

LPP Group
Interim condensed financial statements for the first quarter of 2011
The statements have been prepared in PLN thousand

LPP SA Group

Interim condensed financial statements for the first quarter of 2011

Gdańsk
May 2011

1. Selected Consolidated Financial Data of LPP SA Capital Group

in PLN '000

Selected Consolidated Financial Data	Q1 2011	Q1 2010	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
	in PLN '000		in EUR thousand	
Net revenues from sales of products, goods and materials	500 522	424 515	125 943	107 014
Operating profit (loss)	10 840	8 466	2 728	2 134
Gross profit (loss)	19 065	-877	4 797	-221
Net profit (loss)	14 136	-4 784	3 557	-1 206
Net cash flows from operating activity	-59 971	-9 016	-15 090	-2 273
Net cash flows from investing activities	7 757	-101 951	1 952	-25 700
Net cash flows from financial activity	-3 518	-9 806	-885	-2 472
Total net cash flows	-55 732	-120 773	-14 023	-30 445

Selected Consolidated Financial Data	Q1 2011	Q1 2010	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
	in PLN '000		in EUR '000	
Total assets	1 358 049	1 336 006	338 505	345 918
Long-term liabilities	262 534	343 697	65 439	88 990
Short-term liabilities	330 183	310 635	82 301	80 430
Equity capital	765 332	681 674	190 765	176 499
Share capital	3 523	3 501	878	906
Weighted average number of ordinary shares	1 729 632	1 728 879	1 729 632	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	8.2	-2.8	2.1	-0.7
Book value per share (in PLN / EUR)	442.5	394.3	112.4	96.6

2. Consolidated Balance Sheet of LPP SA Capital Group

in PLN '000

Balance Sheet	as at the end of:		
	Q1 2011 31/03/2011	Q1 2010 31/03/2010	the previous year 31/12/2010
ASSETS			
Fixed assets (long-term)	707 598	748 582	712 574
1. Tangible fixed assets	418 851	440 317	422 456
2. Intangible assets	10 615	11 820	11 040
3. Goodwill	183 609	183 609	183 609
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	187	719	212
6. Investments in associates	19	0	19
7. Other securities	0	16 000	0
8. Receivables and loans	1 046	1 007	1 062
9. Deferred tax assets	15 553	17 509	16 491
10. Accruals and prepayments	210	93	177
Current assets (short term)	650 451	587 424	716 446
1. Inventory	420 347	334 327	424 437
2. Trade receivables	94 613	73 606	95 742
3. Receivables from income tax	4 689	6 058	542
4. Other receivables	28 890	18 943	22 962
5. Loans	225	518	237
6. Other securities	0	0	16 430
7. Other financial assets	53 682	70 662	53 064
8. Accruals and prepayments	7 266	6 601	6 562
9. Cash & cash equivalents	40 739	76 709	96 470
TOTAL assets	1 358 049	1 336 006	1 429 020

LIABILITIES

Equity capital	765 332	681 674	736 546
1. Share capital	3 523	3 501	3 501
2. Own shares	-48 754	-48 750	-48 754
3. Share premium	125 227	108 123	108 123
4. Other capital	547 559	512 189	547 559
5. Foreign exchange differences on translation	-3 126	1 342	-650
6. Retained earnings	140 903	105 269	126 767
- profit (loss) from previous years	126 767	110 053	-12 316
- net profit (loss) for the current period	14 136	-4 784	139 083
Long-term liabilities	262 534	343 697	281 231
1. Bank loans and borrowings	153 266	224 222	156 096
2. Issue of debt securities	105 570	115 514	121 524
3. Other financial liabilities	83	139	88
4. Provisions for employee benefits	1,112	1 049	1 025
5. Deferred tax provision	2 503	2 773	2 464
6. Other long-term liabilities		0	34
Short-term liabilities	330 183	310 635	411 243
1. Trade payables and other liabilities	228 732	222 859	312 700
2. Income tax liabilities	0	0	771
3. Bank loans and borrowings	92 889	76 852	86 637
4. Issue of debt securities	1 765	4 451	3 906
5. Other financial liabilities	36	265	96
6. Provisions	3 455	3 264	3 122
7. Special funds	437	538	347
8. Accruals and prepayments	2 869	2 406	3 664
TOTAL liabilities	1 358 049	1 336 006	1 429 020

3. Uniform consolidated comprehensive income statement of LPP Capital Group
in PLN '000.

	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
Comprehensive Income Statement		
Continued operation		
Sales revenues	500 522	424 515
Cost of sales	250 958	201 826
Gross profit/loss on sales	249 564	222 689
Other operating revenues	3 476	5 501
Selling costs	212 050	190 523
Overheads	25 260	22 512
Other operating expenses	4 890	6 689
Operating profit/loss	10 840	8 466
Financial revenues	14 792	2 076
Financial expenses	6 567	11 419
Gross profit/loss	19 065	-877
Tax burden	4 929	3 907
Net profit/loss	14 136	-4 784
Other comprehensive income		
Foreign exchange differences on translation	-2 476	833
Total comprehensive income	11 660	-3 951

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

in PLN '000

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Foreign exchange differences on translation	Profit (loss) from previous years	Current period profit/loss	Minority interests	Equity capital TOTAL
As at 1 January 2010	3 501	-48 749	108 123	512 189	509	110 016	0	0	685 589
- adjustments due to errors in previous years						37			37
As at 1 January 2010 after adjustments	3 501	-48 749	108 123	512 189	509	110 053	0	0	685 626
Costs of treasury shares purchase		-1							-1
Transactions with owners	0	-1	0	0	0	0	0	0	-1
Net loss for the first quarter of 2010							-4 784		-4 784
Calculation of foreign exchange differences on translation					833				833
As at 31 March 2010	3 501	-48 750	108 123	512 189	1 342	110 053	-4 784	0	681 674
As at 1 January 2011	3 501	-48 754	108 123	547 559	-650	126 767	0	0	736 546
- adjustments due to errors in previous years									0
As at 1 January 2011 after adjustments	3 501	-48 754	108 123	547 559	-650	126 767	0	0	736 546
Conversion of convertible bonds into shares	22		17 104						17 126
Transactions with owners	22	0	17 104	0	0	0	0	0	17 126
Net income for the first quarter of 2011							14 136		14 136
Calculation of foreign exchange differences on translation					-2 476				-2 476
As at 31 March 2011	3 523	-48 754	125 227	547 559	-3 126	126 767	14 136	0	765 332

5. Consolidated Statement of Cash Flows of LPP Capital Group

in PLN '000

	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
Statement of Cash Flows		
A. Cash flow from operating activities - indirect method		
I. Gross profit (loss)	19 065	-877
II. Total adjustments	-79 036	-8 139
1. Depreciation	23 539	23 078
2. (Profit) loss on foreign exchange differences	-314	2 570
3. Interest and participation in profits (dividends)	6 106	5 060
4. Profit (loss) from investing activities	-1 032	224
5. Paid income taxes	-8 448	-20 596
6. Change in provisions	343	462
7. Change in inventories	7 864	-12 946
8. Change in receivables	-12 488	-8 718
9. Change in short-term liabilities, excluding loans and borrowings	-92 916	2 282
10. Change in accruals	-1 575	-57
11. Other adjustments	-115	502
III. Net cash flows from operating activity	-59 971	-9 016
B. Cash flows from investing activities		
I. Revenues	24 015	5 105
1. Disposal of intangible and tangible fixed assets	6 721	4 734
2. From financial assets, including:	17 294	371
a) in affiliated entities	643	308
- sale of financial assets	643	308
b) in other entities	16 651	63
- sale of financial assets	16 000	
- spłata udzielonych pożyczek	38	59
- interests	613	4
3. Other investment inflows		

II. Expenses	16 258	107 056
1. Acquisition of intangible and tangible fixed assets	16 248	21 038
2. For financial assets, including:	10	16 018
a) in affiliated entities	0	0
- acquisition of shares		
- granted short-term loans		
- long-term loans granted		
b) in other entities	10	16 018
- acquisition of financial assets		16 000
- short-term loans granted	10	18
3. Other capital expenses		70 000
III. Net cash flows from investments	7 757	-101 951
C. Cash flows from financing activities		
I. Revenues	6 002	860
1. Proceeds from share issue		
2. Loans and borrowings	6 002	860
3. Other financial income		
II. Expenses	9 520	10 666
1. Treasury shares purchase	1	1
2. Repayment of loans and borrowings	2 889	2 881
3. Payment of finance lease liabilities	78	97
4. Interest	6 552	7 687
5. Other financial expenses		
III. Net cash flows from financial activity	-3 518	-9 806
D. Total net cash flows	-55 732	-120 773
E. Net change in cash, including:	-55 732	-120 773
- change in cash – foreign exchange differences	651	403
F. Opening cash balance	96 471	197 482
G. Cash and cash equivalents at the end of the period, including:	40 739	76 709
- restricted cash	436	436

6. Selected Financial Data - Individual Financial Data of LPP SA

in PLN '000.

Selected Financial Data	Q1 2011	Q1 2010	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
	in PLN '000		in EUR thousand	
Net revenues from sales of products, goods and materials	458 196	393 943	115 293	99 308
Operating profit (loss)	24 700	17 198	6 215	4 335
Gross profit (loss)	12 242	5 668	3 080	1 429
Net profit (loss)	8 987	4 214	2 261	1 062
Net cash flows from operating activity	-54 649	-3 565	-13 751	-899
Net cash flows from investing activities	14 198	-94 652	3 573	-23 860
Net cash flows from financial activity	-4 610	-10 129	-1 160	-2 553
Total net cash flows	-45 061	-108 346	-11 338	-27 313

Selected Financial Data	Q1 2011	Q1 2010	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
	in PLN '000		in EUR '000	
Total assets	1 354 503	1 326 637	337 621	343 493
Long-term liabilities	262 448	342 642	65 417	88 717
Short-term liabilities	310 997	287 212	77 519	74 365
Equity capital	781 058	696 783	194 685	180 411
Share capital	3 523	3 500	878	906
Weighted average number of ordinary shares	1 729 632	1 728 879	1 729 632	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	5.2	2.4	1.3	0.6
Book value per share (in PLN / EUR)	451.6	403.0	112.6	104.4

7. Balance sheet of LPP SA

in PLN '000

Balance Sheet	as at the end of:		
	Q1 2011	Q1 2010	the previous year
	31/03/2011	31/03/2010	31/12/2010
ASSETS			
Fixed assets (long-term)	646 469	658 119	650 517
1. Tangible fixed assets	314 860	325 590	318 339
2. Intangible assets	10 316	11 434	10 781
3. Goodwill	179,618	179 618	179 618
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	30 074	19 093	30 884
6. Investments in associates	19	0	19
7. Other securities	0	16 000	0
8. Receivables and loans	643	5 605	537
9. Deferred tax assets	33 221	23 178	32 654
10. Accruals and prepayments	210	93	177
Current assets (short term)	708 034	668 518	773 479
1. Inventory	335 629	270 850	359 595
2. Trade receivables	274 493	251 383	258 902
3. Receivables from income tax	4 192	6 071	0
4. Other receivables	9 918	7 395	10 371
5. Loans	3 133	4 479	4 426
6. Other securities	0	0	16 430
7. Other financial assets	53 682	70 662	53 064
8. Accruals and prepayments	5 010	4 032	3 653
9. Cash and cash equivalents	21 977	53 646	67 038
TOTAL assets	1 354 503	1 326 637	1 423 996

LIABILITIES

Equity capital	781 058	696 783	754 944
1. Share capital	3 523	3 500	3 500
2. Treasury shares	-48 754	-48 750	-48 754
3. Share premium	125 227	108 123	108 123
4. Other capital	546 901	511 531	546 901
5. Retained earnings	154 161	122 379	145 174
- profit (loss) from previous years	145 174	118 165	-3 698
- net profit (loss) for the current period	8 987	4 214	148 872
Long-term liabilities	262 448	342 642	280 876
1. Bank loans and borrowings	153 214	223 368	155 711
2. Issue of debt securities	105 570	115 514	121 524
3. Other financial liabilities	0	13	0
4. Provisions for employee benefits	1 055	1 047	1 005
5. Provision for deferred tax	2 609	2 700	2 636
Short-term liabilities	310 997	287 212	388 176
1. Trade payables and other liabilities	213 663	206 463	293 322
2. Income tax liability	0	0	192
3. Bank loans and borrowings	91 376	72 139	86 637
4. Issue of debt securities	1 765	4 451	3 906
5. Other financial liabilities	4	221	50
6. Provisions	1 539	1 758	1 310
7. Special funds	437	538	348
8. Accruals and prepayments	2 213	1 642	2 411
TOTAL liabilities	1 354 503	1 326 637	1 423 996

8. Uniform Comprehensive Income Statement of LPP SA

in PLN '000.

	Q1 2011	Q1 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
Comprehensive Income Statement		
Sales revenues	458 196	393 943
Cost of sales	263 181	208 760
Gross profit/loss on sales	195 015	185 183
Other operating revenues	6 024	4 638
Selling costs	151 090	136 861
Overheads	18 024	17 048
Other operating expenses	7 225	18 714
Operating profit/loss	24 700	17 198
Financial revenues	1 643	3 924
Financial expenses	14 101	15 454
Gross profit/loss	12 242	5 668
Tax burden	3 255	1 454
Net profit/loss	8 987	4 214
Other comprehensive income	0	0
Total comprehensive income	8 987	4 214

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9. Statement of Changes in Equity of LPP SA

in PLN thousand

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Net profit (loss) for the current period	TOTAL equity capital
As at 1 January 2010	3 500	-48 749	108 123	511 531	118 116		692 521
- adjustments due to errors in previous years					49		49
As at 1 January 2010 after adjustments	3 500	-48 749	108 123	511 531	118 165	0	692 570
Costs of buy-back of treasury shares		-1					-1
Transactions with owners	0	-1	0	0	0	0	-1
Net income for the first quarter of 2010						4 214	4 214
As at 31 March 2010	3 500	-48 750	108 123	511 531	118 165	4 214	696 783
As at 1 January 2011	3 500	-48 754	108 123	546 901	145 174		754 944
- adjustments due to errors in previous years							0
As at 1 January 2011 after adjustments	3 500	-48 754	108 123	546 901	145 174	0	754 944
Conversion of bonds into shares	23		17 104				17 127
Transactions with owners	23	0	17 104	0	0	0	17 127
Net income for the first quarter of 2011						8 987	8 987
As at 31 March 2011	3 523	-48 754	125 227	546 901	145 174	8 987	781 058

10. Statement of Cash Flows of LPP SA

in PLN '000

	Q1 2011	Q4 2010
	01/01/2011- 31/03/2011	01/01/2010- 31/03/2010
Statement of Cash Flows		
A. Cash flow from operating activities - indirect method		
I. Gross profit (loss)	12 242	5 668
II. Total adjustments	-66 891	-9 233
1. Depreciation	15 347	14 699
2. (Profit) loss on foreign exchange differences	-311	2 668
3. Interest and participation in profits (dividends)	6 051	4 855
4. Profit (loss) from investing activities	624	1 998
5. Paid income taxes	-7 907	-20 474
6. Change in provisions	280	418
7. Change in inventories	24 074	-3 851
8. Change in receivables	-25 914	-14 081
9. Change in short-term liabilities, excluding loans and borrowings	-77 547	5 102
10. Change in accruals	-1 588	-567
11. Other adjustments	0	0
III. Net cash flows from operating activity	-54 649	-3 565
B. Cash flows from investing activities		
I. Revenues	24 241	5 395
1. Disposal of intangible and tangible fixed assets	6 536	4 734
2. From financial assets, including:	17 705	661
a) in affiliated entities	1 054	598
- interest and dividends	411	598
- disposal of shares/liquidation of companies	643	
- repayment of loans	0	0
b) in other entities	16 651	63
- interests	613	4
- disposal of financial assets - foreign bonds	16 000	
- repayment of loans	38	59
3. Other investment inflows		

II. Expenses	10 043	100 047
1. Acquisition of intangible and tangible fixed assets	9 887	12 182
2. For financial assets, including:	156	17 865
a) in affiliated entities	146	1 847
- acquisition of shares	0	0
- loans granted	146	1 847
b) in other entities	10	16 018
- short-term loans granted	10	18
- purchase of foreign bonds		16 000
3. Other capital expenditure (purchase of investment fund units)		70 000
III. Net cash flows from investments	14 198	-94 652
C. Cash flows from financing activities		
I. Revenues	4 870	524
1. Loans and borrowings	4 870	524
2. Net proceeds from share issue	0	0
3. Other financial income	0	0
II. Expenses	9 480	10 653
1. Treasury shares purchase		1
2. Repayment of loans and borrowings	2 882	2 881
3. Interest	6 552	7 687
4. Other financial expenses - financial lease	46	84
III. Net cash flows from financial activity	-4 610	-10 129
D. Total net cash flows	-45 061	-108 346
E. Net change in cash, including:	-45 061	-108 346
- change in cash – foreign exchange differences	207	409
F. Opening cash balance	67 038	161 992
G. Cash and cash equivalents at the end of the period, including:	21 977	53 646
- restricted cash	436	436

Notes to the condensed consolidated financial statements for the first quarter of 2011

1. Characteristics of LPP Capital Group

The LPP SA Capital Group includes:

- LPP SA as a parent entity,
- 5 national subsidiary companies, and
- 13 foreign subsidiaries.

There is no parent company in relation to LPP SA

The list of companies composing the LPP Capital Group is presented below.

No.	Company name	Seat	Takeover date
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
6.	LPP Retail Estonia OU	Tallinn, Estonia	29.04.2002
7.	LPP Czech Republic s.r.o.	Prague, Czech Republic	16.09.2002
8.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
9.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
10.	UAB LPP	Vilnius, Lithuania	27.01.2003
11.	LPP Ukraina	Peremyshliany, Ukraine	23.07.2003
12.	RE Trading Closed Joint Stock Company	Moscow, Russia	12.02.2004
13.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
14.	ES STYLE	Moscow, Russia	10.03.2008
15.	FASHION POINT	Moscow, Russia	01.04.2008
16.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
17.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia	30.10.2008
18.	Artman Mode s.r.o.	Ostrava, Czech Republic	30.10.2008

The dominance of LPP SA in the subsidiaries, due to the 100% stake in subsidiaries' capital and in the total number of votes, is immediate.

The consolidated financial statements of LPP Capital Group for the period from 1 January to 31 March 2011 includes individual results of LPP SA and the results of the following subsidiaries:

- 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.

- Artman Slovakia srl
- Artman Mode s.r.o.

Other national subsidiaries of LPP SA were not consolidated due to the immateriality of data. This is consistent with the Accounting Policy adopted by the Group.

According to it, a subsidiary or affiliated entity is not consolidated if the amounts reported in its financial statements are negligible in relation to the financial statements of the parent company. In particular, the balance sheet total and net revenues from sales of goods and services and financial operations of the entity which for the financial period are less than 10% of total assets and liabilities and the income of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of the entities not included in the consolidation may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements established on the assumption that their scope includes all subsidiaries, without making any exclusions.

Participation in the consolidated amounts of all national subsidiaries not included in the consolidation is as follows:

- in the balance sheet total of the Capital Group -0.04%
- in the Capital Group's revenues from sales and financial revenues - 0.42%

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 result.

LPP SA is a company that designs and distributes clothing in Poland and the countries of Central and Eastern Europe. Companies composing the CG and subject to consolidation are entities involved in the distribution of goods under the brand of Reserved, Cropp and House outside Poland. Clothing is essentially the only commodity sold by the companies from the CG. As products supplementing the basic offer of the CG companies, footwear, bags and clothing accessories are sold.

Clothing designs are prepared in the design office located in the registered office of LPP SA in Gdansk (and respectively for the brands of House and Mohito in the design office in Cracow) and then transferred to the purchasing department which orders the production of certain models, cooperating in this respect with companies in Poland and abroad, including in China. Placement of the production in China is being conducted via the Company's sales office in Shanghai. The CG also has small income from the sale of services (they are presented in the entirety as

the income of the parent company - these are mainly services related to know-how within the scope of the management of showrooms by domestic partners as well as hiring means of transport).

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

2. The basis for the preparation of the condensed consolidated financial statements and information on the changes in the applied accounting policies

Report of the LPP Capital Group for the first quarter of 2011 contains the condensed consolidated financial statements and selected explanatory data included in this Note as well as condensed financial statements of the parent company, in accordance with IAS 34 "Interim Financial Reporting".

Accounting policy applied to prepare these statements is in all material respects compliant with the policy adopted for

the preparation of the consolidated annual financial statements of the LPP SA Capital Group for the financial year 2010, in accordance with the International Financial Reporting Standards.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010.

3. Accomplishments of the LPP SA Capital Group for the period covered by the report

Major accomplishments of the LPP SA Capital Group in the first quarter of 2011:

1. In the first quarter of 2010, sales revenues amounted to PLN 501 million. They increased by about 18% compared to those achieved in the first quarter of 2010 (PLN 425 million).
2. In the first quarter, the LPP SA Capital Group had the operating profit of EUR 10.84 million. Last year in this period, GK LPP gained the profit of PLN 8.47 million. Net profit in the first quarter of 2011 was PLN 14.14 million (compared with the net loss of PLN 4.78 million in the first quarter of 2010).
3. In the first quarter of 2011, in the outlets of Reserved there was achieved the sales of PLN 289.6 million, while in Cropp Town centres - in the amount of PLN 81.1 million. Sales in the first quarter in House outlets amounted to PLN 59.7 million and in Mohito stores to PLN 18.2 million.
4. In the first quarter of 2011, the number of stores has not changed since the beginning of the quarter, the total area remained at 315 thousand sq m (820 stores), of which 100 thousand sq m (205 stores) outside Polish borders. With the end of 2010, LPP SA ceased to operate in ESOTIQ stores, which has reduced the area of the retail chains by more than 7 thousand square meters since January 1, 2011.
5. Sales revenues in comparable outlets increased in the first quarter of 2011 by 14.4% (excluding the changes in local currency exchange rates in the countries where the companies of the LPP CG operate).

4. Factors and events, particularly of unusual nature, having a significant impact on the achieved consolidated financial results

For more than 6 months, the performance of the LPP CG has been improving. In the reporting period there remained positive trends in sales that reflected in the significant increase in revenue both as the total volume and in comparable stores. The first quarter, particularly March is the month that showed that the current offer was well received in the market. The improving market situation and the effort to prepare new collections resulted in the significant increase in profit at each level. Reducing the percentage gross margin compared to the achieved in the first quarter of 2010 was compensated with a surplus by favourable foreign exchange differences.

Revenues from sales of products, goods and materials revealed in the consolidated financial statements have been earned by individual companies of CG in the following amounts (after the exemption of intra-group sales):

data in PLN thousand

Company name	Country	Sales revenues in the first quarter of 2011	% share in sales by country in the first quarter
LPP SA	Poland	372 338	74.39%
LPP Retail Estonia OU	Estonia	6 428	1.28%
LPP Retail Latvia Ltd	Latvia	5 431	1.09%
LPP Retail Czech Republic s.r.o.	Czech Republic	20 686	4.13%
LPP Hungary Kft.	Hungary	4 047	0.81%
UAB"LPP"	Lithuania	9 163	1.83%
LPP Ukraina AT	Ukraine	10 929	2.18%
ZAO "Re Trading"	Russia	62 440	12.47%
LPP Fashion Distributor SRL	Romania	4 519	0.90%
LPP Retail Bulgaria Ltd.	Bulgaria	2 037	0.41%
Artman Slovakia	Slovakia	2 504	0.50%
Total		500 522	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. Explanations on the seasonality or cyclicity of the LPP S.A. Capital Group operation in the report period.

Seasonality in sales is a phenomenon affecting the entire clothing market both in Poland and abroad. The first quarter of a calendar year includes two months (January and February) when the sale of autumn-winter collection is traditionally conducted. Typically, this process results in achieving less than the annual average gross margin on sales throughout the quarter.

6. The division into segments of operation - revenues and results for individual segments

The LPP SA Capital Group conducts one type of business activity (one trade segment regarded as the basic one). A division into two geographical segments was applied: activity with the European Union and outside. The division into geographical segments was based on the criterion of the Group asset location.

Revenues and results for particular segments of the first quarter of 2011 and the comparable period are presented in section 23.7.

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

Following the submission of declarations and conversion instructions from 7 bondholders of convertible bonds, on 24 January 2011, 11 288 Series A convertible bonds were converted into 11 288 series K shares.

According to the order of the District Court of Gdańsk-Północ in Gdańsk of 25/03/2011, the share capital of the Company was increased from the amount of PLN 3 500 554 to the amount of PLN 3 523 130.

8. Information on the paid (or declared) dividend, total and per share, with the division into ordinary shares and other shares

In the reporting period there was no such a situation in the LPP CG.

9. Date of approval for publication

These financial statements were approved for publication by the Management Board of the Parent Company on 10 May 2011.

10. Events which occurred after the balance sheet date, not included in the financial statements, and which may significantly affect future financial results of the LPP SA Capital Group

There were no such events.

11. The effects of changes in the structure of the LPP Capital Group, including a business combination, acquisition or sale of the capital group entities, long-term investments, division, restructuring and discontinued operations

In December 2010, in accordance with the concluded investment agreement, the LPP SA sold to Esotiq&Henderson SA commercial goods, tangible fixed assets and other assets associated with conducting commercial activities under two brands.

In the consolidated financial statements for the year 2010, there are presented the disclosures required by IFRS 5 related to discontinued operations.

In view of low values presented for the year 2010 and comparative period and high cost of obtaining the detailed information necessary for preparing the reliable report on the total revenue and quarterly cash flow, the Group, using the exemption as described in section 44 of Conceptual Guidelines on drawing up and presenting financial statements according to IFRS, has not presented the data on the total revenue and the cash flow of discontinued operations.

12. Changes in contingent liabilities or contingent assets that have occurred since the end of last year.

In the first quarter of 2011, LPP SA and its subsidiaries have benefited from bank guarantees to secure the payment of rent for the rental of space for company's retail stores. As at 31 March 2011, the total value of bank guarantees issued to the order of and on the responsibility of LPP SA amounted to PLN 95 347 thousand, including:

- a) the value of guarantees issued to secure the agreements concluded by LPP SA amounted to PLN 55 896 thousand
- b) the value of guarantees issued to secure the agreements concluded by affiliated entities included in the consolidation amounted to PLN 36 736 thousand
- c) the value of guarantees issued to secure the agreements concluded by affiliated entities not included in the consolidation amounted to PLN 2 578 thousand
- d) the value of guarantees issued to secure the agreements for office space lease concluded by LPP SA amounted to PLN 136 thousand

On 31 March 2011 the value of sureties granted by the parent company amounted to PLN 13 986 thousand and increased in comparison with 31 December 2010 by PLN 217 thousand.

13. Estimates concerning future liabilities under the concluded rental agreements.

Companies composing the Group are parties to the lease agreements under which they use the areas for running the showrooms network of Reserved, Cropp, House and Mohito.

Total future minimum payments under lease agreements, estimated as at 31 March 2011, are as follows:

- payables with the maturity date within 12 months from the balance sheet date PLN 264 734 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 641,601 thousand
- payables with the maturity date over 5 years from the balance sheet date PLN 206 587 thousand

14. The position of the Management Board on the implementation of the annual consolidated results forecast.

The company has not published any forecasts of annual results.

15. Shareholders owing directly or indirectly through subsidiaries at least 5% of the total number of votes at the General Meeting of the LPP SA at the date of submitting the quarterly report and the indication of changes in the ownership structure of the qualified holding of LPP SA in the period from the submission of the previous quarterly report.

The ownership structure of the parent company's share capital as at the submission date of the first quarter of 2011:

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders	Share in the number of votes at the Annual General Meeting of Shareholders	Participation in share capital
Marek Piechocki	175 000	875 000	27.68%	9.93%
Jerzy Lubianiec	175 000	875 000	27.68%	9.93%
Monistor Limited (Cyprus)	200 728	200 728	6.35%	11.39%
Grangefont Limited	350 000	350 000	11.07%	19.87%

In the period from the previous report submission (report for the fourth quarter of 2010) the following changes in the structure of large blocks of shares ownership occurred: These changes were caused by disposal of shares by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK, which as a result of this transaction reduced its share of the total number of votes to below 5%.

16. Summary of the held number of shares of LPP S.A., or rights to them by the persons managing and supervising the issuer, as at the date of this quarterly report submission, along with the indication of changes in ownership during the period from the previous quarterly report submission, separately for each person.

Shareholder	Number of held shares (pieces)	Number of votes at the Annual General Meeting of Shareholders
President of the Management Board	175 000	875 000
Vice President of the Management Board	2 664	2 664
Vice President of the Management Board	17	17
Vice President of the Management Board	137	137

Management Board

Chairman of the Supervisory

Board	175 000	875 000
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In the period from the previous report submission (report for the fourth quarter of 2010) there were no changes in the ownership of shares of LPP SA by the persons managing and supervising the issuer:

17. Information on court proceedings

Within the Group, the claimant in the cases of payment of trade receivables is LPP SA. The total amount in dispute shall not exceed 10% of the equity of the companies.

18. Information on the conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or collectively they are significant and have been concluded under other than market terms and conditions

In the reporting period there were no such transactions with affiliated entities.

19. Related party transactions

9.1. Key personnel

Members of the Management Board and Supervisory Board of LPP SA are regarded as key management personnel of the LPP SA Capital Group.

The value of short-term employee benefits of the key management personnel received during the period from 1 January to 31 March 2011 amounted to PLN 502 thousand, of which PLN 491 thousand related to the Management Board and PLN 11 thousand to the remuneration of the Supervisory Board members.

19.2. Transactions with affiliated entities

During the reporting period, the issuer has not concluded any transactions concerning the transfer of rights and obligations with affiliated entities.

Transactions between the parent company and its foreign affiliated companies were subject to elimination in the consolidated financial statements and have not been revealed in the table.

The figures stated below show only the mutual transactions between LPP SA and 5 Polish subsidiaries not included in the consolidation and are presented from the viewpoint of the parent company.

Data in the table are presented in PLN thousand

no.	affiliated companies	receivables on 31/03/11	obligations on 31/03/11	revenues for the period I-III 2011	expense for the period I-III 2011
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1	Domestic companies	23	56	5	2 351
	Total	23	56	5	2 351

Data shown as liabilities of LPP SA are receivables in the affiliated companies, while expenses are the revenues in these companies.

All the transactions with affiliated companies were concluded under market conditions. Revenues from the domestic companies are derived from the rental of office space for the purpose of business operation of these companies.

Expenses related to the domestic subsidiaries concern the rental of property where Cropp Town and Reserved outlets are run.

Payment terms adopted for subsidiaries are between 45 and 120 days.

20. Information on granted guarantees and sureties

In the reporting period, the Capital Group companies of the issuer have not granted credit or loan guarantees, and have not granted guarantees to one entity or its subsidiary whose total value would be the equivalent of at least 10% of the equity of the issuer.

21. Additional information relevant for the evaluation of staff, property and financial situation, financial result of the LPP SA Capital Group and their changes as well as information relevant for the evaluation of the feasibility of commitments implementation by the Capital Group of the issuer.

The report contains basic information essential for the evaluation of the situation of the issuer's capital group. In the opinion of the Management Board, currently there are no threats to the implementation of the commitments of CG.

22. Identification of factors which, according to LPP SA, will affect the results achieved by its capital group within at least the next quarter

The basic factors which will affect the results achieved in the nearest future include:

1. economic situation in Poland and in countries where the outlets of the LPP SA Capital Group operate
2. the level of the exchange rate of the Polish zloty in relation to USD and EUR,
3. development of sales network of Reserved and Cropp Town, House and Mohito brands,
4. maintenance of 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 as at 31 March 2011 includes an adjustment due to the write-down in the amount of PLN 1 453 thousand.

23.2 Inventories

The value of inventory presented in the consolidated financial statements as at 31 March 2011 includes an adjustment due to the write-down in the amount of PLN 5,786 thousand.

23.3 Receivables

The value of receivables presented in the consolidated financial statements as at 31 March 2011 includes an adjustment due to the write-down in the amount of PLN 6 950 thousand.

The value of the write-down is composed of:

the write-down of the claims and contested debts from contractors	- PLN5 468 thousand
the write-down of the so-called doubtful receivables	PLN 1 175 thousand
the write-down of receivables from employees and others	PLN 307 thousand

23.4 Provisions

The amount of the provisions presented in the consolidated financial statements as at 31 March 2011 amounting to PLN 7 070 thousand, consists of the following items:

- provision for gratuities PLN 1 112 thousand
- provision for holiday compensation PLN 3 455 thousand
- provision for the deferred income tax in the amount of: PLN 2 503 thousand

23.5 Income tax

The amount of the income tax presented in the consolidated income statement for the period from 01.01.2011 to 31.03.2011 amounts to PLN 4 929 thousand and includes:

- the current part PLN 3 690 thousand
- the deferred part 1 239 thousand

23.6 Exchange differences

In the consolidated income statement prepared as at 31.03.2011 there were disclosed foreign exchange gains compensating the losses of PLN 13 723 thousand.

23.7 Segments of operation

Revenues and financial results for geographical segments for the period from 1 January 2011 to 31 March 2011 and for the comparative period have been presented in the tables below.

LPP Group
Interim condensed financial statements for the first quarter of 2011
The statements have been prepared in PLN thousand
The year 2011 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	427 153	73 369			500 522
Sales between segments	44 249		-44 249		-
Other operating revenues	3 147	213		116	3 476
Total revenues	474 549	73 582	-44 249	116	503 998
Total operating expenses, including	433 311	75 440	-45 743	25 260	488 268
Costs of sales between segments	36 350		-36 350		-
Other operating expenses	4 324	566			4 890
Segment results	36 914	- 2 424	1 494	-25 144	10 840
Financial revenues				14 792	14 792
Financial expenses				6 567	6 567
Profit / loss before tax					19 065
Income tax					4 929
Net loss					14 136

LPP Group
Interim condensed financial statements for the first quarter of 2011
The statements have been prepared in PLN thousand
The year 2010 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	368 726	55 789			424 515
Sales between segments	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 expenses, including	365 973	56 406	-30 030	22 512	414 861
Costs of sales between segments	22 905		-22 905		-
Other operating expenses	5 172	1 517			6 689
Segment results	33 246	- 1 528	-842	-22 410	8 466
Financial revenues				2 076	2 076
Financial expenses				11 419	11 419
Profit / loss before tax					-877
Income tax					3 907
Net loss					-4 784

24. Notes to the individual financial statements of LPP SA

As a result of the estimation of the balance sheet value of the assets engaged in the foreign subsidiaries in the period from January to March 2011, there was made the individual balance sheet representing the assets items: shares, capital supplement payments, loans and receivables, also included in the financial and operating expenses and revenues of the individual income statement, was introduced in the total amount, which reduces the assets item, including the deferred tax, of PLN 2 132 thousand.

This change, reflected in relevant items of the individual financial statements of LPP S.A., has no influence on the amounts presented in the consolidated financial statements.