

LPP S.A. Group
Interim consolidated financial statement for Q4 FY07

Gdańsk
February 2008

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

in PLN

‘000				
	Q4 FY07	Q4 FY06	Q4 FY07	Q4 FY06
Selected consolidated financial data	01/01/2007- 31/12/2007	01/01/2006- 31/12/2006	01/01/2007- 31/12/2007	01/01/2006- 31/12/2006
	in PLN ‘000		in EUR ‘000	
Net revenues from sales of products, goods and materials	1 274 318	815 135	337 407	209 057
Operating profit (loss)	176 610	49 416	46 762	12 674
Gross profit (loss)	166 840	48 305	44 175	12 389
Net profit (loss)	134 575	39 323	35 632	10 085
Net cash flow from operations	172 705	76 018	45 728	19 496
Net cash flow from investments	-96 325	-62 520	-25 504	-16 034
Net cash flow from financial activity	-53 497	-10 315	-14 165	-2 645
Total net cash flow	22 883	3 183	6 059	816

	Q4	Q4	Q4	Q4
Selected consolidated financial data	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	in PLN ‘000		in EUR ‘000	
Total assets	694 813	534 190	193 973	139 432
Long-term payables	33 978	15 544	9 486	4 057
Short-term payables	253 257	245 708	70 703	64 133
Equity	405 804	271 501	113 290	70 866
Share capital	3 407	3 407	951	889
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EUR)	79.0	23.1	20.5	5.7
Book value per share – BVPS (in PLN/EUR)	238.6	160.4	60.6	39.3

2. Consolidated balance sheet of LPP S.A. Capital Group

in PLN

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Balance Sheet	as at the end of:	
	Q4 FY07	Q4 FY06
ASSETS		
Fixed assets (long-term)	287 692	217 706
1. Tangible fixed assets (PP&E)	258 240	193 834
2. Intangible assets	12 180	13 478
3. Investments	910	903
4. Receivables	3 506	250
5. Deferred income tax assets	12 852	9 213
6. Prepaid expenses, accruals and deferred income	4	28
Current assets (short-term)	407 121	316 484
1. Inventories	290 064	230 434
2. Trade and other receivables	58 296	50 471
3. Prepaid expenses, accruals and deferred income	3 220	3 360
3. Investments	2 109	1 670
5. Cash and cash equivalents	53 432	30 549
Total assets	694 813	534 190

LIABILITIES

Equity	405 804	271 501
1. Share capital	3 407	3 407
2. Reserve capital	274 748	232 265
3. Other reserves	104	83
4. Retained profit/accumulated loss brought forward from previous years	-7 067	-3 887
5. Net profit/loss of the reporting period	134 575	39 323
6. Foreign exchange differences (conversion of related parties)	37	310
 Long-term payables	33 978	15 544
1. Borrowings (bank credits and loans)	27 865	11 000
2. Provisions	563	364
3. Deferred income tax provision	5 550	4 171
4. Other long-term payables		9
 Short-term payables	253 257	245 708
1. Trade and other payables	163 240	117 768
2. Borrowings (bank credits and loans)	57 017	124 139
3. Income tax	23 866	2 246
4. Provisions	8 991	1 354
5. Special funds	143	201
 Prepaid expenses, accruals and deferred income	1 774	1 437
 TOTAL LIABILITIES	694 813	534 190
 <hr/>		
Book value	405 804	271 501
Number of shares	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	238.2	160.4

3. Consolidated profit and loss account of LPP S.A. Capital Group

in PLN

‘000	YTD		Q4 FY06	
	current year	current year	previous year	previous year
ACCOUNT	01/01/2007-	01/10/2007-	01/01/2006-	01/10/2006-
	31/12/2007	31/12/2007	31/12/2006	31/12/2006
Revenues from sales	1 274 318	386 804	815 135	287 115
Selling costs	521 454	136 635	368 478	114 572
Gross profit/loss on sales	752 864	250 169	446 657	172 543
Other operating revenues	5 500	1 575	4 814	1 686
Costs of sales	498 905	151 871	342 074	102 006
General administrative expenses	67 943	23 270	49 425	14 240
Other operating expenses	14 906	4 632	10 556	3 900
Operating profit (loss)	176 610	71 971	49 416	54 083
Financial revenues	1 532	144	6 506	212
Financial expenses	11 302	6 643	7 617	2 218
Gross profit/loss	166 840	65 472	48 305	52 077
Taxes	32 265	13 684	8 982	8 109
Net profit/loss	134 575	51 788	39 323	43 968
Weighted average number of ordinary shares	1 703 500	1 703 500	1 703 500	703 500
Profit (loss) per ordinary share (EPS) (in PLN)	79.0	30.4	23.1	25.8

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

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

in PLN '000							
STATEMENT OF CHANGES IN EQUITY	Share capital	Reserve capital	Other reserves	Retained profit/accumulated loss brought forward from previous years	Net profit/loss of the reporting period	Foreign exchange differences – conversion of related parties	Total equity
As at 1 January 2006	3 407	200 368	1	28 202	0	472	232 450
- corrections of errors from previous years				-110			-110
As at 1 January 2006 (corrected)	3 407	200 368	1	28 092	0	472	232 340
Foreign exchange differences after conversion of related parties						-162	-162
Distribution of retained earnings from previous years		31 897	82	-31 979			0
Net profit for 4 quarters of 2006					39 323		39 323
as at 31 December 2006	3 407	232 265	83	-3 887	39 323	310	271 501
As at 1 January 2007	3 407	232 266	83	37 220	0	310	273 286
- corrections of errors from previous years				-1 784			-1 784
As at 1 January 2007 (corrected)	3 407	232 266	83	35 436	0	310	271 502
Foreign exchange differences after conversion of related parties						-273	-273
Distribution of retained earnings from previous		42 482	21	-42 503			0

LPP S.A. Group
Interim consolidated financial statement for Q4 FY07

years

Net profit for 4 quarters of 2007

134 575

134 575

As at 31 December 2007

3 407

274 748

104

-7 067

134 575

37

405 804

5. Consolidated cash flow statement of LPP Capital Group

in PLN

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	YTD	Q4 FY07	YTD	Q4 FY06
	01/01/2007- 31/12/2007	current year 01/10/2007- 31/12/2007	Previous year 01/01/2006- 31/12/2006	01/10/2006- 31/12/2006
CASH FLOW STATEMENT				
A. Cash flow from operations - indirect method				
I. Gross profit (loss)	166 840	65 472	48 305	52 077
II. Total adjustments	5 865	14 688	27 713	-1 619
1. Depreciation and amortisation	49 752	13 249	41 466	10 686
2. Foreign exchange (gains) losses	2 426	3 489	1 549	1 239
3. Interest and profit sharing (dividends)	3 237	1 020	4 556	1 572
4. (Profit) loss from investments	946	277	905	527
5. Income tax paid	-12 299	-3 425	-13 517	-3 588
6. Change in provisions	7 985	7 006	519	477
7. Change in inventories	-63 134	-29 201	-59 756	-21 580
8 Change in receivables	-12 592	3 618	-12 402	6 975
9. Change in short-term payables, excluding credits and loans	31 943	19 035	65 983	2 655
10. Change in prepaid expenses, accruals and deferred income	-222	984	116	344
11. Other adjustments	-2 177	-1 364	-1 706	-926
III. Net cash flow from operations	172 705	80 160	76 018	50 458
B. Cash flow from investments				
I. Inflows	2 510	287	1 908	18
1. Sale of intangible assets and tangible fixed assets	1 127	69	649	50
2. From financial assets, including:	1 383	218	1 259	42
In related parties	922	0	1 137	0
- dividends and profit sharing	922	0	1 137	0
b) in other entities	461	218	122	42
- sale of financial assets				
- repayment of short-term loans granted	354	125	105	39
- interest	107	93	17	3
3. Other inflows from investments				-74
II. Outflows	98 835	50 804	64 428	19 725

1. Acquisition of intangible assets and tangible fixed assets	98 074	50 673	62 752	18 147
2. On financial assets, including:	761	131	1 676	1 578
In related parties	0	0	0	0
- short-term loans granted				
- long-term loans granted				
b) in other entities	761	131	1 676	1 578
- short-term loans granted	596	97	1 676	1 578
- long-term loans granted	165	34		
3. Other outflows on investments				
III. Net cash flow from investments	-96 325	-50 517	-62 520	-19 707
C. Cash flow from financial activity				
I. Inflows	16 866	16 866	0	0
1. Credits and loans	16 866	16 866		
2. Other financial inflows				
II. Outflows	70 363	34 467	10 315	18 459
1. Repayment of credits and loans	64 506	32 979	3 795	16 523
2. Payments related to finance lease agreements	37	8	58	58
3. Interest	5 820	1 480	6 462	1 878
4. Other financial outflows				
III. Net cash flow from financial activity	-53 497	-17 601	-10 315	-18 459
D. Total net cash flow	22 883	12 042	3 183	12 292
E. Total cash flow balance, including:	22 883	12 042	3 183	12 292
- change in cash – foreign exchange differences	-2 048	-1 380	-1 722	-889
F. Opening cash balance	30 549	41 390	27 366	18 257
G. Closing cash balance, including:	53 432	53 432	30 549	30 549
- restricted cash	157	-112	215	-72

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

‘000	in PLN			
	Q4 FY07	Q4 FY06	Q4 FY07	Q4 FY06
Selected financial data	01/01/2007- 31/12/2007 in PLN ‘000	01/01/2006- 31/12/2006	01/01/2007- 31/12/2007 in EUR’000	01/01/2006- 31/12/2006
Net revenues from sales of products, goods and materials	1 102 925	748 962	292 026	192 086
Operating profit (loss)	168 784	64 612	44 690	16 571
Gross profit (loss)	149 864	52 901	39 680	13 567
Net profit (loss)	118 531	42 943	31 384	11 014
Net cash flow from operations	130 289	58 012	34 497	14 878
Net cash flow from investments	-70 579	-44 333	-18 688	-11 370
Net cash flow from financial activity	-52 844	-15 872	-13 992	-4 071
Total net cash flow	6 866	-2 193	1 818	-562

SELECTED FINANCIAL DATA	31/12/2007	31/12/2006	31/12/2007	31/12/2006
	in PLN ‘000		in EUR’000	
Total assets	656 359	513 480	183 238	134 026
Long-term payables	32 818	15 365	9 162	4 010
Short-term payables	225 534	218 663	62 963	57 074
Equity	396 573	278 042	110 713	72 573
Share capital	3 407	3 407	951	889
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Profit (loss) per ordinary share (EPS) (in PLN/EUR)	69.6	27.8	18.1	6.9
Book value per share – BVPS (in PLN/EUR)	232.8	163.2	59.2	40.0

7. Balance sheet of LPP S.A.

in PLN

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Balance Sheet	as at the end of:	
	Q4 31/12/2007	Q4 31/12/2006
ASSETS		
Fixed assets (long-term)	228 880	170 534
1. Tangible fixed assets (PP&E)	183 729	122 447
2. Intangible assets	11 781	13 082
3. Investments	21 835	25 517
4. receivables	341	250
5. Deferred income tax assets	11 190	9 210
6. Prepaid expenses, accruals and deferred income	4	28
Current assets (short-term)	427 479	342 946
1. Inventories	252 740	195 540
2. Trade and other receivables	142 376	122 563
3. Prepaid expenses, accruals and deferred income	2 624	3 037
3. Investments	4 726	3 659
5. Cash and cash equivalents	25 013	18 147
Total assets	656 359	513 480

LIABILITIES

Equity	396 573	278 042
1. Share capital	3 407	3 407
2. Reserve capital	274 635	232 153
3. Retained profit/accumulated loss brought forward from previous years		-461
4. Net profit/loss of the reporting period	118 531	42 943
Long-term payables	32 818	15 365
1. Borrowings (bank credits and loans)	27 865	11 000
2. Provisions	563	364
3. Deferred income tax provision	4 390	4 001
Short-term payables	225 534	218 663
1. Trade and other payables	146 764	103 304
2. Borrowings (bank credits and loans)	48 140	112 675
3. Income tax	22 641	2 070
4. Provisions	7 846	413
5. Special funds	143	201
Prepaid expenses, accruals and deferred income	1 434	1 410
TOTAL LIABILITIES	656 359	513 480
Book value	396 573	278 042
Number of shares	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	232.8	163.2

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

in PLN '000

	YTD	Q4 FY07	YTD	Q4 FY06
		current year		Previous year
	01/01/2007- 31/12/2007	01/10/2007- 31/12/2007	01/01/2006- 31/12/2006	01/10/2006- 31/12/2006
Profit and loss account				
Revenues from sales	1 102 925	335 824	748 962	263 569
Selling costs	525 214	141 894	385 524	124 479
Gross profit/loss on sales	577 711	193 930	363 438	139 090
Other operating revenues	13 765	7 765	11 027	7 188
Costs of sales	359 130	111 897	257 496	76 106
General administrative expenses	51 250	19 175	35 131	9 235
Other operating expenses	12 312	3 685	17 226	2 239
Operating profit (loss)	168 784	66 938	64 612	58 698
Financial revenues	8 683	2 469	6 046	1 742
Financial expenses	27 603	9 552	17 757	6 271
Gross profit/loss	149 864	59 855	52 901	54 169
Taxes	31 333	12 471	9 958	10 175
Net profit/loss	118 531	47 384	42 943	43 994
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)	69.58	27.82	25.21	25.83

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

9. Statement of changes in shareholders' equity of LPP S.A.

					in PLN
					'000
Statement of changes in equity	Share capital	Reserve capital	Retained profit/accumulated loss brought forward from previous years	Net profit/loss of the reporting period	Total equity
As at 1 January 2006	3 407	200 256	31 463		235 126
- corrections of errors from previous years			-27		-27
As at 1 January 2006 after corrections	3 407	200 256	31 436	0	235 099
Distribution of FY05 profit		31 897	-31 897		0
Net profit for 4 quarters FY06				42 943	42 943
as at 31 December 2006	3 407	232 153	-461	42 943	278 042
As at 1 January 2007	3 407	232 153	42 482		278 042
- corrections of errors from previous years					0
As at 1 January 2007 after corrections	3 407	232 153	42 482	0	278 042
Distribution of FY06 profit		42 482	-42 482		0
Net profit for 4 quarters FY07				118 531	118 531
as at 31 December 2007	3 407	274 635	0	118 531	396 573

10. Cash Flow Statement of LPP S.A.

	in PLN '000			
	YTD 01/01/2007- 31/12/2007	Q4 FY07 01/10/2007- 31/12/2007	YTD 01/01/2006- 31/12/2006	Q4 FY06 01/10/2006- 31/12/2006
Cash flow statement				
A. Cash flow from operations - indirect method				
I. Gross profit (loss)	149 864	59 855	52 901	54 169
II. Total adjustments	-19 575	3 689	5 111	-10 683
1. Depreciation and amortisation	31 542	8 465	28 958	7 334
2. Foreign exchange (gains) losses	2 513	1 737	1 902	1 597
3. Interest and profit sharing (dividends)	2 620	834	3 995	1 436
4. (Profit) loss from investments	4 712	-1 382	4 121	-1 034
5. Income tax paid	-11 892	-3 274	-13 180	-3 587
6. Change in provisions	7 632	6 715	196	117
7. Change in inventories	-57 244	-23 715	-40 538	-10 477
8. Change in receivables	-19 411	2 152	-38 736	737
9. Change in short-term payables, excluding credits and loans	19 493	11 334	58 294	-7 085
10. Change in prepaid expenses, accruals and deferred income	460	823	99	279
11. Other adjustments	0	0	0	0
III. Net cash flow from operations	130 289	63 544	58 012	43 486
B. Cash flow from investments				
I. Inflows	3 676	590	2 845	273
1. Sale of intangible assets and tangible fixed assets	1 113	69	564	0
2. From financial assets, including:	2 563	521	2 281	273
a) in related parties	2 105	303	2 161	231
- repayment of short-term loans			480	2
- interest and dividends	2 105	303	1 681	229
- repayment of long-term loans granted	0	0	0	0
b) in other entities	458	218	120	42
- interest	104	92	15	4
- repayment of short-term loans granted	354	126	105	38
3. Other inflows from investments	0	0	0	0
II. Outflows	74 255	39 984	47 178	16 255

1. Acquisition of intangible assets and tangible fixed assets	70 601	37 988	22 305	6 180
2. On financial assets, including:	3 654	1 996	24 873	10 075
a) in related parties	2 893	1 865	23 197	8 498
- acquisition of shares, additional paid-in capital	1 034	6	2 513	0
- granting short-term loans	0	0	0	0
-granting long-term loans	1 859	1 859	20 684	8 498
b) in other entities	761	131	1 676	1 577
- long-term loans granted	165	34	1 676	0
- short-term loans granted	596	97	0	1 577
3. Other outflows on investments	0	0	0	0
III. Net cash flow from investments	-70 579	-39 394	-44 333	-15 982
C. Cash flow from financial activity	0	0		
I. Inflows	16 866	16 866	0	0
1. Credits and loans	16 866	16 866	0	0
2. Other financial inflows	0	0	0	0
II. Outflows	69 710	31 412	15 872	19 564
1. Repayment of credits and loans	64 468	30 110	9 752	17 868
2. Interest	5 242	1 302	6 120	1 696
3. Other financial outflows	0	0	0	0
III. Net cash flow from financial activity	-52 844	-14 546	-15 872	-19 564
D. Total net cash flow	6 866	9 604	-2 193	7 940
E. Total cash flow balance, including:	6 866	9 604	-2 193	7 940
- change in cash – foreign exchange differences	-48	-62	-16	35
F. Opening cash balance	18 147	15 409	20 340	10 207
G. Closing cash balance, including:	25 013	25 013	18 147	18 147
- restricted cash	157	157	215	215

Notes to the condensed consolidated financial statement for Q4 FY07

1. Description of LPP S.A. Capital Group

LPP Capital Group (CG) is composed of:

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

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

No.	Company's name	Registered office	Date of taking control
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	M&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	AKME Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	P&G Sp. z o.o.	Gdańsk, Poland	26.09.2001
6.	SL&DP Sp. z o.o.	Gdańsk, Poland	26.09.2001
7.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
8.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
9.	PL&GM Sp. z o.o.	Gdańsk, Poland	26.09.2001
10.	GM&PL Sp. z o.o.	Gdańsk, Poland	26.09.2001
11.	AMA Sp. z o.o.	Gdańsk, Poland	28.05.2002
12.	LIMA Sp. z o.o.	Gdańsk, Poland	22.07.2002
13.	LUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
14.	KAMA Sp. z o.o.	Gdańsk, Poland	29.10.2002
15.	KUMA Sp. z o.o.	Gdańsk, Poland	05.11.2002
16.	AMUL Sp. z o.o.	Gdańsk, Poland	29.10.2002
17.	AMUK Sp. z o.o.	Gdańsk, Poland	15.05.2003
18.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
19.	MM&MR Sp. z o.o.	Gdańsk, Poland	09.03.2005
20.	LPP Retail Estonia OU	Tallinn Estonia	29.04.2002
21.	LPP Czech Republic s.r.o.	Prague, Czech Rep.	16.09.2002
22.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
23.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
24.	UAB LPP	Vilnius, Lithuania	27.01.2003
25.	LPP Ukraina	Peremyshlany, Ukraine	23.07.2003
26.	Re Trading Zamknięta Spółka Akcyjna	Moscow, Russia	12.02.2004
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 number of votes.

Consolidated financial statement of the Capital Group covering the period between 1 January and 31 December 2007 and the results of 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 Ukraine 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 – 0.89%
- in the Capital Group's revenues from sales and financial revenues – 4.26%

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

LPP S.A. is a company involved in the design and distribution of clothing in Poland and in Central and Eastern Europe. Consolidated Capital Group companies are involved in the distribution of goods under the Reserved and Cropp brands outside Poland. Clothing is basically the only product sold by the CG companies.

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

Designs of clothing are prepared in the design office located in LPP S.A. registered office in Gdańsk, and then sent to the purchasing department, which contracts the production of individual products in co-operation with production plants in Poland and abroad, among others in China. Production in China is managed by the Company's trading office in Shanghai.

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

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

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

Report of LPP Capital Group for Q4 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 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 30 June 2006 are the following:

Inventories	PLN 2 347 k	
Deferred income tax assets		PLN 563 k
Retained profit/accumulated loss brought forward from previous years	PLN 84 k	
Net profit/loss of the reporting period	PLN	PLN 1.7 k.

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

Key achievements of LPP S.A. Capital Group in Q4 FY07 included:

1. Revenues from sales in Q4 FY07 totalled PLN 387 m, up by 35% compared to revenues generated in Q4 FY06 (PLN 287 m). Year-to-date revenues generated between January and December totalled PLN 1 274 Million and were up by 56% vs. revenues generated in the corresponding period in 2006 (between January and December 2006 the revenues totalled PLN 815 m).
2. Q4 operating profit totalled PLN 72 m. Operating profit in the previous year totalled PLN 54 m. Year-to-date operating profit between January and December 2007 totalled PLN 177 m, in the corresponding period last year LPP Capital Group showed a operating profit – 49 m, net profit in Q4 FY07 totalled PLN 52 m (as compared to net profit of PLN 44 m in Q4 FY06). Year-to-date net profit totalled PLN 135 m between January and December 2007 (in the corresponding period last year profit of – PLN 39 m).
3. Sales in Q4 totalled PLN 280 m in Reserved stores and PLN 77 m in CroppTown stores. Year-to-date sales in Reserved brand stores topped PLN 921 m, and in Cropp brand stores PLN 250 m. (as compared to PLN 212 m and PLN 50 m in Q4 FY06, respectively).

4. In four quarters of 2007 new outlets have been opened (about (about 24 thousand sq. meters), increasing the total selling area to approx. 141 thousand sq. metres (309 stores), of which 52 thousand sq. metres (102 stores) abroad.

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

The results in Q4 of FY07 were mostly influenced by the successful autumn and winter collection, Christmas being traditionally best period for trade and the general good market condition. As in previous quarters of FY07, revenues of comparable stores increased robustly (+17% in Reserved and+ 23% in Cropp Town) in Q4. The dynamics was lower than in the first 3 quarters of FY07. It was caused by very good sales results in both networks achieved in Q4 FY06.

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

[data in PLN '000

Company's name	country	Revenues from sales in Q4 FY07	% of sales by country in Q4	Revenues from sales 01.01- 30.12.2007	% of sales by country in the period 01.01 - 31.12
LPP S.A.	Poland	293 961	76.0%	955 281	75.0%
LPP Retail Estonia OU	Estonia	9 062	2.3%	35 798	2.8%
LPP Retail Latvia Ltd	Latvia	8 620	2.2%	33 687	2.6%
LPP Retail Czech Republic s.r.o.	the Czech Republic	22 997	5.9%	68 403	5.4%
LPP Hungary Kft.	Hungary	5 840	1.5%	18 798	1.5%
UAB "LPP"	Lithuania	9 708	2.5%	35 685	2.8%
LPP Ukraina AT	Ukraine	5 791	1.5%	18 400	1.4%
ZAO "Re Trading"	Russia	30 824	8.0%	108 266	8.5%
LPP Fashion Distributor SRL	Romania	0	0.0%	0	0.0%
Total:		386 803	100.0%	1 274 318	100.0%

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

Seasonal nature of sales concerns the whole clothing market both in Poland and abroad – and Q4 is considered best for companies from the industry. Therefore this year and in previous years companies of LPP Capital Group generated the highest revenues in the reporting quarter.

6. Segment reporting – revenues and results per segments

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

Revenues and results per given segments for Q4 FY07 and comparable period are presented in point 23.7

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

The situation described in the title did not occur in the LPP S.A.

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

The situation described in the title did not occur in the LPP S.A.

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 26 February 2008.

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

Under IAS 10, events after the balance sheet date include all events that occurred between the balance sheet date and the date 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.

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

In the previous quarter of FY07 LPP S.A. established under Romanian law a mercantile company LPP S.A. 's shareholding in the said company totals 100 %.

In Q4 FY07 there were no changes in the Capital Group's structure, including business combination (mergers), takeover or sale of Capital Group companies, long-term investments, or split, restructuring and discontinuation of business operations.

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

In Q4 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 31 December 2007, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 64,277 k, of which:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 7 776 k
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 36 687 k
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 19 431 k
- d) guarantees granted to secure agreements concluded by third parties – PLN 141 k
- e) guarantees granted to secure office and warehouse space lease agreements concluded by LPP S.A. – PLN 242 k

As at 31st December 2007, the total amount of guarantees granted by the parent company totalled . PLN 8 840 k, and increased compared to 31 December 2006 by PLN 1 728 k

13. 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 31 December 2007, are as follows:

- | | |
|---|--------------|
| - payables with the maturity date within 12 months from the balance sheet date | PLN |
| 114 615 k | |
| - payables with the maturity date from 12 months to 5 years from the balance sheet date | PLN 297,001 |
| k | |
| - payables with the maturity date over 5 years from the balance sheet date | PLN 59 984 k |

14. The Management Board's opinion on the feasibility of forecasts of annual consolidated results

The Company did not publish forecasts for 2007

15. 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

Ownership structure of the parent company as at the date of submission of the quarterly report for Q4 FY07

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Share in the total vote at the General Meeting of Shareholders	Share in share capital
Marek Piechocki	323.985	1.023.985	32.99%	19.02%
Jerzy Lubianiec	226.338	926.338	29.85%	13.29%
Grangefont Limited	350.000	350.000	11.28%	20.55%

After the submission of the last quarterly report, changes in the ownership structure of LPP S.A. shares held by key shareholders who possessed shares before took place.

1. Mr. Marek Piechocki held 281 876 shares representing 981 876 votes at the General Meeting of Shareholders of LPP S.A., which constituted 31.64% of the total number votes and 16.55% in the Company's share capital.
2. Jerzy Lubianiec 246 338 shares which corresponds to 946,338 votes (30.49%) 246.338 14.46% of share in the capital.
3. Commercial Union OFE BPH CU WBK S.A. (hereinafter referred to as CU OFE) held 214.954 shares of LPP S.A. which corresponds to 214.954 votes at the General Meeting of Shareholders and 6.93% of share in the general number of votes and 12.62% of share in the capital.

The current shareholding structure results from a few events that have taken place since the previous quarterly report publication:

- 1) Sell-off of LPP S.A. shares by CU OFE (RB4/2008) which resulted in the decrease of its share in the total number of votes at the General Meeting of Shareholders below 5%.
- 2) Sell-off of 20 000 shares by Mr. Jerzy Lubianiec (RB 36/2007);
- 3) Purchase of 20 000 shares by Mr. Marek Piechocki in an over-the-counter transaction (RB36/2007) and 22.609 shares in session transactions (RB35/2007) and sell-off of 500 shares in a session transaction.
Purchase transactions increased the share of Mr. Marek Piechocki to 33.01% at the General Meeting of Shareholders Mr Marek Piechocki did not intend to achieve the threshold of 33% but it resulted from a calculation mistake (RB7/2008). The sell-off transaction decreased his share to 32.99% at the General Meeting of Shareholders.

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

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders
-------------	-----------------------	--

President of the Board of Directors	323 985	1 023 985
Vice-President of the Management Board	5 684	5.684
Vice-President of the Management Board	1 955	1.955
Vice-President of the Management Board	2 794	2.794
Vice-President of the Management Board	2 071	2 071
Chairman of the Supervisory Board	226 338	926 338

After the submission of the last quarterly report, changes in the ownership structure of LPP S.A. shares held by members of the Issuer's Management Board and the Supervisory Board occurred.

As at 13 November 2007 President of the Management Board held 281 876 shares of LPP, i.e. 981.876 votes at the General Meeting of Shareholders, the Chairman of the Supervisory Board respectively: 246 338 shares 246.338, i.e. 946.338 votes

Detailed explanation of the abovementioned changes was presented in Point 16 of this report.

Other Vice-Presidents – no changes in ownership.

17. Information on legal proceedings

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

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

In the reporting period, the issuer conducted business with its subsidiary for an amount exceeding EUR 500,000.

One of foreign subsidiaries – LPP Fashion Distributor SRL (Romania) was a party of the transaction. The subject of the transaction was credit agreement of EUR 2 200 000 concluded on 12 November 2007 with due date on 31 October 2009.

19. Related-party transactions

19.1. Key management personnel

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

The amount of short-term employee benefits received by the key management personnel in the period from 1 January to 31 December 2007 totalled PLN 1 662 k, of which PLN 1 650 k received by members of the Management Board and PLN 12 k by a member of the Supervisory Board for services other than work in the Supervisory Board.

The value of unsettled loan concluded between LPP S.A. and a Board member totalled as at 31 December 2007 totalled PLN 86 k.

19.2. Related party transactions

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

Transactions between the parent company and its foreign subsidiaries were excluded from the consolidated financial statement and are not presented in the table.

Amounts presented in the table below show only intercompany transactions between LPP S.A. and 19 Polish non-consolidated subsidiaries, and are presented from the point of view of the parent company.

Data in the table is in PLN '000

No.	related parties	receivables as at 31 December 2007	payables as at 31 December 2007	revenues for the period January- December 2007	expenses for the period January- December 2007
1	Polish subsidiaries	1 426	3 085	97	52 825
	Total	1 426	3 085	97	52 825

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.

20. Information on guarantees and sureties granted

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

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

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

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

1. dynamics of retail trade in Poland and countries where LPP Group pursues business,
2. evaluation of spring-summer collection made by customers,
3. changes in operating costs,
4. development of sales network of Reserved and Cropp Town brands
5. exchange rate of PLN against USD and EUR.

23. Notes to the consolidated financial statement

23.1 Tangible fixed assets (PP&E)

The amount of tangible fixed assets presented in the consolidated financial statement drawn up as at 31 December 2007 includes an adjustment for a revaluation write-down totalling PLN 1,133 k.

The amount of payments on account of acquisition of tangible fixed assets as at 31 December 2007 was PLN 5 065 k.

Changes in amounts related to tangible fixed assets in the period from 1st January 2006 to 31st December 2006 were as follows:

	in PLN '000
Value as at 31st December 2006	193 834
Increase	163 151
Reduction	-51 202
Foreign exchange differences	-1 637
Depreciation and amortisation	-45 906
Value as at 31st December 2007	258 240

23.2 Inventories

The amount of inventories presented in the consolidated financial statement drawn up as at 31 December 2007 includes a revaluation write-down totalling PLN 3,448 k.

23.3 Receivables

The amount of receivables presented in the consolidated financial statement drawn up as at 31 December 2007 includes an adjustment for a revaluation write-down totalling PLN 5,111 k.

This write-down includes:

revaluation write-down on receivables and claimed receivables due from customers PLN 3,305 k.
revaluation write-down of the so-called doubtful receivables: PLN 1 592 k
revaluation write-down of receivables from employees and other PLN 214 k

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

as at 31 December 2005	PLN 4 859 k
write-downs made between 1st January and 30th September 2006	PLN 1,471 k
decrease in write-downs in previous years	PLN 1,461 k
decrease in write-downs in previous years between 1 January and 30 September 2007	PLN 484 k
as at 30 December 2007	PLN 5 111 k

23.4 Provisions

The amount of provisions presented in the consolidated financial statement drawn up as at 31 December 2007 totals PLN 15 104 k and it includes:

- provision for retirement severance payments: PLN 563 k
- provision for holiday leaves not taken: PLN 1 374 k
- unpaid compensations provision PLN 6,993 k
- provision for deferred income tax: PLN 5 550 k
- other provisions for services PLN 624 k

23.5 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 32 265 k and includes:

- current tax PLN 34,642 k
- deferred tax PLN (1,651) k.

23.6 Foreign exchange differences

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

23.7 Segment reporting

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

2007	in PLN '000.				
	EU Member States	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	1 147 652	126 666			1 274 318
Intersegmental sales	59 713		-59 713		-
Other operating revenues	5 174	191		135	5 500
Total revenues	1 212 539	126 857	-59 713	135	1 279 818
Operating expenses, including	960 158	118 136	-57 935		1 020 359
Expenses of intersegmental sales of goods	44 407		-44 407		-
Other operating expenses	13 913	991		67 945	82 849
Segment result	238 468	7 730	-1 778	-67 810	176 610
Financial revenues				1 532	1 532
Financial expenses				11 302	11 302
Profit before tax					166 840
Income tax					32 265
Net profit					134 575

2006	in PLN '000.				
	Member States of the European Union	Other countries	Consolidation adjustments	Values not assigned to segments	Total
External sales	763 398	51 737			815 135
Intersegmental sales	36 073		-36 073		-
Other operating revenues	4 677	8		129	4 814
Total revenues	804 148	51 745	-36 073	129	819 949
Operating expenses, including	691 753	51 357	-32 558		710 552
Expenses of intersegmental sales of goods	27 511		-27 511		-
Other operating expenses	10 163	350		49 468	59 981
Segment result	102 232	38	-3 515	-49 339	49 416
Financial revenues				6 506	6 506
Financial expenses				7 617	7 617
Profit before tax					48 305
Income tax					8 982
Net profit					39 323

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

Following the estimation of the carrying amount of assets invested in foreign subsidiaries from January to December 2007 an individual balance was done in assets entries shares, called up share capital, loans and receivables from write-downs included in financial and operating revenues and expenses of an individual profit and loss account totalled PLN 3 905 k increasing the assets.

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.