

LPP S.A. Group
Interim condensed financial statement for Q2 FY07
In PLN '000

LPP S.A. Group
Interim condensed financial statement for Q2 FY07

Gdańsk
August 2007

1. Selected consolidated financial data of LPP Capital Group

Selected consolidated financial data	Q2 FY07	Q2 FY06	Q2 FY07	Q2 FY06
	01/01/2007-	01/01/2006-	01/01/2007-	01/01/2006-
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	563 441	324 742	146 402	83 263
Operating profit (loss)	66 107	-11 483	17 177	-2 944
Profit (loss) before tax	61 730	-8 771	16 040	-2 249
Net profit (loss)	50 509	-8 276	13 124	-2 122
Net cash flow from operations	56 963	15 853	14 801	4 065
Net cash flow from investments	-25 527	-26 549	-6 633	-6 807
Net cash flow from financial activity	-28 096	-1 814	-7 300	-465
Total net cash flow	3 340	-12 510	868	-3 208

Selected consolidated financial data	Q2 FY07	Q2 FY06	Q2 FY07	Q2 FY06
	01/01/2007-	01/01/2006-	01/01/2007-	01/01/2006-
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	in PLN '000		in EUR '000	
Total assets	574 916	447 302	152 668	110 625
Long-term payables	16 469	15 373	4 373	3 802
Short-term payables	235 296	208 015	62 482	51 446
Equity	322 483	223 378	85 635	55 245
Share capital	3 407	3 407	905	843
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EURO)	29,7	-4,9	7,7	-1,2
Book value per share – BVPS (in PLN/EURO)	189,3	131,1	48,1	32,1

2. Consolidated balance sheet of LPP Capital Group
in PLN '000

Balance Sheet	as at the end of:		
	Q2 FY07 30/06/2007	Q2 FY06 30/06/2006	previous quarter 31/12/2006
ASSETS			
Fixed assets	221 040	206 460	217 706
1. Tangible fixed assets	195 535	184 698	193 834
2. Intangible assets	12 507	14 684	13 478
3. Investments	916	880	903
4. Receivables	268	393	250
5. Deferred income tax assets	11 810	5 716	9 213
6. Accruals and deferred income	4	89	28
Current assets	353 876	240 842	316 484
1. Inventories	262 836	172 950	230 434
2. Trade and other receivables	52 358	50 233	50 471
3. Accruals and deferred income	2 865	2 728	3 360
3. Investments	1 928	75	1 670
5. Cash and cash equivalents	33 889	14 856	30 549
Total assets	574 916	447 302	534 190

LIABILITIES

Equity	322 483	223 378	271 501
1. Share capital	3 407	3 407	3 407
2. Reserve capital	274 748	232 265	232 265
3. Other reserves	104	83	83
4. Retained profit/accumulated loss brought forward from previous years	-7 067	-3 887	-3 887
5. Net profit/loss of the reporting period	50 509	-8 276	39 323
6. Foreign exchange differences (conversion of related parties)	782	-214	310
Long-term payables	16 469	15 373	15 544
1. Bank credits and loans	11 000	11 000	11 000
2. Provisions	511	325	364
3. Deferred income tax provision	4 958	4 026	4 171
4. Other long-term payables		22	9
Short-term payables	235 296	208 015	245 708
1. Trade and other payables	126 444	76 313	117 768
2. Bank credits and loans	98 013	130 096	124 139
3. Income tax	8 707	29	2 246
4. Provisions	1 833	1 257	1 354
5. Special funds	299	320	201
Accruals and deferred income	668	536	1 437
TOTAL LIABILITIES	574 916	447 302	534 190
Book value	322 483	223 378	271 501
<i>Number of shares</i>	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	189,3	131,1	160,4

3. Consolidated profit and loss account of LPP Capital Group
in PLN '000

Profit and loss account	YTD	Q2 2007	YTD	Q2 2006
	current year		previous year	
	01/01/2007- 30/06/2007	01/04/2007- 30/06/2007	01/01/2006- 30/06/2006	01/04/2006- 30/06/2006
Revenues from sales	563 441	297 173	324 742	172 102
Selling costs	241 796	111 809	155 522	75 849
Gross profit/loss on sales	321 645	185 364	169 220	96 253
Other operating revenues	2 202	1 252	2 208	1 210
Costs of sales	222 115	116 407	155 660	80 512
General administrative expenses	28 636	14 704	22 721	11 293
Other operating expenses	6 989	4 399	4 530	2 390
Operating profit (loss)	66 107	51 106	-11 483	3 268
Financial revenues	1 227	463	6 285	3 864
Financial expenses	5 604	3 941	3 573	1 844
Gross profit/loss	61 730	47 628	-8 771	5 288
Taxes	11 221	8 490	-495	-53
Net profit/loss	50 509	39 138	-8 276	5 341
Weighted average number of ordinary shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN)	29,7	23,0	(4,9)	3,1

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
in PLN '000

Statement of changes in shareholders' equity	Share capital	Reserve capital	Other reserves	Retained		Foreign		Total equity
				profit/accumulated loss brought forward from previous years	Net profit/loss of the conversion of reporting period	exchange differences – related parties	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				-110			-110	
As at 1 January 2006 after adjustments	3 407	200 368	1	28 092	0	472	232 340	
Foreign exchange differences after conversion of related parties						-686	-686	
Distribution of retained earnings from previous years		31 897	82	-31 979			0	
Net loss for 2 quarters FY06					-8 276		-8 276	
As at 30 June 2006	3 407	232 265	83	-3 887	-8 276	-214	223 378	
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 after adjustments	3 407	232 266	83	35 436	0	310	271 502	
Foreign exchange differences after conversion of related parties						472	472	
Distribution of retained earnings from previous years		42 482	21	-42 503			0	

LPP S.A. Group
Interim condensed financial statement for Q2 FY07
In PLN '000

years

Net profit for 2 quarters FY07

As at 30 June 2007

3 407	274 748	104	-7 067	50 509	782	50 509
						322 483

5. Consolidated cash flow statement of LPP Capital Group
in PLN '000

Cash flow statement	YTD	Q2 2007	YTD	Q2 2006
	current year		previous year	
	01/01/2007- 30/06/2007	01/04/2007- 30/06/2007	01/01/2006- 30/06/2006	01/04/2006- 30/06/2006
A. Cash flow from operations - indirect method				
I. Profit (loss) before tax	61 730	47 628	-8 771	5 288
II. Total adjustments	-4 767	2 953	24 624	10 894
1. Depreciation and amortisation	23 879	12 417	19 701	10 175
2. Foreign exchange (gains) losses	659	891	-75	-94
3. Interest and share in profits (dividends)	1 237	222	1 584	213
4. (Profit) loss from investments	504	389	263	91
5. Income tax paid	-6 246	-4 587	-7 191	-2 746
6. Change in provisions	668	-1 226	316	147
7. Change in inventories	-33 371	-30 039	-553	-2 223
8 Change in receivables	-2 061	5 274	-12 738	-4 567
9. Change in short-term payables, excluding credits and loans	10 921	18 417	23 655	9 441
10. Change in prepaid expenses, accruals and deferred income	-202	1 625	-188	442
11. Other adjustments	-755	-430	-150	15
III. Net cash flow from operations	56 963	50 581	15 853	16 182
B. Cash flow from investments				
I. Inflows	1 126	229	1 503	1 382
1. Sale of intangible assets and tangible fixed assets	981	135	248	149
2. From financial assets, including:	145	94	1 181	1 159
a) in related entities	0	0	1 137	1 137
- dividends and share in profits			1 137	1 137
b) in other entities	145	94	44	22
- sale of financial assets				
- repayment of short-term loans granted	136	89	36	18
- interest	9	5	8	4
3. Other inflows from investments			74	74
II. Outflows	26 653	15 176	28 052	16 610
1. Acquisition of intangible assets and tangible	26 303	14 826	28 052	16 656

fixed assets				
2. On financial assets, including:	350	350	0	-46
a) in related entities	350	350	0	0
- short-term loans granted	271	271		
- long-term loans granted	79	79		
b) in other entities	0	0	0	-46
- acquisition of financial assets				-46
3. Other outflows on investments				
III. Net cash flow from investments	-25 527	-14 947	-26 549	-15 228
C. Cash flow from financial activity				
I. Inflows	295	0	3 050	5 571
1. borrowings (credits and loans)	295		3 050	5 571
2. Other financial inflows				
II. Outflows	28 391	30 563	4 864	1 555
1. Repayment of credits and loans	25 269	28 911	1 797	
2. Payments related to finance lease agreements	21	9		
3. Interest	3 101	1 643	3 067	1 555
4. Other financial outflows				
III. Net cash flow from financial activity	-28 096	-30 563	-1 814	4 016
D. Total net cash flow	3 340	5 071	-12 510	4 970
E. Total cash flow balance, including:	3 340	5 071	-12 510	4 970
- change in cash – foreign exchange differences	-755	-420	-175	-314
F. Opening cash balance	30 549	28 818	27 366	9 886
G. Closing cash balance, including:	33 889	33 889	14 856	14 856
- restricted cash	242	242	259	259

6. Selected financial data – individual statement of LPP SA
in PLN '000

Selected financial data	Q2 FY07	Q2 FY06	Q2 FY07	Q2 FY06
	01/01/2007- 30/06/2007 in PLN '000	01/01/2006 30/06/2006 in PLN '000	01/01/2007- 30/06/2007 in EUR '000	01/01/2006 30/06/2006 in EUR '000
Net revenues from sales of products, goods and materials	482 260	300 156	125 308	76 959
Operating profit (loss)	64 966	-2 593	16 880	-665
Profit (loss) before tax	53 577	-5 710	13 921	-1 464
Net profit (loss)	41 849	-4 607	10 874	-1 181
Net cash flow from operations	41 257	15 496	10 720	3 973
Net cash flow from investments	-16 538	-23 434	-4 297	-6 008
Net cash flow from financial activity	-28 051	-2 373	-7 289	-608
Total net cash flow	-3 332	-10 311	-866	-2 644

Selected financial data	30/06/2007	30/06/2006	30/06/2007	30/06/2006
	in PLN '000		in EUR '000	
Total assets	549 113	438 890	145 816	108 545
Long-term payables	15 509	15 225	4 118	3 765
Short-term payables	213 057	192 645	56 577	47 644
Equity	319 891	230 492	84 946	57 005
Share capital	3 407	3 407	905	843
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EURO)	24,6	17,2	6,4	4,3
Book value per share – BVPS (in PLN/EURO)	187,8	135,3	47,7	33,1
Dividend per share – declared or paid (in PLN/EURO)	-	-	-	-

7. Balance sheet of LPP S.A.
in PLN '000

Balance Sheet	as at the end of:		
	Q2 FY07 30/06/2007	Q2 FY06 30/06/2006	previous year 31/12/2006
ASSETS			
Fixed assets	<i>166 874</i>	<i>169 470</i>	<i>170 534</i>
1. Tangible fixed assets	126 330	127 582	122 447
2. Intangible assets	12 192	14 312	13 082
3. Investments	17 801	19 762	25 517
4. Receivables	262	255	250
5. Deferred income tax assets	10 285	7 471	9 210
6. Accruals and deferred income	4	88	28
Current assets	<i>382 239</i>	<i>269 420</i>	<i>342 946</i>
1. Inventories	232 654	151 299	195 540
2. Trade and other receivables	129 019	105 356	122 563
3. Accruals and deferred income	2 362	2 496	3 037
3. Investments	3 389	240	3 659
5. Cash and cash equivalents	14 815	10 029	18 147
Total assets	549 113	438 890	513 480

LIABILITIES

Equity	319 891	230 492	278 042
1. Share capital	3 407	3 407	3 407
2. Reserve capital	274 635	232 153	232 153
3. Retained profit/accumulated loss brought forward from previous years		-461	-461
4. Net profit/loss of the reporting period	41 849	-4 607	42 943
Long-term payables	15 509	15 225	15 365
1. Bank credits and loans	11 000	11 000	11 000
2. Provisions	511	325	364
3. Deferred income tax provision	3 998	3 900	4 001
Short-term payables	213 057	192 645	218 663
1. Trade and other payables	116 259	68 864	103 304
2. Bank credits and loans	87 274	122 987	112 675
3. Income tax	8 557	0	2 070
4. Provisions	668	473	413
5. Special funds	299	321	201
Accruals and deferred income	656	528	1 410
TOTAL LIABILITIES	549 113	438 890	513 480

Book value	319 891	230 492	278 042
Number of shares	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	187,8	135,3	163,2

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

in PLN '000

Profit and loss account	YTD	Q2 2007	YTD	Q2 2006
	current year		previous year	
	01/01/2007- 30/06/2007	01/04/2007- 30/06/2007	01/01/2006- 30/06/2006	01/04/2006- 30/06/2006
Revenues from sales	482 260	247 925	300 156	160 168
Selling costs	236 081	108 630	159 882	80 230
Gross profit/loss on sales	246 179	139 295	140 274	79 938
Other operating revenues	3 445	2 555	2 624	1 748
Costs of sales	157 712	82 947	119 066	60 908
General administrative expenses	20 544	10 256	17 162	8 359
Other operating expenses	6 402	3 020	9 263	3 684
Operating profit (loss)	64 966	45 627	-2 593	8 735
Financial revenues	2 312	1 778	4 944	3 780
Financial expenses	13 701	9 891	8 061	5 815
Gross profit/loss	53 577	37 514	-5 710	6 700
Taxes	11 728	8 216	-1 103	-313
Net profit/loss	41 849	29 298	-4 607	7 013
Weighted average number of ordinary shares	1 703 500	1 703 500	1 703 500	1 703 500
Earnings (loss) per ordinary share (in PLN)	24,6	17,2	(2,7)	4,1

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

in PLN '000

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
Distribution of FY05 profit		31 897	-31 897		0
Net loss for Q2 FY06				-4 607	-4 607
As at 30 June 2006	3 407	232 153	-461		230 492
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
Distribution of FY 2006 profit		42 482	-42 482		0
Net profit for Q2 FY07				41 849	41 849
As at 30 June 2007	3 407	274 635	0	41 849	319 891

10. Cash flow statement of LPP SA

in PLN '000

Cash flow statement	YTD	Q2 2007	YTD	Q2 2006
	01/01/2007- 30/06/2007	01/04/2007- 30/06/2007	01/01/2006- 30/06/2006	01/04/2006- 30/06/2006
A. Cash flow from operations - indirect method				
I. Profit (loss) before tax	53 577	37 514	-5 710	6 700
II. Total adjustments	-12 320	6 897	21 206	6 323
1. Depreciation and amortisation	15 188	7 754	14 157	7 122
2. Foreign exchange (gains) losses	537	795	-202	-189
3. Interest and share in profits (dividends)	959	81	1 337	94
4. (Profit) loss from investments	8 361	5 931	3 758	3 040
5. Income tax paid	-6 162	-4 525	-6 903	-2 675
6. Change in provisions	402	22	217	47
7. Change in inventories	-37 126	-32 844	3 712	2 086
8. Change in receivables	-6 332	11 010	-22 343	-13 569
9. Change in short-term payables, excluding credits and loans	11 908	18 478	27 775	10 020
10. Change in prepaid expenses, accruals and deferred income	-55	195	-302	347
11. Other adjustments	0	0	0	0
III. Net cash flow from operations	41 257	44 411	15 496	13 023
B. Cash flow from investments				
I. Inflows	1 687	535	1 690	1 600
1. Sale of intangible assets and tangible fixed assets	967	134	219	150
2. From financial assets, including:	720	401	1 471	1 450
a) in related entities	576	308	1 428	1 428
- disposal of financial assets and repayment of short-term loans	0	0	157	157
- interest and dividends	576	308	1 271	1 271
b) in other entities	144	93	43	22
- interest	8	4	7	4
- repayment of short-term loans granted	136	89	36	18
3. Other inflows from investments	0	0	0	0
II. Outflows	18 225	12 995	25 124	13 941
1. Acquisition of intangible assets and tangible fixed assets	17 875	12 645	12 058	5 594

2. On financial assets, including:	350	350	13 066	8 347
a) in related entities	0	0	13 066	8 347
- financial assets acquired and short-term loans granted	0	0	2 513	2 513
- long-term loans granted	0	0	10 553	5 834
b) in other entities	350	350	0	0
- long-term loans granted	79	79	0	0
short-term loans granted	271	271	0	
3. Other outflows on investments	0		0	
III. Net cash flow from investments	-16 538	-12 460	-23 434	-12 341
C. Cash flow from financial activity	0	0		
I. Inflows	0	0	588	6 459
1. Borrowings (credits and loans)	0	0	588	6 459
2. Other financial inflows	0	0	0	0
II. Outflows	28 051	31 440	2 961	1 500
1. Repayment of credits and loans	25 269	29 992	0	0
2. Interest	2 782	1 448	2 961	1 500
3. Other financial outflows	0	0	0	0
III. Net cash flow from financial activity	-28 051	-31 440	-2 373	4 959
D. Total net cash flow	-3 332	511	-10 311	5 641
E. Total cash flow balance, including:	-3 332	511	-10 311	5 641
- change in cash – foreign exchange differences	0	10	-33	-60
F. Opening cash balance	18 147	14 304	20 340	4 388
G. Closing cash balance, including:	14 815	14 815	10 029	10 029
- restricted cash	242	242	259	259

Notes to the condensed consolidated financial statement for Q2 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.	Company's 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	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 30 June 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 – 0.53%

- in the Capital Group's revenues from sales and financial revenues – 9.64%

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 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 adopted accounting principles

Report of LPP Capital Group for Q2 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.

2.1. Information of the adjustment of errors from the previous accounting periods

In 2007 in the financial statement of LPP S.A, subsidiary. (Re Trading) in Russia an error related to the previous years and Q1 FY07 was noticed.

A detailed description of the error has been included in the correction of the quarterly financial statement for Q1 of FY07.

The comparable data for FY06 have been corrected retrospectively in accordance with IAS 8.

Changes related to the budget items as at 30th June 2006 are the following:

Inventories PLN	PLN 726 k
Deferred income tax assets	PLN 174 k
Retained profit/accumulated loss brought forward from previous years	PLN 84 k
Net profit/loss of the reporting period PLN	PLN 468 k.

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

Key achievements of LPP S.A. Capital Group in Q2 FY07 included:

1. Revenues from sales in Q2 FY07 totalled PLN 297.2 million, up by 73% compared to revenues generated in Q2 FY06 (PLN 172.1 m). Year-to-date revenues generated between January and June 2007 totalled PLN 563,4 million and were up by 74% vs. revenues generated in the corresponding period in 2006 (between January and June 2006 the revenues totalled 324.7 million).
2. Q2 FY07 operating profit totalled PLN 51.1 m, compared to PLN 3.3 m generated last year. Year-to-date operating profit between January and June 2007 totalled PLN 66.1 m, in the corresponding period last year LPP Capital Group showed a loss of – 11,5 m, net profit in Q2 FY07 totalled PLN 39.1 m (as compared to net profit of PLN 5,3 m in Q2 FY06). Year-to-date net profit totalled PLN 50.5 m between January and June 2007 (in the corresponding period last year loss of – PLN 8.3 m).
3. Sales in Q2 FY07 totalled PLN 217.4 m in Reserved stores and PLN 56 m in CroppTown stores. Year-to-date sales in Reserved brand stores topped PLN 413.3 m, and in Cropp brand stores PLN 103.4 m. (as compared to PLN 119.2 m and PLN 29.2 m in Q2 FY06 respectively).

4. In two quarters of 2007 new outlets have been opened (about 12.0 thousand sq. meters), increasing the total selling area to approx. 129.5 thousand sq metres (279 stores), of which 47.6 thousand sq. metres (91 stores) abroad.

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

The results in Q2 of FY07 were mostly influenced by the successful spring and summer collection and the general good market condition, as testified by a material increase of retail sales. As in Q1 FY07, revenues of comparable stores increased by over 50%.

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	In Poland	Revenues from sales in Q2 FY06	% of sales by country in Q2 FY06	Revenues from sales 01.01- 30.06.2006	% of sales by country in the period 01.01 - 30.06
LPP S.A.	Poland	223 227	75,1%	421 948	74,9%
LPP Retail Estonia OU	Estonia	9 088	3,1%	16 383	2,9%
LPP Retail Latvia Ltd	Latvia	8 338	2,8%	15 789	2,8%
LPP Retail Czech Republic s.r.o.	the Czech Republic	15 263	5,1%	29 631	5,3%
LPP Hungary Kft.	Hungary	4 642	1,6%	8 524	1,5%
UAB "LPP"	Lithuania	8 551	2,9%	15 675	2,8%
LPP Ukraina AT	Ukraine	4 198	1,4%	8 885	1,6%
ZAO "Re Trading"	Russia	23 867	8,0%	46 606	8,3%
Total:		297 174	100,0%	563 441	100,0%

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

In the second quarter, there are usually no major discounts in retail trading - as a result, revenues and profit margins were higher than in Q1 (62% - gross sales margin).

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 Q2 FY07 and comparable period are presented in point 24.7

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 13 August 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 Q2 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 Q2 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 30 June 2007, the total value of bank guarantees granted at the request of and on the responsibility of LPP S.A. amounted to PLN 54,689 k, of which:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 6,404 k
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 32,219 k
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 15,903 k
- d) guarantees granted to secure agreements concluded by third parties – PLN 162 k

As at 30th June 2007, the total amount of sureties issued by LPP S.A. totalled PLN 8,169 k, and increased by PLN 1 057 K as 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 30 June 2007, are as follows:

- payables with the maturity date within 12 months from the balance sheet date PLN 119 703 k
- payables with the maturity date from 12 months to 5 years from the balance sheet date
PLN 304,924 k
- payables with the maturity date over 5 years from the balance sheet date PLN 61 358 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 Q2 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

Management Board

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 Management Board 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 1 January to 30 June 2007 totalled PLN 798 k, of which PLN 792 k received by members of the Management Board and PLN 6 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 30 June 2007	payables as at 30 June 2007	revenues for the period January- June 2007	expenses for the period January- June 2007
1	Polish subsidiaries	3	1 836	48	25 616
	Total	3	1 836	48	25 616

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. autumn – winter collection. The first parameters characteristic of the sales of this part of the collection already to be found in stores indicate a very good reception 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

The amount of tangible fixed assets presented in the consolidated financial statement drawn up as at 30 June 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 30 June 2007 was PLN 1 770 k.

Changes in amounts related to tangible fixed assets in the period from 1 January to 30 June 2007 were as follows:

	in PLN '000
Value as at 31 st December 2006	193 834
Increase	57 041
Reduction	(32 704)
Foreign exchange differences	(626)
Depreciation and amortisation	(22 010)
As at 30 June 2007	195 535

The amount of inventories presented in the consolidated financial statement drawn up as at 30th June 2007 includes a write-down of PLN 2,913 k.

24.3 Receivables

The amount of receivables presented in the consolidated financial statement drawn up as at 30th June 2007 includes an adjustment for a write-down of PLN 4,671 k.

This write-down includes:

revaluation write-down on receivables and claimed receivables due from customers	PLN 3,600 k.
revaluation write-down of the so-called doubtful receivables:	PLN 861 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 31 December 2006	PLN 4 859 k
write-downs made between 1 January and 30 June 2007	PLN 888
decrease in write-downs in previous years	PLN 732 k
decrease in write-downs in previous years between 1 January and 30 June 2007	PLN 344 k
as at 31st June 2007	PLN 4 671 k

24.4 Provisions

The amount of provisions presented in the consolidated financial statement drawn up as at 31 June 2007 totals PLN 7 302 k and includes:

- provision for retirement severance payments:	PLN 511 k
- provision for holiday leaves not taken:	PLN 1 833 k
- provision for deferred income tax:	PLN 4 958 k

24.5 Income tax

Income tax presented in the consolidated profit and loss account for the period between 1 January and 30 June 2007 amounts to PLN 11,221 k and includes:

- - current tax	PLN 13,069 k
- deferred tax	PLN (1,848) k.

24.6 Foreign exchange differences

The consolidated profit and loss account drawn up as at 30 June 2007 presents an excess of negative foreign exchange differences over positive foreign exchange differences of PLN 2 217 k.

24.7 Segment reporting

Revenues and financial results concerning geographical segments for the period between 1 January 2007 and 30 June 2007 and for the comparable period are presented in the tables below.

Year 2007	PLN k.				
	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	507 949	55 492			563 441
Intersegmental sales	22 125		(22 125)		-
Other operating revenues	2 154	2		46	2 202
Total revenues	532 228	55 494	(22 125)	46	565 643
Operating expenses, including	431 247	55 436	(22 773)		463 910
Expenses of intersegmental sales of goods	16 258		(16 258)		-
Other operating expenses	6 202	787		28 637	35 626
Segment result	94 779	(729)	648	(28 591)	66 107
Financial revenues				1 227	1 227
Financial expenses				5 605	5 604
Profit before tax					61 730
Income tax					11 221
Net profit					50 509

Year 2006	PLN k				
	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	308 261	16 481			324 742
Intersegmental sales	8 851		(8 851)		-
Other operating revenues	2 192	2		14	2 208
Total revenues	319 304	16 483	(8 851)	14	326 950
Operating expenses, including	301 923	17 737	(8 477)		311 183
Expenses of intersegmental sales of goods	6 824		(6 824)		-
Other operating expenses	4 461	66		22 723	27 250
Segment result	12 920	(1 320)	(374)	(22 709)	(11 483)
Financial revenues				6 285	6 285

Financial expenses	3 573	3 573
Profit before tax		(8 771)
Income tax		(495)
Net profit		(8 276)

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 June 2007; these write-downs totalled PLN 7,462 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.