

LPP S.A. Capital Group  
Interim condensed financial statement for Q1 FY 2008  
In PLN thousands

**LPP S.A. Capital Group**  
Interim condensed financial statement for Q1 FY 2008

Gdańsk  
May 2008

## 1. Selected consolidated financial data of LPP S.A. Capital Group

Selected consolidated financial data	in PLN '000			
	Q1 2008	Q1 2007	Q1 2008	Q1 2007
	01/01/2008- 31/03/2008	01/01/2007- 31/03/2007	01/01/2008- 31/03/2008	01/01/2007- 31/03/2007
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	339 656	266 268	95 479	68 164
Operating profit (loss)	25 339	15 001	7 123	3 840
Gross profit (loss)	22 403	14 102	6 298	3 610
Net profit (loss)	18 080	11 371	5 082	2 911
Net cash flow from operations	-8 293	6 382	-2 331	1 634
Net cash flow from investments	-63 363	-10 580	-17 812	-2 708
Net cash flow from financial activity	58 748	2 467	16 514	632
Total net cash flow	-12 908	-1 731	-3 628	-443
	in PLN '000			
	in EUR '000			
Selected consolidated financial data	Q1 2008	Q1 2007	Q1 2008	Q1 2007
	31/03/2008	31/03/2007	31/03/2008	31/03/2007
	in PLN '000		in EUR '000	
Total assets	736 799	548 560	208 974	141 765
Long-term liabilities	67 669	16 116	19 193	4 165
Short-term liabilities	245 478	248 611	69 623	64 249
Equity	422 242	282 978	119 758	73 130
Share capital	3 407	3 407	966	880
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EUR)	10.6	6.7	2.8	1.7
Book value per share – BVPS (in PLN/EUR)	247.9	166.1	63.0	40.7

## 2. Consolidated Balance Sheet of LPP S.A. Capital Group

	in PLN '000		
	as at the end of:		
Balance Sheet	Q1 2008 31/03/2008	Q1 2007 31/03/2008	previous year 31/12/2007
<b>ASSETS</b>			
Fixed assets (long-term)	338 134	223 792	288 043
1. Tangible fixed assets (PP&E)	305 646	198 873	258 334
2. Intangible assets	11 681	12 701	12 186
3. Investments	997	872	910
4. Receivables	3 663	262	3 589
5. Deferred income tax assets	16 076	11 080	13 020
6. Prepaid expenses	71	4	4
Current assets (short-term)	398 665	324 768	409 112
1. Inventories	280 140	234 026	289 527
2. Trade and other receivables	72 347	57 131	60 809
3. Prepaid expenses	3 543	3 111	3 235
3. Investments	2 111	1 682	2 109
5. Cash and cash equivalents	40 524	28 818	53 432
<b>TOTAL assets</b>	<b>736 799</b>	<b>548 560</b>	<b>697 155</b>

<b>LIABILITIES</b>			
Equity	422 242	282 978	405 662
1. Share capital	3 407	3 407	3 407
2. Treasury shares	-1 275		
3. Reserve capital	274 748	232 266	274 748
4. Other reserves	104	104	104
5. Retained profit/accumulated loss brought forward from previous years	127 682	35 415	-7 067
6. Net profit/loss of the reporting period	18 080	11 371	134 749
7. Foreign exchange differences (conversion of related parties)	-504	415	-279
Long-term liabilities	67 669	16 116	33 358
1. Borrowings (bank credits and loans)	62 200	11 000	27 865
2. Provisions	671	477	563
3. Deferred income tax provision	4 798	4 635	4 930
4. Other long-term payables		4	0
Short-term liabilities	245 478	248 611	256 287
1. Trade and other payables	146 775	114 134	166 692
2. Borrowings (bank credits and loans)	83 297	127 795	57 017
3. Income tax	5 326	4 480	23 443
4. Provisions	9 591	1 590	8 992
5. Special funds	489	612	143
Accruals and deferred income	1 410	855	1 848
<b>TOTAL liabilities</b>	<b>736 799</b>	<b>548 560</b>	<b>697 155</b>
Book value	422 242	282 978	405 662
Number of shares	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	247.9	166.1	238.13

### 3. Consolidated Profit and Loss Account of LPP S.A. Capital Group

Profit and Loss Account	in PLN '000	
	Q1 2008 01/01/2008- 31/03/2008	Q1 2007 01/01/2007-31/03/2007
Revenues from sales	339 656	266 268
Selling costs	153 643	129 987
Gross profit/loss on sales	186 013	136 281
Other operating revenues	1 524	950
Costs of sales	133 539	105 708
General administrative expenses	24 099	13 932
Other operating expenses	4 560	2 590
Operating profit (loss)	25 339	15 001
Financial revenues	252	764
Financial expenses	3 188	1 663
Gross profit/loss	22 403	14 102
Taxes	4 323	2 731
<b>Net profit/loss</b>	<b>18 080</b>	<b>11 371</b>
<i>Weighted average number of ordinary shares</i>	1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN)	10.6	6.7

Earnings 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 consolidated equity of LPP S.A. Capital Group

Statement of changes in equity	in PLN '000							
	Share capital	Treasur y shares	Reserve capital	Other reserves	Retained profit/accumul ated loss brought forward from previous years	Net profit/loss of the reporting period	Foreign exchange differences – conversion of related parties	TOTAL equity
As at 1 January 2007	3 407		232 266	83	37 220 -	0	310	273 286
- corrections of errors from previous years					1 784			-1 784
As at 1 January 2007 (corrected)	3 407		232 266	83	35 436	0	310	271 502
Foreign exchange differences after conversion of related parties							105	105
Distribution of retained earnings from previous years				21	-21			0
Net profit for Q1 FY07						11 371		11 371
<b>As at 31 March 2007</b>	<b>3 407</b>		<b>232 266</b>	<b>104</b>	<b>35 415</b>	<b>11 371</b>	<b>415</b>	<b>282 978</b>
As at 1 January 2008	3 407	0	274 748	104	127 682	0	-279	405 662
- corrections of errors from previous years								0
As at 1 January 2008 (corrected)	3 407	0	274 748	104	127 682	0	-279 -	405 662
Foreign exchange differences after conversion of related parties							225	-225
Buy-back of treasury shares		-1 275						-1 275
Distribution of retained earnings from previous years								0
Net profit for Q1 FY08						18 080		18 080
<b>As at 31 March 2008</b>	<b>3 407</b>	<b>-1 275</b>	<b>274 748</b>	<b>104</b>	<b>127 682</b>	<b>18 080</b>	<b>-504</b>	<b>422 242</b>

## 5. Consolidated Cash Flow Statement of LPP S.A. Capital Group

Cash Flow Statement	in PLN '000	
	Q1 FY08 01/01/2008- 31/03/2008	Q1 FY07 01/01/2007- 31/03/2007
<b>A. Cash flow from operations – indirect method</b>		
I. Gross profit (loss)	22 403	14 102
II. Total adjustments	-30 696	-7 720
1. Depreciation and amortisation	14 045	11 462
2. Foreign exchange (gains) losses	1 024	-232
3. Interest and profit sharing (dividends)	1 023	1 015
4. (Profit) loss from investments	162	115
5. Income tax paid	-24 616	-1 659
6. Change in provisions	725	1 894
7. Change in inventories	7 870	-3 332
8. Change in receivables	-34 836	-7 335
9. Change in short-term payables, excluding credits and loans	6 907	-7 496
10. Change in prepaid expenses, accruals and deferred income	-823	-1 827
11. Other adjustments	-2 177	-325
III. Net cash flow from operations	-8 293	6 382
<b>B. Cash flow from investments</b>		
I. Inflows	1 344	897
1. Sale of intangible assets and tangible fixed assets	1 232	846
2. From financial assets, of which:	112	51
a) in related parties	0	0
- dividends and profit sharing	0	0
b) in other entities	112	51
- Sale of financial assets		
- repayment of short-term loans granted	103	47
- interest	9	4
3. Other inflows from investments		

II. Outflows	64 707	11 477
1. Acquisition of intangible assets and tangible fixed assets	64 553	11 477
2. On financial assets, of which:	154	0
a) in related parties		
- short-term loans granted	0	0
- long-term loans granted		
b) in other entities	154	0
- short-term loans granted		
- long-term loans granted	126	
3. Other outflows on investments	28	
III. Net cash flow from investments	-63 363	-10 580
<b>C. Cash flow from financial activity</b>		
I. Inflows	61 449	6 058
1. Credits and loans	61 449	6 058
2. Other financial inflows	2 701	3 591
II. Outflows		
1. Buy-back of treasury shares	1 275	
2. Repayment of credits and loans		2 121
3. Payments related to finance lease agreements	7	12
4. Interest	1 419	1 458
5. Other financial outflows	58 748	2 467
III. Net cash flow from financial activity		
<b>D. Total net cash flow</b>	<b>-12 908</b>	<b>-1 731</b>
<b>E. Total cash flow balance, of which:</b>	<b>-12 908</b>	<b>-1 731</b>
- change in cash related to foreign exchange differences	-630	-335
<b>F. Opening cash balance</b>	<b>53 432</b>	<b>30 549</b>
<b>G. Closing cash balance, of which:</b>	<b>40 524</b>	<b>28 818</b>
- restricted cash	42	101

## 6. Selected financial data – individual statement of LPP S.A.

Selected financial data	in PLN '000			
	Q1 2008 01/01/2008- 31/03/2008 in PLN '000	Q1 2007 01/01/2007- 31/03/2007	Q1 2008 01/01/2008- 31/03/2008 in EUR '000	Q1 2007 01/01/2007- 31/03/2007
Net revenues from sales of products, goods and materials	313 962	234 335	88 256	59 989
Operating profit (loss)	35 843	19 339	10 076	4 951
Gross profit (loss)	24 164	16 064	6 793	4 112
Net profit (loss)	19 352	12 551	5 440	3 213
Net cash flow from operations	-20 316	-3 154	-5 711	-807
Net cash flow from investments	-50 449	-4 078	-14 181	-1 044
Net cash flow from financial activity	57 493	3 389	16 162	868
Total net cash flow	-13 272	-3 843	-3 731	-984
Selected financial data	31/03/2008 in PLN '000	31/03/2007	31/03/2008 in EUR '000	31/03/2007
Total assets	697 129	530 463	197 722	137 088
Long-term liabilities	67 169	15 417	19 051	3 984
Short-term liabilities	214 538	223 621	60 848	57 791
Equity	414 431	290 593	117 542	75 098
Share capital	3 407	3 407	966	880
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EUR)	11.4	7.4	3.2	1.9
Book value per share – BVPS (in PLN/EUR)	243.3	170.6	69.0	43.3

## 7. Balance Sheet of LPP S.A.

Balance Sheet	in PLN '000		
	as at the end of:		
	Q1 2008 31/03/2008	Q1 2007 31/03/2007	previous year 31/12/2007
<b>ASSETS</b>			
Fixed assets (long-term)	270 161	171 253	228 569
1. Tangible fixed assets (PP&E)	221 620	124 908	183 413
2. Intangible assets	11 255	12 345	11 781
3. Investments	23 106	23 989	21 835
4. Receivables	394	262	341
5. Deferred income tax assets	13 714	9 745	11 195
6. Prepaid expenses	72	4	4
Current assets (short-term)	426 968	359 210	427 549
1. Inventories	233 200	199 811	252 638
2. Trade and other receivables	175 986	139 124	142 549
3. Prepaid expenses	2 531	2 733	2 624
3. Investments	3 510	3 238	4 725
5. Cash and cash equivalents	11 741	14 304	25 013
<b>TOTAL assets</b>	<b>697 129</b>	<b>530 463</b>	<b>656 118</b>

LIABILITIES

Equity	414 431	290 593	396 354
1. Share capital	3 407	3 407	3 407
2. Treasury shares	-1 275		
3. Reserve capital	274 635	232 153	274 635
4. Retained profit/accumulated loss brought forward from previous years	118 312	42 482	
5. Net profit/loss of the reporting period	19 352	12 551	118 312
Long-term liabilities	67 169	15 417	32 818
1. Borrowings (bank credits and loans)	62 200	11 000	27 865
2. Provisions	671	477	563
3. Deferred income tax provision	4 298	3 940	4 390
Short-term liabilities	214 538	223 621	225 512
1. Trade and other payables	126 419	100 512	147 125
2. Borrowings (bank credits and loans)	73 970	117 358	48 140
3. Income tax	5 195	4 458	22 258
4. Provisions	8 465	681	7 846
5. Special funds	489	612	143
Accruals and deferred income	991	832	1 434
<b>TOTAL liabilities</b>	<b>697 129</b>	<b>530 463</b>	<b>656 118</b>
Book value	414 431	290 593	396 354
Number of shares	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	243.3	170.6	232.7

### 8. Profit and Loss Account of LPP S.A.

	in PLN '000	
Profit and Loss Account	Q1 2008 01/01/2008- 31/03/2008	Q1 2007 01/01/2007-31/03/2007
Revenues from sales	313 962	234 335
Selling costs	164 206	127 451
Gross profit/loss on sales	149 756	106 884
Other operating revenues	1 912	890
Costs of sales	98 349	74 765
General administrative expenses	13 330	10 288
Other operating expenses	4 146	3 382
Operating profit (loss)	35 843	19 339
Financial revenues	575	534
Financial expenses	12 254	3 809
Gross profit/loss	24 164	16 064
Taxes	4 812	3 513
<b>Net profit/loss</b>	<b>19 352</b>	<b>12 551</b>
<b>Weighted average number of ordinary shares</b>	<b>1 703 500</b>	<b>1 703 500</b>
Earnings (loss) per ordinary share (EPS) (in PLN)	11.36	7.37

Earnings 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 equity of LPP S.A.**

in PLN '000

Statement of changes in equity	Share capital	Treasury shares	Reserve capital	Retained profit/accumulated loss brought forward from previous years	Net profit/loss of the reporting period	TOTAL equity
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 2007					12 551	12 551
<b>As at 31 March 2008</b>	<b>3 407</b>		<b>232 153</b>	<b>42 482</b>	<b>12 551</b>	<b>290 593</b>
As at 1 January 2008	3 407		274 635	118 312		396 354
- corrections of errors from previous years						0
As at 1 January 2008 after corrections	3 407		274 635	118 312	0	396354
Buy-back of treasury shares		-1 275				-1 275
Net profit for Q1 2008					19 352	19 352
<b>As at 31 March 2008</b>	<b>3 407</b>	<b>-1 275</b>	<b>274 635</b>	<b>118 312</b>	<b>19 352</b>	<b>414 431</b>

## 10. Cash Flow Statement of LPP S.A.

Cash Flow Statement	in PLN '000	
	Q1 2008 01/01/2008- 31/03/2008	Q1 2007 01/01/2007- 31/03/2007
<b>A. Cash flow from operations – indirect method</b>		
I. Gross profit (loss)	24 164	16 064
II. Total adjustments	-44 480	-19 218
1. Depreciation and amortisation	8 981	7 434
2. Foreign exchange (gains) losses	1 200	-258
3. Interest and profit sharing (dividends)	919	877
4. (Profit) loss from investments	1 720	2 430
5. Income tax paid	-24 397	-1 637
6. Change in provisions	727	381
7. Change in inventories	19 438	-4 283
8. Change in receivables	-34 589	-17 342
9. Change in short-term payables, excluding credits and loans	-18 062	-6 570
10. Change in prepaid expenses, accruals and deferred income	-417	-250
11. Other adjustments	0	0
III. Net cash flow from operations	-20 316	-3 154
<b>B. Cash flow from investments</b>		
I. Inflows	2 358	1 151
1. Sale of intangible assets and tangible fixed assets	1 231	832
2. From financial assets, of which:	1 127	319
a) in related parties	1 020	268
- repayment of short-term loans	600	
- interest and dividends	420	268
- repayment of long-term loans granted	0	
b) in other entities	107	51
- interest	4	4
- repayment of short-term loans granted	103	47
3. Other inflows from investments	0	0

II. Outflows	52 807	5 229
1. Acquisition of intangible assets and tangible fixed assets	49 346	5 229
2. On financial assets, of which:	3 461	0
a) In related parties	3 307	0
- acquisition of shares, additional paid-in capital	1 482	0
- short-term loans granted	0	0
- long-term loans granted	1 825	
b) in other entities	154	
- long-term loans granted	126	0
- short-term loans granted	28	
3. Other outflows on investments	0	0
III. Net cash flow from investments	-50 449	-4 078
<b>C. Cash flow from financial activity</b>	0	
I. Inflows	60 093	4 723
1. Credits and loans	60 093	4 723
2. Other financial inflows	0	0
II. Outflows	2 600	1 334
1. Buy-back of treasury shares	1 275	
2. Repayment of credits and loans	0	
3. Interest	1 325	1 334
4. Other financial outflows	0	0
III. Net cash flow from financial activity	57 493	3 389
<b>D. Total net cash flow</b>	-13 272	-3 843
<b>E. Total cash flow balance, of which:</b>	-13 272	-3 843
- change in cash related to foreign exchange differences	62	-10
<b>F. Opening cash balance</b>	<b>25 013</b>	<b>18 147</b>
<b>G. Closing cash balance, of which:</b>	<b>11 741</b>	<b>14 304</b>
- restricted cash	42	101

## Notes to the condensed consolidated financial statement drawn up for Q1 2008

### 1. Description of LPP S.A. Capital Group

LPP Capital Group (CG) is composed of:

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

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

No.	Company name	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 (closed joint-stock company)	Moscow, Russia	12.02.2004
27.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
28.	ES STYLE	Moscow, Russia	10.03.2008

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

Consolidated financial statement of the Capital Group covering the period between 1 January and 31 March 2008 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.
- LPP Fashion Distributor SRL
- ES STYLE

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 in relation to the 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 the 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 – 4.34%

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 of 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 at the registered office of LPP S.A. in Gdańsk, and then sent to the purchasing department, whose task is to outsource the production of individual products to manufacturing plants in Poland and abroad, including 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 means of transport). 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 the adopted accounting principles**

Report of LPP Capital Group for Q1 2008 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 2008 drawn up as per the International Financial Reporting Standards (IFRS).

The consolidated financial statement should be analysed with the consolidated financial statement for the year ended on 31 December 2007.

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

Key achievements of LPP S.A. Capital Group in Q1 2008 included:

1. Revenues from sales in Q1 2008 totalled PLN 340 million, up by 28% compared to revenues generated in Q1 2007 (PLN 266 m).
2. Q1 operating profit totalled PLN 25 m. Operating profit in the previous year totalled PLN 15 m. Net profit in Q1 2008 totalled PLN 18 m (compared to net profit of PLN 11 m generated in Q1 2007).
3. Sales in Q1 2008 totalled PLN 239 m in Reserved stores and PLN 71 m in CroppTown stores (compared to PLN 196 m and PLN 47 m in Q1 2007, respectively).
4. In Q1 2008 new outlets were opened (about (about 5.1 thousand square meters), increasing the total selling area to approx. 146.5 thousand square meters (316 stores), of which 54.1 thousand square meters (107 stores) abroad.

## **4. Factors and events, especially of extraordinary nature, with significant impact on the consolidated financial results**

Results generated in Q1 2008 depended on very high sales of the autumn/winter collection and high gross profit margin recorded in March. Sales of the new spring/summer collection were lower. Increase in sales in comparable stores in Q1 2008 reached 10%, and a drop of 3% was recorded in March 2008 vs. March 2007. In April, a 4% increase in sales was recorded in comparable stores. 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

Company's name	country	Revenues from sales Q1 2008	share in % (in the period from 01.01.2008 to 31.03.2008)
LPP S.A.	Poland	258 412	76.08%
LPP Retail Estonia OU	Estonia	7 529	2.22%
LPP Retail Latvia Ltd	Latvia	6 401	1.88%
LPP Retail Czech Republic s.r.o.	the Czech Republi c	18 138	5.34%
LPP Hungary Kft.	Hungary	3 741	1.10%
UAB "LPP"	Lithuania	8 484	2.50%
LPP Ukraina AT	Ukraine	5 460	1.61%
ZAO "Re Trading"	Russia	31 489	9.27%
LPP Fashion Distributor SRL	Romania	0	0.00%
Es Style Rosja	Russia	0	0.00%
<b>Total:</b>		<b>339 656</b>	<b>100.00%</b>

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

Seasonality of sales is a feature characteristic for the clothing market as a whole, both in Poland and abroad. The first quarter of a calendar year includes 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 in 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 segments for Q1 2008 and the comparative period are presented in Section 23.7.

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

In Q1 2008, LPP S.A. Capital Group bought back its treasury shares (cf. current reports no. RB 13/2008 and 16/2008). The Management Board of LPP S.A. notified its intention to buy back shares of LPP S.A. in current report no. 12/2008.

The Management Board assumes that the growth of LPP SA. Capital Group will be based on acquisitions of other entities, and the said treasury shares bought back by the Company will be issued to shareholders of other entities with which LPP S.A. intends to merge in the future through acquisitions.

As a result of this buy-back, by the date of publication of this report the Company had bought back 3,554 treasury shares representing 0.21% of its share capital and 3,554 votes at the AGM, i.e. 0.11% of the total number of votes.

**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 authorised for issue (i.e. approved for publication) by the Management Board of the parent company of LPP Capital Group on 12 May 2008.

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

Under IAS 10, events after the balance sheet date include all events that occurred between the balance sheet date and the date that the financial statement is authorised for issue.

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

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

In Q1 2008, LPP S.A. established a company "Es Style" Sp. z o.o. with its registered office in Moscow and "Fashion Point" Sp. z o.o. with its registered office in Moscow. Both of these companies were incorporated under the laws of Russia. LPP S.A. holds 100% of shares in the share capital of these subsidiaries. No other changes in the Capital Group's structure, including business combination (mergers), takeover or sale of Capital Group companies, long-term investments, or split, restructuring and discontinuation of business operations, were recorded in the reporting period.

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

In Q1 2008, LPP S.A. and its subsidiaries used bank guarantees to secure the payment of rent for the leased retail premises where brand stores are located. As at 31 March 2008, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 60,756 k, of which:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 6,748 k
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 35,539 k
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 18,101 k
- d) guarantees granted to secure agreements concluded by third parties – PLN 129 k
- e) guarantees granted to secure office and warehouse space lease agreements concluded by LPP S.A. – PLN 239 k



**16. 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	323.985	1.023.985
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
Chairperson of the Supervisory Board	226.338	926.338

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

**17. 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.

**18. Related-party transactions in excess of EUR 500,000 concluded by the Issuer**

None.

**19. Related-party transactions**

19.1. 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 1 January to 31 March 2008 totalled PLN 354 k, of which PLN 351 k was 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.

The value of unsettled loan concluded between LPP S.A. and a Board member totalled as at 31.03.2008 totalled PLN 42 k.

19.2. Related party transactions

In the reporting period, the Issuer did not enter into any related-party transactions related to the 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 31.03.08	payables as at 31.03.08	revenues for the period January- March 2008	expenses for the period January-March 2008
1. Polish subsidiaries	9	2 324	25	14 757
Total	9	2 324	25	14 757

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

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

## 20. 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.

## 21. Additional information relevant for the assessment of the financial standing, assets, human resources, and financial result of LPP S.A. Capital Group, and any changes thereof, as well as information relevant for the assessment of Capital Group's repayment ability

This 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.

## 22. 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. growth of the retail trade in Poland and in countries where stores of LPP S.A. Group are located,
2. sales of the spring/summer collection,
3. development of the sales network of Reserved and Cropp Town brands,
4. exchange rate of PLN against USD and EUR.

## 23. Notes to the consolidated financial statement

### 23.1 Tangible fixed assets (PP&E)

The amount of tangible fixed assets presented in the consolidated financial statement drawn up as at 31 March 2008 includes an adjustment for a revaluation write-down totalling PLN 1,273 k.

The amount of payments on account of the acquisition of tangible fixed assets as at 31 March 2008 was PLN 12,527 k.

Changes in amounts related to tangible fixed assets in the period from 1 January to 31 March 2008 were as follows:

	in PLN '000
As at 1 January 2008	258 334
Increase	69 580
Reduction	-7 603
Foreign exchange differences	-620
Depreciation	-14 045
As at 31 March 2008	305 646

### 23.2 Inventories

The amount of inventories presented in the consolidated financial statement drawn up as at 31 March 2008 includes a revaluation write-down totalling PLN 4,121 k.

### 23.3 Receivables

The amount of receivables presented in the consolidated financial statement drawn up as at 31 March 2008 includes an adjustment for a revaluation write-down totalling PLN 5,156 k. This write-down includes:

- revaluation write-down of receivables and claimed receivables from customers	PLN 3,267 k
- revaluation write-down of the so-called doubtful receivables	PLN 1,719 k
- revaluation write-down of receivables from employees and other	PLN 170 k

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

- as at 31 December 2007	PLN 5,106 k
- write-downs made in the period 01.01-31.03.2008	PLN 659 k
- reduction of write-downs made in previous years	PLN 602 k
- reduction of write-downs made in the period 01.01-31.03.2008	PLN 7 k
- as at 31 March 2008	PLN 5,156 k

### 23.4 Provisions

The amount of provisions presented in the consolidated financial statement drawn up as at 31 March 2008 totals PLN 15,060 k and includes:

- provision for retirement severance payments:	PLN 671 k
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- provision for holiday leaves not taken:	PLN 1,974 k
- provision for salaries not paid:	PLN 6,993k
- provision for deferred income tax:	PLN 4,798 k
- other provisions for services:	PLN 624k

### 23.5 Income tax

Income tax presented in the consolidated Profit and Loss Account for the period between 1 January and 31 March 2008 amounts to PLN 4,323 k and includes:

- current tax	PLN 7,569 k
- deferred tax	PLN (3 246k)

### 23.6 Foreign exchange differences

The consolidated Profit and Loss Account drawn up as at 31 March 2008 presents an excess of foreign exchange losses over foreign exchange gains of PLN 1,428 k.

### 23.7 Segment reporting

Revenues and financial results by geographical segments for the period between 1 January 2008 and 31 March 2008 and for the comparative period are presented in the tables below.

FY 2008	in PLN '000				
	Member States of the European Union	Other countries	Consolidation adjustments	Amounts not assigned to segments	Total
External sales	303 170	36 486			339 656
Intersegment sales	23 077		-23 077		-
Other operating revenues	1 274	206		44	1 524
Total revenues	327 521	36 692	-23 077	44	341 180
Operating expenses, of which:	276 488	32 159	-21 465		287 182
Costs of intersegment sales of goods	16 955		-16 955		-
Other operating expenses	4 428	116		24 115	28 659
Segment result	46 605	4 417	-1 612	-24 071	25 339
Financial revenues				252	252
Financial expenses				3 188	3 188
Profit before tax					22 403
Income tax					4 323
Net profit					18 080

FY 2007	in PLN '000				
	Member States of the European Union	Other countries	Consolidation adjustments	Amounts not assigned to segments	Total
External sales	238 842	27 426			266 268
Intersegment 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, of which	219 491	29 238	-13 034		235 695
Costs of intersegment sales of goods	9 985		-9 985		-
Other operating expenses	2 504	86		13 932	16 522
Segment result	31 243	-1 862	-457	-13 923	15 001
Financial revenues				764	764
Financial expenses				1 663	1 663
Profit before tax					14 102
Income tax					2 731
Net profit					11 371

#### **24. Additional information to the individual statement of LPP S.A.**

Following the estimation of the carrying amount of assets invested in foreign subsidiaries, in the period from January to March 2008, changes were made in write-downs of the following items of assets of the individual Balance Sheet: shares, additional paid-in capital, loans, and receivables; these write-downs were also recognised under financial expenses and operating expenses in the individual Profit and Loss Account. As a result, the total amount of assets was reduced by PLN 917 k.

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.