



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

### Consolidated Interim Report for 2013

Including:

1. Statement of the Management Board in accordance with the provisions of the Regulation of the Council of Ministers of 19 February 2009 on current and interim information provided by issuers of securities and on conditions under which information required by regulations adopted by countries other than Member States is considered equivalent.
2. The Interim Abridged Consolidated Financial Statements for the period from 01.01.2013 to 30.06.2013
3. Additional Notes and explanations to the Interim Abridged Consolidated Financial Statements for the first half of 2013
4. The Interim Abridged Separate Financial Statements for the period from 01.01.2013 to 30.06.2013
5. Interim Report on the Activities of LPP S.A. Capital Group for the first half of 2013

Gdańsk  
August 2013

## STATEMENT OF THE MANAGEMENT BOARD

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

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

- to the best of the Management Board's knowledge, the interim abridged separate financial statements and comparative data have been prepared in line with accounting principles currently in effect and present the true and fair view of assets, financial standing, and financial result of LPP SA Capital Group,

- the interim consolidated report on the Management Board's operations presents the true and fair view of the development and achievements of LPP S.A. Capital Group, including the accurate description of risks and threats,

- the entity authorised to audit financial statements that conducted an audit of the interim consolidated financial statements was appointed in line with applicable legal provisions currently in effect. This entity and statutory auditors who performed audits satisfied all requirements to prepare an impartial and independent audit report, pursuant to the applicable provisions of the Polish law.

### LPP S.A. Management Board:

Marek Piechocki – President of the Management Board .....

Dariusz Pachla – Vice President of the Management Board .....

Jacek Kujawa – Vice President of the Management Board .....

Piotr Dyka – Vice President of the Management Board .....

Hubert Komorowski – Vice President of the Management Board .....

Gdańsk, 19 August 2013

## **The Interim Abridged Consolidated Financial Statements for the period from 01.01.2013 to 30.06.2013**

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

in PLN '000

Selected Consolidated Financial Data	First half of 2013	First half of 2012	First half of 2013	First half of 2012
	01.01.2013-30.06.2013	01.01.2012-30.06.2012	01.01.2013-30.06.2013	01.01.2012-30.06.2012
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1,741,809	1,418,054	413,339	335,666
Operating profit (loss)	186,788	156,069	44,326	36,943
Gross profit (loss)	169,499	135,145	40,223	31,990
Net profit (loss)	139,884	111,821	33,195	26,469
Net cash flows from operations	64,910	179,524	15,403	42,495
Net cash flows from investments	-210,221	-118,594	-49,886	-28,072
Net cash flows from financial operations	119,973	-34,316	28,470	-8,123
Total net cash flows	-25,338	26,614	-6,013	6,300

in PLN '000

Selected Consolidated Financial Data	First half of 2013	First half of 2012	First half of 2013	First half of 2012
	01.01.2013-30.06.2013	01.01.2012-30.06.2012	01.01.2013-30.06.2013	01.01.2012-30.06.2012
	in PLN '000		in EUR '000	
Total assets	2,274,974	1,735,703	525,495	407,318
Long-term liabilities	192,144	150,161	44,383	35,238
Short-term liabilities	883,918	698,071	204,176	163,816
Equity capital	1,198,912	887,471	276,936	208,263
Share capital	3,662	3,559	846	835
Weighted average number of ordinary shares	1,809,725	1,758,022	1,809,725	1,758,022
Profit (loss) per ordinary share (in PLN / EUR)	77.30	63.61	18.34	15.06
Book value per share (in PLN / EUR)	662.48	504.81	153.03	118.46
Declared or paid dividend per share (in PLN / EUR)	85.10	77.36	19.66	18.15

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

in PLN '000

Balance Sheet	As at the end of		
	30.06.2013	30.06.2012	31.12.2012
<b>ASSETS</b>			
Fixed assets (long-term)	1,066,486	811,285	909,856
1. Tangible fixed assets	732,646	510,310	598,502
2. Intangible assets	18,574	11,245	17,599
3. Goodwill	183,609	183,609	183,609
4. Trademark	77,508	77,508	77,508
5. Shares in subsidiaries	136	186	186
6. Investments in associates	0	19	0
7. Investments in other entities	10,432	0	0
8. Real property investments	652	669	661
9. Receivables and loans	7,883	5,067	8,680
10. Deferred tax assets	34,507	22,094	22,813
11. Accruals and prepayments	539	578	298
Current assets (short-term)	1,208,488	924,418	1,022,366
1. Inventories	820,257	607,130	656,070
2. Trade receivables	142,682	120,020	130,360
3. Income tax receivables	8,757	3,629	5,266
4. Other receivables	80,687	39,092	60,036
5. Loans	8,620	154	129
6. Accruals and prepayments	13,430	10,813	11,112
7. Cash and cash equivalents	134,055	143,580	159,393
<b>TOTAL assets</b>	<b>2,274,974</b>	<b>1,735,703</b>	<b>1,932,222</b>

in PLN '000

Balance Sheet	As at the end of		
	30.06.2013	30.06.2012	31.12.2012
<b>LIABILITIES</b>			
Equity capital	1,198,912	887,471	1,211,048
1. Share capital	3,662	3,559	3,662
2. Treasury shares	-48,773	-48,762	-48,767
3. Share premium	235,069	152,837	235,069
4. Other capital	853,587	655,367	656,950
5. Currency translation profit/loss of subsidiaries	-3,193	-1,935	-3,391
6. Retained earnings	155,171	123,791	364,987
- profit (loss) from previous years	16,138	12,669	12,558
- net profit (loss) for the current period	139,033	111,122	352,429
7. Minority interests	3,389	2,614	2,538
<b>Long-term liabilities</b>			
1. Bank loans and borrowings	185,009	145,914	125,114
2. Other financial liabilities	148	111	71
3. Provisions for employee benefits	1,227	1,223	1,277
4. Deferred tax provision	4,843	2,804	4,441
5. Other long-term liabilities	917	109	77
<b>Short-term liabilities</b>			
1. Trade payables and other liabilities	713,203	554,212	477,805
2. Income tax liabilities	12,418	6,273	19,079
3. Bank loans and borrowings	128,774	33,247	61,048
4. Issue of debt securities		85,212	0
5. Other financial liabilities	29	40	42
6. Provisions	16,743	13,810	19,868
7. Special funds	319	373	224
8. Accruals and prepayments	12,432	4,904	12,128
<b>TOTAL liabilities</b>	<b>2,274,974</b>	<b>1,735,703</b>	<b>1,932,222</b>

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

in PLN '000

Comprehensive Income Statement	I half	I half
	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
<b>Continued operations</b>		
Revenues from sales	1,741,809	1,418,054
Costs of sales	736,174	635,590
Gross profit (loss) on sales	1,005,635	782,464
Other operating revenues	13,201	11,933
Costs of sales	726,635	561,280
Overheads	78,393	61,270
Other operating expenses	27,020	15,778
Operating profit (loss)	186,788	156,069
Financial revenues	1,017	669
Financial expenses	18,306	21,593
Gross profit (loss)	169,499	135,145
Taxes	29,615	23,324
<b>Net profit (loss)</b>	<b>139,884</b>	<b>111,821</b>
<b>Net profit (loss) attributable to:</b>		
parent company shareholders	139,033	111,123
non-controlling entities	851	698
<b>Other comprehensive income</b>		
<b>Items transferred to profit or loss</b>		
Foreign exchange differences on translation	198	2,602
<b>Total comprehensive income</b>	<b>140,082</b>	<b>114 423</b>
Number of shares	1,809,725	1,758,022
Profit (loss) per ordinary share	77.30	63.61

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

in PLN '000

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



in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Profit (loss) from previous years	Profit (loss) for the current period	Foreign exchange differences from translation	Minority interests	Equity capital TOTAL
<b>As at 1 January 2013</b>	3,662	-48,767	235,069	656,950	364,987	0	-3,391	2,538	<b>1,211,048</b>
- adjustments due to errors in previous years									0
<b>As at 1 January 2013 after adjustments</b>	3,662	-48,767	235,069	656,950	364,987	0	-3,391	2,538	<b>1,211,048</b>
Treasury shares purchase		-6							-6
Distribution of profit for 2012				194,841	-348,849				-154,008
Share-based payment				1,796					1,796
Transactions with owners	0	-6	0	196,637	-348,849	0	0	0	-152,218
Net profit for the first half of the year 2013						139,033		851	139,884
Calculation of foreign exchange differences on translation							198		198
<b>Balance at 30 June 2013</b>	<b>3,662</b>	<b>-48,773</b>	<b>235,069</b>	<b>853,587</b>	<b>16,138</b>	<b>139,033</b>	<b>-3,193</b>	<b>3,389</b>	<b>1,198,912</b>

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

in PLN '000

Cash Flow Statement	First half of 2013	First half of 2012
	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
<b>A. Cash flows from operations - indirect method</b>		
I. Gross profit (loss)	169,499	135,145
II. Total adjustments	-104,589	44,379
1. Depreciation	69,050	51,176
2. (Profit) loss on foreign exchange differences	4,230	2,283
3. Interest and participation in profits (dividends)	3,492	10,444
4. (Profit) loss from investments	-2,448	-3,273
5. Paid income taxes	-53,777	-30,840
6. Change in provisions	-4,461	-435
7. Change in inventories	-165,680	-16,413
8. Change in receivables	-39,597	-12,177
9. Change in short-term liabilities, excluding loans and borrowings	94,666	44,859
10. Change in accruals and prepayments	-2,292	-1,805
11. Other adjustments	-7,772	560
III. Net cash flows from operations	64,910	179,524
<b>B. Cash flows from investments</b>		
I. Revenues	25,796	14,690
1. Disposal of intangible and tangible fixed assets	21,591	14,491
2. From financial assets, including:	4,205	199
a) in affiliated entities	88	0
- dividends		0
- liquidation of companies	88	0
b) in other entities	4,117	199
- disposal of financial assets – foreign bonds	3,796	0
- repayment of loans	289	174
- interest	32	25
3. Other investment inflows		

II. Expenses	236,017	133,284
1. Acquisition of intangible and tangible fixed assets	215,914	133,175
2. For financial assets, including:	20,103	109
a) in affiliated entities	0	0
- acquisition of shares		
- lending		
b) in other entities	20,103	109
- acquisition of financial assets	10,432	
- purchase of foreign bonds	3,796	
- lending	5,875	109
3. Other capital expenses		
III. Net cash flows from investments	-210,221	-118,594
<b>C. Cash flows from financial operations</b>		
I. Revenues	128,687	0
1. Proceeds from share issue		
2. Loans and borrowings	128,687	
3. Other financial income		
II. Expenses	8,714	34,316
1. Koszt utrzymania akcji własnych	6	3
2. Repayment of loans and borrowings	4,811	25,888
3. Payment of finance lease liabilities	115	63
4. Interest	3,782	8,362
5. Other financial expenses		
III. Net cash flows from financial operations	119,973	-34,316
<b>D. Total net cash flows</b>	<b>-25,338</b>	<b>26,614</b>
<b>E. Net change in cash, including:</b>	<b>-25,338</b>	<b>26,614</b>
- change in cash from foreign exchange differences	1,120	-926
<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>134,055</b>	<b>143,580</b>
- restricted cash	9,621	396

## **Additional notes and explanations to the Interim Abridged Consolidated Financial Statements for the first half of 2013**

## 1. General information

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

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

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

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

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

Clothing designs are prepared in the design office located in the registered office of LPP SA in Gdańsk and for the brands of House and Mohito in the design office in Cracow, where they are then transferred to the purchasing department that orders the production of certain models, cooperating in this respect with companies in Poland and abroad. Placement of the production in China is being conducted via the Company's sales office in Shanghai. The Capital Group also generates small revenues from sales of services (these include only the revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and the lease of transport vehicles).

Another object of the Capital Group is to manage the rights to Reserved and Cropp marks, including their protection, make attempts to increase their value, grant the license for their use, etc. Such companies as Gothals Limited in Cyprus and Jaradi Limited and IP Service FZE in the United Arab Emirates have been set up for that purpose.

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

LPP S.A. Capital Group includes:

- LPP S.A. – as the parent company,
- 4 domestic 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.	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 Retail 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 Retail Latvia Ltd	Riga, Latvia	30.09.2002
9.	UAB LPP	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraina	Peremyshliany, Ukraine	23.07.2003
11.	RE Trading Closed Joint Stock Company	Moscow, Russia	12.02.2004
12.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
13.	Fashion Point	Moscow, Russia	01.04.2008
14.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
15.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia	30.10.2008
16.	Artman Mode s.r.o.	Ostrava, Czech Republic	30.10.2008
17.	LPP Fashion Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
18.	Gothals Limited	Nicosia, Cyprus	22.07.2011
19.	Jaradi Limited	Al Tatar, UAE	22.07.2011
20.	IP Service FZE	Ras Al Khaimah, UAE	23.12.2012

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

The consolidated financial statements of the Group for the period from 1 January to 30 June 2013 includes the individual results of LPP S.A. and results of the following foreign subsidiaries:

- LPP Retail Estonia OU
- LPP Czech Republic s.r.o.
- LPP Hungary Kft
- LPP Retail Latvia Ltd
- UAB LPP
- LPP Ukraina AT
- ZAO Re Trading
- LPP Fashion Distributor srl.
- Fashion Point
- LPP Retail Bulgaria Ltd.
- Artman Slovakia srl
- Artman Mode s.r.o.
- LPP Fashion Bulgaria Ltd.
- Gothals Limited
- Jaradi Limited
- IP Service FZE

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

According to it, a subsidiary or related entity is not consolidated if the amounts reported in its financial statements are negligible in relation to the financial statements of the parent company. In particular, the balance sheet total and net revenues from sales of goods and services and financial operations of the entity which for the financial period

are less than 10% of total assets and liabilities and the income of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of the entities not included in the consolidation may not exceed that level, but in

relation to the corresponding amounts of the consolidated financial statements established on the assumption that their scope includes all subsidiaries and affiliates without making any exclusions.

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

- in the total assets of the Group - 0.03%
- in sales revenues and financial revenues of the Group - 0.37%.

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

## 2. Basis for preparation and accounting policy

### 2.1. Basis for preparation

The interim abridged consolidated financial statements of the LPP S.A. Capital Group covers a period of six months ended on 30.06.2013 and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim abridged consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statement prepared in accordance with IFRS. These interim abridged consolidated financial statements should be read in conjunction with the consolidated financial statements of the Capital Group for the year 2012.

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

In the period covered by the abridged consolidated financial statements, the following exchange rate of the zloty into the euro, set by the National Bank Polish, were used for the conversion of selected financial data:

- exchange rate prevailing on the last day of the reporting period: 30.06.2013 4.3292 PLN/EUR, 30.06.2012 4.2613 PLN/EUR
- average rate for the period, calculated as the average of the rates prevailing on the last day of each month during the period: 01.01-30.06.2013 4.2140 PLN/EUR, 01.01 30 06.2012 4.2246 PLN/EUR

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

### 2.2. Accounting policy

These interim abridged consolidated financial statements have been prepared in accordance with accounting principles that have been presented in the last consolidated financial statements for the year ended 31 December 2012, except for the following amendments to standards and interpretations applied by the Capital Group from 1 January 2013:

- IFRS 13 (new standard) *Determination of fair value*
- IAS 1 (amendment) *Presentation of Financial Statements*,
- Amendments to IFRS arising from the annual improvements project (Annual Improvements Project series 2009-2011)

#### IFRS 13 (new standard) *Determination of fair value*

The new standard unifies the concept of fair value for all IFRS and IAS, and introduces common guidelines and principles, which were previously scattered in different standards. IFRS 13 does not specify which items are measured at fair value. IFRS 13 is applied prospectively for annual periods beginning on or after 1 January 2013.

IFRS 13 introduces a number of disclosures about fair value. IAS 34 requires that the selected disclosures of IFRS 13 were included in the interim financial statements. Detailed information is presented in Note 8.

#### IAS 1 (amendment) *Presentation of Financial Statements*,

It changes the requirement for presentation of other comprehensive income. According to the revised IAS 1, the elements of other comprehensive income should be grouped into two sets:

- items that are subsequently reclassified to result and
- items that will not be reclassified to profit.

Amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The Group adjusted the presentation of the "Consolidated statement of comprehensive income" to the changes arising from IAS 1.

Amendments to IFRS arising from the annual improvements project (Annual Improvements Project series 2009-2011)

Although a number of amendments are introduced as part of the annual improvements to IFRS, only the amendment to IAS 34 *Interim Financial Reporting is applicable to these consolidated financial statements*. The aim of amendment to IAS 34 is to bring the consistency of the requirements to disclose about the assets and liabilities of the segments with IFRS 8. Due to the fact that the liabilities of segments are regularly supplied to the chief operating decision maker, the Group did not include disclosures about them.

### 2.3. Corrections of errors and changes in the accounting policy

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

### 3. Seasonality of operations

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

### 4. Operating segments

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

Revenues and financial results of geographical segments for the period from 1 January 2013 to 30 June 2013 and for the comparative period are presented in the following tables.

First half of 2013

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	1,313 066	428,743			1 741 809
Sales between segments	252,103		-252,103		-
Other operating revenues	5,342	3,025		4,834	13,201
<b>Total revenues</b>	<b>1 570 511</b>	<b>431,768</b>		<b>4,834</b>	<b>1 755 010</b>



Total operating expenses, including	1 291 724	403,420	-232,335	78,393	1 541 202
Costs of sales between segments	190,544		-190,544		-
Other operating expenses	15,036	11,984			27,020
<b>Segment results</b>	<b>263,751</b>	<b>16,364</b>	<b>-19,768</b>	<b>-73,559</b>	<b>186,788</b>
Financial revenues					1,017
Financial expenses					18,306
Profit before tax					169,499
Income tax					29,615
<b>Net profit from continuing operations</b>					<b>139,884</b>

First half of 2012

in PLN '000

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

## 6. Property, plant and equipment

LPP S.A. Capital Group has made contractual commitments in the amount of PLN 26,911,000 for the purchase of property, plant and equipment. In comparable periods, the figures were as follows:

- balance as at 30.06.2012 - PLN 11,165,000
- balance as at 31.12.2012 - PLN 16,981,000

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2013 to 30.06.2013

in PLN '000

	Land	Buildings, facilities, civil- and hydro-engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19,174	710,697	160,878	12,549	201,998	19,731	1,125,027
- foreign exchange differences		4,351	1,856	59	702	-90	6,878
- increase		118,991	22,279	764	53,739	213,825	409,598
- decrease		13,107	4,570	1,228	2,743	208,567	230,215
2) Closing balance gross value of fixed assets	19,174	820,932	180,443	12,144	253,696	24,899	1,311,288
3) Opening balance accumulated depreciation (amortization)	0	315,605	100,113	6,348	97,898	0	519,964
- depreciation	0	38,363	11,655	982	15,866		66,866
- foreign exchange differences		2,604	1,437	30	194		4,265
- decrease	0	11,255	4,277	950	2,451		18,933
4) Closing balance accumulated depreciation (amortisation)	0	345,317	108,928	6,410	111,507		572,162
5) Opening balance impairment write-downs	0	5,964	311	0	286	0	6,561
- increase	0	349	7				356
- decrease	0	345	91		1		437
6) Closing balance impairment write-downs	0	5,968	227	0	285	0	6,480
Total closing balance net value of fixed assets	19,174	469,647	71,288	5,734	141,904	24,899	732,646

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2012 to 31.12.2012

in PLN '000

	Land	Buildings, facilities, civil- and hydro- engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19,174	580,315	134,362	12,600	135,403	20,127	901,981
- foreign exchange differences		-10,122	-2,922	-108	-3,948	-433	-17,533
- increase		159,095	33,788	2,445	73,625	287,478	556,431
- decrease		18,591	4,350	2,388	3,082	287,441	315,852
2) Closing balance gross value of fixed assets	19,174	710,697	160,878	12,549	201,998	19,731	1,125,027
3) Accumulated depreciation at the beginning of the performance period	0	272,695	88,245	6,312	80,342	0	447,594
- depreciation	0	63,114	18,345	1,828	22,043	0	105,330
- foreign exchange differences		-5,617	-2,287	-73	-1,820	0	-9,797
- decrease	0	14,587	4,190	1,719	2,667	0	23,163
4) Accumulated depreciation at the end of the performance period	0	315,605	100,113	6,348	97,898	0	519,964
5) Opening balance impairment write-downs	0	6,153	509	0	0	0	6,662
- increase	0	661	6	0	286	0	953
- decrease	0	850	204	0	0	0	1,054
6) Closing balance impairment write-downs	0	5,964	311	0	286	0	6,561
Total closing balance net value of fixed assets	19,174	389,128	60,454	6,201	103,814	19,731	598,502

## 6. Intangible assets

Changes in intangible assets in the period from 01.01.2013 to 30.06.2013

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	5,198	44,160	41,076	2,859	52,217
- increase		4,412	4,412	2,627	7,039
- decrease		22	22	3,843	3,865
b) Gross value of intangible assets at the end of the performance period	5,198	48,550	45,465	1,643	55,391
c) Opening balance accumulated depreciation (amortisation)	443	34,175	31,363	0	34,618
- planned amortisation write-downs	475	1,700	1,623	0	2,175
- foreign exchange differences		46	46		46
- decrease		22	22		22
d) Closing balance accumulated depreciation (amortisation)	918	35,899	33,010	0	36,817
Total net value of intangible assets at the end of the performance period	4,280	12,651	12,455	1,643	18,574

Changes in intangible assets during the period from 01.01.2012 to 31.12.2012

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	443	40,361	37,277	1,746	42,550
- foreign exchange differences	0	-97	-97	-3	-100
- increase	4,755	3,901	3,901	5,234	13,890
- decrease	0	5	5	4,118	4,123
b) Gross value of intangible assets at the end of the performance period	5,198	44,160	41,076	2,859	52,217
c) Opening balance accumulated depreciation (amortisation)	443	30,592	27,809	0	31,035
- planned amortisation write-downs	0	3,667	3,638	0	3,667
- foreign exchange differences	0	-82	-82	0	-82
- decrease	0	2	2	0	2
d) Closing balance accumulated depreciation (amortisation)	443	34,175	31,363	0	34,618
Total net value of intangible assets at the end of the performance period	4,755	9,985	9,713	2,859	17,599

## 7. Revaluation write-offs of assets

### Inventory revaluation write-offs

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Opening balance	5,017	5,251	5,251
Inventory write-downs included as cost in the period	4,231	1,139	3,460
Reversed revaluation write-downs in the period	735	1,192	3,673
Exchange rate differences	-174	-98	-21
<b>Closing balance</b>	<b>8,339</b>	5,100	5,017

Receivables and loans revaluation write-offs

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Opening balance	6,131	6,678	6,678
Increases recognised in the reporting period	1,093	731	1,070
Decreases recognised in the reporting period	292	596	1,693
Exchange rate differences	-167	-45	76
<b>Closing balance</b>	<b>6,765</b>	6,768	6,131

## 8. Fair value of financial instruments

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

30.06.2013

in PLN '000

Assets*	Fair value	Carrying amount
Trade and other receivables	236,751	236,751
Cash and cash equivalents	134,055	134,055
<b>Total</b>	<b>370,806</b>	<b>370,806</b>

Liabilities	Fair value	Carrying amount
Bank loans and borrowings	313,783	313,783
Trade and other liabilities	495,047	495,047
Other financial liabilities	177	177
<b>Total</b>	<b>809,007</b>	<b>809,007</b>

31.12.2012 in PLN '000

Assets*	Fair value	Carrying amount
Trade and other receivables	198,263	198,263
Cash and cash equivalents	159,393	159,393
<b>Total</b>	<b>357,656</b>	<b>357,656</b>

Liabilities	Fair value	Carrying amount
Bank loans and borrowings	186,162	186,162
Trade and other liabilities	399,890	399,890
Other financial liabilities	113	113
<b>Total</b>	<b>586,165</b>	<b>586,165</b>

\* Due to the lack of reliable valuation, the table does not include unlisted shares valued at the purchase price and the value of loans measured at amortized cost, for which there is no active market.

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

The Group considers the carrying amount of financial assets and financial liabilities as approximate to fair value, save for the fair value of the shares of the Bank of Cyprus, for which more detailed description of the situation is presented in Note 16

IAS 34 requires the inclusion of selected disclosures of IFRS 13 *Determination of fair value' in the interim financial statements*. These disclosures relate to the fair value of financial instruments according to their types and levels of fair value.

The Group has no financial instruments recognized in the financial statements at fair value because of the types of instruments held or receivables and payables, loans and shares listed on the market.

## 9. Share capital

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

As at 30 June 2013, the share capital was PLN 3,662,000. This capital was divided into 1,831,123 shares with a nominal value of PLN 2 each.

As at 30 June 2013, the structure of share capital of LPP S.A. was as follows:

Shareholder	Number of held shares (pieces)	Number of votes at the AGM	Share in the total number of votes at the AGM	Participation in share capital	Nominal value of shares
Marek Piechocki	175,000	875,000	27.1%	9.6%	350,000
Jerzy Lubianiec	175,000	875,000	27.1%	9.6%	350,000
Monistor Limited (Cyprus)	200,728	200,728	6.2%	11.0%	401,456
Grangeford Limited (Cyprus)	350,000	350,000	10.8%	19.1%	700,000
Other shareholders	930,395	930,395	28.8%	50.8%	1,860,790
Total	1,831,123	3,231,123	100%	100%	3,662,246

## 10. Dividends

In the reporting period, the parent company LPP SA did not pay dividends to the shareholders. At the same time during the reporting period, i.e. on 14 June 2013, following Resolution No. 22 GM LPP S.A., a decision was taken to allocate part of the profit earned for the year 2012 to the payment of dividends in the amount of PLN 154 million. Dividend payout was set for 25 September 2013.

## 11. Earnings per share

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

Calculation of EPS is presented below:

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Net profit (loss) for the current period	139,884	111,821	353,977
Weighted average number of ordinary shares	1,809,725	1,758,022	1,780,848
Profit (loss) per share	77.30	63.61	198.77
Zysk rozwodniony (strata) na akcję	76.25		198.17

## 12. Provisions

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

	Provision for pensions and similar benefits	Unpaid compensations provision	Provision for liabilities	Provision for holiday leaves not taken
<b>For the period from 01.01.2013 to 30.06.2013</b>				
Opening balance	1,277	13,666	16	6,186
- provisions established	1,227	4,398	32	8,797
- provisions reversed	1,277	10,150	16	6,186
Closing balance	1,227	7,914	32	8,797
<b>For the period from 01.01.2012 to 30.06.2012</b>				
Opening balance	1,135	9,542	17	5,106
- provisions established	1,222	6,157	0	5,290
- provisions reversed	1,135	8,145	17	5,106
Closing balance	1,222	8,520	0	5,290
<b>For the period from 01.01.2012 to 31.12.2012</b>				
Opening balance	1,135	9,542	17	5,106
- provisions established	1,277	17,103	16	6,186
- provisions reversed	1,135	12,979	17	5,106
Closing balance	1,277	13,666	16	6,186

## 13. Contingent liabilities

In the first half of 2013, companies of LPP S.A. Capital Group used bank guarantees to secure the payment of rent for the space occupied by retail stores.

As of 30 June 2013, the total value of bank guarantees issued on behalf of and responsibility of LPP S.A. amounted to about PLN 145,999,000, including:

- value of guarantees issued for contracts concluded by LPP S.A. amounted to PLN 73,513,000.
- value of guarantees issued for contracts concluded by the consolidated related parties amounted to PLN 70,201,000.
- value of guarantees issued for contracts concluded by the non-consolidated related parties amounted to PLN 1,683,000.
- value of guarantees issued for rental agreements concluded by LPP S.A. amounted to PLN 603,000.

On 30 June 2013, the value of guarantees issued by the parent company amounted to PLN 39,413,000 and increased compared to 31 December 2012 by PLN 14,526,000.



According to the Management Board, any outflow of funds disclosed under off-balance sheet/contingent liabilities is unlikely. The majority of these liabilities are related to guarantees securing payment of rent by entities of LPP SA Capital Group.

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

#### 14. Income tax

Major components of income tax of the Group for the period from 01.01.2013 to 30.06.2013 and comparative period are presented in the table below.

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012
Current income tax	40,871	25,860
Deferred income tax	-11,256	-2,536
Total	29,615	23,324

#### 15. Transactions with affiliated entities

The Group's affiliates include:

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

##### 15.1. Key personnel

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

Short-term benefits of key management personnel for the period from 1 January to 30 June 2013 amounted to PLN 2,546,000.

On 27 June 2011, the Annual General Meeting adopted a Resolution implementing an incentive program aimed at six key managers of LPP S.A.

Detailed information on the program are described in the consolidated financial statement for 2011. All instruments acquired on the basis of this program were taken by authorized persons.

The reporting period has included costs related to this incentive program in the amount of PLN 1,535,000.

On 14 June 2013, the Annual General Meeting adopted resolutions imposing further incentive program aimed at six key managers of LPP S.A. (current report no 16/2013, regulations are available on the website).

This program provides the opportunity to purchase as many as 3,000 shares held by the issuer at a nominal price, i.e. PLN 2, jointly by all persons entitled. The exact number of shares purchased by each participant of the program depends mainly on the size of growth of net profit of LPP S.A. Capital Group in 2013 as compared to that achieved in 2012. A prerequisite for participation in the program is continuous work for the benefit of LPP S.A. to the end of 2014 (for some portion of the shares), or the end of 2015 (for the second part of the shares). If this requirement is not met, the participant of the program is obliged to sell shares to LPP S.A. at the price at which they were purchased.

The reporting period has included costs related to this incentive program in the amount of PLN 261,000.

##### 15.2. Transactions with affiliated entities

in PLN '000

Affiliated entities	Liabilities as at 30.06.2013	Receivables as at 30.06.2013	Revenues from sale in the first half of 2013	Own cost of sale in the first half of 2013
Polish subsidiaries – total	249	209	7	6,519

in PLN '000

Affiliated entities	Liabilities as at 30.06.2012	Receivables as at 30.06.2012	Revenues from sale in the first half of 2012	Own cost of sale in the first half of 2012
Polish subsidiaries – total	52	476	17	4,795

The figures given in the table only present transactions between LPP S.A. and four non-consolidated Polish subsidiaries, and they are presented from the parent company's point of view.

Data presented as payables of LPP S.A. are receivables in affiliated entities, and expenses are equivalent to revenues of given entities.

All the transactions with affiliated entities were concluded under market conditions.

Revenues from the domestic companies are derived from the rental of office space for the purpose of business operation of these companies.

Expenses related to the domestic subsidiaries concern the rental of property where Cropp Town, Reserved, Mohito and House are run. Payment time-limits adopted for subsidiaries are between 45 and 120 days.

## 16. Events after the balance sheet date

On 26 March 2013, specific arrangements entered into force in Cyprus to rescue the financial situation in the country. LPP SA is the owner of Gothals Limited, registered in Cyprus, the activity of which is to manage the trademark rights. On the said date, the company had PLN 21,962,000 on the accounts with the Bank of Cyprus. On 30 July 2013, the Cypriot government adopted resolution introducing new arrangements - 47.5% of the deposit will be converted into shares of the Bank of Cyprus, while the remainder of the deposit will be converted into 6, 9 and 12 month deposits with a one-time option to extend them for the same period. This report presents values in accordance with the latest announcement - the value of shares in the amount of PLN 10,432,000 was presented as long-term investments while the remainder converted into deposits with a value of PLN 9,330,000 in restricted cash. The remaining amount of PLN 2,200,000 was paid to LPP S.A.

As at the date of the financial statements, we do not have definitive information that would allow to clearly assess the value of shares of the company in the capital of the Bank of Cyprus. Therefore, we are not able to determine whether and in what amount the shares presented in the balance sheet should be subject to amortization for impairment.

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.

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

### 17.1 Property, plant and equipment

At the balance sheet date, LPP S.A. has contractual obligations to acquire tangible fixed assets in the amount of PLN 16,093,000. In comparable periods, the figures were as follows:

- balance as at 30.06.2012 - PLN 0,000
- balance as at 31.12.2012 - PLN 8,887,000

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2013 to 30.06.2013

in PLN '000

	Land	Buildings, facilities, civil- and hydro-engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19,175	473,718	105,495	9,246	114,336	9,362	731,332
- increase	0	61,145	11,365	0	31,730	119,804	224,044
- decrease	0	11,810	2,795	645	2,699	113,940	131,889
2) Closing balance gross value of fixed assets	19,175	523,053	114,065	8,601	143,367	15,226	823,487
3) Opening balance accumulated depreciation (amortization)	0	213,247	62,920	5,170	58,465	0	339,802
- depreciation	0	21,090	7,934	588	8,515	0	38,127
- increase	0	0	3	0	0		3
- decrease	0	10,450	2,626	417	2,407	0	15,900
4) Closing balance accumulated depreciation (amortisation)	0	223,887	68,231	5,341	64,573	0	362,032
5) Opening balance impairment write-downs	0	1,424	0	0	0	0	1,424
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) Closing balance impairment write-downs	0	1,424	0	0	0	0	1,424
Total closing balance net value of fixed assets	19,175	297,742	45,834	3,260	78,794	15,226	460,031

CHANGES IN FIXED ASSETS (by type) in the period from 01.01.2012 to 31.12.2012

in PLN '000

	Land	Buildings, facilities, civil- and hydro- engineering structures	Plant and machinery	Means of transport	Other fixed assets	Fixed assets in progress	Fixed assets, total
1) Opening balance gross value of fixed assets	19,175	420,830	87,937	10,695	81,196	8,983	628,816
- increase	0	66,787	20,699	647	35,100	144,287	267,520
- decrease	0	13,899	3,140	2,096	1,960	143,909	165,004
2) Closing balance gross value of fixed assets	19,175	473,718	105,496	9,246	114,336	9,362	731,332
3) Opening balance accumulated depreciation (amortization)	0	186,333	53,700	5,290	48,651	0	293,974
- depreciation	0	38,263	12,264	1,354	11,615	0	63,496
- increase	0	0	0	0	0	0	0
- decrease	0	11,349	3,044	1,474	1,801	0	17,668
4) Closing balance accumulated depreciation (amortisation)	0	213,247	62,920	5,170	58,465	0	339,802
5) Opening balance impairment write-downs	0	1,424	0	0	0	0	1,424
- increase	0	0	0	0	0	0	0
- decrease	0	0	0	0	0	0	0
6) Closing balance impairment write-downs	0	1,424	0	0	0	0	1,424
Total closing balance net value of fixed assets	19,175	259,047	42,576	4,076	55,871	9,362	390,106

## 17.2. Intangible assets

Changes in intangible assets in the period from 01.01.2013 to 30.06.2013

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	5,198	41,992	40,499	2,859	50,049
- increase	0	3,854	3,854	2,628	6,482
- decrease	0			3,842	3,843
b) Gross value of intangible assets at the end of the performance period	5,198	45,846	44,353	1,644	52,687
c) Opening balance accumulated depreciation (amortisation)	443	35,128	34,099	0	35,571
- planned amortisation write-downs	476	1,470	1,414	0	1,946
- decrease	0	0	0	0	0
d) Closing balance accumulated depreciation (amortisation)	919	36,598	35,512	0	37,516
Total net value of intangible assets at the end of the performance period	4,279	9,248	8,842	1,644	15,171

Changes in intangible assets during the period from 01.01.2012 to 31.12.2012

in PLN '000

	Costs of completed development works	Acquired concessions, patents, licenses and similar assets, including:		Intangible assets in progress	Total
		Total	Computer software		
a) Gross value of intangible assets at the beginning of the performance period	443	38,930	37,883	1,711	41,084
- increase	4,755	3,062	2,616	5,234	13,051
- decrease	0	0	0	4,086	4,086
b) Gross value of intangible assets at the end of the performance period	5,198	41,992	40,499	2,859	50,049
c) Opening balance accumulated depreciation (amortisation)	443	31,808	30,808	0	32,251
- planned amortisation write-downs	0	3,320	3,291	0	3,320
- decrease	0	0	0	0	0
d) Closing balance accumulated depreciation (amortisation)	443	35,128	34,099	0	35,571
Total net value of intangible assets at the end of the performance period	4,755	6,864	6,400	2,859	14,478

### 17.3. Revaluation write-offs of assets

#### Shares revaluation write-offs

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Opening balance	71,027	42,147	42,147
Inventory write-downs included as cost in the period	31,287	16,925	43,265
Reversed revaluation write-downs in the period	0	1,794	14,385
<b>Closing balance</b>	<b>102,314</b>	<b>57,278</b>	<b>71,027</b>

#### Loans revaluation write-offs

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Opening balance	9,945	10,942	10,942
Inventory write-downs included as cost in the period	11,436	290	3,565
Reversed revaluation write-downs in the period	0	1,652	4,562
<b>Closing balance</b>	<b>21,381</b>	<b>9,580</b>	<b>9,945</b>

#### Inventory revaluation write-offs

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Opening balance	2,636	2,762	2,762
Inventory write-downs included as cost in the period	69	239	786
Reversed revaluation write-downs in the period	524	527	912
<b>Closing balance</b>	<b>2,181</b>	<b>2,474</b>	<b>2,636</b>

#### Receivables revaluation write-offs

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Opening balance	40,722	102,092	102,092
Inventory write-downs included as cost in the period	12,692	18,272	20,528
Reversed revaluation write-downs in the period	1,268	24,563	81,898
<b>Closing balance</b>	<b>52,246</b>	<b>95,801</b>	<b>40,722</b>

### 17.4 Earnings per share

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

Calculation of EPS is presented below:

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012	from 01.01.2012 to 31.12.2012
Net profit (loss) for the current period	120,481	120,502	348,833
Weighted average number of ordinary shares	1,809,725	1,758,022	1,780,848
Profit (loss) per share	66.57	68.54	195.88
Diluted profit (loss) per share	66.08		195.16

### 17.5. Provisions

The value of provisions included in the abridged separate financial statements of LPP SA and their changes in different periods were as follows:

	Provision for pensions and similar benefits	Unpaid compensations provision	Provision for liabilities	Provision for holiday leaves not taken
<b>For the period from 01.01.2013 to 30.06.2013</b>				
Opening balance	1,235	11,607		1,517
- provisions established	1,169	3,137		2,631
- provisions reversed	1,235	8,091		1,517
Closing balance	1,169	6,653		2,631
<b>For the period from 01.01.2012 to 30.06.2012</b>				
Opening balance	1,101	9,542		1,156
- provisions established	1,179	6,157		1,851
- provisions reversed	1,101	8,145		1,156
Closing balance	1,179	7,554		1,851
<b>For the period from 01.01.2012 to 31.12.2012</b>				

Opening balance	1,101	9,542		1,156
- provisions established	1,235	15,044		1,517
- provisions reversed	1 101	12,979		1,156
Closing balance	1,235	11,607		1,517

## 17.6. Income tax

Major components of income tax of LPP S.A. for the period from 01.01.2013 to 30.06.2013 and comparative period are presented in the table below.

	from 01.01.2013 to 30.06.2013	from 01.01.2012 to 30.06.2012
Current income tax	36,773	21,659
Deferred income tax	-8,415	-2,108
Total	28,358	19,551

## 17.7. Transactions with affiliated entities

The affiliates of LPP SA include:

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

### 17.7.1. Key personnel

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

The Management Board members received remuneration for the duties fulfilled in both LPP S.A. and its subsidiary IP Service FZE.

The value of services provided by the key management personnel for the period from 1 January to 30 June 2013 amounted to PLN 2,546,000.

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

Detailed information on the program are described in the consolidated financial statements for 2011 and 2012. All instruments acquired on the basis of this program were taken by authorized persons.

The reporting period has included costs related to this incentive program in the amount of PLN 1,535,000.

On 14 June 2013, the Annual General Meeting adopted resolutions imposing further incentive program aimed at six key managers of LPP S.A. (current report no 16/2013, regulations are available on the website).

This program provides all persons entitled the opportunity to purchase jointly as many as 3,000 shares held by the issuer. The exact number of shares purchased by each participant of the program depends mainly on the size of growth of net profit of LPP S.A. Capital Group in 2013 as compared to that achieved in 2012. A prerequisite for participation in the program is continuous work for the benefit of LPP S.A. to the end of 2014 (for some portion of the shares), or the end of 2015 (for the second part of the shares). If this requirement is not met, the participant of the program is obliged to sell shares to LPP S.A. at the price at which they were purchased.

The reporting period has included costs related to this incentive program in the amount of PLN 261,000.



## 17.7.2. Transactions with affiliated entities

in PLN '000

Affiliated entities	Liabilities as at 30.06.2013	Gross receivables as at 30.06.2013	Revenues from sale in the first half of 2013	Own cost of sale in the first half of 2013
Polish subsidiaries – total	249	209	7	6,519
Foreign subsidiaries	29,161	656,066	355,847	271,963
Total	29,410	656,275	355,854	278,482

in PLN '000

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

## 18. Approval for publication

The interim abridged financial statements for the 6 months ended 30.06.2013 of the year (along with comparable data) were authorized for issue by the Management Board of LPP S.A. on 19 August 2013.

### LPP S.A. Management Board:

Marek Piechocki – President of the Management Board .....

Dariusz Pachla – Vice President of the Management Board .....

Jacek Kujawa – Vice President of the Management Board .....

Piotr Dyka – Vice President of the Management Board .....

Hubert Komorowski – Vice President of the Management Board .....

Gdańsk, 19 August 2013

## **The Interim Abridged Separate Financial Statements for the period from 01.01.2013 to 30.06.2013**

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

in PLN '000

Selected financial data	First half of 2013	First half of 2012	First half of 2013	First half of 2012
	01.01.2013-30.06.2013	01.01.2012-30.06.2012	01.01.2013-30.06.2013	01.01.2012-30.06.2012
	in PLN '000		in EUR '000	
Net revenues from sales of products, goods and materials	1,490,123	1,206,349	353,612	285,553
Operating profit (loss)	164,226	120,076	38,972	28,423
Gross profit (loss)	148,839	140,053	35,320	33,152
Net profit (loss)	120,481	120,502	28,591	28,524
Net cash flows from operations	-68,131	74,508	-16,168	17,637
Net cash flows from investments	-83,627	-5,792	-19,845	-1,371
Net cash flows from financial operations	119,744	-34,219	28,416	-8,100
Total net cash flows	-32,014	34,497	-7,597	8,166

in PLN '000

Selected financial data	First half of 2013	First half of 2012	First half of 2013	First half of 2012
	01.01.2013-30.06.2013	01.01.2012-30.06.2012	01.01.2013-30.06.2013	01.01.2012-30.06.2012
	in PLN '000		in EUR '000	
Total assets	2,209,063	1,688,495	510,270	396,239
Long-term liabilities	188,507	148,816	43,543	34,923
Short-term liabilities	857,322	656,841	198,032	154,141
Equity capital	1,163,234	882,838	268,695	207,176
Share capital	3,662	3,559	846	835
Weighted average number of ordinary shares	1,809,725	1,758,022	1,809,725	1,758,022
Profit (loss) per ordinary share (in PLN / EUR)	66.57	68.54	15.80	16.22
Book value per share (in PLN / EUR)	642.77	502.18	148.47	117.85
Declared or paid dividend per share (in PLN / EUR)	85.10	77.36	19.66	18.15

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

in PLN '000

Balance Sheet	As at the end of		
	30.06.2013	30.06.2012	31.12.2012
<b>ASSETS</b>			
Fixed assets (long-term)	814,744	681,001	775,097
1. Tangible fixed assets	460,031	345,067	390,106
2. Intangible assets	15,171	8,350	14,478
3. Goodwill	179,618	179,618	179,618
4. Trademark	77,508	77,508	77,508
5. Shares in subsidiaries	4,796	15,599	36,231
6. Investments in associates	0	19	0
7. Investments in real property	652	669	661
8. Receivables and loans	37,572	15,294	45,550
9. Other long-term financial assets	99	0	0
10. Deferred tax assets	38,758	38,495	30,647
10. Accruals and prepayments	539	382	298
Current assets (short-term)	1,394,319	1,007,494	1,093,535
1. Inventories	602,477	493,333	491,516
2. Trade receivables	699,723	387,566	475,043
4. Other receivables	14,970	11,599	15,322
4. Loans	917	5,119	4,838
5. Accruals and prepayments	8,758	6,235	7,328
6. Cash and cash equivalents	67,474	103,642	99,488
<b>TOTAL assets</b>	<b>2,209,063</b>	<b>1,688,495</b>	<b>1,868,632</b>

in PLN '000

Balance Sheet	As at the end of		
	30.06.2013	30.06.2012	31.12.2013
<b>LIABILITIES</b>			
Equity capital	1,163,234	882,838	1,194,971
1. Share capital	3,662	3,559	3,662
2. Treasury shares	-48,773	-48,762	-48,767
3. Share premium	235,069	152,837	235,069
4. Other capital	852,795	654,702	656,174
5. Retained earnings	120,481	120,502	348,833
- profit (loss) from previous years	0	0	0
- net profit (loss) for the current period	120,481	120,502	348,833
<b>Long-term liabilities</b>			
1. Bank loans and borrowings	185,009	145,904	125,114
2. Other	39	0	0
3. Provisions for employee benefits	1,169	1,179	1,235
4. Deferred tax provision	2,290	1,733	2,596
<b>Short-term liabilities</b>			
1. Trade payables and other liabilities	699,275	519,506	444,550
2. Income tax liabilities	12,418	5,640	18,067
3. Bank loans and borrowings	127,900	32,553	60,517
4. Issue of debt securities	0	85,212	0
5. Provisions	9,284	9,405	13,124
6. Special funds	319	373	224
7. Prepayments	8,126	4,152	8,234
<b>TOTAL liabilities</b>	<b>2,209,063</b>	<b>1,688,495</b>	<b>1,868,632</b>

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

in PLN '000

Comprehensive Income Statement	First half	First half
	01.01.2013- 30.06.2013	01.01.2012- 30.06.2012
Revenues from sales	1,490,123	1,206,349
Costs of sales	775,395	631,707
Gross profit (loss) on sales	714,728	574,642
Other operating revenues	9,445	33,757
Costs of sales	449,326	385,920
Overheads	87,570	77,105
Other operating expenses	23,051	25,298
Operating profit (loss)	164,226	120,076
Financial revenues	32,984	48,720
Financial expenses	48,371	28,743
Gross profit (loss)	148,839	140,053
Taxes	28,358	19,551
<b>Net profit (loss)</b>	<b>120,481</b>	<b>120,502</b>
<b>Total comprehensive income</b>	<b>120,481</b>	<b>120,502</b>
Number of shares	1,809,725	1,758,022
Profit (loss) per ordinary share	66.57	68.54

#### 4. 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>	3,555	-48,759	149,829	561,771	231,301	0	<b>897,697</b>
- adjustments due to errors in previous years							<b>0</b>
<b>As at 1 January 2012 after adjustments</b>	3,555	-48,759	149,829	561,771	231,301	0	<b>897,697</b>
Conversion of bonds to shares	4		3,008				<b>3,012</b>
Costs of acquisition of treasury shares		-3					<b>-3</b>
Net profit distribution for 2011				91,301	-231,301		<b>-140,000</b>
Share-based payment				1,630			<b>1,630</b>
Transactions with owners	4	-3	3,008	92,931	-231,301	0	-135,361
Net profit for the first half of 2012						120,502	<b>120,502</b>
<b>As at 30 June 2012</b>	<b>3,559</b>	<b>-48,762</b>	<b>152,837</b>	<b>654,702</b>	<b>0</b>	<b>120,502</b>	<b>882,838</b>

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>0</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>
Conversion of convertible bonds to shares							0
Costs of acquisition of treasury shares		-6					-6
Distribution of net profit for 2012				194,825	-348,833		-154,008
Share-based payment				1,796			1,796
Transactions with owners	0	-6	0	196,621	-348,833	0	-152,218
Net profit for the first half of the year 2013						120,481	120,481
<b>Balance at 30 June 2013</b>	<b>3,662</b>	<b>-48,773</b>	<b>235,069</b>	<b>852,795</b>	<b>0</b>	<b>120,481</b>	<b>1,163,234</b>



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

in PLN '000

Cash Flow Statement	First half of 2013	First half of 2012
	01.01.2013-30.06.2013	01.01.2012-30.06.2012
<b>A. Cash flows from operations - indirect method</b>		
I. Gross profit (loss)	148,839	140,053
II. Total adjustments	-216,970	-65,545
1. Depreciation	40,082	32,748
2. (Profit) loss on foreign exchange differences	-856	1,309
3. Interest and participation in profits (dividends)	-7,747	-30,985
4. (Profit) loss from investments	40,082	10,134
5. Paid income taxes	-45,163	-26,928
6. Change in provisions	-3,907	-1,216
7. Change in inventories	-110,960	-18,264
8. Change in receivables	-227,783	-52,961
9. Change in short-term liabilities, excluding loans and borrowings	99,265	19,697
10. Change in accruals and prepayments	-1,779	-710
11. Other adjustments	1,796	1,631
III. Net cash flows from operations	-68,131	74,508
<b>B. Cash flows from investments</b>		
I. Revenues	41,958	58,195
1. Disposal of intangible and tangible fixed assets	21,476	14,212
2. From financial assets, including:	20,482	43,983
a) in affiliated entities	16,570	43,896
- interest and dividends	11,979	41,528
- disposal of shares (liquidation of companies)	0	0
- repayment of loans	4,503	2,368
- other	88	
b) in other entities	3,912	87
- interest	33	23
- disposal of financial assets – foreign bonds	3,796	0
- repayment of loans	83	64
3. Other investment inflows	0	0

II. Expenses	125,585	63,987
1. Acquisition of intangible and tangible fixed assets	121,739	51,884
2. For financial assets, including:	3,846	12,103
a) in affiliated entities	0	11,994
- acquisition of shares	0	0
- Lending	0	11,994
b) in other entities	3,846	109
- lending	50	109
- purchase of foreign bonds	3,796	0
3. Other capital expenses	0	0
III. Net cash flows from investments	-83,627	-5,792
<b>C. Cash flows from financial operations</b>		
I. Revenues	128,335	0
1. Loans and borrowings	128,335	0
2. Net proceeds from share issue	0	0
3. Other financial income	0	0
II. Expenses	8,591	34,219
1. Acquisition of treasury shares	6	3
2. Repayment of loans and borrowings	4,803	25,854
3. Interest	3,782	8,362
4. Other financial expenses - financial lease	0	0
III. Net cash flows from financial operations	119,744	-34,219
<b>D. Total net cash flows</b>	<b>-32,014</b>	<b>34,497</b>
<b>E. Net change in cash, including:</b>	<b>-32,014</b>	<b>34,497</b>
- change in cash from foreign exchange differences	-144	-3
<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>67,474</b>	<b>103,642</b>
- restricted cash	291	396

## **Interim Report on the Activities of LPP S.A. Capital Group for the first half of 2013**

## 1. The activities of LPP S.A. Capital Group for the period 01.01.2013 - 30.06.2013

Main activities carried out in the first half of 2013:

1. There were established new stores with a total area of 64.4 thousand square meters, thereby increasing the total area of shops to around 498 thousand meters (1,179 shops), of which 184 thousand meters (373 stores) outside Polish borders.
2. In the first half of the year, the sales amounted to PLN 894,385,000 in Reserved stores and PLN 294,869,000 in Cropp Town stores. Sales made in the first half of the year amounted to PLN 226,288,000 in House stores, PLN 191,017,000 in MOHITO stores and PLN 15,042,000 in Sinsay stores.  
 Revenues from comparable stores increased in the first half of 2013 by 4.2%, while in the second quarter by 8.8% (excluding changes in exchange rates of local currencies in the countries where the companies of LPP S.A. Capital Group operate).

The basic figures showing the results of the Group in the first half of 2013 are presented in the table below.

in PLN '000

Volume	I H 2013	I H 2012	Change (%)
Revenues from sales	1,741,809	1,418,054	22,8%
Gross profit on sales	1,005,635	782,464	28,5%
Selling costs and general administrative expenses	805,028	622,550	29,3%
Operating profit + depreciation EBITDA	255,838	207,245	23,4%
Operating profit EBIT	186,788	156,069	19,7%
Net profit	139,884	111,821	25,1%

Sales revenues in the first half of 2013 increased by 22.8% compared to the same period last year, while gross profit increased by 28.5%.

Selling, general and administrative costs increased by 29.3%, with expenses incurred in the operation of retail outlets having a significant share of these costs. The total retail space, which determines the level of these costs, increased compared to June of 2012 by about 30%.

As a result, LPP Capital Group closed the first half of 2013 with a net profit of PLN 139,884,000, i.e. 25.1% more than the profit earned in the same period last year.

The achieved margins are shown in the table below.

Margin (%)	I H 2013	I H 2012
Gross on sales	57,7%	55,2%
EBITDA	14,7%	14,6%
Operating	10,7%	11,0%
Net	8,0%	7,9%

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

in PLN '000

Country	I H 2013	I H 2012	Change (%)
Poland	1,134,757	1,002,029	13,2%
Estonia	27,370	24,807	10,3%
Latvia	22,157	19,992	10,8%
Czech Republic*	65,093	54,253	20,0%
Hungary	15,478	12,447	24,4%
Lithuania	31,370	27,911	12,4%
Ukraine	69,147	35,316	95,8%
Russia**	348 066	214,705	62,1%
Romania	11,531	12,461	-7,5%
Bulgaria***	8,915	7,302	22,1%
Slovakia	7,926	6,830	16,0%
<b>Total</b>	<b>1,741,809</b>	<b>1,418,054</b>	<b>22,8%</b>

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

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

\*\*\* total revenues of 2 companies in Bulgaria: LPP Retail Bulgaria Ltd., Bulgaria FP

The best sales growth was achieved in the first half of 2013 outside the European Union (Russia and Ukraine).

in PLN '000

	I H 2013	I H 2012	Change (%)
Poland	1,134,757	1,002,029	13,2%
Other EU countries	189,839	166,004	14,4%
Russia and Ukraine	417,212	250,022	66,9%
<b>Total</b>	<b>1,741,809</b>	<b>1,418,054</b>	<b>22,8%</b>

## 2. Basic factors influencing growth opportunities; risks and threats

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

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

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

### Internal factors

- Market strategy of LPP SA Capital Group

RESERVED



sinsay



MOHITO

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

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

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

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

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

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

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

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

The clothing market is characterised by a wide variety of customer expectations and is closely correlated with changes in fashion trends. The key factor in clothing company's success is the sense of changes in fashion trends and offering the range of goods meeting the current consumer needs. Therefore, LPP SA pays much attention to fashion. Design department is constantly observing the changing trends and adapts them to meet the customer needs so as to continue to offer desirable products at a very good price-quality ratio. In order to fulfil their tasks, designers participate in trade fairs around the world, benefit from the professional literature and information on issues related to fashion available on the Internet. LPP SA Capital Group by observing the changing preferences of customers introduces new product groups, or new brands, in an effort to get ahead of the market.

d) Risks associated with weather conditions

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

e) The risk of unsuccessful location of a store

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

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

f) Logistics

The Company has a modern logistics centre in Pruszcz Gdański, which allows for completion of an appropriate amount of packages of clothing for stores in such a way that on the one side they can always offer a wide range of products for customers and on the other hand the amount of goods stored in the warehouse of the logistics centre is as small as possible. Organisational solutions used in this facility allow to quickly increase productivity through the use of an additional production line in case of a substantial increase in demand caused by the development of the sales network.

Due to the development of the sales network in the near future, the company will start investment in the construction of the next stage of the logistics centre.

g) Online sales

The Reserved online store was launched in April 2013. The store uses innovative platform that will be introduced to Mohito and Sinsay online stores in the coming months. Currently, sales are made only in Poland, and it is planned to start selling in other countries next year. Sales revenues from Reserved online shop account for approximately 2-3% of the revenue of the network in Poland.

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

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

### External factors

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

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

b) Foreign exchange rates - currency risk

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

The majority of receipts from sales is obtained in PLN. Instability of the Polish currency in relation to USD and EUR is a risk. However, given the specific type of the Company's business, it is possible to partially transfer the risk of increase in USD exchange rate to end customers, as the product selling price is calculated just before the product is introduced to the market.

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

c) Interest rate risk

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

d) Risk of changes in customs and tax regulations

Customs and tax regulations have a significant impact on the functioning of the Company. Changes in this area can affect significantly the operations of the Issuer. LPP SA purchases clothing and currently most of the imports comes from China. The potential import quotas and

dam tariffs would affect the Issuer's revenues realized by reducing the margins. Changes in economic conditions in this regard will affect all businesses operating in this industry and the very probability of this risk is low due to the stable customs policy of the European Union.

e) The risk of shortening the time for trade

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

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

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

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

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

The Company did not publish forecasts for 2013.

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

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

Shareholder	Number of held shares (pieces)	Number of votes at the AGM	Share in the total number of votes at the AGM	Participation in share capital	Nominal value of shares
Marek Piechocki	175,000	875,000	27.1%	9.6%	350,000
Jerzy Lubianiec	175,000	875,000	27.1%	9.6%	350,000
Monistor Limited (Cyprus)	200,728	200,728	6.2%	11.0%	401,456
Grangeford Limited (Cyprus)	350,000	350,000	10.8%	19.1%	700,000
Other shareholders	930,395	930,395	28.8%	50.8%	1,860,790
Total	1,831,123	3,231,123	100%	100%	3,662,246

There were no changes in the ownership of shares in the period since the previous report (report for the first quarter of 2013).

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



Shareholder	Number of held shares (pieces)	Number of votes at the AGM
President of the Management Board	175,000	875,000
Vice President of the Management Board	2,664	2,664
Vice President of the Management Board	17	17
Chairman of the Supervisory Board	175,000	875,000
Member of the Supervisory Board	381	381

In the period from the previous report submission there were changes in the ownership of shares of LPP SA by the person supervising the Issuer. One of the Supervisory Board members purchased and sold shares of the Company (CR 13/2013, CR 19/2013, CR 21/2013, CR 23/2013).

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

Within the Group, the claimant in the cases of payment of trade receivables is LPP SA. The total amount in dispute shall not exceed 10% of the equity of the companies.

**8. Information on the conclusion by the issuer or its subsidiary of one or more transactions with affiliated entities, if individually or collectively they are significant and have been concluded under other than market terms and conditions**

In the reporting period there were no such transactions with affiliated entities.

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

In the reporting period there were no such events.

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

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

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

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

- a) economic situation in Poland and countries in which GK LPP S.A. stores operate,
- b) the level of the exchange rate of the Polish Zloty in relation to USD and EUR,
- c) assessment of the autumn-winter collection by customers,
- d) development of networks for the sale of such trades as Reserved, Cropp Town, House, Mohito and Sinsay
- e) actions aimed at increasing profitability and efficiency.

**LPP SA Management Board:**

Marek Piechocki – President of the Management Board .....

Dariusz Pachla – Vice President of the Management Board .....

Jacek Kujawa – Vice President of the Management Board .....

Piotr Dyka – Vice President of the Management Board .....

Hubert Komorowski – Vice President of the Management Board .....

Gdańsk, 19 August 2013