



## **LPP S.A. Capital Group**

Interim condensed financial statement for the first quarter of 2013

Gdańsk  
May 2013

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

in PLN '000

Selected Consolidated Financial Data	Q1 2013	Q1 2012	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	750 826	657 914	179 890	157 584
Operating profit (loss)	25 857	42 100	6 195	10 084
Gross profit (loss)	25 948	39 877	6 217	9 551
Net profit (loss)	19 552	33 959	4 684	8 134
Net cash flows from operations	-92 084	-12 990	-22 062	-3 111
Net cash flows from investments	-96 968	-37 145	-23 233	-8 897
Net cash flows from financial operations	137 405	15 082	32 921	3 612
Total net cash flows	-51 647	-35 053	-12 374	-8 396

in PLN '000

Selected Consolidated Financial Data	Q1 2013	Q1 2012	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
	in PLN '000		in EUR '000	
Total assets	2 025 734	1 562 665	491 993	375 496
Long-term liabilities	196 085	87 038	47 624	20 915
Short-term liabilities	597 262	526 843	145 058	126 596
Equity capital	1 232 387	948 784	299 312	227 985
Share capital	3 662	3 559	889	855
Weighted average number of ordinary shares	1 809 725	1 757 778	1 809 725	1 757 778
Profit (loss) per ordinary share (in PLN / EUR)	10.8	19.3	2.8	4.8
Book value per share (in PLN / EUR)	681.0	539.8	173.0	132.2
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

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

in PLN '000

Balance Sheet	As at the end of		
	Q1 2013	Q1 2012	the previous year
	31.03.2013	31.03.2012	31.12.2012
<b>ASSETS</b>			
Fixed assets (long-term)	974 231	752 598	909 856
1. Tangible fixed assets	655 319	455 349	598 502
2. Intangible assets	17 394	11 184	17 599
3. Goodwill	183 609	183 609	183 609
4. Trademark	77 508	77 508	77 508
5. Investments in subsidiaries	136	186	186
6. Investments in associates		19	
7. Investments in real property	656	674	661
8. Receivables and loans	10 509	4 806	8 680
9. Deferred tax assets	28 741	18 697	22 813
10. Accruals and prepayments	359	566	298
Current assets (short-term)	1 051 503	810 067	1 022 366
1. Inventories	715 837	578 269	656 070
2. Trade receivables	141 028	105 356	130 360
3. Income tax receivables	10 011	6 390	5 266
4. Other receivables	64 461	27 978	60 036
5. Loans	132	152	129
6. Accruals and prepayments	12 288	10 009	11 112
7. Cash and cash equivalents	107 746	81 913	159 393
<b>TOTAL assets</b>	<b>2 025 734</b>	<b>1 562 665</b>	<b>1 932 222</b>

in PLN '000

Balance Sheet	As at the end of		
	Q1 2013	Q1 2012	the previous year
	31.03.2013	31.03.2012	31.12.2012
<b>LIABILITIES</b>			
Equity capital	1 232 387	948 784	1 211 048
1. Share capital	3 662	3 559	3 662
2. Treasury shares	-48 769	-48 759	-48 767
3. Share premium	235 069	152 837	235 069
4. Other capital	658 359	563 243	656 950
5. Foreign exchange differences on translation	-2 367	-2 732	-3 391
6. Retained earnings	383 513	277 593	364 987
- profit (loss) from previous years	364 341	243 977	12 558
- net profit (loss) for the current period	19 172	33 616	352 429
7. Minority interests	2 920	3 043	2 538
<b>Long-term liabilities</b>			
1. Bank loans and borrowings	190 022	83 731	125 114
2. Other financial liabilities	139	30	71
3. Provisions for employee benefits	1 184	1 178	1 277
4. Deferred income tax provision	4 668	1 987	4 441
5. Other long-term liabilities	72	112	77
<b>Short-term liabilities</b>			
1. Trade payables and other liabilities	433 847	287 305	477 805
2. Income tax liabilities	1 065	834	19 079
3. Bank loans and borrowings	136 480	141 487	61 048
4. Issue of debt securities		81 719	
5. Other financial liabilities	44	45	42
6. Provisions	14 278	9 971	19 868
7. Special funds	333	398	224
8. Accruals and prepayments	11 215	5 084	12 128
<b>TOTAL liabilities</b>	<b>2 025 734</b>	<b>1 562 665</b>	<b>1 932 222</b>

### 3. Uniform Consolidated Comprehensive Income Statement of LPP S.A. Capital Group

in PLN '000

Comprehensive Income Statement	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>Continued operations</b>		
Revenues from sales	750 826	657 914
Costs of sales	332 043	315 438
Gross profit (loss) on sales	418 783	342 476
Other operating revenues	5 482	4 818
Costs of sales	348 038	269 878
Overheads	38 248	30 485
Other operating expenses	12 122	4 831
Operating profit (loss)	25 857	42 100
Financial revenues	3 325	2 771
Financial expenses	3 234	4 994
Gross profit (loss)	25 948	39 877
Taxes	6 396	5 918
<b>Net profit (loss)</b>	<b>19 552</b>	<b>33 959</b>
<b>Net profit (loss) attributable to:</b>		
parent company shareholders	19 172	33 616
non-controlling entities	380	343
<b>Other comprehensive income</b>		
Foreign exchange differences on translation	1 024	1 805
<b>Total comprehensive income</b>	<b>20 576</b>	<b>35 764</b>

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

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Foreign exchange differences from translation	Profit (loss) from previous years	Profit (loss) for the current period	Minority interests	Equity capital TOTAL
<b>As at 1 January 2012</b>	<b>3 555</b>	<b>-48 759</b>	<b>149 829</b>	<b>562 429</b>	<b>-4 537</b>	<b>243 977</b>	<b>0</b>	<b>2 700</b>	<b>909 194</b>
- adjustments due to errors in previous years									0
<b>As at 1 January 2012 after adjustments</b>	<b>3 555</b>	<b>-48 759</b>	<b>149 829</b>	<b>562 429</b>	<b>-4 537</b>	<b>243 977</b>	<b>0</b>	<b>2 700</b>	<b>909 194</b>
Conversion of convertible bonds to shares	4		3 008						3 012
Minority shareholding as at the balance sheet date								343	343
Share-based payment				814					814
Transactions with owners	4	0	3 008	814	0	0	0	343	4 169
Net profit for Q1 2012							33 616		33 616
Calculation of foreign exchange differences from translation					1 805				1 805
<b>As at 31 March 2012</b>	<b>3 559</b>	<b>-48 759</b>	<b>152 837</b>	<b>563 243</b>	<b>-2 732</b>	<b>243 977</b>	<b>33 616</b>	<b>3 043</b>	<b>948 784</b>

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in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Foreign exchange differences from translation	Profit (loss) from previous years	Profit (loss) for the current period	Minority interests	Equity capital TOTAL
<b>As at 1 January 2013</b>	<b>3 662</b>	<b>-48 767</b>	<b>235 069</b>	<b>656 950</b>	<b>-3 391</b>	<b>364 987</b>	<b>0</b>	<b>2 538</b>	<b>1 211 048</b>
- adjustments due to errors in previous years									0
<b>As at 1 January 2013 after adjustments</b>	<b>3 662</b>	<b>-48 767</b>	<b>235 069</b>	<b>656 950</b>	<b>-3 391</b>	<b>364 987</b>	<b>0</b>	<b>2 538</b>	<b>1 211 048</b>
Costs of treasury shares purchase		-2							-2
Distribution of profit for 2012				646		-646			
Minority shareholding as at the balance sheet date								382	382
Share-based payment				763					763
Transactions with owners	0	-2	0	1 409	0	-646	0	382	1 143
Net profit for Q1 2013							19 172		19 172
Calculation of foreign exchange differences on translation					1 024				1 024
<b>As at 31 December 2013</b>	<b>3 662</b>	<b>-48 769</b>	<b>235 069</b>	<b>658 359</b>	<b>-2 367</b>	<b>364 341</b>	<b>19 172</b>	<b>2 920</b>	<b>1 232 387</b>

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

in PLN '000

Cash Flow Statement	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>A. Cash flows from operations - indirect method</b>		
I. Gross profit (loss)	25 948	39 877
II. Total adjustments	-118 032	-52 867
1. Depreciation	32 845	25 003
2. (Profit) loss on foreign exchange differences	-2 136	1 548
3. Interest and participation in profits (dividends)	1 884	4 438
4. (Profit) loss from investments	-989	-978
5. Paid income taxes	-36 502	-20 481
6. Change in provisions	-5 756	-3 898
7. Change in inventories	-53 522	12 762
8. Change in receivables	-27 305	4 282
9. Change in short-term liabilities, excluding loans and borrowings	-22 712	-76 127
10. Change in accruals and prepayments	-2 430	-1 674
11. Other adjustments	-1 409	2 258
III. Net cash flows from operations	-92 084	-12 990
<b>B. Cash flows from investments</b>		
I. Revenues	9 084	9 041
1. Disposal of intangible and tangible fixed assets	5 099	8 992
2. From financial assets, including:	3 985	49
a) in affiliated entities	88	0
- liquidation of companies	88	
b) in other entities	3 897	49
- disposal of financial assets – foreign bonds	3 796	
- repayment of loans	27	37
- interest	74	12
3. Other investment inflows - sale of investment funds		



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II. Expenses	106 052	46 186
1. Acquisition of intangible and tangible fixed assets	102 206	46 152
2. For financial assets, including:	3 846	34
a) in affiliated entities	0	0
- acquisition of shares		
- short-term loans granted		
- long-term loans granted		
b) in other entities	3 846	34
- purchase of financial assets – foreign bonds	3 796	
- loans granted	50	34
3. Other capital expenses		
III. Net cash flows from investments	-96 968	-37 145
<b>C. Cash flows from financial operations</b>		
I. Revenues	141 314	23 776
1. Proceeds from the issue of shares	2	
2. Loans and borrowings	141 312	23 776
3. Other financial income		
II. Expenses	3,909	8 694
1. Cost related to equity shares	2	1
2. Repayment of loans and borrowings	1 932	2 889
3. Payment of finance lease liabilities	81	17
4. Interest	1 894	5 787
5. Other financial expenses		
III. Net cash flows from financial operations	137 405	15 082
<b>D. Total net cash flows</b>	<b>-51 647</b>	<b>-35 053</b>
<b>E. Net change in cash, including:</b>	<b>-51 647</b>	<b>-35 053</b>
- change in cash from foreign exchange differences	1 023	-1 039
<b>F. Opening cash balance</b>	<b>159 393</b>	<b>116 966</b>
<b>G. Cash at the end of the period, including:</b>	<b>107 746</b>	<b>81 913</b>
- restricted cash	22 460	297

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

in PLN '000

Selected financial data	Q1 2013	Q1 2012	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	681 309	588 921	163 235	141 059
Operating profit (loss)	37 978	57 221	9 099	13 706
Gross profit (loss)	27 717	35 591	6 641	8 525
Net profit (loss)	22 591	29 892	5 413	7 160
Net cash flows from operations	-163 741	-52 034	-39 231	-12 463
Net cash flows from investments	-37 718	-5 100	-9 037	-1 222
Net cash flows from financial operations	137 494	15 109	32 942	3 619
Total net cash flows	-63 965	-42 025	-15 325	-10 066

in PLN '000

Selected financial data	Q1 2013	Q1 2012	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
	in PLN '000		in EUR '000	
Total assets	1 944 850	1 521 179	472 349	365 527
Long-term liabilities	193 657	86 516	47 034	20 789
Short-term liabilities	532 870	503 248	129 419	120 927
Equity capital	1 218 323	931 415	295 896	223 812
Share capital	3 662	3 559	889	855
Weighted average number of ordinary shares	1 809 725	1 757 778	1 809 725	1 757 778
Profit (loss) per ordinary share (in PLN / EUR)	12.5	17.0	3.0	4.1
Book value per share (in PLN / EUR)	673.2	529.9	163.5	127.3
Declared or paid dividend per share (in PLN / EUR)	-	-	-	-

## 7. Balance sheet of LPP S.A.

in PLN '000

Balance Sheet	As at the end of		
	Q1 2013	Q1 2012	the previous year
	31.03.2013	31.03.2012	31.12.2012
<b>ASSETS</b>			
Fixed assets (long-term)	778 682	663 473	775 097
1. Tangible fixed assets	410 457	335 703	390 106
2. Intangible assets	14 263	8 546	14 478
3. Goodwill	179 618	179 618	179 618
4. Trademark	77 508	77 508	77 508
5. Investments in subsidiaries	11 174	24 607	36 231
6. Investments in associates	0	19	0
7. Investments in real property	656	674	661
8. Receivables and loans	48 397	3 558	45 550
9. Deferred tax assets	36 250	32 884	30 647
10. Accruals and prepayments	359	356	298
Current assets (short-term)	1 166 168	857 706	1 093 535
1. Inventories	495 127	446 567	491 516
2. Trade receivables	613 622	357 655	475 043
3. Income tax receivables	0	4 147	0
4. Other receivables	13 283	11 424	15 322
5. Loans	495	4 702	4 838
6. Accruals and prepayments	8 118	6 091	7 328
7. Cash and cash equivalents	35 523	27 120	99 488
<b>TOTAL assets</b>	<b>1 944 850</b>	<b>1 521 179</b>	<b>1 868 632</b>

in PLN '000

Balance Sheet	As at the end of		
	Q1 2013	Q1 2012	the previous year
	31.03.2013	31.03.2012	31.12.2012
<b>LIABILITIES</b>			
Equity capital	1 218 323	931 415	1 194 971
1. Share capital	3 662	3 559	3 662
2. Treasury shares	-48 769	-48 759	-48 767
3. Share premium	235 069	152 837	235 069
4. Other capital	656 937	562 585	656 174
5. Retained earnings	371 424	261 193	348 833
- profit (loss) from previous years	348 833	231 301	0
- net profit (loss) for the current period	22 591	29 892	348 833
<b>Long-term liabilities</b>			
1. Bank loans and borrowings	190 022	83 713	125 114
2. Provisions for employee benefits	1 140	1 139	1 235
3. Deferred income tax provision	2 495	1 664	2 596
<b>Short-term liabilities</b>			
1. Trade payables and other liabilities	381 742	269 504	444 550
2. Income tax liabilities	1 065	0	18 067
3. Bank loans and borrowings	135 899	140 971	60 517
4. Issue of debt securities	0	81 719	0
5. Provisions	6 688	6 901	13 124
6. Special funds	333	397	224
7. Prepayments	7 143	3 756	8 234
<b>TOTAL liabilities</b>	<b>1 944 850</b>	<b>1 521 179</b>	<b>1 868 632</b>

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

in PLN '000

Comprehensive Income Statement	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
Revenues from sales	681 309	588 921
Costs of sales	376 302	326 129
Gross profit (loss) on sales	305 007	262 792
Other operating revenues	3 605	25 614
Costs of sales	214 200	188 036
Overheads	41 723	39 522
Other operating expenses	14 711	3 627
Operating profit (loss)	37 978	57 221
Financial revenues	17 555	8 770
Financial expenses	27 816	30 400
Gross profit (loss)	27 717	35 591
Taxes	5 126	5 699
<b>Net profit (loss)</b>	<b>22 591</b>	<b>29 892</b>
Other comprehensive income	0	0
<b>Total comprehensive income</b>	<b>22 591</b>	<b>29 892</b>

## 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
<b>As at 1 January 2012</b>	<b>3 555</b>	<b>-48 759</b>	<b>149 829</b>	<b>561 771</b>	<b>231 301</b>		<b>897 697</b>
- adjustments due to errors in previous years							0
<b>As at 1 January 2012 after adjustments</b>	<b>3 555</b>	<b>-48 759</b>	<b>149 829</b>	<b>561 771</b>	<b>231 301</b>	<b>0</b>	<b>897 697</b>
Conversion of bonds to shares	4		3 008				3 012
Share-based payment				814			814
Transactions with owners	4	0	3 008	814	0	0	3 826
Net profit for Q1 2012						29 892	29 892
<b>As at 31 March 2012</b>	<b>3 559</b>	<b>-48 759</b>	<b>152 837</b>	<b>562 585</b>	<b>231 301</b>	<b>29 892</b>	<b>931 415</b>

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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	Equity TOTAL
<b>As at 1 January 2013</b>	<b>3 662</b>	<b>-48 767</b>	<b>235 069</b>	<b>656 174</b>	<b>348 833</b>		<b>1 194 971</b>
- adjustments due to errors in previous years							0
<b>As at 1 January 2013 after adjustments</b>	<b>3 662</b>	<b>-48 767</b>	<b>235 069</b>	<b>656 174</b>	<b>348 833</b>	<b>0</b>	<b>1 194 971</b>
Costs of acquisition of treasury shares		-2					-2
Share-based payment				763			763
Transactions with owners	0	-2	0	763	0	0	761
Net profit for Q1 2013						22 591	22 591
<b>As at 31 March 2013</b>	<b>3 662</b>	<b>-48 769</b>	<b>235 069</b>	<b>656 937</b>	<b>348 833</b>	<b>22 591</b>	<b>1 218 323</b>

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## 10. Cash Flow Statement of LPP S.A.

in PLN '000

Cash Flow Statement	Q1 2013	Q1 2012
	01.01.2013- 31.03.2013	01.01.2012- 31.03.2012
<b>A. Cash flows from operations - indirect method</b>		
I. Gross profit (loss)	27 717	35 591
II. Total adjustments	-191 458	-87 625
1. Depreciation	18 913	16 096
2. (Profit) loss on foreign exchange differences	-2 251	1 131
3. Interest and participation in profits (dividends)	1 766	-839
4. (Profit) loss from investments	24 356	-4 818
5. Paid income taxes	-30 795	-17 478
6. Change in provisions	-6 532	-3 758
7. Change in inventories	-3 610	28 502
8. Change in receivables	-135 270	-20 113
9. Change in short-term liabilities, excluding loans and borrowings	-56 856	-86 224
10. Change in accruals and prepayments	-1 942	-938
11. Other adjustments	763	814
III. Net cash flows from operations	-163 741	-52 034
<b>B. Cash flows from investments</b>		
I. Revenues	13 792	16 787
1. Disposal of intangible and tangible fixed assets	5 079	8 985
2. From financial assets, including:	8 713	7 802
a) in affiliated entities	4 865	7 755
- interest and dividends	274	5,387
- disposal of shares/liquidation of companies	88	0
- repayment of loans	4 503	2 368
b) in other entities	3 848	47
- interest	25	10
- disposal of financial assets – foreign bonds	3 796	
- repayment of loans	27	37
3. Other investment inflows		



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II. Expenses	51 510	21 887
1. Acquisition of intangible and tangible fixed assets	47 664	21 853
2. For financial assets, including:	3 846	34
a) in affiliated entities	0	0
- acquisition of shares	0	0
- loans granted	0	0
b) in other entities	3 846	34
- lending	50	34
- purchase of foreign bonds	3 796	
3. Other capital expenses		
III. Net cash flows from investments	-37 718	-5 100
<b>C. Cash flows from financial operations</b>		
I. Revenues	141 312	23 776
1. Loans and borrowings	141 312	23 775
2. Net proceeds from the issue of shares	0	1
3. Other financial income	0	0
II. Expenses	3 818	8 667
1. Cost related to equity shares	2	
2. Repayment of loans and borrowings	1 921	2 882
3. Interest	1 895	5,785
4. Other financial expenses	0	0
III. Net cash flows from financial operations	137 494	15 109
<b>D. Total net cash flows</b>	<b>-63 965</b>	<b>-42 025</b>
<b>E. Net change in cash, including:</b>	<b>-63 965</b>	<b>-42 025</b>
- change in cash from foreign exchange differences	-160	-52
<b>F. Opening cash balance</b>	<b>99 488</b>	<b>69 145</b>
<b>G. Cash at the end of the period, including:</b>	<b>35 523</b>	<b>27 120</b>
- restricted cash	224	297

## Notes to the Condensed Consolidated Financial Statement for Q1 2013

### 1. Characteristics of LPP S.A. Capital Group

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

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

There is no parent 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	Ras Al Khaimah, 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 statement of the Capital Group for the period from 1 January to 31 March 2013 includes individual results of LPP S.A. and the results of the following subsidiaries:

- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungaria 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.

Under the Policy, 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 parent 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 - 0.47%

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 Capital 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 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, as well as Jaradi Limited and IP Services in United Arab Emirates were established for this purpose.

Five 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 Q1 2013 contains the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the parent company, in accordance with IAS 34 "Interim Financial Reporting".

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 2012, 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 2012.

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

Major accomplishments of LPP S.A. Capital Group in Q1 2013:

1. In Q1 2013, sales revenues amounted to PLN 751 million. They increased by approximately 14% in comparison with Q1 2012 (PLN 658 million).
2. In Q1, LPP S.A. Capital Group generated operating profit of PLN 26 million. Last year in this period, LPP S.A. Capital Group generated operating profit of PLN 42 million. Net profit in Q1 2013 was about PLN 20 million (compared to net profit of PLN 34 million in Q1 2012).
3. In Q1 2013, Reserved stores generated sales of PLN 393.1 million, while the sales volume at Cropp Town stores amounted to PLN 124.7 million. Sales in Q1 generated by House stores amounted to PLN 93.2 million, in Mohito stores it amounted to PLN 83.0 million and in stores of a new brand, Sinsay, amounted to PLN 2.1 million.
4. In Q1 2013, the floor area of the chain of outlets increased by 19.6 thousand sq. m. At the end of Q1 2013, LPP S.A. Capital Group had 1,104 stores of a total area of 453 thousand square meters.
5. Revenues from sales in comparable stores decreased in Q1 2013 by 1.0% (excluding changes in local currency exchange rates in the countries where LPP S.A. Capital Group operates).

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

In the reporting period, the companies of LPP Capital Group did not reach a satisfactory level of sales. This was the case for each of the brands, although higher gross margin percentage was achieved at the same time. Nevertheless, this was not sufficient to achieve good results compared to those achieved in Q1 2012. Considering the fact that, traditionally, there are two periods in Q1: clearance sales season in January and February, and introduction of new collections in late February and particularly in March, the quarterly results are mainly determined by profits earned in the last month, during sales of new products with full margins. Unfortunately, the weather in March was unfavourable and therefore the sales of new products were limited. The Capital Group recorded their proper level only in April.

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):

RESERVED

cropp

sinsay

house

MOHITO

in PLN '000

Company name	Country	Revenues in Q1 2013	% share in Q1 2013
LPP S.A. CAPITAL GROUP	Poland	490 590	65.3%
LPP Retail Estonia OU	Estonia	10 944	1.5%
LPP Retail Latvia Ltd	Latvia	8 624	1.1%
LPP Retail Czech Republic s.r.o.*	Czech Republic	28 144	3.7%
LPP Hungary Kft.	Hungary	6 534	0.9%
UAB "LPP" - Lithuania	Lithuania	12 346	1.6%
LPP Ukraina AT	Ukraine	29 116	3.9%
ZAO "Re Trading"**	Russia	152 200	20.3%
LPP Fashion Distributor SRL - Romania	Romania	5 600	0.7%
LPP Retail Bulgaria Ltd.	Bulgaria	3 461	0.5%
Artman Slovakia	Slovakia	3 267	0.4%
<b>Total</b>		<b>750 826</b>	<b>100.0%</b>

\* 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 Russia

## 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 first quarter of a calendar year includes two months (January and February) when the clearance sale of autumn-winter 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 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

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## **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 2013 and the comparable period are presented in section 37.7.

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

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During the first 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 the first quarter there was no such a situation.

### **23. Date of approval of the financial statements for publication**

This financial statement was approved for publication by the Management Board of the Parent Company on 9 May 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 Q1 2013, LPP S.A. and its subsidiaries benefited from bank guarantees to secure the payment of rent for the rental of space for the company's retail outlets.

As at 31 March 2013, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 146 301 thousand, including:

- a) guarantees granted to secure agreements concluded by LPP S.A. - PLN 75 103 thousand,
- b) guarantees granted to secure agreements concluded by consolidated affiliates - PLN 69 009 thousand,
- c) guarantees granted to secure agreements concluded by non-consolidated affiliates amounting to PLN 1 623 thousand,
- d) guarantees granted to secure office space lease agreements concluded by LPP S.A. - PLN 566 thousand.

On 31 March 2013, the value of guarantees granted by the parent company amounted to PLN 43 774 thousand and increased in comparison to 31 December 2012 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 March 2013, are as follows:

- payables with the maturity date of 12 months after the balance sheet date  
PLN 415 281 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date  
PLN 1 249 747 thousand.

- payables with the maturity date of over 5 years from the balance sheet date  
662 180 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 parent company as at the date of submission of the quarterly report for Q1 2013:

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 Q4 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	321	321

In the period from the submission of the previous report (report for Q4 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. 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 personnel includes members of the Management Board and the Supervisory Board of the parent company.

The amount of short-term employee benefits received by the key management personnel in the period from 1 January to 31 March 2013 totalled PLN 1 096 thousand, of which PLN 1 073 thousand received by members of the Management Board and PLN 23 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 parent company.

in PLN '000

Related parties	Receivables as at 31.03.2013	Liabilities as at 31.03.2013	Revenues for the period I-III 2013	Expenses for the period I-III 2013
Domestic companies	100	248	4	3 537

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**

On 26 March 2013, specific arrangements entered into force in Cyprus to rescue the financial situation in the country. LPP S.A. is the owner of Gothals Limited, registered in Cyprus, which activity is the management of trademark rights. On the said date, the company

had the equivalent of PLN 22 236 thousand on its accounts with the Bank of Cyprus. The adopted regulations assume that Bank of Cyprus' capital will be increased by conversion of some funds in the bank accounts into shares. Under the rules, 37.5% of the deposits is converted into shares, the next part of up to 22.5% of the total amount may be converted into shares after 90 days from the report accurately describing the bank's situation, and the remaining 40% will be temporarily frozen. As at the date of this report, LPP received approximately PLN 2 000 thousand from that 40% of deposits of Gothals Limited. An important factor contributing to the situation of LPP S.A. is that between Poland and Cyprus there is valid agreement made in 1992 promoting and protecting the investments being made in the Contracting States by investors of the other country. LPP S.A. is in the process of obtaining detailed opinions on the situation described above, and as at the date of this report, it is not able to reliably estimate whether and to what extent the described factors affect the financial situation of LPP.

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 outlets of the LPP S.A. Capital Group operate
- b) Exchange rate of PLN against USD and EUR
- c) Assessment of the spring-summer collection by customers,
- d) Development of the sales network of Reserved, Cropp Town, House and Mohito brands. 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 m<sup>2</sup>.
- 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 March 2013 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 01.01.2013	6 561	5 017	6 131
increase		2 431	244
decrease			160
As at 31.03.2013	6 561	7 448	6 215

#### **37.2. Receivables**

The value of the write-down includes:

RESERVED

 CROPP

sinsay

 HOUSE

M OH I T O

revaluation write-down of receivables and claimed receivables from customers PLN 4 864 thousand.  
revaluation write-down of the so-called doubtful receivables: PLN1 107 thousand  
revaluation write-down of receivables from employees and other: PLN 244 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 01.01.2013	1 277	13 666	16	6 186
provisions established	1 184	863		7 964
provisions reversed	1 277	8 215	16	6 186
As at 31.03.2013	1 184	6 314	0	7 964

### 37.4. Income tax

Income tax presented in the consolidated profit and loss account for the period between 01.01.2013 and 31.03.2013 amounts to PLN 6 396 thousand and includes:

- current tax in the amount of PLN 12 004 thousand
- deferred tax of PLN -5 609 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	31.03.2013
Surplus of balance sheet depreciation value of assets over tax-based depreciation	12 132
Revaluation of trade receivables	429
Profit margin on goods unsold outside the Group	11 076
Revaluation of inventories	3 036
Remuneration and surcharges	808
Other	1 260
<b>Total</b>	<b>28 741</b>

Deferred income tax provision	31.03.2013
Accelerated tax depreciation	4 321
Outstanding interest on loans granted	7
Damages not received	93
Other	337
<b>Total</b>	<b>4 668</b>

### 37.6. Foreign exchange differences

The consolidated profit and loss account drawn up as at 31.03.2013 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 2 902 thousand.

### 37.7. Segments of operation

Revenues and financial results concerning geographical segments for the period between 1 January 2013 and 31 March 2013 and for the comparable period are presented in the tables below.

#### Year 2013

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	563 910	186 916			750 826
Sales between segments	128 643		-128 643		-
Other operating revenues	2 417	1 340		1 725	5 482
<b>Total revenues</b>	<b>694 970</b>	<b>188 256</b>	<b>-128 643</b>	<b>1 725</b>	<b>756 308</b>
Total operating expenses, including	616 332	184 747	-120 998	38 248	718 329
Costs of sales between segments	97 414		-97 414		-
Other operating expenses	6 860	5 262			12 122
<b>Segment results</b>	<b>71 778</b>	<b>-1 753</b>	<b>-7 645</b>	<b>-36 523</b>	<b>25 857</b>
Financial revenues				3 325	3 325
Financial expenses				3 234	3 234
Profit / loss before tax					25 948
Income tax					6 396
<b>Net profit</b>					<b>19 552</b>

2012

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	547 129	110 785			657 914
Intersegmental sales	69 762		-69 762		-
Other operating revenues	3 314	46		1 458	4 818
<b>Total revenues</b>	<b>620 205</b>	<b>110 831</b>	<b>-69 762</b>	<b>1 458</b>	<b>662 732</b>
Total operating expenses, including	541 169	109 068	-64 921	30 485	615 801
Costs of intersegmental sales	51 763		-51 763		-
Other operating expenses	3 746	1 085			4 831
<b>Segment results</b>	<b>75 290</b>	<b>678</b>	<b>-4 841</b>	<b>-29 027</b>	<b>42 100</b>
Financial revenues				2 771	2 771
Financial expenses				4 994	4 994
Profit / loss before tax					39 877
Income tax					5 918
<b>Net profit</b>					<b>33 959</b>

### 38. Notes to the individual 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 March 2013, 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 27 984 thousand.

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.