

Supplementary Report on the Audit of the Consolidated Financial Statements for the Year 2009

Capital Group
LPP Spółka Akcyjna

Auditing - Taxation - Outsourcing - Consulting
Member of Grant Thornton International Ltd

The entity entitled to audit financial statements of no. 238. Board of Directors: Cecylia Pol - President, Tomasz Wróblewski - Vice President.

Registered office: 61-831 Poznań, pl. Wiosny Ludów 2 NIP: 778-01-62-560. REGON: 632474183. Bank Account: 18 1750 1019 0000 0000 0098 2229

Share capital PLN 497 400. Regional Court in Poznań - Nowe Miasto and Wilda in Poznań, VIII Commercial Division, KRS No. 0000006705.

1 Information on the Parent Company

The Parent Company in the Capital Group is LPP Spółka Akcyjna. The Parent Company was set up on 7 December 1989 for an indefinite period of time. The registered office of the Parent Company is in Gdańsk, ul. Łąkowa 39/44.

The main business activities of the Parent Company are as follows:

- wholesale of clothing and footwear,
- retail sale of clothing.

The business activity of the subsidiaries is related to the business of the Parent Company.

The Parent Company was registered in the register of entrepreneurs of Krajowy Rejestr Sądowy (National Court Register) kept by the Regional Court in Gdańsk – Północ in Gdańsk, VII Commercial Division of the National Court Register, entry no. KRS 0000000778.

Parent Company's NIP (tax identification number) is 5831014898 and REGON number is 190852164.

The share capital of the Parent Company as at year ended, that is 31 Dec 2009, amounted to PLN 3 500 000. The equity of the Capital Group at that date amounted to PLN 685 589 000.

In accordance with art. 13.11 of the notes to the consolidated financial statements at 31 Dec 2009 the ownership structure of the Parent Company's share capital was as follows:

Shareholder	Number of shares	Number of votes	Nominal Value of the Shares	Share in Stated Capital
Marek Piechocki	324 390	1 024 390	648 780	18.53%
Jerzy Lubianiec	226 338	926 338	452 676	12.93%
Grangefont Limited	350 000	350 000	700 000	20.00%
Other Shareholders	849 549	849 549	1 699 098	48.54%
Total	1 750 277	3 150 277	3 500 554	100%

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

According to the share register of the Parent Company as at 15 April 2010 for the period from 1 January 2009 to 31 December 2009 and after the balance sheet date until the date of this report, the following changes in the ownership of Parent Company occurred:

Shareholder	as for: 15 April 2010 amount	as for: 15 April 2010 %	as for: 31 Decemeber 2009 amount	as for: 31 December 2009 %	as for: 31 December 2008 amount	as for: 31 December 2008 %
Marek Piechocki	324 390	18.53%	324 390	18.53%	324 390	18.58%
Jerzy Lubianiec	226 338	12.93%	226 338	12.93%	226 338	12.96%
Grangefont Limited	350 000	20.00%	350 000	20.00%	350 000	20.05%
Other shareholders	849 549	48.54%	849 549	48.54%	845 339	48.41%
Total	1 750 277	100%	1 750 277	100%	1 746 067	100%

The composition of the Management Board as of 15 April 2010 was as follows:

- Marek Piechocki - President of the Management Board
- Dariusz Pachla – Vice-President of the Management Board
- Hubert Komorowski - Vice-President of the Management Board
- Piotr Dyka – Vice-President of the Management Board
- Jacek Kujawa - Vice-President of the Management Board

In the period between 1 January 2009 and 15 April 2010 the composition of Management Board of the Parent Company changed as follows:

- on 20 August 2009 Ms Alicja Milińska and Mr. Aleksander Moroz resigned from the function of Vice-Presidents of the Board,
- on 28 August 2009 the Supervisory Board appointed Mr. Hubert Komorowski and Mr. Piotr Dyka Vice-Presidents of the Board,
- on 16 November 2009 Mr. Stanisław Dreliszak resigned from the function of the Vice-President of the Management Board,
- on 25 November 2009 the Supervisory Board appointed Mr. Jacek Kujawa Vice-President.

2 Composition of the Capital Group

As at 31 December 2009 the Capital Group LPP Spółka Akcyjna consisted of the following direct and indirect subsidiaries and joint ventures:

Company name	Consolidation method	Type of opinion on the financial statements	Name of entity auditing the financial statements	Balance sheet date on the financial statements
LPP Retail Estonia OU	full consolidation	no reservations HLB	Expertus Audit	31 Dec 2009
LPP Czech Republic sro	full consolidation	no reservations BDO	Audit sro	31 Dec 2009
LPP Hungary Kft	full consolidation	no reservations but with an explanatory note	HLB Klient Plusz Kft	31 Dec 2009
LPP Retail Latvia Ltd	full consolidation	no reservations	Rodl & Partner	31 Dec 2009
UAB LPP	full consolidation	no reservations but with an explanatory note	UAB „Balanso Auditas”	31 Dec 2009
LPP Ukraina AT	full consolidation	no reservations	International Finance Alla Ejsmont	31 Dec 2009
ZAO Re Trading	full consolidation	no reservations	HLB Univers - Audit	31 Dec 2009
LPP Fashion Distributor srl	full consolidation	with reservation	Boscolo & Partners Audit srl	31 Dec 2009
ES Style	full consolidation	no reservations	HLB Univers- Audit	31 Dec 2009
Fashion Point	full consolidation	no reservations	HLB Univers - Audit	31 Dec 2009
LPP Retail Bulgaria Ltd	full consolidation	no reservations	Odit MD EOOD	31 Dec 2009
Artman Slovakia srl	full consolidation	no reservations	SKAU	31 Dec 2009
Artman Mode sro	full consolidation	no reservations	BDO Prima Audit s.r.o.	31 Dec 2009

Company name	Consolidation method	Type of opinion on financial statements	Name of entity auditing the financial statements	Balance sheet date on the financial statements
G&M Sp. z o.o.	excluded from consolidation	not audited	N/A	31 Dec 2009
M&G Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
AKME Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
TORA Sp. z o.o.	excluded from consolidation	not audited	N/A	31 Dec 2009
P&G Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
SL&DP Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
DP&SL Sp. z o. o.	excluded from consolidation	not audited	N/A	31 Dec 2009
IL&DL Sp. z o. o.	excluded from consolidation	not audited	N/A	31 Dec 2009
PL&GM Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
GM&PL Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
AMA Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
LIMA Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
LUMA Sp. z o.o.	excluded from consolidation	not audited	N/A	31 Dec 2009
KAMA Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
KUMA Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
AMUL Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
AMUK Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009
AMUR Sp. z o.o.	excluded from consolidation	not audited	N/A	31 Dec 2009
MM&MR Sp. z o.o. in liquidation	excluded from consolidation	not audited	N/A	31 Dec 2009

In comparison with the previous year, the number of consolidated companies decreased by 3 entities. This is due to the merger of the Company with Artman S.A., the merger of two subsidiaries in Lithuania and the liquidation of Artman Pilus company.

The financial statements of some of the companies mentioned above were excluded from consolidation due to the immateriality of their data for the accuracy and clarity of the consolidated financial statements. In note no. 3 of the introduction to the consolidated financial statements the entity stated the share of total assets and revenues of the subsidiaries excluded from consolidation in the respective data of the consolidated financial statements.

3 Consolidated Financial Statements for the Previous Year

The consolidated financial statements of the Capital Group for the accounting year ended on 31 December 2008 (the previous accounting year) was audited by Grant Thornton Frąckowiak Sp. z o.o., on behalf of which acted Jan Letkiewicz, the auditor no. 9530/7106. The opinion on the audited financial statements expressed by the auditor contains an explanatory note concerning the share of cumulative amount in the balance sheet total, revenue from sales, operational and financial income of the consolidated subsidiaries before the elimination of the non-consolidated items in the balance sheet total, other operational and financial income in the consolidated financial statements of the Capital Group without any elimination of non-consolidated items.

This consolidated financial statements of the Capital Group for the accounting year ended on 31

December 2008 was approved by the General Meeting of Shareholders of the Parent Company on 8 June 2009.

The consolidated financial statements of the Capital Group for the accounting year ended on 31 December 2008 (the previous accounting year) together with an independent auditor's report were submitted to the National Court Register (Krajowy Rejestr Sądowy) on 9 June 2009 by the resolution of the General Meeting of Shareholders on the approval of the consolidated financial statements and the Capital Group's report on operation.

Notes included in the part which is the equivalent to the introduction to the financial statements, the consolidated balance sheet as of 31 December 2008, the consolidated profit and loss account, the consolidated statements of changes in equity and the consolidated cash flow statements for the accounting year ended on 31 December 2008 (the previous accounting year) together with an auditor's report and the General Meeting of Shareholders' resolution on the approval of the consolidated financial statements were published in Monitor Polski B no. 1971.

4 Information on the Entity and the Auditor Authorised to Conduct Audits

Grant Thormon Frąckowiak Sp. z o.o. registered in Poznań, pl. Wiosny Ludów 2, is the entity authorised to conduct audits, entry no. 238 in the National Council of Statutory Auditors in Poland.

On behalf of Grant Thornton Frąckowiak Sp. z o.o. the audit of the consolidated financial statements was conducted by Jan Letkiewicz, the auditor no. 9530.

On 11 December 2007 the Supervisory Board elected HLB Frąckowiak i Wspólnicy Sp. z o.o. to conduct an audit of the consolidated financial statements of the Company for the accounting years ended on 31 December 2008 and 31 December 2009. On 21 August 2008 this entity changed its name to Grant Thornton Frąckowiak Sp. z o.o.. Our audit of the consolidated financial statements was performed on the basis of the agreement with the Management of the Company.

5 Scope and Date of the Audit

The aim of our audit was to express a written opinion and present a report in which we decide if the consolidated financial statements for the accounting year ended on 31 December 2009 present in all material respects fair and accurate view on the financial situation as well as the financial result of the Capital Group and was prepared in accordance with the accounting principles (policy) set forth in the International Reporting Standards, the International Auditing Standards and interpretations related to these Standards published in the form of Regulations of the European Commission. In the scope not regulated by these Standards, the consolidated financial statements were prepared in compliance with the Act on Accounting of 29 September 1994 (the consolidated text: Polish Journal of Laws of 2009 no. 152, item 1223 as amended) and its implementing provisions.

When auditing each item in the consolidated financial statements and the consolidation papers, we used tests and trials specific to financial revision. On the basis of these tests and trials we decided on the accuracy of the audited items.

Matters that have no impact on the audited consolidated financial statements were not the object of our audit.

The audit of the consolidated financial statements of the Capital Group for the accounting year ended on 31 December 2009 was conducted from 25 March 2010 to 15 April 2010.

6 Declaration of Independence

Grant Thornton Frąckowiak Sp. z o.o., members of the Management and the Supervisory Body, the network in which this entity authorised to audit financial statements is a partner, the certified

auditor in charge of the audit and other people involved in the audit satisfy the conditions necessary to express impartial and independent opinion on the audited financial statements of the Capital Group. These conditions were defined in art. 56 of the Act of 7 May 2009 on certified auditors, their self-government, entities authorised to audit financial statements and public supervision (Journal of Laws, no. 77, item 649).

7 Data Availability and Declarations Obtained

The Management of the Parent Company passed to us a written declaration on completeness, fairness and accuracy of the audited consolidated financial statements dated on 15 April 2010. This declaration contained the information that between the balance sheet date and the day of the audit completion no circumstances occurred that could significantly affect the financial position of the Capital Group and would require inclusion in the audited consolidated financial statements. The Management of the Parent Company confirmed its responsibility for approving the consolidated financial statements and stated that during the audit we were provided with the financial statements of all the subsidiaries covered by consolidation, consolidation papers, information and other documents required to conduct an audit. The Management of the Parent Company also stated that we were provided with all the explanations necessary to express an opinion on the audited consolidated financial statements.

8 Consolidated Balance Sheet

ASSETS (in PLN '000)	31 Decemeber 2009	31 December 2008	31 December 2007
FIXED ASSETS	739 993	766 704	288 043
Tangible fixed assets	442 117	469 077	258 334
Intangible assets	12 763	13 964	12 186
Goodwill	183 609	183 609	-
Trademark	77 508	77 508	-
Shares in Subsidiaries	719	719	719
Receivables and Loans	1 057	1 773	3 780
Deferred Income Tax Assets	22 045	19 857	13 020
Accrued Expenses	175	197	4
CURRENT ASSETS	621 610	659 504	409 112
Inventories	322 756	462 644	289 527
Receivables	93 426	100 895	60 809
Loans	541	446	2 109
Accrued Expenses	7 405	5 688	3 235
Cash and Cash Equivalents	197 482	89 831	53 432
TOTAL ASSETS:	1 361 603	1 426 208	697 155
LIABILITIES (in PLN '000)	31 Decemeber	31 December	31 December
EQUITY	685 589	565 235	405 662
PAYABLES	676 014	860 973	291 493
Long-term Liabilities	347 725	322 316	33 358
Short-term Liabilities	328 289	538 657	258 135
TOTAL LIABILITIES:	1 361 603	1 426 208	697 155

9 Consolidated Statements of Comprehensive Income

REVENUE AND EXPENSES (in PLN `000)	2009	2008	2007
Revenue from Sale	2 003 095	1 622 999	1 274 332
Costs of Operating Activity	1 807 766	1 388 654	1 088 839
Profit (Loss) from Sale	195 329	234 345	185 493
Other Operating Revenues	28 184	8 647	5 492
Other Operating Expenses	42 235	28 218	15 710
Operating Profit (Loss) from operational activity	181 278	214 774	175 275
Financial Revenues	2 976	18 376	1 532
Financial Costs	45 003	19 925	10 975
Profit (Loss) before Taxation	139 251	213 225	165 832
Tax Liabilities	34 530	45 718	31 083
Net Profit (Loss) from continuing operations	104 721	167 507	134 749
Net Profit (Loss) , of which:	104 721	167 507	134 749
- Parent Company Shareholders	104 721	167 474	134 749
- Minority Shareholders	-	33	-
Discontinued Operations	- 87	-	-
Net Profit (Loss)	104 634	167 507	134 749
Other Comprehensive Income	3 578	-2 790	-589
Comprehensive Income	108 212	164 717	134 160

10 General Information and Financial Ratios

Selected data and financial ratios characterising the financial situation of the Group for the years 2007, 2008 and 2009 are presented below. All ratios were calculated on the basis of the data included in the consolidated financial statements of the Capital Group for the years ended on 31 December 2009 and 31 December 2008.

Ratio	Computation Formula	Ratio Value		
		2009	2008	2007
Sales Revenue (in PLN `000)		2 003 095	1 622 999	1 247 332
Net Financial Result** (PLN `000)		104 634	167 507	134 749
Shareholders' Equity ** (PLN `000)		685 589	565 235	405 662
Total Assets (PLN `000)		1 361 603	1 426 208	697 155
Return on Assets (ROA) (%)	Net Financial Result / Total Assets at the end of the period	7.7%	11.7%	19.3%
Return on Equity (ROE) (%)	Net Financial Result / Equity at the beginning of the period	18.5%	41.3%	49.6%
Gross Profit on Sales (%)	Gross Profit on Sales / Sales Revenue	9.7%	14.4%	14.6%
Liquidity Ratio I	Current Assets / Short-term Liabilities	1.9	1.3	1.7
Liquidity Ratio Iii	Cash / Short-term Liabilities	0.6	0.2	0.2
Receivables Turnover Ratio (days)	Trade Receivables* x 365 Days / Revenues from Sales of Products and Goods	17	17	14
Debt Repayment Period (days)	Trade Payables x 365 days / Marketing Net Cost	71	105	102
Inventory Turnover Ratio (days)	Inventory x 365 days / Marketing Net Cost	125	261	203

Sustainability of Financing	(Equity + Long-term Liabilities) / Total Liabilities	75.9%	62.2%	63.0%
Debt ratio (%)	(Total Liabilities - Equity) / Total Liabilities	49.6%	60.4%	41.8%
Inflation Ratios				
Annual Average (%)		3.5	4.2	2.5
from December to December (%)		3.5	3.3	4.0

* before the adjustment by allowance for uncollectible accounts

** The equity includes the capital of Parent Company's shareholders and minority shareholders
the net financial result includes the result of Parent Company's shareholders and minority shareholders

11 Commentary on the Ratios

Presented ratios indicate the following trends:

In 2009 with comparison to 2008 the decrease in return on equity and return on assets was noted. This decrease was the result of the increase in balance sheet total and in equity and of the decrease in net profit.

Return on sales at 31 December 2009 amounted to 9.7% and in comparison with the previous year was lower by 4.7 p.p.

At 31 December 2009 the collection period was 17 days and it did not change in comparison with the previous year. Debt repayment period was 71 days. In 2009 the Group received payments faster than it settled the liabilities.

In 2009 Group's sustainability of financing ratio increased in comparison with the previous year by 13.7 p.p. and on the balance sheet date amounted to 75.9%. The debt ratio at the end of 2009 was lower than in the preceding year by 10.8 p.p.

12 Business Continuity

In point 6 of the introduction to the consolidated financial statements of the Capital Group for the year ended on 31 December 2009, the Management Board of the Parent Company announced that the financial statements of the Parent Company and its subsidiaries constituting the basis for the preparation of the consolidated financial statements were drawn up with the assumption that those companies would continue their business activity for the period not shorter than 12 months starting on 31 December 2009 and that there were no circumstances which could impede business activities of the Parent Company and its subsidiaries.

During our audit we did not notice any significant circumstances which could cause our belief that the Parent Company is not able to continue its business activity for at least 12 months from the balance sheet date, that is from 31 December 2009 as a result of deliberate or involuntary omissions or of significant restrictions of its activities.

13 Accounting Year

The financial statements of all the companies that are part of the Capital Group constituting the basis for the preparation of the consolidated financial statements were prepared on 31 December 2009 and include financial data for the audit period from 1 January 2009 to 31 December 2009.

14 Accounting Policy and Methods of Financial Data Presentation

In point 9 of the introduction to the consolidated financial statements for the year ended on 31 December 2009, the Management of the Parent Company presented the accounting principles (policy) and methods of Capital Group's financial data presentation. In the period for which this consolidated financial statements was prepared, no changes in the accounting principles (policy) or in the methods of Capital Group's financial data

presentation occurred.

15 Share of the Parent Company in the Net Fair Value of Assets, Liabilities and Contingent Liability of Companies Acquired over the Cost of their Acquisition

Goodwill on 31 December 2009 amounted to PLN 183 609 000. This figure is consistent with the consolidation papers.

The method of determining the excess share of the Parent Company in the net fair value of identifiable assets, liabilities and contingent liabilities of companies acquired over the cost of acquisition and the amount of such excess in the period from 1 January 2009 to 31 December 2009 are disclosed in point 13.3 of explanatory notes to the consolidated financial statements.

16 Equity

Shareholders' equity as shown in the consolidated balance sheet at 31 December 2009 is consistent with the consolidation papers. The financial data concerning the equity was presented in point 13.11 of explanatory notes to the consolidated financial statements.

17 Exclusions

Following exclusions for consolidated companies were made:

- Reciprocal Settlements (assets and liabilities),
- Internal Turnover (revenues and costs),
- Results unrealised by consolidated companies included in the value of their assets,
- Dividends

These exclusions are consistent with the consolidation papers.

18 Sale of Shares to the Subsidiary Company

In the accounting year ended on 31 December 2009, the Capital Group did not sell any shares of its subsidiary companies.

19 Completeness and Accuracy of the Consolidation Papers

As a result of our examination, we have decided that the consolidation papers is in all material respects complete and accurate and that it meets all the conditions relevant to the consolidation papers. In particular, this applies to exclusions which were the result of consolidation adjustments.

20 The Structure of Assets and Liabilities in the Consolidated Financial Statements

The structure of assets and liabilities of the Capital Group is presented in the consolidated financial statements for the year ended on 31 December 2009. All the data presented in the consolidated financial statements is consistent with the consolidation papers.

21 Items Affecting the Financial Result of the Capital Group

The description of items affecting the financial result of the Capital Group was presented in the audited consolidated financial statements for the year ended on 31 December 2009. All the data presented in the consolidated financial statements is consistent with the consolidation papers.

22 Derogations from the Consolidation Principles and from the Application of the Equity Method

In preparing the consolidated financial statements, the Management of the Parent Company adopted the following derogations from the consolidation principles:

Given the insignificant effect on the consolidated financial statements, the consolidation did not include 19 domestic subsidiaries listed in point 3 of the introduction to the explanatory notes of the consolidated financial statements for the year 2009.

23 Notes on the Adopted Accounting Principles and other explanatory notes

Notes on the adopted accounting principles and other explanatory notes to the consolidated financial statements for the accounting year ended on 31 December 2009 were prepared in all material respects in compliance with the accounting principles (policy) set forth in the International Accounting Standards, the International Financial Reporting Standards and in related interpretations published in the form of Regulations of the European Commission. In matters not covered by these Standards - in compliance with the Act on Accounting, its implementing provisions and requirements of the Regulations issued by the Ministry of Finance on 19 February 2009 concerning the current and interim information passed on by the issuers of securities and the conditions under which the information required by law of a Non-Member State is considered equivalent (Journal of Laws of 2009, no. 33, item 259 as amended).

24 Report on the Operations of the Capital Group

We have analysed the report on the operation of the Capital Group for the accounting year ended on 31 December 2009 prepared by the Management of the Parent Company. Information included in this report on operations, originally disclosed in the consolidated financial statements for the accounting year ended on 31 December 2009, is consistent with these statements. The report on operations of the Capital Group in all material respects is compliant with standards defined in art. 49, par. 2 of the Act on Accounting and in provisions of the Regulation issued by the Ministry of Finance on 19 February 2009 on current and interim information provided by issuers of securities and conditions under which the information required by law of a Non-member State is considered equivalent.

This report contains 12 pages.

Jan Letkiewicz

Certified Auditor no. 9530

Grant Thornton Frackowiak Sp. z o.o.,
Poznań, pl. Wiosny Ludów 2, entity authorised to audit financial statements, entered in the register of auditors certified to audit financial statements, entry no. 238

Poznań, 15 April 2010.