

Dear shareholders,

2003 was yet another year of major growth for our Company. At the same time, it was the year of major changes, with the goal to bring LPP closer to the target operational model. As you know, our Company has adopted the view that the best opportunities for its growth are related to the development of retail network of stores in Poland and abroad. Our goal is also to create brands as attractive to the customer as possible.

Without any doubt, 2003 was a good year. Our revenues from sales totalled PLN 377 million, while our net profit exceeded PLN 34 million. Each PLN of the equity generated a return of over 0.29 PLN in net profit. Our targets have been met.

Our efforts and results have been appreciated by the investors and other players on the Polish market and abroad. We have received many prestigious awards, including the Economic Award of the President of the Republic of Poland for the Best Polish Company, or the international MAPIC award for Europe's most dynamic clothing retailer. This is exactly what makes us work even harder – we are well aware of the fact that we are in the spotlight, with our actions being closely watched by many institutions and persons.

As in previous years, in 2003 we have focused on the development and upgrade of the Reserved stores network. We have opened almost 30 new stores in Poland, including several based on franchising. Our total selling area was up by approx. 15 thousand square metres, up to 32 thousand square metres. We have also opened 11 stores abroad, and consequently increased the total selling area to 8 thousand square metres. All in all, as at the end of 2003, the total selling area of the network totalled approx. 40 thousand square metres. We have also focused on the back-office solutions to ensure future growth. The Retek IT system was being implemented, and first two modules have already been successfully phased in. We have introduced organisational and technical changes in our logistics centre in Pruszcz Gdański, considerably boosting its efficiency. At the same time, we have concentrated on preparations related to our new project – retail network of the CROPP clothing, with the goal to extend our target customer base. The first CROPP store has already been opened. In spite of the considerable scope and intensity of works, whose costs have been covered in the previous year and whose effects will become visible in the future, we hope to have generated results which may be considered satisfactory by our shareholders.

Our plans for this year include further activities with the goal to strengthen the position of the Reserved brand on the Polish market, and at the same time even more intensified actions to achieve the same goal abroad. We plan to increase the total selling surface area of Reserved stores abroad up to approx. 18 thousand square metres. Currently, Reserved stores are located in Estonia, the Czech Republic, Ukraine, Lithuania, Latvia, Hungary and Russia. These markets, apart from Poland, will be the target for our investment activities. As regards the CROPPTOWN stores, for the time being we plan to open these in Poland only; according to our current assumptions, CROPPTOWN stores are to become our next opportunity for further growth (apart from the Reserved stores). In 2004 we plan to open about 25 CROPPTOWN stores. As our investment plans are considerable, the Management Board will request you to earmark the entire profit generated in 2003 for the Company's

capital. We hope that our actions taken in the past have been appreciated by the shareholders and that our plans to invest the profits will be supported.

I can assure you that great opportunities for growth of our Company are still out there, and that I will do my best to ensure that your future is at least as good as the past.

*Marek Piechocki*

*President of the Management Board*