



LPP S.A. Capital Group

Interim condensed financial statements for Q4 2013

Gdańsk
February 2014

1. Selected consolidated financial data of LPP S.A. Capital Group

in PLN '000

Selected consolidated financial data	Q4 2013	Q4 2012	Q4 2013	Q4 2012
	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
	in PLN '000		in EUR '000	
Net revenue from sales of products, goods and materials	4 116 271	3 223 755	992 542	772 416
Operating profit (loss)	615 931	454 417	148 517	108 879
Gross profit (loss)	524 170	424 136	126 391	101 624
Net profit (loss)	432 750	353,977	104 348	84 813
Net cash flows from operating activities	508 829	481 306	122 692	115 322
Net cash flows from investing activities	-518 295	-260 736	-124 975	-62 473
Net cash flows from financing activities	-571	-178 143	-138	-42 683
Total net cash flows	-10 037	42 427	-2 420	10 166

in PLN '000

Selected consolidated financial data	Q4 2013	Q4 2012	Q4 2013	Q4 2012
	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
	in PLN '000		in EUR '000	
Total assets	2 492 014	1 932 222	591 787	472 634
Non-current liabilities	192 333	130 980	45 674	32 039
Current liabilities	803 468	590 194	190 802	144 365
Equity	1 496 213	1 211 048	355 311	296 230
Share capital	3 662	3 662	870	896
Weighted average number of ordinary shares	1 809 725	1 780 848	1 809 725	1 780 848
Profit (loss) per ordinary share (in PLN / EUR)	239.1	198.8	62.2	49.5
Book value per share (in PLN / EUR)	826.8	680.0	210.1	166.5
Declared or paid dividend per share (in PLN / EUR)	85.10	77.36	20.52	18.54

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

in PLN '000

Balance Sheet	As at the end of	
	Q4 2013	Q4 2012
	31.12.2013	31.12.2012
ASSETS		
Fixed assets (long-term)	1 232 123	909 856
1. Property, plant and equipment	896 804	598 502
2. Intangible assets	20 131	17 599
3. Goodwill	183 609	183 609
4. Trademark	77 508	77 508
5. Investments in subsidiaries	136	186
6. Investments in other entities	10 366	0
7. Investments in real property	0	661
8. Receivables and borrowings	12 928	8 680
9. Deferred tax assets	30 146	22 813
10. Prepayments and accrued income	495	298
Current assets (short-term)	1 259 891	1 022 366
1. Inventories	805 235	656 070
2. Trade receivables	164 052	130 360
3. Income tax receivables	17 207	5 266
4. Other receivables	96 259	60 036
5. Borrowings	12 485	129
6. Other financial assets	2	
7. Prepayments and accrued income	15 295	11 112
8. Cash and cash equivalents	149 356	159 393
TOTAL ASSETS	2 492 014	1 932 222

in PLN '000

Balance Sheet	As at the end of	
	Q4 2013	Q4 2012
	31.12.2013	31.12.2012
EQUITY AND LIABILITIES		
Equity	1 496 213	1 211 048
1. Share capital	3 662	3 662
2. Treasury shares	-48 784	-48 767
3. Share premium	235 069	235 069
4. Other reserves	860 357	656 950
5. Foreign exchange differences on translation	-4 230	-3 391
6. Retained earnings	446 961	364 987
- profit (loss) from previous years	16 106	12 558
- net profit (loss) for the current period	430 855	352 429
7. Minority interests	3 178	2 538
Non-current liabilities	192 333	130 980
1. Bank loans and borrowings	184 285	125 114
2. Other financial liabilities	58	71
3. Provisions for employee benefits	2 718	1 277
4. Deferred income tax liability	5 203	4 441
5. Other non-current liabilities	69	77
Current liabilities	803 468	590 194
1. Trade payables and other liabilities	547 427	477 805
2. Income tax liabilities	38 443	19 079
3. Bank loans and borrowings	173 591	61 048
4. Other financial liabilities	84	42
5. Provisions	24 841	19 868
6. Special funds	159	224
7. Accruals and deferred income	18 923	12 128
TOTAL EQUITY AND LIABILITIES	2 492 014	1 932 222

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

in PLN '000

Statement of Comprehensive Income	YTD	Q4 2013	YTD	Q4 2012
	01.01.2013-31.12.2013	01.10.2013-31.12.2013	01.01.2012-31.12.2012	01.10.2012-31.12.2012
Continued operations				
Sales revenue	4 116 271	1 266 969	3 223 755	962 109
Cost of sales	1 707 104	499 793	1 396 690	383 694
Gross profit (loss) on sales	2 409 167	767 176	1 827 065	578 415
Other operating income	33 805	9 688	27 683	9 424
Selling costs	1 604 812	457 956	1 228 471	348 348
Overheads	154 320	37 201	132 285	38 919
Other operating expenses	67 909	19 960	39 575	15 489
Operating profit (loss)	615 931	261 747	454 417	185 083
Finance income	2 346	730	2 214	436
Finance costs	94 107	41 333	32 495	8 290
Gross profit (loss)	524 170	221 144	424 136	177 229
Tax expenses	91 420	39 265	70 159	29 687
Net profit (loss)	432 750	181 879	353,977	147 542
Net profit (loss) attributable to:				
owners of the parent	430 855	181 360	352 429	146 388
minority interests	1 895	519	1 548	1 154
Other comprehensive income				
Foreign exchange differences on translation	-839	1 187	1 146	-486
Total comprehensive income	431 911	183 066	355 123	147 056

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 reserves	Profit (loss) from previous years	Profit (loss) for the current period	Foreign exchange differences from translation	Minority interests	Equity TOTAL
As at 1 January 2012	3 555	-48 759	149 829	562 429	243 977	0	-4 537	2 700	909 194
- adjustments for prior period errors									0
As at 1 January 2012, after adjustments	3 555	-48 759	149 829	562 429	243 977	0	-4 537	2 700	909 194
Conversion of convertible bonds to shares	107		85 240						85 347
Costs of purchase of treasury shares		-8							-8
Minority interests as at the balance sheet date								-162	-162
Distribution of profit for 2011				91 419	-231 419				-140 000
Share-based payment				3 102					3 102
Transactions with owners	107	-8	85 240	94 521	-231 419	0	0	-162	-51 721
Net profit for 2012						352 429			352 429
Calculation of foreign exchange differences on translation							1 146		1 146
As at 31 December 2012	3 662	-48 767	235 069	656 950	12 558	352 429	-3 391	2 538	1 211 048

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other capital	Foreign exchange differences on translation	Profit (loss) from previous years	Profit (loss) for the current period	Minority interests	Equity TOTAL
As at 1 January 2013	3 662	-48 767	235 069	656 950	364 987	0	-3 391	2 538	1 211 048
- adjustments for prior period errors									0
As at 1 January 2013, after adjustments	3 662	-48 767	235 069	656 950	364 987	0	-3 391	2 538	1 211 048
Costs of treasury shares purchase		-17							-17
Minority interests as at the balance sheet date								640	640
Distribution of profit for 2012				194 874	-348 881				-154 007
Share-based payment				8 533					8 533
Transactions with owners	0	-17	0	203 407	-348 881	0	0	640	-144 851
Net profit for 2013						430 855			430 855
Calculation of foreign exchange differences on translation							-839		-839
As at 31 December 2013	3 662	-48 784	235 069	860 357	16 106	430 855	-4 230	3 178	1 496 213

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

in PLN '000

Cash Flow Statement	YTD	Q4 2013	YTD	Q4 2012
	01.01.2013- 31.12.2013	01.10.2013- 31.12.2013	01.01.2012- 31.12.2012	01.10.2012- 31.12.2012
A. Cash flows from operating activities - indirect method				
I. Gross profit (loss)	524 170	221 144	424 136	177 229
II. Total adjustments	-15 341	95 923	57 170	115 648
1. Depreciation and amortisation	148 188	41 433	108 997	29 729
2. Foreign exchange gains (losses)	10 612	3 290	4 169	487
3. Interest and share in profits (dividends)	10 442	5 958	15 809	3 022
4. Profit (loss) from investing activities	-5 392	-3 636	-2 156	1 670
5. Income tax paid	-92 452	-23 279	-56 428	-15 087
6. Change in provisions	7 906	7 281	4 800	7 680
7. Change in inventories	-178 423	23 891	-71 704	-1 148
8. Change in receivables	-104 255	-79 946	-102 833	-20 259
9. Change in current liabilities, excluding borrowings	186 368	117 280	152 857	104 865
10. Change in accruals and deferrals	319	3 085	3 826	4 395
11. Other adjustments	1 346	566	-167	294
III. Net cash flows from operating activities	508 829	317 067	481 306	292 877
B. Cash flows from investing activities				
I. Inflows	48 553	15 353	30 759	7 995
1. Disposal of intangible assets and property, plant and equipment	43 144	14 779	26 684	7 528
2. From financial assets, including:	5 409	574	4 075	467
a) in related parties	278	0	246	53
- disposal of shares/liquidation of companies	88	0	53	53
- dividends and shares in profits	190	0	193	0
b) in other entities	5 131	574	3 829	414
- disposal of financial assets – foreign bonds	3 796	0	3 000	
- repayment of loans	146	39	489	170
- interest	1 189	535	340	244
3. Other investment inflows - disposal of participation units				

II. Outflows	566 848	196 666	291 495	101 949
1. Purchase of intangible assets and property, plant and equipment	541 875	193 895	288 382	101 949
2. For financial assets, including:	24 973	2 771	3 113	0
a) in related parties	0	0	0	0
- purchase of shares				
- short-term loans granted				
- long-term loans granted				
b) in other entities	24 973	2 771	3 113	0
- purchase of financial assets – foreign bonds	3 796	0	3 000	
- purchase of financial assets/shares	10 432	0		
- loans granted	10 745	2 771	113	
3. Other capital expenditure				
III. Net cash flows from investing activities	-518 295	-181 313	-260 736	-93 954
C. Cash flows from financing activities				
I. Inflows	219 547	36 666	4 260	0
1. Proceeds from issue of shares				
2. Borrowings	219 547	36 666	4 260	
3. Other financial inflows		0		0
II. Outflows	220 118	161 045	182 403	124 331
1. Purchase of treasury shares	16	5	9	5
2. Dividends to owners	155 262	869	141 711	510
3. Repayment of borrowings	52 103	156 271	22 648	119 415
4. Finance lease payments	209	43	123	45
5. Interest	12 528	3 857	17 912	4 356
6. Other financial expenses				
III. Net cash flows from financing activities	-571	-124 379	-178 143	-124 331
D. Total net cash flows	-10 037	11 375	42 427	74 592
E. Balance sheet change in cash and cash equivalents, including:	-10 037	11 375	42 427	74 592
- change in cash and cash equivalents due to foreign exchange differences	-3 704	-1 615	-2 339	-526
F. Opening balance of cash and cash equivalents	159 393	137 981	116 966	84 801
G. Closing balance of cash and cash equivalents, including:	149 356	149 356	159 393	159 393
- restricted cash	8 440	8 440	224	224

6. Selected financial data of LPP S.A.

in PLN '000

Selected financial data	Q4 2013	Q4 2012	Q4 2013	Q4 2012
	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
	in PLN '000		in EUR '000	
Net revenue from sales of products, goods and materials	3 493 324	2 765 275	842 333	662 563
Operating profit (loss)	514 810	403 493	124 134	96 677
Gross profit (loss)	476 709	411 944	114 947	98 702
Net profit (loss)	394 466	348 833	95 116	83 581
Net cash flows from operating activities	180 099	268 680	43 427	64 376
Net cash flows from investing activities	-210 065	-62 044	-50 652	-14 866
Net cash flows from financing activities	1 469	-176 293	354	-42 240
Total net cash flows	-28 497	30 343	-6 871	7 270

in PLN '000

Selected financial data	Q4 2013	Q4 2012	Q4 2013	Q4 2012
	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012	01.01.2013- 31.12.2013	01.01.2012- 31.12.2012
	in PLN '000		in EUR '000	
Total assets	2 392 416	1 868 632	568 135	457 079
Non-current liabilities	188 126	128 945	44 675	31 541
Current liabilities	760 344	544 716	180 561	133 241
Equity	1 443 946	1 194 971	342 899	292 298
Share capital	3 662	3 662	870	896
Weighted average number of ordinary shares	1 809 725	1 780 848	1 809 725	1 780 848
Profit (loss) per ordinary share (in PLN / EUR)	218.0	195.9	52.6	46.9
Book value per share (in PLN / EUR)	797.9	671.0	189.5	164.1
Declared or paid dividend per share (in PLN / EUR)	85.10	77.36	20.52	18.54

7. Balance Sheet of LPP S.A.

in PLN '000

Balance Sheet	As at the end of	
	Q4 2013	Q4 2012
	31.12.2013	31.12.2012
ASSETS		
Fixed assets (long-term)	920 650	775 097
1. Property, plant and equipment	566 459	390 106
2. Intangible assets	16 224	14 478
3. Goodwill	179 618	179 618
4. Trademark	0	77 508
5. Investments in subsidiaries	96 524	36 231
6. Investments in real property	0	661
7. Receivables and loans	23 983	45 550
9. Deferred tax assets	37 347	30 647
9. Prepayments and accrued income	495	298
Current assets (short-term)	1 471 766	1 093 535
1. Inventories	571 195	491 516
2. Trade receivables	800 955	475 043
4. Other receivables	16,794	15 322
4. Loans	432	4 838
8. Other financial assets	2	0
6. Prepayments and accrued income	11 397	7 328
7. Cash and cash equivalents	70 991	99 488
TOTAL ASSETS	2 392 416	1 868 632

in PLN '000

Balance Sheet	As at the end of	
	Q4 2013	Q4 2012
	31.12.2013	31.12.2012
EQUITY AND LIABILITIES		
Equity	1 443 946	1 194 971
1. Share capital	3 662	3 662
2. Treasury shares	-48 783	-48 767
3. Share premium	235 069	235 069
4. Other reserves	859 532	656 174
5. Retained earnings	394 466	348 833
- profit (loss) from previous years	0	0
- net profit (loss) for the current period	394 466	348 833
Non-current liabilities	188 126	128 945
1. Bank loans and borrowings	184 286	125 114
2. Other financial liabilities	38	
3. Provisions for employee benefits	1 236	1 235
4. Deferred income tax liability	2 566	2 596
Current liabilities	760 344	544 716
1. Trade payables and other liabilities	520 625	444 550
2. Income tax liabilities	35 560	18 067
3. Bank loans and borrowings	173 245	60 517
4. Provisions	17 687	13 124
5. Special funds	159	224
6. Accruals and deferred income	13 068	8 234
TOTAL EQUITY AND LIABILITIES	2 392 416	1 868 632

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

in PLN '000

Statement of Comprehensive Income	YTD	Q4 2013	YTD	Q4 2012
	01.01.2013- 31.12.2013	01.10.2013- 31.12.2013	01.01.2012- 31.12.2012	01.10.2012- 31.12.2012
Sales revenue	3 493 324	1 057 461	2 765 275	783 304
Cost of sales	1 783 907	503 964	1 432 240	369 718
Gross profit (loss) on sales	1 709 417	553 497	1 333 035	413 586
Other operating income	46 970	26 716	97 117	14 178
Selling costs	996 706	285 891	818 507	225 083
Overheads	200 997	59 601	167 751	45 434
Other operating expenses	43 874	10 118	40 401	7 502
Operating profit (loss)	514 810	224 603	403 493	149 745
Finance income	88 661	54 608	108 045	29 346
Finance costs	126 762	51 464	99 594	46 479
Gross profit (loss)	476 709	227 747	411 944	132 612
Tax expenses	82 243	35 413	63 111	21 180
Net profit (loss)	394 466	192 334	348 833	111 432
Total comprehensive income	394 466	192 334	348 833	111 432
Number of shares	1 809 725		1 780 848	
Profit (loss) per ordinary share	217,97		195.88	

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

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
As at 1 January 2012	3 555	-48 759	149 829	561 771	231 301		897 697
- adjustments for prior period errors							0
As at 1 January 2012, after adjustments	3 555	-48 759	149 829	561 771	231 301	0	897 697
Conversion of bonds to shares	107		85 240				85 347
Costs of purchase of treasury shares		-8					-8
Net profit distribution for 2011				91 301	-231 301		-140 000
Share-based payment				3 102			3 102
Transactions with owners	107	-8	85 240	94 403	-231 301	0	-51 559
Net profit for 2012						348 833	348 833
As at 31 December 2012	3 662	-48 767	235 069	656 174	0	348 833	1 194 971

in PLN '000

Statement of Changes in Equity	Share capital	Treasury shares	Share premium	Other reserves	Profit (loss) from previous years	Profit (loss) for the current period	Equity TOTAL
As at 1 January 2013	3 662	-48 767	235 069	656 174	348 833	0	1 194 971
- adjustments for prior period errors							0
As at 1 January 2013, after adjustments	3 662	-48 767	235 069	656 174	348 833	0	1 194 971
Costs of purchase of treasury shares		-16					-16
Distribution of net profit for 2012				194 825	-348 833		-154 008
Share-based payment				8 533			8 533
Transactions with owners	0	-16	0	203 358	-348 833	0	-145 491
Net profit for 2013						394 466	394 466
As at 31 December 2013	3 662	-48 783	235 069	859 532	0	394 466	1 443 946

10. Statement of Cash Flows of LPP S.A.

in PLN '000

Statement of Cash Flows	YTD	Q4 2013	YTD	Q4 2012
	01.01.2013- 31.12.2013	01.10.2013- 31.12.2013	01.01.2012- 31.12.2012	01.10.2012- 31.12.2012
A. Cash flows from operating activities - indirect method				
I. Gross profit (loss)	476 709	227 747	411 944	132 612
II. Total adjustments	-296 610	-8 467	-143 264	117 832
1. Depreciation and amortisation	86 759	24 592	66 834	17 958
2. Foreign exchange gains (losses)	3 894	1 648	5 219	1 842
3. Interest and share in profits (dividends)	-62 882	-38 596	-70 927	-23 078
4. Profit (loss) from investing activities	47 867	550	24 380	27 998
5. Income tax paid	-73 898	-14 368	-45 826	-9 449
6. Change in provisions	4 564	4 760	2 560	5 729
7. Change in inventories	-79 678	28 287	-16 495	-14 572
8. Change in receivables	-339 706	-73 556	-175 956	33 276
9. Change in current liabilities, excluding borrowings	107 368	51 278	61 482	74 642
10. Change in accruals and deferrals	569	3 542	2 362	2 830
11. Other adjustments	8 533	3 396	3 103	656
III. Net cash flows from operating activities	180 099	219 280	268 680	250 444
B. Cash flows from investing activities				
I. Inflows	129 046	62 382	123 746	35 700
1. Disposal of intangible assets and property, plant and equipment	42 127	13 990	26 377	7 501
2. From financial assets, including:	86 919	48 392	97 369	28 199
a) in related parties	82 951	48 369	94 147	28 169
- interest and dividends	74 625	44 634	89 585	27 950
- disposal of shares/liquidation of companies	88	0	54	54
- repayment of loans	8 238	3 735	4 508	165
b) in other entities	3 968	23	3 222	30
- interest	43	2	105	9
- disposal of financial assets – foreign bonds	3 796	0	3 000	
- repayment of loans	129	21	117	21
3. Other investment inflows - disposal of participation units				

II. Outflows	339 111	137 177	185 790	93 117
1. Purchase of intangible assets and property, plant and equipment	335 262	137 177	134 285	61 740
2. For financial assets, including:	3 849	0	51 505	31 377
a) in related parties	0	0	48 392	31 377
- purchase of shares				
- short-term loans granted				
- long-term loans granted	0	0	48 392	31 377
b) in other entities	3 849	0	3 113	0
- purchase of financial assets – foreign bonds	3 796		3 000	
- short-term loans granted	3		47	
- long-term loans granted	50		66	
3. Other capital expenditure - purchase of participation units		0	0	0
III. Net cash flows from investing activities	-210 065	-74 795	-62 044	-57 417
C. Cash flows from financing activities				
I. Inflows	219 547	36 666	4 260	0
1. Borrowings	219 547	36 666	4 260	0
2. Net proceeds from the issue of shares	0	0	0	0
3. Other financial inflows	0	0	0	0
II. Outflows	218 078	159 802	180 553	123 790
1. Purchase of treasury shares	16	6	9	3
2. Dividends to owners	154 008		140 000	
3. Repayment of borrowings	51 526	155 918	22 632	119 430
4. Interest	12 528	3 878	17 912	4 357
5. Other finance costs - finance lease				
III. Net cash flows from financing activities	1 469	-123 136	-176 293	-123 790
D. Total net cash flows	-28 497	21 349	30 343	69 237
E. Balance sheet change in cash and cash equivalents, including:	-28 497	21 349	30 343	69 237
- change in cash and cash equivalents due to foreign exchange differences	-262	-8	157	112
F. Opening balance of cash and cash equivalents	99 488	49 642	69 145	30 251
G. Closing balance of cash and cash equivalents, including:	70 991	70 991	99 488	99 488
- restricted cash	224	224	224	224

Notes to the Condensed Consolidated Financial Statements for Q4 2013

1. Characteristics of LPP S.A. Capital Group

LPP S.A. Capital Group (Capital Group, Group) comprises:

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

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

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

No.	Company name	Registered office	Control acquisition date
1.	G&M Sp. z o.o.	Gdańsk, Poland	26.09.2001
2.	DP&SL Sp. z o.o.	Gdańsk, Poland	26.09.2001
3.	IL&DL Sp. z o.o.	Gdańsk, Poland	26.09.2001
4.	AMUR Sp. z o.o.	Gdańsk, Poland	09.05.2003
5.	LPP 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 OOO	Moscow, Russia	12.02.2004
12.	LPP Fashion Distributor SRL	Bucharest, Romania	12.08.2007
13.	LPP Retail Bulgaria Ltd.	Sofia, Bulgaria	14.08.2008
14.	Artman Slovakia s.r.o.	Banska Bystrica, Slovakia	30.10.2008
15.	Artman Mode s.r.o.	Ostrava, Czech Republic	30.10.2008
16.	LPP Fashion Bulgaria Ltd.	Sofia, Bulgaria	26.08.2011
17.	Gothals Limited	Nicosia, Cyprus	22.07.2011
18.	Jaradi Limited	Al Tatar, UAE	22.07.2011
19.	IP Services FZE	Ras Al Khaimah, UAE	23.12.2012

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

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

- LPP Retail Estonia OU
- LPP Czech Republic SRO
- LPP Hungary KFT
- LPP Retail Latvia LTD
- UAB LPP
- LPP Ukraina AT

-
- Re Trading OOO
 - LPP Fashion Distributor SRL.
 - LPP Retail Bulgaria LTD.
 - Artman Slovakia SRL
 - Artman Mode SRO
 - LPP Fashion Bulgaria LTD
 - Gothals Limited LTD
 - Jaradi Limited LTD
 - IP Services FZE

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

Under the Policy, a subsidiary or associate is not consolidated if the amounts reported in the financial statements of that entity are insignificant compared to the financial statements of the parent. In particular, the balance sheet total, net revenues from sales of goods and services, and financial operations of the entity which, for the financial period, are lower than 10% of balance sheet total and revenues of the parent company are regarded as insignificant. The total amount of revenues and balance sheet totals of non-consolidated entities may not exceed that level, but in relation to the corresponding amounts of the consolidated financial statements determined on the assumption that their scope includes all subsidiaries, without any exclusions.

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

- in the Capital Group's balance sheet total – 0.03%
- in the Capital Group's sales revenue and finance income - 0.29%

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

LPP S.A. is a company involved in the design and distribution of clothing in Poland and the countries of Central and Eastern Europe. Consolidated Group companies are involved in the distribution of goods under the Reserved, Cropp, House, Mohito and Sinsay brands outside Poland. Clothing is basically the only product sold by the 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).

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

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

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

Report of the LPP Capital Group for Q4 2013 comprises the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the parent, in accordance with IAS 34 "Interim Financial Reporting".

The accounting policy underlying this report is, in all material respects, consistent with the policy underlying the consolidated annual

financial statements of 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 Q4 2013:

1. In Q4 2013, sales revenue amounted to PLN 1 267 million. They increased by approximately 32% compared to Q4 2012 (PLN 962 million).
2. In Q4 2013, LPP S.A. Capital Group generated operating profit of PLN 262 million. In Q4 2012, LPP S.A. Capital Group generated operating profit of PLN 185 million. Net profit in Q4 2013 amounted to approximately PLN 182 million (compared to net profit of PLN 148 million in Q4 2012).
3. In Q4 2013, Reserved stores generated sales revenue of PLN 635 million, while Cropp Town stores amounted to PLN 199 million. The sales revenue generated in Q4 by House stores amounted to PLN 175 million, by Mohito stores - PLN 144 million and by Sinsay stores (new brand) - PLN 37 million.
4. In Q 2013, the usable area of the chain of stores increased by 73.1 thousand sq. m. At the end of Q4 2013, LPP S.A. Capital Group operated 1 320 stores of a total area of 588.7 thousand sq. m.
5. Sales revenue generated by comparable stores increased in Q4 2013 by 7.6%, while from the beginning of 2013 - by 7.7% (excluding changes in exchange rates of local currencies in the countries where the companies of LPP S.A. Capital Group operate).

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

Operating results achieved in Q4 and throughout 2013 years were significantly higher compared to those achieved in the corresponding period of 2012 (by approx. 40%). However, net income increased only by approx. 23%. Foreign exchange losses had a negative impact on the generated net profit. In Q4 they amounted to PLN 35 million, and throughout the year - PLN 78 million (of which approximately PLN 70 million is stable in nature).

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

in PLN '000

Company name	Country	Revenue in Q4 2013	% share in Q4 2013	YTD revenue from 01.01.2013 to 31.12.2013	% share in the period from 01.01.2013 to 31.12.2013
LPP S.A.	Poland	866 363	68.4%	2 701 150	65.6%
LPP Retail Estonia OU	Estonia	17 829	1.4%	63 828	1.6%
LPP Retail Latvia Ltd	Latvia	14 635	1.2%	51 215	1.2%
LPP Retail Czech Republic s.r.o.*	Czech Republic	62 295	4.9%	166 876	4.1%
LPP Hungary Kft.	Hungary	13 597	1.1%	38 210	0.9%
UAB "LPP" - Lithuania	Lithuania	19 600	1.5%	71 345	1.7%
LPP Ukraina AT	Ukraine	47 875	3.8%	164 639	4.0%
"Re Trading" OOO	Russia	199 514	15.7%	787 071	19.1%
LPP Fashion Distributor SRL - Romania	Romania	8 580	0.7%	27 290	0.7%
LPP Retail Bulgaria Ltd.	Bulgaria	9 121	0.7%	24 412	0.6%
Artman Slovakia	Slovakia	7 561	0.6%	20 235	0.5%
Total		1 266 969	100.0%	4 116 271	100.0%

* total revenue of 2 companies in the Czech Republic, i.e. LPP Retail Czech Republic s.r.o., Artman Mode SRO

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

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

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

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 establishment, increase, use and reversal of provisions

Detailed information is included in item 37.3

9. Information on deferred income tax liabilities and assets

Detailed information is contained in item 37.5

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

No such transactions were effected in the reporting period.

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

No such obligations were incurred in the reporting period.

12. Information on material litigation issues

There were no such events in the reporting period.

13. Indication of adjustments for prior period errors

No such adjustments were made in the reporting period.

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

No such changes occurred in the reporting period.

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

There were no such events in the reporting period.

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

No such transactions were effected in the reporting period.

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

Not applicable.

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

Not applicable.

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

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

Revenue and results of particular segments in Q4 2013 and in the corresponding period are presented in point 37.7.

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

In Q4 2013, the Issuer did not issue, redeem or repay debt or equity securities.

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

There were no such events in the reporting period.

23. Date of approval of the financial statements for issue

These financial statements were approved for issue by the Parent's Management Board on 12 February 2014.

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

No such events occurred.

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

None of the above events occurred in the reporting period.

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

In Q4 2013, LPP S.A. and its subsidiaries used bank guarantees to secure the payment of rent for the leased space for the company's stores.

As at 31 December 2013, the total value of bank guarantees granted at the request and on the responsibility of LPP S.A. amounted to PLN 130 446 thousand, of which:

- a) guarantees granted to secure agreements executed by LPP SA - PLN 69 511 thousand,
- b) guarantees granted to secure agreements executed by consolidated related parties - PLN 58 673 thousand,
- c) guarantees granted to secure agreements executed by non-consolidated related parties - PLN 1 657 thousand,
- d) guarantees granted to secure lease agreements executed by LPP S.A. - PLN 603 thousand.

On 30 December 2013, the value of guarantees granted by the parent amounted to PLN 38 107 thousand and increased compared to 31 December 2012 by PLN 13 220 thousand.

27. Estimates concerning future liabilities under lease agreements

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

Total future minimum payments under lease agreements, estimated as at 31 December 2013, are as follows:

- payables maturing within 12 months after the balance sheet date -	PLN 523 339 thousand.
- payables maturing within 12 months to 5 years from the balance sheet date -	PLN 1 649 744 thousand.
- payables maturing over 5 years from the balance sheet date -	PLN 902 858 thousand.

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

The Company did not publish any forecasts of annual results.

29. Shareholders directly or indirectly holding, through subsidiaries, at least 5% of the total number of votes at the General Meeting of Shareholders of LPP S.A. as at the date of submission of the quarterly report, and changes in the structure of ownership of major shareholdings of LPP S.A. after the date of submission of the previous quarterly report

Shareholding structure of the parent as at the date of submission of the quarterly report for Q4 2013:

Shareholder	Number of shares held	Number of votes at the AGM	Share in the total number of votes at the AGM	Share in the share capital
Marek Piechocki	175 000	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%

Following the submission of the last quarterly report (report for Q3 2013), there were no changes in the ownership structure of major shareholdings of LPP S.A..

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

The structure of the holding of shares of LPP SA for managers and supervisors, as at the date of the report for Q4 2013.

Shareholder	Number of shares held	Number of votes at the AGM
President of the Management Board	175 000	875 000
Vice President of the Management Board	164	164
Vice President of the Management Board	17	17
Chairman of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	321	321

Following the submission of the last quarterly report, no changes in the ownership structure of LPP S.A. shares held by members of the Issuer's Management Board and the Supervisory Board occurred.

31. Information on legal proceedings

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

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

No such transactions were effected in the reporting period.

33. Transactions with affiliated entities

33.1. Key management personnel

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

Short-term employee benefits for key management received in the period from 1 January to 31 December 2013 amounted to PLN 5 084 thousand, of which PLN 4 950 thousand was received by the Management Board Members and PLN 112 thousand by the Supervisory Board Members.

33.2 Transactions with related parties

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

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

Amounts presented in the table below show only intercompany transactions between LPP S.A. and Polish non-consolidated subsidiaries, and are presented from the parent's perspective.

in PLN '000

Related parties	Receivables as at 31.12.2013	Liabilities as at 31.12.2013	Revenue for the period I-IX 2013	Expenses for the period I-XII 2013
Domestic companies	2	114	14	11 796

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

All related-party transactions were concluded at arm's length principle. Revenue from domestic companies is generated on the lease of office space for the purposes of operation of these companies.

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

Payment terms 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 sureties or guarantees to its entity or subsidiary, whose total value would be the equivalent of 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 of the issuer's Capital Group to perform its obligations

As of 26 March 2013, specific arrangements entered into force in Cyprus to remedy the financial situation in the country. LPP SA is the owner of Gothals Limited, registered in Cyprus, involved in the management of the trademark rights. On that date, the company's funds deposited in the accounts maintained by the Bank of Cyprus was PLN 21 96 thousand.

On 30 July 2013, the Cypriot government adopted a resolution introducing new arrangements under which 47.5% of the deposits is to be converted into shares of the Bank of Cyprus, while the remainder of the deposits is to be converted into 6-, 9- and 12-month deposits with a one-off option to renew them for the same period.

Therefore, the shares in the amount of PLN 10 366 thousand was recognised as long-term investments and the remaining portion was converted into deposits with a value of PLN 8 216 thousand in restricted cash. The remaining amount was paid to LPP S.A.

As at the date of the financial statements, we do not have sufficient information that would allow to clearly assess the value of the shares of our Cyprus company in the equity of the Bank of Cyprus. Therefore, we are unable to determine whether and in what impairment losses should be recognised in respect of the data presented in the balance sheet.

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

36. Factors that are likely to affect the results generated by LPP S.A. Capital Group in the next quarter or thereafter (according to LPP S.A.)

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

- a) Economic situation in Poland and in countries where the stores of the LPP S.A. Capital Group operate
- b) PLN/USD and PLN/EUR exchange rate
- c) Assessment of the spring-summer collection by customers,
- d) Development of the sales network of Reserved, Cropp Town, House, Mohito and Sinsay (the latest) brands. In 2014, the leased area of stores is expected to be increased by approx. 37%, up to thousand sq. m. The opening of the first two Reserved stores in Germany and five stores (one for each brand) in Croatia is planned.
- e) Maintenance of the low-level operating costs.

37. Notes to the condensed consolidated financial statements

37.1. Revaluation write-downs of assets

The values of some assets presented in the consolidated financial statements as at 31 December 2013 have been adjusted by revaluation write-downs. Detailed information on the amounts of the write-downs reported as at the last day of the reporting period and changes in the period are presented in the table below.

	in PLN '000		
	Property, plant and equipment	Inventories	Receivables and loans
As at 01.01.2013	6 561	5 017	6 131
increase	186	8 261	1 578
decrease	1 189	1 403	1 358
As at 31.12.2013	5 558	11 875	6 351

37.2. Receivables

The value of the write-down comprises:

revaluation write-down of receivables and disputed receivables from customers -	PLN 4 608 thousand.
revaluation write-down of doubtful receivables:	PLN 1 489 thousand
revaluation write-down of receivables from employees and other:	PLN 254 thousand

37.3. Provisions

RESERVED



sinsay



MOHITO

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

	in PLN '000			
	Provision for pensions and similar benefits	Provision for unpaid remuneration	Provision for liabilities	Provision for untaken annual leaves
As at 01.01.2013	1 277	13 666	16	6 186
provisions established	1 298	16 872		8 002
provisions reversed	1 277	12 279	16	6 186
As at 31 December 2010	1 298	18 259	0	8 002

37.4. Income tax

Income tax reported in the consolidated income statement for the period between 01.01.2013 and 31.12.2013 amounts to PLN 91 420 thousand and comprises:

- current portion in the amount of PLN 97 978 thousand
- deferred portion in the amount of PLN -6 558 thousand

37.5. Deferred income tax asset and liability

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

The components thereof are presented in the tables below.

	in PLN '000
Deferred income tax asset	31.12.2013
Surplus of balance sheet depreciation value of assets over tax depreciation	10 602
Tax loss	3 709
Margin on goods unsold outside the Group	12 123
Revaluation of inventories	561
Remuneration and overheads	2 957
Other	194
Total	30 146

	in PLN '000
Deferred tax liability	31.12.2013
Accelerated tax depreciation	4 776
Outstanding interest on loans granted	9
Outstanding damages	154
Other	264
Total	5 203

37.6. Foreign exchange differences

The consolidated income statement prepared as at 31 December 2013 shows a surplus of taxable foreign exchange differences over deductible foreign exchange differences of PLN 78 677 thousand.

37.7. Operating segments

Revenue and financial results concerning geographical segments for the period between 1 January 2013 and 31 December 2013 and for the corresponding period are presented in the tables below.

2013

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	3 164 561	951 710			4 116 271
Intersegment sales	535 340		-535 340		-
Other operating income	13 258	6 687		13 860	33 805
Total revenue	3 713 159	958 397	-535 340	13 860	4 150 076
Total operating income, including	2 939 892	883 006	-510 981	154 320	3 466 237
Costs of intersegment sales	414 384		-414 384		-
Other operating expenses	39 208	28 701			67 909
Segment results	734 059	46 690	-24 359	-140 460	615 930
Finance income				2 347	2 347
Finance costs				94 107	94 107
Profit / loss before tax					524 170
Income tax					91 420
Net profit					432 750

2012

in PLN '000

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	2 586 055	637 700			3 223 755
Intersegment sales	374 242		-374 242		-
Other operating income	16 956	886		9 841	27 683
Total revenue	2 977 253	638 586	-374 242	9 841	3 251 438
Total operating income, including	2 391 663	586 191	-352 693	132 285	2 757 446
Costs of intersegment sales	284 338		-284 338		-
Other operating income	28 197	11 378			39 575
Segment results	557 593	41 017	-21 733	-122 444	454 417

Finance income				2 214	2 214
Finance costs				32 495	32 495
Profit / loss before tax					424 136
Income tax					70 159
Net profit					353,977

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

Following the reclassification of the carrying amount of the assets engaged in the foreign subsidiaries in the period from January to December 2013, a separate balance sheet was made representing the assets items: shares, additional contributions, loans and receivables, changes in the revaluation of write-downs recognised in the finance and operating expenses of the separate income statement, and the amount of PLN 39 530 thousand decreasing the assets item, including the deferred tax.

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