

LPP

Interim condensed financial statement for Q3 2015 of LPP
SA Capital Group

GDAŃSK, NOVEMBER 2015

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1. Selected consolidated financial data of LPP SA Capital Group

Selected consolidated financial data	3Q 2015	3Q 2014	3Q 2015	3Q 2014
	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
	in thousand PLN		in thousand EUR	
Net revenues from sales of products, goods and materials	3 555 326	3 364 350	854 954	804 811
Profit (Loss) on operating activities	267 329	360 853	64 285	86 322
Pre-tax profit (loss)	221 016	286 242	53 148	68 474
Net profit (loss)	179 013	236 233	43 047	56 511
Net cash flows from operating activities	-11 241	202 028	-2 703	48 329
Net cash flows from investing activities	-290 549	-356 348	-69 869	-85 245
Net cash flows from financing activities	238 138	122 113	57 265	29 212
Total net cash flows	-63 652	-32 207	-15 306	-7 704

Selected consolidated financial data	3Q 2015	3Q 2014	3Q 2015	3Q 2014
	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
	in thousand PLN		in thousand EUR	
Total assets	3 406 568	2 846 087	803 701	681 616
Long-term liabilities	360 573	202 990	85 069	48 615
Short-term liabilities	1 306 329	1 109 898	308 198	265 812
Equity	1 739 666	1 533 199	410 434	367 189
Share capital	3 662	3 662	864	877
Weighted average number of ordinary shares	1 809 725	1 810 071	1 809 725	1 810 071
Profit (Loss) per ordinary share (in PLN / EUR)	98.9	130.5	23.8	31.2
Book value per ordinary share (in PLN / EUR)	961.3	847.0	226.8	202.9
Declared or paid dividends per ordinary share (in PLN / EUR)	32.00	93.60	7.50	22.4

2. Consolidated statement of the financial position of LPP SA Capital Group

Statement of the financial position	Balance at the end:		
	3Q15 30.09.2015	3Q14 30.09.2014	31.12.2014
ASSETS			
Non-current assets	1 664 330	1 426 230	1 516 416
1. Tangible fixed assets	1 149 045	1 039 202	1 038 837
2. Intangible assets	36 224	26 337	28 751
3. Goodwill	209 598	209 598	209 598
4. Trademark	77 508	77 508	77 508
5. Investments in subsidiaries	136	136	136
6. Investments in other entities	1 956	10 366	2 405
7. Receivables and loans	5 752	13 983	6 300
8. Deferred tax assets	132 951	42 210	143 531
9. Pre-payments	51 160	6 890	9 350
Current assets	1 742 238	1 419 857	1 417 310
1. Inventory	1 335 973	1 036 797	979 345
2. Trade receivables	186 575	159 110	176 947
3. Receivables from income tax	41 610	18 000	11 194
4. Other receivables	34 985	58 197	46 281
5. Loans	88	9 760	167
6. Other financial assets	0	2 008	0
7. Pre-payments	23 130	18 837	19 847
8. Cash and cash equivalents	119 877	117 148	183 529
TOTAL assets	3 406 568	2 846 087	2 933 726

Statement of the financial position	Balance at the end:		
	3Q15 30.09.2015	3Q14 30.09.2014	31.12.2014
LIABILITIES			
Equity	1 739 666	1 533 199	1 638 414
1. Share capital	3 662	3 662	3 662
2. Own shares	-43 302	-48 800	-43 288
3. Share premium	235 074	235 074	235 074
4. Other capital	1 323 133	1 092 739	1 092 205
5. Foreign exchange differences from the conversion of units	-205 924	-39 438	-184 376
6. Retained earnings	427 023	286 832	531 906
- profit (loss) from previous years	248 010	52 360	52 360
- net profit (loss) for the current period	179 013	234 472	479 546
7. Minority interest	0	3 130	3 231
Long-term liabilities	360 573	202 990	210 714
1. Bank credits and loans	320 347	195 563	204 461
2. Provisions for employee benefits	2 218	1 871	1 596
3. Provision for deferred income tax	4 848	5 505	4 657
4. Accruals	33 152		
5. Other long-term liabilities	8	51	
Short-term liabilities	1 306 329	1 109 898	1 084 598
1. Trade and other liabilities	687 429	569 325	618 578
2. Income tax liabilities	0	23 058	37 972
3. Bank credits and loans	586 420	482 661	378 346
4. Other financial liabilities	21	10	7
5. Provisions	14 222	18 812	20 201
6. Special funds	626	339	157
7. Accruals	17 611	15 693	29 337
TOTAL liabilities	3 406 568	2 846 087	2 933 726

3. Consolidated statement of the results and other total revenue of LPP SA Capital Group

	YTD	3Q15	YTD	3Q14
Statement of the results and other total revenue	01.01.2015- 30.09.2015	01.07.2015- 30.09.2015	01.01.2014- 30.09.2014	01.07.2014- 30.09.2014
Continuing operations				
Sales revenue	3 555 326	1 261 499	3 364 350	1 234 242
Cost of goods sold	1 675 274	598 275	1 400 951	534 627
Gross Profit (Loss) on sales	1 880 052	663 224	1 963 399	699 615
Other operating income	16 483	6 022	27 009	7 462
Selling costs	1 455 088	504 889	1 440 066	518 219
General costs	127 660	41 892	132 101	40 137
Other operating expenses	46 458	15 655	57 388	14 347
Profit (Loss) on operating activities	267 329	106 810	360 853	134 374
Financial income	1 934	663	1 972	394
Financial cost	48 247	15 017	76 583	39 645
Pre-tax Profit (Loss)	221 016	92 456	286 242	95 123
Taxes	42 003	12 736	50 009	13 082
Net Profit (Loss)	179 013	79 720	236 233	82 041
Net Profit (Loss) attributable to:				
Shareholders of parent company	179 013	79 720	234 472	81 729
Non- controlling entities	0	0	1 761	312
Other comprehensive income				
Exchange differences from the conversion of units	-21 548	-66 016	-35 376	-30 912
Total comprehensive income	157 465	13 704	200 857	51 129

4. Consolidated statement of changes in the equity of LPP SA Capital Group

Statement of changes in the equity	Share capital	Own shares	Capital from the sale of shares above their value	Other capital	Exchange differences from the conversion of units	Profit (loss) from previous years	Profit (loss) for the current period	Minority interest	Equity TOTAL
Balance as at 1 January 2014	3 662	-48 784	235 069	860 357	-4 062	447 070	0	3 178	1 496 490
- correction of errors from previous years									0
Balance as at 1 January 2014 after adjustments	3 662	-48 784	235 069	860 357	-4 062	447 070	0	3 178	1 496 490
Costs of acquiring own shares		-16							-16
Distribution of profit for 2013				225 093		-394 710			-169 617
Acquisition of shares			5						5
Remuneration paid in shares				7 289					7 289
Payment of dividends to minority shareholders								-1 809	-1 809
Transactions with shareholders	0	-16	5	232 382	0	-394 710	0	-1 809	-164 148
Net profit (loss) for 3Q 2014							234 472	1 761	236 233
Exchange differences after the conversion of units					-35 376				-35 376
Balance as at 30 September 2014	3 662	-48 800	235 074	1 092 739	-39 438	52 360	234 472	3 130	1 533 199
Balance as at 1 January 2015	3 662	-43 288	235 074	1 092 205	-184 376	531 906	0	3 231	1 638 414
- correction of errors from previous years									0
Balance as at 1 January 2015 after adjustments	3 662	-43 288	235 074	1 092 205	-184 376	531 906	0	3 231	1 638 414
Costs of acquiring own shares		-14							-14
Distribution of profit for 2014				225 908		-283 896			-57 988
Remuneration paid in shares				1 789					1 789
Contribution by minority shareholders				3 231				-3 231	0
Transactions with shareholders	0	-14	0	230 928	0	-283 896	0	-3 231	-56 213
Net profit (loss) for 3Q 2015							179 013		179 013
Exchange differences after the conversion of units					-21 548				-21 548
Balance as at 30 September 2015	3 662	-43 302	235 074	1 323 133	-205 924	248 010	179 013	0	1 739 666

5. Consolidated cash flow statement of LPP SA Capital Group

Cash flow statement	YTD	3Q15	YTD	3Q14
	01.01.2015- 30.09.2015	01.07.2015- 30.09.2015	01.01.2014- 30.09.2014	01.07.2014- 30.09.2014
A. Cash flows from operating activities - indirect method				
I. Pre-tax profit (loss)	221 016	92 456	286 242	95 123
II. Total adjustments	-232 257	-131 867	-84 214	-43 300
1. Amortisation and depreciation	161 864	55 807	142 030	50 580
2. Foreign exchange gains (losses)	12 943	1 715	17 160	11 991
3. Interest and profit sharing (dividends)	13 104	3 844	9 121	5 984
4. Profit (loss) on investing activities	8 472	1 447	-7 224	-1 234
5. Income tax paid	-99 004	-26 110	-77 309	-9 306
6. Change in provisions	-5 190	-1 435	706	-78
7. Change in inventories	-378 100	-202 075	-266 649	-106 348
8. Change in receivables	15 132	-1 262	59 354	27 268
9. Change in short-term liabilities excluding credits and loans	84 761	44 072	29 443	-7 715
10. Change in prepayments and accruals	-38 378	-3 359	-11 528	-10 664
11. Other adjustments	-7 861	-4 511	20 682	-3 778
III. Net cash flows from operating activities	-11 241	-39 411	202 028	51 823
B. Cash flows from investing activities				
I. Inflows	47 649	8 852	50 935	12 591
1. Disposal of intangible and tangible fixed assets	46 703	8 016	40 534	10 746
2. From financial assets, including:	946	836	5 365	1 845
a) in related parties	182	182	204	204
- liquidation of companies			0	0
- dividend	182	182	204	204
b) in other entities	764	654	5 161	1 641
- sales of financial assets - foreign bonds			2 000	0
- repayment of loans	261	166	2 017	1 470
- interest	503	488	1 144	171
3. Other investment inflows			5 036	
II. Outflows	338 198	108 811	407 283	104 835
1. Purchase of intangible assets and tangible fixed assets	338 032	108 811	390 158	100 659
2. For financial assets, including:	166	0	17 125	4 176
a) in related parties	0	0	12 912	2 085
- purchase of shares			12 912	2 085
- loans granted				0
- long-term loans granted				
b) in other entities	166	0	4 213	2 091
- purchase of financial assets			4 003	2 003
- loans granted	166	0	210	88
3. Other capital expenses				
III. Net cash flows from investing activities	-290 549	-99 959	-356 348	-92 244

C. Inflows from the financing activities

I. Inflows	361 029	173 014	349 602	190 265
1. Inflows from issuance of shares			5	5
2. Credits and loans	361 029	173 014	349 597	190 260
3. Other inflows from financial activities				
II. Outflows	122 891	69 476	227 489	176 381
1. Cost of maintaining own shares	14	6	16	5
2. Dividends to shareholders	57 988	57 988	171 426	169 950
3. Repayment of credits and loans	51 757	7 252	45 645	2 882
4. Payment of liabilities arising from financial leases			198	30
5. Interest	13 132	4 230	10 204	3 514
6. Other outflows from financial activities				
III. Net cash flows from financing activities	238 138	103 538	122 113	13 884
D. Total net cash flows	-63 652	-35 832	-32 207	-26 537
E. Balance sheet change in cash, including:	-63 652	-35 832	-32 207	-26 537
- change in cash due to foreign exchange differences	-4 786	-2 832	-3 740	-4 400
F. Cash opening balance	183 529	155 709	149 355	143 685
G. Closing balance of cash, including:	119 877	119 877	117 148	117 148
- of limited disposability	431	431	3 937	3 937

6. Selected financial data of LPP SA

Selected financial data	3Q 2015	3Q 2014	3Q 2015	3Q 2014
	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
	in thousand PLN		in thousand EUR	
Net revenues from sales of products, goods and materials	3 031 764	2 847 941	729 052	681 277
Profit (loss) on operating activities	109 408	302 656	26 309	72 401
Pre-tax profit (loss)	215 004	275 549	51 702	65 916
Net profit (loss)	196 102	247 454	47 157	59 195
Net cash flows from operating activities	-93 920	-40 058	-22 585	-9 583
Net cash flows from investing activities	-173 966	-128 502	-41 834	-30 740
Net cash flows from financing activities	238 125	124 121	57 262	29 692
Net cash flows, total	-29 761	-44 439	-7 157	-10 631

Selected financial data	3Q 2015	3Q 2014	3Q 2015	3Q 2014
	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014	01.01.2015- 30.09.2015	01.01.2014- 30.09.2014
	in thousand PLN		in thousand EUR	
Total assets	3 297 310	2 783 338	777 924	666 588
Long-term liabilities	338 075	199 424	79 761	47 761
Short-term liabilities	1 251 693	1 054 744	295 308	252 603
Equity	1 707 542	1 529 170	402 855	366 224
Share capital	3 662	3 662	864	877
Weighted average number of ordinary shares	1 812 145	1 810 071	1 812 145	1 810 071
Profit (loss) per ordinary share (in PLN / EUR)	108.2	136.7	26.0	32.7
Book value per ordinary share (in PLN / EUR)	942.3	844.8	222.3	202.3
Declared or paid dividends per ordinary share (in PLN / EUR)	32.00	93.60	7.5	22.4

7. Statement of the financial position of LPP SA

Statement of the financial position	Balance at the end:		
	3Q15 30.09.2015	3Q14 30.09.2014	31.12.2014
ASSETS			
Non-current assets	1 737 415	1 555 090	1 522 777
1. Tangible fixed assets	741 898	643 058	680 631
2. Intangible assets	33 132	22 620	25 368
3. Goodwill	179 618	179 618	179 618
4. Investments in subsidiaries	677 070	590 464	538 065
5. Receivables and loans	1 553	50 746	1 579
6. Deferred tax assets	103 394	67 952	96 895
7. Pre-payments	750	632	621
Current assets	1 559 895	1 228 248	1 265 419
1. Inventory	975 111	700 191	712 315
2. Trade receivables	497 852	469 974	466 834
3. Receivables from income tax	33 884	0	0
4. Other receivables	14 514	14 164	18 052
5. Loans	83	1 987	151
6. Other financial assets	0	2 008	0
7. Pre-payments	14 031	13 371	13 886
8. Cash and cash equivalents	24 420	26 553	54 181
TOTAL assets	3 297 310	2 783 338	2 788 196

Statement of the financial position	Balance at the end:		
	3Q15 30.09.2015	3Q14 30.09.2014	31.12.2014
LIABILITIES			
Equity	1 707 542	1 529 170	1 567 653
1. Share capital	3 662	3 662	3 662
2. Own shares	-43 302	-48 800	-43 288
3. Share premium	235 074	235 074	235 074
4. Other capital	1 316 006	1 091 780	1 088 309
6. Retained earnings	196 102	247 454	283 896
- profit (loss) from previous years	0	0	0
- net profit (loss) for the current period	196 102	247 454	283 896
Long-term liabilities	338 075	199 424	208 054
1. Bank credits and loans	320 347	195 563	204 461
2. Other liabilities	0	0	0
3. Provisions for employee benefits	1 701	1 436	1 504
4. Provision for deferred income tax	3 024	2 425	2 089
5. Accruals	13 003	0	0
Short-term liabilities	1 251 693	1 054 744	1 012 489
1. Trade and other liabilities	643 974	532 161	572 153
2. Income tax liabilities	0	20 663	35 072
3. Bank credits and loans	586 009	482 312	377 988
4. Provisions	8 158	10 042	11 196
5. Special funds	431	221	34
6. Accruals	13 121	9 345	16 046
TOTAL liabilities	3 297 310	2 783 338	2 788 196

8. Statement of the results and other total revenue of LPP SA

Condensed statement of the results and other total revenue	YTD	3Q15	YTD	3Q14
	01.01.2015-30.09.2015	01.07.2015-30.09.2015	01.01.2014-30.09.2014	01.07.2014-30.09.2014
Sales revenue	3 031 764	1 113 056	2 847 941	1 037 178
Cost of goods sold	1 778 872	652 807	1 492 323	570 241
Gross Profit (Loss) on sales	1 252 892	460 249	1 355 618	466 937
Other operating income	31 366	9 839	96 506	7 083
Selling costs	903 464	313 061	866 726	305 436
General costs	206 875	73 041	193 868	69 969
Other operating expenses	64 511	9 835	88 874	10 362
Profit (Loss) on operating activities	109 408	74 151	302 656	88 253
Financial income	207 180	58 892	190 514	19 331
Financial cost	101 584	71 651	217 621	49 652
Pre-tax Profit (Loss)	215 004	61 392	275 549	57 932
Taxes	18 902	908	28 095	4 437
Net Profit (Loss)	196 102	60 484	247 454	53 495
Total comprehensive income	196 102	60 484	247 454	53 495

9. Statement of changes in the equity of LPP SA

Statement of changes in the equity	Share capital	Own shares	Capital from the sale of shares above their value	Other capital	Exchange differences from the conversion of units	Profit (loss) from previous years	Profit (loss) for the current period
Balance as at 1 January 2014	3 662	-48 783	235 069	859 532	394 575		1 444 055
- correction of errors from previous years							0
Balance as at 1 January 2014 after adjustments	3 662	-48 783	235 069	859 532	394 575	0	1 444 055
Costs of acquiring own shares		-17					-17
Distribution of profit for 2013				224 959	-394 575		-169 616
Acquisition of shares			5				5
Remuneration paid in shares				7 289			7 289
Transactions with shareholders	0	-17	5	232 248	-394 575	0	-162 339
Net profit (loss) for 3Q 2014						247 454	247 454
Balance as at 30 September 2014	3 662	-48 800	235 074	1 091 780	0	247 454	1 529 170
Balance as at 1 January 2015	3 662	-43 288	235 074	1 088 309	283 896	0	1 567 653
- correction of errors from previous years							0
Balance as at 1 January 2015 after adjustments	3 662	-43 288	235 074	1 088 309	283 896	0	1 567 653
Costs of acquiring own shares		-14					-14
Distribution of profit for 2014				225 908	-283 896		-57 988
Remuneration paid in shares				1 789			1 789
Transactions with shareholders	0	-14	0	227 697	-283 896	0	-56 213
Net profit (loss) for 3Q 2015						196 102	196 102
Balance as at 30 September 2015	3 662	-43 302	235 074	1 316 006	0	196 102	1 707 542

10. Cash flow statement of LPP SA

Cash flow statement	YTD	3Q15	YTD	3Q14
	01.01.2015- 30.09.2015	01.07.2015- 30.09.2015	01.01.2014- 30.09.2014	01.07.2014- 30.09.2014
A. Cash flows from operating activities - indirect method				
I. Pre-tax profit (loss)	215 004	61 392	275 549	57 932
II. Total adjustments	-308 924	-174 289	-315 607	-72 382
1. Amortisation and depreciation	93 982	32 010	81 397	28 302
2. Foreign exchange gains (losses)	12 942	1 721	8 928	4 491
3. Interest and profit sharing (dividends)	-109 007	-57 929	-108 519	-36 391
4. Profit (loss) on investing activities	-304	60 831	150 185	43 548
5. Income tax paid	-93 183	-21 791	-71 883	-13 966
6. Change in provisions	-2 840	-180	-7 445	316
7. Change in inventories	-262 825	-145 230	-129 178	-31 908
8. Change in receivables	-15 587	-52 161	-255 353	-38 813
9. Change in short-term liabilities excluding credits and loans	71 706	10 256	14 503	-27 832
10. Change in prepayments and accruals	-5 597	-2 419	-5 531	-2 585
11. Other adjustments	1 789	603	7 289	2 456
III. Net cash flows from operating activities	-93 920	-112 897	-40 058	-14 450
B. Cash flows from investing activities				
I. Inflows	167 794	71 337	156 756	51 475
1. Disposal of intangible and tangible fixed assets	45 171	8 975	35 543	8 584
2. From financial assets, including:	122 623	62 362	121 213	42 891
a) in related parties	122 335	62 182	119 093	42 857
- interest and dividend	122 335	62 182	119 093	42 857
- liquidation of companies	0		0	0
- repayment of loans	0		0	0
b) in other entities	288	180	2 120	34
- interest	27	14	22	5
- sales of financial assets - foreign bonds	0		2 000	0
- interest repayment of loans	261	166	98	29
3. Other investment inflows				
II. Outflows	341 760	94 306	285 258	82 890
1. Purchase of intangible assets and tangible fixed assets	205 933	47 347	228 235	51 818
2. For financial assets, including:	135 827	46 959	57 023	31 072
a) in related parties	135 661	46 959	52 810	28 981
- purchase of shares	135 661	46 959	52 810	28 981
- loans granted	0		0	0
b) in other entities	166	0	4 213	2 091
- loans granted	166		210	88
- purchase of financial assets	0		4 003	2 003
3. Other capital expenses				
III. Net cash flows from investing activities	-173 966	-22 969	-128 502	-31 415

C. Inflows from the financing activities				
I. Inflows	361 029	175 879	349 602	190 264
1. Credits and loans	361 029	175 879	349 597	190 259
2. Inflows from issuance of shares	0		5	5
3. Other inflows from financial activities	0		0	0
II. Outflows	122 904	72 321	225 481	176 016
1. Cost of maintaining own shares	14	6	16	5
2. Dividends to shareholders	57 989	57 989	169 617	169 617
3. Repayment of credits and loans	51 769	10 067	45 645	2 882
4. Interest	13 132	4 259	10 203	3 512
5. Other outflows from financial activities	0		0	0
III. Net cash flows from financing activities	238 125	103 558	124 121	14 248
D. Total net cash flows	-29 761	-32 308	-44 439	-31 617
E. Balance sheet change in cash, including:	-29 761	-32 308	-44 439	-31 617
- change in cash due to foreign exchange differences	140	-522	502	-215
F. Cash opening balance	54 181	56 728	70 991	58 169
G. Closing balance of cash, including:	24 420	24 420	26 552	26 552
- of limited disposability	431	431	287	287

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR Q3 2015

1. About LPP SA Capital Group

LPP SA Capital Group (Capital Group, Group) comprises:

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

There is no parent entity in relation to LPP SA.

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 Estonia OU	Tallinn, Estonia	29.04.2002
6.	LPP Czech Republic S.R.O.	Prague, Czech Republic	16.09.2002
7.	LPP Hungary KFT	Budapest, Hungary	18.10.2002
8.	LPP Latvia LTD	Riga, Latvia	30.09.2002
9.	LPP Lithuania UAB	Vilnius, Lithuania	27.01.2003
10.	LPP Ukraina AT	Peremyshliany, Ukraine	23.07.2003
11.	RE Trading OOO	Moscow, Russia	12.02.2004
12.	LPP Romania Fashion SRL	Bucharest, Romania	12.08.2007
13.	LPP Bulgaria EOOD	Sofia, Bulgaria	14.08.2008
14.	LPP Slovakia S.R.O.	Banska Bystrica, Slovakia	30.10.2008
15.	LPP Fashion Bulgaria LTD.	Sofia, Bulgaria	26.08.2011
16.	Gothals Limited	Nicosia, Cyprus	22.07.2011
17.	LPP Croatia D.O.O.	Zagreb, Croatia	22.01.2014
18.	Reserved GmbH	Hamburg, Germany	03.03.2014
19.	IPMS Management Services FZE	Ras Al Khaimah, UAE	15.07.2015

The dominance of LPP SA in the subsidiaries, due to its 100% stake in subsidiaries' capital and in the total number of votes, is immediate.

The consolidated financial statement of the Capital Group for the period from 1 January to 30 September 2015 includes individual results of LPP SA and the results of the following subsidiaries:

- LPP Estonia OU
- LPP Czech Republic SRO
- LPP Hungary KFT
- LPP Latvia LTD
- LPP Lithuania UAB
- LPP Ukraina AT
- Re Trading OOO
- LPP Romania Fashion SRL
- LPP Bulgaria LTD
- LPP Slovakia SRO
- LPP Fashion Bulgaria LTD
- Gothals LTD

- LPP Croatia DOO
- Reserved GmbH
- IPMS Management Services FZE

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

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

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

- in the Capital Group's balance sheet total – 0.04%
- in the Group's sales revenue and finance revenue – 0.26%

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 SA is a company involved in the design and distribution of clothing in Poland and the countries of Central and Eastern Europe. The Group companies are involved in the distribution of goods under the RESERVED, Cropp, House, MOHITO and SiNSAY brands outside Poland. Clothing is basically the only product sold by the Group companies. 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 in the design office in Kraków, and then transferred to the purchasing department which orders the production of certain models, cooperating in this respect with companies in Poland and abroad, including in China. Production in China is managed by the Company's trading office in Shanghai.

The Capital Group also generates insignificant revenues from sale of services (these include only the revenues generated by the parent company – mainly know-how services related to the management of brand stores by Polish contractors and the lease of transport vehicles).

The additional business activity of the 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 was established to that effect.

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

2. The basis for the preparation of the condensed consolidated financial statements and information on the changes in the applied accounting policies

The Group's report for Q3 2015 comprises the condensed consolidated financial statements and selected explanatory data included in these Notes as well as condensed financial statements of the parent, in accordance with IAS 34 "Interim Financial Reporting".

The accounting policy applied to prepare these statements is in all material respects compliant with the policy adopted for the preparation of the consolidated annual financial statements of the LPP SA Capital Group for the financial year 2014, in accordance with International Financial Reporting Standards.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014.

In 2015 there was a change in the accounting policy with regard to the presentation of the profit earned on the sale of investment in foreign entities, the value of which, due to the expansion of the Group, becomes more and more important.

Until the end of 2014, the profit was presented in the Statement of Comprehensive Income in one lump sum, in the operating income as "Profit from the disposal of non-financial fixed assets".

From January 2015, it is settled in time, throughout the duration of the contract, as "Prepayments", whereas profit value per given period is accounted for by adjusting the cost of rent.

Comparative data, due to their immaterial effect on the consolidated statement of financial position of LPP Capital Group, have not been changed.

The value of the profit earned on the sale of investment in three quarters of 2014 amounted to PLN 11 436 thousand. This amount is the difference between the value of the sale of investment (the amount of PLN 40 979 thousand) and the cost incurred to build the stores (the amount of PLN 29 543 thousand).

Using the new rules, the result, as costs adjustment, would have been recognized in the amount of PLN 778 thousand. During the current value is PLN 1 217 thousand.

In the consolidated statement of financial position of LPP Capital Group for the period until 30 September 2014 the remaining value of profit on sales of PLN 10 658 thousand would be moved from position "Net income" to position "Prepayments" and settled in subsequent periods.

3. Achievements of LPP SA Capital Group in the reporting period

Key achievements of the Capital Group in Q3 2015:

1. In Q3 2015, LPP Capital Group continued its expansion of the sales network of shops of all brands, whereas particularly dynamic growth took place in the EU. Another RESERVED store was launched in Germany (Stuttgart), as well as stores in the Czech Republic and Slovakia. In cooperation with a franchisee, another RESERVED store was opened in the Middle East - in Saudi Arabia. Moreover, an e-shop in Slovakia debuted in October.
At the same time, it was decided to resume growth in Russia, the expansion of which had been suspended, because of the Ukrainian-Russian conflict and the growing risks of investing in this country.
2. In Q3 2015, sales revenue amounted to PLN 1 261 million. They increased by approximately 2% compared to Q3 2014 (PLN 1 234 million).
3. In Q3 2015, LPP SA Capital Group generated operating profit of PLN 106.8 million. Last year in this period, LPP SA Capital Group generated operating profit of PLN 134.4 million. In Q3 2015, LPP SA Capital Group generated net profit of about PLN 79.7 million (compared with net profit of PLN 82.0 million in Q3 2014).
4. In Q3 2014, RESERVED stores generated sales revenue of PLN 559.9 million, while Cropp stores - PLN 217.4 million. Sales in Q3 generated by House stores amounted to PLN 170.2 million, in MOHITO stores they amounted to PLN 151.3 million and in stores of SINSAY, they amounted to PLN 82.7 million.
5. In Q3 2015, the area of the chain of outlets increased by 20.4 thousand sq. m. At the end of Q3 2015, LPP SA Capital Group had 1 574 stores of a total area of 799 thousand sq. m.
6. Revenue from sales in comparable outlets decreased in Q3 2015 by 1.5% (excluding changes in local currency exchange rates in the countries where the Group companies operate).

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

The financial results achieved in Q3 2015 were lower than in the previous year. Although revenues increased by 2% y/y and tight expense control helped reduce operating costs by 2% compared to the previous year (which is a great achievement with 17% increase in retail space), it is parallel gross margin decreased 5 p.p. The margin reduction was affected by a significant increase in the USD-PLN exchange rate (+ 20%) leading to a drop in operating profit by 20.5% to PLN 106.8 million. At the same time, negative exchange rate differences, significantly lower than in the previous year, generated net profit of PLN 79.7 million, at a lever similar to the previous year (PLN 82 million).

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

Company name	Country	Revenue in Q3 2015	% share in Q3 2015	Revenues from 01.01.2015 to 30.09.2015	% share in the period from 01.01.2015 to 30.09.2015
LPP SA	Poland	778 748	61.7%	2 247 194	63.2%
- including revenues from the Middle East		5 435		14 524	
LPP Estonia OU	Estonia	21 737	1.7%	55 867	1.6%
LPP Latvia Ltd	Latvia	18 052	1.4%	47 029	1.3%
LPP Czech Republic SRO.	Czech Republic	52 782	4.2%	143 456	4.0%
LPP Hungary Kft.	Hungary	8 909	0.7%	28 697	0.8%
LPP Lithuania UAB	Lithuania	19 310	1.5%	53 461	1.5%
LPP Ukraina	Ukraine	49 292	3.9%	130 640	3.7%
Re Trading OOO	Russia	222 861	17.7%	629 281	17.7%
LPP Romania Fashion SRL	Romania	16 055	1.3%	33 522	0.9%
Reserved GmbH	Germany	22 287	1.8%	51 333	1.4%
LPP Croatia	Croatia	8 404	0.7%	21 518	0.6%
LPP Bulgaria EOOD	Bulgaria	11 444	0.9%	29 956	0.8%
LPP Slovakia SRO	Slovakia	31 617	2.5%	83 373	2.3%
Total		1 261 499	100.0%	3 555 326	100.0%

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

Seasonality in sales is the characteristic feature of the clothing market both in Poland and abroad. The third quarter of a calendar year includes two months (July and August) when the sale of spring-summer collection is traditionally conducted. As a result, profit margin before tax is lower than the average annual margin in the entire quarter.

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

Detailed information is included in item 35.1

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

Detailed information is included in item 35.1

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

Detailed information is included in item 35.3

9. Information on deferred tax liabilities and assets

Detailed information is contained in item 35.5

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

No such transactions were effected in the reporting period.

13. Indication of adjustments for prior period errors

No such adjustments were made in the reporting period.

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

No such changes occurred in the reporting period.

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

There were no such events in the reporting period.

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

No such transactions were effected in the reporting period.

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

Not applicable.

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

Not applicable.

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

The LPP SA Capital Group is involved in one type of business activity (one trade segment regarded as the core one). A division into two geographical segments was applied: activity within and outside the European Union. The division into geographical segments was based on the criterion of location of the Group's assets. Revenue and results attributable to particular segments in Q3 2015 and the comparable period are presented in section 35.7.

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

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

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

Under the decision of the AGM, a part of the profit generated in 2014 in the amount of PLN 57 988 640 was allocated for the dividend, which corresponds to PLN 32.00 per one authorised share.

Ordinary shares were allocated the amount of PLN 46 788 640 and the preferred shares - PLN 11 200 000.

The date on which the list of shareholders entitled to receive dividends for 2014 was determined was 3 September 2015, and the dividend payment date was 24 September 2015.

22. Date of authorisation of the financial statements for issue

This financial statement was approved for publication by the Management Board of the Parent Company on 10 November 2015.

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

No such events occurred.

24. Effects of changes in the LPP SA 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

The Annual General Meeting passed a resolution approving cross-border merger of LPP SA based in Poland with the company Gothals Limited based in Cyprus by transferring all assets of Gothals LTD to LPP SA. The aim of the merger is internal functional and asset restructuring as well as simplifying the capital structure of LPP SA Capital Group (RB 19/2015, RB 24/2015).

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

In Q3 2015, LPP SA and its subsidiaries benefited from bank guarantees to secure the payment of rent for the leased space for retail purposes and office space.

As at 30 September 2015, the total value of bank guarantees issued at the request and on behalf of LPP SA amounted to PLN 227 562 thousand, including:

- a) guarantees granted to secure agreements executed by LPP SA amounted to PLN 90 927 thousand,
- b) guarantees granted to secure agreements executed by consolidated related parties amounted to PLN 134 707 thousand,
- c) guarantees granted to secure agreements executed by non-consolidated related parties amounted to PLN 1 624 thousand,
- d) guarantees granted to secure office space lease agreements concluded by LPP SA amounted to PLN 304 thousand.

In Q3 2015, the Company also received guarantees. These guarantees were collateral from the counterparty payments; their value as at 30 September 2015 amounted to PLN 12 829 thousand.

In the reporting period the Parent Company provided guarantees; their value as at 30 September 2015 amounted to PLN 97 819 thousand and increased compared to 31 December 2014 by PLN 13 117 thousand.

26. Estimates concerning future liabilities under lease agreements

The Group companies are parties to lease agreements under which they use retail premises where RESERVED, Cropp, House, MOHITO and SiNSAY brand stores are located.

Total future payments (minimum and conditional) under lease agreements, estimated as at 30 September 2015, are as follows:

- payables maturing within 12 months after the balance sheet date PLN 718 276 thousand
- payables with the maturity date from 12 months to 5 years from the balance sheet date PLN 2 113 197 thousand
- payables maturing within more than 5 years from the balance sheet date PLN 842 117 thousand

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

The Company did not publish any forecasts of annual results.

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

Shareholding structure of the parent company as at the date of submission of the quarterly report for Q3 2015:

Shareholder	Number of shares held	Number of votes at the AGM	Share in the total number of votes at the AGM	Share in the share capital
Marek Piechocki	175 498	875 498	27.3%	9.6%
Jerzy Lubianiec	175 000	875 000	27.2%	9.6%
Forum TFI SA	200 728	200 728	6.2%	11.0%
Treasury shares	18 978	0	0.0%	1.0%
Other shareholders	1 260 919	1 260 919	39.3%	68.8%
Total	1 831 123	3 212 145	100.0%	100.0%

There were changes in the ownership of shares in the period since the previous report (report for Q1 2015). The company Monistor Limited, an existing shareholder, notified of the decrease in the shareholding below the threshold of 5% of the total number of votes at the AGM of LPP SA as a result of the sale of all shares of LPP SA (RB 34/2015).

Forum Towarzystwo Funduszy Inwestycyjnych SA notified of the exceeded threshold of 5% of the total number of votes at the AGM of LPP SA as a result of indirect acquisition of shares of the Issuer (RB 35/2015).

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

The structure of the holding of shares of LPP SA for managers and supervisors, as at the date of the report for Q3 2015.

Shareholder	Number of shares held	Number of votes at the AGM
President of the Management Board	175 498	875 498
Vice President of the Management Board	153	153
Vice President of the Management Board	172	172
Vice President of the Management Board	172	172
Vice President of the Management Board	51	51
Chair of the Supervisory Board	175 000	875 000
Member of the Supervisory Board	500	500

In the period since the previous report (report for Q1 2015) there were changes in the ownership of LPP SA shares by persons managing and supervising the issuer resulting from the appointment of new supervisors and managers, i.e. a new member of the Supervisory Board (RB 29/2015) and a member of the Management Board (RB 39/2015) holding shares of LPP SA.

30. Information on legal proceedings

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

31. Transactions with related entities

31.1. Key management personnel

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

The amount of short-term employee benefits received by key management in the period from 1 January to 30 September 2015 totalled PLN 2 969 thousand, of which PLN 2 868 thousand was received by members of the Management Board and PLN 101 thousand by members of the Supervisory Board.

31.2. Transactions with affiliated entities

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

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

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

Related entities	Receivables as at 30.09.2015	Liabilities as at 30.09.2015	Revenues for the period I-IX 2015	Expenses for the period I-IX 2015
Domestic companies	1	26	11	7 727

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

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

Expenses related to the domestic subsidiaries concern the rental of property where Cropp, RESERVED, MOHITO and House are run.

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

32. 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.

33. Additional information relevant for the evaluation of staff, property and financial situation, financial result of the LPP SA Capital Group and information relevant for the evaluation of the ability of the issuer's Capital Group to perform its obligations

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

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

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

- Economic situation in Poland and in countries where the stores of LPP SA Capital Group operate, especially in Russia and Ukraine.
- USD/EUR exchange rate, and RUB/UAH exchange rate.
- Development of the sales network of RESERVED, Cropp, House, MOHITO and SiNSAY brands, including the expansion into new markets, such as Germany, Croatia and the Middle East. In 2016, the leased area of stores is expected to be increased by approx. 15%, i.e. over 125 thousand sq.m.
- Maintenance of the operating costs at a low level.

35. Notes to the condensed consolidated financial statements

35.1. Revaluation write-downs of assets

The values of some assets presented in the consolidated financial statement as at 30 September 2015 are adjusted by revaluation write-downs. Detailed information on the amounts of the write-downs reported as at the last day of the reporting period and changes in the period are presented in the table below.

	Tangible fixed assets	Inventories	Receivables, loans and shares
As at 01.01.2015	4 575	18 420	12 787
increase	147	4 534	705
decrease	960	1 705	388
As at 30.09.2015	3 762	21 249	13 104

35.2. Receivables

The value of the write-down comprises:

revaluation write-down of receivables and claimed receivables from customers	PLN 11 249 thousand
revaluation write-down of doubtful receivables:	PLN 1 424 thousand
revaluation write-down of receivables from employees and other	PLN 431 thousand

35.3. Provisions

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

	Provision for pensions and similar benefits	Provision for unpaid remuneration	Provision for liabilities	Provision for unused annual leaves
As at 01.01.2015	1 596	7 683	176	12 342
provisions established	2 218	830	0	9 886
provisions reversed	1 596	4 177	176	12 342
As at 30.09.2015	2 218	4 336	0	9 886

35.4. Income tax

Major components of income tax of LPP SA Capital Group for the period from 01.01.2015 to 30.09.2015 and comparative period are presented in the table below.

	from 01.01.2015 to 30.09.2015	from 01.01.2014 to 30.09.2014
Current income tax	30 880	62 745
Deferred income tax	11 123	-12 736
Total	42 003	50 009

The value of the individual components of the tax in Q3 2015 and in the comparative period presented in the table.

	from 01.07.2015 to 30.09.2015	from 01.07.2014 to 30.09.2014
Current income tax	15 689	13 775
Deferred income tax	-2 953	-693
Total	12 736	13 082

The positive impact of deferred tax in Q3 2015 stems from an asset due to unrealized margin on inventories sold to subsidiaries but not sold outside the Group by the end of the quarter.

35.5. Deferred tax asset and liability

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

The components thereof are presented in the tables below.

Deferred income tax assets	30.09.2015
Revaluation of fixed assets	9 742
Revaluation of trademarks	102 906
Tax loss	1 400
Margin on goods unsold outside the Group	12 288
Margin from sales effort	2 926
Revaluation of inventories	978
Revaluation of receivables	445
Commodity returns	548
Employee leave	826
Remuneration and overheads	829
Other	63
Total	132 951

Deferred tax liability	30.09.2015
Revaluation of fixed assets	4 645
Outstanding damages	161
Other	42
Total	4 848

35.6 Exchange rate differences

The consolidated profit and loss account drawn up as at 30 September 2015 presents an excess of taxable foreign exchange differences over deductible foreign exchange differences of PLN 32 784 thousand.

35.7. Operating segments

Revenues and financial results for geographical segments for the period from 1 January 2015 to 30 September 2015 and for the comparative period are presented in the tables below.

2015

	EU Member States	Other countries	Consolidation adjustments	Values not attributed to the segments	Total
External sales	2 795 406	759 920			3 571 809
Intersegment sales	442 723		-442 723		-
Other operating income	11 439	4 509		535	16 483
Total revenue	3 283 630	764 429	-476 785	535	3 571 809
Total operating expenses, including	2 919 261	683 991	-472 890	127 660	3 258 022
Costs of intersegment sales	365 644		-365 644		-
Other operating expenses	31 723	14 735			46 458
Segment results	332 646	65 703	-3 895	-127 125	267 329
Financial revenue				1 934	1 934
Financial expenses				48 247	48 247
Profit/loss before tax					221 016
Income tax					42 003
Net profit					179 013

2014

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

36. Notes to the separate financial statements of LPP SA

As a result of the estimation of the balance sheet value of the assets engaged in the foreign subsidiaries in the period from January to September 2015, there was made the individual balance sheet representing the assets items: shares, capital supplement payments, loans and receivables, also included in the financial and operating expenses and revenues of the individual income statement, was introduced in the total amount, which reduces the assets item, including the deferred tax, of PLN 9 496 thousand.

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