

LPP S.A. Group
Interim Condensed financial Statements for Q1 2010
The statements have been created in PLN '000

LPP S.A. GROUP

Interim Condensed Financial Statements for Q1 2010

Gdańsk

May 2010

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

Selected consolidated financial data	(in PLN '000)			
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
	01 Jan 2010- 31 Mar 2010 in PLN '000	01 Jan 2010- 31 Mar 2010 in PLN '000	01 Jan 2009- 31 Mar 2009 in EUR '000	01 Jan 2009- 31 Mar 2009 in EUR '000
Net revenues from sales of products, goods and materials	424,515	463,100	107,014	100,687
Operating profit (loss)	8,466	-2,747	2,134	-597
Gross profit (loss)	-877	-3,911	-221	-850
Net profit (loss)	-4,784	-7,779	-1,206	-1,691
Net cash flow from operations	-9,016	-94,411	-2,273	-20,527
Net cash flow from investments	-101,951	-17,289	-25,700	-3,759
Net cash flow from financing activity	-9,806	69,053	-2,472	15,013
Total net cash flow	-120,773	-42,647	-30,445	-9,272

Selected consolidated financial data	(in PLN '000)			
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
	01 Jan 2010- 31 Mar 2010 in PLN '000	01 Jan 2010- 31 Mar 2010 in PLN '000	01 Jan 2009- 31 Mar 2009 in EUR '000	01 Jan 2009- 31 Mar 2009 in EUR '000
Total assets	1,336,006	1,418,856	345,918	301,801
Long-term payables	343,697	327,247	88,990	69,608
Short-term payables	310,635	538,321	80,430	114,505
Equity	681,674	553,288	176,449	117,668
Share capital	3,501	3,492	906	743
Weighted average number of ordinary shares	1,728,879	1,724,669	1,728,879	1,724,669
Earnings (loss) per ordinary share (EPS) (in PLN/ EUR)	-2.8	-4.5	-0.7	-1.1
Book value per share (BVPS) (in PLN/EUR)	394.3	320.8	100.2	78.6

2. Consolidated statement of financial position of LPP S.A. Capital Group

Statement of financial position	(in PLN '000)		
	Q1 2010 31 Mar 2010	as at the end of: Q1 2009 31 Mar 2009	previous year 31 Dec 2009
ASSETS			
Non-current assets (long-term)	748,582	778,557	739,993
1. Tangible fixed assets	440,317	476,391	442,117
2. Intangible assets	11,820	12,980	12,763
3. Goodwill	183,609	183,609	183,609
4. Trademark	77,508	77,508	77,508
5. Shares in subsidiaries	719	719	719
6. Other financial assets	16,000	0	0
7. Receivables and borrowings	1,007	1,770	1,057
8. Assets arising from deferred tax	17,509	25,374	22,045
9. Accruals and deferred income	93	206	175
Current assets (short-term)	587,424	640,229	621,610
1. Inventories	334,327	492,055	322,756
2. Receivables	92,549	95,117	93,426
3. Income tax receivable	6,058	0	0
4. Borrowings	518	376	541
5. Other financial assets	70,662	0	0
6. Accruals and deferred income	6,601	5,567	7,405
7. Cash and cash equivalents	76,709	47,184	197,482
TOTAL ASSETS	1,336,006	1,418,856	1,361,603

LIABILITIES			
Equity	681,674	553,288	684,589
1. Share capital	3,501	3,492	3,501
2. Treasury shares	-48,750	-48,746	-48,749
3. Share premium	108,123	108,123	108,123
4. Other capital	512,189	326,995	512,189
5. Foreign exchange differences – units conversion	1,342	-5,547	509
6. Retained earnings	105,269	168,971	110,016
- profit (loss) carried forward from previous years	110,053	176,750	5,382
- current net profit (loss)	-4,784	-7,779	104,634
Long-term payables	343,697	327,247	347,725
1. Borrowings (bank credits and loans)	224,222	306,313	227,270
2. Issue of debt securities	115,514	0	115,514,
3. Other financial payables	139	451	215
4. Provisions for employee benefits	1,049	881	1,031
5. Deferred tax provision	2,773	19,549	3,695
6. Other long-term payables	0	53	0
Short-term payables	310,635,	538,321	328,289
1. Trade and other payables	222,859	202,001	225,329
2. Income tax payable	0	2,850	14,314
3. Borrowings (bank credits and loans)	76,852	325,742	76,472
4. Issue of debt securities	4,451	0	5,465
5. Other financial payables	265	343	367
6. Provisions	3,264	5,212	2,863
7. Special funds	538	138	463
8. Accruals and deferred income	2,406	2,035	3,016
TOTAL LIABILITIES	1,336,006	1,418,856	1,361,603
Book value	681,674	553,288	685,589
Weighted average number of ordinary shares	1,728,879	1,724,669	1,726,514
Book value per share (BVPS) in PLN	394.3	320.81	397.09

3. Consolidated statement of comprehensive income of LPP S.A. Capital Group

	(in PLN '000)	
	Q1 2010	Q1 2009
Statement of comprehensive income	01 Jan 2010- 31 Mar 2010	01 Jan 2009- 31 Mar 2009
Continued operations		
Revenues from sales	424,515	463,100
Cost of sales	201,826	244,467
Gross profit/ loss on sales	222,689	218,633
Other operating revenues	5,501	6,513
Selling expenses	190,523	194,169
Overhead costs	22,512	24,300
Other operating expenses	6,689	9,424
Operating profit/ loss	8,466	-2,747
Financial revenues	2,076	4,489
Financial costs	11,419	5,653
Gross profit/ loss	-877	-3,911
Taxation	3,907	3,868
Net profit/ loss	-4,784	-7,779
Other comprehensive income		
Foreign exchange differences – units conversion	833	-2,478
Total comprehensive income	-3,951	-10,257
Weighted average number of ordinary shares	1,728,879	1,724,669
Earnings (loss) per ordinary share (EPS) in PLN	-2.8	-4.5

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.

4. Consolidated statement of changes in equity of LPP S.A. Capital Group

Statement of changes in equity.	(in PLN '000)								
	Share capital	Treasury shares	Share premium reserve	Other capital	Foreign exchange differences – units conversion	Profit (loss) from previous years	Current period profit/loss	Minority interest	EQUITY TOTAL
As at 1 January 2009	3,492	-48,746	108,123	328,261	-3,069	176,860	0	314	565,235
- corrections of errors from previous years						-110			-110
As at 1 January 2009 (corrected)	3,492	-48,746	108,123	328,261	-3,069	176,750	0	314	565,125
Goodwill revaluation				-1,266					-1,266
Measurement of minority interest as at the balance sheet date								-314	-314
Transactions with owners	0	0	0	-1,266	0	0	0	-314	-1,580
Net loss for Q1 2009							-7,779		-7,779
Foreign exchange differences – units conversion					-2,478				-2,478
As at 31 March 2009	3,492	-48,746	108,123	326,995	-5,547	176,750	-7,779	0	553,288
As at 1 January 2010	3,501	-48,749	108,123	512,189	509	110,016	0	0	685,589
- corrections of errors from previous years						37			37
As at 1 January 2010 (corrected)	3,501	-48,749	108,123	512,189	509	110,053	0	0	685,626
Buy-back of treasury shares		-1							-1
Transactions with owners	0	-1	0	0	0	0	0	0	-1
Net loss for Q1 2010							-4,784		-4,784
Foreign exchange differences – units conversion					833				833
As at 31 March 2010	3,501	-48,750	108,123	512,189	1,342	110,053	-4,784	0	681,674

5. Consolidated cash flow statement of LPP S.A. Capital Group

Cash flow statement	(in PLN '000)	
	Q1 2010 01 Jan 2010- 31 Mar 2010	Q1 2009 01 Jan 2009- 31 Mar 2009
A. Operating cash flows – indirect method		
I. Gross profit (loss)	-877	-3,911
II. Total adjustments	-8,139	-90,500
1. Depreciation and amortization	23,078	24,073
2. Foreign exchange (gains) losses	2,570	-1,766
3. Interest and profit sharing (dividend)	5,060	3,209
4. (profit) loss from investing activity	224	120
5. Income tax paid	-20,596	-32,085
6. Change in provisions	462	-2,446
7. Change in inventories	-12,946	-17,502
8. Change in receivables	-8,718	660
9. Change in short-term payables, excluding credits and loans	2,282	-70,618
10. Change in prepaid expenses, accruals and deferred income	-57	-1,522
11. Other adjustments	502	7,377
III. Net cash flows from operations	-9,016	-94,411
B. Investment cash flows		
I. Inflows	5,105	1,132
1. Sale of intangible assets and tangible fixed assets	4,734	1,022
2. From financial assets, of which:	371	110
a) in related parties	308	0
- dividend and profit sharing	308	
b) in other parties	63	110
- sale of financial assets		
- repayment of short-term loans granted	59	99
- interest	4	11
3. Other inflows from investing activities		

II. Outflows	107,056	18,421
1. Acquisition of intangible assets and tangible fixed assets	21,038	16,841
2. On financial assets, of which:	16,018	0
a) in related parties	0	0
- acquisition of shares		
- short-term loans granted		
- long-term loans granted		
b) in other parties	16,018	0
- acquisition of financial assets	16,000	
- short-term loans granted	2	0
- long-term loans granted	16	0
3. Other outflows on investing activities	70,000	1,580
III. Net cash flow from investing activities	-101,951	-17,289
C. Cash flows from investing activities		
I. Inflows	860	77,331
1. Inflows from the issue of shares		0
2. Credits and loans	860	77,331
3. Other financial inflows		
II. Outflows	10,666	8,278
1. Buy-back of treasury shares	1	
2. Repayment of credits and loans	2,881	
3. Payments related to credit lease agreements	97	
4. Interest	7,687	7,691
5. Other financial outflows		587
III. Net cash flow from financing activities	-9,806	69,053
D. Total net cash flow	-120,773	-42,647
E. Change in cash, of which:	-120,773	-42,647
- change in cash due to foreign exchange differences	403	-104
F. Cash at the beginning of the period	197,482	89,831
G. Cash at the end of the period, of which:	76,709	47,184
- restricted cash	436	55

6. Selected financial data – standalone statements of LPP S.A.

Selected consolidated financial data	(in PLN '000)			
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
	01 Jan 2010- 31 Mar 2010 in PLN '000	01 Jan 2010- 31 Mar 2010	01 Jan 2009- 31 Mar 2009 in EUR '000	01 Jan 2009- 31 Mar 2009
Net revenues from sales of products, goods and materials	393,493	362,721	99,308	78,863
Operating profit (loss)	17,198	-9,662	4,335	-2,101
Gross profit (loss)	5,668	18,084	1,429	3,932
Net profit (loss)	4,214	15,085	1,062	3,280
Net cash flow from operations	-3,565	-60,159	-899	-13,080
Net cash flow from investments	-94,652	-9,244	-23,860	-2,010
Net cash flow from financing activity	-10,129	47,121	-2,553	10,245
Total net cash flow	-108,346	-22,282	-27,313	-4,845

Selected consolidated financial data	(in PLN '000)			
	Q1 2010	Q1 2009	Q1 2010	Q1 2009
	01 Jan 2010- 31 Mar 2010 in PLN '000	01 Jan 2010- 31 Mar 2010	01 Jan 2009- 31 Mar 2009 in EUR '000	01 Jan 2009- 31 Mar 2009
Total assets	1,326,637	1,341,667	343,493	285,384
Long-term payables	342,642	322,365	88,717	68,569
Short-term payables	287,212	449,014	74,365	95,508
Equity	696,783	570,298	180,411	121,306
Share capital	3,500	3,492	906	743
Weighted average number of ordinary shares	1,728,879	1,724,669	1,728,879	1,724,669
Earnings (loss) per ordinary share (EPS) (in PLN/ EUR)	2.4	8.7	0.6	1.9
Book value per share (BVPS) (in PLN/EUR)	403.0	330.7	104.4	70.3

7. Statement of financial position of LPP S.A.

Statement of financial position	(in PLN '000)		
	Q1 2010 31 Mar 2010	as at the end of: Q1 2009 31 Mar 2009	previous year 31 Dec 2009
ASSETS			
Non-current assets (long-term)	658,119	683,961	646,472
1. Tangible fixed assets	325,590	281,499	327,318
2. Intangible assets	11,434	12,182	12,312
3. Goodwill	179,618	0	179,618
4. Trademark	77,508	0	77,508
5. Shares in subsidiaries	19,093	367,389	19,311
6. Other financial assets	16,000		
7. Receivables and borrowings	5,605	425	5,206
8. Assets arising from deferred tax	23,178	22,260	25,024
9. Accruals and deferred income	93	206	175
Current assets (short-term)	668,518	657,716	695,294
1. Inventories	270,850	337,880	266,998
2. Receivables	258,778	295,878	255,025
3. Income tax receivable	6,071	1,375	
4. Borrowings	4,479	10,351	7,119
5. Other financial assets	70,662		
6. Accruals and deferred income	4,032	2,864	4,160
7. Cash and cash equivalents	53,646	9,368	161,992
TOTAL ASSETS	1,326,637	1,341,677	1,341,766

LIABILITIES			
Equity	696,783	570,298	692,521
1. Share capital	3,500	3,492	3,500
2. Treasury shares	-48,750	-48,746	-48,749
3. Share premium	108,123	108,123	108,123
4. Other capital	511,531	327,686	511,531
5. Retained earnings	122,379	179,743	118,116
- profit (loss) from previous years	118,165	164,658	-2,698
- current net profit (loss)	4,214	15,085	121,814
Long-term payables	342,642	322,365	346,823
1. Borrowings (bank credits and loans)	223,368	304,522	226,731
2. Issue of debt securities	115,514	0	115,514
3. Other financial payables	13	0	66
4. Provisions for employee benefits	1,047	852	1,025
5. Deferred tax provision	2,700	16,991	3,487
Short-term payables	287,212	449,014	302,422
1. Trade and other payables	206,463	163,483	206,610
2. Income tax payable		0	14,207
3. Borrowings (bank credits and loans)	72,139	282,672	71,644
4. Issue of debt securities	4,451	0	5,465
5. Other financial payables	221	0	252
6. Provisions	1,758	1,452	1,362
7. Special funds	538	137	463
8. Accruals and deferred income	1,642	1,270	2,419
TOTAL LIABILITIES	1,326,637	1,341,677	1,341,766
Book value	696,738	570,298	692,521
Weighted average number of ordinary shares	1,728,879	1,724,669	1,726,514
Book value per share (BVPS) in PLN	403.03	330.67	401.11

8. Statement of comprehensive income of LPP S.A.

	(in PLN '000)	
	Q1 2010	Q1 2009
	01 Jan 2010- 31 Mar 2010	01 Jan 2009- 31 Mar 2009
Statement of comprehensive income		
Revenues from sales	393,943	362,721
Cost of sales	208,760	213,758
Gross profit/ loss on sales	185,183	148,963
Other operating revenues	4,638	5,891
Selling expenses	136,861	100,532
Overhead costs	17,048	17,324
Other operating expenses	18,714	46,660
Operating profit/ loss	17,198	-9,662
Financial revenues	3,924	38,701
Financial costs	15,454	10,955
Gross profit/ loss	5,668	18,084
Taxation	1,454	2,999
Net profit/ loss	4,214	15,085
Other comprehensive income	0	0
Total comprehensive income	4,214	15,085
Weighted average number of ordinary shares	1,728,879	1,724,669
Earnings (loss) per ordinary share (EPS) in PLN	2.44	8.75

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.

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

Statement of changes in equity.	(in PLN '000)						EQUITY TOTAL
	Share capital	Treasury shares	Share premium reserve	Other capital	Profit (loss) from previous years	Current period profit/ loss	
As at 1 January 2009	3,492	-48,746	108,123	327,686	164,658		555,213
- corrections of errors from previous years							0
As at 1 January 2009 (corrected)	3,492	-48,746	108,123	327,686	164,658	0	55,213
Transactions with owners	0	0	0	0	0	0	0
Net profit for Q1 2009						15,085	15,085
As at 31 March 2009	3,492	-48,746	108,123	327,686	164,658	15,085	570,298
As at 1 January 2010	3,500	-48,749	108,123	511,531	118,116		692,521
- corrections of errors from previous years					49		49
As at 1 January 2010 (corrected)	3500	-48,749	108,123	511,531	118,165	0	692,570
Buy-back of treasury shares		-1					-1
Transactions with owners	0	-1	0	0	0	0	-1
Net profit for Q1 2010						4,214	4,214
As at 31 March 2010	3,500	-48,750	108,123	511,531	118,165	4,214	696,783

10. Cash flow statement of LPP S.A.

	(in PLN '000)	
	Q1 2010	Q1 2009
Cash flow statement	01 Jan 2010- 31 Mar 2010	01 Jan 2009- 31 Mar 2009
A. Operating cash flows – indirect method		
I. Gross profit (loss)	5,668	18,084
II. Total adjustments	-9,233	-78,243
1. Depreciation and amortization	14,699	11,861
2. Foreign exchange (gains) losses	2,668	-1,483
3. Interest and profit sharing (dividend)	4,855	3,018
4. (profit) loss from investing activity	1,998	7,021
5. Income tax paid	-20,474	-30,171
6. Change in provisions	418	-1,979
7. Change in inventories	-3,851	-16,192
8. Change in receivables	-14,081	-36,404
9. Change in short-term payables, excluding credits and loans	5,102	-11,718
10. Change in prepaid expenses, accruals and deferred income	-567	-2,196
11. Other adjustments	0	
III. Net cash flows from operations	-3,565	-60,159
B. Investment cash flows		
I. Inflows	5,395	1,443
1. Sale of intangible assets and tangible fixed assets	4,734	978
2. From financial assets, of which:	661	465
a) in related parties	598	361
- interest and dividend	598	361
- repayment of short-term loans granted	0	0
- repayment of long-term loans granted	0	0
b) in other parties	63	104
- interest	4	5
- repayment of short-term loans granted	59	99
3. Other inflows from investing activities		0

II. Outflows	100,047	10,687
1. Acquisition of intangible assets and tangible fixed assets	12,182	7,402
2. On financial assets, of which:	17,865	3,285
a) in related parties	1,847	3,285
- acquisition of shares		0
- short-term loans granted		
- long-term loans granted		1,847
b) in other parties	16,018	0
- short-term loans granted	2	0
- long-term loans granted	16	0
- acquisition of third-party bonds	16,000	0
3. Other outflows on investing activities (purchase of IF units)	70,000	0
III. Net cash flow from investing activities	-94,652	-9,244
C. Cash flows from investing activities		
I. Inflows	524	54,457
1. Credits and loans	524	54,457
2. Net inflows from the issue of shares	0	0
3. Other financial inflows		0
II. Outflows	10,653	7,336
1. Buy-back of treasury shares	1	1
2. Repayment of credits and loans	2,881	0
3. Interest	7,687	7,335
4. Other financial outflows – financial leasing	84	0
III. Net cash flow from financing activities	-10,129	47,121
D. Total net cash flow	-108,346	-22,282
E. Change in cash, of which:	-108,346	-22,282
- change in cash due to foreign exchange differences	409	432
F. Cash at the beginning of the period	161,992	31,650
G. Cash at the end of the period, of which:	53,646	9,368
- restricted cash	436	55

Notes to the condensed consolidated financial statements for Q1 2010

1. Description of LPP S.A. Capital Group

LPP S.A. Capital Group (CG) (CG) is composed of:

- LPP S.A., being the parent company,
- 19 domestic subsidiaries and
- 14 foreign subsidiaries.

There is no parent company of LPP S.A.

The complete list of LPP S.A. Capital Group entities is presented below.

No.	Name of the company	Registered office	Data of obtaining control
1.	G&M Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
2.	M7G Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
3.	AKME Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
4.	TORA Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
5.	P&G Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
6.	SL&DP Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
7.	DP&SL Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
8.	IL&DL Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
9.	PL&GM Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
10.	GM&PL Sp. z o.o.	Gdańsk, Poland	26 Sep 2001
11.	AMA Sp. z o.o.	Gdańsk, Poland	28 May 2002
12.	LIMA Sp. z o.o.	Gdańsk, Poland	22 Jul 2002
13.	LUMA Sp. z o.o.	Gdańsk, Poland	05 Nov 2002
14.	KAMA Sp. z o.o.	Gdańsk, Poland	29 Oct 2002
15.	KUMA Sp. z o.o.	Gdańsk, Poland	05 Nov 2002
16.	AMUL Sp. z o.o.	Gdańsk, Poland	29 Oct 2002
17.	AMUK Sp. z o.o.	Gdańsk, Poland	15 May 2003
18.	AMUR Sp. z o.o.	Gdańsk, Poland	09 May 2003
19.	MM&MR Sp. z o.o.	Gdańsk, Poland	09 Mar 2005
20.	LPP Retail Estonia OU	Tallinn, Estonia	29 Apr 2002
21.	LPP Czech Republic s.r.o.	Prague, Czech Republic	16 Sep 2002
22.	LPP Hungary Kft	Budapest, Hungary	18 Oct 2002
23.	LPP Retail Latvia Ltd	Riga, Latvia	30 Sep 2002
24.	UAB LPP	Vilnius, Lithuania	27 Jan 2003
25.	LPP Ukraina	Peremyshlany, Ukraine	23 Jul 2003
26.	RE Trading Closed public Company	Moscow, Russia	12 Feb 2004
27.	LPP Fashion Distribution SRL	Bucharest, Romania	12 Aug 2007
28.	ES STYLE	Moscow, Russia	10 Mar 2008
29.	FASHION POINT	Moscow, Russia	01 Apr 2008
30.	LPP Retail Bulgaria Ltd	Sofia, Bulgaria	14 Aug 2008
31.	Artman Slovakia s.ro.	Banska Bystrica, Slovakia	30 Oct 2008
32.	Artman Mode s.r.o.	Ostrava, Czech Republic	30 Oct 2008
33.	UAB Artman LTD	Vilnius, Lithuania	30 Oct 2008

LPP S.A. holds direct control in its subsidiaries due to the company's 100% share in the subsidiaries' capital and 100% of the total vote.

LPP S.A. Group
Interim Condensed financial Statements for Q1 2010
The statements have been created in PLN '000

The consolidated financial statements of LPP S.A. Capital Group for the period from 1 January to 31 March 2010 covers individual results of LPP S.A. and the results of the subsidiaries listed below:

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

The 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 statements of this entity are immaterial compared to the data disclosed in the financial statements 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 non-consolidated entities must not exceed this level, as established in relation to the corresponding amounts of the consolidated financial statements, based on the assumption that the statements covers all subsidiaries and associates with no exceptions (exclusions from consolidation).

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

- in the Capital Group's Balance sheet total – 0.12%
- in the Capital Group's revenues from sales and financial revenues – 0.60%.

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 company engaged in the design and distribution of clothing in Poland and in the countries of Central and Eastern Europe. The consolidated Capital Group companies are involved in the distribution of goods under the Reserved, Cropp and House brands outside Poland. Clothing is basically the only product sold by the CG companies. The basic offer of the companies is supplemented by footwear, bags and accessories.

Clothing is designed in the design office located at the registered office of LPP S.A. in Gdańsk (and in the design office of House and Mohito brands located in Kraków) and then sent to the purchasing department, whose task is to outsource the manufacture of individual products to manufacturing plants in Poland and abroad, including in China. The production operations in China are managed by the Company's trading office in Shanghai.

The Capital Group also generates a small amount of 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 stores are located.

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

The report of LPP S.A. Capital Group for Q1 2010 encompasses the condensed consolidated financial statements with selected explanations contained in these Notes, as well as the condensed standalone financial statements of the Parent Company, in accordance with IAS 34: Interim Financial Statements.

The accounting policy adopted in this report is, in all its material aspects, in line with the policy underlying the consolidated annual financial statements of LPP S.A. Capital Group for the financial years 2009 drawn up as per the International Financial Reporting Standards (IFRS).

The condensed consolidated financial statements should be read together with the consolidated financial statements for the year ended on 31 December 2009.

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

The highlights of LPP S.A. Capital Group in Q1 2010 include:

1. Revenues from sales in Q1 2010 totalled PLN 425 million and were up by about 8% compared to the revenues generated in Q1 2009 (PLN 527 m).
2. In Q1, LPP S.A. CG generated a profit from operating activity of PLN 8.47 m. In the corresponding period of 2009, the Group recorded operating loss of PLN 2.75 m. Net loss for Q1 2010 totalled PLN 4.78 m (vs. net loss of PLN 7.78 m in Q1 2009).
3. Sales in Q1 2010 totalled PLN 223.4 m in Reserved stores and PLN 78.9 m in Cropp Town stores. Sales in Q1 in House stores reached PLN 56.2 m, and PLN 13.4 m and PLN 8.6 in Mohito and Esotiq stores, respectively.
4. Twenty-two new stores were opened in Q1 2010 with the total retail area of about 9,000 square meters (7 Reserved stores, 4 Cropp Town stores, 3 Esotiq stores, 6 House stores and 2 Mohito stores), as a result of which the total retail area increased to about 297,000 square meters (863 stores), of which 96,000 sq. meters (199 stores) abroad.
5. Revenues from like-for-like sales (comparable outlets) were down by 21.7% in Q1 2010 (disregarding local currency rate fluctuations in countries where LPP Capital Group companies operate).

4. Extraordinary factors and events with substantial impact on the consolidated financial results

The operating profit generated in Q1 2010 amounted to PLN 8.5 m, showing an improvement of the overall situation as compared with the operating loss recorded in Q1 of 2009 (PLN -2.7 m). It must be noted, however, that this result was achieved thanks to numerous cost saving initiatives, against the background of lower revenues from sales per a single unit of the retail area. In addition to cost cutting, other factors with a positive impact on the company's results included the strengthening of PLN against USD and the fact that there was no need for significant margin reductions during the sales season which is usually the case when excessive stock levels are recorded at the end of a season. The improvement in the net result (reduction of the net loss from PLN 7.8 m in Q1 2009 to

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PLN 4.8 m in Q1 2010) was less prominent than in the case of the operating profit, mainly as a result of the negative impact of the balance of statistical foreign exchange differences occurring within the LPP S.A. Capital Group.

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

(in PLN '000)

Name of the company	Country	Sales revenues in Q1 2010	% share of sales by country in Q1
LPP S.A.	Poland	322,777	76.03%
LPP Retail Estonia OU	Estonia	5,571	1.31%
LPP Retail Latvia Ltd	Latvia	3,634	0.86%
LPP Reatil Czech Republic s.r.o	Czech Republic*	17,361	4.09%
LPP Hungary Kft	Hungary	3,368	0.79%
UAB "LPP"	Lithuania	7,458	1.76%
LPP Ukraina AT	Ukraine	6,903	1.63%
ZAO "Re Trading"	Russia**	48,887	11.52%
LPP Fashion Distribution SRL	Romania	5,420	1.28%
LPP Retail Bulgaria Ltd	Bulgaria	1,048	0.25%
Artman Slovakia s.r	Slovakia	2,089	0.49%
Total		424,515	100.00%

* total revenues of 2 companies in the Czech Republic: LPP Retail Czech Republic s.r.o., Artman Mode SRO

** total revenues of 3 companies in Russia: ZAO "Re Trading, Es Style Russia, Fashion Point Russia

5. Notes concerning the seasonal or cyclical nature of LPP S.A Capital Group operations in the reported period

Sales seasonality is generally characteristic of the clothing market, both in Poland and abroad. Q1 of the calendar year includes two months (January and February) during which traditionally the autumn-winter collection is sold off. Due to this process, the gross sales margin for the quarter is usually lower than the average annual margin.

6. Breakdown into segments – revenues and results in the individual segments

LPP S.A. Capital Group is engaged only in one type of business (one core segment). Two geographical segments are distinguished: operations in the EU and outside the EU. The division into geographical segments is based on the location of the Group's assets.

Revenues and results per segments for Q1 2010 and for the previous corresponding period are presented in section 23.7.

7. Information on the issue, redemption and repayment of debt and equity securities

In Q4, the Issuer did not issue, redeem or repay any debt or equity securities.

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

No dividend was paid (or declared) in LPP S.A. Capital Group.

9. Date of approval of the financial statements for publication

These financial statements were approved for publication by the Management Board of the Parent Company on 12 May 2010.

10. Events after balance sheet date not recognised in the financial statements that may have important influence on future financial results of LPP S.A. Capital Group

None.

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

During Q1 no changes in the structure of LPP S.A. Capital Group occurred as a result of business combinations (mergers), takeovers or disposals of Capital Group companies, long-term investments, division, restructuring or discontinuation of business operations.

12. Changes in contingent liabilities or assets that took place since the last accounting year

In Q1 2010, LPP S.A. and its subsidiaries used bank guarantees to secure the payment of rent for leased retail premises where brand stores are located.

As at 31 March 2010, the total value of bank guarantees issued at the request and on the responsibility of LPP S.A. amounted to PLN 114,586 k of which:

- a) guarantees issued to secure agreements concluded by LPP S.A. amounted to PLN 66,314 k
- b) guarantees issued to secure agreements concluded by consolidated related parties amounted to PLN 43,741 k
- c) guarantees issued to secure agreements concluded by non-consolidated related parties amounted to PLN 4,531 k

As at 31 March 2010, the total amount of all sureties issued by the Parent Company amounted to PLN 12,299 k, PLN 11,000 up from 31 December 2008.

13. Estimates of future liabilities arising from lease agreements entered into

Capital Group companies are parties to retail space lease agreements concerning the use of premises where Reserved, Cropp, Esotiq, House, and Mohito brand stores are located.

The total future minimum payments arising from lease agreements, estimated as at 31 March 2010, are as follows:

- payables with the maturity date within 12 months from the balance sheet date: PLN 242,315 k
- payables with the maturity date from 12 months to 5 years from the balance sheet date: PLN 647,525 k
- payables with the maturity date over 5 years from the balance sheet date: PLN 230,322 k

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

No forecasts of annual results were published by the Company.

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

The shareholding structure of the Parent Company as at the date of submission of the report for Q1 2009 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	Interest in share capital
Marek Piechocki	324,390	1,024,390	32.52%	18.53%
Jerzy Lubianiec	226,338	926,338	29.40%	12.93%
Grangefont Limited	350,000	350,000	11.11%	20.00%

There have been no changes in the shareholding structure since the date of submission of the previous report (for Q4 2009).

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

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders
President of the Management Board	324,390	1,024,390
Vice-President of the Management Board	2,664	2,664

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Vice-President of the Management Board	17	17
Vice-President of the Management Board	137	137
Chairman of the Supervisory Board	226,338	926,338

Since the submission of the previous report (for Q4 2009) there were no changes in the ownership structure of the LPP S.A.'s shares held by members of the Issuer's Management Board and the Supervisory Board.

17. Information on legal proceedings

In the Capital Group, 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 Companies' equity.

18. Information on the Issuer's or its subsidiary's transactions concluded with related parties, if such transactions are material, individually or jointly, and have not been concluded at arm's length

No such transactions were concluded with related parties in the reporting period.

19. Related party transactions

9.1. Key management personnel

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

The amount of short-term employee benefits received by the key management personnel in the period from 1 January to 31 March 2010 totalled PLN 525k, of which PLN 522 k received by members of the Management Board and PLN 3 k by a Supervisory Board member for services other than membership in the Supervisory Board.

9.2. 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 statements and are not presented in the table.

Amounts presented in the table below show only intercompany transactions between LPP S.A. and 19 Polish non-consolidated subsidiaries, and are disclosed from the perspective of the Parent Company.

The data in the table are presented in PLN '000

No.	Related parties	Receivables as at 31 March, 2010	Payables as at 31 March, 2010	Revenues for the period Jan-March 2010	Costs for the period Jan-March 2010
1.	Polish subsidiaries	242	978	418	2,564
	Total	242	978	418	2,564

Data presented as payables of LPP S.A. are receivables of the related parties, and the 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 offered to subsidiaries are between 45 and 120 days.

20. Information on sureties and guarantees granted

In the reporting period, the Issuer's Capital Group companies granted no sureties or guarantees for credits or loans and issued no guarantees to an entity or its subsidiary, the total value of which would amount to at least 10% of the Issuer's equity.

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

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

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

The key factors likely to influence the Group's performance in the nearest future are as follows:

1. economic slowdown in Poland and in countries where the Capital Group companies operate
2. exchange rate of PLN against USD and EUR,
3. development of the Reserved, Cropp Town, House and Mohito sales networks, and
4. ability to maintain the operating costs at a low level.

23. Notes to the condensed consolidated financial statements

23.1 Tangible fixed assets

The value of tangible fixed assets presented in the consolidated financial statements drawn up as at 31 March 2010 includes an adjustment for a revaluation write-down in the amount of PLN 9,061k. The amount of prepayments on account of the acquisition of tangible fixed assets as at 31 March 2010 was PLN 236k.

23.2 Inventories

The value of inventories presented in the consolidated financial statements drawn up as at 31 March 2010 includes a revaluation write-down in the amount of PLN 4,001k.

23.3 Receivables

The value of receivables presented in the consolidated financial statements drawn up as at 31 March 2010 includes an adjustment for a revaluation write-down totalling PLN 10,513k.

This write-down includes:

revaluation write-down of claims and claimed receivables due from customers	PLN 3,587k
revaluation write-down of doubtful receivables	PLN 7,058k
revaluation write-down of receivables from employees and other	PLN 204k

23.4 Provisions

The amount of provisions disclosed in the consolidated financial statements drawn up as at 31 March 2010 totals PLN 7,086 k and includes:

- provision for retirement severance payments	PLN 1,025k
- provision for unused holiday leaves	PLN 2,698k
- provision for unpaid salaries and bonuses	PLN 103k
- provision for deferred income tax	PLN 3,375k.

23.5 Income tax

The income tax disclosed in the consolidated Statement of Comprehensive Income for the period between 1 January and 31 March 2010 amounts to PLN 3,907k and includes:

- current tax	PLN 421k.
- deferred tax	PLN 3,486 k.

23.6 Exchange rate differences

The consolidated Statement of Comprehensive Income drawn up as at 31 March, 2010 shows an excess of foreign exchange losses over foreign exchange gains in the amount of PLN 4,633k.

23.7 Segments of activity

The revenues and financial results of the geographical segments for the period from 1 January 2010 to 31 March 2010, as well as for the previous corresponding period, are presented in the following tables.

Year 2010	in PLN '000				
	EU Member States	Other countries	Consolidation adjustments	Amounts allocated to segments	Total
External sales	368,726	55,789			424,515
Intersegment sales	30,872		-30,872		-
Other operating revenues	4,793	606		102	5,501
Total revenues	404,391	56,395	-30,872	102	430,016
Total operating costs, of which	365,973	55,406	-30,030	22,512	414,861
Costs of intersegment sales	22,905		-22,905		-

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Other operating costs	5,172	1,517			6,689
Segment results	33,246	-1,528	-842	-22,410	8,466
Financial revenues				2,076	2,076
Financial costs				11,419	11,419
Profit/ loss before tax					-877
Income tax					3907
Net loss					-4,784

Year 2009	in PLN '000				
	EU Member States	Other countries	Consolidation adjustments	Amounts allocated to segments	Total
External sales	411,102	51,998			463,100
Intersegment sales	34,911		-34,911		-
Other operating revenues	5,992	334		187	6,513
Total revenues	452,005	52,332	-34,911	187	469,613
Total operating costs, of which	414,327	56,865	-32,547	24,300	462,936
Costs of intersegment sales	25,756		-25,756		-
Other operating costs	8,409	1,015			9,424
Segment results	29,269	-5,539	-2,364	-24,113	-2,747
Financial revenues				4,489	4,489
Financial costs				5,653	5,653
Profit/ loss before tax					-3,911
Income tax					3,868
Net loss					-7,779

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

Based on the estimation of the carrying amount of assets invested in the foreign subsidiaries, in the period from January to January 2010, changes were introduced to write-downs of the following elements of assets of the standalone statement of financial position: shares, additional paid-in capital, loans, and receivables. These write-downs were also recognized under financial and operating expenses and revenues in the standalone Statement of Comprehensive Income. As a result, the value of assets was reduced by PLN 13,220k, taking into account the amount of deferred tax.

The change recognized under relevant items of the standalone statements of LPP S.A. has no influence on the amounts presented in the consolidated statements.