LPP S.A. Capital Group

Condensed interim financial statement for Q4 FY0

Gda sk, February 2006

1. Selected consolidated financial data

Selected consolidated financial data	Q4 FY05 01/01/2005-31/12/2005	Q4 FY04 01/01/2004-31/12/2004	Q4 FY05 01/01/2005-31/12/2005	Q4 FY04 01/01/2004-31/12/2004
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	685,835	546,289	170,466	120,909
Operating profit (loss)	59,212	52,658	14,717	11,655
Gross profit (loss)	52,554	52,671	13,062	11,658
Net profit (loss)	40,605	42,156	10,092	9,330
Net cash flow from operations	47,499	3,208	11,806	710
Net cash flow from investments	-93,816	-64,373	-23,318	-14,247
Net cash flow from financial activity	58,191	54,084	14,464	11,970
Total net cash flow	11,874	-7,081	2,951	-1,567

Selected consolidated financial data	Q4 FY05	Q4 FY04	Q4 FY05	Q4 FY04
	in PLN '000		in EUR '000	
Total assets	435,009	311,458	112,702	76,356
Liabilities and provisions for liabilities	202,013	120,639	52,338	29,576
Long-term payables	11,038	2,349	2,860	576
Short-term payables	185,248	114,410	47,994	28,049
Shareholders' equity	232,996	190,819	60,365	46,781
Share capital	3,407	3,407	883	835
Number of shares	1,703,500	1,703,500	1,703,500	1,703,500
Profit (loss) per ordinary share (in PLN / EURO)	23.84	24.75	5.92	5.48
Book value per share - BVPS (in PLN / EURO)	136.77	112.02	35.44	27.46

Data in PLN'000

2. Consolidated balance sheet

Consolidated balance sheet	as at the end of : Q4 FY05 2005-12-31	Q3 FY05 2005-09-30	previous year 2004-12-31
Assets			
Fixed assets	**195,892**	**167,987**	**136,852**
Intangible assets	14,442	13,826	13,644
Tangible fixed assets	175,467	148,575	116,605
Long-term receivables	192	192	472
- due from other entities	192	192	472
Long-term investments	875	896	894
Long-term financial assets	875	896	894
- in related parties, including:	718	707	611
- shares in non-consolidated subsidiaries or jointly-controlled entities	718	707	611
- in other entities	157	189	283
Other long-term investments			
Long-term prepaid expenses	4,916	4,498	5,237
Deferred income tax assets	4,496	3,957	4,176
Other accruals and deferred income	420	541	1,061
Current assets	**239,117**	**248,207**	**174,606**
Inventory	171,663	198,440	131,776
Short-term receivables	37,309	35,719	24,547
- from related parties	242		40
Due from other entities	37,067	35,719	24,507
Short-term investments	27,482	12,098	15,571
Short-term financial assets	27,482	12,098	15,571
- in other entities	116	106	79
- cash and cash equivalents	27,366	11,992	15,492
Short-term prepaid expenses	2,663	1,950	2,712
Total assets	**435,009**	**416,194**	**311,458**

Data in PLN'000

Consolidated balance sheet	as at the end of :		
	Q4 FY05	Q3 FY05	previous year
	2005-12-31	2005-09-30	2004-12-31
L i a b i l i t i e s			
Shareholders' equity	**232,996**	**214,655**	**190,819**
Share capital	3,407	3,407	3,407
Reserve capital	200,368	199,319	151,236
Other capital reserves	1	1	1
FX rate discrepancies (conversion of foreign subsidiaries)	466	442	-,8
- positive FX rate discrepancies	1,926	1,751	1,313
- negative FX rate discrepancies	1,460	1,309	1,321
Profit (loss) from previous years	-11,851	-11,851	-5,973
Net profit (loss)	40,605	23,337	42,156
Liabilities and provisions for liabilities	**202,013**	**201,539**	**120,639**
Provisions for liabilities	4,714	4,435	2,750
Provision for deferred income tax	3,594	3,386	1,659
Provision for retirement benefits and similar benefits	287	310	379
- long term	287	310	379
Other provisions	833	739	712
- long-term		-	55
- short term	833	739	657
Long-term payables	***11,038***	***1,425***	***2,349***
Due to other entities	11,038	1,425	2,349
Short-term payables	***185,248***	***195,005***	***114,410***
Due to related parties	1,920	1,841	1,609
Due to other entities	183,180	192,903	112,594
Special funds	148	261	207
Prepaid expenses, accruals and deferred income	1,013	674	1,130
Negative goodwill			
Other accruals and deferred income	1,013	674	1,130
- long-term	79	101	165
- short term	934	573	965
T o t a l l i a b i l i t i e s	**435,009**	**416,194**	**311,458**

	2005-12-31	2005-09-30	2004-12-31
Book value	232,996	214,655	190,819
Number of shares	1,703,500	1,703,500	1,703,500
Book value per share - BVPS (in PLN)	136.77	126.01	112.02

Data in PLN'000

3. Consolidated profit and loss account

Consolidated profit and loss account	Q4 FY05 01/10/2005- 31/12/2005	YTD current year 01/01/2005- 31/12/2005	Q4 FY04 01/10/2004- 31/12/2004	YTD previous year 01/01/2004- 31/12/2004
Net revenues from sales of products, goods and materials, including:	**212,550**	**685,835**	**181,981**	**546,289**
- from related parties	24	93	-76	86
Net revenues from sales of products	1,523	4,879	1,322	3,285
Net revenues from sales of products and materials	211,027	680,956	180,659	543,004
Costs of products, goods and materials sold, including:	**97,278**	**311,672**	**77,496**	**251,197**
Value of goods and materials sold	97,278	311,672	77,496	251,197
Gross profit (loss) on sales	**115,272**	**374,163**	**104,485**	**295,092**
Costs of sales	81,432	273,986	58,785	204,896
General administrative expenses	10,169	39,256	9,068	34,378
Profit (loss) on sales	**23,671**	**60,921**	**36,632**	**55,818**
Other operating revenues	***2,649***	***5,882***	***2,593***	***7,331***
Profit from the disposal of non-financial fixed assets	445	487	42	374
Subsidies	10	191	639	702
Other operating revenues	2,194	5,204	1,912	6,255
Other operating expenses	***2,282***	***7,591***	***5,104***	***10,491***
Loss from the disposal of non-financial fixed assets	-46	-	331	331
Revaluation of non-financial assets	449	2,354	3,031	5,147
Other operating expenses	1,879	5,237	1,742	5,013
Operating profit (loss)	**24,038**	**59,212**	**34,121**	**52,658**
Financial revenues	***44***	***691***	***230***	***5,230***
Interest	101	663	153	702
Other	-57	28	77	4,528
Financial expenses	***2,552***	***7,349***	***2,435***	***5,217***
Interest	1,855	5,820	2,311	4,686
Other	697	1,529	124	531
Profit (loss) on business operations / Gross profit	**21,530**	**52,554**	**31,916**	**52,671**
Income tax	4,262	11,949	5,670	10,515
current	4,255	10,196	6,328	11,273
deferred	7	1,753	-658	-758
Net profit (loss)	**17,268**	**40,605**	**26,246**	**42,156**
	01/10/2005- 31/12/2005	01/01/2005- 31/12/2005	01/10/2004- 31/12/2004	01/01/2004- 31/12/2004
Net profit (loss)	17,268	40,605	26,246	42,156
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)	10.14	23.84	15.41	24.75

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

Data in PLN'000

4. Statement of changes in shareholders' equity

Statement of changes in consolidated shareholders' equity	current financial year 31/12/2005	previous financial year 31/12/2004
I. Opening balance shareholders' equity	**190,828**	**150,208**
corrections of fundamental errors	48	
Opening balance shareholders' equity adjusted to comparative data	*190,876*	*150,208*
Opening balance share capital	***3,407***	***3,407***
Closing balance share capital	***3,407***	***3,407***
Opening balance reserve capital	***151,236***	***118,152***
changes resulting from employing IAS/IFRS for the first time		-1,260
Opening balance reserve capital adjusted to comparative data	*151,236*	*116,892*
Changes in reserve capital	49,133	34,344
a) increase	49,133	34,344
- distribution of profit (statutory)	49	63
- distribution of profit (above the minimum statutory value)	48,034	34,281
- share-based payments	1,050	
Closing balance reserve capital	***200,369***	***151,236***
Opening balance revaluation capital	0	0
Changes in revaluation capital		
a) increase	48	
- loan valuation	48	
b) decrease	48	0
- correction of loan valuation	48	
Closing balance revaluation capital	***0***	***0***
Other capital reserves - opening balance	***1***	
Changes in other capital reserves		1
a) increase		1
- distribution of profit		1
Other capital reserves - closing balance	***1***	***1***
FX rate discrepancies (conversion of foreign subsidiaries)	***465***	***-8***
Opening balance profit (loss) from previous years	***36,184***	***29,515***
Opening balance retained profit from previous years	***48,128***	***36,924***
changes resulting from employing IAS/IFRS for the first time		386
corrections of errors from previous years	48	
Opening balance profit from previous years adjusted to comparative data	*48,176*	*37,310*
a) increase	0	80
- consolidation adjustment related to previous years		80
b) decrease	48,083	34,483
- distribution of profit	48,083	34,483
Closing balance retained profit from previous years	***93***	***2,907***

Data in PLN'000

	financial year 31/12/2005	financial year 31/12/2004
Opening balance loss from previous years	-11,944	-7,409
corrections from previous years		-310
Opening balance loss from previous years adjusted to comparative data	-11,944	-7,719
a) increase	0	145
- transfer of profit from previous years		145
b) decrease	0	1,306
- write-off of goodwill as at acquisition date		22
- consolidation adjustment related to previous years		1,284
Closing balance loss from previous years	-11,944	-8,880
Closing balance profit (loss) from previous years	-11,851	-5,973
Net result	40,605	42,156
Net profit	49,597	46,438
net loss	-8,992	-4,282
write-offs from profit		
II. Closing balance shareholders' equity	232,996	190,819
III. Shareholders' equity adjusted by proposed distribution of profit (offset of loss)	232,996	190,819

5. Consolidated cash flow statement

	Q4 FY05	YTD	Q4 FY04	YTD
Consolidated cash flow statement **Cash flow from operations – indirect method**	01/10/2005- 31/12/2005	current year 01/01/2005- 31/12/2005	01/10/2004- 31/12/2004	previous year 01/01/2004- 31/12/2004
Net profit (loss)	***17,268***	***40,605***	***26,246***	***42,156***
Total adjustments	***17,702***	***6,894***	***64,906***	***-38,948***
Depreciation	8,867	30,769	6,276	19,160
FX rate discrepancies (profits) losses	783	1,229	-2,537	-3,183
Interest and share in profits (dividends)	1,719	5,241	2,224	4,176
Profit (loss) from investments	753	1,367	1,460	2,522
Income tax paid	-3,112	-13,727	-1,967	-11,971
Income tax charged into the gross result	4,166	11,950	5,670	10,515
Change in provisions	-217	-87	-62	64
Change in inventory	26,434	-40,329	48,079	-41,578
Change in receivables	-1,417-	-12,298,	16,631	-1,908
Change in short-term payables, excluding credits and loans	20,327	22,666	-9,583	-9,913
Change in prepaid expenses, accruals and deferred income	-145	721	-790	-5,540
Other adjustments	198	-608	-495	-1,292
Net cash flow from operations	**34,970**	**47,499**	**91,152**	**3,208**
Cash flow from investments				
Inflows	***923***	***1,239***	***304***	***961***
Disposal of intangible assets and tangible fixed assets	827	1,085	177	565
From financial assets, including:	75	84	4	40
a) in related parties	0	0	0	4
- disposal of financial assets	0		0	4
b) in other entities	75	84	4	36
- disposal of financial assets	47	47		
- repayment of long-term loans granted	23	23		
- interest	5	14	4	36
Other inflows from investments	21	70	123	356

Data in PLN'000

Outflows	***38,989***	***95,055***	***24,799***	***65,334***
Disposal of intangible assets and tangible fixed assets	39,071	94,955	24,404	64,795
Investments into real estate and intangible assets		86	0	106
On financial assets, including:	11			
a) in related parties	11	86	0	87
- acquisition of financial assets	11	86	0	87
b) in other entities	0	0	0	19
- long-term loans granted				19
Other investment outflows	-93	14	395	433
Net cash flow from investments	**-38,066**	**-93,816**	**-24,495**	**-64,373**
Cash flow from financial activity		***68,968***	***-60,071***	***61,282***
Inflows	***22,693***			
Credits and loans	22,579	67,816	-62,110	57,679
Other financial inflows	114	1,152	2,039	3,603
Outflows	***4,223***	***10,777***	***2,682***	***7,198***
Repayment of credits and loans	2,576	4,624	659	2,915
Payments due under financial lease agreements	4	40	6	9
Interest	1,645	5,255	2,003	3,968
Other financial outflows	-2	858	14	306
III. Net cash flow from financial activity (I-II)	**18,470**	**58,191**	**-62,753**	**54,084**
D. Total net cash flow (A.III+/-B.III+/-C.III)	**15,374**	**11,874**	**3,904**	**-7,081**
E. Total cash flow balance, including:	***15 374***	***11,874***	***3,904***	***-7,081***
- change in cash due to FX rate discrepancies	-1,665	-1,665	94	
F. Opening cash balance	***11,992***	***15,492***	***11,588***	***22,573***
G. Closing cash balance (F+/-D), including:	***27 366***	***27,366***	***15,492***	***15,492***
- restricted cash	156	156	222	222

6. Selected financial data – individual statement

Selected financial data	Q4 FY05 01/01/2005- 31/12/2005	Q4 FY04 01/01/2004- 31/12/2004	Q4 FY05 01/01/2005- 31/12/2005	Q4 FY04 01/01/2004- 31/12/2004
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	639,036	516,794	158,834	114,381
Operating profit (loss)	59,059	58,174	14,679	12,875
Gross profit (loss)	42,149	55,234	10,476	12,225
Net profit (loss)	32,268	44,723	8,020	9,898
Net cash flow from operations	20,134	-12,900	5,004	-2,855
Net cash flow from investments	-69,788	-49,896	-17,346	-11,043
Net cash flow from financial activity	58,683	53,912	14,586	11,932
Total net cash flow	9,029	-8,974	2,244	-1,986

Selected financial data	Q4 FY05 01/01/2005- 31/12/2005	Q4 FY04 01/01/2004- 31/12/2004	Q4 FY05 01/01/2005- 31/12/2005	Q4 FY04 01/01/2004- 31/12/2004
Total assets	421,891	311,015	109,304	76,248
Liabilities and provisions for liabilities	186,394	108,885	48,291	26,694
Long-term payables	11,000	2,331	2,850	571
Short-term payables	170,192	102,896	44,093	25,226
Shareholders' equity	235,496	202,130	61,012	49,554
Share capital	3,407	3,407	883	835
Number of shares	1,703,500	1,703,500	1,703,500	1,703,500
Profit (loss) per ordinary share (in PLN / EURO)	28,70	26,25	7,13	5,81
Book value per share - BVPS (in PLN / EURO)	148,00	118,66	38,34	29,09

Data in PLN'000

7. Balance sheet

Balance sheet	as at the end of :		
	Q4 FY05 2005-12-31	Q3 FY05 2005-09-30	previous year 2004-12-31
A S S E T S			
Fixed assets	**160,548**	**149,520**	**126,398**
Intangible assets, including:	14,108	13,496	13,361
Tangible fixed assets	130,757	114,133	90,867
Long-term receivables	192	192	399
- due from other entities	192	192	399
Long-term investments	9,636	18,032	17,248
Long-term financial assets	9,636	18,032	17,248
- in related parties	9,479	17,844	16,965
- in other entities	157	188	283
Long-term prepaid expenses	5,855	3,667	4,523
Deferred income tax assets	5,435	3,126	3,462
Other accruals and deferred income	420	541	1,061
Current assets	**261,343**	**277,035**	**184,617**
Inventory	154,986	188,466	122,079
Short-term receivables	83,172	78,040	47,334
- from related parties	50,472	45,021	24,340
- due from other entities	32,700	33,019	22,994
Short-term investments	20,859	8,838	12,707
Short-term financial assets	20,859	8,838	12,707
- in related parties	403	496	1,340
- in other entities	116	106	57
- cash and cash equivalents	20,340	8,236	11,310
Short-term prepaid expenses	2,326	1,691	2,497
T o t a l a s s e t s	**421,891**	**426,555**	**311,015**

Data in PLN'000

Balance sheet	as at the end of : Q4 FY05 2005-12-31	Q3 FY05 2005-09-30	previous year 2004-12-31
L i a b i l i t i e s			
Shareholders' equity	**235,496**	**234,135**	**202,130**
Share capital	3,407	3,407	3,407
Reserve capital	200,255	199,205	151,172
Profit (loss) from previous years	-434	-434	2,828
Net profit (loss)	32,268	31,957	44,723
Liabilities and provisions for liabilities	**186,395**	**192,420**	**108,885**
Provisions for liabilities	4,199	4,060	2,528
Provision for deferred income tax	3,618	3,391	1,689
Provision for retirement benefits and similar benefits	287	309	258
- long term	287	309	258
Other provisions	294	360	581
- short term	294	360	581
Long-term payables	11,000	1,376	2,331
- Due to other entities	11,000	1,376	2,331
Short-term payables	170,193	186,314	102,896
- Due to related parties	2,000	1,841	1,610
- Due to other entities	168,044	184,212	101,079
Special funds	149	261	207
Prepaid expenses, accruals and deferred income	1,003	670	1,130
Other prepaid expenses	1,003	670	1,130
- long term	79	100	165
- short term	924	570	965
T o t a l l i a b i l i t i e s	**421,891**	**426,555**	**311,015**

	2005-12-31	2005-09-30	2004-12-31
Book value	235,496	234,135	202,130
Number of shares	1,703,500	1,703,500	1,703,500
Book value per share - BVPS (in PLN)	138.24	137.44	118.66

Data in PLN'000

8. Profit and loss account

Profit and loss account	Q4 FY05	YTD current year	Q4 FY04	YTD previous year
	01/10/2005-31/12/2005	01/01/2005-31/12/2005	01/10/2004-31/12/2004	01/01/2004-31/12/2004
Net revenues from sales of products, goods and materials, including:	**201,249**	**639,036**	**171,435**	**516,794**
- from related parties	21,913	55,757	12,106	33,325
Net revenues from sales of products	2,030	6,458	1,322	3,285
Net revenues from sales of goods and materials	199,219	632,578	170,113	513,509
Costs of products, goods and materials sold, including:	**104,099**	**318,447**	**80,013**	**256,305**
from related parties	17,055	41,631	9,352	25,068
Value of goods and materials sold	104,099	318,447	80,013	256,305
Gross profit (loss) on sales	**97,150**	**320,589**	**91,422**	**260,489**
Costs of sales	***66,033***	***223,864***	***47,914***	***172,955***
General administrative expenses	***8,119***	***31,306***	***7,988***	***29,122***
Profit (loss) on sales	**22,998**	**65,419**	**35,520**	**58,412**
Other operating revenues	***2,453***	***5,554***	***2,859***	***8,153***
Profit from the disposal of non-financial fixed assets	452	487	18	312
Subsidies	10	192	639	702
Other operating revenues	1,991	4,875	2,202	7,139
Other operating expenses	***7,500***	***11,915***	***4,079***	***8,391***
Revaluation of non-financial assets	6,087	7,954	2,845	4,943
Other operating expenses	1,413	3,961	1,234	3,448
Operating profit (loss)	**17,951**	**59,058**	**34,300**	**58,174**
Financial revenues	***-287***	***2,400***	***-2,369***	***2,065***
Interest, including:	234	1,069	185	1,010
- from related parties	136	421	42	332
Other	-521	1,331	-2,554	1,055
Financial expenses	***15,087***	***19,310***	***2,343***	***5,005***
Interest, including:	1,818	5,671	2,267	4,530
- due to related parties				
Revaluation of investments	13,131	13,131		
Other	138	508	76	475
Profit (loss) on business operations (Gross profit/ loss)	**2,577**	**42,148**	**29,588**	**55,234**
Income tax	***2,265***	***9,880***	***5,650***	***10,511***
current part	4,141	9,924	6,062	10,820
deferred part	-1,876	-44	-412	-309
Other compulsory reductions of profit (increase of loss)				
Share in net profits (losses) of subsidiaries valued in accordance with the equity method				
Net profit (loss)	**312**	**32,268**	**23,938**	**44,723**

	01/10/2005-31/12/2005	01/01/2005-31/12/2005	01/10/2004-31/12/2004	01/01/2004-31/12/2004
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)	0.18	18.94	14.05	26.25

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

Data in PLN'000

9. Statement of changes in shareholders' equity

Statement of changes in shareholders' equity	current financial year 31/12/2005	previous financial year 31/12/2004
Opening balance shareholders' equity	**202,130**	**157,407**
corrections of errors from previous years	48	
Opening balance shareholders' equity adjusted to comparative data	*202,178*	*157,407*
Opening balance share capital	***3,407***	***3,407***
Closing balance share capital	***3,407***	***3,407***
Opening balance reserve capital	***151,172***	***118,152***
changes resulting from employing IAS/IFRS for the first time		-1,260
Opening balance reserve capital adjusted to comparative data	*151,172*	*116,892*
a) increase	49,083	34,280
- distribution of profit (above the minimum statutory value)	48,033	34,280
- share-based payment	1,050	
Closing balance reserve capital	***200,255***	***151,172***
Opening balance revaluation capital	***0***	***0***
Changes in revaluation capital	0	
a) increase	48	
- valuation of long term investments	48	
b) decrease	48	
- valuation of long term investments	48	
Closing balance revaluation capital	***0***	***0***
Opening balance profit (loss) from previous years	***47,551***	***36,722***
Opening balance retained profit from previous years	***47,551***	***36,722***
changes resulting from employing IAS/IFRS for the first time		386
corrections of errors from previous years	48	
Opening balance profit from previous years adjusted to comparative data	*47,599*	*37,108*
a) Increase	48,033	34,280
b) decrease		
- distribution of profit resulting from approved financial statement	48,033	34,280
Closing balance retained profit from previous years	***-434***	***2,828***
Closing balance profit (loss) from previous years	*-434*	*2,828*
Net result	***32,268***	***44,723***
a) net profit	32,268	44,723
II. Closing balance shareholders' equity	**235,496**	**202,130**
III. Shareholders' equity adjusted by proposed distribution of profit (offset of loss)	**235,496**	**202,130**

Data in PLN'000

10. Cash flow statement

	Q4 FY05	YTD	Q4 FY04	YTD
Cash flow statement **Cash flow from operations – indirect method**	01/10/2005- 31/12/2005	current year 01/01/2005- 31/12/2005	01/10/2004- 31/12/2004	previous year 01/01/2004- 31/12/2004
Net profit (loss)	***311***	***32,268***	***23,938***	***44,723***
Total adjustments	***22,439***	***-12134***	***59760***	***-57,713***
Share in net profits (losses) of subsidiaries valued in accordance with the equity method				0
Depreciation	6,629	22,944	4,879	14,710
FX rate discrepancies (profits) losses	311	306	-1,425	-1,988
Interest and share in profits (dividends)	1,580	4,712	2,126	3,754
Profit (loss) from investments	13,020	13,517	1,037	1,282
Income tax paid	-2,505	-12,946	-1,753	-11,757
Income tax charged into the gross result	4,561	12,176	5,650	10,511
Change in provisions	-294	-258	-179	-24
Change in inventory	33,492	-32,919	49,821	-34,838
Change in receivables	-5,155	-35,644	13,851	-7,355
Change in short-term payables, excluding credits and loans	-27,774	16,504	-13,541	-27,220
Change in prepaid expenses, accruals and deferred income	-2,476	-1,576	-706	-4,788
Other adjustments	1,050	1,050		0
Net cash flow from operations	**22,750**	**20,134**	**83,698**	**-12,990**
Cash flow from investments				
Inflows	***782***	***3945***	***53***	***650***
Disposal of intangible assets and tangible fixed assets	751	1,001	22	351
From financial assets, including:	10	1,275	4	40
a) in related parties	0	1,114	0	4
- repayment of long-term loans granted	0	995		0
- interest	0	119		0
b) in other entities	10	161	4	36
- interest	10	161	4	36
Other inflows from investments	21	1,669	27	259
Outflows	***29,947***	***73,733***	***16,604***	***50,546***
Acquisition of intangible assets and tangible fixed assets	25,015	66,081	16,352	45,233
On financial assets, including:	4,932	6,910	0	4,045
a) in related parties	4,932	6,910	0	4,026
- acquisition of financial assets	11	1,509	0	4,026
- long-term loans granted	4,921	5,401		0
b) in other entities	0	0	0	19
- long-term loans granted		0		19
Other investment outflows	0	742	252	1,268
Net cash flow from investments	**-29,165**	**-69,788**	**-16,551**	**-49,896**
Cash flow from financial activity				
Inflows	***22,702***	***68,923***	***1,846***	***60,726***
Credits and loans	22,579	67,816	0	57,367
Other financial inflows	123	1,107	1,846	3,359
Outflows	***4,184***	***10,240***	***64,991***	***6814***
4. Repayment of credits and loans	2,576	4,625	63,022	2,697
8. Interest	1,608	5,107	1,955	3,810
9. Other financial outflows	0	508	14	307
Net cash flow from financial activity	**18,518**	**58,683**	**-63,145**	**53,912**

Data in PLN'000

Cash flow statement	Q4 FY05	YTD current year	Q4 FY04	YTD previous year
	01/10/2005-31/12/2005	01/01/2005-31/12/2005	01/10/2004-31/12/2004	01/01/2004-31/12/2004
Total net cash flow	**12 103**	**9 029**	**4 002**	**-8 974**
E. Total cash flow balance, including:	***12 103***	***9 029***	***4 002***	***-8 974***
- change in cash due to FX rate discrepancies	-10	14	-34	-66
F. Opening cash balance	***8 236***	***11 310***	***7 308***	***20 284***
G. Closing cash balance (F+/-D), including:	***20 339***	***20 339***	***11 310***	***11 310***
- restricted cash	156	156	222	222

Data in PLN'000

Notes to the condensed consolidated financial statement for Q4 FY05

1. Description of the LPP Capital Group

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 table below.

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.	G&M 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	Tallinn, 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 31 December 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 had 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, e.g. China. 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 Q4 FY05 includes condensed financial statement and selected explanatory information included in these Notes, 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 Q4 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, liabilities, payables, cash, 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 while preparing the consolidated report

<u>Fixed assets and intangible assets</u>

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 putting the fixed asset to use, such as maintenance and repair costs, charge 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 the moment they are incurred.
As of the balance sheet date, fixed assets are valuated at the purchase price less depreciation and accumulated 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 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 low value per unit. It is in line with the adopted accounting policy, which in justified cases 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 valuation and depreciation in similar way as fixed assets. The key differences are:

- no possibility of enlarging the initial value with amounts by which the intangible value has been improved, unless such capital should enable generating future economic benefits outnumbering the initially estimated benefits by this asset and
- non-depreciation of intangible assets with unspecified use period and testing them from time to time for impairment.

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

Long-term investments in the CG include:
- shares in subsidiaries – valued at cost less revaluation impairment write-downs,
- long-term loans granted – valued at depreciated cost estimated based on effective interest rate, less impairment write-downs.

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

Inventory
Inventory as at the balance sheet day is valued at cost, not higher that its net selling price.
Inventory includes:

- trading commodities,
- materials (fabrics and sewing accessories) purchased and issued for processing to external customers,

- consumables related to 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 the moment they are incurred 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 exchange rate published by 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 discount 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 30% of debt amount,
- other receivables - write-downs are based on individual analysis and assessment of the situation and risk of incurring loss.

Short-term investments

Short-term investments 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:

- short-term loans granted are 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 recordthe largest turnover volume.

Short-term prepaid expenses

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

Share capital

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

Reserve capital

Value presented under Reserve Capital item comprises:

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

Profit (loss) from previous years

This item presents net financial result from previous financial years, until makingthe 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 comprise:

- provision for holiday leaves not taken
- 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 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 estimated against sales volume. It has also been assumed that most product returns occur in the quarter following the purchase.
The calculations made have shown that:
- return value is approximately 0.44% of revenue from sales of goods
- return value is approximately 0.42% of cost of goods sold.

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

<u>External financing costs</u>
External 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.

<u>Transactions in foreign currencies</u>
Functional currency in LPP Capital Group is the Polish zloty (PLN).

Transactions, assets and liabilities expressed in foreign currencies are recorded as at the date of their conclusion 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:

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

<u>Net profit per share</u>
Net profit per share for each period is calculated by dividing the net profit for a given period by number of shares of the holding company in the period. The Group does not present diluted earnings/loss per share as there are no factors diluting ordinary shares.

<u>Share-based payment</u>
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 eligibility shall be the date of resolution of the Supervisory Board on granting shares covered by the scheme to eligible persons.

In line with §14 of IFRS 2, the costs due to share-based payments are charged on the day of granting the shares by the Supervisory Board as the granted remuneration is not related to work performed in future by the eligible persons.

Pursuant to §59 of IFRS 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.

In December 2005, the Supervisory Board, in line with the rules of acquisition of F series shares, granted the right to purchase 1,320 shares to 25 persons. All shares were taken over in the same month, which in line with IRFS 2 resulted in increase in remuneration costs by PLN 1,050k.

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 financial year;
- 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 financial 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 for a given currency 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 IFRS, relevant conversions of comparative data presented in this financial statement have been made. Settling discrepancies in comparative data as at 31 December 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 transactions expressed in foreign currencies

Pursuant to previously employed principles of valuation of items expressed in foreign currencies as at the balance sheet date, assets and liabilities were 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 purchase 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.
Currently, 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 revenues from sales, also the product returns by the customers have been analysed.
Based on to-date experience, the rate of product return has been estimated 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 method of settlement and presentation of share issuance costs 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 - 31.12.2004 resulted in publishing these costs as reduced reserve capital built up from the issuance bonus.

in PLN '000

	31.12.2004	
	Equity	Net profit
before conversion	192 013	42 686
increase due to:	0	185
- change of moment of recognising the revenue		
- capital enlargement costs		185
decrease due to:	1 418	729
- valuation of foreign currencies	447	447
- change of moment of recognising the revenue	282	282
- capital enlargement costs	689	
after the change in accounting policy caused by switching to IAS/IFRS	190 595	42 142
other changes	224	15
after conversion	190 819	42 157

4. Achievements of LPP S.A. Capital Group in the reporting period

Key achievements of GK LPP S.A. in FY05:

1. In Q4 FY05, revenues from sales totalled PLN 212.6 m. They were by 16.7% higher than in Q4 FY04 (PLN 182.1 m). After four quarters, revenues from sales of LPP S.A. Capital Group amounted to PLN 685.8 m and were up by 25.5% in comparison with the corresponding period of the previous year.

2. Operating profit gained in Q4 amounted to PLN 24 m and was down by 29.6% compared to Q4 FY04 (PLN 34.1 m). Operating profit gained after four quarters amounted to PLN 59.2 m and was up by 12.3% compared to FY04 (PLN 52.7 m). Net profit in Q4 (PLN 17.2 m) was by 34.3% lower than profit generated in Q4 FY04 (PLN 26.2 m). After four quarters, LPP CG generated net profit of PLN 40.6 m, which is up by 3.8% than in FY 04 (PLN 42.2 m).

3. In Q4, Reserved stores achieved revenues from sales of PLN 154.5m, and CroppTown stores of PLN 35.5m (in Q4 FY04 - PLN 137.7m and 25m respectively). In 2005, retail channels of distribution sold goods for total of PLN 603m, with Reserved stores accounting for 82% and CroppTown for 18% (last year it was PLN 489.6m, with Reserved accounting for 84% and Cropp for 16% respectively). Sales abroad totalled PLN 102.5m (Reserved: PLN 99m and CroppTown: PLN 3.5m), which is up by 63% than in 2004.

4. In Q4 FY05 total selling area of brand stores was up by app. 12 thousand square metres during the year (over 31 thousand square metres since the beginning of the year). Total retail selling area of the entire Capital Group LPP S.A. covers app. 95 thousand square metres, of which app. 26 thousand square metres abroad.

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. Reserved collection, especially autumn-winter collection, proved unfit to the market demand and caused a drop in revenues from sales in each store in Poland (annual drop of app. 11%). This decrease was especially significant in Q4. The costs of operation depending largely on the total selling area which increased considerably in 2004 were so high, that in Q4 FY05 the Capital Group generated lower operating profit.

2. The FX discrepancies were more unfavourable against those of the previous year (negative in FY05 – app. PLN 1 m, positive in 2004 – app. PLN 4.5 m).

3. Significant development of brand stores – increase in total area by 48% in FY05.

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 Q4 FY05	Revenues from sales between 01 January 2005 and 31 December 2005	share in % (between 1 January 2005 and 310 December 2005)
LPP S.A.	Poland	179,356	583,367	85.06%
LPP Retail Estonia OU	Estonia	4,148	15,623	2.28%
LPP Retail Latvia Ltd	Latvia	4,523	12,977	1.89%
LPP Retail Czech Republic s.r.o.	Czech Republic	9 374	29,214	4.26%
LPP Hungary Kft.	Hungary	3,057	9,689	1.41%
UAB"LPP"	Lithuania	5,116	13,677	1.99%
LPP Ukraina AT	Ukraine	3,914	10,778	1.57%
ZAO "Re Trading"	Russia	3,064	10,512	1.53%
Total:		**212,550**	**685,835**	**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 in Poland and abroad. Q4 is regarded as the best period for clothing companies, owing to Christmas and shopping boom. This year, similarly as in the previous years, the companies of LPP Capital Group gained highest revenues between October and December, though gross sales margin generated in that period was slightly lower than in Q4 of the previous year, which resulted from unsuccessful autumn and winter collection.

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 3.1% 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 value, 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 was approved for publishing by the Board of the holding company on 16 February 2006.

11. Post-balance sheet events not presented in the financial statement with potential major impact on the future financial results of LPP S.A. 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 disposal of capital group units, long-term investments, division, restructuring and discontinuing business operations

In Q4 FY05 there were no changes in the structure of the Company, whether as a result of a merger of economic units, takeover or disposal of capital group units, long-term investments, division, restructuring and discontinuing business operations.

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

In Q4 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 31 December amounted to: PLN 54,229.9k of which:

Data in PLN'000

a) the value of guarantees issued to secure lease contracts concluded by LPP S.A. totalled PLN 6,811.9k
b) the value of guarantees issued to secure lease contracts concluded by its related parties totalled PLN 25,928.6k
c) the value of guarantees issued to secure lease contracts concluded by its related parties not subject to consolidation totalled PLN 14,652.5k
d) the value of guarantees issued to secure lease contracts concluded by unrelated parties amounted to PLN 2,325.0k

Guarantees issued by the company amounted to PLN 4,512k and this amount has not changed against Q3 FY05.

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 31 December 2005 are as follows:

- payables with the maturity date within 12 months as of the balance sheet date PLN 93.258k
- payables with the maturity date from 12 months to 5 years as of the balance sheet date PLN 267,267k
- payables with the maturity date within 5 months as of the balance sheet date PLN 96,799k

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

LPP Capital Group failed to generate net profit forecasted for FY05. The basic reason for that was the Reserved collection, which did not meet the needs of the customer, especially the autumn-winter collection. An important quality of this collection was a high share of very fashionable clothing in the entire product range, which turned out to be less popular than more universal clothes. The forecast was not met also due to the sales costs in the last quarter of FY05, which were much higher than costs of previous periods and considerably exceeded estimates.

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 Q4 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%

Data in PLN'000

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	2,744	2,744
Chairman of the Supervisory Board	276,039	976,039

Changes in the LPP S.A. shares held by one of Management Board's members. The Company's Management Board informed about this transaction in current report no 42/2005.

Shareholder	Number of shares at the end of Q3	Number of shares as at 16 February 2006
Vice-President of the Management Board	3,994	2,744

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. Information on transactions concluded by the Issuer with related parties, exceeding EUR 500,000

In November a loan agreement was concluded between the Issuer and a Russian subsidiary, "Re-Trading Zamknieta Spółka Akcyjna". A loan of USD 1,200,000 was granted at arm's length, and relevant information was published in a current report of 11 October 2005 (current report no. 35/2005).

20. Related party transactions

20.1. Key staff

The key staff in the Group includes 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 31 December 2005 amounted to PLN 1,056k, of which PLN 1,044k applied to the Management Board and 12k 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 over four quarters of FY05 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),

20.2. 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 31 December 2005	liabilities as at 31 December 2005	Revenue from Jan-Dec 2005	costs for Jan-Dec 2005
1	Domestic companies	242	1 920	93	35 193
Total		242	1 920	93	35 193

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.

21. 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.

22. 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.

23. 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:

Data in PLN'000

1) changes in the Reserved offer, consisting in decrease of the number of extremely fashionable models, with the rest of the collection following the fashion in a way acceptable for customers. These changes will be visible in the summer collection, which will be delivered to stores in May 2006,
2) continued investment process related primarily to development of both brand stores networks (Reserved and Cropp Town) – both in Poland and abroad (especially in Russia).
3) exchange rate of PLN against USD and EURO,

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

<u>Tangible fixed assets (PPE)</u>
Value of tangible fixed assets presented in the consolidated financial statement as at 31 December 2005 includes a correction with a write-down of PLN 1,326k.
Value of depreciation for the reporting period was PLN 30,769k.

<u>Inventories</u>
Value of inventories presented in the consolidated financial statement as at 31 December 2005 includes a correction with a write-down of PLN 455k.

<u>Receivables</u>
Value of receivables presented in the consolidated financial statement as at 31 December 2005 includes a correction with a write-down of PLN 5,536k.
Value of the write-down includes:

revaluation write-down of receivables and claimed receivables due from customers	PLN 3,943k
Revaluation write-down of the so-called doubtful receivables:	PLN 1,340k
revaluation write-down of receivables due from employees and other:	PLN 194k
revaluation write-down of receivables under budget settlements:	PLN 59k

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

as at 31 December 2004	PLN 6,255k
write-downs made between 1 January and 31 December 2005	PLN 1,701k
decrease in write-downs in previous years	PLN 2,064k
decrease in write-downs in 2005	PLN 356k
as at 31 December 2005	PLN 5.536k

<u>Provisions</u>
Value of provisions presented in the consolidated financial statement as at 31 December 2005 amounting to PLN 4,714k, covers the following items:

- provision for retirement severance payments in the amount of: PLN 287k
- provision for holiday leaves not taken in the amount of: PLN 833k
- provision for deferred income tax in the amount of: PLN 3,594k

<u>Income tax</u>
Income tax presented in the consolidated profit and loss account for the period between 1 January and 31 December 2005 amounts to PLN 11,949k and includes:

- current part - PLN 10,196k
- deferred part - PLN 1,753k

FX rate discrepancies

The consolidated profit and loss account as at 31 December 2005 presents an excess of negative FX rate discrepancies of positive FX rate discrepancies of PLN 958k.

25. Notes to the individual statement of LPP S.A.

LPP S.A. owns 7 foreign companies building retail sales network abroad. Some of these companies display profit in their individual statements, other incur losses. In some cases the capitals are negative.

The Management Board of LPP S.A. is of the opinion that operation of all companies is economically viable.

Assets included in the balance sheet of LPP S.A., related to these companies, were presented at their nominal value. Based on experience from failing to meet the forecast in 2005 and prudent valuation of assets, the Management Board of LPP S.A. made a decision on changing the method of estimation of balance sheet value of assets involved in foreign subsidiaries. Decrease in net profit resulting from total value of revaluation write-downs of investments, including its impact on the deferred income tax amounts to app. PLN 16.6m.

This change was included in relevant items of individual statement of LPP S.A. and has no bearing on values presented in the consolidated statement.