

LPP S.A. CAPITAL GROUP

The report for the first half of 2010.

INCLUDING:

1. Statement of the Management Board complying with the requirements of the Ordinance of the Council of Ministers of 19 February 2009 on the current and interim information submitted by issuers of securities and the conditions for recognising as equivalent the information required under the Non-Member State law.
2. Interim Condensed Consolidated Financial Statements for the period from 1 January 2010 to 30 June 2010.
3. Additional information and explanations to the interim condensed consolidated financial statements for the first half of 2010.
4. Interim Condensed Individual Financial Statements for the period from 1 January 2010 to 30 June 2010.
5. Half-Yearly Report on the Activity of LPP S.A. Capital Group for the first half of 2010

August 2010

STATEMENT OF THE MANAGEMENT BOARD OF LPP SA

Pursuant to the requirements of the Ordinance of the Council of Ministers of 19 February 2009 on current and interim information submitted by the issuers of securities and conditions for recognising the information as equivalent under the Non-Member State law, the Management Board of LPP S.A. declares that:

- to the best of the Board's knowledge, the half-yearly consolidated financial statements and comparative data have been prepared according to the applicable accounting principles and present in a true, reliable and clear manner the economic and financial position of LPP Capital Group and its financial result,
- to the best of the Board's knowledge, the half-yearly individual financial statements and comparative data have been prepared according to the applicable accounting principles and present in a true, reliable and clear manner the economic and financial position of LPP company and its financial result
- the half-yearly consolidated report of the Management Board presents a true and fair view of the development and achievements of LPP Capital Group, including an accurate description of risks and threats,
- the entity authorised to audit financial statements that conducted an audit of the half-yearly individual and consolidated financial statements has been appointed pursuant to the applicable legal provisions. This entity and statutory auditors who performed audits satisfied all requirements to prepare an impartial and independent audit report, pursuant to the applicable provisions of the Polish law.

The Management Board of LPP S.A.:

Marek Piechocki – President of the Management Board

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Dariusz Pachla – Vice President of the Management Board

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Jacek Kujawa – Vice President of the Management Board

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Piotr Dyka – Vice President of the Management Board

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Hubert Komorowski – Vice President of the Management Board

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Gdańsk, 18 August 2010

GRUPA KAPITAŁOWA LPP (LPP Capital Group)

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**Interim Condensed Consolidated Financial Statement
for the period from 01.01.2010 to 30.06.2010**

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

	First half of 2010	First half of 2009	First half of 2010	First half of 2009
Selected consolidated financial data	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009
	in PLN '000		in EUR '000 EUR	
Net revenues from sales of products, goods and materials	906 073	953 948	226 281	211 125
Operating profit (loss)	48 218	37 072	12 042	8 205
Gross profit (loss)	49 662	31 576	12 402	6 988
Net Profit (Loss)	33 074	22 212	8 260	4 932
Net cash flow from operating activities	48 662	35 605	12 153	7 880
Net cash flow from investing activities	-109 013	-48 041	-27 225	-10 632
Net cash flow from financing activities	-18 439	-29 097	-4 605	-6 440
Total net cash flow	-78 790	-41 533	-19 677	-9 192

	First half of 2010	First half of 2009	First half of 2010	First half of 2009
Selected consolidated financial data	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009
	in PLN '000		in EUR '000 EUR	
Total assets	1 436 316	1 346 427	346 451	301 241
Long-term liabilities	310 709	276 960	74 945	61 965
Short-term liabilities	497 145	483 620	119 915	108 202
Equity	628 462	585 847	151 590	131 074
Stated capital	3 501	3 492	844	781
Weighted average number of ordinary shares	1 728 879	1 724 669	1 728 879	1 724 669
Profit (loss) per ordinary share (in PLN/EUR)	19.13	12.92	4.78	2.86
Book value per share – BVPS (in PLN/EUR)	363.51	339.69	87.68	76.00

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2. Consolidated balance sheet of LPP S.A. Capital Group

Balance Sheet	as at the end of:		
	30/06/2010	30/06/2009	31/12/2009
ASSETS			
Fixed assets (long-term)	728 222	771 308	739 993
1. Tangible fixed assets	433 427	471 779	442 117
2. Intangible assets	11 892	12 095	12 763
3. Goodwill	183 609	183 203	183 609
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	719	719	719
6. Receivables and loans	1 130	1 416	1 057
7. Deferred income tax assets	19 801	24 374	22 045
8. Accruals	136	214	175
.			
Current assets (short-term)	708 094	575 119	621 610
1. Inventories	389 053	414 843	322 756
2. Receivables	101 863	104 278	93 426
3. Income tax receivables	1 537		
3. Loans	528	470	541
5. Other securities	16 438		
6. Other financial assets	71 452		
7. Accruals	8 531	7 230	7 405
8. Cash and cash equivalents	118 692	48 298	197 482
TOTAL assets	1 436 316	1 346 427	1 361 603

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	30/06/2010	30/06/2009	31/12/2009
LIABILITIES			
Equity	628 462	585 847	685 589
1. Stated capital	3 501	3 492	3 501
2. Treasury shares	-48 751	-48 747	-48 749
3. Share premium account	108 123	108 123	108 123
4. Other reserves	547 559	498 582	512 189
5. Foreign exchange differences on translation of foreign subsidiaries	-3 234	-3 560	509
6. Retained earnings	21 264	27 957	110 016
- profit (loss) from previous years	-11 810	5 745	5 382
- net profit (loss) for the current period	33 074	22 212	104 634
Long-term liabilities	310 709	276 960	347 725
1. Bank credits and loans	191 219	263 537	227 270
2. Issue of debt securities	115 514		115 514
3. Other financial liabilities	158	354	215
4. Provisions for employee benefits	1 064	858	1 031
5. Deferred income tax provision	2 754	12 211	3 695
Short-term liabilities	497 145	483 620	328 289
1. Trade and other payables	377 638	201 377	225 329
2. Income tax liabilities	61	1 837	14 314
3. Bank credits and loans	104 276	271 949	76 472
4. Issue of debt securities	7 609		5 465
5. Other financial liabilities	201	46	367
6. Provisions	4 239	6 339	2 863
7. Special funds	519	118	463
8. Accruals	2 602	1 954	3 016
TOTAL liabilities	1 436 316	1 346 427	1 361 603

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

Consolidated Statements of Comprehensive Income	current year 01/01/2010- 30/06/2010	previous year 01/01/2009- 30/06/2009
Continuing operations		
Revenue from sale	906 073	953 948
Cost of sales	415 342	477 151
Gross profit/loss on sales	490 731	476 797
Other Operating Revenues	13 527	15 487
Costs of sales	394 424	388 152
General administrative expenses	44 730	47 042
Other operating expenses	16 886	20 018
Operating profit/loss	48 218	37 072
Financial Revenues	15 621	8 242
Financial costs	14 177	13 738
Gross profit/loss	49 662	31 576
Tax liabilities	16 588	9 290
Net profit/ loss	33 074	22 286
<hr/>		
Discontinued operations		
Net profit/loss from discontinued operations		-74
Net profit/ loss	33 074	22 212
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Other comprehensive income		
Foreign exchange differences on translation of foreign subsidiaries	-3 743	-491
Total comprehensive income	29 331	21 795

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

Statements of changes in equity	Stated capital	Treasury shares	Share premium account	Other reserves	Minority share	Profit/loss from previous years	Profit/loss from the current period	Foreign exchange differences on translation of foreign subsidiaries	TOTAL equity
As at 1 January 2009	3 492	-48 746	108 123	328 261	314	176 860	0	-3 069	565 235
- adjustments due to errors from previous years						-166			-166
As at 1 January 2009 after adjustments	3 492	-48 746	108 123	328 261	314	176 694	0	-3 069	565 069
Purchase of treasury shares		-1							-1
Profit distribution for FY 2008				170 949		-170 949			0
Share-based remuneration payments				638					638
Transactions with minority interest				-1 266					-1 266
Determination of minority interest as at the balance sheet day					-314				-314
Transactions with owners	0	-1	0	170 321	-314	-170 949	0	0	-943
Net income for the first half of 2009							22 212		22 212
Foreign exchange differences on translation of foreign entities								-491	-491
As at 30 June 2009	3 492	-48 747	108 123	498 582	0	5 745	22 212	-3 560	585 847
As of 1 January 2010	3 501	-48 749	108 123	512 189	0	110 016	0	509	685 589
- adjustments of errors from previous years						-12			-12
As at 1 January 2010 after adjustments	3 501	-48 749	108 123	512 189	0	110 004	0	509	685 577
Purchase of treasury shares		-2							-2
Profit distribution for FY 2009				35 370		-121 814			-86 444
Transactions with owners	0	-2	0	35 370	0	-121 814	0	0	-86 446
Net profit for the first half of 2010							33 074		33 074
Foreign exchange differences on translation of foreign entities								-3 743	-3 743
As at 30 June 2010	3 501	-48 751	108 123	547 559	0	-11 810	33 074	-3 234	628 462

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

Cash flow statement	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009
A. Cash flows from operating activities - indirect method		
I. Gross profit (loss)	49 662	31 502
II. Total adjustments	-1 000	4 103
1. Amortisation and depreciation	47 031	49 474
2. Foreign exchange (gain) loss	496	-4 774
3. Interest and share in profits (dividends)	10 262	10 216
4. (Profit) loss from investing activities	-658	-2 269
5. Income tax paid	-30 113	-45 766
6. Change in provisions	1 299	-974
7. Change in inventories	-59 633	53 110
8. Change in receivables	-14 151	6 124
9. Change in short-term payables, excluding credits and loans	42 908	-57 986
10. Change in accruals	-1 540	-3 753
11. Other adjustments	3 099	701
III. Net cash flow from operating activities	48 662	35 605
B. Cash flow from investing activities		
I. Cash inflows	13 838	4 043
1. Sale of intangible assets and tangible fixed assets	13 160	3 737
2. From financial assets, including:	678	306
a) in affiliates	549	0
- dividends and profit sharing	549	
b) in other entities	129	306
- disposal of financial assets		
- repayment of short-term loans granted	116	238
- interest	13	68
3. Other investment receipts		

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II. Expenditure	122 851	52 084
1. Acquisition of intangible assets and tangible fixed assets	36 750	50 504
2. On financial assets, including:	16 101	0
a) in affiliates	0	0
- shares acquisition		
- granted short-term loans		
- granted long-term loans		
b) in other entities	16 101	0
- acquisition of financial assets	16 000	
- granted short-term loans	28	
- granted long-term loans	73	
3. Other investing outflows	70 000	1 580
III. Net cash flow from investing activities	-109 013	-48 041
C. Cash flow from financing activities		
I. Cash inflows	33 467	35 951
1. Inflows from issue of shares		
2. Credits and loans	33 467	35 951
3. Other financial inflows		
II. Expenditure	51 906	65 048
1. Purchase of treasury shares	2	1
2. Repayment of credits and loans	40 841	49 491
3. Payments under finance lease agreements	188	277
4. Interest	10 875	15 279
5. Other financial outflows		
III. Net cash flow from financial activity	-18 439	-29 097
D. Total net cash flow	-78 790	-41 533
E. Balance sheet change in cash, including	-78 790	-41 533
- change in cash – foreign exchange differences	3 581	1 405
F. Opening cash balance	197 482	89 831
G. G. Closing cash balance, including:	118 692	48 298
- restricted cash	494	98

Additional information and explanations to the interim
condensed consolidated financial statements for the first half
of 2010.

ADDITIONAL INFORMATION AND EXPLANATIONS TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2010

1. General Information

The parent company of the LPP Capital Group (hereinafter referred to as "Capital Group", "Group") is LPP Spółka Akcyjna (hereinafter referred to as "Parent Company").

The Parent Company is entered in the Register of Entrepreneurs of the National Court Register in the Gdańsk Północ District Court for the city of Gdańsk - 7th Commercial Division under KRS number 0000000778. The Parent Company has been given a statistical REGON number 190852164.

The seat of the Parent Company is at ul. Łąkowa 39/44 in Gdańsk 80-769.

The Parent Company and the Group are operating a business on the territory of the following countries: Poland, Estonia, Czech Republic, Lithuania, Latvia, Hungary, Russia, Ukraine, Romania, Bulgaria, Slovakia.

LPP S.A. is a company involved in the design and distribution of clothing in Poland and in Central and Eastern Europe. Basic products of the company are labelled with the trademarks of: Reserved, Cropp, House, Mohito and Esotiq. Consolidated Capital Group subsidiaries are involved in the distribution of goods outside Poland. Clothing is basically the only product sold by the CG companies. The basic offer of CG companies is supplemented by footwear, bags and accessories.

Designs of clothing are prepared in the design office located at the registered office of LPP S.A. in Gdańsk and for the brands House and Mohito in the design office in Krakow and then forwarded to the purchasing department, which subcontracts the production of individual products cooperating with manufacturing plants in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai. The Capital Group also generates small revenues from sales of services (these include only the revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish business partners and the lease of transport vehicles).

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

LPP Capital Group is composed of:

- LPP S.A. – as the parent company,
- - 19 Polish subsidiaries,
- - 13 foreign subsidiaries.

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

No.	Company name	Registered office	Date of the
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		takeover
1.	G&M Sp. z o.o.	Gdańsk, Poland 26.09.2001
2.	M&G Sp. z o.o. in liquidation	Gdańsk, Poland 26.09.2001
3.	AKME Sp. z o.o. in liquidation	Gdańsk, Poland 26.09.2001
4.	TORA Sp. z o.o.	Gdańsk, Poland 26.09.2001
5.	P&G Sp. z o.o. in liquidation	Gdańsk, Poland 26.09.2001
6.	SL&DP Sp. z o.o. in liquidation	Gdańsk, Poland 26.09.2001
7.	DP&SL Sp. z o.o.	Gdańsk, Poland 26.09.2001
8.	IL&DL Sp. z o.o.	Gdańsk, Poland 26.09.2001
9.	PL&GM Sp. z o.o. in liquidation	Gdańsk, Poland 26.09.2001
10.	GM&PL Sp. z o.o. in liquidation	Gdańsk, Poland 26.09.2001
11.	AMA Sp. z o.o. in liquidation	Gdańsk, Poland 28.05.2002
12.	LIMA Sp. z o.o. in liquidation	Gdańsk, Poland 22.07.2002
13.	LUMA Sp. z o.o.	Gdańsk, Poland 05.11.2002
14.	KAMA Sp. z o.o. in liquidation	Gdańsk, Poland 29.10.2002
15.	KUMA Sp. z o.o. in liquidation	Gdańsk, Poland 05.11.2002
16.	AMUL Sp. z o.o. in liquidation	Gdańsk, Poland 29.10.2002
17.	AMUK Sp. z o.o. in liquidation	Gdańsk, Poland 15.05.2003
18.	AMUR Sp. z o.o.	Gdańsk, Poland 09.05.2003
19.	MM&MR Sp. z o.o. in liquidation	Gdańsk, Poland 09.03.2005
20.	LPP Retail Estonia OU	Tallinn, Estonia 29.04.2002
21.	LPP Czech Republic s.r.o.	Prague, Czech Rep. 16.09.2002
22.	LPP Hungary Kft	Budapest, Hungary 18.10.2002
23.	LPP Retail Latvia Ltd	Riga, Latvia 30.09.2002
24.	UAB LPP	Vilnius, Lithuania 27.01.2003
25.	LPP Ukraina	Peremyshlany, Ukraine 23.07.2003
26.	RE Trading Zamknięta Spółka Akcyjna (closed joint stock company)	Moscow, Russia 12.02.2004
27.	LPP Fashion Distribuitor srl	Bucharest, Romania 12.08.2007
28.	ES Style	Moscow, Russia 10.03.2008
29.	FASHION POINT	Moscow, Russia 01.04.2008
30.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria 14.08.2008
31.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia 30.10.2008
32.	Artman Mode s.r.o.	Ostrava, Czech Rep. 30.10.2008

LPP S.A. holds direct control in its subsidiaries due to its 100% share in their capital and 100% of the total number of votes held.

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The consolidated financial statements of the Capital Group for the period from 1 January to 30 June 2010 covers individual results of LPP S.A. and the results of foreign subsidiaries listed below:

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

Polish subsidiaries of LPP S.A. were not consolidated due to the immateriality of the financial data. This is in accordance with the Accounting Policy employed by the Group.

Under this policy, a subsidiary or affiliate is not consolidated if the results disclosed in the financial statements of this entity are immaterial in relation 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 of the 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, but established in relation to relevant amounts of the consolidated financial statements, based on the assumption that the statements cover all subsidiaries and associates with no exceptions.

Share in consolidated results of all non-consolidated Polish subsidiaries is as follows:

- in the Capital Group's balance sheet total – 0.11 %
- in the Capital Group's revenues from sales and financial revenues – 0.48 %

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.

2. Basis for preparation and accounting principles

2.1. Basis for preparation

The report of the LPP S.A. Capital Group for the first half of 2010 includes the condensed consolidated financial statements and additional information and explanations as well as condensed financial statements of the parent company together with additional information.

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements does not include all information that is disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Capital Group for the year 2009.

The reporting currency of this interim condensed consolidated financial statements is Polish zloty, and all amounts are expressed in thousands of PLN.

The interim condensed consolidated financial statements have been prepared with the assumption of the continuation of business activity by the Group companies to be consolidated in the foreseeable future. As of the date of approval of these condensed consolidated financial statements for publication, there are no circumstances indicating a threat to the continuation of activity by these companies.

2.2. Accounting principles

In all its material aspects, the accounting policy applied in this report is in accordance with the policy adopted for the preparation of the consolidated annual financial statements of LPP S.A. Capital Group for FY 2009 drawn up pursuant to the International Financial Reporting Standards (IFRS), except for the following changes of standards and interpretations applied from 1 January 2010:

- IFRS 3 *Business combinations*,
- IAS 27 *Consolidated and Separate Financial Statements*,
- Amendments to IFRS arising from the draft of annual adjustments (*Annual improvements Project 2009*),

IFRS 3 Business combinations

The revised standard has introduced significant changes in accounting principles of call accounting, and in particular in the new approach to determining the goodwill of a company. In the period under examination, the Group did not have any economic phenomena which would be accounted for according to the IFRS 3 standard, which means that the standard did not affect in any way the presented consolidated financial statements.

IAS 27 Consolidated and Separate Financial Statements

The revised standard has introduced in particular changes in the method of accounting for the transactions between a parent and a minority company.

The revised regulations do not affect these consolidated financial statements.

Amendments to IFRS arising from the draft of annual adjustments

As part of annual amendments to IFRS, a number of minor amendments to the standards have been introduced, among which it is worth to mention the amendment to IAS 17 *Leases*. IAS 17 changes the approach to the land leases, which according to the applicable regulations were classified as operating leases. Currently, the classification of a land lease as a finance or operating lease is based on general principles.

The revised regulations do not affect these consolidated financial statements.

2.3. Adjustments of errors and changes of accounting principles.

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There were no adjustments of errors in these financial statements.

3. Business seasonality

Seasonality in sales is a feature characteristic for the clothing market as a whole – both in Poland and abroad. Thus, for example, in the second quarter of the year corresponding to the regular sale of spring-summer collection, the obtained gross margin on sales is higher than in the first quarter.

4. Operating Segments

The LPP Capital Group is operating only one type of business (one core segment). The division into two geographical segments has been applied: business activities on the territory of the European Union and outside the EU. Division into geographical segments has been based on the criterion of location of the Group's assets.

Revenues and financial results of geographical segments for the period from 1 January 2010 to 30 June 2010, as well as for the corresponding period, are presented in the following tables.

First half of 2010 in thousand PLN

	EU Member States	Other countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales	784 955	121 118			906 073
Sales between segments	51 247		-51 247		-
Other operating revenues	8 142	3 096		2 289	13 527
Total revenues	844 344	124 214	-51 247	2 289	919 600
Total operating expenses, including:	751 296	110 019	-51 549	44 730	854 496
Costs of sales between segments	37 684		-37 684		-
Other operating expenses	11 645	5 241			16 886
Segment result	81 403	8 954	302	-42 441	48 218
Financial revenues				15 621	15 621
Financial costs				14 177	14 177
Profit before tax					49 662
Income tax					16 588
Net profit from continuing operations					33 074

First half of 2010 in thousand PLN

	EU Member States	Other countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales	850 817	103 131			953 948

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Sales between segments	51 722		-51 722		-
Other operating revenues	10 288	422		4 777	15 487
Total revenues	912 827	103 553	-51 722	4 777	969 435
Total operating expenses, including:	813 877	102 010	-50 584	47 042	912 345
Costs of sales between segments	40 219		-40 219		-
Other operating expenses	16 043	3 975			20 018
Segment result	82 907	-2 432	-1 138	-42 265	37 072
Financial revenues				8 242	8 242
Financial costs				13 738	13 738
Profit before tax					31 576
Income tax					9 290
Net profit from continuing operations					22 286
Net loss from discontinued operations	-74				-74
Net profit					22 212

5. Convertible bonds

In July 2009, as result of private placement, 80 846 series A bonds convertible into series K bearer shares were acquired.

The right to acquire series K shares through conversion of bonds may be executed every 6 months after the date of interest payment for the passing period.

In January 2010, interest on bonds was paid in the amount of PLN 4 138 thousand. None of the bondholders exercised their right to convert the bonds into shares.

The amount of costs related to the issued bonds charged to the profit and loss account in the period of the first half of 2010 was PLN 6 282 thousand.

6. Tangible fixed assets

LPP Capital Group has incurred liabilities in the amount of PLN 2 286 thousand for the purchase of tangible fixed assets. In comparative periods this amount reached the following levels:

- as at 30.06.2009 - PLN 4 260 thousand,
- as at 31.12.2009r. - PLN 818 thousand.

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CHANGES OF FIXED ASSETS (acc. to generic groups) in the period from 01.01.2010 to 30.06.2010 in PLN thousand

	land	buildings, facilities, civil- and hydro- engineering structures	technical equipment and machinery	means of transport	other fixed assets	fixed assets under construction	Fixed assets, total
1) gross value of fixed assets at the beginning of the performance period	19 174	480 909	118 543	11 987	90 912	23 901	745 426
- foreign exchange differences		7 098	2 371	72	4 133	385	14 059
- increase		29 889	4 996	805	13 369	30 864	79 923
- decrease		7 995	6 471	730	1 361	46 123	62 680
2) gross value of fixed assets at the end of the performance period	19 174	509 901	119 439	12 134	107 053	9 027	776 728
3) opening balance accumulated depreciation	0	169 449	69 416	5 173	49 095	0	293 133
- depreciation	0	26 151	8 633	826	8 910	0	44 520
- foreign exchange differences		2 975	1 560	41	1 846		6 422
- decrease	0	4 796	4 414	539	-1 444	0	8 305
4) closing balance accumulated depreciation	0	193 779	75 195	5 501	61 295	0	335 770
5) impairment write-offs at the beginning of the performance period	0	9 063	955	0	158	0	10 176
- increase	0	567	37	0	11	0	615
- decrease	0	2 919	174	0	167	0	3 260
6) impairment write-offs at the end of the performance period	0	6 711	818	0	2	0	7 531
Total net value of fixed assets at the end of the performance period	19 174	309 411	43 426	6 633	44 756	9 027	433 427

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CHANGES OF FIXED ASSETS (acc. to generic groups) in the period from 01.01.2009 to 31.12.2009 in PLN thousand

	land	buildings, facilities, civil- and hydro- engineering structures	technical equipment and machinery	means of transport	other fixed assets	fixed assets under construction	Fixed assets, total
1) gross value of fixed assets at the beginning of the performance period	19 174	440 702	103 174	11 236	74 623	16 289	665 198
- foreign exchange differences		-4 366	-954	-36	-1 739	-178	-7 273
- increase		44 300	14 839	174	12 042	72 728	144 083
-increase due to the merger of the company with Artman		10 669	7 864	1 509	7 892	0	27 934
- decrease		10 396	6 380	896	1 906	64 938	84 516
2) gross value of fixed assets at the end of the performance period	19 174	480 909	118 543	11 987	90 912	23 901	745 426
c) accumulated depreciation at the beginning of the performance period	0	113 666	46 529	2 597	26 561	0	189 353
- depreciation	0	51 992	20 570	1 778	16 814	0	91 154
- foreign exchange differences		-2 034	-1 143	-29	-603		-3 809
-increase		11 144	8 395	1 549	7 888		28 976
- decrease	0	5 319	4 935	722	1 565	0	12 541
d) accumulated depreciation at the end of the performance period	0	169 449	69 416	5 173	49 095	0	293 133
5) impairment write-offs at the beginning of the performance period	0	6 204	363	0	201	0	6 768
- increase	0	5 555	915	0	0	0	6 470
- decrease	0	2 696	323	0	43	0	3 062
6) impairment write-offs at the end of the performance period	0	9 063	955	0	158	0	10 176
Total net value of fixed assets at the end of the performance period	19 174	302 397	48 172	6 814	41 659	23 901	442 117

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7. Intangible assets

Changes in intangible assets in the period from 01-01-2010 to 30-06-2010 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar rights, including:		intangible assets in progress	total
		total	software		
a) gross value of intangible assets at the beginning of the performance period	443	34 150	30 958	586	35 179
- foreign exchange differences		-6	-6	0	-6
- increase	-	574	574	1 327	1 901
- decrease		34	34	291	325
b) gross value of intangible assets at the end of the performance period	443	34 684	31 492	1 622	36 749
c) accumulated depreciation (amortization) at the beginning of the performance period	443	21 973	19 833	-	22 416
- planned amortisation write-offs	0	2 511	2 461	-	2 511
- foreign exchange differences	0	-70	-70		-70
- decrease	0	0	0		0
d) accumulated depreciation (amortisation) at the end of the performance period	443	24 414	22 224	-	24 857
Total net value of intangible assets at the end of the performance period	0	10 270	9 268	1 622	11 892

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Changes in intangible assets in the period from 01-01-2009 to 31-12-2009 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar rights, including:		intangible assets in progress	total
		total	software		
a) gross value of intangible assets at the beginning of the performance period	443	30 861	29 779	385	31 689
- foreign exchange		-14	-14	0	-14
- increase	-	3 515	1 193	909	4 424
- decrease		212		708	920
b) gross value of intangible assets at the end of the performance period	443	34 150	30 958	586	35 179
c) accumulated depreciation (amortization) at the beginning of the	443	17 282	16 691	-	17 725
- foreign exchange	0	-198	-198		-198
- planned amortisation write-offs	0	4 977	3 340	-	4 977
- decrease	0 88		0		88
d) accumulated depreciation (amortisation) at the end of the performance period	443	21 973	19 833	-	22 416
Total net value of intangible assets at the end of the performance period	0	12 177	11 125	586	12 763

8. Assets write-downs

Inventory write-downs:

	from 01.01 to 30.06.2010	from 01.01 to 30.06.2009	from 01.01 to 31.12.2009
Opening balance	4 484	4 510	4 510
Write-offs recognized as costs in the period	470	1 811	1 868
Reversed write-offs in the period	1 798	457	2 150
Foreign exchange differences	-119	66	256
Closing balance	3 037	5 930	4 484

Receivables and loans write-downs;

	from 01.01 to 30.06.2010	from 01.01 to 30.06.2009	from 01.01 to 31.12.2009
Opening balance	12 603	11 605	11 605
Increases recognized in the reporting period	835	2 882	6 259
Decreases recognized in the reporting period	4 108	1 917	5 338
Foreign exchange differences	89	355	77

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Closing balance	9 419	12 925	12 603
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9. Short-term investments

In the reporting period LPP S.A. acquired participation units in the debt securities fund of defensive nature in the amount of PLN 70 million. Investment book value as at 30 June 2010 amounted to PLN 71 452 thousand.

Moreover, in the period under examination, the company acquired commercial secured bonds, currently listed on the Catalyst market, at the price of PLN 16 million, and the book value as at 30 June 2010 amounted to PLN 16 437 thousand.

These are short-term investments and they were valued at fair value through profit or loss.

10. Stated capital

Stated capital of the Group is share capital of the parent company.

As at 30 June 2010 it amounts to PLN 3 501 thousand. This capital is divided into 1,750,277 shares with nominal value of PLN 2 each.

Ownership structure of share capital of LPP S.A. as of 30 June 2010:

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	Nominal value of shares
Marek Piechocki	324 390	1 024 390	32.52%	18.53%	648 780
Jerzy Lubianec	226 338	926 338	29.40%	12.93%	452 676
Grangefont Limited, with its registered office in London, UK	350 000	350 000	11.11%	20.00%	700 000
Aviva OFE	157 962	157 962	5.01%	9.02%	315 924
Other shareholders	691 587	691 587	21.95%	39.51%	1 383 174
TOTAL	1 750 277	3 150 277	100.00%	100.00%	3 500 554

In the current period there were no such events as issuance, redemption and repayment of debt securities.

General Meeting of Shareholders of LPP SA, held on 25 June 2010, adopted a resolution on the introduction of an incentive scheme based on the target capital. The scheme will operate in the years 2010-2013 and within this scheme the maximum of 15 000 series L shares may be acquired. As of the day of signing this Financial Statements the scheme was not initiated.

11. Dividends

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

At the same time, in the reporting period, i.e. on 25 June 2010, by the resolution no. 23, the General Meeting of Shareholders of LPP S.A. decided to allocate part of profits for the year 2009 in the amount of PLN 86 444 thousand for the dividend payment. The date of dividend payment was established on 4 October 2010.

12. Earnings per share

Earnings per share (EPS) ratio is calculated by dividing net profit of the parent company shareholders by the weighted average number of ordinary shares in the given period.

Calculation of EPS is presented below:

	from 01.01 to 30.06.2010	from 01.01 to 30.06.2009	from 01.01 to 31.12.2009
Net profit (loss) for the current period	33 074	22 212	104 721
Weighted average number of ordinary shares	1 728 879	1 724 669	1 726 514
Earnings (loss) per share	19.13	12.88	60.65

13. Provisions

The value of provisions included in the condensed consolidated financial statements and their changes in individual periods were as follows:

	Pension and related benefits provision.	Provision for non- paid remuneration.	Provision for liabilities	Provision for holiday compensation
for the period from 01.01 to 30.06.2010				
Opening balance	1 031	102	39	2 722
- provision creation	1 080	0	476	3 936
-release of provisions	1 047	62	39	2 935
Closing balance	1 064	40	476	3 723
for the period from 1 January to 30 June 2009				
Opening balance	874	5 070	87	3 140
- provision creation	0	2 644	109	1 419
-release of provisions	16	5 070	87	973
Closing balance	858	2 644	109	3 586
for the period from 1 January to 31 December 2009				
Opening balance	874	5 070	87	3 140
- provision creation	238	2 058	39	1 955
-release of provisions	81	7 026	87	2 373
Closing balance	1 031	102	39	2 722

14. Contingent liabilities

In the first half of 2010, Capital Group companies used bank guarantees to secure payment of rent for leased retail premises where brand stores are located.

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The total amount of bank guarantees issued at the request and on the responsibility of LPP S.A. as at 30 June 2010, was PLN 100 336 thousand, including:

- a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 51 320 thousand
- b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 45 564 thousand.
- c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 3 452 thousand

As at 30 June 2010, the total amount of all sureties issued by the Parent Company reached PLN 13 247 thousand, up by PLN 960 thousand vs. 31 December 2009.

According to the Management Board, outflow of funds disclosed under off-balance sheet / contingent liabilities is unlikely. The majority of these liabilities are related to guarantees securing payment of rent by the Capital Group companies, and, to a smaller extent, securing credits granted by banks to customers of LPP S.A. for the purchase of the Company's goods. In the reporting period, neither the Issuer nor a subsidiary has granted a credit or loan warranty or granted a guarantee - to a single entity or subsidiary of this entity, of value exceeding 10% of the Issuer's equity.

15. Income tax

The main components of the tax liabilities of the Group for the period from 1 January to 30 June 2010 and the comparative period are shown in the table.

	from 1 January to 30 June 2010	from 1 January to 30 June 2009
Current income tax	14 668	15 670
Deferred income tax	1 920	-6 380
TOTAL	16 588	9 290

16. Related party transactions

The Group's related parties include:

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

16.1 Key personnel

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

The amount of short-term employee benefits received by key management personnel for the period between 1 January and 30 June 2010 was PLN 1 018 thousand.

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Key personnel perform management functions in affiliated companies, but do not receive salaries or rewards for performing those functions.

16.2 Transactions with affiliated entities

No.	AFFILIATED ENTITIES	payables as at 30.06.2010	receivables as at 30.06.2010	revenues in the first half of 2010	PLN (000) costs in the first half of 2010
1.	Polish subsidiaries – total	611	7	49	5 450
TOTAL		611	7	49	5 450

No.	AFFILIATED ENTITIES	payables as at 31 December 2009	receivables as at 31 December 2009	revenues in the first half of 2009	PLN (000) costs in the first half of 2009
1.	Polish subsidiaries – total	1 003	349	3 412	20 453
total		1 003	349	3 412	20 453

The values presented in the table show only intercompany transactions between LPP SA and 19 Polish non-consolidated subsidiaries and are presented from the point of view of the parent company.

Data presented as payables of LPP SA are receivables in affiliated companies, and costs are equivalent to revenues of the given companies.

All transactions with affiliated entities were concluded at arm's length.

Revenues from Polish companies are generated from 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, Reserved and Esotiq brand stores.

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

17. Post-balance sheet events

As per IAS 10, events after the balance sheet date (post-balance sheet events) include all events that occurred between the balance sheet date and the date of approving the financial statements for publication.

After the examined period there was no event that would require a description in accordance with IAS 10.

18. Additional information and explanations to the individual interim financial statements of LPP SA

18.1. Tangible fixed assets

LPP S.A. incurred liabilities in the amount of PLN 27 thousand for the purchase of tangible fixed assets. In comparative periods this amount reached the following levels:

- as at 30.06.2009 - PLN 4 260 thousand,
- as at 31.12.2009r. - PLN 245 thousand.

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CHANGES OF FIXED ASSETS (acc. to generic groups) in the period from 01.01.2010 to 30.06.2010 in PLN thousand

	land	buildings, facilities, civil- and hydro- engineering structures	technical equipment and machinery	means of transport	other fixed assets	fixed assets under construction	Fixed assets, total
1) gross value of fixed assets at the beginning of the performance period	19 175	350 137	73 303	10 598	56 045	21 187	530 445
- increase	0	26 192	3 898	653	5 993	21 974	58 710
- decrease	0	1 492	1 626	681	696	38 384	42 879
2) gross value of fixed assets at the end of the performance period	19 175	374 837	75 575	10 570	61 342	4 777	546 276
3) opening balance accumulated depreciation	0	119 861	41 466	4 494	34 047	0	199 868
- depreciation	0	17 111	4 800	681	4 941	0	27 533
-increase	0	0	0	0	0		0
- decrease	0	1 134	1 489	499	598	0	3 720
4) closing balance accumulated depreciation	0	135 838	44 777	4 676	38 390	0	223 681
5) impairment write-offs at the beginning of the performance period	0	3 259	0	0	0	0	3 259
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) impairment write-offs at the end of the performance period	0	3 259	0	0	0	0	3 259
Total net value of fixed assets at the end of the performance period	19 175	235 740	30 798	5 894	22 952	4 777	319 336

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CHANGES OF FIXED ASSETS (acc. to generic groups) in the period from 01.01.2009 to 31.12.2009 in PLN thousand

	land	buildings, facilities, civil- and hydro- engineering structures	technical equipment and machinery	means of transport	other fixed assets	fixed assets under construction	Fixed assets, total
1) gross value of fixed assets at the beginning of the performance period	16 738	279 773	56 856	8 921	34 154	12 132	408 574
- increase	0	19 860	8 839	0	5 599	60 385	94 683
-increase due to the merger of the company with Artman	2 437	54 804	11 295	2 161	17 445	393	88 535
- decrease	0	4 300	3 687	484	1 153	51 723	61 347
2) gross value of fixed assets at the end of the performance period	19 175	350 137	73 303	10 598	56 045	21 187	530 445
3) opening balance accumulated depreciation	0	78 542	26 587	2 457	16 459	0	124 045
- depreciation	0	30 022	9 722	1 279	8 395	0	49 418
-increase	0	14 335	8 769	1 082	10 141		34 327
- decrease	0	3 038	3 612	324	948	0	7 922
4) accumulated depreciation (amortisation) at the end of the performance period	0	119 861	41 466	4 494	34 047	0	199 868
5) impairment write-offs at the beginning of the performance period	0	3 367	0	0	0	0	3 367
- increase	0	1 834	0	0	0	0	1 834
- decrease	0	1 942	0	0	0	0	1 942
6) impairment write-offs at the end of the performance period	0	3 259	0	0	0	0	3 259
Total net value of fixed assets at the end of the performance period	19 175	227 017	31 837	6 104	21 998	21 187	327 318

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18.2. Intangible assets

Changes in intangible assets in the period from 01-01-2010 to 30-06-2010 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar rights, including:		intangible assets in progress	total
		total	software		
a) gross value of intangible assets at the beginning of the performance period	443	35 464	31 901	586	36 493
- increase	-	537	537	1 327	1 864
- decrease		0	0	291	291
b) gross value of intangible assets at the end of the performance period	443	36 001	32 438	1 622	38 066
c) accumulated depreciation (amortization) at the beginning of the performance period	443	23 738	22 691	0	24 181
- planned amortisation write-offs	0	2 348	2 298	0	2 348
- decrease	0	0	0	0	0
d) accumulated depreciation (amortisation) at the end of the performance period	443	26 086	24 989	0	26 529
Total net value of intangible assets at the end of the performance period	0	9 915	7 449	1 622	11 537

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Changes in intangible assets in the period from 01-01-2009 to 31-12-2009 in PLN thousand

	costs of completed development works	acquired concessions, patents, licenses and similar rights, including:		intangible assets in progress	total
		total	software		
a) gross value of intangible assets at the beginning of the performance period	443	29 239	28 157	385	30 067
- increase	-	3 501	1 179	909	4 410
-increase due to the merger of the company with Artman		2 936	2 565		2 936
- decrease		212	0	708	920
b) gross value of intangible assets at the end of the performance period	443	35 464	31 901	586	36 493
c) accumulated depreciation (amortization) at the beginning of the performance period	443	16 535	15 944	0	16 978
- planned amortisation write-offs	0	4 657	4 443	0	4 657
- increase		2 634	2 304		2 634
- decrease	0	88	0	0	88
d) accumulated depreciation (amortisation) at the end of the performance period	443	23 738	22 691	0	24 181
Total net value of intangible assets at the end of the performance period	0	11 726	9 210	586	12 312

18.3. Write-downs of assets

Write-downs of share value:

	from 1 January to 30 June 2010	from 1 January to 30 June 2009	from 1 January to 31 December 2009
Opening balance	24 998	19 027	19 027
Write-downs resulting from the merger with Artman			3 096
Write-offs recognized as costs in the period	427	3 504	4 168
Reversed write-offs in the period	2 303	38	1 293
Closing balance	23 122	22 493	24 998

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Write-downs of loan value

	from 1 January to 30 June 2010	from 1 January to 30 June 2009	from 1 January to 31 December 2009
Opening balance	32 859	25 822	25 822
Write-downs resulting from the merger with Artman			4 043
Write-offs recognized as costs in the period	9 758	8 038	10 882
Reversed write-offs in the period	2 827	5 649	7 888
Closing balance	39 790	28 211	32 859

Inventory write-downs

	from 1 January to 30 June 2010	from 1 January to 30 June 2009	from 1 January to 31 December 2009
Opening balance	2 372	2 639	2 639
Write-downs resulting from the merger with Artman			419
Write-offs recognized as costs in the period	0	866	866
Reversed write-offs in the period	1 012	0	1 552
Closing balance	1 360	3 505	2 372

Receivables write-downs

	from 1 January to 30 June 2010	from 1 January to 30 June 2009	from 1 January to 31 December 2009
Opening balance	60 950	37 429	37 429
Write-downs resulting from the merger with Artman			4 369
Increases recognized in the reporting period	40 389	41 948	53 237
Decreases recognized in the reporting period	4 327	10 061	34 085
Closing balance	97 012	69 316	60 950

18.4. Earnings per share

Earnings per share (EPS) ratio is calculated by dividing net profit of the parent company shareholders by the weighted average number of ordinary shares in the given period.

Calculation of EPS is presented below:

	from 1 January to 30 June 2010	from 1 January to 30 June 2009	from 1 January to 31 December 2009
Net profit (loss) for the current period	36 422	27 235	121 814
Weighted average number of ordinary shares	1 728 879	1 724 699	1 726 514
Profit (loss) per ordinary share	21.07	15.79	70.55

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18.5. Provisions

The value of provisions included in the condensed individual financial statements and their changes in particular periods were as follows:

	Pension and related benefits provision.	Provision for non-paid remuneration.	Provision for liabilities	Provision for holiday compensation
for the period from 1 January to 30 June 2010				
Opening balance	1 025	102	0	1 260
- provision creation	1 074		0	3 800
-release of provisions	1 047	62	0	2 935
Closing balance	1 052	40	0	2 125
for the period from 1 January to 30 June 2009				
Opening balance	845	2 648	0	789
- provision creation	7	1 115	0	1 403
-release of provisions	23	2 431	0	732
Closing balance	829	1 332	0	1 460
for the period from 1 January to 31 December 2009				
Opening balance	845	2 648	0	789
- provision creation	232	2 058	0	1 250
-release of provisions	52	4 604	0	779
Closing balance	1 025	102	0	1 260

18.6. Income tax

The main components of the tax liabilities of the LPP S.A. company for the period from 1 January to 30 June 2010 and the comparative period are shown in the table.

	from 1 January to 30 June 2010	from 1 January to 30 June 2009
Current income tax	14 493	15 424
Deferred income tax	-4 085	-9 392
TOTAL	10 408	6 032

18.7. Transactions with affiliated entities

The LPP S.A. affiliated entities include:

- foreign and Polish companies controlled by LPP by direct ownership of their shares,
- members of key management personnel of LPP and their close family members,
- entities controlled or significantly influenced by members of the key personnel of LPP Capital Group or their close family members, within the meaning pursuant to IAS 24.

18.7.1 Key personnel

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The key management personnel of LPP S.A. includes members of the Management and Supervisory Boards of the parent company.

The amount of employee benefits received by key management personnel for the period between 1 January and 30 June 2010 was PLN 1 018 thousand.

Key personnel perform management functions in affiliated companies, but do not receive salaries or rewards for performing those functions.

18.7.2 Transactions with affiliated entities

No.	AFFILIATED ENTITIES	payables as at 30.06.2010	receivables as at 30.06.2010	revenues in the first half of 2010	PLN (000) costs in the first half of 2010
1.	Polish subsidiaries	611	7	49	5 450
2.	Foreign subsidiaries	0	295 521	114 055	84 064
TOTAL		611	295 528	114 104	89 514

No.	AFFILIATED ENTITIES	payables as at 31 December 2009	receivables as at 31 December 2009	revenues in the first half of 2009	PLN (000) costs in the first half of 2009
1.	Polish subsidiaries	1 003	349	4 065	20 989
2.	Foreign subsidiaries	0	177 656	122 113	93 145
TOTAL		1 003	178 005	126 178	114 134

19. Approval for publication

GRUPA KAPITAŁOWA LPP (LPP Capital Group)

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The Condensed Interim Financial Statements for the period of 6 months ended 30 June 2010 (including comparative data) has been approved for publication by the Management Board of LPP S.A. on 18 August 2010.

Signatures of all members of the Management Board of LPP S.A.

Marek Piechocki – President of the Management Board
.....

Dariusz Pachla – Vice President of the Management Board
.....

Jacek Kujawa – Vice President of the Management Board
.....

Piotr Dyka – Vice President of the Management Board
.....

Hubert Komorowski – Vice President of the Management Board
.....

Gdańsk, 18 August 2010

**Interim Condensed Individual Financial Statement
for the period from 1 January 2010 to 30 June 2010**

GRUPA KAPITAŁOWA LPP (LPP Capital Group)

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1. Selected individual financial data of LPP S.A.

	1st half of 2010	1st half of 2009	1st half of 2010	1st half of 2009
Selected financial data	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009
	in PLN thousand		in EUR thousand EUR	
Net revenues from sales of products, goods and materials	798 786	695 753	199 487	153 982
Operating profit (loss)	29 781	37 709	7 437	8 346
Gross profit (loss)	46 830	33 267	11 695	7 363
Net Profit (Loss)	36 422	27 235	9 096	6 028
Net cash flow from operating activities	26 061	56 519	6 508	12 509
Net cash flow from investing activities	-99 542	-23 192	-24 859	-5 133
Net cash flow from financing activities	-13 394	-47 647	-3 345	-10 545
Total net cash flow	-86 875	-14 320	-21 696	-3 169

	1st half of 2010	1st half of 2009	1st half of 2010	1st half of 2009
Selected financial data	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009
	in PLN '000		in EUR thousand EUR	
Total assets	1 429 018	1 254 751	344 691	280 730
Long-term liabilities	310 166	242 458	74 815	54 246
Short-term liabilities	476 355	429 846	114 901	96 171
Equity	642 497	582 447	154 975	130 313
Stated capital	3 500	3 492	844	781
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)	21.07	15.79	5.26	3.49
Book value per share – BVPS (in PLN/EUR)	371.63	337.72	89.64	75.56

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2. Balance sheet of LPP S.A.

Balance Sheet	as at the end of:		
	30/06/2010	30/06/2009	31/12/2009
ASSETS			
Fixed assets (long-term)	644 141	678 536	646 472
1. Tangible fixed assets	319 336	280 423	327 318
2. Intangible assets	11 537	11 309	12 312
3. Goodwill	179 618		179 618
4. Trademark	77 508		77 508
5. Investments in subsidiaries	27 343	362 971	19 311
6. Receivables	312	294	5 206
7. Income tax assets	28 351	23 326	25 024
8. Accruals	136	213	175
Current assets (short-term)	784 877	576 215	695 294
1. Inventories	326 810	280 597	266 998
2. Receivables	288 376	265 393	255 025
3. Income tax receivables	1 537		
4. Loans	529	9 359	7 119
5. Other securities	16 438		
6. Other financial assets	71 452		
4. Accruals	4 618	3 536	4 160
5. Cash and cash equivalents	75 117	17 330	161 992
TOTAL assets	1 429 018	1 254 751	1 341 766

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	30/06/2010	30/06/2009	31/12/2009
LIABILITIES			
Equity	642 497	582 447	692 521
1. Stated capital	3 500	3 492	3 500
2. Treasury shares	-48 751	-48 747	-48 749
3. Share premium account	108 123	108 123	108 123
4. Other reserves	546 901	492 344	511 531
5. Retained earnings	32 724	27 235	118 116
- Profit (loss) from previous years	-3 698	0	-3 698
- net profit (loss) for the current period	36 422	27 235	121 814
Long-term liabilities	310 166	242 458	346 823
1. Bank credits and loans	190 873	231 778	226 731
2. Issue of debt securities	115 514		115 514
3. Other financial liabilities			66
4. Provisions for employee benefits	1 052	829	1 025
5. Deferred income tax provision	2 727	9 851	3 487
Short-term liabilities	476 355	429 846	302 422
1. Trade and other payables	360 133	160 737	206 610
2. Income tax liabilities		1 690	14 207
3. Bank credits and loans	104 276	263 275	71 644
4. Issue of debt securities	7 609		5 465
5. Other financial liabilities	153		252
6. Provisions	2 165	2 792	1 362
7. Special funds	519	118	463
8. Accruals	1 500	1 234	2 419
TOTAL liabilities	1 429 018	1 254 751	1 341 766

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3. Uniform individual statements of comprehensive income of LPP S.A.

Uniform statements of comprehensive income	current year 01/01/2010- 30/06/2010	previous year 01/01/2009- 30/06/2009
Revenue from sale	798 786	695 753
Cost of sales	412 623	391 829
Gross profit/loss on sales	386 163	303 924
Other operating revenues	8 497	21 032
Costs of sales	284 016	201 779
General administrative expenses	33 033	33 377
Other operating expenses	47 830	52 091
Operating profit/loss	29 781	37 709
Financial revenues	40 920	19 041
Financial costs	23 871	23 483
Gross profit/loss	46 830	33 267
Tax liabilities	10 408	6 032
Net profit/loss	36 422	27 235
Total comprehensive income	36 422	27 235

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4. Statements of changes in equity of LPP S.A.

Statements of changes in equity	Other reserves						TOTAL equity
	Stated capital	Treasury shares	Share premium account		Profit (loss) from previous years	Profit (loss) from the current period	
As at 1 January 2009	3 492	-48 746	108 123	327 686	164 658	0	555 213
- adjustments of errors from previous years							0
As at 1 January 2009 after adjustments	3 492	-48 746	108 123	327 686	164 658	0	555 213
Costs of buy-back of treasury shares		-1					-1
Net profit appropriation for the year 2008				164 658	-164 658		0
Transactions with owners	0	-1	0	164 658	-164 658	0	-1
Net profit for the first half of 2009						27 235	27 235
As at 30 June 2009	3 492	-48 747	108 123	492 344	0	27 235	582 447
As of 1 January 2010	3 500	-48 749	108 123	511 531	118 116	0	692 521
- adjustments of errors from previous years							0
As at 1 January 2010 after adjustments	3 500	-48 749	108 123	511 531	118 116	0	692 521
Costs of buy-back of treasury shares		-2					-2
Net profit distribution for FY 2009				35 370	-121 814		-86 444
Transactions with owners	0	-2	0	35 370	-121 814	0	-86 446
Net profit for the first half of 2010						36 422	36 422
As at 30 June 2010	3 500	-48 751	108 123	546 901	-3 698	36 422	642 497

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5. Individual cash flow statement of LPP S.A.

Cash flow statement	01/01/2010- 30/06/2010	01/01/2009- 30/06/2009
A. Cash flows from operating activities - indirect method		
I. Gross profit (loss)	46 830	33 267
II. Total adjustments	-20 769	23 252
1. Amortisation and depreciation	29 881	23 965
2. Foreign exchange (gain) loss	-1 219	-3 787
3. Interest and share in profits (dividends)	9 604	8 915
4. (Profit) loss from investing activities	4 849	1 510
5. Income tax paid	-29 876	-38 193
6. Change in provisions	830	-660
7. Change in inventories	-59 812	36 261
8. Change in receivables	-41 988	10 153
9. Change in short-term payables, excluding credits and loans	68 299	-12 000
10. Change in accruals	-1 337	-2 912
11. Other adjustments	0	0
III. Net cash flow from operating activities	26 061	56 519
B. Cash flow from investing activities		
I. Inflows	14 706	7 512
1. Sale of intangible assets and tangible fixed assets	12 143	2 532
2. From financial assets, including:	2 563	4 980
a) in affiliates	2 434	4 731
- interest and dividends	1 316	748
- granted loans repayment	1 107	3 983
- other	11	0
b) in other entities	129	249
- interest	13	11
- granted loans repayment	116	238
3. Other investment receipts	0	0
II. Expenditure		
1. Acquisition of intangible assets and tangible fixed assets	26 299	27 419
2. On financial assets, including:	17 949	3 285

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a) in affiliates	1 847	3 285
- shares acquisition	0	1 579
- granted short-term loans	0	
- granted long-term loans	1 847	1 706
b) in other entities	16 102	0
- granted short-term loans	28	0
- granted long-term loans	74	0
- acquisition of foreign bonds	16 000	
3. Other investing outflows	70 000	0
III. Net cash flow from investing activities	-99 542	-23 192
C. Cash flow from financing activities		
I. Inflows	33 445	15 361
1. Credits and loans	33 445	15 361
2. Net inflows – issue of shares	0	0
3. Other financial inflows	0	0
II. Expenditure	46 839	63 008
1. Purchase of treasury shares	2	1
2. Repayment of credits and loans	35 799	48 932
3. Interest	10 874	14 075
4. Other financial outflows	164	0
III. Net cash flow from financial activity	-13 394	-47 647
D. Total net cash flow	-86 875	-14 320
E. Balance sheet change in cash, including	-86 875	-14 320
- change in cash – foreign exchange differences	451	122
F. Opening cash balance	161 992	31 650
G. G. Closing cash balance, including:	75 117	17 330
- restricted cash	494	98

Half-Yearly Report on the Activity of LPP S.A. Capital Group for the first half of 2010

Half-Yearly Report on the Activity of LPP S.A. Capital Group in the first half of 2010**1. The activity of LPP S.A. Capital Group in the period 01.01.2010 – 30.06.2010**

Basic activities carried out in the first half of 2010:

1. There were 34 outlets open of total area of approximately 11 thousand sq m, thus increasing the total area of outlets to about 299 thousand of sq m (875 outlets), including 95 thousand sq m (195 outlets) outside Poland. Additionally, 35 seasonal outlets were open.
2. In the first half of the year, sales in Reserved stores totalled PLN 470 mil., and PLN 177 mil. in Cropp Town stores. Sales in the first quarter of the year in House stores reached PLN 126 mil., and PLN 28 mil. in Mohito stores, and 18 mil. in Esotiq stores. Sales revenues in comparable stores decreased in the first half of 2010 by 18.8% (disregarding the changes of local currencies exchange rates in the countries were the companies of LPP S.A. Capital Group operate). In the second quarter of the year this decline amounted to 15.9%

Basic values representing the effects of Capital Group's functioning in the first half of 2010 are shown in the table below.

value	I H 2010 (mil. PLN)	I H 2009 (mil. PLN)	change (%)
Revenue from sale	906.1	953.9	-5%
Gross profit from sales	490.7	476.8	3%
Selling and general expenses	439.2	435.2	1%
Operating profit + depreciation	95.2	86.5	10%
Operating profit/loss	48.2	37.1	30%
Net profit/ loss	33.1	22.2	48%

Sales revenues in the first half of 2010 dropped by approximately 5% in comparison to the analogical period of the previous year, while gross profit on sales increased by 3%.

Selling, general and administrative expenses (SG&A) increased by 1% and a substantial proportion of these costs are expenses incurred for the operation of retail outlets. The total retail space that determines the amount of these costs increased in comparison to June 2009 by approximately 18%. Exchange differences had a positive effect on the results.

Thus, LPP Capital Group closed the first half of 2009 with net profit of PLN 33.1 mil., i.e. larger by 48% than the profit earned in the corresponding period of the previous year.

The achieved margins are presented in the following table

Margin (%)	I H 2010	I H 2009
Gross on sales	54.2	50.0
EBITDA	10.5	9.1
Operating	5.3	3.9
Net	3.7	2.3

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Sales revenues disclosed in the consolidated financial statements were generated by Group companies operating in particular countries (sales within the Group excluded):

country	I H 2010 (mil. PLN)	I H 2009 (mil. PLN) *	change (%)
Poland	684.5	721.1	-5%
Estonia	13.1	17.4	-25%
Latvia	9.0	13.7	-34%
Czech Republic	36.7	48.9	-25%
Hungary	7.2	10.7	-33%
Lithuania	16.0	21.4	-25%
Ukraine	16.2	14.8	10%
Russia	104.9	88.4	19%
Romania	10.5	11.1	-6%
Bulgaria	3.1	1.1	186%
Slovakia	4.9	5.3	-7%
Total	906.1	953.9	-5%

* the sales of the following companies: Slovakian, Czech and Lithuanian belonging to Artman S.A. were presented previously (prior to consolidation) in the sales of the company Artman S.A. (Poland)

In the first half of 2010 relatively best sales were achieved outside the European Union (Russia and Ukraine).

	I H 2010 (mil. PLN)	I H 2009 (mil. PLN)*	Change (%)
Poland	684.5	721.1	-5%
Other EU Member States	100.5	129.6	-22%
Other countries	121.1	103.2	17%
Total	906.1	953.9	-5%

* the sales of the following companies: Slovakian, Czech and Lithuanian belonging to Artman S.A. were presented previously (prior to consolidation) in the sales of the company Artman S.A. (Poland)

2. Basic factors affecting growth opportunities; risks and dangers

Basic tasks of LPP Capital Group determining its future market position include:

- development of a competitive chain of brand stores in Poland and Central and Eastern Europe,
- building of strong brands of clothing (the leading brand of Reserved, as well as Cropp and House, to a lesser extent of Mohito and Esotiq),
- further increasing of the number of stores (although on a smaller scale than currently),
- increasing the business profitability and effectiveness

Development of the Issuer's strategic tasks and goals will depend on a number of internal and external factors, which represent both opportunities but also risks and threats.

Internal factors

- Market strategy of LPP Capital Group

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LPP Capital Group is focused on designing and distribution of clothing as well as on building its brand while outsourcing many activities to third parties. The company has no production capacity of its own and has no intention of building its own production sites. Production outsourcing can significantly reduce fixed costs and provides access to modern, changing technologies applied by suppliers who continuously improve their production capacity. As a result, the objective of all Company's investments is to increase its trading potential, maintain its competitive edge on the market, develop its own distribution network, create good image of LPP Capital Group on the clothing market, gain new customers for the Company and ensure their loyalty.

b) Market position of LPP Capital Group (competition-related risk)

Marketing activities conducted for many years and related to individual brands belonging to LPP S.A. have led to a high level of their recognition among the target group of customers. The expansion of sales network based on the selection of the most attractive locations certainly increases the chances of strengthening the position on the markets.

The volume of achieved revenues on sales allows LPP S.A. Capital Group to be counted among the major players on the market. Due to the considerable fragmentation of the market, market share of LPP S.A. Capital Group, estimated at a few percent, is so small that it still offers an opportunity to increase sales.

However, competition in the Issuer's industry is significant and the Polish clothing market continues to be very attractive for potential competitors from Poland and abroad.

c) Broadening and renewal of the offer for customers (risk related to the volatility of fashion trends)

Clothing market is characterised by a significant variation of customer expectations and is closely correlated with changes of fashion trends. The key factor in clothing company's success is the sense of changes in fashion trends and offering the range of goods meeting the current needs of customers. Therefore, LPP S.A. devotes much attention to the issue of fashion. Design department is constantly observing the changing trends and adapts them to meet the customer needs, so as to continue to offer desirable products at very good price-quality ratio. In order to fulfil their tasks, the designers participate in trade fairs around the world, benefit from the professional literature and information on issues related to fashion available on the Internet. Keeping in touch with the ever-changing preferences of customers, LPP S.A. Capital Group launches new product groups to the market, trying to be ahead of the market.

d) Risk related to weather conditions

In the conducted activity, during one season there may occur a positive or negative distribution of weather conditions which may affect the increase/decrease of sales, and hence, the increase/decrease of Issuer's margins. However, in the long term, weather and climate conditions do not affect the Company's development.

e) The risk of an unfortunate location of a retail outlet

Issuer's development strategy provides for a quick expansion of the sales network. Opening of new retail outlets is connected with the risk that one of the locations may turn out to be

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unfortunate. It may result in the failure to achieve the assumed level of income by the retail outlet and, consequently, it will have disadvantageous effects on the financial results of the Issuer.

The Company reduces the risk of unfortunate locations by thorough market research and a detailed analysis of each potential new location. The number of owned stores also limits the impact of a single location on the financial situation of the Company.

f) Logistics

The Company has a modern logistics centre in Pruszcz Gdański, which allows to complete appropriate number of clothing shipments to retail outlets in such manner that, on one hand, the points of sale may always offer an adequately wide range of products to customers, and, on the other hand, the amount of goods stored in the warehouses of the logistics centre is as small as possible. Organizational solutions applied in this facility permit for swift increase of capacity by means of using an additional technological line in the event of a significant increase of demand caused by the expansion of sales network.

f) Optimization of the operating costs of LPP S.A. Capital Group

In order to ensure LPP S.A. Capital Group a high level of capacity and productivity, some measures were taken to reduce the costs incurred in particular in the period of decreased demand on sold products due to a difficult market situation. These type of activities include current adjustment of the level of employment to the market needs, application of only the most effective marketing activities, etc. This goal is also achieved by the launch of the above-mentioned modern logistics centre of high capacity or by reduction of some investments. These activities have been conducted from the mid-2008 and they will be continued.

External factors

a) The risk related to the economic slowdown in Poland and other countries where the outlets of the Issuer's Capital Group operate.

Negative changes in the global economy are also evident in Poland and in the region. Adverse factors which, among others, reduce the demand for clothing offered by the Issuer are still present. Anticipating such a situation, the Company has taken a number of actions aimed at changing the structure of the offer by increasing the range of simpler models at lower prices, introducing operating costs limitations and slowing down the pace of sales network expansion.

b) The level of exchange rates - currency risk

Most purchases of commercial goods acquired by LPP S.A. Capital Group are connected with a foreign currency payment and most of them are settled in USD and a small part in Euro.

The majority of receipts from sales is obtained in PLN. Instability of the Polish currency to USD and EUR poses a risk. At the same time, given the specific type of the Company's business, it is possible to partially transfer the risk of increase in USD exchange rate to end customers, as the product selling price is calculated just before the product is introduced to the market.

Apart from the settlement of foreign currency transactions of goods acquisition, there is one more area where the exchange rate of Euro has an impact on the costs incurred by LPP S.A.

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Capital Group. This is namely the majority of settlements related to the lease agreements for premises where the sale of products on the retail market is conducted.

c) Interest rate risks

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

d) The risk of changes in customs and tax regulations

Customs and tax regulations have a significant impact on the Company's functioning. Changes in this area may affect significantly the activities of the Issuer. LPP S.A. purchases clothing and currently most of it are imports from China. The introduction of any import quotas and prohibitive customs might affect the Issuer's revenues by reducing the achieved margins. Changes of the management conditions in this regard will affect all business entities of this industry operating on the market, and the very probability of this risk is very little due to the stable customs policy of the European Union.

e) The risk of shortening the trading time

Issuer's showrooms are located in shopping centres. Due to the attempts to introduce regulations on the limitation of trading time in the centres, there is the risk of shortening the time of the sale of products of the Company from seven to six days in a week (now, the non-trading days are public holidays).

This limitation could result in the decrease of revenue on sales and financial results of the Issuer.

This factor may also have an impact on other operators in this market.

3. The indication of the effects of changes in the structure of a business entity, including business combination (mergers), takeovers or disposals of business entities, takeovers or disposals of Issuer's Capital Group companies, long-term investments of division, restructuring and discontinuation of business activity.

In the current reporting period there were no changes in the Issuer's structure.

4. The standpoint of the Management Board concerning the possibility of achieving the previously published result forecasts for the given year, in the light of the results presented in the half-yearly report in relation to the predicted results.

No forecasts were published by the Company for FY 2010.

5. Indication of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the AGM of the issuer as at the date of the report, together with the indication of the number of shares held by these

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entities, their percentage of the share capital, the consequential number of votes and their percentage of the total number of votes at the AGM and the indication of changes in ownership of issuer's large blocks of shares in the period from the submission date of the previous report.

Ownership structure of share capital of LPP S.A. as of 18 August 2010:

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	Nominal value of shares
Marek Piechocki	324 390	1 024 390	32.52%	18.53%	648 780
Jerzy Lubianec	226 338	926 338	29.40%	12.93%	452 676
Grangefont Limited, with its registered office in London, UK	350 000	350 000	11.11%	20.00%	700 000
Aviva OFE	157 962	157 962	5.01%	9.02%	315 924
Other shareholders	691 587	691 587	21.95%	39.51%	1 383 174
TOTAL	1 750 277	3 150 277	100.00%	100.00%	3 500 554

In the period from the submission of the previous report there have been some changes in the structure of shares resulting only from the fact that one of shareholders, Aviva OFE, exceeded the 5% threshold of the total number of votes (RB 13/2010).

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

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
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

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In the period from the submission of the previous report there have been no changes in the ownership of shares of LPP S.A. by the Issuer's managing and supervising representatives.

7. Indication of the proceedings pending before the court, the authority competent for arbitration or public administration authority.

In the Capital Group, LPP S.A. is the 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.

8. Information on the conclusion by the issuer or its subsidiary of one or many transactions with affiliated entities, if separately or jointly they are material and concluded not at arm's length.

No such transactions were concluded in the reporting period.

9. Other information relevant according to the issuer for the assessment of its financial standing, assets, human resources, and financial result and any changes thereof, as well as information relevant for the assessment of issuer's repayment ability.

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 repayment ability.

10. Indication of factors which according to the issuer are likely to influence its results in the next half a year or afterwards.

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

1. economic slowdown and the level of remuneration in Poland and in countries where the outlets of LPP S.A. Capital Group operate
2. exchange rate of PLN against USD and EUR,
3. assessment of the autumn-winter collection by customers,
4. development of the Reserved, Cropp Town, House and Mohito networks,
5. actions taken to reduce costs.
6. measures to increase profitability and efficiency

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The Management Board of LPP S.A.:

Marek Piechocki – Prezes Zarządu

Dariusz Pachla – Vice President of the Management Board
.....

Jacek Kujawa – Vice President of the Management Board
.....

Piotr Dyka – Vice President of the Management Board
.....

Hubert Komorowski – Vice President of the Management Board
.....

Gdańsk, 18 August 2010