LPP S.A.

REPORT ON THE OPERATION OF THE ISSUER’S CAPITAL GROUP IN 2004

1. **Information on basic products, goods or services with qualitative and quantitative description and the share of individual products, goods or services (if material) or their groups against the Capital Group's total sales, and information on changes in products, goods or services during the financial year.**

Grupa Kapitałowa LPP S.S. Spółka Akcyjna is composed of 18 Polish companies and 7 foreign companies. Under Article § 5 section 1 item 1 of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002, No. 76, item 694), Polish subsidiaries of LPP S.A. have not been consolidated, as their financial data is immaterial for the Company as regards its obligations specified in Article 4 section 1of the Accounting Act.
The financial statement of Grupa Kapitałowa LPP S.A. covering the period between 1 January and 30 December 2004 includes individual results of LPP S.A. for the said period and the results of consolidated companies as at 31 December 2004.

1. LPP Retail Estonia OU;
2. LPP Czech Republic s.r.o.;
3. LPP Hungary Kft;
4. LPP Retail Latvia Ltd;
5. UAB LPP;
6. LPP Ukraina AT;
7. ZAO Re Trading.

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 the sole product sold by the companies of the LPP Capital Group.
Designs of clothing are prepared in the design office located at the holding company's registered office in Gdańsk, and then passed on to the purchasing department to start the production in co-operation with production plants in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai. Products sold by the companies of the LPP Capital Group are mainly clothing for teenagers, and include jackets, overcoats, sweaters, sweatshirts, trousers, dresses, tops, shirts, and underwear, as well as hats, scarves, gloves, etc.

The Capital Group also generates minor revenues from the sales of services (these are only the revenues of the holding company - mainly lease of premises in the Company-owned building and lease of transport vehicles).

Source of revenues	2004	
	PLN '000	share in sales %
Sales of trade goods	543 368	99.40
Sales of services	3 285	0.60
Total	546 653	100.00

Presented below are revenues from sales generated in individual channels of distribution and their share in total sales:

Distribution channel	2004	
	PLN '000	share in sales %
Reserved brand stores	409 381	75.34
Export	20 890	3.85
Cropp brand shops	44 291	8.15
Other	68 806	12.66
Total	543 368	100.00

The main distribution channels which ensure development opportunities for the Capital Group are Reserved and Cropp shops chains.

2. Information on the changes in outlet market (both local and foreign) and change in the sources of production materials, goods and services, indicating the dependence on one or several customers and suppliers; customers / suppliers with at least 10% share in total revenues from sales – their name, share in sales or supply, and formal relations with the Issuer's Capital Group.

The customers of LPP Capital Group are based both in Poland and abroad.

The exports to entities not included in the Capital Group amounted to PLN 20,890,000, which accounted for 3.84% of total revenues.
As the Company uses various channels of distribution, there is no record of revenues from sales based on the country's geographical structure. In its internal records, the Company differentiates between local and export sales, and introduces categorisation in terms of the channels of distribution.

Presented below are sales of goods in 2004, in breakdown into local and foreign markets:

Type of sales	2004	
	PLN '000	share in sales volume %
Local	522 478	96.16
Export	20 890	3.84
Total	543 368	100.00

Presented below are the main directions of the Capital Group exports: (the table presents target countries, not the countries where the importer's office is based):

Domestic	2004	
	export value in PLN '000	share in export %
Russia	11 488	54.99
Czech Republic	114	0.55
Ukraine	2 713	12.99
Estonia	206	0.99
Latvia	622	2.98
Lithuania	951	4.55
Slovakia	4 542	21.74
Hungary	22	0.11
Belarus	92	0.44
Croatia	65	0.31
Germany	23	0.11
Great Britain	4	0.02
Switzerland	2	0.01
Other	44	0.21
Total	20 890	100.00

The Issuer's Capital Group's dependence on the suppliers

The Issuer's Capital Group is not dependent on any supplier.
LPP S.A. production companies – subcontractors are mainly based in China. Purchase made in China represented 67% of total purchase volume. Additionally, the Company purchased goods from Polish producers (ca. 19.5%), the remaining purchases (ca. 10%) were made in European countries and ca. 3.5% in other Asian countries. Purchasing volumes did not exceed 10% of sales for any of the suppliers.
LPP S.A. concluded framework agreements, determining general terms and condition of co-operation. Individual products are manufactured for the Holding Company on the basis of detailed contracts, concluded separately for each individual delivery.

The Issuer's Capital Group dependence on customers

The Capital Group companies are not dependent on any customer. The share of none of the customers exceeds 10% of the total sales of the Capital Group.

3. Basic economic and financial figures published in the annual consolidated financial statement, including in particular the description of factors and events, including extraordinary events, which affect the Issuer's Capital Group business and the Issuer's Capital Group profits / losses during the financial year.

The basic factor influencing the Issuer's Capital Group business is the adopted and gradually fine-tuned business model, based on the adaptation of products to customers' requirements and stimulating the customers' needs by creating recognizable brands. Detailed description of internal and external factors is presented in section 14.

The major achievements of the Capital Group's members in 2004:

1) revenues from sales of PLN 546 million,
2) net profit exceeded PLN 42.7 million,
3) return on equity of 25.44%,
4) opening, in March 2004, of the new Cropp Town network (offering clothing for youngsters aged 13-20). These actions were taken based on market analyses and preparations commenced in 2003. In the course of these preparations, a target group of customers was defined and a corresponding marketing strategy was outlined. The first results of Cropp Town stores show that customers' response to this idea was very positive. Our experience proves that Poland is still a good venue for challenging business ideas in the clothing sector. - revenues from sales of the Cropp Town network totalled PLN 44 million.
5) the increase of the total area of Reserved shops from 40,000 square meters at the end of 2003 to 54,000 square meters at the end of 2004, including over 16,000 square meters outside Poland and the opening of 43 Cropp Town stores with the area of ca. 10,000 square meters.
6) Timely start-up of the central module of Retek software used to optimise retail sales processes and make it possible to analyse a number of parameters related to trade goods. This task had been carried out for several months and was successfully completed with the integration of the modules implemented in H1 2003 with the central module.

Presented below are basic economic and financial figures.

Item	2004 in PLN '000
net revenues from sales	546 653
gross profit on sales	295 328
profit on sales	56 054
operating profit	52 895
profit on business operations	53 403
net profit	42 686
shareholders' equity	192 013
liabilities:	119 696
long-term liabilities	2 306
short term liabilities:	114 163
bank loans and credits	71 568
due to suppliers	29 932
fixed assets	137 172
current assets	174 537
inventory	131 783
short-term receivables	24 671

Revenues from sales generated by the LPP Capital Group in 2004 topped PLN 546,653, where 99.4% were revenues from sales of goods and materials. Gross profit from sales amounted to PLN

295,328,000, which allowed us to attain the gross profit margin of 54.02% which was affected, to a large extent, by results generated by Reserved and Cropp retail sale networks.

Profit on sales amounted to PLN 56,054,000 and the sales profit margin totaled 10.25%.

Operating profit totalled PLN 52,895000, and the operating profit margin amounted to 9.68%.

Net profit generated in 2004 totalled PLN 42,686,000, and the net margin amounted to 7.8%.

The shareholders' equity of LPP S.A. amounted to PLN 192,013,000, where 80% were reserve capitals.

Short-term payables of PLN 114,163,000 included mainly credit and loan liabilities amounting to PLN 71,568,000, where the holding company's liabilities towards banks accounted for 94% of the amount.

Current assets totalled PLN 174,537,000, where 75% is inventory (PLN 131,783,000) – a substantial decrease as compared to H1 2004 when the inventory of the Capital Group amounted to PLN 200 million, and short-term receivables account for only 14%. (PLN 24,671,000).
The advantage of these channels of distribution, which are brand shops networks, is that inventory is exchanged directly for cash, which advances financial liquidity of the Issuer's Capital Group, generating considerable cash flows.

The value of profitability ratios, presented in the table below, results directly from the factors described above which influence the value of each category of profit.
The Capital Group's profitability ratios remain at a satisfactory level.
Profitability ratios presented in the table have been calculated as follows:

a) gross profit margin – gross profit on sales divided by revenues from sales of goods and services,
b) operating profit margin – operating profit divided by revenues from sales of goods and services,
c) net profit margin – net profit divided by revenues from sales of goods and services,
d) return on assets – net profit divided by average assets during the financial year,
e) return on equity – net profit divided by average equity during the financial year.

Item	2004 %
Gross profit margin on sales	54.02
Operating profit margin	9.67
Net profit margin (ROS)	7.81
Return on Assets (ROA)	13.34
Return on Equity (ROE)	25.44

Liquidity ratios have been calculated as follows:

a) current ratio - current assets divided by the balance of short-term liabilities,
b) quick ratio - current assets less inventory divided by the balance of short-term liabilities,
c) inventory turnover ratio (days) – average inventory divided by costs of goods and products sold and multiplied by the number of days in a given period,
d) receivables turnover ratio (days) – average receivables divided by sales revenues and multiplied by the number of days in a given period,

e) trade payables turnover ratio (days) – average trade payables divided by the costs of goods and products sold and multiplied by the number of days in a given period,

Item	2004
liquidity ratio I (current ratio)	1.53
liquidity ratio II (quick ratio)	0.37
inventory turnover (days)	159
days in receivables	16
days in trade payables	30

Fixed assets to equity ratio is lower than in the case of corresponding ratios for the holding company (the increase in fixed assets as compared to the decrease in shareholders' equity resulting from the losses of foreign companies). Other ratios are at levels approximate to LPP S.A. ratios. The low level of the long-term debt ratio results from the regular repayments of the long-term loan.
Solvency ratios have been calculated as follows:

a) fixed assets to equity ratio – shareholders' equity divided by fixed assets,
b) total debt – long- and short-term liabilities (including provisions for liabilities) divided by balance sheet total,
c) short-term debt – short term debt divided by balance sheet total,
d) long-term debt – long-term debt divided by balance sheet total.

Item	2004 %
fixed assets to equity ratio	140
total debt ratio	37
short term debt ratio	36
long-term debt ratio	0.72

4. Information on agreements material for the Issuer's Capital Group's business, including agreements made between shareholders (partners), as well as insurance or co-operation contracts.

In 2004, the Company concluded the following material contracts:

- Contract of insurance guarantee within a specified guaranteed limit concluded with TUiR 'Warta' S.A. on 9 February 2004. The guaranteed limit amounts to PLN 20 million.
- Insurance agreement of 18 October 2004 with riders, concluded with Allianz Polska S.A. in Warsaw. The insurance policy includes the insurance of all LPP S.A. assets, including brand stores.
- In 2004, the Companies of the LPP Capital Group concluded 40 new contracts of lease with distributors of areas in commercial buildings in Poland and 14 contracts of lease of area

abroad. The contracts concern the lease of premises where the Reserved and Cropp clothing is sold.

- In 2004, the Companies of the LPP Capital Group concluded new credit agreements and annexes amending loan agreements already in place. Details on these contracts have been published in current reports. Notes 16D and 17C present a list of loan agreements as at 31 December 2004.

The LPP Capital Group has no knowledge of any contract concluded between its Shareholders that would affect its operations.

5. Information on changes in the Issuer's Capital Group organisational or capital relations with other parties and description of the Issuer's major local and foreign investments (securities, financial instruments, intangible assets and real estate), including capital expenditure outside the group of related parties and methods of their financing.

Investments of LPP S.A. are associated mainly with related parties. The total value of shares in related parties not subject to consolidation amounts to PLN 611,000. Except for that, there are loans granted by LPP S.A. to external entities totalling PLN 361,000.

6. Related-party transactions – if the one-off or total value of transactions concluded with a given related party within 12 months exceeds the PLN equivalent of EUR 500,000.

The total value of transactions concluded with related parties exceeded the PLN equivalent of EUR 500,000 in the following cases:

a. The remuneration paid to the subsidiary - SL&DP Sp. z o.o. – as rent for leased areas in 2004 amounted to PLN 2,498,399.87.

b. The remuneration paid to the subsidiary - IL&DL Sp. z o.o. – as rent for leased areas in 2004 amounted to PLN 2,080,190.15.

c. The remuneration paid to the subsidiary - PL&GM Sp. z o.o. – as rent for leased areas in 2004 amounted to PLN 2,251,635.99.

d. The remuneration paid to the subsidiary - GM&PL Sp. z o.o. – as rent for leased areas in 2004 amounted to PLN 3,172,035.44.

e. The remuneration paid to the subsidiary - AMA Sp. z o.o. – as rent for leased areas in 2004 amounted to PLN 3,038,150.67.

All transactions within the capital group were concluded on market terms.

7. Information on credits and loans incurred, specifying their maturity and guaranties granted (to the Issuer).

Information on credits and loans incurred as at 31 December 2004 and their maturity is presented in note 16D and 17C to the financial statement.
In 2004, the Companies used bank guarantees to secure the payment of rent for the area rented to run brand stores. The Holding Company applied for bank guarantees to secure contracts of lease, in which LPP S.A. acts as a lessee and to secure contracts of lease in which related parties act as lessees, and also, in two cases, for non-related entities.
The total value of bank guarantees granted upon the request and on the responsibility of LPP S.A. as at 31 December 2004 amounted to PLN 30,673,000, of which:

- the value of guarantees issued to secure lease contracts concluded by LPP S.A. totalled PLN 6,205,000,
- the value of guarantees issued to secure lease contracts concluded by its related parties totaled PLN 12,258,000,

- the value of guarantees issued to secure lease contracts concluded by non-consolidated companies amounted to PLN 11,848,000,
- the value of guarantees issued to secure lease contracts concluded by unrelated parties amounted to PLN 362,000,

Last year, no loans were incurred by and no guaranties were granted to the Capital Group.

8. Information on loans granted, specifying their maturity and guaranties granted (by the Issuer), including loans and guarantees granted to the issuer's related parties.

As at 31 December 2004, the total loans granted were as follows:

1) one loan granted to a domestic natural person, who rendered services for the Issuer for the total amount of PLN 8,619.98.
The loan is repaid in equal monthly instalments with interest. Loan maturity date: 7 December 2005.

2) one loan granted to an external domestic entity, with which the Company concluded a contract based on trade intermediation for the total amount of PLN 330,769.17. Loan maturity date: 31 July 2009.

3) one loan granted to an external Russian entity for the total amount of RUB 200,000.
The loan was granted for operating purposes, where the interest will be repaid with the loan. The loan maturity date was 31 March 2005. The loan with interest was repaid when due.

In the reporting period, the Company issued the following guarantees:

Name of the beneficiary	Amount	Guarantee expiry date
Line for cards Paylink Citibank-Handlowy guarantying the Company's contractors' liabilities towards the bank	PLN 4,400,000	08.08.2005
Endorsement on bill for the benefit of Orlen for two business entities	PLN 90,000 PLN 22,000	Agreement for an unspecified period of time.

The off-balance sheet liabilities set out in Section 7 and Section 8 are the only ones that occurred. Subsidiaries did not grant any guarantees or sureties. The subsidiaries obtained the described sureties related to bank guarantees only from the holding company.

9. Appropriation of inflows from the issue of securities.

In 2004, no issue of securities had place.

10. Explanation of discrepancies between financial results presented in the annual financial report and forecast results for a given fiscal year published earlier, if at least one of the items in the financial result differs considerably from the item presented in the last forecast published.

The results complied with the published forecasts.

11. Assessment (and its justification) of financial assets management, with particular focus on the ability to meet the terms and conditions of all incurred liabilities, and identification of possible threats and actions taken or to be taken by the issuer to counter these threats

LPP Capital Group pays its liabilities towards the State Treasury and customers on a current basis. The change of the business model operational for years allows for the reduction in days in receivables. The inflows and signed loan agreements fully secure the performance of commitments.

12. Assessment of the feasibility of planned investments, including capital expenditure, against owned assets, including any possible changes in the structure of investment financing.

Investment plans will be completed using the Capital Group's own resources and bank credits. The Management Board will address the shareholders to refrain from paying dividends and allocate the total 2004 profit for reserve capital.

13. Assessment of factors and extraordinary events influencing the financial result for the reporting year and the identification of their impact on the financial result.

There were no extraordinary events influencing the financial result in 2004.

14. Description of external and internal key factors influencing the development of the Issuer's business and description of the perspectives for the Issuer's business development at least until the end of the current fiscal year, including the elements of the Company's adopted market strategy.
Description of key risks and threats and their probability.

Basic objectives of the Capital Group influencing its future market position include:
a) creation of the network of brand stores in Poland and Central and Eastern Europe,
b) building strong clothing brands (Reserved and Cropp),

The following internal and external factors (presenting both opportunities and threats) will have an impact on the completion of Issuer's strategic tasks and goals:

Internal factors

a) The Capital Group's market strategy

LPP S.A. Capital Group is a design and distribution company, creating its brand while outsourcing many activities to third parties. The Company does not have its own production capacity and does not plan to develop its own production plants. As a result, the goal of all investments is to increase the Company's trading potential, maintain its competitive edge on the market, develop its own network of distribution, create good image of LPP S.A. Capital Group on the clothing market, gain customers and ensure their loyalty to the Company and its products.

b) The Capital Group's market position

Marketing activities, focusing primarily on the Reserved label, resulted in the considerable increase of brand recognition by the target consumer group. Similar action was undertaken in the case of the new clothes brand – Cropp. The growth of LPP Capital Group in terms of its revenues from sales and its profits is more and more dynamic.

c) Extending and renewing offers presented to the customers

Products marketed by LPP Capital Group meet the expectations of target customer groups related to individual channels of distribution. Keeping in touch with the changing preferences of customers, the Company launches new product groups to the market each year, trying to get ahead of the market needs. In certain cases, especially in the case of the Reserved brand stores, LPP Capital Group tries to create its own style, based on global trends. Within the Reserved network, the Capital Group also launches changes which involve the adjustment of the appearance of outlets to meet the latest trends in this respect. The launch of Cropp Town network, selling mainly Cropp apparel, addressed at a different target group that Reserved products, is a proof of the continuous quest for market opportunities.

External factors

a) Change and growth of the clothing retail market in Poland and abroad

In response to changes of the retail clothing market, LPP S.A. consistently implements its plan of development of an extensive network of brand stores, selling clothing under widely recognized label.

b) Relatively low costs of entering the clothing market

Relatively low entrance barriers of the clothing market may result in the increase of competition. This will require more intensive actions on the part of LPP Capital Group in order to maintain its market position and secure further development, especially the development of an extensive network of brand stores. The strategy of building brand shops makes this channel of distribution different from others and is the natural method of protecting LPP Capital Group Companies against competitors with lower levels of financial assets. It results from the fact that development of a network of stores and creation of a strong brand require considerable investment outlays.

c) The consequences of the accession of Poland and other countries to the European Union.

The accession to the European Union did not result in any perceptible increase in interest in the clothing market in this region. Major European players are already present on the market. Since the beginning of 2005, the barriers restricting the import of clothes from China were lifted. Despite the 10-year preparation period, which was to serve the purpose of adjusting European clothes production companies to the total unleash of trade in textiles with Asian countries, in certain Member States voices are raised to establish barriers to the free movement of these goods. It is possible that the European Commission will impose restrictions in this respect, which may affect all importers (i.e. in fact all companies in the industry).

d) FX rates

The Capital Group's results may be influenced by FX rates of two foreign currencies: EUR and USD.
The ongoing monitoring of USD exchange rates (the currency of settlements with suppliers and export customers) and of factors that may affect the rate enable us to claim that no impediments are present in the Capital Group's operation related to such issues.
Specific nature of the Company's business makes it possible to partly transfer the increase in USD exchange rate to end users – the selling price of a given product is calculated on the "last minute" basis – before it is introduced to the market. More, i.e. by 20%, of goods than in the previous year were purchased in Poland where the settlements of transaction with manufacturers are performed in PLN.
Another area where costs may be affected by USD and especially EURO exchange rates are the contracts of lease of commercial premises. Exchange rates of these currencies determine the amount of rent payable under contracts of lease of most stores where the Reserved clothing is sold. As in the case of goods prices, variation in rent resulting from EUR exchange rates fluctuations, in the opinion of the Management Board, should not be followed by a material growth of the total costs incurred for that purpose.

e) General economic situation. The level of spending on consumer goods, including clothing.

Results generated by the Company in 2004 indicate beyond any doubt that the general economic situation characterized by the cutback on spending on certain consumer goods, did not affect the Capital Group's business. LPP S.A. is focusing on ensuring that products offered to customers are attractive; as a result, the Company's customer base is considerable, even if the financial standing of customers is generally considered weak.

f) Changes in fashion that affect attractiveness of the products

Attractiveness of the product and resulting market position of clothing companies depend heavily on proper operation of the design department. Taken this factor into consideration, the Company focuses especially on the skills of designers and their market insight. The design team is composed of several persons working in team, whose cooperation and efforts result in clothing lines appreciated by the customers. Another key factor is continuous monitoring of global trends, for instance by participation in major international fairs.

Perspectives for development of the Issuer's business

As in previous years, the Company assumes further development of the Reserved and Cropp brand stores network. As at the end of 2004, there were ca.150 brand stores in Poland and in seven other countries with the total commercial area of approx. 64,000 square metres. . Plans for 2005 provide for the opening of new stores and doubling the total commercial area to over 90,000 square meters.

15. Major research & development achievements

The Holding Company places great importance on the appearance and functionality of outlets, which affect customers' decisions to a large extent. In 2004, works were under way on this issue and prototypical shops were created: Cropp Town (first interior decoration) and Reserved (new interior decoration). The shops were not established as actual stores, but as "laboratories" in which a range of interior decoration options are applied and which are a model for the actual shops.
No other research & development was performed in other areas.

16. Information on the acquisition of Treasury shares, including the purpose of the acquisition, the number and nominal value of such shares, indicating what part of the share capital they represent, the purchase price and the selling price of such shares in the case of their disposal.

Not applicable in the case of LPP S.A. Capital Group

17. Information on branches (plants)

Not applicable in the case of LPP S.A. Capital Group

18. Financial instruments related to:

a) the risk of changes in prices, credit risk, material disturbances of cash flow and of the loss of financial liquidity to which the Capital Group is exposed.

Pursuant to the Minister of Finance Ordinance dated 12 December 2001 on the specific principles of the recognition, valuation methods, scope of disclosure and presenting financial instruments, it was determined that in the Capital Group, the following financial instruments were present:

- loans granted,
- bank credits,
- bank deposits.

There were also embedded currency derivatives related to:

- contracts of lease of commercial areas for brand shops in which the rent is determined basing on foreign currency exchange rates,
- liabilities in foreign currencies related to the purchase of trade goods abroad,
- receivables in foreign currencies related to the sale of trade goods to foreign customers.

Embedded instruments are valued and recognized in the balance sheet which complies with § 10, Section 1, Subsections 5a, 5b, 5c of the Minister of Finance Ordinance dated 12 December 2001 on the specific principles of the recognition, valuation methods, scope of disclosure and presenting financial instruments

b) the objectives and methods of financial risk management adopted by the business, including methods of securing material types of planned transactions for which the hedge accounting is applied.

1) currency risk – was discussed in Section 14 as external risk factor;
2) interest rate risk – in the Management Board's opinion, changes in interest rates affecting the costs of borrowings cannot materially affect the financial results;
3) credit risk – this risk refers mainly to loans granted to foreign subsidiaries. The loans were granted and used for the development of the sales network abroad. The processes progress in such a way that, in the Management Board's opinion, there is no danger of the loss of the amounts granted, although the repayments dates may not be met in certain cases.

LPP Capital Group does not apply any hedging instruments for the above-mentioned risks.

19. Changes of basic principles of the management of the Issuer's business and its Capital Group

No major changes in the Issuer's and the Capital Group's business management principles were introduced in 2004.

20. Changes in the composition of the Issuer's Management and Supervisory Board during the financial year

There were also no changes in the composition of the Issuer's Management Board in 2004.
The following two persons were appointed Supervisory Board members: Maciej Matusiak and Krzysztof Olszewski, who replaced Grzegorz Słupski and Bogdan Małachwiej (they resigned).

21. Total number and nominal value of all shares of the Issuer and all shares of the Issuer's related parties held by members of the Issuer's Management and Supervisory Board

No.	Function in the Company's authorities	Total number of shares	Shares nominal value in PLN
1.	President of the Management Board	281 876	563 752
2.	Vice-President of the Management Board	5 684	11 368
3.	Vice-President of the Management Board	4 055	8 110
4.	Vice-President of the Management Board	3 994	7 988
5.	Chairman of the Supervisory	279 626	559 252

	Board		

Members of the Management Board and the Supervisory Board hold no shares in related parties.

22. Shareholders holding, directly or indirectly via subsidiaries, at least 5% of votes at the Issuer's General Meeting of Shareholders.

As at the date of the submission of the financial statement for FY 2004, shareholders with at least 5% of votes at the Issuer's General Meeting of Shareholders are:

No.	Shareholder	No. of shares	Share in share capital %	Number of votes at the GM	Share in the total votes at the GM in %
1.	Marek Piechocki	281 876	16.55	981 876	31.64
2.	Jerzy Lubianiec	279 626	16.41	979 626	31.57
3.	Grangefont Ltd	350 000	20.55	350 000	11.28
4.	Polish Enterprise Fund IV, L.P.	215 000	12.62	215 000	6.93

23. Information on any agreements known to the Issuer (including agreements concluded after the balance sheet date) which may result in the future change in the present structure of share ownership in terms of shares held by current shareholders and bondholders

Change in the present structure of share ownership may take place as a result of the execution of the agreement for underwriting of 56,700 F series shares concluded with Capital Operations Centre in Bank Handlowy w Warszawie S.A. in Warsaw on 21 September 2000.
In the subsequent years of the implementation of the executive share option programme, the Company's Supervisory Board specifies the number of shares which may be acquired in a given year and identifies eligible persons.
As at the date of the submission of the annual report, 5 400 F series shares included in the share executive option scheme have not been taken hold of.

Marek Piechocki

President of the Management Board

Alicja Milińska — Vice President

Stanisław Dreliszek — Vice President

Dariusz Pachla — Vice President