



LPP S.A. Capital Group

Interim condensed financial statements for the fourth quarter of 2012

Gdańsk
February 2013

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

in PLN '000

| Selected Consolidated Financial Data | Q4 2012 | Q4 2011 | Q4 2012 | Q4 2011 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
| | in PLN '000 | | in EUR '000 | |
| Net revenues from sales of products, goods and materials | 3 223 739 | 2 492 510 | 772 412 | 602 041 |
| Operating profit (loss) | 455 707 | 343 106 | 109 188 | 82 874 |
| Gross profit (loss) | 425 430 | 331 023 | 101 934 | 79 955 |
| Net profit (loss) | 355 064 | 269 146 | 85 074 | 65 010 |
| Net cash flows from operations | 481 305 | 254 039 | 115 321 | 61 361 |
| Net cash flows from investments | -260 735 | -39 608 | -62 472 | -9 567 |
| Net cash flows from financial operations | -178 143 | -193 936 | -42 683 | -46 843 |
| Total net cash flows | 42 427 | 20 495 | 10 166 | 4 950 |

in PLN '000

| Selected Consolidated Financial Data | Q4 2012 | Q4 2011 | Q4 2012 | Q4 2011 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
| | in PLN '000 | | in EUR '000 | |
| Total assets | 1 931 399 | 1 613 868 | 472 433 | 365 393 |
| Long-term liabilities | 130 986 | 89 356 | 32 040 | 20 231 |
| Short-term liabilities | 588 298 | 615 318 | 143 901 | 139 313 |
| Equity capital | 1 212 115 | 909 194 | 296 491 | 205 849 |
| Share capital | 3 662 | 3 555 | 896 | 805 |
| Weighted average number of ordinary shares | 1 780 848 | 1 746 800 | 1 780 848 | 1 746 800 |
| Profit (loss) per ordinary share (in PLN / EUR) | 199.4 | 154.1 | 51.8 | 38.4 |
| Book value per share (in PLN / EUR) | 680.6 | 520.5 | 172.9 | 127.5 |
| Declared or paid dividend per share (in PLN / EUR) | 77.36 | 76.86 | 18.54 | 18.56 |

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

in PLN '000

| Balance Sheet | As at the end of | |
|---------------------------------|------------------|------------------|
| | Q4 2012 | Q4 2011 |
| | 31.12.2012 | 31.12.2011 |
| ASSETS | | |
| Fixed assets (long-term) | 907 094 | 744 937 |
| 1. Tangible fixed assets | 598 736 | 447 725 |
| 2. Intangible assets | 17 594 | 11 515 |
| 3. Goodwill | 183 609 | 183 609 |
| 4. Trademark | 77 508 | 77 508 |
| 5. Shares in subsidiaries | 186 | 186 |
| 6. Investments in associates | | 19 |
| 7. Investments in real property | 661 | 678 |
| 8. Receivables and loans | 5 784 | 4 549 |
| 9. Deferred tax assets | 22 718 | 18 669 |
| 10. Prepayments | 298 | 479 |
| Current assets (short-term) | 1 024 305 | 868 931 |
| 1. Inventories | 655 410 | 594 606 |
| 2. Trade receivables | 130 147 | 114 313 |
| 3. Income tax receivables | 5 266 | 1 936 |
| 4. Other receivables | 60 000 | 31 402 |
| 5. Loans | 3 025 | 167 |
| 6. Accruals and prepayments | 11 064 | 9 541 |
| 7. Cash and cash equivalents | 159 393 | 116 966 |
| TOTAL assets | 1 931 399 | 1 613 868 |

in PLN '000

| Balance Sheet | As at the end of | |
|--|------------------|------------------|
| | Q4 2012 | Q4 2011 |
| | 31.12.2012 | 31.12.2011 |
| LIABILITIES | | |
| Equity capital | 1 212 115 | 909 194 |
| 1. Share capital | 3 662 | 3 555 |
| 2. Treasury shares | -48 767 | -48 759 |
| 3. Share premium | 235 069 | 149 829 |
| 4. Other capital | 656 950 | 562 429 |
| 5. Foreign exchange differences on translation | -3 411 | -4 537 |
| 6. Retained earnings | 366 074 | 243 977 |
| - profit (loss) from previous years | 12 558 | -24 748 |
| - net profit (loss) for the current period | 353 516 | 268 725 |
| 7. Minority interests | 2 538 | 2 700 |
| Long-term liabilities | 130 986 | 89 356 |
| 1. Bank loans and borrowings | 125 114 | 86 446 |
| 2. Other financial liabilities | 71 | 31 |
| 3. Provisions for employee benefits | 1 277 | 1 135 |
| 4. Deferred income tax provision | 4 447 | 1 685 |
| 5. Other long-term liabilities | 77 | 59 |
| Short-term liabilities | 588 298 | 615 318 |
| 1. Trade payables and other liabilities | 473 376 | 377 512 |
| 2. Income tax liabilities | 22 338 | 12 179 |
| 3. Bank loans and borrowings | 61 048 | 117 749 |
| 4. Issue of debt securities | | 86 243 |
| 5. Other financial liabilities | 42 | 54 |
| 6. Provisions | 19 142 | 14 665 |
| 7. Special funds | 224 | 296 |
| 8. Accruals | 12 128 | 6 620 |
| TOTAL liabilities | 1 931 399 | 1 613 868 |

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

in PLN '000

| Comprehensive Income Statement | YTD | Q4 2012 | YTD | Q3 2011 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.10.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.10.2011- 31.12.2011 |
| Continued operations | | | | |
| Revenues from sales | 3 223 739 | 962 093 | 2 492 510 | 789 276 |
| Costs of sales | 1 396 525 | 383 529 | 1 068 774 | 313 992 |
| Gross profit (loss) on sales | 1 827 214 | 578 564 | 1 423 736 | 475 284 |
| | | | | |
| Other operating revenues | 27 689 | 9 430 | 20 590 | 7 974 |
| Costs of sales | 1 227 515 | 347 392 | 967 910 | 285 415 |
| Overheads | 132 103 | 38 737 | 102 347 | 24 803 |
| Other operating expenses | 39 578 | 15 492 | 30 963 | 5 643 |
| Operating profit (loss) | 455 707 | 186 373 | 343 106 | 167 397 |
| | | | | |
| Financial revenues | 2 213 | 435 | 13 541 | 264 |
| Financial expenses | 32 490 | 8 285 | 25 624 | 11 018 |
| Gross profit (loss) | 425 430 | 178 523 | 331 023 | 156 643 |
| | | | | |
| Taxes | 70 366 | 29 894 | 61 877 | 26 930 |
| | | | | |
| Net profit (loss) | 355 064 | 148 629 | 269 146 | 129 713 |
| Net profit (loss) attributable to: | | | | |
| holding company shareholders | 353 516 | 148 235 | 268 725 | 129 296 |
| non-controlling entities | 1 548 | 395 | 421 | 417 |
| | | | | |
| Other comprehensive income | | | | |
| Foreign exchange differences on translation | 1 126 | -506 | -3 887 | 4 070 |
| Total comprehensive income | 356 190 | 148 123 | 265 259 | 133 783 |

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

in PLN '000

| Statement of Changes in Equity | Share capital | Treasury shares | Share premium | Other capital | Profit (loss) from previous years | Profit (loss) for the current period | Foreign exchange differences from translation | Minority interests | Equity capital TOTAL |
|--|---------------|-----------------|----------------|----------------|-----------------------------------|--------------------------------------|---|--------------------|----------------------|
| As at 1 January 2011 | 3 501 | -48 754 | 108 123 | 547 559 | 126 767 | 0 | -650 | | 736 546 |
| - adjustments due to errors in previous years | | | | | -2 651 | | | | -2 651 |
| As at 1 January 2011 after adjustments | 3 501 | -48 754 | 108 123 | 547 559 | 124 116 | 0 | -650 | | 733 895 |
| Conversion of convertible bonds to shares | 54 | | 41 706 | | | | | | 41 760 |
| Costs of treasury shares purchase | | -5 | | | | | | | -5 |
| Minority shareholding as at the balance sheet date | | | | | | | | 2 700 | 2 700 |
| Distribution of profit for the year 2010 | | | | 13 873 | -148 864 | | | | -134 991 |
| Share-based payment | | | | 997 | | | | | 997 |
| Transactions with owners | 54 | -5 | 41 706 | 14 870 | -148 864 | 0 | 0 | 2 700 | -89 539 |
| Net income for IV quarters of 2011 | | | | | | 268 725 | | | 268 725 |
| Calculation of foreign exchange differences from translation | | | | | | | -3 887 | | -3 887 |
| As at 31 December 2011 | 3 555 | -48 759 | 149 829 | 562 429 | -24 748 | 268 725 | -4 537 | 2 700 | 909 194 |

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in PLN '000

| Statement of Changes in Equity | Share capital | Treasury shares | Share premium | Other capital | Profit (loss) from previous years | Profit (loss) for the current period | Foreign exchange differences from translation | Minority interests | Equity capital TOTAL |
|--|---------------|-----------------|----------------|----------------|-----------------------------------|--------------------------------------|---|--------------------|----------------------|
| As at 1 January 2012 | 3 555 | -48 759 | 149 829 | 562 429 | 243 977 | 0 | -4 537 | 2 700 | 909 194 |
| - adjustments due to errors in previous years | | | | | | | | | 0 |
| As at 1 January 2012 after adjustments | 3 555 | -48 759 | 149 829 | 562 429 | 243 977 | 0 | -4 537 | 2 700 | 909 194 |
| Conversion of bonds to shares | 107 | | 85 240 | | | | | | 85 347 |
| Costs of treasury shares purchase | | -8 | | | | | | | -8 |
| Minority shareholding as at the balance sheet date | | | | | | | | -162 | -162 |
| Distribution of profit for 2011 | | | | 91 419 | -231 419 | | | | -140 000 |
| Share-based payment | | | | 3 102 | | | | | 3 102 |
| Transactions with owners | 107 | -8 | 85 240 | 94 521 | -231 419 | 0 | 0 | -162 | -51 721 |
| Net profit for Q4 2012 | | | | | | 353 516 | | | 353 516 |
| Calculation of foreign exchange differences on translation | | | | | | | 1 126 | | 1 126 |
| As at 31 December 2012 | 3 662 | -48 767 | 235 069 | 656 950 | 12 558 | 353 516 | -3 411 | 2 538 | 1 212 115 |

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

in PLN '000

| Cash Flow Statement | YTD | Q4 2012 | YTD | Q4 2011 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.10.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.10.2011- 31.12.2011 |
| A. Cash flows from operations - indirect method | | | | |
| I. Gross profit (loss) | 425 430 | 178 523 | 331 023 | 156 643 |
| II. Total adjustments | 55 875 | 114 353 | -76 984 | 76 675 |
| 1. Depreciation | 108 999 | 29 731 | 95 439 | 25 126 |
| 2. (Profit) loss on foreign exchange differences | 4 169 | 487 | -1 410 | 344 |
| 3. Interest and participation in profits (dividends) | 15 809 | 3 022 | 23 272 | 6 094 |
| 4. (Profit) loss from investments | -2 156 | 1 670 | -4 926 | -2 461 |
| 5. Paid income taxes | -56 428 | -15 087 | -52 713 | -15 873 |
| 6. Change in provisions | 4 074 | 6 954 | 12 764 | 6 419 |
| 7. Change in inventories | -72 078 | -1 522 | -159 189 | -39 655 |
| 8. Change in receivables | -102 584 | -20 010 | -17 265 | 6 144 |
| 9. Change in short-term liabilities, excluding loans and borrowings | 152 326 | 104 334 | 31 496 | 91 524 |
| 10. Change in accruals and prepayments | 3 914 | 4 483 | -1 523 | 1 776 |
| 11. Other adjustments | -170 | 291 | -2 929 | -2 763 |
| III. Net cash flows from operations | 481 305 | 292 876 | 254 039 | 233 318 |
| B. Cash flows from investments | | | | |
| I. Revenues | 30 758 | 7 994 | 94 838 | 18 159 |
| 1. Disposal of intangible and tangible fixed assets | 26 683 | 7 527 | 20 779 | 7 144 |
| 2. From financial assets, including: | 4 075 | 467 | 18 961 | 1 553 |
| a) in affiliated entities | 246 | 53 | 815 | 172 |
| - disposal of shares/liquidation of companies | 53 | 53 | 643 | |
| - dividends and profit sharing | 193 | 0 | 172 | 172 |
| b) in other entities | 3 829 | 414 | 18 146 | 1 381 |
| - disposal of financial assets – foreign bonds | 3 000 | | 17 300 | 1 300 |
| - repayment of loans | 489 | 170 | 186 | 49 |
| - interest | 340 | 244 | 660 | 32 |
| 3. Other investment inflows - sale of investment funds | | | 55 098 | 9 462 |

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| | | | | |
|--|----------------|----------------|----------------|----------------|
| II. Expenses | 291 493 | 101 947 | 134 446 | 61 816 |
| 1. Acquisition of intangible and tangible fixed assets | 288 380 | 101 947 | 129 345 | 56 799 |
| 2. For financial assets, including: | 3 113 | 0 | 4 680 | 4 596 |
| a) in affiliated entities | 0 | 0 | 0 | 0 |
| - acquisition of shares | | | | |
| - short-term loans granted | | | | |
| - long-term loans granted | | | | |
| b) in other entities | 3 113 | 0 | 4 680 | 4 596 |
| - acquisition of financial assets | 3 000 | | 1 300 | 1 300 |
| - loans granted | 113 | | 3 380 | 3 296 |
| 3. Other capital expenses | | | 421 | 421 |
| III. Net cash flows from investments | -260 735 | -93 953 | -39 608 | -43 657 |
| C. Cash flows from financial operations | | | | |
| I. Revenues | 4 260 | 0 | 5 718 | 3 000 |
| 1. Proceeds from share issue | | | 3 000 | 3 000 |
| 2. Loans and borrowings | 4 260 | | 2 718 | |
| 3. Other financial income | | 0 | | |
| II. Expenses | 182 403 | 124 331 | 199 654 | 124 435 |
| 1. Acquisition of treasury shares | 9 | 5 | 5 | 2 |
| 2. Dividends to holders | 141 711 | 510 | 135 256 | 264 |
| 3. Repayment of loans and borrowings | 22 648 | 119 415 | 45 631 | 121 148 |
| 4. Payment of finance lease liabilities | 123 | 45 | 128 | -14 |
| 5. Interest | 17 912 | 4 356 | 18 634 | 3 035 |
| 6. Other financial expenses | | | | |
| III. Net cash flows from financial operations | -178 143 | -124 331 | -193 936 | -121 435 |
| D. Total net cash flows | 42 427 | 74 592 | 20 495 | 68 226 |
| E. Net change in cash, including: | 42 427 | 74 592 | 20 495 | 68 226 |
| - change in cash from foreign exchange differences | -2 407 | -594 | 2 691 | 687 |
| F. Opening cash balance | 116 966 | 84 801 | 96 471 | 48 740 |
| G. Cash at the end of the period, including: | 159 393 | 159 393 | 116 966 | 116 966 |
| - restricted cash | 224 | 224 | 297 | 297 |

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

in PLN '000

| Selected financial data | Q4 2012 | Q4 2011 | Q4 2012 | Q4 2011 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
| | in PLN '000 | | in EUR '000 | |
| Net revenues from sales of products, goods and materials | 2 765 067 | 2 170 410 | 662 514 | 524 241 |
| Operating profit (loss) | 404 484 | 279 145 | 96 915 | 67 425 |
| Gross profit (loss) | 414 631 | 288 401 | 99 346 | 69 660 |
| Net profit (loss) | 351 335 | 234 991 | 84 180 | 56 760 |
| Net cash flows from operations | 268 677 | 179 068 | 64 375 | 43 252 |
| Net cash flows from investments | -62 041 | 19 566 | -14 865 | 4 726 |
| Net cash flows from financial operations | -176 293 | -196 527 | -42 240 | -47 469 |
| Total net cash flows | 30 343 | 2 107 | 7 270 | 509 |

in PLN '000

| Selected financial data | Q4 2012 | Q4 2011 | Q4 2012 | Q4 2011 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.01.2012- 31.12.2012 | 01.01.2011- 31.12.2011 |
| | in PLN '000 | | in EUR '000 | |
| Total assets | 1 868 393 | 1 576 675 | 457 021 | 356 972 |
| Long-term liabilities | 128 950 | 89 200 | 31 542 | 20 196 |
| Short-term liabilities | 541 970 | 589 778 | 132 569 | 133 531 |
| Equity capital | 1 197 473 | 897 697 | 292 910 | 203 246 |
| Share capital | 3 662 | 3 555 | 896 | 805 |
| Weighted average number of ordinary shares | 1 780 848 | 1 746 800 | 1 780 848 | 1 746 800 |
| Profit (loss) per ordinary share (in PLN / EUR) | 197.3 | 134.5 | 47.3 | 32.5 |
| Book value per share (in PLN / EUR) | 672.4 | 513.9 | 164.5 | 116.4 |
| Declared or paid dividend per share (in PLN / EUR) | 77.36 | 76.86 | 18.54 | 18.56 |

7. Balance sheet of LPP S.A.

in PLN '000

| Balance Sheet | As at the end of | |
|---------------------------------|------------------|------------------|
| | Q4 2012 | Q4 2011 |
| | 31.12.2012 | 31.12.2011 |
| ASSETS | | |
| Fixed assets (long-term) | 775 251 | 664 704 |
| 1. Tangible fixed assets | 390 339 | 333 418 |
| 2. Intangible assets | 14 473 | 8 832 |
| 3. Goodwill | 179 618 | 179 618 |
| 4. Trademark | 77 508 | 77 508 |
| 5. Shares in subsidiaries | 26 391 | 22 812 |
| 6. Investments in associates | 0 | 19 |
| 7. Investments in real property | 661 | 678 |
| 8. Receivables and loans | 45 550 | 5 194 |
| 9. Other financial assets | 9 839 | 0 |
| 10. Deferred tax assets | 30 574 | 36 335 |
| 11. Prepayments | 298 | 290 |
| Current assets (short-term) | 1 093 142 | 911 971 |
| 1. Inventories | 491 706 | 475 080 |
| 2. Trade receivables | 474 524 | 344 260 |
| 4. Other receivables | 15 286 | 12 281 |
| 4. Loans | 4 859 | 5 096 |
| 5. Accruals and prepayments | 7 279 | 6 109 |
| 6. Cash and cash equivalents | 99 488 | 69 145 |
| TOTAL assets | 1 868 393 | 1 576 675 |

in PLN '000

| Balance Sheet | As at the end of | |
|--|------------------|------------------|
| | Q4 2012 | Q4 2011 |
| | 31.12.2012 | 31.12.2011 |
| LIABILITIES | | |
| Equity capital | 1 197 473 | 897 697 |
| 1. Share capital | 3 662 | 3 555 |
| 2. Treasury shares | -48 767 | -48 759 |
| 3. Share premium | 235 069 | 149 829 |
| 4. Other capital | 656 174 | 561 771 |
| 5. Retained earnings | 351 335 | 231 301 |
| - profit (loss) from previous years | 0 | -3 690 |
| - net profit (loss) for the current period | 351 335 | 234 991 |
| Long-term liabilities | | |
| 1. Bank loans and borrowings | 128 950 | 89 200 |
| 2. Provisions for employee benefits | 125 114 | 86 418 |
| 3. Provision for deferred tax | 1 235 | 1 101 |
| 3. Provision for deferred tax | 2 601 | 1 681 |
| Short-term liabilities | | |
| 1. Trade payables and other liabilities | 541 970 | 589 778 |
| 2. Income tax liabilities | 439 269 | 359 443 |
| 3. Bank loans and borrowings | 21 326 | 11 179 |
| 4. Issue of debt securities | 60 518 | 117 273 |
| 5. Provisions | 0 | 86 244 |
| 6. Special funds | 12 399 | 10 698 |
| 7. Prepayments | 224 | 296 |
| 7. Prepayments | 8 234 | 4 645 |
| TOTAL liabilities | 1 868 393 | 1 576 675 |

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

in PLN '000

| Comprehensive Income Statement | YTD | Q4 2012 | YTD | Q4 2011 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.10.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.10.2011- 31.12.2011 |
| Revenues from sales | 2 765 067 | 783 095 | 2 170 410 | 670 128 |
| Costs of sales | 1 432 068 | 369 545 | 1 090 152 | 311 092 |
| Gross profit (loss) on sales | 1 332 999 | 413 550 | 1 080 258 | 359 036 |
| Other operating revenues | 96 965 | 14 026 | 57 660 | 21 110 |
| Costs of sales | 817 551 | 224 128 | 693 313 | 201 549 |
| Overheads | 167 569 | 45 252 | 108 747 | 40 869 |
| Other operating expenses | 40 360 | 7 461 | 56 713 | 13 481 |
| Operating profit (loss) | 404 484 | 150 735 | 279 145 | 124 247 |
| Financial revenues | 109 739 | 31 040 | 52 834 | 24 324 |
| Financial expenses | 99 592 | 46 477 | 43 578 | 6 526 |
| Gross profit (loss) | 414 631 | 135 298 | 288 401 | 142 045 |
| Taxes | 63 296 | 21 365 | 53 410 | 23 469 |
| Net profit (loss) | 351 335 | 113 933 | 234 991 | 118 576 |
| Total comprehensive income | 351 335 | 113 933 | 234 991 | 118 576 |
| Weighted average number of ordinary shares | 1 780 848 | | 1 746 800 | |
| Profit (loss) per ordinary share | 197.29 | | 134.53 | |

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

in PLN '000

| Statement of Changes in Equity | Share capital | Treasury shares | Share premium | Other capital | Profit (loss) from previous years | Profit (loss) for the current period | Equity TOTAL |
|---|---------------|-----------------|----------------|----------------|-----------------------------------|--------------------------------------|----------------|
| As at 1 January 2011 | 3 500 | -48 754 | 108 123 | 546 901 | 145 174 | | 754 944 |
| - adjustments due to errors in previous years | | | | | | | 0 |
| As at 1 January 2011 after adjustments | 3 500 | -48 754 | 108 123 | 546 901 | 145 174 | 0 | 754 944 |
| Conversion of bonds into shares | 55 | | 41 706 | | | | 41 761 |
| Costs of buy-back of treasury shares | | -5 | | | | | -5 |
| Net profit distribution for the year 2010 | | | | 13 873 | -148 864 | | -134 991 |
| Share-based payment | | | | 997 | | | 997 |
| Transactions with owners | 55 | -5 | 41 706 | 14 870 | -148 864 | 0 | -92 238 |
| Net profit for the year 2011 | | | | | | 234 991 | 234 991 |
| As at 31 December 2011 | 3 555 | -48 759 | 149 829 | 561 771 | -3 690 | 234 991 | 897 697 |

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The statement has been prepared in PLN thousand

in PLN '000

| Statement of Changes in Equity | Share capital | Treasury shares | Share premium | Other capital | Profit (loss) from previous years | Profit (loss) for the current period | Equity TOTAL |
|---|---------------|-----------------|----------------|----------------|-----------------------------------|--------------------------------------|------------------|
| As at 1 January 2012 | 3 555 | -48 759 | 149 829 | 561 771 | 231 301 | | 897 697 |
| - adjustments due to errors in previous years | | | | | | | 0 |
| As at 1 January 2012 after adjustments | 3 555 | -48 759 | 149 829 | 561 771 | 231 301 | 0 | 897 697 |
| Conversion of convertible bonds to shares | 107 | | 85 240 | | | | 85 347 |
| Costs of acquisition of treasury shares | | -8 | | | | | -8 |
| Net profit distribution for 2011 | | | | 91 301 | -231 301 | | -140 000 |
| Share-based payment | | | | 3 102 | | | 3 102 |
| Transactions with owners | 107 | -8 | 85 240 | 94 403 | -231 301 | 0 | -51 559 |
| Net profit for the year 2012 | | | | | | 351 335 | 351 335 |
| As at 31 December 2012 | 3 662 | -48 767 | 235 069 | 656 174 | 0 | 351 335 | 1 197 473 |

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10. Cash Flow Statement of LPP S.A.

in PLN '000

| Cash Flow Statement | YTD | Q4 2012 | YTD | Q4 2011 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 01.01.2012- 31.12.2012 | 01.10.2012- 31.12.2012 | 01.01.2011- 31.12.2011 | 01.10.2011- 31.12.2011 |
| A. Cash flows from operations - indirect method | | | | |
| I. Gross profit (loss) | 414 631 | 135 299 | 288 401 | 142 542 |
| II. Total adjustments | -145 954 | 115 142 | -109 333 | 40 300 |
| 1. Depreciation | 66 837 | 17 961 | 61 638 | 15 731 |
| 2. (Profit) loss on foreign exchange differences | 5 219 | 1 860 | 1 577 | 2 745 |
| 3. Interest and participation in profits (dividends) | -72 586 | -24 737 | 22 054 | 5 841 |
| 4. (Profit) loss from investments | 24 380 | 27 998 | -14 834 | -26 012 |
| 5. Paid income taxes | -45 826 | -9 449 | -46 483 | -15 431 |
| 6. Change in provisions | 1 834 | 5 003 | 10 483 | 6 455 |
| 7. Change in inventories | -16 684 | -14 761 | -115 474 | -37 637 |
| 8. Change in receivables | -175 401 | 33 831 | -87 917 | -8 238 |
| 9. Change in short-term liabilities, excluding loans and borrowings | 60 760 | 73 902 | 59 958 | 94 788 |
| 10. Change in accruals and prepayments | 2 410 | 2 878 | -335 | 2 058 |
| 11. Other adjustments | 3 103 | 656 | 0 | 0 |
| III. Net cash flows from operations | 268 677 | 250 441 | 179 068 | 182 842 |
| B. Cash flows from investments | | | | |
| I. Revenues | 123 746 | 35 700 | 115 318 | 40 133 |
| 1. Disposal of intangible and tangible fixed assets | 26 377 | 7 501 | 18 072 | 6 867 |
| 2. From financial assets, including: | 97 369 | 28 199 | 42 148 | 23 803 |
| a) in affiliated entities | 94 147 | 28 169 | 24 002 | 22 424 |
| - interest and dividends | 89 585 | 27 950 | 19 512 | 18 577 |
| - disposal of shares/liquidation of companies | 54 | 54 | 643 | 0 |
| - repayment of loans | 4 508 | 165 | 3 847 | 3 847 |
| b) in other entities | 3 222 | 30 | 18 146 | 1 379 |
| - interest | 105 | 9 | 660 | 31 |
| - disposal of financial assets – foreign bonds | 3 000 | | 17 300 | 1 300 |
| - repayment of loans | 117 | 21 | 186 | 48 |
| 3. Other investment inflows - sale of investment funds | | | 55 098 | 9 463 |

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The statement has been prepared in PLN thousand

| | | | | |
|--|---------------|---------------|---------------|---------------|
| II. Expenses | 185 787 | 93 114 | 95 752 | 51 089 |
| 1. Acquisition of intangible and tangible fixed assets | 134 282 | 61 737 | 83 988 | 39 566 |
| 2. For financial assets, including: | 51 505 | 31 377 | 11 764 | 11 523 |
| a) in affiliated entities | 48 392 | 31 377 | 10 340 | 10 134 |
| - acquisition of shares | | | 9 | 0 |
| - short-term loans granted | | | 5 241 | 5 240 |
| - long-term loans granted | 48 392 | 31 377 | 5 090 | 4 894 |
| b) in other entities | 3 113 | 0 | 1 424 | 1 389 |
| - purchase of financial assets – foreign bonds | 3 000 | | 49 | 1 300 |
| - short-term loans granted | 47 | | 75 | 14 |
| - long-term loans granted | 66 | | 1 300 | 75 |
| 3. Other capital expenditure - purchase of investment fund units | 0 | 0 | 0 | 0 |
| III. Net cash flows from investments | -62 041 | -57 414 | 19 566 | -10 956 |
| C. Cash flows from financial operations | | | | |
| I. Revenues | 4 260 | 0 | 2 718 | 0 |
| 1. Loans and borrowings | 4 260 | 0 | 2 718 | 0 |
| 2. Net proceeds from share issue | 0 | 0 | 0 | 0 |
| 3. Other financial income | 0 | 0 | 0 | 0 |
| II. Expenses | 180 553 | 123 790 | 199 245 | 124 138 |
| 1. Acquisition of treasury shares | 9 | 3 | 5 | 2 |
| 2. Dividends to holders | 140 000 | | 134 992 | 0 |
| 3. Repayment of loans and borrowings | 22 632 | 119 430 | 45 601 | 121 141 |
| 4. Interest | 17 912 | 4 357 | 52 | 2 995 |
| 5. Other financial expenses - financial lease | | | 18 595 | 0 |
| III. Net cash flows from financial operations | -176 293 | -123 790 | -196 527 | -124 138 |
| D. Total net cash flows | 30 343 | 69 237 | 2 107 | 47 748 |
| E. Net change in cash, including: | 30 343 | 69 237 | 2 107 | 47 748 |
| - change in cash from foreign exchange differences | 157 | 112 | 145 | -50 |
| F. Opening cash balance | 69 145 | 30 251 | 67 038 | 21 397 |
| G. Cash at the end of the period, including: | 99 488 | 99 488 | 69 145 | 69 145 |
| - restricted cash | 224 | 224 | 297 | 297 |

Notes to the condensed consolidated financial statements for Q4 2012

1. Characteristics of LPP S.A. Capital Group

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

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

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

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

| No. | Company name | Registered office | Takeover date |
|-----|---------------------------------------|---------------------------|---------------|
| 1. | G&M Sp. z o.o. | Gdańsk, Poland | 26.09.2001 |
| 2. | TORA Sp. z o.o. | Gdańsk, Poland | 26.09.2001 |
| 3. | DP&SL Sp. z o.o. | Gdańsk, Poland | 26.09.2001 |
| 4. | IL&DL Sp. z o.o. | Gdańsk, Poland | 26.09.2001 |
| 5. | AMUR Sp. z o.o. | Gdańsk, Poland | 09.05.2003 |
| 6. | LPP Retail Estonia OU | Tallinn, Estonia | 29.04.2002 |
| 7. | LPP Czech Republic s.r.o. | Prague, Czech Republic | 16.09.2002 |
| 8. | LPP Hungary Kft | Budapest, Hungary | 18.10.2002 |
| 9. | LPP Retail Latvia Ltd | Riga, Latvia | 30.09.2002 |
| 10. | UAB LPP | Vilnius, Lithuania | 27.01.2003 |
| 11. | LPP Ukraina | Peremyshliany, Ukraine | 23.07.2003 |
| 12. | RE Trading Closed Joint Stock Company | Moscow, Russia | 12.02.2004 |
| 13. | LPP Fashion Distributor SRL | Bucharest, Romania | 12.08.2007 |
| 14. | Fashion Point | Moscow, Russia | 01.04.2008 |
| 15. | LPP Retail Bulgaria Ltd. | Sofia, Bulgaria | 14.08.2008 |
| 16. | Artman Slovakia s.r.o. | Banska Bystrica, Slovakia | 30.10.2008 |
| 17. | Artman Mode s.r.o. | Ostrava, Czech Republic | 30.10.2008 |
| 18. | LPP Fashion Bulgaria Ltd. | Sofia, Bulgaria | 26.08.2011 |
| 19. | Gothals Limited | Nicosia, Cyprus | 22.07.2011 |
| 20. | Jaradi Limited | Al Tatar, UAE | 22.07.2011 |
| 21. | IP Services FZE | Al Tatar, UAE | 23.12.2012 |

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

The consolidated financial statements of the Capital Group for the period from 1 January to 31 December 2012 include individual results of LPP S.A. and the results of the following subsidiaries:

- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungary Kft
- LPP Retail Latvia Ltd
- UAB LPP
- LPP Ukraina AT

- ZAO Re Trading

-
- LPP Fashion Distributor srl.
 - Fashion Point
 - LPP Retail Bulgaria Ltd.
 - Artman Slovakia srl
 - Artman Mode s.r.o.
 - LPP Fashion Bulgaria Ltd.
 - Gothals Limited
 - Jaradi Limited
 - IP Services FZE

Other national subsidiaries of LPP S.A. were not consolidated due to the immateriality of data. This is consistent with the Accounting Policy adopted by the Group.

According to it, a subsidiary or related party is not consolidated if the amounts reported in its financial statements are insignificant in relation to the financial statements of the holding company. In particular, the balance sheet total, net revenues from sales of goods and services, and financial operations of the entity which, for the financial period, are lower than 10% of balance sheet total and revenues of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of the entities not included in the consolidation may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements established on the assumption that their scope includes all subsidiaries, without making any exclusions.

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

- in the Capital Group's balance sheet total – 0.04%
- in the Capital Group's revenues from sales and financial revenues – 0.43%

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

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

Clothing designs are prepared in the design office located in the registered office of LPP S.A. in Gdańsk and in the design office in Cracow, and then transferred to the purchasing department which orders the production of certain models, cooperating in this respect with companies in Poland and abroad, including in China. Production in China is managed by the Company's trading office in Shanghai. The Capital Group also generates small revenues from sales of services (these include only the revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and the lease of transport vehicles).

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

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

2. Legal basis of the condensed financial statements and information on changes in adopted accounting principles

Report of the LPP Capital Group for Q4 2012 contains the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the holding company, in accordance with IAS 34 "Interim Financial Reporting".

In all its material aspects, the accounting policy underlying this report is in line with the policy underlying the consolidated annual

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

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

3. Achievements of LPP S.A. Capital Group in the reporting period

Major accomplishments of LPP S.A. Capital Group in Q4 2012:

1. In Q4 2012, sales revenues amounted to PLN 962 million. They increased by approximately 22% in comparison with Q4 2011 (PLN 789 million).
2. In Q4, LPP S.A. Capital Group generated operating profit of PLN 186 million. Last year in this period, LPP S.A. CG generated operating profit of PLN 167 million. Net profit in Q4 2012 was about PLN 149 million (compared to net profit of PLN 130 million in Q4 2011).
3. In Q4 2012, Reserved stores generated sales of PLN 505.7 million, while the sales volume at Cropp Town stores amounted to PLN 169.9 million. Sales in Q4 generated by House stores amounted to PLN 138.9 million and in Mohito stores it amounted to PLN 90.5 million.
4. In Q4 2012, the floor area of chain stores increased by 37.9 thousand sq. m. At the end of 2012, LPP S.A. CG had 1077 stores of a total area of 433.9 thousand sq. m.
5. Revenues from sales in comparable stores increased in Q4 2012 by 8.1% (excluding changes in local currency exchange rates in the countries where LPP S.A. CG operates).

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

Traditionally, the highest monthly volume of sales was generated in December, when the highest monthly sales growth in Q4 was also recorded. The increase in the surface of the retail chains generated in Q4 (mainly in the last month) accounted for over 40% annual growth. Completion of this task confirms the organizational capacity of LPP Capital Group to launch the planned stores with a total area of about 145 thousand m² in 2013.

Presented below are revenues from sales of products, goods and materials generated by individual Capital Group companies and presented in the consolidated financial statements (Group inter-company sales excluded):

in PLN '000

| Company name | Country | Revenues in Q4 2012 | % share in Q4 2012 | YTD Revenues from 01.01.2012 to 31.12.2012 | % share in the period from 01.01.2012 to 31.12.2012 |
|-----------------------------------|----------------|---------------------|--------------------|--|---|
| LPP S.A. CAPITAL GROUP | Poland | 658.4 | 68.4% | 2 212.6 | 68.6% |
| LPP Retail Estonia OU | Estonia | 15.6 | 1.6% | 56.2 | 1.7% |
| LPP Retail Latvia Ltd | Latvia | 11.3 | 1.2% | 43.7 | 1.4% |
| LPP Retail Czech Republic s.r.o.* | Czech Republic | 41.3 | 4.3% | 124.9 | 3.9% |
| LPP Hungary Kft. | Hungary | 9.7 | 1.0% | 28.5 | 0.9% |
| UAB"LPP" | Lithuania | 17.0 | 1.8% | 62.0 | 1.9% |
| LPP Ukraina AT | Ukraine | 28.8 | 3.0% | 88.3 | 2.7% |
| ZAO "Re Trading"*** | Russia | 162.1 | 16.9% | 549.4 | 17.0% |
| LPP Fashion Distributor SRL | Romania | 6.9 | 0.7% | 25.4 | 0.8% |
| LPP Retail Bulgaria Ltd.*** | Bulgaria | 5.2 | 0.5% | 16.8 | 0.5% |
| Artman Slovakia | Slovakia | 5.8 | 0.6% | 16.1 | 0.5% |
| Total | | 962.1 | 100.0% | 3 223.7 | 100.0% |

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

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

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

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

Seasonality in sales is the characteristic feature of the clothing market both in Poland and abroad. The fourth quarter of calendar year is considered best for companies in this industry. So, as in previous years, this year the companies of LPP S.A. Capital Group gained the biggest profits during the quarter covered by this report.

6. Information on revaluation write-downs of inventories to net realisable value and reversal of write-downs on this account

Detailed information is included in item 37.1

7. Information on impairment write-downs of financial assets, property, plant and equipment, intangible assets, or other assets, and their reversal

Detailed information is included in item 37.1

8. Information on the creation, increase, use and reversal of provisions

Detailed information is included in item 37.3

9. Information on deferred income tax provisions and assets

Detailed information is contained in item 37.5

10. Information on significant transactions of purchase and sale of property, plant and equipment

There were no such events in the reporting period.

11. Information on significant commitments on account of purchase of property, plant and equipment

There were no such events in the reporting period.

12. Information on significant settlements of litigation

There were no such events in the reporting period.

13. Indication of corrections of errors from previous reporting periods

There were no such events in the reporting period.

14. Information on changes in economic and business conditions, which have a significant impact on the fair value of the company's financial assets and financial liabilities

There were no such events in the reporting period.

15. Information on non-repayment of loans or breach of any material provisions of credit or loan agreements

There were no such events in the reporting period.

16. Information on the conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or collectively they are significant and have been concluded under conditions other than on arm's length basis

There were no such events in the reporting period.

17. For financial instruments measured at fair value - information about changing the method of its determination

Not applicable.

18. Information on changes in the classification of financial assets as a result of changes to these assets or their use

Not applicable.

19. Division into segments of operation - revenues and results for individual segments

The LPP S.A. Capital Group conducts one type of business activity (one trade segment regarded as the basic one). A division into two geographical segments was applied: activity with the European Union and outside. The division into geographical segments was based on the criterion of location of the Group's assets.

Revenues and results for particular segments in Q1-Q4 2012 and the comparable period are presented in section 23.7.

20. Information on the issue, redemption and repayment of debt and equity securities

During the fourth quarter, the Issuer did not perform any issue, redemption or repayment of debt and equity securities.

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

During fourth quarter there was no such a situation.

23. Date of approval of the financial statements for publication

These financial statements were approved for publication by the Management Board of the Parent Company on 13 February 2013.

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

There were no such events.

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

None of the above situations occurred in the reporting period.

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

In Q4 2012, LPP S.A. and its subsidiaries used bank guarantees to secure the payment of rent for the rental of space for the company's retail outlets.

As at 31 December 2012, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 139 776 thousand, including:

- a) guarantees granted to secure agreements concluded by LPP S.A. - PLN 68 938 thousand,
- b) guarantees granted to secure agreements concluded by consolidated affiliates - PLN 67 801 thousand,
- c) guarantees granted to secure agreements concluded by non-consolidated affiliates amounting to PLN 2 901 thousand,
- d) guarantees granted to secure office space lease agreements concluded by LPP S.A. - PLN 136 thousand.

On 30 December 2012, the value of sureties granted by the parent company amounted to PLN 24 887 thousand and increased in comparison to 31 December 2011 by PLN 18 411 thousand.

27. Estimates concerning future liabilities under lease agreements

The Capital Group's companies are parties to lease agreements for the use of retail premises where Reserved, Cropp, House and Mohito brand stores are located.

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

- payables with the maturity date of 12 months after the balance sheet date
PLN 387 773 thousand.

- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 1 144 251 thousand.

- payables with the maturity date of over 5 years from the balance sheet date
474 509 thousand. PLN

28. Position of the Management Board on the feasibility of the forecast of annual consolidated results

The company did not publish any forecasts of annual results.

29. Shareholders directly or indirectly holding at least 5% of votes at the General Meeting of Shareholders of LPP S.A. as at the date of submission of the quarterly report, and changes in the structure of ownership of large blocks of LPP S.A. shares after the date of submission of the previous quarterly report.

Shareholding structure of the holding company as at the date of submission of the quarterly report for Q4 2012:

| Shareholder | Number of held shares (pieces) | Number of votes at the AGM | Share in the total number of votes at the AGM | Share capital held |
|---------------------------|--------------------------------|----------------------------|---|--------------------|
| Marek Piechocki | 175 000 | 875 000 | 27.1% | 9.6% |
| Jerzy Lubianiec | 175 000 | 875 000 | 27.1% | 9.6% |
| Monistor Limited (Cyprus) | 200 728 | 200 728 | 6.2% | 11.0% |
| Grangeford Limited (Cypr) | 350 000 | 350 000 | 10.8% | 19.1% |

After the submission of the last quarterly report (report for Q3 2012), there were no changes in the ownership structure of major blocks of LPP S.A. shares.

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

| Shareholder | Number of held shares (pieces) | Number of votes at the AGM |
|--|--------------------------------|----------------------------|
| President of the Management Board | 175 000 | 875 000 |
| Vice President of the Management Board | 2 664 | 2 664 |
| Vice President of the Management Board | 17 | 17 |
| Chairman of the Supervisory Board | 175 000 | 875 000 |
| Member of the Supervisory Board | 301 | 301 |

In the period from the submission of the previous report (report for Q3 2012), the structure of ownership of LPP S.A. shares was changed due to the sale and purchase shares of the issuer by a member of the Supervisory Board in the reporting period (Current Report No. 46/2012, Current Report 3/2013).

31. Information on legal proceedings

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

32. Information on the conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or collectively they are significant and have been concluded under conditions other than on arm's length basis

There were no such transactions with affiliated entities in the reporting period.

33. Related party transactions

33.1. Key personnel

The Group's key management staff includes members of the Management Board and Supervisory Board of the holding company.

The amount of short-term employee benefits received by key management in the period from 1 January to 31 December 2012 totalled PLN 5 063 thousand, of which PLN 4 951 thousand was received by members of the Management Board and PLN 112 thousand by members of the Supervisory Board.

33.2 Transactions with affiliated entities

In the reporting period, the issuer did not conclude any transactions concerning the transfer of rights and obligations with affiliated entities.

Transactions between the parent company and its foreign subsidiaries were excluded from the consolidated financial statements and are not presented in the table.

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

in PLN '000

| Related parties | Receivables as at 31.12.2012 | Liabilities as at 31.12.2012 | Revenues for the period I-XII 2012 | Expenses for the period I-XII 2012 |
|--------------------|---------------------------------|---------------------------------|---------------------------------------|---------------------------------------|
| Domestic companies | 2 | 225 | 19 | 9 618 |

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

All related-party transactions were concluded at arm's length. Revenues from the domestic companies are derived from the rental of office space for the purpose of business operation of these companies.

Expenses related to the domestic subsidiaries concern the rental of property where Cropp Town and Reserved outlets are run.

Payment time-limits adopted for subsidiaries are between 45 and 120 days.

34. Information on guarantees and sureties

In the reporting period, companies from the issuer's Capital Group did not grant any credit or loan guarantees, and did not grant guarantees to one entity or its subsidiary, whose total value would be the equivalent to at least 10% of the issuer's equity.

35. Additional information relevant for the evaluation of staff, property and financial situation, financial result of the LPP S.A. Capital Group and information relevant for the evaluation of the ability to fulfil the commitments of the issuer's Capital Group.

The report contains basic information relevant for the evaluation of the situation of the issuer's Capital Group. In the opinion of the Management Board, currently there are no threats to the ability to fulfil the commitments of the Capital Group.

36. Factors likely to influence results generated by LPP S.A. Capital Group in the next quarter or afterwards (according to LPP S.A.)

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

- a) economic situation in Poland and in countries where the retail outlets of LPP S.A. Capital Group operate,
- b) the level of the exchange rate of the Polish Zloty in relation to USD and EUR,
- c) assessment of the spring-summer collection by customers,
- d) development of sales network of Reserved, Cropp Town, House and Mohito brands, as well as launching several dozen stores of new brand – Sinsay. In total, in 2013, it is planned to increase the number of retail chains to 240 outlets stores resulting in commercial area of about 580 thousand m².
- e) maintenance of the operating costs at a low level.

37. Notes to the condensed consolidated financial statements

37.1. Revaluation write-downs of assets

The values of some assets presented in the consolidated financial statements as at 31 December 2012 are adjusted by revaluation write-downs. Detailed information on the amounts of the write-downs reported as at the last day of the reporting period and changes in the period is presented in the table below.

in PLN '000

| | Tangible fixed assets | Inventory | Receivables and loans |
|------------------------|-----------------------|-----------|-----------------------|
| As at 01.01.2012 | 6 662 | 5 251 | 6 678 |
| increase | | 3 460 | 1 100 |
| decrease | 1 077 | 3 814 | 1 694 |
| As at 31 December 2012 | 5 585 | 4 897 | 6 084 |

37.2. Receivables

The value of the write-down includes:

revaluation write-down of receivables and claimed receivables from customers PLN 4 769 thousand.

revaluation write-down of the so-called doubtful receivables: PLN
1 067 thousand

revaluation write-down of receivables from employees and other: PLN 248
thousand

37.3. Provisions

The value of provisions included in the consolidated financial statements and their changes in the reporting period are as follows:

in PLN '000

| | Provision for pensions and similar benefits | Unpaid compensations provision | Provision for liabilities | Provision for holiday leaves not taken |
|------------------------|---|--------------------------------|---------------------------|--|
| As at 01.01.2012 | 1 135 | 9 542 | 17 | 5 106 |
| provisions established | 1 277 | 16 859 | 15 | 6 187 |

| | | | | |
|------------------------|-------|--------|----|-------|
| provisions reversed | 1 135 | 13 461 | 17 | 5 106 |
| As at 31 December 2012 | 1 277 | 12 940 | 15 | 6 187 |

37.4. Income tax

Income tax presented in the consolidated profit and loss account for the period between 1 January and 31 December 2012 amounts to PLN 70 366 thousand and includes:

- current tax in the amount of PLN 72 247 thousand
- deferred tax of PLN -1 881 thousand

37.5 Deferred income tax asset and provision

At the end of the reporting period, the consolidated financial statements presented values for both deferred income tax assets and deferred income tax provisions.

Detailed information of the components of these amounts is included in the tables below.

in PLN '000

| Deferred income tax asset | 31.12.2012 |
|---|---------------|
| Surplus of balance sheet depreciation value of assets over tax-based depreciation | 10 833 |
| Revaluation of trade receivables | 421 |
| Profit margin on goods unsold outside the Group | 7 952 |
| Revaluation of inventories | 605 |
| Remuneration and surcharges | 2 067 |
| Other | 840 |
| Total | 22 718 |

| Deferred income tax provision | 31.12.2012 |
|---------------------------------------|--------------|
| Accelerated tax depreciation | 4 230 |
| Outstanding interest on loans granted | 7 |
| Damages not received | 156 |
| Other | 54 |
| Total | 4 447 |

37.6. Foreign exchange differences

The consolidated profit and loss account drawn up as at 31 December 2012 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 12 722 thousand.

37.7. Segments of operation

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

2012

in PLN '000

| | EU Member States | Other countries | Consolidation adjustments | Values not attributed to the segments | Total |
|-------------------------------------|------------------|-----------------|---------------------------|---------------------------------------|------------------|
| External sales | 2 586 039 | 637 700 | | | 3 223 739 |
| Sales between segments | 374 242 | | -374 242 | | - |
| Other operating revenues | 16 962 | 886 | | 9 841 | 27 689 |
| Total revenues | 2 977 243 | 638 586 | -374 242 | 9 841 | 3 251 428 |
| Total operating expenses, including | 2 390 542 | 586 191 | -352 693 | 132 103 | 2 756 143 |
| Costs of sales between segments | 284 338 | | -284 338 | | - |
| Other operating expenses | 28 200 | 11 378 | | | 39 578 |
| Segment results | 558 501 | 41 017 | -21 549 | -122 262 | 455 707 |
| Financial revenues | | | | 2 213 | 2 213 |
| Financial expenses | | | | 32 490 | 32 490 |
| Profit / loss before tax | | | | | 425 430 |
| Income tax | | | | | 70 366 |
| Net profit | | | | | 355 064 |

2011

in PLN '000

| | EU Member States | Other countries | Consolidation adjustments | Values not attributed to the segments | Total |
|-------------------------------------|------------------|-----------------|---------------------------|---------------------------------------|------------------|
| External sales | 2 133 333 | 359 177 | | | 2 492 510 |
| Intersegmental sales | 185 842 | | -185 842 | | - |
| Other operating revenues | 12 702 | 998 | | 6 890 | 20 590 |
| Total revenues | 2 331 877 | 360 175 | -185 842 | 6 890 | 2 513 100 |
| Total operating expenses, including | 1 903 438 | 308 984 | -175 738 | 102 347 | 2 139 031 |
| Costs of intersegmental sales | 144 172 | | -144 172 | | - |
| Other operating expenses | 28 483 | 2 490 | | | 30 963 |
| Segment results | 399 956 | 48 711 | -10 104 | -95 457 | 343 106 |
| Financial revenues | | | | 13 541 | 13 541 |
| Financial expenses | | | | 25 624 | 25 624 |
| Profit / loss before tax | | | | | 331 023 |
| Income tax | | | | | 61 877 |

| | | | | | |
|-------------------|--|--|--|--|----------------|
| Net profit | | | | | 269 146 |
|-------------------|--|--|--|--|----------------|

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

Following the estimation of the carrying amount of assets invested in foreign subsidiaries, shares, additional paid-in capital, loans, and receivables presented under assets of the individual balance sheet were written down between January and December 2012; these write-downs totalled PLN 26 680 thousand and were also recognised under financial expenses and operating expenses in the individual profit and loss account.

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