

LPP S.A. Group  
Interim condensed financial statement for Q3 FY07  
in PLN '000

**LPP S.A. Group**  
Interim condensed financial statement for Q3 FY07

Gdańsk  
November 2007

**1. Selected consolidated financial data of LPP Capital Group**

	Q3 FY07	Q3 FY06	Q3 FY07	Q3 FY06
Selected consolidated financial data	01/01/2007- 30/09/2007	01/01/2006- 30/09/2006	01/01/2007- 30/09/2007	01/01/2006- 30/09/2006
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	887 514	528 020	231 642	134 799
Operating profit (loss)	104 639	-4 667	27 311	-1 191
Profit (loss) before tax	101 368	-3 772	26 457	-963
Net profit (loss)	82 787	-4 645	21 608	-1 186
Net cash flow on operations	92 545	25 560	24 154	6 525
Net cash flow on investments	-45 808	-42 813	-11 956	-10 930
Net cash flow from financial activity	-35 896	8 144	-9 369	2 079
Total net cash flow	10 841	-9 109	2 830	-2 325
	Q3 FY07	Q3 FY06	Q3 FY07	Q3 FY06
Selected consolidated financial data	30/09/2007	30/09/2006	30/09/2007	30/09/2006
	in PLN '000		in EUR '000	
Total assets	609 473	504 616	161 343	126 677
Long-term payables	16 455	15 476	4 356	3 885
Short-term payables	238 158	261 361	63 046	65 611
Equity	354 271	227 214	93 785	57 039
Share capital	3 407	3 407	902	855
<b>Number of shares</b>	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EURO)	48,6	-2,7	12,6	-0,7
Book value per share – BVPS (in PLN/EURO)	208,0	133,4	52,8	32,7

**2. Consolidated balance sheet of LPP  
Capital Group**

in PLN '000

Balance Sheet	as at the end of:		previous year
	Q3 FY07	Q3 FY06	
	30/09/2007	30/09/2006	31/12/2006
<b>ASSETS</b>			
Fixed assets (long-term)	236 178	213 622	217 706
1. Tangible fixed assets	208 099	191 771	193 834
2. Intangible assets	12 005	13 970	13 478
3. Investments	935	895	903
4. receivables	3 449	254	250
5. Deferred income tax assets	11 686	6 690	9 213
6. Accruals and deferred income	4	42	28
Current assets (short-term)	373 295	290 994	316 484
1. Inventories	263 869	210 383	230 434
2. Trade receivables and other receivables	62 834	59 433	50 471
3. Accruals and deferred income	3 071	2 793	3 360
3. Investments	2 131	128	1 670
5. Cash and cash equivalents	41 390	18 257	30 549
<b>Total assets</b>	<b>609 473</b>	<b>504 616</b>	<b>534 190</b>

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<b>LIABILITIES</b>			
Equity	354 271	227 214	271 501
1. Share capital	3 407	3 407	3 407
2. Reserve capital	274 748	232 265	232 265
3. Other reserves	104	83	83
4. Retained profit/accumulated loss brought forward from previous years	-7 067	-3 887	-3 887
5. Net profit/loss of the reporting period	82 787	-4 645	39 323
6. Foreign exchange differences – conversion of related parties	292	-9	310
Long-term payables	16 455	15 476	15 544
1. Bank credits and loans	11 000	11 000	11 000
2. Provisions	545	342	364
3. Deferred income tax provision.	4 910	4 118	4 171
4. Other long-term payables		16	9
Short-term payables	238 158	261 361	245 708
1. Trade and other payables	131 512	118 410	117 768
2. Bank credits and loans	91 045	141 725	124 139
3. Income tax	13 236	8	2 246
4. Provisions	2 127	934	1 354
5. Special funds	238	284	201
Accruals and deferred income	589	565	1 437
<b>TOTAL LIABILITIES</b>	<b>609 473</b>	<b>504 616</b>	<b>534 190</b>
Book value	354 271	227 214	271 501
<i>Number of shares</i>	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	208,0	133,4	160,4

**3. Consolidated profit and loss account of LPP Capital Group**

Profit and loss account	YTD	Q3 2007	YTD	Q3 2006
	current year 01/01/2007 - 30/09/2007	current year 01/01/2007 - 30/09/2007	Previous year 01/01/2006- 30/09/2006	Previous year 01/07/2006- 30/09/2006
Revenues from sales	887 514	324 048	528 020	203 278
Selling costs	384 819	143 010	253 906	98 384
Gross profit/loss on sales	502 695	181 038	274 114	104 894
Other operating revenues	3 925	1 723	3 128	920
Costs of sales	347 034	124 815	240 068	84 408
General administrative expenses	44 673	15 935	35 185	12 464
Other operating expenses	10 274	3 271	6 656	2 126
Operating profit (loss)	104 639	38 740	-4 667	6 816
Financial revenues	1 788	561	6 294	9
Financial expenses	5 059	-764	5 399	1 826
Gross profit/loss	101 368	40 065	-3 772	4 999
Taxes	18 581	7 522	873	1 368
<b>Net profit/loss</b>	<b>82 787</b>	<b>32 543</b>	<b>-4 645</b>	<b>3 631</b>
Weighted average number of ordinary shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN)	48,6	19,1	-2,7	2,1

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital	Reserve capital	Reserve capital	Retained Financial result for the previous years	Net profit/loss of Reporting period	in PLN '000	
						Exchange differences	equity TOTAL
As at 1 January 2006	3 407	200 368	1	28 202	0	472	<b>232 450</b>
- corrections of errors from previous years				-110			-110
As at 1 January 2006 after adjustments	3 407	200 368	1	28 092	0	472	232 340
Foreign exchange differences after conversion of units						-481	-481
Distribution of retained earnings from previous years		31 897	82	-31 979			0
Net loss for 3 quarters FY06					-4 645		-4 645
As at 30 September 2006	<b>3 407</b>	<b>232 265</b>	<b>83</b>	<b>-3 887</b>	<b>-4 645</b>	<b>-9</b>	<b>227 214</b>
As at 1 January 2007	3 407	232 266	83	37 220	0	310	<b>273 286</b>
- corrections of errors from previous years				-1 784			-1 784
As at 1 January 2007 after adjustments	3 407	232 266	83	35 436	0	310	271 502
Foreign exchange differences after conversion of units						-18	-18
Distribution of retained earnings from previous years		42 482	21	-42 503			0
Net profit for 3 quarters FY07					82 787		82 787
As at 30 September 2007	<b>3 407</b>	<b>274 748</b>	<b>104</b>	<b>-7 067</b>	<b>82 787</b>	<b>292</b>	<b>354 271</b>

**5. Consolidated cash flow statement of LPP Capital Group**

Cash Flow Statement	YTD 3Q of FY07		YTD 3Q of FY06	
	Current year		Current year	
	01/01/2007- 30/09/2007	01/07/2007- 30/09/2007	01/01/2006- 30/09/2006	01/07/2006- 30/09/2006
<b>Cash flows from operations</b>				
<b>indirect method</b>				
I. Profit (loss) before tax	101 368	40 065	-3 772	4 999
II. Total adjustments	-8 823	-4 483	29 332	4 708
1. Depreciation and amortisation	36 503	12 569	30 780	11 079
2. Foreign exchange (gains) losses	-1 063	-1 722	310	385
3. Interest and share in profits (dividends)	2 217	980	2 984	1 400
4. (Profit) loss from investments	669	165	378	115
5. Income tax paid	-8 874	-2 628	-9 929	-2 738
6. Change in provisions	979	506	42	-274
7. Change in inventories	-33 933	-1 244	-38 176	-37 623
8 Change in receivables	-16 210	-14 162	-19 377	-6 639
9. Change in short-term payables excluding credits and loans	12 908	2 241	63 328	39 673
10. Change in prepaid expenses, accruals and deferred income	-1 206	-689	-228	-40
11. Other adjustments	-813	-499	-780	-630
III. Net cash flow form operations	92 545	35 582	25 560	9 707
<b>B. Cash flows from investments</b>				
I. Inflows	2 223	1 097	1 890	387
1. Sale of intangible assets and tangible fixed assets	1 058	77	599	351
2. From financial assets, including:	1 165	1 020	1 217	36
a) in related entities	922	922	1 137	0
- dividends and share in profits	922	922	1 137	0
b) in other entities	243	98	80	36
- sale of financial assets				
- repayment of short-term loans granted	229	93	66	30
- interest	14	5	14	6
3. Other inflows from investments			74	0

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II. Outflows	48 031	21 378	44 703	16 651
1. Acquisition of intangible assets and tangible fixed assets	47 401	21 098	44 605	16 553
2. On financial assets, including:	630	280	98	98
a) in related entities	0	0	0	0
- short-term loans granted				
- long-term loans granted				
b) in other entities	630	280	98	98
- short-term loans granted	499	228	98	98
- long-term loans granted	131	52		
3. Other outflows on investments				
III. Net cash flow on investments	-45 808	-20 281	-42 813	-16 264
<b>C. Cash flows from financial activity</b>				
I. Inflows	0	0	12 728	11 475
1. borrowings (credits and loans)			12 728	11 475
2. Other financial inflows				
II. Outflows	35 896	7 799	4 584	1 517
1. Repayment of credits and loans	31 527	6 552		
2. Payments related to finance leasing	29	8		
3. Interest	4 340	1 239	4 584	1 517
4. Other financial outflows				
<b>III. Net cash flow from financial activity</b>	<b>-35 896</b>	<b>-7 799</b>	<b>8 144</b>	<b>9 958</b>
<b>D. Total net cash flow</b>	<b>10 841</b>	<b>7 502</b>	<b>-9 109</b>	<b>3 401</b>
<b>E. Total cash flow balance including:</b>	<b>10 841</b>	<b>7 502</b>	<b>-9 109</b>	<b>3 401</b>
- change in cash – foreign exchange differences	-668	-354	-833	-658
<b>F. Opening cash balance</b>	<b>30 549</b>	<b>33 888</b>	<b>27 366</b>	<b>14 856</b>
<b>G. Closing cash balance, including:</b>	<b>41 390</b>	<b>41 390</b>	<b>18 257</b>	<b>18 257</b>
- restricted cash	269	269	287	287

**6. Selected financial data – individual statement of LPP SA**

			In	
	Q3 FY07	Q3 FY06	PLN '000 Q3 FY07	Q3 FY06
Selected financial data	01/01/2007- 30/09/2007	01/01/2006- 30/09/2006	01/01/2007- 30/09/2007 in EUR '000	01/01/2006- 30/09/2006
Net revenues from sales of goods, products and materials	767 102	485 392	200 215	123 916
Operating profit (loss)	101 846	5 915	26 582	1 510
Profit (loss) before tax	90 009	-1 268	23 492	-324
Net profit (loss)	71 147	-1 051	18 569	-268
Net cash flow from operating activity	66 746	14 527	17 421	3 709
Net cash flow from investments	-31 185	-28 352	-8 139	-7 238
Net cash flow from financial activity	-38 299	3 692	-9 996	943
Total net cash flow	-2 738	-10 133	-715	-2 587
Selected financial data	30/09/2007	30/09/2006	30/09/2007	30/09/2006
	in PLN '000		in EUR '000	
Total assets	575 465	488 846	152 340	122 718
Long-term payables	15 659	15 269	4 145	3 833
Short-term payables	210 046	238 976	55 605	59 991
Equity	349 189	234 048	92 439	58 754
Share capital	3 407	3 407	902	855
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EUR)	41,8	17,2	10,9	4,3
Book value per share – BVPS (in PLN/EUR)	205,0	137,4	52,1	33,6
Dividend per share – declared or paid (in PLN / EUR)	-	-	-	-

**7. Balance sheet of LPP S.A.**

in PLN '000

Balance Sheet	as at the end of:		
	Q3 2007 30/09/2007	Q3 2006 30/09/2006	Previous year 31/12/2006
<b>ASSETS</b>			
Fixed assets (long-term)	180 072	168 240	170 534
1. Tangible fixed assets	137 101	126 156	122 447
2. Intangible assets	11 714	13 604	13 082
3. Investments	20 455	19 321	25 517
4. receivables	308	254	250
5. Deferred income tax assets	10 490	8 863	9 210
6. Accruals and deferred income	4	42	28
Current assets (short-term)	395 393	320 606	342 946
1. Inventories	229 039	185 072	195 540
2. Trade receivables and other receivables	144 067	122 487	122 563
3. Accruals and deferred income	2 585	2 446	3 037
3. Investments	4 293	394	3 659
5. Cash and cash equivalents	15 409	10 207	18 147
<b>Total assets</b>	<b>575 465</b>	<b>488 846</b>	<b>513 480</b>

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<b>LIABILITIES</b>			
Equity	349 189	234 048	278 042
1. Share capital	3 407	3 407	3 407
2. Reserve capital	274 635	232 153	232 153
3. Retained profit/accumulated loss brought forward from previous years		-461	-461
4. Net profit/loss of the reporting period	71 147	-1 051	42 943
Long-term payables	15 659	15 269	15 365
1. Bank credits and loans	11 000	11 000	11 000
2. Provisions	545	342	364
3. Deferred income tax provision.	4 114	3 927	4 001
Short-term payables	210 046	238 976	218 663
1. Trade and other payables	117 182	107 795	103 304
2. Bank credits and loans	78 299	130 579	112 675
3. Income tax	13 177	0	2 070
4. Provisions	1 150	318	413
5. Special funds	238	284	201
Accruals and deferred income	571	553	1 410
<b>Total liabilities</b>	<b>575 465</b>	<b>488 846</b>	<b>513 480</b>
Book value	349 189	234 048	278 042
Number of shares	1 703 500	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	205,0	137,4	163,2

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

in PLN '000

Profit and loss account	YTD 3Q of FY07		YTD 3Q of FY07	
	current year	01/07/2007- 01/01/2007 - 30/09/2007	Previous year 01/01/2006- 30/09/2006	01/07/2006- 30/09/2006
Revenues from sales	767 102	284 841	485 392	185 236
Selling costs	383 319	147 239	261 045	101 163
Gross profit/loss on sales	<b>383 783</b>	<b>137 602</b>	<b>224 347</b>	<b>84 073</b>
Other operating revenues	5 999	2 554	3 839	1 215
Costs of sales	247 233	89 521	181 389	62 323
General administrative expenses	32 076	11 532	25 896	8 734
Other operating expenses	8 627	2 224	14 986	5 723
Operating profit (loss)	<b>101 846</b>	<b>36 879</b>	<b>5 915</b>	<b>8 508</b>
Financial revenues	6 214	3 902	4 303	-641
Financial expenses	18 051	4 350	11 486	3 425
Gross profit/loss	<b>90 009</b>	<b>36 431</b>	<b>-1 268</b>	<b>4 442</b>
Taxes	18 862	7 134	-217	886
<b>Net profit/loss</b>	<b>71 147</b>	<b>29 297</b>	<b>-1 051</b>	<b>3 556</b>
Weighted average number of ordinary shares	1 703 500	1 703 500	1 703 500	1 703 500
Earnings (loss) per ordinary share (in PLN)	41,77	17,20	-0,62	2,09

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

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

Statement of changes in shareholders' equity	Share capital	Reserve capital	Retained financial result from previous years	in PLN '000	
				Net profit/loss of the reporting period	TOTAL equity
<i>As at 1 January 2006</i>	3 407	200 256	31 463		235 126
- corrections of errors from previous years			-27		-27
<i>As at 1 January 2006 after corrections</i>	3 407	200 256	31 436	0	235 099
Distribution of FY05 profit		31 897	-31 897		0
Net loss for Q3 FY06				-1 051	-1 051
<i>As at 30 September 2006</i>	<b>3 407</b>	<b>232 153</b>	<b>-461</b>	<b>-1 051</b>	<b>234 048</b>
<i>As at 1 January 2007</i>	3 407	232 153	42 482		278 042
- corrections of errors from previous years					0
<i>As at 1 January 2007 after corrections</i>	3 407	232 153	42 482	0	278 042
Distribution of FY06 profit		42 482	-42 482		0
Net profit for Q3 FY07				71 147	71 147
<i>As at 30 September 2007</i>	<b>3 407</b>	<b>274 635</b>	<b>0</b>	<b>71 147</b>	<b>349 189</b>

**10. Cash flow statement of LPP SA**

in PLN '000

Cash flow statement	YTD		Q3 2006	
	01/01/2007- 30/09/2007	01/07/2007- 30/09/2007	01/01/2006- 30/09/2006	01/07/2006- 30/09/2006
<b>A. Cash flow from operations</b>				
<b>indirect method</b>				
I. Profit (loss) before tax	90 009	36 431	-1 268	4 442
II. Total adjustments	-23 263	-10 943	15 795	-5 411
1. Depreciation and amortisation	23 076	7 888	21 625	7 467
2. Foreign exchange (gains) losses	776	239	305	507
3. Interest and share in profits (dividends)	1 787	828	2 559	1 223
4. (Profit) loss from investments	6 093	-2 268	5 156	1 398
5. Income tax paid	-8 618	-2 455	-9 594	-2 690
6. Change in provisions	917	515	79	-138
7. Change in inventories	-33 528	3 598	-30 061	-33 773
8. Change in receivables	-21 563	-15 231	-39 473	-17 130
9. Change in short-term payables, excluding credits and loans	8 159	-3 749	65 379	37 604
10. Change in prepaid expenses, accruals and deferred income	-362	-308	-180	121
11. Other adjustments	0	0	0	0
III. Net cash flow from operations	66 746	25 488	14 527	-969
<b>B. Cash flow from investments</b>				
I. Inflows	<b>3 086</b>	<b>1 399</b>	<b>2 570</b>	<b>879</b>
1. Sale of intangible assets and tangible fixed assets	1 044	77	564	345
2. From financial assets, including:	2 042	1 322	2 006	534
a) in related entities	1 801	1 225	1 929	500
- repayment of short-term loans	0	0	478	321
- interest and dividends	1 801	1 225	1 451	179
- repayment of long-term loans granted	0	0	0	0
b) in other entities	241	97	77	34
- interest	12	4	11	4

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- repayment of short-term loans granted	229	93	66	30
3. Other inflows from investments	0	0	0	0
<b>II. Outflows</b>	<b>34 271</b>	<b>16 046</b>	<b>30 922</b>	<b>5 797</b>
1. Acquisition of intangible assets and tangible fixed assets	32 613	14 738	16 125	4 067
2. On financial assets, including:	1 658	1 308	14 797	1 730
In related parties	1 028	1 028	14 699	1 632
- acquisition of shares, additional paid-in capital	1 028	1 028	2 513	
- granting short-term loans	0		0	0
-granting long-term loans	0	0	12 186	1 632
b) in other entities	630	280	98	98
- long-term loans granted	131	52	0	0
- short-term loans granted	499	228	98	98
3. Other outflows on investments	0		0	0
<b>III. Net cash flow from investments</b>	<b>-31 185</b>	<b>-14 647</b>	<b>-28 352</b>	<b>-4 918</b>
<b>C. Cash flow from financial activity</b>	<b>0</b>	<b>0</b>		
<b>I. Inflows</b>	<b>0</b>	<b>0</b>	<b>17 916</b>	<b>17 328</b>
1. Borrowings (credits and loans)	0	0	17 916	17 328
2. Other financial inflows	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II. Outflows</b>	<b>38 299</b>	<b>10 247</b>	<b>14 224</b>	<b>11 263</b>
1. Repayment of credits and loans	34 358	9 088	9 800	9 800
2. Interest	3 941	1 159	4 424	1 463
3. Other financial outflows	0	0	0	0
<b>III. Net cash flow from financial activity</b>	<b>-38 299</b>	<b>-10 247</b>	<b>3 692</b>	<b>6 065</b>
<b>D. Total net cash flow</b>	<b>-2 738</b>	<b>594</b>	<b>-10 133</b>	<b>178</b>
<b>E. Balance sheet change in cash, including:</b>	<b>-2 738</b>	<b>594</b>	<b>-10 133</b>	<b>178</b>
- change in cash – foreign exchange differences	14	14	-51	-19
<b>F. Opening cash balance</b>	<b>18 147</b>	<b>14 815</b>	<b>20 340</b>	<b>10 029</b>
<b>G. Closing cash balance, including:</b>	<b>15 409</b>	<b>15 409</b>	<b>10 207</b>	<b>10 207</b>
- restricted cash	269	269	287	287

**Notes to the condensed consolidated financial statement drawn up for Q3 FY07**

**1. Description of LPP Capital Group**

LPP Capital Group (CG) is composed of:

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

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

Item	Company name	Registered office	Date of taking control
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	M&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	AKME Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	P&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
6.	SL&DP Sp. z o.o.	Gdańsk, Poland	26.09.2001
7.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
8.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
9.	PL&GM Sp. z o.o.	Gdańsk, Poland	26.09.2001
10.	GM&PL Sp. z o.o.	Gdańsk, Poland	26.09.2001
11.	AMA Sp. z o.o.	Gdańsk, Poland	28.05.2002
12.	LIMA Sp. z o.o.	Gdańsk, Poland	22.07.2002
13.	LUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
14.	KAMA Sp. z o.o.	Gdańsk, Poland	29.10.2002
15.	KUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
16.	AMUL Sp. z o.o.	Gdańsk, Poland	29.10.2002
17.	AMUK Sp. z o.o.	Gdańsk, Poland	15.05.2003
18.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
19.	MM&MR Sp. z o.o.	Gdańsk, Poland	09.03.2005
20.	LPP Retail Estonia OU	Tallinn, Estonia	29.04.2002
21.	LPP Czech Republic s.r.o.	Prague, Czech Rep.	16.09.2002
22.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
23.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
24.	UAB LPP	Vilnius, Lithuania	27.01.2003
25.	LPP Ukraina	Peremyshlany, Ukraine	23.07.2003
26.	Re Trading Zamknięta Spółka Akcyjna	Moscow, Russia	12.02.2004
27.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007

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

Consolidated financial statement of the Capital Group covering the period between 1 January and 30 September 2007 covers individual results of LPP S.A. and results of foreign subsidiaries listed below:

- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungary Kft
- LPP Retail Latvia Ltd
- UAB LPP
- LPP Ukraina AT
- ZAO Re Trading.
- LPP Fashion Distributor SRL

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

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

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

- in the Capital Group's balance sheet total – 0.58%
- in the Capital Group's revenues from sales and financial revenues – 4.38%

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

LPP S.A. is a company involved in the design and distribution of clothing in Poland and in Central and Eastern Europe.

Consolidated Capital Group companies are involved in the distribution of goods under the Reserved and Cropp brands outside Poland.

Clothing

is basically the only product sold by the CG companies.

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

Designs of clothing are prepared in the design office located in LPP S.A. registered office in Gdańsk and then passed on to the purchasing department to start the production in co-operation with production sites in Poland and abroad, including in China

Production in China is managed by the Company's trading office in Shanghai.

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

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

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

Report of LPP Capital Group for Q3 FY07 contains the condensed consolidated financial statement and selected explanations contained in these Notes, as well as the condensed individual financial statement of the parent company, as per IAS 34: Interim Financial Statements.

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

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

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

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

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

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

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

Inventories	PLN 1 246k
Deferred income tax assets	PLN 298k
Retained profit/accumulated loss brought forward from previous years	PLN 84k
Net profit/loss of the reporting period	PLN 864k

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

Key achievements of LPP S.A. Capital Group in Q3 FY06 included:

1. Revenues from sales in Q3 FY07 totalled PLN 324.0 million, up by 59% compared to revenues generated in Q3 FY06 (PLN 203.3 m). Year-to-date revenues generated between January and September 2007 totalled PLN 887.5 million and were up by 68% vs. revenues generated in the corresponding period in 2006 (between January and September 2006 the revenues totalled 528.0 million).
2. Q3 operating profit totalled PLN 38.7 m. Operating profit in the previous year totalled PLN 6.8 m. Year-to-date operating profit between January and September 2007 totalled PLN 104.6 m, in the corresponding period last year LPP Capital Group showed a loss of – PLN 4.7 m, net profit in Q3 FY07 totalled PLN 32.5 m (as compared to net profit of PLN 3.6 m in Q3 FY06). Year-to-date net profit totalled PLN 82.8 m between January and September 2007 (in the corresponding period last year loss of – PLN 4.6 m).

3. Sales in Q3 FY07 totalled PLN 228.1 m in Reserved stores and PLN 70.7 m in CroppTown stores. Year-to-date sales in Reserved brand stores topped PLN 641.5 m, and in Cropp brand stores PLN 174.2 m. (as compared to PLN 146 m and PLN 35.2 m in Q3 FY06 respectively).
4. In three quarters of 2007 new outlets have been opened (about (about 19.2 thousand sq. meters), increasing the total selling area to approx. 135.8 thousand sq metres PLN 135.8k (290 stores), of which 47.6 thousand sq. metres (91 stores) abroad.
5. **Factors and events, especially of extraordinary nature, with significant impact on the consolidated financial results**

The results in Q3 of FY07 were mostly influenced by the successful autumn and winter collection, skilfully conducted process of replacing summer collection with the autumn one and the general good market condition. As in previous quarters of FY07, revenues of comparable stores increased robustly (+35% in Reserved and + 49 % in Cropp Town) in Q3.

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

data in PLN '000

Company's name	In Poland	Revenues from sales Q3 of FY07	share in sales volume % of individual countries in Q3	Revenues from sales 01.01.- 30.09.2007	share in sales volume % of individual countries in the period between 01.01 - 30.09
LPP S.A.	Poland	239 372	73,9%	661 320	74,5%
LPP Retail Estonia OU	Estonia	10 353	3,2%	26 736	3,0%
LPP Retail Latvia Ltd	Latvia	9 278	2,9%	25 067	2,8%
LPP Retail Czech Republic	the Czech Republic	15 775	4,9%	45 406	5,1%
s.r.o.					
LPP Hungary Kft.	Hungary	4 434	1,4%	12 958	1,5%
UAB "LPP"	Lithuania	10 302	3,2%	25 977	2,9%
LPP Ukraina AT	Ukraine	3 724	1,1%	12 609	1,4%
ZAO "Re Trading"	Russia	30 836	9,5%	77 442	8,7%
LPP Fashion Distributor SRL	Romania	0	0,0%	0	0,0%
Total:		324 074	100,0%	887 515	100,0%

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

Third quarter is the period of sales of spring and summer collection, especially in July and August. Even though this results in the decrease of gross margin on sales in these months, the margin for the whole quarter was high (56%). This is due to the very good reception of autumn and winter collection and high margin generated in late August and in September.

## **6. Segment reporting – revenues and results per segments**

The Capital Group is running only one type of business (one core segment).  
Two geographical segments have been identified: business in the EU and beyond  
Division into geographical segments was based on the criterion of location of the Group's assets.

Revenues and results per given segments for Q3 FY07 and comparable period are presented in point 24.7

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

None.

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

None.

## **9. Date of approval of the financial statement for publication**

This financial statement was approved for publication by the Management Board of the parent company on 13 November 2007.

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

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

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

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

In Q3 of FY07 LPP S.A. established under Romanian law a mercantile company „LPP Fashion Distributor SRL” with its registered office in Bucharest.  
LPP S.A. 's shareholding in the said company totals 100 %.

In Q3 of FY07 there were no changes in LPP Capital Group structure, including Following business combinations (mergers), takeovers (acquisitions) or disposal of capital group units. long-term investments, or division, restructuring and discontinuation of business operations.

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

In Q3 FY07, LPP S.A. and its subsidiaries used bank guarantees to secure payment of rent for leased retail premises where brand stores are located. As at 30 September 2007, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 58,533 k, of which:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 6 198 k
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 34 723 k
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 17 234 k
- d) guarantees granted to secure agreements concluded by third parties – PLN 162 k
- e) guarantees granted by LPP S.A. to secure office and warehouse facilities – PLN 215 k

As at 30 September 2007, the total amount of all sureties issued by the parent company totalled PLN 8 862 k, up by PLN 1 714 k compared to 31 December 2006.

### **14. Estimated future liabilities arising from retail lease agreements**

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

Total future minimum payments under lease agreements, estimated as at 30 September 2007, are as follows:

- payables with the maturity date within 12 months from the balance sheet date    PLN 119 789 k
- - payables with the maturity date from 12 months to 5 years from the balance sheet date    PLN 304,611 k
- - payables with the maturity date over 5 years from the balance sheet date                    PLN 57 553 k

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

The Company did not publish forecasts for 2007

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

Shareholding structure of the parent company as at the date of submission of the quarterly report for Q3 FY07:

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

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

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

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

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

**18. Information on legal proceedings**

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

## 19. Related-party transactions in excess of EUR 500.000 concluded by the Issuer

None.

## 20. Related-party transactions

### 20.1. Key management personnel

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

The amount of short-term employee benefits received by key management personnel for the period from 1 January to 30 September 2007 totalled PLN 1 230 k. including PLN 1 221 k for the Board of Directors, and PLN 9 k of Supervisory Board member's remuneration for other duties than service in the Supervisory Board.

The value of unsettled loan concluded between LPP S.A. and a Board member totalled as at 30th September 2007 PLN 129k.

### 20.2. Related party transactions

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

Transactions between the parent company and its foreign subsidiaries were excluded from the consolidated financial statement and are not presented in the table. Amounts presented in the table below show only intercompany transactions between LPP S.A. and 19 Polish non-consolidated subsidiaries, and are presented from the point of view of the parent company.

Data in the table is in PLN '000

related parties	receivables per	payables as at 30	revenues	costs
30.09.07		September 2007	January-September 2007	January – September 2007
1 Polish companies	1 087	2 443	73	38 689
Total	1 087	2 443	73	38 689

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

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

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

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

## 21. Information on guarantees and sureties granted

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

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

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

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

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

1. volume of sales in the traditionally best month for the industry – December
2. dynamics of retail trade in Poland and countries where LPP Group pursues business,
3. development of sales network of Reserved and Cropp Town brands
4. exchange rate of PLN against USD and EUR.

## 24. Notes to the condensed consolidated financial statement

### 24.1 Tangible fixed assets

The amount of tangible fixed assets presented in the consolidated financial statement drawn up as at 30 September 2007 includes an adjustment for a revaluation write-down totalling PLN 1 361 k.

The amount of payments on account of acquisition of tangible fixed assets as at 30 September 2007 was PLN 2 099 k.

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

	in PLN '000
Value as at 31st December 2006	193 834
Increase	93 557
Reduction	-61 456
Foreign exchange differences	-1 420
Depreciation and amortisation	-33 240
As at 30 September 2007	191 275

### 24.2 Inventories

The amount of inventories presented in the consolidated financial statement drawn up as at 30 September 2007 includes a revaluation write-down totalling PLN 3 421 k.

### 24.3 receivables

The amount of receivables presented in the consolidated financial statement drawn up as at 30 September 2007 includes an adjustment for a revaluation write-down totalling PLN 4,532 k. This write-down includes:

revaluation write-down of receivables and claimed receivables from customers	PLN 3 522 k
revaluation write-down of the so-called doubtful receivables:	PLN 798k
revaluation write-down of receivables from employees and other	PLN 212k

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

as at 31 December 2006	PLN 4 859 k
write-downs made between 1 January and 30 September 2007	PLN 1 082 k
reduction of write-downs in previous years	PLN 871k
reduction of write-downs made in the period 1 January – 30 September 2007	PLN 538k
as at 30th September 2007	PLN 4 532 k

### 24.4 Provisions

The amount of provisions presented in the consolidated financial statement drawn up as at 30 September 2007 totals PLN 7 582 k and includes:

- provision for retirement severance payments:	PLN 545k
- provision for holiday leaves not taken:	PLN 2 127 k
- provision for deferred income tax:	PLN 4 910 k

### 24.5 Income tax

Income tax presented in the consolidated profit and loss account for the period between 1 January and 30 September 2007 amounts to PLN 18 581 k and includes:

- current tax	PLN 20 427 k
- deferred tax	PLN 1 846 k

### 24.6 Foreign exchange differences

The consolidated profit and loss account drawn up as at 30th September 2007 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 400 k.

## 24.7 Segment reporting

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

<b>FY07</b>	in PLN '000				
	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	797 464	90 050			887 514
Intersegmental sales	40 036		-40 036		-
Other operating revenues	3 521	37		367	3 925
Total revenues	841 021	90 087	-40 036	367	891 439
Operating expenses, including Expenses of intersegmental sales of goods	686 452	85 145	-39 744		731 853
	29 552		-29 552		-
Other operating expenses	9 464	810		44 673	54 947
Segment result	145 105	4 132	-292	-44 306	104 639
Financial revenues				1 788	1 788
Financial expenses				5 059	5 059
Profit before tax					101 368
Income tax					18 581
Net profit					82 787
<b>FY06</b>	in PLN '000				
	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	496 838	31 182			528 020
Intersegmental sales	20 760		-20 760		-
Other operating revenues	3 057	2		69	3 128
Total revenues	520 655	31 184	-20 760	69	531 148
Operating expenses, including Expenses of intersegmental sales of goods	481 565	31 652	-19 243		493 974
	15 975		-15 975		-
Other operating expenses	6 494	162		35 185	41 841

Segment result	32 596	-630	-1 517	-35 116	-4 667
Financial revenues				6 294	6 294
Financial expenses				5 399	5 399
Profit before tax					-3 772
Income tax					873
Net profit					-4 645

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

Following the estimation of the carrying amount of assets invested in foreign subsidiaries, shares, additional paid-in capital, loans, and receivables presented under assets of the individual balance sheet were written down between January and September 2007; these write-downs totalled PLN 4 093 k and were also recognised under financial expenses and operating expenses in the individual profit and loss account.

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