CONSOLIDATED ANNUAL REPORT OF LPP S.A. CAPITAL GROUP FOR FY 2007

CONTAINING:

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April 2008

LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

FY 2007 was another year of development of our network of brand stores in eight countries and growth of the potential of our organisation. As at year-end, we had 309 brand stores with the total area of 141 thousand square meters, which represents an increase by 23 thousand square meters in the span of a year.

Beyond any doubt, 2007 was a very successful year. After two years of no growth in earnings, we recorded a significant improvement of efficiency ratios for the Company and the Capital Group. With collections of both Reserved and Cropp brands well suited to the needs of our customers and the good use of opportunities presented by the growing market, we generated earnings three times higher than in the previous year.

In this year, we are planning to open 80 more Reserved and Cropp Town brand stores and increase the total selling area to over 180 thousand square meters. Since the beginning of this year, we have opened our brand stores in a new market in Romania. The number of brand stores in Russia, the second largest market after Poland, will continue to increase. We are taking advantage of the opportunities presented by the emerging retail market in this part of Europe. Construction works in a new distribution centre in Pruszcz Gdański, started back in 2006, are carried out as planned. The Centre should launch its operations this autumn.

Last year, we took an important decision that should ultimately lead to a rapid growth of our business – we decided to focus not only on the organic growth, but also on acquisitions. Adding new entities to our Group is an opportunity for an even faster development, especially abroad. In addition to our current brands, we are planning to open stores offering other brands of clothing. With an extended portfolio of products, we will further strengthen our position in all markets.

I am convinced that our actions to date will bear fruit in the nearest future: we will become a leader in the region and record a significant growth in value of the entire Capital Group.

Marek Piechocki

President of the Management Board

SELECTED CONSOLIDATED FINANCIAL DATA FOR FY 2006 - 2007

Selected financial data – consolidated statement

Selected financial data	2007	2006	2007	2006
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1 274 332	815 135	337 411	209 057
Operating profit (loss)	175 275	49 416	46 408	12 674
Gross profit (loss)	165 832	48 305	43 908	12 389
Net profit (loss)	134 749	39 323	35 678	10 085
Net cash flow from operations	172 971	76 018	45 798	19 496
Net cash flow from investments	-96 591	-62 520	-25 575	-16 034
Net cash flow from financial activity	-53 497	-10 315	-14 165	-2 645
Total net cash flow	22 883	3 183	6 059	816
Total assets	697 155	534 191	194 627	139 432
Long-term liabilities	33 358	15 544	9 313	4 057
Short-term liabilities	256 287	245 708	71 549	64 133
Equity	405 662	271 502	113 250	70 866
Share capital	3 407	3 407	951	889
Number of shares	1 703 500	1 703 500	1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN/EURO)	79.10	23.08	20.94	5.92
Book value per share – BVPS (in PLN/EURO)	238.13	159.38	66.48	41.60

Earnings per share (EPS) were calculated as net profit divided by the number of shares.

Book value per share (BVPS) was calculated as equity divided by the number of shares.

Marek Piechocki

President of the Management Board

Alicja Milińska — Vice President

Stanisław Dreliszak — Vice President

Dariusz Pachla — Vice President

Aleksander Moroz — Vice President

CONSOLIDATED FINANCIAL STATEMENT OF LPP S.A.
For the fiscal year ended 31 December 2007

1. Consolidated Balance Sheet

Balance Sheet	Notes	As at the end of: 31/12/2007	31/12/2006
ASSETS			
Non-current assets (long-term)		288 043	217 706
1. Tangible fixed assets (PP&E)	13.1	258 334	193 834
2. Intangible assets	13.2	12 186	13 478
3. Investments	13.3	910	903
4. Receivables		3 589	250
5. Deferred income tax assets	13.18	13 020	9 213
6. Prepaid expenses	13.15	4	28
Current assets (short-term)		409 112	316 485
1. Inventories	13.5	289 527	230 435
2. Trade and other receivables	13.6	60 809	50 471
3. Prepaid expenses	13.15	3 235	3 360
4. Investments	13.3	2 109	1 670
5. Cash and cash equivalents	13.7	53 432	30 549
Total assets		**697 155**	**534 191**

LIABILITIES			
Equity		405 662	271 502
1. Share capital	13.8	3 407	3 407
2. Reserve capital	13.8	274 748	232 266
3. Other reserves		104	83
4. Retained profit/accumulated loss brought forward from previous years		-7 067	-3 887
5. Net profit/loss of the reporting period		134 749	39 323
7. Foreign exchange differences (conversion of related parties)		-279	310
Long-term liabilities		33 358	15 544
1. Borrowings (bank credits and loans)	13.13	27 865	11 000
2. Provisions	13.10	563	364
3. Deferred income tax provision	13.18	4 930	4 171
4. Other long-term liabilities		0	9
Short-term liabilities		256 287	245 708
1. Trade and other payables	13.14	166 692	117 768
2. Borrowings (bank credits and loans)	13.13	57 017	124 139
3. Income tax liabilities		23 443	2 246
4. Provisions	13.10	8 992	1 354
5. Special funds		143	201
Accruals and deferred income		1 848	1 437
TOTAL liabilities		**697 155**	**534 191**

Book value	405 662	271 502
Number of shares	1 703 500	1 703 500
Book value per share – BVPS (in PLN)	238.13	159.38

2. Consolidated Profit and Loss Account

Profit and Loss Account	Notes	01/01/2007-31/12/2007	01/01/2006-31/12/2006
Revenues from sales	13.16	1 274 332	815 135
Selling costs		521 362	368 478
Gross profit/loss on sales		752 970	446 657
Other operating revenues	13.16	5 492	4 814
Costs of sales	13.17	497 610	342 074
General administrative expenses	13.17	69 867	49 425
Other operating expenses	13.17	15 710	10 556
Operating profit/loss		175 275	49 416
Financial revenues	13.16	1 532	6 506
Financial expenses	13.17	10 975	7 617
Gross profit/loss		165 832	48 305
Taxes	13.18	31 083	8 982
Net profit/loss		**134 749**	**39 323**
Weighted average number of ordinary shares		1 703 500	1 703 500
Earnings (loss) per ordinary share (EPS) (in PLN)		79.10	23.08

Earnings per share (EPS) for each period is calculated by dividing net profit for the reporting period by the weighted average number of shares in this period.

3. Statement of changes in equity

Statement of changes in equity	Share capital	Reserve capital	Other reserves	Retained profit/accumulated loss brought forward from previous years	Net profit/loss of the reporting period	Foreign exchange differences (conversion of related parties)	Equity TOTAL
As at 1 January 2006	3 407	200 369	1	28 202	0	472	232 451
- corrections of errors from previous years				-110			-110
As at 1 January 2006 (corrected)	3 407	200 369	1	28 092	0	472	232 341
Foreign exchange differences after conversion of related parties						-162	-162
Distribution of retained earnings from previous years		31 897	82	-31 979			0
Net profit for FY 2006					39 323		39 323
As at 31 December 2006	3 407	232 266	83	-3 887	39 323	310	271 502
As at 1 January 2007	3 407	232 266	83	37 220	0	310	273 286
- corrections of errors from previous years				-1 784			-1 784
As at 1 January 2007 (corrected)	3 407	232 266	83	35 436	0	310	271 502
Foreign exchange differences after conversion of related parties						-589	-589
Distribution of retained earnings from previous years		42 482	21	-42 503			0
Net profit for FY 2007					134 749		134 749
As at 31 December 2007	3 407	274 748	104	-7 067	134 749	-279	405 662

4. Consolidated Cash Flow Statement

Cash Flow Statement	01/01/2007-31/12/2007	01/01/2006-31/12/2006
A. Cash flow from operations – indirect method		
I. Gross profit (loss)	165 832	48 305
II. Total adjustments	7 139	27 713
1. Depreciation and amortisation	49 746	41 466
2. Foreign exchange (gains) losses	2 427	1 549
3. Interest and profit sharing (dividends)	3 235	4 556
4. (Profit) loss from investments	1 086	905
5. Income tax paid	-12 299	-13 517
6. Change in provisions	7 925	519
7. Change in inventories	-62 554	-59 756
8. Change in receivables	-15 387	-12 402
9. Change in short-term payables, excluding credits and loans	35 566	65 983
10. Change in prepaid expenses, accruals and deferred income	-118	116
11. Other adjustments	-2 488	-1 706
III. Net cash flow from operations (I+/-II)	172 971	76 018
B. Cash flow from investments		
I. Inflows	2 513	1 908
1. Sale of intangible assets and tangible fixed assets	1 127	649
2. From financial assets, of which:	1 386	1 259
a) in related parties	922	1 137
- dividends and profit sharing	922	1 137
b) in other entities	464	122
- sale of financial assets		
- interest	110	17
- repayment of short-term loans granted	354	105
- repayment of long-term loans granted		
- other inflows from financial assets		
3. Other inflows from investments		

II. Outflows	99 104	64 428
1. Acquisition of intangible assets and tangible fixed assets	98 343	62 752
2. On financial assets, of which:	761	1 676
a) in related parties	0	0
- acquisition of shares		
b) in other entities	761	1 676
- short-term loans granted	596	1 676
- long-term loans granted	165	
3. Other outflows on investments		
III. Net cash flow from investments (I-II)	-96 591	-62 520
C. Cash flow from financial activity		
I. Inflows	18 707	8 767
1. Credits and loans	18 707	8 767
2. Other financial inflows		
II. Outflows	72 204	19 082
1. Repayment of credits and loans	66 347	12 562
2. Payments related to finance lease agreements	37	58
3. Interest	5 820	6 462
4. Other financial outflows		
III. Net cash flow from financial activity (I-II)	-53 497	-10 315
D. Total net cash flow (A.III+/-B.III+/-C.III)	22 883	3 183
E. Total cash flow balance, of which:	22 883	3 183
- change in cash – foreign exchange differences	-2 044	-1 722
F. Opening cash balance	30 549	27 366
G. Closing cash balance (F+/-D), of which:	53 432	30 549
- restricted cash	157	215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT OF LPP CAPITAL GROUP FOR FY 2007

1. General information

Name and registered office of the parent company of LPP Capital Group:

LPP Spółka Akcyjna
with its registered office in Gdańsk, Poland
ul. Łąkowa 39/44
ZIP code: 80-769

Core business:

1. Wholesale of clothing, classified in item 51.42 Z of the Polish Classification of Economic Activities (PKD) as "wholesale of clothing and footwear",
2. Retail sale of clothing, classified in item 52.42 Z as "retail sale of clothing".

Local Court of appropriate jurisdiction for the parent company
LPP SA is registered in the Local Court in Gdańsk, VII Commercial Division of the National Court Register in the Register of Entrepreneurs, entry no. KRS 0000000778.

Place of business
The Group is running its business in the following countries:

- Poland,
- Estonia,
- the Czech Republic,
- Lithuania,
- Latvia,
- Hungary,
- Russia,
- Ukraine
- Romania.

Sector as classified by the Warsaw Stock Exchange:

Shares of the parent company LPP S.A. are listed on the main market of the Warsaw Stock Exchange and classified in the sector "trade".

2. Members of the Issuer's Management Board and Supervisory Board

Members of the Management Board:

- Marek Piechocki - President of the Board
- Dariusz Pachla - Vice President of the Board
- Alicja Milińska - Vice President of the Board
- Stanisław Dreliszak - Vice President of the Board
- Aleksander Moroz - Vice President of the Board

Members of the Supervisory Board:

- Jerzy Lubianiec - Chairman of the Supervisory Board
- Krzysztof Olszewski - Member of the Supervisory Board
- Wojciech Olejniczak - Member of the Supervisory Board
- Maciej Matusiak - Member of the Supervisory Board
- Krzysztof Fąferek - Member of the Supervisory Board
- Andrzej Puślecki - Member of the Supervisory Board (resigned from the position of the Supervisory Board member of LPP S.A. as of 02-01-2008)

3. Description of LPP Capital Group

LPP Capital Group (CG) is composed of:

- LPP S.A.– parent company
- - 19 Polish subsidiaries,
- - 8 foreign subsidiaries.

There is no parent company of LPP S.A.

The complete list of Capital Group companies is presented below.

No.	Name of the company	Registered office	Date of taking control
1.	G&M Sp. z o.o.	Gdańsk, Polska	26.09.2001
2.	M&G Sp. z o.o.	Gdańsk, Polska	26.09.2001
3.	AKME Sp. z o.o.	Gdańsk, Polska	26.09.2001
4.	TORA Sp. z o.o.	Gdańsk, Polska	26.09.2001
5.	P&G Sp. z o.o.	Gdańsk, Polska	26.09.2001
6.	SL&DP Sp. z o.o.	Gdańsk, Polska	26.09.2001
7.	DP&SL Sp. z o.o.	Gdańsk, Polska	26.09.2001
8.	IL&DL Sp. z o.o.	Gdańsk, Polska	26.09.2001
9.	PL&GM Sp. z o.o.	Gdańsk, Polska	26.09.2001
10.	GM&PL Sp. z o.o.	Gdańsk, Polska	26.09.2001
11.	AMA Sp. z o.o.	Gdańsk, Polska	28.05.2002
12.	LIMA Sp. z o.o.	Gdańsk, Polska	22.07.2002
13.	LUMA Sp. z o.o.	Gdańsk, Polska	05.11.2002
14.	KAMA Sp. z o.o.	Gdańsk, Polska	29.10.2002
15.	KUMA Sp. z o.o.	Gdańsk, Polska	05.11.2002
16.	AMUL Sp. z o.o.	Gdańsk, Polska	29.10.2002
17.	AMUK Sp. z o.o.	Gdańsk, Polska	15.05.2003
18.	AMUR Sp. z o.o.	Gdańsk, Polska	09.05.2003
19	MM&MR Sp. z o.o.	Gdańsk, Polska	09.03.2005
20.	LPP Retail Estonia OU	Tallinn, Estonia	29.04.2002
21.	LPP Czech Republic s.r.o.	Prague, the Czech Republic	16.09.2002
22.	LPP Hungary Kft	Budapest, Hungary	18.10.2002
23.	LPP Retail Latvia Ltd	Riga, Latvia	30.09.2002
24.	UAB LPP	Vilnius, Lithuania	27.01.2003
25.	LPP Ukraina	Peremyshlany, Ukraine	23.07.2003
26.	RE Trading closed joint-stock company	Moscow, Russia	12.02.2004
27.	LPP Fashion Distribuitor SRL	Bucharest, Romania	12.08.2007

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

The consolidated financial statement of the Capital Group covering the period between 1 January and 31 December 2007 covers individual results of LPP S.A. 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 Distribuitor SRL

Polish subsidiaries of LPP S.A. were not consolidated, as their financial data is immaterial. This is in line with the Accounting Policy employed by the Group.

Under this policy, a subsidiary or associate is not consolidated if results disclosed in the financial statement of this entity are immaterial compared to data disclosed in the financial statement of the parent company. In particular, the balance sheet total, net revenues from sales of goods and services and financial transactions of the entity representing less than 10% of the balance sheet total and revenues of the parent company in the reporting period shall be considered immaterial. The total amount of balance sheet totals and revenues of the non-consolidated entities must not exceed this level, but established in relation to the corresponding amounts of the consolidated financial statement, based on the assumption that the statement covers all subsidiaries and associates with no exceptions.

The share of all non-consolidated Polish subsidiaries in the consolidated results is as follows:

- in the Capital Group’s balance sheet total – 0.89 %
- in the Capital Group’s revenues from sales and financial revenues – 4.38 %

The fact that financial statements of these companies are not consolidated does not affect 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 in Central and Eastern Europe. The 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.

Designs of clothing are prepared in the design office located at the registered office of LPP S.A. in Gdańsk, and then sent to the purchasing department, whose task is to outsource the production of individual products to manufacturing plants in Poland and abroad. Production in China is managed by the Company’s trading office in Shanghai.

In addition, the Capital Group generates small revenues from sales of services (these include only revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and lease of transport vehicles). 19 Polish subsidiaries are involved in the lease of real property where Cropp Town and Reserved outlets are located.

On 25 January 2008, two new subsidiaries with their registered office in Moscow, Russia were registered. 100% of their share capital will be taken over and paid up by the parent company.

4. Legal basis of the financial statement and information on changes in the adopted accounting principles

Under the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws of 2003 No. 76 item 694, as amended), as of 1 January 2005, LPP Capital Group shall present the consolidated financial statement drawn up as per the International Financial Reporting Standards (IFRS) and related interpretations published in the form of Regulations of the European Commission.

In matters not covered by IFRS, provisions of Accounting Act shall be applied. Financial statements covering periods starting before 1 January 2005 were prepared based on the Accounting Act and its implementing provisions.
The Group decided not to exercise its rights resulting from the revision contained in IAS 1 as regards loans granted to subsidiaries, and does not classify these loans as subordinated loans.

The report contains the Group's consolidated financial statement and the individual financial statement of LPP S.A. The report was drawn up as per IFRS.

This consolidated financial statement was drawn up in PLN.

5. Declaration of compliance with IFRS

This consolidated financial statement was drawn up in line with the International Financial Reporting Standards (IFRSs) as adopted by the European Union, covering standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Standards Interpretation Committee.

Currently, there are no significant differences between IFRSs as adopted by the European Union and regulations adopted by the International Accounting Standards Board, with the exception of the following standards which have not been adopted as at 31 March 2008:

1. The revised IFRS 3 *Business Combinations* – published on 10 January 2008 and applicable to financial statements for annual periods beginning on or after 1 July 2009. The revision concerns, among others, the revised recognition of other direct acquisition-related costs, recognition and settlement of step acquisitions (made in several transactions), measurement and recognition of goodwill and minority interest, as well as the approach to terms of payment.
2. The revised IAS 23 *Borrowing Costs* – published on 29 March 2007 and applicable to financial statements for annual periods starting on or after 1 July 2009. This revision eliminates the previously approved option to account for borrowing costs through profit or loss.
3. The revised IAS 1 *Presentation of Financial Statements* – published on 6 September 2007 and applicable to financial statements for annual periods starting on or after 1 January 2009. This revision includes changes in the terminology adopted for basic financial statements as well as the presentation of Balance Sheet, Profit and Loss Account, and Statement of Changes in Equity.
4. The revised IAS 27 *Consolidated and Separate Financial Statements* – published on 10 January 2008 and applicable to financial statements for annual periods starting on or after 1 July 2009. This revision refers to the acquisition or sale of shares in a transaction where control is retained, measurement of the residual holding in subsidiaries retained in the parent's financial statement after control is lost, and recognition of minority interest (non-controlling interest).
5. The revised IFRS 2 *Share-based Payment* published on 17 January 2008 and applicable to financial statements for annual periods beginning on or after 1 January 2009. This revision explains the definition of vesting conditions and the accounting treatment of termination of agreements related to share-based payments.
6. IFRIC Interpretation 12 *Service Concession Arrangements* – published on 30 November 2006 and applicable to financial statements for annual periods beginning on or after 1 January 2008. This Interpretation contains guidelines for operators in service concession agreements between the public and private sectors on the accounting treatment of these agreements. IFRIC 12 applies to agreements where an entity granting a concession (Grantor) controls or regulates the type of services provided by the operator using the specific infrastructures and controls the significant residual interest in this infrastructure after the contract term.

7. IFRIC Interpretation 13 Customer Loyalty Programmes – published on 28 June 2007 and applicable to financial statements for annual periods beginning on or after 1 July 2008. This Interpretation contains guidelines for entities granting the so-called "loyalty points" to their customers on how to account for their obligation to provide free or discounted goods or services if and when the customers redeem the points.
8. IFRIC Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – published on 5 July 2007 and applicable to financial statements for periods starting on or after 1 January 2008.

According to the Company's estimates, the above standards, interpretations and revisions would have no significant impact on the financial statement is applied as at the balance sheet date.

In addition, when preparing this financial statement, the Company has not applied the following standards, revisions and interpretations that have been published and adopted by the EU, but are not applicable as yet.

1. IFRS 8 *Operating Segments* – published on 30 November 2006 and applying to financial statements for periods starting on or after 1 January 2009. This standard replaces IAS 14 *Segment Reporting* and requires, among others, identification of operating segments based on internal reports on the entity's components that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.
2. IFRS 11 *IFRS 2 – Group and Treasury Share Transactions* – published on 2 November 2006 and applying to financial statements for periods starting on or after 1 March 2007. This Interpretation contains guidelines on the recognition and disclosure of share-based payments between the Capital Group entities,

According to the Company's estimates, the above standards, interpretations and revisions would have no significant impact on the financial statement is applied as at the balance sheet date.

6. Going concern assumption

The consolidated financial statement for FY 2007, financial statement of the Parent Company, as well as financial statements of subsidiaries on which the consolidated financial statement was based, were drawn up based on the assumption that the entities shall remain a going concern in the foreseeable future and that their respective businesses are not restricted to a considerable extent.
Based on the information available as at the date of preparation of this financial statement, the going concern assumption adopted herein is fully justified.

7. Date of approval of the financial statement for publication

This financial statement was authorised for issue (i.e. approved for publication) by the Management Board of the parent company of LPP Capital Group on 18 April 2008.

8. Events after the balance sheet date

Under IAS 10, events after the balance sheet date include all events that occurred between the balance sheet date and the date that the financial statement is authorised for issue.
After the balance sheet date, there have been no events which could have any material impact on the Capital Group's future financial results, nor any other events which should be taken into account or disclosed separately in this financial statement as per IFRS.
The Management Board is authorised to adjust the financial statement after its publication.

9. Methods of measurement of assets and liabilities and determination of the financial result adopted in the consolidated report

Tangible fixed assets (PP&E) and intangible assets
Tangible fixed assets (Property, Plant & Equipment) are initially carried at cost, increased by all costs directly related to the purchase and necessary to bring the asset to working condition for its intended use. Costs incurred after the date when an asset was put into use, including costs of maintenance and repairs, are charged to the profit and loss account as they are incurred. Borrowing costs are not included in the carrying amount of PP&E but recognised in the profit and loss account when incurred.
As at the balance sheet date, tangible fixed assets are measured at cost less depreciation and impairment losses.
The Capital Group's depreciation write-offs are made on a straight-line basis. Tangible fixed assets (PP&E) are depreciated over the asset's expected useful life verified on an annual basis.
PP&E is also tested for impairment resulting from events or changes in the business environment or within the CG companies which could cause an impairment of these assets below their current book value.
For accounting purposes, based on the materiality principle, the adopted threshold amounts for one-off depreciation of PP&E or non-inclusion of an asset in PP&E are equal to tax threshold amounts.
As a result, LPP S.A. adopted the following rule: whenever the initial carrying amount of a tangible fixed asset or property right exceeds PLN 3,500.00, monthly depreciation write-offs are made starting from the month following the month when the asset is put into use.
If the initial carrying amount of PP&E is below PLN 3,500.00, two accounting methods have been adopted based on the materiality principle:

- the asset is recorded in the fixed assets register or intangible assets register and depreciated on a one-off basis in the month when the asset is put into use; or
- the asset is recorded in the off-balance sheet register and written off on purchase (allocated to cost of consumption of materials recorded in the month of purchase).

Foreign companies have also adopted this principle; however, the adopted threshold amounts are based on their respective local regulations (which are comparable in different countries).
Under the accounting policy adopted by the Capital Group, straight-line depreciation of low-price assets may be adopted in justified cases if all the following circumstances occur simultaneously:

- many tangible fixed assets are purchased at the same time and their unit price is not in excess of the threshold amount, but their total value is material,
- these assets are a part of a larger set of uniform and/or interconnected units, and their purchase is related to a large investment project to be implemented at least over the period of normative depreciation specified for this particular group of fixed assets in tax regulations,
- these tangible fixed assets are high quality and high availability (HA) assets.

This situation has occurred twice so far and was related to:

- purchase of a large set of computer hardware for the implementation of the Company's new IT system,
- outlays made by Capital Group companies related to investments into the construction and furnishing of new Reserved and Cropp brand stores – implementation of a new project of brand stores layout and design.

Intangible assets are measured and amortised in the same way as tangible fixed assets. The main difference is that it is not possible to increase the initial carrying amount of intangible assets by the amount of their improvement (upgrade), unless these upgrades can be used to generate future economic benefits exceeding benefits assumed initially.
<u>*Assets in construction*</u> – as at the balance sheet date they are carried in the total amount of costs directly related to their acquisition or construction, less impairment losses.

<u>*Long-term investments*</u> in the CG include:
- - shares held by LPP S.A. in Polish subsidiaries – carried at cost less impairment losses,
- - long-term loans granted – measured as at the balance sheet date at depreciated cost estimated using the effective interest method, less impairment losses.

<u>*Long-term prepaid expenses*</u> include:

- deferred income tax assets – subsequently measured as at each balance sheet date,
- prepaid expenses related to prepaid lease rent.

<u>*Inventories*</u>
Inventories are carried at the lower of cost and net realisable value at the balance sheet date.
Inventories include:

- trading commodities,
- materials (fabrics and sewing accessories) purchased and issued for processing to external contractors,
- IT consumables related to operation, maintenance and development of a computer network,
- advertising materials.

Trading commodities in local warehouses are recorded by quantity and value and measured as follows:

- imported goods – at costs, including purchase prices, costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland, as well as customs duties; currency rate specified in customs documents is used for the conversion of amounts expressed in foreign currency,
- goods purchased in Poland – at cost; purchase-related costs are charged directly to costs of ordinary operations when they are incurred, as they represent an immaterial amount.

Trading commodities issued from Reserved, Cropp, Esotiq and Henderson collections are measured at weighed average prices.
For trading commodities from other collections, the FIFO method is employed.

Trading commodities in bonded warehouses are measured at cost, including their purchase price and costs of transport abroad and cost of transport in Poland up to the first unloading point in Poland.

The value of goods issued from bonded warehouses (moved to local warehouses or sold directly abroad) is measured based on detailed identification of goods for individual lots accepted to bonded warehouses.

Trading goods in transit are measured at cost (purchase price) plus costs of transport abroad and in Poland determined as the balance sheet date. For the measurement of the parent company's imported goods in transit, selling exchange rate published by Raiffeisen Bank Polska S.A. as at the balance sheet date is adopted (in the case of foreign companies – selling rate published by banks with which these companies usually co-operate (i.e. banks with the highest volume of transactions with the company) or average exchange rate of the central bank).

Inventories whose trading or useful value is impaired are written down. Inventory revaluation losses are charged to other operating expenses.

Receivables
Trade receivables are recognised and disclosed at amounts initially invoiced, including write-downs on irrecoverable receivables and doubtful receivables (allowance for uncollectible amounts).
Taking into account the relatively short payment terms (below 120 days), the above rule does not result in any material changes in the measurement of receivables vs. the measurement method set out in IAS 39 based on discounting of these receivables.
Revaluation write-downs of receivables are made based on the type of receivables:

- claimed receivables (amounts claimed in court and amounts due from debtors in the process of liquidation or filing for bankruptcy) – in the total amount receivable,
- other receivables:
  - due from customers of underwear – receivables from a large group of small customers of underwear (overdue more than 6 months) – 30% of the amount receivable,
  - from other customers (overdue more than 6 months) – the debtor's financial situation is analysed in detail and if there is any reasonable doubt that the amount may be irrecoverable, a write-down is made for 100% of the amount receivable,
  - from customers whose financial situation involves a significant risk of non-collection of receivables, irrespective of the period of non-payment – write-downs are made based on a case-by-case analysis and assessment of the situation and risk of potential loss.

Short-term investments
These include investment assets which are payable, mature or held for sale within 12 months after the balance sheet date, as well as cash.
Short-term investments are measured as at the balance sheet date based on the following principles:

- long-term loans granted – at depreciated cost estimated using the effective interest rate,
- local cash in hand – at nominal value,
- cash in foreign currencies at the currency purchase rate adopted on this day by local banks with which these companies usually co-operate (i.e. banks with the highest volume of transactions with the company).

Short-term accruals and deferred income
These include costs related to future reporting periods to be settled within 12 months after the balance sheet date.

Share capital
Share capital is disclosed in the amount specified in the Articles of Association and entered in the court register.

Reserve capital
The amount presented under Reserve Capital includes:
- share premium – issue of shares at the price exceeding their nominal value less costs of issue,
- profits brought forward from previous years, based on decisions of General Meetings of Shareholders.
- amounts of share-based payments made in respect of certain persons under the incentive scheme (equity-settled share-based payment programme).

Profit/loss from previous years (Retained profit/accumulated loss brought forward)
This item presents the net financial result brought forward from previous fiscal years, until the decision on how to distribute the profit/offset the loss, as well as adjustments of the financial results related to previous years, resulting from fundamental errors or changes in the adopted accounting principles.

Accounts payable
Trade payables with maturity date usually from 30 to 90 days are recognised and disclosed at amounts initially invoiced.
Taking into account the relatively short payment terms (below 120 days), the above rule does not result in any material changes in measurement of payables vs. the measurement method set out in IAS 39 based on discounting of these payables.
Financial payables are measured at amortised cost.

Provisions
Provisions are made for deferred income tax and employee benefits.
Provisions for employee benefits include:
- provision for holiday leaves not taken
- provision for future retirement benefits.

Provision for future retirement benefits is measured individually by Capital Group companies, taking into account the length of service, gender, and the current amount of remuneration. It was assumed that the discount related to the provision for retirement benefits is equal to the expected salary growth rate. There were no actuarial gains or losses in the reporting period.

Revenues
Revenue is recognised to the extent that it is probable that economic benefits related to a given transaction will flow to the Company and that they can be reliably measured.
Revenues from the sale of goods are recognised when the significant risks and rewards of ownership have passed to the buyer.
Given the complaints and returns from customers, revenues from the sale of goods are adjusted based on a correction of the estimated cost of these returns. Based on our experience to date, the ratio of product return has been estimated against the sales volume. It was also assumed that the majority of product returns occur within the first quarter following the purchase. The value of this ratio (against prime costs and revenues) is defined every quarter.

Revenue from interest is accrued on a time basis up to the net carrying amount of the financial asset.

Borrowing costs
Borrowing costs are recognised by the Capital Group as set out in IAS 23, i.e. expensed immediately in the period when incurred.

Transactions in foreign currencies
The functional currency in LPP Capital Group is the Polish zloty (PLN).

As at the transaction date, assets and liabilities denominated in foreign currencies are carried at the following exchange rates, respectively:

- purchase or selling rate used by the Company's bank – in the case of purchase or sale of foreign currencies and repayment of receivables or payables,
- average exchange rate set by the central bank for this currency as at the invoice date or specified in the respective customs document.

The following items denominated in foreign currencies are measured as at the balance sheet date:

- monetary items:
  - elements of assets – at the Company's bank purchase rate adopted as at this date,
  - elements of liabilities – at the Company's bank selling rate adopted as at this date.
- non-monetary items – at the historical exchange rate as at the transaction date.

Grants
Government grants are recorded to the extent that their respective revenue is recognised in proportion to their associated costs.

The Company has adopted the following methods of presentation of Government grants in its financial statement:

- grants to assets – are recognised initially as a separate item under "Deferred income", and subsequently on a time basis as a revenue over the useful life of the respective asset;
- grants to revenues – as an item under "Other operating/financial revenues".

Earnings Per Share
Earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares of the parent company in this period. The Group does not present diluted earnings/loss per share, as there are no significant factors diluting EPS.

Share-based payment
Under Resolution of the Annual Meeting of Shareholders of 29 June 2007, the parent company has an incentive scheme in place offering shares issued within the company's target capital to its employees and associates. The incentive scheme will be implemented in 2007-2010 and will cover up to 15,000 shares of LPP S.A.

The main precondition for the implementation of the incentive scheme in individual fiscal years is that LPP S.A. Capital Group generates profits higher than in the previous year, respectively:

a) up by 70% for profit generated in 2007 (i.e. net profit for 2007 must be at least 70% higher than net profit generated in 2006). This condition was satisfied in 2007;
b) 10% for profit generated in the following years.

The scheme may be participated by a group of about 100 persons who will resign from additional remuneration (awards) which may be granted for the implementation of individual tasks, achievement of the planned sales levels, and positive performance appraisal by the Management Board, and provided that the number of shares which may be granted to an eligible person equals 120% of the gross amount of an award multiplied by the stock market price of LPP S.A. shares, as quoted in the Warsaw Stock Exchange on the day before the respective resolution of the Management Board (or the Supervisory Board in the case of the Management Board members) is taken. Shares will be taken over by the eligible persons at the nominal price, i.e. PLN 2.00 per share.

In the case of the Management Board members, the amount of an award is determined in accordance with the respective resolution of the Supervisory Board. The criterion adopted is the amount of net profit generated by LPP S.A. Capital Group. If net profit for 2007 exceeds PLN 120 million, the amount of the award will be 20 times higher than gross monthly remuneration of each member of the Management Board of LPP S.A.

Amount of the award for other eligible person is determined twice a year after the closing of trading seasons (i.e. periods from March to August and from September to February).

As at the date hereof, the number of shares declared by the eligible persons under the incentive scheme (to be taken over instead of the award) is not known, as the amounts of awards for every eligible person have not been determined yet. In addition, the eligible persons may opt out of the scheme and receive their awards in cash until the date of adoption of a relevant resolution to increase share capital under the scheme. It makes it even more difficult to determine the number of shares to be taken over.

The financial statement presents an amount of PLN 4,875k as a provision for 2007 costs, which equals the estimated value of shares to be taken over under the incentive scheme. This amount is a sum of the expected cash awards which may be granted to the eligible persons, plus 20%.

Segment reporting

The scope of financial information reportable for individual segments of the Group's business is based on the requirements of IAS 14.

The Group adopted the classification into geographical segments – i.e. segments related to business activities in different geographical areas.

Two segments have been identified:

- business within the European Union
- business in other countries.

Division into geographical segments was based on the criterion of location of the Group's assets.

Segment assets (liabilities) are those operating assets (liabilities) used in segment operations that are directly attributable or reasonably allocable to a segment.

Segment result is determined at the operating profit level.

Segment revenue, result, assets and liabilities are determined before eliminating intersegment transactions, after intra-segment eliminations.

Hyperinflation

Under provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies*, entities running their business in a hyperinflationary economy should restate individual items of their share capital by applying a general price index. Results of this restatement should be disclosed as negative amounts under "retained earnings" in the balance sheet. This restatement is made to reflect the impact of hyperinflation on the entity's financial result in the respective reporting period. In Poland, the period 1989 – 1996 is considered a period of hyperinflationary economy. However, the Management Board is in doubt whether a disclosure of this hyperinflationary restatement in the balance sheet as an accumulated loss brought forward from previous years is justified, taking into account that it refers to events which occurred eight years ago or earlier, and the corresponding earnings had been distributed before this financial statement was drawn up. In addition, it is not clear whether such disclosure of the hyperinflationary restatement has any effect under provisions of the Code of Commercial Companies, as regards e.g. the amount of dividend to be paid out, amount of payments on account of dividends, or conditions which require adoption of a resolution on the entity's remaining a going concern. Therefore, the Management Board is of the opinion that the direct disclosure of this restatement in the balance sheet drawn up as at 31 December 2007 could be misleading for users of this financial statement, and decided to present relevant amounts, ratios, and conversion methods related to the hyperinflationary restatement in Note 13.8 to the financial statement.

Financial statements of LPP Capital Group are drawn up based on the historical cost method.

Cash flow statement
For the purposes of the cash flow statement, the Group classified the following items as cash:
:

- cash in hand, cash in banks, and cash in transit,
- other cash, including third-party cheques, third-party promissory notes, traveller's cheques, as well as third-party bonds, deposits, etc., if payable (mature) within 3 months from the date of their issue (acquisition, deposition),
- other monetary assets, including interest on short- and long-term financial assets, i.e. deposits, bonds, Treasury notes, etc., payable as at the balance sheet date.

10. Financial risk management

The main financial instruments used by LPP Capital Group include bank credits and loans granted (Note 13.4 and 13.13). The main objective of these financial instruments is to secure financing of the Group's operations. LPP S.A. has other financial instruments established in the course of its business operations. These include mainly cash and deposits (Note 13.7) and trade receivables and payables (Note 13.6 and 13.14). Under IFRS 7, the scope of risks related to financial instruments the Group is exposed to has been analysed.

a) credit risks
Credit risk is related mainly to trade receivables, in the amount disclosed in the balance sheet, as well as guarantees granted to third parties.

Concentration of credit risk related to trade receivables is presented in the table below.

Customer	share of receivables (%) in the total amount of receivables
Customer 1	15.85%
Other with debts representing less than 5% of the total amount of receivables	84.15%
Total net trade receivables	100.0%

Classification of gross trade receivables by the period of non-payment:

in PLN ‘000	2007	2006
Not overdue	37 221	26 849
Overdue up to 1 year	10 558	10 762
Overdue more than 1 year	3 143	3 496
Total	**50 922**	**41 107**

Most of receivables overdue more than 1 year have been written down.

No hedging instruments for the above financial risks and no hedge accounting are used by LPP S.A..

b) liquidity risks

The Group's objective is to maintain balance between the continuity and flexibility of financing by using overdraft facilities or investment credits.
In comparison with the previous year, the Group's credit exposure was lower as at 31 December 2007. Details of the Company's financial standing in terms of bank credits incurred are presented in Note 13.3. Significant reduction of interest-bearing short-term debt vs. the end of 2006 was attributable to the considerably higher profits generated in 2007. On the other hand, increase in long-term debt resulted from the utilisation of investment credit tranches used to finance the construction of a new distribution centre.
Liquidity risks also included payables related to goods and services.

Classification of gross trade payables by the period of non-payment:

in PLN '000	2007	2006
Not overdue	136 241	91 647
Overdue up to 1 year	10 005	13 149
Overdue more than 1 year	74	13
Total	**146 320**	**104 809**

The increase in payables results from the accelerated purchase of the new collection which should be introduced faster than in the previous periods, increase in the Company's scope of business, and the increasing importance of the Company among its suppliers.

c) currency risk

The majority of transactions related to purchase of trading commodities are denominated in USD; a small portion of these transactions is settled in EURO.
Revenues from sales are denominated mainly in PLN. The exchange rate PLN against USD and EURO (on the whole, in the past several quarters we have seen the strengthening of PLN) is stable enough to justify the Management Board's conclusion that these variations are unlikely to affect the Company's results. Given the specific type of the Group's business, it is possible to partially pass the risk of increase in USD exchange rate to end customers, as the product selling price is calculated just before the product is introduced to the market.
Apart from the currency risks related to the settlement currency used in the purchase of trading commodities, there are also other currency risks related to the settlement of rent for the leased commercial premises in EURO. The above opinion of the Management Board on the immaterial impact of currency exchange rate variability applies also to the settlements under contracts of lease.

d) interest rate risk

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

The analysis of the impact of interest rate changes and foreign exchange rate changes on the Group's P&L Account and its equity is presented in the following tables. This analysis includes the financial elements of the Company's balance sheet as at the balance sheet date.

Interest rate risks *in PLN '000*

+/- 75 basis points			
Balance Sheet items	***Amount ****	***Impact on financial result***	***Impact on financial result***
Financial assets			
Cash	48 207	17	-17
Deposits	5 225	39	-39
Loans granted	2 300	362	-362
Impact on financial assets before tax		*418*	-418
Tax (19%)		-79	79
Impact on financial assets after tax		*339*	*-339*
Financial liabilities			
Bank loans	84 882	-637	637
Impact on financial liabilities before tax		*-637*	*637*
Tax (19%)		121	-121
Impact on financial liabilities after tax		-516	*516*
Total		***-177***	***177***

As at 31 December 2007, the Group's net profit would be down by PLN 177k if interest rates in PLN, EUR and USD were up by 75 basis points, assuming that all other parameters remained unchanged. It results from the higher balance of borrowings vs. cash and loans granted.

Foreign exchange risk *in PLN '000*

+/- 5%			
Balance Sheet items	***Amount ****	***Impact on financial result***	***Impact on financial result***
Financial assets			
Cash	48 207	-1 774	1 774
Trade receivables	45 816	-1 185	1 185
Impact on financial assets before tax		*-2 959*	2 959
Tax (19%)		562	-562
Impact on financial assets after tax		*-2 397*	*2 397*
Financial liabilities			
Trade payables	146 320	4 314	-4 314
Impact on financial liabilities before tax		*4 314*	*-4 314*
Tax (19%)		-820	820
Impact on financial liabilities after tax		3 494	*-3 494*
Total		***-1 097***	***1 097***

* this amount does not include write-downs of trade payables

As at 31 December 2007, the Group's net profit would be down by PLN 1,097k if the rate of PLN was 5% up vs. foreign currencies (mainly USD), assuming that all other parameters remained unchanged. It results from the increased share of export sales in the Group's total revenues from sales and the resulting increase in receivables denominated in foreign currencies. Weakening of PLN by 5% vs. foreign currencies as at 31 December 2007 would have the same impact in terms of the amount, but with the opposite sign (-/+).

11. 1 Critical accounting estimates and judgments

Estimates influencing the amounts disclosed in the financial statement refer to:

- the estimated economic useful life of property, plant and equipment,
- the residual value of property, plant and equipment, as well as intangible assets,
- the ratio of returns of product sold in the reporting period, occurring in the next reporting period,
- revaluation write-downs of assets,
- discount rate for the estimated increase in salaries and actuarial assumptions used to calculate the amount of provisions for retirement benefits,
- the future tax results taken into account when calculating deferred income tax assets.

The methodology employed by the Company is based on the best knowledge of the Management Board and is in line with the requirements of IFRS.
Methods of determination of the estimated amounts are applied consistently in relation to the previous reporting period.

The following estimated amounts remained the same as in the previous period:

- discount rate for the estimated increase in salaries and actuarial assumptions used to calculate the amount of provisions for retirement benefits,
- the future tax results taken into account when calculating deferred income tax assets.

The following estimated amounts have changed in line with the adopted methodology:

- the estimated economic useful life of certain elements of property, plant and equipment – the Company's master server, telephone switchboard, and IBM disk array (longer depreciation period after the upgrade)
- sales adjustment ratio related to returns of goods made in the next reporting period.

Changes in revaluation write-downs are presented below in Notes to individual items of assets.

11.2 Changes of data published in the previous reporting periods

In 2007, a fundamental error related to FY 2005-2006 was identified in ZAO "Re Trading" with its registered office in Russia; this error resulted from the incorrect recognition of selling cost of goods. Data published for the previous period were changed to ensure comparability. The impact of this fundamental error on the result brought forward from previous years totalled PLN 1,784.

12. Principles of consolidation

The consolidated financial statement of the Capital Group has been drawn up based on financial statements of all material subsidiaries employing the same methods of measurement and principles of financial statement preparation as the parent company. The consolidated financial statement of the Capital Group includes the relevant data from the financial statement of the parent company and statements of foreign subsidiaries denominated in the local currency of their respective countries, converted into PLN based on the following principles:

- individual items under assets and liabilities presented in the Balance Sheet (with the exception of equity) are converted at the average exchange rate published by the National Bank of Poland for this particular currency as at the balance sheet date;
- individual items in the Profit and Loss Account are converted at the exchange rate calculated as an arithmetic average of average exchange rates published by the National Bank of Poland for this particular currency as at the last day of each month during the fiscal year;
- individual items in the Cash Flow Statement are converted at the exchange rate calculated as an arithmetic average of average exchange rates published by the National Bank of Poland for this particular currency as at the last day of each month during the fiscal year;
- equity is converted as at the date when the control was taken over by the parent company, at the average exchange rate published by the National Bank of Poland as at that date.

Equity includes the following separate items:

- share capital,
- other equity,
- profits (losses) brought forward from previous years,
- net financial result,
- foreign exchange differences, including in particular foreign exchange differences resulting from different methods of conversion of net financial result and balance sheet into PLN.

The method of full consolidation was adopted.
The following adjustments and non-consolidation principles were adopted:

- interest held by the parent company in the equity of subsidiaries is not consolidated,
- intercompany payables and receivables are not consolidated,
- revenues and expenses related to the Capital Group intercompany sale and purchase transactions are not consolidated,
- adjustments for unrealised profits related to the Capital Group inventory,
- interest on loans granted by the parent company to its subsidiaries is excluded from financial revenues and expenses,
- adjustments of the Capital Group's financial result related to deferred income tax on foreign exchange differences and interest on loans granted within the Group as at the balance sheet date.

Marek Piechocki

President of the Management Board

Alicja Milińska	*Stanisław Dreliszak*	*Dariusz Pachla*	*Aleksander Moroz*
Vice-President	Vice-President	Vice-President	Vice-President

Gdańsk, 18 April 2008

NOTES TO THE FINANCIAL STATEMENT

13. Notes to the Financial Statement

13.1 Tangible fixed assets

(PP&E)

PP&E is depreciated on a straight-line basis based on the following depreciation rates:

- buildings, facilities and civil- and hydro-engineering structures: 2.5 – 50%,
- plant and machinery: 7 - 52%
- transport vehicles: 10 - 33%,
- other tangible fixed assets: 14 - 50%.

The adopted economic useful life of PP&E is reviewed on an annual basis.

In the reporting period, write-downs of PP&E made previously for the total amount of PLN 732 k were used, and write-downs of PLN 446 were reversed, because the economic benefits resulting from the disposal of PP&E were higher that initially assumed.

Compensations related to tangible fixed assets, received by the Group in 2007, amounted to PLN 413 k and resulted mainly from vehicle-related damage.

The Group has idle PP&E (temporarily out of use) with the initial carrying amount of PLN 492 k.

PP&E used by the Group is fully depreciated. Its initial carrying amount is PLN 17,243 k.

As at the balance sheet date, the use of real property in Pruszcz Gdańsk, where a new distribution centre is being built, was subject to limitations.

As at 31 December 2007, the Group's contractual obligation related to the purchase of tangible fixed assets totalled PLN 71,079 k.
As at 31 December 2007, the Group had no tangible fixed assets held for sale or discontinued operations.

The Group has no information on the fair value of property, plant and equipment currently in use and is under no obligation to disclose this data.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (by groups) in the period from 01.01.2007 to 31.12.2007 **in PLN '000**

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	transport vehicles	other PP&E	PP&E under construction	payments on account of PP&E	total PP&E
1) gross opening balance of PP&E	12 337	175 788	49 975	4 816	30 587	10 835	3 425	287 763
- foreign exchange differences		-3 289	-1 695	-34	-979	-1 087	-785	-7 869
- increase		44 271	13 671	2 652	16 063	99 540	6 600	182 797
- decrease	54	4 514	1 260	874	582	61 573	4 246	73 103
2) gross closing balance of PP&E	12 283	212 256	60 691	6 560	45 089	47 715	4 994	389 588
3) opening balance accumulated depreciation	0	56 053	23 598	2 740	9 815	0	0	92 206
- foreign exchange differences	0	- 866	-581	-11	-185	0	0	-1 643
- depreciation	0	27 057	10 793	874	7 175	0		45 899
- foreign exchange differences		-495	-316	-2	-215			-1 028
- decrease	0	3 499	979	677	298	0	0	5 453
4) closing balance accumulated depreciation	0	78 250	32 515	2 924	16 293	0	0	129 981
5) opening balance impairment losses	0	1 556	167	0	0	0	0	1 723
- foreign exchange differences		-29	-11					-40
- increase	0	768		0	0	0	0	768
- decrease	0	1 022	156	0	0	0	0	1 178
6) closing balance impairment losses	0	1 273	0	0	0	0	0	1 273
Total net closing balance of PP&E	12 283	132 733	28 176	3 636	28 796	47 715	4 994	258 334

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (by groups) in the period from 01.01.2006 to 31.12.2006 **in PLN '000**

	land	buildings, facilities and civil- and hydro-engineering structures	plant and machinery	transport vehicles	other PP&E	PP&E under construction	payments on account of PP&E	total PP&E
1) gross opening balance of PP&E	11 838	149 917	41 750	4 802	21 556	4 123	172	234 158
- foreign exchange differences		244	-268	3	-58	-26	-4	-109
- increase	499	27 362	10 353	220	9 937	46 073	3 555	97 999
- decrease	0	1 735	1 860	209	848	39 335	298	44 285
2) gross closing balance of PP&E	12 337	175 788	49 975	4 816	30 587	10 835	3 425	287 763
3) opening balance accumulated depreciation	0	34 562	15 706	2 048	5 138	0	0	57 454
- foreign exchange differences	0	34	-195	2	-8	0	0	-167
- depreciation	0	22 810	9 734	820	5 064	0		38 428
- foreign exchange differences		-67	-72	0	-19			-158
- decrease	0	1 286	1 575	130	360	0	0	3 351
4) closing balance accumulated depreciation	0	56 053	23 598	2 740	9 815	0	0	92 206
5) opening balance impairment losses	0	1 566	0	0	0	0	0	1 566
- increase	0	319	167	0	0	0	0	486
- decrease	0	329	0	0	0	0	0	329
6) closing balance impairment losses	0	1 556	167	0	0	0	0	1 723
Total net closing balance of PP&E	12 337	118 179	26 210	2 076	20 772	10 835	3 425	193 834

Impairment losses – items in the 2007 P&L account	Amount
- increase – “Revaluation of non-financial assets”	768
- reversal – “Other operating revenues”	446

Impairment losses – items in the 2006 P&L account	Amount
- increase – “Revaluation of non-financial assets”	486
- reversal – “Other operating revenues”	0

13.2 Intangible assets

There is no goodwill, i.e. surplus of price paid for shares over the value of the acquired net assets of each subsidiary, established as at the date of taking control. The Group has no intangible assets with unspecified useful life.

Intangible assets with determined useful life are amortised on a straight-line basis with the following rates:

- costs of completed development works (development costs): 33%
- acquired patents, licenses and similar rights: 6-75.2%

Intangible assets are tested for impairment on an annual basis. No impairment of intangible assets was identified in 2007 or in the comparative period.

The Group draws up its profit and loss account in the function format. As a result, amortisation of intangible assets is recognised under the following items:

- costs of sales – PLN 614 k
- general administrative expenses – PLN 3,231 k.

A significant item of intangible assets is the computer software Retek, used as a sales support and goods management tool, compatible with the FK software.
As at 31 December 2007, the carrying amount of this software was PLN 8,145 k. Its expected useful life is estimated at 41 months from the balance sheet date.

As at 31 December 2007, the Group’s contractual obligation related to the purchase of intangible assets totalled PLN 866 k.

During the reporting period, i.e. from 1 January to 31 December 2007, the Group made no outlays on R&D works.

CHANGES IN INTANGIBLE ASSETS in the period from 01.01.2007 to 31.12.2007 **in PLN '000**

	costs of completed R&D works	acquired patents, licenses and similar rights, including: total	software	intangible assets in progress	payments on account of intangible assets	total
a) gross opening balance of intangible assets	443	22 882	22 210	233	103	23 661
- foreign exchange differences		-46	-81	0	0	-46
- increase	-	2 267	1 498	1 092	459	3 818
- decrease		17	17	1 007	240	1 264
b) gross closing balance of intangible assets	443	25 086	23 610	318	322	26 169
c) opening balance accumulated amortisation	320	9 863	9 515	-	-	10 183
- foreign exchange differences	0	-18	-9			-18
- planned amortisation write-offs	123	3 722	3 625	-		3 845
- foreign exchange differences	0	-9	-2			-9
- decrease	0	18	18			18
d) closing balance accumulated amortisation	443	13 540	13 111	-	-	13 983
Total net closing balance of intangible assets	0	11 546	10 499	318	322	12 186

CHANGES IN INTANGIBLE ASSETS in the period from 01.01.2006 to 31.12.2006 **in PLN '000**

	costs of completed R&D works	acquired patents, licenses and similar rights, including: total	software	intangible assets in progress	payments on account of intangible assets	total
a) gross opening balance of intangible assets	443	18 319	11 968	2 519	398	21 679
- foreign exchange differences		0	-5	0	0	0
- increase	-	4 659	4 343	1 968	103	6 730
- decrease		96	96	4 254	398	4 748
b) gross closing balance of intangible assets	443	22 882	22 210	233	103	23 661
c) opening balance accumulated amortisation	172	7 071	6 895	-	-	7 243
- foreign exchange differences	0	-2	-2			-2
- planned amortisation write-offs	148	2 890	2 718	-		3 038
- decrease	0	96	96			96
d) closing balance accumulated amortisation	320	9 863	9 515	-	-	10 183
Total net closing balance of intangible assets	123	13 019	12 695	233	103	13 478

The Company uses fully amortised intangible assets with the initial carrying amount of PLN 3,751 k. These include:
- software licenses: PLN 3,118 k
- other licenses: PLN 42 k
- copyrights: PLN 148 k.
- completed development works: PLN 443 k.

As at the balance sheet date, there were no restrictions related to the use of intangible assets and no security was established on the Group's intangible assets.

13.3 Investments

The Group's investments include:
- shares held by the parent company in Polish non-consolidated subsidiaries: PLN 718 k,
- loans granted to third parties: PLN 2,214 k.
- loans granted to a related party: PLN 86 k. Loans granted are classified as

financial instruments and described in Note 13.4 below.
Shares in subsidiaries are measured at cost less impairment losses. Results of analysis carried out as at the balance sheet date show that impairment write-downs of shares held by the Capital Group are not required.

13.4 Financial instruments

As at the balance sheet date, in accordance with the classification of financial assets and financial liabilities specified in IAS 39, the Company disclosed the following items in its Balance Sheet:
- loans and receivables – PLN 51,706k,
- financial liabilities carried at amortised cost: PLN 231,202 k.

In line with the above classification, all financial assets and financial liabilities are carried at amortised cost.
Trade receivables and payables are carried at the discounted value as at the balance sheet date, based on the amortised cost method and using the effective interest rate. Under the accounting policy adopted by the Company, as the difference in measurement is immaterial, trade receivables and payables with the maturity below 120 days are carried at amounts initially invoiced, including revaluation write-downs.
The standard term of payment for customers is 60 days.
Receivables and payables classified as "Other" are carried at fair value as at the balance sheet date.

The Group has no financial assets used as a security of its liabilities or contingent liabilities. No security was established for the Group, either. As far as borrowings (credits) are concerned, no breach of the terms of payment or of terms and conditions of these agreements took place in the reporting period.

In the P&L Account under "Financial revenues", the Company presents the amount of interest of PLN 586 k, calculated using the effective interest rate, in reference to financial assets not carried at fair value through profit and loss.
Interest calculated using the effective interest rate and referring to financial liabilities not carried at fair value through profit and loss is presented under "Financial expenses – interest" in the amount of PLN 5,748k.

In the reporting period, no write-downs of loans granted were made, and changes in the impairment of receivables were presented in Note 13.6.

The Group does not use any hedge accounting.

The total amount of loans granted by the Capital Group as at 31 December 2007 totalled PLN 2,300 k (vs. PLN 855 k as at 31 December 2006) and included:
- a loan granted to a business partner of the parent company in the amount of PLN 129 k (PLN 201 k as at 31 December 2006). Under the loan agreement, interest (8% p.a.) and instalments of the principal amount shall be repaid in equal monthly instalments. The last instalment with interest shall be repaid on 31 July 2009.

- a loan granted to a business partner of the parent company in the amount of PLN 1,526 k. (PLN 1,508 k as at 31 December 2006). Under the loan agreement, interest (7% p.a.) and instalments of the principal amount shall be repaid at the same time by 30 September 2008.
- loans granted by the parent company to its employees in the total amount of PLN 645 k. (PLN 146 k as at 31 December 2006). The period of these loan agreements does not exceed 3 years. The principal amount shall be repaid in monthly instalments, while interest (6% p.a.) shall be repaid with the last instalment of the principal amount.

According to the Group, the carrying amount of financial assets and liabilities is close to fair value. The Group used the option provided for in IFRS 7.29 and did not disclose the fair values of its financial assets and liabilities.
As an active market does not exist, the Group did not estimate the fair value of loans granted, which (given the adoption of the fixed interest rate) may be different from the carrying amount calculated based on amortised cost.

Changes in loans granted and bank deposits in the reporting and comparative period are presented below.

in PLN '000

CHANGE IN FINANCIAL INVESTMENTS	loans granted		bank fixed-term deposits	
	2007	2006	2007	2006
Opening balance	1 855	273	4 156	12 508
1) increase	903	1 702	835 498	360 790
- loan granted	761	1 676		
- interest accrued	142	26		
- deposit established			835 498	360 790
2) reduction	458	120	834 431	369 142
- loans repaid	354	105		
- interest repaid	104	15		
- deposits closed (reversed)			834 431	369 142
Closing balance	2 300	1 855	5 225	4 156

13.5 Inventories

Trading commodities are the key item of the Capital Group's inventories. The structure of inventories as at the balance sheet date is presented in the table below:

PLN '000

INVENTORIES	31.12.2007	31.12.2006
1) materials	2 434	1 910
2) commodities	285 281	227 004
3) payments on account of deliveries	1 812	1 520
TOTAL	289 527	230 434

Trading commodities are also used as collaterals to secure a bank credit taken out by the Company in BHP S.A. The value of these commodities is PLN 3,700 k and they are used as collaterals to secure a multi-purpose credit line.

The carrying amount of inventories disclosed in the balance sheet includes the amount of a write-down. Changes in the amount of this write-down in the reporting period and comparative period are presented in the table below.

REVALUATION WRITE-DOWNS OF INVENTORIES	31.12.2007	31.12.2005
Opening balance revaluation write-down of inventories	1 895	1 741
Revaluation write-downs of inventories – increase recognised in the reporting period under expenses in the P&L account	2 143	508
Revaluation write-downs of inventories – decrease recognised in the reporting period under revenues in the P&L account	397	1 589
Foreign exchange differences	-21	-19
Closing balance revaluation write-down of inventories	3 620	642

Trading commodities or materials whose trading and useful value is impaired are written down by the Group. As at each balance sheet date, the inventory of trading goods is reviewed in detail to determine the estimated probable loss on their sale. Under the policy adopted by the Group, only the difference between the amounts of write-downs made as at the current and previous balance sheet date is posted. Positive difference is charged into expenses of the period, while negative difference increases other operating revenues.

As at 31 December 2007, the amount of inventories expensed in the reporting period totalled PLN 544,742 k.

13.6 Trade and other receivables

Detailed information on the structure of the Capital Group's receivables is presented in the table below.

in PLN '000

SHORT-TERM RECEIVABLES	31.12.2007	31.12.2006
1) from related parties	1 426	944
- trade receivables	1 426	944
2) from other entities	59 383	49 527
- trade receivables	44 390	35 304
- taxes, grants, customs duties and social security, health insurance and other benefits	9 071	9 752
- other	5 922	4 471
TOTAL	60 809	50 471

Trade receivables include mainly receivables related to the sale of clothing.
In the normal course of sales, receivables are settled within three months from the date of sale.

The total amount of short-term receivables presented above is a net amount, i.e. includes a revaluation write-down of PLN 5,106 k.

Changes in the amount of revaluation write-downs of receivables in the reporting period and the comparative period are presented in the table below:

in PLN '000

REVALUATION WRITE-DOWN OF RECEIVABLES	31.12.2007	31.12.2006
Opening balance revaluation write-down of receivables	4 859	5 573
Revaluation write-downs of receivables – increase recognised in the reporting period	2 204	1 944
Revaluation write-downs of receivables – decrease recognised in the reporting period	1 945	2 659
Foreign exchange differences	-12	1
Closing balance revaluation write-down of receivables	5 106	4 859

13.7 Cash

PLN '000

CASH	31.12.2007	31.12.2006
1) cash in hand and cash in banks	48 207	26 393
2) other cash	5 225	4 156
TOTAL	53 432	30 549

"Other cash" includes short-term deposits. These deposits are established for a fixed term (from one day up to one month, depending on the current needs) and bear interest based on defined interest rates.

The currency structure of cash is presented in the table below.

CASH – CURRENCY STRUCTURE	31.12.2007	31.12.2006
in the Polish currency	17 942	12 079
in foreign currencies (by currency)	35 489	18 470
- USD	2 741	765
- RMB	34	1
- EUR	236	1 082
- LVL	344	209
- EEK	26 320	2 750
- CZK	25 929	24 648
- UAH	1 713	1 063
- LTL	3 540	1 210
- HUF	153 191	78 768
- RUB	82 703	34 936
- RON	1 482	
TOTAL (in PLN '000)	53 431	30 549

As at 31 December 2007, the Group had free borrowings of PLN 213,607 k.

In the period from 1 January to 31 December 2007, the Group made non-cash settlements with its business partners (in the form of set-off of payables and receivables) for the total amount of PLN 3,149 k.

The Group's restricted cash includes cash related to the Company Social Fund. This cash is deposited in a separate bank account. This Fund is established only by the parent company.

The total amount of restricted cash was:
- PLN 157 k as at 31 December 2007,
- PLN 215 k as at 31 December 2006.

13.8 Equity

Share capital
The Group's share capital is equal to share capital of the parent company.
As at 31 December 2007, it totalled PLN 3,407 k. Share capital is divided into 1,703,500 shares with the nominal value PLN 2.00 per share.
In the period from 1 January 2007 to 31 December 2007, the number of shares did not change.

The total number of shares broken down into subsequent share issues is presented in the table below.

Series/ issue	Type of shares	Type of preference	Type of limitation of rights to shares	Number of shares	Value of the issue
A	bearer shares	common	none	100	200
B	registered shares	preference	none	350 000	700 000
C	bearer shares	common	none	400 000	800 000
D	bearer shares	common	none	350 000	700 000
E	bearer shares	common	none	56 700	113 400
F	bearer shares	common	none	56 700	113 400
G	bearer shares	common	none	300 000	600 000
H	bearer shares	common	none	190 000	380 000
TOTAL NUMBER OF SHARES				1 703 500	

All issued shares are paid up in full.

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

350,000 registered shares held by Marek Piechocki and Jerzy Lubianiec are preference shares in terms of their voting rights at the General Meeting of Shareholders. Each registered share carries 5 votes.

Ownership structure of share capital of LPP S.A. as at 31 December 2007 is presented in the table below:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Share in the total vote at the General Meeting of Shareholders	Share in share capital	Nominal value of shares
Marek Piechocki*	324 485	1 024 485	33.01%	19.05%	648 970
Jerzy Lubianiec	226 338	926 338	29.85%	11.96%	452 676
Grangefont Limited with its registered office in London, UK	350 000	350 000	11.28%	20.55%	700 000
Commercial Union OFE BPH CU WBK S.A. (CU OFE)	155 760	155 760	5.02%	9.14%	311 520
Other	646 917	646 917	20.84%	37.98%	1 293 834
TOTAL	1 703 500	3 103.500	100.0%	100.0%	3 407 000

∗On 08-02-2008, Mr Marek Piechocki sold 500 ordinary shares, reducing his share in the total vote at the General Meeting to 32.99% and his share in share capital to 19.02%

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

Reserve capital

The Capital Group's reserve capital was established based on:
- net profit (to be used to offset any loss),
- share premium (shares sold above their nominal value),
- measurement of share-based payments.

Part of the reserve capital established as a write-off from the financial result of the parent company was created on a statutory basis under Art. 396 of the Code of Commercial Companies and may be used in the future only to offset a loss disclosed in the financial statement.

in PLN '000

TYPE OF RESERVE CAPITAL	31 December 2007	31 December 2006
created on a statutory basis based on the write-off from financial result	1 249	1 248
created as per the Articles of Association based on the write-off from financial result	201 247	158 765
created from share issue premium	71 202	71 202
created from share-based payments	1 050	1 050
TOTAL	274 748	232 265

Equity of the parent company in the hyperinflationary period

Conversion of the equity from the hyperinflationary period was based on the following data:
1. 18.12.1989– establishment of the Company and contribution of the initial capital of PLN 200.00 (after denomination)
2. 04.05.1995– acquisition of the Company by Mr Marek Piechocki and Mr Jerzy Lubianiec
3. 12.04.1995– registration of the increase of share capital up to PLN 700 k
4. 24.10.1995– adoption of a resolution to increase the Company's share capital to PLN 1,500 k
5. 04.01.1996– adoption of a resolution to increase the Company's share capital to PLN 2,200 k.

PLN '000

Years	Opening balance equity	Increase	Inflation	Days	Inflation rate	Equity after conversion
1990	0.2		585.8%	365	6.858	1.4
1991	1.4		70.3%	365	1.703	2.3
1992	2.3		43.0%	365	1.430	3.3
1993	3.3		35.3%	365	1.353	4.5
1994	4.5		32.2%	365	1.322	5.9
1995-01-01	5.9		27.8%	365	1.278	7.6
1995-04-12		700	27.8%	263	1.200	840
1995-10-24		800	27.8%	68	1.052	841
TOTAL 1995						1 689
1996-01-01	1 916[1)]		19.9%	365	1.199	2 298
1996-01-04		1 400[2)]	19.9%	362	1.197	1 676
TOTAL 1996						3 974

[1)] equity as at the end of 1995 + retained result for 1995
[2)] equity increase + share premium

As at 31 December 1996 (excluding profit for the fiscal year), the Company's equity amounted to PLN 3,127 k. The difference resulting from the equity revaluation was PLN 847 k.

13.9 Grants

As at 31 December 2006, the amount of Government grants used by the Group was as follows:
- grant to salaries and insurance premiums of the disabled employees from the State Fund for Rehabilitation of the Disabled,
- grant for the staff training programme from the European Union.

13.10 Provisions

As at the balance sheet date, the Group recognised the total of PLN 14,485 k in provisions under liabilities in the balance sheet. This amount includes:
- deferred tax provision (cf. section 13.18)
- provision for retirement benefits and similar benefits
- provision for holiday leaves not taken
- provision for unpaid salaries
- provision for services.

Provision for retirement benefits
This provision is created only by the parent company. In other Capital Group companies, retirement severance payments are not paid. LPP S.A. estimates the amount of this provision individually, based on actuarial methods.

Provision for holiday leaves not taken
The Group also creates a provision for holiday leaves not taken, i.e. for the future payments of amounts payable to employees for their on-going services.

Provision for unpaid salaries
This provision is created only by the parent company for the future remuneration paid under the incentive scheme.

Provision for liabilities
Provisions are also made for future liabilities whose repayment is certain or most probable.

PLN '000

CHANGE IN PROVISIONS	provision for retirement benefits and similar benefits	provision for unpaid salaries	provision for liabilities	provision for holiday leaves not taken
As at 1 January 2007	364	0	75	1 279
- increase of the provision	199	6 993	636	1 281
- reversal of the provision	0	0	75	1 109
- foreign exchange differences				-88
as at 31 December 2007	563	6 993	636	1 363

13.11 Contingent liabilities

In 2007, the Capital Group companies used bank guarantees to secure payment of rent for the leased retail premises where brand stores are located.

As at 31 December 2007, the total value of all bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 60,670 k, of which:

a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 7,341 k
b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 36,483 k
c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 16,463 k
d) guarantees granted to secure agreements concluded by third parties – PLN 141 k
e) guarantees granted to secure agreements of lease of office and storage spaces concluded by LPP S.A. – PLN 242 k.

As at 31 December 2007, the total amount of all sureties issued by the parent company was PLN 8,840 k, up by PLN 1,728 k vs. 31 December 2006.

According to the Management Board of LPP S.A., any outflow of funds disclosed under off-balance sheet/contingent liabilities is unlikely. The majority of these liabilities are related to guarantees securing the payment of rent by the Capital Group companies, and, to a smaller extent, securing the repayment of credits granted by banks to customers of LPP S.A. for the purchase of the Company's goods.

Following the audit carried out in a subsidiary company Re Trading with its registered office in Russia, tax authorities questioned the tax-deductible amount of VAT declared by Re Trading (PLN 2,298k) (after conversion at the average exchange rate of the National Bank of Poland of 31.12.2007). As the Management Board of Re Trading firmly believes that decisions taken by tax authorities were unjustified and intends to appeal against them, effects of these decisions have not been disclosed in the financial statement.

13.12 Future liabilities arising from retail lease agreements

The Group is party to lease agreements on the use of retail premises where Cropp Town and Reserved brand stores are located.

Total future minimum payments under these lease agreements, estimated as at 31 December 2007, are as follows:
- payables with the maturity date within 12 months from the balance sheet date PLN 114,615 k
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 297,001
- payables with the maturity date over 5 years from the balance sheet date.

Under expenses of the reporting period from 1 January to 31 December 2007, the amount of PLN 128,122 k was disclosed; this amount results from the minimum and contingent payments of rent for the lease of retail premises. The amount of contingent rent is immaterial and was not presented separately.
Provisions of fixed-term lease agreements from which these payments arise are typical for this type of contracts. Apart from the minimum rent, these agreements usually provide for the additional contingent rent if a specified level of revenues in the store is generated. Contingent rent is calculated as a percentage of these revenues. In the reporting period, the amount of contingent rent was immaterial, as it represented only about 3% of the total amount of rent. In addition, retail lease agreements contain adjustment clauses, linking the amount of rent with statistical price indices. Some agreements also contain clauses for a possible renewal of the contract for another period, at the option of the lessee. As these retail lease agreements refer to premises located mainly in large shopping malls, they do not provide for the purchase of premises.

13.13 Borrowings (credits)

As at 31 December 2007, the Company's payables related to bank credits were as follows:

PLN '000

	Utilisation of credits as at 31 December 2007			
Bank	in PLN '000	foreign currency in '000	Credit costs	Maturity date
PKO BP S.A.	33 079		WIBOR 1 m + bank's margin	23.06.2008
PKO BP S.A.	16 865		WIBOR 1 m + bank's margin	04.11.2017
Fortis Bank Polska S.A.	15 061		WIBOR 1 m + bank's margin	28.10.2008
Raiffeisen Bank Polska S.A.	11 000		WIBOR 1 m + bank's margin	29.05.2009
ZAO Raiffeisenbak Austria	4 674	RUB 46 971	RBRU's overdraft rate + bank's margin	31.07.2008
Bayerische Hypo und Vereinsbank AG	15	EUR 500	EURIBOR 1 m + bank's margin	31.12.2007
HVB Praga	4 188	CZK 31 071	PRIBOR 1 m+ bank's margin	30.11.2008
TOTAL	84 882			

Bank credits amounted to PLN 84,882 k, of which:

- long-term credits – PLN 27,865 k
- short-term credits – PLN 57,017 k.

Long-term credits in the amount of PLN 11,000k and 16,865k were taken out in Raiffeisen Bank Polska S.A. and PKO BP S.A., respectively. Credit incurred in PKO BP S.A. is an investment facility to be used to finance the construction of a distribution centre in Pruszcz Gdański.

As a comparison, as at 31 December 2006, the Group's payables related to bank credits were as follows:

Bank	Utilisation of credits as at 31 December 2006		Credit costs	Maturity date
	in PLN '000	foreign currency in '000		
PKO BP S.A.	51 540		WIBOR 1 m + bank's margin	23-06-2008
BPH S.A.	20 835		WIBOR 1 m + bank's margin	31-07-2007
Fortis Bank Polska S.A.	40 260		WIBOR 1 m + bank's margin	30-10-2007
Raiffeisen Bank Polska S.A.	3	USD 1	LIBOR 1 m + bank's margin	30-05-2008
Raiffeisen Bank Polska S.A.	11 037		WIBOR 1 m + bank's margin	30-05-2008
ZAO Raiffeisenbak Austria	5 215	RUB 46 996	RBRU's overdraft rate + bank's margin	31-07-2007
Bayerische Hypo und Vereinsbank AG	1 920	EUR 500	EURIBOR 1 m + bank's margin	31-12-2007
HVB Praga	4 329	CZK 31 071	PRIBOR + bank's margin	31-12-2007
TOTAL	135 139			

Bank credits amounted to PLN 135,139 k, of which:

- long-term credits – PLN 11,000 k
- short-term credits – PLN 124,139 k.

The amount of PLN 11,000 k represents a long-term credit incurred in Raiffeisen Bank Polska S.A.

Detailed data on bank credits as at the balance sheet date is as follows:

Bank	Type of credit/line	Credit amount and currency		Security
		amount in '000	currency	
PKO BP S.A.	multi-purpose multi currency credit line	100 000	PLN	2 blank promissory notes
PKO BP SA	investment credit	100 000	PLN	ordinary and capped mortgage, assignment of rights from the insurance policy, blank promissory note
Pekao SA	multi currency credit line	100 000	PLN	transfer of ownership rights to goods – PLN 3,700 k, assignment of rights from the insurance policy, blank promissory notes
Fortis Bank Polska S.A.	multi currency credit limit	100 000	PLN	blank promissory note
Raiffeisen Bank Polska S.A.	multi-purpose multi currency credit line	100 000	PLN	blank promissory note
ZAO Raiffeisen Bank Austria	credit line*	47 000	RUB	guarantee of Raiffeisen Bank Polska S.A.
Bayerische Hypo und Vereinsbank AG	credit line*	500	EUR	guarantee of BPH S.A.
HVB Praga	credit line*	48 500	CZK	guarantee of BPH S.A.

* within the limit of a multi-purpose line in Raiffeisen Bank Polska and BPH SA

13.14 Trade and other payables

PLN '000

SHORT-TERM PAYABLES

	31.12.2007	31.12.2006
1) in respect of subsidiaries	3 085	2 567
- trade payables	3 085	2 567
2) in respect of other entities	163 607	115 201
- trade payables	143 232	102 241
- taxes, customs duties, insurance and other benefits	17 515	10 938
- salaries	2 364	1 789
- other	496	233
TOTAL	166 692	117 768

13.15 Prepaid expenses

Short-term prepaid expenses as at 31 December 2007 totalled PLN 3,235 k, of which:

in PLN '000

PREPAID EXPENSES	31.12.2007	31.12.2006
Prepaid rent for the lease of retail premises to be settled within 12 months from the balance sheet date	1 204	1 840
Costs of customs guarantees and insurance	614	529 45
Supervision of software	310	3
Commissions on bank credits	77	0
Future business travel	221	105 43
Other	809	3
TOTAL	3 235	3 360

13.16 Revenues

PLN '000

REVENUES	01.01.07-31.12.07	01.01.06-31.12.06
1) Net revenues from sales of services	7 878	7 196
2) Net revenues from sales of goods and materials	1 266 454	807 939
TOTAL	1 274 332	815 135

The Group's revenues from sales of services are generated by the parent company only. Services provided by the parent company include:

- sale of know-how related to the management of brand stores by Polish contractors,
- rental of own transport vehicles.

PLN '000

OTHER OPERATING REVENUES	01.01.07-31.12.07	01.01.06-31.12.06
1. Profit from sale of non-financial fixed assets	135	129
2. Grants	22	204
3. Other operating revenues	5 335	4 481
TOTAL	5 492	4 814

PLN '000

FINANCIAL REVENUES	01.01.07-31.12.07	01.01.06-31.12.06
1. Dividends	922	1 137
2. Interest	587	410 4
3. Other, of which:	23	959
- balance of foreign	0	4 919
exchange differences	1 532	6 506
TOTAL		

13.17 Expenses

PLN '000

EXPENSES BY TYPE	01.01.07-31.12.07	01.01.06-31.12.06
1) depreciation and amortisation	49 744	41 466
2) consumption of materials and energy	39 291	25 094
3) outsourced services	317 120	229 891
4) taxes and fees	3 505	1 772
5) salaries	88 312	50 659
6) social security and other benefits, of which:	19 997	12 691
- pension contribution	4 631	2 993
7) other expenses (by type)	49 692	29 807
TOTAL	567 661	391 380
Change in products	-184	-119
Selling costs and general administrative expenses presented in the P&L Account	567 477	391 499

PLN '000

OTHER OPERATING EXPENSES	01.01.07-31.12.07	01.01.06-31.12.06
1) Loss from sale of non-financial fixed assets	2	42
2) Revaluation of non-financial assets	4 896	3 505
3) Other	10 812	7 009
TOTAL	15 710	10 556

PLN '000

FINANCIAL EXPENSES	01.01.07-31.12.07	01.01.06-31.12.06
1) Interest	5 920	6 788
- other, of which:	5 055	829
- commission on bank credits and guarantees	861	829
- balance of foreign exchange differences	4 137	0
TOTAL	10 975	7 617

13.18 Income tax

The main elements of the Group's taxation for 2007 and the comparative period are as follows:
in PLN '000

Profit and Loss Account	2007	2006
Current income tax	34 297	13 417
Deferred income tax	-3 214	-4 435
TOTAL	31 083	8 982

Reconciliation of income tax disclosed in the consolidated profit and loss account for 2007 and 2006 is presented in the table below.

PLN ‘000

CURRENT INCOME TAX	2007	2006
Group’s gross profit/loss before consolidation adjustments	170 143	48 705
Adjustment of non-taxable revenues and costs	3 880	3 349
Group’s gross profit/loss after consolidation adjustments	174 023	52 054
Income tax at the average tax rate of 19.06% and 18.33%	33 337	9 692
Tax consolidation adjustments	-1 793	-459
Adjustment of tax resulting from depreciation-related temporary differences	0	132
Tax reliefs	-461	-383
Income tax disclosed in the P&L account	31 083	8 982

Current and deferred income tax is calculated at the following tax rates:
- LPP S.A. – 19 %,
- ZAO Re Trading (Russia) – 24%,
- UAB “LPP” (Lithuania) – 15%,
- LPP Retail Latvia (Latvia) – 15%,
- LPP Ukraina AT – 25%.

The amount of deferred income tax assets and provision disclosed in the balance sheet results from the items and amounts presented in the tables below.

PLN ‘000

DEFERRED INCOME TAX ASSETS	31.12.2007	31.12.2006
surplus of balance sheet depreciation of PP&E over tax-based depreciation	2 938	2 280
foreign exchange differences – payables	3 433	1 681
revaluation of trade receivables	212	445
revaluation of PP&E	242	235
margin on goods not sold outside the Group	2 196	1 914
revaluation of inventory	428	308
tax loss	1 187	526
other temporary differences	2 384	1 824
TOTAL	13 020	9 213

PLN ‘000

PROVISION FOR DEFERRED INCOME TAX	31.12.2007 4	31.12.2006
accelerated tax-based depreciation (capital cost allowance)	630	3 850
outstanding interest on loans granted	5	
damages not received	232	83
other	63	238
TOTAL	4 930	4 171

Deferred income tax assets will be realised provided that the Group generates positive financial result in the future periods.

Deferred income tax recognised in the P&L account for 2007 and 2006 results from the following items:

PLN '000

DEFERRED INCOME TAX ASSETS	2007	2006
surplus of balance sheet depreciation of PP&E over tax-based depreciation	658	470
foreign exchange differences – payables	1 752	-229
revaluation of trade receivables	-233	(42)
margin on goods not sold outside the Group	282	214
revaluation of PP&E	7	-53
revaluation of inventory	120	150
tax loss	661	
other temporary differences	560	824
foreign exchange differences	128	-20
TOTAL	3 935	1 314

PLN '000

PROVISION FOR DEFERRED INCOME TAX	2007	2006
accelerated tax-based depreciation (capital cost allowance)	780	237
outstanding interest on loans granted	5	6
damages not received	148	45
other	-175	5
foreign exchange differences	-37	-14
TOTAL	721	279

If a decision is made to pay out dividends to shareholders, income tax shall be deducted.
In the case of Polish shareholders, 19% tax will be deducted; in the case of foreign shareholders, the income tax deduction will depend on the terms and conditions of the applicable double taxation agreement.

13.19. Related-party transactions

The Group's related parties include:

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

13.19.1 Key management personnel

The Capital Group's key management personnel include members of the Management and Supervisory Board of the parent company.
The amount of short-term employee benefits received by key management personnel for the period between 1 January and 31 December 2007 was PLN 1,662k. Compensation of each member of key management personnel was as follows:

Marek Piechocki – President of the Management BoardPLN 450k
Alicja Milińska – Vice President of the Management Board PLN 300k,
Dariusz Pachla – Vice President of the Management Board PLN 300k,
Stanisław Dreliszak – Vice-President of the Management Board – PLN 300 k,
Aleksander Moroz –Vice-President of the Management Board – PLN 300 k,
Chairperson of the Supervisory Board – PLN 12 k (for services other than membership in the Supervisory Board).

Members of the Company's key management personnel are involved in the management of related parties, but receive no compensation or bonuses for these services.

In addition, a loan agreement for the total amount of PLN 200k was signed by and between LPP S.A. and Marek Piechocki in the reporting period. This agreement was signed based on standard terms and conditions adopted for employee contracts – 6% per annum. As at 31.12.2007, the outstanding amount of this loan is PLN 86 k and should be repaid within 1 year after the date of the said agreement.

In addition, under a resolution of the Supervisory Board, the Management Board members are entitled to additional remuneration depending on the amount of net profit generated by LPP S.A. Capital Group. If the consolidated net profit exceeds 120 million in 2007, the amount of this remuneration will be 20 times higher than their monthly gross remuneration, i.e. PLN 780 k for the President of the Management Board and PLN 520 k for each Vice President. These awards have not been paid yet and may be exchanged for the right to take over shares under the adopted incentive scheme.

13.19.2 Related party transactions

PLN '000

No.	RELATED PARTIES	payables as at 31 December 2007	receivables as at 31 December 2007	revenues in 2007	expenses in 2007
1.	Polish subsidiaries – total	3 085	1 426	97	54 257
TOTAL		3 085	1 426	97	54 257

PLN '000

No.	RELATED PARTIES	payables as at 31 December 2006	receivables as at 31 December 2006	revenues in 2006	expenses in 2006
1.	Polish subsidiaries – total	2 568	944	96	44 418
TOTAL		2 567	944	96	44 418

Amounts given in the table show only intercompany transactions between LPP SA and 19 Polish non-consolidated subsidiaries and are presented from the point of view of the parent company.
Data presented as payables of LPP S.A. is equal to receivables in related parties, and expenses are equivalent to revenues of related parties.
All related-party transactions were concluded at arm's length.
Revenues from Polish companies are generated from the rental of offices where these companies run their businesses.
Expenses related to the Polish subsidiaries are connected with the lease of premises for Cropp Town and Reserved brand stores.
Payment terms adopted for subsidiaries are between 45 and 120 days.

13.20 Segment reporting

Financial results and other information on geographical segments for the period from 1 January 2007 to 31 December 2007, as well as for the comparative period, are presented in the tables below.

FY 2007 in PLN '000

	Member States of the European Union	Other countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales	1 147 671	126 661			1 274 332
Intersegment sales	59 713		-59 713		-
Other operating revenues	5 166	191		135	5 492
Total revenues	**1 212 550**	**126 852**	**-59 713**	**135**	**1 279 824**
Total operating expenses, of which:	960 639	116 375	-58 042		1 018 972
Costs of intersegment sales	44 407		-44 407		-
Other operating expenses	14 038	1 670		69 869	85 577
Segment result	**237 873**	**8 807**	**-1 671**	**-69 734**	**175 275**
Financial revenues				1 532	1 532
Financial expenses				10 975	10 975
Profit before tax					**165 832**
Income tax					31 083
Net profit					**134 749**

Segment assets	656 878	102 102	-77 146		681 834
Assets of the entire Group not allocated to segments				15 321	15 321
Consolidated total assets					**697 155**
Segment liabilities	191 437	100 593	-90 348		201 682
Liabilities of the entire Group not allocated to segments				89 812	89 812
Total consolidated liabilities					**291 494**

Other disclosures	Member States of the European Union	Other countries
Segment investment outlays	95 619	20 765
Segment depreciation and amortisation	9 995	7 832
Impairment losses	4 896	-
Reversal of impairment write-downs	3 520	
Other non-monetary costs	9 143	1 669

FY 2006 in PLN '000

	Member States of the European Union	Other countries	Consolidation adjustments	Amounts not allocated to segments	Total
External sales	763 398	51 737			815 135
Intersegment sales	36 073		-36 073		-
Other operating revenues	4 677	8		129	4 814
Total revenues	**804 148**	**51 745**	**-36 073**	**129**	**819 949**
Total operating expenses, of which:	691 753	51 357	-32 558		710 552
Costs of intersegment sales	27 511		-27 511		-
Other operating expenses	10 163	350		49 468	59 981
Segment result	**102 232**	**38**	**-3 515**	**-49 339**	**49 416**
Financial revenues				6 506	6 506
Financial expenses				7 617	7 617
Profit before tax					**48 305**
Income tax					8 982
Net profit					**39 323**

Segment assets	458 728	61 765	-42 366		478 127
Assets of the entire Group not allocated to segments				56 064	56 064
Consolidated total assets					**534 191**
Segment liabilities	114 400	45 581	-63 715		96 266
Liabilities of the entire Group not allocated to segments				166 423	166 423
Total consolidated liabilities					**262 689**

Other disclosures	Member States of the European Union	Other countries
Segment investment outlays	32 523	18 854
Segment depreciation and amortisation	32 927	3 499
Impairment write-downs*	3 418	87
Reversal of impairment write-downs*	1 745	-
Other non-monetary costs	6 746	263

* Impairment write-downs of segment assets disclosed in the P&L account include:

- revaluation write-downs of receivables;
- revaluation write-downs of inventories;
- revaluation write-downs of property, plant & equipment.

Write-downs and their subsequent reversals were made when overdue receivables, uncollectible receivables, or any impairment of inventories or PP&E were identified or subsequently ceased to exist.

Marek Piechocki

President of the Management Board

Alicja Milińska	*Stanisław Dreliszak*	*Dariusz Pachla*	*Aleksander Moroz*
Vice-President	Vice-President	Vice-President	Vice-President

Gdańsk, 18 April 2008

MANAGEMENT BOARD REPORT ON LPP S.A. CAPITAL GROUP OPERATIONS FOR FY 2007

1. Information on basic products, goods or services with qualitative and quantitative description and share of individual products, goods or services (if material) or their groups in the total volume of the Capital Group's sales, and information on any changes thereof during the fiscal year.

LPP S.A. Capital Group is composed of 19 Polish companies and 8 foreign companies. The financial statement of LPP S.A. Capital Group covering the period between 1 January and 31 December 2007 includes individual results of LPP S.A. for the said period and results of consolidated companies listed below (covered by the consolidated financial statement drawn up as at 31 December 2007):

1. LPP Retail Estonia OU;
2. LPP Czech Republic s.r.o.;
3. LPP Hungary Kft;
4. LPP Retail Latvia Ltd;
5. UAB LPP;
6. LPP Ukraina AT;
7. ZAO "Re Trading"
8. LPP Fashion Distribuitor SLR

LPP S.A., as the parent company, is involved in the design and distribution of clothing in Poland and in Central and Eastern Europe. The consolidated Capital Group companies are involved in the distribution of goods under the Reserved and Cropp brands outside Poland. Clothing is the core product sold by LPP Capital Group companies.
Designs of clothing are prepared in the design office located at the registered office of LPP S.A. in Gdańsk, and then sent to the purchasing department, whose task is to outsource the production of individual products to manufacturing plants in Poland and abroad. Production in China is managed by the Company's trading office in Shanghai. Products sold by the Capital Group companies are classified mainly as clothing for teenagers, and include jackets, overcoats, sweaters, sweatshirts, trousers, dresses, tops, shirts, and underwear, as well as accessories such as hats, scarves, gloves, etc. Small amounts of clothes and footwear of other brands offered in the Cropp Town network are purchased in Poland from their distributors.

The Capital Group also generates revenues from sale of services.

Source of revenues	2007		2006	
	PLN '000	share in sales volume %	PLN '000	share in sales volume %
Sales of trading commodities	1 266 454	99.38%	807 939	99.12%
Sales of services	7 878	0.62%	7 196	0.88%
TOTAL	**1 274 332**	**100.00%**	**815 135**	**100.00%**

The main channels of distribution ensuring the development of the Capital Group are networks of Reserved and Cropp brand stores selling products to individual customers.

	2007		2006	
Distribution channel	PLN ‘000	share in sales volume %	PLN ‘000	share in sales volume %
Reserved brand stores	921 617	72.32%	583 880	71.60%
Exports	32 058	2.52%	24 628	3.00%
Cropp brand stores	251 542	19.74%	147 092	18.10%
Other	69 115	5.42%	59 535	7.30%
Total	**1 274 332**	**100.00%**	**815 135**	**100.00%**

2. Information on markets (Polish and foreign) and sources of supply of production materials, goods and services, indicating dependence on one or several customers and suppliers; customers or suppliers with at least 10% share in total revenues from sales – their name, share in sales or supply volumes, and formal relations with the Issuer’s Capital Group

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):

PLN ‘000

Name of the company	country	revenues from sales from 1 January 2007 to 31 December 2007	revenues from sales from 1 January 2006 to 31 December 2006
LPP S.A.	Poland	955 280	641 791
LPP Retail Estonia OU	Estonia	35 798	21 867
LPP Retail Latvia Ltd	Latvia	33 687	20 780
LPP Retail Czech Republic s.r.o.	Czech Republic	68 423	43 899
LPP Hungary Kft.	Hungary	18 798	12 342
UAB "LPP"	Lithuania	35 685	22 720
LPP Ukraina AT	Ukraine	18 400	14 171
ZAO "Re Trading"	Russia	108 261	37 566
LPP Fashion Distributor SRL	Romania	0	0
Total:		**1 274 332**	**815 135**

Export sales to entities other than Capital Group companies were recorded by LPP S.A. only and totalled PLN 32,058 k, i.e. 2.5% of the total revenues. Presented below are the main directions of export sales of the Capital Group.

Country	2007		2006	
	exports value in PLN '000	share in exports %	exports value in PLN '000	share in exports %
Slovakia	20 762	64.76%	15 069	61.20%
Russia	6 045	18.86%	4 827	19.60%
Ukraine	2 226	6.94%	2 640	10.70%
Lithuania	400	1.25%	488	2.00%
Czech Republic	595	1.86%	739	3.00%
Latvia	275	0.86%	282	1.10%
Other	1 756	5.48%	583	2.40%
Total	**32 058**	**100.00%**	**24 628**	**100.00%**

Dependence of the Issuer's Capital Group on customers

The Capital Group companies are not dependent on any customer. None of the customers had a share in the Group's total sales volume exceeding 10%.

Dependence of the Issuer's Capital Group on suppliers

Foreign companies of LPP S.A. Capital Group receive supplies of trading goods only from their parent company, i.e. LPP S.A.

Production companies – subcontractors of LPP S.A. are based mainly in China. Purchases made in China represented 74.83% of the total purchase volume. Additionally, the Company purchased goods from Polish producers (8.52%). The remaining volume of sales was split between other European countries (3.08%) and other Asian countries (13.55%). Purchasing volumes did not exceed 10% of sales for any of the suppliers.

The Company concluded framework agreements determining the general terms and conditions of co-operation. Individual products are manufactured for the Company based on specific contracts, concluded separately for each individual delivery.

3. Basic economic and financial figures disclosed in the annual consolidated financial statement, including in particular the description of factors and events, including extraordinary events, with significant impact on the Capital Group's business and its gains or losses made during the fiscal year.

Key achievements of LPP S.A. Capital Group in 2007:

1) Revenues from sales of LPP Capital Group amounted to PLN 1,274 m and were up by 56.33% vs. the previous year.

2) In 2007, LPP S.A. Capital Group generated net profit of about PLN 135 m, up by 243% vs. 2006 (about PLN 39 m).

3) In 2007, the total value of goods sold in retail distribution channels amounted to PLN 1,173 m, of which 78.6% in Reserved brand stores and 21.4% in CroppTown brand stores (compared to PLN 731 m in the previous year, of which 79.9% for Reserved, and 20.1% for Cropp). Sales volumes of foreign subsidiaries totalled PLN 316m (of which PLN 267m for Reserved and PLN 49m for CroppTown), i.e. up by 82.7% vs. 2006.

4) The total selling area in brand stores was up by approx. 24 thousand square meters in 2007 (i.e. approx. 20%). The total retail selling area in the entire LPP S.A. Capital Group amounted to approx. 141.4 thousand square metres, of which approx. 52.4 thousand square metres abroad.

Results generated by LPP S.A. Capital Group depend primarily on the performance of two retail sales networks, with the major part of revenues and profits generated by Reserved stores.

Presented below are basic economic and financial figures and their dynamics against the previous year.

Item	2007 in PLN '000	2006 in PLN '000	change %
net revenues from sales	1 274 332	815 135	56.33%
profit on sales before tax	752 970	446 657	68.58%
profit on sales	185 493	55 158	236.29%
operating profit	175 276	49 416	254.69%
profit on ordinary operations	165 832	48 305	243.30%
net profit	134 749	39 323	242.67%
equity	405 662	271 502	49.41%
liabilities	289 645	261 252	10.87%
long-term liabilities	33 358	15 544	114.60%
short-term payables:	256 287	245 708	4.31%
- bank credits	57 017	124 139	-54.07%
- in respect of suppliers	166 692	117 768	41.54%
non-current assets	288 043	217 706	32.31%
current assets	409 112	316 485	29.27%
inventories	289 527	232 781	24.38%
short-term receivables	60 809	50 471	20.48%

Increase in revenues from sales by 56.33% was achieved mainly based on the development of the Reserved and Cropp Town network (increasing the total selling area in Poland and abroad by approx. 20%), as well as the increase in the efficiency of sales per one square meter of selling area. Gross profit margin reached 59.09%, i.e. up by 4 percentage points vs. the previous year (54.80%).

Profit on sales was up by 236.29% and its growth was much higher than in 2006. Costs of sales were up by 45.46% and general administrative expenses were up by 41.36%.

Operating profit totalled PLN 175,276 k (up by 254.69% vs. 2006), and operating profit margin amounted to 13.75% (in the previous year: PLN 49,416 k and 6.06%, respectively). Profit on ordinary operations was up by 243.30% vs. the previous year and totalled PLN 165,832 k.

Net profit generated in 2006 totalled PLN 134,749 k, up by 242.67% vs. the previous year (PLN 39,323 k). The resulting net profit margin amounted to 10.57% vs. 4.82% in the previous year.

Equity of LPP S.A. was up by 49.41% in 2007. It was mainly caused by the transfer of generated profit to equity.

Balance of long-term payables was up by 114.60 % (borrowings are used for the construction of a distribution centre).

Short-term payables were up by 4.31% vs. the previous year.
As at the end of 2007, bank credits were down by 54.07% vs. the end of 2006. At the same time, short-terms payables in respect of suppliers were up by 41.54%. This change resulted from the increased demand for goods (development of the trading network).

In the reporting period, the balance of non-current assets was up by 32.31% as a result of large investments, mainly capital expenditure in the Reserved and Cropp Town brand stores.

Current assets were up by 29.27% against the end of 2006. It was mainly caused by the increase in short-term receivables – up by 20.48% (resulting mainly from the increasing sales volumes generated abroad by the subsidiaries), and inventories – up by 24.38%.

Values of profitability ratios presented in the table below result directly from factors described above, which determine the value of each category of profit.

1. Profitability ratios

In 2007, all profitability ratios were up vs. the previous year and are a proof of the high return on sales, assets, and equity.

Profitability ratios presented in the table were calculated as follows:

a) gross profit margin – gross profit on sales divided by revenues from sales of goods and services;
b) operating profit margin – operating profit divided by revenues from sales of goods and services;
c) net profit margin (ROS) – net profit divided by revenues from sales of goods and services;
d) Return on Assets – net profit divided by the average assets during the fiscal year;
e) Return on Equity – net profit divided by the average equity during the fiscal year.

	2007	**2006**	**change**
ratio	%	%	
gross profit margin on sales	59.09%	54.80%	4.29%
operating profit margin	13.75%	6.06%	7.69%
net profit margin (ROS)	10.57%	4.82%	5.75%
Return on Assets (ROA)	21.89%	8.12%	13.77%
Return on Equity (ROE)	39.80%	15.61%	24.19%

2. Liquidity ratios

A slight improvement was recorded for liquidity ratios, presented in the table below, vs. the previous year.

Liquidity ratios were calculated as follows:

a) current ratio – current assets divided by the carrying amount of short-term payables,
b) quick ratio – current assets less inventory divided by the carrying amount of short-term payables,
c) inventory turnover ratio (days in inventory) – average inventory divided by costs of goods and products sold and multiplied by the number of days in a given period,
d) receivables turnover ratio (days in receivables) – average trade receivables divided by revenues from sales and multiplied by the number of days in a given period,
e) trade payables turnover ratio (days) – average trade payables divided by the costs of goods and products sold and multiplied by the number of days in a given period.

ratio	2007	2006	change %
liquidity ratio I (current ratio)	1.60	1.29	24.03%
liquidity ratio II (quick ratio)	0.47	0.34	38.24%
days in inventory	183	199	-8.04%
days in receivables	16	20	-20.00%
days in trade payables	100	85	17.65%

3. Management ratios (solvency ratios)

Fixed asset to equity ratio was up vs. the previous year, as growth in equity was higher than growth in non-current assets. Equity covers 100% of fixed assets.

Total debt ratio and short-term debt ratio were down vs.2006. On the other hand, long-term debt ratio was up as a result of a long-term investment credit taken out to finance the investment costs related to the construction of a new Distribution Centre for LPP S.A.

Management ratios (solvency ratios) were calculated as follows:

a) fixed assets to equity ratio – equity divided by fixed assets,
b) total debt – long- and short-term payables divided by the balance sheet total (including provisions for liabilities),
c) short-term debt – short-term debt divided by the balance sheet total,
d) long-term debt – long-term debt divided by the balance sheet total.

ratio	2007 %	2006 %	change %
fixed assets to equity ratio	140.83%	124.71%	16.12%
total debt	41.55%	48.91%	-7.36%
short-term debt	36.76%	46.00%	-9.23%
long-term debt	4.78%	2.91%	1.88%

4. Information on agreements significant for the Capital Group's business, including agreements between shareholders (partners) known to the Issuer, as well as insurance or co-operation contracts.

In 2007, LPP Capital Group concluded the following material agreements:

- Insurance contracts:
    - Insurance policy
    - Third-party liability insurance policy

• EEI policy (electronics)
• CAR policy (construction)
• Machinery insurance policy

- 99 new contracts of lease with distributors of commercial areas in shopping malls. These agreements are related to lease of premises where the Reserved and Cropp clothing and Esotiq underwear is sold.
- Contract concluded with Elektrobudowa S.A. for the General Contractor services related to the construction of LPP S.A. Distribution Centre in Pruszcz Gdański. Details on this contract were published in current reports.
- New credit agreements and annexes amending credit agreements already in place. Details on these contracts were published in current reports. A list of credit agreements was presented in Notes to the Financial Statement (section 13.12).

The Company has no knowledge of any contracts concluded by and between its Shareholders with potential impact on its operations.

5. Information on changes in the Capital Group's organisational or capital relations with other parties and description of its major local and foreign investments (securities, financial instruments, intangible assets and real property), including capital expenditure outside the group of related parties and methods of their financing.

Investments made by the LPP S.A. Capital Group are mainly associated with the related parties. The total value of shares in non-consolidated related parties amounts to PLN 718 k. In addition, loans granted by LPP Capital Group to third parties amount to PLN 2.214 k.

6. Related-party transactions – if the individual or total value of transactions concluded with the related party within 12 months exceeds the equivalent of EURO 500,000 in PLN.

The total value of related-party transactions exceeded the equivalent of 500,000 EURO in the following cases:

a.Transactions of sale of trading commodities to LPP Retail Czech Republic for resale in Reserved stores in the Czech Republic. The total value of these sales in 2007 was PLN 32,468 k.

b.Transactions of sale of trading commodities to LPP Retail Latvia LTD for resale in Reserved stores in Latvia. The total value of these sales in 2007 was PLN 14,520 k.

c. Transactions of sale of trading commodities to LPP Retail Estonia UAB for resale in Reserved stores in Estonia. The total value of these sales in 2007 was PLN 15,605 k.

d.Transactions of sale of trading commodities to LPP Hungary Kft. for resale in Reserved stores in Hungary. The total value of these sales in 2007 was PLN 8,617 k.

e. Transactions of sale of trading commodities to UAB "LPP" Lithuania for resale in Reserved stores in Lithuania. The total value of these sales in 2007 was PLN 16,721 k.

f. Transactions of sale of trading commodities to "LPP Ukraina" AT for resale in Reserved stores in Ukraine. The total value of these sales in 2007 was PLN 8,006 k.

g.Transactions of sale of trading commodities to "ZAO Re Trading" for resale in Reserved stores in Russia. The total value of these sales in 2007 was PLN 51,707 k.

h. Compensation paid to the subsidiary company SL&DP Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,583 k in 2006.

i. Compensation paid to the subsidiary company GM&PL Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,987 k in 2007.

j. Compensation paid to the subsidiary company PL&GM Sp. z o.o. for the rent of retail premises, of the total value of PLN 1,981 k in 2007.

k. Compensation paid to the subsidiary company LIMA Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,369 k in 2007.

l. Compensation paid to the subsidiary company AMA Sp. z o.o. for the rent of retail premises, of the total value of PLN 5,528 k in 2007.

m. Compensation paid to the subsidiary company AMUR Sp. z o.o. for the rent of retail premises, of the total value of PLN 5,683 k in 2007.

n. Compensation paid to the subsidiary company AMUK Sp. z o.o. for the rent of retail premises, of the total value of PLN 4,650 k in 2007.

o. Compensation paid to the subsidiary company AKME Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,841 k in 2007.

p. Compensation paid to the subsidiary company DP&SL Sp. z o.o. for the rent of retail premises, of the total value of PLN 4,038 k in 2007.

q. Compensation paid to the subsidiary company AMUL Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,115 k in 2007.

r. Compensation paid to the subsidiary company KUMA Sp. z o.o. for the rent of retail premises, of the total value of PLN 3,894 k in 2007.

s. Compensation paid to the subsidiary company G&M Sp. z o.o. for the rent of retail premises, of the total value of PLN 1,912 k in 2007.

t. Compensation paid to the subsidiary company M&G Sp. z o.o. for the rent of retail premises, of the total value of PLN 1,857 k in 2007.

u. Compensation paid to the subsidiary company IL&DL Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,183 k in 2007.

v. Compensation paid to the subsidiary company KAMA Sp. z o.o. for the rent of retail premises, of the total value of PLN 2,861 k in 2007.

All transactions within the Capital Group were concluded at arm’s length.

7. Information on credits and loans incurred, specifying their maturity as well as guarantees and sureties granted to the Issuer.

Information on credits and loans incurred as at 31 December 2007 and their maturity is presented in Notes to the consolidated financial statement in section 13.13.

In 2007, Capital Group companies used bank guarantees to secure payment of rent for leased retail premises where brand stores are located. The parent company requested for bank guarantees to secure retail lease agreements with LPP S.A. or its related parties as lessees under terms and provisions of these agreements, as well as for third parties (in two cases).

As at 31 December 2007, the total value of all bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to: PLN 60,670 k, of which:

a) guarantees granted to secure agreements concluded by LPP S.A. – PLN 7,341 k
b) guarantees granted to secure agreements concluded by consolidated related parties – PLN 36,483 k
c) guarantees granted to secure agreements concluded by non-consolidated related parties – PLN 16,463 k

d) guarantees granted to secure agreements concluded by third parties – PLN 141 k
e) guarantees granted to secure agreements of lease of office and storage spaces concluded by LPP S.A. – PLN 242 k.

Last year, no loans were incurred by and no guarantees were granted to the Capital Group companies (apart from loans and sureties granted by LPP S.A.).

8. Information on loans granted, specifying their maturity, as well as guarantees and sureties granted by the Issuer, including loans, sureties and guarantees granted to the Issuer's related parties.

Loans granted are described in Notes to the financial statement (section 13.4).

In the reporting period, the Company issued the following guarantees:

Beneficiary	Amount in PLN '000	Guarantee validity date
Line for Paylink Citibank-Handlowy cards, guaranteeing payables of the company's customers in respect of the bank	7 000 000	25.06.2008
Guarantee for a promissory note issued to Orlen for two entities	90 000 22 000	Indefinite-term contract
Polimeni	1 057 477	26.03.2020
Erco Lighting – guarantee for the subsidiary Re Trading	77 040	31.12.2008
Sirius Projekt Lwów – guarantee for the subsidiary LPP Ukraina	416 016	31.12.2020
Sirius Projekt Lwów – guarantee for the subsidiary LPP Ukraina	117 192	31.12.2020

Off-balance sheet payables referred to in section 7 and 8 are the only off-balance sheet liabilities in the reporting period. No guarantees or sureties were granted by subsidiaries. Subsidiaries received the above sureties related to bank guarantees from the parent company only.

9. Appropriation of proceeds from share issue.

No securities were issued in 2007.

10. Explanation of differences between financial results disclosed in the annual report and forecast results for the fiscal year published earlier.

No forecasts of financial results were published.

11. Assessment (and its rationale) of financial assets management, with particular focus on the repayment ability, as well as identification of possible threats and actions taken or to be taken by the Issuer to counter these threats.

LPP Capital Group settles its payables in respect of State budgets and customers on an on-going basis. As a result of the modification of the Group's business model, which has been implemented for several years now, i.e. significant reduction of sales to wholesale customers, receivables turnover period was reduced. Inflows generated and credit agreements concluded fully secure the incurred liabilities.

12. Assessment of the feasibility of planned investments, including capital expenditure, against the value of owned assets, taking into account any possible changes in the structure of investment financing.

Investment plans will be implemented based on the Capital Group's own funds and borrowings (bank credits). The Management Board intends to ask shareholders not to pay out dividends and transfer 100% of earnings generated in 2007 to reserve capital.

13. Assessment of factors and extraordinary events influencing the financial result for the fiscal year and identification of their impact on the financial result.

There were no extraordinary events influencing the financial result in 2007.

14. Description of external and internal key factors influencing the development of the Issuer's enterprise and description of perspectives for the development of the Issuer's business at least until the end of the current fiscal year, including elements of the Issuer's market strategy. Description of key risks and threats and their probability.

Basic tasks of LPP S.A. Capital Group determining its future market position are as follows:
a) develop a network of brand stores in Poland and in Central and Eastern Europe,
b) create strong clothing brands (Reserved and Cropp),
c) develop the Group based on acquisitions of other entities.

Achievement of the Issuer's strategic tasks and goals will depend on the following internal and external factors (representing both opportunities and threats):

Internal factors

a) The Company's market strategy

LPP S.A. Capital Group is focused on the design and distribution of clothing as well as on the brand building process while outsourcing many activities to third parties. The Company does not have its own production capacity, which significantly reduces its fixed costs. Production of clothing is contracted out, mainly to contractors from the Far East. As a result, the goal of all investments is to increase the Company's trading potential, maintain its competitive edge on the market, develop its own network of distribution, create good image of LPP S.A. Capital Group on the clothing market, gain customers and ensure their loyalty to the Company and its products. The Company is implementing the strategy of development of its leading brand – Reserved. Actions will focus on the creation of a specific brand image among its customers – an exceptional, prestigious, and aspirational brand, but still remaining in the mass segment of clothing.
The strategy of development of LPP S.A. Capital Group also assumes the extension of the Group's brand portfolio; to this end, the Company took actions related to the acquisition of new entities. On 9 April 2007, the Company signed a Letter of Intent with the main shareholders of Artman S.A. which may be used as a basis of an acquisition. Artman S.A. is the owner of House brand. The plan is to develop this brand in foreign markets where the company operates and where there is a potential for significant development. With these projects, the Company wants to achieve further growth and improve its revenues and efficiency.

b) LPP S.A. market position

Marketing activities, focusing both on the Reserved and Cropp label, resulted in the considerable increase of brand recognition in the target consumer group. The growth of LPP S.A. Capital Group in terms of its revenues from sales is very dynamic. Although LPP SA Capital Group is one of the largest retailers in the Polish clothing market, its market share is currently estimated at about 3-4%, which still presents considerable opportunities for growth in sales.

c) Extending and renewing the portfolio of products offered to customers

Products marketed by LPP S.A. Capital Group meet the expectations of target customers groups connected with specific distribution channels. As the clothing business is closely linked to changes in fashion, LPP S.A. Capital Group is keeping in touch with the ever-changing preferences of customers and launches new product groups to the market each year, trying to predict the market needs. To some extent, especially in the case of Reserved brand stores, LPP S.A. is trying to create its own style, based on global trends.
Extension of the portfolio is not limited only to adding new models within a given clothing category, but also includes unconventional projects. Just as global leaders, in 2007 LPP S.A. Capital Group decided to co-operate with a famous Polish designer duo for a special limited 2008 spring collection line – Paprocki and Brzozowski for Reserved. As a result, many Polish women could buy products, which so far had been accessible to celebrities only; the designer brand added a special touch to the collection.
The Group also created a sub-brand RE-Kids for children and women's underwear brand Esotiq.

d) Logistics

In 2007, LPP S.A. Capital Group started works on the largest construction investment in the Issuer's history to date. At the same time, it is one of the most cutting-edge investments in Poland in terms of the complexity of technologies and logistics processes for clothing warehouses. The new Centre is a great challenge and it will eliminate the storage of goods in multiple locations. With the use of state-of-the-art technology, the storage and distribution of goods to brand stores will become more efficient, and will guarantee faster response to market demand.

External factors

a) Change and growth of the clothing retail market in Poland

For the past several years, the clothing market in Poland has clearly developed its offer with the ever-increasing portfolio of brands offered to customers and many new market players with international experience.
This trend will be maintained in the future.
Forecasts for the nearest future for the clothing business are good. It results from the economic growth and the resulting wealth of the society, which in turn will translate into more spending, also on clothing.
Fashion is becoming one of the key factors in the clothing market – brand is an important factor in purchasing decisions made by customers.
In reaction to changes on the retail clothing market, LPP S.A. Capital Group is consistently implementing its plan of development of an extensive network of brand stores selling clothing under a popular label. Based on analyses of market developments, as well as the marketing and organisational activities, the Group is trying to create a network of stores with specific characteristics to stand out of its biggest competitors.

b) Foreign exchange rates

The majority of transactions related to purchase of trading commodities are denominated in USD; a small portion of these transactions is settled in EURO.

Revenues from sales are denominated mainly in PLN. The exchange rate PLN against USD and EURO (on the whole, in the past several quarters we have seen the strengthening of PLN) is stable enough to justify the Management Board's conclusion that these variations are unlikely to affect the Company's results. Given the specific type of the Company's business, it is possible to partially transfer the risk of increase in USD exchange rate to end customers, as the product selling price is calculated just before the product is introduced to the market. Apart from the currency risks related to the settlement currency used in the purchase of trading commodities, there are also other currency risks related to the settlement of rent for the leased commercial premises in EURO. The above opinion of the Management Board on the immaterial impact of currency exchange rate variability applies also to the settlements under contracts of lease.

Information on currency risks is presented in section 10 of the Notes to the Financial Statement.

c) Changes in fashion influencing the popularity of products offered to customers

The key factor of success for a clothing company is to predict the changing trends in fashion and adjust its offer to the current preferences of customers.
Fashion is therefore a focal point for LPP S.A. Capital Group. The design department keeps in touch with the ever-changing trends, trying to adapt these to the needs of our customers and offer the desired products with a good price-to-quality ratio. To achieve these goals, our design team participates in exhibitions around the world, looks for information in the industry publications, and keeps in touch with the latest developments in fashion on the Internet. The Company finds it very important, knowing that fashion has major impact on its performance.

Perspectives for development of the Issuer's business

The long-term strategy of development of LPP S.A. Capital Group is based on the assumption that the Group will further strengthen its current market position and expand its business, both in Poland and abroad.
As at the end of 2007, 309 stores operated in Poland and abroad (Reserved 181, Cropp Town 128), with the total selling area of approx. 141 square metres. In 2008, the Group is planning to open new stores and increase the total area of the brand stores network in Poland and abroad up to approx. 183 square meters.
The Group is planning to develop its operations in the Romanian market in 2008.

15. Buy-back of treasury shares, in particular the purpose of buy-back, number and nominal value of treasury shares, % of share capital represented by treasury shares, buy-back price, and selling price of treasury shares (if sold)

None until the balance sheet date.

16. Information of branch offices (plants) of the entity

Not applicable.

17. Key achievements in research & development

No research and development works were carried out by LPP S.A. Capital Group.

18. Financial instruments related to:

a) risk: changes in prices, credit risks, serious disruption of cash flows, and loss of financial liquidity

In line with the IASs regarding the principles of recognition, measurement, disclosure and presentation of financial instruments, the following financial instruments were identified by the Capital Group:

- loans granted

- bank credits incurred
- overnight bank deposits

The Company also identified embedded derivatives connected with:

- retail lease agreements for brand stores with rent calculated based on foreign exchange rates
- payables denominated in foreign currencies connected with purchase of trading commodities abroad
- receivables denominated in foreign currencies connected with the sale of trading commodities to foreign customers.

In line with the IASs regarding the principles of recognition, measurement, disclosure and presentation of financial instruments, embedded derivatives are not measured and presented in the balance sheet.

b) purposes and methods of financial risk management, including hedging of key types of planned transactions for which hedge accounting is used.

1) currency risk – discussed in section 14 above as an external risk factor,
2) interest rate risk – according to the Management Board, based on the analysis of changes in interest rates in the previous periods, any potential increase of this parameter determining the amount of borrowing costs cannot have any significant impact on the financial results,
3) credit risk – this risk is connected primarily with loans granted to foreign subsidiaries. These loans were granted and used to develop a network of sales abroad. The Management Board is of the opinion that there is no threat of any loss of these amounts, although their repayment may be delayed in some cases.

LPP S.A. Capital Group does not hedge these risks.

19. Changes of the basic principles of management of the Issuer's business and its Capital Group

In 2007, there were no major changes in the management of the Issuer's business and its Capital Croup.

20. Changes in the composition of the Issuer's Management Board and Supervisory Board in the last fiscal year, rules of appointment and dismissal of members of the Management Board, as well as their scope of powers, in particular the right to decide on the issue or buy-back of shares

In 2007, there were no changes in the composition of the Management Board or Supervisory Board of LPP S.A. Capital Group.

21. Total number and nominal value of all the Issuer's shares and all shares in the Issuer's related parties held by members of the Issuer's Management and Supervisory Board.

As at 31.12. 2007, members of the Company's Management and Supervisory Board hold the following shares:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Nominal value of shares
President of the Management Board	324 485	1 024 485	648 970
Vice-President of the Management Board	5 684	5 684	11 368
Vice-President of the Management Board	1 955	1 955	3 910
Vice-President of the Management Board	2 794	2 794	5 588
Vice-President of the Management Board	2 071	2 071	4 142
Chairman of the Supervisory Board	226 338	926 338	452 676

∗On 08.02.2008, Mr Marek Piechocki sold 500 ordinary shares, reducing his share in the total vote at the General Meeting to 32.99% (1,023,985 votes) and the nominal value of shares to 647,970.

Members of the Issuer's Management and Supervisory Board hold no shares in the Issuer's related parties.

22. Shareholders holding at least 5% of votes at the Issuer's General Meeting of Shareholders – directly or indirectly through subsidiaries.

As at 31.12.2007, shareholders holding at least 5% of votes at the General Meeting of Shareholders included:

Shareholder	Number of shares held	Number of votes at the General Meeting of Shareholders	Share in the total vote at the General Meeting of Shareholders	Share in share capital	nominal value of shares
Marek Piechocki∗	324 485	1 024 48	533.01%	19.05%	648 970
Jerzy Lubianiec	226 338	926 338	29.85%	11.96%	452 676
Grangefont Limited, headquartered in London, UK	350 000	350 000	11.28%	20.55%	700 000
Commercial Union OFE BPH CU WBK S.A. (CU OFE)	155 760	155 760	5.02%	9.14%	311 520

∗On 08-02-2008, Mr Marek Piechocki sold 500 ordinary shares, reducing his share in the total vote at the General Meeting to 32.99% and his share in share capital to 19.02%

23. Information on any agreements known to the Issuer (including agreements concluded after the balance sheet date) which may change the present structure of share ownership in the future in terms of number of shares held by current shareholders and bondholders.

On 9 April 2007, the Company signed a Letter of Intent which may be used as a basis of an acquisition of Artman S.A. by LPP S.A. This Letter of Intent contains an assumption that with the issue and take-over of 80,000 bearer shares of LPP S.A. for the shareholders of Artman S.A., the current share ownership in LPP S.A. will change.

24. Holders of any securities carrying special rights of control in the Capital Group and description of these rights.

Mr Jerzy Lubianiec and Mr Marek Piechocki hold 175,000 series B preference shares each. One preference share represents 5 votes at the General Meeting of Shareholders. At the same time, under provisions of Articles of Association, rights carried by shares can be exercised only up to 15% of votes by persons holding shares representing more than 15% of votes, apart from the abovementioned shareholders.

25. Information on the system of control of the employee share option schemes.

Not applicable.

26. Information on any limitations of the transfer of titles to securities of LPP Capital Group and any limitations of the exercise of voting rights carried by LPP CG shares.

Entities holding shares carrying over 15% of votes at the General Meeting (individually or as a parent company with subsidiaries) shall exercise only up to 15% of voting rights carried by their shares. This limitation does not apply to Mr Marek Piechocki and Mr Jerzy Lubianiec.

27. Agreements concluded between the Company and members of its Management Board providing for the compensation in the event of their resignation or dismissal from positions currently held for no justified reason, or if they are recalled or dismissed as a result of business combination by take-over.

None.

28. Amount of remuneration, bonuses or rewards, including those received under incentive schemes or bonus schemes based on the Issuer's equity, including schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants (in cash, in kind, or in any other form), paid, due or potentially due to members of the Issuer's Management Board and Supervisory Board (separately).

These amounts are presented in section 13.19.1. of the Notes to the Financial Statement.

29. Entity entitled to audit financial statements

On 27 June 2007, LPP S.A. concluded an agreement with HLB Frąckowiak i Wspólnicy Sp. z o. o. (certified auditor of financial statements, licence no. 238). Under provisions of this agreement, the certified auditor shall audit the condensed individual half-year financial statement and consolidated half-year financial statement of LPP S.A. Capital Group drawn up as at 30 June 2006, the individual annual financial statement and consolidated annual financial statement of LPP S.A. Capital Group drawn up as at 31 December 2006, as well as the condensed individual half-year financial statement and consolidated half-year financial statement of LPP S.A. Capital Group drawn up as at 30 June 2007, and the individual annual financial statement and consolidated annual financial statement of LPP S.A. Capital Group drawn up as at 31 December 2007.

The total amount of net fee due under the above agreements is approx. PLN 225.00 k. (of which PLN 125.00 k for the audit of the Company's and the Group's financial statements for 2007, and PLN 100.00 k for the audit of financial statements for 2006).

The remaining total amount of net fee received by the auditor, due or paid for services other than described above, is PLN 45.00 k for 2007 (for developing a transfer prices policy and the related documentation).

On 11 December 2007, the Supervisory Board of LPP S.A. authorised the Management Board to conclude another contract for an audit and review of the Company's and the Group's financial statements for FY08 and FY09 with the said company. This contract was signed on 12 January 2008.

Marek Piechocki

President of the Management Board

Alicja Milińska	*Stanisław Dreliszak*	*Dariusz Pachla*	*Aleksander Moroz*
Vice-President	Vice-President	Vice-President	Vice-President

Gdańsk, 18 April 2008

LETTER OF REPRESENTATION OF THE MANAGEMENT BOARD OF LPP S.A.

LETTER OF REPRESENTATION OF THE MANAGEMENT BOARD

In line with provisions of the Ordinance of the Minister of Finance of 19 October 2005 on Current and Interim Information Provided by Issuers of Securities, the Management Board of LPP S.A. hereby represents that:

- to the best of the Board's knowledge, the annual consolidated financial statement and comparative data have been prepared in line with the accounting principles currently in effect and present a true and fair view of the assets, financial standing, and financial result of LPP Capital Group,

- the annual consolidated report on the Issuer's operations presents a true and fair view of the development and achievements of LPP Capital Group, including an accurate description of risks and threats,

- the entity authorised to audit financial statements who audited the annual consolidated financial statement was appointed in line with the applicable legal provisions currently in effect. This entity and certified auditors who audited the financial statement satisfied all conditions required to produce an impartial and independent audit report, as per the applicable provisions of the Polish law.

Marek Piechocki

President of the Management Board

Alicja Milińska	*Stanisław Dreliszak*	*Dariusz Pachla*	*Aleksander Moroz*
Vice-President	Vice-President	Vice-President	Vice-President

Gdańsk, 18 April 2008