

LPP S.A. Capital Group
Interim condensed financial statement for Q3 FY 2008
Amounts in PLN thousands

LPP S.A. Group
Interim condensed financial statement for Q3 FY2008

Gdansk
November 2008

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

in PLN '000

Selected consolidated financial data	3 quarters 2008	3 quarters 2007	3 quarters 2008	3 quarters 2007
	01/01/2008- 30/09/2008	01/01/2007- 30/09/2007	01/01/2008- 30/09/2008	01/01/2007- 30/09/2007
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1 095 706	887 514	319 942	231 642
Operating profit (loss)	122 926	104 639	35 894	27 311
Gross profit (loss)	114 882	101 368	33 545	26 457
Net profit (loss)	93 580	82 787	26 980	21 608
Net cash flow from operations	48 356	92 545	14 120	24 154
Net cash flow from investments	-197 351	-45 808	-57 626	-11 956
Net cash flow from financial activity	144 967	-35 896	42 330	-9 369
Total net cash flow	-4 028	10 841	-1 176	2 830

Selected consolidated financial data	3 quarters 2008	3 quarters 2007	3 quarters 2008	3 quarters 2007
	01/01/2008- 30/09/2008	01/01/2007- 30/09/2007	01/01/2008- 30/09/2008	01/01/2007- 30/09/2007
	in PLN '000		in EUR '000	
Total assets	919 287	609 473	269 373	161 343
Long-term payables	106 567	16 455	31 267	4 356
Short-term payables	356 194	238 158	104 508	63 046
Equity	455 149	354 271	133 194	93 785
Share capital	3 412	3 407	1 001	902
Number of shares	1 699 124	1 703 500	1 699 124	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EUR)	55,1	48,6	14,3	12,1
Book value per share – BVPS (in PLN/EUR)	267,9	208,0	68,1	50,9

2. Consolidated Balance Sheet of LPP S.A. Capital Group

PLN '000

Balance Sheet	As of the end of::		
	Q3 2008 30/09/2008	Q3 2007 30/09/2007	Previous year 31/12/2007
Assets			
Long-term assets	424 884	236 178	288 043
1. Tangible fixed assets	388 383	208 099	258 334
2. Intangible assets	13 418	12 005	12 186
3. Investments	1 473	935	910
4. Receivables	4 154	3 449	3 589
5. Deferred income tax assets	17 271	11 686	13 020
6. Prepaid expenses	185	4	4
 Current assets (short-term)	 494 403	 373 295	 409 112
1. Inventories	349 786	263 869	289 527
2. Trade and other receivables	89 250	62 834	60 809
3. Prepaid expenses	3 800	3 071	3 235
4. Investments	2 163	2 131	2 109
5. Cash and cash equivalents	49 404	41 390	53 432
 Total Assets	 919 287	 609 473	 697 155

LIABILITIES & EQUITY

Equity	455 149	354 271	405 662
1. Share capital	3 412	3 407	3 407
2. Treasury shares	-48 745		
3. Reserve capital	399 002	274 748	274 748
4. Other reserves	104	104	104
5. Retained profit/accumulated loss carried fwd from previous years	9 348	-7 067	-7 067
6. Net profit/loss of the reporting period	93 580	82 787	134 749
7. Foreign exchange differences	-1 552	292	-279
Long-term payables	106 567	16 455	33 358
1. Borrowings (bank credits and loans)	100 322	11 000	27 865
2. Provisions	841	545	563
3. Deferred income tax provision	5 108	4 910	4 930
4. Other long-term payables	296	0	0
Short-term payables	356 194	238 158	256 287
1. Trade and other payables	151 198	131 512	166 692
2. Borrowings (bank credits and loans)	186 312	91 045	57 017
3. Income tax liability	16 205	13 236	23 443
4. Provisions	2 243	2 127	8 992
5. Special funds	236	238	143
Accruals and deferred income	1 377	589	1 848
TOTAL LIABILITIES & EQUITY	919 287	609 473	697 155
Book value	455 149	354 271	405 662
Number of shares	1 699 124	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	267,9	208,0	238,13

3. Consolidated Profit and Loss Account of LPP S.A. Capital Group

	PLN '000			
	YTD 2008	Q3. 2008	YTD 2007	Q3. 2007
	Current year		Previous year	
Profit and Loss Account	01/01/2008- 30/09/2008	01/07/2008- 30/09/2008	01/01/2007- 30/09/2007	01/07/2007- 30/09/2007
Revenue from sales	1 095 706	397 917	887 514	324 048
Selling costs	461 621	177 639	384 819	143 010
Gross profit/loss on sales	634 085	220 278	502 695	181 038
Other operating revenues	6 446	3 428	3 925	1 723
Costs of sales	441 537	149 069	347 034	124 815
General & administration expenses	63 598	19 774	44 673	15 935
Other operating expenses	12 470	4 091	10 274	3 271
Operating profit/loss	122 926	50 772	104 639	38 740
Financial revenues	1 907	394	1 788	561
Financial expenses	9 951	0	5 059	-764
Gross profit/loss	114 882	51 166	101 368	40 065
Income Tax	21 302	10 354	18 581	7 522
Net profit/loss	93 580	40 812	82 787	32 543
Weighted average number of ordinary shares	1 699 124	1 699 124	1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN)	55,1	24,0	48,6	19,1

Earnings per share (EPS) calculated as net profit for the reporting period divided by the weighted average number of shares for this period.

4. Consolidated Statement of Changes in Equity of LPP S.A. Capital Group

in PLN '000.

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 of January 1st, 2007	3 407		232 266	83	37 220	0	310	273 286
- corrections of errors from previous years					-1 784			-1 784
As of January 1st, 2007 (corrected)	3 407		232 266	83	35 436	0	310	271 502
Foreign exchange differences after conversion of related parties							-18	-18
Distribution of retained earnings from previous years			42 482	21	-42 503			0
Net profit for 3 quarters FY07						82 787		82 787
As of September 30th, 2007	3 407		274 748	104	-7 067	82 787	292	354 271
As of January 1st, 2008	3 407		274 748	104	127 682	0	-279	405 662
- corrections of errors from previous years					-22			-22
As of January 1st, 2008 (corrected)	3 407	0	274 748	104	127 660	0	-279	405 640
Foreign exchange differences after conversion of related parties							-1 273	-1 275
Buy-back of treasury shares		-48 745						-48 745
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
Net profit for 3 quarters FY08						93 580		93 580
As of September 30th, 2008	3 412	-48 745	399 002	104	9 348	93 580	-1 552	455 149

5. Consolidated Cash Flow Statement of LPP S.A. Capital Group

in PLN '000

Cash Flow Statement	YTD 2008	Q3. 2008	YTD 2007	Q3. 2007
	Current year		Previous year	
	01/01/2008- 30/09/2008	01/07/2008- 30/09/2008	01/01/2007- 30/09/2007	01/07/2007- 30/09/2007
A. Cash flow from operations – indirect method				
I. Gross profit (loss)	114 882	51 166	101 368	40 065
II. Total adjustments	-66 526	-44 139	-8 823	-4 483
1. Depreciation and amortisation	44 792	15 982	36 503	12 569
2. Foreign exchange (gains) losses	671	-1 800	-1 063	-1 722
3. Interest and profit sharing (dividends)	6 334	2 668	2 217	980
4. (Profit) loss from investments	451	1 232	669	165
5. Income tax paid	-31 588	-3 613	-8 874	-2 628
6. Change in provisions	-1 405	-350	979	506
7. Change in inventories	-62 118	-26 979	-33 933	-1 244
8. Change in receivables	-31 416	-19 432	-16 210	-14 162
9. Change in short-term payables, excluding credits and loans	11 126	-12 449	12 908	2 241
10. Change in prepaid expenses, accruals and deferred income	-1 238	-372	-1 206	-689
11. Other adjustments	-2 135	974	-813	-499
III. Net cash flow from operations	48 356	7 027	92 545	35 582
B. Cash flow from investments				
I. Inflows	3 161	1 512	2 223	1 097
1. Sale of intangible assets and tangible fixed assets	1 590	179	1 058	77
2. From financial assets, of which:	1 571	1 333	1 165	1 020
a) in related parties	1 239	1 239	922	922
- dividends and profit sharing	1 239	1 239	922	922
b) in other entities	332	94	243	98
- sale of financial assets				
- repayment of short-term loans granted	308	89	229	93
- interest	24	5	14	5
3. Other inflows from investments				

II. Outflows	200 512	48 787	48 031	21 378
1. Acquisition of intangible assets and tangible fixed assets	199 695	48 742	47 401	21 098
2. On financial assets, of which:	817	45	630	280
a) in related parties	0	-348	0	0
- acquisition of shares		-348		
b) in other entities	817	393	630	280
- short-term loans granted	28	0	499	228
- long-term loans granted	789	393	131	52
3. Other outflows on investments				
III. Net cash flow from investments	-197 351	-47 275	-45 808	-20 281
C. Cash flow from financial activities				
I. Inflows	202 163	44 094	0	0
1. Credits and loans	202 158	44 094	0	0
2. Net inflows – issue of shares	5	0	0	0
II. Outflows	57 196	4 144	35 896	7 799
1. Buy-back of treasury shares	48 745	1	0	0
2. Repayment of credits and loans	0	0	31 527	6 552
3. Payments related to finance lease agreements	11	1	29	8
4. Interest	8 440	4 142	4 340	1 239
5. Other financial outflows				
III. Net cash flow from financial activity	144 967	39 950	-35 896	-7 799
D. Total net cash flow	-4 028	-298	10 841	7 502
E. Total cash flow balance, of which:	-4 028	-298	10 841	7 502
- change in cash – foreign exchange differences	-1 115	655	-668	-354
F. Opening cash balance	53 432	49 702	30 549	33 888
G. Closing cash balance, of which:	49 404	49 404	41 390	41 390
- restricted cash	270	270	269	269

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

	in PLN 000			
Selected consolidated financial data	3 quarters 2008	3 quarters 2007	3 quarters 2008	3 quarters 2007
	01/01/2008- 30/09/2008	01/01/2007- 30/09/2007	01/01/2008- 30/09/2008	01/01/2007- 30/09/2007
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	983 031	767 102	287 041	200 215
Operating profit (loss)	130 571	101 846	38 126	26 582
Gross profit (loss)	114 588	90 009	33 459	23 492
Net profit (loss)	91 640	71 147	26 759	18 569
Net cash flow from operations	-1 548	66 746	-452	17 421
Net cash flow from investments	-163 190	-31 185	-47 651	-8 139
Net cash flow from financial activity	149 449	-38 299	43 639	-9 996
Total net cash flow	-15 289	-2 738	-4 464	-715

Selected consolidated financial data	3 quarters 2008	3 quarters 2007	3 quarters 2008	3 quarters 2007
	01/01/2008- 30/09/2008	01/01/2008- 30/09/2007	01/01/2007- 30/09/2008	01/01/2007- 30/09/2007
	in PLN '000		in EUR '000	
Total assets	886 559	575 465	260 118	152 340
Long-term payables	105 790	15 659	31 039	4 145
Short-term payables	334 613	210 046	98 176	55 605
Equity	445 196	349 189	130 621	92 439
Share capital	3 412	3 407	1 001	902
Number of shares	1 699 124	1 703 500	1 699 124	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EUR)	53,9	41,8	15,7	10,9
Book value per share – BVPS (in PLN/EURO)	262,0	205,0	76,9	54,3

7. Balance Sheet of LPP S.A

PLN '000

Balance Sheet	As of the end of::		
	Q3 2008 30/09/2008	Q3 2007 30/09/2008	Previous year 31/12/2007
Assets			
Long-term assets	340 702	180 072	228 569
1. Tangible fixed assets	280 847	137 101	183 413
2. Intangible assets	13 089	11 714	11 781
3. Investments	32 746	20 455	21 835
4. Receivables	358	308	341
5. Deferred income tax assets	13 477	10 490	11 195
6. Prepaid expenses	185	4	4
Current assets (short-term)	545 857	395 393	427 549
1. Inventories	288 794	229 039	252 638
2. Trade and other receivables	242 203	144 067	142 549
3. Prepaid expenses	2 675	2 585	2 624
4. Investments	2 461	4 293	4 725
5. Cash and cash equivalents	9 724	15 409	25 013
Total Assets	886 559	575 465	656 118

LIABILITIES & EQUITY

Equity	445 196	349 189	396 354
1. Share capital	3 412	3 407	3 407
2. Treasury shares	-48 745		
3. Reserve capital	398 889	274 635	274 635
4. Retained profit/accumulated loss carried fwd from previous years			
5. Net profit/loss of the reporting period	91 640	71 147	118 312
Long-term payables	105 790	15 659	32 818
1. Borrowings (bank credits and loans)	100 322	11 000	27 865
2. Provisions	841	545	563
3. Deferred income tax provision	4 627	4 114	4 390
Short-term payables	334 613	210 046	225 512
1. Trade and other payables	135 465	117 182	147 125
2. Borrowings (bank credits and loans)	181 715	78 299	48 140
3. Income tax liability	16 043	13 177	22 258
4. Provisions	1 154	1 150	7 846
5. Special funds	236	238	143
Accruals and deferred income	960	571	1 434
TOTAL LIABILITIES & EQUITY	886 559	575 465	656 118
Book value	445 196	349 189	396 354
Number of shares	1 699 124	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	262,0	205,0	232,7

8. Profit and Loss Account of LPP S.A.

	in PLN '000			
	YTD 2008	Q3. 2008	YTD 2007	Q3. 2007
Profit and Loss Account	Current year		Previous year	
	01/01/2008- 30/09/2008	01/07/2008- 30/09/2008	01/01/2007- 30/09/2007	01/07/2007- 30/09/2007
Revenue from sales	983 031	361 957	767 102	284 841
Selling costs	482 060	185 445	383 319	147 239
Gross profit/loss on sales	500 971	176 512	383 783	137 602
Other operating revenues	6 002	2 406	5 999	2 554
Costs of sales	312 506	102 545	247 233	89 521
General & administration expenses	44 652	15 308	32 076	11 532
Other operating expenses	19 244	12 421	8 627	2 224
Operating profit/loss	130 571	48 644	101 846	36 879
Financial revenues	7 113	5 161	6 214	3 902
Financial expenses	23 096	0	18 051	4 350
Gross profit/loss	114 588	53 805	90 009	36 431
Income Tax	22 948	11 622	18 862	7 134
Net profit/loss	91 640	42 183	71 147	29 297
Weighted average number of ordinary shares	1 699 124	1 699 124	1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN)	53,93	24,83	41,77	17,20

Earnings per share (EPS) calculated as net profit for the reporting period divided by the weighted average number of shares for this period.

9. Statement of Changes in Equity of LPP S.A.

	in PLN '000					
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
As of 1 January 2007	3 407		232 153	42 482		278 042
- corrections of errors from previous years						0
As of 1 January 2007 (corrected)	3 407		232 153	42 482	0	278 042
Distribution of retained earnings from previous years			42 482	-42 482		
Net profit for 3 quarters FY07					71 147	71 147
As of September 30th, 2007	3 407		274 635	0	71 147	349 189
As of January 1st, 2008	3 407		274 635	118 312		396 354
- corrections of errors from previous years						0
As of January 1st, 2008 (corrected)	3 407		274 635	118 312	0	396 354
Buy-back of treasury shares		-48 745				-48 745
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
Net profit for 3 quarters FY08					91 640	91 640
As of September 30th, 2008	3 412	-48 745	398 889	0	91 640	445 196

10. Cash Flow Statement of LPP S.A.

in PLN '000

Cash Flow Statement	YTD 2007	Q3. 2008	YTD 2007	Q3. 2007
	Current year		Previous year	
	01/01/2008- 30/09/2008	01/07/2008- 30/09/2008	01/01/2007- 30/09/2007	01/07/2007- 30/09/2007
A. Cash flow from operations – indirect method				
I. Gross profit (loss)	114 588	53 805	90 009	36 431
II. Total adjustments	-116 136	-69 520	-23 263	-10 943
1. Depreciation and amortisation	27 923	9 752	23 076	7 888
2. Foreign exchange (gains) losses	1 155	-1 487	776	239
3. Interest and profit sharing (dividends)	5 998	2 575	1 787	828
4. (Profit) loss from investments	10 850	9 742	6 093	-2 268
5. Income tax paid	-30 817	-3 213	-8 618	-2 455
6. Change in provisions	-1 405	-181	917	515
7. Change in inventories	-36 155	-15 045	-33 528	3 598
8. Change in receivables	-100 782	-61 919	-21 563	-15 231
9. Change in short-term payables, excluding credits and loans	6 869	-9 574	8 159	-3 749
10. Change in prepaid expenses, accruals and deferred income	-706	-170	-362	-308
11. Other adjustments	934	0	0	0
III. Net cash flow from operations	-1 548	-15 715	66 746	25 488
B. Cash flow from investments				
I. Inflows	6 813	3 861	3 086	1 399
1. Sale of intangible assets and tangible fixed assets	1 550	148	1 044	77
2. From financial assets, of which:	5 263	3 713	2 042	1 322
a) in related parties	4 936	3 622	1 801	1 225
- repayment of short-term loans	2 238	1 638	0	0
- interest and dividends	2 698	1 984	1 801	1 225
- repayment of long-term loans granted	0	0	0	0
b) in other entities	327	91	241	97
- interest	19	3	12	4
- repayment of short-term loans granted	308	88	229	93
3. Other inflows from investments	0	0	0	0

II. Outflows	170 003	36 086	34 271	16 046
1. Acquisition of intangible assets and tangible fixed assets	146 128	29 425	32 613	14 738
2. On financial assets, of which:	23 875	6 661	1 658	1 308
a) in related parties	23 058	6 268	1 028	1 028
- acquisition of shares and additional paid-in capital	14 988	3 538	1 028	1 028
- short-term loans granted	0	0	0	0
- long-term loans granted	8 070	2 730	0	0
b) in other entities	817	393	630	280
- long-term loans granted	789	393	131	52
- short-term loans granted	28	0	499	228
3. Other outflows on investments				
III. Net cash flow from investments	-163 190	-32 225	-31 185	-14 647
C. Cash flow from financial activities				
I. Inflows	206 553	45 368	0	0
1. Credits and loans	206 548	45 368	0	0
2. Net inflows – issue of shares	5	0	0	0
3. Other financial inflows	0	0	0	0
II. Outflows	57 104	4 286	38 299	10 247
1. Buy-back of treasury shares	48 745	1	0	0
2. Repayment of credits and loans	0	0	34 358	9 088
3. Interest	8 359	4 285	3 941	1 159
4. Other financial outflows	0	0	0	0
III. Net cash flow from financial activity	149 449	41 082	-38 299	-10 247
D. Total net cash flow	-15 289	-6 858	-2 738	594
E. Total cash flow balance, of which:	-15 289	-6 804	-2 738	594
- change in cash – foreign exchange differences	87	25	14	14
F. Opening cash balance	25 013	16 528	18 147	14 815
G. Closing cash balance, of which:	9 724	9 724	15 409	15 409
- restricted cash	270	270	269	269

Notes to consolidated condensed financial statement for Q3 2008

1. Description of LPP S.A. Capital Group

LPP Capital Group (CG) consists of:

- LPP S.A. – parent company,
- 19 domestic subsidiaries,
- 11 foreign subsidiaries.

There is no dominant company of LPP S.A.

The complete list of Capital Group companies is presented below.

No	Subsidiary's name	Registered office	Date of control take over
1.	G&M Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	M&G Sp. z o.o.	Gdansk, Poland	26.09.2001
3.	AKME Sp. z o.o.	Gdansk, Poland	26.09.2001
4.	TORA Sp. z o.o.	Gdansk, Poland	26.09.2001
5.	P&G Sp. z o.o.	Gdansk, Poland	26.09.2001
6.	SL&DP Sp. z o.o.	Gdansk, Poland	26.09.2001
7.	DP&SL Sp. z o.o.	Gdansk, Poland	26.09.2001
8.	IL&DL Sp. z o.o.	Gdansk, Poland	26.09.2001
9.	PL&GM Sp. z o.o.	Gdansk, Poland	26.09.2001
10.	GM&PL Sp. z o.o.	Gdansk, Poland	26.09.2001
11.	AMA Sp. z o.o.	Gdansk, Poland	28.05.2002
12.	LIMA Sp. z o.o.	Gdansk, Poland	22.07.2002
13.	LUMA Sp. z o.o.	Gdansk, Poland	05.11.2002
14.	KAMA Sp. z o.o.	Gdansk, Poland	29.10.2002
15.	KUMA Sp. z o.o.	Gdansk, Poland	05.11.2002
16.	AMUL Sp. z o.o.	Gdansk, Poland	29.10.2002
17.	AMUK Sp. z o.o.	Gdansk, Poland	15.05.2003
18.	AMUR Sp. z o.o.	Gdansk, Poland	09.05.2003
19.	MM&MR Sp. z o.o.	Gdansk, 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	Peremyshliany, Ukraine	23.07.2003
26.	RE Trading Zamknięta Spółka Akcyjna	Moscow, Russia	12.02.2004
27.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
28.	ES STYLE	Moscow, Russia	10.03.2008
29.	FASHION POINT	Moscow, Russia	01.04.2008
30.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008

LPP S.A. holds direct control over its subsidiaries, i.e. 100% shares of their share capital and 100% of the total voting rights.

Consolidated financial statement of the Capital Group for the period of January 1st, 2008 till September 30th, 2008 covers individual results of LPP S.A. and the results of its foreign subsidiaries, which are listed below:

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

Financial results of Polish subsidiaries of LPP S.A. were not consolidated in the condensed financial statements as their financials are immaterial. It stays in accordance with the Accounting Policy introduced by the Group.

Under this policy, a subsidiary's or affiliate's results are not disclosed nor consolidated to the Group results if they are immaterial in comparison to the financials of the parent company.

In particular, the term of immateriality states that the total assets or net revenue from sales or revenue from financial activities of the controlled entity represents less than 10% of the total assets or revenue respectively of the parent company for the reporting period. The total amount of assets and revenue of non-consolidated entities must not exceed this level, but established in relation to the corresponding figures of the consolidated financial statement, based on the assumption that the statement covers financials of all subsidiaries and affiliates with no exceptions (including non-consolidated ones).

The share of all non-consolidated Polish subsidiaries in the consolidated results is as follows:

- in the Capital Group's balance sheet total – 0.48%
- in the Capital Group's revenue from sales and from financial activities – 4.30%

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

LPP S.A. is a fashion and apparel designing and distributing company, with the presence within Poland and 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. Clothes are basically the main product being sold by the CG companies. The basic offer of clothes 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 Gdansk, and then provided to the purchasing department, which contracts the production of individual products in co-operation with production plants in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai.

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

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

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

Report of LPP Capital Group for Q3 FY08 contains condensed consolidated financial statement and selected notes to the financial statement contained in these Notes, as well as condensed individual financial statement of the parent company, as per IAS 34: Interim Financial Statements.

In all its material aspects, the accounting policy adopted in this report is in line with the policy underlying the consolidated annual financial statement of LPP Capital Group for FY07 drawn up as per the International Financial Reporting Standards (IFRS).

Condensed consolidated financial statement should be read together with the consolidated financial statement for the year ended on December 31st, 2007.

3. Main achievements of LPP S.A. Capital Group during the reporting period

Key achievements of LPP S.A. Capital Group in Q3 FY08 include:

1. Revenue from sales amounted PLN 398m in Q3 FY08, an increase of 23% as compared to revenue achieved in comparable period of FY07 (PLN 324m).
Year to date, revenue generated from January till September 2008 were PLN 1.096m increasing by 23% in comparison to the same period of FY07 (PLN 888m).
2. Operating profit recorded in Q3 FY08 was PLN 51m. In the corresponding period of FY07, the Group generated operating profit of PLN 39m. Net profit for Q3 FY08 amounted PLN 41m (vs. PLN 33m for three quarters of FY07).
3. Sales in Q3 FY08 totalled PLN 272.5m in Reserved stores and PLN 88.9m in CroppTown stores. Year to date, sales totalled PLN 763.9m in Reserved stores and PLN 234.5m in CroppTown stores (as compared to PLN 227.7m and PLN 71.1m in Q3 FY07, respectively).
4. New stores were opened in Q3 FY08 (approx. 7,000 square meters), increasing the total retail space to 163,500 sq.m. (346 stores), of which approx. 61,000 sq.m (123 stores) abroad.
5. Revenue from sales in comparable stores was up by 5.3% in Q3 FY08 (excluding influence of FX rate fluctuations of local currencies where LPP subsidiaries are present).

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

An increase in profit in Q3 FY08 was higher than revenue increase, as compared to 2007. It was mainly due to tighter cost controls introduced in sale expenses and overheads. These controls were successfully implemented to halt the negative trends, that occurred in Q2 FY08 - as fast growing expenses of Q2 FY08 outpaced revenue growth.

The growth in revenue in September was not satisfactory. In Management Board opinion, the main reason for that was economic slowdown and adverse weather.

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

Amounts in PLN '000					
Subsidiary	Country	Revenue for Q3 FY08	Percentage structure of revenue for Q3 FY08	Revenue for Jan-Sept FY08	Percentage structure of revenue for Jan-Sept FY08
LPP S.A.	Poland	294 251	73,95%	818 588	74,71%
LPP Retail Estonia OU	Estonia	8 161	2,05%	23 657	2,16%
LPP Retail Latvia Ltd	Latria	7 631	1,92%	21 262	1,94%
LPP Retail Czech Republic s.r.o.	Czech Rep.	19 569	4,92%	59 444	5,43%
LPP Hungary Kft.	Hangary	4 403	1,11%	13 010	1,19%
UAB "LPP"	Lithuania	10 319	2,59%	27 392	2,50%
LPP Ukraina AT	Ukraine	7 062	1,77%	18 667	1,70%
ZAO "Re Trading"*	Russia *	44 189	11,11%	109 342	9,98%
LPP Fashion Distributor SRL	Romania	2 328	0,59%	4 345	0,40%
LPP Retail Bulgaria Ltd.	Bulgaria	0	0,00%	0	0,00%
Total		397 913	100,00%	1 095 706	100,00%

*subtotal of revenue from three Russian subsidiaries: ZAO "Re Trading", Es Style Russia, Fashion Point Russia

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

Seasonality in sales of clothing is an inherent factor influencing the clothing market as a whole – both in Poland and abroad. The third quarter is the period of discount sales of the spring and summer collection taking place in July and August. Decrease in gross profit margin can be observed during these months.

6. Segment reporting – revenues and results per segments

The Capital Group is involved in one type of business only (one core business segment). Two geographical segments have been identified: (1) business in and (2) outside the European Union. The division into geographical segments was based on the criterion of location of the Group's assets.

Revenues and results per segments for 3 quarters of FY08 and for the previous corresponding period are presented in section 23.7.

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

In Q3 FY08 Company did not issue nor redeem any of its shares.

8. Paid or declared dividends, in total and per one share, split into ordinary and other shares

No dividend was paid (or declared) in LPP S.A. Capital Group for the reported period.

9. Date of approval of the financial statement for publication

This financial statement was approved for publication (authorised for issue) by the Management Board of the parent company on November 13th, 2008.

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

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

As per Investment Agreement (reported in a Note 36/2008 dated June 13th, 2008), LPP SA was purchasing shares of ARTMAN SA in September and October 2008, due to announced shares tender call. As an effect of the call - on October 30th, LPP SA became the owner of 99.554% share capital of ARTMAN SA and the owner of 99.696% of voting rights of this Company. The shares purchase program was funded with the bank loan (reported in a Note 50/2008 dated August 13th, 2008).

11. Effects of changes in the Capital Group's structure, including business mergers, takeovers or disposals of Capital Group companies, long-term investments, as well as division, restructuring and discontinuation of business operations

In Q3, 2008 LPP SA established a subsidiary in Bulgaria, a limited company named LPP Retail Bulgaria EOOD located in Sofia. LPP SA possesses 100% in share capital of the newly established subsidiary (reported in Note 51/2008 dated August 21st, 2008).

Apart from this, in Q3 FY08, there were no any other changes in the Capital Group's structure, including business mergers, takeovers nor disposals of Capital Group companies, long-term investments, nor division, restructuring nor discontinuation of business operations.

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

In Q3 FY08, LPP S.A. and its subsidiaries utilized bank guarantees to secure payment of rent for the leased retail premises where brand stores are located.

As of September 30th, 2008, the total value of bank guarantees granted at the request of and on the responsibility of LPP S.A. amounted to PLN 76,735k, of which:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 9,464k
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 47,217k
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 20,054k

As of September 30th, 2008, the total amount of all sureties issued by the parent company was PLN 10,876k, an increase of PLN 2,036k as compared to December 31st, 2007.

13. Estimated future liabilities arising from retail lease agreements

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

Total future minimum payments under lease agreements, estimated as of September 30th, 2008, are as follows:

- payables due in 12 months from the balance sheet date	PLN 147,705k
- payables due over 12 months to 5 years from the balance sheet date	PLN 375,727k
- payables due over 5 years from the balance sheet date	PLN 59,038k

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

No forecasts were published by the Company for FY 2008.

15. Shareholders holding at least 5% of voting rights at the General Meeting of Shareholders of LPP S.A. as of the date of submission of the quarterly report, directly or indirectly through subsidiaries, and changes in the structure of ownership of significant stakes of LPP S.A. shares after the date of submission of the previous quarterly report

Shareholding structure of the parent company as of the date of submission of the quarterly report for Q3 FY08:

Shareholder	Number of shares held	Number of voting rights at General Shareholders Meeting	Share in the total voting rights at General Shareholders Meeting	Percentage share of share capital
Marek Piechocki	324 390	1 024 390	32,98%	19,01%
Jerzy Lubianiec	226 338	926 338	29,82%	13,27%
Grangefont Limited	350 000	350 000	11,27%	20,52%

There were no any changes in the ownership of shares owned by major shareholders, from the date of publication of the latest financial report.

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

Shareholder	Number of shares held	Number of voting rights at the General Shareholders Meeting
President of the Management Board	324 390	1 024 390
Vice-President of the Management Board	5 954	5 954
Vice-President of the Management Board	2 225	2 225
Vice-President of the Management Board	2 664	2 664
Vice-President of the Management Board	2 341	2 341
Chairman of the Supervisory Board	226 338	926 338

There were no any changes in the ownership of shares owned by Management Board members nor Supervisory Board members, from the date of publication of the latest quarterly financial report.

17. Information on legal proceedings in progress

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

18. Related-party transactions in excess of EURO 500,000 concluded by the Issuer

In the reporting period, an intercompany loan amounting EUR 600,000 was raised from the parent company to its Romanian subsidiary – LPP Fashion Distribuitor SRL. The loan agreement was concluded on August 5th, 2008. The loan is to be paid back on October 31st, 2009.

19. Related-party transactions

19.1. Key management personnel

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

The amount of short-term employee benefits paid to the key management personnel in the period from January 1st, 2008 till September 30th, 2008 totalled PLN 1,462k, of which PLN 1,441k was paid to members of the Management Board, PLN 12k was paid to the members of the Supervisory Board

for the work as Board members, and PLN 9k was paid to a member of the Supervisory Board for services other than work in the Supervisory Board.

19.2. Related party transactions

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

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

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

		Amounts in PLN 000s		
Related parties	Receivables as of Sept. 30th, 2008	Payables as of Sept. 30th, 2008	Revenue for 3 quarters 2008	Expenses for 3 quarters 2008
1 Polish subsidiaries	0	2 439	74	46 915
Total	0	2 439	74	46 915

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

All related-party transactions were concluded at arm's length. Revenues from Polish companies are generated from 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.

20. Information on guarantees and sureties granted

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

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

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

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

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

1. Economic slowdown in Poland and in other countries, where Company's stores are located.
2. Fluctuations in foreign exchange rates – mostly PLN against EUR and USD.

3. The amounts of sales revenue in the peak month of December.
4. Further development of retail network of Reserved and Cropp brands stores.
5. Undertaken cost rationalization and optimization efforts

23. Notes to the condensed consolidated financial statement

23.1 Tangible fixed assets (Property, Plant & Equipment)

The amount of tangible fixed assets presented in the consolidated financial statement as of September 30th, 2008 includes a revaluation adjustment related to a write-off of PLN 1,273 k.

The amount of pre-payments on account of purchase of tangible fixed assets as of September 30th, 2008 was PLN 7,972k.

Changes in amounts related to tangible fixed assets for the period from January 1st, 2008 till September 30th, 2008 were as follows:

	Amounts in PLN 000
Tangible fixed assets as of January 1st, 2008	258 334
Increase	317 978
Decrease	-149 566
FX differencies	3 464
Depreciation	-41 827
Tangible fixed assets as of September 30 th , 2008	388 383

23.2 Inventories

The amount of inventories presented in the consolidated financial statement as of September 30th, 2008 includes a write-off of PLN 3,687k.

23.3 Receivables

The amount of receivables presented in the consolidated financial statement as of September 30th, 2008 includes an adjustment related to a write-off of PLN 4,685k.

The write-off includes:

- revaluation write-off of claims from business partners PLN 2,972k,
- revaluation write-off of doubtful receivables PLN 1,541k
- revaluation write-off of receivables from employees and other PLN 172k

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

- as of December 31st, 2007 PLN 5,106k
- write-offs made between Jan 1st, 2008 and Sept 30th, 2008 PLN 1,106k
- decrease of write-downs from previous years PLN 1,264k
- reduction of write-downs in the period of Jan-Sept 2008 PLN 263k
- as of September 30th, 2008 PLN 4,685k

23.4 Provisions

The amount of provisions presented in the consolidated financial statement as of September 30th, 2008, posting PLN 8,192k and includes:

- provision for retirement severance payments:	PLN 841k
- provision for unused holiday:	PLN 2,243k
- provision for deferred income tax:	PLN 5,108k.

23.5 Income tax

Income tax presented in the consolidated profit and loss account for the period of January 1st, 2008 till September 30th, 2008 amounting PLN 21,302k, includes:

- current tax	PLN 25,425k
- deferred tax	PLN (4,123k)

23.6 Foreign exchange rates differences

The consolidated Profit and Loss Account as of September 30th, 2008 presents an excess of losses on FX differences over gains on FX differences amounting PLN (71)k.

23.7 Segment reporting

Revenue and financial results of geographical segments for the period of January 1st, 2008 till September 30th, 2008 as well as for the comparative period, are presented in the following tables.

FY2008	Amounts in PLN 000.				
Item	EU countries	Non-EU countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales revenue	968 785	126 921			1 095 706
Inter-segment sales revenue	66 961		-66 961		-
Other operating revenue	6 054	203		190	6 447
Total revenue	1 041 800	127 124	-66 961	190	1 102 153
Total operating expenses,	848 515	106 880	-52 237		903 158
of which:					
Cost of inter-segment sales	50 065		-50 065		-
Other operating expenses	11 860	611		63 598	76 069
Segment result	181 425	19 633	-14 724	-63 408	122 926
Financial income				1 907	1 907
Financial expenses				9 951	9 951
Profit before tax					114 882
Tax					21 302
Net profit					93 580

FY2007		Amounts in PLN 000.			
Item	EU countries	Non-EU countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales revenue	797 464	90 050			887 514
Inter-segment sales revenue	40 036		-40 036		-
Other operating revenue	3 521	37		367	3 925
Total revenue	841 021	90 087	-40 036	367	891 439
Total operating expenses,	686 452	85 145	-39 744		731 853
of which:					
Cost of inter-segment sales	29 552		-29 552		-
Other operating expenses	9 464	810		44 673	54 947
Segment result	145 105	4 132	-292	-44 306	104 639
Financial income				1 788	1 788
Financial expenses				5 059	5 059
Profit before tax					101 368
Tax					18 581
Net profit					82 787

24. Additional information to the individual financial statements of LPP S.A.

A revaluation of Company's investment assets in foreign subsidiaries for the period of January - September 2008 was conducted and resulting changes had been applied to the parent company statements in following items of balance sheet: investments in subsidiaries, additional paid-in capital, loans and receivables. It also impacted the parent company's Profit & Loss account and were recognized under financial income and expenses. As a result of the valuation, parent company's assets decreased by PLN 18,556 k.

This change was recognized under relevant items of the individual financial statements of the parent company of LPP S.A. and has no impact on amounts presented in the consolidated statement.