LPP Capital Group

Interim Financial Statements for the 1st Half of 2009

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August 2009

Management Board's Statement

According to the Regulation of the Council of Ministers dated February 19th, 2009 concerning current and periodical information presented by public companies, Management Bard of LPP S.A. states as follows:

- to the best of our knowledge, the Interim Condensed Consolidated Financial Report for 1H2009 and comparable data were prepared according to the ruling accounting standards and present the true and fair view of current economic situation, financial standing and financial results of LPP Capital Group.

- to the best of our knowledge, the Interim Condensed Individual Financial Report for 1H2009 and comparable data were prepared according to the ruling accounting standards and present the true and fair view of current economic situation, financial standing and financial results of LPP SA company.

- the Interim Consolidated Report of Management Board fairly describes the development and achievements of LPP Capital Group, as well as financial standing of the Group including risk factors.

- the Audit Company, responsible for reviewing the interim report was chosen according to the existing rules of law. The Audit Company and its auditors in all reasons were competent and able to provide independent and neutral report of the statements review, according to the existing rules of applying law.

Management Board of LPP S.A.:

Marek Piechocki ....

Dariusz Pachla ....

Stanisław Dreliszak ....

Gdańsk, August 24th, 2009

Interim Condensed Consolidated Financial Statements for the Period of 01.01.2009 till 30.06.2009

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

Selected consolidated financial data	I half 2009	I half 2008	I half 2009	I half 2008
	01/01/2009-30/06/2009	01/01/2008-30/06/2008	01/01/2009-30/06/2009	01/01/2008-30/06/2008
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	953 948	697 789	211 116	200 652
Operating profit (loss)	37 072	72 154	8 204	20 748
Gross profit (loss)	31 576	63 716	6 988	18 322
Net profit (loss)	22 212	52 768	4 916	15 174
Net cash flow from operations	35 605	41 329	7 880	11 884
Net cash flow from investments	-48 041	-150 076	-10 632	-43 155
Net cash flow from financial activity	-29 097	105 017	-6 440	30 198
Total net cash flow	-41 533	-3 730	-9 192	-1 073

Selected consolidated financial data	I half 2009	I half 2008	I half 2009	I half 2008
	01/01/2009-30/06/2009	01/01/2008-30/06/2008	01/01/2009-30/06/2009	01/01/2008-30/06/2008
	in PLN '000		in EUR '000	
Total assets	1 346 427	843 995	301 241	251 623
Long-term payables	276 960	96 943	61 965	28 902
Short-term payables	483 620	332 766	108 202	99 209
Equity	585 847	414 286	131 074	123 513
Share capital	3 492	3 412	781	1 017
Number of shares	1 724 669	1 699 124	1 724 669	1 699 124
Earnings (loss) per ordinary share (EPS) (in PLN/EUR)	12,88	31,06	2,85	8,93
Book value per share – BVPS (in PLN/EUR)	339,69	243,82	76,00	72,69

Consolidated Balance Sheet of LPP S.A. Capital Group

in PLN 000

Balance Sheet	As of the end of:		
	30/06/2009	30/06/2008	31/12/2008
Assets			
Long-term assets	771 308	383 189	766 704
1. Tangible fixed assets	471 779	348 430	469 077
2. Intangible assets	89 603	11 902	91 472
3. Goodwill	183 203		183 609
4. Investments in subsidiaries	719	1 066	719
5. Other financial assets		4	
6. Receivables and borrowings	1 416	4 212	1 773
7. Deferred income tax assets	24 374	17 384	19 857
8. Prepaid expenses	214	191	197
.			
Current assets (short-term)	575 119	460 806	659 504
1. Inventories	414 843	316 337	462 644
2. Trade and other receivables	104 278	88 998	100 895
3. Borrowings	470	2 126	446
4. Prepaid expenses	7 230	3 643	5 688
5. Cash and cash equivalents	48 298	49 702	89 831
Total Assets	**1 346 427**	**843 995**	**1 426 208**

Amounts in PLN '000

	30/06/2009	30/06/2008	31/12/2008
LIABILITIES & EQUITY			
Equity	585 847	414 286	565 235
1. Share capital	3 492	3 412	3 492
2. Treasury shares	-48 747	-48 743	-48 746
3. Capital from selling stocks above par (agio)	108 123	71 202	108 123
4. Reserve capital	498 582	327 904	328 261
5. Foreign exchange differences on subsidiaries	-3 560	-1 605	-3 069
6. Retained earnings	27 957	62 116	176 860
- profit (loss) from previous years	5 745	9 348	9 353
- profit (loss) from current year	22 212	52 768	167 507
7. Minority interests		0	314
Long-term payables	276 960	96 943	322 316
1. Borrowings (bank credits and loans)	263 537	91 361	306 097
2. Other financial payables	354		359
3. Employee benefits provision	858	831	874
4. Deferred income tax provision	12 211	4 751	14 844
5. Other long-term payables			142
Short-term payables	483 620	332 766	538 657
1. Trade and other payables	201 377	167 815	248 192
2. Borrowings (bank credits and loans)	271 949	150 604	246 966
3. Other financial payables	46		432
4. Income tax liability	1 837	9 814	30 848
5. Provisions	6 339	2 576	8 297
6. Special funds	118	328	57
7. Accruals and deferred income	1 954	1 629	3 865
Total Liabilities & Equity	**1 346 427**	**843 995**	**1 426 208**

Amounts in PLN '000

2. Statement of Comprehensive Income of LPP S.A. Capital Group.

Consolidated statement on total income	Current year 01/01/2009-30/06/2009	Previous year 01/01/2008-30/06/2008
Continued Activities		
Revenue from sales	953 948	697 789
Selling costs	477 151	283 982
Gross profit/loss on sales	476 797	413 807
Other operating revenues	15 487	3 018
Costs of sales	388 152	292 468
General & administration expenses	47 042	43 824
Other operating expenses	20 018	8 379
Operating profit/loss	37 072	72 154
Financial revenues	8 242	1 627
Financial expenses	13 738	10 065
Gross profit/loss	31 576	63 716
Income Tax	9 290	10 948
Net profit/loss -	**22 286**	**52 768**
Discontinued Activities		
Net profit (loss) on discontinued activities	-74	0
Net profit / loss	**22 212**	**52 768**
Other total income		
Foreign Exchange differences on subsidiaries	-3 560	-1 605
Total other income	**18 726**	**51 163**

Amounts in PLN '000

3. Consolidated Statement of Changes in Equity of LPP S.A. Capital Group

Statement of Changes in Equity	Share capital	Treasury shares	Agio	Other reserves	Minority interests	Profit / loss from previous years	Profit / loss from current year	Foreign exchange differences (conversion of related parties)	TOTAL equity
As of January 1st, 2008	3 407		71 202	203 650	0	127 682	0	-279	**405 662**
- corrections of errors from previous years									0
As of January 1st, 2008 (corrected)	3 407	0	71 202	203 650	0	127 682	0	-279	**405 662**
Buy-back of treasury shares		-48 743							-48 743
Increase of share capital	5								5
Transactions with owners	**5**	**-48 743**	**0**	**0**	**0**	**0**	**0**	**0**	**-48 743**
Distribution of retained earnings from previous years				118 312		-118 312			0
Compansation paid in shares				5 942					5 942
Other						-22			-22
Net profit 1H2008							52 768		52 768
Foreign exchange differences after conversion of related parties								-1 326	-1 326
As of June 30th, 2008	**3 417**	**-48 743**	**71 202**	**327 904**	**0**	**9 348**	**52 768**	**-1 605**	**414 286**
As of January 1st, 2009	3 492	-48 746	108 123	328 261	314	176 860	0	-3 069	565 235
- corrections of errors from previous years						-166			0
As of January 1st, 2009 (corrected)	3 492	-48 746	108 123	328 261	314	176 694	0	-3 069	565 069
Buy-back of treasury shares		-1							-1
Transactions with owners	0	-1	0	0	0	0	0	0	-1
Distribution of retained earnings from previous years				170 949		-170 949			0
Compansation paid in shares				638					638
Transactions with minorities				-1 266					-1 266
Minority interest valuation on balance sheet date					-314				-314
Net profit for 1H2009							22 212		22 212
Foreign exchange differences after conversion of related parties								-491	147
As of June 30th, 2009	**3 492**	**-48 747**	**108 123**	**498 582**	**0**	**5 745**	**22 212**	**-3 560**	**585 847**

Amounts in PLN '000

4. Consolidated Cash Flow Statement of LPP S.A. Capital Group

Cash Flow Statement	01/01/2009-30/06/2009	01/01/2008-30/06/2008
A. **Cash flow from operations – indirect method**		
I. Gross profit (loss)	31 502	63 716
II. Total adjustments	4 103	-22 387
1. Depreciation and amortisation	49 474	28 810
2. Foreign exchange (gains) losses	-4 774	2 471
3. Interest and profit sharing (dividends)	10 216	3 666
4. (Profit) loss from investments	-2 269	-781
5. Income tax paid	-45 766	-27 975
6. Change in provisions	-974	-1 055
7. Change in inventories	53 110	-35 139
8. Change in receivables	6 124	-11 984
9. Change in short-term payables, excluding credits and loans	-57 986	23 575
10. Change in prepaid expenses, accruals and deferred income	-3 753	-866
11. Other adjustments	701	-3 109
III. Net cash flow from operations	35 605	41 329
B. Cash flow from investments		
I. Inflows	4 043	1 649
1. Sale of intangible assets and tangible fixed assets	3 737	1 411
2. From financial assets, of which:	306	238
a) in related parties	0	0
- dividends and profit sharing		
b) in other entities	306	238
- sale of financial assets		
- repayment of short-term loans granted	238	219
- - repayment of long-term loans granted		
- interests	68	19
3 . Other inflows from investments		

Amounts in PLN '000

II. Outflows	52 084	151 725
1. Acquisition of intangible assets and tangible fixed assets	50 504	150 953
2. On financial assets, of which:	0	772
a) in related parties	0	348
- acquisition of shares		348
- long-term loans granted		
- short-term loans granted		
b) in other entities	0	424
- short-term loans granted		28
- long-term loans granted		396
3. Other outflows on investments	1 580	
III. Net cash flow from investments	-48 041	-150 076
C. Cash flow from financial activities		
I. Inflows	35 951	158 069
1. Net inflows – issue of shares		5
2. Credits and loans	35 951	158 064
3. Other financial inflows		
II. Outflows	65 048	53 052
1. Buy-back of treasury shares	1	48 744
2. Repayment of credits and loans	49 491	
3. Payments related to finance lease agreements	277	10
4. Interest	15 279	4 298
5. Other financial outflows		
III. Net cash flow from financial activity	-29 097	105 017
D. Total net Cash flow	-41 533	-3 730
E. Total cash flow balance, of which:	-41 533	-3 730
- change in cash – foreign exchange differences	1 405	-1 770
F. Opening cash balance	89 831	53 432
G. Closing cash balance, of which:	48 298	49 702
- restricted cash	98	242

Additional information and disclosures to Interim Condensed Consolidated Financial Statement for the 1st half of 2009

1. General information

The Parent company of LPP Capital Group (reffered to as 'Capital Group' or 'Group') is LPP Społka Akcyjna (reffered to as 'Parent company').

The Parent company is registered in Companies Register of National Court Register in Gdansk, under the number KRS 0000000778, and statistical number 190852164.

The Parent company' headquarters is located in Poland, Gdańsk, Łąkowa Street 39/44.

The Capital Group performs its activities in following countries: Poland, Estonia, Czech Republic, Lithuania, Latvia, Hungary, Ukraine, Russia, Romania, Bulgaria, Slovakia.

LPP S.A. is a fashion and apparel designing and distributing company, with the presence within Poland and Central and Eastern Europe. The consolidated Capital Group companies are involved in the distribution of goods under the Reserved and Cropp brands outside of Poland. Additionally, starting from November 2008, capital group consolidates also financial results of Artman Capital Group. Artman, like LPP designs and distributes clothes under two brands – House and Mohito, within Poland and few countries of Central Europe. Clothes are basically the main product being offered by the CG companies. The basic offer of clothes is supplemented by footwear, bags and accessories.

Clothes designs for Reserved, Cropp and Esotiq are being prepared by the design office located at the registered office of LPP S.A. in Gdansk (and in Cracov office for House and Mohito, respectively), and then provided to the purchasing department, which contracts the production of individual products in co-operation with production plants in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai.

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

12 Polish subsidiaries are involved in the lease of real property from Landlords, where Cropp Town and Reserved stores are located.

LPP Capital Group (CG) consists of:

- LPP S.A. – the Parent company,
- 20 domestic subsidiaries,
- 15 foreign subsidiaries.

There is no dominant company over LPP S.A.

Amounts in PLN '000

The complete list of Capital Group companies is presented below.

No	Subsidiary's name	Registered office	Date of control take over
1.	G&M Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	M&G Sp. z o.o.	Gdansk, Poland	26.09.2001
3.	AKME Sp. z o.o.	Gdansk, Poland	26.09.2001
4.	TORA Sp. z o.o.	Gdansk, Poland	26.09.2001
5.	P&G Sp. z o.o.	Gdansk, Poland	26.09.2001
6.	SL&DP Sp. z o.o.	Gdansk, Poland	26.09.2001
7.	DP&SL Sp. z o.o.	Gdansk, Poland	26.09.2001
8.	IL&DL Sp. z o.o.	Gdansk, Poland	26.09.2001
9.	PL&GM Sp. z o.o.	Gdansk, Poland	26.09.2001
10.	GM&PL Sp. z o.o.	Gdansk, Poland	26.09.2001
11.	AMA Sp. z o.o.	Gdansk, Poland	28.05.2002
12.	LIMA Sp. z o.o.	Gdansk, Poland	22.07.2002
13.	LUMA Sp. z o.o.	Gdansk, Poland	05.11.2002
14.	KAMA Sp. z o.o.	Gdansk, Poland	29.10.2002
15.	KUMA Sp. z o.o.	Gdansk, Poland	05.11.2002
16.	AMUL Sp. z o.o.	Gdansk, Poland	29.10.2002
17.	AMUK Sp. z o.o.	Gdansk, Poland	15.05.2003
18.	AMUR Sp. z o.o.	Gdansk, Poland	09.05.2003
19	MM&MR Sp. z o.o.	Gdansk, 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	Peremyshliany, Ukraine	23.07.2003
26.	RE Trading Zamknięta Spółka Akcyjna	Moscow, Russia	12.02.2004
27.	LPP Fashion Distribuitor SRL	Bucharest, Romania	12.08.2007
28.	ES STYLE	Moscow, Russia	10.03.2008
29.	FASHION POINT	Moscow, Russia	01.04.2008
30.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
31.	Artman S.A. (GK Artman S.A.)	Krakow, Poland	30.10.2008
32.	Artman Slovakia s.r.o.(GK Artman SA)	Banska Bystrzyca, Słowacja	30.10.2008
33.	Artman Mode s.r.o.(GK Artman SA)	Ostrawa, Czechy	30.10.2008
34.	UAB Artman Lit (GK Artman SA)	Wilno, Litwa	30.10.2008
35.	UAB House Plius (GK Artman SA)	Kłajpeda, Litwa	30.10.2008

LPP S.A. holds direct control over its subsidiaries, controlling in most cases 100% shares of their share capital and 100% of the total voting rights, except for subsidiaries of Artman SA, in which LPP holds indirect control.

Consolidated financial statement of the Capital Group for the period of January 1st, 2009 till June 30th, 2009 covers individual results of LPP S.A. and the results of its foreign subsidiaries, which are 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 Distribuitor SRL.
- ES Style
- Fashion Point
- LPP Retail Bulgaria Ltd.
- Artman SA
- Artman Slovakia srl
- Artman Mode s.r.o.
- UAB Artman Ltd
- UAB House Plius

Financial results of other Polish subsidiaries of LPP S.A. were not consolidated in the condensed financial statements as their financials are immaterial. It stays in accordance with the Accounting Policy introduced by the Group.

Under this policy, a subsidiary's or affiliate's results are not disclosed nor consolidated to the Group results if they are immaterial in comparison to the financials of the Parent company.
In particular, the term of immateriality states that the total assets or net revenue from sales or revenue from financial activities of the controlled entity represents less than 10% of the total assets or revenue respectively of the Parent company for the reporting period. The total amount of assets and revenue of non-consolidated entities must not exceed this level, but established in relation to the corresponding figures of the consolidated financial statement, based on the assumption that the statement covers financials of all subsidiaries and affiliates with no exceptions (including non-consolidated ones).

The share of all non-consolidated Polish subsidiaries in the consolidated results is as follows:
- in the Capital Group's balance sheet total – 0.29%
- in the Capital Group's revenue from sales and from financial activities – 2.12%

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

This Interim financial report was approved for pulication by LPP's Management Board on August 24th, 2009.

2. Report preparation basis and accounting rules

2.1. Basis for report preparation

Financial report of LPP SA Capital Group for the 1st half of 2009 consists of: (1) condensed consolidated financial statements including additional information and disclosures, and (2) condensed individual financial statements of Parent company including additional information and disclosures.

Condensed consolidated financial report was prepared according to rules of IAS 34 – *Interim Financial Reporting.*

Interim Financial Report does not include all the information, that the company is obliged to disclose in the annual financial report, according to IFRS. This interim condensed consolidated financial report should be read together with annual consolidated financial report of the Group for year 2008.

The reporting currency for this interim condensed consolidated report is Polish Zloty, and all the presented amounts are in thousands, except for as stated.

The interim condensed consolidated report were prepared under the *going concern concept* for all subsidiaries. As of the day of publication of the report, no circumstances are known for discontinuity of activity of any of subsidiaries.

2.2. Accounting rules

Accounting policy applied to this financial statement is in all aspects in accordance with policy applied to consolidated annual financial statement of LPP S.A. Group for 2008 year, according to International Financial Reporting Standards, with exceptions for following alterations and interpretations applied as of January 1st, 2009:

1. IAS 1 *Presentation of Financial Statements*
2. IFRS 8 *Operating Segments*
3. IAS 23 *Borrowing Costs*
4. IFRIC 13 *Customer Loyalty Programmes*

IAS 1 Presentation of Financial Statements
New update to this standard has changed headings of certain parts of financial report, their format and presentation form of certain positions.
This new standard has no influence on Group's valuation of assets, obligations, incomes and costs. However, few items, previously included by the Group directly in its capitals, now are apprehended in total incomes. This applies also to foreign exchange losses/gains from recalculation of subsidiaries' statements.

IAS 1 has implemented an obligation to prepare Statement of Comprehensive Income instead of Income Statement.

The Group changed layout of Consolidated Statement of Changes in Equity – changes in equity due to transactions with owners are presented first, following by influence of total income on equity.

IFRS 8 Operating Segments
IFRS 8 requires disclosure of information regarding operating segments. The Group accepted as basic layout – division of operations into geographical segments, which is connected with its activity in different countries. In accordance with it – previous layout of reports is continued.

IAS 23 Borrowing Costs
Updated standard requires that interests on loans directly attributable to the acquisition, construction or production of qualified assets should be capitalized as part of the cost of such assets, if they would last over one year. Currently the Group posses no such assets.

IFRIC 13 Customer Loyalty Programmes
New interpretation refers to loyalty programmes, that grant loyalty points per each purchase of goods or services. According to IFRIC 13, a company should decrease its sales revenue by the amount of fair value of granted loyalty points. This interpretation has no influence on LPP Capital Group results, since the Company did not introduce loyalty programme.

2.3. Changes in Accounting Principles and Errors

The Group has changed following principles of presentation of its results:

- Advance payments (Pre-payments) for assets are presented as Other Receivables. Previously the Group presented advance payments as fixed assets. Advance payments amounted 12,389 ths PLN on 30.06.2009, and 3,635 ths PLN on 31.12.2008
- Advance payments for intangible assets are presented as Other Receivables. Previously the Group presented advance payments as intangible assets. Advance payments amounted 503 ths PLN on 30.06.2009, and 109 ths PLN on 31.12.2008
- Borrowings are presented in Receivables and Borrowings. Previously the Group presented borrowings as investments (shares in subsidiaries). Amount of borrowings is as follows: 444 ths PLN on 30.06.2009, and 712 ths PLN on 31.12.2008.

Corrections of errors in financial statements are presented in following tables:

Amounts in PLN '000

Balance Sheet	30.06.2009			31.12.2008		
	Before	Adjustments	After	Before	Adjustments	After
ASSETS						
Long-term assets						
1. Tangible fixed assets	360 819	-12 389	348 430	472 712	-3 635	469 077
2. Intangible assets	12 405	-503	11 902	91 581	-109	91 472
3. Investments in subsidiares	1 510	-444	1 066	1 431	-712	719
4. Receivables and borrowings	3 768	444	4 212	1 061	712	1 773
5. Deferred income tax assets						
6. Prepaid expenses						
Current assets (short-term)						
1. Inventories	321 733	-5 396	316 337	470 320	-7 676	462 644
2. Trade and other receivables	70 710	18 288	88 998	89 475	11 420	100 895
3. Borrowings						
4. Rother short term financial assets						
5. Prepaid expenses						
6. Cash and cash equivalents						
Total Assets	770 945	0	770 945	1 126 580	0	1 126 580

3. Seasonal or cyclical nature of the Capital Group's operations in the reporting period

Seasonality in sales of clothing is an inherent factor influencing the clothing market as a whole – both in Poland and abroad. In Q2 the regular collection of spring/summer clothes is being sold, thus higher the gross margin received is, as compared to Q1.

4. Operational segments

The Capital Group is involved in one type of business only (one core business segment). Two geographical segments have been identified: (1) business in and (2) outside the European Union. The division into geographical segments was based on the criterion of location of the Group's assets.

Revenues and results per segments for 1st half of 2009 and for the previous corresponding period are presented below:

1st half of 2009 in PLN '000

Item	EU countries	Non-EU countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales revenue	850 817	103 131			953 948
Inter-segment sales revenue	51 722		-51 722		-
Other operating revenue	10 288	422		4 777	15 487
Total revenue	**912 827**	**103 553**	**-51 722**	**4 777**	**969 435**
Total operating expenses, of which:	813 877	102 010	-50 584	47 042	912 345
Cost of inter-segment sales	40 219		-40 219		-
Other operating expenses	16 043	3 975			20 018
Segment result	**82 907**	**-2 432**	**-1 138**	**-42 265**	**37 072**
Financial income				8 242	8 242
Financial expenses				13 738	13 738
Profit before tax					31 576
Tax					9 290
Net profit on continued activity					**22 286**
Net loss on discontinued activity	-74				**-74**
Net profit					**22 212**

I half of 2008 in PLN '000

	EU countries	Non-EU countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales revenue	621 044	76 745			697 789
Inter-segment sales revenue	40 578		-40 578		-
Other operating revenue	2 794	149		75	3 018
Total revenue	**664 416**	**76 894**	**-40 578**	**75**	**700 807**
Total operating expenses, of which:	543 286	71 491	-38 327		576 450
Cost of inter-segment sales	30 173		-30 173		-
Other operating expenses	7 842	537		43 824	52 203
Segment result	**113 288**	**4 866**	**-2 251**	**-43 824**	**72 154**
Financial income				1 627	1 627
Financial expenses				10 065	10 065
Profit before tax					63 716
Tax					10 948
Net profit					**52 768**

5. Tangible fixed assets

The liabilities for purchase of tangible fixed assets of the Group are:

- 4,260 ths PLN as of 30.06.2009
- 6,951 ths PLN as of 30.06.2008
- 9,781 ths PLN as of 31.12.2008

Changes in tangible fixed assets in the period of 01-01-2009 till 30-06-2009 in PLN '000

	Land	Buildings and land constructions	Technical equipment and devices	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
1) gross value of fixed assets at the beginning of period	19 174	440 702	103 174	11 236	74 623	16 289	665 198
- F/X differences		6 576	3 371	98	614	128	10 787
- increase in value		21 861	6 944	61	6 914	36 205	71 985
- decrease in value		4 664	1 159	206	744	28 262	35 035
2) gross value of fixed assets at the end of period	19 174	464 475	112 330	11 189	81 407	24 360	712 935
3) cumulated depreciation at the beginning of period	0	113 666	46 529	2 597	26 561	0	189 353
- depreciation	0	27 419	10 024	934	8 490	0	46 867
- F/X differences		2 317	1 735	30	215		4 297
- decrease	0	3 573	701	126	515	0	4 915
4) cumulated depreciation at the end of period	0	139 829	57 587	3 435	34 751	0	235 602
5) impairment write-offs at the beginning of the period	0	6 204	363	0	201	0	6 768
- increase	0	292	6	0	105	0	403
- decrease	0	1 048	344	0	225	0	1 617
6) impairment write-offs at the end of period	0	5 448	25	0	81	0	5 554
Total net value of tangible fixed assets at the end of period	19 174	319 198	54 718	7 754	46 575	24 360	471 779

Changes in tangible fixed assets in the period of 01-01-2008 till 31-12-2008 in PLN '000

	Land	Buildings and land constructions	Technical equipment and devices	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
1) gross value of fixed assets at the beginning of period	12 283	212 256	60 691	6 560	45 089	47 715	384 594
- F/X differences		4 985	2 236	-92	415	100	7 644
- increase in value	4 455	187 989	37 497	5 065	24 237	188 984	448 227
- increase due to merger with Artman	2 436	39 137	4 735	1 941	6 489	34	54 772
- decrease in value		3 665	1 985	2 238	1 607	220 544	230 039
2) gross value of fixed assets at the end of period	19 174	440 702	103 174	11 236	74 623	16 289	665 198
3) cumulated depreciation at the beginning of period	0	78 250	32 515	2 924	16 293	0	129 982
- depreciation	0	35 801	14 259	1 257	10 909	0	62 226
- F/X differences		2 791	1 548	-107	464		4 696
- decrease	0	3 176	1 793	1 477	1 105	0	7 551
4) cumulated depreciation at the end of period	0	113 666	46 529	2 597	26 561	0	189 353
5) impairment write-offs At the beginning of the period	0	1 273	0	0	0	0	1 273
- increase	0	4 931	363	0	201	0	5 495
- decrease	0	0	0	0	0	0	0
6) impairment write-offs at the end of period	0	6 204	363	0	201	0	6 768
Total net value of tangible fixed assets at the end of period	19 174	320 832	56 282	8 639	47 861	16 289	469 077

6. Intangible assets

The total value of intangibles presented in the balance sheet consists of (1) trade mark valued for 77,508 ths PLN and (2) other intangibles presented in the following table:

Changes in intangibles for the period of 01-01-2009 till 30-06-2009 in PLN '000

	Cost of concluded R&D	Purchased concessions, patents, licences:		Intangibles still in progress	Total
		total	computer software		
a) Gross value of intangibles at the beginning of the period	443	30 861	29 779	385	31 689
- FX differences		-4	-4	0	-4
- increase	-	574	574	346	920
- decrease		85	85	120	205
b) Gross value at the end of period	443	31 346	30 264	611	32 400
c) cumulated amortization at the beginning of the period	443	17 282	16 691	-	17 725
- FX differences	0	-27	-27		-27
- planned amortization deductions	0	2 607	2 484	-	2 607
- FX differences	0	2	2		2
- decrease	0	2	2		2
d) cumulated depreciation at the end of period	443	19 862	19 148	-	20 305
Total net value of intangibles at the end of period	0	11 484	11 116	611	12 095

Changes in intangibles for the period of 01-01-2008 till 30-06-2008 in PLN '000

	Cost of concluded R&D	Purchased concessions, patents, licences:		Intangibles still in progress	Total
		total	computer software		
a) Gross value of intangibles at the beginning of the period	443	25 086	23 610	318	25 847
- FX differences		67	493	0	67
- increase	-	6 160	6 128	5 522	11 682
- decrease		452	452	5 455	5 907
b) Gross value at the end of period	443	30 861	29 779	385	31 689
c) cumulated amortization at the beginning of the period	443	13 540	13 111	-	13 983
- FX differences	0	43	141		43
- planned amortization deductions	0	4 134	3 874	-	4 134
- FX differences	0	17	17		17
- decrease	0	452	452		452
d) cumulated depreciation at the end of period	443	17 282	16 691	-	17 725
Total net value of intangibles at the end of period	0	13 579	13 088	385	13 964

7. Write-offs in assets

Write-offs in inventory:

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 31.12.2008
At the beginning of period	**4 510**	3 620	3 620
Write-offs in cost in period	**1 811**	1 362	2 371
Write-offs reversed in period	**457**	187	1 279
FX differences	**66**	-152	-202
At the end of period	**5 930**	4 643	4 510

Amounts in PLN '000

Allowances and write-offs in receivables and borrowings

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 31.12.2008
At the beginning of period	**11 605**	5 106	5 106
Increase in the period	**2 882**	940	8 289
Decrease in the period	**1 917**	1 325	1 895
FX differences	**355**	-26	105
At the end of period	**12 925**	4 695	11 605

8. Share capital

Share capital of the Group consists of share capital of Parent company.

As of June 30th, 2009 the amount of share capital is 3,492 ths PLN. The capital is divided into 1,746,067 shares with the par value of 2.00 PLN each.

LPP's shareholders structure as of 30.06.2009:

Shareholder	Number of shares held	Number of voting rights at General Shareholders Meeting	Share in the total voting rights at General Shareholders Meeting	Percentage share of share capital	Par value of shares in PLN
Marek Piechocki	324 390	1 024 390	32,56%	18,58%	648 780
Jerzy Lubianec	226 338	926 338	29,44%	12,96%	452 676
Grangefont Limited / London	350 000	350 000	11,13%	20,05%	700 000
Others	845 339	845 339	26,87%	48,41%	1 690 678
Total	1 746 067	3 146 067	100,00%	100,00%	3 492 134

In reported period there were no any issuance, redemption nor repayment of bonds / debt securities.

9. Dividends

No dividend was paid (or declared) in LPP S.A. Capital Group for the reported period.

10. Earnings per share

Earnings per share (EPS) is calculated as net profit for the reporting period divided by the weighted average number of ordinary shares outstanding for this period. Calculation of EPS is presented below:

	from 01.01. till 30.06.2009	from 01.01. till 30.06.2008	from 01.01. till 31.12.2008
Net profit for the reported period in PLN ths	22 212	52 768	167 507
Avg number of ordinary shares	1 724 669	1 699 124	1 691 857
Earnings per share in PLN	12,88	31,06	99,01

11. Provisions

The amount of provisions included into consolidated statement and the changes in reporting periods are presented below:

Amounts in PLN '000

	Provision for retirement payments	Provisions for unpaid remuneration and bonuses	Provision for liabilities	Provision for unused holiday
For the period of 01.01 till 30.06.2009				
At the beginning of period	874	5 070	87	3 140
- recognition of provision	0	2 644	109	1 419
- reversal of provision	16	5 070	87	765
- FX differences				-208
As of 30.06.2009	858	2 644	109	3 586
For the period of 01.01 till 30.06.2008				
At the beginning of period	563	6 993	636	1 363
- recognition of provision	268	0	16	1 884
- reversal of provision	0	6 993	636	603
- FX differences				-84
As of 30.06.2008	831	0	16	2 560
For the period of 01.01 till 31.12.2008				
At the beginning of period	563	6 993	636	1 363
- recognition of provision	311	5 070	87	3 083
- reversal of provision	0	6 993	636	1 457
- FX differences				151
As of 31.12.2008	874	5 070	87	3 140

12. Conditional liabilities

In 1st half of 2009, LPP's subsidiaries used the bank guarantees to assure landlords the payments of rental fees for leased stores.

As of June 30th, 2009 the total amount of bank guarantees issued upon LPP's and Artman's request by banks to landlords was 108,299 ths PLN, of which:

a) the amount of bank guarantees issued upon LPP's request to secure Parent company's obligations was 31,434 ths PLN
b) the amount of bank guarantees issued upon LPP's request to secure consolidated subsidiaries' obligations was 64,228 ths PLN,
c) the amount of bank guarantees issued upon LPP's request to secure non-consolidated subsidiaries' obligations was 12,637 ths PLN

On June 30th, 2009 the amount of non-bank guarantees issued directly by the Parent company to landlords was 14,931 ths PLN, while on December 31st, 2008 it was 3,539 ths PLN.

According to Management Board of LPP SA, it is very unlikely that these obligations will have to be settled in cash. The main reason for these obligations is to secure the rental payments to the landlords, for the stores leased, and also (in minor amount) to secure loans granted by a bank to Company's clients for purchase of goods from the Company.

In the reporting period, not the Parent company, nor any of its subsidiaries secured no loan nor issued any guarantee to any entity, that would exceed in value 10% of Parent's equity capital.

13. Corporate Income Tax

The split of Group's income tax for the 1st half of 2009 is presented below:

Amounts in PLN '000

	01.01 - 30.06.2009	01.01.- 30.06.2008
Current year income tax	15 670	15 572
Deffered income tax	-6 380	-4 624
Total	9 290	10 948

14. Related parties transactions

The term 'Related parties' includes:

- domestic and foreign subsidiaries, controlled by Group's companies due to the ownership of shares,
- key management personnel of Capital Group, including their families,
- entities controlled by the key personnel or their families, due to understanding of IAS 24.

14.1 Key management personnel

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

The amount of short-term employee benefits paid to the key management personnel in the period from January 1st, 2009 till June, 30th, 2009 totalled PLN 1,010k.

Persons belonging to 'key personnel' are also members of management boards or supervisory boards of subsidiaries, however taking no compensation for this function.

14.2 Related-parties transactions

PLN '000

	Subsidiaries	Liabilities as of 30.06.2009	Receivables as of 30.06.2009	Revenue in 1H2009	Costs in 1H2009
1.	Domestic (Polish) subsidiaries	2 367	146	3 412	20 453
Total		2 367	146	3 412	20 453

PLN '000

	Subsidiaries	Liabilities as of 30.06.2008	Receivables as of 30.06.2008	Revenue in 1H2008	Costs in 1H2008
1.	Domestic (Polish) subsidiaries	3 384	41	49	30 756
Total		3 384	41	49	30 756

Amounts presented in the table are related to intercompany transactions between LPP SA and its 19 Polish subsidiaries, which results are not consolidated to the Group's statements. 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 rules. Revenues from Polish companies are generated from the 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.

15. Events occured after the balance sheet date, that might affect the fair view of economic situation of LPP SA.

According to IAS 10, all events that occured after the balance sheet date and before the date of publication of financial statements, should be disclosed.

The merger of LPP SA and Artman SA took place on July 1st, 2009. The merger was concluded based on Article 492 & 1 p. 1 of Polish Commercial Companies Code (merger by takeover) by taking over all the assets of Artman by LPP.

On July 9th, 2009 the National Court Register inscribed the date of resolution about issuance of convertible bonds and the conditional increase of share capital of the Parent company.

On July 23rd, 2009 a non-public offer of convertible bonds was closed and settled. The bonds marked as 'Series A' has the right of conversion to shares marked as 'Series K'.

As effect of the bonds offer, 80,846 bonds were sold to investors for the amount of 129,353,600 PLN. The conversion price is 1,600 PLN per share.

The purpose of the bonds issuance was collecting funds needed to improve Company's financial liquidity and enable further development of the Group.

Bonds, that will not be converted into shares, will be paid back after 36 months of the issuance date. If all the bonds are converted into shares, it will increase the number of votes on the GSM to 3,226,913.

On August 14th, 2009 the share capital of LPP SA company was increased. As effect – 4,210 new shares marked as 'Series I' were issued, with the par value of 2.00 PLN each. Currently the share capital of LPP SA is 3,500,554 PLN.

On August 20th, 2009 two Management Board mambers resigned from the Vice President function – Alicja Milińska and Aleksander Moroz.

16. Additional information and disclosures to the individual financial statements of LPP S.A.

16.1. Tangible fixed assets

The liabilities for purchase of tangible fixed assets of the Parent are:

- 4,260 ths PLN as of 30.06.2009
- 6,020 ths PLN as of 30.06.2008
- 8,850 ths PLN as of 31.12.2008

Changes in tangible fixed assets in the period of 01-01-2009 till 30-06-2009 in PLN '000

	Land	Buildings and land constructions	Technical equipment and devices	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
1) gross value of fixed assets at the beginning of period	16 737	279 773	56 856	8 921	34 154	12 132	408 573
- increase in value	0	8 151	2 861	0	2 577	28 281	41 870
- decrease in value	0	3 481	639	192	610	20 541	25 463
2) gross value of fixed assets at the end of period	16 737	284 443	59 078	8 729	36 121	19 872	424 980
3) cumulated depreciation at the beginning of period	0	78 542	26 587	2 457	16 459	0	124 045
- depreciation	0	13 650	4 288	570	3 206	0	21 714
- increase	0	0	10	0	0		10
- decrease	0	2 793	580	126	470	0	3 969
4) cumulated depreciation at the end of period	0	89 399	30 305	2 901	19 195	0	141 800
5) impairment write-offs at the beginning of the period	0	3 367	0	0	0	0	3 367
- increase	0	0	0	0	0	0	0
- decrease	0	610	0	0	0	0	610
6) impairment write-offs at the end of period	0	2 757	0	0	0	0	2 757
Total net value of tangible fixed assets at the end of period	16 737	192 287	28 773	5 828	16 926	19 872	280 423

Changes in tangible fixed assets in the period of 01-01-2008 till 31-12-2008 in PLN '000

	Land	Buildings and land constructions	Technical equipment and devices	Vehicles	Other fixed assets	Fixed assets under construction	Total fixed assets
1) gross value of fixed assets at the beginning of period	12 283	149 786	33 148	5 942	26 179	44 921	272 259
- increase in value	4 455	130 662	24 835	4 315	8 882	138 925	312 074
- decrease in value	0	675	1 127	1 336	907	171 714	175 759
2)) gross value of fixed assets at the end of period	16 738	279 773	56 856	8 921	34 154	12 132	408 574
3) cumulated depreciation at the beginning of period	0	56 736	20 513	2 656	11 541	0	91 446
- depreciation	0	22 442	7 032	935	5 444	0	35 853
- increase	0	0	69	0	0	0	69
- decrease	0	636	1 027	1 134	526	0	3 323
4) cumulated depreciation at the end of period	0	78 542	26 587	2 457	16 459	0	124 045
5) impairment write-offs At the beginning of the period	0	1 273	0	0	0	0	1 273
- increase	0	2 094	0	0	0	0	2 094
- decrease	0	0	0	0	0	0	0
6) impairment write-offs at the end of period	0	3 367	0	0	0	0	3 367
Total net value of tangible fixed assets at the end of period	16 738	197 864	30 269	6 464	17 695	12 132	281 162

16.2. Intangible assets

Changes in intangibles for the period of 01-01-2009 till 30-06-2009 in PLN '000

	Cost of concluded R&D	Purchased concessions, patents, licences:		Intangibles still in progress	Total
		total	computer software		
a) Gross value of intangibles at the beginning of the period	443	29 239	28 157	385	30 067
- increase	-	247	247	346	593
- decrease		0	0	120	120
b) Gross value at the end of period	443	29 486	28 404	611	30 540
c) cumulated amortization at the beginning of the period	443	16 535	15 944	0	16 978
- planned amortization deductions	0	2 253	2 130	0	2 253
- decrease	0	0	0	0	0
d) cumulated depreciation at the end of period	443	18 788	18 074	0	19 231
Total net value of intangibles at the end of period	0	10 698	10 330	611	11 309

Changes in intangibles for the period of 01-01-2008 till 30-06-2008 in PLN '000

	Cost of concluded R&D	Purchased concessions, patents, licences:		Intangibles still in progress	Total
		total	computer software		
a) Gross value of intangibles at the beginning of the period	443	24 344	23 294	318	25 105
- increase	-	5 323	5 291	5 522	10 845
- decrease		428	428	5 455	5 883
b) Gross value at the end of period	443	29 239	28 157	385	30 067
c) cumulated amortization at the beginning of the period	443	13 098	12 767	0	13 541
- planned amortization deductions	0	3 865	3 605	0	3 865
- decrease	0	428	428		428
d) cumulated depreciation at the end of period	443	16 535	15 944	0	16 978
Total net value of intangibles at the end of period	0	12 704	12 213	385	13 089

16.3. Write-offs in assets

Write-offs in investments:

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 31.12.2008
At the beginning of period	**19 027**	10 671	10 671
Write-offs in cost in period	**3 504**	1 332	8 444
Write-offs reversed in period	**38**	88	88
At the end of period	**22 493**	11 915	19 027

Write-offs in borrowings:

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 31.12.2008
At the beginning of period	**25 822**	9 988	9 988
Increase in the period	**8 038**	1 646	22 331
Decrease in the period	**5 649**	829	6 497
At the end of period	**28 211**	10 805	25 822

Amounts in PLN '000

Write-offs in inventory:

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 31.12.2008
At the beginning of period	**2 639**	2 254	2 254
Increase in the period	**866**	1 156	1 378
Decrease in the period	**0**	0	993
At the end of period	**3 505**	3 410	2 639

Write-offs in receivables:

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 31.12.2008
At the beginning of period	**37 429**	5 880	5 880
Increase in the period	**41 948**	940	34 428
Decrease in the period	**10 061**	2 311	2 879
At the end of period	**69 316**	4 509	37 429

16.4. Earnings per share

Earnings per share (EPS) is calculated as net profit for the reporting period due to the owners of the Parent divided by the weighted average number of ordinary shares outstanding for this period. Calculation of EPS is presented below:

	from 01.01 till 30.06.2009	from 01.01 till 30.06.2008	from 01.01 till 01.12.2008
Net profit for the reported period in PLN ths	27 235	49 457	164 658
Avg number of ordinary shares	1 724 669	1 699 124	1 691 857
Earnings per share in PLN	15,79	29,11	97,32

16.5. Provisions:

The amount of provisions included into individual statement of the Parent and the changes in reporting periods are presented below:

Amounts in PLN '000

	Provision for retirement payments	Provisions for unpaid remuneration and bonuses	Provision for liabilities	Provision for unused holiday
For the period of 01.01 till 30.06.2009				
At the beginning of period	845	2 648	0	789
- recognition of provision	7	1 115	0	1 403
- reversal of provision	23	2 431	0	732
As of 30.06.2009	829	1 332	0	1 460
For the period of 01.01 till 30.06.2008				
At the beginning of period	563	6 993	624	229
- recognition of provision	268	0	0	1 340
- reversal of provision	0	6 993	624	224
As of 30.06.2008	831	0	0	1 345
For the period of 01.01 till 31.12.2008				
At the beginning of period	563	6 993	624	229
- recognition of provision	282	2 648	0	1 340
- reversal of provision	0	6 993	624	780
As of 31.12.2008	845	2 648	0	789

16.6. Income Tax

The split of Parent's income tax for the 1st half of 2009 is presented below:

Amounts in PLN

	01.01 - 30.06.2009	01.01. - 30.06.2008
Current Icome Tax	15 424	15 318
Deffered Income Tax	-9392	-3 992
Total	**6 032**	11 326

16.7. Related parties transactions

The term 'Related parties' includes:

- domestic and foreign subsidiaries, controlled by the Parent due to the ownership of shares,
- key management personnel of LPP SA, including their families,
- entities controlled by the key personnel or their families, due to understanding of IAS 24.

16.7.1 The key personnel

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

Amounts in PLN '000

The amount of short-term employee benefits paid to the key management personnel in the period from January 1st, 2009 till June, 30th, 2009 totalled PLN 1,010k.

Persons belonging to 'key personnel' are also members of management boards or supervisory boards of subsidiaries, however taking no compensation for this function.

16.7.2 Related partie transactions

Amounts in PLN

	Subsidiaries	Liabilities as of 30.06.2009	Receivables as of 30.06.2009	Revenue for 1H2009	Costs in 1H2009
1.	Polish subsidiaries	13 026	498	4 065	20 989
2.	Foreign subsidiaries	0	254 468	122 113	93 145
Total		13 026	254 966	126 178	114 134

Amounts in PLN

l.p.	Subsidiaries	Liabilities as of 31.12.2008	Receivables as of 31.12.2008	Revenue for 1H2008	Costs in 1H2008
1.	Polish subsidiaries	3 384	41	49	30 756
2	Foreign subsidiaries	0	225 569	95 722	0
Total		3 384	225 610	95 771	30 756

Management Board of LPP S.A.:

Marek Piechocki ....

Dariusz Pachla ....

Stanisław Dreliszak ....

Gdańsk, August 24th, 2009

Interim Condensed Individual Financial Statements of LPP SA for the Period of 01.01.2009 till 30.06.2009

1. **Selected financial data – individual financial statement of LPP S.A.**

Selected financial data	I half 2009	I half 2008	I half 2009	I half 2008
	01/01/2009-30/06/2009	01/01/2008-30/06/2008	01/01/2009-30/06/2009	01/01/2008-30/06/2008
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	695 753	621 074	153 982	178 593
Operating profit (loss)	37 709	81 927	8 346	23 558
Gross profit (loss)	33 267	60 783	7 362	17 478
Net profit (loss)	27 235	49 457	6 028	14 222
Net cash flow from operations	56 519	14 167	12 509	4 074
Net cash flow from investments	-23 192	-130 965	-5 133	-37 660
Net cash flow from financial activity	-47 647	108 367	-10 545	31 161
Total net cash flow	-14 320	-8 431	-3 169	-2 424

Selected financial data	I half 2009	I half 2008	I half 2009	I half 2008
	01/01/2009-30/06/2009	01/01/2008-30/06/2008	01/01/2009-30/06/2009	01/01/2008-30/06/2008
	in PLN '000		in EUR '000	
Total assets	1 254 751	809 508	280 730	241 342
Long-term payables	242 458	96 519	54 246	28 776
Short-term payables	429 846	309 975	96 171	92 414
Equity	582 447	403 014	130 313	120 152
Share capital	3 492	3 412	781	1 017
Number of shares	1 724 669	1 699 124	1 724 669	1 699 124
Earnings (loss) per ordinary share (EPS) (in PLN/EUR)	15,79	29,11	3,49	8,37
Book value per share – BVPS (in PLN/EUR)	337,72	237,19	76,56	70,71

1. Individual Balance Sheet of LPP S.A.

in PLN 000

Balance Sheet		As of the end of:		
		30/06/2009	30/06/2008	31/12/2008
ASSETS				
Long-term assets		678 536	318 673	675 010
1. Tangible fixed assets		280 423	257 598	281 162
2. Intangible assets		11 309	11 581	13 089
3. Investments in subsidiaries		362 971	33 846	363 859
4. Receivables		294	333	384
5. Deferred income tax assets		23 326	15 124	16 319
6. Prepaid expenses		213	191	197
Current assets (short-term)		576 215	490 835	626 584
1. Inventories		280 597	270 095	321 424
2. Trade and other receivables		265 392	197 144	259 702
3. Borrowings		9 359	4 310	11 777
4. Prepaid expenses		3 536	2 704	2 031
5. Cash and cash equivalents		17 331	16 582	31 650
Total Assets	**-**	**1 254 751**	**809 508**	**1 301 594**

Amounts in PLN '000

	30/06/2009	30/06/2008	31/12/2008
LIABILITIES & EQUITY			
Equity	582 447	403 014	555 213
1. Share capital	3 492	3 412	3 492
2. Treasury shares	-48 747	-48 743	-48 746
3. Capital from selling stocks above par (agio)	108 123	71 202	108 123
4. Reserve capital	492 344	327 686	327 686
5. Retained earnings	27 235	49 457	164 658
- profit (loss) from previous years	0	0	0
- profit (loss) from current year	27 235	49 457	164 658
Long-term payables	242 458	96 519	317 381
1. Borrowings (bank credits and loans)	231 778	91 361	304 300
2. Employee benefits provision	829	831	845
3. Deferred income tax provision	9 851	4 327	12 236
Short-term payables	429 846	309 975	429 000
1. Trade and other payables	160 737	151 475	171 057
2. Borrowings (bank credits and loans)	263 275	145 934	227 001
3. Income tax liability	1 690	9 728	24 824
4. Provisions	2 792	1 345	3 437
5. Special funds	118	328	57
6. Accruals and deferred income	1 234	1 165	2 624
Total Liabilities & Equity	**1 254 751**	**809 508**	**1 301 594**

Amounts in PLN '000

2. Statement of Comprehensive Income of LPP S.A.

Individual statement on total income	Current year 01/01/2009-30/06/2009	Previous year 01/01/2008-30/06/2008
Revenue from sales	695 753	621 074
Selling costs	391 829	296 615
Gross profit/loss on sales	303 924	324 459
Other operating revenues	21 032	3 595
Costs of sales	201 779	209 961
General & administration expenses	33 377	29 343
Other operating expenses	52 091	6 823
Operating profit/loss	37 709	81 927
Financial revenues	19 041	3 341
Financial expenses	23 483	24 485
Gross profit/loss	33 267	60 783
Income Tax	6 032	11 326
Net profit/loss	**27 235**	**49 457**
Total Income	**27 235**	**49 457**

Amounts in PLN '000

3. Statement of Changes in Equity of LPP S.A.

Statement of Changes in Equity	Share capital	Treasury shares	Agio	Other reserves	Profit / loss from previous years	Profit / loss from current year	TOTAL equity
As of January 1st, 2008	3 407	0	71 202	203 433	118 312	0	**396 354**
- corrections of errors from previous years							**0**
As of January 1st, 2008 (corrected)	3 407	0	71 202	203 433	118 312	0	**396 354**
Buy-back of treasury shares		-48 743					**-48 743**
Increase of share capital	5						**5**
Distribution of retained earnings from previous years				118 312	-118 312		**0**
Compansation paid in shares				5 941			**5 941**
P Net profit 1H2008						49 457	**49 457**
As of June 30th, 2008	**3 412**	**-48 743**	**71 202**	**327 686**	**0**	**49 457**	**403 014**
As of January 1st, 2009	3 492	-48 746	108 123	327 686	164 658	0	**555 213**
- corrections of errors from previous years							**0**
As of January 1st, 2009 (corrected)	3 492	-48 746	108 123	327 686	164 658	0	**555 213**
Buy-back of treasury shares		-1					**-1**
Distribution of retained earnings from previous years				164 658	-164 658		**0**
Net profit for 1H2009						27 235	**27 235**
As of June 30th, 2009	**3 492**	**-48 747**	**108 123**	**492 344**	**0**	**27 235**	**582 447**

5. Individual Cash Flow Statement of LPP S.A.

Cash Flow Statement	01/01/2009- 30/06/2009	01/01/2008- 30/06/2008
A. **Cash flow from operations – indirect method**		
I. Gross profit (loss)	33 267	60 783
II. Total adjustments	23 252	-46 616
1. Depreciation and amortisation	23 965	18 171
2. Foreign exchange (gains) losses	-3 787	2 642
3. Interest and profit sharing (dividends)	8 915	3 423
4. (Profit) loss from investments	1 510	1 108
5. Income tax paid	-38 193	-27 604
6. Change in provisions	-660	-1 224
7. Change in inventories	36 261	-21 110
8. Change in receivables	10 153	-38 863
9. Change in short-term payables, excluding credits and loans	-12 000	16 443
10. Change in prepaid expenses, accruals and deferred income	-2 912	-536
11. Other adjustments	0	934
III. Net cash flow from operations	56 519	14 167
B. Cash flow from investments		
I. Inflows	7 512	2 952
1. Sale of intangible assets and tangible fixed assets	2 532	1 402
2. From financial assets, of which:	4 980	1 550
a) in related parties	4 731	1 314
- interests and dividends	748	714
- repayment of short term loans	3 983	600
- repayment of long term loans	0	0
b) in other parties	249	236
- interest	11	16
- repayment of short term loans	238	220
3 . Other inflows from investments	0	0

II. Outflows	30 704	133 917
1. Acquisition of intangible assets and tangible fixed assets	27 419	116 703
2. On financial assets, of which:	3 285	17 214
a) in related parties	3 285	16 790
- acquisition of shares	1 579	11 450
- short-term loans granted		0
- long-term loans granted	1 706	5 340
b) in other entities	0	424
- short-term loans granted	0	28
- long-term loans granted	0	396
3. Other outflows on investments	0	0
III. Net cash flow from investments	-23 192	-130 965
C. Cash flow from financial activities		
I. Inflows	15 361	161 185
1. Credits and loans	15 361	161 180
2. Net inflows – issue of shares	0	5
3. Other financial inflows	0	
II. Outflows	63 008	52 818
1. Buy-back of treasury shares	1	48 744
2. Repayment of credits and loans	48 932	0
3. Interest	14 075	4 074
4. Other financial outflows	0	0
III. Net cash flow from financial activity	-47 647	108 367
D. Total net Cash flow	-14 320	-8 431
E. Total cash flow balance, of which:	-14 320	-8 431
- change in cash – foreign exchange differences	122	62
F. Opening cash balance	31 650	25 013
G. Closing cash balance, of which:	17 330	16 582
- restricted cash	98	242

Interim consolidated Capital Group report for 1H 2009

1. Operations of Capital Group in period of 01.01.2009 – 30.06.2009

Major achievements in 1H2009 :

1. 163 new stores were opened (including 50 seasonal stores) with total area of 31,000 sq.m. (27 Reserved stores, 62 Cropp Town stores, 12 Esotiq stores, 44 House stores, 18 Mohito stores), increasing the total selling area to 256,000 sq.m. (775 stores) of which 86,000 sq.m. (180 stores) outside of Poland.
2. In 1H2009 in Reserved stores – the sales revenue amounted 544m PLN, in Cropp stores – 174m PLN, in House stores – 133m PLN, in Mohito stores – 14m PLN, in Esotiq stores – 16m PLN.
3. Revenue in like-for-like stores decreased by 6.4% for 1H 2009 (excl. influence of exchange rate fluctuactions)
4. The merger of Artman and LPP was prepared and conducted on July 1st.

The main effects of activities of Capital Group:

Item	I H 2009 (mln PLN)	I H 2008 (mln PLN) *	yoy (%)
Sales revenue	953,9	697,8	37%
Gross profit on sales	476,8	413,8	15%
Selling costs	388,2	292,5	33%
SG&A	47,0	43,8	7%
EBITDA	86,5	101,0	-14%
EBIT	37,1	72,2	-49%
Net profit	22,2	52,7	-58%

*) excluding Artman

Sales revenue increased by 37% yoy, while gross profit on sales by 15% yoy. Selling costs increased by 33%, including expenses related to running the stores facilities. The total selling area, influencing these expenses increased by 60%, as compared to June 2008. SG&A expenses increased by 7% yoy. The total effect – net profit was 22.2m PLN, lower by 58% than achieved in 1H2008.

Margines achieved:

Margins (%)	I H 2009	I H 2008*
Gross margin on sales	50,0	59,3
EBITDA	9,1	14,5
EBIT	3,9	10,3
Net Profit	2,3	7,6

*) excluding Artman

Revenue from sales split by countries (excluding intercompany sales)

Country	I H 2009 (mln PLN)	I H 2008 (mln PLN) *	Change (%)
Poland	730,4	524,3	39%
Estonia	17,4	15,5	13%
Latria	13,7	13,6	1%
Czech Rep.	46,6	39,9	17%
Hangary	10,7	8,6	24%
Lithuania	19,8	17,1	16%
Ukraine	14,8	11,6	27%
Russia	88,4	65,2	36%
Romania	11,1	2,0	454%
Bulgaria	1,1	-	
Total	**953,9**	**697,8**	**37%**

*) excluding Artman

In 1H2009 the chain of stores was still developed abroad.

	I H 2009 (mln PLN)	I H 2008 (mln PLN)*	Change (%)
Poland	730,4	524,3	39%
EU countries	103,1	96,7	7%
Non-EU countries	120,4	76,8	57%
Total	**953,9**	**697,8**	**37%**

*) excluding Artman

2. The main factors influencing further development and risk associated.

The main goals of CG LPP influencing the future standing of the company are:

a) further development of stores in Poland and Central and Eastern Europe
b) building strong recognition for brands (mainly Reserved, Cropp and House, less for Mohito and Esotiq)
c) the full integration of LPP and Artman organizations

These goals will be influenced by many opportunity and risk factors:

Internal factors

a) CG LPP strategy on the market

The Group focuses on designing and distributing of fashion clothes and creating the brand recognition, while outsourcing all other activities. The Company does not posses any production plants and is not interested in owning ones. The outsourcing of production enables to decrease fixed costs and access to new, still enhancing technologies. Thus all investments of the company are aimed to increase the sale potential, increase the competitive advantage and build its own distribution chain.

LPP's strategy also focuses on increase of number of brands. It was the main reason to acquire Artman – the owner of House and Mohito brands.

b) Market position of LPP

Marketing activities of LPP increased significantly the recognition of Company's brands. Further development of selling area in the best location, helps Company to strengthen its market position. Merger with Artman is in line with this strategy.

The amount of sales revenue generated by LPP enables to name LPP as one of the biggest player on the market – especially in Poland. And while the clothing market is very fragmented, the market share of LPP is estimated to be only few percent, which means that there is still a space for growth for the Company.

c) Widening the offer for clients (risk associated with changes in fashion trends)

The key success factor for a fashion company is to outpace or strictly follow the current fashion trends – to deliver to customers what they really need, and with the price that is accepted. That is why LPP put lots of effort to be in line with current fashion trends. Designers responsible for the collection attend the fashion shows, use the newest trendbooks and internet news, to meet clients preferences.

d) Risk associated to weather

In the period of one collection sale (spring/summer or autumn/winter) changes in weather conditions may influence the perception or needs for certain type of clothes. Such unpredictable conditions may influence Company's sale or margins in short-time, however do not have influence over the long term.

e) Risk related to stores location

Company's strategy is based on fast growth of chain of stores. With a fast growth there is always a possibility of opening store in location that will not be performing according to the business assumption. Lower sales in few stores may lead to lower financial performance of the Company.

LPP tries to lower this risk by detailed valuation of each single location, however single failures may occur. But since the number of stores is significant, this kind of risk is of limited influence over the whole financial performance of the Company.

f) Logistics

LPP owns a new logistic centre in Pruszcz Gdański, which enables to react fast for the needs of delivery of goods to stores. This is one of the most modern logistics solutions in Poland. Opening of the center increased Company's capabilities in clothes storage and completing significantly, with the growing number of stores and deliveries.

f) Cost optimisation

To increase effectiveness and productivity, many tasks were introduced, to optimize and minimize the level of costs. This effort was important also due to the current economic crisis and decrease in demand for clothes. According to this cost optimization programme, the headcount in the Company was adjusted to the new market situation, marketing spendings were decreased only to the most efficient ones, and few Capex spendings were postponed or suspended. These tasks were introduced in 2008 and are still pending.

External factors

a) Risk associated to the economic slowdown in Poland and other European countries, where Company's stores are present.

Negative changes in the global economy influence also Poland and other CEE countries, resulting in lowering consumers' spendings, including spendings for clothes. Reacting for the macroeconomic changes, Company introduced more simpler and cheaper collections of clothes, and also introduced cost cutting programmes.

b) Fluctuations in currencies – FX risk

Majority of expenses - goods purchase is settled in foreign currencies (mainly USD and EUR). On the other hand – majority of revenue are generated in PLN or other CEE curriencies. Fluctuations of Polish Zloty against USD creates a risk for the Company. This risk is partially mitigated by lifting the increase of USD rates to the final consumer, by increasing prices. The second currency risk is related to lease of stores – the rental is being settled in EUR. Here again - weakening of Polish currency against EUR creates a huge currency risk for LPP.

c) Interest rate risk.

Since Company is still using bank facilities, it is exposed to the interest rate risk. All bank loans are based on a variable – market rate, which may increase and affect Company's cash flow. However in the opinion of Management Board, the fluctuations in interest rates is not of significant influence on LPP's financial results.

d) Tax and duty changes

Duty and tax rules are of significant importance for Company's activities. Changes in this area may affect prices of purchases of trading goods, that are produced mainly in China and India. Additionally - if any import limits / quotes were introduced for imported goods, a Company would suffer due to lower margins or lower sales. However the probability of such changes is low, since EU is providing stable custom politics.

e) Risk of changes in official trading hours / days

Majority of Company's stores are located in shopping malls. Since there were attempts from politics to shorten the trading hours or days (like 'no trade on Sunday'), there is a risk of shortening time of selling Company's products from 7 to 6 days in a week. Such change would have affected Company's revenue and financial results.

5. **Presentation of effects of organisational changes, due to merger, acquisition or disposal of entities or restructurisation of the Company.**

In the current reporting period, LPP SA bought back all the outstanding shares of Artman and the merger was done on July 1st, 2009.

6. **Management Board's opinion on the feasibility of fulfilling annual consolidated results forecast.**

No forecasts were published by the Company for 2009.

7. **Shareholders holding at least 5% of voting rights at the General Meeting of Shareholders of LPP S.A. as of the date of submission of the quarterly report, directly or indirectly through subsidiaries, and changes in the structure of ownership of significant stakes of LPP S.A. shares after the date of submission of the previous quarterly report.**

Shareholding structure of the parent company as of the date of submission of the report – as of August 24th, 2009

Shareholder	Number of shares held	Number of voting rights at General Shareholders Meeting	Share in the total voting rights at General Shareholders Meeting	Percentage in share capital	Par value of shares
Marek Piechocki	324 390	1 024 390	32,52%	18,53%	648 780
Jerzy Lubianec	226 338	926 338	29,40%	12,93%	452 676
Grangefont Limited in London	350 000	350 000	11,11%	20,00%	700 000
Other	849 549	849 549	26,97%	48,54%	1 699 098
Total	1 750 277	3 150 277	100,00%	100,00%	3 500 554

Changes in shares structure are related to increase in share capital, registered on August 14th, 2009.

8. **Structure of ownership of LPP SA shares or rights to shares (options) held by members of Management Board and Supervisory Board as of the date of submission of the report, separately for each member.**

Shareholder	Number of shares held	Number of voting rights at the General Shareholders Meeting
President of the Management Board	324 390	1 024 390
Vice-President of the Management Board	5 954	5 954
Vice-President of the Management Board	2 225	2 225
Vice-President of the Management Board	2 664	2 664
Vice-President of the Management Board	2 341	2 341
Chairman of the Supervisory Board	226 338	926 338

No changes in the ownership in the current reporting period.

9. Information on legal proceedings in progress

In the Capital Group, LPP S.A. and Artman SA are parties in legal proceedings, claiming the settlement of receivables from its business partners. The total amount claimed does not exceed 10% of the Company's equity.

10. Information on related parties transactions, if the amounts are significant and were conducted on not-market conditions.

No such transactions in the reporting period.

11. Other information of significant importance related to personnel, financials, assets or results, that might influence solvency of the Company.

This report contains all needed information that is relevant for the valuation and assessment of financial standing of Capital Group of LPP. To the best knowledge of Management Board there are no significant risks currently that would cause Company's insolvency.

12. Factors of high importance for the future financial results for at least next 6 months.

Main factors influencing the nearest future results of the Company nad Capital Group:

1. economic slowndown in Poland and other CEE countries
2. currencies fluctuations (maliny PLN) against USD and EUR
3. clients' reception of autumn/winter collection
4. new stores openings for brands: Reserved, Cropp Town, House, Mohito
5. cost cutting and efficiency programmes

Management Board of LPP S.A.:

Marek Piechocki ....

Dariusz Pachla ....

Stanisław Dreliszak ....

Gdańsk, August 24th, 2009