LPP S.A. CAPITAL GROUP

Report for H1 FY 2008

Containing:

1. The Management Board's Letter of Representation in accordance with the Ordinance of the Polish Council of Ministers of 19 October 2005 on current and interim information provided by issuers of securities,
2. Consolidated interim financial statement for the period from 1 January 2008 to 30 June 2008,
3. Half-year Management Board's report on activities of LPP S.A. Capital Group,
4. The Management Board's Letter of Representation in accordance with the Ordinance of the Polish Council of Ministers of 19 October 2005 on current and interim information provided by issuers of securities,
5. Condensed interim financial statement for the period from 1 January 2008 to 30 June 2008.

September 2008

MANAGEMENT BOARD'S LETTER OF REPRESENTATION

Pursuant to the provisions of the Ordinance of the Council of Ministers of 19 October 2005 on current and interim information provided by issuers of securities, the Management Board of LPP S.A. hereby declares that:

- to the best of the Board's knowledge, the half-year consolidated financial statement and comparative data has been prepared in accordance with the accounting principles currently in effect and presents a true and fair view of the assets, financial standing, and financial result of LPP Capital Group,

- the Management Board's half-year consolidated report presents a true and fair view of the development and achievements of LPP Capital Group, including an accurate description of risks and threats,

- the entity authorised to audit financial statements that audited the half-year consolidated financial statement was appointed in accordance with the applicable legal provisions currently in effect. This entity and certified auditors who audited the financial statement satisfied all conditions required to produce an impartial and independent audit report, as per the applicable provisions of the Polish law.

The Management Board of LPP S.A.:

Marek Piechocki ....

Alicja Milińska ....

Dariusz Pachla ....

Stanisław Dreliszak ....

Aleksander Moroz ....

Gdańsk, 18 September 2008

Interim consolidated financial statement for the period 01.01.2008 – 30.06.2008

1. Selected consolidated financial data

Selected consolidated financial data	H1 2008 01/01/2008-30/06/2008	H1 2007 01/01/2007-30/06/2007	H1 2008 01/01/2008-30/06/2008	H1 2007 01/01/2007-30/06/2007
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	697 789	563 466	200 652	146 408
Operating profit (loss)	72 154	65 899	20 748	17 123
Gross profit (loss)	63 716	61 303	18 322	15 929
Net profit (loss)	52 768	50 244	15 174	13 055
Net cash flow from operations	41 329	56 963	11 884	14 801
Net cash flow from investments	-150 076	-25 527	-43 155	-6 633
Net cash flow from financial activity	105 017	-28 097	30 198	-7 301
Total net cash flow	-3 730	3 339	-1 073	868

Selected consolidated financial data	H1 2008 01/01/2008-30/06/2008	H1 2007 01/01/2007-30/06/2007	H1 2008 01/01/2008-30/06/2008	H1 2007 01/01/2007-30/06/2007
	in PLN '000		in EUR '000	
Total assets	843 995	574 628	251 623	152 591
Long-term payables	96 943	16 328	28 902	4 336
Short-term payables	331 137	235 230	98 723	62 465
Equity	414 286	322 402	123 513	85 613
Share capital	3 412	3 407	1 017	905
Number of shares	1 699 124	1 703 500	1 699 124	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EURO)	31.06	29.49	8.93	7.66
Book value per share – BVPS (in PLN/EURO)	243.82	189.26	72.69	50.26

data in PLN thousands

2. Consolidated Balance Sheet

Balance Sheet	Notes	as at the end of:		
		30/06/2008	30/06/2007	31/12/2007
ASSETS				
Non-current assets (long-term)		396 082	222 202	288 043
1. Tangible fixed assets (Property, Plant & Equipment)	13.1	360 819	195 481	258 334
2. Intangible assets	13.2	12 406	12 507	12 186
3. Investments	13.3	1 514	916	910
4. Receivables		3 768	1 517	3 589
5. Deferred income tax assets	13.18	17 384	11 777	13 020
6. Prepaid expenses	13.15	191	4	4
Current assets (short-term)		447 913	352 426	409 112
1. Inventories	13.5	321 734	262 829	289 527
2. Trade and other receivables	13.6	70 708	51 093	60 809
3. Prepaid expenses	13.15	3 643	2 688	3 235
3. Investments	13.3	2 126	1 928	2 109
5. Cash and cash equivalents	13.7	49 702	33 888	53 432
TOTAL assets	**-**	**843 995**	**574 628**	**697 155**

data in PLN thousands

	Notes	30/06/2008	30/06/2007	31/12/2007
LIABILITIES				
Equity		414 286	322 402	405 662
1. Share capital	13.8	3 412	3 407	3 407
2. Treasury shares		-48 743		
3. Reserve capital	13.8	399 002	274 748	274 748
4. Other reserves		104	104	104
5. Retained profit/accumulated loss carried forward from previous years		9 348	-7 067	-7 067
6. Net profit/loss of the reporting period		52 768	50 244	134 749
7. Foreign exchange differences (conversion of related parties)		-1 605	966	-279
Long-term payables		96 943	16 328	33 358
1. Borrowings (bank credits and loans)	13.13	91 361	11 000	27 865
2. Provisions	13.10	831	511	563
3. Deferred income tax provision	13.18	4 751	4 817	4 930
Short-term payables		331 137	235 230	256 287
1. Trade and other payables	13.14	167 815	126 413	166 692
2. Borrowings (bank credits and loans)	13.13	150 604	98 013	57 017
3. Income tax		9 814	8 707	23 443
4. Provisions	13.10	2 576	1 798	8 992
5. Special funds		328	299	143
Accruals and deferred income		1 629	668	1 848
TOTAL liabilities		**843 995**	**574 628**	**697 155**

Book value	414 286	322 402	405 662
Number of shares	1 699 124	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	243.82	189.26	238.13

data in PLN thousands

3. Consolidated Profit and Loss Account

Consolidated Profit and Loss Account	Notes	current year 01/01/2008-30/06/2008	previous year 01/01/2007-30/06/2007
Revenues from sales	13.16	697 789	563 466
Selling costs		283 982	241 809
Gross profit/loss on sales		413 807	321 657
Other operating revenues	13.16	3 018	2 202
Costs of sales	13.17	292 468	222 219
General administrative expenses	13.17	43 824	28 738
Other operating expenses	13.17	8 379	7 003
Operating profit (loss)		72 154	65 899
Financial revenues	13.16	1 627	1 227
Financial expenses	13.17	10 065	5 823
Gross profit/loss		63 716	61 303
Taxation	13.18	10 948	11 059
Net profit/loss	**-**	**52 768**	**50 244**

Weighted average number of ordinary shares	1 699 124	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN)	31.06	29.49

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

data in PLN thousands

4. Statement of Changes in Equity

Statement of Changes in Equity	Share capital	Treasury shares	Reserve capital	Other reserves	Retained profit/accumulated loss carried forward from previous years	Net profit/loss of the reporting period	Foreign exchange differences (conversion of related parties)	TOTAL equity
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							656	656
Distribution of retained earnings from previous years			42 482	21	-42 503			0
Net profit for H1 2007						50 244		50 244
As at 30 June 2007	**3 407**		**274 748**	**104**	**-7 067**	**50 244**	**966**	**322 402**
As at 1 January 2008	3 407		274 748	104	127 682	0	-279	405 662
- corrections of errors from previous years								0
As at 1 January 2008 (corrected)	3 407	0	274 748	104	127 660	0	-279	405 640
Foreign exchange differences after conversion of related parties							-1 326	-1 326
Buy-back of treasury shares		-48 743						-48 743
Increase in share capital	5							5
Distribution of retained earnings from previous years			118 312		-118 312			0
Share-based payments			5 942					5 942
Other					-22			-22
Net profit for H1 2008						52 768		52 768
As at 30 June 2008	**3 412**	**-48 743**	**399 002**	**104**	**9 348**	**52 768**	**-1 605**	**414 286**

data in PLN thousands

5. Consolidated Cash Flow Statement

Cash Flow Statement	01/01/2008-30/06/2008	01/01/2008-30/06/2008
A. Cash flow from operations – indirect method		
I. Gross profit (loss)	63 716	61 303
II. Total adjustments	-22 387	-4 340
1. Depreciation and amortisation	28 810	23 934
2. Foreign exchange (gains) losses	2 471	659
3. Interest and profit sharing (dividends)	3 666	1 237
4. (Profit) loss from investments	-781	504
5. Income tax paid	-27 975	-6 246
6. Change in provisions	-1 055	473
7. Change in inventories	-35 139	-32 689
8. Change in receivables	-11 984	-2 048
9. Change in short-term payables, excluding credits and loans	23 575	10 667
10. Change in prepaid expenses, accruals and deferred income	-866	-517
11. Other adjustments	-3 109	-314
III. Net cash flow from operations	41 329	56 963
B. Cash flow from investments		
I. Inflows	1 649	1 126
1. Sale of intangible assets and tangible fixed assets	1 411	981
2. From financial assets, of which:	238	145
a) in related parties	0	0
- dividends and profit sharing		
b) in other entities	238	145
- sale of financial assets		
- interest	19	9
- repayment of short-term loans granted	219	136
- repayment of long-term loans granted		
- other inflows from financial assets		
3 . Other inflows from investments		

data in PLN thousands

II. Outflows	151 725	26 653
1. Acquisition of intangible assets and tangible fixed assets	150 953	26 303
2. On financial assets, of which:	772	350
a) in related parties	348	0
- acquisition of shares	348	
b) in other entities	424	350
- short-term loans granted	28	271
- long-term loans granted	396	79
3. Other outflows on investments		
III. Net cash flow from investments	-150 076	-25 527
C. Cash flow from financial activity		
I. Inflows	158 069	0
1. Inflows from the issue of shares	5	
2. Borrowings (credits and loans)	158 064	
3. Other financial inflows		
II. Outflows	53 052	28 097
1. Buy-back of treasury shares	48 744	
2. Repayment of credits and loans		24 975
3. Payments related to finance lease agreements	10	21
4. Interest	4 298	3 101
5. Other financial outflows		
III. Net cash flow from financial activity	105 017	-28 097
D. Total net cash flow	-3 730	3 339
E. Total cash flow balance, of which:	-3 730	3 339
- change in cash – foreign exchange differences	-1 770	-314
F. Opening cash balance	53 432	30 549
G. Closing cash balance, of which:	49 702	33 888
- restricted cash	242	242

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENT OF LPP CAPITAL GROUP FOR H1 2008

INTRODUCTION

1. General information

Name and registered office of the parent company of LPP Capital Group:

LPP Spółka Akcyjna
with its registered office in Gdańsk, Poland
ul. Łąkowa 39/44
ZIP code: 80-769

Core business:

1. wholesale of clothing, classified in item 51.42 Z of the Polish Classification of Economic Activities (PKD) as "wholesale of clothing and footwear",
2. retail sale of clothing, classified in item 52.42 Z as "retail sale of clothing".

Local Court of appropriate jurisdiction for the parent company
LPP SA is registered in the Local Court in Gdańsk-Północ, VII Commercial Division of the National Court Register in the Register of Entrepreneurs, entry no. KRS 0000000778.

Place of business
The Group operates in the following countries:

- Poland,
- Estonia,
- the Czech Republic,
- Lithuania,
- Latvia,
- Hungary,
- Russia,
- Ukraine
- Romania.

Sector as classified by the Warsaw Stock Exchange:

Shares of the parent company LPP S.A. are listed on the main market of the Warsaw Stock Exchange and classified in the sector "trade".

2. Members of the Issuer's Management Board and Supervisory Board

Members of the Management Board:

- Marek Piechocki - President of the Management Board
- Dariusz Pachla - Vice President of the Management Board
- Alicja Milińska - Vice President of the Management Board
- Stanisław Dreliszak - Vice President of the Management Board
- Aleksander Moroz - Vice President of the Management Board

Members of the Supervisory Board:

- Jerzy Lubianiec - Chairman of the Supervisory Board

data in PLN thousands

- Krzysztof Olszewski - member of the Supervisory Board
- Wojciech Olejniczak - member of the Supervisory Board
- Maciej Matusiak - member of the Supervisory Board
- Krzysztof Fąferek - member of the Supervisory Board
- Antoni Tymiński - member of the Supervisory Board (appointed as of 30 June 2008)

3. Description of LPP Capital Group

LPP Capital Group (CG) is composed of:
- LPP S.A. – parent company,
- 19 Polish subsidiaries,
- 10 foreign subsidiaries.

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

No.	Name of the company	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 Republic	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 (closed joint-stock company)	Moscow, Russia	12.02.2004
27.	LPP Fashion Distribuitor SRL	Bucharest, Romania	12.08.2007
28.	ES STYLE	Moscow, Russia	10.03.2008
29.	FASHION POINT	Moscow, Russia	01.04.2008

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

The consolidated financial statement of the Capital Group covering the period from 1 January to 30 June 2008 covers the separate 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 Distribuitor SRL,
- ES Style,
- Fashion Point.

Polish subsidiaries of LPP S.A. were not consolidated as their financial data is immaterial. This is in accordance 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 representing 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 the non-consolidated entities must not exceed this level, but established in relation to the corresponding amounts of the consolidated financial statement, based on the assumption that the statement covers all subsidiaries and associates with no exceptions.
The share of all non-consolidated Polish subsidiaries in the consolidated results is as follows:

- in the Capital Group's balance sheet total – 0.66 %
- in the Capital Group's revenues from sales and financial revenues – 4.42 %.

The fact that financial statements of these companies are not consolidated does not affect the 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. The consolidated Capital Group companies are involved in the distribution of goods under the Reserved and Cropp brands outside of 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 at the registered office of LPP S.A. in Gdańsk, and then sent to the purchasing department, whose task is to outsource the production of individual products to manufacturing plants in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai.
In addition, the Capital Group generates small revenues from sales of services (these include only revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and lease of transport vehicles).
19 Polish subsidiaries are involved in the lease of real property where Cropp Town and Reserved outlets are located.

In August 2008, a new subsidiary with its registered office in Sofia, Bulgaria was registered. 100% of its share capital will be taken over and paid up by the parent company.

4. Legal basis of the financial statement and information on changes in the adopted accounting principles

Pursuant to the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2003 No. 76 item 694, as amended), as of 1 January 2005, LPP Capital Group shall present its consolidated financial statement drawn up as per the International Financial Reporting Standards (IFRS) and related interpretations, published in the form of Regulations of the European Commission. In matters not covered by IFRS, provisions of Accounting Act shall be applied. Financial statements covering annual

periods beginning before 1 January 2005 were prepared based on the Accounting Act and its implementing provisions.
The Group decided not to exercise its rights resulting from the revision contained in IAS 1 as regards loans granted to subsidiaries, and does not classify these loans as subordinated loans.

The report contains the Group's consolidated financial statement and the separate financial statement of LPP S.A. The report was drawn up in accordance with IFRS.

This consolidated financial statement was drawn up in PLN.

5. Declaration of compliance with IFRS

This consolidated financial statement was drawn up in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union, covering standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Standards Interpretation Committee.

Currently, there are no significant differences between IFRSs as adopted by the European Union and regulations adopted by the International Accounting Standards Board, with the exception of the following standards which have not been adopted as at 31 August 2008:

1. The revised IFRS 3 Business Combinations – published on 10 January 2008 and applicable to financial statements for annual periods beginning on or after 1 July 2009. The revision concerns, among others, the revised recognition of other direct acquisition-related costs, recognition and settlement of step acquisitions (made in several transactions), measurement and recognition of goodwill and minority interest, as well as the approach to terms of payment.
2. The revised IAS 23 Borrowing Costs – published on 29 March 2007 and applicable to financial statements for annual periods starting on or after 1 January 2009. This revision eliminates the previously approved option to account for borrowing costs through profit or loss.
3. The revised IAS 1 Presentation of Financial Statements – published on 6 September 2007 and applicable to financial statements for annual periods starting on or after 1 January 2009. This revision includes changes in the terminology adopted for basic financial statements as well as the presentation of Balance Sheet, Profit and Loss Account, and Statement of Changes in Equity.
4. The revised IAS 27 Consolidated and Separate Financial Statements – published on 10 January 2008 and applicable to financial statements for annual periods starting on or after 1 July 2009. This revision refers to the acquisition or sale of shares in a transaction where control is retained, measurement of the residual holding in subsidiaries retained in the parent's financial statement after control is lost, and recognition of minority interest (non-controlling interest).
5. The revised IFRS 2 Share-based Payment – published on 17 January 2008 and applicable to financial statements for annual periods beginning on or after 1 January 2009. This revision explains the definition of vesting conditions and the accounting treatment of termination of agreements related to share-based payments.
6. IFRIC Interpretation 12 Service Concession Arrangements – published on 30 November 2006 and applicable to financial statements for annual periods beginning on or after 1 January 2008. This Interpretation contains guidelines for operators in service concession agreements between the public and private sectors on the accounting treatment of these agreements. IFRIC 12 applies to agreements where an entity granting a concession (Grantor) controls or regulates the type of services provided by the operator using the specific infrastructures and controls the significant residual interest in this infrastructure after the contract term.
7. IFRIC Interpretation 13 Customer Loyalty Programmes – published on 28 June 2007 and applicable to financial statements for annual periods beginning on or after 1 July 2008. This Interpretation contains guidelines for entities granting the so-called "loyalty points" to their customers on how to account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.

8. IFRIC Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – published on 5 July 2007 and applicable to financial statements for periods starting on or after 1 January 2008.

According to the Company's estimates, the above standards, interpretations and revisions would have no significant impact on the financial statement if applied as at the balance sheet date.

In addition, when preparing this financial statement, the Company has not applied the following standards, revisions and interpretations which have been published and adopted by the EU, but are not applicable as yet:

1. IFRS 8 Operating Segments – published on 30 November 2006 and applying to financial statements for periods starting on or after 1 January 2009. This standard replaces IAS 14 Segment Reporting and requires, among others, identification of operating segments based on internal reports on the entity's components that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

According to the Company's estimates, the above standards, interpretations and revisions would have no significant impact on the financial statement if applied as at the balance sheet date.

6. Going concern assumption

The consolidated financial statement for H1 FY 2008, separate financial statement of the Parent Company, as well as financial statements of subsidiaries on which the consolidated financial statement was based, were drawn up based on the assumption that these entities shall remain a going concern in the foreseeable future and that their respective businesses are not restricted to a considerable extent.
Based on the information available as at the date of preparation of this financial statement, the going concern assumption adopted herein is fully justified.

7. Date of approval of the financial statement for publication

This financial statement was approved for publication (authorise for issue) by the Management Board of the parent company of LPP Capital Group on 18 September 2008.

8. Events after the balance sheet date

Under IAS 10, events after the balance sheet date include all events that occurred between the balance sheet date and the date that the financial statement is authorised for issue.
The Management Board is authorised to adjust the financial statement after its publication.

On 13 June 2008, an investment agreement was signed by and between LPP S.A. and the main shareholders of Artman S.A. and the company Artman S.A., pursuant to which LPP S.A. was to announce a tender offer for 100% of Artman S.A. shares.
On 15 September 2008, pursuant to provisions of this agreement, LPP S.A. (represented by Copernicus Securities S.A.) notified the Polish Financial Supervision Authority and the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) that a tender offer for Artman S.A. shares shall be announced on 22 September 2008.

A material agreement was concluded by the Issuer after the balance sheet date (i.e. 13 August 2008).
This agreement was signed by and between LPP S.A. and PKO BP S.A. for a bank credit up to PLN 394,800k granted by PKO BP S.A. to the Company, to be used to finance the acquisition of 100% of Artman S.A. shares in a public tender offer.
Bank's receivables under this credit are secured with:
1) a registered pledge on Artman S.A. shares

2) a registered pledge on trademark rights
3) authorisation to debit all bank accounts of the Issuer in PKO BP S.A.
4) blanket mortgage of PLN 394,800k and capped mortgage up to PLN 114,492k on the Company's real property
5) assignment of cash receivables under the property insurance contract (covering real property referred to in 4) above).
This credit was granted for the period of 5 years.

9. Methods of measurement of assets and liabilities and determination of the financial result adopted in the consolidated report

Tangible fixed assets (PP&E) and intangible assets

Tangible fixed assets (Property, Plant & Equipment) are initially carried at cost, increased by all costs directly related to the purchase and necessary to bring the asset to working condition for its intended use. Costs incurred after the date when an asset was put into use, including costs of maintenance and repairs, are charged to the profit and loss account as they are incurred. Borrowing costs are not included in the carrying amount of PP&E but recognised in the profit and loss account when incurred.
As at the balance sheet date, tangible fixed assets are measured at cost less depreciation and impairment losses.
The Capital Group's depreciation write-offs are made on a straight-line basis. Tangible fixed assets (PP&E) are depreciated over the asset's expected useful life verified on an annual basis.
PP&E is also tested for impairment resulting from events or changes in the business environment or within the CG companies which could cause an impairment of these assets below their current book value.
For accounting purposes, based on the materiality principle, the adopted limits for one-off depreciation of PP&E or non-inclusion of an asset in PP&E are equal to tax limits.
As a result, LPP S.A. adopted the following rule: whenever the initial carrying amount of a tangible fixed asset or property right exceeds PLN 3,500.00, monthly depreciation write-offs are made starting from the month following the month when the asset is put into use.
If the initial carrying amount of PP&E is below PLN 3,500.00, two accounting methods are adopted based on the materiality principle:

- the asset is recorded in the fixed assets register or intangible assets register and depreciated on a one-off basis in the month when the asset is put into use;

or

- the asset is recorded in the off-balance sheet register and written off on purchase (allocated to cost of consumption of materials recorded in the month of purchase).

Foreign companies have also adopted this principle; however the adopted limits are based on their respective local regulations (which are comparable in different countries).
Under the accounting policy adopted by the Capital Group, straight-line depreciation of low-price assets may be applied in justified cases if all the following circumstances occur simultaneously:

- a large number of tangible fixed assets are purchased at the same time and their unit price is not in excess of the adopted limit, but their total value is material,
- these assets are a part of a larger set of uniform and/or interconnected units, and their purchase is related to a large investment project to be implemented at least over the period of normative depreciation specified for this particular group of fixed assets in tax regulations,
- these tangible fixed assets are high quality and high availability (HA) assets.

This situation has occurred twice so far and was related to:

- purchase of a large set of computer hardware for the implementation of the Company's new IT system,
- outlays made by Capital Group companies in relation to investments in the construction and furnishing of new Reserved and Cropp brand stores – implementation of a new project of brand stores layout and design.

Intangible assets are measured and amortised in the same way as tangible fixed assets. The main difference is that it is not possible to increase the initial carrying amount of intangible assets by the

amount of their improvement (upgrade), unless these upgrades can be used to generate future economic benefits exceeding benefits assumed initially.
Assets in construction – as at the balance sheet date they are carried in the total amount of costs directly related to their acquisition or construction, less impairment losses.

Long-term investments in the CG include:
- shares held by LPP S.A. in Polish subsidiaries – carried at cost less impairment losses,
- long-term loans granted – measured as at the balance sheet date at depreciated cost estimated using the effective interest method, less impairment losses.

Long-term prepaid expenses include:
- deferred income tax assets – subsequently measured as at each balance sheet date,
- prepaid expenses related to prepaid lease rent.

Inventories
Inventories are carried at the lower of cost and net realisable value at the balance sheet date.
Inventories include:
- trading commodities,
- materials (fabrics and sewing accessories) purchased and issued for processing to external contractors,
- IT consumables related to operation, maintenance and development of a computer network,
- advertising materials.

Trading commodities in local warehouses are recorded by quantity and value and measured as follows:
- imported goods – at costs, including purchase prices, costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland, as well as customs duties; currency rate specified in customs documents is used for the conversion of amounts expressed in foreign currency,
- goods purchased in Poland – at cost; purchase-related costs are charged directly to costs of ordinary operations when they are incurred, as they represent an immaterial amount.

Trading commodities issued from Reserved, Cropp, Esotiq and Henderson collections are measured at weighed average prices.
For trading commodities from other collections, the FIFO method is employed.

Trading commodities in bonded warehouses are measured at cost, including their purchase price and costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland.
The value of goods issued from bonded warehouses (moved to local warehouses or sold directly abroad) is measured based on detailed identification of goods for individual lots accepted to bonded warehouses.

Trading goods in transit are measured at cost (purchase price) plus costs of transport abroad and in Poland determined as the balance sheet date. Imported goods in transit are measured by the parent company based on the average exchange rate published by Raiffeisen Bank Polska S.A. as at the balance sheet date (in the case of foreign companies – selling rate published by their respective banks or average exchange rate of a central bank in their country).

Inventories whose trading or useful value is impaired are written down. Inventory impairment losses are charged to other operating expenses.

Receivables
Trade receivables are recognised and disclosed at amounts initially invoiced, including write-downs on irrecoverable receivables and doubtful receivables (allowance for uncollectible amounts).
Taking into account the relatively short payment terms (below 120 days), the above rule does not result in any material changes in the measurement of receivables vs. the measurement method set out in IAS 39 based on discounting of these receivables.

Revaluation write-downs of receivables are made based on the type of receivables:

- claimed receivables (amounts claimed in court and amounts due from debtors in the process of liquidation or filing for bankruptcy) – in the total amount receivable,

other receivables – write-downs are made based on a case-by-case analysis and assessment of the situation and risk of potential losses.

Short-term investments

These include investment assets which are payable, mature, or held for sale within 12 months after the balance sheet date, as well as cash.

Short-term investments are measured as at the balance sheet date based on the following principles:

- long-term loans granted – at depreciated cost estimated using the effective interest rate,
- local cash in hand – at nominal value,
- cash in foreign currencies at the currency purchase rate adopted on this day by local banks with which these companies usually co-operate (i.e. banks with the highest volume of transactions with the company).

Short-term prepaid expenses

These include costs related to future reporting periods to be settled within 12 months after the balance sheet date.

Share capital

Share capital is disclosed in the amount specified in the Articles of Association and entered in the court register.

Reserve capital

The amount presented under Reserve Capital includes:

- share premium – issue of shares at the price exceeding their nominal value less costs of issue,
- profits brought forward from previous years, based on decisions of General Meetings of Shareholders.
- amounts of share-based payments made in respect of certain persons under the incentive scheme (equity-settled share-based payment programme).

Profit/loss from previous years (retained profit/accumulated loss carried forward)

This item presents net financial result carried forward from previous fiscal years, until the decision is made on how to distribute the profit/offset the loss, as well as adjustments of financial results related to previous years, resulting from fundamental errors or changes in the adopted accounting principles.

Payables

Trade payables with maturity date usually from 30 to 90 days are recognised and disclosed at amounts initially invoiced.

Taking into account the relatively short payment terms (below 120 days), the above rule does not result in any material changes in measurement of payables vs. the measurement method set out in IAS 39 based on discounting of these payables.

Financial payables are measured at amortised cost.

Provisions

Provisions are made for deferred income tax and employee benefits.

Provisions for employee benefits include:

- provision for holiday leaves not taken
- provision for future retirement benefits.

Provision for future retirement benefits is measured individually by Capital Group companies, taking into account the length of service, gender, and the current amount of remuneration. It was assumed that the discount related to the provision for retirement benefits is equal to the expected salary growth rate.

There were no actuarial gains or losses in the reporting period.

Revenues
Revenue is recognised to the extent that it is probable that economic benefits related to a given transaction will flow to the Company and that they can be reliably measured.
Revenues from the sale of goods are recognised when the significant risks and rewards of ownership have passed to the buyer.
Given the complaints and returns from customers, revenues from the sale of goods are adjusted based on a correction of the estimated cost of these returns. Based on our experience to date, the ratio of product return has been estimated against sales volume. It was also assumed that the majority of product returns occur within the first quarter following the purchase. The value of this ratio (against prime costs and revenues) is defined every quarter.

Revenue from interest is accrued on a time basis up to the net carrying amount of the financial asset.

Borrowing costs
Borrowing costs are recognised by the Capital Group as set out in IAS 23, i.e. expensed immediately in the period when incurred.

Transactions in foreign currencies
The functional currency in LPP Capital Group is the Polish zloty (PLN).

As at the transaction date, assets and liabilities denominated in foreign currencies are carried at the following exchange rates, respectively:

- purchase or selling rate used by the Company's bank – in the case of purchase or sale of foreign currencies and repayment of receivables or payables,
- average exchange rate set by the central bank for this currency as at the invoice date or specified in the respective customs document.

The following items denominated in foreign currencies are measured as at the balance sheet date:

- monetary items:
  - elements of assets – at the Company's bank purchase rate adopted as at this date,
  - elements of liabilities – at the Company's bank selling rate adopted as at this date.
- non-monetary items – at the historical exchange rate as at the transaction date.

Grants
Government grants are recorded to the extent that their respective revenue is recognised in proportion to their associated costs.

The Company has adopted the following methods of presentation of Government grants in its financial statement:

- grants to assets – are recognised initially as a separate item under "Deferred income", and subsequently on a time basis as a revenue over the useful life of the respective asset;
- grants to revenues – as an item under "Other operating/financial revenues".

Earnings Per Share
Earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares of the parent company in this period. The Group does not present diluted earnings/loss per share as there are no significant factors diluting EPS.

Share-based payment

Under Resolution of the Annual Meeting of Shareholders of 29 June 2007, the parent company has an incentive scheme in place offering shares issued within the company's target capital to its employees and associates. The incentive scheme will be implemented in 2007-2010 and will cover up to 15,000 shares of LPP S.A.

The main precondition for the implementation of the incentive scheme in individual years is that LPP S.A. Capital Group generates profits higher than in the previous year, respectively:

a) up by 70% for profit generated in 2007 (i.e. net profit for 2007 must be at least 70% higher than net profit generated in 2006). This condition was satisfied in 2007;
b) 10% for profit generated in the following years.

The scheme may be participated by a group of about 100 persons who will resign from additional remuneration (awards) which may be granted in exchange for the positive performance appraisal by the Management Board, and provided that the number of shares which may be granted to an eligible person equals 120% of the gross amount of an award divided by the stock market price of LPP S.A. shares, as quoted in the Warsaw Stock Exchange on the day before the respective resolution of the Management Board (or the Supervisory Board in the case of the Management Board members) is taken. Shares will be taken over by the eligible persons at the nominal price, i.e. PLN 2.00 per share.

In the case of the Management Board members, the amount of an award is determined in accordance with the respective resolution of the Supervisory Board. The criterion adopted is the amount of net profit generated by LPP S.A. Capital Group. The amount of this award depends on the amount of net profit generated by the Group and must not be more than 20 times higher than gross monthly remuneration of each member of the Management Board of LPP S.A.

As at the date of this report, the amount of awards (in the form of shares or cash) for 2008 is not known.

The financial statement discloses bonuses paid in 2008 in respect of the period September 2007 – February 2008, including a provision established for 2007.
The amount of awards for 2007 recognised in expenses of the current year, after the settlement of a provision established in the previous year, is PLN 1,543k.

Segment reporting

The scope of financial information reportable for individual segments of the Group's business is based on the requirements of IAS 14.
The Group adopted the classification into geographical segments – i.e. segments related to business activities in different geographical areas.
Two segments have been identified:

- business within the European Union
- business in other countries.

Division into geographical segments was based on the criterion of location of the Group's assets.

Segment assets (liabilities) are those operating assets (liabilities) used in segment operations that are directly attributable or reasonably allocable to a segment.

Segment result is determined at the operating profit level.
Segment revenue, result, assets and liabilities are determined before eliminating intersegment transactions, after intra-segment eliminations.

Hyperinflation

Under provisions of IAS 29 Financial Reporting in Hyperinflationary Economies, entities operating in a hyperinflationary economy should restate individual items of their share capital by applying a general price index. Results of this restatement should be disclosed as negative amounts under "retained earnings" in the balance sheet. This restatement is made to reflect the impact of hyperinflation on the entity's financial result in the respective reporting period. In Poland, the period 1989 – 1996 is considered a period of hyperinflationary economy. However, the Management Board is in doubt whether a disclosure of this hyperinflationary restatement in the balance sheet as an accumulated loss carried forward from previous years is justified, taking into account that it refers to events which occurred eight years ago or earlier, and the corresponding earnings had been distributed before this financial statement was drawn up. In addition, it is not clear whether such disclosure of the hyperinflationary restatement has any effect under provisions of the Code of Commercial Companies, as regards e.g. the amount of dividend to be paid out, amount of payments on account of dividends, or conditions which require adoption of a resolution on the entity's remaining a going concern. Therefore, the Management Board is of the opinion that the direct disclosure of this restatement in the Balance Sheet drawn up as at 30 June 2008 could be misleading for users of this financial statement, and decided to present relevant amounts, ratios, and conversion methods related to the hyperinflationary restatement in Note 13.8 to the financial statement.

Financial statements of LPP Capital Group are drawn up based on the historical cost method.

Cash flow statement
For the purposes of the cash flow statement, the Group classified the following items as cash:
- cash in hand, cash in banks, and cash in transit,
- other cash, including third-party cheques, third-party promissory notes, traveller's cheques, as well as third-party bonds, deposits, etc., if payable (mature) within 3 months from the date of their issue (acquisition, deposition),
- other monetary assets, including interest on short- and long-term financial assets, i.e. deposits, bonds, Treasury notes, etc., payable as at the balance sheet date.

10. Financial risk management

The main financial instruments used by LPP Capital Group include bank credits and loans granted (Note 13.4 and 13.13). The main objective of these financial instruments is to secure financing of the Group's operations. LPP S.A. has other financial instruments established in the course of its business operations. These include mainly cash and deposits (Note 13.7) as well as trade receivables and payables (Note 13.6 and 13.14).
Under IFRS 7, the scope of risks related to financial instruments that the Group is exposed to has been analysed.

a) credit risks
Credit risk is related mainly to trade receivables, in the amount disclosed in the Balance Sheet, as well as guarantees granted to third parties.

Concentration of credit risk related to trade receivables is presented in the table below.

Customer	share of receivables (%) in the total amount of receivables
Customer 1	23.53%
Other with debts representing less than 5% of the total amount of receivables	76.47%
Total net trade receivables	100.0%

Classification of gross trade receivables by the period of non-payment as at 30 June 2008 and 31 December 2007 is presented in the following table:

in PLN '000	2008	2007
Not overdue	30 584	37 221
Overdue up to 1 year	14 882	10 558

Overdue more than 1 year	3 757	3 143
Total	**49 223**	**50 922**

Most of receivables overdue more than 1 year have been written down.

No hedging instruments for the above financial risks and no hedge accounting are used by LPP S.A..

b) liquidity risks

The Group's objective is to maintain balance between the continuity and flexibility of financing by using overdraft facilities or investment credits.
In comparison with the previous year, credit exposure of LPP S.A. (as at 30 June 2008) increased significantly. Note 13.3 presents details of the Company's financial standing in terms of bank credits incurred. Increase in short-term debt vs. the end of 2007 resulted to a large extent from the buy-back of treasury shares of LPP S.A. On the other hand, increase in long-term debt resulted from the utilisation of investment credit tranches used to finance the construction of a new distribution centre.
Liquidity risks also included payables related to goods and services.

Classification of gross trade payables by the period of non-payment as at 30 June 2008 and 31 December 2007 is presented in the following table:

in PLN '000	2008	2007
Not overdue	131 187	136 241
Overdue up to 1 year	16 601	10 005
Overdue more than 1 year	55	74
Total	**147 843**	**146 320**

In comparison with the end of 2007, the balance of payables did not increase significantly, but its level indicates that actions are taken to introduce the new collection to stores earlier than in the previous periods, extend the scope of the Company's business, and increase its importance among suppliers.

c) currency risk

The majority of transactions related to purchase of trading commodities are denominated in USD; a small portion of these transactions is settled in EURO.
Revenues from sales are denominated mainly in PLN. The exchange rate of PLN against USD and EURO (on the whole, in the past several quarters we have seen the strengthening of PLN) is stable enough to justify the Management Board's conclusion that these variations are unlikely to affect the Company's results.
Given the specific type of the Group's business, it is possible to partially pass the risk of the increase in USD exchange rate to end customers, as the product selling price is calculated just before the product is introduced to the market.
Apart from the currency risks related to the settlement currency used in the purchase of trading commodities, there are also other currency risks related to the settlement of rent for the leased commercial premises in EURO. The above opinion of the Management Board on the immaterial impact of currency exchange rate variability applies also to the settlements under contracts of lease.

d) interest rate risk

Interest rate risks are related to bank credits utilised by the Capital Group on a regular basis, as well as loans granted by the Company (on a smaller scale). Bank credits with floating interest rate create cash flow risks. The Management Board believes that interest rate changes will have no significant impact on the Capital Group's results.

The analysis of the impact of interest rate changes and foreign exchange rate changes on the Group's P&L Account and its equity is presented in the following tables. This analysis includes the financial elements of the Company's Balance Sheet as at the balance sheet date.

Interest rate risk *in PLN '000*

+/- 75 basis points			
Balance Sheet items	***Amount ****	***Impact on financial result***	***Impact on financial result***
Financial assets			
Cash	47 028	353	-353
Deposits	2 674	20	-20
Loans granted	2 453	18	-18
Impact on financial assets before tax		*391*	-391
Tax (19%)		-74	74
Impact on financial assets after tax		*317*	*-317*
Financial liabilities			
Bank credits/loans	241 965	-1 815	1 815
Impact on financial liabilities before tax		*-1 815*	*1 815*
Tax (19%)		345	-345
Impact on financial liabilities after tax		-1 470	*1 470*
Total		***-1 153***	***1 153***

As at 30 June 2008, the Group's net profit would be down by PLN 1,153k if interest rates in PLN, EUR and USD were up by 75 basis points, assuming that all other parameters remained unchanged. It results from the higher balance of borrowings vs. cash and loans granted.

Currency risk *in PLN '000*

+/- 5%			
Balance Sheet items	***Amount ****	***Impact on financial result***	***Impact on financial result***
Financial assets			
Cash	47 028	-1 914	1 914
Trade receivables	45 250	-1 104	1 104
Impact on financial assets before tax		*-3 018*	3 018
Tax (19%)		573	-573
Impact on financial assets after tax		*-2 445*	*2 445*
Financial liabilities			
Trade payables	147 843	5 142	-5 142
Bank credits/loans	241 965	400	400
Impact on financial liabilities before tax		*5 542*	*-5 542*
Tax (19%)		-1 053	1 053
Impact on financial liabilities after tax		4 489	*-4 489*
Total		***-2 044***	***2 044***

* this amount does not include write-downs of trade payables

As at 30 June 2008, the Group's net profit would be down by PLN 2,044k if the rate of PLN vs. foreign currencies (mainly USD) was up by 5%, assuming that all other parameters remained unchanged. It results from the increased share of export sales in the Group's total revenues from sales and the resulting increase in receivables denominated in foreign currencies. The weakening of PLN by 5% vs. foreign currencies as at 30 June 2008 would have the same impact in terms of the amount, but with the opposite sign (-/+).

11. 1 Critical accounting estimates and judgments

Estimates influencing the amounts disclosed in the financial statement refer to:

- the estimated economic useful life of Property, Plant and Equipment,
- the residual value of Property, Plant and Equipment, as well as intangible assets,
- the ratio of returns of products sold in the reporting period, occurring in the next reporting period,
- revaluation write-downs of assets,
- discount rate for the estimated increase in salaries and actuarial assumptions used to calculate the amount of provisions for retirement benefits,
- the future tax results taken into account when calculating deferred income tax assets.

The methodology employed by the Company is based on the best knowledge of the Management Board and is in line with the requirements of IFRS.
Methods of determination of the estimated amounts are applied consistently in relation to the previous reporting period.

The following estimated amounts remained the same as in the previous period:

- discount rate for the estimated increase in salaries and actuarial assumptions used to calculate the amount of provisions for retirement benefits,
- the future tax results taken into account when calculating deferred income tax assets.

The following estimated amounts have changed in line with the adopted methodology:

- the estimated economic useful life of Property, Plant and Equipment – applying only to a passenger elevator with a shaft (a new depreciation period was determined after its upgrade),
- sales adjustment ratio related to returns of goods made in the next reporting period.

Changes in revaluation write-downs are presented below in Notes to individual items of assets.

12. Principles of consolidation

The consolidated financial statement of the Capital Group has been drawn up based on financial statements of all material subsidiaries employing the same methods of measurement and principles of financial statement preparation as the parent company.
The consolidated financial statement of the Capital Group includes the relevant data from the financial statement of the parent company and statements of foreign subsidiaries denominated in the local currency of their respective countries, converted into PLN based on the following principles:

- individual items under assets and liabilities presented in the Balance Sheet (with the exception of equity) are converted at the average exchange rate published by the National Bank of Poland for this particular currency as at the balance sheet date;
- individual items in the Profit and Loss Account are converted at the exchange rate calculated as an arithmetic average of average exchange rates published by the National Bank of Poland for this particular currency as at the last day of each month during the fiscal year;
- individual items in the Cash Flow Statement are converted at the exchange rate calculated as an arithmetic average of average exchange rates published by the National Bank of Poland for this particular currency as at the last day of each month during the fiscal year;
- equity is converted as at the date when the control was taken over by the parent company, at the average exchange rate published by the National Bank of Poland as at that date.

Equity includes the following separate items:

- share capital,
- other equity,
- profits (losses) carried forward from previous years,
- net financial result,
- foreign exchange differences, including in particular foreign exchange differences resulting from different methods of conversion of net financial result and balance sheet into PLN.

The method of full consolidation was adopted.
The following adjustments and non-consolidation principles were adopted:

- interest held by the parent company in the equity of subsidiaries is not consolidated,
- intercompany payables and receivables are not consolidated,
- revenues and expenses related to the Capital Group intercompany sale and purchase transactions are not consolidated,
- adjustments for unrealised profits related to the Capital Group inventory,
- interest on loans granted by the parent company to its subsidiaries is excluded from financial revenues and expenses,
- adjustments of the Capital Group's financial result related to deferred income tax on foreign exchange differences and interest on loans granted within the Group as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENT

13. Notes to the Financial Statement

13.1 Tangible fixed assets (Property, Plant & Equipment)

PP&E is depreciated on a straight-line basis based on the following depreciation rates:
- buildings, facilities and civil- and hydro-engineering structures: 2.5 - 50%,
- plant and machinery: 6.25 - 52%
- transport vehicles: 10 – 35.75%,
- other tangible fixed assets: 14 - 50%.

The initially adopted economic useful life of PP&E is reviewed on an annual basis.

In the reporting period, no write-downs of PP&E made previously were used or reversed.

Compensations related to tangible fixed assets received by the Group in H1 2008 amounted to PLN 194 k and were related mainly to the vehicle-related damage.

The Group has idle PP&E (temporarily out of use) with the initial carrying amount of PLN 206 k.

PP&E used by the Group is fully depreciated. Its initial carrying amount is PLN 23,309 k.

As at the balance sheet date, the use of real property in Pruszcz Gdańsk, where a new distribution centre is being built, was subject to limitations.

As at 30 June 2008, the Group's contractual obligation related to the purchase of tangible fixed assets totalled PLN 6,951 k.
As at the balance sheet date, the Group had no tangible fixed assets held for sale or discontinuing operations.

The Group has no information on the fair value of Property, Plant and Equipment currently in use and is under no obligation to disclose this data.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (by groups) in the period from 01-01-2008 to 30-06-2008 in PLN '000

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	transport vehicles	other PP&E	PP&E under construction	payments on account of PP&E	total PP&E
1) gross opening balance of PP&E	12 283	212 256	60 691	6 560	45 089	47 715	4 994	389 588
- foreign exchange differences		-2 245	-1 043	-6	-1 480	-187	-100	-5 061
- increase	4 435	30 990	7 723	2 319	10 026	110 797	15 048	181 338
- reduction		242	592	738	964	40 276	7 553	50 365
2) gross closing balance of PP&E	16 718	240 759	66 779	8 135	52 671	118 049	12 389	515 500
3) opening balance accumulated depreciation	0	78 250	32 515	2 924	16 293	0	0	129 982
- foreign exchange differences	0	- 500	-426	-3	-302	0	0	-1 231
- depreciation	0	15 276	6 466	511	4 588	0		26 841
- foreign exchange differences		-204	-54	0	-65			-323
- reduction	0	97	504	605	655	0	0	1 861
4) closing balance accumulated depreciation	0	92 725	37 997	2 827	19 859	0	0	153 408
5) opening balance impairment losses	0	1 273	0	0	0	0	0	1 273
- foreign exchange differences								
- increase	0		0	0	0	0	0	
- reduction	0		0	0	0	0	0	
6) closing balance impairment losses	0	1 273	0	0	0	0	0	1 273
Total net closing balance of PP&E	16 718	146 761	28 782	5 308	32 812	118 049	12 389	360 819

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (by groups) in the period from 01-01-2007 to 31-12-2007 in PLN '000

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	transport vehicles	other PP&E	PP&E under construction	payments on account of PP&E	total PP&E
1) gross opening balance of PP&E	12 337	175 788	49 975	4 816	30 587	10 835	3 425	287 763
- foreign exchange differences		- 3 289	-1 695	-34	-979	-1 087	-785	-7 869
- increase		44 271	13 671	2 652	16 063	99 540	6 600	182 797
- reduction	54	4 514	1 260	874	582	61 573	4 246	73 103

data in PLN thousands

2) gross closing balance of PP&E	12 283	212 256	60 691	6 560	45 089	47 715	4 994	389 588
3) opening balance accumulated depreciation	0	56 053	23 598	2 740	9 815	0	0	92 206
- foreign exchange differences		-866	-581	-11	-185			-1 643
- depreciation	0	27 057	10 793	874	7 175	0		45 899
- foreign exchange differences		-495	-316	-2	-215			-1 028
- reduction	0	3 499	979	677	298	0	0	4 453
4) closing balance accumulated depreciation	0	78 250	32 515	2 924	16 293	0	0	129 981
5) opening balance impairment losses	0	1 566	167	0	0	0	0	1 723
- foreign exchange differences		-29	-11					-40
- increase	0	768		0	0	0	0	768
- reduction	0	1 022	156	0	0	0	0	1 178
6) closing balance impairment losses	0	1 273	0	0	0	0	0	1 273
Total net closing balance of PP&E	12 283	132 733	28 176	3 636	28 796	47 715	4 994	258 334

data in PLN thousands

Impairment losses – P&L Account items – H1 2008	Amount
- increase – “Revaluation of non-financial assets”	0
- reversal – “Other operating revenues”	0

Impairment losses – P&L Account items – 2007	Amount
- increase – “Revaluation of non-financial assets”	768
- reversal – “Other operating revenues”	446

13.2 Intangible assets

There is no goodwill in the Group, i.e. surplus of price paid for shares over the value of the acquired net assets of each subsidiary, established as at the date of taking control.
The Group has no intangible assets with unspecified useful life.

Intangible assets with determined useful life are amortised on a straight line basis with the following rates:

- acquired patents, licenses and similar rights: 14.29 – 50%

Intangible assets are tested for impairment on an annual basis. No impairment of intangible assets was identified in H1 2008 or in the comparative period.

The Group draws up its Profit and Loss Account in the function format. As a result, amortisation of intangible assets is recognised under the following items:

- costs of sales – PLN 243 k
- general administrative expenses – PLN 1,727 k.

A significant item of intangible assets is the computer software Retek, used as a sales support and goods management tool, compatible with the FK software.
As at 30 June 2008, the carrying amount of this software was PLN 6,961 k. Its expected useful life is estimated at 35 months from the balance sheet date.

As at 30 June 2008, the Group’s contractual obligation related to the purchase of intangible assets totalled PLN 1,069 k.

In the reporting period from 1 January to 30 June 2008, the Group made no outlays on R&D works.

The Company uses fully amortised intangible assets with the initial carrying amount of PLN 3,858 k.
These include:
- software licenses: PLN 3,189 k
- other licenses: PLN 42 k
- copyrights: PLN 156 k
- completed development works: PLN 443 k.

Changes in intangible assets in the period from 01-01-2008 to 30-06-2008 in PLN '000

	development costs	acquired patents, licenses and similar rights, of which:		intangible assets in progress	payments on account of intangible assets	total
		total	software			
a) gross opening balance of intangible assets	443	25 086	23 610	318	322	26 169
- foreign exchange differences		20	406	0	0	-20
- increase	-	1 152	1 137	1 234	519	2 905
- reduction		2	2	382	322	706
b) gross closing balance of intangible assets	443	26 216	25 151	1 170	519	28 348
c) opening balance accumulated amortisation	443	13 540	13 111	-	-	13 983
- foreign exchange differences	0	8	90			-8
- planned amortisation write-offs	0	1 970	1 838	-		1 970
- foreign exchange differences	0	-1	-1			-1
- reduction	0	2	2			2
d) closing balance accumulated amortisation	443	15 499	15 036	-	-	15 942
Total net closing balance of intangible assets	0	10 717	10 115	1 170	519	12 406

Changes in intangible assets in the period from 01-01-2007 to 31-12-2007 in PLN '000

	development costs	acquired patents, licenses and similar rights, of which: total	acquired patents, licenses and similar rights, of which: software	intangible assets in progress	payments on account of intangible assets	total
a) gross opening balance of intangible assets	443	22 882	22 210	233	103	23 661
- foreign exchange differences		-46	-81	0	0	-46
- increase	-	2 267	1 498	1 092	459	3 818
- reduction		17	17	1 007	240	1 264
b) gross closing balance of intangible assets	443	25 086	23 610	318	322	26 169
c) opening balance accumulated amortisation	320	9 863	9 515	-	-	10 183
- foreign exchange differences	0	-18	-9			-18
- planned amortisation write-offs	123	3 722	3 625	-		3 845
- foreign exchange differences	0	-9	-2			-9
- reduction	0	18	18			18
d) closing balance accumulated amortisation	443	13 540	13 111	-	-	13 983
Total net closing balance of intangible assets	0	11 546	10 499	318	322	12 186

As at the balance sheet date, there were no limitations related to the use of intangible assets and no security was established on the Group's intangible assets.

13.3 Investments

The Group's investments include:

- shares held by the parent company in Polish non-consolidated subsidiaries: PLN 718 k,
- shares held by the parent company in foreign non-consolidated subsidiaries (whose operations have not been launched): PLN 349 k,
- loans granted to third parties: PLN 444 k,
- other financial assets – PLN 3 k

Loans granted are classified as financial instruments and described in Note 13.4 below.
Shares in subsidiaries are measured at cost less impairment losses. Results of analysis carried out as at the balance sheet date show that impairment write-downs of shares held by the Capital Group are not required.

13.4 Financial instruments

As at the balance sheet date, in accordance with the classification of financial assets and financial liabilities specified in IAS 39, the Company disclosed the following items in its Balance Sheet:
- loans and receivables at carrying amount – PLN 73,278 k,
- financial liabilities carried at amortised cost: PLN 389,808 k.

In line with the above classification, all financial assets and financial liabilities are carried at amortised cost.
Trade receivables and payables are carried at the discounted value as at the balance sheet date, based on the amortised cost method and using the effective interest rate. Under the accounting policy adopted by the Company, as the difference in measurement is immaterial, trade receivables and payables with the maturity below 120 days are carried at amounts initially invoiced, including revaluation write-downs.
The standard term of payment for customers is 60 days.
Receivables and payables classified as “Other” are carried at fair value as at the balance sheet date.

The Group has no financial assets used as a security of its liabilities or contingent liabilities. No security was established in respect of the Group.
As far as borrowings (credits) are concerned, no breach of the terms of payment or of terms and conditions of these agreements took place in the reporting period.

In the P&L Account under “Financial revenues”, the Group presents the amount of interest of PLN 302 k, calculated using the effective interest rate, in reference to financial assets not carried at fair value through profit and loss.
Interest calculated using the effective interest rate method and referring to financial liabilities not carried at fair value through profit and loss is presented under “Financial expenses – interest” in the amount of PLN 4,390k.

In the reporting period, no write-downs of loans granted were made, and changes in the impairment of receivables were presented in Note 13.6.

The Group does not use any hedge accounting.

The total amount of loans granted by the Capital Group as at 30 June 2008 totalled PLN 2,570 k (vs. PLN 2,300 k as at 31 December 2007) and included:
- a loan granted to a business partner of the parent company in the amount of PLN 93 k (PLN 129 k as at 31 December 2007). Under the loan agreement, interest (8% p.a.) and instalments of the principal amount shall be repaid in equal monthly instalments. The last instalment with interest shall be repaid on 31 July 2009.
- a loan granted to a business partner of the parent company in the amount of PLN 1,578 k. (PLN 1,526 k as at 31 December 2007). Under the loan agreement, interest (7% p.a.) and instalments of the principal amount shall be repaid at the same time by 30 September 2008.
  - loans granted by the parent company to its employees in the total amount of PLN 899 k. (PLN 645 k as at 31 December 2007). The period of these loan agreements does not exceed 3 years. The principal amount shall be repaid in monthly instalments, while interest (7% p.a.) shall be repaid with the last instalment of the principal amount.

According to the Group, the carrying amount of financial assets and liabilities is close to fair value. The Group used the option provided for in IFRS 7.29 and did not disclose the fair values of its financial assets and liabilities.
As an active market does not exist, the Group did not estimate the fair value of loans granted, which (given the adoption of the fixed interest rate) may be different from the carrying amount calculated based on amortised cost.

Changes in loans granted and bank deposits in the reporting and comparative period are presented below.

PLN '000

CHANGE IN FINANCIAL INVESTMENTS	loans granted		bank fixed-term deposits	
	2008	2007	2008	2007
as at 1 January	2 300	1 855	5 225	4 156
1) increase	506	415	223 434	375 279
- loan granted	424	350		
- interest accrued	82	65		
- deposit established			223 434	375 279
2) reduction	236	144	226 065	376 301
- loans repaid	220	136		
- interest repaid	16	8		
- deposits closed (reversed)			226 065	376 301
as at 30 June	2 570	2 126	2 594	3 134

13.5 Inventories

Trading commodities are the key item of the Capital Group's inventories. The structure of inventories as at the balance sheet date is presented in the table below:

PLN '000

INVENTORIES	30.06.2008	31.12.2007
1) materials	2 433	2 434
2) commodities	313 904	285 281
3) payments on account of deliveries	5 397	1 812
TOTAL	321 734	289 527

Trading commodities are also used as collaterals to secure a bank credit taken out by the Company in Pekao S.A. The value of these commodities is PLN 3,700 k and they are used as collaterals to secure a multi-purpose credit line.

The carrying amount of inventories disclosed in the Balance Sheet includes the amount of a write-down. Changes in the amount of this write-down in the reporting period and comparative period are presented in the table below.

REVALUATION WRITE-DOWN OF INVENTORIES	30.06.2008	31.12.2007
Opening balance revaluation write-down of inventories	3 620	1 895
Revaluation write-downs of inventories – increase recognised in the reporting period under expenses in the P&L account	1 362	2 143
Revaluation write-downs of inventories – reduction recognised in the reporting period under revenues in the P&L account	187	397
Foreign exchange differences	-152	-21
Closing balance revaluation write-down of inventories	4 643	3 620

Trading commodities or materials whose trading and useful value is impaired are written down by the Group. As at each balance sheet date, the inventory of trading goods is reviewed in detail to determine the estimated probable loss on their sale. Under the policy adopted by the Group, only the difference between the amounts of write-downs made as at the current and previous balance sheet date is posted. Positive difference is charged to expenses of the period, while negative difference increases other operating revenues.

As at 30 June 2008, the amount of inventories expensed in the reporting period totalled PLN 316,326 k.

13.6 Trade and other receivables

Detailed information on the structure of the Capital Group's receivables is presented in the table below.

PLN '000

SHORT-TERM RECEIVABLES	30.06.2008	31.12.2007
1) from related parties	1 604	1 426
- trade receivables	365	1 426
- dividends	1 239	
2) from other entities	69 104	59 383
- trade receivables	44 885	44 390
- taxes, grants, customs duties and social security, health insurance and other benefits	10 163	9 071
- other	14 056	5 922
TOTAL	70 708	60 809

Trade receivables include mainly receivables related to the sale of clothing.
In the normal course of sales, receivables are settled within three months from the date of sale.
The total amount of short-term receivables presented above is a net amount, i.e. includes a revaluation write-down of PLN 4,695 k.

Changes in the amount of revaluation write-downs of receivables in the reporting period and the comparative period are presented in the table below:

PLN '000

REVALUATION WRITE-DOWN OF RECEIVABLES	30.06.2008	31.12.2007
Opening balance revaluation write-down of receivables	5 106	4 859
Revaluation write-downs of receivables – increase recognised in the reporting period	940	2 204
Revaluation write-downs of receivables – reduction recognised in the reporting period	1 325	1 945
Foreign exchange differences	-26	-12
Closing balance revaluation write-down of receivables	4 695	5 106

13.7 Cash

PLN '000

CASH	30.06.2008	31.12.2007
1) cash in hand and cash in banks	47 028	48 207
2) other cash	2 673	5 225
TOTAL	49 701	53 432

"Other cash" includes short-term deposits. These deposits are established for a fixed term (from one day up to one month, depending on the current needs) and bear interest based on defined interest rates.

The currency structure of cash is presented in the table below.

PLN '000

CASH – CURRENCY STRUCTURE	30.06.2008	31.12.2007
in the Polish currency	11 418	17 943

in foreign currencies (by currency)	38 284	35 489
- USD	754	2 741
- RMB	311	34
- EUR	1 241	236
- LVL	215	344
- EEK	34 335	26 320
- CZK	33 431	25 929
- UAH	2 128	1 713
- LTL	2 617	3 540
- HUF	74 031	153 191
- RUB	160 887	82 703
- RON	418	1 481
TOTAL (in PLN ‘000)	49 702	53 432

As at 30 June 2008, the Group had free borrowings of PLN 162,674 k.

In the period from 1 January to 30 June 2008, the Group made non-cash settlements with its customers (in the form of set-off of payables and receivables) in the amount of PLN 850 k.

<u>13.8 Equity</u>

Share capital
The Group’s share capital is equal to share capital of the parent company.
As at 30 June 2008, the amount of share capital was PLN 3,412 k Share capital is divided into 1,706,067 shares with the nominal value PLN 2.00 per share.
In the reporting period ended on 30 June 2008, increase of the Company’s share capital by PLN 5,134 was registered the court. Share capital was increased in connection with an issue of series I shares (2,567 series I shares of nominal value PLN 2.00 per share). Series I shares were issued within target capital to implement an incentive and performance scheme.
Before the registration, the Company' share capital totalled PLN 3,407,000, including 1,703,500 shares carrying 3,103,500 votes at the AGM.

In the reporting period, the Issuer started to buy back shares of LPP S.A., in connection with the Management Board’s plans to develop LPP S.A. Capital Group based on acquisitions of other entities, and treasury shares bought back by the Company shall be taken over by shareholders of other entities which will be merged with LPP S.A. through acquisitions.
From the date this decision was taken until 30 June 2008, the Company bought back 21,398 treasury shares, representing 1.25% of its share capital and carrying 21,398 of votes at the Company’s AGM, i.e. 0.69% of the total vote. The total value of these shares is PLN 48,744 k.

The total number of shares broken down into subsequent share issues is presented in the table below.

Series/issue	Type of shares	Type of preference	Type of limitation of rights to shares	Number of shares	Value of the issue
A	bearer shares	common (ordinary)	none	100	200
B	registered shares	preference	none	350 000	700 000

data in PLN thousands

C	bearer shares	common (ordinary)	none	400 000	800 000
D	bearer shares	common (ordinary)	none	350 000	700 000
E	bearer shares	common (ordinary)	none	56 700	113 400
F	bearer shares	common (ordinary)	none	56 700	113 400
G	bearer shares	common (ordinary)	none	300 000	600 000
H	bearer shares	common (ordinary)	none	190 000	380 000
I	bearer shares	common (ordinary)	none	2 567	5 134
TOTAL NUMBER OF SHARES				1 706 067	

All issued shares are paid up in full.

In the reporting period, LPP S.A. paid no dividend to its shareholders.

350,000 registered shares held by Marek Piechocki and Jerzy Lubianiec are preference shares in terms of their voting rights at the General Meeting of Shareholders. Each registered share carries 5 votes.

The ownership structure of share capital of LPP S.A. as at 30 June 2008 was as follows:

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	Nominal value of shares
Marek Piechocki	324 390	1 024 390	32.98%	19.01%	648 780
Jerzy Lubianec	226 338	926 338	29.82%	13.27%	452 676
Grangefont Limited, headquartered in London, UK	350 000	350 000	11.27%	20.52%	700 000
Other shareholders	805 339	805 339	25.93%	47.20%	1 610 678
TOTAL	1 706 067	3 106 067	100.00%	100.00%	3 412 134

In the reporting period, LPP S.A. paid no dividend to its shareholders.

Reserve capital
The Capital Group's reserve capital was established based on:
- net profit (to be used to offset any potential loss),
- share issue premium (shares sold above their nominal value),
- measurement of share-based payments.

A portion of the Group's reserve capital created from the parent company's financial result was established on a statutory basis pursuant to Art. 396 of the Code of Commercial Companies and may be used in the future only to offset losses disclosed in the financial statement.

The structure of reserve capital is as follows:

PLN '000

TYPE OF RESERVE CAPITAL	30 June 2008	31 December 2007
created on a statutory basis based on the write-off from financial result	1 251	1 249
created as per the Articles of Association based on the write-off from financial result	319 557	201 247
created from share issue premium	71 202	71 202
created from share-based payments	6 992	1 050
TOTAL	399 002	274 748

Equity of the parent company in the hyperinflationary period

Conversion of the equity from the hyperinflationary period was based on the following data:

1. 18.12.1989 – establishment of the Company and contribution of the initial capital of PLN 200.00 (after denomination)
2. 04.05.1995 – acquisition of the Company by Mr Marek Piechocki and Mr Jerzy Lubianiec
3. 12.04.1995– registration of the increase of share capital up to PLN 700 k
4. 24.10.1995 – adoption of a resolution to increase the Company's share capital to PLN 1,500 k
5. 04.01.1996– adoption of a resolution to increase the Company's share capital to PLN 2.200 k

PLN '000

Years	Opening balance equity	Increase	Inflation	Days	Inflation rate	Equity after conversion
1990	0,2		585,8%	365	6,858	1,4
1991	1,4		70,3%	365	1,703	2,3
1992	2,3		43,0%	365	1,430	3,3
1993	3,3		35,3%	365	1,353	4,5
1994	4,5		32,2%	365	1,322	5,9
1995-01-01	5,9		27,8%	365	1,278	7,6
1995-04-12		700	27,8%	263	1,200	840
1995-10-24		800	27,8%	68	1,052	841
TOTAL 1995						1 689
1996-01-01	1 916[1)]		19,9%	365	1,199	2 298
1996-01-04		1 400[2)]	19,9%	362	1,197	1 676
TOTAL 1996						3 974

[1)] equity as at the end of 1995 + retained result for 1995
[2)] equity increase + share premium

As at 31 December 1996 (excluding profit for the fiscal year) the Company's equity amounted to PLN 3,127 k. The difference resulting from equity revaluation was PLN 847 k.

13.9 Grants

The Group did not use any Government grants in H1 2008.

13.10 Provisions

As at the balance sheet date, the Group recognised the total of PLN 8,158 k in provisions under liabilities in the Balance Sheet.

data in PLN thousands

This amount includes:

- deferred tax provision (cf. section 13.18)
- provision for pensions and other post-retirement benefits
- provision for holiday leaves not taken
- provision for services.

Provision for retirement benefits

This provision is created only by the parent company. In other Capital Group companies, retirement severance payments are not paid. LPP S.A. estimates the amount of this provision individually, based on actuarial methods.

Provision for holiday leaves not taken

The Group also creates a provision for holiday leaves not taken, i.e. for the future payments of amounts payable to employees for their on-going services.

Provision for unpaid salaries

This provision is created only by the parent company for the future remuneration paid under the incentive scheme.

Provision for liabilities

Provisions are also made for future liabilities whose repayment is certain or most probable.

	Provision for pensions and other post-retirement benefits	Provision for unpaid salaries	Provision for liabilities	Provision for holiday leaves not taken
As at 1 January 2008	563	6 993	636	1 363
- provision established	268	0	16	1 884
- provision reversed	0	6 993	636	603
- foreign exchange differences				-84
As at 30 June 2008	831	0	16	2 560

13.11 Contingent liabilities

In 2008, the Capital Group companies used bank guarantees to secure payment of rent for the leased retail premises where brand stores are located.

As at 30 June 2008, the total value of bank guarantees granted at the request of and on the responsibility of LPP S.A. amounted to PLN 60,668 k, of which:

a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 8,105k
b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 34,259k
c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 17,952k
d) guarantees granted to secure agreements concluded by third parties – PLN 123k
e) guarantees granted to secure agreements of lease of office and storage spaces concluded by LPP S.A. – PLN 229k.

As at 30 June 2008, the total amount of all sureties granted by the parent company was PLN 10,833k, up by PLN 1,993k vs. 31 December 2007.

According to the Management Board of LPP S.A., any outflow of funds disclosed under off-balance sheet/contingent liabilities is unlikely. The majority of these liabilities are related to guarantees securing the payment of rent by the Capital Group companies, and, to a smaller extent, securing the repayment of credits granted by banks to customers of LPP S.A. for the purchase of the Company's goods.

13.12 Future liabilities arising from retail lease agreements

The Group is party to lease agreements concerning the use of retail premises where Cropp Town and Reserved brand stores are located.

Total future minimum payments under lease agreements, estimated as at 30 June 2008, are as follows:
- payables with the maturity date within 12 months from the balance sheet date PLN 128,941k
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 318,989k
- payables with the maturity date over 5 years from the balance sheet date PLN 52,643k

The amount of PLN 106,567 k resulting from the minimum and contingent payments of rent for the lease of retail premises is disclosed under expenses of the reporting period from 1 January to 30 June 2008. The amount of contingent rent is immaterial and was not presented separately.
Provisions of fixed-term lease agreements from which these payments arise are typical for this type of contracts. Apart from the minimum rent, these agreements usually provide for the additional contingent rent if a specified level of revenues in the store is generated. Contingent rent is calculated as a percentage of these revenues. In the reporting period, the amount of contingent rent was immaterial, as it represented only about 3.5% of the total amount of rent. In addition, retail lease agreements contain adjustment clauses, linking the amount of rent to statistical price indices. Some agreements also contain clauses for a possible renewal of the contract for another period, at the option of the lessee. As these retail lease agreements refer to premises located mainly in large shopping malls, they do not provide for the purchase of premises.

13.13 Borrowings (credits)

As at 30 June 2008, the Group's payables related to bank credits were as follows:

Bank	utilisation of credits as at 30 June 2008		Credit costs	Maturity date
	in PLN '000	foreign currency in '000		
PKO BP S.A.	52,183		WIBOR 1 m + bank's margin	23-09-2008
PKO BP S.A.	80,361		WIBOR 1 m + bank's margin	04-11-2017
PEKAO SA	17,685	USD 1,218	LIBOR 1 m + bank's margin	31-07-2009
Fortis Bank Polska S.A.	48,782	USD 296	LIBOR 1 m + bank's margin	28-10-2008
Raiffeisen Bank Polska S.A.	11,000		WIBOR 1 m + bank's margin	31-05-2010
Raiffeisen Bank Polska S.A.	27,284		WIBOR 1 m + bank's margin	31-05-2010
ZAO Raiffeisenbank Austria	298	RUB 3,292	RBRU's overdraft rate + bank's margin	31-07-2008
Unicredit Tiriac Bank SA	21	RON 23	EURIBOR 1 m + bank's margin	18-12-2009
HVB Praga	4,351	CZK 31,071	PRIBOR 1 m + bank's margin	31-12-2008
TOTAL	241,965			

Bank credits amounted to PLN 241,965 k, of which:
- long-term credits – PLN 91,361 k
- short-term credits – PLN 150,604 k.

Long-term credits in the amount of PLN 11,000k and 80,361k were taken out in Raiffeisen Bank Polska S.A. and PKO BP S.A., respectively. Credit incurred in PKO BP S.A. is an investment facility to be used to finance the construction of a distribution centre in Pruszcz Gdański.

As a comparison, as at 31 December 2007, the Group's payables related to bank credits were as follows:

Bank	Utilisation of credits as at 31 December 2007		Credit costs	Maturity date
	in PLN '000	foreign currency in '000		
PKO BP S.A.	33,079		WIBOR 1 m + bank's margin	23-06-2008
PKO BP S.A.	16,865		WIBOR 1 m + bank's margin	04-11-2017
Fortis Bank Polska S.A.	15,061		WIBOR 1 m + bank's margin	28-10-2008
Raiffeisen Bank Polska S.A.	11,000		WIBOR 1 m + bank's margin	29-05-2009
ZAO Raiffeisenbak Austria	4,674	RUB 46,971	RBRU's overdraft rate + bank's margin	31-07-2008
Bayerische Hypo und Vereinsbank AG	15	EUR 500	EURIBOR 1 m + bank's margin	31-12-2007
HVB Praga	4,188	CZK 31,071	PRIBOR 1 m + bank's margin	30-11-2008
TOTAL	84,882			

Bank credits amounted to PLN 84,882 k, of which:
- long-term credits – PLN 27,865 k
- short-term credits – PLN 57,017 k.

Long-term credits in the amount of PLN 11,000k and 16,865k were taken out in Raiffeisen Bank Polska S.A. and PKO BP S.A., respectively. Credit incurred in PKO BP S.A. is an investment facility to be used to finance the construction of a distribution centre in Pruszcz Gdański.

Detailed data on bank credits as at the balance sheet date is as follows:

Bank	Type of credit/line	Credit amount and currency		Security
		amount in '000	foreign currency	
PKO BP S.A.	multi-purpose multi currency credit line	100 000	PLN	2 blank promissory notes
PKO BP S.A.	investment credit	100 000	PLN	mortgage and capped mortgage, assignment of receivables from an insurance policy, blank promissory note
Pekao SA	multi currency credit line	100 000	PLN	transfer of ownership rights to goods – PLN 3,700 k, assignment of rights from the insurance policy, blank promissory notes

Fortis Bank Polska S.A.	multi currency credit line	100 000	PLN	blank promissory note
Raiffeisen Bank Polska S.A.	multi-purpose multi currency credit line	100 000	PLN	blank promissory note
ZAO Raiffeisenbak Austria	Credit line*	80 000	RUB	guarantee of Raiffeisen Bank Polska S.A.
Unicredit Tiriac Bank SA	Credit line	3 000	EUR	guarantee of PKO S.A.
HVB Praga	Credit line*	48 500	CZK	guarantee of BPH S.A.

* within the limit of a multi-purpose line in Raiffeisenbank Polska and BPH SA

13.14 Trade and other payables

PLN '000

SHORT-TERM PAYABLES	30.06.2008	31.12.2007
1) in respect of subsidiaries	2 680	3 085
- trade payables	2 680	3 085
2) in respect of other entities	165 135	163 607
- trade payables	145 163	143 232
- taxes, customs duties, insurance and other benefits	16 077	17 515
- salaries	3 142	2 364
- other	753	496
TOTAL	167 815	166 692

13.15 Prepaid expenses

Short-term prepaid expenses as at 30 June 2008 totalled PLN 3,643 k, of which:

PLN '000

PREPAID EXPENSES	30.06.2008	31.12.2007
Rent for the lease of retail premises to be settled within 12 months from the balance sheet date	1 720	1 204
Costs of customs guarantees and insurance	307	614
Supervision of software	337	310
Commissions on bank credits	76	77
Future business travel	0	221
Other	1 203	809
TOTAL	3 643	3 235

13.16 Revenues

PLN '000

REVENUES	01.01.08-30.06.08	01.01.07-30.06.07
1) net revenues from sales of services	4 135	3 399
2) net revenues from sales of goods and materials	693 654	560 067
TOTAL	697 789	563 466

The Group's revenues from sales of services are generated by the parent company only. Services provided by the parent company include:

- sale of know-how related to the management of brand stores by Polish contractors,
- rental of own transport vehicles.

PLN '000

OTHER OPERATING REVENUES	01.01.08-30.06.08	01.01.07-30.06.07
1. Profit from sale of non-financial fixed assets	75	47
2. Grants	0	21
3. Other operating revenues	2 943	2 134
TOTAL	3 018	2 202

PLN '000

FINANCIAL REVENUES	01.01.08-30.06.08	01.01.07-30.06.07
1. Dividends	1 239	922
2. Interest	387	293
3. Other, of which:	1	12
- balance of foreign exchange differences	0	0
TOTAL	1 627	1 227

13.17 Expenses

PLN '000

EXPENSES BY TYPE	01.01.08-30.06.08	01.01.07-30.06.07
1) depreciation and amortisation	28 810	23 934
2) consumption of materials and energy	23 599	15 475
3) outsourced services	184 985	144 545
4) taxes and fees	2 198	1 662
5) salaries	51 823	36 278
6) social security and other benefits, of which:	12 985	9 283
- pension contribution		1 945
7) other expenses (by type)	30 775	19 524
TOTAL	335 175	250 701
Change in products	1 116	256
Selling costs and general administrative expenses recognised in profit or loss	336 291	250 957

PLN '000

OTHER OPERATING EXPENSES	01.01.08-30.06.08	01.01.07-30.06.07
1) Loss from sale of non-financial fixed assets	0	0
2) Revaluation of non-financial assets	2 114	2 312
3) Other	6 265	4 691
TOTAL	8 379	7 003

PLN '000

FINANCIAL EXPENSES	01.01.08-30.06.08	01.01.07-30.06.07
1) Interest	4 460	3 017
2) Other, of which:	5 605	2 806
- commission on bank credits and guarantees	448	407
- balance of foreign exchange differences	5 157	2 399
TOTAL	10 065	5 823

13.18 Income tax

The main elements of the Group’s taxation for H1 2008 and the comparative period are as follows:

PLN ‘000

Profit and Loss Account	2008	2007
Current income tax	15 572	13 069
Deferred income tax	-4 624	-2 010
TOTAL	10 948	11 059

Reconciliation of income tax disclosed in the consolidated Profit and Loss Account for H1 2008 and 2007 is presented in the table below.

PLN '000

CURRENT INCOME TAX	2008	2007
Group’s gross profit/loss before consolidation adjustments	63 018	52 492
Adjustment of non-taxable revenues and costs	-1 995	7 247
Group’s gross profit/loss after consolidation adjustments	61 023	59 739
Income tax at the average tax rate of 19.06% and 18.66%	11 634	11 121
Tax consolidation adjustments	-463	113
Tax reliefs	-223	-175
Income tax disclosed in the P&L Account	10 948	11 059

Current and deferred income tax is calculated at the following tax rates:
- LPP S.A. – 19 %,
- ZAO Re Trading (Russia) – 24%,
- UAB “LPP” (Lithuania) – 15%,
- LPP Retail Latvia (Latvia) – 15%,
- LPP Ukraina AT – 25%.

The amount of deferred income tax assets and provision disclosed in the Balance Sheet results from the items and amounts presented in the tables below.

PLN '000

DEFERRED INCOME TAX ASSETS	30.06.2008	31.12.2007
surplus of balance sheet depreciation of PP&E over tax-based depreciation	3 375	2 938
foreign exchange differences – payables	5 697	3 433
revaluation of trade receivables	489	212
revaluation of PP&E	242	242
profit margin on goods not sold outside the Group	2 693	2 196
revaluation of inventory	651	428
tax loss	1 103	1 187
other temporary differences	3 134	2 384
TOTAL	17 384	13 020

PLN '000

PROVISION FOR DEFERRED INCOME TAX	30.06.2008	31.12.2007
accelerated tax-based depreciation (capital cost allowance)	4 569	4 630
outstanding interest on loans granted	22	5
damages not received	121	232
other	39	63
TOTAL	4 751	4 930

Deferred income tax assets will be realised provided that the Group generates positive financial result in the future periods.

Deferred income tax recognised in the P&L Account for H1 2008 and 2007 results from the following items:

PLN '000

DEFERRED INCOME TAX ASSETS	2008	2007
surplus of balance sheet depreciation of PP&E over tax-based depreciation	437	646
foreign exchange differences – payables	2 264	307
revaluation of trade receivables	277	-11
profit margin on goods not sold outside the Group	497	-262
revaluation of PP&E	0	76
revaluation of inventory	223	373
tax loss	-84	1 807
other temporary differences	750	-372
foreign exchange differences	74	45
TOTAL	4 438	2 609

PLN '000

PROVISION FOR DEFERRED INCOME TAX	2008	2007
accelerated tax-based depreciation (capital cost allowance)	-61	424
outstanding interest on loans granted	17	11
damages not received	-111	66
other	-24	145
foreign exchange differences	-7	-47
TOTAL	-186	599

If a decision is made to pay out dividends to shareholders, income tax shall be deducted.
In the case of Polish shareholders, 19% tax will be deducted; in the case of foreign shareholders, the income tax deduction will depend on the terms and conditions of the applicable double taxation agreement.

13.19. Related-party transactions

The Group's related parties include:

- foreign and Polish entities controlled by the Capital Group companies based on direct ownership of shares,
- members of key management personnel of LPP Capital Group and their close family members,
- entities controlled by or significantly influenced by members of key management personnel of LPP Capital Group and their close family members, as per IAS 24.

13.19.1 Key management personnel

The Capital Group's key management personnel include members of the Management and Supervisory Board of the parent company.

The amount of short-term employee benefits received by key management personnel for the period from 1 January to 30 June 2008 was PLN 946 k. Compensation of each member of key management personnel was as follows:

Marek Piechocki	- President of the Board	PLN 258k,
Alicja Milińska	- Vice President of the Board	PLN 172k,
Dariusz Pachla	- Vice President of the Board	PLN 172k,
Stanisław Dreliszak	- Vice President of the Board	PLN 172k,
Aleksander Moroz	- Vice President of the Board	172k

Chairman of the Supervisory Board PLN 6 k – for services other than membership in the Supervisory Board.

Members of the Company's key management personnel are involved in the management of related parties, but receive no compensation or bonuses for these services.

In addition, under a resolution of the Supervisory Board, the Management Board members are entitled to additional remuneration depending on the amount of net profit generated by LPP S.A. Capital Group.
If net profit generated by LPP S.A. Capital Group exceeds the amount of net profit generated in the previous year by at least 10%, the Management Board members are entitled to additional remuneration in proportion to this net profit, but its maximum amount must not be more than 20 times higher than their monthly gross remuneration.

Under the incentive scheme based on shares issued within target capital, the Management Board members resigned from a cash bonus for 2007; instead, all Management Board members took over shares (Marek Piechocki – 405 shares, other Management Board members – 270 shares each).

13.19.2 Related party transactions

PLN '000

No.	RELATED PARTIES	payables as at 30.06.2008	receivables as at 30.06.2008	revenues in H1 2008	expenses in H1 2008
1.	Polish subsidiaries – total	2 680	1 604	49	30 756
TOTAL		2 680	1 604	49	30 756

PLN '000

No.	RELATED PARTIES	payables as at 31.12.2007	receivables as at 31.12.2007	revenues in H1 2007	expenses in H1 2007
1.	Polish subsidiaries – total	3 085	1 426	48	25 616
TOTAL		3 085	1 426	48	25 616

Amounts given 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 payables of LPP S.A. is equal to receivables in related parties, and expenses are equivalent to revenues of related parties.
All related-party transactions were concluded at arm's length.
Revenues from Polish companies are generated from the rental of offices where these companies run their businesses.
Expenses related to the Polish subsidiaries are connected with the lease of premises for Cropp Town and Reserved brand stores.
Payment terms adopted for subsidiaries are between 45 and 120 days.

13.20 Segment reporting

Financial results and other information on geographical segments for the period from 1 January 2008 to 30 June 2008, as well as for the comparative period, are presented in the tables below.

H1 2008 PLN '000

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

Segment assets	725 628	117 863	-19 453		824 038
Assets of the entire Group not allocated to segments				19 957	19 957
Consolidated total assets					**843 995**
Segment liabilities	332 521	112 517	-105 141		339 897
Liabilities of the entire Group not allocated to segments				246 716	89 812
Total consolidated liabilities					**429 709**

Other disclosures	Member States of the European Union	Other countries
Segment investment outlays	133 264	17 689
Segment depreciation and amortisation	23 740	5 070
Impairment losses	2 114	-
Reversal of impairment losses	1 512	-
Other non-monetary expenses	5 736	529

H1 2007 PLN '000

	Member States of the European Union	Other countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales	507 949	55 517			563 466
Intersegment sales	22 125		-22 125		-
Other operating revenues	2 154	2		46	2 202
Total revenues	**532 228**	**55 519**	**-22 125**	**46**	**565 668**
Total operating expenses, of which:	431 247	55 328	-22 547		464 028
Costs of intersegment sales	16 258		-16 258		-
Other operating expenses	6 201	802		28 738	35 741
Segment result	**94 780**	**-611**	**422**	**-28 692**	**65 899**
Financial revenues				1 227	1 227
Financial expenses				5 823	5 823
Profit before tax					**61 303**
Income tax					11 059
Net profit					**50 244**

Segment assets	536 110	75 508	-54 303		557 315
Assets of the entire Group not allocated to segments				17 313	17 313
Consolidated total assets					**574 628**
Segment liabilities	133 992	56 069	-52 333		137 728
Liabilities of the entire Group not allocated to segments				114 498	114 498
Total consolidated liabilities					**252 226**

Other disclosures	Member States of the European Union	Other countries
Segment investment outlays	19 736	5 991
Segment depreciation and amortisation	16 510	3 731
Impairment losses	2 312	-
Reversal of impairment losses	1 535	79
Other non-monetary expenses	3 889	802

* Impairment write-downs of segment assets disclosed in the P&L Account include:
- revaluation write-downs of receivables;
- revaluation write-downs of inventories;
- revaluation write-downs of Property, Plant & Equipment.

Write-downs and their subsequent reversals were made when overdue receivables and uncollectible receivables were identified or subsequently ceased to exist.

Half-year Management Board's report on activities of LPP S.A. Capital Group in H1 2008

Activities of the Capital Group LPP S.A. in the period between 1 January 2008 and 30 June 2008

Main tasks carried out in H1 FY08:

1. New Reserved and CroppTown outlets were opened (about 12.1 thousand square meters in total), increasing the total selling area to 160 thousand square metres. At the end of H1 2008, there were 357 outlets in 9 countries. Revenues from retail sales of clothing of the Capital Group represented over 93% of total revenues.
2. An investment agreement was signed by and between LPP S.A. on the one hand and Artman S.A. and three main founding shareholders of Artman S.A. on the other hand, based on an earlier letter of intent. Pursuant to this agreement, LPP S.A. shall announce a tender offer for 100% of Artman S.A. shares. After control of Artman S.A. is taken over, the Management Board of LPP S.A. intends to merge both companies.
3. Works on the new distribution centre in Pruszcz Gdański were completed. After all indoor systems had been installed, the facility was put into use in September.

The basic amounts reflecting results of the Capital Group's performance in H1 2008 are as follows:

ratio	H1 2008 (PLN million)	H1 2007 (PLN million)	change %
Revenues from sales	697.8	563.5	24%
Gross profit on sales	413.8	321.7	29%
Costs of sales	292.5	222.2	32%
General administrative expenses	43.8	28.7	53%
Operating profit + depreciation	101.0	89.8	12%
Operating profit/loss	72.2	65.9	10%
Net profit/ loss	52.7	50.2	5%

Revenues from sales in H1 2008 were up by about 24% in comparison with revenues from sales in the corresponding period in 2007; gross profit on sales was up by 29%.
Costs of sales were up by 32%; expenses related to the management of retail outlets represent a considerable portion of these costs. The total selling area which determines the amount of these costs was up by about 23% vs. June 2007.
In H1 2008, general administrative expenses were up by 53% vs. H1 2007.
The main items increasing these expenses included salaries (significant increase in headcount and increase in average remuneration), marketing expenses, and logistics (increased number of clothing items, lease of new storage areas).
As a result, net profit generated by LPP Capital Group in H1 2008 totalled PLN 52.7 million, up by 5% vs. the previous corresponding period.

Profit margins are presented in the table below.

Profit margin (%)	H1 2008	H1 2007
Gross profit margin on sales	59.3	57.1
EBITDA	14.5	15.9
Operating profit margin	10.3	11.7
Net profit margin	7.6	8.9

Revenues from sales generated by individual Capital Group companies and presented in the consolidated financial statement (Group inter-company sales excluded):

country	H1 2008 (PLN million)	H1 2007 (PLN million)	change %
Poland	524.3	421.9	24%
Estonia	15.5	16.4	-6%
Latvia	13.6	15.8	-14%
Czech Republic	39.9	29.6	35%
Hungary	8.6	8.5	1%
Lithuania	17.1	15.7	9%
Ukraine	11.6	8.9	30%
Russia*	65.2	46.6	40%
Romania	2.0	-	-
Total	**697.8**	**563.5**	**24%**

*total revenues recorded by three Russian subsidiaries

In H1 2008, dynamic growth of the network of Reserved stores outside of Poland was continued. Revenues recorded by subsidiaries in 8 countries were up by 23% vs. the previous corresponding period. The highest growth was recorded in Russia, which resulted from the largest extension of the selling area in this country.

	H1 2008 (PLN million)	H1 2007 (PLN million)	change %
Poland	524.3	421.9	24%
Member States of the European Union	96.7	86.0	12%
Other countries	76.8	55.5	38%
Total	697.8	563.5	24%

II. Key factors for development opportunities; risks and threats

Basic tasks of LPP S.A. Capital Group determining its market position in the future are as follows:
a) develop a competitive network of brand stores in Poland and in Central and Eastern Europe,
b) build strong clothing brands (mainly Reserved and Cropp, but also Re Kids and Esotiq on a smaller scale),
c) include a different company (Artman S.A.) to LPP S.A. Capital Group.

Achievement of the Issuer's strategic tasks and goals will depend on the following internal and external factors (representing both opportunities and threats):

Internal factors

a) Market strategy of LPP S.A. Capital Group

LPP S.A. Capital Group is focused on the design and distribution of clothing as well as the brand building process while outsourcing many activities. The Company does not have its own production capacity and does not plan to develop its own production sites. Outsourcing of production allows the Group to substantially reduce its fixed costs and guarantees access to state-of-the-art and evolving technologies used by supplies improving their production capacity. As a result, the goal of all investments is to increase the Company's trading potential, maintain its competitive edge on the market, develop its own network of distribution, create good image of LPP S.A. Capital Group on the clothing market, gain customers and ensure their loyalty to the Company and its products.
In addition to organic growth, LPP S.A. Capital Group launched its development strategy based on acquisitions. In H1 2008, actions were taken to take over the company Artman S.A. (owner of House and Mohito brands). Adding new entities to the Group is an opportunity for an even faster growth, especially abroad, and for the strengthening of the Group's market position.

b) The Group's market position

Marketing activities, focusing both on the Reserved and Cropp label, resulted in the considerable increase of brand recognition in the target consumer group.
Development of the selling network based on the most attractive locations is a way to strengthen the Group's position in dynamically developing markets.
Given the generated revenues from sales, LPP S.A. Capital Group is one of the main players on the market. Its market share is currently estimated at about 3-4%, which still presents considerable opportunities for growth in sales.

c) Extending and renewing the portfolio of products offered to customers

The clothing market is characterised by a great diversification of customer expectations and is closely related to changes in fashion. The experience of Reserved and Cropp shows that the Group may generate and develop new ideas to attract new customer groups, and at the same time offer an extended portfolio of products within a single network to increase its sales volumes. Large selling areas in brand stores guarantee a professional display of product collections, in line with the rules of visual merchandising. LPP S.A. Capital Group is developing its product portfolio on an on-going basis.
Keeping in touch with the ever-changing preferences of customers, the Group launches new product groups, trying to predict the market needs. Reserved jeans and T-shirts made of organic cotton are a good example of this strategy. It shows that Reserved offers not only fashionable designs to its customers, but – what is more important – products based on the responsible use of the natural resources.
The Group also created a sub-brand RE-Kids for children and women's underwear brand Esotiq.

d) Logistics

To improve its capacities of fast delivery of goods to brand stores and flexible response to market demand, LPP S.A. Capital Group launched the construction of a distribution centre in Pruszcz Gdański. This centre will ensure efficient storage and delivery picking of the increasing quantities of goods.

e) Optimisation of costs of LPP S.A. Capital Group operations

To guarantee a high level of efficiency and productivity, actions will be taken to reduce costs, including: reduction of the growth in headcount in the HQ, launching of a state-of-the-art, high-capacity distribution centre, and utilisation of only the most efficient marketing tools.

External factors

a) Change and growth of the clothing retail market in Poland and abroad

In reaction to changes in the retail clothing market, LPP S.A. Capital Group is consistently implementing its plan of development of an extensive network of brand stores, selling clothing under a widely recognised label, and at the same time is extending its portfolio of brands to capture new, attractive market areas. In a highly competitive market, the priority is not only to offer attractive designs, but also to improve the IT systems or logistics.

b) Foreign exchange rates

The majority of transactions related to trading commodities purchased by LPP SA CG involves payments denominated in foreign currencies (mostly in USD, a small portion in EURO).
Variability of the exchange rate of these currencies against PLN, which in turn is the currency of the majority of the Group's transactions of sale, are immaterial – according to the Management Board, it is unlikely to affect the Capital Group's results.
Given the specific type of the Group's business, it is possible to partially pass 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.
Apart from transactions denominated in foreign currencies, there is yet another area where the Group's expenses may be affected by the EURO exchange rates: the majority of settlements related to contracts of lease of commercial premises where products are sold on the retail market. The above opinion of the Management Board on the immaterial impact of currency exchange rate variability on the Group's results applies also to the settlements under contracts of lease.

c) General economic situation. The level of spending on consumer goods, including clothing.

The economic growth in Poland and in other countries where the Capital Group sells its products is an opportunity for the growth in consumption, and thus in spending on clothing.
The expected economic slowdown may also affect the clothing business. .
Given this unfavourable forecasts, LPP S.A. Capital Group has already taken action to mitigate effects of the potential economic downturn.

d) Changes in fashion – influencing attractiveness of the products

Each company operating on the "mass fashion" market must develop effective tools to translate the market trends to their collections of clothing to remain up to date. If customer preferences are not met, the expected sales volume will not be achieved and stocks will increase. The design department of LPP S.A., which creates collections for the entire Capital Group, uses these tools. They include keeping in touch with the latest trends shown on runways around the world, frequent visits in trend-setting locations, and using up-to-date IT technologies.

III. Remuneration, bonuses, or benefits payable of potentially payable to members of the Board of Directors or the Supervisory Board

Information on the amount of remuneration, bonuses, or benefits payable of potentially payable to members of the Group's Management Board or the Supervisory Board is presented in Note 9 and Note 13.19.1 to the consolidated financial statement.

MANAGEMENT BOARD'S LETTER OF REPRESENTATION

Pursuant to the provisions of the Ordinance of the Council of Ministers of 19 October 2005 on current and interim information provided by issuers of securities, the Management Board of LPP S.A. hereby declares that:

- to the best of the Board's knowledge, the half-year separate financial statement of LPP S.A. and comparative data has been prepared in accordance with the accounting principles currently in effect and present a true and fair view of the assets, financial standing, and financial result of LPP S.A.,

- the Management Board's half-year report presents a true and fair view of the development and achievements of LPP S.A., including an accurate description of risks and threats,

- the entity authorised to audit financial statements who audited the half-year separate financial statement was appointed in accordance with the applicable legal provisions currently in effect. This entity and certified auditors who audited the financial statement satisfied all conditions required to produce an impartial and independent audit report, as per the applicable provisions of the Polish law.

The Management Board of LPP S.A.:

Marek Piechocki ....

Alicja Milińska ....

Dariusz Pachla ....

Stanisław Dreliszak ....

Aleksander Moroz ....

Gdańsk, 18 September 2008

Condensed interim separate financial statement for the period 01.01.2008 – 30.06.2008

1. Selected financial data – separate statement

Selected financial data	H1 2008	H1 2007	H1 2008	H1 2007
	01/01/2008-30/06/2008	01/01/2007-30/06/2007	01/01/2008-30/06/2008	01/01/2007-30/06/2007
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	621 074	482 260	178 593	125 308
Operating profit (loss)	81 927	64 966	23 558	16 880
Gross profit (loss)	60 783	53 577	17 478	13 921
Net profit (loss)	49 457	41 849	14 222	10 874
Net cash flow from operations	14 167	41 257	4 074	10 720
Net cash flow from investments	-130 965	-16 538	-37 660	-4 297
Net cash flow from financial activity	108 367	-28 051	31 161	-7 289
Total net cash flow	-8 431	-3 332	-2 424	-866

Selected financial data	H1 2008	H1 2007	H1 2008	H1 2007
	01/01/2008-30/06/2008	01/01/2007-30/06/2007	01/01/2008-30/06/2008	01/01/2007-30/06/2007
	in PLN '000		in EUR '000	
Total assets	809 508	549 113	241 342	145 816
Long-term payables	96 519	15 509	28 776	4 118
Short-term payables	308 810	213 057	92 067	56 577
Equity	403 014	319 891	120 152	84 946
Share capital	3 412	3 407	1 017	905
Number of shares	1 699 124	1 703 500	1 699 124	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EURO)	29.11	24.57	8.37	6.38
Book value per share – BVPS (in PLN/EURO)	237.19	187.78	70.71	49.87

data in PLN thousands

2. Balance Sheet

Balance Sheet	Notes	as at the end of:		
		30/06/2008	30/06/2007	31/12/2007
ASSETS				
Non-current assets (long-term)		330 572	166 874	228 569
1. Tangible fixed assets (Property, Plant & Equipment)	12.1	268 994	126 330	183 413
2. Intangible assets	12.2	12 084	12 192	11 781
3. Investments	12.3	33 846	17 801	21 835
4. Receivables		333	262	341
5. Deferred income tax assets	12.18	15 124	10 285	11 195
6. Prepaid expenses	12.15	191	4	4
Current assets (short-term)		478 936	382 239	427 549
1. Inventories	12.5	273 748	232 654	252 638
2. Trade and other receivables	12.6	181 592	129 019	142 549
3. Prepaid expenses	12.15	2 704	2 362	2 624
4. Investments	12..3	4 310	3 389	4 725
5. Cash and cash equivalents	12.7	16 582	14 815	25 013
TOTAL assets	**-**	**809 508**	**549 113**	**656 118**

data in PLN thousands

	Notes	30/06/2008	30/06/2007	31/12/2007
LIABILITIES				
Equity		403 014	319 891	396 354
1. Share capital	12.8	3 412	3 407	3 407
2. Treasury shares		-48 743		
3. Reserve capital	12.8	398 888	274 635	274 635
4. Retained profit/accumulated loss carried forward from previous years				
5. Net profit/loss of the reporting period		49 457	41 849	118 312
Long-term payables		96 519	15 509	32 818
1. Borrowings (bank credits and loans)	12.13	91 361	11 000	27 865
2. Provisions	12.10	831	511	563
3. Deferred income tax provision	12.18	4 327	3 998	4 390
Short-term payables		308 810	213 057	225 512
1. Trade and other payables	12.14	151 475	116 259	147 125
2. Borrowings (bank credits and loans)	12.13	145 934	87 274	48 140
3. Income tax		9 728	8 557	22 258
4. Provisions	12.10	1 345	668	7 846
5. Special funds		328	299	143
Accruals and deferred income		1 165	656	1 434
TOTAL liabilities		**809 508**	**549 113**	**656 118**

Book value	403 014	319 891	396 354
Number of shares	1 699 124	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	237.19	87.78	232.67

data in PLN thousands

3. Profit and Loss Account

Profit and Loss Account	Notes	current year 01/01/2008-30/06/2008	previous year 01/01/2007-30/06/2007
Revenues from sales	12.16	621 074	482 260
Selling costs		296 615	236 081
Gross profit/loss on sales		324 459	246 179
Other operating revenues	12.16	3 595	3 445
Costs of sales	12.17	209 961	157 712
General administrative expenses	12.17	29 343	20 544
Other operating expenses	12.17	6 823	6 402
Operating profit (loss)		81 927	64 966
Financial revenues	12.16	3 341	2 312
Financial expenses	12.17	24 485	13 701
Gross profit/loss		60 783	53 577
Taxation	12.18	11 326	11 728
Net profit/ loss		**49 457**	**41 849**

Weighted average number of ordinary shares	1 699 124	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN)	29.11	24.57

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

data in PLN thousands

4. Statement of Changes in Equity

Statement of Changes in Equity	Share capital	Treasury shares	Reserve capital	Retained profit/accumulated loss carried forward from previous years	Net profit/loss of the reporting period	TOTAL equity
As at 1 January 2007	3 407		232 153	42 482	0	**278 042**
- corrections of errors from previous years						0
As at 1 January 2007 (corrected)	3 407		232 153	42 482	0	278 042
Distribution of retained earnings from previous years			42 482	-42 482		0
Net profit for H1 2007					41 849	41 849
As at 30 June 2007	**3 407**	**0**	**274 635**	**0**	**41 849**	**319 891**
As at 1 January 2008	3 407		274 635	118 312	0	**396 354**
- corrections of errors from previous years						**0**
As at 1 January 2008 (corrected)	3 407		274 635	118 312	0	**396 354**
Buy-back of treasury shares		-48 743				**-48 743**
Increase in share capital	5					**5**
Distribution of retained earnings from previous years			118 312	-118 312		**0**
Share-based payments			5 941			**5 941**
Net profit for H1 2008					49 457	**49 457**
As at 30 June 2008	**3 412**	**-48 743**	**398 888**	**0**	**49 457**	**403 014**

data in PLN thousands

5. Cash Flow Statement

Cash Flow Statement	H1 01/01/2008-30/06/2008	H1 01/01/2007-30/06/2007
A. Cash flow from operations – indirect method		
I. Gross profit (loss)	60 783	53 577
II. Total adjustments	-46 616	-12 320
1. Depreciation and amortisation	18 171	15 188
2. Foreign exchange (gains) losses	2 642	537
3. Interest and profit sharing (dividends)	3 423	959
4. (Profit) loss from investments	1 108	8 361
5. Income tax paid	-27 604	-6 162
6. Change in provisions	-1 224	402
7. Change in inventories	-21 110	-37 126
8. Change in receivables	-38 863	-6 332
9. Change in short-term payables, excluding credits and loans	16 443	11 908
10. Change in prepaid expenses, accruals and deferred income	-536	-55
11. Other adjustments	934	0
III. Net cash flow from operations	14 167	41 257
B. Cash flow from investments		
I. Inflows	2 952	1 687
1. Sale of intangible assets and tangible fixed assets	1 402	967
2. From financial assets, of which:	1 550	720
a) in related parties	1 314	576
- repayment of short-term loans	600	0
- interest and dividends	714	576
- repayment of long-term loans granted	0	0
b) in other entities	236	144
- interest	16	8
- repayment of short-term loans	220	136
3 . Other inflows from investments	0	0

II. Outflows	133 917	18 225
1. Acquisition of intangible assets and tangible fixed assets	116 703	17 875
2. On financial assets, of which:	17 214	350

data in PLN thousands

a) in related parties	16 790	0
- acquisition of shares and additional paid-in capital	11 450	
- short-term loans granted		0
- long-term loans granted	5 340	0
b) in other entities	424	350
- long-term loans granted	396	79
- short-term loans granted	28	271
3. Other outflows on investments	0	0
III. Net cash flow from investments	-130 965	-16 538
C. Cash flow from financial activity		
I. Inflows	161 185	0
1. Credits and loans	161 180	0
2. Net inflows – issue of shares	5	
3. Other financial inflows	0	
II. Outflows	52 818	28 051
1. Buy-back of treasury shares	48 744	
2. Repayment of credits and loans	0	25 269
3. Interest	4 074	2 782
4. Other financial outflows	0	0
III. Net cash flow from financial activity	108 367	-28 051
D. Total net cash flow	-8 431	-3 332
E. Total cash flow balance, of which:	-8 431	-3 332
- change in cash – foreign exchange differences	62	0
F. Opening cash balance	25 013	18 147
G. Closing cash balance, of which:	16 582	14 815
- restricted cash	242	242

data in PLN thousands

NOTES TO THE SEPARATE FINANCIAL STATEMENT OF LPP S.A. FOR H1 2008

INTRODUCTION

1. General information

Name and registered office:	LPP SPÓŁKA AKCYJNA with its registered office in Gdańsk, Poland ul. Łąkowa 39/44 ZIP code: 80-769

Core business:

3. wholesale of clothing, classified in item 51.42 Z of the Polish Classification of Economic Activities (PKD) as "wholesale of clothing and footwear",
4. retail sale of clothing, classified in item 52.42 Z as "retail sale of clothing".

Place of business
The Company operates in Poland.

Local Court of appropriate jurisdiction
The Company is registered in the Local Court in Gdańsk-Północ, VII Commercial Division of the National Court Register, entry no. KRS 0000000778.

Sector as classified by the Warsaw Stock Exchange
LPP S.A shares are listed on the main market of the Warsaw Stock Exchange and classified in the trade sector.

2. Members of the Issuer's Management Board and Supervisory Board

Members of the Management Board:

- Marek Piechocki - President of the Management Board
- Dariusz Pachla - Vice President of the Board
- Alicja Milińska - Vice President of the Board
- Stanisław Dreliszak - Vice President of the Board
- Aleksander Moroz - Vice President of the Board

Members of the Supervisory Board:

- Jerzy Lubianiec - Chairman of the Supervisory Board
- Krzysztof Olszewski - Member of the Supervisory Board
- Wojciech Olejniczak - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board
- Krzysztof Fąferek - Member of the Supervisory Board
- Antoni Tymiński - Member of the Supervisory Board (as of 30 June 2008)

data in PLN thousands

3. Related parties

A list of related parties of LPP S.A. is presented in the table below.

No.	Name of the company	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 (closed joint-stock company)	Moscow, Russia	12.02.2004
27.	LPP Fashion Distribuitor SRL	Bucharest, Romania	12.08.2007
28.	ES STYLE	Moscow, Russia	10.03.2008
29.	FASHION POINT	Moscow, Russia	01.04.2008

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

4. Legal basis of the financial statement and information on changes in the adopted accounting principles

Pursuant to the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2002 No. 76 item 694, as amended), as of 1 January 2005, LPP S.A. shall present its consolidated financial statement drawn up in accordance with the International Financial Reporting Standards (IFRS) and related interpretations, published in the form of Regulations of the European Commission.
Pursuant to the Accounting Act, on 28 June 2005 the General Meeting of Shareholders of LPP S.A. adopted resolution no. 19/2005 to prepare its separate financial statements also in accordance with the IFRS and related interpretations.
The Company did not change its accounting policy to include an option of presenting loans obtained by subsidiaries as subordinated loans, in accordance with the revised IAS 1.

7. Declaration of compliance with IFRS

The financial statement covers the period between 1 January and 30 June 2008. Comparative data covers the period from 1 January 2007 to 30 June 2007.
This financial statement has been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, covering standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Standards Interpretation Committee.

Currently, there are no significant differences between IFRSs as adopted by the European Union and regulations adopted by the International Accounting Standards Board, with the exception of the following standards which have not been adopted as at 31 August 2008:

9. The revised IFRS 3 Business Combinations – published on 10 January 2008 and applicable to financial statements for annual periods beginning on or after 1 July 2009. The revision concerns, among others, the revised recognition of other direct acquisition-related costs, recognition and settlement of step acquisitions (made in several transactions), measurement and recognition of goodwill and minority interest, as well as the approach to terms of payment.
10. The revised IAS 23 Borrowing Costs – published on 29 March 2007 and applicable to financial statements for annual periods starting on or after 1 January 2009. This revision eliminates the previously approved option to account for borrowing costs through profit or loss.
11. The revised IAS 1 Presentation of Financial Statements – published on 6 September 2007 and applicable to financial statements for annual periods starting on or after 1 January 2009. This revision includes changes in the terminology adopted for basic financial statements as well as the presentation of Balance Sheet, Profit and Loss Account, and Statement of Changes in Equity.
12. The revised IAS 27 Consolidated and Separate Financial Statements – published on 10 January 2008 and applicable to financial statements for annual periods starting on or after 1 July 2009. This revision refers to the acquisition or sale of shares in a transaction where control is retained, measurement of the residual holding in subsidiaries retained in the parent's financial statement after control is lost, and recognition of minority interest (non-controlling interest).
13. The revised IFRS 2 Share-based Payment – published on 17 January 2008 and applicable to financial statements for annual periods beginning on or after 1 January 2009. This revision explains the definition of vesting conditions and the accounting treatment of termination of agreements related to share-based payments.
14. IFRIC Interpretation 12 Service Concession Arrangements – published on 30 November 2006 and applicable to financial statements for annual periods beginning on or after 1 January 2008. This Interpretation contains guidelines for operators in service concession agreements between the public and private sectors on the accounting treatment of these agreements. IFRIC 12 applies to agreements where an entity granting a concession (Grantor) controls or regulates the type of services provided by the operator using the specific infrastructures and controls the significant residual interest in this infrastructure after the contract term.
15. IFRIC Interpretation 13 Customer Loyalty Programmes – published on 28 June 2007 and applicable to financial statements for annual periods beginning on or after 1 July 2008. This Interpretation contains guidelines for entities granting the so-called "loyalty points" to their customers on how to account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.
16. IFRIC Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – published on 5 July 2007 and applicable to financial statements for periods starting on or after 1 January 2008.

According to the Company's estimates, the above standards, interpretations and revisions would have no significant impact on the financial statement if applied as at the balance sheet date.

In addition, when preparing this financial statement, the Company has not applied the following standards, revisions and interpretations which have been published and adopted by the EU, but are not applicable as yet:

2. IFRS 8 Operating Segments – published on 30 November 2006 and applying to financial statements for periods starting on or after 1 January 2009. This standard replaces IAS 14 Segment Reporting and requires, among others, identification of operating segments based on internal reports on the entity's components that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

According to the Company's estimates, the above standards, interpretations and revisions would have no significant impact on the financial statement if applied as at the balance sheet date.

6. Going concern assumption

The financial statement of LPP S.A. for H1 FY 2008 was drawn up based on the assumption that the Company shall remain a going concern in the foreseeable future and that the scope of its business is not restricted to a considerable extent.
Based on the information available as at the date of preparation of this financial statement, the going concern assumption adopted herein is fully justified.

7. Date of approval of the financial statement for publication

This financial statement was approved for publication (authorised for issue) by the Management Board of LPP S.A. on 18 September 2008.

8. Events after the balance sheet date

Under IAS 10, events after the balance sheet date include all events that occurred between the balance sheet date and the date that the financial statement is authorised for issue.
The Management Board is authorised to adjust the financial statement after its publication.

On 13 June 2008, an investment agreement was signed by and between LPP S.A. and the main shareholders of Artman S.A. and the company Artman S.A., pursuant to which LPP S.A. was to announce a tender offer for 100% of Artman S.A. shares.
On 15 September 2008, pursuant to provisions of this agreement, LPP S.A. (represented by Copernicus Securities S.A.) notified the Polish Financial Supervision Authority and the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) that a tender offer for Artman S.A. shares shall be announced on 22 September 2008.

A material agreement was concluded by the Issuer after the balance sheet date (i.e. 13 August 2008).
This agreement was signed by and between LPP S.A. and PKO BP S.A. for a bank credit up to PLN 394,800k granted by PKO S.A. to the Company, to be used to finance the acquisition of 100% of Artman S.A. shares in a public tender offer.
Bank's receivables under this credit are secured with:

1) a registered pledge on Artman S.A. shares
2) a registered pledge on trademark rights
3) authorisation to debit all bank accounts of the Issuer in PKO BP S.A.
4) mortgage on the Company's real property
5) assignment of cash receivables under the property insurance contract (covering the above-mentioned real property).

This credit was granted for the period of 5 years.

9. Methods of measurement of assets and liabilities and determination of the financial result adopted in the report

Tangible fixed assets (PP&E) and intangible assets

Tangible fixed assets (Property, Plant & Equipment) are initially carried at cost, increased by all costs directly related to the purchase and necessary to bring the asset to working condition for its intended use. Costs incurred after the date when an asset was put into use, including costs of maintenance and repairs, are charged to the Profit and Loss Account as they are incurred. Borrowing costs are not included in the carrying amount of PP&E but recognised in profit or loss when incurred.
As at the balance sheet date, tangible fixed assets are measured at cost less depreciation and impairment losses.
The Company's depreciation write-offs are made on a straight-line basis. Tangible fixed assets (PP&E) are depreciated over their pre-determined expected useful life verified on an annual basis.
PP&E is also tested for impairment resulting from any events or changes in the Company's business environment or within the Company itself which could cause an impairment of these assets below their current book value.
For accounting purposes, based on the materiality principle, the adopted limits for one-off depreciation of PP&E or non-inclusion of an asset in PP&E are equal to tax limits.
As a result, LPP S.A. adopted the following rule: whenever the initial carrying amount of a tangible fixed asset or property right exceeds PLN 3,500.00, monthly depreciation write-offs are made starting from the month following the month when the asset is put into use.

If the initial carrying amount of PP&E is below PLN 3,500.00, two accounting methods are adopted based on the materiality principle:

- the asset is recorded in the fixed assets register or intangible assets register and depreciated on a one-off basis in the month when the asset is put into use;

or

- the asset is recorded in the off-balance sheet register and written off on purchase (allocated to cost of consumption of materials recorded in the month of purchase).

Under the accounting policy adopted by the Company, straight-line depreciation of low-price assets may be adopted by the Management Board in justified cases if all the following circumstances occur simultaneously:

- a large number of tangible fixed assets are purchased at the same time and their unit price is not in excess of the adopted limit, but their total value is material,
- these assets are a part of a larger set of uniform and/or interconnected units, and their purchase is related to a large investment project to be implemented at least over the period of normative depreciation specified for this particular group of fixed assets in tax regulations,
- these tangible fixed assets are high quality and high availability (HA) assets.

This situation has occurred twice so far in LPP S.A. in relation to:

- purchase of a large set of computer hardware for the implementation of the Company's new IT system,
- outlays made by the Company related to investments in the construction and furnishing of new Reserved and Cropp brand stores – implementation of a new plan of brand stores layout and design.

Intangible assets are measured and amortised in the same way as tangible fixed assets. The main difference is that it is not possible to increase the initial carrying amount of intangible assets by the amount of their improvement (upgrade), unless these upgrades can be used to generate future economic benefits exceeding benefits assumed initially.

Assets in construction – as at the balance sheet date they are carried in the total amount of costs directly related to their acquisition or construction, less impairment losses.

Long-term investments in LPP S.A. include:

- shares in related parties – carried at cost less impairment losses,
- long-term loans granted – measured as at the balance sheet date at depreciated cost estimated using the effective interest method, less impairment losses,
- additional paid-in capital in related parties – carried at nominal value less impairment losses.

Long-term prepaid expenses in LPP S.A. include

- deferred income tax assets – subsequently measured as at each balance sheet date,
- prepaid expenses related to prepaid lease rent.

Inventories

Inventories are carried at the lower of cost and net realisable value at the balance sheet date.
Inventories include:

- trading commodities,
- materials (fabrics and sewing accessories) purchased and issued for processing to external contractors,
- IT consumables related to operation, maintenance and development of a computer network,
- advertising materials.

Trading commodities in local warehouses are recorded by quantity and value and measured as follows:

- imported goods – at costs, including purchase prices, costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland, as well as customs duties; currency rate specified in customs documents is used for the conversion of amounts expressed in foreign currency,
- goods purchased in Poland – at cost; purchase-related costs are charged directly to costs of ordinary operations when they are incurred, as they represent an immaterial amount.

Trading commodities issued from Reserved, Cropp, Esotiq and Henderson collections are measured at weighed average prices.
For trading commodities from other collections the FIFO method is employed.

Trading commodities in bonded warehouses are measured at cost, including their purchase price and costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland.
The value of goods issued from bonded warehouses (moved to local warehouses or sold directly abroad) is measured based on detailed identification of goods for individual lots accepted to bonded warehouses.

Trading goods in transit are measured at cost (purchase price) plus costs of transport abroad and in Poland determined as the balance sheet date. For the measurement of imported goods in transit, selling exchange rate published by Raiffeisen Bank Polska S.A. as at the balance sheet date is adopted.

Inventories whose trading or useful value is impaired are written down. Inventory impairment losses are charged to other operating expenses.

Receivables

Trade receivables are recognised and disclosed at amounts initially invoiced, including write-downs on irrecoverable receivables and doubtful receivables (allowance for uncollectible amounts).
Taking into account the relatively short payment terms (below 120 days), the above rule does not result in any material changes in the measurement of receivables vs. the measurement method set out in IAS 39 based on discounting of these receivables.
Revaluation write-downs of receivables are made based on the type of receivables:

- claimed receivables (amounts claimed in court and amounts due from debtors in the process of liquidation or filing for bankruptcy) – in the total amount receivable,
- other receivables – write-downs are made based on a case-by-case analysis and assessment of the situation and risk of potential losses.

Short-term investments

These include investment assets which are payable, mature or held for sale within 12 months after the balance sheet date, as well as cash.

Short-term investments are measured as at the balance sheet date based on the following principles:

- long-term loans granted – at depreciated cost estimated using the effective interest rate,
- local cash and cash equivalents – at nominal value,
- cash in foreign currencies – at the purchase rate adopted as at this date by Raiffeisen Bank Polska S.A.

Short-term prepaid expenses

These include costs related to future reporting periods to be settled within 12 months after the balance sheet date.

Share capital

Share capital is disclosed in the amount specified in the Articles of Association and entered in the court register.

Reserve capital

The amount presented under Reserve Capital includes:

- share premium – issue of shares at the price exceeding their nominal value less costs of issue,
- profits carried forward from previous years, based on decisions of General Meetings of Shareholders.
- amounts of share-based payments made in respect of certain persons under the incentive scheme (equity-settled share-based payment programme).

Profit/loss from previous years (retained profit/accumulated loss carried forward)

This item presents the net financial result brought forward from previous fiscal years, until the decision to distribute the profit/offset the loss is made, as well as adjustments of the financial results related to previous years, resulting from fundamental errors or changes in the adopted accounting principles.

Payables

Trade payables with maturity date usually from 30 to 90 days are recognised and disclosed at amounts initially invoiced.

Taking into account the relatively short payment terms (below 120 days), the above rule does not result in any material changes in measurement of payables vs. the measurement method set out in IAS 39 based on discounting of these payables.

Financial payables are measured at amortised cost.

Provisions

Provisions are made for deferred income tax and employee benefits.

Provisions for employee benefits include:

- provision for holiday leaves not taken,
- provision for future retirement benefits.

Provision for future retirement benefits is measured individually by the Company, taking into account the length of service, gender, and the current amount of remuneration. It was assumed that the discount related to the provision for retirement benefits is equal to the expected salary growth rate.

There were no actuarial gains or losses in the reporting period.

Revenues

Revenue is recognised to the extent that it is probable that economic benefits related to a given transaction will flow to the Company and that they can be reliably measured.

Revenues from the sale of goods are recognised when the significant risks and rewards of ownership have passed to the buyer.

Given the complaints and returns from customers, revenues from the sale of goods are adjusted based on a correction of the estimated cost of these returns. Based on the historical data, the ratio of product return to the total sales volume is estimated. For these estimates it is assumed that products purchased in a given quarter are returned in the next quarter. The value of this ratio (against prime costs and revenues) is defined every quarter.

Revenue from interest is accrued on a time basis up to the net carrying amount of the financial asset.

Borrowing costs
Borrowing costs are recognised by LPP S.A. as set out in IAS 23, i.e. expensed immediately in the period when incurred.

Transactions in foreign currencies
The functional currency of LPP S.A. is the Polish zloty (PLN).

As at the transaction date, assets and liabilities denominated in foreign currencies are carried at the following exchange rates, respectively:

- purchase or selling rate used by the Company's bank – in the case of purchase or sale of foreign currencies and repayment of receivables or payables,
- average exchange rate set by the National Bank of Poland for this currency on a day preceding the invoice date or specified in the respective customs document – in the case of a transaction document for or from a customer.

The following items denominated in foreign currencies are measured as at the balance sheet date:

- monetary items:
  - elements of assets – at the Company's bank purchase rate adopted as at this date,
  - elements of liabilities – at the Company's bank selling rate adopted as at this date.
- non-monetary items – at the historical exchange rate as at the transaction date.

Grants
Government grants are recorded to the extent that their respective revenue is recognised in proportion to their associated costs.

The Company has adopted the following methods of presentation of Government grants in its financial statement:

- grants to assets – are recognised initially as a separate item under "Deferred income", and subsequently on a time basis as a revenue over the useful life of the respective asset;
- grants to revenues – as an item under "Other operating/financial revenues".

Earnings Per Share
Earnings per share (EPS) for each period is calculated by dividing net profit for the period by the weighted average number of shares of LPP S.A. in this period. The Company does not present diluted earnings/loss per share as ordinary shares are not diluted.

Share-based payment
Under Resolution of the Annual Meeting of Shareholders of 29 June 2007, the Company has an incentive scheme in place offering shares issued within the Company's target capital to its employees and associates. The incentive scheme will be implemented in 2007-2010 and will cover up to 15,000 shares of LPP S.A.

The main precondition for the implementation of the incentive scheme in individual years is that LPP S.A. Capital Group generates profits higher than in the previous year, respectively:

a) up by 70% for profit generated in 2007 (i.e. net profit for 2007 must be at least 70% higher than net profit generated in 2006). This condition was satisfied in 2007;
b) 10% for profit generated in the following years.

The scheme may be participated by a group of about 100 persons who will resign from additional remuneration (awards) which may be granted in exchange for the positive performance appraisal by the Management Board, and provided that the number of shares which may be granted to an eligible person equals 120% of the gross amount of an award divided by the stock market price of LPP S.A. shares, as quoted in the Warsaw Stock Exchange on the day before the respective resolution of the Management Board (or the Supervisory Board in the case of the Management Board members) is taken. Shares will be taken over by the eligible persons at the nominal price, i.e. PLN 2.00 per share.

In the case of the Management Board members, the amount of an award is determined in accordance with the respective resolution of the Supervisory Board. The amount of this award depends on the amount of net profit generated by LPP S.A. Capital Group and must not be more than 20 times higher than gross monthly remuneration of each member of the Management Board of LPP S.A.

As at the date of this report, the amount of awards (in the form of shares or cash) for 2008 is not known.

The financial statement discloses bonuses paid in 2008 in respect of the period September 2007 – February 2008, including a provision established for 2007.
The amount of awards for 2007 recognised in expenses of the current year, after the settlement of a provision established in the previous year, is PLN 1,543k.

Hyperinflation

Under provisions of IAS 29 Financial Reporting in Hyperinflationary Economies, entities operating in a hyperinflationary economy should restate individual items of their share capital by applying a general price index. Results of this restatement should be disclosed as negative amounts under "retained earnings" in the Balance Sheet. This restatement is made to reflect the impact of hyperinflation on the entity's financial result in the respective reporting period. In Poland, the period 1989 – 1996 is considered a period of hyperinflationary economy. However, the Management Board is in doubt whether a disclosure of this hyperinflationary restatement in the Balance Sheet as an accumulated loss carried forward from previous years is justified, taking into account that it refers to events which occurred eight years ago or earlier, and the corresponding earnings had been distributed before this financial statement was drawn up. In addition, it is not clear whether such disclosure of the hyperinflationary restatement has any effect under provisions of the Code of Commercial Companies, as regards e.g. the amount of dividend to be paid out, amount of payments on account of dividends, or conditions which require adoption of a resolution on the entity's remaining a going concern. Therefore, the Company's Management Board is of the opinion that the direct disclosure of this restatement in the Balance Sheet drawn up as at 30 June 2008 could be misleading for users of this financial statement, and decided to present relevant amounts, ratios, and conversion methods related to the hyperinflationary restatement in Note 12.8 to the consolidated financial statement for H1 2008.

Financial statements of LPP S.A. are drawn up based on the historical cost method.

Cash Flow Statement

For the purposes of the Cash Flow Statement, the Company classified the following items as cash:

- cash in hand, cash in banks, and cash in transit,
- other cash, including third-party cheques, third-party promissory notes, traveller's cheques, as well as third-party bonds, deposits, etc., if payable (mature) within 3 months from the date of their issue (acquisition, deposition),

- other monetary assets, including interest on short- and long-term financial assets, i.e. deposits, bonds, Treasury notes, etc., payable as at the balance sheet date.

11. Financial risk management

The main financial instruments used by LPP S.A. include bank credits and loans granted (Note 12.3 and 12.13). The main objective of these financial instruments is to secure financing of the Company's operations. LPP S.A. has other financial instruments established in the course of its business operations. These include mainly cash and deposits (Note 12.7) as well as trade receivables and payables (Note 12.6 and 12.14).
Under IFRS 7, the scope of risks related to financial instruments that LPP S.A. is exposed to has been analysed.

a) credit risks
The maximum credit risk is reflected by the carrying amount of loans granted and trade receivables. LPP S.A. finances the development of its subsidiaries operating abroad by granting loans. These loans were mainly used in construction projects in the leased premises, i.e. development of a network of brand stores. The total amount of currency loans granted to foreign subsidiaries is PLN 32,594 k. As the Company adopted the methodology of estimation of revaluation write-downs of assets employed in the foreign subsidiaries, write-downs were made for the total amount of PLN 10,805k. Note 12.3 presents a detailed analysis of all loans granted.

Credit risk is related also to trade receivables, in the amount disclosed in the Balance Sheet, as well as guarantees granted to third parties.

Concentration of credit risk related to trade receivables is presented in the table below.

Customer	share of receivables (%) in the total amount of receivables
LPP Czech Republic sro	15.3%
UAB LPP	6.6%
ZAO Re Trading.	43.3%
Non-related customer	6.2%
Other with debts representing less than 5% of the total amount of receivables	28.6%
Total net trade receivables	100.0%

Classification of gross trade receivables by the period of non-payment as at 30 June 2008 and 31 December 2007 is presented in the following table:

in PLN '000	2008	2007
Not overdue	41 255	39 800
Overdue up to 1 year	95 775	81 925
Overdue more than 1 year	33 555	20 643
TOTAL	**170 585**	**142 368**

About 86% of overdue trade receivables in the current reporting period result from invoices not paid by subsidiaries. This amount results from the financing of the development of brand stores network by foreign subsidiaries using proceeds from sale of products in the existing stores; this is in line with the strategy of LPP S.A.

No hedging instruments for the above financial risks and no hedge accounting are used by LPP S.A..
b) liquidity risks
The Company's objective is to maintain the balance between the continuity and flexibility of financing by using overdraft facilities or investment credits.

In comparison with the previous year, credit exposure of LPP S.A. (as at 30 June 2008) increased significantly. Note 12.3 presents details of the Company's financial standing in terms of bank credits incurred. Increase in long-term debt vs. the end of 2007 resulted to a large extent from the buy-back of treasury shares of LPP S.A. On the other hand, increase in long-term debt resulted from the utilisation of investment credit tranches used to finance the construction of a new distribution centre.
Liquidity risks also included payables related to goods and services.

Classification of gross trade payables by the period of non-payment as at 30 June 2008 and 31 December 2007 is presented in the following table:

in PLN '000	2008	2007
Not overdue	122 259	124 599
Overdue up to 1 year	17 824	10 005
Overdue more than 1 year	56	74
TOTAL	**140 139**	**134 678**

The increase in payables results from the accelerated purchase of the new collection which should be introduced earlier than in the previous periods, extension of the Company's scope of business, and the increasing importance of the Company among its suppliers.

c) currency risk

The majority of transactions related to purchase of trading commodities are denominated in USD; a small portion of these transactions is settled in EURO.
Revenues from sales are denominated mainly in PLN. The strengthening of PLN against USD and EUR is now over, but based on specialist publications, the Management Board believes that even if the exchange rate of PLN against USD and EUR weakens, the Company's results shall not be affected to any significant extent.
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.
Apart from the currency risks related to the settlement currency used in the purchase of trading commodities, there are also other currency risks related to the settlement of rent for the leased commercial premises in EURO. The above opinion of the Management Board on the immaterial impact of currency exchange rate variability applies also to the settlements under contracts of lease.

d) interest rate risk

Interest rate risks are related to bank credits utilised by LPP S.A. on a regular basis, as well as loans granted by the Company (on a small scale). Bank credits with floating interest rate create cash flow risks. The Management Board believes that interest rate changes (if any) will have no significant impact on the Company's results.
Fair value risk related to financial assets with fixed interest applies to loans granted by LPP S.A. to foreign subsidiaries.
The analysis of the impact of interest rate changes and foreign exchange rate changes on the Group's P&L Account and its equity is presented in the following tables. This analysis includes the financial items of the Company's Balance Sheet as at the balance sheet date.

Interest rate risk *in PLN '000*

+/- 75 basis points			
Balance Sheet items	***Amount ****	***Impact on financial result***	***Impact on financial result***
Financial assets			
Cash	14 218	107	-107
Deposits	2 364	18	-18
Loans granted	35 164	251	-251
Impact on financial assets before		*376*	-376

tax			
Tax (19%)		-71	71
Impact on financial assets after tax		*305*	*-305*
Financial liabilities			
Bank credits/loans	237 295	-1 778	1 778
Impact on financial liabilities before tax		*-1 778*	*1 778*
Tax (19%)		338	-338
Impact on financial liabilities after tax		-1 440	*1 440*
TOTAL		***-1 135***	***1 135***

* these carrying amounts do not include write-downs of loans granted

As at 30 June 2008, the Company's net profit would be down by PLN 1,153k if interest rates in PLN, EUR and USD were up by 75 basis points, assuming that all other parameters remained unchanged. It results from the higher balance of borrowings vs. cash and loans granted.

Currency risk *in PLN '000*

+/- 5%			
Balance Sheet items	***Amount ****	***Impact on financial result***	***Impact on financial result***
Financial assets			
Cash	14 218	-258	258
Trade receivables	166 246	-7 134	7 134
Loans granted	35 164	-1 630	1 630
Impact on financial assets before tax		*-9 022*	*9 022*
Tax (19%)		1 714	-1 714
Impact on financial assets after tax		*-7 308*	*7 308*
Financial liabilities			
Bank credits/loans	237 295	166	-166
Trade payables	140 140	4 757	-4 757
Impact on financial liabilities before tax		*4 923*	*-4 923*
Tax (19%)		-935	935
Impact on financial liabilities after tax		3 988	*-3 988*
TOTAL		***-3 320***	***3 320***

* these carrying amounts do not include write-downs of loans granted and trade payables

As at 30 June 2008, the Company's net profit would be down by PLN 3,320k if the rate of PLN vs. foreign currencies (mainly USD) was up by 5%, assuming that all other parameters remained unchanged. It results from the increased share of export sales in the Company's total revenues from sales and the resulting increase in receivables denominated in foreign currencies. The weakening of PLN by 5% vs. foreign currencies as at 30 June 2008 would have the same impact in terms of the amount, but with the opposite sign (-/+).

12. Critical accounting estimates and judgments

Estimates of the Management Board of LPP S.A. with an impact on the amounts disclosed in the financial statement refer to:

- the estimated economic useful life of Property, Plant and Equipment,
- the residual value of Property, Plant and Equipment, as well as intangible assets,

- the ratio of returns of products sold in the reporting period, occurring in the next reporting period,
- revaluation write-downs of assets,
- discount rate for the estimated increase in salaries and actuarial assumptions used to calculate the amount of provisions for retirement benefits,
- the future tax results taken into account when calculating deferred income tax assets.

The methodology employed by the Company is based on the best knowledge of the Management Board and is in line with the requirements of IFRS.
Methods of determination of the estimated amounts are applied consistently in relation to the previous reporting period.

The following estimated amounts remained the same as in the previous period:

- discount rate for the estimated increase in salaries and actuarial assumptions used to calculate the amount of provisions for retirement benefits,
- the future tax results taken into account when calculating deferred income tax assets.

The following estimated amounts have changed in line with the adopted methodology:

- the estimated economic useful life of Property, Plant and Equipment – applying only to a passenger elevator with a shaft (a new depreciation period was determined after its upgrade),
- sales adjustment ratio related to returns of goods made in the next reporting period.

Changes in revaluation write-downs are presented below in Notes to individual items of assets.

NOTES TO THE FINANCIAL STATEMENT

12. Notes to the financial statement

12. 1. Tangible fixed assets (Property, Plant & Equipment)

PP&E is depreciated on a straight-line basis based on the following depreciation rates:
- buildings, facilities and civil- and hydro-engineering structures: 2.5 – 50%,
- plant and machinery: 6.25 – 52%
- transport vehicles: 10 - 20%,
- other tangible fixed assets: 14 - 22%.

In the reporting period, there were no reversals of write-downs of PP&E made previously.

Compensations related to tangible fixed assets received by LPP S.A. in H1 2008 amounted to PLN 88 k and were related mainly to the vehicle-related damage.

The Company has idle PP&E (temporarily out of use) with the initial carrying amount of PLN 206 k.

LPP S.A. still uses fully amortised PP&E with the initial carrying amount of PLN 18,181 k.

As at 30 June 2008, the Company's contractual obligation related to the purchase of tangible fixed assets totalled PLN 6,020 k.

As at the balance sheet date, the use of real property in Pruszcz Gdańsk, where a new distribution centre is being built, was subject to limitations.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (by groups) in the period from 01-01-2008 to 30-06-2008 **in PLN '000**

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	transport vehicles	other PP&E	PP&E under construction	payments on account of PP&E	total PP&E
a) opening balance gross value of PP&E	12 283	149 786	33 148	5 942	26 179	44 921	3 873	276 132
- increase	4 435	11 452	4 311	1 849	3 893	92 819	14 645	133 404
- reduction	0	242	565	738	585	23 908	7 122	33 160
b) closing balance gross value of PP&E	16 718	160 996	36 894	7 053	29 487	113 832	11 396	376 376
c) opening balance accumulated depreciation	0	56 736	20 513	2 656	11 541	0	0	91 446
- depreciation	0	10 069	3 315	409	2 509	0		16 302
- increase		0	0	0	0			0
- reduction	0	204	486	605	344	0	0	1 639
d) closing balance accumulated depreciation	0	66 601	23 342	2 460	13 706	0	0	106 109
e) opening balance impairment losses	0	1 273	0	0	0	0	0	1 273
- increase	0	0	0	0	0	0	0	0
- reduction	0	0	0	0	0	0	0	0
i) closing balance impairment losses	0	1 273	0	0	0	0	0	1 273
Total net closing balance of PP&E	16 718	93 122	13 552	4 593	15 781	113 832	11 396	268 994

Impairment losses – items in the P&L Account	Amount
- increase – "Revaluation of non-financial assets"	0
- reduction – "Other operating revenues"	0

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (by groups) in the period from 01-01-2007 to 31-12-2007 **in PLN '000**

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	transport vehicles	other PP&E	PP&E under construction	payments on account of PP&E	total PP&E
a) opening balance gross value of PP&E	12 337	127 161	26 727	4 300	20 016	1 421	209	192 171
- increase	0	26 762	7 188	2 429	6 739	82 644	6 600	132 362
- reduction	54	4 137	767	787	576	39 144	2 936	48 401
b) closing balance gross value of PP&E	12 283	149 786	33 148	5 942	26 179	44 921	3 873	276 132
c) opening balance accumulated amortisation	0	42 433	15 936	2 528	7 591	0	0	68 488
- depreciation	0	17 647	5 235	748	4 242	0	0	27 872
- increase	0	0	33	0	0	0	0	33
- reduction	0	3 344	691	620	292	0	0	4 947
d) closing balance accumulated depreciation	0	56 736	20 513	2 656	11 541	0	0	91 446
e) opening balance impairment losses	0	1 237	0	0	0	0	0	1 237
- increase	0	768	0	0	0	0	0	768
- reduction	0	732	0	0	0	0	0	732
i) closing balance impairment losses	0	1 273	0	0	0	0	0	1 273
Total net closing balance of PP&E	12 283	91 777	12 635	3 286	14 638	44 921	3 873	183 413

Impairment losses – items in the P&L Account	Amount
- increase – "Revaluation of non-financial assets"	768
- reduction – "Other operating revenues"	0

12.2. Intangible assets

LPP S.A. has intangible assets constructed by the Company. They include fully amortised development works. The Company has no intangible assets with unspecified useful life.
Intangible assets with determined useful life are amortised on a straight line basis with the following rates:

- acquired patents, licenses and similar rights: 14.29-50%

CHANGES IN INTANGIBLE ASSETS (by groups) in the period from 01-01-2008 to 30-06-2008
in PLN '000

	development costs	acquired patents, licenses and similar rights, of which:		intangible assets in progress	payments on account of intangible assets	total
		total	software			
a) gross opening balance of intangible assets	443	24 344	23 294	318	216	25 321
- increase	0	1 033	1 018	1 234	503	2 770
- reduction		2	2	382	216	600
b) gross closing balance of intangible assets	443	25 375	24 310	1 170	503	27 491
c) opening balance accumulated amortisation	443	13 098	12 767	0	0	13 541
- planned amortisation write-offs		1 868	1 736	0	0	1 868
- reduction		2	2			2
d) closing balance accumulated amortisation	443	14 964	14 501	0	0	15 407
e) opening balance impairment losses	0	0	0	0	0	0
- increase						0
- reduction						0
f) closing balance impairment losses	0	0	0	0	0	0
Total net closing balance of intangible assets	0	10 411	9 809	1 170	503	12 084

CHANGES IN INTANGIBLE ASSETS (by groups) in the period from 01-01-2007 to 31-12-2007
in PLN '000

	development costs	acquired patents, licenses and similar rights, of which:		intangible assets in progress	payments on account of intangible assets	total
		total	software			
a) gross opening balance of intangible assets	443	22 191	21 830	233	103	22 970
- increase	0	2 165	1 476	1 092	353	3 610
- reduction		12	12	1 007	240	1 259
b) gross closing balance of intangible assets	443	24 344	23 294	318	216	25 321
c) opening balance	320	9 568	9 365	0	0	9 888

data in PLN thousands

accumulated amortisation						
- planned amortisation write-offs	123	3 541	3 415	0	0	3 664
- reduction		12	12			12
d) closing balance accumulated amortisation	443	13 097	12 768	0	0	13 540
e) opening balance impairment losses	0	0	0	0	0	0
- increase						0
- reduction						0
f) closing balance impairment losses	0	0	0	0	0	0
Total net closing balance of intangible assets	0	11 247	10 526	318	216	11 781

Intangible assets are tested for impairment as at each balance sheet date. No impairment of intangible assets was identified as at 30 June 2008.
Amortisation of intangible assets is presented in the function format of the P&L Account, together with other types of expenses, under the following items:

- costs of sales – PLN 168 k (30.06.2008) and PLN 224 k (30.06.2007),
- general administrative expenses – PLN 1,700 k (30.06.2008) and PLN 1,556 k (30.06.2007).

An important element of intangible assets is the computer software Retek, used as a sales support and goods management tool, compatible with the FK software. As at 30 June 2008, the carrying value of this software was PLN 6,961 k. Its expected useful life is estimated at 35 months from the balance sheet date.

As at 30 June 2008, the Company's contractual obligations related to the purchase of intangible assets totalled PLN 1,069 k.

The Company still uses fully amortised intangible assets with the initial carrying amount of PLN 3,858 k, of which:

- software licenses: PLN 3,189 k
- other licenses: PLN 42 k
- copyrights: PLN 156 k,
- completed development works: PLN 443 k.

As at the balance sheet date, there are no limitations for the use of intangible assets and no security was established on intangible assets.

In the reporting period from 1 January to 30 June 2008, the Company made no outlays on R&D works.

<u>12.3. Investments in subsidiaries</u>

Investments of LPP S.A. in its subsidiaries include:

- shares in Polish and foreign subsidiaries including additional paid-in capital,
- loans granted.

LPP S.A. is the owner of 10 foreign subsidiaries building their retail sales networks abroad. The list of subsidiaries of LPP S.A. is presented in section 3 hereof. Some of these subsidiaries present profits in their separate statements, some record losses. In some cases equity is negative.
In line with the adopted accounting policy, as per section 37 of IAS 27 "Consolidated and separate financial statements", investments in subsidiaries of LPP S.A. are carried at cost in the separate financial statement. In line with section 9 of IAS 36 "Impairment of assets", assets are tested for

impairment as at each balance sheet date, including assets which are not measured as per IAS 39 (i.e. investments carried at cost).

The reduction of net profit of LPP S.A. for H1 2008, resulting from the total amount of write-downs of assets employed in foreign subsidiaries, taking into account its impact on the deferred part of income taxes, totals PLN 1,051 k, and was recognised in the following items in the P&L Account:

- financial expenses – PLN 3,284 k related to write-downs of shares and loans,
- financial revenues – PLN 1,225 k related to reversed write-downs of shares and loans,
- other operating revenues – PLN 986 k related to reversed write-downs of receivables from foreign subsidiaries.

Impairment write-downs of investments in foreign subsidiaries recognised in the separate financial statement have no impact on the consolidated financial statement, including the consolidated result.

The value of shares in foreign subsidiaries by cost (price of acquisition) and revaluation write-downs made as at 30 June 2008, as well as the comparative data, are presented in the tables below:

PLN '000

Name of the company	Total value of shares held		Amount of write-down	Carrying amount of shares as at 30 June 2008
	shares	additional paid-in capital		
LPP Retail Estonia OU	1 145		0	1 145
LPP Czech Republic sro	1 796		1 796	0
LPP Hungary KFT	466	6 766	7 232	0
LPP Retail Latvia Ltd	14		0	14
UAB “LPP”	12		0	12
LPP Ukraina AT	1 577		0	1 577
ZAO Re Trading	1 570		1 570	0
LPP Fashion Distruibuitor	198		198	0
Fashion Point	9 620		807	8 813
Es Style	1 482		312	1 170
TOTAL	17 880	6 766	11 915	12 731

PLN '000

Name of the company	Total value of shares held		Amount of write-down	Carrying amount of shares as at 31 December 2007
	shares	additional paid-in capital		
LPP Retail Estonia OU	1 145		0	1 145
LPP Czech Republic sro	1 796		1 796	0
LPP Hungary KFT	466	6 766	7 019	213
LPP Retail Latvia Ltd	14		0	14
UAB “LPP”	12		0	12
LPP Ukraina AT	1 577		89	1 488
ZAO Re Trading	1 570		1 570	0
LPP Fashion Distruibuitor	198		198	0
TOTAL	6 778	6 766	10 672	2 872

In addition to shares in foreign subsidiaries, LPP S.A. holds shares in its Polish subsidiaries. As at the balance sheet date, the value of these shares totalled PLN 718 k. Additional capital was also paid in relation to the establishment of a new subsidiary in Bulgaria, its value as at the balance sheet date is PLN 348 k.

The amount of foreign currency loans granted to foreign subsidiaries, measured at adjusted cost using the effective interest rate totalled PLN 32,594 k as at the balance sheet date (vs. PLN 30,659 k as at 31 December 2007).

This amount was adjusted by revaluation write-downs totalling PLN 10,805 k (of which PLN 395 k related to accrued interest) of loans granted to the following companies:

- LPP Czech Republic sro – PLN 3,507 k,
- LPP Fashion Distuibutor – PLN 798 k,
- LPP Hungary KFT – PLN 72 k,
- ZAO Re Trading – PLN 6,428 k.

PLN '000

LOANS REVALUATION WRITE-DOWN	30.06.2008	31.12.2007
Opening balance revaluation write-down of loans	9 988	6 100
Revaluation write-downs of loans – increase recognised in the reporting period as financial expenses in the P&L Account	1 646	8 326
Revaluation write-downs of loans – reduction recognised in the reporting period as financial revenues in the P&L Account	829	4 438
Closing balance revaluation write-down of loans	10 805	9 988

Loans granted to related parties were used to develop their business.

Name of the company	Loan maturity	Effective interest rate
LPP Fashion Distruibuitor	31.10.2009 (EUR)	5.2800%
LPP Czech Republic sro	31.12.2008 (EUR)	4.4974%
	31.12.2008 (EUR)	4.5163%
	31.12.2008 (EUR)	4.4459%
LPP Hungary KFT	31.12.2008 (EUR)	4.6182%
	31.12.2008 (EUR)	4.4780%
ZAO Re Trading	31.12.2008 (USD)	5.9414%
	30.06.2009 (USD)	6.1497%
	31.10.2009 (EUR)	5.1039 %
	31.12.2009 (EUR)	5.1029 %
	31.12.2009 (EUR)	5.1030 %

Each loan shall be repaid as defined in the relevant agreement, together with interest accrued for each day of loan utilisation. Interest on loans granted to ZAO Re Trading is an exception to this rule – it is paid on a quarterly basis. Maturity dates and effective interest rates for each loan granted to related parties are presented in the table above.
As at 30 June 2008, the total amount of loans granted to foreign subsidiaries presented in the financial statement of LPP S.A., without their revaluation write-downs, includes:

- the principal amount PLN 30,977 k,
- interest PLN 1,617 k.

Loans are presented in the separate Balance Sheet broken down into short- and long-term financial investments.

12.4. Financial instruments

As at the balance sheet date, in accordance with the classification of financial assets and financial liabilities specified in IAS 39, the Company disclosed the following items in its Balance Sheet:
- loans and receivables – PLN 205,950 k,
- financial liabilities carried at amortised cost: PLN 377,435 k.

In line with the above classification, all financial assets and financial liabilities are carried at amortised cost.
Trade receivables and payables are carried at the discounted value as at the balance sheet date, based on the amortised cost method and using the effective interest rate. Under the accounting policy adopted by the Company, as the difference in measurement is immaterial, trade receivables and payables with the maturity below 120 days are carried at amounts initially invoiced, including revaluation write-downs.
The standard term of payment for customers is 60 days.
Receivables and payables classified as "other" are carried at fair value as at the balance sheet date.

The Group has no financial assets used as a security of its liabilities or contingent liabilities. No security was established in respect of the Company.
As far as borrowings (credits) are concerned, no breach of the terms of payment or of terms and conditions of these agreements took place in the reporting period.

In the P&L Account under "Financial revenues", the Company presents the amount of interest of PLN 792 k, calculated using the effective interest rate, in reference to financial assets not carried at fair value through profit and loss.
Interest calculated using the effective interest rate method and referring to financial liabilities not carried at fair value through profit and loss is presented under "Financial expenses – interest" in the amount of PLN 4,181k.

Changes in impairment losses for each category of financial assets are presented in the following notes:
- loans granted – Note 12.3,
- receivables – Note 12.6.

The Company does not use hedge accounting.

Changes in loans granted and bank deposits in the reporting and comparative period are presented below.

PLN '000

CHANGE IN FINANCIAL INVESTMENTS	loans granted		bank fixed-term deposits	
	2008	2007	2008	2007
as at 1 January	22 970	26 735	4 918	3 979
increase	14 727	1 480	223 880	375 106
- loan granted	5 764	350		
- interest	758	800		
- revaluation	8 205	330		
- deposits established			223 880	375 106
reduction	13 338	9 733	226 434	376 124
- loans repaid	1 222	136		
- interest repaid	730	584		
- revaluation	11 386	9 013		
- deposits closed			226 434	376 124
as at 30 June	24 359	18 482	2 364	2 961

In addition to loans granted to subsidiaries (cf. Note 12.3), LPP S.A. also granted two loans to its Polish business partners:

1. PLN 93 k (as at 31 December 2007 – PLN 128 k). Under the agreement, interest (8% p.a.) and instalments of the principal amount are to be repaid in equal monthly instalments. The last instalment with interest is to be repaid on 31 July 2009.
2. PLN 1,578 k (as at 31 December 2007 – PLN 1,525 k). Under the loan agreement, interest (7% p.a.) and instalments of the principal amount shall be repaid at the same time by 30 September 2008.

In addition, loans in the total amount of PLN 899 k were granted to the Company's employees (as at 31 December 2007 – PLN 646 k). The period of these loan agreements does not exceed 3 years. The principal amount shall be repaid in monthly instalments, while interest (7% p.a.) shall be repaid with the last instalment of the principal amount.

According to the Company, the carrying amount of financial assets and liabilities is close to their fair value. The Company used the option provided for in IFRS 7.29 and did not disclose the fair values of its financial assets and liabilities.
As an active market does not exist, the Company did not estimate the fair value of loans granted, which (given the adoption of the fixed interest rate) may be different from the carrying amount calculated based on amortised cost.

12.5. Inventories

The total value of the Company's inventories includes mainly trading commodities. The detailed structure of inventories is presented in the table below.

PLN '000

INVENTORIES	30.06.2008	31.12.2007
- materials	1 775	2 140
- goods	268 320	249 670
- payments on account of deliveries	3 653	828
TOTAL	273 748	252 638

The carrying amount of inventories disclosed in the Balance Sheet was reduced by the amount of a write-down. Changes in the amount of this write-down in the reporting period and comparative period are presented in the table below.

PLN '000

REVALUATION WRITE-DOWN OF INVENTORIES	30.06.2008	31.12.2007
Opening balance revaluation write-down of inventories	2 254	1 574
Inventories revaluation write-downs – increase recognised in the reporting period under operating expenses in the P&L Account	1 156	1 027
Inventories revaluation write-downs – reduction recognised in the reporting period under operating revenues in the P&L Account	0	347
Closing balance revaluation write-down of inventories	3 410	2 254

Trading commodities are also used as collaterals to secure a bank credit taken out by the Company in Pekao S.A. The value of these commodities is PLN 3,700 k and is used as the collateral to secure a multi-purpose credit line.

As at 30 June 2006, the amount of inventories expensed in the reporting period totalled PLN 305,854 k.

12.6. Trade and other receivables

Detailed information on the structure of the Company's receivables is presented in the table below.

PLN '000

SHORT-TERM RECEIVABLES	30.06.2008	31.12.2007
a) from related parties	130 977	104 687
- trade receivables	129 586	104 687
- dividends	1 391	
b) from other entities	50 615	37 862
- trade payables	36 660	32 014
- taxes, subsidies, customs duties and social security, health insurance and other benefits	21	25
- other	13 934	5 823
TOTAL	181 592	142 549

As at the balance sheet date, trade receivables from foreign customers totalled:

- USD 62,729 k, equal to PLN 128,658 k
- EUR 4,326 k, equal to PLN 14,014 k.

The total amount of short-term receivables as at 30 June 2008 was adjusted by the revaluation write-down of PLN 4,509 k.
Changes in the amount of revaluation write-downs in the reporting period and the comparative period are presented in the table below:

PLN '000

REVALUATION WRITE-DOWN OF RECEIVABLES	30.06.2008	31.12.2007
Opening balance revaluation write-down of receivables	5 880	13 306
Revaluation write-downs of receivables – increase recognised in the reporting period	940	3 339
Revaluation write-downs of receivables – reduction recognised in the reporting period	2 311	10 765
Closing balance revaluation write-down of receivables	4 509	5 880

12.7 Cash

PLN '000

CASH	30.06.2008	31.12.2007
cash in hand and cash in banks	14 218	20 095
Other cash	2 364	4 918
TOTAL	16 582	25 013

Other cash includes short-term deposits. These deposits are established for a fixed term (from one day up to one month, depending on the Company's needs) and are measured as at the balance sheet date based on their respective interest rates.

The currency structure of cash is presented in the table below.

PLN '000

CASH – CURRENCY STRUCTURE	30.06.2008	31.12.2007
in the Polish currency	11 418	17 942
in foreign currencies (by currency and converted into PLN)	5 164	7 071
- USD	754	2 735
PLN '000	1 547	6 477

- RMB	311	34
PLN '000	92	11
- EUR	1 088	167
PLN '000	3 525	583
TOTAL	16 582	25 013

Unused borrowings held by LPP S.A. as at 30 June 2008 totalled PLN 143,066 k.
In the period from 1 January to 30 June 2006, the Company made non-cash settlements with its customers (in the form of set-off of payables and receivables) in the amount of PLN 850 k.

12.8 Equity

Share capital

Share capital of LPP S.A. as at 30 June 2008 totals PLN 3,412 k and is divided into 1,706,067 shares with the nominal value PLN 2.00 per share.
In the reporting period ended on 30 June 2008, increase of the Company's share capital by PLN 5,134 was registered the court. Share capital was increased in connection with an issue of series I shares (2,567 series I shares of nominal value PLN 2.00 per share). Series I shares were issued within target capital to implement an incentive and performance scheme.
Before the registration, the Company' share capital totalled PLN 3,407,000, including 1,703,500 shares carrying 3,103,500 votes at the AGM.

In the reporting period, the Issuer started to buy back shares of LPP S.A. in connection with the Management Board's plans to develop LPP S.A. Capital Group based on acquisitions of other entities, and treasury shares bought back by the Company shall be taken over by shareholders of other entities which will be merged with LPP S.A. through acquisitions.
From the date this decision was taken until 30 June 2008, the Company bought back 21,398 treasury shares, representing 1.25% of its share capital and carrying 21,398 of votes at the Company's AGM, i.e. 0.69% of the total vote. The total value of these shares is PLN 48,744 k.

The total number of shares broken down into subsequent share issues is presented in the table below.

Series / issue	Type of shares	Type of preference	Type of limitation of rights to shares	Number of shares	Value of the issue
A	bearer shares	common (ordinary)	none	100	200
B	registered shares	preference	none	350 000	700 000
C	bearer shares	common (ordinary)	none	400 000	800 000
D	bearer shares	common (ordinary)	none	350 000	700 000
E	bearer shares	common (ordinary)	none	56 700	113 400
F	bearer shares	common (ordinary)	none	56 700	113 400
G	bearer shares	common (ordinary)	none	300 000	600 000
H	bearer shares	common (ordinary)	none	190 000	380 000
I	bearer shares	common (ordinary)	none	2 567	5 134
TOTAL NUMBER OF SHARES				1 706 067	

All issued shares are paid up in full.
In the reporting period, LPP S.A. paid no dividend to its shareholders.
350,000 registered shares held by Marek Piechocki and Jerzy Lubianiec are preference shares in terms of their voting rights at the General Meeting of Shareholders. Each registered share carries 5 votes.

The ownership structure of share capital of LPP S.A. as at 30 June 2008 was as follows:

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	Nominal value of shares
Marek Piechocki	324 390	1 024 390	32.98%	19.01%	648 780
Jerzy Lubianec	226 338	926 338	29.82%	13.27%	452 676
Grangefont Limited, headquartered in London, UK	350 000	350 000	11.27%	20.52%	700 000
Other shareholders	805 339	805 339	25.93%	47.20%	1 610 678
TOTAL	1 706 067	3 106 067	100.00%	100.00%	3 412 134

Reserve capital
The Company's reserve capital presented under liabilities in the Balance Sheet as at 30 June 2006 was created from net profit carried forward from previous years, share issue premium, and as a result of measurement of share-based payments.

A portion of the Company's reserve capital created from its financial result was established on a statutory basis pursuant to Art. 396 of the Code of Commercial Companies and may be used in the future only to offset losses.

The structure of reserve capital is as follows:

PLN '000

TYPE OF RESERVE CAPITAL	30 June 2008	31 December 2007
created on a statutory basis based on the write-off from financial result	1 137	1 136
created as per the Articles of Association based on the write-off from financial result	319 557	201 247
created from share issue premium	71 202	71 202
created from share-based payments	6 992	1 050
TOTAL	398 888	274 635

<u>The Company's equity in the hyperinflationary period</u>

Conversion of the equity from the hyperinflationary period was based on the following data:

6. The Company was established on 18 December 1989 with the initial capital of PLN 200,00 (after currency denomination);
7. On 4 May 1995, the Company was taken over by Marek Piechocki and Jerzy Lubianiec;
8. The increase of share capital up to PLN 700 k was registered on 12 April 1995;
9. On 24 October 1995, a resolution was adopted to increase the Company's share capital up to PLN 1,500 k;
10. On 4 January 1996, a resolution was adopted to increase the Company's share capital to PLN 2,200 k.

in PLN '000

Years	Opening balance equity	Increase	Inflation	Days	Inflation rate	Equity after conversion
1990	0.2		585.8%	365	6.858	1.4
1991	1.4		70.3%	365	1.703	2.3
1992	2.3		43.0%	365	1.430	3.3
1993	3.3		35.3%	365	1.353	4.5
1994	4.5		32.2%	365	1.322	5.9
1995-01-01	5.9		27.8%	365	1.278	7.6
1995-04-12		700	27.8%	263	1.200	840
1995-10-24		800	27.8%	68	1.052	841
TOTAL 1995						1 689
1996-01-01	1 916[1)]		19.9%	365	1.199	2 298
1996-01-04		1 400[2)]	19.9%	362	1.197	1 676
TOTAL 1996						3 974

[1)] equity as at the end of 1995 + retained result for 1995
[2)] equity increase + share premium

As at 31 December 1996 (excluding profit for the fiscal year) the Company's equity amounted to PLN 3,127 k. The difference resulting from equity revaluation was PLN 847 k.

12.9 Grants

The Company did not use any Government grants in H1 2008.

12.10 Provisions

Provision for retirement benefits is estimated by the Company based on actuarial methods.
Provision for holiday leaves not taken is created for the future employee benefits payable by the Company to employees for their services rendered in the reporting period.

PLN '000

	Provision for pensions and other post-retirement benefits	Provision for unpaid salaries	Provision for services	Provision for holiday leaves not taken
As at 1 January 2008	563	6 993	624	229
- provision established	268	0	0	1 340
- provision reversed	0	6 993	624	224
As at 30 June 2008	831	0	0	1 345

12.11 Contingent liabilities

In H1 2008, Capital Group companies used bank guarantees to secure payment of rent for leased retail premises where brand stores are located.

As at 30 June 2008, the total value of bank guarantees granted at the request of and on the responsibility of LPP S.A. amounted to PLN 60,668 k, of which:

f) guarantees granted to secure agreements concluded by LPP S.A. – PLN 8,105k

g) guarantees granted to secure agreements concluded by consolidated related parties – PLN 34,259k
h) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 17,952k
i) guarantees granted to secure agreements concluded by third parties – PLN 123k
j) guarantees granted to secure agreements of lease of office and storage spaces concluded by LPP S.A. – PLN 229k.

As at 30 June 2008, the total amount of all sureties granted by the parent company was PLN 10,833k, up by PLN 1,993k vs. 31 December 2007.

According to the Management Board of LPP S.A., any outflow of funds disclosed under off-balance sheet/contingent liabilities is unlikely. The majority of these liabilities are related to guarantees securing the payment of rent by the Capital Group companies, and, to a smaller extent, securing the repayment of credits granted by banks to customers of LPP S.A. for the purchase of the Company's goods.

12.12. Future liabilities arising from retail lease agreements

LPP S.A. is party to lease agreements providing for the use of retail premises where Cropp, Reserved, and Esotiq brand stores are located.

The amount of rent charged to expenses of the reporting period is PLN 41,768 k. This amount includes both minimum rent and contingent rent depending on the sales volume. The amount of contingent rent is immaterial and was not presented separately.

Total future minimum payments under contracts of lease, estimated as at 30 June 2008, are as follows:
- payables with the maturity date within 12 months from the balance sheet date PLN 72,866k
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 186,915k
- payables with the maturity date over 5 years from the balance sheet date PLN 34,301k

Provisions of fixed-term lease agreements from which these payments arise are typical for this type of contracts. Apart from the minimum rent, these agreements usually provide for the additional contingent rent if a specified level of revenues in the store is generated. Contingent rent is calculated as a percentage of these revenues. In the reporting period, the amount of contingent rent was immaterial and represented only 6.9% of the total amount of rent. In addition, retail lease agreements contain adjustment clauses, linking the amount of rent to statistical price indices. Some agreements also contain clauses for a possible renewal of the contract for another period, at the option of the lessee. As these retail lease agreements refer to premises located mainly in large shopping malls, they do not provide for the purchase of premises.

12.13 Borrowings (credits)
As at 30 June 2008, the Company's payables related to bank credits were as follows:

Bank	Utilisation of credits as at 30 June 2008		Credit costs	Maturity date
	in PLN '000	foreign currency in '000		
PKO BP S.A.	52 183		WIBOR 1 m + bank's margin	23-09-2008
PKO BP S.A.	80 361		WIBOR 1 m + bank's margin	04-11-2017

Pekao S.A.	17 685	USD 1,218	LIBOR 1 m + bank's margin	31-07-2009
Fortis Bank Polska S.A.	48 782	USD 296	LIBOR 1 m + bank's margin	28-10-2008
Raiffeisen Bank Polska S.A	27 284		WIBOR 1 m + bank's margin	31-05-2010
Raiffeisen Bank Polska S.A.	11 000		WIBOR 1 m + bank's margin	31-05-2010
TOTAL	237 295			

Bank credits amounted to PLN 237,295 k, of which:
- long-term credits – PLN 91,361 k
- short-term credits – PLN 145,934 k.

Long-term credits in the amount of PLN 11,000k and 80,361k were taken out in Raiffeisen Bank Polska S.A. and PKO BP S.A., respectively. Credit incurred in PKO BP S.A. is an investment facility to be used to finance the construction of a distribution centre in Pruszcz Gdański.

As at 31 December 2007, the Group's payables related to bank credits were as follows:

Bank	Utilisation of credits as at 31 December 2007		Credit costs	Maturity date
	in PLN '000	foreign currency in '000		
PKO BP S.A.	33 079		WIBOR 1 m + bank's margin	23-06-2008
PKO BP S.A.	16 856		WIBOR 1 m + bank's margin	04-11-2017
Fortis Bank Polska SA	15 061		WIBOR 1 m + bank's margin	28-10-2008
Raiffeisen Bank Polska S.A.	11 000		WIBOR 1 m + bank's margin	29-05-2009
TOTAL	76 005			

Bank credits amounted to PLN 76,005 k, of which:
- long-term credits – PLN 27,865 k
- short-term credits – PLN 48,140 k.
-

Long-term credits in the amount of PLN 11,000k and 16,865k were taken out in Raiffeisen Bank Polska S.A. and PKO BP S.A., respectively. Credit incurred in PKO BP S.A. is an investment facility to be used to finance the construction of a distribution centre in Pruszcz Gdański.

Detailed data on bank credits is as follows:

Bank	Type of credit/line	Credit amount and currency		Security
		amount in '000	currency	
PKO BP S.A.	Multi-purpose multi currency credit line	100 000	PLN	2 blank promissory notes
PKO BP S.A.	Investment credit	100 000	PLN	mortgage and capped mortgage, assignment of receivables from an insurance policy, blank promissory note
Pekao S.A.	Multi-purpose multi currency credit line	100 000	PLN	transfer of ownership rights to goods – PLN 3,700 k, assignment of rights from the insurance policy, blank promissory note
Fortis Bank Polska S.A.	Credit limit – multi-currency	100 000	PLN	blank promissory note
Raiffeisen Bank Polska S.A.	Multi-purpose multi currency credit line	100 000	PLN	blank promissory note
TOTAL		500 000	PLN	

12.14 Trade and other payables

PLN '000

SHORT-TERM PAYABLES	30.06.2008	31.12.2007
a) in respect of subsidiaries	2 680	3 085
- trade payables	2 680	3 085
b) in respect of other entities	148 795	144 040
- trade receivables	137 460	131 593
- taxes, customs duties, insurance and other benefits	10 969	12 213
- other	366	234
TOTAL	151 475	147 125

Trade payables are settled within 3 months.
As at the balance sheet date, trade payables in respect of foreign suppliers totalled:

- USD 42,304 k, equal to PLN 93,110 k
- EUR 585 k, equal to PLN 2,034 k.

12.15 Prepaid expenses

Short-term prepaid expenses as at 30 June 2008 totalled PLN 2,704 k, of which:

PREPAID EXPENSES	30.06.2008	31.12.2007
Rent for the lease of retail premises to be settled within 12 months from the balance sheet date	1 003	863
Costs of customs guarantees and insurance	170	399
Costs of changing the status of farm land	173	

Cost of share acquisition	246	
Write-off to the Company Social Fund	233	
Supervision of software	337	579
Commissions on bank credits	76	164
Advertisement, energy consumption, royalties	120	130
Future business travel and training	154	221
Other	192	268
TOTAL	2 704	2 624

12.16 Revenues

PLN '000

REVENUES	01.01.08-30.06.08	01.01.07-30.06.07
1) net revenues from sales of services	7 155	5 991
2) net revenues from sales of goods and materials	613 919	476 269
TOTAL	621 074	482 260

Revenues from sales of services include:

- revenues from sale of know-how concerning the management of brand stores by Polish and foreign contractors,
- revenues from the lease of the Company's own transport vehicles.

PLN '000

OTHER OPERATING REVENUES	01.01.08-30.06.08	01.01.07-30.06.07
1. Profit from sale of non-financial fixed assets	67	38
2. Grants	0	21
3. Other operating revenues, of which:	3 528	3 386
- reversal of revaluation write-downs	1 760	2 134
TOTAL	3 595	3 445

PLN '000

FINANCIAL REVENUES	01.01.08-30.06.08	01.01.07-30.06.07
1. Interest, of which:	877	1 012
- related parties	677	737
2. Dividends	1 239	922
3. Revaluation of investments	1 224	366
2. Other	1	12
TOTAL	3 341	2 312

12.17 Expenses

PLN '000

EXPENSES BY TYPE	01.01.08-30.06.08	01.01.07-30.06.07
1) depreciation and amortisation	18 171	15 188
2) consumption of materials and energy	15 663	11 208
3) outsourced services	144 420	112 147
4) taxes and fees	1 078	717
5) salaries	28 298	18 459
6) social security and other benefits, of which:	6 208	3 975
- pension contribution	2 653	1 588
7) other expenses (by type)	24 350	16 306
TOTAL	238 188	178 000
Change in products	1 116	256
Selling costs and general administrative expenses recognised in profit or loss	239 304	178 256

PLN '000

OTHER OPERATING EXPENSES	01.01.08-30.06.08	01.01.07-30.06.07
1) Revaluation of non-financial assets, of which:	2 017	3 301
- revaluation write-downs of receivables from related parties	0	1 143
2) Other, of which:	4 806	3 101
- donations	1 409	935
- losses in current assets	2 115	1 600
- costs of maintenance, repairs, and lost PP&E	1 282	276
TOTAL	6 823	6 402

PLN '000

FINANCIAL EXPENSES	01.01.08-30.06.08	01.01.07-30.06.07
1) Interest	4 251	2 780
2) Revaluation of investments, of which:	3 284	8 216
- revaluation write-downs of shares	3 284	8 216
3) Other, of which:	16 950	2 705
- commissions on bank credits and guarantees	242	263
- balance of foreign exchange differences	16 708	2 442
TOTAL	24 485	13 701

12.18 Income tax

The main elements of taxation for H1 2008 and the comparative period are as follows:

in PLN '000

Profit and Loss Account	H1 2008	H1 2007
Current income tax	15 318	12 806
Deferred income tax	-3 992	-1 078
TOTAL	11 326	11 728

Reconciliation of income tax on financial result before tax at the statutory tax rate with income tax presented in the Profit and Loss Account for the period from 1 January to 30 June 2008 (and 2007) is presented in the table below.

PLN '000

CURRENT INCOME TAX	H1 2008	H1 2007
Gross profit/loss	60 783	53 577
Non-taxable non-temporary differences	1	9 070
Gross profit/loss before tax	60 784	62 647
Income tax at the statutory 19% rate	11 549	11 903
Tax reliefs	-223	-175
Income tax disclosed in the P&L Account	11 326	11 728

The amount of deferred income tax assets and provision recognised in the Balance Sheet results from the items and amounts presented in the table below.

PLN '000

DEFERRED INCOME TAX ASSETS	30.06.2008	31.12.2007
surplus of balance sheet depreciation of PP&E over tax-based depreciation	2 845	2 420
foreign exchange differences – payables	5 697	3 433
revaluation of trade receivables	489	399
measurement of loans granted	1 500	1 050

revaluation of PP&E	242	242
revaluation of investments	2 264	2 242
revaluation of inventory	648	428
salaries and overheads	613	607
other temporary differences	826	374
TOTAL	15 124	11 195

PLN '000

PROVISION FOR DEFERRED INCOME TAX	30.06.2008	31.12.2007
accelerated tax-based depreciation (capital cost allowance)	3 841	3 794
outstanding interest on loans granted	329	324
damages not received	121	232
other	36	40
TOTAL	4 327	4 390

Deferred income tax recognised in the P&L Account for the period January-June 2008 and 2007 resulted from the following items:

DEFERRED INCOME TAX ASSETS	30.06.2008	30.06.2007
surplus of balance sheet depreciation of PP&E over tax-based depreciation	425	463
foreign exchange differences – payables	2 264	308
revaluation of trade receivables	90	-12
measurement of loans granted	450	107
revaluation of PP&E	0	76
revaluation of investments	22	-124
revaluation of inventory	220	190
salaries and overheads	6	
other temporary differences	452	67
TOTAL	3 929	1 075

PLN '000

PROVISION FOR DEFERRED INCOME TAX	30.06.2008	30.06.2007
accelerated tax-based depreciation (capital cost allowance)	47	-16
outstanding interest on loans granted	5	39
damages not received	-111	64
other	-4	-90
TOTAL	-63	-3

12.19. Related-party transactions

The Company's related parties include:

- foreign and Polish companies controlled by LPP based on direct ownership of shares,
- members of key management personnel of LPP and their close family members,
- entities controlled by or significantly influenced by members of key management personnel of LPP and their close family members, as per IAS 24.

12.19.1. Key management personnel

The Company's key management personnel include members of the Management Board and Supervisory Board.

The amount of short-term employee benefits received by key management personnel for the period from 1 January to 30 June 2008 was PLN 946 k. Compensation of each member of key management personnel was as follows:

Marek Piechocki	- President of the Board	PLN 258k,
Alicja Milińska	- Vice President of the Board	PLN 172k,
Dariusz Pachla	- Vice President of the Board	PLN 172k,
Stanisław Dreliszak	- Vice President of the Board	PLN 172k,
Aleksander Moroz	- Vice President of the Board	172k

Chairman of the Supervisory Board – PLN 6 k (for services other than membership in the Supervisory Board).

Members of the Company's key management personnel are involved in the management of related parties, but receive no compensation or bonuses for these services.

In addition, under a resolution of the Supervisory Board, the Management Board members are entitled to additional remuneration depending on the amount of net profit generated by LPP S.A. Capital Group.

If net profit generated by LPP S.A. Capital Group exceeds the amount of net profit generated in the previous year by at least 10%, the Management Board members are entitled to additional remuneration in proportion to this net profit, but its maximum amount must not be more than 20 times higher than their monthly gross remuneration.

Under the incentive scheme based on shares issued within target capital, the Management Board members resigned from a cash bonus for 2007; instead, all Management Board members took over shares (Marek Piechocki – 405 shares, other Management Board members – 270 shares each).

12.19.2 Related party transactions

PLN '000

No.	RELATED PARTIES	payables as at 30.06.2008	receivables as at 30.06.2008	revenues in H1 2008	expenses in H1 2008
1.	Polish subsidiaries – total	2 680	1 604	49	30 756
2.	Foreign subsidiaries – total	0	129 373	95 722	0
TOTAL		2 680	130 977	95 771	30 756

PLN '000

No.	RELATED PARTIES	payables as at 31.12.2007	receivables as at 31.12.2007	revenues in H1 2007	expenses in H1 2007
1.	Polish subsidiaries – total	3 085	1 426	48	25 616
2.	Foreign subsidiaries – total	0	104 248	60 313	0
TOTAL		3 085	105 674	60 361	25 616

Amounts presented in the table show only intercompany transactions between LPP S.A. and its related parties, and are presented from the point of view of the parent company.
Data presented as payables of LPP S.A. are receivables in related parties, and expenses are equivalent to revenues of related parties.
All related-party transactions were concluded at arm's length.

Revenues from Polish companies are generated from the rental of offices where these companies run their businesses, and revenues from foreign companies are generated from the sale of goods and services.
Expenses related to Polish subsidiaries are connected with lease of premises for Cropp, Reserved, and Esotiq brand stores.
Payment terms adopted for subsidiaries are between 45 and 120 days.
In addition, LPP S.A. granted loans to foreign subsidiaries to finance the development of Cropp, Reserved, and Esotiq brand stores networks. Data on receivables arising from these loans are presented in section 12.3 “Investments in subsidiaries”.

12.20 Business segments

There is no need to break down the Company’s business into segments.
LPP S.A. is involved in one type of business activity only – i.e. one business segment.
Geographical criterion (location of assets within and outside of the European Union) adopted in the consolidated financial statement of LPP Capital Group does not apply to the Company – all assets of LPP S.A. are located in Poland.