



LPP S.A. Capital Group

Interim condensed financial statement for Q1 2012

Gdańsk
May 2012

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

in PLN '000

Selected Consolidated Financial Data	Q1 2012	Q1 2011	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	657 914	500 522	157 584	125 943
Operating profit (loss)	42 100	10 840	10 084	2 728
Gross profit (loss)	39 877	19 065	9 551	4 797
Net profit (loss)	33 959	14 136	8 134	3 557
Net cash flows from operations	-12 990	-59 971	-3 111	-15 090
Net cash flows from investments	-37 145	7 757	-8 897	1 952
Net cash flows from financial operations	15 082	-3 518	3 612	-885
Total net cash flows	-35 053	-55 732	-8 396	-14 023

in PLN '000

Selected Consolidated Financial Data	Q1 2012	Q1 2011	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
	in PLN '000		in EUR '000	
Total assets	1 562 665	1 358 049	375 496	338 505
Long-term liabilities	87 038	262 534	20 915	65 439
Short-term liabilities	526 843	330 183	126 596	82 301
Equity	948 784	765 332	227 985	190 765
Share capital	3 559	3 523	855	878
Weighted average number of ordinary shares	1 757 778	1 728 879	1 757 778	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	19.3	8.2	5.0	2.0
Book value per share (in PLN / EUR)	539,8	442.7	137.1	108.4
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

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

in PLN '000

Balance Sheet	As at		
	Q1 2012	Q1 2011	the previous year
	31.03.2012	31.03.2011	31.12.2011
ASSETS			
Fixed assets (long-term)	752 598	707 598	744 937
1. Tangible fixed assets	455 349	418 851	447 725
2. Intangible assets	11 184	10 615	11 515
3. Goodwill	183 609	183 609	183 609
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	186	187	186
6. Investments in associates	19	19	19
7. Investments in real property	674	0	678
8. Receivables and loans	4 806	1 046	4 549
9. Deferred tax assets	18 697	15 553	18 669
10. Prepayments	566	210	479
Current assets (short-term)	810 067	650 451	868 931
1. Inventories	578 269	420 347	594 606
2. Trade receivables	105 356	94 613	114 313
3. Income tax receivables	6 390	4 689	1 936
4. Other receivables	27 978	28 890	31 402
5. Loans	152	225	167
6. Other financial assets		53 682	
7. Prepayments	10 009	7 266	9 541
8. Cash and cash equivalents	81 913	40 739	116 966
TOTAL assets	1 562 665	1 358 049	1 613 868

in PLN '000

Balance Sheet	As at		
	Q1 2012	Q1 2011	the previous year
	31.03.2012	31.03.2011	31.12.2011
LIABILITIES			
Equity	948 784	765 332	909 194
1. Share capital	3 559	3 523	3 555
2. Treasury shares	-48 759	-48 754	-48 759
3. Share premium	152 837	125 227	149 829
4. Other capital	563 243	547 559	562 429
5. Foreign exchange differences from translation	-2 732	-3 126	-4 537
6. Retained earnings	277 593	140 903	243 977
- profit (loss) from previous years	243 977	126 767	-24 748
- net profit (loss) for the current period	33 616	14 136	268 725
7. Minority interests	3 043	0	2 700
Long-term liabilities	87 038	262 534	89 356
1. Bank loans and borrowings	83 731	153 266	86 446
2. Issue of debt securities	0	105 570	0
3. Other financial liabilities	30	83	31
4. Provisions for employee benefits	1 178	1 112	1 135
5. Deferred tax provision	1 987	2 503	1 685
6. Other long-term liabilities	112	0	59
Short-term liabilities	526 843	330 183	615 318
1. Trade and other liabilities	287 305	228 732	377 512
2. Income tax liabilities	834	0	12 179
3. Bank loans and borrowings	141 487	92 889	117 749
4. Issue of debt securities	81 719	1 765	86 243
5. Other financial liabilities	45	36	54
6. Provisions	9 971	3 455	14 665
7. Special funds	398	437	296
8. Accruals	5 084	2 869	6 620
TOTAL liabilities	1 562 665	1 358 049	1 613 868

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

in PLN '000

Comprehensive Income Statement	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Continued operations		
Revenues from sales	657 914	500 522
Costs of sales	315 438	250 958
Gross profit (loss) on sales	342 476	249 564
Other operating revenues	4 818	3 476
Costs of sales	269 878	212 050
Overheads	30 485	25 260
Other operating expenses	4 831	4 890
Operating profit (loss)	42 100	10 840
Financial revenues	2 771	14 792
Financial expenses	4 994	6 567
Gross profit (loss)	39 877	19 065
Taxes	5 918	4 929
Net profit (loss)	33 959	14 136
Net profit (loss) attributable to:		
parent company shareholders	33 616	14 136
non-controlling entities	343	0
Other comprehensive income		
Foreign exchange differences from translation	1 805	-2 476
Total comprehensive income	35 764	11 660

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

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Foreign exchange differences from translation	Profit (loss) from previous years	Profit (loss) for the current period	Minority interests	Equity TOTAL
As at 1 January 2011	3 501	-48 754	108 123	547 559	-650	126 767	0	0	736 546
- adjustments due to errors in previous years									0
As at 1 January 2011 after adjustments	3 501	-48 754	108 123	547 559	-650	126 767	0	0	736 546
Conversion of convertible bonds to shares	22		17 104						17 126
Transactions with owners	22	0	17 104	0	0	0	0	0	17 126
Net profit for Q1 2011							14 136		14 136
Calculation of foreign exchange differences from translation					-2 476				-2 476
As at 31 March 2011	3 523	-48 754	125 227	547 559	-3 126	126 767	14 136	0	765 332
As at 1 January 2012	3 555	-48 759	149 829	562 429	-4 537	243 977	0	2 700	909 194
- adjustments due to errors in previous years									0
As at 1 January 2012 after adjustments	3 555	-48 759	149 829	562 429	-4 537	243 977	0	2 700	909 194
Conversion of convertible bonds to shares	4		3 008						3 012
Minority shareholding as at the balance sheet date								343	343
Share-based payment				814					814
Transactions with owners	4	0	3 008	814	0	0	0	343	4 169
Net profit for Q1 2012							33 616		33 616
Calculation of foreign exchange differences from translation					1 805				1 805
As at 31 March 2012	3 559	-48 759	152 837	563 243	-2 732	243 977	33 616	3 043	948 784

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

in PLN '000

Cash Flow Statement	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
A. Cash flows from operations - indirect method		
I. Gross profit (loss)	39 877	19 065
II. Total adjustments	-52 867	-79 036
1. Depreciation	25 003	23 539
2. (Profit) loss on foreign exchange differences	1 548	-314
3. Interest and participation in profits (dividends)	4 438	6 106
4. Profit (loss) from investments	-978	-1 032
5. Paid income tax	-20 481	-8 448
6. Change in provisions	-3 898	343
7. Change in inventories	12 762	7 864
8. Change in receivables	4 282	-12 488
9. Change in short-term liabilities, excluding loans and borrowings	-76 127	-92 916
10. Change in accruals	-1 674	-1 575
11. Other adjustments	2 258	-115
III. Net cash flows from operations	-12 990	-59 971
B. Cash flows from investments		
I. Revenues	9 041	24 015
1. Disposal of intangible and tangible fixed assets	8 992	6 721
2. From financial assets, including:	49	17 294
a) in related parties	0	643
- sale of financial assets	0	643
b) in other entities	49	16 651
- sale of financial assets	0	16 000
- repayment of loans	37	38
- interest	12	613
3. Other investment inflows	0	0

II. Expenses	46 186	16 258
1. Acquisition of intangible and tangible fixed assets	46 152	16 248
2. For financial assets, including:	34	10
a) in related parties	0	0
- acquisition of shares	0	0
- short-term loans granted	0	0
- long-term loans granted	0	0
b) in other entities	34	10
- acquisition of financial assets	0	0
- loans granted	34	10
3. Other capital expenses	0	0
III. Net cash flows from investments	-37 145	7 757
C. Cash flows from financial operations		
I. Revenues	23 776	6 002
1. Proceeds from share issue	0	0
2. Loans and borrowings	23 776	6 002
3. Other financial income	0	0
II. Expenses	8 694	9 520
1. Acquisition of treasury shares	1	1
2. Repayment of loans and borrowings	2 889	2 889
3. Payment of finance lease liabilities	17	78
4. Interest	5 787	6 552
5. Other financial expenses	0	0
III. Net cash flows from financial operations	15 082	-3 518
D. Total net cash flows	-35 053	-55 732
E. Net change in cash, including:	-35 053	-55 732
- change in cash from foreign exchange differences	-1 039	651
F. Opening cash balance	116 966	96 471
G. Closing cash balance, including:	81 913	40 739
- restricted cash	297	436

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

in PLN '000

Selected financial data	Q1 2012	Q1 2011	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	588 921	458 196	141 059	115 293
Operating profit (loss)	57 221	24 700	13 706	6 215
Gross profit (loss)	35 591	12 242	8 525	3 080
Net profit (loss)	29 892	8 987	7 160	2 261
Net cash flows from operations	-52 034	-54 649	-12 463	-13 751
Net cash flows from investments	-5 100	14 198	-1 222	3 573
Net cash flows from financial operations	15 109	-4 610	3 619	-1 160
Total net cash flows	-42 025	-45 061	-10 066	-11 338

in PLN '000

Selected financial data	Q1 2012	Q1 2011	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
	in PLN '000		in EUR '000	
Total assets	1 521 179	1 354 503	365 527	337 621
Long-term liabilities	86 516	262 448	20 789	65 417
Short-term liabilities	503 248	310 997	120 927	77 519
Equity	931 415	781 058	223 812	194 685
Share capital	3 559	3 523	855	878
Weighted average number of ordinary shares	1 757 778	1 728 879	1 757 778	1 728 879
Profit (loss) per ordinary share (in PLN / EUR)	17.0	5.2	4.1	1.3
Book value per share (in PLN / EUR)	529.9	451.8	127.3	112.6
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

7. Balance sheet of LPP S.A.

in PLN '000

Balance Sheet	As at		
	Q1 2012	Q1 2011	the previous year
	31.03.2012	31.03.2011	31.12.2011
ASSETS			
Fixed assets (long-term)	663 473	646 469	664 704
1. Tangible fixed assets	335 703	314 860	333 418
2. Intangible assets	8 546	10 316	8 832
3. Goodwill	179 618	179 618	179 618
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	24 607	30 074	22 812
6. Investments in associates	19	19	19
7. Investments in real property	674	0	678
8. Receivables and loans	3 558	643	5 194
9. Deferred tax assets	32 884	33 221	36 335
10. Prepayments	356	210	290
Current assets (short-term)	857 706	708 034	911 971
1. Inventories	446 567	335 629	475 080
2. Trade receivables	357 655	274 493	344 260
3. Income tax receivables	4 147	4 192	0
4. Other receivables	11 424	9 918	12 281
5. Loans	4 702	3 133	5 096
6. Other financial assets	0	53 682	0
7. Prepayments	6 091	5 010	6 109
8. Cash and cash equivalents	27 120	21 977	69 145
TOTAL assets	1 521 179	1 354 503	1 576 675

in PLN '000

Balance Sheet	As at		
	Q1 2012	Q1 2011	the previous year
	31.03.2012	31.03.2011	31.12.2011
LIABILITIES			
Equity	931 415	781 058	897 697
1. Share capital	3 559	3 523	3 555
2. Treasury shares	-48 759	-48 754	-48 759
3. Share premium	152 837	125 227	149 829
4. Other capital	562 585	546 901	561 771
5. Retained earnings	261 193	154 161	231 301
- profit (loss) from previous years	231 301	145 174	-3 690
- net profit (loss) for the current period	29 892	8 987	234 991
Long-term liabilities			
1. Bank loans and borrowings	83 713	153 214	86 418
2. Issue of debt securities	0	105 570	0
3. Provisions for employee benefits	1 139	1 055	1 101
4. Deferred tax provision	1 664	2 609	1 681
Short-term liabilities			
1. Trade and other liabilities	269 504	213 663	359 443
2. Income tax liabilities	0	0	11 179
3. Bank loans and borrowings	140 971	91 376	117 273
4. Issue of debt securities	81 719	1 765	86 244
5. Other financial liabilities	0	4	0
6. Provisions	6 901	1 539	10 698
7. Special funds	397	437	296
8. Accruals	3 756	2 213	4 645
TOTAL liabilities	1 521 179	1 354 503	1 576 675

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

in PLN '000

Comprehensive Income Statement	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
Revenues from sales	588 921	458 196
Costs of sales	326 129	263 181
Gross profit (loss) on sales	262 792	195 015
Other operating revenues	25 614	6 024
Costs of sales	188 036	151 090
Overheads	39 522	18 024
Other operating expenses	3 627	7 225
Operating profit (loss)	57 221	24 700
Financial revenues	8 770	1 643
Financial expenses	30 400	14 101
Gross profit (loss)	35 591	12 242
Taxes	5 699	3 255
Net profit (loss)	29 892	8 987
Other comprehensive income	0	0
Total comprehensive income	29 892	8 987

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

in PLN '000

Statement of Changes in Equity	Share capital	Own shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
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 to shares	23		17 104				17 127
Transactions with owners	23	0	17 104	0	0	0	17 127
Net profit for Q1 2011						8 987	8 987
As at 31 March 2011	3 523	-48 754	125 227	546 901	145 174	8 987	781 058
As at 1 January 2012	3 555	-48 759	149 829	561 771	231 301		897 697
- adjustments due to errors in previous years							0
As at 1 January 2012 after adjustments	3 555	-48 759	149 829	561 771	231 301	0	897 697
Conversion of convertible bonds to shares	4		3 008				3 012
Share-based payment				814			814
Transactions with owners	4	0	3 008	814	0	0	3 826
Net profit for Q1 2012						29 892	29 892
As at 31 March 2012	3 559	-48 759	152 837	562 585	231 301	29 892	931 415

10. Cash Flow Statement of LPP S.A.

in PLN '000

Cash Flow Statement	Q1 2012	Q1 2011
	01.01.2012- 31.03.2012	01.01.2011- 31.03.2011
A. Cash flows from operations - indirect method		
I. Gross profit (loss)	35 591	12 242
II. Total adjustments	-87 625	-66 891
1. Depreciation	16 096	15 347
2. (Profit) loss on foreign exchange differences	1 131	-311
3. Interest and participation in profits (dividends)	-839	6 051
4. Profit (loss) from investments	-4 818	624
5. Paid income taxes	-17 478	-7 907
6. Change in provisions	-3 758	280
7. Change in inventories	28 502	24 074
8. Change in receivables	-20 113	-25 914
9. Change in short-term liabilities, excluding loans and borrowings	-86 224	-77 547
10. Change in accruals	-938	-1 588
11. Other adjustments	814	0
III. Net cash flows from operations	-52 034	-54 649
B. Cash flows from investments		
I. Revenues	16 787	24 241
1. Disposal of intangible and tangible fixed assets	8 985	6 536
2. From financial assets, including:	7 802	17 705
a) in related parties	7 755	1 054
- interest and dividends	5 387	411
- disposal of shares (liquidation of companies)	0	643
- repayment of loans	2 368	0
b) in other entities	47	16 651
- interest	10	613
- disposal of financial assets – foreign bonds	0	16 000
- repayment of loans	37	38
3. Other investment inflows	0	0

II. Expenses	21 887	10 043
1. Acquisition of intangible and tangible fixed assets	21 853	9 887
2. For financial assets, including:	34	156
a) in related parties	0	146
- acquisition of shares	0	0
- Lending	0	146
b) in other entities	34	10
- lending	34	10
- purchase of foreign bonds	0	0
3. Other capital expenditure (purchase of investment fund units)	0	0
III. Net cash flows from investments	-5 100	14 198
C. Cash flows from financial operations		
I. Revenues	23 776	4 870
1. Loans and borrowings	23 775	4 870
2. Net proceeds from share issue	1	0
3. Other financial income	0	0
II. Expenses	8 667	9 480
1. Acquisition of treasury shares	0	0
2. Repayment of loans and borrowings	2 882	2 882
3. Interest	5 785	6 552
4. Other financial expenses - financial lease	0	46
III. Net cash flows from financial operations	15 109	-4 610
D. Total net cash flows	-42 025	-45 061
E. Net change in cash, including:	-42 025	-45 061
- change in cash from foreign exchange differences	-52	207
F. Opening cash balance	69 145	67 038
G. Cash at the end of the period, including:	27 120	21 977
- restricted cash	297	436

Notes to the Condensed Consolidated Financial Statement for Q1 2012

1. Characteristics of LPP S.A. Capital Group

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

- LPP S.A. as a holding entity,
- 5 Polish subsidiaries,
- 16 foreign subsidiaries.

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

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

No.	Company name	Registered office	Takeover date
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	TORA Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
5.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
6.	LPP Retail Estonia OU	Tallinn, Estonia	29.04.2002
7.	LPP Czech Republic s.r.o.	Prague, Czech Republic	16.09.2002
8.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
9.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
10.	UAB LPP	Vilnius, Lithuania	27.01.2003
11.	LPP Ukraina	Peremyshliany, Ukraine	23.07.2003
12.	RE Trading Closed Joint Stock Company	Moscow, Russia	12.02.2004
13.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
14.	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	22.07.2011
21.	Jaradi Limited	Al Tatar, UAE	22.07.2011

LPP S.A. holds direct control in its subsidiaries, i.e. mostly 100% share in their capital and 100% of the total vote.

The consolidated financial statement of the Capital Group for the period from 1 January to 31 March 2012 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.

- 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 related party 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.

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

- in the Group's total assets -0.1%
- in the Capital Group's revenues from sales and financial revenues - 0.4%

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

Clothing designs are prepared in the design office located in the registered office of LPP S.A. in Gdańsk and 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. 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 contractors and the lease of transport vehicles).

Additional business activity of LPP Capital Group is the management of the rights to Reserved and Cropp trademarks, including their protection, activities aimed at increasing their value, granting licenses to use etc. Gothals Limited in Cyprus and Jaradi Limited in United Arab Emirates were established for this purpose.

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

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

Report of the LPP Capital Group for Q1 2012 contains the condensed consolidated financial statement and selected explanatory data included in these Notes as well as condensed financial statement of the holding company, in accordance with IAS 34 "Interim Financial Reporting".

The accounting policy applied in the preparation of this statement is in all material respects compliant with the policy adopted for the preparation of the consolidated annual

financial report of LPP S.A. Capital Group for the financial year 2011, in accordance with the International Financial Reporting Standards.

The condensed consolidated financial statement should be read in conjunction with the consolidated financial statement for the year ended 31 December 2011.

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

Major accomplishments of LPP S.A. Capital Group in Q1 2012:

1. In Q1 2012, sales revenues amounted to PLN 657.9 million. They increased by about 31.4% compared to those achieved in Q1 2011 (PLN 500.5 million).
2. In Q1, LPP S.A. Capital Group generated operating profit of PLN 42.1 million. Last year in this period, LPP CG generated operating profit of PLN 10.8 million. Net profit in Q1 2012 was approx. PLN 34.0 million (compared with net loss of PLN 14.1 million Q1 2011).
3. In Q1 2012, Reserved outlets generated sales of PLN 371.2 million, while Cropp Town outlets - in the amount of PLN 111.7 million. Sales in Q1 in House outlets amounted to PLN 80.7 million, and in Mohito stores - PLN 41.0 million.
4. In Q1 2012, the floor area of the chain of outlets increased by 10.7 thousand sq. m. At the end of Q1, LPP S.A. CG had 918 outlets of a total area of 354.2 thousand square meters.
5. Revenues from sales in comparable outlets increased in Q1 2012 by 15.9% (excluding changes in local currency exchange rates in the countries where the companies of LPP CG operate).

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

The positive trend which provided very good results in 2011 continued in Q1 2012. The increase in sales at comparable stores concerned all the brands and was achieved not only in Poland but also in foreign companies. A good relationship between the growth of revenue and margins and changes in operating costs necessary in the implementation of all processes was maintained. A higher gross margin on sales was possible due to an appropriate quantity of goods from the previous season (not excessive, resulting in the need for greater markdowns) offered during the sale season and early introduction of the spring offer to stores, which was well received by customers.

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

in PLN '000

Company name	Country	Revenues in Q1 2012	Share in % Q1
LPP S.A. CAPITAL GROUP	Poland	472 230	71.8%
LPP Retail Estonia OU	Estonia	10 516	1.6%
LPP Retail Latvia Ltd	Latvia	9 158	1.4%
LPP Retail Czech Republic s.r.o.*	Czech Republic	24 067	3.7%
LPP Hungary Kft.	Hungary	5 703	0.9%
UAB"LPP"	Lithuania	12 705	1.9%
LPP Ukraina AT	Ukraine	15 229	2.3%
ZAO "Re Trading"**	Russia	95 555	14.5%
LPP Fashion Distributor SRL	Romania	6 350	1.0%
LPP Retail Bulgaria Ltd.***	Bulgaria	3 341	0.5%
Artman Slovakia	Slovakia	3 059	0.5%
Total		657 914	100.0%

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

** total revenues of 2 companies in Russia: ZAO "Re Trading, Fashion Point Rosja

*** total revenues of 3 companies in Bulgaria: LPP Retail Bulgaria Ltd, Bułgaria FP, Bułgaria ES

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

Seasonality in sales of clothing is the characteristic feature of the market as a whole. The first quarter of a calendar year includes two months (January and February) when the sale of autumn-winter collection is traditionally conducted. As a result, profit margin (return on sales) before tax is lower than the average annual margin in the entire 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. Division into geographical segments was based on the criterion of location of the Group's assets.

Revenues and results for particular segments in Q1 2012 and the comparable period are presented in section 23.7.

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

Following the submission of declarations and conversion instructions from 4 holders of convertible bonds, on 16 January 2012, 1,930 series A convertible bonds were converted to 1,930 series K shares.

According to the order of the District Court of Gdańsk-Północ in Gdańsk of 1 March 2012, the Company's share capital was increased from the amount of PLN 3 500 468 to the amount of PLN 3 559 328.

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

No dividend was paid or declared in the Capital Group.

9. Date of approval of the financial statement for publication

This financial statement was approved for publication by the Management Board of the Holding Company on 9 May 2012.

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

There were no such events.

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

In the reporting period none of the above situations took place.

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

In Q1 2012, LPP S.A. and its subsidiaries have benefited from bank guarantees to secure the payment of rent for the rental of space for the company's retail outlets.

As at 31 March 2012, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 119,330 thousand, including:

- a) guarantees granted to secure agreements concluded by LPP S.A. - PLN 63,258 thousand
- b) guarantees granted to secure agreements concluded by consolidated related parties - PLN 53,017 thousand
- c) guarantees granted to secure agreements concluded by non-consolidated affiliated entities amounting to PLN 2,919 thousand
- d) guarantees granted to secure office space lease agreements concluded by LPP S.A. - PLN 136 thousand.

On 31 March 2012, the value of sureties granted by the holding company amounted to PLN 10,696 thousand and increased in comparison to 31 December 2011 by PLN 4,220 thousand.

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

Capital Companies are parties to retail lease agreements providing for the use of retail premises where Reserved, Cropp, House and Mohito brand stores are located.

Total future minimum payments under lease agreements, estimated as at 31 March 2012, are as follows:

- payables with the maturity date within 12 months from the balance sheet date
PLN 302 580 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 900,780 thousand
- payables with the maturity date over 5 years from the balance sheet date PLN
283 701 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 holding at least 5% of votes at the General Meeting of Shareholders of LPP S.A. as at the date of submission of the quarterly report, directly or indirectly through subsidiaries, and changes in the structure of ownership of large blocks of LPP S.A. shares after the date of submission if the previous quarterly report.

Shareholding structure of the holding company as at the date of submission of the quarterly report for Q1 2012:

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	27.5%	9.8%
Jerzy Lubianiec	175 000	875 000	27.5%	9.8%
Monistor Limited (Cyprus)	200 728	200 728	6.3%	11.3%
Grangefont Limited	350 000	350 000	11.0%	19.7%

After the submission of the last quarterly report (report for Q4 2011), there were no changes in the ownership structure of major blocks of LPP S.A. shares.

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
Chairman of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	400	400

After the submission of the last quarterly report, no changes in the ownership structure of LPP S.A. shares held by members of the Issuer's Management Board and the Supervisory Board occurred.

17. Information on legal proceedings

In the Capital Group, only LPP S.A. is a party in legal proceedings, claiming the payment of receivables from its customers. The total amount claimed does not exceed 10% of equity

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

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

19. Related party transactions

19.1. Key personnel

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

The amount of short-term employee benefits received by the key management personnel in the period from 1 January to 31 March 2012 totalled PLN 1,260 thousand, of which PLN 1,237 thousand received by members of the Management Board and PLN 23 thousand by members of the Supervisory Board.

19.2. Related-party transactions

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 subsidiaries were excluded from the consolidated financial statement and are not presented in the table.

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

in PLN '000

Related parties	Receivables as at 31.03.2012	Liabilities as at 31.03.2012	Revenues for the period I-III 2012	Expenses for the period I-III 2012
Domestic companies	11	88	5	2 852

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

All related-party transactions were concluded at arm's length. Revenues from 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 S.A. Capital Group operate
2. exchange rate of PLN against USD and EUR
3. development of sales network of Reserved, Cropp Town, House and Mohito brands
4. maintenance of the operating costs at a low level,

23. Notes to the Condensed Consolidated Financial Statement

23.1 Tangible fixed assets

The amount of tangible fixed assets presented in the consolidated financial statement drawn up as at 31 March 2012 includes an adjustment for a revaluation write-down totalling PLN 5,993 thousand.

23.2 Inventories

The amount of inventories presented in the consolidated financial statement drawn up as at 31 March 2012 includes a revaluation write-down totalling PLN 4,593 thousand.

23.3 Receivables

The amount of receivables presented in the consolidated financial statement drawn up as at 31 March 2012 includes an adjustment for a revaluation write-down totalling PLN 6,999 thousand.

This write-down includes:

revaluation write-down of receivables and claimed receivables from customers	PLN 5,658 thousand
revaluation write-down of the so-called doubtful receivables:	PLN 1,047 thousand
revaluation write-down of receivables from employees and other:	PLN 294 thousand.

23.4 Provisions

The amount of provisions presented in the consolidated financial statement drawn up as at 31 March 2012 totals PLN 13,136 thousand and includes:

- provision for retirement severance payments in the amount of:
PLN 1,178 thousand
- provision for holiday leaves not taken in the amount of PLN 5,017 thousand
- provision for liabilities in the amount of:
PLN 4,954 thousand
- provision for deferred income tax in the amount of: PLN 1 987 thousand

23.5 Income tax

Income tax presented in the consolidated profit and loss account for the period between 1 January and 31 March 2012 amounts to PLN 5,918 thousand and includes:

- current tax in the amount of PLN 60 thousand
- deferred tax of PLN 60 thousand

23.6 Foreign exchange differences

The consolidated profit and loss account drawn up as at 31 March 2012 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 2,536 thousand.

23.7 Segment reporting

Revenues and financial results concerning geographical segments for the period between 1 January 2012 and 31 March 2012 and for the comparable period are presented in the tables below.

2012

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	547 129	110 785			657 914
Intersegmental sales	69 762		-69 762		-
Other operating revenues	3 314	46		1 458	3 476
Total revenues	620 205	110 831	-69 762	1 458	662 732
Total operating expenses, including	541 169	109 068	-64 921	30 485	615 801
Costs of intersegmental sales	51 763		-51 763		-
Other operating expenses	3 749	1 085			4 831
Segment results	75 290	678	-4 841	-29 027	42 100
Financial revenues				2 771	2 771
Financial expenses				4 994	4 994
Profit / loss before tax					39 877
Income tax					5 918
Net loss					33 959

2011

in PLN '000

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

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

Following the estimation of the carrying amount of assets invested in foreign subsidiaries, shares, additional paid-in capital, loans, and receivables presented under assets of the individual balance sheet were written down between January and March 2012; these write-downs totalled PLN 13,804 thousand and were also recognised under financial expenses and operating expenses in the individual profit and loss account.

This change was recognised in respective items of the individual statement of LPP S.A. and has no influence on amounts presented in the consolidated statement.