

LPP S.A. Group
Interim consolidated financial statement for Q1 FY07
In PLN '000.

LPP S.A. Group
Interim consolidated financial statement for Q1 FY07

Gdańsk
May 2007

1. Selected consolidated financial data of LPP Capital Group

Selected consolidated financial data	Q1 FY07	Q1 FY06	Q1 FY07	Q1 FY06
	01/01/2007-	01/01/2006-	01/01/2007-	01/01/2006-
	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	266 268	152 640	68 164	39 692
Operating profit (loss)	16 726	-14 494	4 282	-3 769
Profit (loss) before tax	15 827	-13 802	4 052	-3 589
Net profit (loss)	12 682	-13 424	3 247	-3 491
Net cash flow from operations	6 382	-329	1 634	-86
Net cash flow from investments	-10 580	-11 321	-2 708	-2 944
Net cash flow from financial activity	2 467	-5 830	632	-1 516
Total net cash flow	-1 731	-17 480	-443	-4 545

Selected consolidated financial data	Q1 FY07	Q1 FY06	Q1 FY07	Q1 FY06
	01/01/2007-	01/01/2006-	01/01/2007-	01/01/2006-
	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	in PLN '000		in EUR '000	
Total assets	551 654	428 941	142 565	108 987
Long-term payables	16 116	15 247	4 165	3 874
Short-term payables	248 611	194 415	64 249	49 398
Equity	286 072	218 803	73 930	55 594
Share capital	3 407	3 407	880	866
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EURO)	7,44	-7,88	1,94	-1,96
Book value per share – BVPS (in PLN/EURO)	167,93	128,44	42,67	31,45

2. Consolidated balance sheet of LPP Capital Group

Balance sheet	as at the end of:		
	Q1 FY07 31/03/2007	Q1 FY06 31/03/2006	previous quarter 31/12/2006
ASSETS			
Fixed assets	222 815	199 648	217 143
1. Tangible fixed assets (PP&E)	198 873	178 741	193 834
2. Intangible assets	12 701	14 617	13 478
3. Investments	872	844	903
4. Receivables	262	256	250
5. Deferred income tax assets	10 103	4 940	8 650
6. Prepaid expenses	4	250	28
Current assets	328 839	229 293	318 831
1. Inventories	238 097	170 560	232 781
2. Trade and other receivables	57 131	45 769	50 471
3. Prepaid expenses	3 111	2 901	3 360
3. Investments	1 682	177	1 670
5. Cash and cash equivalents	28 818	9 886	30 549
Total assets	551 654	428 941	535 974

LIABILITIES

Equity	286 072	218 803	273 285
1. Share capital	3 407	3 407	3 407
2. Reserve capital	232 265	200 368	232 265
3. Other reserves	104	83	83
4. Retained profit/accumulated loss brought forward from previous years	37 199	28 094	-3 803
5. Net profit/loss of the reporting period	12 682	-13 424	41 023
6. Foreign exchange differences (conversion of related parties)	415	275	310
Long-term payables	16 116	15 247	15 544
1. Bank credits and loans	11 000	11 000	11 000
2. Provisions	477	304	364
3. Deferred income tax provision	4 635	3 914	4 171
4. Other long-term payables	4	29	9
Short-term payables	248 611	194 415	245 708
1. Trade and other payables	118 614	70 452	117 768
2. Bank credits and loans	127 795	122 400	124 139
3. Income tax		29	2 246
4. Provisions	1 590	1 094	1 354
5. Special funds	612	440	201
Prepaid expenses	855	476	1 437
Total liabilities	551 654	428 941	535 974
Book value	286 072	218 803	273 285
<i>Number of shares</i>	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	167,93	128,44	160,43

3. Consolidated profit and loss account of LPP Capital Group

Profit and loss account	Q1 FY07	Q1 FY06
	01/01/2007- 31/03/2007	01/01/2006-31/03/2006
Revenues from sales	266 268	152 640
Selling costs	128 262	79 416
Gross profit/loss on sales	138 006	73 224
Other operating revenues	950	998
Costs of sales	105 708	75 148
General administrative expenses	13 932	11 428
Other operating expenses	2 590	2 140
Operating profit (loss)	16 726	-14 494
Financial revenues	764	2 421
Financial expenses	1 663	1 729
Gross profit/loss	15 827	-13 802
Taxes	3 145	-378
Net profit/loss	12 682	-13 424
<i>Weighted average number of ordinary shares</i>	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN)	7,44	-7,88

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

4. Statement of changes in shareholders' equity of LPP Capital Group

Statement of changes in shareholders' equity	Retained						Total equity
	Share capital	Reserve capital	Other reserves	profit/accumulated loss brought forward from previous years	Net profit/loss of the reporting period	Foreign exchange differences – conversion of related parties	
As at 1 January 2006	3 407	200 368	1	28 202	0	472	232 450
- corrections of errors from previous years				-26			-26
As at 1 January 2006 after adjustments	3 407	200 368	1	28 176	0	472	232 424
Foreign exchange differences after conversion of related parties						-197	-197
Distribution of retained earnings from previous years			82	-82			0
Net loss for Q1 FY06					-13 424		-13 424
As at 31 March 2006	3 407	200 368	83	28 094	-13 424	275	218 803
As at 1 January 2007	3 407	232 265	83	37 220	0	310	273 285
- corrections of errors from previous years							0
As at 1 January 2007 after adjustments	3 407	232 265	83	37 220	0	310	273 285
Foreign exchange differences after conversion of related parties						105	105
Distribution of retained earnings from			21	-21			0

5. Consolidated cash flow statement of LPP Capital Group

Cash flow statement	Q1 FY07	Q1 FY06
	01/01/2007- 31/03/2007	01/01/2006- 31/03/2006
I. Profit (loss) before tax	15 827	-13 802
II. Total adjustments	-9 445	13 473
1. Depreciation and amortisation	11 462	9 526
2. Foreign exchange (gains) losses	-232	19
3. Interest and share in profits (dividends)	1 015	1 371
4. (Profit) loss from investments	115	172
5. Income tax paid	-1 659	-4 445
6. Change in provisions	1 894	169
7. Change in inventories	-5 057	1 413
8. Change in receivables	-7 335	-8 171
9. Change in short-term payables, excluding credits and loans	-7 496	14 214
10. Change in prepaid expenses, accruals and deferred income	-1 827	-630
11. Other adjustments	-325	-165
III. Net cash flow from operations (I+/-II)	6 382	-329
B. Cash flow from investments		
I. Inflows	897	121
1. Sale of intangible assets and tangible fixed assets	846	99
2. From financial assets, including:	51	22
a) in related parties	0	0
- sale of financial assets		
b) in other entities	51	22
- sale of financial assets		
- repayment of long-term loans granted	47	18
- interest	4	4
3. Other inflows from investments		

II. Outflows	11 477	11 442
1. Acquisition of intangible assets and tangible fixed assets	11 477	11 396
2. On financial assets, including:	0	46
a) in related parties	0	0
- acquisition of financial assets		
b) in other entities	0	46
- acquisition of financial assets		46
3. Other outflows on investments		
III. Net cash flow from investments (I-II)	-10 580	-11 321
C. Cash flow from financial activity		
I. Inflows	6 058	1 552
1. Credits and loans	6 058	1 552
2. Other financial inflows		
II. Outflows	3 591	7 382
1. Repayment of credits and loans	2 121	5 870
2. Payments related to finance lease agreements	12	
3. Interest	1 458	1 512
4. Other financial outflows		
III. Net cash flow from financial activity (I-II)	2 467	-5 830
D. Total net cash flow (A.III+/-B.III+/-C.III)	-1 731	-17 480
E. Total cash flow balance, including:	-1 731	-17 480
- change in cash – foreign exchange differences	-335	139
F. Opening cash balance	30 549	27 366
G. Closing cash balance (F+/-D), including:	28 818	9 886
- restricted cash	101	101

6. Selected financial data – individual statement of LPP SA

Selected financial data	Q1 FY07	Q1 FY06	Q1 FY07	Q1 FY06
	01/01/2007- 31/03/2007 in PLN '000	01/01/2006 31/03/2006	01/01/2007- 31/03/2007 in EUR '000	01/01/2006 31/03/2006
Net revenues from sales of products, goods and materials	234 335	139 988	59 989	36 402
Operating profit (loss)	19 339	-11 328	4 951	-2 946
Profit (loss) before tax	16 064	-12 410	4 112	-3 227
Net profit (loss)	12 551	-11 620	3 213	-3 022
Net cash flow from operations	-3 154	2 472	-807	643
Net cash flow from investments	-4 078	-11 092	-1 044	-2 884
Net cash flow from financial activity	3 389	-7 332	868	-1 907
Total net cash flow	-3 843	-15 952	-984	-4 148

Selected financial data	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	in PLN '000		in EUR '000	
Total assets	530 463	417 646	137 088	106 117
Long-term payables	15 417	15 030	3 984	3 819
Short-term payables	223 621	178 668	57 791	45 397
Equity	290 593	223 479	75 098	56 783
Share capital	3 407	3 407	880	866
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EURO)	7,37	-6,82	1,92	-1,70
Book value per share – BVPS (in PLN/EURO)	170,59	131,19	43,34	32,12
Dividend per share – declared or paid (in PLN/EURO)	-	-	-	-

7. Balance sheet of LPP S.A.

Balance sheet	as at the end of:		
	Q1 FY07 31/03/2007	Q1 FY06 31/03/2006	previous year 31/12/2006
ASSETS			
Fixed assets	171 253	165 206	170 534
1. Tangible fixed assets (PP&E)	124 908	129 796	122 447
2. Intangible assets	12 345	14 272	13 082
3. Investments	23 989	14 140	25 517
4. Receivables	262	256	250
5. Deferred income tax assets	9 745	6 492	9 210
6. Prepaid expenses	4	250	28
Current assets	359 210	252 440	342 946
1. Inventories	199 811	153 385	195 540
2. Trade and other receivables	139 124	91 785	122 563
3. Prepaid expenses	2 733	2 621	3 037
3. Investments	3 238	261	3 659
5. Cash and cash equivalents	14 304	4 388	18 147
Total assets	530 463	417 646	513 480

LIABILITIES

Equity	290 593	223 479	278 042
1. Share capital	3 407	3 407	3 407
2. Reserve capital	232 153	200 256	232 153
3. Retained profit/accumulated loss brought forward from previous years	42 482	31 436	-461
4. Net profit/loss of the reporting period	12 551	-11 620	42 943
Long-term payables	15 417	15 030	15 365
1. Bank credits and loans	11 000	11 000	11 000
2. Provisions	477	304	364
3. Deferred income tax provision	3 940	3 726	4 001
Short-term payables	223 621	178 668	218 663
1. Trade and other payables	100 512	61 253	103 304
2. Bank credits and loans	117 358	116 528	112 675
3. Income tax	4 458	0	2 070
4. Provisions	681	447	413
5. Special funds	612	440	201
Prepaid expenses	832	469	1 410
Total liabilities	530 463	417 646	513 480
Book value	290 593	223 479	278 042
Number of shares	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	170,59	131,19	163,22

8. Profit and loss account of LPP S.A.

Profit and loss account	Q1 FY07	Q1 FY06
	01/01/2007- 31/03/2007	01/01/2006-31/03/2006
Revenues from sales	234 335	139 988
Selling costs	127 451	79 652
Gross profit/loss on sales	106 884	60 336
Other operating revenues	890	876
Costs of sales	74 765	58 158
General administrative expenses	10 288	8 803
Other operating expenses	3 382	5 579
Operating profit (loss)	19 339	-11 328
Financial revenues	534	1 164
Financial expenses	3 809	2 246
Gross profit/loss	16 064	-12 410
Taxes	3 513	-790
Net profit/loss	12 551	-11 620
Weighted average number of ordinary shares	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN)	7,37	-6,82

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

9. Statement of changes in shareholders' equity of LPP SA

Statement of changes in shareholders' equity	Share capital	Reserve capital	Retained profit/accumulated loss brought forward from previous years	Net profit/loss of the reporting period	Total equity
As at 1 January 2006	3 407	200 256	31 463		235 126
- corrections of errors from previous years			-27		-27
As at 1 January 2006 after corrections	3 407	200 256	31 436	0	235 099
Net loss for Q1 FY06				-11 620	-11 620
As at 31 March 2006	3 407	200 256	31 436	-11 620	223 479
As at 1 January 2007	3 407	232 153	42 482		278 042
- corrections of errors from previous years					0
As at 1 January 2007 after corrections	3 407	232 153	42 482	0	278 042
Net profit for Q1 FY07			12 551		12 551

LPP S.A. Group
Interim consolidated financial statement for Q1 FY07
In PLN '000.

As at 31 March 2007	3 407	232 153	42 482	12 551	290 593
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10. Cash flow statement of LPP SA

Cash flow statement	Q1 FY07	Q1 FY06
	01/01/2007- 31/03/2007	01/01/2006-31/03/2006
A. Cash flow from operations - indirect method		
I. Profit (loss) before tax	16 064	-12 410
II. Total adjustments	-19 218	14 882
1. Depreciation and amortisation	7 434	7 035
2. Foreign exchange (gains) losses	-258	-13
3. Interest and share in profits (dividends)	877	1 242
4. (Profit) loss from investments	2 430	718
5. Income tax paid	-1 637	-4 229
6. Change in provisions	381	170
7. Change in inventories	-4 283	1 626
8. Change in receivables	-17 342	-8 774
9. Change in short-term payables, excluding credits and loans	-6 570	17 755
10. Change in prepaid expenses, accruals and deferred income	-250	-648
11. Other adjustments		0
III. Net cash flow from operations (I+/-II)	-3 154	2 472
B. Cash flow from investments		
I. Inflows	1 151	92
1. Sale of intangible assets and tangible fixed assets	832	69
2. From financial assets, including:	319	23
a) in related entities	268	1
Interest	268	1
b) in other entities	51	22
- interest	4	4
- repayment of short-term loans granted	47	18
3. Other inflows from investments		

II. Outflows	5 229	11 184
1. Acquisition of intangible assets and tangible fixed assets	5 229	6 465
2. On financial assets, including:	0	4 719
a) in related entities	0	4 719
- financial assets acquired and short-term loans granted		
- long-term loans granted		4 719
b) in other entities	0	0
- long-term loans granted		0
3. Other outflows on investments		
III. Net cash flow from investments (I-II)	-4 078	-11 092
C. Cash flow from financial activity		
I. Inflows	4 723	0
1. Credits and loans	4 723	
2. Other financial inflows		
II. Outflows	1 334	7 332
1. Repayment of credits and loans		5 870
2. Interest	1 334	1 462
3. Other financial outflows	0	0
III. Net cash flow from financial activity (I-II)	3 389	-7 332
D. Total net cash flow (A.III+/-B.III+/-C.III)	-3 843	-15 952
E. Total cash flow balance, including:	-3 843	-15 952
- change in cash – foreign exchange differences	-10	28
F. Opening cash balance	18 147	20 340
G. Closing cash balance (F+/-D), including:	14 304	4 388
- restricted cash	101	101

Notes to the condensed consolidated financial statement for Q1 FY07

1. Description of LPP Capital Group

LPP Capital Group (CG) is composed of:

- LPP S.A. – parent company,
- 19 Polish subsidiaries, and
- - 7 foreign subsidiaries.

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

No.	Name of the company	Registered office	Date of taking control
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	M&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	AKME Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	P&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
6.	SL&DP Sp. z o.o.	Gdańsk, Poland	26.09.2001
7.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
8.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
9.	PL&GM Sp. z o.o.	Gdańsk, Poland	26.09.2001
10.	GM&PL Sp. z o.o.	Gdańsk, Poland	26.09.2001
11.	AMA Sp. z o.o.	Gdańsk, Poland	28.05.2002
12.	LIMA Sp. z o.o.	Gdańsk, Poland	22.07.2002
13.	LUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
14.	KAMA Sp. z o.o.	Gdańsk, Poland	29.10.2002
15.	KUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
16.	AMUL Sp. z o.o.	Gdańsk, Poland	29.10.2002
17.	AMUK Sp. z o.o.	Gdańsk, Poland	15.05.2003
18.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
19.	MM&MR Sp. z o.o.	Gdańsk, Poland	09.03.2005
20.	LPP Retail Estonia OU	Tallinn Estonia	29.04.2002
21.	LPP Czech Republic s.r.o.	Prague, Czech Rep.	16.09.2002
22.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
23.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
24.	UAB LPP	Vilnius, Lithuania	27.01.2003
25.	LPP Ukraina	Peremyshlany, Ukraine	23.07.2003
26.	Re Trading Zamknięta Spółka Akcyjna	Moscow, Russia	12.02.2004

LPP S.A. holds direct control in its subsidiaries, i.e. 100% share in their capital and 100% of the total vote.

Consolidated financial statement of the Capital Group covering the period between 1 January and 31 March 2007 covers individual results of LPP S.A. and results of foreign subsidiaries listed below:

- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungary Kft

- LPP Retail Latvia Ltd
- UAB LPP
- LPP Ukraina AT
- ZAO Re Trading.

Polish subsidiaries of LPP S.A. were not consolidated as their financial data is immaterial. This is in line with the Accounting Policy employed by the Group.

Under this policy, a subsidiary or associate is not consolidated if results disclosed in the financial statement of this entity are immaterial compared to data disclosed in the financial statement of the parent company. In particular, the balance sheet total, net revenues from sales of goods and services and financial transactions of the entity, which represented less than 10% of the balance sheet total and revenues of the parent company in the reporting period, shall be considered immaterial. The total amount of balance sheet totals and revenues of non-consolidated entities must not exceed this level, but related to corresponding amounts of the consolidated financial statement, based on the assumption that the statement covers all subsidiaries and associates with no exceptions.

Share of all non-consolidated Polish subsidiaries in consolidated results is as follows:

- in the Capital Group's balance sheet total – 0.48%
- in the Capital Group's revenues from sales and financial revenues – 4.72%

The fact that financial statements of these companies are not consolidated has no negative impact on true and fair presentation of the Capital Group's assets, financial standing and financial result.

LPP S.A. is a company involved in the design and distribution of clothing in Poland and in Central and Eastern Europe. Consolidated Capital Group companies are involved in the distribution of goods under the Reserved and Cropp brands outside Poland. Clothing is basically the only product sold by the CG companies.

The basic offer is supplemented by footwear, bags and accessories.

Designs of clothing are prepared in the design office located in LPP S.A. registered office in Gdańsk, and then sent to the purchasing department, which contracts the production of individual products in co-operation with production plants in Poland and abroad, among others in China. Production in China is managed by the Company's trading office in Shanghai.

The Capital Group also generates small revenues from sales of services (these include only revenues generated by the parent company - mainly know-how services related to management of brand stores by Polish contractors and lease of transport vehicles).

19 Polish subsidiaries are involved in the lease of real estate where Cropp Town and Reserved outlets are located.

2. Legal basis of the condensed consolidated financial statement and information on changes in adopted accounting principles

Report of LPP Capital Group for Q1 FY07 contains the condensed consolidated financial statement and selected explanations contained in these Notes, as well as the condensed individual financial statement of the parent company, as per IAS 34: Interim Financial Statements.

In all its material aspects, the accounting policy underlying this report is in line with the policy underlying the consolidated annual financial statement of LPP Capital Group for FY06 drawn up as per the International Financial Reporting Standards (IFRS).

The condensed consolidated financial statement should be analysed with the consolidated financial statement for the year ended on 31 December 2006.

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

Key achievements of LPP S.A. Capital Group in Q1 FY07 included:

1. Revenues from sales in Q1 FY07 totalled PLN 266.3 million, up by 74% compared to revenues generated in Q1 FY06 (PLN 152.6 m).
2. Operating profit in Q1 totalled PLN 16.7 m, in the corresponding period last year the Company showed a loss of – PLN 14.5 m, net profit in Q1 FY07 totalled PLN 12.7 (as compared to net loss of PLN 13,4 m in Q1FY06).
3. Sales in Q1 FY06 totalled PLN 195.9 m in Reserved stores and PLN 47.4 m in CroppTown stores (compared to PLN 109.5 m and PLN 27.4 m respectively in Q1 FY06).
4. In Q1 new outlets have been opened (about 5.0 thousand sq. meters), increasing the total selling area to approx. 122.7 thousand square metres (258 stores), of which 45.5 thousand square metres (87 stores) abroad.
5. **Factors and events, especially of extraordinary nature, with significant impact on the consolidated financial results**

The results of Q1 FY07 can be attributed to a noticeable improvement of autumn/winter collection 2006 and very well-received spring/summer collection 2007. The offer catered for market needs, which resulted not only in the increase of revenues from sales, but also a two-digit growth of turnover in comparable stores (the same stores - Q1 of FY07 until Q1 of FY06) and a material increase of the number of clients in LPP SA Capital Group outlets.

Revenues from sales of products, goods and materials disclosed in the consolidated statement were generated by individual Capital Group companies in the following amounts (intercompany sales excluded):

[data in PLN '000

Name of the company	Country	Revenues from sales in Q1 FY07	% of sales by country in Q1 FY07
LPP S.A.	Poland	198 721	74,63%
LPP Retail Estonia OU	Estonia	7 295	2,74%
LPP Retail Latvia Ltd	Latvia	7 451	2,80%
LPP Retail Czech Republic s.r.o.	the Czech Republic	14 368	5,40%
LPP Hungary Kft.	Hungary	3 882	1,46%
UAB "LPP"	Lithuania	7 124	2,68%
LPP Ukraina AT	Ukraine	4 687	1,76%
ZAO "Re Trading"	Russia	22 739	8,54%
Total:		266 268	100,00%

5. Explanation of seasonal or cyclical nature of the LPP Capital Group's operations in the reporting period

Seasonality in sales of clothing is the characteristic feature of the market as a whole. The first quarter of a calendar year covers two months (January and February) when the autumn and winter collection is sold at discount prices. As a result, profit margin before tax is lower than the average annual margin in the entire quarter.

6. Segment reporting – revenues and results per segments

The Capital Group is running only one type of business (one core segment). Two geographical segments have been identified: business within and outside the European Union. Division into geographical segments was based on the criterion of location of the Group's assets. Revenues and results per given segments for Q1 FY07 and comparable period are present in point 24.

7. Issue, redemption and repayment of debt securities and equity securities

None.

8. Dividend paid (or declared), in total and per one share, broken down into ordinary shares and other shares

None.

9. Date of approval of the financial statement for publication

This financial statement was approved for publication by the Management Board of the parent company on 14th May 2007.

11. Events after the balance sheet date not presented in the financial statement with potential significant impact on the future financial results of LPP Capital Group

Under IAS 10, events after the balance sheet date include all events that occurred between the balance sheet date and the date when the financial statement is authorised for issue (i.e. approved for publication).

After the balance sheet date there were no events which could have any significant impact on the Capital Group's future financial results.

12. Effects of changes in the Capital Group's structure, including business combination (mergers), takeover or sale of Capital Group companies, long-term investments, as well as division, restructuring and discontinuation of business operations

In Q1 FY07 there were no changes in the Capital Group's structure, including business combination (mergers), takeover or sale of Capital Group companies, long-term investments, or division, restructuring and discontinuation of business operations.

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

In Q1 FY07, LPP S.A. and its subsidiaries used bank guarantees to secure payment of rent for leased retail premises where brand stores are located.

As at 31st March 2007, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 56.792 k, of which:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 6,566 k
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 33,790 k
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 16,268 k
- d) guarantees granted to secure agreements concluded by third parties – PLN 168 k

As at 31st March 2007, the total amount of sureties issued by LPP S.A. totalled PLN 7,112 k, and remained at the same level compared to 31st December 2006.

14. Estimated future liabilities arising from retail lease agreements

Capital Group Companies are parties to retail lease agreements providing for the use of retail premises where Cropp and Reserved brand stores are located.

Total future minimum payments under lease agreements, estimated as at 31st March 2007, are as follows:

- payables with the maturity date within 12 months from the balance sheet date	PLN
119 314 k	
- payables with the maturity date from 12 months to 5 years from the balance sheet date	PLN
310,641 k	
- payables with the maturity date over 5 years from the balance sheet date	PLN 72 129 k

15. The Management Board's opinion on the feasibility of forecasts of annual consolidated results

The Company did not publish forecasts for 2007

16. Shareholders holding at least 5% of votes at the General Meeting of Shareholders of LPP S.A. as at the date of submission of the quarterly report, directly or indirectly through subsidiaries, and changes in the structure of ownership of large blocks of LPP S.A. shares after the date of submission of the previous quarterly report

Shareholding structure of the parent company as at the date of submission of the quarterly report for Q1 FY07

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Share in the total vote at the General Meeting of Shareholders	Share in share capital
Marek Piechocki	281.876	981.876	31,64%	16,55%
Jerzy Lubianec	246.338	946.338	30,49%	14,46%
Grangefont Limited, headquartered in London, UK	350.000	350.000	11,28%	20,55%
Commercial Union OFE BPH CU WBK S.A. (CU OFE)	214.954	214.954	6,93%	12,62%

There were no changes in share ownership structure after the date of submission of the last quarterly report.

17. Structure of ownership of LPP S.A. shares or rights to shares (options) held by members of the Issuer's Management Board and the Supervisory Board as at the date of submission of the quarterly report, including changes in the shareholding structure from the date of submission of the previous quarterly report, separately for each member of the Management Board and the Supervisory Board

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders
President of the Management Board	281.876	981.876
Vice-President of the Management Board	5 684	5 684
Vice-President of the Management Board	1 955	1 955
Vice-President of the Management Board	2 794	2 794
Vice-President of the Management Board	2 071	2 071
Chairman of the Supervisory Board	246.338	946.338

After the submission of the last quarterly report, there were no changes in the ownership structure of LPP S.A. shares held by members of the Issuer's Board of Directors and the Supervisory Board.

18. Information on legal proceedings

In the Capital Group, only LPP S.A. is a party in legal proceedings, claiming the payment of receivables from its customers. The total amount claimed does not exceed 10% of the Company's equity.

19. Related-party transactions in excess of EURO 500,000 concluded by the Issuer

None.

20. Related-party transactions

20.1. Key management personnel

The Capital Group's key management personnel include members of the Management Board and Supervisory Board of LPP S.A.

The amount of short-term employee benefits received by the key management personnel in the period from 1st January to 31st March 2007 totalled PLN 366 k, of which PLN 363 k received by members

of the Management Board and PLN 3 k by a member of the Supervisory Board for services other than work in the Supervisory Board.

20.2. Related party transactions

In the reporting period, the Issuer did not enter into any related-party transactions related to assignment of rights and obligations.

Transactions between the parent company and its foreign subsidiaries were excluded from the consolidated financial statement and are not presented in the table.

Amounts presented in the table below show only intercompany transactions between LPP S.A. and 19 Polish non-consolidated subsidiaries, and are presented from the point of view of the parent company.

Data in the table is in PLN '000

NO.	related parties	receivables as at 31st March 2007	payables as at 31st March 2007	revenues for the period January-March 2007	expenses for the period January-March 2007
1	Polish subsidiaries	0	1 862	24	12 548
	Total	0	1 862	24	12 548

Data presented as payables of LPP S.A. are receivables in related parties, and costs are equivalent to revenues of related parties.

All related-party transactions were concluded at arm's length. Revenues from Polish companies are generated from rental of offices where these companies run their businesses.

Expenses related to Polish subsidiaries are connected with lease of premises for Cropp Town and Reserved brand stores.

Payment terms adopted for subsidiaries are between 45 and 120 days.

21. Information on guarantees and sureties granted

In the reporting period, the Capital Group companies granted no sureties or guarantees for credits or loans of the total value equalling at least 10% of the Issuer's equity.

22. Additional information relevant for the assessment of the Company's financial standing, assets, human resources, the LPP Capital Group's financial result, and any changes thereof, as well as information relevant for the assessment of the probability of repayment of the Issuer's Capital Group payables.

The report presents basic information relevant for the assessment of the Capital Group's financial standing. According to the Management Board, there are currently no threats for the Capital Group's repayment ability.

23. Factors likely to influence results generated by LPP S.A. Capital Group in the next quarter or afterwards (according to LPP S.A.)

Key factors likely to influence results generated in the nearest future are as follows:

1. sales of clothing of spring/summer collection in chain stores and the reception of autumn/winter collection 2007 by the clients.
2. development of sales network of Reserved and Cropp Town brands
3. exchange rate of PLN against USD and EURO.

24. Notes to the condensed consolidated financial statement

24.1 Tangible fixed assets (PP&E)

The amount of tangible fixed assets presented in the consolidated financial statement drawn up as at 31 March 2007 includes an adjustment for a revaluation write-down totalling PLN 1,723 k.

The amount of payments on account of acquisition of tangible fixed assets as at 31 March 2007 was PLN 622 k.

Changes in amounts related to tangible fixed assets in the period from 1st January 2006 to 31st December 2006 were as follows:

	in PLN '000
As at 31 December 2006	193 834
Increase	22 117
Decrease	(6 674)
Foreign exchange differences	111
Depreciation and amortisation	(10 515)
As at 31 March 2007	198 873

24.2 Inventories

The amount of inventories presented in the consolidated financial statement drawn up as at 31 March 2007 includes a revaluation write-down totalling PLN 1,898 k.

24.3 Receivables

The amount of receivables presented in the consolidated financial statement drawn up as at 31st March 2007 includes an adjustment for a revaluation write-down totalling PLN 4,835 k.

This write-down includes:

revaluation write-down on receivables and claimed receivables due from customers PLN 3,739 k.

revaluation write-down of the so-called doubtful receivables: PLN 886 k

revaluation write-down of receivables from employees and other PLN 210 k

Changes in receivables revaluation write-down in the reporting period were as follows:

as at 31st December 2006	PLN 4 859 k
write-downs made between 1st January and 31st March 2007	PLN 302 k
decrease in write-downs in previous years	PLN 317 k
decrease in write-downs in previous years between 1st January and 31st March 2007	PLN 9 k
as at 31st March 2007	PLN 4 835 k

24.4 Provisions

The amount of provisions presented in the consolidated financial statement drawn up as at 31st March 2007 totals PLN 6,702 k and includes:

- provision for retirement severance payments: PLN 477k
- provision for holiday leaves not taken: PLN 1 590 k
- provision for deferred income tax: PLN 4 635 k

24.5 Income tax

Income tax presented in the consolidated profit and loss account for the period between 1st January and 31st March 2007 amounts to PLN 3,145 k and includes:

- - current tax PLN 4,134 k
- deferred tax PLN (989) k.

24.6 Foreign exchange differences

The consolidated profit and loss account drawn up as at 31st March 2007 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 614 k.

24.7 Segment reporting

Revenues and financial results concerning geographical segments for the period between 1st January 2007 and 31st March 2007 and for the comparable period are presented in the tables below.

Year 2007 '000.	in PLN				
	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	238 842	27 426			266 268
Intersegmental sales	13 491		(13 491)		-
Other operating revenues	905	36		9	950
Total revenues	253 238	27 462	(13 491)	9	267 218
Operating expenses, including	219 491	27 513	(13 034)		233 970
Expenses of intersegmental sales of goods	9 985		(9 985)		-
Other operating expenses	2 504	86		13 932	16 521
Segment result	31 243	(137)	(457)	(13 923)	16 726
Financial revenues				764	764
Financial expenses				1 663	1 663
Profit before tax					15 827

Income tax	3 145
Net profit	12 682

Year 2006
 '000.

in PLN

	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	145 212	7 428			152 640
Intersegmental sales	2 889		(2 889)		-
Other operating revenues	954	10		34	998
Total revenues	149 055	7 438	(2 889)	34	153 638
Operating expenses, including	149 836	7 730	(3 004)		154 562
Expenses of intersegmental sales of goods	2 253		(2 253)		-
Other operating expenses	2 136	6		11 428	13 570
Segment result	(2 917)	(298)	115	(11 394)	(14 494)
Financial revenues				2 421	2 421
Financial expenses				1 729	1 729
Profit before tax					(13 802)
Income tax					(378)
Net profit					(13 424)

25. Additional information to the individual statement of LPP S.A.

Following the estimation of the carrying amount of assets invested in foreign subsidiaries, shares, additional paid-in capital, loans, and receivables presented under assets of the individual balance sheet were written down between January and March 2007; these write-downs totalled PLN 3,450 k and were also recognised under financial expenses and operating expenses in the individual profit and loss account.

This change was recognised in respective items of the individual statement of LPP S.A. and has no influence on amounts presented in the consolidated statement.