FY05 includes abbreviated financial statement and selected explanatory information included in this Additional Information, in line with the IAS 34 "Interim Financial Reporting".

2.2. Information on changes in accounting principles employed

Pursuant to the Accounting Act, as of 1 January 2005 the LPP Capital Group must prepare a consolidated financial statement prepared against IFRS, and not based on the Accounting Act as had been before.

When preparing the consolidated statement for Q2 FY05, the CG has included therein the abbreviated consolidated financial statement of the Group prepared in line with IFRS.

Comparative data have been presented for relevant periods of FY04.

The Capital Group switched to IFRS as of 1 January 2004.

When preparing the first statement compliant with the IFRS, the CG used the provisions of IFRS 1 "First time application of international financial reporting standards".

As the comparative data had to be transformed, there are differences between values of some comparative data in this report and values presented in the previously prepared and published financial statement. These differences will be discussed later herein.

The key changes resulting from transformation of the financial statement for the comparative period were related to the following:

- change of the cost evaluation method for items presented in foreign currencies (granted loans, interest on granted loans, payables, liabilities, financial resources, bank credits),

- change of approach to the time when sales revenue is deemed due and legitimate,
- change of method of presenting capital enlargement costs.

2.3. Principles of valuation of assets and liabilities and determination of financial result employed in preparing the consolidated report

Fixed assets and intangible assets

Initial value of fixed assets is set at the level of price of purchase enlarged by all costs directly related to the purchase and adjustment of asset item to the state fit for use. Costs incurred after the date of the fixed asset commissioning, such as maintenance and repair costs, debit the profit and loss account as they are incurred. External financing costs are not included in the value of fixed assets but in the profit and loss account when they are incurred.

As of the balance sheet date, fixed assets are evaluated at the purchase price less depreciation and impairment write-downs.

CG makes depreciation write-offs on the straight-line basis. Fixed assets are depreciated for a time of their economic usage defined in advance.

Value of the fixed assets is verified periodically for reduction as a result of events or changes in the environment or within the companies that may cause value reduction of these assets to below its current book value.

For accounting purposes, pursuant to the relevance principle, limits adopted by the Company are equal to fiscal limits for one-off depreciation of fixed assets and exclusion of tangible fixed assets from fixed assets.

Foreign companies have also adopted this principle; however the adopted limits (in line with their local regulations) do not differ much in different countries.

If the value of an asset is not in excess of the limit, the following options for recording the asset have been adopted depending on the type of this asset:

- fixed asset is recorded in the fixed assets register and subject to one-off depreciation in the month when the asset was put into use

or

- the asset is recorded in the off-balance sheet register of low-cost assets and written off on purchase (allocated to cost of consumption of materials recorded in the month of purchase).

However in relevant cases when the Management Board makes an appropriate decision, straight-line depreciation is employed also for fixed assets of small unit value.

Intangible assets are subject to evaluation and depreciation similar to the fixed assets. The key differences are:

- no possibility of enlarging the initial value with amounts by which the intangible assets has been improved, unless such capital should enable generating future economic benefits outnumbering the initially estimated benefits by this asset

and

- non-depreciation of intangible assets with unspecified use period and testing them from time to time for impairment.

Fixed assets in progress – as of the balance sheet date they are estimated in the total amount of costs directly related to their acquisition or manufacturing, less impairment write-downs.

Long-term investments in the CG include:

- shares in subsidiaries - at cost less updating impairment write-downs.
- long-term loans granted – valued at depreciated cost estimated based on effective interest rate.

Long-term prepaid expenses include:

- deferred income tax assets – re-valued as at each balance sheet date
- prepaid expenses related to prepaid lease rent.

Inventories

These are valued at cost not higher than its net selling price as at the balance sheet date.

Inventory includes:

- trading commodities,
- materials (fabrics and sewing accessories) purchased and issued for processing to external customers,
- consumables related to operating, maintenance and development of computer network,
- advertising materials.

Trading commodities in local warehouses are recorded by quantity and value and valued as follows:

- imported goods – based on their purchase costs, costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland, as well as based on customs duties; currency rate specified in customs documents is used for the conversion of value expressed in foreign currency,
- for goods purchased in Poland - at purchase price, and purchase-related costs are charged directly into the costs of business operations as a result of their irrelevant amount.

Valuation of disposal of trading commodities from Reserved and Cropp collections is made at the weighed average prices.

For trading commodities from other collections the FIFO method is employed.

Trading commodities in bonded warehouses are valued based on their purchase cost, as well as costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland.

The value of goods issued from bonded warehouses (to local warehouses or sold directly abroad) is established based on detailed identification of goods on the basis of separate lots accepted at bonded warehouses.

Trading goods in transit are valued at purchase costs and costs of transport abroad and in Poland determined as the balance sheet date. For imported good in transit, the average exchange rate published by Bank Handlowy as at the balance sheet date (in the case of foreign companies – average exchange rate published by banks with which these companies have the largest turnover volume or average exchange rate of the central bank) is adopted for valuation in the holding company.

Inventory whose trading and useful value is impaired are written-down. Inventory revaluation write-downs are charged into other operating expenses.

Receivables

Receivables under deliveries and services are included and presented according to the initially invoiced amounts, including write-downs on bad debts and disputable receivables.

Short-term investments

These include assets which are payable, mature or marketable over the period of 12 months after the balance sheet date, as well as cash.

Valuation of short-term investments as at the balance sheet date is based on the following principles:

- long-term loans granted – valued at depreciated cost estimated based on effective interest rate.
- local cash in hand – at nominal value.

- cash in foreign currencies at the currency purchase rate employed on this day by the banks in these countries with which the companies have the largest turnover volume.

Short-term prepaid expenses

- These include costs to be settled within 12 months after the balance sheet date.

Share capital

Share capital is presented in the amount specified in the Articles of Association and entered in the court register.

Reserve capital

Value presented under Reserve Capital item comprises:

- bonus for share issuance at the price exceeding their nominal value less issuance costs
- profits from previous years qualified upon decisions of General Meetings of Shareholders.

Profit/loss from previous years

This item presents net financial result from the previous financial years, until the decision to divide (or cover) it, as well as corrected financial results from the previous years resulting from fundamental errors or changes in accounting principles (e.g. by transition to IASs).

Payables

Payables under deliveries and services with maturity date of usually 30 to 90 days are included and presented according to the initially invoiced amounts.

Provisions

Provisions made apply to the deferred income tax and employees' benefits.

Provisions for employee benefits include:

- provision for unused holiday leaves
- provision for future retirement benefits.

Provision for future retirement benefits is valued by companies on their own, using a method taking into account the seniority, sex and value of current remuneration. It has been assumed that the discount on provision for retirement benefits is equal to the expected remuneration growth rate.

Revenues

Revenues are presented in the amount of probable, reliably valued economic benefits related to the transaction.

Revenues from sales of commodities are included if major risk and benefits under ownership right to the commodities have been transferred to the buyer.

Revenues under interest are included successively as they accrue to the net balance value of the financial asset.

Transactions in foreign currencies

Functional currency in LPP Capital Group is the Polish zloty (PLN).

Transactions expressed in foreign currencies are recorded as at the date of their conclusions at the following exchange rates:

- purchase or selling rate used by the Company's bank – in the case of purchase or sale of foreign currencies and repayment of receivables or payables,
- National Bank of Poland's average exchange rate set for this currency as at invoice date or of the customs document.

The following items are expressed in foreign currencies as at the balance sheet date:

- non-monetary items:
 - elements of assets – at the Company’s bank purchase rate used as at this date,
 - elements of liabilities – at the Company’s bank selling rate used as at this date,

- non-monetary items – at the historic exchange rate for the currency as at the transaction date.

2.4 Principles of consolidation

The consolidated financial statement of the Capital Group has been drawn up based on financial statements of all relevant subsidiaries, employing the same methods of valuation and principles of financial statements preparation as the holding company.

The consolidated financial statement of the Capital Group is composed of relevant data from the holding company’s statement and financial statements of foreign subsidiaries expressed in the local currency of their respective countries, converted into PLN based on the following principles:

- individual items under assets and liabilities presented in the balance sheet (with the exception of shareholders’ equity) are converted based on the average exchange rate published by the National Bank of Poland for this particular currency as at the balance sheet date;
- individual items in the profit and loss account are converted based on the exchange rate calculated as an arithmetic average of the exchange rates published by the National Bank of Poland for this particular currency as at the last day of each month during the fiscal year;
- individual items in the cash flow account, excluding net profit, are converted based on the exchange rate calculated as an arithmetic average of the exchange rates published by the National Bank of Poland for this particular currency as at the last day of each month during the fiscal year;
- shareholders’ equity are converted as at the date of take-over of control by the holding company, based on the average exchange rate published by the National Bank of Poland as at that date.

Company shareholders’ equity includes the following separate items:

- share capital
- other shareholders’ equity;
- profit (loss) from previous years;
- net financial result;
- FX rate discrepancies, including especially FX rate discrepancies resulting from different methods of conversion of net financial result and balance sheet into PLN.

A method of full consolidation was employed.

Adjustments and exceptions adopted for consolidation:

- exclusion of stake in shareholders’ equity of subsidiaries held by the holding company;
- exclusion of inter-company payables and receivables;
- exclusion of revenues and expenses related to the Capital Group inter-company sale and purchase transactions;
- adjustments for unrealised profits transferred to the Capital Group inventory;
- exclusion of interest on loans granted by the holding company to its subsidiaries (excluded from financial revenues and expenses);
- adjustments of the Capital Group’s financial result related to deferred income tax on the interest on loans and statistical FX rate discrepancies as at the balance sheet date;

3. Impact of changed accounting principles on the financial result and share capital

As the accounting principles have been changed as a result of switching to IFRSs, relevant conversions of comparative data presented in this financial statement have been made.

3.1 Valuation of items expressed in foreign currencies

Pursuant to accounting principles previously employed, valuation of items expressed in foreign currencies as at the balance sheet date, assets and liabilities have been valued at the average exchange rate as at this day published by central banks of respective countries.

In liner with IAS 21, valuation of foreign currency items as at the balance sheet date is based on spot exchange rate.

In practice this means converting:

- a) monetary items:
 - elements of assets – at the Company's bank purchase rate used as at this date,
 - elements of liabilities – at the Company's bank selling rate used as at this date,
- b) non-monetary items – at the historic exchange rate for the currency as at the transaction date.

Conversion of comparative data for 01.01.2004 - 30.06.2004 resulted in:

- reduced advance payments for deliveries by PLN 4k
- reduced receivables from other units on deliveries and services by PLN 146k,
- reduced other receivables from other units by PLN 1k,
- reduced cash assets by PLN 52k
- increased long-term liabilities to other units on credits and loans by PLN 49k,
- increased short-term liabilities to other units on credits and loans by PLN 293k,
- increased receivables from other units on deliveries and services by PLN 1,827k,
- created assets under deferred tax amounting to PLN 512k,
- provision for deferred tax amounting to PLN 28k written back,
- reduced net profit by PLN 1,832k
- reduced share capital by PLN 1,832k.

3.2. Revenue from sales

Changed approach in defining the moment when the revenue becomes due and legitimate results from principles included in IAS 18.

To properly define the moment when risks and benefits pass on to the buyer, terms of individual deliveries are analysed.

Change of approach, employed to convert comparative data for 01.01.2004r - 30.06.2004 resulted in:

- stock increased by PLN 49k,
- receivables under deliveries and services reduced by PLN 13k,
- created assets under deferred tax amounting to PLN 13k,
- net profit increased by PLN 49k,
- share capital reduced by PLN 49k.

To properly determine revenue from sales, also the product returns by the customers are analysed. Based on to-date experience, the rate of product return has been evaluated against sales volume. It has also been assumed that most product returns occur in the quarter (season) following the purchase.

The calculations made have shown that:

- return value is approximately 0.7% of revenue from sales
- return value is approximately 0.6% of cost of goods sold.

Such approach employed in determining the revenue due for the comparative period from 01.01.2004 to 30.06.2004 resulted in:

- number of short-term prepaid expenses in liabilities increased by PLN 465k,
- reserve capital reduced by PLN 393k,
- created assets under deferred tax amounting to PLN 88k,
- net profit increased by PLN 16k,
- share capital reduced by PLN 377k.

3.3. Capital enlargement costs

As the share issuance cost settlement and presentation method has been changed, also the comparative data have been converted within cost of issuance from previous years, so far published in the balance sheet as prepaid expenses, settled over time and charged into the financial result.

Conversion of comparative data for 01.01.2004 - 30.06.2004 resulted in publishing these costs as reduced reserve capital built up from the issuance bonus.

The above conversion of comparative data for 01.01.2004 - 30.06.2004 resulted in:

- prepaid expenses reduced by PLN 469k,
- reserve capital reduced by PLN 481k,
- provision for deferred tax amounting to PLN 89k written back,
- net profit increased by PLN 101k,
- share capital reduced by PLN 380k.

3.4. Provisions for employee benefits

In line with IFRSs, CG makes provisions under the actual, legal or customary obligation to pay benefits to the employees in the future. CG makes provisions for holiday leaves and retirement severance payments.

Conversion of comparative data for 01.01.2004 - 30.06.2004 results in:

- prior, wrong presentation of provision for holiday leaves as provision for severance payments by the UAB "LPP" company, amounting to PLN 72k,
- wrong presentation of provision for holiday leaves by the LPP Retail Estonia OU company, amounting to PLN 30k,

Conversions made resulted in the following changes to the consolidated comparative data:

- provision for retirement benefits reduced by PLN 72k,
- other short-term provisions increased by PLN 102k,
- liabilities under remunerations reduced by PLN 30k.

4. Achievements of the Issuer's Capital Group in the reporting period

Key achievements of LPP S.A. Capital Group in Q2 and over two quarters of FY05:

1. In Q2 FY05, revenues from export sales totalled nearly PLN 160 million. They were 35% higher than in Q2 FY04 (PLN 118.7 million). In the 1st half-year, revenues from sales of LPP S.A. Capital Group amounted to PLN 304.9 million and were up by 37% in comparison with the corresponding period of the previous year.
2. Net profit for Q2 was PLN 13.9m. It was up by 101% compared to Q2 FY04 (PLN 6.9 million). In the 1st half-year, LPP Capital Group have achieved net profit of PLN 16.2 million. It was nearly twice higher than in the 1st half-year of FY04 (PLN 8.2 million)

3. In Q2, Reserved stores achieved sales revenue of PLN 112.2m, and Cropp Town stores of PLN 24.8m (in Q2 FY04 - PLN 87.6m and 6.3m respectively) Sales revenues achieved over two quarters in Reserved stores network amounted to PLN 217.2m (PLN 168.8m in the 1st half-year of FY04) of which PLN 41.5m abroad; Cropp Town network sales was PLN 46.6m.
4. Total selling area of brand stores was up by over 10k square metres. (increase by 15k square metres compared to end FY04). Total selling area of retail stores of the entire LPP SA Capital Group exceeded 79k sq. m. (with 174 stores).

5. Factors and events, especially untypical, with significant impact on the consolidated financial results

Key factors with impact on the consolidated financial results are as follows:

1. Sales growth in the Reserved network by 29%;
2. Growth of network of Cropp Town stores that achieved approx. 15% revenue from LPP Capital Group sales in the 1st year-half.
3. Intensive growth of Reserved network abroad.

None untypical events or factors had impact of the achieved results.

Revenues from sales of products, goods and fabric published in the consolidated statement generated by individual Capital Group companies in the following volumes (Group inter-company sales excluded):

in PLN '000

Company name	Domestic	Q2 FY05 revenues from sales	Revenues from sales between 01.01.2005 and 30.06.2005	% share (period between 01.01.2005 and 30.06.2005)
LPP S.A.	Poland	135 674	263 329	86.36%
LPP Retail Estonia OU	Estonia	4 308	6 599	2.16%
LPP Retail Latvia Ltd	Latvia	2 937	5 221	1.71%
	Czech			
LPP Czech Republic s.r.o.	Republic	7 254	12 152	3.99%
LPP Hungary Kft;	Hungary	2 270	4 064	1.33%
UAB"LPP"	Lithuania	2 897	5 049	1.66%
LPP Ukraina AT	Ukraine	2 313	4 175	1.37%
ZAO "Re Trading"	Russia	2 338	4 320	1.42%
Total:		159 991	304 909	100%

6. Explanation on seasonality or cyclical character of the Issuer's operations in the reporting period

Seasonality in selling clothes applies to the entire market. The first quarter of calendar year covers two months (January and February) when traditionally autumn & winter collection is being sold out. The process results in lower gross profit margin for sales over the quarter than the average annual margin. In the second quarter no major sold-outs in retail outlets are organised, which resulted in generating profits much higher than in Q1 (approximately 86% of Q1 net profit was generated in Q2).

7. Division into business segments – revenues and results for individual segments

The Issuer's capital group has one type of business. It has been divided into two geographic segments: operations within the European Union and beyond. Currently the parameters characteristic of operating in the second of the above segments are minimal (as little as 2.8% of LPP S.A. CG revenues were generated beyond the European Union) and therefore values for individual segments are not presented.

8. Information on issuance, redemption and repayment of debt and capital securities

The above situation has not occurred in LPP S.A. Capital Group.

9. Information on paid out (or declared) dividend, in total and per share, divided into common and preference shares.

The above situation has not occurred in LPP S.A. Capital Group.

10. Date of the financial statement approval for publishing

This financial statement has been approved for publishing by the Board of the holding company on 10 August 2005.

11. Post-balance sheet events not presented in the financial statement with potential major impact on the future financial results of the Issuer's Capital Group.

None.

12. Effects of changes in the structure of the economic unit, including merger of economic units, takeover or disposing capital group units, long-term investments, division, restructuring and discontinuing the business operations

In Q2 FY05 there have been no changes in the structure of the Company, whether as a result of a merger of economic units, takeover or disposing capital group units, long-term investments, division, restructuring and discontinuing the business operations.

13. Changes of contingent liabilities or contingent assets that occurred from the last financial year.

In Q2 2005, the Companies used bank guarantees to secure the payment of rent for the area rented to run brand stores.

The total value of bank guarantees granted upon the request and on the responsibility of LPP S.A. as at 30 June amounted to: PLN 32,176k of which:

- a) the value of guarantees issued to secure lease contracts concluded by LPP S.A. totalled PLN 6,954,9k
- b) the value of guarantees issued to secure lease contracts concluded by its related parties totalled PLN 12,104,200,000
- c) the value of guarantees issued to secure lease contracts concluded by its related parties totalled PLN 12,711,500,000
- d) the value of guarantees issued to secure lease contracts concluded by unrelated parties amounted to PLN 405,400,000

Guaranteed issued by the company amounted to PLN 4,512,000 and has not changed from Q1 FY05.

Off-balance liabilities are presented in tables in the section containing financial statements.

14. Forecasts of future liabilities under concluded lease contracts.

The Group is a party to lease contracts under which it uses the area for Cropp Town and Reserved brand stores.

Total future minimum payments under lease contracts, estimated as at 30 June 2005 are as follows:

- payables with the maturity date within 12 months as of the balance sheet date	PLN
81,167k	
- payables with the maturity date from 12 months to 5 years as of the balance sheet date	PLN
259,043k	
- payables with the maturity date within more than 5 years as of the balance sheet date	PLN
107,715k	

15. The Management Board's opinion on annual consolidated results forecasts to be achieved

LPP Capital Group sustains the adopted financial targets and forecasts for FY05 submitted in current report 2/2005 of 13 January 2005.

16. Shareholders directly or indirectly by subsidiaries holding at least 5% of all votes at the LPP S.A. General Meeting as at the date of submission of the quarterly report and changes in the ownership structure of major blocks of LPP S.A. shares from the date of submission of the previous quarterly report .

Ownership structure of share capital of the holding company, as at the date of submission of the quarterly report for Q2 FY05:

Shareholder	Number of shares (in pcs)	No. of votes at the General Meeting of Shareholders	Share in the total vote at the General Meeting of Shareholders	Share in share capital
Marek Piechocki	281,428	981,428	31.62%	16.52%
Jerzy Lubianec	276,039	976,039	31.45%	16.20%
Grangefont Limited, headquartered in London, UK	350,000	350,000	11.28%	20.55%
Polish Enterprise Fund IV, L.P., headquartered in Jersey City, USA	215,000	215,000	6.93%	12.62%

17. Changes in the ownership structure in terms of Issuer's shares or rights to Issuer's shares held by members of Board of Directors and the Supervisory Board of the Issuer's company, since the date of submission of the latest quarterly report

On 22.07.2005 Mr Jerzy Lubianec – the Chairman of LPP S.A.'s Supervisory Board has disposed 3,288 common shares of LPP S.A., which the company has announced in the current report no. 27/2005 of 22.07.2005.

Jerzy Lubianec	Number of shares (in pcs)	No. of votes at the General Meeting of Shareholders	Share in the total vote at the General Meeting of Shareholders	Share in share capital
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Grupa LPP S.A.

Śródroczne skrócone sprawozdanie finansowe za II kwartał 2005 roku

As at 31.03.2005	279,327	979,327	31.56%	16.40%
As at 11.08.2005	276,039	976,039	31.45%	16.20%

18. Information on legal proceedings

Within the Capital Group, only LPP S.A. is a party in legal proceedings – claiming receivables from its customers. The total amount claimed is under 10% of the Company shareholders' equity.

18. Related party transactions

In the reporting period, the Issuer concluded no related party transactions related to the transfer of rights and liabilities.

Data on the Issuer's other related parties transactions are presented in the table below. Data in the table are given in PLN '000.

No.	Related parties	receivables as at 30 June 2005	liabilities as at 30 June 2005	Revenue from Jan-Jun 2005	costs from Jan-Jun 2005
1	TORA Sp. z o.o.	0	97	3	527
2	AKME Sp. z o.o.	0	89	3	868
3	P&G Sp. z o.o.	0	92	3	685
4	M&G Sp. z o.o.	0	103	3	776
5	G&M Sp. z o.o.	0	49	3	324
6	SL&DP Sp. z o.o.	0	83	3	1,222
7	DP&SL Sp. z o.o.	0	57	3	424
8	IL&DL Sp. z o.o.	0	98	3	971
9	PL&GM Sp. z o.o.	0	94	3	1,230
10	GM&PL Sp. z o.o.	0	115	3	1,527
11	AMUR Sp. z o.o.	0	180	2	1,635
12	AMA Sp. z o.o.	0	129	2	1,219
13	LIMA Sp. z o.o.	0	140	2	1,198
14	KAMA Sp. z o.o.	0	26	2	561
15	KUMA Sp. z o.o.	0	64	2	1,053
16	LUMA Sp. z o.o.	0	74	2	423
17	AMUL Sp. z o.o.	0	98	2	833
18	AMUK Sp. z o.o.	0	117	2	1,342
19	MM&MR	0	0	1	
20	UAB "LPP"	5 557		2 516	
21	LPP Retail Estonia OÜ	5 089		3 794	
22	LPP Czech Republic s.r.o.	21 678		7 969	
23	LPP Hungary Kft	6 583		2 164	
24	LPP Retail Latvia Ltd	5 733		2 722	
25	ZAO Re Trading	3 562		1 615	
26	„LPP Ukraina” AT	2 382		1 651	
Total		50 584	1 705	22 478	16 394

Numbers in the table illustrate only the mutual transactions between the issuer and related parties and are presented from the issuer's point of view.

Data shown as LPP S.A.'s liabilities are receivables of related parties, and costs are revenues of the presented companies.

Receivables as at 30.06.2005 from foreign subsidiaries include also loans granted to foreign companies amounting to PLN 7,858k in total, and specifically:

- LPP Czech Republic – PLN 4,429k
- LPP Hungary KFT – PLN 2,431k
- LPP Retail Latvia – PLN 167k
- UAB" LPP" – PLN 334k
- ZOE Re Trading- PLN 497k

20. Information on guarantees granted

In the reporting period, the Capital Group companies have granted no guarantees for credits or loans of the total value equalling at least 10% of the Issuer's shareholders' equity.

21. Additional information relevant for the assessment of the Company's financial standing, assets, human resources, the Capital Group's financial result, and any changes thereof, as well as information relevant for the assessment of the probability of repayment of the Capital Group's payables.

The report presents basic information relevant for the assessment of the standing of the Issuer's Capital Group. According to the Management Board there are currently no threats regarding the settlement of the Capital Group's payables.

22. Factors likely to influence results generated by the Issuer's Capital Group in the next quarter (according to the Issuer)

Basic factors likely to influence results generated in the nearest future are as follows:

- 1) continued investment process related primarily to development of both brand stores networks (Reserved and Cropp Town) – both in Poland and abroad.
- 2) exchange rate of PLN against USD and EURO,
- 3) diversification of sources of supply in commodities,
- 4) sales and the profit margin in the Reserved and Cropp Town brand stores

23. Selected information on some items in the consolidated financial statement

Tangible fixed assets (PPE)

Value of tangible fixed assets presented in the consolidated financial statement as at 30 June 2005 includes correction with a write-down of PLN 1,244k.

Value of depreciation for the reporting period was PLN 13,551k.

Inventories

Value of inventories presented in the consolidated financial statement as at 30 June 2005 includes correction with a write-down of PLN 1,628k.

Receivables

Value of receivables presented in the consolidated financial statement as at 30 June 2005 includes correction with a write-down of PLN 6,218k.

Value of the write-down includes:

revaluation write-down on receivables and claimed receivables due from customers	PLN
4,419k	
revaluation write-down of the so-called doubtful receivables:	PLN
1,506k	
revaluation write-down of receivables due from employees and other:	PLN
234k	
revaluation write-down of receivables under budget settlements:	PLN
59k	

Changes in receivables revaluation write-downs in the reporting period are as follows:

as at 31 December 2004	PLN
6,255k	
write-downs made between 1 January and 30 June 2005	PLN
895k	
decrease in write-downs in previous years	PLN
824k	

decrease in write-downs in 2005	PLN
108k	
as at 30 June 2005	PLN
6,218k	

Provisions

Value of provisions presented in the consolidated financial statement as at 30 June 2005 amounting to PLN 4,333k, covers the following items:

- | | |
|---|------------|
| - provision for retirement severance payments in the amount of: | PLN 290k |
| - provision for holiday leaves not taken in the amount of: | PLN 915k |
| - provision for deferred income tax in the amount of: | PLN 3,128k |

Income tax

Income tax presented in the consolidated profit and loss account for the period between 1 January and 30 June 2005 amounts to PLN 5,721k and includes:

- current part - PLN 4,023k

and

- deferred part - PLN 1,698k

Deferred tax includes:

- increase in the provision for deferred income tax – up by PLN 1,233k
- decrease in the deferred income tax asset – up by PLN 465k

FX rate discrepancies

The consolidated profit and loss account as at 30 June 2005 presents an excess of negative FX rate discrepancies of positive FX rate discrepancies of PLN 2,145k.