

The Executive Board of

IMPEL SA

presents the Consolidated Quarterly Report
for the Second Quarter of 2005

CONSOLIDATED BALANCE SHEET AS AT JUNE 30TH 2005

ASSETS	Jun 30 2005 (PLN '000)	Dec 31 2004 (PLN '000)
I. Non-current assets – items 1–13	108,203	109,325
1. Goodwill	8,280	9,122
2. Other intangible assets	4,473	4,771
3. Property, plant and equipment	64,206	64,576
4. Investment property	4,555	4,604
5. Intangible assets held as investments	13,285	13,366
6. Investments in shares	-	-
7. Investments in associated undertakings consolidated with equity method	-	-
8. Loan and own claims	-	-
9. Financial assets available for sale	-	-
10. Investments held to maturity	-	-
11. Non-current receivables (11a+11b+11c)	1,902	1,794
11a. Prepayments for non-current assets	-	-
11b. Financed lease receivables	1,549	1,217
11c. Other non-current receivables	353	577
12. Deferred tax asset	11,502	11,092
II. Current assets – items 1–8	229,731	226,877
1. Inventories	8,842	7,544
2. Receivables (2a+2b+2c+2d)	144,850	134,099
2a. Trade receivables	128,610	117,184
2b. Public charges, including:	11,283	12,705
2b.1 Current tax receivables	58	143
2c. Financed lease receivables	1,000	700
2d. Other receivables	3,957	3,510
3. Loan and own claims	6,126	5,970
4. Financial assets available for sale	-	5,010
5. Investments held to maturity	-	-
6. Financial assets held for trading	-	-
7. Cash and cash equivalents	66,626	72,750
8. Prepayments and accrued income	3,287	1,504
III. Non-current assets classified as held for sale	377	491
Total assets – I+II+III	338,311	336,693

EQUITY AND LIABILITIES	Jun 30 2005 (PLN '000)	Dec 31 2004 (PLN '000)
1. Equity – items 1a–1j	210,380	201,116
1a. Share capital	75,192	75,192
1b. Treasury shares	-	-
1c. Reserve funds, including share premium account	105,556	107,784
1d. Revaluation capital reserve	-	-
1e. Other capital reserves	40,457	40,457
1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation	(51)	(67)
1g. Other capital	390	-
1h. Retained profit/(deficit)	(20,032)	(20,703)
- Retained profit/(deficit)	(15,140)	(10,873)
- Retained profit/(deficit) after restatement in line with IFRS	(4,892)	(9,830)
1i. Current year net profit/(loss)	8,868	(1,547)
1j. Distributions from net profit during the year	-	-
2. Minority interests	477	925
I. Total equity – 1+2	210,857	202,041
II Non-current liabilities – items 1–5	5,889	6,858
1 Deferred tax liability	364	300
2 Employee benefits	629	530
3 Non-current provisions	3,147	3,481
4 Non-current bank loans and borrowings	261	617
5 Non-current financed lease liabilities	1,402	1,684
6 Other non-current liabilities	86	246
III. Current liabilities – items 1–7	108,056	113,282
1 Current bank loans and borrowings	3,599	6,168
2 Trade payables	22,755	28,732
3 Public charges, including:	34,494	35,108
3a Current tax liabilities	-	990
4 Employee benefits	32,236	28,587
5 Current financed lease liabilities	1,386	1,925
6 Other liabilities	6,353	6,881
7 Current provisions	7,233	5,881
IV. Deferred income	13,509	14,512
V. Liabilities directly related to non-current assets classified as held for sale	-	-
Total equity and liabilities	338,311	336,693

OFF-BALANCE-SHEET ITEMS	Jun 30 2005 (PLN '000)	Dec 31 2004 (PLN '000)
1. Contingent receivables		
2. Contingent liabilities, including:	24,808	22,863
2.1. To related undertakings	-	-
2.2. To other undertakings, including:	24,808	22,863
guarantees and sureties issued	24,808	22,863
3. Other, including:	3,108	3,154
land usufruct right	43	43
assignment of receivables with the re-assignment option	3,065	3,111
Total off-balance-sheet items	27,916	26,017

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD JANUARY 1ST – JUNE 30TH 2005

	Apr 1 – Jun 30 2005 PLN'000	Jan 1 – Jun 30 2005 PLN'000	Apr 1 – Jun 30 2004 PLN'000	Jan 1 – Jun 30 2004 PLN'000
Continued and discontinued operations				
I. Revenue – items 1–2	162,725	324,855	141,157	290,639
1. Sales revenue, including:	148,730	297,377	138,211	268,678
a) revenue on sales of products	147,903	295,824	137,766	268,065
b) revenue on sales of materials and goods for resale	827	1,553	445	613
2. Subsidies	13,995	27,478	2,946	21,961
II. Operating expenses – items 1–8	(155,862)	(311,912)	(158,583)	(302,295)
1. depreciation and amortisation	(3,366)	(7,961)	(4,722)	(8,442)
2. raw materials and energy used	(18,767)	(37,551)	(20,076)	(37,838)
3. contracted services	(20,536)	(41,773)	(20,606)	(38,427)
4. salaries and wages, social security and other employee benefits	(109,343)	(219,494)	(107,728)	(211,563)
5. other cost by type	(2,899)	(7,546)	(4,516)	(8,470)
6. selling cost of materials and goods for resale	(715)	(1,440)	(355)	(440)
7. change in products	(693)	3,112	(859)	2,341
8. production cost of products for own needs	457	741	279	544
A. Profit/(loss) on sales – I-II	6,863	12,943	(17,426)	(11,656)
I. Other operating income, including:	2,443	3,956	2,482	4,529
1. Gain on disposal of non-current non-financial assets	91	236	334	642
2. Revaluation of non-financial assets	1,261	2,283	517	1,671
II. Other operating expenses, including:	(4,068)	(6,581)	(6,305)	(9,200)
1. Loss on disposal of non-current non-financial assets	(44)	(209)	(223)	(290)
2. Revaluation of non-financial assets	(1,416)	(3,118)	(2,213)	(3,644)
3. Consolidation goodwill write-off (negative value)	(843)	(843)	(474)	(960)
B. Operating profit/(loss) – A+I-II	5,238	10,318	(21,249)	(16,327)
I. Financial income, including:	1,835	2,933	1,792	3,879
1. Dividends and other profit distributions	-	-	-	-
2. Interest	1,796	2,821	1,708	3,717
II. Financial expenses, including:	(1,340)	(2,106)	(841)	(2,164)
1. Interest	(479)	(1,098)	(411)	(944)
C. Pre-tax profit/(loss) – B-I-II+III	5,733	11,145	(20,298)	(14,612)
I. Corporate income tax	(1,009)	(1,810)	1,076	380
D. (Profit)/loss attributable to minority interests	(240)	(467)	(144)	(544)
E. Net profit/(loss) on continued and discontinued operations (C-D) attributable to shareholders of Parent Undertaking	4,484	8,868	(19,366)	(14,776)
Discontinued operations				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit/(loss)	4,484	8,868	(19,366)	(14,776)
Annualised earnings/(loss) per share*	-	1.47	-	2.59
Earnings/(loss) per ordinary share **				
Continued operations	0.30	0.59	(1.29)	(0.98)
Discontinued operations	-	-	-	-

* The value of earnings/(loss) per ordinary share as at the end of Q2 2004 was calculated on the basis of the annualised profit for 2003 restated in accordance with the International Accounting Standards.

** The number of shares used to calculate "earnings per ordinary share" in the presented consolidated and non-consolidated financial statements was calculated without taking into account the shares acquired by the Company with a view to retiring them.

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE PERIOD
JANUARY 1ST – JUNE 30TH 2005**

	Jan 1 – Jun 30 2005 (PLN '000)	Jan 1 – Jun 30 2004 (PLN '000)
I. Equity at beginning of period	206,008	255,684
- changes in adopted accounting policies	(4,892)	(9,830)
I.a. Equity at beginning of period, after adjustments	201,116	245,854
1. Share capital at beginning of period	75,192	81,500
1.1. Changes in share capital		1,000
a) increase, including:		1,000
- shares issued		1,000
1.2. Share capital at end of period	75,192	82,500
2. Balance of called-up share capital not paid at beginning of period	-	-
2.1. Balance of called-up share capital not paid at end of period	-	-
3. Treasury shares at beginning of period	-	-
a) increase		(38,000)
3.1. Treasury shares at end of period	-	(38,000)
4. Reserve funds at beginning of period	107,784	138,396
4.1. Changes in reserve funds	(2,228)	86
a) increase, including:	3,385	87
- distribution of profit (above statutory minimum)	3,385	87
b) decrease, including:	(5,613)	(1)
- coverage of loss	(5,613)	
- other		(1)
4.2. Reserve funds at end of period	105,556	138,482
5. Revaluation capital reserve at beginning of period	-	4
b) decrease, including:		(4)
5.1. Revaluation capital reserve at end of period	-	-
6. Other capital reserves at beginning of period	40,457	24,127
6.1. Change in other capital reserves		16,330
a) increase		17,330
b) decrease, including:		(1,000)
- registration of the issue of Series E Shares in the National Court Register		(1,000)
6.2. Other capital reserves at end of period	40,457	40,457
7. Other capital at beginning of period	-	-
7.1. Change in other capital	390	
7.2. Other capital at end of period	390	
8. Currency-translation differences on subordinated undertakings	(67)	(1)
a) increase	(4)	
b) decrease	20	
8.1. Currency-translation differences on subordinated undertakings at end of period	(51)	(1)
9. Retained profit/(loss) brought forward at beginning of period	(17,358)	11,658
9.1. Retained profit at beginning of period	-	22,017
- changes in adopted accounting policies		(9,830)
9.2. Retained profit at beginning of period after reconciliation with comparable data	-	12,187
a) increase		513
b) decrease, including:		(22,530)
- transfer to other capital reserves		(17,330)
- transfer to reserve funds		(87)
- dividend paid		(5,113)
9.3. Retained profit at end of period	-	(9,830)
9.4. Retained loss at beginning of period	(17,358)	
- changes in adopted accounting policies	(4,892)	
9.5. Retained loss at beginning of period after reconciliation with comparable data	(22,250)	(10,359)
a) increase		(513)
b) decrease	2,218	

9.6. Retained loss at end of period	(20,032)	(10,872)
9.7. Retained profit/(loss) at end of period	(20,032)	(20,702)
10. Net profit/(loss)	8,868	(14,776)
a) net profit	8,868	
b) net loss		(17,311)
d) change of adopted accounting principles		2,535
II. Equity at end of period	210,380	187,960
III. Equity after proposed distribution of profit (coverage of loss)	210,380	187,960

**CONSOLIDATED CASH-FLOW STATEMENT FOR THE PERIOD
JANUARY 1ST – JUNE 30TH 2005**

	Jan 1 – Jun 30 2005 (PLN '000)	Jan 1 – Jun 30 2004 (PLN '000)
A. Cash flows from operating activities		
I. Net profit/(loss)	8,868	(14,776)
II. Total adjustments	(6,876)	12,420
1. (Profit)/loss attributable to minority interests	467	544
2. Depreciation and amortisation	7,961	8,442
3. Foreign exchange (gains)/losses	44	(49)
4. Interest and distributions from profit (dividends)	(259)	486
5. Profit/(loss) on investing activities	525	(352)
6. Change in provisions	1,146	7,765
7. Change in inventories	(2,250)	(728)
8. Change in receivables	(10,304)	(12,146)
9. Change in liabilities (net of loans and borrowings)	(2,041)	8,807
10. Change in accruals and deferrals	(3,081)	(3,421)
11. Other adjustments	916	3,072
III. Net cash provided by/(used in) operating activities – I±II	1,992	(2,356)
B. Cash flows from investing activities		
I. Cash provided by investing activities	6,564	5,145
1. Sale of intangible assets and property, plant and equipment	426	1,858
2. Sale of investment property and intangible assets	-	-
3. Cash provided by financial assets, including:	6,138	3,287
a) in related undertakings	917	3,235
b) in other undertakings	5,221	52
- repayment of non-current loans advanced	5,030	52
- interest received	191	-
II. Cash used in investing activities	(11,471)	(21,283)
1. Acquisition of intangible assets and property, plant and equipment	(10,568)	(9,677)
2. Investment property and intangible assets	-	-
3. Cash used on financial assets, including:	-	(4,199)
a) in related undertakings	-	(4,199)
4. Dividends and other distributions from profit to minority interests	(903)	(907)
5. Other cash used in investing activities	-	(6,500)
III. Net cash provided by/(used in) investing activities – I-II	(4,907)	(16,138)
C. Cash flows from financing activities		
I. Cash provided by financing activities	690	10,007
1. Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
2. Increase in loans and borrowings	690	5,112
3. Issue of debt securities	-	-
4. Other cash provided by financing activities	-	4,895
II. Cash used in financing activities	(3,883)	(52,363)
1. Acquisition of treasury shares	-	(38,000)
2. Dividends and other distributions to shareholders	-	-
3. Distributions from profit other than to shareholders	-	-
4. Repayment of loans and borrowings	(2,626)	(12,818)
5. Redemption of debt securities	-	-
6. Other financial liabilities	-	-
7. Decrease in financed lease liabilities	(820)	(933)
8. Interest paid	(437)	(609)
9. Other cash used in financing activities	-	(3)
III. Net cash provided by/(used in) financing activities – I-II	(3,193)	(42,356)
D. Total net cash flow – A.III±B.III±C.III	(6,108)	(60,850)
E. Balance-sheet change in cash, including:	(6,108)	(60,850)
- change in cash resulting from foreign exchange gains/(losses)	-	-
F. Cash at beginning of period	72,717	156,633
G. Cash at end of period (F±D), including:	66,609	95,783
- restricted cash	1,132	2,191

BALANCE SHEET OF IMPEL SA AS AT JUNE 30TH 2005

ASSETS	Jun 30 2005 (PLN '000)	Dec 31 2004 (PLN '000)
I. Non-current assets – items 1–13	115,961	101,684
1. Goodwill	-	-
2. Other intangible assets	2,243	2,313
3. Property, plant and equipment	11,737	13,064
4. Investment property	2,605	2,638
5. Intangible assets held as investments	10,230	10,296
6. Investments in shares	47,569	37,465
7. Loan and own claims	36,740	31,731
8. Financial assets available for sale	-	-
9. Investments held to maturity	-	-
10. Non-current receivables (12a+12b+12c)	-	-
10a. Prepayments for non-current assets	-	-
10b. Financed lease receivables	-	-
10c. Other non-current receivables	-	-
11. Deferred tax asset	4,837	4,177
II. Current assets – items 1–8	130,647	138,208
1. Inventories	475	451
2. Receivables (2a+2b+2c+2d)	73,225	65,104
2a. Trade receivables	65,819	57,448
2b. Public charges, including:	4,307	4,888
2b.1. Current tax receivables	-	-
2d. Financed lease receivables	-	-
2e. Other receivables	3,099	2,768
3. Loan and own claims	7,522	14,059
4. Financial assets available for sale	-	5,010
5. Investments held to maturity	-	-
6. Financial assets held for trading	-	-
7. Cash and cash equivalents	48,013	53,219
8. Prepayments and accrued income	1,412	364
III. Non-current assets classified as held for sale	377	491
Total assets – I+II+III	246,985	240,382

BALANCE SHEET OF IMPEL SA AS AT JUNE 30TH 2005

EQUITY AND LIABILITIES	Jun 30 2005 (PLN '000)	Dec 31 2004 (PLN '000)
I. Equity – items 1a–1j	201,636	194,580
1a. Share capital	75,192	75,192
1b. Treasury shares	-	-
1c. Reserve funds, including share premium account	98,666	95,688
1d. Revaluation capital reserve	-	-
1e. Other capital reserves	25,454	25,454
1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation	-	-
1g. Other capital	390	-
1h. Retained profit/(deficit)	(4,733)	(9,458)
- Retained profit/(deficit)	497	497
- Retained profit/(deficit) after restatement in line with IFRS	(5,230)	(9,955)
1i. Current year net profit/(loss)	6,667	7,704
1j. Distributions from net profit during the year		
II. Non-current liabilities – items 1–5	3,483	3,776
1 Deferred tax liability	-	-
2 Employee benefits	286	286
3 Non-current provisions	3,147	3,440
4 Non-current bank loans and borrowings	-	-
5 Non-current financed lease liabilities	-	-
6 Other non-current liabilities	50	50
III. Current liabilities – items 1–7	38,825	38,513
1 Current bank loans and borrowings		625
2 Trade payables	12,847	13,709
3 Public charges, including:	10,607	10,685
3a Current tax liabilities	-	980
4 Employee benefits	12,463	10,439
5 Current financed lease liabilities	-	-
6 Other liabilities	1,970	2,055
7 Current provisions	938	1,000
IV. Deferred income	3,041	3,513
V. Liabilities directly related to non-current assets classified as held for sale	-	-
Total equity and liabilities	246,985	240,382

OFF-BALANCE-SHEET ITEMS	Jun 30 2005 (PLN '000)	Dec 31 2004 (PLN '000)
1. Contingent receivables		
2. Contingent liabilities, including:	35,100	35,538
2.1. To related undertakings	24,044	24,416
guarantees and sureties issued	24,044	24,416
2.2. To other undertakings, including:	11,056	11,122
guarantees and sureties issued	11,056	11,122
3. Other, including:	2,995	2,851
assignment of receivables with the re-assignment option	2,995	2,851
Total off-balance-sheet items	38,095	38,389

PROFIT AND LOSS ACCOUNT OF IMPEL SA FOR THE PERIOD JANUARY 1ST 2005 – JUNE 30TH 2005

	Apr 1 – Jun 30 2005 PLN'000	Jan 1 – Jun 30 2005 PLN'000	Apr 1 – Jun 30 2004 PLN'000	Jan 1 – Jun 30 2004 PLN'000
Continued and discontinued operations				
I. Revenue – items 1–2	68,980	137,078	62,147	129,345
1. Sales revenue, including:	61,618	122,721	60,333	118,808
a) revenue on sales of products	61,600	122,683	60,294	118,650
b) revenue on sales of materials and goods for resale	18	38	39	158
2. Subsidies	7,362	14,357	1,814	10,537
II. Operating expenses – items 1–8	(65,470)	(130,969)	(67,534)	(131,674)
1. depreciation and amortisation	(1,097)	(2,218)	(1,458)	(3,033)
2. raw materials and energy used	(7,673)	(15,151)	(8,058)	(15,280)
3. contracted services	(14,159)	(28,818)	(13,017)	(24,902)
4. salaries and wages, social security and other employee benefits	(41,007)	(82,507)	(42,388)	(85,403)
5. other cost by type	(1,115)	(3,018)	(2,217)	(4,067)
6. selling cost of materials and goods for resale	(18)	(99)	(32)	(120)
7. change in products	(401)	842	(364)	1,131
8. production cost of products for own needs	-	-	-	-
A. Profit/(loss) on sales – I-II	3,510	6,109	(5,387)	(2,329)
I. Other operating income, including:	1,714	2,323	1,407	2,514
1. Gain on disposal of non-current non-financial assets	7	26	47	294
2. Revaluation of non-financial assets	821	1,311	1,376	1376
II. Other operating expenses, including:	(1,724)	(2,778)	(2,886)	(3,491)
1. Loss on disposal of non-current non-financial assets			(3)	(86)
2. Revaluation of non-financial assets	(440)	(1,035)	(1,193)	(1,606)
B. Operating profit/(loss) – A+I-II	3,500	5,654	(6,866)	(3,306)
I. Financial income, including:	4,229	6,313	3,679	6,123
1. Dividends and other profit distributions	1,643	1,643	1,346	1,346
2. Interest	1,895	3,607	1,748	3,889
II. Financial expenses, including:	(3,667)	(4,432)	(2,975)	(4,943)
1. Interest	(354)	(739)	(66)	(166)
C. Pre-tax profit/(loss) – B-I-II+III	4,062	7,535	(6,162)	(2,126)
I. Corporate income tax	(1,171)	(868)	1,249	488
D. Net profit/(loss) on continued and discontinued operations (C-I)	2,891	6,667	(4,913)	(1,638)
Discontinued operations				
Net profit/(loss) on discontinued operations	-	-	-	-
Net profit/(loss)	2,891	6,667	(4,913)	(1,638)

STATEMENT OF CHANGES IN EQUITY OF IMPEL SA FOR THE PERIOD JANUARY 1ST – JUNE 30TH 2005

	Jan 1 – Jun 30 2005 (PLN '000)	Jan 1 – Jun 30 2004 (PLN '000)
I. Equity at beginning of period	199,810	239,954
- correction of fundamental errors	-	-
- changes in adopted accounting policies	(5,230)	(9,955)
I.a. Equity at beginning of period, after adjustments	194,580	229,999
1. Share capital at beginning of period	75,192	81,500
1.1. Changes in share capital		1,000
a) increase, including:		1,000
- shares issued		1,000
1.2. Share capital at end of period	75,192	82,500
2. Balance of called-up share capital not paid at beginning of period	-	-
2.1. Change in called-up share capital not paid		
a) increase, including:		
b) decrease, including:		
2.2. Balance of called-up share capital not paid at end of period	-	-
3. Treasury shares at beginning of period	-	-
a) increase		(38,000)
b) decrease		
3.1. Treasury shares at end of period		(38,000)
4. Reserve funds at beginning of period	95,688	126,385
4.1. Changes in reserve funds	2,978	1
a) increase, including:	2,978	4
- distribution of profit (above statutory minimum)	2,978	
b) decrease, including:		(3)
- other		(3)
4.2. Reserve funds at end of period	98,666	126,386
5. Revaluation capital reserve at beginning of period		4
5.1. Change in revaluation capital reserve		(4)
5.2. Revaluation capital reserve at end of period	-	-
6. Other capital reserves at beginning of period	25,454	24,127
6.1. Change in other capital reserves		1,327
a) increase		2,327
b) decrease, including:		(1,000)
- transfer to share capital		
6.2. Other capital reserves at end of period	25,454	25,454
7. Other capital at beginning of period	-	-
7.1. Change in other capital	390	
a) increase, including:	390	
- valuation of management options	390	
b) decrease, including:		
7.2. Other capital at end of period	390	-
8. Retained profit/(loss) brought forward at beginning of period	3,475	8,435
8.1. Retained profit at beginning of period	3,475	7,938
- correction of fundamental errors		
- changes in adopted accounting policies	(5,230)	(9,955)
8.2. Retained profit at beginning of period after adjustments	(1,755)	(2,017)
a) increase, including:		
- distribution of retained profit		
- other		
b) decrease, including:	(2,978)	(7,441)
- changes in adopted accounting policies		
- transfer to reserve funds	(2,978)	
8.3. Retained profit at end of period	(4,733)	(9,458)
8.4. Retained loss at beginning of period	-	-
- correction of fundamental errors		
8.5. Retained loss at beginning of period after adjustments	-	-
a) increase, including:		
- changes in adopted accounting policies		
b) decrease, including:		
8.6. Retained loss at end of period	-	-
8.7. Retained profit/(loss) at end of period	(4,733)	(9,458)
9. Net profit/(loss)	6,667	(1,638)
a) net profit	6,667	
b) net loss		(4,050)
c) distributions from profit		
d) change of adopted accounting principles		2,412
II. Equity at end of period	201,636	185,244
III. Equity after proposed distribution of profit (coverage of loss)	201,636	185,244

**CASH-FLOW STATEMENT OF IMPEL SA FOR THE PERIOD
JANUARY 1ST – JUNE 30TH 2005**

	Jan 1 – Jun 30 2005 (PLN '000)	Jan 1 – Jun 30 2004 (PLN '000)
A. Cash flows from operating activities		
I. Net profit/(loss)	6,667	(1,638)
II. Total adjustments	(5,702)	15,498
1. Depreciation and amortisation	2,218	3,033
2. Foreign exchange (gains)/losses	-	-
3. Interest and distributions from profit (dividends)	(3,559)	(2,043)
4. Profit/(loss) on investing activities	(317)	(323)
5. Change in provisions	(355)	(85)
6. Change in inventories	(24)	108
7. Change in receivables	(7,547)	4,363
8. Change in liabilities (net of loans and borrowings)	2,406	5,678
9. Change in accruals and deferrals	(2,181)	(2,387)
10. Other adjustments	3,657	7,154
III. Net cash provided by/(used in) operating activities – I±II	965	13,860
B. Cash flows from investing activities		
I. Cash provided by investing activities	11,507	12,171
1. Sale of intangible assets and property, plant and equipment	231	2,558
2. Sale of investment property and intangible assets	-	-
3. Cash provided by financial assets, including:	11,276	9,613
a) in related undertakings	6,195	9,591
b) in other undertakings	5,081	22
II. Cash used in investing activities	(17,037)	(39,215)
1. Acquisition of intangible assets and property, plant and equipment	(738)	(3,040)
2. Investment property and intangible assets		
3. Cash used on financial assets, including:	(16,299)	(36,175)
a) in related undertakings	(16,299)	(36,175)
b) in other undertakings		
III. Net cash provided by/(used in) investing activities – I-II	(5,530)	(27,044)
C. Cash flows from financing activities		
I. Cash provided by financing activities		
1. Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
2. Increase in loans and borrowings	-	-
3. Issue of debt securities	-	-
II. Cash used in financing activities	(625)	(42,471)
1. Acquisition of treasury shares	-	(38,000)
2. Dividends and other distributions to shareholders	-	-
3. Distributions from profit other than to shareholders	-	-
4. Repayment of loans and borrowings	(625)	(4,371)
5. Redemption of debt securities	-	-
6. Other financial liabilities	-	-
7. Decrease in financed lease liabilities	-	-
8. Interest paid	-	(97)
9. Other cash used in financing activities	-	(3)
III. Net cash provided by/(used in) financing activities – I-II	(625)	(42,471)
D. Total net cash flow – A.III±B.III±C.III	(5,190)	(55,655)
E. Balance-sheet change in cash, including:	(5,190)	(55,655)
- change in cash resulting from foreign exchange gains/(losses)	-	-
F. Cash at beginning of period	53,186	134,057
G. Cash at end of period (F±D), including:	47,996	78,402
- restricted cash	1,007	2,069

SELECTED EXPLANATORY DATA

1. Rules governing the preparation of the consolidated quarterly report for Q2 2005

1.1 Basis for the preparation, and format of the financial statements presented in the report

Basis for the preparation of the financial statements

The consolidated and non-consolidated condensed quarterly financial statements presented herein were prepared in accordance with:

- Polish Accountancy Act of September 29th 1994 (Dz.U. of 2002, No. 76, item 694, as amended);
- International Financial Reporting Standards ("IFRS"), and relevant IFRS adopted by the EU. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC");
- Regulation of the Polish Council of Ministers on current and interim reports to be disclosed by issuers of securities, dated March 21st 2005 (Dz.U. No. 49, item 463)

and cover the period from January 1st to June 30th 2005.

Format of the financial statements

The report for Q2 2005 was prepared in a condensed form, and includes:

- Consolidated financial statements (balance sheet, profit and loss account, statement of changes in consolidated equity, consolidated cash flow statement),
- Non-consolidated financial statements (balance sheet, profit and loss account, statement of changes in non-consolidated equity, non-consolidated cash flow statement),
- Selected explanatory data,
- Other supplementary information.

Figures in the financial statements are denominated in PLN'000. The comparable data was not audited.

1.2 Period covered by the financial statements and the comparable data

The consolidated financial statements and the non-consolidated financial statements cover the period of six months, i.e. from January 1st to June 30th 2005.

The data disclosed in the consolidated balance sheet, and consolidated off-balance-sheet items is accompanied by comparable consolidated financial data as at December 31st 2004.

The data disclosed in the non-consolidated balance sheet and non-consolidated off-balance sheet items is accompanied by comparable non-consolidated financial data as at December 31st 2004.

The data disclosed in the consolidated profit and loss account, the statement of changes in consolidated equity and in consolidated cash flow statement is accompanied by comparable consolidated financial data for the period from January 1st to June 30th 2004. Additionally, the data disclosed in the consolidated profit and loss account is accompanied by comparable consolidated financial data for the period from April 1st 2004 to June 30th 2004

The data disclosed in the non-consolidated profit and loss account, the statement of changes in non-consolidated equity and in non-consolidated cash flow statement is accompanied by comparable non-consolidated financial data for the period from January 1st to June 30th 2004. Additionally, the data disclosed in the non-consolidated profit and loss account is accompanied by comparable non-consolidated financial data for the period from April 1st 2004 to June 30th 2004.

1.3 General rules governing the preparation of the financial statements presented in the report

General rules arising under IAS 34 and other IFRS were adopted when preparing the consolidated and non-consolidated balance sheet, consolidated and non-consolidated profit and loss account, the statement of changes in consolidated and non-consolidated equity, and in the consolidated and non-consolidated cash flow statement. The comparable data was restated in accordance with IAS 1; the differences in value disclosures and description of the adopted accounting policies are presented in Section 1.5 herein.

1.4 General information on the Company and its Group

As at June 30th 2005, the Impel Group (the "Impel Group" or the "Group") consisted of the Parent Undertaking and 16 consolidated subsidiary undertakings. The Group's Parent Undertaking is Impel SA (the "Company" or the "Parent Undertaking").

1.5 Adopted accounting policies and computing methods

The accounting policies applied by Impel SA and its Group at the beginning of 2005 were changed relative to the policies applied in the preparation of the financial statements and the consolidated financial statements for the year ended December 31st 2004.

The change comprised adoption of the International Accounting Standards and International Financial Reporting Standards as accounting policies applied by the Group. Section 1.5.1 presents a uniform description of the accounting policies, whereas Section. 1.5.2 presents the effect of the change on comparable data in terms of value disclosures and description.

In Q2 2005 an adjustment was made to the consolidated financial results related to the financed lease disclosure. The effect of that adjustment on Q1 2005 is demonstrated in the table below:

	Data from Jan 1 2005 to Mar 31 2005	Adjustment	Comparable data from Jan 1 2005 to Mar 31 2005	Data from Apr 1 2005 to Jun 30 2005	Adjustment	Comparable data from Apr 1 2005 to Jun 30 2005	Cumulative effect on H1 2005*
Revenue on sales	148.647	(333,5)	148.313,5	149.063,5	(333,5)	148.730	(667)
Depreciation/amortisation	(4.595)	227	(4.368)	(3.593)	227	(3.366)	554
Financial income – interest	1.025	58	1.083	1.738	58	1.796	116
Effect on net results	4.384	1,5	4.385,5	4.482,5	1,5	4.484	3

* Changes in adopted accounting policies had a cumulative effect on the financial results disclosed in the financial statement for Q2 2005

1.5.1 Uniform description of accounting policies

Consolidation rules

The consolidated financial statements are composed of financial statements of the Parent Undertaking and all the subsidiary undertakings controlled by Impel SA.

Material subsidiary undertakings are consolidated by way of aggregating individual items of assets, liabilities, equity, revenue and expenses, as of the day of taking control over them by the Parent Undertaking until the day when such control is no longer exercised. Assets and equity and liabilities of a subsidiary undertaking as at the date of consolidation are disclosed at fair value. Goodwill disclosed under a separate item in the consolidated balance sheet results from the difference between fair value of the acquired portion of such assets or equity and liabilities and the acquisition cost.

The non-consolidated financial statements of consolidated related undertakings and the Parent Undertaking were prepared for the same reporting period using uniform accounting policies, including the rules for valuation of assets and equity and liabilities, as well as income and expenses. These policies and rules are described below.

Intangible assets

Intangible assets are recognised if they are likely to bring the Group members future economic benefits directly attributable to such assets. Initially, intangible assets are valued at acquisition or production cost. Following the initial disclosure, intangible assets are valued at acquisition or production cost less amortisation charges and impairment losses.

Intangible assets are amortised on a straight-line basis in the period corresponding to the estimated period of their useful economic life.

Types of intangible assets in the Impel Group and amortisation rates:

Software	13 months – 5 years
Land perpetual usufruct rights	- – 99 years
Trademarks (of products)	13 months – 5 years
Licences	13 months – 5 years
Other intangible assets	13 months – 5 years

Goodwill is not amortised but in the event of circumstances leading to impairment in the value of goodwill, a relevant partial one-off allowance is made.

Goodwill of subsidiary undertakings

Goodwill of subsidiary undertakings is computed as the excess of the cost of the merger of business undertakings over the share of the acquiring undertaking in the net fair value of identifiable assets, liabilities and contingent liabilities as at the date of assuming control. Goodwill of subsidiary undertakings is not subject to amortisation and is tested for impairment of value. Goodwill is disclosed in the balance sheet at acquisition cost less the total impairment losses to date.

Non-current assets

Non-current assets are valued at acquisition cost increased by all costs directly related to their acquisition and restoring to proper operating condition, or production cost less depreciation charges and impairment losses.

The costs incurred after the non-current assets are placed in service, including repair, maintenance or running costs, affect profit/(loss) for the reporting period in which they are incurred. If it is possible to prove that the costs resulted in an increase in future economic benefits connected with the possession of a given non-current asset over the value of benefits initially expected, the initial value of this non-current asset is increased as a result of such costs (improvement).

When non-current assets are liquidated or sold, their initial value and depreciation to date are derecognised, and the result of the liquidation or disposal is posted to the profit and loss account.

Land	-	-
Buildings and structures	10 years	40 years
Equipment	3½ year	10 years
Production equipment	3½ year	10 years
Plant	3½ year	10 years
Vehicles	5 years	7 years
Furniture, installations, office equipment and other non-current assets	4 years	16½ year

In the case of subsidies to non-current assets, including subsidies from the Company Fund for the Disabled or State Fund for the Disabled, the amount that corresponds to the initial value of non-current assets in the part subsidised is disclosed under deferred income and depreciated over time as other operating income in parallel to depreciation charges on these assets. In the case of disposal of non-current assets, since February 1st 2003, the non-depreciated portion of the asset's value which comes from the abovementioned sources has been posted to the Company Fund for the Disabled (until February 1st 2003, it increased other operating income).

Non-current assets, other than machines and equipment used for electronic security services, are depreciated on a straight-line basis in the period corresponding to the estimated period of their useful economic lives.

Non-current assets used for electronic security services and monitoring are depreciated with the reducing-balance method (at rates increased by 20%–28%), which can be justified by the way those assets are used.

Estimates of useful economic life and the depreciation method are reviewed at the end of each financial year to check whether the adopted depreciation methods and periods comply with anticipated timeframe for economic benefits derived from this non-current asset.

Non-current assets under construction

Non-current assets under construction are valued at direct acquisition or production cost, including financial expenses (except foreign exchange differences which are not adjustments to paid interest), less impairment losses. Non-current assets under construction are not depreciated prior to the construction completion and placement in service.

Investments

Real estate held as investment

The Impel Group values real estate held as investment at acquisition or production cost, less accumulated depreciation and accumulated impairment losses.

Period, depreciation method, and impairment loss of real estate held as investment are reviewed in accordance with the same principles as non-current assets. Real estate is depreciated with the straight-line method.

The adopted depreciation rate reflects the period of useful economic life of real estate. The value of depreciation of real estate held as investment is charged to "depreciation" in the profit and loss account.

Gains and losses on disposal of real estate held as investment are determined as the difference between net proceeds from disposal and the balance-sheet value of the asset as at the date of disposal, and are disclosed in "other operating income" or "other operating expenses," respectively, in the profit and loss account.

Intangible assets held as investments

Intangible assets held as investments are valued in the same manner as real estate held as investment, and are disclosed in the balance sheet, less depreciation and impairment losses. Intangible assets held as investments include land perpetual usufruct rights.

Depreciation of investments is charged to "Depreciation" in the profit and loss account.

Financial assets other than cash and cash equivalents

Upon posting into accounting records, financial assets are valued at acquisition cost (price), equal to the fair value of the payment. The financial instruments are then classified under one of the following four categories and disclosed as follows:

Financial assets held to maturity are valued at an adjusted acquisition price (amortised cost) calculated using the effective interest rate.

Advanced loans and own accounts receivable are valued at an adjusted acquisition price (amortised cost) calculated using the effective interest rate.

Financial assets held for trading are valued at fair value, and the unrealised revaluation gains/losses are charged to the profit and loss account.

Financial assets available for sale are valued at fair value, and the unrealised revaluation gains/losses are charged in the profit and loss account.

The fair value of the financial instruments traded on an active market is set in relation to the prices quoted on that market as at the relevant balance-sheet date. If there is no quoted market price, the fair value is estimated on the basis of a quoted market price of a similar instrument or based on the expected cash flow. The unrealised revaluation gains or losses are disclosed in revaluation capital reserve until the sale of the investment or a reduction in its value. Then, the total revaluation gain/loss is charged to the profit and loss account.

All financial assets are subject to impairment of value testing as at the balance-sheet date.

Lease

Lease is classified as financed lease if the terms and conditions of a lease agreement provide for the transfer of substantially entire risk and usufruct arising from the holding of leased assets to the lessee. Other types of leasing are classified as operating lease.

The Group as Lessor

Undertakings of the Impel Group are parties to lease agreements under which they grant to third parties paid use or usufruct of non-current or intangible assets for an agreed period. The financed lease payments are carried as receivables in net value of the Group's investment in leasing. Revenue on financed lease is disclosed in the relevant reporting periods taking into account the fixed rate of returns on the net value of the Group's investment under leasing. Revenue on operational leasing is charged to the profit and loss account on a straight-line basis over the lease term.

The Group as Lessee

Undertakings of the Impel Group are parties to lease agreements under which they use (paid use or usufruct) third-party non-current or intangible assets for an agreed period.

In the case of financed lease agreements, which provide for the transfer of substantially entire risk and usufruct arising from the holding of leased assets, the leased asset is disclosed as a non-current asset at the value of minimum lease charges set up for the first day of the lease. A portion of lease payments is charged to financial expenses and the balance reduced lease liabilities so as to achieve a fixed rate of interest on the outstanding liability. Financial expenses are charged directly to the consolidated profit and loss account.

Non-current assets used under lease agreements are depreciated over the expected period of their useful economic lives.

Lease charges under agreements which do not meet the criteria for financed lease are carried as cost in the consolidated profit and loss account and are amortised on a straight-line basis over the lease term.

Inventories

Inventories are valued at the lower of the acquisition or production cost and net selling price. Decrease in inventories is valued in the following manner:

- materials and goods for resale – at acquisition cost determined with the FIFO method,
 - finished products and work in progress – at direct cost of materials and labour and the justified portion of indirect fixed production costs, this portion being determined assuming standard utilisation of production capacity.
- Net selling price is the achievable selling price net of VAT and excise tax as at the balance-sheet date, reduced by rebates, discounts and other similar costs relating to the preparation of an asset for sale and the execution of sale.

Balance-sheet valuation of particular types of inventories is carried out at acquisition cost, however not higher than net selling prices achievable as at the balance-sheet date.

These types of inventories which at the Group level are written off directly to costs as at their acquisition date, are subject to stocktaking as at the balance-sheet date by way of physical count at acquisition cost; their value adjust costs and is carried as materials.

Impairment losses are posted at least as at the balance-sheet date (by type of inventories).

The value of impairment losses is charged to materials used.

Non-current and current receivables

Receivables are disclosed at fair value of amounts due, less revaluation allowance.

An item of receivables is revalued based on the probability of payment, through a revaluation allowance.

Allowances on doubtful receivables are estimated on the basis of analysis of historical data relating to the recoverability of receivables, or on the basis of the term structure of receivables.

A material group of the Group's receivables are the receivables from healthcare centres (ZOZ), for which the Group makes allowances up to their real value, as estimated by the Group on the basis of the history of the inflow of receivables, in keeping with the prudence principle.

Revaluation write-offs on receivables are carried as other operating expenses or financial expenses, depending on the category of the underlying receivable.

Cancelled, past due, and unrecoverable receivables reduce earlier revaluation allowances on the receivables.

Cancelled, past due, and unrecoverable receivables on which no or partial revaluation allowance has been made are carried as other operating expenses or financial expenses, as appropriate.

Foreign currency transactions

Items disclosed in the consolidated financial statements and the financial statements of individual undertakings are denominated in PLN which is the functional currency of the Company.

Transactions, other than those relating to the sale/purchase of currencies and settlement of receivables/liabilities, denominated in currencies other than PLN are translated into PLN at the mid-exchange rate prevailing on the transaction date.

As at the balance-sheet date, assets and liabilities denominated in currencies other than PLN are translated into PLN at the relevant PLN mid exchange rates quoted by the National Bank of Poland as at the balance-sheet date. The resulting currency-translation differences are disclosed under financial income or expenses, as appropriate.

As at the balance-sheet date, the financial statements prepared by the consolidated undertakings in foreign currencies are translated into the zloty in accordance with the rules presented below, i.e.:

- items of the balance sheet (excluding equity) are translated at the mid-exchange rate quoted for the given currency by the National Bank of Poland as at the balance-sheet date,
- items of the profit and loss account are translated at a rate equal to the arithmetic mean of the mid-exchange rates quoted by the National Bank of Poland as at the last day of each ended month of the financial year, and in justified cases – at a rate equal to the arithmetic mean of mid-exchange rates quoted for the given currency by the National Bank of Poland as at the last day of the previous financial year and at the last day of the current financial year,
- equity (balance as at the date of control take-over by the Parent Undertaking) is translated at the mid-exchange rate quoted by the National Bank of Poland as at the date of control take-over.

Currency-translation differences which primarily include differences arising on the translation of equity and profit/(loss) into the zloty, are disclosed in the balance sheet as currency-translation differences under equity.

Cash and cash equivalents

Cash as disclosed in the balance sheet, which comprises cash in hand and cash at banks, as well as deposits and short-term securities with maturity of up to three months are valued at face value.

Prepayments and accrued income

The Group undertakings disclose prepayments if they refer to the next 12 months, in line with the matching principle for income and expenses. Prepayments are valued at acquisition cost less impairment losses.

The Group recognises the following accrued expenses:

a) disclosed in the balance sheet as liabilities under employee benefits

- provision for holidays;
- provision for awards and bonuses to be paid in future periods;

b) disclosed in the balance sheet under trade creditors

- provision for expenses which refer to the period but for which invoices have not been received yet;
- provision for other expenses.

The Group undertakings disclose accrued income if it refers to future reporting periods. The main balance-sheet item is income amortised over time, relating to non-current assets financed with subsidies, including funds from the Company or State Funds for Rehabilitation of the Disabled. The amount equal to the initial value of these assets, in the subsidised portion, is disclosed under accrued income and amortised over time as other operating income with the concurrent amortisation charges for these funds.

Accrued income is valued at fair value.

Equity

The share capital of the Parent Undertaking is disclosed at the value provided for in the Company's Articles of Association and entered into the National Court Register. The differences between the fair value of received payment and par value of shares are disclosed under reserve funds as share premium account. In the event of purchase of treasury shares, the amount paid is charged to equity and disclosed in the balance sheet under treasury shares. Other capital reserves are created upon the transfer of retained profit, under Resolutions of the General Shareholders Meeting.

Provisions

The Group undertakings disclose provisions where the undertakings have a liability (legal or following from commercial practice) resulting from past events, and it is certain or highly probable that the discharge of this liability would cause an outflow of funds representing economic loss, and the amount of the liability may be reliably estimated.

Bank loans and borrowings

Loans and borrowings are initially disclosed at amounts equal to the aggregate of the funds received and the cost of a loan.

Later, loans and borrowings are valued at adjusted acquisition cost (amortised cost), using the effective interest rate.

Cost of external financing

Cost of external financing relating to the construction, adaptation, assembly or improvement of tangible or intangible assets is disclosed as a part of the value of those assets over the period of construction, adaptation, or assembly (except foreign exchange differences which are not adjustments to paid interest), if the financing was contracted for this purpose. Other cost of external financing is charged to the consolidated profit and loss account.

Deferred income tax

Deferred tax liability is created with use of the balance-sheet liability method in relation to all positive timing differences existing as at the balance-sheet date between the tax value of assets and liabilities and their balance-sheet value as disclosed in the financial statements.

Deferred tax asset is disclosed in relation to all negative timing differences and undisclosed tax losses brought forward in the amount of the expected taxable income which would enable these differences and losses to be used.

In the case of negative timing differences on revaluation allowances on shares in non-consolidated subordinated undertakings, the related deferred tax asset is disclosed in the balance sheet in the amount of the taxable income expected to be generated in the foreseeable future (as a result of the reversal of these timing differences, which would enable the negative timing differences to be offset).

The balance-sheet value of a deferred tax asset is verified as at each balance-sheet date and subject to appropriate reduction in a portion in which it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

The deferred tax asset and the deferred tax liability are valued at tax rates which are expected to be applicable in the period when such deferred tax asset is to be realised or such provision released, based on tax rates (and tax legislation) effective or enacted as at the balance-sheet date.

The deferred tax asset and the deferred tax liability are offset exclusively in non-consolidated financial statements for the purposes of presentation in the balance sheet.

Recognition of revenue and income**Revenue on sales of goods for resale and materials**

The Group discloses revenue on sales of goods for resale and materials if the following conditions are satisfied:

- material risk and benefits resulting from the ownership of goods for resale were transferred by the business undertaking to the purchaser,
- the business undertaking is no longer permanently involved in the management of sold goods, in the degree to which such function is usually performed with respect to goods which are owned, and the business undertaking does not exercise effective control over those goods,
- the amount of the revenue may be valued in a reliable manner,
- there is a probability that the transaction may bring economic benefits to the business undertaking,
- the costs incurred by the business undertaking in connection with the transaction and the costs which will be incurred may be valued in a reliable manner.

Revenue is disclosed at fair value of due payment.

Revenue on provision of services (sales of products)

If the result of transaction related to provision of services may be estimated in a reliable manner, the revenue should be disclosed in line with the percentage of completion of the transaction as at the balance-sheet date. The result may be estimated in a reliable manner if the following conditions are satisfied:

- the amount of the revenue may be valued in a reliable manner,

- there is a probability that executed transaction may bring economic benefits to the business undertaking,
- the percentage of completion of the transaction as at the balance sheet date may be determined in a reliable manner,
- expenses incurred in connection with the transaction and those related to its finalisation may be valued in a credible manner.

If the result of transaction related to provision of services may not be valued in a reliable manner, the revenue should be disclosed only up to the amount of incurred expenses which the business undertaking expects to recover.

Subsidies

Subsidies to salaries and wages and the refund of social security contributions relating to the disabled, granted to the Group undertakings holding the status of sheltered employers of the disabled or employing disabled persons, are disclosed under income net of the provision created for the anticipated repayment of the subsidies.

Subsidies should be disclosed in the financial statements if there is a reasonable and sufficient basis to assume that the business undertaking satisfies the conditions for obtaining them, and that the subsidies will be granted. Subsidies are disclosed in the profit and loss account as revenue in the period in which they became due. Subsidies to salaries and wages are disclosed as revenue under a separate profit and loss account item. Subsidies do not reduce the cost.

Other operating income also includes write-offs on accrued and deferred income made pro rata to the amortisation write-offs on fixed assets financed from the State Fund for the Disabled or the Company Fund for the Disabled, as well as – until February 1st 2003 – the write-offs of amounts equal to the net value of refinancing of fixed assets upon their sale. As of this date, these write-offs have been increasing the Company Fund for the Disabled.

Interest

Revenue generated under the use of interest-bearing assets of the business undertaking by other business undertakings should be disclosed if:

- there is probability that executed transaction may bring economic benefits to the business undertaking,
- the amount of revenue may be valued in a reliable manner.

The interest should be disclosed successively over time, taking into account effective profitability generated under the use of assets.

Dividend

Dividends receivable are included in the financial income as at the day of adoption of a resolution on profit distribution and interim dividend by the relevant governing body of a related non-consolidated undertaking, unless the resolution provides for a different dividend record date.

Employee benefits

According to relevant company remuneration schemes, employees are entitled to severance pays upon old-age or disability retirement. Each employee who meets the conditions entitling him or her to permanent disability or old-age retirement pension and whose employment was accordingly terminated is entitled to a retirement severance pay in the amount of the monthly remuneration. The Group undertakings recognise costs of retirement severance pays on an accrual basis. According to the IAS and IFRS the provision for retirement severance pays is disclosed in the consolidated balance sheet under either non-current or current liabilities, as employee benefits.

Share-Based Benefits

The Group has a share-based remuneration scheme. These benefits are accounted for in line with IFRS 2 *Share-Based Payment*. The fair value of work performed by the employees, in exchange for rights to acquire Series A ordinary bearer bonds with pre-emptive rights to subscribe for and acquire Series F ordinary bearer shares in Impel SA, increases the costs for the period in correspondence with the equity. The total amount which should be settled to cost over the period when the employees become entitled to exercise the options is determined based on the fair value of granted rights.

Contingent liabilities and receivables

Contingent liabilities are understood as the obligation to render payments or services which is contingent on the occurrence of specified events. Contingent liabilities the probability for which does not exceed 50% are not disclosed in the consolidated balance sheet, but the information on contingent liabilities is disclosed unless the probability of outflow of resources representing economic loss is insignificant. If the estimated probability is over 50%, the liability is disclosed in the balance sheet under liabilities and equity.

Contingent receivables are not disclosed in the consolidated balance sheet, but the information on contingent receivables is disclosed if the inflow of resources representing economic value is probable.

Executive Board's estimates

The preparation of consolidated financial statements requires making a number of estimates and assumptions by the Executive Board, reflected in these statements and in the notes thereto. The actual results might differ from these estimates. The estimates concern, among others, the created provisions and revaluation allowances, accruals and deferrals, and the adopted depreciation and amortisation rates.

1.5.2. Change of accounting policies in terms of value disclosure and description:

1.5.2.a. Presentation of changes in terms of value and their effect on the Group's financial statements for 2004

Consolidated balance sheet as at Dec 31 2004		Adjustments										Consolidated comparable data as at Dec 31 2004	
		1	2	3	4	5	6	7	8	9	10		
I. Non-current assets	117,468	-	(1,717)	(4,875)	(754)	(491)	(43)	(3)	-	618	(878)	109,325	I. Non-current assets
1. Intangible assets, including:	6,676	1,828								618		9,122	1. Goodwill
-goodwill	4,875												
2. Goodwill of subordinated undertakings	8,504	(1,828)	158	(4,875)			2,812					4,771	2. Other intangible assets
3. Property, plant and equipment	72,265		665			(491)	(5,765)	(3)			(2,095)	64,576	3. Property, plant and equipment
4. Non-current receivables	1,331	(1,331)											
5. Non-current investments	15,060	-	-	-	-	-	2,910	-	-	-	-	-	
5.1 Real estate	15,060						(10,456)					4,604	4. Investment property
5.2 Intangible assets							13,366					13,366	5. Intangible assets held as investments
Non-current financial assets												-	6. Investments in shares
Other non-current investments												-	7. Investments in associated undertakings consolidated with equity method
												-	8. Loans and own claims
												-	9. Financial assets available for sale
6. Non-current prepayments and accrued income	13,632												
		1,331			(754)						1,217	1,794	10. Investments held to maturity
6.1 Deferred tax asset	11,092	(11,092)											11. Non-current receivables
6.2 Other prepayments and accrued income	2,540	11,092	(2,540)									11,092	12. Deferred tax asset
II. Current assets	233,898	-	1,260	-	(8,984)	491	-	3	-	-	700	226,877	II. Current assets
1. Inventories	3,967		3,581					(4)				7,544	1. Inventories
2. Current receivables	133,486				(94)			7			700	134,099	2. Current receivables
		5,970										5,970	3. Loan and own claims
		5,010										5,010	4. Financial assets available for sale
													5. Investments held to maturity
3. Current financial assets	92,620	(10,980)	-	-	(8,890)	-	-	-	-	-	-	-	
a) in other undertakings	10,980	(10,980)											6. Financial assets held for trading
b) cash and cash equivalents	81,640				(8,890)							72,750	7. Cash and cash equivalents
4. Prepayments and accrued income	3,825		(2,321)									1,504	8. Prepayments and accrued income
						491						491	III. Non-current assets classified as held for sale
Total assets	351,366	-	(457)	(4,875)	(9,738)	-	(43)	-	-	618	(178)	336,693	Total assets

Consolidated balance sheet as at Dec 31 2004		Adjustments										Consolidated comparable data as at Dec 31 2004	
		1	2	3	4	5	6	7	8	9	10		
1. Equity	206,008	-	(457)	(4,875)	-	-	-	-	-	618	(178)	201,116	1. Equity
1a. Share capital	75,192											75,192	1a. Share capital
1c. Reserve funds, including share premium account	107,784											107,784	1c. Reserve funds, including share premium account
1e. Other capital reserves	40,457											40,457	1e. Other capital reserves
1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation	-67											(67)	1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation
1g. Other capital												-	1g. Other capital
1h. Retained profit/(deficit)	-10,872	(289)	(9,667)							155	(30)	(20,703)	1h. Retained profit/(deficit)
1i. Current year net profit/(loss)	-6,486	(168)	4,792							463	(148)	(1,547)	1i. Current year net profit/(loss)
1j. Distributions from net profit during the year												-	1j. Distributions from net profit during the year
2. Minority interests	925											925	2. Minority interests
Total equity	206,933											202,041	Total equity

II. Liabilities and provisions for liabilities	144,433	(6,613)	-	-	-	-	-	-	-	-	-	6,858	II. Non-current liabilities
1. Provisions for liabilities	10,924												
1.1 Deferred tax liability	300											300	1. Deferred tax liability
1.2 Provision for retirement and related employee benefits	620	(90)	-	-	-	-	-	-	-	-	-		
a) non-current	530											530	2. Employee benefits
b) current	90	(90)											
1.3 Other provisions	10,004	(6,523)	-	-	-	-	-	-	-	-	-		
a) non-current	3,481											3,481	3. Non-current provisions
b) current	6,523	(6,523)											
Non-current liabilities	2,815	(324)	-	-	-	-	-	-	56	-	-		
1. Loans and borrowings	617											617	4. Non-current bank loans and borrowings
2. Debt securities in issue	50	(50)											
		1,684										1,684	5. Non-current financed lease liabilities
3. Other non-current liabilities	2,148	(1,958)						56				246	6. Other non-current liabilities
III. Current liabilities	104,792	6,937	-	(9,738)	-	-	-	11,291	-	-	-	113,282	III. Current liabilities
1. Loans and borrowings	6,168											6,168	1. Current bank loans and borrowings
2. Trade payables	27,533	258						941				28,732	2. Trade payables
3. Public charges	34,665	384						59				35,108	3. Public charges
4. Employee benefits	18,203	90		3				10,291				28,587	4. Employee benefits
		1,925										1,925	5. Current financed lease liabilities
5. Other liabilities	4,894	11,728		(9,741)								6,881	6. Other liabilities
6. Special accounts	13,329	(13,329)											
		5,881										5,881	7. Current provisions
IV. Accruals and deferred income	25,902	-	-	-	-	-	(43)	(11,347)	-	-	-		
a) non-current	12,166	2,389					(43)					14,512	IV. Deferred income
b) current	13,736	(2,389)						(11,347)				-	
													V. Liabilities directly related to non-current assets classified as held for sale
Total equity and liabilities	351,366	-	(457)	(4,875)	(9,738)	-	(43)	-	618	(178)		336,693	Total equity and liabilities

Consolidated profit and loss account for the period Jan 1 – Jun 30 2004		Adjustments										Consolidated comparable data for the period Jan 1 – Jun 30 2004	
		1	2	3	4	5	6	7	8	9	10		
A. Revenue:	272,217											290,639	I. Revenue – items 1-2
												268,678	1. Sales revenue, including:
a) revenue on sales of products	268,305									(240)		268,065	a) revenue on sales of products
b) revenue on sales of materials and goods for resale	613											613	b) revenue on sales of materials and goods for resale
c) production cost of products for own needs	544	(544)										-	
d) change in products	2,755	(2,755)										-	
		21,961										21,961	2. Subsidies
B. Operating expenses	(308,119)											(302,295)	II. Operating expenses
1 depreciation and amortisation	(9,871)	(1,498)	2,792								135	(8,442)	1. depreciation and amortisation
2. raw materials and energy used	(39,345)	1,507										(37,838)	2. raw materials and energy used
3. contracted services	(38,427)											(38,427)	3. contracted services
4. taxes and charges	(2,624)	2,624										-	
5. salaries and wages	(171,159)	(40,404)										(211,563)	4. salaries and wages, social security and other employee benefits
6. social security and other employee benefits	(40,404)	40,404										-	
7. other cost by type	(5,849)	(2,624)	3									(8,470)	5. other cost by type
8. cost of sales of materials and goods for resale	(440)											(440)	6. selling cost of materials and goods for resale
		2,755	(414)									2,341	7. change in products
		544										544	8. production cost of products for own needs
C. Profit/(loss) on sales – I-II	(35,902)											(11,656)	A. Profit/(loss) on sales – I-II
D. Other operating income	26,374											4,529	I. Other operating income, including:
1. Gain on disposal of non-current non-financial assets	526	116										642	1. Gain on disposal of non-current non-financial assets
2. Subsidies	21,961	(20,290)										1,671	2. Revaluation of non-financial assets
3. Other operating income	3,887	(1,671)										2,216	3. Other operating income
E. Other operating expenses	(8,228)											(9,200)	II. Other operating expenses, including:
1. Loss on disposal of non-current non-financial assets	(290)											(290)	1. Loss on disposal of non-current non-financial assets
2. Revaluation of non-financial assets	(3,644)											(3,644)	2. Revaluation of non-financial assets

3. Other operating expenses	(4,294)		(12)							(4,306)	3. Other operating expenses
		(1,191)						231		(960)	4. Consolidation goodwill write-off (negative value)
F. Operating profit/(loss) – A+I-II	(17,756)									(16,327)	B. Operating profit/(loss) – A+I-II
G. Financial income, including:	3,848									3,879	I. Financial income, including:
1. Interest	3,686							31		3,717	1. Interest
2. Other	162									162	2. Other
H. Financial expenses, including:	(2,164)									(2,164)	II. Financial expenses, including:
1. Interest	(944)									(944)	1. Interest
2. Other	(1,220)									(1,220)	2. Other
I. Profit/(loss) on disposal of all or part of shares	116	(116)								-	
J. Consolidation goodwill write-off	(1,191)	1,191								-	
K. Pre-tax profit/(loss) – B-I-II+III	(17,147)									(14,612)	C. Pre-tax profit/(loss) – B-I-II+III
L. Corporate income tax	380									380	Corporate income tax
M. (Profit)/loss attributable to minority interests	(544)									(544)	D. (Profit)/loss attributable to minority interests
N. Net profit/(loss) on continued and discontinued operations (C-I)	(17,311)									(14,776)	E. Net profit/(loss) on continued and discontinued operations (C-I)

Consolidated cash-flow statement for the period Jan 1 – Jun 30 2004	Adjustments										Consolidated comparable data for the period Jan 1 – Jun 30 2004	
	1	2	3	4	5	6	7	8	9	10		
I. Net profit/(loss)	(17,311)	(414)	2,792						231	(74)	(14,776)	I. Net profit/(loss)
II. Total adjustments	21,642	293	(2,792)	(6,141)				99	(231)	(450)	12,420	II. Total adjustments
A.III. Net cash provided by/(used in) operating activities – I±II	4,331	(121)		(6,141)				99		(524)	(2,356)	A.III. Net cash provided by/(used in) operating activities – I±II
B.III. Net cash provided by/(used in) investing activities – I-II	(16,684)	121						(99)		524	(16,138)	B.III. Net cash provided by/(used in) investing activities – I-II
C.III. Net cash provided by/(used in) financing activities – I-II	(42,356)										(42,356)	C.III. Net cash provided by/(used in) financing activities – I-II
D. Total net cash flow – A.III±B.III±C.III	(54,709)			(6,141)							(60,850)	D. Total net cash flow – A.III±B.III±C.III
E. Cash at beginning of period	160,038			(3,405)							156,633	E. Cash at beginning of period
F. Cash at end of period (F±D), including:	105,329			(9,546)							95,783	F. Cash at end of period (F±D), including:

1.5.2.b. Presentation of changes in terms of value and their effect on the Company's financial statements for 2004

Balance sheet of Impel SA as at Dec 31 2004	Adjustments										Comparable balance sheet of Impel SA as at Dec 31 2004		
	1	2	3	4	5	6	7	8	9	10			
I. Non-current assets	107,488	-	71	(4,875)	(509)	(491)	-	-	-	-	-	101,684	I. Non-current assets
1. Intangible assets, including:	5,419	(2,313)		(4,875)			1,769						1. Goodwill
-goodwill	4,875												
2. Goodwill of subordinated undertakings		2,313										2,313	2. Other intangible assets
3. Property, plant and equipment	18,206		71			(491)	(4,722)					13,064	3. Property, plant and equipment
4. Non-current receivables	509				(509)								
5. Non-current investments	79,177	-	-	-	-	-	2,953	-	-	-	-	-	
5.1 Real estate	9,981						(7,343)					2,638	4. Investment property
5.2 Intangible assets							10,296					10,296	5. Intangible assets held as investments
Non-current financial assets	69,196	(31,731)										37,465	6. Investments in shares
Other non-current investments													7. Investments in associated undertakings consolidated with equity method
		31,731										31,731	8. Loans and own claims
													9. Financial assets available for sale
6. Non-current prepayments and accrued income	4,177												
													10. Investments held to maturity
													11. Non-current receivables
6.1 Deferred tax asset	4,177	(4,177)											
6.2 Other prepayments and accrued income		4,177										4,177	12. Deferred tax asset
II. Current assets	142,719	(1)	(425)	-	(4,086)	491	-	-	-	-	-	138,207	II. Current assets
1. Inventories	451											451	1. Inventories
2. Current receivables	64,573				531							65,104	2. Current receivables
		14,059										14,059	3. Loan and own claims
													4. Financial assets available for sale
													5. Investments held to maturity
3. Current financial assets	76,906	(14,060)	-	-	(4,617)	-	-	-	-	-	-	-	
a) in related undertakings	14,019	(9,009)										5,010	6. Financial assets held for trading
b) in other undertakings	5,050	(5,050)											
c) cash and cash equivalents	57,837	(1)			(4,617)							53,219	7. Cash and cash equivalents
4. Prepayments and accrued income	789		(425)									364	8. Prepayments and accrued income
						491						491	III. Non-current assets classified as held for sale
Total assets	250,207	(1)	(354)	(4,875)	(4,595)	-	-	-	-	-	-	240,382	Total assets

Balance sheet of Impel SA as at Dec 31 2004		Adjustments										Comparable balance sheet of Impel SA as at Dec 31 2004	
		1	2	3	4	5	6	7	8	9	10		
1. Equity	199,810	(1)	(354)	(4,875)	-	-	-	-	-	-	-	194,580	1. Equity
1a. Share capital	75,192											75,192	1a. Share capital
1b.													1b.
1c. Reserve funds, including share premium account	95,688											95,688	1c. Reserve funds, including share premium account
1d.													1d.
1e. Other capital reserves	25,454											25,454	1e. Other capital reserves
1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation												-	1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation
1g. Other capital												-	1g. Other capital
1h. Retained profit/(deficit)	497	(1)	(288)	(9,666)								(9,458)	1h. Retained profit/(deficit)
1i. Current year net profit/(loss)	2,979		(66)	4,791								7,704	1i. Current year net profit/(loss)
1j. Distributions from net profit during the year													1j. Distributions from net profit during the year
2. Minority interests												-	2. Minority interests
Total equity	199,810											194,580	Total equity

II. Liabilities and provisions for liabilities	50,397	(1,384)	-	-	-	-	-	-	-	-	-	3,776	II. Non-current liabilities
1. Provisions for liabilities	5,110												
1.1 Deferred tax liability													1. Deferred tax liability
1.2 Provision for retirement and related employee benefits	286												
a) non-current	286											286	2. Employee benefits
b) current													
1.3 Other provisions	4,824	(1,384)											
a) non-current	3,440											3,440	3. Non-current provisions
b) current	1,384	(1,384)											
Non-current liabilities	50												
1. Loans and borrowings													4. Non-current bank loans and borrowings
2. Debt securities in issue	50	(50)											
													5. Non-current financed lease liabilities
3. Other non-current liabilities		50										50	6. Other non-current liabilities
III. Current liabilities	37,130	1,384			(4,595)					4,594			III. Current liabilities
1. Loans and borrowings	625											625	1. Current bank loans and borrowings
2. Trade payables	13,529									180		13,709	2. Trade payables
3. Public charges	10,300	384								1		10,685	3. Public charges
4. Employee benefits	6,026									4,413		10,439	4. Employee benefits
													5. Current financed lease liabilities
5. Other liabilities	681					1,374						2,055	6. Other liabilities
6. Special accounts	5,969					(5,969)							
		1,000										1,000	7. Current provisions
IV. Accruals and deferred income	8,107									(4,594)			
a) non-current	2,397	1,116											IV. Deferred income
b) current	5,710	(1,116)								(4,594)			
													V. Liabilities directly related to non-current assets classified as held for sale
Total equity and liabilities	250,207	(1)	(354)	(4,875)	(4,595)								240,382
													Total equity and liabilities

Profit and loss account of Impel SA for the period Jan 1 – Jun 30 2004		Adjustments										Comparable profit and loss account of Impel SA for the period Jan 1 – Jun 30 2004	
		1	2	3	4	5	6	7	8	9	10		
A. Revenue:	120,454											129,345	I. Revenue – items 1-2
												118,808	1. Sales revenue, including:
a) revenue on sales of products	118,650											118,650	a) revenue on sales of products
b) revenue on sales of materials and goods for resale	158											158	b) revenue on sales of materials and goods for resale
c) production cost of products for own needs												-	
d) change in products	1,646	(1,646)										-	
		10,537										10,537	2. Subsidies
B. Operating expenses	(135,573)											(131,674)	II. Operating expenses
1 depreciation and amortisation	(5,496)		(329)	2,792								(3,033)	1. depreciation and amortisation
2. raw materials and energy used	(15,585)		305									(15,280)	2. raw materials and energy used
3. contracted services	(24,902)											(24,902)	3. contracted services
4. taxes and charges	(1,288)	1,288										-	
5. salaries and wages	(68,361)	(17,042)										(85,403)	4. salaries and wages, social security and other employee benefits
6. social security and other employee benefits	(17,042)	17,042										-	5. other cost by type
7. other cost by type	(2,779)	(1,288)										(4,067)	6. selling cost of materials and goods for resale
8. cost of sales of materials and goods for resale	(120)											(120)	7. change in products
		1,646	(515)									1,131	8. production cost of products for own needs
												-	Profit/(loss) on sales – I-II
C. Profit/(loss) on sales – I-II	(15,119)											(2,329)	A. Other operating income, including:
D. Other operating income	13,051											2,514	I. 1. Gain on disposal of non-current non-financial assets
1. Gain on disposal of non-current non-financial assets	294											294	2. Revaluation of non-financial assets
2. Subsidies	10,537	(9,161)										1,376	5. other cost by type
3. Other operating income	2,220	(1,376)										844	3. Other operating income
E. Other operating expenses	(3,650)											(3,491)	II. Other operating expenses, including:
1. Loss on disposal of non-current non-financial assets	(86)											(86)	1. Loss on disposal of non-current non-financial assets
2. Revaluation of non-financial assets	(1,606)											(1,606)	2. Revaluation of non-financial assets

3. Other operating expenses	(1,958)		159									(1,799)	3. Other operating expenses
			-									-	4. Consolidation goodwill write-off (negative value)
F. Operating profit/(loss) – A+I-II	(5,718)											(3,306)	B. Operating profit/(loss) – A+I-II
G. Financial income, including:	6,123											6,123	I. Financial income, including:
1. Dividends and other profit distributions	1,346											1,346	1. Dividends and other profit distributions
2. Interest	3,889											3,889	2. Interest
H. Financial expenses, including:	(4,943)											(4,943)	II. Financial expenses, including:
1. Interest	(166)											(166)	1. Interest
2. Investment revaluation	(4,150)											(4,150)	2. Investment revaluation
I. Profit/(loss) on disposal of all or par of shares												-	
J. Consolidation goodwill write-off												-	
K. Pre-tax profit/(loss) – B-I-II+III	(4,538)											(2,126)	C. Pre-tax profit/(loss) – B-I-II+III
L. Corporate income tax	488											488	Corporate income tax
M. (Profit)/loss attributable to minority interests												-	D. (Profit)/loss attributable to minority interests
N. Net profit/(loss) on continued and discontinued operations (C-I)	(4,050)											(1,638)	E. Net profit/(loss) on continued and discontinued operations (C-I)

Cash-flow statement of Impel SA for the period Jan 1 – Jun 30 2004	Adjustments										Comparable cash-flow statement of Impel SA for the period Jan 1 – Jun 30 2004		
	1	2	3	4	5	6	7	8	9	10			
I. Net profit/(loss)	(4,050)		(380)	2,792								(1,638)	I. Net profit/(loss)
II. Total adjustments	20,138		467	(2,792)	(2,315)							15,498	II. Total adjustments
A.III. Net cash provided by/(used in) operating activities – I±II	16,088		87	(2,315)								13,860	A.III. Net cash provided by/(used in) operating activities – I±II
B.III. Net cash provided by/(used in) investing activities – I-II	(26,957)		(87)									(27,044)	B.III. Net cash provided by/(used in) investing activities – I-II
C.III. Net cash provided by/(used in) financing activities – I-II	(42,471)											(42,471)	C.III. Net cash provided by/(used in) financing activities – I-II
D. Total net cash flow – A.III±B.III±C.III	(53,340)				(2,315)							(55,655)	D. Total net cash flow – A.III±B.III±C.III
E. Cash at beginning of period	136,453				(2,396)							134,057	E. Cash at beginning of period
F. Cash at end of period (F±D), including:	83,113				(4,711)							78,402	F. Cash at end of period (F±D), including:

Adjustments to current comparable data in the 2004 financial statements. Adjustments concerning the same items of the consolidated and non-consolidated financial have been assigned identical numbers:

Adjustment No. 1 – *Reclassifications related to changes in the formats of the balance sheet and the profit and loss account*

Adjustment No. 2 – *Costs of equipment which meets the definition of tangible assets and is used for the performance of services* – equipment that is used for the provision of services and whose value does not exceed PLN 3,500 is accounted for over time under “prepayments and accrued income”. According to IAS 16, such equipment meets the definition of tangible assets and should, therefore, be disclosed under tangible assets.

Adjustment No. 3 – *Goodwill* – goodwill that arose as a result of the 1999 share capital increase at Impel SA covered with a contribution in kind in the form of the business of the general partnership Impel Spółka Jawna (“Impel SJ”). As the same persons who as a result of this transaction acquired shares of Impel SA were shareholders in Impel SJ, the transaction did not result in any ownership changes and in accordance with the practice followed in the preparation of the financial statements based on the IFRS, no goodwill should be recognised. Consequently, goodwill is not disclosed in financial statements prepared in accordance with the IFRS.

Trademark – the trademark was created as a result of the 1999 increase of the share capital of Impel SA, covered with a contribution in kind in the form of the general partnership Impel Spółka Jawna (“Impel SJ”). The same persons that as a result of this transaction acquired shares of Impel SA were shareholders in Impel SJ. This transaction did not result in any ownership changes, therefore no additional intangible assets should be recognised. The trademark is not disclosed in financial statements prepared in accordance with the IFRS.

Adjustment No. 4 – *Social Benefits Fund and Company Fund for the Disabled* – the balances of the Social Benefits Fund and the Company Fund for the Disabled are disclosed under liabilities while cash and receivables attributable to these funds are disclosed under the Company’s assets. Under the IFRS, the Social Benefits Fund and the Company Fund for the Disabled are disclosed in the financial statements in their respective net amounts (in each case the liability less the fund’s assets).

Adjustment No. 5 – *Non-current assets classified as assets held for sale* – in accordance with IFRS 5, non-current assets were transferred to assets classified as held for sale.

Adjustment No. 6 – *Land usufruct rights* – in accordance with the IAS, land usufruct rights are classified as follows: rights acquired or received in exchange for shares – as intangible assets pursuant to IAS 38, and rights which arose as a result of recognition as at January 1st 2002, i.e. restatement date of 2002 financial statements in connection with the amended Polish Accountancy Act – are disclosed off-balance-sheet.

Adjustment No. 7 – *Prepayments for inventories and tangible assets* – in accordance with IAS 16 and IAS 2, prepayments for inventories and tangible assets have been transferred to other receivables.

Adjustment No. 8 – *Accrued expenses* – in accordance with IAS 19 and IAS 1, accrued expenses have been transferred to employee benefits and trade payables.

Adjustment No. 9 – *goodwill of subordinated undertakings* – under the Polish Accountancy Act, goodwill should be amortised over a period of no more than 20 years. Under IFRS 3, goodwill of subordinated undertakings is not subject to amortisation but should be tested annually for impairment of value.

Adjustment No. 10 – *financed leasing* – Since IAS 17 recommends an alternative accounting treatment for financed leasing, in H1 2005, the Company once again reviewed the agreements concerning the provision of property and personal protection and reclassified the value of tangible assets to non-current receivables.

Differences other than those presented above which did not lead to any value differences as at December 31st 2004, but which are attributable to the differences between the accounting standards used by the Impel Group, the International Accounting Standards and the International Financial Reporting Standards

Cost of external financing – in accordance with the provisions of the Polish Accountancy Act, the Group capitalised the cost of external financing of tangible assets incurred during the construction of that asset, as well as foreign exchange gains/(losses).

Pursuant an alternative approach allowed under IAS 23, the cost of external financing of adaptation of an asset may be capitalised up to the asset’s initial value; however, foreign exchange gains/(losses) are recognised in the cost of external financing only to the extent to which they represent an adjustment to the interest expense.

Impairment of value of assets – under the provisions of the Polish Accountancy Act, upon the identification of an impairment of value of an asset, its value should be reduced to the asset's net selling price or fair value as determined otherwise.

Under IAS 36, the values of assets other than inventories, financial instruments, investment property, deferred tax assets and biological assets should be adjusted to the higher of the net selling price and the useful value.

Discounting of receivables – under the provisions of the Polish Accountancy Act, no receivables other than originated through the delivery of funds to a future debtor may be discounted, irrespective of the crediting term. Such receivables are disclosed at their respective face values.

Under IAS 39, such receivables are disclosed at the adjusted acquisition cost.

Cost of disassembly of tangible assets – according to IAS 16, the cost of disassembly of tangible assets which must be incurred after the end of the asset's economic useful life should be estimated and capitalised in the asset's value in matching with the relevant items in the equity and liabilities. The Group reported no events which would give rise to material disassembly costs.

Discontinued operations – in accordance with IFRS 5, an asset of a business which was sold or classified as held for sale should be disclosed taking into account the exclusions specified in the standard.

To note, some IAS and IFRS require a different scope and presentation of financial data than the scope of data disclosed under the Polish standards. Therefore, the tables above contain relevant transformations to obtain the balance-sheet form adopted by the Impel Group.

1.5.2.c1. Differences between published data disclosed in the 2004 annual consolidated financial statements and the data published currently in the interim financial statements

Relative to the presented data, additional differences were disclosed in the annual financial statements for 2004 which have a bearing on the Group's profit/(loss) and equity.

Consolidated balance sheet as at Dec 31 2004		Adjust. 10	Comparable consolidated balance sheet as at Dec 31 2004	
1. Equity	201,294	(178)	201,116	1. Equity
1a. Share capital	75,192		75,192	1a. Share capital
1c. Reserve funds, including share premium account	107,784		107,784	1c. Reserve funds, including share premium account
1e. Other capital reserves	40,457		40,457	1e. Other capital reserves
1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation	(67)		(67)	1f. Revaluation capital on hedging transactions and currency translation differences due to consolidation
1g. Other capital			-	1g. Other capital
1h. Retained profit/(deficit)	(20,673)	(30)	(20,703)	1h. Retained profit/(deficit)
1i. Current year net profit/(loss)	(1,399)	(148)	(1,547)	1i. Current year net profit/(loss)
1j. Distribution from net profit during the year	-		-	1j. Distribution from net profit during the year
2. Minority interests	925		925	2. Minority interests
Total equity	202,219		202,041	Total equity

Relative to the recently-published comparable data, an additional adjustment is disclosed under Item 1i – net profit/(loss) on financed leasing in the amount of PLN (148) thousand. The related adjustment, in the amount of PLN (30) thousand, was introduced in the retained profit/(deficit), leading to adjustments to equity, totalling PLN (178) thousand.

2. Revenue generated seasonally, cyclically or occasionally

The Group's operations do not involve any material phenomena which are subject to seasonal or cyclical fluctuations.

3. Type and amounts of items which affect the assets, equity and liabilities, share capital, net profit/(loss), or cash-flow, and which are unusual due to their type, size, or effect.

In Q2 2005, there were no material unusual events which might in any way affect the assets, equity and liabilities, share capital, net profit/(loss), or cash flows.

The Group's results for Q2 2005:

1. In Q2 2005 revenue on sales of products, goods for resale and materials amounted to PLN 148,730 thousand, that is an amount comparable with the revenue generated by the Group in Q4 2004. The aggregate H1 2005 revenue exceeds the one the Group posted in H1 2004 by PLN 28.7m, i.e. 10.7%. The sales revenue posted for H1 2005 represents 47% of the annual forecast.
2. In Q2 2005 the operating result (EBIT) amounted to PLN 5,238 thousand, PLN 158 thousand more than in the previous quarter.
In H1 2005, the Company obtained approx. PLN 9m (i.e. 25%) less in subsidies in relation to the public aid received in the previous year for H1 2004 (given retroactive changes in the applicable regulations). This means that the percentage share of subsidies in total revenues has gone down in the two periods from 13.6% to 9.2%, respectively. This attests to the Groups determination to steadily implement policy changes in order to make its financial performance independent of the scope of the provided public aid.
3. In Q2 2005, the Group saw a more than two-fold y-o-y increase in its EBIT net of subsidies, from PLN 17,160 thousand to PLN 38,288 thousand. The improvement is an effect of the restructuring process implemented by the Group, which is gradually improving the efficiency of its operations.

4.1 Impel Group

Adjustments for provisions and revaluation allowances on assets:

	Revaluation allowances on assets (4.1.1)	Deferred tax asset (4.1.2)	Deferred tax provision (4.1.2)	Provisions for liabilities (4.1.3)	Provisions for employee benefits (4.1.4)	Employee benefits in the form of shares (4.1.5)
As at Dec 31 2004	31,450	11,092	300	9,115	10,433	-
Increase	3,172	12,928	2,746	3,372	14,344	390
Use	(133)			(621)	(8,369)	-
Release	(2,551)	(12,518)	(2,682)	(1,486)	(235)	-
As at Jun 30 2005	31,938	11,502	364	10,380	16,173	390

Due to changes in the applied accounting policies, retiree's and sick pensioner's severance pays have been transferred from provisions for liabilities to provisions for employee benefits. The comparable data has been transformed accordingly.

4.1.1 Revaluation allowances on assets

As at Jun 30th 2005, the total value of revaluation allowances on assets was PLN 31,938 thousand and included:

- revaluation allowances on intangible assets, including goodwill	PLN 5,441 thousand
- revaluation allowances on non-current assets	PLN 2,013 thousand
- revaluation allowances on long-term investments	PLN 1,761 thousand
- revaluation allowances on short-term investments	PLN 113 thousand
- revaluation allowances on inventory	PLN 130 thousand
- revaluation allowances on short-term receivables	PLN 22,367 thousand
- revaluation allowances on non-current assets classified as held for sale	PLN 113 thousand

4.1.2 Deferred tax asset and provision

The deferred tax asset cannot be offset against the deferred tax provision at the consolidated level, as each company of the Impel Group settles its income tax on business activities separately. As at June 30th 2005 the deferred tax asset and provision amounted respectively to PLN 11,502 thousand and PLN 364 thousand.

Compared with the balance of December 31st 2004, the deferred tax asset changed in particular due to:

- increase by PLN 5,158 thousand – creation of deferred tax asset in connection with costs of salaries and wages and social security contributions which are non-tax deductible until actually settled,
- increase of the asset by PLN 526 thousand in connection with the increase of provisions for unused holidays,
- increase of the asset by PLN 172 thousand in connection with the increase of provisions for contracted services,
- increase of the asset by PLN 166 thousand in connection with the increase of revaluation allowances on receivables,
- decrease of the asset by PLN 5,541 thousand in connection with the use of the tax losses,
- decrease of the asset by 114 thousand in connection with the decrease of provisions for disputed claims

In turn, the deferred tax provision changed in particular due to changes in the following items:

- increase of provisions for interest on loans by PLN 311 thousand,
- decrease of provisions for subsidies from the State Fund for the Disabled by PLN 176 thousand.

Changes of the deferred tax asset and provision increased the Group's result for Q2 2005 by PLN 346 thousand.

4.1.3 Provisions for liabilities

Provisions for liabilities comprise mainly provisions for disputed claims raised by employees or business partners against the Group member undertakings. In Q2 2005 provisions created for liabilities towards the State Fund for the Disabled arising in connection with the expected necessity of reimbursement of subsidies for remuneration of the disabled employed by the Group amounted to PLN 1,282 thousand. The said provision in the profit and loss account adjusts the value of income under "Subsidies".

Additionally, Impel SA created other provisions for liabilities amounting to PLN 699 thousand which are disclosed in the balance-sheet as trade payables, in particular:

- for the consultancy services of CAP Gemini in the amount of PLN 444 thousand
- for the balance-sheet auditing services in the amount of PLN 126 thousand.

4.1.4 Provisions for employee benefits

Due to changes in the applied accounting policies, retiree's and sick pensioner's severance pays have been transferred from provisions for liabilities to provisions for employee benefits. The comparable data has been transformed accordingly.

As at June 30 th2005 provisions for employee benefits amounted to PLN 16,173 thousand and comprised the following items:

- provision for unused holidays	PLN 7,205 thousand
- provision for awards	PLN 1,920 thousand
- provision for off-the payroll items	PLN 6,413 thousand
- provision for retiree severance pays	PLN 603 thousand
- other provisions	PLN 32 thousand

Compared with their balance at the beginning of the year, the provisions changed as follows:

- provision for unused holidays	increase by PLN 2,525 thousand
- provision for awards	drop by PLN 680 thousand
- provision for off-the payroll items	increase by PLN 3,917 thousand
- provision for retiree severance pays	drop by 15 thousand
- other provisions	drop by PLN 7 thousand

4.1.5 Employee benefits in the form of shares

In H1 2005, the costs of employee benefits were determined at PLN 390 thousand and they related to the granted rights to acquire Series A ordinary bearer bonds with the pre-emptive right to subscribe and acquire Series F ordinary bearer shares of Impel SA.

4.2 Impel SA

Adjustments for provisions and revaluation allowances on assets:

	Revaluation allowances on assets (4.2.1)	Deferred tax asset (4.2.2)	Deferred tax provision (4.2.2)	Provisions for liabilities (4.2.3)	Provisions for employee benefits (4.2.4)	Employee benefits in the form of shares (4.2.5)
As at Dec 31 2004	47,768	5,525	1,348	4,440	4,699	0
Increase	4,671	3,967	1,019	1,287	6,056	390
Use	(5,464)			(524)	(3,801)	-
Release	(1,800)	(3,070)	(782)	(1,118)	-	-
As at Jun 30 2005	45,175	6,422	1,585	4,085	6,954	390

4.2.1 Revaluation allowances on assets

As at June 30th 2005, the total value of revaluation allowances on assets amounted to PLN 45,175 thousand and included:

- revaluation allowances on non-current assets	PLN 203 thousand
- revaluation allowances on long-term investments	PLN 34,962 thousand
- revaluation allowances on inventory	PLN 75 thousand
- revaluation allowances on receivables	PLN 9,822 thousand
- revaluation allowances on non-current assets classified as held for sale	PLN 113 thousand

4.2.2 Deferred tax asset and provision

For the purposes of balance-sheet presentation, Impel SA offsets the deferred tax asset against the deferred tax provision. As at March June 30th 2005, these two items stood at PLN 6,422 thousand and PLN 1,585 thousand, respectively. Compared with the balance as at December 31st 2004, the deferred tax asset changed in particular due to the following reasons:

- increase by PLN 2,475 thousand – creation of deferred tax asset in connection with costs of salaries and wages and social security contributions which are non-tax deductible until actually settled,
- increase of the asset by PLN 206 thousand in connection with the increase of provisions for unused holidays,
- increase of the asset by PLN 356 thousand in connection with the increase of other provisions,
- decrease of the asset by PLN 2,032 thousand in connection with the use of the tax losses,
- decrease of the asset by PLN108 thousand in connection with the decrease of employee claims.

In turn, the deferred tax provision changed in particular due to changes in the following items:

- increase of provisions for interest on loans by PLN 178 thousand,
- increase of provisions for subsidies from the State Fund for the Disabled by PLN 59 thousand.

Changes of the deferred tax asset and provision increased the Group's net result by PLN 661 thousand.

4.2.3 Provisions for liabilities

Provisions for liabilities comprise mainly provisions for disputed claims raised against the Company (by employees and business partners) and a provision for liabilities under assigned receivables with a return option. As at June 30th 2005 these provisions amounted respectively to PLN 3,711 thousand and PLN 374 thousand. In Q2 2005 provisions for disputed claims increased by PLN 871 thousand whereas provisions for liabilities under assigned receivables with a return option increased by PLN 176 thousand.

4.2.4 Provisions for employee benefits

Due to changes in the applied accounting policies, retiree's and sick pensioner's severance pays have been transferred from provisions for liabilities to provisions for employee benefits. The comparable data has been transformed accordingly.

As at June 30th 2005 provisions for employee benefits amounted to PLN 6,954 thousand and comprised the following items:

- provision for unused holidays	PLN 6,954 thousand
- provision for off-the payroll items	PLN 2,688 thousand
- provision for awards	PLN 731 thousand
- provision for retiree severance pays	PLN 286 thousand

Compared with the balance at the beginning of the year, the provisions changed as follows:

- provision for unused holidays increase by PLN 1,084 thousand
- provision for awards increase by PLN 88 thousand
- provision for off-the payroll items increase by PLN 1,083 thousand

The provision for retiree severance pays did not change.

4.2.5 Employee benefits in the form of shares

In Q2 2005, the costs of employee benefits were increased by PLN 48 thousand and they related to the granted rights to acquire Series A ordinary bearer bonds with the pre-emptive right to subscribe and acquire Series F ordinary bearer shares of Impel SA. As at June 30th 2005 the balance of these benefits stood at PLN 390 thousand.

5. Share issues, redemptions and repayments of debt and equity securities

In Q2 2005 Impel SA did not issue any shares nor did it redeem or repay any debt or equity securities.

6. Dividend paid (in total or per share), broken into ordinary shares and other shares

In Q2 2005 Impel SA did not pay or declare any dividend.

By virtue of Resolution No.7 dated May 23rd 2005, the Annual General Shareholders Meeting of Impel SA allocated the net profit generated from January 1st 2004 to December 31st 2004 in the amount of PLN 2,978,578.72 to reserve funds.

7. Segment revenue and results**Business segments**

The Group's operating activity is divided into three main business segments: security services, cleaning services and catering.

- a. Cleaning services segment comprises building interior and exterior cleaning services and specialist cleaning services for the institutional customers.
- b. Security services segment comprises services related to manned and electronic security services, alarm systems, CCTV, fire protection and CIT (cash transport and handling) services.
- c. Catering segment comprises services related to the preparation and delivery of food.

"Other" is a segment which comprises facility management, medical services, clothes making, clothes rental, laundry services and personnel and payroll services, provided by the particular Group member undertakings.

The revenues and expenses as well as the assets, equity and liabilities of the particular business segments were computed and disclosed before the eliminations due to inter-segmental transactions.

The prices used in the inter-segmental transactions are similar to the market prices.

Geographical segments

The Group operates mainly in Poland. Following the acquisition of shares in Serviks Riga SIA in 2003, the Group is also present in Latvia. In the period January 1st 2005 – March 31st 2005 the revenue generated from the Latvian operations accounted for approximately 1.3% of the total net revenue on the sales of products generated by the Group.

The operations of the Group member undertakings in Poland do not display any significant regional differences in terms of the risk and returns.

Changes in the valuation of profit/(loss) of particular segments

To provide for a more accurate assessment by the Impel SA Executive Board of particular business segments' financial performance and facilitate the decision-making process regarding future allocation of funds, on January 1st 2005 changes were made in the presentation of results of the particular segments. The changes consist in the fact that as of January 1st 2005 all costs which are directly attributable to a given business segment will be attributed to that segment. Therefore a number of organisational changes and changes in the manner of data aggregation were introduced at the Group, in order to facilitate direct identification of costs and their allocation to an appropriate business segment.

Consolidated profit and loss account for H1 2005, by business segments

BUSINESS SEGMENT	CLEANING SERVICES	SECURITY SERVICES	CATERING	OTHER	TOTAL SEGMENTS	Eliminations	After eliminations
SALES REVENUE							
Sales to external customers	115,064	119,312	24,484	38,517	297,377	-	297,377
Inter-segmental sales	2,877	2,205	140	11,298	16,520	-	-
Total sales revenue	117,941	121,517	24,624	49,815	313,897	(16,520)	297,377
RESULT							
Segment results	12,812	4,732	741	(1,192)	17,093	(1,176)	15,917
Unallocated Group costs					(5,599)	-	(5,599)
Operating profit/(loss)					11,494	(1,176)	10,318
Financial income					7,958	(5,275)	2,683
Financial expenses					(9,435)	7,329	(2,106)
Gain/(loss) on sale of all or part of shares in subordinated undertakings					250	-	250
Pre-tax profit/(loss)					10,267	878	11,145
Corporate income tax					(1,677)	(133)	(1,810)
Profit/(loss) attributable to minority shareholders					-	(467)	(467)
Net profit/(loss)					8,590	278	8,868

Consolidated profit and loss account for the period April 1st – June 30th 2005, by business segments

BUSINESS SEGMENT	CLEANING SERVICES	SECURITY SERVICES	CATERING	OTHER	TOTAL SEGMENTS	Eliminations	After eliminations
SALES REVENUE							
Sales to external customers	57,718	59,511	12,349	19,152	148,730	-	148,730
Inter-segmental sales	1,724	981	118	4,953	7,776	-	-
Total sales revenue	59,442	60,492	12,467	24,105	156,506	(7,776)	148,730
RESULT							
Segment results	6,872	1,508	378	(80)	8,678	(392)	8,286
Unallocated Group costs					(3,048)	-	(3,048)
Operating profit/(loss)					5,630	(392)	5,238
Financial income					5,122	(3,537)	1,585
Financial expenses					(5,778)	4,438	(1,340)
Gain (loss) on sale of all or part of shares in subordinated undertakings					250	-	250
Pre-tax profit/(loss)					5,224	509	5,733
Corporate income tax					(890)	(119)	(1,009)
Profit/(loss) attributable to minority shareholders					-	(240)	(240)
Net profit/(loss)					4,334	150	4,484

Consolidated profit and loss account for H1 2004, by business segments

BUSINESS SEGMENT	CLEANING SERVICES	SECURITY SERVICES	CATERING	OTHER	TOTAL SEGMENTS	Eliminations	After eliminations
SALES REVENUE							
Sales to external customers	112,982	98,008	26,574	31,114	268,678	-	268,678
Inter-segmental sales	2,359	1,480	45	12,375	16,259	-	-
Total sales revenue	115,341	99,488	26,619	43,489	284,937	(16,259)	268,678
RESULT							
Segment results	4,781	(8,161)	(2,447)	(3,283)	(9,111)	(560)	(9,671)
Unallocated Group costs					(6,656)	-	(6,656)
Operating profit/(loss)					(15,767)	(560)	(16,327)
Financial income					7,549	(3,670)	3,879
Financial expenses					(8,050)	5,886	(2,164)
Gain (loss) on sale of all or part of shares in subordinated undertakings					-	-	-
Pre-tax profit/(loss)					(16,268)	1,656	(14,612)
Corporate income tax					885	(505)	380
Profit/(loss) attributable to minority shareholders					-	(544)	(544)
Net profit/(loss)					(15,383)	607	(14,776)

** The segment result includes provisions for subsidies, whose amount fluctuated considerably in the course of 2004 as regulations concerning the rehabilitation of the disabled were changed. The 2004 annual report provides a description of all the introduced regulatory changes. The provisions expensed against the H1 2004 segment result, totalled PLN 14,146 thousand.

Consolidated profit and loss account for the period April 1st – June 30th 2004, by business segments

BUSINESS SEGMENT	CLEANING SERVICES	SECURITY SERVICES	CATERING	OTHER	TOTAL SEGMENTS	Eliminations	After eliminations
SALES REVENUE							
Sales to external customers	57,549	51,107	13,447	16,108	138,211	-	138,211
Inter-segmental sales	1,792	943	10	6,292	9,037	-	-
Total sales revenue	59,341	52,050	13,457	22,400	147,248	(9,037)	138,211
RESULT							
Segment results	(1,486)	(9,687)	(1,651)	(2,478)	(15,302)	(1,260)	(16,562)
Unallocated Group costs					(4,687)	-	(4,687)
Operating profit/(loss)					(19,989)	(1,260)	(21,249)
Financial income					4,531	(2,739)	1,792
Financial expenses					(4,769)	3,928	(841)
Gain (loss) on sale of all or part of shares in subordinated undertakings					-	-	-
Pre-tax profit/(loss)					(20,227)	(71)	(20,298)
Corporate income tax					1,570	(494)	1,076
Profit/(loss) attributable to minority shareholders					-	(144)	(144)
Net profit/(loss)					(18,657)	(709)	(19,366)

* The segment result includes provisions for subsidies, whose amount fluctuated considerably in the course of 2004 as regulations concerning the rehabilitation of the disabled were changed. The 2004 annual report provides a description of all the introduced regulatory changes. The provisions expensed against the H1 2004 segment result, totalled PLN 14,146 thousand.

8. Events subsequent to the balance-sheet date, not disclosed in the consolidated financial statements for Q2 2005, which could, however, have a material bearing on these financial statements

No events occurred after the date of these consolidated financial statements, which were not disclosed herein but could have a material bearing on the Company's future financial performance.

9. Effects of changes in the structure of the business entity occurring in the interim period, including mergers, acquisitions or sale of subsidiary undertakings or long-term investments, restructurings and discontinued operations

On April 21st 2005, Impel SA sold shares held in Tailor Sp. z o.o. (subsidiary). As a result of the transaction, the consolidated net profit/(loss) for H1 2005 was adjusted by PLN (98) thousand. In Q2 2005, Impel SA realised a profit on sale in the amount of PLN 250 thousand. In Q1 2005, in connection with the planned sale of the shares in Tailor Sp. z o.o., the Impel Group recognised a revaluation allowance for tangible assets related to Tailor Sp. z o.o. in the amount of PLN 742 thousand, and Impel SA recognised a revaluation allowance for the shares in the amount of PLN 348 thousand.

10. Changes in contingent liabilities or contingent assets after the end of the financial year

Changes in the contingent liabilities which occurred after the end of the financial year of 2004 and before June 30th 2005 are presented in the table below.

PLN '000

Object of guarantee/surety	Real value of loans and borrowings covered in part or in whole with a guarantee or a surety as at Dec 31 2004	Real value of loans and borrowings covered in part or in whole with a guarantee or a surety as at Jun 30 2005
Impel SA		
participation in a tender, agreement performance bond	6,026	6,709
	3,768	3,019
commitment under the guarantees issued for the benefit of GP Bis Sp. z o.o.	1,008	1,008
contract performance bond	300	300
	10	10
	10	10
Total	11,122	11,056
Impel Security Polska Sp. z o.o.		
agreement performance bond	56	56
	1,120	2,902
	230	0
	736	238
contract performance bond	3,000	3,000
	4,000	4,000
Total	9,142	10,196
Impel Catering Sp. z o.o.		
tender guarantees, agreement performance bond	2,138	3,227
agreement performance bond	394	329
Total	2,532	3,556
Impel Rental Sp. z o.o.		
tender guarantees, agreement performance bond	67	0
Total	67	0
TOTAL	22,863	24,808

OTHER SUPPLEMENTARY INFORMATION**1. Executive Board's opinion on the feasibility of meeting the targets of the financial forecasts published earlier**

As disclosed in the Impel Group's financial forecasts published in the Current Report No. 19/2005 of May 17th 2005, the Executive Board of Impel SA proposed to achieve the following financial results:

- consolidated sales revenue (net of subsidies) – PLN 630m
- consolidated net profit – PLN 17m

The Q2 2005 financial results are in line with expectations and budget projections for 2005. As at the date of this report the Executive Board of Impel SA does not know of any obstacles to meeting the targets of the financial forecasts and consequently it upholds the forecast of the 2005 financial results of the Impel Group.

2. Shareholders holding at least 5% of the total vote at the General Shareholders' Meeting of Impel SA

A list of the shareholders of Impel SA holding 5% or more of the total vote at the Company's General Shareholders Meeting and changes in the structure of ownership of large blocks of shares in the period from the date of the previous quarterly report to the date of the quarterly report for Q2 2005 are presented in the table below.

Shareholder	Number of shares as at the date of the previous quarterly report*	Share in the total vote as at the date of the previous quarterly report *	Change	Number of shares as at the date of the report for Q1 2005**	Share in the total vote as at the date of the Q2 2005 report **
Grzegorz Dzik	5,037,907	39.36%	-	5,037,907	39.36%
Józef Biegaj	3,800,555	29.70%	-	3,800,555	29.70%
Pioneer Pekao Investment Management SA acting on behalf of Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych SA	n/a	over 5%***	-	n/a	over 5%***

*data as at May 16th 2005

**data as at August 16th 2005

***according to the information received by the Company on September 20th 2004 under Art. 147 of the Polish Securities Act

To the best of the Company's knowledge and as presented in the table above, in the period from the date of the previous quarterly report there were no changes in the structure of ownership of large blocks of shares.

3. Impel SA shares held by the management and supervisory staff

	Number of shares as at the date of the previous quarterly report*	Acquisition	Disposal	Number of shares as at the date of the report for Q2 2005**
Executive Board				
Grzegorz Dzik	5,037,907	no change	no change	5,037,907
Bogdan Dzik	-	-	-	-
Dagmara Sobolewska	-	-	-	-
Edward Laufer	-	-	-	-
Sławomir Borkowski	-	-	-	-
Wojciech Rembikowski	1,340	no change	no change	1,340
Supervisory Board				
Krzysztof Oblój	-	-	-	-
Piotr Pawłowski	-	-	-	-
Sylwester Cacek	-	-	-	-
Andrzej Malinowski	-	-	-	-
Mariusz Matlakiewicz	-	-	-	-

*data as at May 16th 2005

**data as at August 16th 2005

To the best of the Company's knowledge and as presented in the table above, in the period since the filing of the previous quarterly report there have been no changes in the number of Impel SA shares or rights to these shares held by the management and supervisory staff.

4. Information on material proceedings involving Impel SA or its consolidated subsidiary undertakings

In Q2 2005, no proceedings were instituted or pending before any court, arbitration authority, or public administration authority, concerning any liabilities or claims of Impel SA or its subsidiary undertakings, whose unit or aggregate value would equal or exceed 10% of Impel's equity.

5. Information on non-typical transactions with related entities, concluded by Impel SA or its subsidiary undertaking

In the period covered by this quarterly report Impel SA or its subsidiary undertakings did not conclude any transactions with related entities whose value would exceed EUR 500,000, except typical and routine transactions within the Group concluded on market terms, whose nature and terms result from day-to-day operating activity.

6. Information on the loan sureties granted by Impel SA or the Impel Group member undertakings and on the guarantees granted for the benefit of subsidiary undertakings

In the discussed period Impel SA and its subsidiary undertakings did not grant any loan sureties or guarantees jointly to any entity or its subsidiary, whose total value would be equal to or higher than the equivalent of 10% of the equity of Impel SA.

The existing loan sureties and guarantees granted to any entity or its subsidiary whose total value is equal to or higher than the equivalent of 10% of the equity of Impel SA as at June 30th 2005, are presented in the table below.

PLN '000

Undertaking for the benefit of which the surety/guarantee was granted	Object of surety	Amount of surety in nominal terms	Amount of surety in real terms	Surety granted by
Impel Security Polska Sp. z o.o.	bank loan	5,500	2,266	Impel SA
	guarantee facility	5,500	3,140	
	trade contracts	7,000	7,000	
	lease of vehicles	2,000	2,000	
	TOTAL	21,000	14,406	

Except for the above, there were no loan sureties or guarantees advanced by any Group undertaking to any entity, whose value would equal or exceed 10% of Impel SA's equity.

7. Other information material for the assessment of the personnel, economic, or financial standing of Impel SA and the Impel Group

In the opinion of the Executive Board of Impel SA in Q2 2005 there occurred no circumstances other than those disclosed in the presented financial statements which could be of material importance for the assessment of the personnel, economic, or financial standing of Impel SA and the Impel Group.

In Q2 of 2005 Impel SA reported on the following events:

- a. Disposal of shares in Tailor Sp. z o.o. – on April 21st 2005 an agreement was concluded between Impel SA, Grzegorz Piotr Dzik, Józef Henryk Biegaj and Summit SA of Chorzów concerning the sale of 13,430 of Tailor Sp. z o.o. shares representing 100% of that company's share capital. The sum obtained for the shares totalled PLN 930,000. The disposal of shares in Tailor Sp.z o.o. stemmed from the Impel Group's strategy aiming at exclusion from the Group of the undertakings providing services outside the scope of the Group's core business.
- b. Acquisition of shares in Bankowy Dom Faktor Sp. z o.o. – on April 27th 2005 Impel Security Polska Sp. z o.o. and Bank Gospodarki Żywnościowej SA of Warsaw concluded a share purchase agreement concerning 1,380 shares in Bankowy Dom Faktor Sp. z o.o. of Warsaw. The acquired shares represented 100% of the share capital of Bankowy Dom Faktor Sp. z o.o. The shares acquisition cost consisted of fixed and variable tranches. The amount of PLN 3,400 thousand was the fixed tranche

payable on the day of acquiring the ownership rights to the shares. The final value of the transaction will be increased provided that the terms of the agreement are fulfilled. The transfer of the ownership rights to the abovementioned shares was contingent upon obtaining by Impel Security Polska Sp. z o.o. of the consent issued by the Polish Anti-Trust and Consumer Protection Authority for the concentration of companies with the same business profile within the Impel Group.

- c. Annual General Shareholders Meeting of Impel SA – the Annual General Shareholders Meeting held on May 23rd 2005 approved the financial statements of the Company and its Group for the reporting period from January 1st 2004 to December 31st 2004, adopted the principles set forth in “Best Practices in Public Companies in 2005” and passed a resolution concerning the application of the 2004 financial result.
- d. Share capital change at subsidiary undertaking – on June 3rd 2005 a change in the value of the share capital of GP Bis Sp. z o.o. was registered. The share capital of GP Bis Sp. z o.o. was increased from PLN 2,062,500 to PLN 3,062,500, up by PLN 1,000,000, through the issue of new shares with a par value of PLN 500 per share. All shares in the increased share capital of that company were acquired by Impel SA in consideration for the sum equal to their par value, that is for the aggregate amount of PLN 1,000,000. Following the share capital increase, Impel SA holds 6,075 shares with the aggregate value of PLN 3,037,500 representing 98,18% of the share capital of GP Bis Sp. z o.o.

Events disclosed by Impel SA subsequent to the balance-sheet day:

- a. Fulfilment of the condition precedent to the acquisition of shares in Bankowy Dom Faktor Sp. z o.o. – by virtue of Decision No. RWR 50/2005 of July 1st 2005, the Polish Anti-Trust and Consumer Protection Authority approved the concentration consisting in the assumption by Impel Security Polska Sp. z o.o. of direct control over Bank Dom Faktor Sp. z o.o. through the acquisition of 100% of shares in this company. The share acquisition is part of the implementation of the Impel Group’s strategy of market consolidation with respect to the provision of outsourcing services.

- b. Related party transaction – on August 1st 2005 Impel SA and Impel Security Polska Sp. z o.o. entered into an agreement whereby a PLN 5,100,000 loan was granted to Impel Security Polska Sp. z o.o. The loan was financed with the proceeds from the public offering of Impel SA shares and was used to conclude the transaction whereby Impel Security Polska Sp. z o.o. purchased shares in Bankowy Dom Faktor Sp. z o.o.

- c. Resignation tendered by a member of the Executive Board of Impel SA – on August 2nd 2005 Ms Dagmara Sobolewska resigned from her duties as Vice-President of the Executive Board responsible for human resources, with effect from September 30th 2005. The resignation was caused by private reasons.

As at the date of the publication of this report the Company utilised the portion of PLN 117.2m of the overall proceeds from the public issue of shares amounting to PLN 158.6m. The amount remaining at the Company’s disposal was PLN 41.4m.

8. Factors which may affect Impel’s and the Impel Group’s performance in the next quarter

The financial performance in the coming quarter will be affected by the following factors:

- a. Changes in the Company’s organisation and management systems - the Group continues the second stage of the process of restructuring and improvement of its management systems, in cooperation with Capgemini Polska Sp. z o.o. Work is currently underway to develop detailed solutions for the abovementioned areas of business activity,
- b. Spin-off of the cleaning services within the Impel Group – the Group begins to implement the spin-off of its cleaning services to a product company with a view to ensuring a clear-cut division within the Group between its corporate functions and operating activities,
- c. Capital transactions connected with development – the Group contemplates further application of the funds obtained through issue of shares towards acquisition of companies. The outcome of the contemplated investments may affect the Group’s financial performance in future periods,
- d. Possible further changes in the amount of subsidies received as a result of employing disabled persons - on May 4th 2005 the government’s bill on the Act on Employment Promotion and Occupational and Social Rehabilitation of the Disabled was rejected by the Special Committee of the Sejm (the lower chamber of the Polish Parliament) organised to examine draft bills connected with the “ Programme of Structuring and Imposing Restrictions on Public Expenditure”. As at the date of this report the proposed regulations have not been included in the agenda of the Sejm debates.

SIGNATURES

SIGNATURES OF PERSONS REPRESENTING THE COMPANY			
Date	Name	Position/title	Signature
August 16th 2005	Grzegorz Dzik	President of the Executive Board	
August 16th 2005	Bogdan Dzik	Member of the Executive Board	
August 16th 2005	Edward Laufer	Member of the Executive Board	
August 16th 2005	Sławomir Borkowski	Member of the Executive Board	
August 16th 2005	Dagmara Sobolewska	Member of the Executive Board	
August 16th 2005	Halina Kaźmierczak	Chief Accountant	
August 16th 2005	Alina Rudnicka-Wałęsa	Head of the Accounting Centre	