LPP SA CAPITAL GROUP

The report on the first half of 2011.

Including:

1. Statement of the Management Board in accordance with the provisions of the Regulation of the Council of Ministers of 19 February 2009 on current and interim information provided by issuers of securities and on conditions under which information required by regulations adopted by countries other than Member States is considered equivalent.
2. Interim condensed consolidated financial statement for the period from 01.01.2011 to 30.06.2011.
3. Additional information and explanatory notes to the interim condensed consolidated financial statement for the first half of 2011.
4. Interim condensed individual financial statement for the period from 01.01.2011 to 30.06.2011.
5. Semi-annual report on LPP SA Capital Group operations for the first half of 2011

August 2011

STATEMENT OF THE MANAGEMENT BOARD

in accordance with the provisions of the Regulation of the Council of Ministers of 19 February 2009 on current and interim information provided by issuers of securities and on conditions under which information required by regulations adopted by countries other than Member States is considered equivalent.

- to the best of the Management Board's knowledge, the semi-annual consolidated financial statement and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP Capital Group,

- to the best of the Management Board's knowledge, the semi-annual condensed individual financial statement and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP Capital Group,

- the semi-annual consolidated report on the Management Board's operations presents the true and fair view of the development and achievements of LPP Capital Group, including the accurate description of risks and threats,

- the entity authorised to audit financial statements that conducted an audit of the semi-annual consolidated financial statements was appointed in line with applicable legal provisions currently in effect. This entity and statutory auditors who performed audits satisfied all requirements to prepare an impartial and independent audit report, pursuant to the applicable provisions of the Polish law.

LPP SA Management Board:

Marek Piechocki – President of the Management Board ....

Dariusz Pachla – Vice President of the Management Board …………………………………………………..

Jacek Kujawa – Vice President of the Management Board ………………………………………………

Piotr Dyka – Vice President of the Management Board ………………………………………………

Hubert Komorowski – Vice President of the Management Board ………………………………………………

Gdańsk, 22 August 2011

Interim condensed consolidated financial statement for the period from 01.01.2011 to 30.06.2011

1. Selected Consolidated Financial Data of LPP SA Capital Group

Selected Consolidated Financial Data	First half of 2011	First half of 2010	First half of 2011	First half of 2010
	01/01/2011-30/06/2011	01/01/2010-30/06/2010	01/01/2011-30/06/2011	01/01/2010-30/06/2010
	in PLN '000		in EUR thousand	
Net revenues from sales of products, goods and materials	1 081 002	906 073	272 478	226 281
Operating profit (loss)	98 556	48 218	24 842	12 042
Gross profit (loss)	99 103	49 662	24 980	12 402
Net profit (loss)	78 311	33 074	19 739	8 260
Net cash flows from operating activities	71 710	48 662	18 075	12 153
Net cash flows from investing activities	-13 742	-109 013	-3 464	-27 225
Net cash flows from financing activities	-58 406	-18 439	-14 722	-4 605
Total net cash flows	-438	-78 790	-110	-19 677

Selected Consolidated Financial Data	First half of 2011	First half of 2010	First half of 2011	First half of 2010
	01/01/2011-30/06/2011	01/01/2010-30/06/2010	01/01/2011-30/06/2011	01/01/2010-30/06/2010
	in PLN '000		in EUR '000	
Total assets	1 483 913	1 436 316	372 225	346 451
Long-term liabilities	231 180	310 709	57 989	74 945
Short-term liabilities	561 015	497 145	140 725	119 915
Equity capital	691 718	628 462	173 511	151 590
Share capital	3 523	3 501	884	844
Weighted average number of ordinary shares	1 738 975	1 728 879	1 738 975	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	45.03	19.13	11.35	4.78
Book value per share (in PLN / EUR)	397.77	363.51	99.78	87.68
Declared or paid dividend per share (in PLN / EUR)	78.00	50.00	19.57	12.06

data in PLN '000

2. Consolidated Balance Sheet of LPP SA Capital Group

Balance Sheet	as at the end of:		
	30/06/2011	30/06/2010	31/12/2010
ASSETS			
Fixed assets (long-term)	698 107	728 222	712 574
1. Tangible fixed assets	408 360	433 427	422 456
2. Intangible assets	10 846	11 892	11 040
3. Goodwill	183 609	183 609	183 609
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	186	719	212
6. Investments in associates	19		19
7. Investments in real estate	687	0	0
8. Receivables and loans	1 170	1 130	1 062
9. Deferred tax assets	15 467	19 801	16 491
10. Accruals and prepayments	255	136	177
.			
Current assets (short term)	785 806	708 094	716 446
1. Inventory	503 275	389 053	424 437
2. Trade receivables	97 438	82 585	95 742
3. Receivables from income tax	2 584	1 537	542
4. Other receivables	23 574	19 278	22 962
5. Loans	204	528	237
6. Other securities	0	16 438	16 430
7. Other financial assets	54 664	71 452	53 064
8. Accruals and prepayments	8 035	8 531	6 562
9. Cash and cash equivalents	96 032	118 692	96 470
TOTAL assets	**1 483 913**	**1 436 316**	**1 429 020**

data in PLN '000

	30/06/2011	30/06/2010	31/12/2010
LIABILITIES			
Equity capital	691 718	628 462	736 546
1. Share capital	3 523	3 501	3 501
2. Own shares	-48 756	-48 751	-48 754
3. Share premium	125 067	108 123	108 123
4. Other capital	561 433	547 559	547 559
5. currency translation profit/loss of subsidiaries	-3 097	-3 234	-650
6. Retained earnings	53 548	21 264	126 767
- profit (loss) from previous years	-24 763	-11,810	-12 316
- net profit (loss) for the current period	78 311	33 074	139 083
Long-term liabilities	231 180	310 709	281 231
1. Bank loans and borrowings	120 852	191 219	156 096
2. Issue of debt securities	106 662	115 514	121 524
3. Other financial liabilities	51	158	88
4. Provisions for employee benefits	1 141	1 064	1 025
5. Deferred income tax provision	2 455	2 754	2 464
Short-term liabilities	561 015	497 145	411 243
1. Trade payables and other liabilities	466 606	377 638	312 700
2. Income tax liabilities	2 170	61	771
3. Bank loans and borrowings	74 123	104 276	86 637
4. Issue of debt securities	3 482	7 609	3 906
5. Other financial liabilities	40	201	96
6. Provisions	10 962	4 239	3 122
7. Special funds	408	519	347
8. Accruals and prepayments	3 224	2 602	3 664
TOTAL liabilities	**1 483 913**	**1 436 316**	**1 429 020**

data in PLN '000

3. Uniform consolidated comprehensive income statement of LPP Capital Group

Consolidated statement of comprehensive income.	current year 01/01/2011-30/06/2011	previous year 01/01/2010-30/06/2010
Continued operation		
Sales revenues	1 081 002	906 073
Cost of sales	481 074	415 342
Gross profit/loss on sales	599 928	490 731
Other operating revenues	9 137	13 527
Selling costs	443 515	394 424
Overheads	51 325	44 730
Other operating expenses	15 669	16 886
Operating profit/loss	98 556	48 218
Financial revenues	13 625	15 621
Financial expenses	13 078	14 177
Gross profit/loss	99 103	49 662
Tax burden	20 792	16 588
Net profit/loss from continuing operations	**78 311**	**33 074**
Discontinued operations		
Net profit/loss from discontinued operations		
Net profit/loss	**78 311**	**33 074**
Other comprehensive income		
Currency translation profit/loss	-2 447	-3 743
Total comprehensive income	75 864	29 331
Weighted average number of ordinary shares	1 738 975	1 728 879
Profit (loss) per ordinary share	45.03	19.13

data in PLN '000

4. Consolidated Statement of Changes in Equity of LPP SA Capital Group

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Currency translation profit/loss	TOTAL equity capital
As at 1 January 2010	3 501	-48 749	108 123	512 189	110 016	0	509	685 589
- adjustments due to errors in previous years					-12			-12
As at 1 January 2010 after adjustments	3 501	-48 749	108 123	512 189	110 004	0	509	685 577
Treasury shares purchase		-2						-2
Distribution of profit for the year 2009				35 370	-121 814			-86 444
Transactions with owners	0	-2	0	35 370	-121 814	0	0	-86 446
Net profit for first half of 2010						33 074		33 074
Calculation of foreign exchange differences on translation							-3 743	-3 743
As at 30 June 2010	**3 501**	**-48 751**	**108 123**	**547 559**	**-11 810**	**33 074**	**-3 234**	**628 462**
As at 1 January 2011	3 501	-48 754	108 123	547 559	126 767	0	-650	736 546
- adjustments due to errors in previous years					-2 658			-2 658
As at 1 January 2011 after adjustments	3 501	-48 754	108 123	547 559	124 109	0	-650	733 888
Treasury shares purchase		-2						-2
Conversion of bonds into shares	22		16 944					16 966
Distribution of profit for the year 2010				13 874	-148 872			-134 998
Transactions with owners	22	-2	16 944	13 874	-148 872	0	0	-118 034
Net profit for the first half of 2011						78 311		78 311
Calculation of foreign exchange differences on translation							-2 447	-3 743
As at 30 June 2011	**3 523**	**-48 756**	**125 067**	**561 433**	**-24 763**	**78 311**	**-3 097**	**691 718**

data in PLN '000

5. Consolidated Statement of Cash Flows of LPP SA Capital Group

Statement of Cash Flows	01/01/2011-30/06/2011	01/01/2010-30/06/2010
A. Cash flow from operating activities - indirect method		
I. Gross profit (loss)	99 103	49 662
II. Total adjustments	-27 393	-1 000
1. Depreciation	47 443	47 031
2. (Profit) loss on foreign exchange differences	-1 595	496
3. Interest and participation in profits (dividends)	8 749	10 262
4. Profit (loss) from investing activities	-546	-658
5. Paid income taxes	-20 056	-30 113
6. Change in provisions	7 907	1 299
7. Change in inventories	-78 563	-59 633
8. Change in receivables	-8 185	-14 151
9. Change in short-term liabilities, excluding loans and borrowings	20 637	42 908
10. Change in accruals	-1 900	-1 540
11. Other adjustments	-1 284	3 099
III. Net cash flows from operating activities	71 710	48 662
B. Cash flows from investing activities		
I. Revenues	26 031	13 838
1. Disposal of intangible and tangible fixed assets	8 666	13 160
2. From financial assets, including:	17 365	678
a) in affiliated entities	643	549
- dividends		549
- liquidation of companies	643	
b) in other entities	16 722	129
- disposal of financial assets – foreign bonds	16 000	
- repayment of loans	105	116
- interest	617	13
3. Other investment inflows		

data in PLN '000

II. Expenses	39 773	122 851
1. Acquisition of intangible and tangible fixed assets	39 692	36 750
2. For financial assets, including:	81	16 101
a) in affiliated entities	0	0
- acquisition of shares		
- granted short-term loans		
- granted long-term loans		
b) in other entities	81	16 101
- acquisition of financial assets		16 000
- loans granted	81	101
3. Other capital expenses		70 000
III. Net cash flows from investing activities	-13 742	-109 013
C. Cash flows from financing activities		
I. Revenues	0	33 467
1. Proceeds from share issue		
2. Loans and borrowings		33 467
3. Other financial income		
II. Expenses	58 406	51 906
1. Treasury shares purchase	2	2
2. Repayment of loans and borrowings	48 957	40 841
3. Payment of finance lease liabilities	101	188
4. Interest	9 346	10 875
5. Other financial expenses		
III. Net cash flows from financing activities	-58 406	-18 439
D. Total net cash flows	**-438**	**-78 790**
E. Net change in cash, including:	**-438**	**-78 790**
- change in cash from foreign exchange differences	319	3 581
F. Opening cash balance	**96 470**	**197 482**
G. Cash at the end of the period, including:	**96 032**	**118 692**
- restricted cash	396	494

Additional information and explanatory notes to the interim condensed consolidated financial statement for the first half of 2011.

data in PLN '000

1. General information

The parent company of LPP Capital Group (hereinafter referred to as "the Capital Group" or "the Group") is LPP SA (hereinafter referred to as "the parent Company").
The parent company was entered into the register of entrepreneurs of the National Court Register kept by the District Court Gdańsk Północ for the City of Gdańsk - 8th Commercial Division, KRS No. 0000000778. The parent company was given the statistical REGON number 190852164.

The registered office of the Parent Company is in Gdańsk, ul. Łąkowa 39/44, 80-769.
The parent company and the Group operate in the following countries: Poland, Estonia, Czech Republic, Latvia, Lithuania, Hungary, Russia, Ukraine, Romania, Bulgaria and Slovakia.

LPP SA is a company that designs and distributes clothing in Poland and the countries of Central and Eastern Europe. Basic products of the company are marked with the trademarks: Reserved, Cropp, House and Mohito. Subsidiaries that compose the CG and are subject to consolidation are entities involved in the distribution of goods outside Poland. Clothing is essentially the only commodity sold by the CG companies. Footwear, bags and clothing accessories are sold as products supplementing the basic offer of the CG companies.
Clothing designs are prepared in the design office located in the registered office of LPP S.A. in Gdańsk and for the brands of House and Mohito in the design office in Cracow, where they are then transferred to the purchasing department that orders the production of certain models, cooperating in this respect with companies in Poland and abroad. Placement of the production in China is being conducted via the Company's sales office in Shanghai. The Capital Group also generates small revenues from sales of services (these include only the revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and the lease of transport vehicles).

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

The LPP Capital Group includes:

- LPP SA – as the parent company,
- 5 Polish subsidiaries,
- 12 foreign subsidiaries.

There is no parent company in relation to LPP SA.

The list of companies composing the Capital Group is presented below.

No.	Company name	Registered office	Takeover date
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
6.	LPP Retail Estonia OU	Tallinn. Estonia	29.04.2002
7.	LPP Czech Republic s.r.o.	Prague, Czech Republic	16.09.2002

data in PLN '000

8.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
9.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
10.	UAB LPP	Vilnius, Lithuania	27.01.2003
11.	LPP Ukraina	Peremyshliany, Ukraine	23.07.2003
12.	RE Trading Closed Joint Stock Company	Moscow, Russia	12.02.2004
13.	LPP Fashion Distribuitor SRL	Bucharest, Romania	12.08.2007
14.	FASHION POINT	Moscow, Russia	01.04.2008
15.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
16.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia	30.10.2008
17.	Artman Mode s.r.o.	Ostrava, Czech Republic	30.10.2008

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

The consolidated financial statements of the Capital Group covering the period between 1 January and 30 June 2010 include individual results of LPP SA and results of foreign subsidiaries listed below:
- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungary Kft
- LPP Retail Latvia Ltd
- UAB LPP
- LPP Ukraina AT
- ZAO Re Trading
- LPP Fashion Distribuitor srl.
- Fashoin Point
- LPP Retail Bulgaria Ltd.
- Artman Slovakia srl
- Artman Mode s.r.o.

Polish subsidiaries of LPP SA were not consolidated due to the immateriality of data. This is consistent with the Accounting Policy adopted by the Group.
According to it, a subsidiary or affiliated entity is not consolidated if the amounts reported in its financial statements are negligible in relation to the financial statements of the parent company. In particular, the balance sheet total and net revenues from sales of goods and services and financial operations of the entity which for the financial period are less than 10% of total assets and liabilities and the income of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of the entities not included in the consolidation may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements established on the assumption that their scope includes all subsidiaries and affiliates without making any exclusions.

Participation in the consolidated amounts of all national subsidiaries not included in the consolidation is as follows:
- in the Capital Group's balance sheet total – 0.06%
- in the Capital Group's revenues from sales and financial revenues - 0.45%

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

2. Basis for preparation and accounting policy

2.1. Basis for preparation

The interim condensed consolidated financial statement of LPP Capital Group covers the period of 6 months ending 30.06.2011 and has been prepared in accordance with the IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statement does not contain all the information that is disclosed in the annual consolidated financial statement prepared in accordance with IFRS. The interim condensed consolidated financial statement should be read together with the consolidated financial statement of the Capital Group for the year 2010.

The currency of the interim condensed consolidated financial statements is Polish Zloty and all amounts are expressed in PLN '000.

The interim condensed consolidated financial statement has been prepared based on the assumption the companies composing the CG and subject to consolidation remain a going concern in the foreseeable future. As of the date of approval of the condensed consolidated financial statement for publication, there are no circumstances that could pose a threat to the continued operation of the companies.

2.2. Accounting policy

Accounting policy applied to prepare the statement is in all material respects compliant with the policy adopted for the preparation of the consolidated annual financial statement of LPP SA Capital Group for the financial year 2010, in accordance with the International Financial Reporting Standards except for amendments to IFRS applied from 1 January 2011 arising from the draft of annual adjustments. Annual adjustments of 2010 were introduced to IFRS 1, 3, 7, IAS 1, 21, 28, 31, 34, IFRIC 13. This interim condensed consolidated financial statement was primarily influenced by the changes in the IAS 34 *Interim Financial Reporting*.

Adjustments to the IAS 34 are twofold. Firstly, the Council has reorganised the structure of the standard by dividing the additional information disclosed in relation to condensed interim financial statements into:

- information concerning significant events and transactions that are disclosed by applying the criterion of materiality - their open list is included in IAS 34.15B,
- other information specified in IAS 34.16.

Secondly, to the list of information on significant events and transactions there have been added disclosures concerning financial instruments.

In the interim condensed consolidated financial statement the Group applied the adjustments to IAS 34, including in particular the disclosures concerning financial instruments (see note 9)

2.3. Corrections of errors and adjustments to accounting policy.

The condensed consolidated financial statement includes the correction of errors, which influenced the financial data presented in previous years and concerned the incorrect determination of the depreciation amount of tangible fixed assets in the Romanian subsidiary.
The adjustment decreased the value of tangible fixed assets and the profit from previous years by PLN 2 658 thousand.

3. Seasonality of operations

Seasonality in sales is a phenomenon affecting the entire clothing market both in Poland and abroad. Thus, for example, in the second quarter of regular selling of the spring - summer collection, gross profit margin on sales was higher than in the first quarter.

4. Operating segments

LPP SA Capital Group conducts one type of business activity (one trade segment regarded as the basic one). A division into two geographical segments was applied: activity with the European Union and outside. The division into geographical segments was based on the criterion of the Group's asset location.

Revenues and financial results for geographical segments for the period from 1 January 2011 to 30 June 2011 and for the comparative period have been presented in the tables below.

First half of 2011 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	923 541	157 461			1 081 002
Sales between segments	71 829		-71 829		-
Other operating revenues	7 541	357		1 239	9 137
Total revenues	**1 002 911**	**157 818**	**-71 829**	**1 239**	**1 090 139**
Total operating expenses, including	858 716	140 351	-74 478	51 325	975 914
Costs of sales between segments	58 406		-58 406		-
Other operating expenses	14 763	906			15 669

Segment results	**129 432**	**16 561**	**2 649**	**-50 086**	**98 556**
Financial revenues				13 625	13 625
Financial expenses				13 078	13 078
Profit before tax					99 103
Income tax					20 792
Net profit from continuing operations					**78 311**

First half of 2010 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	784 955	121 118			906 073
Sales between segments	51 247		-51 247		-
Other operating revenues	8 142	3 096		2 289	13 527
Total revenues	**844 344**	**124 214**	**-51 247**	**2 289**	**919 600**
Total operating expenses, including	751 296	110 019	-51 549	44 730	854 496
Costs of sales between segments	37 684		-37 684		-
Other operating expenses	11 645	5 241			16 886
Segment results	**81 403**	**8 954**	**302**	**-42 441**	**48 218**
Financial revenues				15 621	15 621
Financial expenses				14 177	14 177
Profit before tax					49 662
Income tax					16 588
Net profit from continuing operations					**33 074**

5. Convertible bonds

In July 2009, the private placement involved 80 846 series A bonds convertible into series K bearer shares.
The pre-emptive right to series K shares by converting bonds may be exercised every 6 months after the date of payment of interest for the period.
In January 2011, the company received statements from 7 bondholders of series A convertible bonds together with orders to convert series A bonds into series K shares.
As a result of conversion instructions 11 288 series A convertible bonds were converted into 11 288 K series shares.
During the reporting period there has been paid interest on the bonds in the amount of PLN 3 905 thousand. The costs related to the issued bonds, influencing the profit and loss account during the first half of 2011, amounted to PLN 5 587 thousand.

6. Tangible fixed assets

LPP Capital Group has undertaken obligations amounting to PLN 5 600 thousand for the purchase of tangible fixed assets. In comparable periods, the figures were as follows:
- as at 30.06.2010 - PLN 2 286 thousand,
- as at 31.12.2010 - PLN 1 252 thousand.

CHANGES OF FIXED ASSETS (by generic groups) in the period from 01.01.2011 to 30.06.2011 in PLN thousand

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	means of transport	other fixed assets	fixed assets in progress	Fixed assets, total
1) gross value of fixed assets at the beginning of the period	19 174	525 983	120 609	11 187	109 154	4 561	790 668
- foreign exchange differences		2 352	593	28	-23	51	3 001
- increase		13 559	4 944	1 659	6 310	35 115	61 587
- decrease		5 308	3 685	629	574	26 776	36 972
2) gross value of fixed assets at the end of the performance period	19 174	536 586	122 461	12 245	114 867	12 951	818 284
3) accumulated depreciation (amortisation) at the beginning of the performance period	0	214 626	78 125	5 461	64 337	0	362 549
- depreciation	0	28 610	7 243	781	8 280	0	44 914
- foreign exchange differences		3 650	470	-16	-73		4 031
- decrease	0	4 570	3 363	455	375	0	8 763
4) accumulated depreciation (amortisation) at the end of the performance period	0	242 316	82 475	5 771	72 169	0	402 731
5) impairment write-offs at the beginning of the performance period	0	4 976	687	0	0	0	5 663
- increase	0	2 311	189	0	0	0	2 500
- decrease	0	850	120	0	0	0	970
6) impairment write-offs at the end of the performance period	0	6 437	756	0	0	0	7 193
Total net value of fixed assets at the end of the performance period	19 174	287 833	39 230	6 474	42 698	12 951	408 360

CHANGES OF FIXED ASSETS (by generic groups) in the period from 01.01.2010 to 30.12.2010 in PLN thousand

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	means of transport	other fixed assets	fixed assets in progress	Fixed assets, total
1) gross value of fixed assets at the beginning of the period	19 174	480 909	118 543	11 987	90 912	23 901	745 426
- foreign exchange differences		-770	-305	0	357	135	-583
- increase		61 796	12 599	1 445	24 164	85 744	185 748
- decrease		15 952	10 228	2 245	6 279	105 219	139 923
2) gross value of fixed assets at the end of the performance period	19 174	525 983	120 609	11 187	109 154	4 561	790 668
3) accumulated depreciation at the beginning of the performance period	0	169 449	69 416	5 173	49 095	0	293 133
- depreciation	0	53 016	17 006	1 667	17 725	0	89 414
- foreign exchange differences		-579	-346	-2	-336		- 1 263
- decrease	0	7 260	7 951	1 377	2 147	0	18 735
4) accumulated depreciation at the end of the performance period	0	214 626	78 125	5 461	64 337	0	362 549
5) impairment write-offs at the beginning of the performance period	0	9 063	955	0	158	0	10 176
- increase	0	786	0	0	0	0	786
- decrease	0	4 873	268	0	158	0	5 299
6) impairment write-offs at the end of the performance period	0	4 976	687	0	0	0	5 663
Total net value of fixed assets at the end of the performance period	19 174	306 381	41 797	5 726	44 817	4 561	422 456

7. Intangible assets

Changes in intangible assets during the period from 01-01-2011 to 30-06-2011 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar assets, including:		intangible assets in progress	total
		total	computer software		
a) gross value of intangible assets at the beginning of the performance period	443	37 094	33 902	609	38 146
- increase	-	2 137	2 137	1 733	3 870
- decrease		11	11	1 538	1 549
b) gross value of intangible assets at the end of the performance period	443	39 220	36 028	804	40 467
c) accumulated depreciation (amortisation) at the beginning of the performance period	443	26 663	24 519	-	27 106
- planned amortisation write-offs	0	2 529	2 529	-	2 529
- foreign exchange differences	0	-4	-4		-4
- decrease	0	10	10		10
d) accumulated depreciation (amortisation) at the end of the performance period	443	29 178	27 034	-	29 621
Total net value of intangible assets at the end of the performance period	0	10 042	8 994	804	10 846

Changes in intangible assets in the period from 01-01-2010 to 30-12-2010 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar assets, including:		intangible assets in progress	total
		total	computer software		
a) gross value of intangible assets at the beginning of the performance period	443	34 150	30 958	586	35 179
- foreign exchange		-3	-3	0	-3
- increase	-	3 425	3 425	2 972	6 397
- decrease		478	478	2 949	3 427
b) gross value of intangible assets at the end of the performance period	443	37 094	33 902	609	38 146
c) accumulated depreciation (amortisation) at the beginning of the	443	21 973	19 833	-	22 416
- foreign exchange	0	22	22		22
- planned amortisation write-offs	0	5 010	4 909	-	5 010
- decrease	0	342 342	245		342
d) accumulated depreciation (amortisation) at the end of the performance period	443	26 663	24 519	-	27 106
Total net value of intangible assets at the end of the performance period	0	10 431	9 383	609	11 040

8. Asset revaluation write-offs

Inventory revaluation write-offs;

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Opening balance	3 939	4 484	4 484
Write-offs recognised as costs in the period	616	470	1 376
Reversed write-offs in the period	519	1 798	1 803
Foreign exchange differences	59	-119	-118
Closing balance	**4 095**	3 037	3 939

Receivables and loans revaluation write-offs

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Opening balance	6 875	12 603	12 603
Increases recognised in the reporting period	766	835	1 256
Decreases recognised in the reporting period	1 448	4 108	6 997
Foreign exchange rate differences	10	89	13

Closing balance	**6 203**	9 419	6 875

9. The fair value of financial instruments

The fair values and carrying values and comparable data of individual financial instruments as at the balance sheet date are presented in the following table.

30.06.2011 in PLN '000

Assets*	Fair value	Carrying amount
Trade and other receivables	124 653	124 653
Other financial assets	54 664	54 664
Cash and cash equivalents	96 032	96 032
Total	275 349	275 349
Liabilities	Fair value	Carrying amount
Bank loans and borrowings	194 975	194 975
Debt securities	110 144	110 144
Trade and other payables	286 206	286 206
Other financial liabilities	91	91
Total	591 416	591 416

31.12.2010 in PLN '000

Assets*	Fair value	Carrying amount
Trade and other receivables	120 204	120 204
Other securities	16 430	16 430
Other financial assets	53 064	53 064
Cash and cash equivalents	96 470	96 470
Total	286 168	286 168
Liabilities	Fair value	Carrying amount
Bank loans and borrowings	242 733	242 733
Debt securities	125 430	125 430
Trade and other payables	255 635	255 635
Other financial liabilities	184	184
Total	623 982	623 982

data in PLN '000

*due to the lack of possibility of reliable pricing, the table does not include unquoted equity instruments valued at purchase price and the value of loans priced with amortised cost method for which there is no active market.

Fair value is defined as the amount for which on market conditions the asset could be exchanged or a liability settled, between knowledgeable, interested and unrelated parties. In the case of financial instruments for which there is an active market, fair value is determined based on parameters from the active market (sales and purchase prices). In the case of financial instruments for which there is no active market, fair value is determined on the basis of valuation techniques, where input data of the model are variables derived from active markets (exchange rates, interest rates).

In the Group's assessment, the carrying value of financial assets and financial liabilities is close to the fair value.

10. Share capital

Primary capital of the Group is the share capital of the parent company.
As at 30 June 2011 it amounts to PLN 3 523 000. This capital was divided into 1 761 565 shares of nominal value of PLN 2 each.

Ownership structure of share capital of LPP SA as at 30 June 2011:

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders	Share in the number of votes at the Annual General Meeting of Shareholders	Participation in share capital	The nominal value of shares
Marek Piechocki	175 000	875 000	27.68%	9.93%	350 000
Jerzy Lubianiec	175 000	875 000	27.68%	9.93%	350 000
Monistor Limited (Cyprus)	200 728	200 728	6.35%	11.39%	401 456
Grangefont Limited, with its registered office in London, UK	350 000	350 000	11.07%	19.87%	700 000
Other shareholders	860 837	860 837	27.23%	48.87%	1 721 674
TOTAL	1 761 565	3 161 565	100.00%	100.00%	3 523 130

In the current period as a result of conversion of 11 288 series A convertible bonds into series K shares the share capital increased to PLN 3 523 130.

11. Dividends

data in PLN '000

In the reporting period the parent company LPP SA did not pay dividends to the shareholders. At the same time during the reporting period, i.e. on 27 June 2011 LPP SA decided by the Resolution No. 19 of AGM to allocate part of the profit generated in the year 2010 in the amount of PLN 135 000 thousand for dividend payment. 23 September 2011 has been agreed as the date of the payment of dividends.

12. Earnings per share

Earnings per share (EPS) ratio is calculated by dividing net profit of the parent company shareholders by the weighted average number of ordinary shares in the given period.
Calculation of EPS is presented below:

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Net profit (loss) for the current period	78 311	33 074	138 460
Weighted average number of ordinary shares	1 738 975	1 728 879	1 728 879
Profit (loss) per share	45.05	19.13	80.09

13. Provisions

The value of provisions included in the condensed consolidated financial statement and their changes in different periods were as follows:

	Provision for pensions and similar benefits	Provision for unpaid remuneration	Provision for liabilities	Provision for holiday compensation
for the period from 01.01 to 30.06.2011				
Opening balance	1 025	0	0	3 122
- provision creation	1 141	7 454	0	3 508
- release of the provision	1 025	0	0	3 122
Closing balance	1 141	7 454	0	3 508
for the period from 01.01 to 30.06.2010				
Opening balance	1 031	102	39	2 722
- provision creation	1 080	0	476	3 936
- release of the provision	1 047	62	39	2 935
Closing balance	1 064	40	476	3 723
for the period from 01.01 to 31.12.2010				
Opening balance	1 031	102	39	2 722
- provision creation	1 025	0	0	3 122
- release of the provision	1 031	102	39	2 722
Closing balance	1 025	0	0	3 122

14. Contingent liabilities

In the first half of 2011, Capital Group companies used bank guarantees to secure payment of rent for leased retail premises where brand stores are located.

data in PLN '000

As at 30 June 2011, the total value of bank guarantees issued to the order of and on the responsibility of LPP SA amounted to PLN 95 031 thousand, including:

a) the value of guarantees issued to secure the agreements concluded by LPP SA amounted to PLN 55 745 thousand
b) the value of guarantees issued to secure the agreements concluded by affiliated entities included in the consolidation amounted to PLN 36 756 thousand
c) the value of guarantees issued to secure the agreements concluded by affiliated entities not included in the consolidation amounted to PLN 2 393 thousand
d) the value of guarantees issued to secure the agreements for office space lease concluded by LPP SA amounted to PLN 136 thousand

On 30 June 2011 the value of sureties granted by the parent company amounted to PLN 5 422 thousand and decreased in comparison with 31 December 2010 by PLN 8 346 thousand.

According to the Management Board, the outflow of funds disclosed under off-balance sheet / contingent liabilities is unlikely. The majority of these liabilities are related to guarantees securing payment of rent by LPP SA Capital Group companies, and, to a smaller extent, securing credits granted by banks to customers of LPP SA for the purchase of the Company's goods.
During the reporting period, neither the Issuer nor any subsidiary granted credit or loan sureties or guarantees to one entity or its subsidiary, whose total value would be the equivalent of at least 10% of the equity of the Issuer.

15. Income tax

The main components of the tax liabilities of the Group for the period from 01.01. to 30.06.2011 and the comparative period are shown in the table.

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010
Current income tax	19 787	14 668
Deferred income tax	1 005	1 920
TOTAL	**20 792**	16 588

16. Transactions with affiliated entities

The Group's affiliates include:

- domestic and foreign companies in which Group companies have control through direct ownership of their shares,
- persons included in the key management personnel of the LPP Group and close members of their families,
- entities controlled or significantly influenced by members of the key personnel of LPP Capital Group or their close family members, within the meaning pursuant to IAS 24.

16.1 Key personnel

The key management personnel of the Group includes members of the management board and supervisory board of the parent entity.

The value of short-term employee benefits of the key management personnel for the period from 1 January to 30 June 2011 amounted to PLN 1 026 thousand.

Key personnel perform management functions in affiliated companies, but do not receive salaries or rewards for performing those functions.

On 27 June 2011, the AGM passed Resolutions introducing the incentive programme addressed to six key managers of the company LPP SA. The programme is based on the issue of series A warrants giving the pre-emptive right to series L shares at the issue price of PLN 2 000 per share. The programme period is years 2011-2014. Right to take up the warrants and shares by the programme participants is conditional upon, among others, achieving an adequate level of earnings per share growth in each year of the programme and uninterrupted performance of their duties for LPP SA. Total maximum number of Series L shares that may be acquired by the programme participants throughout its duration is 21 300. The adoption of the programme had no effect on the report for the first half of 2011. Information on Resolutions was presented in the current report No. 22, published 27 June 2011.

16.2 Transactions with affiliated entities

PLN '000

No.	AFFILIATED ENTITIES	liabilities as at 30.06.2011	receivables as at 30.06.2011	revenues in the first half of 2011	costs in the first half of 2011
1.	Polish subsidiaries – total	329	5	11	4 903
TOTAL		329	5	11	4 903

PLN '000

No.	AFFILIATED ENTITIES	liabilities as at 31.12.2010	receivables as at 31.12.2010	revenues in the first half of 2010	costs in the first half of 2010
1.	Polish subsidiaries – total	202	645	49	5 450
TOTAL		202	645	49	5 450

Amounts presented in the table show only intercompany transactions between LPP SA and 19 Polish non-consolidated subsidiaries and are presented from the point of view of the parent company.
Data presented as liabilities of LPP SA are receivables in affiliated companies, and expenses are equivalent to revenues of the given companies.
All the transactions with affiliated companies were concluded under market conditions.
Revenues from the domestic companies are derived from the rental of office space for the purpose of business operation of these companies.
Expenses related to the domestic subsidiaries concern the rental of property where Cropp Town, Reserved and Esotiq outlets are run.
Payment terms adopted for subsidiaries are between 45 and 120 days.

17. Events after the balance sheet date

On 22 July 2011 an agreement was concluded between LPP SA and Gothals Limited based in Nicosia, Cyprus, under which LPP SA transferred the trademarks Cropp and Reserved to Gothals Limited. In exchange of the contribution in the form of the trademarks, LPP SA acquired shares in Gothals Ltd representing approximately 99.5% of the company's total share capital. On the same day, Gothals Ltd transferred the rights to the trademarks to Jaradi

Limited - a company registered pursuant to the laws of Limited United Arab Emirates based in Dubai (hereinafter "Jaradi Ltd"). The transfer of trademarks from LPP SA to Gothals Ltd and from Gothals Ltd to Jaradi Ltd aims at establishing within LPP Capital Group an entity whose principal activity would be managing the rights to trademarks, including their protection, activities performed to increase their value, granting licenses to use etc., while maintaining the optimal tax structure. In order to enable LPP SA to use the trademarks, Jaradi Ltd provided Gothals Ltd with a paid license and Gothals Ltd provided LPP SA with a further paid license in this regard. Information about the aforementioned events is presented in current reports No. 28 and 29 published on 22 July 2011.

18. Additional information and explanatory notes to the individual interim financial statement of LPP SA

18.1. Tangible fixed assets

LPP SA has undertaken obligations amounting to PLN 2 923 thousand for the purchase of tangible fixed assets. In comparable periods, the figures were as follows:

- as at 30.06.2010 - PLN 27 thousand,
- as at 31.12.2010 - PLN 0.

CHANGES OF FIXED ASSETS (by generic groups) in the period from 01.01.2011 to 30.06.2011 in PLN thousand

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	means of transport	other fixed assets	fixed assets in progress	Fixed assets, total
1) gross value of fixed assets at the beginning of the period	19 175	390 065	78 783	9 735	64 735	1 811	564 304
- increase	0	9 930	3 627	1 285	4 707	25 889	45 438
- decrease	0	1 653	1 284	454	674	21 334	25 399
2) gross value of fixed assets at the end of the performance period	19 175	398 342	81 126	10 566	68 768	6 366	584 343
3) accumulated depreciation (amortisation) at the beginning of the performance period	0	151 803	47 367	4 723	40 648	0	244 541
- depreciation	0	18 504	4 675	611	4 605	0	28 395
- increase	0	0	0	0	0		0
- decrease	0	1 489	1 229	340	577	0	3 635
4) accumulated depreciation (amortisation) at the end of the performance period	0	168 818	50 813	4 994	44 676	0	269 301
5) impairment write-offs at the beginning of the performance period	0	1 425	0	0	0	0	1 425
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) impairment write-offs at the end of the performance period	0	1 425	0	0	0	0	1 425
Total net value of fixed assets at the end of the performance period	19 175	228 099	30 313	5 572	24 092	6 366	313 617

CHANGES OF FIXED ASSETS (by generic groups) in the period from 01.01.2010 to 30.12.2010 in PLN thousand

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	means of transport	other fixed assets	fixed assets in progress	Fixed assets, total
1) gross value of fixed assets at the beginning of the period	19 175	350 137	73 303	10 598	56 045	21 187	530 445
- increase	0	46 603	9 905	1 137	13 018	61 899	132 562
- decrease	0	6 675	4 425	2 000	4 328	81 274	98 702
2) gross value of fixed assets at the end of the performance period	19 175	390 065	78 783	9 735	64 735	1 812	564 305
3) accumulated depreciation (amortisation) at the beginning of the performance period	0	119 861	41 466	4 494	34 047	0	199 868
- depreciation	0	34 766	9 724	1 370	9 733	0	55 593
- increase	0	0	3	0	0		3
- decrease	0	2 824	3 826	1 141	3 132	0	10 923
4) accumulated depreciation (amortisation) at the end of the performance period	0	151 803	47 367	4 723	40 648	0	244 541
5) impairment write-offs at the beginning of the performance period	0	3 259	0	0	0	0	3 259
- increase	0	0	0	0	0	0	0
- decrease	0	1 834	0	0	0	0	1 834
6) impairment write-offs at the end of the performance period	0	1 425	0	0	0	0	1 425
Total net value of fixed assets at the end of the performance period	19 175	236 837	31 416	5 012	24 087	1 812	318 339

18.2. Intangible assets

Changes in intangible assets during the period from 01-01-2011 to 30-06-2011 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar assets, including:		intangible assets in progress	total
		total	computer software		
a) gross value of intangible assets at the beginning of the performance period	443	38 326	34 926	609	39 378
- increase	-	1 986	1 986	1 733	3 719
- decrease		0	0	1 538	1 538
b) gross value of intangible assets at the end of the performance period	443	40 312	36 912	804	41 559
c) accumulated depreciation (amortisation) at the beginning of the performance period	443	28 154	27 103	0	28 597
- planned amortisation write-offs	0	2 419	2 379	0	2 419
- decrease	0	0	0	0	0
d) accumulated depreciation (amortisation) at the end of the performance period	443	30 573	29 482	0	31 016
Total net value of intangible assets at the end of the performance period	0	9 739	7 430	804	10 543

Changes in intangible assets in the period from 01-01-2010 to 30-12-2010 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar assets, including:		intangible assets in progress	total
		total	computer software		
a) gross value of intangible assets at the beginning of the performance period	443	35 464	31 901	586	36 493
- increase	-	3 248	3 248	2 972	6 220
- decrease		386	223	2 949	3 335
b) gross value of intangible assets at the end of the performance period	443	38 326	34 926	609	39 378
c) accumulated depreciation (amortisation) at the beginning of the performance period	443	23 738	22 691	0	24 181
- planned amortisation write-offs	0	4 736	4 635	0	4 736
- increase	0	0	0	0	0

data in PLN ‘000

- decrease	0	320	223	0	320
d) accumulated depreciation (amortisation) at the end of the performance period	443	28 154	27 103	0	28 597
Total net value of intangible assets at the end of the performance period	0	10 172	7 823	609	10 781

18.3. Asset revaluation write-offs

Shares revaluation write-offs:

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Opening balance	**31 846**	24 998	24 998
Write-offs recognised as costs in the period	**11 846**	427	10 336
Reversed write-offs in the period	**3 880**	2 303	3 488
Closing balance	**39 812**	23 122	31 846

Loans revaluation write-offs

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Opening balance	**8 844**	32 859	32 859
Write-offs recognised as costs in the period	**2 282**	9 758	11 714
Reversed write-offs in the period	**422**	2 827	35 729
Closing balance	**10 704**	39 790	8 844

Inventory revaluation write-offs

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Opening balance	**1 684**	2 372	2 372
Write-offs recognised as costs in the period	**162**	0	324
Reversed write-offs in the period	**181**	1 012	1 012
Closing balance	**1 665**	1 360	1 684

Receivables revaluation write-offs

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Opening balance	**106 190**	60 950	60 950
Increases recognised in the reporting period	**4 986**	40 389	68 552
Decreases recognised in the reporting period	**29 144**	4 327	23 312
Closing balance	**82 032**	97 012	106 190

data in PLN '000

18.4. Earnings per share

Earnings per share (EPS) ratio is calculated by dividing net profit of the parent company shareholders by the weighted average number of ordinary shares in the given period.
Calculation of EPS is presented below:

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010	from 01.01 to 31.12.2010
Net profit (loss) for the current period	68 870	36 422	148 249
Weighted average number of ordinary shares	1 738 975	1 728 879	1 728 879
Profit (loss) per share	39.60	21.07	85.75

18.5. Provisions

The value of provisions included in the condensed individual financial statement of LPP SA and their changes in different periods were as follows:

	Provision for pensions and similar benefits	Provision for unpaid remuneration	Provision for liabilities	Provision for holiday compensation
for the period from 01.01 to 30.06.2011				
Opening balance	1 005	0	0	1 310
- provision creation	1 079	7 454	0	1 617
- release of the provision	1 005	0	0	1 310
Closing balance	1 079	7 454	0	1 617
for the period from 01.01 to 30.06.2010				
Opening balance	1 025	102	0	1 260
- provision creation	1 074	0	0	3 800
- release of the provision	1 047	62	0	2 935
Closing balance	1 052	40	0	2 125
for the period from 01.01 to 31.12.2010				
Opening balance	1 025	102	0	1 260
- provision creation	1 005	0	0	1 310
- release of the provision	1 025	102	0	1 260
Closing balance	1 005	0	0	1 310

18.6. Income tax

The main components of the tax liabilities of the LPP SA company for the period from 01.01. to 30.06.2011 and the comparative period are shown in the table.

	from 01.01 to 30.06.2011	from 01.01 to 30.06.2010
Current income tax	17 089	14 493
Deferred income tax	1 416	-4 085
TOTAL	18 505	10 408

18.7. Transactions with affiliated entities

The affiliates of LPP SA include:

- domestic and foreign companies in which LPP has control through direct ownership of their shares,
- persons included in the key management personnel of LPP and close members of their families,
- entities controlled or significantly influenced by members of the key personnel or their close family members, within the meaning pursuant to IAS 24.

18.7.1 Key personnel

The key management personnel of LPP SA includes members of the management board and supervisory board of the parent entity.

The value of employee benefits of the key management personnel for the period from 1 January to 30 June 2011 amounted to PLN 1 026 thousand.

Key personnel perform management functions in affiliated companies, but do not receive salaries or rewards for performing those functions.

18.7.2 Transactions with affiliated entities

PLN '000

No.	AFFILIATED ENTITIES	liabilities as at 30.06.2011	receivables as at 30.06.2011	revenues in the first half of 2011	costs in the first half of 2011
1.	Polish subsidiaries	329	5	11	4 903
2.	Foreign subsidiaries	0	260 328	134 419	113 025
TOTAL		329	260 333	134 430	117 928

PLN '000

No.	AFFILIATED ENTITIES	liabilities as at 31.12.2010	receivables as at 31.12.2010	revenues in the first half of 2010	costs in the first half of 2010
1.	Polish subsidiaries	202	645	49	5 450
2	Foreign subsidiaries	0	173 999	114 055	84 064
TOTAL		202	174 644	114 104	89 514

19. Approval for publication

The interim condensed financial statement for the period of 6 months ended 30.06.2011 (along with the comparative data) was approved for publication by the Management Board of LPP SA on 22 August 2011.

Signatures of all LPP SA Management Board members.

Marek Piechocki – President of the Management Board ………………………………………………

Dariusz Pachla – Vice President of the Management Board ….…………………………………………..

Jacek Kujawa – Vice President of the Management Board ………………………………………………

Piotr Dyka – Vice President of the Management Board ………………………………………………

Hubert Komorowski – Vice President of the Management Board ………………………………………………

Gdańsk, 22 August 2011

Interim condensed individual financial statement for the period from 01.01.2011 to 30.06.2011

1. Selected Financial Data - Individual Financial Data of LPP SA

Selected Financial Data	First half of 2011	First half of 2010	First half of 2011	First half of 2010
	01/01/2011-30/06/2011	01/01/2010-30/06/2010	01/01/2011-30/06/2011	01/01/2010-30/06/2010
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	936 252	798 786	235 992	199 487
Operating profit (loss)	119 060	29 781	30 010	7 437
Gross profit (loss)	87 375	46 830	22 024	11 695
Net profit (loss)	68 870	36 422	17 359	9 096
Net cash flows from operating activities	55 764	26 061	14 056	6 508
Net cash flows from investing activities	-1 959	-99 542	-494	-24 859
Net cash flows from financing activities	-58 341	-13 394	-14 705	-3 345
Total net cash flows	-4 537	-86 875	-1 144	-21 696

Selected Financial Data	First half of 2011	First half of 2010	First half of 2011	First half of 2010
	01/01/2011-30/06/2011	01/01/2010-30/06/2010	01/01/2011-30/06/2011	01/01/2010-30/06/2010
	in PLN '000		in EUR '000	
Total assets	1 472 537	1 429 018	369 372	344 691
Long-term liabilities	231 168	310 166	57 986	74 815
Short-term liabilities	535 589	476 355	134 347	114 901
Equity capital	705 780	642 497	177 038	154 975
Share capital	3 523	3 500	884	844
Weighted average number of ordinary shares	1 738 975	1 728 879	1 738 975	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	39.60	21.07	9.98	5.26
Book value per share (in PLN / EUR)	405.86	371.63	101.81	89.64
Declared or paid dividend per share (in PLN / EUR)	78.00	50.00	19.57	12.06

data in PLN '000

2. Balance sheet of LPP SA

Balance Sheet	as at the end of:		
	30/06/2011	30/06/2010	31/12/2010
ASSETS			
Fixed assets (long-term)	637 019	644 141	650 517
1. Tangible fixed assets	313 617	319 336	318 339
2. Intangible assets	10 543	11 537	10 781
3. Goodwill	179 618	179 618	179 618
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	22 893	21 176	30 884
6. Investments in associates	19	0	19
7. Investments in real estate	687	0	0
8. Receivables and loans	658	6 479	537
9. Deferred tax assets	31 221	28 351	32 654
10. Accruals and prepayments	255	136	177
Current assets (short term)	835 518	784 877	773 479
1. Inventory	430 333	326 810	359 595
2. Trade receivables	268 092	279 419	258 902
3. Receivables from income tax	2 539	1 537	0
4. Other receivables	9 661	8 957	10 371
5. Loans	2 634	529	4 426
6. Other securities	0	16 438	16 430
7. Other financial assets	54 664	71 452	53 064
8. Accruals and prepayments	5 093	4 618	3 653
9. Cash and cash equivalents	62 502	75 117	67 038
TOTAL assets	**1 472 537**	**1 429 018**	**1 423 996**

data in PLN '000

	30/06/2011	30/06/2010	31/12/2010
LIABILITIES			
Equity capital	705 780	642 497	754 944
1. Share capital	3 523	3 500	3 500
2. Own shares	-48 756	-48 751	-48 754
3. Share premium	125 067	108 123	108 123
4. Other capital	560 774	546 901	546 901
5. Retained earnings	65 172	32 724	145 174
- profit (loss) from previous years	-3 698	-3 698	-3 698
- net profit (loss) for the current period	68 870	36 422	148 872
Long-term liabilities	231 168	310 166	280 876
1. Bank loans and borrowings	120 808	190 873	155 711
2. Issue of debt securities	106 662	115 514	121 524
3. Provisions for employee benefits	1 079	1 052	1 005
4. Provision for deferred tax	2 619	2 727	2 636
Short-term liabilities	535 589	476 355	388 176
1. Trade payables and other liabilities	446 727	360 133	293 322
2. Income tax liabilities	0	0	192
3. Bank loans and borrowings	73 493	104 276	86 637
4. Issue of debt securities	3 482	7 609	3 906
5. Other financial liabilities	0	153	50
6. Provisions	9 071	2 165	1 310
7. Special funds	408	519	348
8. Accruals and prepayments	2 408	1 500	2 411
TOTAL liabilities	**1 472 537**	**1 429 018**	**1 423 996**

data in PLN '000

3. Individual Uniform Comprehensive Income Statement of LPP SA

Uniform Comprehensive Income Statement	current year 01/01/2011-30/06/2011	previous year 01/01/2010-30/06/2010
Sales revenues	936 252	798 786
Cost of sales	480 342	412 623
Gross profit/loss on sales	455 910	386 163
Other operating revenues	35 295	8 497
Selling costs	320 422	284 016
Overheads	37 677	33 033
Other operating expenses	14 046	47 830
Operating profit/loss	119 060	29 781
Financial revenues	7 146	40 920
Financial expenses	38 831	23 871
Gross profit/loss	87 375	46 830
Tax burden	18 505	10 408
Net profit/loss	**68 870**	**36 422**
Total comprehensive income	**68 870**	**36 422**
Weighted average number of ordinary shares	1 738 975	1 728 879
Profit (loss) per ordinary share	39.60	21.07

data in PLN '000

4. Statement of Changes in Equity of LPP SA

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	**TOTAL equity capital**
As at 1 January 2010	3 500	-48 749	108 123	511 531	118 116	0	**692 521**
- adjustments due to errors in previous years							**0**
As at 1 January 2010 after adjustments	3 500	-48 749	108 123	511 531	118 116	0	**692 521**
Costs of buy-back of treasury shares		-2					**-2**
Net profit distribution for the year 2009				35 370	-121 814		**-86 444**
Transactions with owners	0	-2	0	35 370	-121 814	0	-86 446
Net profit for the first half of 2010						36 422	**36 422**
As at 30 June 2010	**3 500**	**-48 751**	**108 123**	**546 901**	**-3 698**	**36 422**	**642 497**
As at 1 January 2011	3 500	-48 754	108 123	546 901	145 174	0	**754 944**
- adjustments due to errors in previous years							**0**
As at 1 January 2011 after adjustments	3 500	-48 754	108 123	546 901	145 174	0	**754 944**
Conversion of bonds into shares	23		16 944				**16 967**
Costs of treasury shares purchase		-2					**-2**
Net profit distribution for the year 2010				13 873	-148 872		**-134 999**
Transactions with owners	23	-2	16 944	13 873	-148 872	0	-118 034
Net profit for the first half of 2011						68 870	**68 870**
As at 30 June 2011	**3 523**	**-48 756**	**125 067**	**560 774**	**-3 698**	**68 870**	**705 780**

data in PLN '000

5. Individual Statement of Cash Flows of LPP SA

Statement of Cash Flows	01/01/2011- 30/06/2011	01/01/2010- 30/06/2010
A. Cash flow from operating activities - indirect method		
I. Gross profit (loss)	87 375	46 830
II. Total adjustments	-31 612	-20 769
1. Depreciation	30 814	29 881
2. (Profit) loss on foreign exchange differences	-142	-1 219
3. Interest and participation in profits (dividends)	8 638	9 604
4. Profit (loss) from investing activities	7 136	4 849
5. Paid income taxes	-19 480	-29 876
6. Change in provisions	7 836	830
7. Change in inventories	-70 641	-59 812
8. Change in receivables	-18 021	-41 988
9. Change in short-term liabilities, excluding loans and borrowings	23 769	68 299
10. Change in accruals	-1 520	-1 337
11. Other adjustments	0	0
III. Net cash flows from operating activities	55 764	26 061
B. Cash flows from investing activities		
I. Revenues	26 241	14 706
1. Disposal of intangible and tangible fixed assets	8 465	12 143
2. From financial assets, including:	17 776	2 563
a) in affiliated entities	1 054	2 434
- interest and dividends	411	1 316
- repayment of shares/liquidation of companies	643	0
- repayment of loans	0	1 107
- other		11
b) in other entities	16 722	129
- interest	617	13
- disposal of financial assets – foreign bonds	16 000	
- repayment of loans	105	116
3. Other investment inflows	0	0
II. Expenses	28 200	114 248

data in PLN '000

1. Acquisition of intangible and tangible fixed assets	27 973	26 299
2. For financial assets, including:	227	17 949
a) in affiliated entities	146	1 847
- acquisition of shares	0	0
- loans granted	146	1 847
b) in other entities	81	16 102
- loans granted	81	102
- purchase of foreign bonds	0	16 000
3. Other capital expenses	0	70 000
III. Net cash flows from investing activities	-1 959	-99 542
C. Cash flows from financing activities		
I. Revenues	0	33 445
1. Loans and borrowings	0	33 445
2. Net proceeds from share issue	0	0
3. Other financial income	0	0
II. Expenses	58 341	46 839
1. Treasury shares purchase	2	2
2. Repayment of loans and borrowings	48 943	35 799
3. Interest	9 346	10 874
4. Other financial expenses - financial lease	50	164
III. Net cash flows from financing activities	-58 341	-13 394
D. Total net cash flows	**-4 536**	**-86 875**
E. Net change in cash, including:	**-4 536**	**-86 875**
- change in cash from foreign exchange differences	88	451
F. Opening cash balance	**67 038**	**161 992**
G. Cash at the end of the period, including:	**62 502**	**75 117**
- restricted cash	396	494

Semi-annual report on LPP SA Capital Group operations for the first half of 2011

Semi-annual report on LPP SA Capital Group operations in the first half of 2011

1. Operations of LPP SA Capital Group in the period 01.01.2011 - 30.06.2011

Basic operations carried out in the first half of 2011:

1. There were launched new stores of the total area of approximately 7.2 thousand sq m, increasing the total area of stores to approximately 322 thousand sq m (866 stores), of which 99.5 thousand sq m (208 stores) are outside Polish borders.
2. In the first half of 2011, in the outlets of Reserved there was achieved the sales of PLN 614 million, while in Cropp Town centres - in the amount of PLN 188 million. Sales in the first half-year in House outlets amounted to PLN 153 million and in Mohito stores to PLN 40 million.
   Sales revenues in comparable outlets increased in the first half of 2011 by 18.1% (excluding the changes in local currency exchange rates in the countries where the companies of the LPP SA CG operate).

Basic figures illustrating the effects of the Capital Group's operations in the first half of 2011 are shown in the following table.

item	I H 2011 (PLN million)	I H 2010 (PLN million)	change (%)
Sales revenues	1 081.0	906.1	19%
Gross profit on sales	599.9	490.7	22%
Selling costs	443.5	394.4	12%
General administrative expenses	51.3	44.7	15%
Operating profit + depreciation	146.0	95.2	53%
Operating profit/loss	98.6	48.2	105%
Net profit/loss	78.3	33.1	137%

Sales revenues in the first half of 2011 increased by approximately 19% compared to the same period of the previous year, while gross profit on sales increased by 22%.
Selling costs increased by 12% and the significant share of these costs are expenses for the functioning of retail outlets. The total retail area that determines the amount of these costs increased compared with June 2010 by about 8%.
As a result, LPP CG closed the first half of 2011 with the net profit of PLN 78.3 million, i.e. increased by 137% the profit generated in the same period of the previous year.

The achieved margins are shown in the table below

Margin (%)	I H 2011	I H 2010
Gross on sales	55.5	54.2
EBITDA	13.5	10.5
Operating	9.1	5.3
Net	7.2	3.7

Revenues from sales revealed in the consolidated financial statement have been earned by the group companies operating in the following countries (after the exemption of intra-group sales):

Country	**I H 2011 (PLN million)**	**I H 2010 (PLN million)**	**Change (%)**
Poland	801.8	684.5	17%
Estonia	16.1	13.1	23%
Latvia	12.0	9.0	33%
Czech Republic*	44.6	36.7	22%
Hungary	9.0	7.2	25%
Lithuania	19.5	16.0	22%
Ukraine	22.8	16.2	41%
Russia**	134.7	104.9	28%
Romania	10.4	10.5	-1%
Bulgaria	4.8	3.1	54%
Slovakia	5.3	4.9	8%
Total	**1 081.0**	**906.1**	**19%**

* total revenues of 2 companies in the Czech Republic: LPP Retail Czech Republic S.R.O, Artman Mode S.R.O
** total revenues of 3 companies in Russia: ZAO Re Trading, Es Style Russia, Fashion Point Russia

In the first half of 2011 the sales was relatively best outside the European Union (Russia and Ukraine).

	I H 2011 (PLN million)	I H 2010 (PLN million)	Change (%)
Poland	801.8	684.5	17%
Other EU countries	121.7	100.5	21%
Other countries	157.5	121.1	30%
Total	1 081.0	906.1	19%

2. Basic factors influencing growth opportunities; risks and threats

LPP CG basic tasks, implementation of which will determine its position in the future:
a) developing the competitive network of brand stores in Poland and Central and Eastern Europe,
b) building strong clothing brands (the leading brand Reserved and Cropp, House, Mohito and Esotiq),
c) further increase of the number of stores,
d) increasing the business profitability and effectiveness

Development of the Issuer's strategic tasks and goals will depend on many internal and external factors that represent both opportunities and risks.

Internal factors

a) Market strategy of LPP Capital Group

LPP Capital Group is focused on designing and distribution of clothing as well as building its brand while outsourcing many activities to third parties. The Company does not have its own manufacturing capacity and does not intend to develop its own manufacturing plants.

Outsourcing of production can significantly reduce fixed costs and provides access to modern and changing technologies that are used by suppliers constantly improving their manufacturing capacity. Accordingly, the Company's investments are directed at increasing the commercial potential, maintaining a competitive advantage in the market, creating its own distribution network, building a positive image of LPP CG in the clothing market, gaining consumers that are loyal to the Company and its products.

b) The market position of LPP CG (the risk associated with competition)

Marketing activities carried out for years concerning individual brands belonging to LPP SA have resulted in the high level of familiarity among the target group of customers.
Expansion of sales network, which is based on the selection of the most attractive locations, certainly increases the chances of strengthening the position in the markets.
The volume of sales revenues allow to consider LPP SA Capital Group one of the key players in the market. As the market is very fragmented, LPP SA Capital Group's market share that is estimated to be several percent is so small that it can still increase.
However, competition in the industry where the Issuer operates is significant, and the Polish clothing market remains very attractive for potential domestic and foreign competitors.

c) Extending and renewing the offer for customers (the risk associated with changes in fashion)

The clothing market is characterised by a wide variety of customer expectations and is closely correlated with changes in fashion trends. The key factor in clothing company's success is the sense of changes in fashion trends and offering the range of goods meeting the current consumer needs. Therefore, LPP SA pays much attention to fashion. Design department is constantly observing the changing trends and adapts them to meet the customer needs so as to continue to offer desirable products at a very good price-quality ratio. In order to fulfil their tasks, designers participate in trade fairs around the world, benefit from the professional literature and information on issues related to fashion available on the Internet. LPP SA Capital Group by observing the changing preferences of customers introduces new product groups in an effort to get ahead of the market.

d) Risks associated with weather conditions

In the business during one season there may occur positive or negative effect of weather conditions, which may influence the increase / decrease in sales, and hence, the increase / decrease of the Issuer's margins. However, in the long term weather and climatic factors do not affect the Company's development.

e) The risk of unsuccessful location of a store

The Issuer's development strategy provides for the rapid expansion of the sales network. Opening new stores carries the risk that some of the locations prove to be unsuccessful. This may result in not meeting the projected level of revenues, which in turn will affect the Issuer's financial performance.

The Company reduces the risk of unsuccessful locations due to good market recognition and a detailed analysis of each potential new location. Number of owned stores also reduces the impact of a single location on the financial position of the Company.

f) Logistics

The Company has a modern logistics centre in Pruszcz Gdański, which allows for completion of an appropriate amount of packages of clothing for stores in such a way that on the one side they can always offer a wide range of products for customers and on the other hand the amount of goods stored in the warehouse of the logistics centre is as small as possible. Organisational solutions used in this facility allow to quickly increase productivity through the use of an additional production line in case of a substantial increase in demand caused by the development of the sales network.

f) Optimisation of the operating costs of LPP SA Capital Group

To ensure the high level of LPP SA Capital Group's performance and productivity, there are taken actions aimed at reducing and adjusting costs to the changing market situation. These activities have been conducted since mid-2008 and will continue in every area of operation of the CG companies.

External factors

a) Risks associated with the economic slowdown in Poland and countries where stores of the Issuer's Group operate.

Despite the situation of the global economy in recent years has improved, it is still affected by the adverse factors that may again reduce the demand for clothing offered by the Issuer. The experience gained during the years 2009 and 2010 in terms of adapting the offer to changing market conditions justify a finding that the Company is able to adequately respond to such changes.

b) Foreign exchange rates - currency risk

Most purchases of goods by LPP SA Capital Group is associated with foreign exchange payments and most of them are settled in USD while small part in Euro.
The majority of receipts from sales is obtained in PLN. Instability of the Polish currency in relation to USD and EUR is a risk. However, given the specific type of the Company's business, it is possible to partially transfer the risk of increase in USD exchange rate to end customers, as the product selling price is calculated just before the product is introduced to the market.
In addition to foreign exchange settlements of acquisition of goods, there is another area where the Euro exchange rate has an impact on the costs incurred by LPP SA Capital Group. This is namely the majority of settlements related to lease agreements of premises where products on the retail market are sold.

c) Interest rate risk

Interest rate risk is associated with continuous use of bank loans by the Issuer as well as, although to a lesser extent, with granted loans. Bank loans with variable interest rate bear the risk of cash

flows. In the opinion of the Management Board of the Issuer, a change in interest rates will not affect significantly the performance of LPP SA.

d) Risk of changes in customs and tax regulations

Customs and tax regulations have a significant impact on the functioning of the Company. Changes in this area can affect significantly the operations of the Issuer. LPP SA purchases clothing and currently most of the imports comes from China. The introduction of import quotas and prohibitive customs duties could affect the Issuer's revenues by reducing the margins. Changes in economic conditions in this regard will affect all businesses operating in this industry and the very probability of this risk is low due to the stable customs policy of the European Union.

e) The risk of shortening the time for trade

Issuer's brand stores are located in shopping malls. As there have been attempts to introduce regulations to limit the time for trade in the malls, there is the risk of shortening the time of sales of the Company's products from seven to six days a week (currently trade prohibition concerns legal holidays).
This limitation could result in the reduction in sales revenues and financial results of the Issuer.
This factor may also have an impact on other businesses in this market.

3. **The effects of changes in the structure of the economic entity, including a business combination, acquisition or sale of economic entities, acquisition or sale of the Issuer's capital group entities, long-term investments, division, restructuring and discontinued operations.**

In the current reporting period, there were no changes in the structure of the Issuer.

4. **The position of the management board regarding the possibility of achieving previously published forecast results for the year, in view of the results presented in the semi-annual report in relation to forecast results.**

The company did not publish forecasts for the year 2011.

5. **Indication of shareholders holding directly or indirectly through subsidiaries at least 5% of total votes at the AGM of the issuer as at the date of the report submission along with the number of shares held by those shareholders, their percentage share in share capital, resulting number of votes and their percentage share in total votes at the AGM and an indication of changes in the ownership structure of large blocks of the issuer's shares in the period from the submission of the previous report**

data in PLN '000

Ownership structure of share capital of LPP SA as at 22 August 2011:

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders	Share in the number of votes at the Annual General Meeting of Shareholders	Participation in share capital	The nominal value of shares
Marek Piechocki	175 000	875 000	27.54%	9.84%	350 000
Jerzy Lubianiec	175 000	875 000	27.54%	9.84%	350 000
Monistor Limited (Cyprus)	200 728	200 728	6.32%	11.29%	401 456
Grangeford Limited, based in Cyprus	350 000	350 000	11.01%	19.69%	700 000
Aviva OFE	163 227	163 227	5.14%	9.18%	326 454
Other shareholders	713 779	713 779	22.46%	40.15%	1 427 558
TOTAL	1 777 734	3 177 734	100.00%	100.00%	3 555 468

In the period from the previous report submission the following changes in the share structure occurred:
a) As a result of conversion instructions received 13 July 2011, 16 169 series A convertible bonds were converted into 16 169 K series shares (CR 31/2011).
Therefore, there has been a share capital increase up to PLN 3 555 468 and the total number of votes at the AGM increased to 3 177 734.
b) As a result of the above-mentioned conversion, there took place the exceeding of the threshold of 5% of total votes by Aviva OFE (CR 40/2011).
c) Change of the shareholder having a large block of LPP SA shares, Grangefont Limited based in London sold 350 000 shares of the Issuer to the company Grangeford Limited based in Cyprus. (CR 34/2011, 35/2011).

6. **Summary of the held number of the issuer's shares or rights to them by the persons managing and supervising the issuer as at the date of the report submission, along with the indication of changes in ownership during the period from the previous report submission, separately for each person.**

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders
President of the Management Board	175 000	875 000
Vice President of the Management Board	2 664	2 664

data in PLN '000

Vice President of the Management Board	17	17
Vice President of the Management Board	137	137
Chairman of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	300	300

In the period from the previous report submission there were changes in the ownership of shares of LPP SA by the persons supervising the Issuer. One of the Supervisory Board members has purchased 300 shares of the Company. (CR 21/2011)

7. **Indication of the proceedings before courts, arbitration or public administration authorities.**

Within the Group, the claimant in the cases of payment of trade receivables is LPP SA. The total amount in dispute shall not exceed 10% of the equity of the companies.

8. **Information on the conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or collectively they are significant and have been concluded under other than market terms and conditions.**

In the reporting period there were no such transactions with affiliated entities.

9. **Information on granting by the issuer or its subsidiary credit or loan sureties or guarantees - to single entity or its subsidiary if the total value of existing sureties or guarantees is equivalent to at least 10% of the equity of the issuer, stating the name of the entity to which sureties or guarantees were granted, the total amount of credits or loans that in full or particular part were assured or guaranteed, the period for which the sureties or guarantees were granted, financial conditions on which they were given and the nature of the relationship between the issuer and the entity taking the credit or loan.**

In the reporting period there were no such events.

10. **Other information that in the issuer's opinion is relevant for the evaluation of staff, property and financial situation, financial result and their changes as well as information relevant for the evaluation of the feasibility of commitments implementation by the issuer.**

The report contains basic information essential for the evaluation of the situation of the issuer's capital group. In the opinion of the Management Board, currently there are no threats to the implementation of the commitments of the CG.

11. Identification of factors which, according to the issuer, will affect its results within at least the next half-year.

The basic factors which will affect the results achieved in the nearest future include:

1. economic slowdown and salary levels of the population in Poland and in countries where the LPP SA Capital Group's stores operate.
2. the level of the exchange rate of the Polish Zloty in relation to USD and EUR,
3. assessment of the autumn-winter collection by customers,
4. development of sales network of Reserved and Cropp Town, House and Mohito brands
5. implemented actions aimed at reducing costs,
6. actions aimed at increasing profitability and efficiency

LPP SA Management Board:

Marek Piechocki – President of the Management Board ....

Dariusz Pachla – Vice President of the Management Board …..…………………………………………..

Jacek Kujawa – Vice President of the Management Board ………………………………………………

Piotr Dyka – Vice President of the Management Board ………………………………………………

Hubert Komorowski – Vice President of the Management Board ………………………………………………

Gdańsk, 22 August 2011