



LPP SA Capital Group

Consolidated 2012 half-year report

Including:

1. Statement of the Management Board in accordance with the provisions of the Regulation of the Council of Ministers of 19 February 2009 on current and interim information provided by issuers of securities and on conditions under which information required by regulations adopted by countries other than Member States is considered equivalent.
2. Interim condensed consolidated financial statement for the period from 01.01.2012 to 30.06.2012
3. Additional information and explanatory notes to the interim condensed consolidated financial statement for the first half of 2012
4. Interim condensed individual financial statement for the period from 01.01.2012 to 30.06.2012
5. Semi-annual report on LPP SA Capital Group operations for the first half of 2012

Gdańsk
August 2012

STATEMENT OF THE MANAGEMENT BOARD

In accordance with the provisions of the Regulation of the Council of Ministers of 19 February 2009 on current and interim information provided by issuers of securities and on conditions under which information required by regulations adopted by countries other than Member States is considered equivalent, the Management Board of LPP SA declares that:

- to the best of the Management Board's knowledge, the semi-annual consolidated financial statement and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP SA Capital Group,
- to the best of the Management Board's knowledge, the semi-annual condensed individual financial statement and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP SA Capital Group,
- the semi-annual consolidated report on the Management Board's operations presents the true and fair view of the development and achievements of LPP SA Capital Group, including the accurate description of risks and threats,
- the entity authorised to audit financial statements that conducted an audit of the semi-annual consolidated financial statements was appointed in line with applicable legal provisions currently in effect. 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.

LPP SA Management Board:

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, 20 August 2012

Interim condensed consolidated financial statement for the period from 01.01.2012 to 30.06.2012

1. Selected Consolidated Financial Data of LPP SA Capital Group

in PLN
'000

Selected Consolidated Financial Data	First half of 2012	First half of 2011	First half of 2012	First half of 2011
	01.01.2012-30.06.2012	01.01.2011-30.06.2011	01.01.2012-30.06.2012	01.01.2011-30.06.2011
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1 418 054	1 081 002	335 666	272 478
Operating profit (loss)	156 069	98 556	36 943	24 842
Gross profit (loss)	135 145	99 103	31 990	24 980
Net profit (loss)	111 821	78 311	26 469	19 739
Net cash flows from operations	179 524	71 710	42 495	18 075
Net cash flows from investments	-118 594	-13 742	-28 072	-3 464
Net cash flows from financial operations	-34 316	-58 406	-8 123	-14 722
Total net cash flows	26 614	-438	6 300	-110

in PLN '000

Selected Consolidated Financial Data	First half of 2012	First half of 2011	First half of 2012	First half of 2011
	01.01.2012-30.06.2012	01.01.2011-30.06.2011	01.01.2012-30.06.2012	01.01.2011-30.06.2011
	in PLN '000		in EUR '000	
Total assets	1 735 703	1 483 913	407 318	372 225
Long-term liabilities	150 161	231 180	35 238	57 989
Short-term liabilities	698 071	561 015	163 816	140 725
Equity capital	887 471	691 718	208 263	173 511
Share capital	3 559	3 523	835	884
Weighted average number of ordinary shares	1 758 022	1 738 975	1 758 022	1 738 975
Profit (loss) per ordinary share (in PLN / EUR)	63.61	45.03	15.06	11.35
Book value per share (in PLN / EUR)	504.81	397.77	118.46	99.78
Declared or paid dividend per share (in PLN / EUR)		78.00		19.57

Consolidated Balance Sheet of LPP SA Capital Group

in PLN '000

Balance Sheet	As at		
	30.06.2012	30.06.2011	31.12.2011
ASSETS			
Fixed assets (long-term)	811 285	698 107	744 937
1. Tangible fixed assets	510 310	408 360	447 725
2. Intangible assets	11 245	10 846	11 515
3. Goodwill	183 609	183 609	183 609
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	186	186	186
6. Investments in associates	19	19	19
7. Investments in real property	669	687	678
8. Receivables and loans	5 067	1 170	4 549
9. Deferred tax assets	22 094	15 467	18 669
10. Prepayments	578	255	479
Current assets (short-term)			
1. Inventories	607 130	503 275	594 606
2. Trade receivables	120 020	97 438	114 313
3. Income tax receivables	3 629	2 584	1 936
4. Other receivables	39 092	23 574	31 402
5. Loans	154	204	167
6. Other securities	0	0	0
7. Other financial assets	0	54 664	0
8. Prepayments	10 813	8 035	9 541
9. Cash and cash equivalents	143 580	96 032	116 966
TOTAL assets	1 735 703	1 483 913	1 613 868

in PLN '000

Balance Sheet	As at		
	30.06.2012	30.06.2011	31.12.2011
LIABILITIES			
Equity capital	887 471	691 718	909 194
1. Share capital	3 559	3 523	3 555
2. Treasury shares	-48 762	-48 756	-48 759
3. Share premium	152 837	125 067	149 829
4. Other capital	655 367	561 433	562 429
5. Currency translation profit/loss of subsidiaries	-1 935	-3 097	-4 537
6. Retained earnings	123 791	53 548	243 977
- profit (loss) from previous years	12 669	-24 763	-24 748
- net profit (loss) for the current period	111 122	78 311	268 725
7. Minority interests	2 614	0	2 700
Long-term liabilities			
1. Bank loans and borrowings	145 914	120 852	86 446
2. Issue of debt securities	0	106 662	0
3. Other financial liabilities	111	51	31
4. Provisions for employee benefits	1 223	1 141	1 135
5. Deferred tax provision	2 804	2 455	1 685
6. Other long-term liabilities	109	19	59
Short-term liabilities			
1. Trade payables and other liabilities	554 212	466 606	377 512
2. Income tax liabilities	6 273	2 170	12 179
3. Bank loans and borrowings	33 247	74 123	117 749
4. Issue of debt securities	85 212	3 482	86 243
5. Other financial liabilities	40	40	54
6. Provisions	13 810	10 962	14 665
7. Special funds	373	408	296
8. Accruals	4 904	3 224	6 620
TOTAL liabilities	1 735 703	1 483 913	1 613 868

2. Uniform consolidated comprehensive income statement of LPP SA Capital Group

in PLN '000

Comprehensive Income Statement	I half	I half
	01.01.2012- 30.06.2012	01.01.2011- 30.06.2011
Continued operations		
Revenues from sales	1 418 054	1 081 002
Costs of sales	635 590	481 074
Gross profit (loss) on sales	782 464	599 928
Other operating revenues	11 933	9 137
Costs of sales	561 280	443 515
Overheads	61 270	51 325
Other operating expenses	15 778	15 669
Operating profit (loss)	156 069	98 556
Financial revenues	669	13 625
Financial expenses	21 593	13 078
Gross profit (loss)	135 145	99 103
Taxes	23 324	20 792
Net profit (loss)	111 821	78 311
Net profit (loss) attributable to:		
parent company shareholders	111 123	78 311
non-controlling entities	698	0
Other comprehensive income		
Foreign exchange differences from translation	2 602	-2 447
Total comprehensive income	114 423	75 864
Number of shares	1 758 022	1 738 975
Profit (loss) per ordinary share	63.61	45.03

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

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Foreign exchange differences from translation	Minority interests	Equity capital TOTAL
As at 1 January 2011	3 501	-48 754	108 123	547 559	126 767	0	-650	0	736 546
- adjustments due to errors in previous years					-2 658				-2 658
As at 1 January 2011 after adjustments	3 501	-48 754	108 123	547 559	124 109	0	-650	0	733 888
Treasury shares purchase		-2							-2
Conversion of convertible bonds to shares	22		16 944						16 966
Distribution of profit for the year 2010				13 874	-148 872				-134 998
Transactions with owners	22	-2	16 944	13 874	-148 872	0	0	0	-118 034
Net profit for the first half of 2011						78 311			78 311
Calculation of foreign exchange differences from translation							-2 447		-2 447
As at 30 June 2011	3 523	-48 756	125 067	561 433	-24 763	78 311	-3 097	0	691 718

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Foreign exchange differences from translation	Minority interests	Equity capital TOTAL
As at 1 January 2012	3 555	-48 759	149 829	562 429	243 977	0	-4 537	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	243 977	0	-4 537	2 700	909 194
Treasury shares purchase		-3							-3
Conversion of convertible bonds to shares	4		3 008						3 012
Distribution of profit for the year 2011				91 308	-231 308				-140 000
Minority shareholding as at the balance sheet date								-86	-86
Share-based payment				1 630					1 630
Transactions with owners	4	-3	3 008	92 938	-231 308	0	0	-86	-135 447
Net profit for the first half of 2012						111 122			111 122
Calculation of foreign exchange differences from translation							2 602		2 602
As at 30 June 2012	3 559	-48 762	152 837	655 367	12 669	111 122	-1 935	2 614	887 471

4. Consolidated Cash Flow Statement of LPP SA Capital Group

in PLN '000

Cash Flow Statement	First half of 2012	First half of 2011
	01.01.2012- 30.06.2012	01.01.2011- 30.06.2011
A. Cash flows from operations - indirect method		
I. Gross profit (loss)	135 145	99 103
II. Total adjustments	44 379	-27 393
1. Depreciation	51 176	47 443
2. (Profit) loss on foreign exchange differences	2 283	-1 595
3. Interest and participation in profits (dividends)	10 444	8 749
4. (Profit) loss from investments	-3 273	-546
5. Paid income taxes	-30 840	-20 056
6. Change in provisions	-435	7 907
7. Change in inventories	-16 413	-78 563
8. Change in receivables	-12 177	-8 185
9. Change in short-term liabilities, excluding loans and borrowings	44 859	20 637
10. Change in accruals	-1 805	-1 900
11. Other adjustments	560	-1 284
III. Net cash flows from operations	179 524	71 710
B. Cash flows from investments		
I. Revenues	14 690	26 031
1. Disposal of intangible and tangible fixed assets	14 491	8 666
2. From financial assets, including:	199	17 365
a) in affiliated entities	0	643
- dividends		
- liquidation of companies		643
b) in other entities	199	16 722
- disposal of financial assets – foreign bonds		16 000
- repayment of loans	174	105
- interest	25	617
3. Other investment inflows		

II. Expenses	133 284	39 773
1. Acquisition of intangible and tangible fixed assets	133 175	39 692
2. For financial assets, including:	109	81
a) in affiliated entities	0	0
- acquisition of shares		
- lending		
b) in other entities	109	81
- acquisition of financial assets		
- lending	109	81
3. Other capital expenses		
III. Net cash flows from investments	-118 594	-13 742
C. Cash flows from financial operations		
I. Revenues	0	0
1. Proceeds from share issue		
2. Loans and borrowings		
3. Other financial income		
II. Expenses	34 316	58 406
1. Acquisition of treasury shares	3	2
2. Repayment of loans and borrowings	25 888	48 957
3. Payment of finance lease liabilities	63	101
4. Interest	8 362	9 346
5. Other financial expenses		
III. Net cash flows from financial operations	-34 316	-58 406
D. Total net cash flows	26 614	-438
E. Net change in cash, including:	26 614	-438
- change in cash from foreign exchange differences	-926	319
F. Opening cash balance	116 966	96 470
G. Cash at the end of the period, including:	143 580	96 032
- restricted cash	396	396

Additional information and explanatory notes to the interim condensed consolidated financial statement for the first half of 2012

1. General information

The parent company of LPP SA Capital Group (further referred to as "the Capital Group" or "the Group") is LPP SA (further referred to as "the Parent Company").

The Parent Company was entered into the register of entrepreneurs of the National Court Register kept by the District Court Gdańsk Północ for the City of Gdańsk - 8th Commercial Division, KRS No. 0000000778. The Parent Company was given the statistical REGON number 190852164.

The registered office of the Parent Company is in Gdańsk, ul. Łąkowa 39/44, 80-769.

The Parent Company and the Group operate in the following countries: Poland, Estonia, Czech Republic, Latvia, Lithuania, Hungary, Russia, Ukraine, Romania, Bulgaria, Slovakia, Cyprus and United Arab Emirates.

LPP SA is a company involved in the design and distribution of clothing in Poland and the countries of Central and Eastern Europe. Basic products of the company are marked with the trademarks: Reserved, Cropp, House and Mohito. Most of subsidiaries that compose the Capital Group and being subject to consolidation are entities involved in the distribution of goods outside Poland. Clothing is essentially the only commodity sold by the Capital Group companies. Footwear, bags and clothing accessories are sold as products supplementing the basic offer of the Capital Group companies.

Clothing designs are prepared in the design office located in the registered office of LPP SA in Gdańsk and for the brands of House and Mohito in the design office in Cracow, where they are then transferred to the purchasing department that orders the production of certain models, cooperating in this respect with companies in Poland and abroad. Placement of the production in China is being conducted via the Company's sales 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 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.

The LPP SA Capital Group includes:

- LPP SA – as the parent company,
- 5 Polish subsidiaries,
- 16 foreign subsidiaries.

There is no parent company in relation to LPP SA

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 in liquidation Sp. z oo	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 SA holds direct control in its subsidiaries, i.e. mostly 100% share in their capital and 100% of the total vote.

The consolidated financial statements of the Capital Group covering the period between 1 January and 30 June 2012 include individual results of LPP SA and 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 srl.
- Fashion Point
- LPP Retail Bulgaria Ltd.
- Artman Slovakia srl
- Artman Mode s.r.o.
- LPP Fashion Bulgaria Ltd.
- LPP Style Bulgaria Ltd.
- Gothals Limited
- Jaradi Limited

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

According to it, a subsidiary or related 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 and affiliates without making any exclusions.

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

- in the Capital Group's balance sheet total – 0.06%
- in the Capital Group's revenues from sales and financial revenues - 0.35%

The fact that financial statements of these companies are not consolidated has no negative impact on true and fair presentation of the Capital Group's assets, financial standing and financial result.

2. Basis for preparation and accounting policy

2.1. Basis for preparation

The interim condensed consolidated financial statement of LPP SA Capital Group covers the period of 6 months ending 30.06.2012 and has been prepared in accordance with the IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statement does not contain all the information that is disclosed in the annual consolidated financial statement prepared in accordance with IFRS. The interim condensed consolidated financial statement should be read together with the consolidated financial statement of the Capital Group for the year 2011.

The currency of the interim condensed consolidated financial statements is Polish Zloty and all amounts are expressed in PLN thousand.

The interim condensed consolidated financial statement has been prepared based on the assumption the companies composing the Capital Group and subject to consolidation remain a going concern in the foreseeable future. As of the date of approval of the condensed consolidated financial statement for publication, there are no circumstances that could pose a threat to the continued operation of the companies.

2.2. Accounting policy

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 2011, in accordance with the International Financial Reporting Standards.

2.3. Corrections of errors and changes in the accounting policy

The condensed consolidated financial statement did not include the correction of errors and adjustments to accounting policy from previous years.

3. Seasonality of operations

Seasonality in sales is the characteristic feature of the clothing market both in Poland and abroad. Thus, for example, in the second quarter of regular selling of the spring - summer collection, gross profit margin on sales was higher than in the first quarter.

4. Operating segments

The LPP SA 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 financial results for geographical segments for the period from 1 January 2012 to 30 June 2012 and for the comparative period have been presented in the tables below.

First half of 2012 in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	1 168 033	250 021			1 418 054
Intersegmental sales	124 322		-124 322		-
Other operating revenues	7 768	117		4 048	11 933
Total revenues	1 300 123	250 138	-124 322	4 048	1 429 987
Total operating expenses, including	1 080 962	240 953	-125 045	61 270	1 258 140
Costs of intersegmental sales	99 478		-99 478		-
Other operating expenses	10 835	4 943			15 778
Segment results	208 326	4 242	723	-57 222	156 069
Financial revenues					669
Financial expenses					21 593
Profit before tax					135 145
Income tax					23 324
Net profit from continuing operations					111 821

First half of 2011

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	923 541	157 461			1 081 002
Intersegmental sales	71 829		-71 829		-
Other operating revenues	7 541	357		1 239	9 137
Total revenues	1 002 911	157 818	-71 829	1 239	1 090 139
Total operating expenses, including	858 716	140 351	-74 478	51 325	975 914
Costs of intersegmental sales	58 406		-58 406		-
Other operating expenses	14 763	906			15 669
Segment results	129 432	16 561	2 649	-50 086	98 556
Financial revenues				13 625	13 625
Financial expenses				13 078	13 078
Profit before tax					99 103
Income tax					20 792
Net profit from continuing operations					78 311

5. Convertible bonds

In July 2009, the private placement involved 80 846 series A bonds convertible into series K bearer shares. The pre-emptive right to K series shares through conversion of bonds may be exercised every 6 months after the date of payment of interest for the period.

In January 2012, the company received statements from 4 bondholders of series A convertible bonds together with orders to convert series A bonds into series K shares.

As a result of conversion instructions, 1 930 series A convertible bonds were converted into 1 930 K series shares.

During the reporting period there has been paid interest on the bonds in the amount of PLN 2 920 thousand. The costs related to the issued bonds, influencing the profit and loss account during the first half of 2012, amounted to PLN 4 901 thousand.

6. Tangible fixed assets

LPP SA Capital Group has undertaken obligations amounting to PLN 11 165 thousand for the purchase of tangible fixed assets. In comparable periods, the figures were as follows:

- as at 30.06.2011 - PLN 5 600 thousand,
- as at 31.12.2011 - PLN 2 900 thousand.

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2012 to 30.06.2012

in PLN '000

	Land	Buildings, facilities, civil- and hydro-engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19 174	580 315	134 362	12 600	135 403	20 127	901 981
- foreign exchange differences		-4 696	-1 422	-42	-1 246	-299	-7 705
- increase		63 992	17 067	1 495	28 858	122 409	233 821
- decrease		6 818	2 322	1 308	1 077	117 565	129 090
2) Closing balance gross value of fixed assets	19 174	632 793	147 685	12 745	161 938	24 672	999 007
3) Opening balance accumulated depreciation (amortization)	0	272 695	88 245	6 312	80 342	0	447 594
- depreciation	0	30 479	8 470	918	9 556	0	49 423
- foreign exchange differences		-2 632	-1 016	-28	-760	0	-4 439
- decrease	0	5 918	2 273	906	1 047	0	10 144
4) Closing balance accumulated depreciation (amortisation)	0	294 624	93 426	6 296	88 091	0	482 437
5) Opening balance impairment write-downs	0	6 153	509	0	0	0	6 662
- increase	0	152	0	0	0	0	152
- decrease	0	448	106	0	0	0	554
6) Closing balance impairment write-downs	0	5 857	403	0	0	0	6 260
Total closing balance net value of fixed assets	19 174	332 312	53 856	6 449	73 847	24 672	510 310

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2011 to 31.12.2011

in PLN '000

	Land	Buildings, facilities, civil- and hydro- engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19 174	525 983	120 609	11 187	109 154	4 561	790 668
- foreign exchange differences		12 874	4 205	132	4 228	272	21 711
- increase		54 380	18 295	2 568	28 025	117 107	220 375
- decrease		12 922	8 747	1 287	6 004	101 813	130 773
2) Closing balance gross value of fixed assets	19 174	580 315	134 362	12 600	135 403	20 127	901 981
3) Accumulated depreciation at the beginning of the performance period	0	217 277	78 125	5 461	64 337	0	365 200
- depreciation	0	57 493	15 001	1 696	17 301	0	91 494
- foreign exchange differences		6 954	3 428	79	2 592	0	13 053
- decrease	0	3 727	8 309	927	3 888	0	16 851
4) Accumulated depreciation at the end of the performance period	0	272 695	88 245	6 312	80 342	0	447 594
5) Opening balance impairment write-downs	0	4 976	687	0	0	0	5 663
- foreign exchange differences		294	57	0	0	0	351
- increase	0	2 818	164	0	0	0	2 982
- decrease	0	1 935	399	0	0	0	2 334
6) Closing balance impairment write-downs	0	6 153	509	0	0	0	6 662
Total closing balance net value of fixed assets	19 174	301 467	45 608	6 288	55 061	20 127	447 725

7. Intangible assets

Changes in intangible assets during the period from 01.01.2012 to 30.06.2012

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	443	40 361	37 277	1 746	42 550
- increase	0	2 464	2 464	1 259	3 723
- decrease	0	40	40	2 231	2 271
b) Gross value of intangible assets at the end of the performance period	443	42 785	39 701	774	44 002
c) Opening balance accumulated depreciation (amortisation)	443	30 592	27 809	0	31 035
- planned amortisation write-downs	0	1 753	1 738	0	1 753
- foreign exchange differences	0	-29	-29	0	-29
- decrease	0	2	2	0	2
d) Closing balance accumulated depreciation (amortisation)	443	32 314	29 516	0	32 757
Total net value of intangible assets at the end of the performance period	0	10 471	10 185	774	11 245

Changes in intangible assets during the period from 01.01.2011 to 31.12.2011

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	443	37 094	33 902	609	38 146
- foreign exchange differences	0	120	120	0	120
- increase	0	3 697	3 697	3 437	7 134
- decrease	0	550	442	2 300	2 850
b) Gross value of intangible assets at the end of the performance period	443	40 361	37 277	1 746	42 550
c) Opening balance accumulated depreciation (amortisation)	443	26 663	24 519	0	27 106
- planned amortisation write-downs	0	3 945	3 198	0	3 945
- foreign exchange differences	0	104	104	0	104
- decrease	0	120	12	0	120
d) Closing balance accumulated depreciation (amortisation)	443	30 592	27 809	0	31 035
Total net value of intangible assets at the end of the performance period	0	9 769	9 468	1 746	11 515

8. Asset revaluation write-offs

Inventory revaluation write-offs

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Opening balance	5 251	3 939	3 939
Inventory write-downs included as cost in the period	1 139	616	2 303
Reversed revaluation write-downs in the period	1 192	519	1 098
Exchange rate differences	-98	59	107
Closing balance	5 100	4 095	5 251

Receivables and loans revaluation write-offs

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Opening balance	6 678	6 875	6 875
Increases recognised in the reporting period	731	766	2 081
Decreases recognised in the reporting period	596	1 448	2 335
Exchange rate differences	-45	10	57
Closing balance	6 768	6 203	6 678

9. The fair value of financial instruments

The fair values, carrying values and comparable data of individual financial instruments as at the balance sheet date are presented in the table below.

30.06.2012

in PLN '000

Assets*	Fair value	Carrying amount
Trade and other receivables	164 504	164 504
Cash and cash equivalents	143 580	143 580
Total	308 084	308 084

Liabilities	Fair value	Carrying amount
Bank loans and borrowings	179 161	179 161
Debt securities	85 212	85 212
Trade and other liabilities	554 321	554 321
Other financial liabilities	151	151
Total	818 845	818 845

31.12.2011

in PLN '000

Assets*	Fair value	Carrying amount
Trade and other receivables	148 822	148 822
Cash and cash equivalents	116 966	116 966
Total	265 788	265 788

Liabilities	Fair value	Carrying amount
Bank loans and borrowings	204 195	204 195
Debt securities	86 243	86 243
Trade and other liabilities	389 750	389 750
Other financial liabilities	85	85
Total	680 273	680 273

* due to the lack of possibility of reliable pricing, the table does not include unquoted equity instruments valued at purchase price and the value of loans priced using the amortised cost method for which there is no active market

Fair value is defined as the amount for which on market conditions the asset could be exchanged or a liability settled, between knowledgeable, interested and unrelated parties. In the case of financial instruments for which there is an active market, fair value is determined based on parameters from the active market (sales and purchase prices). In the case of financial instruments for which there is no active market, fair value is determined on the basis of valuation techniques, where input data of the model are variables derived from active markets (exchange rates, interest rates).

In the Group's opinion, the carrying value of financial assets and financial liabilities is close to the fair value.

10. Share capital

The Group's share capital is equal to share capital of the parent company.

As at 30 June 2012, it amounts to PLN 3 559 thousand. The capital was divided into 1 779 664 shares of a nominal value of PLN 2 each.

Ownership structure of share capital of LPP SA as at 30 June 2012:

Shareholder	Number of held shares (pieces)	Number of votes at the AGM	Share in the total number of votes at the AGM	Participation in share capital	Nominal value of shares
Marek Piechocki	175 000	875 000	27.5%	9.8%	350 000
Jerzy Lubianiec	175 000	875 000	27.5%	9.8%	350 000
Monistor Limited (Cyprus)	200 728	200 728	6.3%	11.3%	401 456
Grangeford Limited (Cypr)	350 000	350 000	11.0%	19.7%	700 000
Other shareholders	878 936	878 936	27.6%	49.4%	1 757 872
Total	1 779 664	3 179 664	100%	100%	3 559 328

In the current period, as a result of conversion of 1 930 series A convertible bonds into series K shares, the share capital increased to PLN 3 559 328.

11. Dividends

In the reporting period, the parent company LPP SA did not pay dividends to the shareholders. At the same time, in the reporting period, i.e. on 25 June 2012, LPP SA decided by the Resolution No. 19 of AGM

to allocate part of the profit generated in the year 2011 in the amount of PLN 140 million for dividend payment. 25 September 2012 has been agreed as the date of the payment of dividends.

12. Earnings per share

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

Calculation of EPS is presented below:

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Net profit (loss) for the current period	111 821	78 311	268 725
Weighted average number of ordinary shares	1 758 022	1 738 975	1 746 800
Profit (loss) per share	63.61	45.05	153.84

13. Provisions

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

	Provision for pensions and similar benefits	Unpaid compensations provision	Provision for liabilities	Provision for holiday leaves not taken
For the period from 01.01.2012 to 30.06.2012				
Opening balance	1 135	9 542	17	5 106
- provisions established	1 222	6 157	0	5 290
- provisions reversed	1 135	8 145	17	5 106
Closing balance	1 222	8 520	0	5 290
For the period from 01.01.2011 to 30.06.2011				
Opening balance	1 025	0	0	3 122
- provisions established	1 141	7 454	0	3 508
- provisions reversed	1 025	0	0	3 122
Closing balance	1 141	7 454	0	3 508
For the period from 01.01.2011 to 31.12.2011				
Opening balance	1 025	0	0	3 122
- provisions established	1 135	9 542	17	5 106
- provisions reversed	1 025	0	0	3 122
Closing balance	1 135	9 542	17	5 106

14. Contingent liabilities

In the first half of 2012, LPP SA Capital Group's companies used bank guarantees to secure payment of rent for leased retail premises where brand stores are located.

As at 30 June 2012, the total value of bank guarantees issued to the order of and on the responsibility of LPP SA amounted to PLN 130 757 thousand, including:

- a) guarantees granted to secure agreements concluded by LPP SA - PLN 68 841 thousand,
- b) guarantees granted to secure agreements concluded by consolidated affiliates - PLN 58 786 thousand,
- c) guarantees granted to secure agreements concluded by non-consolidated affiliates amounting to PLN 2 993 thousand,
- d) guarantees granted to secure office space lease agreements concluded by LPP SA - PLN 136 thousand.

On 30 June 2012, the value of sureties granted by the parent company amounted to PLN 15 954 thousand and increased in comparison to 31 December 2011 by PLN 9 479 thousand.

According to the Management Board of LPP SA, any 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 entities of LPP SA Capital Group.

In the reporting period, neither the Issuer nor any subsidiary granted credit or loan sureties or guarantees to one entity or its subsidiary, whose total value would be the equivalent of at least 10.0% of the equity of the Issuer.

15. Income tax

The main components of the tax liabilities of the Group for the period from 01.01.2012 to 30.06.2012 and the comparative period are shown in the table.

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011
Current income tax	25 860	19 787
Deferred income tax	-2 536	1 005
Total	23 324	20 792

16. Transactions with affiliated entities

The Group's affiliates include:

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

16.1 Key personnel

The key management personnel of the Group includes members of the management board and supervisory board of the parent entity.

The value of short-term employee benefits of the key management personnel for the period from 1 January to 30 June 2012 amounted to PLN 2 541 thousand.

On 27 June 2011, the AGM adopted Resolutions introducing the incentive programme addressed to six key managers of LPP SA

Detailed information on the program are described in the consolidated financial statement for 2011.

The reporting period includes costs corresponding to the said incentive program in the amount of PLN 1 631 thousand.

16.2 Transactions with affiliated entities

in PLN '000

Affiliated entities	Liabilities as at 30.06.2012	Receivables as at 30.06.2012	Revenues in the first half of 2012	Costs in the first half of 2012
Polish subsidiaries – total	52	476	17	4 795

in PLN '000

Affiliated entities	Liabilities as at 30.06.2011	Receivables as at 30.06.2011	Revenues in the first half of 2011	Costs in the first half of 2011
Polish subsidiaries – total	329	5	11	4 903

The amounts presented in the table show only inter-company transactions between LPP SA and 5 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 entities, and expenses are equivalent to revenues of the said entities.

All the transactions with affiliated entities 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, Reserved, Mohito and House are run. Payment terms adopted for subsidiaries are between 45 and 120 days.

17. Events after the balance sheet date

Conversion of the last part of series A bonds into series K shares in the number of 51 459 took place on 23 July 2012. As a result of this operation, equity of LPP SA increased by PLN 82 million.

18. Additional information and explanatory notes to the individual interim financial statement of LPP SA

18.1. Tangible fixed assets

As at the balance sheet date, LPP SA does not have contractual obligations to acquire tangible fixed assets. In comparable periods, the figures were as follows:

- as at 30.06.2011 - PLN 2 923 thousand
- as at 31.12.2011 - PLN 0.

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2012 to 30.06.2012

in PLN '000

	Land	Buildings, facilities and civil- and hydro- engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19 175	420 830	87 937	10 695	81 196	8 983	628 816
- increase	0	22 158	11 030	647	12 908	50 761	97 504
- decrease	0	3 570	1 880	1 246	700	54 036	61 432
2) Closing balance gross value of fixed assets	19 175	439 418	97 087	10 096	93 404	5 708	664 888
3) Opening balance accumulated depreciation (amortization)	0	186 333	53 700	5 290	48 651	0	293 974
- depreciation	0	19 260	5 778	707	5 366	0	31 111
- increase	0	0	0	0	0	0	0
- decrease	0	3 339	1 847	828	674	0	6 688
4) Closing balance accumulated depreciation (amortisation)	0	202 254	57 631	5 169	53 343	0	318 397
5) Opening balance impairment write-downs	0	1 424	0	0	0	0	1 424
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) Closing balance impairment write-downs	0	1 424	0	0	0	0	1 424
Total closing balance net value of fixed assets	19 175	235 740	39 456	4 927	40 062	5 708	345 067

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2011 to 31.12.2011

in PLN '000

	Land	Buildings, facilities, civil- and hydro- engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19 175	390 065	78 783	9 735	64 735	1 811	564 304
- increase	0	34 117	12 610	2 065	18 001	81 858	148 651
- decrease	0	3 352	3 456	1 105	1 540	74 686	84 139
2) Closing balance gross value of fixed assets	19 175	420 830	87 937	10 695	81 196	8 983	628 816
3) Opening balance accumulated depreciation (amortization)	0	151 803	47 367	4 723	40 648	0	244 541
- depreciation	0	37 452	9 670	1 339	9 404	0	57 865
- increase	0	0	0	0	0	0	0
- decrease	0	2 922	3 337	772	1 401	0	8 432
4) Closing balance accumulated depreciation (amortisation)	0	186 333	53 700	5 290	48 651	0	293 974
5) Opening balance impairment write-downs	0	1 424	0	0	0	0	1 424
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) Closing balance impairment write-downs	0	1 424	0	0	0	0	1 424
Total closing balance net value of fixed assets	19 175	233 073	34 237	5 405	32 545	8 983	333 418

18.2. Intangible assets

Changes in intangible assets during the period from 01.01.2012 to 30.06.2012

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	443	38 929	37 883	1 711	41 083
- increase	0	2 300	2 300	1 185	3 485
- decrease	0			2 338	2 338
b) Gross value of intangible assets at the end of the performance period	443	41 229	40 183	558	42 230
c) Opening balance accumulated depreciation (amortisation)	443	31 808	30 808	0	32 251
- planned amortisation write-downs	0	1 629	1 614	0	1 629
- foreign exchange differences	0	0	0	0	0
- decrease	0	0	0	0	0
d) Closing balance accumulated depreciation (amortisation)	443	33 437	32 422	0	33 880
Total net value of intangible assets at the end of the performance period	0	7 792	7 761	558	8 350

Changes in intangible assets during the period from 01.01.2011 to 31.12.2011 in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	443	38 326	34 926	609	39 378
- increase	0	2 957	2 957	3 402	6 359
- decrease	0	2 354	0	2 300	4 654
b) Gross value of intangible assets at the end of the performance period	443	38 929	37 883	1 711	41 083
c) Opening balance accumulated depreciation (amortisation)	443	28 154	27 103	0	28 597
- planned amortisation write-downs	0	3 763	3 705	0	3 763
- foreign exchange differences	0		0	0	0
- decrease	0	109	0	0	109
d) Closing balance accumulated depreciation (amortisation)	443	31 808	30 808	0	32 251
Total net value of intangible assets at the end of the performance period	0	7 121	7 075	1 711	8 832

18.3. Asset revaluation write-offs

Shares revaluation write-offs

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Opening balance	42 147	31 846	31 846
Inventory write-downs included as cost in the period	16 925	11 846	14 534
Reversed revaluation write-downs in the period	1 794	3 880	4 233
Closing balance	57 278	39 812	42 147

Loans revaluation write-offs

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Opening balance	10 942	8 844	8 844

Inventory write-downs included as cost in the period	290	2 282	4 245
Reversed revaluation write-downs in the period	1 652	422	2 147
Closing balance	9 580	10 704	10 942

Inventory revaluation write-offs

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Opening balance	2 762	1 684	1 684
Inventory write-downs included as cost in the period	239	162	1 356
Reversed revaluation write-downs in the period	527	181	278
Closing balance	2 474	1 665	2 762

Receivables revaluation write-offs

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Opening balance	102 092	106 190	106 190
Inventory write-downs included as cost in the period	17 320	4 986	39 232
Reversed revaluation write-downs in the period	24 563	29 144	43 330
Closing balance	94 849	82 032	102 092

18.4. Earnings per share

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

Calculation of EPS is presented below:

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011	from 01.01.2011 to 31.12.2011
Net profit (loss) for the current period	120 502	68 870	234 991
Weighted average number of ordinary shares	1 758 022	1 738 975	1 746 800
Profit (loss) per share	68.54	39.60	134.53

18.5. Provisions

The value of provisions included in the condensed individual financial statement of LPP SA and their changes in different periods were as follows:

	Provision for pensions and similar benefits	Unpaid compensations provision	Provision for liabilities	Provision for holiday leaves not taken
For the period from 01.01.2012 to 30.06.2012				
Opening balance	1 101	9 542	0	1 156
- provisions established	1 179	6 157	0	1 851
- provisions reversed	1 101	8 145	0	1 156
Closing balance	1 179	7 554	0	1 851
For the period from 01.01.2011 to 30.06.2011				
Opening balance	1 005	0		1 310
- provisions established	1 079	7 454		1 617
- provisions reversed	1 005	0		1 310
Closing balance	1 079	7 454		1 617
For the period from 01.01.2011 to 31.12.2011				
Opening balance	1 005	0		1 310
- provisions established	1 101	9 542		1 156
- provisions reversed	1 005	0		1 310
Closing balance	1 101	9 542		1 156

18.6. Income tax

The main components of the tax liabilities of the LPP SA company for the period from 01.01.2012 to 30.06.2012 and the comparative period are shown in the table.

	from 01.01.2012 to 30.06.2012	from 01.01.2011 to 30.06.2011
Current income tax	21 659	17 089
Deferred income tax	-2 108	1 416
Total	19 551	18 505

18.7. Transactions with affiliated entities

The affiliates of LPP SA include:

- domestic and foreign companies in which LPP SA has control through direct ownership of their shares,
- persons included in the key management personnel of LPP SA and close members of their families,
- entities controlled or significantly influenced by members of the key personnel or their close family members, within the meaning pursuant to IAS 24.

18.7.1. Key personnel

The key management personnel of LPP SA includes members of the management board and supervisory board of the parent entity.

Board members received benefits on account of the functions served both in LPP SA and a subsidiary Gothals Limited.

The value of employee benefits of the key management personnel for the period from 1 January to 30 June 2012 amounted to PLN 2 541 thousand.

On 27 June 2011, the AGM adopted Resolutions introducing the incentive programme addressed to six key managers of LPP SA

Detailed information on the program are described in the consolidated financial statement for 2011. The reporting period includes costs corresponding to the said incentive program in the amount of PLN 1 631 thousand.

18.7.2. Transactions with affiliated entities

in PLN '000

Affiliated entities	Liabilities as at 30.06.2012	Receivables as at 30.06.2012	Revenues in the first half of 2012	Costs in the first half of 2012
Polish subsidiaries – total	52	476	17	4 795
Foreign subsidiaries	6 941	393 889	203 754	159 365
Total	6 993	394 365	203 771	164 160

in PLN '000

Affiliated entities	Liabilities as at 30.06.2011	Receivables as at 30.06.2011	Revenues in the first half of 2011	Costs in the first half of 2011
Polish subsidiaries – total	329	5	11	4 903
Foreign subsidiaries	0	260 328	134 419	113 025
Total	329	260 333	134 430	117 928

19. Approval for publication

The interim condensed financial statement for the period of 6 months ended 30.06.2012 (along with the comparative data) was approved for publication by the Management Board of LPP SA on 20 August 2012.

LPP SA Management Board:

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, 20 August 2012

Interim condensed individual financial statement for the period from 01.01.2012 to 30.06.2012

Selected Financial Data - Individual Financial Data of LPP SA

in PLN '000

Selected financial data	First half of 2012	First half of 2011	First half of 2012	First half of 2011
	01.01.2012-30.06.2012	01.01.2011-30.06.2011	01.01.2012-30.06.2012	01.01.2011-30.06.2011
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1 206 349	936 252	285 553	235 992
Operating profit (loss)	120 076	119 060	28 423	30 010
Gross profit (loss)	140 053	87 375	33 152	22 024
Net profit (loss)	120 502	68 870	28 524	17 359
Net cash flows from operations	74 508	55 764	17 637	14 056
Net cash flows from investments	-5 792	-1 959	-1 371	-494
Net cash flows from financial operations	-34 219	-58 341	-8 100	-14 705
Total net cash flows	34 497	-4 536	8 166	-1 143

in PLN '000

Selected financial data	First half of 2012	First half of 2011	First half of 2012	First half of 2011
	01.01.2012-30.06.2012	01.01.2011-30.06.2011	01.01.2012-30.06.2012	01.01.2011-30.06.2011
	in PLN '000		in EUR '000	
Total assets	1 688 495	1 472 537	396 239	369 372
Long-term liabilities	148 816	231 168	34 923	57 986
Short-term liabilities	656 841	535 589	154 141	134 347
Equity capital	882 838	705 780	207 176	177 038
Share capital	3 559	3 523	835	884
Weighted average number of ordinary shares	1 758 022	1 738 975	1 758 022	1 738 975
Profit (loss) per ordinary share (in PLN / EUR)	68.54	39.60	16.22	9.98
Book value per share (in PLN / EUR)	502.18	405.86	117.85	101.81
Declared or paid dividend per share (in PLN / EUR)		78.00		19.57

Balance sheet of LPP SA

in PLN '000

Balance Sheet	As at		
	30.06.2012	30.06.2012	31.12.2011
ASSETS			
Fixed assets (long-term)	681 001	637 019	664 704
1. Tangible fixed assets	345 067	313 617	333 418
2. Intangible assets	8 350	10 543	8 832
3. Goodwill	179 618	179 618	179 618
4. Trademark	77 508	77 508	77 508
5. Shares in subsidiaries	15 599	22 893	22 812
6. Investments in associates	19	19	19
7. Investments in real property	669	687	678
8. Receivables and loans	15 294	658	5 194
9. Deferred tax assets	38 495	31 221	36 335
10. Prepayments	382	255	290
Current assets (short-term)			
1. Inventories	493 333	430 333	475 080
2. Trade receivables	387 566	268 092	344 260
3. Income tax receivables	0	2 539	0
4. Other receivables	11 599	9 661	12 281
5. Loans	5 119	2 634	5 096
6. Other securities	0	0	0
7. Other financial assets	0	54 664	0
8. Prepayments	6 235	5 093	6 109
9. Cash and cash equivalents	103 642	62 502	69 145
TOTAL assets	1 688 495	1 472 537	1 576 675

in PLN '000

Balance Sheet	As at		
	30.06.2012	30.06.2011	31.12.2011
LIABILITIES			
Equity capital	882 838	705 780	897 697
1. Share capital	3 559	3 523	3 555
2. Treasury shares	-48 762	-48 756	-48 759
3. Share premium	152 837	125 067	149 829
4. Other capital	654 702	560 774	561 771
5. Retained earnings	120 502	65 172	231 301
- profit (loss) from previous years	0	-3 698	-3 690
- net profit (loss) for the current period	120 502	68 870	234 991
Long-term liabilities			
1. Bank loans and borrowings	145 904	120 808	86 418
2. Issue of debt securities	0	106 662	0
3. Provisions for employee benefits	1 179	1 079	1 101
4. Deferred tax provision	1 733	2 619	1 681
Short-term liabilities			
1. Trade and other liabilities	519 506	446 727	359 443
2. Income tax liabilities	5 640	0	11 179
3. Bank loans and borrowings	32 553	73 493	117 273
4. Issue of debt securities	85 212	3 482	86 244
5. Other financial liabilities	0	0	0
6. Provisions	9 405	9 071	10 698
7. Special funds	373	408	296
8. Accruals	4 152	2 408	4 645
TOTAL liabilities	1 688 495	1 472 537	1 576 675

1. Uniform Comprehensive Income Statement of LPP SA

in PLN '000

Comprehensive Income Statement	I half	I half
	01.01.2012- 30.06.2012	01.01.2011- 30.06.2011
Revenues from sales	1 206 349	936 252
Costs of sales	631 707	480 342
Gross profit (loss) on sales	574 642	455 910
Other operating revenues	33 757	35 295
Costs of sales	385 920	320 422
Overheads	77 105	37 677
Other operating expenses	25 298	14 046
Operating profit (loss)	120 076	119 060
Financial revenues	48 720	7 146
Financial expenses	28 743	38 831
Gross profit (loss)	140 053	87 375
Taxes	19 551	18 505
Net profit (loss)	120 502	68 870
Total comprehensive income	120 502	68 870
Number of shares	1 758 022	1 738 975
Profit (loss) per ordinary share	68.54	39.60

2. Statement of Changes in Equity of LPP SA

in PLN '000

Statement of Changes in Equity	Share capital	Treasury 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	0	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		16 944				16 967
Costs of acquisition of treasury shares		-2					-2
Net profit distribution for 2010				13 873	-148 872		-134 999
Transactions with owners	23	-2	16 944	13 873	-148 872	0	-118 034
Net profit for the first half of 2011						68 870	68 870
As at 30 June 2011	3 523	-48 756	125 067	560 774	-3 698	68 870	705 780

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
As at 1 January 2012	3 555	-48 759	149 829	561 771	231 301	0	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
Costs of acquisition of treasury shares		-3					-3
Net profit distribution for 2011				91 301	-231 301		-140 000
Share-based payment				1 630			1 630
Transactions with owners	4	-3	3 008	92 931	-231 301	0	-135 361
Net profit for the first half of 2012						120 502	120 502
As at 30 June 2012	3 559	-48 762	152 837	654 702	0	120 502	882 838

3. Cash Flow Statement of LPP SA

in PLN '000

Cash Flow Statement	First half of 2012	First half of 2011
	01.01.2012-30.06.2012	01.01.2011-30.06.2011
A. Cash flows from operations - indirect method		
I. Gross profit (loss)	140 053	87 375
II. Total adjustments	-65 545	-31 611
1. Depreciation	32 748	30 814
2. (Profit) loss on foreign exchange differences	1 309	-142
3. Interest and participation in profits (dividends)	-30 985	8 638
4. (Profit) loss from investments	10 134	7 136
5. Paid income taxes	-26 928	-19 480
6. Change in provisions	-1 216	7 836
7. Change in inventories	-18 264	-70 641
8. Change in receivables	-52 961	-18 021
9. Change in short-term liabilities, excluding loans and borrowings	19 697	23 769
10. Change in accruals	-710	-1 520
11. Other adjustments	1 631	0
III. Net cash flows from operations	74 508	55 764
B. Cash flows from investments		
I. Revenues	58 195	26 241
1. Disposal of intangible and tangible fixed assets	14 212	8 465
2. From financial assets, including:	43 983	17 776
a) in affiliated entities	43 896	1 054
- interest and dividends	41 528	411
- disposal of shares (liquidation of companies)	0	643
- repayment of loans	2 368	0
- other		
b) in other entities	87	16 722
- interest	23	617
- disposal of financial assets – foreign bonds	0	16 000
- repayment of loans	64	105
3. Other investment inflows	0	0

II. Expenses	63 987	28 200
1. Acquisition of intangible and tangible fixed assets	51 884	27 973
2. For financial assets, including:	12 103	227
a) in affiliated entities	11 994	146
- acquisition of shares	0	0
- lending	11 994	146
b) in other entities	109	81
- lending	109	81
- purchase of foreign bonds	0	0
3. Other capital expenses	0	0
III. Net cash flows from investments	-5 792	-1 959
C. Cash flows from financial operations		
I. Revenues	0	0
1. Loans and borrowings	0	0
2. Net proceeds from share issue	0	0
3. Other financial income	0	0
II. Expenses	34 219	58 341
1. Acquisition of treasury shares	3	2
2. Repayment of loans and borrowings	25 854	48 943
3. Interest	8 362	9 346
4. Other financial expenses - financial lease	0	50
III. Net cash flows from financial operations	-34 219	-58 341
D. Total net cash flows	34 497	-4 536
E. Net change in cash, including:	34 497	-4 536
- change in cash from foreign exchange differences	-3	88
F. Opening cash balance	69 145	67 038
G. Cash at the end of the period, including:	103 642	62 502
- restricted cash	396	396

Semi-annual report on LPP SA Capital Group operations for the first half of 2012

1. Operations of LPP SA Capital Group in the period 01.01.2012 - 30.06.2012

Basic operations carried out in the first half of 2012:

1. There were launched new stores of the total area of approximately 37.8 thousand sq m, increasing the total area of stores to approximately 381.3 thousand sq m (978 stores), of which 128.7 thousand sq m (290 stores) are outside Polish borders.
2. In the first quarter, in the outlets of Reserved the sales of PLN 782.2 million was achieved, while in Cropp Town centres - in the amount of PLN 251.6 million. Sales in the first half-year in House outlets amounted to PLN 185.6 million and in Mohito stores to PLN 100.4 million. Revenues from sales in comparable outlets increased in Q1 2012 by 14.7%, and in Q2 by 13.5% (excluding changes in local currency exchange rates in the countries where the companies of LPP SA Capital Group operate).

Basic figures illustrating the effects of the Group's operations in the first half of 2012 are shown in the following table.

Volume	I H 2012 (PLN million)	I H 2011 (PLN million)	Change (%)
Revenues from sales	1 418.1	1 081.0	31%
Gross profit on sales	782.5	599.9	30%
Selling costs and general administrative expenses	622.6	494.8	26%
Operating profit + depreciation EBITDA	207.3	146.0	42%
Operating profit EBIT	156.1	98.6	58%
Net profit	111.8	78.3	43%

Sales revenues in the first half of 2012 increased by 31% compared to the same period of the previous year, while gross profit on sales increased by 30%.

Selling costs and general administrative expenses increased by 26% and the significant share of these costs are expenses for the functioning of retail outlets. The total retail area that determines the amount of these costs increased compared with June 2011 by about 18%.

As a result, LPP Capital Group closed the first half of 2012 with the net profit of PLN 111.8 million, i.e. increased by 43% the profit generated in the same period of the previous year.

The achieved margins are shown in the table below.

Margin (%)	I H 2012	I H 2011
Gross on sales	55.2	55.5
EBITDA	14.6	13.5
Operating	11.0	9.1
Net	7.9	7.2

Revenues from sales revealed in the consolidated financial statement have been earned by the group companies operating in the following countries (after the exemption of intra-group sales):

Country	I H 2012 (PLN million)	I H 2011 (PLN million)	Change (%)
Poland	1 002.0	801.8	25%
Estonia	24.8	16.1	54%
Latvia	20.0	12.0	67%
Czech Republic*	54.3	44.6	22%
Hungary	12.4	9.0	38%
Lithuania	27.9	19.5	43%
Ukraine	35.3	22.8	55%
Russia**	214.7	134.7	59%
Romania	12.5	10.4	20%
Bulgaria***	7.3	4.8	52%
Slovakia	6.8	5.3	29%
Total	1 418.1	1 081.0	31%

* total revenues of 2 companies in the Czech Republic: LPP Retail Czech Republic S.R.O, Artman Mode S.R.O

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

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

In the first half of 2012 the dynamics of sales was best outside the European Union (Russia and Ukraine).

	I H 2012 (PLN million)	I H 2011 (PLN million)	Change (%)
Poland	1 002.0	801.8	25%
Other EU countries	166.0	121.7	36%
Russia and Ukraine	250.0	157.5	59%
Total	1 418.1	1 081.0	31%

2. Basic factors influencing growth opportunities; risks and threats

LPP SA Capital Group's basic tasks, implementation of which will determine its position in the future:

- a) developing and expanding the competitive network of brand stores in Poland and Central and Eastern Europe,
- b) building strong clothing brands,
- c) increasing the business profitability and effectiveness.

Development of the Issuer's strategic tasks and goals will depend on many internal and external factors that represent both opportunities and risks.

Internal factors

- a) Market strategy of LPP SA Capital Group

LPP SA Capital Group is focused on designing and distribution of clothing as well as building its brand while outsourcing many activities to third parties. The Company does not have its own manufacturing capacity and does not intend to develop its own manufacturing plants.

Outsourcing of production can significantly reduce fixed costs and provides access to modern and changing technologies that are used by suppliers constantly improving their manufacturing capacity. Accordingly, the Company's investments are directed at increasing the commercial potential, maintaining a competitive advantage in the market, creating its own distribution network, building a positive image of LPP SA Capital Group in the clothing market, gaining consumers that are loyal to the Company and its products.

b) The market position of LPP SA Capital Group (the risk associated with competition)

Marketing activities carried out for years concerning individual brands belonging to LPP SA have resulted in the high level of familiarity among the target group of customers.

Expansion of sales network, which is based on the selection of the most attractive locations, certainly increases the chances of strengthening the position in the markets.

The volume of sales revenues allow to consider LPP SA Capital Group one of the key players in the market. As the market is very fragmented, LPP SA Capital Group's market share that is estimated to be several percent is so small that it can still increase.

However, competition in the industry where the Issuer operates is significant, and the Polish clothing market remains very attractive for potential domestic and foreign competitors.

c) Extending and renewing the offer for customers (the risk associated with changes in fashion)

The clothing market is characterised by a wide variety of customer expectations and is closely correlated with changes in 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 consumer needs. Therefore, LPP SA pays much attention to 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 a very good price-quality ratio. In order to fulfil their tasks, designers participate in trade fairs around the world, benefit from the professional literature and information on issues related to fashion available on the Internet. LPP SA Capital Group by observing the changing preferences of customers introduces new product groups, or new brands, in an effort to get ahead of the market.

d) Risks associated with weather conditions

In the business during one season there may occur positive or negative effect of weather conditions, which may influence the increase / decrease in sales, and hence, the increase / decrease of the Issuer's margins. However, in the long term weather and climatic factors do not affect the Company's development.

e) The risk of unsuccessful location of a store

The Issuer's development strategy provides for the rapid expansion of the sales network. Opening new stores carries the risk that some of the locations prove to be unsuccessful. This may result in not meeting the projected level of revenues, which in turn will affect the Issuer's financial performance.

The Company reduces the risk of unsuccessful locations due to good market recognition and a detailed analysis of each potential new location. Number of owned stores also reduces the impact of a single location on the financial position of the Company.

f) Logistics

The Company has a modern logistics centre in Pruszcz Gdański, which allows for completion of an appropriate amount of packages of clothing for stores in such a way that on the one side they can always offer a wide range of products for customers and on the other hand

the amount of goods stored in the warehouse of the logistics centre is as small as possible. Organisational solutions used in this facility allow to quickly increase productivity through the use of an additional production line in case of a substantial increase in demand caused by the development of the sales network. Due to the development of sales network in the coming years (2013-2014), the company will launch investment related to construction of the next stage of the logistics centre.

g) Optimisation of the operating costs of LPP SA Capital Group

To ensure the high level of LPP SA Capital Group's performance and productivity, there are taken actions aimed at reducing and adjusting costs to the changing market situation. These activities have been conducted since mid-2008 and will continue in every area of operation of the Capital Group companies.

External factors

a) Risks associated with the economic slowdown in Poland and countries where stores of the Issuer's Group operate

Despite the situation of the global economy has improved following its slowdown in the years 2008-2010, it is still affected by the adverse factors that may again reduce the demand for clothing offered by the Issuer. The experience gained during the years 2009 and 2010 in terms of adapting the offer to changing market conditions justifies a finding that the Company is able to adequately respond to such changes.

b) Foreign exchange rates - currency risk

Most purchases of goods by LPP SA Capital Group is associated with foreign exchange payments and most of them are settled in USD, while small part in EUR.

The majority of receipts from sales is obtained in PLN. Instability of the Polish currency in relation to USD and EUR is a risk. However, 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.

In addition to foreign exchange settlements of acquisition of goods, there is another area where the EUR exchange rate has an impact on the costs incurred by LPP SA Capital Group. This is namely the majority of settlements related to lease agreements of premises where products on the retail market are sold.

c) Interest rate risk

Interest rate risk is associated with continuous use of bank loans by the Issuer as well as, although to a lesser extent, with granted loans. Bank credits with floating interest rate create cash flow risk. In the opinion of the Management Board of the Issuer, a change in interest rates will not affect significantly the performance of LPP SA.

d) Risk of changes in customs and tax regulations

Customs and tax regulations have a significant impact on the functioning of the Company. Changes in this area can affect significantly the operations of the Issuer. LPP SA purchases clothing and currently most of the imports comes from China. The introduction of import quotas and prohibitive customs duties could affect the Issuer's revenues by reducing the margins. Changes in economic conditions in this regard will affect all businesses operating in this industry and the very probability of this risk is low due to the stable customs policy of the European Union.

e) The risk of shortening the time for trade

Issuer's brand stores are located in shopping malls. As there have been attempts to introduce regulations to limit the time for trade in the malls, there is the risk of shortening the time of sales of the Company's products from seven to six days a week (currently trade prohibition concerns legal holidays).

This limitation could result in the reduction in sales revenues and financial results of the Issuer. This factor may also have an impact on other businesses in this market.

3. The effects of changes in the structure of the economic entity, including a business combination, acquisition or sale of economic entities, acquisition or sale of the Issuer's capital group entities, long-term investments, division, restructuring and discontinued operations.

In the current reporting period, there were no changes in the structure of the Issuer.

4. The position of the Management Board regarding the possibility of achieving previously published forecast results for the year, in view of the results presented in the semi-annual report in relation to forecast results.

The company did not publish forecasts for the year 2012.

5. Indication of shareholders holding directly or indirectly through subsidiaries at least 5% of total votes at the AGM of the issuer as at the date of the report submission along with the number of shares held by those shareholders, their percentage share in share capital, resulting number of votes and their percentage share in total votes at the AGM and an indication of changes in the ownership structure of large blocks of the issuer's shares in the period from the submission of the previous report

Ownership structure of the share capital of LPP SA as at the date of presenting the report:

Shareholder	Number of held shares (pieces)	Number of votes at the AGM	Share in the total number of votes at the AGM	Participation in share capital	The nominal value of shares
Marek Piechocki	175 000	875 000	27.5%	9.8%	350 000
Jerzy Lubianiec	175 000	875 000	27.5%	9.8%	350 000
Monistor Limited (Cyprus)	200 728	200 728	6.3%	11.3%	401 456
Grangeford Limited (Cypr)	350 000	350 000	11.0%	19.7%	700 000
Other shareholders	878 936	878 936	27.6%	49.4%	1 757 872
Total	1 779 664	3 179 664	100.0%	100.0%	3 559 328

After the submission of the last quarterly report (report for Q1 2012), there were no changes in the ownership structure of major blocks of LPP SA shares.

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

Shareholder	Number of held shares (pieces)	Number of votes at the AGM
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	421	421

In the period from the previous report submission there were changes in the ownership of shares of LPP SA by the person supervising the Issuer. One of the members of the Supervisory Board performed the acquisition and sale of shares of the Company (RB 19/2012, RB 21/2012, RB 31/2012).

7. Indication of the proceedings before courts, arbitration or public administration authorities.

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.

8. 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.

9. Information on granting by the issuer or its subsidiary credit or loan sureties or guarantees - to single entity or its subsidiary if the total value of existing sureties or guarantees is equivalent to at least 10% of the equity of the issuer, stating the name of the entity to which sureties or guarantees were granted, the total amount of credits or loans that in full or particular part were assured or guaranteed, the period for which the sureties or guarantees were granted, financial conditions on which they were given and the nature of the relationship between the issuer and the entity taking the credit or loan.

In the reporting period there were no such events.

10. Other information that in the issuer's opinion is relevant for the evaluation of staff, property and financial situation, financial result and their changes as well as information relevant for the evaluation of the feasibility of commitments implementation by 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 the Capital Group.

11. Identification of factors which, according to the issuer, will affect its results within at least the next half-year.

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

- a) economic slowdown and salary levels of the population in Poland and in countries where the LPP SA Capital Group's stores operate.
- b) the level of the exchange rate of the Polish Zloty in relation to USD and EUR,
- c) assessment of the autumn-winter collection by customers,
- d) development of sales network of Reserved and Cropp Town, House and Mohito brands,
- e) implemented actions aimed at reducing costs,
- f) actions aimed at increasing profitability and efficiency.

LPP SA Management Board:

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, 20 August 2012