

LPP S.A. Group
Interim condensed financial statements for the third quarter of 2011
The statements have been prepared in PLN thousand

LPP S.A. Group

Interim condensed financial statements for the third quarter of 2011

Gdańsk
November 2011

1. Selected Consolidated Financial Data of LPP S.A. Capital Group

in PLN

'000

Selected Consolidated Financial Data	Q3 2011	Q3 2010	Q3 2011	Q3 2010
	01/01/2011- 30/09/2011	01/01/2010- 30/09/2010	01/01/2011- 30/09/2011	01/01/2010- 30/09/2010
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1 703 234	1 449 518	421 457	362 135
Operating profit (loss)	175 709	85 035	43 478	21 244
Gross profit (loss)	174 380	69 516	43 149	17 367
Net profit (loss)	139 433	49 775	34 502	12 435
Net cash flows from operating activities	20 721	43 003	5 127	10 743
Net cash flows from investing activities	4 049	-131 597	1 002	-32 877
Net cash flows from financing activities	-72 500	-54 187	-17 940	-13 538
Total net cash flows	-47 730	-142 781	-11 811	-35 671

Selected Consolidated Financial Data	Q3 2011	Q3 2010	Q3 2011	Q3 2010
	01/01/2011- 30/09/2011	01/01/2010- 30/09/2010	01/01/2011- 30/09/2011	01/01/2010- 30/09/2010
	in PLN '000		in EUR '000	
Total assets	1 481 839	1 416 449	335 927	355 267
Long-term liabilities	203 850	309 629	46 212	77 660
Short-term liabilities	503 306	459 763	114 097	115 316
Equity capital	772 138	647 057	175 040	162 292
Share capital	3 555	3 501	806	878
Weighted average number of ordinary shares	1 728 879	1 725 718	1 728 879	1 725 718
Profit (loss) per ordinary share (in PLN / EUR)	80.6	28.8	21.0	7.2
Book value per share (in PLN / EUR)	446.6	374.9	113.5	91.8
Declared or paid dividend per share (in PLN / EUR)	76.86		19.02	-

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

in PLN '000

Balance Sheet	as at the end of:		
	Q3 2011 30/09/2011	Q3 2010 30/09/2010	the previous year 31/12/2010
ASSETS			
Fixed assets (long-term)	719 776	726 886	712 574
1. Tangible fixed assets	428 316	433 396	422 456
2. Intangible assets	10 982	11 650	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. Investments in real estate	682	0	0
8. Receivables and loans	1 082	1 042	1 062
9. Deferred tax assets	17 099	18 839	16 491
10. Accruals and prepayments	292	123	177
Current assets (short term)	762 063	689 563	716 446
1. Inventories	553 613	423 433	424 437
2. Trade receivables	100 660	81 811	95 742
3. Receivables from income tax	3 277	9 936	542
4. Other receivables	38 223	23 642	22 962
5. Loans	184	270	237
6. Other securities	0	16 000	16 430
7. Other financial assets	9 418	72 323	53 064
8. Accruals and prepayments	7 948	7 447	6 562
9. Cash and cash equivalents	48 740	54 701	96 470
TOTAL assets	1 481 839	1 416 449	1 429 020

LIABILITIES

Equity capital	772 138	647 057	736 546
1. Share capital	3 555	3 501	3 501
2. Treasury shares	-48 757	-48 752	-48 754
3. Share premium	149 829	108 123	108 123
4. Other capital	561 433	547 559	547 559
5. Foreign exchange differences on translation	-8 607	-1 339	-650
6. Retained earnings	114 685	37 965	126 767
- profit (loss) from previous years	-24 748	-11 810	-12 316
- net profit (loss) for the current period	139 433	49 775	139 083
Minority capital	2 545	0	0
Long-term liabilities	203 850	309 629	281 231
1. Bank loans and borrowings	118 159	190 181	156 096
2. Issue of debt securities	82 693	115 514	121 524
3. Other financial liabilities	48	102	88
4. Provisions for employee benefits	1 132	1 080	1 025
5. Deferred income tax provision	1 798	2 720	2 464
6. Other long-term liabilities	20	32	34
Short-term liabilities	503 306	459 763	411 243
1. Trade payables and other liabilities	285 140	371 350	312 700
2. Income tax liabilities	2 114		771
3. Bank loans and borrowings	204 451	76 019	86 637
4. Issue of debt securities	1 362	6 718	3 906
5. Other financial liabilities	51	148	96
6. Provisions	7 092	2 958	3 122
7. Special funds	391	494	347
8. Accruals and prepayments	2 705	2 076	3 664
TOTAL liabilities	1 481 839	1 416 449	1 429 020

3. Uniform consolidated comprehensive income statement of LPP S.A. Capital Group

in PLN '000

Comprehensive Income Statement	cumulative		cumulative	
	current year	Q3 2011	previous year	Q3 2010
	01/01/2011- 30/09/2011	01/07/2011- 30/09/2011	01/01/2010- 30/09/2010	01/07/2010- 30/09/2010
Continued operation				
Sales revenues	1 703 234	622 232	1 449 518	543 445
Cost of sales	754 782	273 708	687 186	271 844
Gross profit/loss on sales	948 452	348 524	762 332	271 601
Other operating revenues	12 616	3 479	19 038	5 511
Selling costs	682 495	238 980	606 508	212 084
Overheads	77 544	26 219	67 663	22 933
Other operating expenses	25 320	9 651	22 164	5 278
Operating profit/loss	175 709	77 153	85 035	36 817
Financial revenues	17 534	3 909	5 643	1 624
Financial expenses	18 863	5 785	21 162	18 587
Gross profit/loss	174 380	75 277	69 516	19 854
Tax burden	34 947	14 155	19 741	3 153
Net profit/loss from continuing operations	139 433	61 122	49 775	16 701
Other comprehensive income				
Foreign exchange differences on translation	-7 957	-5 510	-1 848	1 895
Total comprehensive income	131 476	55 612	47 927	18 596

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

in PLN thousand

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Current period profit/loss	Foreign exchange differences on translation	Equity capital on TOTAL
As at 1 January 2010	3 501	-48 749	108 123	512 189	110 016	0	509	685 589
- adjustments due to errors in previous years					-12			-12
As at 1 January 2010 after adjustments	3 501	-48 749	108 123	512 189	110 004	0	509	685 577
Costs of treasury shares purchase		-3						-3
Distribution of profit for the year 2009				35 370	-121 814			-86 444
Transactions with owners	0	-3	0	35 370	-121 814	0	0	-86 447
Net income for three quarters of 2010						49 775		49 775
Calculation of foreign exchange differences on translation							-1 848	-1 848
As at 30 September 2010	3 501	-48 752	108 123	547 559	-11 810	49 775	-1 339	647 057
As at 1 January 2011	3 501	-48 754	108 123	547 559	126 767	0	-650	736 546
- adjustments due to errors in previous years					-2 651			-2 651
As at 1 January 2011 after adjustments	3 501	-48 754	108 123	547 559	124 116	0	-650	733 895
Costs of treasury shares purchase		-3						-3
Conversion of bonds into shares	54		41 706					41 760
Distribution of profit for the year 2010				13 874	-148 864			-134 990
Transactions with owners	54	-3	41 706	13 874	-148 864	0	0	-93 233
Net income for three quarters of 2011						139 433		139 433
Calculation of foreign exchange differences on translation							-7 957	-7 957
As at 30 September 2011	3 555	-48 757	149 829	561 433	-24 748	139 433	-8 607	772 138

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

in PLN '000

Statement of Cash Flows	cumulative		cumulative	
	01/01/2011- 30/09/2011	Q3 2011 01/07/2011- 30/09/2011	01/01/2010- 30/09/2010	Q3 2010 01/07/2010- 30/09/2010
A. Cash flow from operating activities - indirect method				
I. Gross profit (loss)	174 380	75 277	69 516	19 854
II. Total adjustments	-153 659	-126 266	-26 513	-25 513
1. Depreciation and amortisation	70 313	22 870	70 393	23 362
2. (Profit) loss on foreign exchange differences	-1 754	-159	-1 301	-1 797
3. Interest and participation in profits (dividends)	17 178	8 429	15 132	4 870
4. Profit (loss) from investing activities	-2 465	-1 919	-1 953	-1 295
5. Paid income taxes	-36 840	-16 784	-39 633	-9 520
6. Change in provisions	6 345	-1 562	152	-1 147
7. Change in inventories	-119 534	-40 971	-99 231	-39 598
8. Change in receivables	-23 409	-15 224	-31 027	-16 876
9. Change in short-term liabilities, excluding loans and borrowings	-60 028	-80 665	60 118	17 210
10. Change in accruals	-3 299	-1 399	-376	1 164
11. Other adjustments	-166	1 118	1 213	-1 886
III. Net cash flows from operating activities	20 721	-50 989	43 003	-5 659
B. Cash flows from investing activities				
I. Revenues	76 679	50 648	19 516	5 678
1. Disposal of intangible and tangible fixed assets	13 635	4 969	17 650	4 490
2. From financial assets, including:	17 408	43	1 866	1 188
a) in affiliated entities	643	0	549	0
- disposal of shares/liquidation of companies	643	0	549	0
b) in other entities	16 765	43	1 317	1 188
- sale of financial assets/liquidation of foreign assets	16 000	0		
- repayment of loans	137	32	421	305
- interest	628	11	896	883
3. Other investment inflows/sale of investment funds	45 636	45 636		

II. Expenses	72 630	32 857	151 113	28 262
1. Acquisition of intangible and tangible fixed assets	72 546	32 854	64 963	28 213
2. For financial assets, including:	84	3	150	49
a) in affiliated entities	0	0	0	0
- acquisition of shares				
- granted short-term loans				
- long-term loans granted				
b) in other entities	84	3	150	49
- loans granted	84	3	150	49
3. Other capital expenses	0	0	86 000	0
III. Net cash flows from investing activities	4 049	17 791	-131 597	-22 584
C. Cash flows from financing activities				
I. Revenues	116 938	127 193	7 729	7 729
1. Proceeds from share issue				
2. Loans and borrowings	116 938	127 193	7 729	7 729
3. Other financial income		0		0
II. Expenses	189 438	141 287	61 916	43 477
1. Treasury shares purchase	3	1	3	1
2. Dividends to holders	134 992	134 992		
3. Repayment of loans and borrowings	38 702	0	43 578	36 204
4. Payment of finance lease liabilities	142	41	251	63
5. Interest	15 599	6 253	18 084	7 209
6. Other financial expenses				
III. Net cash flows from financing activities	-72 500	-14 094	-54 187	-35 748
D. Total net cash flows	-47 730	-47 292	-142 781	-63 991
E. Net change in cash, including:	-47 730	-47 292	-142 781	-63 991
- change in cash from foreign exchange differences	2 004	1 685	872	-2 709
F. Opening cash balance	96 470	96 032	197 482	118 692
G. Cash at the end of the period, including:	48 740	48 740	54 701	54 701
- restricted cash	391	391	494	494

6. Selected Financial Data - Individual Financial Statement of LPP S.A.

in PLN '000

Selected Financial Data	Q3 2011	Q3 2010	Q3 2011	Q3 2010
	01/01/2011-		01/01/2011	
	01/01/2011-	01/01/2010-	-	01/01/2010
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1 500 282	1 310 202	371 237	327 330
Operating profit (loss)	153 814	82 740	38 061	20 671
Gross profit (loss)	144 775	76 164	35 824	19 028
Net profit (loss)	115 029	62 634	28 463	15 648
Net cash flows from operating activities	-3 773	9 355	-934	2 337
Net cash flows from investing activities	30 521	-97 330	7 552	-24 316
Net cash flows from financing activities	-72 389	-50 505	-17 912	-12 618
Total net cash flows	-45 641	-138 480	-11 294	-34 597

Selected Financial Data	Q3 2011	Q3 2010	Q3 2011	Q3 2010
	01/01/2011-		01/01/2011-	
	01/01/2011-	01/01/2010-	01/01/2011-	01/01/2010-
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	in PLN '000		in EUR '000	
Total assets	1 465 118	1 417 757	332 136	355 595
Long-term liabilities	204 098	307 581	46 268	77 146
Short-term liabilities	484 280	441 468	109 784	110 727
Equity capital	776 740	668 708	176 084	167 722
Share capital	3 555	3 500	806	878
Weighted average number of ordinary shares	1 743 540	1 728 879	1 743 540	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	66.0	36.2	16.3	9.1
Book value per share (in PLN / EUR)	445.5	386.8	101.0	97.0
Declared or paid dividend per share (in PLN / EUR)	76.86		19.02	-

7. Balance sheet of LPP S.A.

in PLN '000

Balance Sheet	as at the end of:		
	Q3 2011 30/09/2011	Q3 2010 30/09/2010	the previous year 31/12/2010
ASSETS			
Fixed assets (long-term)	648 285	643 126	650 517
1. Tangible fixed assets	323 030	321 616	318 339
2. Intangible assets	8 409	11 338	10 781
3. Goodwill	179 618	179 618	179 618
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	22 703	19 464	30 884
6. Investments in associates	19	0	19
7. Investments in real estate	682	0	0
8. Receivables and loans	728	5 252	537
9. Deferred tax assets	35 296	28 207	32 654
10. Accruals and prepayments	292	123	177
Current assets (short term)	816 833	774 631	773 479
1. Inventories	437 383	344 264	359 595
2. Trade receivables	330 540	296 139	258 902
3. Receivables from income tax	0	9 891	0
4. Other receivables	10 638	6 868	10 371
5. Loans	2 205	926	4 426
6. Other securities	0	16 000	16 430
7. Other financial assets	9 418	72 323	53 064
8. Accruals and prepayments	5 251	4 708	3 653
9. Cash and cash equivalents	21 398	23 512	67 038
TOTAL assets	1 465 118	1 417 757	1 423 996

LIABILITIES

Equity capital	776 740	668 708	754 944
1. Share capital	3 555	3 500	3 500
2. Treasury shares	-48 757	-48 752	-48 754
3. Share premium	149 829	108 123	108 123
4. Other capital	560 774	546 901	546 901
5. Retained earnings	111 339	58 936	145 174
- profit (loss) from previous years	-3 690	-3 698	-3 698
- net profit (loss) for the current period	115 029	62 634	148 872
Long-term liabilities	204 098	307 581	280 876
1. Bank loans and borrowings	118 120	188 265	155 711
2. Issue of debt securities	82 693	115 514	121 524
3. Other financial liabilities	250	0	0
4. Provisions for employee benefits	1 068	1 066	1 005
5. Provision for deferred tax	1 967	2 736	2 636
Short-term liabilities	484 280	441 468	388 176
1. Trade payables and other liabilities	269 711	354 988	293 322
2. Income tax liabilities	1 710	0	192
3. Bank loans and borrowings	203 994	76 018	86 637
4. Issue of debt securities	1 362	6 718	3 906
5. Other financial liabilities	41	101	50
6. Provisions	5 339	1 830	1 310
7. Special funds	391	494	348
8. Accruals and prepayments	1 732	1 319	2 411
TOTAL liabilities	1 465 118	1 417 757	1 423 996

8. Uniform Comprehensive Income Statement of LPP S.A.

Comprehensive Income Statement	in PLN '000.			
	cumulative	Q3 2011	cumulative	Q3 2010
	current year		previous year	
	01/01/2011- 30/09/2011	01/07/2011- 30/09/2011	01/01/2010- 30/09/2010	01/07/2010- 30/09/2010
Sales revenues	1 500 282	564 030	1 310 202	511 416
Cost of sales	779 050	298 708	703 582	290 959
Gross profit/loss on sales	721 232	265 322	606 620	220 457
Other operating revenues	36 533	5 387	23 378	14 881
Selling costs	492 795	172 373	439 479	155 463
Overheads	67 930	30 254	49 565	16 532
Other operating expenses	43 226	22 266	58 214	9 780
Operating profit/loss	153 814	45 816	82 740	53 563
Financial revenues	28 013	20 866	26 847	-14 074
Financial expenses	37 052	9 282	33 423	10 155
Gross profit/loss	144 775	57 400	76 164	29 334
Tax burden	29 746	11 242	13 530	3 171
Net profit/loss	115 029	46 158	62 634	26 163
Total comprehensive income	115 029	46 158	62 634	26 163

LPP S.A. Group
Interim condensed financial statements for the third quarter of 2011
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9. Statement of Changes in Equity of LPP S.A.

in PLN thousand

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Current period profit/loss	Equity capital TOTAL
As at 1 January 2010	3 500	-48 749	108 123	511 531	118 116		692 521
- adjustments due to errors in 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 treasury shares purchase		-3					-3
Distribution of profit for the year 2009				35 370	-121 814		-86 444
Transactions with owners	0	-3	0	35 370	-121 814	0	-86 447
Net income for three quarters of 2010						62 634	62 634
As at 30 September 2010	3 500	-48 752	108 123	546 901	-3 698	62 634	668 708
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	55		41 706				41 761
Costs of buy-back of treasury shares		-3					-3
Distribution of profit for the year 2010				13 873	-148 864		-134 991
Transactions with owners	55	-3	41 706	13 873	-148 864	0	-93 233
Net income for three quarters of 2011						115 029	115 029
As at 30 September 2011	3 555	-48 757	149 829	560 774	-3 690	115 029	776 740

10. Statement of Cash Flows of LPP SA

in PLN '000

Statement of Cash Flows	cumulative	Q3 2011	cumulative	Q3 2010
	01/01/2011- 30/09/2011	01/07/2011- 30/09/2011	01/01/2010- 30/09/2010	01/07/2010- 30/09/2010
A. Cash flow from operating activities - indirect method				
I. Gross profit (loss)	144 775	57 399	76 164	29 334
II. Total adjustments	-148 548	-116 935	-66 809	-46 040
1. Depreciation and amortisation	45 907	15 093	44 811	14 930
2. (Profit) loss on foreign exchange differences	-1 019	-877	-365	854
3. Interest and participation in profits (dividends)	16 214	7 576	14 093	4 489
4. Profit (loss) from investing activities	11 178	15 104	-8 594	-13 443
5. Paid income taxes	-31 053	-11 573	-39 277	-9 401
6. Change in provisions	4 093	-3 743	509	-321
7. Change in inventories	-77 724	-7 083	-77 265	-17 453
8. Change in receivables	-78 475	-71 515	-66 041	-24 053
9. Change in short-term liabilities, excluding loans and borrowings	-35 276	-59 045	66 916	-1 383
10. Change in accruals	-2 393	-872	-1 596	-259
11. Other adjustments	0	0	0	0
III. Net cash flows from operating activities	-3 773	-59 536	9 355	-16 706
B. Cash flows from investing activities				
I. Revenues	75 183	48 942	33 937	19 231
1. Disposal of intangible and tangible fixed assets	11 206	2 740	17 593	5 450
2. From financial assets, including:	18 341	566	16 344	13 781
a) in affiliated entities	1 576	522	15 027	12 593
- interest and dividends	933	522	1 605	289
- disposal of shares/liquidation of companies	643		11	0
- repayment of loans	0	0	13 411	12 304
b) in other entities	16 765	44	1 317	1 188
- interest	628	11	896	883
- disposal of financial assets – foreign bonds	16 000	0		
- repayment of loans	137	33	421	305
3. Other investment inflows	45 636	45 636	0	

II. Expenses	44 662	16 462	131 267	17 019
1. Acquisition of intangible and tangible fixed assets	44 423	16 450	43 270	16 971
2. For financial assets, including:	239	12	17 997	48
a) in affiliated entities	155	9	1 847	0
- acquisition of shares	9	9	0	0
- short-term loans granted		0		
- long-term loans granted	146	0	1 847	0
b) in other entities	84	3	16 150	48
- purchase of financial assets – foreign bonds			16 000	
- short-term loans granted	35	3	45	17
- long-term loans granted	49	0	105	31
3. Other capital expenditure - purchase of investment fund units	0	0	70 000	
III. Net cash flows from investing activities	30 521	32 480	-97 330	2 212
C. Cash flows from financing activities				
I. Revenues	116 938	130 082	6 324	0
1. Loans and borrowings	116 938	130 082	6 324	0
2. Net proceeds from share issue	0	0	0	0
3. Other financial income	0	0	0	0
II. Expenses	189 327	144 130	56 829	37 111
1. Treasury shares purchase	3	1	3	1
2. Dividends to holders	134 992	134 992		
3. Repayment of loans and borrowings	38 681	2 881	38 681	30 003
3. Interest	15 599	6 254	17 929	7 055
4. Other financial expenses - financial lease	52	2	216	52
III. Net cash flows from financing activities	-72 389	-14 048	-50 505	-37 111
D. Total net cash flows	-45 641	-41 104	-138 480	-51 605
E. Net change in cash, including:	-45 641	-41 104	-138 480	-51 605
- change in cash from foreign exchange differences	195	107	451	-9
F. Opening cash balance	67 038	62 501	161 992	75 117
G. Cash at the end of the period, including:	21 397	21 397	23,512	23,512
- restricted cash	391	391	494	494

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

1. Characteristics of LPP S.A. Capital Group

The LPP S.A. Capital Group includes:

- LPP S.A. as a parent entity,
- 5 national subsidiary companies, and
- 16 foreign subsidiaries.

There is no parent company in relation to LPP S.A.

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

No.	Company name	Registered office	Takeover date
1.	G&M Sp. z o.o.	Gdansk, Poland	26.09.2001
2.	TORA Sp. z o.o.	Gdansk, Poland	26.09.2001
3.	DP&SL Sp. z o.o.	Gdansk, Poland	26.09.2001
4.	IL&DL Sp. z o.o.	Gdansk, Poland	26.09.2001
5.	AMUR Sp. z o.o.	Gdansk, 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.	FASHION POINT	Moscow, Russia	01.04.2008
15.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
16.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia	30.10.2008
17.	Artman Mode s.r.o.	Ostrava, Czech Republic	30.10.2008
18.	LPP Style Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
19.	LPP Fashion Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
20.	Gothals Limited	Nicosia, Cyprus	19.07.2011
21.	Jaradi Limited	Al Attar, United Arab Emirates	19.07.2011

The dominance of LPP S.A. in the subsidiaries, due to its considerable in majority of the 100% stake in subsidiaries' capital and in the total number of votes, is immediate.

The consolidated financial statements of LPP S.A. Capital Group for the period from 1 January to 30 September 2011 includes individual results of LPP S.A. 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.
- LPP Style Bulgaria Ltd.
- LPP Fashion Bulgaria Ltd.
- Gothals Limited
- Jaradi Limited

Other national subsidiaries of LPP S.A. 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 -0.07%
- in the Capital Group's revenues from sales and financial revenues - 0.37%

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 S.A. 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. Footwear, bags and clothing accessories are sold as products supplementing the basic offer of the CG companies.

Clothing designs are prepared in the design office located in the registered office of LPP S.A. 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).

An additional business activity in the LPP Capital Group is managing the rights to trademarks of Reserved and Cropp, including their protection, activities performed to increase their value, granting licenses to use them etc. The companies Gothals Limited in Cyprus and Jaradi Limited in United Arab Emirates are intended for this purpose.

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 S.A. Capital Group for the third 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 S.A. Capital Group for the period covered by the report

Major accomplishments of the LPP S.A. Capital Group in the third quarter of 2011:

1. In the third quarter of 2010, sales revenues amounted to PLN 622 million. They increased by about 14% compared to those achieved in the third quarter of 2010 (PLN 543 million).
2. W III kwartale GK LPP S.A. osiągnęła zysk z działalności operacyjnej w wysokości 77,2 mln zł. W ubiegłym roku w tym okresie GK LPP uzyskała zysk operacyjny na poziomie 36,8 mln zł. Net profit in the third quarter of 2011 was PLN 61.1 million (compared with the net profit of PLN 16.7 million in the third quarter of 2010).
3. In the third quarter of 2011, in the outlets of Reserved there was achieved the sales of PLN 334.3 million, while in Cropp Town centres - in the amount of PLN 112.6 million. Sales in the third quarter in House outlets amounted to PLN 94.0 million and in Mohito stores to PLN 25.4 million.

4. The area of retail chains increased in the reporting period by 5.3 thousand square meters. At the end of the third quarter, the LPP CG had 857 outlets of a total area of 326.3 thousand square meters.
5. Sales revenues in comparable outlets increased in the third quarter of 2011 by 9.7% (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

Operating profit earned in the third quarter of 2011 amounted to PLN 77.2 million and was over 110% higher than in the third quarter of the previous year. Such significant improvement of the result was achieved due to three factors:

- 1) sales increase by 14.5%,
- 2) the increase of gross percentage margin on sales by over 6 percentage points, which allowed to increase the gross profit on sales by 28%,
- 3) favourable exchange rate relationships of PLN against USD and EUR
- 4) strict cost discipline (costs were growing slower than sales)

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 third quarter of 2011	% share in sales by country in the third quarter of 2011	Sale revenues in the period 01.01.2011-30.09.2011	% share in sales by country in the period 01.01.2011-30.09.2011
LPP S.A.	Poland	448 018	72.00%	1 249 851	73.38%
LPP Retail Estonia OU	Estonia	11 320	1.82%	27 375	1.61%
LPP Retail Latvia Ltd	Latvia	8 409	1.35%	20 366	1.20%
LPP Retail Czech Republic s.r.o.	Czech Republic*	23 702	3.81%	68 308	4.01%
LPP Hungary Kft.	Hungary	4 565	0.73%	13 561	0.80%
UAB"LPP"	Lithuania	13 504	2.17%	33 052	1.94%
LPP Ukraina AT	Ukraine	14 587	2.34%	37 379	2.19%
ZAO "Re Trading"	Russia**	84 877	13.64%	219 547	12.89%
LPP Fashion Distributor SRL	Romania	5 442	0.87%	15 853	0.93%
LPP Retail Bulgaria Ltd.	Bulgaria***	4 533	0.73%	9 363	0.55%
Artman Slovakia	Slovakia	3 273	0.53%	8 579	0.50%
Total		622 231	100.00%	1 703 234	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, Fashion Point Rosja, Es Style

*** total revenues of 2 companies in Bulgaria: LPP Retail Bulgaria Ltd. LPP Style Bulgaria Ltd.,

5. Explanations on the seasonality or cyclicity of the LPP SA Capital Group operation in the report period

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The statements have been prepared in PLN thousand

Seasonality in sales is a phenomenon affecting the entire clothing market both in Poland and abroad. The third quarter of a calendar year includes two months (July and August) when the sale of spring-summer 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 S.A. Capital Groups 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's asset location.

Revenues and results for particular segments of the third 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 by one shareholder of a declaration and conversion instructions of convertible bonds, on 25 July 2011, 16 169 series A convertible bonds were converted into 16 169 series K shares.

According to the order of the District Court of Gdańsk-Północ in Gdańsk of 6 September 2011, the share capital of the Company was increased from the amount of PLN 3 523 130 to the amount of PLN 3 555 468.

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

Under the decision of the AGM, a part of the profit generated in 2010 in the amount of PLN 135 000 000 was allocated for the dividend, which corresponds to PLN 76.86 per one authorised share.

Ordinary shares were allocated the amount of PLN 108 090 984.96 and the preferred shares - PLN 26 901 000.

The date which determined the list of shareholders entitled to receive dividends for 2010 was 8 September 2011, and the date of payment of dividend was 23 September 2011.

9. Date of the financial statements approval for publication

These financial statements were approved for publication by the Management Board of the Parent Company on 8 November 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 S.A. Capital Group

There were no such events.

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

During the third quarter, there were no changes in the structure of the LPP S.A. Capital Group, including a business combination, acquisition or sale of the capital group entities, long-term investments, division, restructuring and discontinued operations.

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

In the third quarter of 2011, LPP S.A. 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 30 September 2011 the total value of bank guarantees issued to the order of and on the responsibility of LPP S.A. amounted to PLN 118 041 thousand, including:

- a) the value of guarantees issued to secure the agreements concluded by LPP S.A. amounted to PLN 67 676 thousand
- b) the value of guarantees issued to secure the agreements concluded by affiliated entities included in the consolidation amounted to PLN 47 026 thousand
- c) the value of guarantees issued to secure the agreements concluded by affiliated entities not included in the consolidation amounted to PLN 3 203 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 30 September 2011 the value of sureties granted by the parent company amounted to PLN 5 603 thousand and decreased in comparison with 31 December 2010 by PLN 8 165 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 30 September 2011 are as follows:

- payables with the maturity date within 12 months from the balance sheet date
PLN 290 860 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date
PLN 774 766 thousand
- payables with the maturity date over 5 years from the balance sheet date
PLN 273 975 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 S.A. at the date of submitting the quarterly report and the indication of changes in the ownership structure of the qualified holding of LPP S.A. 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 third 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	27.54%	9.84%
Jerzy Lubianiec	175 000	875 000	27.54%	9.84%
Monistor Limited (Cyprus)	200 728	200 728	6.32%	11.29%
Grangeford Limited, based in Cyprus	350 000	350 000	11.01%	19.69%
Aviva OFE	163 227	163 227	5.14%	9.18%

In the period from the previous report submission (report for the first half of 2011) no changes in the share structure occurred.

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
Chairman of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	352	352

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In the period from the previous report submission (report for the first half of 2011) there was a change in the ownership of shares of LPP S.A. by a supervising person of the issuer. The company Garema Limited with its registered office in Nicosia, Cyprus, a subsidiary of one of the Supervisory Board Members acquired a total of 52 ordinary shares of LPP S.A. (RB 43/2011, RB 46/2011).

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. Transactions with affiliated entities

9.1. Key personnel

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

The value of short-term employee benefits of the key management personnel received during the period from 1 January to 30 September 2011 amounted to PLN 2 555 thousand, of which PLN 2 470 thousand related to the Management Board and PLN 85 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 as at 30.09.11	liabilities as at 30.09.11	revenues for the period I-IX 2011	expenses for the period I-IX 2011
1	Domestic companies	10	368	15	7 168
	Total	10	368	15	7 168

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The statements have been prepared in PLN thousand

Data shown as liabilities of LPP S.A. 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 S.A. 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 S.A., 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. volume of sales in the traditionally best month for the industry - December,
4. development of sales network of Reserved and Cropp Town, House and Mohito brands,
5. 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 30 September 2011 includes an adjustment due to the write-down in the amount of PLN 5 095 thousand.

The amount of advances on account of the purchase of tangible fixed assets as at 30 September 2011 amounted to PLN 3 755 thousand.

23.2 Inventories

The value of inventory presented in the consolidated financial statements as at 30 September 2011 takes into account the write-down in the amount of PLN 4 832 thousand.

23.3 Receivables

The value of receivables presented in the consolidated financial statements as at 30 September 2011 includes an adjustment due to the write-down in the amount of PLN 6 743 thousand.

The value of the write-down is composed of:

the write-down of the claims and contested debts from contractors	- PLN 5 564 thousand
the write-down of the so-called doubtful receivables	PLN 956 thousand
the write-down of receivables from employees and others	PLN 223 thousand

23.4 Provisions

The amount of the provisions presented in the consolidated financial statements as at 30 September 2011 amounting to PLN 10 022 thousand, consists of the following items:

- provision for gratuities PLN 1 132 thousand
- provision for holiday compensation PLN 3 052 thousand
- provision for the unpaid wages, salaries and bonuses PLN 4 040 thousand
- provision for the deferred income tax in the amount of: PLN 1 798 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 30.09.2011 amounts to PLN 34 947 thousand and includes:

- the current part PLN 35 880 thousand
- the deferred part PLN (933) thousand

23.6 Exchange differences

In the consolidated income statement as at 30.09.2011 the advantage of positive foreign exchange rates over the negative ones was revealed in the amount of PLN 13 926 thousand (in the third quarter - PLN 2 873 thousand as an advantage of positive foreign exchange rates over the negative ones)

23.7 Segments of operation

Revenues and financial results for geographical segments for the period from 1 January 2011 to 30 September 2011 and for the comparative period have been presented in the tables below.

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The year 2011 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	1 430 455	272 779			1 703 234
Sales between segments	135 272		-135 272		-
Other operating revenues	10 435	656		1 525	12 616
Total revenues	1 576 162	273 435	-135 272	1 525	1 715 850
Total operating expenses, including	1 326 246	220 831	-109 800	77 544	1 514 821
Costs of sales between segments	106 148		-106 148		-
Other operating expenses	23 699	1 621			25 320
Segment results	226 217	50 983	-25 472	-76 019	175 709
Financial revenues				17 534	17 534
Financial expenses				18 863	18 863
Profit / loss before tax					174 380
Income tax					34 947
Net profit from continuing operations					139 433

The year 2010 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
Sales to external customers	1 247 664	201 854			1 449 518
Sales between segments	105 938		-105 938		-
Other operating revenues	11 399	3 215		4 424	19 038
Total revenues	1 365 001	205 069	-105 938	4 424	1 468 556
Total operating expenses, including	1 216 207	180 903	-102 812	67 663	1 361 961
Costs of sales between segments	78 605		-78 605		-
Other operating expenses	15 549	6 011			21 560
Segment results	133 245	18 155	-3 126	-63 239	85 035
Financial revenue				5 643	5 643
Financial expenses				21 162	21 162
Profit / loss before tax					69 516
Income tax					19 741
Net profit from continuing operations					49 775

24. Notes to the individual financial statements of LPP S.A.

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 September 2011, a change in the write-downs of the assets item of the individual balance sheet: 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 11 237 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.