

LPP

LPP S.A. Capital Group

Interim condensed financial statement for Q3 2014

Gdańsk
November 2014

2. Consolidated statement of financial position of LPP S.A. Capital Group

in PLN '000

Consolidated statement of financial position	As at the end of:		
	Q3 2014	Q3 2013	the previous year
	30.09.2014	30.09.2013	31.12.2013
ASSETS			
Fixed assets (long-term)	1 426 230	1 123 559	1 231 908
1. Tangible fixed assets	1 039 202	785 359	896 806
2. Intangible assets	26 337	18 712	20 132
3. Goodwill	209 598	183 609	183 609
4. Trademark	77 508	77 508	77 508
5. Investments in subsidiaries	136	136	136
6. Investments in other entities	10 366	10 432	10 366
7. Investments in real property	0	648	0
8. Receivables and loans	13 983	8 879	12 928
9. Deferred tax assets	42 210	37 724	29 929
10. Prepayments and accrued income	6 890	552	494
Current assets (short-term)	1 419 857	1 238 049	1 259 662
1. Inventories	1 036 797	845 201	805 038
2. Trade receivables	159 110	149 418	163 255
3. Income tax receivables	18 000	2 127	17 207
4. Other receivables	58 197	79 512	96 720
5. Borrowings	9 760	10 278	12 485
6. Other financial assets	2 008		2
7. Prepayments and accrued income	18 837	13 532	15 600
8. Cash and cash equivalents	117 148	137 981	149 355
TOTAL ASSETS	2 846 087	2 361 608	2 491 570

in PLN '000

Consolidated statement of financial position	As at the end of:		
	Q3 2014	Q3 2013	the previous year
	30.09.2014	30.09.2013	31.12.2013
EQUITY AND LIABILITIES			
Equity	1 533 199	1 310 490	1 496 490
1. Share capital	3 662	3 662	3 662
2. Treasury shares	-48 800	-48 778	-48 784
3. Share premium	235 074	235 069	235 069
4. Other reserves	1 092 739	856 929	860 357
5. Foreign exchange differences on translation	-39 438	-5 417	-4 062
6. Retained earnings	286 832	265 633	447 070
- profit (loss) from previous years	52 360	16 138	16 106
- net profit (loss) for the current period	234 472	249 495	430 964
7. Non-controlling interests	3 130	3 392	3 178
Long-term liabilities	202 990	187 910	192 331
1. Loans and borrowings	195 563	178 989	184 285
2. Other financial liabilities	0	129	58
3. Provisions for employee benefits	1 871	2 501	2 718
4. Deferred tax liability	5 505	5 418	5 201
5. Other long-term liabilities	51	873	69
Short-term liabilities	1 109 898	863 208	802 749
1. Trade and other payables	569 325	520 331	547 626
2. Income tax liabilities	23 058	15 864	37 524
3. Loans and borrowings	482 661	295 844	173 591
4. Other financial liabilities	10	30	84
5. Provisions	18 812	19 033	24 841
6. Special funds	339	287	159
7. Prepayments and accrued income	15 693	11 819	18 924
TOTAL EQUITY AND LIABILITIES	2 846 087	2 361 608	2 491 570

3. Uniform consolidated statement of profit or loss and other comprehensive income of LPP S.A. Capital Group

in PLN '000

Consolidated statement of financial result and other comprehensive income	YTD	Q3 2014	YTD	Q3 2013
	01.01.2014-30.09.2014	01.07.2014-30.09.2014	01.01.2013-30.09.2013	01.07.2013-30.09.2013
Continuing operations				
Sales revenue	3 364 350	1 234 242	2 849 302	1 107 493
Cost of sales	1 400 951	534 627	1 207 311	471 137
Gross profit (loss) on sales	1 963 399	699 615	1 641 991	636 356
Other operating income	27 009	7 462	24 117	10 916
Selling and distribution expenses	1 440 066	518 219	1 146 856	420 221
Administrative expenses	132 101	40 137	117 119	38 726
Other operating expenses	57 388	14 347	47 949	20 929
Operating profit (loss)	360 853	134 374	354 184	167 396
Financial revenue	1 972	394	1 616	599
Financial expenses	76 583	39 645	52 774	34 468
Gross profit (loss)	286 242	95 123	303 026	133 527
Tax burden	50 009	13 082	52 155	22 540
Net profit (loss)	236 233	82 041	250 871	110 987
Net profit (loss) attributable to:				
parent company shareholders	234 472	81 729	249 495	110 462
non-controlling entities	1 761	312	1 376	525
Other comprehensive income				
Foreign exchange differences on translation	-35 376	-30 912	-2 026	-2 224
Total comprehensive income	200 857	51 129	248 845	108 763
Number of shares	1 810 071		1 809 725	
Profit (loss) per ordinary share	130.54		138.62	

4. Consolidated statement of changes in equity of LPP S.A. Capital Group

in PLN '000

Consolidated statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Foreign exchange differences from translation	Minority interests	Equity TOTAL
As at 1 January 2013	3 662	-48 767	235 069	656 950	364 987	0	-3 391	2 538	1 211 048
- adjustments due to errors in previous years									0
As at 1 January 2013, after adjustments	3 662	-48 767	235 069	656 950	364 987	0	-3 391	2 538	1 211 048
Costs of treasury shares purchase		-11							-11
Conversion of bonds to shares									0
Distribution of profit for 2012				194 841	-348 849				-154,008
Share-based payment				5 138					5 138
Non-controlling interests as at the balance sheet date								-522	-522
Transactions with owners	0	-11	0	199 979	-348 849	0	0	-522	-149 403
Net profit for Q3 2013						249 495		1 376	250 871
Calculation of foreign exchange differences on translation							-2 026		-2 026
As at 30 September 2013	3 662	-48 778	235 069	856 929	16 138	249 495	-5 417	3 392	1 310 490

LPP S.A. Capital Group
Interim condensed financial statement for Q3 2014
All the figures included in these statements are stated in thousands of PLN

in PLN '000

Consolidated statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Foreign exchange differences from translation	Minority interests	Equity TOTAL
As at 1 January 2014	3 662	-48 784	235 069	860 357	447 070	0	-4 062	3 178	1 496 490
- adjustments due to errors in previous years									0
As at 1 January 2014, after adjustments	3 662	-48 784	235 069	860 357	447 070	0	-4 062	3 178	1 496 490
Treasury shares acquired		-16							-16
Conversion of bonds to shares									0
Distribution of profit for 2013				225 093	-394 710				-169 617
Acquisition of shares			5						5
Share-based payment				7 289					7 289
Payment of dividends to minority shareholders								-1 809	-1 809
Transactions with owners	0	-16	5	232 382	-394 710	0	0	-1 809	-164 148
Net profit for Q3 2014						234 472		1 761	236 233
Calculation of foreign exchange differences on translation							-35 376		-35 376
As at 30 September 2014	3 662	-48 800	235 074	1 092 739	52 360	234 472	-39 438	3 130	1 533 199

5. Consolidated cash flow statement of LPP S.A. Capital Group

in PLN '000

Consolidated cash flow statement	YTD	Q3 2014	YTD	Q3 2013
	01.01.2014- 30.09.2014	01.07.2014- 30.09.2014	01.01.2013- 30.09.2013	01.07.2013- 30.09.2013
A. Cash flows from operating activities - indirect method				
I. Gross profit (loss)	286 242	95 123	303 026	133 527
II. Total adjustments	-84 214	-43 300	-111 264	-6 675
1. Depreciation and amortisation	142 030	50 580	106 755	37 705
2. Foreign exchange gains (losses)	17 160	11 991	7 322	3 092
3. Interest and profit-sharing (dividends)	9 121	5 984	4 484	992
4. Profit (loss) from investing activities	-7 224	-1 234	-1 756	692
5. Income tax paid	-77 309	-9 306	-69 173	-15 396
6. Change in provisions	706	-78	625	5 086
7. Change in inventories	-266 649	-106 348	-202 314	-36 634
8. Change in receivables	59 354	27 268	-24 309	15 288
9. Change in current liabilities, excluding loans and borrowings	29 443	-7 715	69 088	-25 578
10. Change in prepayments and accruals	-11 528	-10 664	-2 766	-474
11. Other adjustments	20 682	-3 778	780	8 552
III. Net cash flows from operating activities	202 028	51 823	191 762	126 852
B. Cash flows from investing activities				
I. Inflows	50 935	12 591	33 200	7 404
1. Disposal of intangible assets and property, plant and equipment	40 534	10 746	28 365	6 774
2. From financial assets, including:	5 365	1 845	4 835	630
a) in related entities	204	204	278	190
- liquidation of companies	0	0	88	0
- dividends	204	204	190	190
b) in other entities	5 161	1 641	4 557	440
- disposal of financial assets – foreign bonds	2 000	0	3 796	0
- repayment of loans	2 017	1 470	107	23
- interest	1 144	171	654	417
3. Other investment inflows	5 036	0		

II. Outflows	407 283	104 835	370 182	134 165
1. Acquisition of intangible assets and property, plant and equipment	390 158	100 659	347 980	132 066
2. For financial assets, including:	17 125	4 176	22 202	2 099
a) in related entities	12 912	2 085	0	0
- acquisition of shares	12 912	2 085	0	0
- loans granted	0	0	0	0
b) in other entities	4 213	2 091	22 202	2 099
- loans granted	210	88	7 974	2 099
- purchase of financial assets – foreign bonds	4 003	2 003	3 796	0
- acquisition of financial assets		0	10 432	0
3. Other capital expenses	0	0	0	0
III. Net cash flows from investing activities	-356 348	-92 244	-336 982	-126 761
C. Cash flows from financing activities				
I. Inflows	349 602	190 265	313 769	185 082
1. Proceeds from issue of shares	5	5		
2. Loans and borrowings	349 597	190 260	313 769	185 082
3. Other financial inflows		0		0
II. Outflows	227 489	176 381	189 961	181 247
1. Cost of treasury shares maintenance	16	5	11	5
2. Dividends to owners	171 426	169 950	154 393	154 393
3. Repayment of loans and borrowings	45 645	2 882	26 720	21 909
4. Payment of finance lease liabilities	198	30	166	51
5. Interest	10 204	3 514	8 671	4 889
6. Other financial expenses				
III. Net cash flows from financing activities	122 113	13 884	123 808	3 835
D. Total net cash flows	-32 207	-26 537	-21 412	3 926
E. Balance sheet change in cash and cash equivalents, including:	-32 207	-26 537	-21 412	3 926
- change in cash and cash equivalents due to foreign exchange differences	-3 740	-4 400	-2 089	-3 209
F. Opening balance of cash and cash equivalents	149 355	143 685	159 393	134 055
G. Closing balance of cash and cash equivalents, including:	117 148	117 148	137 981	137 981
- restricted cash	3 937	3 937	8 464	8 464

6. Selected financial data of LPP S.A.

in PLN '000

Selected financial data	Q3 2014	Q3 2013	Q3 2014	Q3 2013
	01.01.2014-30.09.2014	01.01.2013-30.09.2013	01.01.2014-30.09.2014	01.01.2013-30.09.2013
	in PLN '000		in EUR '000	
Net revenue on sales of merchandise and raw materials	2 847 941	2 435 863	681 277	576 795
Operating profit (loss)	302 656	290 207	72 401	68 719
Gross profit (loss)	275 549	248 963	65 916	58 953
Net profit (loss)	247 454	202 132	59 195	47 863
Net cash flows from operating activities	-40 058	-39 180	-9 583	-9 278
Net cash flows from investing activities	-128 502	-135 271	-30 740	-32 031
Net cash flows from financing activities	124 121	124 605	29 692	29 506
Total net cash flows	-44 439	-49 846	-10 631	-11 803

in PLN '000

Selected financial data	Q3 2014	Q3 2013	Q3 2014	Q3 2013
	01.01.2014-30.09.2014	01.01.2013-30.09.2013	01.01.2014-30.09.2014	01.01.2013-30.09.2013
	in PLN '000		in EUR '000	
Total assets	2 783 338	2 267 047	666 588	537 686
Long-term liabilities	199 424	183 262	47 761	43 465
Short-term liabilities	1 054 744	835 564	252 603	198 175
Equity	1 529 170	1 248 221	366 224	296 047
Share capital	3 662	3 662	877	869
Weighted average number of ordinary shares	1 810 071	1 809 725	1 810 071	1 809 725
Profit (loss) per ordinary share (in PLN / EUR)	136.7	111.7	32.7	26.4
Book value per share (in PLN / EUR)	844.8	689.7	202.3	163.6
Declared or paid dividend per share (in PLN / EUR)	93.60	85.10	22.39	20.15

7. Statement of financial position of LPP S.A.

in PLN '000

Statement of financial position	As at the end of:		
	Q3 2014	Q3 2013	the previous year
	30.09.2014	30.09.2013	31.12.2013
ASSETS			
Fixed assets (long-term)	1 555 090	841 804	920 435
1. Tangible fixed assets	643 058	497 890	566 461
2. Intangible assets	22 620	15 372	16 224
3. Goodwill	179 618	179 618	179 618
4. Trademark	0	77 508	0
5. Investments in subsidiaries	590 464	6 366	96 524
6. Investments in real property	0	648	0
7. Receivables and loans	50 746	25 950	23 984
9. Deferred tax assets	67 952	37 900	37 130
9. Prepayments and accrued income	632	552	494
Current assets (short-term)			
1. Inventories	700 191	599 481	570 997
2. Trade receivables	469 974	748 845	800 158
3. Income tax receivables	0	0	0
4. Other receivables	14 164	17 189	17 255
5. Borrowings	1 987	985	432
6. Other financial assets	2 008	0	2
7. Prepayments and accrued income	13 371	9 100	11 702
8. Cash and cash equivalents	26 553	49 643	70 991
TOTAL ASSETS	2 783 338	2 267 047	2 391 972

in PLN '000

Statement of financial position	As at the end of:		
	Q3 2014	Q3 2013	the previous year
	30.09.2014	30.09.2013	31.12.2013
EQUITY AND LIABILITIES			
Equity	1 529 170	1 248 221	1 444 055
1. Share capital	3 662	3 662	3 662
2. Treasury shares	-48 800	-48 778	-48 783
3. Share premium	235 074	235 069	235 069
4. Other reserves	1 091 780	856 136	859 532
5. Retained earnings	247 454	202 132	394 575
- profit (loss) from previous years	0	0	0
- net profit (loss) for the current period	247 454	202 132	394 575
Long-term liabilities	199 424	183 262	188 124
1. Loans and borrowings	195 563	178 989	184 285
2. Other financial liabilities	0	38	39
3. Provisions for employee benefits	1 436	1 202	1 236
4. Deferred tax liability	2 425	3 033	2 564
Short-term liabilities	1 054 744	835 564	759 793
1. Trade and other payables	532 161	504 905	520 992
2. Income tax liabilities	20 663	14 631	34 641
3. Loans and borrowings	482 312	295 493	173 245
4. Provisions	10 042	12 960	17 687
5. Special funds	221	287	159
6. Accruals and deferred income	9 345	7 288	13 069
TOTAL EQUITY AND LIABILITIES	2 783 338	2 267 047	2 391 972

8. Uniform statement of comprehensive income of LPP S.A.

in PLN '000

Statement of financial result and other comprehensive income	YTD	Q3 2014	YTD	Q3 2013
	01.01.2014-30.09.2014	01.07.2014-30.09.2014	01.01.2013-30.09.2013	01.07.2013-30.09.2013
Continuing operations				
Sales revenue	2 847 941	1 037 178	2 435 863	945 741
Cost of sales	1 492 323	570 241	1 279 942	504 548
Gross profit (loss) on sales	1 355 618	466 937	1 155 921	441 193
Other operating income	96 506	7 083	20 254	10 808
Selling and distribution expenses	866 726	305 436	710 816	261 490
Administrative expenses	193 868	69 969	141 396	53 826
Other operating expenses	88 874	10 362	33 756	10 705
Operating profit (loss)	302 656	88 253	290 207	125 980
Financial revenue	190 514	19 331	34 053	1 069
Financial expenses	217 621	49 652	75 297	26 926
Gross profit (loss)	275 549	57 932	248 963	100 123
Tax burden	28 095	4 437	46 831	18 473
Net profit (loss)	247 454	53 495	202 132	81 650
Total comprehensive income	247 454	53 495	202 132	81 650
Number of shares	1 810 071		1 809 725	
Profit (loss) per ordinary share	136.74		111.69	

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 reserves	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
As at 1 January 2013	3 662	-48 767	235 069	656 174	348 833		1 194 971
- adjustments due to errors in previous years							0
As at 1 January 2013, after adjustments	3 662	-48 767	235 069	656 174	348 833	0	1 194 971
Treasury shares acquired		-11					-11
Distribution of net profit for 2012				194 825	-348 833		-154 008
Share-based payment				5 137			5 137
Transactions with owners	0	-11	0	199 962	-348 833	0	-148 882
Net profit for Q3 2013						202 132	202 132
As at 30 September 2013	3 662	-48 778	235 069	856 136	0	202 132	1 248 221

in PLN '000

Statement of changes in equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
As at 1 January 2014	3 662	-48 783	235 069	859 532	394 575		1 444 055
- adjustments due to errors in previous years							0
As at 1 January 2014, after adjustments	3 662	-48 783	235 069	859 532	394 575	0	1 444 055
Treasury shares acquired		-17					-17
Distribution of net profit for 2013				224 959	-394 575		-169 616
Acquisition of shares			5				5
Share-based payment				7 289			7 289
Transactions with owners	0	-17	5	232 248	-394 575	0	-162 339
Net profit for Q3 2014						247 454	247 454
As at 30 September 2014	3 662	-48 800	235 074	1 091 780	0	247 454	1 529 170

10. Statement of cash flows of LPP S.A.

in PLN '000

Statement of cash flows	YTD	Q3 2014	YTD	Q3 2013
	01.01.2014- 30.09.2014	01.07.2014- 30.09.2014	01.01.2013- 30.09.2013	01.07.2013- 30.09.2013
A. Cash flows from operating activities - indirect method				
I. Gross profit (loss)	275 549	57 932	248 962	100 123
II. Total adjustments	-315 607	-72 382	-288 142	-71 172
1. Depreciation and amortisation	81 397	28 302	62 168	22 086
2. Foreign exchange gains (losses)	8 928	4 491	2 246	3 102
3. Interest and profit-sharing (dividends)	-108 519	-36 391	-24 286	-16 539
4. Profit (loss) from investing activities	150 185	43 548	47 317	7 235
5. Income tax paid	-71 883	-13 966	-59 530	-14 368
6. Change in provisions	-7 445	316	-197	3 710
7. Change in inventories	-129 178	-31 908	-107 964	2 996
8. Change in receivables	-255 353	-38 813	-266 150	-38 367
9. Change in current liabilities, excluding loans and borrowings	14 503	-27 832	56 090	-43 174
10. Change in prepayments and accruals	-5 531	-2 585	-2 973	-1 194
11. Other adjustments	7 289	2 456	5 137	3 341
III. Net cash flows from operating activities	-40 058	-14 450	-39 180	28 951
B. Cash flows from investing activities				
I. Inflows	156 756	51 475	66 663	24 706
1. Disposal of intangible assets and property, plant and equipment	35 543	8 584	28 137	6 661
2. From financial assets, including:	121 213	42 891	38 526	18 045
a) in related entities	119 093	42 857	34 582	18 012
- interest and dividends	119 093	42 857	29 991	18 012
- disposal of shares/liquidation of companies	0		88	0
- repayment of loans	0		4 503	0
b) in other entities	2 120	34	3 944	33
- interest	22	5	41	8
- disposal of financial assets – foreign bonds	2 000		3 796	0
- repayment of loans	98	29	107	25
3. Other investment inflows			0	0

II. Outflows	285 258	82 890	201 934	76 349
1. Acquisition of intangible assets and property, plant and equipment	228 235	51 818	198 085	76 346
2. For financial assets, including:	57 023	31 072	3 849	3
a) in related entities	52 810	28 981	0	0
- acquisition of shares	52 810	28 981	0	0
- loans granted	0	0	0	0
b) in other entities	4 213	2 091	3 849	3
- loans granted	210	88	53	3
- purchase of financial assets – foreign bonds	4 003	2 003	3 796	0
3. Other capital expenses			0	0
III. Net cash flows from investing activities	-128 502	-31 415	-135 271	-51 643
C. Cash flows from financing activities				
I. Inflows	349 602	190 264	313 417	185 082
1. Loans and borrowings	349 597	190 259	313 417	185 082
2. Net proceeds from issue of shares	5	5	0	0
3. Other financial inflows	0		0	0
II. Outflows	225 481	176 016	188 812	180 222
1. Acquisition of treasury shares	16	5	11	5
2. Dividends to owners	169 617	169 617	154 008	154 008
3. Repayment of loans and borrowings	45 645	2 882	26 144	21 342
4. Interest	10 203	3 512	8 649	4 867
5. Other financial expenses	0		0	0
III. Net cash flows from financing activities	124 121	14 248	124 605	4 860
D. Total net cash flows	-44 439	-31 617	-49 846	-17 832
E. Balance sheet change in cash and cash equivalents, including:	-44 439	-31 617	-49 846	-17 832
- change in cash and cash equivalents due to foreign exchange differences	502	-215	-255	-110
F. Opening balance of cash and cash equivalents	70 991	58 169	99 488	67 474
G. Closing balance of cash and cash equivalents, including:	26 552	26 552	49 642	49 642
- restricted cash	287	287	287	287

Notes to the condensed consolidated financial statements for Q3 2014

1. About LPP S.A. Capital Group

The LPP SA Capital Group (the "Group") comprises:

- LPP S.A. as the parent,
- 4 domestic subsidiaries,
- 17 foreign subsidiaries.

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

The Group companies are listed below.

No.	Company name	Registered office	Control acquisition date
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
5.	LPP Estonia OU	Tallinn, Estonia	29.04.2002
6.	LPP Czech Republic S.R.O.	Prague, Czech Republic	16.09.2002
7.	LPP Hungary KFT	Budapest, Hungary	18.10.2002
8.	LPP Latvia LTD	Riga, Latvia	30.09.2002
9.	LPP Lithuania UAB	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraina AT	Peremyshliany, Ukraine	23.07.2003
11.	RE Trading OOO	Moscow, Russia	12.02.2004
12.	LPP Romania Fashion SRL	Bucharest, Romania	12.08.2007
13.	LPP Bulgaria EOOD	Sofia, Bulgaria	14.08.2008
14.	LPP Slovakia S.R.O.	Banska Bystrica, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria LTD.	Sofia, Bulgaria	26.08.2011
16.	Gothals Limited	Nicosia, Cyprus	22.07.2011
17.	Jaradi Limited	Al Tatar, UAE	22.07.2011
18.	IP Services FZE	Ras Al Khaimah, UAE	23.12.2012
19.	LPP Croatia D.O.O.	Zagreb, Croatia	31.01.2014
20.	Reserved GMBH	Hamburg, Germany	03.03.2014
21.	Koba AS	Banska Bystrica, Slovakia	01.04.2014

LPP S.A. exercises direct control over its subsidiaries by holding 100% of shares in their share capital and 100% of the total number of votes.

The consolidated financial statement of the Capital Group for the period from 1 January to 30 September 2014 includes individual results of LPP S.A. and the results of the following subsidiaries:

- LPP Estonia OU
- LPP Czech Republic SRO
- LPP Hungary KFT
- LPP Latvia LTD
- LPP Lithuania UAB

- LPP Ukraina AT
- Re Trading OOO
- LPP Romania Fashion SRL
- LPP Bulgaria LTD
- LPP Slovakia SRO
- LPP Fashion Bulgaria LTD
- Gothals LTD
- Jaradi LTD
- IP Services FZE
- LPP Croatia DOO
- Reserved GMBH
- Koba AS

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

Under the Policy, a subsidiary or associate is not consolidated if the amounts reported in the financial statements of that entity are insignificant compared to the financial statements of the parent entity. 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 non-consolidated entities may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements determined on the assumption that their scope includes all subsidiaries, without any exclusions.

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

- in the Group's balance sheet total – 0.03%
- in the Group's sales revenue and finance revenue - 0.27%

The fact that the financial statements of these companies are not consolidated has no negative impact on the true and fair view of the Capital Group's property, 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. The Group companies are involved in the distribution of goods under the Reserved, Cropp, House, Mohito and Sinsay brands outside Poland. Clothing is basically the only product sold by the Group 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 Kraków, 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 insignificant revenues from sale 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).

The additional business activity of LPP Capital Group involves the management of the rights to Reserved, Cropp, House, Mohito and Sinsay trademarks, including their protection, activities aimed at increasing their value, granting licenses to use, etc. Gothals Limited in Cyprus, as well as Jaradi Limited and IP Services in United Arab Emirates were established to that effect.

Four domestic subsidiaries are involved in the rental of real properties where the shops of Cropp Town and Reserved are run.

2. Basis for preparation of the condensed financial statements and information on changes in the adopted accounting principles

The Group's report for Q3 2014 comprises the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the parent, in accordance with IAS 34 "Interim Financial Reporting".

The accounting policy applied to prepare these statements is in all material respects compliant with the policy adopted for the preparation of the consolidated annual financial statements of the LPP S.A. Capital Group for the financial year 2013, in accordance with 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 2013.

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

Key achievements of the Capital Group in Q3 2014:

1. In Q3 2014, sales revenue amounted to PLN 1 234 million. They increased by approximately 11% compared to Q3 2013 (PLN 1 107 million).
2. In Q3, LPP S.A. Capital Group generated operating profit of PLN 134 million. Last year in this period, LPP S.A. CG generated operating profit of PLN 167 million. Net profit in Q3 2014 was approx. PLN 82 million (compared to net profit of PLN 111 million in Q3 2013).
3. In Q3 2014, Reserved stores generated sales revenue of PLN 580 million, while Cropp Town stores - PLN 221 million. Sales in Q3 generated by House stores amounted to PLN 165 million, in Mohito stores they amounted to PLN 134 million and in stores of Sinsay, they amounted to PLN 59 million.
4. In Q3 2014, the area of the chain of outlets increased by 15 thousand sq. m. At the end of Q3 2014, LPP S.A. Capital Group had 1 453 stores of a total area of 681.2 thousand sq. m.
5. Revenue from sales in comparable outlets decreased in Q3 2014 by 6.7% (excluding changes in local currency exchange rates in the countries where the Group companies operate).

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

In Q3, LPP continued its expansion of the sales network for shops of all brands. Over the previous 12 months, the total area was increased by 167 thousand sq.m., i.e. about 32%. Operations in Germany have been launched with the opening of the first store in Western Europe. The long-term development plans were implemented as planned.

Unfortunately, the financial results in Q3, both at the operational and the net level, are lower than in the previous year. The main reason is the insufficient level of sales, particularly those obtained in September (unfavourable weather). Despite keeping the unit costs (per m²) low, the size of the network forced a significantly higher increase in total cost compared with the increase in sales and margins. This, in turn, resulted in the achievement of unsatisfactory results not only in Q3 but in the first three quarters. In addition, negative impact of exchange differences was noted arising mainly from the depreciation of the PLN against USD and RUR against PLN.

Revenue from sales of products, goods and materials generated by the Capital Group companies (inter-company sales transactions excluded) is presented below:

in PLN '000

Company name	Country	Revenue in Q3 2014	% share in Q3 2014	YTD revenues from 01.01.2014 to 30.09.2014	% share in the period from 01.01.2014 to 30.09.2014
LPP SA	Poland	746 314	60.5%	2 138 552	63.6%
LPP Estonia OU	Estonia	19 226	1.6%	47 893	1.4%
LPP Latvia Ltd	Latvia	17 354	1.4%	42 697	1.3%
LPP Czech Republic SRO	Czech Republic	44 824	3.6%	125 073	3.7%
LPP Hungary Kft.	Hungary	9 914	0.8%	28 419	0.8%
LPP Lithuania UAB	Lithuania	20 810	1.7%	53 079	1.6%
LPP Ukraina AT	Ukraine	50 765	4.1%	135 176	4.0%
"Re Trading" OOO	Russia	268 440	21.7%	684 337	20.3%
LPP Romania Fashion SRL	Romania	5 807	0.5%	16 886	0.5%
Reserved GMBH Niemcy	Niemcy	1 569	0.1%	1 569	0.0%
LPP Bulgaria Ltd.	Bulgaria	7 813	0.6%	20 885	0.6%
LPP Slovakia SRO*	Slovakia	41 407	3.4%	69 786	2.1%
Total		1 234 242	100.0%	3 364 350	100.0%

* total revenues of 2 companies in Slovakia: LPP Slovakia SRO and KOBA AS.

5. Explanations 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 third quarter of a calendar year includes two months (July and August) when the sale of spring-summer collection is traditionally conducted. As a result, profit margin before tax is lower than the average annual margin in the entire quarter.

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

Detailed information is included in item 36.1

7. Information on impairment losses of financial assets, property, plant and equipment, intangible assets, or other assets, and reversal thereof

Detailed information is included in item 36.1

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

Detailed information is included in item 36.3

9. Information on deferred tax liabilities and assets

Detailed information is contained in item 36.5

10. Information on material purchase and sale transactions related to property, plant and equipment

No such transactions were effected in the reporting period.

11. Information on material obligations related to the purchase of property, plant and equipment

No such obligations were incurred in the reporting period.

12. Information on material litigation issues

There were no such events in the reporting period.

13. Indication of adjustments for prior period errors

No such adjustments were made 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

No such changes occurred in the reporting period.

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

There were no such events in the reporting period.

16. Information on one or more transactions effected by the issuer or its subsidiary with related parties, if considered material, whether individually or collectively, and have been effected on terms other than on arm's length basis

No such transactions were effected in the reporting period.

17. For financial instruments measured at fair value - information on the change of the method of determination

Not applicable.

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

Not applicable.

19. Division into operating segments - revenues and results of individual segments

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

Revenue and results attributable to particular segments in Q3 2014 and the comparable period are presented in section 36.7.

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

In Q3 2014, the Issuer did not issue, redeem or repay debt or equity securities.

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

Under the decision of the AGM, a part of the profit generated in 2013 in the amount of PLN 169 616 772 was allocated for the dividend, which corresponds to PLN 93.60 per one authorised share.

The amount of PLN 136 856 772 was allocated to ordinary shares and PLN 32 760 000 - to preferred shares. The date on which the list of shareholders entitled to receive dividends for 2012 was determined was 5 September 2014, and the dividend payment date was 25 September 2014.

23. Date of authorisation of the financial statements for issue

This financial statement was approved for publication by the Management Board of the Parent Company on 6 November 2014.

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

No such events occurred.

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

None of the above events occurred in the reporting period.

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

In Q3 2014, LPP S.A. and its subsidiaries benefited from bank guarantees to secure the payment of rent for the leased space for retail purposes.

As at 30 September 2014, the total value of bank guarantees issued at the request and on behalf of LPP S.A. amounted to PLN 173 904 thousand, including:

- a) guarantees granted to secure agreements executed by LPP S.A. amounted to PLN 69 298 thousand,
- b) guarantees granted to secure agreements concluded by consolidated affiliates - PLN 102 105 thousand,
- c) guarantees granted to secure agreements executed by non-consolidated related parties amounted to PLN 1 568 thousand,
- d) guarantees granted to secure lease agreements executed by LPP S.A. amounted to PLN 932 thousand.

On 30 September 2014, the value of sureties granted by the parent company amounted to PLN 71 058 thousand and increased in comparison to 31 December 2013 by PLN 31 879 thousand.

27. Estimates concerning future liabilities under lease agreements

The Group companies are parties to lease agreements under which they use retail premises where Reserved, Cropp, House, Mohito and Sinsay brand stores are located.

Total future minimum payments under lease agreements, estimated as at 30 September 2014, are as follows:

- payables maturing within 12 months after the balance sheet date PLN 599 639 thousand;
- payables maturing within 12 months to 5 years from the balance sheet date - PLN 1 862 209 thousand;
- payables maturing within more than 5 years from the balance sheet date PLN 841 428 thousand;

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

The Company did not publish any forecasts of annual results.

29. Shareholders directly or indirectly holding, through subsidiaries, at least 5% of the total number 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 major shareholdings of LPP S.A. after the date of submission of the previous quarterly report

Shareholding structure of the parent company as at the date of submission of the quarterly report for Q3 2014:

Shareholder	Number of shares held	Number of votes at the AGM	Share in the total number of votes at the AGM	Share in the share capital
Marek Piechocki	175 498	875 498	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%

The following changes in the ownership of shares took place in the period since the previous report (report for Q1 2014).

The first change results from the transfer of shares of LPP SA held so far by the Grangeford Limited to the shareholders of the company in proportion to their shareholding. As a result of this operation, each acquiring shareholder holds shares giving no more than 5% of the votes of the total number of votes at the General Meeting of LPP SA (RB 28/2014).

The second change follows the acquisition of 498 shares under the incentive programme by Marek Piechocki.

30. Structure of ownership of LPP S.A. shares or rights attached to shares 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 subsequent to the date of submission of the previous quarterly report, separately for each member of the Management Board and the Supervisory Board

The structure of the holding of shares of LPP SA for managers and supervisors, as at the date of the report for Q3 2014.

Shareholder	Number of shares held	Number of votes at the AGM
President of the Management Board	175 498	875 498
Vice President of the Management Board	500	500
Vice President of the Management Board	353	353
Vice President of the Management Board	457	457
Vice President of the Management Board	457	457
Chair of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	321	321

In the period from the previous report submission (report for 1Q 2014), there were changes in the ownership of shares of LPP S.A. by the persons managing the issuer.

Under the incentive programme, members of the Management Board purchased a total of 2 420 shares of LPP SA: President of the Management Board purchased 498 shares, two Vice Presidents - 457 shares, and the remaining two Vice Presidents - 336 shares (RB 22/2014), respectively.

31. Information on legal proceedings

Within the Capital Group, LPP S.A. is the claimant in cases concerning payment of amounts due from customers. The total amount in dispute does not exceed 10% of the Company's equity.

32. Transactions with related entities

32.1. Key management personnel

The Group's key management personnel includes members of the Parent's Management Board and the Supervisory Board.

The amount of short-term employee benefits received by key management in the period from 1 January to 30 September 2014 totalled PLN 3 505 thousand, of which PLN 3 420 thousand was received by members of the Management Board and PLN 85 thousand by members of the Supervisory Board.

32.2. Transactions with affiliated entities

In the reporting period, the issuer did not enter into any transactions with the related parties for the transfer of rights and obligations.

Transactions between the parent and its foreign subsidiaries are 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 parent's perspective.

in PLN '000

Related entities	Receivables as at 30.09.2014	Liabilities as at 30.09.2014	Revenues for the period I-IX 2014	Expenses for the period I-IX 2014
Domestic companies	277	72	11	8 348

Data presented as liabilities of LPP S.A. are receivables of related parties, and expenses correspond to revenue of related parties.

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

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

Payment terms adopted for subsidiaries are between 45 and 120 days.

33. Information on guarantees and sureties

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

34. 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 of the issuer's Capital Group to perform its obligations

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, there are no threats to the ability of the Capital Group to perform its obligations.

35. Factors that are likely to affect the results generated by LPP S.A. Capital Group in the next quarter or thereafter (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 Group's stores operate, especially in Russia and Ukraine.
- b) USD/EUR exchange rate, and RUR/UAH exchange rate.
- c) Development of the sales network of Reserved, Cropp Town, House, Mohito and Sinsay (the latest) brands, including the expansion into new markets, such as Germany. In 2015, the leased area of stores is expected to be increased by approx. 21%, i.e. over 150 thousand sq.m.
- d) Maintenance of the operating costs at a low level.

36. Notes to the condensed consolidated financial statements

36.1. Revaluation write-downs of assets

The values of some assets presented in the consolidated financial statement as at 30 September 2014 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 are presented in the table below.

in PLN '000

	Tangible fixed assets	Inventories	Receivables and loans
Balance at 01.01.2014	4 960	10 885	6 037
increase	1 385	5 200	7 246
decrease	577	674	999
As at 30.09.2014	5 768	15 411	12 284

36.2. Receivables

The value of the write-down comprises:

revaluation write-down of receivables and disputed receivables from customers - PLN 9 207 thousand.
revaluation write-down of doubtful receivables: PLN 2 667 thousand
revaluation write-down of receivables from employees and other PLN 410 thousand

36.3. Provisions

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

in PLN '000

	Provision for pensions and similar benefits	Provision for unpaid remuneration	Provision for unused annual leaves
Balance at 01.01.2014	1 298	18 258	8 003
provisions established	1 871	3 105	9 689
provisions reversed	1 298	12 240	8 003
As at 30.09.2014	1 871	9 123	9 689

36.4. Income tax

Income tax reported in the consolidated income statement for the period between 01.01.2014 and 30.09.2014 amounts to PLN 50 009 thousand and comprises:

- current tax in the amount of PLN 62 745 thousand
- deferred tax of PLN -12 736 thousand

36.5. Deferred tax asset and liability

At the end of the reporting period, the deferred tax assets and liabilities were presented in the consolidated financial statements.

The components thereof are presented in the tables below.

in PLN '000

Deferred tax asset	30.09.2014
Surplus of balance sheet depreciation value of fixed assets over tax depreciation	11 898
Tax loss	14 390
Margin on goods unsold outside the Group	11 311
Revaluation of inventories	1 372
Revaluation of receivables	640
Commodity returns	580
Employee leave	594
Remuneration and overheads	1 314
Other	111
Total	42 210

Deferred tax liability	30.09.2014
Accelerated tax depreciation	5 235
Outstanding interest on loans granted	9
Outstanding damages	185
Other	76
Total	5 505

36.6. Foreign exchange differences

The consolidated profit and loss account drawn up as at 30.09.2014 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 62 947 thousand, including PLN 35 408 thousand had negative impact on results of Q3.

36.7. Operating segments

Revenues and financial results for geographical segments for the period from 1 January 2014 to 30 September 2014 and for the comparative period are presented in the tables below.

2014

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	2 544 837	819 513			3 364 350
Intersegment sales	461 934		-461 934		
Other operating income	10 123	5 450		11 436	27 009
Total revenue	3 016 894	824 963	-461 934	11 436	3 391 359
Total operating expenses, including	2 424 960	801 397	-385 340	132 101	2 973 118
Costs of intersegment sales of goods	376 812		-376 812		
Other operating expenses	35 453	21 935			57 388
Segment results	556 481	1 631	-76 594	-120 665	360 853
Financial revenue				1 972	1 972
Financial expenses				76 583	76 583
Profit/loss before tax					286 242
Income tax					50 009
Net profit					236 233

2013

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	2 144 980	704 322			2 849 302
Sales between segments	408 274		-408 274		-
Other operating revenues	10 634	4 914		8 569	24 117
Total revenues	2 563 888	709 236	-408 274	8 569	2 873 419
Total operating expenses, including	2 055 898	632 871	-334 602	117 119	2 471 286
Costs of sales between segments	311 629		-311 629		-
Other operating expenses	27 170	20 779			47 949
Segment results	480 820	55 586	-73 672	-40 899	354 184
Financial revenue				1 616	1 616
Financial expenses				52 774	52 774
Profit / loss before tax					303 026
Income tax					52 155
Net profit					250 871

37. Notes to the separate financial statements of LPP S.A.

As a result of the estimation of the balance sheet value of the assets engaged in the foreign subsidiaries in the period from January to September 2014, there was made the individual balance sheet representing the assets items: shares, capital supplement payments, loans and receivables, also included in the financial and operating expenses and revenues of the individual income statement, was introduced in the total amount, which reduces the assets item, including the deferred tax, of PLN 112 276 thousand.

This change reported in the respective items of the separate financial statements of LPP S.A. has no impact on the amounts presented in the consolidated financial statements.