

The Executive Board of

IMPEL SA

presents the Consolidated Quarterly Report
for the First Quarter of 2005

	PLN '000		EUR '000	
	1 quarter cumulatively / 2005 from Jan 1 2005 to Mar 31 2005 (PLN '000)	1 quarter cumulatively / 2004 from Jan 1 2004 to Mar 31 2004	1 quarter cumulatively 2005 from Jan 1 2005 to Mar 31 2005 (PLN '000)	1 quarter cumulatively / 2004 from Jan 1 2004 to Mar 31 2004
FINANCIAL HIGHLIGHTS				
Data from the condensed consolidated financial statements				
Total sales revenue	162,130	149,602	40,378	31,207
Revenue on sales of products, goods for resale and materials	148,647	130,587	37,020	27,241
Operating profit/(loss)	5,080	4,975	1,265	1,038
Pre-tax profit/(loss)	5,412	5,723	1,348	1,194
Net profit/(loss)	4,384	4,627	1,092	965
Net operating cash flow	1,901	5,898	473	1,230
Net investing cash flow	2,570	-12,422	640	-2,591
Net financing cash flow	-2,440	-42,984	-608	-8,967
Total net cash flow	2,031	-49,508	506	-10,327
Total assets	338,440	354,889	82,876	74,784
Long-term liabilities	6,821	6,978	1,670	1,470
Short-term liabilities	108,380	118,044	26,540	24,875
Shareholders' equity	206,009	212,510	50,447	44,781
Number of shares outstanding	15,038,462	15,038,462	15,038,462	15,038,462
Earnings/(loss)per ordinary share (PLN / EUR)*	0.54	2.59	0.13	0.54
Book value per share (PLN / EUR)	13.7	14.13	3.35	2.98
Declared or paid dividend per share (PLN / EUR)		0.34		0.07
Data from the condensed financial statements				
Total sales revenue	68,098	67,198	16,960	14,018
Revenue on sales of products, goods for resale and materials	61,103	58,475	15,218	12,198
Operating profit/(loss)	2,154	3,560	536	743
Pre-tax profit/(loss)	3,473	4,036	865	842
Net profit/(loss)	3,776	3,275	940	683
Net operating cash flow	4,122	23,918	1,027	4,989
Net investing cash flow	-5,054	-25,958	-1,259	-5,415
Net financing cash flow	-625	-40,449	-156	-8,438
Total net cash flow	-1,557	-42,489	-388	-8,863
Total assets	245,919	254,348	60,220	53,598
Long-term liabilities	4,189	327	1,026	69
Short-term liabilities	39,225	51,721	9,605	10,899
Shareholders' equity	198,698	195,273	48,656	41,149
Number of shares outstanding	15,038,462	15,038,462	15,038,462	15,038,462
Earnings/(loss)per ordinary share (PLN / EUR)*	0.55	1.07	0.14	0.22
Book value per share (PLN / EUR)	13.21	12.98	3.24	2.74
Declared or paid dividend per share (PLN / EUR)		0.34		0.07

*Earnings per ordinary share for the presented consolidated and non-consolidated financial data as at the end of Q1 2004 was computed on the basis of the annualised profit for 2003 restated in accordance with the International Accounting Standards.

I. The value of earnings/(loss)per ordinary share was calculated by dividing net profit/(loss) for the last 12 months by the weighted average number of ordinary shares.

II. Book value per ordinary share (PLN) was calculated by dividing shareholders' equity as at the relevant balance-sheet date by the number of shares conferring the right to dividend in the corresponding reporting period.

III. The declared (and paid on July 30th 2004) dividend per ordinary share as at the end of Q1 2004 was calculated by dividing the Company's 2003 profit of PLN 5,610 thousand allocated for the dividend by 16,500,000, i.e. the number of shares carrying the right to participate in the distribution of the Company's profit for 2003.

IV. The number of shares used to calculate the „book value per share” and “earnings per ordinary share” in the presented consolidated and non-consolidated financial data was computed net of the shares acquired by the Issuer with a view to retiring them.

V. The selected financial data was restated in the euro in accordance with the following rules:

- Individual items in the consolidated assets and shareholders' equity and liabilities and the comparable consolidated data – at the mid-exchange rate quoted by the National Bank of Poland as at March 31st 2005 and March 31st 2004.
- Individual items in the consolidated profit and loss account, the consolidated cash-flow statement, and the comparable consolidated data – at the rates being an arithmetic mean of mid-rates quoted by the National Bank of Poland as at the last day of every ended month in the accounting period ending March 31st 2005 and March 31st 2004.

CONSOLIDATED BALANCE SHEET AS AT MAR 31 2005

ASSETS	Mar 31 2005 (PLN '000)	Dec 31 2004 (PLN '000)
I. Fixed assets (long-term) – 1-13	107 560	110,203
1. Goodwill	9,122	9,122
2. Other intangible fixed assets	3,553	3,728
3. Tangible fixed assets	66,474	70,395
4. Real estate held as investment	2,068	2,082
5. Intangible fixed assets held as investments	13,173	13,207
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. Long-term accounts receivable (11a+11b+11c)	578	577
11a. Prepayments for long-term tangible fixed assets		
11b. Financed lease accounts receivable		
11c. Other long-term accounts receivable	578	577
12. Deferred tax assets	12,592	11,092
II. Current assets (short-term) – 1 - 8	226,758	226,177
1. Stocks	8,525	7,544
2. Accounts receivable (2a+2b+2c+2d)	134,363	133,399
2a. Trade debtors	124,210	117,184
2b. Public charges, including:	6,612	12,705
2b.1. Current tax accounts receivable	150	143
2c. Financed lease accounts receivable		
2d. Other accounts receivable	3,541	3,510
3. Loan and own claims	6,051	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	74,540	72,750
8. Prepayments and accrued income	3,279	1,504
III. Long-term assets classified as held for sale	4,122	491
Total assets – I+II+III	338,440	336,871

SHAREHOLDERS' EQUITY AND LIABILITIES	Mar 31 2005 (PLN '000)	Dec 31 2004 (PLN '000)
1. Equity (1a-1j)	206,009	201,294
1a. Share capital	75,192	75,192
1b. Treasury shares		
1c. Reserve funds, including share premium account	107,784	107,784
1d. Revaluation capital reserve		
1e. Capital reserve	40,457	40,457
1f. Revaluation capital on hedging transactions and consolidation currency translation differences	(47)	(67)
1g. Other capital	342	
1h. (Accumulated loss)/retained profit brought forward	(22,103)	(20,673)
- (Accumulated loss)/retained profit brought forward	(17,389)	(15,959)
- (Accumulated loss)/retained profit brought forward after restatement in line with IFRS	(4,714)	(4,714)
1i. Net profit/(loss) for the year	4,384	(1,399)
1j. Distributions from net profit during the year		
2. Minority interests	543	925
I. Total equity (1+2)	206,552	202,219
II. Long-term liabilities (1-5)	6,821	6,858
1 Deferred tax provision	332	300
2 Liabilities under employee benefits	641	530
3 Long-term provisions	3,829	3,481
4 Long-term bank loans and borrowings	275	617
5 Financed lease long-term liabilities	1,541	1,684
6 Other long-term liabilities	203	246
III. Short-term liabilities (1-7)	108,380	113,282
1 Short-term bank loans and borrowings	4,714	6,168
2 Trade creditors	24,772	28,732
3 Public charges, including:	33,464	35,108
3a Current tax liabilities	1,749	990
4 Liabilities under employee benefits	30,568	28,587
5 Short-term financed lease liabilities	1,635	1,925
6 Other liabilities	7,457	6,881
7 Short-term provisions	5,770	5,881
IV. Deferred income	14,433	14,512
V. Liabilities directly relating to tangible fixed assets classified as held for sale	2,254	
Total shareholders' equity and liabilities	338,440	336,871

OFF-BALANCE-SHEET ITEMS	Mar 31 2005 (PLN '000)	Dec 31 2004 (PLN '000)
1. Contingent accounts receivable		
2. Contingent liabilities, including:	24,265	22,863
2.1. To related undertakings, including:	-	-
2.2. To other undertakings, including:	24,265	22,863
guarantees and sureties	24,265	22,863
3. Other, including:	3,561	3,154
land usufruct right	43	43
assignment of accounts receivable with the re-assignment option	3,518	3,111
Total off-balance-sheet items	27,826	26,017

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD JAN 1 2005 – MAR 31 2005

	Jan 1 2005 – Mar 31 2005 (PLN '000)	Jan 1 2004 – Mar 31 2004 (PLN '000)
Continuing and discontinued operations		
I. Revenue (1-2):	162,130	149,602
1. Sales revenue, including:	148,647	130,587
a) revenue on sales of products	147,921	130,419
b) revenue on sales of materials and goods for resale	726	168
2. Subsidies	13,483	19,015
II. Operating expenses (1-8):	(156,050)	(143,779)
1. depreciation and amortisation	(4,595)	(3,787)
2. raw materials and energy used	(18,784)	(17,762)
3. contracted services	(21,237)	(17,821)
4. salaries and wages, social security and other employee benefits	(110,151)	(103,835)
5. other cost by type	(4,647)	(3,954)
6. selling cost of materials and goods for resale	(725)	(85)
7. change in products	3,805	3,200
8. production cost of products for own needs	284	265
A. Profit/(loss) on sales (I – II)	6,080	5,823
I. Other operating income, including:	1,513	2,047
1. Gain on disposal of non-financial fixed assets	145	308
2. Revaluation of non-financial fixed assets	1,022	1,154
II. Other operating expenses, including:	(2,513)	(2,895)
1. Loss on disposal of non-financial fixed assets	(165)	(67)
2. Revaluation of non-financial fixed assets	(1,702)	(1,431)
B. Operating profit/(loss) (A+I-II)	5,080	4,975
I. Financial income, including:	1,098	2,071
1. Dividends and other profit distributions	-	-
2. Interest	1,025	1,993
II. Financial expenses, including:	(766)	(1,323)
1. Interest	(619)	(533)
2. Investment revaluation	-	(33)
C. Pre-tax profit/(loss) (B – I-II+III)	5,412	5,723
I. Corporate income tax	(801)	(696)
D. (Profit)/loss attributable to minority interests	(227)	(400)
E. Net profit/(loss) on continuing and discontinued operations (C-D) attributable to shareholders in Parent Undertaking	4,384	4,627
Discontinued operations		
Net profit/(loss) on discontinued operations	0	0
Net profit/(loss)	0	0
Annualised profit/(loss) per share*		
	0.54	2.59
Profit/(loss) per ordinary share **		
Continuing operations	0.29	0.31
Discontinued operations	-	-

* The value of earnings/(loss) per ordinary share as at the end of Q1 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 data was calculated net of the shares acquired by the Issuer with a view to retiring them.

**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY FOR THE PERIOD
JAN 1 2005 – MAR 31 2005**

	Jan 1 2005 – Mar 31 2005 (PLN '000)	Jan 1 2004 – Mar 31 2004 (PLN '000)
I. Shareholders' equity at beginning of period	210,691	265,484
- changes in significant accounting policies	(4,714)	(9,800)
I.a. Shareholders' equity at beginning of period, after adjustments	205,977	255,684
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		86
a) increase, including:		87
- distribution of profit (above statutory minimum)		87
b) decrease, including:		(1)
- other		(1)
4.2. Reserve funds at end of period	107,784	138,482
5. Revaluation capital reserve at beginning of period		4
5.1. Revaluation capital reserve at end of period		4
6. Other capital reserves at beginning of period	40,457	24,127
6.1. Change in other capital reserves		(1,000)
a) increase, including:		
b) decrease, including:		(1,000)
- registration of the issue of Series E Shares with the National Court Register		(1,000)
6.2. Other capital reserves at end of period	40,457	23,127
7. Other capital at beginning of period		
7.1. Change in other capital	342	-
a) increase, including:	342	-
- valuation of options convertible to shares	342	-
b) decrease, including:		
7.2. Other capital at end of period	342	-
8. Currency-translation differences on subordinated undertakings	(47)	(1)
9. Retained profit/(accumulated loss) brought forward at beginning of period	(17,389)	11,658
9.1. Retained profit at beginning of period		22,017
- changes in significant accounting policies		(9,800)
9.2. Retained profit brought forward at beginning of period, after adjustments		12,217
a) increase, including:		
- increase in share capital		(87)
- other		
9.3. Retained profit brought forward at end of period		12,130
9.4. Accumulated loss brought forward at beginning of period	(17,389)	(10,359)
- changes in significant accounting policies	(4,714)	-
9.5. Accumulated loss brought forward at beginning of period, after adjustments	(22,103)	(10,359)
9.6. Accumulated loss brought forward at end of period	(22,103)	(10,359)
9.7. Retained profit/(accumulated loss) at end of period	(22,103)	1,771
10. Net profit/(loss)	4,384	4,627
a) net profit	4,384	4,627
II. Shareholders' equity at end of period	206,009	212,510
III. Shareholders' equity after proposed distribution of profit (coverage of loss)	206,009	206,900

CONSOLIDATED CASH-FLOW STATEMENT FOR THE PERIOD JAN 1 2005 – MAR 31 2005

	Jan 1 2005 – Mar 31 2005 (PLN '000)	Jan 1 2004 – Mar 31 2004 (PLN '000)
A. Operating cash flow		
I. Net profit/(loss)	4,384	4,627
II. Total adjustments	(2,483)	1,271
1. (Profit) loss attributable to minority interests	227	400
2. Depreciation and amortisation	4,595	4,273
3. Foreign exchange gains (losses)	(69)	(2)
4. Interest and distributions from profit (dividends)	(419)	79
5. Profit/(loss) on investment activities	23	(241)
6. Change in provisions	334	(655)
7. Change in stocks	(1,739)	(1,295)
8. Change in accounts receivable	(1,375)	(8,254)
9. Change in liabilities (net of loans and borrowings)	(1,151)	5,260
10. Change in prepayments and accrued income	(3,269)	(1,801)
11. Other adjustments	360	3,507
III. Net operating cash flow (I±II)	1,901	5,898
B. Investing cash flow		
I. Investing cash inflow	5,437	1,724
1. Sale of intangible and tangible fixed assets	291	822
2. Sale of investments in real estate and intangible fixed assets		
3. Sale of financial assets, including:	5,146	902
a) in related undertakings		870
b) in other undertakings	5,146	32
- decrease in long-term loans advanced	5,015	32
- interest	131	
II. Investing cash outflow	(2,867)	(14,146)
1. Acquisition of tangible and intangible fixed assets	(2,867)	(4,171)
2. Investments in real estate and intangible fixed assets		
3. Purchase of financial assets, including:		(3,800)
a) in related undertakings		(3,800)
4. Dividends and other distributions from profit to minority interests		(86)
5. Other investing cash outflow		(6,089)
III. Net investing cash flow (I-II)	2,570	(12,422)
C. Financing cash flow		
I. Financing cash inflow	340	4,329
1. Net cash inflow from issue of shares, other equity instruments and contributions to equity		
2. Loans and borrowings	340	4,151
3. Issue of debt securities		
4. Other financing cash inflow		178
II. Financing cash outflow	(2,780)	(47,313)
1. Acquisition of treasury shares		(38,000)
2. Dividends and other distributions to shareholders	(609)	
3. Distributions from profit other than to shareholders		
4. Decrease in loans and borrowings	(1,493)	(8,577)
5. Redemption of debt securities		
6. Other financial liabilities	(474)	
7. Decrease in financed lease liabilities		(557)
8. Interest	(204)	(178)
9. Other financing cash outflow		(1)
III. Net financing cash flow (I-II)	(2,440)	(42,984)
D. Total net cash flow (A.III±B.III±C.III)	2,031	(49,508)
E. Balance-sheet change in cash, including:	2,031	(49,508)
- change in cash resulting from foreign exchange differences		
F. Cash at beginning of period	72,717	156,633
G. Cash at end of period (F±D), including:	74,748	107,125
- restricted cash	1,132	-

BALANCE-SHEET OF IMPEL SA AS AT MAR 31 2005

ASSETS	Mar 31 2005 (PLN '000)	Dec 31 2004 (PLN '000)
I. Fixed assets (long-term) – 1-13	115,807	101,684
1. Goodwill		
2. Other intangible fixed assets	2,284	2,313
3. Tangible fixed assets	14,881	15,745
4. Real estate held as investment	110	116
5. Intangible fixed assets held as investments	10,111	10,137
6. Investments in shares	48,019	37,465
7. Loan and own claims	34,187	31,731
8. Financial assets available for sale		
9. Investments held to maturity		
10. Long-term accounts receivable (12a+12b+12c)		
10a. Prepayments for long-term tangible fixed assets		
10b. Financed lease accounts receivable		
10c. Other long-term accounts receivable		
11. Deferred tax assets	6,215	4,177
II. Current assets (short-term) – 1 - 8	129,621	138,207
1. Stocks	338	451
2. Accounts receivable (2a+2b+2c+2d)	63,934	65,104
2a. Trade debtors	60,435	57,448
2b. Public charges, including:	1,851	4,888
2b.1. Current tax accounts receivable		
2d. Financed lease accounts receivable		
2e. Other accounts receivable	1,648	2,768
3. Loan and own claims	11,447	14,059
4. Financial assets available for sale	667	5,010
5. Investments held to maturity		
6. Financial assets held for trading		
7. Cash and cash equivalents	51,629	53,219
8. Prepayments and accrued income	1,606	364
III. Long-term assets classified as held for sale	491	491
Total assets – I+II+III	245,919	240,382

SHAREHOLDERS' EQUITY AND LIABILITIES	Mar 31 2005 (PLN '000)	Dec 31 2004 (PLN '000)
I. Equity (1a-1i)	198,698	194,580
1a. Share capital	75,192	75,192
1b. Treasury shares		
1c. Reserve funds, including share premium account	95,688	95,688
1d. Revaluation capital reserve		
1e. Capital reserve	25,454	25,454
1f. Revaluation capital on hedging transactions and consolidation currency translation differences		
1g. Other capital	342	
1h. (Accumulated loss)/retained profit brought forward	(1,754)	(9,458)
- (Accumulated loss)/retained profit brought forward	3,476	497
- (Accumulated loss)/retained profit brought forward after restatement in line with IFRS	(5,230)	(9,955)
1i. Net profit/(loss) for the year	3,776	7,704
1j. Share capital		
II. Long-term liabilities (1-5)	4,189	3,776
1 Deferred tax provision		
2 Liabilities under employee benefits	286	286
3 Long-term provisions	3,853	3,440
4 Long-term bank loans and borrowings		
5 Financed lease long-term liabilities		
6 Other long-term liabilities	50	50
III. Short-term liabilities (1-7)	39,225	38,513
1 Short-term bank loans and borrowings		625
2 Trade creditors	12,591	13,709
3 Public charges, including:	10,952	10,685
3a Current tax liabilities	1,735	980
4 Liabilities under employee benefits	11,567	10,439
5 Short-term financed lease liabilities		
6 Other liabilities	3,188	2,055
7 Short-term provisions	927	1,000
IV. Deferred income	3,807	3,513
V. Liabilities directly relating to tangible fixed assets classified as held for sale		
Total shareholders' equity and liabilities	245,919	240,382

OFF-BALANCE-SHEET ITEMS	Mar 31 2005 (PLN '000)	Dec 31 2004 (PLN '000)
1. Contingent accounts receivable		
2. Contingent liabilities, including:	39,498	35,538
2.1. To related undertakings, including:	28,376	24,416
guarantees and sureties	28,376	24,416
2.2. To other undertakings, including	11,122	11,122
guarantees and sureties	11,122	11,122
3. Other, including:		
assignment of accounts receivable with the re-assignment option	3,402	2,851
Total off-balance-sheet items	42,900	38,389

PROFIT AND LOSS ACCOUNT OF IMPEL FOR THE PERIOD JAN 1 2005 – MAR 31 2005

	Jan 1 2005 – Mar 31 2005 (PLN '000)	Jan 1 2004 – Mar 31 2004 (PLN '000)
Continuing and discontinued operations		
I. Revenue (1-2):	68,098	67,198
1. Sales revenue, including:	61,103	58,475
a) revenue on sales of products	61,083	58,356
b) revenue on sales of materials and goods for resale	20	119
2. Subsidies	6,995	8,723
II. Operating expenses (1-8):	(65,499)	(64,140)
1. depreciation and amortisation	(1,121)	(1,575)
2. raw materials and energy used	(7,478)	(7,222)
3. contracted services	(14,659)	(11,885)
4. salaries and wages, social security and other employee benefits	(41,500)	(43,015)
5. other cost by type	(1,903)	(1,850)
6. selling cost of materials and goods for resale	(81)	(88)
7. change in products	1,243	1,495
8. production cost of products for own needs		
A. Profit/(loss) on sales (I – II)	2,599	3,058
I. Other operating income, including:	609	1,107
1. Gain on disposal of non-financial fixed assets	19	247
2. Revaluation of non-financial fixed assets	490	617
II. Other operating expenses, including:	(1,054)	(605)
1. Loss on disposal of non-financial fixed assets		(83)
2. Revaluation of non-financial fixed assets	(595)	(413)
3. (Negative) consolidation goodwill write-off		
B. Operating profit/(loss) (A+I-II)	2,154	3,560
I. Financial income, including:	2,084	2,444
1. Dividends and other profit distributions		
2. Interest	1,712	2,141
II. Financial expenses, including:	(765)	(1,968)
1. Interest	(385)	(100)
C. Pre-tax profit/(loss) (B – I-II+III)	3,473	4,036
I. Corporate income tax	303	(761)
D. Net profit/(loss) on continuing and discontinued operations (C-I)	3,776	3,275
Discontinued operations		
Net profit/(loss) on discontinued operations	-	-
Net profit/(loss)	-	-
Annualised profit/(loss) per share*	0.55	1.07
Profit/(loss) per ordinary share **		
On continuing operations	0.25	0.22

* The value of earnings/(loss) per ordinary share as at the end of Q1 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 data was calculated net of the shares acquired by the Issuer with a view to retiring them.

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF IMPEL SA FOR THE PERIOD JAN
1 2005 – MAR 31 2005**

	Jan 1 2005 – Mar 31 2005 (PLN '000)	Jan 1 2004 – Mar 31 2004 (PLN '000)
I. Shareholders' equity at beginning of period	199,810	239,954
- correction of fundamental errors		
- changes in significant accounting policies	(5,230)	(9,955)
I.a. Shareholders' 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 at beginning of period		
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, including:		(38,000)
b) decrease, including:		
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		(1)
a) increase, including:		
b) decrease, including:		(1)
- other		(1)
4.2. Reserve funds at end of period	95,688	126,384
5. Revaluation capital reserve at beginning of period		4
5.1. Change in revaluation capital reserve		
5.2. Revaluation capital reserve at end of period		4
6. Other capital reserves at beginning of period	25,454	24,127
6.1. Change in other capital reserves		
a) decrease, including:		(1,000)
- transfer to share capital		
6.2. Other capital reserves at end of period	25,454	23,127
7. Other capital at beginning of period	0	
7.1. Change in other capital	342	
a) increase, including:	342	
- valuation of management options convertible to shares	342	
b) decrease, including:		
7.2. Other capital at end of period	342	
8. Retained profit/(accumulated loss) brought forward at beginning of period	3,476	7,938
8.1. Retained profit brought forward at beginning of period	3,476	7,938
- correction of fundamental errors		
- IAS restatement	(5,230)	(9,955)
8.2. Retained profit brought forward at beginning of period, after adjustments	(1,754)	(2,017)
a) increase, including:		
- distribution of profit brought forward		
- other	1,754	2,017
b) decrease, including:		
- changes in significant accounting policies		
8.3. Retained profit brought forward at end of period		-
8.4. Accumulated loss brought forward at beginning of period		
- correction of fundamental errors		
8.5. Accumulated loss brought forward at beginning of period, after adjustments		
a) increase, including:	(1,754)	(2,017)
- changes in significant accounting policies	(1,754)	(2,017)
b) decrease, including:		
8.6. Accumulated loss brought forward at end of period	(1,754)	(2,017)
8.7. Retained profit/(accumulated loss) at end of period	(1,754)	(2,017)
9. Net profit/(loss)	3,776	3,275
a) net profit	3,776	3,275
b) net loss		
c) distributions from profit		
II. Shareholders' equity at end of period	198,698	195,273
III. Shareholders' equity after proposed distribution of profit (coverage of loss)	198,698	189,663

CASH-FLOW STATEMENT OF IMPEL SA FOR THE PERIOD JAN 1 2005 – MAR 31 2005

	Jan 1 2005 – Mar 31 2005 (PLN '000)	Jan 1 2004 – Mar 31 2004 (PLN '000)
A. Operating cash flow		
I. Net profit/(loss)	3,776	3,275
II. Total adjustments	346	20,643
1. Depreciation and amortisation	1,121	1,575
2. Foreign exchange gains (losses)		
3. Interest and distributions from profit (dividends)	(979)	(212)
4. Profit/(loss) on investment activities	(19)	(164)
5. Change in provisions	340	(383)
6. Change in stocks	113	73
7. Change in accounts receivable	(67)	8,518
8. Change in liabilities (net of loans and borrowings)	1,419	6,087
9. Change in prepayments and accrued income	(2,987)	224
10. Other adjustments	1,405	4,925
III. Net operating cash flow (I±II)	4,122	23,918
B. Investing cash flow		
I. Investing cash inflow	8,147	5,205
1. Sale of intangible and tangible fixed assets	219	1,787
2. Sale of investments in real estate and intangible fixed assets		
3. Sale of financial assets, including:	7,928	3,418
a) in related undertakings	2,903	3,398
b) in other undertakings	5,025	20
- decrease in long-term loans advanced	5,015	20
- interest	10	
II. Investing cash outflow	(13,201)	(31,163)
1. Acquisition of tangible and intangible fixed assets	(451)	(1,690)
2. Investments in real estate and intangible fixed assets		
3. Purchase of financial assets, including:	(12,750)	(29,473)
a) in related undertakings	(12,750)	(29,473)
b) in other undertakings		
- acquisition of financial assets		
- long-term loans advanced		
III. Net investing cash flow (I-II)	(5,054)	(25,958)
C. Financing cash flow		
I. Financing cash inflow		
1. Net cash inflow from issue of shares, other equity instruments and contributions to equity		
2. Loans and borrowings		
3. Issue of debt securities		
II. Financing cash outflow	(625)	(40,449)
1. Acquisition of treasury shares		(38,000)
2. Dividends and other distributions to shareholders		
3. Distributions from profit other than to shareholders		
4. Decrease in loans and borrowings	(625)	(2,351)
5. Redemption of debt securities		
6. Other financial liabilities		
7. Decrease in financed lease liabilities		
8. Interest		(97)
9. Other financing cash outflow		(1)
III. Net financing cash flow (I-II)	(625)	(40,449)
D. Total net cash flow (A.III±B.III±C.III)	(1,557)	(42,489)
E. Balance-sheet change in cash, including:	(1,557)	(42,489)
- change in cash resulting from foreign exchange differences		
F. Cash at beginning of period	53,186	134,057
G. Cash at end of period (F±D), including:	51,629	91,568
- restricted cash	1,007	-

SELECTED EXPLANATORY DATA

1. Rules governing the preparation of the consolidated quarterly report for Q1 2005

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 March 31st 2005.

Format of the financial statements

The report for Q1 2005 was prepared in a condensed form, and includes:

- Consolidated financial statements (balance sheet, profit and loss account, reconciliation of movements in shareholders' equity, cash flow statement),
- Issuer's non-consolidated financial statements (balance sheet, profit and loss account, reconciliation of movements in shareholders' equity, 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.

Period covered by the financial statements and the comparable data

The consolidated financial statements and the non-consolidated financial statements cover the period of three months, i.e. from January 1st to March 31st 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 reconciliation of movements in consolidated shareholders' equity and in consolidated cash flow statement is accompanied by comparable consolidated financial data for the period from January 1st to March 31st 2004.

The data disclosed in the non-consolidated profit and loss account, the reconciliation of movements in non-consolidated shareholders' equity and in non-consolidated cash flow statement is accompanied by comparable non-consolidated financial data for the period from January 1st to March 31st 2004.

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, reconciliation of movements in the consolidated and non-consolidated shareholders' 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.

General information on the issuer and its group

As at March 31st 2005, the Impel Group (the "Impel Group" or the "Group") consisted of the Parent Undertaking and 17 subsidiary undertakings. The Group's Parent Undertaking is Impel SA (the "Company", the "Parent Undertaking" or the "Issuer").

1.5 Adopted accounting policies and computing methods

The accounting policies applied by Impel SA and its Group in the first quarter 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.

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, shareholders' 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 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 result from the difference between fair value of the acquired portion of such assets or 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 liabilities, as well as income and expenses. These policies and rules are described below.

Intangible fixed assets

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

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

Types of intangible fixed 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 fixed 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 revaluation write-off 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.

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 tangible fixed assets	4 years	16½ year

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 write-offs on impairment of value to date.

Tangible fixed assets

Tangible fixed 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 write-offs on impairment of value.

The costs incurred after the tangible fixed 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 tangible fixed asset over the value of benefits initially expected, the initial value of this tangible fixed asset is increased as a result of such costs (improvement).

When tangible fixed assets are liquidated or sold, their initial value and depreciation to date are derecognised, and the result on the liquidation or disposal is posted to the profit and loss account.

In the case of subsidies to tangible fixed 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 those tangible fixed assets in the part subsidised is disclosed under deferred income and depreciated over time as other operating income in parallel to depreciation write-offs on these assets. In the case of disposal of a tangible fixed asset, 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).

Tangible fixed 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:

Tangible fixed 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 tangible asset.

Fixed assets under construction

Fixed 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 write-offs on impairment of value. Fixed 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 write-offs on permanent impairment of value.

Period, depreciation method, and write-off on impairment of value of real estate held as investment are reviewed in accordance with the same principles as tangible fixed 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 write-offs on impairment of value. 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.

Leasing

Undertakings of the Impel Group are parties to lease agreements under which they use (paid use or usufruct) third-party tangible or intangible fixed 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 tangible fixed 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 reduces 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.

Tangible fixed 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.

Stock

Stock is valued at the lower of the acquisition or production cost and net selling price. Decrease in stock is valued in the following way:

- 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 stock is carried out at acquisition cost, however not higher than net selling prices achievable as at the balance-sheet date.

These types of stock 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.

Write-offs on impairment of value are made at least as at the balance-sheet date (by type of stock).

The value of write-offs made is charged to materials used.

Long- and short-term accounts receivable

Accounts receivable are disclosed at fair value of amounts due, less revaluation write-offs.

An account receivable is revalued based on the probability of payment, through a revaluation write-off.

Write-offs on doubtful accounts receivable are estimated on the basis of analysis of historical data relating to the recoverability of accounts receivable, or on the basis of the term structure of accounts receivable.

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

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

Cancelled, past due, and unrecoverable accounts receivable reduce earlier revaluation write-offs on the accounts receivable.

Cancelled, past due, and unrecoverable accounts receivable on which no or partial revaluation write-off 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 accounts receivable/payable, 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 shareholders' 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,
- shareholders' equity (balance as at the date of control take-over by the Parent Undertaking) are 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 shareholders' equity and profit/(loss) into the zloty, are disclosed in the balance sheet as "currency-translation differences" (under shareholders' 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.

Accruals and deferrals

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 write-offs on impairment of value.

The Group recognises the following accrued expenses:

a) disclosed in the balance sheet under "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 tangible fixed 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 write-offs for these funds.

Accrued income is valued at fair value.

Shareholders' equity

The share capital of the Parent Undertaking is disclosed at the value provided for in the Issuer'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 own shares, the amount paid is charged to shareholders' equity and disclosed in the balance sheet under treasury shares. Other capital reserves are created upon the transfer of retained profit brought forward 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.

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 fixed 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 provision 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 assets are 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 write-offs for shares and equity interests 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 provision 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 provision are offset exclusively in non-consolidated financial statements for the purposes of presentation in the balance sheet.

Recognition of revenue and incomeRevenue 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 employees' remuneration 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 remuneration 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.

Costs of 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 in the group of long-term or short-term liabilities, under Liabilities under 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 shareholders' 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 accounts receivable

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 shareholders' equity.

Contingent accounts receivable are not disclosed in the consolidated balance sheet, but the information on contingent accounts receivable 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 write-offs, accruals and deferrals, and the adopted 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 Issuer's financial statements for 2004**

No.	Item	As at Dec 31 2004 (PLN '000)	Notes
1.	Shareholders' equity according to the Polish Accountancy Act	199,810	
1.1	Total adjustments (a+b+c+d):	(5,230)	
1.1a	Goodwill	(8,559)	
1.1b	Trademark	(1,108)	
1.1c	Prepayments	(288)	Equipment
1.1d	Adjustments with a bearing on the profit/(loss) for the year (items indicated in the specification of differences in line 2.1 (of this table) relating to the profit/(loss) for the year - total adjustments	4,725	
1.2	Shareholders' equity according to the IAS and IFRS	194,580	
2.	Profit/(loss) for the year according to the Polish Accountancy Act	2,979	
2.1	Total adjustments (a+b+c+d):	4,725	
2.1a	Goodwill	3,684	

2.1b	Trademark	1,108	
2.1c	Prepayments	(67)	Equipment
2.1d	Goodwill of subordinated undertakings	-	
2.2	Profit/(loss) for the year according to the IAS and IFRS	7,704	

3.	Other material differences in the balance sheet		
3.1	Fixed assets according to the Polish Accountancy Act	107,488	
3.1.1	Fixed assets - Total adjustments (a+b+c+d+e+f):	(5,804)	
3.1.1a	Goodwill	(4,875)	
3.1.1b	Goodwill of subordinated undertakings	-	
3.1.1c	Trademark	-	
3.1.1.d	Transfer of the value of the equipment used by the Company to provide services from long- and short-term prepayments	71	Transfer from long-term prepayments has no effect on total fixed assets
3.1.1e	Offset of accounts receivable under long-term loans advanced to employees from special accounts against the special account	(509)	
3.1.1f	Transfer of a tangible fixed asset to assets held for sale	(491)	
3.2	Fixed assets according to the IAS and IFRS	101,684	

3.3	Current assets according to the Polish Accountancy Act	142,719	
3.3.1	Current assets – Total adjustments (a+b+c+d):	(4,512)	
3.3.1a	Transfer of the value of the equipment used by the Company to provide services from short-term prepayments to tangible fixed assets	(71)	
3.3.1b	Offset of prepayments under unpaid write-offs to be settled in future periods of the financial year	(355)	
3.3.1b	Offset of accounts receivable under short-term loans advanced to employees from special accounts against the special account	532	
3.3.1d	Offset of funds deposited on separate bank accounts attributable to special accounts	(4,618)	
3.4	Current assets according to the IAS and IFRS	138,207	

3.5	Shareholders' equity and liabilities – liabilities and provisions for long-term liabilities according to the Polish Accountancy Act	5,160	
3.5.1	Total adjustments (a+b)	(1,384)	
3.5.1a	Transfer of short-term provisions to short-term liabilities	(1,000)	
3.5.1b	Transfer of provisions for subsidies to remuneration from reserve funds to short-term liabilities	(384)	
3.5	Shareholders' equity and liabilities – liabilities and provisions for long-term liabilities according to the IAS and IFRS	3,776	

3.6	Shareholders' equity and liabilities – short-term liabilities according to the Polish Accountancy Act	37,130	
3.6.1	Total adjustments (a+b+c+d):	1,383	
3.6.1a	Offset of special accounts against special-account assets, that is accounts receivable, prepayments and cash	(4,595)	
3.6.1b	Transfer of short-term provisions to short-term liabilities	1,000	
3.6.1c	Transfer of settlements of accrued expenses to short-term liabilities	4,594	
3.6.1d	Transfer of provisions for subsidies to remuneration from reserve funds to short-term liabilities	384	
3.6	Shareholders' equity and liabilities – short-term liabilities according to the IAS and IFRS	38,513	

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

No.	Item	As at Dec 31 2004 (PLN '000)	Notes
1.	Shareholders' equity according to the Polish Accountancy Act as at Dec 31 2004	206,008	
1.1	Total adjustments (a+b+c+d+e):	(4,714)	
1.1a	Goodwill	(8,559)	
1.1b	Trademark	(1,108)	
1.1c	Prepayments	(289)	Equipment
1.1d	Adjustments with a bearing on the profit/(loss) for the year (items indicated in the specification of differences in line 2.1 of this table) relating to the profit/(loss) for the year - total adjustments	5,087	

1.1 e	Goodwill of subordinated undertakings brought forward	155	
1.2	Shareholders' equity according to the IAS and IFRS as at Jan 1 2005	201,294	
2.	Profit/(loss) for the year according to the Polish Accountancy Act as at Dec 31 2004	(6,486)	
2.1	Total adjustments (a+b+c+d):	5,087	
2.1a	Goodwill	3,684	
2.1b	Trademark	1,108	
2.1c	Prepayments	(168)	Equipment
2.1d	Goodwill of subordinated undertakings	463	
2.2	Profit/(loss) for the year according to the IAS and IFRS as at Jan 1 2005	(1,399)	
3.	Other material differences in the balance sheet		
3.1	Fixed assets according to the Polish Accountancy Act	117,468	
3.1.1	Fixed assets - Total adjustments (suma a+b+c+d+e+f+g+h+i):	(7,265)	
3.1.1a	Goodwill	(4,875)	
3.1.1b	Goodwill of subordinated undertakings	618	
3.1.1c	Trademark	-	
3.1.1.d	Transfer of the value of the equipment used by the Company to provide services from long- and short-term prepayments	(1,875)	Transfer from long-term prepayments has no effect on total fixed assets
3.1.1e	Offset of accounts receivable under long-term loans advanced to employees from special accounts against the special account	(754)	
3.1.1f	Transfer of the value of payments for contracts from prepayments to intangible fixed assets	158	
3.1.1g	Disclosure of land perpetual usufruct rights as operating lease, off-balance sheet presentation	(43)	
3.1.1h	Transfer of a tangible fixed asset to assets held for sale	(491)	
3.1.1i	Transfer of prepayments for fixed assets to other accounts receivable	(3)	
3.2	Fixed assets according to the IAS and IFRS	110,203	
3.3	Current assets according to the Polish Accountancy Act	233,898	
3.3.1	Current assets – Total adjustments (a+b+c+d+e):	(7,721)	
3.3.1a	Transfer of the value of the equipment used by the Group companies to provide services from short-term prepayments to tangible fixed assets	(2,330)	
3.3.1b	Transfer of the value of the equipment used by the Group companies to provide services from prepayments to stocks	3,590	
3.3.1c	Offset of accounts receivable under short-term loans advanced to employees from special accounts against the special account	(94)	
3.3.1d	Offset of funds deposited on separate bank accounts attributable to special accounts	(8,890)	
3.3.1e	Transfer of prepayments from tangible fixed assets under construction to other accounts receivable	3	
3.4	Current assets according to the IAS and IFRS	226,177	
3.5	Shareholders' equity and liabilities – liabilities and provisions for long-term liabilities according to the Polish Accountancy Act	13,739	
3.5.1	Total adjustments (a+b+c)	(6,881)	
3.5.1a	Transfer of other short-term provisions to short-term liabilities	(6,613)	
3.5.1b	Transfer of liabilities under financial lease from long-term to short-term liabilities	(324)	
3.5.1c	Transfer from long-term accruals to reserve funds	56	
3.5	Shareholders' equity and liabilities – liabilities and long-term provisions according to the IAS and IFRS	6,858	
3.6	Shareholders' equity and liabilities – short-term liabilities according to the Polish Accountancy Act	104,792	
3.6.1	Total adjustments (a+b+c+d+e+f):	8,490	
3.6.1a	Offset of special accounts against special-account assets, that is accounts receivable, prepayments and cash	(9,741)	
3.6.1b	Transfer of accrued expenses (provisions for holidays, awards) to liabilities under employee benefits	10,350	
3.6.1c	Transfer of other short-term provisions to short-term liabilities	6,613	
3.6.1d	Transfer of liabilities under financial lease from long-term to short-term liabilities	324	

3.6.1e	Transfer of provisions for expenses under contracted services to liabilities	931	
3.6.1f	Other adjustments	13	
3.6	Shareholders' equity and liabilities – short-term liabilities according to the IAS and IFRS	113,282	
3.7	Shareholders' equity and liabilities – Accruals according to the Polish Accountancy Act	25,902	
3.7.1	Total adjustments (a):	(11,390)	
3.7.1a	Disclosure of land perpetual usufruct rights as operating lease, off-balance sheet presentation	(43)	
3.7.1b	Transfer of accrued expenses to other liabilities	(11,347)	
3.7	Shareholders' equity and liabilities – Accruals according to the IAS and IFRS	14,512	

Explanation of changes in accounting policies and resulting differences in assets, shareholders' equity and liabilities and profit/(loss):

Goodwill – (items 1.1a, 2.1a and 3.1.1a) – 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, if the financial statements were prepared in accordance with the IFRS, the goodwill would not be disclosed.

Goodwill of subordinated undertakings - (items: 1.1e, 2.1d, 3.1.1b) – 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.

Trademark – (items: 1.1b, 2.1b, 3.1.1c) – 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 fixed assets should be recognised. Financial statements prepared in accordance with the IFRS would not disclose the trademark

Social Benefits Fund and Company Fund for the Disabled - (items: 3.1.1e, 3.3.1c, 3.3.1d, 3.6.1a) - the balances of the Social Benefits Fund and the Company Fund for the Disabled are disclosed under liabilities while cash and accounts receivable 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 would be disclosed in the financial statements in their respective net amounts (in each case the liability less the fund's assets).

Costs of equipment which meets the definition of tangible fixed assets and is used for the performance of services - (items: 1.1c, 2.1c, 3.1.1d, 3.3.1a, 3.3.1b) – 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 IAS16, such equipment meets the definition of tangible fixed assets and should therefore be disclosed under tangible fixed assets.

Land perpetual usufruct rights – Group (items: 3.7.1a, 3.1.1g) – in accordance with IAS, land perpetual usufruct rights are classified as follows: 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.

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 fixed assets incurred during the construction of that asset, as well as foreign exchange gains or losses

Pursuant an alternative approach allowed under IAS23, the cost of external financing of adaptation of a tangible fixed asset may be capitalised up to the asset's initial value; however, foreign exchange gains or 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 to a fair value as determined otherwise.

Under IAS36, the values of assets other than stock, financial instruments, investments in real estate, deferred tax assets and biological assets should be adjusted to the higher of the net selling price and the useful value

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

Under IAS39, such accounts receivable are disclosed at the adjusted acquisition cost.

Cost of disassembly of tangible fixed assets – according to IAS16, the cost of disassembly of a tangible fixed asset 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 shareholders' equity and liabilities. The Group reported no events which would give rise to material disassembly costs.

Discontinued operations – in accordance with IFRS5, 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.c. 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.

No.	Item	Value (PLN '000)	Adjustment	Value (PLN '000) after adjustment
1.	Shareholders' equity according to the Polish Accountancy Act as at Dec 31 2004	206,008		206,008
1.1	Total adjustments (a+b+c+d+e):	(4,766)	53	(4,714)
1.1a	Goodwill	(8,559)		(8,559)
1.1b	Trademark	(1,108)		(1,108)
1.1c	Accrued expenses	(289)		(289)
1.1d	Adjustments with a bearing on the profit/(loss) for the year (items indicated in the specification of differences in line 2.1 of this table) relating to the profit/(loss) for the year - total adjustments	5,189	(102)	5,087
1.1e	Goodwill of subordinated undertakings brought forward	-	155	155
1.2	Shareholders' equity according to the IAS and IFRS as at Jan 1 2005	201,242	53	201,294
2.	Profit/(loss) for the year according to the Polish Accountancy Act as at Dec 31 2004	(6,486)		(6,486)
2.1	Total adjustments (a+b+c+d):	5,189	(102)	5,087
2.1a	Goodwill	3,684		3,684
2.1b	Trademark	1,108		1,108
2.1c	Accrued expenses	(66)	(102)	(168)
2.1d	Goodwill of subordinated undertakings	463		463
2.2	Profit/(loss) for the year according to the IAS and IFRS as at Jan 1 2005	(1,297)	(102)	(1,399)

In item 2.1c Settlement of accrued expenses additional disclosure was made of -PLN 102 thousand under equipment, and in item 1.1e amortisation of goodwill of subordinated undertakings of PLN 155 thousand was removed from accumulated loss/ retained profit brought forward. The effect on capital changed to -PLN 4,714 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, shareholders' equity and liabilities, capital, net profit/(loss), or cash-flow, and which are unusual due to their type, size, or effect.

In Q1 2005, there were no material unusual events which might in any way affect the assets, shareholders' equity and liabilities, capital, net profit/(loss), or cash-flow.

The Group's results for Q1 2005:

1. In Q1 2005 revenue on sales of products, goods for resale and materials amounted to PLN 148,647 thousand and was by PLN 4m (i.e. 2.6%) lower than the revenue on sales of products, goods for resale and materials generated by the Group in Q4 2004. The drop is attributable mainly to the reduction of the value of contracts, restructuring effects (losses or terminations of agreements) and the occurrence of certain non-recurring items in Q4 of the previous year.

Compared with the corresponding period of the previous year, in Q1 2005 revenue on sales of products, goods for resale and materials increased by PLN 18m, i.e. 13.8%.

2. In Q1 2005 the operating result (EBIT) amounted to PLN 5.1m and was similar to that recorded for Q1 2004. However, it should be noted that the subsidies affecting the Q1 2005 operating result were by PLN 5.5m lower than the subsidies obtained by the Group in Q1 2004 (drop by 29%). This is the result of the Group's policy aimed at limiting the share of subsidies in the Group's sales revenue. In Q1 2005 the share of subsidies in the sales revenue amounted to 9.1% and was by 5 percentage points lower than in Q1 2004.

3. In Q1 2005 the operating result net of subsidies (EBIT net of subsidies) amounted to PLN - 8.4m (negative value), which means an improvement of PLN 0.3m compared with the Q4 2004 level and of PLN 5.6m compared with the corresponding period of the previous year.

The improvement is an effect of the restructuring process implemented by the Group, which gradually improves the efficiency of its operations.

4.1 Impel Group

Adjustments for provisions and revaluation write-offs on assets:

	Revaluation write-offs 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	0
Increase	2,447	7,725	1,230	967	8,889	342
Use	(104)			(253)	(3,535)	-
Release	(1,781)	(6,225)	(1,198)	(165)	(879)	-
As at Dec 31 2005	32,012	12,592	332	9,664	14,908	342

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 write-offs on assets

As at March 31st 2005, the total value of revaluation write-offs on assets was PLN 32,012 thousand and included:

- revaluation write-offs on intangible fixed assets (including goodwill) PLN 5,470 thousand
- revaluation write-offs on tangible fixed assets PLN 2,195 thousand
- revaluation write-offs on long-term investments PLN 1,763 thousand
- revaluation write-offs on long-term assets classified as available for sale PLN 742 thousand
- revaluation write-offs on short-term investments PLN 113 thousand
- revaluation write-offs on stocks PLN 164 thousand
- revaluation write-offs on short-term accounts receivable PLN 21,565 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 March 31st 2005 the deferred tax asset and provision amounted respectively to PLN 12,592 thousand and PLN 332 thousand.

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

- increase by PLN 5,027 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 by PLN 1,038 thousand – creation of deferred tax asset in connection with a revaluation write-off on shares,

- increase of the asset by PLN 622 thousand in connection with the increase of provisions for unused holidays,
- decrease of the asset by PLN 5,350 thousand in connection with the use of the tax losses.

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 164 thousand,
- decrease of provisions for subsidies from the State Fund for the Disabled by PLN 567 thousand.

Changes of the deferred tax asset and provision increased the Group's result for Q1 2005 by PLN 1,468 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 Q1 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 365 thousand. The said provision in the profit and loss account adjusts the value of income under „Subsidies”.

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 March 31st 2005 provisions for employee benefits amounted to PLN 14,908 thousand and comprised the following items:

- provision for unused holidays	PLN 6,346 thousand
- provision for off-the payroll items	PLN 4,873 thousand
- provision for awards	PLN 3,023 thousand
- provision for retiree severance pays	PLN 643 thousand
- other provisions	PLN 23 thousand

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

- provision for unused holidays	increase by PLN 1,666 thousand
- provision for awards	increase by PLN 423 thousand
- provision for off-the payroll items	increase by PLN 2,377 thousand
- provision for retiree severance pays	increase by 25 thousand
- other provisions	drop by PLN 16 thousand

4.1.5 Equity-based employee benefits

In Q1 2005, the costs of employee benefits were determined at PLN 342 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 write-offs on assets:

PLN '000

	Revaluation write-offs 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	944	4,384	428	467	2,549	342
Use				(72)	(1,114)	-
Release	(669)	(2,664)	(746)	(55)	-	-
As at Dec 31 2005	48,043	7,245	1,030	4,780	6,134	342

4.2.1 Revaluation write-offs on assets

As at March 31st 2005, the total value of revaluation write-offs on assets amounted to PLN 48,043 thousand and included:

- revaluation write-offs on tangible fixed assets	PLN 203 thousand
- revaluation write-offs on long-term investments	PLN 31,983 thousand
- revaluation write-offs on stocks	PLN 65 thousand
- revaluation write-offs on accounts receivable	PLN 10,328 thousand
- revaluation write-offs on short-term investments	PLN 5,464 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 31st 2005, these two items stood at PLN 7,245 thousand and PLN 1,030 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 2,682 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 by PLN 1,038 thousand – creation of deferred tax asset in connection with a revaluation write-off on shares,
- increase of the asset by PLN 148 thousand in connection with the increase of provisions for unused holidays,
- decrease of the asset by PLN 2,031 thousand in connection with the use of the tax losses.

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 82 thousand,
- decrease of provisions for subsidies from the State Fund for the Disabled by PLN 400 thousand.

Changes of the deferred tax asset and provision increased the Group's result by PLN 2,038 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 accounts receivable with a return option. As at March 31st 2005 these provisions amounted respectively to PLN 4,582 thousand and PLN 198 thousand. In Q1 2005 provisions for disputed claims increased by PLN 359 thousand. There were no material changes in the balances of other provisions.

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 March 31st 2005 provisions for employee benefits amounted to PLN 6,134 thousand and comprised the following items:

- provision for unused holidays	PLN 2,945 thousand
- provision for off-the payroll items	PLN 1,970 thousand
- provision for awards	PLN 933 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 780 thousand
- provision for awards	increase by PLN 290 thousand
- provision for off-the payroll items	increase by PLN 365 thousand

The provision for retiree severance pays did not change.

4.2.5 Equity-based employee benefits

In Q1 2005, the costs of employee benefits were determined at PLN 342 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.

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

In Q1 2005 Impel SA did not issue any bonds or other debt securities.

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

In Q1 2005 Impel SA did not pay or declare any dividend.

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 and shareholders' 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.

In connection with the change in the applied accounting policies, the Group is for the first time obliged to present its data in compliance with IAS 34.16g, i.e. to present the revenue and results of its particular business segments. Given that the Group does not have appropriately aggregated information for the period covered by the comparable data, i.e. Q1 2004, and that the period in which the Group had to begin reporting according to the IFRS was too short, in reliance on IAS 43.b the Group decided that the closest period for which it will present comparable data will be Q2 2004 (i.e. it will present comparable data in the report for Q2 2005).

Consolidated profit and loss account for the period ended March 31st 2005, by business segments

BUSINESS SEGMENT	CLEANING SERVICES	SECURITY SERVICES	CATERING	OTHER	TOTAL SEGMENTS	Eliminations	After eliminations
SALES REVENUE							
Sales to external customers	57,346	59,801	12,135	19,365	148,647	-	148,647
Inter-segmental sales	1,153	1,224	22	6,345	8,744		
Total sales revenue	58,499	61,025	12,157	25,710	157,391	(8,744)	148,647
RESULT							
Segment results	5,940	3,224	363	(1,112)	8,415	(784)	7,631
Unallocated Group costs					(2,551)		(2,551)
Operating profit/(loss)					5,864	(784)	5,080
Financial income					2,836	(1,738)	1,098
Financial expenses					(3,657)	2,891	(766)
Gain (loss) on sale of all or part of shares in subordinated undertakings							
Gross profit/(loss)					5,043	369	5,412
Corporate income tax					(787)	(14)	(801)
Profit/(loss) attributable to minority shareholders						(227)	(227)
Net profit/(loss)					4,256	128	4,384

8. Events subsequent to the balance-sheet date, not disclosed in the consolidated financial statements for Q1 2005, which could, however, have a material bearing on these financial statements

No events occurred after the balance-sheet date which could have a material bearing on the financial statements for Q1 2005.

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

In Q1 2005 there were no changes in the structure of the Group.

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 March 31st 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 March 31 2005
Impel SA		
participation in a tender, agreement performance bond	6,026	6,026
	3,768	3,768
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	11,122
Impel Security Polska Sp. z o.o.		
agreement performance bond	56	56
	1,120	2,884
	230	0
	736	524
contract performance bond	3,000	3,000
	4,000	4,000
Total	9,142	10,464
Impel Catering sp. z o. o.		
tender guarantees, agreement performance bond	2,138	2,326
agreement performance bond	394	353
Total	2,532	2,679
Impel Rental sp. z o.o.		
tender guarantees, agreement performance bond	66	0
Total	66	0
TOTAL	22,863	24,265

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

The Executive Board of Impel SA has not published any 2005 forecasts yet.

The forecasts of the consolidated profit/(loss) of the Impel Group for 2005 will be published on May 17th 2005.

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 Q1 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 Q1 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	n/a	over 5%	-	n/a	over 5%

*data as at March 1st 2005

**data as at May 16th 2005

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 number of Impel SA shares held or in the rights to these 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 Q1 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 March 1st 2005

**data as at May 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 Q1 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 shareholders' equity.

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

Transactions with related entities whose value (total value of all the transactions concluded from the beginning of the financial year) exceeded the zloty equivalent of EUR 500,000 (which were not typical and routine transactions concluded on market terms between related entities, whose nature and terms result from the day-to-day operating activity conducted by a given entity) included purchase by Impel SA of 9,000 new shares in Impel Catering Sp. z o.o. with the value of PLN 9,000 thousand.

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 shareholders 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 shareholders' equity of Impel SA as at March 3rd 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	Surety granted by
Impel Security Polska Sp. z o.o.	bank loan	5,500	Impel SA
	guarantee facility	5,500	
	trade contracts	7,000	
	lease of vehicles	2,000	
	TOTAL	21,000	

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 shareholders 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 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 Q1 of 2005 Impel SA reported on the following events:

- a. Introduction of Series E shares to stock exchange trading. On January 31st 2004, by virtue of resolution No. 479/2004, the Executive Board of the Warsaw Stock Exchange decided to list, by way of an ordinary procedure, 200,000 Series E ordinary bearer shares of Impel SA on the main market of the WSE as of January 10th 2005.
In accordance with the provisions of the Issue Prospectus for Impel SA shares, Series E shares (employee shares) were listed at the WSE following the lapse of 18 months from the allotment of Series D shares.
- b. Decision concerning non-allotment of the bonds with pre-emptive rights in 2004. Since conditions relating to growth in the market price of the Company shares were not fulfilled, no Incentive Scheme participant was granted rights to acquire Series A ordinary bearer bonds with pre-emptive rights to subscribe for and acquire Series F ordinary bearers shares in Impel SA in the first year of the Incentive Scheme.
- c. Share capital increase at subsidiary undertakings

1. GP Bis Sp. z o.o. – increase of the share capital from PLN 62,500 to PLN 2,062,500, i.e. by PLN 2,000,000, through the issue of 4,000 new shares with a par value of PLN 500 per share. All of the shares in the increased share capital of the company had been acquired by Impel SA at par, i.e. for the total amount of PLN 2,000,000. As a result of the share capital increase, Impel SA became the holder of 4,075 shares of the total value of PLN 2,037,500, which account for 98.78% of GP Bis Sp. z o.o.'s share capital.

The share capital increase was registered on March 17th 2005.

2. Impel Catering Sp. z o.o. - increase in the company's share capital from PLN 18,000,000 to PLN 27,000,000, i.e. by PLN 9,000,000, through the creation of 9,000 new shares with a par value of PLN 1,000 per share.

All of the new shares had been acquired by Impel SA, which covered the increase in the share capital of Impel Catering Sp. z o.o. with a cash contribution of PLN 9,000,000. After the share capital increase, Impel SA continues to hold 100% of Impel Catering Sp. z o.o.'s share capital.

The share capital increase was registered on March 11th 2005.

3. Impel Cash Handling Sp. z o.o. – The share capital of the company was increased from PLN 5,500,000 to PLN 6,000,000, divided into 12,000 shares with the par value of PLN 500 per share. The shares in the increased share capital were acquired by Impel Security Polska Sp. z o.o., which continues to hold 100% of the company shares.

The share capital increase was registered on March 11th 2005.

d. Cancellation of forecast of Impel Group's consolidated result for 2004 – on February 28th 2005 the Executive Board of Impel SA cancelled the forecast of the Impel Group's 2004 consolidated profit/(loss). The cancellation followed better-than-expected results of the Impel Group in Q4 2004.

e. Appointment of a new member of the Executive Board. Ms Dagmara Sobolewska was appointed Vice-President of the Executive Board responsible for human resources as of April 1st 2005.

As at the date of this Report, the Company has used PLN 112.1m out of the total public shares issue proceeds of PLN 158.6m. PLN 46.5m has remained at its disposal.

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:

- Changes in the Company's organisation and management systems. The Group continues the process of restructuring and improvement of its management systems, in cooperation with Capgemini Polska Sp. z o.o. A proportional amount of the costs of the consultancy services and implementation of organisational and system changes will be charged against the 2005 results.
- Equity transactions relating to the Company's development. Impel SA is contemplating further spending of the issue proceeds on new acquisitions. Results of the planned investments may affect the future performance of the Company.
- Possible further changes in the amount of subsidies granted to sheltered employers of the disabled. On May 4th 2004, the government-sponsored bill on supporting the employment and occupational and social rehabilitation of the disabled was rejected by the Extraordinary Commission responsible for the examination of bills related to the *Public Expenditure Reduction Programme*.

SIGNATURES

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