LPP S.A.
Condensed mid-year financial statement for Q3 FY 05

Gdańsk
November 2005

1. Selected consolidated financial data

Selected consolidated financial data	Q3 FY05	Q3 FY04	Q3 FY05	Q3 FY04
	01/01/2005-30/09/2005	01/01/2004-30/09/2004	01/01/2005-30/09/2005	01/01/2004-30/09/2004
	in PLN '000		in EUR. '000	
I. Net revenues from sales of products, goods and materials	473,285	364,308	116,621	78,831
II. Operating profit (loss)	35,174	18,537	8,667	4,011
III. Gross profit (loss)	31,024	20,755	7,645	4,491
IV. Net profit (loss)	23,337	15,910	5,750	3,443
V. Net cash flow from operations	12,529	-87,944	3,087	-19,030
VI. Net cash flow from investments	-55,750	-39,878	-13,737	-8,629
VII. Net cash flow on financial activity	39,721	116,837	9,788	25,282
VIII. Total net cash flow	-3,500	-10,985	-862	-2,377

Selected consolidated financial data	Q3 FY05	Q3 FY04	Q3 FY05	Q3 FY04
	30/09/2005	30/09/2004	30/09/2005	30/09/2004
IX. Total assets	416,194	353,484	106,264	80,645
X. Liabilities and provisions for liabilities	201,539	188,484	51,458	43,001
XI. Long-term payables	1,425	2,839	364	648
XII. Short-term payables	195,005	182,704	49,789	41,683
XIII. Equity	214,655	165,000	54,806	37,644
XIV. Share capital	3,407	3,407	870	777
XV. No. of shares	1,703,500	1,703,500	1,703,500	1,703,500
XVI. Profit (loss) per ordinary share (in PLN / EURO)	13.70	9.34	3.38	2.02
XVII. Book value per share - BVPS (in PLN / EURO)	126.01	96.86	32.17	22.10

2. Consolidated balance sheet

Consolidated balance sheet	as at the end of:			
	Q3 FY05 2005-09-30	Q2 FY05 2005-06-30	previous year 2004-12-31	Q3 FY04 2004-09-30
Fixed assets	**167,987**	**165,100**	**136,852**	**117,450**
Intangible assets	13,826	14,319	13,644	12,815
Tangible fixed assets (PPE)	148,575	145,155	116,605	100,426
Long-term receivables	192	199	472	649
- due from other entities	192	199	472	649
Long-term investments	896	927	894	931
- Long-term financial assets	896	927	894	931
- in related parties, including:	707	707	611	611
- shares in non-consolidated subsidiaries or jointly-controlled entities	707	707	611	611
- in other entities	189	220	283	320
Long-term prepaid expenses	4,498	4,500	5,237	2,629
- Deferred income tax assets	3,957	3,758	4,176	2,623
- Other prepaid expenses	541	742	1,061	6
Current assets	**248,207**	**215,827**	**174,606**	**236,034**
Inventories	198,440	171,508	131,776	182,048
Short term receivables	35,719	29,213	24,547	41,204
- from related parties			40	50
- due from other entities	35,719	29,213	24,507	41,154
Short-term investments	12,098	12,435	15,571	11,629
- Short-term financial assets	12,098	12,435	15,571	11,629
- in related entities				
- in other entities	106	93	79	41
- cash and cash equivalents	11,992	12,342	15,492	11,588
Short-term prepaid expenses	1,950	2,671	2,712	1,153
T o t a l a s s e t s	**416,194**	**380,927**	**311,458**	**353,484**

Consolidated balance sheet	as at the end of:			
	Q3 FY05 2005-09-30	Q2 FY05 2005-06-30	previous year 2004-12-31	Q3 FY04 2004-09-30
Liabilities				
Equity	**214,655**	**207,342**	**190,819**	**165,000**
Share capital	3,407	3,407	3,407	3,407
Reserve capital	199,319	199,319	151,236	151,236
Other capital reserves	1	1	1	1
FX rate differences (translation of subsidiaries)	442	304	- 8	433
- positive FX rate discrepancies	1,751	1,247	1,313	943
- negative FX rate discrepancies	1,309	943	1,321	510
Retained profit (loss) from previous years	- 11,851	- 11,851	- 5,973	- 5,987
Net profit (loss)	23,337	16,162	42,156	15,910
Liabilities and provisions for liabilities	**201,539**	**173,585**	**120,639**	**188,484**
Provisions for liabilities	4,435	4,333	2,750	1,903
Provision for deferred income tax	3,386	3,128	1,659	1,568
Provision for retirement benefits and similar benefits	310	290	379	231
- long-term	310	290	379	231
Other provisions	739	915	712	104
- long-term			55	
- short-term	739	915	657	104
Long-term payables	**1,425**	**1,745**	**2,349**	**2,839**
- Due to other entities	1,425	1,745	2,349	2,839
Short-term payables	**195,005**	**166,848**	**114,410**	**182,704**
- Due to related parties	1,841	1,706	1,609	951
- Due to other entities	192,903	164,820	112,594	180,339
Special funds	261	322	207	1,414
Prepaid expenses	674	659	1,130	1,038
- Other prepaid expenses	674	659	1,130	1,038
- long-term	101	122	165	186
- short-term	573	537	965	852
Total liabilities	**416,194**	**380,927**	**311,458**	**353,484**

	2005-09-30	2005-06-30	2004-12-31	2004-09-30
Book value	214,655	207,342	190,819	165,000
No. of shares	1,703,500	1,703,500	1,703,500	1,703,500
Book value per share - BVPS (in PLN)	126.01	121.72	112.02	96.86

3. Off-balance sheet items

Off-balance sheet items	as at the end of:			
	Q3 FY05 2005-09-30	Q2 FY05 2005-06-30	previous year 2004-12-31	Q3 FY04 2004-09-30
Contingent liabilities	**39,457**	**36,688**	**35,185**	**25,261**
Due to related parties	26,781	24,816	30,311	16,115
- bank guarantees issued upon the request of the Issuer to secure payables of non-consolidated subsidiaries	26,781	24,816	30,311	16,115
Due to other entities	12,676	11,872	4,874	9,146
- granted guarantees	11,302	11,467	4,512	7,209
- bank guarantees issued upon the request of the Issuer to secure payables of other entities	1,374	405	362	1,937
Total off-balance sheet items	**39,457**	**36,688**	**35,185**	**25,261**

4. Consolidated profit and loss account

Consolidated profit and loss account	Q3 FY05 01/07/2005- 30/09/2005	ascending current year 01/01/2005- 30/09/2005	Q3 FY04 01/07/2004- 30/09/2004	ascending previous year 01/01/2004- 30/09/2004
Net revenues from sales of products, goods and materials, including:	**168,382**	**473,285**	**141,103**	**364,308**
- from related parties	23	69	124	162
Net revenues from sales of products	1,304	3,356	848	1,963
Net revenues from sales of goods and materials	167,078	469,929	140,255	362,345
Costs of products, goods and materials sold, including:	**79,565**	**214,394**	**69,966**	**173,701**
Value of goods and materials sold	79,565	214,394	69,966	173,701
Gross profit (loss) on sales	**88,817**	**258,891**	**71,137**	**190,607**
Costs of sales	69,278	192,554	54,905	146,111
General administrative expenses	10,080	29,087	8,814	25,310
Profit (loss) on sales	**9,459**	**37,250**	**7,418**	**19,186**
Other operating revenues	1,047	3,233	1,517	4,738
Profit from the disposal of non-financial fixed assets	16	42	169	332
Subsidies	57	181	18	63
Other operating revenues	974	3,010	1,330	4,343
Other operating expenses	1,799	5,309	1,507	5,387
Loss from the disposal of non-financial fixed assets	46	46		
Revaluation of non-financial assets	705	1,905	541	2,116
Other operating expenses	1,048	3,358	966	3,271
Operating profit (loss)	**8,707**	**35,174**	**7,428**	**18,537**
Financial revenues	118	647	4,073	5,000
interest	53	562	151	549
Other	65	85	3,922	4,451
Financial expenses	(317)	4,797	1,708	2,782
interest	1,305	3,965	1,629	2 375
Other	(1,622)	832	79	407
Profit (loss) on business operations / gross profit	**9,142**	**31,024**	**9,793**	**20,755**
Income tax	**1,967**	**7,687**	**2,053**	**4,845**
current part	1,918	5,941	2,426	4,945
deferred part	49	1,746	(373)	(100)
Net profit (loss)	**7,175**	**23,337**	**7,740**	**15,910**

	01/07/2005- 30/09/2005	01/01/2005- 30/09/2005	01/07/2004- 30/09/2004	01/01/2004- 30/09/2004
Net profit (loss)	7,175	23,337	7,740	,910
Weighed average number of ordinary shares	1,703,500	1,703,500	1,703,500	1,703,500
Profit (loss) per ordinary share (in PLN)	4.21	13.70	4.54	9.34

Profit per share for each period is calculated by dividing the net profit for the period by the weighed average number of shares in this period.

5. Statement of changes in shareholders' equity

Statement of changes in consolidated equity	Q3 FY05 01/01/2005-30/09/2005	previous year financial 31/12/2004	Q3 FY04 01/01/2004-30/09/2004
I. Shareholders' equity – opening balance	**190,828**	**150,208**	**150,208**
corrections of fundamental errors	48 ,	,	
Shareholders' equity – opening balance, adjusted to comparative data	190,876	150,208	150,208
Opening balance share capital	***3,407***	***3,407***	***3,407***
Closing balance share capital	***3,407***	***3,407***	***3,407***
Opening balance reserve capital	***151,236***	***118,152***	***118,152***
changes resulting from employing IAS/IFRS for the first time	,	-1,260	-1,260
Opening balance reserve capital adjusted to comparative data	*151,236*	*116,892*	*116,892*
Changes in reserve capital	48,083	34,344	34,344
a) increase	48,083	34,344	34,344
- distribution of profit (statutory)	49	63	63
- distribution of profit (above the minimum statutory value)	48,034	34,281	34,281
Closing balance reserve capital	***199,319***	***151,236***	***151,236***
Opening balance revaluation capital	, ,	,	
Changes in revaluation capital	0	0	0
a) increase	48 ,	,	
- valuation of receivables	48 ,	,	
b) decrease	48	0	0
- correction of loan valuation	48 ,	,	
Closing balance revaluation capital	***0***	***0***	***0***
Other capital reserves - opening balance	***1 ,***	,	
Changes in other capital reserves	,	1	1
a) increase	,	1	1
- distribution of profit	,	1	1
b) decrease	, ,	,	
Other capital reserves - closing balance	***1***	***1***	***1***
FX rate differences (translation of subsidiaries)	***442***	***-8***	***433***
Opening balance profit (loss) from previous years	***36,184***	***29,515***	***29,515***
Opening balance profit from previous years	48,128	36,924	36,924
changes resulting from employing IAS/IFRS for the first time	,	386	386
corrections of previous years' errors	48 ,	,	
Opening balance profit from previous years adjusted to comparative data	*48,176*	*37,310*	*37,310*
a) increase	0	80	80
- consolidation adjustment related to previous years	,	80	80
b) decrease	48,083	34,483	34,483
- distribution of profit	48,083	34,483	34,483
Closing balance profit from previous years	***93***	***2,907***	***2,907***
Opening balance loss from previous years	***-11,944***	***-7,409***	***-7,409***
a) previous years' adjustments	,	-310	-352
Opening balance loss from previous years adjusted to comparative data	*-11,944*	*-7,719*	*-7,761*
a) increase	0	145	151
- write-off of goodwill as at acquisition date	, ,		6
- transfer of profit from previous years	,	145	145
b) decrease	0	1,306	1,284
- write-off of goodwill as at acquisition date	,	22	22
- consolidation adjustment related to previous years	,	1,284	1,262
Closing balance loss from previous years	***-11,944***	***-8,880***	***-8,894***
Closing balance profit (loss) from previous years	***-11,851***	***-5,973***	***-5,987***
Net result	23,337	42,156	15,910
a) net profit	33,057	46,438	21,559
b) net loss	-9,720	-4,282	-5,649
II. Closing balance shareholders' equity	**214,655**	**190,819**	**165,000**
III. Shareholders' equity adjusted by proposed distribution of profit (offset of loss)	**214,655**	**190,819**	**165,000**

6. Consolidated cash flow statement

Consolidated cash flow statement	Q3 FY05 01/07/2005-30/09/2005	ascending current year 01/01/2005-30/09/2005	Q2 FY04 01/07/2004-30/09/2004	ascending previous year 01/01/2004-30/09/2004

Cash flow from operations – indirect method				
Net profit (loss)	***7,175***	***23,337***	***7,740***	***15,910***
Total adjustments	***-9,667***	***-10,808***	***-58,183***	***-103,854***
depreciation	8,351	21,902	4,323	12,884
FX rate discrepancies (profits) losses	-717	446	-296	-646
Interest and share in profits (dividends)	1,309	3,522	1,501	1,952
Profit (loss) from investments	370	614	2	1,062
Income tax paid	-1,854	-10,615	-1,314	-10,004
Income tax charged into the gross result	2,063	7,784	2,053	4,845
Change in provisions	-158	130	724	126
Change in inventory	-27,235	-66,763	21,105	-89,657
Change in receivables	-6,488	-10,881	-6,168	-18,539
Change in short-term payables, excluding credits and loans	14,166	42,993	-77,590	-330
Change in prepaid expenses, accruals and deferred income	966	866	-1,839	-4,750
Other adjustments	-440	-806	-684	-797
Net cash flow from operations	**-2,492**	**12,529**	**-50,443**	**-87,944**
Cash flow from investments				
Inflows	***24***	***316***	***353***	***657***
Disposal of intangible assets and tangible fixed assets	25	258	199	388
Disposal of investments into real estate and intangible assets				
From financial assets, including:	-20	9	13	36
a) in related parties	0	0	0	4
- disposal of financial assets	0		0	4
b) in other entities	-20	9	13	32
- repayment of long-term loans granted	-23			
- interest	3	9	13	32
Other inflows from investments	19	49	141	233
Outflows	***13,234***	***56,066***	***15,143***	***40,535***
Acquisition of intangible assets and tangible fixed assets	13,234	55,884	16,044	40,391
Investments into real estate and intangible assets				
On financial assets, including:	0	75	0	106
a) in related parties	0	75	0	87
- acquisition of financial assets	0	75	0	87
b) in other entities	0	0	0	19
- long-term loans granted				19
Other investment outflows		107	-901	38
Net cash flow from investments	**-13,210**	**-55,750**	**-14,790**	**-39,878**

Cash flow from financial activity				
Inflows	***17,376***	***46,275***	***67,684***	***121,353***
Credits and loans	17,161	45,237	66,683	119,789
Other financial inflows	215	1,038	1,001	1,564
Outflows	***2,024***	***6,554***	***2,173***	***4,516***
Repayment of credits and loans	772	2,048	674	2,256
Payments due under financial lease agreements	12	36	3	3
interest	1,060	3,610	1,465	1,965
Other financial outflows	180	860	31	292
Net cash flow on financial activity	**15,352**	**39,721**	**65,511**	**116,837**
Total net cash flow	**-350**	**-3,500**	**278**	**-10,985**
Total cash flow balance, including:	***-350***	***-3,500***	***278***	***-10,985***
- change in cash due to FX rate discrepancies	-440	-782	94 ,	
Opening cash balance	***12,342***	***15,492***	***11,310***	***22,573***
Closing cash balance, including:	***11,992***	***11,992***	***11,588***	***11,588***
- restricted cash	271	271	1,385	1,385

7. Selected financial data – individual statement

Selected financial figures	Q3 FY05 01/01/2005-30/09/2005	Q3 FY04 01/01/2004-30/09/2004	Q3 FY05 01/01/2005-30/09/2005	Q3 FY04 01/01/2004-30/09/2004
	in PLN '000		in EUR. '000	
I. Net revenues from sales of products, goods and materials	437,787	345,359	107,874	74,730
II. Operating profit (loss)	41,107	23,874	10,129	5,166
III. Gross profit (loss)	39,571	25,646	9,751	5,549
IV. Net profit (loss)	31,957	20,785	7,874	4,498
V. Net cash flow from operations	-2,616	-96,688	-645	-20,922
VI. Net cash flow from investments	-40,624	-33,345	-10,010	-7,215
VII. Net cash flow on financial activity	40,165	117,057	9,897	25,329
VIII. Total net cash flow	-3,075	-12,976	-758	-2,808

Selected consolidated financial data	Q3 FY05	Q3 FY04	Q3 FY05	Q3 FY04
IX. Total assets	426,555	357,699	108,910	81,607
X. Liabilities and provisions for liabilities	192,420	179,507	49,129	40,953
XI. Long-term payables	1,376	2,816	351	642
XII. Short-term payables	186,314	173,875	47,570	39,669
XIII. Equity	234,135	178,192	59,780	40,653
XIV. Share capital	3,407	3,407	870	777
XV. No. of shares	1,703,500	1,703,500	1,703,500	1,703,500
XVI. Profit (loss) per ordinary share (in PLN / EURO)	18.76	12.20	4.79	2.78
XVII. Book value per share - BVPS (in PLN / EURO)	137.44	104.60	35.09	23.86

8. Balance sheet

Balance sheet	as at the end of:			
	Q3 FY05 2005-09-30	Q2 FY05 2005-06-30	previous year 2004-12-31	Q3 FY04 2004-09-30
Fixed assets	**149,520**	**148,302**	**126,398**	**114,340**
Intangible assets, including:	13,496	14,000	13,361	12,521
Tangible fixed assets (PPE)	114,133	112,340	90,867	80,214
Long-term receivables	192	192	399	400
- due from other entities	192	192	399	400
Long-term investments	18,032	18,281	17,248	17,847
Long-term financial assets	18,032	18,281	17,248	17,847
- in related entities	17,844	18,061	16,965	17,528
- in other entities	188	220	283	319
Long-term prepaid expenses	3,667	3,489	4,523	3,358
- Deferred income tax assets	3,126	2,747	3,462	2,123
- Other prepaid expenses	541	742	1,061	1,235
Current assets	**277,035**	**242,026**	**184,617**	**243,359**
Inventories	188,466	159,455	122,079	171,809
Short term receivables	78,040	70,219	47,334	61,208
- from related parties	45,021	42,726	24,340	21,182
- due from other entities	33,019	27,493	22,994	40,026
Short-term investments	8,838	9,906	12,707	8,639
- Short-term financial assets	8,838	9,906	12,707	8,639
- in related entities	496	501	1,340	1,290
- in other entities	106	93	57	41
- cash and cash equivalents	8,236	9,312	11,310	7,308
Short-term prepaid expenses	1,691	2,446	2,497	1,703
T o t a l a s s e t s	**426,555**	**390,328**	**311,015**	**357,699**

Liabilities	as at the end of: Q3 FY05 2005-09-30	Q2 FY05 2005-06-30	previous year 2004-12-31	Q3 FY04 2004-09-30
Equity	**234,135**	**226,524**	**202,130**	**178,192**
Share capital	3,407	3,407	3,407	3,407
Reserve capital	199,205	199,205	151,172	151,172
Retained profit (loss) from previous years	-434	-434	2,828	2,828
Net profit (loss)	31,957	24,346	44,723	20,785
Liabilities and provisions for liabilities	**192,420**	**163,804**	**108,885**	**179,507**
Provisions for liabilities	4,060	3,765	2,528	1,780
- Provision for deferred income tax	3,391	3,097	1,689	1,549
- Provision for retirement benefits and similar benefits	309	290	258	231
- long-term	309	290	258	231
- Other provisions	360	378	581	0
- short-term	360	378	581 ,	
Long-term payables	**1,376**	**1,711**	**2,331**	**2,816**
- Due to other entities	1,376	1,711	2,331	2,816
Short-term payables	**186,314**	**157,679**	**102,896**	**173,875**
- Due to related parties	1,841	1,705	1,610	951
- Due to other entities	184,212	155,652	101,079	171,510
- Special funds	261	322	207	1,414
Prepaid expenses	670	649	1,130	1,036
Other accruals and deferred income	670	649	1,130	1,036
- long-term	100	122	165	186
- short-term	570	527	965	850
Total liabilities	**426,555**	**390,328**	**311,015**	**357,699**

Book value	234,135	226,524	202,130	178,192
No. of shares	1,703,500,	1,703,500,	1,703,500,	1,703,500,
Book value per share - BVPS (in PLN)	137.44,	132.98,	118.66,	104.60,

9. Off-balance sheet items

Off-balance sheet items	as at the end of: Q3 FY05 2005-09-30	Q2 FY05 2005-06-30	previous year 2004-12-31	Q3 FY04 2004-09-30
Contingent liabilities	39,457	36,688	35,185	25,261
Due to related parties	26,781	24,816	30,311	16,115
- bank guarantees issued upon the request of the Issuer to secure payables of related parties	26,781	24,816	30,311	16,115
Due to other entities	12,676	11,872	4,874	9,146
- granted guarantees	11,302	11,467	4,512	7,209
- bank guarantees issued upon the request of the Issuer to secure payables of other entities	1374	405	362	1,937
Total off-balance sheet items	**39,457**	**36,688**	**35,185**	**25,261**

10.PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT	Q3 FY05 01/07/2005- 30/09/2005	ascending current year 01/01/2005- 30/09/2005	Q3 FY04 01/07/2004- 30/09/2004	ascending previous year 01/01/2004- 30/09/2004
Net revenues from sales of products, goods and materials, including:	**152,026**	**437,787**	**134,503**	**345,359**
- from related parties	11,366	33,844	10,597	21,219
Net revenues from sales of products	1,730	4,428	848	1,963
Net revenues from sales of goods and materials	150,296	433,359	133,655	343,396
Costs of products, goods and materials sold, including:	**77,431**	**214,348**	**72,126**	**176,292**
- from related parties	9,088	24,576	7,813	15,716
Manufacturing costs of products sold	,	0	,	,
Value of goods and materials sold	77,431	214,348	72,126	176,292
Gross profit (loss) on sales	**74,595**	**223,439**	**62,377**	**169,067**
Costs of sales	56,530	157,831	46,836	125,041
General administrative expenses	7,987	23,187	7,248	21,134
Profit (loss) on sales	**10,078**	**42,421**	**8,293**	**22,892**
Other operating revenues	1,010	3,101	1,741	5,294
Profit from the disposal of non-financial fixed assets	14	35	152	294
Subsidies	58	182	17	62
Other operating revenues	938	2,884	1,572	4,938
Other operating expenses	1,700	4,415	1,412	4,312
Revaluation of non-financial assets	710	1,867	543	2,098
Other operating expenses	990	2,548	869	2,214
Operating profit (loss)	**9,388**	**41,107**	**8,622**	**23,874**
Financial revenues	1,351	2,687	3,709	4,434
Interest, including:	107	835	223	825
- from related parties	58	285	85	290
Other	1,244	1,852	3,486	3,609
Financial expenses	1,368	4,223	1,582	2,662
Interest, including:	1,268	3,853	1,593	2,263
- due to related parties	,	,	,	,
Other	100	370	-11	399
Profit (loss) on business operations (gross profit / loss)	**9,371**	**39,571**	**10,749**	**25,646**
Income tax	1,760	7,614	2,098	4,861
- current part	1,851	5,782	2,268	4,758
- deferred part	-91	1,832	-170	103
Net profit (loss)	**7,611**	**31,957**	**8,651**	**20,785**

Weighed average number of ordinary shares	1,703,500,	1,703,500,	1,703,500,	1,703,500,
Profit (loss) per ordinary share (in PLN)	4.47	18.76	5.08	12.20

11.Statement of changes in shareholders' equity

Statement of changes in shareholders' equity	Q3 FY05 01/01/2005- 30/09/2005	previous year financial 31/12/2004	Q3 FY04 01/01/2004- 30/09/2004
Shareholders' equity – opening balance	**202,130**	**157,407**	**157,407**
- corrections of fundamental errors	48 ,	,	
Shareholders' equity – opening balance, adjusted to comparative data	202,178	157,407	157,407
Opening balance share capital	***3,407***	***3,407***	***3,407***
Closing balance share capital	***3,407***	***3,407***	***3,407***
Opening balance reserve capital	***151,172***	***118,152***	***118,152***
- changes resulting from employing IAS/IFRS for the first time	,	-1,260	-1,260
Opening balance reserve capital adjusted to comparative data	151,172	116,892	116,892
- increase	48,033	34,280	34,280
- distribution of profit (above the minimum statutory value)	48,033	34,280	34,280
Closing balance reserve capital	***199,205***	***151,172***	***151,172***
Opening balance revaluation capital	***0***	***0***	***0***
Changes in revaluation capital	0 ,	,	
- increase	48 ,	,	
There is only one group of long-term investments	48 ,	,	
- decrease	48 ,	,	
There is only one group of long-term investments	48 ,	,	
Closing balance revaluation capital	***0***	***0***	***0***
Opening balance profit (loss) from previous years	***47,551***	***36,722***	***36,722***
Opening balance profit from previous years	*47,551*	*36,722*	*36,722*
- changes resulting from employing IAS/IFRS for the first time	,	386	386
- corrections of fundamental errors	48 ,	,	
Opening balance profit from previous years adjusted to comparative data	47,599	37,108	37,108
- decrease	48,033	34,280	34,280
- distribution of profit resulting from approved financial statement	48,033	34,280	34,280
Closing balance profit from previous years	***-434***	***2,828***	***2,828***
Closing balance profit (loss) from previous years	***-434***	***2,828***	***2,828***
Net result	31,957	44,723	20,785
- net profit	31,957	44,723	20,785
II. Closing balance shareholders' equity	**234,135**	**202,130**	**178,192**
III. Shareholders' equity adjusted by proposed distribution of profit (offset of loss)	**234,135**	**202,130**	**178,192**

Cash flow statement

Cash flow statement	Q3 FY05 01/07/2005- 30/09/2005	ascending current year 01/01/2005- 30/09/2005	Q3 FY04 01/07/2004- 30/09/2004	ascending previous year 01/01/2004- 30/09/2004
Cash flow from operations – indirect method				
Net profit (loss)	***7,611***	***31,957***	***8,651***	***20,785***
Total adjustments	***-16,608***	***-34,573***	***-63,412***	***-117,473***
depreciation	6,140	16,316	3,163	9,832
FX rate discrepancies (profits) losses	-632	-4	-278	-564
Interest and share in profits (dividends)	1,253	3,132	1,399	1,629
Profit (loss) from investments	325	496	33	244
Income tax paid	-1,850	-10,441	-1,314	-10,004
Income tax charged into the gross result	1,761	7,,614	2,099	4,861
Change in provisions	6	36	728	156
Change in inventory	-28,983	-66,411	24,766	-84,659
Change in receivables	-7,779	-30,489	-12,551	-21,207
Change in short-term payables, excluding credits and loans	12,172	44,278	-79,710	-13,678
Change in prepaid expenses, accruals and deferred income	979	900	-1,747	-4,083
Net cash flow from operations	**-8,997**	**-2,616**	**-54,761**	**-96,688**
Cash flow from investments				
Inflows	***51***	***3,163***	***313***	***598***
Disposal of intangible assets and tangible fixed assets	25	250	160	329
From financial assets, including:	8	1,265	13	36
- in related entities	0	1,114	0	4
- disposal of financial assets		0	0	4
- repayment of long-term loans granted	0	995		0
- interest	0	119		0
- in other entities	8	151	13	32
- interest	8	151	13	32
Other inflows from investments	18	1,648	140	233
Outflows	***7,483***	***43,787***	***12,553***	***33,943***
Acquisition of intangible assets and tangible fixed assets	7,483	41,066	11,376	28,882
On financial assets, including:	0	1,979	1,175	4,045
- in related entities	0	1,979	1,175	4,026
- acquisition of financial assets	0	1,498	1,175	4,026
- long-term loans granted		481		0
- in other entities	0	0	0	19
- long-term loans granted		0		19
Other investment outflows	0	742	2	1,016
Net cash flow from investments	**-7,432**	**-40,624**	**-12,240**	**-33,345**
Cash flow from financial activity				
Inflows	***17,358***	***46,221***	***67,666***	***121,237***
Credits and loans	17,161	45,237	66,682	119,725
Other financial inflows	197	984	984	1,512
Outflows	***2,006***	***6,056***	***2,137***	***4,180***
Repayment of credits and loans	776	2,049	678	2,034
interest	1,021	3,499	1,429	1,854
Other financial outflows	209	508	30	292
Net cash flow on financial activity	**15,352**	**40,165**	**65,529**	**117,057**
Total net cash flow	-1,077	-3,075	-1,472	-12,976
Total cash flow balance, including:	***-1,077***	***-3,075***	***-1,472***	***-12,976***
- change in cash due to FX rate discrepancies	0	24	14	-33
Opening cash balance	***9,312***	***11,310***	***8,780***	***20,284***
Closing cash balance, including:	***8,235***	***8,235***	***7,308***	***7,308***
- restricted cash	271	271	1,385	1,385

Notes to the condensed consolidated financial statement for Q3 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 September 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. This is in line with the Accounting Policy employed by the Group.

Pursuant to the policy, a subsidiary or an affiliated entity is not subject to it if the values included in the financial statement of this entity are minor as compared to the data included in the financial statement of the holding company. In particular, balance sheet total, net revenues from the sale of goods and services and financial transaction of the entity, which are lower than 10% of the balance sheet in a given financial period and revenue of the holding company shall be regarded as minor. The total amount of balance sheet total and revenues of non-consolidated entities cannot exceed that level, but in relation to the value of consolidated financial statement, at the assumption that it covers all subsidiaries and affiliated entities with no exceptions.
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 deal 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 Q3 FY05, the CG has included therein the condensed 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.
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.

It is in line with the adopted accounting policy, which in justified cases the allows the Management Board to decide to adopt straight-line depreciation of low-cost assets if all the following circumstances occur simultaneously:

- if a large number fixed assets is purchased at the same time and their unit price is not in excess of the limit, but their total value is material,
- if these assets are a part of a larger set of interconnected units, and their purchase is related to an investment programme to be implemented at least over the period of normative depreciation specified for this particular group of fixed assets in tax regulations,
- if these fixed assets are of high reliability.

This situation has occurred twice so far in LPP S.A. in relation to:

- purchase of a large amount of computer hardware for the implementation of the Company's new IT system,
- investments into construction and furnishing of new Reserved and Cropp brand stores – implementation of a new plan of brand stores design.

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.

<u>Fixed assets in progress</u> – 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.

<u>Long-term investments</u> 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, decreased by impairment write-downs.

<u>Long-term prepaid expenses</u> include:

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

<u>Inventories</u>
These are valued at cost not higher that 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 the valuation of the holding company's imported goods in transit, the average exchange rate published by the Raiffeisen Bank Polska SA as at the balance sheet date is adopted (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).

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

<u>Receivables</u>
Receivables under deliveries and services are included and presented according to the initially invoiced amounts, including write-downs on bad debts and disputable receivables.
The above principle, due to relatively short payment terms, which do not exceed 120 days, does not result in major changes in valuation of receivables, in relation to the valuation method including discounting of these receivables, set out in IAS 39.
Principles governing write-downs, depending on type of receivables are as follows:

- claimed receivables (amounts due from debtors in the process of liquidation or filing for bankruptcy) - in total amount due,
- doubtful receivables (overdue over 6 months starting from the balance sheet date) - write-downs account for 3% of debt amount,
- other receivables - write-downs are based on individual analysis and assessment of the situation and risk of incurring loss.

<u>Short-term investments</u>
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.

<u>Short-term prepaid expenses</u>

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

<u>Share capital</u>

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.

Liabilities

Trade liabilities with maturity date of usually 30 to 90 days are included and presented according to the initially invoiced amounts.

The above principle, due to relatively short payment terms, which do not exceed 120 days, does not result in major changes in valuation of liabilities, in relation to the valuation method including discounting of these liabilities, set out in IAS 39.

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.
Due to the complaints and returns from customers, revenues from sales of goods are realigned by adjustment of estimated cost of these returns. 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.

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

External financing costs

Internal financing costs are recognised by the CG according to the benchmark treatment as set out in IAS 23, i.e. immediately charged to costs in the period in which they were incurred.

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.

Earnings Per Share

Earnings per share for each period are calculated by dividing the net profit for the period by the weighed average number of shares in this period. The Group does not present diluted earnings/loss per share as there are no factors diluting ordinary shares.

Remuneration paid by shares

LPP S.A. uses an incentive scheme, pursuant to which the Supervisory Board may grant a number of shares specified by the scheme to eligible persons. The terms and conditions of the scheme were specified in the rules of acquisition of F series shares, made by the Supervisory Board on 15 February 1999, published in the Prospectus approved by the Polish Securities and Exchange Commission on 15.11.2000. As the rules do not commit the Supervisory Board to grant all shares covered by the scheme nor do they limit the number of eligible persons, it was assumed that the date of granting

authority shall be the date of resolution of the Supervisory Board on granting shares covered by the scheme to eligible persons.
In line with IFRS 14 2, the costs due to remuneration paid in shares are charged on the day of granting the shares by the Supervisory Board as the granted remuneration is not related to work performed by the eligible persons in future.
Pursuant to IFRS 59 2, the Company has not applied the provisions of IFRS 2 to transactions consisting in granting shares, which were settled before 1 January 2005 to eligible persons. Employing the provisions of IFRS 2 to transactions consisting in granting shares to eligible persons, completed in 2004, would translate to, in terms of comparative balance sheet as at 31.12.2004, increasing the undistributed profit by PLN 2,410k and concurrent reduction in financial result of 2004 by the same amount.
On 30 June 2005 the Supervisory Board, in line with the rules of acquisition of F series shares was authorised to grant the right to purchase 1,320 shares. In Q3 FY 05 the Supervisory Board did not grant rights to purchase shares.

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 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 form 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. Settling discrepancies in comparative data as at 30 September 2004 covers their impact on the equity and financial result and is presented in the table at the end of this section.

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 line 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.

3.2 Revenues from sales

Changed approach in defining the moment when the revenue becomes due and legitimate results from principles included in IAS 18.
In line with the principles employed previously, revenue was deemed due the moment the invoice was issued.
At the moment, to properly define the moment when revenue is deemed due, the moment the risks and benefits pass on to the buyer is determined. To that end the terms of individual supplies are analysed.
Moreover, 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.

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 - 30.09.2004 resulted in publishing these costs as reduced reserve capital built up from the issuance bonus.

in PLN '000.

	30.09.2004		31.12.2004	
	Equity	Net profit	Equity	Net profit
Before conversion	166,796	17,009	192,013	42,686
Increase due to:	0	151	0	185
- change of moment of recognising the revenue				
- Capital enlargement costs		151		185
decrease due to:	2,327	1,604	1,418	729
- valuation of foreign currencies	764	764	447	447
- change of moment of recognising the revenue	1233	840	282	282
- Capital enlargement costs	330		689	
after the change in accounting policy caused by switching to IAS/IFRS	164,469	15,556	190,595	42,142
other changes	531	354	224	15
After conversion	165,000	15,910	190,819	42,157

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

Key achievements of LPP S.A. Capital Group in Q3 and over three quarters of FY05:

1. In Q3 FY05, revenues from sales totalled PLN 168 million. They were by 19% higher than in Q3 FY04 (PLN 141 million). After three quarters, revenues from sales of LPP S.A. Capital Group amounted to PLN 473 million and were up by 29% in comparison with the corresponding period of the previous year.

2. Operating profit gained in Q3 amounted to 8.7 million and was up by 17% compared to Q3 FY04 (PLN 7.4 million). The fx discrepancies balance, less favourable than in the previous year, resulted in the fact that the net profit of Q3 (PLN 7.2 million) was down by 7.8% than that of Q3 FY 04 (PLN 7.7 million). After three quarters, LPP CG generated net profit of PLN 23.3 million, which is up by 47% than that after three quarters of FY 04 (PLN 15.9 million).

3. In Q3, Reserved stores achieved sales revenue of PLN 120.7m, and CroppTown stores of PLN 27.7m (in Q3 FY04 - PLN 103.5m and 13.0m respectively). Sales revenues achieved over three quarters in Reserved stores network amounted to PLN 338.1m (PLN 271.5m over three quarters of FY04) of which PLN 69.3m abroad; Cropp Town network sales was PLN 74.5m, of which PLN 1.8m abroad.

4. Total selling area of brand stores was up by app. 4,000 square metres (increase by 19,000 square metres against the end of 2004). Total retail selling area of the entire Capital Group

LPP S.A. covers app. 83 thousand square metres (with 179 stores). After the test period, two Cropp Town stores started operation in Estonia.

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

Key factors with impact on the results are as follows:

1. Sales increase in Reserved network, by 17% in Q3 FY 05 (against Q3 FY04); increase in sales by app. 25% over the three quarters. Despite intensive development of the network, sales value generated in September was significantly lower than in September of the previous year (the Management Board of LPP S.A. informed about this fact in current report no 34 of 5th October 2005). This affected the results growth rate in Q3.

2. Development of Cropp Town brand stores network, which in the first half of the year generated app. 16% of revenues from sales of LPP CG.

The results were not influences by other untypical events or factors.

Revenues from sales of products, goods and materials included in the consolidated statement were generated by particular group members in the following amounts (excluding sales within the group):

data in PLN'000

Company name	Country	Revenues from sales in Q3 FY05	Revenues from sales between 01 January 2005 and 30 September 2005	share in % (between 1 January 2005 and 30 September 2005)
LPP S.A.	Poland	140,688	404,011	85.36%
LPP Retail Estonia OU	Estonia	4,876	11,475	2.42%
LPP Retail Latvia Ltd	Latvia	3,233	8,454	1.79%
LPP Retail Czech Republic s.r.o.	the Czech Republic	7,688	19,840	4.19%
LPP Hungary Kft.	Hungary	2,568	6,632	1.40%
UAB"LPP"	Lithuania	3,512	8,561	1.81%
LPP Ukraina AT	Ukraine	2,689	6,864	1.45%
ZAO "Re Trading"	Russia	3,128	7,448	1.57%
Total:		**168,382**	**473,285**	**100.00%**

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. Q3, in terms of structure of gained revenues and the margin, is similar to Q1 of the calendar year as it includes two months (July and August) when the goods are sold out. The process results in lower gross profit margin for sales over the quarter than the average annual margin.

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

The Capital Group handles only one type of business (one segment, which is the core one). A division into two geographical segments has been applied: business in and outside the European Union. The division into geographical segments was based on criterion of location of Group's assets. At the moment the parameters describing the operation in the latter of the segments are very low (as little as 3.02% of revenues of LPP CG were gained outside the European Union), and thus the values of each segment 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 9 November 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.

In line with IAS 10, post-balance sheet events include all events that occurred from the balance sheet day to the day of approval of the financial statement for publishing.
After the balance sheet date there were no events that would have a considerable impact on future financial results of the Issuer.

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 Q3 FY05 there were 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 Q3 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 September amounted to: PLN 39,457.3k of which:

a) the value of guarantees issued to secure lease contracts concluded by LPP S.A. totalled PLN 6,790.4k
b) the value of guarantees issued to secure lease contracts concluded by its related parties totalled PLN 12,998.1k

c) the value of guarantees issued to secure lease contracts concluded by its related parties not subject to consolidation totalled PLN 13,783.0k
d) the value of guarantees issued to secure lease contracts concluded by unrelated parties amounted to PLN 1,373.8k

Guarantees issued by the company amounted to PLN 4,512k and this amount has not changed against Q2 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 September 2005 are as follows:

- payables with the maturity date within 12 months as of the balance sheet date PLN 84,644k
- payables with the maturity date from 12 months to 5 years as of the balance sheet date PLN 256,863k
- payables with the maturity date within more than 5 years as of the balance sheet date PLN 107,290k

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 Q3 FY05:

Shareholder	Number of shares	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	281,876	981,876	31.64%	16.55%
Jerzy Lubianec	276,039	976,039	31.45%	16.20%
Grangefont Limited, headquartered in London, UK	350,000	350,000	11.28%	20.55%

17. Changes in the Issuer's share ownership structure or rights to Issuer's shares held by members of Management Board and the Supervisory Board, as at the date of the previous quarterly report, including changes in ownership, since the previous quarterly report, for each of the holders.

Shareholder	Number of shares	No. of votes at the General Meeting of Shareholders
President of the Management Board	281,876	981,876
Vice-President of the Management Board	5,684	5,684
Vice-President of the Management Board	4,055	4,055
Vice-President of the Management Board	3,994	3,994
Chairman of the Supervisory Board	276,039	976,039

On 22.07.2005 Mr Jerzy Lubianiec – 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 Lubianiec	**Number of shares**	**No. of votes at the General Meeting of Shareholders**	**Share in the total vote at the General Meeting of Shareholders**	**Share in share capital**
As at 31.03.2005	279,327	979,327	31.56%	16.40%
As at 14.11.2005	276,039	976,039	31.45%	16.20%

On 12.09.2005 the Polish Enterprise Fund IV disposed of 215,000 ordinary shares of LPP SA, about which the company informed in current report no 32/2005 of 13.09.2005, and Mr Jacek Siwicki resigned from being a member of the Supervisory Board of LPP S.A.

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.

19. Related party transactions

19.1. Key staff

The key staff in the Group include the members of the Management and Supervisory Board.
The value of short term employee benefits for key executive staff in period between 1 January and 30 September 2005 amounted to PLN 783k, of which PLN 774k applied to the Management Board and 9k to remuneration of a member of the Supervisory Board of LPP S.A. due to performance of duties other than work in the Board.

Moreover, the major transactions concluded in over three quarters of FY 05 by the Group with key staff included:

- transaction with Marek Piechocki, Management Board President, totalling PLN 64 k, due to leasing estates by the company, used to pursue trade (the contract expired in Q3 FY05),
- transaction with Jerzy Lubianiec, Supervisory Board President, totalling PLN 64 k, due to leasing estates by the company, used to pursue trade (the contract expired in Q3 FY05),

19.2. 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 September 2005	liabilities as at 30 September 2005	Revenue from Jan-Sep 2005	costs from Jan-Sep 2005
1	Domestic companies	0	1,779	69	25,308
Total		0.00	1,779	69	25,308

The values presented in the table show only mutual transactions of LPP SA and 19 Polish non-consolidated subsidiaries and are presented from the holding company's point of view.
The data presented as liabilities of LPP S.A. are the receivables in related parties, and the costs are equivalent to revenues of the related parties.
All transactions with related parties were concluded at arm's length.
Revenues from domestic companies are gained from letting of offices for the needs of these companies.
Costs related to domestic subsidiaries relate to lease of estates for Cropp Town and Reserved brand stores.
Payment terms determined for subsidiaries are between 45 and 120 days.

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 September 2005 includes correction with a write-down of PLN 1,542k.
Value of depreciation for the reporting period was PLN 21,902k.

Inventories
Value of inventories presented in the consolidated financial statement as at 30 September 2005 includes correction with a write-down of PLN 1,440k.

Receivables
Value of receivables presented in the consolidated financial statement as at 30 September 2005 includes correction with a write-down of PLN 6,196k.
Value of the write-down includes:
revaluation write-down of receivables and claimed receivables due from contractors PLN 4,452k
Revaluation write-down of the so-called doubtful receivables: PLN 1,443k
revaluation write-down of receivables due from employees and other: PLN 242k
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 1st January and 30th September 2004	PLN 1,358k
decrease in write-downs in previous years	PLN 1,122k
decrease in write-downs in 2005	PLN 295k
as at 30 September 2005	PLN 6,196k

Provisions
Value of provisions presented in the consolidated financial statement as at 30 September 2005 amounting to PLN 4,435k, covers the following items:

- provision for retirement severance payments in the amount of: PLN 310k
- provision for holiday leaves not taken in the amount of: PLN 739k
- provision for deferred income tax in the amount of: PLN 3,386k

Income tax
Income tax presented in the consolidated profit and loss account for the period between 1 January and 30 September 2005 amounts to PLN 7,687k and includes:

- current part - PLN 5,941k
- deferred part - PLN 1,746k

Deferred tax includes:

- increase in the provision for deferred income tax – up by PLN 1,528k
- decrease in the deferred income tax asset – up by PLN 218k

<u>FX rate discrepancies</u>

The consolidated profit and loss account as at 30 September 2005 presents an excess of negative FX rate discrepancies of positive FX rate discrepancies of PLN 1,216k.